

Development trends in land market prices in Slovakia

Tendencie vývoja trhových cien pôdy na Slovensku

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Abstract: After the accession to the EU, there is a necessity to develop the land market in Slovakia. The achievement of the following conditions is necessary: settlement of estates in lands and unification of the law of real property in the areas of ownership, utilization, change of the land type, soil conservation, land use planning and building multiple-function agriculture with the legislation of the market economy countries as well as its harmonization with the EU legal regulations. It is also necessary to develop an official network to follow transactions on the land market, a regular update of data and their evaluation.

Key words: market price of land, acreage of parcels, land ownership, agricultural land market

Abstrakt: Po vstupe Slovenska do Európskej únie je nevyhnutným predpokladom rozvoja trhu s pôdou vysporiadanie vlastníckych práv k pozemkom a zjednotenie pozemkového práva v oblasti vlastníctva, využívania, zmien druhov pozemkov, ochrany pôdy, územného plánovania a budovania multifunkčného poľnohospodárstva so zákonodarstvom krajín s trhovým hospodárením, ako i jeho harmonizácia s právnymi predpismi EU. Vybudovať treba tiež oficiálnu sieť na sledovanie transakcií na trhu s pôdou, pravidelnú aktualizáciu údajov a ich vyhodnocovanie.

Kľúčové slová: trhovú cenu pôdy, výmera pozemkov, vlastníctvo pozemkov, trh s poľnohospodárskou pôdou

INTRODUCTION

The primary condition for creation of land market in countries with market economy, among which Slovakia belongs after its accession into the European Union, is the existence of ownership and the ability to prove ownership rights associated with real estates (Rejsek 1992). It was only after 1990 when the full-scale real estate ownership rights were restored. The supreme legal regulation which lays down guarantees for ownership rights is the Constitution of the Slovak Republic, and mainly the Act of Basic Rights and Freedoms which forms part of the Constitution. It is the obligation of the state to protect the right of ownership and tenure by any available means. Without a doubt, the right of ownership and tenure has been an instrument of private property law. In

accordance with the Act, the existing public law regulations, however, do necessarily impact upon ownership rights. Available means of law enforcement mainly include legal regulations in the area of administration, bankruptcy and criminal law. This also applies to regulation of the agricultural land market (Němec 2004).

Sales and purchase of agricultural land, and above all its dynamics, are largely dependent on the current economic condition of the Slovak agriculture and expectations which followed the process of accession into the European Union (Buday 2004).

The prerequisite for full harmonisation of land market with the EU countries is the existence of statistical pricing data linked with agricultural land in Slovakia, as well as the availability of objective information. To this day, the Statistical Office of

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the Slovak Republic has not monitored such data. Objective data on market prices in selected regions in Slovakia are only available in land evaluation data bank of the Research Institute of Agricultural and Food Economics (Bradáčová, Grausová 2003).

SOLUTION METHODOLOGY

Market prices of agricultural land are monitored in selected regions of Slovakia. The regions were selected in cooperation with the Faculty of Natural Sciences at the Comenius University and the Research Institute for Soil Analysis and Protection in Bratislava. The market pricing data are collected in cooperation with the Research Institute of Geodesy and Cartography in Bratislava. The following districts were selected for monitoring of market prices: Dunajská Streda, Liptovský Mikuláš, Michalovce, Rimavská Sobota, Svidník and Topoľčany. The market prices within each district followed the breakdown by cadastral areas, types of land lots, number of lots, overall lot acreage and lot purchase and sales price, in SKK/m² (Němec 1996).

Real market pricing data were then processed to create overviews and tables within the interactive database environment based on INFORMIX-SQL structured query language.

By linking the collected land sales data with the evaluation data bank (EDB), a basis has been established for creation of functional database which contains data on the agricultural land market in Slovakia, on the specific figures and development of market prices and it should also allow comparison of market prices with official prices of agricultural land.

