

2013



**REPORT ON
THE REAL ESTATE
MARKET IN
SLOVENIA**
for 2013



TABLE OF CONTENTS

REPORT ON THE REAL ESTATE MARKET IN SLOVENIA

for 2013	3
SUPPLY	5
DEMAND	8
TRANSACTIONS	9
PRICES	10
REGIONAL MARKETS	12
MARKET OVERVIEW BY TYPE OF PROPERTY	21
Flats	21
Houses	25
Building land	27
Commercial property	28
Agricultural and forest land	30
CONCLUDING COMMENTARY	33
Annex 1:	
Statistical Indicators of the real estate market for 2013	35





REPORT ON THE REAL ESTATE MARKET IN SLOVENIA FOR 2013

In 2013, the upward trend of prices in the global real estate market continued for the second consecutive year. Residential property prices increased in most countries. Relatively high annual price growth was observed mainly in certain developing Asian countries (Philippines, China, Malaysia), Colombia and Brazil, and in Estonia and Turkey in Europe. The growth of prices in the housing market continued also in the United States. Due to recent experience, when the burst of the real estate bubble and the collapse of the housing market contributed to the development of the financial and economic crisis in many countries, the International Monetary Fund already warned about the risk of a new real estate bubble.

Slovenia belongs to the group of European states, which have, in recent years, recorded a decrease in real estate prices. This includes countries that are officially struggling with financial and economic crises (Greece, Spain, Portugal), and certain other countries, which are faced with a greater or lesser level of financial and economic instability, such as our neighbouring countries, namely Croatia, Hungary and Italy. In Slovenia, residential property prices declined in real terms for the third consecutive year; last year this downward trend has only accelerated.

Last year, there were no major changes in the economic and social situation that could have a direct impact on the Slovenian real estate market. 2013 will be remembered by property owners mainly as a year of changes in the field of real estate taxation.

Last year, residential property tax was imposed on property owners in a total amount of more than half a million euros. The tax was introduced as a temporary property tax under the Implementation of the Republic of Slovenia Budget for 2013 and 2014 Act. It affected primarily leasing companies, which in recent years have been for the most part suffering losses in financial leasing operations in the real estate market. However, the tax had no noticeable impact on supply and demand in the real estate market.

The new regulation on reporting information to the real estate market record (ETN) introduced by the amendment of Real Property Mass Valuation Act entered into force on 1 July. The main purpose of the new regulation was to ensure that data is gathered on concluded sales transactions which are subject to VAT (sales of new buildings and real estate transactions between persons liable for VAT) and data on real estate lease/rent transactions, with the aim of systematic monitoring of market prices and rents for the purposes of property valuation and ensuring the transparency of the Slovenian real estate market. The obligation to report information on property sales for which VAT has been charged, was ex-



tended to vendors whose transactions are subject to VAT, and on landlords who offer their properties and/or parts thereof for rent. Landlords were required to report any active lease/rent transactions as of 1 July 2013 on the basis of which a register of rental transactions was established by the end of March 2014. According to the Real Property Tax Act, the register should also be used for tax purposes or for determining tax rates in the assessment of property tax for residential property that is being leased/rented.

This was the first time after the change of the prescribed methodology for determining the cadastral income that the tax on cadastral income was levied. The new methodology for determining the cadastral income, provided for by the Cadastral Income Act, drew strong reaction among farmers and was implemented only partially. Due to intensive efforts of the agricultural lobby, the latest amendment to the law which was adopted in June 2013 limited the increase of cadastral income for 2013 to a maximum of 10 per cent compared to the previous year. This resulted in 30 per cent lower cadastral income at the national level, since, due to the introduction of new scales for the agricultural actual use (arable land, grassland), cadastral income decreased on average by more than 10 per cent, while cadastral income for 2013 was not limited downwards by the law. As an obvious consequence, this resulted in a decrease of tax revenue.

In accordance with sectoral regulations, the first indexation of property values was implemented in October. Property, whose value changed by at least ten per cent after the first general valuation was attributed a new indexed value in the Real Estate Register. The general market value of other real estate remained unchanged in the Real Estate Register. Normally, the value of real estate decreased in line with the evolution of market prices and did not increase for any type of property in any area.

The Real Property Tax Act (Uradni list RS [Official Gazette of the Republic of Slovenia], No. 101/2013), which was adopted last year, provoked many negative reactions. The law, which was announced by the government in the first half of the year, was adopted in early December and came into force on 1 January 2014, but was annulled at the end of March 2014 following the Constitutional Court ruling. Due to non-unitary and relatively high tax rates the law faced strong public opposition. Since the Real Estate Register still contained inaccurate data on the owners and property, which has a decisive influence on the calculation of general market property values, and thus on the amount of tax base, the adoption of the law again caused queues at the offices of the Surveying and Mapping Authority due to owners wishing to rectify inaccurate data. At the end, the improvement of the real estate register proved to be the only positive result of the unsuccessful attempt to introduce the property tax.

It is also worth noting that the rules on schedular taxation for property leasing, which were introduced by the amendment of the Income Tax Act at the end of 2012, entered into force in 2013. Owners who rent/lease their property, were no longer obliged to include their rental/lease income in their tax base for 2013, but, taking into account the 10 per cent nominal charge, their rental/lease income is now subject to a 25% tax rate.



SUPPLY

Supply in the secondary real estate market (supply of previously occupied dwellings) is more or less constant. Vendors are mostly already aware that they will face extensive negotiations with buyers and further reductions of prices and that it will take them much longer to sell their flat than before the crisis.

Supply in the primary real estate market (supply of dwellings for first occupancy) has decreased every year. On the one hand, this was caused by the gradual sale of flats from stranded projects from previous years, and on the other hand by the decreasing number of newly built flats.

Despite the poor sales, unsold inventory of flats owned by investors who went bankrupt after the crisis of the real estate market decreases from year to year. The reduction of prices, which has led to increased interest from potential buyers, has contributed the most to the sale of these flats offered by receivers in bankruptcy or creditor banks in the framework of various forms of public sale.

Housing funds also had an important role in reducing the inventory of unsold flats. In the last few years, certain municipal and national housing funds purchased several flats under the stranded projects across the country. Their primary purpose was to ensure a bargain purchase of flats for non-profit or market rental, but it was often the case that rental market faced low demand, especially in areas outside major urban centres.

The future sale of unsold inventories of bankrupt investors and the dynamics of cleaning this primary housing market segment will be significantly influenced by the Slovenian Bank Assets Management Company (BAMC) or so-called "bad bank" to which non-performing claims on bankrupt investors or their immovable property were or will be transferred by the creditor banks.

BAMC's marketing strategy will determine when and at what prices the flats in its portfolio will be sold. Under the law, they have to be sold within five years, but BAMC has announced that the unfinished construction projects will be completed first, and afterwards it will actively manage the portfolio with the aim of selling the flats within a reasonable time at the highest possible price. By doing that, it will try not to offer too many flats on the market simultaneously which would lead to a further market price deterioration.

So far it is only known that upon initiation of transfer of claims in 2013, flats under two large completed projects have been transferred to BAMC, namely Celovški dvori in Ljubljana and Nokturno neighbourhood in Koper, which put a stop to their public sale at reduced prices. The sale of flats under the majority of small-scale projects, whose investors went bankrupt, was also stopped. According to our estimates, only 300 to 400 residential units under stranded projects were sold despite the increased interest, which is about half as much as the year before.

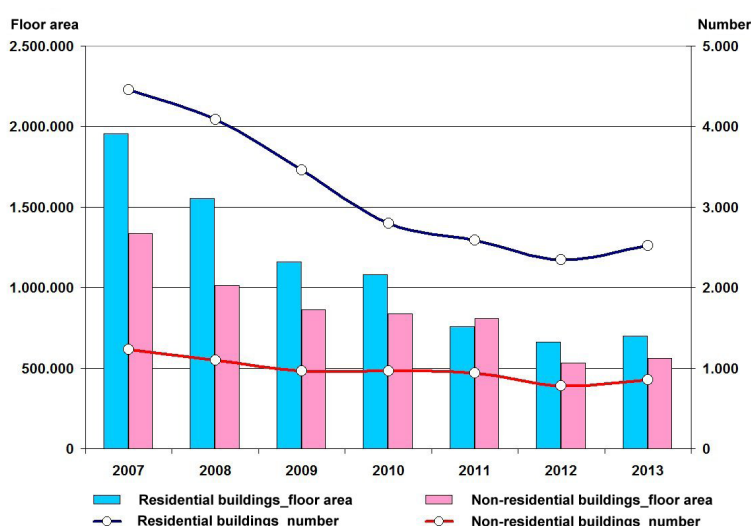
After the bankruptcy of large construction companies, more and more small construction companies have emerged in recent years, who mainly build or



renovate family houses or small multi-dwelling buildings for known customers, as well as for sale on the market. Since this involves a smaller number of units, investors are not as financially vulnerable as in the case of large projects, and the offered prices are normally adjusted to demand, and these flats are usually sold within a reasonable time period. This was also the case for the sale of new flats last year.

The scope of the planned construction, as seen from data on building permits issued in 2013, increased for the first time in five years. The planned number of non-residential buildings, as shown by issued building permits, increased by 10 per cent compared to 2012, and their total floor area by 5 per cent. The planned number of residential buildings increased by 8 per cent, and their total floor area by 6 per cent.

Figure 1: Number and floor area of planned buildings as shown by issued building permits, Slovenia, 2007-2013



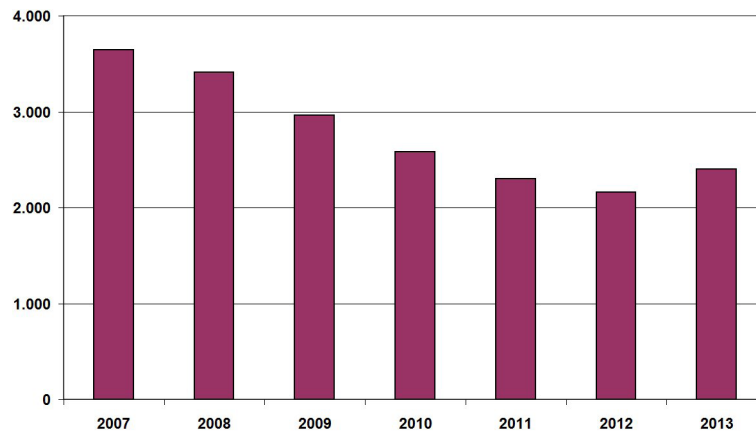
Source: Statistical Office of the Republic of Slovenia

As could be expected given the drastic decline in new construction in the wake of the real estate market crisis in 2008, the scope of the planned construction of real estate finally bottomed out in 2012. Nevertheless, supply of new property is not expected to increase significantly in the next few years. Due the situation in the real estate market, construction remains a high risk for the market and is relatively unprofitable.

The hypothesis that the supply of new housing on the market will not significantly increase in the coming years is confirmed by the fact that the number of planned residential units, as shown by the issued building permits, increased primarily due to an increase in the volume of planned construction of houses built by natural persons from their own plan and expenses. However, the number of planned flats in multi-dwelling buildings built by investors for the sale in the market, continues to decline.



