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The real estate market in the '90s

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The first Romanian real estate agency was set up in April 1990, while now they are at least “three in each block of flats”, as a real estate agent once remarked. The amplitude reached by this phenomenon is closely connected with the country’s transition from a totalitarian regime to democracy, from a centralized economy to a capitalist one, from common property and state-owned factories to private property. Most of the people living in cities became owners of their flats virtually “over night”, and all they had to do for that was to pay a symbolic sum to the state. Once that deal was perfected, the flat became an exchange object on a market that was free, yet new, uncertain and unstable. The Pandora box now open, all the ills of the trade have come to the surface (cheats, speculations, theft, frauds), as well as the hope trade gives you (solving a problem, a better life). The image of the real estate agent is perceived against this dual background.

In our analysis, we viewed the real estate market as a system, and the real estate agent as the representative figure for the system. In other words, the analysis of the representative category will suggest the evolution of the whole system. Thus, our attention focused on the professional activity of the real estate agent. To understand the evolution of this profession is to understand the evolution of the real estate market during

the 90s because the social status of the real estate agent has continually changed function of all changes on the market, and we can consider him a chameleon who changes colours to survive in its environment. The ideas briefly presented here are the conclusions reached following the analysis of three interviews with real estate agents who have worked in Bucharest for a long time and who began their activity in the first years after the Revolution, namely 1991, 1993 and 1995.

The birth of real estate agents and real estate agencies. As the interviewees told us, the beginnings of the real estate agencies were marked by one constant element: real estate agencies were only one of many possible lines to follow in business. Entrepreneurs tested the free market at multiple levels and set up firms which dealt in more than one activity.

General Rom Service was the second real estate agency to be set up in Romania (...) As at the time we had the possibility to set up firms dealing in more than one activity, ours was a real estate and a security company. After four months, when the security business got worse, we gave it up and preserved only the real estate agency ...

(A.A., a real estate agent from 1991)

We started our business by accident. I worked in a state-owned company and was also the owner of a transport agency: we organized trips to China and Thailand and brought back goods which we distributed for selling. One of my associates worked for a Romanian-American company and his job was to find commercial spaces. Another associate was in the petrol cash-tickets and later, as he noticed that real estate business was going well and became more and more important, he simply changed his line of business. There were basically many small firms or companies back then, and real estate agencies were among them. In time they became the most important representative of the business environment (...) At first we thought of going into international tourism activities, but in the end my business partner, who was also a relative, and I went our separate ways. He continued his trade with goods imported from China and Thailand, and I focused on cash-tickets and later on real estate activities.

(I.M., a real estate agent from 1995)

If at first the real estate business was only an option which later turned into the main or singular business line of a company, the real estate agent profession began as an attempt at doing something different in order to get some money.

My previous 18-year experience in constructions helped me a lot, and I thought it would be a real advantage and a welcome addition in this new activity of mine. One or two months before, my brother, who was a nurse and who wanted to supplement his income, had got a job at this agency. One evening he told me he worked three or four hours a day after finishing his hospital duties: "I use newspapers and I deal in selling one-room apartments and regular flats". And, as he had me thinking, I said that maybe I should give this real estate agent business a try. He took me to an interview ... (A.A.)

I'm not sorry I chose this field, even if many

people have a wrong image of what it represents. For instance, many people chose this domain when they are between jobs. We even employed people with a university diploma. There was a time when five Law School graduates worked here ... (I.M.)

In '93 I found a newspaper ad. I think it was in the "România Liberă" Daily. I was a poor engineer back then. What kind of future could I have had in Romania? So, I saw this ad saying, "Do you want to make money?" – there was even a catch, i.e. the question mark –, and then it went on, "Loads of money?!", with an exclamation mark, and then, "A lot of hard work, long office hours, big satisfactions" and I said to myself what the hell was that all about? Well, nowadays an ad like that would get no response but at that time people found such things interesting. So, I decided to give it a shot. I got there and found myself in a flat similar to this one, somewhere in District 3, and I was stunned. I wondered again what that was all about. I was told that I "should come to an interview on this date because this was just a preliminary meeting". That made me say to myself that those guys must have been a bunch of crooks and that they wouldn't see me there too soon. But then I changed my mind and said to myself let's go back there ... and the guys there had said, "You come at 10 am sharp. If you're late you don't go in at all" (...) The guy in question was a Canadian, so you understand that the being-on-time business was pretty serious. So, I supposed I would have done something completely different now, had I not become a real estate agent (...)

