

Report on work in progress

The timing of land development – a preliminary qualitative analysis for the GZM Metropolis in Poland



Katarzyna Reyman, Gunther Maier
Research Institute for Spatial and Real Estate
Economics
Vienna University of Economics and Business

22-25 JUNE 2022 MILAN
28TH ANNUAL CONFERENCE OF
THE EUROPEAN REAL ESTATE SOCIETY

MILAN, 22.06.2022



Background

- Topic of PhD dissertation: “The timing of land development and motives of withholding land in GZM Metropolis, Poland”
- Research problem: withholding land from a market, land banking, and land speculation have negative effects on city spatial order and real estate markets (rising land and house prices, decreasing overall productivity).
- Research questions:
 - Q1: Do Investors on MA Silesia’ market postpone land development? And if yes, what is the scale of this phenomenon on research area? → quanti
 - Q2: What are the main market, behavioural, and institutional reasons of withholding the land from market by investors on MA Silesia? → quanti and quali
 - **Q3: How (/and) do officials perceive a problem of withholding the land from a market in their municipalities? And if yes, what measures do they apply against it?→ quali**
- The aim of dissertation is to contribute to the literature about timing of land development, give recommendations to municipalities

Findings from quantitative research

- Reyman, K. and Maier, G. (2022), "Institutional factors and the timing of land development: a survival analysis applied to the GZM Metropolis in Poland", Journal of European Real Estate Research, Vol. ahead-of-print No. ahead-of-print. <https://doi.org/10.1108/JERER-04-2021-0021>
- Applied survival analysis to merged datasets: property land sales transactions 2014–2019 & building permit applications and permissions for particular plots 2016–2019 in the GZM Metropolis

Variable	The chance for applying for a building permit decision
Spatial development plan	the chance for applying for a building permit is higher for property designated for housing use than for plots without spatial development plan
	Applications for building permit for property zoned for housing are much faster than those for commercial property
Seller and purchaser	Individuals and corporations are much more likely to apply for a building permit than the state.
Type of ownership	the hazard of applying for a building permit is higher when the developer owns the property as compared to perpetual usufruct.
Control variables: Total price, Plot area, House price volatility, Distance to Central Business District (CBD)	An increase in total price is associated with an increase in hazard rate. An increase in plot area is associated with a decrease in the hazard rate. An increase in house price volatility is associated with a decrease in the hazard rate. A one unit increase in distance is associated with a decrease in the hazard rate.

Institutional factors





Qualitative research design

- Further question: why land is withheld from development and what is the mechanisms by which institutional factors influence real estate development?
- In-depth interviews with both city authorities and investors from GZM Metropolis
- In order to broaden the knowledge from quantitative part and to clash perspectives of two market participants.
- Using mixed-methods for the purpose of development- seeking to use the results of one method - survival analysis - to help to inform the qualitative method.
- Data collection methods:
 - Interviewing
 - On-line, recording, transcribing, and translating into English.
 - Type of interviews: qualitative, open-ended questions, semi structured in-depth interviews.
 - Questions are prepared based on literature, quantitative findings, and researcher's own practical experience.
 - Snowball sampling – interviewee recommends another potential interviewee
 - Selection to the point of redundancy - data collection when little new information appears to be forthcoming from additional instances
- Data analysis – Nvivo software

Pilot interviews – first cycle coding

- Three interviews with city officials:
 - Trial interviews were conducted on December 2020 – March 2021
 - Time: 30-100 minutes
 - Data analysis: First cycle coding methods applied:
 - Grammatical methods: attribute coding -for basic descriptive information (participant organization, years of experience, etc.), subcoding.
 - Elemental methods: initial coding (open coding), concept coding (“understanding of speculation”),
 - Affective methods: values coding (“understanding of speculation”, “behavioural municipalities”), versus coding (“investors vs residents”, “investors vs municipalities”)

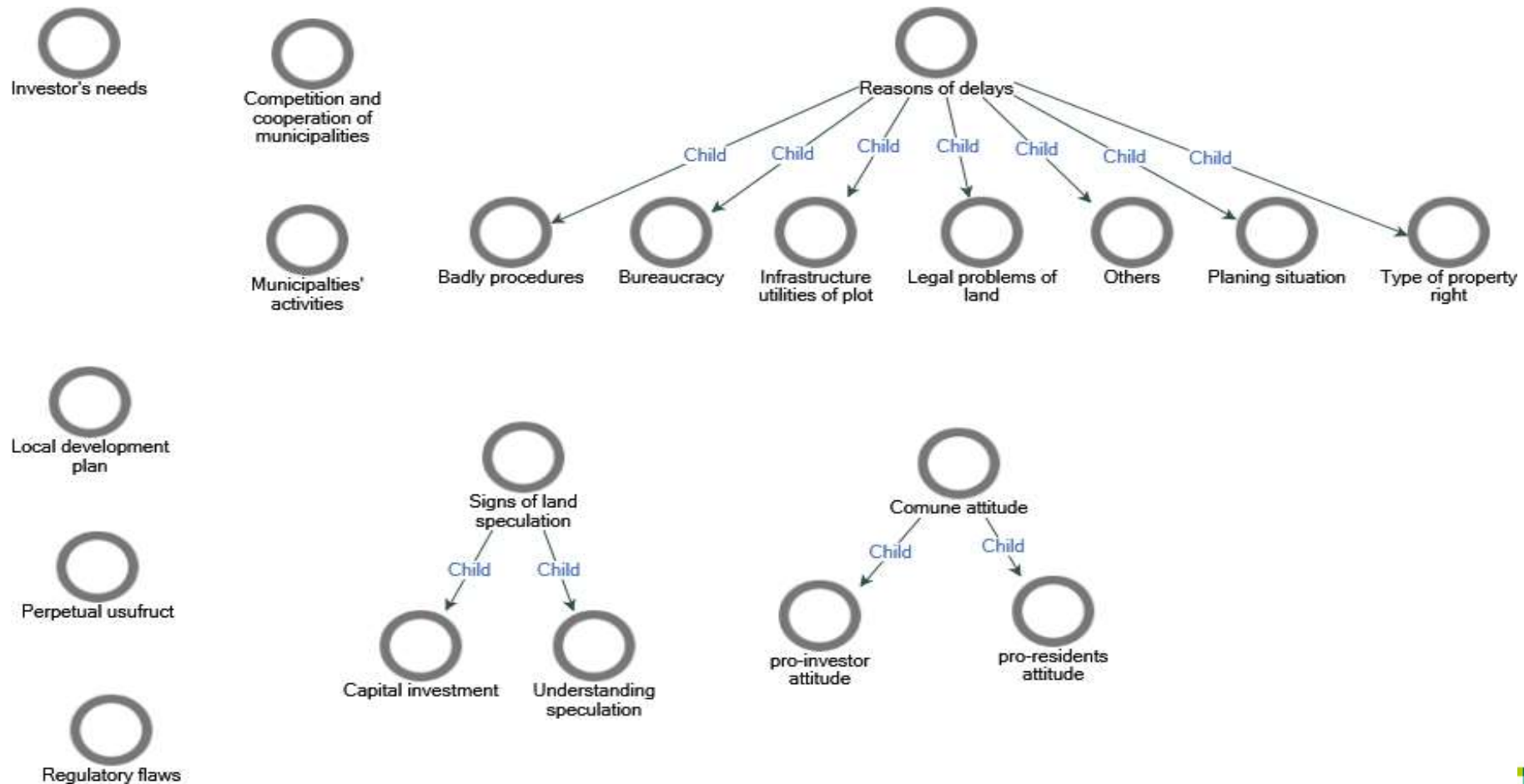
First findings

- Characteristics of unit of analysis: Person

Person	Department	Experience	Gender	Position	Type of county-company	Type of organisation
Cases\\B1	Sales	16 - 20 years	Male	Director	City above 100 000 people	Public Official
Cases\\M1	Management	11 - 15 years	Male	Senior Inspector	Rural commune	Public Official
Cases\\Z1	Management	11 - 15 years	Female	Director	City above 100 000 people	Public Official

First findings – links to empirical data

Nodes map



First findings – links to empirical data

Codebook

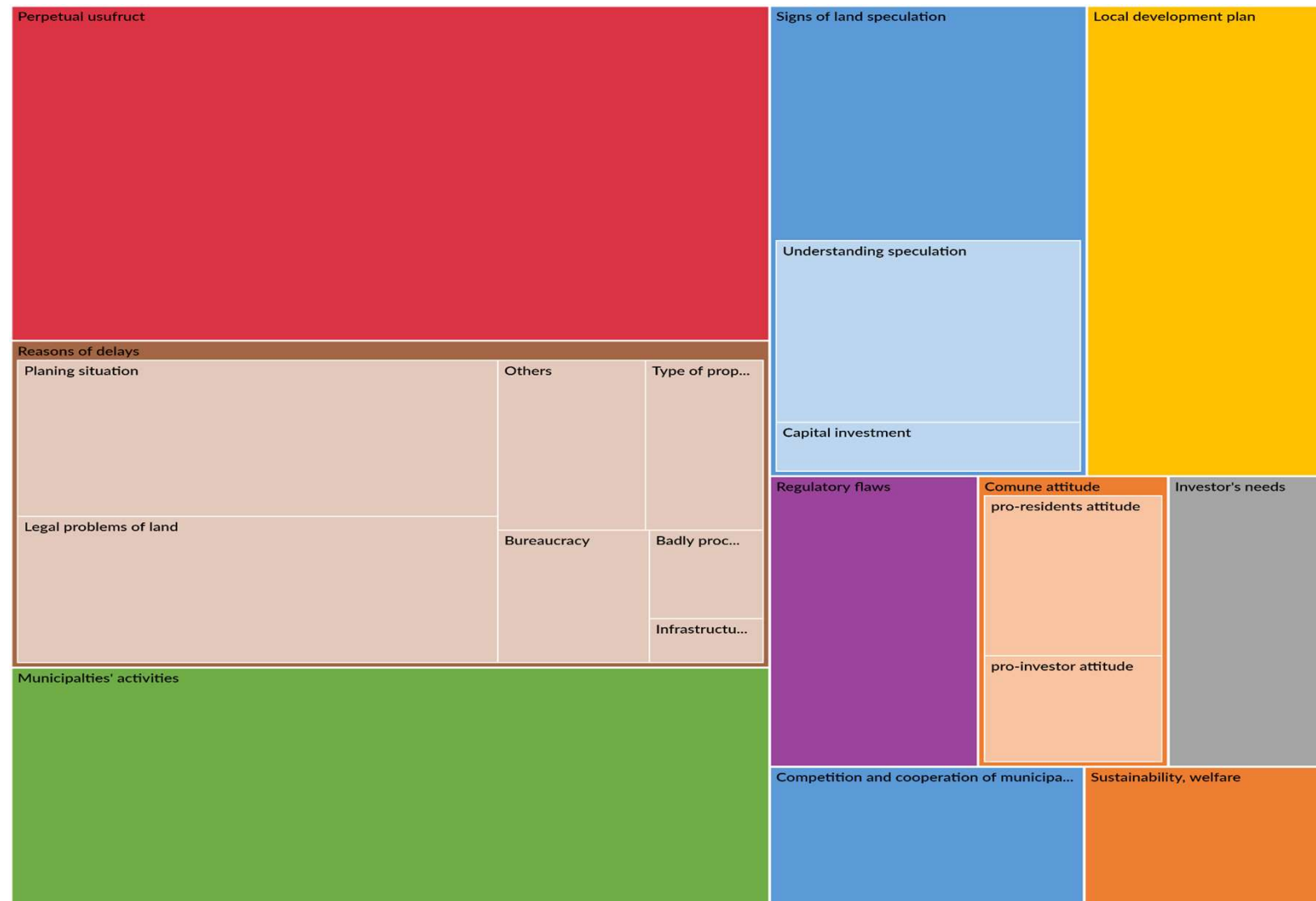
Name	Description	Files	References
Competition and cooperation of municipalities	Whether municipalities compete with each other for investors, residents, position etc. How is competition and cooperation in the context of merging cities together in conurbation and in Metropolitan Area (from 2017).	1	8
Comune attitude	Prevailed attitude towards city actors. How they think about investors and residents needs and interests that are supposed to be satisfied in one municipality. Whose interests (and if) should prevail. Mainly attitudes: A/ pro-investors, B/ pro-residents.	0	0
pro-investor attitude		2	4
pro-residents attitude		2	6
Investor's needs	What are investors' needs according to officials. What do investors want from public administration regarding to land development process.	3	8
Local development plan	An automatic code made from a frequency word query. Word phrase often mentioned by informants.	3	20
Municipalities' activities	Municipalities' activities and its role in vacant land management. Especially what measures, actions, and others municipality use.	3	33
Perpetual usufruct	An automatic code made from a frequency word query. Word phrase often mentioned by informants.	3	46
Reasons of delays	Possible reasons of land development delays, named by interviewees, based on their experience (real life examples) or believes.	0	0
Badly procedures	Badly written or executed procedures.	2	2

First findings – links to empirical data

Name	Description	Files	References
Bureaucracy	Too many offices and institutions, and documents necessary to arrange to start investment process. Procedures that prolong the investment project and make it more costly.	3	4
Infrastructure utilities of plot	whether plot has a sufficient utilities to build on it, such as: an access to road, water, sewage, electricity, gas, etc.	1	1
Legal problems of land	caused by either inheritance issues or unknown landowner. Alternatively, some claims on a plot.	3	14
Others		2	5
Planing situation	Whether a plot is located in area for which local spatial development plan is prepared or not. If there is no local spatial development plan, whether the Land Development Decision for a plot is issued or not.	3	15
Type of property right	Whether a plot has ownership right or perpetual usufruct right (kind of long term lease, usually established for 99 years)	3	4
Regulatory flaws	Some flaws in municipality's politics, measures, actions, etc. Some flaws on state regulatory level. Ownership vs perpetual usufruct, spatial planning system.	3	11
Signs of land speculation	Whether some signs of speculation were seen in a municipality, such as: - large scale land purchase, - land banking, - buying, dividing, and selling plots, - land speculation.	3	13
Capital investment	An automatic code made from a frequency word query. Word phrase often mentioned by informants.	2	3
Understanding speculation	How interviewees understand land speculation.	3	11

First findings – links to empirical data

Hierarchy chart:
Size the areas to reflect
the number of references



Initial interpretation

- First preliminary interpretations of pilot interviews are that city officials:
 1. show a strong pro-investor attitude;
 2. do not see land speculation as a problem in their area;
 3. face competition from neighbouring cities for investors;
 4. observe some ownership problems caused by inheritance negligence or inhabitants' emigration.

First findings – links to empirical data

1. Municipalities have pro-investor attitude:

- *"It is now one of the priorities of the city authorities, namely attracting investors in order, firstly, to create jobs and, secondly, to manage vacant land and, thirdly, to benefit from property taxes in the future."*
- *"...if we have a situation like this, that there are a lot of [spatial development] plans, and there are a lot of [spatial development] plans in our county, well now I will not say what is the exact scope of plans' coverage. But those main areas, where there is an opportunity to invest, they are covered by plans, **well, these mutual interests are and should be guaranteed in these plans.** However, if you absolutely want to know, I think that **the investor will have a little advantage here, yes.**"*
- *"And then the competition and investors in my opinion are one element of the election campaigns, just as simple as that, the better investors are acquired for the area, the bigger are political quotes of local politicians, or city stewards [...]"*
- *"Well now it looks like that, when the investor comes [to GZM Metropolis], he perceives the terrain often as a one unified organism, but for these local stewards it is "to be or not to be". And after all, taxes that investors pay to particular municipality, because it is connected simply with taxes, with jobs, and after that and then it is converted to electoral votes."*

First findings – links to empirical data

2. Municipalities do not see land speculation as a problem in their area

	A : Signs of land speculation	B : Understanding speculation
1 : B1 Type of county-company = City above 100 000 people	<p>During the pandemic period, a very large turnover of real estate is due to the investment of capital rather than investment, i.e. a specific investment intention.</p> <p>Yes, we partially see it , especially where there is such a building, let's call it infill development, where there is a building, and it would fit to supplement something. And unfortunately, there are situations where investors buy it for a deposit of capital.</p> <p>in the last year it is a delay, because many people treat property as an investment and a deposit of capital, and not necessarily investments in the sense of expansion or development.</p>	<p>And it is rather such a negative phenomenon, but it was rather such a cases only in the last year, well, because so during the pandemic, well, because we have not seen it before.</p> <p>And what do you exactly understand of a "speculation"? Because this is such a slogan from a previous, by gone era – a speculator.</p> <p>I do not know whether for speculative purposes or for the purposes of capital investment, so in the last year we have noticed it.</p>
2 : Z1 Type of county-company = City above 100 000 people	<p>However, pandemic reversed these trends a little here, and we observe in the market, actually not just we, because this information also appears somewhere in the media that investors [buy] in order to secure finances, capital investment, in fear of a decrease in the value of money.</p> <p>.. Well, I can say that there are definitely delays.</p>	<p>Land speculation probably may be understood differently on public real estate market and secondary market. It seems that land speculation is buying only, just for the purpose of investment, just for money.</p> <p>There is nothing wrong with this, if there is such a situation that someone has money, and there is a supply of land at any given time, there is no demand for it, then there is nothing wrong with that, such land is acquired for speculative purposes.</p> <p>However, if the municipality really cares about land development, perpetual usufruct is a great tool.</p>

First findings – links to empirical data

2. Municipalities do not see land speculation as a problem in their area

	A : Signs of land speculation	B : Understanding speculation
3 : M1	<p>There were no such purchases, I do not recognize it, but there were trials for the investment land, there were pre-contracts.</p> <p>Most of these areas we have here are residential. In this case, it is difficult to talk about a delay, because often it is also some kind of investment, or on the basis of purchase, that someone, for example, buys himself a land because he has money, waits, sees, someone resells, maybe someday build-up. And if someone rather wants to build, it rather goes quite quickly.</p> <p>For example one investor bought a land 4 years ago in a municipality tender and this land is still undeveloped. It was probably due to the problems with energy supplier. It is hard to say what is the real cause of delay in land development, maybe it is Pandemic, maybe change in investor's policy.</p>	<p>Most of these areas we have here are residential. In this case, it is difficult to talk about a delay, because often it is also some kind of investment, or on the basis of purchase, that someone, for example, buys himself a land because he has money, waits, sees, someone resells, maybe someday build-up.</p> <p>It's hard to say if it has to do with the fact that in the meantime this situation has changed, because of what is happening [Pandemic] for a year now. And maybe the company just revised its policy a little bit. I know that there was such an intention that there was a quick purchase, because it was to be an investment as soon as possible. Later, it escaped at the level of arrangements with Tauron, and later with the execution of this, and now it is difficult to say. So far, this area is undeveloped.</p>
Type of county- company = Rural commune	<p>So such things [speculations] don't happen. In a broader scope, but I think it is still in the area of so called rational use of land, it is applying for land development decision. Because these are areas that are already out of plan, in rural areas – agricultural areas.</p> <p>According to the Real Estate Act, this is agricultural land. Applying for land development decision, even in a larger area of plots, in order to later, for example, divide and sell. That is, in theory, for example, one plot of land which has a mixed purpose, partly residential and, for the most part, agricultural, becomes, in this case, entirely investment one. Because after obtaining the land development decision in this area that is not covered by the local plan, someone divides it into some plots and sells. But it is still in the scope of one owner, yes, it is not the way that someone bought plot from someone else in order to somehow take advantage of it.</p>	<p>Well, yes, here it is difficult to separate, speculative purchase, that is, someone who buys with the intention of investing land differently, in more favorable use in the future. Probably not. Rather, it is perhaps the use of opportunities, not speculation, use of legal possibilities, for example, that if someone has just a plot of land and a zoning plan changes in his favor, and now he has a whole building plot, and had, for example, agricultural land before, and then he sells. But here it is difficult to talk about speculation, rather about the rational use of this land. Well, because it is commonly known that if land is divided and sold, it makes more sense than selling one large plot.</p>

First findings – links to empirical data

3. Municipalities face competition from neighbouring cities for investors:

- *"at the moment they [GZM Metropolis] are working on a concept of the development plan of metropolises, such a plan, but this hmmm.. it will be difficult, because still the municipalities, in my opinion, the managers of municipalities **do not treat the metropolis as a metropolis, only as a collection of separate cities.** And here come **the particular interests of municipalities,** it will be difficult."*
- *„It seems to me that [the competition] is permanent."*
- *„for example, the inhabitants of Zabrze can see what is happening in Gliwice, right? [...] as if "Forum" [the shopping gallery] was created, well .. "WOW", "what a "Forum" – great", because there is something going on. And also Bytom's residents will look to Zabrze and say "WOW, there is great in this Zabrze, because there is a stadium". Or now - Chorzów, it almost does not count now, because Chorzów fell down in ranks. But after all, depending on how the needs of local residents are, such are the **investments made for them too, which later on one can see in the border of next city, and well, it brings the recognition [for the city] or not. And, the cities and the locals just compare themselves, and that's why this competition is even more strengthened in order to perform better in these comparisons.**"*
- *"And sometimes this [spatial development] plan may prove to be an obstacle to keep some investor. Well, the land can be great, but ... but it does not anticipate the features that are useful to a particular investor, and this land does not find investors anyway for example. [...] Even then [in the absence of a plan] The Land Development Decision can shape this space but it takes longer. It requires more investment and time and a little patience, financial outlays [...], and actually then these Land Development Decisions are beneficial for acquisition [of an investor] and this lack of a [spatial development] plan saves the situation, which is **of topmost importance in the context of competition between municipalities for investors.**"*

First findings – links to empirical data

4. Municipalities observe some ownership problems caused by inheritance negligence or inhabitants' emigration:
- "[...] as a result of the **emigration** of people in the 50's, well, in almost every period of time it was until the end of the 90's, **people were leaving these properties**. This is a problem with both built-up and undeveloped properties. Well, there is also what to be enchanted that these properties do not look the best. And therefore, in their neighborhood investors do not really want to invest, not having a time perspective when this type of property..."
 - "It is rather **that inheritances had not been regulated it in a court**. These are things that always happen with bigger investment, with administrative proceedings that have many parties. There are some inheritances that did not conduct inheritance proceeding, i.e. they are heirs, but in the legal sense they are not yet. You know these people locally because we know they're the children of someone out there, they're heirs, but they haven't done it legally yet. Or much more often there is a situation that these things are not reported in the relevant institutions, i.e. land registers, which should have an up-to-date status, including information about the owners, very often do not have this current state. And here are either unregulated things that are not reported, or completely outdated address data."
 - "but it is often so that it is outdated. And for this kind of investment, **it's also hard to convince people to regulate** something. Because even if it is needed, it is with a simple matter, for example, the road, where there are dozens of owners, **then the administrative procedure took a ten or fifteen years. There was always someone who had an unregulated ownership right**. And as some people were finally convinced, and it took a long time for them to regulate it, in the meantime it happened that, for example, on another property also someone died and something happened and again there was unregulated ownership right elsewhere. So it matters, it matters to us, but it's not so scary that it's not an obstacle, or an insurmountable barrier, or one that requires very big effort."
 - "...well, for example, it may be that the part of plot is owned by the State Treasury and the part is owned by the Municipality. And here, in that situation, it must be at least cooperation between those two subjects. Maybe, **there may be claims**. For example of state-owned enterprises that are located in a given area. This is especially true for State Treasury owned land. Then, this claims should also be cleared. "

Next

- Adjust questions for further interviews
- Continue conducting interviews, round 5 x city officials, 5 x investors, selection to the point of redundancy - data collection when little new information appears to be forthcoming from additional instances
- Continue literature review on impact of institution on real estates
- Second cycle coding
- Theme/theory → ~ behavioural municipalities



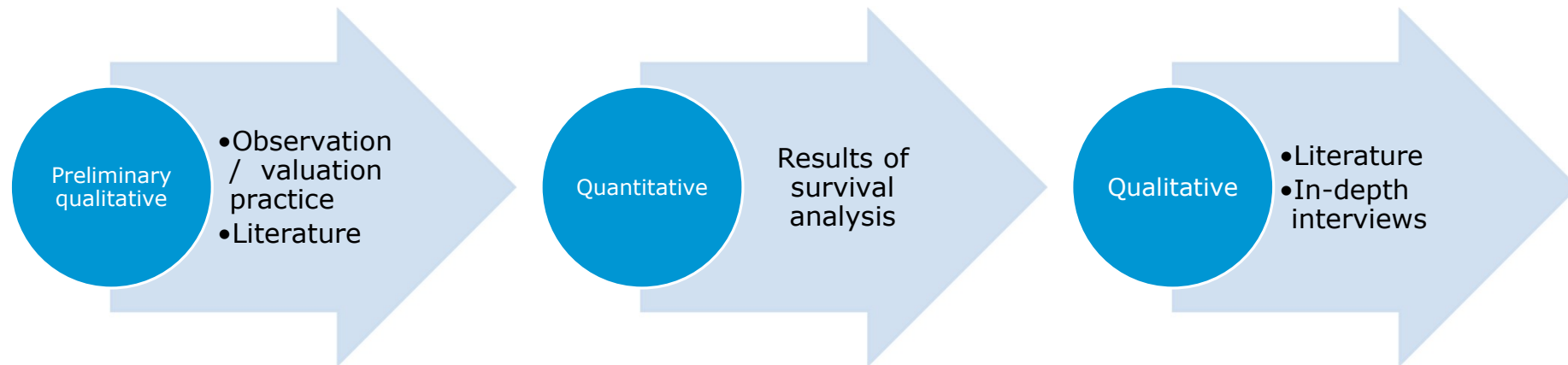
Katarzyna Reyman
katarzyna.reyman@s.wu.ac.at

Gunther Maier
gunther.maier@wu.ac.at

Research Institute for Spatial and Real
Estate Economics

Background

- Triangulation: theory, methodology, and data sources
- The mixed-method approach:



- In **quantitative part, statistical analysis** (survival analysis) is applied in order to answer the question:
 - if there are any delays in the timing of land development and what are factors that influence this?
- In **qualitative part, in-depth interviews** are conducted in order to answer question:
 - why land is withheld from development and what is the mechanisms by which factors influence real estate development?

Qualitative research design

- Literature
- Yin, R. K. (2016). *Qualitative research from start to finish*. Guilford publications.
- Saldaña, J. (2013). *The coding manual for qualitative researchers*. Sage.
- Sinkovics, R. R., E. Penz and P. N. Ghauri (2009). "Enhancing the Trustworthiness of Qualitative Research in International Business." *Management International Review* **48**(6): 689-714.
- Foryś, I. and M. Nowak (2022). "The malfunction of public authorities in the spatial planning system." *Argumenta Oeconomica* **2022**(1): 265-289.
- Hortas-Rico, M. and M. Gómez-Antonio (2019). "Expansionary zoning and the strategic behaviour of local governments." *Regional Studies* **54**(3): 388-402.
- Gluszak, M. and R. Zygmunt (2018). "Development density, administrative decisions, and land values: An empirical investigation." *Land Use Policy* **70**: 153-161.
- Głuszak, M. and A. Małkowska (2016). "Pro-investment local policies in the area of real estate economics – similarities and differences in the strategies used by communes." *Oeconomia Copernicana* **7**(2).
- Foryś, I. and M. Blaszkę (2021). "The Role of Administrative Courts in Shaping the Content of Local Spatial Development Plans in Poland."
- Foryś, I. and R. Gaca (2018). "Ownership and Perpetual Usufruct in the Valuation of Undeveloped Real Property on the Example of Parallel Markets." *Folia Oeconomica Stetinensia* **18**(1): 7-16.
- D'Alpaos, C. and G. Marella (2014). "Urban planning and option values." *Applied Mathematical Sciences* **8**: 7845-7864.
- Guthrie, G. (2022). "Land Hoarding and Urban Development." *The Journal of Real Estate Finance and Economics*.
- Murray, C. K. (2020). "Time is money: How landbanking constrains housing supply." *Journal of Housing Economics* **49**.