2014



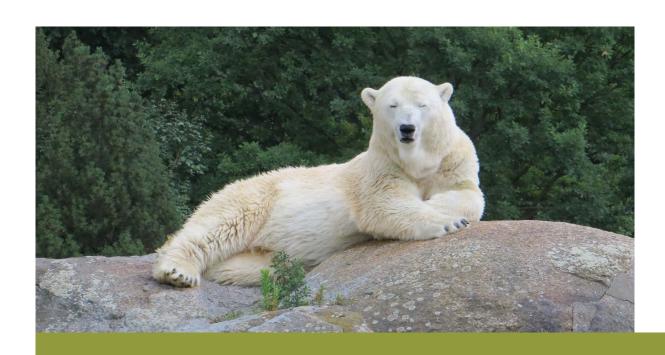




TABLE OF CONTENTS

ANNUAL REPORT ON THE SLOVENIAN PROPERTY MARKET

FOR 2014	3
SUPPLY AND DEMAND	5
VOLUME OF SALES AND PRICES	8
REGIONAL MARKETS	9
MARKET OVERVIEW BY TYPE OF PROPERTY	21
Flats	21
Houses	25
Building land	28
Commercial property	29
Agricultural land and forestland	31
CONCLUDING COMMENTARY	34
Annex 1: Map of analytical regions	35
Annex 2: Statistical indicators of the real property market for 2014	36
Annex 3: Lease register	40







ANNUAL REPORT ON THE SLOVENIAN PROPERTY MARKET FOR 2014

In 2014, property prices on the world market increased for the third consecutive year. In developing countries in Asia, which in 2013 recorded the highest rise, prices stabilised. In China and Malaysia the rise was approximately 5%, while in Philippines the trend reversed and prices fell slightly. Brazil and Columbia recorded a smaller, albeit still relatively high price rise. The countries with an above-average price rise included Australia, New Zealand and Israel. A moderate rise in property prices was also recorded in the USA for the third consecutive year. India, which in 2011 recorded one of the highest price rises, suffered the greatest price drop last year. Nevertheless, it did not exceed 10%. In general, property prices dropped by more than 10% in only one country. That was Ukraine, due to the state of war.

The greatest price rise on the global scale, i.e. approximately 15%, was recorded in Estonia, which was also at the top of the European countries the year before. Property prices in Estonia have been rising for five consecutive years since the property bubble burst. An unexpectedly high price rise was recorded in Ireland, which two years ago was among the countries with the greatest price drop, together with Greece, Portugal and Spain. In these three countries the prices continued to drop, but not so fast. In Europe, an above-average price rise, i.e. 5–10%, was also recorded in Great Britain, Iceland and Turkey.

In Slovenia, the prices of property fell last year, as was the case in all its neighbouring countries, except Austria. The real prices of flats fell for the fourth year in a row. They dropped by approximately 7%, which is one of the greatest drops in Europe.

Last year, the introduction of the Real Property Tax Act caused the most unease among property owners. The Act entered into force on 1 January and provided for the property tax for 2013 to be assessed by the middle of the year at the latest. Owing to its ambiguity and relatively high tax rates, the Act met strong resistance from the public. At the end of March 2014, it was abrogated by a decision of the Constitutional Court. The three charges that



the Real Property Tax Act was to replace, i.e. the land use fee, the property tax, and the fee for the maintenance of forest roads, were reinstated. The developments regarding the property tax had no apparent direct effect on the property market.

The new Energy Act adopted in February 2014 prescribed that when selling or leasing a building or part thereof for one year or longer, the owner of the property must present to the buyer or tenant an energy performance certificate. An energy performance certificate is an official document containing data on the energy performance of a building and providing recommendations for improving energy efficiency. An energy performance certificate may only be drawn up by an authorised legal entity and is paid for by the owner. As of the expiry of the transitional period on 1 January 2015, the inspection services may impose fines in cases of advertising a property sale or lease without providing energy performance indicators. As a consequence, there was a considerable reduction in property advertising at the beginning of 2015. The effect of this on property sales will only be evident later on.





SUPPLY AND DEMAND

Although Slovenia is still dealing with the credit crunch and financial crisis, despite the considerable recapitalisation of state-owned banks, some national economic indicators were nevertheless slightly strengthened last year, which had a positive impact on demand on the property market. After two years of decline, the highest economic growth since the beginning of the crisis in 2008 was recorded last year. One of the first signs of the increase in the purchasing power of the population caused by improved conditions on the labour market and a slight real wage growth (alongside low inflation) was the increase in the demand for residential property. This was further facilitated by an increase in the volume of new long-term housing bank loans to the population. The volume is still modest, but it doubled compared to 2013, when it was the lowest after the introduction of euro.

The increase in demand was reflected mostly on the secondary housing market. Interest in buying flats from projects that have failed over the past years was also relatively high.

The demand for commercial property also slightly increased last year. However, it should be noted that the commercial property market has strong competition in the rental market, as in recent years the supply of office and retail/hospitality premises for rent has been very high throughout the country and rents have dropped even more than the selling prices of commercial property.

Demand for building land for the construction of family houses was relatively constant, while there was still no demand from institutional investors for larger plots for the construction of residential and commercial complexes.

The supply of flats on the primary market is increasingly smaller. Investors mostly build smaller buildings and often for known buyers. No major construction projects were finished in Slovenia last year. The exception was the project of the Housing Fund of the Republic of Slovenia in Ljubljana, within which 340 flats were finished.

The supply of unsold flats built in the years after the onset of the crisis is also declining. These flats are sold by official receivers or creditors of bankrupt investors or are currently off the market. In 2015 the Bank Assets Management Company plans to take over a large number of flats or residential projects that served as securities for claims purchased by the Bank Assets Management Company. Among them are the largest residential projects, i.e. Nokturno in Koper and Celovški dvori in Ljubljana. Legal procedures for the transfer and necessary restoration of the buildings taken over are very long, so the sale of these flats is not expected to start before the second half of 2015.

Construction sector activity, which affects the supply in the property market and has declined considerably in recent years, was still at a very low level last year. The value of finished works in the construction of non-residential buildings rose slightly in the middle of the year but then declined again. For the first



time after a long period, a moderate increase in the construction of residential buildings was recorded. Nevertheless, the value of contracts signed for the construction of residential buildings at the end of 2014 was lower by one-fifth compared to the year before.

After it appeared that in 2012 the volume of planned construction had reached the lowest point since the onset of the crisis in the property market in 2008, the data on building permits issued show that it fell to an even lower point in 2014. This confirms that there is still no interest among investors for construction for the market and it can be expected that the supply of new property, both residential and commercial, will further decline in the coming years.

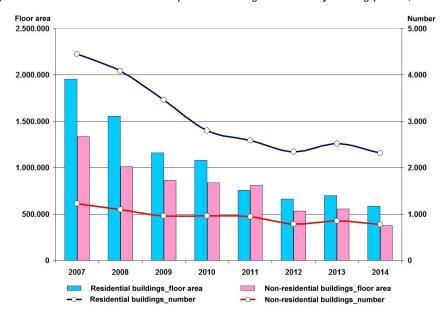


Figure 1: The number and floor area of planned buildings as shown by building permits, Slovenia, 2007–2014

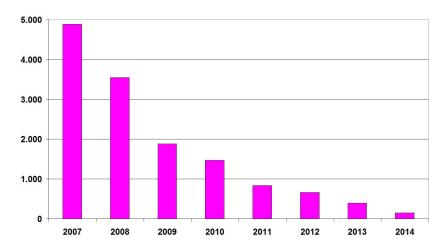
Source: Statistical Office of the Republic of Slovenia

The planned number of new non-residential buildings for which building permits were issued in 2014 fell by 8% in comparison with 2013, while their total floor area fell by 32%. Compared to 2007, when construction expansion was at its peak, their number decreased by 37% and their total floor area by as much as 72%.

The planned number of new residential buildings also fell by 8% in comparison with 2013, and their total floor area by 16%. Compared to 2007, their number decreased by 48% and their total floor area by 70%.



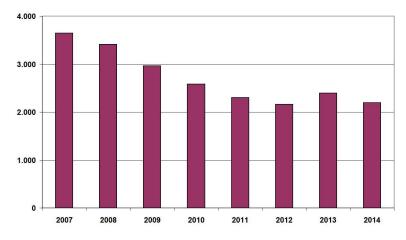
Figure 2: The number of flats in multi-dwelling buildings as shown by building permits issued to legal entities, Slovenia, 2007–2014



Source: Statistical Office of the Republic of Slovenia

According to preliminary data, the building permits issued last year to legal entities for flats in multi-dwelling buildings covered only 150 such flats. This is more than 60% fewer than the year before and is the lowest number recorded. It is negligible compared to 2007, when building permits were issued for almost 4,900 flats in multi-dwelling buildings, and indicates that not one major construction project was planned last year.

Figure 3: The number of one- and two-dwelling buildings as shown by building permits issued to natural persons, Slovenia, 2007–2014



Source: Statistical Office of the Republic of Slovenia

After a slight increase in 2013, the number of building permits for houses issued to natural persons decreased again in 2014. According to preliminary data, approximately 2,200 permits were issued last year, which is 40% fewer than in 2007 but indicates that the rate of the planned own-account construction of houses remains at the level of 2011.



VOLUME OF SALES AND PRICES

At the end of 2013, it appeared that the downward trend in the sales of **residential property** was intensifying and that in 2014 the crisis of the Slovenian property market would hit a second nadir. However, the opposite happened. Sales of flats and houses rose substantially and even reached the highest point since 2009. However, the total number of recorded sales of flats and houses was still 30% lower compared to the pre-crisis year of 2007.

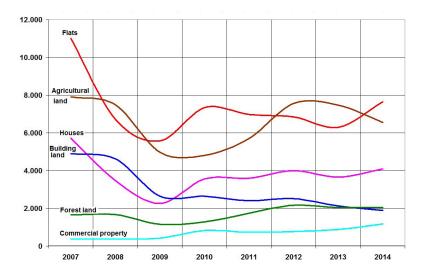
Table 1: Number of recorded property sales, Slovenia, 2007-2014

	2007	2008	2009	2010	2011	2012	2013	2014
Flats	11003	6719	5578	7346	6973	6850	6291	7646
Houses	5726	3460	2250	3565	3605	4000	3652	4096
Building land	4906	4632	2643	2646	2411	2510	2126	1888
Commercial property *	377	363	428	827	735	770	873	1178
Agricultural land	7907	7490	4966	4810	5711	7554	7471	6543
Forestland	1645	1668	1162	1279	1750	2170	2045	2030

^{*} Commercial property includes sales of commercial buildings, office premises, and premises for retail, hospitality and other service activities.



Figure 4: Number of recorded property sales, Slovenia, 2007-2014



Although the data on the number of recorded sales of **commercial property** are not comparable owing to the transition to a new data capture method in the middle of 2013, we estimate that sales increased last year.

Contrary to the rise in the sales of residential and commercial property but in line with reduced demand from institutional investors, the downward trend in the sales of **building land** continued in 2014. The number of recorded sales reached the lowest point recorded.



