

# The land market has not undergone strong turbulence - it remains relatively stable



Author: SF / Juraj Pokorný | Published: 21.09.2010

## Developers are moving to the outskirts of Bratislava

As Colliers International state in their report, despite the demand being the highest in the capital, it is paradoxically there that the land prices decreased year-on-year by 16 % on average. But developers already started with the reorientation of the peripheral zone of the city. There are at least two reasons: a wide choice of plots of various layouts and sizes for lower prices and a limited number of available plots in the absolute and in the wider centre. Projects such as South City on the outskirts of Bratislava's Petržalka or Bory Mall za Lamačom are clear examples of this.

The centre of the capital, today mostly spoken for, appears to be waiting for its second chance. Developers of future lucrative locations (Mlynské Nivy, Landererova, Chalupkova) are not giving up their extensive projects which will be created on existing brownfields, they are waiting impatiently what the consequences on the demand and what the extent of recovery will be brought by the conclusion of the two-year long crisis.

## Residential: strong orientation towards mid standard

As far as residential construction is concerned, which got moving again after a long attenuation, land plots especially in the city suburbs of Dúbravka and Nové Mesto are becoming popular. Not long ago, the price per sqm with a valid planning permission was in the range EUR 500 to 600, today it is about 15 to 20 % lower, according to the international real estate company. Since the crisis forced developers to define their target customer afresh, they started searching for plots suitable for flat projects of the mid, or possibly mid to high level. Flats of large area, the colossal surplus of which is still apparent in Bratislava, no longer figure in their strategic intentions - focusing on 2- to 3-room flats is becoming the catchphrase of the day.

As Colliers International adds, in other regional capitals, the supply still outweighs the demand. The potential is currently growing in the area of Nitra and Trnava region, while the demand in the Banská Bystrica region is practically zero. The greatest year-on-year fall was in the Nitra region (- 20 %) and the lowest in the Košice region (- 2 %). It is therefore obvious that the range in terms of the regions is slightly smaller than is the case of older flats.

## **Along with commercial and industrial, also agricultural**

Also other functions of plots, with regards to their considered use, are becoming central to the interest of potential investors. In regional capitals, they are most sought after for commercial purposes, especially in Košice and Bratislava, where locations in the city suburb of Dúbravka and around Avion, and possibly near the airport, are playing the leading role. "Asking prices are higher than buyers' expectations," warns the consultant Milan Kollár, who specializes in plots at Colliers International.

The specifics of industrial plots is that their prices have not decreased too much compared to the previous period. According to Colliers, they range at EUR 30 to 80 per m<sup>2</sup>, and this is practically throughout all of Slovakia. Developers of industrial and logistical parks are interested in the immediate neighbourhood along the D1 and D2 motorways, but also in the Eastern Slovak regions; this appears to be the reason for the local price speculations. The owners of the plots, according to Kollár, are not only not considering lowering their prices but the majority even demand prices well above the level of EUR 80 per m<sup>2</sup>, while in some cases this even concerns plots without existing infrastructure. "Such prices, of course, discourage interested parties from entering this market," he explains.

After the slight fall in interest in agricultural land (produced apparently also by the devastating potential of weather in the last few years), real estate professionals report a recovery. The investors declare a twofold use for the land. Either for agricultural purposes such as plant cultivation and animal production (concentrated especially in the southern and southwestern Slovakia). The upper price limit of fertile land with valuation of 1 to 3 is at the EUR 0,9 per m<sup>2</sup>, according to Colliers International. "The second type of clients are prospective buyers interested in agricultural land to be used for renewable energy sources. But here the price per m<sup>2</sup> is dependent on several legal, technical and economic parameters," the above mentioned report clarifies.

## **First important transactions coming soon**

The representatives of the company Colliers International who through their 480 branches provide a wide portfolio of services to owners of real estate and investors worldwide, expect that prices of plots will remain stable until the end of 2010. But a decrease in their price can only happen in case that their owner is forced to sell, or if they have been evidently overpriced in the past.

Experts are already expecting first significant transactions in this segment - in the second half of 2010. "The demand for land is supported by the increased flexibility of sellers in relation to the asking price. Sellers are also willing to meet buyers' requests regarding obtaining permissions which is reflected in the increased activity by investors and developers," concludes Milan Kollár.

## **What was valid before is still valid today**

Whether a long term or a speculative investment, in any case the most stable real estate investment is a building plot - it plays an important role in a project preparation and in the determination of its final price. Despite the risks associated with its entry into the land registry, experts recommend not to hesitate unnecessarily about buying it.

Besides price, when choosing a plot, there are several factors which play a role and which also directly or indirectly influence it:

1. basic parameters: size, geometrical shape, orientation
2. natural parameters: geological characteristics of the subsoil, height of groundwater, vertical segmentation of the terrain (its slope and possible unevenness which would technically complicate the construction and make it financially more costly),
3. location, site and neighbourhood: the zoning plan of the town or village contains the planned use

of a specific area as well as possible movements of strategic investors,

4. availability of infrastructure (plots without it are usually 15 to 20 % cheaper):

1. ground communications: paved roads and pavements,
2. connection to utilities: mains water, drainage, mains electricity, natural gas, telephone and cable network,

1. transport accessibility and connection to main roads and motorway routes,
2. civic amenities and the overall complexity of the area (shops, services, schooling and health facilities).

In the cadastral map and ownership list, it is possible to verify, along with the real shape and the exact dimensions, whether the plot is in a historically protected area, whether it is burdened by a mortgage, a public auction, a pre-emption right or by easements, if the access is from a public road or from a private plot, manner of acquiring, validity of acquisition titles and whether the seller is the real and sole owner - and finally, whether or not it is a building plot.

Good knowledge and co-operation with the involved experts (architect, town planner, banking and real estate advisor), together with faultlessly executed work by the Land Registry, the acquisition of a building plot can be the correct and wise long-term investment in the pre-crisis and post-crisis times. Those who invest into real estate with prudence are starting to realise the validity of this constant again.

Illustrative photo - author, Siebert + Talaš Tables and source - Key Communications / Colliers International

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21.09.2010 10:08, SF / Juraj Pokorný