

# Prague Property

SECOND QUARTER 2004

The office occupational market in Prague has seen some slowing in 2004, especially when compared with the high levels of activity in 2003.

The industrial market in the Greater Prague area continues to be very attractive, with many logistics providers currently looking for space.

The Prague retail markets continue to attract attention from international retailers looking for the best locations.

The hotel market in Prague is making a marked rebound on the tails of the increase in tourism.

Fierce competition persists on the Prague investment market, which continues to drive down the prime yields in all sectors.

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## H1 2004 OFFICE MARKET AT A GLANCE

- Take-up ▼
- Availability Rate ▲
- Prime Rents ➡
- Prime Yields ▼

## MARKET OVERVIEW

The Prague property markets are still maturing quite rapidly, buoyed recently by the improvements in European economies, the recent accession by Czech Republic to the EU and continued Czech economic growth figures above the European average. However, the last six months has noticed a slight slowing in take-up in all market sectors. Nevertheless, the property investment market in Prague is more active than it has ever been, with no signs of a waning.

The Prague office market has been slow this year, with take-up in Q2 representing the lowest figure since 2001. Luckily, the rate of development completions has also slowed, helping to keep vacancy and rental figures in check.

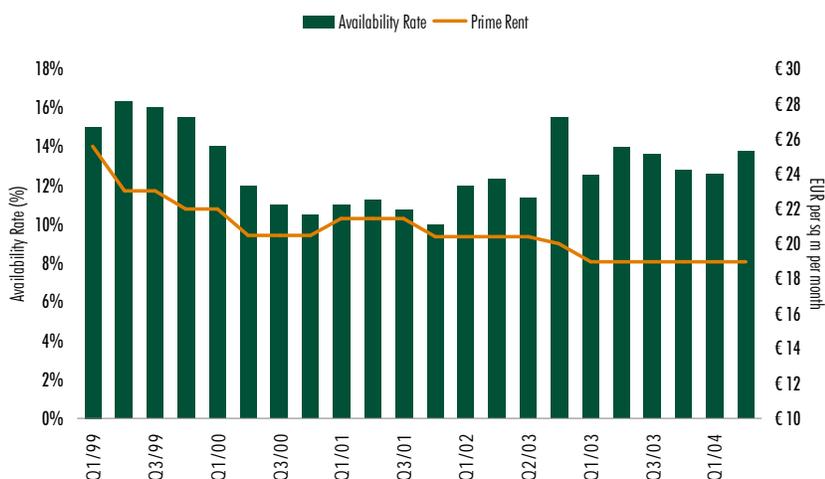
The industrial market in the Greater Prague area has also experienced a relative lack of large transactions so far this year. Due to the fact that developers primarily only construct build-to-suit industrial facilities, the number of new construction starts has slowed. Approximately 40,000 sq m of industrial stock has been completed in Prague to date in 2004.

The Prague retail market has been somewhat hampered recently by last year's decrease in the Consumer Confidence Index in the Czech Republic. Nevertheless, demand is still very high for the best space in shopping centres or on the high street. As a result the prime high street rent has continued to increase during the last year.

The hotel market in Prague is making a marked rebound since the downturn in tourism of 2001-2 that largely resulted from terrorism concerns, the global economic recession, and the flooding that affected Prague in the summer of 2002. Although hotel activity began to increase somewhat in 2003, revenues of accommodation facilities increased by 25% y-o-y in the first five months of 2004.

The Prague investment market has witnessed stunning activity to date in 2004. In fact, the volume of investments on the Prague property market as at end Q2 almost matched the total figure for the year 2003. Primarily office transactions have been closed so far in 2004, although two significant retail deals were also completed. Fierce competition continues to drive down prime yields.

## OFFICE AVAILABILITY AND RENT



Source: CB Richard Ellis

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