

# Prague Residential Market

Q3 2023

Report on the residential market  
developments in Q2 to Q3 2023

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Developer incentives  
have gotten the sales  
of new buildings moving.  
After more than a year,  
more new projects have  
appeared on the market.

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The correction of housing  
prices has apparently  
hit bottom.  
The asking prices,  
however, are still  
favourable for the buyer.

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The easing of CNB  
regulations stands behind  
up to a fifth of new  
mortgages.

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Institutional rental  
housing is stabilising  
the housing situation  
in the Czech Republic.

## **Prague Residential Market**

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- 01 New Buildings
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- 04 Premium Segment
- 07 Mortgage Market
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- 10 Institutional Rental Housing

# NEW BUILDINGS

## COMMENTARY

*“Developer incentives and guaranteed mortgages have restarted the market with new buildings.”*



KATEŘINA POLÁKOVÁ  
KNIGHT FRANK

Compared to the previous period, the asking price for flats has remained almost unchanged. The entry parameters of new construction simply do not allow developers to offer their products at lower prices. Clients who still want to buy have to accept these conditions.

New developer projects are finally appearing on the market again. The year-long pause caused by the unstable energy situation, significant increase in construction costs and high inflation is over. The incentives from developers, who subsidise mortgage payments for their clients for a transitional (in the most frequent cases two-year) period, have stirred up interest among buyers. A significant part is still financing housing from equity, however.

The global ESG trend is also already having a significant impact in the residential sector. Buyers, whether choosing for themselves or as an investment, are much more educated. The attitude of society and its behaviour in accordance with ESG has led to a change in the priorities according to which products are chosen to be bought.

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# CZK 9,489,247

AVERAGE ASKING PRICE FOR FLAT

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# CZK 150,287

AVERAGE ASKING PRICE PER SQ M OF FLAT

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# -0.3%

HALF-YEAR CHANGE IN ASKING PRICE

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# 5,538

NUMBER OF FLATS ON OFFER

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# +3.5%

CHANGE IN OFFER OVER LAST 6 MONTHS

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## SECONDARY MARKET

### COMMENTARY

*“Further lowering of sales prices is no longer on the table at present.”*



KATEŘINA POLÁKOVÁ  
KNIGHT FRANK

There has been a slight increase in the sales prices on the secondary market over the last half year. This was caused by the offer of exclusive properties in premium locations.

Changes in sales prices copy the situation in the previous period, thus they reflect the quality of the real estate in the given location. Older flats in prefab buildings and flats facing reconstruction have seen a decrease in prices. Premium properties have maintained their prices.

A typical example is Prague 9, where we noticed a significant decrease in asking prices by 7.1%.

We have seen the most pronounced increase of 5.4% in Prague 6, where we have recorded the reappearance of lucrative properties that clients withdrew in the most critical period to avoid disadvantageous sales.

Further lowering of sales prices is not on the table at present.

# CZK 8,410,361

AVERAGE ASKING PRICE FOR FLAT

# CZK 124,020

AVERAGE ASKING PRICE PER SQ M OF FLAT

# +0.7%

HALF-YEAR CHANGE IN ASKING PRICE

# 6,496

NUMBER OF FLATS ON OFFER

# -1.5%

CHANGE IN OFFER OVER LAST 6 MONTHS

## SECONDARY MARKET AND NEW BUILDINGS - DEVELOPMENT

*The changes in the prices of flats in the individual city districts reflect the offer of qualitatively diverse properties both on the new building market and in secondary resales.*

