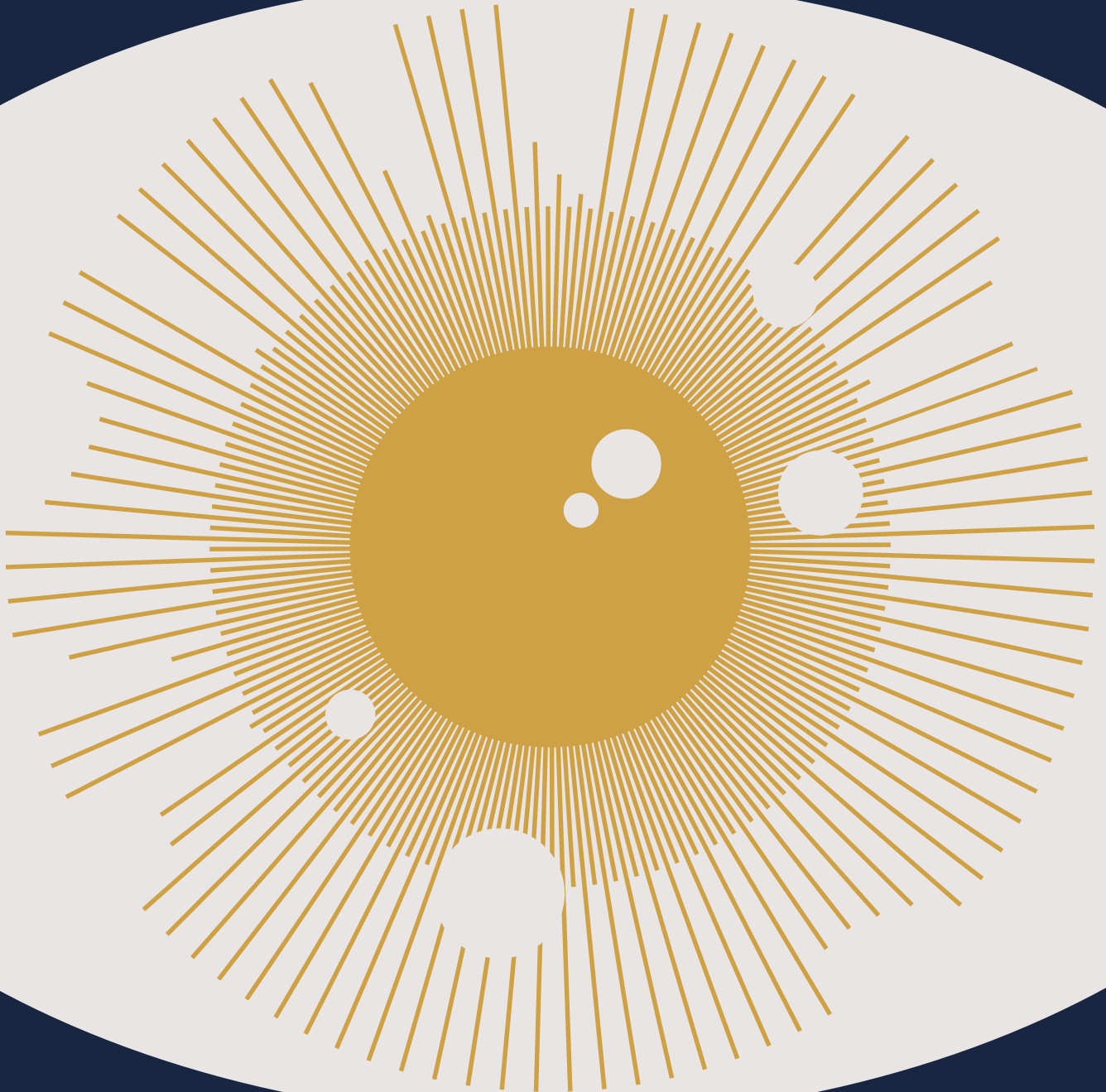
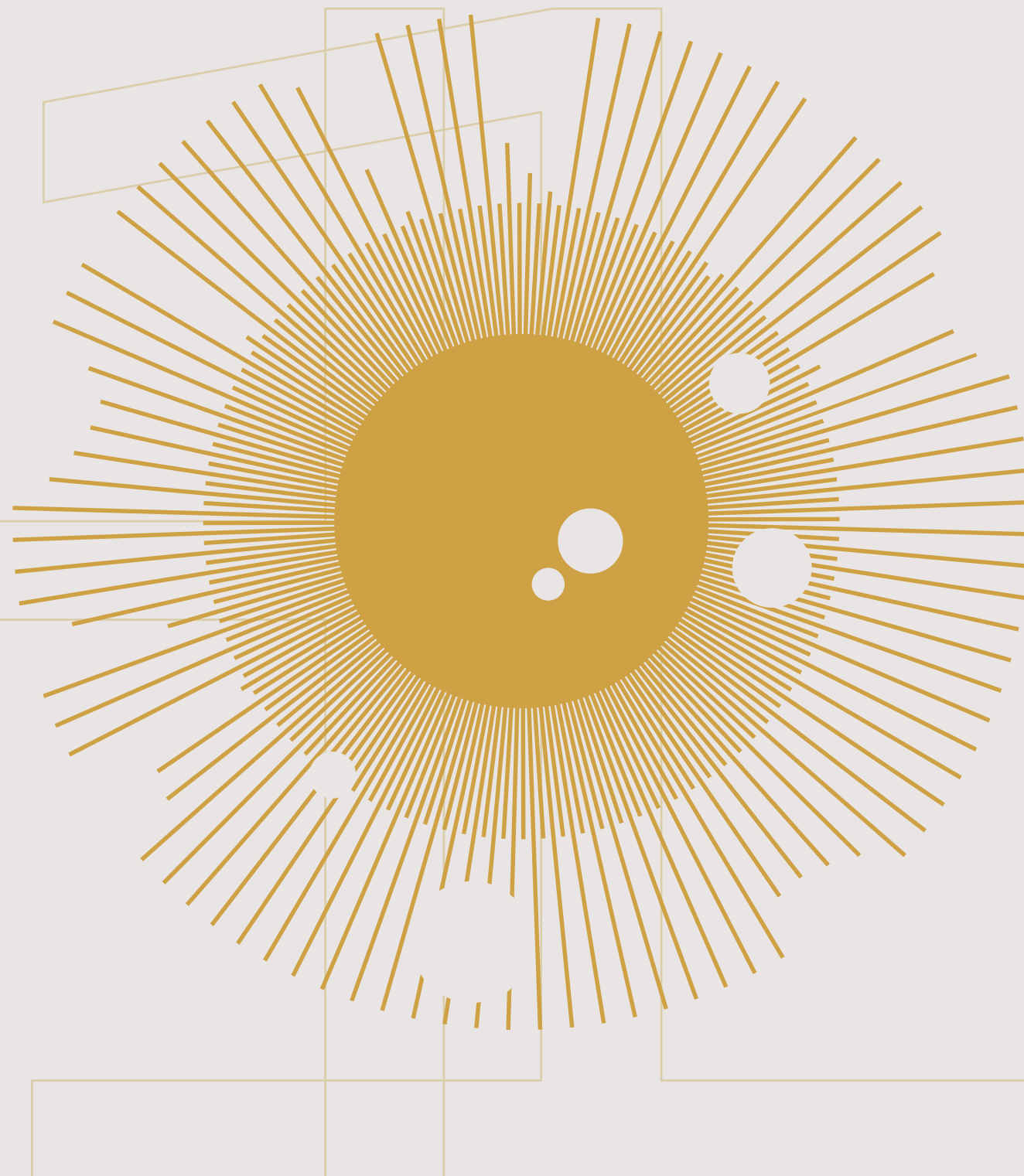


MARKET REPORT

H1 2021





06

Introduction

A Market Reality Established
by Monetary Populism

08

The First Half
of 2021

In The Prague Premium Property
Market

10

Key Trends

In The Prague Premium Property
Market

12

The Real Estate
Market

Through the Eyes of Svoboda
& Williams

26

The Portfolio

of Svoboda & Williams

36

Price Analysis

The Prague Residential Market

54

Rental Price Index

Svoboda & Williams + VŠE

60

Focus

Recreational Properties in the Past and Present

MARKET REPORT H1 2021
WAS CREATED BY

CONTENTS

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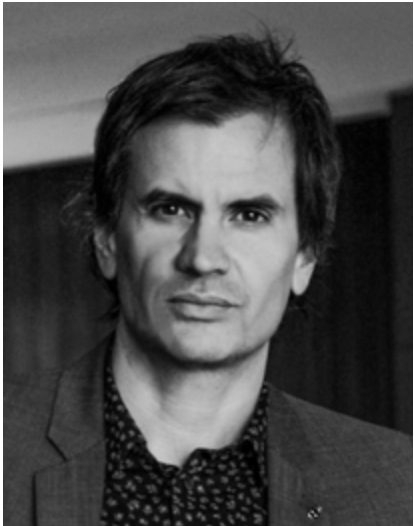
The Rental Price Index by S&W + VŠE is an analytical tool that was created
by the Svoboda & Williams real estate agency together with the Faculty of Informatics
and Statistics of the University of Economics in Prague.

A MARKET REALITY ESTABLISHED BY MONETARY POPULISM

Our previous Market Report already touched on the fact that quality properties have become a highly sought-after investment asset, a situation that has continued this year as well. Capital appreciation has always played an important role in the world of premium real estate, but investors have also been driven by rental yields, which hovered around 3.5%, excluding leverage. Today, however, buyers are well aware that such a number is only a figure generated by a calculator, out of touch with reality, and that it's more like 2% after all of the costs have been factored in.

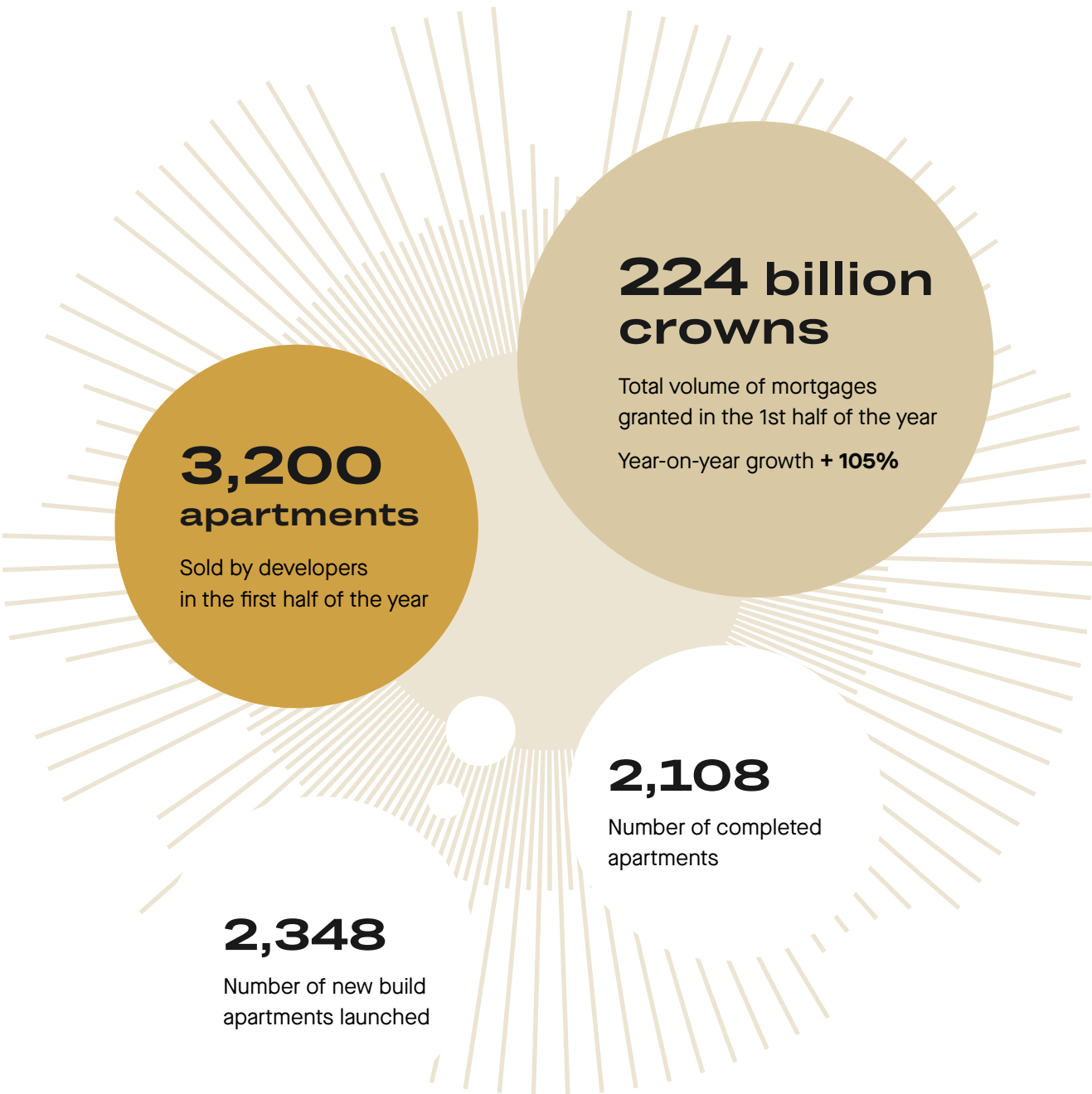
In the current market reality of “newly printed money,” where economic rhythm is driven by monetary populism, the rental yield is no longer a key parameter—many people likely wouldn't mind if it dropped to zero. The deciding factor in determining where to park one's funds is currently how a property appreciates over time, or hedging capital against inflation. Real estate prices in the Czech Republic are continuing to grow, and in this strongly inflationary environment, due to, for example, the crisis in the construction industry, their growth shows no signs of stopping. Developers, greedy investors, and profit-hungry real estate agencies aren't at fault, it's political populism and an inefficient state administration that's to blame.

What are the risks of the modern monetary theories that current governments around the world are exploring? Besides the threat of massive debt, high taxes, and all sorts of regulations, we must also take into account that people will start buying properties as a commodity to add to their portfolios in order to secure their funds and will stop renting them out. Moreover, developers willing to invest in the residential rental housing segment may drop out of the game. With the pandemic gone, the developed world needs to approach these risks responsibly in order for people to be eager to work again and for society to overcome the latest economic downturn by creating value, not by printing money.

