

Minutes of

**Meeting of COST G 9 Modelling Real Property Transactions  
Working Group 3 Economy**

March 11.-13. 2004

at Geodetic Department, Faculty of Civil and Geodetic Engineering (FGG), University of Ljubljana,  
Ljubljana, Slovenia

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**1. Opening of meeting**

Organizer, Dr. Marjan Ceh, and WG chair, Dr. Kauko Viitanen, welcomed participants (see participant list, annex 2)

**2. Approval of the agenda**

The agenda (see annex 1) was approved

**3. News regarding Working Plan from the co-ordinator**

WG-chair/co-ordinator Kauko Viitanen welcomed the status of the G9 activities: That property transactions were described in some detail and that the task now was to develop on the assessment of costs.

Two perspectives should be applied: From the point of view of the parties, and from the point of view of society, including total costs of land registry and cadastral system. Developing on the first perspective, he described the transaction costs as a part of the 'total cost of ownership', TOC, which is a standard term in economics literature (e.g. *Lisa Journal of Business Logistics*). Also, he raised the issue, whether the fees collected by the state in the context of property transactions corresponded to the costs of maintaining the registers properly.

Finally, he stressed the need of specifying characteristics of cases or joint models, the transaction cost of which should be estimated in different countries.

**4. Presentations and discussion of papers**

The presentations by Ivo Lavrac and [Erik Stubkjær](#) both aimed at addressing the latter of the above perspective: the point of view of society, including total costs of land registry and cadastral system. Lavrac referred to the System of National Accounts as a relevant frame for accounting the property transaction costs at national level, and detailed the Satellite Accounts. Stubkjær took a more pragmatic approach, considering also problems related to different levels of wage for same skills across different countries. Both were enthusiastic about developing a joint framework for the assessment of national transaction costs, and agreed on elaborate on the issue in terms of full papers.

Rado Brezovar and Barbara Faidiga introduced another perspective on costs by referring to experiences made through the computerization of the Land Register of Slovenia.

Arvo Vitikainen presented, assisted by a [mind map](#), a Finnish case of subdivision using the [MS Visio software](#), drawing upon [previous description](#) of activities and cost figures. As an alternative, he demonstrated the use of an [Excel spreadsheet](#) for illustrating the temporal relations of transaction activities.

**5. Demonstration of software, explorative drawing up of transaction cost models**

**a. Marjan Ceh: Demonstration of software - The Slovenian case**

The purpose of demonstration of the software, in casu MS Visio, was to suggest an approach for the calculation of costs of property transaction, cf the [annex 3](#): PROPOSAL FOR PRACTICAL/RESEARCH APPROACH TO CALCULATING COST OF REAL ESTATE TRANSACTION.

The session was carefully prepared, allowing hands-on access to computers with the relevant software for groups of two. A Slovenian transaction of real estate was motivated and demonstrated in detail (see annex 4: Pure sale5, 13. 03. 2004). The intention was that the audience imitated (parts of) the performance, with a view of repeating the exercise at home with national data.

During the demonstration and the subsequent discussion, the following issues were addressed:

- The availability and cost of the software at the diverse universities
- The demanding level of detail envisaged by the demonstration: Duration of activities stated in hours, and even minutes, compared to the previous listing of activities and establishment of gross honoraries, etc.
- Interfacing the activity details with previous recordings of activities
- Balancing detail against validity (in surveyors' terms: not presenting more decimals than mse allows for)

The general opinion tended towards acknowledging the potential of the proposed methodology for providing cost data of high specificity, but left reservations as to whether the method, incl the software, was to be generally applied within the G9 action.

#### **b. All: Structuring of national cost figures, establishing joint models**

An important element of the above mentioned approach is to carefully define the property unit transacted, in order to reduce irrelevant factors during comparisons.

