



Institutional development of the real estate market in the Balkan region -State, challenges, perspective -

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Abstract

The historical development of the real estate market in the Balkans is interesting from several aspects especially in the post-socialist period after the change of the political system and the abandonment of the socialism policy and the transition to a model of a market economy. The collapse of a dominant market with the prevailing social capital followed, new states were formed with new legal frameworks and began the development of institutions as the instruments of the real estate market. All this was followed the training of new staff and the introduction of certification and licensing instruments for professional real estate appraisers.

The demands of the market are changing - instead of the typical socialist construction of buildings, a new modern way of constructing buildings is becoming prevalent. The newly formed Balkan countries make efforts to curb illegal construction by creating the institutional framework of a modern market economy, where investment in real estate as a form of capital has become more attractive and less risky for investors. The adoption of laws and by-laws in the field of spatial planning, real estate cadastre, real estate transactions, tax policy, and loan banking policy reversed the situation in the real estate market. The institutional framework has facilitated the development, increased security and created an environment that will speed up transaction procedures and help build an efficient real estate management system in the newly formed Balkan countries.

Keywords: institutional development; real estate market; transaction procedures

1. Introduction and Historical Heritage of the Balkan Region

The history of the development of the real estate market in the Balkan region is specific and requires a brief recollection of the period after the Second World War. At that time, large areas of arable land, forests, construction land, buildings and factories were confiscated from the government at the time. Private property was drastically reduced by legal regulation, and forced, and often punitive measures were the transformation of private property into socially owned property. The above transformation of ownership, with or without compensation (nationalization, agrarian reform, confiscation, sequestration, expropriation), has been the most radical economic and political measure in the history of the Balkan region. All urban construction land, residential and commercial buildings have been nationalized. Such a policy leads to the complete dying down of the free real estate market, in accordance with the contemporary definition of this market; that is, the real estate market has not existed for many years (Vasović, Gospavić and Ćirović 2012).

Until the early 1990s, most of the Balkan region was covered by the former Yugoslavia, with the area of some 255,804 km² and the population of 23.5 million. It was a period of socialistic policy and the dominant significance of collective (social) property. This meant the limited maximum land area of individual producers to 10 ha of land

and the existence of cooperatives or social enterprises that dealt with the cultivation of land with larger areas. The land and buildings of these companies had socially owned status. In towns, there were individual privately owned homes or collective housing units, with apartments being socially owned, with the right to use. The entire process of maintaining existing real estate in the cities and the profitability of agricultural production on social property began to show its absurdity and lack of sustainability.

Political and ethnic conflicts between the federal units of the aforementioned country of Yugoslavia begin during that period, resulting in the decennial instability of the Balkan region. After this unstable time, the new six states are being established. In one part of the Republic of Serbia, there is still an unresolved issue concerning the status of a part of the territory, which is the area of the former province of Kosovo and Metohija.

The first reform of ownership over immovable property followed in the early 1990s, when new legal solutions allowed the buy-off of socially owned apartments and conversion into private ownership. At that time, occupancy right holders were offered very favorable conditions, and due to the great economic crisis and inflation in the country, became owners of the real estate where they had lived up to that time, with a modest monetary compensation.

Due to the war events that struck the Balkans, construction of new buildings and sale of real estate virtually ceased, except for the direct exchange between the interested parties. At the same time, a large number of illegally constructed buildings were prominent over the territory of major cities and settlements where refugees and internally displaced persons from the war affected area were settled. In suburban settlements, dwelling houses were swiftly constructed, without any permits and consents of urban planning departments of local government units. Authorities have been silently allowing illegal construction. These buildings were constructed for the purposes of the owner's residence and were not intended for sale on the market. The construction of large housing units for collective housing was practically inexistent, except by the state, serving the housing of the state bodies' employees, such as the army and the police. The self-explanatory conclusion is that there was practically no real estate market at the end of the 20th century in the Balkans.

New countries, after the initial consolidation of the basic statehood instruments, begin to develop institutions, instruments and procedures for the development of a transparent real estate market as a prerequisite for increasing the economy and the development of the society as a whole. Slovenia and Croatia, as the former parts of the Austro-Hungarian monarchy, had better preconditions and the period of transition was faster and easier. Slovenia became member of the European Union in 2004 and Croatia in 2013. The rest of the territory today consists of four countries: Bosnia and Herzegovina, Serbia, Macedonia and Montenegro. Throughout the history, all the countries mentioned were under the long-term administration of the Ottoman Empire, leaving a far-reaching impact on land administration, and housing habits and culture. Each country is making great efforts to meet the conditions for joining the European Union, and progress in the development of institutions and instruments of a transparent real estate market is one of the prerequisites. This paper will focus on the progress of the countries in the area regarding the development of the real estate market institutions, as well as the challenges and difficulties they are facing.

