

# *Kancelářský trh v Praze v roce 2019*

*Petr Palička*

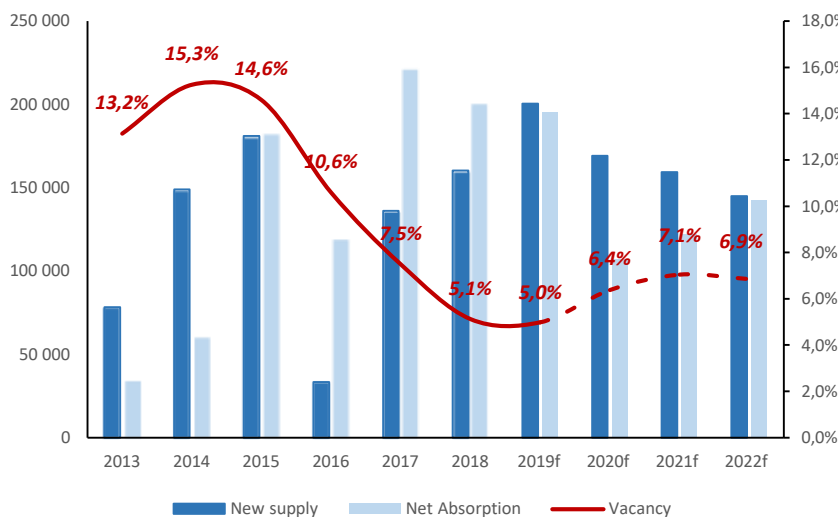


# I. Office Market - Stock & Supply Pipeline

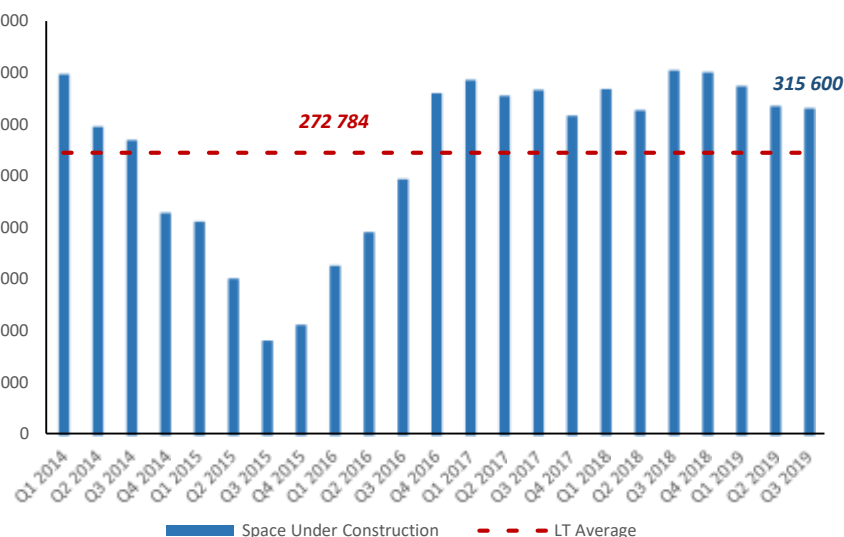
In 2019 developers will add around 200,000 sqm of space to Prague office stock, nearly all off which will be absorbed by the market, keeping thus vacancy at record low levels (c. 5%).

Currently, the total space under construction is about 315,600 sqm, of this figure almost 35% is already pre-let. Such amount of construction activity is consistent with that we observed over the past 2 years.

Supply, Net Absorption and Vacancy Evolution (sqm)



Space under construction (sqm)



Going forward, we expect to see vacancy levels rise as the market will not be able to absorb all of new (significant) supply. However, the vacancy rates shall stay at 7% mark, which is still considered a very healthy level.

