

2011

Report

on the Real Property Market in Slovenia
for 2011



Surveying and Mapping Authority of the Republic of Slovenia
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Table of contents

REPORT ON THE REAL PROPERTY MARKET IN SLOVENIA FOR 2011	3
MARKET DEVELOPMENTS	4
Supply	4
Demand	7
Volume of transactions	8
Movement of prices	9
Regional markets	10
MARKET BY TYPE OF REAL PROPERTY	19
Flats	19
Houses	23
Building land	25
Commercial property	26
Agricultural and forest land	28
CONCLUDING COMMENTARY	30
Annex 1:	
REAL PROPERTY MARKET DATA for 2011	32





REPORT ON THE REAL PROPERTY MARKET IN SLOVENIA FOR 2011

Following the turnaround in the long-term trend in real property prices subsequent to the global financial and economic crisis in 2008 and 2009, the general global trend of decline in real property prices continued in 2011. In most of the largest global economies, the decline in residential property prices reflected the economic situation, the restrictive fiscal and monetary policy, and the increasingly present threat of new global recession represented by the increase in the global prices of raw materials and the precarious development of the debt crisis in the euro area.

Exceptions were India and Brazil, where real-term residential property prices increased considerably in the past year. In the past two years, India and Brazil have been among the fastest-growing economies, with stimulating fiscal and monetary policies which in both countries have had a favourable impact in terms of an increase in the demand for real property and the development of the real property market.

In most of the Asian real property markets, which quickly recovered after the crisis in 2009 and recorded the biggest rises in residential property prices, in 2011 the price growth slowed or prices even started to fall (in Taiwan, China and Japan). In Japan, the decline in real property prices was to a large extent the result of the earthquake and tsunami and the nuclear accident that hit the country in the first half of 2011.

In the United States, real property prices fell in real terms for the fourth year in a row – similarly as in 2010 by slightly more than 5%. However, towards the end of the year, some signs of market recovery emerged, and the prices of residential property slightly increased, although the end of the real property market crisis is still nowhere in sight.

Last year, real property prices also fell in real terms in most European countries. The escalating debt crisis in the euro area, austerity measures in EU Member States, the weakening of the banking system and the high unemployment rate all had a negative impact on consumer confidence and the recovery of economies, which also had its consequences in the real property markets. Countries affected by the debt crisis had to face the highest drop in demand and as a result also a fall in residential property prices (in Ireland by 18%, Greece by 10%, Spain by 9% and Portugal by 8%). Some countries where the prices continued to increase in 2010 also recorded a price drop last year (in Sweden by 5% and Finland by 2%). Prices also fell in Great Britain (by 3%) and in Croatia (by 3%). In Germany, residential property prices increased by 1.5%, while in only a few countries



did the year end with noticeable positive price growth (in Norway by 7% and Switzerland by 5%).¹

Slovenia belongs to those EU Member States which were most badly affected by the financial crisis. After a slight recovery in 2010, the economic trend was negative again last year, though the aggravated economic and social situation was not yet reflected on the real property market. According to our estimate, residential property prices fell by 3% in real terms and real property transactions fell by the same amount.

In respect of the developments in the real property market in Slovenia, the first attribution of general market values to property undertaken by the Surveying and Mapping Authority in December 2011 needs to be mentioned. The general property market values were estimated on the basis of mass property valuation models and were attributed to properties listed in the real property register. The assessed market value of all real property in Slovenia thus became publicly available. Publicly available information on the market value of real property itself will not have a direct impact on market prices; it will, however, definitely contribute to better information of potential buyers and sellers in the future and to improved transparency of the real property market.

MARKET DEVELOPMENTS

In comparison to 2010, last year brought no significant changes to the Slovenian real property market. Despite the fact that real property prices in Slovenia are still too high, which has also been established and highlighted by the European Commission, neither did the prices drop significantly nor did market activity significantly decrease.

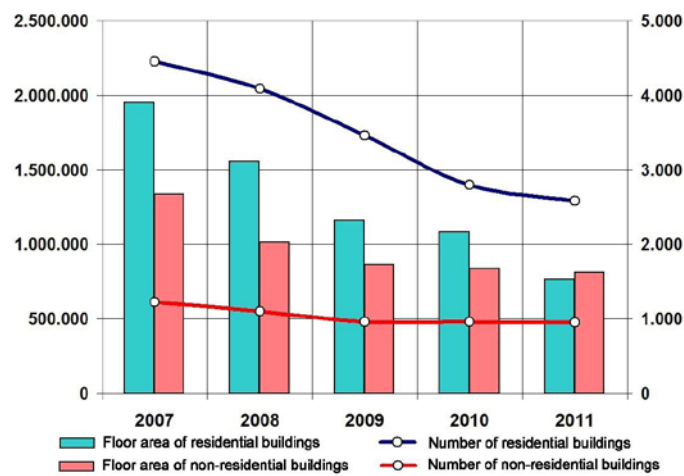
Supply

Last year, the supply in the real property market was characterised by a worsening investment environment. The wave of compulsory settlements and bankruptcies of construction companies that in the past acted as investors in major real property development projects continued. The high indebtedness and the insolvency of the construction sector, poor access to bank loans for real property development projects, high prices of building plots, high construction costs and the unsold housing stock from previous years had an impact in terms of further reduction in the scope of planned new constructions. This applies in particular to residential buildings, which, according to the building permits issued in 2011, saw a fall in floor area of almost 30% in comparison to 2010. In comparison to the record year 2007, the planned construction of residential buildings was down by more than 60% in terms of floor area, which shows in particular a significant decrease in the number of larger real property development projects for the market.

¹ Global property price trends are quoted from the online portal Global Property Guide.



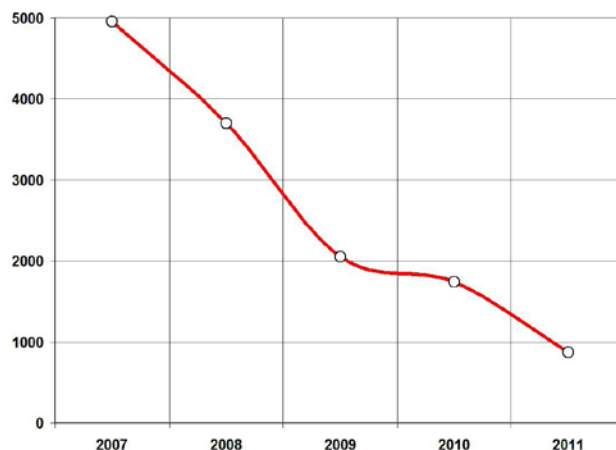
Figure 1: Number and floor area of planned buildings as shown by building permits, Slovenia, 2007 - 2011*



Source: Statistical Office of the Republic of Slovenia
* The data for 2011 are temporary.

In comparison to residential buildings, the decline in the planned scope of non-residential buildings came to a halt back in 2010. However, in 2011, their floor area, as shown by building permits, totalled approximately 40% less than in 2007. Since 2007, the structure of non-residential buildings has also changed significantly with regard to their intended use, mainly tending towards buildings of general public interest, where their investors are the state and the municipalities, and multi-storey car parks, and away from commercial and other buildings for service activities, which also shows a gradual decrease in construction of commercial premises for the market.

Figure 2: Number of building permits issued for dwellings in multi-dwelling buildings to legal entities, 2007 - 2011*



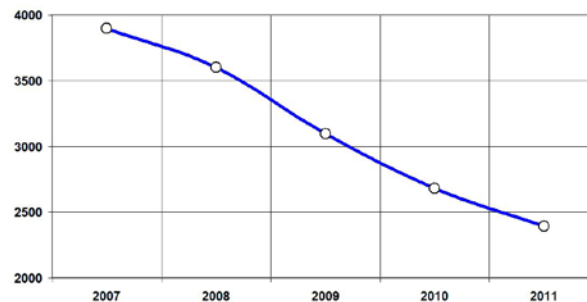
Source: Statistical Office of the Republic of Slovenia
* The data for 2011 are temporary.

The data on the planned number of dwellings as shown by building permits for multi-dwelling buildings usually issued to major investors also confirm an intensive decrease in the scope of housing construction for the market. Since 2007, when Slovenia reached the peak of the real property cycle, the number of housing units, as shown by building permits issued to legal entities, has dropped by more than 80%. Following the strong decline in 2008 and 2009 and the stabilisation in 2010, their num-



ber dropped again significantly in 2011, when the optimism of potential investors from previous years clearly disappeared due to the deterioration of the economic situation; according to the provisional data for 2011, the number of the planned housing units even fell below one thousand.

Figure 3: Number of building permits issued for dwellings in one-dwelling and two-dwelling buildings to natural persons, 2007 - 2011*



Source: Statistical Office of the Republic of Slovenia

* The data for 2011 are temporary.

The data on the number of dwellings as shown by the building permits issued for one-dwelling and two-dwelling buildings constructed mainly by private investors as self-build projects also show a constant decrease in the number of planned housing units. Since 2007, the number of self-build projects has dropped by approximately 40%. This represents a much lower decline in comparison to the construction of dwellings for the market, but it clearly shows that expensive building land, high construction costs and difficult access to bank loans also have a negative impact on the scope of self-managed construction.

New housing

Last year, the level of unsold housing stock on the primary property market was still high. However, for many years, the public has been given figures on the unsold new housing stock that are – in general – greatly exaggerated. On the basis of an analysis of the advertised supply, the Mapping and Surveying Authority has assessed that at the beginning of this year, Slovenia had approximately 4,000 unsold dwellings constructed since 2009. This is definitely a high number given the fact that in 2010 only slightly more than 6,000 new dwellings were constructed. There are also several projects that have remained unfinished or whose sale has been stopped, and where the market is waiting for the financial reconstructions, compulsory settlements and bankruptcies of their investors to be resolved.

