MARKET REPORT

H1 2020

A BIPOLAR MARKET IN LIVE BROADCAST

Despite the early warnings from China, at the beginning of the year 2020 the outbreak of the coronavirus pandemic was something that nobody could predict would unfold the way it eventually did. The economy ground to a halt, the stock market crashed, governments adopted emergency measures that seemed almost like martial law, and anyone making projections of future developments might as well have been reading tea leaves. **The mood of the market mirrored the fluctuations and uncertainty that gripped the global economy, an up and down cycle that can only be diagnosed as bipolar.** After restrictive measures were put in place, a depression set in—a phase of absolute decline and inactivity. Once the measures were loosened, the economy went into a manic phase of shopping and catching up with the deferred demand, which, according to our findings, also occurred in the residential property market. This bipolarity is expected to continue for a while, and will be accompanied by a volatile market and the impossibility to predict what will happen with any sort of clarity.

In these uncertain times, properties are one of the few safe investment options. Investors are aware that returns on assets will fluctuate and so properties are an ideal form of collateral. The impending fall in prices is a much discussed topic at the moment, but **investors who are buying this asset in order to add it to their portfolios are also looking beyond the horizon of current events.** Even if real estate prices were to plummet in the coming months, they would go up again soon after, especially when the effect of the stimulus package is felt—money will flow back into the economy, leading to the inflation of investment assets. Moreover, there are people who will continue to buy apartments as an investment even during this recession, and some will even use the current situation of economic decline and uncertainty as an opportunity to purchase real estate, which will shore up the volatile economy, at least to a certain extent.

The premium residential market, moreover, has a permanent value that is wholly independent of the economic cycle and whatever phase it happens to be in. During a crisis, the prices of top tier properties don't go down; at most, those that have been overvalued get corrected. Another factor that will influence Prague property prices is that the demand for new housing far surpasses its supply. Also, the resale market behaves differently than the new build market. **Due to the long-term and continuing lack of new build apartments in Prague and Brno, and the interest in them among young families as well as investors, developers will likely maintain prices as they are.**

Difficult times lie ahead of us. The government's supportive measures are coming to an end and reality will set in soon. In the fall, individuals and companies will face a sluggish economy, which may plunge society back into the depression end of the bipolar spectrum. The period of economic growth and minimal unemployment is behind us and people will be increasingly less able to afford to own their house or apartment. **In the next few years, the rental housing situation will significantly shape the real estate market.** Developers therefore have a unique opportunity to create large-scale residential rental projects. We expect that the rising popularity of this trend will grow exponentially in the aftermath of the coronavirus crisis.

Prokop Svoboda
Svoboda & Williams

KEY TRENDS IN THE PRAGUE PREMIUM MARKET

BASED ON THE SAMPLE MONITORED BY SVOBODA & WILLIAMS

SALES:

- The average achieved price of a premium property in Prague during the monitored period was CZK 120,200— a year-on-year increase of 7.8%. The coronavirus crisis therefore didn't have an impact on the prices of Prague properties from the sample monitored by Svoboda & Williams in the first half of the year.
- The number of inquiries for properties offered by Svoboda & Williams went up by 14% in the year-on-year comparison.
- Demand increased for properties outside of Prague as well as for properties with large terraces or front gardens.

RENTALS:

- The number of apartments for long-term rent in Prague's premium segment increased by 27% during the first half of the year.
- The expanded offer of available properties prompted tenants to move, especially in the second quarter.
- According to the Rental Price Index of S & W+VŠE, the achieved rents of premium apartments in Prague had a year-on-year decrease of 7.2%.
- The coronavirus crisis will likely lead to stricter regulations of the short-term accommodation market.

THE REAL ESTATE MARKET
THROUGH THE EYES OF SVOBODA & WILLIAMS

THE ECONOMY IN THE SHADOW OF THE CORONA VIRUS PANDEMIC

At the beginning of 2020, economic forecasts dwelled on the stability of the Czech as well as global economy. Brexit was supposed to be the main turbulent event of the year and the only negative outlook was the expected sluggish growth of the GDP of the world's leading economies. Few of us acknowledged the real threat of the new type of coronavirus that first spread throughout China. Only in February did it become clear that we were facing a crisis of unprecedented proportions. Its arrival was extraordinarily swift and it soon overwhelmed the global economic system. In April, IMF's Chief Economist Gita Gopinath stated that the coronavirus crisis would slash nine billion dollars from the global GDP and predicted that the Czech economy would shrink by 6.5%. Some pessimistic estimates even projected a decline of 18%.

In order to speed up economic recovery all over the world, central banks and governments decided to implement financial measures that would stimulate growth: lowering interest rates, printing new money, and then pumping it into the economy. Although this was the correct strategy, analysts from the EIU warned that excessive government debt could trigger another recession, which would be set off by countries whose economies were foundering even before the crisis. Another threat hanging over the swelling of another economic bubble is the **inflation of investment assets, which will happen during the first wave of economic recovery measures and will have an impact on property prices worldwide, including in the Czech Republic.**

It's possible that the Czech real estate market will in fact stagnate or decline to a certain extent. Whether this happens or not depends primarily on customers' moods, which can negatively impact demand for properties. Developers estimate that demand could decrease by 4.9% in 2020. However, it remains to be seen how long the eventual decline in prices will last and how deep it will be. What's more, there may not be a decline in the entire real estate market, but rather just a correction of the prices of overvalued residential projects or the cooling down of prices in regions most affected by the crisis. As soon as the economy bounces back, real estate prices will start to rise again due to a loose monetary policy.

A GLIMMER OF HOPE FOR A MORE PEACEFUL CENTER OF PRAGUE?

The outbreak of the coronavirus and the lockdown measures implemented as a result shook the Prague residential market, especially after the sudden emptying of almost 15,000 apartments that until March 2020 had served as accommodation for tourists. In April, real estate servers were suddenly flooded with a wide variety of apartments for rent. According to the figures maintained by the Trigema company, the **number of available apartments for long-term rent in Prague at the end of the second quarter increased by 97.7% to 14,738,** i.e. the highest growth seen in the last four years. In the segment monitored by Svoboda & Williams, the offer of apartments for rent rose by 27% in the first half of the year. At the same time, rents of long-term rental apartments went down. As Deloitte's numbers show, rents decreased by about CZK 30 per sq. m., but only in the center of Prague. In the premium segment monitored by Svoboda & Williams, according to the Rental Price Index of Svoboda & Williams + VŠE, in the year-on-year comparison achieved rents went down by 7.2%, while in the city center they decreased by 7.4%, i.e. down by roughly by CZK 25 per sq. m.

THE NUMBER OF AVAILABLE APARTMENTS FOR LONG-TERM RENT IN PRAGUE

PERIOD	QUANTITY
Q2 2016	12,500
Q3 2016	7,565
Q4 2016	9,100
Q1 2017	8,700
Q2 2017	8,713
Q3 2017	6,330
Q4 2017	7,450
Q1 2018	8,060
Q2 2018	7,632
Q3 2018	7,420
Q4 2018	6,324
Q1 2019	7,200
Q2 2019	7,453
Q3 2019	6,845
Q4 2019	6,649
Q1 2020	12,371
Q2 2020	14,738

Source: Trigema

That being said, it's unreasonable to expect that the Prague residential market will gradually be swamped with apartments previously listed for short-term rent. Some apartments owned by smaller investors and people who rely on regular incomes from their short--term accommodation business were indeed offered for long-term rent or for sale. But a portion of the apartments owned by wealthy investors remained empty even as tourism came to a halt. **Even during a crisis, an empty apartment is the safest place to park your money.** As the analysis conducted by Colliers indicates, the total volume of real estate investment in the Czech Republic in the first quarter reached 1.6 billion euros, mostly invested in the residential segment. According to the research recently conducted by Savills, during a crisis investors tend to focus primarily on the premium segment.

Due to the planned regulations, it's now clear that the short-term rental market will not return to normal. State officials still haven't decided which changes to the law will go into effect, however, and so owners are still waiting to see how the situation will develop in the coming months. It would be a great pity if Prague's leadership eliminated the honest ones just because of a few bad actors.

RENTAL HOUSING: SOUGHT BY BOTH DEVELOPERS AND THE CITY

The construction of rental housing projects has increased in the last three years, although we can go as far back as 2008, when Albertov Rental Apartments paved the way for the future. For developers, the coronavirus crisis only confirmed the potential of rental apartments during times of uncertainty. **For instance, AFI Europe completely reconsidered their current approach and won't be offering new build apartments for sale at all in the next few years**. The Trigema, SIKO, YIT Stavo, JRD, Karlín Group, or Zeitgeist companies will also focus on rental housing. This segment is also of increased interest to banks, which are now more and more inclined to provide developers with capital. Although banks are loosening mortgage lending standards, interest in them is decreasing due to employment insecurity. If economic conditions in the post-pandemic Czech Republic will truly get worse for some time, for many people rental housing will be the only option.

Prague's town hall leadership had planned to augment the insufficient stock of available apartments in the city and in April it established the municipal contributory organization called the Prague Development Corporation. This entity will initiate, coordinate, or, if necessary, build urban housing projects on municipal land, in which private sector companies will also cooperate. Its initial priority will be two projects (one in the Palmovka area and the other in Nové Dvory) that will add 200 to 400 units to the housing stock. **According to the Prague municipal authority's optimistic predictions, the construction of 10,000 apartments, for which the city will cover one fifth of the costs, should start in 2028.** Inspired by similar organizations in the west, the PDC will contribute to the improvement of housing construction in Prague, provided, however, that it successfully cooperates with the private sector.

OVERVIEW OF EMERGING RESIDENTIAL RENTAL PROJECTS IN PRAGUE

PROJECT	DEVELOPER	NUMBER OF UNITS	COMPLETION
The FIZZ	Karlin Group	539	2020
Ranta/Lappi/Suomi	YIT	300	2021
Kaskády Barrandov	Finep	70	2021
Tulipa Karlín	AFI	100	2021
Rental Housing Project in Karlín	Trigema	144	2022
Smíchov City	Sekyra Group	N/A	2022
Bohdalecké kvarteto	JRD	45	2022

THE CURRENT SITUATION IN THE PRAGUE REAL ESTATE MARKET IN NUMBERS:

NEW BUILD	RESALE
CZK 108,261/sq. m.	CZK 94,500/sq. m.
YEAR-ON-YEAR INCREASE	YEAR-ON-YEAR INCREASE
+6%	+10%

NEW BUILD IN THE PREMIUM SEGMENT *	RESALE IN THE PREMIUM SEGMENT *
CZK 123,500/sq. m.	CZK 116,300/sq. m.
YEAR-ON-YEAR INCREASE	YEAR-ON-YEAR INCREASE
+8.4%	+6.3%

5,800 new apartments at the end of the first half of the year
2,400 sold by investors in the first half of the year
2.21 % average mortgage interest rate

* Based on the sample monitored by Svoboda & Williams.

