

# AAABYTY.CZ: The year 2010 will be marked by stagnation

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“In the first half of the year we expect stagnation of average prices of all property in the entire Czech Republic. A slight increase of up to 5 percent is possible in the second half. The demand started in the course of spring 2009 on the level comparable to 2006. This situation remains steady. There is interest mainly in property which is not overpriced, i.e. where owners have realized that prices applicable in the year 2007 boom are not prices at which property can be sold today,” explains Otakar Šmíd, Director of AAABYTY.CZ.

## Newly built property at the bottom

Prices of new buildings have reached its bottom in the previous year, a fall of 15 % was seen over the past twelve months. Developers will not continue to lower the prices this year; this does not exclude searching for opportunities for individual discounts. Price stagnation is therefore expected in new buildings on average. The demand is visible mainly in projects with an occupancy permit and a possibility to move in immediately. So called paper projects, i.e. new buildings where digging has not started, do not have the trust of customers at the moment. Clients are more sensitive to the potential risk rate today.

Prices of flats in panel buildings had a little different development. “Prices of flats in panel housing estates went down by approx. one fifth, in some locations in the CR even by one third. They reached a realistic value - the fall in case of unattractive panel housing estates fulfilled its role. We do not expect a further fall where there has been a decline. These properties are becoming affordable thanks to last year’s development. On average, we are expecting price stagnation in the entire Czech Republic as well as in this segment. Those who do not overprice sell. In locations with slower price comparison, e.g. in Pilsen, a price decrease by another tenth could occur,” said Otakar Šmíd.

## Rentals are more attractive

In connection with the financial crisis, not only the demand for rentals has increased but also property offered for rent in the course of second half of 2009. The reason is simple: a fall in prices meant a shock for the sellers and they took the property off the market in some cases and tried to make profit differently, i.e. by renting. There is no reason for growth of rents at the moment. A growth of 10 % occurred as expected in the entire Czech Republic during 2009, the price level remained there. One of the reasons is that the current offer of flats for rent is again higher than the demand. Therefore there is no reason for price increase at the time.

The season for the sale of recreational property, i.e. of vacation homes and cabins which lasts from April to September or October did not show any signs of crisis impact. Who was determined to buy is still thinking. Price stagnation, which started last year, continues. There is an enduring demand mainly for locations in mountain resorts or near water with bathing possibilities and within reasonable driving distance from larger cities. On the contrary, there is no demand for large buildings requiring high operation costs. And on the other hand there is no interest for cabins without networks or modern facilities (from electricity to personal hygiene). The highest demand is for vacation homes costing up to half a million CZK with the necessary infrastructure.

“Investment opportunities for 2010 are (as in the previous years) - land and new quality buildings built in

attractive locations with the appropriate price / quality ratio. Furthermore there is still a high demand for flats in centres of larger cities; starting flats, i.e. property of up to 50 square metres; and family houses in locations with a good transport connections and amenities,” summarizes Otakar Šmíd.

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