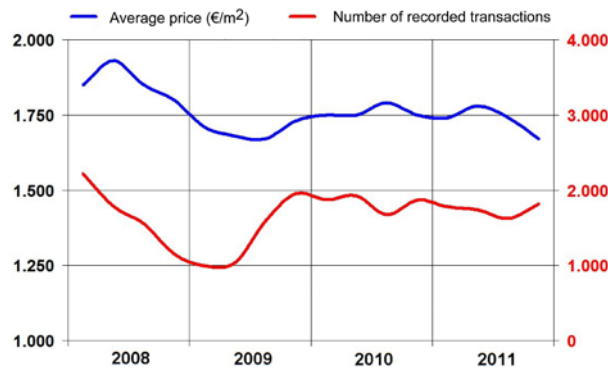
Despite the poor sales, the level of new housing stock finally started to decrease due to the strongly reduced number of new dwellings available on the market. The main reason for the poor sales of new housing remains prices, which are still too high. According to our analysis, the average supply price of a new dwelling per square metre of usable floor area in Ljubljana, where the prices are the highest, amounted to €3,700 at the end of last year, while the price per square metre of a previously occupied dwelling amounted to €2,400. At the national level, the respective figures were €2,650 and €1,650.



Demand

While the process of adjusting the supply on the Slovenian real property market continues by reducing the scope of construction, demand is becoming increasingly flexible and is responding quickly to price trends.

Figure 4: Quarterly average price movement and number of recorded transactions of dwellings in Slovenia, 2008-2011



The comparison between the trends in transactions and the price trends on the real property market illustrates that after the real property market crisis, a pattern has been established according to which the volume of housing transactions has been following prices with a slight delay. When prices drop, the number of transactions starts to increase and vice versa. However, it still takes a long time for the dwellings to be sold, as buyers are obviously prepared to wait until sellers reduce their prices.

Irrespective of the economic conditions and the fall in purchasing power, the demand on the real property market was relatively high in 2011, in particular on the secondary market. The prices of previously occupied housing were less overestimated in relative terms in comparison to the prices of newly-built housing. Moreover, the purchase of dwellings is mostly financed by money earned through the sale of old dwellings. The absolute price difference for which a buyer must get indebted when purchasing a previously occupied dwelling is much lower than in the case of purchasing a comparable new dwelling. On the primary property market, there was much less demand for dwellings at the existing supply prices, so the volume of real property transactions again decreased. The demand for dwellings of bankrupt construction companies offered at auctions and by way of public calls for tenders was negligible when they were offered at the asking prices. At least one or two years will probably have to pass to increase the sale of these dwellings, i.e. until the asking prices are appropriately reduced.

According to the data of the Bank of Slovenia, access to long-term housing loans was significantly reduced last year. The scope of new bank loans decreased by as much as 24% in comparison to 2010, while at the same time the interest rates increased. In December 2011, the average effective interest rate for long-term loans amounted to 4.21%, while in the year before it amounted to 3.63%.



Volume of transactions

In comparison to 2010, residential property transactions recorded in 2011 were down by approximately 3%, though house transactions even slightly increased. At first, it seemed that flat transactions would significantly decline again, but in the last quarter of last year they increased. In view of the tighter economic and social conditions, this was quite surprising. The total number of recorded transactions of flats and houses was still by 35% higher in comparison to 2009, when the crisis in the real property market in Slovenia was at its worst. On the other hand, it was still 37% lower than in the record year of 2007.

In 2011, the biggest decline in the volume of transactions (by 14%) was recorded in respect of building land. The number of recorded sales here was even lower than in the crisis year of 2009. In view of the reduced demand being the result of the construction sector crisis and the reduction in investments into new real property development projects, this decline is understandable.

Table 1: Number of recorded real property sales, Slovenia, 2007 - 2011

	2007	2008	2009	2010	2011
Flats	11003	6719	5578	7240	6973
Houses	5726	3460	2250	3480	3605
Building land	7409	6791	5700	6389	5514
Commercial property *	377	363	428	810	735
Agricultural land	7907	7490	4966	4810	5711
Forest land	1645	1668	1162	1279	1750

lowest
highest

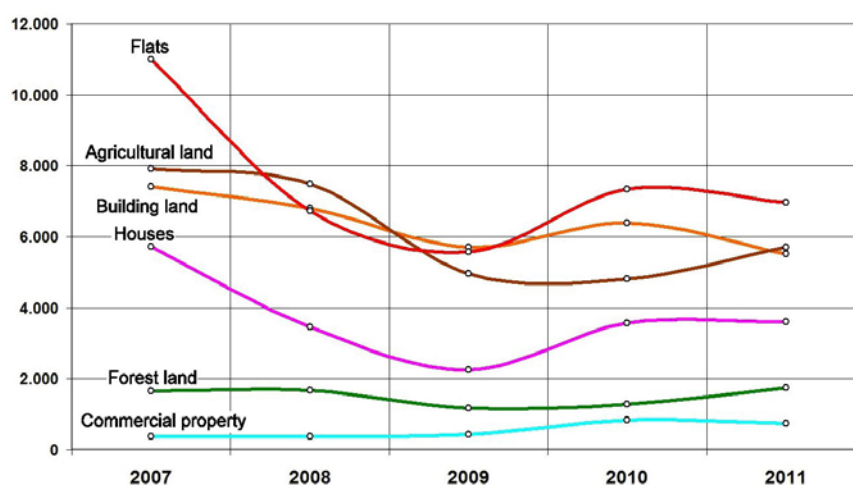
* Commercial property includes commercial buildings, office premises and premises for hotels and restaurants, commercial, and other service activities.

More evidently, the recorded volume of transactions of business premises was down by almost 10%, which is also a specific indicator of the unstable economic situation.

In contrast to residential and commercial property, the number of recorded sales of agricultural and forest land strongly increased last year. In comparison to 2010, the sale of agricultural land increased by 19%, while the sale of forest land increased by as much as 37%. The number of recorded sales of forest land has even reached the highest value in the past five years. Probably, this rise is partly the result of the regulation of ownership relations initiated by the informing of owners on the test calculation of their property market value at the end of 2010, and partly also the result of increased attractiveness of undeveloped building land as a still safe and reliable capital investment.



Figure 5: Number of recorded real property sales, Slovenia, 2007 - 2011



Movement of prices

Assessments of price changes in real terms, based on the comparison of the average relationship between sales prices and the assessed market value of the real property sold between years ², show that in real terms, considering the annual inflation rate, at the state level prices of all considered types of real property fell in 2011.

The changes in prices of newly built dwellings, which the Statistical Office of the Republic of Slovenia (SORS) ³ surprisingly found to have increased in 2011, cannot be assessed, since the sample is too small. The small number of recorded sales of new housing only confirms a further primary market crunch.

Table 2: Change in real property prices in real terms in Slovenia, 2008 – 2011

	2008	2009	2010	2011
Annual inflation rate	2,1 %	1,8 %	1,9 %	2,0 %
Previously occupied flats	3,5 %	-9,7 %	-2,3 %	-3,3 %
Houses	3,4 %	-10,9 %	-4,1 %	-3,0 %
Office premises	2,3 %	-7,0 %	-3,4 %	-1,7 %
Bar and shop premises	1,2 %	-6,1 %	-4,2 %	-0,4 %
Building land	2,6 %	-2,8 %	0,6 %	-4,5 %

² Details on the applied calculation method are provided in the following document. *Metodološka pojasnila k periodičnim poročilom* (Methodological Explanations to Periodic Reports), Version 1.2, which is published on the web page of public access to the property sales register.

³ SORS calculates price indices of newly built dwellings for Slovenia on the basis of consolidated data in the property sales register kept by the Surveying and Mapping Authority of the Republic of Slovenia and on the basis of survey data obtained from investors.



Prices of residential and commercial property fell for a third year in a row. After a considerable drop in flat and house prices in 2009, when the crisis in the real property market in Slovenia was at its worst, the prices continued to fall, but not as fast as might be expected given the crisis situation and the decrease in the demand of solvent customers. The same applies to business premises, where the trend in falling prices almost stopped in 2011.

The prices of building land, which in 2010 – when there was slightly more optimism among investors – remained almost unchanged, dropped in 2011 even more than in the crisis year of 2009. The price drop was mainly the result of the deepening construction crisis and the reduced demand for land intended for major real property development projects.

Regional markets

Taking into consideration the special circumstances arising from the differences in property stock, the natural conditions and the socio-economic difference between the real property markets, there were no significant deviations in the individual regions of the country last year.

Below, a survey of developments in various regional and local property markets in 2011 is presented, based on the monitoring of real property developments carried out by the offices of the Surveying and Mapping Authority in Koper, Nova Gorica, Kranj, Ljubljana, Novo mesto, Celje, Slovenj Gradec, Maribor and Murska Sobota, which are responsible for mass property valuation.

Coast and coastal hinterland

In the coastal municipalities of Koper, Izola and Piran, a slightly higher volume of residential property transactions was recorded last year in comparison to 2010, while their prices remained almost unchanged. The most expensive two houses were sold in Izola (€990,000) and in Piran (€950,000). A total of nine houses priced at €500,000 or more were sold in the coastal area. The highest prices of dwellings in multi-dwelling buildings were achieved in Piran and Izola, where 15 transactions at a price exceeding €4,000/m² were recorded.

Although no major housing projects were completed in 2011, the coastal area, in particular Koper, still ranks first in Slovenia in respect of the share of unsold newly built residential property. According to the data available on the internet, the unsold housing stock amounted to at least 700 units by the end of last year. The main reason for this is the high prices, which the investors did not adjust to the financial ability of the local population (supply prices range from €2,300/m² to €4,500/m²). Although some dwellings have remained unsold for several years and can hardly be considered as new dwellings, no major decline in the supply prices was observed. Some of these dwellings were withdrawn from the market due to compulsory settlements and bankruptcies of investors last year. The most recent example



is the Primorje company from Ajdovščina, which at first – after an attempt at recovery – put on the market its land and its unsold dwellings in Izola, Ankaran and Kozina (at 15% to 20% reduced prices), but later it became clear that without the support of the state, the last of the large construction businesses in Slovenia would be forced into bankruptcy, and its dwellings cannot be sold until the necessary procedures are completed.

