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## **Acquisition of land property by foreigners in Poland in 2000-2010**

**Abstract.** The objective of the present study has been to evaluate changes in the number of sales and in the area of land real estate, including agricultural and forest land, bought by foreigners in 2000-2010, and also in the land real estate acquired via transactions such as acquisition or taking hold of stocks and shares in companies which had been owners or perpetual users of real estate. The authors have used secondary data from the Ministry of Interior and Administration<sup>3</sup>, the Institute of Agricultural Economics and Food Economy, the Agricultural Property Agency (APA) and the Ministry for Agriculture and Rural Development. Most agricultural and forest land and other types of real estate sale transactions were concluded in 2007. In 2000-2010, foreigners bought land real property with total acreage of 37,588.57 hectare. Since 2008, a dynamic increase has been observable in the area of land property purchased through transactions of acquisition or taking hold of stocks and shares by foreigners in companies which had been owners or perpetual users of real estate (in 2006-2010, foreigners bought 75.4% of the total area of land bought in this way). In 2000-2010 foreigners acquired in total 65,731.79 hectare of land real estate in Poland, while the total area of land sold from the resources of APA during the same time period was 1,228,000 hectare.

**Key words:** land property, foreigners.

## **Introduction**

Land property is a particularly important component of the real estate resources available in the Polish market. Despite new and frequently changing conditions governing our economy, land remains a fundamental production resource in farming [Johnson 2002; Swinnen & Vranken 2009; Marks-Bielska 2009; 2010; 2013]. Land buying and selling is affected by a number of factors, rooted in the historical, economic and social or cultural context, but in Poland, the European Union's enlargement remains one of the most essential aspects [Lizińska 2005].

Agricultural real property is, according to the article 2 section 2 of the Act of the 11<sup>th</sup> of April 2003 on management of the agricultural system [Act... 2003] effective as of the 16<sup>th</sup> of July 2003, the agricultural land as defined by the civil code (that is land that is or can be used for conducting production activities in agriculture in the areas of crop or animal production, not excluding horticultural, orchard and fishery production), excluding real property situated in the areas allocated in physical development plans for purposes other than agriculture [Marks-Bielska 2009].

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<sup>3</sup> In November 2011 name changed to Ministry of Interior.

The question of regulating the land property purchase by foreigners provokes many discussions, not just in Poland. It should be mentioned, however, that unrestricted acquisition of real property by foreigners is an element of freedom in economic activity and in flow of production means. Since 2004, citizens and entrepreneurs from the EEA states have been allowed to purchase shares and stocks in companies which owned real estate, including the agricultural one, without a requirement to obtain permission [Kisiel et al. 2007; Pałasz 2005].

Foreigners can become users of the State Treasury's agricultural real estate either by buying or renting some real property from the Resources of the Agricultural Property Agency, or through buying stocks or shares in companies which hold ownership or perpetual usufruct rights to agricultural real property, and by doing so they support the scale and structure of the private sector in Poland [Szewc-Rogalska 2004]. As mentioned above, it should be borne in mind that since 2004 citizens and entrepreneurs from the EEA states have been allowed to purchase shares and stocks in companies which owned real estate, including agricultural one, without the requirement to obtain permission [Oleszko 2009, Rynek... 2011].

Selling real property is the most permanent and desirable way of taking advantage of the state's land resources. For the buyer, the land purchase favours long-term investment into the purchased property. For the Agency, selling some land is advantageous for two reasons. First, all the revenue from the transaction is earned in a short time; secondly, the Agency is released from the obligation to supervise the property [Kozłowska-Burdziak 2005]. Foreigners can also participate in auctions, provided they have been granted a permission to purchase real estate by the Minister of Foreign Affairs, pursuant to the regulations governing the acquisition of real estate by foreigners. For several years now, German, Dutch, Finnish and Danish investors have invariably been the major buyers of land from the Resources of the State Treasury [Marks-Bielska & Woźniak 2009, Marks-Bielska 2010].