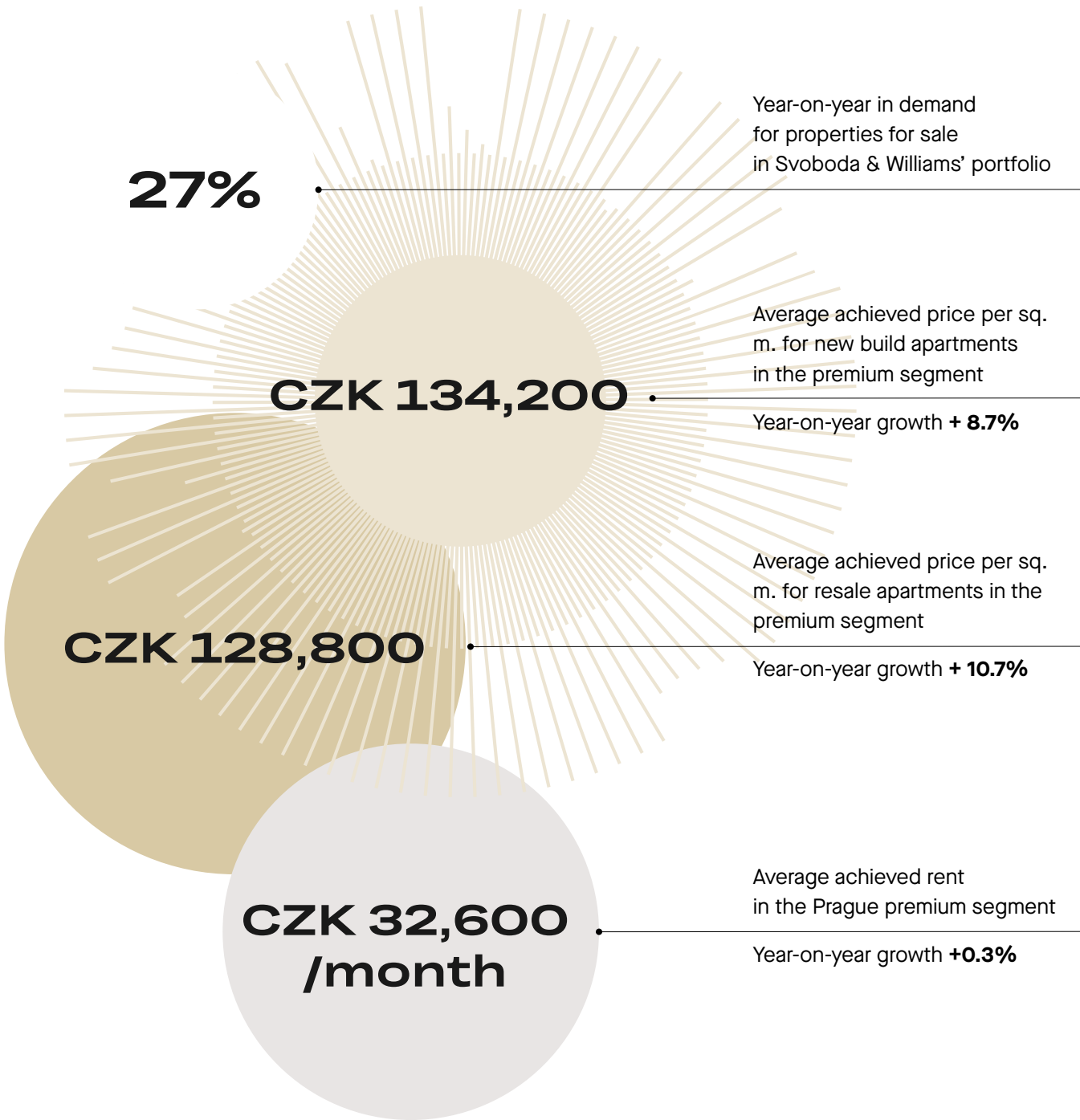


Prokop Svoboda
Svoboda & Williams

THE PRAGUE REAL ESTATE MARKET IN THE FIRST HALF OF 2021 IN NUMBERS

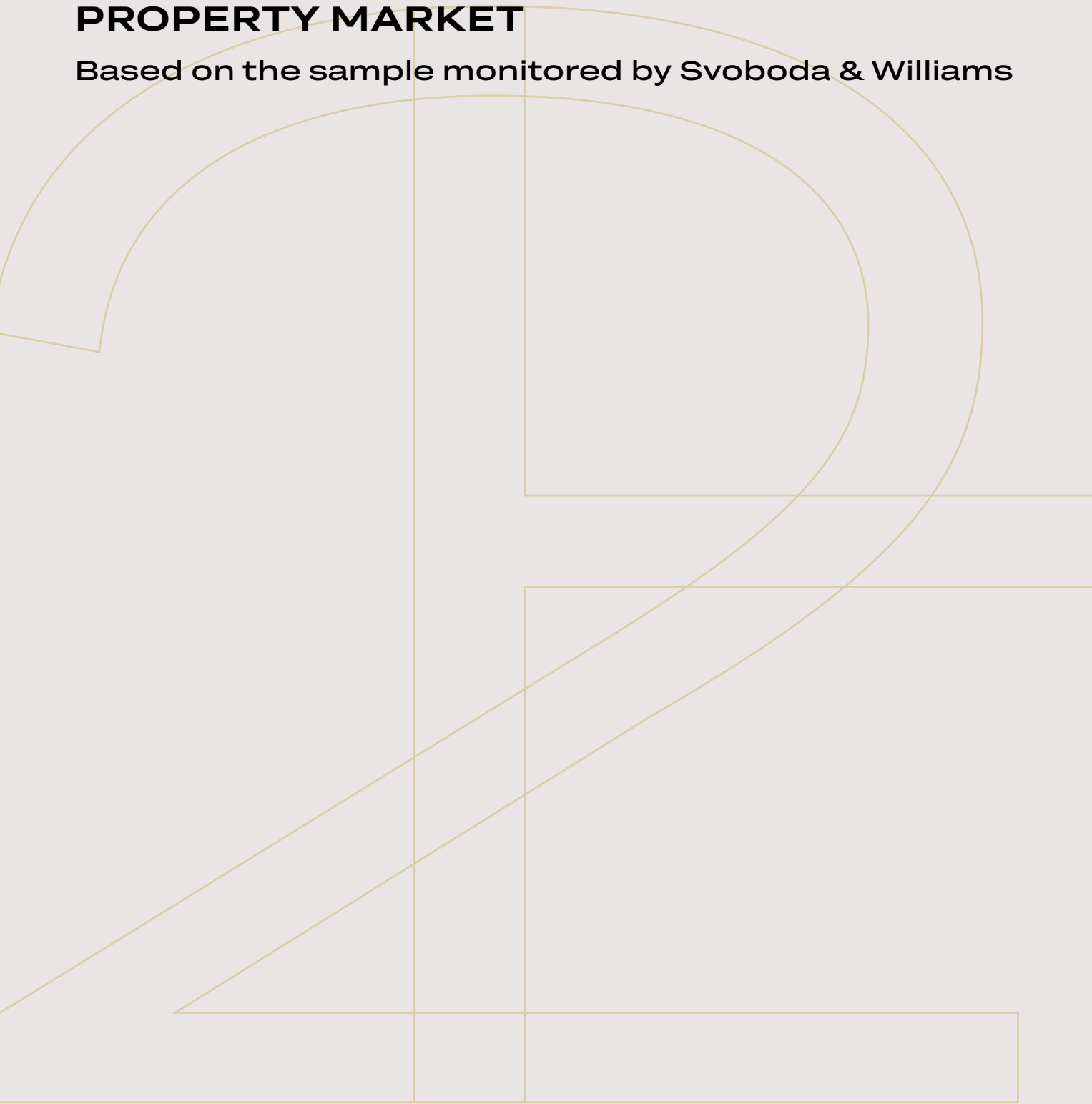


SAMPLE OF PREMIUM PROPERTIES MONITORED BY SVOBODA & WILLIAMS BETWEEN JULY 2020 AND JUNE 2021



KEY TRENDS IN THE PRAGUE PREMIUM PROPERTY MARKET

Based on the sample monitored by Svoboda & Williams



SALES

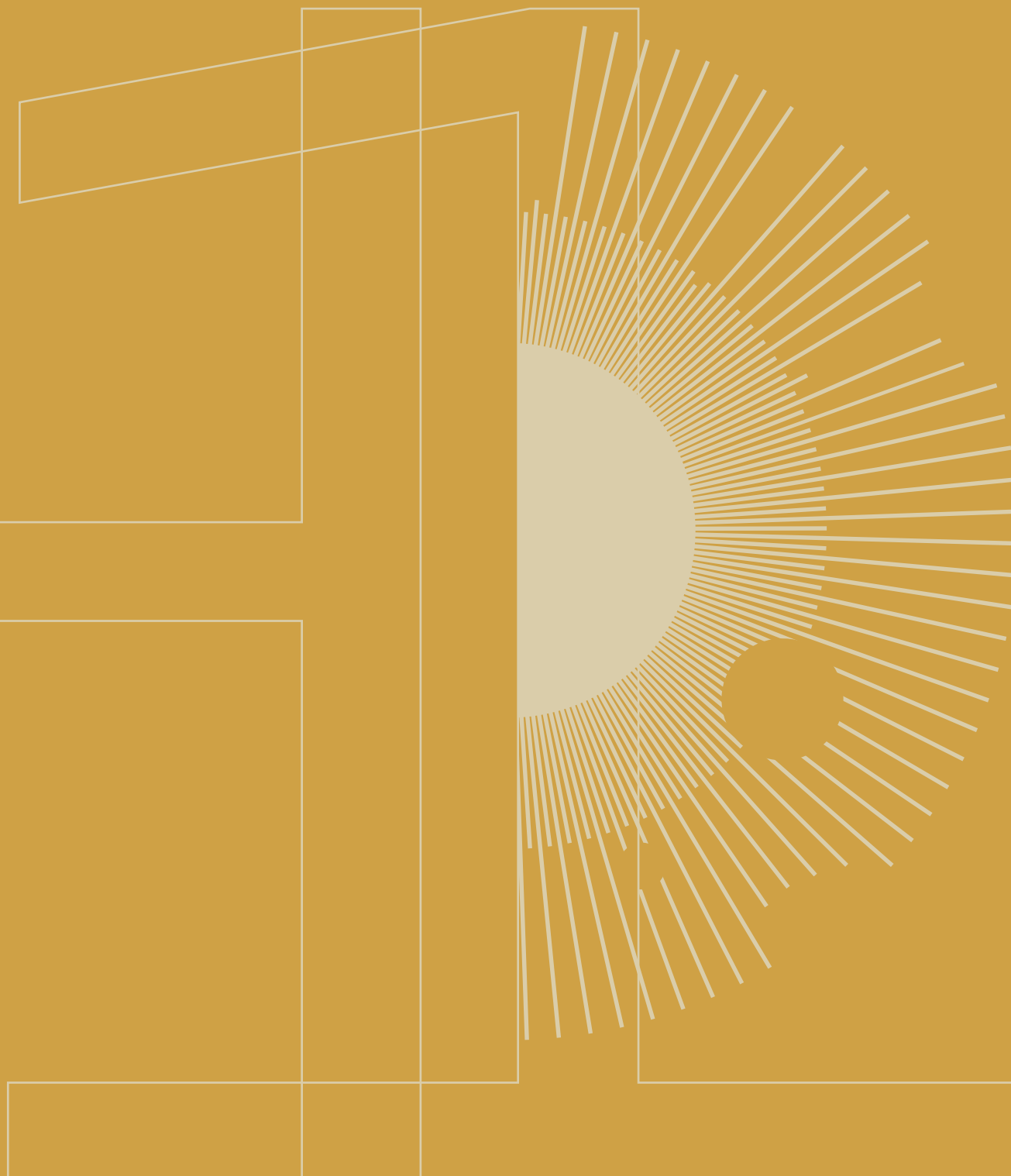
- The **number of inquiries increased significantly** in the first half of the year and the **pace of sales was higher**. The driving force was primarily the accessibility of mortgages, the need to secure funds, and the expectation of the further growth of property prices.
- The proportion of local buyers continued to increase. In the first half of the year, it **reached a record-breaking 85%**.
- **Prague 1** experienced a **25% drop in the number of properties for sale**, and the housing stock also decreased in traditionally sought-after residential locations such as Dejvice, Bubeneč, or Karlín.

RENTALS

- After being affected by the pandemic, the situation in the residential rental housing stock has now stabilized, and the **market now favors both landlords and tenants in equal measure**.
- Real estate demand has been revived after a year by foreign clients, but locals **accounted for more than two thirds of inquiries** and for the first time constituted the majority of clients in the highest-price segment with rents of over CZK 55,000/month.
- According to the Rental Price Index by S&W + VŠE, Prague's premium rents have slowly started to rise again—in the **year-on-year comparison they increased by 0.3%**. **The effects of the pandemic have therefore completely subsided in this respect**.

THE REAL ESTATE MARKET

Through the Eyes of Svoboda & Williams



RECORD-BREAKING DEMAND AND REAL ESTATE TRANSACTION SPEED



Michaela Koudelová
Sales Department Manager

The first half of 2021 was still marked by unprecedented interest in properties that traversed all segments of the real estate market with the possible exception of hotels and the hospitality industry in general. **New owners were looking for premium properties offered by Svoboda & Williams at a record-breaking pace and demand went up by 27% in the year-on-year comparison.** “Some properties only stayed in our portfolio for less than a week. At the same time, we had a higher number of buyers for one property than in previ-

"A good quality design, a lucrative location, and a general assumption that one's investment will appreciate in the long-term are the factors that play the biggest role in a buyer's decision-making process."

ous years, and so we ended up putting together offers for owners from several eager inquirers. We even saw this happen to properties that we had been listing for quite some time,” says Michaela Koudelová, manager of the Svoboda & Williams residential sales team. As expected, residential properties situated in long-term sought-after locations in Prague and Brno were the most successful. “Projects in Vinohrady, such as Italská 8 and Mánesova 78, with average prices per square meter from CZK 150,000 to CZK 160,000, are very popular. "A good quality design, a lucrative location, and a general assumption that one's investment will appre-

ciate in the long-term are the factors that play the biggest role in a buyer's decision-making process,” adds Koudelová.

Interest in properties with interiors connected to exteriors, ideally a private garden, continues to grow. **For instance, of the sixty family houses initially offered in the Na Pramenech project, which is currently being built in several stages in Prague 9, only eight remained for sale in July** and most were sold in the last six months. “Clients were increasingly looking for properties in Prague's immediate suburbs. A frequent demand was a good connection to the city, but also close proximity to nature. In addition to Beroun, where only a third of the apartments in the emerging BERLITA apartment building are still on the market after their sale was launched nine months ago, Průhonice, Jesenice, Dolní Břežany, and Černošice were also very popular locations. Interest in recreational properties continues to be strong, primarily around the Slapy, Orlik, or Lipno reservoirs and in the mountains,” states Koudelová. Demand was driven not only by available mortgages and expectations

of a further increase in prices, but also by the interest of foreign investors, who see the Czech real estate market as an attractive opportunity in this time of cheap liquidity.

The above-mentioned increase in prices in the first half of 2021 continued unabated. In terms of Svoboda & Williams' portfolio, **the average achieved sales price per square meter for a premium new build reached CZK 134,200, i.e., a year-on-year increase of 8.7%. The premium resale price went up by 10.7% to CZK 128,800.**

AVERAGE APARTMENT PRICES AND LAYOUTS IN PRAGUE'S POPULAR RESIDENTIAL LOCATIONS BASED ON THE SAMPLE MONITORED BY SVOBODA & WILLIAM

DEJVICE

STUDIO	38.0 sq.m.	CZK 5,270,000
1 BDRM	58.0 sq.m.	CZK 8,215,000
2 BDRMS	109.0 sq.m.	CZK 15,235,000
3 BDRMS	137.0 sq.m.	CZK 19,594,000

STUDIO	45.5 sq.m.	CZK 9,895,000
1 BDRM	69.0 sq.m.	CZK 15,872,000
2 BDRMS	122.0 sq.m.	CZK 27,130,000
3 BDRMS	154.0 sq.m.	CZK 33,583,000

STUDIO	39.0 sq.m.	CZK 6,513,000
1 BDRM	61.0 sq.m.	CZK 10,157,000
2 BDRMS	103.0 sq.m.	CZK 15,100,000
3 BDRMS	132.0 sq.m.	CZK 22,379,000

KARLÍN

STUDIO	36.0 sq.m.	CZK 5,215,000
1 BDRM	59.0 sq.m.	CZK 8,100,000
2 BDRMS	113.0 sq.m.	CZK 14,838,000
3 BDRMS	142.5 sq.m.	CZK 18,937,000

OLD TOWN

VINOHRADY

STUDIO	34.0 sq.m.	CZK 5,393,000
1 BDRM	55.0 sq.m.	CZK 8,822,000
2 BDRMS	101.0 sq.m.	CZK 15,056 000
3 BDRMS	131.0 sq.m.	CZK 21,625,000



Pavel Zadina
Research Analyst

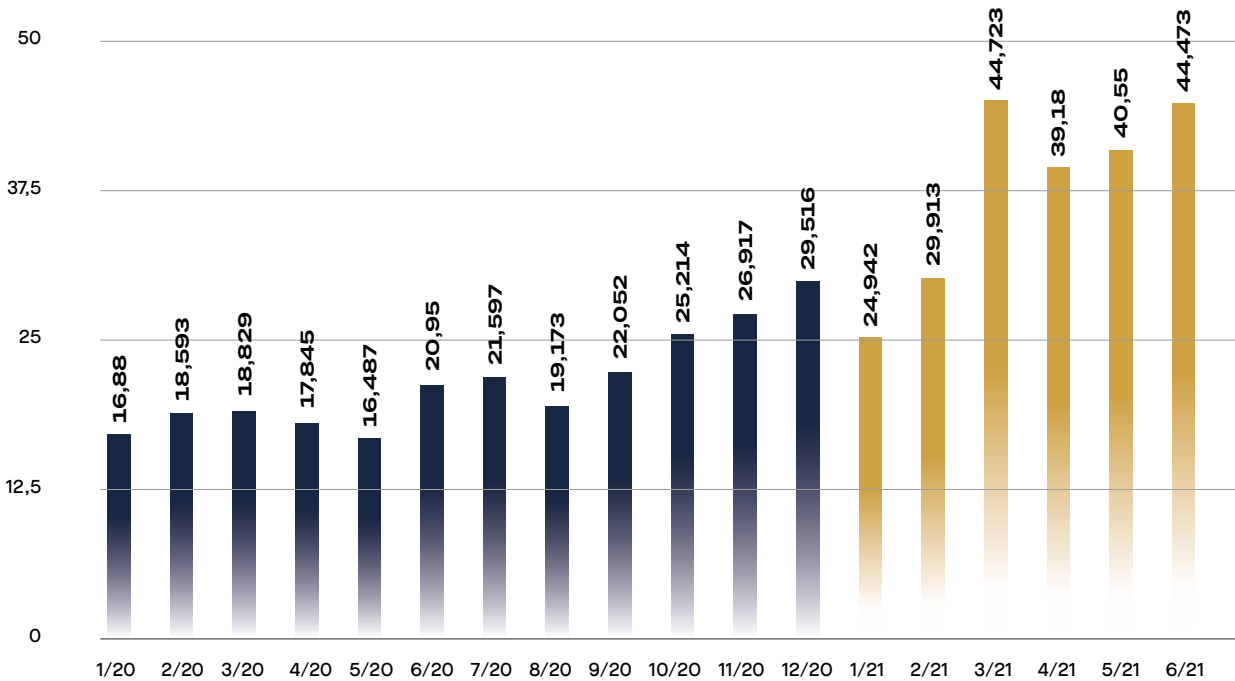
One of the symptoms of COVID-19 seemed to be an incessant mortgage fever. Over the past year, interest rates have fallen lower and lower, leading to an increase in people's interest in mortgages, which escalated in the first half of the year. **The reasons that have driven more and more people to take out mortgages are obvious: the protection of assets and savings by safely storing money in real estate, the continuous rise in housing prices, and the fear that cheap mortgages will soon be a thing of the past,** e.g., because of a possible intervention by the Czech National Bank. Mortgages were thus taken out both by those who were buying an investment property or a second or even third home as well as by those who wanted to secure at least one home for themselves.

According to the data of the Fincentrum Hypoindex, this March banks signed mortgage contracts worth 44.7 billion crowns. The 40 billion crown threshold was again surpassed in May and June. With its total of 224 billion crowns, the record-breaking first half of the year is already higher than last year's total volume. Is there any downside to this mortgage fever? **"Accelerated inflation, which is already underway, can lead to a significant rise in interest rates, and this will in turn increase the number of people unable to keep up with expensive mortgage payments in the future.** These

are people who wouldn't normally be able to afford a home loan. We surely don't need to recall the chain of events that preceded the financial crisis of 2008–2009," explains Pavel Zadina, analyst at Svoboda & Williams. Mortgages began to get more expensive in March, and in the second half of June central bankers first attempted to tame rising inflation by raising interest rates by 0.25% up to 0.5%. The Czech National Bank will likely proceed more prudently and cautiously the next time it will increase them, because a sharp rise in interest rates could potentially sink the mortgage and real estate market. At the same time, the CNB will have to respect the monetary environment of cheap money set by the European Central Bank. This is the only way to ensure sustainable market conditions that will benefit local businesses.

The amendment signed by the President in May could act as another emergency break for the mortgage market. **The amendment gives the central bank the legal power to set the conditions for obtaining housing loans,** which banks and other lenders would have to comply with. "The application of these limits will mean that some households won't be able to access a loan. However, the limits are designed to target households for whom such a loan would be a dangerous burden," said Michal Skořepa, an economist at Česká spořitelna.

"According to the data of the Fincentrum Hypoindex, this March banks signed mortgage contracts worth 44.7 billion crowns. The 40 billion crown threshold was again surpassed in May and June. With its total of 224 billion crowns, the record-breaking first half of the year is already higher than last year's total volume."



Source: Fincentrum Hypoindex

IS THE RESIDENTIAL RENTAL MARKET RETURNING TO ITS OLD WAYS?



