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THE EFFECT OF LARGE PROPERTY OWNERS ON THE REAL ESTATE MARKET AND LOCAL DEVELOPMENT

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SUBJECT HAVING CONSIDERABLE SHARE IN THE REAL ESTATE STOCK IN POLAND

Among the most important subjects having a considerable share in the real estate stock in Poland one can point out:

- units of the territorial government
- state agencies
- businesses
- private businesses
- higher schools

Significance of that subject is emphasized by the fact that they constitute one of basic factors of local development, among others, on account of employment or new investments

MANAGING PUBLIC REAL ESTATES

Real estate management determines sets of relations between subjects and real estates and the procedures which lead to decisions concerning the management of space and its resources

In order to identify the relations, such groups of activities have to be considered:

- analysis of geometric data
- examination of legal relations
- investment
- analyses of completed investment projects
- examination of opportunities





PUBLIC LAND RESOURCES IN POLAND

Public real estates in Poland constitute an immense resource which greatly affects the real estate market. It comprises the following public real estate resources:

- the real estate owned by the State Treasury, comprising 117000 km² of land, including 75000 km² of forest;
- communal real estate resources, comprising about 7200 km² of land, situated mainly in urbanised areas;
- county real estate resources, comprising about 800 km² of land, situated mainly in urbanised areas;
- provincial real estate resources, comprising about 300 km² of land, situated mainly in urbanised areas.



INSTRUMENTS OF PUBLIC REAL ESTATE MANAGEMENT

Real estate management can be discussed from two angles:

- The disposal and management of real estate from public resources, executed through the legal instruments being at the disposal of public administration bodies, which make it possible to transfer real estate to third parties
- The whole of coherent and legally permitted actions which are complementary to the real estate situated in the area of a given local government unit, which serve the purpose of achieving specific socio-economic goals by completing certain assignments

INSTRUMENTS OF REAL ESTATE MANAGEMENT WHICH AFFECT REAL ESTATE MARKET

Instruments of real estate management			
Plan-related		Execution-related	
Strategic	Operative	Administrative	Financial
commune development strategy	local land use plans	selling and acquiring	taxes related to real estate ownership
concept of land use plan		space and area-related studies	pre-emption
	expropriation		penalties for failing to develop the land in due time
	servitude		
	economic programs		rezoning fees
	outline planning permission		improvement fees



INSTRUMENTS OF REAL ESTATE MANAGEMENT AT THE COMMUNAL LEVEL

Groups of real estate	Instruments of real estate management
Communal real estate resource	sale, exchange, renouncing, putting to perpetual usufruct, lease, lending charging with restricted property rights, contributing real estate to a company, division, joining and division
Communal real estate outside the communal real estate resource	annual fees due to perpetual usufruct, enforcing the contract of putting a real estate in perpetual usufruct, pre-emption, acquiring by contract, issuing opinions on division plans, expropriations, re-zoning instruments, policy of ownership-related taxes
Other real estate	expropriation, pre-emption, acquiring by contract, issuing opinions on real estate division plans, improvement fees, rezoning instruments, policy of ownership-related taxes.

SELECTED EFFECTS OF A COMMUNE'S ACTIONS ON THE REAL ESTATE MARKET

Physical effects	Legal effects	Economic effects	Social effects
Change in the manner of land use	Changes in the legal status of real estate	Increase or decrease in real estate prices	Migrations of the population
Building new objects	Change in the borders of real estates	Changes in the amount of income to be earned from real estate	Increase/decrease in the population safety level
Construction of access roads	Changes in the rights and obligations of the owners towards their real estate	Increase/decrease in real estate supply	Improvement /deterioration of the living conditions of the population
Technical development of land	Changes in the bylaws	Change in the employment rate	Improvement /deterioration of the social structure



OWN RESEARCH

The analyses focused on the trade in undeveloped plots of land, assigned for residential buildings, in which the commune participated

A hypothesis was adopted in the course of the study that the real estate market can be divided into two distinct areas according to the subject criterion – the market of real estates owned by communes and those owned by individuals.