If all ongoing construction projects were completed, the supply in the coastal area would increase by at least 600 new dwellings this year. This is rather unlikely to happen, however, because some projects have already come to a standstill due to the financial problems of investors. Due to the unstable economic situation and the pessimistic sales prospects, the destiny of the planned housing projects – and these are not rare in the coastal municipalities – is still uncertain.

The situation on the commercial property market is similar to that on the residential property market. The supply of newly built and existing commercial premises in the coastal towns is high, while the demand is relatively low due to the high supply prices.

In recent years, a strong decline in the demand for building land has been observed in the coastal region, which was mainly caused by inflated prices. This also has consequences for the municipalities, which by way of public auctions of land and other real property wish to fill their budgets. Last year, the Municipality of Piran planned to sell real property in the amount of €3.8 million. On the basis of the assessment that the planned prices were too high with regard to the interest of buyers, in March the municipality set itself a lower goal and decided to borrow an amount of €2 million. In April an auction took place for the sale of 8 plots the expected income of which would amount to €1.9 million. The subject of the sales were building plots in Sečovlje and Portorož at an asking price of €300/m². Only one plot was sold, at a price of €300,000. The Municipality of Koper announced public auctions of real property three times last year. It planned to earn €32 million from these sales. The municipality was more successful in the sale of dwellings in the town centre, which were bought by tenants, while there was no interest in land, with the exception of two plots in Žusterna, directly by the sea, which the municipality sold for a total of €1 million.

In **Divača**, investors have built over 150 housing units (terrace houses, two-family houses and multi-dwelling buildings) in recent years, but they overestimated the importance of the motorway connection to the coast. Although the prices are slightly lower, they are selling slowly and some buildings are now empty for a third year in a row; however, the investors still do not intend to reduce their prices. The share of unsold new flats in Divača amounts to as much as 65%. In the Brinje blocks of flats in the **Hrpelje-Kozina** Municipality, 43% of the flats remain unsold, and the investor, which belongs to the Primorje Group, will probably not build the four further blocks planned.



The Karst

The beginning of last year was characterised by the efforts of the Karst Civil Society Initiative to persuade the Slovenian Government and the European Union to enforce a protection clause according to which Italian buyers would have limited access to the purchase of real property in the Karst region. According to the inhabitants of the Karst, the high number of purchases of real property by Italians could cause changes in the ethnic composition of the population in the border area municipalities. The Government did not comply with this requirement; however, it gave an assurance that it would protect its real property market effectively if necessary. Data from the real property sales register show that in recent years the share of purchases of real property by foreigners in the area of the Sežana administrative unit has been above the average in comparison to the rest of Slovenia, which might be expected given the proximity to the border. The price and transaction trends on the real property market in this area do not considerably deviate from the Slovenian average, however. The absolute number of new (foreign) owners is not high with regard to total property stock, though the foreign owners might become concentrated in individual smaller settlements. More problematic in the Karst region is the unsupervised atypical construction of buildings, which – as evident from the extraordinary state audit of the Sežana Municipality – is the result of major irregularities in spatial administration and management.

The Goriška region and the Vipava Valley

Residential property transactions in this region considerably decreased in 2011. A 25% drop in sales was recorded in particular in the two regional centres, **Nova Gorica** and **Ajdovščina**. In Nova Gorica the sales of newly built dwellings came to a halt in the first half of the year. Only six dwellings were sold in the period, while in the second half of 2010 the number of newly built dwellings sold was 26. The fact is that at that time the dwellings were sold predominantly in the form of compensation to pay the subcontractors who built them, but at the beginning of 2011 such transactions no longer took place. Towards the end of the year, the volume of transactions finally increased slightly. In the two newly-built blocks in Pračina, all 12 flats were sold and thus the entire stock of 36 cheaper flats in the surroundings of Nova Gorica was exhausted; only the more expensive flats in the centre remained for sale. The supply of new flats increased when the flats in the newly-built Adam in Eva tower-block, with 23 flats (in February 2012, 13 of them were still on sale), and in the Eda Center multi-storey building, with 40 flats (19 are still unsold), were put on sale. By the end of the year, the stock of unsold flats in Nova Gorica amounted to 62 units. In other parts of the region, a further 35 new dwellings were on sale, most of them in the Baronovke villas in Vipava and the Kresnice villas in Ajdovščina. The supply of new real property in the Goriška region and in the Vipava Valley has decreased considerably, since no new projects have started. For this reason, the level of unsold housing has been slowly falling. In 2011, the advertised prices of newly built dwellings remained unchanged in comparison to 2010.



Last year, dwellings in Nova Gorica were sold at approximately 22% less per square metre than in the year before, but the share of new dwellings was also significantly smaller. It is interesting to compare the prices of dwellings in Nova Gorica, where previously occupied dwellings were sold at from €1,300 to €2,500 per square metre, with the prices in neighbouring Gorica in Italy, where according to data from newspaper *Primorski dnevnik*, the price per square metre is between €800 and €1,400.

This difference is certainly considerable. According to the same newspaper, Gorica has by far the lowest real property prices in the Friuli-Venezia Giulia Region. In Ajdovščina, the prices of dwellings also dropped, and the average selling price reached the lowest level in the past three years. In 2011, sales of houses in the Goriška region and the Vipava Valley remained at the 2010 level: 138 sales were recorded, with the share of new houses negligible. Throughout the year, only five new houses were sold in the entire area, with 27 remaining unsold, 22 of these in Brenčelj near Renče. For quite some time new residential areas of houses in Ozeljan and Vipava have been expected to be constructed and, according to the information available, the documentation for the construction of houses in Šempas is being drawn up; however, given the economic situation and the poor sales of new houses, the actual start of construction is now in doubt.

Last year, the prices of building land in the Goriška region and the Vipava Valley ranged from €10 to €70 per square metre. Most building land, as in previous years, was sold in the Ajdovščina Municipality, where public utility facilities are best provided and the public utility structure is most developed. The highest price, at €120 per square metre, was achieved for land in Kromberk.

An important project worth mentioning is the completion of the Eda Center commercial and residential building in Nova Gorica, which is the highest building in the Goriška region; with a floor area of 8000 square metres intended for offices and 5000 square metres intended for bar and shop premises, it will have an important impact on the supply of business premises on the regional property market.

Notranjska region

In 2011, residential property transactions in the Notranjska region remained at approximately the 2010 level, while the prices on average fell slightly. Both number of transactions and prices show a trend of further decline.

With regard to the existing housing stock, **Cerknica** and **Logatec** stood out in the number of unsold newly built dwellings at the national level. Currently, there are 131 such dwellings in three neighbourhoods: “Jezero” and “Za mlinom” in Cerknica and “Brod” in Logatec. In the aforementioned neighbourhoods, the share of unsold dwellings of total number of dwellings built is as follows: Brod 57%, Jezero 67% and Za mlinom 54%. The investors of the Jezero and Za mlinom residential area went bankrupt



and the Jezero dwellings have already been offered at public auctions. Presumably, the investors were counting on the proximity to Ljubljana, but it seems that they overestimated actual demand and the market attractiveness of the location. It will be interesting to observe at what prices the flats will be sold.

In **Pivka**, not a single unit of the 24 terrace houses of the National Housing Fund has yet been sold. Clearly the supply price of from €125,000 upwards per housing unit is still too high in terms of the demand in this region (prices as of November 2011). In **Postojna**, where 250 dwellings have been built in the last few years, some investors had no problems selling them, in particular investors who offered them at reasonable prices. Others, however, are still trying to sell dwellings which were built several years ago. For example, in a block of flats constructed in 2008, almost half of the units remain unsold, while at the same time at the other end of the town, in the "Postojnski biser" residential area, a new block with 26 flats is being built. Clearly, the investor was encouraged by the successful sale of flats in blocks constructed four years ago. The question is, however, whether in this period of crisis the sales will be as successful as at the time before it. Given the sales success so far, however, the supply of new dwellings in this region will continue to exceed demand for quite some time.

Gorenjska region

In the Gorenjska region, no particular changes occurred in the real property market in 2011. On average, the volume of transactions and the prices of real property remained at approximately the same level as in 2010.

The average price of previously occupied dwellings in Kranj and its surroundings, in Škofja Loka and in Radovljica was €1,800/m², in Jesenice €1,250/m² and in Tržič €1,200/m². As usual, the average prices were highest in the tourist areas, i.e. in Bled (€2,700/m²) and in Kranjska Gora (€2,650/m²).

Newly built dwellings sold poorly. Sales were only recorded in Kranj and its surroundings and in the surroundings of Kranjska Gora and Škofja Loka. By the end of the year, approximately 150 new dwellings remained unsold in Kranj, which is approximately half of the dwellings built in the past three years. The supply price per square metre of usable floor area of a dwelling ranges from €2,300 to €4,900.

On average, the volume of sales of houses in the Gorenjska region dropped last year. A major transaction decline could be observed in Kranj and its surrounding area, Bled, Kranjska Gora, Tržič and Žiri. An increase in transactions was recorded in Radovljica, Škofja Loka, Tržič and other, mainly rural, areas. Irrespective of floor area, age or plot size, a trend of decline in the prices of houses in the Gorenjska region has been evident ever since the crisis struck in 2009.



In 2011, both the supply of and demand for building land in the towns of the Gorenjska region were poor, while in the tourist centres of Bled, Bohinj and Kranjska Gora building land is practically unavailable. There were some transactions of building land in mainly rural areas, with a still prevailing demand for building plots intended for the construction of family houses.

