

Real-Estate Education in Slovakia

1.1. Introduction

The real estate markets have very long tradition in the world. They have the indirect influence on the well being of the population and the effectiveness of the economic activities. Hence their good functioning is also one of the indicators of the level of economic transformation in the transforming country. There are many factors, which influence the quality of such markets such as the structure of demand and supply, the institutional issues, but also the qualification of the players on the market. This is the question that we want to discuss in the present paper.

1.2. Slovakia and its economic problems

Slovakia has five millions of inhabitants, but only two towns with more than 200 000 inhabitants: Bratislava, the capital of Slovakia with 452 000 inhabitants, and Kosice with 241 000 inhabitants. There are another 9 towns with the populations among 50 000 and 100 000 inhabitants. The real-estate market is at present not very well developed, because of low demand for the property, unsolved institutional issues and tough monetary policy in economy which is in the state of downturn. The macroeconomic policy after 1998 was oriented on the achievement of the macroeconomic stabilization that should with the aim of future higher growth and creation of such entrepreneurial environment that would attract the foreign investments.

These goals were partly met. The flow of foreign investments was growing in past two years, the interest rates on loans has been reduced significantly. The dangerous side-effects of such policy was the further growth of unemployment rate that threatens today the stability of pension funds, and health insurance, and the serious decline of the construction activities. The lower demand had the impact on the real estate market as well. The prices on this market went down. Real-estate brokers must now redefine their strategy. The competition is now stronger; business should be done in more professional way in comparison with the early nineties. At that time the real-estate market was just emerging. There was serious disparity between the information of the customers and information of the early real-estate companies. That enabled these companies to make very high profits without the highly professional services.

1.3. The profession of real estate professionals

The profession of the real-estate broker is developing gradually. It existed even during socialism, when it was illegal, however. After the fall of the iron curtain and economic liberalization, the first real-estate offices were created. Some of their owners however continued to make the business in not very transparent and ethical ways, as they were used to do it in the previous regime. The representatives of the new industry soon understood that there is necessity to pursue the ethical norms of behavior, to enhance the mutual cooperation in all areas of the real-estate, to increase the quality of their services, to exert the influence on government in order to update the legislative conditions related to real-estate activity, to open their activities toward the world, and to implement the modern management methods.

The perceived needs have led to the establishment of the Union of Real-estate Offices of Slovak Republic and the Association of Real-estate Offices of Slovakia in 1992. In 1998 both organizations merged and created NARKS (National Association of Real-estate Offices of Slovakia which is now the member of FIABCI (The International Union of Real-estate Brokers seated in Paris) and CERAN (central European network which is based in Prague). NARKS has at present 90 members (natural or legal persons) for which it ensures the training and development. It tries to develop the new profile of

the real-estate agent in Slovakia with the responsible and ethical attitudes toward the society. In practice this is however not easy to achieve, since according to the Zivnostensky zakon (Legislation concerning the small entrepreneurs – natural persons) almost anybody can make the business on this field regardless whether he has the necessary knowledge for performing the real-estate transaction and whether he has passed or not the formal training. Such situation is quite different in Western countries, and also in some Central European countries, such as Poland. Tolerance of the government toward low quality real estate services results in low trust of population to emergent real-estate industry. Moreover it has negative impact on the mobility of manpower and entrepreneurship.

The certain problems have a structural character. There is inadequate exchange of information between the real-estate sector and construction sector. Often the borders between the both sectors are fuzzy and fluid. That means that the construction firm is trying also to sell the flats to future customers, while real estate company may build the buildings. Problem is when the marketing is on the low level. Such a situation may lead to the bankruptcies.

Some comparisons are interesting. The Slovak Construction firms have been trying to sell the apartments for the higher-end lucrative markets. So they produced and advertised in Bratislava 1 m² of housing unit for SK 25 000. At the same time the developers in Prague (neighboring Czech Republic) had build for about SK 16 000. While the developers in Prague (much larger city then Bratislava with higher average incomes of the population) prosper, some of the construction firms in Bratislava have became bankrupt, and their apartments are still vacant. That is a direct result of low professionalism of the developers, real-estate brokers, who do not care enough about the market analysis.

