

The relevance of the thesis is that the formation of the foundations of a market economy in the Czech Republic is accompanied by the elimination of the state monopoly on real estate and the emergence of other countries subjects of purchase and sale, creation of a real estate market. In turn, real estate market as a sphere of formation, circulation and use of objects real estate in the Czech Republic reflects certain problems of the transition economy. His segments are characterized by high unevenness of development and low investment attractiveness, which hinders long-term investment and hinders it development of the economy as a whole.

The importance of these studies is explained by the fact that they are in demand a wide range of interested parties. Along with this, certain regional aspects of the development of the housing market real estate has not been fully studied, they require further scientific and practical consideration.

Purpose and objectives of the study. The purpose of the thesis is to identify general trends in the functioning and development of the housing market in the Czech Republic in the context of the pandemic.

To achieve this goal, it was planned to set the following parameters, formulation and gradual solution of such tasks:

- to find out the economic essence of the real estate market;
- to reveal the features of the formation and development of the housing market in the Czech Republic in the conditions of market transformations;
- to study the processes of development of the housing market infrastructure in the Czech Republic;
- to analyze the current state of the residential real estate market in the Czech Republic;
- to assess pricing processes in regional housing markets; to reveal the factors influencing the rental market of residential real estate in the Czech Republic.

The object of research is the processes of formation and development of the housing market real estate in the Czech Republic.

The subject of the research is an economic assessment of the functioning of the Czech housing market in the modern economy.

The theoretical and methodological basis of the research is fundamental provisions of economic and management theory, scientific achievements of domestic and foreign scientists in the field of market functioning residential real estate.

Research methods. The paper uses a set of methods: general scientific methods of analysis and synthesis – for evaluating the dynamics, structure and performance of the residential real estate

market; comparative analysis analysis – for the study of methodological and methodological approaches, the development of author's concept and proposals for taking into account research results leading domestic and foreign scientists devoted to the peculiarities of development of the real estate market; logical and semantic – for deepening conceptual framework for determining the main components of the market infrastructure housing.

The practical significance of the results obtained is that application of the proposed methodological and scientific-practical provisions in the practice allows you to form a set of effective measures, the implementation of which will contribute to the formation and implementation of an effective state policy of assistance development of the residential real estate market of the Czech Republic. Suggested practical features 7 recommendations for improving the set of organizational and legal issues, information and institutional measures aimed at solving the following problems: priority problems of housing market development at the present stage.

One of the most important indicators of the development of market relations is the development of the real estate market as a whole, and its individual sectors, in particular. Without a real estate market effective development of markets such as the market is impossible labor, capital, goods and services, and the mechanisms of market pricing, investment, and savings in the economy as a whole depend on it.

The importance of the real estate market as a sector of the economy is confirmed by its current significant share in GDP, a high level of budget revenues from the initial sale, rental of real estate owned by the state and territorial communities, a high level of payments to the budget from real estate transactions, as well as an even greater «hidden» potential for filling budgets at all levels. Real estate can be considered as an investment asset, but it can also be attributed to the scientific category of goods. In in economic theory, there is a category of «goods» that includes a non-renewable element such as Earth.

In Chapter 1 of our research, we considered the main features and patterns of development of the real estate market in the world. In the first paragraph of this section, we analyzed the concept and essence of the real estate market.

In our opinion, the author's position is more meaningful I. Balabanova, who notes that the real estate market represents this is the sphere of investment of capital in real estate objects and the system of economic relations that arise when performing real estate transactions. I. Balabanov suggests including the following features of the real estate market:

- the amount of demand for real estate objects is most often determined by geographical and historical factors;

- demand for real estate is not interchangeable;
- transactions in the real estate market require state registration registrations;
- investing capital in real estate requires the cost of maintenance of the object in its proper functional purpose, payment of property ownership taxes, payment of taxes and fees related to the real estate transaction.

As for the real estate market, scientists distinguish classic (market for newly built real estate and that is under construction) and inversion (privatized market real estate) markets operating in an industrial-type transition economic system. It is precisely because of the inversion type of market transformation that is inherent in the market real estate in Czech Republic, in our opinion, building institutions according to classical templates, it leads to their incapacity.

The most common general classification of real estate in terms of its taxation, regardless of the physical nature of the objects. The tax classification provides for the allocation of the following four categories of real estate:

- commercial, used for business and generating rental income;
- personal residential property; o is intended for sale as a commodity for profit by developers and dealers engaged in real estate transactions;
- investment objects that provide net income, return on invested capital, or increase in its value in a future period of time.

According to the revenue approach, the value of an enterprise is determined by current or expected income from its activities. The profitable approach includes:

1. direct capitalization method.
2. method of discounting cash flows.

