

# 2012



**ANNUAL  
REPORT ON THE  
SLOVENIAN REAL  
PROPERTY  
MARKET**

for **2012**



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## ANNUAL REPORT FOR THE SLOVENIAN REAL PROPERTY

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## ANNUAL REPORT ON THE SLOVENIAN REAL PROPERTY MARKET FOR 2012

In 2012, the global economy started to show clear signs of slipping back into recession. Many countries, especially in Europe, fell into double-dip recession. The recession in economies facing debt crisis further worsened. A number of economies, including our own, found themselves caught in a spiral of growing unemployment and a declining curve of aggregate demand as a result of harsh austerity measures, the countries' weak financial systems, and a decrease in global trade and investment flows. This economic and financial situation also hit global real property markets.

In the US, enhanced economic growth resulted in increased construction activity, and for the first time in four years real property prices saw an annual rise. The biggest Asian markets continued the trends established in 2011, though with considerably reduced force. India saw further and substantial increases in real property prices, while prices in China and Japan fell slightly. Among the largest global markets, Brazil experienced the highest real property price growth, despite an overall slowdown in economic growth.

The European real property market has shown no major shifts in the last two years. The sharpest drops in real property prices have so far been recorded in countries affected by the debt crisis and economic recession (Greece, Spain, Portugal and Ireland). Given the trends in real property prices, Croatia and Slovenia are on their way to joining this group of countries. Somewhat unexpectedly, real property prices in The Netherlands also considerably fell in 2012. Noticeable price increases were observed only in a few European countries (Turkey, Denmark, Scandinavian countries and Switzerland). In most European countries, though, the changes in real property prices in 2012 were found to be negligible.

Slovenia found itself among the countries increasingly confronting a serious economic and financial crisis in 2012. Economic activity in the country has weakened significantly more than the average in the euro area, while inflation was recorded as higher. The number of people in employment continued to fall, nominal wages decreased and the registered unemployment rate reached its peak in the last twelve years. The volume of lending to businesses and households again reduced considerably.

In Slovenia, a downward trend in real property prices, which was established in 2011, continued and even worsened in 2012. At the same time, the trade in real property stood at such a level that it is too early to talk about another crisis in the Slovenian real property market.



Within the austerity measures imposed by the Government last year, the Fiscal Balanced Act (Uradni list RS [Official Gazette of the Republic of Slovenia], No. 40/2012) introduced, among other fiscal policy measures, a tax on profit due to changes made to intended land use and a tax on high-value immovable property.

The tax on profit due to changes made to intended land use was applied to capital gains from the sale of building land. The basis for taxation is the difference between the purchase and selling value of the land and, with regard to land acquired before 1 June 2012, the purchase value to be considered is the generalised market value as would have been determined on 1 June 2012 through a mass real property valuation system, taking into account the land use before the changing of the intended use into building land. There has, however, as yet been no significant impact recorded on the volume of building land supply due to the introduction of this tax.

The tax on immovable property of higher value was imposed on owners of real properties not intended for industrial or business use, their total value amounting to at least one million euros. For natural persons, business use also included the renting of dwellings, which encouraged landlords to officially report the renting. The Republic of Slovenia Budgets for 2013 and 2014 Implementation Act (Uradni list RS, No. 104/12) reduced the threshold for taxation to half a million euros, while the renting of residential property by natural persons is no longer considered as business use. Since this is a temporary measure imposed until 2014 and considered as a classical tax on property and concerns a relatively small number of property owners, it is not expected to significantly affect the volume of supply or prices in the real property market.

The end of last year also saw the adoption of the Act Amending the Personal Income Tax Act (Uradni list RS, No. 94/2012), which on 1 January 2013 introduced schedular taxation on property renting, which means that for natural persons the income from rents was no longer included in the income tax base. At the standardised expenses of 10 per cent, the new effective tax rate on rental income stands at 22.5 per cent, while previously, at standardised expenses of 40 per cent, the rental income was taxed at 15 to 27 per cent, depending on the tax bracket of the taxpayer. As before, instead of standardised expenses, landlords may claim actual costs substantiated by invoices. The new taxation scheme represents a burden for taxpayers in lower tax brackets and an advantage for those in higher tax brackets. The new taxation system will not affect the level of market rents, since, given the market trends, it will be difficult for landlords to transfer any increased burden of tax liability to lessees, while the rents in the non-observed economy are not affected in any case.

Among the regulations governing the real property sector adopted last year, mention should be made of the Rules on Keeping the Real Property Register and on the Method for the Submission of Data (Uradni list RS, No. 68/2012) and the amendments to the Real Property Mass Valuation Act, adopted at the end of 2011 (The Act Amending the Real Property Mass Valuation Act, Uradni list RS, No. 87/2011): both acts will enable a more complete and systemic cap-



turing of realised sales and purchase prices of real property and the capturing of rents for residential and business real property.

Slovenia will thus obtain top quality records of the real property market developments and one of the most transparent real property markets in the world.

After adjusting the information system of the real property market record, planned for July 2013, the obligation to report to the real property market register (ETN), besides on the Tax Administration, which is obliged to report on purchases and other legal transactions that are subject to property sales tax (DPN), will be also imposed on vendors whose transactions are subject to value added tax (VAT). Accordingly, the real property market register will include data on transactions of new residential buildings and transactions between business entities subject to VAT. The collection of these data has so far been inadequate and has not enabled the implementation of system analysis and statistics for the public. At the same time, the obligation to report on real property rental transactions (land transactions are excluded) will also be imposed on all landlords, both natural and legal persons. This will enable the providing of public statistics for the market rental of flats and business premises.

## DEMAND

In the face of harsher economic and social conditions in the country and further reduction of new housing loans, the housing market still witnessed relatively high demand last year. The demand was particularly high in the secondary market, while the primary market saw weak demand. The reason for this lies in the fact that housing issues are being solved by self-building, extensions and alteration to family houses, and, most significantly, by purchases of relatively less expensive and second-hand dwellings, given that a growing number of people cannot afford to buy a newly built housing unit.

The demand segmentation process in the housing market continued. Potential buyers are becoming more and more aware of differences in building design, quality and micro location of dwellings. The price difference between good and poor quality dwellings for which buyers are able and willing to pay has been steadily increasing.

Demand for commercial property, which depends greatly on economic trends, is low during periods of recession. This was also the case in Slovenia last year, where demand for the purchase or rental of business premises continued its downward trend.

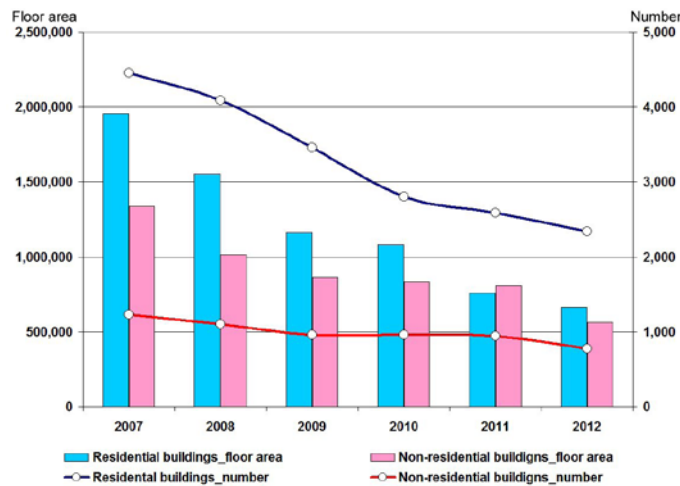
Given the uncertain market situation, a downward trend has also been recorded in the demand for real property as an investment option. The exception is the demand for land, which, compared to other financial investments, is still considered a safe long-term investment opportunity. Speculative investment in vacant land may become highly profitable if its intended use is changed into building land.



## SUPPLY

In 2012, the supply of newly built residential and commercial property continued its downward trend. In view of the scope of planned construction as seen from the official statistical data on issued building permits, supply is projected to decline even further over the next few years.

Figure 1: Number and floor area of planned buildings as shown by building permits, Slovenia, 2007 - 2012\*



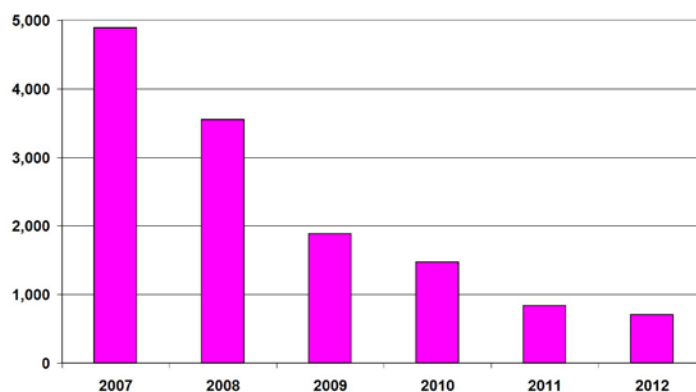
Source: Statistical Office of the Republic of Slovenia.

\* The data for 2012 are temporary.

The number of non-residential buildings, as shown by issued building permits, last year was more than a third less than in 2007, with their total floor area reduced by almost 60 per cent. Compared to the year before, their number decreased by 20 per cent and their total floor area by approximately 30 per cent. This has been the biggest annual drop in the volume of non-residential buildings since 2007.

The number of residential buildings, as shown by issued building permits, last year was more than a half less than in 2007, when building expansion reached its peak, while their total floor area was as much as two-thirds lower. Compared to 2011, the number of planned residential buildings decreased by around 10 per cent and their floor area by around 13 per cent.

Figure 2: Number of flats in multi-dwelling buildings as shown by building permits issued to legal entities, Slovenia, 2007 - 2012\*



Source: Statistical Office of the Republic of Slovenia.

\* The data for 2012 are temporary.

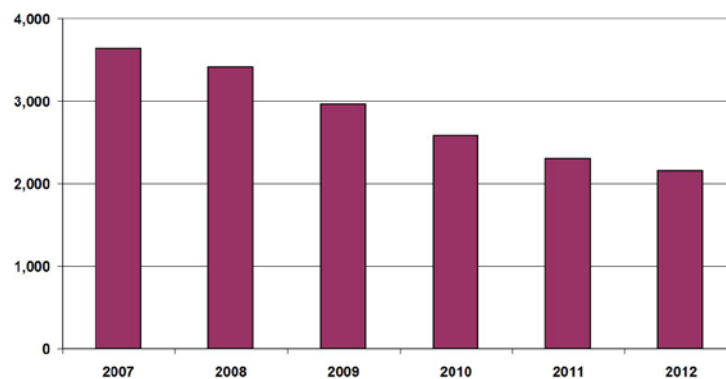


According to provisional data for 2012, investors in Slovenia were issued building permits for about 700 housing units in multi-dwelling buildings. A comparison with 2007, when building permits for almost 4,900 units were issued, clearly shows that the construction of new dwellings for the market almost came to a halt. The number of flats in multi-dwelling buildings for which building permits were issued in 2012 was down by 15 per cent in comparison with the previous year; their total surface, however, slightly increased, which shows that a downward trend in the volume of new constructions is finally slowing down. This is to be expected, since the volume of newly constructed housing units is bottoming out.

