

Market Report

H1 2018

svoboda&williams

CHRISTIE'S
INTERNATIONAL REAL ESTATE

The first **Svoboda & Williams Market Report** has been released at a time when we are wondering whether a certain cooling down of property demand that we recorded in the premium market segment in the second quarter of this year signifies only a “stumble”, or if it is the first sign of a slowing down, or even a longer-term stagnation of the real estate market.

Whatever the next development will be, it is obvious that in today's strongly globalised world, the prime mover of the Czech real estate market will be international financial markets, whose influence will prevail over local factors.

The past decade of quantitative easing and cheap money in mortgage markets have rendered properties in large European cities, Prague included, an investment asset with attractive returns. This was recognized by global investors whose speculative demand for real estate pushed up prices of properties in Prague by up to 40%. In many cases, this resulted in a secession of a price growth from the economic base and the purchase power of the local population.

The causes of the aforesaid slowing down trend include a gradual global transition to quantitative tightening in combination with other macro-economic and geopolitical risks, such as the ongoing trade wars, the weakening of the Turkish lira or the populism in Italian politics. This all causes growth in interest rates and directly influences demand for real estate.

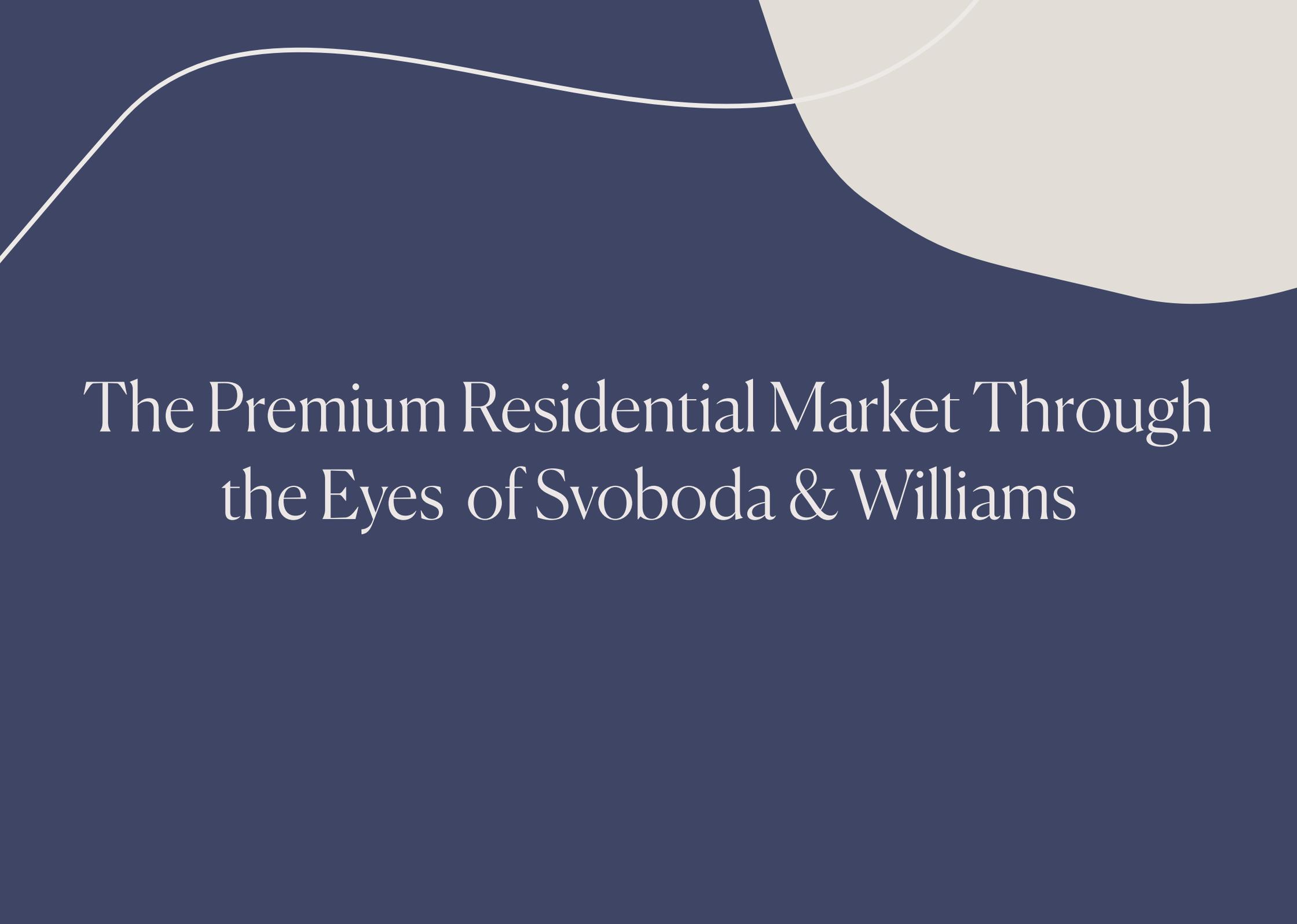
Locally, strongly medialised restrictions regarding mortgage lending by the CNB – in addition to a direct economic impact – contribute to the creation of a sentiment leading to a bear market, and a tendency towards hesitation and prudence.

With a little exaggeration, we can say then that the direction of future development in the real estate market is in the hands of world politicians and central banks. At the time of release of the next **Svoboda & Williams Market Report**, i.e. at the beginning of 2019, we will likely have a better idea as to whether the decline of the purchase euphoria that we are currently experiencing was only a short-term fluctuation or rather the first sign of a long-term trend.



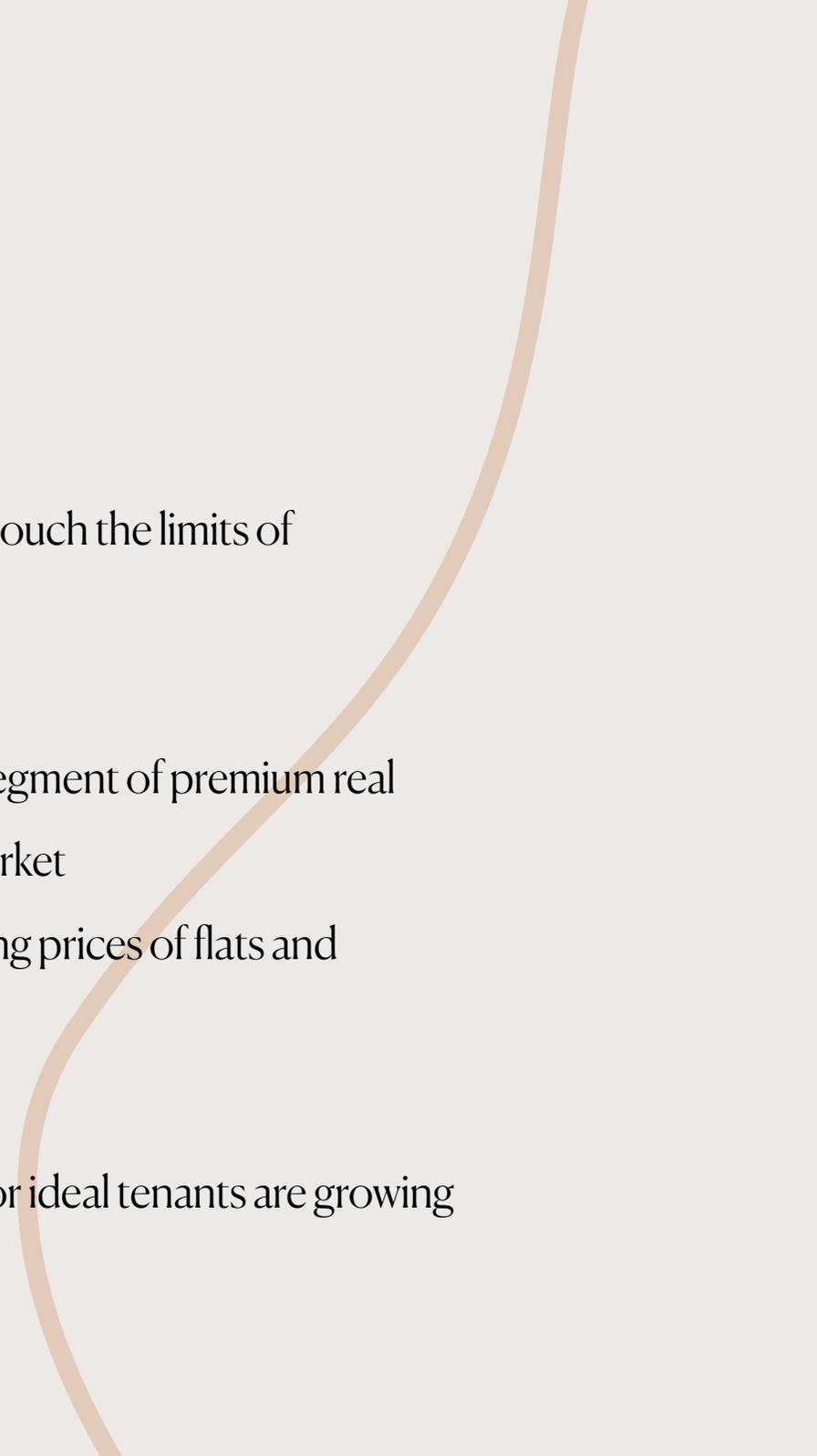
Prokop Svoboda

Managing Partner of Svoboda & Williams



The Premium Residential Market Through the Eyes of Svoboda & Williams

Key Highlights:

