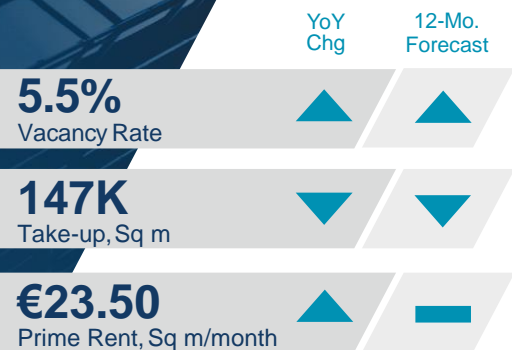


# MARKETBEAT PRAGUE

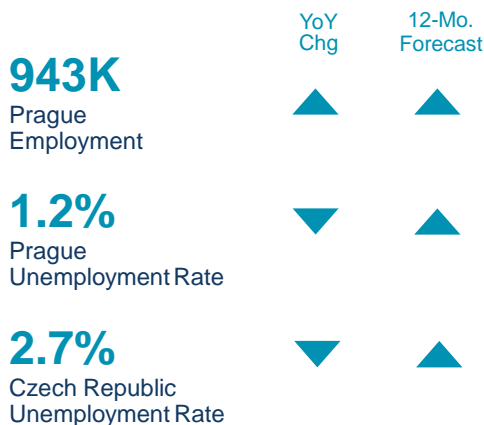


## Office Q4 2019



(Overall, All Property Classes)  
Source: Prague Research Forum

### ECONOMIC INDICATORS Q4 2019



Source: Oxford Economics

### ECONOMY: Labour shortages continue to be a potential downside risk

The GDP growth forecast has again fallen, this time to 2.5% for 2019 and 1.8% for 2020, mainly due to a weaker growth in Q3 and continued industrial decline in Q4. With the clouded outlook for global trade and uncertainty weighing on investments, we expected the slowdown to continue this year before a modest pick-up in growth to 2.1% in 2021. Whereas industry and investment recorded decline in the last months as a result of the uncertainty on global markets and a weaker German economy, the labour market is in it's best condition in the Czech Republic. Looking at the labour force, the Czech Republic has reached a record low unemployment rate of 2.7% as of December. We expect the labour market to gradually cool as employment gains decelerate, but for the time being, labour shortages continue to be a potential downside risk.

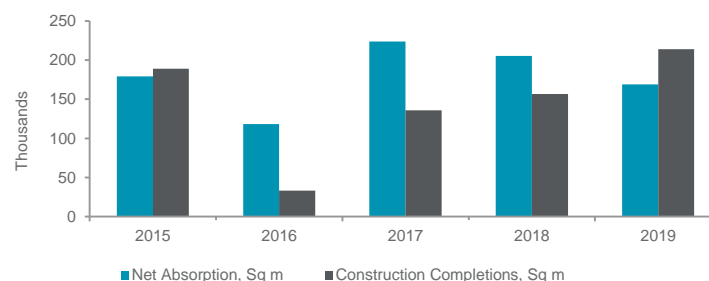
### SUPPLY AND DEMAND: Record high supply meets with cooling demand

Demand for office space in Prague has slowly decreased since 2017 due to the tight labour market and consolidations in which companies have limited their expansions or relocations and focused more on their existing properties. Moreover, the share of large-scale transactions also decreased by 25% in 2019. On the other hand, new supply has been growing since 2016, with a yearly average rate of 80%. This is resulting in a growing vacancy rate, which drew closer to 6% in the last quarter. About 247,000 sq m of office space is currently under construction with an overall prelease rate of 46%. The new development activity has been recently expanding to districts of Prague that have previously been deemed less attractive or appealing, such as Prague 9 and 10.

### PRICING: Landlords' market turning to a tenants' market

The decrease in demand for new office space, which will be delivered in a record scale in following periods, will have an impact on the balance of the market: while landlords have limited the incentives for tenants in previous years and simultaneously increased rent prices, the situation will change now as the current rental level is no longer sustainable. The landlords will again have to seek innovative ways how to attract tenants to their vacant spaces, which will continue to grow. Location does still play an important role, however, and in areas such as Karlín or City Center that tend to be more attractive to tenants, there will always be a lack of available office space.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



## MARKET STATISTICS

SUBMARKET	STOCK (SQ M)	VACANT (SQ M)	OVERALL VACANCY RATE	CURRENT QTR NET ABSORPTION (SQ M)	YTD NET ABSORPTION (SQ M)	YTD LEASING ACTIVITY (SQ M)	UNDER CNSTR (SQ M)	PRIME RENT (SQ M/MONTH)
Prague 1	533,150	14,557	2.73%	3,159	13,935	48,786	25,277	23.50
Prague 2	133,489	2,658	1.99%	330	7,832	19,085	11,200	18.50
Prague 3	121,818	4,428	3.63%	-6,705	-2,867	22,144	1,718	17.00
Prague 4	953,708	46,107	4.83%	6,036	6,444	112,714	43,492	17.50
Prague 5	642,038	49,605	7.73%	4,937	34,311	52,667	13,690	16.50
Prague 6	195,517	27,222	13.92%	5,583	4,562	19,345	24,300	16.00
Prague 7	232,285	23,963	10.32%	-8,068	-2,655	14,129	27,906	15.00
Prague 8	541,584	20,046	3.70%	6,015	56,759	134,742	80,231	16.50
Prague 9	155,718	4,078	2.62%	29,607	31,720	8,763	18,839	13.30
Prague 10	159,506	8,414	5.28%	12,473	18,881	12,355	0	12.00
<b>PRAGUE TOTALS</b>	<b>3,668,812</b>	<b>201,078</b>	<b>5.48%</b>	<b>53,367</b>	<b>168,922</b>	<b>444,731</b>	<b>246,653</b>	<b>23.50</b>

## KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SIZE (SQ M)	TYPE
City Green Court	Prague 4	PriceWaterhouseCoopers	13,400	Renewal
Churchill II	Prague 2	Fortuna Game	8,400	Pre-lease
Nestlé HQ	Prague 4	Nestlé	7,100	Renewal

## KEY CONSTRUCTION COMPLETIONS YTD 2019

PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQ M)	OWNER/DEVELOPER
ČSOB HQ II	Prague 5	ČSOB	30,000	ČSOB
Harfa Office Center	Prague 9	Undisclosed	27,133	Kaprain JV Lighthouse
Telehouse	Prague 6	YIT Stavo	20,941	BPD Group
Centrum Vinice (refurbishment)	Prague 10	FTV Prima	19,303	GES Real
DOCK IN THREE	Prague 8	Cardiff	16,025	Crestyl

Source: Prague Research Forum

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