

# Properties worth CZK 158 billion sold in the Czech Republic last year

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“Right after our entry to the Czech real estate market, we found out that there is no objective research here and the market is mostly guided by rumours and estimates,” David Krajný, head of RE/MAX in the Czech Republic, said at yesterday’s presentation of the mentioned survey. Coincidentally, at a discussion meeting of Stavební fórum focusing on the issue of real estate trading in the Czech Republic, which had taken place a day earlier, the participants concluded the same thing. For the first time, RE/MAX and MindBridge filled a significant gap in the information base of the sector which had lasted for almost twenty years.

The survey was based on data from the statistical office, land registers, the Commercial Register, real estate agencies and a poll taken among the population,” Krajný described the project. According to him, the methodology was highly complicated because in the Czech Republic there is so far no nationwide database or register of real estate transactions. As Krajný indicated, due to the great difficulties in obtaining the relevant data and information, many renowned marketing agencies did not even participate in the tender for this contract.

## Crisis outlook

The structure of the domestic real estate market, which last year amounted to CZK 158 billion, is largely dominated by residential transactions, with a share of 67% in the trading. Plus the 6% share of recreational buildings. A surprisingly small portion (12%) was taken by commercial properties (administration buildings, retail facilities etc.) and an even smaller portion by property development projects (3%). “However, the price movements of property development operations receive a huge media coverage and therefore become a barometer for the whole market,” Krajný concluded.

On the other hand, the survey did not bring anything surprising in the territorial distribution of real estate transactions. In terms of content, the highest share is easily given to Central Bohemia (22%), followed by Prague (14%) and South Moravia (11%). This ranking is closed by Vysočina, Karlovy Vary and Liberec regions.

We should also mention the results of an opinion poll that involved about 1,000 respondents. 11% of the respondents bought or sold a real estate in the last three years and according to the comments by the study authors, the frequency of real estate transactions in the population does not depend on incomes as much as it depends on education and social status - 91% of those involved in transactions received university or secondary education.

The survey expects that this year the market volume will decline by 20%, i.e. from CZK 158 billion to only 126 billion. The survey expects that this year the market volume will decline by 20%, i.e. from CZK 158 billion to only 126 billion. Last year the potential of margins (used only at 50% because many transactions are performed directly, without involvement of real estate agencies) amounted to CZK 6.3 billion. A traditional feature of the real estate sector in the Czech Republic is its fragmentation; 20 biggest real estate agencies constitute only 20% of all trades and obviously there are many small brokers operating on the market.

## Red-and-blue balloon ambitions

The mentioned survey is part of a large marketing offensive by RE/MAX. In addition to regular advertising campaigns, the US-based franchise obviously plans to establish itself on the domestic real estate market more visibly and solidly than its competitors. For some time the company has been engaged in the education of real estate brokers, where RE/MAX opened its Academy to the public a short time ago. In cooperation with the Czech Society for Quality, it strives for certification of real estate brokers, whose poor qualifications are one of the reasons why real estate offices have a bad reputation among the Czech public and why their services are not used to a larger degree.

The survey by MindBridge, focused on this issue, showed that only 54% of all real estate transactions are performed using real estate agencies in the Czech Republic. The potential customers are discouraged from using the services of real estate agencies by their low awareness of agency brands, unfair behaviour, unreliable employees and poor services. On the other hand, the survey shows that the prices of real estate agency services - according to David Krajný the transaction price ranges, as a standard, between 3 and 5% of the price of the real estate concerned in the Czech Republic - are not a prohibitive factor for the demand (only 3% of the respondents explained their lack of interest in real estate agencies by the high prices of their services).

RE/MAX therefore attempts to establish a personnel certification system, just like other entities on the market. It already offers three different certificates - for assistants, real estate brokers and a broker's certificate under ISO standards - the latter should particularly serve as an objective guarantee of quality. In this regard RE/MAX follows up on the efforts of domestic professional associations and other real estate franchises and networks. The problem of such initiatives is, however, their application to a limited group of people (defined for example by their membership in a professional organization or by employment), and consequently their poorer prestige and renown. It was not therefore surprising that at the mentioned meeting of Stavební fórum we listened to words on the need to give a universal, or nationwide umbrella to the certification processes. The ensuing discussion showed, however, that given the different interests of all market stakeholders, this is virtually impossible. RE/MAX's certification initiative is the first sign of hope in this field. Jaroslav Novotný, President of the Association of Real Estate Agencies of the Czech Republic, participated in it as a consultant, and that is not the end of cooperation between the biggest professional association of real estate brokers and the biggest domestic franchise. "In this field we're very interested in cooperating with the Association of Real Estate Agencies," says Hanuš Němeček, who replaced V. Krátký as Executive Director of RE/MAX in the Czech Republic a short time ago.

Charts: RE/MAX

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