Financial Internet Quarterly „e-Finanse" 2016, vol.12 / nr 1, s. 67 - 77
DOI: 10.14636/1734-039X_12_1_007

THE DIVIDEND POLICY OF REAL ESTATE DEVELOPMENT COMPANIES LISTED ON THE WSE IN POLAND

Magdalena Gostkowska-Drzewicka[1]

Abstract

The aim of the article is to analyze and identify the dividend policy adopted by real estate development companies listed on the WSE. The first regular dividend paid by these entities was in 2007. Only 12% of real estate companies listed on the WSE regularly paid dividends. 48% of the surveyed companies declared that their priority is development and recommended - due to the significant investment needs, and to provide liquidity - leaving their profits in the company. In 40% of the development companies, decisions regarding the distribution of profits bear the markings of residual dividend policy. The economic situation in the construction industry, observed in 2007-2013, was an important factor influencing the financial situation of these companies resulting in dividend policy decisions. Most realtor companies have taken the decision to pay dividends in the years 2008 and 2011. This means that the situation in the previous year was an important factor influencing the decisions regarding the distribution of real estate development company profit.

JEL classification: R31, G23, G32
Keywords: profit distribution, real estate developer, the payout policy principles, economic cycle in construction

Received: 28.03.2015 Accepted: 04.04.2015

1 University of Gdańsk, Faculty of Management, Chair of Enterprise Finance, e-mail: mgostkowska@wzr.ug.edu.pl

Introduction

The first listings of real estate development companies on the Warsaw Stock Exchange in Poland took place in the second half of the 1990s. Among these entities were Echo Investment (since 1996), Gant Development (since 1998) and Polnord (since 1999). However, the decision on distribution of profit, which was taken for the first time in a development company listed on the WSE took place in 2000. Amounting to 0,30 PLN per share, this dividend was paid out by Polnord. In 2001 - 2002 the company regularly transferred part of its profits to shareholders.

In 2000 - 2003 there was not a single developer's stock market debut. In turn – after four years of a break – the first dividend payment took place in 2007. The reason for the low activity of development entities on the WSE was the downturn in the construction industry observed since the second half of 1997. It accelerated rapidly in July 2000, leading the construction market into recession in the years 2002 to 2004. A vast improvement in the economic condition was noted in the first half of 2004. Then a period of recovery began, and it lasted for over 3 and a half years. It was mainly due to decreasing interest rates of mortgages and increasing lending activity conducted by banks. In 2006, the economic recovery turned into a boom. Such a situation was unprecedented in the history of the Polish construction market. This state continued until mid-2007 (Gostkowska-Drzewicka, 2014, p.103). As a result, some Polish (Dom Development, JW. Construction, LCC) and foreign (Warimpex, Orco, Plaza, Ronson) development companies debuted on the WSE. Also part of the previously listed companies began development activity (Wikana, Alta, Octava). Development companies experienced high profits in that period and some of them decided to pay a dividend. Consequently, dividend policy became an important part of the business strategy of these entities.

The aim of the article is to analyze the dividend payments and identify the dividend policy of real estate development companies listed on the WSE. The subject of the research is real estate development companies included in the WIG-developers index. In turn, the object of the analysis is the dividends paid by these companies and profit distribution rules which they have adopted. It is assumed that the economic cycle in construction, observed in the years of 2007 to 2013, was an important factor influencing the financial situation of these entities which resulted in dividend policy decisions. The study was based on statistical data published by the WSE and the entities belonging to the index of WIG-developers, from 2007, i.e. the year in which the index was calculated for the first time. The implementation required the analysis of the value of dividend per share, dividend payout ratio and dividend yield. Volume and tendencies of change of these indicators were the basis for identifying the dividend policy exercised by the development companies listed on the WSE.

