

PRAGUE RESIDENTIAL MARKET 2021

LEXXUS
CONSULTING

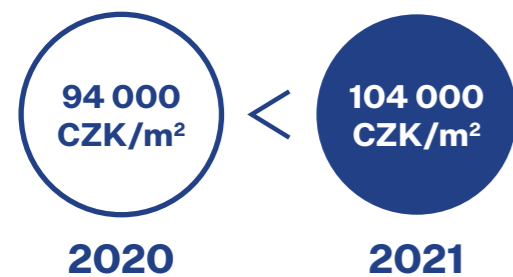


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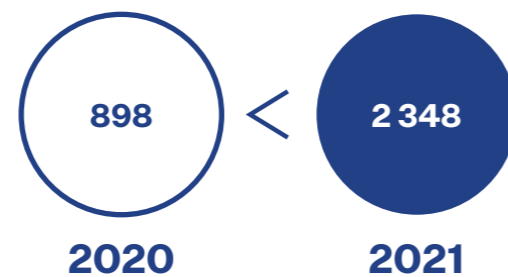
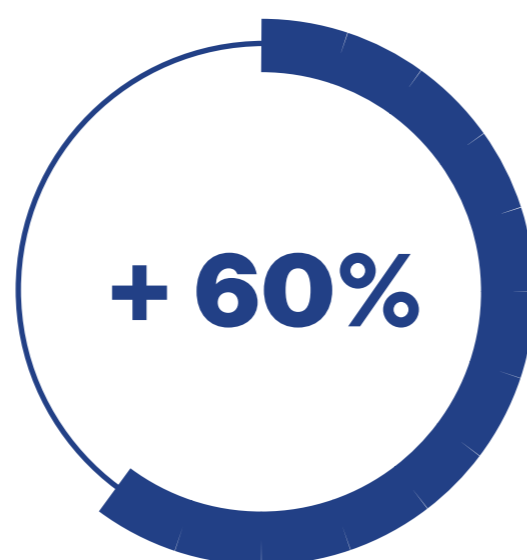
HALF-YEAR COMPARISON

2ND HALF OF 2020 - 1ST HALF OF 2021

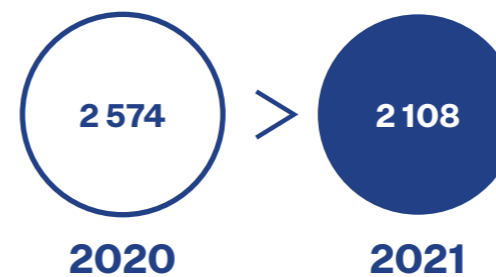
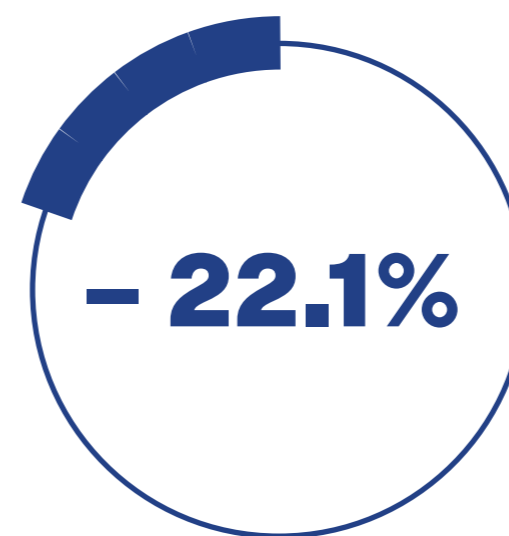
Average price of new apartments for sale



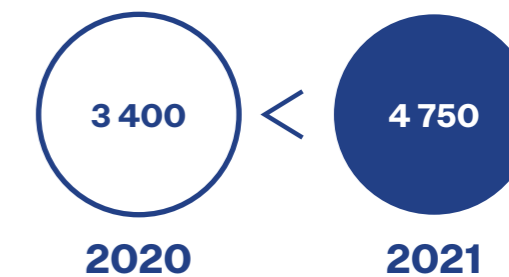
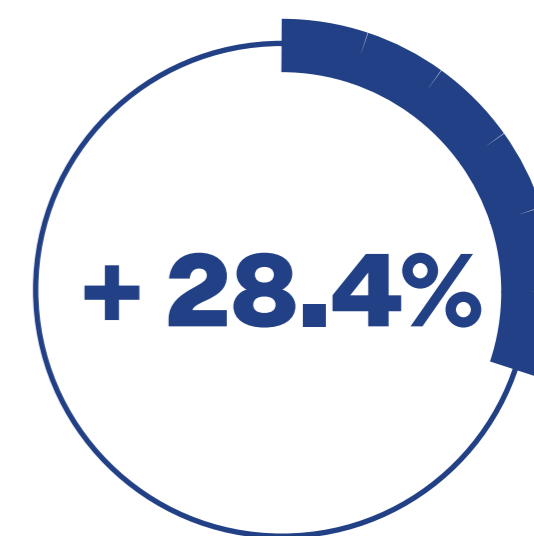
Number of apartments in residential buildings that began construction



