

Evaluation of Properties in Poland

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Key words: real-estate, cadaster, evaluation of properties.

SUMMARY

Poland, because of its geopolitical situation was an annexed territory of neighbouring countries: Prussian, Austrian, Russian and later the Soviet one. Therefore we have lasting to the present day consequences of the legal and geometric character. After the entrance of Poland to the European Union and earlier transition to the market economy, the problem arised of evaluation of properties. The difference between English and German philosophy of evaluation caused the coming into existence the Polish version of evaluation philosophy. The object of my lecture is to present the Polish philosophy of properties evaluation..

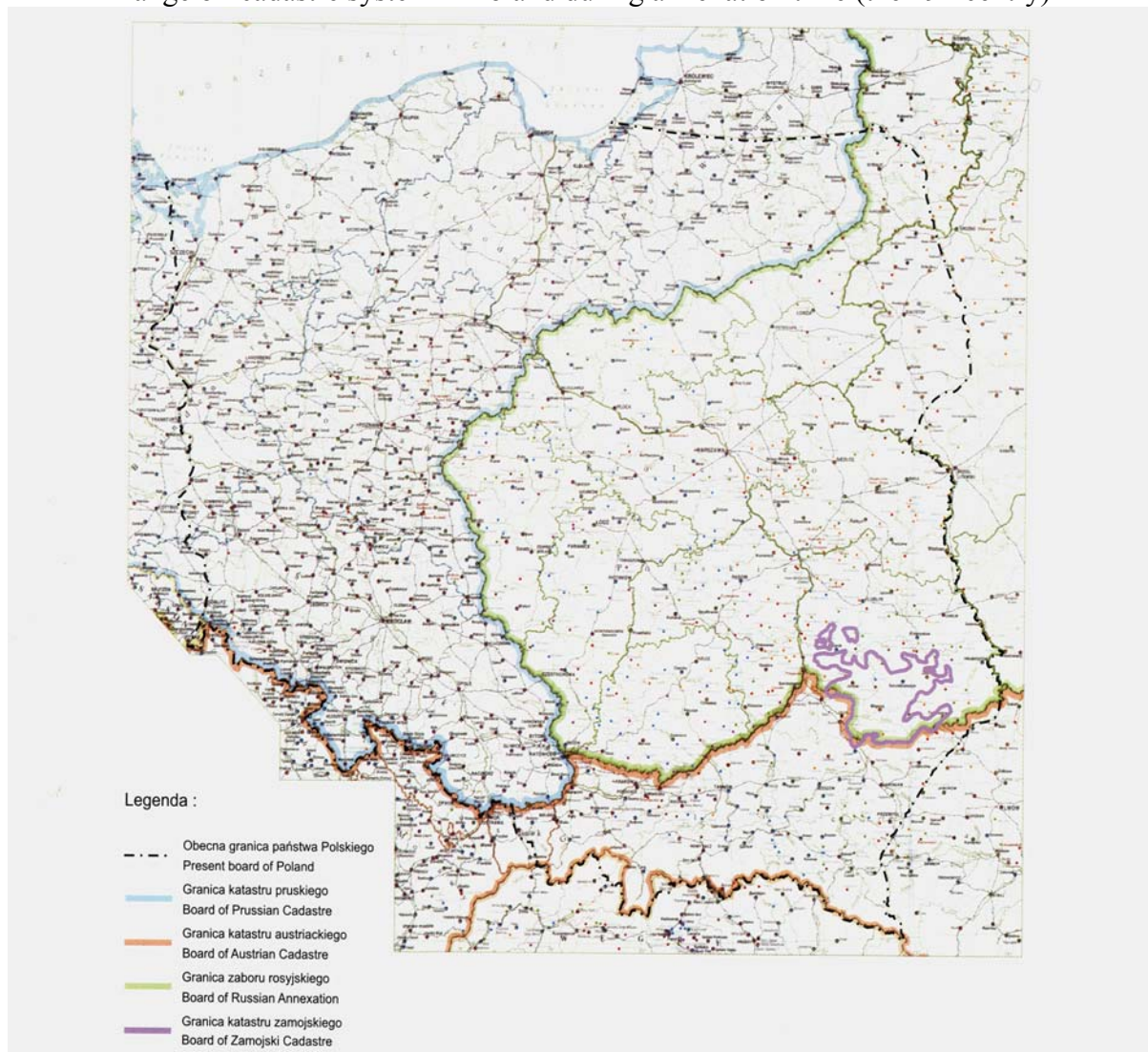
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Particular character of Polish property system is the result of historical conditions. Poland as a sovereign State ceased to exist in 1772, and its territory was divided between Prussia, Austria and Russia. And when in 1918 Polish State appeared again on the map, its territory from the geometrical point of view was managed by Prussian and Austrian cadaster. The Russian cadaster did not exist. Over the small part of the territory which was former under Russian rule, was then spread its own cadaster called zamojski. The second world war caused, that the Polish State come into being in completely new borders, inside of which, the areas of former Prussian and Austrian cadaster was found (both of them originated from about 1865) and because of them up to now in Poland exists the system of area “conservation”, maintained in present day Poland with great effort and technological modernity thanks to determination of land surveyors.

