

Prague Residential Market

Q3 2024

Report on the residential market
developments in Q2 2024 to Q3 2024

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Property asking prices
of new buildings
are growing
at the expected rate,
year-on-year by 7.1%

After a long pause,
new luxury properties
or complete renovations
are returning to the market
in the most expensive
locations. Their quality
is driving prices up.

It is now possible
to obtain a mortgage
even for an unfinished
development project,
with the interest rate
fixed just before
disbursement.

Among investors in small
properties, very young
people are appearing
more and more often.
Another trend
is cooperative housing.

Prague Residential Market

- 01 Newly Built
- 02 Secondary Market
- 03 Premium Segment
- 04 Mortgage Market

NEWLY BUILT

COMMENTARY

“Even very young people are increasingly investing their first savings in purchasing small apartments for rent.”



KATEŘINA POLÁKOVÁ
KNIGHT FRANK

The ranks of investors in small properties are expanding with increasingly younger representatives. They invest their first saved money in purchasing apartments suitable for rental.

The prices of new buildings in Prague have exceeded the expected threshold and have risen by 7.1% year-on-year. Further price developments will depend on the number of apartments entering the market.

Traditionally, there is high demand for properties with layouts of 1-room or 2-room apartments in medium or higher quality with good public transport accessibility. Developers are focusing on this by incorporating spaces for community activities into their projects, thereby also changing the overall lifestyle of the residents of these projects.

Cooperative housing is experiencing a renaissance. It is particularly popular among people who are addressing their own housing needs. This model offers people easier access to financing without the need to prove income.

CZK 10,543,400

AVERAGE ASKING PRICE FOR NEW FLATS

CZK 158,100

AVERAGE ASKING PRICE PER SQ M

+ 7.1%

ANNUAL CHANGE IN ASKING PRICE

5,881

NUMBER OF FLATS ON OFFER

+ 3.7%

CHANGE IN THE OFFER OVER LAST 6 MONTHS

SECONDARY MARKET

COMMENTARY

„The supply on the secondary market is large, and prices have also risen significantly.“



KATEŘINA POLÁKOVÁ
KNIGHT FRANK

The increased supply of new apartments has also stimulated the market for older units. Year-on-year, their prices have risen by 13.7%. In the last half-year, prices have increased more moderately, by 5%.

The average price difference between new apartments and resales has increased again compared to the previous period and now exceeds the 16% threshold.

It is questionable to what extent this trend in the price difference between new apartments and resales will be influenced in the future by the growing pressure for low energy consumption, higher required standards and housing demands, and expensive renovations. It is likely that the price gap will widen even further.

Investors are replacing their existing portfolios of smaller apartments with modern properties that offer not only a higher standard but also additional service options.

In the center of Prague, we are currently seeing an increase in sales of smaller apartments, which were previously used for short-term rentals.

CZK 12,256,700

AVERAGE ASKING PRICE FOR FLAT

CZK 131,100

AVERAGE ASKING PRICE PER SQ M OF FLAT

+13.7%

ANNUAL CHANGE IN ASKING PRICE

8,236

NUMBER OF FLATS ON OFFER

+ 2.8%

CHANGE IN OFFER OVER LAST 6 MONTHS

SECONDARY MARKET AND NEW BUILDINGS - DEVELOPMENT

Changes in apartment prices in individual city districts reflect the supply of qualitatively different properties on both the new construction market and in secondary resales. The highest increase, ten percent, was recorded in Prague 2.