Number of completed apartments in residential buildings



Number of new flats sold

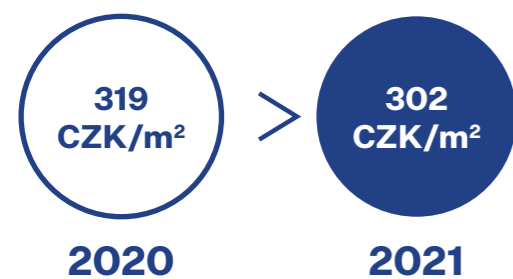
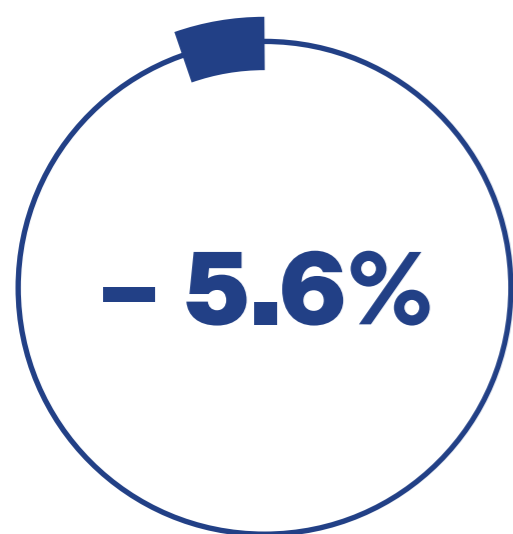


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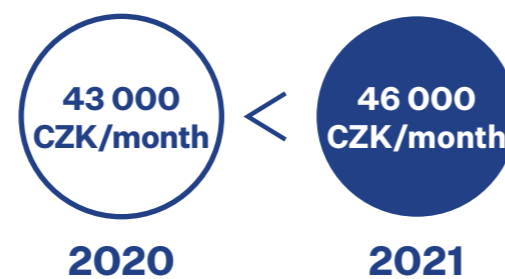
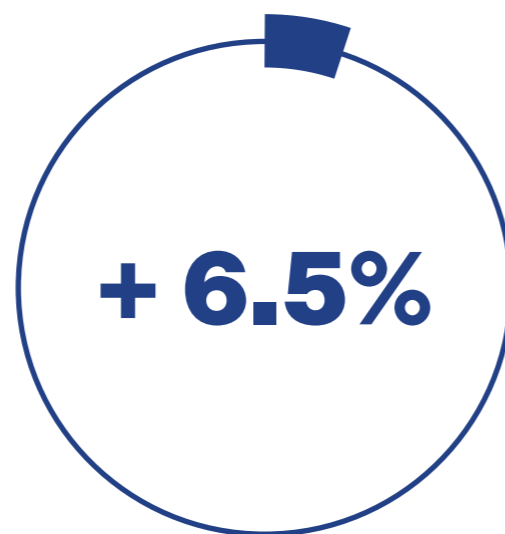
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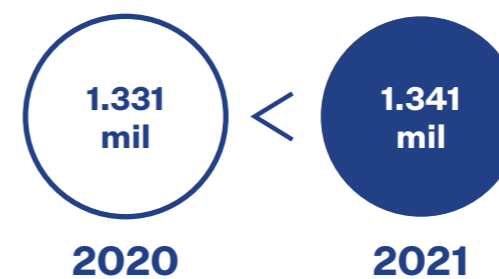
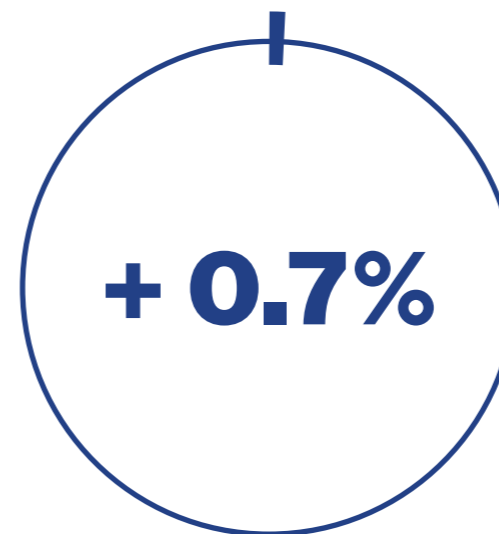
Rental price per m²



