

Development market in Prague

July and August 2017

INTRODUCTION

The summer months brought about an unexpected supply that equalled the supply of March and April. With 1,001 new apartments placed on the market, the number of available apartments on the market saw a considerable increase after quite some time. Their number increased from 3,996 apartments as of 1 July 2017 to 4,324 apartments as of 1 September 2017. The number was up by 328 available apartments, which is an increase of more than 8%. The number of non-residential units in residential projects decreased from 113 units to 108 units and the supply of detached houses decreased from 315 houses to 305 houses.

Demand in July and August 2017 was essentially the same as in the prior period of May and June 2017. It only grew by 3 units to 728 units. What is more, apartment sales decreased by 3 apartments to 706, while the sales of non-residential commercial units in residential projects increased from 17 units to 22 non-residential units. As the average price of an apartment from among the available supply was CZK 7,061,074 early in the period, with the surface area price of CZK 91,557 per m², and the surface area price of apartments in new projects was CZK 102,496 per m² during the period, prospective buyers did not have much choice again. In the prior period, demand performed a price spike to units that were 8.3% (73.12 m²) larger and 15.5% (CZK 6,083,189) more expensive, and of which the price per m² parameter was 8.9% (CZK 84,861 per m²) higher. In the most recent period, the price increase was not as radical, although the units sold were, on average, more expensive again, seeing an increase of 7.1%. The surface area price parameter was "only" up by under 3%.

In the previous analysis, I assumed that demand would at best stagnate in July and August 2017; however, if it had behaved economically, sales would have been around 600-650 apartments

during the summer months. If the new offering of apartments unknown at the time during the period is not included in sales, out of the apartments which were available early during the period a total of 579 was sold. The new, stronger offering increased sales by 127 apartments to the final number of 706. Therefore, it may be concluded that the market behaved rationally.

In July and August 2017, supply of available apartments grew. The number of new apartments that directly entered the market was 1,011 and the offering of available apartments was up by 328 at the end of the period, i.e. by more than 8%. It is the greatest increase since 2014; however, the question is whether companies only increased the offering at the expense of several other months. Only in respect of new apartments the annual deficit decreased to 461 apartments compared to January-August 2016, i.e. an increase of 13%. Compared to 2014 and 2015, which were richer in supply, the offering of available apartments is at 53% and 63% of the then offering, respectively.

Compared to the prior period, the number of new residential projects decreased from 16 to 14 and the number of apartments increased from 655 to 1,011 apartments placed on the market. Sales were finalised in respect of 19 residential projects with a total of 1,222 apartments.

During the two assessed months, projects comprising 1,014 apartments were placed on the market by development companies, with the above stated 1,011 apartments entering the market, i.e. a little less than 100%. In addition, a total of 17 non-residential commercial units in residential projects and 30 detached houses in 2 projects were placed on the market.

In terms of new apartments placed on the market, **July** was at the level of prior years' supply. Only 4 residential projects entered the market, yet they comprised 444 apartments (483 apartments in 2016): the average number of apartments per project placed on the market was 111, which was much higher than the long-term average number of apartments in new projects. The new July offering is characterised by an average apartment size of 68.47 m², an average price of CZK 7,189,645 and the surface area price parameter of CZK 105,011 per m². In terms of individual apartment layouts, July's offerings are again strongly oriented towards the 2-bedroom layout (184 apartments). They accounted for 3.5% more than the overall representation of the layout in supply (the overall market share being 37.1%). Accounting for 24.1%, the 1-bedroom layout (107 apartments) ended up second in line and was slightly above its overall market representation (the overall market share being 23.9%). This time, the 3-bedroom layout (104 apartments) is, with its 23.4% share, below its market share by about 3.5%. Bigger and more expensive layouts are also represented: the 4-bedroom layout with 17.8% and the 5-bedroom layout with 1.6%.

The aggregate sales of new apartments in July amounted to approximately CZK 3.2 billion.

August was the richest August in the past four years. A total of 10 residential projects with 570 apartments (242 apartments in 2016) entered the market. The average number of apartments per project was 57. August's offering can be characterised by an average apartment size of 59.9 m², an average price of CZK 5,902,474 and the surface area price parameter of CZK 98,481 per m².

The Czech version says May

In terms of individual apartment layouts, August's offerings are strongly oriented towards the 2-bedroom layout, having a 37.7% share (214 apartments). Its representation is identical to its overall market supply of 37.1%. With its 33.0% share, the 1-bedroom layout (187 apartments) is second in line and is 9% above its overall market representation of 23.9%. This time, the 3-bedroom layout (48 apartments) is, with its 20.1% share, below its overall representation of 26.0%.