Ljubljana

In 2011, sales of previously occupied dwellings in Ljubljana decreased by 10% in comparison to 2010, and by the end of the year prices were slightly lower than the year before.

The sales of the stock of newly built dwellings from past years slowed down again. In Ljubljana, the prices of new flats are by far the highest in Slovenia, ranging from €2,150/m² (Celovski dvori) to €5,300/m² (Njegošev kvart). Based on the newly built real property being offered on the internet, at the end of last year there were approximately one thousand new flats for sale, approximately two thousand flats were still not ready for occupation or were unfinished in different uncompleted projects (such as Celovski dvori and Brdo), while at least one thousand dwellings were still under construction (for example Situla, Tribuna, Tobačna and Srebrna hiša).

Last year, no major housing projects were completed in Ljubljana. Worth mentioning, however, is the “Kristalna palača” (crystal palace) skyscraper in BTC City: at 89 metres, this became the tallest building in Slovenia. It is the first of the planned skyscrapers which were designed before the crisis and were to fundamentally change the urban appearance of Ljubljana; however, with the onset of the crisis, the beginning of their construction has been postponed. A 15-floor hotel next to Kolosej in BTC City and a 72-metre multi-storey apartment building, part of the “Situla” residential and commercial project, are also being built. The two buildings should be completed this year. Construction work also started on the “Tobačno mesto” project, and the first three multi-storey apartment buildings should be completed by 2014. For the time being, no progress is in sight in the construction of the remaining planned skyscrapers (at Bavarski dvor and next to the railway station).

Dolenjska region

In 2011, transactions in the real property markets in the Dolenjska, Bela Krajina, Posavje and Kočevje regions exceeded those recorded in 2010, though the real property markets in this area remain the least active in the country. The supply of residential property increased further, although it has already exceeded demand for several years. The supply of building land has significantly increased too, in particular in the municipalities which have already adopted their municipal spatial plans.

The new housing market crunch continues. In the Dolenjska region around 60% of housing units constructed in recent years have remained unsold.



The supply of new residential houses is highest in the area of Novo mesto and Trebnje, though other larger towns in the Dolenjska region (Brežice, Kočevje and Ribnica) do not lag far behind. As a rule, houses are being sold in construction stages III or IV and, taking into consideration the prices of construction materials, they are still too expensive in terms of existing demand. This is despite the fact that some dwellings have been for sale since 2008 and that most investors, including smaller ones, who were engaged in the construction of houses for the market at that time went bankrupt or have financial problems.

In the urban centres of the Dolenjska region, increased demand for rental properties was observed last year, but the supply has not yet adjusted to this. For the time being, available flats are rented out practically as soon as they are advertised. Currently, the rents for flats in Novo mesto are slightly higher than in Ljubljana in relative terms (i.e. with regard to the prices of previously occupied flats), which also means that renting out is currently more profitable than selling.

Celje and its surroundings

In 2011, the construction and investment activities in Celje decreased considerably. The number of construction sites at which apartment blocks are being built is gradually decreasing, although in past years the town was among the most active in the country as regards housing construction. Most of the projects have been completed or have come to a standstill, while no new projects are underway. Currently, only reconstructions and adaptations of older buildings are being carried out. With regard to the existing property stock and in comparison to other Slovenian towns, the level of unsold new housing in Celje is relatively low, though it should also be noted that there is currently no major demand for new dwellings.

On the other hand, the number of self-build houses in the wider Celje region increased last year. In view of the prices of new housing, this type of construction is still more economical than the purchase of a dwelling. Most family houses (some of them also for the market) are being built in the areas of Vojnik and Arclin and Polzela–Breg pri Polzeli–Ločica ob Savinji, while there are also some new houses under construction in the surroundings of almost every larger settlement (Gomilsko, Braslovče, Prebold, Rečica ob Savinji, Šentjur, Stopče, Šmarje pri Jelšah and Slovenske Konjice). Last year, the recorded transactions of building land in the Celje region decreased slightly in comparison to the year before, and the trend of decline in the prices of land has continued since 2009. In the surrounding areas of Celje, where new settlement zones are planned for development, the advertised prices of land with building permits are extremely high (up to €240/m²).

Koroška region

In the Koroška region, only smaller and older dwellings are in demand, while new housing sells poorly. This is evident from the fact that dwellings in new



buildings in Slovenj Gradec, Ravne and Prevalje have been on sale for more than two years. In comparison to 2010, the sale of older dwellings in 2011 significantly increased only in Slovenj Gradec and Dravograd, while in other settlements it has remained at approximately the same level. The average prices also remained at the level of the preceding year. Although the supply of new dwellings is small (according to the data available, in December 2011, only 55 housing units were on sale in the entire area), it still exceeds demand.

The situation regarding the demand for commercial premises is similar. In all town centres in the region, there are several empty bar and shop premises, while on the outskirts of towns there are enough plots available for the construction of commercial and industrial buildings.

Last year, the sale of houses increased, in particular in rural areas, though the absolute figures on recorded transactions are small, which shows that the market activity remains rather low. The activity in terms of self-build houses was also low, in some areas mainly because of problems with landowners and the lack of financial means to be invested in site-development work (the Municipality of Muta), while in other areas there is simply no demand for available land. In certain small and, in particular, border area municipalities where building land is scarce, people have decided to start building houses in neighbouring Austria, where the land is also being sold at more reasonable prices. Another reason for the decrease in demand for building land is the legislation amended in 2010, which no longer allows dispersed construction.

Maribor

After a severe decline in the scope of construction and bankruptcies of all major construction companies in the capital of the Štajerska region, no major housing projects were completed last year and neither were any new projects initiated. The stock of unsold new housing units – most of them built already in 2008 and 2009 – amounts to approximately 400 units. The share of unsold housing thus amounts to approximately 45%. Eighty-one flats within the “Mariborska metropola” project and 25 flats within the “MTB Centrum” project have not yet been completed. Both investors, Konstruktor Invest and MTB, went bankrupt last year, and attempts are being made to sell their real property to investors who could complete the projects.

Supply prices of new dwellings last year ranged from €1,300 to €3,300 per square metre. These prices were obviously too high, because the unsold housing stock from previous years has not been significantly reduced.

In view of the relatively favourable situation in sales of previously occupied dwellings in the past year, real property agents in Maribor are making optimistic forecasts for this year despite the adverse economic and social conditions. They do not expect a major decline in transactions or a considerable drop in prices, which are already among the lowest in the country.



Prekmurje region

In this region, housing issues are traditionally solved by the self-building of family houses, which is characteristic for mainly rural areas. Consequently, the demand for new dwellings in the market is low. This was also the case last year – the supply of new dwellings in towns was poor and the demand for such dwellings even poorer.

Within the activities undertaken in the real property market in this region last year, the only important transaction was the sale of the extensive forest land of Korovska Gora. A buyer from Austria bought 215 hectares of forest area and the value of the transaction amounted to €1.5 million or €0.70/m², which is far above the average price of forest land in the area.

The land was sold by the company ABC Pomurka. After the purchase from the denationalisation claimant who was returned the land in kind, Pomurka planned to arrange an exclusive enclosed hunting area, but the plans clearly failed. The land is located within the 10-km border zone, where a special protection regime applies, and in the area of the Goričko Landscape Park, which means that it belongs to forests of special importance; therefore the Republic of Slovenia and the local community (the Cankova Municipality) had a pre-emptive purchase right, but they did not take advantage of it. It is characteristic for the Prekmurje region that foreigners who purchase agricultural and forest land are only interested in buying larger land areas. Their motives are commercial and they are therefore willing to pay a higher price, so Slovenian farmers and smaller municipalities in the Prekmurje region can hardly compete. A problem occurs when the local community can no longer control the influence of big capital, which is often in contravention with the protection and development of the environment.





MARKET BY TYPE OF REAL PROPERTY

Flats

In 2011, there were approximately 320 thousand flats recorded in multi-dwelling buildings in Slovenia. Forty percent of the flats are located in the two largest towns, Ljubljana and Maribor, 50% in the five largest Slovenian towns together.

Table 3: Stock of flats and market activity, 2011

Year 2011	Stock	Share of stock SLO	Number of sales	Share of sales SLO	Share of sales/stock
SLOVENIA	321.100	100 %	6973	100 %	2,2 %
LJUBLJANA	92.700	29 %	1891	27 %	2,0 %
MARIBOR	34.600	11 %	916	13 %	2,6 %
CELJE	12.400	4 %	313	4 %	2,5 %
KRANJ	10.400	3 %	275	4 %	2,6 %
KOPER	8.000	2 %	208	3 %	2,6 %
Five major towns together	158.100	49 %	3603	52 %	2,3 %

The flat market represents by far the largest and most active real property sub-market in the country. It is concentrated in the largest urban centres, while in other areas it remains practically insignificant. Last year, more than half of all sales of flats took place in the five largest Slovenian towns. Ljubljana saw 27% of all sales of flats, with the other four towns responsible for a further 25%. With regard to the existing stock, Ljubljana was the least active flat market of the five.

As the actual number of market transactions is slightly higher than the number recorded in the property sales register, we estimate that in 2011, approximately 2.5% of the flats on the market have changed hands at the national level, which is comparable to developed real property markets Europe-wide.

In 2011, around 7,000 market sales of flats were recorded, which was 5% less than in 2010. The average sales price of previously occupied flats⁴ was €1,730/m², 1.7% less than in 2010. In the last quarter of 2011 it was €1,670/m², which means that it had fallen by 4.6% from the last quarter of 2010.

The average usable floor area of a previously occupied flat sold last year was 51 m² and the median year of construction was 1975. The ratio between the net floor area and the usable floor area was 1.17, which means that a flat sold had, in addition to living space, on average about 9 m² of additional areas, such as balcony, loggia, terrace and cellar.

