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# Innovativeness on the Polish real estate market

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**Key words:** innovativeness in economy, real estate market, market servicing entities

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**S u m m a r y:** The article presents the formation and the development of the contemporary real estate market in Poland as a clear example of innovation on a macro level. After years of forced stagnation, the Polish real estate market has become an independent branch of the national economy. Over half a century, 1957–2012, the turnover on this market increased from 105,000 transactions a year to 644,000 in 2012. The Polish real estate market is developing simultaneously in all 16 voivodeships, with the share from 3% to 14%. What prevails in the turnover, partly due to the lack of domestic capital, are transactions related to residential properties, in the years 1990–2012 constituting from 36% to 77% of the share. The formation of the domestic real estate market has entailed the creation of a modern network of entities related to this market—notaries (about 2,300), agents, appraisers, facility managers (about 50 thousand licensed entities in total). The innovation process is also observed in the area of land and mortgage registers whose over twenty-million resource, with the assistance of the European Union, has been IT-enabled. In the area of construction, a new form has arisen, the property developer one, which every year makes about one-fourth of the new housing resources available. Novelties also include the institution of lease which in the form of the private market, as well as the public one (Social Housing Associations) more and more broadly helps the Poles with the housing issue. Another innovation is so called reverse mortgage which consists in replacing the housing resource into the owners' pension.

## 1. Introduction

In a general sense, innovation is a change consisting in the introduction of something qualitatively new in a given area of social life, particularly in economy. It is a novelty enabling the growth of production and services, an increase in the efficiency of work or the level of investment. It should occur in all areas of human activity. Still existing gaps are filled with innovations, contributing to the multiplication of benefits and the improvement in the quality of life.

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In Poland, the formation and development of the contemporary real estate market may be regarded a clear example of innovation on a macro level. After a period of stagnation, a distinct political gap, as we can say, lasting almost half a century, at the beginning of 1990s dynamic development of previously vegetating real estate trading began: the trading of land, premises, buildings. It soon led to the formation of a new, independent branch of the national economy, which is illustrated with the data in Table 1.

Table 1

The Polish real estate market in the years 1957–2012

Year	Real estate transactions	
	Total (thou.)	Per 1,000 inhabitants
1957	105.0	2.5
1977	168.0	4.9
1997	693.9	17.9
2012	645.0	16.7

Source: (1).

The innovative development of the real estate market was marked in all provinces (year 2012: Table 2) which in the domestic turnover participated with the share from 2.9% to 14.1% (year 2012: Figure 1). In the whole period of the political transformation, regional structures were on a similar level. The development was marked more evenly with the relation to turnover per 1,000 inhabitants (Figure 2). The relation brought Poland closer to the sizes of the real estate markets in other developed European countries.

Table 2

The Polish real estate market in 2012 by voivodeship

No.	Voivodeship	The number of real estate transactions	
		TOTAL	Including: agriculture properties transactions
1.	Lower Silesian	54,467	6156
2.	Kuyavian-Pomeranian	31,953	6690
3.	Lublin	41,839	21,287
4.	Lubusz	18,437	3171
5.	Łódź	41,906	11,770
6.	Lesser Poland	57,375	12,030
7.	Masovian	91,016	19,926
8.	Opole	18,386	4706
9.	Subcarpathian	36,984	17,029
10.	Podlaskie	20,791	8704
11.	Pomeranian	39,902	4614
12.	Silesian	63,940	3719
13.	Świętokrzyskie	22,483	10,902
14.	Warmian-Masurian	25,368	5777
15.	Greater Poland	50,821	10,120

16.	West Pomeranian	29,292	5188
Total for Poland		644,960	151,789
Including: real estate transactions		428,288	88,359
	– residential	308,215	x
	– others	31,714	x

Source: developed on the basis of (1, p. 8).

However, the scarcity of equities was marked in Poland with the specific structure of the concluded transactions by type. As it results from the data in Table 3, transactions related to residential properties prevail in Poland, the trading of land is moderate, and the share of non-residential properties (industrial ones, public utility ones, etc.) is insignificant.

