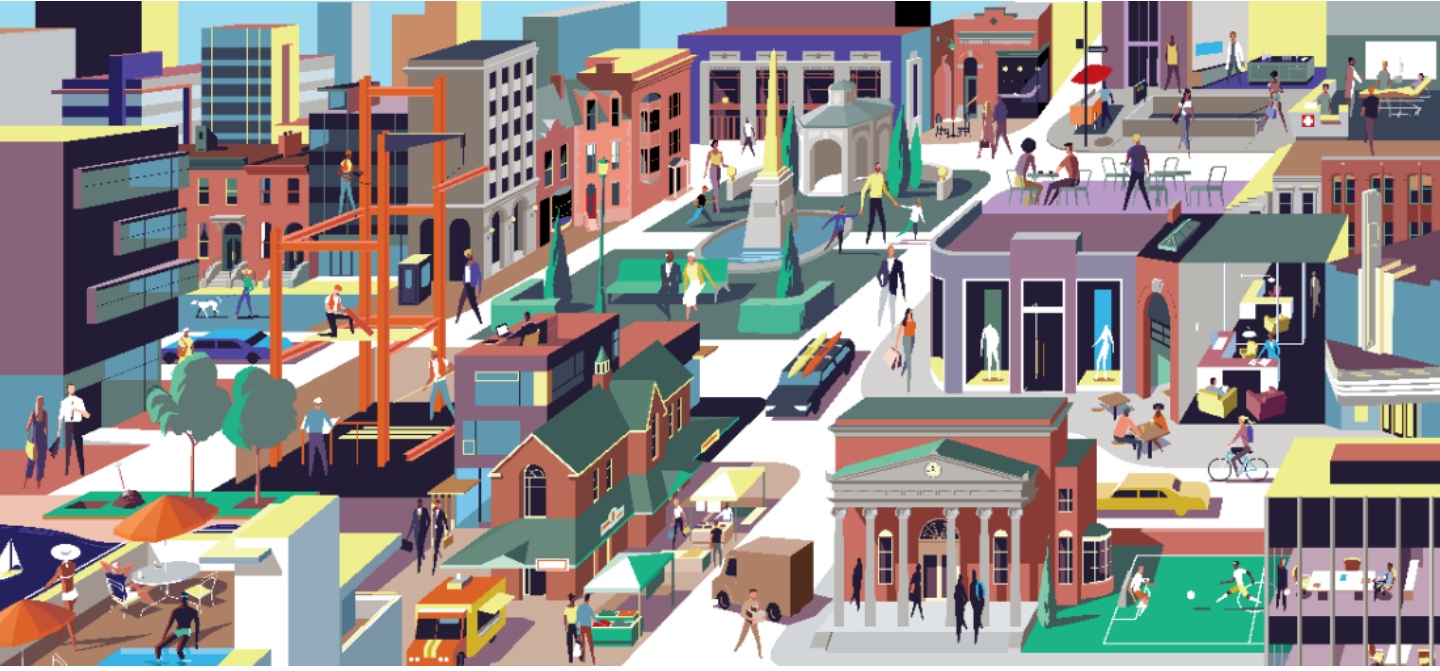


Avisource
Q1 2021
Czech Republic

**Office
Market
Tracker**



Highlights

- In Q1 2021, the total lettable office area reached 3.7 million sq m. Only 3,500 sq m were added to the market in two refurbished projects, Hybernská 1 (1,500 sq m) in Prague 1 and Obrachtova 5 (2,000 sq m) in Prague 4.
- A total of 208,700 sq m was under construction or refurbishment and of these 77,500 sq m will be delivered in 2021.
- Despite higher vacancy and the slowdown in office market activity caused by the Covid-19 pandemic, the rental rates have remained stable.



TOTAL
OFFICE STOCK

3.7 m sq m



NEW SUPPLY
Q1 2021

3,500 sq m



VACANCY RATE

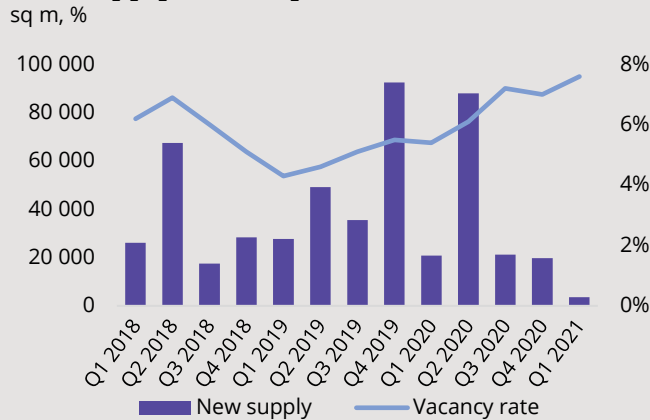
7.6%



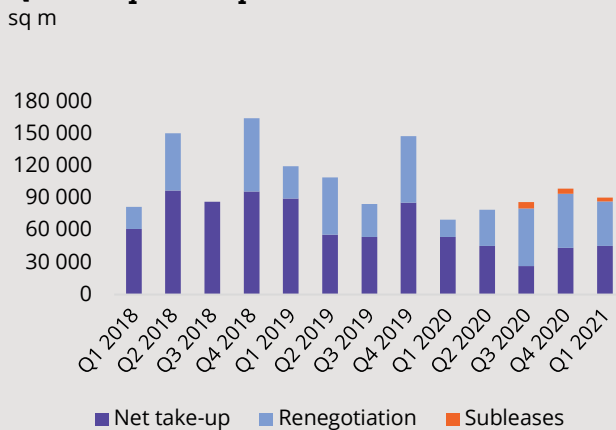
UNDER CONSTRUCTION
/ REFRUBISHMENT

208,700 sq m

New supply, vacancy rate



Quarterly take-up



Prime headline rents

City Centre	€22.00 – 23.00
Inner City	€15.50 – 17.00
Outer City	€13.50 – 15.00



Average rents in A-class offices

Prague 1	€17.60	Prague 4	€14.70
Prague 5	€14.20	Prague 8	€15.40

**PRIME
OFFICE
YIELD**

4.00%



Investment

In the first quarter of 2021, investor demand for office assets in premium locations remained strong. Supply of available product is an issue in core locations. Notable transactions closed this year include the acquisition of Nová Karolina office building in Ostrava by the Czech company RT Torax Group, with volume estimated at €80 million; and the acquisition of the Parkview office building in Prague by Deka Immobilien for €77 million.

