



RESEARCH

AT A GLANCE Q3 2020

OFFICE MARKET IN PRAGUE

OFFICE TENANTS TEMPORISE, THE DEMAND IS DRIVEN BY RENEGOTIATIONS

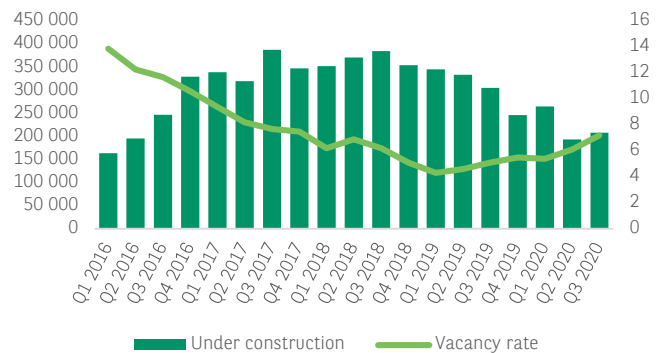
- **Uncertainty in the office market due to COVID-19 persists**
- **The vacancy rate rose to 7.2% in Q3 2020**

SUPPLY & VACANCY

In the third quarter of 2020, a total of **36,500 sq m** of new office space was delivered to the market. Three buildings were completed: **AFI City 1** (17,300 sq m) in Prague 9, **The Flow Building** (14,830 sq m) in Prague 1 and the **České Přístavy administrative building** (2,800 sq m) in Prague 7. After reconstruction, the **Hybernská 1** building (1,600 sq m) was opened in Prague 1. During Q3 2020, the construction of four office buildings has begun - **SM1** (8,200 sq m) in Prague 5, which is part of the first stage of the Smíchov City-Sever project, the **Supreme Audit Institute administrative building** (7,500 sq m) in Prague 7, **Košířská Brána** (3,500 sq m) in Prague 5 and **Florenc Gate** (3,200 sq m) in Prague 8.

According to the Prague Research Forum (PRF), the **vacancy rate** rose to **7.2%**. The highest vacancy rate has been recorded in Prague 5 (9.1%) and Prague 4 (6.1%), the lowest figures have Prague 2 (3.7%) and Prague 3 (5.5%).

SPACE UNDER CONSTRUCTION, VACANCY RATE (sq m, %)



Source: BNP Paribas Real Estate, PRF

KEY FIGURES



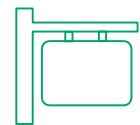
3.8 m sq m
TOTAL STOCK



36,500 sq m
NEW SUPPLY Q3 2020



208,000 sq m
UNDER CONSTRUCTION
& REFURBISHMENT



7.2%
VACANCY
RATE

TAKE-UP & MAJOR LEASES

- Out of the total gross take-up, new leases accounted for 38% and renegotiations for 62%.

Selected major lease contracts include:

- Extension of UniCredit Bank (22,900 sq m) in the Filadelfie office building at BB Centrum in Prague 4;
- Renegotiation of Bluelink International (3,200 sq m) in Florentinum in Prague 1;
- New lease of Verizon Czech (3,200 sq m) in Life Building C in Prague 4;
- Renegotiation of Good Data (2,500 sq m) in Danube House in Prague 8.

