



” Undeveloped land – a foundation for fulfilling dreams or a maze with no way out?

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It all starts with the land – this phrase could be a perfect starting point for discussing the value of unbuilt land in development and investment processes, both large-scale and or within the reach of the average Kowalski. Every unbuilt plot carries inherent value. Since the release of the RCN, access to information regarding the value of traded real estate is open to everyone. However, having information on value alone is not sufficiently reliable to determine whether a similar property will achieve a comparable price. Price is influenced by many factors not listed in the reports provided by county offices, nor are they available in a single, condensed file or location that everyone can access. So, what should guide you when choosing an undeveloped plot?

Purpose of purchase – perspective matters

The value of a property is the price a buyer is willing to pay for land he or she intends to use in a specific way. An investor planning to build a complex of recreational buildings for year-round profit will value a plot differently than a private individual planning to build a summer cottage as an escape from the city bustle. The price both buyers are willing to pay is strongly correlated with their objective; an experienced investor will buy a plot at a price that allows for a specific profit upon completion, even if that price is higher than the one Kowalski would pay. Kowalski is able to pay a price that his financial situation allows, while attempting to verify if the purchase price is not exceptionally high compared to local transactions. Kowalski is also driven by emotions and individual preferences, which impact budget flexibility. While an investor has established frameworks and knows exactly how to "squeeze" value out of a plot, Kowalski is thrown into a thicket of information without the tools to prune away incomplete, erroneous or flawed data. The opening of the RCN translated into access to information, but no one provided a manual on how to use these informational benefits. Verifying transactions from county offices requires effort – the GML format is not as commonly used by ordinary users as Excel. Various tools are advertised to convert GML into tabular forms, but these tools merely move data from one format to another. They do not fill in gaps, verify data accuracy or organize information; they just place it in a table. The resulting file lacks many details crucial for a buyer wishing to independently compare an asking price to transaction prices. A GML conversion tool cannot replace analysis; even a sophisticated algorithm cannot fill in missing yet vital information, such as troublesome neighbours or terrain slopes that might make a dream project impossible.

Land use designation – restricting in the name of order, coherence and protection

Land use designation is one of the primary features defining value, yet it remains closely linked to the purpose of the purchase. The current planning situation includes areas covered by adopted General Plans and areas where they have not yet been implemented. In the latter, Local Spatial Development Plans (MPZP) or documents defining development directions, such as the Study of Conditions and Directions for Spatial Development, still apply. The "Studium" is not a planning document and does not define land use, it merely indicates the direction, in which development should evolve. General Plans and Local Plans define primary and often supplementary land use. Development must comply with plan requirements, such as the ratio of biologically active area, building height or minimum plot



size in case of subdivision. This brings us back to the first point: the purpose of the purchase. Kowalski looking for a summer cottage will not be interested in a plot with designation that prohibits it. In data provided by county offices, land designation in the vast majority of cases is not indicated, therefore, such transactions should not be included in an analysis without first supplementing the land-use information independently. Plot A within a plan's scope may have a drastically different value than Plot B located 1 km away, where the plan no longer applies. The same municipality, the same town, perhaps similar utility access, size and shape — yet different prices. Another "value" of land-use designation is maintaining spatial order (though this is a subject of endless debate) and protecting environmentally or culturally significant areas. Proximity to environmentally valuable areas can limit the type and size of an investment. Depending on the goal, this could be an advantage or a disadvantage. Given the ongoing implementation of municipal General Plans, one must approach current designations in Local Plans with caution. In municipalities, where a General Plan is not yet in force, it is worth checking the draft General Plan before purchasing, as it will soon become the superior document. If the purchase purpose conflicts with the draft General Plan, the chances of completing the project are small.

