

RE

Raiffeisen evolution

THE EFFECTS OF THE FINANCIAL CRISIS WORLDWIDE

with a special view at housing
construction in the CEE

Mag. Markus Neurauter
Raiffeisen evolution
project development GmbH



Who we are

- Real estate project developing company | Established 2003
- Merger of Strabag
Uniq
Raiffeisen Holding
RZB
- Centre of competence of the Raiffeisen Group
- Activities in 11 countries (CEE|SEE|CIS, Austria)
- Branch offices in all capitals
- 180 employees
100 employees in Austria | headquarters
80 employees in CEE |SEE|CIS
- Fields of activity:
 - office
 - hotel
 - shopping
 - housing
 - logistics



Markets

- Austria
- Hungary
- Poland
- Czech Republic
- Slovakia
- Croatia
- Romania
- Serbia
- Bulgaria
- Russia
- Ukraine



Projects implemented from 2003 till Q1|2010

	Quantity	Investment costs in thousand EUR	Area in m ²
Projects in Austria	21	310,193	156,835
Projects in CEE	18	362,667	284,362
Services in Austria & CEE	13	827,718	278,197
Total	52	1,500,578	719,394

Ongoing Projects

	Quantity	Investment costs in thousand EUR	Area in m ²	% Inv. costs	% Area
Business Austria	4	126,245	74,261	7 %	8 %
Business CEE	11	1,429,830	630,074	74 %	66 %
Housing Austria	10	161,994	98,340	8 %	10 %
Housing CEE	8	204,467	156,451	11 %	16 %
Total Austria	14	288,239	172,601	15 %	18 %
Total CEE	19	1,634,297	786,525	85 %	82 %
Total	33	1, 922,536	959,126		

Indicators of the housing development boom in CEE before the crisis.

- Lack of supply, both in terms of quantity and quality
- Introduction of mortgage finance instruments
- Growing inequality of income, „rural exodus“
- Housing property is generally regarded as a safe and stable investment
- Foreign investments, both of institutional investors and of and of „expatriats“
- Extreme price increase for building areas
- Insufficient housing policy

Focus on quality & quantity

Example „sofia_sky” | RE _Project in Bulgaria



Focus on quality & quantity

Example „Derby“ in Warsaw

Polish project developer

Stage-wise construction 2003 – 2009

Approx. 2,500 units



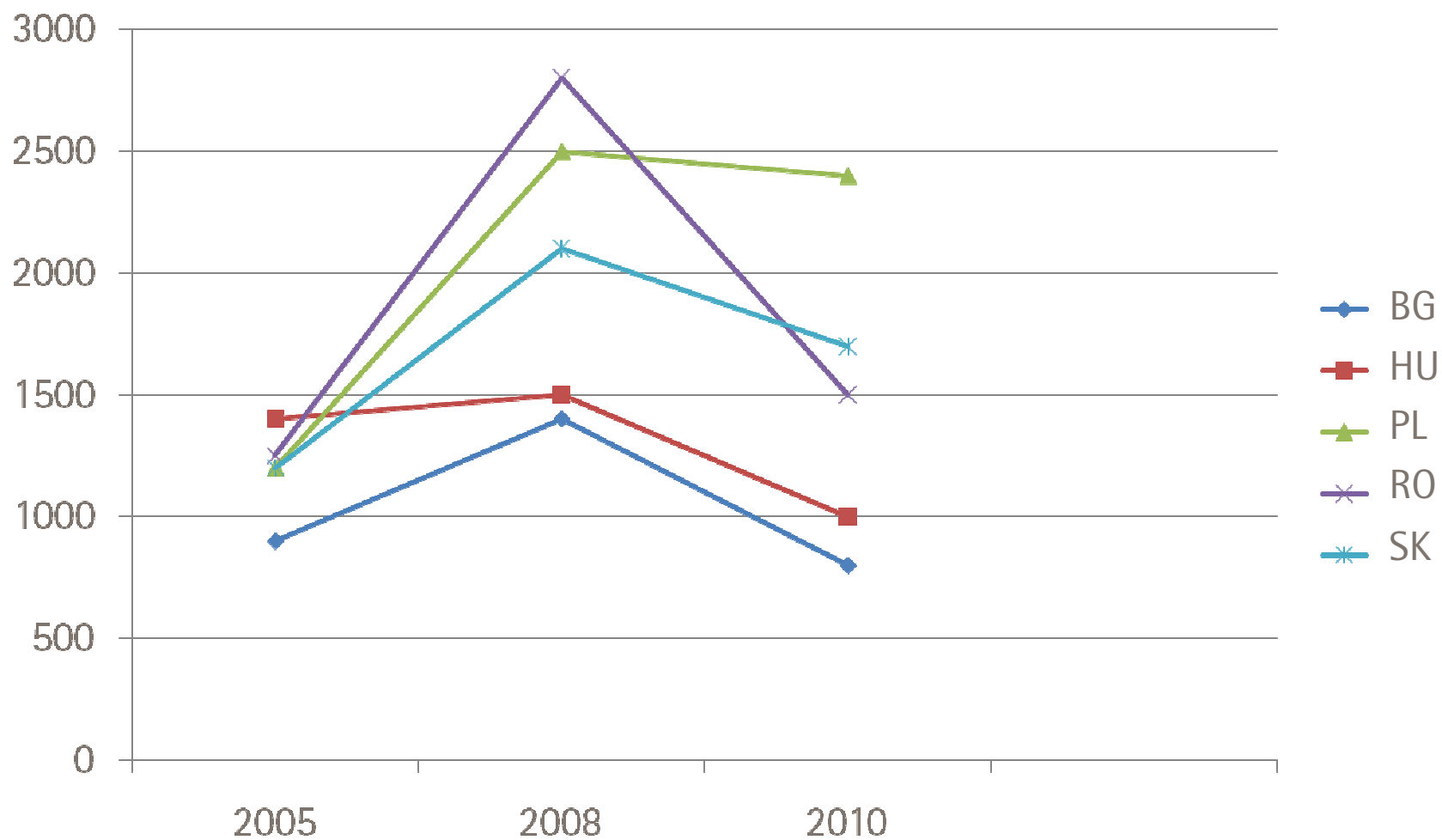
FROM THE HYPE TO THE CRISIS.