- Rationalization of the demand in Q2 2018, selling prices touch the limits of purchasing power
 - Expansion of the supply of new and resale flats
 - The measures of the CNB have no direct impact on the segment of premium real estate, but they create a sentiment affecting the whole market
 - Boom of rental housing – the level of rents follows the rising prices of flats and investors and developers respond to this trend
 - Czech tenants fill the gap created by the expats
 - The rental market is “a landlord’s market”, requirements for ideal tenants are growing
- 

Decline of Purchase Fever

In the years 2016 and 2017 the residential market in Prague was characterised by a significant overpressure of demand over supply. A strong desire to buy, supported by low interest rates of mortgage loans, in combination with a limited supply of real estate, resulted in fast price growth; according to publicly available statistics, the prices of flats in the medium price category increased over the last two years by up to 40%. At the same time the average period necessary for the sale of property got shorter. In this chase for property ownership many buyers were willing to turn a blind eye over some defects because they were other potential buyers waiting in line.

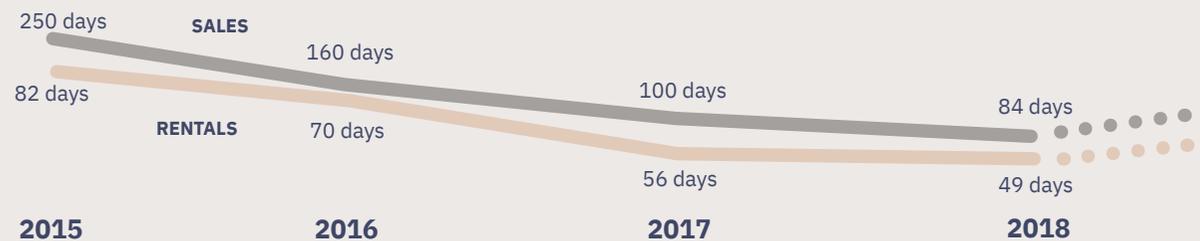
In the first two quarters of this year the demand was gradually aligned by the supply of resale and new flats. The extensive media coverage of the growing prices of real estate inspired many owners to take advantage of this situation and offer their property for sale. In this way the market is gradually filled by resale flats, often significantly overpriced. This year we have also recorded a wider supply in the segment of flats in

residential projects of small and medium sizes at various stages of construction completion. Consequently, compared to the previous year, potential property buyers have more to choose from.

Rationalisation of Demand

In the second quarter of this year high prices and the wider supply of flats for sale resulted in a significant rationalisation of demand: compared to the previous period, buyers were more level-headed and, if not in a hurry, they

Average Duration of a Real Estate Transaction

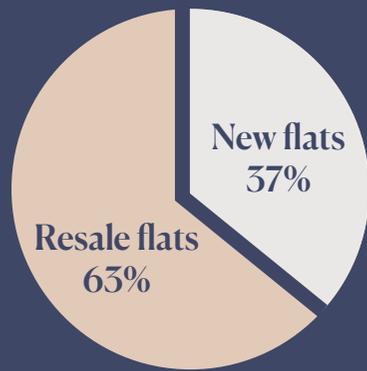


Over the last 3 years, the average time necessary for the sale of property has been significantly reduced. While in 2015 the average time interval from listing the property on the Svoboda & Williams's website (or from addressing clients by e-mail in case of off-market offers) to the signing of a purchase contract was 250 days, in the last year this time dropped to under 3 months. For the future we expect that with respect to a gradual decreasing of the balance between supply and demand the time necessary for the sale of a property will get longer again.

The time necessary for finding a tenant has been getting shorter as well. This year the time interval between listing the property on the Svoboda & Williams's website until signing of a rental contract was 49 days on average while in 2015 it was 82 days. Flats in a lower price sector disappear from the market the most quickly (it is normally 1 to 2 weeks for flats with rents lower than CZK 25,000), the time necessary for finding a tenant grows with a growing rent.

Same as with flats for sale, also in the rental market we record the phenomenon that the media coverage of rising rents has an effect that many owners list their flats for rent for inadequately high rents and only after the period of "market testing" is over, they reduce them. Of course, the time necessary for finding a tenant is extended by this "testing period".

Structure of the Sales Portfolio of Svoboda & Williams



The portfolio of Svoboda & Williams is in the long term dominated by resale flats in premium locations. These are complemented by new flats in boutique and medium-size residential projects, whether in quality new builds or in completely renovated residential buildings. It also includes homes in attractive villa locations in Prague and surrounding areas. In the first two quarters of 2018, 63% of the flats whose sale was mediated by Svoboda & Williams, accounted for resale homes, compared to 37% of flats in new buildings. As an example of residential projects listed by Svoboda & Williams in the last year, we can mention the *Celínka* project on Elišky Krásnohorské Street (Prague 1 – Staré Město), the villa-house *U Perníkářky 7* (Prague 5, the Hřebenka villa neighbourhood), and the medium-size *PRAGA Residence* project (Prague 8 – Karlín).

were willing to wait for several months for the price of the chosen property to drop, for example in consequence of possible economic slowdown. Moreover, the feeling that the real estate market had already reached its peak discouraged many investors from purely speculative transactions. The described trend is also supported by the measures of the CNB, the aim of which is to prevent the overheating of the market. Although these measures do not directly affect a great part of potential buyers of properties from the portfolio of Svoboda & Williams, the rhetoric of the CNB has progressively created a market sentiment leading to an approach of carefulness and hesitation.

Market Testing

While in the previous years, buyers had little room for price negotiations and properties were in most cases sold at their listed price, in the second quarter of this year we recorded a rising level of provided discounts, mainly for resale properties. This trend has been further strengthened by a tendency to “test” the market, which we have witnessed this year with many buyers. With respect to the above-mentioned media coverage of high property prices, these owners first try to offer their property at an excessive price and, if it is not sold, they lower their demand after some time. We register a similar phenomenon of “price testing” also in the rental market.

Trophy Properties

Trophy homes represent an entirely specific category. These are spacious apartments in newly refurbished luxury residential buildings at the most prestigious addresses in the centre of Prague, the First Republic villas in Ořechovka or Hanspaulka neighbourhoods, and also architecturally exceptional new builds in select Prague locations. Since their supply is very limited, the demand for exclusive homes of this type remains permanently unsatisfied and we assume that – given a positive development of the economy – the demand will continue to exceed the supply.

In the course of the last quarter, the purchase euphoria slightly declined, but a properly priced property is still sure to find its buyer very quickly.

Growth in Rental Demand

The described trends in the real estate market have resulted in a significant revival of the rental market. The rapid growth of the sale prices of real estate in the last years in combination with the stricter rules of the CNB for mortgage lending and gradually increased interest rates have an effect that owning a home is becoming increasingly less accessible for the middle class. Therefore, rental housing has become an economic necessity for a growing group of the population. For others, economic aspects blend with lifestyle considerations: we are witnessing the significant effects of the arrival of the Millennials, a generation that clearly prefers a desired lifestyle over property ownership. These people in their twenties or thirties typically prefer freedom and flexibility over obligations connected with mortgage loans and property ownership. Since their lifestyle predetermines that they live in city centres, rental housing is in most

Response of Developers and Private Investors to a Growing Demand for Rental Housing

One of the residential projects aimed at the most demanding clients is the Royal Triangle project in Střešovice where the developer retained some of the flats to rent precisely in response to the present situation in the market. The renovation of the Grafická apartment building in Smíchov, Krkonošská 14, situated in the most popular part of Vinohrady, and the building at Jiřího z Poděbrad square 9 are further examples of new rental housing projects. In the previous two quarters we recorded an apparent expansion of supply of rental housing not only by the above-mentioned projects, but also by flats of private investors that were bought during the purchase euphoria of the past few years. In this way the supply is gradually matching the high demand and in some price segments the upward pressure on prices slowly declines.

cases the only way for them to be able to afford a flat in their desired location. At the same time, it is this demographic group that is most affected by rising prices of real estate and the above-mentioned measures of the CNB. Due to the high prices of properties for sale and the economic arrival of Millennials, Prague has been gradually approximating Western European cities where about one third of the population live in rental homes, in some countries it is even 50% of the population (e.g. Austria, Germany, Switzerland).

