

ANALYSIS OF CHANGES IN TRANSACTION PRICES OF UNDEVELOPED LAND IN POLAND

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Abstract

The subject of the paper is the change trends in the trade in undeveloped land and real properties designated for agricultural and forestry purposes in Poland with respect to the value and surface area of real properties sold. Another aim of the study is to present the differences between average transaction prices of undeveloped real properties designated, among others, for residential, industrial, agricultural and forestry purposes. The research covers the period starting from the accession of Poland into the European Union structures. The Polish real property market has been very active in the analysed period. The analysis of tendencies in real property sales transaction values in Poland in the time period from 2004 to 2015 demonstrates that the increasing trend prevailed from 2004 to 2008. Then, in 2009, the value of transactions decreased in comparison to the preceding year.

Key words: real property trade, transaction prices, land real properties

Introduction

The real property market is a whole set of conditions in which titles to real property are transferred. Such transfer consists of concluding agreements with the aim to define mutual rights and obligations that are inextricably linked to the right to own real property (Kucharska-Stasiak, 2016; Trojanek 2008).

According to K. Gawronski and B. Prus the real property market in Poland is still in the development phase, but it is doubtlessly an important element of economic growth. However, it is imperfect due to the fact that a small number of transactions are concluded in some regions of the country, voivodeships and communes (Gawronski, Prus, 2005).

There are certain stylized facts concerning the real property price dynamics. The first one is the statement that real property prices remain stable from one period to the following one. The main reason for that is believed to be the rationing of loans, insecurity and transaction - related costs. The second one is the fact that permanent changes in real property prices are the reason for both prosperity and downturns on the real property market (Case, Shiller, 1989; Case, Shiller, 1990; Muellbauer, Murphy, 1997; Glaeser, Gyourko, 2006; Klonowska-Matyna, Kanka, 2014).

The supply of building land is influenced by the ease of changing the designation of undeveloped land (wastelands, agricultural land, forests) for the purposes of new development, the ease and freedom of dividing real property, access to infrastructure necessary for the construction and operation of structures, freedom of managing building land plots (regardless of their size) as well as planning and town-planning restrictions.

Agricultural policy is one of the forms of state intervention in the market mechanisms, which has been observed, to various extents, throughout the world. According to R. Sobiecki, quot. by A. Czyżewski, influencing such important parameters of the economy as: the price, profit, revenue may lead to the change in the basic macroeconomic indicators, such as the pace of development of agriculture and its relations with other sectors of the economy.

State intervention usually involves qualification control and control over the formation of the area structure of agricultural farms (Czechowski et al., 2002).

The situation on the agricultural real property market is of great importance for the development of Polish agriculture. The introduction of the principles of market economy and the privatisation of State Treasury-owned agricultural land created a basis for natural land concentration processes, formation of prices and the emergence of agricultural real property market. In Poland, the task consisting in protecting land from purchase has been vested in the Agricultural Property Agency (former Agricultural Property Agency of Treasury), which realises it by means of developing the land property of former state-owned farms and real property of the National Land Fund as well as by means of exercising the right of the first refusal to agricultural real property (Heldak et al. 2017).

The aim of this study is to present the changes in average transaction prices of undeveloped real properties as well as agricultural and forest land in Poland after the accession to the European Union structures and to demonstrate the differences between prices obtained for real properties designated for various purposes.

Methodology of research and materials

The subject of the analysis was the changes in transaction prices in land real properties, including undeveloped land designated for development, agricultural land, as well as forest and woody land in Poland in the period following the accession into the European Union in 2004.

The research covered average transaction prices of land in the years of 2004 – 2015 with respect to the number of plots sold, transaction value and the average value of 1 m² of land designated for development or 1 ha of agricultural land.

The author used source material obtained from the database of the Central Statistical Office in Poland (GUS), from the Agricultural Property Agency of Treasury and databases from the European Statistical Office (Eurostat).

The research material has been gathered by information departments of the national statistical institutions. The collected information was subject to analysis by using the comparative method, by compiling information about transaction prices, surface area and value of sold agricultural land plots and real estate.

General characteristics of transactions in undeveloped land real properties in Poland

The land trade in Poland is influenced by numerous factors. Some of these factors that affect the trade in agricultural land include, among others:

- political transformation and the heritage of the previous political system,
- integration in the European Union and the common agricultural policy,
- the possibility to change the zoning status of agricultural land, usually purchased for lower prices for non-agricultural purposes, e.g. to build a house,
- speculative purposes,
- possibility to receive direct subsidies,
- lower taxes and social security contributions for individuals conducting agricultural activity (Heldak et al., 2017).