The decrease in the volume of construction of new property development projects for the market is a logical response to the financial situation and the conditions on the primary real property market. Due to the low demand for newly built housing units, construction for the market faces low profit and high risk.

Large-scale housing construction projects are practically at a standstill, and development is mainly focused on the construction of villa blocks consisting of from three to six flats and semi-detached houses. The supply of new housing units in larger cities is thus still more modest, while the majority of unsold flats built in previous years are still trapped in the bankrupt estates of failed investors.

Figure 3: Number of one- and two-dwelling buildings as shown by building permits issued to natural persons, Slovenia, 2007 – 2012\*



Source: Statistical Office of the Republic of Slovenia.

\* The data for 2012 are temporary.

Social conditions and the bank credit crunch also affected the own-account construction of family houses. The trends are similar to those observed in the housing construction market. In 2007, more than 3,600 building permits were issued for the construction of family houses, while in 2012, the number of building permits issued fell to slightly less than 2,200, which is almost 40 per cent less. Compared to 2011, last year saw a six per cent drop in the number of issued building permits, which shows that even the steady downward trend in the volume of own-account construction of family houses is slowing down.



## Inventories of unsold housing

The inventories of unsold dwellings for first occupancy slightly decreased last year at the national level. The decrease is not so much due to better sales but rather a consequence of the reduced inflow of newly completed housing units. According to our estimates for the last year, around 850 units for first occupancy in multi-dwelling buildings were sold, but only about 700 new units were completed.

It is estimated that the number of completed and unsold units in multi-dwelling buildings at the beginning of this year was less than 3,000. At least a quarter of these are currently trapped in bankrupt estates of failed investors. There are at least 2,000 uncompleted dwellings in stranded housing projects of investors undergoing bankruptcy; it is not known whether or when their completion is due and they will be ready for the market.

The inventories of unsold dwellings in one- and two-dwelling houses, which are difficult to estimate due to the large number of small projects and their dispersion, still stand at around 500 units at the national level.

In recent years, public housing funds have been among the few buyers of housing units under stranded projects; they endeavour to purchase the units at favourable prices with a view to addressing the housing issues of young families and people from socially disadvantaged backgrounds, thus helping to clear stocks of unsold housing on the primary market. In this context, the Housing Fund of the Republic of Slovenia last year issued a public call for the purchase of flats in the amount of €40 million. On this basis, the fund has so far purchased 154 housing units from 14 investors amounting to a total of €11 million.

## VOLUME OF TRANSACTIONS

The volume of real property transactions recorded last year decreased by three per cent against 2011. The number of sold flats fell by two per cent, while the number of sold houses increased by around 10 per cent. Since the revival of the Slovenian real property market in 2010, transactions of flats have shown a moderate downward trend, while transactions of houses have maintained an upward trend.

In 2012, the volume of transactions of flats fell by almost 40 per cent, while house transactions saw a 30 per cent decrease in comparison with as long ago as 2007, when the market recorded transactions of 11,000 flats and about 6,000 family houses. Fewer than 7,000 flats in multi-dwelling buildings were sold last year, though the volume of flat transactions still increased by a fifth compared to 2009, when the crisis of the Slovenian real property market reached its nadir. This was mainly due to sound transactions of existing flats, while transactions of new flats have shown a significant fall.

In 2012, 4,000 family houses were sold, which was almost an 80 per cent increase in comparison with the crisis year of 2009. In the first half of 2009, Slovenia recorded sales of slightly more than 500 houses, while the dramatic drop in the volume of house transactions during the peak of the crisis was the main reason for the gradual increase in the volume of these transactions in the last three years.





Table 1: Number of recorded real property sales, Slovenia, 2007 - 2012

	2007	2008	2009	2010	2011	2012
Flats	11,003	6,719	5,578	7,346	6,973	6,850
Houses	5,726	3,460	2,250	3,565	3,605	4,000
Building land	7,409	6,791	5,700	6,389	5,514	6,386
Commercial property *	377	363	428	827	735	770
Agricultural land	7,907	7,490	4,966	4,810	5,711	7,554
Forest land	1,645	1,668	1,162	1,279	1,750	2,170

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

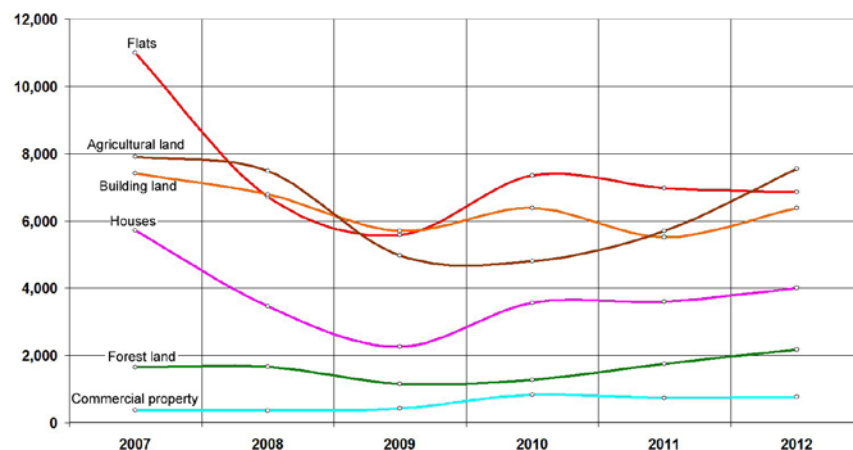
lowest

highest

Compared to the residential real property market, commercial property transactions respond to general economic conditions much faster and more intensively. The minimum number of sales was recorded in 2008, which is immediately after the onset of the financial crisis and before the real property market had bottomed out. In 2010, after the revival of the real property market and the first signs of possible economic recovery, the number of transactions even doubled, but then they again began to decline. Since 2007, transactions of business premises have seen a marked downward trend in average floor area sold, which is also a specific indicator of the economic situation.

Since 2007, the transactions of building land have followed the course of the construction sector crisis rather than the real property market crisis. Building land transactions have therefore seen a distinctive downward trend, with a decrease in area sold, which is largely due to the construction sector crisis and low demand for land for the construction of larger real property development projects. The biggest decline in the volume of transactions was recorded in 2011, while last year saw a slight increase, though the average sold land area remained below 1,000 square metres. For comparison, in 2007 it amounted to nearly 1,500 square metres.

Figure 4: Number of recorded real property sales, Slovenia, 2007 - 2012





Following the recovery of the real property market, sales of agricultural and forest land have shown quite a significant upward trend in terms of both number of sales and land area sold. Since the beginning of systematic monitoring in 2007, record sales of forest land were reported for 2012. This upward trend is partly attributable to the tightened financial and social situation forcing people to increasingly sell off land that is not in productive use, and partly to the increased attractiveness of such land purchases in comparison to other equity investments.

## MOVEMENT OF PRICES

The assessment of price changes in real terms was made for the last two years and was based on the comparison of the average ratios between sales prices and the assessed value of the real property sold <sup>1</sup>; the assessment was prepared by type of real property and takes into account the annual inflation rate. Our estimates show that in 2012 real property prices fell in real terms at the national level.

In general, a slow downward trend in real property prices, which was established after the substantial drop of prices in real terms in the 2009 crisis year and the recovery of the market in 2010, noticeably accelerated in 2012.

Table 2: Change in real property prices in real terms in Slovenia

Type of property	Prices	
	2011	2012
Annual inflation rate	2,1%	2,7%
Previously occupied flats	-3%	-9%
Houses	-3%	-8%
Office premises	-2%	1%
Bar and shop premises	0%	-8%
Building land	-5%	-7%
Agricultural land	1%	1%
Forest land	0%	-2%

The drop in residential property prices in real terms in 2011 was almost exclusively attributable to inflation, whereas last year the prices substantially fell in nominal terms too. The decline in prices of new flats and houses was recorded to be even sharper than that of existing housing units. This was mainly the result of reduced flat prices at public auctions and larger discounts in the sale of houses under the stranded projects from previous years. Rapidly decreasing prices also prevented a significant drop in transactions of residential real property units.

The escalation of the financial and economic crisis has resulted in lower demand in the commercial property market, which responded by lowering the prices of business premises.

<sup>1</sup> Details on the calculation method used are provided in the following document: *Metodološka pojasnila k periodičnim poročilom*, (Methodological Explanations to Periodic Reports), Version 1.2, which is published on the spatial portal of the Surveying and Mapping Authority of the Republic of Slovenia.



The prices primarily fell for premises intended for catering, retail or service activities, their drop being comparable to that of the residential property units. Last year saw no significant change in prices for office premises in real terms.

In the past two years, the biggest decline in prices was recorded for building land. This is largely because of the over-inflated prices of building land before the crisis and the low demand for land intended for new constructions due to the shortage of new larger real property development projects.

Owing to the increased demand in the last two years, the prices of agricultural and forest land have not changed substantially in real terms.

## REGIONAL MARKETS

Below, a survey of developments in various regional and local property markets in 2012 is presented; it is based on the monitoring of real property developments carried out by the mass real property valuation offices of the Surveying and Mapping Authority in Koper, Nova Gorica, Kranj, Ljubljana, Novo mesto, Celje, Slovenj Gradec, Maribor and Murska Sobota.

### South Primorska region

In the coastal area, the volume in transactions of houses in 2012 increased by more than a third. The houses sold were on average 60 years old. The most expensive house, 30 years old and with 1,500 square metres of land, was sold for €950,000 in Koper and the next most expensive, also 30 years old, for €800,000 in Ankaran. Both houses were bought by companies owned by foreign nationals.

With the exception of Koper, where sales of flats in multi-dwelling buildings increased significantly last year, the coastal area saw a decline in the sales of flats compared to last year. The prices in different coastal towns went down by averages of from five to 10 per cent. The most expensive flat by floor area, of 36 square metres and located in the old town centre of Piran, was sold for €5,000/m<sup>2</sup>. The highest price was paid for an eight-year-old flat of almost 140 square metres in Izola, which was sold for half a million euros.

