

# NEWSLETTER



[www.kingsturge.cz](http://www.kingsturge.cz)

No. 1 / 1. 7. 2010

[www.century21.cz](http://www.century21.cz)

## Dear readers,



Please let me introduce the first copy of the residential newsletter, which has been prepared by real estate consultancy, King Sturge, and real estate agency, Century 21. This Newsletter is part of the joint activity between both companies, who have been working closely on the residential market for many years. King Sturge brings

the ability and know-how of international consulting and Century 21 brings a dynamic view of estate agency practice in the Czech Republic, with a strong presence in both Prague and the regions

The goal of our newsletter is to present, in regular intervals of about two months, interesting topics and statistical data describing the residential market in the Czech Republic. For the first edition, which you're currently reading, we have prepared a summary of the market for mortgage loans in 2009 and the changes over the past three months. We have then taken a detailed look at Ostrava's residential market, which has changed dramatically over the past two years.

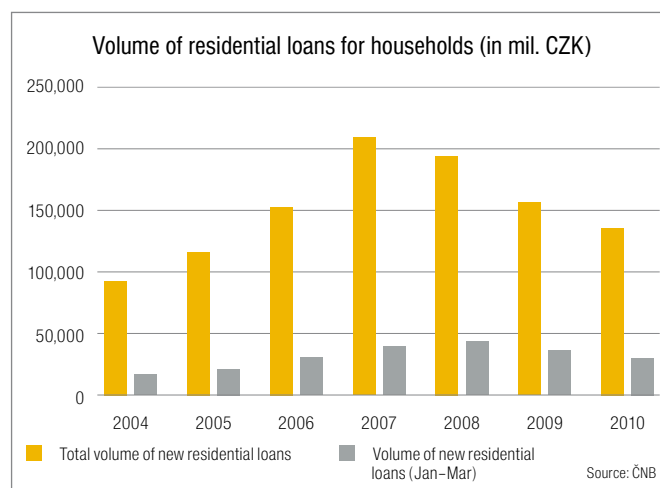
We hope you will be interested in our information, and we look forward to your response

Jan Rosák, Development Director of Century 21

## Housing Loans

In 2009, a total of CZK 155 billion was granted to households in the Czech Republic through new loans for housing purchases. In comparison to 2008, this represented more than a 19% decrease. The Ministry for Regional Development registered a volume of granted mortgages totalling CZK 77.4 billion for the year 2009, i.e. almost half of all housing loans. However the decline in the mortgage sector was significantly larger and volume of mortgages dropped by 35% y/y. The reaction of the banks did not take long and in the first half of this year, most of the banks started an avalanche of mortgage marketing events, accompanied by a radical decrease in the minimum mortgage interest rates.

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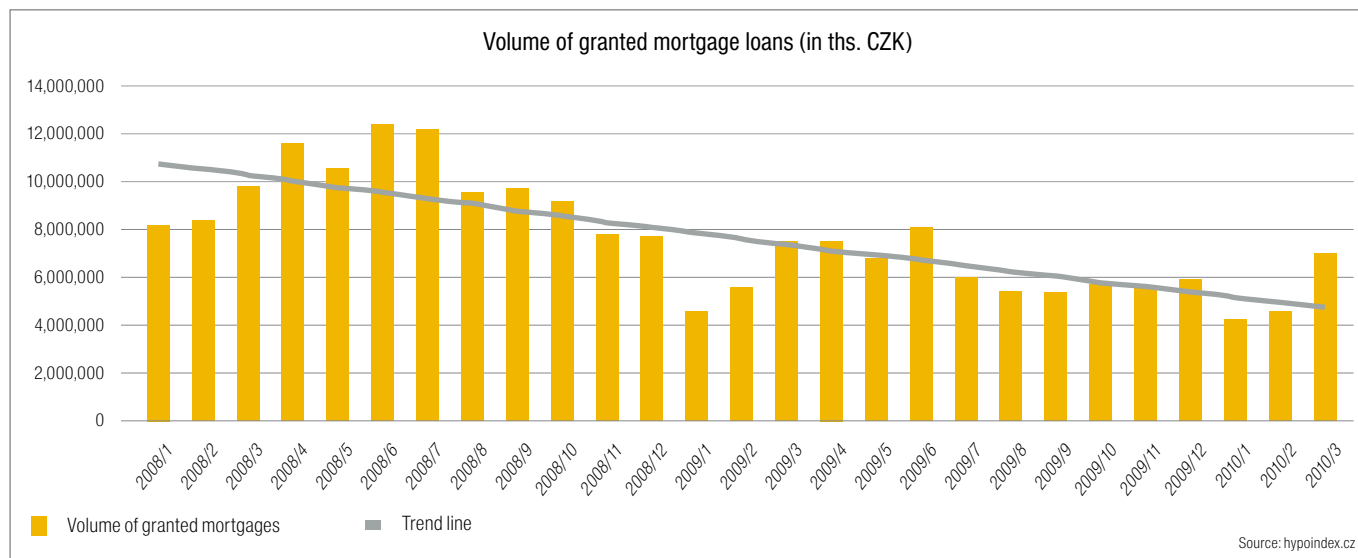


