



CONTENT

1 ABOUT US

2 BACKGROUND INFORMATION

3 LEGAL FRAMEWORK OF THE GERMAN LAND MARKET

4 MARKET MONITORING

5 ROLE OF BVVG ON THE LAND MARKET

6 EXPERIENCE FROM OTHER TRANSITION COUNTRIES

1 ABOUT US

Katja Dells
20.02.2012
2



ABOUT US

- Foundation of the German Trust Agency (Treuhandsanstalt) January 1990
 - Objective: privatization of state-owned property
- Foundation of BVVG - July 1992
 - Goal 1: privatization of state-owned agricultural and forestry land
 - Goal 2: restitution and allocation of ownership on land
- Supervision of BVVG through the Federal Ministry of Finance
 - in cooperation with the Federal Ministry of Food, Agriculture and Consumer Protection

Katja Dells
20.02.2012
3

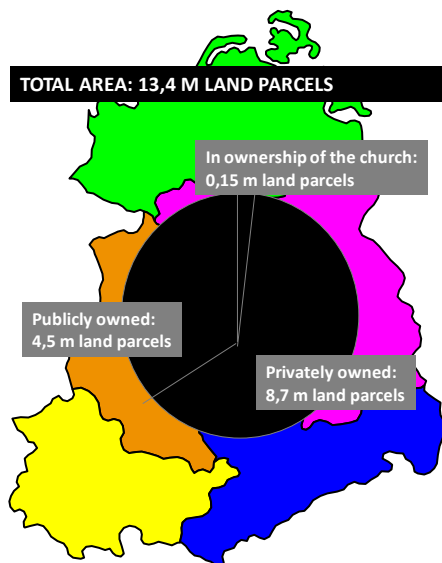
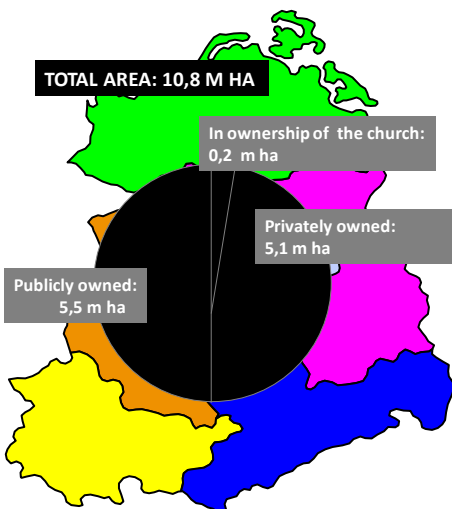
1 ABOUT US

2 3 4 5 6



2 BACKGROUND INFORMATION

Katja Dells
20.02.2012
4



Katja Dells
20.02.2012
5

1 2 BACKGROUND INFORMATION

3 4 5 6



LEGAL STATUS AND PROPERTY RIGHTS

Cooperatives/Collective Farms
(Agriculture)

(State-owned) business entities
(VEG, Kombinate)

Legal status of business entities



Use- and property rights to land

State owned

Private land

Katja Dells
20.02.2012
6

1 2 BACKGROUND INFORMATION

3 4 5 6



3 LEGAL FRAMEWORK OF THE GERMAN LAND MARKET

Katja Dells
20.02.2012
7



LEGAL FRAMEWORK OF THE GERMAN LAND MARKET

Double Role of the State:

- ⇒ Market participant/land owner like everyone – no distinction between state or privately owned land
- ⇒ providing legal framework for the real property market to guarantee a functioning and healthy land market

Legal Basis:

- ⇒ Participants act on the grounds of constitutional rights: Art. 1 freedom of contract (transactions between market participants),
- ⇒ Art. 14 guarantee of private property: no expropriation without compensation,
- ⇒ Art. 19 laws may not unduly interfere with the substantial contents of constitutional rights, principle of proportionality

Katja Dells
20.02.2012
8

1 2 3 LEGAL FRAMEWORK OF THE GERMAN LAND MARKET 4 5 6



LEGAL FRAMEWORK OF THE GERMAN LAND MARKET

General laws:

BGB (German Civil Code),
GrdstVG (Real Property Transactions Act),
GBO (Land Register Code),
LPachtVG (Land Lease Transactions Act),
Laws conc. Preservation of Nature, Forest Laws
BauGB (Federal Building Act)
Reichssiedlungsgesetz (Empire Settlement Act)

Content of these laws:

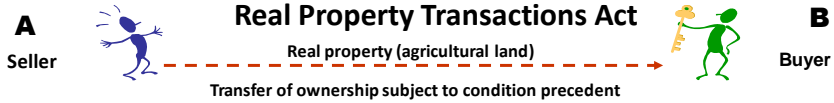
- contract law,
- property law, survey (cadastre), land register,
- regional development,
- land valuation,
- state aid,
- expropriation/restrictions on use of private property

Katja Dells
20.02.2012
9

1 2 3 LEGAL FRAMEWORK OF THE GERMAN LAND MARKET 4 5 6



LEGAL FRAMEWORK OF THE GERMAN LAND MARKET



Approval of sales contract by the competent department of agricultural affairs (real property transfer above minimum level of approx. 1 ha) §§ 2, 6

Reasons for disapproval, § 9

- Inappropriate distribution of agricultural land - sale to non farmers – in some cases pre-emption rights of third parties, § 4 Reichssiedlungsgesetz – Empire-Settlement Law)
- Property is partitioned into uneconomical sizes
- Substantial disproportion between purchase price and market value

Special civil courts for agricultural matters -
appeal 2 weeks after receipt of written notification of disapproval (service)

Katja Dells
20.02.2012
10

1 2 3 LEGAL FRAMEWORK OF THE GERMAN LAND MARKET 4 5 6



4 MARKET MONITORING

Katja Dells
20.02.2012
11



TRANSPARENCY ON THE LAND MARKET

Market players should be provided with information about the land market

- Therefore the Building Code of 1960 stipulated the establishment of so called Valuation Boards
- After reunification valuation boards were also set up in Eastern Germany following the West German model

Katja Dells
20.02.2012
12

1 2 3 4 MARKET MONITORING 5 6



VALUATION BOARDS...

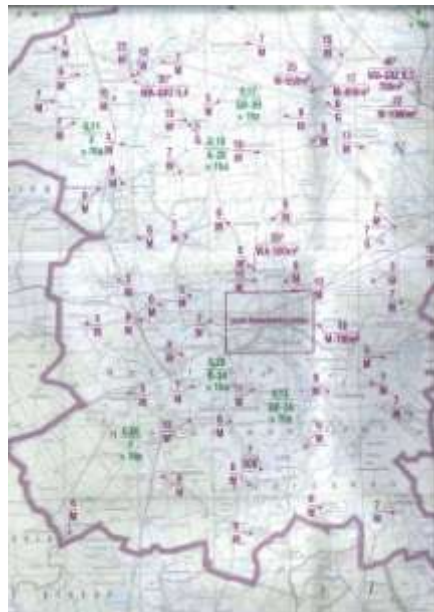
- Are independent bodies => without authorities that have power to direct with respect to the activities of the valuation boards
- Fulfill valuation assignments as stipulated in the building code
- Members of the valuation boards are employees at public authorities and publicly appointed valuers
- Assignments:
 - collecting sales prices from land transactions
 - statistical evaluation
 - Publication

Katja Dells
20.02.2012
13

1 2 3 4 MARKET MONITORING 5 6



STANDARD LAND VALUE



Katja Dells
20.02.2012
14

1	2	3	4 MARKET MONITORING	5	6
---	---	---	---------------------	---	---



5 ROLE OF BVVG ON THE LAND MARKET

Katja Dells
20.02.2012
15



LAND MANAGEMENT IN FIGURES

Portfolio in 1992: 3,2m ha

Thereof

- 0,3 m ha agricultural and forest land restituted to natural persons
- 1,2 m ha allocated to statutory bodies and regional authorities
- Approx. 1,34 m ha sold
- Approx. 381,500 ha managed by BVVG
 - 291,000 ha agricultural land (approx. 5,7 % of agricultural land in Eastern Germany)
 - 66,000 ha forest land

Katja Dells
20.02.2012
16

1 2 3 4 5 ROLE OF BVVG ON THE LAND MARKET 6



THE ROAD TOWARDS PRIVATIZATION IN EAST GERMANY



Stabilizing of emerging farms
Securing the forestry port folio
Basis for future sales
1992 - 1996