The increased interest in rental housing results in an excess of demand over supply, mainly for flats in the lower and

middle price categories, which causes gradual pressure on the level of rents. As a result, since 2016 vacated flats for rent normally return to the rental market with rents increased by 5 to 10% than what was paid by the last tenant. In reply to this high demand, private investors buy flats and larger units in order to rent them out. Developers have become increasingly focused on rental housing projects, whether in newly constructed or renovated residences.

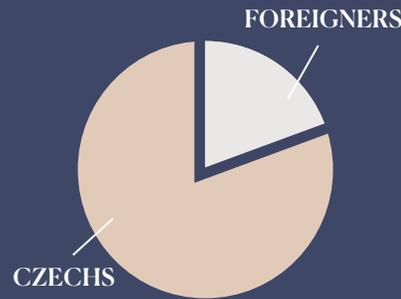
Arrival of Czech Tenants

Back in the 1990s, premium rental housing in Prague was the domain of foreigners from Western countries, so-called expats, who in most cases worked

Clients of Svoboda & Williams

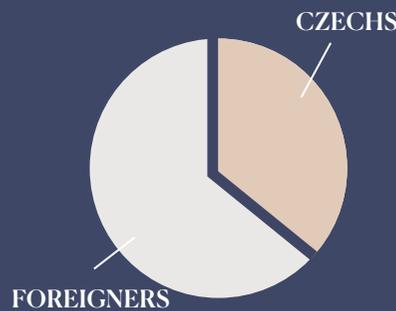
Sales: the ratio of Czech to foreign clients **80/20**

While in the time before the economic crisis of 2009, the properties from Svoboda & Williams’s portfolio were purchased mainly by foreigners, the current demand is driven mainly by local clients. 80% of clients for whom Svoboda & Williams mediated the purchase of a property last year were Czech nationals, 12% were citizens of EU Member States and 8% were nationals of other states, mainly Russians.



Rentals: the ratio of Czech to foreign clients **35/65**

While the ratio of Czechs to foreigners who address Svoboda & Williams as potential tenants interested in rental housing is over the last 12 months nearly balanced in all price segments, it is 65% of foreigners and 35% of Czechs who eventually lease the property through Svoboda & Williams. In higher price segments the proportion of foreigners is growing.



Price segment	Expressed interest		Realised rental transaction	
	Czechs	Foreigners	Czechs	Foreigners
< CZK 25,000	52%	48%	45%	55%
CZK 25,000 - 55,000	51%	49%	32%	68%
> CZK 55,000	42%	58%	23%	77%
Total	49%	51%	35%	65%

“A higher level of conversion of expressed demand of foreigners into realised rental transactions is caused by the fact that foreigners moving to Prague need “a roof over their head”, while Czechs (especially those with a higher budget for rent) usually already live somewhere and they partly carry out “real estate tourism”.

David Šimeček, Head of Residential Rentals

in top management positions in global companies. The situation has been changing approximately since the middle of the first decade of this century when companies started to replace expats with Czech managers. Nevertheless, local tenants started to occupy vacated rental flats only very slowly, because the ideal of “living in one’s own property” remained alive for over a decade. The gap that remained after the expats started to close only in connection with the rising prices of properties for sale in recent years. In spite of this fact, clients for whom Svoboda & Williams broker rental housing are still predominantly foreigners. In the higher price categories, the fraction of foreigners is even higher.

Landlord’s Market

The growing popularity of rental housing among Czechs results in a shortage of quality rental properties. Landlords today are in a much different position than they were 5 to 10 years ago when they had to cope with a deficiency of tenants. Nowadays, they can usually choose from more potential tenants, usually selecting the most creditworthy one. In addition to creditworthiness, an expected level of wear and tear of the flat is for many

landlords a significant factor when choosing tenants, which discriminates against families with children and people with pets.

Moreover, tenants have to get used to deposits amounting to two or three-monthly rents and to thorough credit checks. In these aspects, the Czech rental market continuously approximates the usual practices in Western Europe where

landlords by default request from tenants what from our point of view is sensitive data such as confirmation of the level of earnings (such as an employment contract, tax return), bank statements and references from an employer or a previous landlord. In this way chronic non-payers or other at-risk persons are excluded from the queue of potential tenants.

A decreasing level of an average discount that is granted by landlords to tenants compared to an advertised rent is another symptom of the situation where landlords rule the market. For rental apartments in a lower and middle price zone (i.e. with a monthly rent under CZK 35,000) this discount now tends to be negligible, while the discount becomes increasingly significant with a growing rent.

The Ideal of “Living in One’s Own Home” Vanishes

In the times after the fall of communism, Czech society displayed a strong desire for property ownership. After 40 years of restrictions on private ownership it was in vogue to live in one’s own house or flat and thus to come closer to what was perceived as the Western lifestyle. In those times, many people bought their flats in the course of “privatisation”, got them back as part of “restitution” of the properties nationalized by the Communists, or simply invested their savings into their own housing. This course was not even changed by the economic arrival of “Husak’s children” after the year 2000 who – with respect to housing – accepted the life values of their parents. The survival of the era of ownership was paradoxically prolonged by the financial crisis in 2009 after which the prices of real estate, especially in the medium price segment, dropped. This factor, in combination with the low interest rates of mortgage loans, contributed to the fact that the purchasing of property became affordable for the majority of economically active individuals. The ideal of “**living in one’s own home**” with the overwhelming majority of Czechs at their productive age owning a flat or a house which they live in was substantially disrupted by the economic development of the last three years when prices of flats in Prague increased by up to 40%.



Price Analysis: The Prague Residential Market

Methodology of Data Processing

The following analysis is based on data obtained from the database of properties which 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 which 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 600 sold and 1,150 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 flats in Prague 1-8. Svoboda & Williams has a minimum representation of flats in other municipal districts. In each municipal part, premium areas where higher prices are achieved are represented, e.g. Prague 6 is 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 values of transactions; we do not monitor advertised prices. For the calculation of the price per m² we take into account the price for parking spaces which we deduce from the achieved selling price. The floor space of a flat (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 (07/2017-06/2018), percentage changes are year-on-year (H2 17 - H1 18 vs. H2 16 - H1 17). For sales we also differentiate between the achieved price per m² for new flats 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 20,000/m² for the stage before reconstruction - shell & core and CZK 10,000/m² for the stage before completion of surfaces - white walls. We do not follow the price per m² for rentals. While the price per m² is relevant for sales, for rentals the price is determined mainly by layout (in addition to the location). For example, a flat with two bedrooms and kitchenette (2+kk) with the area of 50 m² is normally leased for nearly the same price as a flat with the area of 60 m², whereas the purchase price of the larger flat 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 m². 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 flats (one bedroom + kitchenette) and 3+kk (two bedrooms and kitchenette).

For the price development of rentals, we compile on an annual basis *The Rental Price Index of 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 of Svoboda & Williams + VŠE* [HERE](#).

Data analysis

Methodology of Svoboda & Williams



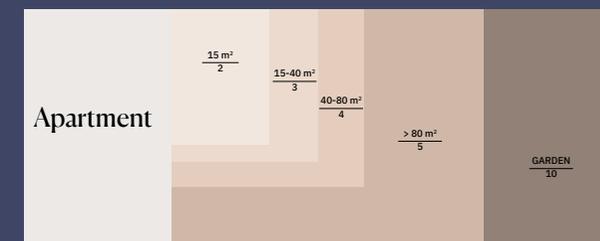
LISTED PRICE



ACHIEVED PRICE

$$\text{PRICE PER SQ. M.} = \frac{\text{ACHIEVED SALES PRICE} - \text{PRICE OF PARKING}}{\text{APARTMENT AREA} + \text{PROPORTIONAL PART OF THE EXTERIOR (B/T/G)}}$$

Algorithm for conversion of the exterior



THE SPACE WHICH EXCEEDS 30% OF THE INTERIOR IS DIVIDED BY TWO.

Prague

Over the last 4 years, the prices of flats in Prague in the premium segment monitored by Svoboda & Williams grew continuously. The average price of a flat from our sample increased by about 30% since 2015, to the current level of CZK 112,000/m².