Half-year change in prices of flats on offer

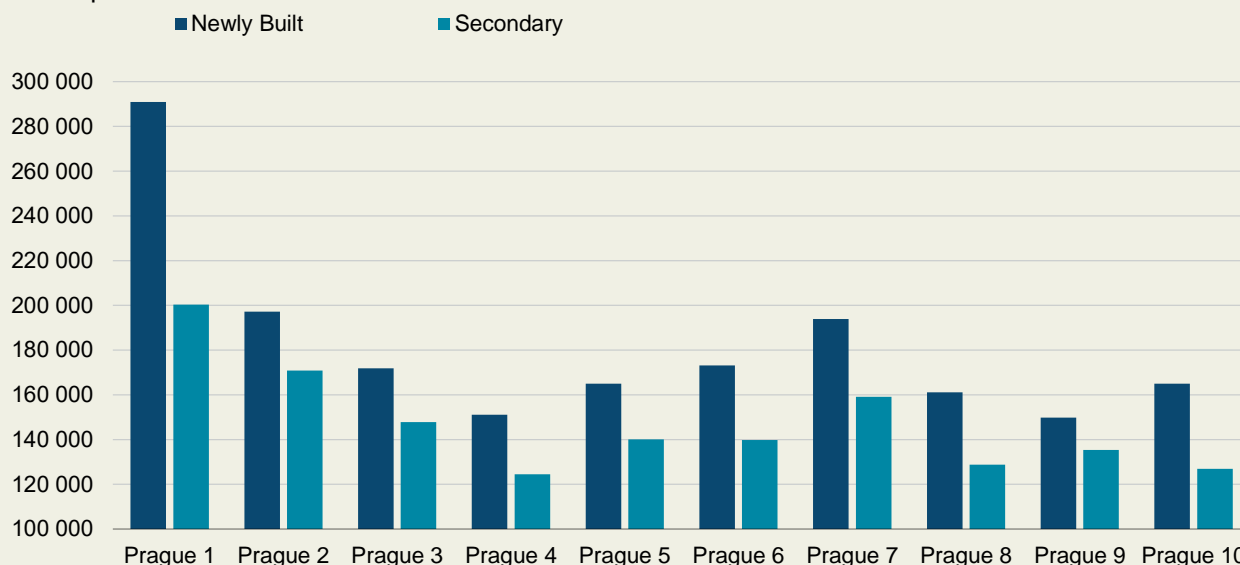


Source: FlatZone, Knight Frank Research

Prague 1 leads in terms of new construction prices, averaging just below 300,000 per square meter. It is followed by Prague 2 and 7, where prices have risen to 198,000 per square meter due to a few new projects. The same scenario has also been repeated in the secondary market.

Asking prices of flats

CZK/sq m



Source: Flatzone, Knight Frank Research

PREMIUM SEGMENT

COMMENTARY

“Prices and sales of smaller apartments are growing also in the premium segment.”



KATEŘINA POLÁKOVÁ
KNIGHT FRANK

Small apartments have a greater presence in new projects than before. The premium comfort of living space is giving way to client demand. The absolute selling price, combined with the highest available apartment standard, now plays a key role in sales. Both offer and sale prices have slightly increased over the last six months. Unlike in previous years, the price per square meter for smaller units (1-room and 2-room) has equalized.

In contrast, large luxury apartments like penthouses are showing a noticeable price increase. After a long pause, new luxury projects or complete renovations are appearing on the market, pushing prices upward. The quality of standards and furnishings, the uniqueness of the apartment building, privacy, and security are all very important factors influencing the decision to purchase the largest apartments. However, the final price differences are still determined by location.

The growing interest in investing in quality properties in inner Prague, where there is and always will be a shortage of these apartments, is attracting more buyers. The key factor for purchasing a luxury property is the stability of this segment without significant price fluctuations, as confirmed by the recent crisis. Favorable tax, gift, and inheritance conditions compared to Western Europe further support these investments.