2. Early Modernization of Land Administration and the Real Estate Cadastre Establishment

The establishment of a real estate cadastre in all the countries observed (federal units at the time) began in the 1990's, firstly, by amending the law to establish a unified record of all technical characteristics and property rights pertaining to the immovable properties. After the subsiding of political tensions post-2000, all newly formed

countries intensified activities towards the establishment and digitization of the real estate cadastre, as a prerequisite for modernizing the land administration and developing a transparent and secure real estate market. Since the land registry was not fully established in the observed countries, except in the part of Vojvodina and part of BiH, a legal solution was adopted to establish a unified register – the real estate cadastre. These projects in all countries were mainly financed through loans from the World Bank and EU funds, and partly from the budget funds of newly formed countries.

In order to examine the present-day Balkans outside the EU, Table 1 gives the basic characteristics of these countries, such as area, population and gross domestic product per capita.

Table 1.

| Country | Area (km ²) | Population | Population density (per km ²) | GDP per capita (EU) |
|---------------|-------------------------|-------------|---|---------------------|
| FYR Macedonia | 25,713 | 2,033,964 | 82.2 | 4.9 thousand |
| Montenegro | 13,812 | 625,266 | 45.2 | 7.0 thousand |
| BiH | 51,129 | 3,531,159 | 68.9 | 4.5 thousand |
| Serbia | 88,361 | 9,024,734 | 92.0 | 5.1 thousand |
| (KiM) | (10,686) | (1,956,196) | (183.1) | |



Figure 1: Locations of Balkans countries

The law regulates the unification of the Land Register data or the Book of Deeds data (within the jurisdiction of the courts) and the Land Cadastre (under the jurisdiction of the Local Real Estate Cadastre Offices) into a register named the Real Estate Cadastre. The only secure transactions in the real estate market are those that pertain to legal buildings, for which the ownership can be registered in the Real Estate Cadastre. The registration of ownership is carried out in the Local Real Estate Cadastre Offices, which are the separate units of the republic authority in charge of these affairs. These state institutions have different local names - the Republic Geodetic Authority, the Geodetic Administration for Real Estate Affairs, the Republic Real Estate Agency, etc. All these state

bodies are under the direct jurisdiction of the government, and the control over their work is carried out by the line ministry. The same legal model was applied in all four countries mentioned above, except in one of the entities in Bosnia and Herzegovina. Within the state of Bosnia and Herzegovina, the entity Federation of Bosnia and Herzegovina has retained the legal model that keeps dual records in cadastres under the jurisdiction of geodetic administration and land registries under the jurisdiction of general courts.

The need for the establishment of the real estate cadastre was recognized by the International Development Agency (IDA) within the World Bank, which had signed a loan agreement for development and the establishment of a real estate cadastre with all the governments of newly emerged countries. All projects are financed partly by loans from the World Bank, and partly from the funds of the newly created republics, using the same model. The funds are intended primarily for the establishment of a real estate cadastre over the territories of the countries and for the creation of a unified register of all immovable properties and rights pertaining to them. In addition to the basic cadastral projects, there were many other donor projects funded by the EU to create ortho-photo maps, to establish and simplify numerous procedures, to equip these institutions with new hardware and software, provide numerous training workshops and many other activities. Table 2 provides the relevant information on the countries presented.

Table 2.

| Country | Property registration institution | Web address | Legal solution – REC established | Number of mortgages |
|------------------------------|---|--|----------------------------------|---------------------|
| FYR Macedonia | Agency for Real Estate Cadastre | http://www.katastar.gov.mk | Unified REC – established | 124 000 |
| Montenegro | Directorate for Real Estate | http://www.nekretnine.co.me | Unified REC – established | 114 500 |
| BIH – -Republic of Srpska | - Republic Administration for Geodetic and Property Rights Affairs of RoS | https://www.rgurs.org | Unified REC – partially | 52 000 |
| - Federation BIH | - Federal Administration for Geodetic and Property Rights Affairs | http://www.fgu.com.ba | -Separate register – partially | - |
| Serbia (KiM) | Republic Geodetic Authority (Kosovo Cadastral Agency) | http://www.rgz.gov.rs (http://www.kca-ks.org) | Unified REC – established | 870 000 - |

2.1. *New Legal Solution in the Land Administration and Tax Policy Field*

With the intention to enforce order in the field of building construction and spatial planning, the new laws on planning and construction were adopted in the early 2000's. These laws regulate the requirements and methods of planning and regulating the space, the arrangement and use of construction land and the construction of buildings. Under the prescribed conditions, it is permitted to sell and transfer the rights to use nationalized unallocated construction land and convert it from holding rights to private property. This period is characterized by the project of illegally constructed buildings legalization and numerous other projects. Further modernization of the law on planning and construction and its amendments had provided for the state-owned construction land to be converted into other forms of ownership, so-called land conversion. There were also many controversial issues, for example, the privatization of failed social enterprises had rendered the new owner is in the possession of an

extremely attractive and valuable land that is suitable for construction and conversion for other investments. With the intention to create pre-conditions for future investors, some difficult and painful issues are overcome, such as restitution issues and return of confiscated property, and these are resolved sporadically, on a case-by-case basis.

