

A breeze of revival in the air - outlines of post-crisis strategies are being created

Author: SF / Juraj Pokorný | Published: 29.09.2009

Recent additions to potential investors in Slovakia come from Israel - in this respect, the sectors of power engineering, telecommunications, electrical engineering, machinery and environmental projects seem the most promising. These investors even do not oppose the formation of cooperation initiatives between Slovak and Israeli firms.

Bratislava ice finally started melting

In contrast to property developers who did not endure and gave up on their specific projects, others demonstrate that life goes on and even a small success can be achievable today. Note for example today's additions to the News section. All great news! Even though there has been silence on the fate of the most important planned project by HB Reavis Slovakia - Twin City - for several months, the UK financial magazine Euromoney appreciated it in the Euromoney Real Estate Awards 2009 contest and awarded it with the Best Developer in Slovakia title.

Milan Ftáčnik, Petržalka's Mayor, confirmed for Stavebné fórum.sk in yesterday's interview that although generally there is a certain decline in some investment activities, this does not apply to all of them. The truth is that the commencement of construction of the "municipal centre" between the Starý Bridge and the Prístavný Bridge will be delayed by 2-3 years and the Emporia Towers administrative complex has been suspended temporarily by the property developer QPG, other two projects of a similar nature - even in the same location of the Pannonian Route - are successfully continued.

Likewise, the face of the industrial zone around the former Matador plant should start re-forming in spring 2010, as the owner presented a draft urban study to convert the site from a production zone into a mixed zone with civic amenities and residential capacity. The ice has been also broken in case of the South City; its two property developers - QPG and Cresco Group - are already trying to obtain a zoning decision for the first apartment houses. The author's of the Petržalka City Zone A project have a certain headstart: they already have a zoning decision in their hands.

Capital as well as the whole country

However, development goes on in the rest of Slovakia as well, as shown by the individual events and reports: the courage to launch completely new projects has persisted. For example in Trnava, the property developer Tatra Residence is building a seven-storied business centre called Aquapolis, which will offer 12,000 square metres of office areas and 290 parking places after completion in March 2010. In the same vein, the Swedish construction company Skanska has won a contract worth about SKK 1.5 billion for the construction of a railway tunnel 1,800m long, within the framework of modernization of the Nové Mesto nad Váhom - Zlatovce railway line.

These are random examples and the list of similar projects could go on. However, not everything looks so cheerful - we should also mention at least one negative example. The investment and property development firm Opera, which vowed to launch the construction of a centre with multipurpose buildings, shops, flats, a square and an underground parking lot on a 1.3-hectare site in Trenčianské Teplice in spring 2009 and to finish the project by the end of 2010, is not able to gather the EUR 25 million because of the crisis and start working.

Construction firms want to retain their workers

The fact that the personnel policies of employers are finally based on the principle of foresight and pragmatism is shown by the news released by SITA, according to which the firms in the Association of Building Entrepreneurs of Slovakia (ZSPS) are not laying off their employees in large quantities in spite of the economic crisis and lower production volumes. The expected arrival of a revival can be felt in the air just like when the spring is coming and at this time it would be very unwise to get rid of well-proven specialists and experts in the restart, recovery of the previous expansion stage and further corporate development.

The persisting crisis abroad also forces many construction workers and technicians to get back home. According to Zsolt Lukáč, President of ZSPS (which includes 165 member firms that employ about 21,000 workers, with about a 50% share in the total production volume in Slovakia), the firms can therefore “choose quality”.

It is important that small and medium-sized enterprises that struggle for survival every day manage to find enough opportunities. A decline in the demand for construction work makes them limit their working hours and employee rewards. “This has to do with the fact that they don’t want mass layoffs. They rather opt for a long-term strategy of retaining their workforce,” says Lukáč. However, building entrepreneurs are expected to use information and observations on employee education and investments more.

Search for emergency solutions in full gear

Analysts and an increasing number of their surveys would probably have to master divination to make their predictions right more often. In this respect, it is not a bad idea to recall the highly topical pragmatism of Ian Worboys, CEO in PointPark Properties, who disclosed several principles of successful survival in unstable times of large turbulences for Stavebné fórum.sk, maybe a bit impolitically:

1. Have the money used to finance construction guaranteed by a strong bank, which is also the parent company.
2. Avoid speculative construction and replace it with projects for specific customers, whose advantages include secured customer and purchased or leased area.
3. Control own risks: do not pursue the highest covered area at any cost; build additional square metres only when the previous project is successfully occupied at least at 60%.
4. Understand that demand is the biggest and most unpredictable variable; although it is rather small today, it is more real because everyone is a serious potential buyer.

Already the fifth (undisclosed) potential investor interested in investing into the travel industry in Šarpanec pod Vysokými Tatrami came to Spišská Belá with an interesting, positive investment strategy. Its simple essence could be summarized in three principles:

1. The investor will prepare the whole project during the time of crisis and will launch construction when the crisis will be fading away.
2. It will treat the 63-hectare area in the TANAP protection zone between Spišská Belá and Tatranská Kotlina in a natural manner, with minimum construction activities and many natural elements.
3. It will not purchase the whole area, but only area needed for construction - the rest will remain under the city's control; the city's representative evaluate the bid as “interesting, realistic and acceptable” compared to the four previous bids.

It is interesting to see how the critical atmosphere, imbued with adrenalin, can provoke the search for emergency solutions that can be practical or usable even after the crisis, when the market situation is

stabilized, consolidated and back on track.

Illustrative photographs - bnt / atradius

29.09.2009 15:23, SF / Juraj Pokorný