## Largest office projects completed or due for completion in 2019

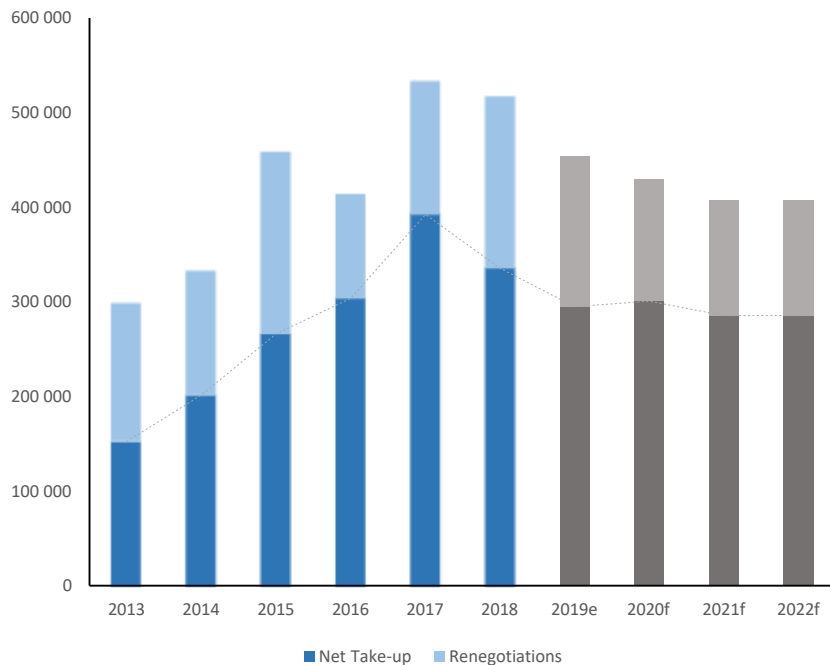
| Building            | District | Developer                 | Quarter | Size (sqm) |
|---------------------|----------|---------------------------|---------|------------|
| Harfa Office Center | Prague 9 | Lighthouse Group, Kaprain | Q4 2019 | 28,300     |
| DOCK IN THREE       | Prague 8 | Crestyl                   | Q4 2019 | 18,589     |
| ČSOB HQ II          | Prague 5 | ČSOB                      | Q2 2019 | 30,000     |
| Rustonka R3         | Prague 2 | J&T                       | Q1 2019 | 12,900     |

# I. Office Market - Take up

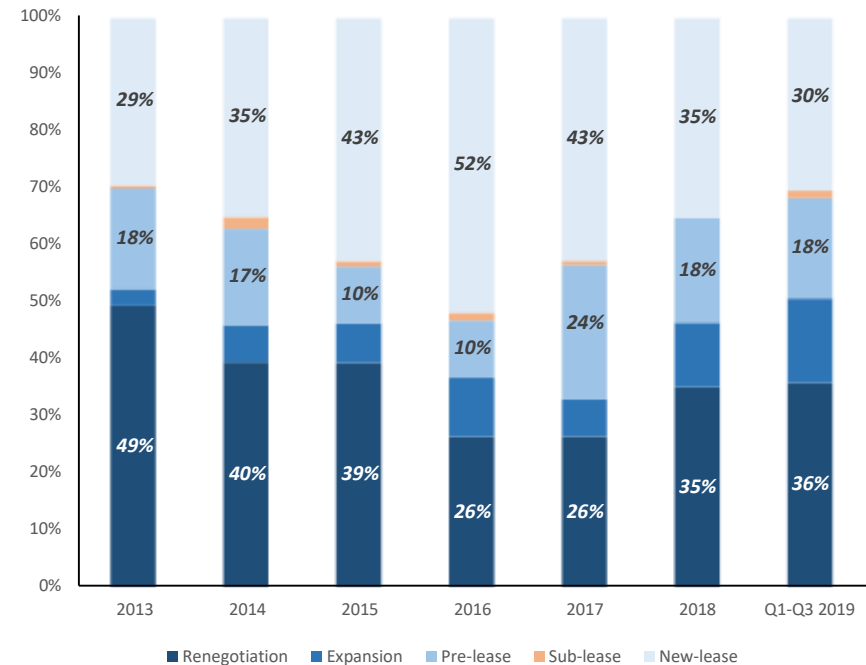
Gross take-up reached 296,200 sqm as of Q3 2019, this represented c. 17% decline y-o-y. Most of the leasing transactions were recorded within finance sector (24%), public sector (14%) and IT (13%).

Relatively limited opportunities for relocations on the market created an ideal environment for renegotiations in 2019. During Q1-Q3 2019 renegotiations had 36% share on total take up, while new lease and pre-lease amounted to 30% and 18%, respectively.