David Šimeček
Head of Residential Rentals

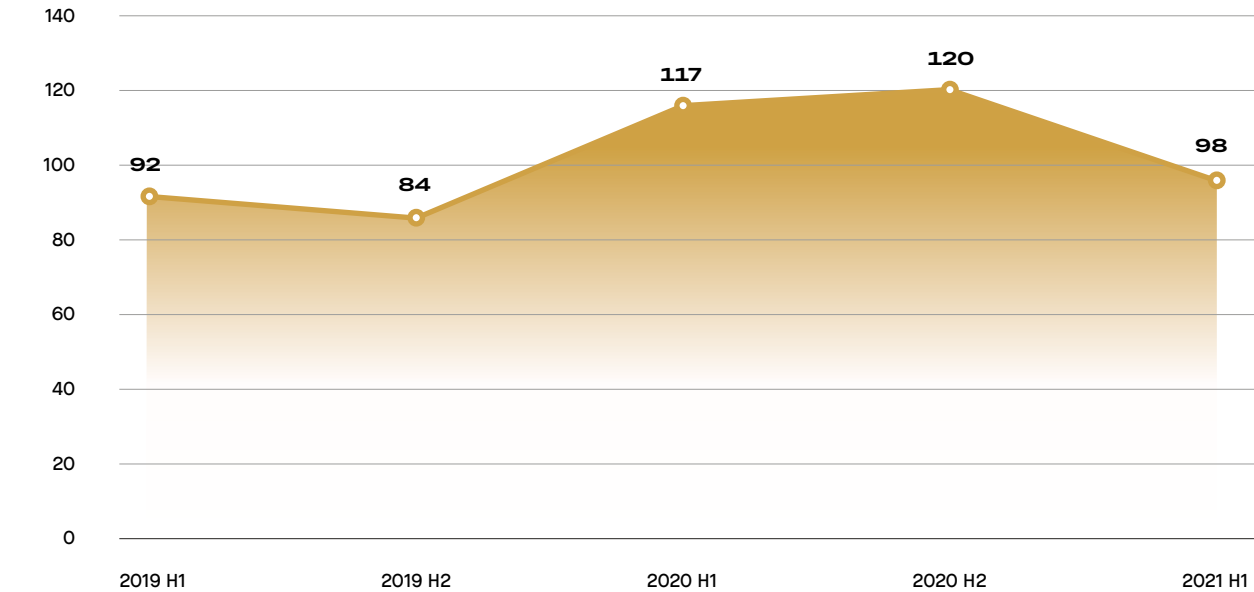
A big mover of the Prague real estate market last year was the outflow of tourists, which caused owners to offer accommodation units for long-term rent. **The number of these apartments increased by a fourth to 15,400 at the end of the first quarter this year compared to the same period in the previous year** according to the data from the property developer Trigema and the real estate server Flat Zone. As recently as this May, prices of long-term rentals in Prague were the lowest since 2017. The decline in rental prices hasn't skipped over the premium segment—we reported an 11% year-on-year decline in the average achieved rent in our previous Market Report, which summarized the events of the second half of 2020.

In the first half of 2021, however, the situation slowly began to ameliorate, **which is reflected in The Rental Price Index of S&W + VŠE, according to which the average**

achieved rent in Prague showed a year-on-year increase of 0.3%. “The slower pace that carried over from the previous year into this one changed markedly in March. We're now able to broker the rent of most of our properties, even those that we hadn't been able to find tenants for in a long time. In terms of client interest, one could even say that it's at the same level as last year when the restrictions were first lifted and inquiries started pouring in as people wanted to take advantage of favorable terms. Then, prices went down due to the high availability of rental housing, but we believe that we have already hit the lowest level of rental prices in Prague and that they will slowly start to rise again. Foreign clients are finally returning, and so we expect that demand will grow as well. A real boom could occur before the start of the school year. Of course, everything depends on the pandemic's progression,” said David Šimeček, head of the residential rentals team at Svoboda & Williams.

"We believe that we have already hit the lowest level of rental prices in Prague and that they will slowly start to rise again. Foreign clients are returning once again, and so we expect that demand will grow as well."

AVERAGE NUMBER OF APARTMENTS ADDED PER MONTH TO SVOBODA & WILLIAMS' RESIDENTIAL RENTAL PORTFOLIO



Source: Svoboda & Williams

In addition to demand, the offer of apartments for rent in the portfolio of Svoboda & Williams also began to change. It's currently not as diverse as it was last year—in the first half of the year, an average of 98 properties were added to it each month, 16% less than last year. Since owners of shared accommodation units invested in them with a definite plan for a return on their investment, it was only a matter of time before they brought accommodation-ready units back to the short-term rental market in the hope of achieving higher yields. According to Šimeček, the first to be added again will be smaller units with layouts that don't meet the requirements for long-term housing and that owners had to rent out for very low amounts during the lockdown. “At the moment, however, it's still not clear how the situation will develop, and this is keeping accommodation prices extremely low,” adds Šimeček.

A question mark not only also hangs over the direction of the pandemic, but also over what Prague's relevant legislature has in store. **Ever since tourists left the city, Prague's municipal leadership had been pushing for strict regulations governing short-term accommodation.** But an amendment to the law, which would give municipalities the power to limit this type of accommodation in terms of the number of days or months per year allowed, hasn't been passed yet. Even if some regulations were rolled out or if the state administration were to use the existing restrictions (a building's use class, hygiene guidelines, etc.) to take action, it's not certain whether cities will have sufficient human resources to effectively enforce the new rules.

CONTRADICTIONARY ADOPTION OF A NEW BUILDING ACT



"We must now wait and see whether the new Building Act will succeed in getting the market moving again as the current government is promising it will, or whether it will survive the next parliamentary term."

The passage of the Building Act was a process fraught with ups and downs. At the end of June, the Senate unanimously rejected the draft of the bill, which had already been amended countless times, but two weeks later the Chamber of Deputies overrode the Senate's veto, thereby finally approving the new Building Act. **The biggest arguments in both chambers of parliament were over the new construction administration system**, which consists of the creation of a unified construction authority headed by the Supreme Building Authority. This change intends to minimize the risk of local authorities interfering in the building permit decision-making process. Despite criticisms from certain MPs, Minister for Regional Development Klára Dostálová assured the public that the new act will ensure compliance with deadlines and strengthen the position of municipalities, since a municipality will always be a partner in the construction permitting proceedings, which can, moreover, be conducted remotely from home.

The law, which will take effect as of July 1st, 2023, has long been seen as the light at the end of the tunnel by developers, Czech citizens, and foreign investors, who lost their motivation to invest a large amount of financial resources in the Czech Republic due to the complicated building permit process. **Currently, the Czech Republic is ranked 157th out of 170 countries in the World Bank's ranking of building permit ease and speed**, and the new law has the ambition to change this dismal situation. Unfortunately, the July decision of the Chamber of Deputies isn't a cause for celebration. We must now wait and see whether the new Building Act will succeed in getting the market moving again as the current government is promising it will, or whether it will survive the next parliamentary term. The opposition coalition of the Spolu and Piráti parties have reached an agreement with the Starosty party that if they win the elections in October, they will change the current bill.

NEW SVOBODA & WILLIAMS BRANCH IN HOLEŠOVICE

Svoboda & Williams has now expanded to Prague 7. **The company's new branch is located in a building designed by architect Stanislav Fiala at Komunardů Street No. 35**, where it's seamlessly connected to the Design Port high-end furniture showroom, shortened to "DEPO." "It's no longer the case that premium residential locations are limited to the center of Prague and well-known villa areas, and Holešovice is proof of this. In recent years, many architecturally significant projects have been built here. When the opportunity arose to open a branch in the distinctive Komunardů 35 building, we didn't hesitate. The building reflects exactly what we mean when we say premium real estate projects," says Prokop Svoboda, managing partner of Svoboda & Williams.

The branch was designed in cooperation with the Atelier SAD studio, which has been involved in Svoboda & Williams' projects for a long time. **The space is connected to the DEPO designer furniture showroom that was created by interior designer Ivanka Kowalski.** The 1,000 sq. m. space showcases brands such as Vitra, Javorina, B&B Italia, Cassina Moroso, Knoll, Molteni, Flos, and others—complete interior furnishings and accessories under one roof.



THE OFFICE MARKET IS GRADUALLY GAINING STABILITY

DEVELOPMENT OF THE OFFICE VACANCY RATE IN PRAGUE (IN %)



Jaroslav Waldhauser
Head of Commercial Leasing

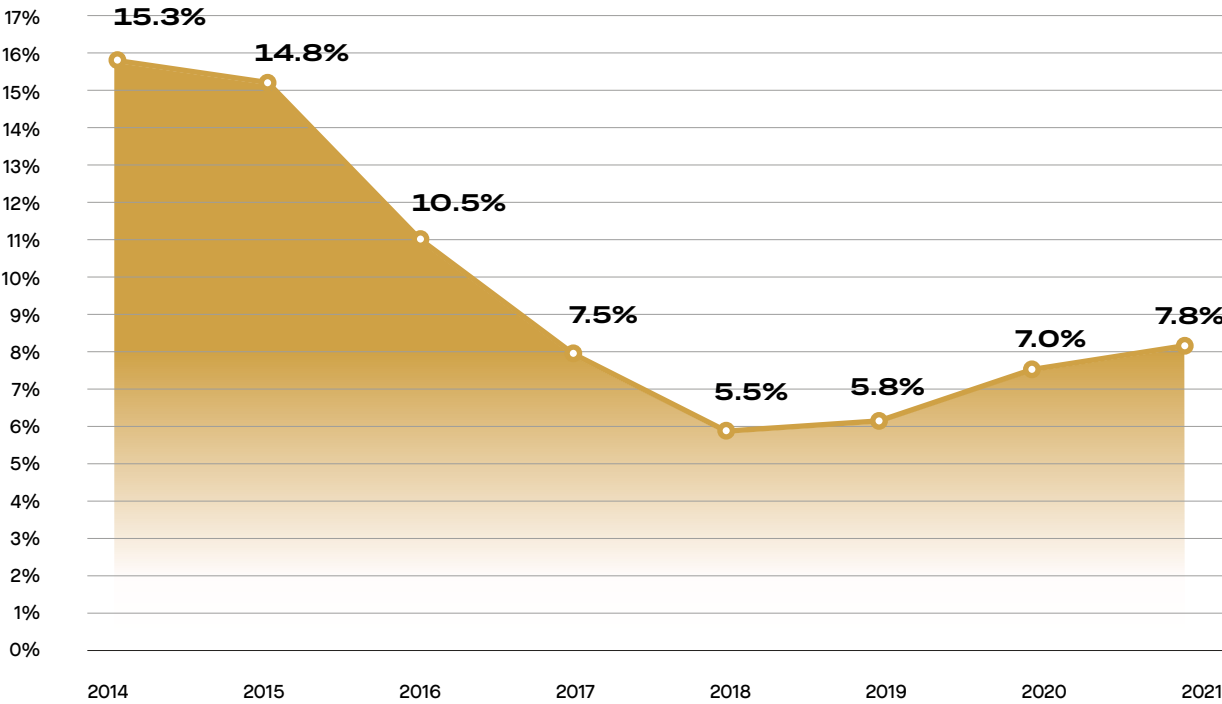
"The flexible office concept is gaining momentum again after the last wave of the pandemic abated, which is reflected in the growth in demand."

The office sector has gone through several shocks since the onset of the pandemic. The first occurred after the end of the first quarter last year, when demand for new space declined and a period of renegotiation and down-sizing ensued that has continued this year. **According to the research conducted by the Prague Research Forum, the overall office vacancy rate in Prague increased from 7% at the end of 2020 to 7.8% in the first quarter of 2021.** "It's also necessary to take into account an important variable—the sublease office market. Officially, these are spaces with a valid lease contract, and so they're not counted in the vacancy statistics. If we include the current sublease meters in these figures, the vacancy rate rises by two percent, i.e., to almost ten percent," adds Jaroslav Waldhauser, head of the commercial leasing team at Svoboda & Williams.

Fortunately, the outlook for the coming months is somewhat more favorable. Over the course of the year and a half-long crisis, companies found that their needs had changed. "We are witnessing an economic recovery as the lockdown measures are loosening up. If we compare this half of the year with the same period in the preceding year, we find that we're communicating with a higher number of people interested in offices for lease, and one of the positives of

this first half of the year was the successful lease of all of the available offices in the DOX+ offices," said Waldhauser. **At the same time, the pandemic seems to have acted as an accelerator on the flexible office segment.** According to CBRE, this concept is gaining momentum again after the last wave of the pandemic abated, which is reflected in the growth in demand. There are currently 103,500 square meters of flexible office space in the Czech Republic, with 1,800 under construction and more projects under way.

In contrast, the long-term outlook is unfavorable—given the gradual recovery of the office market—due to the volume of the completed office buildings, which, according to Savills, at the beginning of the first quarter of the year ranked among the lowest quarterly gains in the history of the Prague office market. **Only 3,500 sq. m. of office space were added to the total supply.** Meanwhile, the need for leased office space is set to increase, because the offices that were previously designed as open space layouts that could accommodate dozens of people are likely to disappear, at least to a certain extent. Due to the lack of new office construction in Prague, rising demand may drive up lease prices.

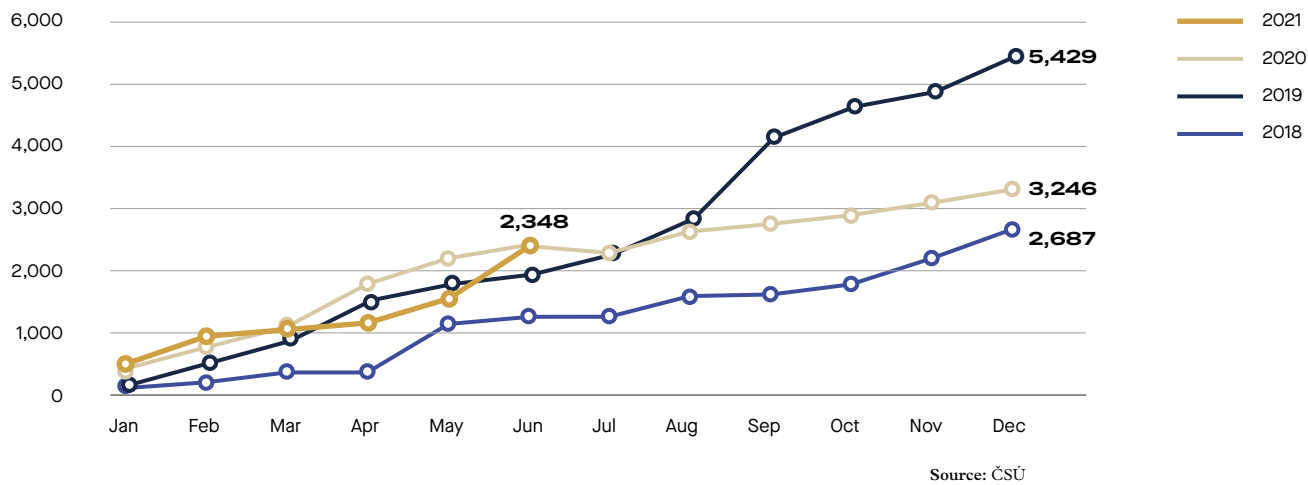


Source: Prague Research Forum

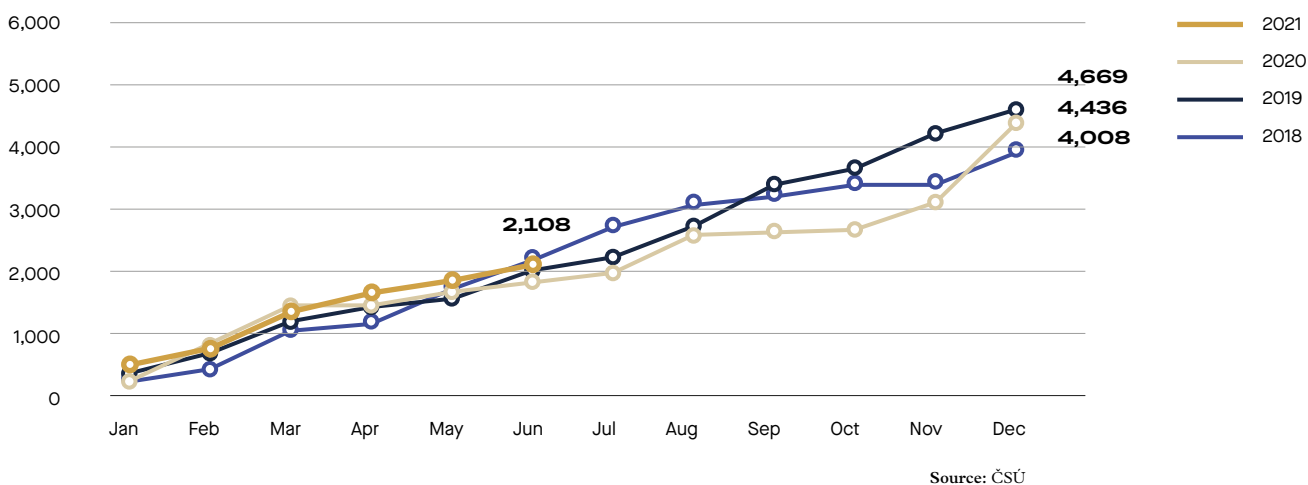
LAUNCHED AND COMPLETED NEW RESIDENTIAL PROJECTS IN PRAGUE

This February, construction output saw a year-on-year decrease of 11%, achieving the lowest level in the last five years. The construction industry is generally one to three years behind the economic cycle, and so the full effects of the pandemic won't be felt until next year at the earliest. This already bad situation is being complicated by the crisis in raw materials, caused by sharp shortages in the supply of building materials and rising construction costs, as well as by a deepening shortage of qualified workers. As a result, some residential projects fall behind schedule and all of these changes, together with the higher costs, may be reflected in the prices of new builds. The number of recently launched apartments in Prague rose to 2,348 since the beginning of the year, which is identical to the same period in 2020. There were 2,108 completed apartments, a year-on-year increase of 15%.

NUMBER OF NEW BUILD APARTMENTS LAUNCHED



NUMBER OF COMPLETED APARTMENTS



THE PORTFOLIO OF SVOBODA & WILLIAMS

A Year-on-Year Comparison (H1 2021 vs. H1 2020)

PRAGUE RESIDENTIAL PROPERTIES FROM THE PORTFOLIO OF SVOBODA & WILLIAMS

SALES

The number of properties in Svoboda & Williams’ portfolio didn’t fluctuate significantly and remained stable: an **average of 70 apartments and family houses per month were added to it** in the first half of 2021.

The only significant decrease in properties for sale occurred in Prague 1, where their supply declined by 25% in the year-on-year comparison. One of the reasons for this can be the current hope for the comeback of short-term rentals in the city center. The number of apartments for sale also fell in Prague 6 and Prague 8—in traditional residential locations like Dejvice, Bubeneč, or Karlín, for instance, demand has long far outpaced supply. Current owners therefore don’t have a reason to sell their properties, and they also realize that properties in these locations retain their values.

The stock of family houses for sale fell by 12%, since individual construction in this segment is far more common than large-scale residential development, which typically results in apartments. Demand has been very strong in the long-term, however, and the pandemic has actually multiplied it.

