

Press release

Contact: Eva Usai Blumental
Position: Director, Clients & Markets
Tel: +420 603 458 331
Email: eblumental@deloittece.com

Contact: Klára Vyskočilová
Position: Senior content coordinator
Tel: + 420 736 513 244
Email: kvyskocilova@deloittece.com

The prices of new apartments in late 2016 increased by more than 19% year-on-year, the number of available apartments keeps dropping

Prague, 15 February 2017 – The average offer price of new apartments in November and December of last year grew by 5.4% to CZK 85,320/m², which represents a year-on-year increase of 19.4%. The prices grow the most in Prague 6 (+ 14.9%) and 3 (+ 13.6%); on the other hand, they decreased only in Prague 2 (-3.9%) and 7 (-1.4%). With the rising average price per square meter, the average total price per apartment increased by CZK 506,000 to CZK 6,682,000. These are the conclusions of the new Deloitte Develop Index, which compared data from November and December 2016.

"In the last two months of 2016, the average offer price of available apartments in Prague development projects increased by more than 19% year-on-year, which represents almost CZK 14,000 per m²," says Miroslav Linhart, Director at Deloitte's Real Estate Services department.

Overall, the prices of available apartments in Prague grew, a slight decrease in prices was seen only in Prague 2, of 3.9% to CZK 4,900, and of 1.4% in Prague 7 (CZK 1,250). In the second city district, the average apartment price per square meter was pulled up by a single project, which caused a 52% increase in the average apartment price.

The number of units sold amounted to 1,112 apartments, which is twice as many as the 506 apartments that were put for sale in the same period. *"Structurally, the current drop in available apartments on offer is due to the lower offer of new apartments and the high level of sales that the development companies have been unable to saturate. Fewer new apartments arrive on the market and those that do are significantly more expensive,"* adds František Brož, an analyst of the CenovaMapa.org portal.

2016 was marked by a continuous decrease in available apartments

The offer of available units in apartment projects gradually decreased over the last year, from approximately 6,200 available apartments as of 1 January 2016 to 4,220 as of 1 January 2017. The year-on-year drop in the offer reached 1,980 apartments, i.e. almost 32%. Given the demand for cheaper apartments, it was primarily the larger and more expensive apartments that remained on offer.

"Given the inertia and the current length of the permit process in the Czech Republic, the drop in offer is alarming. Analyses expect that by 2030 approximately 90,000 new apartments will be needed in the Prague area," says Tomáš Kadeřábek, director of the Developer Association, in reaction to the drop in offer. *"Under the current legislative circumstances, this goal is impossible to meet."*

Dramatic changes have taken place on the market also in the average available apartment indicators, as the size of such a flat increased from 76.0 m² to 79.5 m² and at the same time its total price also rose dramatically, from CZK 5,350,000 to CZK 6,682,000, which is almost by a quarter. The price of a square meter of an available apartment rose by more than 19% in 2016, from CZK 71,450/m² to CZK 85,320/m².

"The number of new apartment projects dropped significantly in comparison to the previous period, from 25 to 16. In terms of the number of apartments, the number of units placed on market dropped from 1,483 to 506," says Milar Roček, statutory executive of CenovaMapa.org. The vast majority of apartments now sell long before they are finished – apartments currently available on the market are 83% composed of apartments introduced to the market in 2016 and 2015, i.e. apartments before completion. Only less than 10% concern available apartments that were placed on the market more than 3 years ago.

In November and December, development companies saw a total of 1,186 apartments removed from their offerings, most of them of Finep (143), AFI Europe (120) and Central Group (109). The average offer price of apartments sold in Prague development projects (labelled in the pricelist as "sold") amounted to CZK 76,550/m².

About the Deloitte Develop index

The Deloitte Develop index monitors the qualitative and quantitative indicators of supply and demand on Prague's development market processed by the www.CenovaMapa.org portal. Its task is to describe, on a bi-monthly basis, the current state of the residential market and its development. 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.

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

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