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Expensive Money and Shattered Dreams

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Summary

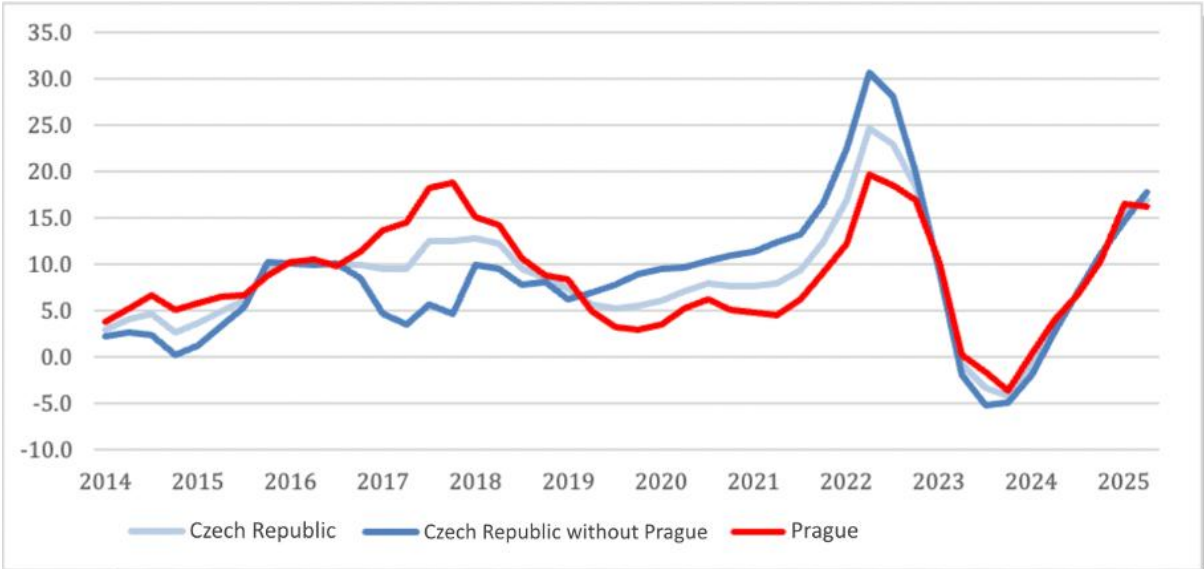
Housing is one of the basic human needs, and at the same time, a key indicator of social stability. In the Czech Republic, however, the availability of this commodity has been steadily declining over time, and obtaining it has become increasingly complex. The growth of property prices and rent has far outpaced the growth of disposable household income. Thus, the issue of housing affordability has moved from statistical yearbooks into the daily reality of thousands of people.

Key Takeaways

- While in 2021, Czechs paid nearly 37% of their monthly income for an average property, by 2023, it had already exceeded 57%.
- The current decline in mortgage rates has reached its limits.
- The number of housing starts, which determines future supply, has long remained below 2021 levels.

