

Challenges Faced by Real Estate Agents in the City of Beira, Mozambique

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ABSTRACT

The purpose of this study was to analyse the phenomenon of challenges faced by the real estate agents in the city of Beira, Mozambique. The study sought to examine challenges being faced by property owners, property seekers, property management regulators, and real estate agents during the course of their business activities in the city of Beira. The researcher adopted the qualitative methodology under the Interpretivist paradigm. The study adopted the case study research design to build theory while investigating the phenomenon. Face-to-face interviews were conducted among 30 participants. The results show that real estate agency activities are being managed haphazardly; there is no government board to oversee the property industry. The study recommends that Mozambique government sets up real estate board, to develop laws and specific guidelines for real estate agents activities. It also recommends setting up qualifications needed for real estate agents.

Key words: real estate, property, commissionistas, management, policy

1. BACKGROUND TO THE STUDY

The research in the area of real estate and property management challenges in the city of Beira, Mozambique is long awaited step towards understanding the complexities in this crucial sector. Whenever anyone wants to buy or rent a house, buy or rent an office, it is inevitable in Beira to come across the highly popular informal real estate and property management intermediates, commonly called *commissionistas* in the local language. Many are undesirable cases that have been reported in national media. According to a specific report that was done by the national newspaper, Savana, the agencies enter into serious conflict with the property owners and property seekers, at times culminating with death threats (Savana, April 13, 2010 p 9). Not only that but also in the provincial newspaper, Diario (June, 2011 p 3) that said:

the real estate and management activities in the Mozambican three major cities, that is Beira, Maputo and Nampula, have become the hive of the illegal activities as perpetrated by the *comissionistas* who normally act as the society real estate and property management intermediaries. An urgent action should be taken by local authorities to address this culturally ingrained practice of informal and sometimes illegal business practices

Through the national newspapers, and national radios, mainly *Radio Mozambique*, numerous complaints on weekly basis are witnessed from the public about the charging of commission from both buyers and sellers of the properties, unspecified threats when one refuses to give a second commission. There are incidence where the house selling agencies (*comissionistas*) end up robbing their very clients due to the simple fact that they would have fully inspected a property and now fully understand the house contents and security conditions.

Challenges faced by real estate agents in Beira, Mozambique have not been seriously explored in Mozambique at national level in general, and at local (provincial level) in particular.

2. The Statement of the Problem

Mozambique society in general is well known locally for a deep rooted culture of using the unregistered informal real estate and property management agents for all their residential and business property needs. This study focused on the City of Beira in particular; endeavoring to establish the underlying challenges affecting the real estate and property management sector in Beira. There have been frequent reports of robberies and serious fights among property owners, prospective buyers, and the individual real estate agencies, *comissionistas*. This research explored the challenges facing the real estate and properties management sector, in the city of Beira, the second largest city in Mozambique. In 2011 and 2012 there was a growing interest on this subject particularly at provincial level through the provincial radio stations such as *Radio Cidade*, *Radio Piea*, and provincial newspapers such as *Diario*. What puzzled the researcher is that a greater percentage of property rentals and sales are handled by these individual illegal agencies. The study sought to get to the core of these issues and bring them to the public for the necessary strategic decision making to be taken from an informed basis. Therefore the problem is stated thus “There are no legal systems for controlling real estate activities in city of Beira, Mozambique”

3 The Purpose for the study

The purpose of the study was to establish the challenges faced by the real estate agents in the city of Beira, the second capital city of Mozambique.

3.1 Research Questions

This article focuses on two research questions that are:

- a) What are the causes of the proliferation of the *comissionistas* in Beira?
- b) What are the available legal frameworks governing the operations of the real estate agents in Beira?

4. Theoretical Framework

The study was based on the management theories. According to Stoner et al (2003) theories are perspectives with which people make sense of their world experiences. Therefore theory in this study was understood as a systematic grouping of interdependent concepts or mental images of anything formed by generalisation from particulars.

