

Planning Regulations and Development Value in Coastal Albania

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Abstract: *My study focuses on an analyze and description of recent developments on the Albanian seaside, in particular “touristic villages” built at “Lalzi Bay” and their environmental approach in connection to Planning Regulations. By working particularly with one of these projects, “San Pietro Resort”, by comparison to other projects nearby and by consideration of requirements set by the General Territorial Plan of Durres Municipality, I try to illustrate how it shows reasonably more respect for the location, not because of Planning regulations, but despite of them. Furthermore, I try to describe that is the market itself pushing for environment friendly developments and the sensibility towards market indications works better than limitations put by governments. My modest suggestion, based on actual projects and literature review is that public policy should be revised and considered not just as “obligatory minimum standards” but as a smart way of incentivizing competitiveness and innovation, under very carefully selected working models.*

Keywords: development; environment; real estate; planning

1. Introduction

Albania is an interesting potential of touristic development in Mediterranean area, with a colorful sea line, nice climate, good food and unveiled culture. Unfortunately, our seaside has fallen prey to all sorts of irresponsible developments and fast changing realities, but there is also good will, and careful planning with respect to the environment.

Latest Planning Strategies of coastal areas in Albania, could be means of understanding the crisis of traditional development method, but also how Urban Plans can create new possibilities for economic initiatives of large scale and alternative scenarios of Real Estate perspectives (EU, 2013). Land Use Planning has turned empty urban areas in new development opportunities, sometimes without redesigning infrastructure networks, which gave way to a new type of competition between local systems, a mix of Real Estate and Tourism, through a spiral of doubts for new dynamics of economic value.

One interesting spot is “Lalzi Bay” on Adriatic Sea, north of Durres, 40 km from Tirana, under fast urbanization, with high touristic potential, illustrated from the investments and interest from strong international players, due to good connectivity, additional infrastructure and nice environment. Building has started 15 years ago at this previously isolated area, with only recent investments for considerate infrastructure, and regulations lacking basic requirements for sustainability attributes.

There have been several attempts to evaluate the impact of urban and architectural design on real estate prices through the use of econometric models, mostly concentrated on constructive characteristics of neighborhoods and housing units (Vandell & Lane, 1989), but also efforts to evaluate issues like sustainability and life quality on a broader sense (RIBA T. R., 2011). Although not definitive and thoroughly satisfactory to everyone, most works agree that good design and environmental friendly characteristics have a positive

effect on market value for real estate. It is a complicated question to establish definitions like “architectural value” and usually architects are blamed for sacrificing function or raising costs for their somewhat abstract sense of aesthetics, still in a complex relation between Location, Function, Costs, Design, Sustainability, Beauty, etc., architectural choices can affect prices and willingness to pay, and for sure are interesting enough to be studied in a myriad of articles.

As most evidence suggests, pure sustainability criteria tend to decline in relative importance over time, ceasing to be marks of consolidated distinction (Encinas, Aguirre, & Marmolejo-Duarte, 2018), therefore I concentrate mostly on the notion of environmental friendly design, not just on details of energy saving but more as respect for the site and ecology of the location, underlining the futility of planning procedures as expressed on several cases.

2. Local and central regulations

2.1. Development and Territorial Plans

Albania went just through a Territorial Reform that changed the boundaries of Local Governmental Units, together with strategies, regulations and new formulations like National General Plan and Integrated Cross - Sectorial Coastline Plan (AKPT & MZHU, 2015). These serve as guides and principles for detailed General Territorial Plans, still being approved as we speak. Actually, the new GTP for Durres, which includes Lalzi Bay, is not officially approved, the Municipality operates with the old plan and the National Council for Territorial Planning – (headed by the Prime minister) has been dealing with development permissions for sensible areas and large investments.

In general, these permissions deal with numerical factors like Intensity of construction and land occupation coefficient, concentrating on controlling the quantity of what’s build, despite its architectural or urban values, judging empirically on renderings and animations. There are

national and local urban policies for elements of city management (Co-Plan, PLGP, & AKPT, 2015), embracing the exploration of new ways in which to foster and encourage local development and growth, while there is little incentive on functionality, sustainability or real estate regulations, beside guidelines on tax transfer and methods for cost calculations.

The policy tends to boost investments in tourism, especially by appealing to international companies (MTM, 2018), to get past the previous housing market boom, but the procedure is complicated; e. g. in order to have a Building Permission you need to present an advanced project, in order to attract foreign investors, you need a building permission, but also a project flexible enough to accommodate particular requirements. A reasonable solution is found by getting a BP first on a theoretical project, and a Revision of the BP later, when a detailed project is compiled, sometimes totally different from the previous one. Of course, this creates additional costs and an uncertainty that complicates feasibility plans and communication.