The average price of a second hand flat in Portorož was €2,900/m<sup>2</sup> (number of sales taken into account: 15), in Lucija €2,550/m<sup>2</sup> (34), in Izola €2,450/m<sup>2</sup> (91 – Jagodje and the town of Izola), in Ankaran €2,700/m<sup>2</sup> (20), in Piran €2,650/m<sup>2</sup> (28) and in Koper €2,300/m<sup>2</sup> (177).

Despite an evident trend of falling prices, last year saw no “big bang” as had been predicted and expected on the coast for the last five years. Coastal residents can still hope that the receivers in bankruptcy will start to lower the prices of residential units that are trapped in the bankrupt estates of failed investors and will in the future be offered through public sales. In our estimates, the receivers in bankruptcy in this area have around 370 flats available. A further challenging task will be to sell over 200 flats in the Nokturno residential neigh-



bourhood of Koper, where the flats are mainly suitable for holiday purposes because of their small usable floor area and large terraces.

Given the volume of the housing stock, the coastal area still has the largest inventory of unsold newly built houses and flats in Slovenia. Our estimates show that the coastal area has about 500 flats for first occupancy in multi-dwelling buildings, mainly built in the period between 2008 and 2010. There are still around 500 flats under construction and, if the ambitious plans for new constructions in Ankaran and Portorož come to fruition, the supply of new flats will not run out very soon, despite the predictions of certain real property experts. In terms of number of planned construction projects, Piran (with Valeta Villa, Kampolin and Košta 2, and the Kaštel business premises) currently dominates.

Prices of flats for first occupancy in Koper range between €2,200 and €5,700/m<sup>2</sup> in elite locations, where the flats have been for sale since 2008. In the municipalities of Piran and Izola, unsold flats from previous years are still being offered at prices ranging between €3,000 and €4,000/m<sup>2</sup>. The supply of flats of a minor investor in Lucia, offered at €2,700/m<sup>2</sup>, is still the most favourable.

Investors and real property agents on the coast are obviously still counting on demand for property serving holiday purposes, primarily on buyers from the interior of Slovenia and foreigners. In recent years, an increasing numbers of buyers have been Russian citizens or their companies established in Slovenia. The traditional potential buyers are Italians, but their number has been decreasing.

Here the impact of the economic crisis is evident: it has also hit Italy, which last year introduced a tax on real property held by Italian citizens abroad. In assessing future demand for coastal real property, we should not overlook the fact that this year Croatia will become a full member of the European Union, which will facilitate purchasing real property in Croatia for foreigners and thus further decrease the competitiveness of the real property on our coast. In the future, this may even aggravate the issue of unsold inventories of real property units on the Slovenian coast.

Last year, the municipalities on the coast sought to fill the hole in their budgets by selling their properties, especially land. As in the past few years, the response of potential buyers was relatively poor or the proceeds were less than expected. The municipality of Koper attempted to sell, through public sales, real property units worth several tens of millions; the result, however, was negligible. They only managed to sell smaller plots for rounding off functional land units or shares where they were co-owners. There were no investors willing to pay millions of euros for larger land units. The municipality of Piran was also not successful, despite the fact that the minimum bid prices for building land ranged from €120 to 220/m<sup>2</sup>, which was one-third less than a year ago. On the whole, prices of larger building plots in the coastal area have considerably dropped because of the excess supply.

### **The Karst**

Last year, the Karst recorded a decrease in the transactions of residential property units, with prices also indicating a downward trend. The highest price for a house was obtained in Sežana, where a buyer paid €315,000 for a 17-year-old house of 300 square metres. The most expensive dwelling by floor area was an apartment in Kozina built in 2009, which was sold for slightly less than €2,500/m<sup>2</sup>.



Investors who in the past constructed substantial projects in Kozina and Divača – as they believed that the proximity of the motorway and good connections to the coast and to Ljubljana would attract buyers of dwellings – greatly overestimated the expected result. There were no buyers and the selling prices, considering the location, could not be described as low. Despite this, the prices were not reduced: the investors ran into financial difficulties and many of them have gone bankrupt.

In 2012, the companies that faced bankruptcy were Kraški zidar, Gramiz, Timgrad, Primorje and Stavbenik, leaving a good number of empty flats, plots of land in commercial zones and plots of land for the construction of residential buildings. It is not known when the housing units will be offered at public auctions nor at what prices such property will be sold.

According to our estimates, the Karst municipalities of Hrpelje-Kozina, Divača and Sežana still have around 200 unsold housing units in multi-dwelling buildings and houses; these were mostly built in 2009 and 2010.

Like the coastal municipalities, the Karst municipalities also failed to strengthen their budgets through the sales of municipal land, which was due to a poor response of potential buyers.

### **Northern Primorska region**

In the Goriško and Vipavsko areas, the transactions of second hand flats in 2012 increased in comparison with the previous year. Already modest sales of new flats took a further downturn. In these two areas, there are about 80 unsold, newly built flats from previous years. Of these, 50 are located in Nova Gorica and the rest in Šempeter, Ajdovščina and Vipava. Most of them are in Nova Gorica in the Cedra multi-storey building, where their sales are currently on hold as the investor, the Primorje company, went bankrupt. In the centre of Nova Gorica, existing flats were sold at prices ranging from €1,100 to €2,700/m<sup>2</sup>; on average, there was a slight decrease in prices against 2011. The past two years saw a distinctive downward trend in average flat prices in the entire urban area of the town and its suburban settlements, including Šempeter and Vrtojba.

Sales of family houses in the Goriško and Vipavsko areas declined last year after a two-year growth period. The most significant fall was recorded in Goriška Brda and the municipality of Ajdovščina, while sales in the urban area of Nova Gorica remained at almost the same level. The selling prices in the Goriško and Vipavsko areas ranged from €20,000 for a fairly old house located in the Vipava hills to €250,000 for a 30-year-old larger house in Nova Gorica. An extreme price was reached for a large newly built house in Kromberk, for which the buyer paid nearly €650,000. In Tolmin, a 27-year-old house of 555 square metres was sold for €210,000, while in the Kal nad Kanalom village, a 160-year-old house with a plot of some 5,000 square metres was sold to a foreign citizen for about €200,000.

In 2012, the Goriško and Vipavsko areas faced a fall in the sales of building land with the exception of the Posočje region, where the trend of sales remained flat. Prices of building land varied between €12/m<sup>2</sup> for an 800 square metre plot of land in Manče and €110/m<sup>2</sup> for a 1,000 square metre plot of land in Kromberk.



## Notranjska region

In 2012, the Notranjska region saw weak residential property demand and few transactions in this area. The major activity was in the area of Postojna, while flats and houses in Pivka and Ilirska Bistrica were not in high demand.

In Ilirska Bistrica, the units in the Sončni Dvori block of flats have been for sale for three years in a row and there are still 10 flats (out of 18) available; the investor obviously ran into solvency problems and stopped the sale. Last year, these unsold flats were offered for rent.

In Pivka, the National Housing Fund did not manage to sell all the houses that have been on the market since 2008. There are still half of the 24 units available at prices from €125,000 to €155,000. The flats are also being offered for rent, but there is no great demand for them.

In Postojna, 27 flats in the Park pod Javorniki building which had been for sale for several years were bought by the National Housing Fund. In August 2012, the construction of a new block of 26 flats was completed in the Postojnska Biser residential area. The flats are being offered at prices ranging from €2,300 to €2,800/m<sup>2</sup>, which is quite ambitious given the situation in Postojna. According to the data provided by the investor, five flats were sold by the end of the year.

In Logatec and Cerknica, large-scale sales of unsold newly built flats came to an absolute standstill after the onset of the real property market crisis, with the investors eventually ending up declaring bankruptcy. Potential buyers then waited for public auctions and lower prices of the flats. In the past year, two public auctions were held in the bankruptcy procedure of the GPG investor, where seven flats were sold in the Jezero residential area in Cerknica at asking prices that were on average 15 per cent lower than the previous advertised prices. The inventory of the project comprises 64 unsold flats, while it is our estimation that Cerknica and Logatec still have a stock of some 120 unsold flats. The sales of family houses maintained the upward trend that started in 2010. Compared to the year before, sales of houses increased by a good third in 2012. Furthermore, sales of newly built houses were also successful. The public auction in the bankruptcy procedure of the company Eurogradnja sold the last five newly built houses in the Hribcah pri Uncu settlement. Existing residential houses were sold at prices ranging from €20,000 to €200,000. The lowest selling prices of existing houses were recorded for older houses in remote villages in Bloke, while the highest price was paid for a relatively new house in Logatec.

Transactions of building land in the areas of Logatec and Cerknica went up by almost a third in all, and particularly in the large municipalities of Logatec and Cerknica. The highest prices, of up to €115/m<sup>2</sup>, were recorded for land in Logatec.

## Gorenjska region

After a substantial drop in sales of family houses recorded in 2011, sales saw an upturn last year. A significant increase in the number of sales was observed in the areas of Bled, Bohinj, Kranj, Radovljica and Škofja Loka, while in the areas of Tržič and Žire a slight decrease was recorded. In comparison with the year before, the prices of houses did not substantially change. The highest price, of



€520,000, was paid for a 400m<sup>2</sup> house with almost 700 square metres of associated land in Bohinjska Bistrica. The second most expensive sale was of a four-year-old house of slightly over 200 square metres with some 200 square metres of associated land in Kranjska Gora, the contract price amounting to €460,000.

The transactions of flats recorded last year on average declined by more than 10 per cent; similarly, prices on average fell slightly. The average price of existing flats in Kranj, Radovljica and Škofja Loka was €1,750/m<sup>2</sup>, while in Jesenice and Tržič it was €1,250/m<sup>2</sup>. In Kranjska Gora, the average price of flats was €2,450/m<sup>2</sup>, in Bled €2,200/m<sup>2</sup> and in Bohinjska Bistrica €1,900/m<sup>2</sup>.

In Kranj, the Dvorec Jelen project, comprising 66 flats, was the only major housing project completed in 2012. Sales of the stock of newly built flats from past years continued their modest growth. The flats of bankrupt investors have largely been withdrawn from the market, while the investors that have not gone bankrupt are maintaining their supply prices at the same level. A public auction for the sales of almost 100 flats in the largest stranded housing project in Kranj, Mala Jerebika, also failed. The inventories of unsold flats in multi-dwelling buildings in the Gorenjska region are estimated at nearly 400 flats; half of these are located in Kranj, where the average supply price of a newly built flat last year amounted to around €2,300/m<sup>2</sup> including VAT.

