H2 2019

MARKET REPORT

svoboda&williams | CHRISTIE'S INTERNATIONAL REAL ESTATE

THE REAL ESTATE MARKET THROUGH THE EYES OF SVOBODA & WILLIAMS

1ST CZECH-SLOVAK EDITION

THE PRAGUE RESIDENTIAL MARKET IS DRIVEN BY INVESTMENTS

At first glance, it may seem that the Prague residential market is currently behaving contrary to the projections of the Czech National Bank (CNB). This is true in particular in relation to the central bank's restrictive mortgage measures. Its goal was first to protect banks from the potential influx of risky, i.e. non-performing mortgage loans (in the event that the Czech economy would be hit by a recession), and second to stop the abrupt rise in apartment prices. Indeed, fewer mortgages are approved today and the requirements for the applicants' own resources have reduced the demand for them. However, the CNB's attempt to influence prices clearly isn't working. The rise in housing prices may have slowed, but its tempo still exceeds the growth in production in the entire Czech economy and the increase in incomes, i.e. the population's buying power. The reason is obvious—the **significant increase in purchasing apartments as an investment, which has filled the void left by the loss of the middle class's demand for housing.**

In this respect, the Czech Republic isn't sheltered from the conditions that prevail in the global economy and the European economy in particular. The markets are suffering from a surplus of free capital that is mainly the result of the current monetary policy of the central banks, which are trying to avert the threat of a recession at any cost. Taken together with the unprecedented low or even negative interest rates in the European Union, bank deposits today are a losing proposition.

In times like this, real estate, including residences for institutional, private, and so-called small investors, is a safe and relatively profitable asset. This is certainly the case in the Czech Republic. According to various estimates, in the **"mainstream" segment of the Prague housing market investment purchases account for 30–40% of all sales** (in Western European cities, if we take the example of London, this share is even higher). The driving force behind these purchases is on the one hand the surplus of capital, and on the other the previously mentioned reduced interest rates (today in Europe one can easily find bank loans with 1–2% interest rates p. a. while the net rental income from an apartment in Prague is 2–3% without taking into account any financial leverage). More and more private investors are buying whole "packs" of apartments. And finally, institutional investors are right behind private capital. So far, however, they have had few opportunities in the Czech Republic since nobody has offered entire buildings with hundreds of apartments yet.

The massive increase in investment purchases has thus replaced the central bank's forced cooling of the demand for housing ownership, and this is the main reason that the prices of residential properties are still rising. At the same time, both groups mostly seek to buy smaller apartments with practical layouts—investors find them easier to rent out and they are more affordable for those looking for housing for themselves.

However, the situation in the premium segment is slightly different. Here, according to the estimates of Svoboda & Williams, investment purchases make up a smaller share of the demand than in the medium price segment, roughly 20–30%. People are seeking larger apartments in this segment for their own use or for long-term appreciation, and not to rent them out.

Together with several other factors (e.g. the rise of construction prices, the protracted permit approval processes, etc.), investment purchases are leading to the continued growth in prices across the entire residential market and in all its segments. **While until recently the growth in prices has been apparent especially in the medium price range, it's likely that the premium segment will now take its place.** On the one hand it must achieve an adequate distance from the medium price segment, and on the other construction prices and the costs of completing a premium apartment have risen sharply. The results of our research reflect this as well—none of the recently finished luxury residential projects in Prague are anticipating prices to be lower than CZK 170,000 per sq. m. of net floor area.

At Svoboda & Williams as in the real world, the real estate business isn't limited to the domestic market. The Czech Republic has traditionally monitored real estate events in the Slovak Republic, and that continues to this day. There are many differences between the two countries, but in certain respects development in Slovakia is comparable to the situation in the Czech Republic. This was also one of the reasons why Svoboda & Williams decided to expand to Slovakia. Last spring, we opened a branch in Bratislava.

PROKOP SVOBODA,
SVOBODA & WILLIAMS

KEY TRENDS IN THE PRAGUE PREMIUM PROPERTY MARKET

SALES

- Rising demand from investors is pushing real estate prices up
- Due to increasing construction and premium completion costs we can expect property prices in this segment to grow
- Average achieved price per sq. m. of properties monitored by Svoboda & Williams had a year-on-year increase of 3%
- In 2019, the number of construction projects commenced in Prague doubled, we therefore expect the supply to increase in the next few years

RENTALS

- The supply in the premium segment is stable, it's only getting lower in the price segment with rents of up to CZK 25,000
- The number of inquiries is slightly weakening, tenants lack the motivation to move
- Increase of the short-term rental offer

THE CZECH ECONOMY IS IN GOOD SHAPE (SO FAR)

The Czech Republic's economy today is experiencing an upturn, which should last throughout 2020. All available forecasts are predicting this, despite skeptic voices warning of the "slowing down" of growth. In practice, this means that the Czech GDP, which grew by almost 3% last year, will slow the growth rate down to 2% (still above the EU average). The same, i.e. for movements of 2–3% intervals, is expected for inflation and unemployment rates.

The purely "intra-economic" development of the Czech Republic is therefore likely to be more or less stable. The chronic budget deficit, low levels of public investments, and unresolved reform of the pension system are frequently hotly debated, but **the potential negative impacts of these problems on the Czech Republic's economy will not manifest themselves this year.**

The situation is slightly different when it comes to the environment—its transformations will have an immediate impact on our export-based economy. A perfect example of this is what's happening in response to the new coronavirus, which caused Chinese stocks to fall dramatically and cast a shadow of uncertainty on the global economy. Although there was no sign of the trouble to come at the beginning of the year, panic quickly set in and so the question now is how long will it take to contain the spread of the disease. However, it's already certain that the Chinese economy cannot avoid a downturn in growth.

As for the other players in the global economy, it seems that the US-China trade war is behind us, Britain has left the EU after almost 50 years of membership, and some statistics suggest that Germany's economic recession is not an urgent matter, at least for now.

The Czech Republic's dependence on exports is closely related to the Czech crown's exchange rate. The Czech currency is slowly becoming stronger, but its exchange rate hasn't shown signs of a changing trend. "This year, the Czech crown may cross the CZK 25/EUR 1 in both directions!" the analyst Michal Skořepa from ČS forecasted.

However, this positive outlook may not become reality. Economist Miroslav Zámečník recently warned in an interview for MfD that we shouldn't "frighten" ourselves into a recession. "We managed to bring about a crisis without any objective reasons!" This 2013 statement by Josef Kotrba, Chairman of Deloitte's Czech branch, indicates that it wouldn't be the first time. Perhaps the greatest threat to the Czech economy lies in the society's mood and the management sentiment of domestic companies.

UNHAPPY DEVELOPERS

The Czech construction industry was affected by the last recession perhaps longer than in any other European country. Only in recent years has production started to grow again. Last year, according to the preliminary estimates of the builders themselves, it grew by 3–4%, this after an increase of 10% in 2018.

In terms of this sector's future, great hopes have been placed in the new Building Act, which, once implemented, should speed up the construction approval processes. Although the current government considers it to be a prestigious piece of legislation, its passing has encountered some very real problems. When the Ministry of Regional Development introduced its version at the end of last year, it was as if a volcano had erupted. Towns and regions, including Prague, and several ministries immediately objected, but the heaviest blow to the new Building Act was the negative opinion of it by the Supreme Court and the Supreme Administrative Court. Under pressure, Minister Dostálová extended the deadline for objections to the end of March and promised to change certain provisions (in particular the radical adjustment of the structure of the building authorities), but many critics think that these corrections are not enough and that the whole act should be revised.

"ONLY IN RECENT YEARS HAS CZECH CONSTRUCTION STARTED TO GROW. LAST YEAR, ACCORDING TO THE PRELIMINARY ESTIMATES OF THE BUILDERS THEMSELVES, IT GREW BY 3–4%."

It's thus clear that the tempo of construction won't be speeding up in the coming years. In fact, the government is planning to postpone the effectiveness of the new law until 2023, but even this is far from certain.

Nevertheless, politicians' changing attitudes towards construction is a source of hope. The Prague municipal authority, for example, which informs the public mainly about events at City Hall, boasted in mid January that 5,000 apartments were "approved" last year. The acceleration of the approval process can thus be achieved in other ways than by amending the existing legislation.

THE PRAGUE APARTMENT MARKET

When assessing what occurred in the largest residential market in the Czech Republic last year, one mostly hears that "a certain stability has been achieved." According to Deloitte's data, prices of new residential buildings, which increased in 2018 by 11%, showed a year-on-year increase of only 6% (to CZK 110,500 per square meter) at the end of October 2019. The number of new apartments added to the market in 2019 was the lowest since 2014: 5,200 units were added in Prague, a year-on-year decrease of 15%.

"TAKEN IN CONTEXT SHORT-TERM RENTALS CONSTITUTE ONLY 5% OF THE TOTAL RENTAL HOUSING STOCK."

Due to high prices and the restrictions imposed on the mortgage market, those interested in home ownership must compromise on their choice of location, standard, and size. This is one of the reasons why mainly small apartments were bought last year. Studios and one-bedrooms represented 70% of new apartment sales. Smaller units are also preferred by investors, which then largely spills over into the rental apartment stock. According to Trigema's statistics, in Prague in 2019 approximately 16,000 apartments were offered for rent, 60% of which were short-term rentals such as Airbnb (9,546 apartments), which, according to the estimates, bring their owners an average of CZK 27,500 of gross revenue per month. One must bear in mind, however, that according to the Czech Statistical Office (CSO) the total number of apartments on the market is 187,000. Although Airbnb is a problem in the city center, **taken in context short-term rentals constitute only 5% of the total rental housing stock.**

The standard rent at the end of last year was on average CZK 307 per square meter, the average total rent for a unit amounted to CZK 23,000 (source: Deloitte). In 2019, rent in the premium segment monitored Svoboda & Williams reached an average of CZK 365 per square meter and the total rent for an apartment was CZK 32,000.

Experts more or less agree that no major reversal awaits the Prague residential real estate market in 2020. It should therefore be as "stable," as it was last year. The talk of speeding up the building permit process and the efforts of the Prague municipal authority gave rise to hopes of increased support for housing construction, but they aren't likely to be realized this year.

THE STANDARD RENT

CZK **307** per sq. m.

RENT IN THE PREMIUM SEGMENT

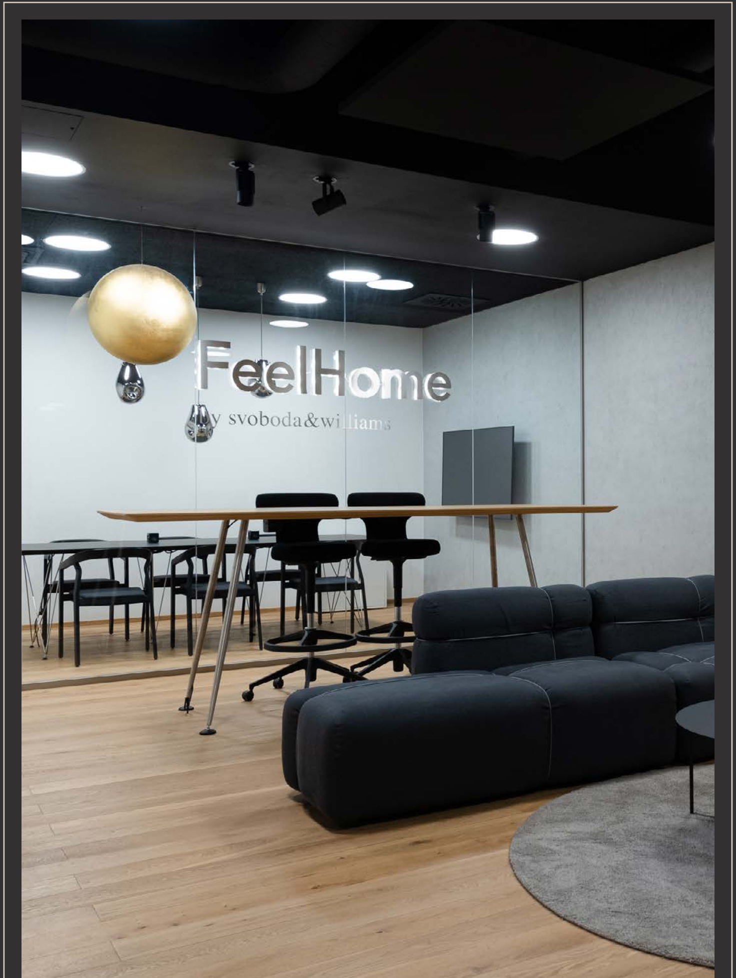
CZK **365** per sq. m.