In order to perform the analyses, data have been collected regarding the trade in undeveloped plots of land situated on the outskirts of the city of Olsztyn (Poland). The data regarded the transactions concluded in the years 2004-2007.

SUBJECT OF RESEARCH





METHOD OF RESEARCH

The analysis of variance (ANOVA)

The aim of the analysis of variance is to test the statistical significance of differences between the mean values (for groups or variables). The aim is achieved by analysing variances, i.e. by dividing the total variance into a component corresponding to the actual random error and those components which correspond to the differences between the mean values.

Components of variance which correspond to the differences between the mean values are subsequently tested for their statistical significance and if that is ascertained, the zero hypothesis, assuming the absence of differences between the mean values, is rejected, and an alternative one, according to which the mean values (in the population) are different, is accepted.



THE SALE OF UNDEVELOPED PLOTS OF LAND

The sale of undeveloped plots of land by auction

Year	Number of plots	Total area, m ²	Mean area of a plot, m ²	Total value, PLN	Mean value of 1m ² , PLN
2004	19	12 025	633	790 706	65,76
2005	52	17 245	532	2 080 215	120,63
2006	42	21 049	501	3 078 361	146,25
2007	14	8 927	638	2 056 000	230,31

The sale of undeveloped plots of land on the free market

Year	Number of plots	Total area, m ²	Mean area of a plot, m ²	Total value, PLN	Mean value of 1m ² , PLN
2004	73	48 461	664	4 000 368	82,55
2005	78	43 021	552	4 101 937	95,35
2006	87	73 810	848	7 362 900	99,75
2007	88	99 945	1136	13 749 676	137,57

THE RESULTS OF THE ANALYSIS OF VARIANCE FOR THE MEAN PRICES OF PLOTS OF LAND SOLD BY AUCTION AND IN FREE TRANSACTIONS

2007

	SS	Degrees of freedom	MS	F	p
Absolute term	1784349	1	1784349	287,1021	0,0000
Forma obrotu	79405	1	79405	12,7763	0,0005
Error	621503	100	6215		

2006

	SS	Degrees of freedom	MS	F	p
Absolute term	1907198	1	1907198	777,5872	0,0000
Form of trade	30023	1	30023	12,2408	0,0006
Error	311494	127	2453		