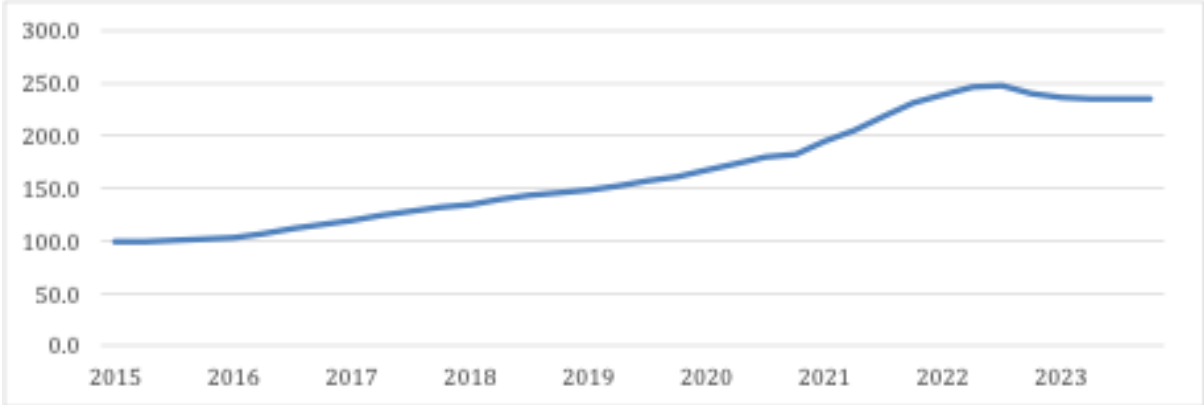
Housing prices in the Czech Republic have been rising almost continuously over the past decade, except for a short correction period. According to the Czech Statistical Office (2025a), from 2015 to 2023, the prices of apartments and family houses increased by 135%, with apartment prices growing even more dynamically than house prices. Cheap mortgages partly fueled this trend, but even the brief shock in the mortgage market at the turn of 2022–2023 did not change this trajectory. Current figures again show double-digit growth — specifically, property prices rose by 17% year-on-year in the second quarter of 2025.

Graph 1: Year-on-year change in apartment asking prices



Source: Ministry of Finance of the Czech Republic, 2025, (translated by author).

Graph 2: Cumulative development of real estate prices



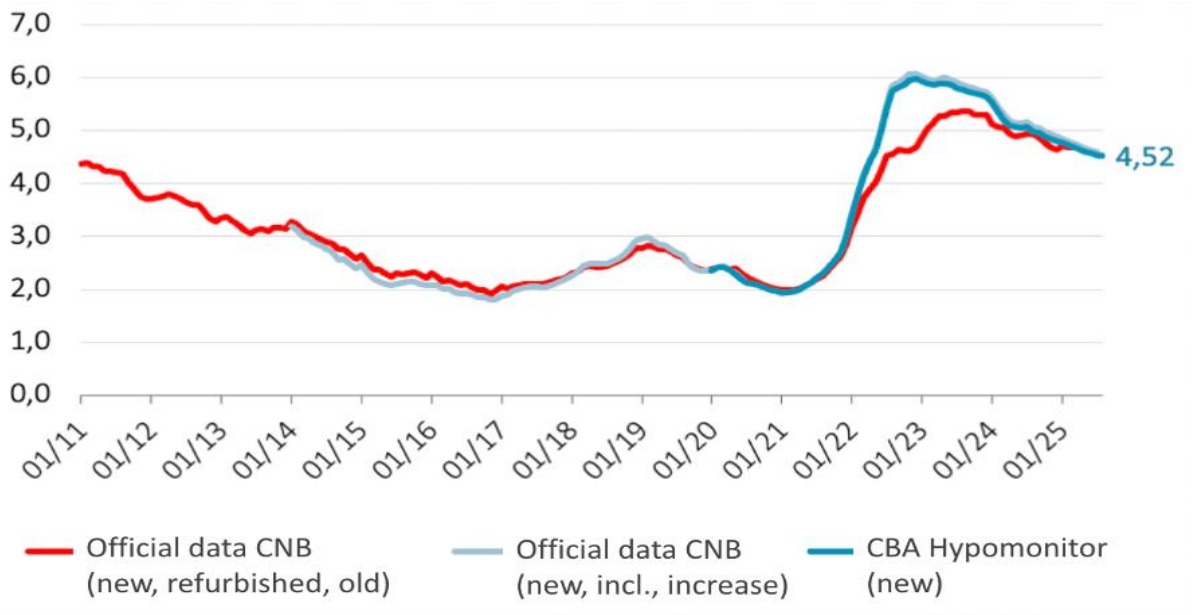
Source: Ministry of Finance of the Czech Republic, 2025, (translated by author).