1.4. Need for real estate education

The small size of the real estate markets in Slovakia together with unclear legislative status of the real estate brokers are the reasons why the real-estate professionals do not perceive the need of the specialized university education as an important issue. One may perhaps think of the professional myopia, or the short-term perspective of some specialists, nevertheless at present the need of the specialists is not too high. This is not surprising in the context of the low sophistication of the work of the real-estate professionals in Slovakia, although the exception from this observation exist. At the same time only a limited number of persons have the specialized knowledge of some professional areas of the real-estate business, and sometimes the expertise is not at all present. Hence these are the typical properties of the underdeveloped real-estate markets, although in the last year we can observe certain changes of the above-described situation in the capital of Slovakia – Bratislava. Some modern methods typically used in the mature real-estate markets cannot be used in Slovakia, because of the underdeveloped institutional framework (for example the mortgage credits are used, but on the limited scale, the underwriting procedures are not standard and differ from practice in West because of the existing regulations, no real-estate company sells the stocks at the stock market, obsolete legislation in the area of rental housing is the reason why the private housing rental market practically does not exist, etc.).

On the other hand in the last years we can witness the growing investments of the foreign companies especially into the administrative and commercial real estate. That also means that more foreign consultants act at the market, and they bring the new ideas and practice on how the real estates should be conceived and funded. There is the growing number of banks with the foreign participation. They still have some bad loans in their portfolios, although the transfer of such loans has been organized into the Consolidation bank. The bad loans are usually collateralized by the real-estate property. Then the problem is, what to do with such a property.

The new legislation on the support of the foreign investments and on the industrial zones has been recently passed by parliament. While such a legislation already exists in the neighboring Visegrad countries, the first industrial zones are only now under the preparation in Slovakia. The bunch of new problems is thus emerging: how to buy the land from the owners, how to fund the infrastructure, what to do with the “brown fields”? How to attract the foreign investors into well administrated commercial and administrative spaces? How to build such spaces, so that they would be

attractive for the foreign investors? How to select the best areas for the industrial development, and at the same time protect the nature? How to make the industrial zones the catalysts for the knowledge-based industry? How to make the new industrial zones economically viable in the long-term?

The last years has also brought the serious progress in management of the secondary company activities integrated by facility management. Facility management is the practice of coordinating the physical workplace with the people and work of the organization; it integrates principles of business administration, architecture and the behavioral and engineering sciences. Facility professionals have numerous job responsibilities. Major functions include developing corporate facility plans; coordinating construction, renovation and relocation projects; purchasing furnishings, equipment and outside facility services; supervising building operations, maintenance and engineering; and managing real estate procurement and disposal. The practical application of the facility management procedures may bring the important savings for the owners of the real estate. Yet as my experience shows, the facility management is not well known by the real-estate practitioners in Slovakia, and it is often confused only with the maintenance and operating issues.

The several above-mentioned issues show, that the need form more education in the area is really needed.

1.5. *Problems of the university real-estate education*

If we shall introduce the university real-estate specialization for the students, the future graduates might have in future the problems of finding the jobs in the industry. This has happened for instance with the students of the Economic University in Bratislava, who were specialized in the insurance banking. For the last 10 years rapidly developing banking services attained their threshold of saturation.

Introduction of the specialized real-estate education on the limited labor market means necessarily the preparation of the small groups of students that makes such a study quite expensive. Thus it is also the question of the definition of the profile of the future real-estate specialist – should he receive very narrow and specialized knowledge applicable only for the real-estate industry, or he should rather acquire the broader, and less specialized knowledge, so that he would be able to find the future job in some adjacent fields, where some of his knowledge would be still of some relevance? The situation may however somewhat change, if the government will introduce regulations concerning the certification of the real-estate professionals. In fact there is not much political willingness to do so, because some of the responsible persons think that this is the second rate problem, while the others think that such an regulations are not compatible with the free market ideology.

The certification would put the real estate brokers from NARC into advantageous position, because they would be then able to act as the sort of cartel. On the other hand, the real estate business could become more transparent, and the transactions more reliable. There are always risk with the certification. In this year, the new law on the certification of architects led to the situation, when the construction enterprises cannot employ the architects, but they can only hired the architectural services from the specialized firms. This is quite against the existing tradition, and the representatives of the construction firms think that such a situation is result of the strong lobbying power of the narrow professional groups.