Gross take-up in sqm (=net take-up + renegotiations)



Structure of gross take-up



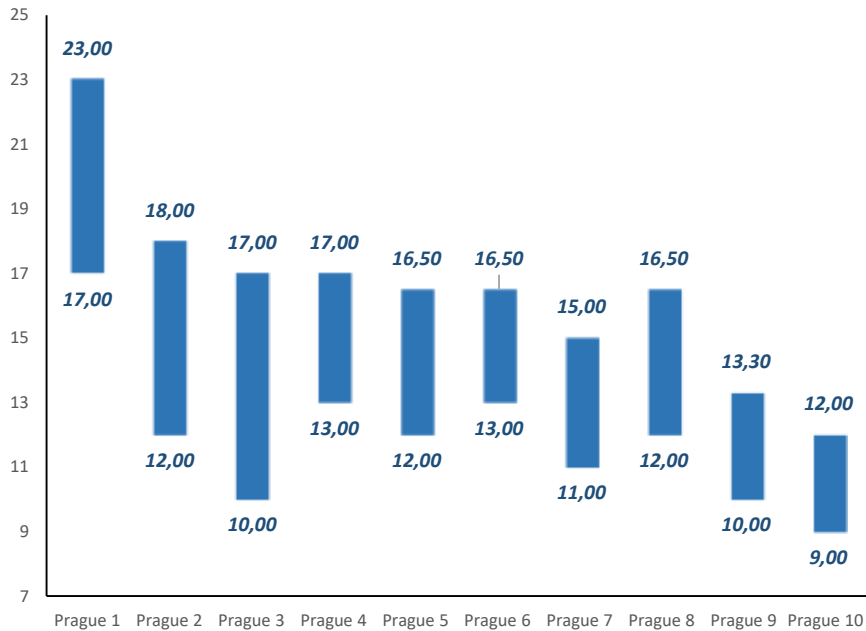
This year's total leasing activity should remain strong (c. 450,000 sqm) from longer-term historical perspective. In comparison to previous year, however, we expect some 12% drop in the overall demand. In the following years, rough estimates say that gross take up will converge to around 400,000 sqm level.

# I. Office Market - Rents

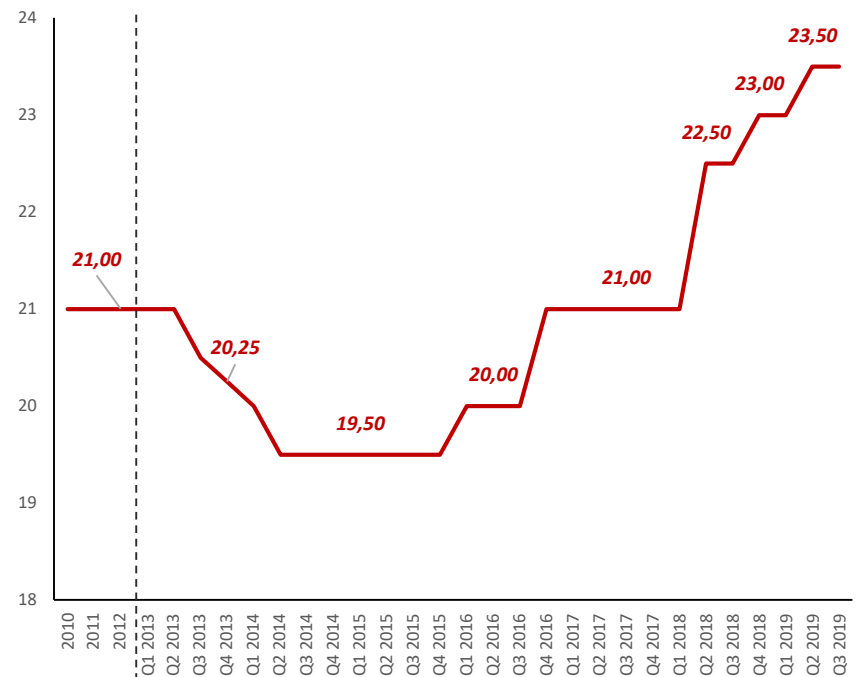
As of Q2 2019, the highest average headline rents were traditionally observed in Prague 1 district (stand at 17,00 – 23,00 €/sqm/m), followed by Prague 2 (12,00 – 18,00 €/sqm/m) and Prague 3 and 4.

Compared to Q3 2018 prime office rents increased by approx. 4,5% y-o-y to 23,5 EUR/sqm/m as of Q3 2019. The main driver for the increase lies in the record low vacancies evidenced on the market throughout 2019.