Half-year change in prices of flats on offer

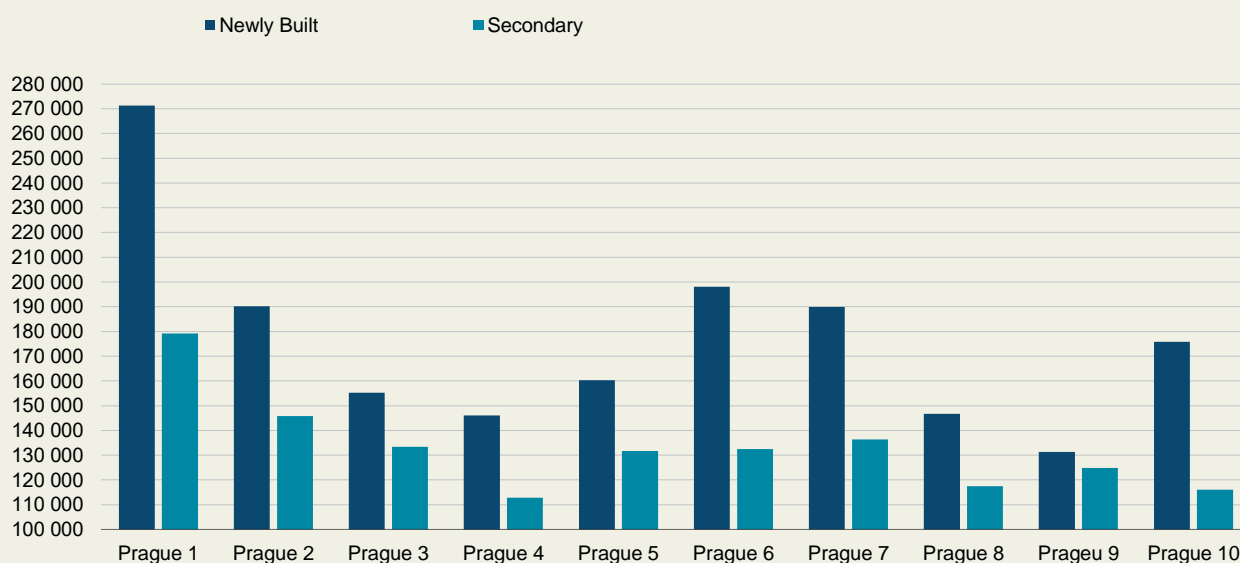


Source: FlatZone, Knight Frank Research

*Prague 1 leads in the asking price in new projects, followed by Prague 6 and 7. Prague 1 also ranked first on the secondary market. It is traditionally followed by Prague 2 and Prague 7.*

Asking prices of flats

CZK/sq m



Source: Flatzone, Knight Frank



## PREMIUM SEGMENT

### COMMENTARY

*“Investments into small flats are still rising. The total price for a property is decisive.”*



KATEŘINA POLÁKOVÁ  
KNIGHT FRANK

In the premium segment we are also seeing an increasingly strong trend of purchasing small-sized flats with regard to the final price.

The affordability for a wider group of buyers, however, is spilling over from 2+kk to the smaller 1+kk flats. A priority is placed on the quality of the property, which does not lose its value at the expense of a smaller space.

Compared to the previous monitored period, the share of sales of 2+kk flats decreased from 45% to 36%, while 1+kk flats' share increased from 27% to 31%.

The demands on the standard and fittings of residential buildings and the flats themselves are increasing among the ever younger buyers.

The difference between the asking and sales prices point to the developers' motivation to accommodate their clients. The sales volume curve is on the rise.

The revival of transactions is also evident in the larger 3+kk flats, their share increased from 16% to 19%. The sale of 4+kk flats also increased from 7% to 11%.

Only the most luxurious penthouses in layouts of 5+kk and 6+kk saw a decrease in sales volumes. The percentual difference in the share is more the result of limited offer.

# CZK 14,933,845

AVERAGE ASKING PRICE FOR FLAT

# CZK 196,800

AVERAGE ASKING PRICE PER SQ M OF FLAT

# -1.6%

HALF-YEAR CHANGE IN AVERAGE PRICE PER SQ M FOR FLATS SOLD IN NEW BUILDINGS

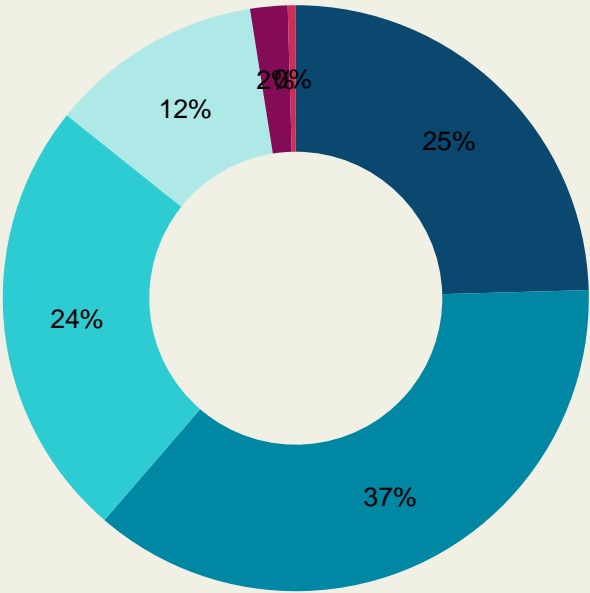


# PREMIUM SEGMENT

## Offer on market in the last 6 months

Asking prices

1+kk	– CZK 197,800/sq m
2+kk	– CZK 199,400/sq m
3+kk	– CZK 192,800/sq m
4+kk	– CZK 192,200/sq m
5+kk	– CZK 209,700/sq m
6+kk	– CZK 209,700/sq m