The other examples of the imperfect legislation are frequent. For example some of the member of the parliament has tried to change the Act on the land and real estate register (cadastre). Such changes would enable to realize very fast registration of the property for higher fee. The professional rumors say, that the powerful lobby had been able to stop the amendment of the Act because that would remove the possibility of some influential people to receive extra money in the unofficial way. The legislation, that is often ambiguous, and unclear and complicated is also the source of additional benefit for the professional lawyers. There is of course question, why it is so. One explanation could be the privatization of the land and the property that was often done by the non- standard methods. Unclear legislative acts then does not enable to question the correctness of the privatization decisions by the succeeding governments. At the same time it is the barrier to the entry of the foreign investors.

Moreover some professionals take advantage of the existing ambiguity and they have the tendency to perpetuate such situation by using of their political connection. The democratic control of the existing processing is often difficult, since the number of the person who really understand the narrowly defined problems, is limited. Such a situation has the impact on the real estate services, and on the behavior of the real estate agents.

The globalization of the real-estate markets, the weakening role of the national states, European integration processes are the strong forces that will gradually change the existing situation in Slovakia, and the universities will probably have to do something about specialized education of the real-estate professionals. The preparation of the high quality specialized programs of the real estate might take much time, because it will be necessary to prepare the professors for teaching the real estate. This is also the question of available financial sources for the preparation of the new programs.

The present situation at the university education is not very favorable to opening of the specializations. This is the result of the public finance crisis, when less and less funds flow to the universities. As the result of it the young people do not want to work as the professors, and thus the average age of the university teachers is growing. For the future of the universities it is really unhealthy. In certain time in future, unless the well-conceive reform of the University funding shall be done, we may expect the radical lack of the highly qualified university teachers. At the same time the aging of the university staff means that the academic senates, that are the important part of the university self-government are aging and are more conservative, and less willing support the innovation such as the introducing the new university specialization. The politics of the low wages for the professors means at the same time that the important part of the universities' staff begin to consider their university jobs as the jobs of the secondary nature and they try to earn the money outside the university, which actually becomes their first priority. The private universities could play some role in the change of these unfavorable trends, however they role is yet marginal. They are just too expensive for the majority of population.

1.6. *The programs related to real estate education*

What kind of the education do the real-estate specialists have at present in Slovakia? It is difficult to provide the exhaustive answer on this question, because the data are not easy to obtain. Recently however the NARC published in the special issue of the Slovak Spectators the list of Who is Who in Real-estate.¹ List contains the names of the 51 members of NARC association. It is hard to say whether this list is enough representative for making the final conclusions, it gives however some picture of the present situation. Out of 51 persons 82 % have finished higher education (31 % the Faculty of architecture, 25 % the Faculty of Civil Engineering, 8% Faculty of Law, and 6% Faculty of Economy), 8% have secondary technical education, and 10 % did not provide any information on their educational background, or the provided information was inexact. On the basis of this statistics we can see, that the most successful professionals in the real estate have mostly background in the technology, the education in the areas of Law and Economics is less frequent. One may expect that especially the people with the background of technology had to exert the serious effort in order to obtain the necessary knowledge in the areas of law and economy. Thus it seems to us that the self-made-man approach in this field is still prevailing.

NARC is trying to augment the qualification level of their members by organizing the short-term real-estate programs, where the real-estate specialists, developers, managers of real estate, the tax and accounting specialists, psychologists, and the lawyers provide their lectures. The program consists of two parts. In the first part the following topics are presented: Conditions and the legal forms of entrepreneurship, Legal transactions and relationships in the real-estate office, Legal contracts in the real estate, Creation and registration of legal real-estate relationships, Construction law, Accounting

¹ Who is Who in Real-estate. In: Real-estate Guide: Special issue of The Slovak Spectator. p. 30.

and taxes in the real estate, Management of real-estate offices. In the second part the following topics are presented: International real estate markets, the legal conditions for the foreign entrepreneurs to make the business in Slovakia, Management of real estate, Lease and sale of the real-estate, Psychology of sale, Ethics and etiquette in making real-estate business, Real-estate investments and development, Real-estate cadastre². Each part of the program has 24 hours. The program is finished by the final test. If the participants were successful they would obtain the certificate that is valid for four years.

