

Buying Guide

Why Slovakia?

Slovakia suffered somewhat on the international scene from its parting from the Czech Republic on 1st January 1993 as the famous city of Prague took the headlines with its tourist, business and property investment attractions. Since then, the country has established itself in the international community and as a stable economic force in the region.

The capital, Bratislava, has been the focus of much of the development and has managed to attract the attention of the international business community, but the advantages of buying property in Slovakia extend far beyond the city. There are established resorts for summer and winter activities in the High Tatra Mountains, and although Slovakia is landlocked, there are plenty of lakes and rivers to provide aquatic adventure.

The development of Slovakia as an independent force has seen it become a member of NATO and the OECD, and in May 2004 it joined the European Union as a full member. On 1st January 2008, Slovakia formally joined the Eurozone, replacing all currency with the Euro.

Popular buying locations

Buying property in Slovakia will generally fall into one of two categories – buying an investment property in the city to rent out to foreign workers for the majority of the time, or buying a leisure property that will still be able to be let out in order to supplement your income, but that will offer a real holiday and weekend break destination for you and your family.

Bratislava is becoming one of the most important locations for business in Central Europe, and is in the ideal position geographically to take advantage of this. In the south west of the country, close to the borders with Austria and Hungary, Bratislava lies on the river Danube which connects it directly to Vienna. As the former city of residence of the Hapsburg monarchy, the city is also a focus for the history and culture of Slovakia, which with the arrival of low-cost airlines has started to bring waves of tourists into the country. The architecture of Bratislava closely resembles that of Vienna and Budapest, reflecting the close cultural and historical ties in the region.

As businesses have begun to expand into the former communist territories of Central and Eastern Europe, many have looked to developing cities such as Bratislava as offering a good base from which to expand. Office space is comparatively cheap, local support workers are enthusiastic to get to work in a multinational company, and the staff development gains of sending workers from other offices to set up operations in a new territory are considerable.

All of these operations need to have housing of a high standard in order to make them work and keep their employees comfortable. This works both with foreign workers looking for a similar standard of accommodation to what they are used to at home, and local workers who have the benefits of higher salaries and are seeking to move into better properties.



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For this reason, there are new developments being built on the outskirts of Bratislava, as well as renovations taking place in the existing districts of the city. These new and restored properties will house the workers coming to the city, as well as provide tourists with short-term accommodation.

Outside of Bratislava, much of Slovakia is dominated by the mountainous terrain of the Carpathian Mountains, which stretch right across the northern half of the country. Among these peaks are the national parks of the High and Low Tatra Mountains, which give the country some of the leisure destinations used by Slovaks for holidays, and are now coming to the attention of the international tourist community. This, in turn, is leading the overseas property market to the region, and many people are now investing in some of the off-plan and mid-construction properties that are on the market.

The High Tatras offer skiing for a good winter season, as well as a well-developed range of summer activities for outdoor enthusiasts. Walking and climbing are ideal in the mountains, but there are more mountain bike, paragliding and paramotor facilities available all the time. In mountains like the Tatras, this is an ideal activity given the ruggedness of the terrain and the relative lack of urban development.

The areas around Poprad and Kosice are the focal points of much of the property development that is going on in the area. Poprad already has direct flights from the UK, while Kosice is expected to have a flight to Dublin confirmed in the near future, allowing easy access to the resorts or tourists and property owners alike. The price of property in these developments is below that of the more crowded and property-dense resorts in Bulgaria, with off-plan apartments available from under £40,000.

Other areas of interest in Slovakia include Nitra, one of the oldest settlements in the region and the site of lowland vineyards, forests and thermal springs. Trnava, also in the west of the country is often referred to as the Slovak Rome due to its active history of Catholicism.

Legal issues

As a new member of the EU, Slovakia made sure that its property market was open to all other EU citizens at the time of its accession, and the only restrictions that are in place for buyers from EU states are those regarding buying and building on forestry or agricultural land.

The process for buying property is simple and established, and has well-regarded legal basis for searches and transactions. The Slovakian system seems to have made the transfer from centrally-controlled economy to a free market system relatively painlessly, and has managed to avoid much of the corruption that has blighted the transition of most of the other countries in this part of Europe.

One of the cornerstones of the property process in Slovakia is the fact that all properties and their legal status are registered with the land registry, or Kataster. This gives all buyers and sellers clear access to the legal information of the property in question, and holds the transfer documents when any purchase is made. This avoids any problems with title deeds and multiple ownership.

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Even with this extensive recording at the land registry, you should make sure that you have qualified, independent legal representation in place at all time through the purchase process in order to make sure that you know exactly what you are signing, and to make sure the transfer of the property to your ownership is handled in the correct manner.

The buying process

Buying property in Slovakia is a simple and straightforward, and the process even for overseas buyers is simple to understand and complete. Once you have searched and found the property you want to buy, the first stage is to make an offer and have it accepted.

Once your offer has been accepted, a 10 per cent deposit is due from you to secure the property, take it off the market and allow the legal processes to begin.

At this time, there will be an official pre-contract agreement signed by both parties. This sets out the terms of the deal, as well as locking both the buyer and seller into the deal. Should you change your mind about buying after this, you will have to pay any agent's costs incurred as a penalty, which will be deducted from your deposit. If the seller pulls out of the deal, they must return your full deposit and cover any agent's fees incurred.