There are also different approaches to classifying objects real estate. In general, the analysis of works devoted to the study of the real estate market allows us to formulate the following characteristic features inherent in the real estate market: localization; incomplete information; housing ownership and housing-related transactions there are usually 4 types of expenses: large investments, repairs, operating costs, property tax, and duty and other fees; demand is determined not only by consumer qualities, but also by location; housing is not only a means satisfaction of personal needs, but also the object of investment; relatively small number of participants and transactions.

In Section 2 of the scientific work, we investigated the main trends in the development of the modern real estate market in the Czech Republic.

The buyer will need to conclude a new insurance contract without undue delay (this is not an obligation, but we strongly recommend not saving on insurance). The subtlety is that, according to the law, Czech insurance companies do not insure an object at its actual cost (selling, estimated or otherwise). They insure for the amount that would be needed so that in the event of an insured event, it would be possible to build a new object of the same kind in the same place. In other words, real estate is insured for the cost of a new building, which naturally increases its size. If the amount of insurance has been reduced, and an insured event occurs, the insurance company will fine the owner of the property and pay a significantly (disproportionately) smaller amount, or even refuse to pay at all.

In this section, we have provided data on the economic state of the real estate market in the Czech Republic in the period before and during the pandemic.

The crisis associated with the COVID-19 epidemic has not yet brought the expected decline in real estate prices. During 2020, despite epidemiological restrictions, prices for apartments in Prague grew, excluding, perhaps, only Prague 1, which is due to a large outflow of apartments to the market in this area after the stop of tourism and government restrictions on the provision of hotel services. Thus, the assumptions that the market would behave the same way as during the 2008 crisis were not justified.

The Czech Republic is in a completely different condition than in 2008. The reaction to the crisis of the government and the Czech People's Bank is also radically different.

There has been a serious shortage of living space in Prague for a long time. Demand is significantly outstripping supply, even during this crisis. The crisis of 2008 also played a role in this, after which the construction business took a very long time to recover. Most development projects were stopped, the market stopped replenishing with new housing. This lack of living space is still very much felt in the market, especially in large cities. In Prague, the shortage of housing stock is estimated at 50 thousand apartments. According to forecasts, it is expected that 200,000 more people will move to Prague by 2030.

As anti-crisis measures, the Central Bank significantly reduced the key rate (from 2.25% to 0.25%), and also lifted restrictions on issuing mortgages that were in effect before the crisis (now you can get a mortgage in the amount of 90% of the real estate price at a rate of up to 2%, instead of 5.5% in 2009). As a result, a record volume of mortgages was issued in 2020.

The economy of the Czech Republic has been on the rise in the last few years, the population has accumulated significant funds.

The absence of a real estate transfer tax, a low mortgage rate coupled with the ease of obtaining a mortgage (available, unfortunately, only to Czech citizens and persons with permanent residence), high inflation, significant savings from the population, uncertainty about the future caused by the crisis, contributed to massive investments in real estate – the safest place in the face of uncertainty and expectations of inflation growth.

Separately, we reviewed the development of the real estate market in certain parts of the Czech Republic, namely in the capital - Prague.

As follows from the analysis of the CNB published in November 2020, real estate in Prague is overvalued by 17%, and in selected areas with a high number of investment apartments (such as Prague 1) - by 25% (source penize.cz). However, this analysis emphasizes that this situation is typical for almost all European countries. According to the statement of the press secretary of the CNB, this respected organization believes that the consequences of the coronavirus crisis will gradually begin to manifest themselves on the market, the dynamics of mortgage loans will weaken, which will necessarily negatively affect the growth of real estate prices. Such a statement of the obvious consequence without unnecessary detail.

The difference in prices for similar real estate between Prague and another Czech city of 200,000 inhabitants is 2-4 times. There are many reasons why you should buy a property in Prague.

Prague is the capital and largest city of the Czech Republic, with a higher level of accommodation for investors and their families and more business opportunities. The main financial flows of the Czech Republic are concentrated here, and the largest inflow of foreign investment is also directed here.

For residents of the Czech capital, there are more opportunities to find a high-paying job, because the salary level in Prague is much higher than in other cities of the Czech Republic. Intensive construction of new office buildings, shopping centers and housing provides much higher liquidity for investing in real estate in the Czech Republic. Search for real estate objects

Prague is a very beautiful and pleasant city, famous for its friendly residents and architectural monuments. According to statistics, Prague is visited annually by 5 million people. Tourists and leave about 2 billion here. Euro. These factors are the demand for Real Estate in the Czech Republic and related services. Real estate in Prague is always growing in price and over the past 4 years, real estate prices here have increased by an average of 45%.

Quite high prices for real estate in Plzna, Brno and resorts near the German border (Marianske Lazne and Karlovy Vary).