SALES OF AGRICULTURAL LAND ACCORDING TO TYPES OF LOTS IN SELECTED DISTRICTS OF THE SLOVAK REPUBLIC, IN 2001 AND 2002

In 2001 and 2002, 4 057 land lots were sold in Slovakia. Number of sold lots increased by 5.31% in 2002. The highest increase (by 49.7%) in the number of sold lots was recorded in the category of arable land within the most productive district of Dunajská Streda. The number of sold lots dropped down in other categories of land use, both in year-on-year and in interregional comparison. Number of sold vineyards dropped down by 35.6%, orchards by 34.7% and permanent grass covers by 45.3%. There were no gardens sold in 2001.

The total acreage of agricultural land sold in 2002 only amounted to 68.8% of land sold in 2001. The acreage of sold arable land increased by 15%. The acreage of sold vineyards dropped down by 69%. Also, the acreage of sold orchards dropped down by 35% and that of PGC by 46%. In 2001, no gardens were sold in the selected regions (Figure 1).

MARKET PRICES OF AGRICULTURAL LAND ACCORDING TO TYPES OF LAND LOTS IN SELECTED DISTRICTS OF THE SLOVAK REPUBLIC, 2001–2002

Compared to 2001, the average market price of agricultural land has increased by 75%, which in absolute figures means an increase by SKK 6.06/sqm. In district terms, the average market price has recorded the biggest increase in the district of Rimavská Sobota

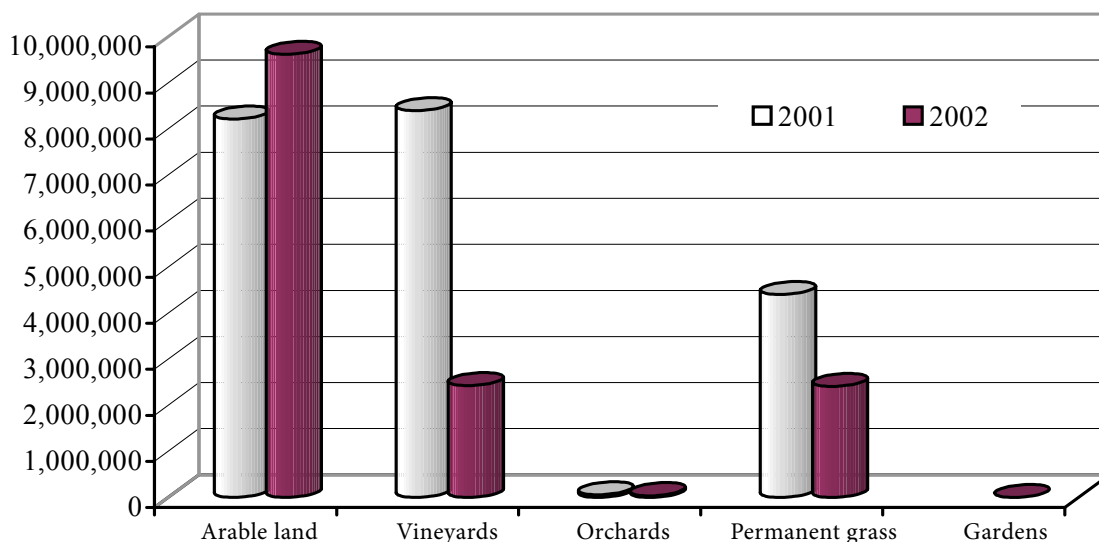


Figure 1. Acreage of agricultural land sold according to types of lot

Table 1. Overview of sales of agricultural land according to type of land in 2001 and 2002