Sales of **agricultural land**, which had shown an upward trend since the crisis year of 2009 and reached a peak in 2012, decreased noticeably last year, while sales of **forestland** remained almost the same as in 2013.

Prices on the property market fell again last year. In 2014, the prices of flats, which best show the movement of market property prices, fell in real terms by approximately 7%, which is as much as in the preceding year. They were 26% lower than in the record year of 2008. The drop in the prices of flats in the last year is mostly due to the drop in the prices of flats on the primary market, which resulted from the drop in prices of flats from the remaining stock built in the first years after the onset of the crisis. The relatively low prices of these flats are still creating pressure on the prices of new flats and maintain a relatively strong downward trend in the prices of residential property.

The downward trend in house prices also continued in 2014 and was quite a bit stronger than in the case of flats. The downward trend in commercial property prices also became stronger last year, whereby the prices of office premises fell a bit more than the prices of retail and hospitality premises. The trend in building land prices was positive and the prices of agricultural land also showed a moderate upward trend. The prices of forestland remained practically unchanged.

REGIONAL MARKETS

The following survey of developments in various regional property markets in 2014 is based on the monitoring of property market 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.

Coast

There was no real revival of the property market in the Coast region in 2014. The sale of flats in multi-dwelling buildings was better than in 2013, but still smaller than in 2012. Flat prices in seaside resorts are still the highest in the country. In Koper, they fell noticeably and are slightly lower than in Ljubljana, where they are the highest among cities.

The stock of unsold flats for first-time occupancy is still relatively large. In comparison with 2013, it remained practically unchanged, as the majority of flats from failed projects remain trapped in their investors' bankruptcy proceedings. Approximately 640 flats are trapped in four large projects (Nokturno, Zeleni gaj and Ferrarska in Koper and Livade in Izola). Nokturno was bought by the Bank Asset Management Company. A public auction held for the flats in Livade was not successful and Zeleni gaj and Ferrarska are still waiting for their first auction. Counting also the apartments in Rajski pristan in Ankaran and two smaller buildings in Portorož and Izola, there are more than 700 flats waiting for buyers.

Not a single large residential building was built in the Coast region last year and some major construction projects also remained unfinished. The Porton

¹ The annual price change was estimated according to the Sale Price Appraisal Ratio (SPAR) method, while taking into account the annual inflation rate



residential building in Koper remains unfinished and the construction of the Oktobrska building in Izola stopped after three levels of underground parking had been constructed when the building became part of a bankruptcy estate. The building pit for a block of 200 flats in Koper for which a building permit was issued in 2009 is still empty.

An increase in the sale of houses was recorded in this region for the second year in a row. Approximately 13% more sales were recorded last year than in 2013 and almost 20% more than in 2012. The highest price paid (EUR 840,000) was for a four-year-old house in Koper with a nice view of the sea. All the buyers of the four houses sold for the highest prices (above EUR 600,000) were foreign citizens. In the Coast region, a total of 18 houses gained new owners who are not Slovenian citizens.

Compared to 2013, the sales of building land in the Coast region nearly halved. Only 43 sales of building land were recorded last year, of which 28 were in Koper. One plot of 1,200 m² in Piran and one of 1,000 m² in Portorož reached the highest price, i.e. EUR 250,000.

Approximately 100 sales of agricultural land were recorded last year, which is 20% more than the year before. If speculative purchases of agricultural land where prices exceeded EUR 20/m² are disregarded, the prices fluctuated between EUR 0.75/m² and EUR 16/m². There were almost no sales of forestland in this region last year, as only 12 transactions were recorded.

The Karst and Notranjska regions

In the Karst region, the sale of flats was slightly stronger last year, while the sale of houses remained at more or less the same level. The flats from failed projects are still not selling well. In Kozina and Divača, the majority of flats constructed in 2009 and 2010 by the now-bankrupt investors Stavbenik and Gramiz have still not been sold, despite the efforts of Stavbenik's official receiver to sell them at public auctions. However, the official receiver of Kraški zidar managed to sell some sheltered housing units and commercial premises in Sežana.

The supply of unsold houses built in the years since the onset of the crisis was not significantly reduced in the Karst region last year. Although they are not subject to bankruptcy proceedings, they rarely attract buyers. There are still 30 unfinished terrace houses available in two projects in Divača. Both investors went bankrupt. A bank bought 15 of these houses and its subsidiary is now offering them at more favourable prices; however, there is still no interest in them.

In the Notranjska region the sales of flats also increased compared to 2013, while the prices dropped. The highest price, i.e. EUR 172,000, was paid for a flat of 174 m² in Postojna that was built in 2008.

In Cerknica and Logatec there was a breakthrough in the sale of flats from failed projects. The investor of the Za mlinom project in Cerknica and official receivers of the Jezero project in Cerknica and the Brod project in Logatec



managed to sell more than 90 flats. In order to increase sales, a binding invitation to tender was issued twice in 2014 during the bankruptcy proceedings for the investor of Brod, which resulted in the sale of 10 flats. During the bankruptcy proceedings for the investor of Jezero, two public auctions were held in 2014, at which more than 50 flats were sold. Flats in the Za mlinom project were sold mostly through property agencies. The Housing Fund of the Republic of Slovenia contributed greatly by buying half of the nearly 30 flats sold. The supply of unsold flats was thus reduced by three-quarters and now includes approximately 25 dwelling units. The prices of the flats of both projects in bankruptcy proceedings, particularly in the Jezero project, dropped so much during the proceedings that they affected the prices of resale flats. Thus the average price of a resale flat in Cerknica and Rakek fell to a level that was even lower than in Postojna, which had not happened before in the seven years of systematic market monitoring. Surprisingly, the rise in the sale of new flats did not result in a decline in the sale of resale flats. The latter even increased. The considerable price drop evidently raised interest in resale flats. A drop in the prices of resale flats, albeit a bit smaller, was also recorded in Logatec

At approximately 130 transactions recorded, the sales of agricultural land in the areas of Logatec and Cerknica remained at the level of the preceding year. Prices also stayed at the same level.

At the beginning of the year, central Slovenia suffered ice damage, with the greatest damage evident in the Notranjska region. The recorded sales of forestland in the areas of Logatec and Cerknica rose from 80 to 110 sales in 2014, which, however, is not necessarily due to the ice damage. Forestland prices remained at the same level as for the previous year.

Northern Primorska

In the Gorica and Vipava areas, sales of resale flats fluctuate from year to year. Compared to 2013, they increased slightly in 2014 but did not reach the level of 2012. There were approximately 150 sales of resale flats recorded in these areas, two thirds of those were in Nova Gorica. Prices in Nova Gorica and Ajdovščina dropped again. There has been a downward trend in residential property prices in this region since the onset of the crisis in 2008 and nothing indicates that it will stop. In Nova Gorica and its surrounding settlements (Solkan, Kromberk, Rožna Dolina, Šempeter pri Gorici, Pristava, Vrtojba), the average price of a resale flat stood at about EUR 1,400/m² last year (103 sales taken into account). Compared to the preceding year, it fell by 10%, while compared to 2008, when it was at its peak, it was lower by one third, which constitutes the greatest drop in flat prices in the country.

In the Gorica and Vipava areas, expectations were great with regard to the supply of flats subject to bankruptcy proceedings for bankrupt construction companies or investors. Contrary to the year before, when official receivers did not put many such flats on the market, there were many public auctions and calls for tenders



held in 2014. However, they were mostly unsuccessful. In the bankruptcy proceedings for Primorje, a public auction was held in March for flats and retail/hospitality premises in the Cedra building at Majske poljane in Nova Gorica, however not one of the 29 flats and 5 retail/hospitality premises was sold. Two additional public auctions for two retail/hospitality premises were also unsuccessful. There were no public auctions held in 2014 for the flats in Kresnice in Ajdovščina, which are subject to the same bankruptcy proceedings.

The sale of still active housing projects, e.g. Adam in Eva in Nova Gorica, the Gonzaga residential/commercial building and the two Batonovki Villas in Vipava, through advertising by property agencies or individually, was more or less successful. The most successful was the sale of flats in a block of flats in Bukovica near Nova Gorica. All six flats were sold in less than two years. Flats and commercial premises in the Eda centre were being sold by Nova KBM, which has claims against the investor, in accordance with the Financial Collateral Act allowing mortgage creditors to sell mortgaged property, until the Constitutional Court stopped the sale due to the controversy of the sales procedures used throughout the country. The stocks of flats on the primary market remained more or less unchanged. Of more than 80 flats for first-time occupancy, one-third are at Majske poljane in Nova Gorica, one-third in other projects in Nova Gorica and one-third outside Nova Gorica.

The sales of property subject to bankruptcy proceedings in the Posočje region suffered a similar fate as those in the Nova Gorica area. Public auctions were held in the bankruptcy proceedings for both investors of newly constructed flats in the area. At an auction for Portal, a block of flats in Poljubinj was offered as a unit, but was not sold. At several auctions for Vizing, the flats at Brdo in Bovec and residential/commercial building in Kobarid were auctioned individually. Some were sold and the supply of new flats in the Posočje region was reduced to 16. The sales of resale flats remained at the same level, while prices dropped, similarly as in Nova Gorica.

The fact of the Kanin ski resort not operating has a great impact on the Posočje region, particularly on tourism and consequently the property market. Two auctions were held to sell the resort. The only interested parties were Russian investors. Although the starting price of EUR 1.9 million set at the first auction was more than halved at the second one, the ski resort was not sold. The deteriorating Kanin Hotel, which was closed the preceding year, suffered a similar fate. The most urgent repairs provisionally halted its deterioration, but it failed to be sold at auction.

The sales of agricultural land in the Gorica and Vipava areas declined slightly. In the previous year, 135 transactions were recorded, which is 20% fewer than the year before. The downward trend in the sales of agricultural land was observed for the second year in a row also in the Posočje region and the Idrija area. The rate of sales of forestland remained the same in 2014. Despite the ice damage, which also affected some areas around Idrija, no changes were detected on the market.



Gorenjska

The sales of flats increased in more or less every town in the Gorenjska region. The greatest increase occurred in Kranj, where they rose by as much as one third compared to 2013. On average, flat prices dropped, to a greater extent in resorts than in towns.

Last year, the average price per square metre of a resale flat in Kranj was EUR 1,530 (246 sales taken into account), in Radovljica EUR 1,550 (36 sales), in Škofja Loka EUR 1,650 (41 sales), in Tržič EUR 1,150 (27 sales), and in Jesenice EUR 1,050 (68 sales). In Kranjska Gora, the average price per square metre of a resale flat was EUR 2,200 (12 sales), in Bled EUR 1,700 (14 sales) and in Bohinjska Bistrica EUR 1,500 (12 sales).

With the exception of Kranj, where approximately 60 new flats were sold (the majority at a public auction for flats in the Mala Jerebika residential complex), the sales of flats on the primary market were modest. We estimate that at the end of 2014 more than 350 flats for first-time occupancy were still unsold in the Gorenjska region, 150 of those in Kranj.

