# Rents and fees for services in Prague offices are increasing, but demand is still rising

PRAGUE, 07 SEPTEMBER 2022 - The Czech branch of Colliers, a leading provider of diversified professional services for commercial real estate and investment management, published a survey of the Prague office market for the second quarter of 2022. According to this survey, the vacancy rate did not change and remained at the same value as in the previous quarter. On the contrary, rents or service fees continue to rise. The volume of net take-up is nevertheless the highest since the end of 2019.

Last quarter’s completions accounted for 22,700 sqm, namely in the two completed projects Dock In Five and Košířská Brána. The new supply brought the total stock volume in Prague to roughly 3.75 million sqm. Gross take-up in the first quarter of 2022 was strong and the second quarter followed with a similar volume. The Q2 volume of net take-up represents 80 ,000 sqm, which is 65 % of the gross figure and the highest volume since Q4 2019. The share of renegotiations was only slightly above 30 %. The resulting total leasing activity of 123,600 sqm is evidence of a lively office market, hardly scathed by any of the current externalities. „*Occupiers understand that the change in the working environment is necessary, and we are frequently seeing the moves from ageing buildings to new ones. We also believe that occupiers are able to appreciate the added value of the newly constructed or refurbished projects, despite rising costs*,” says Josef Stanko an analyst at the consulting company Colliers. As for the biggest transactions of Q2, the largest was the pre-completion lease in Roztyly Plaza, then a renegotiation in the BesNet Center or a new lease in the Filadelfie building in Brumlovka.

### The vacancy remains the same

The vacancy rate, thanks to the limited new supply, didn’t change and remained at 8.4 %, representing approximately 313,400 sqm of immediately available space across the Prague market. The most space is available in the largest submarket of Prague 4, followed by Prague 5. „*The most established and sought-after submarkets combined have a vacancy rate of 7 %, sometimes even less. This tells us that the locations with modern and sustainable buildings are considered and demanded more and more by the occupiers looking for new premises*,” says Josef Stanko and adds, that the vacancy rate in the rest of the market can be affected in the future as tenants will vacate their ‘old’ space, which is, however, a great chance for redevelopment or general repurposing of the old, vacated stock. The offer of subleases is volatile. „According to our latest research, there should be over 60,000 sqm of space marketed for sublease, representing roughly 1.6 % of additional vacancy,” adds Josef Stanko.

### Rent and fee for service continue to rise

Unprecedented increase and adjustments in prices on a monthly basis appear especially in new construction. Prime headline rents in city centre increased to €25.50, with further increases expected thanks to the new developments. Inner city and outer city prime headlines are starting to blend in - as prime office space within the inner city ring can be rented for up to €16.50 to €18.50 per sqm per month and outer city locations are somewhere between €14.00 to €16.00 per sqm per month. We see the rental gap between old and new widening. With rising inflation, a question is usually raised regarding the service charges. According to our property managers and office agents, we can clearly see an increase of 25 % or more in current service charges during this year and more is yet to come when we need to start heating.

### Outlook for the next months

Disrupted supply chains with construction materials were calmed down as suppliers and developers themselves were able find new sources. The increase in rents and service charges will probably continue. Many new city-led projects are being introduced, focusing on refurbishing main streets, creating boulevards, and strengthening the infrastructure and public transport. Plans for areas around metro line D were presented too and the creation of new office locations is again a bit closer to reality. It seems that Prague 4, together with Prague 7’s Bubny-Zátory brownfield, could be the most developed office submarket in the second half of the 20 s. As for commencements, a number of additional large projects have entered the active construction phase, such as Hagibor 01 and 02 or Rohan City A1. For the rest of the year, we can expect the commencement of construction of a further 74,000 sqm of brand-new office space across Prague.

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