After experiencing work with General Territorial Plans for several municipalities, Building Permission and Revision of Building Permission for a couple of resorts, it seems to me

that Planning Regulations tend to fail initiating qualitative developments for three main reasons:

- They depend on layer over layer of prohibitive regulations, instead of directing the market energy.
- Generalisation is problematic, mostly for lack of resources to focus on particular areas and situations.
- They don't understand the flexibility of economics over time

2.2. Environment

In neighboring countries, energy efficiency at the residential level is being strongly regulated by the EU, by documents like European Energy Performance of Buildings (EC, 2010) with attention to consumption, ranking efficiency and additional measures to stimulate sustainability, that provide direct links to market value. Most countries out of the EU, similar to Albania, have delegated this to development markets, after setting minimum levels, with demands related to building materials, elements and qualities. The above regulations can be seen as prescriptive definitions, relative to thermal transmittance of the envelope or general performances of buildings consumption (Mwasha, Williams, & Iwaro, 2011), which is still shaped as ranking, roughly similar to EU policies.



Figure 1: Google images of Lalzi bay 2006

In Albania there is no such regulations, but fortunately some investors, partly from understanding the trend, partly by trying to be part of a larger European market, have already started to incorporate generally these standards as attributes to development and advertising on such. They are mostly standards of materials, performance certificates, etc., with a

tendency of "green washing" sometimes, but it's a beginning. Being related to customers as quality of construction products it is starting to become somewhat of a norm, even though without real understanding of actual performance, especially in terms of cooling.



Figure 2: Google images of Lalzi bay 2018 - San Pietro circled

Just by reading promotion brochures, one can understand there is a general assumption, that energy characteristics of buildings, have some effect on willingness to pay for rather higher prices than the average market value, given similar location. It's already an anecdote among developers, that people knock on walls to see if there is a coating. Some companies have generated their products on the basis of these expectations, producing a set of material behavior characteristics and establishing similar products, despite their location. It seems logical that developments with better efficiency receive extra premiums from the market, but studies abroad (Bruegge, Carrion-Flores, & Pope, 2016) have shown, that this is more effective on high price projects and less important on basic housing, connected to cultural affiliations of buyers. Sometimes, even in markets more regulated than Albania, it becomes really difficult to construct reliable econometric models with conclusive results or with reiterating modules (Walls, Palmer, & Gerarden, 2013).

The trend is here and European Standards will soon be a norm in Albania too, so there is a strong need to focus regulations policy on assessing real ranking with understanding of building performance in terms of energy consumption. It is a reasonable assumption though, that European Regulations cannot be implemented directly on Albanian construction situation, therefore it's of great concern the effectiveness of "middle ground" rules that will be set in the meantime. This is not to be thought as stronger instead of weaker procedures, but as qualitative principles, with tangible distinction between actual sustainable solutions and green washing promotion.

3. Theoretical understanding of Real Estate concepts

3.1. Market Value

There are certain attributes or characteristics of real estate products that can differentiate developments in terms of market value. In an economic observation, "value" is the perception of consumers by establishing their willingness to pay for it. According to Adam Smith (Smith, 1981(1776))this notion, with its characteristics and restrictions, can be called "use value" or "exchange value".

Real estate products differ greatly from this literal definition, more suited to mass - produced goods and are more complex in terms of establishing economic value, because of their lack of flexibility production process, but most importantly being related very strongly to the location; sometimes *Location* is the only thing that makes a difference. Despite the amount of influence the monopoly of location asserts over supply demand relation on a large scale, (say neighborhoods inside a city) (Schmitz & Brett, 2001), even in the same complex, between same repetitive units, the one placed better towards the sun, or the sea, or landscape view is more required, therefore more valuable.

It's more complicated for a vacation like product, a secondary house built close to the sea, like the case of Lalzi Bay. Real estate products become a sum of attributes, which may derive from the project, the location, means of transportation, closeness to important infrastructure, etc. (CABE, 2003). The given location cannot be modified, in this case all developments are in the same bay, close to the sea, with more or less the same infrastructure, what makes a difference is the project, with its solutions, urban design, architectural units, interpretation of regulations and care to the environment qualities. Basically, these are attributes that the developer wished to deliver, trying to give a different value for similar location. Given the lack of reliable set principles, these become means to bounce tangible alternations to the client, in terms of value.

3.2. Design Value

Usually, in feasibility studies, developers begin with the costs and calculate the profit that can be obtained from a project, once the design, construction and specifications related are established as a result of referential price. In other words, it's a model of costs transformed in prices, versus consumers who decide on information based on existing similar developments and their ability to meet presumed costs (RIBA, 2013). Till here, there is little hint that design solutions might become a respected attribute for added value or that they can counterweight a potential consumer's decision in a highly competitive scenario.



Figure 3: Rendering of "San Pietro Resort"

According to Lancaster though, complex products are not sought for themselves, but for the attributes contained in them (Lancaster, 1966). In a complicated mathematical way (for me), he proves that “*A red Buick will be a close substitute for a gray Buick*” and also that “*Substitution is frequently intrinsic and objective and will be observed in many societies under many market conditions*”. In this case architectural and urban choices could become an important attribute, and may displace other, more traditional ones, both but making a difference between “grey and red Buick” but also asserting that it is still a Buick. In other words, it can be used both for added esthetic value while in similar level of other qualities, or for stressing the difference in quality, materials or site location, by enhancing those specifics into design interpretation. Especially in high - income sectors, planning could create an important attribute as a model of singularity for clients who don't mind added value for an exclusive product.