Last year, trade in real property in the Gorenjska region recorded an absolute standstill of transactions in building land, while transactions of agricultural and forest land were considerably more dynamic. Increased transactions of agricultural land also resulted in a noticeable rise in its price, but there was practically no effect on the prices of forest land.

### **Ljubljana and its surroundings**

Last year, Ljubljana saw a five per cent decrease in transaction of flats in comparison with the year before. The average price of an existing flat decreased by about the same percentage, amounting to around €2,350/m<sup>2</sup> and showing a trend of further decline at the end of the year. The most expensive price was recorded for a two-bedroom flat for first occupancy located near the old city centre, built in 2009; it was sold for €4,600/m<sup>2</sup>.

The surrounding areas have on average lower prices of existing flats than in the capital, but they are still among the highest in the country. Last year, the average price of an existing flat in Grosuplje was €2,150/m<sup>2</sup> (number of sales taken into account: 27), in Domžale €2,000/m<sup>2</sup> (71), in Vrhnika €1,850/m<sup>2</sup> (40), in Kamnik €1,800/m<sup>2</sup> (96), and in Medvode €1,600/m<sup>2</sup> (21). The difference in prices is a consequence of the differences in the average age of flats sold. In Grosuplje, the average year of construction for the flats sold was 1990, while in Medvode it was 1960. The prices of flats in the surroundings of Ljubljana showed a downward trend.

The highest price for a family house in Ljubljana last year was recorded for a house in Kodeljevo, where a three-year-old semi-detached house of 340 m<sup>2</sup> was sold for €700,000. In the vicinity of Ljubljana, the most expensive house was sold in Trzin. The buyer paid €810,000 for a 400 m<sup>2</sup> house with 850 m<sup>2</sup> of associated land, built in 1990. Compared to the prices of flats, last year Lju-



Ljubljana and its surroundings saw an even stronger downward trend in prices for family houses.

Our estimates show that the number of flats for first occupancy in multi-dwelling buildings that were on sale in Ljubljana at the end of the previous year stood at around 1,000 units. The average supply price of a new flat amounted to around €3,400/m<sup>2</sup> including VAT, showing a strong declining trend at the end of the year. According to our estimates for 2012, around 240 flats for first occupancy in multi-dwelling buildings were sold in Ljubljana, while a year before nearly 210 units had been sold. Compared to 2011, the inventory of housing units slightly decreased, also because of a decreasing number of newly completed units. Villas Vodmat, comprising 42 flats, was the largest housing development project completed last year in the vicinity of the city centre of Ljubljana. We should also mention the sheltered housing project Vila ob Poti, which includes 30 sheltered housing units.

Despite the lack of new housing projects and given the number of housing units under construction and the promises made by inventors, an increased number of newly built housing units are expected to be put on the market this year. A significant number of dwellings are also part of projects that were halted or temporarily shelved due to financial difficulties or bankruptcies of investors. The largest project that is expected to continue is the Situla residential and commercial project, comprising 266 high-standard flats. After the bankruptcy of the Kraški zidar construction company, Hypo Alpe-Adria Bank finally decided to finance this housing project until its completion, which is expected this year. One of the largest partly completed projects the construction of which is still ongoing is the Črnuški Bajer Residential Complex, providing 250 housing units.

Currently, the largest ongoing housing project in Ljubljana, which should be completed by the end of 2014 according to the latest information, is the neighbourhood of Brdo, financed by the National Housing Fund. The project will offer 475 flats mainly intended for solving the housing issues of young families.

The unsuccessful sales of flats under the largest stranded project, Celovski Dvori, continued last year. In the second phase of public sales, held by collecting non-binding bids, only three flats were sold. There are still 330 unsold flats that the receiver in bankruptcy will seek to sell this year, including by concluding negotiations with those who have submitted non-binding bids for purchases.

Other major ongoing or planned real property development projects (the Stožice shopping complex, the Tobačna City residential and commercial complex, the Bavarski Dvor commercial multi-storey building, and the Emonika commercial centre within the railway station project) have been shelved for the time being. In recent years, Ljubljana has had a relatively large stock of unsold office premises. Most of these are empty because of low demand in the rental market.

### **Dolenjska region**

The Dolenjska region, which has been considered as one of the least active markets in the country since the revival of the Slovenian real property market, recorded a further decrease in transactions of residential property in 2012. Compared to a year before, the number of sales of both family houses and flats in multi-dwelling buildings decreased along with their prices.





Mostly smaller and older houses and so-called bivalne zidanice (habitable vineyard cottages) were sold, which clearly points to the decreased purchasing power of potential buyers. The most expensive house was sold in Novo Mesto for slightly less than €220,000.

This was a 50-year-old renovated terrace house of 140 square metres. The least expensive were smaller and older houses or even old crumbling farms on the market in the Posavje, Bela krajina and Kočevsko areas, with an average price of €20,000.

The prices of existing dwellings in Novo Mesto were below €1,500/m<sup>2</sup>, while the average price in the Kočevsko area was nearly €1,100/m<sup>2</sup> and in the Posavje area €950/m<sup>2</sup>.

Following the adoption of the majority of municipal spatial plans in the last two years, the supply of building land has considerably improved; however, there is a low demand for land for the construction of larger housing development projects. The investment and construction activity in the area of housing construction in the Dolenjska region has come almost to a halt. There are still a substantial number of uncompleted or half-completed projects whose investors in most cases have run into financial problems; the newly planned projects have not been implemented due to the market situation. The supply of flats and houses for first occupancy which were built in recent years still exceeds demand. The supply prices have not substantially fallen, while the inventory is decreasing rather slowly. In our estimates, the areas of urban centres in the Dolenjska region, where the inventory of multi-dwelling buildings is relatively small, still have a stock of 150 unsold flats. It is practically impossible to assess the number of unsold housing units in houses, because of the large number of smaller vendors and their geographical dispersion.

In the Dolenjska region, the agricultural and forest land markets were more active in 2012 than in previous years. The highest demand was for forest land, for which prices significantly increased in comparison with the year before.

### **Wider areas of Celje and Zasavje**

In Celje, the volume of transactions of flats slightly decreased against 2011 and the average price fell to around €1,200/m<sup>2</sup>. The most expensive was a three-bedroom flat in a fairly new block of flats (built in 2007), which was sold for €1,900/m<sup>2</sup>. The least expensive flats in older multi-dwelling houses located at less attractive locations in Celje were sold at prices around of €700/m<sup>2</sup>.

In Velenje too, fewer transactions were recorded; prices have remained unchanged and currently stand at the same level as those in Celje. The price of the most expensive flat sold was also €1,900/m<sup>2</sup>. The least expensive flat was a bedsit built in 1965, which was sold for €600/m<sup>2</sup>.

In the Zasavje region, the prices of flats are the lowest in the country. One of the reasons for this is the very old housing stock. The highest prices last year were recorded for housing units in Trbovlje, where the number of transactions was also the highest. The average selling price amounted to around €900/m<sup>2</sup>. Almost the same level of prices was achieved in Zagorje, a slight rise reflecting the vicinity of the motorway.



Unlike transactions of flats, transactions of family houses in the wider area of Celje increased last year. A comparison shows that the prices of houses with associated land were highest in the surroundings of Celje and Vojnik, then in the immediate vicinity of Velenje, the Savinja Valley and some other settlements east of Celje (Šentjur, Šmarje pri Jelšah, Podčetrtek and Rogatec). The lowest prices were recorded for houses in the Zasavje region.

For the last two years, Celje and its wider area have seen no major housing development projects, which is positive in terms of market demand since the area does not have large inventories of unsold newly built housing. The number of unsold housing units in multi-residential buildings is estimated at around 80. Most of these are in Vojnik, where 27 units under two projects were available at the beginning of last year.

### **Maribor**

In view of the relatively favourable situation in sales in 2011 and the opinion of real property experts that housing prices reached their lowest point, there was more optimism on the Maribor housing market at the beginning of last year. Regrettably, this optimism was not justified. Last year, the immediate vicinity of Maribor again recorded a decrease in the transactions of housing units, and the prices of housing units saw a further decline. The average selling price of an existing flat amounted to around €1,150/m<sup>2</sup>. The most expensive flat was a 40-year-old one-room flat in Maribor, which was sold for €2,700/m<sup>2</sup>.

After the bankruptcies of major construction companies, leaving behind unfinished projects, the area of Maribor has seen no new major housing constructions; consequently, the supply of completed new housing units is no longer abundant. The only exception is the high-standard residential settlement of Habakuk, located in the Pohorje foothills, which was completed last year. The settlement comprises a total of 39 housing units, the average price of a unit being approximately €2,000/m<sup>2</sup>, not including garage.

Other supply of housing units for first occupancy is limited to completed flats in stranded housing projects from previous years, the sales of which are practically at a standstill. At the beginning of the year, 30 flats were for sale in the commercial and residential building Maistrov Dvor for €3,400/m<sup>2</sup>, which is a staggering price for Maribor. In a block of flats in the Spodnji Duplek settlement built in 2008, there are still 75 flats for sale at €1,500/m<sup>2</sup>. Within the Mariborska Metropolita project, there are still 60 completed flats for sale by Nova KBM Bank (or its subsidiary), which purchased, as the largest creditor, 93 completed flats from bankrupt investor Konstruktor Investa at auction in May 2012. At the end of last year, 35 of these flats were purchased from the bank by the National Housing Fund.

In our estimate, 250 flats for first occupancy were for sale in multi-residential buildings in the wider area of Maribor at the end of last year. The average supply price, VAT included, amounted to around €2,400/m<sup>2</sup>.

In the wider Maribor area, the volume of transactions of family houses significantly increased in 2012, while their prices indicate a distinctive downward trend. The highest prices of houses were recorded in the areas of Maribor and Slovenska Bistrica and the lowest for houses located outside urban centres.



Last year, the highest price, of €370,000, was paid in Maribor for a house of 250 square metres with 900 square metres of associated land, built in 1950.

Building land transactions slightly increased last year, despite no demand for land intended for major real property development projects; the demand was mainly for smaller plots intended for the construction of houses. The average price of building land in the wider Maribor area was a third lower than that in 2011.

### **Koroška region**

In the Koroška region, the volume of transactions of flats last year was almost a fifth lower than in 2011. The largest drop in the number of sales was recorded in the municipality of Slovenj Gradec, while in the municipalities of Prevalje and Dravograd, sales of flats slightly increased against the year before. In general, prices fell back a little, except in Slovenj Gradec and Radlje, where prices of existing flats somewhat rose. The average price in Slovenj Gradec stood at €1,150/m<sup>2</sup>, in Ravne na Koroškem and Dravograd €950/m<sup>2</sup>, and in Prevalje and Radlje ob Dravi around €850/m<sup>2</sup>. In 2012, the number of houses sold in the Koroška region was even slightly lower than the already modest sales in 2011. Generally it was older houses that were sold, so prices were also somewhat lower than the year before.

