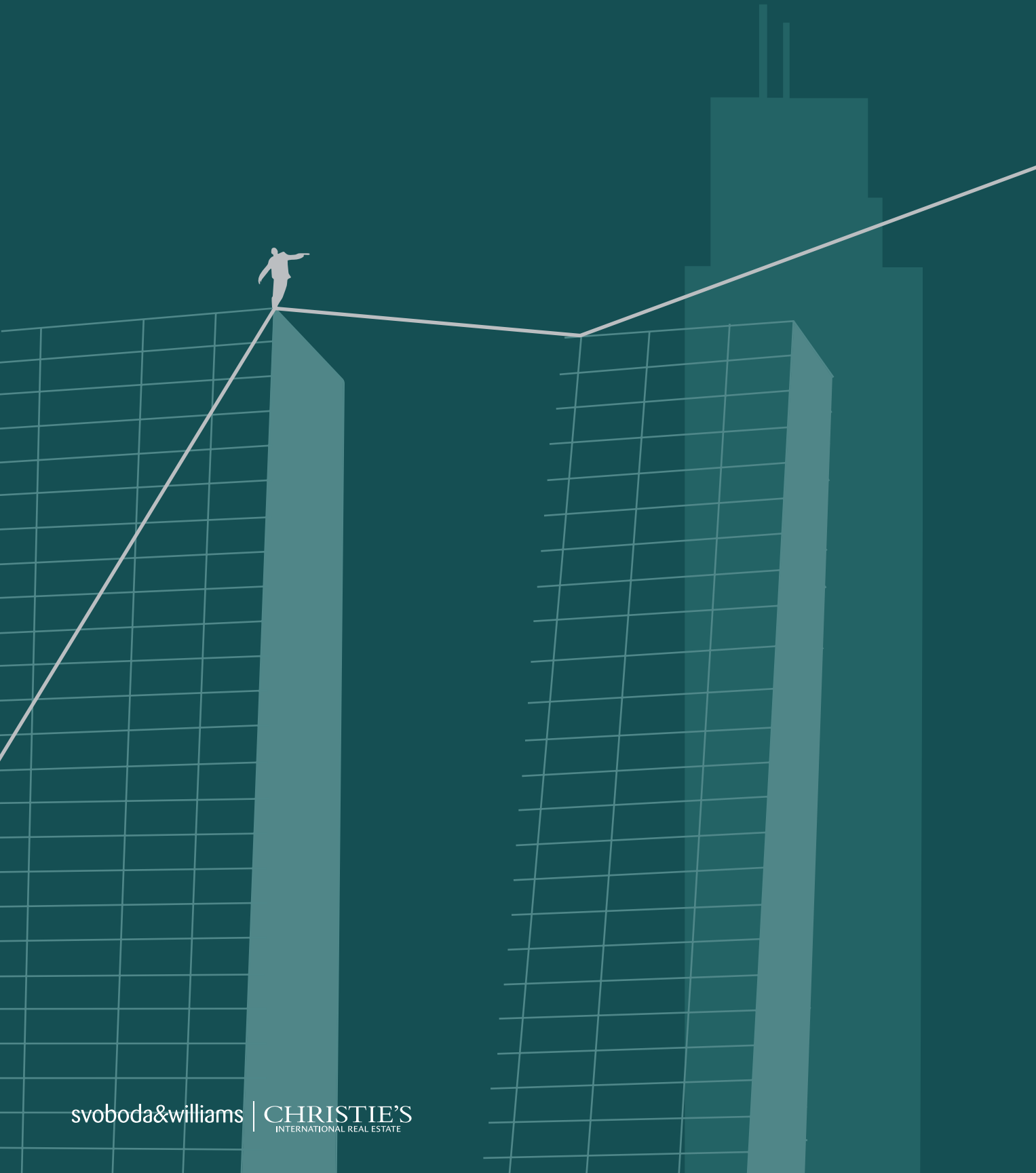
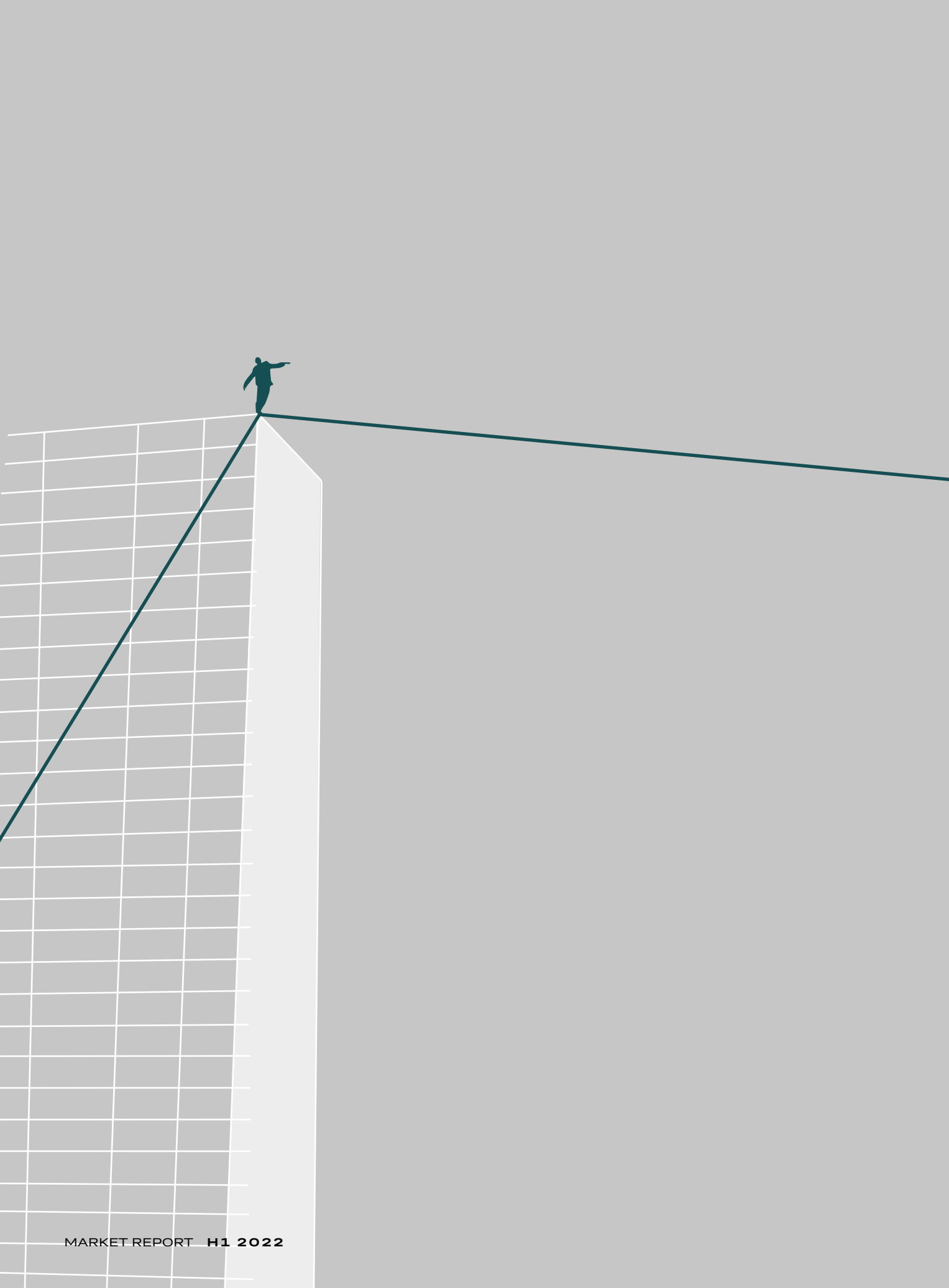
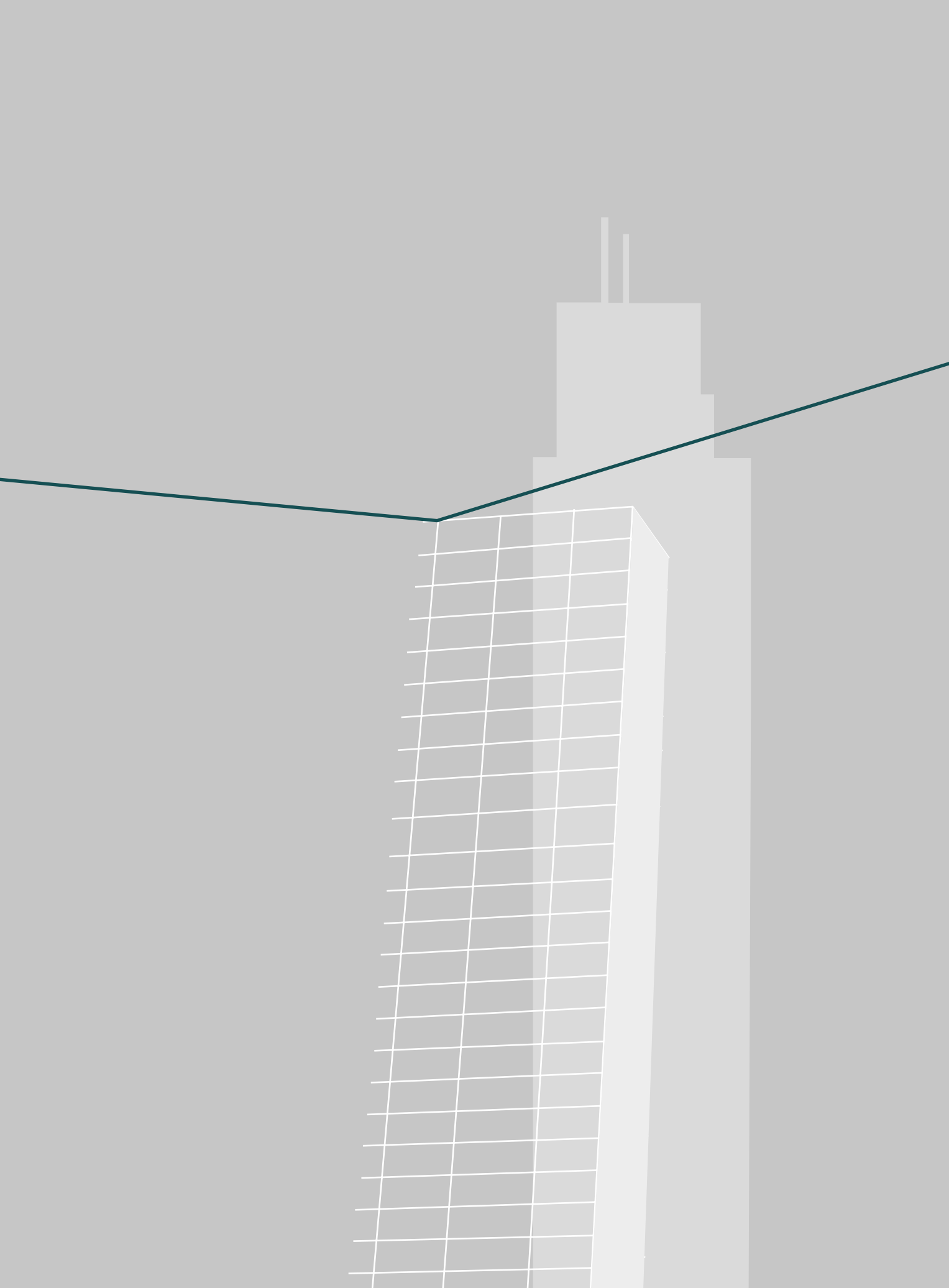