Since 2003, the observation of the innovativeness of the domestic real estate market has been enriched with the information on the value of the performed market trading. The comparison of the dynamics of trading by the number of notary acts and the values arising from them is presented in Figure 3.

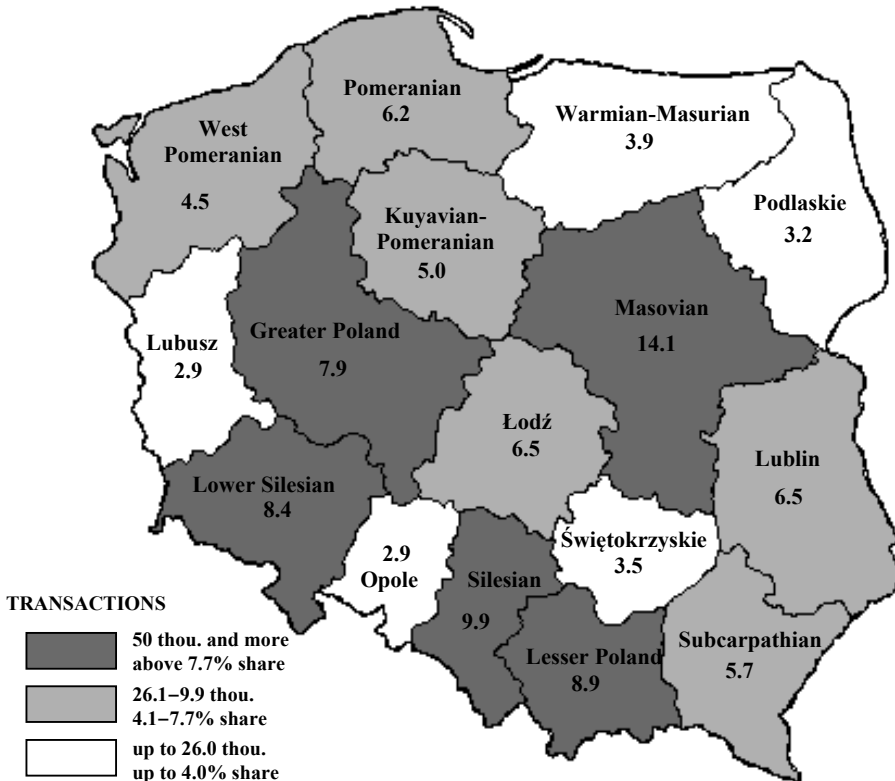


Figure 1. Intensity of real estate transactions in 2012 (% share in domestic market)

Source: (1, p. 13).

