

# Radim Passer, Passerinvest Group: The crisis will not end before the second half of next year

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**A usual formal question “how are you?” currently has in the sphere of business another, a bit more substantial undertone. Therefore: how are you?**

For sure I am not in the position when I would have reasons to complain. No doubts, we must make re-evaluation of some things in our company, some plans are postponed. These times are very risky for commercial development.

**As I know you have also cancelled contract with your long-time PR agency. Are you reducing costs?**

Definitely, it was not any dissatisfaction with their work. But as I have mentioned, we were considering things and we have reassessed our plans for several years in advance and we have chosen the method to arrange PR in-house.

**Let us transfer that “reassessment” into a practical level - which of your projects are under way?**

Under construction is only the building Filadelfie in BB Centre in Prague 4. And we have two more effective building permits for this our key project. And one for Ostrava.

**In Ostrava it is Nová Karolina. Your company was the only one to apply for this project in a consortium with ECE. You did not succeed; later you finally still got Karolina after an agreement with MULTI Development, which certainly was satisfaction. So now it is another disappointment?**

Definitely not. First of all, this result is in a way better for us, our joint project with ECE imposed upon us also residential construction. Now, it includes only office buildings, this is a better variant for us. The fact that the works on Nová Karolina were interrupted is related with the overall situation on the market. Banks now insist on a large volume of pre-leases. When there are lessees, then will be funding and the work on Nová Karolina will start again. Moreover: our construction follows in time the work on MULTI Development, this with a delay of nine months. This means that still at the moment when our partners will start construction in Nová Karolina, we have a certain jump.

**The fact that banks are not too eager to provide funding of commercial development is already well known. Does it mean that you build Filadelfia from your own sources?**

Although we do not suffer from a lack of own sources but in so turbulent times it is very risky and unwise for every developer to commence projects with an uncertain return of the invested own funds. Filadelfia has a standard banking funding - we negotiated it in late 2007 when it was not a principal problem. The project continues according to the time schedule and so it is to be completed in the second quarter of 2010.

**When the interest of investors in such building will recover, according to your estimate?**

The market for office buildings has stopped, frozen. In my private opinion, we can expect improvement of the situation in the second half of next year at earliest, therefore approximately in a year plus some months. It is necessary for banks to change their credit policy and it will be possible at the moment when

they will be able to sufficiently refinance by long-term sources.

**At the moment, credible lessees, as well as investors will appear. But you and other do not construct, you will not have what to offer?!**

It is not about us but about banks. Earlier, or if you want before the crisis, lessees were searching suitable premises about six or nine months before the moment when they really needed them. If one did not construct in advance, then he did not have what to offer. But banks were willing at that time to provide funding for speculative construction of quality projects. This is not the case now, however behaviour of lessees in fact has not changed. Therefore it is a vicious circle: the lessee is interested to move in within a year as a maximum into new premises but it is, of course, a short time for implementation of any project. But it is impossible to build in advance, therefore speculatively, banks insist on pre-leases even in a rate of 70 - 80%. Lessees who would want to arrange office premises two or more years in advance are an exception, besides like in the past years. The result is, as I have already mentioned, almost total freezing of the market, new construction in fact does not exist at present. Leases are concluded, of course, but there is no construction.

**The crisis is a period when everyone searches alternative, let us say non-traditional possibilities and opportunities?!**

Some time ago, in 2006, we were considering an expansion abroad, specifically it was Kiev and Bucharest. Finally, we withdrew from that.

**Some rumours were about your new mega project in the Prague Roztyly - is this plan still live?**

The project Roztyly Garden makes up around one third of the total area of "Velké Roztyly", the part of which it is together with some other projects. Now, a change in the zone plan is under way and the whole development area would have the significance close to that of BB Centre. But it is still only a plan the implementation of which will not start before three or five years. This does not make sense to speak about it now.

**And what about the BB Centrum itself? From the point of view of the originally planned volume, as well as investments - 300 thousand square meters of used area and 15 billion crowns - at present about in the middle. Have not you revised your plans?**

No, we only know already now that investments will be higher, some 17 - 18 billion. I suppose that the whole complex will be completed by 2015.

**Just this year construction will start intensively in Pankrác. That location is thanks to the metro easily accessible by transport - do not you fear competitors?**

Pankrác is no doubts a natural centre of Prague 4, BB Centrum is, however, already at present a natural business centre of that part of Prague. This tradition, composition of lessees and also the structure and quality of commercial, as well as non-commercial premises - we are in fact the only in that location, we have therefore the possibility to plan more efficiently and better than in a location where every building has a different developer - it speaks in our favour. Therefore: I do not fear.

**Let us go back to the overall situation - recently, there has been an appeal of developers and construction companies towards the Government and banks in which its signatories proposed various anti-crisis measures. How do you assess that step, resp. those proposals?**

I do not know about anything like this.

**Do you monitor the political situation at all?**

Unfortunately, I must, like any other businessman, monitor the political development at least in general. Definitely I do not exaggerate, for example I do not follow television news at all. Politics seem to be worse and worse year after year; I would call it a moral poverty.

**And what is the situation of development at present? Some time - and perhaps still now - it was a relatively hot discipline. By the way, you show some of this in your autobiography.**

It is not easy to be a more significant developer and to resist at the same time the corruption pressures. I am grateful to the God that we do well. Frankly speaking, I would rather stop business than to forgive my principles. It is not possible to traffic with moral principles, than things go mass, and no money is worth it  
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**Your company is considered as a sort of one-man-show, and another, although not important, role was played by your brother Zbyněk. He does not play it any more, what has happened?**

My brother has interests and hobbies which are difficult to be combined with the daily work. We have agreed regarding his operation in the firm upon more free rules, but he still participates in its management, he remains in its statutory bodies.

**Passerinvest Group will soon celebrate twenty years of its existence. It is a relatively long time, some times relatively dramatic for you. Are not you already tired, do not you think about some, at least partial departure from the scene?**

Although I devote to my non-profit activities much in recent years but it does not mean that I do not work. I am still interested in development, I do not want to finish.

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