From the hype to the foreboding of the crisis.

- A decline of the housing sector can be observed in some CEE countries already in 2006/2007
- Generally bad sales in 2008
- 2009: The full effect of the financial crisis makes itself felt in the housing sector
- Completion of projects that had been initiated before the crisis leads to high vacancy rates
- A massive price decline is the result, the scale differing from country to country

MARKET PRICE DEVELOPMENT.

Market price development EUR/m² in CEE | 2005 - 2010



Effects of the financial crisis on housing construction in CEE.

- Marked decline in the sales of housing property due to conservative financing guidelines
- Imbalance of high-price products in relation to declining purchase power
- Financing is impossible due to dramatic devaluation of the local currencies
- Growing supply due to cancellations of customers and highest building completions coupled with a sharp drop in demand
- Building stop of projects under construction due to lacking sales opportunities and/or financing
- Price decline of up to 50 %* in several CEE countries (e.g. Sofia, Bucharest)
- Non-implementation or „on-hold“ of projects with a building permission (e.g. up to 50,000** apartments in Poland)

Property in Bulgaria

[HOME](#) [SEARCH](#) [HOT OFFERS](#) [NEW ADS](#) [DISCOUNTED PROPERTIES](#) [CONTACTS](#) [LIVING IN BULGARIA](#)

VIEWING TRIPS

Fully personalized viewings upon your request

BOOK NOW!

[AFFILIATES & PARTNERSHIPS](#)
[MORTGAGES](#) [ARTICLES](#)
[PRESS & MEDIA](#) [F.A.Q.](#)
[LEGAL ADVICE](#) [SELL YOUR PROPERTY](#)



Bulgaria Property Search

QUICK SEARCH: • [Bansko apartments](#) • [Sunny Beach apartments](#) • [Sofia apartments](#) • [Pamporovo apartments](#)
• [Off-plan properties](#) • [Properties with guaranteed rental](#) • [Development Land](#) • [R Borovets apartments](#)
• [Resale apartments & villas](#) • [Properties with Bulgarian Mortgage](#) • [Luxurious properties](#)

Type of ads:

Show only Discounted properties: ☐

Property type:

City/Town/Village: [Other locations](#)

Basic location:

Search in whole region: ☒

Completion stage:

Min. cost: € EURO

Max. cost: € EURO

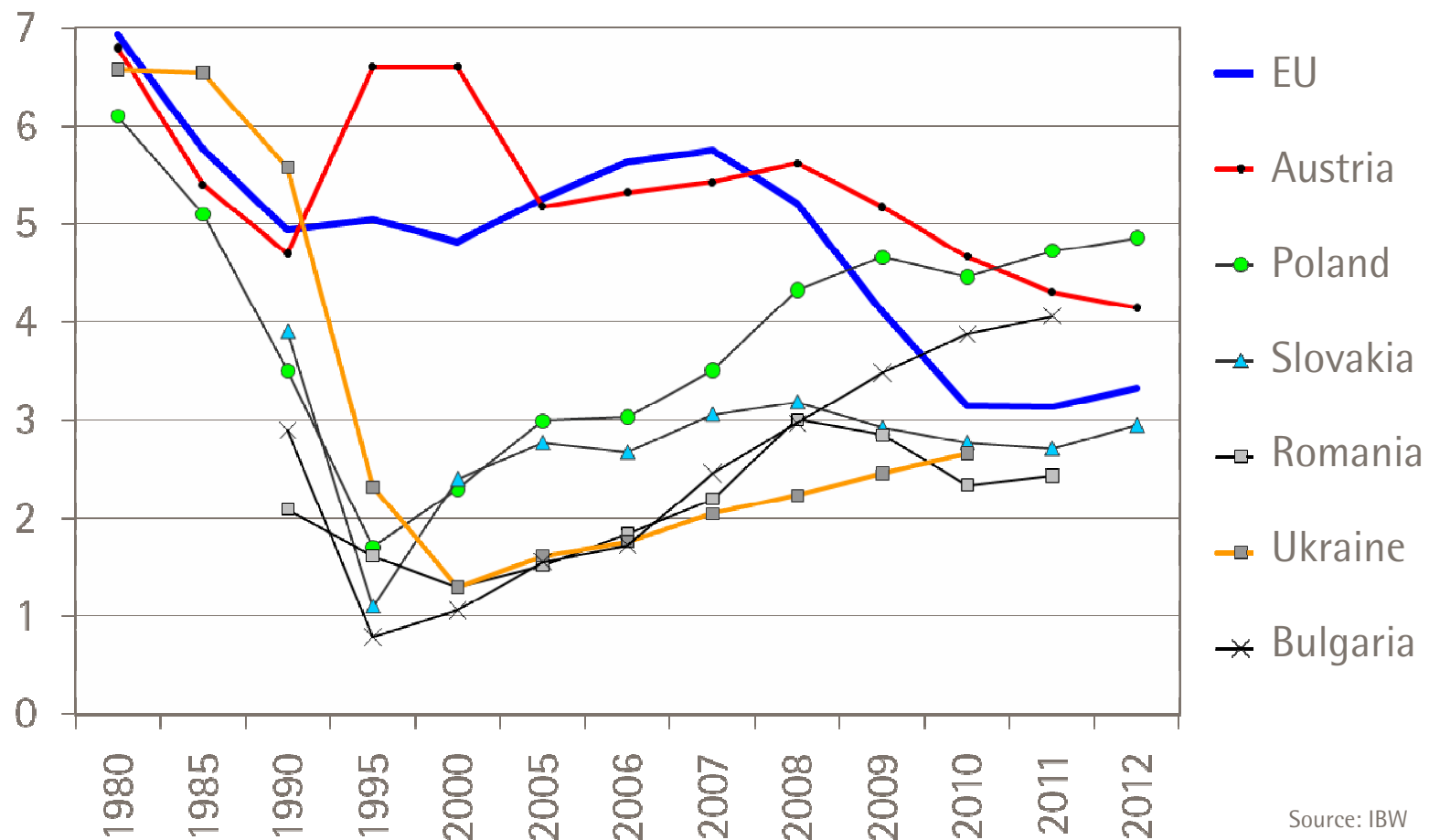
THE SALES CRISIS.

Stopped housing projects in Sofia.