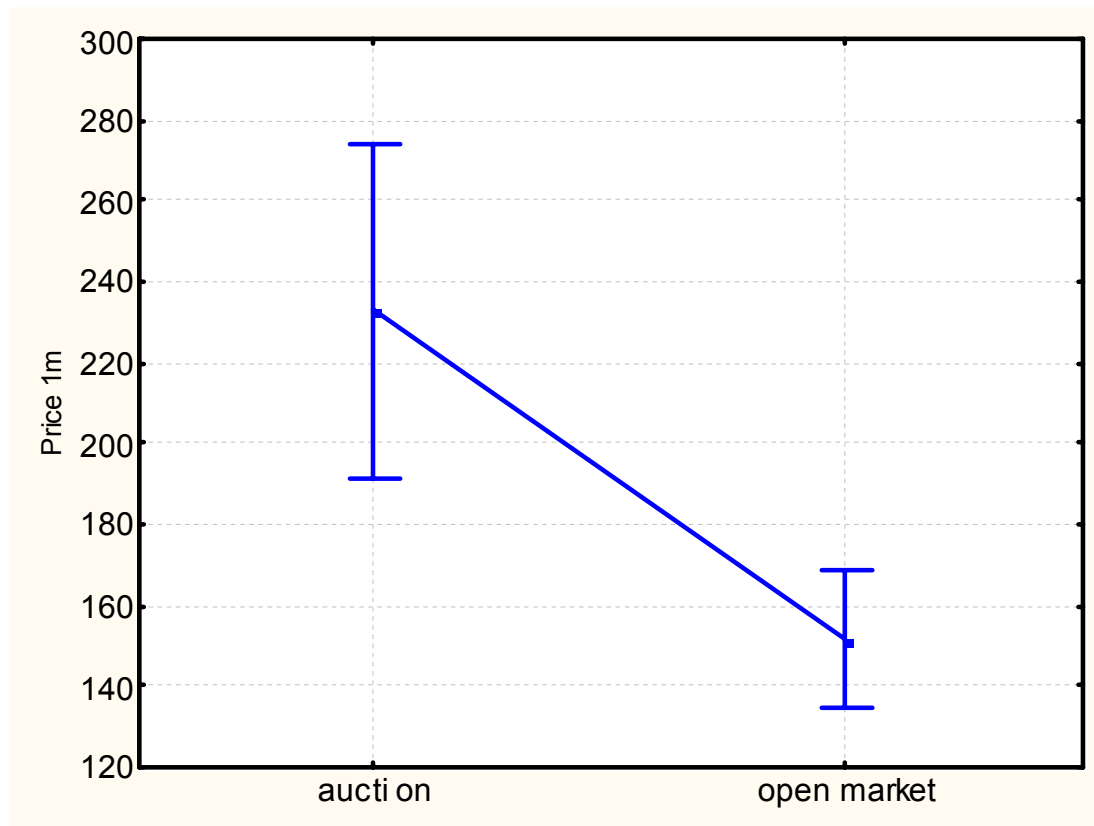
2005

	SS	Degrees of freedom	MS	F	p
Absolute term	1784315	1	1784315	439,4259	0,0000
Form of trade	5597	1	5597	1,3785	0,2425
Error	519752	128	4061		

2004

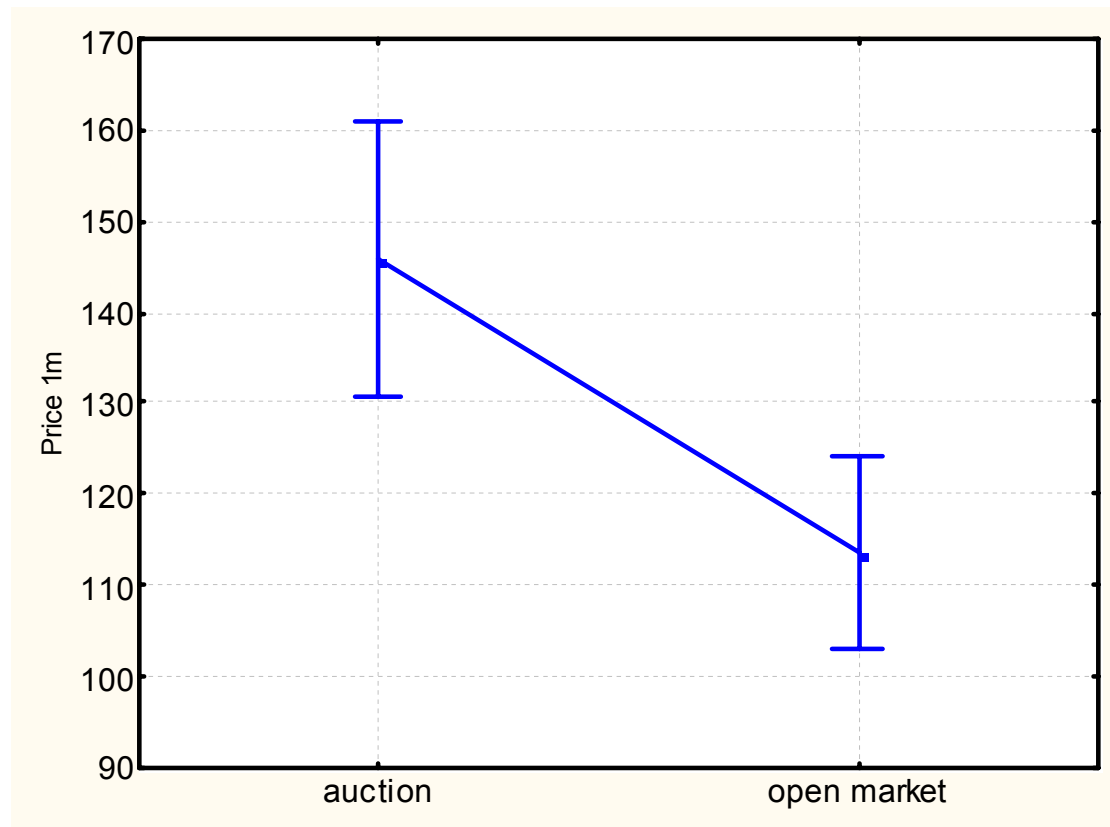
	SS	Degrees of freedom	MS	F	p
Absolute term	398239,0	1	398239,0	259,8086	0,0000
Form of trade	6016,2	1	6016,2	3,9249	0,0506
Error	137953,5	90	1532,8		