There are several management theories such as the works of Fredrick W Taylor and Lillian Gilbreth's motion study, the classical Organisational Theory School comprising the works of Henry Fayol's views on administration, and Max Weber's idealized bureaucracy, behavioural Scholl comprising the works of Elton Mayo and Associates (Stoner, et al 2003). According to Olum (2004) there are also recent developments in management theory that comprise works such as Systems approach, situational or Contingency theory, and Team building approach. This study was based on Henry Fayol's administration theory that focuses on personal duties of management at ground level. Thus the study focused on personal duties of management at real estate management, specifically how the real estate managers carried out the management principles of forecast and plan, organise, command, coordinate and control.

5. Related Literature Review

5.1 American Approach

Literature from United States of America, 2012 Florida Statutes (Title Xxxii), Chapter 475), Xaxx (2012), DeKleer and Matamoros(2012), Rice (2007), and National Association of Realtors, (1986), indicate that Real Estate activities in United States of America, and in particular in Florida State, are highly organized. In this regard, important lessons were learnt. There are specific and clear guidelines and laws to control the entrance into the property management sector. There are clear and well-designed policies to bring sanity to the industry. There are minimum qualifications and experience for individuals or company to embark on any nature of real estate management activities. Any serious single violation of the legal requirements calls for immediate prosecution. National as well as individual State Real Estate Agency Boards do exist, to account for direct and daily industry activities.

These are critical reference requirements that Mozambique Policy Makers should be encouraged to put in place because the truth is that all these legal guidelines do not exist in Mozambique. What Mozambique only has is the old outdated Land law which simply emphasizes that the land belongs to the government and is totally silent about real estate and property management policies and management systems.

5.2 Portuguese Approach

Bremner, (2011), Jenkins, and Sofos, (1996), Bliss, and Bliss, (1990) are of the opinion that Portuguese real estate industry is to a higher degree organized too. Crucial lessons have been learnt. The lessons indicate that all estate agents in Portugal are required to adopt the already set industry policies. Infact the industry is controlled by the 2004 industry specific government decree, Decree-Law no. 211/2004, of 20 August (APEMIP-Business-Practices, World Properties .com). All, companies that wish to operate, as estate agents, must obtain a license to be issued by the Instituto de Mercados de Obras Públicas e Particulares e do Imobiliário (IMOPPI).

Needless to mention that this legal framework is fairly recently revised, that is in 2004, it must not be a big surprise to conclude that it is likely that before the said recent law, there were very minimum controls in the real estate sector in Portugal. This lack of serious initiative may be the chief cause of this typical industry time bomb in Mozambique, bearing in mind that Portugal was the colonizer of Mozambique. To a higher degree the Portuguese contributed to this slow industry development. However, we don't need again to forget that the entrance of black majority in power in 1975, the Mozambican year of independence, came into being with a Marxist approach of

seeking to nationalize all national resources. For that reason, a lot of business initiative was lost too. Not only that but also the 16 years of bloody civil war until 1992 caused serious damage to local and international business prospects. It is only now, 20 years after the civil war that progressive minds have begun to talk about this real estate and property industry, which is a potential big contributor to the national economy in the near future. Mozambique may also need to adopt the good practices of the Portuguese property law, issues such as the requirement for proven good reputation of the agents, the need for third party insurance and debts clearance before being allowed to operate. The Portuguese law lacks in the area that gives clear minimum qualifications and minimum age of real estate operators, which may also give room for manipulation within the industry.

5.3 South African Approach

Mboweni (2011, 2009), Beinart, (2001), Bond, (1999) have written extensively on the South African real estate management. Mozambique has a lot of serious lessons to learn from, South African Real Estate and Property industry. South Africa established Estate Agency Affairs Act, in 1976. It is interesting to note that these legal guidelines were set almost 40 years ago, and is still actively being used and adhered to today. The South African approach is a bit more interesting. There are two specific boards which operate independently to establish the same mission at different levels. These boards are; Estate Agency Affairs Board (EAAB), and the Institute of Estate Agents of South Africa (IEASA). There's a world of difference between the IEASA and the EAAB.

