New apartments market overview

BRATISLAVA - III. Q 2009

Hot in the city 09

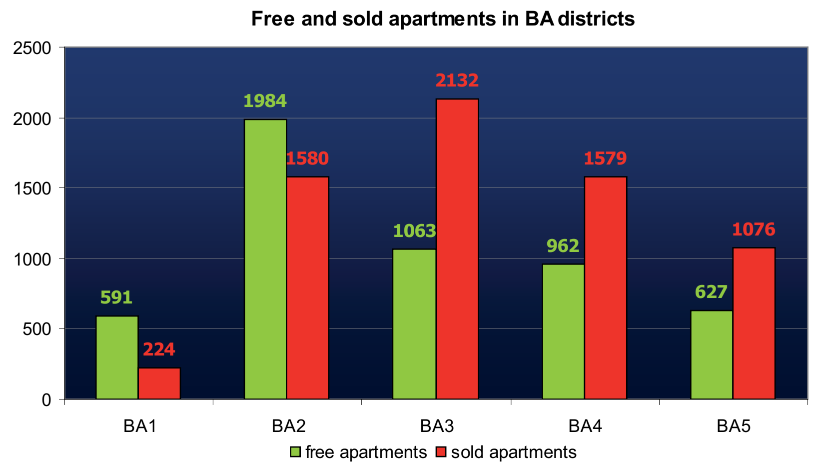
In comparison with past years, the summer of 2009 was different when it comes to the apartments selling. These months are generally considered the weakest ones within the whole year; however, during the summer of 2009, the largest number of new apartments was sold when compared to the past quarters. The number of apartments' inspections and interested clients increased during this period too. The reason is the quantity of completed apartments and possibility of their presentation taken directly within the project.

offer

The number of completed apartments in new building projects has been increasing, the construction of new ones is just sporadic

Offer

Besides obvious conservative approach of individual banks, the planned projects get into the phase of their realisation only seldom. Requirements for own financial resources and advance sales limit the number of developers being able to launch a project to the minimum. Only one project in the city district of BA1 has begun selling this summer, when it comes to the other projects, the offer falls low. In the summer of 2009, the offer decreased by 583 apartments within projects that ceased to sell.
Nowadays, there are approx. 5.200 free apartments within of either completed projects or projects under construction, which makes 44% out of all apartments in developer projects. There are 1.600 free, completed apartments avalable for sale. This offer should be widened by more than 2.900 free apartments next year.
Among free apartments, the largest group is represented by category of 3 bedroom apartments followed by 2 bedroom apartments category. These together represent about 66% out of the total offer. Almost the same portion of the offer is represented by 1 and 4 bedroom apartments (12% by each category). Studios, maisonnettes, 5 bedroom and larger apartments make another 10%.



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demand
Completed and nearly completed apartments enjoy the largest demand

Demand

The demand for new apartments has been growing since the beginning of the year. Despite the generally weak summer months selling reputation, the period since July until September was the strongest one from the point of view of sold apartments. Some projects even witnessed more than 10 sold apartments per month thanks to the sufficient choice of completed and nearly completed apartments within the individual projects. The common feature of projects that have experienced 5 and more sold apartments in the last three months is the take-over period or final building approval of the apartment, taking place since the year 2007 until the first half of 2010. According to these facts, the nowadays demand is focused on products that are either completed and after the final building approval or nearly completed.

	number of completed projects	total number of apartments in completed projects	% of free apartments in the completed projects	free apartments in the completed projects
BA1	8	344	44%	150
BA2	10	333	41%	136
BA3	18	2299	23%	536
BA4	16	1477	35%	522
BA5	6	1029	30%	305
total	58	5482	30%	1649

The most apartments are being sold in the distsricts of BA2 and BA4, chiefly thanks to their distance from the city centre and their price levels. During the summer of 2009, the largest number of apartments (127) was sold in Bratislava's district of BA2, while 113 apartments were sold in BA4. The least apartments were sold within the centre of Bratislava, where not even one project witnessed selling. This might be due to the offer of resaled and completely reconstructed apartments with prices similar to the new building apartments in peripheral parts of Bratislava.

prices
Because of hesitant attitude Clients have got the option to negotiate a price

Prices

The amount of under construction or completed dwellings allows those interested in new housing to bargain prices. The overall average price has changed slightly from 2.080 EUR/sqm excluding VAT to 2.060 EUR /sqm excluding VAT. This little movement is due to the fact that almost 85% of projects do not alter the pricing policy. Only 15% of all projects have moved their prices. Interestingly, a half of these projects have raised the prices.

In the third quarter, the price has not moved thanks to the relatively good sales. However, the price of apartments being sold ranges slightly downwards. While in spring of 2009 apartments were sold at 1.840 EUR/sqm excluding VAT for the floor area of dwelling, in the summer of 2009 the selling price was 1.826 EUR/sqm excluding VAT. Compared with winter of 08/09, prices have been moved by more than 13% .

