

Evžen Korec, Ekospol: Revival of the residential market maybe this year, definitely by next year

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A property developer that goes without loans - not so normal. How does Ekospol do it?

A secret that is not a secret, it is quite simple. We own a lot of land in Prague and its vicinity.

How did you come to own the land?

At the turn of the 1980s and 1990s, I was staying abroad for a long time, on a scientific internship. I returned in 1992 and had a small capital - not big, but sufficient for rather massive investments by Ekospol into the purchase of land. At that time the price of land was significantly lower than today. As the time went, our company created a big land portfolio almost exclusively in Prague's cadastre.

Much of your land has been already used for past projects. What about your position today?

It is still good. I even think that we are the biggest or one of the biggest private land owners in Prague and its immediate vicinity. We have 500,000 square metres at our disposal, which is enough for 10 - 15 years of construction from now on. That is why we are performing a residential project that is, in my opinion, the biggest in the Czech Republic in terms of area - the complex in Roztoky, comprising apartment and family houses, will extend over an area of 300,000 square metres, i.e. 30 hectares.

So it is simple: you sell one piece of land and use the money to perform your own project on another...

No, it is different. We actually have "free" land, which allows us to offer lower prices than our competitors. We finance the gross construction activities from our own resources, formed by profits from past years - for years, Ekospol has paid only minimum dividends. When this stage is over, we start sales, or rather pre-sales, which are used to finance the completion of the whole facility.

So everything without loans? You usually say that Ekospol does not have a crown of "bank" loans - but that are other types of loans as well.

It did not cross my mind that it could be interpreted this way. I will put it differently: Ekospol does not owe a single crown to any banks or to anyone else.

Can you continue at the same pace as you did in the past - unlike others, the current loan restrictions by banks do not affect you?!

But, just like everyone else, we are affected by the lower demand, slower sales. We have therefore also slowed down the pace of construction. Just like others - according to our calculations, there are 30,000 housing units ready for construction in Prague, but at least a half of them are part of frozen or delayed projects.

In this regard, everyone says different numbers; how big is, in your opinion, this decline in demand?

Compared to last year, the decline is about 30 - 50%. And it is not an estimate; I looked at the results of our company and the data for the whole market. Just like any other bigger property developer, we are

mapping all larger projects, so this data is rather accurate. In our specific case, this means that instead of twenty flats, we sell only about twelve flats a month. I dare to say that it is quite similar in case of our competitors.

At present, Ekospol offers five different projects. What types of flats are demanded most today?

Most of our projects are in the middle price segment, just like most new residential buildings. And the pressure on prices is decisive here, so there is mostly demand for flats with reduced prices at present.

In autumn, you denounced declining prices; a short time ago you admitted a decline of 5% at most, and you already offer discounts now. Are they larger than 5% in any of your projects?

When you re-calculate it for the whole property, our price cuts are not higher than the 5%. I still say that, given the current crisis of margins, all projects would be probably in red numbers if the prices dropped by more than 5%. As regards our projects, in some cases the introductory prices of new projects could be 6 - 7% lower. And it should be emphasized that these are always time-limited offers.

Nobody wants to prognosticate today too much, but: when do you expect market revival?

Maybe this year, definitely next year.

Do you have any arguments to support this estimate, which is rather optimistic?

Our April sales figures are somewhat better than those from March. Maybe it is caused by the spring, but we would say that the reasons are the time-limited discounts, and maybe also cheaper mortgages. And maybe the potential buyers can see a bit farther: there is little construction activity and when the demand goes up, so will the prices. That is why Ekospol is building on, even though at a slower pace.

You have five projects at different stages of progress. Are you ready for new projects?

We will continue building in Uhříněves and Kyje. In the former case, the project does not have a name yet, but it is likely to be called Vilapark Uhříněveská obora. It will comprise a total of 170 housing units. We will have the zoning decision in summer and plan to start and finish the project next year. As for Kyje, the Panorama Kyje project is pending completion; it will offer 200 flats - we will be finished in autumn and 75% of the flats have been already sold. We are preparing another project - Panorama Kyje II, which will provide a total of 400 flats in two stages. It will be implemented between 2010 and 2011.

You have mentioned foreign scientific internships. Originally, you are a geneticist and microbiologist. Today, you are the head of a big property development firm. It is a strange transformation?!

You should not definitely see only material, financial motives behind it. After all, when I finished my school I decided for a scientific career, which meant life at the edge of poverty at that time here. But I learned a slightly different way of thinking during my foreign internships. Of course, financial independence is essential, but it is not the only motivation. I think this applies to everyone who has succeeded in something. You simply want to be better than the others, create something new.

What did you bring from your original occupation?

Love for animals.

And the results of your new occupation?

It is not definitely the most important thing but right now the value of Ekospol is calculated in the billions

of crowns.

Ekospol was set up as a limited-liability company and transformed into a joint-stock company in 1995. Who are its shareholders?

It is very simple and we make no fuss about it: Mr. and Mrs. Korec.

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