The EAAB is the official regulating authority for the estate agency profession in South Africa, and every estate agent must, by law, be registered with it. The EAAB also oversees the qualification of estate agents, and is principally the Policy Making board. On the other hand, the IEASA is a professional organization that supports its members, and membership is voluntary. The IEASA has a national office, and regional offices in the major centres. The IEASA looks after the interests of its member's estate agents and agencies, and is the legal representative for the profession. The IEASA regions offer property related courses which are specifically designed to provide agents with the knowledge and skills necessary to conduct their business in the most professional manner. Finally, it is important to note that the IEASA is real estate activities Management Board.

To reemphasize the good management practices, the South African Property industry has also for a long time adopted a very noble business approach of Purchaser's Cooling-off Right. This real estate business policy implies that the purchaser has the right to revoke purchase offer or terminate the agreement by written notice to be delivered to the seller, or his/her agent, within five days after he/she (the purchaser) has signed the offer or agreement. This seeks to protect the buyers. To also show how advanced the South African Property industry is, there are direct and specific Code of Ethics expected to be observed in totality by all Real Estate practitioners. Failure to abide by all these established statutes result in license being revoked and possible prosecution.

A closer analysis of the three nations' real estate and property management and policy making strategies, this researcher believes strongly that from a third world perspective, the South African approach to real estate and property management industry is more practical and nobler when analysing the current stage of economic development of Mozambique. The adaptation of the South African real estate industry policies, as well as their typical management activities could be more practical for a developing country such as Mozambique.

6. Research Methodology

This study, adopted the qualitative research paradigm, which falls under interpretivist philosophy. The richness of this philosophy led the researcher to adopt the qualitative research methodology. The mission was to interpret and have meaning from what the participants said. “The purpose of understanding is not necessarily to predict what might occur, but rather to understand in depth the characteristics of the situation and the meaning brought by participants and what is happening to them at the moment” (Newman, and Benz, 1998 p 24). “Qualitative research is systematically conducted and involves the collection of evidence. “The uniqueness of qualitative research methodology is that one may produce findings that were not determined in advance and the findings may be applicable beyond the immediate boundaries of the study” (Creswell, 2003 p24).

This study adopted the Case Study research design. Case studies are tailor-made for exploring new processes or behaviors or ones that are little understood (Hartley, 1994). Hence, the approach is particularly useful for responding to how and why questions for contemporary set of events (Leonard, 1990). Gummesson (1988 p76) argues that an important advantage of case study research is the opportunity for a holistic view of the process.

The study adopted the individual interviews data collection method. The research instrument that was used was that of interview schedule. The researcher conducted free response, open-ended, semi-structured interviews as the most suitable qualitative data collection approach in pursuit of the challenges facing the real estate and property management sector in Beira, Mozambique. The choice of this method proved to be also in agreement with the recommendations of other researchers such as, Patton, (1990 p153). Data were analysed using the content analysis technique.

7 Findings

This study sought to achieve the following major objectives:

- To explore the causes of the proliferation of the *comissionistas* in Beira;
- To provide recommendations to the highlighted challenges through reviewing the legal framework governing the operations of the real estate agents in Beira.

The study found out that the sector is principally being managed informally by the *commissionistas*. *Commissionistas* are not registered real estate agents; they are business opportunists who are capitalizing on the property sector where there are no policy and regulatory systems.

The other finding is that *commissionista* culture is caused by high unemployment in Mozambique in general, and Beira in particular. This is because individuals need to earn a living; many *comissionistas* have families to feed. The many unemployed men and women in Beira view this business as lucrative, requiring just a cell phone and potential big bucks are just a phone call away.

The study revealed that the city authorities have not done much to bring control mechanisms to these informal and often illegal activities. All of the three policy makers, who were involved in the study, shared these sentiments. The study indicates that there are no legal frameworks, laws and policies meant to protect the real estate and property management business activities in Beira. The local communities have traditionally relied on the *comissionistas* for any real estate business mediation.