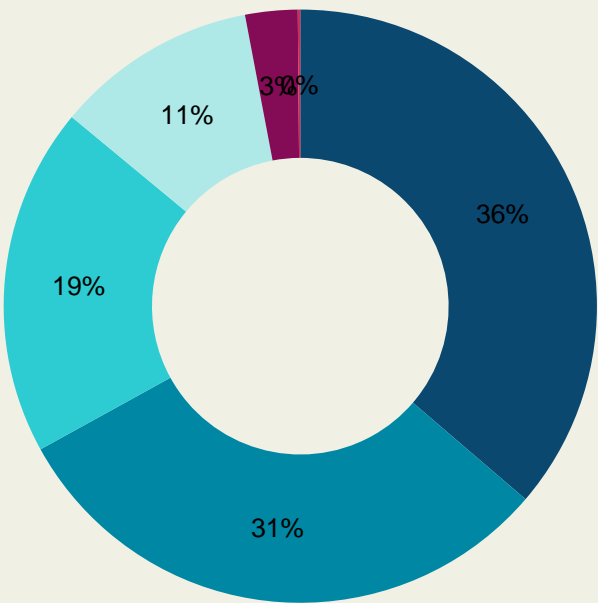


Source: FlatZone, Knight Frank Research

## Sales on market in the last 6 months

Sales prices

1+kk	– CZK 194,700/sq m
2+kk	– CZK 197,500/sq m
3+kk	– CZK 192,000/sq m
4+kk	– CZK 196,700/sq m
5+kk	– CZK 198,900/sq m
6+kk	– CZK 185,000/sq m



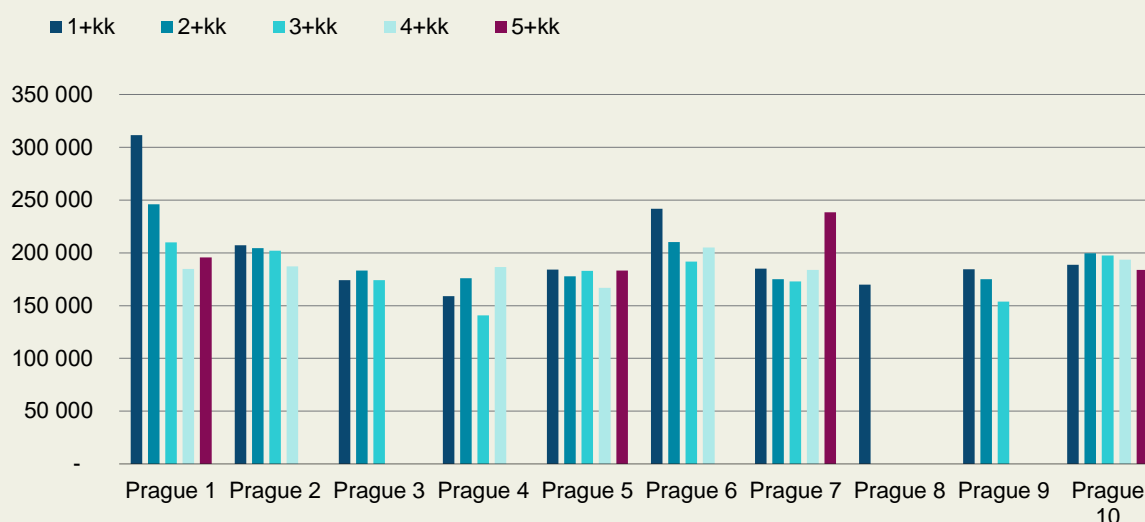
Source: FlatZone, Knight Frank Research

## PREMIUM SEGMENT

*These remain the most expensive in light of the popularity of small-area flats in all locations.  
The prices of the largest penthouses on the uppermost floors of new buildings traditionally rank second.*

