



interviewed by:
Vyachaslav Sorokin
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photography:
Slav-Invest

Milan Pajevic:

❖ There are several companies on the real estate market, the directors of which I particularly sympathize. It is not because they are professional in what they do and top class specialists, but because they are the people who love their job. Milan Pajevic, Chairman of directors board of Slav-Invest is one of them. For him, loving what he does is not a short episode, but his whole life. It is a vivid life that is filled with wisdom and permanent emotions, experiment and temperament of different countries of the world, such as Yugoslavia, Iraq, Czechoslovakia, Russia and Ukraine. It turned out that Pajevic is connected with Ukraine thanks to the main business of his life, Slav-Invest company. Over the 14 years of its activity, the company has become the leader of consulting and project management services having gained the reputation of a reliable and stable company. Despite that, the company continues to diligently work on new projects strengthening its positions on the market and forming the mechanism of risk minimization on the real estate market. We have asked Pajevic to tell our magazine about this aspect of the company activity.

«Insurance Does Not Release From the Obligations and Liability»

— Experience is currently the biggest value on the real estate market. Slav-Invest has been working in Ukraine for 14 years. How does your company manage to keep the leading positions on the real estate market for all these years?

— A certain stage of market formation has been passed. This process took place on the background of continuous growth of Slav-Invest without substantial leaps and decays. Over this period, there were times of mistakes and disappointments, belief and strategic successes. No matter what the position of the company and

the mood of the market have been, we have always stuck to our slogan: «Traditions. Reliability. Quality». Today, Slav-Invest for us is like a child that needs care and sincerity. For 14 years, we formed its look and culture, selected and trained highly qualified personnel, worked with world brands, formed and observed the corporate standards and insisted on professional attitude to one's responsibilities. Today, Slav-Invest is the company that has no right to mistake. In the process of implementation of this mission, we have formed trustworthy partnership relations with many players

on the real estate market, who were developing together with us. Many of them are now starting to work «by the rules», offering us a closer partnership cooperation. This, in turn, obliges us to consider in the future a possibility of building long-term partnership relations with domestic structures of the real estate market, though we do receive considerably more offers from foreign companies.

— In 2007, Slav-Invest completed the process of its reorganization. Have you managed to achieve the goals you set in the process?

— After the reorganization, the company is functioning as a group of companies, which includes: Slav-Invest Consulting and Project Management, Slav-Invest Engineering and Slav-Invest Asset Management. In particular, Slav-Invest Asset Management after its launch will be the sphere of my personal activity for the next 4-5 years. Slav-Invest Consulting and Project Management provides consulting services to banks and financial institutions (technical due diligence). To date, the company manages 7 large projects, including a multifunctional complex «DonUzlav» in the Autonomous



Republic Crimea on the area of 110 ha; multifunctional complex in the county center Makarov on the area of 150 ha; office center on Ivana Kudri Street; hotel complex in Pechersk; reconstruction of the clothes shopping mall in Rovno. «Slav-Invest Engineering» is the general contractor of MacDonald's in Ukraine. In recent years, the company has been successfully working on the turnkey projects of office and commercial property.

The company performs project drafting, design, interior engineering, architecture and working with subcontractors. The clients of the company include Ericsson, Tarket, Raiffeisen Bank Aval, Finans bank, Baker McKenzie, Gorenje, KRKA farmaceutika, BASF, DLAPiper, TAS insurance, SAP AG, Telenor, DIALA, Ernst&Young, MasterCard Europe. In the beginning of October we commissioned turnkey project of the office in business center «Parus» for the company «Olimp», which was among the first tenants to move into the center. Our company performed the full cycle of services, including project drafting, zoning and design, architectural planning and interior engineering and work of general contractor organization.

To date, the company is in the framework of limited resources, our own as well as contractor's. This forces us to make the necessary amendments to our activity and accept projects that can be implemented within the framework of the given budget, quality and real deadlines.

— **Dynamic development of the real estate market allowed for many foreign and domestic companies seeing the «Klondike» of super profits in it. Many of them turn to you, when starting their operation in Ukraine. How does your company determine the most reliable customers among the multitude of them?**

— To date, choice of a reliable customer is the biggest issue for all project management companies. Since the time of activation of dynamic growth of the real estate market, we are constantly told that the risks are objective reality that determines our conduct and reactions on the market. If I were a theory specialist and philosopher of the market, I would agree with this conclusion. Our company, however, is not a theory, but practice and we have proved that with the correct organization and approach to the customer, risks are subjective.

One of the criteria that determines reliability of the customer for us is his attitude to insurance. It is no secret that in Europe, insurance is the corner stone of the process of project development and investments on the real estate market. Understanding the importance of insurance in Ukraine, our company has developed a questionnaire and the answers to it determine the attitude of the developer or investor to insuring the process of investment activity. In the process of interviewing for our

questionnaire, we not only get acquainted with the candidate in more detail, but understand better the seriousness of the aims of his investment activity.

For example, if it turns out that the candidate is not interested in this issue, our conversation with him ends right there. The companies that insure their activity or are interested in doing so are our customers. In approaching the results of the questionnaire, one needs to take well-considered position and understand that many companies are still poorly informed about the importance of insurance on the real estate market. Foreign investors, for whom insurance is a mandatory condition in an investment agreement view insurance of their activity in Ukraine with optimism, but they need to be explained the nuances and specifics of this process.

