

November 2024

Institutional rental housing

Report on the development of institutional rental housing in Prague
in Q2 2024 to Q3 2024



Build-to-rent (BTR)

The rent in BTR projects in Prague has slightly decreased year-on-year by 6.5% to 538 CZK/sq m, primarily due to rentals in new projects with lower price levels.

Throughout the year, various phases of the Lihovar Sever project in Prague 5 were completed, where part of the rental apartments are managed by the developer Trigema (64 apartments), and part was taken over by the operator and new owner X-Place (114 apartments). Additionally, the construction of rental apartments in the Hagibor project, the Delta building, was completed. Developer Crestyl built it for the investor Invesco, and the apartments will be managed by the company Zeitgeist. Currently, there are 2,900 residential units in operation within BTR projects.

There are currently more than 1,400 apartments under construction in BTR projects across Prague, suggesting a significant increase in new supply in the coming years. Among the most significant projects under construction are Prosek City, an investment by Dostupné Bydlení České Spořitelny, planned for completion next year, and Nový Opatov, where Dostupné Bydlení České Spořitelny owns 154 apartments, and Kooperativa 146 apartments. This project is being constructed by the Sekyra Group. Rents in DBČS apartments will be 20% lower than market rent.

538 CZK

Average rent in BTR projects in Prague per sq m

2,900

Apartments in operation in BTR projects in Prague

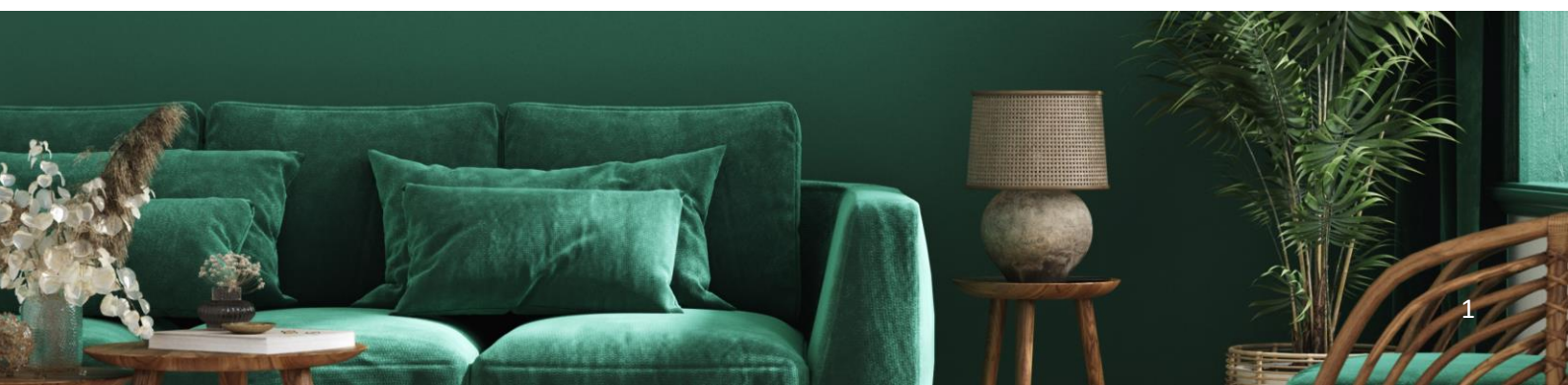
1,425

Apartments under construction in BTR projects in Prague (above 50 units)

27,934 CZK

Average price for an apartment

Source: Knight Frank Research, Flatzone

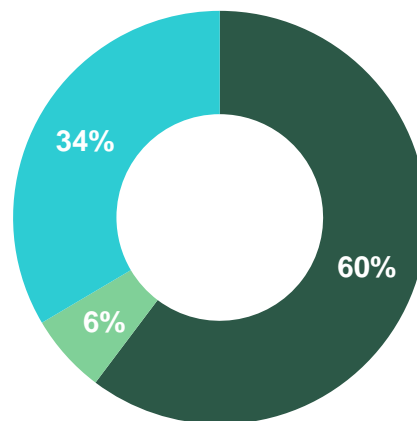


Build-to-rent (BTR)

A total of 2,900 apartments in the BTR (Build-to-Rent) segment represents 60% of the supply of institutional rental housing. Additionally, we record 1,600 units offered for student housing and over 300 units branded as co-living. In many cases, co-living and student housing slightly overlap. In the future, we expect further segmentation of institutional housing.