⁴ Due to incomplete data entry and a statistically random sample of newly constructed buildings, only previously occupied flats were considered in the calculation of average prices and other statistical indicators.



Table 4: Average prices and movement of prices of previously occupied flats in larger towns, Slovenia, 2007 - 2011

Analytical area		2007	2008	2009	2010	2011	2011_4*
SLOVENIA	Size of sample	6465	4897	4014	5435	5433	1419
	Price (€/m ²)	1.690	1.860	1.700	1.760	1.730	1.670
	Annual price growth		10 %	-9 %	4 %	-2 %	
LJUBLJANA	Size of sample	1535	1248	1000	1591	1479	361
	Price (€/m ²)	2.660	2.740	2.440	2.460	2.500	2.420
	Annual price growth		3 %	-11 %	1 %	2 %	
MARIBOR	Size of sample	931	493	424	699	756	217
	Price (€/m ²)	1.270	1.360	1.250	1.220	1.200	1.190
	Annual price growth		7 %	-8 %	-2 %	-2 %	
CELJE	Size of sample	329	289	225	277	247	67
	Price (€/m ²)	1.290	1.410	1.250	1.270	1.250	1.200
	Annual price growth		9 %	-11 %	2 %	-2 %	
KRANJ	Size of sample	257	182	140	178	201	55
	Price (€/m ²)	1.750	1.900	1.730	1.800	1.800	1.800
	Annual price growth		9 %	-9 %	4 %	0 %	
KOPER	Size of sample	142	90	121	125	116	30
	Price (€/m ²)	2.360	2.590	2.550	2.440	2.410	2.360
	Annual price growth		10 %	-2 %	-4 %	-1 %	
NOVA GORICA and surroundings **	Size of sample	90	74	71	91	76	26
	Price (€/m ²)	1.760	2.100	1.910	1.930	1.780	1.650
	Annual price growth		19 %	-9 %	1 %	-8 %	
NOVO MESTO	Size of sample	97	89	93	66	64	19
	Price (€/m ²)	1.490	1.650	1.510	1.490	1.570	1.460
	Annual price growth		11 %	-8 %	-1 %	5 %	
MURSKA SOBOTA	Size of sample	90	74	44	67	71	18
	Price (€/m ²)	960	1.100	1.070	1.140	1.090	1.110
	Annual price growth		15 %	-3 %	7 %	-4 %	

lowest
highest

* Data for the last quarter of 2011.

** The surroundings of Nova Gorica include the settlements of Solkan, Kromberk, Rožna dolina, Šempeter pri Novi Gorici, Pristava and Vtojba.

Although there are significant differences between the average prices of flats in the largest Slovenian towns and the price movements differed in the past three years, in 2011, the average prices of previously occupied flats were still lower than at the beginning of the crisis in 2008, with the exception of Murska Sobota.

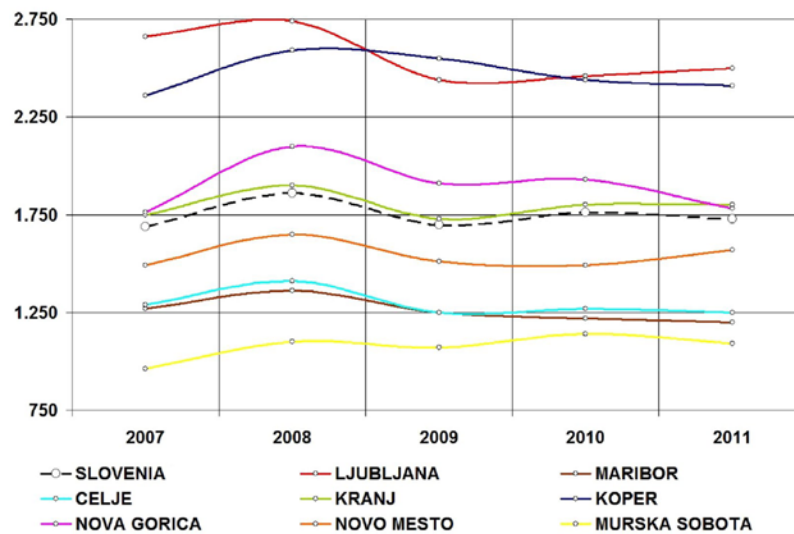
In 2011, the price level of previously occupied flats was highest in **Ljubljana**. The average purchase price was €2,500/m². In the capital, the real property market crisis had the strongest impact on the prices of previously occupied flats. In 2009, the average price dropped by 11%, and even after the market revival it has not changed significantly. In comparison to 2008, when the prices of flats were at their highest, last year the prices were still almost 9% lower. In comparison to 2009, when the prices were at their lowest, in 2011 the prices were 2.5% higher, while in comparison to 2010 they were slightly less than 2% higher, which actually indicates the strongest growth among the five largest towns. In the last quarter of last year, the average price of previously occupied flats in the capital again fell below €2,500/m² and was thus 4% lower than in the last quarter of 2010 and showing signs of further decline.

In terms of price level, Ljubljana was followed by **Koper**. The maintenance of the relatively high price level in Koper results from the constant demand for flats for holiday purposes.



In the worst year of the crisis, the prices of flats in Koper temporarily even exceeded the prices of flats in Ljubljana, since the average price fall in 2009 was the lowest among the large towns (2%). Last year, the average price of a previously occupied flat in Koper was approximately €2,400/m². Compared to 2008, it was 7% lower, while compared to 2009 it was 5.5% lower. In comparison to 2010, the prices were 1.2% lower, showing a further gradual declining trend which has been present since the beginning of the real property market crisis.

Figure 6: Movement of average prices (€/m²) of previously occupied flats in the 2007– 2011 period



Nova Gorica and its surrounding settlements, where the prices of flats increased most rapidly at the time before the crisis – mainly on account of the gaming tourism boom and the accelerated economic growth related thereto –, is now facing the most rapid price decline. In 2011, the average price of a previously occupied flat amounted to slightly less than €1,800/m², showing a trend of further decline at the end of the year. In comparison to 2008, the prices had fallen by 15%, which means by far the highest fall among the towns in question. Nova Gorica also faced the biggest fall in prices in comparison to 2009 (7%) and 2010 (8%).

Kranj is the last among the towns where the prices of flats are still above the national average. The average price has not changed for the last two years and amounts to €1,800/m². In comparison to 2008, it has decreased by slightly more than 5%, while in comparison to 2009 it has increased by 4%, which is the highest rise in prices recorded among the compared towns and means that after the crisis, Kranj saw the biggest recovery of prices and became equal in terms of prices to Nova Gorica (ranking third).

In **Novo mesto**, the average prices of previously occupied flats amounted to slightly less than €1,600/m² last year. In comparison to 2008, they had fallen by approximately 5%, while in comparison to 2009 they had increased by almost 4%, and in terms of post-crisis price increase Novo mesto ranks immediately after Kranj. In comparison to 2010, the average



price increased by more than 5%. Apart from Ljubljana, Novo mesto is therefore the only town where an increase in the average prices of flats was recorded last year, though it showed an even stronger downward trend at the end of the year. For Novo mesto, which has a relatively small stock of flats in multi-dwelling buildings (by the end of 2011, approximately 5,000 flats were recorded), it is also characteristic that in recent years the real property market has been the least active of the towns studied. Last year, the share of recorded market transactions of flats amounted to only 1.5% of the existing stock, which is below the Slovenian average (2.2%).

In **Celje**, where apart from Ljubljana the prices of flats are considered to have fallen the most in the crisis year of 2009, the average price of a previously occupied flat amounted to €1,250/m² in 2011 and was equal to the price in 2009 or 11% lower than before the crisis. In comparison to 2010, the price fell by 1.6% and by the end of the year was showing a strong declining trend.

Besides Nova Gorica and Koper, **Maribor** belongs to the group of towns where since the beginning of the crisis the prices of flats have shown a downward trend each year. In 2011, the average price of a previously occupied flat was €1,200/m² and was already 12% lower than in 2008. In comparison to 2010, it fell by the same percentage as in Celje (by 1.6%), though it was no longer showing a further downward trend.

As regards the level of prices of flats, only **Murska Sobota** has lower prices than Maribor: the average price of a previously occupied flat there amounted to €1,200/m² in 2011. In comparison to 2008, it had only fallen by 1%. The flat market in Murska Sobota, the smallest of the towns studied (by the end of 2011 there were approximately 3,500 flats in multi-dwelling buildings recorded), was the only market after the crisis in 2010 that reached a higher average price for flats than in the record period of 2008. Such price trends are mainly the result of the completion of the motorway section to Maribor, which improved the traffic connections between Prekmurje and the rest of Slovenia.

Rents

According to the data available, we analysed samples of advertisements for flats to rent in the largest Slovenian towns for 2011 and compared these with the prices of flats sold.

Table 5: Comparison between advertised rents and market prices of flats in larger Slovenian towns for 2011

	Ljubljana	Koper	Kranj	Novo mesto	Celje	Maribor
Number of advertisements – size of sample	2072	161	373	207	293	990
Average rental floor area (m ²)	55	51	58	48	51	50
Average rent (€/m ² /month)	10,80	9,70	7,20	7,00	6,70	6,40
Average annual rent (€)	7.150	3.850	4.100	5.000	5.950	4.050
Average selling price (€/m ²)	2.500	2.400	1.800	1.500	1.250	1.200
Average selling price (€)	137.500	122.400	104.400	72.000	63.750	60.000
Price-to-rent ratio	19	21	21	18	16	16



The comparison showed that by absolute level of rents, the ranking of towns is the same as by price level, while by the relative level of rents compared to market price, their order is slightly different. In relative terms, flat rents are lowest in Kranj and Koper. This is rather surprising given that Kranj is not far from the capital, yet the market prices of flats there are considerably lower than in Ljubljana and Koper. In Maribor and Celje, where the market price level is lowest, the rents are highest in relative terms and the renting out of flats there is thus most profitable.

