

Prague: 15 000 new flats in preparation

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There are 63 new development projects in the preparation stage in Prague at the moment, they should offer a total of 14 904 new flats. According to Evžen Korec, the CEO and owner of Ekospol, just only less than a half of the planned projects will be completed. "Taking into account the impacts of the economic recession on the majority of developers who do not build with their own financial resources and who now only meet the criteria for allocation of bank loans with difficulties, I estimate that more than a half of the planned projects will not reach the execution stage," explains Korec. According to him, some development projects have been in the planning stage for several years already, but nobody "has dugged the soil yet". Marcel Soumar, the head of the development company Trigema, pointed out the same recently: "Sometimes there is no differentiation between the moment of starting selling, the moment of starting the project planning stage and starting the construction works. That's why slogans along the lines of 'We offer ten new locations' have to be taken with reserve. It does not necessarily always mean that construction of ten new projects is really starting."

Supply is growing

According to Ekospol's analysis, the capital is separated into four main development areas from the point of flat construction. More than a half of the intended 15 000 flats is planned for the metropolitan districts Prague 9 and Prague 10 (4 085 and 3 523 respectively). Followed by the metropolitan district Prague 4 with 3 214 flats and Prague 5 where there should be 2 811 planned flats on offer in the near future. "These districts enjoy a supply of quality plots, very good civic amenities and good transport access to the city centre, that's why they are so in demand with developers. Especially locations such as Prague 4, Prague 9 and Prague 10 have a great potential because they best fulfill the requirements for modern and affordable housing," says Evžen Korec.

The comparison of these "plans" with the current "reality" is interesting. Today, the highest number of the vacant completed flats is in Prague 9 district (a total of 574 flats, 25% of current available offering in the entire Prague), especially in areas such as Čakovice, Vysočany a Jarov. The second worse sales figures are in Prague 5 (483 flats, 21 %) in the areas of Zličín a Stodůlky. However, at the same time both Prague 10 and Prague 5 districts play a significant role in the developers' intentions. On the contrary, in the city centre, that is Prague's first and second district, there are currently no planned development projects with 50 or more flats, according to Ekospol. It is similar in Prague 7 where there is only one project with a total of 51 flats being planned.

Sales are still stagnating

Czech News Agency carried out a survey among flat sellers recently. The results were not particularly encouraging. In some regions of the country, up to a third of newly-built flats is vacant, this is in the order of thousands in the entire country. Last year, only approximately 2 000 new flats were sold here, Ekospol estimate the number of empty flats in new-builts to be 2 500 today. But here they follow only projects with a volume over 50 units though, the real number will therefore be higher and Ondřej Novotný from King Sturge estimates this to be 3 000 flats. If the forecast by E. Korec is fulfilled, then this "stock-pile" will be strengthened by approximately 7 000 flats in the next few years. And it is difficult to say how many of these the market will be able to absorb. The reasons for this trading windlessness have been described in detail many times before and there is no need to define them again. It is also obvious that their effects will still continue for a while. Some radical turnaround in the economic situation in the world and in this country cannot be expected in the foreseeable future and the same holds true for the circumspection of

mortgage banks whose current requirements for creditworthiness and own capital of loan applicants significantly weed out a number of potential buyers. The only thing that can change, and is ultimately changing, is price. “Buyers are discouraged mainly by high prices,” asserts Ivan Žikeš, the vice-president of the Association of Real Estate Agencies of Czech Republic. But sellers have been lowering prices for some time now and according to some opinions, this process will continue. “The need for sales income will become more and more acute for a number of development companies. The ones who will need at least some income will have to go even lower with the price. Price is the only parameter that the demand responds to at the moment,” says Marcel Soral. Recently the current state of affairs has been described in a media headline as “Prague’s residential nosedive“. And the Czech real estate scene experts talk backstage about the creditor banks slowly losing their patience with tardy debtors - developers.

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