# Housing Loans

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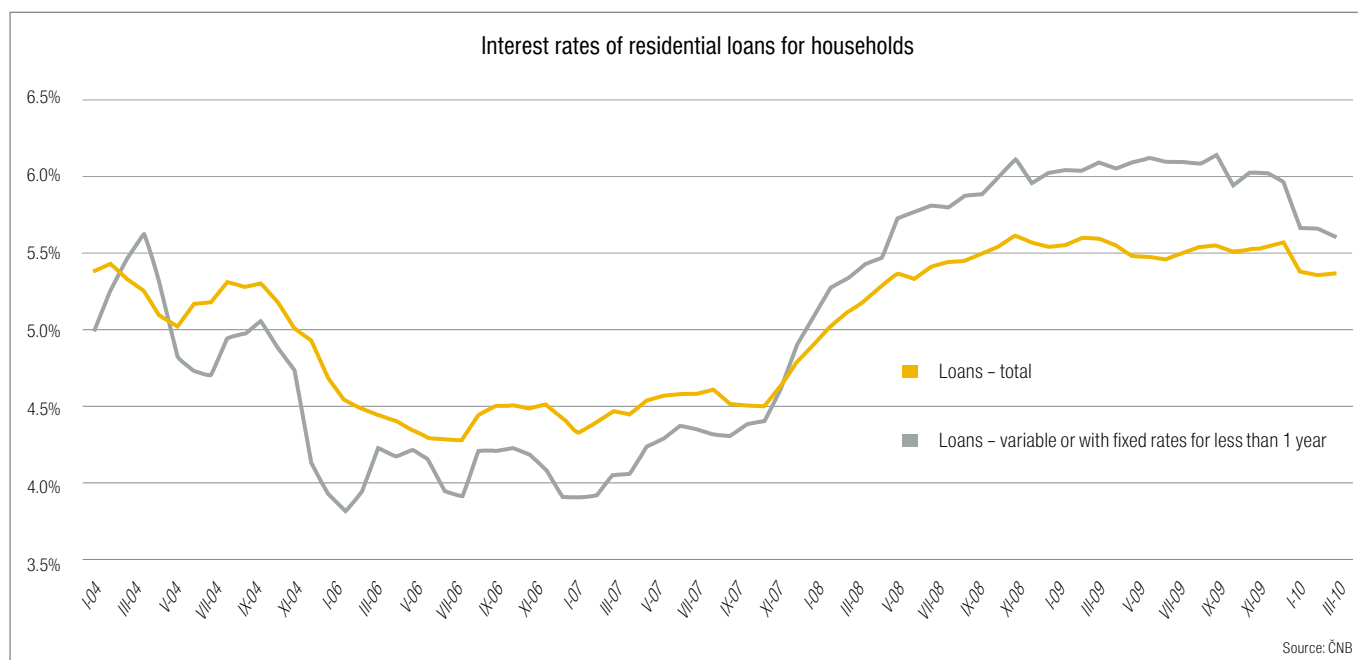
According to statistics from the Czech National Bank, the average interest rates on housing loans for households moved in the past few years, starting at the lowest figures close to 4.3%, at the end of 2005 and the first half of 2006. In the middle of 2007, primarily due to the peak of the residential development and demand for residential mortgages, we saw a sharp increase in rates of housing loans, which culminated in the second half of 2008 with rates around 5.6%–5.7%. After stagnation in 2009, the aforementioned spring campaigns reduced the rates of