After house sales in the Gorenjska region declined drastically in 2013 and there was even talk of another housing market crisis in Gorenjska, a revival occurred last year, as the recorded sales rose by one-fifth. However, the downward trend in prices continued. Surprisingly, the highest price, i.e. EUR 365,000, was paid for a house that was not sold in one of the tourist towns but in Radovljica.

The sales of building land, which in the period from 2011 to 2013 declined considerably in the Gorenjska region, stabilised in 2014 and prices increased slightly on average. As usual, the highest building land prices were recorded in Bled (EUR 150–300/m²) and Kranjska Gora (EUR 150–210/m²). In Radovljica, the prices ranged between EUR 140/m² and EUR 200/m² and in Kranj between EUR 115/m² and EUR 145/m².

The volume of agricultural land sales did not deviate much from that of 2013. As usual, agricultural land sold best in the flat part of the Gorenjska region, in the area from Škofja Loka, Kranj and Cerklje to Tržič. The average price rose slightly compared to the year before. In level areas land prices ranged between EUR 4.00/m² and EUR 5.50/m².

The sales of forestland, which after three years of growth declined in 2013, increased again last year and returned to the 2012 level. The average price was around EUR 0.60/m² for the third year in a row.

Ljubljana and its surroundings

Last year, the sales of flats in Ljubljana rose by almost one third compared to the year before, which is by far the greatest jump since the revival of the market in 2010. The rise can mostly be attributed to the increase in sales of flats on the primary market.



The average price of resale flats dropped for the third year in a row. Compared to the year before, it fell by 3%. It was EUR 2,020/m² (1,697 sales taken into account), which is the lowest price since the start of the systematic price monitoring in 2007.

The most expensive flat sold in Ljubljana in 2014 was a three-room flat in the city centre with 100 m² of usable floor area built in 2005. It was sold together with two parking spaces for EUR 550,000 to a legal entity.

Approximately 260 sales of flats for first-time occupancy were recorded in Ljubljana last year. Of these, 173 were at Brdo, which the Housing Fund of the Republic of Slovenia sold through a public tender. Prices including VAT for a flat, together with one or two parking spaces in an underground parking area, ranged from EUR 100,000 for a one-room flat to EUR 250,000 for the only five-room flat sold. The average selling price of a flat without a parking space amounted to around EUR 2,250/m² of usable floor area. Approximately two-thirds of flats were bought by applicants from priority categories (young families, families with primary school children, families with more than one child, physically impaired persons and young persons).

At least half of the flats sold on the primary market were flats from failed projects sold by creditor banks or official receivers. An example of a successful sale was the auction of flats in the Pilon project in Podutik, where the creditor bank lowered the starting price by 20% and sold all 15 studio flats at an average price of slightly below EUR 2,000/m².

The rest of the sales were of flats built in the past years that were not trapped in bankruptcy proceedings. The sellers of such flats normally do not advertise prices but negotiate individually with the interested parties. The majority of such flats from small sellers were sold but only a few of the flats from bigger sellers were. Last year, the average price of a flat for first-time occupancy in Ljubljana was around EUR 2,400/m², including the 9.5% VAT.

In our estimate, 800 flats for first-time occupancy were for sale in Ljubljana at the end of 2014. This includes the remaining 170 flats of the Housing Fund of the Republic of Slovenia at Brdo but not the more than 200 flats in the Celovški dvori project that are waiting to be put on the market by the Bank Assets Management Company.

The sales of single- and two-dwelling houses, which have fluctuated considerably since the market revival in 2010, increased noticeably in Ljubljana last year. At the same time, the downward trend in house prices continued and the prices reached record low levels for the third year in a row. Compared to 2013, the prices of houses including land fell by 15% on average. The age and size structure of houses sold and associated land did not change significantly. In comparison with 2008, when they were at their highest, the prices of houses almost halved. In general, the prices of houses dropped more than flat prices but they still do not sell well. It is not unusual for a house in Ljubljana to be on the market for one or even two years before it is sold. The highest price for a house with associated land recorded last year was for a house in the centre of Ljubljana sold to a legal entity for a little over EUR 1 million.



The commercial property market in Ljubljana was a bit more active last year. There were no newly constructed buildings and the unsold stocks of premises from the past years were still selling badly. The majority of purchases were of commercial premises from the bankruptcy estates of failed companies. This contributed to a further decline in the average price of commercial premises. The prices of offices are dropping more than those of retail/hospitality premises. This could be attributed to offices being less sensitive to location, the large supply of offices for rent, and low rents.

Similarly as in Ljubljana, the sales of flats in its surrounding areas also increased substantially last year. Average prices dropped even more and also reached a record low level. On average, the prices of resale flats are lower in the surrounding areas than in the capital, but they are still among the highest in the country. In 2014, flat prices were the highest in Domžale, the average being approximately EUR 1,900/m² (100 sales; average year of construction 1992). Almost the same average price, i.e. approximately EUR 1,750/m², was recorded in Medvode (31 sales; average year of construction 1980), Vrhnika (39 sales; average year of construction 1992). In Kamnik, where the number of transactions rose the most, the average price was approximately EUR 1,550/m² (105 sales; average year of construction 1979). The lowest average price was recorded in Litija, i.e. slightly below EUR 1,200/m² (28 sales; average year of construction 1970).

In the surrounding areas of Ljubljana, the sales of one- and two-dwelling houses increased even more than in Ljubljana, while the prices dropped by a further 10% on average and reached the lowest point since the start of monitoring. Only three houses with associated land were sold for more than EUR 400,000 in the surrounding areas of Ljubljana last year. The highest price was achieved regarding a house in Domžale, followed by a house near Mengeš and a house on the territory of the municipality of Brezovica.

The sales of agricultural land and forestland in the wider Ljubljana area showed a moderate growth trend last year. The average price was approximately EUR 2.00/m² for agricultural land and EUR 0.50/m² for forestland. No impact of the February ice damage on trade in forestland was detected.

Dolenjska and the rest of southern Slovenia

On average, the sales of flats went up in the Dolenjska region and the rest of southern Slovenia. The downward trend in prices, which started in 2010, showed signs of abating. In Novo Mesto, the average flat price was nearly EUR 1,300/m² (90 sales taken into account). Compared to the year before, it fell by around 5%. The number of recorded transactions increased by almost 30%. Elsewhere in the Dolenjska region the average price of a flat increased noticeably and sales more than doubled, which were mostly due to the successful sale of flats from failed projects in Trebnje and Ribnica. The average price of a flat was around EUR 1,200/m² (76 sales taken into account). In the Kočevje area, the price was slightly over EUR 1,050/m² (41 sales taken into account) and rose by approximately 5%, while the recorded sales level remained practically the same. In the Posavje region, the average price was approximately EUR 850/m² (93 sales taken into account) and fell by about 5% compared to the preceding year. Sales recorded an increase of about 5%.



With the exception of the significant increase in sales, trends on the housing market in the area concerned did not change. Prices are still dropping, since the houses on the market are increasingly older and smaller.

The supply of flats on the primary market is already quite small. There were hardly any new projects finished, mostly owing to the credit crunch and the lack of loans for investors. However, the sales of flats of investors subject to bankruptcy proceedings improved and the stock of such shrunk noticeably. A certain number of these flats were bought by creditors and they are expected to soon be put on the market again. The Housing Fund of the Republic of Slovenia bought some flats in Kočevje, which will be leased for non-profit rent.

With additional price reductions offered by investors, creditor banks or official receivers last year, the stocks of houses from failed projects finally diminished.

The situation on the commercial property market remains the same as in the past few years. The supply of premises for sale or lease in urban centres is large. It greatly exceeds the demand and the number of transactions realised is very modest.

The supply of building land also exceeds the demand in the areas concerned, so the prices are falling and sales are relatively small.

The number of sales of agricultural land recorded in the areas concerned declined for the second year in a row and the average price also dropped. It ranged between EUR 1.00/m² in the Bela Krajina region and the Kočevje area (130 sales taken into account) and approximately EUR 1.45/m² in the Dolenjska region without Novo Mesto (233 sales taken into account).

The sales of forestland, which is in relatively great demand, were smaller last year than the year before, while the average price rose. It was the highest in the wider Dolenjska region, i.e. approximately EUR 0.65/m² (94 sales taken into account). In the areas of Kočevje (42 sales), Posavje (72 sales) and Bela Krajina (67 sales) it was around EUR 0.55/m².

The wider areas of Celje and Zasavje

In Celje, sales rose by 15% but the average price of a resale flat dropped by 13%, which is the greatest drop since the onset of the crisis in 2008. It was EUR 1,040/m² (227 sales taken into account). Prices ranged from EUR 500/m² for poorly maintained flats in older buildings and at poor locations, to EUR 2,150/m², reached by a fairly new two-room flat in the town centre. The main reason for the drop in the average price in Celje last year was the higher number of sales of poorly maintained flats in old unrestored buildings put on the market by some institutional owners.

In Velenje, where there are no old flats built before 1950, slightly fewer sales were recorded last year than the year before. The average price dropped considerably less than in Celje and was approximately EUR 1,070/m² (133 sales taken into account), thus exceeding the price in Celje. The range of prices was from EUR 600/m² to almost EUR 2,000/m².

In the Zasavje region, the prices of flats have long been the lowest in the country. One of the reasons is that the available housing is very old. Compared to



the year before, the prices of flats further decreased in the towns of the Zasavje region, while the relatively moderate sales increased slightly. The main reason for the additional price drop was the same as in Celje, i.e. the selling of a large number of deteriorating flats of large owners. Last year, the average price of a flat was approximately EUR 730/m² (59 sales taken into account) in Zagorje ob Savi, EUR 670/m² (83 sales taken in to account) in Trbovlje and EUR 650/m² (29 sales taken into account) in Hrastnik.

In the areas east of Celje (Šentjur, Šmarje pri Jelšah, Podčetrtek, Rogatec) and particularly in the Savinja Valley and the Kozjansko region there are very few flats available so there is hardly any market for flats. However, the market of houses is very active. After the revival in 2010, the market for one- and two-dwelling houses stabilised around 300 realised sales per year, while the average price has fallen each year. These trends continued last year. On average, the most expensive houses with associated land were sold in the area of Velenje, followed by Celje, Žalec and the area east of Celje. The cheapest were in the Zasavje region.

After the onset of the property market crisis, construction sector activity was relatively low in Celje, its surrounding areas and the Zasavje region, and there also were no large failed housing projects. Therefore, there are no large stocks of unsold residential property in this area.

There is no real commercial property market in Celje and other areas concerned, since sales of office and retail/hospitality premises are very rare.

Last year, the already low sales of building land in this region, practically limited to demand for land for the construction of one- and two-dwelling houses, fell by another 6% compared to the year before. The average price dropped by almost 10%. The most expensive plot was sold in the municipality of Vojnik for EUR 154/m². In some rural areas, building land could be bought for as little as EUR 5/m².

The sales of agricultural land and average price did not change much last year in comparison with 2013. As usual, the majority of sales realised were in the Savinja Valley, where conditions for agriculture are very good. Prices remained the same, reaching EUR 2.00/m² on average. A slightly smaller number of sales was recorded in the Kozjansko region and in the surroundings of Šmarje pri Jelšah. The average price in this area was near EUR 1.30/m² and in the Slovenske Konjice area approximately EUR 1.70/m². In Logarska Dolina, Paški Kozjak and Rogla, there were few sales of agricultural land and prices were around EUR 1.0/m².