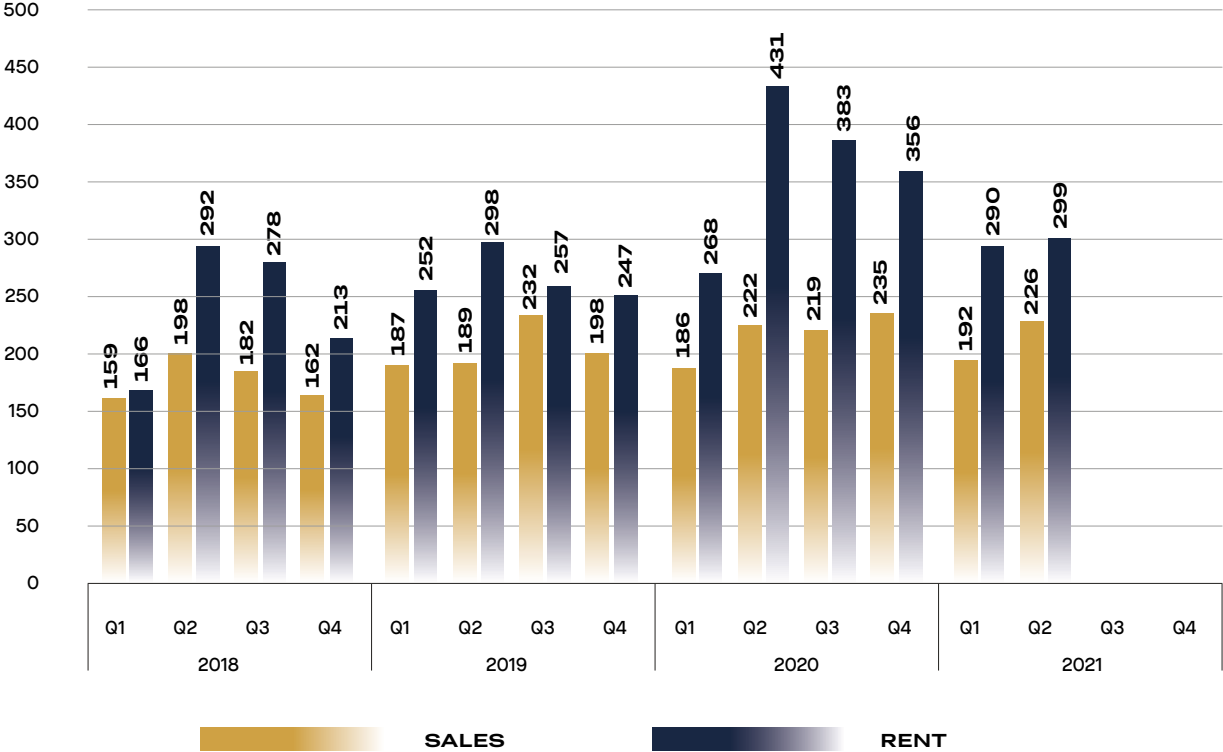
RENT

Since the outbreak of the pandemic, we’ve seen a significant increase in the number of apartments for rent in Svoboda & Williams’ portfolio. As the **situation in the Prague residential market, especially in the city center, has started to stabilize**, the number of apartments offered for long-term rent has gotten closer to its pre-pandemic figures. In the first half of 2021, an average of **98 apartments per month** were added to the total stock of apartments for rent.

We registered the most significant decline in Prague 1, where supply decreased by half. Other districts remained stable in this respect. “A return to normal can best be seen in one-bedroom apartments with monthly rents of up to twenty thousand crowns—last year there were approximately twenty-five per month and this year only seven on average. **At the same time, I wouldn’t say that the situation on the market once again favors landlords. Currently, in fact, it’s favorable to both parties,**” said David Šimeček, head of the residential rentals team at Svoboda & Williams.

In the future, the supply of properties for rent may be significantly influenced by the introduction of larger rental complexes managed by institutional investors, especially in areas such as Vysočany, Barrandov, and Karlín, where the Fragment project by Trigema and the Block B project by AFI are currently being built. “In the case of these rental projects, however, it will be a slightly different product. Standards will be changed, and so Prague’s rental portfolio will be expanded by the addition of fully furnished apartments in large residential complexes with a reception and a wide range of hotel-style services, which in all likelihood will be reflected in their rents,” said Pavel Zadina, analyst at Svoboda & Williams.

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

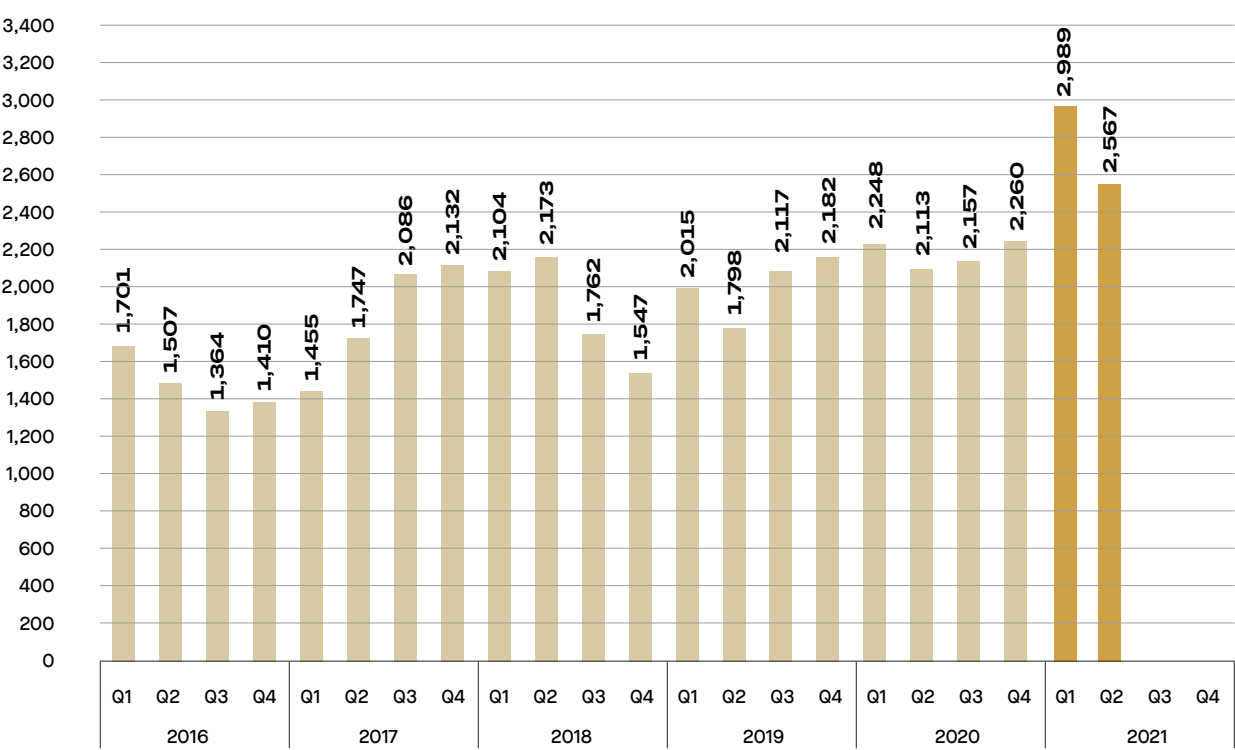
SALES

The total number of inquiries for properties in Svoboda & Williams' portfolio in the monitored period had a **year-on-year increase of 27%**, driven in particular by an extremely healthy first quarter of the year, **which was the strongest in the last five years in terms of demand**. Thanks to the easing of the restrictions and the growing hope for an end to the pandemic, as well as the generally more favorable outlook for the future, the number of inquiries for properties for sale also went up in the second quarter compared to previous years. The availability of mortgages, the securing of financial resources, and the expectations of further growth were also key factors.

It's currently impossible to specify what product was most in demand by clients. **There is very strong interest in all types of properties**—both smaller apartments (studios and one-bedrooms), as well as family apartments (two-bedrooms and larger), and the situation is the same when it comes to the family house segment. The number of cases when multiple bidders competed for a single offer within a short period of time also increased, and so owners could select a buyer based on the highest price offered.

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%
	Q2	1,747	20,0%	15%
	Q3	2,086	19,5%	53%
	Q4	2,132	2,2%	51%
2018	Q1	2,104	-1,3%	45%
	Q2	2,173	3,2%	24%
	Q3	1,762	-18,9%	-16%
	Q4	1,547	-12,2%	-27%
2019	Q1	2,015	30,2%	-4%
	Q2	1,798	-10,7%	-17%
	Q3	2,117	17,7%	20%
	Q4	2,182	3,1%	41%
2020	Q1	2,248	3,0%	12%
	Q2	2,113	-6,0%	17%
	Q3	2,157	2,1%	1,9%
	Q4	2,260	4,8%	3,6%
2021	Q1	2,989	32,3%	33%
	Q2	2,567	-14,1%	21%

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



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

RENT

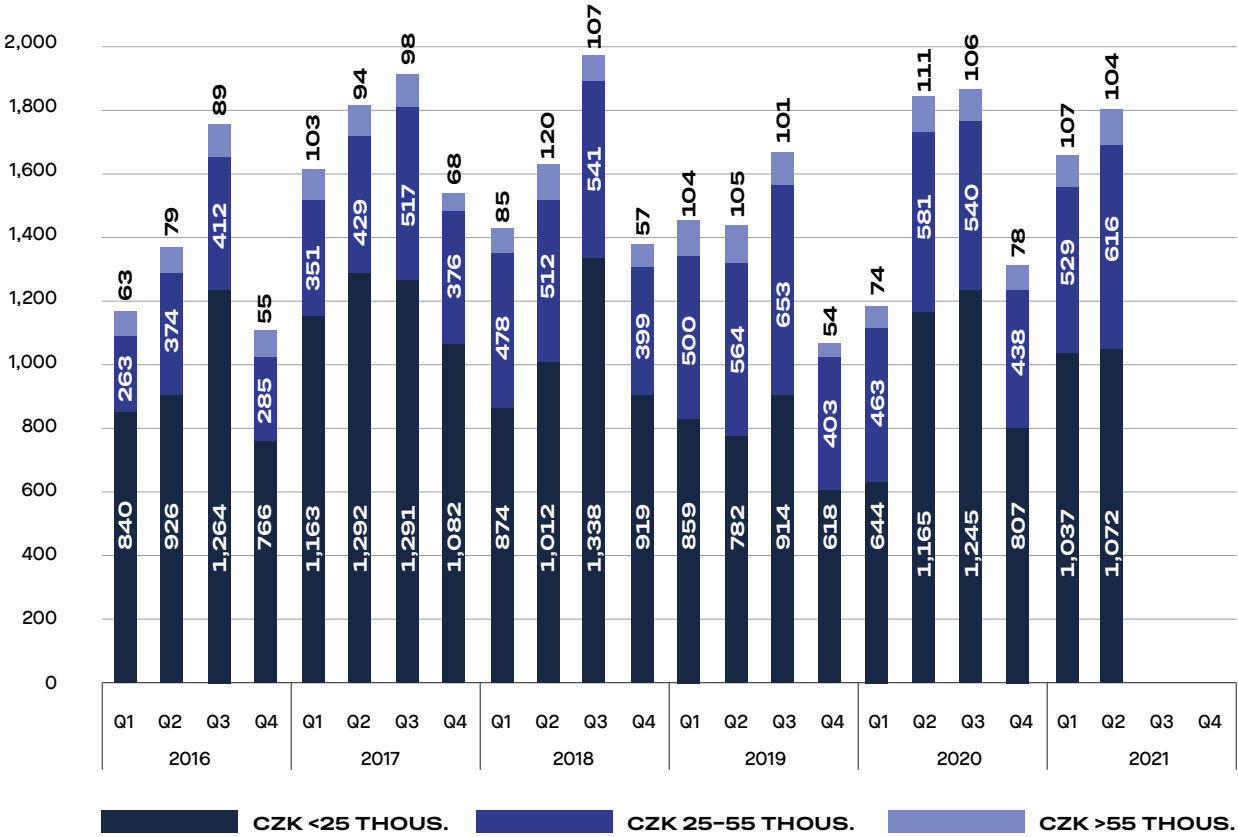
In the first half of this year, **the total number of inquiries for residential properties for rent from the portfolio of Svoboda & Williams went up by 14%**. The most significant increase took place in the segment with monthly rents of up to CZK 25,000/month—a **year-on-year growth of 16%**, which was again partly driven by the increase in supply in this segment. In the medium-price segment with monthly rents from CZK 25,000 to CZK 55,000 per month, we also saw an uptick in demand—**10% in the year-on-year comparison**. In the highest-price apartment segment with monthly rents of CZK 55,000/month and higher, a more significant growth in inquiries occurred after a long period of time had elapsed; demand **rose by 14%** compared to the same period in the previous year.

The coronavirus pandemic has fundamentally changed the requirements for the quality of rental properties, a trend that has persisted in the first half of the year. “Small apartments with inappropriately designed layouts in particular are now very difficult to let, so it’s to be expected that their owners will make it a priority to offer them for short-term rent again. **Clients now have more demands when it comes to living space, and not only because they’re currently working from home more often,**” explained David Šimeček.

Demand for properties for rent in Svoboda & Williams’ portfolio was revived after a year’s pause by foreign clients. **“International students and expats have been making inquiries since March,** always several months in advance. Compared to Czech clients they’re now unfortunately at a disadvantage, since property owners don’t want to wait that long and the situation is still uncertain due to COVID-19,” concluded Šimeček.

Year	Quarter	Number of inquiries	Quarter-on-quarter comparison (q/q)	Year-on-year comparison (y/y)
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	1,644	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	1,891	2%	13%
	Q4	1,323	-30%	23%
2021	Q1	1,673	26%	42%
	Q2	1,792	7%	-4%

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



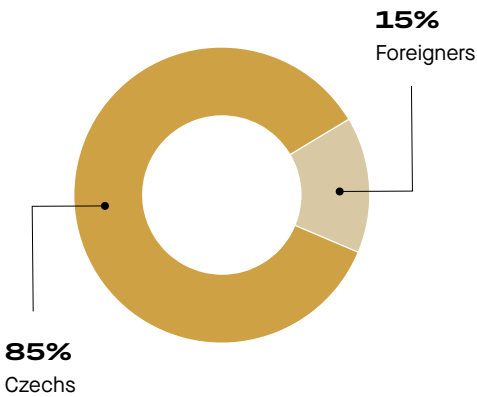
Note: The stated number of inquiries represents people interested in renting a property.

SALES

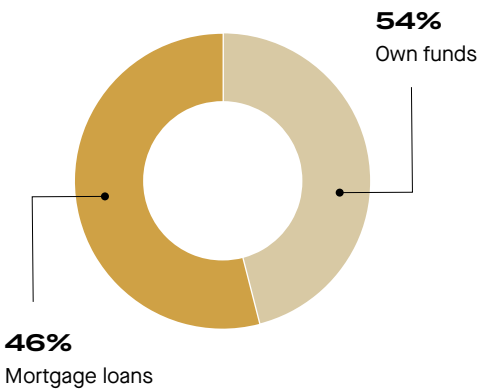
In the first half of this year, **the proportion of local buyers continued to grow, climbing up to 85%**. For the first time, Slovaks were no longer in first place among our foreign clients as they had been in previous years, but the sample we examined revealed an almost equal representation of buyers from Slovakia, Germany, the United Kingdom, Austria, Russia, the USA, and France.

While last year, for the first time, there was a higher number of clients who financed the purchase of a property with a mortgage, in the first half of 2021 once again the majority of buyers bought property using their own financial resources, this time coming to 54%.

RATIO OF CZECH AND FOREIGN BUYERS



FINANCING THE PURCHASE OF PROPERTY

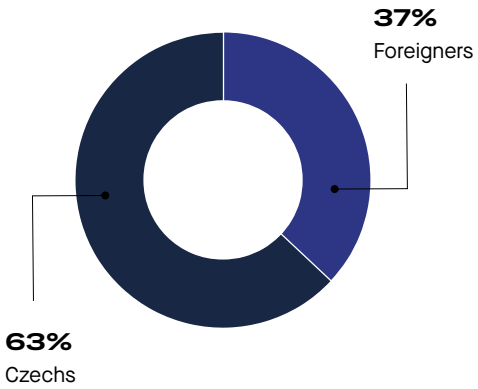


RENT

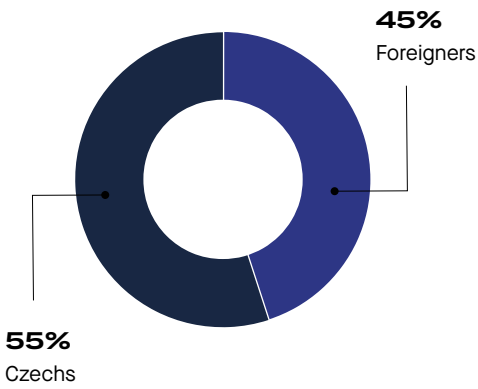
Due to the current situation, most of the clients inquiring about properties for rent from Svoboda & Williams’ portfolio continued to be locals. In the past six months, like in 2020, **but to a greater extent than in previous years, they accounted for more than two thirds of our total number of inquiries**. There was a smaller proportion of them in the highest-price segment with monthly rents of over CZK 55,000/month.

In terms of the proportion of clients who actually rented one of our offered properties, the number of Czech inquiries this time exceeded foreign inquiries—55% of rental agreements were signed by Czech clients, whereas in previous years foreign clients were in the majority. In the segment with monthly rents of up to CZK 25,000/month, we even recorded a 61% predominance of Czech clients, **and for the first time they led the highest-price segment with rents of over CZK 55,000/month, where expats have always dominated**. “This is a phenomenon we haven’t encountered in previous years. The most expensively priced segment was always the domain of foreign clients, such as CEOs of large corporations, but now even wealthy Czechs are willing to pay high rents,” said Andrea Střechová, senior property consultant in Svoboda & Williams’ residential rentals team.

