

Klára Čvikotová (POSCA Slovakia): The crisis will ensure a balanced relationship the seller - the buyer

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How do you perceive the current state of development in Slovakia - to what depths is affected by the crisis according to your opinion?

The development in our country is experiencing a very difficult period. I perceive it with each waking up to the new day. The current state of our real estate market is caused by several factors. The first it was alarming reports on the crisis, which harmed it even more than the crisis itself. In particular initially they caused a general fear among people and reducing consumption. Buying real estate is largely a sensational decision, and therefore in the sign of uncertainty a man automatically suspends it. The factor of the changeover to Euro and the uncertainty associated with it gradually disappeared, as people realized that no fundamental change in the prices happened. At the turn of 2008 and 2009, however, there was a significant tightening of financing from banks in conjunction with a distrust of people and a low number of reported applications for loans. Gradually the real estate bubble in some segments is becoming increasingly visible, of which the phenomenon of „overvalued“ old flats in Bratislava, but also in other regions of Slovakia, we perceive the most. When the flats stopped selling and prices started declining, we also felt it significantly - because clients banked on other amounts for new housing, as were real for their old, mainly panel apartments, that time.

To what extent can this status relate to filling the market?

We observe greater caution of clients and longer making decision on the purchase. Last months, we experienced in the resident area - especially in housing - a drastic decline in their interest and number of realized sales. Less massive decrease was in building lands. These are sold slowly, but rather on a continuous basis. However, we did not meet the market filling - in 2009 we carried out totally 5 sales of lands from the offered 17 building lands for individual construction in Bratislava.

Have you already taken concrete measures to mitigate or eliminate the impacts of the crisis?

Yes, we have - especially in the significant reduction of some cost items, review of certain expenses; discuss the situation with the partner bank or a re-evaluation of new projects launching.

What segment were these projects aimed at?

Under preparation we have for example the 250-flat project at Trnava, which has already had the final land decision. This one we, however, temporary stopped because of the given market situation. The project is aimed at the middle social layer, but it can be seen as the first housing.

Did you think of other ways of your projects financing in regard to the restrictive lending policy of banks?

We also assess other possible alternatives, but still we have not decided on any concrete ones. We are not about the projects development financed exclusively from own resources.

In connection with the crisis is widely expected that it will make the players in the market to higher quality building. Does not threat just the opposite effect - they will start building cheaper and less well?

It is hard to say. In recent months, it is often heard, that the crisis will clear the market; I suspect, however, that this effect will be only a short term. When any sector, including the property development, will flourish again, other companies will enter it (including those destroyed by the crisis, say, or new, with zero experiences - which will reflect in the quality of development). I hope that the crisis will be to build better and clients to receive for their money the relevant quality. On the other hand I am afraid, that the need to reduce costs significantly and by that the final cost of housing for the client, some firms will turn to reducing the quality.

Which area of real estate development you see has the greatest development potential in Bratislava and in Slovakia?

We are dedicated exclusively to resident development and I think it still has significant development potential both in Bratislava as well as in other regions of Slovakia. However, important will be the proper setup of a project.

Do you expect reprise of the strong market economy performances, what we saw in the years 2006 to 2008, or your prediction is different?

I think that the situation of the said period will not return in the same extent (at least in the foreseeable future). However, I believe that the real estate market will stand on its feet along with other sectors of the economy - although perhaps in a modified form. We need to achieve more balanced situation between sellers and buyers. The extreme some years ago, when the client was a puppet in hands of a developer, even on the contrary the current buyers' arrogance in communication with developers is not in order. Therefore I think that it is necessary to get somewhere in the middle - to balanced relationship between buyers and sellers.

What would players of our developer market make otherwise at the time of recession?

The developer market will need to observe around and learn from mistakes and gross errors, which were committed. In our area it is important that residential real estates are in recent months bought more for housing and less (rarely at all) as an investment. It is necessary to review the layouts, quality of implementation and mainly the focus of residential complexes and zones so that they are built for people and not as „monuments“. The most difficult task will be to regain the trust of buyers, what, however, partly relates to the crisis overcoming and partly to awareness of the crisis among people. In this the state can also play its role - I do not consider targeted support for housing to be either real or happy, whereas with the right settings it could be a way.

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