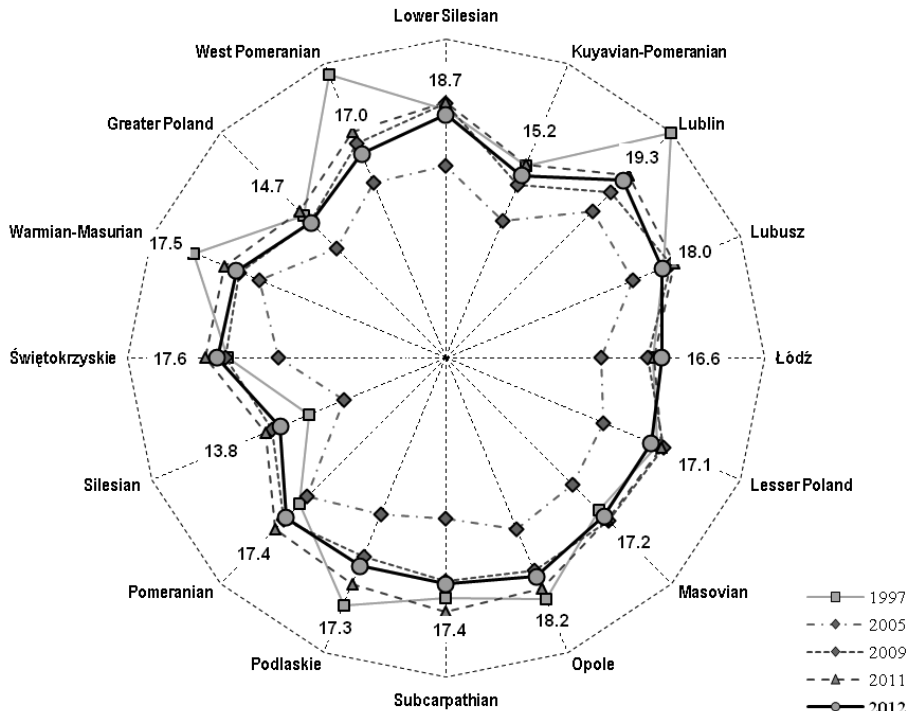


Figure 2. The number of real estate transactions per 1,000 inhabitants in the years: 1997, 2005, 2009, 2011 and 2012 (on average in Poland, respectively: 17.9; 15.6; 16.8; 17.6; 16.7)

Source: (1, p. 28).

Table 3

The structure of the real estate market in Poland by type

Region	Type of property	% share in total sales	
		1990–2005	2012
POLAND TOTAL	residential	43	72
	land	32	20
	others	25	8
Including: Lesser Poland Voivodeship	residential	36	77
	land	29	17
	others	35	6

Source: (1).

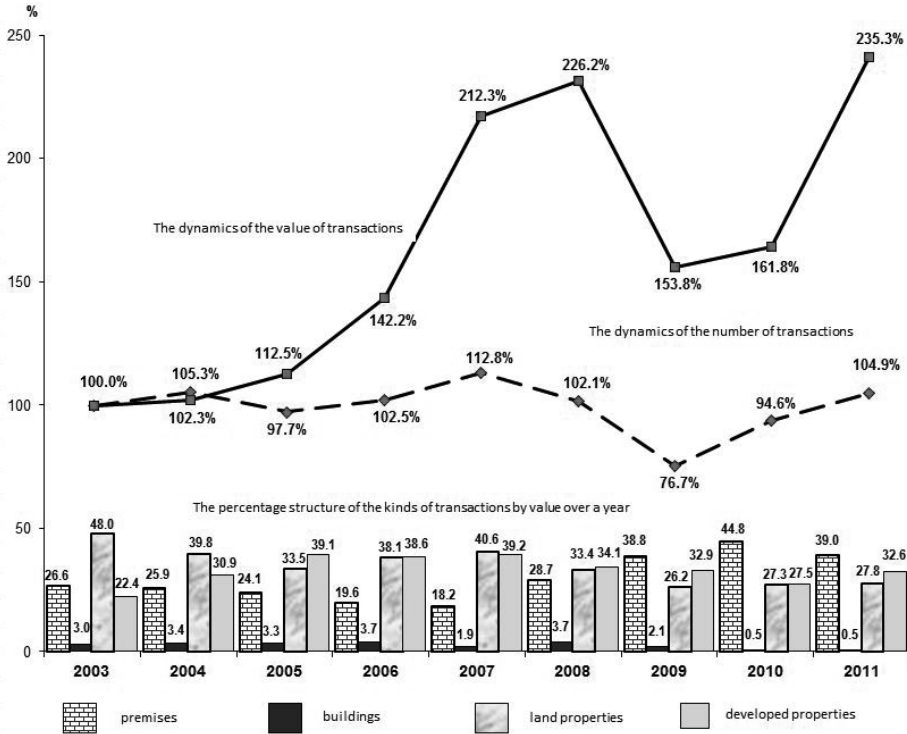


Figure 3. Transactions on the real estate market in Poland in the years 2003–2011

Source: (1, p. 24).

With a relatively stable number of concluded transactions, what has been visible since the beginning of the decade is the dynamic growth of the turnover caused by the movement of prices of flats and land. The level of the latter already comes closer to the level of land in the European countries.

## 2. Servicing the real estate market

Innovation in economy that the formation and development of the real estate market during 1990s became, entailed the creation or the modernization of the network of entities connected with the new market. Notaries adjusted to the new tendencies the fastest. Initially functioning in state notary offices, since 1992 they reformed themselves into system of private offices, now amounting to 2,300 notaries. Over the last 23 years of the political transformation they have drawn up over 14 million of notarial deeds concerning real estate.

