

# Definition of successful project in the period of recession



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Neither the first thematic panel of the Stavebné fórum.sk conference [Real Estate Market > Slovakia 2009, Investment Opportunities Fair](#) (March 24, 2009) couldn't not to reflect variation of tendencies. Actual situation in the field of development and building is the area to which media pay attention practically daily. Influence of banks restrictive policy to the destiny of projects, usability of marketing tools for increase of their sells ability, potential successfulness of some ongoing and beginning estate projects in the time of graduated crisis ... Who from the engaged would not like to add, remark or remind something to such established syllabus.

## The receipt - to find structure of demand

The segment of above standard housing is finished here definitely and the new trend of smaller standby, starting or senior flats begun - the main Bratislava architect, Štefan Šlachta, stated. As he told, the relatively solvent generation of today's 60-ties does not want to live in the centre yet, but in the so-called „garden“. However, escape outside the city shows is a big problem currently, because solution of transport by the city bypass is still unforeseeable. That is why the viewpoint of flats quality and layout increases its importance. „It is needed to do away with the prejudice by common forces that we cannot afford quality architecture -it is not luxury goods. I want you would register this sentence and forward it,“ Šlachta appealed. The moderator Ivan Čarnogurský (IPEC Management) skilfully used presence of colleagues from various branches and let the question rounding among them, what is the successful project in the period of recession from their point of view.

Pragmatic Radoslav Jakab from Slovenská sporiteľňa defined it like that one, which is being sold. „Each bank has the portfolio of residential projects, which it doesn't interest not to finance but to differentiate according to potential successes,“ he sustained touched reputation of financial institutes and added: „We start at 30 percentages of own capital. The economic side of the project will be shown after it is finished. Plenty of developers reduce their expansion plans.“ Disproportion became in the market, therefore it is necessary to know well the structure of demand - just there it is possible to achieve success, by his opinion. He sees the potential „mass, “in the segment from 1 000 to 1 500 Euro per m<sup>2</sup>if the demand is concerned. Whereas garnishee account with a bank guarantee was used minimally in Slovakia till current time, today this product starts exerting for the case that the project would not be built-up. Jakab sees the positive effect of Euro adoption in Slovakia in eliminating risk of currency. The negative is that it became more expensive for surrounding local currencies, which damped, „Everything rolls from demand, but in the USA they helped it to such extend that it overgrew to the hypothec crisis. If flats will be bought, I do not see the reason so that the building sector would be endangered,“ he closed his view.

## Locality will hold on in good and bad times as well



To listen to well, but to have own head and do not take everything immediately what is said. This is the universal advice that Miroslav Tym from DUBRA & PARTNERS firm addressed to all of us. Poland, Slovakia and Czech are the only three European countries, where banks keep over plus of liquidity in hundred milliards of crowns. In spite of that they lend less and unwillingly. „It is a question whether it is allowed by their mother companies, “ he was thinking hypothetically and added that it is necessary to get away from this catching.

„I have not a receipt for it, but they have to do it themselves,“ Tym pointed out. And he immediately referred to another change, on the side of investors in this case, who buy the final product or existing building with history rather than the project on a green field. „I do not see so high antagonisms between that what a bank and an investor want, “Peter Kordoš from IURIS Group opposed. The solution is to speak with a bank openly, by his opinion -not only about positive aspects, but also about risks of the project, which are necessary to be identified and treated commonly. „Banks are like women - with them hard, without them harder yet, “he helped himself with the metaphor. Along with shifting the objective to lower middle class Kordoš recognizes the locality be the assumption of success, which „will hold on in good and bad times as well,“ by his opinion.

Peter Danihel (BOND Reality) recognizes such project be successful, which has the clear target group. The time to re-evaluate the range of flat units began, by his opinion. „We are returning back to classical housing development formats“ he stated and reminded that the hope for success have such beginning projects today, which contain combination of low-metres or line built-up made „ key ready“ with the option of module jointing flats. As he informed, each project, also the biggest one can be realized by phases in order people did not suffer from 10-year building and could housing as soon as possible. „We will not build monsters, but projects able to be portioned. 10 flats from 60 are better to sell then 60 from 180, “Čarnogurský got on his words. „It is necessary to forget for rapid 20 to 30-percentage increases as soon as possible, “ Danihel continued. „If marketing tools are concerned we advice investors not to hoax clients, not to draw nice facades, air castles. People want to buy reality; it is needed to show them a complete flat, to jingle keys. Presently during each control day it is solved where to save money so as the price could be reduced, „ he uncovered and added that developers are needed to be led so as the real estate which they will build-up, would have somebody to administrate it.

### What to do with badly adjusted projects?

For the question what to do with dead stocks, which are large and unsaleable two- and three-roomed flats with the area above 100 m<sup>2</sup> today, Danihel reminded that he pointed out this disproportion already three years ago. The banker Jakab does not see any specific problem in it: the client, it means developer either to sell so much that he will pay out a bank, or adjust the sell so that he could continue in it for example by treating price down. „Buyers for large flats still exist and it is possible to sell them with interesting profit, “Tym thinks by contrast. However, he referred to current „draws over“ simultaneously, when hundreds people, who interested in them in Prague, found now, that they can buy more advantageously. „We measure and compare everything with year 2007, when an absolute boom was. Why not against the standard situation? Let us count it by numbers for housing not for investing! “-Tym recommended.

Benefits of the first panel of the conference were that it did not bring exclusively „Variations for the topic Crisis“, but it „jumped“thematically to the problematic of adjusting projects in recent past. In spite of

that the particular answer for the asked question, what to do with them, did not sound till now.

Illustration photo - author, J&T

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