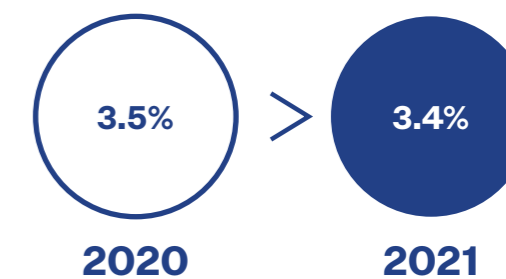
Average salary in Prague



Population of Prague



Unemployment



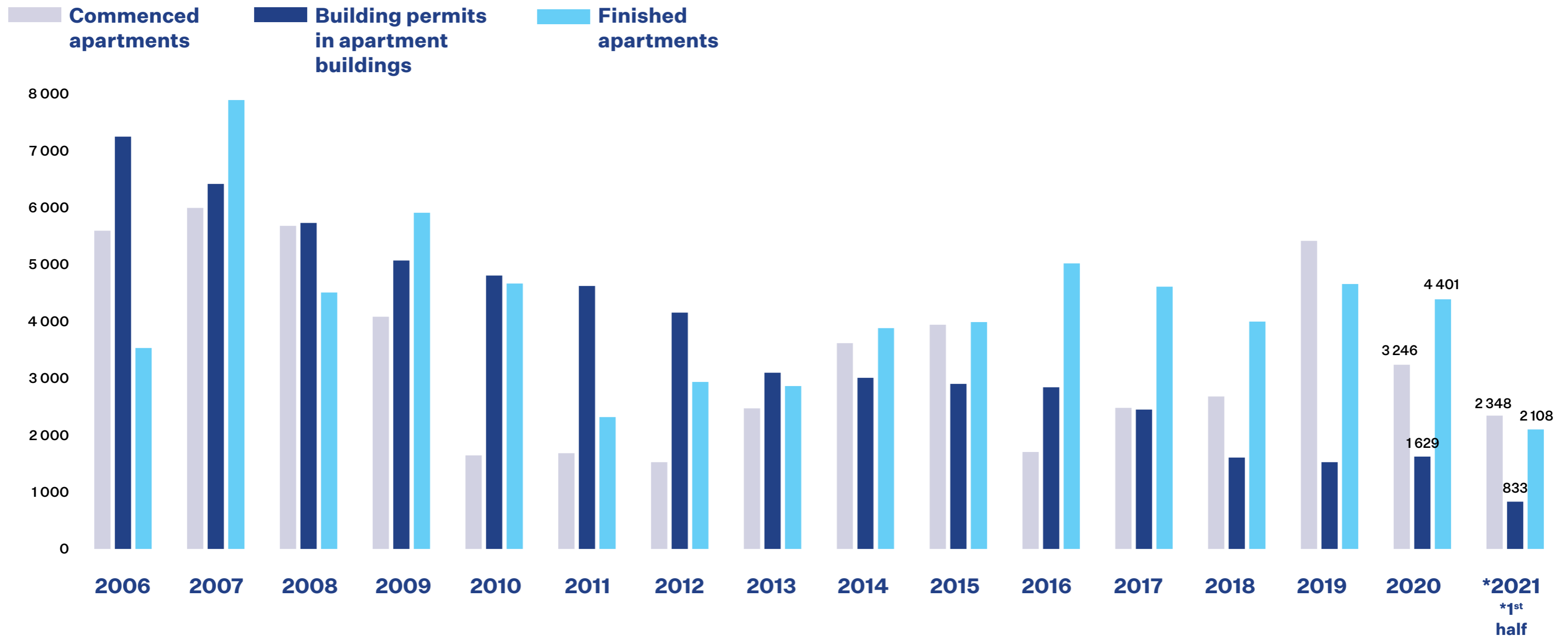
02

HOUSING CONSTRUCTION IN PRAGUE

The number of completed apartments and building permits for apartments in residential buildings in Prague fell slightly compared to the previous half-year. Although the number of apartments that began construction was significantly higher, the total housing construction is completely insufficient.

According to the Institute of Planning and Development of the City of Prague, 10,000 new flats should be built annually to meet demand but the reality is different and the deficit is growing each year. The main reason for this is the long approval process in Prague which is among the longest among OECD countries.