Dividend payment policy models

One of the most important decisions made by listed companies is the decision to pay dividends. Companies must make a choice as to what part of the profit to retain and to spend on development, and how much of it to transfer to shareholders. The decisions leading to the determination of the above proportions is defined as the dividend policy (Kowerski, 2011a, p. 37). The adoption of the company's dividend policy is identified with the establishment of the principles of payments from profits to owners. This favors the predictability and stability of expected future streams of income from dividends received by the owners (shareholders). With regard to dividend policy we can talk about companies that systematically share the generated profit with the shareholders (Wypych, 2011, p. 521). The dividend payment, understood as a distribution of net profit, is closely related to the strategic objectives of the company. From the point of view of its owners a dividend payment refers to a choice between current income and future economic benefits. Retaining part of the company's profit and its use as a source of financing of development projects contributes to the increase in the value of such an entity, and thus leads to an increase in the value of its shares (Sierpińska & Jachna, 2007, p. 311). The payment of a dividend on the one hand means a decrease in equity, and thus - limits the possibilities of development. On the other hand - many investors prefer shares of companies which regularly pay dividends. What's more, they treat them as a sign of the good financial condition of the company. It often happens that in response to an increase in the dividend, the stock market prices are rising. In contrast, the limitation of the payment of dividends is perceived as a negative signal with regard to the value of future cash flows by the market. It can lead to a decline in the share price (Damodaran, 2011, p. 1035). The adopted dividend policy should provide a balance between the size of retained earnings and raising funds for investment by issuing new shares and incurring debt. As M. Sierpińska pointed out (1999) the dividend policy should be conducted so (...)that the distribution of present and future benefits for investors was optimal" which means ,,(...)making a rational choice between retaining profit and the payment of dividends (...)" (p. 7).

In the literature three conflicting concepts of dividend policy based on the preferences of investors are usually presented (Brigham, 1997, p. 228; Jaworski, 2010, p. 442; Jabłoński & Kuczowic, 2014, p. 728; Wrońska, 2009, p. 264). Followers of each theory can be categorized into three groups:

1) conservative,
2) radical,
3) neutral.

Conservative dividend relevance theory was proposed by M.J. Gordon and J. Lintner. These authors argued that the cost of capital increases when the payment of dividends is limited. In this situation, investors are less sure of the capital gains resulting from the reinvestment of retained earnings than the income from dividends received. This means that an increase in dividend payments leads to an increase in the value of the company.

On the contrary, according to the creators of the tax preference theory – R.H. Litzenberger and K. Ramaswamy, high dividend payout reduces the value of the company. This concept assumes that because of the tax benefits investors prefer a high rate of retained earnings. Payment of dividends is closely connected with the payment of income tax. On the other hand, the income tax on capital gains associated with the potential increase in share prices caused by retaining profit in the company, may be lower. In addition, it is paid at the time of sale of shares. Due to the effects of changes in the value of money over time, the tax is less burdensome for the investor, than if it had been paid at the time of payment of dividend.

On the other hand, the concept developed by H.M. Miller and F. Modigliani assumes that dividend policy is irrelevant. They argued that the cost of capital depends on the company's ability to generate income and risks associated with its business, rather than the dividend policy.

These theories - as has already been mentioned - are contradictory, and also - to a large extent - based on assumptions far from reality. In practice, company authorities take decisions on distribution of profit on the basis of the most favorable criteria to their point of view (Gajdka & Walińska, 1998, p. 290). Therefore, many different dividend policies are exercised in companies. However, the most commonly presented are (Sierpińska, 1999, p. 95; Mitek & Perepeczko, 2012, p. 109; Jaworski, 2010, p. 447):

1) the policy of a fixed or increasing amount of dividend,
2) the policy of a fixed dividend with an "extra dividend",
3) the policy of a fixed rate dividend,
4) the policy of a residual dividend.

The policy of a fixed or increasing amount of dividend guarantees to shareholders a regular income from shares. The systematic payment of dividends at a fixed value, carried out at regular intervals, is a manifestation of this policy. The amount of dividends paid may grow if the company achieves increasingly high levels of profit. It is emphasized that this trend must be maintained in the long term, because only then the decision to increase the dividend payment will result in desired outcomes. In a situation in which the shareholders expect regular dividends, a change of the current policy in this area can lead to increased fluctuations in market prices of shares. A one-time increase in dividend payments would constitute a positive signal to the market. As a result, the market price of shares would have increased. However, lack of ability to maintain consecutive payments on a similar level could cause a drop in stock prices. Increased volatility leads to an increase in investment risk and contributes to an increase in the cost of equity of the company, which in turn would result in a decrease in its value (Duliniec, 2011, p. 107).

The policy of a fixed dividend with an "extra dividend" is manifested in a low value of dividends paid at regular intervals. This allows the company to keep them at a constant level even during a downturn. In turn, during periods in which the level of profits exceeds the investment needs of the company, the obtained surplus can be distributed to shareholders as an "extra dividend".

Implementation of the fixed rate dividend policy consists in providing a constant payment, expressed in a percentage of the profit generated during the financial year. However, due to possible fluctuations in financial results and the uncertainty regarding future dividend payments related with that, in practice, this model is rarely used (Sierpińska, 1999, p. 99).