BTR, PBSA, Co-living
Number of units

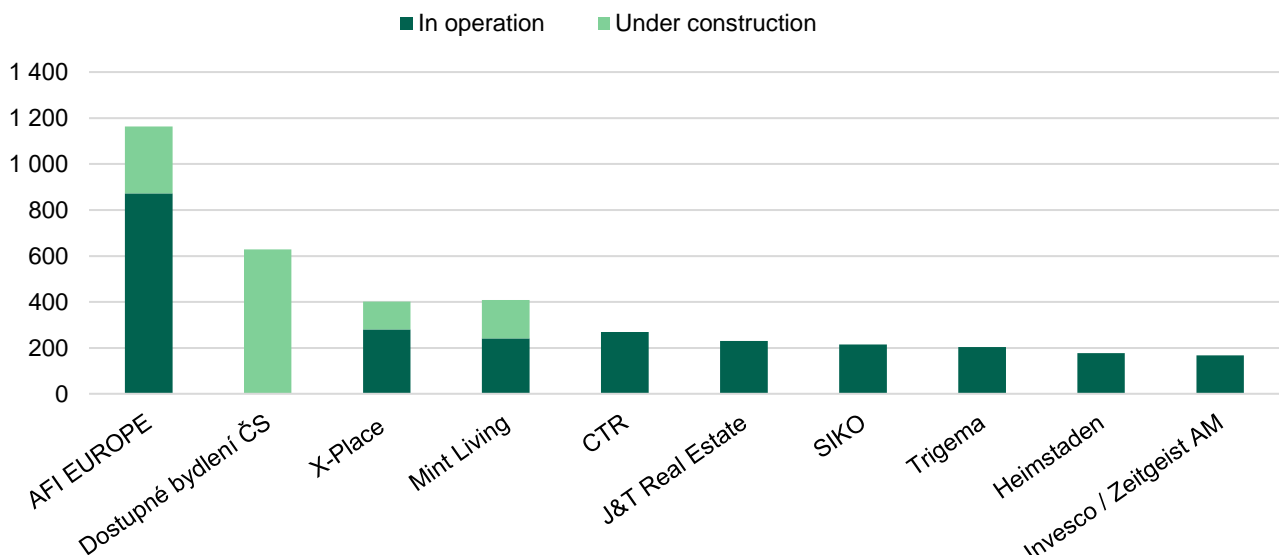
- BTR
- Co-living
- PBSA



Source: Knight Frank Research

The largest owner of institutional rental housing is AFI Europe, which also has a large number of projects under construction and, especially, in preparation. The share of Dostupné bydlení ČS (Accessible Housing by Česká Spořitelna) will significantly increase in the future, with currently more than 600 residential units under construction.

