

Historic town centre management- The real estate industry

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Abstract: *In modern times, many of the socio-economic aspects of our lives (beside the classical understanding of the term industry) “evolved(?)” into industries: music, arts in general, sports, education, health...have become professionally managed industries. Historical town centres provide goods and services and, in this context, can be regarded as industries, as a whole. All the elements of an industry can be identified in these complex “places”: provision of goods and services, human resources issues, technology, marketing, regulatory and legal aspects, management...all of which pointing towards an approach that needs to be looked at as such. The most important industry in historic town centres is the real estate industry.*

Key-words: *historic town centres (HTC), real estate industry (rei) public policy, management*

1. Introduction

In recent modern times, many of the social and economic aspects of our lives (beside the classical understanding of the term industry) have gradually turned into industries: music, arts in general, sports, education, health have become professionally managed industries. Historical town centres provide goods and services and, seen as a whole, in this context, can be regarded as industries. All the elements of an industry can be identified in these complex “places”: goods and services provided, human resources issues, technology, marketing, regulatory and legal aspects, management, all of which pointing towards an approach that needs to be looked at as such.

The present paper is an analysis of town centres as a whole, an industry that needs to be looked at in all its complexity and requiring managerial means capable to render it profitable. The most important industry in HTC is the real estate industry. The importance of this industry resides not in the fact that, in some circumstances it has the most significant turnover, but in the fact that all the other

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industries and functions in HTC depend on the real REI. As most of the industries functioning in HTC are tertiary industries, they are significantly influenced by public policy.

2. The research method

The research method is based on:

- *monitoring and practical activity* both in Great Britain and Romania;
- *opinion polls* (conducted mostly in the UK);
- *focus groups* (proposed method);
- *analysis* of all components which outline this “industry”;
- *benchmarking*: comparative analysis of the various approaches in European towns and in our country;
- *theoretical documentation*.

3. Historic town centre functions and industries

In order to prosper, to be attractive both for the local population and for visitors, HTC must reach a correct balance between several functions.

The main functions defining HTC are: economics, housing occupation, leisure activities, culture, education, religion, administration, sports.

The main industries functioning in HTC are: crafts, banking and financial services, miscellaneous services, catering, the hotel industry, commerce, real estate business, transport.

According to the industries classification (below), some secondary but most prevalently tertiary industries are presented (depending on the local environment)

4. Industry classification

An industry is/represents a group of productive enterprises or organizations that produce or supply goods, services, or sources of income. In economics, industries are customarily classified as primary, secondary and tertiary; secondary industries are further classified as heavy and light.

4.1. Primary industry

This sector of a nation’s economy includes agriculture, forestry, fishing, mining, quarrying and the extraction of minerals. It may be divided into two

categories: genetic industry, including the production of raw materials that may be increased by human intervention in the production process; and extractive industry, including the production of exhaustible raw materials that cannot be augmented through cultivation.

The genetic industries include agriculture, forestry, and livestock management and fishing—all of which are subject to scientific and technological improvement of renewable resources. The extractive industries include the mining of mineral ores, the quarrying of stone and the extraction of mineral fuels.

Primary industry tends to dominate the economies of undeveloped and developing nations, but as secondary and tertiary industries are developed, its share of the economic output tends to decrease.

4.2. Secondary industry

This sector, also called manufacturing industry, (1) takes the raw materials supplied by primary industries and processes them into consumer goods, or (2) further processes goods that other secondary industries have transformed into products, or (3) builds capital goods used to manufacture consumer and non-consumer goods. The secondary industry also includes energy-producing industries (e.g., hydroelectric industries), as well as the construction industry.

The secondary industry may be divided into heavy, or large-scale, and light, or small-scale, industry. The large-scale industry generally requires heavy capital investment in plants and machinery, serves a large and diverse market including other manufacturing industries, has a complex industrial organization and frequently a skilled specialized labour force, and generates a large volume of output. Examples would include petroleum refining, steel and iron manufacturing, motor vehicle and heavy machinery manufacture, cement production, nonferrous metal refining, meat-packing, and hydroelectric power generation.

The light or small-scale, industry may be characterized by the non-durability of manufactured products and a smaller capital investment in plants and equipment, and it may involve nonstandard products, such as customized or craft work. The labour force may be either under-skilled, as in the textile and readymade clothing industry, food processing, and plastics manufacturing, or highly skilled, as in electronics and computer hardware manufacturing precision instrument manufacturing, gemstone cutting and craft work.

4.3. Tertiary industry

This sector, also called service industry, includes industries that, while producing no tangible goods, provides services or intangible gains or generates wealth. In free markets and mixed economies, this sector generally has a mix of private and government enterprises.

The industries of this sector include banking, finance, insurance, investment, and real estate services; wholesale, retail, and resale trade; transportation, information, and communications services; professional, consulting, legal, and personal services; tourism, hotels, restaurants, and entertainment; repair and maintenance services; education and teaching; health, social welfare, administrative, police, security, and defence services.

5. Evolution of industries

As regards the dynamics of industries, there are three main stages, three main types of industries that must be studied to maintain the vitality of a town centre:

5.1. Emerging industries

They are entirely new or restructured industrial sectors, growing at a rate faster than the overall economy. Such industries usually come into being when customers need change, new technologies replace older ones, or when new socio-economic conditions emerge.

Some of the characteristics of these industries are: there are few actors on the market; the customers have relatively little knowledge about the product; the products are not completely “achieved” technologically etc.

5.2. Mature industries

Mature industries are stagnating in terms of growth, there are many actors on the market, a great variety of products, customers are well familiarized with the characteristics of the products, etc.