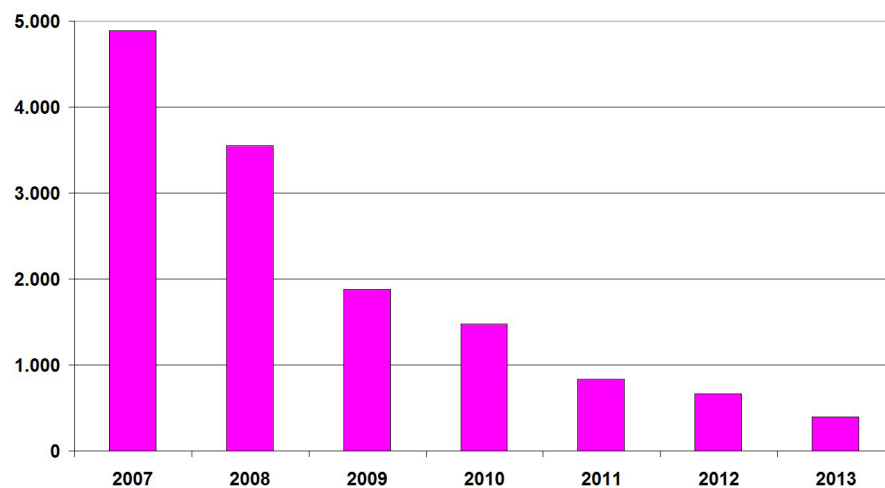
Figure 2: Number of one- and two-dwelling buildings as shown by building permits issued to natural persons, Slovenia, 2007-2013



Source: Statistical Office of the Republic of Slovenia

In 2013, 2,400 construction permits for housing units in one- and two- dwelling buildings were issued to natural persons, while in 2012 slightly less than 2,200 permits were issued and more than 3,600 in 2007.

Figure 3: Number of flats in multi-dwelling buildings as shown by building permits issued to legal entities, Slovenia, 2007-2013



Source: Statistical Office of the Republic of Slovenia

In 2013, only about 400 permits for the construction of flats in multi-dwelling buildings were issued. For comparison, slightly less than 700 permits were issued in 2012, while in 2007, when the building expansion reached its peak, almost 4,900 permits were issued.



DEMAND

Last year, there were no significant changes in the main factors that affect demand in the housing market. Increased economic activity at the end of the year, recorded by official statistics, had no effect yet. Despite the first signs of negative trend reversal, the employment still stagnated on an annual basis. The same also applied to wages. Almost no loss in purchasing power was observed, which was also due to low inflation. The bank credit crunch continued, both in terms of lending to businesses and households. The volume of new housing loans to households remained virtually unchanged.

Despite the fact that after the onset of the real estate market crisis, the drop in rental prices was more significant than the drop in residential property prices, the demand in the rental market has not significantly increased. The ratio between the demand in the housing market and demand in the rental market has not changed. The ratio between the demand on the primary and secondary housing market also remained unchanged.

Flats in the primary market, other than flats from stranded projects which are obviously not competitive vis-à-vis newly built flats, are still relatively more expensive than flats in the secondary market. Therefore, the demand for new flats for first occupancy is still relatively low due to the low purchasing power.

Compared to the period before the crisis, demand for building land also remains low. In the past few years, large investors, both domestic and foreign, have lost interest in new real estate projects. Demand in larger cities is mainly focused on finding building land at affordable prices for the replacement construction of small buildings. Outside urban centres, demand is mainly limited to land for the construction of family houses.

Demand for commercial properties has been much lower than supply for some time. After the onset of the crisis and the reduction of economic activity, sales of newly built commercial premises almost came to an absolute standstill. At the same time, supply of the vacant commercial premises in the secondary and rental market increased due to the collapse or shrinkage of business entities' activities. This has resulted in a steep fall in rental prices for commercial premises, which further reduced the interest of the potential buyers.

Demand for agricultural and forest land rapidly intensified after the first crash of the real estate crisis and remained stable in the past year. Besides the fact that the land holds production potential, the reason for this is also the attractiveness of land for investment and speculative purposes.



TRANSACTIONS

Last year, the slow downward trend in transactions of residential property, which was established after the first crash of the real estate market crisis and the revival of the market in 2010, accelerated significantly. This mainly reflects a significant reversal of trend in transactions with houses. The number of recorded sales of flats and houses decreased by as much as 12 per cent compared to 2012, which clearly indicates that the Slovenian real estate market is rapidly heading towards a second crash. Given that the annual volume of recorded sales of residential property fell below 10,000 units for the first time since 2009, it is very likely that the crisis will reach its peak already in 2014.

Table 1: Number of recorded real estate sales, Slovenia, 2007-2013

	2007	2008	2009	2010	2011	2012	2013
Flats	11003	6719	5578	7346	6973	6850	6011
Houses	5726	3460	2250	3565	3605	4000	3504
Building land	4906	4632	2643	2646	2411	2510	2111
Commercial property *	377	363	428	827	735	770	859
Agricultural land	7907	7490	4966	4810	5711	7554	7471
Forest land	1645	1668	1162	1279	1750	2170	2045

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

highest

lowest

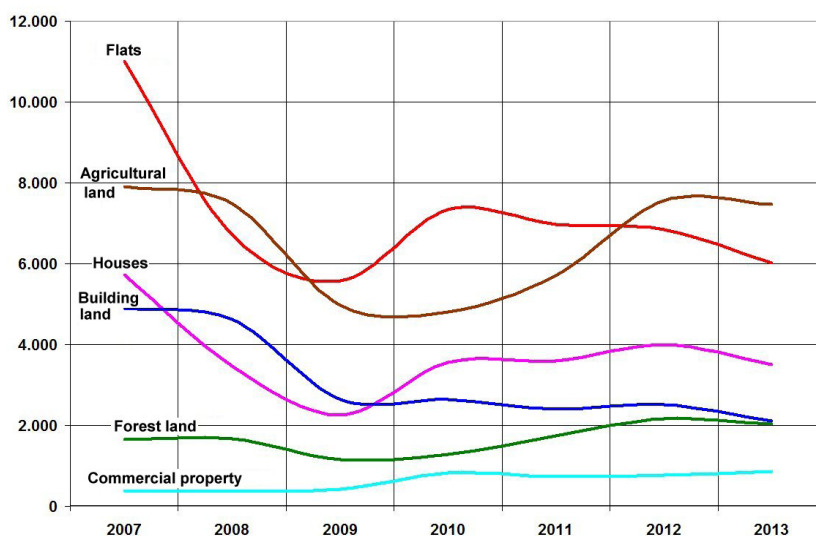
In 2013, recorded building land transactions decreased by 16 per cent compared to the previous year, which is the largest drop since the crisis year of 2009, when they decreased by more than 40 per cent. Despite fluctuations in recent years, the downward trend of building land transactions has been present in the construction sector from the very beginning of its crisis in 2008, and it seems that the situation in the building construction industry is not likely to improve just yet.

The only group of property which recorded a greater number of sales in 2013 compared to 2012 is commercial property. This is mainly due to the transition to the new set-up for reporting to the real estate market record, which covers more sales that are subject to VAT compared to previous years. There was no evidence of actual increase in demand for commercial real estate in the field.

The upward trend of the agricultural land transactions has continued, despite the minor decline in the volume of transactions recorded in the previous year. This increase was more than 50% larger than in 2010. The same applies to forest land, where recorded transactions in the past year fell by 6 per cent.



Figure 4: Number of recorded real estate sales, Slovenia, 2007-2013



PRICES

Since the secondary housing market represents the most active market, the price movement of previously occupied flats best illustrates the general trend of prices in the Slovenian real estate market. Therefore, price changes in real terms between 2009 and 2013 were assessed based on a comparison of the average ratios between sales prices and the estimated value of real property sold (Sale Price Appraisal Ratio - SPAR method), taking into account the annual inflation rate. In order to illustrate the interdependence of prices and transactions, a comparison of the relative movement of residential property transactions in the same period was made.

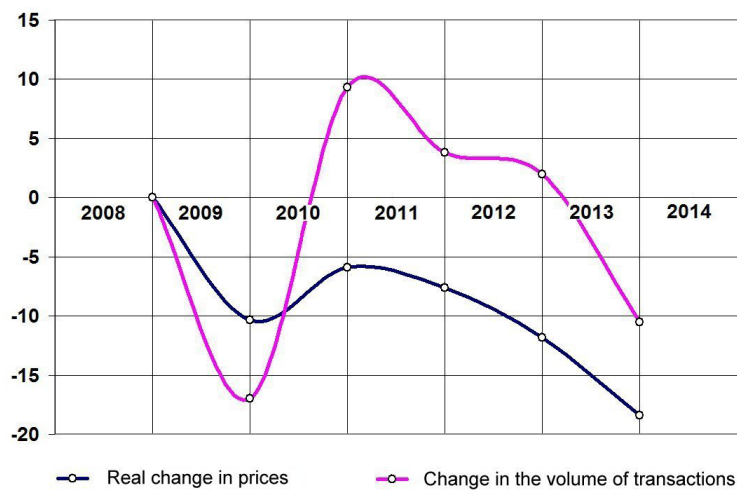
Table 2: Annual change in residential property prices and transactions, Slovenia, 2009-2013

Year	2009	2010	2011	2012	2013
Annual inflation rate	1,8%	1,9%	2,0%	2,7%	0,7%
Change in nominal prices	-8%	4%	-2%	-5%	-7%
Change in real prices	-10%	2%	-4%	-7%	-8%
Change in transaction volume	-17%	32%	-5%	-2%	-12%



The crisis in the Slovenian real estate market emerged in the beginning of 2008 with a drastic decline in real estate transactions. In 2008, prices grew due to inertia and reached a historically high level. In 2009, the decline in transactions continued and bottomed out for the first time in the first half of the year. If we take into account both flats and houses, the volume of transactions in 2009 more than halved compared to the pre-crisis year of 2007. At the same time the upward trend reversed for the first time since independence. This was followed by a significant market recovery at the end of 2009 and the beginning of 2010, when the transactions of residential real estate increased by approximately 40 per cent. Afterwards, transactions in the real estate market fell slightly in 2011 and 2012, whereas in 2013 they fell significantly.

Figure 5: Annual change in real prices and residential property transactions, Slovenia, 2009-2013



Changes in property prices from 2009 onwards more or less followed the demand and trends in transactions with a slight delay. During the period of market recovery, the increase in prices was far from being proportionate with the increase in transactions. In 2012, the decrease in prices was even more significant than the decrease in transactions and in 2013 the downward trend in transactions and in prices deepened even further.



REGIONAL MARKETS

Below, a short survey of developments in various regional real estate markets in 2013 is presented, based on the monitoring of real estate developments carried out by the offices of Surveying and Mapping Authority in Koper, Nova Gorica, Kranj, Ljubljana, Novo mesto, Celje, Slovenj Gradec, Maribor and Murska Sobota.