Selling of ownership title requires concluding the agreement in form of a notarial deed and entry in the land and mortgage register.

The value and surface area of real property sold during 2004 – 2015 divided into land designated for development, agricultural and forest and woody land are listed in Table 1.

The average transaction prices of agricultural land and real estate in Poland calculated on the basis of the surface area of sold properties and the value of the sold land plots in euro currency, at the exchange rate of the National Bank of Poland as of the 01.03.2017 are listed in the tables below. The equivalent of 1 euro in Polish currency is PLN 4.30.

Table 1

Value and surface area of transactions in undeveloped land real properties in Poland during 2004 – 2015

Nr.	Year	Building land		agricultural land		forest land as well as woody and bushy land	
		value in thous, EUR	Area in m ²	value in thous, EUR	Area in m ²	value in thous, EUR	Area in m ²
1.	2004	349,450	N/A	591,843	2,096,960,000	7,984	21,571,000
2.	2005	519,198	N/A	679,798	1,824,860,000	13,217	20,217,600
3.	2006	1,005,726	N/A	879,225	2,155,894,000	10,161	17,141,400
4.	2007	1,538,572	N/A	1,674,427	10,911,110,000	15,993	23,263,800
5.	2008	1,619,105	9,6916,000	1,587,773	1,472,920,000	40,026	27,497,600
6.	2009	793,058	76,489,560	1,110,092	1,279,351,956	34,104	20,674,439
7.	2010	668,159	76,003,791	1,431,739	1,579,466,260	19,274	20,339,386
8.	2011	1,022,699	91,231,170	2,085,469	1,941,554,970	37,421	29,648,426
9.	2012	1,362,668	99,530,656	2,867,649	2,916,803,199	41,361	24,688,985
10.	2013	1,685,294	145,625,531	2,168,616	2,106,676,261	39,455	25,847,428
11.	2014	1,981,122	153,531,827	2,370,390	1,972,106,528	30,759	27,698,526
12.	2015	2,582,350	223,236,481	3,353,221	2,422,822,264	32,799	33,671,937

Source: the author's study based on data from the Central Statistical Office, calculated at the exchange rate of EUR by NBP as of 01.03.2017.

The analysis of tendencies in real property sales transaction values in Poland during 2004 - 2015 demonstrates that the increasing trend prevailed from 2004 to 2008. Then, in 2009, the value of transactions decreased in comparison to the preceding year. After a slight increase in transaction value (by approx. five per cent) in 2010, later on a strong increasing tendency was noted until 2015. On the other hand, the decrease in the value of land property in the period from 2008 to 2010 was: -142.30% for plots designated for development, -10.90% for agricultural land and -107.70% for forest land as well as woody and bushy land. After 2010, the value of all concluded transactions for land real property increased.

The trends in the change of the surface area in market trade are listed in Figure 1 and 2.

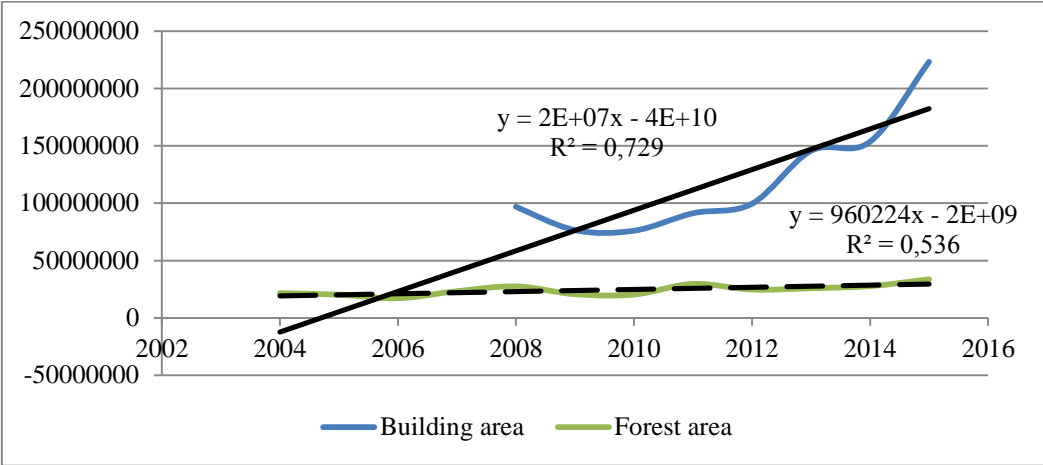


Fig. 1. The surface area of undeveloped and forest land real properties sold in market trade in Poland during 2004 - 2015

