

Petr Fanta, CODECO: We have shifted weight towards residential



Author: SF / Petr Bým | Published: 15.06.2010

CODECO has a relatively wide range of activities, however, your key project is undoubtedly Nové Vysočany. How is it developing?

After five years of work, discussions and negotiations, the urbanistic concept for use of our land nearby the metro station Kolbenova is now definite. Three office buildings are already newly reconstructed and leased - KCD 13, KCD 4 and KCD 40. And the administration complex Kolben Cube is ready for completion. We have invested approximately one hundred million CZK, 30-40 % of one building has been built, the second one has a basement already. We are waiting for the first tenant who will be ready to move to the turnkey premises one year from signing the future contract.

Office space market is still in crisis. When do you expect situation turnaround?

The crisis is especially deep and it will probably not improve next year. The net demand, ie. the difference between newly leased space by new tenants and those where tenants move from, is negative in Prague for the first quarter. This is the worst result since 1990. Last year it was plus 90 000 square metres, negative 10 000 metres can be expected this year. Figuratively speaking: we are reaching bottom. The good thing is that it will probably not worsen.

And when will it improve?

It is really hard to forecast. It depends on the state of the entire European economy: however, I believe that it will be a bit better next year.

You are also planning residential projects in Vysočany?!

Yes, we want to build roughly a thousand new flats. But of course it is necessary to start addressing the entire location. We cannot offer people living next to empty factory halls, in a place where - apart from the metro - there is minimum infrastructure. Maybe things are starting to move. We are currently negotiating co-operation with Austrian company Lutz AG - one of the largest European furniture dealers. We bought the building in Vysočany previously owned by Europamöbel. It is the plot directly next to ours, they would like to build a new business complex with a wide selection of furniture. This will bring a new

impulse for development to the entire area.

So you are not building anything at the moment?

We are preparing three residential projects and we hope that construction of one of them we be started by the end of the year at the latest. We want to build - the prices of construction works are very good at the moment.

What is the project?

A 60-unit apartment building in the U podvinného mlýna location. ICKM have built several hundreds of flats there, we recently acquired probably the last free plot.

But new flats are selling as badly as new offices?!

Absolutely not! We, in other words CODECO, place our bets on the flats market. We have therefore shifted a little to our residential foot. The sale of newly built flats decreased by some 30-40 % to the level of 2006. However, it is no disaster. I was building and selling flats then and I also remember what was happening in 2005 and before. The overall market situation seemed amazing to us in the “bad“ year 2006 which was bad by today´s criteria. You know, the residential market before the onset of the crisis broke loose from the chain and now it is settling in the natural sphere of supply and demand. It is no disaster, as newspaper headlines like to say. I am convinced that a good location, well thought out interior layout and a good price will find their customers today as well as tomorrow.

At the time when there are thousands of new flats in Prague?

Why should two or three thousand flats on offer be a problem? Was it really a standard, when in the past years when there was not much to choose from and we often had five or even eight customers per one offered flat? Aren´t we used to having a wide selection to choose from in any other type of goods? They are only disastrous headlines in the media, there is nothing terrible happening. The problem of property developers is only that the flats take a longer time to sell. For such projects, as in our Kolovrátek Kolovraty, this still means instead of eight flats per month selling only two or three. This does not constitute a disaster for us or other similar projects. Certainly, the interest paid on loans will be higher, but it is nothing dramatic.

It might be good to accelerate sale of vacant flats. If for nothing else, for the cost of maintenance and accelerated aging of vacant and unused buildings. There is much talk, not only talk about decreasing price, some developers are on the level of 40 000 crowns per square metre, it is even lower outside of Prague?!

These, however, are new projects in peripheral locations, which are constructed at more competitive prices of construction works. The “old“ ones will just need to wait. I have already mentioned our flat complex Kolovrátek. We have taken it over from the financing bank under our good co-operation. The project had not been well resolved, however, it already had building permission. There are quite a lot of them now up for grabs, by the way. We did as much work as possible on Kolovrátek. The result is very good, in our opinion, but there is simply no space for reducing prices of the entire development project. It is definitely not good to reduce profit margin by paying operating costs, but the service life of a building is 100 years, there is no talk of rapid aging.

What prices do you expect in your new residential projects?

It is fully dependent on the location, which determines the input price of land and possible level of its built-up. The mid price range is around CZK 50 000 per square metre. We cannot slack on quality and we

also do not want to compete with mass construction of big players such as FINEP, Ekospol and Central Group. We target more discerning customers who will appreciate our well thought out layouts and more intimate projects in built-up areas where there are not hundreds of neighbours and a field around them.

It has been approximately a year and a half since you left Skanska Reality and headed to CODECO. How do you feel following this change of coat? What is different, do the companies differ in any way?

Of course, they do. This is primarily determined by their size. Skanska is a really large company which has time-consuming decision-making systems which head to Swedish headquarters. In addition, it is also very conservative in approach to risk. On principle, such a company cannot be a big fish in the real estate pond - which is what CODECO can be where decision making about opportunities is very fast. On the other hand, Skanska's financial strength cannot even be measured with that of CODECO's.

15.06.2010 09:56, SF / Petr Bým