Residual dividend policy is based on dependence of the decision of its payment on the investment needs of the company. These needs prevail for the dividend payment. A manifestation of this policy is dividend payments made only in the periods in which the level of profit exceeds the level of required capital expenditures. In this case, the dividend is not paid, because all profits will be used to finance investments. In this policy, the company's stage of development is important. Companies in the phase of intensive development incur high capital expenditures, pay very low dividends or do not pay them at all. In turn companies in the mature phase, with relatively lower investment needs, are able to pay high dividends. In addition to these above four types of dividend policy other models are also indicated, which, however, are not very popular. These are the policy of payout of 100% of the rate of dividends and the policy of 100% retained earnings (Sierpińska, 1999, p. 106).

Methods of measuring the level of dividend payments

The identification of dividend payout policy, which is applied in particular companies can be made by calculating:

1) dividend per share (DPS),
2) dividend payout ratio (DPR),
3) dividend yield ratio (DYR).

Rate of dividend per share reflects the actual amount of the dividend payment and is calculated according to the formula:

$$Dividend\ \ per\ \ share = \frac{Total\ \ dividends\ \ paid}{Total\ \ common\ \ shares} \qquad (1)$$

DPS ratio indicates how much of a dividend a shareholder receives from the ownership of one share. A comparison of the ratios of dividend per share and the earnings per share (EPS) is the dividend payout ratio (DPR):

$$Dividend\ \ payout\ \ ratio = \frac{Dividend\ \ per\ \ share}{Earnings\ \ per\ \ share} \qquad (2)$$

Dividend payout ratio reflects the share of dividend in net profit and together with dividend yield ratio belongs to the indicators that are most commonly used to identify the dividend payout policy. The value of this indicator can be shaped by various factors. Non-payment of dividends or intending a small part of the profit to them usually means the realization of investment projects. However, one should pay attention to the structure of the distribution of profits, because it can be transferred from the company in the form of various payments, e.g. awards for employees, royalties for the supervisory board or awards for management and directors of the company. The entire profit remaining after the payment of dividends cannot be treated therefore as the retained earnings. For this reason, profit retention ratio (the relation of retained earnings to net income) may be helpful in assessment of the dividend policy (Sierpińska, 1999, p. 89). Dividend payout ratio has other disadvantages. Firstly, when the company notes a loss, and the dividend is paid from capital reserves established for this purpose, the dividend payout ratio has no economic interpretation. Secondly, this indicator can be misleading in the case of sectoral dividend payout ratios. In sectors with a large share of net losses the average value of the dividend payout ratio may be higher than in the sectors in which losses are relatively low. Therefore, in the sectoral analyses the average value of sectoral dividend payout ratios often is fixed only for companies that generate profits (Kowerski, 2011, p. 17).

The dividend yield ratio is given by the ratio of dividend per share to the price per share, which can be written using the following formula (Gabrusewicz, 2014, p. 326):

$$Dividend\ \ yield\ \ ratio = \frac{Dividend\ \ per\ \ share}{Share\ \ price} \qquad (3)$$

In addition to the dividend yield for particular companies, dividend yield ratio is calculated for specific sectors and the overall market, which significantly expands the scale of comparisons. It should be emphasized that the rate of dividend yield takes high values when the company pays high dividends per share, as well as if the share price is low. Hence, in practice, it appears that dividend yield grows as a result of a decrease in the share price during the bear market (Kowerski, 2011, p. 17).

Volume and tendencies of changes of dividend payments among real estate development companies listed on the WSE

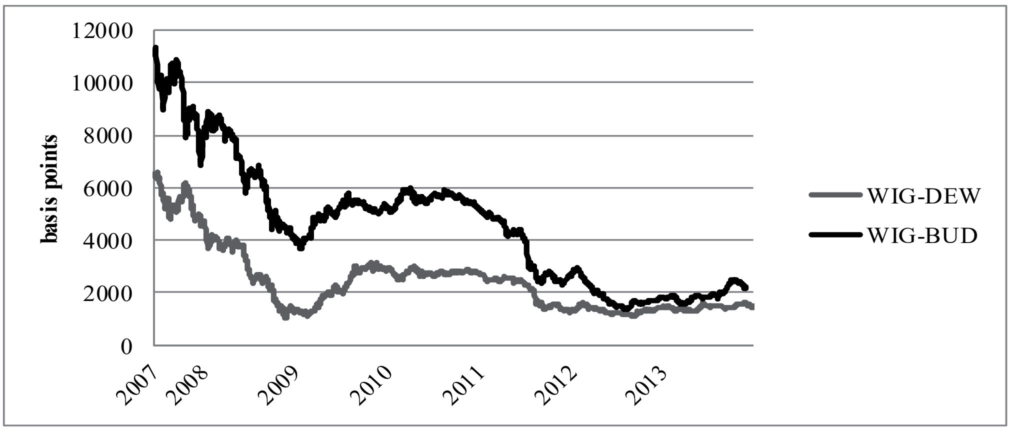
The classification used for the purposes of the Warsaw Stock Exchange distinguishes three macrosectors: industry, finance, and services. According to this classification, construction is treated as a business activity in the industrial sector. Real estate development companies are included together with banks, capital market and insurance in the finance macrosector. This classification emphasizes the relationships between the real estate and financial capital market. These connections can be seen through the prism of the influence of the real estate market in tangible terms, i.e. supply and demand of real estate, and capital market, represented by equity and debt capital expended to finance investments in real estate (Wiśniewska, 2004, p. 77).