Last year, the number of sales of forestland in the areas concerned fell substantially compared to the year before. On average, prices went slightly down. The highest average price recorded last year was in the areas of Logarska Dolina, Paški Kozjak and Rogla, reaching approximately EUR 0.70/m². It was lowest in the Kozjansko and Zasavje regions, i.e. approximately EUR 0.50/m².



Maribor and the surrounding areas

After two years of decline, the sales of flats in Maribor finally slightly picked up. The average price of a resale flat was EUR 1,050/m², thus dropping by 3%, which is less than in the two previous years and indicates that prices are gradually stabilising. There is almost no supply of new flats in Maribor. No new large residential buildings have been constructed for several years and, after being withdrawn from the market in 2013, the remaining stocks of flats are offered by creditors who bought them at auctions. Some flats were quickly sold to final users, while others went to institutional buyers. We estimate that the stock of unsold flats for first-time occupancy in the wider Maribor area is around 140 flats, half of which are in the failed project in Spodnji Duplek.

In Maribor and the surrounding areas, the sales of one- and two-dwelling houses increased considerably compared to the year before. Last year, nearly 30% more transactions were recorded in Maribor. In the surrounding areas, where sales almost came to a halt in 2013, they increased by almost three-quarters. The downward trend in the prices of houses with associated land, which started after 2008, was halted in Maribor but continued in the surrounding areas.

The sales of commercial property on the Maribor market, which fluctuate considerably from year to year, are still modest. The supply of office and retail/hospitality premises still exceeded the demand last year, despite increasingly lower prices. Although the owners of commercial property also try to lease it, more and more offices, shops and bars stand empty, even in the city centre.

The downward trend in the sales of building land continued. However, the 5% drop was considerably smaller than in the preceding two years. As usual, the majority (almost two-thirds) of sales were made outside major urban centres. The land sold was intended for the construction of family houses. On average, the prices of building land fell in comparison with the year before. The average price was around EUR 65/m² in Maribor and lower by more than a half in the surrounding areas.

Last year, the sales of agricultural land in the wider Maribor area remained the same as the year before and the average price rose by approximately 7%. As much as 95% of all transactions in agricultural land were recorded in the area between Maribor and Slovenska Bistrica. The average price in this area was around EUR 1.55/m² (155 sales taken into account). In Slovenske Gorice, it was approximately EUR 1.25/m².

The recorded sales of forestland in the wider Maribor area increased by one-tenth compared to 2013 and the prices dropped noticeably. Similarly as in the case of agricultural land, the great majority of transactions in forestland were made in the area between Maribor and Slovenska Bistrica and in the area of Slovenske Gorice. The average price in these areas was approximately EUR 0.60/m² (76 sales taken into account).



Koroška

In the Koroška region, the market for flats revived last year, as 44% more sales of flats were recorded than in 2013. The average price remained at approximately the same level as the previous year. On average, the price of a flat was EUR 880/m² (147 sales taken into account).

The greatest rise in sales was recorded in the municipality of Prevalje, where the average price was higher by 8%. In the municipality of Ravne na Koroškem, the number of sales of flats rose by more than one-third compared to 2013, while prices remained more or less the same. In the municipality of Slovenj Gradec, sales rose by one-fifth and prices also remained at approximately the same level. In the municipality of Dravograd, both sales and prices of flats remained at the same level as the year before. In contrast, sales and the average price rose considerably in the municipality of Radlje, which is due to the two newly-constructed residential buildings where 12 of 14 available flats were sold. The average price was EUR 1,100/m² (14 sales taken into account; the average usable floor area was 54 m²).

The average price of a flat last year was EUR 1,100/m² in Slovenj Gradec (39 sales taken into account; average usable floor area: 54 m²; average year of construction: 1979), EUR 900/m² in Dravograd (16; 52 m², 1965), and EUR 840/m² in Ravne na Koroškem (53; 54 m², 1964) and Prevalje (25, 46 m², 1964).

The activity of the family house market remained relatively modest, despite the increase by one-third in comparison with 2013, when it was practically negligible. Last year, 22 sales of houses with associated land were recorded in the Koroška region and prices fell by 10% on average.

The supply of building land for the construction of houses and commercial and industrial buildings in the region is still relatively high and exceeds demand.

Eastern Slovenia

In the region including Murska Sobota and the surrounding areas, Goričko, the remaining part of Prekmurje, eastern Slovenske Gorice, Dravsko Polje, Ptuj with surroundings and Haloze, the sales of flats in multi-dwelling buildings recorded in 2014 increased by more than 16% compared to the year before. The average price dropped by approximately 5%, falling below EUR 900/m² and reaching a record low since the beginning of systematic monitoring in 2007. The highest average price recorded, i.e. approximately EUR 1,030/m² (71 sales taken into account), was for flats in the area of Ptuj, followed by Murska Sobota at EUR 950/m² (58 sales taken into account).



Last year, no construction of a larger residential building began in the regions concerned. In these areas, where, by tradition, the housing issue has been resolved by the building of family houses on one's own plot, no larger residential building has been constructed for several years. The supply of flats for first-time occupancy consists of several unsold flats built between 2009 and 2012 in Moravske Toplice, Gornja Radgona, Spodnja Ščavnica, Radenci, Markovci and Ljutomer. The total stock of housing units is estimated at approximately 100 flats.

The sales volume of family houses in eastern Slovenia did not increase significantly last year compared to the year before, whereas prices dropped considerably, reaching record low levels, the same as in the case of flats. Houses in the municipalities of Ptuj and Murska Sobota, where a house with associated land cost slightly more than EUR 80,000 on average, were sold at the highest prices. In both areas, a total of 33 sales were recorded, with the average size of houses sold being approximately 145 m². The difference was in the age of the houses sold and the size of the associated land. In the area of Ptuj, the houses sold were on average almost 50 years old and had 1,100 m² of associated land. In the area of Murska Sobota, the houses sold were on average around 10 years younger and had 650 m² of associated land. Houses in the Goričko region were, as usual, the least expensive. In this area, the average contract price of a house sold stood at a little more than EUR 36,000, which was enough for an approximately 65-year-old house of 150 m² of net floor area and around 3,700 m² of associated land.

Despite a slight rise in the previous year, the prices of building land in eastern Slovenia were, on average, still the lowest in the state. The volume of sales recorded was almost the same as the year before, remaining at a record low. The average price of building land was between EUR 9.00/m² in the Goričko region (6 sales taken into account) and EUR 49.00/m² in the area of Ptuj (12 sales taken into account).

In eastern Slovenia, a region with favourable agricultural conditions in which agriculture is the most common activity, a significant decrease in the sales of agricultural land was recorded for a second year in a row. The number of recorded transactions decreased by around 16%. There was, however, an upward trend in the prices of agricultural land, which has been evident since 2009. The highest average price of agricultural land was in the municipality of Ptuj, at around EUR 1.6/m² (26 sales taken into account), while the lowest average price was in the Goričko region, at less than EUR 0.60/m² (132 sales taken into account).

Last year, the sales of forestland in the areas concerned decreased on average by 7%, while the average price of forestland decreased by around 3% compared to 2013.



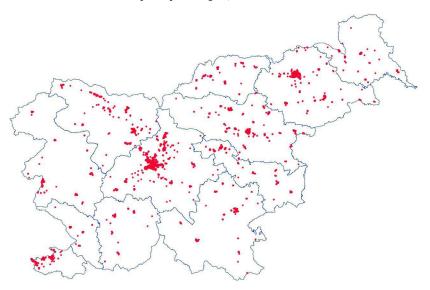
MARKET OVERVIEW BY TYPE OF PROPERTY

Flats

In 2014, there were approximately 320,000 flats recorded in multi-dwelling buildings in Slovenia. They accounted for around 40% of the entire housing stock. The average usable floor area of flats was around 60 m², and the median year of construction was 1974.

In 2014, around 7,600 sales were recorded, accounting for 2% of the Slovenian stock of flats in multi-dwelling buildings. Market activity increased considerably compared to the previous year. The recorded sales of flats increased by 22% compared to 2013. Compared to 2007, when sales reached their peak, their number decreased by almost 30%. Compared to 2009, when the crisis bottomed out, the volume of sales was up by 37%.

Figure 5: Recorded sales of flats by analytical region, 2014



In 2014, at the national level, the average usable floor area of flats sold was 52 m² and the median year of construction was 1976, which was the same as the year before and means that, on average, flats sold in 2014 were of the same size and a year older than flats sold the year before.

The average contract price of a flat on the secondary market stood at approximately EUR 76,000 or EUR 1,460/m² and was about 3% lower than in 2013. Compared to 2008, when the prices of flats were at their highest in the history of Slovenia, the average price of a resale flat fell by as much as 20%.



Table 2: Average prices and structure of resale flats sold in 2008–2014

Analytical region	Indicator	2008	2009	2010	2011	2012	2013	2014
SLOVENIA	Size of sample	4897	4014	5435	5457	5328	4902	5967
	Average price (EUR/m²)	1.820	1.670	1.740	1.710	1.630	1.510	1.460
	Median year of construction	1975	1975	1975	1975	1975	1976	1976
	Usable floor area (m²)	53	51	52	51	52	52	52
LJUBLJANA	Size of sample	1248	1000	1591	1481	1406	1322	1697
	Average price (EUR/m²)	2.660	2.390	2.420	2.440	2.320	2.080	2.020
	Median year of construction	1974	1974	1973	1975	1974	1973	1972
	Usable floor area (m²)	54	52	54	53	53	53	53
LJUBLJANA	Size of sample	337	248	310	312	368	343	439
SURROUNDINGS	Average price (EUR/m²)	2.080	1.970	1.970	2.030	1.890	1.790	1.650
	Median year of construction	1982	1986	1982	1991	1985	1986	1987
	Usable floor area (m²)	56	56	52	54	54	53	54
MARIB0R	Size of sample	493	424	699	753	730	665	699
	Average price (EUR/m²)	1.340	1.230	1.200	1.190	1.140	1.080	1.050
	Median year of construction	1969	1971	1970	1972	1971	1972	1971
	Usable floor area (m²)	52	52	51	52	53	51	52
CELJE	Size of sample	289	225	277	249	216	197	227
	Average price (EUR/m²)	1.400	1.230	1.280	1.240	1.190	1.190	1.040
	Median year of construction	1972	1972	1971	1970	1974	1974	1975
	Usable floor area (m²)	51	50	52	50	50	51	52
KRANJ	Size of sample	182	140	178	201	193	183	246
	Average price (EUR/m²)	1.830	1.680	1.750	1.740	1.700	1.560	1.530
	Median year of construction		1972	1971	1975	1975	1975	1981
	Usable floor area (m²)	53	52	52	49	49	50	55
KOPER	Size of sample	90	121	125	130	172	129	149
	Average price (EUR/m²)	2.520	2.500	2.370	2.370	2.240	2.050	1.780
	Median year of construction	1975	1979	1975	1976	1977	1975	1973
OOAGE DEGIGNI	Usable floor area (m²)	48	51	52	51	52	52	52
COAST REGION	Size of sample	182	135	164	200	198	200	251
EXCLUDING	Average price (EUR/m²)	3.090	2.740	2.800	2.590	2.510	2.260	2.250
KOPER	Median year of construction		1973	1977	1977	1982	1977	1982
	Usable floor area (m²)	56	46	47	47	49	49	50

highest lowest





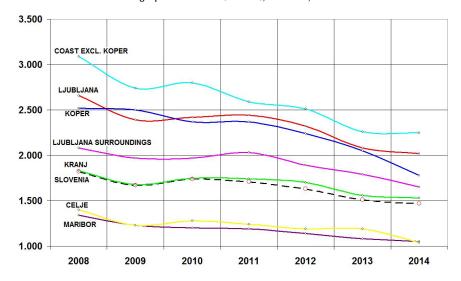


Figure 6: Movement of the average prices of flats (EUR/m²), Slovenia, 2008-2014

Last year, 8 sales of flats were recorded at a price of EUR 4,000 and more per square metre – 5 in Ljubljana (3 newly built properties) and one each in Portorož, Izola and Ankaran.

