

# OFFICIAL RECORDS OF LAND TRANSACTIONS AND PRICES AS THE BASIS OF A MARKET- ORIENTED ECONOMY

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## Abstract

*The article deals with the needs and possibilities in the field of official records of land transactions in Slovenia, including legal measures required for their establishment, maintenance and management.*

**Keywords:** *Geodetic workshop, land market, land prices, law, official records of land transactions, Otočec, real estates, 1995*

## 1 INTRODUCTION

With the division and ownership transformation of presently socially-owned land, the urban zones in the area of cities and urban settlements and in other areas in Slovenia will also become privately owned. Private ownership can present a large limiting factor for further growth and development of cities and settlements if the relationships between public and private property, planning and the market are not formally regulated by the state. In order to regulate these relationships and control the real estate market the state will need to know the situation in this market and establish and maintain records of land transactions and prices following the models of developed European countries.

In connection with the formation of records of transactions and prices of land, the following hypothesis can be set for Slovenia: Considering the circumstances in the real estate market in the past, temporary official records of transactions and prices of land can be established as early as during the so-called transition period from administrative to market-dependent valuation of land. Such records will enable a more rapid transition to market valuation of land only if market valuation and such records are legally regulated and if all necessary measures for their successful establishment, management and maintenance are defined in the legislation, along with sanctions.

## 2 RECORDS OF TRANSACTIONS AND PRICES OF LAND

Records are a means of purposeful and systematic monitoring and recording of data on certain events and items, including collections of such data (SAZU, 1970). When referring to records one must therefore

- ☐ define their purpose or applicability arising from certain needs,
- ☐ enable systematic monitoring and recording of data.

In Slovenia problems arise from non-standardized use of the terms records, register and cadastre (Republiška geodetska uprava, 1993) and their definitions. Past experience shows that even mere entering of data "on something" has been legally defined as records. Take, for example, the records on urban land. Today (23 June 1995), the Law on Urban Land (Official Gazette of the SRS, No. 18/1984) stipulates that appropriate records on urban land should be kept, but it does not specifically define the purpose of managing such records. The professional basis for setting up records on urban land was established by the Municipal Economics Institute (Rakar et al., 1985). It stipulated that records of urban land should in addition to physical include financial data, including an analysis of prices of urban land. At that time legislators had certain reservations with regard to this proposal, which is entirely understandable now, ten years later. The consequence of this is that the adopted records on urban land (Official Gazette of the SRS, No. 11/1988) do not comprise the complex management of urban land as determined at the institute and do not provide the administrative authorities competent for geodetic matters with the motivation for setting them up.

