

Lexxus: Waiting lists for the best projects once again



Author: SF / Juraj Pokorný | Published: 15.11.2011

Small to medium sized residentials are most sought after

Lexxus provides a selection of the conclusions of the short version of the report The new housing market in Bratislava Q3 2011 based on a survey of real estate market in the 3rd quarter of this year, which brings several relevant findings. In the first place, the report presents a dominant current trend: the market has recorded a decline prices in residential units. This trend is attributed to two factors: firstly, clients buy in sales, whose number is constantly growing; secondly, they focus on smaller and cheaper flats more than they did a year or couple of months ago.

Marek Šubrt, operator of ZoznamRealit portal, says that in Bratislava, people are most interested in Old Town, followed by Petržalka and Rúžinov. In terms of size, they clearly favour medium format with two or three rooms, which in principle does not contradict findings of Lexxus.

However, Lexxus warns that growing demand in the third quarter of 2011 will disappear as soon as last sale of such flats in new buildings comes unless some supply-side changes occur. This means start-up of investment property development in large. Consequently, it is expected to be automatically redirected into second-class properties with similar characteristics. The only, but a very important difference, would be higher age of the building.

Mortgages historically at the lowest - prices like in 2007

Everything thus suggests that the unbalance between supply and demand is clearly equalizing. Despite the fact that both buyers and sellers are nervous because of the possible arrival of a new crisis wave, Michal Zajiček from Lexxus real estate agency believes that the current situation is positive for buying property. He backs this by:

1. Interest rates on mortgages are currently at their lowest ever (Finncentrum analyst Jan Prázik basically confirms this by stating that conditions of bank housing loans have slightly improved : the

- average rate in September 2011 dropped by 0.04 percentage points to 4.96% compared to August),
2. Flat prices fell to about the same level as four years ago - ie. in the second half of 2007. According to Mr Zajiček, average price of a flat sold in the capital fell by about EUR 25,000 incl. VAT, while this is about EUR 80 price decrease per floor unit. The price drop is especially striking in new construction sector - from 14 to 15 per cent, which is caused by special offers in the majority of completed projects, where developers finally realized that they would not get far with just window-dressing changes.

Recent calculations by both NBS and NARKS also support his argument. They confirm that prices of residential real estate continue to fall 4th quarter in a row. In the third quarter of 2011, Slovak national average reached EUR 1,248 per sqm, which is a yoy decrease of 4.3% and a decrease of 0.6% compared to the second quarter. Even more significant yoy decrease than in flats (-2.1% to EUR 1,312 per sqm) was recorded in houses (-6% to EUR 1,104 per sqm), which the central bank attributes to negotiations. There was price decrease in all regions except the Trnava and Nitra regions. A record fall was seen in the Prešov region (-1.6% to EUR 809 per sqm), while the biggest increase was recorded in the Nitra region (+3.7% to EUR 641 per sqm).

Increase in sales is not a guarantee of future growth

Overall, we can say that the situation has undoubtedly gone through some positive year-on-year changes. "Compared to last year, the market took a deep breath, made a significant contribution from lower prices and a boost in the form of several new projects offering what the market asks. There are waiting lists for the best projects once again," the newsletter of Lexxus surprisingly notes.

It still seemed quite recently that freezing and suspension of several residential projects at the wake of the crisis would be a long-term and constant problem. However, construction of over 25 projects with about 1,500 flats began at the time of crisis amplitude (2009), said Michal Zajiček. As he recently said to SITA news agency, another 12 projects with 500 flats were added in Bratislava in the last quarter of 2011. It is positive that most of these flats are in the most desirable 2-room category," the representative of Lexxus added.

Although there has been a yoy increase in the number of properties sold this year - especially compared to 2009 and 2010 - this does not guarantee future growth. "It will be necessary to prepare for a decline of interest in purchasing real estate and demand for rental housing. Property developers will also have to adapt their supply to demand and to focus on sites that offer buyers a good price for a flat meeting their needs," Lexxus concludes its newsletter. Incidentally, Lexxus is also exclusive dealer of Tri Veže project (by Tricorp development), Slnčnice project (Cresco Group), Jantár Jarovce project (Realkapital Partners), Skybox project (Realcorp Development) and others.

Illustration photo - author

15.11.2011 09:26, SF / Juraj Pokorný