Last year, in all larger towns and areas with an active housing market, average prices of flats again reached record low levels.

By tradition, the average price of a resale flat was highest in the touristic **Coast region excluding Koper**. In 2014, the average price was EUR 2,250/m². Despite a relatively large fall of 10% in 2013, the average price remained virtually unchanged compared to the previous year. Compared to 2008, it fell by as much as 27%, which was the second largest decrease seen in the areas considered, the largest being recorded by Koper. The recorded sales of resale flats increased by over a quarter compared to 2013.

Slovenia's capital is ranked second in terms of the level of prices. In 2014, the average price of a resale flat in **Ljubljana** stood at about EUR 2,020/m². Compared to 2013, it fell by 3%, which is a significantly smaller drop than the 10% recorded a year before. Compared to 2008, it fell by 24%. Compared to 2013, the recorded sales of resale flats increased slightly more in Ljubljana than in the Coast region excluding Koper.

In the past two years, **Koper** has seen the largest fall in prices of resale flats among Slovenian cities. In 2013, the average price of a resale flat fell by 8% compared to the year before, and further decreased by 13% in 2014. Compared to the record year of 2008, the largest fall in the average price, which stood at EUR 1,780/m² in 2014, was in Koper with a drop of 29%. In 2014, the recorded sales increased considerably, by around 15%, compared to the previous year, when they decreased by a quarter.

In **the surroundings of Ljubljana**, which includes Vrhnika, Medvode, Mengeš, Trzin, Kamnik, Domžale and Grosuplje, the average price of a resale flat in 2014 was EUR 1,650/m². Compared to 2013, it was 8% lower, while compared to 2008, it was 21% lower. In 2014, the recorded sales increased by a similar rate as in Ljubljana.



Last year, the average price of a resale flat in **Kranj** was EUR 1,530/m². Compared to 2013, it was only 2% lower, while compared to 2008, it was 16% lower, which was below the national average and was the smallest decrease among Slovenian cities. The recorded sales in 2014 increased by over a third, which was the largest increase among all areas considered.

In 2014, the average price of a resale flat in **Maribor** stood at EUR 1,050/m². Compared to 2013, it fell by 3%. In the past two years, Maribor has seen the smallest fall in prices among all areas considered. In 2014, prices fell by 22% compared to 2008. The recorded sales in 2014 increased by around 5%, or less than in any other area considered.

In 2014, the average price of a resale flat in **Celje** was EUR 1,040/m². Compared to 2013, it fell by 13%, which was one of the largest declines in the areas considered, the other being recorded in Koper. This price fall practically closed the gap between the prices of flats in Celje and Maribor; the last time this happened was in 2009, when the property market crisis bottomed out. Compared to 2008, the price fell by 26%. In 2014 the recorded sales increased by around 15%, as in Koper.

The primary housing market ²

In 2014, a total of 628 sales were recorded in the primary market. More than half of them were in Ljubljana and its surroundings. The average price of a flat at the national level was EUR 1,950 including VAT per square metre of usable floor area without parking spaces and garages.

Table 3: Average prices and structure of flats sold in the primary market, 2014

Analytical region	Indicator	2014
SLOVENIA	Size of sample	628
	Average price (EUR/m²) including VAT	1.950
	Average year of construction	2011
	Usable floor area (m²)	64
LJUBLJANA	Size of sample	260
	Average price (EUR/m²) including VAT	2.400
	Average year of construction	2013
	Usable floor area (m²)	64
LJUBLJANA SURROUNDINGS	Size of sample	63
	Average price (EUR/m²) including VAT	2.250
	Average year of construction	2012
	Usable floor area (m²)	65
MARIBOR	Size of sample	42
	Average price (EUR/m²) including VAT	1.500
	Average year of construction	2010
	Usable floor area (m²)	68
KRANJ	Size of sample	61
	Average price (EUR/m²) including VAT	1.600
	Average year of construction	2010
	Usable floor area (m²)	69
COAST REGION EXCLUDING KOPER	Size of sample	27
	Average price (EUR/m²) including VAT	2.500
	Average year of construction	2009
	Usable floor area (m²)	69

highest lowest

² Due to the small statistical sample of flats for first-time occupancy for sale (the primary market), the calculation of average prices and other statistical indicators is based only on analytical regions in which more than 25 sales were recorded.



As regards the prices of new flats in areas with an active primary market, the areas are ranked in the same order as in the case of resale flats. Despite the modest volume of sales and considerably lower prices, the average price of a new flat was the highest in the Coast region. In this area, the average year of construction of flats sold was the least recent, which shows that these were mostly flats that had remained unsold since the onset of the crisis.

The average price and structure of flats sold in Ljubljana were largely determined by the successful sale of flats built last year within the largest housing project of the Housing Fund of the Republic of Slovenia – the residential complex in Brdo, Ljubljana.

The prices of new flats were the lowest in Maribor, where the sale of flats was almost exclusively limited to flats from stranded projects.

Houses ³

At the end of 2014, approximately 530,000 housing units in single- and two-dwelling houses were recorded in Slovenia. They accounted for around 60% of the entire housing stock.

In 2014, there were approximately 4,100 sales of family houses recorded, which was an increase of 12% compared to 2013. Among the houses sold, 79% were detached houses, 12% terrace houses and 9% semi-detached houses.

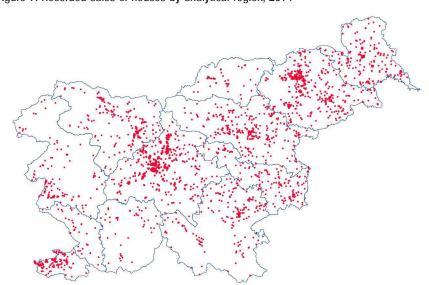


Figure 7: Recorded sales of houses by analytical region, 2014

Last year, the average contract price of a house with associated land was around EUR 105,000. Compared to 2013, it fell by 8%.

The average floor area of a house sold was 151 m² or 4 m² larger than the year before. The average surface area of associated land was around 1,050 m² and did not change compared to the year before. The median year of construction was the same as the year before (1971), which means that, on average, the houses sold were one year older.

³ There are significant differences in the structure of the houses with associated land sold in different areas of the country. They are mainly due to the local features of the existing inventory of houses and should be taken into account in the comparison of average prices and other statistical indicators between areas.



Table 4: Average prices and structure of houses sold, 2008-2014

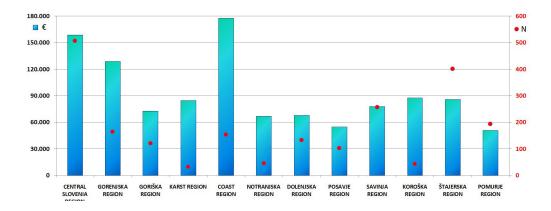
Analytical region	Indicator	2008	2009	2010	2011	2012	2013	2014
SLOVENIA	Size of sample	1688	1293	1964	2059	2162	1750	2144
	Average contract price (EUR)	144.000	128.000	124.000	120.000	119.000	114.000	105.000
	Year of construction (median)	1969	1972	1971	1970	1970	1971	1971
	House floor area (m²)	143	142	141	141	145	147	151
	Land area (m²)	1050	1140	930	1090	1110	1050	1050
LJUBLJANA	Size of sample	128	79	153	169	185	160	197
	Average contract price (EUR)	369.000	291.000	276.000	276.000	254.000	233.000	202.000
	Year of construction (median)	1962	1965	1970	1969	1969	1970	1966
	House floor area (m²)	164	179	177	161	174	161	170
	Land area (m²)	470	410	440	420	480	440	430
LJUBLJANA	Size of sample	134	96	152	156	189	169	216
SURROUNDINGS	Average contract price (EUR)	226.000	207.000	218.000	201.000	170.000	172.000	153.000
	Year of construction (median)	1976	1984	1986	1985	1981	1980	1980
	House floor area (m²)	169	175	172	173	161	181	178
	Land area (m²)	690	580	600	660	690	750	630
MARIBOR	Size of sample	68	46	90	75	82	73	94
	Average contract price (EUR)	182.000	139.000	132.000	114.000	118.000	100.000	108.000
	Year of construction (median)	1964	1962	1964	1959	1965	1962	1970
	House floor area (m²)	145	160	143	144	162	158	163
	Land area (m²)	460	560	450	550	590	520	560
MARIBOR	Size of sample	124	121	141	131	128	80	139
SURROUNDINGS	Average contract price (EUR)	112.000	117.000	106.000	96.000	103.000	99.000	88.000
	Year of construction (median)	1982	1982	1980	1985	1978	1983	1980
	House floor area (m²)	144	135	136	143	155	145	155
	Land area (m²)	960	1120	910	1290	1160	980	1250

highest lowest

A comparison of the areas in which, on average, most house sales occurred shows that the houses sold differ considerably in their age and size and the size of their associated land. This is why their prices are not comparable. By years, house prices are more comparable within particular areas, in which the structure of houses sold changes to a significantly lesser extent due to a more unified housing stock within a particular area. Despite this, it is evident that house prices throughout the country reached their peak in 2008, while in 2014 they reached record low levels for the third year in a row. On average, in 2014 prices were 30% lower compared to 2008, while in some areas, for example Ljubljana and Maribor, they almost halved.



Figure 8: Average prices of houses with associated land (in EUR) and the number of sales taken into account by analytical region, 2014



Last year, the most recently built (the median year of construction was 1975) and the largest (the average floor area was 190 m²) houses were sold in the Koroška region. The smallest houses (the average floor area was around 130 m²) were sold in the Coast region. The size of associated land was the largest in the Posavje region, where the average land size was more than 1,800 m², and the smallest in the Coast region, where the average land size was less than 500 m².

Last year, the price ratio among the country's areas did not change. On average, the most expensive houses were, as usual, sold in the Coast region, and the least expensive in the Pomurje region.