During that period, 20 acts and over 30 ordinances were created, which regulated market relations in the area of real estate in a modern way, in compliance with the

practice applied in the remaining countries of the European Union. The Real Property Management Act of 21st August 1997 (consolidated text, Journal of Laws 2010, no. 102, item 651 with later amendments) performs a leading role here. For the modern servicing of the arisen market the Act constituted three new professions: of an agent, an appraiser and a facility manager. They function in all the provinces in the form of a network of independent entities equipped with state-of-the-art offices and using active marketing of their services. The network of these entities has shaped proportionally to the scale of the regional real estate trading, constituting a new quality in our economy. The main relations of the currently functioning network of entities servicing the domestic real estate market are illustrated in Figures 4, 5 and 6.

The majority of them are associated in regional, sectoral associations of agents, appraisers or facility managers, which, since the beginning of their activity, have been connected with international European federations. It ensures constant exchange of experiences and the use of modern legal, economic or organizational solutions.

In recent years also the job of a debt collector has undergone modernization. From the hitherto prevailing status of a regional court worker, further to the decision of Minister of Justice, since 2005 debt collectors have received new areas of operation and seats of debt collection agencies; they have already been self-employed, too. Performing an important function of an executor of court decisions, debt collectors are necessary during emptying debtors' premises, which are performed to the amount of 7–8 thousand a year.

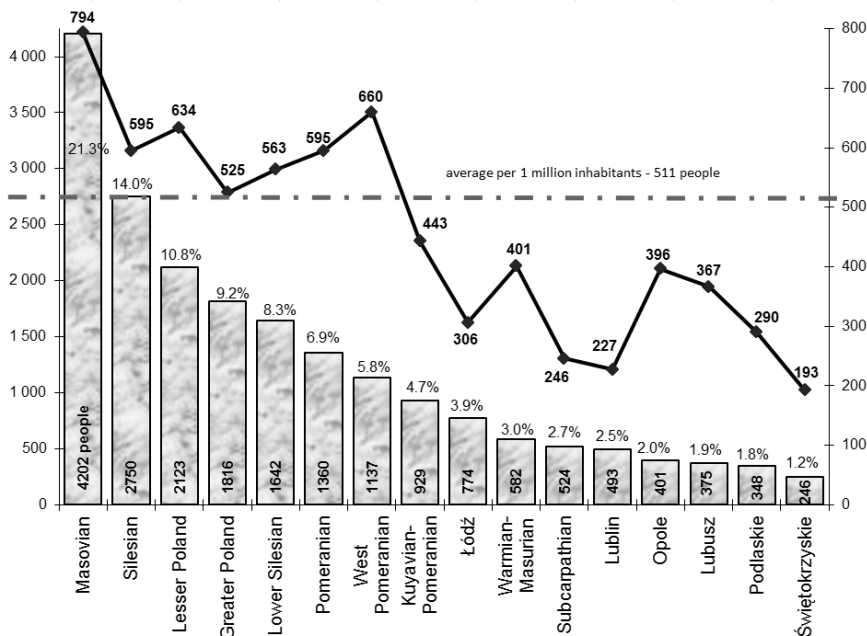


Figure 4. The number of real estate agents in total and per 1 million of inhabitants 19,702 people = 100.0%—as of 30 April 2013