The study also indicates that since Mozambican independence in 1975, engaging *comissionistas* has become an ingrained culture acceptable among all property owners/sellers and property buyers/seekers. The study revealed that general illiteracy in the society has strongly contributed to the communities wanting to avoid any formal business activities. The people fear government taxes, and avoid anything related to formal government monitored business activities.

The study indicates that the easiness to enter and get out of the *comissionista* business has incentivized any desperate unemployed person to enter into this simplistic, illegal but lucrative business in Beira. The study shows that *comissionistas* have no need to have a fixed office. It is just one's telephone, daily referrals and enquiries from potential clients while one is in the comfort of his or her home. The study revealed that no formal training or qualifications are required to start the informal property agent business, which is the work of the *comissionista*. Therefore every Tom and Harry can easily get in and out of that business.

The study revealed that in Beira and Mozambique in general, the only existing law governing the real estate and property management activities is the shallow and vague Land Law. No. 19/97 of 1 October 1997. This is a very general law, which simply emphasizes that the land belongs to the government. There is no private ownership of land in Mozambique. In Beira and the rest of Mozambique there is no known legal framework that governs the real estate agents activities. It is unbelievable that presently, there are no known minimum legal requirements that were set up by policy makers to regulate such a crucial industry in the country.

There is no known Code of Ethics for real estate activities in Beira, Mozambique. There is no known real estate board or local commission to regulate the activities of real estate agents, *comissionistas*, and property owners in the city of Beira. The study revealed that the lack of controls and regulations in this crucial real estate and property management sector has to a greater extent contributed to the proliferation of the *comissionistas* in Beira.

The study also revealed that there is absence of Title Deeds for most old properties. The houses that were occupied soon after independence as a directive from the then president of Mozambique Samora Machel have no title deeds to this very day. Therefore many house occupants have no legal document of ownership, but they claim that the houses or properties belong to them.

8. Discussion of Findings

The discussing of findings is discussed under the following sub headings; informal business practices, high unemployment, high illiteracy and lack of real estate policies.

8.1 Informal business practices

The study revealed that in the real estate business there are no indigenous legal business entities of real estate. This finding concurs with Santos and Tschirley (1999 p 2) who asset that informal sector continues to play an important role in the Mozambican economy. The informal sector has not only persisted but actually grown in many developing countries, particularly in Africa where it dominates the economy both in terms of output and employment (Verick 2004p4). The study revealed that from independent in 1975, the Mozambique government nationalised all buildings in towns and the local people posses the houses and offices without title deeds. Tanner (2007 p8) concurs by saying after independence in 1975, all the properties and land which belonged to the colonialists, the Portuguese people, were all allocated to the government of Mozambique. Thus the study indicates that the theories of management are not practiced since most of the informal real estate agencies are cell phone business practitioners without employees or offices.

8.2 High illiteracy and unemployment

The study indicates that Mozambique has very high illiteracy and as such those involved in informal real estate business avoid paper work because they cannot read and write in the event of operating formal real estate business that involves paper work. The other finding is that there is high

unemployment and as a result people find the empty buildings as a way of making money by selling them or renting them out so as to generate income. This is confirmed by World Bank report called 'Ease of Doing Business in Mozambique', (2012) which stipulates that the overall employment rate stood at 27%. The formal economy is largely urban in nature and accounted for only 32% of all employment. As a result, many of the new entrants into the labour market are forced into marginal jobs in the informal economy, both in rural and urban areas, with little prospect of reliable employment.

8.3 Lack of real estate policies

For a long time since 1975 Mozambique government did not have real estate policies and as such the local people were just occupying urban buildings without title deeds. This is confirmed by Wilson (1992 p 12) who states that urban Mozambican dwellers have started to realize the importance of property ownership. Dolan (1997p16) concurs when he says that due to the fact that all locals now know that land in Mozambique cannot be sold, they have resorted to do cosmetic developments such as building a durra-wall, building a foundation only or just building a simple two-roomed cottage, and then sell as a developed property. All this is in an effort to escape the illegality of selling undeveloped land which by virtue of the Mozambican constitution belongs to the state. The local land and property developers are deeply rooted in the Mozambican culture of doing cosmetic developments with the intention to resale and make quick big money- this is especially led by the informal real estate agents, the *commissionistas*.