At the end of the second quarter of 2018, the average total achieved sales price of a flat amounted to CZK 12,587,954 which represents a year-on-year growth of 9%. While the average price of a resale flat amounted to CZK 107,534/m², the price of a new flat in a residential project amounted to CZK 114,883/m² on average. The average achieved price of

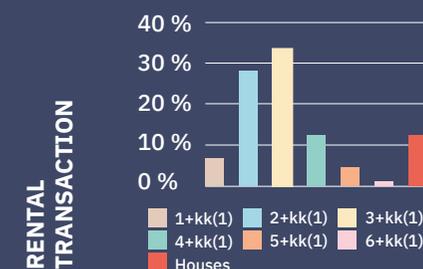
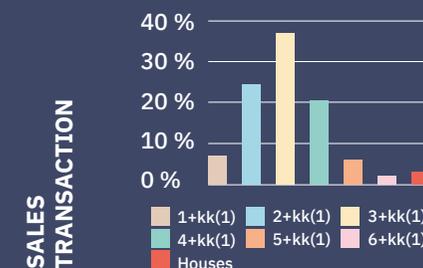
a flat for the most commonly sold layouts of flats amounted to CZK 6,966,499 for 2+kk flat and CZK 10,775,588 for 3+kk.

Rents for flats from the sample of Svoboda & Williams grew simultaneously with the growth of sales prices. Rents in the 2018 H1 period were, according to **The Rental Price Index of Svoboda & Williams + VŠE**, higher by 22.8 % in comparison with the 2015 H1 period, selected as the base period. Compared to the previous six-month period of H2 2017 we recorded a 3.8% growth in these prices. The Rental Price Index is an analytical tool developed by

Svoboda & Williams in cooperation with the Faculty of Informatics and Statistics of the University of Economics in Prague. This tool is able to capture changes in price levels more precisely than the monitoring of the development of average rental prices. See more information about *The Rental Price Index of Svoboda & Williams + VŠE* [HERE](#)

The average price of an achieved rent as of the end of the 1st half-year of 2018 amounted to CZK 34,088. A 2+kk flat was leased for CZK 23,747 on average, a 3+kk flat for CZK 34,361.

	∅ price for a flat / rent	∅ price per m ²		∅ price for a flat / rent	
		New flat	Resale flat	2+kk(1)	3+kk(1)
SALES	CZK 12,587,954 +9 %	CZK 114,883 -2 %	CZK 107,534 +5 %	CZK 6,966,499 +3 %	CZK 10,775,588 +5 %
RENTAL	CZK 34,088 +3 %	N/A	N/A	CZK 23,747 +4 %	CZK 34,361 +6 %



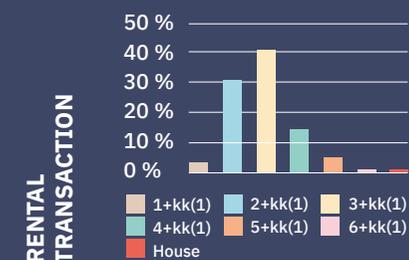
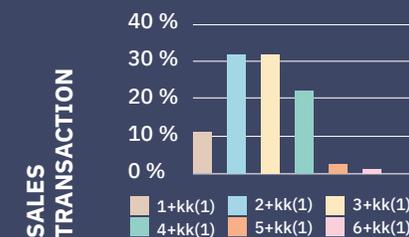


Prague 1

At the end of the second quarter of 2018, the average achieved sales price for a flat in Prague 1 amounted to CZK 15,748,530 which represents a year-on-year growth of 12%. The year-on-year drop in the price per m² for new flats is caused by the fact that in the previous monitored period several flats from high-end projects like *Jilská 2* and *Obecní dvůr* were sold and the achieved price exceeded CZK 250,000 per m². The average achieved price of resale flats increased on a year-on-year basis by 10% to the level of CZK 149,000 per m².

The average rent for flats in Prague 1 in the monitored period was CZK 42,842/ month and so it stayed at approximately the same level as last year. The average achieved rent for the most commonly rented layouts of 2+kk and 3+kk amounted to CZK 28,430 and CZK 45,527. A slight drop in rents for 3+kk layouts is probably caused by the fact that compared to the previous period, the number of such flats offered for rent was double and therefore the upward pressure on rents was not so high.

	Ø price for a flat / rent	Ø price per m ²		Ø price for a flat / rent	
		New flat	Resale flat	2+kk(1)	3+kk(1)
SALES	CZK 15,748,530 +12 %	CZK 155,898 -6 %	CZK 148,942 +10 %	CZK 10,584,872 +11 %	CZK 16,329,733 +2 %
RENTAL	CZK 42,842 0 %	N/A	N/A	28,430 Kč +2 %	CZK 45,527 -3 %





Prague 2

Over the last 12 months, flats in Prague 2 were sold for CZK 11,120,274 on average. Prices of resale flats and prices for specific layouts recorded a significant year-on-year growth. A year-on-year drop in total prices for flats, as well as the price per m² for new flats, was caused by the fact that the previously monitored period contained a smaller sample of flats than H1 of 2018, and so the average price was significantly influenced by one high-end project, *Rašínovo nábřeží 74*, where the price per m² ranged from CZK 150,000 to 200,000.

Prague 2 has long been considered one of the best residential addresses, which is proven by the values of the achieved rents, shown in the table – after Prague 1 they are the second highest in the capital.

	Ø price for a flat / rent	Ø price per m ²		Ø price for a flat / rent	
		New flat	Resale flat	2+kk(1)	3+kk(1)
SALES	CZK 11,120,274 -19 %	CZK 119,695 -22 %	CZK 107,336 + 16 %	CZK 7,612,753 + 7 %	CZK 11,368,045 +18 %
RENTAL	36,207 Kč 3 %	N/A	N/A	CZK 25,563 +8 %	CZK 37,178 +15 %





Prague 3

At the end of the second quarter of 2018, the average achieved sales price for a flat in Prague 3 amounted to CZK 8,330,531 which represents a year-on-year growth of 5%. A slight drop in the prices of new flats is caused by the fact that this year's sample contains projects which are situated between Seifertova and Husinecká Streets, whereas in the previous period the projects concerned were situated at the border of Žižkov and Vinohrady (U Rajske zahrady, Baranova) and their average achieved price was higher.

At the end of the second quarter of 2018, the average achieved rent for a flat from the portfolio of Svoboda & Williams in Prague 3 dropped on a year-on-year basis by 3% to CZK 25,059. This drop is caused by the fact that we sold a larger number of smaller and less expensive flats than in the previous period (this year the average floor area of leased flats in Prague 3 was 82 m² compared to 96 m² last year). Prague 3, like Prague 7, is a popular location among young people and the demand for smaller flats is stronger there than in other Prague districts.

RENTAL SALES

ø price for a flat / rent	ø price per m ²		ø price for a flat / rent	
	New flat	Resale flat	2+kk(1)	3+kk(1)
CZK 8,330,531 +5 %	CZK 96,373 -2 %	CZK 89,136 +9 %	CZK 6,042,091 +16 %	CZK 7,710,865 -8 %
CZK 25,059 -3 %	N/A	N/A	CZK 19,696 -3 %	CZK 28,742 -3 %



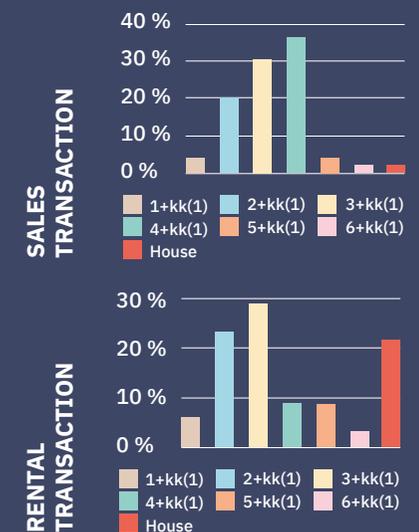


Prague 4

In Prague 4 the sale of flats in the V Tower and Castle View projects boosted all our values (except for the prices of resale homes). Prices of flats in the first mentioned project started at CZK 110,000/m² and climbed up to CZK 250,000/m².

The average achieved rent in Prague 4 is – for example in comparison with Prague 3 – relatively high, amounting to CZK 30,341/month this year. This is caused by a frequent representation of flats in residential complexes situated in the vicinity of the *BB Centrum* and *Brumlovka* office buildings and also by rentals of larger flats to families with children in attractive residential districts, such as Podolí or Braník. The popularity of large flats is demonstrated by the average floor space of a flat rented in Prague 4 from the sample monitored by Svoboda & Williams - 116 m², whereas, for example, in Prague 3 the average floorspace is 82 m².

