

On the margin of the crisis in Romania - pe marginea crizei

"In this article Freddy M.E. Jacobs, the president of the Belgian Romanian real estate chamber gives his ideas on the current crisis and situation in Romania."

While doing the maintenance of the website of the business club that I have created in Bucharest I found that it is time to give some reflections on the current crisis.

The global car industry is in crisis and undergoing huge changes.
The bankers are undergoing a crisis and huge changes.
The industrial community hits the break and everybody is waiting for the end of the crisis.

The stunning plunge of financial markets has prompted wealthy clients to sell equity holdings and go for higher-fee products for the comfort and safety of cash. Assets held by the world's richest people rose by 9.4 percent to \$40.7 trillion in 2007, according to the Merrill Lynch (nyse: MER - news - people) and Capgemini Annual World Wealth Report released in June. But trillions in wealth has been wiped out globally since the credit crisis began over a year ago, and it's not clear when the crisis will end.

"How to use the crisis at your advantage....", should be the topic for most investors instead of temporarily stopping their expansion and complaining about the current situation, etc.....

First of all I would like to do some statements in the margin of the crisis.

No crisis has been lasting forever...

In times of crisis investment can be very profitable - barging period....so bargain-hunting should gain importance...basically bargain hunting should be the focus of all efforts...

The real estate prices are dropping and negotiation is easier because the owners are not selling at this moment...

Strategical positions remain strategical positions even in times of crisis and if the owner by accident needs money fast then...

Land and bricks do not vaporize...

One project takes 2 years from start to finish so if you want to build a plant in Romania, invest in apartments, commercial real estate, residential real estate, etc...do not wait until the crisis is gone. Buy the land now...

So what do we do ?

Let me give you an example.

We have some land near the Nokia plant. The prices were 20-25 Euro/sqm last year at 10 km from the plant with all utilities present. The nearest industrial parc is in Dej were they asked 38 Euro/sqm.

Today the market price for bigger plots is between 30-38 Euro/sqm.
We decide to sell on the Benelux market for 28 Euro/sqm and we aim at fast decision makers.

We want to offer some incentive to the Belgian and Dutch investors and with the Belgian owner we decided to go for a fast sales trajectory at a very good price - 28 Euro/sqm.

The buyer takes the land at 28 Euro/sqm over a surface of 37000 sqm (1.036.000 Euro).

After one year the crisis is gone and the land is to be sold at the prices that were there at the start of the crisis. At the same time the Nokia plant has gained importance in the region and more suppliers are looking to buy land in this region.

Let's calculate at 35 Euro/sqm. We have made 7 Euro in one year. Suppose that we sell after 1.5 year. We make 1.295.000 Euro. The difference is 259.000 Euro.

After three years the land will go up to 40-45 Euro/sqm.

If you buy now you get a lower price for the construction materials because the market will go down in 2009 (at least in Q1/09 and Q2/09).
Most probably you will get the land position at a cheaper price.

So what are we waiting for now....

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