New property is the object of activity of real estate developers. Most of them are engaged in the construction execution, i.e., they realize the investments on their own (According to the information available in the National Court Register, 70% of development companies listed on the WSE realize investments on their own). It can therefore be assumed that construction is a direct environment of the developers market in Poland. The course of the changes taking place in the construction and real estate development market is reflected in the prices of the WIG-construction and WIG-developers indexes which are sensitive measures of the economic cycle in these sectors (Figure 1).

The WIG-developers index was calculated on 15th June 2007 for the first time. In that year, there was overproduction in the construction market which resulted in the initiation of a new cycle, preceded by the upper turning point in the cycle. In 2008, the situation in the construction industry suffered a significant deterioration. It was associated with the global financial crisis. Changes in the domestic credit market were attributed to it. A decline in lending activity of the banks, connected with an increase in margins and a rigorous assessment of the creditworthiness of customers, which especially concerned developers and individual investors applying for mortgages, ensued. In 2009, the first trough of the cycle was noted. It was reflected in the minimum trade value of WIG-construction and WIG-developers indexes. Noted in 2010, a slight improvement in the construction market was associated with an increase in, inter alia, housing. During this period, it reached results better than expected. This was the result of some improvement in the financial markets, and especially the reduction of restrictions in the assessment of the creditworthiness of customers and a decrease in bank margins. However, this impulse has proved to be too weak to lead to permanent recovery. As a result, there was a further downturn in the development market in 2011-2013. It turned into a long-drawn out period of stagnation. The deteriorating economic situation, resulting in a decrease in the value of real estate companies stock quotes, as well as unsustainable profits in the sector (Jabłoński, 2014, p. 99) as evidenced by a high share of companies experiencing losses (as it is shown in the financial statements of developers – 60% of them noted net loss in 2007-2013), are important factors in shaping the dividend yield in the real estate development industry (Table 1).

As follows from the data presented in Table 1, the dividend yield ratio in the development sector stood at 1.2% in 2007-2013. In turn in the construction industry this ratio amounted to 2.5%, and for the whole capital

Figure 1: The quotations of WIG-developers and WIG-construction in Poland in 2007-2013



Source: Own study based on data from (Giełda Papierów Wartościowych [GPW], 2013)

Table 1: Dividend yield ratio in the construction sector, real estate development sector and all companies listed on WSE in 2007-2013

No.	Specification	2007	2008	2009	2010	2011	2012	2013	Average
		Dividend yield ratio (%)							
1	Construction	0,1	0,5	1,5	1,8	4,5	6,8	2	2,5
2	Developers	0,2	3,8	0,2	0,2	2,2	1,2	0,4	1,2
3	Total (All companies listed on WSE)	1,6	6,9	1,9	2,4	4,1	3,7	3,4	3,4

Source: Own study based on (GPW, 2007-2013)

market it was at the level of 3.4%. The highest dividend yield in the development sector was noted in 2008 and 2011. It stood at 3.8% and at 2.2%. Figure 1 shows that there was a sharp decline in WIG-developers stock quotes during this period. It in part explains the dividend yield achieved. As has already been mentioned - a high level of the dividend yield ratio is often associated with a low share price. It should also be noted that these results

Table 2: Dividend per share (PLN) in real estate development companies listed on WSE in 2007-2013

