

# Moving the borders in Bratislava's residential market



**The recent economic crisis and even more recent concerns about the future of the euro, as well as the possibility of another downturn in the global economy, have had a significant impact on Slovakia's real estate market. New trends in the market are appearing. An interesting example of this is the migration of Slovaks to neighboring Austrian villages. They are searching for cheaper living and a better standard of life and social securities.**

## Development in Bratislava since the beginning of the crises.

The year 2009 showed a "STOP" sign for transactions. People simply did not make any decisions and the market stopped for one year. New projects in construction were brought into being and somehow finished with massive involvement from their financing banks. Megaprojects were buried. Fortunately Bratislava's overdevelopment stopped with projects delivering hundreds of units in comparison with Spain where projects with 10's of thousands of units were finalized and remain empty to this day...

The average price of residential real estate in Bratislava has been decreasing since 2009 and is only now showing the first signs of stabilization.

The residential market is split to secondary real estate and new projects. In the secondary market average prices are currently at the level of 1,800 EUR/m<sup>2</sup> incl. VAT (in majority of the transaction VAT is not applicable). The average prices of new apartments are 1,800 EUR plus VAT.

From the point of view of city districts, most expensive is, as expected Bratislava 1, where prices oscillate around 2,200 EUR/m<sup>2</sup>; least expensive is Bratislava 5 with 1,500 EUR/m<sup>2</sup>.

As such, the difference of almost 700 EUR/m<sup>2</sup> is significant.

The main focus of all buyers however, is the absolute final price, i.e. the attainable level of financing. At every price level there is competition in square meters, layout, location and its value add. If the modus of an attainable total price at the beginning of 2012 was 120,000 - 130,000 EUR per apartment, in one year's time it has increased to 140,000 EUR. This corresponds with 70-75m<sup>2</sup> of utility space.

Between 2009 and 2012 there were 10,000 units of new construction on the market. Out of this around 3,000 units remain vacant. Most of them are either "unwanted apartments" (impractical disposition, bad lighting solution, legal status issue) or expensive apartments (not matching the focus group requirements, high end price). The average speed of sales among new projects is two apartments per month, with end of 2012 showing a slightly improving trend. This can be explained by the fact that some of the projects were revitalized and "improved" in terms of price, disposition or standards.

The rental market has stabilized over the last year, but is subject to the cyclical changes. For example, in the 3rd quarter there is usually an increase in prices and decrease in offerings due to

student occupation. The average price per square meter is 10 EUR including energy; respecting the rule that with increased space the unit price decreases.

## Trends in the residential market of Bratislava.

1. An increase in investment real estate; buy to let. The reason behind this is the diversification of value risk relating to euro stability. Buyers are now mainly Slovaks (comparing to the previous era where the investment buyers were foreigners)
2. Migration, mainly of young flexible families to the neighboring border communities. An example is the Hungarian town of Rajka, where in one year there were 150 plots of land sold to Slovak people to build family houses. Even bigger movements were registered in the Austrian villages of Kittsee, Berg, Zurndorf, Hainburg, Wolfsthal, Marchegg, Edelstal, and Pama. Often groups of families are searching for land to settle together in a community. The reason behind this trend is cheap land, social security, a transparent living environment, and a better urbanization concept. This development is finally putting pressure on prices. In the village of Kittsee for example, three years ago the price for a plot to build a family house was 60 EUR/m<sup>2</sup>,

whereas it is 100 - 150 EUR/m<sup>2</sup> today; considerably higher but still competitive...

3. The majority of available apartments have 2-3 rooms. This corresponds with up-to-date demand; with increased family size, 3-4 and 5 room apartments will be in demand in a short period of time.
4. The trend of moving from Bratislava to adjacent villages is reversing. The main reason behind this is traffic, the infrastructure of schools, and lack of free time activities. Families with children find it difficult to drive children long distances both to school and for after school activities..
5. Trial rent prior to purchase. Some projects like Dubravina in Bratislava 4 are offering a one year trial rent period, which is then deducted from the sale price once the person decides to buy.

## What do you expect in the upcoming future?

New supply is getting more sophisticated in trying to match its target group. The demand side is seeking solid living standard for an affordable price. Compared with the pre-crisis period, the difference now is that properties without a reasonably-set price will not be sold. There is demand for new projects, primarily in mid-sized housing. Prices of apartments will stabilize.



*Zuzana Kalmanova, FCCA - Financial and operational director at Arthur Real Estate Company sro. As a first ACCA member, in Slovakia Zuzana is just finishing her MBA at Oxford Brookes University.*