The market trends in the Balkan countries are certainly affected by the laws in the field of tax policy, since the ownership of the purchased real estate cannot be formally acquired before the transfer tax is paid. The Law on Property Taxes regulates the collection of property tax, inheritance and gift tax, and the tax on the transfer of absolute rights. The tax rate on the transfer of absolute rights is 2.5% of the market value of the property. For the purpose of promoting the building development, states have adopted some stimulating measures. Thus, for example, in Serbia, the tax on the transfer of absolute rights is not paid for the transfer of property rights for an apartment or family dwelling, for the natural person who buys the first apartment, if the area acquired by the buyer of the first apartment is up to 40 m² and additional 15 m² per each member his/her family household, if the buyer is of age, citizen and resides in the territory of the Republic of Serbia. By the means these amendments to the law, the state tried to impact the real estate market and motivate its citizens to buy real estate, and construction investors to develop new buildings.

New legal solutions on value added tax have been introduced, which prescribe the right to VAT refund for the purchase of the first apartment. The right to refund may be granted to the same privileged category of buyers of the first apartment up to 40 m² of area, and for members of his/her family household up to 15 m² for each person, providing that the buyer had not previously owned or co-owned an apartment in the territory of Serbia. It is noticeable that the aforementioned legal measures of the state have indeed impacted the real estate market and caused the growth of the real estate purchases by young couples who had not previously owned their real estate.

3. Real Estate Market Institutions

The security of property, that is, the ownership of immovable property and the protection of real property rights in real estate is regulated by legislation. The state creates an institutional framework for the realization of these rights by the law. By adopting laws, regulations, instructions and other legal acts of the government, the state can influence the positive growth of transactions in the real estate market; however, it may as well lead to the freezing of the free market. The turbulent history of the Balkan region is an example of all of the above. The current efforts of all newly formed countries are evident; however, there are many issues due to the inconsistent application, and often the mutually opposing legal solutions that have led to major problems in practice.

By adopting the Law on Survey and Cadastre and Property Rights Registration in the early 1990's and the Law on Housing, a legal basis for the formation of modern records of real estate and rights pertaining to them, i.e. the buy-off of socially-owned apartments and the transition to private property, has been created. Social property, which was also regulated by laws, could not be traded. The transfer and registration of private property in the Real Estate Cadastre was the basis for the start of the development of the real estate market in the Balkan countries.

Today, a significant level of real estate information is widely available on the websites of the institutions responsible for establishing the real estate cadastre. There are two options for accessing the information: the so-called public access and registered approach. Public access allows the visibility of basic information on immovable properties and property rights holders, while the registered access (for notaries, bankers, realtors, etc.) having regulated contractual relations provides for a full set.

After the completion of the apartments buy-off, the new laws on the real estate transfer were adopted, which provide for the possibility of trading real estate, because trading in social property was not permitted. Such new

laws also stipulate that the transfer of the ownership rights over an apartment or a building simultaneously transfers the ownership over the land on which the building is located. It is prescribed that the real estate transfer agreement must be concluded in writing, and the signatures of the contractual parties must be certified by a court or another state authority. The said law allowed free trade in immovable property. With the new legal solutions, which will be further analyzed in the present paper, many of the land administration jurisdictions of the courts are transferred to other executive institutions, such as public notaries, who mostly deal with the issues of property rights, such as purchases, inheritance, disposal and more.

Figure 2 illustrates the correlation and interconnection of all institutions in the real estate market, which jointly contribute to the growth of the economy. Above all, the state is the one that uses legal solutions to impact the "financial world", which consists of tax policy, banking policy, as well as the so-called "real world", consisting of the investors, planners, designers and contractors, as well as the citizens themselves as beneficiaries all these services. In addition to this, there are some independent businesses, real estate agencies, public notaries and real estate appraisers.

