Leader board

Prominent figures in the property and construction industry air their views on today's key issues

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Eastern promise

The approach to the so-called emerging markets of Eastern Europe has to start with a deep analysis of the political, economic and real estate factors.

This helps to outline a substantial link between the requirements and possibilities of the new markets and the established business world of Western Europe. The core strategy to penetrate Eastern Europe is to establish a collection of long-term methods and skills and then adapt the corporate culture to the particular local market. It is vital that there is strong cooperation with local business operators.

In May 2004, ten states – Estonia, Lithuania, Latvia, Malta, Poland, Slovenia, Slovakia, Czech Republic, Hungary and Cyprus – joined the EU. These countries will experience stronger GDP growth (around 5%) than Western European countries (1-2%) and a progressive slowdown in inflation. From a political point of view, the process of joining the EU has increased stability in economic parameters and renewed the population's trust in their governments. Greater economic prosperity and political stability have led to an exponential increase in the volume of real estate investment in the accession countries from international operators. The Czech Republic, Poland and Hungary are all experiencing an investment boom, with the most active investors being from Austria, Germany and the UK.

Further analysis is needed of investors. The first players to enter the Eastern European markets have been corporations, public companies and banks, who bought up local consumer banks including their real estate assets.

The result of the investment is the start-up of multinational companies who are looking for new partners with the same cross-border features. And developers are interested in projects in new investment sectors such as shopping centres, providing the next phase in regeneration work.

In the emerging countries the risk of investment is higher than in countries where markets are well established and consolidated. For this reason, the investment analysis phase is the key point in determining the balance between risk and yield.

Investment analysis requires knowledge and the correct interpretation of economic trends, along with an understanding of fundamental variables, in order to form long-term strategies that take local market features into account.

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