

Prague residential: dead stock increasing!!!

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The number of new unsold flats, started in Prague at the times of the property boom, continues to grow, according to statistics by Ekospol. In completed development projects with 50 flats and more there are currently 2,519 flats on offer. The number of completed "dead stock" in Prague is growing - while there were a total of 2,301 vacant completed flats at the end of this year's first quarter, their number grew to 2,434 in the second quarter. In the third quarter, with the total of 2,519 flats, they exceeded the level of 2,500 flats. However, in Prague 1, 1,954 new flats were already sold just between 1st Jan. and 30th Sept. 2010 - this is a higher number than in the entire last year.

According to Evžen Korec, CEO of Ekospol, the increase of completed vacant flats is mainly caused by the wave of completion of residential projects that were launched during the period of ending real estate boom: "The worst wave is already behind the Prague residential market. I expect the offer of completed flats to settle at around 2,600. How the developers will deal with this situation, that will only depend on their willingness to provide discounts."

The highest number of completed unsold flats is located in the wider city centre, especially in the city districts of Prague 3, on the borders of Prague 2 and Prague 10 as well as Prague 4. A common denominator of the sales failure of the flats are, according to Korec, their high prices which today's buyers are simply not willing to accept. "Our analyses show that over 63 % of unsaleable flats range between 50 - 65 thousand crowns per sqm incl. VAT, approximately 23 % of them are even more expensive," enumerates Korec. Just under 14 % of unsold completed flats will get below the level of 50,000 crowns per sqm. "Furthermore, the most frequent problem is bad location, usually near a noisy road, or on the contrary, in a quiet location with very bad transport accessibility," claims Evžen Korec and he continues: "Otherwise, quality new flats in quiet locations with good city centre transport accessibility costing less than CZK 50,000 will find their buyers even today. Fifty thousand per sqm incl. VAT is a fair price limit."

Korec adds that due to the high prices of completed flats, mainly new flat projects prepared already at the time of economic recession, sell very well today: "In the new projects which were prepared already at the times of recession, prices of comparable flats range roughly 10-15 % lower. Depending on the layout and size of the flat, this means saving in the order of 150 thousand to one million crowns for the buyer."

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