

## NEWSLETTER



Dear Clients and Business Partners,

the autumn issue of Newsletter brings you information on:

- Rental Agreement
- Hundred Percent Mortgage
- Insurance in Real Estate
- Market Overview 2Q 2010
- Vinohradis – original flats for original people

### RECOMMEND OUR SERVICE

For our existing clients we would like to present our Reference Program lasting till the end of 2010.

If you own other properties which you would like us to take care of, or if you know somebody who would like to enjoy carefree life and leave everything that is related to their property to professional management, contact us.

For every Property Management Contract signed by December 31st 2010 based on your recommendation, you will not be charged the property management fee for two months.

## Currently from Property Management

### Rental Agreement under Slovak Law

One might think that the relationship between tenants and landlord have one and the same guideline on how to solve things, regardless the country. In Slovakia, however, the renting of a flat is described quite in detail by the Civil Code. The regulations set by the law have priority over agreements stated in the rental agreement, and it is essential for everyone who rents a flat in Slovakia to be familiar with the legal arrangements for renting.

The rental agreement has to be in a written form, and ordinarily it consists of few basic clauses. At the beginning it is necessary to describe the rented property and her adjoining parts, which are defined as Object of Lease. The provided information must be in conformity with the current Certificate of Ownership. The basic rights and obligations of the contractual parties are included in the following clause of the agreement, such as the possibility for the owner to check on the state of the property, the tenant's obligation to announce damage, and its subsequent reimbursement. The amount to which the tenants are responsible for little maintenance works and damage of the property is often discussed from the tenant's part. The law here sets the amount to 6,64 €, but it is necessary to add that this law is not very up-to-date, as the amount does not reflect current costs for work and material. From the point of view of property management it is vital to take off as much worry and trouble from the owner's shoulders as possible, and that is why our agreement with the tenants states the amount of responsibility for damage and maintenance to 33,- € .

Monthly rent is a fixed sum ; it can be specified as

a final amount including all utilities charges and other services provided for the flat, or the amount for utilities is stated separately from the rent. The preferred way in Real Estate Management is to keep the payments for the rent separated from the advance payments connected to the consumption of various energies, such as electricity, heating, gas, hot and cold water, garbage disposal and others. When the payments are set this way, it is possible to prepare the maintenance statement at the end of the tenancy. It shows whether

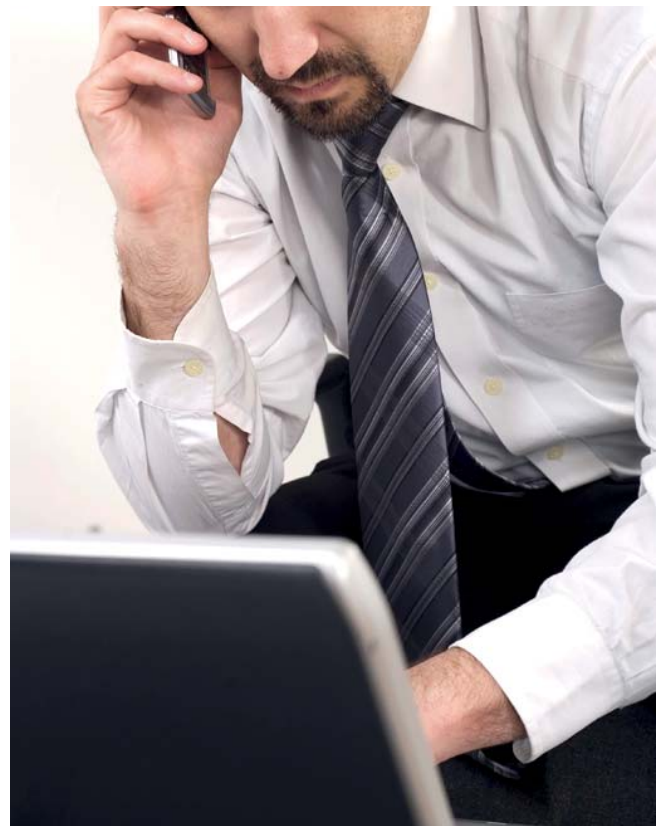


Photo: www.sxc.hu

## Currently from Property Management

some under or over payments arose during the tenancy, and it is right and fair for both sides. Apart from the amount of the rent, it is also important to solve the questions of the due date of the rent, and the way how it is paid (most often directly to the account of the landlord). Inseparable part of the rental relationship is

