

Property developers and builders calling on the banks and the state

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The Czech economy and its real estate market cannot be “lumped together” with the region of Central and Eastern Europe. However, that is exactly what they do abroad, especially banks - this results in a lack of willingness among the banks to finance new projects, or more precisely in credit conditions that almost cannot be met - these are dominated by requirements on the developers' own capital in the amount of up to 50% of the project value and on pre-sales and pre-rentals. “The banks' requirements are based on orders received from their foreign owners, which disable them to distinguish between the projects and situations of the individual property developers,” said M. Miškovič, of Real Estate Karlín Group.

Not only new projects

In the last 6 months, construction activities in the Czech Republic have been largely limited, which is especially true of building construction; according to the latest data, construction production in this year's first quarter went down by almost 12%, which obviously affects the whole economy: industrial production, unemployment and the GDP. The situation, as outlined by the signatories, is well-known, which was also stated by S. Dejanovski, of Develon (“We are not CEE. Everybody knows that, but nobody behaves that way.”). In addition to a general call, the Appeal also brings some specific steps to change the situation. We have already heard suggestions to cut the VAT with respect to housing construction, but the idea of a kind of building guarantee fund is wholly new. The question is: how will these suggestions be perceived by the politicians and economists at a time of a budget deficit and declining state incomes? And there is another interesting suggestion: support for rented housing, but without any specific description. As the authors of the Appeal say, their ambitions are humbler. “It is a cultivated contribution into the ongoing discussion,” Z. Klapalová, of Knight Frank, explained and excused the absence of crucial market players and their associations, such as SPS and ARTN, with their lack of time. S. Havlas, of FINEP, also pointed at one new element - efforts to engage state institutions in the solution of the situation on the real estate market.

Appeal

The representatives of the participating property development and construction firms, which are responsible companies, know the market and the situation on it and are able to estimate the future development:

1. refuse the passive waiting for the impacts of the crisis, as long as the most severe consequences can be prevented
2. call on banking institutions to participate in discussions and communication in order to solve the current situation together, specifically:
 - § take into account the difference of the Czech market - differences between the Czech Republic and other markets
 - § assess clients and projects individually
3. appeal on the representatives of the government and state institutions to commence dialogue on the suggested measures in order to solve the situation on the real estate and construction markets in the long run, such as
 - § formation of a temporary guarantee fund that would participate in the provision of guarantees for

banking institutions
§ better support for social housing, for example by cutting the VAT temporarily
§ support for the rented housing market.

Signatories

Property development firms

- Real Estate Karlín Group
- Metrostav development
- FINEP
- Crestyl
- Ungelt Partners
- Develon
- Lighthouse

Construction firms

- Metrostav
- FCC
- OHL ŽS
- Europia CS

Real estate advisors

- Knight Frank
- Jones Lang LaSalle

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