PRAGUE REAL ESTATE PRICES ARE RESISTANT TO THE PANDEMIC

Analysts who predicted at the beginning of the year that property prices in Prague would fall have been proven wrong. In reality, as the data published by Trigema, Skanska Reality, and Central Group shows, in the first half of the year prices of new build properties actually rose by 6.1% and **the price per square meter skyrocketed to an unprecedented 108 thousand crowns.** During the first half of the year, developers sold 2,400 apartments, i.e. only 100 less than in the previous year. Several factors have contributed to the growth in prices and the number of completed transactions: low interest rates, the repeal of the property acquisition tax, and the interest of investors who are looking for a property in Prague in which to store their money. Developers reacted to the increased demand and stopped postponing the sale of new residential projects—by the end of June, 5,800 new build apartments were made available. All of the major players in the housing construction business have made it clear that they have no intention of lowering prices. Moreover, property prices in sought-after locations will likely increase even further due to the insufficient housing stock, the high costs of planning, designing, and construction work, and the lengthy building permit acquisition processes. Thus far, the pandemic hasn't had a significant impact on apartment prices.

THE PROPERTY ACQUISITION TAX IS FINALLY OVER

The abolishment of the long criticized property acquisition tax is part of a package of tax measures that the government promises will boost the real estate market and improve the availability of housing. The end of a tax that made no real sense and that the senate wanted to rescind back in 2019 is seen by both the public as well as experts as a step in the right direction. It may even encourage some people to purchase property. The only downside is that this was the initiative of a populist government, whose members tried to outdo one another with how many benefits for citizens they advanced during the crisis.

The government's original plan included the elimination of tax deductions. It assumed that from 2022 onward taxpayers could no longer deduct the interest paid on housing loans from their tax base, and so wouldn't get 15% of this amount back. This part of the proposal was criticized not only by opposition representatives in the lower house. According to representative Munzar, the only support for owner-occupied housing that the middle class has would be cancelled. **In the end, the possibility of deducting interest paid was preserved, despite the displeasure of Minister of Finance Schillerová.** Therefore, people who are thinking about a mortgage or whether they should buy property will be able to benefit from two advantages at once. This is welcome support especially for young families and people with lower incomes.

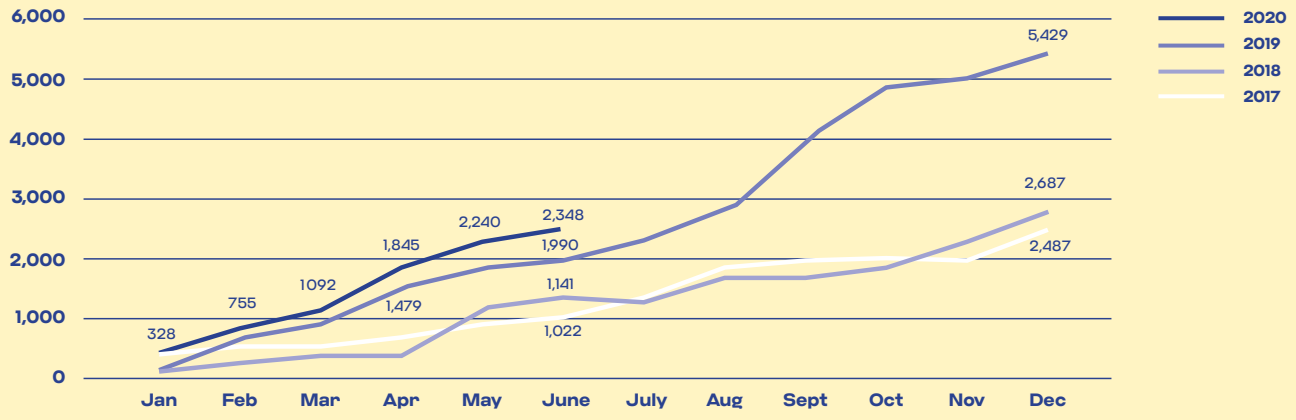
COMPLICATIONS IN THE CONSTRUCTION SECTOR CONTINUE

This spring, the Czech Chamber of Deputies was supposed to approve a new Building Act, but the coronavirus pandemic has thrown this ambitious schedule in disarray. Thus far, it seems that the government realizes how crucial construction is to getting the Czech economy back on track. All through the pandemic it promised that the new Building Act continued to be a priority and unveiled a plan this spring. The proposal would reach the Chamber of Deputies at the latest by this September, meaning that it could take effect next year. This is something that cannot happen soon enough. The current session of the Chamber of Deputies will be coming to an end soon, after which all unapproved acts and laws will be swept under the rug.

If the Chamber of Deputies doesn't pass the new Building Act before the summer recess it would not only be a great shame, but also a problem for the already significantly insufficient level of construction of new apartments

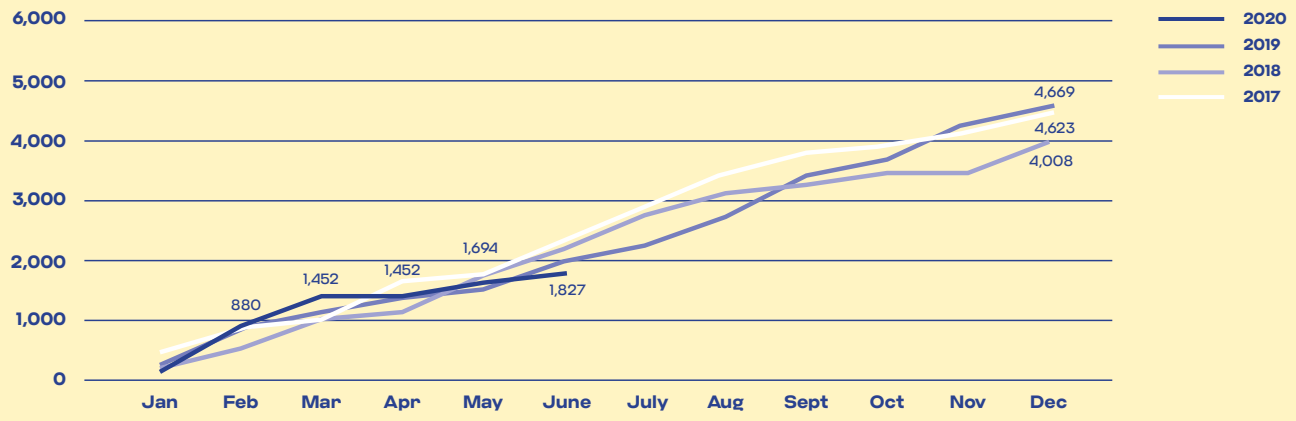
in Prague, which only began to pick up speed this year. **From January to June, the construction of 2,348 apartments commenced, which is the highest number since 2008. In contrast, the number of completed apartments saw a year-on-year decrease of 10% down to 1,827.** How the coronavirus crisis will affect housing construction going forward will be the main question of the next several months since the construction sector reacts to new developments in the economy with a delay. One major problem is the lack of workers, which is something that the Czech Republic has been dealing with for a long time; the pandemic has only made the situation worse. At the same time, the official activities of the country's building offices have come to a halt. According to analysis by Deloitte, the building offices in Prague currently report almost 32 thousand apartments in various stages of the permit process.

Ongoing Construction in Prague:
In Prague, from the beginning of the year until June a total 2,384 apartments were under construction. This is a year-on-year increase of 18%. Any further developments will depend on the severity of the slowdown in construction due to the pandemic.



Source: ČSÚ

Completed New Build Apartments in Prague:
Since the beginning of the year, 1,827 apartments have been completed in Prague, i.e. 10% less than in the same period in the previous year—the lowest number in recent years.



Source: ČSÚ

POSSIBLE OUTCOMES OF THE FORCED OFFICE MARKET HOLIDAY

"The office segment more or less remained frozen for two months. At the beginning of the quarantine and with the future so uncertain, all of our clients who were actively seeking offices for lease chose to wait or simply walked away from unfinished negotiations. The market is beginning to wake up now, and fortunately some of the companies that cancelled lease negotiations in March have returned to complete the deals," Jaroslav Waldhauser, head of Svoboda & Williams' commercial leasing team, said in June. Leases in the commercial property segment have not decreased. However, landlords have tried to accommodate tenants in other ways, such as by forgiving the lease for several months in exchange for extending the total length of the lease term. For new lease transactions, they began to offer more fit-out options than they did prior to the outbreak of the coronavirus.

The question of what will happen this fall still remains. After a rest period, it will probably be a suitable time for moving and merging: companies will begin to optimize and move into more modern office space, but for the price that they paid for older administrative buildings. The coronavirus crisis will likely have a more negative impact on class B buildings. **Waldhauser doesn't expect a significant decrease in prices in the office segment, but the growing supply of subleases may in the end cause it to happen.** Subleases increased in April and the current situation makes it very likely that this trend will continue. This may later lead to lower prices in the office leasing market. Increased demand for smaller offices may also be expected. Companies have realized that it's not absolutely necessary for each employee to have their own desk and chair, and so the future belongs to larger and more open office space for lease. This will also increase interest in shared offices with flexible lease terms.

THE PORTFOLIO OF SVOBODA & WILLIAMS

A YEAR-ON-YEAR COMPARISON (H1 2019 VS. H1 2020)

PRAGUE RESIDENTIAL PROPERTIES FROM THE PORTFOLIO OF SVOBODA & WILLIAMS

SALES

The number of properties in the portfolio of Svoboda & Williams continues to be stable: in the first half of 2020, roughly 70 apartments and family houses were added each month.

RENT

From July 2019 to June 2020, on average 100 properties per month were added to the offer of houses and apartments for rent in the portfolio of Svoboda & Williams, a year-on-year increase of 16%.

While in the last Market Report we wrote about the decline in available rental properties in the segment monitored by Svoboda & Williams, during the first half of 2020 apartment listings suddenly disappeared from various accommodation portals. After society adjusted to the new conditions, the offer of properties for long-term rent in Prague increased by 27% in the year-on-year comparison. The largest increase we recorded in the city was in Prague 1, where there were 145% more apartments for rent compared to the same period of the previous year. What used to be a landlord's market changed into a tenant's market.

THE OFFER OF PROPERTIES FOR SALE AND RENT FROM THE PORTFOLIO OF SVOBODA & WILLIAMS

DEMAND FOR PRAGUE RESIDENTIAL PROPERTIES FROM THE PORTFOLIO OF SVOBODA & WILLIAMS

SALES

"Properties beyond Prague's city limits have grown in popularity. These properties function as both a primary and a second residence, where owners can comfortably spend part of the working week or the summer months. Demand has also gone up for properties with a large terrace or front garden," says Magdalena Svatková, Senior Agent at Svoboda & Williams.