NEW DEVELOPMENT IN PRAGUE



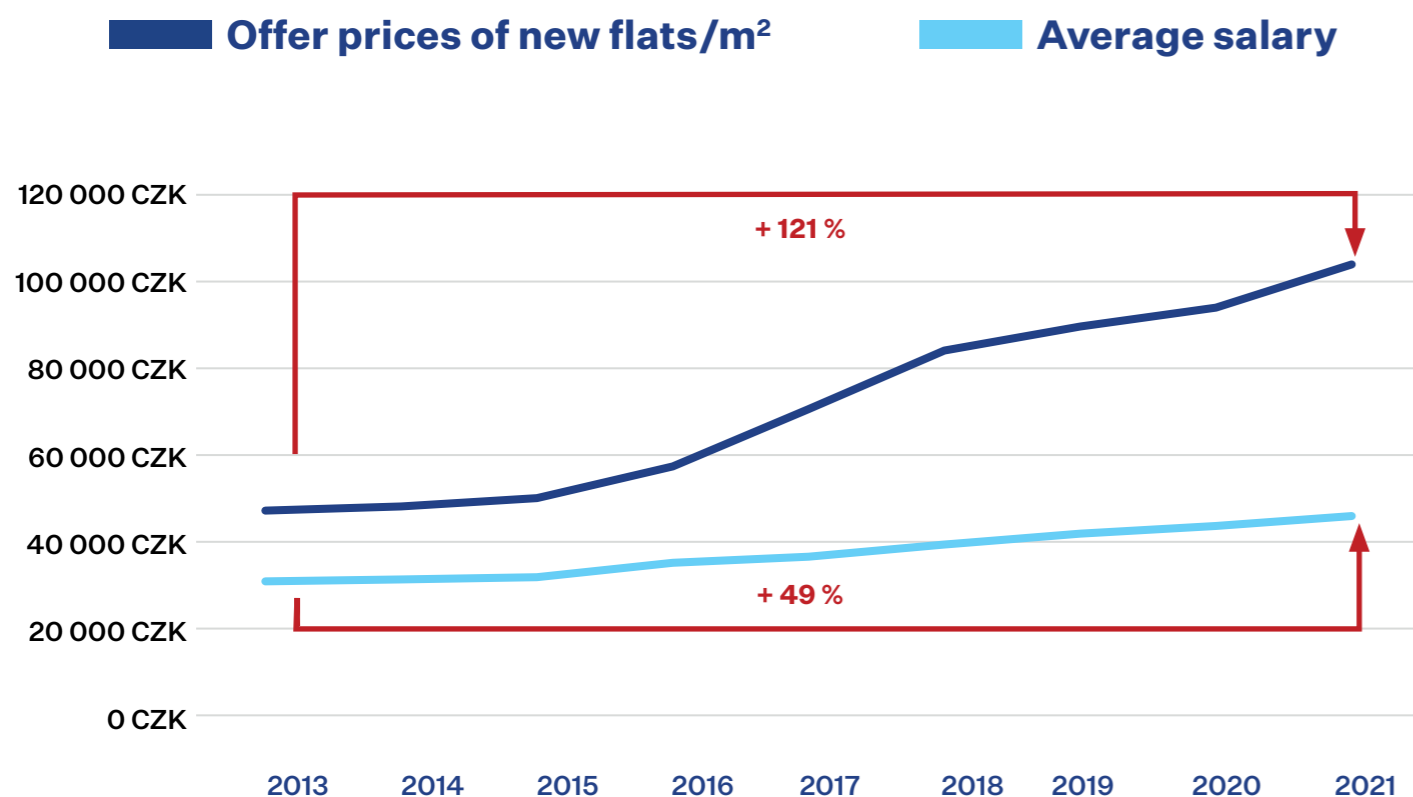
03

TRENDS IN PRICES OF NEW APARTMENTS IN PRAGUE

The average bid price of an apartment is 120,000 CZK including VAT (104,000 CZK excluding VAT). This is the net price without balcony, terrace, garden, garage and cellar. Although Prague has the highest salaries in the Czech Republic, new housing is less affordable because the disproportion between the gross

salary and the bid price is increasing. For the purchase of an average apartment, a Prague resident pays almost fifteen gross annual salaries which is the highest rate among EU's capitals. In Bratislava, for example, it costs twelve annual salaries to buy an apartment while in Vienna it costs only eight.

Bid prices of new apartments CZK/m² (without VAT) vs. average salary



04

DEMAND AND SALE OF APARTMENTS

This year we have reached a record number of apartments sold. Almost twice as many apartments were sold in the first half of this year compared to the first half of the previous year. When comparing sales in the second quarter

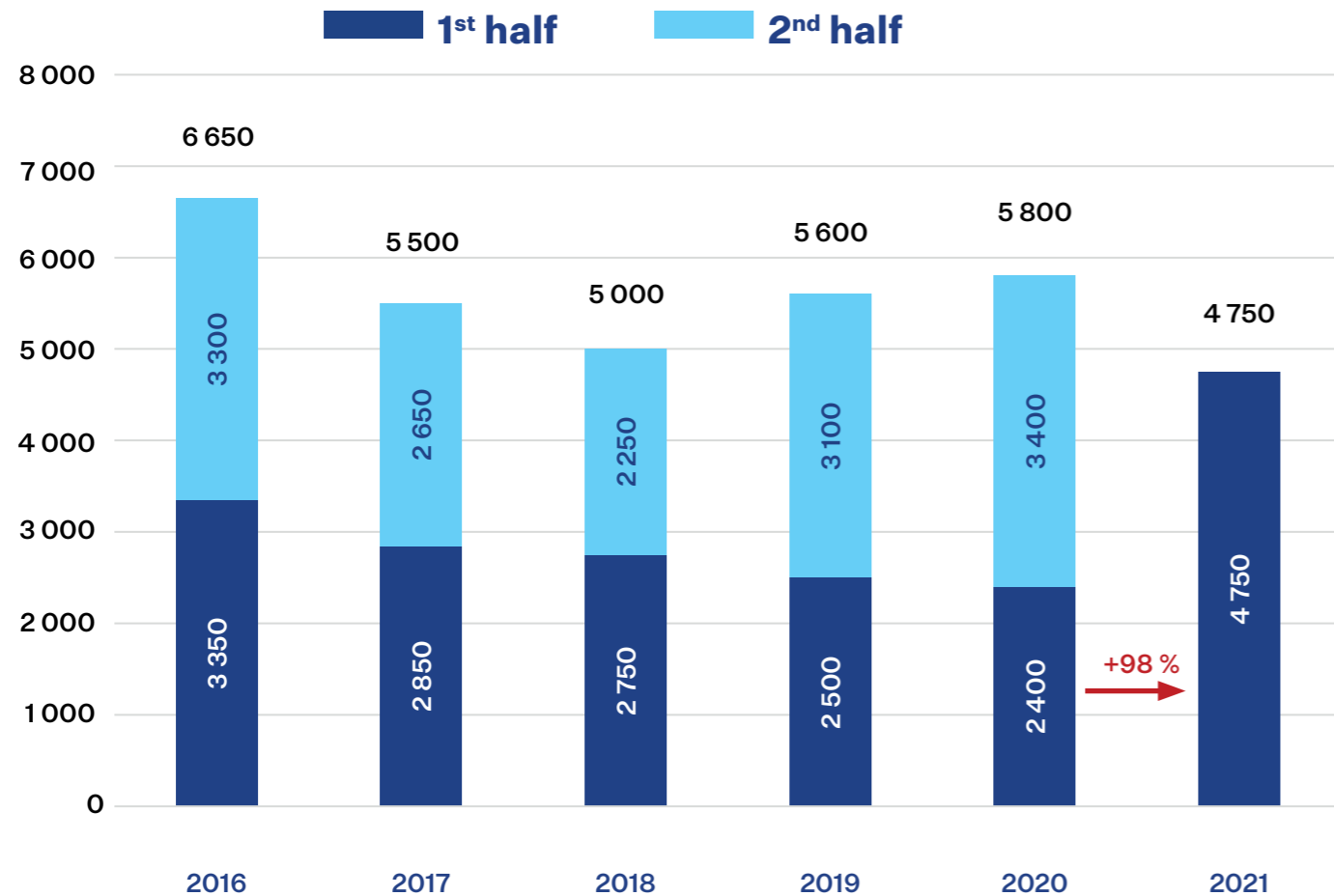
of 2020 and 2021, the increase is even 140%. Very few apartments were sold in the second quarter of 2020 as the market was affected by the lockdown and some clients and professionals were expecting property prices to fall.