When I arrived there for the interview I expected to find 20-30 candidates, but there were 120 of them. The condition was that you should have a university degree. You even got paid for the six-month training period. I thought it must have been something illegal because why on earth would they have paid us for not working? ... This is what the guy basically wanted: he wanted to build a team and he was enthusiastic

about his job in the real estate field. When I was inside the interview room, the Canadian guy came to me and said, "You look like the most successful real estate agent in Canada", and I said to myself that that must have been the deal, real estate agencies. He asked for my name and stuff, and then said, "You'll get very far". I said, "Come on, sir, give me a break, 'cause I'm a country boy and I haven't been around for long, in Bucharest, I mean. I got here in '86". And then he taught me about different types of flats 'cause I had no idea about those things, I was at a complete loss. The man had a sort of test to see if you were aware of what he perceived, of what he knew was needed in the real estate business in Romania. And he wanted to see if you had some general knowledge of things, 'cause even if you had a university diploma, you could still spell "mi-au" as "miau", and you see, he wanted educated people who could read and write properly, a team of intelligent people who could make intelligent conversation. After the interview there were only 20 of us left, and they told us that we had to bring some money as pledge. "If you decide to leave after 6 months, you get your money back, but we'll pay you during these six months". Only ten of us were supposed to make it. So, we paid 200 dollars, we got a receipt and stuff. And that's how I got started in this real estate business and almost everything I know I learnt during those six months, including how to make a business plan etc.

(F.S., a real estate agent from 1993)

Playing on a market without rules. The first law regulating the selling of flats was passed in 1992. Due to the previous lack of regulations, the real estate business was regarded, and sometimes with good reason, as a form of cheating.

You would spot a poor old man, cheat on him, you would buy his house for chicken feed, and then sell it for an astronomical price. Well, those who wanted to make a living from cheating were free to do that because no harm would

come to him. Back then you could speculate the market and make it look all legal, but nowadays, with the new law from 2005, speculation has become impossible because even if you buy you cannot sell again before a period of three years. If you don't do that, you have to pay taxes on the profit from the sale. Speculation is rare now. But things used to be different: you would find a house, buy it and a month later you would sell it for a bigger price. (F.S.)

The period between 1990 and 1995 was one of the best ever for our business, for the profits we made because people were ignorant, they hadn't been educated to know all terms of a sale; most of our clients were retired old people. In 1990 prices for flats began to rise, but pensions and salaries remained the same. At the time, as nobody really knew the real value, the real price for a flat, people made all sorts of speculations: people with money would buy flats situated in nice neighbourhoods for very low prices, then they would redecorate them and in the end they would sell them again for a handsome profit. That's why I say that until '95, business had been excellent for those who had some money and who had had the vision of investing in real estate business. (A.A.)

The 90s were a period when cheating in the field of real estate was commonplace. For instance, somebody bought a piece of land in Bucharest and he intended to build a 10-storey block of flats, but in that particular spot the ground-water layer was very close to the surface and topographical measurement were usually false. The man had already bought the property and his only remaining option was to build a 1-storey high building with a garret. There were other additional unpleasant aspects, like the willful omission of information concerning a building. People were cheated, they paid for the respective properties and then they discovered that they had bought something completely different from what they imagined. I remember that I once

did business with some Dutch guys. One of them had seen a piece of property somewhere selling for 15 000 – awfully cheap, I thought – and he urged the others to buy it immediately. I told them that I smelled a rat because it couldn't have been worth only 15 000. We bought it in the end and we later found out that the seller didn't have the ownership documents for the respective piece of property. The ownership property document was a fake. Here is where the real estate agent intervenes: he isn't just a mediator and a councilor. If you intend to do this job for the rest of your life you can't afford to think otherwise. I once helped a client and from then on he would do business with no one but me. Contact with people is very important (...) In 1997 things had evolved considerably; until then it had all been a matter of speculations. They would buy a flat, they would paint it during the night, and then the next day they would hurry to sell it. I still see pictures of those people in the papers and they have become celebrities ...Those

who could, did business that way, and it wasn't such a tragedy because the law allowed transactions of that kind. (F.S.)