TITANIC AND ORDERLIES FOR RENT

Gigantic medical personnel supporting a patient—such is the appearance of the modular building with 144 apartments that is called Nová Invalidovna, which includes imposing sculptures by David Černý. The developer behind this project is Trigema, which rolled out another original building last year—the Top Tower skyscraper with a height of 135 meters supported by the torso of a huge ship whose bow is buried in the ground. Both projects naturally attracted a lot of attention among experts as well as the wider public. Among the generally unexciting new buildings in Prague, their architectural design stands out, though controversially for some.

The discussion that broke out afterwards overlooked the fact that the **builder intends to significantly expand the offer of rental housing in Prague.** Unlike other planned apartment buildings, units in the Nová Invalidovna and Top Tower (immediately nicknamed Titanic) won't be offered for sale but for rent.

Trigema is thus greatly expanding the as yet rather sparse catalog of new rental housing projects (such as Apart hotel V3 and V3 Rezidence/Passerinvest, Maršmeloun/V Invest). In terms of the development of the Prague residential market, it seems to be a safe bet since those interested in buying will increasingly look for apartments for rent for purely economic reasons.



SVOBODA & WILLIAMS EXPANDED TO SLOVAKIA

One of Svoboda & Williams' key events in 2019 was its entry into the Slovak market. The timing of this expansion is excellent – Slovakia is experiencing an unprecedented real estate boom due to low mortgage rates. Residential property prices reach new highs every quarter.

David Martan, who has over fifteen years of successful experience on the Slovak market and participated in several important real estate projects, has been entrusted with the management of the Svoboda & Williams office in Bratislava. "We offer Slovak clients the added value of a reputable brand, the know-how of an established real estate agency, in combination with excellent market expertise. We have put together a team of real estate professionals for our Bratislava branch and intensive negotiations are under way with property owners and local developers," says D. Martan.

In addition to the Svoboda & Williams brand, which focuses on premium properties, the agency also brought the Feelhome brand to the Slovak market. Feelhome offers quality apartments and houses from the medium and low price segments. Truly high-end properties will be under the auspices of the prestigious Christie's International Real Estate brand.

(READ MORE ABOUT THE CURRENT SITUATION ON THE BRATISLAVA REAL ESTATE MARKET IN THE FOCUS SECTION)

OFFICES: AN ETERNAL REAL ESTATE EVERGREEN

The current hit in the Prague office market, at least in the media's eyes, is coworking. The first shared offices appeared in our country ten years ago. Today, you will find them in many buildings. Coworking space has been rapidly increasing—according to CBRE, its floor area in Prague has gone up by 150 percent since 2017. **At present, coworking space takes up around 65,000 square meters in Prague.** However, this dynamic growth doesn't change the fact that, in relation to the total volume of the modern office market (i.e. class A or B), which is close to four million square meters, the coworking segment's market contribution is still marginal. The situation may change over time, however. "Although the overall market share of shared offices is significantly lower than that of conventional offices, we think it's very likely to expand. Shared offices are suitable for start-ups and smaller companies as well as for corporations looking for space for their subsidiaries—all of these entities require flexibility above all and don't want to be bound by a contract for a long time as they would be in the case of offices with standard rental terms," says Kateřina Burešová, Flexible Workspace Consultant at Svoboda & Williams. "We have also demonstrated the growing popularity of shared offices by filling up in a relatively short time nearly 1,600 square meters in the myhive Flexi Offices project, which we have been exclusively retained to manage and market," adds Jaroslav Waldhauser, Head of Commercial Leasing at Svoboda & Williams.

SHARED OFFICES MANAGED BY SVOBODA & WILLIAMS

SHARED OFFICES	FLOOR AREA IN SQ. M.
Na Příkopě 15	900
myhive flexi offices	1,547
Thámová 16	230
Lázenská 4	225

PRAGUE: SHARED OFFICE SPACE OPERATORS

- SPACES + REGUS
- SCOTT & WEBER
- NEW WORK
- HUB HUB
- WEWORK
- BUSINESS LINK
- IMPACT HUB
- WORKLOUNGE
- FLEXI OFFICE
- OFFICES UNLIMITED
- NODE5
- PAPER HUB

Developers or owners of standard offices are enjoying the same success in Prague today. Last year, their vacancy rate increased from 4% in December to 5%, but this didn't change the fact that the Prague office market is still a landlord's market. This situation is reflected in the slight increase in rents, but above all in the trimming of so-called incentives, such as rent free periods, or fit-out contribution. "The building owner's current fit-out contribution is EUR 80–120 per square meter, while two years ago it was EUR 120–200," says Jaroslav Waldhauser.

"ACCORDING TO AVAILABLE SOURCES, 1,000,000 SQUARE METERS OF OFFICE SPACE WILL BE ADDED TO PRAGUE WITHIN FIVE YEARS."

Market conditions have led tenants to be more cautious about moving or expanding the space they're renting. Moreover, finding larger office space in the city can take up to two years. Therefore, the gross realized transactions in last year's 3rd quarter decreased by 34% compared to the same period in the previous year. Developers are showing no signs of hesitation, however. This year, ten new office projects are scheduled to be completed and nine building will be revitalized in 2020, such as Bubenská 1 in Prague 7 or the BB Centrum B in Michle. Most of the buildings that are being reconstructed, although smaller in size, are in Prague 1. **According to available sources, 1,000,000 square meters of office space will be added to Prague within five years.**

OVERVIEW OF THE PROJECTS CURRENTLY UNDER WAY MONITORED BY SVOBODA & WILLIAMS:

MUNICIPAL DISTRICT	BUILDING NAME	PLANNED COMPLETION		FLOOR AREA (SQ. M.)
Prague 1	VN 37	2020	Q1	1,700
Prague 1	The Flow Building	2020	Q2	14,800
Prague 1	VN 33	2020	Q3	6,600
Prague 1	Hybernská 1	2020	Q3	1,200
Prague 1	Revoluční 1 a 3	2020	Q4	8,050
Prague 1	Palác Dunaj	2021	Q4	8,300
Prague 3	Náměstí Winstona Churchilla II.	2020	Q1	11,200
Prague 4	Parkview	2020	Q1	15,000
Prague 4	BB Centrum - budova B	2020	Q2	14,500
Prague 5	Kotelna Park Fáze II	2020	Q1	12,000
Prague 5	Holečkova 26	2020	Q2	2,000
Prague 6	BOŘISLAVKA CENTRUM	2021	Q2	24,300
Prague 7	Bubenská 1	2020	Q4	20,000
Prague 7	RIVEROFF	2020	Q4	1,500
Prague 7	Astrid	2021	Q1	3,500
Prague 8	Dock in Four	2020	Q2	17,290
Prague 8	J&T HQ	2020	Q2	15,300
Prague 8	PRAGA Office&Garden	2020	Q2	2,000
Prague 8	MISSISSIPPI & MISSOURI OFFICES	2021	Q2	20,700
Prague 8	Dock in Five	2021	Q4	21,600
Prague 9	AFI CITY „A“	2020	Q2	15,800
Prague 9	Poděbradská	2020	Q2	2,900
Prague 9	Pragovka E-Factory	2021	Q3	28,500
Prague 12	Nová Radnice Praha 12	2020	Q3	8,000

SUPPLY OF RESIDENTIAL PROPERTIES IN SVOBODA & WILLIAMS' PORTFOLIO

SALES

Svoboda & Williams' portfolio of properties remains stable: in the second half of 2019 an average of 50 second-hand apartments were added to it every month as in the first half of the year.

According to the CSO's latest figures, housing construction revived significantly in 2019 — the number of apartments being built in Prague doubled, a year-on-year increase of 102% (5,429 emerging apartments). We therefore expect a higher supply in 2021 and beyond, during which time the apartments will be completed and put on sale.

RENTALS

"The number of apartments for rent is decreasing solely in the more affordable rental housing segment, while the offer in the premium segment remains the same. With the decreasing number of vacant apartments in the affordable housing segment or after they have moved to the medium-priced segment, we are seeing an increase in the relevance of the inquiries — applicants are genuinely interested in renting properties while also having the necessary means to afford them, for example to pay the deposit," says David Šimeček, Head of Residential Rentals at Svoboda & Williams. Svoboda & Williams' offer of houses and apartments for rent in 2019 grew on average by 96 properties per month (compared to an average monthly increase of 90 properties in 2018).

DEMAND FOR RESIDENTIAL PROPERTY FROM THE PORTFOLIO OF SVOBODA & WILLIAMS

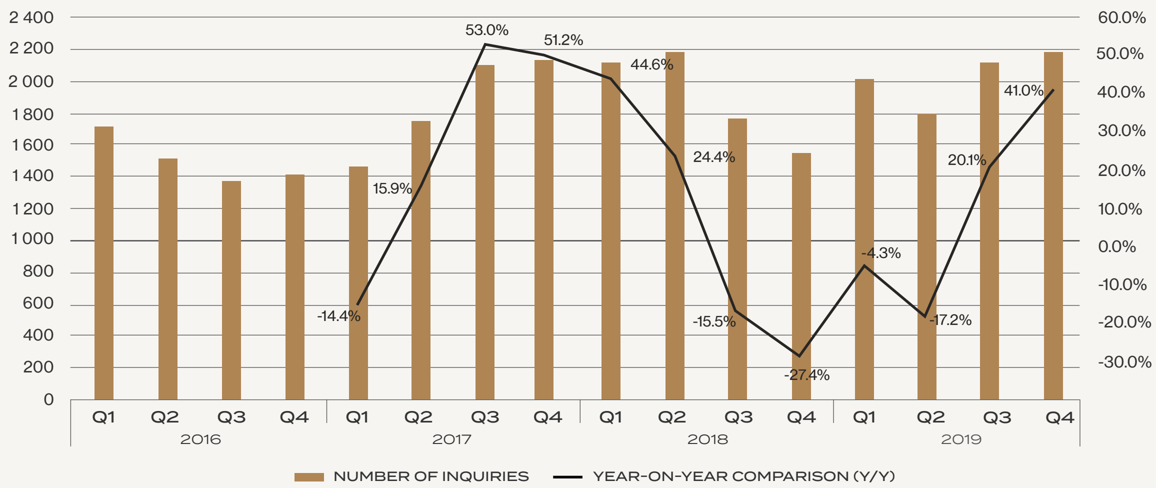
SALES

The total number of inquiries for properties offered by Svoboda & Williams was 7% higher in 2019 than in 2018. In the second half of 2018, we saw a more significant decline in inquiries compared to the first half of the same year, while the situation in 2019 was exactly the opposite.