However, the opposite situation occurred as the market started to grow significantly after a short decline due to low interest rates, a relaxation of bank rules for mortgage lending, and the abolition of property acquisition tax. The main reason, however, was the fact that at a time when interest rates are at their lowest level and the economic situation is uncertain, people perceive the acquisition of real estate as a safe haven for their finances. Despite declining yields,

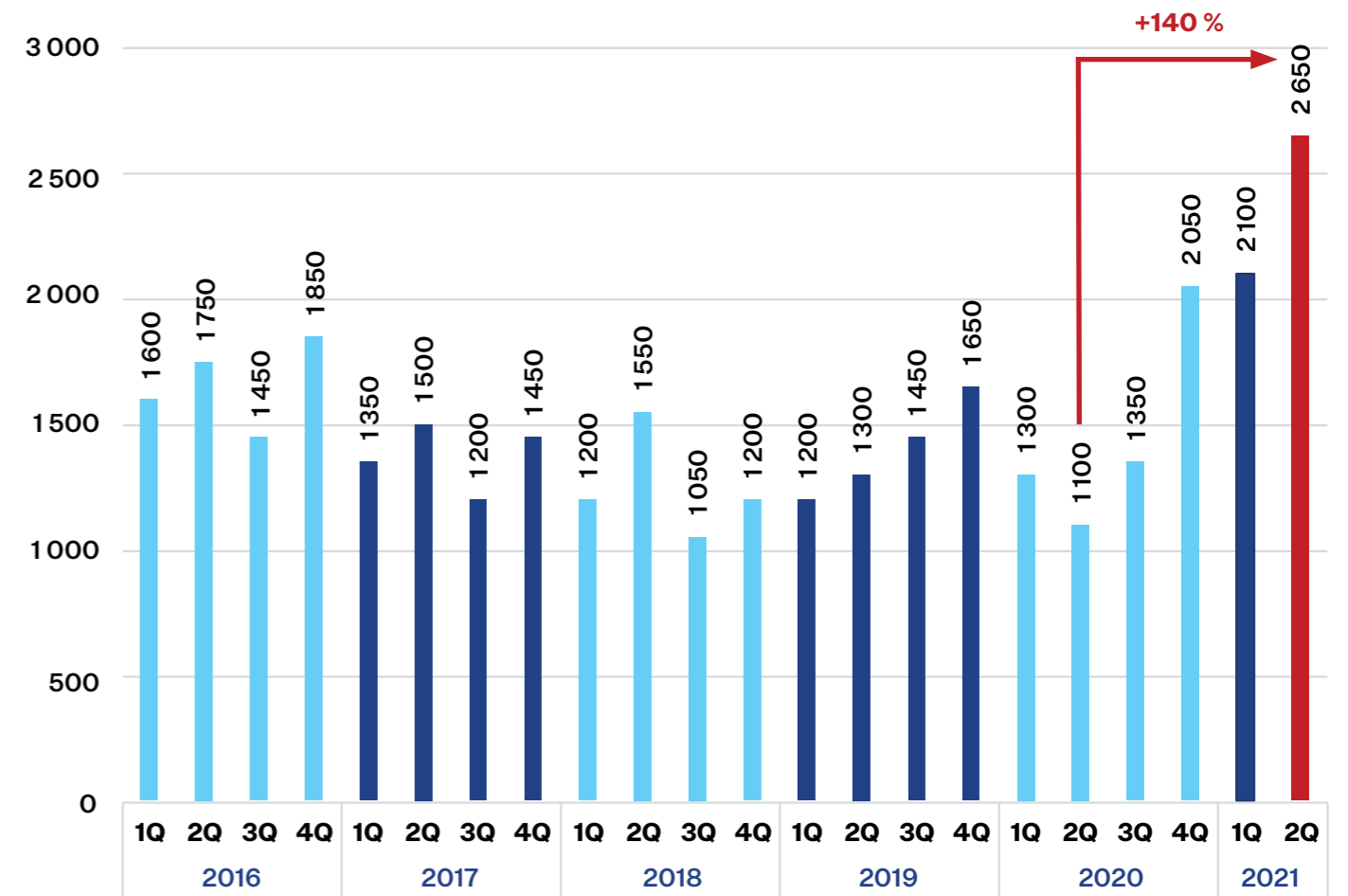
the acquisition of investment property is worthwhile as property value continues to rise.