Some of the old fear has disappeared because the government has passed laws to prevent frauds like selling a building or a piece of land to more clients. In such case nobody usually got into trouble and only the last client was really left to suffer the consequences because there were no legal documents for the property and so on. (...) The press published a lot of articles offering details about real estate transactions and people have become more knowledgeable in the field. Buyers have become more suspicious regarding agencies and the legality of their documents etc. There had been a lot of ghost agencies before, which would give you a fake address for a place which they had actually rented, and if something went wrong, in a week they were gone. I know of such cases. And it was only natural that the client should try to find a trustworthy agency



that had a solid reputation on the market. (A.A)

Apart from the foggy legislation which allowed unorthodox transactions made by various characters on the real estate market, there was another element which had a negative influence on the way in which real estate agencies and agents were perceived. Generally speaking, the birth of the free press ushered in a period of social chaos in the context of the transition. People were used to have one price for a certain product all over the country and they couldn't understand why different merchants asked for different prices for one and the same product. It wasn't only that they did not understand this aspect, but they would also hurry to label the differences as attempts to cheat them on the following grounds: the merchant cheated me because I found the same product someplace else, only cheaper.

Those who went to real estate agencies felt cheated when they were asked for a commission for the agency's services. At the beginning of the 90s, many clients would use the information they got from the agencies to close the deal themselves, without paying the agency its commission.

Real estate activities are services free from charge. I don't even know if the person you take to see a house is really interested in buying, if they have the money or not. You make a lot of phone calls, you're on your toes all day long but you make a profit only after you've signed the contract. (...) The client may well go back, knock at the door and make the deal with the owner of the flat and then you get into law suits ... Many have now noticed that this isn't exactly the best method. (...) Back in the 90s such cases were relatively numerous because people were reluctant to pay a commission and take a real estate agency seriously. (I.M.)

“You learn everything as you go along”. Apart from legislative aspects, which instead of

making things clear would only serve to make speculation possible, the ups and downs of the real estate business have been caused mainly by its novelty and by the social and economic particularities of the post-revolutionary transition. The profession of real estate agent was built gradually during the 90s. At a more careful look taken at the dynamics of the real estate market and at the status of a real estate agent, we notice that a diversification of the offer led to a specialization of the agents, while the increasingly demanding requests led to a higher professional training. At the beginning of the 90s most real estate transactions were made with flats. Houses, pieces of land, offices and industrial spaces were only rarely bought and sold through real estate agencies. In the second half of the 90s, the real estate market began to diversify its offers, to become more dynamic due to the increasing demand for pieces of land in the areas surrounding Bucharest and for office spaces.

The modifications in the offer, following the apparition of big developer-constructors, led to a specialization of the real estate agents either on different fields, or on different areas of the city. The increasing demands from the clients also influenced the professional quality of the agents. A better understanding of the field of public services, the possibility to choose between one agency and another, and mortgage loans are all aspects of this more refined type of demand. What is more, companies slowly became constant clients of real estate agencies. Thus by the end of the 90s, real estate agencies were working more and more frequently for local companies and even for foreign companies seeking locations in Bucharest. This type of contact contributed to a higher level of professional training from the part of the agents.

The Offer

Until 1999 all agencies had covered the entire spectrum of the real estate field: sales, rentals, flats, houses, pieces of land, commercial spaces, virtually everything ... Agents would deal

in whatever raised their interest (...) Beginning with 2000 most of the important agencies have begun setting up more and more departments according to different market segments, and this means that one or more agents deal in only one particular domain: rentals of office spaces, of commercial spaces, of industrial spaces, flat or house rentals, flat sales. The market has begun operating a selection of the agencies and of the agents and then it's only natural that this kind of departmental organization should appear aiming at controlling the market.

Now there are agencies specialized in one zone or another: some agencies cover the area between Piața Victoriei (Victoria Square) and Otopeni and no farther because they don't have the time to cover more areas. I cover all of Bucharest (as my specialization is industrial spaces) and the surrounding areas and I deal both in sales and in rentals. And that's how it should be actually because I can't cover only one particular area in Bucharest. Our demands are as follows, "I seek a storehouse of 1000 square metres and 100 offices for storage and production". Many clients indicate a specific area, but there are others who pay more attention to budget details and to means of transport ... Under these circumstances I have to cover the whole of Bucharest because we can't tell our client that "we have no agents covering this area". We have to give them an affirmative answer. (A.A.)