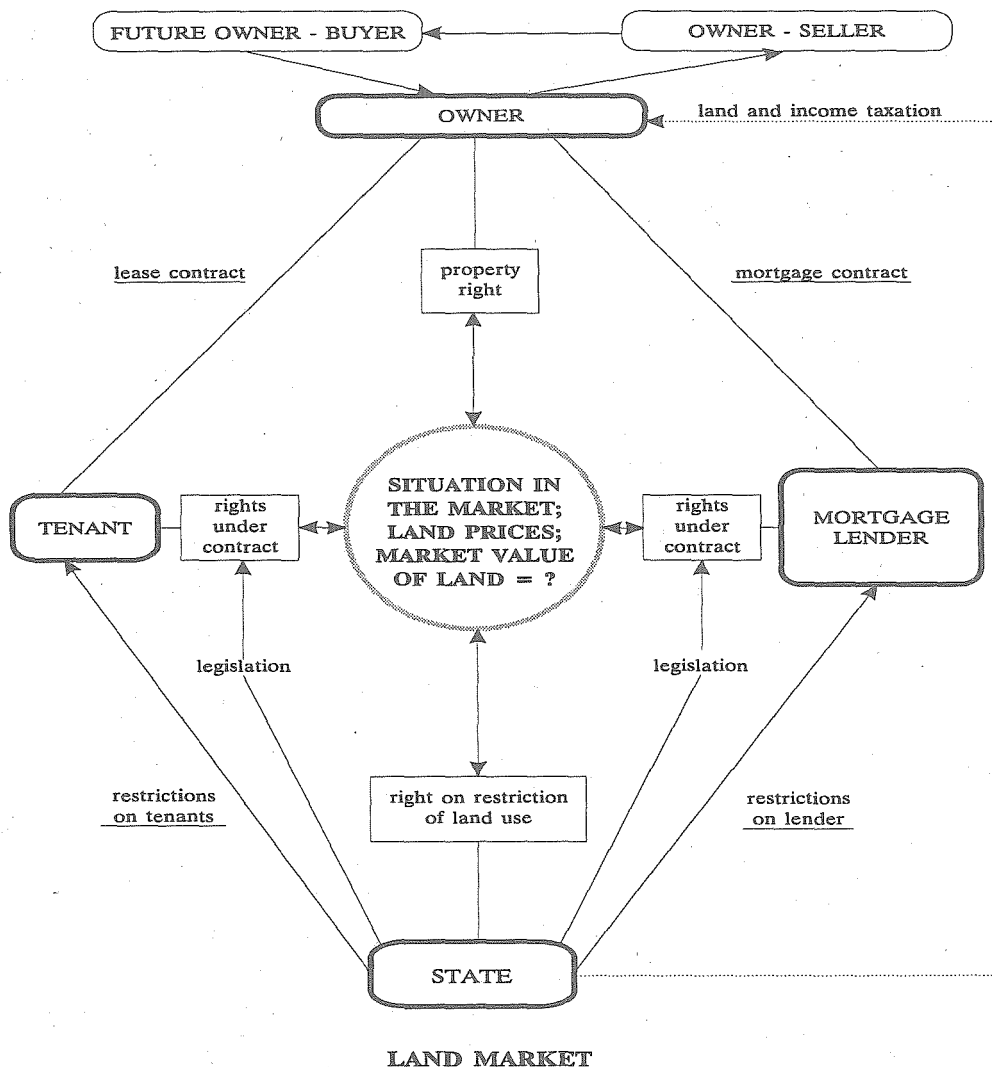
## 3 PURPOSE OF RECORDS ON LAND TRANSACTIONS AND PRICES OF LAND

The market economy is connected with the real estate market and market valuation of land. The following is above all important for countries:

- 1) Legal definition of market-based methods of land valuation is only a necessary, but not a sufficient condition for the establishing of market valuation of urban land. In addition to other conditions (Rakar et al., 1993), official records on land transactions and their prices are necessary for market valuation. It is precisely because of the lack of appropriate data necessary for market valuation of urban land which can be obtained from such records that appraisers in Slovenia continue to use the administrative method of land valuation in accordance with the existing technology (Official Gazette of the SRS, No. 8/1987). When appraisers use market methods for land valuation, greater differences occur between appraised values for quite comparable land, which presents an especially significant problem in the project of the construction of Slovenian motorways. Since the state (perhaps not even on purpose) does not have official records of land transactions and prices of available land, each of the proposed values of land has the same possibility of being appraised as its market value. For the same reason, the acquisition of land into the category of public property takes a long time.
- 2) The changed structure of land ownership in Slovenia and the constitutionally ensured equality of private and public ownership of urban land will have an influence of a different relationship between the public and private ownership and planning and the market, which could have an influence on the growth and development of

Slovenian towns and cities in the future if the state does not control circumstances in the real estate market. In a market economy the state does not intervene in the field of pricing land as was customary in the past. The prices of land are formed freely with regard to supply and demand in the field of urban land. In order to introduce special state interventions, the state should be informed of the circumstances in the real estate market, especially for the prices of land.

Data on the situation in the real estate market, land transactions and prices are important for all participants in the land market. The source of demand, which gives this data its importance, is given in figure 1.



*Figure 1: Transparency of data on land transactions and prices, a precondition for the establishing and functioning of the real estate market*

The significance of information on the situation on the real estate market was especially emphasized at the FIG Congress in Berlin (Schaar, 1995). The established needs for data on the situation in the real estate market and prices, however, are not a sufficient condition for the establishing, maintenance and management of the said records. The necessary measures and sanctions which will enable the establishing, maintenance and management of such records should be determined by law.