South Primorska region

In the littoral area, the downward trend in residential property prices and transaction volume continued in 2013. Despite the constant demand for property serving holiday purposes, flats, in particular ones for first occupancy sell very poorly. The main reason is of course still the discrepancy between the prices requested by the vendors and the prices the potential buyers are willing to pay after the onset of the real estate crisis in 2008. For example, the last flats in the residential complex Semedelski razgledi in Koper, which have been available for sale since 2007 and where a 50 m² apartment with one parking space still costs approximately EUR 150,000, will finally be sold this year. On the other hand, a small investor sold his flats in a new residential complex in Lucija relatively quickly at prices from EUR 1,500 to 2,300/m². The new "15 May" apartments in Koper are also selling quickly, with prices per square meter ranging from EUR 2,300 to 2,700/m². Besides the relatively affordable price these flats are selling quickly also due to a good micro location, quality construction and the functional layout of the facility.

The littoral area still has a large inventory of unsold flats. These are mostly still trapped in bankruptcy proceedings. Almost 500 empty flats are available for first occupancy in the residential neighbourhoods Nokturno, Zeleni gaj and on the Ferrar street in Koper. All 215 flats in the Nokturno neighbourhood were transferred to BAMC. When all construction defects are rectified, flats will be sold individually by BAMC. Based on this and on the position taken by BAMC that the flats will not be sold at unreasonably low prices, it cannot be expected that they will be placed on the market any time soon.

190 unfinished flats are available in the Livada block in Izola due to the bankruptcy of the investor. This means that there are at least 700 unsold flats for first occupancy available in the littoral area, excluding flats built by small investors. If the ambitious plans for new construction in Ankaran, Škofije and Portorož come to fruition, the supply of new flats will not run out very soon, despite the fears of some real estate brokers.

In 2013, the volume of house transactions slightly increased compared to the year before. The most expensive house with associated land was sold in the centre of Portorož for approximately EUR 1.3 million. Only two other houses were sold for more than EUR 600 thousand, namely one in Seča and one in Lucija.



The supply of new houses or houses for first occupancy, especially semi-detached houses in the 3rd construction phase, is still abundant. Mainly small construction companies act as investors.

They usually build small houses with minimum associated land. As in the case of new flats, houses sell rather poorly, often resulting in the bankruptcy of the investors.

Building land prices are among the highest in the country. In 2013, the prices of building land on average exceeded EUR 100/m² and some individual building plots were sold at a price of above EUR 200 and even above EUR 300/m².

Northern Primorska region

In 2013, the decrease in transactions of flats in the Goriško and Vipavsko areas was barely noticeable compared to the year before. The average prices of flats decreased both in Nova Gorica and in Ajdovščina. Last year, the average price of a previously occupied flat in Nova Gorica and its surrounding settlements (Solkan, Kromberk, Rožna dolina, Šempeter pri Novi Gorici, Pristava, Vrtojba) stood at about EUR 1,500/m² (number of sales taken into account: 78). Compared to 2012, the price decreased by about 5 per cent. In comparison to 2008, when it exceeded EUR 2,000/m² and reached its peak, it fell by more than a quarter. Besides the price drop in the littoral area, this is the biggest price drop in the country. This is understandable, since the real property in these areas has been among the most overpriced before the crisis.

Last year, the sales of flats under stranded projects failed and the number of unsold flats remained virtually unchanged compared to the previous year. Nova Gorica has a stock of 50 unsold flats (Cedra, Eda center, Adam and Eva), Vipava 18 (Baronovka villas) and Ajdovščina 11 (Kresnice)

Due to poor sales, numerous investors went bankrupt in 2013. The bankruptcies of large construction companies, such as Primorje and Kraški zidar, were followed by bankruptcies of small investors (companies Marc, Portal, Vizing) who were unable to sell their flats and houses under the stranded projects from previous years. Nevertheless, a few exceptions, also in other parts of the country, show that sales of new housing are possible if the project is run by a good and well-known investor who builds quality buildings and offers the property at reasonable market prices. Such examples of best practice are projects in Nova Gorica, which were completed last year, namely the Gonzaga commercial and residential building with eight flats and a residential building with six flats in the surroundings of Nova Gorica. Five flats were sold in the former building and three in the latter.

The housing funds, both national and Nova Gorica housing fund, have been helping to clear stocks under stranded projects for the last two years, by purchasing a few unsold flats. The National Housing Fund bought six flats in Ajdovščina and Vipava following a public tender and offered them for rent, but failed to rent any of them last year. On the other hand, the Nova Gorica Hous-



ing Fund failed to provide housing to many applicants for rental units, mostly young families, who, due to harsh social conditions in the region, are unable to purchase their own housing. In order to provide housing solutions for young families, the Fund also plans to carry out a construction project in a rural area in the vicinity of Nova Gorica modelled by the "rent to buy" scheme, where the buyers pay part of the purchase price when they move in and the rest in a form of 15- to 20-year rent.

Gorenjska region

In 2013, the volume of transactions of flats slightly decreased against the year before. The average drop of housing prices was more significant. The average price of a previously occupied flat decreased in the majority of urban centres in the Gorenjska region, except in Radovljica and Tržič. In Kranj, the average price of a previously occupied flat stood at around EUR 1,550/m² (number of sales taken into account: 183), in Radovljica EUR 1,750/m² (24), in Škofja Loka EUR 1,650/m² (48), in Tržič EUR 1,250/m² (12) and in Jesenice EUR 1,100/m² (63). In Kranjska Gora, the average price of flats was EUR 2,350/m² (24), in Bled EUR 1,950/m² (14), and in Bohinjska Bistrica EUR 1,700/m² (15), representing a price drop compared to the year before also in tourist areas.

Compared to 2012, when sales of new flats or flats for first occupancy in Gorenjska towns almost came to a standstill, the sales increased slightly last year. Nevertheless, we estimate that almost half of the flats in multi-dwelling buildings constructed in the last five years still remain unsold. Their number is still close to 400 units. Of these, almost half are located in Kranj, where the average supply price of a newly built flat last year amounted to around EUR 2,250/m² including VAT.

Last year, the number of recorded sales of houses in the Gorenjska region fell by almost a third compared to the previous year. This significant drop in sales can be considered as another crisis in the Gorenjska real estate market. The average price of houses also dropped significantly. The highest price, of EUR 600,000, was paid for a recently renovated 325 m² house built in 1905 with 1100 m² of associated land located in Bled.

The relatively strong downward trend in building land transactions, which has been present for the last three years, continued. Despite the nearly 15 per cent decline in the number of sales compared to 2012, the average price remains at around EUR 120/m².

The number of sales of agricultural land decreased slightly compared to the previous year, whereas the average contract price increased to around EUR 2.30/m². Sales of forest land decreased by almost one fifth, while the average price (EUR 0.65/m²) remained unchanged.



Ljubljana and its surroundings

In Ljubljana, the average price of flats in the secondary market fell below EUR 2,100/m², and the sales of flats decreased only by around two per cent. The most expensive flat sold in 2013 was a three-room flat in the city centre built in 2005. It was sold together with two parking spaces for around EUR 6,200/m² and was bought by a legal entity. Two other flats were sold at prices above EUR 4,000/m², and more than seventy flats were sold in the price range from EUR 3,000 to 4,000/m².

Prices of previously occupied flats in the surrounding areas are on average lower than in the capital, but they are still among the highest in the country, immediately after the littoral region and Ljubljana. Last year, the average price in Lavrica and Škofljica was slightly higher than EUR 2,200/m² (number of sales taken into account: 35; average year of construction for the flats sold: 1999). The second highest prices were observed in Medvode with an average price of around EUR 2,000/m² (number of sales taken into account: 11), followed by Domžale with an average price of EUR 1,950/m² (70 sales) and the surroundings of Domžale and Grosuplje with a few tens of euros lower price and recorded sales of around 30 units. Compared to the previous year, a drop in sales was recorded in Vrhnika (29 sales), where prices remained at the level of 2012 (EUR 1,850/m²), and in Kamnik (83 sales), where the average price dropped by EUR 100/m² (EUR 1,700/m²), despite the fact that the average age of flats sold remained unchanged. The lowest prices in the surrounding centres were recorded in Litija, where the average price fell to EUR 1,200/m², which was almost exclusively attributable to older flats. The average year of construction of flats sold decreased by four years with 38 sales recorded. In general, the prices of flats in the surroundings of Ljubljana showed a further downward trend at the end of last year.

The sale of family houses in Ljubljana and its surroundings recorded an even higher drop than the sale of flats. In Ljubljana, average house prices remained practically unchanged compared to the previous year, whereas in the surrounding areas they decreased on average by about one tenth, which is much more than the prices of flats. The highest price of a house sold in Ljubljana last year was recorded in its outskirts. A relatively new 350 m² family house with almost 2,000 m² of associated land was sold for EUR 1.35 million.

In Ljubljana, some 120 flats were sold last year in the primary market. The average year of construction of flats for first occupancy was 2010, the average floor area (including terraces, balconies, basements) about 85 m², the average usable floor area about 65 m² and the average price EUR 2,050/m² including VAT. The average price includes 1.4 garage parking spaces or internal or external parking spaces. This means that the average price of flats for first occupancy including VAT was statistically even lower than the average price of previously occupied flats. The reason is that 62 sales were recorded in the residential complex Celovski dvori. After negotiations with potential buyers who have submitted their non-binding offers, the receiver in bankruptcy managed to sell them at an average price of EUR 1,450/m². The sale was later stopped due to the transfer of assets from creditor banks to BAMC. It will be interesting to see when the flats will be sold by BAMC and at what price.



If Celovški dvori had not be taken into account, the average price of flats in the primary market including VAT in 2013 would amount to EUR 2,700/m². Compared to the supply prices in 2012, when the average advertised price of flats for first occupancy still amounted to around EUR 3,400/m² including VAT, this price fell significantly last year. This suggests that vendors finally adjusted their offers to market demand and that the price drop of newly built housing, especially of unsold flats from previous years, was even more significant than in case of previously occupied flats.

In the surroundings of Ljubljana, 63 first sales of flats were recorded in fourteen different places. The average price of flats was EUR 2,250/m² including VAT. The prices ranged from EUR 1,300 to 3,400/m². On average 1.2 parking spaces were included in the price.

In Ljubljana, the only major project completed in 2013 was "Situla" where flats were immediately offered for sale. Only six out of 266 flats were sold initially. Later, the sales stopped completely. As in the case of the majority of other stranded projects in Ljubljana, these flats will probably also be transferred from creditor banks to BAMC.

Currently, the only ongoing large housing project in Ljubljana is the neighbourhood of Brdo, financed by the National Housing Fund. Construction of the first two series of flats should be completed in 2014. The Fund intends to offer 342 flats for sale in two phases on the basis of a public tender. These flats will be mainly intended to young families. Their prices, which will include one or two garage parking spaces, will range from EUR 1,800 to 1,950/m² including VAT.

When the public tender is realized, this relatively large supply of new flats at relatively low prices will definitely affect the primary real estate market in Ljubljana and create additional pressure on prices.