Last year, there was only one sale registered where the contract price of the house with associated land exceeded EUR 1 million. It was sold in Ljubljana. In addition, eleven sales were registered where the contract price was EUR 0.5 million or more. Seven such houses were sold in the Coast region, two in Ljubljana, and one in both the Pohorje and the Savinja Valley regions.

In Ljubljana, the price of an averagely maintained 170 m² house with slightly less than 500 m² of associated land, built in around 1966, was slightly over EUR 200,000 or 15% lower than the year before. In the surroundings of Ljubljana, the price of a 180 m² house with 650 m² of associated land, built around 1980, was slightly more than EUR 150,000 or 10% lower than the year before.



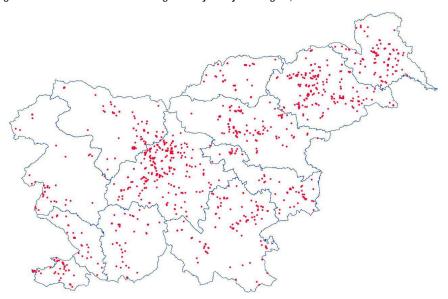
In Maribor, the price of an averagely maintained 160 m² house with over 500 m² of associated land, built around 1970, was slightly less than EUR 110,000, i.e. around the same level as the year before. In the surroundings of Maribor, the price of a 35-year old house of 155 m² with 1,250 m² of associated land was on average EUR 90,000.

In the Pomurje region, the price of an averagely maintained 40-year old house of 140 m² with almost 2,000 m² of associated land was slightly more than EUR 45,000.

Building land

In 2014, approximately 1,900 sales of building land for the construction of residential and commercial buildings were recorded, which is 11% fewer than in 2013.

Figure 9: Recorded sales of building land by analytical region, 2014



The average contract price of building land sold was EUR 49/m², an increase of 9% compared to 2013. Compared to 2008, the price fell by almost 30%. However, despite modest sales, the relatively limited supply of building land in urban centres prevents prices from falling even further.

Last year, the average area of land sold was around 1,000 m^2 , which is 60 m^2 more than the year before.



300

□ €/m²

100

200

40

20 CENTRAL GORENISKA GORIŠKA KARST REGION COAST NOTRANISKA DOLENISKA POSAVJE SAVINJA KOROŠKA ŠTAJERSKA POMURJE SLOVENJA REGION R

Figure 10: Average prices of building land (in EUR/m²) and the number of sales taken into account by analytical region, 2014

In the last few years, the sale of building land has mainly been limited to the sale of land for the construction of family houses, considering that the sale of larger plots of land for the construction of multi-dwelling and commercial buildings was very rare. Last year, for example, a total of 22 sales of building land of more than 5,000 m² were recorded.

Last year, the prices of building land were the highest in the centres of towns and resorts, where land prices are still relatively high due to the low supply and high demand. Among major cities, the highest average price of building land was recorded in Ljubljana, where it exceeded EUR 200/m².

Among analytical regions, the average price of building land was the highest in the Gorenjska region (EUR 117/m²). By tradition, the lowest prices of building land were recorded in the Pomurje region, where the average price was EUR 13/m². Last year, the largest plots of land, of 1,300 m² on average, were sold in the Pomurje region, while the smallest plots, of less than 700 m² on average, were sold in the Coast region.

Commercial property

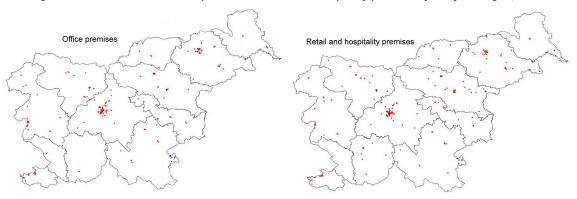
At the end of 2014, there were more than 43,000 units of office premises and close to 37,000 units of commercial premises comprising retail and hospitality premises for craft, restaurant and other service activities recorded in Slovenia.

In 2014, a total of almost 1,200 sales of commercial premises were recorded at the national level, which is by far the largest number of sales since 2007, when the property market began to be monitored systematically. It is assessed that this was partly due to the improved capture of data on commercial property sales transactions that were subject to VAT, introduced by the new regulation of reporting to the property market register, which has been in force since 1 July 2013. Accordingly, 12% of commercial property sales transactions recorded in 2014 were subject to VAT, whereas practically no such transactions were recorded before the entry into force of the new regulation.

Given the quality of data recorded, around half of the recorded sales transactions could be taken into account in the calculations of statistical indicators.



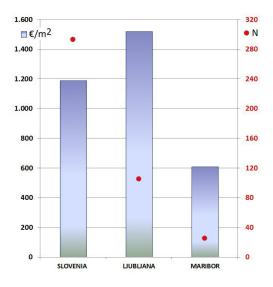
Figure 11: Recorded sales of office premises and retail and hospitality premises by analytical region, 2014



The average contract price of office premises and retail and hospitality premises sold at the national level was approximately EUR 1,200/m2 or EUR 1,100/m². The median year of construction was 1980 in the case of office premises and 1983 in the case of retail and hospitality premises. The average sales area of office premises was 150 m² and that of retail and hospitality premises 175 m².

Since average prices of commercial property fluctuate greatly from year to year due to small and non-representative sales samples and the heterogeneity of commercial property, particularly retail and hospitality premises, it is difficult to assess anything other than general trends. Compared to the record year of 2008, prices of commercial property decreased, but not to such an extent as the prices of residential property. Last year, prices continued the downward trend. Compared to 2013, prices of commercial property decreased on average more than that of residential property. The public sale of property from bankruptcy estates of failed companies accounted for most of the commercial property sales transactions. Considering the record number of company bankruptcies last year, this trend is expected to continue in the future.

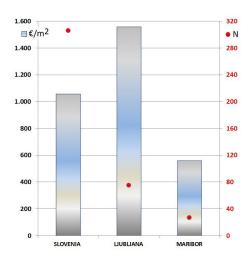
Figure 12: Average prices of office premises (in EUR/m²) and the number of sales taken into account, for the two largest cities, 2014



Last year, the average price of retail and hospitality premises in Ljubljana was approximately EUR 1,500/m² (number of sales taken into account: 105; median year of construction: 1979; average floor area: 155 m²), and in Maribor EUR 600/m² (number of sales taken into account: 25; median year of construction: 1978; average floor area: 135 m²).



Figure 13: Average prices of retail and hospitality premises (in EUR/m²) and the number of sales taken into account, for the two largest cities, 2014



Last year, the average price of retail and hospitality premises in Ljubljana was approximately EUR 1,500/m² (number of sales taken into account: 75; median year of construction: 1990; average floor area: 270 m²), and in Maribor approximately EUR 550/m² (number of sales taken into account: 27; median year of construction: 1964; average floor area: 125 m²).

The comparison between the two cities shows that the gap between commercial property prices in the two cities was significantly wider, in favour of Ljubljana, than that between residential property prices.

Agricultural land and forestland

At the end of 2014, approximately 7,500 km² of agricultural land and 11,000 km² of forestland were recorded in Slovenia. In 2014, approximately 6,500 sales of agricultural land were recorded last year, which was approximately 12% fewer than the year before.

Figure 14: Recorded sales of agricultural land by analytical region, 2014



Last year, slightly over 2,000 sales of forestland were recorded last year or approximately 1% fewer than in 2013.

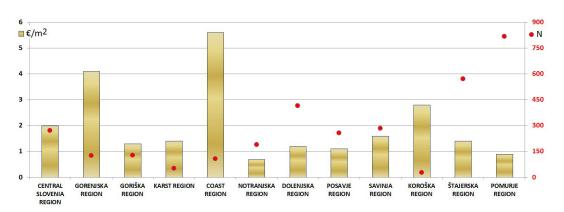


Figure 15: Recorded sales of forestland by analytical region, 2014



The average contract price of agricultural land was EUR 1.50/m². The average area of land sold was slightly over 0.5 ha or a little less than in 2012. In 2014, the prices of agricultural land continued a slightly upward trend, which has been evident since 2010. The average price increased by around 5% and reached its highest level since the onset of the property market crisis. As is typical, last year, prices were highest in the Coast region, determined by the relatively high level of prices of other types of properties and speculative purchases in the hope of a change of use from agricultural to building land in the future. Last year, the average price of agricultural land in the Coast region was EUR 5.60/m². As usual, the average area of land sold was smallest in this area (less than 2,000 m²).

Figure 16: Average prices of agricultural land (in EUR/m²) and the number of sales taken into account by analytical region, 2014

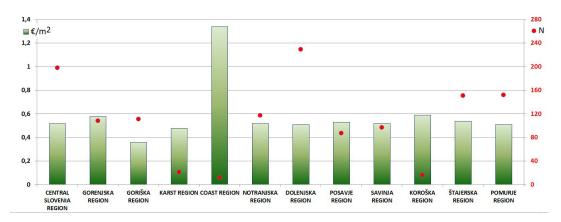




Last year, the lowest average price of agricultural land was recorded in the Notranjska region, at EUR 0.70/m². In the Pomurje region, where the supply of agricultural land is traditionally the highest and where the greatest number of transactions was recorded last year, the average price was EUR 0.90/m².

Not taking into account the Koroška region, where 28 sales transactions were recorded in 2014, with several of them involving large plots of land, thereby considerably increasing the average sales area, the largest plots of land were sold in the Štajerska region, where the average area of agricultural land sold was approximately 6,800 m².

Figure 17: Average prices of forestland (in EUR/m²) and the number of sales taken into account by analytical region, 2014



Last year, the average contract price of forestland was EUR 0.52/m². The average area of forestland sold was around 1.4 ha or approximately 8% less than in 2013. Damage caused to forests by the ice storm in February last year has not significantly affected the sales of forestland, at least for the time being, since the volume of sales and the average price of forestland at the national level remained practically unchanged compared to 2013.

Not taking into account the Coast region and the Koroška region, where only 12 and 16 sales transactions were recorded, respectively, the highest average price of forestland was recorded last year in the Gorenjska region at EUR 0.58/m². The lowest average price was recorded in the Goriška region, at EUR 0.36/m².





CONCLUDING COMMENTARY

The noticeable decrease in the sales of residential property in 2013 implied that the Slovenian property market crisis might reach its peak for the second time in 2014, when the trend reversed last year. Hence, last year saw the highest volume of sales since the peak of the crisis in 2009.

The relatively strong downward trend in prices of residential property continued in 2014, mainly due to a decline in the prices of family houses and flats in the primary market, while prices of flats in the secondary market began to stabilise.