The overall number of inquiries for properties offered by Svoboda & Williams was 14% higher in the first half of 2020 than in the first half of 2019, despite the fact that the real estate market was affected by the pandemic and that the decrease in demand was also partly influenced by the uncertainty related to the cancellation of the real estate acquisition tax. This was especially reflected in the number of inquiries in March, which decreased by 18% compared to the same period in the previous year. **"In spite of everything that has happened in the last few months, it is now a good time for people to buy property. The Czech National Bank has relaxed the limit on the LTV ratio, interest rates keep getting lower, and the government cancelled the four percent property acquisition tax,"** adds Michaela Koudelová, Head of Residential Sales at Svoboda & Williams.

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%
2020	Q1	2,248	3.0%	12%
	Q2	2,113	-6.0%	17%
	Q3	-	-	-
	Q4	-	-	-

DEMAND FOR PROPERTIES FOR SALE OFFERED BY SVOBODA & WILLIAMS, PRAGUE

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

RENT

Due to the increased number of real estate listings primarily in the city center, tenants were motivated to move in and out or relocate despite the strict measures and limitations put in place during the pandemic. Tenants were suddenly able to afford higher quality properties for the same price or save on housing costs. The center of Prague saw the largest expansion in terms of units offered for rent, especially those with studio and one-bedroom layouts. Premium apartments with spacious floor areas were the most resistant segment—the number of listings and inquiries for them remained stable.

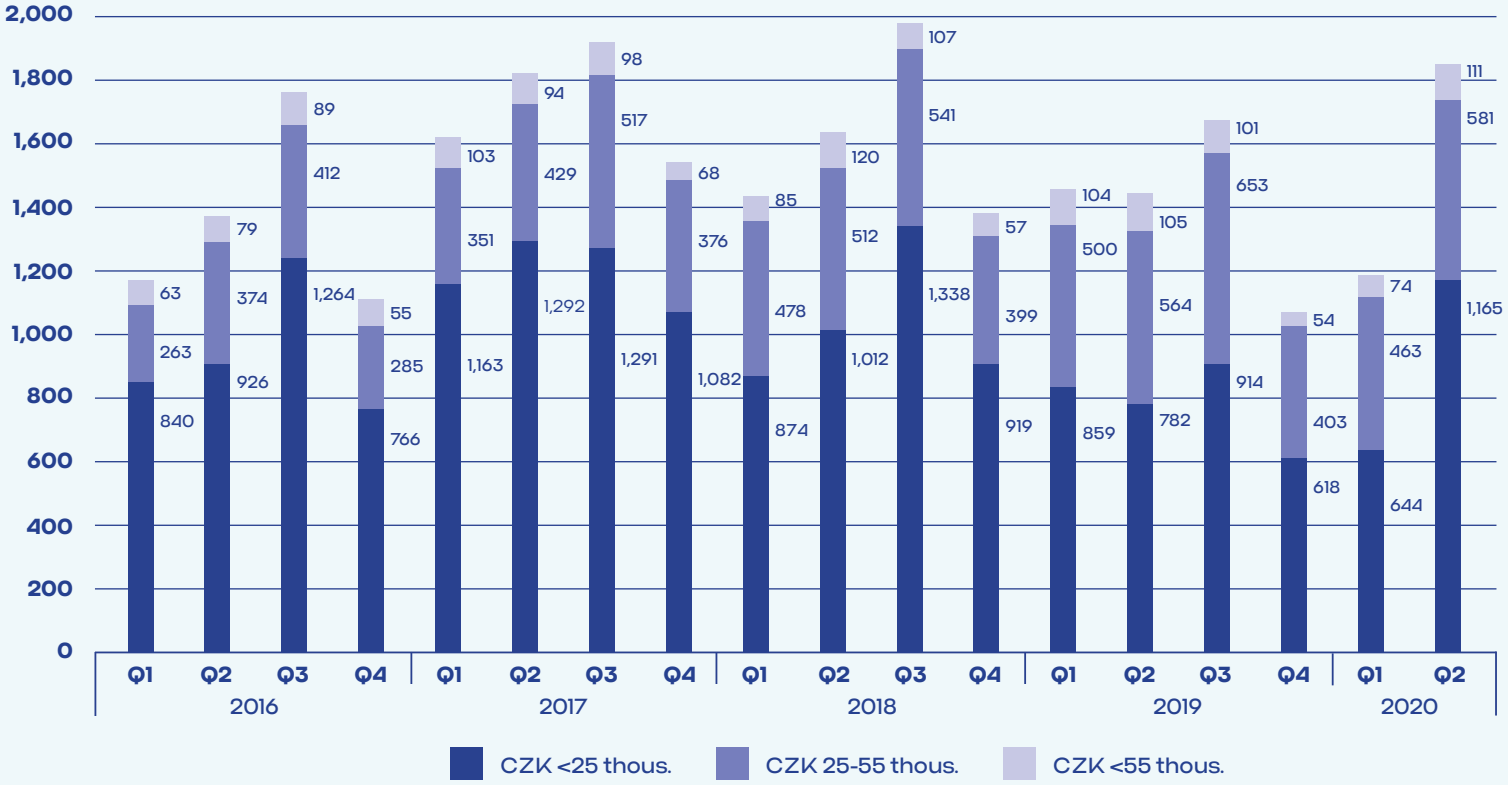
During the monitored period, the total number of inquiries decreased by 8% in the year-on-year comparison, which was caused especially by the dip in inquiries during the month of March when the feeling of global uncertainty reached its peak, causing a year-on-year decrease of 19% in the first quarter of this year. In the second quarter, in contrast, we recorded a significant increase in demand in the segment monitored by Svoboda & Williams—57% more than in the first quarter. This rise was caused in part by the previously mentioned growth in real estate offers, but also partly by the loosening of the measures associated with the pandemic and the return of demand after a short pause. The pronounced increase in the number of inquiries was accompanied by a partial decrease in their relevance, especially in the most affordable segment. Also, real estate tourists are back again and are inquiring about special offers and above-standard conditions.

Apartments with rents of up to CZK 25,000/month saw the greatest year-on-year decline in the number of inquiries—down by 15%.

Demand for properties in the medium-priced segment with rents from CZK 25,000/month to CZK 55,000/month remained stable with a year-on-year increase of 5%. In the highest price category with rents from CZK 55,000/month and up, there was a decrease in demand of 9% compared to the same period in the previous year.

YEAR	QUARTER	NUMBER OF INQUIRIES	QUARTER-ON-QUARTER COMPARISON (Q/Q)	YEAR-ON-YEAR COMPARISON (Y/Y)
2015	Q1	954	-	-
	Q2	1,019	7%	-
	Q3	1,338	31%	-
	Q4	1,009	-25%	-
2016	Q1	1,166	16%	22%
	Q2	1,379	18%	35%
	Q3	1,765	28%	32%
	Q4	1,106	-37%	10%
2017	Q1	1,617	46%	39%
	Q2	1,815	12%	32%
	Q3	1,906	5%	8%
	Q4	1,526	-20%	38%
2018	Q1	1,437	-6%	-11%
	Q2	1,664	14%	-9%
	Q3	1,986	21%	4%
	Q4	1,375	-31%	-10%
2019	Q1	1,463	6%	2%
	Q2	1,451	-1%	-12%
	Q3	1,668	15%	-16%
	Q4	1,075	-36%	-22%
2020	Q1	1,181	10%	-19%
	Q2	1,857	57%	28%
	Q3	-	-	-
	Q4	-	-	-

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



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

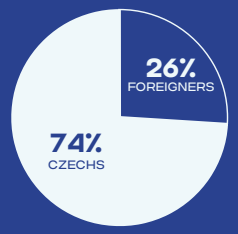
CLIENTS OF SVOBODA & WILLIAMS

SALES

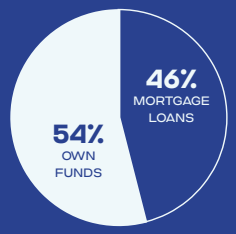
From July 2019 to June 2020, 74% of the buyers that Svoboda & Williams mediated the sale of residential properties to were local clients. The remaining 26% were foreigners, more than half of whom were residents of European countries. By the end of the first half of 2020, 81% of all clients were Czech. This jump in the number of Czech buyers is the result of the outbreak of a new type of coronavirus, which caused a dip in foreign demand for properties. During the period monitored by Svoboda & Williams, the number of clients who financed their purchase with the help of a mortgage increased—46% of all buyers. The rest, i.e. 54%, relied on their own financial resources when they purchased properties from Svoboda & Williams' portfolio.

RENTALS

In the period monitored by Svoboda & Williams, local clients continued to predominate among those seeking properties for rent from the portfolio of Svoboda & Williams. In terms of the ratio of Czech/foreign clients who ended up renting properties, Czechs still slightly lag behind foreigners—57% of all finalized rental transactions were signed by foreign clients. Expats are not only still dominant in the most expensive segment, i.e. with rents of over CZK 55,000/month, but their presence in this segment even increased by 16% compared to the previous period.



RATIO OF CZECH AND FOREIGN BUYERS



FINANCING THE PURCHASE OF PROPERTY

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.	58%	42%	49%	51%
CZK 25-55 thous.	56%	44%	42%	58%
CZK >55 thous.	48%	52%	16%	84%
TOTAL	57%	43%	43%	57%

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 (07/2019-06/2020), percentage changes are year-on-year (07/2019-06/2020 vs. 07/2018-06/2019). 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.

METHODOLOGY OF DATA PROCESSING

DATA ANALYSIS

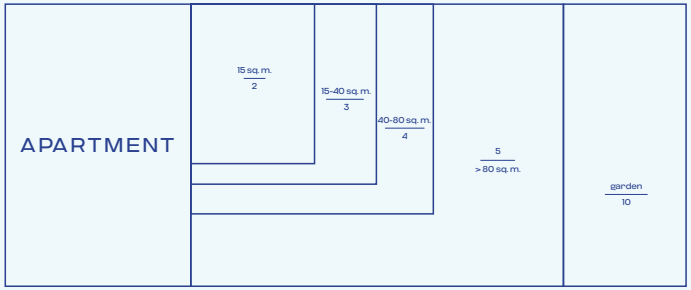
METHODOLOGY OF SVOBODA & WILLIAMS

LISTED PRICE

ACHIEVED PRICE

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

ALGORITHM FOR CONVERSION OF THE EXTERIOR



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

PRAGUE

In the period monitored by Svoboda & Williams, (July 2019–June 2020), **the average achieved sales price per sq. m. of a premium apartment in Prague gradually rose to CZK 120,200**—a year-on-year increase of 7.8%. The average achieved sales price for an apartment in Prague increased in a similarly incremental way. By the end of the first half of the year, it reached CZK 11,279,000, which is 8.5% more in the year-on-year comparison. While the average price of an older apartment went up to CZK 116,300/sq. m., a new build apartment cost, on average, CZK 123,500/sq. m.—a year-on-year growth of 8.4%. The effects of the coronavirus crisis on the market in the first half of 2020, especially in March when the government declared a state of emergency, have not yet been felt in the prices of premium apartments in Prague in the sample monitored by Svoboda & Williams.