MARKET REPORT H1 2022







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WAS CREATED BY**

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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.

THE REAL ESTATE MARKET MAY BE SLOWING DOWN, BUT CONTINUES TO OFFER A NUMBER OF OPPORTUNITIES



Prokop Svoboda
Svoboda & Williams

Our struggle against the pandemic, which has cast a pall over our lives for the last two years, is (hopefully) at an end, but can we really breathe a sigh of relief? A shocking war broke out in Ukraine in 2022, throwing the world's economy into a state of nervousness and impacting the real estate market. Last year, business rode out the post-covid wave of inflation, sparked in part by the unprecedented printing of money by central banks in the effort to provide capital markets with much-needed liquidity. Back in 2015, in an interview for the E15 daily, I coined the term “real estate party.” Today, thanks to this injection of money, the party is apparently approaching its peak.

Although the volume of transactions that Svoboda & Williams processed in the first half of the year remained more or less stable, the current decline in inquiries reflects the overall slowdown in the market. The Prague residential market in particular is likely to experience a period of stagnation or even a minor correction in the second half of the year. An investor who is buying this asset for his or her portfolio knows to look to the future, where growth awaits. The premium property market has a lasting value independent of the given phase of the economic cycle—quality real estate maintains its worth even during a crisis. In fact, slowdowns actually have a positive effect on the stock of housing, and interesting properties have been appearing in the market in recent months.

The current development will almost certainly hasten the Czech Republic's switch to the euro. Companies are already looking for funding in euros and I wouldn't be surprised if residential developers start publishing their price lists in this common European currency next year and then convert them into crowns depending on the relevant exchange rate. In the office market, lease agreements have long been drawn up in euros. I believe that the current situation can also lead to higher demand for more energy-efficient, environmentally friendly, and higher quality projects that guarantee a lasting value in a devaluing, inflationary financial environment. These are the types of properties that we are looking for in the real estate market and as a society.

