

Real estate agencies: a turn thanks to excess of supply over demand

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Communication was not of high level

The number of concluded deals during the boom period is estimated at 20 per month on average per one reputable real estate agency. What their real contribution to the sale was at that period is questionable as more or less anything was selling. The companies were able to afford large rented space, luxurious commissions for their agents, to have a lawyer at their disposal.

The efforts at executing a sale were concentrated at creating a bumper zone between the seller and the buyer, and possible consulting services. Advertising was without saying, largely lagging behind reality, mainly due to the fast turnover of property. The communication was also of low level. When a potential buyer called a phone number, it was not rare that a “receptionist“ who picked up the phone had no idea about how up-to-date the stock was and the process of obtaining at least basic information was a long distance obstacle run.

Many clients thus rightly got the feeling that real estate agencies asked for commission for nothing. Apart from printing the contract which had often been drawn up by the buyer or seller themselves and several phone calls.

A change in favour of an active approach

A turnaround arrived the moment when the number of buyers dropped sharply due to the global economic slowdown and banks introduced more restrictive conditions on provision of mortgages. The agents of buying and selling property reached the verge of their existence from one day to another. The number of concluded deals decreased by tens of per cent. It was inevitable to optimize expenses and overall to adapt to a new situation.

After 2008, the number of people working in real estate companies declined. Some left, others were made redundant. Today the active sale scheme is in the foreground. This scheme involves searching for a particular buyer for a particular property. Today, when a potential buyer calls, they will be in a problem-free contact with the agent responsible for the particular property. It is a logical approach in the conditions where there are 10 to 20 flats per buyer on the market. The positive result of the crisis is the fact that the market has “been cleansed“ thanks to the difficult times.

According to the estimates in the media, at the moment the sale of flats through real estate agencies compared to a private sale is 30 to 40 per cent faster. In addition, the average price of the property sold is not influenced by this. This is probably caused by some sectors of the property market which are overpriced and which compensate the increase in the sale price by the agents' commission.

Own needs dominate in purchasing

According to the statistics by the Bond Reality agency, the property market suffers to a large extent from unrealistic ideas about the price. In most concluded deals, the real sale price is far away from the advertised price. In percentage, 40 per cent of property on offer is overpriced by 10 to 40 per cent. Clients also do not accept the first price from the estate agent, they wait approximately for a month to confirm

the unrealistic financial requirements. In addition, transactions are complicated as most properties are mortgaged and financed through another loan by the future owner.

Other interesting information in the real estate area is the percentage of properties acquired as an investment. Only 10 per cent of all concluded deals are considered to be a commercial buy. The remaining percentage accounts for buying property for one's own need. A half of this number are first time buyers, 70 per cent of those are below 40 years old. 90 per cent of the potential buyers expect a discount from the sales price or another benefit.

Up to 25 per cent of the properties sold were bought for investment, a survey by the Bond Reality agency shows. Up to 80 per cent of buyers finance their purchase through a mortgage. Apart from small and older flats costing up to EUR 80 to 90 thousand, there is a higher demand for rental up to EUR 400 per month. The sale of new houses off plan or in the initial stages of construction is problematic. Sale of mountain suites has been completely put on hold.

Tourism in case of flats and houses

Another phenomenon which occurred during the last two years and which agents need to cope with is so called "real estate tourism". Today's profile of interested parties in property results from excess of supply compared with demand. It is rather logical to want to choose the ideal out of what is on offer, without compromising according to one's idea in terms of character as well as price.

There are statistically confirmed numbers of number of viewings to one concluded deal. The ratio of 20 : 1 is considered to be usual. Today's modern tourist is capable of doing 50 to 100 viewings and still not find a suitable property. Coping with this "bullying" from the interested parties depends on the agents who currently really deserve their commission. It is not rare that they hardly cover expenses arising from selling the property.

Illustration photo - Sock Development and author's archives

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