No.	Name of company	2007	2008	2009	2010	2011	2012	2013
		Dividend per share (PLN)						
1	Alta	0,2	0,2	0,05	0,05	0,05	0*	0
2	BBI	0	0	0	0	0	0	0
3	Celtic	x**	x	x	0	0,1	2,2	0
4	Dom Development	2,04	0,8	0,8	0,9	1,5	3,68	2,2
5	Echo	0	0	0	0	0	0	0
6	ED Invest	x	x	x	x	0,15	0,15	0,05
7	Gant Development	0	0	0	0	0	0	0
8	GTC	0	0	0	0	0	0	0
9	Immofinanz	x	x	x	x	x	x	0,63
10	INPRO	x	x	x	x	0,2	0,2	0
11	JHM	x	x	x	x	0	0	0
12	JW. Construction	0	0	0	0	0	0	0
13	LCC	0	0	0	0	0	0	0
14	Octava	0	0	0	0	0	0	0
15	Orco	0	4,79	0	0	0	0	0
16	Plaza Centers	0	0,66	0	0	0,45	0	0
17	Polnord	0	0	0	0,86	0,32	0	0
18	PPG	x	x	0	0	0	0	0
19	Rank Progress	x	x	x	x	0,3	1,35	0
20	Robyg	x	x	x	0,07	0,12	0,08	0,08
21	Ronson	0	0	0	0	0	0	0,03
22	Triton	x	0	0	0	0	0	0
23	Vantage	0	0	0	0	0	0	0
24	Warimpex	0,57	0,85	0	0	0	0	0
25	Wikana	0	0	0	0	0	0	0

* 0 – company didn't pay a dividend,

** x – company was not listed on the WSE

Source: Own study based on (GPW, 2007-2013)

were noted in the years preceded by periods of a good economic situation. M. Kowerski (2011, p. 125-134) points out that the economic situation in the previous year has a significant influence on the decision to pay dividends in the next year. During a good economic situation companies are optimistic about future results. Thus they willingly pay dividends. Also, entities which have not yet transferred part of the profits to shareholders make decisions about its distribution during the period of economic recovery. The above observations are confirmed by the dividend per share ratio in real estate development companies listed on the WSE in 2007-2013. Most of them have taken the decision to pay a dividend in 2008 and 2011 (Table 2). It should be noted that the peak of the economic cycle in construction was noted in 2007. In turn there was a slight recovery in the development market - as has already been mentioned - in 2010 (Gostkowska-Drzewicka, 2014, p. 103).

As can be seen in Table 2, the number of real estate development companies listed on the WSE rose steadily in the years 2007-2013. In 2007 the WIG-developers index consisted of 16 entities. There were two development company debuts in 2008 and 2009. The next two entities conducting real estate development activities came on the stock market in 2010. The same situation was observed in 2011. In 2012 there was not a single developer's stock market debut, in 2013 - just one.

In 2007-2013, 13 out of 25 real estate companies listed on the WSE paid dividends. Its value per share ranged from 0.03 PLN to 4.79 PLN. However most

Table 3: Dividend yield in real estate development companies listed on the WSE in 2007-2013

No.	Name of company	2007	2008	2009	2010	2011	2012	2013
		Dividend yield (%)						
1	Alta	0,8	3,1	0,7	0,8	1,4	0	0
2	BBI	0	0	0	0	0	0	0
3	Celtic	x	x	x	0	0,005	0,4	0
4	Dom Development	0,2	10	1,8	1,9	3,1	4,4	7,2
5	Echo	0	0	0	0	0	0	0
6	ED Invest	x	x	x	x	0,05	3,7	1,7
7	Gant Development	0	0	0	0	0	0	0
8	GTC	0	0	0	0	0	0	0
9	Immofinanz	x	x	x	x	x	x	0,04
10	INPRO	x	x	x	x	6,3	6,2	0
11	JHM	x	x	x	x	0	0	0
12	JW. Construction	0	0	0	0	0	0	0
13	LCC	0	0	0	0	0	0	0
14	Octava	0	0	0	0	0	0	0
15	Orco	0	5,3	0	0	0	0	0
16	Plaza Centers	0	30,8	0	0	22,9	0	0
17	Polnord	0	0	0	2,6	2,4	0	0
18	PPG	x	x	0	0	0	0	0
19	Rank Progress	x	x	x	x	3,3	12,2	0
20	Robyg	x	x	x	0,03	6,4	8,4	3,6
21	Ronson	0	0	0	0	0	0	1,6
22	Triton	x	0	0	0	0	0	0
23	Vantage	0	0	0	0	0	0	0
24	Warimpex	2,2	20,1	0	0	0	0	0
25	Wikana	0	0	0	0	0	0	0

Source: Own study based on (GPW, 2007-2013)

commonly it was below 1 PLN the. Small dividends are often the announcement of low profits generated in future periods (Jabłoński, 2012, p. 395). It is confirmed in the context of cyclical conditions, which determined the development possibilities of real estate development companies in 2007-2013.