KEY TRENDS IN THE PRAGUE PREMIUM PROPERTY MARKET

Based on the sample monitored by Svoboda & Williams

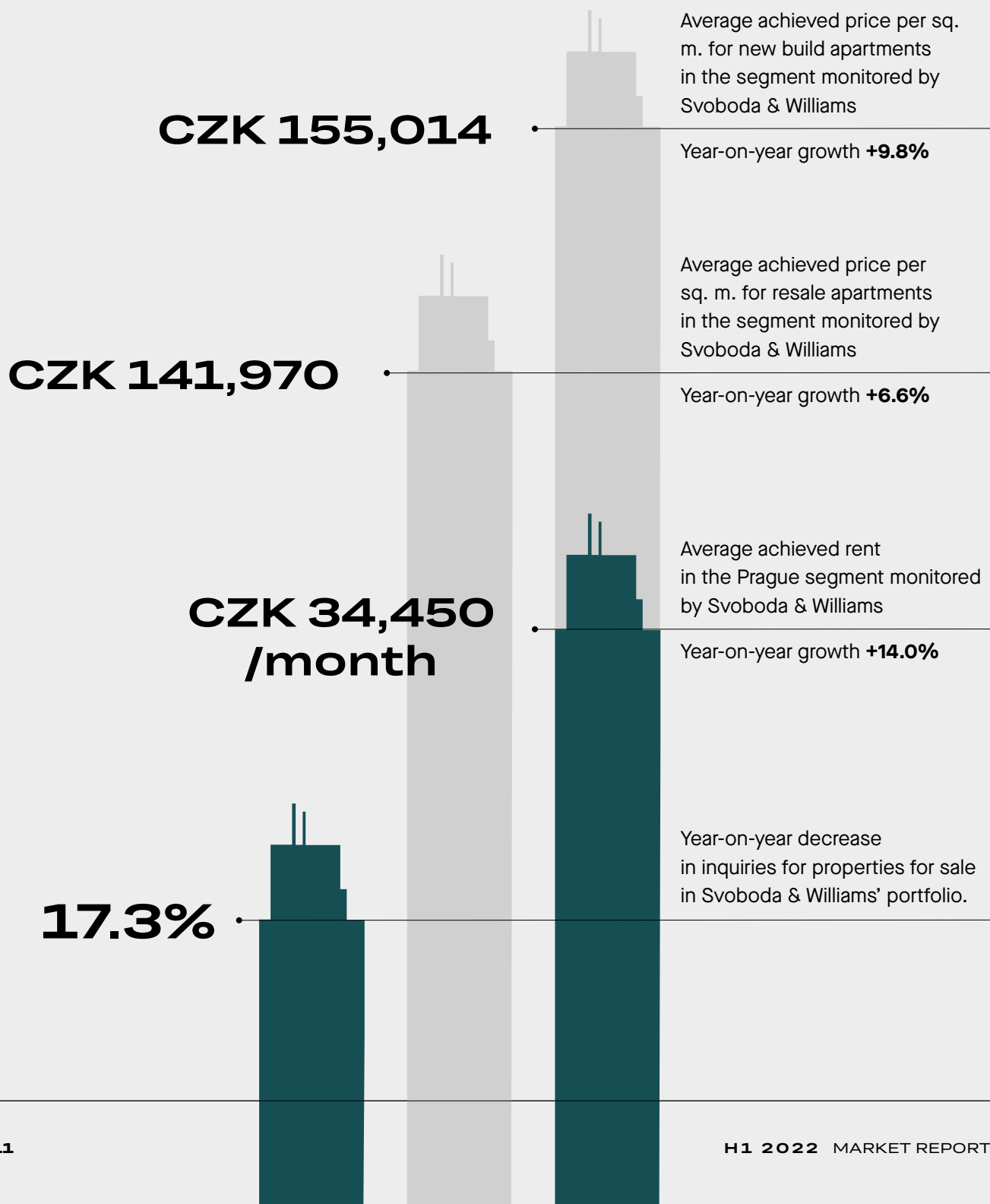
SALES

- Inquiries declined in H1 2022, however, this trend wasn't reflected in the volume of sales in the monitored period. The sales transaction time typically ranged from 1 to 6 months, often 12 months or more for residential projects.
- Czech clients were once again in the majority in this period, constituting 76% of all buyers.

RENTALS

- In H1 2022, the residential housing market overcame the 2020–2021 price slump caused by the pandemic. In the segment monitored by Svoboda & Williams, rents increased by 14% in the year-on-year comparison, even outpacing pre-pandemic levels by 5.2%.
- Foreigners led in terms of realized rental transactions (53%).

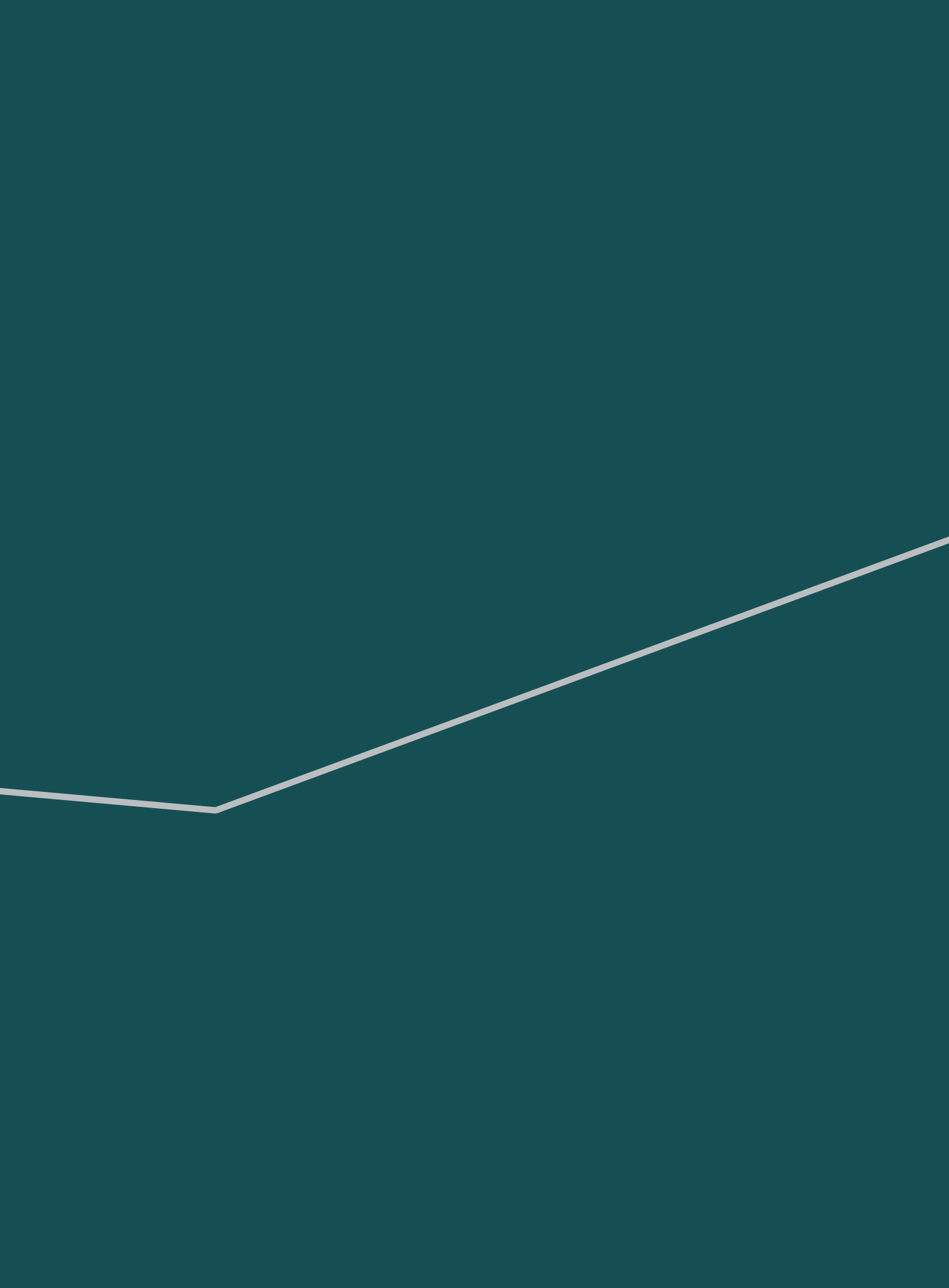
SAMPLE OF PROPERTIES MONITORED BY SVOBODA & WILLIAMS BETWEEN 7/2021-6/2022



PRICE ANALYSIS

The Prague Residential Market
Through the Lens of Svoboda & Williams
in July 2021–June 2022





METHODOLOGY OF DATA PROCESSING

The following analysis is based on data obtained from the database of properties offered by Svoboda & Williams during the monitored period (July 2021–June 2022). Sales transactions were supplemented with data on sales of new builds with parameters that match Svoboda & Williams' portfolio (in this case, the achieved prices were obtained from the Cadastre of Real Estate). **The sample monitored by Svoboda & Williams contains nearly 500 sold and 1,400 rented properties over a 12-month period** and therefore covers a significant portion of the premium segment of the Prague residential market.