Since 1989, real estate prices in the Czech Republic have been constantly rising, but the growth rate has been very different recently. The most pronounced price growth is in Prague and Karlovy Vary, where real estate prices have increased to 50% over the past 5 years. In other parts of the Czech Republic, prices have increased by an average of 20%.

Nevertheless, there is a lack of residential assortment in the center of Prague – it is a historical city, and, accordingly, everything here is steeped in history. Many foreign buyers purchase housing in the central part of Prague for the purpose of renting it out. However, rental prices are falling, especially in the segment of luxury housing. The main reason for the high rental prices in Prague, which have been established in recent years, was the demand coming from emigrants arriving in the country. But at the moment, foreign specialists, senior and middle managers who arrived in the country ten years ago are mostly being replaced by no less qualified Czech specialists who are more efficient and economically profitable employees for international companies. Their professional skills were honed due to the fact that for 10 years they lived in a «market economy» and, plus, they actively adopted Western experience. As a result, there was an oversupply in the luxury housing rental segment. Since 2000, the rental prices of luxury apartments and houses have fallen by 20-70%, and the most expensive real estate objects have suffered the most.

In the third and final section of the thesis, the processes of functioning of the real estate market in the Czech Republic during the COVID-19 pandemic, as well as the main trends in the development of the real estate market, were discussed in more detail.

Over the past two years, real estate prices in Prague have increased by 35%. The average cost per square meter without VAT was €3,420. The reasons for this increase are well – known-low mortgage rates and a shortage of new buildings. The Czech National Bank (ČNB) has tightened mortgage rules: most loans must be issued for an amount not exceeding 80% of the value of real estate. But limited issuance of permits is not only associated with a complex and lengthy process of preparing documents. Factors such as the lack of Labor and the limited amount of land suitable for residential properties also affect.

The spring lockdown of 2020 put all processes in the Czech real estate market on pause and only in summer the market began to revive. It is important to note that the demand for residential real estate has not fallen, on the contrary, it continues to grow.

«Of course, we observed a short-term decline in demand for apartments, and this was due to uncertainty at the beginning of the pandemic. Now the panic in the real estate market has subsided» says Artem Melnikov, head of Home Real Estate.

After the lifting of restrictions on preparation and construction, development companies continue to develop new interesting projects. They offer high-quality residential real estate, as well as new investment opportunities.

«We started selling the Smíchov City project in March, and after six months of expectations, we have a high percentage of sales. We assume that people are currently considering buying an apartment in a good location as a definite investment» said Leos Anderle, CEO of Sekyra Group.

The average selling price per square meter of an apartment in Prague is growing throughout 2020. For example, in August, the average price per m² for all apartments sold in the capital amounted to CZK 88,568, which is 0.8% more than in the previous month and 7.7% more than in August last year. Everything suggests that real estate remains a stable investment.

Despite the fact that COVID-19 undeniably affects the market, the value of your property is currently growing and its sale is now very profitable.

The COVID-19 virus pandemic and related restrictions have undoubtedly affected the global economy and, consequently, the economy of the Czech Republic. How has this situation affected the residential real estate market in Prague?

2019 was a successful year in terms of the Czech economy and the real estate market in particular. An analysis conducted by ARTN in early 2020 before the introduction of the state of emergency predicted a further increase in prices and rental rates in the residential sector, as well as good conditions for real estate investment and financing conditions.

According to the index, the availability of apartments is decreasing both throughout the Czech Republic and in certain regions. The reason is the increase in interest rates and the amount of mortgage needed to buy an apartment due to rising prices.

The most favorable situation is in the Karlovy Vary region, where the index is at the level of 1.010. This means that the availability of apartments decreased by 1.05%. In the capital, the index value at the time of calculation was 1.095, but since then it has been steadily growing.

The amount of mortgage payments in relation to wages also affects the availability of apartments. The average monthly mortgage payment for an apartment in Prague is 22 thousand crowns. In the South Moravian Region — 14,137 crowns, and in the Middle Czech Region - 12,580 crowns. Smaller contributions are paid by residents of Kralovegradec (CZK 11,309), Liberec (CZK 10,781) and Pardubice (CZK 10,055). The lowest contributions in Ustetsky are 5,575 CZK per month. According to the portal Sreality.cz, interest in renting is constantly growing throughout the Czech Republic, with the exception of Prague. The highest demand for 2 + kk apartments, as well as apartments with a terrace, balcony or loggia.

In the Vysochina region, interest increased by 81% compared to the same period last year. Also, in the Srednechesk and Liberec regions, the demand for apartments with access to fresh air increased by more than 70%. In general, in the Czech Republic, the demand for apartments with a balcony in April increased by 55% year-on-year.

