

REFLECTIONS ON THE TRAINING OF EXPERTS PARTICIPATING IN THE MANAGEMENT OF REAL ESTATE

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Abstract

The increasing number of real estate transactions brings the activity of the experts to the foreground. There are several possible approaches to the potential activities of the specialists related to the field in question and the qualifications required from them. The statistical system of TEÁOR classifies economic activities from the point of view of macro-economy. The professional requirements of the participants of the building process are stated by relating legal regulations with regard to activities and personal capacities. For the sake of effectiveness of the requirements concerning the participants it would be advisable to create a system integrating the experts on the basis of a more unified categorisation.

Keywords: real estate, building process, classification of experts, professional licences.

The increasing number of real estate transactions, and more specifically the growing relevance of real estate development demanding complex manifold co-ordination in our national economy brings the activity of the experts to the foreground. By experts we mean both the professionals in charge of design, contracting or marketing and the specialists skilled in the peculiarities of certain fields. These experts are entrusted with the pragmatic and exciting tasks of preparing and organising transactions as well as eliminating the arising conflicts in the processes of trade in real estate, the facility management and conscious local and regional development.

There are several possible approaches to the potential activities of the specialists related to the field in question and the qualifications required from them:

- the content of the set of activities incorporated in the framework of national economy;
- the prescribed professional licences; and
- the consequences flowing from the actual *process* of real estate transactions.

All three approaches highlight the complex duty of the participating experts to meet the functional, economic and technical (constructional and operational) requirements of the authorities and at the same time to operate in the legal situation established between the parties of the contract generally in the framework of civil law. Let us have a brief look at *the complex process of building*, almost each stage of which demands an exceptionally wide scale of activities from the experts. The

Act on Construction ÉTV characterises the building process as a chain of groups of activities illustrated in the following chart:

AUTHORITY (licence) → DESIGN → CONSTRUCTION →
 AUTHORITY (use, control) → GUARANTEE (functional warranty)

The development and sale of real estates are linked to that process as illustrated in the chart below:

SHARE(S) OF LAND → OBJECTIVES OF DEVELOPMENT → PLANS/LICENCES
 → CONSTRUCTION → UTILISATION AND FUNCTIONALITY → GUARANTEES

The system of experts may be regarded as optimal if the erudition of the experts is up-to-date and a quick method has been established for the identification of the most suitable expert in all possible cases. Both the administrative process and the conflicts arising from the circumstances of civil law may necessitate the intervention of an expert. The process itself amply demonstrates that the complex activity of the real estate traders encompasses practically all of the process, although the intensity of their activity is at times naturally lower. In the categorisation of experts specialised in real estate management, however, it would be wise to take into consideration experience in peculiar professional fields (easements, proximity, environment, secondary structures, land covering, etc.) beside the functions appearing in certain sub-fields of their profession (managers, traders, assessors) and their fields of specialisation (building, civil engineering, etc.)

1. Activities according to TEÁOR

The system, which is also reconciled with international equivalents, classifies economic activities from the point of view of macro-economy.

We must set out from the fact of the categorisation. The activity of experts operating in this field may be defined in terms of ‘real estate’ as an object and ‘building’ as a process. That is what prompts the survey.

However, *Table 1* also shows that beside investment, marketing and related sales, activities of use (operation) and exploitation (letting out), which reflect the owner’s licences of disposal are also incorporated in ‘the framework of real estate transactions’. At the same time we must also consider other professional activities related to the contracting part of the building process and not only to real estate transactions. The respective systems of OKJ and SZJ substantially follow the above method of classification.

2. Professional Licences

Communal investments, other extensive constructions and regional or even more comprehensive development of settlements require fundamentally different exper-

Table 1. Real estate transactions

Real estate transactions		
	Investment/marketing/turnover of real estate	
70.1	70.11	Investment in real estate
70	70.12	Turnover of real estate
	Letting out/ Operation of real estate	
70.2	70.20	Letting out/ Operation of real estate
	Activities of real estate agent and management service	
70.3	70.31	Activities of real estate agent
	70.32	Facility management
45	Building industry	
	Service assisting economic activity	
74	74.2	74.20 Engineering activity, coucelling
	74.3	74.30 Technical examination, analysis

tise than the individual activities taking place on isolated building sites, the latter case representing the bulk of the demand by the population. All these activities make use of the knowledge and skills acquired in the course of graduate and post-graduate studies or otherwise, but also of consequent licences and the experience gathered in practice. In other words in the building process the volume of transactions, their professional complexity and the nature of the financial resources have decisive influence on the content of professional requirements.

The professional requirements towards the participants of the building process are stated by relating legal regulations with regard to activities and personal capacities. Such regulations appear primarily in certain passages of Statute LXXVIII of 1997 and the decrees ruling its execution in detail. The list below merely gives a few illustrations and is far from complete:

- Decrees ruling *technical design*: 157/1997 Korm., 32/1997 KTM, 45/1997 KTM, 3/1998 KHVM, 40/1999 FVM;
- Decrees ruling *building* (licences and professional content): 84/1990 MT, 141/2000 Korm., 253/1997 Korm., 45/1997 KTM, 51/2000 FVM-GM-KöViM, 182/1997 Korm., 32/1998 KTM, 96/1999 FVM;
- Decrees ruling *building authority*: 220/1997 Korm., 40/1998 KTM, 253/1997 Korm., 218/1999 Korm., 47/1997 KTM, 3/1999 KTM, Statute 24 of 1976,

158/1997 Korm., 241/1997 Korm., 40/1997 KTM, 46/1997 KTM and of course Áe.

