

Estate agencies are betting on trading of problematic mortgages

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Leading domestic estate agencies plan to expand their networks next year. Besides traditional transactions, the real estate brokers also expect a growing number of transactions from the increasing number of people who have problems with repaying their mortgages and other loans. Nevertheless, the number of involuntary property auctions rose significantly this year. According to the statistics, there were 708 involuntary auctions between January and end of November. During the entire 2009, there were 395 cases of involuntary auctions.

Estate agencies' approach toward people who have problems repaying their loans can be divided into two main categories. First is the case when the estate agency co-operates with the bank and helps their client to sell the property and possibly find new housing. The second is the case of so-called buy-outs. This involves the estate agency buying the property for cash, often below the current market value, from people needing cash to repay their loans.

RE/MAX already co-operates with Raiffeisenbank on addressing the problematic bank loans. "The bank gives us contact details for people with whom it has been agreed that we would go and see them and these people are willing to solve their pressing financial situation by selling their property, mortgaged to the bank, voluntarily," Hanuš Němeček, sales director of RE/MAX, said. The estate agency will subsequently arrange a purchase or rental of another property for these people. Their competitor - CENTURY 21 - is also planning a similar service in co-operation with the banks. "CENTURY 21's help to their clients will lie in solving their current situation, for example by selling the existing property at a market price, and finding alternative housing. This is due to the fact that in the event of insolvency proceedings or forfeiture of collateral, the property generally enters an auction where it is auctioned mostly at a price tens of per cent lower than the real market value," Aleš Mazgaj, CENTURY 21 CEO, said.

The trend among real estate agencies for next year will be a stronger emphasis on real estate buy-outs. "We will target more buy-outs and property auctions," Otakar Šmíd, director of AAABYTY.CZ, said. For the company M&M Reality Holding, buy-outs are even one of the reasons for their planned capital increase in 2011. Estate agency Sting or Next Reality Group also buy properties from people in financial distress.

Property buy-outs don't have a unanimous support in the entire real estate sector. For example, RE/MAX does not directly ban their brokers from the buy-outs, however, their business strategy is not based on them, according to their sales director. Buy-outs are said to be only a matter for individual branches and they do not appear in the accounts of the entire network.

The real estate network RE/MAX and their competitor CENTURY 21 have the most ambitious expansion plans for 2011. They both want to open up to 30 new branches in CR. The domestic company M&M Reality Holding is no less ambitious, they want to start their operation in at least 25 new locations.

Development of branch network of major real estate agencies in the CR

Company	Number of branches opened in 2009	Number of branches opened in 2010	Forecast of branches to open in 2011	Total branches (as of start of December 2010)
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AAABYTY.CZ			4	12
CENTURY 21	34	15	25-30	48
M&M Reality	6	15	at least 25	65
RE/MAX	35	20	30	131
Realitní kancelář Sting	1	3	at least 2-3	35

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