

REAL ESTATE EDUCATION IN BRAZIL

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1. INTRODUCTION

The original purpose of this paper was to discuss Real Estate Education in the whole South American continent. The search started by visiting many South American Universities' web sites, to identify real estate research groups.

As only very few groups could be found, the second stage was involved in attempting to contact them directly.

However, no answers were received from any of the research groups. On the understanding that it was vital to have researchers' or practitioners' points of view about Real Estate Education in their own countries, the search was therefore concentrated on Brazil alone.

Understanding real estate education in Brazil requires a knowledge not only of the evolution of real estate but also of the different macroeconomic environments that the country has gone through, which have had inevitable effects on the current situation.

An important milestone for the beginning of this process took place in the 1960's, when the SFH (*Sistema Financeiro de Habitação* - Housing Financial System) was established. Its main objective was to allow for housing development compatible with increasing demand, driven at least in part by the high population growth rates in the country.

The country developed substantially between 1964 and 1973, when the GDP increased by 120%. Real estate output followed that growth, including the introduction of more modern types of property, like shopping centres, which first appeared on the Brazilian market in that period.

As real estate supply, particularly of housing units, was almost always below demand levels, and access to finance was not restricted, specialised real estate professionals were not essential.

At that time, managerial aspects were hardly ever touched upon in undergraduate programs and, if so, they concerned project management, with the emphasis on building management. The first Brazilian institution to teach real estate issues was the building management discipline of the EPUSP (*Escola Politécnica da Universidade de São Paulo* - Polytechnic School at the University of São Paulo).

However, a period of strong development then began. This fuelled inflationary pressures, which resulted in inflation reaching 100% per year in the early 1990's.

Under those circumstances, investor preferences were concentrated on speculative investments as long as the financial market offered attractive rates, since the government needed to borrow money and had to pay a high interest for it.

In addition, the diminished attractiveness of holding long-term investments (of which investments in real estate are a prime example) even affected housing, in spite of the continuing major shortage of supply. The situation became critical when high inflation rates endangered the maintenance of the financial system that provided funds for both producers and final buyers of housing units. Housing units were also becoming increasingly more expensive.

As a result, by the beginning of the 1990's the country was in deep recession and inflation rose to unprecedented levels.

For those who decided to continue operating in the real estate market, the need to gain real estate knowledge emerged. As a result, in 1985, the first specialised course in this field was offered at EPUSP, where the first group dedicated to real estate research was also assembled.

During that period, many colleges of Civil Engineering offered specialised courses in the area of Appraisal, through agreements with professional bodies.

In spite of the impact of recent economic crises, controlling inflation, which was first achieved in 1994, has helped bring and maintain a new reality to the country, in which stability benefits long-term investments.

New, alternative funding systems also have been introduced, in order to facilitate real estate as a basis for the development of the country.

From the civil construction point of view, firms are under pressure to improve productivity in order to offer more competitive products. They are also trying to design products better adjusted to the needs of buyers, who have not recovered their former purchasing power.

Like the other developing economies, Brazil still has a high level of demand for housing in all market sectors. Limited development during the years of recession has resulted in an even greater housing shortfall.

In 1997, the ratio of dwellings to families was 0.923:1 (GONÇALVES, 1997). This figure is the national average, reflecting express demand to be covered by the production of new units.

From 1995 to 1998, when the market was still moderate, more than 135,000 square metres of office space (in terms Gross Lettable Area - GLA -) were sold each year in the City of São Paulo alone (*Bolsa de Imóveis do Estado de São Paulo*, 1999). São Paulo has the largest stock of office space in Brazil.

During the same period, many shopping centres were opened to supply retail facilities for the urban population, adding 175,000 square meters (GLA) per year and reaching a total of 3,334,000 square metres by the end of 1998 (ABRASCE, 1998).

Tourist demand (including business-related travel) in the country has also grown extensively. Between 1990 and 1996, investment in hotels, the great majority of which were linked to international chains, totalled more than US\$ 442 million (Soteci-Howarth Consulting apud O Estado de São Paulo, 1996).

This requirement to carry out a variety of real estate projects, together with the increasing propensity for long-term investments, considerably adds to the demand for education and training of real estate professionals.

