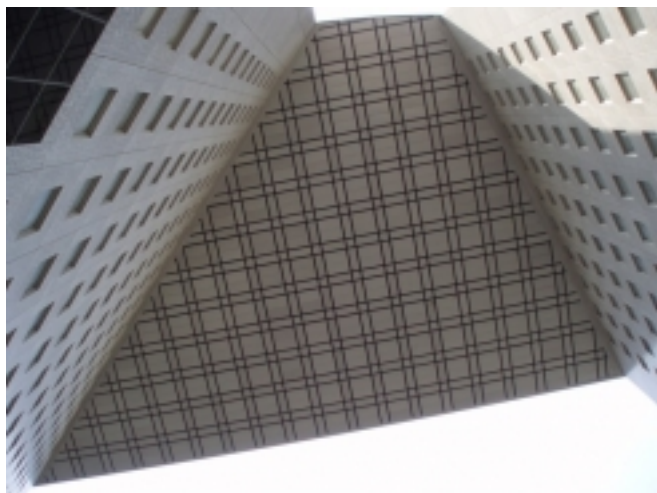


# Banks increasingly hungry for offices



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European banking sector is gaining strength, at least according to high activity in the rental of office space between April 2010 and March 2011. According to a Cushman & Wakefield survey, in this period, banks in Europe leased more office space by 20% than the five-year average.

## Share of banks on total leases of offices in the Czech Republic

*\*) Q1 2011*

*Source: Cushman & Wakefield*

## The level of demand rising

In the monitored period, more than 1 million sqm of office space were leased - this obviously indicates that banks are finally recovering from the crisis in 2009 and 2010, when their demand covered less than half of that acreage. The number of leases of space above 5, 000 sqm, ie. large transactions, was higher in the last six months than in the six months before.

The European office market has traditionally been dominated by major banking centres - London, Paris and Frankfurt. Over 55% of the total area of 'banking' office space were leased in them in the past year. The highest activity was recorded in London - there were nearly 300,000 sqm, representing 27% of take-up throughout Europe.

In the CEE, leasing office space was particularly high in Warsaw and Prague. Warsaw has seen almost 63% higher activity than the five-year average level, and leasing premium offices in Prague last year has exceeded the five-year average by 25%. The Czech Republic, or Czech office space market, thus follows European trends. "The banking sector in the Czech Republic was quite active last year. Several banks expanded their leased space and also extended their existing leased space," says Radka Novak, head of office team at Cushman & Wakefield. A large transaction was concluded for example by Komerční banka, which is having built 15,000 sqm of office space in the City West project. The contract between UniCredit and BB Centrum is of course very important for the market and its mood.

## The largest bank office transactions - Czech Republic (April 2010 - March 2011)

Year	Quarter	Project	Location	Tenant	Area m2	Transaction	Sector
2011	1	City West A2	Praha 5	KB	15 236	lease	banking
2010	2	Millenium Plaza	Praha 1	AMCICO Pojišťovna a.s.	2 092	pre-lease	insurance
2010	3	City Point	Praha 4	AXA ASSISTANCE	2 013	lease	insurance
2010	1	Avenir BP Avenir	Praha 5	ČSOB	1988	insurance	banking
2011	1	Business Park B, C	Praha 5	ČSOB	1 671	expansion	banking

Source: Cushman & Wakefield 2011

## Ownership instead of lease

Lack of quality supply in many locations throughout Europe, however, has been caused by somebody else - more recently the trend is increasingly evident - the companies have office buildings custom-made and they become their owners. Such practices occur mainly in London and Moscow. In the background is the fact that in many European cities, rents in prime office properties are starting to grow. Indicator of rent for office space in Europe, created by Jones Lang LaSalle, has increased by 1.5%, in the first three months of this year; this growth was caused mainly by continuing growth in rents in London's West End (+4,6%) and Moscow (+17,6%). Given this development, the potential tenants of new offices can no longer ensure lower rents thanks to pre-lease, which was common six or nine months ago. Thus none of the biggest transactions concluded in the period from October 2010 to March 2011, were not pre-leased.

## Czech Republic away from trends?

The situation is somewhat different for us in this respect. "The trend of owning office space rather than renting it is not too common here. The only exception is the banking sector. Banks are usually not payers of VAT and therefore tend to be problematic tenants for owners of the newly completed buildings. Often, the situation solved by having the office building custom-made and then depositing it their real estate funds," Radka Novak said.

Europe office market is currently facing another phenomenon: the expansion of Chinese banks. They see an opportunity in the credit market (which is developed, however, currently subdued, which is a reflection of greater prudence and caution of creditor institutions). They also try to establish themselves visibly in the lucrative European financial market, including strengthening of their European subsidiaries. In this regard, our real estate market stays away. "In the Czech Republic, we haven't recorded any demand for office space from Chinese investors, whether from banks or other companies," says Radka Novak.

The total area of modern office space in Prague reached more than 2.71 million sqm at the end of the first quarter of 2011. Only one office building was completed in its course: Harfa Office Park (19,600 sqm). For another period this year, the Prague Research Forum expects about 85,000 sqm of new office space to be completed, while other buildings with the planned completion in 2012 are already under construction. The

vacancy rate in premium Prague offices in the first quarter of 2011 decreased to 13%. Maximum rents remained stable, at EUR 20-21 per sqm per month.

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