

# Jarrold Epps, SATPO: the crisis is already behind us!



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**There is less talk about it, but it is still in the air - the crisis. How does an American working in the Czech Republic perceive it?**

The real estate crisis came to the Czech Republic from elsewhere - from countries such the US, Great Britain, Ireland and Spain, while it was closely related to the situation in their mortgage market. It started in the moment when debtors stopped being able to fulfill their obligations towards banks. The situation here is completely different. The mortgage market has been operating for some seven or eight years and that's why the proportion of real estate properties burdened by mortgage is relatively very small. The crisis in the Czech market was only an echo of other problems. People simply started worrying about their jobs and the future of the economy in general and as a result there were only minimal sales and purchases or none at all.

**How did your company feel this?**

Of course it didn't sidestep us. At the beginning of 2009 we also had a period when we didn't sell a single flat for five months. This difficult period is luckily already behind us, the situation has improved significantly.

**So we will talk about the crisis only in past tense then?**

I think that the crisis is already behind us. Things are slowly starting to move. For example, for our project Sacre Coeur we have had on average two or three viewings a day in the last three months. But it is - compared to the past - different.

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First of all, sales are much more time intensive now. I estimate that every transaction costs us 4 - 5 times more time than before, ie. before the crisis. It is evident that potential buyers are under no pressure, there are enough completed residences on the market, therefore they have choice, they can compare. Also, contrary to the past, they buy with their own money or simply in cash, and this is despite the fact that our clients are well conversed in the offers of financial services. Certain worries of getting oneself into debt are clearly still here.

**You are currently offering six projects for sale. The most significant for you will be probably the sale of the above-mentioned Sacre Coeur and Rezidence Jeseniova - how many flats are still available there?**

I won't be able to tell you exactly, however, in the first case it is almost a quarter out of the total 104 flats, in the second more than a third of the flats is sold. As I said, sales are happening slower but they are happening again.

**You have in Strahov - and also in your sale offer - a luxury villa project Rezidence Švédská. It was scheduled to be already finished but clearly it is not completed yet?!**

It is so. We were expecting to complete its construction this year, in the second quarter. But there were problems with the supplier of the building works, they found themselves bankrupt. We had to look for a substitute which took some time. But we anticipate to be finished in three months.

**Strahov is a little bit of a chronic location for you - you are planning the Sacre Coeur II apartment building there. In what stage is it now?**

It is completely ready, but we will start it up when the time is right. The same goes for another one of our projects - residence Malvazinky, again in Prague 5, there are two apartment buildings with about fifty flats. Due to the growing demand, I nevertheless believe that we will start selling them in no time. Now is the right time for starting new projects - after the crisis prices for property development are actually very advantageous, whether prices of plots or of construction works.

**Originally, you were envisaging a price of more than 100 000 CZK per square meter at Rezidence Švédská? Is this still the case? And what about the prices of your other projects?**

We haven't lowered prices for any of them, for example in the nearby Sacre Coeur it is still around CZK 80 000 per sqm - I am talking about average. And we definitely won't be making any price adjustments in the case of Rezidence Švédská either. But to tell the truth - this project does not figure in our marketing activities too much at the moment. Today and especially with flats in this highest price segment, there is not much point in presenting an unfinished product - sales through visualisations would probably not be too effective.

**Before the crisis there was also talk of luxury suites at Lipno?!**

Yes, we were considering an entry into such a project at the time. But it was during the times when people very intensively thought about second homes. Today the situation is that they hesitantly think about their first homes.

**Your prices are therefore remaining the same - however, they are decreasing in the market as a whole and it is clear that many potential flat buyers are still waiting for a bigger fall. Is it possible to resist this?**

We are of the opinion that the period of decrease is more or less over. And a period of some sort of stabilization is starting. Extreme fluctuations such as those that happened in 2006 - 2007 in the upward direction and in 2008 - 2009 in the opposite direction will not be repeated again. In the future, we therefore expect only a slight movement in the price level. In the longer term we expect prices to be higher than today but not such as those seen in the market during the boom period. It is difficult to make more of a prognosis at the moment. The same as everywhere else, the price development will be dependent on the overall development of the economy. Notice how often people talk about the economic situation nowadays, it didn't use to be like that. The expectation factor is very important today.

## Has the crisis led you to a shift in your marketing department?

We are more or less persisting with the same selling tools and methods. As everyone today, of course, we are considering social networks, I mean Facebook and others. This is still in the deliberation stage, I am for example an industrious Facebook user myself, I use it even for research relating to my professional life, but this is probably not the case for our clients yet. But electronic marketing has other forms too, we are also considering for instance promoting our projects through electronic news. But as I already said, we are still considering it. In any case, we cannot ignore all the new technologies and their possibilities, even though it may sound a little like music of the future at the moment.

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