

NEWSLETTER

Dear Clients and Business Partners,

You are about to read the first issue of our Newsletter - a new source of information from Real Estate Management. Its aim is to provide you with current and interesting information from Property Management. The Newsletter will be issued every 3 months, and you will regularly find on its pages information on current topics regarding management of your property, mortgages, property insurance, as well as some news on the development on the Slovak real estate market. Since we are trying to make the life easier for you as our clients by taking on many responsibilities regarding your property, we hope that this newsletter too will make it easier for you to reach for information about market, and that it will help you gain an overview of areas of our work.

A handwritten signature in blue ink that reads "Peter Kozmon". The signature is written in a cursive style and is positioned above the printed name and title.

Peter Kozmon
Head of Property Management

Currently from Property Management

First Half of the Year – Annual Accounts of Costs

Annual accounts of costs for flat usage is a complex summary of actual costs for house, flat or non-residential premises and of actual payments for services connected to use of flats and non-residential premises, contributions to repairs fund, fees for building management and other compulsory payments for a calendar year, with a calculation of either an overpayment, or an arrear.

In accordance with the law on ownership of residential and non-residential premises a building manager is obliged to present the owners with the account of costs for individual flats and non-residential premises within the period of 6 months from the end of the calendar year. The annual account consists of four parts, despite the fact that each building management company uses a different form of annual accounts.

1. **Costs** that can be distinguished:

- according to the floor area of the flat (a contribution to repairs fund, rain water disposal and building insurance)
- according to the actual measured figures, based on consumption (heating, hot and cold water)
- according to the number of inhabitants (common area electricity, waste disposal, cleaning and winter maintenance), and
- other (charges for building management company, revisions of gas and water in the building)

2. Balance on the account, i.e. the history of accounting for previous years

3. Summary of advance payments – recapitulation of every payment that was (or was not) reimbursed to the building manager

4. Final account – the result of which is either an overpayment or an arrear.



Currently from Property Management

The owner of a property should carefully read over and check the annual account. His attention should be caught in cases where some figures are very high. This regards mainly the most expensive services – supplying of heating and warm water. These can be counted differently in individual houses. For this reason it is good to have the system of payments explained and compared with other neighbours for example, eventually to consult it with an independent expert. An eventual complaint is claimed at the responsible bodies of the management company or at the fellowship of the owners, within the agreed time and by an agreed method. The result of the accounts can be controlled also by the Slovak Trade Inspection or by the competent court. A difference can emerge between the amount of water on the invoice and the measured amount of water in the flats. This is usually divided to all flats by a coefficient. In any case, the coefficient should not be greater than 1.2 and the difference in the volume of water should not exceed 20%. This implies that the water is leaking or the measurements are wrong.

In case the result of the annual account is an overpayment, this will be returned to the property owner to his bank account, from which the payments are paid to the building management company. The owner is obliged to pay a possible arrear to the account of the building management company within 30 days from the delivery of the account. If the owner neglects to do so, the building manager is allowed to charge a contractual fine for

each day of delay. In case the owner does not respond to the appeals of the building management, the arrears are claimed by means of legal steps, such as issuing of a payment order, a motion of Land Registry for instituting a lien to a real estate and subsequent cession of the real estate to a public auction.



Currently on Mortgages in Slovakia

Selling a debt-laden property.

When selling a real estate with a mortgage, first of all you will need an approval for paying off from the bank. Together with the approval, you will receive information on the actual amount of the debt. As a next step the buyer and the seller should consult a mortgage expert who prepares the list of all documents necessary for the sale. We recommend consultation with a lawyer as well, who adjusts the wording of the contracts of purchase to the conditions and requirements of both banks - of the seller and of the buyer. The lien clearance at the Land Registry is effectuated on the basis of a written approval from the bank. This is released only after the mortgage and all bank fees – according to the price list of the particular bank - have been paid off entirely. There are four basic possibilities how to sell a debt-laden property:

A) Buyer takes over the seller's mortgage

This way is used in case the buyer is satisfied with the original credit of the seller (the type, the amount, the interest rate etc.). The bank verifies the credibility of the buyer (the buyer has to meet the conditions of credit taking-over), and on the basis of change in contractual conditions it transfers the credit on the buyer. The advantage is that the buyer does not have to pay any fees connected with the arrangement of a new credit, such as issuing an expert opinion, fees to the bank for granting a credit for the motion for instituting a lien. For changing the contractual conditions banks charge from 33.19 € to 165.97 €.