### Asking prices of flats in new buildings

CZK/sq m

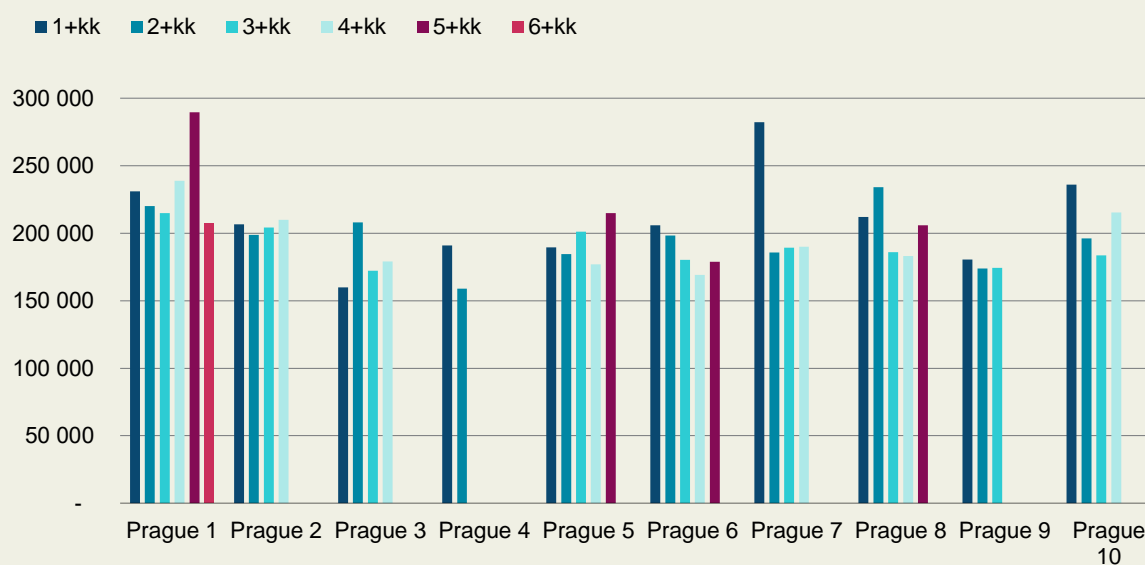


Source: FlatZone, Knight Frank Research

*The location and quality of the property also determines the sales price on the secondary market.*

### Asking prices on the secondary market

CZK/sq m



Source: Knight Frank Research



# MORTGAGE MARKET

## COMMENTARY

*“The mortgage market is slowly reviving; the year-on-year volumes will also increase in the coming months.”*



PAVEL BULTAS  
HYPOASISTENT

Mortgage volumes rebounded off the bottom in March and the summer months confirmed that the market was out of the worst of it. In addition to a more optimistic sentiment, the easing of CNB regulations also helped. Mortgages have become more affordable since the summer.

The CNB cancelled the requirement for the maximum limit on the DSTI (debt service to income). The new situation brought banks the possibility to decide more independently regarding their lending policy. All the large and most of the medium-sized banks have eased their conditions; the lending parameters are now more diverse and the differences among the individual banks have increased. The willingness to approve formerly inaccessible exceptions in justified cases has also increased. The change will positively affect at least 15 – 20% of mortgage clients.

While average offered rates have remained above 6% for more than a year, the realised rates are substantially lower. The average realised rate in September dropped to 5.74%. In development projects we even recorded an average of 5.67%. Significant credit for this goes to mortgage brokers, who have long contributed to better transparency on the mortgage market.

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## CZK 5.85 million

AVERAGE AMOUNT OF LOAN FOR NEW  
BUILDING IN PRAGUE

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## 68%

AVERAGE LOAN-TO-VALUE RATIO (LTV)

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## 25 years

AVERAGE LENGTH OF MORTGAGE MATURITY

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## 45%

SHARE OF APPLICANTS IN PAIR

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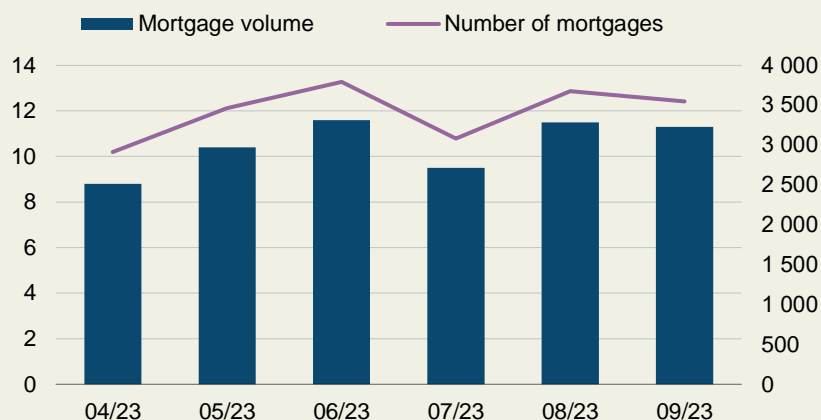
# MORTGAGE MARKET