RATIO OF CZECH AND FOREIGN CLIENTS INQUIRING ABOUT A PROPERTY



RATIO OF CLIENTS WHO RENTED A PROPERTY

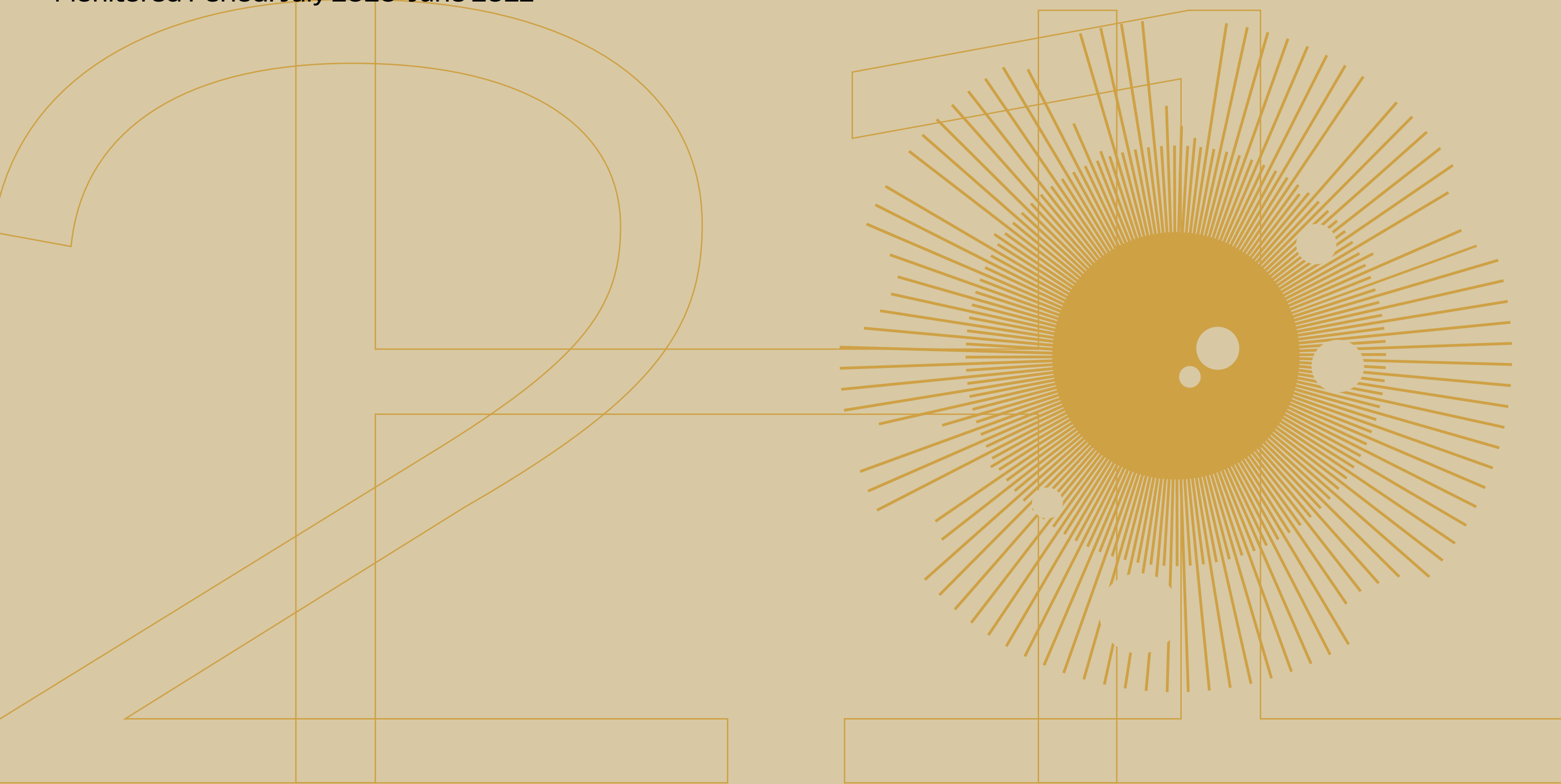


OVERVIEW OF RENTAL PRICE SEGMENTS —RENTAL INQUIRIES VS. REALIZED RENTAL TRANSACTIONS

Price segments	Inquiries		Realized rental transactions	
	Czechs	Foreigners	Czechs	Foreigners
CZK <25 thous.	70%	30%	61%	39%
CZK 25-55 thous.	70%	30%	48%	52%
CZK >55 thous.	63%	37%	53%	47%
Total	63%	37%	55%	45%

PRICE ANALYSIS

The Prague Residential Market
Monitored Period: July 2020–June 2021



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 1,400 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.

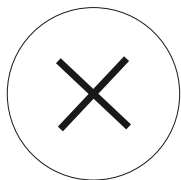
The monitored real estate includes apartments in Prague 1-10. Svoboda & Williams has a minimum representation of apartments in other municipal districts. In each municipal part, premium areas where higher prices are achieved are represented, e.g. Prague 6 is mainly represented by Bubeneč, Dejvice, Střešovice, 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 an apartment (according to the Civil Code) includes a portion 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 (07/2020-6/2021), percentage changes are year-on-year (07/2020-6/2021 vs. 07/2019-6/2020). 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, an apartment with two bedroom and a kitchenette (2+kk) with an area of 50 sq. m. is normally leased for nearly the same price as an 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 development of rental prices, we biannually compile The Rental Price Index by S&W + VŠE, an analytical tool developed by Svoboda & Williams in cooperation with the Faculty of Informatics and Statistics of the University of Economics in Prague. It works just like the Consumer Price Index compiled by the Czech Statistical Office. See more information about The Rental Price Index by Svoboda & Williams + VŠE at the end of Analysis chapter.

DATA ANALYSIS

METHODOLOGY OF SVOBODA & WILLIAMS



LISTED PRICE



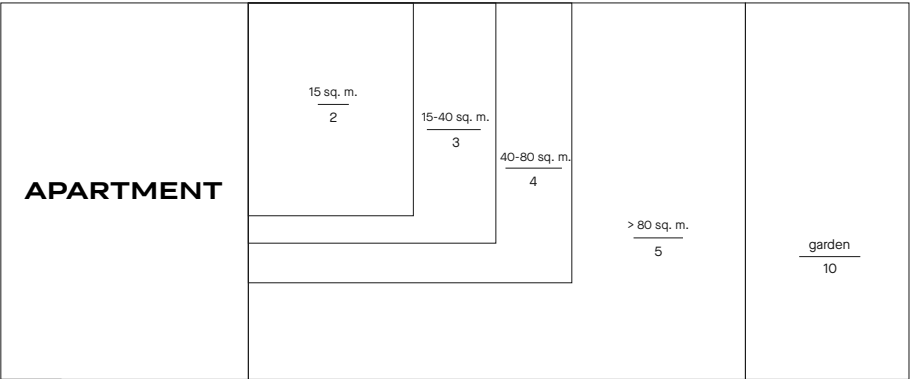
ACHIEVED PRICE

Price per sq. m =

Achieved sales price - price of parking

Apartement 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.

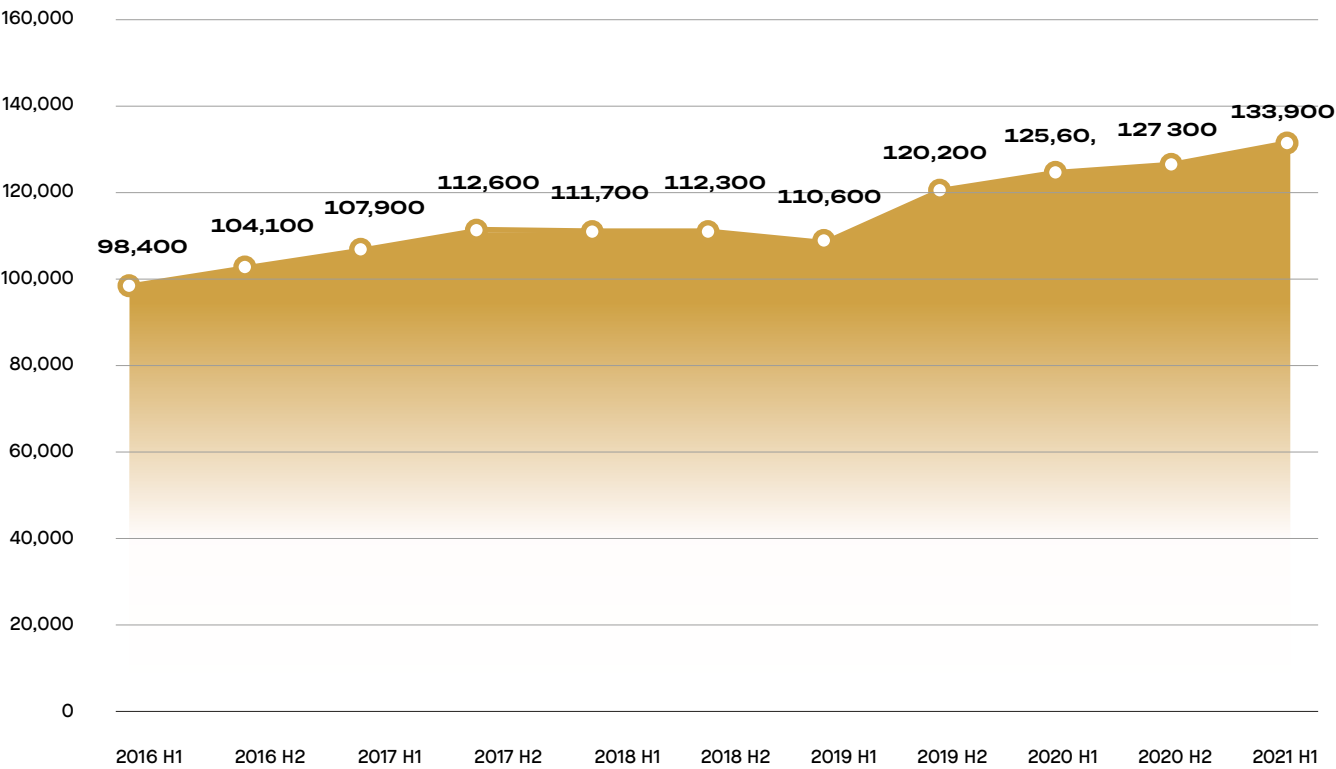
In the monitored period (July 2020–June 2021) **the average achieved price per square meter of a Prague premium apartment continued to grow**, reaching **CZK 130,800, a year-on-year increase of 8.8%**. In parallel, the **average total achieved price for an apartment, which at the end of the first half of this year came to CZK 13,529,000**, also went up. In the year-on-year comparison, this is an increase of 19.9%, due to, among other factors, a change in the sample—demand for more spacious apartments increased as a result of the pandemic.

While the **average price of an older apartment rose by 10.7% and reached CZK 128,800/sq. m., a new apartment cost CZK 134,200 CZK/sq. m. on average—a year-on-year growth of 8.7%**. Last year’s trend of bigger apartment floor areas continued this year in the sample monitored by Svoboda & Williams. In the period under review, their value went up by 6.5%, which was caused by the change in the layouts sold. Prior to the pandemic, buyers searched for more efficient apartment layouts, such as a three-bedroom, 120 sq. m. apartment, for example. **This year, however, three-bedroom apartments had an average floor area of 137 sq. m. and four-bedroom apartments 187 sq. m.** “Clients’ views on the selling prices of the individual layouts changed significantly last year. While previously a price tag of eight million crowns for a one-bedroom apartment was seen as exorbitant, today clients have no problem paying this amount,” adds Pavel Zadina, analyst at Svoboda & Williams.

The average achieved rent for an apartment in Svoboda & Williams’ sample during the monitored period was **CZK 31,000/month, which is 6.6% less than in the same period in the previous year**. The Rental Price Index by Svoboda & Williams + VŠE, which adjusts the change in price for the differences in the rental structure and which we use to monitor the development of rental prices on a six-month basis, **reports a slight annual year-on-year growth of 0.3% during the first half of 2021**. Since 2015, the Index has recorded a total increase of 19.7% in rents. More details on the Rental Price Index by S&W + VŠE can be found in the conclusion of the analytical section. Most of the rental apartments in the sample had one-bedroom and two-bedroom layouts. In the monitored period, they constituted 73% of all of Svoboda & Williams’ transactions. One-bedroom apartments were rented for an average of CZK 21,500 per month and two-bedroom apartments for CZK 31,200.

The premium segment of the residential market, which is monitored by Svoboda & Williams, is more modest in terms of its range, and so the overall results are more sensitive to what projects were sold or rented in the given period.

DEVELOPMENT OF THE AVERAGE ACHIEVED PRICE PER SQ. M. IN PRAGUE’S PREMIUM SEGMENT



DATA SUMMARY

OVERALL SUMMARY OF AVERAGE ACHIEVED
RENTAL PRICES IN MUNICIPAL DISTRICTS
(JULY 2020– JUNE 2021)

Municipal district	Ø Monthly rent	Ø Apt. floor space	Ø Monthly rent	
			1bdrm	2bdrm
Prague 1	CZK 37,400	112.3 sq. m.	CZK 24,300	CZK 37,700
Prague 2	CZK 34,200	95.9 sq. m.	CZK 21,900	CZK 31,100
Prague 3	CZK 26,600	72.0 sq. m.	CZK 22,200	CZK 35,000
Prague 4	CZK 25,600	89.5 sq. m.	CZK 17,800	CZK 26,500
Prague 5	CZK 29,500	87.5 sq. m.	CZK 20,700	CZK 27,800
Prague 6	CZK 34,600	109.6 sq. m.	CZK 21,100	CZK 29,500
Prague 7	CZK 27,200	85.4 sq. m.	CZK 21,500	CZK 27,700
Prague 8	CZK 26,200	72.0 sq. m.	CZK 21,600	CZK 31,300
Prague 9	CZK 20,700	69.9 sq. m.	CZK 16,800	CZK 23,600
Prague 10	CZK 26,400	89.4 sq. m.	CZK 18,700	CZK 29,000

Source: data of Svoboda & Williams

AVERAGE ACHIEVED RENTS VS. SALES PRICES
FOR SPECIFIC LAYOUTS IN PRAGUE 1-10
(JULY 2020– JUNE 2021)

Layout	Ø Monthly rent	Rentals Ø apt. floor space	Ø Selling price	Sales Ø apt. floor space
studio	CZK 15,200	39.8 sq. m.	CZK 4,670,000	36 sq. m.
1bdrm	CZK 21,500	63.5 sq. m.	CZK 8,183,000	58 sq. m.
2bdrm	CZK 31,200	100.1 sq. m.	CZK 13,392,000	95 sq. m.
3bdrm	CZK 45,100	137.0 sq. m.	CZK 19,322,000	135 sq. m.
4bdrm	CZK 67,400	193.5 sq. m.	CZK 30,619,000	181 sq. m.

Source: data of Svoboda & Williams

DATA SUMMARY

OVERALL SUMMARY OF AVERAGE ACHIEVED SALES PRICES
IN MUNICIPAL DISTRICTS (JULY 2020– JUNE 2021)

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 21,383,000	CZK 177,800	115 sq. m.	CZK 174,600	CZK 181,000	CZK 12,327,600	CZK 23,025,000
Prague 2	CZK 12,236,000	CZK 146,900	86 sq. m.	CZK 151,700	CZK 142,500	CZK 9,768,600	CZK 13,896,200
Prague 3	CZK 11,529,000	CZK 128,500	86 sq. m.	CZK 141,700	CZK 117,100	CZK 6,424,900	CZK 11,238,300
Prague 4	CZK 10,710,000	CZK 118,200	81 sq. m.	CZK 114,800	CZK 122,200	CZK 5,942,500	CZK 9,795,000
Prague 5	CZK 11,365,000	CZK 116,650	94 sq. m.	CZK 119,300	CZK 114,000	CZK 7,254,500	CZK 9,933,500
Prague 6	CZK 13,862,000	CZK 123,000	113 sq. m.	CZK 126,400	CZK 120,000	CZK 6,945,000	CZK 11,775,900
Prague 7	CZK 15,396,000	CZK 126,400	114 sq. m.	CZK 134,000	CZK 118,900	CZK 7,499,700	CZK 12,542,900
Prague 8	CZK 10,736,000	CZK 120,900	86 sq. m.	CZK 124,700	CZK 112,700	CZK 6,894,200	CZK 12,735,200
Prague 9*	N/A						
Prague 10	CZK 10,754,000	CZK 121,900	77 sq. m.	CZK 135,400	CZK 102,900	CZK 5,455,000	CZK 12,883,000

* Not enough data was available for Prague 9
Source: data of Svoboda & Williams

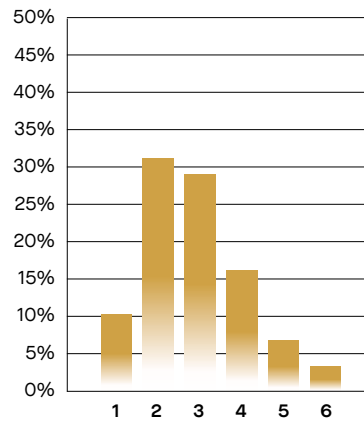
PRAGUE

Average values during the monitored period (July 2020–June 2021) and their year-on-year change.

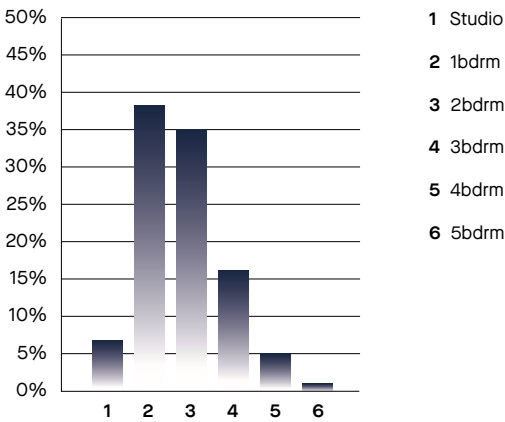
	Ø Apt. price	Ø Apt. size	Ø Price per sq.m.	Ø Price per sq. m.		Ø Apt. price	
				New apt.	Resale apt.	1bdrm	2bdrm
Sales	CZK 13,529,000	96.1 sq.m.	CZK 130,800	CZK 134,200	CZK 128,800	CZK 8,183,000	CZK 13,392,000
	19.9%	6.5%	8.8%	8.7%	10.7%	15.3%	10.8%
Rental	CZK 31,000	92.6 sq.m.	N/A		CZK 21,000		CZK 31,200
	-6.6%	-0.4%			-9,7%		-6.0%

LAYOUTS BY PERCENTAGE IN THE MONITORED SAMPLE OF PROPERTIES

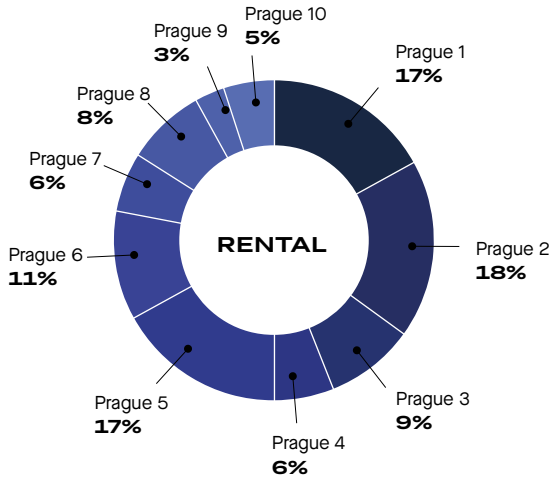
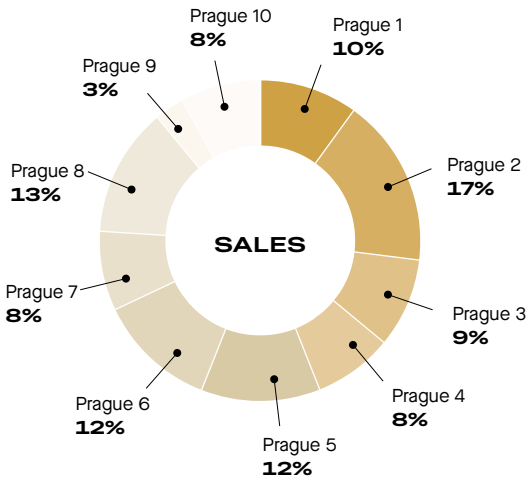
SALES



RENTAL



LOCATION OF THE MONITORED PROPERTIES



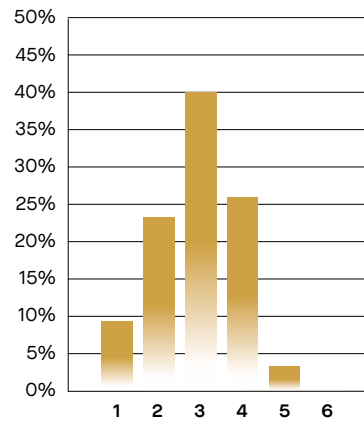
PRAGUE 1

Average values during the monitored period (July 2020–June 2021) and their year-on-year change.