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prices

Prices gradually begin to meet the expectations of buyers

Especially developers of luxury projects are optically trying to reduce the price. Apartments in these projects are offered for sale in workmanship of "holobyt" (shell and core); thus, developers lower the prices of these flats even by 1.000 EUR/sqm. Other developers, however, are also able to be flexible in order to meet the clients' needs, either in terms of price or rescheduling payment schedule. Thus any communication with clients is partially about negotiating the prices. However, price is not the main motivation to purchase, since the number of investors is reduced to a minimum.

secondary market

After the spring decline of the "old" apartments, market records moderate growth of prices. the supply is growing in new buildings, which are being resold

Secondary market

Sales in the secondary market experience a renaissance. A decline of offer but also real purchase prices of housing attract prospective buyers. This is the opportunity for people to obtain housing in a good location at an affordable price. For the last year, 2 bedroom apartments have recorded the largest price decrease, on average by 19% in the whole of Bratislava, most in the city district of BA4 - by 28%. The 2 bedroom apartments are followed by studios at a price lower year on year by 16%; these are also most discounted in BA4 - by 29%. When it comes to 5 bedroom apartments, these have also recorded the largest drop in prices in the city district of BA5, in total by 32% (on average by 14% in the whole city of Bratislava). However, 2 bedroom apartments have not retained their bid for 1 bedroom flats that are cheaper on average by 9%, most in the city district of BA1 - by 21%.

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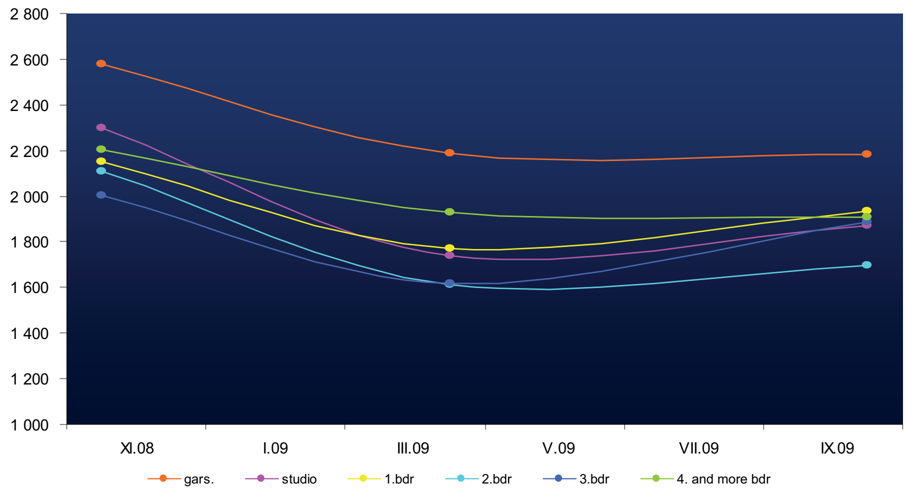
Development of housing prices in the secondary market since 11/2008



price drop
Interest on the secondary market is caused due to price drop

During the period of last quarter up to the half year, the offer in the secondary market has been significantly extended by completed apartments in new buildings. Thus, the price of these apartments has been raised in some locations. Compared to 2008, for example 2 and 4 bedroom apartments have become more expensive, e.g. in the city district of BA3. Also 5 bedroom flats in the centre have become more expensive - by 3%.

prognosis
Quality matters

Prognosis

From the point of view of apartments' disposition and sizes and arrangement of rooms in combination with their placement within the project, the quality of housing is becoming more and more the most important factor in choosing the new housing. Even the largest discounts do not convince clients to purchase, if it does not comply with the product itself. Consequently, projects' planning has been extended and reduces the number of flats under construction. As mentioned above, the interest in new housing will be focused on projects that are either nearly completed or completed.

mortgage
Mortgage financing

Mortgage financing

Mortgage financing conditions in the Slovak prime mortgage market have over the last quarter not changed significantly. Mortgages are still relatively well available, although stricter conditions are to be observed. Amount of credits advanced is limited to 70% -90% value of property which secures the provided credit. Funding 100% of the value of property is not easy to be gained, as well as funding of some types of properties (e.g. leisure apartments and business premises). When compared to the last year, current interest rates are nowadays much more favourable. The lowest interest rates presented by banks begin at 4.29% p.a., while the real interest rates range in the scope of 5.0% - 5.5% p.a.. Although Slovakia is among the countries with rather higher interest rates, it is likely to observe their further increase in the near future.

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LEXXUS is participating in sale of 12 residental projects:

- Jantár Jarovce
- Vinohradis
- Tri Veže
- Dubravia
- Blížne Zamajerské
- Rezidencia Záhorská
- Vienna Gate
- Senec Gardens
- River Park
- Citadela Vista
- Bytový dom Brečtanka
- Slanec Pekná Cesta

and fourteen recreational projects:

- Apartmány Hrabovo
- Grand Residences Jasna
- Apartmány Veľká Lomnica
- Apartmány Kukučka
- Tatraville
- Apartmány Oščadnica
- Havranka Tále
- Drevenice Oščadnica
- Lomničák
- Smrek
- Pálenica
- Via Jasna
- Triangel Donovaly
- Jazero Vojka

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The Research and Real Estate Consultants Department in Bratislava performs activities focused on the market research, new residential construction monitoring and consultations when planning new apartments projects.

Note:
This report has been elaborated on the basis of a market research using publicly available sources and information on the market development.We are not able to guarantee this information and thus we bear no responsibility for any damages that could originate on the basis of this report. A survey of secondary market was created for the sample of 300 dwellings from the menu the portal Reality.sk of 10 from each category of housing and urban parts..