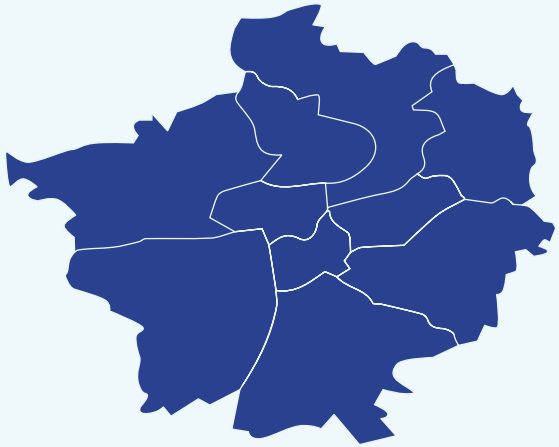
One trend that continued in 2020 was the shrinking of the average floor area of apartments in Prague. During the monitored period, the average floor area of the units whose sale is tracked by Svoboda & Williams decreased by 1.1%. The average achieved prices for apartments with the most sold layouts were CZK 7,095,000 for a one-bedroom apartment and CZK 12,082,000 for a two--bedroom apartment.

The average achieved rent for an apartment in the sample monitored by Svoboda & Williams during the period in question reached CZK 33,200/month—a year-on-year growth of 2.8%. The Rental Price Index of Svoboda & Williams + VŠE, which removes the difference caused by changes in the structure of rents from the price level and which we use to track the year-on-year development of rents, **recorded a year-on-year decrease of 7.2% in the first half of 2020. Compared to the previous six months, according to the Index rents decreased by 8.6%.** As the Index has shown, rents have increased by 17.6% since 2015. Additional details on the Rental Price Index of S&W + VŠE can be found HERE.
The most popular layouts in the rental segment were also one-bedroom and two-bedroom apartments, which took up 70% of all transactions mediated by Svoboda & Williams in the monitored period. A one-bedroom apartment was rented for an average of CZK 23,800 and tenants paid an average monthly rent of CZK 33,200 for a two-bedroom apartment.

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.

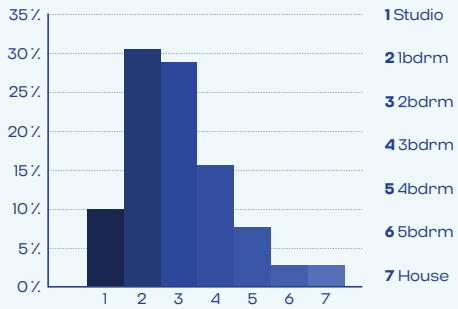
PRAGUE

	Ø Apt. price	Ø Apt. size	Ø Price per sq.m.	Ø Price per sq. m.		Ø Cena za byt	
				New apt.	Resale apt.	1bdrm	2bdrm
Sales	CZK 11,279,000	90,3 sq. m.	CZK 120,200	CZK 123,500	CZK 116,300	CZK 7,095,000	CZK 12,082,000
	8.5%	-1.1%	7.8%	8.4%	6.3%	0.5%	16.2%
Rental	CZK 33,200	93,0 sq. m.	N/A			CZK 23,800	CZK 33,200
	2.8%	8.1%				0.4%	-2.9%

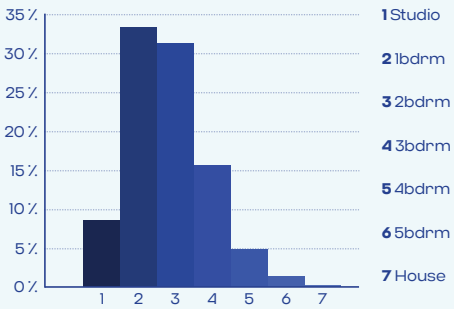


Average values during the monitored period (July 2019 - June 2020) and their year-on-year change.

LAYOUTS BY PERCENTAGE IN THE MONITORED SAMPLE OF PROPERTIES

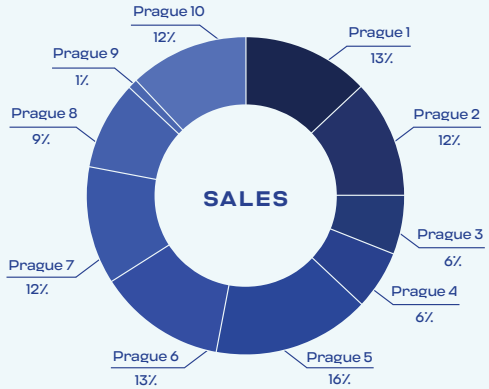


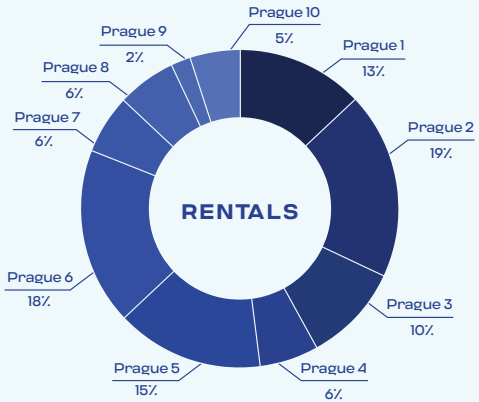
SALES



RENTALS

LOCATION OF THE MONITORED PROPERTIES



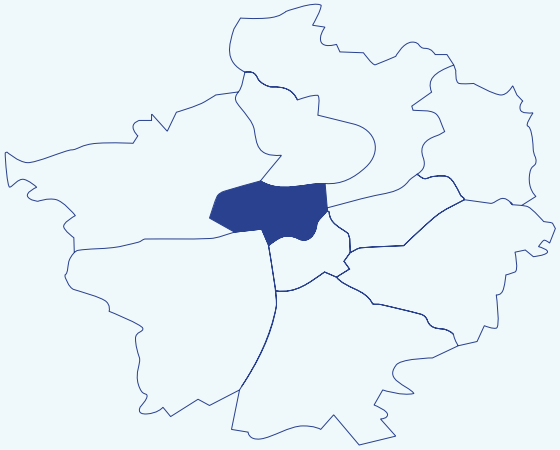


PRAGUE 1

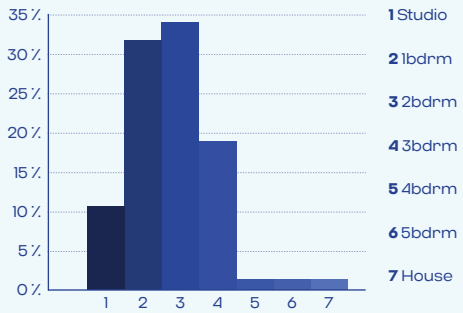
MONITORED PROJECTS: Rezidence Opletalova, Villa Apus, Rezidence Alabastr, Projekt Ostrovní.

	Ø Apt. price	Ø Apt. size	Ø Price per sq. m.		Ø Apt. price	
			New apt.	Resale apt.	1bdrm	2bdrm
Sales	CZK 16,743,000	96,4 sq. m.	CZK 170,400	CZK 174,600	CZK 11,129,000	CZK 15,792,000
	16%	7%	-14%	11%	-3%	6%
Rental	CZK 41,100	113,3 sq. m.	N/A		CZK 28,700	CZK 42,700
	-1%	13%			-9%	-6%

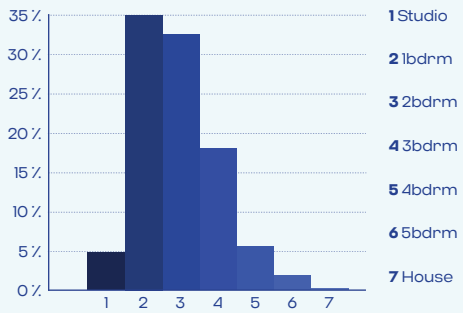
Average values during the monitored period (July 2019 - June 2020) and their year-on-year change.



LAYOUTS BY PERCENTAGE IN THE MONITORED SAMPLE OF PROPERTIES

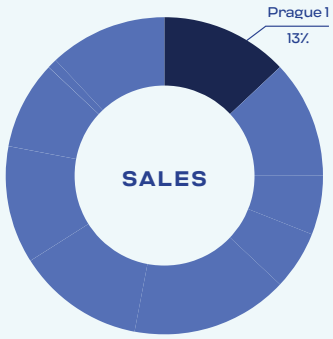


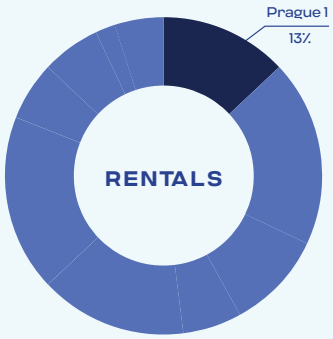
SALES



RENTALS

PORTION OF THIS DISTRICT IN THE MONITORED SAMPLE OF PROPERTIES

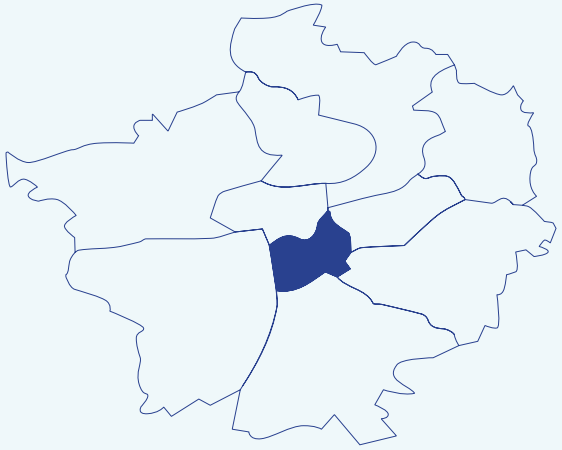




PRAGUE 2

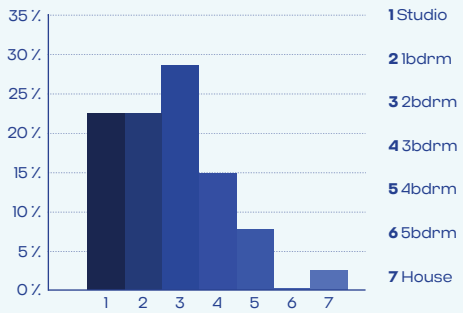
MONITORED PROJECTS: Na Švihance 11, Dittrichova 4.