From the largest mortgage institutions in the Czech Republic, the lowest interest rates on the market are currently offered by UniCredit bank, starting from 3.63% when the client takes out insurance on the repayment. Komerční banka offers a minimum rate of 4.45% and Česká Spořitelna offers mortgages through their "spring discounts" for 4.49%. ČSOB and Hypoteční banka discount their basic rate for every borrowed million CZK by 0.1% (max up to 0.4%). This applies to all mortgage loans except from the so-called American mortgages and clients have a possibility to combine it with other bonuses reaching interest



housing loans by 0.2 percentage point to 5.36% during the first quarter of 2010. Thanks to the effort of the banks to restart the loan market (especially mortgages) and due to very low rates of the Czech National Bank (base rate decreased in May 2010 to 0.75%), it is expected that interest rates on housing loans/mortgages could fall even further..

rate of minimum 4.6% with fixation for 5 years. GE Money Bank offers processing of mortgage and valuation of property free of charge at the rate of 4.69%. Raiffeisenbank offers a new so-called offset mortgages, where interest rates start at 5.19% with up to 90% of the value of the property attainable.



# Development project's market



The capital construction market went through an extremely turbulent period last year. Many developers have either been withdrawing from the market or temporarily suspended their activities.

Under current changing market conditions is not easy to fulfil the expectations of investors, investment funds or other financial entities. On one hand, there appears to be a relatively large number of developers and opportunistic funds, who are actively seeking new opportunities. However, only in a few cases do pricing expectations currently converge.

Furthermore, many developers have been unable to build their proposed projects. This may be because of releasing funds from land banking, focusing on strategic projects across their portfolio or because of pressure from banking institutions to recover debt.

King Sturge has a relatively broad portfolio of interesting projects for sale from developers and banks. We are also in daily contact with developers and investors who are actively seeking new opportunities. We provide comprehensive services regarding the acquisition and sale of development projects.

The process of realization of investment projects is often very uncertain and there can be numerous complicated aspects. Therefore, it is necessary to choose the best option from a large number to find the best solution. King Sturge is focusing on the processing of complete feasibility studies, financial modelling, cash flow projections, pricing policies and much more.

If you are interested, we will gladly provide you with more information about the services provided by our company, present our experiences and explain how we could help your company.  
[jiri.volf@kingsturge.com](mailto:jiri.volf@kingsturge.com)

## Development projects sold by Prague offices in numbers

Century 21 Development Department and King Sturge have 19 development projects currently on the market. We also have 606 of residential apartments, 53 terrace houses and 23 family houses. Of the properties on our books, 398 units are already approved for use and at 284 are awaiting approval.

Total projects	19
Total units	682
Flats	606
Row houses	53
Family houses	23
Approved for use	398
Before acceptance	284



# Development Market In Ostrava, part 1: Flats

## Housing construction

Ostrava, the third largest city in the Czech Republic with more than 330,000 people, has become of interest to the larger development companies in the past few years. Plans for massive expansion in both the commercial sector and the residential development were put on hold as a result of the crisis, however as the worst of the crisis in the Czech Republic gradually fades, plans for major development projects are once again underway in Ostrava.

