Real Estate Management in Polish Euroregions

Stanislaw Belniak
Cracow University of Economics

Cracow University of Economics
31-510 Kraków
ul. Rakowicka 27
Poland
Phone: (+48 12) 2935593
Fax: (+48 12) 2935071
e-mail: belniaks@ae.krakow.pl

1. Introduction

The second half of the 20th century in Europe brought about integration processes that had no precedent in history. That integration is very important for several reasons. In the first place it encompasses very wide areas of co-operation pertaining not only to politics - which has been the case over the centuries - but also, or maybe mainly, to some broadly understood economic processes, to law, science, culture, etc. It also comprises co-operation on various levels of state and local administration. This is not solely a co-operation between the countries represented by governments or central institutions, but also a co-operation on the level of individual cities and regions.

Practice shows that international co-operation implemented by central government institutions has by no means exhausted all options available in the widely understood integration of countries and their inhabitants. This is because it turned out that co-operation on the local turf is much easier or, even better, more efficient, especially when coupled with neighbour-to-neighbour relations found in the regions sharing many common geographical, economic, social, etc. features, even though located on the opposite sides of the border. The idea of agreement among the regions belonging to different countries, and yet naturally attracted to one another, has found many propagators in Europe. After the end of WWII a few dozen of centres of such co-operation came to life, to be called cross-border co-operation areas or euroregions. The emergence and a dynamic growth of euroregions initiated a widely spread integration process based not on political premises but on relationships of inhabitants of neighbouring borderline regions, encouraged mostly by economic factors. The end result of the on-going integration processes viewed from the angle of state, local, or regional structures is modern, unified Western Europe as we know it today. Euroregions - for most part perfectly functioning organisms - proved that they may become the way to success for weak, economically underdeveloped regions which, for various reasons, were neglected in the past. Those regions did not see so many prospects for success in the contacts with their native capitals as they did in relationships with the neighbouring cities, or regions. They became a source of inspiration for other regions, and helped to accelerate local and regional integration processes. This process makes many state borders in EU either disappear or dramatically change their primary purpose.
Since the onset of the 1990s and following geo-political changes, the countries of Central Europe voiced their desire for co-operation and gradual integration with the European Union and other trans-national structures. The countries lacking strong economy and devoid of centralized power started to seek for a model to follow in their further development and functioning beyond historical spheres of influence. This was due to the fact that many of those countries were not prepared for self-sufficient existence within political and especially economic reality of contemporary Europe. Raised national awareness ignited numerous ethnic conflicts among former compatriots who inhabited the same countries and areas. Economic backwardness stimulated many feuds, particularly visible in the countries with ethnic minorities. Majority of countries of the former eastern block could not do without all kinds of aid from Western Europe. Poland is the best example of a beneficiary of such aid, especially financial support.

Regrettably, even most generous, external financial support in the time of implementation of market economy does not guarantee best results for a country's growth. This is because aid programs reach only those areas, which are most active and most strategically located. Foreign investors seek for the most promising areas in terms in infrastructure and location. The former gravity centres become local development areas. At the same time underdeveloped areas, quite frequently stretching along the borders, not only fail to display growth symptoms but they become depressed areas which people and capital are only too happy to abandon. In Poland that syndrome became especially conspicuous along the so-called eastern wall, i.e. the regions adjacent to the eastern borderline of Poland. Mostly underdeveloped areas in eastern Poland are unable to foster dynamic development with the help of state budget funding, and the gap growing between those areas and rapidly developing parts of Western and Central Poland seems to intensify the problem. One of the remedies promising a significant improvement of that disadvantageous trend is an increased transborder co-operation at the regional level.

Some significant improvements in the borderline regions contacts recorded in all transborder areas of Poland have become apparent since the early 1990s. Unprecedented traffic through all our borders seems to be the best proof of that. The implementation of market economy and practically unrestrained mobility brought about a very dynamic increase in the transborder commuting. It is the reason for many economic processes. It also stimulates the economy of borderline regions, stimulates entrepreneurship of all kinds, particularly the so-called petty entrepreneurship, makes an impact on local labour markets, brings tangible
benefits to economic entities and administrative structures. The sheer scale of that process is best evidenced by the figures, which indicate turnover running into millions of dollars (in Poland borderline trade turnover is a significant factor alleviating trade deficit in Polish exports. Regrettably, such exercised transborder co-operation has its visible drawbacks. When carried without any controls it brings not only opportunities but also threats. That is why there must be some efficient control measures which would on the one hand promote and facilitate mutual contacts within borderline areas, and on the other hand monitor the benefits and prevent social and economic pathologies they might bring.