Average headline rent by district (Q2 2019)



Prime office rents development

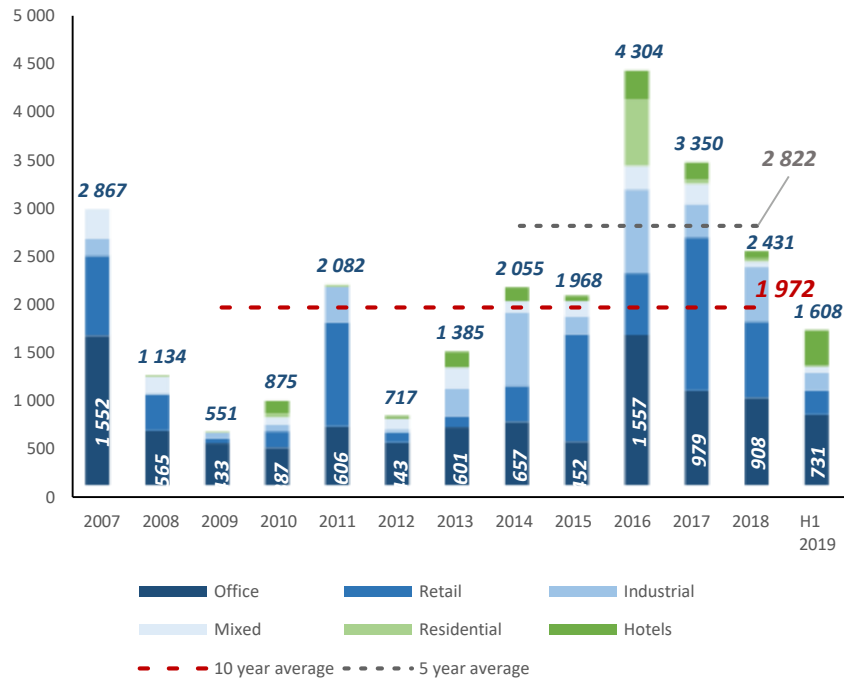


# I. Office Market - Investment market

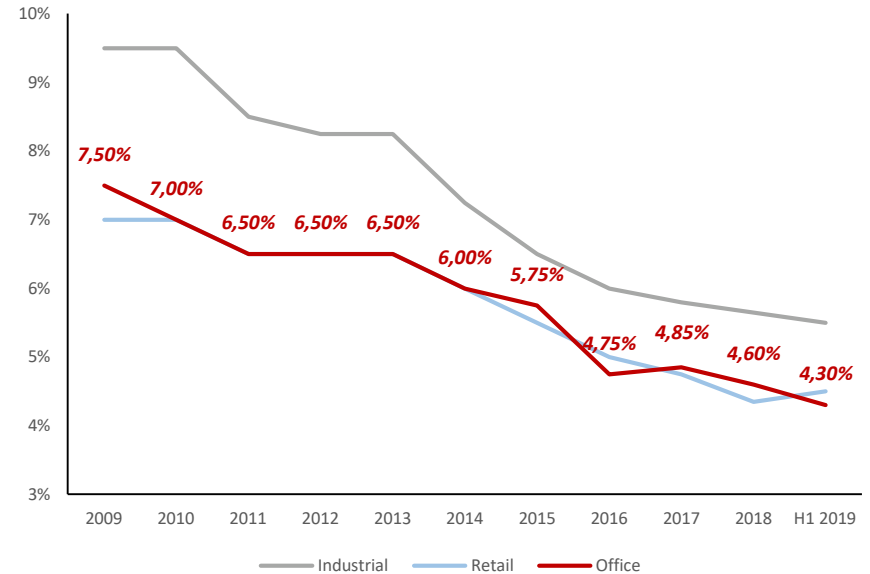
Total investment volume in 32 deals reached 1,608 EUR mio (+ 54% y-o-y) in H1 2019. Office sector dominated, representing 45% of investments, followed surprisingly by hotels (23%) and retail (15%). Majority of foreign investments came from South Korea (31%).

Prime office yields reached historical lows in Prague (4,30%) at the end of H1 2019 – as a result of strong demand and lack of suitable product. Prime retail yields stood at 4,50% while industrial sector prime assets were traded at around 5,50%.