ANNEXATION TIME

Range of cadastre system in Poland during annexation time (the 19th century)



Prussian Cadastre occupied 45,0%
Austrian Cadastre occupied 14,0%
Territory of Russian Annexation occupied 40,4%
Zamojski Cadastre occupied 0,6%

Fig. 1. The territorial range of cadastral systems in the time of partitions (XIX century) in Poland. Source: 2nd Cadastral Congress Exhibition [2003]

Political system imposed upon Poland over 30 years was to enable suppression or limitation of the individual right of ownership, replacing it with the State ownership. Appropriation of private property by the state, was performed with employment of crude acts justified by specially for that aim created rules and decisions, ignoring completely initial legal situation of nationalized property. It was referring mainly to building and land properties. Primitive actions of authorities in this domain, was not accompanied by creating of suitable legal

instruments – dramatic consequences of what endure up to now. Now, when the market economy became the fact in Poland, appeared not know elsewhere coincidence of complications, related, simplifying, to land properties. What is the point?

- a. In the regions with organized cadaster, areas of individual properties, which are fundamental values in the process of evaluation, were known; certain in legal and formal meaning.
- b. At least 50% of properties did not have, in spite of all, ordered legal status in the meaning of existence of real-estate register.
- c. Real estate market existed only in the form of individual transactions of purchase and sale deeds.

The need of creation capital market of real estates caused borrowing inspiration from English standards and the famous “Red Book” became the first Polish guide for first Polish licensed real estate appraisers. It was 1992.

Simultaneously there was created the system of education, examination and conferring State certificates for licensed real estate appraisers in the domain of real estate appraisal, and also the rules of evaluation of properties appearing on already organized market. From that moment right to perform real estate appraisal have only those who received State certificate as a result of State examination. All they have university education level technical, economical or legal. And this is the first element which is typical for specific, polish appraisal philosophy and the rules of functioning of real estate market in Poland.

The second element is illustrated straight by the following diagram.

1. Comparative approach		2. Income approach		3. Cost approach		4. Mixed approach	
Methods	Techniques	Methods	Techniques	Methods	Techniques	Methods	Techniques
1.1 Comparison in pairs	-	2.1 Investment	2.1.1 Direct capitalization	3.1 Reproduction costs	3.1.1 Detailed	4.1 Remainder	
			2.1.2 DCF		3.1.2 United elements		
					3.1.3 Coefficient		
1.2 Correction of average prise	-	2.2 Profits	2.2.1 Direct capitalization	3.2 Replacement costs	3.2.1 Detailed	4.2 Liquidation costs	
			2.2.2 DCF		3.2.2 United elements		
					3.2.3 Coefficient		
1.3 Statistical analysis of market	-	-	-	-	-	4.3 Estimated coefficients of land	

Fig.2. Specification of approaches, methods and techniques applied in real estate appraisal in Poland

From the presented diagram results, that in Poland are applied four approaches to value in real estate appraisal, and besides Poland, in the whole world three methods are being applied: comparative, income and cost. In Poland the philosophy of appraisal was formed in such a way, that the superior notion is the approach to value (there are four approaches), and in each approach gradually lower there are methods and techniques.

The third element of the Polish philosophy of property evaluation is still standing opinion that the cost approach and the mixed approach may generate values which are not the market values. This is in severe contradiction with German appraisal philosophy, where at the instance of “market correction” reaching at the output of the process of evaluation – MARKET VALUE is not only possible, but simply necessary.

The fourth element of the Polish philosophy of property evaluation is the requirement of preparing very extensive appraisal report. Polish appraisal reports are characterized by unbelievable amount of details, which are place there only for the customer needs. The period of a dozen or so years, which passed since the moment of establishing the profession of licensed, with State authorization real estate appraiser is too short, to gain social importance as a person of public confidence. The psychological factor is of a great importance here, all the more, that in Poland does not exist a system of appraisal reports verification! From that fact results the redundancy in appraisal reports.

The fifth element of Polish philosophy of evaluation is recognition that, the process of appraisal is the measuring process, which include some of SI System units (m, sec), derived units of SI System (m^2 , m^3) to express the result in monetary units, which have nothing in common with SI System. Awareness of the fact led to introduction to Polish philosophy of evaluation rules of approximate numbers. Thanks to this, the final result of evaluation, which is a number properly rounded according to mathematical rules, is simultaneously a carrier of information about the accuracy of the evaluation process.

I think, I present this as final conclusion, that the Polish philosophy of evaluation and of the real estate market may be helpful for those countries which started to construct their systems.

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BIOGRAPHICAL NOTES

Mirosław Żak. Age 70. Habilitated Doctor of Science Engineer. Professor. Head of Department of Geodesy at Agricultural University of Cracow, Faculty of Environmental Engineering and Land Surveying. Specializes in engineering geodesy and real estate appraisal. Carried on geodetic works at construction of industrial chimneys of 300 m and 250 m height in Germany. Worked as a contract professor in Nigeria (Kano State Institute of Higher Education – 4 years) and in Germany (Universität Hannover - 2 years).

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