	Ø price for a flat / rent	Ø price per m ²		Ø price for a flat / rent	
		New flat	Resale flat	2+kk(1)	3+kk(1)
SALES	CZK 13,701,444 +56 %	CZK 140,087 +50 %	CZK 75,156 +7 %	CZK 6,315,104 +36 %	CZK 14,165,446 +47 %
RENTAL	CZK 30,341 +21 %	N/A	N/A	CZK 20,631 +4 %	CZK 26,977 +21 %





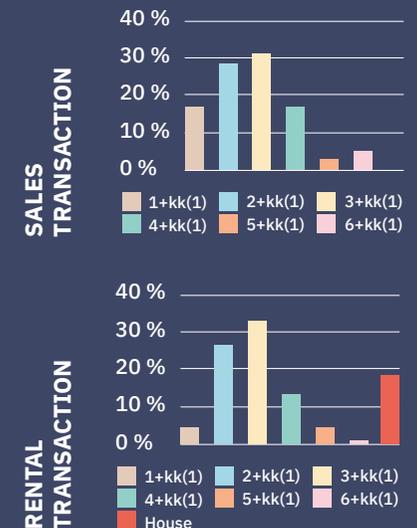
Prague 5

At the end of the second quarter of 2018, the average achieved sales price for a flat from the sample of Svoboda & Williams in Prague 5 dropped on a year-on-year basis by 9% to CZK 11,066,586. This drop is caused by a greater presence of larger flats (4+kk and 5+kk) in the previously monitored period. A significant year-on-year growth in total price of a flat with a 3+kk layout which amounted to 30% was caused by a larger than average floor space of 3+kk flats sold this year. The average size of these flats was 130 m², which is a floor space more characteristic of 4+kk flats.

The average achieved rent for flats from the sample of Svoboda & Williams in Prague 5 is relatively high, which is caused by a strong representation of flats in Smíchov, as well as of larger flats in the residential district located under Strahov. The property offer in Prague 5 has expanded last year by quality flats for rent in new residential projects, e.g. *Sacre Coeur II*, *Waltrovka* or in smaller rental housing projects, such as the reconstruction of the residential building at *Grafická 27*.

RENTAL
SALES

Ø price for a flat / rent	Ø price per m ²		Ø price for a flat / rent	
	New flat	Resale flat	2+kk(1)	3+kk(1)
CZK 11,066,586 -9 %	CZK 109,646 +14 %	CZK 93,669 +6 %	CZK 6,770,288 +9 %	CZK 12,622,489 +30 %
CZK 31,350 +14 %	N/A	N/A	CZK 24,223 +1 %	CZK 30,134 +2 %





Prague 6

In regards to the premium segment, Prague 6 is a very popular residential municipal district and larger flats with 4+kk or 5+kk layouts are strongly represented here. This is demonstrated also by the structure of the sample of this Prague district (see the chart) where flats with 4+kk or 5+kk layouts accounted for more than 50% of all sales transactions over the last 12 months. In the segment of real estate for rent, family houses and villas in Nebušice, Dejvice and Střešovice are the most desired and they account for 34% of rentals monitored by Svoboda & Williams.

At the end of the second quarter of 2018, the average achieved price for a flat in Prague 6 from the portfolio of Svoboda & Williams amounted – due to a significant representation of larger flats – to CZK 17,977,709 and it is the highest price in Prague. This year's amount is even higher by 37% than in the previous period, which is caused, among other things, also by the sale of large flats in the *La Crone* project.

The value of the average rental transaction dropped on the year-on-year basis, nevertheless, this is caused only by the fact that the previously monitored period was dominated by rentals of 31 flats from the *Royal Triangle* project where the average achieved rent was CZK 55,000/ month. Thanks to its residential character and a high number of international schools that attract Czech and foreign families with children, Prague 6, with an average rent of about CZK 35,000, is the third most expensive location in Prague. We can see steep year-on-year growth in rents of 3+kk flats, the offer of which is expanded by flats of investors from the recently finished projects in the vicinity of Strahov (e.g. from the above-mentioned *La Crone* project on Tomanova Street).

	Ø price for a flat / rent	Ø price per m ²		Ø price for a flat / rent	
		New flat	Resale flat	2+kk(1)	3+kk(1)
SALES	CZK 17,977,709 +37 %	CZK 123,107 +8 %	CZK 92,970 +9 %	CZK 6,995,000 +12 %	CZK 10,519,217 +15 %
RENTAL	CZK 34,939 -7 %	N/A	N/A	CZK 21,386 +8 %	CZK 32,292 +25 %



Prague 7

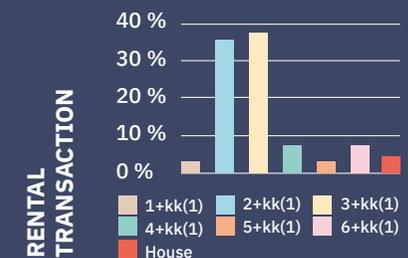
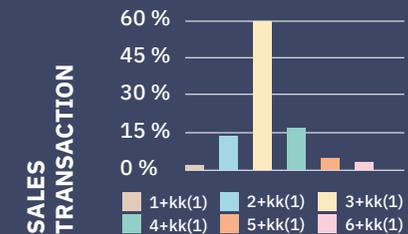
The average achieved sales price for a flat in Prague 7 exceeds CZK 10,000,000. The lower achieved price per m² of new flats and its year-on-year decrease are caused by the fact that the previously monitored period was dominated by the sale of new flats in reconstructed buildings in Letná, e.g. *Rezidence U Dvou Sov* on Korunovační Street, *Šmeralova 20*, and *Kamenická 14* where the average achieved price was around CZK 100,000 per m². This year, on the contrary, flats in new buildings in the lower part of Holešovice, specifically in the *Marina Island* project with the average price under CZK 90,000/m², are more significantly represented.

A decline in the average rent for 2+kk and 3+kk flats can be explained by the fact that this year we listed cheaper flats from new projects in lower Holešovice, and that due to the popularity of Letná, the offer of flats for rent in this municipal district is quite limited.

SALES

RENTAL

ø price for a flat / rent	ø price per m ²		ø price for a flat / rent	
	New flat	Resale flat	2+kk(1)	3+kk(1)
CZK 10,234,122 +13 %	CZK 90,913 -5 %	CZK 95,801 +9 %	CZK 5,297,267 +7 %	CZK 8,652,161 -2 %
CZK 31,244 +3 %	N/A	N/A	CZK 22,163 -6 %	CZK 32,492 -4 %





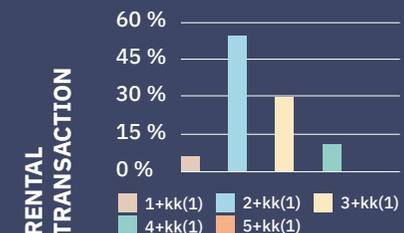
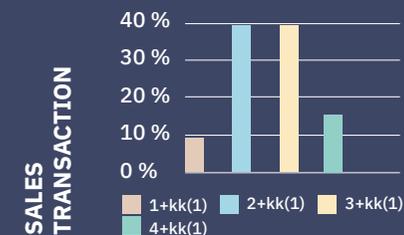
Prague 8

In Prague 8, the sale of flats in the *DOCK* project was strongly represented in the monitored transactions in both periods. This year the sales were complemented by several smaller and more affordable projects (such as *Lyčkovo Square 8* or *Rezidence Slovanka* in Libeň) which caused the year-on-year decline in the monitored values.

Rental transactions carried out by Svoboda & Williams in Prague 8 are dominated by the attractive area of Karlín where the average rent for 3+kk flat this year amounts to about CZK 34,000/month, making it a contender with Vinohrady. A significant year-on-year growth in this value is caused by the fact that in the previous period transactions in Karlín were strongly complemented by the cheaper areas of Libeň and Kobylisy.