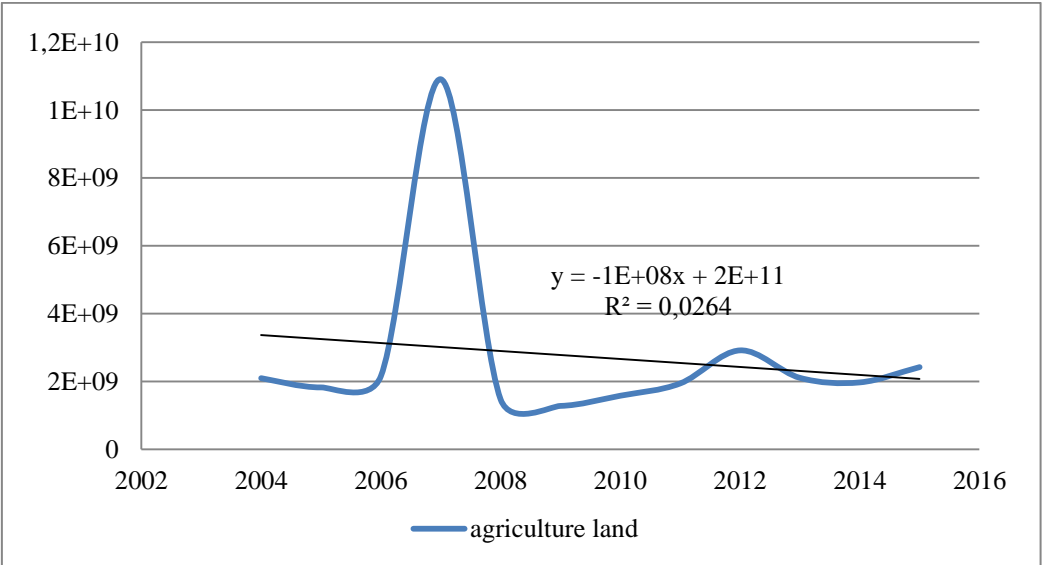


Fig. 2. The surface area of agricultural land sold in market trade in Poland during 2004 - 2015

No decrease in the surface area of undeveloped land being the subject of concluded transactions has been noted. In the contrary, there has been a noticeable significant increase in the surface area of real properties sold, while a stable trend has been noted for forest land. A decreasing tendency has been found for agricultural land, although the surface area of real properties sold has remained stable in recent years.

Average transaction prices of land real properties

The average values for sales transactions of undeveloped land properties were analysed taking into account the following designations:

- residential land,
- industrial land,
- land for commercial and services development;
- other building land,
- agricultural land,
- forest land as well as woody and bushy land (Tables 2, 3).

Due to the lack of access to data from 2004 to 2008, only average transaction prices from 2009 to 2015 were analysed, after dividing them into urban areas and areas located outside town borders.

Table 2

Average transaction prices of undeveloped real properties per 1 m² in urban areas in Poland during 2009 - 2015

Nr.	Year	residential land	industrial land	commercial land	other building land	agricultural land	forest land as well as woody and bushy land
1.	2009	24.07	22.22	-	19.91	7.18	3.93
2.	2010	24.30	13.89	-	18.98	6.48	6.25
3.	2011	22.68	17.36	-	20.60	8.56	7.87
4.	2012	22.31	26.43	-	29.01	10.40	7.98
5.	2013	23.38	23.15	27.78	26.62	8.10	10.18
6.	2014	20.60	17.36	37.96	22.68	7.41	9.95
7.	2015	23.31	12.36	25.55	38.21	3.29	4.70

Source: The author's study based on the data from the Central Statistical Office calculated at the exchange rate of EUR by NBP as of 01.03.2017.

The highest transaction prices per 1 m² in towns were noted for "other building land" properties, followed by commercial land and residential development land. The lowest transaction prices were noted for agricultural land.