CZK 12,742,500

AVERAGE ASKING PRICE FOR FLAT

CZK 208,200

AVERAGE ASKING PRICE PER SQ M OF FLAT

CZK 198,100

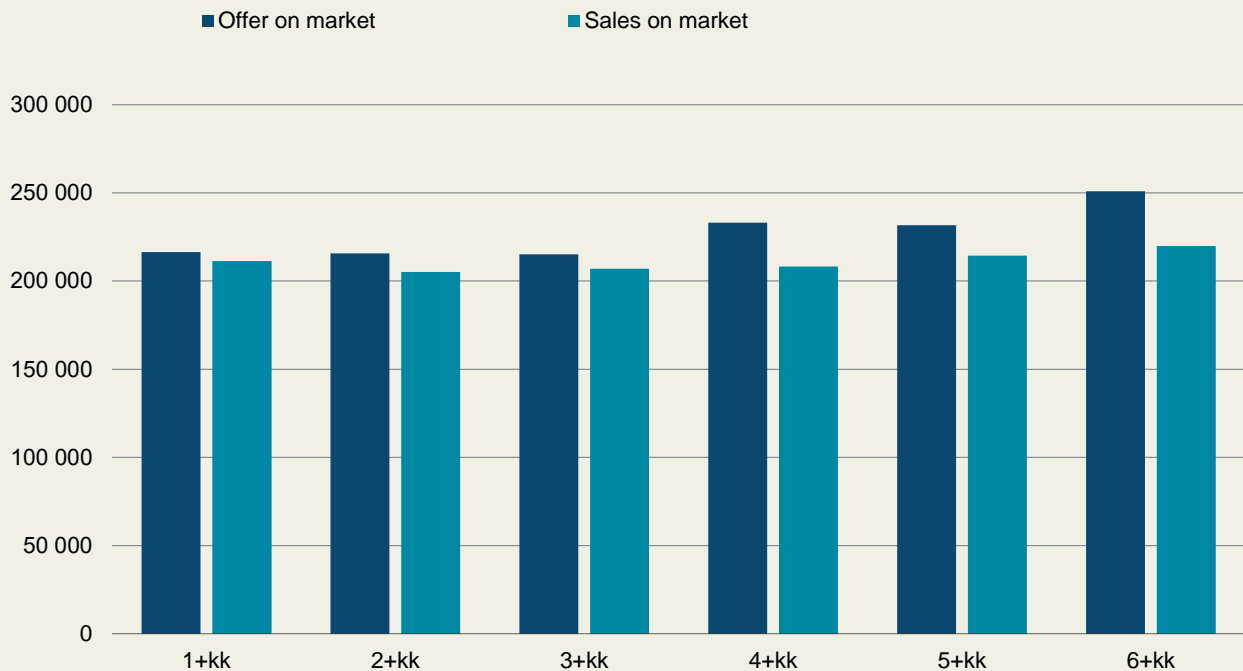
MEDIAN PRICE OF ALL PREMIUM FLATS PER SQ M



PREMIUM SEGMENT

Offer and sales on market

CZK/sq m



Zdroj: FlatZone, Knight Frank Research

The largest exclusive apartments dominate both the offer and sales, in new projects as well as in secondary resales. We still see differences between asking prices and actual sales. The market is not yet in a condition where the topic of discounts is completely off the table.