Until '98 or '99 people hadn't had many choices because there were no new buildings under construction. Now they can choose between paying 60 000 euros to a chap for a flat and buying a house with three or four rooms somewhere near Bucharest. Their choices are no longer between one concrete flat and another. The market didn't offer many choices back then, your options were limited and clients weren't even very demanding. There were a lot of properties to be sold and not many clients willing to buy. (...) You ask me to name some differences: there are many differences to speak of even in

this domain because, you see, basically the job is the same for a beginner today as it was for one back in '93, but today's agent has to deal in commercial spaces and pieces of land too. Earlier I only spoke about the "concretes", as we call the flats in blocks of flats. (F.S.)

Even as early as 1990, but especially from 1995 onwards we have witnessed the apparition of firms and people specialized in constructions who bought small pieces of land, but the selling of land properties took off about six years ago because living had improved and people had more opportunities to earn money. Up until then, transactions in Bucharest had been done for personal needs and at a small scale. Now we have residential areas, suburbs and recreation quarters, all offered by construction companies which have earned some money from building small blocks of flats. They decided to re-invest this money and thus the business of building massively in the areas surrounding Bucharest took off. Back in 1999 and 2000 investors would buy 2-3 hectares because they had a feeling that there would be a development in constructions there. (A.A.)

The Demand

Financial efforts you had to make if you wanted to buy something were considerable in 1990. At present, with all these credits, chances of buying things have improved visibly. More people have now access to credits than in the period between 1990 and 1998, when credits had an intolerable rate of interest. You couldn't go anywhere near a credit. It was suicide. (...) Time has shrunk; it's not what it used to be then. You didn't go to see the offers before you showed them to the client and you risked nothing if your offer wasn't serious. The client wasn't at all upset by that. Now the demands from our clients have grown and consequently you can't afford to deal in all fields of the real estate business because you don't have the time for that. Thus the top 10-15 agencies have developed this departmental system. (A.A.)

We've made progress, it's true, but it was at gun point. They threatened us: "do this, or else ..." It's a good thing that we got smart in the end. The fact that situation in Romania and the direction it is headed are clearer now, in 2005, has a positive influence on the field of public services and especially on the domain of real estate transactions: you can't just talk to the man for two minutes and then go arm in arm to see the place. Public services represents more than that. You have to be a true professional. (F.S.)

In '95 the agents who had been active all this time and had learnt to anticipate changes on the market began to become visible, to make assessments – estimations would be a more accurate term – of sales values according to the surface in question ... If I have a flat and I want to sell it I ask for a certain price. The agents must be already able to tell you if the price is appropriate and to bring arguments for his statement: you tell your client that a square metre of concrete costs this much, that a flat in a new building is worth that much ... and you demonstrate that the price your client asks is not right. Some people tended to ask 25 000 dollars for a flat in the Sala Palatului area and then to buy a three or four-room flat somewhere in Berceni which they would furnish and they still expected to be left with 13 000 dollars for a car and for a blissful future life. That's how things worked between 1990 and 1994, and even as late as 1994. Things went through a period of changes which started in 1995 and ended in 2000, and now there are agents who tell owners what to do and suggest a

correct price for their properties according to the market level, the existing demand and so on ... because there are more elements involved in estimating a piece of property, you know. (A.A.)

The real estate advisor has a very important role. There are people who say, "Look, I have this much money and I want to know where I can invest it in order to make some profit". The agent is more like a broker, if you want. Nobody is all-knowing of course, and you win some and you lose some at the stock exchange. (F.S.)

To sum things up, this profession has evolved from a sort of part-time job to a full-time occupation, culminating in its acknowledgement by the law and the recent inclusion of a real estate management M.A. programme in the offer made by the Academy of Economic Studies to its graduates. Moreover, the Government Ordinance No. 3 from 2000 regulates the activity of the real estate agent. If real estate agents of the early 90s were but a bunch of amateurs, people willing to earn more from an additional activity which complimented a completely different main occupation, the real estate agents of the late 90s have grown to view themselves and to be viewed as true professionals and specialists in their own kind. The transformation is huge and it offers us the greater image of the evolution undertaken by the real estate market from legally doubtful transactions to a respectable and fully functional institution.

Translated by Alina Popescu