We expect a more significant decrease of the rates with the start of the decrease of basic rates by the CNB, most likely at end of the first quarter of next year. We expect the rate of the decrease to be relatively slow. Thus this winter will not bring lower rates, though mortgages will definitely be a topic of discussion. An amendment to the Consumer Credit Act, which specifies the maximum fee amount banks will charge to clients for the early repayment of mortgages, is heading to parliament. The regulation in place until now was ambiguous and the CNB's interpretation shifted the balance in favour of the clients, who can currently pay off or refinance a mortgage at practically any time for only a few hundred crowns. This advantage is turning against the clients themselves, though. If the amendment does not pass, this imbalance could turn against all the clients. It would not make sense for the banks to offer clients a favourably-longer fixation of rates and would prevent the much-expected decrease in interest rates.

What should the new conditions for extraordinary payments look like?

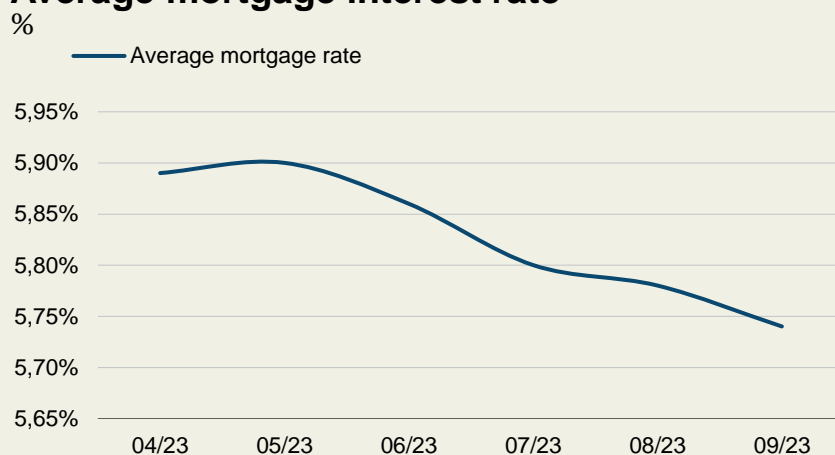
Extraordinary payments will be free in legally-defined cases: at the end of each fixation of interest rates, on the anniversary of signing the mortgage agreement to the amount of up to 25% per year, in some difficult life situations and newly also when selling property and during a divorce. In other cases (e.g., when refinancing) a joint maximum limit for the amount of the fee should apply: 2% of the early payment of the principal (for a loan of 1 million this is 20 thousand crowns). With this amount of fees, we expect the willingness of banks to negotiate with the client to lower rates during the fixation period to be maintained. Thus, most clients will not need to refinance due to savings and the amendment will also contribute to maintaining the functioning mortgage market. We will have to wait, however, for the final version of the amendment to the act.

## Volume and number of provided new mortgages (without refinancing)



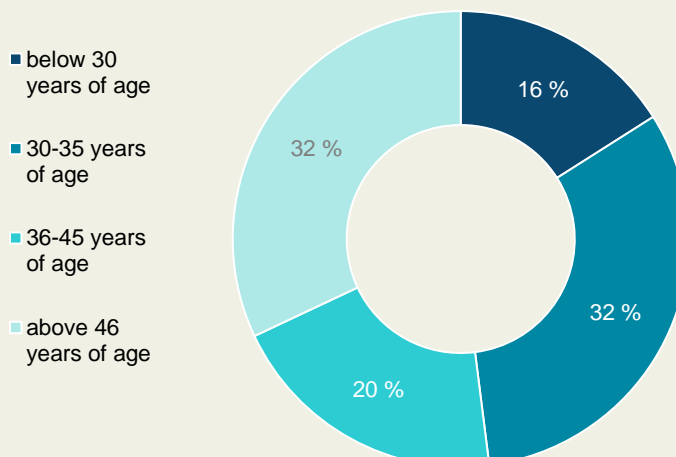
Source: Hypoasistent

## Average mortgage interest rate



Source: Hypoasistent

## Age of mortgage applicants



Source: Hypoasistent

## RENTAL HOUSING

# Demand is increasing, prices at a slower pace.

Rents have continued to grow in the last 6 months in most of the Prague districts. The rent increased by five percent on average, with the most significant increased seen in Prague 8, Prague 6 as well as Prague 7.

