

Radim Passer: Our business gets more and more difficult from year to year



Author: SF / Petr Bým | Published: 19.04.2011

We are sitting in the Filadelfie building, which is brand new and it is without question a new landmark of BB Centre. But tenants don't seem to be fighting over it?!

(laughing) When you compare how business was done then and now, so, simply put, you need ten times the effort to earn a tenth. We believe that by the end of the year Filadelfie will be occupied (by tenants). Its possible sale will be considered only depending on the market situation.

And what else is new at BB Centre?

We are building Residential park Baarova with 140 flats, it should be completed in autumn this year. And regarding office buildings - we have building permission for the Delta and G houses and we would like to start construction of at least one of them by the end of this year.

You also have activities in Ostrava. How is the Nová Karolina project going?

Ostrava is more complicated than Prague. If the office market here froze then Ostrava market came to a halt. There was certain hope last year when there were discussions with the Finnish company Tieto, however, they decided against Nová Karolina in the end. (Fourteen-storey Tieto Tower office building will stand on Republiky square in the centre of Ostrava. It will be built by CTP for EUR 50 million - editorial comment). We are therefore thinking of dividing our Karolina admin project into two parts and start construction of the first one in summer. We will need to find a combination of reasonable pre-lease, higher percentage of own capital and bank financing. Although there is currently intensive construction at Karolina, it is not offices but a shopping centre and flats.

And what about Roztyly Gardens?

I told you about two years ago that this interesting project would be on the agenda within three to five years. Today I wouldn't subtract the two years, maybe one at most. So we can speak about it within around four years unless there are some substantial complications. However, I need to say that we are just one part of the project. We control around 13 hectares where we intend to build low-floor campus-type business park, the rest will be public greenery.

As I can see, you are very sober in evaluation of short term outlooks. However, others are building, even CPI is talking of opening a new office location in Letňany...

I have heard a lot of big words in the media in the twenty years I've been in the business. But from my experience these words are often far from reality. Nobody is so naive to be building a larger project with their own funds. You need to have negotiated tenants, only then a bank will lend you and then, depending on the market situation, you can add more stages. The situation is different when it comes to smaller buildings in attractive locations. Developers, who are doing well financially, can afford to build speculatively under certain circumstances. There is always some demand for new buildings.

And how do you see demand for office buildings as a whole?

We must divide the demand into two - user and investor. Concerning the first one, the published data needs to be taken very conservatively. When the figures are adjusted from renegotiations or relocation of companies from one building to another, sometimes even smaller premises, you will see that not much is really happening in the market. There is no place to talk about growth, recession is still reality here. What is more interesting is the investors' demand. I would say that there has been a visible turn for the better since last year. Investors are particularly interested in new products with long lease contracts ahead of them.

You recently participated in the Czech Construction Forum, where the current government was presented quite actively. How do you feel about this?

Post-revolution governments have not shown much interest in the fate of construction industry or property development. This is the legacy of communism. Private businesses in real estate were newly founded after the revolution and hardly anybody, including politicians, understands the issue of property development and its multiplication impacts on economy. Moreover, it is very unhealthy that two thirds of financial volume in construction industry come from the public sector in our country. In healthy and developed economies, this ratio is reversed.

Politicians show no interest in property development, media present it quite negatively and this is probably related. Recently the head of the City Development Department in Prague was recalled, one of the reasons being that he gave way to pressure of developers too much. At least the media see you /ie. developers/ as kind of a pest. Why do you think this is the case?

It is associated with corruption. If the city acts rationally, if it has a reasonable and realistic urban plan, it will then make sure that development doesn't harm the city much. This would certainly be possible, but people concerned about the matter, not about their own pockets would have to be in the decisive positions.

However, there are always two sides to corruption...

Of course. The fact that property development as well as the construction sector are perceived negatively is also our fault. If we are willing to bribe politicians in order to earn one or two million more in such a way that we steal public money with their help, then we build an eyesore or we use the area at an intolerable level. Then there is of course an unpleasant picture of greed and corruption.

Reluctantly but still, the current government is trying to reduce corrupt practices. Do you think it will bring some results?

So far, I have seen only proclamations which are far from reality. Our business becomes increasingly complicated every year, zoning and approval processes are unbearably long and hard to predict. In the end, this applies to business environment as a whole - this is, again, breeding ground for corruption. Unless

there are clear rules to follow and of course some willingness to keep them, it will remain the same. But it is also related to the overall state of society and business oriented at figures. If the sole criterion for success of a corporation is the annual profit growth of 10 %, for example, which is not sustainable in the long-term level of economic growth, then of course all ethics and morality take a back seat.

When a particular sector of the economy is perceived negatively, it certainly does not benefit it. Wouldn't be worth explaining the issue of development mainly to lay public?

We are a little behind in this. It could be done only by a professional association which our industry does not have yet.

Today property development is much talked about in the context of green sustainable construction, ecological buildings and of course with energy or complex building certification. Is this just a fashion or a major development trend?

Definitely the latter. We have to deal with it. Certification has become an important part of our profession. Moreover, it won't be possible for investors to buy buildings without a green certificate in the future. And earning the certificate is not a big problem. When things are done reasonably in the design stage, then it does not increase construction costs dramatically.

The issue of zoning in Prague will be addressed at Stavební fórum discussion meeting "Prague's development plan and transport infrastructure" which will be held on 12th May 2011 at Amarilis hotel in Prague. More information about its programme and participants and on-line registration form can be found on our discussion website": <http://www.stavebni-forum.cz/diskuse2011>.

19.04.2011 09:49, SF / Petr Bým