If we compare the second half of 2019 with the same period of 2018, it was 30% stronger. This increase, however, is due to the lower basis for comparison—demand for real estate offered by Svoboda & Williams fell dramatically in the second half of 2018. This was the result of the "mortgage" restrictions on the part of the CNB and the high prices that buyers were no longer willing to accept. In the following period, however, the effects of these factors were more or less eliminated by several circumstances. For one, it turned out that there was no actual "bubble" on the market. People simply stopped seeing the increase in prices as temporary and accepted the fact that prices would continue to rise. Mortgage banks contributed to the further strengthening of the demand by intensively seeking (and continuing to seek) ways to make loans more accessible—especially by cutting interest rates. The rise in investment demand, which offset the decline in demand for housing by the middle class, also contributed significantly.

YEAR	QUARTER	NUMBER OF INQUIRIES	QUARTER-ON-QUARTER COMPARISON (Q/Q)	YEAR-ON-YEAR COMPARISON (Y/Y)
2016	Q1	1,701	-	-
	Q2	1,507	-11.4%	-
	Q3	1,364	-9.5%	-
	Q4	1,410	3.4%	-
2017	Q1	1,455	3.2%	-14.4%
	Q2	1,747	20.0%	15.9%
	Q3	2,086	19.5%	53.0%
	Q4	2,132	2.2%	51.2%
2018	Q1	2,104	-1.3%	44.6%
	Q2	2,173	3.2%	24.4%
	Q3	1,762	-18.9%	-15.5%
	Q4	1,547	-12.2%	-27.4%
2019	Q1	2,015	30.2%	-4.3%
	Q2	1,798	-10.7%	-17.2%
	Q3	2,117	17.7%	20.1%
	Q4	2,182	3.1%	41.0%

DEMAND FOR PROPERTIES FOR SALE FROM THE PORTFOLIO OF SVOBODA & WILLIAMS, PRAGUE



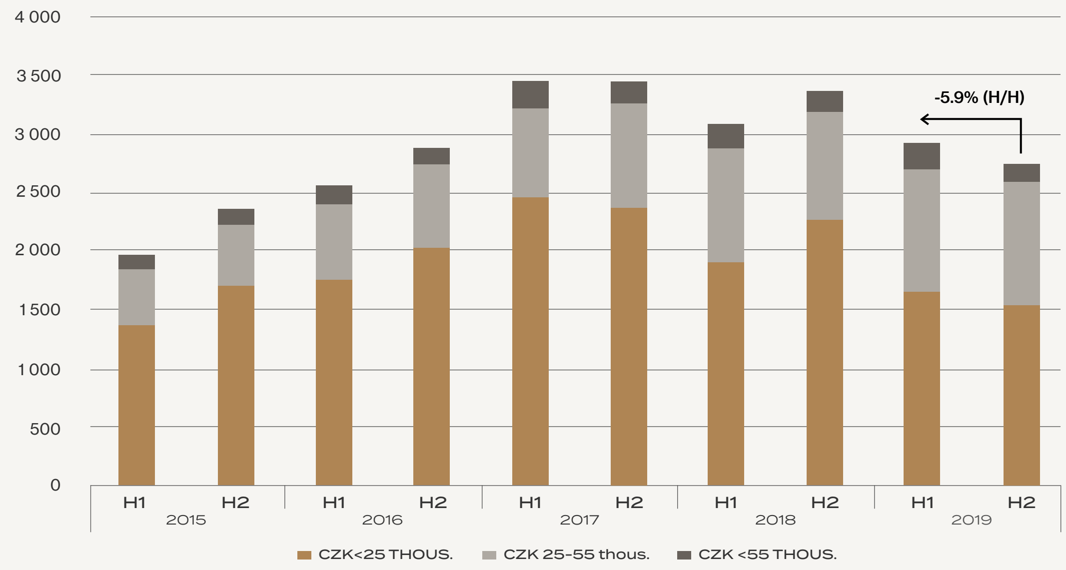
Note: The stated number of inquiries represents people interested in buying a property.

RENTALS

Demand for rental housing continues to be strong, although it no longer reaches the record levels from 2017 and 2018. Overall, inquiries for residential rental properties fell by 13% between 2018 and 2019. Evidently, tenants aren't motivated to move and are satisfied with their existing leases due to the increase in prices. In the premium segment, the largest year-on-year decline in demand is visible in the price segment with rents of up to CZK 25,000/month, a 23% decrease. On the other hand, the demand for real estate in the middle spectrum (rents of CZK 25,000/month to CZK 55,000/month) increased by 10%. However, the impact on this redistribution of demand between individual segments is mainly due to the reality that the number of more affordable apartments with rents of up to CZK 25,000/month is going down. In fact, many apartments have moved up a segment (rents of CZK 25,000 to CZK 55,000 per month), which is the segment in which Svoboda & Williams mediates the most rents. Demand is stable in the highest segment (above CZK 55,000/month)—it had a decrease of only 1% last year.

YEAR	HALF-YEAR	NUMBER OF INQUIRIES	HALF-YEAR-ON-HALF-YEAR COMPARISON (H/H)	YEAR-ON-YEAR COMPARISON (Y/Y)
2015	H1	1,973	–	–
	H2	2,347	19.0%	–
2016	H1	2,545	8.4%	29.0%
	H2	2,871	12.8%	22.3%
2017	H1	3,432	19.5%	34.9%
	H2	3,432	0.0%	19.5%
2018	H1	3,081	-10.2%	-10.2%
	H2	3,361	9.1%	-2.1%
2019	H1	2,914	-13.3%	-5.4%
	H2	2,743	-5.9%	-18.4%

DEMAND FOR PROPERTIES FOR RENT FROM THE PORTFOLIO OF SVOBODA & WILLIAMS, PRAGUE

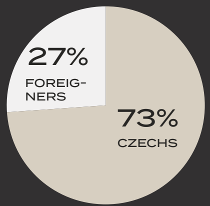


Note: The stated number of inquiries represents people interested in renting a property.

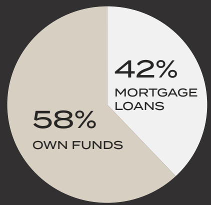
CLIENTS OF SVOBODA & WILLIAMS

SALES

In 2019, of all the residences that Svoboda & Williams mediated the sale of 73% were to local clients. Foreign buyers constituted only 27% of its clients, half of whom were from European countries. Last year, the share of purchases financed by mortgages had a year-on-year decrease of 10%. Mortgages were used by a minority of buyers (42 %). Finally, 58% of clients financed their purchases of real estate from the portfolio of Svoboda & Williams with only their own resources.



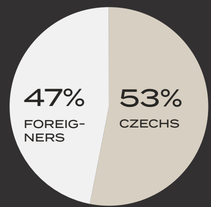
RATIO OF CZECH AND FOREIGN BUYERS



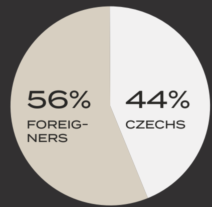
FINANCING THE PURCHASE OF PROPERTY

RENTALS

Last year, there were slightly more locals among those inquiring about properties for rent from the portfolio of Svoboda & Williams. However, in terms of finalization the reverse was true—56% of rental agreements were signed by foreign clients (61% in 2018). The persisting dominance of “expats” was especially evident in the highest segment (rents of over CZK 55,000/month). All clients are interested in high quality housing and are often willing to pay extra for a higher standard of completion and a furnished apartment.



RATIO OF CZECH AND FOREIGN CLIENTS INQUIRING ABOUT A PROPERTY



RATIO OF CLIENTS WHO RENTED A PROPERTY

	INQUIRIES		REALIZED RENTAL TRANSACTIONS	
PRICE SEGMENTS	CZECHS	FOREIGNERS	CZECHS	FOREIGNERS
CZK <25 thous.	54%	46%	51%	49%
CZK 25-55 thous.	52%	48%	41%	59%
CZK >55 thous.	49%	51%	33%	68%
TOTAL	**53%**	**47%**	**44%**	**56%**

PRICE ANALYSIS: THE PRAGUE RESIDENTIAL MARKET

METHODOLOGY OF DATA PROCESSING

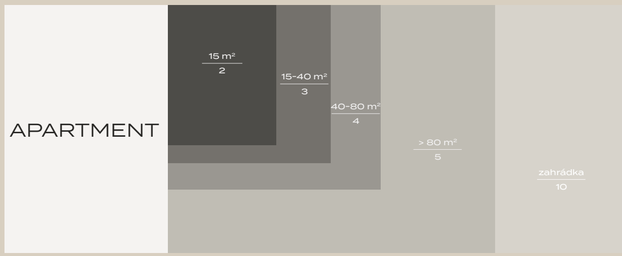
The following analysis is based on data obtained from the database of properties that Svoboda & Williams had in its portfolio in the course of the monitored period. The data concerning sales transactions is further supplemented by data about the sale of properties that correspond in terms of their parameters to the portfolio of Svoboda & Williams: in this case the prices are acquired from the Land Registry. The monitored sample contains nearly 500 sold and 1,100 rented real estate units for a period of 12 months. Therefore, it is fair to say that the data of Svoboda & Williams covers a significant part of the premium segment of the Prague residential market. The monitored real estate includes apartments in Prague 1-10. Svoboda & Williams has a minimum representation of apartments in other municipal districts. In each municipal part, premium areas where higher prices are achieved are represented, e.g. Prague 6 is mainly represented by Bubeneč, Dejvice, Střešovice, and Břevnov, Prague 4 is represented by Pankrác, Vyšehrad, and Podolí, Prague 8 is represented by Karlín and partly Libeň, Prague 5 mainly by Smíchov, etc. The monitored prices of real estate and the level of rents are actually achieved transaction values; we do not monitor advertised prices. For the calculation of the price per sq. m. we take into account the price for parking spaces, which we deduce from the achieved selling price. The floor space of a apartment (according to the Civil Code) includes a part of the exterior (terrace, balconies, loggias and gardens). We apply a specially developed algorithm to the conversion of the space of the exterior which reduces this area progressively and it also takes into account the ratio of the exterior space to the interior space. Average prices are calculated from the transactions carried out over the last 12 months (01/2019-12/2019), percentage changes are year-on-year (01/2019-12/2019 vs. 01/2018-12/2018). For sales we also differentiate between the achieved price per sq. m. for new apartments in residential projects and for resale homes. In order to be able to compare all project prices, it was necessary to unify the stage of construction progress for several units using an average assumption of CZK 30,000/sq. m. for the stage before reconstruction (shell & core) and CZK 10,000/sq. m. for the stage before completion of surfaces (white walls). We do not follow the price per sq. m. for rentals. While the price per sq. m. is relevant for sales, for rentals the price is determined mainly by layout (in addition to the location). For example, a apartment with two bedrooms and kitchenette (2+kk) with the area of 50 sq. m. is normally leased for nearly the same price as a apartment with an area of 60 sq. m., whereas the purchase price of the larger apartment can be up to 15 to 20% higher. Therefore, in our analysis of residential rentals, we work with the total rent, and not with the price per sq. m. For a better picture we also state the achieved price for the most frequent layouts within sales and rentals arranged by Svoboda & Williams which are 2+kk apartments (one bedroom + kitchenette) and 3+kk apartments (two bedrooms and kitchenette). For the price development of rentals, we compile on an annual basis **The Rental Price Index by Svoboda & Williams + VŠE.** It is an analytical tool developed by Svoboda & Williams in cooperation with the Faculty of Informatics and Statistics of the University of Economics in Prague and it works similarly as the Consumer Price Index compiled by the Czech Statistical Office. See more information about **The Rental Price Index by Svoboda & Williams + VŠE** HERE.

DATA ANALYSIS

METHODOLOGY OF SVOBODA & WILLIAMS

$$\text{Price per sq. m.} = \frac{\text{Achieved sales price - price of parking}}{\text{Apartment area + proportional part of the exterior (b/t/g)}}$$

ALGORITHM FOR CONVERSION OF THE EXTERIOR



The area of a terrace that exceeds 30% of the interior is divided by two.