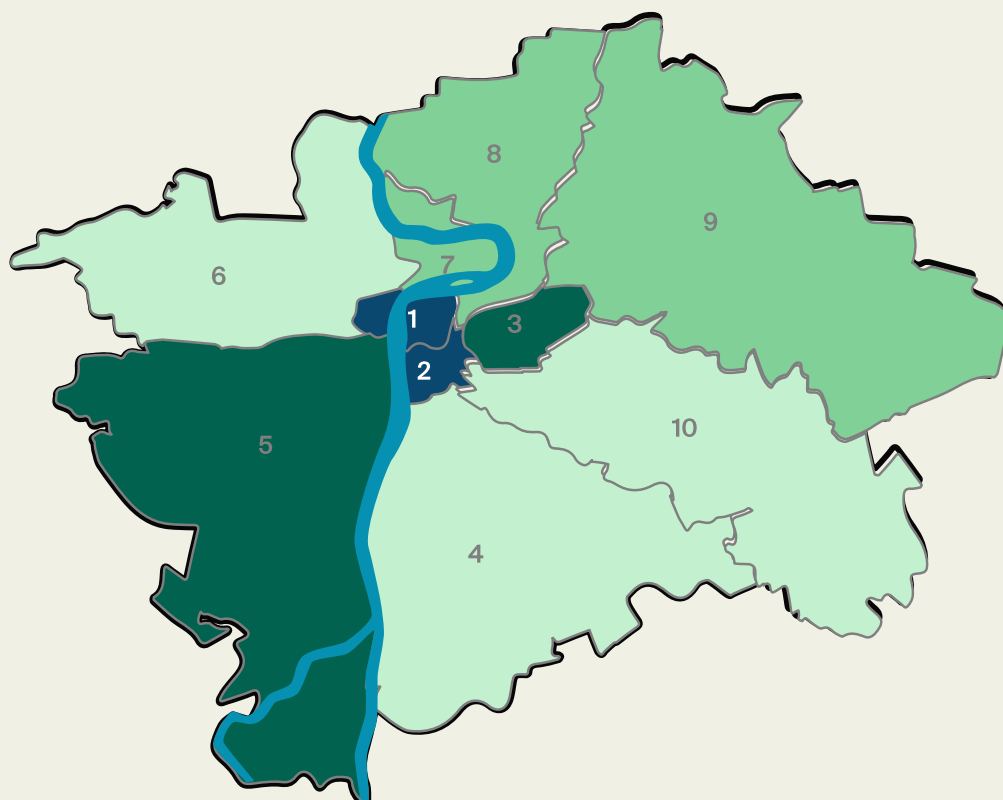
The rate of growth has slowed in the last year. Nevertheless, we continue to expect a significant increase in the demand for rental housing with regards to the low accessibility of homeownership. Institutional rents will be the cause of the growing difference in the rents of older flats compared to new, often fully-equipped, low-energy rental projects that also provide various types of services.

### *Half year development of rents in Prague* Q2 2023 – Q3 2023

Average monthly rent

- CZK 500 +/sq m
- CZK 450 – 500/sq m
- CZK 400 – 450/sq m
- CZK 350 – 400/sq m

● Prague 1 : CZK 508/sq m
-1.6% ↓
● Prague 2 : CZK 509/sq m
+5.2% ↑
● Prague 3 : CZK 456/sq m
+4.0% ↑
● Prague 4 : CZK 369/sq m
+2.8% ↑
● Prague 5 : CZK 452/sq m
-0.1% ↓
● Prague 6 : CZK 400/sq m
+12.0% ↑
● Prague 7 : CZK 430/sq m
+9.9% ↑
● Prague 8 : CZK 423/sq m
+12.3% ↑
● Prague 9 : CZK 407/sq m
-0.7% ↓
● Prague 10 : CZK 392/sq m
+8.2% ↑



# INSTITUTIONAL RENTAL HOUSING

Rental housing has retained a very attractive position on the residential market. The expected BTR **yields** of remain relatively stable. The increase in the number of projects is gradual, since it is still a relatively new investment product that must be approached cautiously with regards to the long-term investment horizon and the related sustainability of demand.

