

Prague: new boom of residential construction on the horizon

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The volume of construction companies commissions from the Prague residential developers will finally grow again next year. An analysis by the company Ekospol shows this. While this year the volume of construction contracts will reach roughly CZK 2.1 billion, the outlook for the next year sees investments of up to 3.7 billion. Compared with this year - the weakest in the last three - this would be an increase of more than 76 %.

Between 2009 and 2010, there has been a significant decline in the number of active development companies which build and sell flats in Prague. "While there were more than 115 active residential property developers at the time of the real estate boom, today you can hardly count 70," explains Evžen Korec, CEO and Chairman of the Ekospol's board of directors and he adds. "Although many people will not like this, I think that the economic crisis has clearly benefited the Czech real estate market." Due to the reduced construction activity and the decline in demand for construction work, its prices dropped significantly, in the order of tens of per cent. "The fall in prices enables the developers of new projects to set the housing prices well below the magical 50,000 CZK including VAT per square metre." states Korec.

Next year construction work worth CZK 3.7 bill. will be carried out, in 2012 it will be one billion more. Construction of at least 2,800 new flats, in 27 development projects with 50 and more flats, is planned in Prague for 2011. These are flats which are already being sold but their construction hasn't started yet. It can be expected that construction of these flats will start in 2011. The outlook for 2012 is even more optimistic - according to the projects by Prague's developers which are not for sale yet - and according to projects in preparation recorded in the EIA database, construction of at least 3,500 new flats should be started in 2012. This represents an investment of at least CZK 4.7 billion.

Prague residential construction is only a drop in the ocean for the Czech construction companies in terms of the volume of invested funds. Much more important for them is utilities construction and other commissions coming mainly from the public sector. There are no signs of better times in this sector yet. "We see absolutely no signs of growth next year, the state has decreased investments in transport infrastructure by 35 billion crowns, for example," Václav Matyáš, head of Association of Building Entrepreneurs, expressed his views already last week.

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