

Chapter 5

Central and Eastern European Countries

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5.1 Introduction

First of all, it is necessary to be precise concerning the geographical coverage of this chapter. European countries with transition economies are situated in Central and Eastern Europe and include Albania, Armenia, Azerbaijan, Belarus, Bosnia Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyzia, Latvia, Lithuania, Macedonia, Moldova, Poland, Romania, Russia, Slovakia, Slovenia, Tajikistan, Turkmenistan, the Ukraine, Uzbekistan and Yugoslavia. All of these countries, which are based on the ruins of former socialist systems that collapsed in the early 1990s, are now undergoing a transition from administrative to market economies. The real estate market has emerged as one of the essen-

tial elements of a market economy in those countries. In the Baltic States of Estonia, Latvia, and Lithuania, as well as in Poland and in Slovenia, the traditions of university education and of the market still existed. Real estate education is therefore more developed in those countries and they are not covered in this section, since they have their own chapters in this monograph.

The evolution of real estate education in countries with transition economies is occurring naturally. There were real estate agents even during the period of socialism, although the profession was then illegal. After economic liberalisation, legitimate real estate offices began to be opened. However, some of their owners continued to run their businesses in ways that were neither very transparent nor ethical, as they used to during the previous regimes. Nevertheless, those active in the new field soon began to understand that it is necessary to pursue ethical norms of behaviour for a number of reasons. These are: to enhance mutual co-operation in all areas of real estate; to increase the quality of services; to exert influence on government in order to update the legislative conditions related to real estate activity; to open their activities to the world; and to implement modern management methods. With the emergence of real estate markets, professionals felt the need to be active in the market and to understand its principles. These professionals are real estate agents or brokers, real estate developers, real estate valuers or appraisers, and real estate managers. They have joint professional societies, which have become members of international organisations. In this region, widely recognised international organisations are the European Real Estate Society, ERES, the European Group of Valuers' Associations, TEGoVA, and the International Real Estate Federation, FIABCI.

Subsequently, with the growing need for specialists, a training system for professionals appeared and, as a result of this, the development of real estate education. As a first stage, needs have been met through various educational programmes designed, in general, to re-train economists, engineers, and lawyers.

The next stage was the appearance of university real estate programmes. Society views a real estate professional ideally as a specialist with Master's degree from a technical or economic university. To begin with, Western European programmes (see *e.g. Schulte 1998*) were quickly applied. The requirements of higher education are quite naturally that the professional should be at the equivalent of partner level, or in management in the appropriate departments of economic entities and, especially, of financial institutions. This also applies to work for judges, notaries public, attorneys-at-law, architects and engineers (in court, before building authorities, etc.). Further, a demanding, specialised postgraduate study is required as follow-up to the university qualification. No amount of experience can substitute for a uni-

versity education: to analogise, "A nurse with ten years' experience cannot do a doctor's work".

However, the introduction of the university real estate specialisation also created the prospect that graduates might have a problem in finding jobs in the industry in the future. This has already happened in some countries, for instance in the case of students who had specialised in insurance and banking. During the last ten years, rapidly developing banking services have attained their threshold of saturation. The introduction of a specialised real estate programme, with the tuition of small groups of students for a limited employment market, makes such a study quite expensive. This brings into question the ideal educational profile for the future real estate specialist. Should he or she receive a very narrow and specialised education, applicable only to the real estate field? Or should it rather involve broader, less specialised knowledge, enabling the graduate to find a future job in an adjacent field where some of his or her learning would still be of relevance?

The globalisation of real estate markets, the weakening role of national states and the European integration processes are the strong forces that will gradually change the existing situation in the countries in review. The universities in the region will probably have to do something about specialised education for real estate professionals. The preparation of the high quality, specialised programmes in real estate will take some time, because it will be necessary to educate professors to teach real estate. There is also the question of available financial resources for the preparation of new programmes. In most of the countries in transition, the present situation of university education is not very favourable to the opening of new specialisations. This is a result of the public finance crisis, when less and less funds flow to the universities. As a result, young people do not want to work as professors, and thus, the average age of university teachers is increasing. For the future of the universities this development is particularly unhealthy. At some stage, we must expect a radical shortage of highly qualified university teachers. At the same time, the increasing average age of university staff means that the academic senates, which are the important part of the university self-government, are also ageing and becoming more conservative. They are therefore less willing to support innovations such as the introduction of new university specialisations. The policy of low wages for professors means that, at the same time, an important part of the universities' staff begin to consider their university employment as being of a secondary nature. As what may actually become their first priority, they try to earn money outside the university. The private universities could play some role in changing these unfavourable trends, although so far their role is only marginal. For the majority of the population, however, they are just too expensive.