	Ø Apt. price	Ø Apt. size	Ø Price per sq. m.		Ø Apt. price	
			New apt.	Resale apt.	1bdrm	2bdrm
Sales	CZK 10,880,000	89,7 sq. m.	CZK 143,200	CZK 118,800	CZK 8,295,000	CZK 12,949,000
	11%	6%	8%	1.5%	14%	12%
Rental	CZK 35,300	95,9 sq. m.	N/A		CZK 25,500	CZK 33,300
	2%	9%			5%	-12%

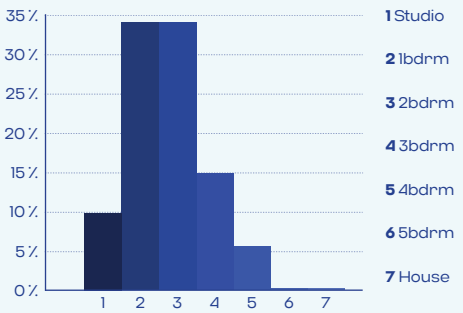


Average values during the monitored period (July 2019 - June 2020) and their year-on-year change.

LAYOUTS BY PERCENTAGE IN THE MONITORED SAMPLE OF PROPERTIES

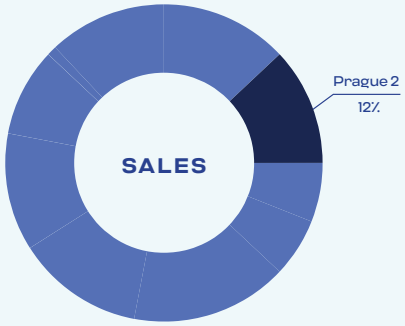


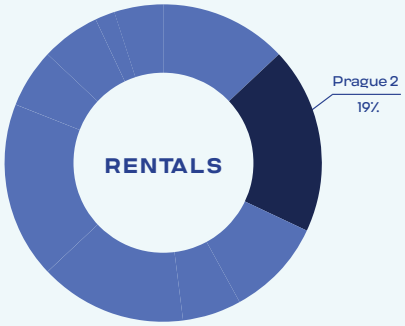
SALES



RENTALS

PORTION OF THIS DISTRICT IN THE MONITORED SAMPLE OF PROPERTIES

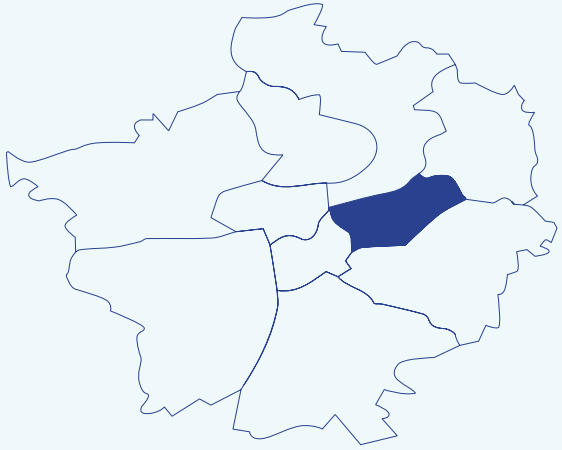




PRAGUE 3

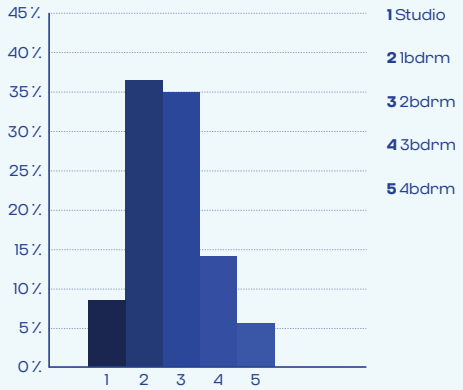
MONITORED PROJECTS: Rezidence Soběslavská, Přemyslovská 1, U Rajské zahrady 2, přeprodeje Central Park, Garden Towers.

	Ø Apt. price	Ø Apt. size	Ø Price per sq. m.		Ø Apt. price	
			New apt.	Resale apt.	1bdrm	2bdrm
Sales	CZK 9,731,000	83,6 sq. m.	CZK 122,600	CZK 104,700	CZK 5,944,000	CZK 11,264,000
	14%	7%	7%	5%	-5%	13%
Rental	CZK 31,200	81,1 sq. m.	N/A		CZK 24,700	CZK 30,100
	10%	9%			7%	-7%

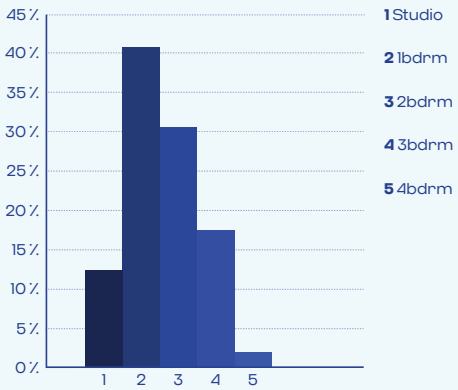


Average values during the monitored period (July 2019 - June 2020) and their year-on-year change.

LAYOUTS BY PERCENTAGE IN THE MONITORED SAMPLE OF PROPERTIES

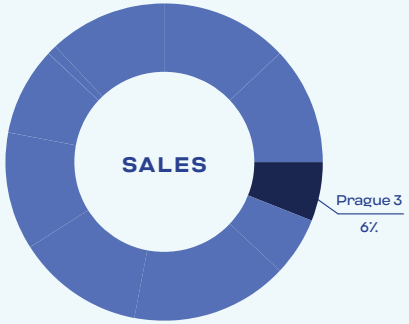


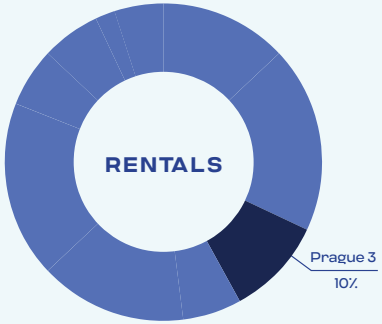
SALES



RENTALS

PORTION OF THIS DISTRICT IN THE MONITORED SAMPLE OF PROPERTIES

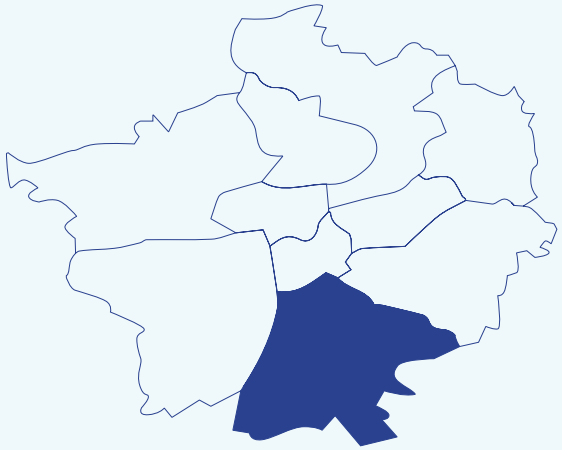




PRAGUE 4

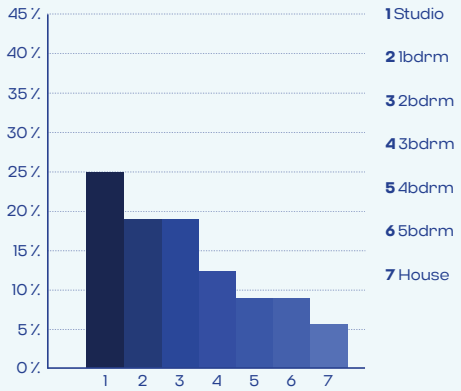
MONITORED PROJECTS: Rezidence Rostislavova, Vila Hodkovičky.

	Ø Apt. price	Ø Apt. size	Ø Price per sq. m.		Ø Apt. price	
			New apt.	Resale apt.	1bdrm	2bdrm
Sales	CZK 9,270,000	76,5 sq. m.	CZK 102,700	CZK 105,800	CZK 4,910,000	CZK 9,303,000
	25%	-10%	26%	16%	-12%	29%
Rental	CZK 28,300	84,7 sq. m.	N/A		CZK 19,700	CZK 33,400
	0%	-3%			-5%	24%

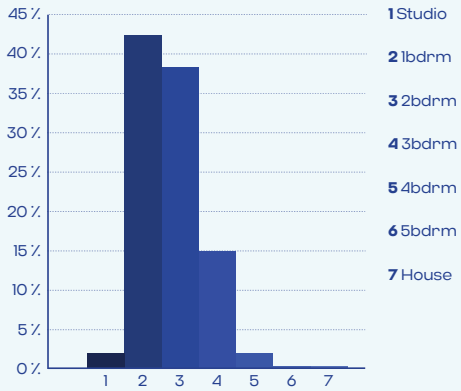


Average values during the monitored period (July 2019 - June 2020) and their year-on-year change.

LAYOUTS BY PERCENTAGE IN THE MONITORED SAMPLE OF PROPERTIES

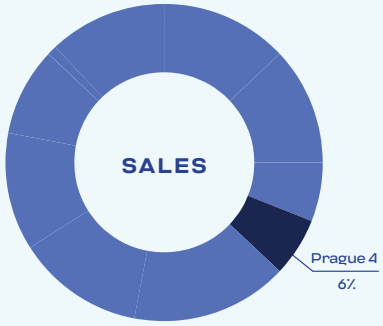


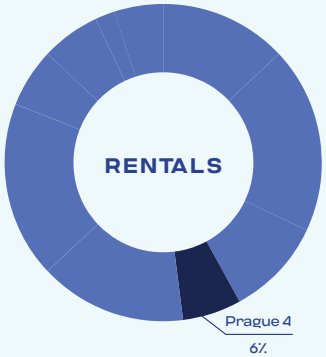
SALES



RENTALS

PORTION OF THIS DISTRICT IN THE MONITORED SAMPLE OF PROPERTIES

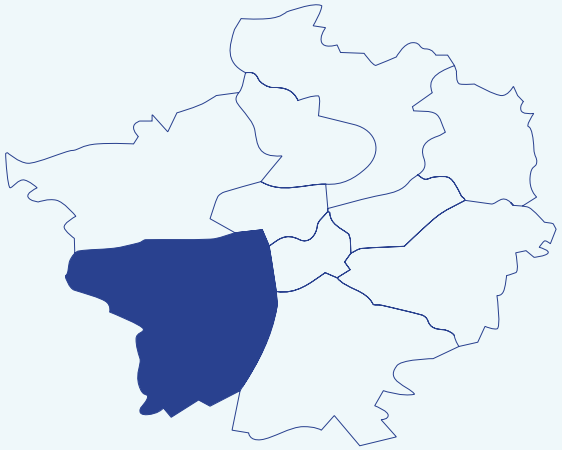




PRAGUE 5

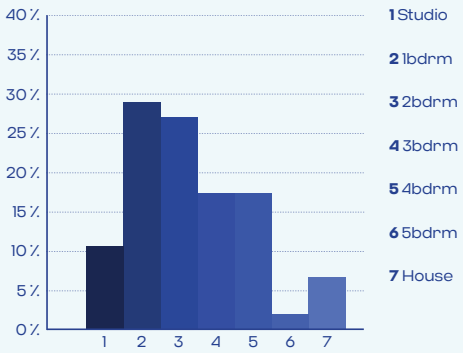
MONITORED PROJECTS: Drtinova 11, Rezidence Malvazinky, Rezidence U Náplavky.

	Ø Apt. price	Ø Apt. size	Ø Price per sq. m.		Ø Apt. price	
			New apt.	Resale apt.	1bdrm	2bdrm
Sales	CZK 11,061,000	97,8 sq. m.	CZK 109,500	CZK 107,900	CZK 6,902,000	CZK 9,752,000
	3%	-4%	5%	9%	17%	-3%
Rental	CZK 30,100	88,2 sq. m.	N/A		CZK 22,700	CZK 29,600
	-4%	3%			-3%	-2%

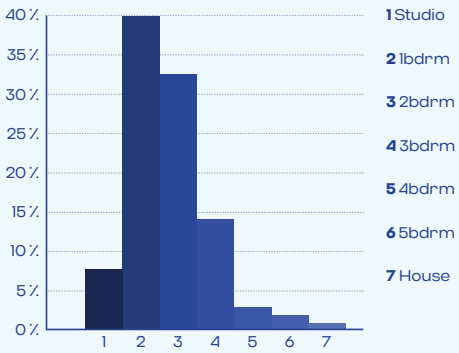


Average values during the monitored period (July 2019 - June 2020) and their year-on-year change.

LAYOUTS BY PERCENTAGE IN THE MONITORED SAMPLE OF PROPERTIES

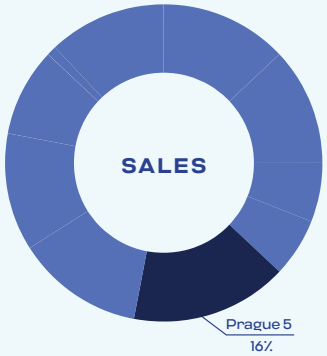


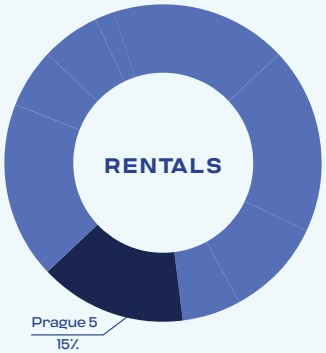
SALES



RENTALS

PORTION OF THIS DISTRICT IN THE MONITORED SAMPLE OF PROPERTIES

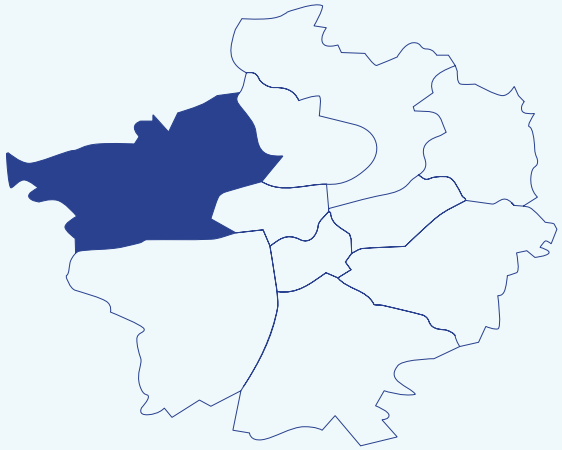




PRAGUE 6

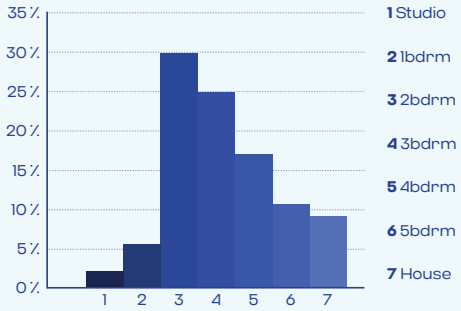
MONITORED PROJECTS: Na Petřinách 7, Šárecký Dvůr, Vila Veleslavín.

	Ø Apt. price	Ø Apt. size	Ø Price per sq. m.		Ø Apt. price	
			New apt.	Resale apt.	1bdrm	2bdrm
Sales	CZK 13,615,000	115,1 sq. m.	CZK 115,500	CZK 104,500	CZK 7,376,000	CZK 12,950,000
	13%	11%	1%	4%	-17%	24%
Rental	CZK 35,000	98,7 sq. m.	N/A		CZK 21,000	CZK 30,400
	7%	8%			-0.5%	-3%

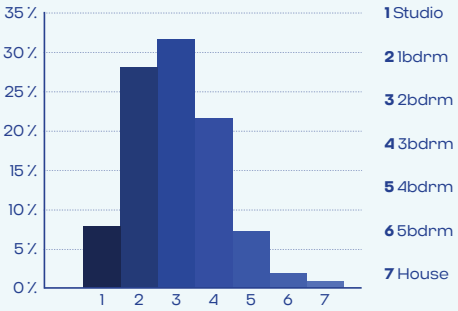


Average values during the monitored period (July 2019 - June 2020) and their year-on-year change.

LAYOUTS BY PERCENTAGE IN THE MONITORED SAMPLE OF PROPERTIES

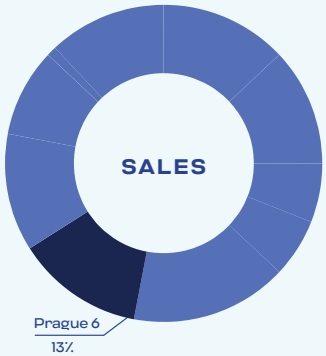


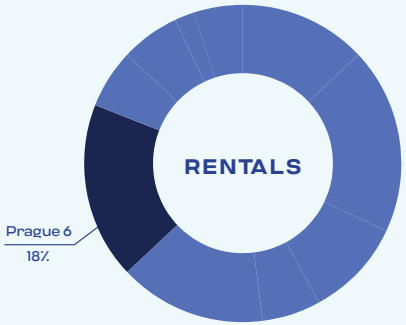
SALES



RENTALS

PORTION OF THIS DISTRICT IN THE MONITORED SAMPLE OF PROPERTIES

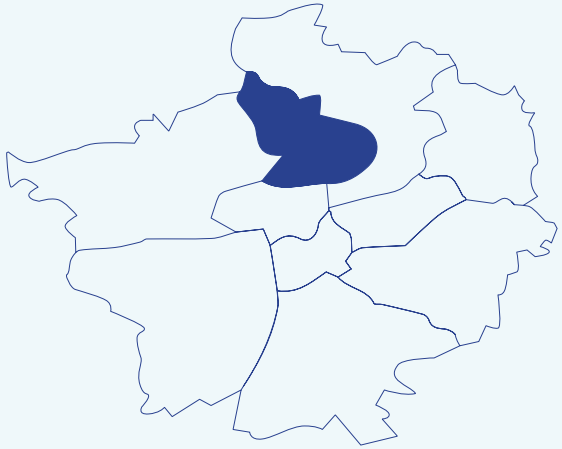




PRAGUE 7

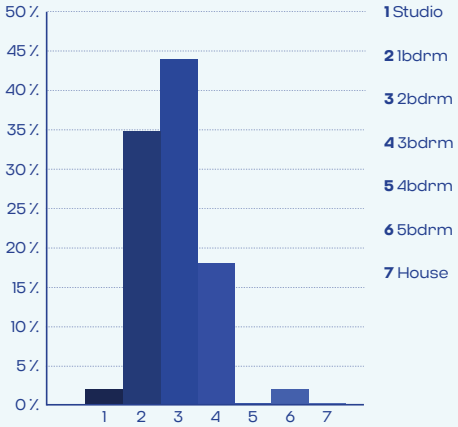
MONITORED PROJECTS: NMN@Holešovice, Residence Veverkova 19, Marina Island.

	Ø Apt. price	Ø Apt. size	Ø Price per sq. m.		Ø Apt. price	
			New apt.	Resale apt.	1bdrm	2bdrm
Sales	CZK 9,934,000	89,0 sq. m.	CZK 101,900	CZK 107,100	CZK 6,271,000	CZK 10,360,000
	1%	-4%	1%	4%	-7%	3%
Rental	CZK 28,800	82,7 sq. m.	N/A		CZK 23,100	CZK 29,200
	9%	8%			0%	-1%

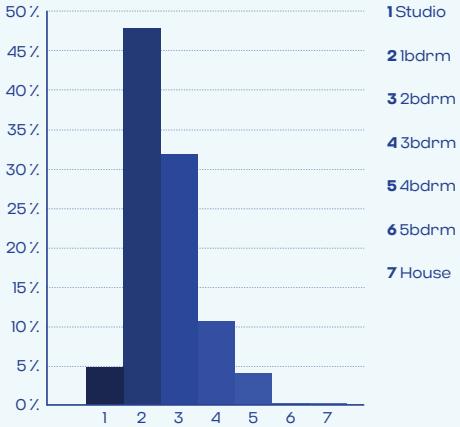


Average values during the monitored period (July 2019 - June 2020) and their year-on-year change.

LAYOUTS BY PERCENTAGE IN THE MONITORED SAMPLE OF PROPERTIES

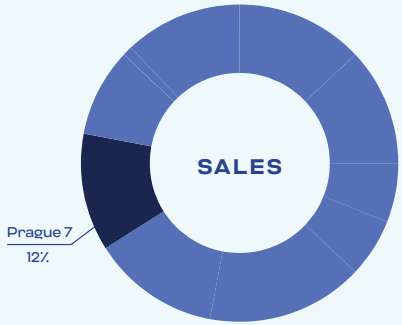


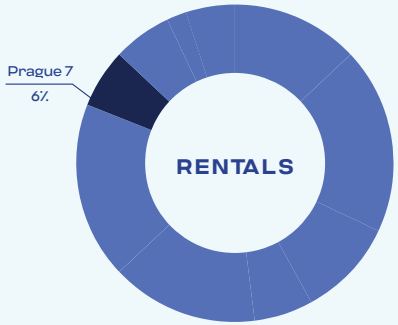
SALES



RENTALS

PORTION OF THIS DISTRICT IN THE MONITORED SAMPLE OF PROPERTIES



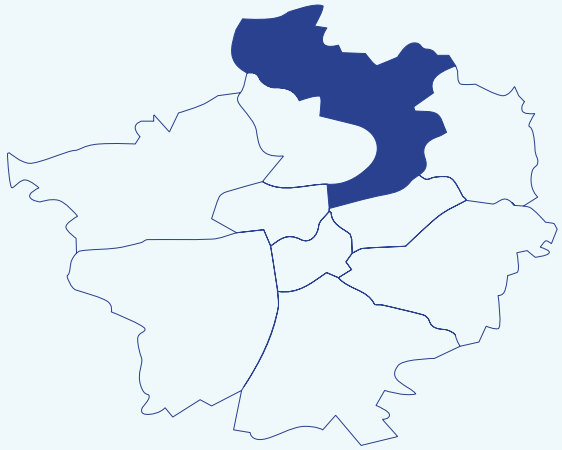


PRAGUE 8

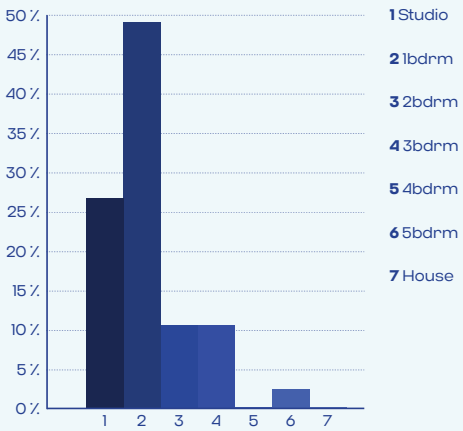
MONITORED PROJECTS: Rezidence U Negrelliho, Prvního Pluku 18, DOCK, přeprodeje Port Karolina, Rezidence Trinity, Rezidence Vltava.

	Ø Apt. price	Ø Apt. size	Ø Price per sq. m.		Ø Apt. price	
			New apt.	Resale apt.	1bdrm	2bdrm
Sales	CZK 8,525,000	77,5 sq. m.	CZK 110,300	CZK 103,500	CZK 7,665,000	CZK 10,895,000
	-3%	-6%	10%	7%	26%	10%
Rental	CZK 27,400	76,9 sq. m.	N/A		CZK 25,700	CZK 33,000
	-5%	-3%			8%	-10%

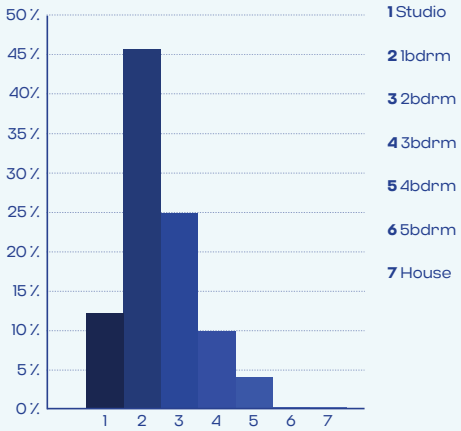
Average values during the monitored period (July 2019 - June 2020) and their year-on-year change.



LAYOUTS BY PERCENTAGE IN THE MONITORED SAMPLE OF PROPERTIES

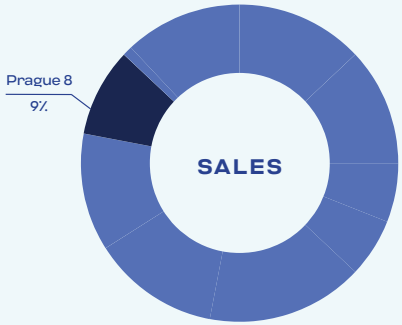


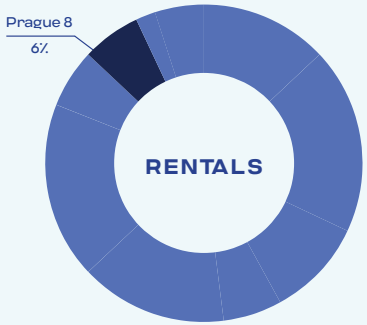
SALES



RENTALS

PORTION OF THIS DISTRICT IN THE MONITORED SAMPLE OF PROPERTIES

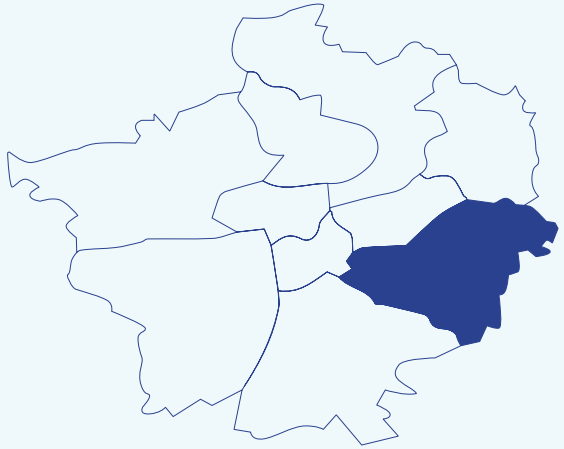




PRAGUE 10

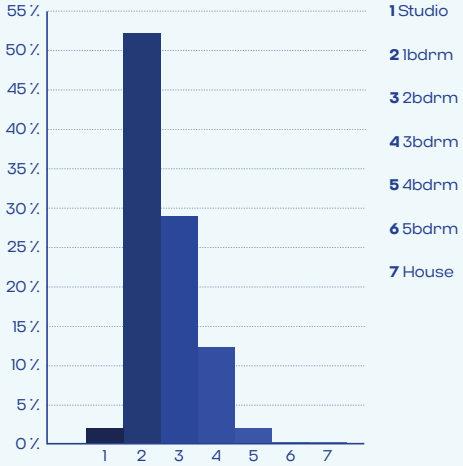
MONITORED PROJECTS: Rezidence U sv. Václava II, Orelská 13.

	Ø Apt. price	Ø Apt. size	Ø Price per sq. m.		Ø Apt. price	
			New apt.	Resale apt.	1bdrm	2bdrm
Sales	CZK 9,364,000	79,9 sq. m.	CZK 115,000	CZK 101,500	CZK 5,269,000	CZK 11,684,000
	-7%	-13%	2%	18%	-20%	37%
Rental	CZK 26,600	78,8 sq. m.	N/A		CZK 19,500	CZK 29 600
	6%	7%			3%	6%

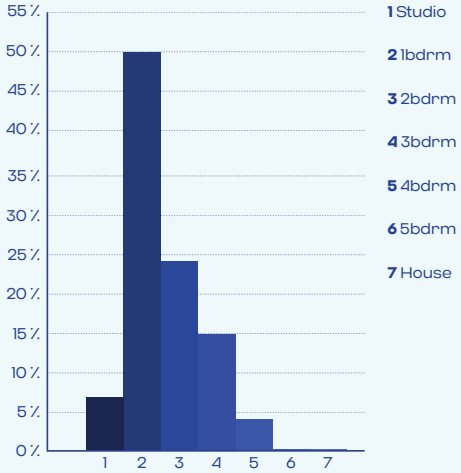


Average values during the monitored period (July 2019 - June 2020) and their year-on-year change.

LAYOUTS BY PERCENTAGE IN THE MONITORED SAMPLE OF PROPERTIES

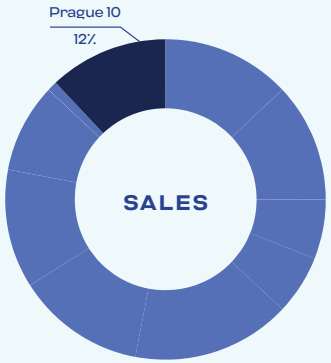


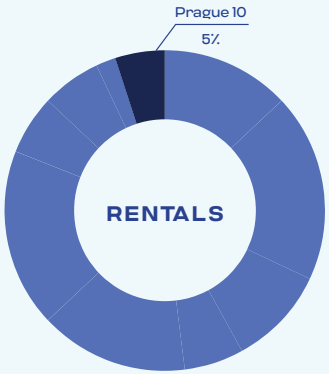
SALES



RENTALS

PORTION OF THIS DISTRICT IN THE MONITORED SAMPLE OF PROPERTIES





DATA SUMMARY

OVERALL SUMMARY OF AVERAGE ACHIEVED RENTAL PRICES IN MUNICIPAL DISTRICTS (ČERVENEC 2019–ČERVEN 2020)

Municipal district	Ø Monthly rent	Ø Apt. floor space	Ø Monthly rent	
			1bdrm	2bdrm
Prague 1	CZK 41,100	113,3 sq. m.	CZK 28,700	CZK 42,700
Prague 2	CZK 35,300	95,9 sq. m.	CZK 25,500	CZK 33,300
Prague 3	CZK 31,200	81,1 sq. m.	CZK 24,700	CZK 30,100
Prague 4	CZK 28,300	84,7 sq. m.	CZK 19,700	CZK 33,400
Prague 5	CZK 30,100	88,2 sq. m.	CZK 22,700	CZK 29,600
Prague 6	CZK 35,000	98,7 sq. m.	CZK 21,000	CZK 30,400
Prague 7	CZK 28,800	82,7 sq. m.	CZK 23,100	CZK 29,200
Prague 8	CZK 27,400	76,9 sq. m.	CZK 23,100	CZK 30,700
Prague 9	CZK 22,000	70,8 sq. m.	CZK 17,600	CZK 27,100
Prague 10	CZK 26,600	78,8 sq. m.	CZK 19,500	CZK 29,600

Source: data of SVOBODA & WILLIAMS

AVERAGE ACHIEVED RENTS VS. SALES PRICES FOR SPECIFIC LAYOUTS IN PRAGUE 1-10 (ČERVENEC 2019–ČERVEN 2020)

Layout	Ø Monthly rent	Rentals Ø apt. floor space	Ø Selling price	Sales Ø apt. floor space
studio	CZK 16,400	40 sq. m.	CZK 4,657,000	36 sq. m.
1bdrm	CZK 23,800	63 sq. m.	CZK 7,095,000	58 sq. m.
2bdrm	CZK 33,200	100 sq. m.	CZK 12,082,000	95 sq. m.
3bdrm	CZK 50,800	137 sq. m.	CZK 19,001,000	135 sq. m.
4bdrm	CZK 69,000	194 sq. m.	26,951,000 CZK	181 sq. m.