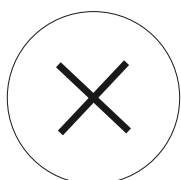
The monitored properties are apartments in Prague 1–10; other municipal districts are minimally represented. Within each district, most of the properties in the sample are in premium locations with higher achieved prices such as Bubeneč, Dejvice, Střešovice, and Břevnov in Prague 6, Pankrác, Vyšehrad, and Podolí in Prague 4, Karlín and parts of Libeň in Prague 8, Smíchov in Prague 5, etc. The monitored property prices and rents are actually achieved transactions; we don't monitor advertised prices. To calculate the price per sq. m., we take into account the price for parking spaces, which we deduct from the achieved sales price and we also include a proportional part of the exterior (terraces, balconies, loggias, and gardens) in the floor area of the apartment. To recalculate the exterior area, we apply a specially developed algorithm that progressively reduces this area and takes into account the ratio of the exterior to the interior area. Average prices are calculated from the transactions finalized over the last 12 months; percentage changes are year-on-year (7/2021–6/2022 vs. 7/2020–6/2021). For sales, we also differentiate between the achieved price per

sq. m. for new apartments in residential projects and resale, or secondhand, apartments. The prices of new apartments are listed including VAT. In order to be able to compare the prices per sq. m. for all apartments, we unified the stage of construction progress for several units using an average assumption of CZK 40,000/sq. m. for the stage prior to reconstruction (shell & core) and CZK 20,000/sq. m. for the stage before the completion of surfaces (white walls). We don't monitor 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 location. For example, a one-bedroom apartment with a 50 sq. m. floor area is normally rented for the same price as an apartment with the same layout with a floor area of 60 sq. m., whereas the purchase price of a larger apartment can be up to 15 to 20% higher. Therefore, in our analyses 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 in the sales and rental transactions realized by Svoboda & Williams, i.e., one-bedroom and two-bedroom apartments.

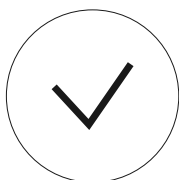
We monitor the development of rental prices on a biannual basis using The Rental Price Index by Svoboda & Williams + VŠE. This analytical tool was developed by Svoboda & Williams in cooperation with the Faculty of Informatics and Statistics of the University of Economics in Prague and works similarly to the Consumer Price Index maintained by the Czech Statistical Office. Additional information about The Rental Price Index by Svoboda & Williams + VŠE can be found at the end of the analytical section.

DATA ANALYSIS

METHODOLOGY OF SVOBODA & WILLIAMS



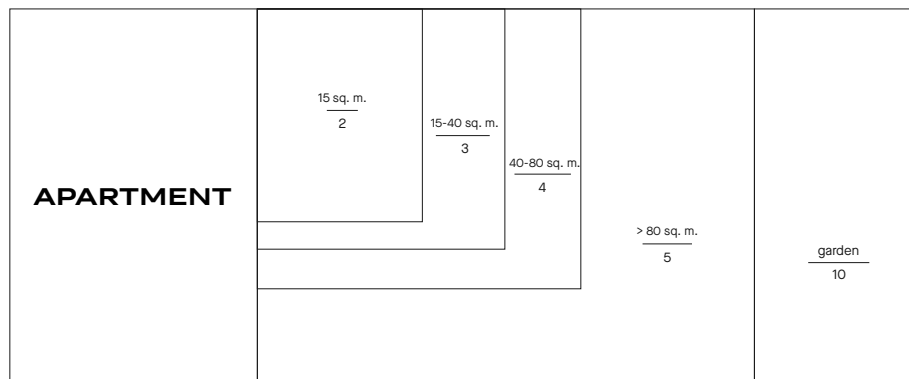
**LISTED
PRICE**



**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



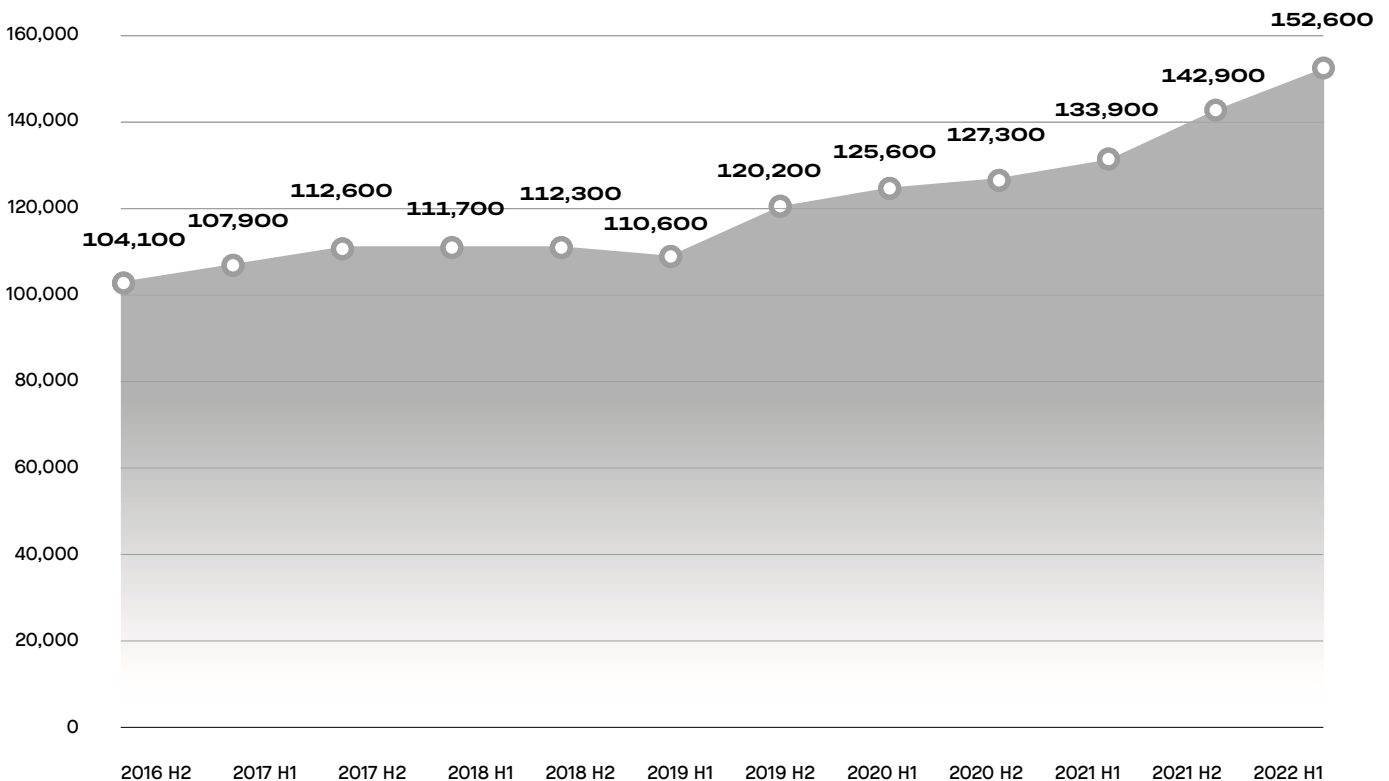
The area of a terrace that exceeds 30% of the interior is divided by two.