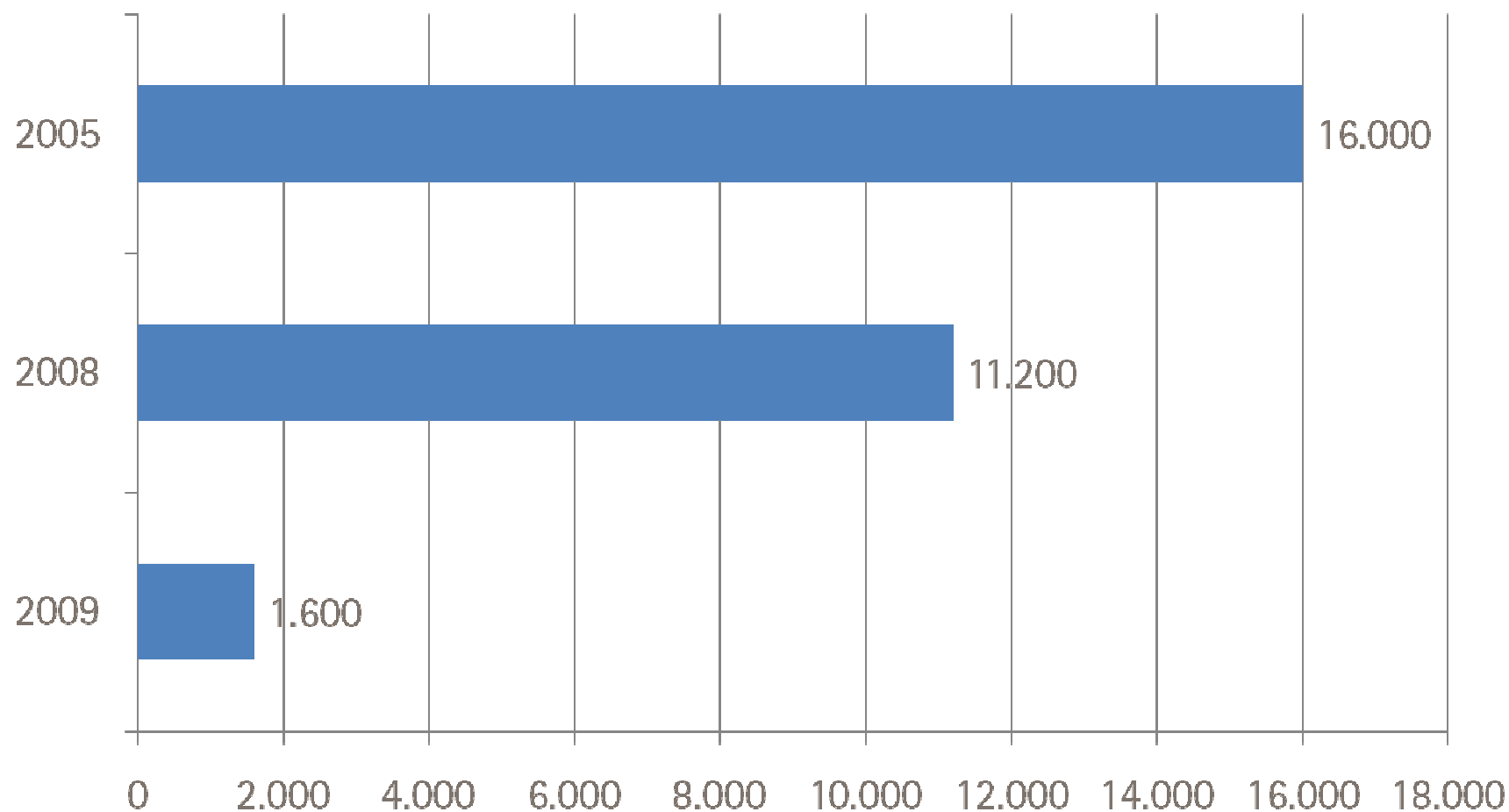
Housing construction in CEE 1980-2012.

Units completed per 1,000 inhabitants



Source: IBW

Sold housing units in Budapest.



„The housing boom is followed by recession that will make way for another boom.“

This quotation will come true. However, the question is:
When and mainly where, and who will be first?

Two groups of countries become apparent:

Group I **Poland, Czech Republic, Slovakia, Slovenia, Croatia**

Due to the positive economic data to be expected, these should be the countries with the highest potential in the very near future (2011/12). It must be taken into account, however, that the above-mentioned countries have different foundations and must not be put on a par with each other. Therefore, developments may take different turns there.

Group II **Hungary, Romania, Bulgaria, Latvia, Lithuania**

These countries are candidates for another year of recession and are therefore still on the „waiting list“ for a notable recovery of the housing sector.

Preconditions required for a recovery

- Safe jobs and stable incomes
- Access to mortgage credits
- Realistic financing facilities for project developing companies
- Tax abatements and/or no increase of the fees for real property transactions



THANK YOU.

THANK YOU FOR YOUR ATTENTION