

SLOVENIA

Developments in the Real Estate Sector in Slovenia



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The continued rise in the number of sales in 2017 confirmed the revival of the Slovenian real estate market that began in 2014 (after the end of the economic crisis). While the prices of residential real estate in Slovenia hit bottom in 2015, last year they increased more than ten percent over the previous year. Real estate prices have continued to rise in the first few months of this year as well.

The positive economic environment continues to stimulate growth in the demand for real estate. This applies mainly to residential real property and undeveloped land for construction of residential properties. The main factors influencing the growth in demand for residential real property include low interest rates for loans, a decrease in the unemployment rate, a rise of salaries, and a fall in the prices of flats during the crisis. The demand for land has increased because of the greater interest of potential investors in constructing new residential units. As a result of the relatively positive economic conditions, low interest rates, and increased interest of investors in real estate in Slovenia, there has also been an increase in sales of commercial real estate.

The years 2017 and 2018 also represent the beginning of a new construction cycle in Slovenia, as supply will try to keep up with the increase in demand. The stock of new apartments built during the crisis has emptied, and almost no new large buildings, whether residential or commercial, are on the market.

In 2018, the real estate sector in Slovenia is also expected to face some changes due to the entry into force of the new Construction Act (*Gradbeni zakon - GZ*) and new Spatial Management Act (*Zakon o urejanju prostora - ZUreP-2*) that were adopted on October 24, 2017 and became applicable on June 1, 2018.

Pursuant to this new legislation, building permits are no longer required for the demolition of buildings or for temporary structures. With respect to structures with environmental impact, the

procedures for obtaining building permits and environmental approval have now been merged into one unified procedure. Under the new Construction Act use permits are required for all buildings except simple structures, whereas under the previous Construction Act a use permit was not required for one-dwelling residential buildings or simple and non-complex constructions.



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Now, before applying for a building permit, investors can obtain a preliminary decision on the compliance of the planned construction with applicable spatial planning acts, which will help them decide if building on the subject land is feasible or not. The new Construction Act also contains the new requirement that investors notify the Administrative Unit responsible for the area on which the construction will take place and the Slovenian Inspectorate for Construction about the start of construction eight days before it begins. The new Construction Act also provides different methods of legalizing non-problematic illegal constructions.

The new Spatial Management Act has replaced previous several different laws related to spatial legislation, and it represents a comprehensive suite of different mechanisms for effective spatial management. It also provides for a new level of spatial management – a regional spatial planning act – that will be applicable on a regional level. The new construction and spatial management legislation is expected to ensure more rational and shorter procedures for obtaining building and use permits, reduce investment risks, ensure easier conciliation of different (public and private) interests, and provide greater legal safety for investors, more effective supervision of construction sites, and sustainable spatial development. The future will show whether and to what extent these objectives will be achieved.

In addition, in January 2018, the new Real Property Mass Valuation Act (*Zakon o množicnem vrednotenju nepremicnin – ZMVN-1*) entered into force. With the use of new evaluation models, the generalized market values that are currently attributed to real estate will be better approximated to actual value by taking into account the special circumstances of the particular piece of real estate.

Considering the current economic situation in Slovenia and the demand on the real estate market, investments in real estate as well as real estate prices are expected to rise. There has also been a significant increase in the construction of residential and hotel buildings, particularly in the Ljubljana market. In the light of the foregoing, it can be concluded that 2018 will be another good year for the real estate sector.