

# Residence: developers think about rentals, do not count on price cuts

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Flats “only” rented are better than vacant flats, unsold - this opinion was expressed by Allan Jírek, of the developer Eube, at yesterday’s discussion meeting organized by Stavební fórum. And other developers have the same approach to the problem of declining demand for residential properties, many of which are already waiting for buyers today. Some, however, pointed out during the discussion that according to this solution, the developers would also have to become managers of the properties offered for rental. The question is - will banks be willing to accept the significantly longer time of amortization of their credits? Petr Merežko, of Česká spořitelna, made a reserved comment on this, yet admitted that banks would be willing to think about such projects. At the same time he expressed his conviction that the Czech residential market had been overheated for several years and the number of flats in progress as well as completed flats was too high; according to him, last year’s decline in the volume of mortgages by about 20% could bring the much-needed modulation of the existing situation.

However, price development is the key for all residential market stakeholders. The participants of SF’s meeting agreed that price reductions are not too likely. For example Štěpán Havlas, of the developer FINEP, does not expect price cuts also in light of the limited supply. Allan Jírek even expects a price growth in 2010 and 2011, when the current construction cooldown will manifest itself. Likewise, Michal Šourek, of MSG Holding, does not expect a distinct price drop, either: “A slight price decrease is not out of the question within the following six months, but not by more than 10%.”

One of the questions voiced at SF’s meeting was how the future development would influence the quality of housing construction, which is not too high according to many people. The poor supply and the limit of 30 to 40% of all flats sold before construction, required by the banks, could have a rather negative impact on the quality of new flats. Petr Merežko is slightly optimistic in this regard: “We believe that buyers will be more sophisticated. It should become a rule that the future owner would take over the flat with the help of an expert and would insist on the agreed quality as well as on the removal of all potential defects.”

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