PRAGUE

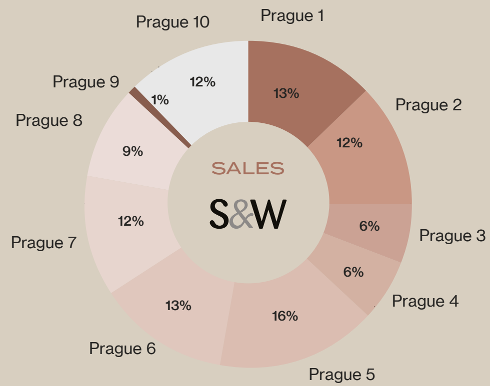
While in the previous two Market Reports we touched on the stagnation or even decline in prices in the sample monitored by Svoboda & Williams, in 2019 we recorded a slight year-on-year growth in all of the observed values. However, the rise in prices of premium apartments isn't mirroring the rise in prices for apartments in the middle segment, where prices rose more rapidly. The average achieved price for a premium apartment in Prague during the monitored period (January 2019–December 2019) was CZK 115,400/sq. m., a year-on-year increase of 3%. While the average price of an older apartment reached CZK 111,400/sq. m., a new apartment in a residential project had an average price of CZK 118,600/sq. m. The average achieved price at the end of 2019 was CZK 10,487,000, which remained more or less the same in the year-on-year comparison. The average apartment floor area of the apartment sales that Svoboda & Williams monitored was 3% smaller in 2019 than in the previous year, and therefore the achieved price stayed the same despite the 3% growth in prices. The average achieved prices for apartments in the highest selling layouts were CZK 6,327,000 for a one-bedroom apartment and CZK 11,087,000 for a two-bedroom apartment.

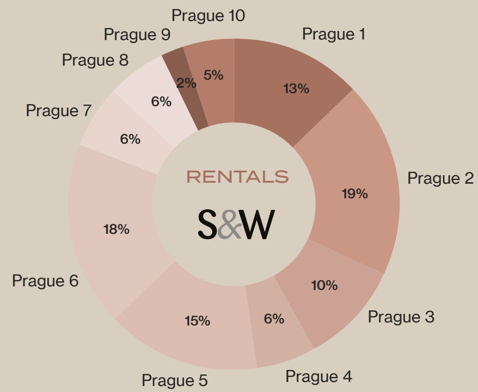
The average achieved rent for an apartment in Svoboda & Williams' sample reached CZK 32,000/month in 2019, which is 3% more than in 2018; the average floor area of a rented apartment increased by 1%. We monitor the development of rents on a six-month basis using **the Rental Price Index of Svoboda & Williams + VŠE** analytical tool, which removes the differences caused by changes in the structure of rents from the price level. The Index recorded **a year-on-year increase in rents of up to 7 %** in the second half of 2019. Compared to the first half of the year, according to the Index rents actually increased by 2%. You can find more information about the **Rental Price Index of S&W + VŠE** HERE.

In 2019, a one-bedroom apartment was rented for an average of CZK 24,200 and tenants paid an average monthly rent of CZK 34,600 for a two-bedroom apartment. Even in the rental segment one-bedroom and two-bedroom apartments were the most popular — 68% of all transactions mediated by Svoboda & Williams.

It should be noted that the premium segment of the residential market that we monitor is only a fraction of the entire Prague market, and so results are more likely to be affected by the projects that were sold or rented during the period in question. Therefore, in the following overview of the individual parts of Prague, we are also including several projects that have had the greatest impact on prices.

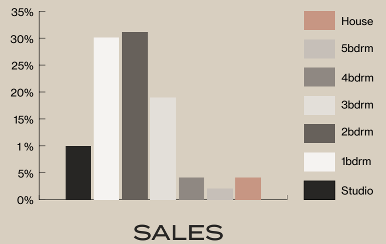
LOCATION OF THE MONITORED PROPERTIES

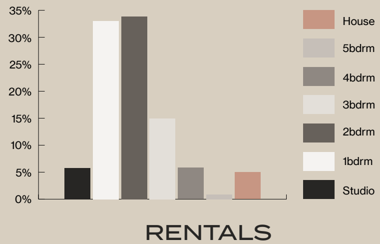




	Ø apt. price	Ø apt. size	Ø price per sq.m.	Ø price per sq. m.		Ø apt. price	
				New apt.	Resale apt.	1bdrm	2bdrm
Sales	CZK 10,487,000	89.2 sq. m.	CZK 115,400	CZK 118,600	CZK 111,400	CZK 6,327,000	CZK 11,087,000
	0.5%	-3.3%	3.0%	4.1%	1.6%	-12.1%	7.8%
Rental	CZK 32,000	87.8 sq. m.	N/A			CZK 24,200	CZK 34,600
	3.2%	1%				2%	3%

Average values during the monitored period (January 2019–December 2019) and their year-on-year change



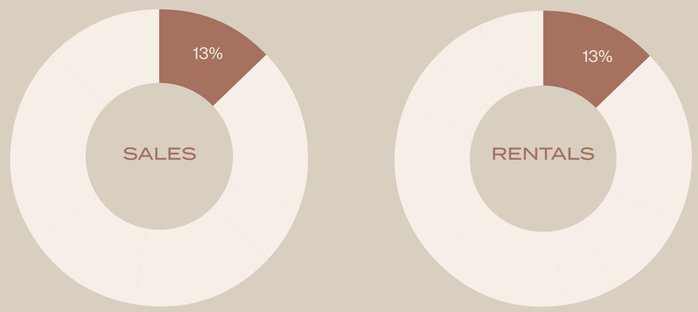


PRAGUE 1

The average achieved sales price of an apartment in Prague 1 during the monitored period had a slight year-on-year decrease of 2% down to CZK 14,736,000, which is directly related to the 2% reduction in the average floor area of the apartments sold here. The average price per square meter of new apartments decreased by 32% to CZK 147,600/sq. m., mainly due to a change in the sample of monitored apartments. It's still true that smaller new apartment are being built in Prague 1, for example in the residential projects *Steffany's Court, Rezidence Alabastr,* and *Villa Apus.* The latter project in particular significantly reduced the average achieved price per square meters. An older apartment sold for an average of CZK 173,800/sq. m., which is 17% more than in 2018. Buyers purchased a one-bedroom apartment for roughly CZK 8,109,000 and a two-bedroom for an average of CZK 15,587,000.

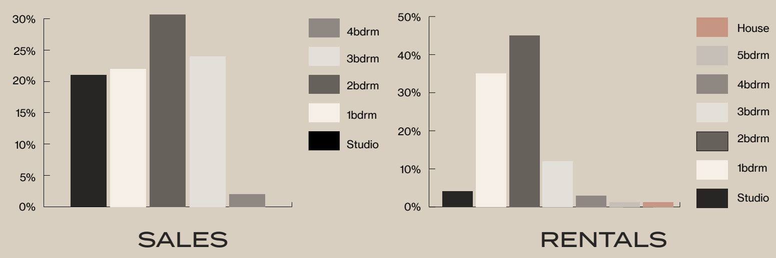
Rental housing in Prague 1 is the most expensive, due not only to the highest achieved rent, but also the large floor areas of the apartments in this district. A rented one-bedroom apartment had an average size of 71 sq. m. and a two-bedroom 108 sq. m. The average monthly rent of an apartment during the monitored period was CZK 40,100—a one-bedroom was rented for CZK 30,600, and a two-bedroom for CZK 44,800.

PORTION OF THIS DISTRICT IN THE MONITORED SAMPLE OF PROPERTIES



	Ø apt. price	Ø apt. size	Ø price per sq. m.		Ø apt. price	
			New apt.	Resale apt.	1bdrm	2bdrm
Sales	CZK 14,736,000	90.9 sq. m.	CZK 147,600	CZK 173,800	CZK 8,109,000	CZK 15,587,000
	-2%	-2%	-32%	17%	-27%	-6%
Rental	CZK 40,100	99.7 sq. m.	N/A		CZK 30,600	CZK 44,800
	2%	4%			3%	5%

Average values during the monitored period (January 2019–December 2019) and their year-on-year change

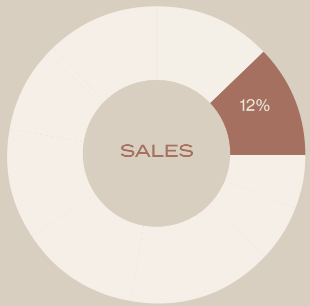


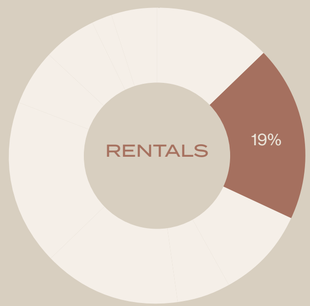
PRAGUE 2

Prague 2 still made up one of the highest percentages of our monitored sample of apartments for sale and rent. Vinohrady have long been one of the most sought-after locations for buying and renting an apartment. The average total price of an apartment was CZK 10,766,000—a year-on-year growth of 10%—and the average floor area of an apartment during the monitored period increased by 6%. The price of a new apartment reached an average of CZK 140,700/sq. m.; older apartments sold for an average of CZK 120,800/sq. m. A one-bedroom apartment was purchased for an average of CZK 7,442,000 and byers paid around CZK 12,207,000 for a two-bedroom apartment. The monitored residential projects included the reconstructed *Na Švihance* apartment building, the *Casa Royal* project of small-scale apartments, or the reconstruction of the Art Nouveau *Dittrichova 4* apartment building.

The number of monitored apartments for rent in Prague 2 occupied the largest portion of Svoboda & Williams' sample (19%). It continues to be true that Prague 2 is the second most expensive neighborhood in Prague right after Prague 1. The average achieved rent was CZK 34,200. The average rent of a one-bedroom apartment was CZK 25,500/month and for a two-bedroom apartment CZK 37,300/month.

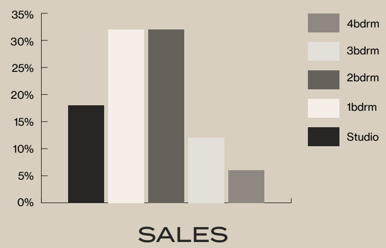
PORTION OF THIS DISTRICT IN THE MONITORED SAMPLE OF PROPERTIES

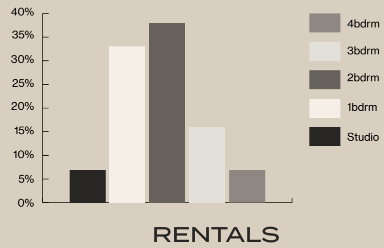




	Ø apt. price	Ø apt. size	Ø price per sq. m.		Ø apt. price	
			New apt.	Resale apt.	1bdrm	2bdrm
Sales	CZK 10,766,000	89.1 sq. m.	CZK 140,700	CZK 120,800	CZK 7,442,000	CZK 12,207,000
	10%	6%	7%	6%	-30%	15%
Rental	CZK 34,200	92.7 sq. m.	N/A		CZK 25,500	CZK 37,300
	1%	7%			1%	-2%

Average values during the monitored period (January 2019–December 2019) and their year-on-year change



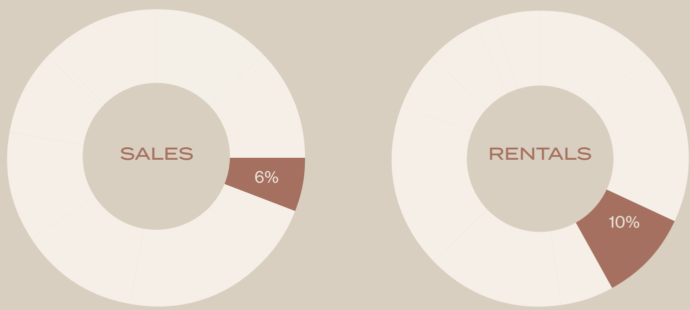


PRAGUE 3

In Prague 3, all of the monitored values recorded year-on-year increases due to a significant change in the monitored sample. The increase in values is mainly related to the growing popularity of the Vinohrady part of the district—currently almost a third of the apartments in Svoboda & Williams' portfolio that are sold in Prague 3 are located in the Vinohrady area, whereas in 2018 small apartments in gallery buildings in Žižkov were at the top of the sample in Prague 3. Compared to the other parts of Prague, in 2019 people bought the smallest apartments on average here, which is reflected in the relatively low average achieved price for an apartment—CZK 8,965,000. In terms of the current monitored period, it's the third lowest. The average price per square meter for a new apartment was CZK 118,200, while purchasing an older apartment buyers paid an average of CZK 108,100/sq. m. A one-bedroom apartment was sold for an average of CZK 6,191,000 and a two-bedroom apartment for CZK 10,420,000, which is 39% more than in the previous monitored period.