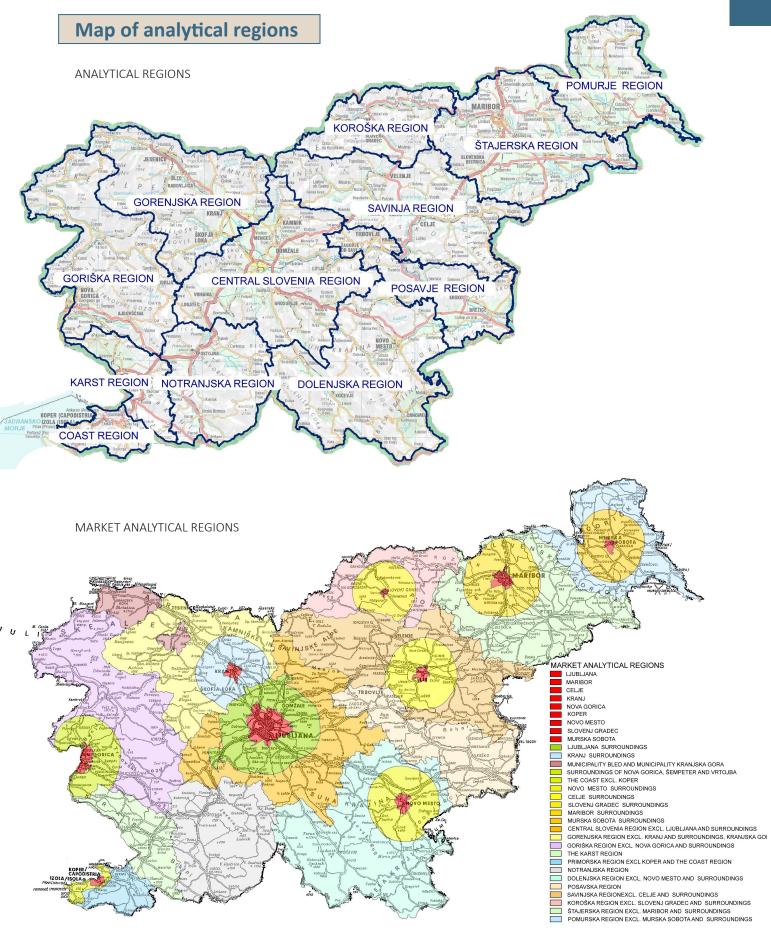
Last year, prices of residential property reached their lowest level since the beginning of the systematic monitoring in 2007. Prices of flats hit the lowest level for the third year in a row, while the prices of houses have reached the lowest level every year since 2009. Compared to 2008, when prices of houses reached their peak, they fell by almost a third, while prices of flats fell by around a quarter. The fall in the prices of flats was largely due to the lowering of the prices of flats from stranded projects.

This trend is not expected to reverse until the supply of unsold flats built in the years after the start of the crisis in the primary housing market decreases. Considering the speed of bankruptcy proceedings and the sale process, this can take several years; in the meantime, prices are expected to gradually stabilise. If the volume of sales of residential property remains at the same level in 2015 despite a decline in advertising due to the introduction of energy performance certificates, this will finally signal the end of the Slovenian property market crisis.





Annex 1:





Annex 2:

Statistical indicators of the real property market for 2014

Sample (N) – number of sales taken into account in calculations

Floor area (m²) — average floor area of the building or parts of the building (arithmetic mean)

Land (m²) – average land area (arithmetic mean)

Year of construction – year of construction (median) of the building or parts of the building

Price (€/m²) — weighted average of prices in euros per square metre

Price (€) – arithmetic mean of prices in euros

highest value of the indicator lowest value of the indicator

Comments and explanation of the methodology used

- This report details the calculation of statistical indicators for property market analysis by analytical region. Analytical regions are defined as areas of market influence of large urban centres and areas between them. Their borders run along the borders of settlements as defined in the Register of Spatial Units of the Surveying and Mapping Authority of the Republic of Slovenia. Analytical regions are further divided into market analytical regions comprised of large urban centres, their surroundings and the remaining analytical regions.
- For houses, net floor area is taken into account, while for flats, office premises and retail and hospitality premises, usable floor area is taken into account. The 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 a building or whole building is the sum of the areas of premises belonging to that part of the building or whole building that are being used for the same purpose as that part of the building or whole building. For example, in the case of a flat, this means areas of all living quarters (without balconies, terraces, basements, garages, etc.).
- The median year of construction is the year in the middle of a set of ordered construction years, whereby half the years of construction of parts of buildings or buildings have values that are greater than the median, and half have values that are less than the median.
- The weighted average of prices is calculated as a ratio between the sum of all contract prices in euros and the sum of all square metres sold (∑€/∑m²).

Flats, 2014

Region	Sample (N)	Floor area (m²)	Year of construction	Price (€/m²)
SLOVENIA	5.982	52	1976	1.460
CENTRAL SLOVENIA REGION	2.239	53	1976	1.910
GORENJSKA REGION	537	52	1977	1.470
GORIŠKA REGION	202	54	1975	1.270
KARST REGION	64	56	1980	1.310
COAST REGION	409	51	1978	2.070
NOTRANJSKA REGION	160	56	1987	1.060
DOLENJSKA REGION	205	51	1978	1.120
POSAVJE REGION	276	49	1965	740
SAVINJA REGION	614	51	1976	1.020
KOROŠKA REGION	184	53	1973	850
ŠTAJERSKA REGION	953	52	1975	1.020
POMURJE REGION	139	49	1976	800

Consolidated data on recorded market sales of resale flats in multi-dwelling buildings are taken into account. Prices are rounded to the nearest EUR 10.



Single- and two-dwelling houses with associated land, 2014

Region	Sample (N)	Floor area (m²)	Land (m²)	Year of construction	Price (€/m²)
SLOVENIA	2.150	150	1971	1.050	105.000
CENTRAL SLOVENIA REGION	507	170	1973	640	159.000
GORENJSKA REGION	164	160	1974	670	129.000
GORIŠKA REGION	121	140	1921	650	73.000
KARST REGION	32	140	1941	830	85.000
COAST REGION	153	130	1970	490	178.000
NOTRANJSKA REGION	45	140	1962	1.010	67.000
DOLENJSKA REGION	133	150	1973	1.420	68.000
POSAVJE REGION	102	140	1966	1.840	55.000
SAVINJA REGION	256	140	1972	1.370	78.000
KOROŠKA REGION	43	190	1975	860	88.000
ŠTAJERSKA REGION	401	150	1974	1.280	86.000
POMURJE REGION	193	130	1970	1.640	51.000

Consolidated data on recorded market sales of completed single-and two-dwelling buildings (detached single-dwelling houses, semi-detached houses and terrace houses) with associated land are taken into account. Floor areas of houses and areas of associated land are rounded to the nearest 10 m², and prices to the nearest EUR 1,000.

Building land, 2014

Region	Sample (N)	Floor area (m²)	Price (€/m²)
SLOVENIA	1.024	1.000	49
CENTRAL SLOVENIA REGION	245	960	105
GORENJSKA REGION	67	720	117
GORIŠKA REGION	37	1.180	27
KARST REGION	28	810	54
COAST REGION	43	660	100
NOTRANJSKA REGION	46	860	28
DOLENJSKA REGION	92	1.120	20
POSAVJE REGION	59	1.000	26
SAVINJA REGION	105	1.010	29
KOROŠKA REGION	38	830	28
ŠTAJERSKA REGION	173	1.100	25
POMURJE REGION	91	1.290	13

Consolidated data on recorded market sales of building land for the construction of residential buildings, irrespective of its administrative and legal status, are taken into account. Land areas are rounded to the nearest $10\ m^2$.



Office premises, 2014

Region	Sample (N)	Floor area (m²)	Year of construction	Price (€/m²)
SLOVENIA	293	150	1980	1.190
LJUBLJANA	105	155	1979	1.520
MARIBOR	25	135	1978	610

Consolidated data on recorded market sales of office premises in commercial and residential/commercial buildings are taken into account. Floor areas are rounded to the nearest 5 $\,\mathrm{m}^2$, and prices to the nearest EUR 10.

Retail and hospitality premises,

Region	Sample (N)	Floor area (m²)	Year of construction	Price (€/m²)
SLOVENIA	306	175	1983	1.060
LJUBLJANA	75	270	1990	1.560
MARIBOR	27	125	1964	560

Consolidated data on recorded market sales of premises intended for retail, hospitality and other service activities in commercial and commercial/residential buildings are taken into account. Floor areas are rounded to the nearest 5 m^2 , and prices to the nearest EUR 10.

Agricultural land, 2014

Region	Sample (N)	Floor area (m²)	Price (€/m²)
SLOVENIA	3.251	5.200	1,5
CENTRAL SLOVENIA REGION	272	6.000	2,0
GORENJSKA REGION	126	6.300	4,1
GORIŠKA REGION	129	5.700	1,3
KARST REGION	53	3.100	1,4
COAST REGION	108	1.900	5,6
NOTRANJSKA REGION	189	4.000	0,7
DOLENJSKA REGION	415	3.600	1,2
POSAVJE REGION	257	5.300	1,1
SAVINJA REGION	285	4.800	1,6
KOROŠKA REGION	28	9.800	2,8
ŠTAJERSKA REGION	572	6.800	1,4
POMURJE REGION	817	5.300	0,9

Consolidated data on recorded market sales of agricultural land are taken into account. Land areas are rounded to the nearest 100 m 2 , and prices to the nearest EUR 0.1.



Forestland, 2014

Region	Sample (N)	Floor area (m²)	Price (€/m²)
SLOVENIA	1.299	14.200	0,52
CENTRAL SLOVENIA REGION	198	15.200	0,52
GORENJSKA REGION	108	17.500	0,58
GORIŠKA REGION	111	17.500	0,36
KARST REGION	21	8.700	0,48
COAST REGION	12	5.000	1,34
NOTRANJSKA REGION	117	16.300	0,52
DOLENJSKA REGION	229	12.700	0,51
POSAVJE REGION	87	14.600	0,53
SAVINJA REGION	97	14.500	0,52
KOROŠKA REGION	16	82.700	0,59
ŠTAJERSKA REGION	151	10.900	0,54
POMURJE REGION	152	5.900	0,51





Annex 3:

Lease register

In accordance with the new legislative arrangements regarding reporting to the property market register (ETN), which entered into force on 1 July 2013, owners are obliged to notify the Surveying and Mapping Authority of the Republic of Slovenia of concluded lease agreements regarding the buildings and parts of the buildings they are leasing out. Until 15 March 2014, it was necessary to report all leases that were valid on 1 July 2013. On this basis, the register of lease agreements with regard to buildings and parts of buildings was established in March 2014.

Unfortunately, the establishment of the lease register coincided with the announced introduction of the property tax, which also provided for the use of the property market register for tax purposes. Among other things, this was also intended to establish whether properties leased at market value are classified as "domiciled" and therefore taxed at a lower rate in accordance with the proposed Real Property Tax Act, which did not come into force.

Since the property market register is basically an analytical register, and those who report to it do not have to submit any proof of lease agreements concluded, and particularly due to the unclear and statutorily vague rules for establishing whether property is domiciled based on a lease, landlords of residential property also submitted, intentionally or not, misleading data on the type of lease, the subject of the lease, the time of conclusion of the lease, the duration of the lease, and in particular, the amount of rent. Since in Slovenia renting out flats at market value is subject to high taxes and is mainly in the control of the owners – natural persons, the trend of submitting misleading information about the amount of rents also continued after the Real Property Act was repealed. Analyses of the recorded data on residential rents have shown that the quality of these data does not enable us to draw up high-quality statistics for actual market-value rents.

