

- CREN - Croatian Real Estate Newsletter

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CREN PATRONS



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TOPIC OF THIS ISSUE:

**Tomislav Ćurković, certified architect
President of the *Croatian Chamber of Architects***

Influence of the Architectural Policy on the Property Market



1. INTERVIEW

**Tomislav Ćurković, certified
architect
President of the Croatian
Chamber of Architects**



Influence of the Architectural Policy on the Property Market

You have been President of the Croatian Chamber of Architects (CCA) for about two years. What is new in the work of the CCA?

In these two years, the *Chamber* has conducted a series of activities that have ensured the good quality of its organisation and staffing, improved the efficiency of its work and its financial independence, which we believe are important prerequisites for the good quality work of the CCA and the architectural profession in general.

If I were to enumerate just the important things that we have implemented in line with the initiatives from my *Election Agenda*, I could mention the following:

- reorganization of the *Secretariat* and of other bodies of the *Chamber*,
- we created the prerequisites for additional sources of financing that will make it possible to work independently and to develop projects that are important for the advancement of our professional work,
- we launched the initiative to adopt the *Architectural Policy of the Republic of Croatia*, and we are participating in drafting it, together with the competent institutions,
- networking and achieving synergy in the activities of all relevant professional institutions in order to

achieve a unified direction of our future work to improve legislation and implement it in the country's development framework in a way that supports sustainable development and creates the prerequisites for market competition based on quality,

- we have provided better conditions for professional liability insurance, so that it provides better protection to both our members and to third persons,
- we have initiated numerous other projects aimed at advancing the quality of work of our members and the quality of the built environment, such as: a data base of all legislative documents related to the work of our profession, a product data base, providing free tax advice to our members etc.

Certainly, one ought to bear in mind that in implementing a large-scale project, such as adopting the architectural policy of a country, it is not sufficient to have good ideas, but also to present them in a specific way, so that the relevant institutions and society can recognize and accept them as truly in public interest. For this reason, the improvements in certain projects are seemingly small, but at the same time they have historic importance.

Late last year, from 25-27 November 2010, the Third Congress of Architects was organized in Split under the title Architectural Policy

2013, or *Apolitika*. What is *Apolitika* and what are its objectives? What is the relationship of *Apolitika* and the commercial property market?

Apolitika is how we entitled the guidelines for developing the Architectural Policy of the Republic of Croatia. We did not chose this title randomly, we wanted to associate this work with the need to adopt a comprehensive action programme of managing the built environment, devoid of any negative political connotations.

On the path to adopting architectural policies as a mandatory document, with which all relevant legislation will be aligned and which will serve to evaluate all future interventions in space, Croatia only took the first step at the congress by adopting a *Declaration* that provides 8 basic guidelines for future work.

This first step resulted in establishing a working body at the *Ministry of Environmental Protection, Physical Planning and Construction (MEPPPC)*, which assumed the role of the official promoter of this project.

In order to paint you a realistic picture of the comprehensiveness and magnitude of this work, I can mention that development of the first architectural policy in Ireland took as long as 19 years, and now they are preparing the adoption of their second architectural policy.

The architectural policy of a country is reflected in the commercial property market, and on the overall built environment of a country:

- by raising its quality level,
- by ensuring that it is perceived in the context of sustainable development, to which we are committed directly and indirectly by

adopting the provisions of EU directives, and
- by implementing all other provisions envisaged by such a policy, which are in the national and public interests of the country.

The Architectural Policy should generate a *system of actions* or projects, which should be implemented in real life, based on legislation. It is only in this way that the *Architectural Policy* will gain some sense, and it will not remain just another declaration on paper.

Such actions/projects are preceded by studies and analyses to be conducted by multidisciplinary teams.

Learning from the Irish experience, we have started working on its operative implementation in parallel to our work on the Architectural Policy / *Apolitika*.

We find ourselves in a time of economic crisis, which is particularly pronounced in the real estate sector. What is the situation for architects, and are there any improvements in comparison to last year?