#### 4 NECESSARY MEASURES FOR SYSTEMATIC MONITORING AND ENTERING OF DATA

The following measures are required for the establishing, maintenance and management of records on land transactions:

- ☐ establishing of an independent administrative organization which will establish, maintain and manage these records,
- ☐ education of professionals for the establishment, maintenance and management of the said records and the professionals for the analysis of collected data,
- ☐ valuation of land on standardized forms,
- ☐ compulsory submitting of these forms to an independent administrative organization, including corresponding sanctions,
- ☐ ensured public access to results,
- ☐ prescribed market valuation of land and compulsory use of data and results on the basis of these records including corresponding sanctions,

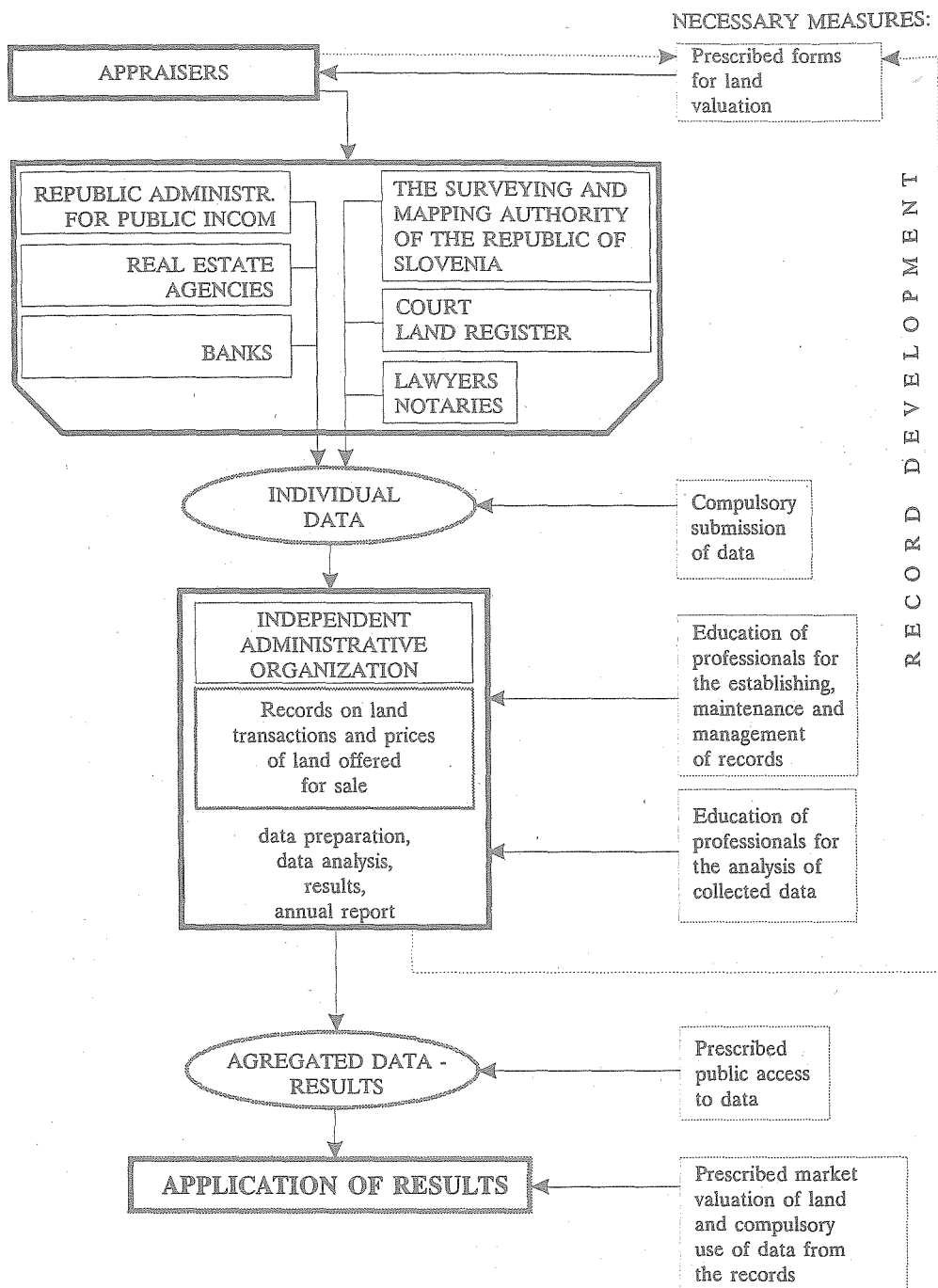
as presented in detail in figure 2.