Questionnaire is one of the ways that help an investor understand the market and us to understand the investor. Processing of the results gives us an understanding of the extent of responsibility of the investor to his own initiative and predict his plans. In case the candidate for working with us is not interested in insuring his activity, it can be assumed that the investment will be sold at the stage of its highest liquidity. On the one hand, the questioning process raises trust towards the company and on the other hand it involved the market players in development of insurance trends on the real estate market.

— **Will the insurance on the real estate market be able to become a mechanism capable of minimizing the risks to the maximum and making the market more transparent and predictable?**

— Maximum minimizing is possible only with synergy of a number of key factors, the mechanism of insurance being among the key ones. Despite that the insurance services market is still rather young and developing, we view it on the real estate market as a real and effective mechanism of changes. Effective functioning of this mechanism depends on the legislative initiatives and innovations, coordinated operation of key organizations of the real estate market. Synergy of these constituents must lead to development and introduction of effective conditions of bank crediting for investments of the projects in the sphere of real estate; introduction of joint development of the requirements by the Ukrainian Construction Association and specialized committees of the Verkhovna Rada and Ministry of Regional Development and Construction. This normative will envisage the requirement, according to which insurance of activity will be performed by all players on the real estate market. However, not only real estate market players determine the rules of the game. Insurance institutions must also come with initiatives and propose the points of contact. To date, activity of insurance and re-insurance companies in this respect is low and is due

to weak interest to the real estate market and high risks.

The most popular form of insurance in this sector of the economy is construction and assembly risks. However, when an insurance event does take place, the indemnity is not paid, as a rule, by the insurance company. In this situation, the insurers find sufficient number of insignificant violations that make the insurance event invalid. In order for that not to happen, the developer needs to thoroughly study the agreement that is signed with the insurance company. Moreover, there must be a special assistant of the head of construction at the construction site, who will be responsible for controlling over observance of all requirements of the insurance company. Many believe that insurance releases from obligations. To ensure does not mean to convey the responsibility to the insurer. On the contrary, the attitude to the construction process must be more particular and accurate on the part of the developer. The insurer, in this case, is an additional factor of control over the process of project development.

The current situation in relations with the insurance institutions forces a conclusion that insurance is a formal process on the real estate market. Real professional insurance implies close cooperation of specialists of insurance companies and players on the real estate market and construction process, insurance indemnity to those who suffered from an insurance event, transparent and clear interest rates from the sum of insured risks.

This assessment of an insurer on the real estate market could seem one-sided and negative. This is not so, however. Insurance services market, just like the real estate market, is actively developing and the market of qualified staff cannot keep up with it. It is possible that after this gap is eliminated and top class specialists come to work for insurance companies, there will be the period of active insurance on the real estate market and also improvement of the level of trust towards the insurers.

— **Could you name the risks that you believe must be insured?**

— As practice showed, the main risks on the real estate market are connected with political and economic-political events. In this case, the mechanism of insurance is a reliable source of minimizing these risks. The arsenal of the insurance companies on the real estate market does not end with insurance of construction and assembly risks and liability to the third parties. The market is development and the size of the invested capital by the domestic and foreign companies is growing. In this case, it is important that the insurance covers other types of risks, such as insurance of the liability of the developer; insurance of financial risks, insurance against disruption of the terms

of commissioning of the project; insuring the risk of land allocation.

Besides insuring the standard risks, it is necessary that the participants of the construction process — developers, investors and banks — insure liability of directors and officials (D&O). In addition to that, it must be said that C&PI is the general type of insurance for any foreign economic investment project. C&PI is credit and political insurance against government interference, foreign currency control, political violence and possible deviation of the party from the obligations. Realization of the insurance coverage of all these risks will minimize them to the maximum and make the construction process more transparent and clear for the investor.

— **How do you evaluate the initiatives of the UCA in formation of the insurance services market on the real estate market?**

— In April 2007, our company together with the Ukrainian Insurance Alliance, Ukrainian Construction Association and insurance company Willis organized the First International Conference: «Insurance of Investments in Real Estate as an Instrument of Risk Minimization of the Participants of the Process of Construction Projects Implementation». The relevance of this issue and a huge number of the ideas that have not been voiced inspired us for organization of this event, which enjoyed serious interest. The majority of the participants of the conference were UCA members interested in sooner minimization of the existing risks. In March 2006, Slav-Invest became a member of the association. This decision was approved not under pressure or following friendly advice, but because I am convinced that this is a real, concrete organization that improves the mechanisms of the domestic market on the basis of the world experience adapted to the realities of the domestic market.

— **In 2006, your company planned to begin working on the market of investments into economy class residential real estate. Have you managed to fulfill your plans?**

— This is one of the plans that have remained unrealized. This, however, does not mean that we abandoned this strategy. We will return to it. Taking into account the development of the real estate market, the issue of economy class homes construction will always be relevant. Today, we have other priorities that must be realized within the limited period of time. Unfortunately, there is just not enough time for many project and sometimes you even have to suffer your private life, which is not always a positive thing. For example, I saw my first granddaughter, who was born in the end of April 2007, and took her in my hands only in the end of September due to a number of circumstances. Maybe such sacrifices will seem egoistic, but what can you do, when we are upbringing such a gifted «child» as Slav-Invest. cREUA