

A Case Study of Public Real Estate Management in Chosen Countries

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Abstract. Real estate management is a system. It consists of relations, procedures and processes occurring between entities and subjects at real estate market. It is helpful in proper decision-making based on information about the entities (and their needs) and the state of a property. Real estate management is different in various countries.

The case study research was carried out on three chosen public real estate management systems: German, Polish and Swiss. The paper presents some basic information about public real estate management in analysed countries. The authors conducted an analysis of the systems using some indicators and geo-spatial analysis which was performed with use of GIS tools. It gives the opportunity to estimate and show differences and similarities between analysed systems. The paper shows that there is a possibility to use some international indicators to compare public real estate management systems. So there is still a need to improve these systems more and more.

Keywords: management, public real estate, case study.

Conference topic: Technologies of geodesy and cadastre.

Introduction

Real estate management is a system. It consists of relations, procedures and processes occurring between entities and subjects at real estate market. It is helpful in proper decision-making based on information about the entities (and their needs) and the state of a property. Real estate management is different in various countries.

The case study research was carried out on three chosen public real estate management systems: German, Polish and Swiss. The authors conducted an analysis of the systems using some indicators and geo-spatial analysis which was performed with use of GIS tools. It gives the opportunity to estimate and show differences and similarities between analysed systems. The study was carried out on three countries, which are situated next to each other (Fig. 1).

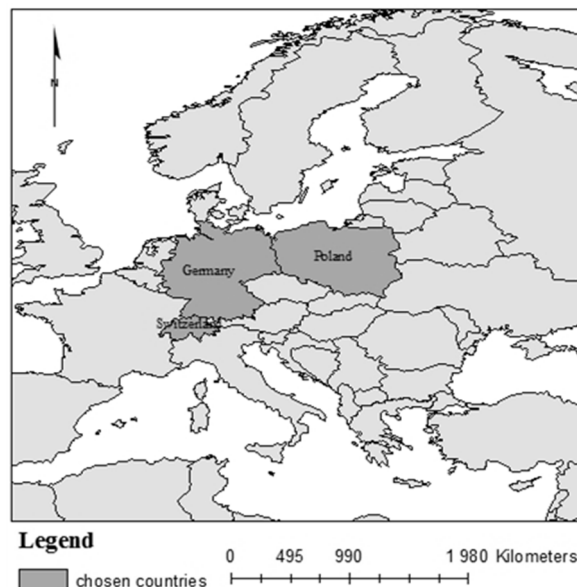


Fig. 1. Location of chosen countries (source: own study)

Federal Republic of Germany is a state of Western Europe. As a federal country, it consists of 16 federal states, including three excluded cities. The basic territorial division of this country is as follows (Grzeszczak 2006): state (Bund), federal state (Bundesländer), regions (Regierungsbezirke), counties (Kreis/ Landeskreis), municipalities (Städte/ Gemeinden).

Poland is a republic located in Central Europe. It consists of 16 provinces (województwo), which is the highest level of administrative division. A smaller structure are counties (powiaty) – there are 314 land counties and 66 towns with county rights. The smallest level of administrative division is municipality. There are three general types: 304 urban municipalities, 611 urban-rural municipalities and 1563 rural municipalities. In total, there are 2478 municipalities in Poland (Central Statistical Office 2015).

Switzerland is also situated in Western Europe. It is democratic and parliamentary federation. It is considered as one of the richest state in the world. The administrative division distinguishes 26 cantons and municipalities.

Public real estate management in Germany, Poland and Switzerland

Germany

The basic law that regulates real estate management in Germany are: Federal Building Code 2002 (Baugesetzbuch), Federal Utilization Ordinance 1990 (Baunutzungsverordnung), Spatial Planning Act 2008 (Raumordnungsgesetz), German Civil Code 2004 (Bürgerliches Gesetzbuch), Land Consolidation Act 1976 (Flurbereinigungsgesetz). There is no separate legal act, which would apply only to public real estate.

Institute for Federal Real Estate (BImA- Bundesanstalt für Immobilienaufgaben) is a manager of real estate at federal level. Its tasks are as follows: selling of residential and commercial real estate, forest management and nature protection, management of real estate used by foreign armies stationed in Germany (BImA 2012). It manages approximately 18 000 properties, 490 000 hectares of land and 38 000 apartments (BImA 2016).