Renting land, too, plays an important role in the land turnover involving foreign citizens. Leasing requires less financial outlay than buying for many farmers, including foreigners, and it is a convenient and relatively easily accessible way to get hold of land property from the Resources of the State Treasury. However, for the land renting system to function properly, stable conditions need to be ensured [Ziętara 2001; 2009].

## **Aim of the study and data sources**

The objective of the present study has been to evaluate changes in the number of sales and in the area of land real estate, including agricultural and forest land, bought (with a permission and without the obligation to obtain one) by foreigners in 2000-2010, and in the land real estate (including agricultural and forest land) acquired via transactions such as acquisition or taking hold of stocks and shares in companies which were owners or perpetual users of real estate. Another purpose of our analysis has been to evaluate the relations between particular types of purchased land and between ways in which it was bought over the last ten years.

In this study, the authors have used secondary data originating from reports by the Ministry of Interior on the execution in the years 2000-2010 of the Act of 24 March 1920 on land acquisition by foreign citizens [Sprawozdanie... 2012], and the data provided by

the Institute of Agricultural Economics and Food Economy, the Agricultural Property Agency and the Ministry for Agriculture and Rural Development. These data contained such information as number of land property acquisition transactions (including agricultural and forest land), either with required permission or without such an obligation, as well as the purchase of land real estate (including agricultural and forest land) acquired via the acquisition of stocks or shares in companies which were owners or perpetual users of real estate.

### Changes in the number of transactions and in the surface of land acquired by foreigners

In most countries, buying land by foreigners raises heated debates, because it means relinquishing some of the national treasury. In all of the EU countries, there are restrictions imposed on the real estate sale. In Poland, the transitional period regarding the acquisition of agricultural and forest land by foreigners is the longest among all other countries which accessed the EU at the same time as Poland. The number of transactions of real estate sale to foreigners in Poland in 2000-2010 is presented in table 1.

Table 1. Number of transactions concluded by foreigners to acquire real estate in Poland, with a permission or without the obligation to obtain one, in 2000-2010

Year	Agricultural and forest land		Other types of real estate	
	without permission	with permission	without permission	with permission
2010	241	175	3713	133
2009	218	188	3063	140
2008	190	250	3248	115
2007	195	294	4410	136
2006	106	283	3190	123
2005	119	128	2338	348
2004	96	75	1341	1042
2003	73	107	321	1602
2002	56	100	313	1601
2001	47	74	348	1198
2000	95	27	515	929
Total	1436	1701	22800	7367
Total transactions in groups	3137		30167	
Number of all transactions	33304			

Source: authors' calculation based on the report by Minister of Interior [Sprawozdanie... 2012].

At present, a considerable number of land sale transactions by foreigner buyers can be concluded without permission. However, prior to Poland's access to the European Union, the proportions were opposite. This is attributable to the change in the regulations on land

purchase by citizens of the EU countries. This change has led to a considerable increase in the total number of land purchase transactions by foreigners since Poland joined the European Union.

The share of agricultural and forest land in the total number of transactions was 11%, being much smaller than that of other types of real property. Most agricultural and forest land sale transactions were concluded in 2007 (489) and the smallest number of such transactions occurred in 2001 (121). The highest number of transactions of other types of real estate sale (4,546) was recorded in 2007 and the smallest one in 2000 (1,444).

According to the information contained in the reports by the Minister of Interior, foreigners bought, in 2000-2010, the land real property that in total encompassed 37,588.57 hectare, including 3,400.14 hectare of farm and forest land (with or without the obligation to obtain permission). However, since 2008 a dynamic increase has been observable in the area of land property (including agricultural and forest land) purchased through transactions of acquisition or taking hold of stocks and shares by foreigners in companies which were owners or perpetual users of real estate (Fig. 1).

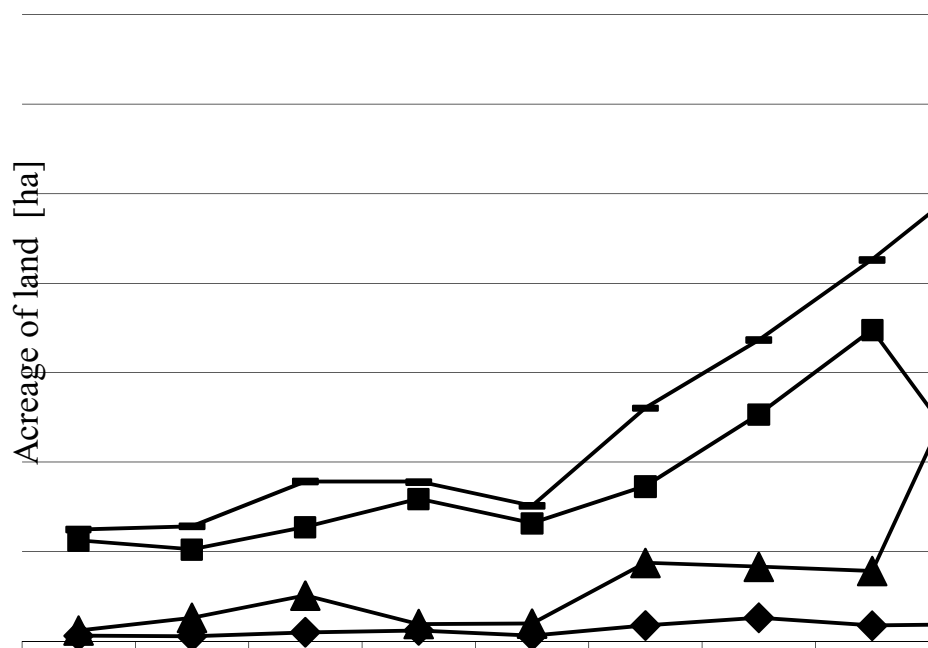


Fig. 1. Acreage of land real estate (including agricultural and forest land) purchased by foreigners in 2000-2010

Source: authors' calculation based on reports by the Minister of Interior [Sprawozdanie... 2012] and other institutions [Rynek... 2011].

In 2000-2010, foreigners acquired in this way the land real estate covering in total 28,143.22 hectare. Noteworthy is the fact that in just 2006-2010 foreigners bought 21,239.14 hectare of agricultural or forest land by acquiring or taking hold of stocks or shares in companies which had an ownership right or a perpetual usufruct to this land,

which corresponds to 75.4% of the total area of the land bought in this way. At the same time, this is six-fold more than the total acreage of agricultural and forest land bought, with a permission or without an obligation to obtain permission, in 2000-2010. With respect to the land for which a purchase permission had been issued to foreigners who bought or took up stocks or shares in companies owning land, it should be noticed that from 2000 to 2004 the issued permits covered a total area of 35,359 hectare, whereas the area which was actually acquired in this way during this period reached just 2569.84 hectare, corresponding to 7.3% of the area stipulated in the permits. Although in 2004, citizens and entrepreneurs from the EEA (European Economic Area) countries were allowed to acquire stocks and shares in companies that possess real estate without an obligation to obtain permission, considering the scale of acquired agricultural real estate it does not seem that the year 2004 was a turning point in this respect. In 2000-2010, foreigners acquired in total 65,731 hectare of land real estate in Poland, while the total area of land sold from the Resources of the Agricultural Property Agency during the same time period was 1,228,000 hectare.

## Summary

Most agricultural and forest land and other types of real estate sale transactions were concluded in 2007. In 2000-2010, foreigners bought land real property with total acreage of 37,588.57 hectare. Since 2008, a dynamic increase has been observable in the area of land property purchased through transactions of acquisition or taking hold of stocks and shares by foreigners in companies which were owners or perpetual users of real estate. The beginning of the economic crisis period did not discourage foreigners to invest in Poland in this way. In 2006-2010, foreigners bought 75.4% of the total area of land bought through transactions of acquisition or taking hold of stocks and shares in companies which were owners or perpetual users of real estate. In 2000-2010, foreigners acquired in total 65,731.79 hectare of land real estate in Poland, while the total area of land sold from the Resources of APA during the same time period was 1,228,000 hectare. Thus, in comparison to the area which was distributed by the APA, the area of land that foreigners have purchased is only 5.3%

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