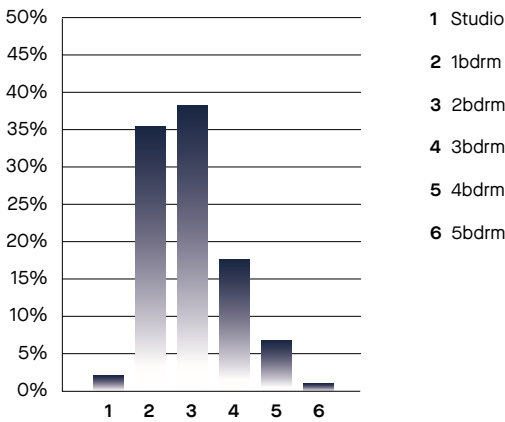
	Ø Apt. price	Ø Apt. size	Ø Price per sq. m.		Ø Price per sq. m.	
			New apt.	Resale apt.	1bdrm	2bdrm
Sales	CZK 21,383,000	151.1 sq.m.	CZK 174,600	CZK 181,000	CZK 12,328,000	CZK 23,025,000
	28%	19%	2%	4%	11%	46%
Rental	CZK 37,400	112.3 sq.m.	N/A		CZK 24,300	CZK 37,700
	-9%	-1%			-15%	-12%

LAYOUTS BY PERCENTAGE IN THE MONITORED SAMPLE OF PROPERTIES

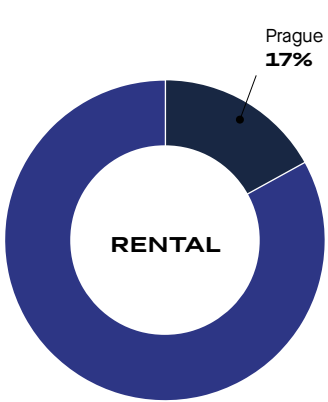
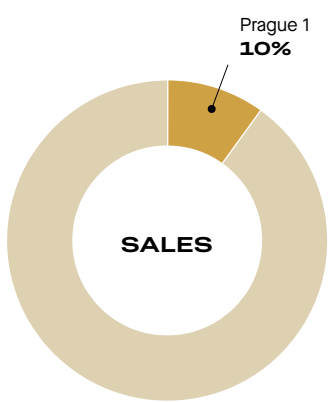
SALES



RENTAL



LOCATION OF THE MONITORED PROPERTIES



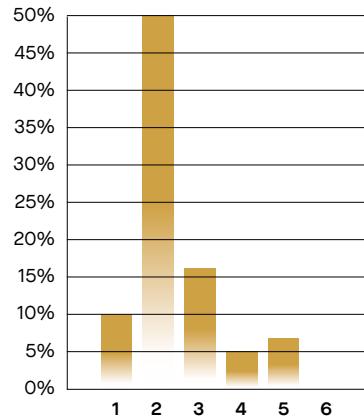
PRAGUE 2

Average values during the monitored period (July 2020–June 2021) and their year-on-year change.

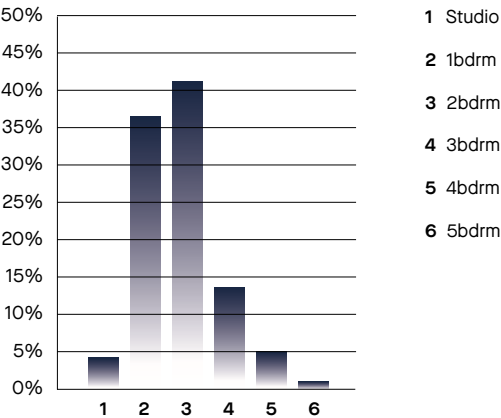
	Ø Apt. price	Ø Apt. size	Ø Price per sq. m.		Ø Price per sq. m.	
			New apt.	Resale apt.	1bdrm	2bdrm
Sales	CZK 12,236,000	85.9 sq.m.	CZK 151,700	CZK 142,500	CZK 9,769,000	CZK 13,896,000
	12%	-4%	6%	20%	18%	7%
Rental	CZK 34,200	95.9 sq.m.	N/A		CZK 21,900	CZK 31,100
	-3%	-0%			-14%	-7%

LAYOUTS BY PERCENTAGE IN THE MONITORED SAMPLE OF PROPERTIES

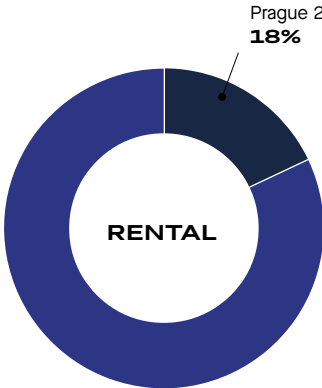
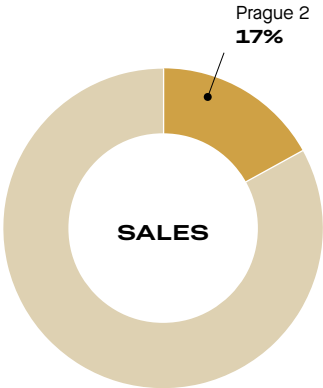
SALES



RENTAL



LOCATION OF THE MONITORED PROPERTIES



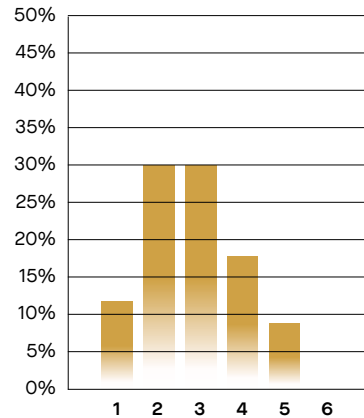
PRAGUE 3

Average values during the monitored period (July 2020–June 2021) and their year-on-year change.

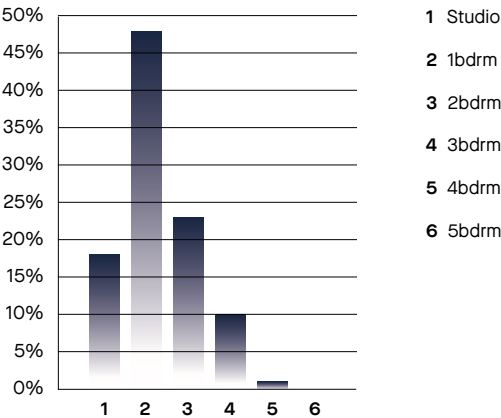
	Ø Apt. price	Ø Apt. size	Ø Price per sq. m.		Ø Price per sq. m.	
			New apt.	Resale apt.	1bdrm	2bdrm
Sales	CZK 11,529,000	85.5 sq.m.	CZK 141,700	CZK 117,100	CZK 6,425,000	CZK 11,238,000
	18%	2%	16%	12%	8%	0%
Rental	CZK 26,600	72.0 sq.m.	N/A		CZK 22,200	CZK 35,000
	-15%	-11%			-10%	16%

LAYOUTS BY PERCENTAGE IN THE MONITORED SAMPLE OF PROPERTIES

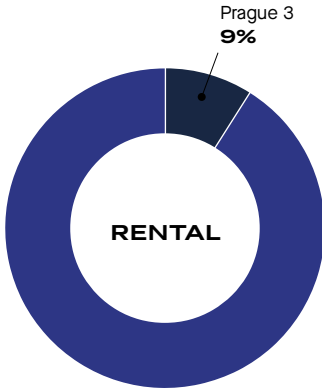
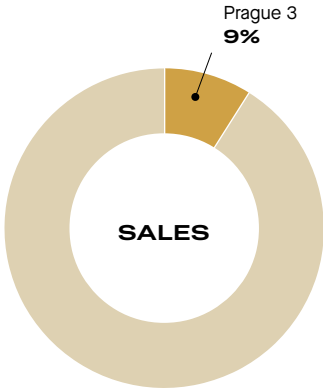
SALES



RENTAL



LOCATION OF THE MONITORED PROPERTIES



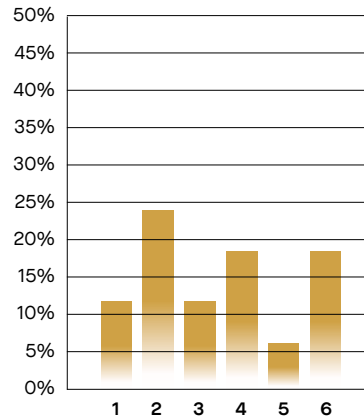
PRAGUE 4

Average values during the monitored period (July 2020–June 2021) and their year-on-year change.

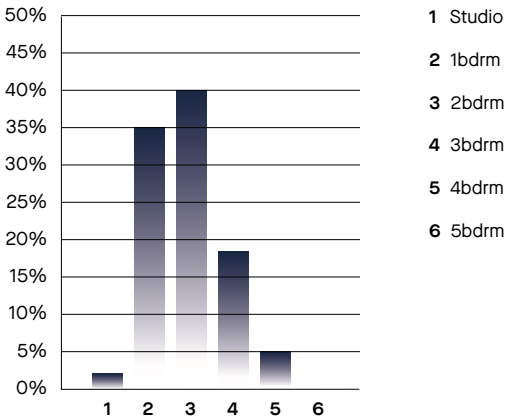
	Ø Apt. price	Ø Apt. size	Ø Price per sq. m.		Ø Price per sq. m.	
			New apt.	Resale apt.	1bdrm	2bdrm
Sales	CZK 10,710,000	81.1 sq.m.	CZK 114,800	CZK 122,200	CZK 5,943,000	CZK 9,795,000
	16%	6%	12%	16%	21%	6%
Rental	CZK 25,600	89.5 sq.m.	N/A		CZK 17,800	CZK 26,500
	-10%	6%			-10%	-21%

LAYOUTS BY PERCENTAGE IN THE MONITORED SAMPLE OF PROPERTIES

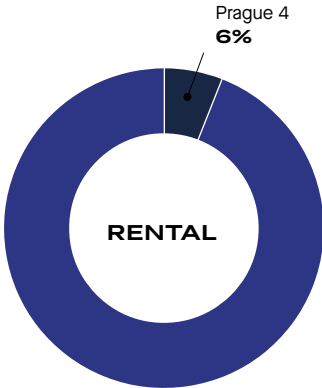
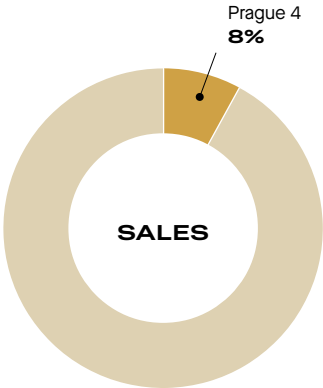
SALES



RENTAL



LOCATION OF THE MONITORED PROPERTIES



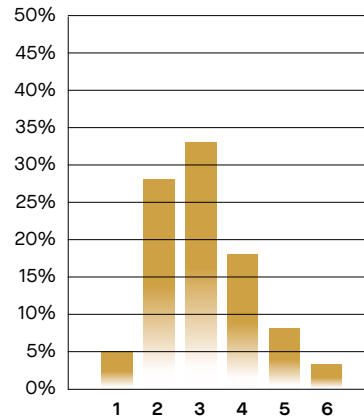
PRAGUE 5

Average values during the monitored period (July 2020–June 2021) and their year-on-year change.

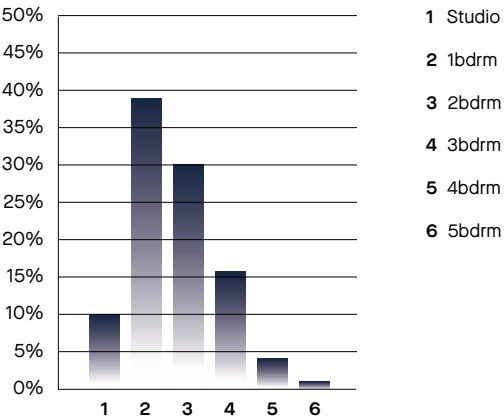
	Ø Apt. price	Ø Apt. size	Ø Price per sq. m.		Ø Price per sq. m.	
			New apt.	Resale apt.	1bdrm	2bdrm
Sales	CZK 11,365,000	94.3 sq.m.	CZK 119,300	CZK 114,000	CZK 7,255,000	CZK 9,933,000
	3%	-4%	9%	6%	5%	2%
Rental	CZK 29,500	87.5 sq.m.	N/A		CZK 20,700	CZK 27,800
	-2%	-1%			-9%	-6%

LAYOUTS BY PERCENTAGE IN THE MONITORED SAMPLE OF PROPERTIES

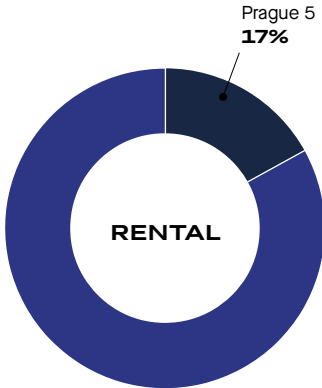
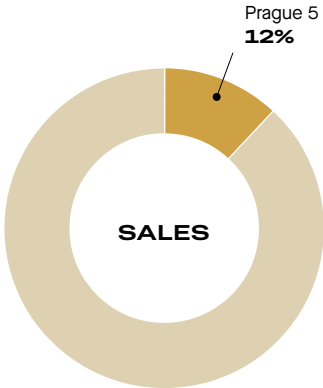
SALES



RENTAL



LOCATION OF THE MONITORED PROPERTIES



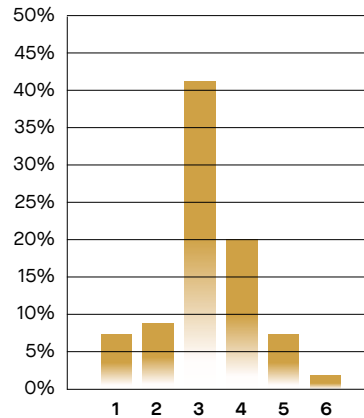
PRAGUE 6

Average values during the monitored period (July 2020–June 2021) and their year-on-year change.

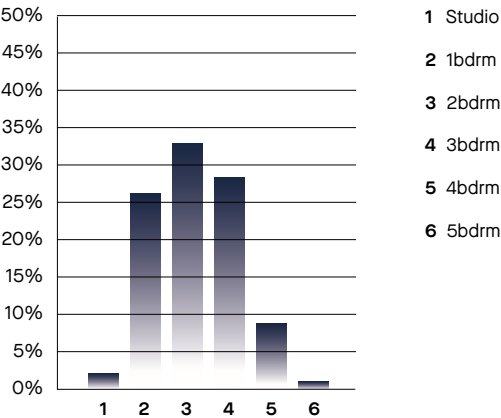
	Ø Apt. price	Ø Apt. size	Ø Price per sq. m.		Ø Price per sq. m.	
			New apt.	Resale apt.	1bdrm	2bdrm
Sales	CZK 13,862,000	112.5 sq.m.	CZK 126,400	CZK 120,000	CZK 6,945,000	CZK 11,776,000
	2%	-2%	9%	15%	-6%	-9%
Rental	CZK 34,600	109.6 sq.m.	N/A		CZK 21,100	CZK 29,500
	-1%	11%			0.5%	-3%

LAYOUTS BY PERCENTAGE IN THE MONITORED SAMPLE OF PROPERTIES

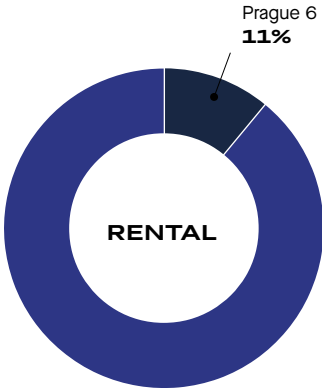
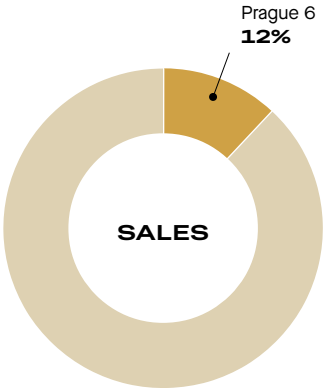
SALES



RENTAL



LOCATION OF THE MONITORED PROPERTIES



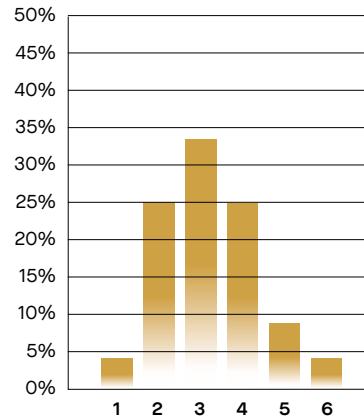
PRAGUE 7

Average values during the monitored period (July 2020–June 2021) and their year-on-year change.

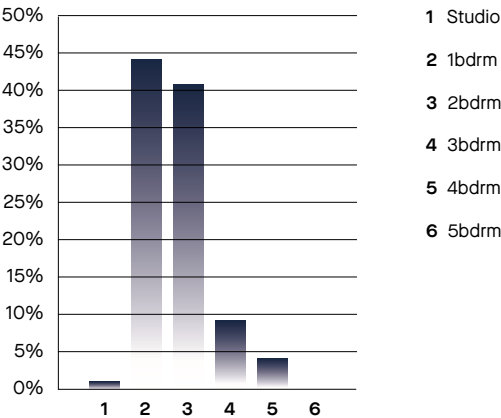
	Ø Apt. price	Ø Apt. size	Ø Price per sq. m.		Ø Price per sq. m.	
			New apt.	Resale apt.	1bdrm	2bdrm
Sales	CZK 15,396,000	113.6 sq.m.	CZK 134,000	CZK 118,900	CZK 7,500,000	CZK 12,543,000
	55%	28%	32%	11%	20%	21%
Rental	CZK 27,200	85.4 sq.m.	N/A		CZK 21,500	CZK 27,700
	-6%	3%			-7%	-5%

LAYOUTS BY PERCENTAGE IN THE MONITORED SAMPLE OF PROPERTIES

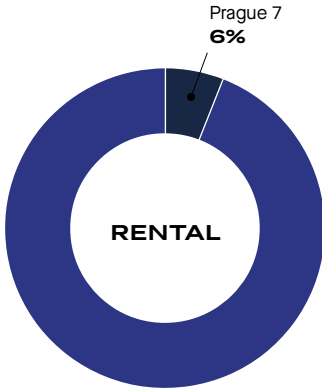
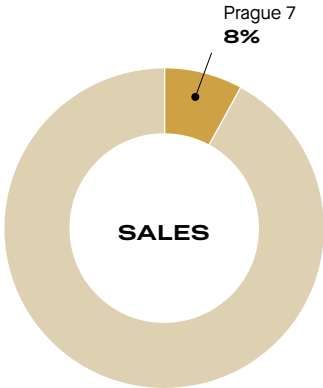
SALES



RENTAL



LOCATION OF THE MONITORED PROPERTIES



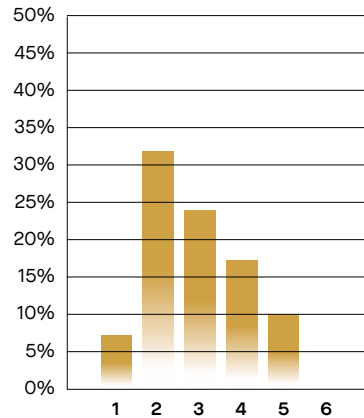
PRAGUE 8

Average values during the monitored period (July 2020–June 2021) and their year-on-year change.