Offer on market in the last 6 months

Sales on market in the last 6 months

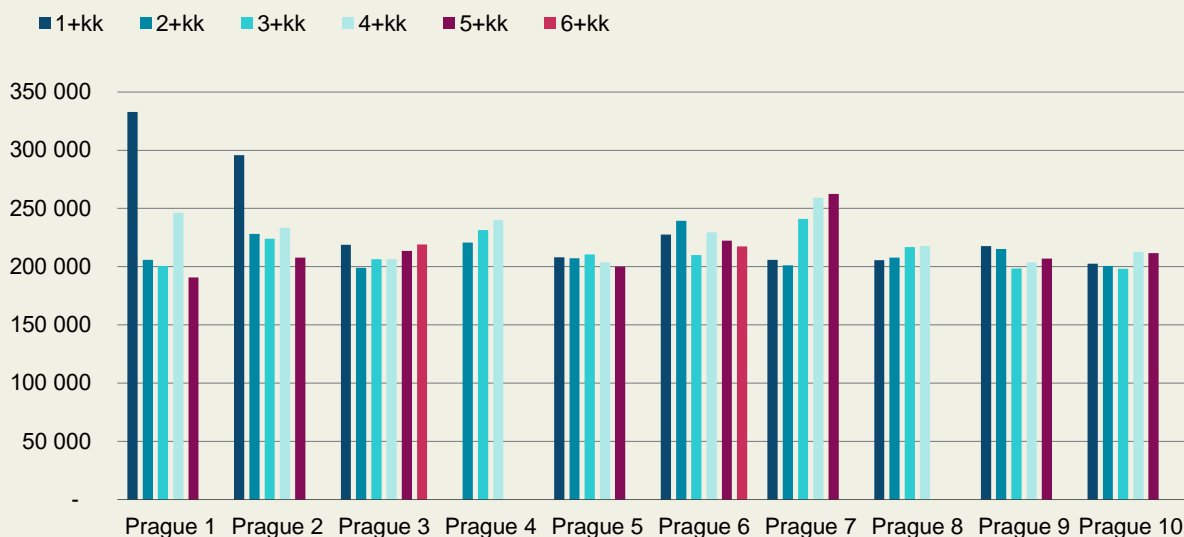
Asking prices	Sales prices
1+kk – CZK 216,500/sq m	1+kk – CZK 211,400/sq m
2+kk – CZK 215,700/sq m	2+kk – CZK 205,200/sq m
3+kk – CZK 215,100/sq m	3+kk – CZK 206,900/sq m
4+kk – CZK 233,100/sq m	4+kk – CZK 208,300/sq m
5+kk – CZK 231,600/sq m	5+kk – CZK 214,500/sq m
6+kk – CZK 251,000/sq m	6+kk – CZK 219,900/sq m

PREMIUM SEGMENT

In new development projects, the highest prices per square meter are found in the smallest and largest layouts.

Asking prices of flats in new buildings

CZK/sq m

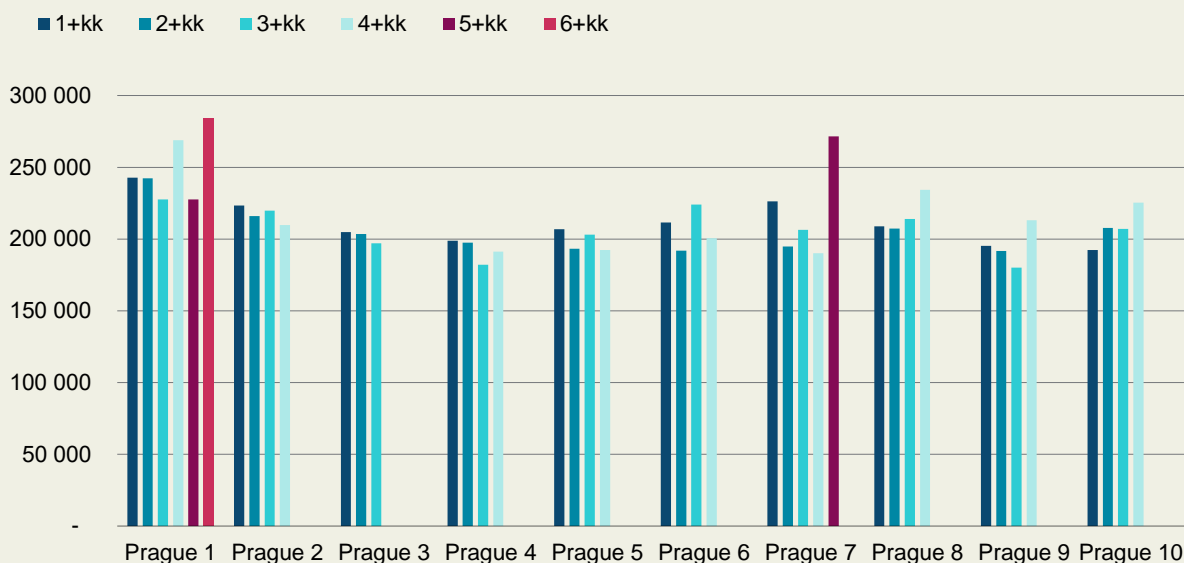


Source: FlatZone, Knight Frank Research

Luxury is gaining importance again. Location and quality determine the selling price even on the secondary market.

