

Distressed Assets vs Distressed Sellers

Which market companies and sectors suffer most?

The sectors that are suffering the most from decreased assets are the banking sector and the developers. According to the Bank of Albania there has been a 62% decrease in loans from the banking system compared with one year ago. The reason is because in the past year there has been an increase in the bad debt or toxic assets in the market. After this many banks have been trying to sell these properties through the government execution office. When the execution office fails to sell the foreclosed properties, the banks become owners of the properties. The banks are trying to sell the properties themselves through agencies through ads and this is becoming an issue with the slow sales. Banks are also suffering the most due to the incorrect valuations in the market. The local market has not applied international valuation standards therefore some properties were overpriced and some underpriced and therefore when they were foreclosed it was difficult to sell because of the distorted value.

The second sector that is suffering the most is the real estate developers. Albania is an emerging market and until now the demand for residential development especially has been very high. The demand was absorbing almost all kinds of developments that were coming into the market. Therefore developers were used to developing anything without caring much about their feasibility. In the past two or three years the trends have started to change. The buyers were becoming sophisticated and the market was not absorbing anything that was being developed. The sources of income especially the black money was running out and therefore the bank financing was increased. Today with the credit crises in the world and buyers finding it harder to borrow, the developers are faced with many properties and projects that could not be sold. Therefore most of their collaterals have been foreclosed because of the slow sales.

One other factor why developers are not performing well is what I call "They don't sell, but people buy" Most developers in the past years they did not see the need to use agencies or to spend on marketing activities so they could sell their properties because people would go to them and buy. Today things have changed and there is a growing need of developers to start using tools to accelerate their sales.

Emerging sources of capital for distressed property?

Many developed markets in the world are considered to have become "emerging markets" for investors in real estate. Many investment funds that have the potential to buy are using this opportunity to buy cheap and sell high. Some even renegotiate and adjust the value of the mortgage with the current owner allow them to pay monthly installments but with a lower value than the original loan but slightly higher than the value they bought it after the foreclosure. Albania as an emerging market, country with high risk is difficult and low yields is difficult to attract this kind of big sources of capital instead is attracting small sources of capital from people with some liquidity who are making small bargains due to the small decrease or constant prices.

Seizing opportunities in today's markets?

Even though that the market is reacting slowly compared with developed markets there are still opportunities to be seized. Many banks want to sell as soon as possible their distressed properties in order not to end up becoming landlords of properties that are hard to be sold. Therefore many are offering bargains to the market.

Strategies for owners and buyers?"

In the past months there has been an increase in ads and marketing activities by many banks for their distressed properties. They are also working more with real estate agencies to maximize the sale opportunities. Buyers are waiting and holding for more opportunities that the market can offer bargains.