Following the lead of Western Europe, and in many cases with the assistance of its member countries, in 1991 Poland commenced setting up euroregional structures. Presently there are 13 euroregions, the most organised forms of transborder co-operation, functioning within borderline territories of Poland and its neighbouring countries.

The data listed in Table 1 indicate that a young, newly emerging idea of euroregions seems to be a promising political and economic venture, for reasons given below:

- euroregions are located within the territory of 13 countries, and they include all neighbours of Poland
- euroregions occupy jointly 425,000 sq.km. and they are inhabited by almost 36 million people
- euroregions engage 33% of Polish population and 27% of Polish territory

The idea of euroregions is quite a challenge for Poland, not only in terms of development opportunities but also due to our present involvement

- there are 13 euroregions within 14 voivodships and they comprise 852 gminas* (Fig.1)

---

* A gmina is a small administrative unit, the equivalent of a British borough or a U.S. county
Figure 1

Euroregions along polish borders

Source: Euroregions within new territorial division of Poland, Main Census Office, Warsaw-Wroclaw 1999
Table 1
Polish contribution to Euroregions

<table>
<thead>
<tr>
<th>Item</th>
<th>Name of euroregion</th>
<th>Population in thousand</th>
<th>Area in thousand sq.km</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total euroreg.</td>
<td>Incl. Polish part</td>
<td>%</td>
</tr>
<tr>
<td>1.</td>
<td>&quot;Pomerania&quot;</td>
<td>2965.3</td>
<td>1014.0</td>
</tr>
<tr>
<td>2.</td>
<td>&quot;Pro Europa Viadrina&quot;</td>
<td>894.9</td>
<td>447.1</td>
</tr>
<tr>
<td>3.</td>
<td>&quot;Sprewa-Nysa-Bóbr&quot;</td>
<td>908.0</td>
<td>632.2</td>
</tr>
<tr>
<td>4.</td>
<td>&quot;Nysa&quot;</td>
<td>1759.4</td>
<td>556.2</td>
</tr>
<tr>
<td>5.</td>
<td>&quot;Glacensis&quot;</td>
<td>940.0</td>
<td>198.8</td>
</tr>
<tr>
<td>6.</td>
<td>&quot;Pradziad&quot;</td>
<td>342.4</td>
<td>214.4</td>
</tr>
<tr>
<td>7.</td>
<td>&quot;Silesia&quot;</td>
<td>358.9</td>
<td>240.2</td>
</tr>
<tr>
<td>8.</td>
<td>&quot;Slask Cieszynski&quot;</td>
<td>657.4</td>
<td>297.4</td>
</tr>
<tr>
<td>9.</td>
<td>&quot;Tatry&quot;</td>
<td>468.4</td>
<td>245.0</td>
</tr>
<tr>
<td>10.</td>
<td>&quot;Karpacki&quot;</td>
<td>14799.7</td>
<td>2375.5</td>
</tr>
<tr>
<td>11.</td>
<td>&quot;Bug&quot;</td>
<td>5262.5</td>
<td>2686.5</td>
</tr>
<tr>
<td>12.</td>
<td>&quot;Niemen&quot;</td>
<td>2789.6</td>
<td>1190.2</td>
</tr>
<tr>
<td>13.</td>
<td>&quot;Baltyk&quot;</td>
<td>3849.1</td>
<td>1777.1</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>35995.6</td>
<td>11874.6</td>
</tr>
</tbody>
</table>

Source: Euroregions within new territorial division of Poland, Main Census Office, Wroclaw 1999

Figure 2.
Euroregions according to the number of gminas

Source: Author's
2. Real estate in Polish euroregions

Land and dwellings are two largest commodities offered on Polish real estate market.

Table 2 presents total land area found within the cities and the whole country. Other three categories of land shown in the table are - according to the author of this paper - suitable for investment. These are urban undeveloped areas falling into two categories, i.e. farming land and waste land.

