Q4 2003

Prague

PROPERTY | MARKET INDEX BRIEF

Record Office Take-up :
Prague office take-up in the fourth quarter tops 90,000 sq m, bringing the total take-up for the year to more than 241,000 sq m.

EXECUTIVE SUMMARY

The property markets have enjoyed a positive year in 2003, buoyed by the continued growth in the Czech economy. Continued reforms have been taking place in preparation for EU accession in May 2004. Some changes in VAT and employee tax laws will have an impact upon businesses and property in the Czech Republic.

The Prague office stock increased by 68,500 sq m in the fourth quarter to 1.45 million sq m. 163,000 sq m was completed for the year, with the majority of these completions in out-of-town locations.

Office take-up topped 90,000 sq m in the fourth quarter, bringing the total take-up for the year to a record 241,000 sq m. However, a couple of very large transactions, lease renegotiations and pre-lets/pre-purchases are included in this figure.

The total vacancy rate for the Prague office market increased from 11.5% at the end of 2002 to 12.5% at the end of 2003. Vacancy for new build office space is 11.1%, while 14.7% of modern refurbished space throughout Prague is vacant.

The prime office headline rent has remained relatively stable at EUR 19/sqm/month for the last two years for some prime space. However, the market in general has been under some downward pressure this year. The office investment equivalent yield is expected to be 8.25% at the end of the year, with a further decline imminent at the beginning of 2004.

Last year's economic growth has sustained the increase of purchasing power in the Czech Republic and buoyed the Prague retail market.

Supply of new retail space was limited in 2003. Only a few projects, such as Palác Flóra and the Stodůlky Carrefour were completed in the year. However, increased supply is planned for the next three years.

Retail rental levels have remained stable through the year and the prime vacancy level is currently 8.75%.

Industrial stock increased by 140,000 sq m during 2003 to 790,000 sq m. Most of this stock consists of logistics and light manufacturing space.

Approximately 130,000 sq m of industrial space was let in 2003 in Prague, keeping the vacancy rate at approximately 2%. Prime rents for modern industrial space has remained stable at EUR 6/sqm/month. The recognized prime industrial yields have fallen to 9.75%.

The property investment market has continued to mature this year, with transactions carried out in four commercial property sectors – office, retail, industrial, and hotel.

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H@G Office Market
this half year at a glance

- prime rental values
- prime yields
- vacancy rates
- take-up

Change H1 – H2