PRAGUE

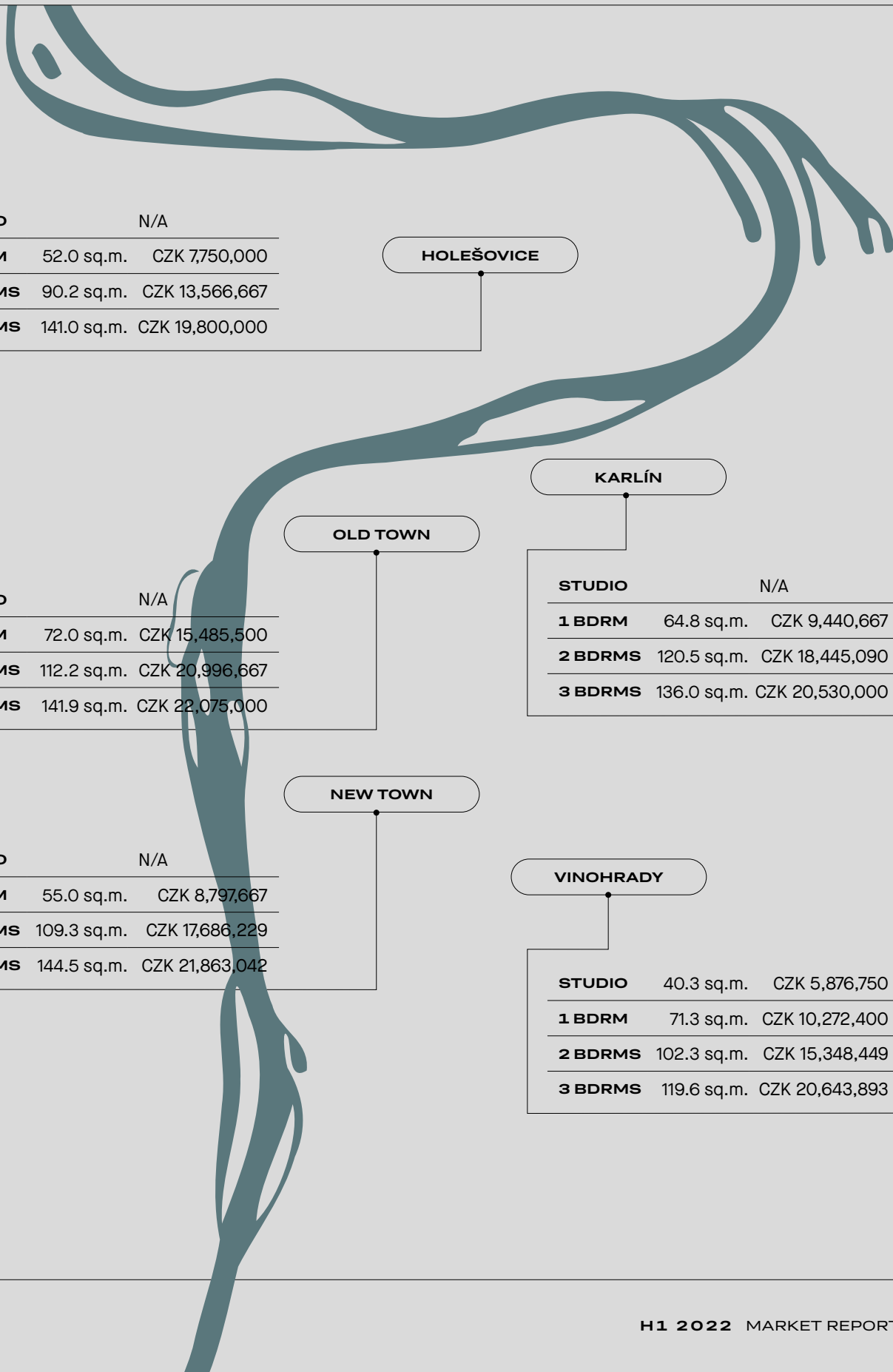
Average values during the monitored period (July 2021–June 2022) and their year-on-year change.

	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 14,470,989	102,1 sq.m.	CZK 149,898	CZK 155,014	CZK 141,970	CZK 9,121,676	CZK 15,353,208
	2.2%	- 6.2%	8.6%	9.8%	6.6%	9.6%	12.6%
Rental	CZK 34,434	101.6 sq.m.	N/A		CZK 23,982	CZK 35,316	
	11.08%	0.9%			13,6%	12.7%	

DEVELOPMENT OF THE AVERAGE ACHIEVED SALES PRICE PER SQ. M. IN THE SEGMENT MONITORED BY SVOBODA & WILLIAMS



AVERAGE APARTMENT PRICES AND LAYOUTS IN PRAGUE'S POPULAR RESIDENTIAL LOCATIONS BASED ON THE SAMPLE MONITORED BY SVOBODA & WILLIAM IN H1 2022



STUDIO	N/A	
1 BDRM	52.0 sq.m.	CZK 7,750,000
2 BDRMS	90.2 sq.m.	CZK 13,566,667
3 BDRMS	141.0 sq.m.	CZK 19,800,000

HOLEŠOVICE

STUDIO	N/A	
1 BDRM	72.0 sq.m.	CZK 15,485,500
2 BDRMS	112.2 sq.m.	CZK 20,996,667
3 BDRMS	141.9 sq.m.	CZK 22,075,000

OLD TOWN

KARLÍN

STUDIO	N/A	
1 BDRM	64.8 sq.m.	CZK 9,440,667
2 BDRMS	120.5 sq.m.	CZK 18,445,090
3 BDRMS	136.0 sq.m.	CZK 20,530,000

NEW TOWN

STUDIO	N/A	
1 BDRM	55.0 sq.m.	CZK 8,797,667
2 BDRMS	109.3 sq.m.	CZK 17,686,229
3 BDRMS	144.5 sq.m.	CZK 21,863,042

VINOHRADY

STUDIO	40.3 sq.m.	CZK 5,876,750
1 BDRM	71.3 sq.m.	CZK 10,272,400
2 BDRMS	102.3 sq.m.	CZK 15,348,449
3 BDRMS	119.6 sq.m.	CZK 20,643,893

DATA SUMMARY

OVERALL SUMMARY OF AVERAGE ACHIEVED RENTAL PRICES IN MUNICIPAL DISTRICTS (JULY 2021–JUNE 2022)

