

# Czech Republic, Slovakia: demand for mountain apartments falling



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The purchase of recreational living can be postponed for a later time, the purchase of a residence usually not. That is why the current economic situation reflects in recreational more than in residential living, even though the sellers of conventional residences cannot rely any a strong demand, either.

## Krkonoše replaced by Beskydy

The more intense construction of new recreational projects in Czech mountain resorts is a matter of the last three to five years. The Krkonoše Mountains are the most sought-after region, with about twenty new projects (finished on in progress) at present, scattered in five resorts (Špindlerův Mlýn, Pec pod Sněžkou, Harrachov, Janské Lázně and Vrchlabí). From a territorial point of view, the second place in second-home popularity is taken by the Jizera Mountains, where construction activities are concentrated into three resorts (Rokytnice nad Jizerou, Liberec-Ještěd, Bedřichov), and by Šumava, also with three key locations (Lipno, Javorná and Borová Lada). The Krušné Mountains currently have two projects (both in the vicinity of Klínovec), and the Orlické Mountains, the Jeseníky Mountains and the Beskydy Mountains have one project each (in Deštné v Orlických horách, Ramzová and Čeladná, respectively).

“As regards recreational properties in the mountains, people have recently preferred new apartment houses to cottages and weekend-houses, which are usually more expensive and have higher operating and maintenance requirements,” says Jiří Reeh, Director of the Hradec Králové office of the real estate group Bonus Group, adding: “Compared to last winter, the sales of recreational property have declined distinctly, by up to 60%, depending on location. Some potential buyers have been put off by the economic situation - they have decided to refrain from buying recreational living for the time being because they want to have cash readily available for their current needs, without any long-term mortgage obligations. Other buyers who have the needed cash are currently waiting to see if the prices of recreational living will go down.”

Of course, the developers are trying to adapt themselves to the different market situation. New projects are postponed (to 2010 and 2011), and some projects in progress have been simply halted.

## Illustrative prices of new apartments in Krkonoše, excl. VAT

Špindlerův Mlýn	CZK 75,000 - 90,000 per square metre
Pec pod Sněžkou	CZK 78,000 - 85,000 per square metre
Janské Lázně	CZK 50,000 - 60,000 per square metre
Vrchlabí	CZK 36,000 - 42,000 per square metre

(Source: Bonus Group / King Sturge)

## Phase-out in Slovakia

The past years were marked by a construction boom in the new type of recreational living in Slovakia as well. The most popular destinations included mountain resorts in the High Tatras and the Low Tatras and in the Donovaly region, where new apartment complexes have started cropping up. "Based on our analysis of residential property in Slovakia, the average price of apartments in these locations was about EUR 1,800 per square metre, excl. VAT, in 2008. The selling prices saw a significant increase in 2006 and 2007 and rather stagnated last year," says Janka Polyaková, of King Sturge's Bratislava office.

The owners of mountain apartments are often people from Bratislava and Košice, Slovakia's economic centres, and foreign clients, primarily from the United Kingdom, Russia and Ukraine. "At present, the number of foreign persons interested in second homes has drastically decreased because of the economic problems, and the demand among domestic buyers has also seen a strong decline. The situation is also underpinned by the worsening exchange rates of other currencies to the EURO, which makes recreation in Slovakia more expensive for clients from key Central European markets," Michal Padych, of the Slovak office of King Sturge, explains.

## The Alps still attractive

The situation in the centre of Europe is in stark contrast with the development in our western neighbours. Residential properties in Alpine resorts have lost nothing from their appeal, even at this time of economic recession. In 2008 the prices of Alpine recreational real estates grew by about 5%, and land by about 10% (while there is a very limited offer of land).

According to the weekly Die Welt from December 2008, a family house at an average altitude in the Bavarian Alps costs about EUR 600,000 to 800,000, at a higher altitude about EUR 1.3 million and at a premium altitude about EUR 1.5 million. The German real estate offices dealing with the sales of these properties expect that the prices will continue rising this year.

The prices of recreational properties are also rising in the Swiss Alps, where they have climbed by 10% and more in prestigious resorts, such as Davos, St. Moritz and Klosters. In addition to the very appeal of these locations with all-year recreational possibilities, the price growth has been primarily inspired by the interest of rich Russian clients, who invest their money safely by purchasing such real estates. Pursuant to Swiss laws, foreigners need the consent of the specific canton government to buy property, and this government is entitled to introduce temporary restrictions on the purchases of property by foreigners in order to preclude speculative trading.

Every year the prices of recreational property are also growing in the Austrian Alps, where demand also largely exceeds supply. According to the weekly Die Welt, a house at an average altitude in the Austrian Alps costs between EUR 0.5 to 1.2 million. In Austria, foreigners are also subject to restrictions on the purchases of recreational real estates in the Alps. EU citizens are usually allowed to buy property in less busy locations, while non-EU citizens have even stricter limitations. And just like in Switzerland, the sale has to be always approved by the competent authority of the specific state government.

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