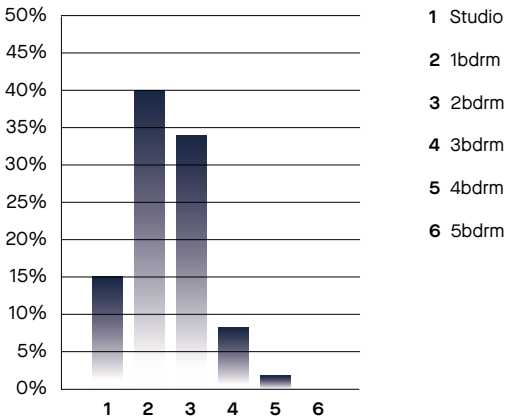
	Ø Apt. price	Ø Apt. size	Ø Price per sq. m.		Ø Price per sq. m.	
			New apt.	Resale apt.	1bdrm	2bdrm
Sales	CZK 10,736,000	86.4 sq.m.	CZK 124,700	CZK 112,700	CZK 6,894,000	CZK 12,735,000
	26%	11%	13%	9%	-10%	8%
Rental	CZK 26,200	72.0 sq.m.	N/A		CZK 25,700	CZK 33,000
	-4%	-6%			11%	7%

LAYOUTS BY PERCENTAGE IN THE MONITORED SAMPLE OF PROPERTIES

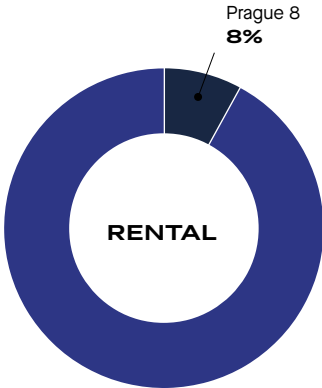
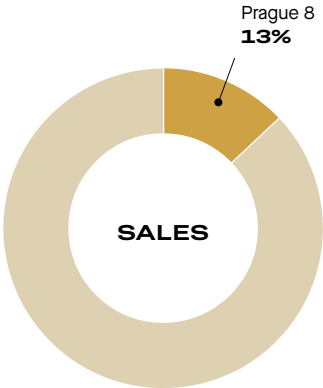
SALES



RENTAL



LOCATION OF THE MONITORED PROPERTIES



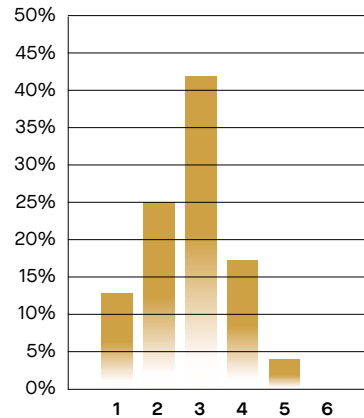
PRAGUE 10

Average values during the monitored period (July 2020–June 2021) and their year-on-year change.

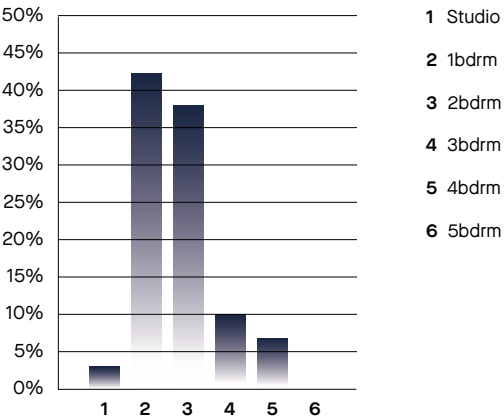
	Ø Apt. price	Ø Apt. size	Ø Price per sq. m.		Ø Price per sq. m.	
			New apt.	Resale apt.	1bdrm	2bdrm
Sales	CZK 10,754,000	76.6 sq.m.	CZK 135,400	CZK 102,900	CZK 5,455,000	CZK 12,883,000
	15%	-4%	18%	1%	4%	10%
Rental	CZK 26,400	89.4 sq.m.	N/A		CZK 18,700	CZK 29,000
	-1%	13%			-4%	-2%

LAYOUTS BY PERCENTAGE IN THE MONITORED SAMPLE OF PROPERTIES

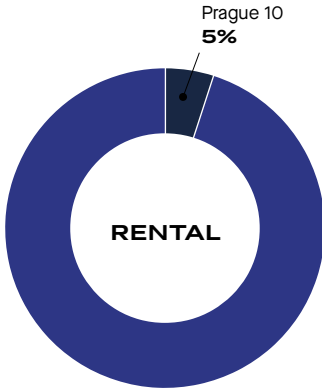
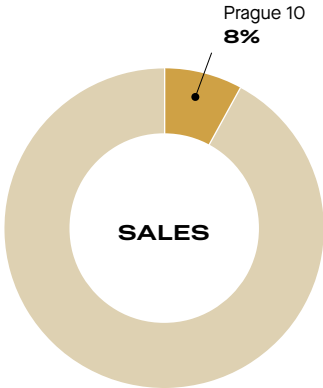
SALES



RENTAL

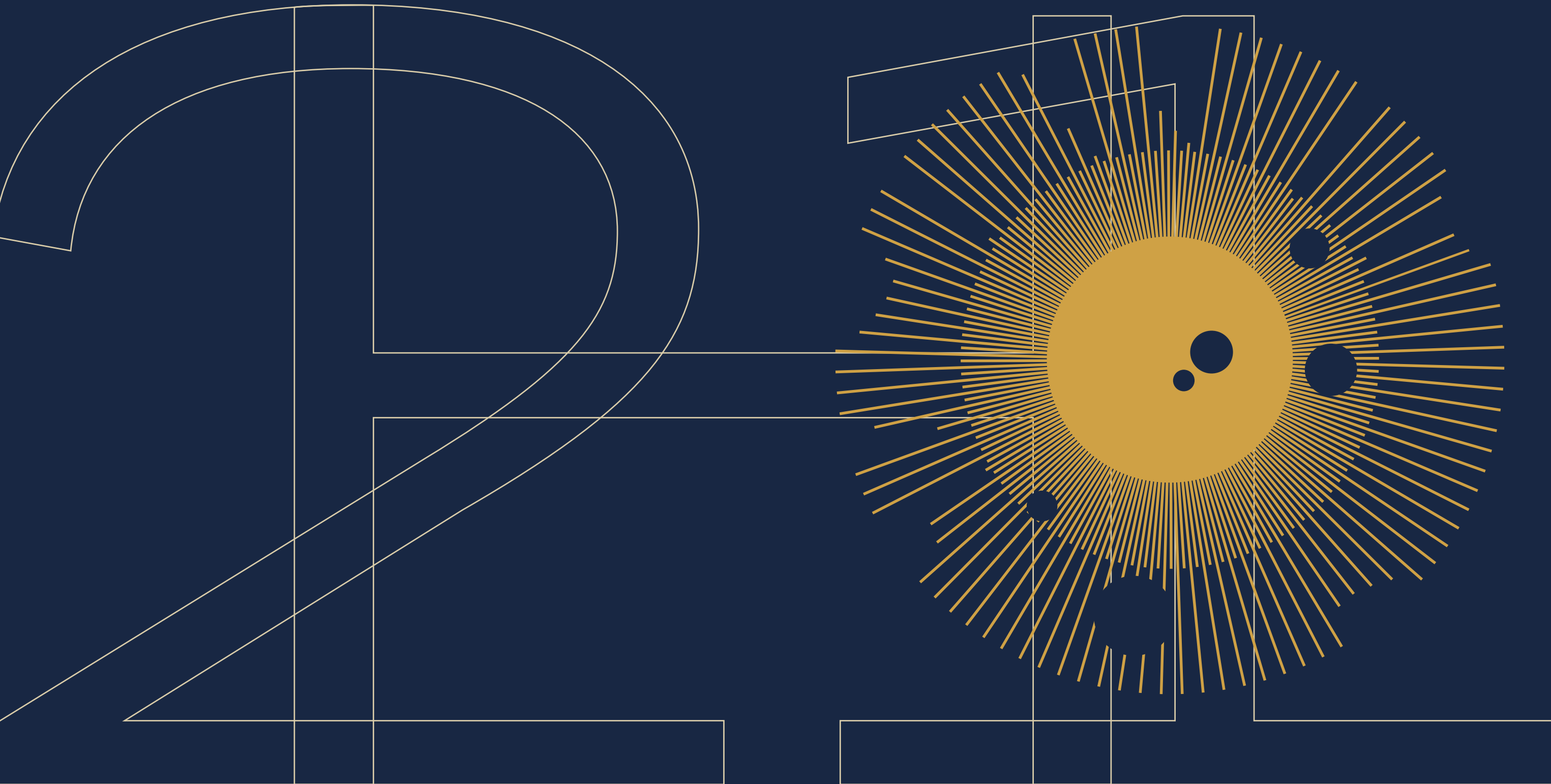


LOCATION OF THE MONITORED PROPERTIES



RENTAL PRICE INDEX

Svoboda & Williams + VŠE



ACHIEVED RENTS FOR PREMIUM APARTMENTS IN PRAGUE – H1 2021 (JANUARY–JUNE 2021)

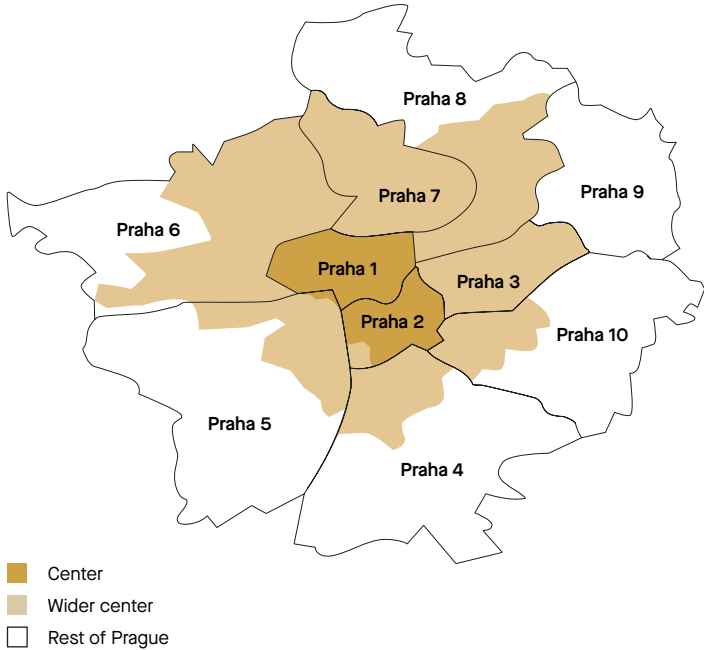
CZK 32,600/month

average achieved rent
in the 1st half of 2021

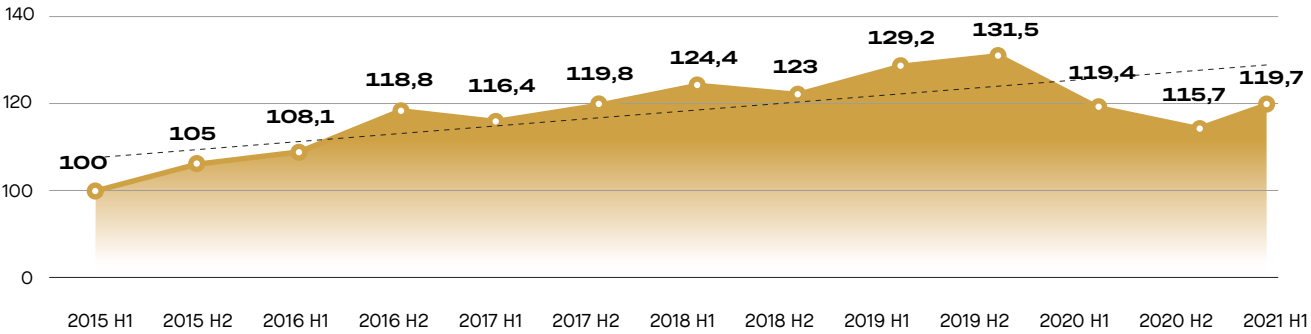
+0.3%

year-on-year
change

	Center		Wider center		Rest of Prague	
Studio to 1bdrm	CZK 20,981	-13.5%	CZK 22 305	+12%	CZK 18 109	-3.8%
2bdrm	CZK 33,303	-9.5%	CZK 31 491	+2.2%	CZK 27 914	+6.9%
3bdrm and larger	CZK 62,657	+7.3%	CZK 50 648	-5.2%	CZK 37 633	+13.5%



THE DEVELOPMENT OF ACHIEVED RENTAL PRICES IN PRAGUE’S PREMIUM SEGMENT (2015 H1 = 100)



The **Rental Price Index by S&W+VŠE** monitors the changes in the average achieved rental price for an apartment in Prague from the portfolio of Svoboda & Williams compared to the same period in the previous year (January–June 2020). The compiled price index calculates the weighted average rental prices for each apartment category.

We also present the **average achieved monthly rents** in the monitored period (January–June 2021) in Prague and for each apartment category (incl. year-on-year changes).

WHAT IS THE RENTAL PRICE INDEX BY SVOBODA & WILLIAMS + VŠE?

The Rental Price Index by S&W + VŠE is an analytical tool monitoring the growth of rental prices in the premium segment in Prague developed by the Svoboda & Williams real estate agency in cooperation with the Faculty of Informatics and Statistics of the University of Economics in Prague. The data is sourced from actually achieved rents of the apartments that were listed by Svoboda & Williams. Annually it amounts to about 1,400 properties in the territory of Prague 1 to Prague 10 with studio to 5-bedroom layouts. Since properties exhibit a high level of heterogeneity, we apply a general price index to the development of their prices. It works just like the Consumer Price Index, which is compiled by the Czech Statistical Office to measure inflation.

WHY SIMPLY COMPARING THE AVERAGE PRICE DEVELOPMENT IS NOT ENOUGH

The development of average rents doesn't correctly reflect the change in prices. This is because the average rent is influenced not only by changes in prices, but also by a changed product structure. Let's give an example. In two monitored periods a sample of apartments including luxury apartments in the center of Prague and cheaper apartments in the broader center have been rented. Prices of both the cheaper and the luxury apartments in the second period remain equal, but more units of the more expensive real estate are sold. This will raise average rents, whereas the price index will remain the same. The general price index is based on the assumption of the fixed presence of rental segments in the portfolio and it expresses a change in

price, which is "cleaned" of the change in the rental structure. The index is calculated as the weighted average of segments where their representation in the portfolio (structure) in the selected fixed period is weighted.

CONSTRUCTION OF THE RENTAL PRICE INDEX BY SVOBODA & WILLIAMS + VŠE

SELECTION OF SEGMENTS

The segmentation made sure that the apartments in the same group were as similar as possible and, on the other hand, that the groups were as different as possible. At the same time, each group must contain a sufficient amount of data. Within the statistical analysis the impact of many factors on the level of rents was examined. These parameters included the specific layout of an apartment, its location, floor, the existence of a terrace, balcony or loggia, or the option to lease a parking space. The analysis proved that the level of rents was most affected by the location and the layout of the apartment and therefore we performed the segmentation based on these two factors.

Based on our expertise and the data analysis of the level of rents, Prague was divided into three locations –the center, the wider center, and the rest of Prague (see map above).

Apartment layouts were chosen as the second factor. Based on the location and the layout we defined 9 segments in total:

	Relative representation in the portfolio		
Segment	Center	Wider center	Rest of Prague
Studio to 1bdrm	11.8%	11.7%	2.4%
2bdrm	13.4%	18.3%	4.2%
3bdrm and larger	15.6%	19.3%	3.4%

Note. Apartments with 5-bedroom layouts and larger are represented too sparsely and they are not included in the analysis.

SELECTION OF WEIGHTS

We assigned weights to the segments on the basis of the structure of the apartments rented during the whole calendar year of 2016. The weight of the segment in the price index is calculated as a proportion of the total rent of the relevant segment to the total rent for all segments brokered in 2016.

In order for the index to be compiled on the basis of a sufficient number of observations,it is compiled on a biannual basis. In practice, biannual indexes are not as common as monthly or quarterly indexes, but they are by no means exceptional. They are, for example, used by the United States Department of Labor for the construction of the consumer price index.