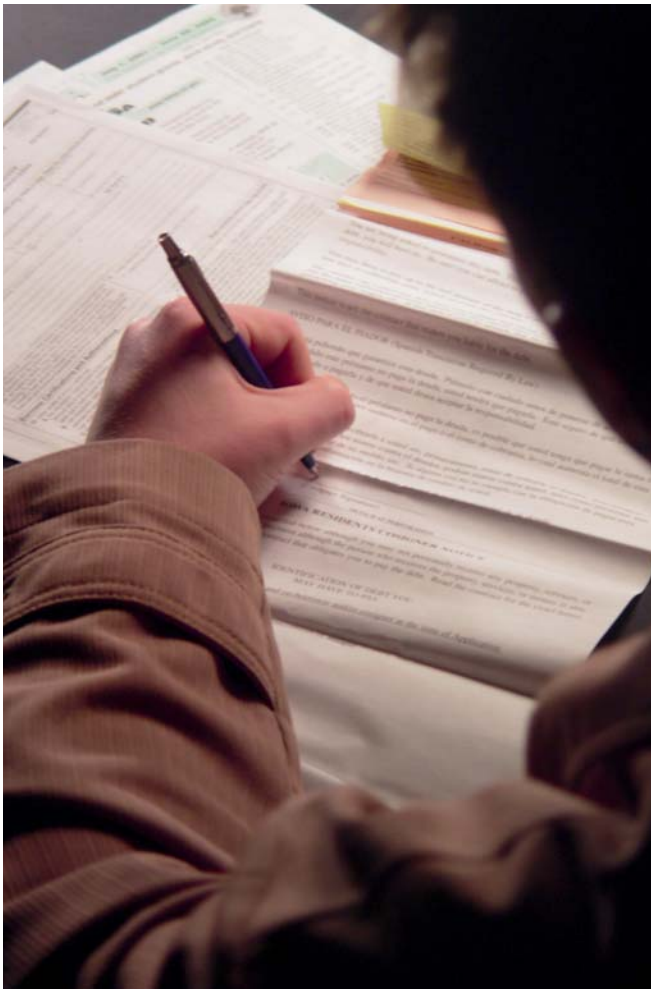


Photo: www.sxc.hu

the deposit – returnable advance payment paid at the beginning of the rental period. The deposit can be used to cover underpayments for utilities (based on the above mentioned statement from the annual accounts of the building manager), or damage to the flat after the tenancy is over. The rest of the deposit or the full amount, if it was not necessary to use it, is returned to the tenant.

The rental agreements are usually signed for a definite period of time, often for one year. We frequently meet with the requirement from the tenants to sign the contract for indefinite period of time, or to provide the tenants with preferential right to prolong the agreement. In that case we inform the landlord about the advantages and the possible risks of this solution.

Even if the rental period is not finished by the expiry of the agreement, it is possible to end the rental relationship prematurely, by means of a notice of termination. Unusual on the Slovak law is that the landlord can finish the rent only on the basis of the reasons defined by the law. For example when he wants to use the property for himself or for his relatives, the tenants cause damage to the flat and its equipment, disturb other owners or tenants, break the house rules, the tenants do not pay the rent for more than three months, the tenant sublets the property to a third person. The notice period is the same for both parties and it is 3 months, as defined by the law. Tenants often ask owners to have the notice period shortened. It is possible to have it, though any agreement of a kind will be in conflict with the law, the contractual parties can follow it.

## Currently on Mortgages in Slovakia

### Hundred percent mortgages

Banks release tougher conditions for mortgages. Partly it is the reflection of an attempt to attract clients, but at the same time it is the consequence of stabilization of the real estate market.

Banks, similarly to the whole market had to experience the fall of the estate prices, general non-interest for certain types and price levels of flats, and unfortunately the rising number of debtors to whom paying the mortgage had become problematic. Since the situation in Slovakia has not been as dramatic as in the USA, for example, banks kept the tougher measures only for the necessary period of time. At the same time they probably have at their disposal free financial means, which can be redistributed to new mortgages.

It is important to point to the fact that the actual accessibility of hundred percent mortgages is not the same as it used to be in 2008. Over the past few months banks had enough time to set the risky groups of clients, to whom they would not offer such mortgages that would be over their possibilities of paying. The resulting percentage of financing depends in a great measure mostly on the estate itself, and the financial reliability of the client. It is always more convenient for the bank when the client participates on the financing with his own sources, because in that case the client has a different attitude towards his mortgage payments. Some clients however prefer hundred percent mortgages even when they have enough cash, because they can use that cash for a reconstruction or purchase of some equipment for

the flat. Others are in a situation when they are waiting till their "old" estate is sold, and want to buy something else quickly. They prefer a hundred percent mortgage as well, and after a certain period of time, when they finally have the money from "old" estate selling, they pay off part of the mortgage and lower the monthly payments.