Source: data of SVOBODA & WILLIAMS

OVERALL SUMMARY OF AVERAGE ACHIEVED SALES PRICES IN MUNICIPAL DISTRICTS (ČERVENEC 2019–ČERVEN 2020)

Municipal district	Ø Apt. price	Ø Price per sq. m.	Ø Apt. floor space	Ø Price per sq. m.		Ø Apt. price	
				New apt.	Resale apt.	1bdrm	2bdrm
Prague 1	CZK 16,743,000	CZK 172,300	96 sq. m.	CZK 170,400	CZK 174,600	CZK 11,129,400	CZK 15,791,700
Prague 2	CZK 10,880,000	CZK 129,200	90 sq. m.	CZK 143,200	CZK 118,800	CZK 8,295,100	CZK 12,949,200
Prague 3	CZK 9,731,000	CZK 116,900	84 sq. m.	CZK 122,600	CZK 104,700	CZK 5,944,100	CZK 11,263,900
Prague 4	CZK 9,270,000	CZK 104,700	77 sq. m.	CZK 102,700	CZK 105,800	CZK 4,909,600	CZK 9,302,600
Prague 5	CZK 11,061,000	CZK 108,600	98 sq. m.	CZK 109,500	CZK 107,900	CZK 6,902,100	CZK 9,751,900
Prague 6	CZK 13,615,000	CZK 110,600	115 sq. m.	CZK 115,500	CZK 104,500	CZK 7,375,700	CZK 12,949,700
Prague 7	CZK 9,934,000	CZK 103,500	89 sq. m.	CZK 101,900	CZK 107,100	CZK 6,271,500	CZK 10,359,600
Prague 8	CZK 8,525,000	CZK 107,000	77 sq. m.	CZK 110,300	CZK 103,500	CZK 7,665,300	CZK 10,895,300
Prague 9	N/A						
Prague 10	CZK 9,364,000	CZK 109,800	80 sq. m.	CZK 115,000	CZK 101,500	CZK 5,268,500	CZK 11,684,300

* Not enough data was available for Prague 9

Source: data of SVOBODA & WILLIAMS

FOCUS: THE PRAGUE RENTAL MARKET IN THE GRIPS OF THE PANDEMIC

The global coronavirus pandemic completely changed our mindset from one day to the next. What used to be certain was suddenly plunged into doubt; long-held concepts needed to be re-evaluated. During times of economic disruption, flexibility becomes the key to survival. Flexibility alone allowed people to react to the crisis as quickly as they could. But now the question is how will the demands for greater adaptability impact the residential rental and commercial leasing segment after the pandemic has receded?

PRAGUE WITHOUT PEOPLE

Tourism and businesses were the earliest economic victims of the coronavirus crisis. Known for the past several years as a tourist mecca, Prague changed beyond recognition at the beginning of March: neverending crowds of tourists disappeared overnight from its winding streets, no lines formed around the miriad trdelník stands, and roughly 15 thousand apartments that had been offered for short-term accommodation, to the great relief of Prague residents, were suddenly vacant.

These apartments are often the primary source of income for their owners, who, after the borders closed, reacted by changing the units into rental properties—from short-term to medium-term, and in some cases even to long-term rentals. **In March, real estate servers were flooded with listings of tastefully furnished apartments for rent in the most sought-after neighborhoods, many with views of Prague's most famous monuments.** In most cases, tenants could rent them for several months, or at the most for a year, since the majority of landlords are counting on borders reopening soon and being able to offer them to eager tourists once the travel bans are lifted.

THE END OF AIRBNB AS WE KNOW IT

It still remains to be seen whether the situation will return to the way it was before the outbreak of the pandemic. The Airbnb platform has long been a thorn in the side of not only the residents of Prague, but the city's municipal authority as well. Even before the closing of the borders, the regulation of short-term accommodation had been a much discussed issue. Moreover, Prague's elected officials have tried to deal with the problem on the countrywide level, and the result is the proposed amendment of the Trade Licensing Act. If passed, it would allow municipalities three regulation options: the number of days per year that owners can offer their properties for short-term rent, the maximum number of people that can occupy an apartment, or a total ban on short-term rentals for a certain part of the year.

Other proposed regulations include the rather uncompromising ban on renting out entire apartments, increasing the powers of neighbors and owners of nextdoor apartments, or changing construction regulations. The aim of all these efforts is for short-term rentals to adhere to the same safety regulations as hotels. A sign of the more radical changes that are likely to occur in the short-term accommodation sector is the **groundbreaking decision of the Municipal Court in Prague, which granted an apartment owners' association in the Petrská neighborhood the right to limit short-term accommodation within the apartment building,** reasoning that this activity disrupts residents' peace and quiet.

When and which regulations will be adopted is still unclear, but the role of lawmakers will be to find a balance between the freedoms of residents and the freedoms of entrepreneurs. If the market is regulated, it will no longer be worth it for owners of only one or several apartments to continue to be in business.

"ONCE TOURISM PICKS UP AGAIN, IT'S EXTREMELY LIKELY THAT SHORT-TERM ACCOMMODATION IN PRAGUE WILL CHANGE SIGNIFICANTLY, COMPELLING MANY LANDLORDS TO SWITCH TO A DIFFERENT RENTAL CONCEPT. "

A FRESH LOOK AT RENTAL HOUSING

Besides the switch to standard long-term rentals, another change has also taken place, although it's nothing the residential rental industry hasn't already seen. While platforms such as Airbnb have outraged the residents of large cities, there is no denying that the company transformed not only the way we see short-term accommodation, but also housing in general. Airbnb has been offering long-term, flexible accommodation in fully furnished apartments for many years now. It advertises monthly stays on its website as "The perfect home for your longer stay, without committing to a long-term lease."

Although this kind of lifestyle isn't for everybody, some people have already taken advantage of this offer. American author and entrepreneur James Altucher writes with enthusiasm about renting and traveling. He became famous 4 years ago for his nomadic lifestyle as he hopped from Airbnb apartment to Airbnb apartment. "I've never in my life wanted to stay in one place for a long time. But even if I did want to "settle" for a while, there are many good places on Airbnb where you can "rent" by the month through the system." Altucher also made an interesting observation during a discussion of his minimal and itinerant lifestyle:

„WE'RE MOVING INTO AN ECONOMY WHERE IT'S NOT ABOUT OWNERSHIP BUT ABOUT ACCESS."

Altucher and others like him may be outliers, but the **disadvantages of ownership and flexible rental relationships are topics that are increasingly significant today.** We wrote about the growing popularity of rental housing in the second issue of our Market Report. Less and less people will be able to afford to live in their own house or apartment. This is something that developers realize as well, which is why they're building more residential projects that offer rental units. Banks, too, are more willing to finance this type of housing. This pandemic, which unfortunately paralyzed the global economy seemingly overnight, made some of the values we thought would be permanent seem less so. Today, having flexible rental terms is no longer just for the eccentric and adventurous among us, but is also a way out of the difficult situation many of us are experiencing during this crisis.

Abroad, there are already several large flexible rental projects, such as the Quarters co-living concept, which has successfully spread to several large cities in Europe and America. The Fizz student housing dorm in Prague's Holešovice neighborhood will be ready to open soon. Though limited to a specific group—students—it's still a step in the flexible direction. The Albertov Rental Apartments project has been offering units for short-term rent for several years now. The slump in tourism turned out to be an unexpected motivator for the Prague residential market, which slowly began to feature furnished apartments that their owners listed for monthly, half-year, or one-year rent, but in fact tenants can decide how long they need to rent the unit for. It now remains to be seen whether it's only a temporary solution to occupy empty apartments that would normally be booked by tourists. **The rental market is changing and it's possible that demands for greater flexibility in rental relationships will be here to stay.** More affluent investors who own dozens of apartments may well switch to this strategy, too.

THE FLEXIBLE OFFICE SOLUTION DURING A TIME OF CRISIS

Another segment in which landlords and tenants had to reconsider all sorts of things was the commercial leasing segment. The first quarter of 2020 registered a decline. According to the data from the Prague Research Forum, from the beginning of the year until the end of March companies leased roughly 70 thousand square meters of office space in Prague. In the year-on-year comparison, this was a decrease of 37%. However, the decline in demand has been a long-term problem in the Prague office market due to rising lease prices and increasing office equipment costs.

The current change in the commercial leasing market goes hand in hand with the growing popularity of coworking spaces. Flexibility was a frequently used term in available office listings long before the outbreak of the coronavirus. The offer of shared offices and coworking space is rapidly expanding. According to the statistics of Cushman & Wakefield, there are now 79,700 square meters of coworking floor space in Prague. Compared to the year 2018, it's a growth of 58%. **The most recent research shows that coworking won't be affected by the crisis.** Flexible office operators were able to quickly react to the onset of the pandemic not only in terms of proper hygiene measures, but also in their approach to their clients, who could upgrade for free to a private office even though they had only paid for the use of the shared space, for instance.

HOME OFFICE IN A SHARED OFFICE

The coronavirus pandemic revealed how important flexible offices are for the stability of companies. Corporations and individuals using this type of office weren't bound by long-term leases, and could thus change the layouts of the spaces they leased or could suspend their fixed-term lease agreements. Research by CBRE showed that 34 of the 36 operators who were asked kept their centers open even during the state of emergency. Moreover, 25 centers stated that only 10% of their clients cancelled their membership, 4 registered a decline of more than 20%, and 6 didn't lose a single client.

Several centers even acquired new clients from other branches of business—not everyone could or wanted to work from home; some missed the atmosphere of a stimulating workplace, while others were distracted by their children or had poor internet connections. **The main difficulty of working from home was the blurring of home and work life. Shared offices may therefore be a welcome solution in times of crisis.** Interestingly,

THE COWORKING SEGMENT GREW OUT OF THE LAST CRISIS AND SO IT'S MORE THAN LIKELY THAT THE CURRENT SITUATION WILL FORCE MORE COMPANIES AND INDIVIDUALS TO CONSIDER THE CONCEPT.

"It's possible that the total floor area of available offices for lease will decrease and that companies will want offices with flexible lease terms. During the pandemic, employers realized that their companies can survive even if their employees work from home," adds Kateřina Burešová, Flexible Workspace Consultant at Svoboda & Williams.

Demands for greater flexibility in the commercial leasing segment were already increasing before the coronavirus pandemic. In the residential rental market, they could be the result of an unprecedented economic shock. This global health crisis has made us realize how important it is to adapt to new conditions as quickly as possible. When we find certainty in flexibility, we can get ahead of the problems that arise whenever a crisis hits.

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