TAKE-UP

Q3 2020

Gross: 86,200 sq m
Net: 32,400 sq m

Q3 2020 of gross take-up



33%
Finance

45%
Prague 4



18%
IT

21%
Prague 8



7%
Prof. Services

11%
Prague 5

PRIME HEADLINE RENTS



€22.50 - 23.00
City Centre



€15.50 - 17.00
Inner City



€13.50 - 15.00
Outer City

AVERAGE RENTS IN A-CLASS OFFICES



€17.50
Prague 1

€14.60
Prague 4

€13.90
Prague 5

€14.70
Prague 8

INVESTMENT

16 million EUR

Invested in the office sector in Q3 2020

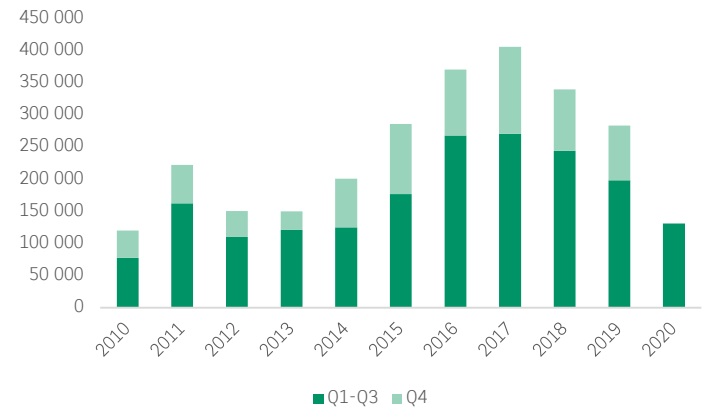


4.5%
Prime yield

6%
Share in investment volume

ANNUAL TAKE-UP

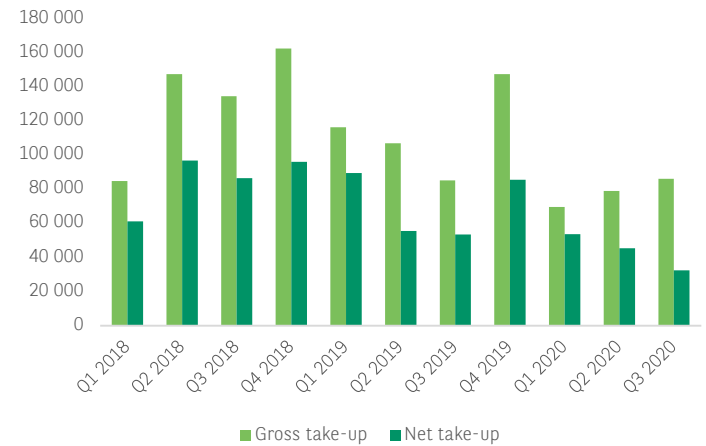
(sq m)



Source: BNP Paribas Real Estate, PRF

QUARTERLY TAKE-UP

(sq m)



Source: BNP Paribas Real Estate, PRF

SUMMARY & OUTLOOK

- In the first 9 months of 2020, almost **140,000 sq m** of office space was delivered to the market, which is **35% more** than in the same period last year. By the end of 2020, we expect the completion of another 21,100 sq m of office space.
- **Vacancy** levels continued to increase over the third quarter within Prague. The office market noted just over 267 300 sq m of vacant space. This translates to a 7.2% vacancy rate which is a 210 basis point increase year-on-year (source: PRF).
- In Q3 2020, the highest achieved **rents** remained **stable**. The prime rents in the city centre ranged between 22.50–23.00 EUR/sq m/ month.
- Gross take-up reached 234,800 sq m in the first three quarters, which represents a year-on-year decrease of 24%. In the third quarter, we recorded a **decline in new leases** to 32,400 sq m, which was the lowest volume **since 2013**.
- The onset of the second wave of the Covid-19 **pandemic** brought further **uncertainties** to the office market. Increasing office vacancy, weak demand, declining rents and an expansion of rent free periods are therefore likely to be characteristic of the **Prague office market** for the foreseeable future.

DEFINITIONS

Stock: Total completed office space (occupied and vacant), newly built since 1992 or refurbished, A and B class offices, owner occupied and for lease. Buildings with less than 1,000 sq m are excluded.

New supply: Completed newly built or refurbished buildings that obtained a use permit in the given period.

Take-up: A gross figure representing the total floor space known to have been let or pre-let, sold or pre-sold to tenants or owner-occupiers over a specified period of time. It does not include space that is under offer. A property is taken up when the future lease contract is signed. Total gross take-up includes renegotiations and lease extensions, net take-up excludes these.

Prime headline rents: Achieved rents that relate to new prime, high specification units in prime locations.

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6 BUSINESS LINES in Europe

A 360° vision

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