Table 3

Average transaction prices of undeveloped real properties per 1 m² outside town borders in Poland during 2009 – 2015

Nr.	Year	residential land	industrial land	commercial land	other building land	agricultural land	forest land as well as woody and bushy land
1.	2009	10.88	7.18	-	10.65	1.31	2.31
2.	2010	9.49	6.94	-	7.41	1.20	4.17
3.	2011	11.57	10.88	-	8.10	1.16	2.55
4.	2012	9.18	7.50	-	6.57	0.72	1.26
5.	2013	7.87	9.26	12.96	7.41	1.39	1.62
6.	2014	9.03	9.26	9.26	6.71	1.39	1.85
7.	2015	6.64	2.29	7.18	4.10	1.20	0.79

Source: The author's study based on the data from the Central Statistical Office calculated at the exchange rate of EUR by NBP as of 01.03.2017.

In non-urban areas, the highest average prices per 1 m² were observed for commercial land and residential development land. Here also the lowest prices are achieved for agricultural land.

Average transaction prices per 1 m² of undeveloped land were considerably higher in urban areas than in non-urban areas. However, a decreasing trend is noted for transaction prices of residential and industrial land and for agricultural land in urban areas (Figure 3 – 5).

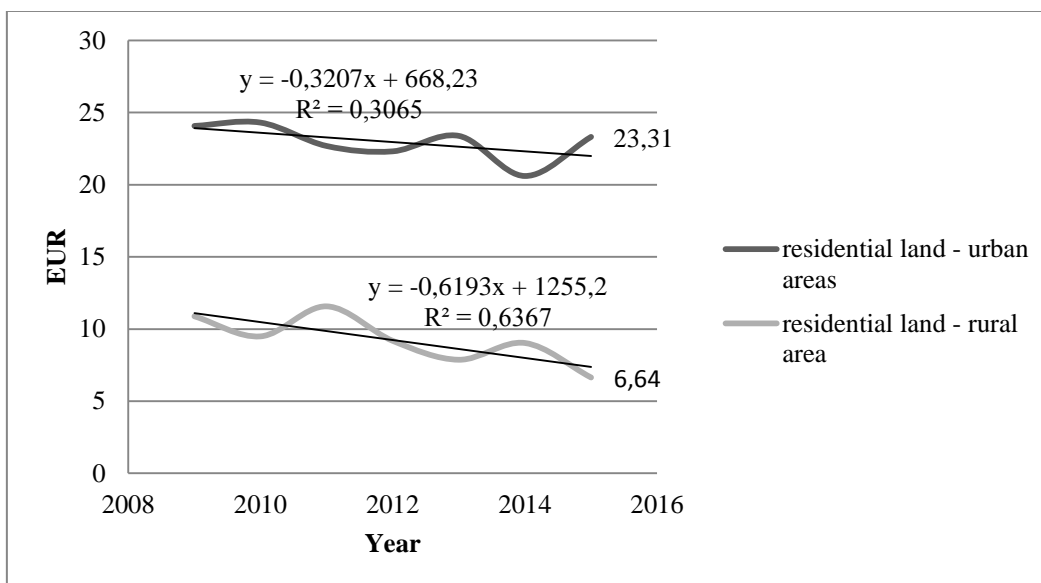


Fig. 3. Average transaction prices per 1 m² of undeveloped property designated for residential development purposes in Poland during 2009 - 2015