When it comes to particular sustainable details, the supply demand mechanism is made difficult by “the vicious cycle of blame”(Keeping, 2000). In a closed circle, consumers may demand zero consumption homes, but there are few available on the market, architects would love to design energy efficient houses, but developers don't require them, developers are interested to commission sustainable buildings, but investors might not finance them, investors might consider to finance sustainable developments, but there is no such demand from consumers. Especially in an unregulated situation, sustainable solutions, even though

might be a strong attribute, could become a rigged standard, if not put on common basics of energy consumption and reliable models of efficiency. While visible design attributes that spring identity to particular projects, might still be a distinction of quality and value especially when they are associated to specific environmental externalities (Del Giudice, De Paola, Manganeli, & Forte, 2017).

4. “San Pietro” Resort

“San Pietro” resort has started almost 10 years ago as an idea and, till recently, underwent step after step reviews, with a latest Revision of Building Permission just attained. We like to consider it, not just as an investment of around 150.000 m², but as a way of making things differently, with care for the quality and the ecological value of the pre - build environment.

There are several types of structures, from elite villas close by the sea, to apartments in low rise, high quality residences, inside the pine forest. A lot of time and effort was spent on good design, architectural and aesthetic value, as direct attributes added to the market value. Without picking bad moments from the competing developments in the bay, it should be sufficient that the price of “San Pietro” units has a 10 - 15% higher selling price compared to the other resorts, even though it is the latest in spot and still under construction.



Figure 4: Rendering of “San Pietro Resort” - Sea view

Two other advantages of the development are the five - star hotel in cooperation with one of the largest brands in touristic industry and the infrastructure investments taking place as we speak. How the actual resorts have been operational till now is something difficult to discuss, but these changes open a new epoch for the whole area.

The Urban concept of the resort is maybe the most important part of design that becomes an attribute in itself. After considerable study, it's at the limits of cost - price influence, in order to accommodate the optimum number of square meters on the site, providing maximum to the environment, especially to previous vegetation. The distribution of paths for cars and pedestrians has been revised carefully, in order to escape feeling like an urban center close to the sea, trying to preserve a natural flow of movement, similar to waves and the geological morphology of actual terrain. Again, without comparing to worst parts of the competition, I should highlight the differences in the basic numeric requirements from Urban Regulations:

- Construction intensity i – i. e. the ration between built area, to the area of the plot.
“San Pietro” resort has a 20% lower intensity compared to the regulations and the competition applied (for a plot of 330.000 m² it counts a lot)
- Land occupancy coefficient k – i. e. the ratio between the footprint area, to the area of the plot.
“San Pietro” has a 15% lower coefficient than the regulations and the one competitors applied, again it is quite a difference.

The data is not conclusive, for the design could be terrible and worthless even at lower build area, but it's just an example stripped of personal interpretation and manipulation.

The relation with authorities for the building permission has been constructive, aside the comprehensible issues coming mostly from the lack of flexibility. Especially for the touristic development we had to strangle with the question of what comes first: contracts with international operators or building permission on a detailed project. Fortunately, in

terms of energy efficiency there is no pressure on following similar inept regulations, but at this point all sustainable solutions are left to defend themselves in an unregulated setting, with dubious choices, that sometimes seem more green washed advertising that reliable models of certification, but this is a wider problem.

5. Conclusions

Even though the Albanian real estate industry presents some issues related to lack of general information, and a narrow base for real studding models related to market and its attributes, there is enough evidence on similar countries abroad, to suggest that design quality is one of these attributes and can be used for added value by careful developments. My study has no enough data to provide the mentioned model, but literature revision, empirical findings among investors and differences in selling prices of distinguished projects, are strong indications, that the data suggested by previous studies can be applied to Albania. The evidence brought here only in a descriptive way, is strong enough to advocate more apprehension to architectural and urban projects.

Sustainable design is a more complicated attribute. The characteristics that define energy efficiency to particular elements tend to get generalized in time, they get interpreted as given quality, become random and rarely indicate real sustainable models of energy consumption for the whole unit. Set together with total lack of public regulations in this area, very often these claims become damaging, as green washed publicity. Plus, as demonstrated by several studies, the sustainable attribute relates more to high profile buyers, which might not be the case for Albania in a broader region. There is attention from the real estate sector to this issue, when sincere, mostly because of the future integration in EU.

Local or central regulations have provided little help till now towards better developments, both in terms of sustainability or better architecture, in all the ways it may be defined. Actual urban norms tend to give minimal or maximal levels, without even considering procedures for the quality, and rightly so, given the actual state of both the market and public administration. There is a relative risk coming from inadequate approaches to sustainable solutions, but it is less harmful than applying the EU regulations as they are, and that is the example of comparable developing markets of real estate.

There is further need of understanding similar experiences and analyzing case after case of local developments, hopefully with gathering more data for reliable econometric models based on transaction prices and taking into consideration all attributes related to real estate advances in Albanian market.

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