

ENGEL & VÖLKERS

COMMERCIAL



Market report 2023/2024 · Prague

RESIDENTIAL INVESTMENT

Prague | Czech Republic



1 365 642	17 183 EUR	3 000 - 4 200 EUR/sqm	14 - 26 EUR/sqm
Population Prague +0,6 % (03/2023)	Prague purchasing power per capita (national index 132,5 – year 2022)	Price margin 2023 (good location)	Rental price margin 2023 (good location)

Present situation on the Prague real estate market

In recent years, we have had to become accustomed to a challenging economic environment. For the moment, some of the framework conditions continue to remain bad (interest rates, the price of construction work and materials), some appear to be relatively stable (the labour market, the exchange rate) and some are slowly improving (e.g. the inflation rate, energy prices). Forecasting further developments isn't straightforward.

To make things more complicated, economic changes have led to the development of different dynamics in each of Prague's real estate segments. For example, the residential rental market is currently very much alive, with strong demand and prices at pre-pandemic highs. The commercial market, both in terms of office and other kinds of commercial leases, are developing at a relatively constant rate. Interest in investing into residential or commercial real estate is, however, growing slowly. Buyers thus have a wide range of offers to choose from, and often finance purchased property using their own funds, and pay prices that are typically around 20 % lower than they were in the 1st half of 2022. We don't expect these trends to change much in the foreseeable future, but even today,

if the selling price is set correctly, it is possible to complete transactions in a matter of weeks.

In order for us to see further positive developments on the Prague real estate market, we will also need to see overall stability across the world, European and Czech political and economic environments. In the meantime, we believe that continuity on the local market will be ensured by the long-term Prague shortage of apartments and other investment real estate, the growth of the city's population, and investor's interest in stable investments.

At the same time, compared to cities such as Munich, Vienna or Zurich, Prague still has great potential for real estate market price growth, as well as for increase in the purchasing power per inhabitant.

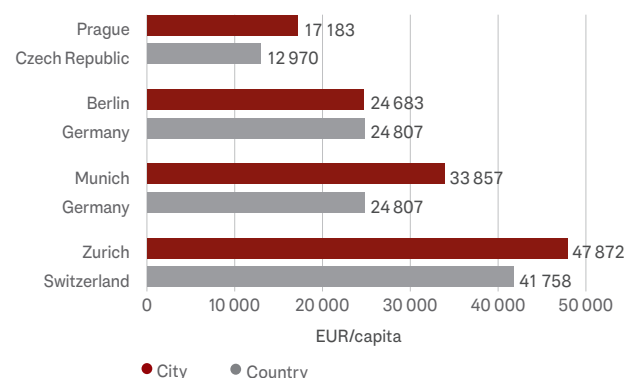
Today, perhaps more than ever, as far as real estate matters are concerned, each person has to take several factors into account: not only their personal circumstance, but a quality analysis of the market and the property are invaluable in reaching the right decision. We are happy to help and are at your disposal with our teams of dedicated real estate specialists.