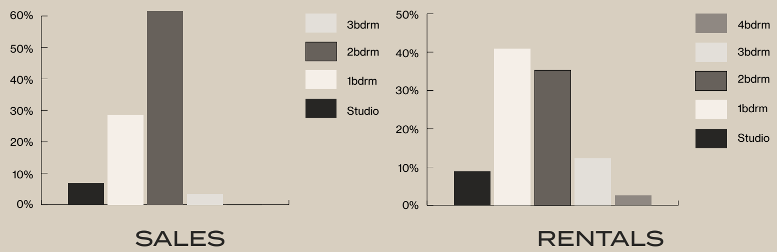
The average achieved rent for an apartment in Svoboda & Williams' portfolio of properties in Prague 3 during the monitored period had a year-on-year increase of 20%, up to CZK 31,200. Tenants paid an average of CZK 23,300/month for a one-bedroom apartment (9% more than in the previous year) and CZK 33,200/month for a two-bedroom apartment (a year-on-year increase of 18%).

PORTION OF THIS DISTRICT IN THE MONITORED SAMPLE OF PROPERTIES



			Ø price per sq. m.		Ø apt. price	
	Ø apt. price	**Ø apt. size**	**New apt.**	**Resale apt.**	**1bdrm**	**2bdrm**
Sales	CZK 8,965,000	81.3 sq. m.	CZK 118,200	CZK 108,100	CZK 6,191,000	CZK 10,420,000
	12%	4%	10%	15%	13%	39%
Rental	CZK 31,200	82.4 sq. m.	N/A		CZK 23,300	CZK 33,200
	20%	14%			9%	18%

Average values during the monitored period (January 2019–December 2019) and their year-on-year change

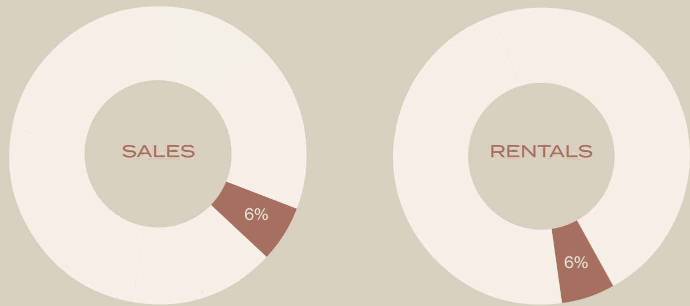


PRAGUE 4

In Prague 4, there was a significant year-on-year decline in values in the sample of apartments monitored by Svoboda & Williams. The average sales transaction fell to CZK 6,885,000, a year-on-year decrease of 32%. Together with the sales prices, however, the average apartment size decreased by 26%. We also witnessed a decline in the price per square meter of a new apartment, down to CZK 88,100/sq. m. In the previous period, we monitored the sales in the high-priced *V Tower, PRAGUE* project with truly spacious apartments. The current analyzed period includes sales of apartments in more affordable projects, such as the *Rostislavova, Čestmírova,* and *U Grébovky* projects. In this part of Prague, the average price per square meter of older apartments grew by 12% as the monitored apartments were located in the more attractive areas of Prague 4, e.g. in Podolí close to the river or around Vyšehrad. The average achieved price for a one-bedroom apartment was CZK 4,907,000 and for a two-bedroom CZK 8,472,000.

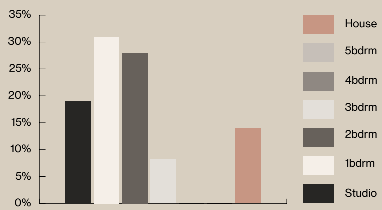
The average rent in Prague 4 during the entire monitored period was CZK 28,200/month. One-bedroom apartments were rented for CZK 20,700/month and two-bedroom apartments for CZK 29,000/month. The monitored sample of rental apartments was full of newly built residences in Michle *(Rezidenční park Baarova)*, Braník *(Pod Branickou skálou)*, and Modřany *(Rezidence Modřanka)*.

PORTION OF THIS DISTRICT IN THE MONITORED SAMPLE OF PROPERTIES

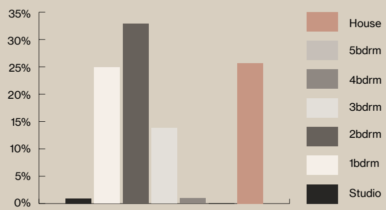


	Ø apt. price	Ø apt. size	Ø price per sq. m.		Ø apt. price	
			New apt.	Resale apt.	1bdrm	2bdrm
Sales	CZK 6,885,000	72.5 sq. m.	CZK 88,100	CZK 98,200	CZK 4,907,000	CZK 8,472,000
	-32%	-26%	-7%	12%	-11%	-11%
Rental	CZK 28,200	87.8 sq. m.	N/A		CZK 20,700	CZK 29,000
	1%	0%			5%	1%

Average values during the monitored period (January 2019–December 2019) and their year-on-year change



SALES



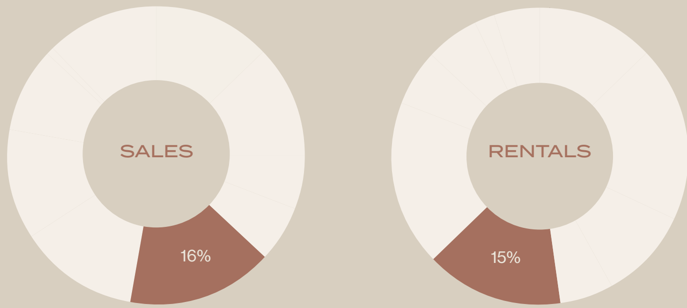
RENTALS

PRAGUE 5

Just as in the previous Market Report, the largest number of sales transactions in the monitored sample took place in Prague 5. The average achieved sales price for an apartment was CZK 9,367,000. A new apartment cost CZK 105,200/sq. m. and the average price per square meter of an older apartment was CZK 98,700/sq. m. The decrease in the average prices of one-bedroom and two-bedroom apartments can be explained by looking at the apartment sizes. This year's sample included apartments in residential projects with the same price per square meter but 10 sq. m. smaller than in 2018. The total sales price was then logically also lower. Examples of such projects are the *Rezidence Strakonická* and *Rezidence Malvazinky* projects, and the reconstruction of the building on Pivovarská Street.

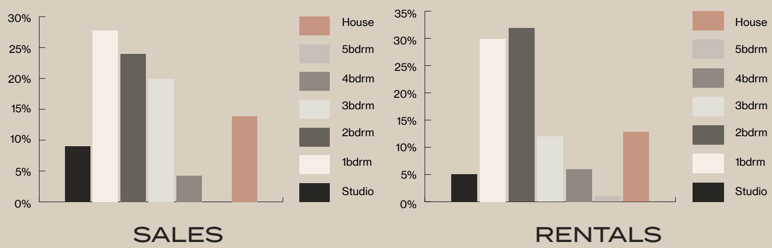
The average achieved rent of an apartment in Prague 5 during the monitored period was CZK 29,100. Tenants paid an average of CZK 23,800 per month for a one-bedroom apartment and roughly CZK 30,100 per month for a two-bedroom apartment—a year-on-year increase of 3%.

PORTION OF THIS DISTRICT IN THE MONITORED SAMPLE OF PROPERTIES



	Ø apt. price	Ø apt. size	Ø price per sq. m.		Ø apt. price	
			New apt.	Resale apt.	1bdrm	2bdrm
Sales	CZK 9,367,000	90.1 sq. m.	CZK 105,200	CZK 98,700	CZK 5,559,000	CZK 9,324,000
	-16%	-12%	1%	-6%	-14%	-16%
Rental	CZK 29,100	87.3 sq. m.	N/A		CZK 23,800	CZK 30,100
	4%	0%			3%	3%

Average values during the monitored period (January 2019–December 2019) and their year-on-year change

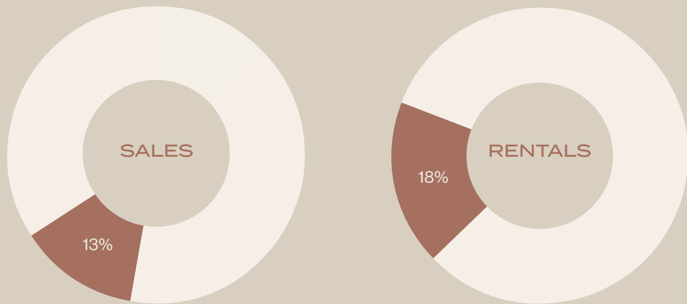


PRAGUE 6

Prague 6 ranks first in the average size of the apartments sold in this district. This value saw a year-on-year increase of 3%, up to 115 square meters. The average achieved price for an apartment rose to CZK 13,957,000—a year-on-year increase of 13%. Compared to other municipal districts, the total price of an apartment here is the second highest after Prague 1. The price of a new apartment in a residential project was CZK 115,400/sq. m. and an older apartment went for an average of CZK 103,400/sq. m. In 2019, buyers paid a significantly higher price for a one-bedroom apartment—CZK 8,780,000, which is 20% more than in the previous year. A two-bedroom apartment cost an average of CZK 11,673,000. This growth was mainly influenced by the sale of apartments in the high-end *Šárecký dvůr* project.

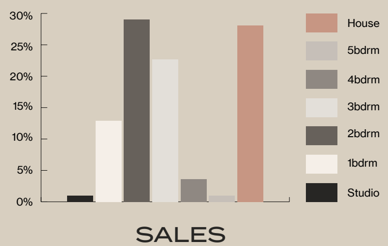
This municipal district takes up almost one fifth of the entire sample of apartments in Svoboda & Williams' portfolio of apartments for rent. The residential neighborhoods of Bubeneč, Dejvice, Střešovice, and Břevnov have long been popular among clients of Svoboda & Williams, like Vinohrady, which is second after Prague 6 in the sample. The achieved rent in Prague 6 had a year-on-year increase of 8% up to CZK 32,700. A one-bedroom apartment was rented for an average of CZK 22,000/month and a two-bedroom for CZK 30,300/month.