Consolidation of the newly developed agrarian structure, indemnification,
1996 – 2010, extension for certain eligible groups

Sale of agricultural land within the fully developed land market beginning **2005**;
since 2010: option for long term lease

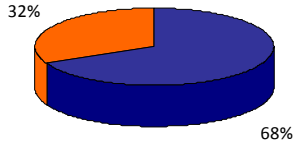
Katja Dells
20.02.2012
17

1 2 3 4 5 ROLE OF BVVG ON THE LAND MARKET 6



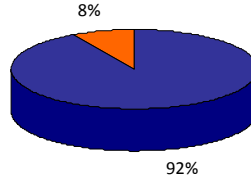
SHARE OF AGRICULTURAL LAND

1992



■ New Federal States without ohne BVVG 4.2 mio ha
 ■ BVVG 2.0 mio ha

2008



■ New Federal States (NFS) without BVVG 5.7 mio ha
 ■ BVVG 0.5 mio ha

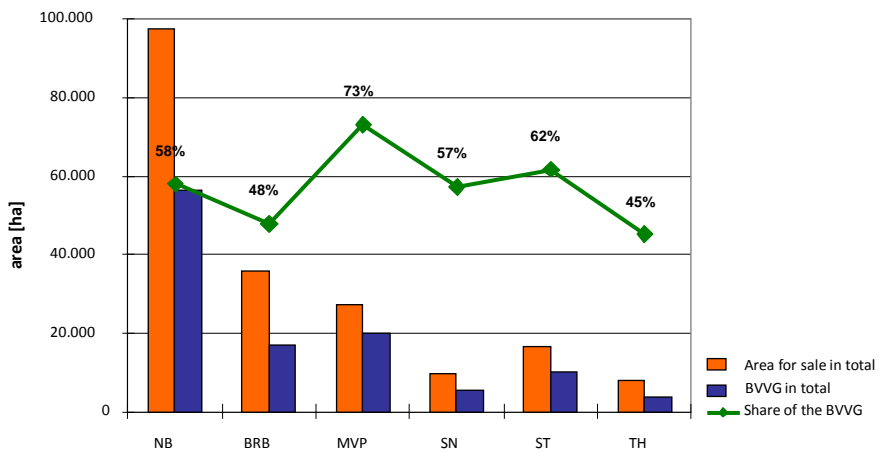
Source: Statistisches Bundesamt, BVVG

1 2 3 4 5 ROLE OF BVVG ON THE LAND MARKET 6



SHARE OF BVVG LAND SALES ON THE LAND MARKET (2007)