TYPE of lot	District	2001			2002		
		number of lots	acreage (m ²)	average price (SKK/m ²)	number of lots	acreage (m ²)	average price (SKK/m ²)
Arable land	Dunajská Streda	700	4 918 214	21.91	1 048	7 418 463	22.36
	Topoľčany	80	862 709	9.63	72	1 191 380	2.66
	Liptovský Mikuláš	215	328 882	26.04	234	169 512	39.30
	Rimavská Sobota	46	1 687 956	0.97	57	61 327	9.22
	Svidník	33	51 412	8.41	31	69 974	3.36
	Michalovce	39	370 545	6.89	24	713 326	4.37
	Total	1 113	8 219 718	15.73	1 502	9 623 982	18.66
Vineyards	Dunajská Streda	28	8 363 961	2.59	8	2 414 158	4.60
	Topoľčany	1	782	44.04	0	0	0.00
	Liptovský Mikuláš	0	0	0.00	0	0	0.00
	Rimavská Sobota	7	4 043	8.46	2	603	2.43
	Svidník	0	0	0.00	0	0	0.00
	Michalovce	37	31 645	4.74	37	17 624	16.35
	Total	73	8 400 431	2.61	47	2 432 385	4.69
Orchards	Dunajská Streda	19	32 616	61.28	20	29 707	61.29
	Topoľčany	5	18 909	3.19	1	2 792	1.79
	Liptovský Mikuláš	0	0	0.00	0	0	0.00
	Rimavská Sobota	2	9 396	3.71	2	4 472	3.42
	Svidník	2	2 057	5.74	1	4 139	2.50
	Michalovce	0	0	0.00	0	0	0.00
	Total	28	62 978	33.44	24	41 110	45.03
Permanent grass covers	Dunajská Streda	66	1 119 287	1.33	19	38 141	46.13
	Topoľčany	71	418 518	4.28	49	277 250	5.54
	Liptovský Mikuláš	541	1 659 172	8.04	342	1 678 346	4.39
	Rimavská Sobota	42	1 156 132	0.38	69	155 875	4.17
	Svidník	28	38 507	5.51	41	109 306	2.56
	Michalovce	14	20 699	8.63	18	152 985	4.64
	Total	762	4 412 315	3.96	538	2 411 903	5.10
Gardens	Dunajská Streda	0	0	0.00	0	0	0.00
	Topoľčany	0	0	0.00	0	0	0.00
	Liptovský Mikuláš	0	0	0.00	0	0	0.00
	Rimavská Sobota	0	0	0.00	0	0	0.00
	Svidník	0	0	0.00	0	0	0.00
	Michalovce	0	0	0.00	6	2 656	55.03
	Total	0	0	0.00	6	2 656	55.03
Selected districts, TOTAL	Dunajská Streda	813	14 434 078	9.21	1 095	9 900 469	18.24
	Topoľčany	157	1 300 918	7.83	122	1 471 422	3.20
	Liptovský Mikuláš	756	1 988 054	11.02	576	1 847 858	7.59
	Rimavská Sobota	97	2 857 527	0.75	130	222 277	5.55
	Svidník	63	91 976	7.14	73	183 419	2.86
	Michalovce	90	422 889	6.82	85	886 591	4.81
	Total	1 976	21 095 442	8.09	2 117	14 512 036	14.15

Source: RIGC, own calculations

(increase by 639%) and Dunajská Streda (increase by 98%). In other districts, however, the average market prices dropped down compared to 2001. The largest decrease was recorded in the districts of Topoľčany (by 59%) and Svidník (by 60%).

The price of arable land increased more than 9 times in the district of Rimavská Sobota. On the other hand, the average market price of arable land in the district Topoľčany dropped down to 28% of 2001 level. Major increase (3.5 times) in price per sqm of vineyards was recorded in the district of Michalovce. On the other hand, the prices in the district of Rimavská Sobota dropped down to 29% of 2001 level. There were no substantial changes recorded in market prices of orchards in the year-on-year comparison. The largest increase in market prices of permanent grass covers in 2002 took place in the district of Dunajská Streda, where the average price increased 34.7 times compared to 2001. On the other hand, the market prices in the districts of Liptovský Mikuláš and Michalovce dropped down by 50%.

Detailed overview on sales of agricultural land in 2001 and 2002 is shown in Table 1.

COMPARISON OF MARKET AND OFFICIAL PRICES OF AGRICULTURAL LAND IN SELECTED REGIONS

Overall, market prices of agricultural land have outpaced official prices several times, especially in productive agricultural districts and districts with developed tourism. The only exception is the district of Topoľčany, where market prices of agricultural

land achieve only 54% of the value of average official prices (Table 2).

Average market prices of arable land have recorded similar trend as those of agricultural land. The average market prices of arable land in the most productive district of Dunajská Streda are twice as high as the average official prices. The difference is even more distinct in the district of Liptovský Mikuláš where the average market prices are 22 times higher than the official prices. This was caused by the fact that the share of arable land compared to permanent grass covers is relatively low, therefore its price continues to rise. In the remaining districts, the relationships between market and official prices are balanced.