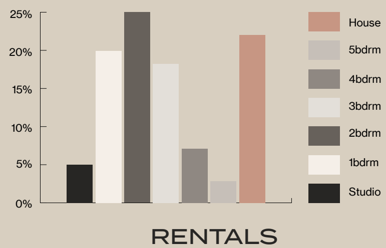
PORTION OF THIS DISTRICT IN THE MONITORED SAMPLE OF PROPERTIES



			Ø price per sq. m.		Ø apt. price	
	Ø capt. price	**Ø apt. size**	**New apt.**	**Resale apt.**	**1bdrm**	**2bdrm**
Sales	CZK 13,957,000	115.0 sq. m.	CZK 115,400	CZK 103,400	CZK 8,780,000	CZK 11,673,000
	13%	3%	3%	5%	20%	14%
Rental	CZK 32,700	89.8 sq. m.	N/A		CZK 22,000	CZK 30,300
	8%	-2%			5%	-5%

Average values during the monitored period (January 2019–December 2019) and their year-on-year change



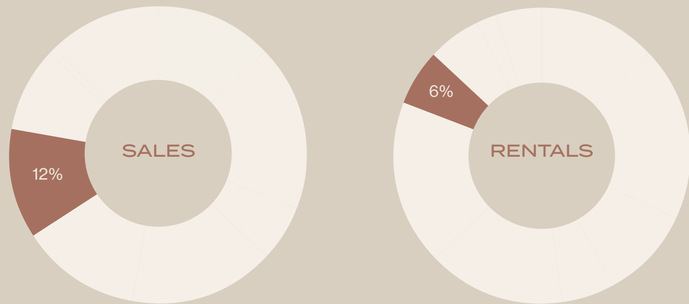


PRAGUE 7

The high popularity of Prague 7, which, hand in hand with insufficient construction, causes a low supply of properties for sale and rent in this district. The average achieved price for an apartment was CZK 10,051,000. The average price of a new apartment was CZK 108,600/sq. m. and CZK 103,300/sq. m. for an older apartment. Buyers paid an average of CZK 5,922,000 for a one-bedroom apartment and CZK 10,174,000 for a two-bedroom apartment. Among the new residential projects we monitored were *Marina Island* and *VIVUS Osadní,* and of the ongoing apartment building reconstructions we can mention the *Šmeralova 20* project.

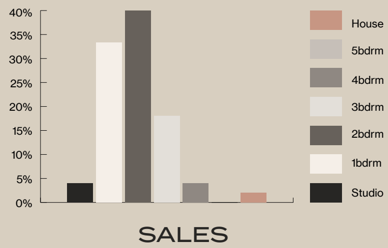
The low proportion of this municipal district in the sample of monitored properties is mirrored in its equally low number of rental apartments (only 6% of the total sample). In 2019, mostly smaller apartments with one-bedroom and two-bedroom layouts—81% of the total number of rental apartments—were rented in Prague 7. Tenants paid an average of CZK 23,400 per month for a one-bedroom apartment and CZK 30,100 for a two-bedroom apartment.

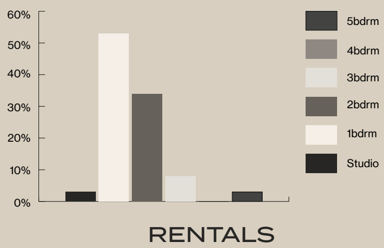
PORTION OF THIS DISTRICT IN THE MONITORED SAMPLE OF PROPERTIES



	Ø apt. price	Ø apt. size	Ø price per sq. m.		Ø apt. price	
			New apt.	Resale apt.	1bdrm	2bdrm
Sales	CZK 10,051,000	89.7 sq. m.	CZK 108,600	CZK 103,300	CZK 5,922,000	CZK 10,174,000
	-6%	-10%	11%	-3%	-9%	25%
Rental	CZK 28,300	80.0 sq. m.	N/A		CZK 23,400	CZK 30,100
	3%	-3%			2%	3%

Average values during the monitored period (January 2019–December 2019) and their year-on-year change

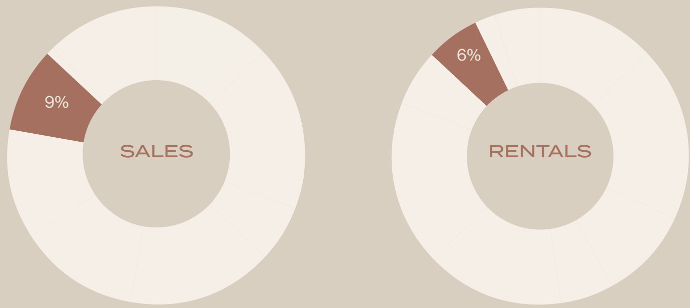




PRAGUE 8

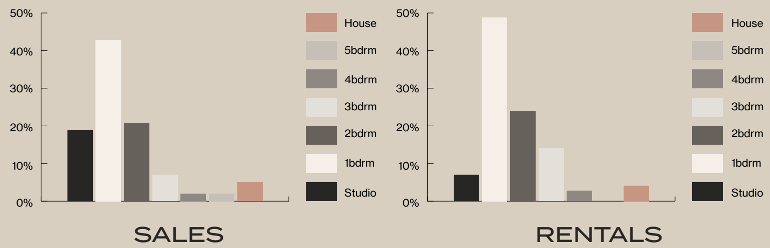
Apartments sold in Prague 8 were some of the smallest in 2019, averaging only 79 sq. m. Almost half of the apartments were one-bedrooms; two-bedroom apartments constituted one fifth of the entire sample of apartments in Prague 8. The average price for an apartment went up to CZK 9,056,000, a year-on-year growth of 15%. The achieved price per square meter similarly increased by 14%—new apartments went for CZK 117,100/sq. m. and resale apartments for CZK 101,100/sq. m. A one-bedroom apartment was sold for an average of CZK 6,933,000 and a two-bedroom apartment for CZK 11,395,000. The prices of both layouts increased significantly: one-bedrooms went up by 32 % and two-bedrooms by 16%. The monitored residential projects in this location in 2019 were, among others, *PRAGA Rezidence* and *Rezidence U Negrelliho*. In the sample of rented apartments monitored by Svoboda & Williams, Prague 8 had the lowest number, and most were located in the attractive Karlín neighborhood (65%). Demand for apartments in this neighborhood far exceeds their supply. One-bedroom apartments could be rented for CZK 23,800 per month and tenants even paid an average of CZK 33,800 for a two-bedroom apartment. The offer of apartments for rent in Karlín during the monitored period grew to include other apartments in the *Rezidence Vltava, Cornlofts, River Diamond,* and *Port Karolina* projects. New apartments in *Marina Boulevard*—the last residential part of the *DOCK* project in Libeň—concluded the sample of apartments monitored in Prague 8.

PORTION OF THIS DISTRICT IN THE MONITORED SAMPLE OF PROPERTIES



	Ø apt. price	Ø apt. size	Ø price per sq. m.		Ø apt. price	
			New apt.	Resale apt.	1bdrm	2bdrm
Sales	CZK 9,056,000	79.0 sq. m.	CZK 117,100	CZK 101,100	CZK 6,933,000	CZK 11,395,000
	15%	-1%	14%	14%	32%	16%
Rental	CZK 28,200	75.1 sq. m.	N/A		CZK 23,800	CZK 33,800
	-7%	-11%			-2%	-6%

Average values during the monitored period (January 2019–December 2019) and their year-on-year change

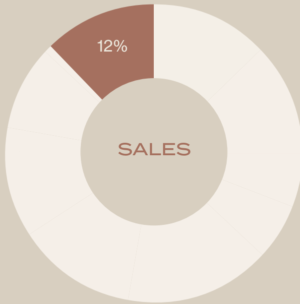


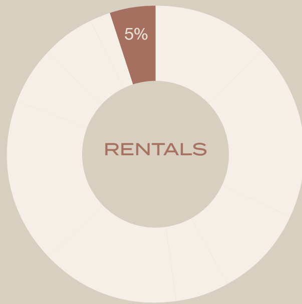
PRAGUE 10

The average price for an apartment in Prague 10 was CZK 7,782,000, a year-on-year decrease of 13%. This decline goes hand in hand with the decrease in size of an average apartment by the same percentage. New apartments were sold for an average of CZK 113,900/sq. m., a year-on-year increase of 18% due to a change in the sample. It consisted mainly of smaller apartments in residential projects in Vršovice, e.g. *Rezidence U sv. Václava, Vila Mrštíkova,* and *Rezidence Orelská 13*, which is a beautifully reconstructed Art Nouveau building in Vršovice. The price of resale apartments changed only minimally to CZK 87,300/sq. m. It was possible to purchase a one-bedroom apartment for CZK 5,344,000, which is a year-on-year decrease of 28% due to the smaller size of the monitored one-bedroom apartments. A two-bedroom apartment cost on average CZK 9,136,000, i.e. a year-on-year increase of 15%.

Apartments for rent in Prague 10 (specifically the Vršovice and Vinohrady areas) are among the most sought-after, which is confirmed by the 10% year-on-year increase in their average rental price. These two neighborhoods are in close proximity to the center of Prague, but at the same time rents haven't yet reached the high levels of Karlín or Letná. A one-bedroom apartment was rented for an average of CZK 20,700 and a two-bedroom for CZK 27,200.

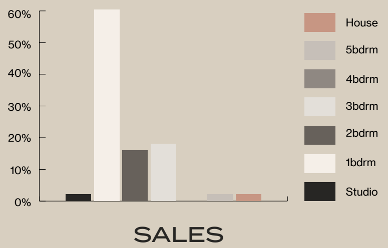
PORTION OF THIS DISTRICT IN THE MONITORED SAMPLE OF PROPERTIES

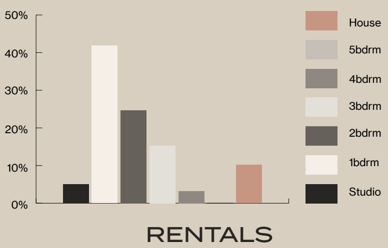




	Ø apt. price	Ø apt. size	Ø price per sq. m.		Ø apt. price	
			New apt.	Resale apt.	1bdrm	2bdrm
Sales	CZK 7,782,000	78.4 sq. m.	CZK 113,900	CZK 87,300	CZK 5,344,000	CZK 9,136,000
	-13%	-13%	18%	-1%	-28%	15%
Rental	CZK 26,600	79.7 sq. m.	N/A		CZK 20,700	CZK 27,200
	10%	10%			6%	-2%

Average values during the monitored period (January 2019–December 2019) and their year-on-year change





DATA SUMMARY

AVERAGE ACHIEVED RENTS VS. SALES PRICES FOR SPECIFIC LAYOUTS IN PRAGUE 1–10 (JANUARY 2019–DECEMBER 2019)

Layout	Ø monthly rent	Rentals Ø apt. floor space	Ø selling price	Sales Ø apt. floor space
studio	CZK 17,200	40 sq. m.	CZK 4,613,000	36 sq. m.
1bdrm	CZK 24,200	63 sq. m.	CZK 6,327,000	58 sq. m.
2bdrm	CZK 34,600	100 sq. m.	CZK 11,087,000	95 sq. m.
3bdrm	CZK 50,800	137 sq. m.	CZK 16,813,000	135 sq. m.
4bdrm	CZK 73,900	194 sq. m.	CZK 20,800,000	181 sq. m.