Recently, the demand for advanced courses in real estate has risen. This is due not only to the necessity for continuing education of professionals in the market, but also to the need to fill gaps in the provision of undergraduate courses.

In Brazilian universities, the supply of courses is still limited although it is being improved, in particular due to the consolidation of real-estate-focussed research groups.

THE PROPERTY PROFESSION

The government, professional associations and educational institutions have all been involved in improving professional regulation in different fields, although there is still much to be done.

With a few exceptions, professional qualification is automatic in Brazil, as soon as the relevant undergraduate course has been completed. This link is derived from the former LDB Law (*Lei de Diretrizes e Bases da Educação Nacional*- Law of Guidelines and Bases for National Education), which, although reformulated in 1996, has not yet been finally amended. In its current version, it no longer equates completing an undergraduate course with the award of a professional qualification.

From now on, specific Professional Boards, each of which is related to a different professional field, will grant qualifications. Except in special cases the Boards are linked to government agencies.

This link, required in almost all professions, including those more directly related to the real estate field like civil engineering and architecture, eventually leads to distortions in professional practice in general and in the real estate profession in particular.

As the property professional does not depend on a certificate revalidation, the knowledge development deriving from the university environment is only searched when the professional in case feels like going after it.

However, some professional activities in the real estate field are regulated.

In general, real estate appraisal is exclusively carried out by civil engineers and architects, who are the only professionals qualified to issue reports according to CONFEA (*Conselho Federal de Engenharia, Arquitetura e Agronomia*- Federal Board of Engineering, Architecture and Agronomy), through its CREA's (*Conselhos Regionais* - Regional Boards).

Lawyers, who are responsible for all aspects of Real Estate Law, belong to one of the few professional groups for which licenses are granted by means of a specific examination (Exame de Ordem - equivalent to that of the American Bar Association). This is evaluated by OAB (*Ordem dos Advogados do Brasil*- the Brazilian equivalent of the American Bar Association) an independent body composed exclusively of qualified lawyers. Qualification is granted on a general basis, not related to any specialisation.

It is not necessary for real estate brokers to be university graduates. Brokers are regulated by COFECI (*Conselho Federal de Corretores de Imóveis* - Federal Board of Real Estate Brokers) and its regional representations – CRECI's. The granting of a licence depends on passing the CRECI Examination.

Another activity that is regulated is that of the Register of Deeds Office, a hereditary government grant, which has been highly criticised in the country.

Other activities, like general real estate consultancy, are usually carried out by professionals, which are accepted by the market. In general: they are not specifically regulated.

PROFESSIONAL BODIES

In Brazil, real estate professionals are members of one of a number of associations:
SECOVI - *Sindicato das Empresas de Compra, Venda, Locação e Administração de Imóveis* - Association of Businesses Dealing with the Purchase, Selling, Leasing and Administration of Real Estate;

IBAPE - *Instituto Brasileiro de Avaliações e Perícias*- Brazilian Institute of Appraisals;

FIABCI - *Federation Internationale des Administrateurs de Biens et de Conseil Immobiliers* - International Real Estate Federation;

SINDUSCON – *Sindicato da Indústria da Construção Civil* - Civil Construction Industry Association.

REAL ESTATE COURSES AT UNIVERSITIES

UNDERGRADUATE PROGRAMMES

As already mentioned, Brazil is going through a period of reformulation of academic training and professional performance.

In the past, undergraduate courses, especially engineering courses, followed minimum curriculum recommendations, in conformity with the former LDB (Law of Guidelines and Bases for National Education).

After having structured their courses according to LDB recommendations, educational institutions submitted them to the MEC (*Ministério de Educação e Cultura* - Culture

and Education Ministry) for analysis. The recognition of the course depended on the approval of its curriculum, structure and institutional facilities.

However, after a course had been recognised by the MEC, its curriculum was analysed by CONFEA/CREA, in order to verify specific professional skills for graduates.

This system is now being analysed under new LDB recommendations, which are leading to evaluation systems for educational institutions and should also lead to the accreditation of courses.

MEC has been working towards fulfilling the provision in Law number 9131 of 1995, which establishes the ENC (*Exame Nacional de Cursos* - National Course Examination). This involves not only the evaluation of the institutional teaching staffs and their facilities but also an examination that must be taken by all undergraduate students.

