**Warsaw Business Journal**
**Lokale Immobilia**
**March 2-8, 2009**



CEE and the global economic crisis

# Impending peril

**The CEE region and its property markets will suffer this year, but hope is not lost**

Central and Eastern Europe have already felt the bite of the global economic crisis, as have the region's real estate markets, said participants at the "CEE Insight Forum V: Tropical Storm 2." Forum that took place in Warsaw last week.

Organized by CEE Insight Forum in association with the *Financial Times*, the event brought together the region's top economists, analysts and real estate industry leaders, who summed up the region's performance in 2008 and tried to come up with some predictions for the markets' prospects this year.

### Macroeconomic woes

According to Anatoli Annenkov, a senior economist at the European Bank of Reconstruction and Development (EBRD), Q4 2008 data shows that the global crisis has affected CEE economies and led to a sharp decrease in output. The region, which is highly dependent on crisis-stricken foreign banks, has already seen calls for action on the part of international institutions including the IMF, the World Bank and the EBRD.

The CEE region's projected growth this year will be close to zero, but the differences between particular countries will be large. Poland's economy will actually be among the region's most resilient, experts pointed out.

"Poland has the flu and will be weak for some time, but Hungary is suffering from pneumonia, is in the hospital on life support and it is not known whether it will survive," said Norton Rose's David Dixon.

Recent polls of international investors show that the region is still regarded as a worthwhile location, Dixon added. He admitted, however, that the region's competitiveness in terms of attracting foreign capital needs to be boosted.

### Property markets affected

This year is expected to be rife with difficulties for a number of real estate market sectors, forum participants said. In Poland, the residential segment has been hit the hardest and some of the segment's developers could be forced into bankruptcy, noted Mirosław Szydelski, investment director at AIG/Lincoln Poland. He added, though, that the sector would not collapse, due to the country's strong housing demand and the fact that home prices will adjust to the market situation.

COURTESY OF MAXIMIC EVENTS

**A panel of experts discussed the current crisis and its effect on the regional real estate market at the Tropical Storm 2 event last week**

Karim Habra, managing director for CEE at JER Partners, said the Polish retail and office space markets may also be in for trouble. The reason, he said, was that tenants may find it difficult to pay rents negotiated in euro and dollars one or two years ago, which have recently gone up due to the currencies' strengthening.

On the other hand, said Neil Gregory-Eaves, director for Central and Eastern Europe at Colliers International, the occupier market in Poland is still in a better position than its peers, because of low vacancy rates and few options for potential tenants.

"The year 2009 will not be the developers' year. Keep away from unsafe banks, observe the market and be ready for 2010," said Sven Von der Heyden, chairman of the Von der Heyden Group. Striking a more positive note, he added that the current situation was providing opportunities for cheap property acquisitions for those players who still have deep pockets.

**Adam Zdrodowski**