The economic crisis, with which the architectural profession is faced, has been reflected quite dramatically in the business operations of our members and we have not seen any major improvements in relation to last year.

The cycle that ends with the sale of property begins on the desks of certified architects, and this fact definitely defines all the other trends in our business operations.

However, crises serve to draw our attention to questions of principle and strategic issues, for which we normally

don't have time when the business is going at the normal pace.

It is precisely in this domain that a sense of enthusiasm has developed and the first results of creating the prerequisites for good quality work are becoming evident.

It is in this segment that we find the incentives for further work, both from the personal and the institutional perspective.

Problems at work – are architects disappointed, morally and financially exhausted?

Indeed, architects feel both morally and financially exhausted.

We are faced with very frequent amendments to legislation that reflect the attempts of the state to respond to the challenges of its pending accession to the EU, and which are sometimes more and sometimes less successful. Our professionals have difficulty coping with all the red tape, which sometimes acts as an additional obstacle to investment processes.

Therefore, we try to use the knowledge that the *Chamber* has, in the best possible way, and to maintain a partnership with the line institutions. As a rule, this results in by-laws and other documents that define clear and simple administrative and other procedures, which is helpful both to our members but also to the competent bodies in the process of issuing building permits.

In that respect, we are fighting against a moral crisis, which is a state that can have a devastating effect that we do not want to accept.

Regardless of the real social environment, architects are most

frequently in love with their work and they are ready to work under difficult conditions, under the pressure of short deadlines and in impossible situations, patiently waiting for the first signs that the crisis has ended.

What is the professional and business potential of architects and urban planners – what can they offer? Why should one use certified offices and why pay the price regulated by the Chamber?

In most European countries, such a question would be understood as a joke, but unfortunately we have to realize that this is a question relevant for a number of investors in this country.

Since Croatia is a country that has implemented the provisions of the EU directives into its legislation, how services are provided within 7 regulated professions, including the architectural profession, is clearly regulated, both for certified persons/offices and in terms of the quality of the architectural services.

It is clear that the legislative provisions will not counteract illegal behaviour, and this leads to situations where the built environment looks as it does on the Island of Vir. It can be compared to the consequences of unlicensed doctors' practice within the medical profession, as another example of a regulated profession.

Both the beneficiaries of our services and the patients realise sooner or later, mostly in an unpleasant way, why they should use the services of licensed professionals. And so do developers who have not yet sold their investment projects, or building owners who stumble across the consequences of their own lack of experience or wrong

conclusions etc. The price of architectural services according to the *Regulation on the Price of Services* ensures that the client receives good quality services at optimum prices, and on the other hand, it makes it possible for the designing architects to provide their services in line with legal and professional standards.

What are the trends in architecture globally, what is changing and in what direction, and how is this reflected in Croatian architecture?

Globally, it is quality and sustainability that are the dominant terms in any profession, including architecture.

The terms such as quality, sustainability, energy efficiency, renewable energy sources, advanced energy networks etc. no longer relate only to some distant developed future or the concept of environmental awareness.

It is a development that has no alternatives, which is directly reflected in the issue of sovereignty, the issue of survival. The sooner we become aware of those facts, the closer we shall be to accomplishing the goals they imply, which this country has embraced as its development agenda.

In that respect, we speak less of trends in terms of style. With respect to style, we can say that anything that reflects the contemporary time, culture, tradition and way of life is acceptable. But today, this implies that we select the right model of sustainability that correspond to our culture, technological development, available resources and similar categories, that the history of architecture has not dealt with before to such an extent. For instance, there is the sustainability model of the City of Freiburg, in comparison to several

examples of sustainable villages, which use manure or organic waste as an energy source.

This is an on-going process, the results of which are only to be seen.

In that sense, I believe that architecture will experience a new step forward in terms of style and design, following the solutions that make it self-sustainable or locally sustainable.

What will change in the work of architects in the forthcoming period given the golden years of the construction industry boom that we had in the past decade?

