

Prague is springboard for expansion into Emerging Europe

Overall view

The Czech Republic is highly industrialized country that serves as a bridge between the developed Western Europe and the emerging Eastern Europe thanks to its economy and unique location. The Czech Republic's most highly valued advantages among investors are its low prices and wages, which are half the amount of the EU average, abundant skilled labour and well-developed infrastructure. The country's technological preparedness and innovation potential, which the state emphasises and supports within its international competitive strategy for 2012-2020, are also undeniable. The Czech Republic has suitable conditions for doing business, ranking above the EU27 average in the global economic freedom index issued by the Heritage Foundation. In terms of security for inhabitants, as measured by the Global Peace Index, the Czech Republic ranks higher than, for example, the Netherlands, Hungary, Poland and Germany.

Prague

Prague is the most tempting star in the Czech crown. The city contains a number of elements that are necessary for successful investment. Besides its skilled, available and relatively low-cost workforce, it also features an effective public transport system that is the fourth best among all monitored European cities according to the EuroTest 2010 ranking. This high-quality transport infrastructure enables people living within a 50 km radius of the capital to integrate themselves into the life of the city. Prague favours every visitor with its extraordinarily rich cultural heritage, thanks to which the Czech metropolis is visited by more than four million foreign tourists annually. It is not surprising that a large number of foreigners reside in the capital, with expatriates accounting for more than 10% of Prague's population. The Czech capital is a „home away from home“ not only for EU citizens, but also for people from more distant lands, making Prague a truly cosmopolitan city.

Attractive property market

All of these factors resulted into the fact that Prague has retained its position as one of the most attractive locations in Central Europe despite increasing competition. In comparison with Western Europe, the office market in Prague is growing and, unlike the rest of EMEA, it remains relatively unsaturated. Roughly 152,000 m² of office facilities are currently under construction. A very positive factor is the return to speculative construction – half of these spaces are currently in the pre-leasing phase. We expect that the market will absorb this new supply of properties even though it is unavoidable that the current vacancy rate of 11.8% will rise at the end of 2013 and in the course of 2014. Companies in the fields of professional services and IT will lease most of the new properties. Travel and tourism companies will comprise a greater share of tenants. Rental costs, attractiveness to tenants in the location and access to new markets will remain the most important criteria for investors. In light of the growing demand for green buildings, we expect negative impacts with regard to older buildings, which will have to undergo renovation or be converted into residential projects. Thanks to the combination of the aforementioned factors, Prague is reaching an interesting milestone and in the coming months and years we will be able to see whether the city can maintain its strong position in the FDI market.

Way ahead

The goals that still be achieved include attracting headquarters of regional and global companies, for which Prague has outstanding conditions that have so far not been sufficiently exploited. Great potential is also seen in promoting tourism and the city's generally high-quality environment - in particular congress and corporate tourism hides extreme growth potential. Prague can also do much to to develop educational business and become the regional R&D centre.

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