Civil engineering courses were among the first to be subjected to this examination, which has been carried out every year since 1996. The examination is mandatory for almost every undergraduate courses in the country.

As a result of the ENC, educational institutions are ranked according to five different levels, from “A” to “E”, the “A” being the highest evaluation. When any institution is classified as “D” or “E”, it is subjected to a deeper evaluation concerning the topics already analysed. If the poor evaluation is repeated, the MEC may decide to discontinue the institution’s accreditation.

This is the main reason why course evaluation has become more important than it used to be.

Real estate-related courses were not formerly subject to the minimum curriculum requirement, and each institution was able to decide on the extent of its own curriculum. As the new LDB does not impose a minimum curriculum for them to follow, the situation may become even worse.

It can be seen that real estate courses at undergraduate level in Brazilian universities have been organised in a diffused and heterogeneous manner, with varying emphasis according to the educational institution concerned. However, the universities’ Schools of Civil Engineering have always provided the courses.

Traditionally, real estate issues were the responsibility of the Construction Management professorship, which is why they were first taught in Civil Engineering Schools. Nowadays, real estate courses are taught in the most important Brazilian educational institutions, according to the rating provided by the ENC.

Real estate research is flourishing in such institutions, which are public and can be sponsored by the State or Federal government. Topics related to real estate are generally taught in electives: few schools treat them as mandatory in their curricula.

EPUSP (*Escola Politécnica da Universidade de São Paulo* - The Polytechnic School of the University of São Paulo, São Paulo Campus) through its Department of Civil

Construction¹ is the forerunner in introducing management subjects as a mandatory discipline in its Civil Engineering undergraduate program.

The need to study real estate investments, financial systems and other related topics has led to the creation of the first discipline totally related to real estate, which will divide into two new disciplines in 2002.

UNICAMP² (*Universidade Estadual de Campinas*- The State University of Campinas, also located in the state of São Paulo), started to offer a real estate curriculum, similar to that available at EPUSP, many years ago.

UFF³ (*Universidade Federal Fluminense* - The Fluminense Federal University, situated in the State of Rio de Janeiro) covers real estate themes in 3 different mandatory disciplines: Project Management, Economic Evaluation and Decision Processes.

Situated in the city of Porto Alegre, UFRGS⁴ (*Universidade Federal do Rio Grande do Sul* - the Federal University of Rio Grande do Sul) has an optional discipline related to Economics in Construction.

At UFSC⁵ (*Universidade Federal de Santa Catarina* - The Federal University of Santa Catarina) in the City of Florianópolis, two different optional disciplines concerning Appraisal are offered.

At UFMG⁶ (*Universidade Federal de Minas Gerais*- Federal University of Minas Gerais) in Belo Horizonte, there is one, optional discipline in Appraisal.

POSTGRADUATE COURSES and RESEARCH

Postgraduate courses, both taught and research-related, were subject to evaluation long before undergraduate courses.

The establishment of postgraduate courses is a privilege granted to universities. Evaluation of courses is performed by a government foundation specially created to coordinate the further development of graduates – CAPES⁷ (*Coordenação de Aperfeiçoamento de Pessoal de Nível Superior* - Development Coordination of High-Level Personnel). The evaluation is based on factors including seniority of the teaching staff, disciplines taught, ongoing research, master's dissertations and doctoral theses (the number of students who have completed the course and time spent in doing so), research papers published in journals, or scientific meetings in which the group participated.

Evaluations take place every other year, by analysis of the annual reports produced by the institution or research group.

¹ www.pcc.usp.br

² www.unicamp.br

³ www.uff.br

⁴ www.ufrgs.br

⁵ www.ufsc.br

⁶ www.ufmg.br

⁷ www.capes.gov.br

The programmes are assigned to major subject areas, which can contain different research groups dedicated to lines of research defined by each group.

The major subject areas are usually established with a link to a related undergraduate course.

Real estate topics are currently found in the major subject areas of Civil Engineering, Architecture, and Production Engineering.

According to the evaluation criteria adopted by CAPES, marks 5 and 6 are assigned to high-quality postgraduate programmes. Some Brazilian universities in this category have Research Groups in real estate-related themes.

The University of São Paulo (Urban Engineering and Civil Construction faculty) offers a postgraduate program in which nine different subjects are strictly related to real estate. Eight of these involve topics, from project management to project finance, which are taught in part by means of business games. Each of these disciplines falls within the responsibility of a professor or researcher linked to the Research Group in Corporate and Development Management. The ninth discipline covers Facilities Management and is linked to the Building Systems Group, in the same faculty.

The Federal University of Rio Grande do Sul has a Construction Management and Economics Group, which offers a course called Economics and Construction Markets.

At the Federal University of Santa Catarina, research in Appraisal and Real Estate Investment is linked to the Appraisal Group, while in Production Engineering such topics are associated with the Management Laboratory in Civil Construction.

At the Fluminense Federal University, the graduate program in Civil Engineering offers courses in Project Management and Economic Evaluation.

As real estate is a new subject area, few research groups have so far been created. Nevertheless, scattered research does take place, sometimes linked to production engineering courses.

SPECIALISATION, EXTENSION COURSES and OTHERS

As in other educational areas, specialisation and extension courses are now being modified to cater for the need for stricter regulations and clarification concerning the frontiers that divide different types of course.

Originally, there were isolated courses linked to specific fields of knowledge. These so-called extension courses were related neither to the student's background nor professional activity.

As their focus narrowed and they began to cover subjects not taught at undergraduate level, they were renamed "development courses".

As professionals began to seek a wider spectrum of subjects, related to the same core theme, to improve their knowledge, additional related disciplines were added. The courses that resulted were named “specialisation courses”. The requirement for qualification was a minimum of 360 hours of didactic activities.

At that time, colleges regarded specialisation courses as desirable qualifications for professors teaching at undergraduate level. Some departments required lengthier courses, usually of 720 hours of didactic activities, including disciplines related to the methodology of teaching and research, characterising the *lato-sensu* (broad sense) of postgraduate courses.

Now, however, postgraduate courses with great emphasis on professional activities, with less rigid requisites than those in courses for academic master’s degrees, are required for the award of a so-called technological or “professionalising” master’s degree. CAPES is the regulating body for these courses.

Nevertheless, “other” courses, outside federal regulation, can usually be proposed by the institution, with no constraints. They may even be open to undergraduates, depending on institutional criteria.

The oldest of these courses, which started 15 years ago, is the “Specialisation Course in Corporate and Development Management”, created by the eponymous research group at the Polytechnic School of the University of São Paulo.

Due to their practical nature, most of the current courses have been organised by a professional body and an educational institution, working together by agreement.

A good example is the specialisation course IAG – Master in Real Estate Management - at the Catholic University of Rio de Janeiro (PUC-Rio⁸). The course is offered through two different university departments, Civil Engineering and Business Administration, working together with SINDUSCON-Rio. The course covers a combination of architectural themes, real estate marketing, investment analysis, real estate law and product management.

Another example is in São Paulo, where the educational institution FAAP (Fundação Armando Álvares Penteado - the Armando Alvares Penteado Foundation)⁹ offers 2 different specialisation courses related to real estate. The first one, concerning Appraisal, is offered in partnership with IBAPE. The second course, covering Business in Real Estate, is carried out in partnership with SECOVI. Santa Cecília University¹⁰, in Santos, also has entered into an agreement with IBAPE to offer a specialisation course in Appraisal.

REAL ESTATE RESEARCH SOCIETIES

LARES¹¹, the Latin American Real Estate Society, is the first association created to encourage and promote real estate research in Latin America.

⁸ www.puc-rio.br

⁹ www.faap.br

¹⁰ www.stcecilia.br

It was established in São Paulo in October 1998, and held its first seminar in December 2000.

REAL ESTATE JOURNALS

The only Brazilian journal covering real estate, albeit not exclusively, is *Estudos Econômicos da Construção* (Economic Studies of Civil Construction) a quarterly journal published by SINDUSCON, São Paulo.

Other publications, not however published on a regular basis are available, such as *Caderno Brasileiro de Avaliações* (Brazilian Appraisal Review) published by IBAPE.

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¹¹ www.lares.org.br