This situation is typical for all countries but of course every country has its specific characteristics. In some countries, such as Albania, Bosnia, Macedonia, some regions of Russia, Tajikistan and Yugoslavia, the political situation is unstable and there are even armed conflicts. In these conditions, the real estate market loses its importance and as a result real estate education is decreasing and even disappearing. For these and other reasons, there is no real estate education in Armenia, Azerbaijan, Bosnia, Croatia, Georgia, Kazakhstan, Macedonia, Tajikistan, Turkmenistan, or Yugoslavia. This article therefore does not cover those countries.

Nevertheless, there is real estate education in this region. As a typical example, the situation in Belarus was chosen, not only for its geographically central position in the region, but also for its median position in the development of the real estate market and real estate education. The personal bias of the author has also played a role in the choice. These are the reasons for selecting Belarus as a typical example of real estate education in countries with transitional economies. The major differences between Belarus and the other countries will be discussed later in this article.

5.2 Belarus

5.2.1 Introduction

The real estate market in Belarus is still modest (*Trifonov 1999*). Prices are relatively low compared with those quoted in the developed economies and in neighbouring Russia. Property transactions are encumbered with many difficulties, as a result of an insufficient legal basis. Transactions are also affected by high levels of inflation, which causes very high interest rates on long-term loans. In Belarus, there are no strict barriers to prevent the inflow of foreign capital. In such cases (e.g. for purchasing land) foreign investors have, in effect, better conditions than domestic investors.

The transition to a market economy and the process of privatisation in Belarus has created the need for professionals in the emerging real estate market. Real estate education began in Belarus in 1995, when short courses for post-graduate students were established and, later, a programme for high school students.

In this article the following issues are covered:

- The real estate profession in Belarus,
- Real estate research in Belarus,

- Real estate programmes in Belarusian universities (degree specialisation, brief programme description, student numbers, teaching methods, ranking, etc.).

5.2.2 The Real Estate Profession and Research in Belarus

With the developing real estate market, a number of real estate professionals have appeared in Belarus. Most of them are members of the Belarusian Real Estate Guild, BREG. BREG is a republican, public, non-government, non-commercial organisation, which was registered with the Ministry of Law of the Republic of Belarus in 1994. Among its founders were representatives of the major bodies which own, manage, and dispose of real estate properties in the republic, e.g. ministries, local municipal authorities, commercial banks, main development organisations, real estate agencies, state and private enterprises as well as individual businessmen. BREG members include all kinds of real estate professionals, such as agents, investors, developers, valuers, owners, managers, constructors and builders, as well as interested foreign investors and property professionals, who may be looking to the Belarus market to increase efficiency and co-operation in all stages of the development process.

Its main aims are:

- to promote marketing instruments for the privatisation of state property,
- to assist in the forming of a modern real estate market in Belarus,
- to carry out consultancy in the real estate fields of renting, selling and buying as well as investing.

BREG is one of the largest public organisations in the Belarus property market. It has about 100 firms and individuals as members. As well as local real estate market players, firms from Russia, Lithuania and Germany have become foreign members of BREG. There are collaboration agreements between BREG and the Ministry of Management of State Property and Privatisation of the Republic of Belarus, the Bulgarian National Real Property Association, the Russian Guild of Realtors, the Association of Real Estate Professionals (Realtors) of Ukraine and the Moscow Association of Realtors. BREG is an institutional member of the European Real Estate Society, ERES. Every year, in autumn, the Belarusian Real Estate Guild, together with government bodies, manages the International Real Estate Fairs of the CIS Countries.

For the last few years, BREG has conducted real estate research in Belarus. From 1997 onwards, the Republican workshop for real estate econom-

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