In economic theory, the ratio between the market price and the annual gross rent has been used as one of the indicators of property market overpricing or underpricing. A price-to-rent ratio for residential property ranging from 12.5 to 20 is considered to be normal. A ratio exceeding 20 is a sign of residential property market overpricing, while a ratio below 12.5 is a sign of underpricing. It is interesting to observe that according to this criterion, only flats in Koper and Kranj are overpriced, while in Ljubljana they are not. In Maribor and Celje, where the prices are relatively low, the flats are still not considered to be underpriced on the market.

Houses

By the end of 2011, approximately 532,000 dwellings in one-dwelling and two-dwelling buildings were recorded, which accounts for 62% of the total housing stock in the country, while the remaining 38% consists of flats in multi-dwelling buildings. In towns, the ratio within the property stock is in favour of flats, though the shares differ significantly by individual towns with regard to the composition of housing. The ratio between the number of flats in multi-dwelling buildings and the number of dwellings in one-dwelling and two-dwelling buildings is highest in Maribor, where it amounts to 76 : 24. Among other larger Slovenian towns, the ratio is lowest in Koper and Murska Sobota, where it amounts to 63 : 37.

Table 6: Stock of dwellings in houses and activities in the house market, 2011

	Stock	Share of stock SLO	Number of sales	Share of sales SLO	Share of sales/stock
SLOVENIA	532.000	100 %	3605	100 %	0,7 %
LJUBLJANA	32.000	6 %	406	11 %	1,3 %
MARIBOR	11.000	2 %	158	2 %	1,4 %
KRANJ	5.000	1 %	70	1 %	1,4 %
CELJE	5.000	1 %	76	1 %	1,5 %
KOPER	3.000	1 %	90	1 %	3,0 %
5 largest towns together	56.000	11 %	800	17 %	1,4 %



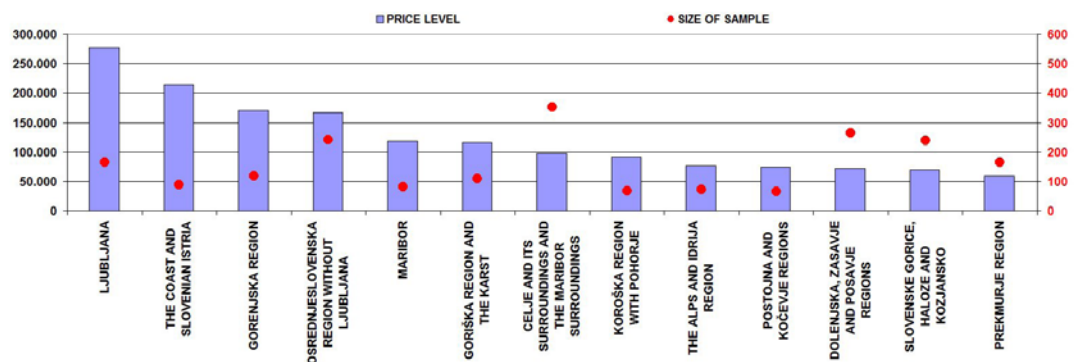
In Slovenia, so-called self-build, when an owner builds a family house on his land on his own account, is widespread. This has resulted in great dispersal and individualisation of construction and families' strong attachment to their houses, which are only rarely sold. Due to the high prices of building plots, their municipal infrastructure and construction materials, it is common for the costs of construction outside urban centres to exceed the market value of the houses. House market activities, despite the bigger stock, are therefore not as intensive as flat market activities. In 2011, the share of recorded sales with regard to the existing stock amounted to 0.7% at the national level, disregarding the sale of new houses built for the market and usually sold in an unfinished state, e.g. in the third construction phase. Among the biggest towns, Koper was most active in the house market (with a 3% share with regard to the existing stock). However, in this respect, the relatively high share of houses in the total property stock and the attractiveness of the town as a holiday resort should be taken into consideration.

In 2011, there were approximately 3,600 sales of one-dwelling and two-dwelling buildings recorded in Slovenia, which means a 1% increase in comparison to 2010.

The average contract price of a completed house with associated land ⁵ was €119,800 and the median price was €95,000. In comparison to 2010, the average contract price in Slovenia decreased by slightly more than 3%.

On average, the houses sold had 141 m² of net floor area and 1086 m² of associated land. The median year of construction of sold houses was 1970. Among the sold houses, 83% were single-family houses, 8% two-family houses and 10% terrace houses. In comparison to 2010, the average area of the associated land increased by 17%, while in terms of size and age, the overall structure of sold houses has remained practically unchanged. The increase in the area of associated land by almost one-fifth means that the prices of houses with associated land dropped more in relative terms, as is evident from the reduced average contract prices.

Figure 7: Average prices of houses with associated land (in €) and the number of sales taken into account by price area, 2011



⁵ In the calculations of average prices and other statistical indicators, only completed houses are considered for reasons of comparability of prices.



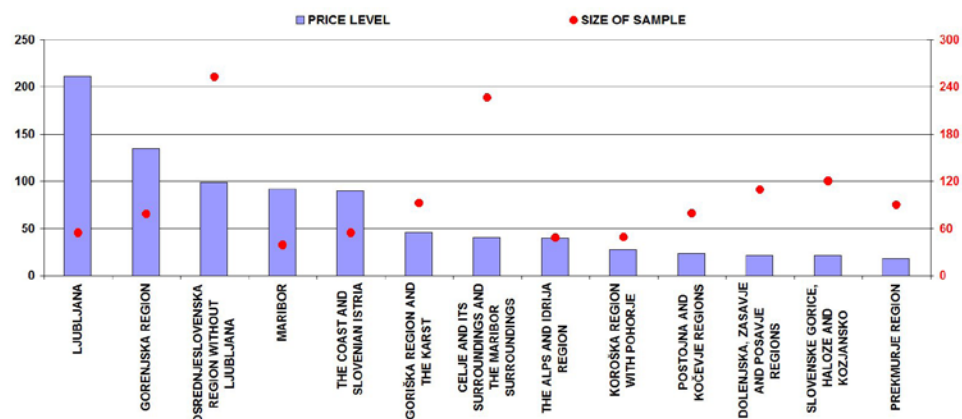
There were no significant changes in price areas regarding price levels or structure of sold houses with associated land in 2011. On average, the most expensive houses were sold in the area of **Ljubljana**. The sale price of a 160 m² house with 400 m² of associated land, built in 1969, for example, was approximately €280,000. In **Maribor**, a 140 m² house with slightly more than 500 m² of associated land, built in 1962, was on sale for approximately €120,000. The lowest house prices were recorded in the **Prekmurje** region, where a 130 m² house with more than 1500 m² of associated land, built in 1963, was on sale for only €60,000.

In 2011, the biggest houses, with net floor areas amounting to approximately 170 m², were sold in the **Gorenjska** region, the smallest (with less than 120 m² net floor area) were, as usual, sold in the **coastal region**, where also as usual the sizes of associated land were the smallest (400 m²). On average, the area of associated land was again largest in the **Dolenjska, Zasavje** and **Posavje** price areas (over 1700 m²). The newest houses were sold in the wider **surroundings of Ljubljana**, where the median construction year of sold houses was 1982. The oldest houses were sold in the **Goriška region** and the **Karst**, where more than 50 sales of houses dating from 1923 or earlier were recorded.

Building land

In 2011, approximately 5,500 market sales of building land were recorded, which is 14% less than in 2010. The average price of building land sold was €62/m². In comparison with 2010, this had fallen by 1.6%. The average area of sold land was 940 m² or 4% less than in 2010.

Figure 8: Average prices of building land (in €/m²) and number of sales by price area, 2011





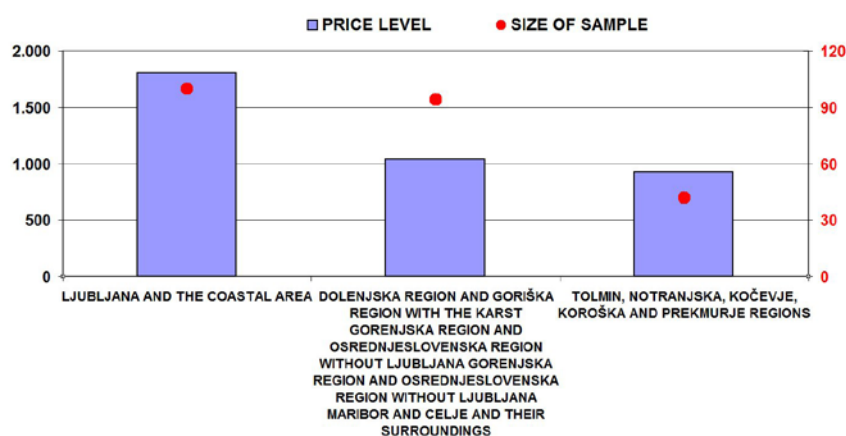
In general, the downward trend of transactions, prices and area of building land which started at the beginning of the real property market crisis continued in 2011. In comparison to 2010, the average price of building land, despite the 18% fall, was still highest in **Ljubljana** (€210/m²). However, due to the very low demand for land intended for major housing projects, Ljubljana lost its primacy in terms of the area of sold land. With an average sale of almost 1400 m², this position was taken over by **Maribor**, where the number of sales also strongly declined (there were 124 recorded transactions, and of these only 39 could be considered due to the data quality, which was the smallest sample in all price areas). Last year, the average price of sold land was again lowest in **Prekmurje**, amounting to less than €20 per square metre.