Two institutes of legal expertise (Ustavy sudneho znalectva) in University of Zilina and in Faculty of Civil Engineering in Bratislava are at present responding to some of the needs of real-estate education. The main reason of their existence is however the provision of the real-estate expertise for courts and public administration. The problems with the above-mentioned bodies, is that they have to take into account the legislative acts prepared by the Ministry of Justice. While in case of the evaluation of the damages made by the criminal activities, is such an approach to some extent justifiable, in case of the evaluation of market value of the land or property it is very administrative. More logical would be if the legislation would be prepared by Ministry of Finance, but not in the strict legislative form, but rather as the set of recommendations concerning the preferred methods.

The Institute of legal expertise in Bratislava prepares the experts in the fields of construction, and land surveying. The goal of the study is to train the students, that already have the university degree, and as minimum 5 year practice, in the real-estate evaluation and for provision of expert opinions for courts. The total length of study is 4 semester and 360 hours. In the last semester the students prepare the final thesis.

For example in the area of Legal expertise in the construction the following subjects are taught: The basics of the legal expertise, Basics of the Civil Law, Basics of the Commercial Law, Basics of the Penal Law, Construction Law and the related legislation, Structures of buildings. Building materials and testing, Real-estate cadastre, Building physics, Building technology, Mechanics of soils, Static analysis of building structures, Methodology of the expert opinion, Building's life, Evaluation of the real-estate (old and new regulations, restitutions, foreign methodologies etc). Evaluation of the building works, Value of the firm, Building diagnostics, Special methodologies of the legal expertise, Automation of expertise, Practice in the real-estate reviews, Transport infrastructure, Water infrastructure. Clearly enough, such content of the study lacks the solid theoretical economic basis.

Certain elements of the real estate are taught also in the Faculty of National Economy, where the investment specialists are prepared. The specialized real-estate study does not exist however.

In the construction faculty of Slovak University of Technology, the students can specialized last two years of the five years study in the area of the economics and management of the construction industry. The acquired knowledge during the five year study provide them some background for working in the real-estate field, although not all the necessary knowledge needed for the work of high quality realtor are present at such study. After all the objective of the study is not to prepare the realtors, but to prepare the managers for the construction industry.

The students in the specialization on Economics and management of construction industry receive in the first three years the solid background in the construction technology, and in the last two years they pass following subjects:

7th semester: Cost estimation and prices in the construction industry, Economy, Operation research, Building Technology, Economic statistics, Accounting.

8th semester: Infrastructure and water works, Management information systems, Law 1, Construction of buildings, Financial management 1, Project management 1; Elective courses: Cost

² Cadastral offices are taking care of the cadastres, that are the files where the real-estate data, liens, and transaction are registered and updated. The Cadastral offices are public bodies run by the Office of the land surveying (Urad pre geodeziu a kartografiu).

estimation 2, Computer accounting, Decision-making analysis, Systems analysis, Real-estate evaluation.

9th semester: Law 2, Financial management 2, Project management 2, Transport infrastructure, Strategic management and marketing, Economic project, Special seminar. Elective courses: Application software, Quality management.

10th semester: Economic project, Thesis seminar, Personal management, Housing policy, Controlling, Elective courses: Ecology, Value engineering, Ethics, Production management, Territorial marketing. The last semester has only 10 weeks, there are no partial examination, only state examinations. During the spare time the students prepare the final theses.

1.7. Conclusions

As the conclusion of the paper, we must only emphasize that at present, the real-estate education in Slovakia has the fragmentary character. The future development of the market economy, and the perspective of the European integration are however strong driving forces that shall augment the need for such specialization. The elaboration of the study program for real estate needs however time, funds and people. Unfortunately the overall economic situation, present small size of the real-estate transactions, existing psychological climate, lack of public finance, are not too conducive to preparation of such specialization.

This may, however change with the economic upturn, and the end of the present economic stagnation. At the same time the globalization and integration into European Union will play the growing role in the changing of the present situation. The long-term vision shows us, that it is necessary to start as soon as possible. The specialists must be prepared in advance, because it takes several years of additional experience, before the future graduates could become the important players in the real- estate industry.