

End of ineffective real estate agencies as a result of natural selection



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Just like the market eventually refused the exorbitant housing prices (which happened to the subsegment of older flats first) and the developers' inflated margins, due to the crisis, the self-cleansing process has started with real estate agencies too. The extraordinary regime has already forced some fast boiled brokers to retreat and disappear quietly.

CENTURY 21 is a guarantor of the shift in the regional hierarchy?

The first swallow of a commitment towards more professional criteria in practice was the entrance of the largest global network Century 21 Real Estate LLC onto the Slovak market, through CENTURY 21 Slovakia, who started representing the world's first real estate trademark in the 23rd European country.

The 39-year history, a massive expansion into global markets, almost 9 000 franchised offices in 70 countries and 165 thousand brokers offering millions of properties worldwide - that should be enough of a testimonial to competence. But the System CENTURY 21 ® is not only about success statistics and a strong international brand - it is mainly about sharing a common marketing strategy, a reference system and a network of offices interconnected through the latest technology.

According to unofficial analyses, during the period of crisis approximately 20 per cent of real estate agencies have left the market already, which is, according to Daniel Bilý, the CEO of CENTURY 21 Slovakia, the of natural selection which will logically lead to a decrease in the number of ineffective and solely speculative real estate agencies. The support of local companies by global networks in the area of management, marketing, administration and education aims at increasing their expertise and professionalism so that they get a headstart compared to their competitors and a shift in the hierarchy of real estates agencies in the region.

As CENTURY 21 Slovakia declared at the beginning of the year, they would like to move the real estate market to a higher level using their experience and to become the leader in providing real estate services in the country. Due to the oversaturation of the local market, the information about an increase by 50 offices caused astonishment, alarm and even criticism. But these later turned out to be unfounded when the network took under their wings also real estate agencies which operated before but would only continue under the new brand. "Only practice will show how strict the selection of agencies and holders of the trademark will be in this country," said Martin Lazík, the secretary general of National Association of

Real Estate Agencies (NARKS) Slovakia, to Stavebné fórum.sk at the time.

Institute for Urban Development - supra-department initiative

Another initiative was born in April 2010. As we already informed, this is when members of the Institute for urban development - IUD - had their first meeting. They were representatives from companies who participate in the construction of human settlements, building development and landscape creation.

As mentioned several times, the fundamental activities of this non-profit organisation go above the narrowly defined problems of real estate agencies, even though they are connected in every respect to their context, directly or indirectly.

Apart from presenting expert viewpoints while talking with public authorities, and with continual professional development of its members, IUD's aims to link all professional groups acting in the real estate sphere. Developers, architects, engineers, designers, builders, marketing workers, financiers, lawyers, real estate managers, real estate agencies, state authorities and local authorities will be taken into account.

A partnership based on mutual trust and understanding among the public, government institutions, local authorities and the property development sector, the organisation's culture and better quality relations - this is how Roman Talaš, one of the founders and the chairman, defined the highest ambitions and the mission of the institute.

Foreign equivalents to the Slovak IUD have been in existence for a while - as the non-profit association Association for Real Estate Market Development (ARTN) active in the Czech Republic, Urban Land Institute (ULI) - an international non-profit organisation with headquarters in Washington, and the Canadian Urban Development Institute (UDI). The most recent social-working meeting has been organised by the IUD on the topic of "Permission granting processes and financing of infrastructure in Canada's Vancouver" and "The development environment in Hamburg".

RE/MAX Slovakia came with their own challenge

And thirdly - another contender for the title of the driving engine for change - RE/MAX. One of the world's largest real estate networks, currently operating via 7 thousand franchised offices and 100 thousand brokers in 65 countries in the world. They have been operating in Slovakia since the beginning of 2006, they have almost 50 branches and more than 400 real estate brokers.

"There are no rules, uniform statistics or surveying in the Slovak real estate market. It is difficult to say how many transactions take place through real estate agencies and how many privately. Clients often sell their real estate property themselves - downloading sample contracts from the internet. The most problematic category is brokering, when the client has no idea what commission they will pay," said Peter Madleňák from RE/MAX at the Stavebné fórum discussion meeting in Nitra. He added that his real estate agency has very strict rules and standards, as well as robust complaints procedures, with regards to trading with real estate property. "RE/MAX introduced the institution of the ombudsman where the client has the right to turn to when they are unhappy with the services of the real estate agency," pointed out Madleňák.

The fact that the quantitative wave with a significant speculative foam on the surface is starting to be forced out by natural selection for the benefit of quality, is supported by the current activity in the market of real estate agencies. The Regional Director of RE/MAX Slovakia Richard Churý, who estimates the current decrease at 40 percent, is not intending to rely on the mediocre brokers to disappear from the scene on their own. That's why he is planning to initiate the implementation of certification for brokers via an ISO certificate, the best holders of which would be able to take advantage of its validity in the entire European Union.

The elimination of chronically known shortcomings in the work of brokers is mostly expected from this planned certification. Examples are low quality and unprofessional service, amateurish drafting of sale contracts, errors in proposals of entry of the real estate property into the Land Registry, declaring untrue information or withholding important information and the like.

Therefore what should verify the quality of brokers? Testing in the area of real estate law, processes of the broker, information technologies, economics and finances. As RE/MAX declared some time ago, they intended to implement the above-mentioned changes into their own internal structures from the end of June 2010 at the latest. The only question remains how the subjects operating in the local real estate market will respond to this invitation to duel.

The general principles of improving the quality of real estate service

Real estate agencies have been battling the crisis for the second year now, and therefore with the problem of their own survival or demise. If they have not been working effectively until recently and they are still continuing in this manner, the question of existence multiplies in their case. The dilemma of being therefore is: pack it in or continue in a new way?

The starting points and attitudes of individual real estate subjects - let's say equally competitive subjects who make no secret of their dual ambition of integrate & cover in - can vary. Their ultimate objective cannot be different, they have it in common, and this is the improving quality of provision of real estate service in Slovakia. According to preliminary formulations of programme points, the principles leading to their fulfillment and the consequences for the real estate broker (REB) can be summarised as follows:

- REB can no longer be solely a broker for purchase or sale - he has to know how to provide a complex spectrum of services.
- REB masters the tools useful in meeting the interests of the buyer as well as the seller.
- REB masters the modern system of relocation - moving of the client as an individual, also a company, while seeking work or a price-optimal location for sale or rental.
- REB balances the requirements of the seller with the resources of the buyer in the process of negotiating the optimal price - in the most correct determination of the market price.
- REB goes by the rule that the level of the sale price is not always the most decisive factor for sellers and buyers. The aspect which often decides the success of a transaction is the speed of proceedings.
- REB uses latest innovative technologies not only for improving the quality of the presentation of a property but also for shortening the time of its sale.
- REB is the expert at regional specifics and the related determinants of the price of the property, as well as the factors influencing the restarting of the demand for housing, which he can use for the benefit of the concluded transaction.

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