



Frank Hanečak, Hanex Group s.r.o.

ADVISER

This month's guest expert is the owner and managing director of Hanex Group s.r.o. Hanečak is a veteran of 22 years in the North American real estate market, where he was a broker with Re/Max in Toronto, Canada. His company in Prague is involved in leasing, rentals and sales, and provides assistance with research, development, marketing and management.

Real estate prices in Prague have risen by 20 percent in the past 12 months. Why did this happen, and is it likely to continue?

A number of factors were involved, including:

1) Increased activity by local and international investors in the Czech Republic;

2) The media reporting on several occasions during 2002 that price increases would happen. This factor alone changed the overall supply on the market, since less people were willing to sell;

3) Owners who willing to sell at the proper market price were able to sell their property within a few days;

4) More buyers entered the market, and the resulting shift between supply and demand pushed prices up;

5) The lower interest rate and aggressive campaigns of financial institutions for new business were big factors, too.

The 20 percent jump in prices may seem like a big increase to some, but prices will continue to rise. Prague may experience

some slowdowns from time to time, but overall prices can only keep going up. Many people feel that the time to buy is over, and they have missed the boat. But 10 years from now, we are going to look at 2004 as not only the year of the Czech Republic's entry in the EU, but the year when real estate prices were still affordable.

Where are the best real estate investments now? Are there still good opportunities in Prague, or should investors look elsewhere? Also, what are the best type of investments — residential or commercial?

We have to divide real estate investment into three groups: short-term (1–5 years), mid-term (5–10 years) and long-term (10–20 years). The opportunities for short-term investment are getting harder to find. We should, therefore, start looking at investments in the 5–20 year term.

At the moment, there is a good supply of hotels and pensions, and no need for more commercial space in most parts

of the city.

Some good opportunities exist to buy residential and commercial properties in Prague 3, 7, 8, 9 and some other areas affected by the floods in 2002. The greater area around Prague with good public transportation links to the center of town should also be taken into consideration by any investor. The transportation ring around Prague and the commuting time to work will play a bigger role in the near future.

If you can afford to buy your own place to live, then buy one. To buy a second place is also a good thing, but remember the following guidelines: Have a good down payment, make sure you can afford to go without a tenant for a while, have a secure personal income, take a long-term interest rate on your mortgage (5 years) and the longest amortization period (20–25 years), and keep extra cash for rainy days.

Got a question for our real estate adviser? E-mail it to realestate@praguepost.com