The market currently recorded a **slight decrease in occupancy rates** for BTR projects, which is caused by the **completion of the largest rental project in Prague to date**, specifically AFI Home Kolbenova with 313 flats, and the launch of pre-leases for the Mozaika Holešovice project with 178 units. We consider this decrease to be **temporary**, in light of the persisting considerable demand.

The **average rent for BTR projects** also decreased slightly, since it is rent based on the current offer on the market, which is now comprised predominantly of new units outside of a central locations. Nevertheless, for existing BTR projects in established locations, we record stable or even rising rents.

In the following period we expect the completion of the Vysočanský mlýn project in Prague 9 and Lihovar Strážkov in Prague 5.

## OVERVIEW OF MOST IMPORTANT INSTITUTIONAL LESSORS ON THE PRAGUE RENTAL HOUSING MARKET

- AFI EUROPE
- CREDITAS Real Estate
- CTR
- Dostupné bydlení České spořitelny
- Heimstaden
- Kooperativa pojišťovna
- Luka Residential
- Mint Living
- Prague Archbishopric
- Zeitgeist Asset Management
- Trigema

## CZK 560

AVERAGE RENT PER SQ M  
FOR BTR PROJECTS IN PRAGUE

## 4.75%

EXPECTED YIELD OF BTR PROJECTS

## -2.5%

HALF-YEAR CHANGE IN AVERAGE RENT  
FOR NEW BUILDINGS IN PRAGUE

## 25 +

NUMBER OF INSTITUTIONAL LESSORS  
ON THE PRAGUE MARKET

## 930

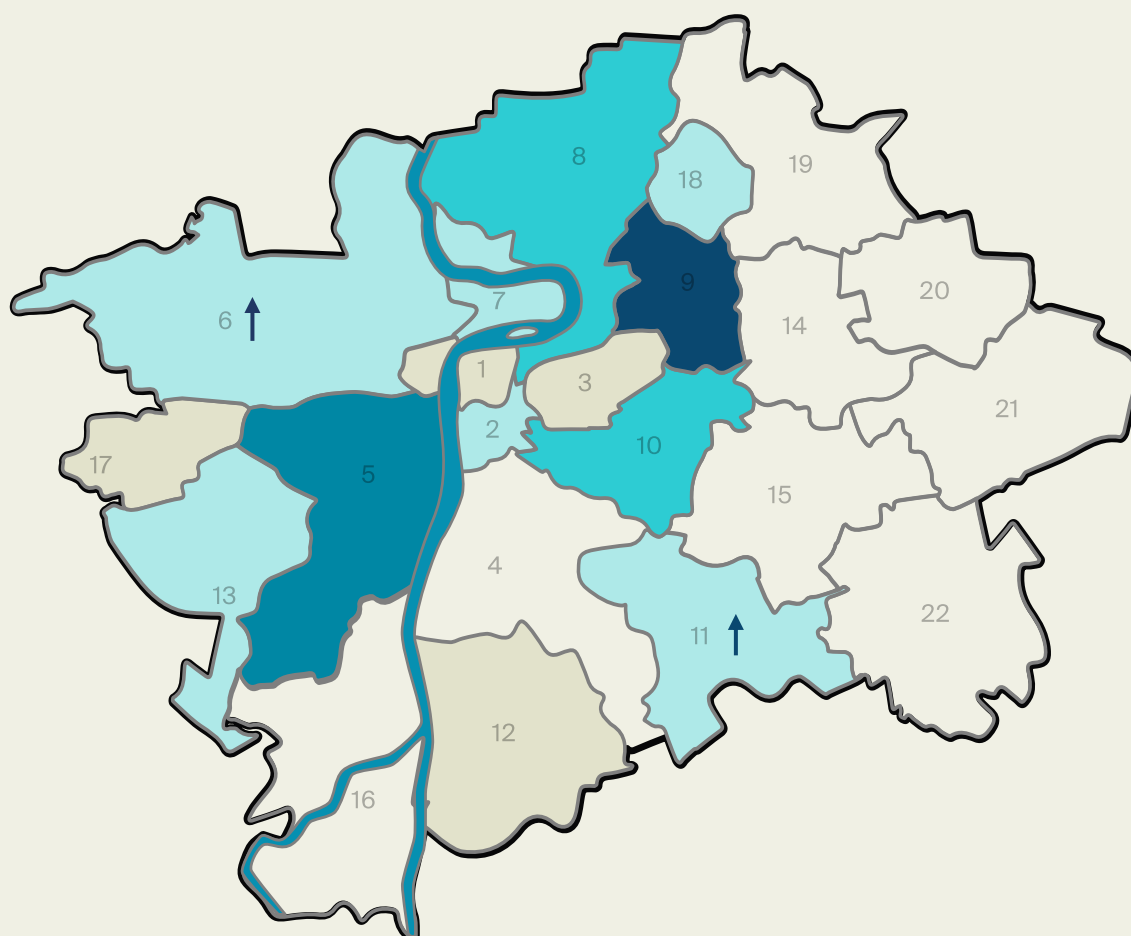
RENTAL UNITS IN THE FIVE LARGEST  
TRANSACTIONS OVER THE LAST YEAR

# INSTITUTIONAL RENTAL HOUSING

## COMPLETED BTR PROJECTS AND BTR PROJECTS UNDER CONSTRUCTION WITH MORE THAN 30 UNITS

Number of units in individual city districts

30 – 100 units    100 – 300 units    300 – 500 units    500 – 700 units    700+ units



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Prague 11 increase by 300 units with the launch of construction of the Nový Opatov project.

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Prague 6 increase by 230 units in the completed Dům Comenius project.

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In the last half-year the operation of the large AFI Kolbenova project in Prague 9 was launched and the Mozaika Holešovice project in Prague 7 began offering rental units (available from 03/2024).

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In the coming months, we expect the completion of the large Vysočanský mlýn project in Prague 9 and Lihovar Střížkov project in Prague 5.



# INSTITUTIONAL BTR TRANSACTIONS

## Major deals

- Investments into rental housing by institutional investors continue.
- They are primarily development projects under construction that are slated for completion over a horizon of 2 years.