5.3. Declining industries

An industry which experiences negative growth, or remains stagnant due to decline in demand of one or more of its products for varied reasons. This includes and is not limited to a declining economy, downgrade or upgrade of a product, and changes in technology. For example, the audio cassette industry performed well until the introduction of compact discs, turning the audio cassette industry into a declining industry.

Local authorities in partnership with the private sector must cooperate to maintain the viability of the industries in the HTC, including by monitoring the stages in which they are.

6. The real estate industry

In general terms, REI is defined as land and anything fixed, immovable or permanently attached to it such as appurtenances, buildings, fences, fixtures, improvements, roads, shrubs and trees (but not growing crops), sewers, structures, utility systems and walls. The title to real estate normally includes the title to air rights, mineral rights and surface rights which can be bought, leased, sold or transferred together or separately. Also called real property or realty.

In the HTC, REI mainly consists of the following main business activities: property development, constructions, transactions (selling and letting) reconstructions, refurbishing.

6.1. The HTC property development

HTC property development is the second important business activity after the transactions business.

For understanding the property development, the main elements that must be considered are:

6.1.1. The development process

The term property development has an emotional connotation due to the fact that the process is beset with uncertainty and it is accepted that it involves „speculation”. Property development is an industry that produces buildings together with various raw materials of which land is only one.

The completed building may be let or sold to an occupier.

6.1.2. The objectives

The opinion of David Cadman is that², „It is very difficult to set down a short list of objectives for property development. In simple terms the purpose of development is to provide accommodation for occupation for the person carrying out the development or for someone else”.

The objectives may however differ from entity to entity when developing a project.

Potential developers could be:

- an occupier
- a property company

²David Cadman and Leslie Austin Crowe, *Property Development*, 1983, New York, page 4

- an investor
- a local authority
- a community association
- risk
- government action

6.1.3. The market research process

- financial evaluation

6.1.4. Public policy

- land disposal

6.1.5. Promotion and selling

- promotional expenditure
- the press
- design and agency
- radio and TV, etc.

6.1.6. The main funding channel

- the private sector
- the public sector

6.2. "Health" indicators

In order to monitor the „health” of the REI, local authorities should monitor a set of indicators that could help local authorities elaborate public policies and also assist the private sector to decide about the opportunity of an investment.

One can propose two main categories of indicators:

- audit indicators
- dynamic indicators

Both categories must reveal:

- the level of existing and the dynamics of investment for each industry;
- the existing m² built existing and being annually built for each industry;
- the financial output/productivity of each industry;
- number of employees/m²/industry.

7. Public policy

As mentioned, the vast majority of secondary industries are connected to public policies.

Public policy is the principled guide to action taken by the administrative executive branches of the state with regard to a class of issues, in a manner consistent with law and institutional customs. The foundation of public policy is composed of national constitutional laws and regulations. Further substrates include both judicial interpretations and regulations which are generally authorized by legislation. Public policy is considered strong when it solves problems efficiently and effectively, serves justice, supports governmental institutions and policies and encourages active citizenship.

Politics (from Greek: πολιτικός politikos, definition "of, for, or relating to citizens") is the process of making decisions applying to all members of each group. More narrowly, it refers to achieving and exercising positions of governance — organized control over a human community, particularly a state. Furthermore, politics is the study or practice of the distribution of power and resources within a given community (a usually hierarchically organized population), as well as the interrelationship(s) between communities.

There are main differences between politics and policy, but they are nevertheless closely linked.

The main political doctrines that influence public policy in the EU are the following: conservative, socialist, liberal, "the greens", nationalist.

As regards the REI, there are five main levels of public policy relating to HTC each of them with its own characteristics:

Global level: The global level refers mainly to UNESCO and the protection of the heritage buildings and sites.

Continental level: This level has a whole range of policies such as: SME'-s development; support for crafts; funding for tourism projects; funding rehabilitation/restoration projects; funding infrastructure etc.

National level: This level refers mainly to the legislation that regulates the protection of historical monuments; the construction standards and norms in Areas of Historic Protection, funding from the Ministry of Culture for different real estate projects and investment in the decentralized government institutions, many of them located in the HTC.

Regional and sub regional level: At this level, the main area of public policy is the elaboration of regional development strategies, regional development plans, but also budgeting investments in some of the properties and institutions (mainly cultural and administrative) regional authorities own.

Local level: At this level, the most important public policies are the local plans; the local budget; specific area planning and building regulation referring to the HTC.

8. Management

The organization and coordination of the activities of a business in order to achieve defined objectives.

Management is often included as a factor of production along with machines, materials and money. According to the management guru Peter Drucker (1909-2005), the basic task of management includes both marketing and innovation. The practice of modern management originates from the 16th century study of low-efficiency and failures of certain enterprises, conducted by the English statesman Sir Thomas More (1478-1535). Management consists of the interlocking functions of creating corporate policy and organizing, planning, controlling and directing an organization's resources in order to achieve the objectives of that policy.

There are several types of management referring to the real estate industry coexisting in the historic town centres, each with its own characteristics and objectives:

- micro management that is characteristic to very small businesses, usually family enterprises: small real estate firms; construction SME's, etc;
- retail chain management that works with medium size enterprises. Usually,
- the "recipe" of the business, including its management come from headquarters;
- multinational company management, i.e. banks, insurance companies etc. They work on the same principles as the retail chains;
- government and local government management.

9. Conclusions

The real estate industry is the most important in the economy and viability of historic town centres. A good one provides suitable accommodation of all its functions and industries. Local businesses must collaborate with the local authorities and other public policy providers in order to maintain a realistic balance regarding the space use of the different industries.

In our country, the town centre management must be professionalised.

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