New housing units resulting from previous years, which in the Koroška region are not abundant in absolute terms, still sell relatively poorly. In Slovenj Gradec and Prevalje, 11 unsold flats were bought by the National Housing Fund on the basis of a public call for their purchase. Currently there are no new housing developments; according to available data, Prevalje, Ravne and Slovenj Gradec have ten new flats available for sale.

The demand for both residential real property and business premises in town centres is poor. Large retail centres are developing on the outskirts of towns, where shops and service-providing companies are moving, while such areas in the centres are deserted or have become residential.

Almost all municipalities in the Koroška region have a sufficient stock of plots for the construction of new housing and commercial and industrial facilities. Demand for land intended for the construction of dense residential neighbourhoods is not very high. In addition to the traditionally prevailing interest in self-build houses on own land plots, this is probably attributable to the price of land, given that the minimum price of undeveloped land stands at €20/m<sup>2</sup> and that with municipal infrastructure €95/m<sup>2</sup>. Consequently, quite a few Slovenian construction companies decided to build houses in neighbouring Austria. Following a successfully developed construction model, attracting investors and filling the municipal budget, the municipality of Pliberk again purchased four hectares of land consisting of developed plots for the construction of single-family houses at €20/m<sup>2</sup>, which represents serious competition and successfully attracts construction companies from our side of the border.

### **Eastern Slovenia**

The housing market activity in the area which includes Prekmurje, eastern Slovenske Gorice, Ptuj with surroundings and Haloze significantly decreased



in 2012. Transactions of flats were by far the most numerous in the municipality of Murska Sobota, while in the municipality of Gornja Radgona there were the fewest transactions. The highest average price of a flat was €1,050/m<sup>2</sup> in the municipality of Ptuj and the lowest around €800/m<sup>2</sup> in the municipality of Lendava.

In addition to the reduced number of transactions of flats in multi-residential buildings and against the general trend of transactions and prices of houses in the country, eastern Slovenia also saw a decrease in transactions of houses, their prices indicating an upward trend.

The most expensive houses were sold in the area of Murska Sobota; their average price stood at around €80,000. Such a price was asked for an approximately 50-year-old house of 120 square metres of net floor area and 700 square metres of associated land. The prices of houses in the Goričko area were the lowest. In this area, the average contract price of a sold house stood at a little less than €35,000, which was enough for an approximately 60-year-old house of 60 square metres of net floor area and 5,000 square metres of associated land.

It is characteristic of eastern Slovenia that urban centres have seen no high demand for housing in blocks of flats in recent years, because the housing issue has, as a rule, been solved by the self-building of houses on own land plots. Furthermore, the prices of new flats, which of course were higher than those of existing flats, contributed to a very low demand for new flats despite the supply also being rather low. New housing developments are scarce.

In 2012, the Pomurje region saw no large housing projects completed. However, on the basis of the adopted municipal spatial plan, a major housing development project is planned in Rakičan near Murska Sobota; the project is very large for the region, entailing the construction of ten blocks of flats with 110 housing units. According to the estimates of the municipality of Murska Sobota, the demand for such housing is sufficient. The current financial and economic situation is not on the side of this project, so its implementation will primarily depend on attracting investors.

The inventory of flats for first occupancy in multi-residential buildings in the area of Eastern Slovenia is estimated at around 150 flats.

Last year, this area saw a sharp upturn in transactions of agricultural land, which is largely owing to the deterioration of the social conditions of the population. Given the increase in transactions, prices on average also recorded a slight rise. The highest average price of agricultural land was €1.40/m<sup>2</sup> in the municipality of Ptuj and the lowest around €0.50/m<sup>2</sup> in the Goričko area.





## MARKET OVERVIEW BY TYPE OF PROPERTY

### Flats <sup>2</sup>

In July 2012, approximately 322,000 flats were recorded in multi-dwelling buildings in Slovenia. The average usable floor area of flats was 60 m<sup>2</sup> and the average year of construction 1974.

In 2012, there were slightly fewer than 6,900 sales recorded, accounting for 2.1 per cent of the total inventory of flats in multi-residential buildings, which indicates that the housing market was less active than the year before. As usual, almost 50 per cent of the sales transactions were carried out in the five largest towns. The recorded volume in transactions of flats decreased by only two per cent in comparison with 2011. Compared to 2007, which was prior to the onset of the real property market crisis and when sales reached their peak, their number decreased by almost 40 per cent. Compared to 2009, when the crisis bottomed out, on the other hand, the number of transactions was almost a fourth higher.

In 2012, the average usable floor area of a flat was 52 m<sup>2</sup> and the median year of construction was 1975. The flats sold had on average about 9 m<sup>2</sup> of additional areas, such as balconies, terraces and basements. Compared to the year before, the structure of sold flats at the national level did not change significantly. On average, the flats sold were one year older and with usable floor area one square metre larger, while the additional floor area remained unchanged.

The average contract price of an existing flat stood at €1,650/m<sup>2</sup> and was slightly more than five per cent lower than in 2011. This was the first significant drop in the prices of previously occupied flats since 2009 and the market revival in 2010. In comparison to 2008, when the prices of flats were at their highest in the history of Slovenia, the average price of an existing flat fell by 11 per cent.

Table 3: Average prices of flats in larger towns, Slovenia, 2007 - 2012

Analytical area	Volume of stock	Indicator	2007	2008	2009	2010	2011	2012
SLOVENI A	322.300	Size of sample	6465	4897	4014	5435	5457	5326
		Price (€/m <sup>2</sup> )	1.700	1.850	1.700	1.750	1.750	1.650
LJUBLJANA	92.000	Size of sample	1535	1248	1000	1591	1481	1408
		Price (€/m <sup>2</sup> )	2.650	2.750	2.450	2.450	2.500	2.350
MARIBOR	34.700	Size of sample	931	493	424	699	753	730
		Price (€/m <sup>2</sup> )	1.250	1.350	1.250	1.200	1.200	1.150
CELJE	12.600	Size of sample	329	289	225	277	249	215
		Price (€/m <sup>2</sup> )	1.300	1.400	1.250	1.250	1.250	1.200
KRANJ	10.300	Size of sample	257	182	140	178	201	194
		Price (€/m <sup>2</sup> )	1.750	1.900	1.750	1.800	1.800	1.750
KOPER	8.300	Size of sample	142	90	121	125	130	173
		Price (€/m <sup>2</sup> )	2.350	2.600	2.550	2.450	2.450	2.300
NOVA GORICA z okolico	6.300	Size of sample	90	74	71	91	75	85
		Price (€/m <sup>2</sup> )	1.750	2.100	1.900	1.950	1.750	1.650
NOVO MESTO	4.800	Size of sample	97	89	93	66	65	46
		Price (€/m <sup>2</sup> )	1.500	1.650	1.500	1.500	1.550	1.450
MURSKA SOBOTA	3.000	Size of sample	90	74	44	67	71	58
		Price (€/m <sup>2</sup> )	950	1.100	1.050	1.150	1.100	1.000

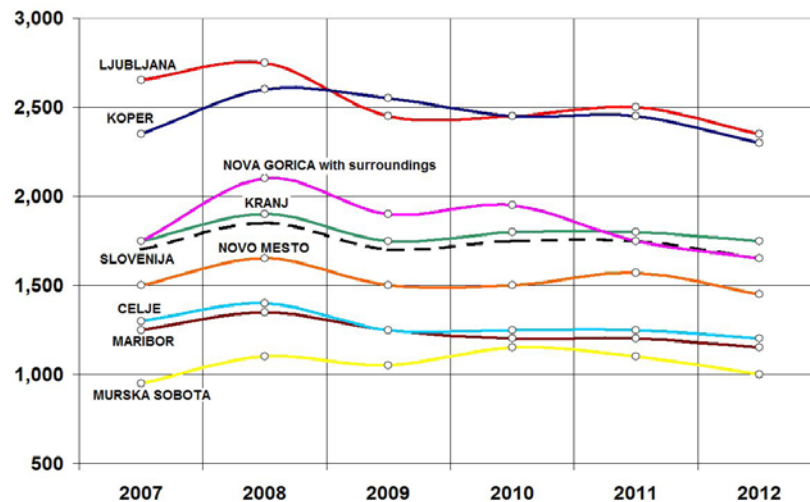
Note: Prices (€/m<sup>2</sup>) are rounded to nearest €50.

<sup>2</sup> Due to incomplete data entry and a statistically random sample of newly constructed buildings, only second hand flats were considered in the calculation of average prices and other statistical indicators.



Since the beginning of the systematic market price monitoring in 2007, the price level in 2012 was at its lowest in all major Slovenian towns, with the exception of Murska Sobota. At the end of the year, all towns showed a further downward trend in prices. In most major towns, sales of flats decreased compared to the year before, the exceptions being Koper and Nova Gorica with its surroundings.

Figure 5: Movement of average prices of flats, Slovenia, 2007 - 2012



The average price of a second hand flat last year was highest in **Ljubljana** for a second year in a row, at around €2,350/m<sup>2</sup>. In comparison with 2011, it fell by five per cent, which is the first notable decline in the capital following two years when prices did not change substantially. In comparison to 2008, the average price decreased by nearly 15 per cent. Last year Ljubljana recorded 29 per cent of all sales of flats in the country. A volume of 1,800 transactions of flats was recorded, which is five per cent less than in 2011. The volume of transactions of flats dropped by almost one-third against the pre-crisis year of 2007. Compared to the crisis year of 2009, however, the volume of transactions increased by a third.

The average price of a second hand flat in **Maribor** last year (€1,150/m<sup>2</sup>) was, as usual, half the price of that in the capital city. Compared to 2011, it decreased by three per cent, which indicates a continuation of a two-year steady downward trend. In comparison to the highest level reached in 2008, the average price decreased, just like in Ljubljana, by nearly 15 per cent. Last year Maribor recorded around 900 transactions of flats, which accounts for 13 per cent of all sales in the country. Compared to 2011, the volume of sales decreased by four per cent. Compared to 2007, it dropped by more than 40 per cent, while compared to 2009, it increased by as much as 50 per cent. Among the largest Slovenian towns, Maribor was hit hardest by the crisis in the real property market and, after the onset of the crisis in 2008, faced by far the largest drop in the volume of transactions of flats. Yet it was Maribor that after the market revival recovered first and most strongly.

