



## RESEARCH

### AT A GLANCE Q2 2021

## PRAGUE OFFICE MARKET

### HYBRID WORK MODEL AS A "NEW NORMAL"

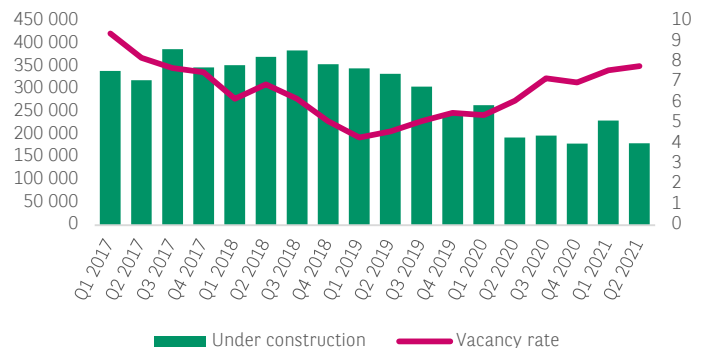
- In Q2 2021, vacancy increased by 0.2 percentage points
- New construction in 2021 at a five-year low

### SUPPLY & VACANCY

In Q2 2021, 51,040 sq m of new modern office space was completed. A total of four new office buildings were delivered to the market: **Bořislavka Centre** (25,990 sq m) in Prague 6, **Mississippi House** (13,380 sq m) and **Missouri Park** (7,370 sq m) both in Prague 8 and **Astrid Offices** (4,300 sq m) in Prague 7. We expect the completion of a further four projects by the end of the year, the largest of which will be the new construction of the **Harfa Business Centre B** (28,000 sq m) in Prague 9. No construction of new office buildings began in this quarter.

According to data from the Prague Research Forum (PRF), the share of **unoccupied office space** in the total supply reached **7.8%**, which is an increase of 0.2 percentage points compared to the previous quarter. The highest vacancy rate was recorded in Prague 4 (7.3%) and Prague 5 (9.0%), the lowest in Prague 2 (4.4%) and Prague 2 (6.1%).

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



Source: BNP Paribas Real Estate, PRF

### KEY FIGURES



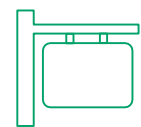
**3.8** m sq m  
TOTAL STOCK



**51,040** sq m  
NEW SUPPLY Q2 2021



**180,450** sq m  
UNDER CONSTRUCTION  
& REFURBISHMENT



**7.8%**  
VACANCY  
RATE

### TAKE-UP & MAJOR LEASES

- Out of the total gross take-up, new leases accounted for 55%, the remaining 45% were renegotiations and subleases.

**Selected major lease contracts include:**

- New lease of Ministry of Industry and Trade (3,700 sq m) at the Wenceslas square 42 in Prague 1;
- Pre-lease of confidential tenant (3,500 sq m) in Dock in Five in Prague 4;
- New lease of University of Chemistry and Technology (VŠCHT) (3,200 sq m) in Jankovcova 23 in Prague 7;

### TAKE-UP

Q2 2021

**Gross:** 89,300 sq m  
**Net:** 49,100 sq m

### Q2 2021 of gross take-up



13%  
Prof. services

21%  
Prague 8



10%  
Public sector

18%  
Prague 1



14%  
Consumer goods

14%  
Prague 4

### PRIME HEADLINE RENTS

→	→	→
<b>€22.50 - 23.00</b>	<b>€15.50 - 17.00</b>	<b>€13.50 - 15.00</b>
City Centre	Inner City	Outer City

### AVERAGE RENTS IN A-CLASS OFFICES



<b>€17.50</b>	<b>€14.60</b>	<b>€13.90</b>	<b>€14.70</b>
Prague 1	Prague 4	Prague 5	Prague 8

### INVESTMENT

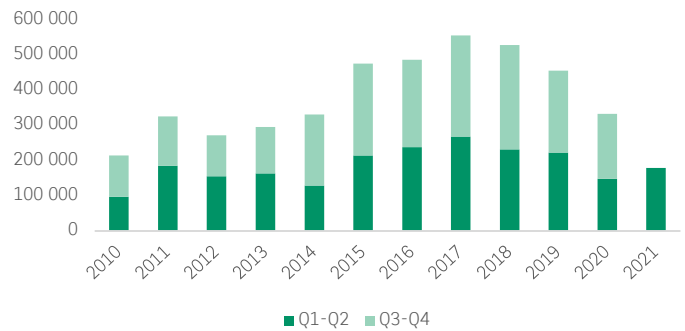
**186 million EUR**  
Invested in the office sector in Q2 2021



**4.25%**  
Prime yield

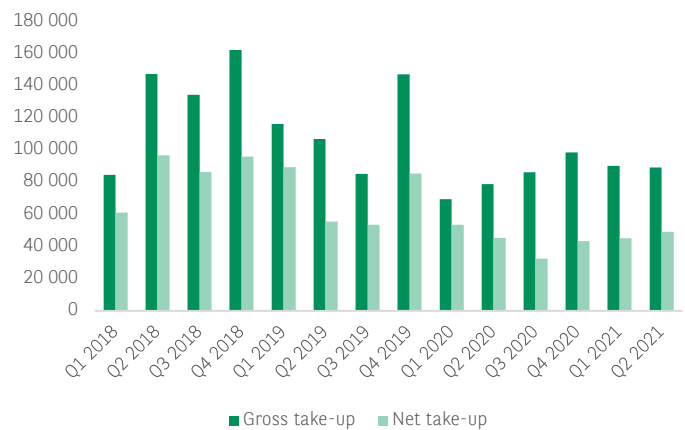
**38%**  
Share in investment volume

### ANNUAL TAKE-UP (sq m)



Source: BNP Paribas Real Estate, PRF

### QUARTERLY TAKE-UP (sq m)



Source: BNP Paribas Real Estate, PRF

### SUMMARY & OUTLOOK

- At the end of Q2 2021, the **construction** of office projects slowed down by 11% year-on-year and amounted to 180,450 sq m. Most projects under construction are located in Prague 9 (25%), Prague 7 (22%) and Prague 1 (21%). By the end of this year, another 39,200 sq m of office space is to be completed.
- The prime rents remained stable, in the city centre they ranged from 22.50-23.00 EUR / sq m / month.
- Total **demand** increased by 13% year-on-year to 89,300 sq m, but decreased by 1% compared to the previous quarter. New leases were 34% below the 5-year average.
- Rising prices** of building materials and a shortage of workforce are one of the **limiting factors** for the construction of office projects. This year we expect the lowest level of **new construction** since 2017.
- There have been huge shifts in the way we work in the last year, for most companies the future is in the **hybrid way of working**. Companies are rethinking the possibilities of new workplace strategies that include teleworking, which is likely to include „**hot desking**“ and **coworking**.

**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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