

Slovakia: Residential prices falling third consecutive year

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Prices of flats and houses in Slovakia fell last year third year in a row. The average price per sqm fell by 3.1% to EUR 1,251 (about CZK 31,500). It is clear from the data of the central bank, which assumes that decreasing of real estate prices will continue this year. “Expectations of possible residential market recovery already in the second of half last year did not materialize and it seems that the imaginary bottom hasn’t been reached yet,” the central bank said in its commentary. It said that the reason for the negative developments in the real estate market is the persistence of uncertainty in financial markets, lower household optimism and thus lower willingness of people to obtain housing through loans. “Therefore, housing prices are likely to decrease slightly further in the near future,” the National Bank of Slovakia stated.

Average price per sqm in flats and houses fell to EUR 1,236 in the last quarter of last year itself. It is the lowest since mid-2007. The central bank sees the reason for this development in a greater willingness of property developers and real estate sellers to negotiate the price before the end of the year, but probably also a growing number of repossessions of clients’ houses and flats on which banks apply a lien due to defaults to pay loans. House prices in Slovak Republic were rising sharply until 2008, when the average price per sqm in houses and apartments reached EUR 1,549. However, they were rolled back by the global economic crisis accompanied by a dramatic increase of unemployment in Slovakia. This is also reflected in a higher number of unsold flats in new buildings. At the same time, the construction of new dwellings has been reduced.

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