Municipalities manage public real estate at local level. They are responsible for real estate management, which are necessary inter alia for cultural, sport and educational purposes. In most cases, municipalities are the owners of these properties. Sometimes companies lease them from other entities. According to Deloitte (2011) real estate owned by the municipalities are often not managed in a professional, uniform, transparent and efficient way.

In Germany, the registration of property rights takes place in the land registry (Grundbuch) and in the real estate cadastre (Liegenschaftskataster). It includes all real estate except public. They are recorded at the request of the owner. However, in practice, over 95% of the property is registered (Hertel, Wicke 2009). The land register is not available to the public. Access to it is only for those who prove an interest (eg. owner, notary). In contrast, the potential buyer of real estate does not have an access to the register (Pätzold 2013). The electronic rights registration system of real estate is expensive. Request for information about the plot costs about 10 Euro and additionally fixed costs are about 100 Euro per month. In practice, many notaries therefore does not use this system (Hertel, Wicke 2009).

Public private partnership (PPP) plays an important role in Germany, which emphasize Schaefer and Voland (2009). Despite many legal acts regulating PPP, it is well developed. Public property is a subject of sale when it is not and will not be used for public purposes, as well as manager does not have the resources for financing the maintenance of the property. In this country there are no restrictions to acquire this type of real estate both by citizens and the foreigners.

Sometimes private real estate is necessary to public purposes realisation. Then, the public entity may use article 14 of the German Constitution. According to it the state has the right to expropriate the property. Of course, its owner will get fair compensation, which should allow him to purchase comparable real estate, including among others, the loss of property rights due to expropriation and other losses (Voss 2010).

Poland

Civil Code (1964) contains the most general and universal rules regarding real estate management (Bieniek 2011). Article 140 contains rules of using a property by its owner. There was also defined a triad of powers of the ownership – the right to use (based on the law, principles of community life and socio-economic destiny of the law), collect benefits and dispose of the property.

Detailed principles of real estate management in the interest of their subject affiliation contain Real Estate Management Act – UoGN (1997) and its executive regulations. Article 4 of UoGN (1997) contains a definition of public resource. There are four main resources: municipal, county, provincial and state. There is also a new regulation – State Property Management Principles Act (2016), which contains inter alia information about state property record.

PPP plays more and more important role, especially after 2008. According to Ministry of Development (2017) in 2016 there were 113 PPP projects (5 602.48 million PLN). In Poland, a main initiator of PPP projects is municipality. The projects concern society, for example IT, sport and recreation, economy of water supply and sewerage, communal infrastructure (Jachowicz 2015).

There are two types of land register in Poland – land and mortgage register (księga wieczysta) and land register (ewidencja gruntów i budynków). All types of property (public and private) should be registered, when the holder of right has changed.

Real estate can be expropriated if the below conditions are together fulfilled:

- the rights to real estate cannot be acquired by agreement,
- real estate is needed to realize public purpose (and it cannot be realized in other way than by compulsory purchase of property rights,
- real estate is located in the area, which is included in local spatial development plan as an area for public purpose.

Switzerland

Generally, public properties are managed mainly by government – both at federal, cantonal and municipal level. In addition, it is also a task of railway administration (at federal level), public transport administration (at cantonal and municipal level), road administration (at all levels of administrative division of the country) and air administration (at cantonal level). Moreover, state real estate resource also includes military properties. The basis for real estate management in this country is Civil Code 1907. There is no separate legal act, which would apply only to public real estate.

Switzerland has a cadastre. The rights to all properties (both public and private) should be registered in the land registry. It has not been accessible via the Internet yet, but now there are works on preparation the relevant legal regulations. Offices at canton and municipal levels are responsible for the registration of rights. Swiss law guarantees security of possession and use to people who are holding a title to real estate – if a buyer acquired the property in good faith, based on data obtained from the land register (Rötheli, Berger Meyer 2012).