## Currently on Insurance

### Insurance in Real Estate

Complex real estate insurance is quite complicated in Slovakia. Many property owners do not realize the difference between building insurance, flat insurance and home insurance. Each of these covers only specific types of risks connected to the ownership, using and renting of a property.

**Building insurance** is the basic estate insurance, whether we are talking about a family house or block of flats. The insurance of flat block is typically taken care of by the building manager, and it regards the building itself (ground work, wing wall, distribution systems, roof etc.), as well as common areas, parking and garage places, storage rooms. Flat owners pay for this insurance in the monthly advance payments to the building manager. The building is most often insured against natural hazards (fire, water leaks, windstorms, falling objects and other). The building is only rarely insured against vandalism, theft, or responsibility for damage, even though it is possible to have it. We'd like to point out that this insurance does not include flat insurance, its equipment, built-in furniture and all other movable property.

**Homeowners insurance** is chosen and agreed on by the owner himself. The "home" here denotes everything that is behind the entrance door to the flat, but it excludes all the movable parts and property. Banks require this kind of insurance when applying for a mortgage, because together with the building insurance it covers for the overall value of the flat, and not only of its construction parts. This insurance enables being insured against natural hazards (broken

pipe work, leaking, fire), as well as theft, damage and it regards specifically standard or above-standard equipment of the flat, including **tiling, bathroom equipment, interior doors, kitchen unit, and built-in wardrobes** of all kinds. The insurance does not regard non-movable items as furniture and flat equipment.

**Household insurance** offers a possibility to insure equipment and other movable things in the flat, basically everything that the owners provide for the flat, whether we are talking about **electronics** or **furniture**. The great advantage is above all its practical application in what regards the responsibility for damage caused by use of the flat to any third person or his property.

One example: In case you have the flat insured against natural hazards, but you do not have the household insurance against natural hazards, and the washing machine breaks down, the water leaks to your neighbours, the insurance company will cover for the damage in your flat (wet walls, destroyed floors, doors...), but you will have to cover the damage to your neighbour's flat from your own sources. For about 35 € annually (policy value 10,000 €) your home is protected against natural hazards, theft, vandalism, but also responsibility of the owner for the damage to others is included. We'll be glad to answer any of your questions on our addresses. If you do not have your home insured, our insurance advisors are ready to make you an offer.

## Currently on Real Estate in Slovakia

### Market Overview, 2nd Quarter 2010

#### Stagnating Offer

The range of projects that are offering new flats has not changed much for two years, and is slowly becoming outdated. The realisation of new residential projects is rather rare and some one thousand flats which are planned to be built exist still only on paper. Presently there are 110 projects with 11,689 flats on the

market, of these 39% are available. The total supply is thus represented by 77 finished projects with 2,222 flats. In the second quarter only one new project started selling which compared to the past only confirms that the offer is more limited. The buyers are generally oriented toward projects that are already completed and are selling for discount prices.



Photo: www.sxc.hu

#### Prices

The prices of new flats in the last 6 months have not registered any change. Only the average price for squared metre changes due to the fact that the offer of smaller flats, which are expensive when calculated into price for m<sup>2</sup> is decreasing. The projects that started selling in this period are being sold under Bratislava's average. In projects that started selling before 2008 there is still some space for negotiation.

The average price for new apartments in Bratislava is 1,913 €/m<sup>2</sup> (VAT excluded). The prices in projects that recorded sales in the previous quarter the price is lower by c. 200 €. Overall, the average price of flats has lowered by only 1%.

#### Expected Development

In the overall current situation when many projects are finished, and thus only few projects have been launched, it is more than probable that the new buildings will keep their prices.

On the other hand this situation creates a space for projects that are self-financed by the clients

## Residential projects on the market

### Vinohradis

Original flats for original people

Globe Trade Centre S.A. (GTC) - one of the largest real estate development companies in Central and Eastern Europe - succeeds with its first residential project in Slovakia.

In these days, the flats situated in the most prestigious part of Bratislava, on the Podkolibská slope, are being handed over to the clients. The 178 new flat owners in city villas with well adjusted exterior surfaces, footpaths, driveways and parking places are taking in possession their house keys. The new modern villas quarter - VINOHRADIS - situated in the Bratislava New Town, revives. Spacious houses with large windows offering more daylight and loft apartments with galleries leading into the living room offer an attractive view of



Bratislava and the space-interconnection with the surroundings, greenery and close forest park. That is also one of the reasons why the interest in the first phase flats is so high. The new residents of the new residential quarter Nová Koliba on the Podkolibská and Sliáčska streets are mostly successful young people longing for original solutions above standard, comfort, green surroundings in combination with the proximity to all important city activities and its social events.