Asking prices on the secondary market

CZK/sq m



Source: FlatZone, Knight Frank Research

MORTGAGE MARKET

COMMENTARY

“Mortgage rates have been stagnating but the mortgage market has been growing.”



PAVEL BULTAS
HYPOASISTENT

While analysts predicted that a drop in mortgage interest rates was imminent, the reality was different. Over the past six months, these rates have stagnated.

Neither the reduction in the CNB's base rates nor the falling price of interbank funds triggered their decline. However, expectations of a drop in mortgage rates persist.

Mortgage market volumes are returning to pre-pandemic levels, though the number of mortgages is still lagging. An exceptionally strong August was influenced by the anticipated effects of an amendment to the Consumer Credit Act, which adjusted the conditions for extraordinary repayments and thus also refinancing flexibility.

In connection with waiting for a rate drop, the amendment prompted clients to hurry with their mortgages so that their contracts would still be subject to the 'old' conditions.

Another factor in the growing volumes was the expectation of rising property prices and the launch of sales of new development projects.

Today, more than a third of apartment and family house purchases are financed by a mortgage, whereas before the crisis it was more than half.

CZK 5.67 million

AVERAGE AMOUNT OF LOAN FOR NEW FLAT IN PRAGUE

69%

AVERAGE LOAN-TO-VALUE RATIO (LTV)

25 years

AVERAGE LENGTH OF MORTGAGE MATURITY

3 years

MOST POPULAR FIXATION (82% OF CLIENTS)

MORTGAGE MARKET

New rules for extraordinary mortgage repayments have come into effect.

As of September 1, new rules for extraordinary repayments (and thus also refinancing) of mortgages have come into effect. These rules will apply to mortgages concluded after this date and to mortgages for which a new interest rate begins. The law now specifies the exact method for calculating the fee that banks can charge clients for an extraordinary repayment. This fee will be based on so-called reasonably incurred costs, with a maximum cap of a quarter percent for each year remaining until the end of the fixation period, but no more than 1% of the early repaid loan amount.

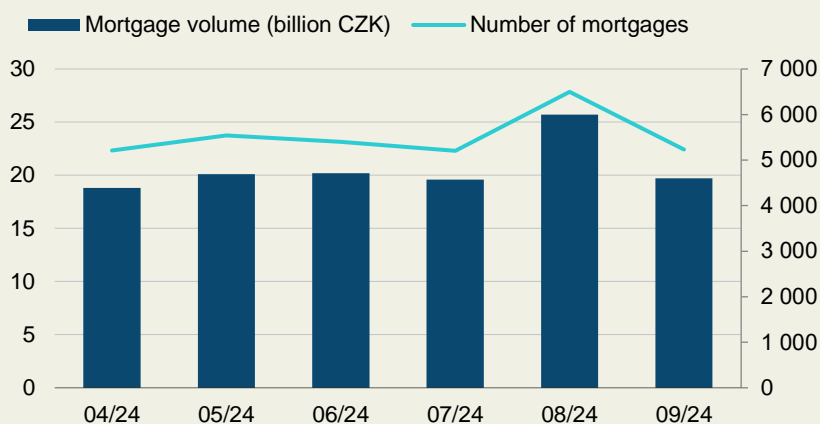
Conversely, the law expands the list of cases in which the fee will be zero. These will include certain cases of settlement of marital property and the sale of a property that was mortgaged or was the subject of the loan (if at least 2 years have passed since the loan was granted). Thus, the sale of a property encumbered by a mortgage will continue without unnecessary complications.

