

Prague Research Forum: We do not have a brain patent but we stand behind our work



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To start with, let us review what Prague Research Forum is and what is the meaning of its existence?

Prague Research Forum was created at the start of this decade as a voluntary and informal association of several real estate agencies. There are six of them today: CB Richard Ellis, Colliers, Cushman & Wakefield, DTZ, Jones Lang LaSalle a King Sturge. Our aim is to survey the state and development of Prague office market. PRF does not make any forecasts, these are individual issues of each member.

Is it the entire Prague office market?

No, it is not. We monitor only modern office A and B quality office buildings with minimum lettable area over 800 square metres. It is noteworthy that we all use the same criteria for classification the administration space in categories. On this basis, we also reassess the reference buildings and their classification, if necessary.

Why such specification?

There are several reasons. First of all, the “other“ spaces are sufficient, a total of several hundreds thousand square metres. Most are small units, very often flats converted to offices, not even B-class. As far as area is concerned, PRF initially monitored small buildings too. Eventually we found that there is minimum activity regarding rentals and therefore more or less zero statistical outputs. This is the reason for setting the bottom limit of 800 square metres. Finally, a pragmatic consideration also plays a role: smaller spaces of lower categories usually do not interest our clients.

What is the method for carrying out research?

We identify the current situation in all monitored buildings every three months. They amount to 2,7 million square metres today, from owners, operators and property developers. This data is then processed further. Final aggregate values or averages are published, detailed data is only for our internal use.

PRF has six member - what if some data does not correspond?

It works differently. Each member is in charge of a clearly defined market segment, determined for example according to the developer or location. The market is divided so that more or less the same volume of work falls on each member.

So for example the vacancy rate is calculated from the information you have from the owner. Is it reliable?

I don't know what the practical benefit for the owner of an administrative building to falsify and distort the data. Moreover, some of PRF members appears in most new buildings in some way, so there is a check. However, I repeat: who would benefit from presenting an empty building as fully occupied?

How are leases calculated?

In the same manner. They are nominal values, in addition we only publish data on leases in "prime" buildings in the specified area. The incentives or discounts for a particular tenant in a building are not recorded in our statistics. It is a matter of business agreements which is considered confidential and are not disclosed.

Jiří Pácal questioned yield figures much?!?

First of all: PRF does not monitor yield data and thus does not disclose them. But to the point: algorithms for calculation of yield are relatively complicated, this is the job of our investment departments. They are based on the current situation in the building and lease and other contract conditions. The result is our in view, objective data, the investors would not want any other from us anyway. This is again private information, intended only for internal use. Another thing is that a company summarizes and publishes the data in some way. This is again a very difficult job as very few transactions were concluded in the past year and a half. In some segments of the property market, they are qualified estimates of investment agents and experts in the field of property valuation which result from negotiations led at the market. Although each of PRF members report on the yields independently and their publication is not co-ordinated in any way, our results differ by a quarter per cent at the most. This certainly indicates something.

So everything is all right?

We do not say that we have a patent for brains but we stand behind our work. We would also like to emphasise that PRF is an open system, data exchange takes place outside its framework, for example with some real estate agencies - let us mention Knight Frank, Professionals and EHL. If somebody feels that there are some modern offices which remain outside our focus, there is nothing easier than to contact us. We cannot eliminate their existence. On the other hand, PRF has a database at their disposal today which is unprecedented in Prague. And let us not forget the main thing: PRF outputs are mainly intended for our clients. If they are of poor quality, the client will find out sooner or later and will deal with us accordingly. This is the best quality control of PRF work.

I assume that PRF is similar to associations which work in other countries, especially the "property" developed countries?

The truth is the opposite. Associations similar to PRF are a speciality of Central and Eastern Europe. The reason being that property markets are young and not too developed. In standard market economies, such investigations and studies are carried out by independent bodies. We will hardly see this happening in our country. The Czech property market is small, we probably cannot find a model which would allow such activity on economic basis.