Municipal district	Ø Monthly rent	Ø Apt. floor space	Ø Monthly rent	
			1bdm	2bdm
Prague 1	CZK 40,846	115.5 sq. m.	CZK 26,300	CZK 40,189
Prague 2	CZK 34,134	93.4 sq. m.	CZK 24,663	CZK 34,238
Prague 3	CZK 32,907	96.0 sq. m.	CZK 23,599	CZK 38,009
Prague 4	CZK 31,013	107.5 sq. m.	CZK 19,976	CZK 32,892
Prague 5	CZK 32,863	97.5 sq. m.	CZK 24,534	CZK 33,910
Prague 6	CZK 37,581	117.0 sq. m.	CZK 22,733	CZK 30,887
Prague 7	CZK 28,549	84.7 sq. m.	CZK 25,066	CZK 31,415
Prague 8	CZK 32,728	92.9 sq. m.	CZK 25,339	CZK 38,314
Prague 9	CZK 23,522	70.7 sq. m.	CZK 18,567	CZK 29,000
Prague 10	CZK 31,400	108.4 sq. m.	CZK 20,505	CZK 33,166

Source: data of Svoboda & Williams

AVERAGE ACHIEVED RENTS VS. SALES PRICES FOR SPECIFIC LAYOUTS IN PRAGUE 1-10 (JULY 2021–JUNE 2022)

Layout	Ø Monthly rent	Rentals Ø apt. floor space	Ø Selling price	Sales Ø apt. floor space
studio	CZK 17,699	43.8 sq. m.	CZK 5,363,390	37.7 sq. m.
1bdm	CZK 23,982	68.2 sq. m.	CZK 9,121,676	64.1 sq. m.
2bdm	CZK 35,316	106.1 sq. m.	CZK 15,392,622	108.1 sq. m.
3bdm	CZK 55,543	165.5 sq. m.	CZK 21,463,943	156.8 sq. m.
4bdm	CZK 66,030	216.6 sq. m.	CZK 38,304,068	253.0 sq. m.

Source: data of Svoboda & Williams

DATA SUMMARY

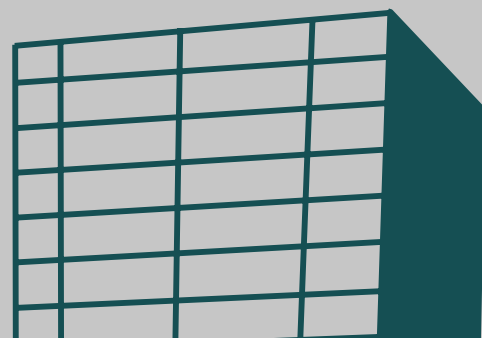
OVERALL SUMMARY OF AVERAGE ACHIEVED SALES PRICES IN MUNICIPAL DISTRICTS (JULY 2021–JUNE 2022)

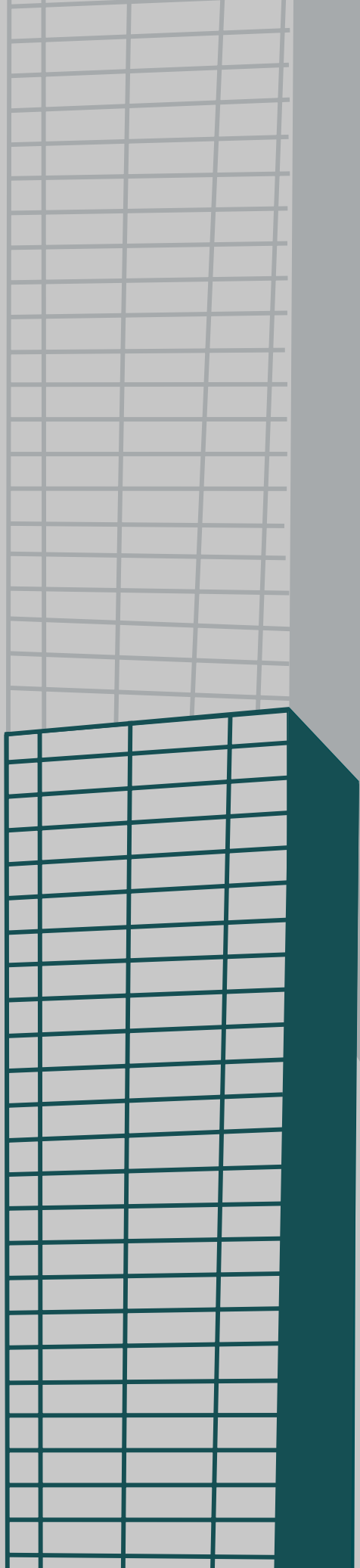
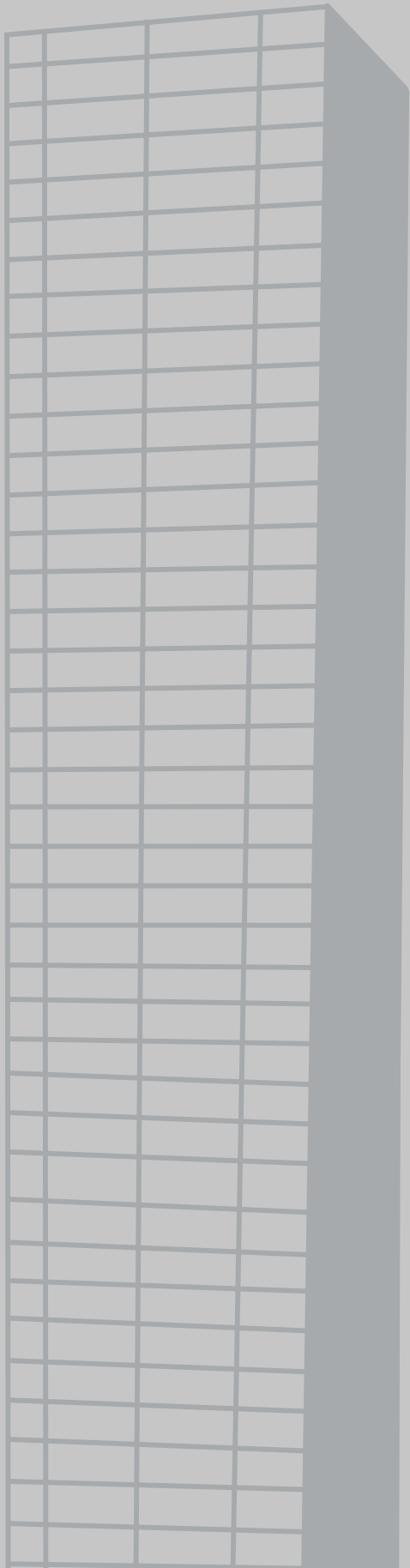
Municipal district	Ø Apt. price	Ø Price per sq. m.	Ø Apt. floor space	Ø Price per sq. m.		Ø Apt. price	
				New apt.	Resale apt.	1bdm	2bdm
Prague 1	CZK 23,465,157	CZK 193,550	118.7 sq. m.	CZK 215,759	CZK 182,702	CZK 13,284,400	CZK 21,535,130
Prague 2	CZK 14,612,813	CZK 160,681	94.9 sq. m.	CZK 165,510	CZK 150,006	CZK 9,959,218	CZK 15,374,142
Prague 3	CZK 12,845,401	CZK 134,000	113.6 sq. m.	CZK 137,969	CZK 129,237	CZK 9,236,250	CZK 13,294,282
Prague 4	CZK 12,344,385	CZK 142,247	95.7 sq. m.	CZK 149,744	CZK 136,892	CZK 8,121,133	CZK 13,154,746
Prague 5	CZK 13,459,327	CZK 139,664	105.8 sq. m.	CZK 141,813	CZK 134,389	CZK 8,855,219	CZK 13,972,214
Prague 6	CZK 12,050,332	CZK 140,275	87.5 sq. m.	CZK 138,760	CZK 136,730	CZK 8,400,376	CZK 13,335,221
Prague 7	CZK 13,384,649	CZK 143,572	99.8 sq. m.	CZK 147,090	CZK 129,848	CZK 6,391,969	CZK 13,208,333
Prague 8	CZK 13,425,393	CZK 143,694	96.0 sq. m.	CZK 150,979	CZK 137,219	CZK 10,192,337	CZK 17,918,000
Prague 9	CZK 13,131,242	CZK 127,637	123.5 sq. m.	CZK 129,983	CZK 127,404	CZK 7,358,750	CZK 12,870,000
Prague 10	CZK 11,202,673	CZK 127,851	97.6 sq. m.	CZK 134,943	CZK 122,531	CZK 6,894,000	CZK 11,952,279

