

# DEVELOPMENT OF HOUSING PRICES IN OSTRAVA IN THE YEARS 2004 - 2010

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## 1. Introduction

In this analysis there are presented the primary price indicators of housing in Ostrava and selected municipalities in the Moravia Sielsian Region. The total population of the Region is 1,2 miles.

Basic source facts used in this research work were extracted from common press. It is found asking supply prices have been adjusted for extreme events. The figures were analyzed each year for the first half of 2004 - 2008 and the second half of 2010 <sup>1</sup> The year 2010 has been analyzed more specifically.

The housing market can be divided into relatively homogeneous segments. In view of these segments it is done a comparative analysis. These apartments are offered for sale and are distinguished by cooperative apartments and condominiums in private ownership and market housing to rent. In the case of the market apartments for sale, prices are converted to a value per m<sup>2</sup> according to the average size of the offered flats. The size of the flats offered in each year are varied, which is also stated in the tables.

Below there are basic information about market of apartments for rent. There were measured in net rent, and also the amount of advances for services and finally the total amount (sum of net rent and advances for services), which urge landlord to tenant. The data were compared then with the financial possibilities of the population. All data are presented in USD <sup>2</sup>.

The real estate market in Ostrava is today one of the most dynamic markets of this kind in the Czech Republic. The economic potential of the city and its recent development related to highway construction and significant investments it is in fast growth in housing prices, which is evident from the presented data.

According to the last census in 2001, 0.3 miles of the population resided in Ostrava and total stock of dwellings accounted for 0.128 miles flats.

## 2. The ownership structure of the flats offered for sale

The share of apartments offered on the market that are in private ownership is about 1/3. The table shows that between 2004 and 2005 the proportion was about 1/5. Since 2006 there was in the city of Ostrava, the rather extensive privatization of public housing to private ownership, which may explain an increase in the proportion of privately owned dwellings in the housing market for sale. Generally, from the standpoint of the Republic, the purchase of an apartment in personal property can be financed better than buying cooperative apartment. The rights of

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<sup>1</sup> The year 2009 didn't count.

<sup>2</sup> The rate of exchange 1USD = 19 CZK.

owners of flats are also a bit better than that of the member of a cooperative of apartment cooperative. These factors have influenced the change in the ownership structure of the apartments offered in Ostrava.

*Table 1: Structure of dwellings by type of ownership in selected years (%)*

Year	2004	2005	2006	2007	2008	2010
Personal Property	25,30	21,00	30,00	38,00	52,00	34,00
Cooperative ownership	74,70	79,00	70,00	62,00	48,00	65,00
Total	100,00	100,00	100,00	100,00	100,00	100,00

Source: Own survey

### 3. Market housing for sale (2004 – 2010)

The results of long-term survey show a trend of growth in apartment prices in Ostrava in 2008 (second half). In 2009 there was a drop of around 22% due to the financial crisis. Currently the Ostrava's housing market has stabilized and it was a slight increase. The subject of the sale are rather bigger flats, while letting the apartments are smaller one.

*Table 2: Prices of flats for sale in Ostrava in selected years in USD*

Year	2004	2005	2006	2007	2008	2009 <sup>3</sup>	2010
Average price	26 824	24 627	34 176	58 298	73 339	53 210	53774
The average apartment size	57,53	58,96	62,96	60,00	64,38	60,00	57,54
Apartment price per m <sup>2</sup>	466	417	542	966	1 139	886	934
Percentage increase in prices for m <sup>2</sup>	X	-10,41	29,96	78,02	17,88	-22,21	5,41

Source: CZSO, own survey

### 4. Market apartments for rent (2004 – 2008, 2010)

The rental apartments are connected by two basic payments. Net rent and deposit service charges. The inquiry was established independently of the previous two variables and the overall average payment required if the advertisements were listed and it is clear that the required payment includes both net rent and payment for services associated with the accommodation. The following data table can be significantly distorted by a patchy quality of the flats offered. Especially in some areas are offered to hire high-quality and well equipped managerial apartments, which significantly distorts the total average price. If we go out at least a trend, then we can talk about the amount of rent stagnated in recent years despite of the crisis. Interesting it is the view of the advances for services. In 2010 was recorded a relatively clear decline. In my opinion, it is linked to government subsidy entitlement and energy savings, which were carried out in recent years.

<sup>3</sup> Estimate according CZSO.

*Table 3: Payments related with rental flats in Ostrava in selected years in USD*

Year	2004	2005	2006	2007	2008	2010
The average net rent in CZK/month	X	242	253	469	450	390
The average advances for services in CZK/month	130	96	147	161	152	91
The total average required payment in CZK/month	317	358	393	429	479	467

Source: Own survey

## 5. Comparison

In comparison with the Republic's two largest cities, the prices of apartments in Ostrava are lower. Similarly, the net monthly rents follow the attractiveness of those cities in the housing market.

*Table 4: Average prices per m2 of housing in selected municipalities in the CR in 2010 in USD*

City	Apartment price per m2 in USD	Net rent per m2 per month
Praha	2239	7,78
Brno	1560	6,15
Ostrava	934	5,42

Source: Housing prices in iDNES.cz, add your own survey

It is interesting to compare housing prices in relation to household incomes and mortgage lending opportunities. According to recent statistics, the average salary details of individuals in the second half of the year is 1 217 USD. According to the current supply of banking institutions in the CR can be found out how much would the monthly payment amount for purchase of a flat in Ostrava and 20-year repayment period. It is also possible to compare it with the average monthly payment of rent.

The following table 5 contains the simulated situations for several banks in Czech Republic.

*Table 5: Monthly payments for a flat price of 53 774 USD and the repayment period of 20 years for selected banks*

Bank	Rate p.a.	Monthly installment	The share of wages in %	Monthly rent
ČSOB	5,49	369	30,3	390
KB	5,04	356	29,2	390
GEM	4,99	354	29,1	390
ČS	5,19	360	29,5	390

Source: own calculations, [www.kurzy.cz](http://www.kurzy.cz)

The table shows that the mortgage payment of the purchase of a flat in Ostrava is approximately one third of individual incomes. If we compare the monthly installments with

monthly rents they show that the rent is a little bit higher than the payment of mortgage installments. Apparently, therefore, be more cost rental apartments before buying. However, unlike rents the owners of the apartments have to add other form of additional property taxes such as real estate taxes, payments to fund repairs, manage the house payments, etc. Finally, the flat owner will pay more than the tenant.

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