Dolenjska, Kočevsko, Posavje and Bela Krajina

Last year, there were no changes observed in the Dolenjska residential real estate market. The downward trend in the sales of residential property persisted. The declining trend in the prices of family houses and sales of flats in multi-dwelling buildings has deepened. The same trend was observed for Kočevsko and Posavje regions and Bela Krajina.

Mostly smaller and older houses and so-called bivalne zidanice (habitable vineyard cottages) were sold. The most expensive house was sold in one of Dolenjska spa resorts for EUR 260,000. This was a 200 m² house constructed in 1975 with almost 3,500 m² of associated land. Smaller and older houses with associated land in the Posavje, Bela krajina and Kočevsko regions could be purchased for under EUR 20,000.

The average prices of previously occupied flats in Novo mesto were below EUR 1,350/m² (number of sales taken into account: 55), while the average price in the Kočevsko area was below EUR 1,000/m² (41), and in the Posavje area around EUR 900/m² (88). In general, the lowest average prices of flats were recorded since the beginning of systematic monitoring in 2007.



The inventory of flats and houses built in previous years whose investors ended up in bankruptcy has been declining very slowly despite the price decrease. In particular, this applies to unfinished houses that meet with practically no demand on the market. Last year, creditor banks and receivers in bankruptcy were a bit more successful in the sale of flats in multi-dwelling buildings.

The entire area has long been characterized by relatively large supply of building land which by far exceeds the demand. The supply further increased last year, because in the light of the projected increase in revenue from property tax, the municipalities were very generous in allowing the conversion of land in private ownership to urban use. Very few transactions, namely less than 150 sales, were recorded in the entire area. The average prices of building land ranged from EUR 13/m² in Bela Krajina to EUR 53/m² in Novo mesto and did not change significantly compared to the year before.

Since the onset of the crisis six years ago, supply of commercial real estate in all urban centres has by far exceeded demand and sales are practically negligible.

The number of recorded sales of agricultural land was slightly lower than in 2012 whereas the average price was slightly higher. The highest average price was slightly below EUR 1.80/m² in the wider Dolenjska region area (number of sales taken into account: 162) and the lowest slightly below EUR 1.20/m² in Bela Krajina (124).

Sales of forest land, which normally faces relatively high demand, dropped significantly compared to the year before due to lower supply. The average price of forest land increased for a second year in a row. In the broader Dolenjska region area (number of sales taken into account: 73), Kočevsko (45) and Posavje (88) it amounted to about EUR 0.70/m², and to EUR 0.55/m² in Bela Krajina (60).

Broader areas of Celje and Zasavje

In Celje, the volume of transactions of flats decreased slightly against 2012 and the average price remained unchanged at about EUR 1,200/m² (number of sales taken into account: 199). The most expensive flat was sold in the centre of Celje for a little less than EUR 2,300/m². The buyer paid slightly less than EUR 2,300/m² for a 60 m² flat in a fairly new block built in 2004. The least expensive flats in older multi-dwelling houses located at less attractive locations were sold at prices around EUR 700/m².

In Velenje, an increase of transactions was recorded last year compared to the year before. The average prices, which in 2012 stood at the same level as those in Celje, fell to about EUR 1,100/m² (number of sales taken into account: 141). Flats were sold at prices from EUR 800 to 1,800/m².

In the Zasavje region, the prices of flats are still among the lowest in the country and the sales are normally very modest. Due to the vicinity of the motorway and connections with Ljubljana, the highest prices of flats are recorded in Zagorje. Last year, the average price was EUR 950/m² (number of sales taken into account: 28). Last year, the highest number of sales in the Zasavje region was recorded in



Trbovlje, where the average price of a flat amounted to around EUR 900/m² (52). The least expensive flats were located in Hrastnik and were sold at prices of EUR 650/m² (11).

In 2013, transactions of family houses in the broader area of Celje also decreased slightly; similarly, prices on average also fell slightly. Last year, the average prices of houses with associated land were highest in the Velenje region, followed by Celje, Žalec and some other settlements east of Celje (Šentjur, Šmarje pri Jelšah, Podčetrtek, Rogatec). Last year, the lowest prices for both flats and houses were recorded in the Zasavje region.

After the onset of the crisis, building land sold poorly and the sales further decreased in 2013. Thus, only about 130 sales were recorded in the entire area. The average price in urban areas ranged from about EUR 60/m² in Celje to about EUR 20/m² in Mozirje. In some rural areas, building land was available at prices of only EUR 5/m².

For the past few years, Celje and its broader area and Zasavje have seen no major housing development projects, but they also had no major stranded housing projects. Consequently, the area does not have large inventories of unsold newly built housing.

Activities in the agricultural land market increased significantly in 2013 and the average price fell to the level of 2010. The highest number of sales was recorded in Savinja Valley which is characterized by flat land, high-quality soil and favourable conditions for agriculture. The average prices amounted to EUR 2.00/m². Somewhat fewer transactions were recorded in Kozjansko and in the surroundings of Šmarje pri Jelšah. In these areas, the average price was close to EUR 1.30/m², while the average price in Slovenske Konjice stood at around EUR 1.70/m². In the northeastern part (Logar Valley, Paški Kozjak, Rogla), the volume of transactions of agricultural land was negligible. Agriculture in Zasavje is focused mainly on livestock farming and cultivation of forage crops. This is reflected also in the prices of agricultural land which have long stood at about EUR 1.00/m². This was also the average price recorded last year.

The number of sales of forest land has remained virtually unchanged in the last three years, whereas its average price has increased. Last year, the highest average price was recorded in the area of Logar Valley, Paški Kozjak and Rogla, amounting to around EUR 1.00/m². The lowest price was recorded in Kozjansko and Zasavje, amounting to around EUR 0.50/m².

Maribor and its surroundings

Although it seemed that Maribor, which was hardest hit by the real estate market crisis, would see the fastest recovery after the revival of the market in 2010, it was unable to recover from it. Hopes of some real estate experts that residential property prices in Maribor bottomed out already in 2012, were dashed. In 2013, the downward trend in prices and transactions on the real estate market in Maribor continued. Sales of residential property in Maribor and its surroundings decreased. A very drastic decrease of house



sales was recorded in the surroundings of Maribor. The number of recorded transactions fell by almost 40 per cent, which is the highest drop in the country. It seems that this area, which was one of the few areas in the country that did not see a drastic decline in the sales of houses in 2008 and 2009, was not actually affected by the real estate crisis until last year.

In addition, the already low average prices in the broader area of Maribor, which is the centre of that region, decreased again. The average selling price of previously occupied flats in Maribor fell below EUR 1,100/m² and came close to the one in Slovenska Bistrica.

Prices of houses also dropped significantly in Maribor, whereas they did not change significantly in its surroundings. The highest prices of houses were recorded in Maribor and Slovenska Bistrica and the lowest for houses located outside urban areas. Last year, the highest price, of EUR 220,000, was paid in Maribor for a 250 m² house with 500 m² of associated land, built in 2004.

In the last two years, there has been practically no supply nor demand for newly constructed housing units in the area of Maribor. Sales of housing units from stranded projects has come to a standstill and is currently on hold. Only a few flats were bought by the National Housing Fund on the basis of a public tender. The majority of remaining flats owned by the creditor banks of the failed construction companies will probably be transferred to a "bad bank".

The same negative trend in the real estate market in Maribor can be observed in the sales of building land and commercial property in the primary and secondary market. The relatively low supply still exceeds demand despite the already reduced prices.

Koroška region

In the Koroška region, the volume of transactions of flats in 2013 was almost a fourth lower than in 2012. The downward trend of the sales of flats continued as well. The average price in Slovenj Gradec stood at EUR 1,020/m² (number of sales taken into account: 32; average usable floor area: 51 m² and average year of construction: 1971), in Ravne na Koroškem EUR 820/m² (38; 50 m²; 1966), in Dravograd EUR 930/m², (16; 57 m²; 1976), in Prevalje EUR 800/m² (8; 54 m²; 1963), and in Radlje ob Dravi EUR 890/m² (7; 45 m²; 1975). In 2013, the number of houses sold in the Koroška region was even lower than in 2012 and the average prices decreased slightly.

New housing units still sell relatively poorly. One exception is a building with 14 flats in Radlje, where the majority of flats were sold before construction was completed and will be ready for use later this year.

Almost all areas in the Koroška region have a sufficient stock of building land, but there is no demand for land intended for construction. The only interest is observed in self-build houses on owned land plots. The municipalities are



trying to prevent the building companies from leaving their territories. The Municipality of Ravne lowered its public utilities charge by a half which makes it the lowest in the region and will enable it to offer the plots for new construction in Kotlje at a very reasonable price. While developed plots in Radlje and Muta are offered at prices of around EUR 50/m², and at even higher prices in Prevalje, plots in Kotlje will be put on sale by public auctions at a maximum price of EUR 34/m². Austria still represents a strong competition for the purchase of building land since developed plots in Austria are being sold at prices as low as EUR 15 to 20/m².

Eastern Slovenia

The downward trend in the housing market activity in the area which includes Prekmurje, eastern Slovenian Hills, Drava Plains, Ptuj with surroundings and Haloze which was recorded already in 2012 was further aggravated in 2013.

Transactions of flats were the most numerous in the areas of Ptuj and Murska Sobota with the average price of EUR 1,070/m² (number of sales taken into account: 60) or EUR 1,050/m² (number of sales taken into account: 57). Prices of flats in the entire area remained virtually unchanged compared to 2012.

Eastern Slovenia saw a barely noticeable decrease in the prices of houses. The most expensive houses were sold in the area of Murska Sobota and its surroundings; their average price stood at EUR 80,000. Such a price was asked for an approximately 45-year-old house with 140 m² of net floor area and 1300 m² 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 EUR 30,000, which was enough for an approximately 60-year-old house of around 100 square metres of net floor area and almost 5,000 square metres of associated land.

It is characteristic of this area that the primary market has seen no high demand in recent years. There is little demand for new flats because the housing issue has, as a rule, been solved by the self-building of houses on owned land plots. Demand and supply of commercial property also remains at a low level.

Prices of building land are the lowest in the country. Last year, the highest average prices, of below EUR 30/m², were paid in Murska Sobota and Ptuj. The lowest average prices, of EUR 5/m², were paid in Goričko area.

Last year, eastern Slovenia saw a slight decrease in transactions of agricultural land, but the average prices of agricultural land recorded a significant rise. On average, prices of agricultural land increased by more than 10 per cent. The average price of agricultural land was close to EUR 0.95/m² and the average area of land sold was almost 5,900 m², which is 400 m² more compared to 2012. The highest average price of agricultural land was EUR 1.45/m² in the municipality of Ptuj and the lowest around EUR 0.60/m² in the municipality of Gornji Petrovci. As usually, the prices of agricultural land in the areas of Slovenian Hills, Drava Plain, Ptuj and its surroundings and Haloze were significantly higher than in the area of Prekmurje.



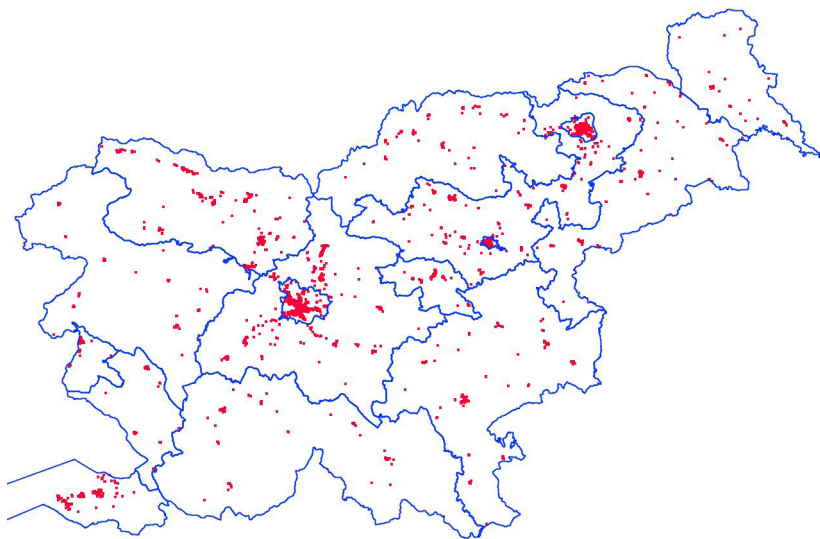
MARKET OVERVIEW BY TYPE OF PROPERTY

Flats ¹

Approximately 320,000 flats were recorded in multi-dwelling buildings in Slovenia. This accounts for close to 40 per cent of the total housing stock. The average usable floor area of flats in multi-dwelling buildings was around 60 m² and the average year of construction 1974.

In 2013, approximately 6,000 sales were recorded, accounting for less than two per cent of the total inventory of flats in multi-dwelling buildings in Slovenia, which indicates that the housing market was significantly less active than the year before. The recorded volume in transactions of flats decreased by 12 per cent in comparison to 2012. Compared to 2007, when sales reached their peak, their number decreased by approximately 45 per cent. Compared to 2009, when the real estate crisis bottomed out for the first time, the number of transactions was only a tenth higher. Sales saw a decrease in all large towns.

Figure 6: Locations of recorded sales of flats by price areas, 2013



In 2013, the average usable floor area of flats sold was 52 m², and the median year of construction was 1976. Compared to the year before, the structure of flats sold at the national level did not change significantly.

The average contract price of flats in the secondary market stood at EUR 1,510/m² and was about 7 per cent lower than in 2012. 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 as much as 17 per cent.

¹ Due to the statistically atypical pattern of sales of flats for first occupancy (primary market), only the sale of previously occupied flats (secondary market) was taken into account in the calculation of average prices and other statistical indicators.



Table 3: Average prices and structure of sold previously occupied flats, 2007-2013

Analytical area	Indicator	2007	2008	2009	2010	2011	2012	2013
SLOVENIA	Sample size	6465	4897	4014	5435	5457	5328	4902
	Average price (€/m ²)	1.640	1.820	1.670	1.740	1.710	1.630	1.510
	Year of construc. (median)	1974	1975	1975	1975	1975	1975	1976
	Usable floor area (m ²)	53	53	51	52	51	52	52
LJUBLJANA	Sample size	1535	1248	1000	1591	1481	1406	1322
	Average price (€/m ²)	2.570	2.660	2.390	2.420	2.440	2.320	2.080
	Year of construc. (median)	1974	1974	1974	1973	1975	1974	1973
	Usable floor area (m ²)	54	54	52	54	53	53	53
LJUBLJANA SURROUNDINGS	Sample size	378	337	248	310	312	368	343
	Average price (€/m ²)	1.970	2.080	1.970	1.970	2.030	1.890	1.790
	Year of construc. (median)	1981	1982	1986	1982	1991	1985	1986
	Usable floor area (m ²)	53	56	56	52	54	54	53
MARIBOR	Sample size	931	493	424	699	753	730	665
	Average price (€/m ²)	1.250	1.340	1.230	1.200	1.190	1.140	1.080
	Year of construc. (median)	1969	1969	1971	1970	1972	1971	1972
	Usable floor area (m ²)	54	52	52	51	52	53	51
CELJE	Sample size	329	289	225	277	249	216	197
	Average price (€/m ²)	1.270	1.400	1.230	1.280	1.240	1.190	1.190
	Year of construc. (median)	1974	1972	1972	1971	1970	1974	1974
	Usable floor area (m ²)	53	51	50	52	50	50	51
KRANJ	Sample size	257	182	140	178	201	193	183
	Average price (€/m ²)	1.640	1.830	1.680	1.750	1.740	1.700	1.560
	Year of construc. (median)	1974	1973	1972	1971	1975	1975	1975
	Usable floor area (m ²)	53	53	52	52	49	49	50
KOPER	Sample size	142	90	121	125	130	172	129
	Average price (€/m ²)	2.220	2.520	2.500	2.370	2.370	2.240	2.050
	Year of construc. (median)	1975	1975	1979	1975	1976	1977	1975
	Usable floor area (m ²)	52	48	51	52	51	52	52
COAST EXCL. KOPER	Sample size	201	182	135	164	200	198	200
	Average price (€/m ²)	2.690	3.090	2.740	2.800	2.590	2.510	2.260
	Year of construc. (median)	1974	1980	1973	1977	1977	1982	1977
	Usable floor area (m ²)	49	56	46	47	47	49	49

highest

lowest



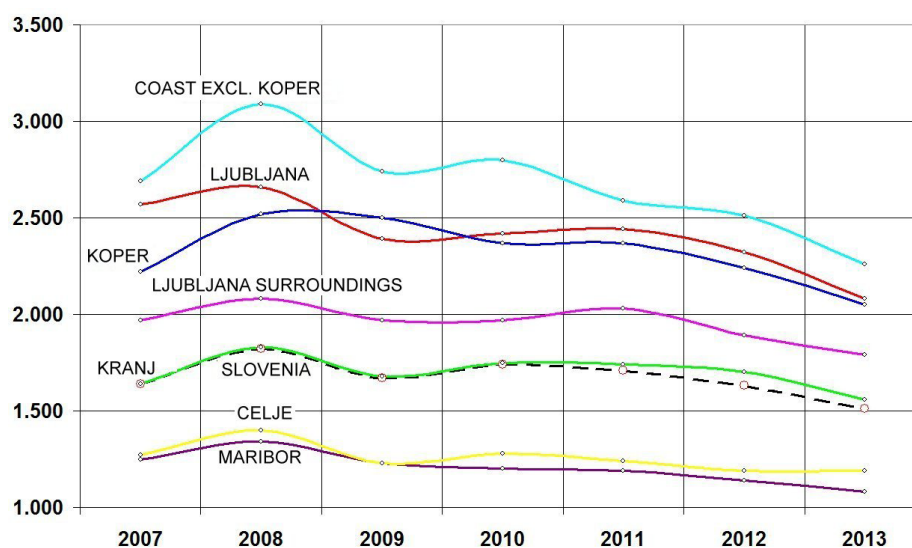
In 2013, the average prices of flats in all major towns and in areas with an active real estate market exceeded the historically low levels from 2012. Only Celje reached the lowest average price since the beginning of systematic monitoring in 2007 a year before.

Despite the rapidly decreasing prices, the average price of a previously occupied flat was again the highest on the **coast, excluding Koper**. It amounted to about EUR 2,260/m² which is a 10 per cent decrease compared to 2012. Compared to 2008, it fell by more than a quarter which is the biggest drop in average price of flats among all areas in question. On the other hand, this is the only area where the level of sales of flats remained unchanged or did not decrease compared to 2012.

The second highest prices and drop in prices of flats were recorded in the capital. Last year, the average price in **Ljubljana** was EUR 2,080/m², which, compared to 2012, with an approximately 5 per cent decrease of sales, dropped by 10 per cent, and by more than a fifth compared to 2008.

Last year, **Koper** saw just a slightly lower average price than Ljubljana, amounting to EUR 2,050/m². By far the highest drop in sales of flats was recorded in Koper. The number of recorded sales dropped by almost a quarter.

Figure 7: Movement of average prices of flats (€/m²), 2007–2013





Prices of flats in the **surroundings of Ljubljana**, which also include Vrhnika, Medvode, Mengeš, Trzin, Kamnik, Domžale and Grosuplje, are also well above the average prices in Slovenia. Last year, the average price of flats in this area was EUR 1,790/m². Compared to 2012, the price fell by 5 per cent, and by almost 15 per cent compared to 2008. In 2013, the decrease in the volume of transactions was a bit higher than in Ljubljana.

In the last two years, the average prices in **Kranj** slightly diverged from the Slovenian average. In 2013, the average price of a previously occupied flat in Kranj was EUR 1,560/m². Compared to 2012, it decreased by 8 per cent and compared to 2008 by 15 per cent. In 2013, the volume of transactions decreased by about one-twentieth.

In 2013, the average price of a flat in **Celje** stood at EUR 1,190/m², which is the same as in 2012. Compared to 2008, the price decreased by 15 per cent, just like in Kranj. In 2013, the volume of transactions decreased by about one tenth. Celje, the only town where prices of flats did not decrease further compared to the year before, perhaps suggests that the general trend of falling prices will also be reversed in other areas.

In **Maribor**, the average price of a flat in 2013 was EUR 1,080/m². Compared to 2012, it fell by 5 per cent and compared to 2008 by almost one fifth. In 2013, the volume of transactions decreased by about one tenth, just like in Celje. The difference between prices of flats in Celje and Maribor increased again last year and the average price of flats in Maribor is dangerously approaching the limit of EUR 1,000/m².



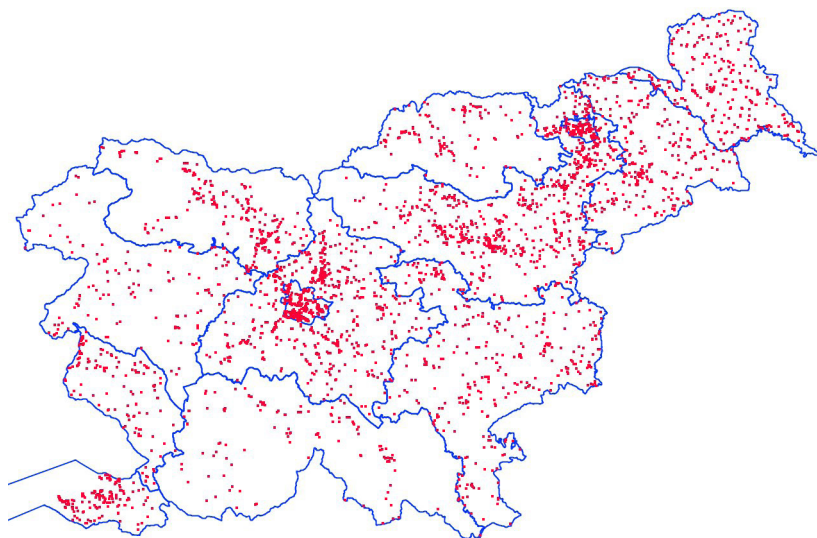


Houses²

At the end of 2013, approximately 530,000 housing units were recorded in one dwelling and two-dwelling houses in Slovenia, which means that family houses accounted for more than 60 per cent of the housing stock.

In 2013, around 3,500 family houses were recorded as sold, which was a 12 per cent decrease in comparison with 2012. Among the houses sold, 81 per cent were detached houses, 11 per cent terrace houses and 8 per cent semi-detached houses.

Figure 8: Locations of recorded sales of houses by price areas, 2013



Last year, the average contract price of a house with associated land was around EUR 115,000. Compared to 2012, it decreased by 4 per cent.

The average floor area of a house sold last year was 147 m² and the median year of construction 1971. The average area of associated land was around 1,050 m². Compared to 2012, the structure of houses sold at the national level did not change significantly. The average floor area of a sold building increased slightly and the average size of the associated land decreased slightly. The median age of houses sold remained unchanged.

² 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 and other statistical indicators.



Table 4: Average prices and structure of sold houses, 2007-2013

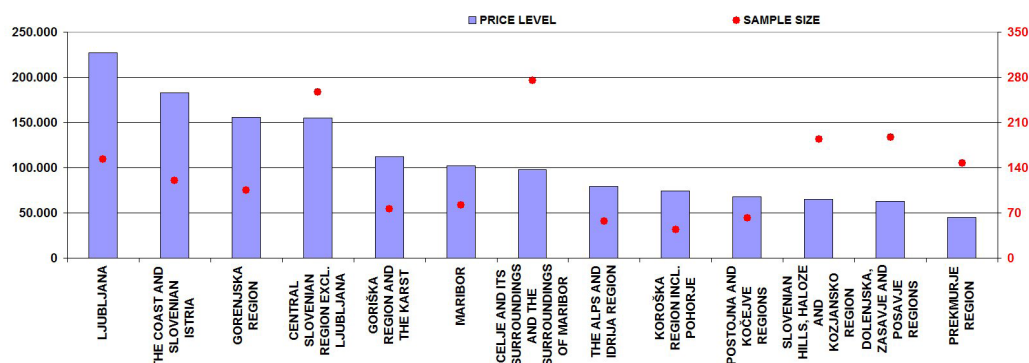
Analytical area	Indicator	2007	2008	2009	2010	2011	2012	2013
SLOVENIA	Sample size	2597	1688	1293	1964	2059	2162	1749
	Average price (€/m ²)	970	1.010	900	880	850	820	770
	Average contract price (€)	141.000	144.000	128.000	124.000	120.000	119.000	114.000
	Year of construc. (median)	1970	1969	1972	1971	1970	1970	1971
	House floor area (m ²)	146	143	142	141	141	145	147
	Land floor area (m ²)	910	1050	1140	930	1090	1110	1050
LJUBLJANA	Sample size	252	128	79	153	169	185	160
	Average price (€/m ²)	1.990	2.250	1.620	1.560	1.710	1.460	1.450
	Average contract price (€)	355.000	369.000	291.000	276.000	276.000	254.000	233.000
	Year of construc. (median)	1967	1962	1965	1970	1969	1969	1970
	House floor area (m ²)	178	164	179	177	161	174	161
	Land floor area (m ²)	470	470	410	440	420	480	440
LJUBLJANA SURROUNDINGS	Sample size	175	134	96	152	156	189	168
	Average price (€/m ²)	1.300	1.340	1.180	1.270	1.160	1.050	950
	Average contract price (€)	235.000	226.000	207.000	218.000	201.000	170.000	173.000
	Year of construc. (median)	1979	1976	1984	1986	1985	1981	1980
	House floor area (m ²)	180	169	175	172	173	161	182
	Land floor area (m ²)	600	690	580	600	660	690	750
MARIBOR	Sample size	111	68	46	90	75	82	73
	Average price (€/m ²)	880	1.260	870	920	790	730	630
	Average contract price (€)	153.000	182.000	139.000	132.000	114.000	118.000	100.000
	Year of construc. (median)	1965	1964	1962	1964	1959	1965	1962
	House floor area (m ²)	174	145	160	143	144	162	158
	Land floor area (m ²)	510	460	560	450	550	590	520
MARIBOR SURROUNDINGS	Sample size	169	124	121	141	131	128	80
	Average price (€/m ²)	750	780	870	780	670	660	680
	Average contract price (€)	104.000	112.000	117.000	106.000	96.000	103.000	99.000
	Year of construc. (median)	1980	1982	1982	1980	1985	1978	1983
	House floor area (m ²)	140	144	135	136	143	155	145
	Land floor area (m ²)	810	960	1120	910	1290	1160	980

highest

lowest

Comparison of the areas with the highest number of transactions of houses shows significant differences in age and size of houses and associated land sold in different areas. Thus, prices are not fully comparable. The structure of houses sold within individual areas remains more or less unchanged, which is of course due to a higher homogeneity of the stock within a particular area. Nevertheless, the prices of houses and flats were at their highest throughout the country in 2008, whereas in 2013 they reached their lowest levels for the second consecutive year.

Figure 9: Average prices of houses with associated land (v €) and the number of sales taken into account by price areas, 2013





For a number of years, the price area of Ljubljana has seen the highest average selling price for houses, and the Prekmurje region the lowest, if holiday facilities on the coast and resorts are excluded.

The newest houses, with an average age of around 35 years, were sold in the broader area of Ljubljana. The largest houses, with an average floor area of 170 m², were sold in Ljubljana and the Gorenjska region. The smallest houses were sold in Prekmurje, with an average floor area of around 115 m². Plots of land associated with the houses were the largest in eastern Slovenia, measuring almost 1,900 m².

In Ljubljana, a fairly well maintained 160 m² house with slightly less than 500 m² of associated land, built around 1970, was for sale for slightly more than EUR 230,000. In the surroundings of Ljubljana, the sale price of an approximately 180 m² house with 750 m² of associated land, built around 1980, was slightly more than EUR 170,000.

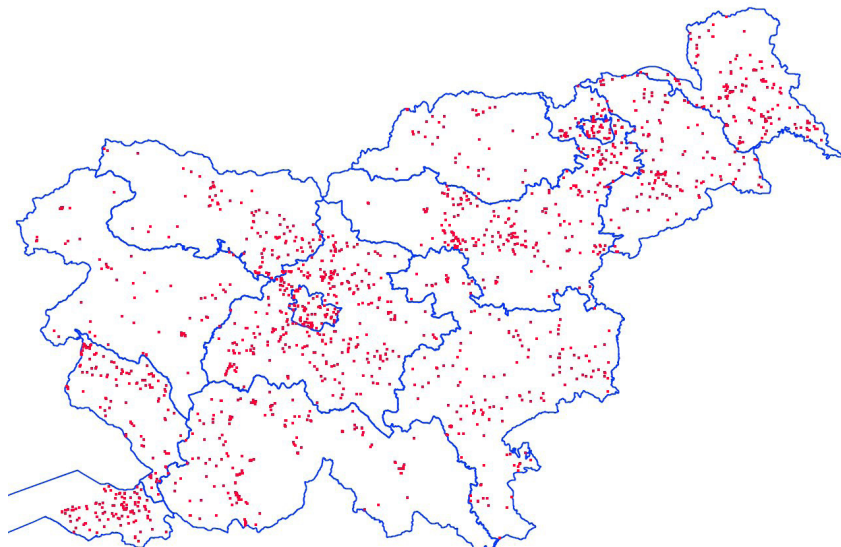
In Maribor, a fairly well maintained 160 m² house with 550 m² of associated land, built around 1965, was for sale for approximately EUR 100,000. The same prices were recorded in the surroundings of Maribor for a 155 m² house with almost 1,000 m² of associated land, with an average age of around 35 years.

In Prekmurje, the sale price of a fairly well maintained 120 m² house with almost 2,000 m² of associated land, with an average age of around 50 years, was approximately EUR 45,000.

Building land

In 2013, approximately 4,800 sales of building land were recorded, of which approximately 2,100 sales of land for the construction of residential and commercial buildings, which is a more than a 15 per cent decrease compared to 2012 and represents the biggest fall of sales since the crisis year of 2009.

Figure 10: Locations of recorded sales of building land by price areas, 2013

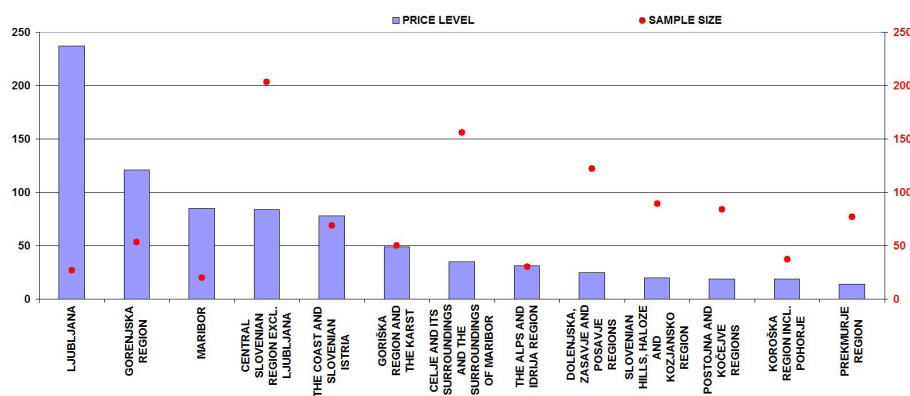




The average contract price of building land sold was EUR 53/m². The median price was EUR 32/m². One half of the sales were made at a higher price and the other half at a lower price. Compared to 2012, the average price of land sold decreased by less than 5 per cent while the median price remained unchanged.

Last year, the average area of sold land was around 940 m², which is approximately the same as the year before.

Figure 11: Average prices of building land (in €/m²) and the number of sales taken into account, by price area, 2013



Due to the very low demand for land intended for major housing projects, the sales of building land in 2013, as well as in previous years, was limited mainly to the sales of land plots for the construction of family houses.

Prices of building land were still the highest in urban centres and holiday resorts where land prices were still relatively high due to low supply. The highest average prices of building land were recorded in Ljubljana, where they well exceeded EUR 200/m². In Ljubljana, namely in Rožna dolina and Trnovo, the only two sales of building land at a price above EUR 400/m² were recorded last year. Building land in Prekmurje had, as usual, by far the lowest price and was on average sold for EUR 14/m², the same as the year before. In 2013, the largest plots (around 1,200 m²) were also sold in Prekmurje, whereas the smallest plots (on average smaller than 700 m²) were sold at the coast and in Slovenian Istria.

Commercial property ³

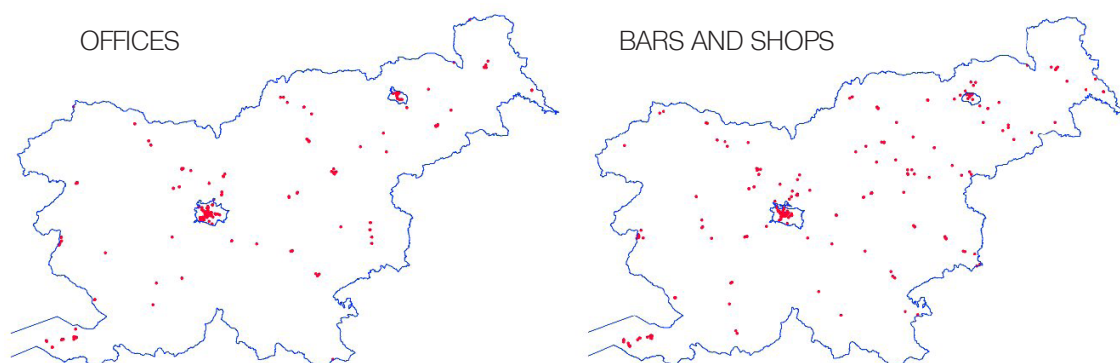
At the end of 2013, there were more than 43,000 units of office premises and close to 37,000 units of business premises recorded in Slovenia, comprising bars and shops for trade, restaurant and other service activities.

