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News Release

Accessibility of Own Dwelling in the Czech Republic Comparable to Poland; the Hungarians Must Save Longer

Prague, 17 June 2015 – An average transaction price of a new residential property in the Czech Republic fluctuated around EUR 1,200 per square metre in 2014. The prices of new dwelling in the Czech Republic are 8% higher than in neighbouring Poland (EUR 1,110 per square metre) and even 20% higher than in Hungary or Russia (EUR 960). Although the prices of residential properties in the Czech Republic exceed the prices in other Central European countries, they rank among the most accessible in the region. While in the Czech Republic, it is necessary to save a 7.1 multiple of the average annual gross earnings to purchase a new apartment of 70 square metres, in Poland, you have to count on saving 7.2 annual salaries and even 7.8 salaries in Hungary. These are the results of the fourth annual Deloitte *Property Index* report, which analysed the development of real estate and residential market prices in 2014 in 15 European countries, Russia and Israel.

"In the European comparison, the accessibility of dwelling remains slightly below the average in the Czech Republic. The most accessible dwelling can be found in Belgium where an average citizen only needs a 3.2 multiple of their gross annual salary to purchase their own real estate. With a 3.3 multiple, our Western neighbours, the Germans, are at the top of the ranking. On the other hand, citizens in the United Kingdom need to save up to 10 annual salaries on average to buy their own dwelling, which means the last place in our survey among European countries," said Diana Rádl Rogerová, Deloitte's partner and the CE real estate industry leader.

"Accessibility of own dwelling generally depends on the economic advancement of countries. The higher the country's economic level is, the more accessible own dwelling is found there. The United Kingdom is rather an exception, which proves the rule. High prices of real estate in the United Kingdom result from the great interest of foreign investors in this market", added Petr Hána, Deloitte's manager in the real estate and construction industry.

As usual, the development of real estate prices in individual countries significantly varied in the year-on-year comparison. The highest year-on-year increase was recorded in Ireland (a 31.7% increase), Israel (25.6%) and in the United Kingdom (21.6%). The prices of real estate in Spain increased by 10.5%, following a sharp drop in 2014. The most significant decrease in the price per square metre was caused by the depreciation of the rouble against the euro in Russia (a drop of 16.6%).

In 2014, the average transaction price of new real estate in Prague amounted to EUR 2,020 per square metre. The prices of real estate in Prague exceed those in Warsaw by 13% (EUR 1,760) and are even 41% higher than in Budapest (EUR 1,190).

Of larger European cities, the lowest prices of living are in Porto (Portugal) where the average price per square metre amounted to EUR 860. On the other hand, the most expensive cities are Inner London and Paris, with EUR 14,090 and EUR 10,270 per square metre, respectively.

“Based on the data on the Czech Republic included in the Selling Prices Map, the price of a new apartment in Prague remained similar as in last year. However, prices in some other European cities even grew at a two-digit pace. The prices in Inner London increased by 32% and in Dublin even by 34%. The question is whether this growth rate of prices in the respective cities is sustainable in the long term and whether we are not at the beginning of a new real estate bubble,” said Miroslav Linhart, Deloitte’s Director in the real estate and construction industry service line.

Funding Development Projects

In addition to real estate prices, the current Property Index focused on the funding of development projects. The lowest interest rates of loans for developers are in Belgium, Austria, Germany, France, Sweden and the Netherlands, due to the low-risk profile and strong real estate market in these countries

Pre-sales, which are necessary for gaining the funding of development projects, vary significantly among the surveyed countries, being the lowest in Portugal (10%), Poland and Spain (25%) and the highest in Hungary (55% and Italy (60%). The requirements of banks for investments of the developer’s equity are comparable in Europe. In general, banks request that developers utilise equity to fund no more than 40% of the value of the development project. The lowest value of equity is required in Denmark, Ireland and Russia (20%) and highest required values were recorded in Hungary and the Netherlands (40%).

