

Vacancies dropping in both the Office and Industrial Markets

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Countrywide industrial property vacancy is at 7.25% while office vacancy in Prague is nearly 12%. This stems from the latest Colliers International Research & Forecast report, spanning the Czech industrial and Prague office markets in Q3.

“Vacancies levels in both property sub markets are expected to continue to drop, as new building construction rates slow down and a large portion of office and industrial space users seek to renegotiate their existing lease contracts as a strategy to save costs.” said Omar Sattar, Managing Director, Colliers Czech Republic.

Q3 2011 Prague Office Property Market

Prime headline rents for office space across all Prague submarkets remained flat in Q3. The rents in the city centre range from € 20-21/ sqm/ pcm, in the inner city from € 15-17.5/ sqm/ pcm and in the outer city from € 13-14.5/ sqm/ pcm. The effective rents are still approximately 10-15% lower than the actual headline rents. However, the level of incentives largely depends on the particular district and building and on the lease conditions.

The completion of six office buildings totalling over 48,000 sqm means total office stock in Prague now exceeds 2.77 million sqm as of the end of Q3. This quarter saw a sharp decrease in overall take-up; 49% lower than Q2 2011, and the take-up was driven by lease renegotiations. Prague 4 and Prague 5 were the most active locations benefiting from the largest transactions closed in Q3 2011.

The highest vacancy rates are in Prague 9 (30.5%) and Prague 7 (23.9%). The vacancy rate in sought after districts such as Prague 4 and Prague 8 continued to decline and reached 7% and 13.8% respectively. The vacancy rate in other popular office districts, e.g. Prague 5 or Prague 1, remained more or less stable. The overall rate fell slightly from Q2 - from 11.86% to 11.77%. There is currently 326,500 sqm of vacant office space in Prague.

Key Q3 Office Figures

Total Stock: 2,773,296 sqm

Take-up: 49,809 sqm

Vacancy: 11.77%

Prime Headline Rent: € 20-21/sqm/pcm

Q3 2011 Industrial Property Market

As of the end of Q3, total modern stock is about 4 million square metres. Overall vacancy continued to decline as a result of a lack of speculative building. The highest industrial vacancy rate was again recorded in Central Moravia (36.6%), followed by the Vysočina region (15.6%), although in both regions vacancy has decreased (from 45.9% and 16.1% respectively) since Q2 2011.

The general trend shows a slight increase in rents for modern industrial premises. The lowest rents can currently be found in the northern part of Prague (close to the D8 Highway); on the other hand the most expensive industrial premises are found in Brno.

In Q3, a total of 95,000 sqm came on to the Czech industrial market and all of the newly delivered space was pre-let. Currently, 40% of all current stock is located in Prague and interestingly, South Moravia is now the second most developed region in the Czech Republic, accounting for some 16.5%. Western Bohemia fell to third place and represents 14.4% of the stock.

Key Q3 Industrial Figures

Total Stock: 3,991,000 sqm

Take-up: 180,600 sqm

Vacancy: 7.25%

Prime Headline Rent: € 3.90-€ 4.50

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