BTR projects in operation and under construction

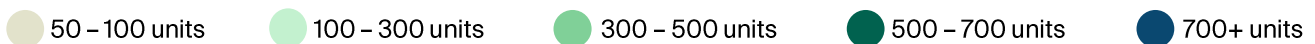


Source: Knight Frank Research

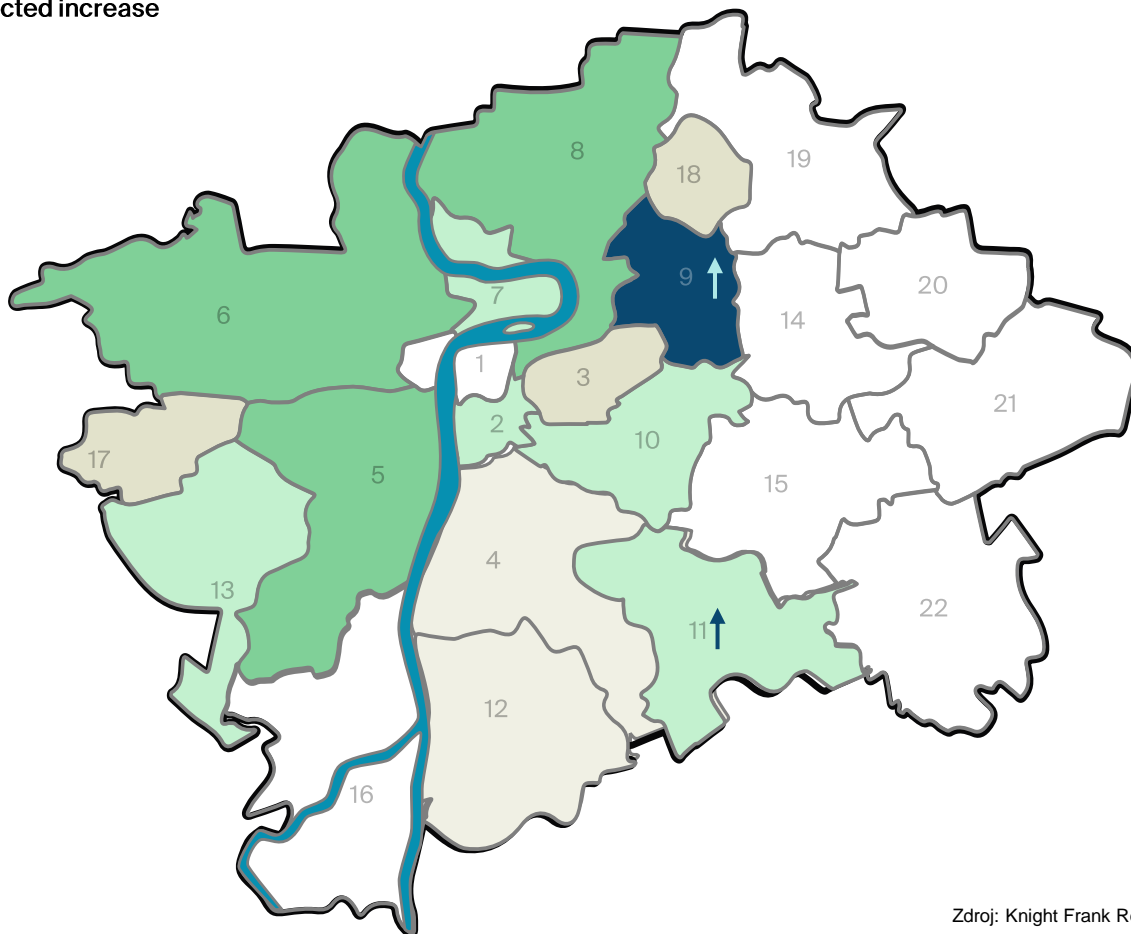
Build-to-rent (BTR)

Completed BTR projects and BTR projects under construction with more than 50 units

Number of apartments in Prague districts



↑ Expected increase



Zdroj: Knight Frank Research

- Most BTR apartments under construction are in Prague 9 and Prague 11.
- In Prague 10, the Hagibor project Delta building with a total of 168 rental flats was completed for the investor Invesco and as was Lihovar Sever in Prague 5.
- The Co-living Youston project was also completed this year with a total of 96 units.
- Over the next two years, AFI will build five hundred apartments in Strašnice, while Finep will build less than three hundred in Hloubětín for AFI.