Source: The author's study based on the data from the Central Statistical Office

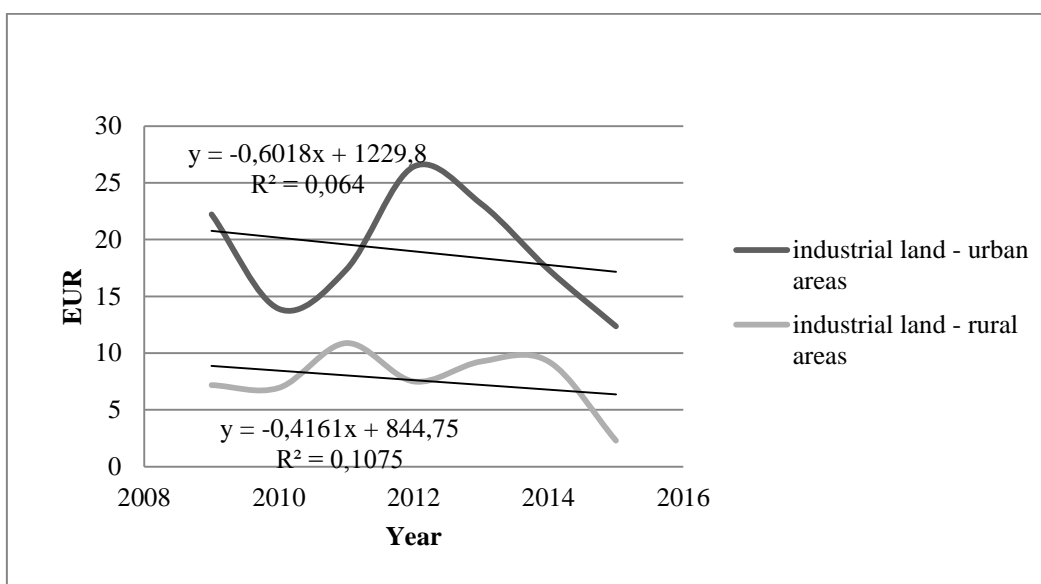


Fig. 4. Average transaction prices per 1 m² of undeveloped property designated for industrial development purposes in Poland during 2009 - 2015

Source: The author's study based on the data from the Central Statistical Office

The situation on the agricultural land market in the period from 2004 to 2012 was slightly different. The average transaction prices per 1 ha increased considerably after the accession to the European Union. This resulted also from the fact that it had become quite easy to change the function of agricultural land for building purposes. It was possible to obtain a decision on development and site management that replaces the local spatial development plan, and ultimately a building permit, for agricultural plots located in the vicinity of developed areas. On the other hand, the costs of purchasing agricultural land with investment potential were significantly lower than for a building plot and thus it was more affordable for a larger group of potential buyers. The prices presented below refer to all agricultural land in Poland (not divided into urban and non-urban areas (Fig. 5)).

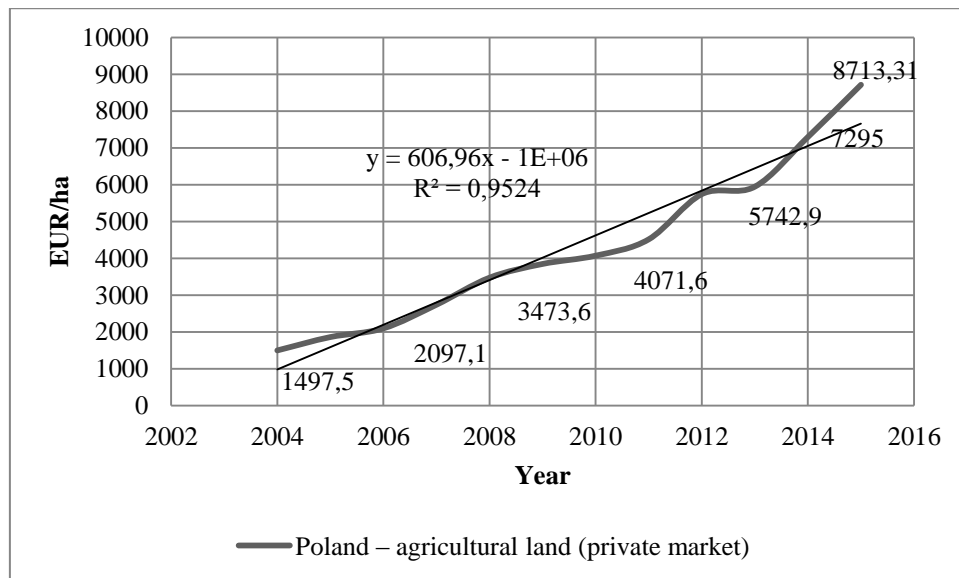


Fig. 5. Average transaction prices per 1 m² of agricultural land in Poland in the years 2004-2015.
Source: The author's study based on the data from the Central Statistical Office

The analysis of the aforementioned data demonstrates that in 2015 the average transaction price of agricultural land was nearly six times higher than in 2004. The growth of prices was influenced by numerous factors, including those discussed above, as well as the application of direct subsidies and the overall development of the country.

Conclusions

The conducted analysis of the average transaction prices of agricultural land in Poland allowed the author to draw the following conclusions:

1. The general recession and deterioration of the economic situation in Poland have contributed to a downturn also in the real property sector. The analysis of the dynamics of the value and surface area of real property sales transactions in Poland shows a considerable weakening of the market condition in the time period from 2008 to 2009. After the period of quite intense growth of the Polish real property market, the value of the concluded transactions began to drop and then to increase again after 2011.
2. Average transaction prices per 1 m² of undeveloped land in urban areas were considerably higher than in non-urban areas. This difference reached even up to 30%, depending on the designation of the property and the analysed year.
3. A decreasing trend in unit transaction prices was noted for all types of real property during 2009 - 2015. However, the research has revealed an increase in the transaction prices of agricultural land in the analysed period from 2004 to 2015.

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