Based on data from the urban areas of the city Ostrava, from 2005 to 2016 a total of 3,979 new apartments were planned for construction in 36 projects. It is expected that of most these units will be completed in Moravská Ostrava (1,815 apartments in 10 projects), mainly due to the extensive construction of the project Nová Karolína. Other districts which have also planned larger scale projects include Poruba (7 projects/892 flats) and Slezská Ostrava (6 projects with 364 flats).

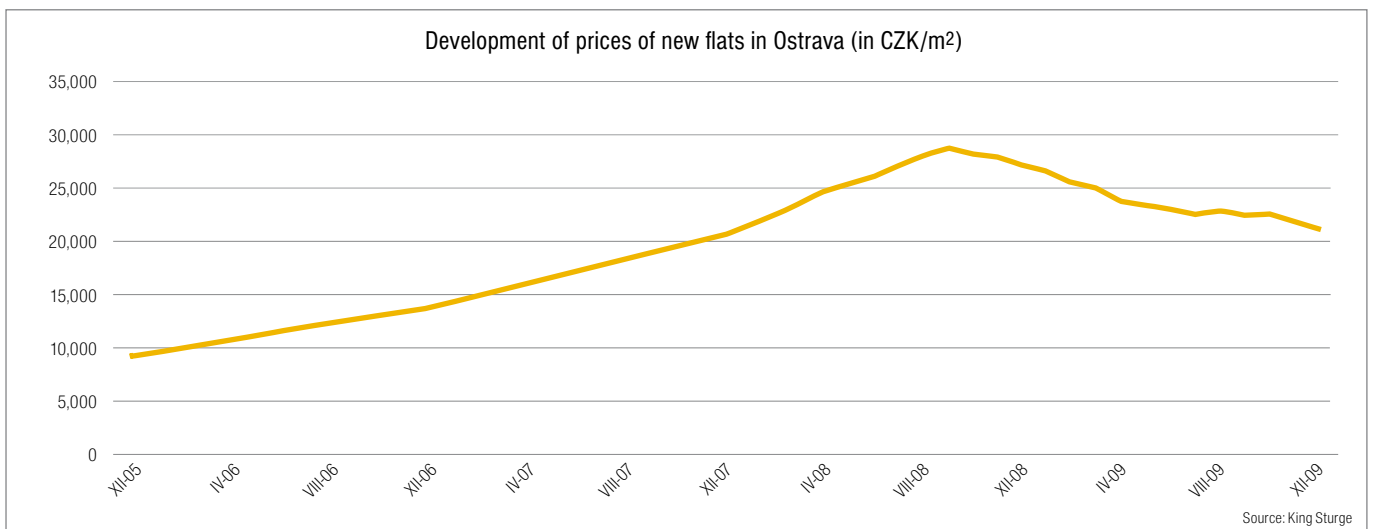
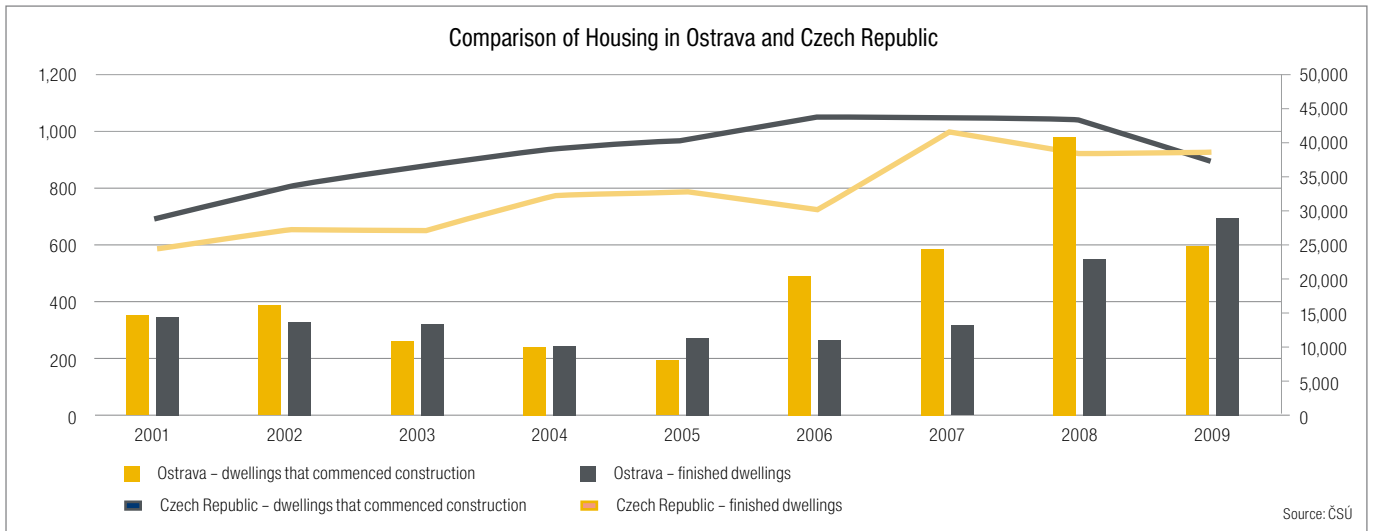
As of 2010, of the approximately 4,000 planned units, only 19% of these units have actually been completed with a further 4% of flats still under the construction. Based on these numbers, it is evident that the economic and real estate crisis significantly affected developers' plans in the city of Ostrava.

