

## Press release / comments

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### **Prices of new apartments in Prague rose by an additional 2.5% in the first two months of this year. There are 40% fewer new apartments on the market than two years ago.**

**Prague, 19 April 2017 – The average offer price for new vacant apartments rose by 2.5% to CZK 88,500 per m<sup>2</sup> in January and February of this year, which is a 21.2% growth year-on-year. Prices of apartments increased by more than 30% in two years. The most expensive apartments were sold in Prague 1 while the lowest prices have been reported in Prague 9 and Prague 10 in the long term. These are the conclusions of the latest Deloitte Develop Index, analysing the data on the Prague residential market for January and February 2017.**

*"The last year was very dynamic in terms of the development of all Prague residential market indicators. At the same time, it offered new experience – a significant excess of demand over supply and developers' limited capability to balance the growing difference,"* said Miroslav Linhart, Deloitte Real Estate Director.

The scissors between demand and supply have been opening continuously since the end of 2015; at the beginning of this year the supply fell even further. The total stock of vacant apartments in development projects decreased by 236 apartments, ie by 6% within two months (out of 4,220 to 3,984 apartments). Since the beginning of 2015, the stock of vacant apartments has decreased by more than 40%.

*"The increase in apartment prices at the end of the year reflects changes in mortgages as well as their consequent lower availability, which many entities try to prevent, and speculations about the end of the Czech crown interventions by the Czech National Bank. It should be emphasised that there is a critical shortage of vacant apartments in Prague",* reminds Tomáš Kadeřábek, Director of the Association of Developers.

### **Offer prices have been growing continuously for two years**

As opposed to the average for 2014, the average offer price has already risen by 35.5%. With the increasing average price per square meter, the average total price per apartment has grown by CZK 243 thousand up to CZK 6,925,000. Prices have grown in most Prague districts in the reported period, with the highest increase of 4.5% in Prague 6. A slight price correction was only reported in Prague 1 and Prague 8.

*"The number of new apartment projects delivered to the market remained very low, comprising only 15 projects. The number of apartments newly offered for sale also stagnated (517 apartments). On the other hand, 27 apartment projects were sold in full", explains Milan Roček, the statutory executive of CenovaMapa.org.*

*"The reason for the sharp increase in apartment prices in the latest years is the conflict of the historic maximum demand for housing and the entirely insufficient offer of new projects, which consequently increases the prices of older apartments", adds Ján Horváth from the CTR Group.*

### **Sales are slower with smaller and cheaper apartments being in high demand**

Although the demand in January and February 2017 was lower than in the last months of 2016 (it decreased by 302 apartments per 800 sold apartments) it was 35% higher than the current supply of apartments on the market.

It has still remained true that smaller and cheaper apartments are sold faster. The average offer price of all new apartments that were offered for sale in January and February amounted to CZK 83,900 per m<sup>2</sup>. The price of apartments sold in that period (labelled as "sold" in the pricelist) was CZK 75,188 per m<sup>2</sup>. The average price of vacant apartments in Prague has thus grown again to CZK 88,500 per m<sup>2</sup>. It may also be concluded that at the beginning of 2017, the market responded in a similar manner as in mid-2016 when an increase in prices was followed by a period with a lower sale in absolute figures. However, it still applies that the vast majority of sales are executed "on paper", ie at a time when the construction of a project is in its early stage.

*"The key role in the price development is played by the ever-falling offering of new apartments on the market; the factors having the highest impact comprise unsatisfactory legislation and the related lengthy process of construction proceedings, the improved economic situation and favourable conditions for funding new housing purchases", says Martin Vachek, the Executive Director of Daramis, the real estate investment company.*

In January and February, 932 apartments were removed from developers' offerings, with the highest numbers reported by Central Group (109), AFI Europe (89) and Finep (79). In the same period, 122 apartments returned to pricelists.

### **Analysis: Sale stagnation in April, decline in offerings**

Based on the information available, sales are expected to be slight in the doldrums in March and April of this year, ranging between 800 and 900 sold apartments in two months. The current and planned regulatory interventions in the mortgage market, which will restrict the availability of mortgages even more, will have a large impact on the indicator.

*"Given the ever-decreasing supply of new apartments, it is hard to anticipate whether the mortgage regulation will have the expected impact and stop the growth in new apartment prices. The problem of the current Prague real estate market lies in the lack of new apartments rather than the disproportionate demand", concludes the topic Miroslav Linhart.*

## About Deloitte Develop Index

The Deloitte Develop Index monitors the qualitative and quantitative indicators of supply and demand on Prague's development market processed by [www.CenovaMapa.org](http://www.CenovaMapa.org). Its task is to describe, on a bi-monthly basis, the current state and development of the residential market. The set of indicators is based solely on declaratory information obtained from the websites of individual development companies and pricelists of development projects. The basis of the index is formed by the numbers and proposed prices of vacant units under development projects towards the end of the monitored period.

Deloitte Develop Index is implemented with support of the Association of Developers.

For more information visit [www.deloitte.com/cz/develop-index](http://www.deloitte.com/cz/develop-index).

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