Source: data of Svoboda & Williams

RENTAL PRICE INDEX

Svoboda & Williams + VŠE





ACHIEVED RENTS FOR APARTMENTS MONITORED BY SVOBODA & WILLIAMS

H1 2022 (JANUARY–JUNE 2022)

CZK 34,450/month

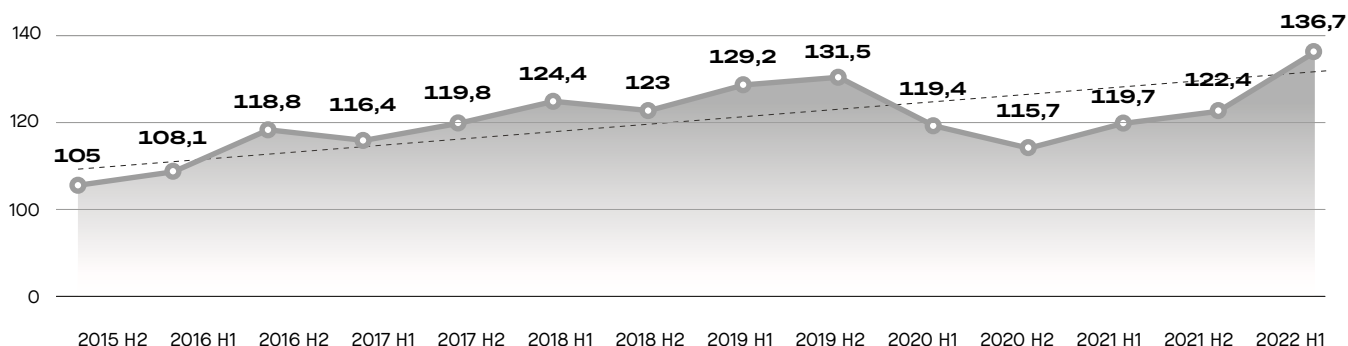
average achieved rent
in the 1st half of 2022

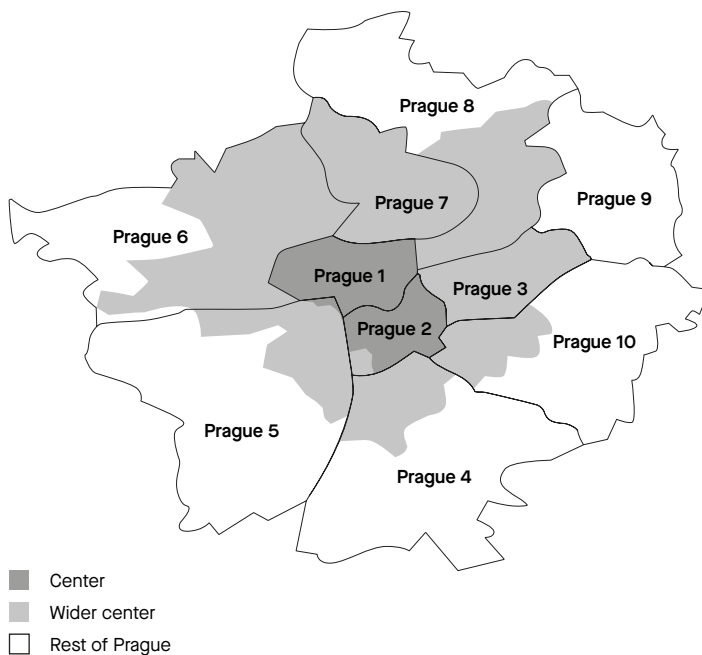
+14.0%

year-on-year
change

	Center		Wider center		Rest of Prague	
Studio to 1bdm	CZK 26,287	+23.6%	CZK 23 065	+3.4%	CZK 19 960	+8.7%
2bdm	CZK 38,927	+16.9%	CZK 37 453	+18.9%	CZK 30 716	+10.0%
3bdm and larger	CZK 68,984	+10.1%	CZK 55 081	+8.8%	CZK 48 450	+28.7%

THE DEVELOPMENT OF ACHIEVED RENTAL PRICES IN THE SEGMENT MONITORED BY SVOBODA & WILLIAMS (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 (July 2021–December 2021). This aggregate price index calculates the weighted average of the changes in rents for each apartment category.

We also state the **average achieved monthly rents** in the monitored period (January–June 2022) 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 that monitors 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 the actually achieved rents of the apartments that were listed by Svoboda & Williams. Annually, it amounts to 1,400 properties in the territory of Prague 1–10 with studio to 5-bedroom layouts. Since the properties exhibit a high level heterogeneity, we apply an aggregate price index to the development of their prices. It works just like the Consumer Price Index maintained by the Czech Statistical Office, which measures inflation.

WHY SIMPLY COMPARING THE AVERAGE PRICE DEVELOPMENT IS NOT ENOUGH?

The development of average rental prices doesn't correctly reflect the actual change in prices. This is because the average rent is influenced not only by fluctuations 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. The prices of both the cheaper and the luxury apartments in the second period remain equal, but more of the expensive units have been rented. This will raise average rents, but the price index will remain the same. The aggregate price index is based on the assumption of the fixed presence of rental segments in the portfolio and therefore reflects the change in price, which is "cleaned"

of the change in the rental structure. The index is calculated as a weighted average of the price changes in the individual segments, where the weights are their representation in the portfolio (structure) in the selected fixed period.

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 had to contain a sufficient amount of data. Within the statistical analysis, the impact of many factors on rental prices was examined. These parameters included the specific layout of an apartment, its location, floor, and whether it came with a terrace, balcony, or loggia, or the option to rent a parking space. The analysis proved that rents were most affected by the location and layout of the apartment, and therefore we performed the segmentation based on these two factors. Based on our expertise and the data analysis of rental prices, we divided Prague 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**:

Segment	Relative representation in the portfolio		
	Center	Wider center	Rest of Prague
Studio to 1bdrm	15.2%	22.6%	10.7%
2bdrm	12.8%	16.1%	4.3%
3bdrm and larger	6.3%	9.8%	2.2%

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

The index is compiled on a biannual basis to ensure that a sufficient number of observations could be made. In practice, biannual indexes aren't as common as monthly or quarterly indexes, but they're by no means exceptional. For example, the United States Department of Labor uses one to construct the consumer price index.