RENTAL SALES

ø price for a flat / rent	ø price per m ²		ø price for a flat / rent	
	New flat	Resale flat	2+kk(1)	3+kk(1)
CZK 8,059,950 -23 %	CZK 97,592 -4 %	CZK 91,053 -1 %	CZK 5,560,483 -13 %	CZK 10,152,689 -1 %
CZK 28,01 +3 %	N/A	N/A	CZK 23,100 +8 %	CZK 33,829 +29 %



Data summary

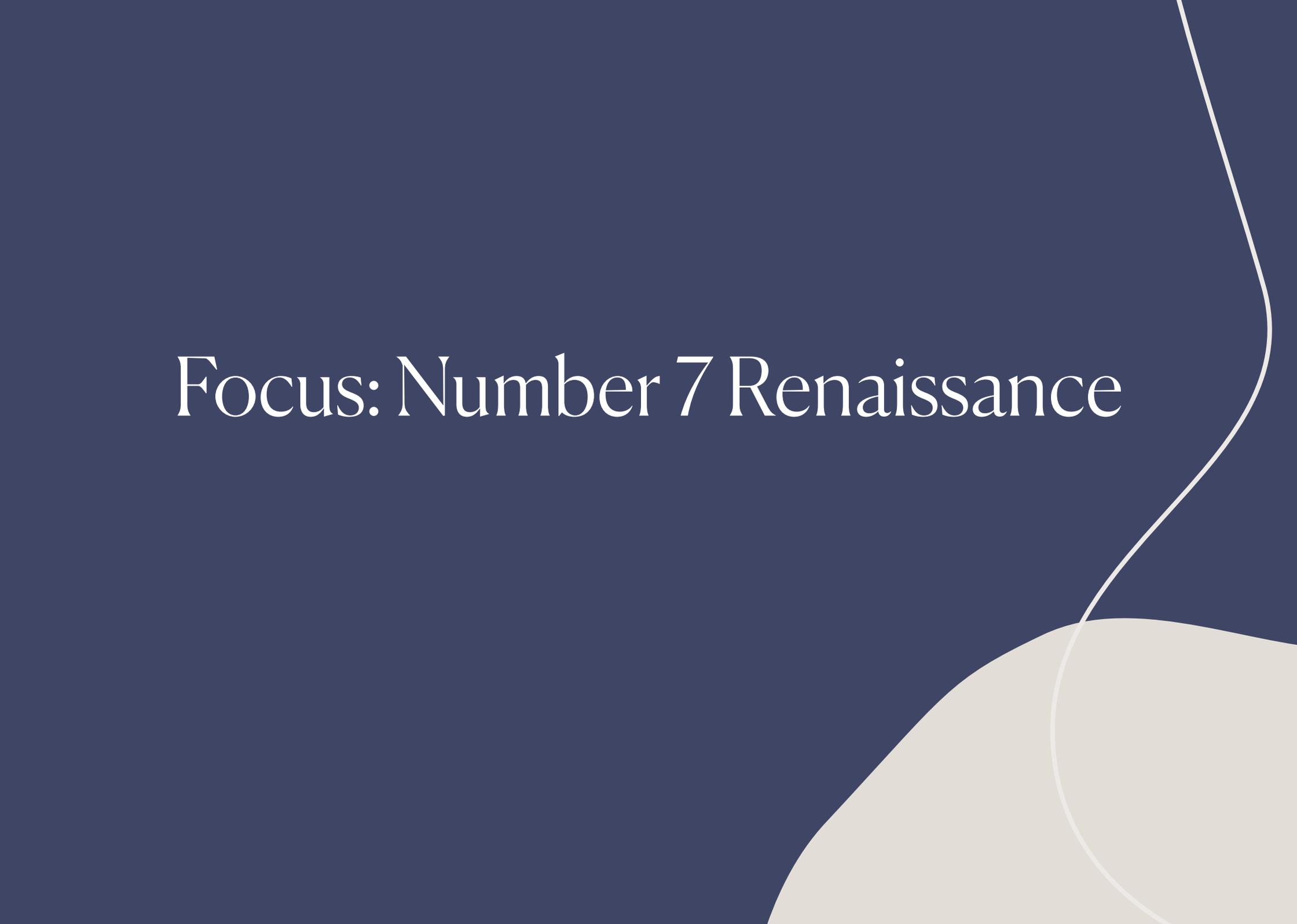
Layout	∅ monthly rent	∅ selling price	∅ floor space of a flat
1+kk(1)	CZK 16 141	CZK 4 617 893	36 m ²
2+kk(1)	CZK 23 747	CZK 6 966 499	63 m ²
3+kk(1)	CZK 34 361	CZK 10 775 588	100 m ²
4+kk(1)	CZK 48 696	CZK 16 044 833	140 m ²
5+kk(1)	CZK 58 523	CZK 24 432 014	186 m ²

Achieved rents, vs. sales prices for specific layouts of flats in Prague 1-10 over the last 12 months (07/17-06/18)

Overall summary of achieved prices and rental prices in municipal districts over the last 12 months (07/17-06/18)

municipal district	∅ price for a flat	∅ price per m ²	∅ price per m ²		∅ price for a flat		∅ monthly rent	∅ monthly rent	
			New flat	Resale flat	2+kk(1)	3+kk(1)		2+kk(1)	3+kk(1)
Prague 1	CZK 15 748 530	CZK 151 701	CZK 155 898	CZK 148 942	CZK 10 584 872	CZK 16 329 733	CZK 43 645	CZK 28 430	CZK 45 527
Prague 2	CZK 11 120 274	CZK 115 793	CZK 119 695	CZK 107 336	CZK 7 612 753	CZK 11 368 045	CZK 33 203	CZK 25 563	CZK 37 178
Prague 3	CZK 8 330 531	CZK 93 075	CZK 96 373	CZK 89 136	CZK 6 042 091	CZK 7 710 865	CZK 24 538	CZK 19 696	CZK 28 742
Prague 4	CZK 13 701 444	CZK 110 874	CZK 140 087	CZK 75 156	CZK 6 315 104	CZK 14 165 446	CZK 30 666	CZK 20 631	CZK 26 977
Prague 5	CZK 11 066 586	CZK 101 037	CZK 109 646	CZK 93 669	CZK 6 770 288	CZK 12 622 489	CZK 32 807	CZK 24 223	CZK 30 134
Prague 6	CZK 17 977 709	CZK 109 767	CZK 123 107	CZK 92 970	CZK 6 995 000	CZK 10 519 217	CZK 35 863	CZK 21 386	CZK 32 292
Prague 7	CZK 10 234 122	CZK 91 225	CZK 90 913	CZK 95 801	CZK 5 297 267	CZK 8 652 161	CZK 32 052	CZK 22 163	CZK 32 492
Prague 8	CZK 8 059 950	CZK 95 813	CZK 97 592	CZK 91 053	CZK 5 560 483	CZK 10 152 689	CZK 24 780	CZK 23 100	CZK 33 829
Prague 9	CZK 8 218 788	CZK 78 580	CZK 80 340	CZK 71 943	CZK 4 700 781	CZK 8 600 300	CZK 26 393	CZK 17 000	CZK 29 563
Prague 10	CZK 7 520 253	CZK 74 676	CZK 78 538	CZK 71 269	CZK 4 879 600	CZK 7 771 833	CZK 27 856	CZK 19 861	CZK 27 350

Focus: Number 7 Renaissance





The concept of gentrification was first used more than half a century ago by the sociologist Ruth Glass, who used this term to describe the transformation that occurred in Notting Hill, which changed from a neighbourhood of slums to a chic and middle-class part of London. Today, Notting Hill is a trendy cosmopolitan quarter with a rich cultural life and where gentrification, i.e. the transformation of a neighbourhood from poor to rich, is a big social and urban topic. This concept is generally perceived quite negatively because it connotes the marginalization of the original inhabitants' way of life and culture. We will try to use the example of Prague 7 to show that this change can also be perceived positively. As the Economist recently reported, gentrification is just another word for revitalization, reinvestment, and renaissance. The Prague 7 district proves that this process actually helps the urban development of the neighbourhood and represents an amazing opportunity for investors to recognize the potential of the community early on.

Prague 7 is “in.” Holešovice, which was until recently an unattractive, industrial part of town, was ranked the 15th coolest European neighbourhood by the *Travel Supermarket* website (the winner, Kreuzberg in Berlin, is sometimes compared to Holešovice), and *The New York Times* recommends quiet Veverkova Street in Letná to tourists traveling to Prague.

Why has this part of the capital city, which was long overshadowed by the traditionally popular neighbourhoods of Dejvice or Vinohrady, suddenly become so trendy? What exactly attracts new, mainly young citizens as well as entrepreneurs, businessmen, and developers? And how does one recognize when a neighbourhood will experience similar development and when the value of a timely purchased property will increase exponentially within a couple of years?



At the Beginning There Were Expats

At the beginning of the 1990s, thousands of young Americans, Canadians, and Englishmen, so-called expats, settled in Prague. The neighbourhood of Letná became their favourite. They brought something of their easy-going approach to its streets. The expats were the driving force behind the establishment of the first trendy bars. As more and more places opened, it gave rise for the first time to the phenomenon we later observed in the area around Krymská Street in Vršovice. *The Globe* English bookstore and café, which was then situated on Janovského Street, was the cultural center of the expat community. Various cultural events were held there, including readings by such big-name authors as Allen Ginsberg or Ian McEwan. Over time, more shops and bars cropped up in the vicinity of The Globe, many of them acquiring cult status, such as the legendary bar *Wakata* or *Fraktál*.