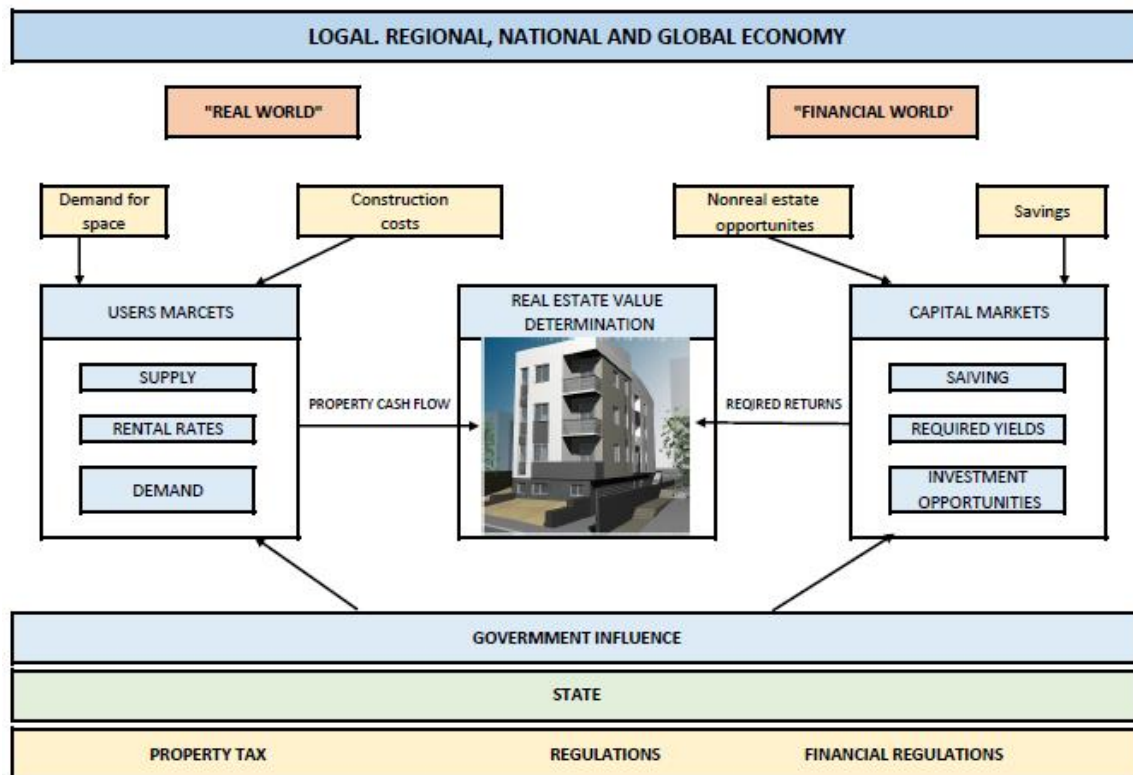


Figure 2: Real estate market institutions

3.1. Real Estate Agencies

Any planned property-related transaction begins by advertising the intentions of the owners related to it, whether it pertains to buying (demand) or selling (offer) a real estate. Without the right information about the available real estate, it is impossible to imagine the functioning of the market, so that the following paragraphs will give a short overview of the factors at the real estate market and the role of each of them, and the level of transparency this has achieved in the Balkans.

Operation of the real estate agencies is also legally regulated. Their work is legally prescribed, as well as the licensing of the agents working in this field. During the transition period, many unemployed persons found employment through agency work, with relatively low knowledge of real estate, and served more to bring interested buyers to the real estate concerned and to physically showcase it, without giving any guarantee of the correctness and validity of documentation about the real estate. With the new legal solutions, the requirements that the real estate agencies have to fulfill, as well as the obligation to get the insurance for professional defaults, have been raised, thus regulating the field of their operation. Agencies serve as advertisers of real estate on the market and as intermediaries between buyers and sellers of real estate, and they charge a fee for their services that commonly amounts to 2.0 – 2.5 % of the contractual value of the real estate. With the development of the Internet services today, the supply and demand in the real estate market is easily examined by a simple mouse click, and creating of a better legal and institutional framework, the fears of customers regarding the potential fraud are diminishing.

The sales contract for the immovable property must be made in writing, signed and authenticated in the basic court with jurisdiction over the territory where the real estate is located, and with the introduction of the institution of the public notaries, they have taken over this activity. Unfortunately, the court only authenticated signatures, thus guaranteeing that the signatories are indeed the persons indicated in the contract, without the possibility of guaranteeing the contents and credibility of the facts contained in the contract. In the past years, by introducing the public notaries, this situation changed drastically, which had resulted in an increase of costs for clients.

3.2. Banks and National Loan Insurance Corporations

In addition to state institutions, banks and their business policies towards construction and commercial investors, as well as citizens who seek to resolve their housing issue through housing loans, have a major impact on the real estate market. After 2000, many foreign banks came to the Balkan region, and according to information from the national banks of the countries of the region, most of the banks are majority owned by the foreign investors. The operation of banks is largely controlled by the state through the instruments of supervision by the National Bank. With the emergence of a larger number of banks and the creation of greater competition among them, they are seeking to attract potential users of their services by offering favorable conditions. In observing the period from 2000 to the present, the decline in interest rates on housing loans has been noted, which led to the growth of demand for these loans. At the moment, the monetary stability of the region, low inflation and a stable euribor provide favorable situation. Housing loans must be secured by a mortgage that is registered in the real estate cadastre, and with the National Loan Insurance Corporation, whereby the banks are fully insured for the money placement in the field of real estate business.