WE CALCULATE TWO KINDS OF INDEXES:

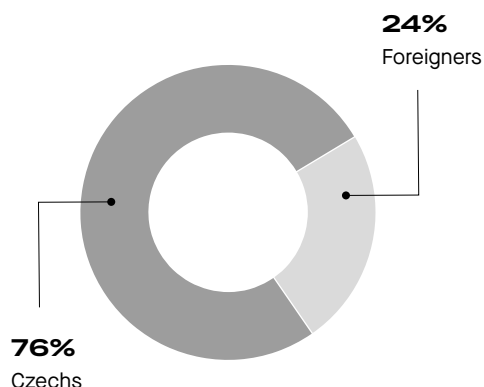
A year-on-year index – monitors the rental price changes between the current half-year period and the corresponding half-year period in the previous year (e.g. H1 2021 vs. H1 2022)

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.

BUYERS AND RENTERS OF SVOBODA & WILLIAMS

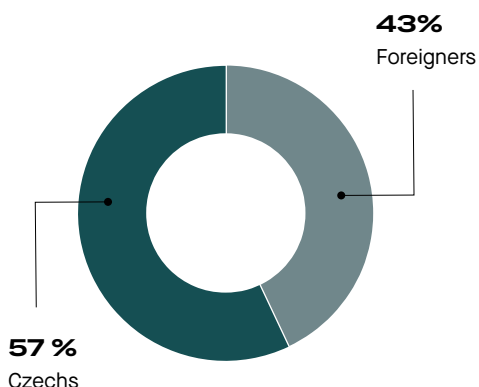
SALES

RATIO OF CZECH AND FOREIGN BUYERS

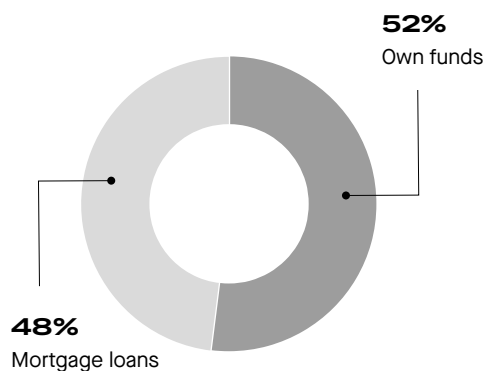


RENTALS

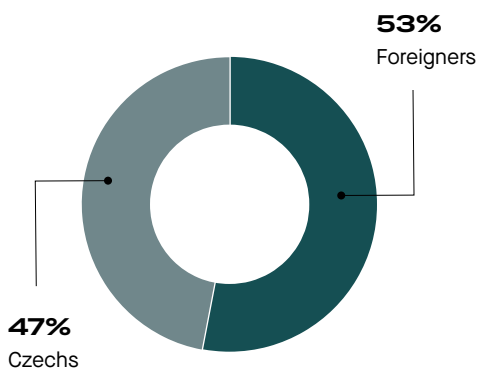
RATIO OF CZECH AND FOREIGN CLIENTS INQUIRING ABOUT A PROPERTY



FINANCING THE PURCHASE OF PROPERTY

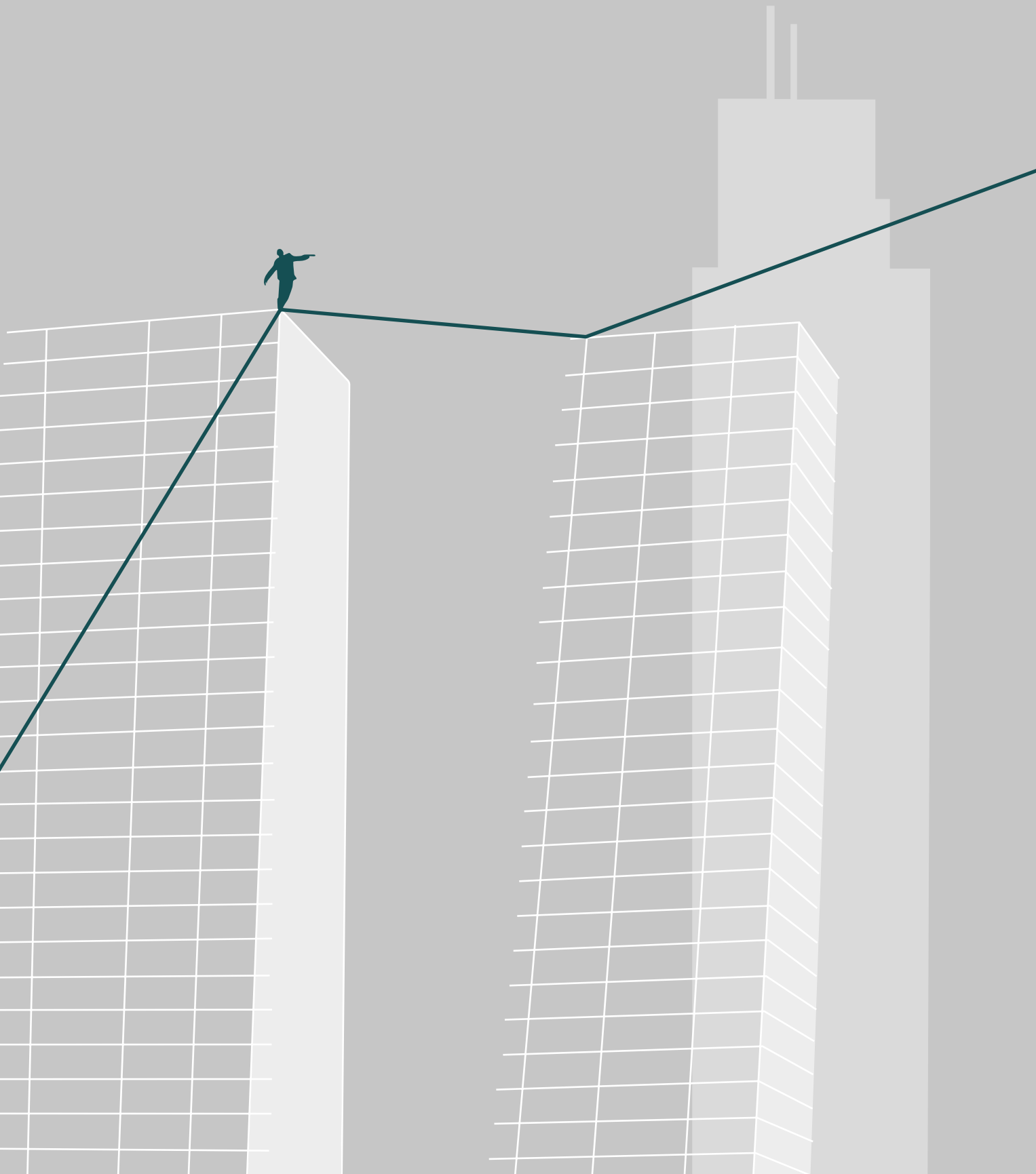


RATIO OF CLIENTS WHO RENTED A PROPERTY



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

Price segments	Inquiries		Realized rental transactions	
	Czechs	Foreigners	Czechs	Foreigners
CZK <25 thous.	56%	44%	51%	49%
CZK 25-55 thous.	59%	41%	47%	53%
CZK >55 thous.	53%	47%	31%	69%
Total	57%	43%	47%	53%



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