While expats triggered the first wave of Prague 7's revitalization, the second and more successful wave is being led by local citizens. Moreover, this wave also affected the lower section of Holešovice, a post-industrial area that had been neglected until recently.

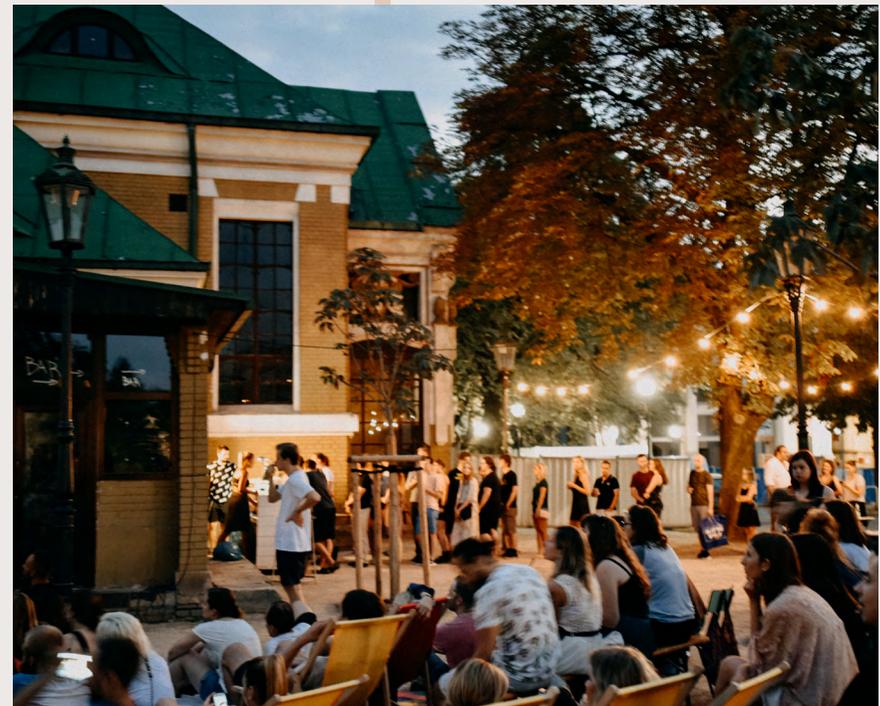
Culture and Well-Being



Since about the turn of the millennium, Prague 7 has been changing before our very eyes and new restaurants, bars, bistros, cafés, and clubs are sprouting like mushrooms. This trendy district with its easy-going and inspiring atmosphere attracts creative types with fresh ideas, such as the *Vnitroblok*, *Paralelní Polis*, or *Cross Club* progressive projects. New buildings are being built, the area is being revitalized, and abandoned houses are becoming occupied once more.

Pleasant family-friendly places and design shops can be found alongside galleries, theaters; farmer's markets and flea markets take place regularly. There are co-working centres, where creative freelancers meet and work. The average age of the people in the streets is lower than in other Prague districts. Prague 7's Municipal Authority under the leadership of mayor Jan Čížinský has had a large share in the popularity of the neighborhood. He ushered in a new style of leadership, and organizes meetings with citizens, responds to their ideas, and has an open approach to entrepreneurs. The town hall supports progressive and educational projects, such as *Art District 7*, which connects cultural and art institutions with affiliated entities, companies, schools, etc., thus trying to develop an artistic neighbourhood similar to *MuseumsQuartier* in Vienna.

Another thing that makes Prague 7 so unique are the omnipresent shared bikes, which make getting around the neighbourhood so easy. At the same time, the Municipal Authority has extended the zones with a 30 kilometers per hour speed limit. The combination of all of these different things is what makes Prague 7 such a great place to live.



The Price of Popularity

Everything that we have described above has had one crucial effect. Existing property owners, i.e. those who bought their properties early, are satisfied. Their investments appreciated greatly and, what's more, they live in an attractive location with a wealth of services at their fingertips. On the other hand, those who are currently moving to Prague 7, whether they're planning on buying their own property or renting a home, must dig deeper into their wallets. Prices are significantly higher today and this is not just part of the same phenomenon that has been happening all over Prague. Since 2015, when real estate prices in the capital began rising rapidly, in Prague 7 the prices increased by 35%, whereas in Prague in general it was only by 30% on average. In the same period, rents in Prague 7 increased by 26%, while data for the whole city shows an average increase of 22.8%. The data above is from an analysis of real estate prices in the premium sector conducted by Svoboda & Williams.



How Do Developers Respond?

Although the changes in Prague 7 are not as visible as in Karlín, for example, which was practically completely rebuilt after the flood in 2002, the district of Holešovice has been experiencing a rapid revival. Due to many brownfields and unused areas around the railway tracks and the Vltava riverside, this traditional blue-collar neighbourhood offers a broad range of opportunities for development and redevelopment.

A good example is the *Prague Marina* complex, situated on the site of a former port and which contains more than 300 new flats and office and commercial space. This project's next stage of development will soon begin. Right next to it stands the *Classic 7 Business Park*, the dominant feature of which is a former steam mill, which includes new as well as reconstructed buildings that are protected as historical monuments. The whole complex blends seamlessly with the surrounding development, thus maintaining the original industrial style of the neighborhood and creating an interesting contrast with the modern buildings.

However, there are still differences between Letná and Holešovice, which has always been considered Letná's poorer relative and the same applies to development as well. While Holešovice sees mostly new projects, in Letná there are more reconstructions. The *OVENECKÁ No. 33* project, which offers 19 luxury flats just a few steps from Stromovka, is a typical example of a successful reconstruction.

Out of the planned projects, *Rezidence Keramická 4* (reconstruction should be completed in June 2019), which will offer 28 small flats, is worth mentioning. The average price per sq. m. of this project is CZK 145,000.

Chytré Bydlení NMN@Holešovice (construction is scheduled to be completed during the third quarter of 2019) on Na Maninách Street will feature 32 units with an average price of CZK 100,000/sq. m.

The Astrid Centre new office and apartment complex will be constructed inside the factory courtyard between Dělnická and U Průhonu Streets (construction is expected to start in the first half of the year 2019). This project will include the reconstruction of the Art Nouveau building U Průhonu 700/10. The plan includes 132 flats, 4,350 sq. m. of office space and 1,846 sq. m. of retail space and services.

The *Bydlení Jankovcova* project will offer about 400 apartments on the site of the former Feron factory, where a part of the historical factory and some industrial elements will be preserved. Construction is scheduled to start in the second half of 2018.

Rezidence Heřmanka will offer 23 flats (21-107 sq. m.) with parking in the courtyard in a completely reconstructed and refurbished Neo-Classical building. The average price for the flats is CZK 145,000/sq. m. Reconstruction should be finished in January 2019.

The First Sign

Real estate market trends are determined by many, mainly macroeconomic, factors, however, a seemingly unimportant culture can also be the driving force behind the development of a specific location. There is a saying that cultural capital increases housing quality. And in Prague 7 this is doubly true. Older, well-established institutions, such as the *National Gallery*, were complemented by new ones, which are often located in former industrial complexes: *DOX*, *Jatka 78*, *Vnitroblok*, *La Fabrika*, etc. The local community is rapidly expanding. New people are joining it every day and bringing their ideas for new cultural and other enterprises.

The quarterly magazine *Frontiers in Physics* published an expert study that determined the neighbourhoods where life is good by an analysis of pictures from social media that capture happy citizens, festivals, and other street side events. Based on this analysis, the authors of this study were able to predetermine which neighbourhoods will be gentrified next.

From the point of view of an investor who needs to assess what phase of development the local real estate prices are in, such an estimate can be worth its weight in gold. The potential of Prague 7 is well known, and real estate prices correspond to this knowledge. It is unfortunately too late to buy a flat or a house in this neighbourhood at a bargain price. However, all of the signs we described here may soon appear elsewhere. Be on the lookout for them. Because if you can recognize the first sign of the coming storm, you will have a great advantage over your competitors.