The average price of a second hand flat in **Celje** last year (€1,200/m<sup>2</sup>), as in recent years, was slightly higher than in the capital of the Štajerska region. Compared to 2011, the price decreased by around four per cent.



Compared to 2008, it fell by almost 15 per cent. Last year, Celje recorded around 300 transactions of flats, which accounts for four per cent of all sales in the country. Compared to 2011, the volume of sales decreased by nearly 10 per cent. Compared to 2007, it fell by half, while compared to 2009, it fell by almost 15 per cent. Among the major towns, Celje, in addition to Novo Mesto, is the only town that last year saw a decrease in the sales of flat compared to 2009, when the crisis in the real property market in Slovenia was at its worst. Among the largest Slovenian towns, Celje recorded the smallest drop in sales after the onset of the crisis, but its market recovery was barely noticeable; the town also saw the sharpest decline in sales in the last two years.

Among the largest towns, **Kranj** is the one where the average price of a flat is traditionally closest to (generally slightly above) the national average. Last year, the average price of a second hand flat in Kranj was around €1,750/m<sup>2</sup>. Compared to 2011, the price decreased by around three per cent. Compared to 2008, it fell by almost eight per cent. Last year Kranj recorded around 250 transactions of flats, which accounts for around four per cent of all sales in the country. Compared to 2011, the volume of sales decreased by more than 10 per cent. Compared to 2007, it fell by approximately 45 per cent, while compared to 2009, it increased by almost 40 per cent. Kranj saw the strongest recovery of the housing market of all the large towns, since in 2010 it increased its sales by more than 60 per cent against 2009.

In terms of price levels of flats, **Koper** closely follows the capital city. Last year, the average price of a second hand flat in Koper was around €2,300/m<sup>2</sup>. Compared to 2011, it decreased by around six per cent, which is the highest annual drop since 2008, when prices reached their peak. In comparison to 2008, the average price of a second hand flat was about 10 per cent lower, which fully meets the national average.

Last year, Koper recorded around 200 transactions of flats, which is a third more than in 2011. Compared to 2007, sales fell by approximately 10 per cent. Compared to 2009, the increase was less than 10 per cent. It is characteristic of Koper, where the coastal location dictates a constant high demand for flats, that potential buyers very quickly respond to price changes. Consequently, the first drop in prices during the crisis year of 2009 prompted an increase in sales of second hand flats, whereas other larger towns saw a downward trend. Last year, Koper witnessed a record downturn in the average price, which resulted in a sharp upturn in sales, whereas the sales in all other major towns, with the exception of Nova Gorica, decreased.

In **Nova Gorica** and its surrounding settlements, the average price of a second hand flat stood at about €1,650/m<sup>2</sup> last year. Compared to 2011, the price decreased by slightly less than seven per cent. In comparison to 2008, it fell by more than 20 per cent, which is by far the highest fall among the urban centres in question. In the last two years, Nova Gorica and its surrounding settlements saw the highest fall in the average price of second hand flats. This is understandable since, after the boom in gambling tourism, the real property in this area has been for many years among the most overpriced.

In **Novo Mesto** and **Murska Sobota**, which in terms of stock of flats are the smallest and least active housing markets among the larger towns, the number of transactions in absolute terms is so small that we can only speak of general



trends in prices and sales of flats. Last year, both towns witnessed a relatively steep drop in the prices of flats. In comparison to 2008, when the prices of flats were at their highest, they were between 10 and 15 per cent lower, which is not a significant deviation from the national average. Both towns recorded a sharp drop in the number of sales of flats.

## Houses <sup>3</sup>

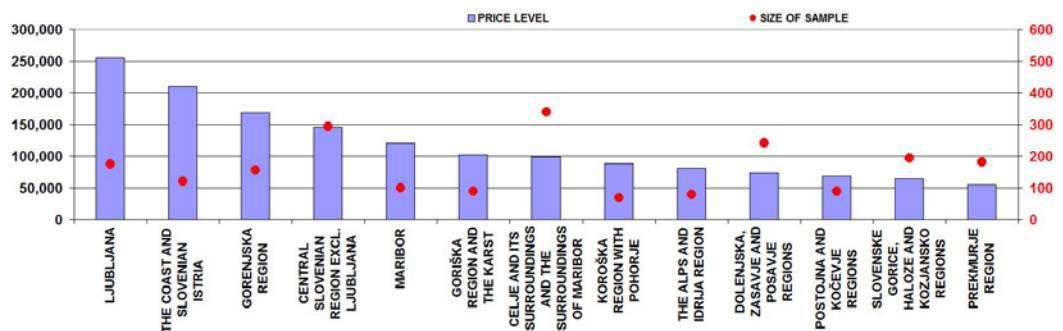
In July 2012, approximately 533,000 housing units were recorded in one-dwelling and two-dwelling houses in Slovenia. The residential units in houses accounted for 62 per cent of the housing stock and those in multi-dwelling buildings for 38 per cent.

In 2012, 4,000 family houses were recorded sold, which was almost an 11 per cent increase in comparison with 2011. Among the houses sold, 82 per cent were detached houses, 10 per cent terrace houses and 8 per cent semi-detached houses.

The average contract price of a house with associated land was around €120,000 and the median price was €95,000. Compared to 2011, the median price remained the same; the average price also remained practically unchanged. At the end of 2012, house prices at the national level showed a downward trend, albeit not so distinctive as the trend in flat prices.

The average floor area of a house sold last year was 145 m<sup>2</sup> and the median year of construction was 1970. The average area of associated land was 1,100 m<sup>2</sup>. Compared to 2011, the structure of sold houses at the national level did not change significantly. The median year of construction of the houses sold was the same, which means that, on average, the houses sold were one year older. The average area of a sold building increased by 4 m<sup>2</sup> and the average size of the associated land by 14 m<sup>2</sup>.

Figure 6: Average prices of houses with associated land (in €) and the number of sales taken into account by price area, 2012



<sup>3</sup> Houses with associated land in general significantly differ in the structure of the houses sold in various areas of the country. They mainly depend on regional features of the existing inventory of houses, which are to be taken into consideration when comparing average regional prices. In other words, substantial differences in house sizes and associated land plots make it impossible to compare prices in relative terms or prices per square metre.





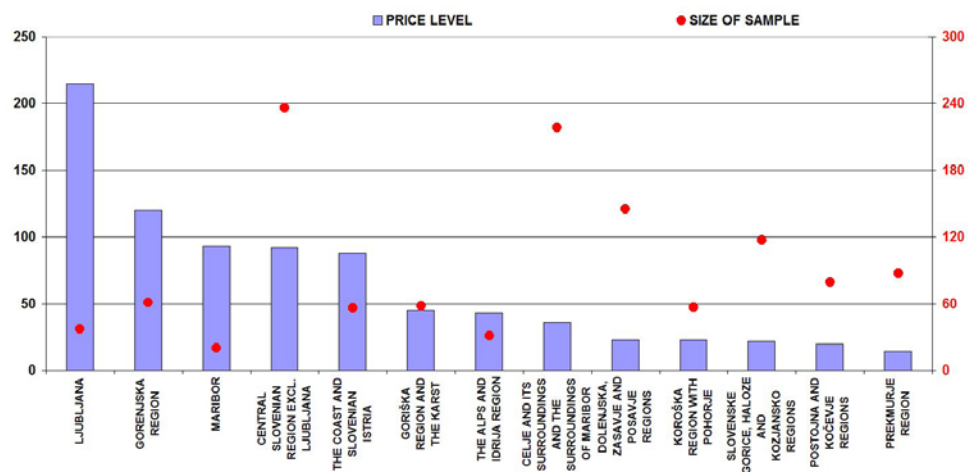
For a number of years, the price area of Ljubljana has seen the highest average selling price for houses, the Prekmurje region the lowest. In Ljubljana, a 170 m<sup>2</sup> house with slightly less than 500 m<sup>2</sup> of associated land, built in about 1968, was for sale for approximately €280,000. In Prekmurje, the sale price of an approximately 120 m<sup>2</sup> house with 1900 m<sup>2</sup> of associated land, built in around 1965, was approximately €55,000. Last year, the area of Ljubljana on average sold the largest houses, the Prekmurje region the smallest. As a general rule, plots of land associated with the houses were smallest in the coastal area, while the largest plots were sold last year in the regions of Slovenske Gorice, Haloze and Kozjansko. On average, the Gorica and Karst areas (the median year of construction was 1928) saw the sales of the oldest houses, while the sales of the newest houses were recorded in the central Slovenian region excluding Ljubljana (1982).

## Building land

In 2012, approximately 6,400 sales of building land were recorded. The average contract price of the sold building land was €55/m<sup>2</sup> and the median price €32/m<sup>2</sup>. Compared to 2011, the average price of the sold land decreased by 12 per cent while the median price decreased by as much as 18 per cent. The general downward trend in prices, established after the real property market crisis and after the onset of the construction industry crisis, only intensified last year.

Last year, the average area of sold land was around 940 m<sup>2</sup>, which is approximately the same as the year before. Compared to 2007, the average surface of sold land fell by almost 40%.

Figure 7: Average prices of building land (in €/m<sup>2</sup>) and the number of sales taken into account, by price area, 2012





In 2012, Ljubljana saw the highest prices of building land. On average, they still exceeded €200/m<sup>2</sup>, which was the result of low supply. Owing to the shortage of large housing development projects, the smallest land plots were sold in Ljubljana. On average, the plots of land measured around 600 m<sup>2</sup>. Building land in Prekmurje had, as usual, by far the lowest price and was on average sold for €18/m<sup>2</sup>. Last year, the largest plots (around 1,300 m<sup>2</sup>) were sold in the area of Slovenske Gorice, Haloze and Kozjansko, which was also the region recording the largest area of land associated with the houses sold.

## Commercial property <sup>4</sup>

In July 2012, there were more than 43,000 units of office premises and around 37,000 units of business premises recorded in Slovenia, comprising bar and shop premises for craft, restaurant and other service activities.

By floor area of office premises, Ljubljana accounted for 30 per cent of the total Slovenian stock, Maribor 7 per cent and Celje 3 per cent. By surface area of bars and shops, Ljubljana accounted for 21 per cent, Maribor 7 per cent and Celje 4 per cent. The remaining stock of office premises and shops and bars is dispersed across smaller towns and other locations and, consequently, it is practically impossible to talk about the commercial property market outside the three largest towns.

In 2012, a total of 770 sales of commercial property were recorded at the national level, which was five per cent less than in 2011. With regard to the quality of data recorded, 248 sales of office premises and 279 sales of bars and shops could be taken into consideration in the calculations of statistical indicators.

The average contract price of office premises and bars and shops that were sold amounted to around €1,300/m<sup>2</sup>. The median year of construction was 1980. The average sales area of office premises was almost 100 m<sup>2</sup> and that of bar and shop premises around 110 m<sup>2</sup>.

<sup>4</sup> Due to the small amount 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 therefore cannot always have real explanatory value.



Figure 8: Average prices of office premises (in €/m<sup>2</sup>) and the number of sales taken into account, by major towns, 2012



Last year, the average price of office premises in Ljubljana was €1,650/m<sup>2</sup> (number of sales taken into account: 78; average year of construction: 1970; average floor area: 91 m<sup>2</sup>), in Celje €1,300/m<sup>2</sup> (7, 1963 and 89 m<sup>2</sup>), and in Maribor €1,050/m<sup>2</sup> (31, 1949 and 60 m<sup>2</sup>).

Figure 9: Average prices of bars and shops (in €/m<sup>2</sup>) and the number of sales taken into account, by major towns, 2012



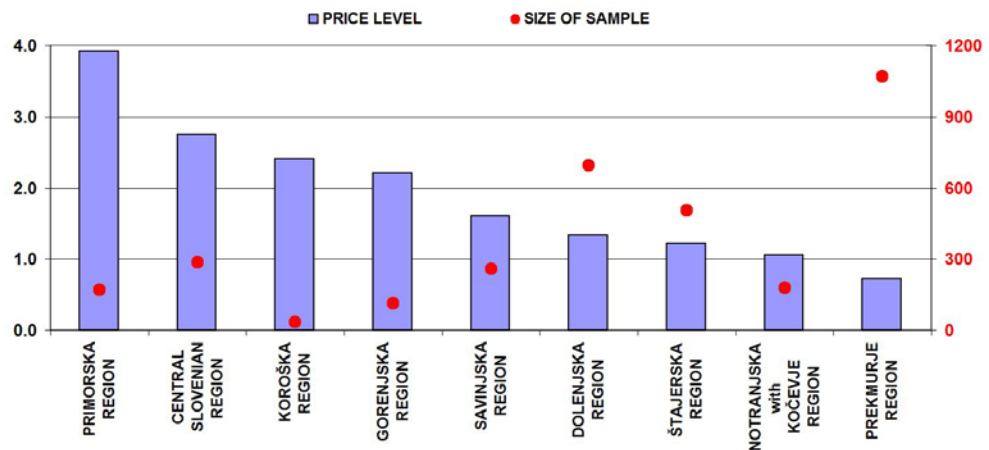
Last year, the average price of bars and shops in Ljubljana was €2,000/m<sup>2</sup> (number of sales taken into account: 76; average year of construction: 1948; average floor area: 85 m<sup>2</sup>), in Celje €1,050/m<sup>2</sup> (13, 1964 and 124 m<sup>2</sup>), and in Maribor €900/m<sup>2</sup> (28, 1948 and 142 m<sup>2</sup>).



## Agricultural and forest land

In July 2012, approximately 7,500 km<sup>2</sup> of agricultural land and 11,000 km<sup>2</sup> of forest land were recorded in Slovenia. In 2012, slightly more than 7,500 sales of agricultural land were recorded, which was almost a third more than in 2011, and around 2,200 sales of forest land, which was a quarter more than in 2011. Since the beginning of the systematic monitoring in 2007, the sales count of forest land was the highest last year.

Figure 10: Average prices of agricultural land (€/m<sup>2</sup>) and the number of sales taken into account by price area, 2012

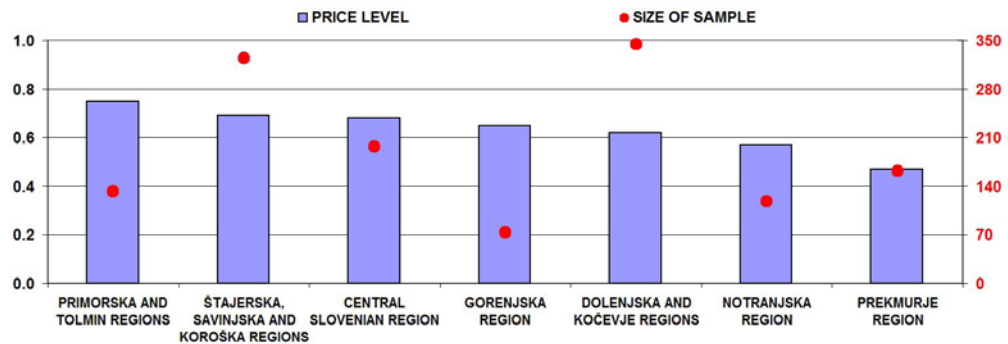


The average area of agricultural land was around €1.40/m<sup>2</sup>, or three per cent less than in 2011. The median price was precisely €1.00/m<sup>2</sup>, the same as the year before. The average area of sold land was 0.5 hectares or approximately six per cent less than in 2011. The largest land plots, measuring on average 0.65 hectares, were last year for sale in the Štajerska region.

The most expensive and the smallest land plots were for sale in the Primorska region, where the average price stood at almost €4.00/m<sup>2</sup>. The Primorska region records traditionally high prices of agricultural land, which is due to the relatively high sales volume of land with permanent plantations (vines and olives) on the one hand, and, in particular in the coastal area, to purchases of land for recreational purposes and vacations and speculative purchases for the prospective construction of holiday facilities on the other hand. For a number of years, the Prekmurje region has seen the lowest prices for agricultural land and the most dynamic trend in transactions; the average price was around €0.75/m<sup>2</sup>.

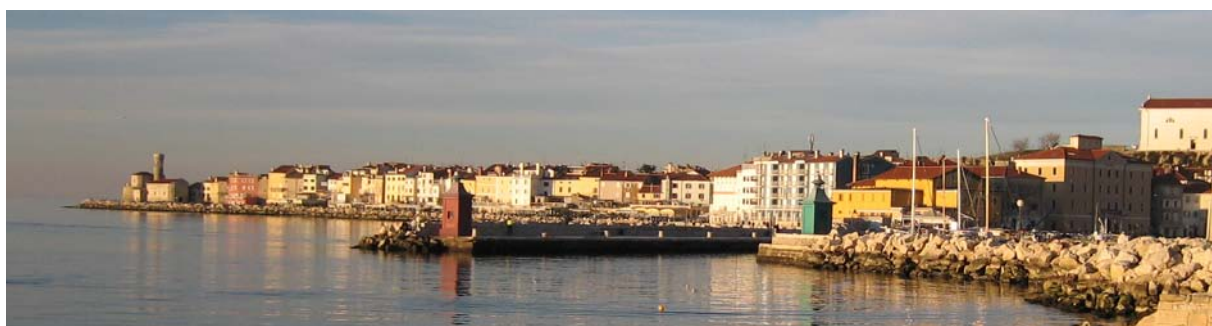


Figure 11: Average prices of forest land (€/m<sup>2</sup>) and the number of sales taken into account by price area, 2012



The average contract price for forest land was around €0.65/m<sup>2</sup>, or almost three per cent more than in 2011. The median price was around €0.55/m<sup>2</sup>, representing an increase of almost 10 per cent on the year before. The Primorska region saw the highest prices for forest land: here, of course, the price does not so much reflect the quality of forest land but is more influenced by the coastal location. Statistically, forest land in Prekmurje had by far the lowest price, though the stock of forest land is small and the sales count modest. The low prices of forest land mainly reflected that the prices in this region were also in general low. The average area of the forest land sold was the smallest in this region and only amounted to 6,200 m<sup>2</sup>.

In Slovenia, the average area of sold forest land was 1.7 hectares, or more than a fifth less than in 2011. A decrease in the average area of the forest land sold supports the thesis that the volume of sales of large forest complexes is decreasing, while those of individual land plots have made an upturn, since a growing number of owners have decided to sell off land that is not in productive use as a result of the crisis and difficult access to other funding resources. For the second consecutive year, the largest forest land plots were for sale in the Gorenjska region. On average, they measured around 2.5 hectares. With the exception of Prekmurje, the smallest forest land plots were last year for sale in the regions of Dolenjska and Kočevje. Their average size was below 1.5 hectares. The average area of the sold forest land by individual areas substantially varies between years and largely depends on the number of sales of large forest complexes.





## CONCLUDING COMMENTARY

In 2012, Slovenia witnessed a decline in economic activity, the escalation of the bank credit crunch, government austerity measures, a decrease in domestic consumption, the continuation of the crisis in the construction industry and the bankruptcy of the last major construction companies.

Given the further decline in purchasing power and the reduction of housing loans, the volume of real property transactions has remained surprisingly high. The sales count was particularly high with regard to existing houses and flats, while new housing units were much more difficult to sell. After a period of slow drift in real property prices following the recovery of the market in early 2010, the second half of last year saw a substantial downturn in prices. Since the beginning of systematic monitoring in 2007, the prices of housing units were at their lowest at the end of the year and showing a further downward trend.

Due to the low solvent demand and, as a result, low profit margins of investors, housing construction for the market faces high risks. As a result of the financial crisis and the consequent high risks, access to bank loans for investments in the real property development projects is very poor and potential investors have lost interest. No new large-scale housing development projects are in the pipeline and the supply of new housing units is very poor.

Consequently, the stock of housing units for first occupancy that accumulated during 2008 and 2009 is slowly decreasing. There is still a large number of both uncompleted and completed housing units trapped in the bankrupt estates of failed investors and controlled by banks as preferential creditors. Last year saw an increasing number of such housing units put on sale by public auctions or other forms of public sale, but these have generally not been very successful. Except for some creditor banks, there was practically no demand for unfinished flats or houses for which additional funds would be required for completion. There was also no demand for completed housing units which were still offered at too high an asking price. It has become obvious that housing units bearing the stigma of being stranded projects presented an entirely separate market segment. It turned out, however, that potential buyers will not be willing to pay for them anywhere near as much as for newly built housing units. This means that it will be possible to sell them only by taking a small or even a greater loss. Sooner or later this bitter pill will have to be swallowed. Success in sales and the clearing of stock of unsold housing units under the stranded projects will primarily depend on the amount



of loss which the creditors will be willing to accept and, consequently, the prices at which these housing units will be offered on the market. In the event of the scenario of clearing the supplies through sales at a loss, the prices of all real estate will undergo additional downward pressure.

The other scenario is that the completion of unfinished housing units is financed by the state, which would gradually, through the housing funds, purchase the stock of housing units at favourable prices for rental purposes to solve the housing issues of young families and people from socially disadvantaged backgrounds. This would enable the state-own banks to control the loss resulting from bad loans intended for real property development projects.