Marjan Ceh proposed a context of sale, characteristics of the traded unit, trading conditions, incl. amount of consultancy involvement as well as an interest rate to apply to the duration of the process. Each of the elements was discussed, and a few added (infrastructure available in the road, average price level) resulting into a consensus on the characteristics mentioned in the note: PROPOSITION for the DEFINITION OF TRANSACTION of prototype object ([annex 5](#))

#### **6.-8. Research issues arising from the discussions; Programme for the next meeting**

Research issues were raised as follows:

AF:

similarity across Europe  
social burdens on real estate transactions  
satellite accounting

KV:

the functioning of the real estate market(s) (rules, risks, obstacles, official and 'gray' markets)

JB:

Cooping with socialist legacy, developing 'western' markets

AV:

Analysis of RE procedures; comparing internationally: actors, costs, ..

RS:

Connection missing between G9 WGs; relevant software tools might become available.  
Modelling of RE procedures

MF:

In addition to KV above: land development, conceptual analysis;  
Property structure of agricultural land, land consolidation and social consequences, frictions in adoption process, Slovenian economy

PE:

2005: Is the methodology feasible? If so, go on with more complicated cases  
+2005: Characterize 'bundle of rights' (substantive dimension of law) across countries

IL:

Empirically based framework to answer policy questions  
Continuing research on tracking transaction costs (more types of cases, more. )  
'Implement' explanatory model of North into the domain of real estate through international comparisons including public accounting (satellite accounts) [IL: rephrase to fit program]

**MC:**

Effectiveness of procedures; how to transfer experiences, good solutions, what obstacles to change; municipal level; Implementation in spatial planning  
Semantics and ontologies of RE within economics

**ESt:**

Editor should look for consistency among WGs terminology  
Formalize existing procedures into one (Poseidon) system (2004). Terminology  
Formalization of document in cadastral cases  
Causes of economic development (North), analyzing RE across different cultures (transparency)  
Identifying functions of property market

**Related research:**

World Bank ongoing research: interesting but difficult (KV)  
INSPIRE  
EULIS  
WPLA (Helge Onsrud)

**Funding opportunities:**

6thFramework programme  
ESF/COST

...

Consensus on focus of future research: Empirical studies of institutions of real estate

**7. Other matters, incl publications**

Stubkjær proposed the preparation of a book on COST G9 *action* outcome with content tentatively as follows:

1. Introduction
  1. The stated objectives and the main outcome
  2. The domain, its components, relations and boundary
  3. ..
2. Assessing economic efficiency
  1. General principles and methodology (e.g. cost + time; time or cost dominating; balancing of societal needs vs reg. efficiency; allocative efficiency? assessing costs and benefits; assessing opportunity costs, risk premium, interest rates)
  2. The simplest transaction compared - The users' point of view (MC's simple + new mortgage 75% + subdivision based on sale, incl granted building permission and no easements; Fanthom + 10 cases)
  3. The application of satellite accounts for the real estate segment of society (The universal?total? point of view)
  4. The property developer's point of view
  5. ...
  6. Ownership forms in Finland - The effect of institutional arrangements
  7. a. Comparing efficiency of individual steps  
b. Factors (mechanisms? measures? e.g. time) of economic efficiency;
3. Modelling procedures of real property transactions
  1. The modelling methodology applied
  2. National reports: Organisational structure and details of main procedures (slo, fin, dk, lv, hu, grc)
  3. The functions of the cadastral system
  4. Terminology
4. Postscript
  1. Related research and investigations
  2. Suggestions for further research

Nominating an editor/ editing group appeared to be the next step in the process.

**9. End**

Participants thanked warmly Marjan Ceh and colleagues for an instructive and pleasant WG meeting

**Annexes:**

1. Agenda as of Feb 5. 2004
2. List of participants
3. M. Ceh: Calculating cost of transaction
4. Pure sale5, 13. 03. 2004).
5. M. Ceh: General case - transaction of a prototype object

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Erik Stubkjær, est@land.aau.dk, 2005.02.03

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