

# Century 21: Gold Jackets enter the Czech market



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In the Czech Republic CENTURY 21 plans to sell at least twenty licenses during the first year and about 90 within three years. Within five years a CENTURY 21 office should be located in each city with over 20,000 residents. In addition to the standard services of real estate brokerage, the franchisees will also give advice to their clients on the best possible preparation of their property for sale or rental, provide for the funding of property purchase (the company is already negotiating partnership with mortgage banks), offer legal consultancy and, as regards purchase and rental, consult the choice of the right type of property and suitable location. The franchisees will provide all of these services on the basis of “formulas” established by the parent company. Their content corresponds with standard franchising concepts (selling know-how, code of ethics, corporate webpage etc.), which are not, according to Mazgaj, excessively rigorous compared to other franchises and give the license users a sufficient space for their own ideas and procedures. In fact, these should be generated by special boards of license owners, established at the local, regional and national level.

## Recipe for success

The world’s biggest realty franchise enters the Czech market in a difficult period of time. “In good times markets are growing, in bad times declining,” answered Chris Kervandjan, Vice-President of Century 21, very vaguely, yet understandably when asked about the development of the company’s turnover in recent years and months. The management of the Czech branch remains optimistic, though, and its plans are based on the fact that about 50% of all civil property transactions in our country are conducted via real estate agencies. “In the first stage we want to take over the business of bad and unreliable agencies, with an unchanged share of real estate agencies in the business; in the second stage we want to increase this share to our benefit,” comments Lubomír Mílek, executive director of the Czech branch of Century 21, on the intended expansion on the Czech market. He says that offices with the Century 21 logo will compete in terms of prices as well: “We only recommend the commissions for our franchisees, there are no fixed rules. We assume, however, that depending on the location or region the commissions will be about 3% for sales and about one monthly rent for rentals. In this regard we will not be definitely inspired by dealers requesting 10% commissions.”

The management of the Czech branch of Century 21 evaluates the current situation on the Czech market in residential facilities as rather complicated. “The purchase of property as an investment is becoming pointless, the purchase price cannot be repaid from the yield. We expect investment purchases to be limited in the future,” says Mílek. According to him the costs of purchase of residence housing are growing and achieve 6 to 6.5% for mortgages, while other costs amount to 1%; on the other hand the yield is 4 to 5%

at best, and usually even less: “A flat with an acquisition price of about three million cannot be rented for more than 15,000 crowns.” In addition, Mílek considers the prices on the market as too high. While the costs of construction are about CZK 20,000 (according to estimates, the price of land increases them by 2,000 to 3,000 per square meter), selling prices e.g. in Prague reach CZK 50,000 to 80,000. “We expect the prices not to grow, but rather on the contrary,” Mílek implies.

### Century 21 in facts and figures

- The company was established in 1971 by the real estate brokers Art Bartlett and Marsh Fisher, who opened their first office in Orange County, California.
- In 1992 the turnover of the whole network exceeded USD 100 billion for the first time.
- In terms of global growth, 1998 was a breakthrough year; the company established itself in China, conquering one of the world’s biggest markets. Today tens of offices are opened in China every month and CENTURY 21 will soon have a network of 2,000 offices there.
- At present CENTURY 21 operates a network of almost 9,000 real estate agencies in over 65 countries of the world.
- In the recent years the sales of CENTURY 21 licenses has been successfully growing also in Eastern European countries, e.g. in Russia, Poland, Romania, Estonia and Serbia.
- In the world of realties CENTURY 21 is a respected brand, as shown by the growing number of licenses sold on all five continents as well as by independent surveys in the most developed markets. The position of the best-known network of real estate agencies is confirmed every other year by surveys conducted by Millward Brown, which identify brand awareness in the field of realties. CENTURY 21 always places first, ahead of all of its competitors, in the markets of many countries. For example in the US almost half of all respondents (47 %) know the brand, while in France the percentage is as high as 75 %.
- October 2008 - official entry to the Czech Republic’s market

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