Significant investment transactions

Institutional rental housing is a sought-after investment asset and its share in the total investment volumes is gradually rising. The share of investments in rental housing increased to 26% in the third quarter. Over the three quarters of this year, the share of investments in the BTR segment reached 18% and the volume exceeded €200 million. This demonstrates the growing interest of investors who seek to diversify their portfolios and anticipate continued future rental growth. The most significant transaction in the third quarter was the sale of the residential rental project Nový Opatov G1, with a total of 171 apartments. This was the first transaction in the residential segment of the real estate fund REICO ČS NEMOVITOSTNÍ, with the seller being FINEP.

In the second quarter, AFI Europe and FINEP closed a transaction. FINEP will build two new residential buildings with 291 apartments for AFI Europe in the Nová Elektra project in Prague 9. Additionally, AFI Europe is purchasing the "V Korytech" project from FINEP in Prague 10, where they plan to develop a residential project with 509 apartments themselves. In autumn, they signed a framework cooperation agreement, allowing them to potentially acquire an additional 1,700 apartments.

4.5%
Prime yield for BTR projects in Q3 2024

Also, in the second quarter, Mint Residential Fund announced the acquisition of 306 apartments as part of the next phase of the Vysočanský Mlýn project from the developer Metrostav Development.



Nový Opatov G1

Seller/Developer: FINEP

Investor: REICO ČS NEMOVITOSTNÍ

Number of units: 171

Transaction date: Q3 2024



Nová Elektra

Seller/Developer: FINEP

Investor: AFI Europe

Number of units: 291

Transaction date: Q2 2024



Vysočanský Mlýn III. phase

Seller/Developer: Metrostav Development

Investor: Mint Investments

Number of units: 306

Transaction date: Q2 2024

Experts' opinions

In the future, we expect an increase in new supply and a gradual diversification of products, as well as an increase in interest in student housing, co-living and senior housing from investors. Particularly in the student and senior housing segment, there is still a mismatch between supply and end-user demand. While demand significantly surpasses supply.

” *The potential for the construction of rental housing is significant due to the low affordability of housing ownership in Prague, we see it mainly in locations near office hubs and near public transport. In terms of yields, the issue is more complex, for example, due to interest rates, which have been rising in recent years. Our expectations are slightly above costs. The yield on construction should be around seven percent.*



Doron Klein
Managing Director AFI Europe



Erik Janovský
Partner Mint Investments

” *The rental market is effectively defined by nominal wages in the economy. In locations with high demand, we expect rental growth to exceed nominal wage growth. The MoF forecasts wage growth of around 6.5% in 2025 - rents in institutional projects should at least match this growth. In the future, we will primarily see genuine BTR projects being built in the country - that is, the project will be prepared for rental housing from the outset. Now, the vast majority of projects are being redesigned for rental housing after permits are granted, in part or not at all. We will be aiming to change the mix of apartments in the buildings and the efficiency of the floor plans. I expect projects to become more differentiated by the philosophy of each institutional landlord.*

Rents continue to rise

Average rental prices per sq m of apartments available for individual rent, according to listings in most Prague locations, have continued to rise over the past 12 and 6 months. Over the last 6 months, rents have risen most significantly in Prague 8 (14.3%), Prague 1 (10.1%) and Prague 9 (7.4%).

We expect rents to continue to grow at a similar rate of about 5-10% per year. Given the expected further increase in the price of owner-occupied housing, renting will become an alternative for an increasingly wide range of clients.