The insufficient construction and robust demand have caused the number of apartments on offer to be at an all-time low, with only 3,350 new apartments being advertised, compared to 5,800 in the same period of last year. Clients thus have a limited choice and even flats they were not interested in before are being sold.

Number of apartments sold



Number of apartments sold



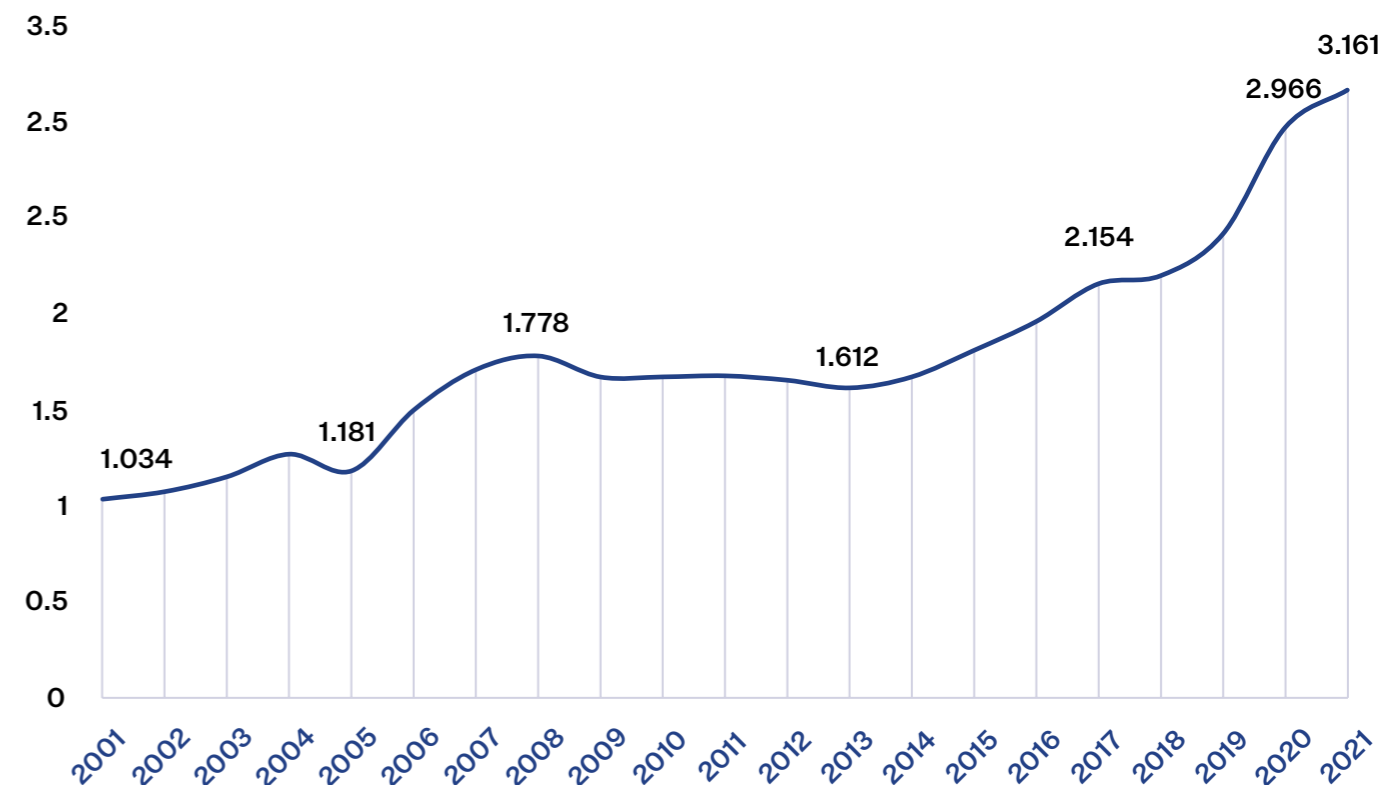
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MORTGAGE MARKET