Mortgage with a future rate

In October, HYPOASISTENT introduced a mortgage innovation for development projects under construction. Thanks to this new mortgage, clients who are buying an apartment in an unfinished project do not have to wait until the last moment to arrange their mortgage, even if they expect rates to fall to an acceptable level by the time of completion.

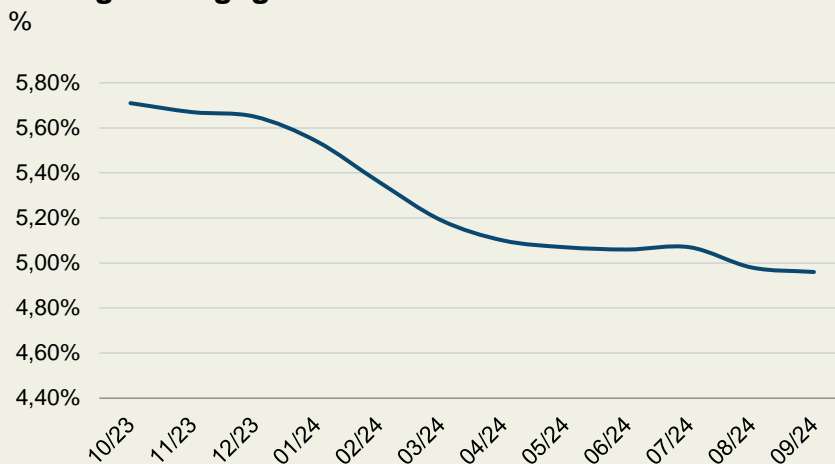
The mortgage can be approved immediately, and the client can fix the interest rate just before the loan disbursement—at any time they choose. The advantage of an approved mortgage is that the client does not need to re-prove income before disbursement and does not risk tightening of lending rules, whether by decision of the CNB or individual banks."

Volume and number of provided new mortgages



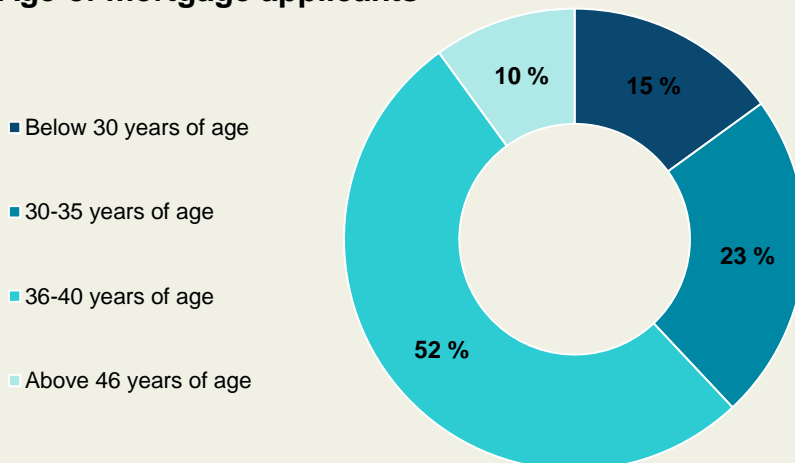
Source: Hypoasistent

Average mortgage interest rate



Zdroj: Hypoasistent

Age of mortgage applicants



Source: Hypoasistent

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 200,000/sq m for newly built flats and CZK 180,000/sq m for the secondary market.

Price per square metre – the price for the floor area of the flat, without exterior spaces and parking. For the recalculation of the price per square metre when the total price of an apartment on the secondary market includes a balcony, loggia, terrace, or garden, a conversion coefficient of 50% was applied for balconies, loggias, and terraces up to 10 square meters, 35% for areas up to 50 square meters, and 25% for areas over 50 square meters. For front gardens, 25% of the area up to 50 square meters and 15% for areas over 50 square meters were applied.

All prices are given including VAT.

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