- The most attractive location remains the capital city of Prague, followed by Brno and Plzeň.
- Completed rental projects are held by the primary owners.
- The individual rental projects differ in their orientation of various target groups, where on one hand affordable housing is provided for important professions and on the other hand luxury housing connected with extra services is offered.
- The interest in rental housing is continually growing in the Czech Republic. The main reason will primarily be decreasing affordability of homeownership.



### Hloubětín – Lofty 61

Seller/Developer: Finep  
Investor: Mint Living  
Number of units: 168  
Transaction date: 4Q 2023



### Lihovar Smíchov

Seller/Developer: Trigema  
Investor: Pražské arcibiskupství  
Number of units: 112  
Transaction date: Q3 2023



### Residence Opatov

Seller/Developer: Sekyra Group  
Investor: Dostupné bydlení ČS & Kooperativa pojišťovna  
Number of units: 300  
Transaction date: Q2 2023



### Prosek City

Seller/Developer: Finep  
Investor: Dostupné bydlení ČS  
Number of units: 254  
Transaction date: Q2 2023



### Hotel Vítkov

Seller: -  
Investor: Baltic Asset Management  
Number of units: 96  
Transaction date: Q1 2023

Sources of photos: Finep / Mint, lihoval.cz, Sekyragroup, dostupnebydlenics.cz, hotelsprague.cz



# METHODOLOGY

**New Buildings** – development projects including both newly-constructed flats, as well as the comprehensive reconstruction of existing properties for the purpose of selling or renting flats.

**Secondary Market** – all types of flats that are advertised on real estate servers as resales, including flats in new buildings.

**Premium Market** – flats with a unit price (adjusted according to the methodology given below) above CZK 180,000/sq m.

**Price per square metre** – the price for the floor area of the flat, without exterior spaces and parking. For the conversion of the price per sq m in the case where a balcony, loggia, terrace or garden was given in the overall price of the flat, a price conversion coefficient was used of 50% for balconies, loggias and terraces up to 10 sq m, 35% from an area up to 50 sq m and 25% for areas above 50 sq m. For gardens it is 25% from the area of gardens up to 50 sq m and 15% from areas above 50 sq m.

**Institutional Rental Housing (BTR)** – a newly-constructed group of flats directly for the purpose of renting, which are fully furnished (including a bed, couch, all kitchen utensils, etc.) and often offers other shared facilities and common spaces that increase the attractiveness of the project.

**All prices** are given including VAT.



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