The sales trends and real estate prices indicate that Slovenia is heading slowly towards a second bottom of the crisis in the real estate market, but it is difficult to predict whether the downswing will bottom out already this year. In any case, it is not to be expected that the volume of transactions of real property will decrease to such an extent as was witnessed in the first half of 2009, when the transactions almost came to a standstill. Nevertheless, we can expect the downward trend in prices of housing units to continue at least until Slovenia recovers from the current financial and economic crisis.





## Annex 1:

### Statistical Indicators of the Real Property Market for 2012

<b>Size of sample</b>	– number of sales taken into account in calculations.
<b>Area (m<sup>2</sup>)</b>	– average floor area of the building or part of building.
<b>Land area (m<sup>2</sup>)</b>	– average land area.
<b>Year of construction</b>	– median year of construction of the building or parts of the building.
<b>Avg. (€/m<sup>2</sup>)</b>	– average price (arithmetic mean) per square metre.
<b>Avg. (€)</b>	– average selling price (arithmetic mean) of the building with associated land.
<b>Median (€/m<sup>2</sup>)</b>	– median price per square metre.
<b>Median (€)</b>	– median price.

<span style="display: inline-block; width: 15px; height: 10px; background-color: #e91e63; border: 1px solid black;"></span>	– highest value of indicator
<span style="display: inline-block; width: 15px; height: 10px; background-color: #2196f3; border: 1px solid black;"></span>	– lowest value of indicator

#### Notes:

- For houses, net floor area is indicated; for flats and office premises, usable floor area is indicated. Net floor area of a part of a building or whole building is the sum of areas of premises constituting that part of the building or whole building. The usable floor area of a part of the building or whole building is the sum of areas of premises belonging to that part of the building or whole building and is used for the same purpose as that part of the building or the whole building. For the part of the building that is a flat, these are the areas of all living quarters (without balconies, terraces, basements, etc.).
- **Price areas** are areas where a specific type of property is subject to similar market principles when shaping purchase prices.
- **Share of stock** is the share of total area of a certain type of real property in a certain price area, in the total area of this type of real property unit at the national level. For flats, the usable surface area is indicated; for houses, net surface area is indicated. The source of information is the floor areas of real properties recorded in the real property register (REN) as per 1 July 2012. The shares of stock of building land are not indicated, because of the lack of information on building land which falls under the jurisdiction of the municipalities.

## Flats, 2012

Price area	Share of stock	Size of sample	Area (m <sup>2</sup> )	Year of construct.	Avg. (€/m <sup>2</sup> )	Median (€/m <sup>2</sup> )
<b>SLOVENIA</b>	100 %	5326	52	1975	1.650	1.520
LJUBLJANA	28 %	1411	53	1974	2.370	2.280
CENTRAL SLOVENIAN REGION EXCL. LJUBLJANA	7 %	476	52	1982	1.800	1.770
GORENJSKA REGION	10 %	499	49	1974	1.650	1.640
ALPS AND IDRIJA REGION	2 %	73	48	1971	1.220	1.200
NOVA GORICA	2 %	89	54	1975	1.610	1.580
COASTAL HINTERLAND, KARST AND VIPAVA VALLEY	2 %	78	54	1979	1.470	1.460
COAST AND SLOVENIAN ISTRIA	7 %	377	50	1978	2.420	2.370
POSTOJNA AND KOČEVJE REGIONS	3 %	146	50	1976	1.120	1.120
DOLENJSKA AND POSAVJE REGIONS	5 %	190	51	1976	1.090	1.050
ZASAVJE REGION	3 %	133	49	1970	870	890
CELJE	4 %	222	50	1974	1.200	1.180
MARIBOR AND CELJE SURROUNDINGS	7 %	440	51	1978	1.100	1.100
MARIBOR	11 %	741	53	1971	1.150	1.120
KOROŠKA REGION INCL. POHORJE	3 %	160	52	1975	900	890
SLOVENSKE GORICE, HALOZE AND KOZJANSKO REGION	4 %	195	51	1975	940	950
PREKMURJE REGION	2 %	96	48	1978	910	950

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





## Single-family and two-family houses including land, 2012

Price area	Share of stock	Size of sample	Area (m <sup>2</sup> )	Year of construct.	Land area (m <sup>2</sup> )	Avg. (€)	Median (€)
<b>SLOVENIA</b>	100 %	2128	145	1970	1100	118.800	95.000
LJUBLJANA	6 %	175	172	1968	477	254.800	236.500
CENTRAL SLOVENIAN REGION EXCL. LJUBLJANA	15 %	294	149	1982	789	145.800	135.000
GORENJSKA REGION	9 %	156	170	1975	701	169.200	159.174
GORIŠKA REGION AND KARST	5 %	89	145	1928	664	101.800	78.000
ALPS AND IDRIJA REGION	5 %	79	137	1950	742	81.300	69.000
COAST AND SLOVENIAN ISTRIA	3 %	121	124	1970	437	210.000	160.000
POSTOJNA AND KOČEVJE REGIONS	5 %	90	133	1935	988	68.600	60.000
DOLENJSKA, ZASAVJE AND POSAVJE REGIONS	13 %	242	140	1969	1340	73.600	60.500
CELJE WITH SURROUNDINGS AND SURROUND. OF MARIBOR	15 %	339	150	1972	1303	98.700	90.000
MARIBOR	3 %	99	161	1966	612	121.100	105.000
KOROŠKA REGION INCL. POHORJE	5 %	68	162	1970	958	88.600	85.000
SLOVENSKE GORICE, HALOZE AND KOZJANSKO REGION	10 %	194	126	1973	2173	64.400	55.200
PREKMURJE REGION	6 %	182	118	1965	1888	55.000	46.000

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

## Building land, 2012

Price area	Size of sample	Land area (m <sup>2</sup> )	Avg. (€/m <sup>2</sup> )	Median (€/m <sup>2</sup> )
<b>SLOVENIA</b>	1202	938	55	32
LJUBLJANA	37	606	215	209
CENTRAL SLOVENIAN REGION EXCL. LJUBLJANA	236	821	92	79
GORENJSKA REGION	61	628	120	115
GORIŠKA REGION AND KARST	58	806	45	38
ALPS AND IDRIJA REGION	31	846	43	39
COAST AND SLOVENIAN ISTRIA	56	803	88	79
POSTOJNA AND KOČEVJE REGIONS	79	874	20	16
DOLENJSKA, ZASAVJE AND POSAVJE REGIONS	145	1093	23	18
CELJE WITH SURROUNDINGS AND SURROUND. OF MARIBOR	218	1037	36	30
MARIBOR	20	655	93	82
KOROŠKA REGION INCL. POHORJE	57	801	23	18
SLOVENSKE GORICE, HALOZE AND KOZJANSKO REGION	117	1317	22	19
PREKMURJE REGION	87	1025	14	11

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



## Office premises, 2012

Price area	Share of stock	Size of sample	Area (m <sup>2</sup> )	Year of construct.	Avg. (€/m <sup>2</sup> )	Median (€/m <sup>2</sup> )
<b>SLOVENIA</b>	100 %	248	99	1980	1.290	1.170
LJUBLJANA AND COASTAL REGION	35 %	105	82	1980	1.610	1.610
DOLENJSKA REGION AND GORIŠKA REGION INCL. KARST, GORENJSKA REGION AND CENTRAL SLOVENIAN REGION EXCL. LJUBLJANA, MARIBOR AND CELJE WITH SURROUNDINGS	47 %	107	115	1979	1.130	1.000
TOLMIN, NOTRANJSKA, KOČEVJE, KOROŠKA AND PREKMURJE REGIONS	18 %	36	101	1975	820	680

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

## Shops and bars, 2012

Price area	Share of stock	Size of sample	Area (m <sup>2</sup> )	Year of construct.	Avg. (€/m <sup>2</sup> )	Median (€/m <sup>2</sup> )
<b>SLOVENIA</b>	100 %	279	109	1980	1.320	1.130
LJUBLJANA, COAST AND KRANJSKA GORA	25 %	92	89	1974	1.920	1.860
CENTRAL SLOVENIAN REGION EXCL. LJUBLJANA, GORENJSKA, DOLENJSKA, PRIMORSKA AND ŠTAJERSKA REGIONS	35 %	73	118	1981	1.120	1.020
MARIBOR, NOVA GORICA, NOVO MESTO, KRANJ, CELJE AND MURSKA SOBOTA	20 %	56	127	1982	1.050	980
TOLMIN, NOTRANJSKA, KOČEVJE, ZASAVJE, KOROŠKA AND PREKMURJE REGIONS	20 %	58	109	1968	900	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, 2012

Price area	Share of stock	Size of sample	Land area (m <sup>2</sup> )	Avg. (€/m <sup>2</sup> )	Median (€/m <sup>2</sup> )
<b>SLOVENIA</b>	<b>100 %</b>	<b>3312</b>	<b>5000</b>	<b>1,42</b>	<b>1,00</b>
CENTRAL SLOVENIAN REGION	12 %	287	5400	2,75	2,02
GORENJSKA REGION	10 %	113	4000	2,21	1,86
PRIMORSKA REGION	9 %	170	3200	3,92	2,75
NOTRANJSKA AND KOČEVJE REGIONS	10 %	180	3600	1,06	0,96
DOLENJSKA REGION	17 %	695	4400	1,33	1,00
SAVINJSKA REGION	13 %	257	5300	1,61	1,36
ŠTAJERSKA REGION	13 %	506	6500	1,22	1,12
KOROŠKA REGION	4 %	34	5500	2,41	2,20
PREKMURJE REGION	12 %	1070	5200	0,73	0,62

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

## Forest land, 2012

Price area	Share of stock	Size of sample	Land area (m <sup>2</sup> )	Avg. (€/m <sup>2</sup> )	Median (€/m <sup>2</sup> )
<b>SLOVENIA</b>	<b>100 %</b>	<b>1.350</b>	<b>17100</b>	<b>0,64</b>	<b>0,56</b>
CENTRAL SLOVENIAN REGION	13 %	197	18900	0,68	0,60
GORENJSKA REGION	11 %	73	24400	0,65	0,61
PRIMORSKA AND TOLMIN REGIONS	16 %	132	16600	0,75	0,57
NOTRANJSKA REGION	11 %	118	23100	0,57	0,50
DOLENJSKA AND KOČEVJE REGIONS	19 %	344	14400	0,62	0,56
ŠTAJERSKA, SAVINJSKA AND KOROŠKA REGIONS	27 %	324	20800	0,69	0,63
PREKMURJE REGION	3 %	162	6200	0,47	0,40

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

# 2012