

Central Group: high profits, low debts, slowed-down projects

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Based on preliminary data, the property development company Central Group (CG) reached a gross profit of CZK 770 million last year. According to Dušan Kunovský, its majority owner, the company that, together with FINEP, dominates residential construction in the Czech Republic, has many projects at various implementation stages, but their construction is slowed down because of the weak demand.

Just like other property developers, CG suffers from a lower demand for new flats and therefore, as one of the first on the market, started offering a discount for buyers in the form of a “free” car with each purchased flat. Kunovský says this step has revived its sales, but the event is limited in time and the company does not count on any other incentives or even price reductions. “As regards our future, we’re slightly optimistic,” said Kunovský at a meeting with journalists. CG expects that this year’s price stagnation will turn into a slight annual growth of 5% in the years to come. “However, the market will be differentiated more. The difference between the prices of new and old flats will be greater, especially as regards flats in prefab houses, and the location of the residence will be more important - it will determine the price of basically identical buildings, and they could be extremely different.”

According to Dušan Kunovský, CG will attempt to minimize or even get rid of its credit debts: “For many years we did great without bank loans and started making very low debts at the time of the huge construction boom. Today, however, the bank financing conditions are almost laughable - if the developer were able to pre-sell 60% of the flats in any project, he could do without a loan. That is also why we want to get rid of our credit debts.” Some time ago, CG principally reinforced its financial standing thanks to the entry of a capital partner - for a 10% stake in the company, the Swiss investment firm Global Property Capital paid one billion crowns; and it may increase its share even further. This allowed CG to make its latest acquisition - a piece of land in Žižkov, Prague, for a building with 500 flats - for CZK 300 million, to be financed from its own resources.

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