

Press Release

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Deloitte Real Index: Apartment Prices are Growing at a Faster Pace, with Q2/2016 Seeing a 6.1% Increase

Prague, 15 September 2016 – In the second quarter of 2016, the selling prices of apartments in Prague and the regional capitals grew by 6.1% to CZK 45,000 per m². Apartment prices recorded growth in 10 regional capitals out of the total of 14 regions. Apartments were, again, most expensive in Prague (CZK 60,300 per m²) and cheapest in Ústí nad Labem (CZK 11,400 per m²). In total, more than 6,400 apartments worth CZK 19.6 billion in aggregate were sold in Prague and the regional capitals in Q2/2016. The information is based on data from the CenovaMapa.org portal which processes information on actual selling prices directly from purchase contracts recorded in the real estate register.

Compared to the 2014 average, selling prices in Q2/2016 grew by 17.5% in total. The average price of an apartment sold in Q2/2016 in all the regional capitals including Prague reached CZK 45,000 per m². The most expensive apartments were those in development projects, with the average price per m² amounting to CZK 57,600. In contrast, the cheapest apartments could be found in prefabricated blocks of flats (CZK 34,000 per m²).

The exceptional thing about the Q2 price increase is not only the total growth percentage – 6.1% for the entire Czech Republic – but also the fact that this time major increases were recorded by ten regional capitals. The highest increase in selling prices was seen in Pilsen (+14.4%), Karlovy Vary (+10.7%) and Pardubice (+9.9%). However, in Karlovy Vary, for example, the increase was caused by low prices (52% of the average) and a low sales volume. In contrast, prices decreased only in four regional capitals: Jihlava (-3.5%), Zlín (-2.0%), České Budějovice (-1.6%) and Liberec (-0.5%).

"As for the purchase price volume of the sales completed in the regional capitals, Prague is at the top of the list with a 64% share and a sales volume of CZK 12.6 billion. Besides the fact that Prague dominates the apartment market, there are major differences among individual regional capitals as well. For instance, in Ostrava, which has the third largest population in the Czech Republic, much fewer apartments were sold than in Olomouc or Pardubice, which are significantly smaller," says Miroslav Linhart, Director at Deloitte's Real Estate Department.

"As our long-term findings show, the growth in real estate prices experienced in Prague in the past three quarters is a reflection of several basic factors: of the higher demand for apartments and low mortgage interest rates, but presently particularly of the decrease in the number of vacant new apartments, as the process of issuing permits for new apartment projects has substantially slowed down in the past three years," remarks Milan Roček, statutory executive at CenovaMapa.org, who monitors the development of actual real estate selling prices and new apartment offer prices in the long term. As Mr Roček emphasises, the

construction of new apartments in Prague significantly affects the entire real estate market, with the trends in the price development of new houses having a major impact on the trends in the price developments of older apartments. *"Prague simply has an influence on the entire market, particularly the prices of new apartments. In fact, it is a major indicator for development trends, and if there is a lack of new apartments in Prague and their prices are growing, the prices of older apartments are in tow, including the prices of apartments in prefabricated blocks of flats,"* adds Milan Roček.

With CZK 60,300 per m², Prague also ranks first in respect of the prices per m² for which apartments were sold in Q2. In terms of individual city districts, the most dynamic development was seen in Prague 3, where the inter-quarter increase exceeded 8%. In contrast, the highest decrease in average prices was recorded in Prague 2.

"In the second quarter, almost 1,000 more apartments were sold than in the previous quarter. Out of this number, almost one half was sold in Prague and the other half in the regional capitals. In the whole Czech Republic, most sales were completed in prefabricated blocks of flats – almost 2,500 out of the total of 6,400 sales. The exception was Prague where, thanks to an advanced development market, most sales were completed in development projects. Out of the total of almost 3,000 apartments sold in Prague, 1,300 were sold in development projects," says Petr Hána, a manager at Deloitte's Real Estate Department.

About the Deloitte Real Index

The Deloitte Real Index expresses the percentage change in the average prices for which apartments were sold compared to the previous period in the regional capitals in the Czech Republic. It features the price per m² during the reviewed quarter. The Deloitte Real Index is unique in that the information relates to the sale of apartments registered in the real estate register in the form of purchase contracts. As such, it reflects the actual prices for which the apartments were sold.

For more information visit www.deloitte.com/cz/real-index.

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