The conditions for securing commercial housing loans are as follows:

- Loan payment term: up to 30 years;
- Property used as mortgage collateral may be registered or not registered, acceptable both to the bank and the loan insurance corporation.

Requirement for the loan seeker:

- Being a domestic citizen, or a foreign citizen with valid working and residence permit;
- Age – a minimum 20, a maximum 70 years of age on the day of last installment payment;
- Positive credit rating (loan burden no greater than 80 %).

Banks accept reports on real estate appraisal from authorized real estate appraisers, are licensed by the Ministry of Finance, and their work is insured against professional damage. In this manner, the banks are additionally ensured that in the event of non-payment of the defined loan installments, the creditors have means of

compensation at their disposal, through the sale of assets used as mortgage collateral registered in the appropriate registry of the real estate cadastre at the competent institution. The next chapter provides the analysis of the curve of established housing loans in individual countries of the Balkan region.

4. The New Real Estate Buyers' Protection Instruments

It is noticeable that the establishment of a real estate cadastre and the adoption of the accompanying legal acts after 2000 almost had increased interest in using the property as collateral for starting new investments in nearly all of the countries in the region. The number of real estate sales has increased significantly, but consumer protection instruments have not yet been fully developed. By revitalizing the real estate market, there was an unpleasant experience of multiple sales of one and the same real estate. Namely, double sales of the apartments, with the investors running away with money, paying apartments in buildings that were never completed, are just some of the fraud cases, which left a negative impression and had attracted illegal capital and speculative business. Country responses were evident. An example is the establishment of the Investors Register, which was established in Serbia in 2010. The aforementioned register provides public records of all available information about a natural or legal person as an investor and is available in the headquarters of local government units, as well as in digital form online. In practice, this means that anyone who wants to buy an apartment from an investor can find information on what the investor has built in the previous period, how many floors and apartments they can build at a particular location, whether there are outstanding debts to the Directorate for Construction Land, Electricity Distribution or some other communal institution - online. Also, by inspecting the register, the buyer can find out whether a criminal complaint has been filed against a particular investor, whether the construction or urbanism inspection has closed the construction site and other relevant facts.

The amendment of the law on real estate transactions, stipulates that the court and judicial units' headquarters shall enter the complete data on the contractual parties and the subject matter of the contract in the verification of the sales contract. The data are entered into the Central Registry of Real Estate Transactions, a register established by the Ministry of Justice, and only after checking whether the actual real estate that is the subject of the contract has already been sold is checked by the Court Registrar. The new laws on the establishment of public notary institutions have been adopted, which will contribute to the organization of all matters related to property rights. The notary checks the content and the subject matter of the contract, and guarantees its validity by performing verification of the legal transaction. Another institution has also been formed, in the form of certified appraisers, who are an independent profession for assessing the value of real estate. Laws are enacted, professional associations are formed and training of first licensors for licensing professional assessors is underway. The law is fully harmonized with the experiences of the EU Member States, and the national Ministries of Finance take over the organization of examinations, licensing, and the database of professional assessors.

The projects of mass real estate appraisal were also initiated, so the additional competence was given to the Republic Geodetic Authority of Serbia to establish and keep records of market prices of real estate, which contain data from sales contracts. This registry is being established 2012 in Serbia and accessible by the interested users. The next chapter will explain the significance and existence of this registry in more detail.

4.1. Public Notaries

By establishing an institution of public notaries in the immediate past (in recent years) in the Balkans, the courts have transferred part of their powers to the public notaries. All contracts must be concluded in the form of a public notary statement. These contracts may be drafted by lawyers or citizens; however, they must be solemnized, or verified by a public notary, thus being granted the character of a public document. Legal affairs that must be

completed in the form of a public notary in order to be valid are prescribed. If the form is not respected, the sanction is invalidity of the legal transaction. Legal transactions that modify the relations created by the aforementioned contracts or declarations must be concluded in the same form. The role of public notaries is in fact to increase and protect of legal security of citizens; however, it imposes additional costs.

Solemnization is the giving of the power of the public document to a private document that the party submits to the public notary for verification. In addition to a real estate transfer contract, a mortgage contract and a pledge statement are also concluded in the form of a notary-verified document. All these are contracts, i.e. actions that take place on the real estate market, so that the operation of public notaries additionally introduces security in real estate operations. It must be pointed out that this increases cost by a significant amount, since the notarial transactions are relatively expensive, and tariffs are approved by the state and they are uniform at the state level.

Legal matters that are concluded in the form of a public notary document are:

- Contract on disposal of real estate owned by persons without legal capacity;
- Sales contract;
- Exchange contract;
- Gift contract;
- Contract of lifetime care and support;
- Mortgage contract and pledge statement, regulating non-court settlement procedure;
- Other contracts on disposal of real estate.

4.2. Real Estate Appraisers

The licensed appraisers' profession is a relatively young profession in the Balkans. The activities of the appraisers' associations also have an educational dimension, i.e. they serve to help their members fully comply with the ethical code of conduct and proper interpretation of ethical principles in certain situations. Educational programs have been adapted to adult learners who are already performing appraisals (former court experts) and beginners who do not have much experience in the real estate appraisal. The training program is characterized by the balance of necessary knowledge and quality. There is a particularly strong emphasis on the application of internationally recognized appraisal standards.

The role of the appraiser is to provide an objective and impartial opinion about the value of the real estate to those who own, manage, sell, invest in, and/or borrow money on the basis of securing funds from a mortgage loan from the bank.

Using a critical analysis, the appraiser analyzes the collected facts from the market, the statistics, and all relevant market information about the real estate that is subject to the appraisal and brings up a value decision. Each appraisal presents a challenge that requires the appraiser to use his/her analytical skills in practice, be clear and transparent in decision-making, and to present the outcome of the assessment to the client who hired him/her in a simple and comprehensible manner.

The activity of appraising the value of real estate is a profession that is characterized by the fact that acquired experience and knowledge is transferred from one generation to another, respecting all professional and trade standards, code of conduct and ethics.

In the newly emerged Balkan countries, this is a relatively "young" profession and appraisers had founded professional associations in which they take membership on voluntary basis, for the purpose of advocating and representing their interests.

Such associations have a special role in promoting professional and ethical standards of appraisers, contributing to gaining public confidence in the profession and good reputation in the society.

The training program, which is implemented as preparatory before the licensing, includes the following areas:

- Principles of economic theory, including the ones related to the real estate market;
- Internationally recognized appraisal standards, definition of value;
- Appraisal principles, practice and standards, reporting;
- Investment in real estate, investment and statistical analysis;
- Relevant legislation pertaining to the real estate;
- Taxation system;
- Accounting principles;
- Real estate cadastre;
- Real estate development principles;
- Professional ethics of the appraisers.

4.3. Mass Real Estate Appraisal – Sales Price Register

In all countries of the Balkan region observed, projects were launched to begin building a mass real estate appraisal system, as additional activities by appropriate geodetic administrations, through the process of modernization and the establishment of the real estate cadastre. This was additionally legally reinforced through changes and amendments to the Law on State Survey and Cadastre, to begin the development of a mass real estate appraisal system. These projects are relatively recent, because, apart from the legal framework, people and resources should be defined, procedures developed, etc. Thus, for example, since 2012, Serbia has established a department for mass real estate appraisal, thus transforming the previous research work has into the operational activities. Since then, the first subsystem of the mass appraisal system has been developed, which carries out data collection from the market, and publication of data over the Internet.

Cooperation has been established with competent institutions and organizations that link their business to the real estate market. The network of associates includes: the Ministry of Finance, the Ministry of Justice, the Tax Administration, the Serbian Statistics Office, the National Bank of Serbia, the Association of Serbian Banks, the National Association of Appraisers of Serbia, public notaries and lawyers, and others.

Activities performed so far with the results visible on the web portal cover the Sales Price Register and some initial thematic maps of zoning the territory according to the relevant characteristics of the real estate market. The most important data from the real estate market is the price paid for the property rights transferred, on a specific date, for a certain immovable property. It is possible to search a particular area, on a selected category of real estate.

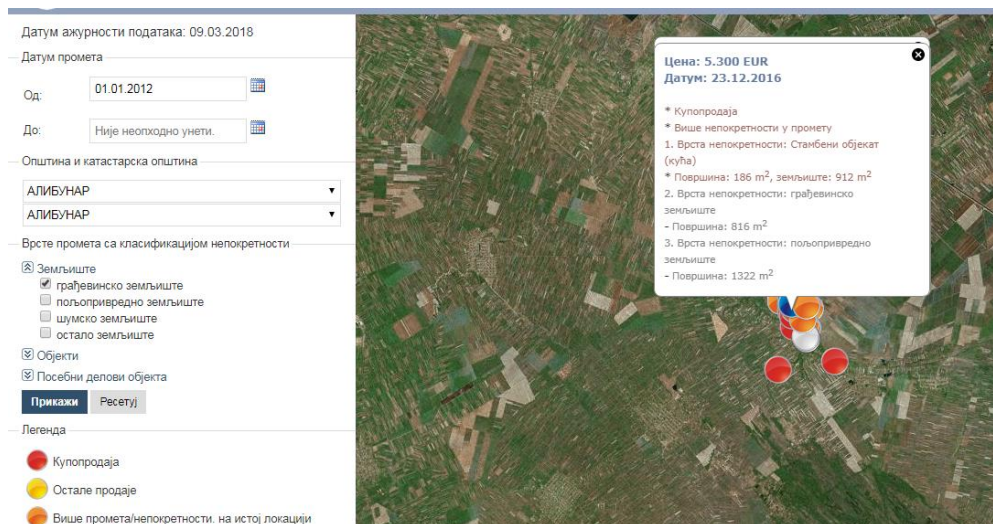


Figure 3: View of the Sales Price Register for the Republic of Serbia

Permanent data entry for the Republic of Serbia in the sales price register is being performed according to the following categories of real estate: all types of land: construction, agricultural, forest and other land, as well as buildings, houses, apartments, shops, business or commercial facilities, etc. Figure 3 illustrates what a search of a database of the real estate prices looks like, and what can be accomplished by this viewing. It is intended that through time, when the database is large and representative enough, to perform various analyzes and monitor the trends of the growth or the fall in prices on the real estate market.