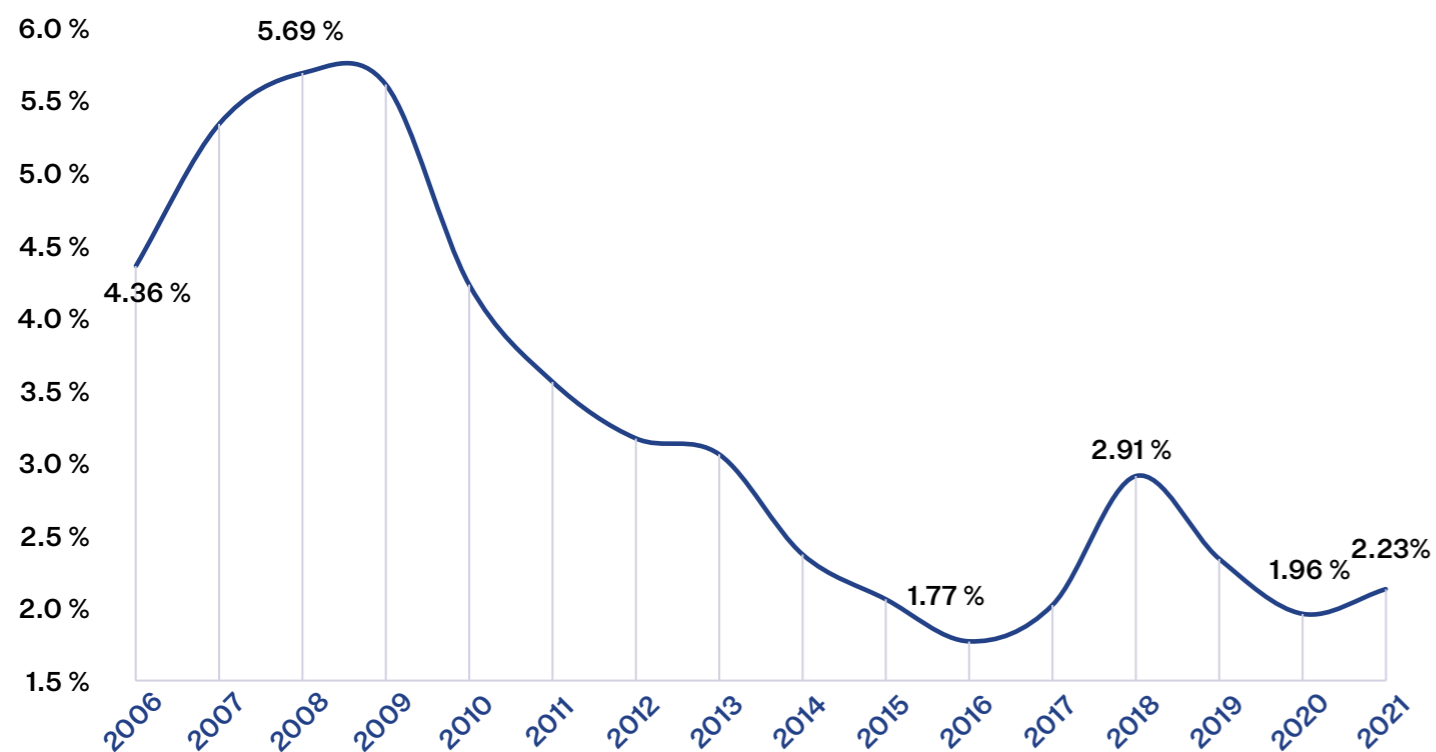
The mortgage market exceeded all expectations. In the first half of the year, the volume of mortgage loans granted was more than 100 percent higher than in the first half of the previous year.

This enormous interest in mortgages is due to the lack of other investment opportunities and low interest rates which are gradually starting to rise so clients are motivated to buy property as soon as possible to lock in a favourable interest rate. The affordability of mortgages was also helped by the easing of mortgage credit conditions by the CNB at the height of the Covid pandemic.

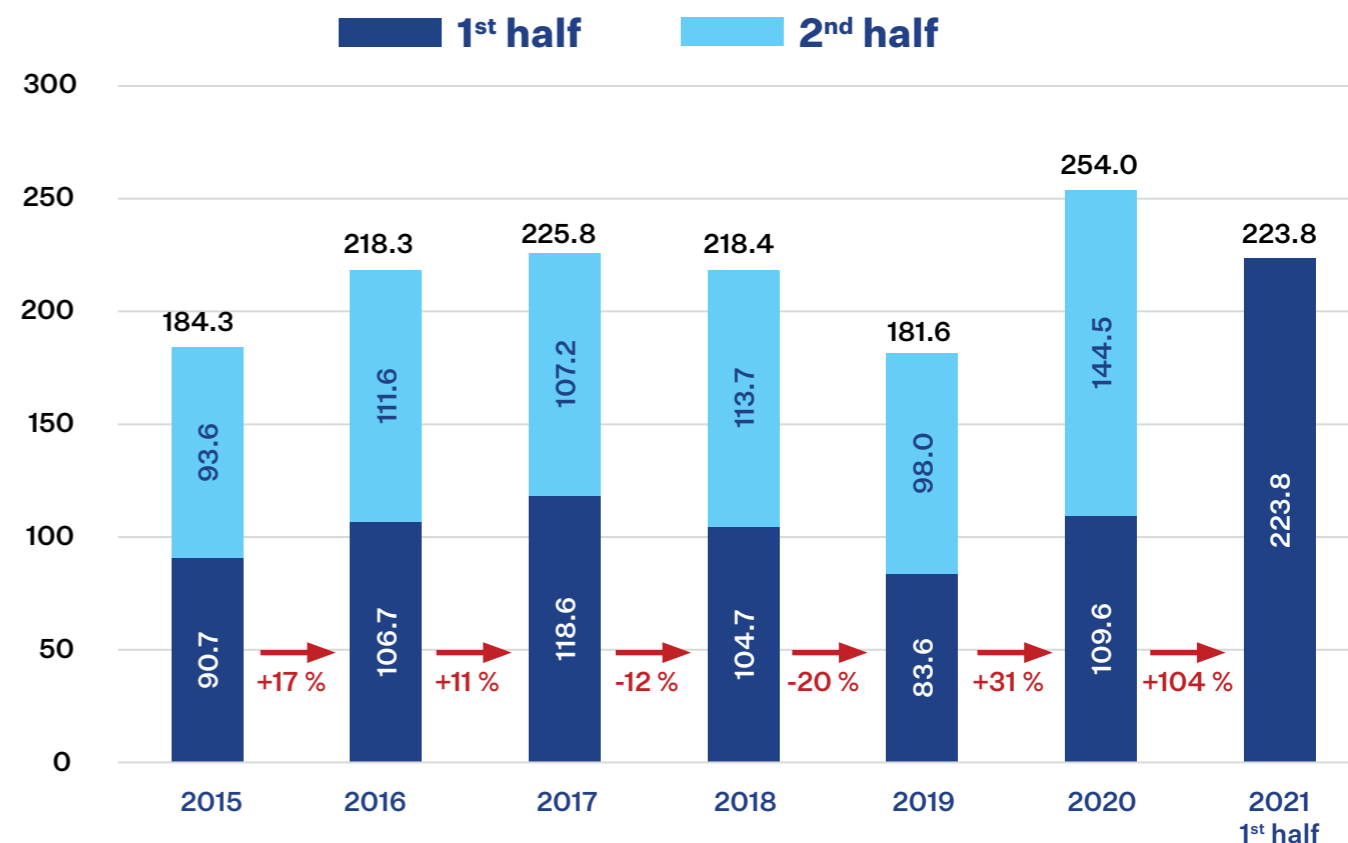
Average mortgage (in millions CZK)



Mortgage interest rate development



Volume of mortgage loans granted (in billions of CZK)



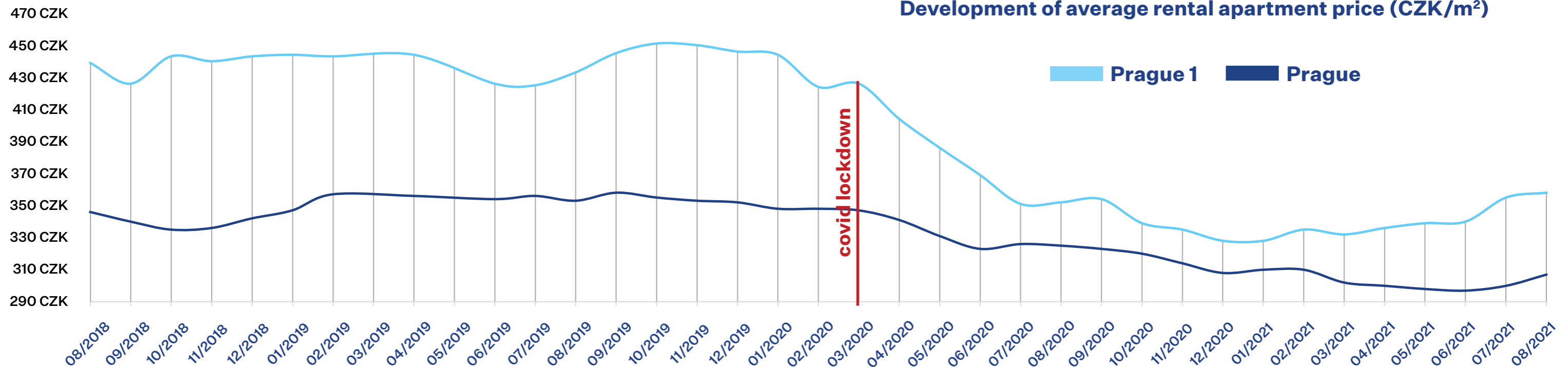
06

RENTAL MARKET

The rental market already went through dramatic changes in 2020. Due to the sudden availability of a large number of flats originally intended for short-term accommodation, the supply has increased sharply and prices have fallen, especially in the central parts of Prague. Now, however, the trend is beginning to reverse and we are seeing a slight increase in prices.

The structure of the rental market is gradually changing. We are seeing increased interest from institutional

investors planning to build rental projects. The apartments in these projects are usually of medium and higher standards, fully furnished and equipped and the tenants are provided with a complete service, which distinguishes these apartments from individually rented properties. Investors believe that in the long term, trends in rental housing will follow Western markets where the share of rental housing is significantly higher than in the Czech Republic.



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