The dividend payments, noted in the listed real estate companies, were mostly incidental. In fact, the decision on profit distribution was taken one or two or three times in these entities. One of the companies - Alta SA, regularly paid dividends only in 2007-2011. In turn, in relation to loss, the dividend wasn't paid in 2012-2013. Only in the case of 3 of the 13 companies (Dom Development, ED Invest and Robyg), were dividends paid regularly in all years. In the case of Dom Development dividend per share and dividend yield ratios took high values at the same time. It is worth emphasizing that as many as 12 companies (which represents 40% of all entities on the WIG-developers index) did not make dividend payments at all (Tables 2 and 3).

Dividend yield ratio in real estate development companies listed on the WSE was at a different level. Its value ranged from 0.005% to 30.8%. The highest ratio (30.8% and 22.9%) was noted in Plaza Centers. It was not due to a high dividend per share, but caused by the low share price amounting to 2 PLN. A similar situation was observed in Robyg. Opposite trends were characteristic of Dom Development, in which both the dividend yield ratio, the dividend per share and the stock market prices were high (at the level of about 30 PLN to about 100 PLN).

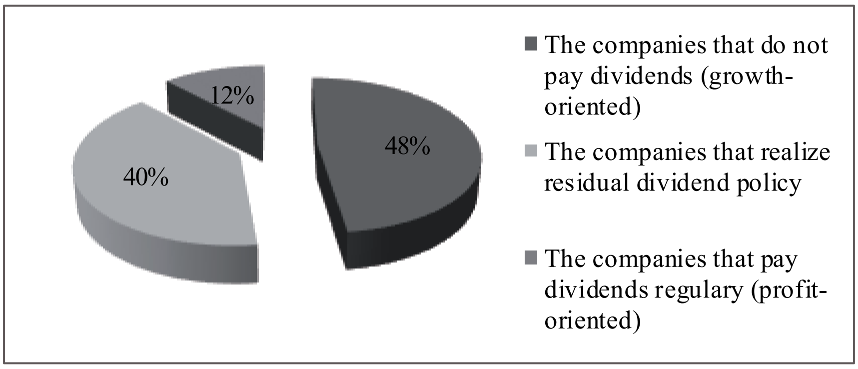
As has already been mentioned, only a few of the 25 real estate development companies listed on the WSE paid out dividends regularly. Most of them made decisions on profit distribution incidentally or not at all. It is therefore necessary to answer the question of whether this state was due to their bad financial condition, or whether it was the result of an unfavorable market situation or the dividend policy adopted by the companies.

Polish companies usually do not declare openly if they are growth-oriented, i.e. reinvesting all of the net income, or profit-oriented, i.e. transferring a part of its net income to shareholders. Their nature can be determined on the basis of information contained in the relevant resolutions of the Company's Management Board or in the prospectus. According to the available documents - resolutions of the Board and prospectuses - 48% of real estate companies listed on the WSE formulated the payout policy principles in a manner indicating their growth-oriented nature (Figure 2).

The companies increasingly declared that their priority is development and recommended - due to the significant investment needs and to provide liquidity - leaving their generated profits in the company. An important factor influencing the dividend policy of these companies, though not directly indicated by any of them, is the availability of the capital for investment. The aforementioned tightening up the credit rating that has been observed since 2008 significantly reduced the possibility of obtaining external funds. In this situation retained earnings became not only one of the most important sources of financing - as part of the equity - they determined the possibility of incurring debt and the ability to service it.

40% of the companies surveyed had not adopted a dividend policy that would allow them to be clearly identified as growth or profit-oriented. Thus, decisions on payout policy principles in these companies bear the markings of a residual dividend policy. On the one hand, such a procedure probably has a close relationship with - being the result of a protracted period of economic

Figure 2: The structure of the real estate companies listed on WSE by the dividend policy adopted in 2007-2013



Source: Own study based on (GPW, 2007-2013)

downturn in the sector – the poor financial situation of these entities. In fact, most of them do not exclude the decision of payment dividends in the case of achieving high profits in future periods. On the other hand, the decision on profit distribution may take place in a situation in which the company is not able to achieve a high economic value because of its limited investment opportunities. These companies may have difficulties with an effective use of the financial surplus and therefore the payment of dividends is an alternative for low profitable investment (Kowerski, 2013, p. 624).