The Mortgage Market as a Demand Driver

Between 2015 and 2020, the Czech Republic ranked among the countries with record interest in mortgages. Interest rates fell to historic lows below 2%, leading to a massive increase in loan volumes. In 2021 alone, about 180,000 mortgages were granted, totaling CZK 540 billion, of which CZK 380 billion were new loans (CBA, 2023). This dynamic growth in demand was driven by several factors: low interest rates encouraged borrowing, which boosted housing demand and further drove prices

upward. Another significant factor was deferred demand from the COVID-19 pandemic, during which people’s preferences for better housing were strongly influenced by time spent at home — whether due to remote work or distance learning.

Graph 3: Mortgage rate developments



Source: CBA, 2025a, (translated by author).

The difference in the impact of rising mortgage rates on the real estate market can be illustrated by the price of an average apartment or house. At the beginning of 2021, the average mortgage rate for new loans was below 2%, while two years later it was already approaching 6%. This means that if a household took out a four-million-crown mortgage, the difference in the monthly payment for a thirty-year term would be significant. At a 2% rate, the family would pay just under 14,800 crowns per month, whereas at a 6% rate, the monthly mortgage costs would climb to 24,000 crowns. This, of course, dramatically changes the financial possibilities of individual households.

Table 1: Amount of annual and monthly mortgage payments at various rates and maturity periods

Mortgage Maturity (years)		15 years		20 years		25 years		30 years	
		annual installment	monthly payment	annual installment	monthly payment	annual installment	monthly payment	annual installment	monthly payment
Property price	Rate								
4 mil. Kč	2%	308 880	25 740	242 820	20 235	203 448	16 954	177 420	14 785
Property price	Rate								
4 mil. Kč	6%	405 048	33 754	343 884	28 657	309 264	25 772	287 784	23 982

Source: Own calculations.

These calculations do not include the property price increases between 2021 and 2023. The average price per square meter rose from CZK 54,461 in 2021 to CZK 58,641 in 2023 (CZSO, 2025a). For a standard 70 m² apartment, that means a price increase from CZK 3.81 million to CZK 4.10 million.

Thus, the monthly mortgage payment for a loan covering the full price would have risen from CZK 14,100 to CZK 24,600 in just two years.

Table 2: Mortgage repayment amounts for different property prices and interest rates

Mortgage Maturity (years)		15 years		20 years		25 years		30 years	
		annual installment	monthly payment	annual installment	monthly payment	annual installment	monthly payment	annual installment	monthly payment
Property price 3.8 mil. Kč	Rate 2%	294 384	24 532	231 432	19 286	193 896	16 158	169 092	14 091
Property price 4.1 mil. Kč	Rate 6%	415 668	34 639	352 908	29 409	317 376	26 448	295 332	24 611

Source: Own calculations.

At the same time, however, it was not only property prices that increased during this period. Between 2021 and 2023, although real wages declined, nominal wages rose from CZK 38,277 in 2021 to CZK 43,120 in 2023 (MF CR, 2025). This means that while in 2021 you paid nearly 37% of your monthly salary for an average property, in 2023 it had already exceeded 57%, even after accounting for the growth in nominal wages. Even though raising interest rates during this period was a logical and expected step in response to real economic threats, the consumer affordability of home ownership declined significantly during this time.

The Mortgage Market Today and Tomorrow

The good news is that the average effective mortgage rate has been gradually declining. The latest figures from August show a decrease to 4.52%, meaning that the 6% level seen at the turn of 2022 and 2023 is now a thing of the past. However, given the current development of interest rate swap values, it appears that the present declines have reached their limits. These swaps are the primary determinant of mortgage prices. In recent months, interest rate swaps have stabilized at a higher level, which limits any further significant decrease in mortgage rates in the Czech Republic.