If Croatia finds the way to turn to sustainable development, the real boom is still ahead of us. Besides, by joining the EU, the legislative provisions that the existing buildings in the Republic of Croatia have to reach a certain level of energy efficiency will become activated.

What knowledge should the architects have in order to communicate better with the developers of commercial properties and with all other participants in commercial property projects?

Continuous professional training is an important feature and the legal commitment of all regulated professions, including the architectural profession.

It is for this reason that the *Chamber*, with its training *Programme*, which has been approved and is controlled by the MEPPPC, follows the guidelines defined by the country development strategy and the development of the European and national legislation.

In that sense, we can say that the architectural profession has been developing very actively in order to meet new challenges.

However, understanding the real sense and benefits of quality and the focus on sustainability of commercial property developers, points to the fact that perfecting knowledge is a topic that requires that all participants in the process of developing commercial properties are equally well informed.

Construction is certainly a complex discipline and developers should be well informed before making decisions, taking into account that it is not only the building costs that should be taken into account when calculating the profitability of a building, but also that there are other categories that make it commercially interesting in the long run. As a rule, this implies that the focus is placed on quality and a professional team of designers.

From your standpoint, what are the most pronounced problems in commercial property development projects?

Well, a part of my response is contained in the issues related to overall quality, which I discussed earlier. The developers have to bear in mind that they are offering their products on a developed European market, and it is in that context that they have to articulate their overall expectations. The developed European market takes into account not only the purchase price of property, but also the cost of its exploitation in the context of strict European legislation. The highest percentage of foreigners are aware of the legislative provisions and the penalties that await us after 2020 for all buildings that do not fulfil the legislation on energy efficiency, CO2 emissions

etc. All this reflects directly on the property market.

So, in the long run, there is only room for quality on the property market.

Is architecture a profession that transforms itself? In your opinion, what is the true definition of architecture and an architect's job description?

One of the dominant qualities of our profession is its diversity and continued transformation. It is the products of the construction industry that best reflect the history of a society, its development and layers. In that sense, good architecture is what reflects the image of its time. But this relationship does not only imply good architects, but also good investors who are able to understand the time in which they live in the right way. Good quality synergy between all the participants in the creative process, managed by the architects' vision, results in architecture that remains as a permanent and vivid document of the time in which it came into being. In that sense, architecture is "more difficult" than other disciplines and arts, where the author may afford to build an "ivory tower" without considering external influences.

Why is it that in recent years in Croatia the most awarded buildings were those with social allocations where the investor was the Croatian government or local government units, such as kindergartens and schools, and not commercial buildings? When will a Croatian architect receive a prestigious national or international award for a commercial project, such as an office building, a commercial centre or similar?

Maybe precisely because, as I just said, good architecture implies team

work of all participants in the construction process. And the investor is certainly a very important participant.

If you approach an architect with a request to transpose the commercial centre of a neighbouring country to a location within Croatia, but keeping all the elements of the original architecture, you brutally limit any room for creativity.

Besides, there is the issue of whether the investors who are active in this country really have the right team of professionals. Private investors who might have professional knowledge in the field of economy and management, but who admit that they are not necessarily competent to assess architectural excellence, are rare. A lack of good quality architectural professionals on the side of investors, employed as project managers, who are able to assess architectural quality, and not only the ratio between the invested resources and the commercial surface area of the future building, often results in selecting projects solely on the basis of their price, which automatically implies lower architectural quality. However, the situation on the market that has

resulted in a surplus of unsold surface area in buildings with low architectural quality will surely contribute to the fact that in future investors will begin to see the quality of architectural projects as an important component of the profitability of their investments.

Besides being the president of the Croatian Chamber of Architects, you are also a renowned architect and the co-owner of the architectural office *Dva arhitekta d.o.o.* Please present your office and your architectural work to our readers?

As all the previous questions in this interview were focused on my function as the president of the Chamber, it would be inconsistent to talk about my architectural work at the end of the interview.

For all who wish to have more information about the architectural production of „*Dva arhitekta*“, that is, on my work and the work of my partner Zoran Zidarić, I suggest they visit our web site at www.dva-arhitekta.hr, and I would like to suggest that CREN presents our work in one of its future issues.

2. STATISTICS

2.1. Average Asking Prices of Real Estate Offered for September 2011

	average price EUR/m ²	price range EUR/m ²
ZAGREB		
Housing		
Apartments	1.831	549 – 6.667
Houses	1.707	404 – 14.667
Commercial space		
Offices	1.792	796 – 3.333
Business premises	2.316	722 - 8.663
Office blocks	1.271	618 – 4.867
COAST		
Housing		
Apartments	1.955	608 – 6.364
Houses	1.722	195 – 18.269
Commercial space	1.675	482 – 5.368
Tourist facilities	2.122	1.396 – 2.257

Average is calculated on the basis of the currently quoted prices on the Burza nekretnina d.o.o. (Real Estate Stock Market Ltd.), which is available online: www.burza-nekretnina.com.

2.2. Statistical Reports of the Central Bureau of Statistics from the Area of Construction

2.2.1. Building permits issued, July 2011

In July 2011, there were 820 building permits issued, which was by 10.2% more than in July 2010. The total number of building permits issued in the period from January to July 2011 was by 3.0% lower than in the same period of 2010. In July 2011:

- by types of constructions, 87.7% out of the total number of permits were issued on

buildings and 12.3% on civil engineering works,

- by types of construction works, 81.1% of permits were issued on new constructions and 18.9% on reconstructions.

According to permits issued in July 2011, it was expected for 1 165 dwellings with the average floor area of 89.2 m² to be built.

Advice: Building permits issued, July 2011, Central bureau of statistics, Zagreb, 2011.

2.2.2. Completed construction works, orders and residential building, legal entities employing 20 or more persons, second quarter of 2011

Value of new orders:

- in the second quarter of 2011 increased by 3.6%, as compared to the same period of 2010,
- in the period from January to June 2011 increased by 18.9%, as compared to the same period of 2010.

Value of construction works done with own workers:

- in the second quarter of 2011 decreased by 2.1%, as compared to the same period of 2010.,

- in the period from January to June 2011 decreased by 3.3%, as compared to the same period of 2010.

In the period from January to June 2011, construction companies employing 20 or more persons completed 1 281 dwellings, which was by 32.6% less than in the same period of 2010. At the end of June 2011, these companies were working on 5 353 dwellings (uncompleted dwellings), which was by 11.1% less than in the same period of 2010.

Advice: Completed construction works, orders and residential building, legal entities employing 20 or more persons, second quarter of 2011, Central bureau of statistics, Zagreb, 2011.

2.2.3. Construction work indices, July 2011

According to basic indices, in July 2011, as compared to July 2010, construction works decreased by 12.5%. According to working-day adjusted indices, in July 2011, as compared to July 2010, construction

works decreased by 9.2%. According to seasonally adjusted indices, in July 2011, as compared to June 2011, construction works decreased by 0.5%.

Advice: Construction work indices, July 2011, Central bureau of statistics, Zagreb, 2011.

2.2.4. Completed buildings and dwellings, 2010

In 2010, there were 7 491 buildings completed, of which 81.5% were residential and 18.5% non-residential ones. The floor area of completed buildings was 3 352 329 m², which was by 14.6% less than in 2009. There were 14 972 new dwellings completed with the average useful floor area of 88.4 m². By type of

works, the greatest number of dwellings (92.9%) was built as new constructions (including renewals of dwellings heavily damaged in the war etc.), 6.3% as additions (extensions) on existing buildings and 0.8% as conversions of a non-residential space into a residential one.

Advice: Completed buildings and dwellings, 2010, Central bureau of statistics, Zagreb, 2011.

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It is our wish that the Croatian Real Estate Newsletter / CREN be a source of speedy and quality information for all who are active in the real estate sector – developers, planners, contractors, mediation agencies etc. Please send your comments, proposals and opinions to cren@filipovic-advisory.com to help us improve CREN and make it the leading medium on the Croatian real estate market.

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