COMPARISON OF THE MEAN PRICES OF PLOTS OF LAND SOLD BY AUCTION AND ON THE OPEN MARKET



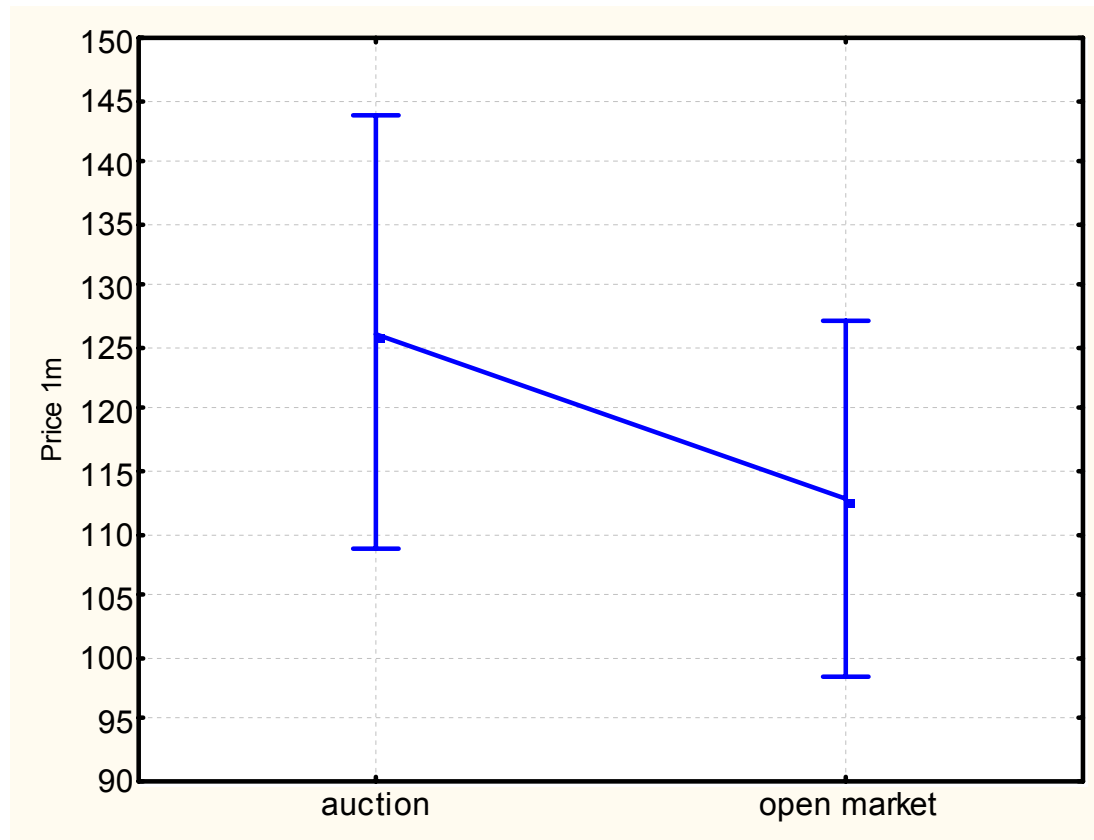
Year 2007

COMPARISON OF THE MEAN PRICES OF PLOTS OF LAND SOLD BY AUCTION AND ON THE OPEN MARKET



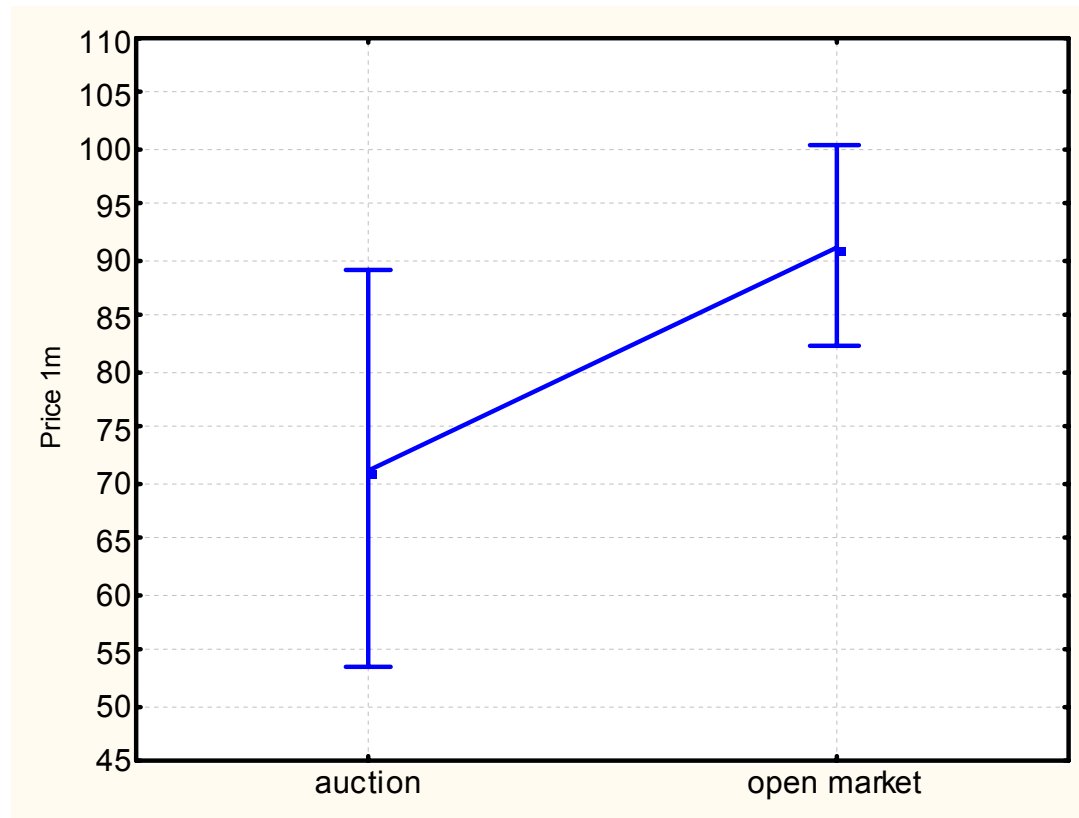
Year 2006

COMPARISON OF THE MEAN PRICES OF PLOTS OF LAND SOLD BY AUCTION AND ON THE OPEN MARKET



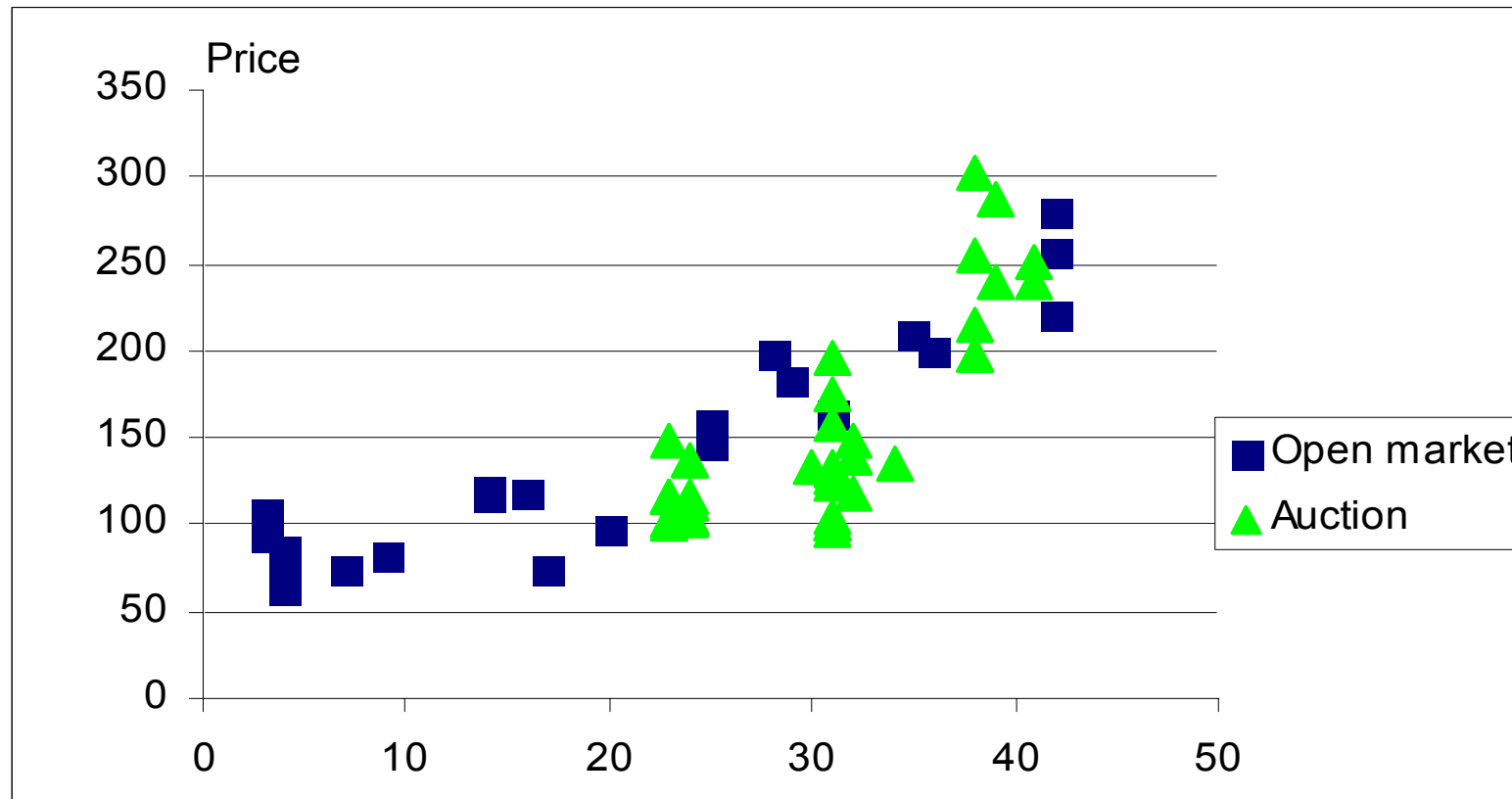
Year 2005

COMPARISON OF THE MEAN PRICES OF PLOTS OF LAND SOLD BY AUCTION AND ON THE OPEN MARKET

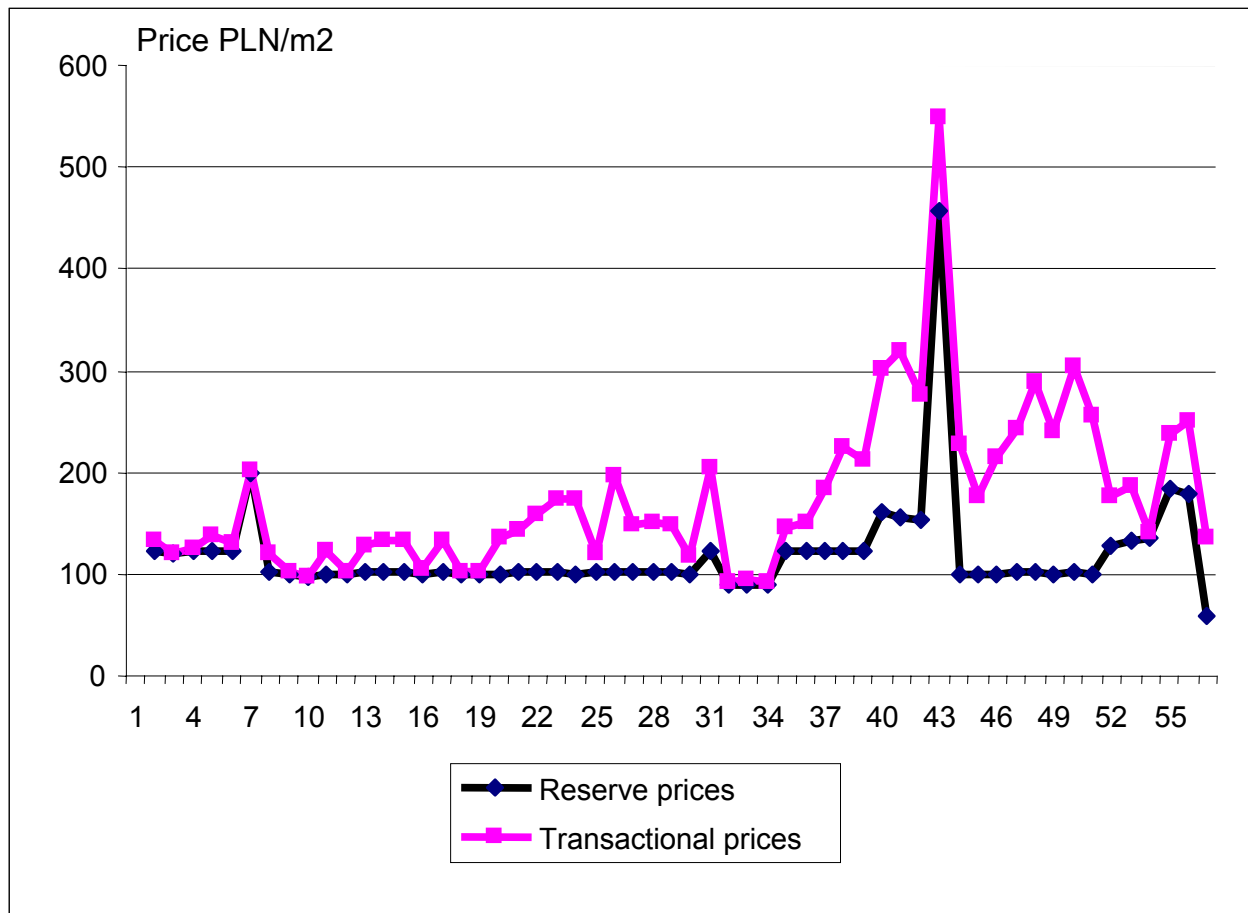


Year 2004

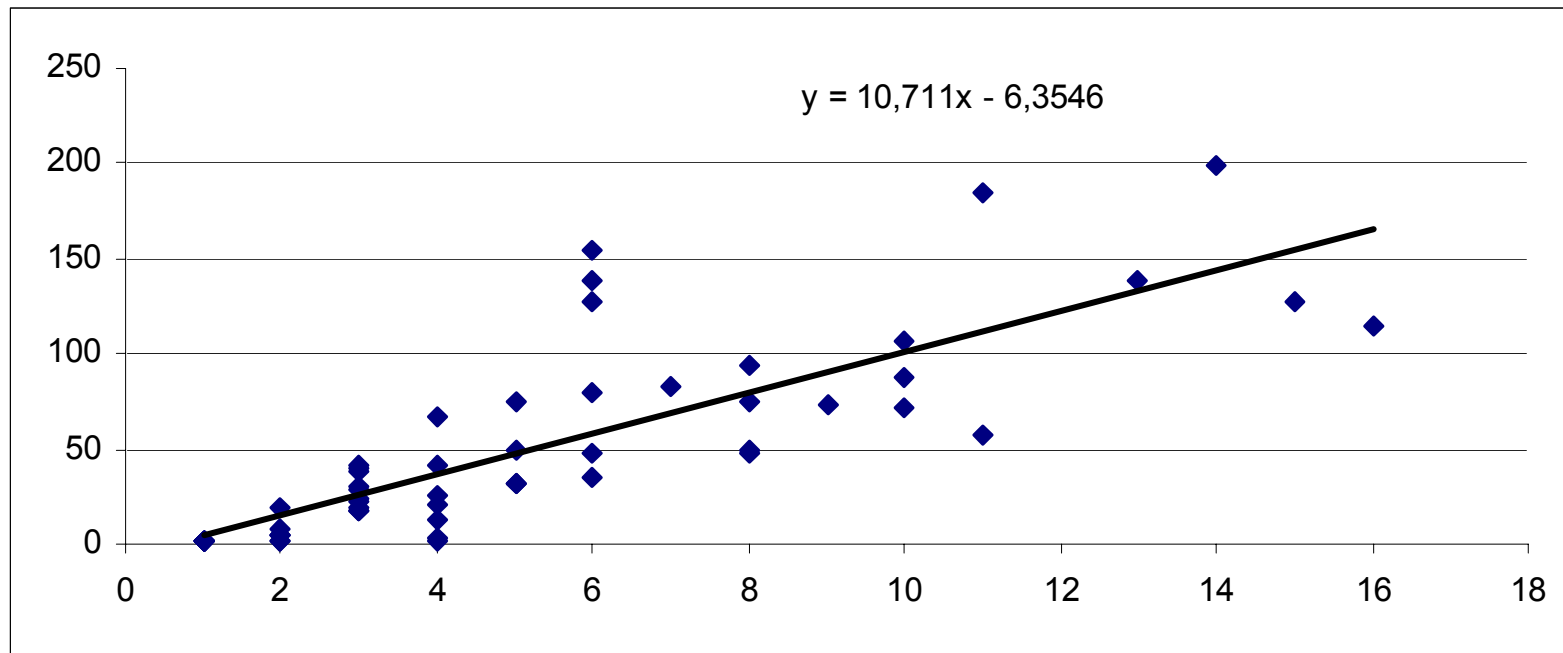
COMPARISON OF THE MEAN PRICES OF PLOTS OF LAND SOLD BY AUCTION AND ON THE OPEN MARKET



ESTABLISHING THE FINAL AUCTION PRICE



THE NUMBER OF PARTICIPANTS IN AN AUCTION AND THE SPAN BETWEEN THE RESERVE AND TRANSACTIONAL PRICE





SUMMARY AND CONCLUSIONS

Communities significant influence on the shape of the local real estate market results, above all, from the fact that the community is the owner of considerable real estate stock. Community can use legal and economic instruments which can influence, directly or indirectly, the formation of rental rates and the level of transaction prices.

The land real estate market where a commune is the seller is different than the market where transactions are concluded between individuals. The prices of land sold in this manner differ significantly from those achieved in the secondary market, when land is sold and bought by individuals. By organising auctions, a commune can greatly affect the secondary market prices.

The comprehensive assessment of the effect that actions taken by communes may have on the real estate market should be based not only on an examination of the economic dimension of the market space, but also of other dimensions.