These are complemented by supplementary ruling of (the related professional) requirements of *investors* [Statute XL of 1995, Statute CXLI of 1997, 158/1997 Korm., 87/2000 Korm., etc.] and of further professional activities more directly associated with *trade in real estate* [Statute XXI of 1996, 159/1997 Korm., 39/1999 GM, 25/1997 PM, 54/1997 FM, 32/2000 PM, 32/1998 Korm., 18/1998 KTM, etc.]

The licences dependent on qualifications are regulated in requirements towards *technical designers* for the preparation of the architectural-technical plans, towards *responsible technical leaders* in the course of building and for the authority in the *prescribed personal requirements of the prominent building authority*. On the side of the investor stress must be laid on the role of *technical inspectors*, similarly dependent on qualifications. With regard to all of these, it is of decisive importance that they generally regard their profession as a lasting vocation.

Certain professional activities related to real estate transactions, namely in the framework of trade in real estate (sale and barter) are carried out by the *real estate agent*, whereas development projects are the duty of real estate *traders* or real estate *developers*.

- The activities of *real estate agents* consist of the sale (and barter) of house-properties and tenements, renting (and transfer) of flats and rooms not used for dwelling (premises). They survey potential real estates, arrange the necessary preliminary evaluation of property as well as acquire and prepare the official documents indispensable to the transaction. By that they basically carry out the activities defined in 70.31 TEÁOR. BM (Ministry of the Interior) regulated the professional requirements of the real estate agent based on Statute LXXVI of 1993 and Decree 49/1983 MT. That position may be occupied by those having passed the professional exam (Entry on the register approved) prescribed by Decree 8/1995 BM. [OKJ 52 7899 03]. The prerequisite for the exam is the certificate of secondary education. Statute XI of 1998 also entitles lawyers to act as real estate agents.
- *Real estate traders/developers* are commissioned by public bodies, local governments and other investors to act as real estate agents and perform the tasks of management and evaluation but primarily of development and organisation. Depending on the assignment the expert may be required to transact the entire complex activity (centred around facility management) usually involving several establishments or merely provide assistance at certain stages of the process. The expert's activities related to settlements and/or sub-regions may also include the analysis of the official/technical/economic prerequisites for projects of real estate development, co-ordination and organisation, transaction of investments, operation, recommendations on utilisation, functioning as advisor and expert. In other words one of the expert's task is negotiation (mediation), which is the classic duty of the agent, but the complexity of the activities is described by categories 70.11 and 70.12 of TEÁOR. The profession requires exceptionally complex specialised knowledge and its successful

performance demands the utmost of professional skills. Beside ‘negotiation’ it also includes the preparation and co-ordination of the investment and later the operation and/or the marketing of the establishment.

The licences for the performance of the tasks of operation and maintenance (renovation) related to existing real estate is regulated by Statute CLVII of 1997, the execution of which is prescribed by the decrees 38/1997 BM and 19/1999 BM.

- The activities of *real estate managers* encompass the (participation in the) preparation of recommendations for plans and programmes aiming at the maintenance of real estate on the basis of economic-technical information and if necessary, the investigation of the conditions. Other activities of real estate managers include operation and maintenance and also preparation of development recommendations for the owner concerning (investments related to the) real estate management [OKJ 54 7899 03].
- The *manager of apartment houses* performs the management activities associated with the maintenance (operation, upkeep, renovation) of the apartment house, the preparation of the annual budget and accounting for that of the previous year. The tasks include the assessment of the technical state of the building or charging others with that, as well as the supervision of the works of renovation on behalf of the investor [OKJ 52 7899 03].

Evaluation of real estate is generally required for instances of change in the ownership and/or in connection with the development of real estate, more specifically for the determination of the security of the coverage of credit.

- The task of the *assessor of real estate* is to assess the natural utilisation and/or the technical state of real estates (building site, arable land and other shares of land, building and other individual constructions) as well as the analysis of their functional potential. The assessment is carried out through the determination of the trade price, comparative market value or value calculated with the aid of other cost-based methods. The knowledge required by this profession is transmitted by the Budapest University of Technology and Economics to engineers in the course of a 4-term (theoretical and practical) post-graduate training, including the instruction of the methods applied [159/1997 Korm., 38/1997 KTM-IKIM]. A section of the curriculum is devoted to the technical (and partly legal and economic) body of knowledge required from forensic experts [Statute CXIV of 1995, 53/1993 Korm., 2/1988 IM].

3. The Requirements Arising from the Process of Building

We have shown that no complete (only partial) unified regulation exists regarding the professional activities in the section of the building process associated with real estate transactions. For the sake of the effectiveness of the requirements concerning the participants of this field it would be advisable to create a system integrating the

experts on the basis of a more unified categorisation but at the same time maintaining the practical framework of the profession.

The reorganisation mentioned above would mean the introduction of the new phenomena (presented by actual life) and the role of experts in charge of managing them into the new system. At the same time it would be an opportunity for a more adequate and more sophisticated classification of the new professional activities (which are already coming into general use).

- One pressing task is the definition of the role of *real estate traders* or *developers* and their professional requirements (certificate of higher education, special supplementary training). At the same time the reorganisation would be an opportunity for the official affirmation of the comprehensive and modern activities of real estate management beside the basic daily routine of operation.
- Another task to complete is the modernisation of the specific categorisation of the professional skills required from technical experts and its harmonic unification with the professional register of forensic experts. That, however, does not mean identification, total equalisation. The division of classification may be different in the one field (primarily according to the professional problems of practice) than in the other (especially with respect to the decision of legal disputes) in a stratified way keeping real demand in mind. Another justifiable objective is the unification of the principles (professional groups and subgroups, etc.) and the underlying content of categorisation and to achieve that the different and emphatic professional peculiarities should fit in the system of registration developed in the form of a pyramid.