EALG: 31.500 ha, market value: 66.200 ha

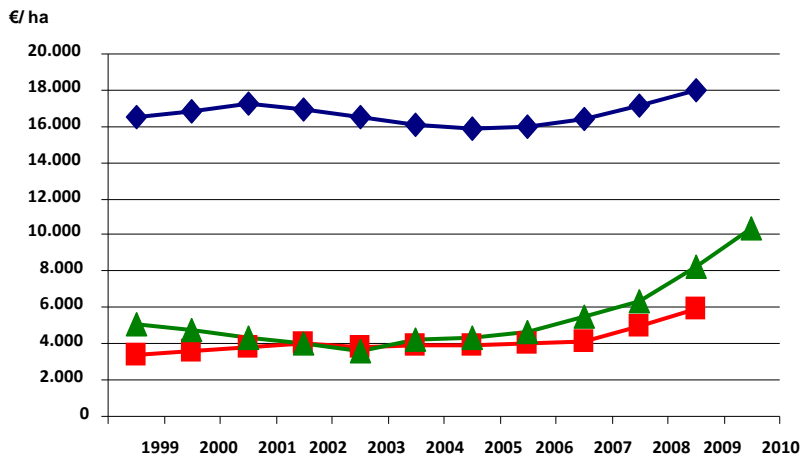


Source: Statistisches Bundesamt, BVVG

1 2 3 4 5 ROLE OF BVVG ON THE LAND MARKET 6



PRICES FOR LAND SALES AT MARKET VALUE



Source: Statistisches Bundesamt, BVVG

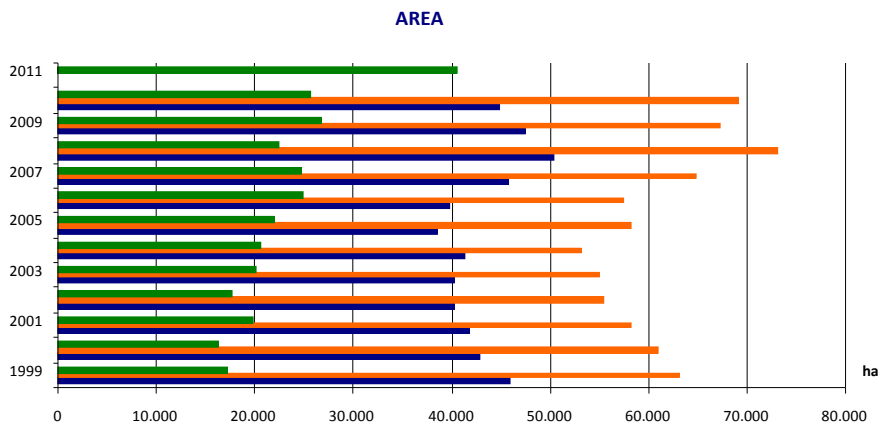


Katja Dells
20.02.2012
20

1 2 3 4 5 ROLE OF BVVG ON THE LAND MARKET 6



AGRICULTURAL LAND SOLD IN ha



Source: Statistisches Bundesamt, BVVG

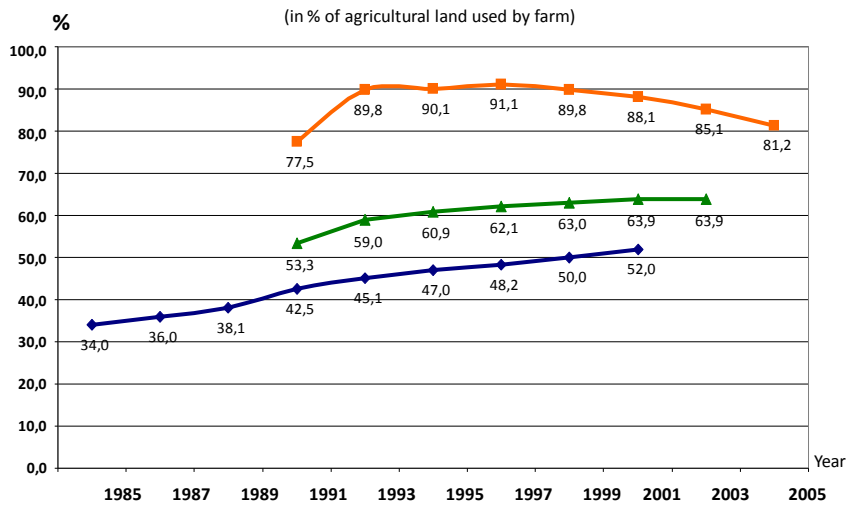


Katja Dells
20.02.2012
21

1 2 3 4 5 ROLE OF BVVG ON THE LAND MARKET 6



PROPORTION OF LEASED AGRICULTURAL LAND



Source: Statistisches Bundesamt, BVVG

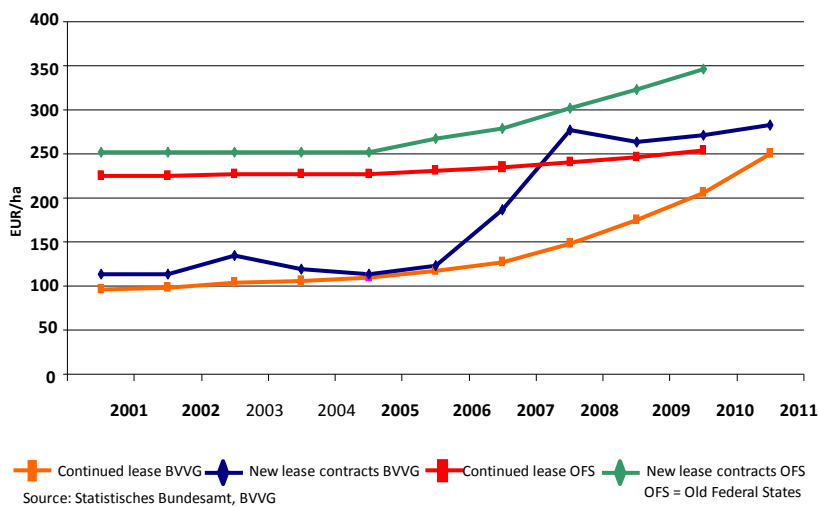
◆ Western Germany ■ Eastern Germany ▲ Germany