#### 5 EXPERIENCES AROUND THE WORLD AND IN SLOVENIA

The high level of development of market valuation of land in Germany has its history. In the fifties, the circumstances in the field of urban land valuation in Germany were similar to the present situation in Slovenia, since they had then changed from legally restricted land prices to their free formation. Since both appraisers and official services often made biased appraiser's reports, they decided on establishing an independent institution, a court expert committee, which would (Friedrich, 1984):

- ☐ give unbiased expert reports,
- ☐ constantly monitor the prices of land,
- ☐ enable everyone to acquire data on guideline values of land.

Even though many times in the past tendencies have appeared for the privatization of expert committees or for decision-making in expert committees to be left to individual regional laws (Friedrich, 1984), the competencies of expert committees are at present determined by a federal building code law (BBauG) and are standardized for the entire country.



*Figure 2: Required data for the establishing, maintenance and management of records on land transactions and prices of land in Slovenia*

With regard to the experience of Germany, we should also legally determine that such official records can only be managed by an independent administrative organization with no interest in land market, neither as a buyer nor as a seller of land. As a short-term solution, special offices should be established in administrative units and, long-term, special real estate offices should be established. Private records of appraisers of real estate and real estate societies exist in addition to these official records, but they do not have the character of official records. There can be only one official record and it must be unified for the entire country. A greater number of private records can only lead to a non-uniform assessment of the market value of land. The use of data and results on the basis of these records in the market valuation of land must be compulsory and sanctioned.

The development of records of land transactions and prices of land depends on the development of the market in urban land and corresponding changes. In 1994 the Municipal Economics Institute designed forms for recording land transactions and prices for unbuilt urban land. They were sent to large real estate agencies in Slovenia as an enclosure to the magazine *Nepremičnine* (Real Estates). Forms were designed such that they contained the smallest possible number of data required for the analysis of the real estate market and the prices of urban land in Slovenia. It was anticipated that such data are available to persons filling in those forms. The results of this analysis were published in *Nepremičnine* (Šubic Kovač, 1995). On the basis of this attempt of recording land transactions and prices of land it can be claimed that the establishment of such records is possible even in the so-called transition period. Standardized forms for the valuation of land will have to be developed with the development of real estate market.

The reporting of data on forms was voluntary in the above-mentioned survey. In order to be able to constantly monitor the circumstances in the land market, compulsory reporting of this data to an independent administrative organization will have to be stipulated by law, including relevant sanctions. Sanctions can be determined at the time of certification of sales contracts or upon entry into the land register. The results of the analysis of data from the records must be public and available to all parties present in the real estate market. Public access to the results has an influence of reducing the deviations of land value determined by sellers and appraisers from the prices actually achieved in the market.

## 6 EDUCATION AND TRAINING OF PERSONNEL

Professionals from various fields participate in the establishment, maintenance and management of these records. Since these records are directly connected with certain geodetic records (land cadastre, public utilities cadastre, building cadastre, records on the prescribed spatial protection and restrictions on interventions into environment), the role of a geodetic expert is essential in the establishment, maintenance and management of these records. With the extension of the knowledge of geodetic professionals into the field of land management, geodetic experts will also begin participating in the analysis of collected data, which is in accordance with the trends established by Hoisl and Enemark (Hoisl, Enemark, 1995) in their paper presented at the congress of the International Association of Surveyors (FIG). In the

past, geodetic engineers in socialist countries dedicated their efforts above all to land measurement. Due to changed circumstances, Hoisl and Enemark believe that it will be necessary to include subjects from the field of land management in high-school and university curriculums in these countries. However, the latest draft of high-school and university curriculums at the Department of Geodesy at the Faculty of Civil Engineering and Geodesy, University of Ljubljana, shows an entirely opposite tendency. The number of lessons dedicated to land management, which was already relatively low in the existing curriculum, is expected to be further reduced. The question arises of which trends the geodetic profession in Slovenia follows.

## 7 CONCLUSION

The need to establish official records of land transactions and prices of land will arise in the market economy and market valuation of land in Slovenia. Since legislation in the field of land use and geodesy has not yet been adopted, there is still time to incorporate all necessary measures enabling the establishment, maintenance and management of such records. To what extent Slovenian geodetic engineers will participate in this process naturally depends on what geodetic professionals prefer.

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