Only a few PPP projects have been realized so far. Switzerland does not have one act, which would regulate this form of cooperation. However, some regulations concerning PPP were created at different legal acts (Landolt 2010).

Public real estate is a subject of sale when it is not and will not be used for public purposes. Properties used for national defence or transport cannot be sold. Moreover, there are little restrictions in selling real estate to foreigners. In case of selling residential property realisation of the procedure depends on getting the permission.

There is a possibility to expropriate real estate, if public interest is rated higher than private. The procedure must be carried out according to effective law. The expropriated person is entitled to get a full compensation, which corresponds to the market value of expropriated property.

Swiss public real estate management system do not have any serious deficiencies. Everything works properly. Public sector is treated in the same way as private one. Thanks to this system works efficiently and there is no need to do any changes.

Comparison of public real estate management in chosen countries

The comparison of public real estate management systems was done with use of three main sources: Gross, Żróbek (2015), Kaufmann *et al.* (2010) and World Economic Forum (2016).

The first one concerns a level of development of public real estate management in chosen countries (Fig. 2). Germany and Switzerland represent a high level and Poland an average level.

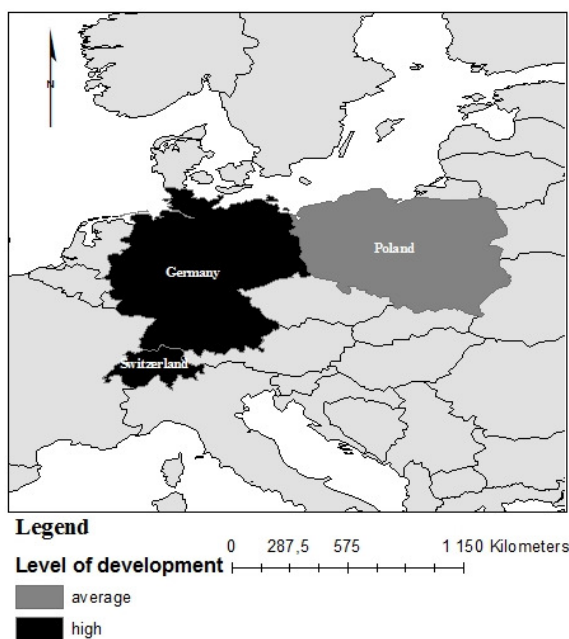


Fig. 2. Level of development of chosen countries (source: own study based on Gross, Żróbek 2015)

The second are the Worldwide Governance Indicators (Table 1). They are rated from -2.5 (low efficiency, unclear rules, high corruption) to 2.5 (high efficiency, clear rules and lack of corruption). Poland was assessed the lowest among analyzed countries. Switzerland was rated at the highest level.

The last source uses Property rights from the Global Competitiveness Index 2016–2017 (Table 2). It is rated from 1 (very weak) to 7 (very strong).

Table 1. The Worldwide Governance Indicators (source: Kaufmann *et al.* 2010)

Indicators / Countries	Germany	Poland	Switzerland
Government Effectiveness	1.74	0.80	2.01
Rule of Law	1.78	0.80	1.97
Control of Corruption	1.82	0.58	2.17

Table 2. The Global Competitiveness Index 2016–2017 – Property rights (source: World Economic Forum 2016)

Germany	Poland	Switzerland
5.8	4.2	6.5

Table 3 contains all indicators, which comes from the above described sources. Each indicator was scored from 1 (the worst) to 3 (the best). When the value was the same for two countries, as in case of indicator called “Level of development”, two highest values were ranked with 3. Then obtained ranks were summed up for each country. Figure 3 presents in a graphic way values for all analyzed indicators.

Table 3. Indicators used for comparison of countries (source: own study)

Indicators / Countries	Germany	Poland	Switzerland
Level of development	3	1	3
The Worldwide Governance Indicators:			
Government Effectiveness	2	1	3
Rule of Law	2	1	3
Control of Corruption	2	1	3
The Global Competitiveness Index 2016–2017:			
Property rights	2	1	3
TOTAL	11	5	15

Switzerland got the highest score (15 points). This country was ranked the best in all analyzed categories. The second place got Germany (11 points). German’s level of development was scored the same as Swiss. The remaining indicators were ranked with value equal 2. Poland got the lowest amount of points (only 5) and was always ranked the least – with value equal 1.