9. Recommendations

Concerning the challenges facing the stakeholders in the real estate management in Beira, the following recommendations were made in an effort to bring sustainable development in this crucial sector in Mozambique:

- All the real estate and property management agents must be officially registered first before they start to do any business. This will not only safe guard the public against unscrupulous business behaviour, but also that they are obliged to contribute to the fiscal authorities like any other formal business entities.
- Real estate agents must pay income tax, and value added tax for the services they offer to the public.
- The commission percentages that are requested during the course of the property agents business must be standardized by a real estate board. The criminal activity of demanding commission from both the property owner and the property seeker must stop forthwith
- The property agents need to be formerly trained and oriented on what and how exactly they should do their business activities. The suggested real estate board must come up with clear legal instruments that will give minimum qualifications and recommended courses or training before one is registered as a real estate and property management agent.
- The recommended real estate management course or certificate must cover specialized subjects such as ethics and real estate business global standards and trends. These areas will help improve, standardize and globalize the real estate business activities in Beira and to the rest of the country.

For the Beira City Policy Makers, the following recommendations were made:

- The Beira city council should take the leading role in creating society and investor friendly, sustainable policies and laws that help curb illegal activities in the properties` management

sector. Simple things, like, there should be no house that can be sold before a government official has evaluated the property in order to know the market value, the condition of the property and so on.

- The industry policy makers must come up with specific minimum standards and procedures, and legal instruments that must be fulfilled in order for an individual or company to be allowed to operate as a real estate or property management company.
- The local government should also be on the forefront encouraging the Beira community to make use of legally registered and available real estate agents; The Beira society must be encouraged and be educated on the importance of dealing with registered formal institutions.

Finally, the researcher recommended that further researches may need to be conducted right across the country, and should target to involve the use of different research paradigm, different research methodology and different research designs, and objectively compare the results. As more research areas and approaches will be explored, it widens the scope and base for well informed and sustainable decision making, policy making, and management activities.

10. Conclusions

The study set out to establish the real underlying challenges affecting the real estate and property management services in the city of Beira, Mozambique. This was done in the understanding that real estate and property management played a critical role in revenue generation that could be used in development projects in the country and city of Beira in particular. The research concludes that:

- There is negative publicity of these *commissionistas* in public media such as National Radio Mozambique, National news papers such as *Noticias* and in national TVs such as TV Mozambique and STV. In Beira, there have been frequent reports of robberies associated with these largely unemployed youths. Serious fights among property owners, prospective buyers, and these *commissionistas* have become the order of the day: this is mainly due to the unethical business practices of these purported agents.
- The study concludes that real estate management in Mozambique has the following anomalies or irregularities:

There is no real estate management activities' regulating board in Mozambique. There are no real estate management training institutions, and there are no real estate activities formal courses in Mozambique.

All *commissionistas* (the informal real estate agents) are not registered and are not recognized by the authorities. The Beira real estate management industry stakeholders and society in general are traditionally and historically accustomed to use the *commissionistas* for their day to day property middle man activities. The *commissionistas* don't pay any government taxes for all their informal business activities.

These purported informal real estate agents, that is the *commissionistas*, they don't have a fixed business address, they are highly mobile for they are afraid of being located by the tax authorities, and the law enforcing agents. Many of the properties in Beira that were acquired from the Portuguese soon after independence in 1975 have no Title Deeds, making it difficult to sell or transfer properties. These properties are traditionally used for rentals only.

There is no private land ownership in Mozambique. All land is owned by the government. Investors are given a temporary license or lease agreement for making use of the designated land. The licenses carry a maximum of 50 years lease agreement, which is only renewable once. The

researcher concludes that most of these challenges being faced by the real estate and property management are principally as a result of lack of the necessary legal framework controlling the industry.

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