Average market prices of vineyards in selected districts are about the same as official prices. The only exception is the district of Michalovce, where the average market price is 3.9 higher than the official price of arable land. The districts of Topoľčany, Liptovský Mikuláš and Svidník did not record any single case of vineyard sale.

The largest differences between market and official prices among regions were recorded in the category of orchards. The market prices of orchards in the district of Dunajská Streda are 6.6 times higher than the average official price. In the districts of Rimavská Sobota and Svidník, the market prices reach the level of official prices and in the district of Topoľčany the prices amount to only 29% of average market prices.

Also, market prices of permanent grass covers (PGCs) are several times higher than the official prices. No district has recorded lower market price than the official price. The average market price in the district

Table 2. Average official and market prices according to the type of land lot in 2002

District	Average prices of the sold land in SKK/m ²								
	agricultural land		arable land		vineyards	gardens	orchards	permanent grass cover	
	market price	official price	market price	official price	market price	price	market price	official price	
Dunajská Streda	18.24	9.1	22.36	9.25	4.6	0	61.29	46.13	5.56
Topoľčany	3.2	5.94	2.66	6.1	0	0	1.79	5.54	2.2
Liptovský Mikuláš	7.59	1.2	39.3	1.79	0	0	0	4.39	0.99
Rimavská Sobota	5.55	2.58	9.22	3.6	2.43	0	3.42	4.17	1.35
Svidník	2.86	1.71	3.36	2.61	0	0	2.5	2.56	1.23
Michalovce	4.81	3.47	4.37	4.14	16.35	55.03	0	4.64	1.78
Selected districts	14.15	4.42	18.66	5.87	4.69	55.03	45.03	5.1	1.44

Source: RIGC, own calculations

of Dunajská Streda is 8.3 times higher than the average official price. In the district of Liptovský Mikuláš, the market price outpaces the official price 4.4 times, 3.1 times in the district of Rimavská Sobota, 2.5 times in Topoľčany, 2.5 times in Michalovce and 2.1 times in Svidník. At the same time, the district of Svidník recorded the lowest market price of PGCs among the monitored districts and it amounts to less than half of the value achieved in most of the districts.

CONCLUSION

The year-on-year comparison of 2001 and 2002 shows that the overall acreage of sold agricultural land dropped by 658.3 hectares in 2002. However, the acreage of sold arable land increased by 140.4 hectares. Compared to 2001, the acreage of other lot types has recorded a balanced downward trend. The acreage of vineyards sold in 2002 dropped by 596.8 hectares, orchards by 2.2 hectares and PGCs by 200 hectares. The district of Dunajská Streda recorded growth in sales of arable land by 250 hectares, while the district of Topoľčany saw rise in sales by 33 hectares and Michalovce by 34 hectares. This shows that in 2002 the market in agricultural land was the most developed one in districts suitable for intensive agricultural production. The purchase of arable land was focused mainly on expansion of the existing land acreage for small and medium-sized farmers who expand their business. Orchards and vineyards were purchased mainly by new farmers who focused on growing these crops. Of the total sold acreage, the lots close to intravilans ranked third in sales. These lots are expected to be scheduled for construction development.

The market prices of agricultural land continue to rise when compared to the official prices. In absolute terms, the market prices of agricultural land rose in 2002 by SKK 6.06/m². The market prices of arable

land rose in average by SKK 2.93/m², by SKK 2.08/m² for vineyards, by SKK 11.59/m² for orchards, and by SKK 1.14/m² for permanent grass covers.

We expect continuing slight increase in market prices in the years to come until the market in agricultural land will open to foreign investors.

Most of the lots was sold in the districts of Dunajská Streda and Liptovský Mikuláš, and the least number of lots was sold in the district of Svidník. The largest acreage was sold in the districts of Dunajská Streda, Liptovský Mikuláš and Topoľčany. Similar to 2001, the highest prices of sold agricultural land were recorded in the districts of Dunajská Streda and Liptovský Mikuláš.

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