COMPLETED RESIDENTIAL PROJECTS 2017-2018

- 1 Ovenceká 13**
Praha 7 – Holešovice
Completion of renovation: Q2/2017
Number of units: 18
Layout: 1+kk to 5+kk (20 - 105 sq. m.)
Average achieved price: CZK 105 000 per sq. m.
- 2 Ovenceká 19**
Praha 7 – Holešovice
Completion of renovation: 01/2018
Number of units: 25 (rental apartments for long-term and short-term rent)
Layouts: 1+kk to 3+1
Rental prices: 2+kk from CZK 20 500, 3+kk from CZK 22 500
- 3 Rezidence U Dvou Sov**
Korunovační 18, Praha 7 – Bubeneč
Completion of renovation: Q2/2017
Number of units: 16
Layouts: 2+kk and 3+kk, one 4+kk flat
Average achieved price: CZK 99 000 per sq. m.
- 4 Šmeralova 20**
Praha 7 - Bubeneč
Completion of renovation: Q2/ 2017
Number of units: 14
Layouts: 2+kk to 5+kk (41 - 186 sq.m.)
Average achieved price: CZK 96 200 per sq. m.
- 5 Marina Island**
Sanderova, Praha 7 – Holešovice
Completion of renovation: 03/2018
Number of units: 344 flats in 5 buildings
Layouts: 1+kk to 6+kk
Average achieved price: CZK 85 000 per sq. m.
- 6 Rezidence Nad Vltavou**
V Háji 2, Praha 7 – Holešovice,
Completion of renovation: 01/2018
Number of units: 94
Layouts: from 1+kk to 4+kk
Average achieved price: approx. CZK 90 000 per sq.m.

PROJECTS IN CONSTRUCTION OR UNDER RECONSTRUCTION:

- 7 Rezidence Heřmanka**
Heřmanova 50, Praha 7 – Holešovice
Planned completion of renovation: 01/2019
Number of units: 23 – small apartments
Layouts: 1+kk to 3+kk (21 - 107 sq. m.)
Developer: Capital for you s.r.o.
Average listed price: CZK 145 000 per sq. m.
- 8 Rezidence Keramická 4**
Praha 7 – Bubeneč
Planned completion of renovation: 06/2019
Number of units: 28 – small apartments
Layouts: 1+kk and 2+kk (21 - 55 sq. m.)
Developer: ARCHA BUILDING s.r.o. / HOME DELUXE PRAGUE
Average listed price: CZK 145 000 sq. m.
- 9 Chytré bydlení NMN@Holešovice**
Na Maninách, Praha 7 – Holešovice
Planned completion of renovation: Q3/2019
Number of units: 32
Layouts: 1+kk to 4+kk (38 - 120 sq. m.)
Developer: TRIGEMA a.s.
Average listed price: CZK 100 000 per sq. m.
- 10 Holport II**
Komunardů 35, Praha 7 – Holešovice
Planned completion of renovation: Q1/2019
Number of units: 19 apartments, retail and office space
Developer: SEBRE
Average listed price: N/A
- 11 Vivus Argentinská**
Planned completion of renovation: 10/2020
Number of units: 284
Layouts: 1+kk to 4+kk (30 - 90 sq.m.)
Developer: Vivus Argentinská a.s.
Average listed price: CZK 85 000 per sq. m.
- 12 Rezidence Osadní**
Roh Osadní a Dělnické, Praha 7 – Holešovice
Planned completion of renovation: 12/2018
Number of units: 123 in 5 buildings
Layouts: 1+kk to 4+kk (41 - 113 sq. m.)
Developer: Vivus Osadní a.s.
Average listed price: CZK 82 000 per sq. m.
- 13 Astrid Centre**
An office and apartment complex in the courtyard between Dělnická and U Průhonu Streets. The project involves the renovation of the U Průhonu 700/10 Art Nouveau building. The project will include 132 apartments, 4 350 sq. m. of office space and 1 846 sq. m. of space for retail and services.
Current state: zoning permit
Planned beginning of construction: mid 2019
Investor: Immo Future 6
- 14 Student House**
The corner of Na Zátorách and Partyzánská Streets, Praha 7 - Holešovice.
Unique residential project of student rental apartments (529

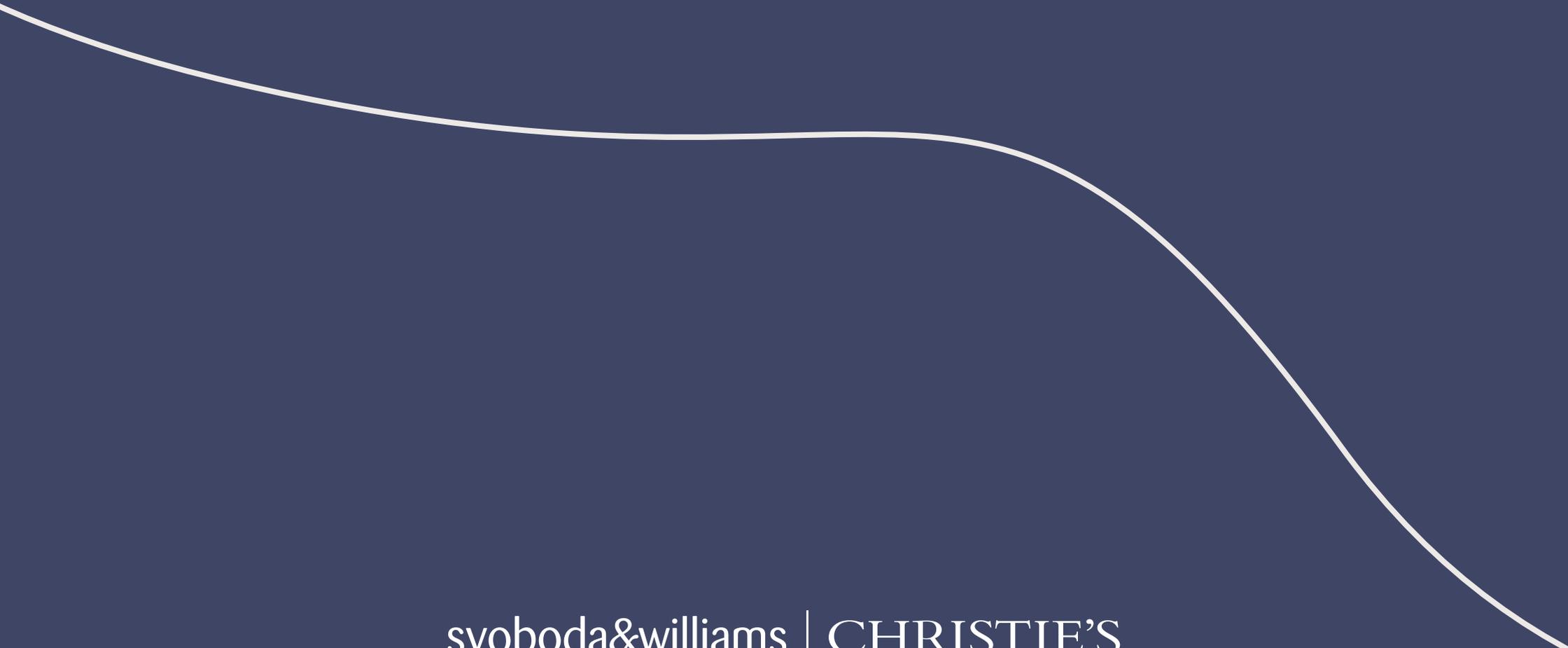
FORTHCOMING PROJECTS

- 15 Location of Wolf Prefa - Rivery a Port7**
The river bank between Troja bridge and the Barikádníků bridge
A multifunctional project which has a residential part, offices, retail, hotel, restaurants and other services.
Current state: zoning proceedings phase
Planned beginning of construction: 2019-2020
Investor: GEONE and Skanska Property
- 16 Bydlení Jankovcova**
Residential project in the site of the former Feron factory, maintaining a part of the historic factory hall and some industrial elements. Approximately 400 apartments.
Current state: zoning permit
Planned beginning of construction: 2018
Investor: FINEP
- 17 The area of the Bubny train station**
A new city quarter which will connect Holešovice with Letná.
Current state: work on the project study, to be introduced to the public in autumn 2018
- 18 Komunardů, Jateční, Tusarova apartment complex**
Residential project in combination with retail space and services.
Current state: zoning proceedings started
Planned beginning of construction: 2018-20
Investor: Bau-invest project a.s.
- 19 Prague Marina Island II.**
A set of apartment and office buildings connected to the existing residential project in the southern part of the “Holešovice scythe”.
Current state: change of the zoning plan
Planned beginning of construction: 09/2019
Investor: Marina Island 2, s.r.o.
- 20 Prague Marina 2**
Apartment building with retail space and a nursery, connected to a previous phase of the project.
Current state: zoning proceedings phase
Investor: MP Office Center Two s.r.o.
Planned beginning of construction: 03/2019

apartments with approximate floor area of 20 sq. m.) with services for students.

Planned beginning of construction: Q3/2018
Planned date of completion: Q1 2020





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