## Prices

The sale prices of residential properties experienced a continuous growth until 2009 in Ostrava, and the growth trend was considered to be one of the most dynamic in the country. The average bid price increased by 48% in 2006 and in 2007 the increase was even greater, at approximately 50%. The rapid growth of the prices slowed slightly in 2008, with prices rising by only 26% (year-on-year comparison). 2009, however, showed a completely different picture. Ostrava, along with the city of Ústí nad Labem, experienced one of the largest housing price declines in the country, when the average price of a new flat fell by 22% and prices of older apartments by 34%.

According to our research, of the new-build projects that are currently on sale, the lowest net average price is in Vítkovice – at slightly over 22,000 CZK/m<sup>2</sup>. The highest average net price can be found in Moravská Ostrava, reaching 62,000 CZK/m<sup>2</sup>. The range of prices among Ostrava's districts (at approximately 40,000 CZK/m<sup>2</sup>), is relatively low when compared to the capital city of Prague (with a range of approximately 100,000 CZK/m<sup>2</sup>),

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# Development Market In Ostrava, part 1: Flats

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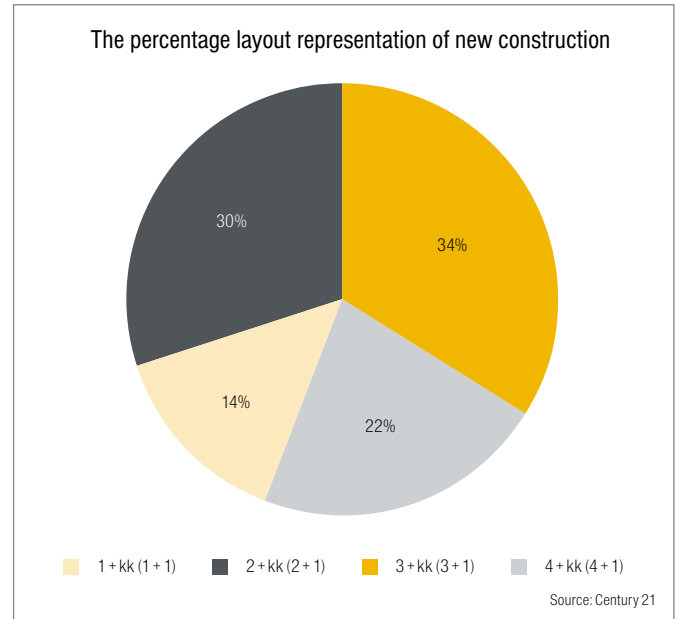
showing a relatively underdeveloped market for residential development, with a lower segmentation of the market. The recent global crisis resulted in an unprecedented level of discounts, bonuses and various other reductions on the Czech real estate market, and Ostrava was no exception. We also saw in Ostrava schemes which do not appear in other projects, such as a lease-to-own structure, whereby a project in Ostrava Heřmanice offers buyers the opportunity to purchase residential units in the form of long-term lease with the monthly lease payments gradually deducted from the total purchase price.

