

Short Overview of Real Estate Market in Serbia

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Beginnings

The real estate market in Serbia did not actually exist during the period when Serbia was part of SFR Yugoslavia. While it was a socialistic system, the apartments were owned by the companies and government, or so called “peoples propriety.” As such, private ownership was restricted on houses.

After processes of disintegration in Yugoslavia, private ownership returned to all new countries. Beginning in the 1990s, Serbia had mostly finished the process, during which people who were living in the apartments were offered the possibility of purchasing their apartments. The process of buying the properties, in which families were, in many cases, living in them for decades, was particularly intense in 1993 and 1994. This was mostly due to the fact that hyperinflation was ruining Serbian economy and values of the properties were established extremely low.

Naturally, as soon as people bought the rights to their properties, they start trading it. And it was around 1995 when trading with properties started. Shortly thereafter, real estate agencies were founded on the market. These agencies started advertising, and buyers and sellers started trading through those early professionals.

As the market increased, trade became more intensive. Magazines that specialized in advertising and selling properties with real estate agencies (broker companies), as well as private property owners, were also created. Investors that started to build the apartments after a decade and a half without construction jobs suddenly had new projects to work on. Conferences on the real estate market were held in Belgrade, as everybody expected affiliation of Serbia with European Union to bring increase to the economy.

Early problems

Everything was promising, but problems soon appeared on the market. One main issue was the lack of legal regulations. There was no code of ethics as the written and accepted document and agents’ cooperation with colleagues and customers was very problematic. Also, some investors found loopholes within the law, regulatory and operational matters. For instance, some investors would sell the same property a few times to different customers.

Serious agencies, mostly from larger cities, tried to organize themselves in associations to establish official rules to that would define who could be professionally involved in real estate, as well as establish terms and conditions for real estate agents. They tried to protect themselves and customers and organize the market.

Despite efforts to organize the real estate market, most associations did not survive long-term and had no lasting influence on the market at large.

Associations

Finally, at the initiative of a few high-quality real estate agencies, the government founded the Real Estate Cluster as a non-profit, non-governmental association of Real Estate

professionals that is founded during implementation of the project of improving competitiveness of the companies in the area of services. This way, professionals in this area would receive the necessary support and logistics for their association and they could improve the profession according to their own experience.

The Real Estate Cluster of Serbia worked on improving organization, establishing a Code of Ethics, promoting the association of the companies as well as the values of the Cluster, performing at conferences and fairs, lobbying for the law for the profession and improving connections with the colleagues in surrounding countries (mostly of Ex-Yugoslavia).

The Cluster consisted primarily of agencies that showed themselves as the most professional in Serbia and willing to be engaged in organizing the association, but their number was not enough to make influence where the quantity was important. Thus, the decision was made to develop another association that would have a platform to reach as many agencies as it could in Serbia, and to be in position to have quantifiable influence.

This new association, founded by the members of Real Estate Cluster of Serbia, was called the Group of Real Estate Agencies in the Chamber of Commerce and Industry of Serbia. This association adopted all the documents necessary for the association, including: the Statute, Code of Ethics and all the bodies (i.e. Body for Education, Body for Arbitration, Body for Cooperation with institutions and the others), etc.

Finally, these two associations succeeded and thus, they were able to lobby for the creation of an official law for real estate agencies.

The Law for Real Estate Agencies

On October 31, 2013, the Law for Real Estate Agencies was declared in the National Assembly of the Republic of Serbia. Most of the articles would have to apply immediately with the exception of the License of the Real Estate Agents and Professionals insurance that would have to be applied with delay until May 8, 2015.

This new law established who could legally act as a real estate agency or broker company in Serbia and under what conditions. Below is an outline of some of the more pertinent definitions and conditions:

1. It is established the Register of the Real Estate Agencies that is the duty of Ministry of Trade. The Register contains all the data about the Agency, Licensed Agents and eventual punishments.
2. Only Real Estate Agencies that are registered in Serbia, in the Register of the Ministry of Trade (that is public) can practice this job.
3. To be registered in the Register, the agency must have:
 - a. A proper office equipped with necessary accessories and tools.
 - b. The owner of the agency himself or at list one agent that is engaged by him must have a license. A license is obtained by passing the exam organized by the Ministry of Trade that consists of chapters covering law, urban development and planning, finance and taxes, and management. The agent cannot practice real estate outside of their own agency, even with a license.)
 - c. Contract with insurance company that is covering possible damage that the agency could cause to the client.

- d. It was not forbidden to agency to do this job because of breaking the law.
4. The agency has to make a contract with the owner of the property as it could advertise the property (it is forbidden to advertise the property without a contract with the owner) and the agency has to make the contract with any other client with whom the agency establish legally recognized relationship.
5. The agency has to provide evidence on the properties that it accepts by contract to sell as well as on sold properties and earned commissions.
6. The value of the commission as well as who is paying it, as defined by the contract with the client (it cannot be zero for property owner as the client).
7. There are defined duties of the clients also, as to inform honestly and exactly the agency about all the information on ownership, legal status, properties etc., to pay the commission as well as the additional costs that are defined in contract, etc.

This law was expected to establish an organized market, which is vital to allow further improvement in the quality of services that agencies are giving to customers and to totally eliminate the then existent black market.

As of September 2015, about 500 agencies are registered and about 1200 agents are licensed. By the end of the year, it is expected to have over 700 companies registered and about 2000 licensed agents.

With other laws that have recently been declared (i.e. About Public Notaries, Urban Development and Planning, Building Permits, Cadaster and others), as well as the implementation of these laws, we are hopeful that these laws and regulations will promise professional and economical improvements to the real estate market.

Basic characteristics of the Serbian Market

Serbia, as is the case for other republics of former Yugoslavia, had intensive construction projects until 1990, and they were almost completely in the hands of the government. From 1990 until 2000, investments stopped. After 2000, the market began to recover, but this time in the private sector, and it was growing until the beginning of world crisis in 2008.

With this in mind, it can be expected that the country is still in need of investment and construction projects in all areas. As the culture of living shifts in Serbia and surrounding countries, customers are often asking for new buildings and apartments that are more contemporary in design and furnishings, in addition to an environment that provides adequate opportunity to walk, partake in other leisure activities and have access to tradeable goods.

On the other side, according to some very recent analysis, Serbia has average of about 35 sqm of retail space on 1000 inhabitants, which is lowest value in the whole region. For comparative purposes, the next value in region is 60sqm/1000 inhabitants, while in Slovenia they have about 370sqm/1000 inhabitants. This illuminates how much of investment is needed in retail parks and shopping centers.

Moreover, there are many possibilities for investment in the bigger cities out of Belgrade, as the development of the capital was much more intense than the investment in other cities. So, there is imbalance in the development of the capital and other cities, even though there are possibilities in cities like Novi Sad, Niš, Kragujevac, Jagodina and others. In most of these cities, foreign investors have already recognized potential and started investing.

Conclusion

It can be concluded that professionals in the real estate industry are on the beginning of a new, more professional era, where those that are aiming high have to work on themselves to win over competition within the market. They would have to associate, to learn and improve their knowledge, to work on improving organization and to cooperate among themselves and with their counterparts in other countries and associations. It is good that association such as the Real Estate Cluster and Association in the Chamber of Commerce are already working toward these objectives.

Bearing in mind the need for investment and the need to harmonize development among major cities, as well as adapting to new needs of the clients, it is quite realistic to expect the increasing need for professionals with high knowledge and skills. The market will give enough opportunities to those that realize this and apply it.