A surveyor's report is arranged (you should make sure you have a survey carried out through an independent surveyor) and sent to the solicitor in order that the sales contract can be compiled. All of the documentation should be translated into English to make sure you know what you are buying ahead of signing.

Once both parties are happy with this contract, it is signed and the remaining money paid over to the vendor. Before becoming the full and legal owner of the property, the buyer must register the deal with the Kataster, a process that takes around four weeks.

Financing your property purchase

Although something of a fledgling free market and property destination for overseas buyers, mortgages for foreigners are available in Slovakia. This is partly down to the rapid development of the economy and the government's keenness to attract foreign investment, and also partly due to much of the private banking facilities of the country being owned by foreign banks.

Terms are quite standard, and Slovakian banks will lend to a wide range of foreign investors. All you need to apply are documentation such as your passport, proof of address, six months of bank statements and a proof of income and employment. Loans are usually granted for up to 85 per cent of the purchase price or property value, with interest rates starting at 3.55 per cent.

Many buyers prefer to finance their property from the UK, re-mortgaging an existing property in order to raise the funds for their overseas purchase. This has the advantage of keeping transactions in your native currency and allowing you to track economic developments more easily, but you may at times lose out on lower interest rates in Europe. The advice of an independent financial adviser who specialises in overseas property can be invaluable in deciding how to pay for your property



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overseas.

Slovakia Property: Fees and taxes

There are number of fees related to buying a property in Slovakia that you must take into account ahead of going through with the sale and signing the documentation.

First is the fee to register the property as your own. This will come to around £300 in addition to your legal fees, which can come to around £600, but will depend on the individual lawyer you instruct. Local taxes, plus your registration with the tax authorities, will come to around £100 per year. There will be a number of other small local taxes to take into account, but the costs are just a fraction of what you will have to pay elsewhere in Europe, or in the UK.

As much of the property for sale in Slovakia is new-build or off-plan, it is necessary to take into account the VAT charges that are levied on new properties. In fact, the VAT is charged at 19 per cent on new properties, and stays in place for the first five years after construction officially ends. After this period, any transfer of the property is exempt from VAT, but buyers should make sure they know whether they are liable for this payment at an early stage.

Capital Gains Tax is levied at a flat rate of 19 per cent, but there is no stamp duty in Slovakia.

Visas, residency and work permits

As an EU member state, Slovakia is open for all other EU members to travel and stay in the country for up to 180 days, a period which can then be further extended if necessary, provide that it is applied for more than seven days prior to the current visa expiry date.

There is also a visa waiver scheme in place as a mutual arrangement with other countries outside of the EU, though these agreements are generally for shorter periods of time.

Property investment potential

The growth and development of Slovakia as an independent state has been a little slower than that of some of its neighbours in Central Europe. However, this slower pace of development indicates only a more prudent approach in the management of the economy and the processes of transferring to a free market and a free political system.

Growth is strong, particularly against the backdrop of a general slowdown in recent years across Europe. The one major sticking point in the economy in Slovakia is that unemployment remains high. The government has taken some huge strides in this, as the rate was above 18 per cent in 2003 and in the last figures released in 2007 had dropped to 8.6 per cent. Although this is a huge improvement and a sign of the progress made by the country, it is still some way off an ideal situation.

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Although there are some other markets in the region, and among the newest intake into the EU, that will have more impressive growth figures for the most serious of investors, property in Slovakia remains one of the most attractive options for the medium term. The expansion of new regions such as the Tatra Mountains is providing a spurt to the growth that was already happening, so there is plenty for investors to get their teeth into.

The introduction of the Euro as the official currency in Slovakia will likely add impetus to investment property and spur the market on further. Historically, other countries have seen a sharp rise in property prices as the single currency takes effect and makes trading with the rest of the continent even easier. Furthermore, the introduction of the Euro encourages foreign companies to set up in Slovakia, increasing demand for new properties for workers.

Health and education

Healthcare is provided free for all Slovak nationals, but the facilities are not yet up to the standards of the more developed countries of Western Europe. In this case, many visitors from the UK or other developed EU states may prefer to travel to Vienna for any major care that is needed. Private medical insurance will give you substantial peace of mind if you are spending long periods in Slovakia.

Education is again mostly state-controlled for the ten years of compulsory education that children receive. After this, there is a system of higher education allow professional and academic instruction. Institutions are either state-owned or privately-run.

Transport

Low-cost airlines have aided the development of the former Communist states in Europe immensely in allowing them to exploit their tourist potential and get visitors for see them as weekend destinations rather than huge trips to unknown lands. In the wake of the tourists, overseas property buyers have followed to make the market grow and develop, further reinforcing the value of the low-cost airline routes. This network of routes is set to expand further in the next few years, with flights from more regional UK airports.

Internally, there is a reasonable network of motorways and main roads connecting the major towns and cities. A national rail company was also set up in the wake of the end of Communism, taking over the track and rolling stock of the state-run operator. Both of these networks have survived relatively well from the ravages of Communism, which tended to run service down until beyond repair.

And finally...

Slovakia has taken its time to emerge from the shackles of Soviet rule. A split with the Czech Republic hastened the need to adapt to the new world, and with new influences and new opportunities coming from all sides, it has done well to make sure that the transition has been handled correctly and in the best interests of the country, not just individuals. As this development continues, the country is adapting well, bringing down unemployment, establishing new industries and strengthening ties with close and continental neighbours. As long as foreign investment continues



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to come into the country, a useful and genuine partner to Europe should emerge, which will be a great place to own a holiday home.

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