Katja Dells
20.02.2012
22

1 2 3 4 5 ROLE OF BVVG ON THE LAND MARKET 6



LEASE PRICE DEVELOPMENT COMPARISON BVVG AND WEST GERMANY



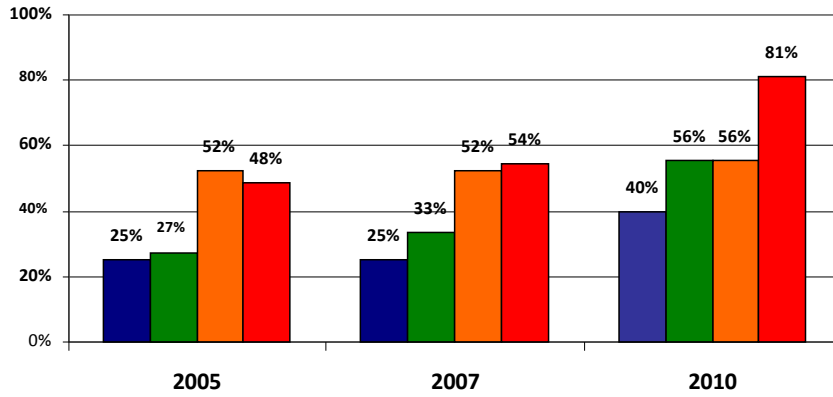
Source: Statistisches Bundesamt, BVVG

Katja Dells
20.02.2012
23

1 2 3 4 5 ROLE OF BVVG ON THE LAND MARKET 6



LEVEL OF LEASE AND SALES PRICES COMPARED TO WEST GERMANY (WEST GERMAN LEVEL = 100%)



■ Purchase price New Federal States
 ■ Purchase price BVVG
 ■ Lease rent price New Federal States
 ■ Lease rent price BVVG

Source: Statistisches Bundesamt, BVVG

Katja Dells
20.02.2012
24

1 2 3 4 **5 ROLE OF BVVG ON THE LAND MARKET** 6



6 EXPERIENCE FROM OTHER TRANSITION COUNTRIES

Katja Dells
20.02.2012
25



FRAME CONDITIONS AT STARTING POINT

- Incoherent or weak legal frame
- Missing or poorly equipped implementing institutions
 - e.g. cadastre / state-land management agency
- High transaction costs for sale and lease transactions
- No market information available
- Little market activity
- Inofficial land transactions
- Biased land markets because of lacking spatial planning measures
- Sometimes considerable share of state-owned land
- Infavorable conditions for farming (farms poorly equipped financially; poor marketing options)

Katja Dells
20.02.2012
26

1 2 3 4 5 6 EXPERIENCE FROM OTHER TRANSITION COUNTRIES



INSTRUMENTS REQUIRED

- Coherent legal frame and strong and well equipped implementing agencies
- Land information system (multi-purpose cadastre)
- Simplified procedures in land transaction
- Independant market monitoring institutions
- Implementation of spatial planning regulations
- Effective management of state-owned agricultural Land
- Land valuation procedures
- Subsidy programs for farmers

Katja Dells
20.02.2012
27

1 2 3 4 5 6 EXPERIENCE FROM OTHER TRANSITION COUNTRIES



THANK YOU FOR YOUR ATTENTION!

Katja Dells

BVVG

International Consulting Department

Head of Dept.

Schönhauser Allee 120

D - 10437 Berlin

phone: + 49 -(0)30 - 4432 1033

fax: + 49 -(0)30 - 4432 2229

mail: dells.katja@bvv.de

Katja Dells
20.02.2012
28

