

Breaking with the Past

by Lidia Henclewska, CPM®

To understand Poland's property management industry, one must consider how the profession functioned during the country's Socialist period between 1945-1989. During this time, the state was essentially the property manager. Owners could not make any decisions regarding their buildings. Rents were so low owners were lucky to cover basic maintenance costs.

Because most owners did not want to take care of their properties, huge state-owned enterprises were created to manage the real estate.

A Time of Change

Positive changes in Poland began in 1989 when commercial property owners were allowed to sign rental agreements, set rents and decide who could lease in their buildings.

Rents for residential properties are still a good deal lower than the market rate (sometimes 10 times lower). The owner may give the resident a three-year lease, but only if he or his family will be living there.

In 1994, the Institute of Real Estate Management began offering property management training in Poland. The first participants were generally those interested in learning but who did not have the slightest idea how to manage property. These individuals established Poland's first private companies.

The '90s were also a time of intense development of commercial properties,

including office buildings, shopping centers, hotels and warehouses. Initially, the investment return period was 4 to 5 years with occupancy rates of close to 100 percent. However, because they were unable to find experienced Polish property management companies, investors hired full-time employees who attempted to learn the property management business by themselves.

Management Licensing

The occupation of "property manager" was defined legally in 1997 as a person having at least a secondary education (in Poland that means 12-14 years of education) and a property manager license.

The license can be obtained by completing a course of at least 145 hours, obtaining six months of practical experience, writing a property management plan and passing an exam before a state commission. However, because the practical experience could be obtained by attending a workshop, some licensees are not employed in property management and often cannot find employment. More than 10,000 licenses have been issued to date in Poland, a nation of about 40 million people. With a 17 percent unemployment rate opportunities in Poland remain scarce.

A Growth Process

It has been said the learning economy is, to a large extent, about making people unlearn their habits and overcoming

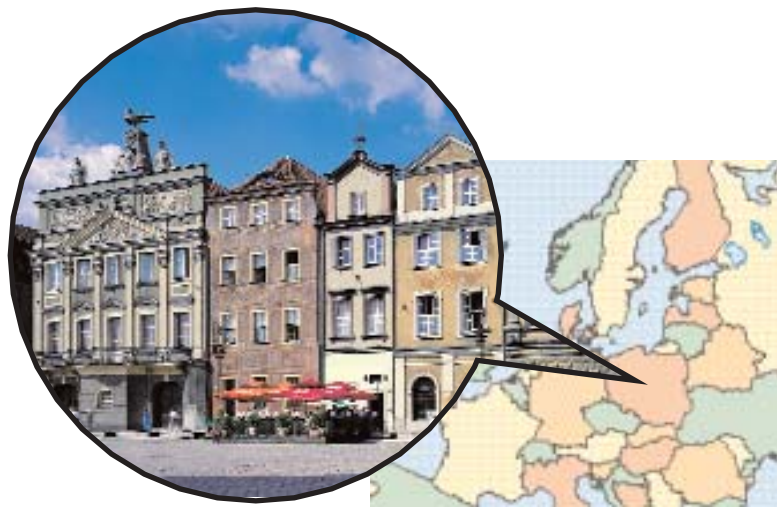
their fears. Thus, Poles are learning to live in a new economic system. This is the first time Poland is experiencing a recession in which the job market is not protected by state-owned enterprises.

While the market is still dominated by large post-Socialist companies, small, private companies are slowly building their portfolios. Due to the large number of licensed property managers, those establishing new companies set prices so low no decent level of services may be ensured.

The recession has created commercial vacancy rates upward of 30 percent, income levels have decreased and investment return periods have increased to as much as 10 years. This has forced owners to closely look at expenses and consider hiring a management company rather than retaining a full-time employee.

Despite intense competition, the quality and professionalism of active property managers is improving quickly. Private companies are emerging slowly and those that have survived have created a solid base for themselves, both in terms of managed properties and well-trained employees. □

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