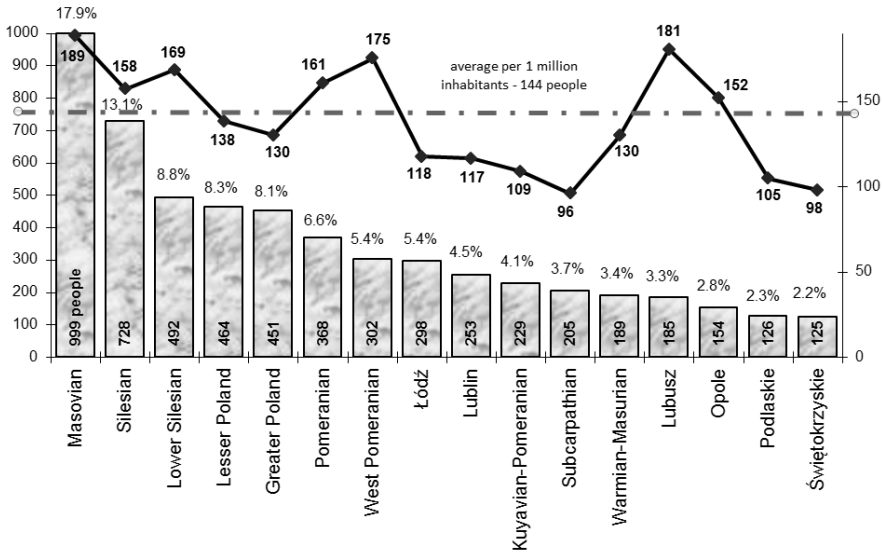


Figure 5. The number of real estate appraisers in total and per 1 million of inhabitants 5568 people = 100.0%—as of 30 April 2013

Source: (1, p. 72).

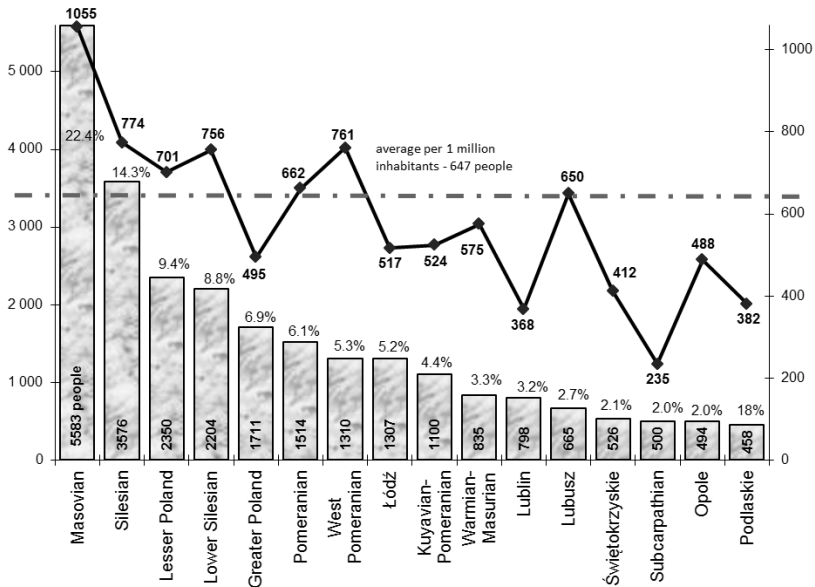


Figure 6. The number of facility managers in total and per 1 million of inhabitants 24,931 people = 100.0%—as of 30 April 2013

Source: (1, p. 74).

Innovativeness in real estate is distinctly represented in the area of land and mortgage registers. Their number amounts now to over 20 million items and every year in about 3.3% of the registers changes in the legal situation of real estate are recorded as a result of the concluded notarial transactions. The ordinance of 20th August 2003 (on the way of transferring the existing land and mortgage register to the structure of a land and mortgage register in the IT system, consolidated text Journal of Laws 2013, item 224) regulated the way of transferring the content of the existing, traditional registers to a new, electronic recording system. The process is practically almost completed, it has been performed owing to considerable help from the European Union, at the same time ensuring direct communication with the land and mortgage register system of the European countries. The process is the most representative and effective form of innovativeness on the Polish real estate market.

### 3. Accompanying innovations

In the field of construction we can observe a form of innovation similar to the one in the real estate area. In the transformation period, the existing order system was notably supplemented by the developer's activity. This new way of building 'for sale and lease' has dominated the Polish housing market, recently offering about 25% of the delivered housing resources. It is a new, innovative phenomenon on the domestic investments (mainly of the housing ones) market.

When analyzing the process of modernizing the Polish real estate market, we cannot forget about modern changes in the system of financing investments (mainly the housing ones). The contemporary real estate market is primarily based on a mortgage loan, much more developed and improved in comparison with the past. Without it, purchasing real estate in the Polish conditions would be practically impossible.

