

Mediamonitor: Orco was the star of the media in March

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Holding ECM-PPF attracted even tabloids

Another listed property development firm, ECM, also made it to the headlines of stock exchange reports; it aroused the greatest media attention at the beginning of March, when the establishment of a holding company comprising PPF Group and ECM Group was announced. This announcement even made it to the headlines of tabloids (Blesk, ŠÍP, Aha!). According to the prevailing opinion, “Kellner’s help was great for ECM, since the company is a huge victim of the financial crisis. In November 2008, the property developer started layoffs and limited its projects at home and abroad.” (Aha!) Milan Janků, ECM’s majority owner, gave an interview to Hospodářské noviny on this occasion. In his interpretation, the roles of the two partners seemed rather equal. In his answer on the reasons of the holding structure, Janků said that this step “offers many interesting synergies,” rejecting the opinion that ECM really needed a financial injection; according to him, the company complies with capital adequacy principles. For example, it is able to finance the widely discussed City Epoque project in Pankrác, Prague from its own resources and its clients’ advances.

Insolvency as unfair competition

The most frequently discussed aspects of operation of property development firms included their solvency, in some cases rather a lack thereof. In this area, once again, Orco was the dominant theme; in the last week of March, the company generated a lot of interest as it filed for protection against creditors before a court in Paris. This was reported for example by Czech TV in three newscasts, including its prime time news, and a day later the news appeared in the national dailies, including the tabloids Aha! and Blesk. MF Dnes and Hospodářské noviny responded to this event in several articles dealing with the future perspectives of the ongoing projects and advice for Orco’s customers (“How not to lose a flat you paid for”).

On the other hand, Central Group saw more positive reports as it managed to have its insolvency procedure cancelled because, according to the court, the creditor did not prove that its claim against Central Group actually existed. As notified e.g. by the weekly Týden (“Dirty Insolvency Game”, 30 February 2009), insolvency procedures are often abused in competitive fight. Even an unauthorized intervention puts the affected company into bad light and can complicate its negotiations with banks, while there are no sanctions threatening the petitioner.

Not too much about banks

Loan availability and willingness of banks to finance property development projects were rather rare topics. Lidové noviny published an interview with Jiří Pácal, of the Association for Real Estate Market Development. In reference to Orco’s problems, he outlined the situation of other property developers as follows: “Some companies have enough of their own money and sufficient reserves. Some of them, however, were largely dependent on bank loans. To a large degree, they have to streamline, lay off and cut costs. In general, two-thirds of all property development companies have greater or smaller problems. However, firms run directly by their owners will never run into large problems. Quite logically, they care about their own property most of all.”

Loan availability was also commented by Milorad Miškovič, REKG's manager, who pointed at (in his opinion) the unreasonable increase in interest rates and the required share of pre-sold or pre-leased flats or administrative premises. The representatives of Passerinvest also talked about problems with obtaining loans, describing the banks' approach as the reason for interrupting the construction activities in the Nová Karolina location in Ostrava. The credit crunch is also said to be the underlying reason for Sekyra Group's withdrawal from the Šantovka project in Olomouc.

The chart shows the topics the media dealt with in their reports on the economic situation of the monitored companies.

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