The quality of data recorded, however, is considerably better as regards the leasing out of commercial premises at market value, an activity mainly performed by legal entities, which, unlike natural persons, are obliged to submit information on lease agreements concluded to the property market register only in electronic form. When a sufficient time series of data is established, it will be possible to systematically monitor marker-value rents for commercial premises, at least in the largest cities.

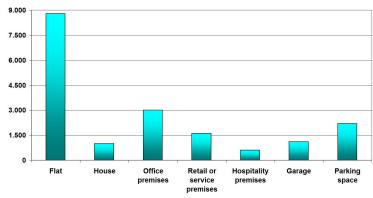


Table 1: Number of lease agreements concluded on the open market by type of property leased, Slovenia, 2014

Type of property leased	Number of lease agreements concluded
Flat	8.800
House	1.000
Residential premises TOTAL	9.800
Office premises	3.000
Retail or service premises	1.600
Hospitality premises	600
Commercial premises TOTAL	5.200
Garage 1.100	
Parking space 2.200	
Parking spaces TOTAL	3.300

Note: The number of agreements concluded is rounded to the nearest 100.

Figure 1: Number of lease agreements concluded on the open market by type of property leased, Slovenia, 2014



The total number of lease agreements concluded = 18,300.

For 2014, landlords reported new lease contracts and annexes for 8,800 flats and around 1,000 houses rented at market value. 44% of all contracts and annexes for the lease of residential properties at market value were concluded in Ljubljana (36%) and Maribor (8%).

In the same period, around 5,200 commercial property lease contracts were concluded or renewed, of which 58% were leases for office premises, 31% for retail or other service premises, and 12% for hospitality premises. In addition, around 3,300 new contracts and annexes were recorded for the lease of garages and parking spaces in buildings.

The number of reported residential property lease agreements declined by over a third compared to 2013. We assess that this was largely due to a decline in reporting due to the repealing of the Property Tax Act, rather than to an actual decline in new lease agreements.



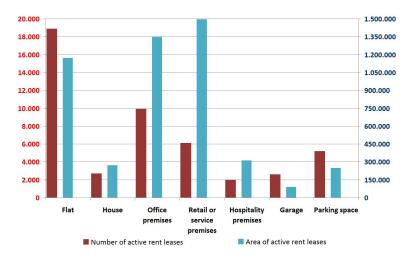
Compared to the previous year, the number of commercial property leases declined by around 15%, particularly at the expense of office premises. However, it is not yet possible to assess whether this is actually a downward trend in new or renewed leases.

Table 2: Number of active market rent leases and leased properties by type of property leased, Slovenia, as at 31 December 2014

Type of property leased	Number of active contracts	Property leased in m ²
Flat	18.900	1.172.000
House	2.700	271.000
Residential premises TOTAL	21.600	1.443.000
Office premises	9.900	1.351.000
Retail or service premises	6.100	1.494.000
Hospitality premises	2.000	311.000
Commercial premises TOTAL	18.000	3.156.000
Garage	2.600	88.000
Parking space	5.200	249.000
Parking spaces TOTAL	7.800	337.000

Note: The number of active contracts is rounded to the nearest 100, floor areas are rounded to the nearest $1,000 \text{ m}^2$.

Figure 2: Number of active market rent leases and leased properties by type of property leased, Slovenia, as at 31 December 2014



The total number of active leases = 47,400

According to the data recorded, there were approximately 50,000 flats leased in Slovenia at the end 2014. About 19,000 of these flats were leased on the open market for a market value rent, over 16,000 flats were leased out by municipalities or the state or their housing funds for a rent set in accordance with the Housing Act, over 1,000 flats were leased out to connected natural persons or legal entities , and over 13,000 flats were leased out on the basis of other types of rent leases.



In addition to almost 10,000 active market rent leases of office premises and around 8,000 leases of retail, service and hospitality premises, there were around 3,000 leases to connected natural persons or legal entities.

At the end of 2014, the number of active market rent leases of flats was around 10% lower than the year before, while the number of active leases of houses was around 5% lower. We assess that the decline in active market rent leases of residential properties was mainly due to the subsequent termination of fictional leases reported to the property market register after the announcement of the introduction of the property tax.

Compared to the previous year, the number of active leases of retail or service premises, hospitality premises and office premises increased by 9%, 6% and 4%, respectively. We assess that the increase in the number of leases of commercial premises was due to the downward trend in rents that started several years ago. Last year saw a larger increase in the number of leases of retail and hospitality premises than of office premises, mainly because rents for office premises had already fallen during the previous years.

The total floor area of commercial premises leased at the national level was approximately 2.2 times larger than the total floor area of residential premises leased.

Market rent lease of flats

According to the data recorded, landlords are business entities in only around 15% of market rent leases of flats. In this regard, it should also be taken into account that a certain number of owners lease only one or two flats through their company for tax reasons. This shows that, in Slovenia, the lease of flats is extremely poorly developed as a business activity. The ratio between individual and commercial market rent leases of flats is even more unfavourable, as in addition to recorded leases, there is also an unknown quantity of leases in the grey market. Such a structure of landlords has an unfavourable impact on the transparency of the rental housing market and on the level of the legal protection of tenants and landlords, while the poorly developed business activity of commercial leasing out of flats, in particular, hampers the possibility of meeting the residential needs of the population by means of long-term leasing as an alternative to the purchase of a flat.

More than half of the nearly 19,000 active market rent leases of flats recorded on the last day of the previous year were in the five largest towns: 34% in Ljubljana, 10% in Maribor, and 3% in each of Kranj, Koper and Celje.

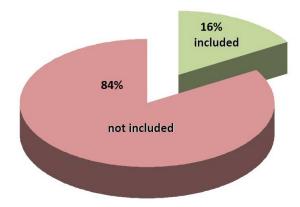


Figure 3: Active market rent leases of flats by the term of the lease, Slovenia, as at 31 December 2014



At the end of 2014, considering the term of the lease, 60% of active leases of flats were granted for an indefinite term. A good fifth of leases were granted for a period of 6 to 24 months, and a little less than a fifth for a fixed period of more than 24 months. The percentage of leases for a period of up to one year is expected to increase in the future at the expense of long-term leases or leases for an indefinite term as a result of a new regulation that prohibits the lease of property without an energy performance certificate for a period of one year or more.

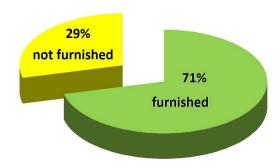
Figure 4: Active market rent leases of flats according to whether operating expenses are included in the rent, Slovenia, as at 31 December 2014



Operating expenses were wholly or partly included in the rent in only 16% of active leases recorded at the end of 2014. This shows that, in Slovenia, operating expenses are usually not included in the market rent and tenants pay all property operating expenses for utilities and management directly to suppliers or service providers or managers of multi-dwelling buildings.

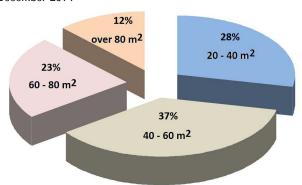


Figure 5: Active market rent leases of flats according to whether the leased flat is furnished, Slovenia, as at 31 December 2014



The leased flats were furnished at the time of the conclusion of the lease agreement in 71% of active leases of flats recorded at the end of 2014, which shows that, in Slovenia, flats leased on the open market are in most cases fully or partly furnished and therefore available for immediate occupancy.

Figure 6: Active market rent leases of flats by the size of the property leased, Slovenia, as at 31 December 2014



Leases of flats of the size of an average two-room flat accounted for 37% of the leases of flats on the open market recorded at the end of 2014, while leases of flats of the size of an average studio flat or one-room flat, three-room flat, and four- or more room flat accounted for 28%, 23%, and 12%, respectively.

Market rent lease of commercial premises

In larger Slovenian towns, the rental side of the commercial property market is relatively well developed. In Slovenia, as is typical of market economies, for business entities, the lease of commercial premises is an alternative to purchase or own-account construction. One of the advantages of a lease is that, instead of making an unproductive investment in acquiring their own real property, business entities may invest their capital in the development of their activity. A lease gives them greater flexibility, as they can relatively quickly move to different premises in the event of changed market circumstances. This is particularly important in harsh economic conditions, which were also witnessed in Slovenia in the years since the start of the crisis. The supply of commercial premises for lease has increased and rents have been decreasing from year to year as a result of many companies having gone bankrupt or having reduced their scale of op-



erations, on the one hand, and the low demand for the purchase of commercial premises, on the other.

At the end of 2014, 10,000 active leases of commercial premises were recorded in Slovenia, of which 45% were in Ljubljana, 7% in Maribor, 4% in Koper, and 3% in each of Kranj and Celje. Furthermore, a total of 8,000 active leases of retail, service and hospitality premises were recorded, of which 26% were in Ljubljana, 9% in Maribor, 4% in each of Koper and Celje, and 3% in Kranj. Such leases, of course, depend on the size of the towns or their stock of commercial properties, and partly on the level of commercial activity and the level of occupancy of available commercial premises.

Figure 7: Active market rent leases of commercial premises by the term of the lease, Slovenia, as at 31 December 2014



Considering the term of the lease, 70% of active leases of office premises, 64% of active leases of retail and service premises, and 53% of active leases of hospitality premises recorded at the end of 2014 were granted for an indefinite term. In general, the percentage of leases for an indefinite term is greater in commercial property than in residential property, while the percentage of short-term leases for a period of up to one year, in particular, decreased. This is understandable since tenants and landlords are more interested in long-term leases, the former to ensure smooth operation and the latter to ensure the occupancy of premises and stable revenue from the lease.





Figure 8: Active market rent leases of commercial premises according to whether operating expenses are included in the rent, Slovenia, as at 31 December 2014

Retail and service premises	Yes	27%	No		73%	
Office premises	Yes	35%		No	65%	
Hospitality premises	Yes	24%	No		76%	

Operating expenses were wholly or partly included in the rent in 35% of active leases of office premises, 27% of active leases of retail or service premises, and 24% of active leases of hospitality premises recorded at the end of 2014. Operating expenses are more often included in the rent in the lease of commercial premises than in the lease of residential premises. This is particularly characteristic of large landlords, for example, owners of commercial or retail buildings in which it is not possible to calculate costs by individual user.





Figure 9: Active market rent leases of commercial premises according to whether the leased premises are furnished, Slovenia, as at 31 December 2014

Retail and service premises	Yes 22°	% No		78%	
Office premises	Yes	42%	No	58%	
Hospitality premises	Yes	51%		No 49%	

In 42% of active leases of office premises recorded at the end of 2014, premises were fully or partly furnished at the time of the conclusion of the lease agreement. Similarly, premises were fully or partly furnished in 22% of active leases of retail and service premises and in 51% of active leases of hospitality premises recorded. The lower percentage of furnished premises in the lease of retail and service premises is due to the fact that, in such leases, particularly in large shopping centres, the lease agreement is usually conditional on the tenant's input into the completion or refurbishment of premises. The percentage of furnished premises is higher in the lease of hospitality premises because smaller owners often make the lease conditional on the purchase of the equipment at the premises as an inseparable part of the premises.



2014