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Sale of Agricultural Land in the Coastal Strip on the Example of Selected Municipalities of the Kamieński and Gryfice Districts

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Aneta Zaremba[1], Małgorzata Blaszke[2]

Abstract:

Purpose: *The aim of the article was to present changes in the amount of agricultural land sold in the West Pomeranian Voivodeship. Moreover, it was presented at what the prices of agricultural land were in particular years. The article presents prices and sales volumes of agricultural land in selected municipalities of the coastal belt. The following coastal municipalities of Kamień Pomorski and Gryfice districts were selected for the study: Dziwnów, Rewal, Trzebiatów, Kamień Pomorski and Wolin.*
Approach/Methodology/Design: *The publication uses data from the Registers of Prices and Values of Real Estate maintained by individual county offices. Additionally, the number of transactions as well as the unit price of agricultural land were obtained from reports of the Agricultural Property Agency as well as the National Agricultural Support Centre.*
Findings: *On the basis of the research carried out, it should be noted that the mere fact that agricultural land is located in the coastal zone means that it is usually valued higher, with the specific location, i.e. the distance from the sea, being very important. At the same time, the possibility of using them for other purposes, such as recreation or development, is important.*
Practical implications: *The prepared publication should be regarded as an introduction to further in-depth research on the sale of agricultural land in Poland.*

Keywords: *Agricultural real estate, land sales, real estate market.*

JEL Classification: *R11, R12.*

Paper Type: *Research article.*

[1]*West Pomeranian University of Technology in Szczecin, Faculty of Economics, ORCID ID: 0000-0002-5937-8548, aneta.zaremba@zut.edu.pl;*
[2]*West Pomeranian University of Technology in Szczecin, Faculty of Economics, ORCID ID:0000-0001-7806-6710, Malgorzata.Blaszke@zut.edu.pl;*

1. Introduction

The coastal location is one of the key factors in Poland's economic and spatial development. Until the 1990s it was primarily determined by functions such as shipbuilding, port activities or fishing. Currently, it can be assumed that it is the tourism economy that is one of the most important functions in the hierarchy of importance of factors shaping the economic situation of Polish coastal areas. As a result, in recent years we have seen increased interest in real estate located precisely in this zone. Owning property in the coastal zone has become fashionable and constitutes a specific type of capital investment.

This has been fostered by the socio-economic development of society, which has resulted in an increase in leisure time, a fact which has increased recreational needs. The classic qualities of the three "S's" (sea-sun-sand) of the coastal belt, consisting of climate and sea waters, sandy beaches, dunes and forests, have resulted in a great interest in real estate in the coastal belt for years. In Poland's climatic conditions, despite the season being limited to the summer period, the Baltic coast has traditionally held a prominent place among Poland's tourist regions for many years.

The climate and sea waters, wide sandy beaches, dune embankments, combined with the abundance of vegetation make this area particularly attractive and consequently most of the coastal strip is developed and used for recreation, treatment, tourism and water sports.

It should be remembered that recreational properties are those located in areas designated in zoning plans for recreational purposes, with a distinction being made between areas designated for development and those designated for recreational purposes without development rights (Kowalczyk, Nowak, and Źróbek, 2019). All other properties without a corresponding provision in the zoning plan, cannot be treated as recreational, are often acquired for recreational purposes and their price differs from neighbouring land designated, for example, for agricultural purposes (Hopfer, Jędrzejowski, Źróbek, and Źróbek, 2001).

Agricultural land, on the other hand, is land with the lowest degree of urbanisation, which, after a change of function or just a method of use, can serve as individual recreation property (Klimach, Dawidowicz, Dudzińska, and Źróbek, 2020). As a result of the limited supply of attractive recreational land in the coastal zone, plots of agricultural land separated from large tracts of agricultural land without a change in their designation in the local plan are in greater demand (Lyons and Takach, 2021).

This article is part of a larger study on the land market in the West Pomeranian Voivodeship. The aim of the study is to present prices and sales volumes of agricultural land in selected communes of the coastal belt. The following coastal municipalities of the Kamieński and Gryfice districts were selected for the study: Dziwnów, Rewal, Trzebiatów, Kamień Pomorski and Wolin.

The object of the research was purchase-sale transactions of undeveloped land (agricultural land) concluded by tender in the years 1996-2020, where the seller was the Agricultural Property Agency of the State Treasury, later transformed into the Agricultural Property Agency and, from 1 September 2017, into the National Agricultural Support Centre , which, due to the size of the acquired resource and the tasks set before it, is the most serious supply institution on the agricultural real estate market in Poland.

In order to eliminate the impact of inflation, data were recalculated with the inflation index (CSO) and brought to 2020. In total, information on 1181 agricultural land transactions was collected. The source material was compiled using the descriptive, comparative and statistical method with the use of the tabular technique. The paper uses the phrase unit price, which should be understood as the price of 1 ha of agricultural land.

2. Results

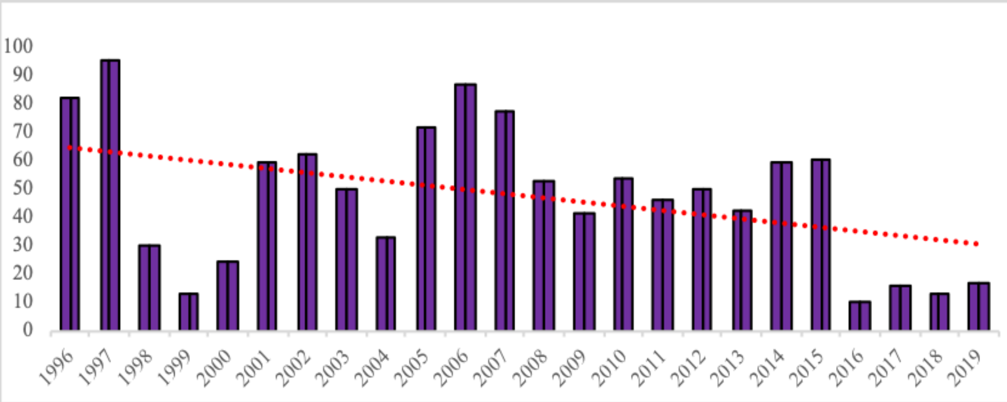
The main area of tourist activity in Poland and in the world remains coastal resorts, which is due to the dominant role of mass leisure tourism, for which coastal resorts have the best conditions. This is of particular importance Agricultural real estate located in the coastal belt is of great interest to potential buyers, as it reaches very high prices, especially those lands located in the immediate vicinity of the Baltic Sea.

The research shows that the greatest interest among investors is shown by agricultural real estate in Kamieński County located at the Baltic Sea, the Szczecin Lagoon and the Kamieński Lagoon, which perform commercial, service and spa functions at the same time, which manifests itself in a large number of transactions and high prices. This is also strongly influenced by the very good accessibility from Szczecin and the extensive coastline together with numerous holiday resorts.

Based on the assumption that price is the best measure of market development (Kamershen, Meckenzie, and Nardinelli, 1980) and that price and quantity cannot be analysed separately (Begg, Fischer, and Dornbush, 2000), the analysis of the unit price of agricultural land was preceded by a graphical presentation of detailed series of the number of transactions concluded (Figure 1).

The research has shown that the dynamics of the number of agricultural land sales transactions from 1996 to 2020 shows a large variation with a decreasing development trend, which indicates an unstable market highly susceptible to external factors and a shrinking supply in this market. The largest number of transactions took place at the beginning of the system transformation in 1996 and 1997 (177 transactions), a time of economic prosperity throughout the country. There was intensive investment in land property, in addition to favourable credit offers for farmers wishing to expand their farm or create a new one, reviving the turnover of treasury land across the country. The smallest number of transactions took place in 2016 (10 transactions) and the following years 2017-2020.

Figure 1. *Dynamics of the number of transactions in selected municipalities of the coastal belt made between 1996 and 2020*



Source: *Own calculations.*

It is difficult to say whether the low number of transactions was due to the having supply of agricultural land of the Treasury or the decreasing demand. In 2014 and 2015, one should notice an increased interest in agricultural land, which is reflected in the number of transactions carried out. This time was marked, above all, by the announcement of changes to the rules of market land trading.

This was linked to the approaching end of the transition period for the purchase of land in Poland by citizens of EU countries in 2016. Although in 2014 the amendment of the Act was only in the planning stage, it nevertheless had an impact on the attitudes of those intending to sell or buy land. Potential sellers of agricultural real estate postponed their plans, anticipating an increase in the price of land.

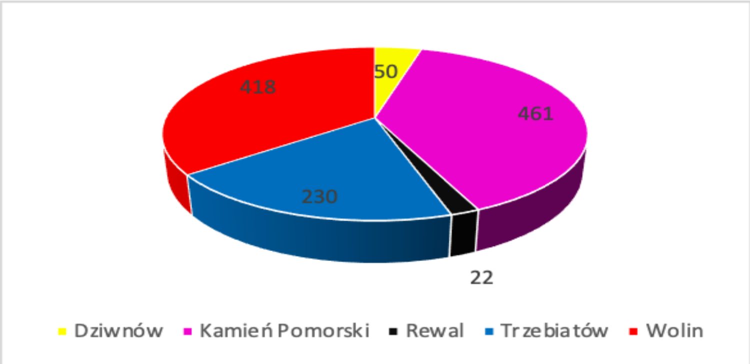
On the other hand, those planning to buy land accelerated the implementation of their intention because of the expected bureaucratic difficulties in this regard (Agricultural land market. State and prospects 2015). The prospect of the approaching date (May 2016) of the end of the transitional period limiting the possibility of land purchase in Poland by citizens of the EU countries activated legislative actions increasing institutional control over the land market.

The anticipated unification of requirements for all potential land buyers, as well as concerns about the possibility of land price spikes, contributed to a marked increase in interest in land purchase. Demand pressures were exacerbated by the increasingly modest ANR offer from 2016 onwards (the majority of land from the Agricultural Land Reserve had already been developed) and the expected changes to the hitherto preferred rules for land sales (Agricultural Land Market: State and Prospects, 2016). Under these circumstances, the purchase of land properties in the coastal zone became an attractive form of capital investment, which further pushed up their prices. Potential buyers of land sought to finalise transactions as quickly as possible, as legislative changes regarding requirements for agricultural land transactions were also expected (Agricultural Land Market: State and Prospects, 2017).

Since 2016, there has been a clear downward trend in the number of concluded transactions. It should be borne in mind that 2016 and 2017 was a time when the early period of real estate transactions respected on the basis of the Act of 16 April 2016, increasing institutional control over the agricultural land market. Within the land market, there was not only a slowdown in sales transactions but also a relatively small increase in the price of agricultural land in the surveyed municipalities, which coincides with the general trend in the country.

The spatial distribution of the number of transactions made between 1996 and 2020 shows that the highest number of transactions were made in the municipalities of Kamień Pomorski and Wolin, and the lowest in Dziwnów and Rewal (Figure 2).

Figure 2. *Number of agricultural land transactions in selected municipalities of the coastal zone between 1996 and 2020*

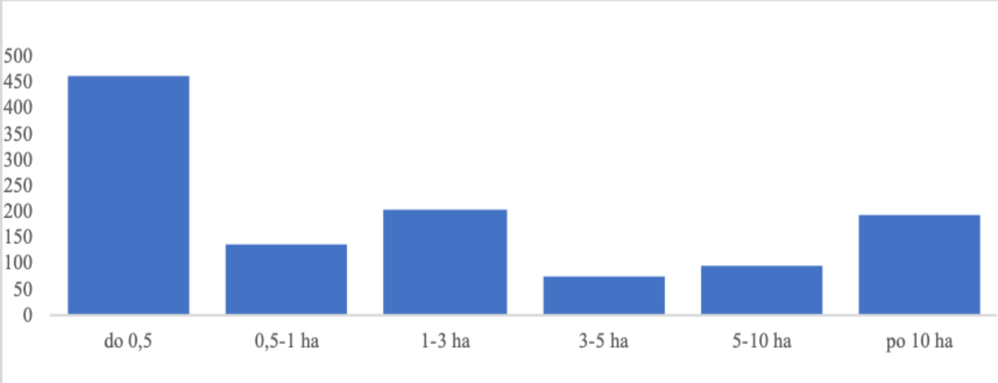


Source: *Own calculations.*

Small plots of up to 0.5 ha predominated in the turnover (Figure 3). The data shows that transactions involving land up to 0.5 ha accounted for 40% of all transactions. The smallest number of transactions concerned land of 3-5 ha and 5-10 ha totalling 175 transactions.

Analysing the locational distribution of the concluded transactions, it should be stated that in the spatial distribution of communes, more than 60% of all concluded transactions of agricultural land with an area up to 0.5 ha concerned mainly land located in two communes: Dziwnow and Rewal. A detailed analysis of transactions with an area of less than 0.5 ha showed that the highest unit prices were obtained in Dziwnów at PLN 557 231 per 1 ha and Rewal at PLN 363 345 per 1 ha. The highest unit price was obtained for a plot of 0.0009 ha in 2017 in Trzebiatów (PLN 2,728,567) and in 1998 for 0.0102 ha in Rewal (PLN 1,631,456).

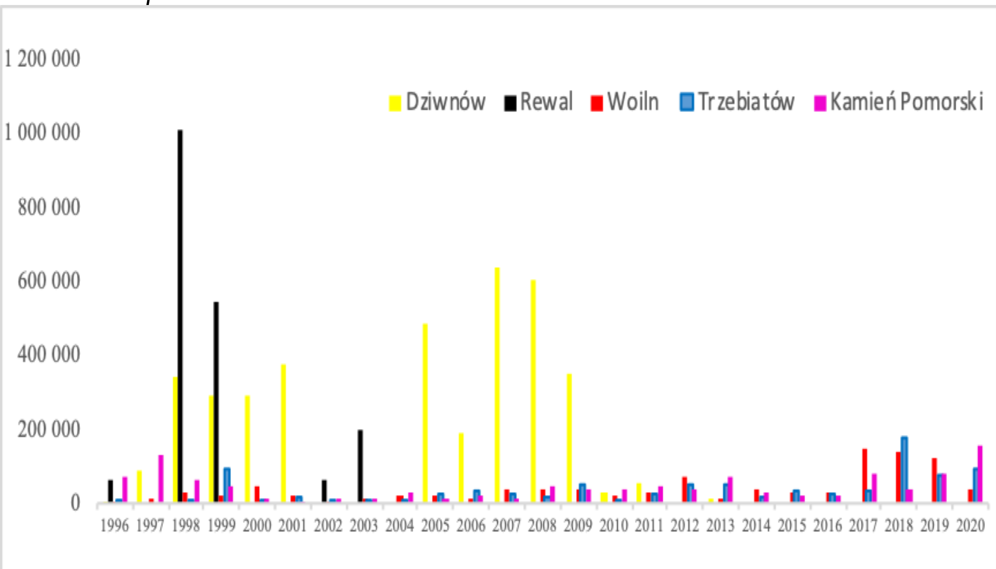
Figure 3. *Number of transactions made by sales area between 1996 and 2020*



Source: *Own calculations.*

In a market economy, neither the value nor the price of land is the same, even in a relatively limited area. The market value of real estate depends on many factors and above all on the rates of return on the capital employed, and these are spatially variable. The analysis of the studied transactions in spatial terms, shows a high spatial variation of real estate prices of agricultural land. Figure 4 shows the average prices of agricultural land in the studied municipalities from 1996 to 2020.

Figure 4. *Average unit prices of agricultural land (PLN per 1 ha) in the studied communes of the coastal belt in 1996-2020.*



Source: *Own elaboration.*

In each of the municipalities studied, there were property transactions where the price of agricultural land was significantly higher than the others despite the fact that they did not differ significantly from each other. The research shows that the prices of agricultural land in the coastal belt are arranged in two price groups. The first group is the high price zone, which includes land located closest to the sea and concerns the municipalities of Rewal and Dziwnów. In both municipalities, high prices and a relatively low number of transactions should be noted.

The highest prices were obtained for agricultural land in Rewal commune in 1998, where the average price for 1 ha reached PLN 1 007 149 and in Dziwnów commune in 2008, where the average price was PLN 602 280 for 1 ha. The sale of agricultural land from the Agricultural Land Reserve is already limited in supply, the sale of the resource was completed in the Rewal municipality in 2003 and in the Dziwnów municipality in 2013.

In addition to the benefits of the location annuity, the market value, as well as the increased demand for this land, is extremely strongly influenced by the limited supply of land for sale. Due to the limited supply of agricultural land in these areas, the factors that activate and stimulate demand are mainly the possibility of using the land for non-agricultural purposes (mainly tourism and recreation) or the perception of agricultural land in the coastal belt as a capital investment linked to the expected increase in their prices, the benefits of EU subsidies, preferential loans and the possibility of obtaining income from the lease of land, all of which at the same time limit the supply in this market.

The second price group includes land located a few or a dozen kilometres from the sea, e.g. in the Wolin, Kamień Pomorski and Trzebiatów communes, and these are the so-called peripheral areas of the coastal zone. The highest unit prices were achieved for agricultural land in Trzebiatów in 2018 (PLN 182 104/ha), in Kamień Pomorski in 2020 (PLN 163 168/ha) and in Wolin in 2017 (PLN 147 427/ha). Despite the greater distance, due to the trend of rapid price increases in the local market over the years, real estate is perceived by buyers as a very profitable capital investment regardless of its purpose in relation to spatial infrastructure.

The research shows that the transaction prices of agricultural land located in the coastal belt are almost the same as the prices of recreational or construction land despite the fact that it does not have such a designation, but investors discount the planning rent. In the near future, we should expect a lot of pressure on municipalities, forcing changes in local land use plans and location determines the value of land in the coastal strip most strongly.

The importance of the attribute is determined by the common approach of potential investors to property acquisition. First and foremost, they are interested in investing capital in this local market (proximity to the Baltic Sea), while decisions to purchase a particular property are rarely made with disregard for its locational conditions. This trend is obvious and, from the point of view of proper market play, understandable, as the Kamieński and Gryfice region has development potential, which guarantees a constantly increasing market value of properties located there.

3. Conclusions

1. On the basis of the research carried out, it should be concluded that the very fact that agricultural land is located in the coastal zone means that it is usually valued higher, and the detailed location, i.e. distance from the sea, is very important. At the same time, the possibility of their use for other purposes, e.g. for recreation or development, is important.
2. The research shows that prices of agricultural land in the coastal strip fall into two price groups. The first group is the high price zone, which includes land located closest to the sea and concerns the Rewal and Dziwnów communes. The second price group includes land located a few or more than a dozen kilometres from the sea, e.g. the communes of Wolin, Kamień Pomorski, Trzebiatów, and these are the so-called peripheral areas of the coastal zone.
3. The research shows that the price of land located in the coastal zone is determined mainly by the rents of location, and not by the function performed in accordance with the local spatial development plan. The highest prices are reached by agricultural land in Rewal and Dziwnów communes, the communes are located in the immediate vicinity of the seaside beach. Certainly, an important attribute of attractiveness is the microclimate, which attracts tourists to these resorts. Due to the dominance of typically recreational values associated with the coastal zone, the use of which is mainly associated with the bathing season, the resorts are visited but not only, although most intensively during the holiday and holiday season.
4. Analysing the results of the study and comparing them in the studied municipalities, it was found that small plots of up to 0.5 ha and high prices are the most popular, especially in the Rewal and Dziwnów municipalities. The increased demand for agricultural land in these municipalities was due to the specific location of these municipalities, but also to the possibility of other uses of the land than agricultural, e.g. recreational. For agricultural use the attributes of economic use are important, mainly the quality and size of the area, for non-agricultural activities the location is mainly important.

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