Source: data of SVOBODA & WILLIAMS

OVERALL SUMMARY OF AVERAGE ACHIEVED SALES PRICES IN MUNICIPAL DISTRICTS (JANUARY 2019–DECEMBER 2019)

Municipal district	Ø apt. price	Ø price per sq. m.	Ø apt. floor space	New apt. Ø price per sq. m.	Resale apt. Ø price per sq. m.	1bdrm Ø apt. price	2bdrm Ø apt. price
Prague 1	CZK 14,736,000	CZK 158,900	91 sq. m.	CZK 147,600	CZK 173,800	CZK 8,108,600	CZK 15,586,600
Prague 2	CZK 10,766,000	CZK 131,500	89 sq. m.	CZK 140,700	CZK 120,800	CZK 7,442,200	CZK 12,206,800
Prague 3	CZK 8,965,000	CZK 112,000	81 sq. m.	CZK 118,200	CZK 108,100	CZK 6,191,300	CZK 10,419,700
Prague 4	CZK 6,885,000	CZK 92,400	73 sq. m.	CZK 88,100	CZK 98,200	CZK 4,906,600	CZK 8,471,500
Prague 5	CZK 9,367,000	CZK 101,900	90 sq. m.	CZK 105,200	CZK 98,700	CZK 5,559,400	CZK 9,323,500
Prague 6	CZK 13,957,000	CZK 110,000	115 sq. m.	CZK 115,400	CZK 103,400	CZK 8,779,700	CZK 11,673,000
Prague 7	CZK 10,051,000	CZK 106,400	90 sq. m.	CZK 108,600	CZK 103,300	CZK 5,921,900	CZK 10,173,700
Prague 8	CZK 9,056,000	CZK 112,000	79 sq. m.	CZK 117,100	CZK 101,100	CZK 6,933,400	CZK 11,395,200
Prague 9	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Prague 10	CZK 7,782,000	CZK 103,600	78 sq. m.	CZK 113,900	CZK 87,300	CZK 5,344,100	CZK 9,135,500

Source: data of SVOBODA & WILLIAMS

** Not enough data was available for Prague 9*

OVERALL SUMMARY OF AVERAGE ACHIEVED RENTAL PRICES IN MUNICIPAL DISTRICTS (JANUARY 2019–DECEMBER 2019)

Municipal district	Ø monthly rent	Ø apt. floor space	1bdrm Ø monthly rent	2bdrm Ø monthly rent
Prague 1	CZK 40,100	92,7 sq. m.	CZK 30,600	CZK 44,800
Prague 2	CZK 34,200	82,4 sq. m.	CZK 25,500	CZK 37,300
Prague 3	CZK 31,200	87,8 sq. m.	CZK 23,300	CZK 33,200
Prague 4	CZK 28,200	87,3 sq. m.	CZK 20,700	CZK 29,000
Prague 5	CZK 29,100	89,8 sq. m.	CZK 23,800	CZK 30,100
Prague 6	CZK 32,700	80,0 sq. m.	CZK 22,000	CZK 30,300
Prague 7	CZK 28,300	75,1 sq. m.	CZK 23,400	CZK 30,100
Prague 8	CZK 28,200	67,4 sq. m.	CZK 23 800	CZK 33,800
Prague 9	CZK 21,900	79,7 sq. m.	CZK 16 100	CZK 29,900
Prague 10	CZK 26,600	77,6 sq. m.	CZK 20,700	CZK 27,200

Source: data of SVOBODA & WILLIAMS

BRATISLAVA: WHERE THE PAST MEETS PROGRESS

Svoboda & Williams entered the Slovak real estate market last year, and so we decided to focus on Slovakia for our current Market Report. The Focus section will therefore be all about Bratislava. The streets of this capital city, through which the mighty Danube River flows, are full of history. In the new millennium, its urban development is becoming more fascinating and progressive year after year.

AN ANCIENT CITY ON THE DANUBE

The city of Bratislava, whose history stretches all the way to the Neolithic, is located on both sides of the Danube River. It was first settled by Celts more than a thousand years ago, during which time the Germans, Slavs, and Avars made it their home at one time or another. In the 7th century the territory of Bratislava was part of Samo's Empire, where it remained until it was added to the Great Moravia Empire two centuries later. When that empire fell, it became part of the Kingdom of Hungary. During this period, Bratislava was called in turn Poson, Pozsony, or Pressburg, and flourished to such an extent that **it became the capital city of Hungary in the first half of the 16th century.**

Its strategic importance rose dramatically and the changes that were set in motion at the time continue to have an impact on the city today. Even the Bratislava Castle wasn't spared—it was significantly modernized in the second half of the 16th century to adapt to the requirements of being used as the main royal residence.

"IN THE SECOND HALF OF THE 20TH CENTURY, MANY TIMELESS BUILDINGS ADDED A PATINA OF MODERNISM TO BRATISLAVA."

At the beginning of the 20th century, Upper Hungary, together with Bohemia, Moravia, and Silesia, became part of Czechoslovakia. Its name was officially changed since Pressburg sounded too German. **When the city was incorporated into Czechoslovakia at the very beginning of the year 1919, it was renamed Bratislava** to underscore the Slavic character of the new republic.

During the First Republic, Bratislava was seen as a big city and its prosperity grew quickly due to its strategic location. Many important builders and architects left their imprint on the city, such as Dušan Jurkovič, Friedrich Weinwurm, or Ignác Vécsei. Bratislava continued to develop in the second half of the 20th century, when the typical socialist-era housing projects in Petržalka, Ružinov, Karlova Ves, and Devínská Nová Ves were built, as well as many **timeless buildings that added a touch of the modern:** the SNP Bridge with an observation deck that caused it to be known as the UFO Bridge, the Slovak Radio building in the shape of an inverted pyramid, or the Kamzík TV tower.

THE SLOVAK RADIO BUILDING

THE HOTEL KYJEV BUILDING

A METROPOLIS OF HIGH AMBITIONS

The above-mentioned architecturally unique buildings are proof that a rapid modern approach to construction is part of Bratislava's DNA. One of the main reasons for this is that the Slovak capital is not on the *Unesco World Heritage List.* Prague, on the other hand, is on the list, and so developers have to keep both feet planted firmly on the ground—literally and figuratively—when planning new projects since protecting the historic center of the city, its unique atmosphere, and cultural value takes precedence over everything else. Higher than usual buildings are approved only rarely and are generally found outside of the oldest part of the city. In contrast, the **Building Authority in Bratislava is far more open to vertical construction.**

"THE SLOVAK CAPITAL TODAY IS A CITY OF HIGH-RISE BUILDINGS."

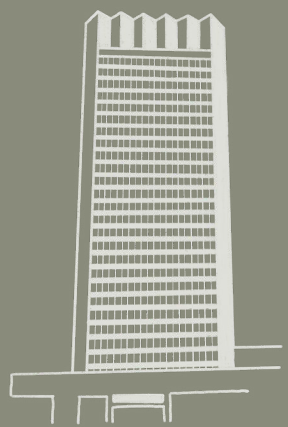
The Slovak capital today is a city of high-rise buildings, which sets it apart from most other Central European metropolises. In the 1930s, the residential building popularly known as Manderlák was built. Measuring 45 meters in height, it was the first high-rise in Czechoslovakia. Later, in the 1970s, the Czechoslovak Television building was built. Rising to 108 m, it towered above Manderlák. At the beginning of the new millennium, the 111 m Slovak National Bank building was added to the Bratislava panorama. It was the highest structure in Slovakia until 2016, when it was surpassed by the twin 112 m Panorama Towers.

Vertical construction and expansion continues today unabated. The Nivy Tower with a height of 125 meters is currently being built. By 2023, the

"BY 2023, THE EUROVEA TOWER WILL BE COMPLETED—IT WILL BE THE FIRST BUILDING IN THE SLOVAK AND CZECH REPUBLICS THAT WILL OFFICIALLY BE CALLED A SKYSCRAPER."

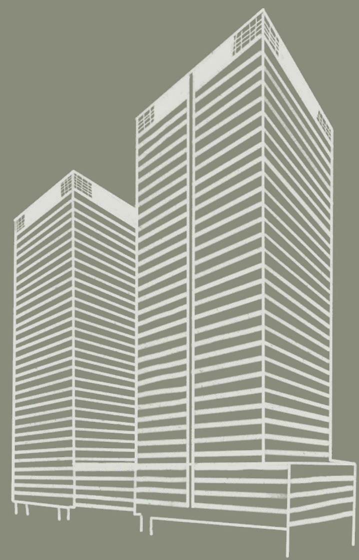
Eurovea Tower will be completed on the left bank of the Danube River. Exceeding the 150-meter limit, it will be the **first building in the Slovak and Czech republics that will officially be called a skyscraper**. All part of the Sky Park project, the Bratislava silhouette will soon include 6 new high-rises designed by the renowned Zaha Hadid Architects firm. Other ambitious projects should take into account the spatial composition of the city, i.e. how the panorama made up of buildings reaching for the sky looks at a distance. Today, Bratislava is a city of towers and **the question now is not so much how new high-rise buildings should appear, but how high they are and where they are built.** The Land Use Plan should prevent the construction of a monolithic wall of equally high landmarks and support a diversity of building heights.

MANDERLÁK
45 M

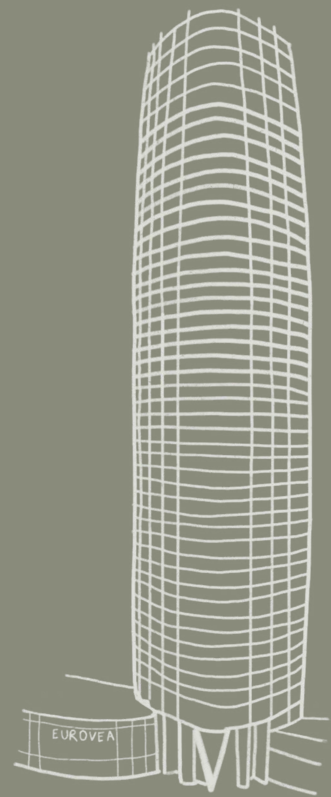


THE CZECHOSLOVAK
TELEVISION BUILDING
108 M

THE SLOVAK NATIONAL
BANK BUILDING
111 M



PANORAMA TOWERS
112 M



THE EUROVEA TOWER
168 M

DEVELOPMENT WITH A CAPITAL “D”

Development in Bratislava has recently been about more than just the tallest buildings, although they are the most obvious sign of what has been going on. Although developers in Slovakia are confronted by a drawn-out and arduous permit process (Slovakia is ranked 147th and the Czech Republic 157th in Doing Business’s study of how countries deal with construction permits), you will pass one construction site after another when you visit Bratislava. **The current construction landscape is also extremely diverse:** from premium residential projects with only several apartments to larger apartment buildings to iconic high-rises or extensive multifunctional complexes that go hand in hand with added infrastructure and administrative centers.

“INCREASINGLY AMBITIONS PROJECTS THAT ARE SIGNIFICANTLY CHANGING THE CITY’S CHARACTER ARE GRADUALLY BEING CREATED IN OLD TOWN.”

The Ružinov – Nivy area, located right next to Old Town, is currently undergoing a dramatic urban transformation. Besides the Sky Park, Eurovea Tower, or Discovery Residence high-rises, **the multifunctional underground Stanice Nivy bus terminal** is being built, part of which is a shopping center, office space in the Nivy Tower, a market, and a green roof. A similar boom can be observed in other areas close to the city center as well. **The unique Vydrica residential project is emerging directly below the castle.** One of the most important in the capital today, it will consist of apartment buildings set into a hillside that will offer more modest residential units as well as spacious residences or apartments with front gardens. Alongside Vydrica, the completed Zuckermandel project stands next to River Park on the banks of the Danube River. Increasingly ambitions projects that are significantly changing the city’s character are gradually being created in Old Town.