Differentiating features – the devil is in the details

Properties, regardless of type, have a set of universal features that constitute an important selection criterion. The variation of these features depends on local conditions (e.g. in a small town with buildings no higher than five storeys, you won't find a 10th-floor apartment with a panoramic view), the purpose of the purchase (for agricultural land, utility access is not a primary value-influencing feature) and individual preferences. The latter are not measurable and cannot be categorised. Local conditions relate to the general location of the property and its technical and functional conditions. The purpose of purchase is the factor that defines the utility of the property in light of all its features. In the area of unbuilt land, three main groups of features may be distinguished, depending on designation: features for agricultural land, land for residential development and land for commercial development. Commercial development is rarely an area of interest for Kowalski, as an investor selects a property to suit specific needs. In case of plots for residential development, the average Kowalski will mainly be guided by access to infrastructure, location depending on preferences (distance from the city centre, woodland, service areas, recreational areas), neighbourhood and the actual condition, which determines the financial input required for the plot to be useful for the purpose intended at the time of purchase. The purchase of development land largely depends on individual preferences; however, the description of the property offered for sale and the properties that have been traded in the real estate price registers (RCN) is limited to a few general pieces of information, such as area, designation (unfortunately in only a small part of the RCN data) or access to local infrastructure (this information is also difficult to find in the RCN in many locations). These sources do not take into account features such as neighbouring uses and the inconveniences associated with them, the impact zones of expressways, land slope or undulation, as well as soil and water conditions, especially in spring. These are only some of the features that undoubtedly affect the decision to purchase a



property, yet they are not provided even at the offer stage. The above range of data must be determined independently. In addition, in order to compare the asking price of a property with sale prices in the area, these details must also be established for the plots against which the offered plot will be compared. In case of agricultural land, the set of features that significantly affect value is completely different, although some publications and analyses show attempts to identify features typical of development land in land designated for agriculture. This situation results from the practice of buying agricultural properties in order to transform them into land suitable for development. In that context, looking for features typical of development land in agricultural land makes sense; however, it distorts the perspective and the scope of information that should characterise agricultural land to be used in accordance with its current designation. In addition, asking prices for agricultural land that mention such features as access to utilities, road access or distance from the city centre are higher than for plots offered as typical agricultural land. This gives rise to a new group of properties, colloquially referred to as “agricultural land +”, meaning land that can be transformed and used for a purpose other than its original designation. This group of properties will not only be characterised by higher asking and transaction prices than typical agricultural land, but will also distort market statistics, because formally such a property will still be recorded as agricultural land, but with a price clearly exceeding market trends.

The actual development status – what the eyes doesn't see

Based on photos in an advertisement, a buyer can roughly estimate how much work is required to achieve the intended purpose of purchase. Many offers present photographs from a bird’s-eye view, which makes it easier to assess tree cover, landform or the location in relation to overhead lines or watercourses. All this allows for a reliable assessment that will affect price negotiations. Obviously, not every aspect will be visible in photographs or even during an inspection. An example is the seasonal water level, which perfectly illustrates that the same plot may be a dream come true in summer, but in early spring may turn into a waterlogged sponge saturated to the limit, making the intended construction project difficult or impossible. If one wishes to compare a property from an offer with properties that have been traded, the task is no longer so simple. The data provided by district authorities do not contain a reliable description of the development state at the time of sale. It is not known, whether the sold plot has a higher price because there are foundations from 30 years ago on the site, invisible in map services, or because before sale it was cleared of shrubs and trees and fenced. More than once it turned out that a property classified in the RCN as unbuilt land was, at the time of sale, developed with a building under construction. The description often did not address this aspect; therefore, statistically, prices of unbuilt land are artificially inflated by incorrect classification. The fact that construction of a building was not completed, should not lead to such a property being classified as unbuilt land. Prices of such properties sometimes do not differ significantly from prices of unbuilt properties with exceptional and attractive features. It is therefore possible to mistakenly include in an analysis a plot with construction already started, which in the records will stand as unbuilt. It will have a high price, while in reality, had it not been for the building under construction,



it would not have had exceptional features. The assessment of such a plot will be misleading in terms of its attractiveness because of an unseen “detail” (in the records and in the analysis), namely the ongoing construction. This situation will make the analysis of the profitability and rationality of purchasing a plot from an offer unreliable and overstated.

Summary

Choosing a dream plot is determined by several interrelated factors. The first involves emotions and is based on a first impression. After initial selection comes the stage of proving to oneself that the property is worth the asking price. Before the RCN was opened, this was difficult because finding information on land use, neighbourhood nuisances or soil-water conditions required time and knowledge of where to look and how to interpret the data. Value verification was based on current market asking prices or expert knowledge (appraisals and opinions from professional property appraisers). After the release of the RCN, the burden fell on Kowalski to analyse transactions from the nearest area and, as if that were not enough, to verify the RCN data and supplement them with missing information. What had previously been in the hands of experts, was shifted onto the shoulders of every buyer, regardless of experience and knowledge. The outcome of the interpretation of the analysis depends on personal predispositions and life experience, therefore, it is not an objective process enabling a rational decision to be made.



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