

Brno, Ostrava: office market in a state of inertia

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The construction of office buildings in Brno and Ostrava, the two biggest domestic markets in this segment after Prague, has more or less halted. Demand is poor and the rate of vacancy relatively high. The likelihood of renting 50-60% of the area of administrative complexes before construction, which is a condition for bank credits today, is therefore almost zero.

Today, at the end of the 1st quarter, Brno has 211,000 square metres of modern office areas (classes A and B) available, of which 70% in the centre of the city, according to the consultancy RB Richard Ellis. About 19% of the area is not rented today, and in the centre of Brno this figure is as high as 23%. According to an analysis by CBRE, however, the offer of rentals is increasing. And the situation in Ostrava is even worse in this regard; over 26% of all office areas are vacant there and for example the new Nordica building, in the form of which Skanska has introduced Nordic-style green architecture in the Czech Republic, does not have a single tenant after its recent occupancy approval. In total, there are 95,000 square metres of offices in the Moravian-Silesian metropolis.

Taking into account this situation, new construction projects are being delayed. So far, Passerinvest has halted work on the Nová Karolina project in Ostrava, while the construction of The Orchard complex by Red Group continues. The situation is not different in Brno, where for example the Titanium project by JRA is waiting for pre-rentals. In the Moravian capital, a metre of office areas is today rented for EUR 10 - 13.50 per month; in Ostrava, for EUR 11.50 at the maximum.

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