It has been assumed that land within city limits is an important part of real estate transactions. Farming areas, which are becoming obsolete constitute a natural reserve for investment. The latter have been assumed to constitute 1/5 of the whole land area available in the cities. Hence the total area amounts to 200,000 hectares which equals 10% of the total area of Polish cities (Table 3)

Table 2

<table>
<thead>
<tr>
<th>Item</th>
<th>Specification</th>
<th>Total area in hectares</th>
<th>Farming</th>
<th>Developed and undeveloped</th>
<th>Waste land</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>State Treasury land</td>
<td>Cities Total</td>
<td>748635</td>
<td>141591</td>
<td>3218</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>12725798</td>
<td>3517675</td>
<td>7886</td>
</tr>
<tr>
<td>2.</td>
<td>State Treasury land 99 year lease</td>
<td>Cities Total</td>
<td>118850</td>
<td>15337</td>
<td>2706</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>263043</td>
<td>79246</td>
<td>3663</td>
</tr>
<tr>
<td>3.</td>
<td>Land of state legal persons</td>
<td>Cities Total</td>
<td>11303</td>
<td>2739</td>
<td>140</td>
</tr>
<tr>
<td>4.</td>
<td>Gminas land (excluding 99-year lease)</td>
<td>Cities Total</td>
<td>275477</td>
<td>97238</td>
<td>12947</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>862619</td>
<td>269448</td>
<td>17878</td>
</tr>
<tr>
<td>5.</td>
<td>Gmina land granted as a 99-year lease</td>
<td>Cities Total</td>
<td>83077</td>
<td>17918</td>
<td>5841</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>97844</td>
<td>23064</td>
<td>6571</td>
</tr>
<tr>
<td>6.</td>
<td>Land of municipal legal persons</td>
<td>Cities Total</td>
<td>7630</td>
<td>3012</td>
<td>198</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>20757</td>
<td>6809</td>
<td>206</td>
</tr>
<tr>
<td>7.</td>
<td>Land of physical persons</td>
<td>Cities Total</td>
<td>791606</td>
<td>603717</td>
<td>12828</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>16366522</td>
<td>14004620</td>
<td>31898</td>
</tr>
<tr>
<td>8.</td>
<td>Land of co-operatives</td>
<td>Cities Total</td>
<td>14525</td>
<td>10823</td>
<td>268</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>356155</td>
<td>320899</td>
<td>584</td>
</tr>
<tr>
<td>9.</td>
<td>Church land</td>
<td>Cities Total</td>
<td>13503</td>
<td>6583</td>
<td>264</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>99716</td>
<td>71816</td>
<td>470</td>
</tr>
<tr>
<td>10.</td>
<td>Land of societies</td>
<td>Cities Total</td>
<td>12873</td>
<td>5468</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>135215</td>
<td>56453</td>
<td>23</td>
</tr>
<tr>
<td>11.</td>
<td>Land of people not falling into categories 1-10</td>
<td>Cities Total</td>
<td>19295</td>
<td>8624</td>
<td>124</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>246635</td>
<td>196468</td>
<td>2120</td>
</tr>
<tr>
<td>Land surveyed</td>
<td>Cities Total</td>
<td>2096774</td>
<td>912</td>
<td>39664</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>31231537</td>
<td>18569847</td>
<td>71524</td>
</tr>
</tbody>
</table>

Specification of land offered for sale being the property of gminas and the land comprised by euroregions is presented below in Table 3.

**Table 3**  
**Land in Poland and euroregions available for investment**

<table>
<thead>
<tr>
<th>Land</th>
<th>Poland total</th>
<th>Euroregions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Thou. of hectares</td>
<td>%</td>
</tr>
<tr>
<td>Total area;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- cities</td>
<td>31231</td>
<td>100.0</td>
</tr>
<tr>
<td>- undeveloped</td>
<td>2096</td>
<td>6.7</td>
</tr>
<tr>
<td>- waste land</td>
<td>396</td>
<td></td>
</tr>
<tr>
<td>- farming</td>
<td>35</td>
<td></td>
</tr>
<tr>
<td></td>
<td>913.9</td>
<td></td>
</tr>
<tr>
<td>Total for investment</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>988</td>
<td></td>
</tr>
<tr>
<td>Including real estate</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>200.0</td>
<td>10.0</td>
</tr>
<tr>
<td>Including</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- gmina land</td>
<td>41.5</td>
<td>21.0</td>
</tr>
<tr>
<td>- State Treasury</td>
<td>45.5</td>
<td>23.0</td>
</tr>
<tr>
<td>- other owners</td>
<td>113.0</td>
<td>56.0</td>
</tr>
</tbody>
</table>

**Source**: Belniak S., Uchman R., Land real estate market in Poland, *The World of Real Estate* 32/2000

Calculations show that the share of municipal land is not significant, since it accounts only for approx. 17 hectares of land available in each statistical gmina or approx. 19 hectares of such land located within euroregions. Once the land owned by the State Treasury is made available, and the private owners gradually resign from agricultural use of their land, then the total of land available for investment will grow. This seems to be the only way to increase the supply of land suitable for investment in gminas.