³ Due to the small amount of data available and small statistical samples, there are generally big changes in the average structure of sold commercial premises between individual 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.



In 2013, a total of little less than 900 sales of commercial property were recorded at the national level, which was 12 per cent more than in 2012. According to our estimations, this increase was mainly caused by improved records on sales of commercial real estate, not by an actual increase in transactions. With regard to the quality of data recorded, 261 sales of office premises and 266 sales of bars and shops could be taken into consideration in the calculations of statistical indicators.

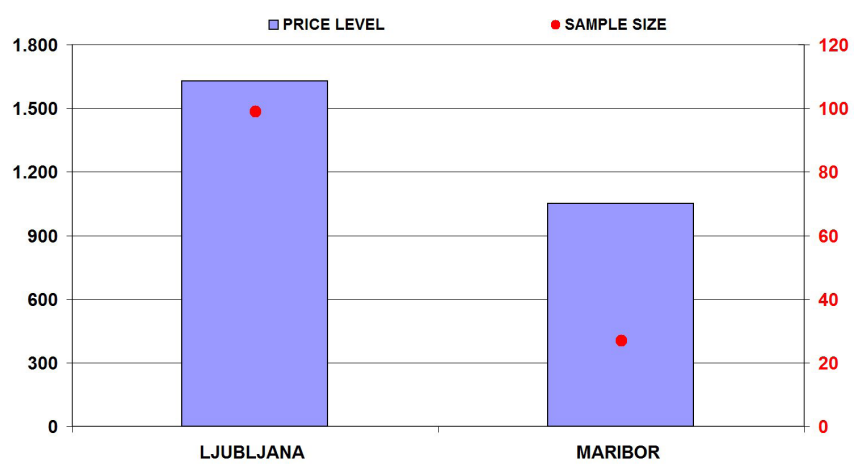
Figure 12: Locations of recorded sales of commercial property by price areas, 2013



The average contract price of office premises and bars and shops sold at the national level was around EUR 1,400/m² or EUR 1,200/m², respectively. The median year of construction of office premises was 1980 and that of bars and shops 1988. The average sales area of office premises was almost 100 m² and that of bars and shops around 130 m².

In 2013, the highest price for office premises was recorded in Ljubljana, where a 1,300 m² building was sold in the city centre at a price of EUR 3,500/m². The highest price for bar and shop premises was also recorded in Ljubljana, namely in Fužine, where a 1,150 m² shopping complex was sold at a price of EUR 4,450/m².

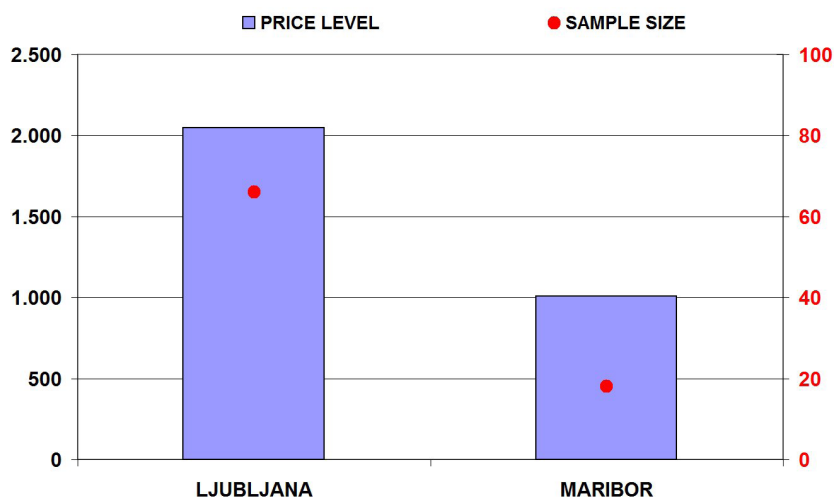
Figure 13: Average prices of office premises (in €/m²) and the number of sales taken into account, by major towns, 2013





Last year, the average price of office premises in Ljubljana was EUR 1,650/m² (number of sales taken into account: 99; median year of construction: 1980; average floor area: 220 m²), and in Maribor around EUR 1,050/m² (number of sales taken into account: 27, median year of construction: 1980, average floor area: 90 m²).

Figure 14: Average prices of bars and shops (in €/m²) and the number of sales taken into account, by major towns, 2013

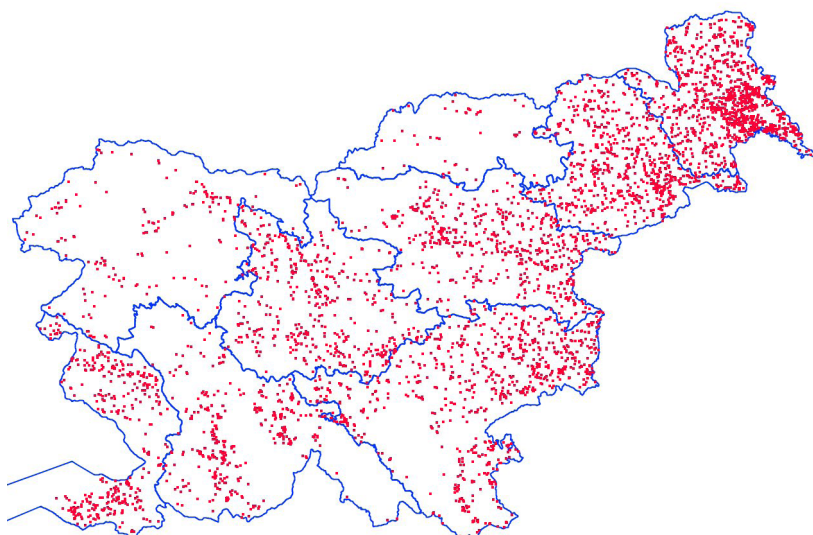


Last year, the average price of bars and shops in Ljubljana was EUR 2,050/m² (number of sales taken into account: 66; median year of construction: 1990; average floor area: 110 m²), and in Maribor around EUR 1,010/m² (number of sales taken into account: 18, median year of construction: 1988, average floor area: 140 m²).

Agricultural and forest land

At the end of 2013, approximately 7,500 km² of agricultural land and 11,000 km² of forest land were recorded in Slovenia. In 2013, around 7,500 sales of agricultural land were recorded, the same as the year before.

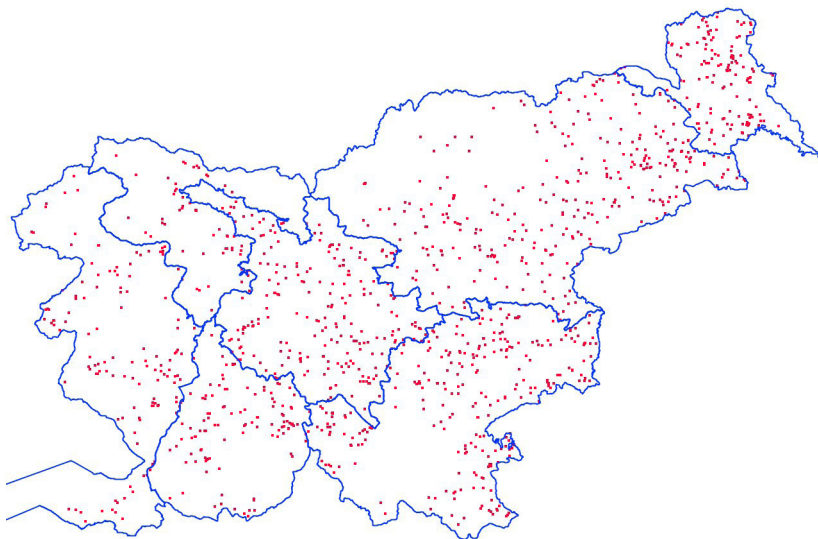
Figure 15: Locations of recorded sales of agricultural land by price areas, 2013





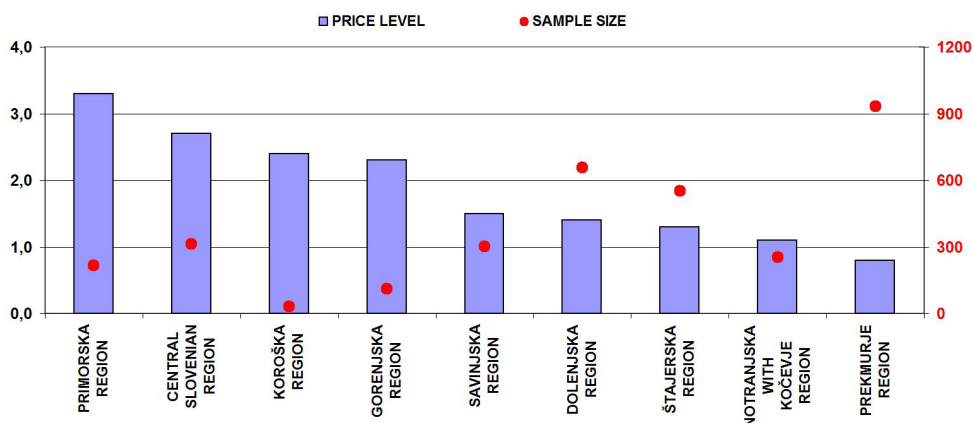
Slightly more than 2,000 sales of forest land were recorded, which is a little less than in 2012.

Figure 16: Locations of recorded sales of forest land by price areas, 2013



The average contract price of agricultural land was close to EUR 1.50/m², an increase of around 5 per cent compared to 2012. The median price was approximately EUR 1.00/m², the same as the year before. The average area of sold land was slightly more than 0.5 hectares, an increase of slightly more than 5 per cent compared to 2012.