5. Evaluation of the Institutional and Legal Framework Impact on the Real Estate Market Trends

The role of the established institutional framework on positive developments in the real estate market in the Balkans is very significant. Many new and modern laws and other legal acts that completely reversed the situation on the real estate market have been adopted. New instruments have been introduced to protect buyers and sellers from potential misuse. Numerous electronic services have been created and are fully utilized, making these markets transparent and open. In the last 20 years, the image of the type of ownership of real estate and transfers has changed at the incredible pace. There is a whole range of real estate offers on the market: residential villas, exclusive apartments, family houses, shops, business premises, production halls and facilities, suitable locations for investment, agricultural land of good quality, etc.

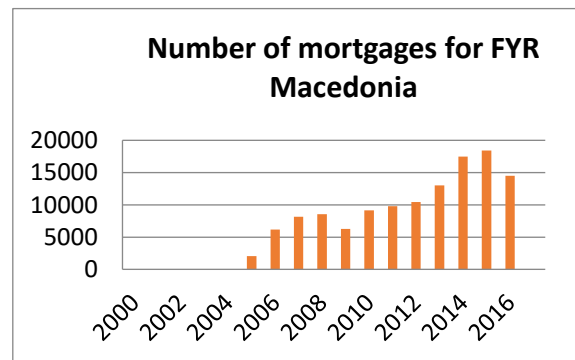
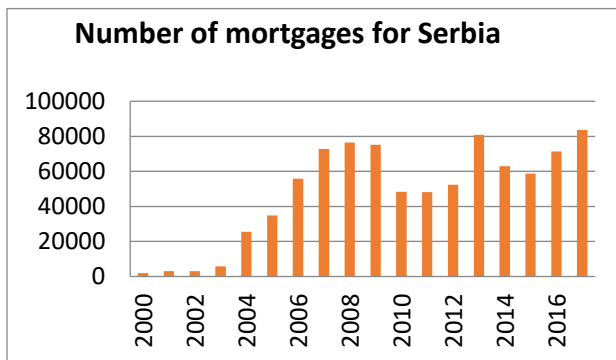
New professions, which are engaged in renting services, ongoing maintenance, support for clients that additionally give seriousness and security to all participants in the real estate market, have been developed with their work and presence. All countries of the Balkan region strive to bring their laws closer to the laws of the European Union, and this change is not easy, nor can it be quick. The habits and culture of housing, work and business are also changing, perhaps at the slowest of all factors affecting the real estate market.

The countries had passed modern laws in the relatively short timeframe of the past two decades, sometimes under pressure, and with the requirement of a speedy alignment with EU procedures. The implementation and application of these laws by the governmental institutions did not proceed at the planned speed. Sometimes laws

are relatively non-congruent, such as the law on privatization and the law on restitution. One promotes the transformation and sale of social capital and conversion to other forms of ownership, and on the other hand, the law on restitution should return the unjustly seized property to the initial owners. It happens so that the two opposing and confronted interests appear over the same immovable properties, which inevitably lead to judicial processes, which are lengthy and costly. Employees in state institutions or courts are not sufficiently trained to fully apply the new operational rules and this slows down the entire process. The real estate market is directly affected by these factors. When selling state or socially property, the state is obliged to protect potential buyers or investors, which is expected to be achieved by the introduction of the institution of public notaries, who are obliged to check all documentation and history of previous changes of the owner over the subject matter.

A vast number of institutions (local government units, courts, tax administrations, local real estate cadastre offices, banks, real estate agencies, public notaries, appraisers) work on the development of the real estate market in the Balkan region, and their work must be coordinated and harmonized. The procedure of buying a real estate may take time, regardless if the seller and the buyer quickly agreed on the purchase price and signed the contract. If the said sale is financed by a commercial bank loan or a subsidy from the state, the process requires more participants, loan approval and securing, appraisal of the real estate to which the mortgage is registered, whether it is the registration of a mortgage on a real estate being purchased or another one. In the end, the owner of the real estate becomes such by the act of the registration the real estate cadastre, and the issuance of a property folio from the local real estate cadastre offices. Each of the steps and procedures above require a certain amount of time, awaiting expiration the deadline of a possible appeal, so that the resolution may become enforceable. (Gospavić, Gučević and Vasović 2013).