Commercial property ⁶

In 2011, 735 market sales of commercial property were recorded, which was 11% less than in 2010, when the number of sales was the highest since the beginning of systematic monitoring in 2007. With regard to the quality of data recorded, 236 sales of office premises and 250 sales of bars and shops could be taken into consideration in the calculations of statistical indicators.

The average price of sold office premises amounted to approximately €1.350/m², which means that it had increased by 6% in comparison to 2010. The average usable area was 125 m², while the median year of construction of the sold premises was 1980.

Figure 9: Average prices of office premises (in €/m²) and number of sales taken into account by price area, 2011

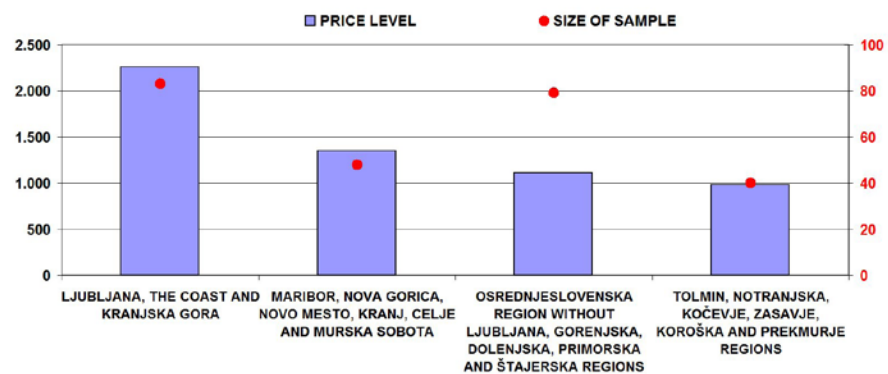


⁶ Due to the small number of data available and the small statistical samples, there are generally big changes in the average structure of sold commercial premises between the different periods. This applies in particular to bars and shops, which in terms of their different uses are an extremely heterogeneous group of property. Consequently, there are major fluctuations in the calculated average prices between the periods, which can therefore not always have real explanatory value.



The average price of sold bars and shops and premises for catering, commercial or other service activities was approximately €1,500/m², which means that it increased by 7% in comparison to 2010. The average usable floor area was 107 m², while the median year of construction of the sold premises was 1980.

Figure 10: Average prices of bars and shops (in €/m²) and the number of sales taken into account by price area, 2011



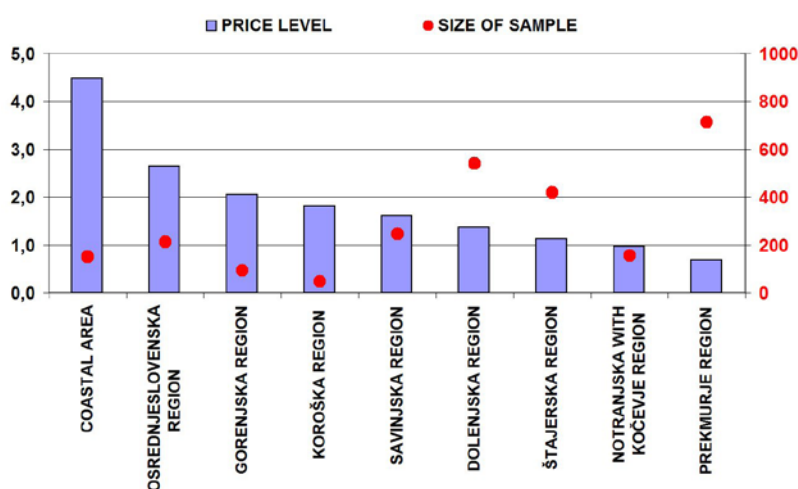
In the context of the commercial property market in Slovenia, it must be emphasised that in the true meaning of the phrase it actually only exists in bigger towns. The levels of commercial property prices in individual areas strongly correlate with the prices of residential property, while according to experience from recent years, the prices of commercial property respond more swiftly to changed market conditions. After the steep decline in transactions in 2008, the prices of offices, bars and shops dropped relatively quickly and adjusted to demand; as a result, the commercial property market recovered more quickly than the residential property market, also because of the relatively well-developed rental market for offices, shops and bars, which is a competitive market environment. In the period of crisis, more and more business entities decided to divest themselves of their real property and rent commercial premises. The market supply increased, the prices dropped enough to become market-attractive again and therefore transactions started to increase. In 2010, a record volume of transactions of business premises was recorded, though the number dropped slightly again last year due to austere economic conditions and the credit crunch.



Agricultural and forest land

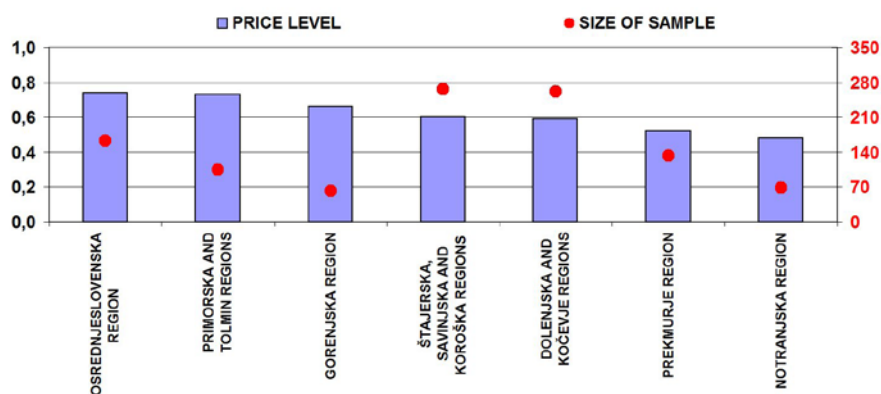
In 2011, approximately 5,700 market sales of agricultural land were recorded, which was a 19% increase in comparison to 2010. The average price of sold land was approximately €1.50/m². In comparison with 2010, this had fallen by 8%. The average area of the sold land was 0.53 hectares, a 4% increase in comparison with 2010.

Figure 11: Average prices of agricultural land (€/m²) and the number of sales taken into account by price area, 2011



In 2011, 1,750 market sales of forest land were recorded, which was a 37% increase in comparison with 2010. The average price of the land sold was €0.62/m². In comparison with 2010, the situation remained practically unchanged. The average area of the land was 2.17 hectares, a 10% increase in comparison to 2010.

Figure 12: Average prices of forest land (€/m²) and the number of sales taken into account by price area, 2011





In Slovenia, the agricultural and forest land markets are partly regulated, therefore we cannot speak about a free market in the true sense of the phrase. The agricultural land legislation determines the pre-emptive right of entities with the status of farmers, while the forest land legislation in special cases also determines the priority right of the Republic of Slovenia. Since agricultural land and forest land are often also bought for speculative and investment purposes, the aim of such regulation is to prevent those who would use agricultural and forest land for such purposes from engaging in unfair competition.

Nevertheless, prices of agricultural land in the coastal area and in the surroundings of larger towns are traditionally the highest due to speculations regarding changes in intended land use. The prices are lowest in Prekmurje, the most rural area, where the supply of agricultural land is highest.

The market prices of forest land only rarely reflect the wood mass and wood quality. Forest land is often bought for reasons of deforestation and change of use into agricultural land, and in some parts of the country even as capital investment and speculation on the change of use into building land some time in the future. Similarly to the case of agricultural land, prices of forest land are therefore highest in the Primorska region and in the surroundings of Ljubljana.

At the end of 2011, the Act Amending the Agricultural Land Act entered into force; this reintroduced damages for changes of use of agricultural land. The purpose of these damages is to prevent speculation on land in urban areas. The payment of damage shall be imposed upon an investor in the procedure for issuance of a building permit.





CONCLUDING COMMENTARY

With regard to purchasing power, real property prices in Slovenia are too high. This has also been established by the European Commission and stated in its report, in which it calls attention to the macroeconomic imbalances in EU Member States.

In Slovenia, real property prices sharply increased in the period of economic growth before the global financial and economic crisis. They reached their peak in 2008. At that time, the Slovenian real property market already showed signs of a downward trend: the real property on the market started to sell extremely slowly and real property transactions decreased sharply. Through inertia, though, average real property prices were still growing, since only “better” real property, i.e. more expensive real property, was being sold, while real property which was in “a bad state” no longer found buyers. In 2009, the real property market crisis reached its nadir. The trade in real property practically stopped and real property prices dropped by approximately 10%, though still not enough to be able to speak about a complete bursting of the real estate bubble. In 2010, real property transactions increased again, as potential buyers who were solving their dwelling needs could not wait for a major price decline forever. It still took a long time to sell real property, however, and market differentiation became more and more evident. Buyers were negotiating for longer periods of time and became more demanding. With regard to location and quality, dwellings “in a bad state” no longer sold at any price. In 2011, the situation was similar. Real property prices continued to fall slightly, but the fall was too slow with regard to their overpricing and the scope of actual demand.

The question that is raised is why real property prices in Slovenia have not dropped further. The reasons for this should be sought on the primary market, which consequently also determines the supply and demand on the secondary market and the rental market. The main culprits were large investors, among which construction companies dominated. These companies obviously underestimated the crisis of the real property market and in particular its duration, and did not observe price competition when the new housing stocks were being sold out. They believed they would survive the crisis with the high margins set in boom times until the recovery of the real property market, and the largest construction companies implicitly expected that the state or municipalities would financially support them by purchasing housing units for social purposes. Since the trade in new dwellings was low due to excessive prices, investors in most cases faced financial problems, sometimes even before the projects were completed. The inability to pay the bank loan liabilities by way of which they had financed their construction projects caused their insolvency, which finally led to the bankruptcy of practically all the giant construction companies that had acted as investors in major real property projects in Slovenia.



