

7.0%

Vacancy Rate

YoY Chg.



12-Mo. Forecast



€22.00

Prime Rent, Sq m/month



3.90%

Prime Yield



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2020

333K

Prague office-based employment

YoY Chg.



12-Mo. Forecast



3.5%

Prague Unemployment Rate



4.0%

Czech Republic Unemployment Rate



Source: Moody's Analytics, Czech Ministry of Labor and Social Affairs

ECONOMY: Rebound expected in 2021 with GDP growth forecast at 4.1 %

The ongoing pandemic of Covid-19 with a strict lockdown of the highest anti-epidemic system level, which has been re-imposed on December 27, delays a buoyant economic recovery. According to the last Q4 estimates, GDP level should be falling again due to a weaker consumption hampered by the second wave of the pandemic and the subsequent containment measures. On the other side, expectations for trade and industrial production to fare better than during the first lockdown should lead to a substantial upsurge of 3.6% q/q.

SUPPLY AND DEMAND: Prague office market shifted to a tenant's market in Q4 2020

Total of 163,000 sq m of new and refurbished office space was completed in 2020, which is 24% less than in the previous year. Developers are facing difficulties with financing and prolonged planning processes. Some decided to wait for a higher share of pre-leases. Hence, in the upcoming two years, we can expect a further drop in office supply. Both tenants and landlords offer subleases more frequently, although the official total amount of space available to sublet is still relatively low (about 64,000 sq m).

The market has shifted from landlord's to tenant's market in Q4 2020. Decrease of larger deals and sinking overall demand force office owners to offer more aggressive conditions to their tenants. The share of renegotiations in the total take-up reached 50% in the last quarter, but we witness some optimistic activity on relocation requirements. Trends of downsizing and adjusting office layouts are evident, and expansions became rare. However, many employers have also been reviewing the impact of the necessary working from home on business results. The vacancy rate remained at 7.0% at the end of the year in Prague office market.

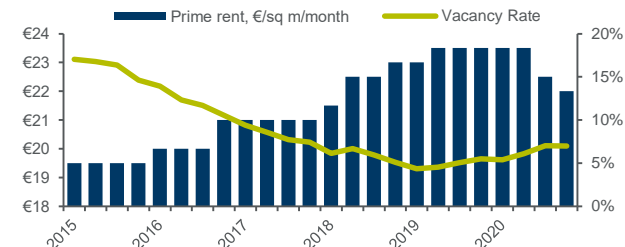
PRICING: Tenants can achieve better deals

Landlords, especially those with a larger portion of unrented space, start to offer more attractive conditions and incentives. At the same time, developers re-tender their suppliers to lower costs and prepare for further pressure on rents. Tenants expect "great" deals, particularly for relocations, which they can achieve, although there is still not much evidence on particular headline rents revisions.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

| SUBMARKET | STOCK (SQ M) | AVAILABILITY (SQ M) | VACANCY RATE | CURRENT QTR TAKE-UP (SQ M) | YTD TAKE-UP (SQ M) | YTD COMPLETIONS (SQ M) | UNDER CNSTR (SQ M) | PRIME RENT (€/SQ M/MONTH) |
|----------------------|------------------|---------------------|--------------|----------------------------|--------------------|------------------------|--------------------|---------------------------|
| Prague 1 | 523,033 | 35,182 | 6.73% | 11,650 | 48,926 | 20,277 | 10,822 | 22.00 |
| Prague 2 | 139,943 | 5,059 | 3.62% | 1,535 | 5,919 | 11,200 | 0 | 18.50 |
| Prague 3 | 121,818 | 6,563 | 5.39% | 2,240 | 6,623 | 0 | 1,718 | 17.00 |
| Prague 4 | 966,516 | 56,233 | 5.82% | 21,776 | 93,995 | 35,139 | 2,000 | 17.50 |
| Prague 5 | 650,762 | 57,126 | 8.78% | 13,013 | 42,460 | 11,520 | 12,478 | 16.25 |
| Prague 6 | 191,869 | 24,907 | 12.98% | 2,100 | 11,937 | 0 | 25,635 | 16.00 |
| Prague 7 | 241,308 | 20,579 | 8.53% | 14,348 | 37,807 | 22,507 | 4,977 | 15.00 |
| Prague 8 | 579,303 | 25,626 | 4.42% | 15,530 | 62,207 | 37,719 | 48,107 | 16.25 |
| Prague 9 | 172,992 | 19,721 | 11.40% | 5,663 | 11,731 | 18,369 | 30,680 | 13.30 |
| Prague 10 | 159,506 | 10,557 | 6.62% | 10,842 | 11,203 | 6,488 | 0 | 12.00 |
| PRAGUE TOTALS | 3,747,049 | 261,554 | 7.0% | 98,696 | 332,807 | 163,219 | 136,417 | 22.00 |

KEY LEASE TRANSACTIONS Q4 2020

| PROPERTY | SUBMARKET | TENANT | SIZE (SQ M) | TYPE |
|------------------------|-----------|------------------|-------------|---------------|
| Hagibor 05 | Prague 10 | Undisclosed | 7,787 | Pre-lease |
| Gen | Prague 7 | Internet Mall | 6,335 | Renegotiation |
| Florentinum | Prague 1 | Havel & Partners | 5,205 | Renegotiation |
| Kavčí Hory Office Park | Prague 4 | NET4GAS | 4,773 | Renegotiation |

KEY CONSTRUCTION COMPLETIONS 2020

| PROPERTY | SUBMARKET | MAJOR TENANT | SIZE (SQ M) | VACANCY RATE | OWNER/DEVELOPER |
|--------------|-----------|--------------|-------------|--------------|-----------------|
| DOCK IN FOUR | Prague 8 | Wrike Czech | 20,400 | 5% | Crestyl |
| Bubenská 1 | Prague 7 | WPP | 19,700 | 0% | CPI Group |
| AFI City 1 | Prague 9 | n/a | 15,900 | 100% | AFI Europe |
| Parkview | Prague 4 | IWG (Spaces) | 15,300 | 6% | Skanska |
| BB Centrum B | Prague 4 | Undisclosed | 15,300 | 38% | Passerinvest |
| J&T HQ | Prague 8 | J&T Bank | 15,300 | 0% | J&T |

Source: Prague Research Forum, Cushman & Wakefield

MARIE BALÁČOVÁ

Head of Research

+420 234 603 740 / marie.balacova@cushwake.com

TOMÁŠ NOVOTNÝ

Research Analyst

+420 234 603 362 / tomas.novotny@cushwake.com

cushmanwakefield.com

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