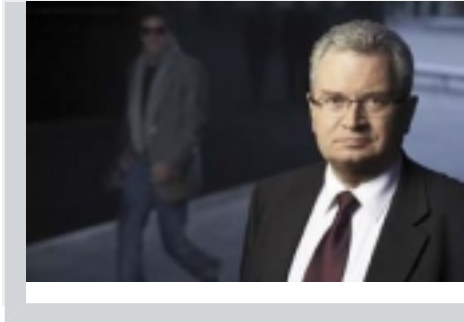


How to cure a crisis

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The barriers which must be overcome to acquire a bank loan for residential construction has caused many housing projects to be put on hold. An equally serious trouble is the shortfall of mortgage loans for persons purchasing homes, something which has caused a breakdown in demand since October 2008. The value of loans granted in 2009 is estimated to be 50% less than in 2008, with an even greater slump possible. Such is the opinion of Jarosław Szanajca, president of the Polish Association of Developers, president of the European Developers Association, president of Dom Development S.A.

The present world financial crisis has far reaching repercussions for Poland's housing construction system. No residential investments have been started for around half a year. At present we are having to cope with an excessive supply of apartments which ought to be eliminated within a year or two, to be followed by a new, very worrying situation in which there will be too few homes for sale. The supply and demand balance will be upset resulting in a price hike.

An antidote in granting corporation investment loans is for developers and banks to elaborate such mechanisms that banks could allocate those means in a safe manner, i.e. by granting housing construction loans. The state has much to do in that matter, for instance by amending demand supporting mechanisms (the "Family in its own home" programme within which monthly mortgage payments are substantially reduced for a period of 8 years owing to state subsidies), so that the easing of the mortgage burden becomes a tangible instrument on the market, practically increasing the demand for new apartments and houses without subsidising persons purchasing on the secondary market as is the case at present. That may be claimed to be socially beneficial but from the viewpoint of the

economy it is just a waste of the money which otherwise could be used to stimulate its very important segment.

An effect of the absence of demand for new homes is the simultaneous absence of transactions on the land market – plots of land change owners very rarely, mostly due to the lack of money in development company accounts. And even should the money be there, developers refuse to part with it. In addition, those developers which own building sites are not starting new projects either.

The Polish Association of Developers in 2003 became a member of the European Union of Real Estate Developers (UEPC) which associates national organisation and represents 120 companies which account for 40-50% of the market in terms of the number of so-called residential units delivered. Given the fragmentation of the market in Poland – that constitutes a very notable success. Our members include many Warsaw and national market leaders.

I am sure we will be able to come to joint conclusions together with the banks, and the elaborated concepts and cures we define will be implemented. We will simultaneously suggest amendments to existing regulations to legislators (Government and Parliament).

Since we bring together professional developers who have mostly been acting on the market for several years, their reaction to the crisis has been adequate. To my knowledge none of our members is facing bankruptcy. Some are enlarging their performance potential and are dealing in investment services – each has their own cure to tide them over till better times come along.