ABOUT US

• Foundation of the German Trust Agency (Treuhandanstalt) 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
2 BACKGROUND INFORMATION

In ownership of the church:
- 0.2 m ha

Privately owned:
- 5.1 m ha

Publicly owned:
- 5.5 m ha

TOTAL AREA: 10.8 M HA

In ownership of the church:
- 0.15 m land parcels

Privately owned:
- 4.5 m land parcels

Publicly owned:
- 8.7 m land parcels

TOTAL AREA: 13.4 M LAND PARCELS
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

3 LEGAL FRAMEWORK OF THE GERMAN LAND MARKET
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

General laws:
- BGB (German Civil Code),
- GrdstVG (Real Property Transactions Act),
- GBO (Land Register Code),
- LPachtVG (Land Lease Transactions Act),
- 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
LEGAL FRAMEWORK OF THE GERMAN LAND MARKET

A Real Property Transactions Act

Real property (agricultural land)

Transfer of ownership subject to condition precedent

B Buyer

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

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

VALUATION BOARDS...

• Are independant 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
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

THE ROAD TOWARDS PRIVATIZATION IN EAST GERMANY

I. Phase
Stabilizing of emerging farms
Securing the forestry port folio
Foundation for future sales
1992 - 1996

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

III. Phase
Sale of agricultural land within the fully developed land market beginning 2005;
since 2010: option for long term lease
SHARE OF AGRICULTURAL LAND

1992
- New Federal States without 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

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

EALG: 31.500 ha, market value: 66.200 ha

Source: Statistisches Bundesamt, BVVG
PRICES FOR LAND SALES AT MARKET VALUE

Source: Statistisches Bundesamt, BVVG

AGRICULTURAL LAND SOLD IN ha

Source: Statistisches Bundesamt, BVVG
PROPORTION OF LEASED AGRICULTURAL LAND

(in % of agricultural land used by farm)

Year

1985 1987 1989 1991 1993 1995 1997 1999 2001 2003 2005

Western Germany Eastern Germany Germany

Source: Statistisches Bundesamt, BVVG

LEASE PRICE DEVELOPMENT COMPARISON BVVG AND WEST GERMANY

Source: Statistisches Bundesamt, BVVG

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Purchase price New Federal States</th>
<th>Lease price New Federal States</th>
<th>Purchase price BVVG</th>
<th>Lease price BVVG</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>25%</td>
<td>40%</td>
<td>27%</td>
<td>52%</td>
</tr>
<tr>
<td>2007</td>
<td>25%</td>
<td>52%</td>
<td>33%</td>
<td>54%</td>
</tr>
<tr>
<td>2010</td>
<td>56%</td>
<td>56%</td>
<td>52%</td>
<td>54%</td>
</tr>
</tbody>
</table>

Source: Statistisches Bundesamt, BVVG

6 EXPERIENCE FROM OTHER TRANSITION COUNTRIES
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)

INSTRUMENTS REQUIRED

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

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