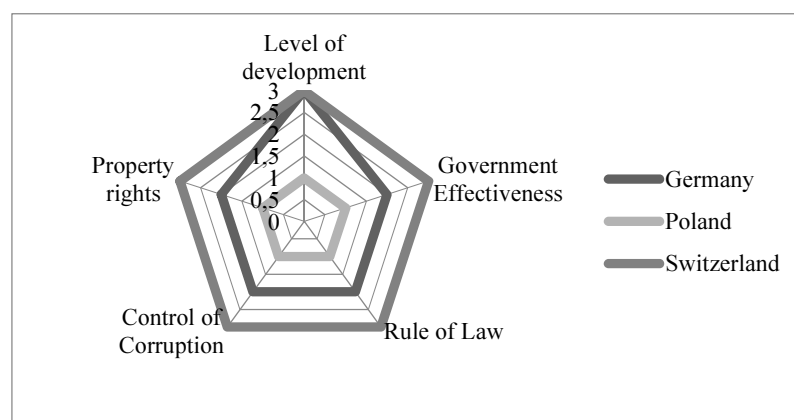


Fig. 3. Compared public real estate management systems (source: own study)

Then the analyzed public real estate management systems were assessed and the result of analysis was presented at Figure 4.

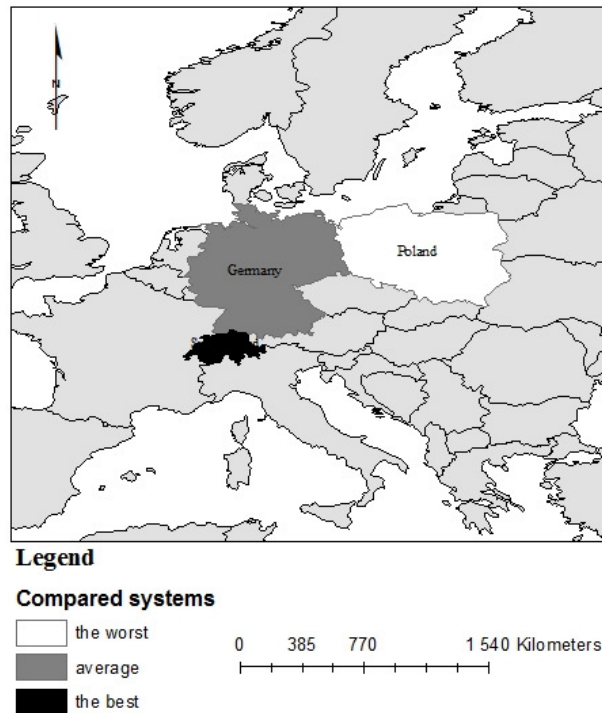


Fig. 4. Compared public real estate management systems (source: own study)

Conclusions

Among three analyzed countries public real estate management system of Germany and Switzerland were assessed in a similar way. Although Swiss system was appraised as the best. Germany and Switzerland are much more developed countries than Poland, which was scored as the worst system. This is the first cause of Polish position among this two countries. Somebody could tell that comparison among these three countries should not be done. The reason why to do this is simple – Polish system has some problems to solve in the field of public real estate management, so the easiest way is to analyze more developed countries.

Law related to public real estate management should be transparent – easy to understand by everybody. In Poland there are relatively often changes in such law, for example a new regulation – State Property Management Principles Act (2016). The problem is that sometimes it is still not transparent. The reverse situation is in Switzerland.

All analyzed countries register rights to real estate, no matter if it is public or private property. They also have a cadastre. PPP projects are realized in all countries, but in Germany it is very popular. The least use of PPP is in Switzerland. It is developed country and money for public projects came from the budget. After crisis PPP became a little bit popular.

The paper shows that there is a possibility to use some international indicators to compare public real estate management systems. The analysis points that among analyzed countries Poland should do more changes than other countries.

There is a need to improve public real estate management systems more and more. A good practise from more developed countries should be used, because there is no need to repeat problems, mistakes and difficulties that was solved long ago by others.

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