

Which market companies and sectors suffer most?

In Serbia clearly can be noticed that all firms which either invested, either targeted office market suffered the most.

Especially hard strike was on companies which started their activities within project financing, with assumptions that market and economy itself will continue to grow alike period of 2006-2008 Y-O-Y. Nowadays due to a extreme decrease of direct foreign investment, followed with delayed or canceled expansion plans of many companies which saw Serbia as their new destination, those companies are suffering hard due to a minor demand for new office space and rent fall on monthly basis. Taking all this into consideration, investors – especially those which started their ventures with coo financing from banks are facing non liquidity and significant trouble to start with their financial repayments.

Emerging sources of capital for distressed property?

As emerging source, no matter have contradictory it may sounds, is still the very same banking system which approved currently troubled financing projects. Explanation for this small phenomenon can be found in fact, that banks as alone weren't prepared to economic momentum and therefore in most of the cases they continue to support developer/co investor with various models of refinancing, "bridge-loans" or with additional money supply with new mortgages as securitization for financing.

Alternative emerging source can be found with private equity investors and specialized investment funds, but their market activity still is not strongly present in Serbia. One of the reason is that majority of them is still very cautious and provides conservative preconditions for financing.

Seizing opportunities in today's markets?

We can summarize two major opportunities as time to reconsolidation (cost management) and optimization of business.

Under first we can point out that due to lower prices of properties, we can take as example office space which is strongly hit by a crisis. Owners are now ready to be significantly more flexible, therefore premises or current rent can easily be renegotiated along with other terms, which leads us to better cost management for business in general. Also some of the companies with strong fundamentals recognizes this moment and are preparing their expansions under considerably affordable conditions than those which we have with completely fit market.

Under optimization, we consider similar points as already named, where companies are in position to choose in much bigger gamut of conditions their relocation plans, expansion or diminution of business, or to obtain many of changes in their financial favor.

In one sentence, it is time to seize moment and to brokerage best possible conditions which will be valid also in moment when market recovers.

Strategies for owners and buyers?

In order to remain vital in turbulent moment, owners must apply tactics to be more innovative in order to attract buyers or tenants. Under innovation, usually every partner will appreciate if you as owner besides accepting and competing with market prices, are ready to offer package which will bring reliefs such as indexation or rent free periods for lease and installment payments for sale applying as longer as possible grace period. Also exit strategy, prepayment conditions or offering additional services under more attractive conditions will bring you to a top between your competitors. Examples are if for buying an apartment you can get discounted price for additional parking space or with office leasing to obtain free parking or significantly smaller ad-on factor etc.

For buyers, especially for those with strong capital reserve, reality is that this moment presents opportunity for cheap acquisitions, excellent negotiation position, and significant increase of value in future for everything that they manage to buy or renegotiate today.