

Urban Land Markets in Durres

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Abstract

After the fall of communist regime, Durres passed through an uncontrolled urban development and painful migration and emigration. Albania passed into process of transition from a centrally planned economy to a free-market based economy. Radical political, economic and social reforms had been undertaken. This means basic political and market institutions as well as the administrative, regulatory and policy frameworks required for a market economy had been developed. During the 1990's Albania went through a transformation of its entire economy that changed civil society, ownership structures and the labor market. As in other cases happen in transition, Durres experienced many problems with self-employment in the informal sector and small commerce and industries. The lack of formal job opportunities stimulated emigration of the working active population to neighboring countries, such as Greece and Italy. This explains the volume of remittances that are regularly sent into the country. Also thousands of farmers have chosen to abandon their villages and settlements and seek opportunities in the city of Durres. The city became the focus of mass emigrations from Albania. Many people migrated to Italy and other countries. Very large rates of growth among the 1990's, were result of increased movement of population to urban areas, which continued in high rates until 2003. The annual growth rate was 7%, but after 2003 it decreased in 1.4 % per year. Unemployment remains a big issue for the city of Durres, despite the progress that has taken place. The official rate of unemployment is 11%, but due to many unemployed persons who do not register as such, the unemployment rate is much higher (around 25%). Data from Standard Measurement Survey Living (VMNJ) in 2002 show that poverty rate is about 25%.

Keywords: land market, Infrastructure, urban areas, regional development, Albania

Introduction

The urban growth process of Durres city reflects similar phenomena known elsewhere in the country. It is based on informal land development processes and illegally subdivided land mostly situated in peripheral areas of the city where new residents undertake illegal constructions. The process of informal land occupation has resulted in large-scale informal neighborhoods that are poorly serviced or lacking basic infrastructure and municipal services (like the area of Spitalla, Porto Romano and Kenata). The urban reality in Durres contains unplanned, subserviced and sprawling urban development process. Also, it is noticed a process of densification and illegal occupation of vacant spaces within the inner city. Available spaces within neighborhood blocks have been occupied by all sorts of constructions for residential and commercial purposes. Furthermore, it can be seen rooftop developments and vertical as well as horizontal extensions of apartments blocks (and social housing blocks) that further deteriorate urban environmental conditions. It is chaotic process of building activities that violates all existing regulations and norms.

After 1991 the Albanian government enacted several decrees and laws to privatize land that had been in the hands of the State and urban households received ownership rights. Different types of laws regulate the distribution of land to farmers, the return to former owners (before 1944), the concession to private entities or sale to investors and the release of land as part of compensations. Between 1990 and 1994, agricultural land from collective farms was distributed to member families. In about half the rural areas, distribution followed the legislative requirement of equal per capita shares. The head of household received the land and was responsible for distributing shares to family members. In the other half of rural areas, local leaders distributed former cooperative farmland based in large measure on pre-1945 landholdings. In the fertile lowlands, pre-1945 landowners were initially excluded from consideration for land distributions. In 1993, legislation granted the pre-1945 landowners rights to claim or be compensated for non-agricultural land, as well as agricultural land in holdings up to 100 hectares. The resulting ambiguity in rights, coupled with limitations in the extent of land and amount of funds

available for restitution and compensation, have combined to leave the majority of original landowners uncompensated. The distribution of agricultural land created a system of small, fragmented landholdings. Eighty-seven percent of urban housing is privately owned.

The property market in Durres is imperfect. The years 2000 to more transactions are made to move the state properties that are privatized. I am talking about small commercial units, small and large including warehouses and factories. While in the years 2000-2010 there was more privatization for large enterprises (ex the former Savings Bank, ALBTELECOM). Today this market is slow because a large number of the properties in Durres have been privatized. Multiple transactions of buying, selling and rent purchasing can be seen in today real estate market. Throughout the transition period until today, the real state sector is characterized by a continuous expansion either in terms of investment, both in terms of contribution it made to the growth and economic development.

1. The market of apartments prices of Durres

Land market in Durres is different by area of residence. Of these the most obvious ones are: areas of the hill near the cluster of King Zog and near Currila Elbow, the city center and seaside promenade "Taulantia", where land prices now reach up to 400 €/m² or a ratio up to 40% expressed in Exchange Contracts formulated with landowners. • Further away from the city center prices come down up to 220 €/m². The level of infrastructure is still low in the peripheral zone. In the beach area land prices vary according to distinct areas where they are:

- The areas along the shoreline with a land price of 300 €/m².
- The areas bordering the highway and railway land at a price up to € 170/m².

In 2006 in the coastal city of Durres tourist apartments prices did not pass the maximum 500 €/m², the minimum was 300 €/m², in 2008 the prices of buildings that overlook the sea were about 900 €/m², while the minimum is 450-500 €/m². Nowadays the prices have gone visibly down with a rate of 30%-40% off. Until 2008 the market worked until the supply and demand requests. But later, especially in 2009 with the reduction of constructions due to lack of construction permits in the center (the lack of supply influenced lower prices), the lack of buyers (especially the investment of money from emigrants), and the real estate market was in a break. In the market of apartment sales in the city center is noted an increase of price each year which ranges from city center 900 €/m² up to 700 €/m² area outside the city center. Selling prices for service facilities outside the center are 3000 €/m² and in the center reach up to 6000 €/m². Furthermore, purchases of foreigners in the real estate market in Durres, as in all country, have dropped significantly. The global crisis and resistance of real estate prices in Albania appears to restrain demand. "Since 2008 the demand of foreigners stopped and this continues even today," says Marin Le Corre, director of estate agency "Balkimo" (2010). According to him, sales to foreigners have fallen about 90% if compared with the positive period 2007-first half of 2008.

The rental market is still relatively underdeveloped; almost of the tenants are students or persons coming from peripheral districts. Rent has grown from year to year. So, this free, since 1996 until now, has constantly increased, but still not in high levels comparing to Tirana that is the capital city near to Durres. Along the Commercial road, which is located in the center of town and there are relatively old buildings, the rental prices of local service shops or ranging from 15 €/m² ÷ 24€/m². These values from surveys conducted within a five-year period had almost not changed. Even close to road "Deshmoret" in the area of the city center in the old palaces existing, rental prices of local service shops or reach up to 25 €/m². Rent for residential homes along Boulevard (in the center) are up to 220 €/m². Just outside the city center prices of rent decline, from 540 €/m² in the city center to 430 €/m² in periphery.

Agricultural land market by purpose of use is classified into two categories, for agricultural and construction purposes. According to registration office's information, the market of agricultural land for farming purposes is not currently developed.

2. Analyzing the factors that influence in the urban land market in Durres city, I can distinguish:

- Geographical position, giving priority to Durres as a tourist and economic developed city.
- The partially development or infrastructure in various areas, especially drinking water supply and electricity.
- Changing in demand and supply. (Nowadays there are no purchases of immigrants as a result of the financial crisis in all countries, and lacks the flow of purchases of Albanians from Kosovo, Macedonia, etc).

- The large number of population in the city, a result that migration from all regions of the country. So the demand for houses is high.
- Increase the percentage of construction area that landowners take. In Durres, as in all the country is developed an original form of the land for the construction market. As a result of no payment power value of the land area is converted into building area. In the city center land surfaces are limited. These increased the percentage of construction area the owners get (up 45% of construction area) and therefore increased the cost and value of apartments. This growth is also reflected in peripheral areas of city and suburban areas where new buildings are constructed, where the percentage of construction surface that owners receive has been increased in a rate of 25-30%.
- Residential buildings destination has changed in recent years. Buildings today, in addition to the residential area, have on average 2-3 floors with parking and services such as shops, offices, studio, etc., which increase the value of the investment amount, and reflects in the apartments and land price.
- Quality of materials and construction works. It should be noted that the quality of works in general is increasing. Construction materials are better in quality, more expensive and their values reflect in the cost of construction. In general it is observed an increase in the value of the materials that are used for construction and fuel price, so the cost of buildings being built today is higher than that of the three -four years ago.
- The lack of construction permits. Another reason is the malfunction institutions that approve building permits. Currently there is no new construction with permit because of the delayed legal procedures.
- Another reason that has influence in increasing the price is the strengthening of the fiscal system and the reduction of informality in employment. The last instruction of the Ministry of Finance on calculation the tax on ownership transfer will have direct impact on increasing the value of assets immovable property.
- Legalization and processes of property restitution and compensation. An influence on the growth of real estate value has been adoption of laws "On Property" and "Legalization". Assessment methodologies adopted by Parliament have oriented prices of land in different areas of cities, tourist sites etc. that are generally high, while the impact of legalization is difficult to measure, but is relied with security. It is natural that a titled property costs more expensive than an informal property.
- Besides the construction boom, another reason that influenced the changes of market was the non adequate infrastructure surrounding residential blocks especially in the beach area, lack of sufficient spaces, lack of drinking water, and in some cases the irregular power connections for many buildings.
- The main factor that has prevented foreigners to continue purchasing houses in Durres is the lack of financing from banks. Banks in all developed countries, but also in Albania, have declined since 2009 to make loans. The situation which lasted until the first half of 2008-seems to have already ended. The same thing happens with loans and real estate sales.

3. Privatization of urban housing

Despite successful privatization of urban housing, demand for urban housing has overwhelmed supply. The slow rate of construction of formal residences has caused housing shortages and growth of informal settlements, most of which are on public land. Informal land violations created confusing land ownership problems, multiple claims involving different actors for one single plot. The town is divided in non-homogeneous parts such as the central area, the informal city, the port and the urbanized coastline which is occupied mainly by tourist flats.

With the beginning of land reform, the Albanian laws have provided two methods for assessment of land and property. For transactions between private parties, their agreements negotiated in freedom can set the price of the sale or lease. For transactions involving state land acquisition by state or private land through expropriation or taking temporary, a valuation established by the decree of the Council of Ministers will be applied. State assessment method was defined in a decree the 2000. This decree stipulates that the IPRS database will record the prices of the sales and buys, leases or other transaction values, and leads experts representing a state agency to undertake a transaction to collect a group sales and buys like that have happened recently from these data. Market value can be defined as "the amount of money that can be taken by a person or persons willing and able to buy an item when the latter was offered for

sale by a seller voluntary". Deficiency increases the value and generally when the deficiency increases also the value increases. If the supply of a particular property type increases, the market value decreases and vice versa. The concept of value is very important because every time the value of a land price indicates the price for which demand and supply are equal, the price for which buyer and seller are prepared to buy is the same. In the actual fact, the price of land is determined by both supply and demand, depending on economic circumstances (Evans, 2004). Without planning controls, land markets acts like neoclassical situation. According to neoclassic, the price of apartments is high because the rent of land is high. The supply of land changes in time. But this was the city's tragedy, because everyone thought that could have enough land to build. This brought to an uncontrolled situation, informal settlements, poor infrastructure, environmental problems and lack of public supplies. Nowadays the legislation has changed and the State is stronger. Planning controls have stopped this rampant development, affecting the land market. In this case, the land market acts like in Ricardo theory. According to Ricardo the land is scarce and the supply of land is fixed (because of planning regulations). The price determines the demand, and the demand determines the rent. This is what is happening not only in Durres but in most of Albanian cities.

4. Albania's Civil Code legislation

Under Albania's Civil Code, land tenure systems are private tenure system, public tenure system (state land or municipality land) and informal tenure systems. Land that is privately owned may be freely bought, sold or leased, and landowners have the right to possession, disposing and joy. According to Law 8743, dated 22.2.2001. State land can be leased to private individuals and communities and authority to manage and use the land devolved to local governments. State agricultural land can be leased for periods of up to 10 years for most crops; up to 30 years for livestock. Low forest, and protected land; and up to 99 years for tourism development, fruit trees, and high forest.

Albania legislation recognizes both individual and family landownership rights. Some legislation such as the Civil Code (1994) and the Private Property Law (1991) recognizes private and individual property and the right of all citizens to own and inherit property. Family landownership was tacitly established, as we saw, in the Law on Land. In addition, the Civil Code classifies agricultural land as family landownership (Article 222), not to be subdivided among family members except under specific conditions (Articles 226–228).

In 1994, the Law on Registration of Immovable Property was approved and is the basis for the current title registration system. The immovable property registration system is directed by the chief registrar who is appointed by and directly responsible to the Council of Ministers. The IPRS combines in a single system all property in Albania, whether rural or urban, public or private.

Albania's formal law allows people to access to land through inheritance, purchase, gift, and government land allocations. Most landholders obtain their land rights through: government land distributions; inheritance; purchase or lease on the informal market; occupation of plots in informal settlements; or use rights granted by local governments. Foreigners can purchase private residential land and commercial land, so long as the proposed investment is at least three times the value of the land. Foreigners are prohibited from buying agricultural land but can obtain 99-year leases. The problem in Durres and in all Albania was the receiving either rural land or urban apartments during the land reform process in the early 1990s. Durres suffered from wide-spread illegal occupation of land and illegal buildings due to the rapid internal migration and the inability of the state to efficiently provide or assign land to meet demand near the city.

Article 41 of the 1998 Constitution protects private property from expropriation; the state can expropriate land only when the taking is in the public interest and fair compensation is paid to the landholder. Landholders have the right to contest the amount of compensation paid. The 1999 Law on Expropriations and Temporary Takings of Private Property for a Public Interest (No. 8561) defines public interest to include: public projects and investments; protection of historical, archaeological and cultural monuments; and protection of public health and safety. If the project for which the expropriation was made does not commence within three months of the expropriation, the expropriation is deemed invalid and the land returned to the landholder. In that event, the landholder must return any compensation paid. What happen nowadays in Durres is that the "formal" informal settlers have the security that their houses are not going to be taken by the state, because of the process of legalization and registration of land. This has made them to invest in their houses to improve their life conditions. As Geoffrey Payne said, their house is not more a "dead" capital. This has raised the value of their property, affecting land markets. Although local government cannot collect taxes from them, their improvements have good influences in the social area of the community. However, their security doesn't help them to take bank loans. Even if they have got full title and they are poor, bank doesn't give them loans. So, full tenure doesn't necessary mean and of poverty. There is a difference

between formal legal property rights and de facto or customary property rights. Of course, they can sell their property, to a richer person but this still doesn't mean and of poverty. This is why security and legality are different concepts.

Civil Code defines the main ways of providing ownership, like: by contract, by prescription, with the good faith of movable items, by the merger, mixture, and processing, ownership of lost or found items, and on no owner things, by invasion, by expropriation, on the fruits of the property, by inheritance. Property subject are physical persons, legal person and state. In Albania Civil Law, is known public ownership. State or other civil entities do not have ownership rights on these items. For these types of properties, the entities mentioned above, may have the right of enjoyment and possession, but not disposition. In the the property arrangements of owner's right to enjoy, own and freely dispose his property respond to the obligation of an unlimited number of people that do not have the right to violate it.

5. Analyze the contract of entrepreneurship

I will analyze the contract of entrepreneurship the main stakeholders are the entrepreneur and the requester. The legal framework includes Civil Law, Chapter VII. Rights and obligations:

Requester can make changes to the project, in condition that their size does not exceed one sixth of the total fixed price. The entrepreneur has the right to be compensated for the main works carried out, although the price is fixed in total offense. Requester has the right to control the execution of works and their status at their own expense. When, during the conference, is detected that their conduct does not continue under certain conditions and standards in the contract, the requester may set a deadline within which the entrepreneur must comply with those conditions. When the fixed time has passed without bringing any benefit, the contract is terminated, without prejudice to the right of the requester to pay the claims. Requester, before taking over the work done, has the right to control it. Control must be performed by requester; entrepreneur just create appropriate conditions for control. If, despite the invitation of entrepreneurs, the requester fails to control without reasonable grounds, or when the outcome of the audit reports within a short time, the object is accepted. If the requester receives the submitted work without any reservations, it is considered acceptable although there is the control. The entrepreneur has the right to ask to be paid with the value assigned when the work is accepted by the requester, unless there is agreement to the contrary.

The ordering party may withdraw from the contract, even when the implementation of the work or performance of service has begun providing, with condition compensating the entrepreneur for expenses, for work done and for loss of profits. The contract may terminate because the implementation of the work has become impossible due to a cause that cannot be attributed to any party, the requester pays the past of the object to the limits within which it is useful for, in proportion to the certain price for all the work. The contract may terminate when the material given to entrepreneur by the requester, or when the work of preparing this material is lost or damaged, as and when the end of the object becomes impossible through no fault of any of them, but in any case after the entrepreneur is late in submitting the work, this is bound to reward the requester the value of the material and no right to ask him to pay the work done.

6. Concluding remarks

Concluding the analysis, the city of Durres has been relatively stable since the 1997 collapse of the pyramid schemes. However, there are conflicts over the failure of the government to properly implement restitution and compensation programs, especially in the coastal areas where the land is very valuable due to potential tourism development. The historical owners dispute the post-1991 privatization of agricultural land to workers of the cooperatives and state farms and the state has not adequately implemented the restitution laws for forests and pastures. In addition, there are many other property disputes which arise from overlapping privatizations and restitution decisions. In some cases the ownership of the land is different than the ownership of the buildings, creating conflicts between the two parties. As mentioned above, illegal occupation of both state and private land has caused social and political tensions, and the squatters have blocked the national roads on various occasions, demanding infrastructure services and legalization. Land conflicts are frequent and constitute about half of all cases in civil courts. Conflicts are generally of two types. The first type relates to overlapping claims to a piece of land, boundary disputes or conflicts about road access. In these cases, parties generally try to resolve their disputes on a personal level before turning to official channels of conflict resolution. The second type of conflict involves restitution and compensation claims of former owners.

Property rights in Durres, as in Albanian state, are still a fragile bundle of rights. Many "sticks" have been putted in, but they ate still not good regularized. Law framework is still not strong and the Urban Development Plan has still to be reviewed

and approved. Many conflicts have been raised between current owners and former owners. There are inefficient plans because of the fragmented land.

The consolidation of property rights may decrease the land transaction costs, provide better incentives for land sale — for those who are ready to move out of agriculture — and facilitate the enlargement of market-oriented farms without destroying the social and economic equilibrium in rural areas. Resolving agriculture land property rights is a key step to promote agriculture growth, investments and efficiency in Durres, thus more attention from the policy-makers for this issue and more research can contribute to the future of the sector. Furthermore, it would be important to combat inefficiencies arising from small plots by supporting the development of farmer associations, improving irrigation infrastructure, supporting modernization of equipment and distribution of high-quality inputs and investing in the development of agricultural knowledge and skills. Another important issue is the improvement of laws on land use and transfer; institutional strengthening of land management; and improvement of integrated land management. Local authorities that are already working together with a local partner e.g. NGO, should have an incipient experience with public-private partnership arrangements in urban development. The participation of civil society organisations in local processes and decision making should be strengthened by the city-wide initiative but the responsiveness of a local authority will depend on the existence of a local leadership, an active middle management staff that can mobilise confidence and support from inside the organisations.

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