Office market overview

In the first quarter of 2021, the office market continued to be affected by the Covid-19 pandemic. Developers rather seek pre-leases than continue with speculative construction, this has delayed the completion of some projects, particularly in secondary locations.

Total lettable office area reached 3.7 million sq m with 3,500 sq m delivered to the market in two refurbished projects, Hybernská 1 (1,500 sq m) in Prague 1 and Obrachtova 5 (2,000 sq m) in Prague 4.

The construction of two new projects commenced, Port 7 (building E - 27,750 sq m) in Prague 7 and phase 1 of the Masaryčka project (consists of two buildings of 14,400 sq m and 8,100 sq m) in Prague 1. In total there are 208,700 sq m under construction or refurbishment of which 77,500 sq m will be delivered in 2021.

The vacancy rate increased by 60 basis points to 7.6% compared to the previous quarter. The total amount of office space offered for immediate sublease also remains high. In the first quarter of 2021, available sub-lease premises stood at 75,500 sq m which represents a quarter-on-quarter increase of 15% (source: PRF).

Demand

Take-up	Volume	Q/Q	Y/Y
Gross:	90,200 sq m	- 9%	+ 30%
Net:	45,100 sq m	+ 4%	- 16%

Concentration of gross take-up

Pharmaceutical sector	20%	Prague 4	40%
IT	20%	Prague 5	14%
Professional services	14%	Prague 7	13%

According to the PRF, the share of renegotiations reached 46% of gross take-up, whereas net take-up including pre-leases and expansions represented 50%, and the remaining 4% was reflected in subleases.

Major leases

- Renegotiation of Novartis (14,300 sq m) at Gemini B in Prague 4
- Occupation of Passerinvest (3,300 sq m) as operator of its new flex space concept at BB Centrum B in Prague 4
- Renegotiation of Sweco Hydroprojekt (2,900 sq m) at Tábořská 31 in Prague 4
- The expansion of Livesport (2,200 sq m) at Aspira Business Centre in Prague 5.

Rents

Despite higher vacancy and the slowdown in office market activity caused by the Covid-19 pandemic, rental rates have remained stable.

Ryan Wray, Principal Czech Republic

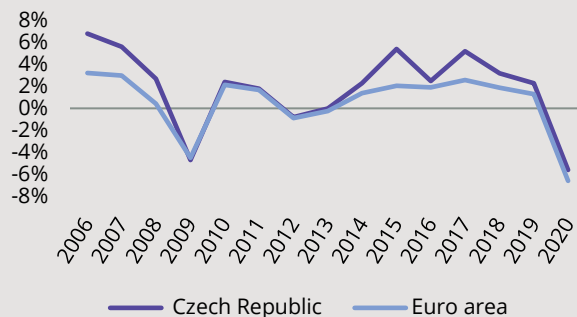
„Interesting to see such major shifts in vacancy on the office market with robust rents at the same time. But one look at the traffic situation shows the “return to office” is in full swing. Incentives packages will be decisive in securing new lettings in the coming 12 months, particularly as landlords compete with turnkey offerings of those seeking sublessees.”

Economic Overview

- The first quarter of 2021 was again affected by the Covid-19 pandemic. The strictest coronavirus measures to date have come into force since the beginning of March 2021, including limited movement of persons between districts.
- According to the Czech Statistical Office, the Gross Domestic Product (GDP) fell by 5.6% in real terms in 2020, which was the deepest decline in the history of the independent Czech Republic.
- At its meeting on 24 March 2021, the Board of the Czech National Bank kept interest rates at the current level. The basic interest rate thus remains at 0.25 percent. It is not anticipated that we will see any increases in the base rate until Q3 at the earliest.
- In 2020, CPI reached 3.2%. In March 2021, it was 2.8%. For the full year 2021 the average CPI is forecast to be 2.5%.
- The Czech currency remained sensitive to the domestic development of the pandemic. The koruna has been falling steadily since mid-February this year, when it was at its strongest since the onset of the pandemic, sitting below 26 CZK/EUR. Subsequently, however, the trend reversed due to the deteriorating epidemiological situation. For most of March 2021 the koruna remained close to 26.15 CZK/EUR compressing again towards the end of the month to 26.05 CZK/EUR. At the date of release of this report the CZK/EUR exchange rate stood at 25.47:1.
- The unemployment rate reached 3.4% in March 2021. The unemployment rate is expected to rise in the coming months. However, government employment measures should further dampen sharper escalation of unemployment.
- In Q1 2021 Czech industrial production values were significantly affected by the lockdown. Modest year on-year growth was expected but production fell by 2% month-on-month in February 2021, which is a 2,6% year-on-year decrease compared to February last year. However, in March production increased by 14.9% year-on-year in real terms, which is 3.2% month-on-month increase.

GDP (at constant prices 2015)

%, y/y



Source: CSU, Avison Young

Unemployment rate, Industrial production

%, y/y



Source: CSU, Avison Young

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