Moreover, an innovative form of crediting real estate has appeared, for now still not regulated legislatively—the so called reverse mortgage. It consists in getting a secure pension in return for waiving the ownership right to one's own housing property for the benefit of the lender. Among the citizens over 65, the form is gaining in some popularity, at present it is awaiting its legislative regulation and securing.

Tracking innovative ventures in the real estate area, we cannot ignore the spreading form of gaining a roof over one's head by lease. Although it is not a new form, its popularization, and granting an institutional character to it (see: Social Housing Associations), as well as the interests of banks in financing building for lease requires to see lease as an innovative form of helping in the housing issue.

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For just several years, innovative efforts in the real estate area have been supported by intellectual activity. It is ensured by the network of regional universities which since the beginning of the 21st century have launched the major: Real Estate.



Currently, it is taught by seven schools of economics and universities. This is where the new labour force for professions supporting the real estate market recruit from. In Poland, numerous post-graduate studies on real estate management function, not to mention courses and workshops. Problem conferences of agents, appraisers, facility managers and recently also advisors on the real estate markets take place cyclically.

They are assisted by numerous periodical, regional publications, and professional journalism. So far, about 670 books have appeared in Polish, raising legal subjects (130 books), principles of appraisal (100 books), real estate management (100 books), financial servicing of the market (180 books), and others. A lot of these publications popularize foreign experiences, contributing to the modernization of the Polish real estate thought.

#### 4. Afterword

The intention of this study is to constitute a view on the problem how the innovative process is manifested on the Polish real estate market at the scale of the national economy branch. In fact, the real estate market in Poland practically did not exist after 1945, it developed as late as in 1990s. It has reached several dozen thousand economic entities, it employs about 240 thousand people and turns over the amount of 60 billion zlotys a year (2011). In this respect, it has become the fourth branch of the national economy, performing an important function of a distributor of flats, offices, production spaces and land in Poland. The market uses domestic innovative intellectual backup and, by means of numerous contacts, also the experiences of other countries. It keeps surprising with new organizational, legal and economic solutions.

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## Innowacyjność na polskim rynku nieruchomości

**Streszczenie:** W artykule zaprezentowano powstanie i rozwój współczesnego rynku nieruchomości w Polsce jako czytelny przykład innowacji w makroskali. Polski rynek nieruchomości po latach przymusowej stagnacji stał się samodzielną gałęzią gospodarki narodowej. W ciągu półwiecza 1957–2012 obroty na tym rynku wzrosły od 105 tysięcy transakcji rocznie do 644 tysięcy w 2012 roku. Polski rynek nieruchomości rozwija się równocześnie we wszystkich 16 województwach, z udziałem od 3% do 14%. W obrotach tych przeważają – po części z braku rodzimego kapitału – transakcje nieruchomościami mieszkalnymi, stanowiące w latach 1990–2012 od 36% do 77% udziału. Powstanie krajowego rynku nieruchomości pociągnęło za sobą stworzenie nowoczesnej sieci podmiotów związanych z tym rynkiem – notariuszy (ok. 2300), pośredników, rzeczoznawców i zarządców nieruchomości (łącznie ok. 50 tys. licencjonowanych podmiotów). Proces innowacji jest odnotowywany także w dziedzinie ksiąg wieczystych, których ponaddwudziestomilionowy zasób – z pomocą Unii Europejskiej – został z informatyzowany. W sferze budownictwa pojawiła się nowa forma – developerska, która udostępnia corocznie około 1/4 nowego zasobu mieszkaniowego. Do nowości zaliczyć należy również instytucję wynajmu, który w formie rynku prywatnego, a także publicznego (Towarzystwa Budownictwa Społecznego) coraz szerzej pomaga Polakom w kwestii mieszkaniowej. Innowacją jest też tak zwana hipoteka odwrócona, polegająca na zamianie zasobu mieszkaniowego na rentę dla właścicieli.

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**Słowa kluczowe:** innowacyjność w gospodarce, rynek nieruchomości, podmioty obsługi rynku

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