Three companies, representing 12% of the surveyed entities (Dom Development, Robyg, Ed Invest), can be described as profit-oriented. These entities carried out regular transfers of profits to shareholders. Since 2006 Dom Development has generated profits in each financial year. Dividend policy in 2006-2012 was based on three assumptions. First, stable increase of the company's net asset value and becoming the leading WSE listed developer on the Polish residential market were the strategic objectives of the Company's Management Board. Secondly, in the first few years after the company's listing on the WSE, the residential property market in Poland grew dynamically, resulting in an increase of company expenses related with the growth of the scale of operations. Thirdly, the Management Board believed that in the first years after the listing of the company on the WSE the shareholders did not expect high dividend payments (Dom Development, 2013). In 2013 Dom Development made changes to the previously implemented dividend policy. It was decided to increase dividend payments in relation to previous years. These changes were based on the following assumptions. Firstly, the company had a well-established position of a leading developer on the residential property market in Poland. Secondly, it had very good financial results, and a particularly low level of debt and high cash balance. Thirdly, in light of the low interest rates resulting from the existing global economic conditions, investors will search for investments ensuring high rates of return. It can therefore be concluded that Dom Development implements the policy of increasing the amount of dividend that guarantees the company's shareholders regular income from shares.

The Robyg company adopted a policy of fixed rate dividend in the order of about 35% of net profit (Robyg SA, 2010, p. 42). However, the implementation so formulated plans for the distribution of profit is dependent on the future financial situation of the company, the need to provide liquidity, debt service and capital needs for the financing of investments. A similar solution in terms of dividend policy is represented by Ed Invest. As follows from the assumptions presented in the issue's prospectus, the Company plans to pay dividends in the range of 15% of net profit. The remaining part, i.e. 85% is to be spent on increasing the reserve capital (Ed Invest SA, 2010, p. 182). These assumptions have been verified to some extent in practice, which is reflected in the value of the dividend payout ratio calculated for each of the three companies (Table 4).

The share of dividends paid by Dom Development in 2007 was at the level of 25% of its net profit. In 2008-2011 the dividend payout ratio had been fluctuating. The lowest, 14.3% of the value of the indicator was observed in 2008, which probably was related to the slump in the real estate development market and uncertainty of generating profits. In 2009-2011 the share of dividends in net profit was shaped at a high level. It stood at 23.1%, 55.7% and 44.7%. In 2012-2013, the company earmarked for the payment of dividends 100% of the net profit. It can therefore be concluded that the dividend policy assumptions adopted by Dom Development were reflected in practice.

As has already been mentioned - Ed Invest company planned to pay a dividend of about 15% of net profit. In fact, the share of dividends in the company's net profit was much higher and amounted respectively to 20.4% and 74.35% and 75.74% in 2011-2013. As shown in the financial statements of the company, the value of the net profit amounted to 9098 thousand PLN in 2011. In turn in

Table 4: Dividend payout ratio in real estate development companies listed on the WSE in 2007-2013

No.	The name of company	2007	2008	2009	2010	2011	2012	2013
		Dividend payout ratio (%)						
1	Dom Development	25	14,3	23,1	55,7	44,7	100	100
2	Ed Invest	x	x	x	x	20,4	74,35	75,74
3	Robyg	x	x	x	27	78	31	31

Source: Own study based on financial statements of developers

2012-2013 it amounted to a level of only 833 thousand PLN and 981 thousand PLN. This means that the high dividend yield noted during that period had to counteract the rapid drop in the value of the dividend per share. As is clear from the data presented in Table 2, this intention was successful in 2012, because the dividend per share was at the same level as in the previous year, i.e. 0.15 PLN per share. In turn, the value of the dividend per share decreased to 0.05 PLN in 2013.

Also in Robyg the initial assumptions in terms of dividend payout ratio had been modified. The company assumed that the rate would be at a level of about 35% of net profit. In fact, Robyg paid to shareholders dividends from 27% to 31% of its net profit in 2010 and 2012-2013. In turn, the dividend yield stood at a level of up to 78% in 2011. The dividend policy which is exercised by the company bears the marks of the policy of fixed dividend with an "extra dividend" in the 2010-2013. It is worth mentioning that the Supervisory Board approved a dividend policy according to which the dividend payout ratio is expected to be between 75% and 80% of its net profit in 2014-2015. The motives which influenced this decision are not presented in any of the documents made available to the public. It is supposed that the high dividend payout ratio is expected to attract investors seeking a favorable capital investment, and thus to counteract decrease in value of the shares. In addition, such a decision may indicate an optimistic scenario with respect to the achievement of the company's future profits and the improvement of market conditions.

Conclusions

In 2007-2013, 13 of the 25 real estate development companies listed on the WSE systematically paid out dividends. Its value per share ranged from 0.03 PLN to 4.79 PLN. However, most commonly it was below 1 PLN. A small value of dividend payments can be justified in the context of cyclical conditions, which determined the development opportunities of real estate development companies. A downturn, observed in 2008-2009 and 2011-2013, led to a decline in the share values of the realtors listed on the WSE and destabilized the level of their profits. It was reflected in a large share of loss-making companies.