The banks, which were generously financing construction before the outbreak of the crisis, had their claims secured by mortgage on the (often still unfinished) dwellings. They had to decide among the following options: to help the investors by debt reprogramming, to sell the newly built housing units and hope for payment from the purchase money, to purchase the housing units with their claims and try to sell them themselves, or to even wait for the payment – as preferential creditors in bankruptcies – after the housing units were sold in public auctions. In none of the listed options would the banks be interested in reducing real property prices, as this could mean that the purchase money would not suffice for the payment of claims, and the banks would have to show a loss on their investments. This is also the main reason why the dwellings built in recent years have not yet been sold off and why the construction bubble has not yet burst.

And what can be expected on the real property market this year? None of the two scenarios forecast in last year's report has come to pass, but both have remained topical: either the real property market will face a severe drop in transactions and a new crisis or the residential housing prices will fall to level acceptable for the market, which would keep the market in a recovery phase. With regard to the adverse socio-economic conditions and prospects, the first option is to be regarded as much more likely. Although the real property of bankrupt construction entrepreneurs has already become subject to compulsory sale, it will take at least another year or two for this real property to be offered at market-attractive asking prices at repeated auctions and to create conditions for housing units built in the preceding years to be sold off. Only then will pressure be put on prices of the remaining new and existing housing units and only then can we expect a noticeable decrease in the prices of residential property.

In the event that a new crisis occurs on the real property market, the volume of transactions will probably not fall below the volume from the first half of 2009, since no drastic decline in demand is expected on the secondary market. It might, however, take much longer for the market to recover, since due to the strongly reduced scope of constructions it will take quite some time for the supply of new housing units, appropriate quality and prices to be readjusted to the demand on the secondary market.



Annex 1:

REAL PROPERTY MARKET DATA for 2011

Sample	– number of sales taken into account in calculations
Area (m²)	– average floor area of the building or a part of the building ¹
Land (m²)	– average land area
Median year	– median year of construction
Avg (€/m²)	– average selling price per unit floor area (arithmetic mean)
Avg (€)	– average selling price (arithmetic mean)
Median (€/m²)	– median sales price per unit floor area
Median (€)	– median sales price

 highest value of indicator
 lowest value of indicator

¹ For houses, the net floor area is indicated; for flats and office premises, the usable floor area is indicated.

Flats, 2011

Price area	Sample	Area (m ²)	Median year	Avg (€/m ²)	Median (€/m ²)
SLOVENIA	5433	51	1975	1.730	1.570
LJUBLJANA	1489	53	1975	2.500	2.430
OSREDNJSLOVENSKA REGION EXCL. LJUBLJANA	389	53	1986	1.980	1.960
GORENJSKA REGION	544	49	1974	1.730	1.680
ALPS AND IDRIJA REGION	87	50	1976	1.290	1.250
NOVA GORICA	79	56	1976	1.760	1.720
COASTAL HINTERLAND, KARST AND VIPAVA VALLEY	84	55	1976	1.530	1.470
COAST AND SLOVENIAN ISTRIA	326	48	1976	2.560	2.450
POSTOJNA AND KOČEVJE REGIONS	141	52	1972	1.060	1.070
DOLENJSKA AND POSAVJE REGIONS	238	49	1978	1.220	1.150
ZASAVJE REGION	129	49	1964	920	980
CELJE	257	50	1970	1.240	1.230
MARIBOR AND CELJE SURROUNDINGS	453	52	1978	1.150	1.150
MARIBOR	762	52	1972	1.200	1.170
KOROŠKA REGION INCL. POHORJE	167	49	1976	960	940
SLOVENSKE GORICE, HALOZE AND KOZJANSKO REGION	182	52	1978	1.000	1.000
PREKMURJE REGION	106	50	1979	1.010	1.010

Consolidated data on recorded market sales of previously occupied dwellings in multi-dwelling buildings are taken into account.



One-dwelling and two-dwelling houses including land, 2011

Price area	Sample	Area (m ²)	Median year	Land (m ²)	Avg. (€)	Median (€)
SLOVENIA	2026	141	1970	1086	119.800	95.000
LJUBLJANA	165	161	1969	412	277.000	260.000
OSREDNJESLOVENSKA REGION EXCL. LJUBLJANA	240	153	1982	781	167.100	150.000
GORENJSKA REGION	117	168	1971	681	169.700	163.000
GORIŠKA REGION AND KARST	109	143	1923	575	115.500	100.000
ALPS AND IDRIJA REGION	71	141	1950	695	76.200	70.000
COAST AND SLOVENIAN ISTRIA	87	116	1933	404	214.700	154.000
POSTOJNA AND KOČEVJE REGIONS	65	147	1954	882	74.600	65.000
DOLENJSKA, ZASAVJE AND POSAVJE REGIONS	265	133	1970	1724	71.700	60.000
CELJE AND MARIBOR WITH SURROUNDINGS	353	139	1975	1220	96.800	90.000
MARIBOR	82	143	1962	536	118.000	113.500
KOROŠKA REGION INCL. POHORJE	68	155	1972	922	91.900	88.000
SLOVENSKE GORICE, HALOZE AND KOZJANSKO REGION	239	125	1967	1720	69.800	55.000
PREKMURJE REGION	165	129	1963	1551	59.300	50.000

Consolidated data on recorded market sales of completed one-dwelling and two-dwelling buildings (detached single-family houses, two-family houses and terrace houses) with associated land are taken into account.

Building land, 2011

Price area	Sample	Land (m ²)	Avg. (€/m ²)	Median (€/m ²)
SLOVENIA	1291	940	62	39
LJUBLJANA	54	1053	211	202
OSREDNJESLOVENSKA REGION EXCL. LJUBLJANA	253	833	99	88
GORENJSKA REGION	78	648	135	120
GORIŠKA REGION AND KARST	92	1054	46	41
ALPS AND IDRIJA REGION	48	695	40	37
COAST AND SLOVENIAN ISTRIA	54	630	90	67
POSTOJNA AND KOČEVJE REGIONS	79	1038	23	19
DOLENJSKA, ZASAVJE AND POSAVJE REGIONS	109	1176	21	15
CELJE WITH SURROUNDINGS AND SURROUNDINGS OF MARIBOR	226	1008	41	36
MARIBOR	39	1370	92	97
KOROŠKA REGION INCL. POHORJE	49	929	28	25
SLOVENSKE GORICE, HALOZE AND KOZJANSKO REGION	120	972	21	16
PREKMURJE REGION	90	864	18	13

Consolidated data on recorded market sales of building land irrespective of the administrative and legal status thereof are taken into account.



Offices, 2011

Price area	Sample	Area (m ²)	Median year	Avg. (€/m ²)	Median (€/m ²)
SLOVENIA	236	125	1980	1.340	1.170
LJUBLJANA AND COAST REGION	100	120	1980	1.810	1.790
DOLENJSKA REGION AND GORIŠKA REGION INCL. KARST, GORENJSKA REGION AND OSREDNJESLOVENSKA REGION EXCL. LJUBLJANA, MARIBOR AND CELJE WITH SURROUNDINGS	94	119	1979	1.040	960
TOLMIN, NOTRANJSKA, KOČEVJE, KOROŠKA AND PREKMURJE REGIONS	42	153	1984	930	860

Consolidated data on recorded market sales of office premises in commercial and residential/commercial buildings are taken into account.

Shops and bars, 2011

Price area	Sample	Area (m ²)	Median year	Avg. (€/m ²)	Median (€/m ²)
SLOVENIA	250	107	1980	1.520	1.360
LJUBLJANA, COAST AND KRANJSKA GORA	83	74	1985	2.260	2.160
OSREDNJESLOVENSKA REGION EXCL. LJUBLJANA, GORENJSKA, DOLENJSKA, PRIMORSKA AND ŠTAJERSKA REGIONS	79	122	1989	1.110	1.030
MARIBOR, NOVA GORICA, NOVO MESTO, KRANJ, CELJE AND MURSKA SOBOTA	48	95	1980	1.350	1.260
TOLMIN, NOTRANJSKA, KOČEVJE, ZASAVJE, KOROŠKA AND PREKMURJE REGIONS	40	157	1972	980	820

Consolidated data on recorded market sales of premises intended for catering, commercial and other service activities in commercial and commercial/residential buildings are taken into account.



Agricultural land, 2011

Price area	Sample	Area (m ²)	Avg. (€/m ²)	Median (€/m ²)
SLOVENIA	2572	5300	1,46	1,00
OSREDNJSLOVENSKA REGION	211	6300	2,65	2,16
GORENJSKA REGION	92	3900	2,05	1,76
PRIMORSKA REGION	151	2500	4,48	3,00
NOTRANJSKA AND KOČEVJE REGIONS	156	4100	0,97	0,88
DOLENJSKA REGION	539	4400	1,37	1,10
SAVINJSKA REGION	246	5200	1,61	1,44
ŠTAJERSKA REGION	418	7200	1,12	1,00
KOROŠKA REGION	46	7200	1,81	1,63
PREKMURJE REGION	713	5600	0,69	0,60

Consolidated data on recorded market sales of agricultural land are taken into account.

Forest land, 2011

Price area	Sample	Area (m ²)	Avg. (€/m ²)	Median (€/m ²)
SLOVENIA	1.057	21 700	0,62	0,51
OSREDNJSLOVENSKA REGION	163	24500	0,74	0,66
GORENJSKA REGION	62	38400	0,66	0,63
PRIMORSKA AND TOLMIN REGIONS	105	15600	0,73	0,47
NOTRANJSKA REGION	68	30000	0,48	0,43
DOLENJSKA AND KOČEVJE REGIONS	261	21800	0,59	0,51
ŠTAJERSKA, SAVINJSKA AND KOROŠKA REGIONS	266	16300	0,60	0,52
PREKMURJE REGION	132	21400	0,52	0,50

Consolidated data on recorded market sales of forest land are taken into account.



2011

Surveying and Mapping Authority of the
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