B) Buyer covers the real estate price in cash

In this case the seller applies for the approval for an early payoff of the mortgage at the bank. In the approval the bank provides the number of the credit account onto which the rest of the mortgage is paid. It is necessary to state in the contract of purchase that the part of the buying price represented by the rest of the mortgage is paid by the buyer to the credit account defined in the approval issued by the bank.

C) Buyer applies for his own mortgage

The procedure is similar to the one described in B) with the difference that the original mortgage is paid off by means of a new mortgage. Together with the credit application the buyer provides the approval from the bank of the seller for an early payoff of the mortgage.

D) The flat is sold, but the mortgage continues

If the client (seller) is interested in keeping his mortgage and at the same time in selling the real estate by which the mortgage is secured, he has to transfer the lien to a different property (acceptable to the bank). First of all, the seller provides the bank with an expert's opinion for a different real estate with which he would like to give guarantee. The bank then examines its value. If the bank agrees with the other real estate, it prepares new contracts of lien which must be inserted in the Land Register. After the institution of the lien for a new real estate, the bank gives up the lien for the original flat.

Currently on Real Estate in Slovakia

New residential projects with a level of prices as from 2006 and 2007

The present state

The amount of the flats sold in the first quarter of 2010 imitates the sales from the last quarter of the previous year. The orientation of buyers to finished projects with prices available for a larger public, i.e. at the level of 1,800 € (VAT excluded)/m², has not changed. The number of new finished projects and flats on the market is growing, but since the demand is still the same, the supply of finished unsold flats is increasing. New projects appear only sporadically. Paradoxically enough, despite selling flats from a paper, there is an interest due to the appropriate price and acceptable dates of finishing. These projects are mostly situated in the outskirts of Bratislava, with about 50 residential units in the individual constructions. Their prices range from 1,200 to 1,500 € (VAT excluded)/m².

New projects

In comparison to 2007 and 2008, only a small part of new residential projects is getting built and prepared due to their problematic financing. Developers continue to put even more emphasis on the quality of new projects for what regards architecture, disposition and areas of the flats. At the same time they realize that the purchase of the flat is strongly conditioned by the purchasing power of inhabitants.

For these reasons they try to make the architecture more effective in sense of rational arrangement of rooms and elimination of the so-called dead areas in the flat for which the client pays at the moment of purchase.

Expected development

Based on the increased requirements of present clients, an increase in projects by very small number can be expected. However, the more these projects are going to be better in quality and availability. The situation on the market is developing in the client's advantage, who receives an appropriate product for his money.



Residential projects on the market

Slnecnice – South City on sale.

Ownership and letting of a residential real estate has become a favoured opportunity of investment for many foreign clients in the past few years. Improving conditions on the mortgage market and many newly finished projects for reduced prices open new possibilities for investments again after a longer period of hesitation. Before the very purchase of a real estate, we recommend that you evaluate your potential by means of calculation of your annual proportional profit, which we will gladly prepare upon request. In the first issue of our Newsletter we would like to present as an appropriate opportunity for investment project „Sunflowers“ , which we have prepared for you in cooperation with the real estate agency Lexxus.



SLNEČNICE

JUŽNÉ MESTO



The South beckons

In April, the first phase of a new residential development, called SUNFLOWERS (Slnecnice), part of a long expected project “South City” was finally introduced. LEXXUS became an exclusive sales agent of apartments and family houses within the project.

SUNFLOWERS project offers a possibility to choose from a wide range of apartments with architecture that reflects modern day housing requirements. Family houses are situated in separated zones with a special emphasis on privacy.

“Already in the first days of the advertising campaign we have recorded an increased demand for this project. The main benefit for clients is the pleasant location with lots of greenery, but primarily its attractive prices. We expect a high demand for SUNFLOWERS, because it offers everything that has been missing on the market.” said Katarína Kupcová, LEXXUS Project Manager.