The existing housing stock amounting to over 11 million apartments makes the biggest potential commercial offer on the real estate market. The dwellers of urban areas own 2/3 of privately owned and co-operative apartments. In rural areas that proportion increases to 90%. At the same time housing stock put on the market by the public sector is also significant. That sector owns 1/3 of apartments in urban areas and 10% or rural apartments. There is little chance for the secondary housing market to increase the number of buy-sell, exchange or rent out transactions.

Table 4 presents housing stock available within voivodships and euroregions, highlighting the volume of municipal apartments in the cities.
There are over 3.4 million apartments to be found within Polish euroregions. This accounts for 30% of the total housing stock in Poland.

Table 4

Housing stock in Poland in 1998

<table>
<thead>
<tr>
<th>Item</th>
<th>Voivodship</th>
<th>Polish apartments in thou.</th>
<th>cities</th>
<th>Euroregions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>Municipal</td>
<td>%</td>
</tr>
<tr>
<td>1.</td>
<td>Dolnoslaskie</td>
<td>914.3</td>
<td>685.0</td>
<td>247.6</td>
</tr>
<tr>
<td>2.</td>
<td>Kujawsko-Pomorskie</td>
<td>616.2</td>
<td>413.1</td>
<td>66.7</td>
</tr>
<tr>
<td>3.</td>
<td>Lubelskie</td>
<td>658.4</td>
<td>314.6</td>
<td>34.3</td>
</tr>
<tr>
<td>4.</td>
<td>Lubuskie</td>
<td>297.7</td>
<td>203.3</td>
<td>59.9</td>
</tr>
<tr>
<td>5.</td>
<td>Lódzkie</td>
<td>899.5</td>
<td>634.5</td>
<td>142.5</td>
</tr>
<tr>
<td>6.</td>
<td>Malopolskie</td>
<td>878.8</td>
<td>504.2</td>
<td>73.2</td>
</tr>
<tr>
<td>7.</td>
<td>Mazowieckie</td>
<td>1603.4</td>
<td>115.9</td>
<td>207.5</td>
</tr>
<tr>
<td>8.</td>
<td>Opolskie</td>
<td>318.4</td>
<td>181.5</td>
<td>49.3</td>
</tr>
<tr>
<td>9.</td>
<td>Podkarpackie</td>
<td>551.7</td>
<td>250.3</td>
<td>32.7</td>
</tr>
<tr>
<td>10.</td>
<td>Podlaskie</td>
<td>369.0</td>
<td>218.6</td>
<td>23.3</td>
</tr>
<tr>
<td>11.</td>
<td>Pomorskie</td>
<td>619.8</td>
<td>463.4</td>
<td>104.9</td>
</tr>
<tr>
<td>12.</td>
<td>Slaskie</td>
<td>1577.4</td>
<td>1311.5</td>
<td>254.2</td>
</tr>
<tr>
<td>13.</td>
<td>Swietokrzyskie</td>
<td>387.6</td>
<td>191.6</td>
<td>24.1</td>
</tr>
<tr>
<td>14.</td>
<td>Warminsko-Mazurskie</td>
<td>408.8</td>
<td>255.9</td>
<td>61.9</td>
</tr>
<tr>
<td>15.</td>
<td>Wielkopolskie</td>
<td>937.6</td>
<td>592.9</td>
<td>81.3</td>
</tr>
<tr>
<td>16.</td>
<td>Zachodniopomorskie</td>
<td>508.5</td>
<td>370.8</td>
<td>158.2</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>11547.1</td>
<td>7707.1</td>
<td>1574.6</td>
</tr>
</tbody>
</table>

Source: Housing Research Institute, Warsaw 1999

3. Real estate transactions in Polish euroregions

Polish real estate market has not been as yet comprised by statistical analysis. The activity on that market is measured by the number of notary acts reflecting on-the-market and off-the-market real estate transactions. Most recent figures of turnover on that market come from 1998 and they have been broken down into voivodships and euroregions. (see Table 5).