Development of Residential Markets in Selected European Countries

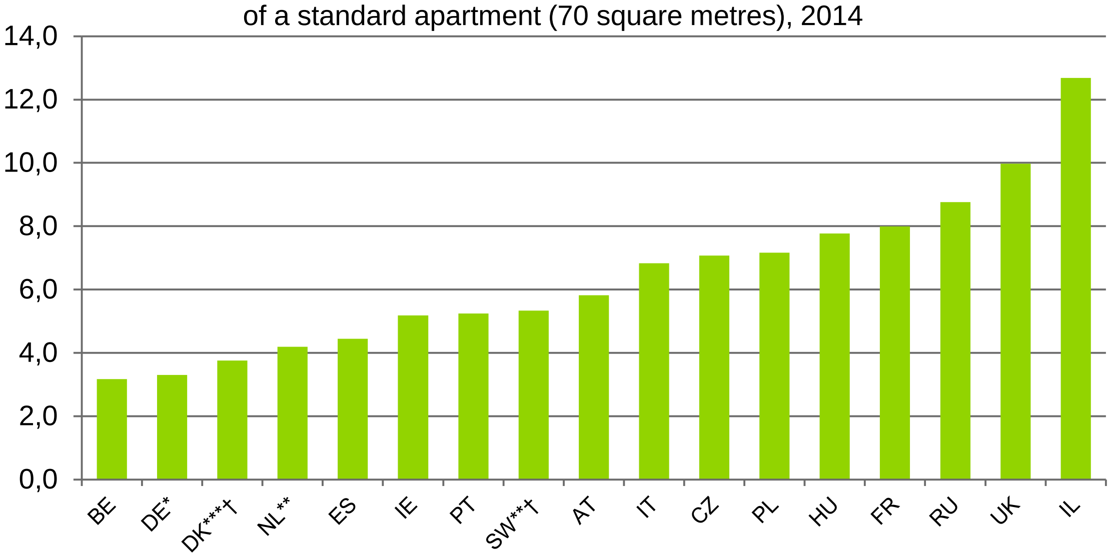
Of the surveyed countries, the largest housing stock is found in the South European countries: Italy (580 apartments per 1,000 inhabitants in 2013), Portugal (565 apartments per 1,000 inhabitants in 2013) and Spain Portugal (549 apartments per 1,000 inhabitants in 2014). On the other hand, the lowest housing stock was recorded in Ireland (342 apartments per 1,000 inhabitants in 2014) and Poland (360 apartments per 1,000 inhabitants in 2013).

In 2014, the highest housing development intensity from all surveyed countries was recorded in Austria (5.4 started dwellings per 1,000 citizens in 3Q 2014) and in France (4.5). The lowest housing development intensity in 2014 was recorded in Portugal (0.7 started dwelling per 1,000 citizens) and Hungary (1 started dwelling per 1,000 citizens).

The entire ***Property Index*** report is available at www.deloitte.com/cz/property-index.

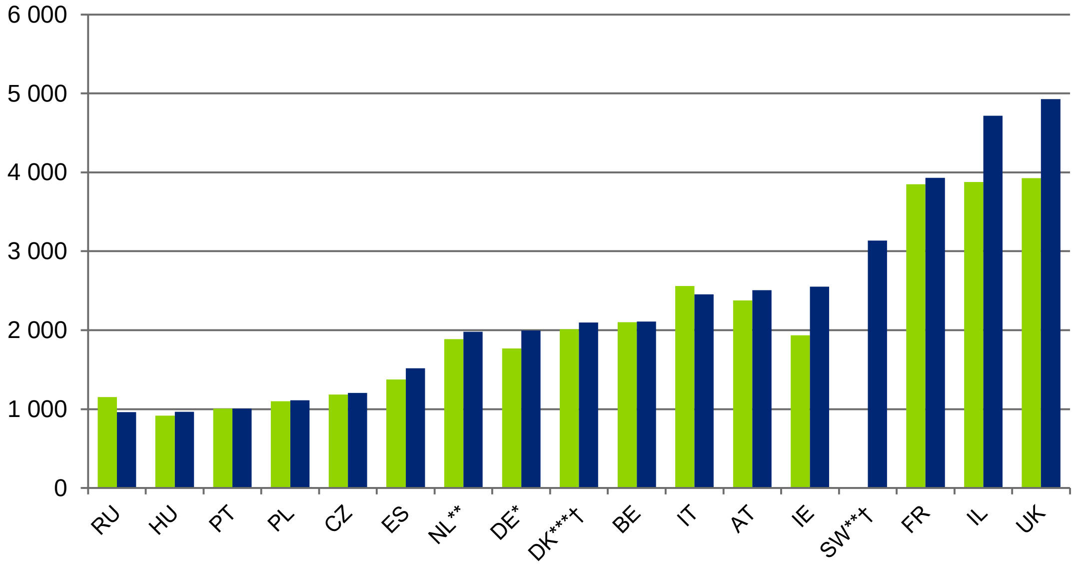
European comparison – a graph demonstrating the accessibility of own dwelling and average transaction prices of new apartments

Accessibility of own dwelling
Number of average gross annual salaries necessary for the purchase of a standard apartment (70 square metres), 2014



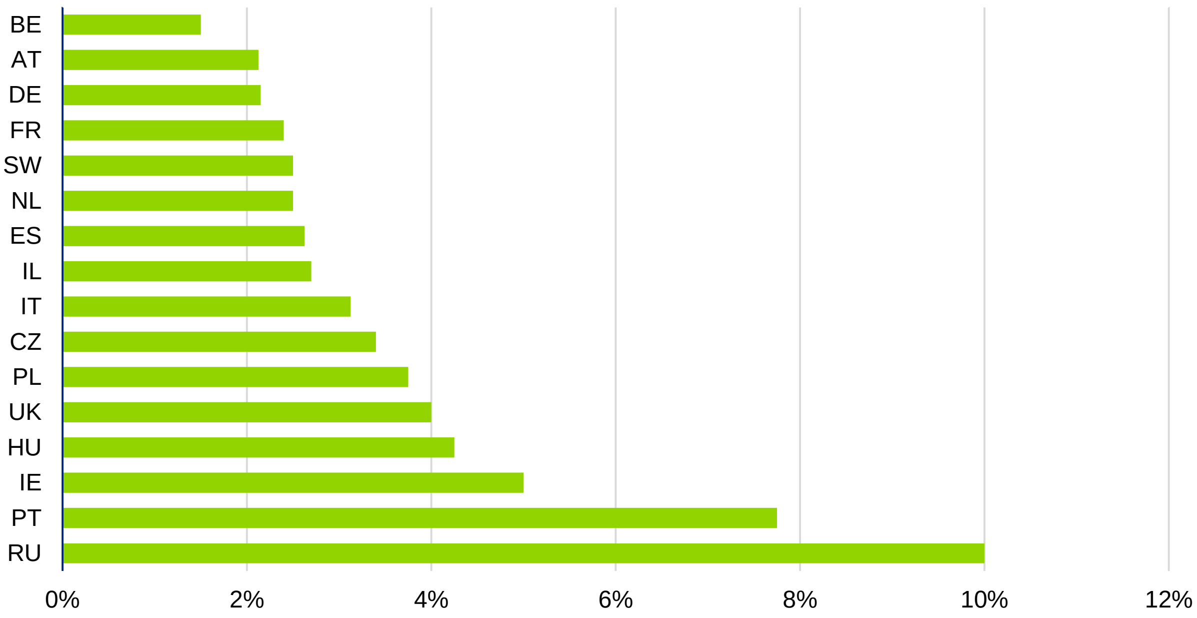
Source: National statistical offices, Deloitte's calculation
*** all apartments (old and new)

Average transaction price of a new apartment
EUR/ m^2



Source: National statistical offices, Deloitte's calculation
* price based on demand, ** older apartments, *** all apartments (old and new), † average proce of apartments and houses

Standard margin of loans for development funding of residential projects
Margin exceeding 3M Euribor, % p.a.



Source: Deloitte analysis

Legend: Belgium (BE), Austria (AT), Germany (DE), France (FR), Sweden (SW), Netherlands (NL), Spain (ES), Israel (IL), Italy (IT), Czech Republic (CZ), Poland (PL), Great Britain (UK), Hungary (HU), Ireland (IE), Portugal (PT), Russia (RU)

Contact:	Lukáš Kropík
Position:	PR manager
Tel.:	+420 246 042 488
Mobile:	+420 775 013 139
E-mail:	lkropik@deloittece.com