Price margin of residential investment Q2/2023*

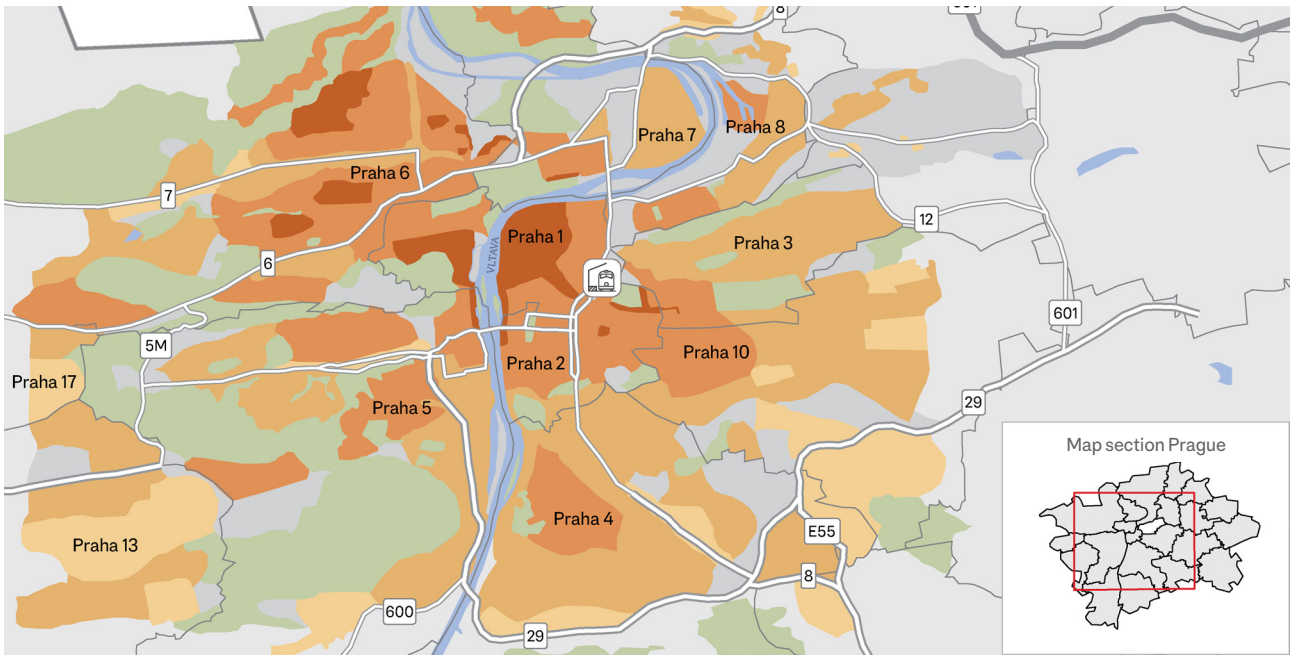


*Good location

Purchasing power in 2022:



Prague - location and initial gross yields of residential investment



- ◆ Prime location 1,5% - 4,1%
- ◆ Good location 2,7% - 4,9%
- ◆ Average location 4,0% - 5,7%
- ◆ Basic location 4,8% - 5,7%
- ◆ Commercial area
- ◆ Waters
- ◆ Green area

Prices and rents of residential investment in Prague

		2021	2022	2023	Trend
Rents in EUR/sqm	◆	12 – 29	17 – 36	17 – 34	→
	◆	10 – 16	14 – 27	14 – 26	→
	◆	10 – 14	13 – 22	13 – 21	→
	◆	7 – 12	11 – 16	11 – 16	→
Prices in EUR/sqm	◆	4 200 – 9 000	3 800 – 7 500	3 800 – 7 500	→
	◆	3 100 – 4 700	2 800 – 4 200	3 000 – 4 200	→
	◆	2 600 – 3 600	2 400 – 3 300	2 400 – 3 300	→
	◆	2 200 – 3 000	2 100 – 2 800	2 100 – 2 800	→



Ing. Lukáš Křenek



Ing. Tomáš Levinský

Heads of Residential Investment Engel & Völkers Commercial Prague

The slow-down of the real estate market in June 2022 was followed by partial market stabilization featuring significantly lower buyer demand for development projects and non-renovated real estate. As compared to pre-June 2022, the Prague are now more properties on the market, the time till sale is longer, and buyers have a wider range of attractive properties in good locations to choose from.

As a result of higher interest rates and stricter bank financing conditions, current buyers tend to be predominantly cash investors. Commercial real estate prices have seen a reduction of 10-30 % as compared to 2021; in the case of development projects the reduction has been up to 50 %. The standard expected return on investment properties now ranges between 4-5 % for apartment buildings, and 5-7 % for office buildings. In the first two quarters of 2023, we saw a rise in the number of property viewings and purchase offers, as well as in the number of owners interested in getting a market value estimate done – in all cases by an average of 16 %. Looking forward, we expect the market parameters to remain constant for now. Possible changes may occur in reaction to new developments in interest rates and changes to domestic and/or foreign economic markets.

All information has been compiled with the greatest possible care. The provided information regarding the site and market development refer to: Population (31.03.2023, CZSO), purchasing power (2022, GfK Growth from Knowledge). We cannot accept any liability for the accuracy and completeness of this information. We shall not be held responsible for damage of any kind whatsoever incurred either directly or indirectly through the use of this information, with the exception of liability for intent or gross negligence.
Last update of information and data published: August 2023. Duplication only with reference to source. Source: Engel & Völkers Commercial GmbH

ENGEL & VÖLKERS COMMERCIAL PRAGUE

+420 233 091 011 | PragueCommercial@engelvoelkers.com | www.engelvoelkers.com/praguecommercial
Česká EuV Commercial s.r.o. | Licensee of Engel & Völkers Commercial GmbH
Janáčkovo nábřeží 1101/23 | CZ-150 00 Praha 5 | Real estate agent