WE CALCULATE TWO KINDS OF INDEXES:

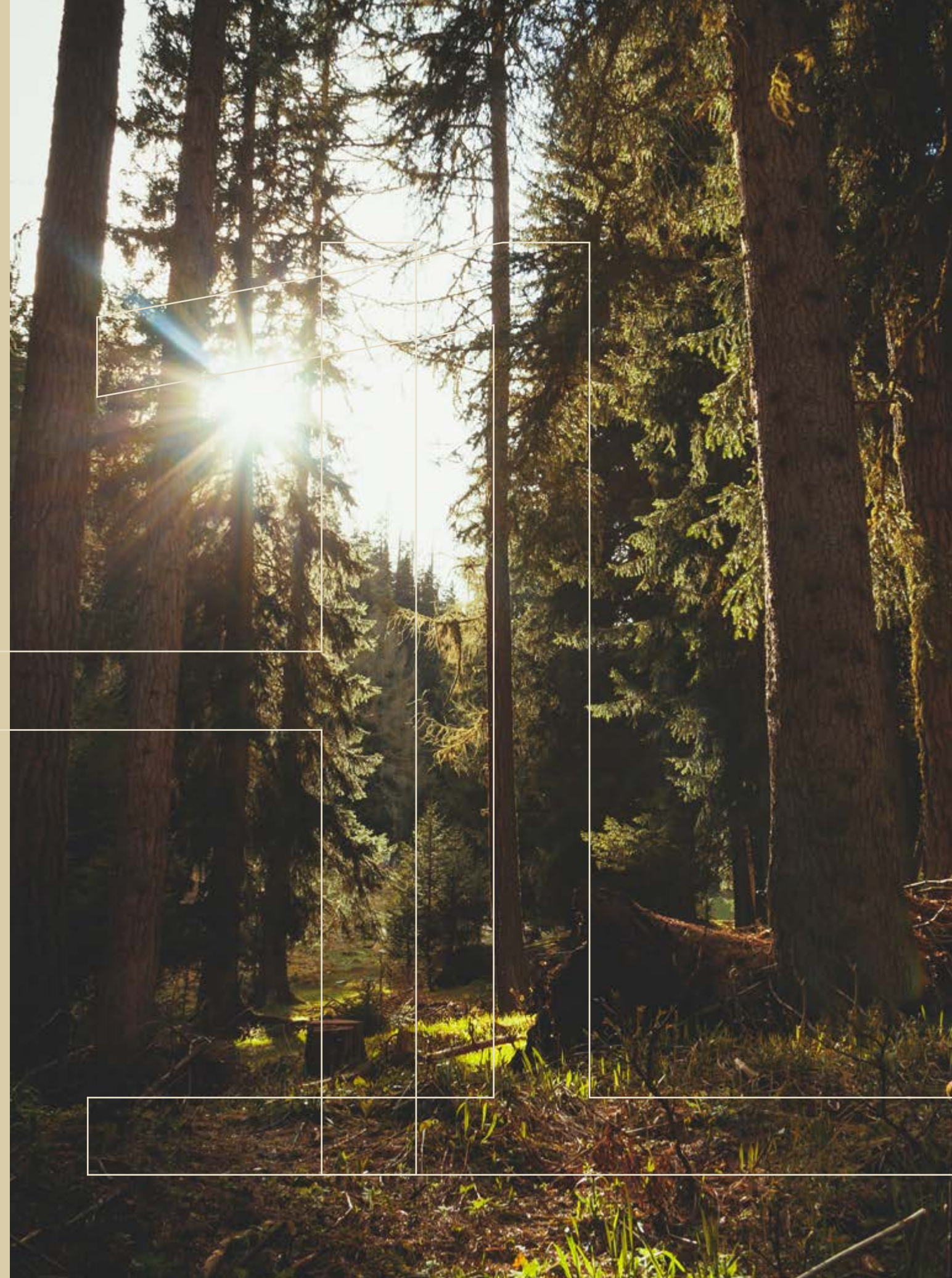
A year-on-year index – monitors the rental price changes between the current half-year period and the corresponding half-year period in the previous year (e.g. H1 2019 vs. H1 2018)

A base index – monitors the rental price changes between the current period and the so-called base period. A stable period considered a long-term default should be selected as the base period, in our case it is H1 2015.

FOCUS

Recreational Properties in the Past and Present

The past year has acted as a catalyst for recreational and vacation properties. Cottages, cabins, houseboats, private apartments in the mountains, stylish retreats close to rivers or lakes, and the possibility to escape the city and enjoy fresh country air have long taken many forms, but demand for all of the above has reached a record high. Read on to find out how interest in recreational properties in the Czech lands evolved over time and how the current unprecedented situation has impacted the premium segment.



THE PANDEMIC AS A TURNING POINT IN THE HISTORY OF RECREATIONAL HOUSING

The Czech tradition of enjoying vacation cottages and cabins in the idyllic countryside dates back to the end of the 19th century. At the time, the industrial revolution was in full swing and the way it changed urban development transformed all aspects of life, including housing, which led to an increased need to spend time outside of the city. **Recreational housing in style, i.e., in opulent residences or in spa towns, was de rigueur for the wealthier classes. In the interwar period, picturesque cottages began to be built in secluded locations, and their owners often rented them out to extended family.** The middle and lower classes also wished to spend their leisure time in the great outdoors, and they began to build small cabins along river valley floors, where tramp settlements and camps started to emerge. In the 1920s and 1930s, this type of recreational housing spilled over into the nationwide tramp movement and some of these wooden huts even became refuges for those who were negatively affected by the Great Depression at the end of the 1920s. Tramping, as hiking and camping in the wilderness with a guitar in tow came to be called, led in later years to the spread of vacation cottage ownership in Bohemia, especially among the middle and lower classes, a phenomenon that has no parallel in the rest of Europe.

Other major milestones that contributed to the development of recreational housing in the Czech lands were the expulsion of the German population from the borderlands and the normalization and gradual emptying of the countryside due to the process of collectivization. After the removal of the Germans, abandoned buildings began to be occupied

or offered to individuals or organizations for recreational purposes. **The communist period of normalization, which occurred more than two decades after the expulsion of the Germans, has been described by certain historians as the golden age of the cottage era as the number of recreational properties almost doubled.** Several factors contributed to this rise: the growing need for real privacy, escape from reality to a place where one could focus on one's individual needs, the increase in living standards, the introduction of a five-day workweek, the following of fashion trends, the state motivating its citizens to procure recreational properties, and, last but not least, advances in technology, the development of the automobile industry, and improvements in the transportation system.

The growth of the number of cottages and cabins had slowed by the end of the 1980s and after the Velvet Revolution there was a lull in the development of recreational housing as open borders and the possibility to travel abroad put a damper on the population's desire to own a second house in nature. Interest in vacation properties in the Czech Republic has started to increase again since the turn of the millennium, especially during the economic crisis that lasted from 2009 to 2010, but it wasn't a significant shift. **Last year, however, we witnessed a new turning point that will stand alongside the industrial revolution, the expulsion of the Germans, and the period of normalization in terms of its historical impact on recreational housing—the coronavirus pandemic.**



A RECREATIONAL PROPERTY BOOM IN THE TIME OF CORONA

One of the previously mentioned factors that had a real influence on interest in recreational properties during the communist period of normalization was the need to escape the city for the countryside, where one could easily shed one's everyday worries and enjoy life's simpler pleasures. Going abroad was restricted and completely inaccessible to most people, and so the only possible change of scenery was a cottage or cabin in a secluded spot, preferably by the edge of a forest. Although nobody could have predicted the onset of the pandemic in 2020, a comparison can be made between the gray 1970s and the present. International travel was limited and large cities became risk zones from which nobody could escape. At the same time, many people realized how difficult it is to stay in one place for a prolonged period of time, with no possibility of breathing fresh air or enjoying the benefits of peace, quiet, and greenery.

The result? Demand for recreational properties began to rise sharply at the beginning of last year, and prices went up as well. **Commercial investors also focused on this segment more closely than before. Unlike the period of normalization, their motivation today is accompanied by visions of investment.** The Price Atlas portal found that the number of vacation properties sold this June was almost 50% higher than in the same period in 2019 and their average price went up by 18 percent. According to Šarlota Smutná, the data analyst of Seznam.cz, the average sales price of a vacation property per square meter rose by roughly one fifth in the year-on-year comparison, reaching 26,000 crowns per square meter. Properties located in the mountains increased by more than one tenth and, according to analysts at ČSOB, the average price per square meter in popular locations, such as the Krkonoše or Šumava mountains, fluctuated between 100,000 and 120,000 crowns this



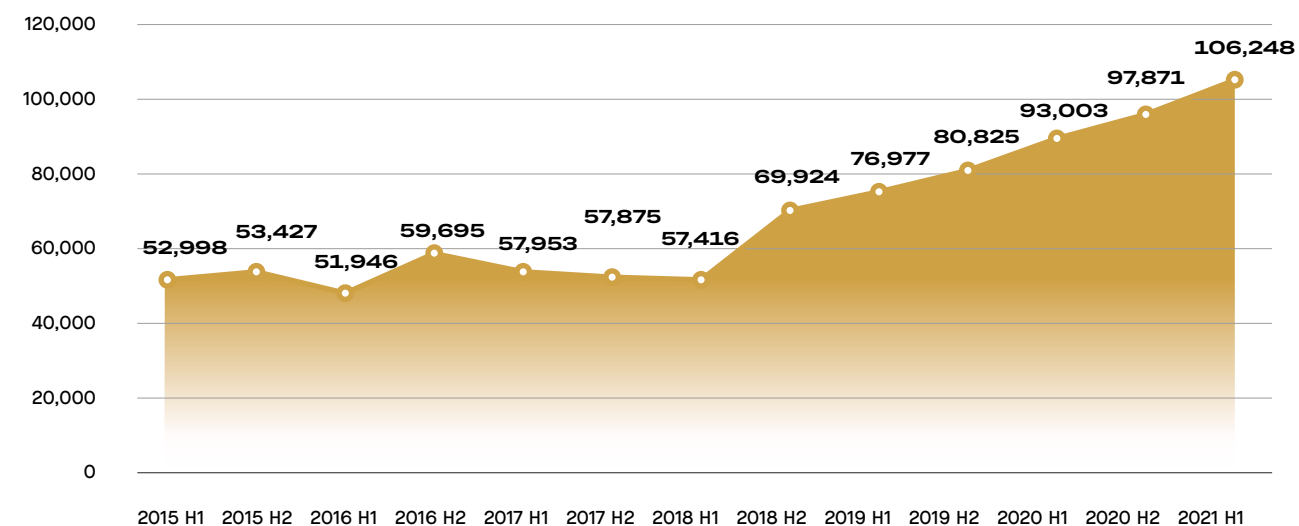
"Before COVID-19, people were looking to buy smaller studio or one-bedroom units. This layout was suitable for weekend getaways and it was an ideal size for an apartment for rent. Now, the two-bedroom layout is the fastest to sell since demand for comfort and space has increased."

spring. Another interesting phenomenon was the rise in popularity of so-called second homes. People use them not only as vacation houses or properties suitable for renting out as part of the domestic tourism industry, but also as places where they will retire to or relocate to whenever a situation arises such as the one that occurred last year. Clients of Svoboda & Williams also increasingly sought properties in attractive destinations for their own use.

The above-mentioned rise in prices was also seen in the premium segment. **"In the sample of properties in recreational locations that we examined, the average price had a year-on-year increase of 8.6 percent.** However, the prices of these properties range widely—the average is around 106,000 crowns per square meter, but in truly lucrative places, such as Špindlerův Mlýn, we have observed prices that exceeded 200,000 crowns per square meter. Location and quality are the deciding factors and clients for whom these aspects are key when buying an apartment for 20,000,000 crowns in Prague are willing to pay a similar amount for an apartment in the Krkonoše Mountains," says Pavel Zadina, analyst at Svoboda & Williams.

In terms of the demand for properties in Svoboda & Williams' portfolio, the most frequent requirements were utter tranquility and a forest nearby. "When clients could choose between several properties in the same holiday destination, like Harrachov for instance, they preferred a more secluded location over the town center. **They were also interested in property management options, because in some cases they wanted to rent out their apartment or house throughout the year.** Turnkey projects that include the services of a property manager now have a big advantage," adds Michaela Koudelová, manager of Svoboda & Williams' residential sales team. Also, the pandemic changed the layouts that are most in demand: "Before COVID-19, people were looking to buy smaller studio or one-bedroom units. This layout was suitable for weekend getaways and it was an ideal size for an apartment for rent. Now, the two-bedroom layout is the fastest to sell since demand for comfort and space has increased."

**ACHIEVED SALES PRICE OF RECREATIONAL PROPERTIES
IN THE PORTFOLIO OF SVOBODA & WILLIAMS (CZK/SQ. M.)**



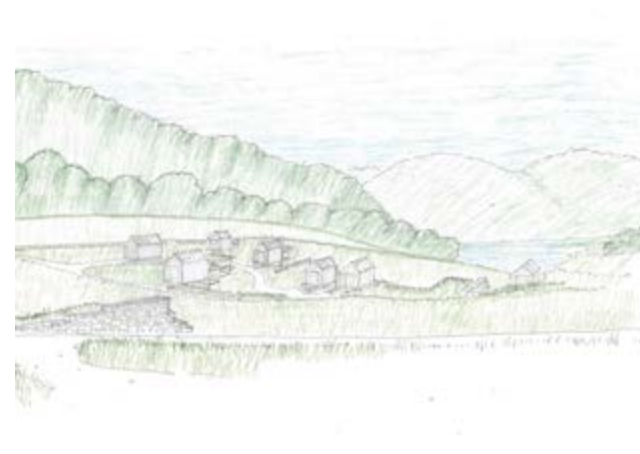
Source: Svoboda & Williams

PREMIUM PROJECTS
IN THE MOUNTAINS
AND BY THE WATER



In addition to individual buyers, commercial investors were increasingly interested in recreational properties. They largely sought empty hotels, guest houses, as well as land by the water or in popular mountain ranges. Those who had the vision to create recreational housing projects for the most discerning, i.e., truly premium apartments with plenty of privacy or detached houses, also entered the market. To create these kinds of projects, investors took into account primarily their location—in order to be considered premium, it had to be remote, yet easily accessible from the city, while at the same time offering year-round activities. The seasonal nature of certain properties can sometimes negatively affect their investment potential.

(1) **Apartmány Bramberk** (50.6879103N, 15.7202708E) – available from 5/2021
(2) **Přístav** (49.5982003N, 14.1952500E) – available from 10/2021
(3) **Lakeside Apartments Lipno** (48.732333, 14.095944) – available from 6/2021
(4) **Pálavská brána** (48.8752087,16.535382) – available from 11/2020
(5) **Trio Harrachov** (50.777361, 15.423652) – available from 10/2017
(6) **U Ducha hor** (50.772884, 15.429639) – available from 4/2020



Apartmány Bramberk ⁽¹⁾

The Bramberk Apartments, situated on a large plot of land right in Pec pod Sněžkou, are being built with the intention to create a recreational homebase in the landscape of the Krkonoše National Park. They will offer complete privacy, beautiful views, first-class facilities, and are also a multifaceted investment. Besides the ten premium apartments, the building will also offer a wellness zone with a fifteen-meter pool, a lounge with a bar, and seven separate apartments for rent. A property manager will take care of the comfort of future owners and the smooth running of the entire complex.

“The Bramberk Apartments are distinguished by their boutique character and the way they combine the tranquility of untouched nature and the many activities that can be enjoyed in the sought-after ski town. Investing in an apartment here includes a share in the 15,319 sq. m. of land, ensuring peace and privacy with no further development, as well as a share in the wellness zone and apartments for rent, the revenue from which will lower operating costs. The developer is fully aware of the potential of this project, which is multiplied today given the current situation, and we see this concept as a great way for clients to safeguard their funds,” says Magdalena Svatková, senior agent at Svoboda & Williams..

Lakeside Apartments Lipno ⁽²⁾

This premium recreational housing project is emerging on the banks of Lipno Lake, specifically in the village of Černá v Pošumaví, which has long been a sought-after destination for lovers of sailing, but also of windsurfing, kiteboarding, and other adrenaline watersports. The Lakeside Apartments Lipno project intends to offer a homebase for like-minded sports enthusiasts. The two buildings connected by a glazed entrance atrium together will consist of twenty apartments and one studio, all with views of the surface of Lipno Lake. The project will also include a wellness area with a sauna zone and a stainless steel pool with a fitness countercurrent system, an adjacent garden, an outdoor terrace, and a private beach.

“The main advantage of the Lipno region is the possibility of enjoying it year round. Water sports, cycling, and hiking in the summer, and in winter outdoor activities include skiing in the nearby resorts, the most popular of which is the Austrian Hochficht, as well as cross-country skiing and ice skating on frozen Lipno Lake. The project also foresees that some owners will want to rent out their apartments, and this will be taken care of by a management company,” adds Linda Martynková, senior agent at Svoboda & Williams.

Přístav ⁽³⁾

Přístav is being created for those whose idea of a perfect weekend getaway is a stylish house by the water. This unique project is being built only forty-five minutes from Prague, right on the banks of the Orlická reservoir, and will consist of 14 houses. “The roofs of each of the houses will be covered in greenery, which will ensure that they will blend perfectly with their surroundings. In addition to their esthetic style, the way the houses will be set in the terrain will play an important role in their insulation—future owners won’t need non-organic air-conditioning in the summer because nature itself will make sure that the interiors will stay pleasantly cool. Similarly, in the winter the houses will have much better insulation properties due to this solution. This is an ecological approach that goes down to the smallest detail, with no pseudo-environmental pretensions,” explains Jan Mráz, senior agent at Svoboda & Williams.

Přístav is being built in collaboration with the world-renowned architect James Cutler, whose designs always reflect the environment in which they are set. James uses natural materials whenever possible, and the houses in the Přístav project are no exception. Due to its location, it offers a close connection to the element of water. The project will also include its own private pier, which can comfortably accommodate the fleet of all future owners. The houses in the Přístav project will soon be added to Svoboda & Williams’ portfolio.

Pálavská brána ⁽⁴⁾

The Pálavská brána residential project is being built in the picturesque, undulating South Moravian countryside, right by the Mušov Lakes in the village of Brod nad Dyjí. Once finished, it will offer fifteen single-story houses with spacious rooftop terraces providing far-reaching views of the area’s vineyards and the Pálava Hills. The project is planned as a compact complex and designed to blend in with the South Moravian landscape with light facades, timber cladding, and simple, clean lines.

“Approximately half of the clients who inquire about the houses in the Pálavská brána project live farther away, for example in Mladá Boleslav, Lanškroun, Jindřichův Hradec, or Plzeň. Now more than ever it’s clear that people see these types of properties as an opportunity to buy a second home in the middle of nature, and spend time there whenever they want to escape the fast-paced city life and enjoy peace and fresh air,” says Lenka Kjučuková, Property Consultant at Svoboda & Williams’ Brno branch.



Trio Harrachov ⁽⁵⁾

The Trio Harrachov project, consisting of three apartment buildings with forty-four apartments in total, offers an escape to the Krkonoše Mountains to the lovely Kamenice River valley. The Prague archiSPACE studio based their designs of the project on the traditional Krkonoše regional architectural style, resulting in a wonderfully located mountain home that fully respects the landscape that surrounds it. Development in the immediate vicinity of the project is sporadic, and the buildings are right by a forest at the foot of the Hřebínek peak. Trio Harrachov therefore combines complete tranquility with all of the advantages of a popular mountain resort.

“The first house, Cecílie, was successfully approved in May 2020 and all thirteen apartments are now being enjoyed by their new owners. The Amálie and Beáta houses are currently being built and only three units remain for sale, all with studio layouts,” adds Michaela Koudelová, manager of the residential sales team Svoboda & Williams.

U Ducha hor ⁽⁶⁾

Another Krkonoše project that was added to Svoboda & Williams’ offer of recreational properties during the pandemic is the energy-efficient U Ducha hor apartment building. It is being built in the heart of Harrachov, only two hundred meters from the cable car that goes up popular Čertova Mountain. In short, an ideal homebase for those who want to enjoy the atmosphere of this mountain town to the fullest.

“The U Ducha hor project has been extremely successful. We launched the sale of its eighteen apartments in April of last year and all found new owners in only six months. The side effects of the pandemic plus its popular location and appropriately set parameters caused the project to sell like hot cakes,” stated Jan Mráz.

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