Real estate prices in small Czech cities such as Kladno, Tabor, Liberec, and even in Brno (the second largest city in the Czech Republic) are relatively low. However, in such cities, the liquidity of residential real estate is significantly lower, and the price of housing changes much more slowly, in comparison with Prague. The cost of a plot of land for construction starts from 20 euros per sq. m. in provincial cities, from 70 euros per sq.m. in the suburbs of the Czech capital and from 200 euros per sq.m. in Prague.

Naturally, the growing demand leads to a gradual increase in prices. It is worth noting that after the Czech Republic joined the European Union (2004), for two years, real estate prices in Prague increased by 20-25% annually. After 2006, this figure reached the level of 8-12%. Analysts suggest that this level of growth may continue for another 10-15 years. Such optimistic forecasts follow from a number of factors: the availability of mortgages with fairly low interest rates, the increase in VAT on new buildings since 2012, the ease of acquisition and high loyalty of legislation. In addition, it is worth recalling the relative simplicity of immigration to the country, especially if the applicant has his own business in the Czech Republic. The Czech Republic remains the leader of the European Union in the growth of residential real estate prices this year. Demand exceeds supply. In Prague, the shortage of apartments is especially noticeable. Too complicated and lengthy procedure for obtaining permits for construction hinders the commissioning of new residential buildings and complexes.

Czech and foreign investors continue to show interest in profitable Prague real estate. It is growing in price much faster than in the rest of Europe. According to forecasts, in 2019 the average increase in the cost per square meter will reach 5%, and in the next period - 4% per year. This is lower than it was in the past years of increased demand for apartments in the Czech Republic, but more than in the entire European Union and even than in rich Germany.

The intention to buy real estate in the Czech Republic is Western Europeans, citizens of post-Soviet countries, Asian investors. Commercial use of the purchased space in the format of short-term or long-term lease brings today a tangible profit of up to 10% per year and will remain as profitable in the near future.

In a developed, cozy, calm, beautiful Czech Republic, it is pleasant to be a tourist, as well as to live permanently or study at the university. Therefore, wealthy citizens of other countries come here to buy real estate in the Czech Republic for personal or commercial use.

The increase in housing prices is due to loyal purchase rules for foreigners. They have equal rights with the Czechs regarding purchase and sale transactions, which increases competition in the struggle for attractive real estate. The Czechs themselves have unique credit conditions in this market. The bank can cover up to 80% of the cost of housing with a mortgage loan for decades of using borrowed funds at a completely low 2-3%, and for foreigners with different status and solvency of staying in the country - up to 6% per year.

Price growth is likely to slow down in the coming years, since demand from local residents will be moderate due to the lag in income growth of ordinary citizens from housing cost trends. Over the years of economic development of cities, many people have already improved their living conditions, and the influx of young people is limited by the low birth rate in the country. Tens of thousands of new apartments are planned to be built in Prague, which will bring down the hype demand and slow down the price growth in the market.

An important argument in favor of Czech real estate is the increased liquidity of new apartments. Ads for sale receive feedback from potential buyers within a few days. And a long hesitation over the offer may end with the sale of the object, but in other hands.

So, we can draw the following conclusions.

«The residential real estate market in the Czech Republic has been gradually developing since the 90s after it was freed from various regulatory restrictions. It was a period of intense, and at first even rapid, inflation, the same was true for residential real estate prices, » said Jiri Mrazek, director of the Price Statistics Department of ČSÚ. The agency has data only since 1998, when the growth of housing prices stopped due to the economic downturn.

There have been three significant price hikes since 1998. The first one ended in mid-2003 due to the Czech Republic's accession to the European Union in May 2004. «This was due to the expectations of foreign buyers of Czech real estate. In the third quarter of 2003, average apartment prices more than doubled compared to 1998, » Mrazek added.

The next jump occurred in 2005, when prices increased against the backdrop of global economic growth. Compared to 2003, the value of real estate has increased by about 60%, but compared to 1998, it has more than tripled.

«At the end of 2008, the global financial crisis broke out, which also affected the mortgage market. The Czech Republic did not escape the crisis either, where by the end of 2009 the cost of apartments fell by 18.1%, after which prices stagnated for about three years, » Mrazek added.

Subsequently, prices began to rise again, at first by an average of 3.5% per year. From 2016 to the end of 2019, price growth accelerated to an average of 10.7% per year. «Data for comparable

statistics for 2020 are not yet available, but it is clear from available sources that the growth in housing prices continues, » Mrazek said.

Prices for apartments over the past 20 years have grown by an average of 7% annually, for land plots - by about 5.2%, for cottages - about 4.6% per year.

Of the individual regions, housing prices have increased the most in the Moravian-Silesian, Pilsen and Vysochinsky territories - by about 4.7 times since 1998. The cost of apartments in Liberec, Pardubice, South Moravian and Karlovy Vary regions increased by 3.8 times.