461 CZK/sq m

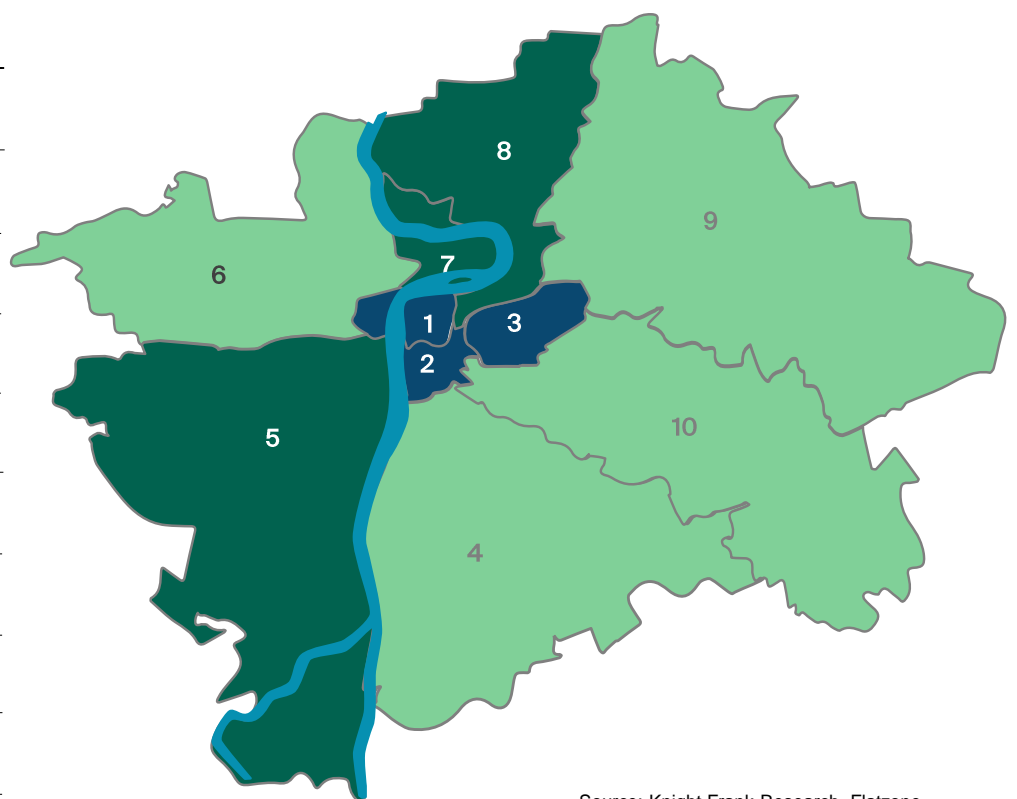
Average rents according to listings
(+7.1% in the last 12 months / +6% in the last 6 months)

Half-yearly development of prices of individual rentals in Prague according to advertising Q2 2024 – Q3 2024

Average monthly rent

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

●	Prague 1 : 545 CZK/sq m +10.1% ↑
●	Prague 2 : 515 CZK/sq m +2.6% ↑
●	Prague 3 : 507 CZK/sq m +4.1% ↑
●	Prague 4 : 423 CZK/sq m +6.1% ↑
●	Prague 5 : 479 CZK/sq m 4.3% ↑
●	Prague 6 : 422 CZK/sq m -0.2% ↓
●	Prague 7 : 481 CZK/sq m +3.4% ↑
●	Prague 8 : 487 CZK/sq m +14.3% ↑
●	Prague 9 : 447 CZK/sq m +7.4% ↑
●	Prague 10 : 432 CZK/sq m +6.6% ↑



Source: Knight Frank Research, Flatzone

Definitions

Build-to-rent (BTR) is a newly built group of apartments built directly for rental purposes, which is fully furnished (includes a bed, sofa, all kitchen utensils, etc.) and often offers additional shared facilities and common areas that increase the attractiveness of the project.

Purpose-Built Student Accommodation (PBSA) refers to accommodation designed specifically for students. It usually includes smaller furnished shared or private rooms. In addition, it offers other services and shared facilities such as study rooms, common rooms, fitness centres and laundry facilities. They are often located close to schools. Facilities are professionally managed, and rent is often paid per bed.

Co-living is a shared living concept where tenants share common living spaces such as kitchens, living rooms and sometimes bathrooms while retaining private bedrooms. This type of housing often attracts young professionals and students and is close to student housing. It also includes other services similar to PBSA.

Private rental sector (PRS) - One or more dwellings owned by a private person or company for rental purposes, which are not specifically furnished and can be sold as standard on the market (or contain only fixed furniture - kitchen units, fitted wardrobes, etc.)

All prices include VAT.

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