Most real estate companies decided to pay dividends in 2008 and 2011. These years were preceded by a slight improvement in the economic situation. Therefore, realtors achieved relatively high profits within that period. This means that the situation in the previous year was an important factor influencing the decisions regarding the distribution of real estate development company profits. Only 12% of developers listed on the WSE paid the dividends systematically. 48% of the surveyed companies declared that their priority is development and recommended - due to the significant investment needs and to provide liquidity - leaving their profits in the company. In 40% of the development companies decisions on distribution of profits bear the marks of residual dividend policy.

References

Brigham, F.E. (1997). *Podstawy zarządzania finansami* (Tom 2). Warszawa: Polskie Wydawnictwo Ekonomiczne.

Damodaran, A. (2011). *Applied Corporate Finance* (3rd Ed.). John Wiley&Sons.

Dom Development S.A. (2013). *Polityka dywidendowa.* Retrieved from http://www.domdevelopment.com.pl/.

Duliniec, A. (2011). *Finansowanie przedsiębiorstwa. Strategie i instrumenty.* Warszawa: Polskie Wydawnictwo Ekonomiczne.

Ed Invest S.A. (2010). *Prospekt emisyjny.* Retrieved from http://www.edinvest.pl/.

Gabrusewicz, W. (2014). *Analiza finansowa przedsiębiorstwa. Teoria i zastosowanie,* Warszawa: Polskie Wydawnictwo Ekonomiczne.

Gajdka, J., Walińska, E. (1998). *Zarządzanie finansowe. Teoria i praktyka* (Tom 2). Warszawa: Fundacja Rozwoju Rachunkowości w Polsce.

Gostkowska-Drzewicka, M. (2014). The Economic Cycle in Polish Construction. *Ekonomika, 93*(1), 98-116.

Giełda Papierów Wartościowych (2007-2013). *Roczniki giełdowe*. Warszawa: GPW.

Jabłoński, B., Kuczowic, J. (2014). Polityka dywidend w kontekście relacji inwestorskich spółek notowanych na Giełdzie Papierów Wartościowych w Warszawie – wyniki badań. *Finanse, Rynki Finansowe, Ubezpieczenia, 66*(803), 723-734.

Jabłoński, B. (2014). Determinanty polityki dywidend. *Studia ekonomiczne 177*(14), 98-109.

Jabłoński, B. (2012). Powiązania strategii wypłaty dywidendy z rentownością kapitału własnego. *Finanse, Rynki Finansowe, Ubezpieczenia 56*(737), 385-396.

Jaworski, J. (2010). *Teoria i praktyka zarządzania finansami przedsiębiorstw*. Warszawa: CeDeWu.

Kowerski, M. (2013). Możliwości inwestycyjne a skłonność do płacenia dywidend. *Bank i Kredyt 44*(6), 623-646.

Kowerski, M. (2011). *Ekonomiczne uwarunkowania decyzji o wypłatach dywidend przez spółki publiczne*. Zamość-Kraków-Rzeszów: Wydawnictwo Konsorcjum Akademickie.

Kowerski, M. (2011a). Share Repurchases as a Form of Payout for Shareholders. *e-Finanse, 7*(4), 37-54.

Mitek, A., Perepeczko, A. (2012). Polityka dywidend w spółkach notowanych na GPW S.A. *Studia ekonomiczne 107*(12), 109-117.

Robyg, S.A. (2010). *Prospekt emisyjny.* Retrieved from http://www.robyg.pl/.

Sierpińska, M., Jachna, T. (2007). *Metody podejmowania decyzji finansowych. Analiza przykładów i przypadków.* Warszawa: Wydawnictwo Naukowe PWN.

Sierpińska, M. (1999). *Polityka dywidend w spółkach kapitałowych.* Warszawa: Wydawnictwo Naukowe PWN.

Wiśniewska, E. (2004). Rynek nieruchomości a gospodarka. In E. Kucharska-Stasiak (Ed.), *Zachodnie rynki nieruchomości*. Warszawa: Twigger.

Wrońska, E. (2009). Przegląd teorii objaśniających politykę dywidendy. *Annales Universitatis Mariae Curie-Skłodowska XLIII*(16), 263-275.

Wypych, M. (2011). Dywidendy w okresie spowolnienia gospodarczego (na przykładzie spółek giełdowych). *Finanse, Rynki Finansowe, Ubezpieczenia 38*(640), 517-526.