Total Investment Volume



Prime yields development



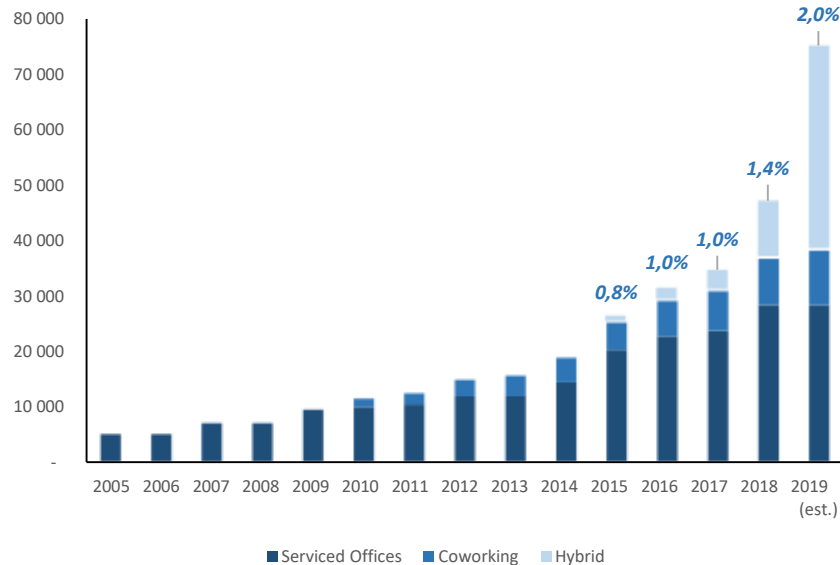
Due to the ongoing interest from Korean investors and other prime investors placing their equity into RE, it is expected the prime yield to compress marginally in the office segment. Total RE investment volume for 2019 is expected to exceed 3,000 EUR mio.

# I. Office Market – Flexible Offices Prague

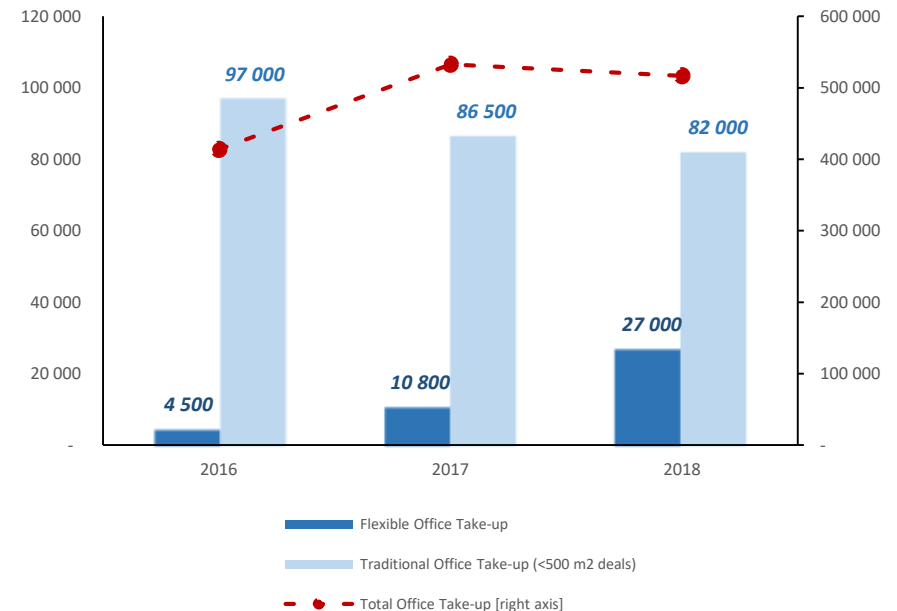
In Prague, Flexible Office space is expected to increase to a 2% share of total office space by the end of 2019. Rapid growth is expected to persist through years 2020-2022 primarily in the Hybrid sub segment. As of Q2 2019 there were 57 cowork locations open in Prague.

The growth in take-up for flexible space providers has come at the expense of take-up from small tenants in traditional offices. Flexible take-up is expected to surpass the latter within the next five years. Currently Flexible leases represent 5% of total take-up and 8% of net take-up.

**Flexible Office Stock - Prague**  
[% of total office stock]



**Flexible Office Take-up - Prague**



In more developed international markets such as London and New York, flexible office pace is expected to surpass 5% of total stock in the medium term. Despite the slowdown at WeWork, growth is continuing and flexible leases represent around 10-15% of total take-up.

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***Děkuji!***