Bigger and more expensive layouts account for

approximately the same shares as in the overall supply: 4-bedroom layout – 17.4%; 5-bedroom layout – 2.0%.

Total sales of new apartments amounted approximately to CZK 3.4 billion in August.

In total, July and August saw units of approximately CZK 6.6 billion placed on the market, with a surface area price of CZK 102,496 per m².

CHANGES IN APARTMENT OFFERINGS IN JULY AND AUGUST 2017

In the monitored period, a total of **14 new residential projects with a total volume of 1,014 units** were placed on the market. The number of residential projects whose sales were finalised amounted to **22 projects, with 1,315 units leaving the market, of which 1,222 were apartments.**

A total of 1,011 apartments in new projects were placed on the market. The balance of the total market offerings (sold, available) was negative in terms of the number of apartments in July and August, with 23 apartments disappearing from the market. In terms of sales, the balance was positive: the volume of sales of all apartments on offer increased by CZK 2.6 million.

Change in the offering of available apartments may be characterised as follows:

- The **NUMBER** of available apartments grew from 3,996 to 4,324, i.e. by 8.2%
- The **AVERAGE SIZE** of an apartment dropped from 77.8 m² to 75.7 m², i.e. by 2.7%
- The **AVERAGE PRICE** of an apartment grew from CZK 7,061,074 to CZK 7,090,533, i.e. by 0.4%
- The **AVERAGE SURFACE AREA PRICE** of an apartment grew from CZK 91,577 per m² to CZK 93,472 per m², i.e. by 2.1%

SALE OF UNITS IN JULY AND AUGUST 2017

Compared to the two previous months, the sale of units stagnated, with the number of sold units increasing by 0.4%. **The number of sold units was 728**, i.e. an increase of 3 units, of which the total number of apartments sold was 706, decreasing by 2 apartments compared to the previous period. During the holidays, the average sold apartment cost CZK 6,304,255 at CZK 89,142 per m² and was 71.0 m² in size.

The total surface area of sold units decreased by 4.6% to 58,064 m². The pricelist sales decreased to CZK 4,815 million – by 2.5%.

Qualitative parameters of sold units:

- The price of an average unit sold increased by CZK 433,587 to CZK 6,516,777
- The average size of a sold unit increased by 1.8 m² to CZK 74.92 m²
- The CZK/m² parameter increased by CZK 2,435 per m² to CZK 87,296 per m².

During the monitored period, the market was still coming to grips with the price hike from the past two months. Given the limited supply and, in price terms, the rather unfavourable supply of new apartments, the apartment surface area increased only by 1.8 m², but the average price grew by CZK 433.5 thousand.

Development in demand in **July and August 2017** as compared to May and June 2017:

Quantitative indicators:

- The NUMBER of sold units increased by 3 units; +0.4%
- The SURFACE AREA of sold units decreased by 2,770 m²; -4.6%
- The SALES of sold units decreased by CZK 123,651,808; -2.5%

In the same period in 2016, the average apartment purchased by clients was 10.5 m² smaller, 45.7% cheaper (CZK 4,473,099) and the CZK/m² surface area price parameter was 28.8% lower (CZK 67,773 per m²).

SUPPLY OF UNITS AS OF 1 SEPTEMBER 2017

After what had been a very long time, the aggregate supply of available units substantially increased from 4,109 units to 4,432.

The number of available apartments increased by 328 in terms of the number of units, i.e. by 8.2% to 4,324 apartments.

Qualitative parameters of the units on offer:

- The price of an average unit on offer decreased by CZK 9,333 to CZK 7,109,817
- The average surface area decreased to 77.4 m², i.e. by 2.3 m²
- The CZK/ m² parameter increased by CZK 2,146 per m² to CZK 92,491 per m².

In the monitored period, the qualitative indicators of the available units on offer thus saw an increase only in the unit surface area price parameter. A substantial decrease was recorded in respect of the average unit size, which was namely owing to the new smaller units placed on the market in the monitored period.

Change in the supply of available units for **July and August 2017**:

Quantitative indicators:

- The NUMBER of units on offer increased by 323 units; +7.9%
- The SURFACE AREA of units on offer increased by 15,398 m²; +4.7%
- The SALES of units on offer increased by CZK 1,321 million; +4.7%

Supply also offers an interesting comparison with the previous period in 2016. In that period, clients were offered 408 more units for purchase. The average unit was 0.1 m² smaller, 25.3% cheaper (CZK 5,674,104) and the CZK/m² price parameter was 22.3% lower (CZK 75,629 per m²).