Regardless of all the difficulties analyzed, the real estate market of the Balkan countries shows that it is alive, that transactions are happening and that mortgage banking is an additional financial injection to all participants. This will be shown in the figures below, for those countries that have established central databases, which is where the implementation of the World Bank project, a single system of real estate cadastre database and registration of property rights has been established to increase the number of mortgages registered over years. The accompanying illustrations clearly show the impact of the 2008 global crisis, which emerged in the field of immovable property in the large US real estate market.



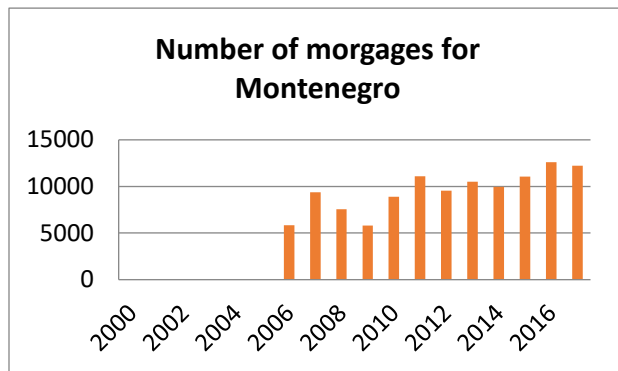


Figure 4: Number of mortgages registered in the central mortgage register per years of the Balkan countries

6. Conclusions

By adopting new laws and by-laws and changes in the operation of the governmental institutions, the countries of the Balkan region greatly improved the environment and created the conditions for the free functioning of the real estate market. Everybody is aiming to assure the security of ownership and the greater attracting domestic and foreign investors to invest in the region. Large investments in all countries of the region are being made by other countries, primarily by the EU countries, as well as by the countries outside the EU.

The real estate market in the countries of the region analyzed is free; however, the purchasing power of the majority of citizens is very limited, as shown in Table 1. The region has a declining trend in the number of inhabitants as well, along with the concerning phenomenon of young and educated staff migrating to the developed countries of the European Union. This trend is also notable in countries of broader area, such as Croatia, Romania and Bulgaria where the emigration of young and educated people was even more prominent, even though these countries became members of the EU.

The time we live in is very turbulent, the region being analyzed is also interesting from the aspect of a major migration crisis, where almost a million people from the Middle East have just passed through these countries.

Striving to initiate their faltering economies as soon as possible, many governments and parliaments have adopted some solutions that have sometimes brought about counterproductive consequences. These appeared to serve general well-being of the entire society, but the application in practice has shown that these solutions have been beneficial to individuals, which may be the stumbling point of all transitional societies.

No law is perfect, but the intention of the government is certainly that the laws in the field of land administration, tax policy, banking laws primarily guarantee the security of investment and property. The purchasing power of the citizens of the Balkan countries is low, and it is increasingly difficult to decide to buy a real estate by taking a loan. Selling real estate under mortgage is done by banks in order to settle debts through public bidding, and this is a relatively painful process, with a modest experience in this field. A relatively small numbers of users from this territory as a consequence their inability to pay their installments for real estate purchase, due to the fact that they have borrowed over their capabilities, which is a result of ineptness and insufficient knowledge and awareness. Looking at other regions or developed markets, more people take up loans to buy real estate; however, there is a much better market for higher paid jobs.

There are also very positive examples in the field of agricultural households, which, with the assistance of agricultural mechanization and new measures of agro-technology, farm up to 100 ha of arable land, especially in the northern part of Serbia – Vojvodina, which was done by the social enterprises until recently in the Balkan region, which had failed in the meantime. The state provides the incentives for young couples as well, and the EU also supports projects from IPA funds for rural and agrarian development through new plantations, livestock breeding, etc. The increase and tendency of easier and faster use of bank loans, which is evident, further promotes the economy at the local and national level.

We remain hopeful that the economic crisis has blown out its steam, that investors will continue to invest in new ventures, that states will encourage citizens to invest in real estate, that governmental institutions, banks and other entities in the market will work on mutual and quality cooperation and quality provision of their services, and that the procedures in the real estate market will become simpler and easier and transparent enough that failed in the meantime, for the security of ownership and investments in the real estate.

A quote from the interview with Nepalese billionaire Binod Chodra, chairman of the Chodra Group, confirms this:

"When they asked me why Serbia – (Serbia as the strategic base of our company, not simply the gateway to the Western Europe, as well as the Eastern Europe and the Balkans) and you cannot even imagine how many times have they asked this question - I said that the reason are people. We are deeply touched by the traits that adorn people in Serbia. I think they are honest, extremely qualified, valuable and very dedicated to the work they do.

We wanted it to be a country where the costs are tolerable and attractive, which has a developed infrastructure, whose government has a positive standpoint regarding investments and is ready to provide support. Serbia is the place where we found all the factors noted".

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