Other neighborhoods in Bratislava are also undergoing a boom in construction. The popular Koliba residential area with its beautiful views of the city is home to the Gansberg premium residential project, and the Koliba Gardens villas or the boutique Little Koliba residential project are currently under way here. Developers are also focusing on more affordable housing projects, which is a welcome development since the availability of new apartments in this segment is decreasing. Petržalka, the most populous part of Bratislava, is connected to the center by five bridges. It is gradually changing from a neighborhood of Soviet-era housing blocks into a modern district with much to offer. An astonishing amount of projects are being built here and, despite the fact that developers are literally building on a greenfield site, they are also adding parks, public spaces, and full urban amenities including shopping centers, schools, kindergartens, and roads. **For example, the emerging Slnečnice complex is projecting that it will house more residents than the number of people living in the Rusovce, Jarovce, and Čunovo districts and the Hungarian village of Rajka, which is part of the greater Bratislava agglomeration, put together.**

1. VYDRICA
DISTRICT: OLD TOWN
DEVELOPER: LUCRON, VYDRICA A.S.
TYPE: HOUSING, OFFICES, RETAIL
STATUS: UNDER CONSTRUCTION
NUMBER OF UNITS: 450

2. ZUCKERMANDEL
DISTRICT: OLD TOWN
DEVELOPER: J&T REAL ESTATE
TYPE: HOUSING, OFFICES, RETAIL
STATUS: COMPLETED
NUMBER OF UNITS: 187

3. RIVER PARK I A II
DISTRICT: OLD TOWN
DEVELOPER: J&T REAL ESTATE, CRESCO GROUP
TYPE: HOUSING, OFFICES, RETAIL
STATUS: 1ST PART IS COMPLETED
NUMBER OF UNITS: 108 + 448

4. PANORAMA CITY
DISTRICT: OLD TOWN
DEVELOPER: J&T REAL ESTATE
TYPE: HOUSING, OFFICES
STATUS: COMPLETED
NUMBER OF UNITS: 606

5. PREMIÈRE
DISTRICT: OLD TOWN
DEVELOPER: FINEP
TYPE: HOUSING
STATUS: UNDER CONSTRUCTION
NUMBER OF UNITS: 260

6. REZIDENCIA BLUMENTAL
DISTRICT: OLD TOWN
DEVELOPER: CORWIN
TYPE: HOUSING, OFFICES, RETAIL
STATUS: COMPLETED
NUMBER OF UNITS: 10

7. REZIDENCIA HRADNÝ VRCH
DISTRICT: STARÉ MESTO
DEVELOPER: URBIA HOLDING
TYP: HOUSING
STATUS: UNDER CONSTRUCTION
NUMBER OF UNITS: 31

8. BEZRUČOVA RESIDENCE
DISTRICT: OLD TOWN
DEVELOPER: BEZRUČOVA INVEST
TYPE: HOUSING, OFFICES, RETAIL
STATUS: UNDER CONSTRUCTION
NUMBER OF UNITS: 117

9. KOLIBA GARDENS
DISTRICT: NEW TOWN
DEVELOPER: PÚPAVA DEVELOPMENT
TYPE: HOUSING
STATUS: COMPLETED
NUMBER OF UNITS: 10

10. GANSBERG KOLIBA
DISTRICT: NEW TOWN
DEVELOPER: ITB DEVELOPMENT
TYPE: HOUSING, OFFICES, RETAIL
STATUS: COMPLETED
NUMBER OF UNITS: 48

11. REZIDENCIE PRI MÝTE
DISTRICT: NEW TOWN
DEVELOPER: PENTA REAL ESTATE
TYPE: HOUSING
STATUS: UNDER CONSTRUCTION
NUMBER OF UNITS: 389

12. AHOJ PARK
DISTRICT: NEW TOWN
DEVELOPER: AHOJ DEVELOPMENT
TYPE: HOUSING
STATUS: COMPLETED
NUMBER OF UNITS: 195

13. GUTHAUS
DISTRICT: NEW TOWN
DEVELOPER: CORWIN
TYP: HOUSING, RETAIL
STATUS: UNDER CONSTRUCTION
POČET JEDNOTEK: 290

14. URBAN RESIDENCE
DISTRICT: NEW TOWN
DEVELOPER: LUCRON GROUP
TYPE: HOUSING, RETAIL
STATUS: UNDER CONSTRUCTION
NUMBER OF UNITS: 438

15. SKY PARK
DISTRICT: RUŽINOV
DEVELOPER: PENTA REAL ESTATE
TYPE: HOUSING, OFFICES, RETAIL
STATUS: UNDER CONSTRUCTION
NUMBER OF UNITS: 1048

16. DISCOVERY RESIDENCE
DISTRICT: RUŽINOV
DEVELOPER: REMAC PROPERTIES
TYPE: HOUSING
STATUS: UNDER CONSTRUCTION
NUMBER OF UNITS: 137

17. EUROVEA II
DISTRICT: RUŽINOV
DEVELOPER: J&T REAL ESTATE
TYPE: HOUSING, OFFICES, SHOPPING CENTER
STATUS: UNDER CONSTRUCTION
NUMBER OF UNITS: 487

18. GALVANIHO DVORY
DISTRICT: RUŽINOV
DEVELOPER: MACHO CONSULTING
TYPE: HOUSING
STATUS: UNDER CONSTRUCTION
NUMBER OF UNITS: 231

19. JARABINKY
DISTRICT: RUŽINOV
DEVELOPER: SIBAREAL
TYPE: HOUSING, RETAIL
STATUS: UNDER CONSTRUCTION
NUMBER OF UNITS: 385

20. NOVÝ RUŽINOV
DISTRICT: RUŽINOV
DEVELOPER: CZ SLOVAKIA
TYPE: HOUSING, OFFICES
STATUS: UNDER CONSTRUCTION
NUMBER OF UNITS: 400

21. KLINGERKA
DISTRICT: RUŽINOV
DEVELOPER: J&T REAL ESTATE
TYPE: HOUSING, OFFICES
STATUS: UNDER CONSTRUCTION
NUMBER OF UNITS: 380

22. SLNEČNICE
DISTRICT: PETRŽALKA
DEVELOPER: CRESCO GROUP
TYPE: HOUSING, RETAIL
STATUS: UNDER CONSTRUCTION
NUMBER OF UNITS: 4000

23. PETRŽALKA CITY II
DISTRICT: PETRŽALKA
DEVELOPER: LENTIMEX DEVELOPMENT, SOLLARIS
TYPE: HOUSING
STATUS: COMPLETED
NUMBER OF UNITS: 138

24. EINPARK
DISTRICT: PETRŽALKA
DEVELOPER: CORWIN CAPITAL
TYP: HOUSING, OFFICES, RETAIL
STATUS: UNDER CONSTRUCTION
NUMBER OF UNITS: 110

25. MATADORKA
DISTRICT: PETRŽALKA
DEVELOPER: VI GROUP
TYPE: HOUSING
STATUS: UNDER CONSTRUCTION
NUMBER OF UNITS: 335

THE BOOM IN REAL ESTATE TRANSACTIONS

The current situation in Bratislava brilliantly illustrates that the expansion in construction is related to the boom in real estate transactions. Although property prices are increasing, developers are reporting a high number of sales. In fact, many have experienced situations when the **units in a residential project have sold out long before the project was completed** even when the prices broke the record for the most expensive property in Slovakia.

For example, the developer of the previously mentioned Eurovea II project, J&T Real Estate, stated that they managed to sell over 40% of the apartments right after the sale was launched. The developer behind the Vydrica project has the same experience. They report that in the first phase launched at the beginning of November 2019, in just one month clients reserved around 40% of the apartments. In the case of both projects, the average price per sq. m. greatly exceeded the average price of an apartment in Bratislava. Units in the projects were sold for an average of EUR 5,000–8,000 per sq. m., while the current Bratislava citywide average is EUR 2,132 per sq. m.

This aspect of the real estate boom is closely related to the positive economic conditions in Bratislava, as confirmed by the **CEE Investment Report 2019, which placed Bratislava on the list of the 20 most rapidly developing cities in the European Union.** Foreign investors are also aware of Bratislava's strong economic position and their flow into the capital continues unabated. Since Slovakia is part of the Eurozone, many will be able to avoid the risk of conversion and fees associated with exchanging currency. Bratislava has a truly convenient geographic location (the Austrian border is only 5 km away from the city center and the Hungarian border 19 km) and a high rate of return on investments — factors that help attract more and more foreign capital.

"FOREIGN INVESTORS ARE ALSO AWARE OF BRATISLAVA'S STRONG ECONOMIC POSITION AND THEIR FLOW INTO THE CAPITAL CONTINUES UNABATED."

INDICATOR	UNIT	BRATISLAVA	PRAGUE	DIFFERENCE	DIFFERENCE IN %
Average asking price of all apartments	EUR/sq. m.	€2,132	€3,704	-€1,572	-42.0%
Year-on-year difference	%	6.0%	13.0%	-7.0%	
Average mortgage interest rate	%	1.11%	2.34%	-1.23%	
Accessible housing index	CG Index	11.1	14.1	-3.0	
Average salary	€	€1,619	€1,684	-€65	-4.0%

Our listed average asking sales price in Bratislava is based on the statistics of the Slovak National Bank, and our Czech price on the RealityMix.cz statistics. These figures are ideal for comparison since they monitor the asking prices of all apartments.
The year-on-year difference analyzed is between Q4 2019 and Q4 2018.
The housing accessibility index estimates how many gross yearly salaries are needed to purchase an average 70 sq. m. apartment.


Pečené gaštany
Pečené zemiaky

PARALLELS BETWEEN PRAGUE AND BRATISLAVA

The current situation in the Bratislava real estate market invites comparisons with the Prague market. Several parallels emerge: property prices are rising, unemployment is low, the average salary is increasing, housing demand is higher than the housing supply, the construction permit processes are unnecessarily protracted, and the Land Use Plan isn't as flexible as the situation requires it to be.

"ACCORDING TO THE ACCESSIBLE HOUSING INDEX, A PRAGUE RESIDENT MUST WORK FOR AN AVERAGE OF 14.1 YEARS BEFORE BEING ABLE TO AFFORD AN AVERAGE APARTMENT, WHICH IS 3 YEARS LONGER THAN IN BRATISLAVA."

However, there are several major differences. **Slovakia doesn't have a property acquisition tax,** and so all apartments, houses, and plots are 4% less expensive than in the Czech Republic. Although mortgages in both countries are becoming more accessible, they are still more expensive in the Czech Republic than in Slovakia. The **average interest rate in the Slovak market is around 1.11%,** and the largest banks even offer 0.6–0.89%. In comparison, local mortgage interest rates haven't dipped below 1.5% in the past five years—the current average is 2.34%.

The growing accessibility of mortgages is one of the factors that are putting pressure on the growth of real estate prices—in the third quarter of 2019 the year-on-year increase was 7.5%, and in Bratislava 6.0%. The average salary in Bratislava, however, is currently no different from the one in Prague. Today, the difference, adjusted for conversion, is around CZK 1,650. Since properties in Bratislava are almost CZK 40,000 less expensive per sq. m. than the average Prague property, buying an apartment or house isn't an insurmountable obstacle for most people. **According to the accessible housing index (CG-INDEX), a Prague resident must work for an average of 14.1 years before being able to afford an average apartment, which is 3 years longer than in Bratislava.** While in Prague the dream of living in "one's own" place is growing increasingly distant, in Bratislava, despite rising property prices, the situation hasn't progressed as far.

In conclusion, let's return to the questions related to the urban development of a city. It seems that the Bratislava city council has implemented changes that will help lay the foundations of the capital so that it can conform to the demands of our rapidly changing times while reflecting the needs and interests of not only the present, but especially the future residents of the city. Prague and Bratislava both face the problematic and rising inaccessibility of housing. However, the leadership of the Slovak capital is taking a more responsible approach to the issue and appears much more open to cooperating on projects and visions that may improve the future of Bratislava. It's a long process **that depends on cooperation between the city, the state, and developers. High quality and compact housing construction goes hand in hand with the strategic development of the city.** For now, it looks like Bratislava is on the right path.

NA PERŠTÝNĚ 2, 110 00 PRAHA 1 | SVOBODA-WILLIAMS.COM | INFO@SVOBODA-WILLIAMS.COM