Since the beginning of 2025, the total volume of mortgages has reached CZK 255.4 billion. Of this amount, new mortgages accounted for CZK 205.6 billion, representing a year-on-year increase of CZK 60 billion. The number of new housing loans in the Czech Republic has increased year-on-year by one quarter to nearly 50,000. According to the Czech Banking Association (2025), this could lead to a total of 75,000 mortgages for the whole year, thus surpassing the level reached in 2019. New loans for the purchase of real estate (CZK 164.2 billion) significantly prevail over those for construction (CZK 31.4 billion). In the future, an increase in loan refinancing can be expected, and this trend will likely strengthen considerably given the current mortgage rates. In August 2025, mortgage loans for refinancing reached a rate of 4.5%, which is still 0.41% lower than a year earlier. For a four-million-crown mortgage with a 30-year maturity, this means an annual saving of CZK 11,832.

The desire for home ownership in the Czech Republic has been stable over the long term, with 29% of people having financed their housing through a mortgage. At the same time, the share of those who acquire property through inheritance has been gradually increasing – between 2023 and 2025, their share rose from 9% to 15%. Given demographic developments, a gradual increase in this form of property acquisition can be expected. Almost one-fifth of Czechs (18%) currently have a mortgage loan, and approximately the same proportion of the population plans to take one in the future.

Up to 83% of loan holders used it to purchase their own housing. Nineteen percent of people used a mortgage for reconstruction or construction modifications, with four percentage points of that amount going towards renovations aimed at increasing energy efficiency. Seven percent used it to purchase property for investment purposes. In recent years, almost half of those interested in a housing loan had to postpone their arrangement, primarily due to rising living costs (53%), fears of being unable to repay (36%), or waiting for better property prices (29%) (CBA, 2025b).

The question remains as to how realistic the expectations are for those residents who are waiting specifically for property prices to fall. The mortgage market is shaped by several fundamental factors: a relatively high household savings rate, dynamic price growth, an aging population, with a significant wave of migration in 2022. The excess of demand over supply largely influences the increase in property prices. Data from the Czech Statistical Office show that the number of completed apartments in 2024 was the lowest since 2017, amounting to just over 30,000 units across the entire Czech Republic. The annual housing need, however, is estimated at more than 40,000 apartments, and since 2017, this level has been reached only once. Moreover, even the number of housing starts, which determines future supply, has not exceeded this level in the long term and has been declining since its peak in 2021, when nearly 45,000 apartments were started.

Table 3: Development of started and completed housing construction by building type (2017–2024)

Years	2017	2018	2019	2020	2021	2022	2023	2024
Launched Apartments	31 521	33 121	38 677	35 254	44 992	42 242	35 704	36 614
Garden apts. in new family house	18 678	19 186	19 947	19 446	21 271	20 109	14 556	13 073
Garden apts. in new apt. buildings	7 244	7 280	12 491	9 426	17 098	15 189	13 568	17 079
Garden apts. in nonresidential buildings	1 325	1 872	1 390	1 313	1 676	2 018	1 917	1 807
Completed Apartments	28 569	33 850	36 406	34 412	34 581	39 398	38 067	30 274
Completed apts. in new family homes	15 170	19 152	19 229	19 218	18 998	20 151	18 963	15 053
Completed apts. in new apt. buildings	9 264	10 305	12 716	10 895	10 973	14 203	14 208	11 406
Completed apts. in nonresidential buildings	355	658	659	671	574	617	742	420

Source: ČSÚ, 2025b.

Information on the current level of construction corresponds with the expectations of people who are repaying mortgages. Up to 70% of citizens who plan to take out a loan expect property prices to rise in the future, with 39% anticipating a significant increase in prices over the next two years. From this perspective, postponing the purchase of an apartment or house does not seem to lead to a better situation in the future. In the Czech Republic, there has been a long-term structural housing deficit, which will continue to drive demand in the coming years. The future of the market will therefore depend on a combination of interest rates and the ability of the development sector to respond to the housing shortage.

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Martin Zeman graduated from the Faculty of Economics and the Faculty of Business Administration at the University of Economics in Prague. He also defended his dissertation at the University of Economics. He specializes in economic policy, fiscal policy and public finance. He is the author of several professional articles, speaks at international conferences and publishes commentaries in the media. For several years, he worked as an advisor to the Minister and in other institutions dealing with public finance.

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