## Apartment layouts

Interesting to note are the layouts of the flats which are currently under construction or have been recently completed. The most common disposition of the units are two-bedroom units (3+kk and 3+1 layouts) which make up nearly 34% of the examined units. Following this were the one-bedroom units (2+kk and 2+1) with make 30%, then 3-bedroom units (4+kk and 4+1) at 22% and studio units (1+kk and 1+1) being the lowest proportion at 14%. These ratios are primarily due to a result of pre-crisis planning of the unit dispositions, which reflected the demand of larger flats.

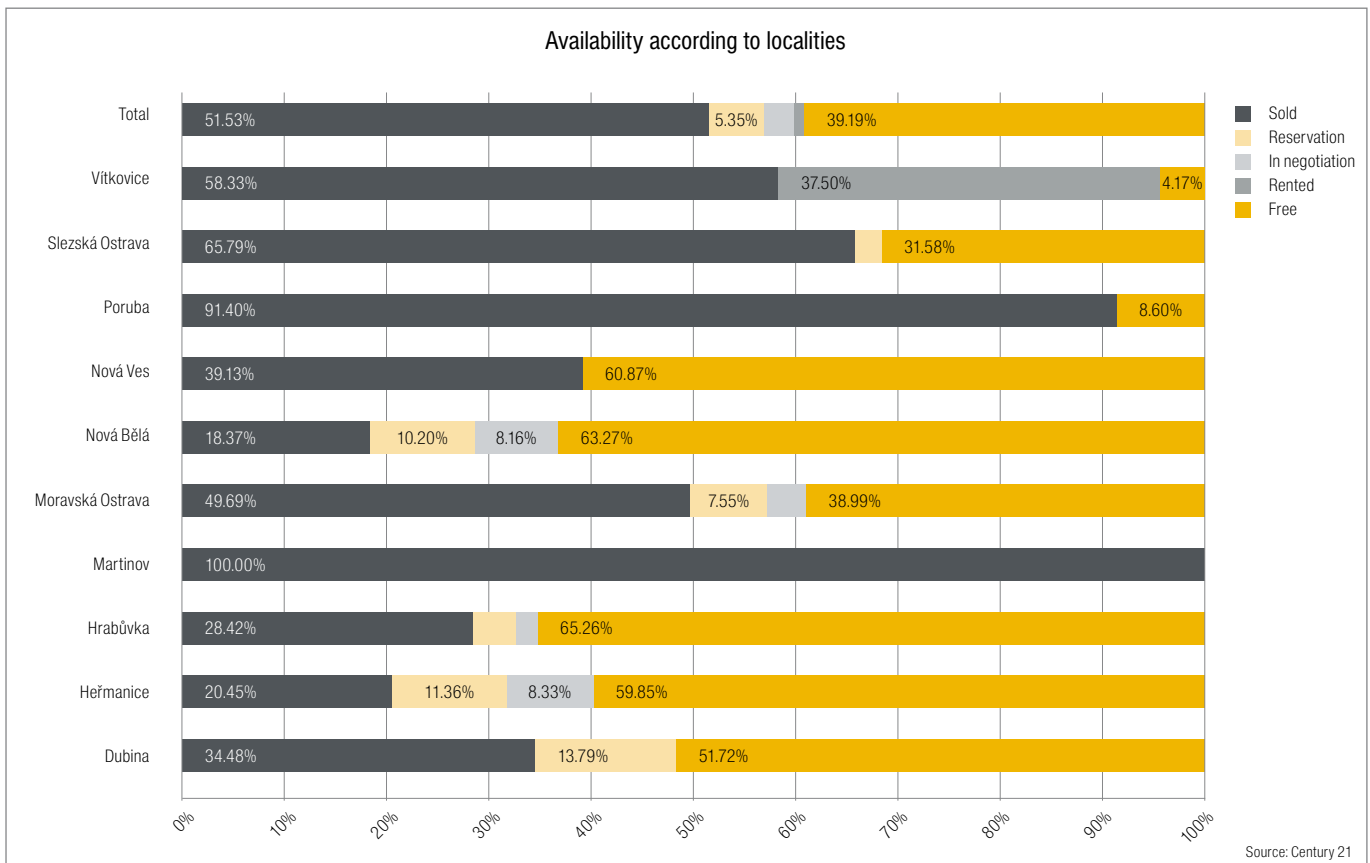
## Demand

Of the 916 apartments that have been completed or are under construction since 2005, approximately 51.5% of units have been sold. Available flats equal to approximately 40%, with the



remaining 8.5% being leased apartments or apartments in sale negotiations. The largest proportion of apartments sold was recorded in the urban areas of Poruba and Martinov. Conversely, the largest number of available flats can be found in the locations of Heřmanice, Hrabůvka and Dubina.

The majority of new projects in Ostrava are sold as private ownership, the exceptions being the projects Nová Poruba (147 flats, completed in 2008) and Na Lánech (23 flats), which are sold in the form of cooperative ownership.



## CENTURY 21

**CENTURY 21 is, in the real estate world, a successful and long-recognised brand, founded 39 years ago in the U.S. Today it is the largest real estate network in the world. It has a presence in more than 70 countries and it employs 165,000 agents in 9,000 offices. You can find CENTURY 21 in the Czech Republic in 50 locations in all the regions with over 700 members of staff.**

Thanks to a global presence CENTURY 21 can offer its services on a local level in the acquisition of a small apartment in the Czech Republic and a luxury residence abroad. We also sell flats in developments projects on, or off plan. Our clients around the world range from developers, investors, entrepreneurs, families with children and young people looking for their first home.

CENTURY 21 Development is department focused on advice to developers operating in both the residential market in Prague and the regions. The services include:

- Market research (monitoring, special research, price shopping, prognosis)
- Analysis of the project (area, definitive of the product, strategy, analysis of market purchasing power)

## King Sturge

**King Sturge, an international property consultancy, was established 250 years ago in the UK. The company has been ranked among ten most important property consultancies across Europe, where it has got 45 offices in 15 countries. You can find King Sturge affiliates in North America and Asia. The firm provides a wide spectrum of property services to investors, developers, property owners and tenants.**

The Prague Office was established in 1992 as the first King Sturge representation in the CEE. In the last eighteen years King Sturge established itself as one of the leading property consultancies across the Czech market, serving foreign, as well as Czech clients. Among the King Sturge consultants in Prague there are 9 fully qualified RICS members.

**King Sturge Prague provides the following services:**

- Investment
- Office and Industrial Agency
- Residential Agency
- Project Management & Building Consultancy
- Property Management
- Valuation & Research

## Kontakty



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**Michal Mareš,**  
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- Preparation of the project, setting the price
- Marketing of the Project
- Sale
- Preparation of the client contract documentation
- Coordination of the client changes
- Before acceptance and acceptance of residential units
- After-sale service

## Kontakty



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## 1760 Charity Appeal – 250th Anniversary as an Inspiration

The 1760 Charity Appeal provides us with a real opportunity to help others in society who are less fortunate than ourselves. King Sturge is looking to raise 250.000 CZK to provide care for children today and, as a consequence, help them in the future. We would like to help children in several orphanages in North Bohemia.

If you would like to donate, we have set up a special bank account to receive monies. The details are: Nr. 722003/2700, variable symbol 250. Any contribution is more than welcome.

Thank you, King Sturge Prague