It should be noted that a half of transactions concluded mostly in urbanised voivodships involves dwellings. Fewer such transactions could be noted in predominantly agricultural voivodships.
Table 5
Real estate transactions in 1998

<table>
<thead>
<tr>
<th>Item</th>
<th>Voivodship</th>
<th>Poland</th>
<th>Euroregions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total in thou.</td>
<td>Incl. dwellings</td>
</tr>
<tr>
<td>1.</td>
<td>Dolnoslaskie</td>
<td>52.9</td>
<td>32.4</td>
</tr>
<tr>
<td>2.</td>
<td>Kujawsko-Pomorskie</td>
<td>31.0</td>
<td>14.3</td>
</tr>
<tr>
<td>3.</td>
<td>Lubelskie</td>
<td>46.5</td>
<td>12.8</td>
</tr>
<tr>
<td>4.</td>
<td>Lubuskie</td>
<td>18.7</td>
<td>11.1</td>
</tr>
<tr>
<td>5.</td>
<td>Lódzkie</td>
<td>44.7</td>
<td>19.5</td>
</tr>
<tr>
<td>6.</td>
<td>Małopolskie</td>
<td>55.1</td>
<td>24.9</td>
</tr>
<tr>
<td>7.</td>
<td>Mazowieckie</td>
<td>80.5</td>
<td>38.5</td>
</tr>
<tr>
<td>8.</td>
<td>Opolskie</td>
<td>20.4</td>
<td>11.3</td>
</tr>
<tr>
<td>9.</td>
<td>Podkarpackie</td>
<td>36.4</td>
<td>11.5</td>
</tr>
<tr>
<td>10.</td>
<td>Podlaskie</td>
<td>20.8</td>
<td>8.8</td>
</tr>
<tr>
<td>11.</td>
<td>Pomorskie</td>
<td>32.9</td>
<td>18.7</td>
</tr>
<tr>
<td>12.</td>
<td>Ślaskie</td>
<td>61.9</td>
<td>25.7</td>
</tr>
<tr>
<td>13.</td>
<td>Świętokrzyskie</td>
<td>19.4</td>
<td>6.2</td>
</tr>
<tr>
<td>14.</td>
<td>Warmińsko-Mazurskie</td>
<td>27.5</td>
<td>14.1</td>
</tr>
<tr>
<td>15.</td>
<td>Wielkopolskie</td>
<td>49.1</td>
<td>25.4</td>
</tr>
<tr>
<td>16.</td>
<td>Zachodniopomorskie</td>
<td>35.3</td>
<td>20.3</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>633.5</td>
<td>297.7</td>
</tr>
</tbody>
</table>


Over 1/3 of the total real estate transactions are concluded within the area of euroregions. Similarly to other regions of the country, transactions depend on the local type of economy. Over 1/5 of total euroregion real estate transactions were made in Pomorskie voivodship, a part of the "Baltyk Euroregion". That euroregion comprises parts of Poland and five other countries. It also borders with EU countries which may affect the number of transactions.

Among Polish euroregions the most promising are four, already well established euroregions, i.e. "Pomerania", "Pro Europa", "Viadrina", "Sprewa-Nysa-Bóbr", and "Nysa". (Figure 3). All of them share borders with EU countries and constitute a real springboard for international co-operation. On the joint area of 28 thousand sq.km. live 2.6 million inhabitants in 174 gminas. Real estate transactions conducted within those four euroregions account for 1/4 of all transactions conducted in euroregions in Poland. The fact that 65% of those transactions are housing exerts a beneficial influence on the growth of that sector of the real estate market in euroregions.
Figure 3
Polish euroregions into voivodship

Source: Euroregions within new territorial division of Poland, Main Census Office, Warsaw-Wroclaw 1999
Conclusion

The information on the turnover of real estate in the Polish part of euroregions that has been presented in this paper allows describing an important relationship between the supply to the real estate market and the demand.

The following conclusions may be drawn:

a) potential real estate that can be put on the market in the Polish part of euroregions comprises 37% of the country's territory and approximately 10% of land suitable for investment projects
b) the quantity of dwellings amounts to some 3.4 million, i.e. almost 30% of the housing stock in Poland
c) in 1999, 38% of real estate transactions in Poland were made within euroregions
d) the main commodity involved in real estate transactions were land and dwellings
e) in euroregions located along the western border of Poland 23% of recorded transactions involved dwellings

Euroregions comprise 1/3 of the economic potential of the country represented predominantly by real estate. That is why, in our view, the chances for the integration with EU countries are quite real and most promising.

References: