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# **BROADENING URBAN RESEARCH ACTIVITIES OF IPRS/PMU IN ALBANIA**

by

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Terra Institute, Ltd., has provided technical assistance in Albania since 1994. Under both the Land Legislation and Policy Project (LLPP) and the Land Markets in Albania Project (LMAP), the Institute has archived almost 50 reports, papers, draft legislation, and commentaries on land legislation, land registration, land tenure, and other land market-related activities in Albania.

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## **GLOSSARY**

GCC	Geographic Computer Company (Tirana, Albania)
GIS	Geographic Information System
IPRS	Immovable Property Registration System
LTC	Land Tenure Center
PMU	Project Management Unit

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# FURTHER ANALYSES OF THE IPRS URBAN SURVEY AND BROADENING URBAN RESEARCH IN ALBANIA

by

**Harold Lemel\***

## 1. BACKGROUND

The urban property survey in Albania is designed to clarify issues and confirm problems and challenges likely to arise while registering urban properties. It seeks to characterize property market dynamics in a cross-section of urban centers and analyze the various factors, particularly tenure security/insecurity, that are driving or hindering transactions. The survey is, therefore, directly relevant to the core purposes of the Immovable Property Registration System (IPRS). By indicating the extent and location of property tenure problems, it can help the Project Management Unit (PMU) organize, set priorities, and focus its efforts in terms of both type and location of properties.

This urban survey is being carried out in two phases. Phase-I of the study involves data collection via a short, one-page questionnaire, which solicits information on a few key variables that can shed light on major characteristics of urban property in six Albanian cities. Combining these results, an overall descriptive picture of property types can be drawn, showing forms and extent of property documentation, age and quality of housing stock, and recent trends in levels of transactions and land market activity over the past several years. Phase-II of the survey uses a long questionnaire to gather detailed information on a subsample of properties, covering physical and juridical status and use, landowners' motivations and plans for development, and constraints faced in completing the operations as intended. Specific questions pertain to specific property types. These additional data permit us to take the initial analysis based on the short questionnaires a bit further and explore the in-depth relationships between tenure status, investment, market behavior, and issues important to property registration. Examples of complex issues clarified through the survey include inheritance-related problems for different types of properties, subdivisions, and changes of use: To what extent are these matters recorded or documented? What appear to be the implications of lack of documentation for investment, property value, and involvement in market transactions? The urban property survey can identify particular focal situations for more detailed case-study research on issues that arise in connection with registration.

So far, collection of short questionnaire data is complete for all of the sample cities. Long questionnaire data have been completely gathered only in Tiranë.

This paper explores ways to use these urban survey data and identifies several external data sources, including Geographic Information System (GIS), which could be used in conjunction with the IPRS survey data. Its main purpose is to provide directions and possible areas of focus for further urban property research.

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\* Dr. Harold Lemel is a Land Policy Specialist who was working as a consultant for Terra Institute, Inc., Mt. Horeb, Wisconsin, at the time of submitting this paper in March 2000.

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## 2. USE OF SURVEY DATA TO GAUGE TENURE INSECURITY

Possession of accurate up-to-date documents may or may not be related to investment or market behavior. This is a question to be explored through empirical analysis of the survey data. However, beyond this, and due to the depth of the data, other elements of insecurity or tenure complexity may be identified and analyzed, something not possible with more superficial studies. Thus in addition to having the proper documents, complicated and possibly insecure tenure situations may include properties with multiple use, split ownership, informal subdivision, apartment extension, and so forth. While the short questionnaire can identify some of these elements, it cannot help us assess the actual property market implications, including availability or ease of sale or rental, actual sale or rental, or relative value of holdings in such situations. It can only give an overview of the situation in beneficial, but still somewhat superficial terms. In other words, the short questionnaire is descriptive but not suitable for deeper analysis and identification of specific cases for further study.

### 2.1 CHARACTERIZING AND MONITORING THE URBAN PROPERTY MARKET

The second major focus of project research on urban property is detection of trends in Albania's urban property market. The survey results, particularly from the long questionnaire, can help us characterize the pace of transactions and determine both objective and subjective factors that seem to affect relative property value.

Properties falling within map-boxes used as sampling units can serve as a base for periodic monitoring of changing property dynamics and the various factors—tenure and otherwise—that appear to be shaping patterns and trends. Of particular interest are the following relationships, which can be investigated only by using the long questionnaire:

- ◆ What are characteristics of properties, property owners, and areas where transactions are most numerous?
- ◆ How are those characteristics associated with residents' opinions on what constitute favorable or unfavorable properties and environments?
- ◆ What factors seem to be motivating or stymieing property transactions activity?

One of the major problems now confronting registration is whether (and how) to record situations of either legally questionable or verifiably illegal property ownership. The survey can help answer a key question in this regard: Do owners of properties under a legally questionable status pay a property-value penalty for this status? For example, does someone who built an extension to an apartment, and who is now in a situation where fully legal sale is no longer possible, adjust estimated property value to reflect this fact? In searching for an answer, it may be useful to focus on people actually planning to sell their properties, a group that can be identified using the long questionnaire.

Clearly, property dynamics are affected by more than tenure or family characteristics. Properties are located in distinct areas that differ in ways likely to affect supply and demand as well as property value. To incorporate these other elements into the analysis, we will have to link the property information already collected to external data sources. With such linkage to other data sets reflecting infrastructural and service quality differences and clearer characterization of the areas in which the sample properties are located, it would be possible periodically to follow up and trace changes such as disposition, subdivision, documentation, involvement in transactions, and types of transactions on a large sample of properties.

As should now be clear, only the combination of both short and long questionnaire survey data can make it possible to accomplish the sorts of analysis that are needed. Therefore, all survey work in all originally selected cities should be carried out and completed. Only partial completion will yield only a partial picture of Albania's evolving urban property scene. It would be better—and it would be more advantageous—to have produced a baseline record of how landed resources lay at the early stages of development both as a way to gauge patterns and changes in the future and as a way to assess the results of property registration in different urban contexts over time.

Much of this contextual information is available in GIS form and, with the completion of digitalization of the sample survey property data (expected to be done by February 2000), various useful

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analytical links will be possible. Some examples of what these might be and what would be involved in making them are detailed below in section 3.

### 3. LINKING DATA SETS FOR ANALYZING AND MONITORING PROPERTY MARKET DYNAMICS

The IPRS urban property survey can serve as a basis for monitoring improvement or deterioration of tenure security, the pace of property transactions in different areas of the city, and changes of property values over time. To amplify the benefits of this effort both to the IPRS project and as a source of information to those interested in property dynamics in Tiranë, it will be necessary to link the survey data to other data either now in the process of being collected or planned for collection in the near to medium future. These other sources of data can be either linked to the sampled properties or used separately from the survey to the following ends:

- ◆ monitoring changes to the IPRS urban sample properties themselves;
- ◆ identifying cases and situations that deserve closer study because of the difficulties or special challenges they represent for urban property registration;
- ◆ adding depth and context to the analysis of properties in the IPRS survey by focusing on the 32 approximately 1-hectare sample squares and conducting analysis of market transactions, investment, and value for the sampled properties in relation to other factors not now encompassed in the survey, such as infrastructure quality, service quality, and possibly population changes; and
- ◆ following and analyzing property dynamics through other data sources in the years between the baseline and the follow-up study.

Once registration is complete, computerized *kartela* records will make it possible simply to link IPRS survey property data by property number (or at higher levels of aggregation such as cadastral zone or block). A GIS framework would also make it possible to place IPRS survey sample properties within different bounded areas including cadastral zones. However, in the interim (perhaps 4 to 5 years for Tiranë), other ways of linking various forms of data will have to be employed.

Databases of interest for medium-term linkage include the following.

- ◆ *IPRS urban property survey*. This survey consists of two data sets: One set covers basic information such as type, location, area, ownership, documents, and identification of owner(s) on over 2,000 properties. The other data set gives in-depth information on a subsample of some 674 of those properties, providing details on tenure status (including documents held, how the property was acquired, how acquisitions were financed), investments made on the property, use of the property as collateral, prices paid for the property if purchased, subjective judgments of owners about property value, and the relative merits or demerits of the property in physical and locational terms. Records of this data set may be linked to the cadastral/index map system<sup>†</sup> since properties are identified with reference to these.<sup>†</sup>
- *Real estate database being assembled by Artan Dervishi's company, "Real Estate."* This database, which is maintained and used for the business's operational purposes, consists of about 2,000 records<sup>‡</sup> in Dbase-III format of properties in Tiranë. Its main value is as a basis for assessing the relative contribution of various factors (location and property-specific) to property values, both rental and sale, in Tiranë's property market. Records include properties that Dervishi himself has handled plus those handled by other firms. Generally the records span the years 1995–1999 for 5 categories of properties:

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\* Map information is now being digitized for the sample properties by GCC.

† As set up, a unique i.d. number had to be generated to enable the linking of long questionnaire and short questionnaire data; cadastral information is to be found only in the short questionnaire.

‡ This is the number in the main office (Office #1 of 3) in Tiranë.

apartments, villas, stores, storage facilities, and lots (see table below). Both sale and rental information is included as are records for properties already sold or rented and those listed for sale or rental. Many details about the properties, their location, access, and the like are included for each property (as detailed below). One unique feature of the database as a property-value monitoring resource is that its records are constantly being augmented and updated. Roughly 8–10 apartment properties, for example, are added to the database each month. The database covers rental properties, those offered for sale, or those actually sold.

Types of property	Sales		Rentals	
	Complete	Not complete	Complete	Not complete
Apartments	300		680	430
Villas	110	60	500	210
Stores	90	28	160	85
Storage	16	22	40	30
Lots	30	30		

Currently, property location and identification are determined only by the property address. Facilitating linkage of these data to other data sets, including the IPRS urban survey, would necessitate either locating all of the properties already in the data set on index maps or eliminating this task for properties added to the system in the future. The dbase application used would be slightly modified to include fields for index map designation and cadastral zone. The program used already accommodates *kartela* information, which includes cadastral zone block/property-number designations.

- ◆ *Lefter Sila*,\* *Certified Property Valuator, database*. Sila has compiled a paper file going back to 1997 for an estimated 2,000+ transactions. These files are kept in the form of volumes of notices of and actual sale in Tiranë newspapers. Sila has a partial tabular index for these; since April 1998, he has been organizing the data into tables<sup>†</sup> that could be easily entered into computer files. Information columns in the table are shown below.

US\$/sq. meter	Area	Floor	Condition	Location/ address	Price in US\$ and Lek	Date	How sold—by agent or self

- ◆ *Land registry and Hipoteka data*: Hipoteka data provide a rich source of information about property transactions and documentation. To further the understanding of land market dynamics, the Hipoteka data can be used to categorize areas of Tiranë with regard to the intensity and type of land market

\* Rr. Luigji Kurakuqi, #6 Tiranë.

<sup>†</sup> About 100 records are organized in this fashion.

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activity. Spatially, the areas for which data would be most relevant or interesting in connection with the IPRS surveys would be the map numbers utilized in the survey for the sub-index map.

Final preparations are now under way for Hipoteka data to be entered and transferred into computer database files that can be cross-referenced with the property registration data being recorded onto *kartela*. It is anticipated that all Hipoteka data having to do with apartments will be entered by July/August 2000. However, inclusion of data on houses is likely to take at least 2–3 years beyond that date. The Hipoteka database has fields that indicate the sort of transactions in question (sales, exchange, endowments/inheritance), number of Hipoteka document, names of the old and new owner(s), address of the property, cadastral zone, and *kartela* information as properties become registered. There is also information on the types of documents that had been presented to back up claims when the properties were recorded.

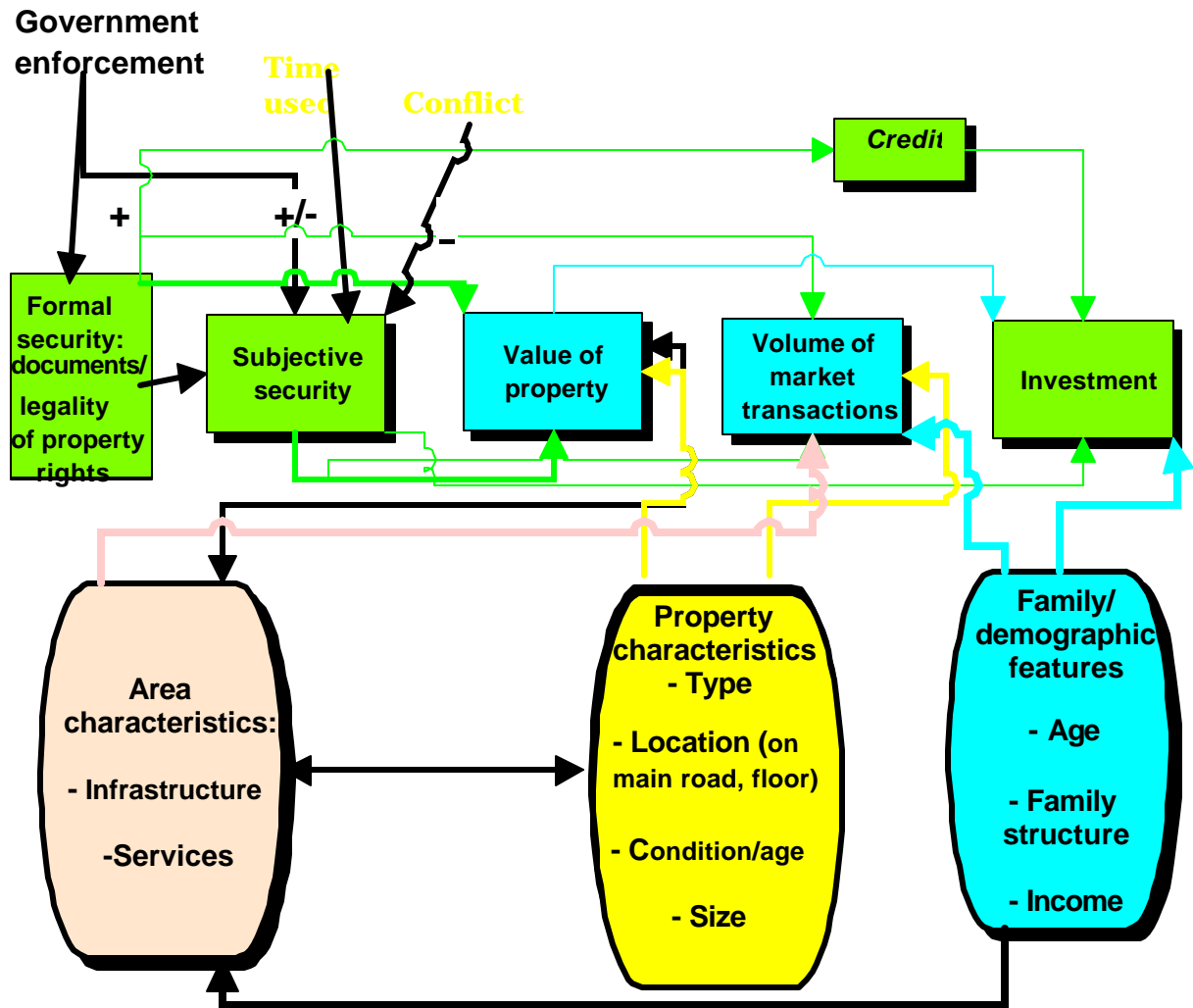
Once the Hipoteka data are cross-referenced, they can be linked to the IPRS survey data by using the cadastral zone and block/parcel designations, which are in the IPRS survey short questionnaire data. It will also be possible to use street addresses once a cross-referenced list of addresses and cadastral zones is prepared.

When registration is complete, IPRS survey data could also be linked to government data sets on infrastructure, services (e.g., schools), and demographic change such as the following.

- ◆ *Electric service and water service availability* is obviously an important influence on the relative value of property. GCC has digitized maps showing electric sewer and water lines for 1997/8 at a 1:10,000 scale for areas outside the Yellow Line, and at 1:5,000 scale for areas inside. This may be of some value in the IPRS survey in terms of comparing properties inside or outside the Yellow Line. However, within the Yellow Line boundaries of Tiranë, it is likely to be the quality of services, not their presence or absence, that is most significant in determining the attractiveness of specific urban areas and their properties. For this information to be relevant, the levels of service for Tiranë would have to be graded. People at KESHE Electric and the water enterprise may be able to provide some insight on this, indicating where services are best or worst and how to incorporate such information into a GIS framework. Of course, impact on market value and activity can be expected in areas where such services do not exist or where development plans are presently known.
- ◆ *Proximity to bus lines and schools* is also likely to bear on property values. Digitized information on these two basic services already exists at GCC for 1997/8 and could be used to determine whether any bearing on the IPRS survey properties is shown. This could be done within a GIS analytical framework by comparing estimated values according to differences in access to these services. However, these sorts of data will have to be updated in future years, and there is question as to the supplier of this service.
- ◆ *Population growth or decline* is clearly relevant to property demand and price. However, comprehensive demographic data for Tiranë are lacking. Collection of the data is currently done by “administrative unit” (*llagje*) or neighborhood, but results are generally not well organized or up-to-date. A \$7 million project is under way at the Institute of Statistics for registering Albania’s population, primarily for purposes of the upcoming local elections. This work is scheduled to be complete by May 2000.
- ◆ *Building and business licenses* would also be good indicators of the relative pace of development in a given area of the city.

The figure below summarizes the major relationships that can be explored using the urban survey data combined with other data sources.

## Major Relationships to Explore with the Urban Property Survey and other data sets



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#### 4. Programmatic and research proposals and ideas

Ideas for data analysis and areas of focus for upcoming urban property research include the following.

For the IPRS urban property survey:

- ◆ Complete the originally planned analysis of the data, focusing on tenure insecurity and its implications for property value, transaction volumes, and investment.
- ◆ Explore factors that go into the valuation of properties, including property characteristics, location, and tenure. While few cases of sale or purchase are included in the long questionnaire survey (about 50), respondents' estimated values for properties and their views on what makes comparable properties more or less valuable are recorded. Demographic profiles of purchasers and prospective sellers could be incorporated into such a property value study, which could provide clearer insights into what may be driving the urban property market.
- ◆ Select cases of apartment extension for closer case-study analysis and plan to discuss how issues of landownership for the extension were handled. Reportedly, many of these extensions are built on land claimed by ex-owners or the state. What sorts of accommodations have been reached on this? What is the current status of the land according to apartment owners, to lawyers, and to government officials?
- ◆ Select cases of apartment buildings (*pallat*) built on ex-owners' land and explore how these ex-owners are proceeding to record their rights. Landowners who were not questioned previously should be sought and interviewed. Once again, the various dimensions of the problem and methods of approach in registration would be explored.
- ◆ Select sample cases of old Tiranë houses to analyze how their subdivision is proceeding and what kinds of complications and issues are being encountered.
- ◆ Conduct a focused study on properties with split ownership between structures and land. Unfortunately, connecting this variable to investment, value, and market involvement is not currently feasible for the Tiranë sample. While there are a substantial number of cases reported (90) in the short questionnaire survey, amounting to about 4% of properties with structures, virtually all are in the urban sample; yet we have purchase price information only for the suburban subsample and not for the urban. In the long questionnaire data, which do include price information, the number of reported cases of split ownership between land and buildings is too small (5 for actually purchased properties, and 15 for the entire sample of 674 properties) for any meaningful analysis. It may be worthwhile to do a special mini-survey by returning to the 90 properties—plus perhaps an equal number of comparable properties not having this problem—and examining whether price or other differences actually exist.

For the real estate databases:

- ◆ Reach an understanding with the owners of the Real Estate company on the assistance they would require to either organize and conduct analysis of their data or open access of the data to IPRS-associated analysts. The owners are prepared to have their data transferred to a GIS database as long as the PMU hires someone to do the job, and they would provide the computer and office space at no cost. Once a price for access to the data is set, the data would become the joint property of the PMU and Artan Dervishi. An arrangement could be worked out to continue updating the database.
- ◆ Identify and record locations of properties in the database (now identified only by address) on a map showing boundaries of index maps, cadastral zones, and map numbers used in the IPRS survey. This might involve 3–4 weeks of work (with about 250 properties identified per

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day).<sup>\*</sup> If an agreement can be reached about the price for data access, Dervishi is willing to purchase a GIS program from GCC.<sup>†</sup>

- ◆ Adapt the existing property database to include the fields (index map, cadastral zone, and IPRS survey map number) necessary for linking to the IPRS survey data.

For government data:

- ◆ Incorporate these data into a GIS system.<sup>‡</sup>

For the Hipoteka data:

- ◆ Extract apartment-related transactions data for map sheets included in the IPRS urban property surveys and classify them in terms of intensity of transactions (in the near term, only apartment data are available, though extraction may be feasible by September 2000).

For GIS/digitized data:

- ◆ Contract for GIS-based analysis of the relationships between market values of properties and infrastructure quality, location of individual properties (main street, secondary street, etc.), distance to bus and school services, and so on.
- ◆ Explore the feasibility of creating a GIS cross-referenced index of addresses and cadastral zones (since most urban data are still organized by address, this would be a major step in facilitating linkage with statistical data of various kinds).

## 5. ISSUES

These ideas on exploring land market dynamics and variations in property value derive from piecing together various existing sets of data in a somewhat ad hoc fashion. Of great concern is the possibility that all work being done will yield only short-term benefits, because there is no institution currently assigned responsibility for the ongoing collection, updating, synthesizing, and publicizing of property market information. Monitoring of changes and developments are unlikely to be sustained into the future unless more permanent arrangements are made for maintaining and analyzing the data. Perhaps the most natural arrangement would be to establish an institutional/information and data linkage between the Property Registration Office, which in the course of conducting its assigned duties is gradually building up a database on all properties in Tiranë and the rest of the country, and the Ministry of Finance, which is interested in tracking changes in property values as a basis for property assessments that accurately reflect market realities.<sup>§</sup>

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<sup>\*</sup> A more precise estimate would require a trial run; this estimate is based on 2–3 minutes per property x 50 minutes per hour for 2 hours a day. It is unlikely that more than 2 hours per day could be devoted to this effort by the staff of the Real Estate company.

<sup>†</sup> A GIS program could be purchased from GCC for \$600.

<sup>‡</sup> A key step in this direction would be to have a GIS overlay prepared with *llagje* boundaries.

<sup>§</sup> Currently property taxes are assessed arbitrarily with little regard for major differences in value.