Figure 17: Average prices of agricultural land (in €/m²) and the number of sales taken into account, by price area, 2013



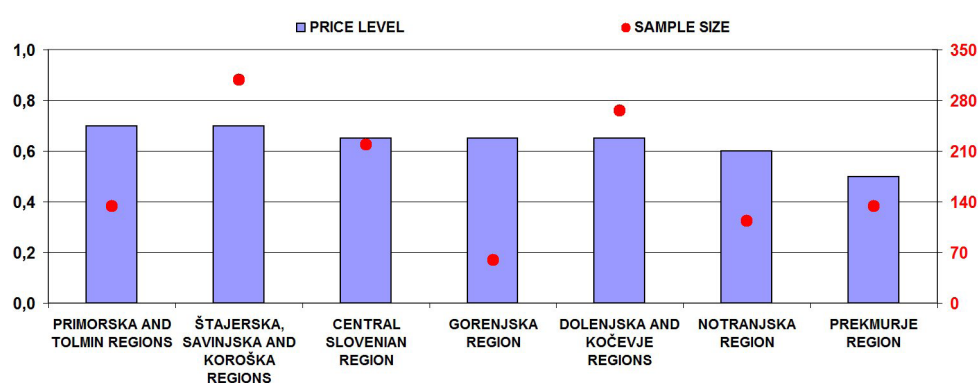
The most expensive agricultural land plots are usually for sale in the Primorska region. Prices in this region are high due to the relatively high prices of other real estate in this area and speculative purchases for the prospective conversions of land use in the future. Last year, prices in this area were again by far the highest, standing at around EUR 3.30/m². As usual, the smallest average land plots were sold in the Primorska region. On average, the plots of land measured slightly more than 3,000 m².



By far the lowest average price of agricultural land (around EUR 0.80/m²) was recorded in Prekmurje, which has the largest stock of land and the largest volume of recorded sales.

With the exception of the Koroška region, where the sale of one 9-hectare plot of land artificially rose the average size of land sold, the largest land plots sold in 2013 were located in the broader area of the capital city. In the central Slovenian region, the average size of agricultural land sold was approximately 6,200 square meters.

Figure 18: Average prices of forest land (€/m²) and the number of sales taken into account by price area, 2013



The average contract price for forest land was around EUR 0.65/m² and the median price was around EUR 0.55/m². The prices remained practically unchanged compared to the previous year. Last year, the average area of sold forest land was around 1.5 hectares, representing a decrease of more than a tenth compared to 2012.

There are no large differences in the prices of forest land between individual areas of the country. Usually, the highest average prices of forest land are recorded in the littoral area, whereas the lowest are recorded in Prekmurje where the stock of forest land is small and the sales modest. The same price ratios have also been recorded in 2013.





CONCLUDING COMMENTARY

In 2013, the Slovenian real estate market did not witness a reversal of the downward trend of sales and prices which has been present since 2010. The downward trend of residential property prices escalated. Since the beginning of systematic monitoring in 2007, the prices were at their lowest for the second year in a row. Last year, real property transactions decreased significantly. Given the volume of transactions recorded at the end of the year, there was no doubt that the real estate market crisis re-emerged. The only question is whether the crisis will bottom out for the second time already in 2014.

Due to the absence of or the failure to complete major real estate projects, the inflow of new housing to the market continues to be moderate. It seems that in these circumstances supply on the primary market has already adjusted to demand, as smaller investors clearly meet the current demand for new housing.

An important shift was made last year in the area of housing supply from stranded projects from previous years, most of which are in the hands of creditor banks. When it became clear that such flats for first occupancy do not constitute competition to new housing, which is also evident from unsuccessful public sales, where the asking prices proved to be too high, vendors began to cut their prices significantly in the past two years. This resulted in increased interest from potential customers and increased sales, which finally led to a gradual reduction in stocks of such housing. With the start of the transfer of creditor banks' immovable property to BAMC, sales of housing under stranded projects came to a standstill. What will happen to the housing stock in this segment of the primary market is therefore largely dependent on BAMC. It will be interesting to see the dynamics of selling these flats and at what prices they will be sold, and to what extent, if at all, this will affect the Slovenian real estate market.

The relatively low supply prices of housing in the primary market, which are additionally lowered by the public housing funds, which are one of the remaining few investors who are still striving to finish the projects started in previous years, as well as the financial and economic situation, which still adversely affects the demand, will create a downward pressure on real estate prices in the secondary market in the future. It is difficult to predict how long and to what extent prices in urban centres will continue to be reduced. It is expected that the downward trend of real estate prices will first be reversed in places where their level is the lowest. Among larger towns, this applies to Maribor and Celje. The first signs of possible reversal of the downward price trend were already observed in Celje last year. In Maribor, it is unlikely to expect that average prices of previously occupied flats would fall on significantly below EUR 1,000/m². In areas where the prices are the highest and where real estate before the crisis was overpriced, for example, on the coast, in the area of Nova Gorica and in Ljubljana, the trend reversal may take a few years.



Given the further decline in real estate transactions, it is hard to believe that the prices will fall below the levels observed in the first half of 2009. In addition, preliminary data for the first half of 2014 suggest that the decline in transactions has stopped. It is quite possible that towards the end of the year, like in 2009, there will be a new revival of the real estate market. Especially if the prices of real estate will slightly decrease by then.





Annex 1:

Statistical Indicators of the real estate market for 2013

Sample size	– number of sales taken into account in calculations
Area (m ²)	– average floor area of the building or part of building
Land area (m ²)	– average land area
Med year	– median year of construction of the building or parts of the building
Avg (€/m ²)	– arithmetic mean of prices per square metre in EUR
Avg (€)	– arithmetic mean of prices in EUR
Med (€/m ²)	– median price per square metre in EUR
Med (€)	– median price in EUR

	highest value of indicator
	lowest value of indicator

Notes:

- For houses, net floor area is indicated; for flats, office premises, bars and shops 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 a 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.

Flats, 2013

Price area	Sample size	Area (m ²)	Median year	Avg (€/m ²)	Med (€/m ²)
SLOVENIA	4902	52	1976	1.510	1.440
LJUBLJANA	1325	53	1973	2.080	2.030
CENTRAL SLOVENIAN REGION EXCL. LJUBLJANA	432	52	1983	1.710	1.700
GORENJSKA REGION	469	49	1976	1.580	1.540
ALPS AND IDRIJA REGION	71	50	1973	1.050	1.030
NOVA GORICA	81	55	1975	1.510	1.510
LITTORAL HINTERLAND, KARST AND VIPAVA VALLEY	61	54	1978	1.310	1.300
COAST AND SLOVENIAN ISTRIA	339	51	1977	2.160	2.090
POSTOJNA AND KOČEVJE REGIONS	127	54	1975	1.060	1.050
DOLENJSKA AND POSAVJE REGIONS	193	52	1976	1.020	980
ZASAVJE REGION	94	51	1973	890	910
CELJE	207	51	1974	1.160	1.130
MARIBOR AND CELJE SURROUNDINGS	444	53	1978	1.060	1.030
MARIBOR	670	51	1972	1.080	1.060
KOROŠKA REGION INCL. POHORJE	132	52	1974	860	870
SLOVENSKE GORICE, HALOZE AND KOZJANSKO REGION	172	51	1979	960	980
PREKMURJE REGION	85	49	1978	900	930

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



One- and two-dwelling buildings including land, 2013

Price area	Sample size	Area (m ²)	Median year	Land (m ²)	Avg (€)	Med (€)
SLOVENIA	1749	147	1971	1050	114.000	90.000
LJUBLJANA	153	159	1970	430	227.000	207.000
CENTRAL SLOVENIAN REGION EXCL. LJUBLJANA	257	170	1980	800	155.000	131.000
GORENJSKA REGION	105	170	1976	620	156.000	146.000
GORIŠKA REGION AND KARST	76	149	1964	650	112.000	95.000
ALPS AND IDRIJA REGION	57	150	1960	730	79.000	69.000
COAST AND SLOVENIAN ISTRIA	120	120	1965	430	183.000	150.000
POSTOJNA AND KOČEVJE REGIONS	62	160	1962	1230	68.000	60.000
DOLENJSKA, ZASAVJE AND POSAVJE REGIONS	187	140	1968	1570	63.000	55.000
CELJE WITH SURROUNDINGS AND SURROUND. OF MARIBOR	275	153	1977	1030	98.000	85.000
MARIBOR	82	157	1966	510	102.000	95.000
KOROŠKA REGION INCL. POHORJE	44	146	1977	870	74.000	74.000
SLOVENSKE GORICE, HALOZE AND KOZJANSKO REGION	184	125	1976	1860	65.000	55.000
PREKMURJE REGION	147	115	1964	1860	45.000	35.000

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, 2013

Price area	Sample size	Land area (€/m ²)	Avg (€/m ²)	Med (€/m ²)
SLOVENIA	1017	940	53	32
LJUBLJANA	27	720	237	188
CENTRAL SLOVENIAN REGION EXCL. LJUBLJANA	203	880	84	69
GORENJSKA REGION	53	700	121	114
GORIŠKA REGION AND KARST	50	900	49	41
ALPS AND IDRIJA REGION	30	910	31	24
COAST AND SLOVENIAN ISTRIA	69	670	78	70
POSTOJNA AND KOČEVJE REGIONS	84	1020	19	16
DOLENJSKA, ZASAVJE AND POSAVJE REGIONS	122	1100	25	18
CELJE WITH SURROUNDINGS AND SURROUND. OF MARIBOR	156	1030	35	31
MARIBOR	20	840	85	72
KOROŠKA REGION INCL. POHORJE	37	1050	19	19
SLOVENSKE GORICE, HALOZE AND KOZJANSKO REGION	89	900	20	17
PREKMURJE REGION	77	1160	14	10

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



Office premises, 2013

Price area	Sample size	Area (m ²)	Median year	Avg (€/m ²)	Med (€/m ²)
SLOVENIJA	261	141	1980	1.400	1.110
LJUBLJANA	99	215	1980	1.630	1.310
MARIBOR	27	91	1980	1.050	810

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

Shops and bars, 2013

Price area	Sample size	Area (m ²)	Median year	Avg (€/m ²)	Med (€/m ²)
SLOVENIJA	266	128	1988	1.190	1.200
LJUBLJANA	66	108	1990	2.050	1.660
MARIBOR	18	138	1988	1.010	950

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, 2013

Price area	Sample size	Land area (€/m ²)	Avg (€/m ²)	Med (€/m ²)
SLOVENIA	3371	5300	1,50	1,00
CENTRAL SLOVENIAN REGION	312	6200	2,70	2,00
GORENJSKA REGION	112	5100	2,30	2,00
PRIMORSKA REGION	217	3100	3,30	2,50
NOTRANJSKA AND KOČEVJE REGIONS	253	4300	1,10	1,00
DOLENJSKA REGION	658	4100	1,40	1,00
SAVINJSKA REGION	302	5700	1,50	1,30
ŠTAJERSKA REGION	552	6600	1,30	1,20
KOROŠKA REGION	31	8300	2,40	2,00
PREKMURJE REGION	934	5800	0,80	0,70

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



Forest land, 2013

Price area	Sample size	Land area (€/m ²)	Avg (€/m ²)	Med (€/m ²)
SLOVENIA	1.233	15400	0,65	0,55
CENTRAL SLOVENIAN REGION	219	18300	0,65	0,60
GORENJSKA REGION	59	18700	0,65	0,55
PRIMORSKA AND TOLMIN REGIONS	134	17400	0,70	0,55
NOTRANJSKA REGION	113	22200	0,60	0,50
DOLENJSKA AND KOČEVJE REGIONS	266	13700	0,65	0,60
ŠTAJERSKA, SAVINJSKA AND KOROŠKA REGIONS	308	14600	0,70	0,60
PREKMURJE REGION	134	6500	0,50	0,50

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

2013