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**Contemporary Housing in Central and  
Eastern Europe: Product versus  
Preference—The Polish Case**

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## An Introduction to ATINER's Conference Paper Series

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Dr. Gregory T. Papanikos  
President  
Athens Institute for Education and Research

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**Contemporary Housing in Central and Eastern Europe:  
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**Abstract**

This paper explores housing policy and preferences in Poland. It includes a summary of housing statistics for Central and Eastern Europe and more specifically Poland. Housing is important to the quality of life in the contemporary society, satisfying personal needs, security, shelter and social status. Situated in Central Europe, Poland has experienced strong political, economic and social ties with its border countries. Its economic transformation began 20 years ago and has brought rapid change and a significant increase in housing development. Hence Poland represents a *macro-case-study* for researches in architecture, planning and urban design. This paper will seek to answer questions about housing preference **trends in local housing markets** and how these preferences align with standardised housing products produced by a globalised housing industry. The research draws on a rich data set derived from a survey of user preferences: namely – location, single and multi unit dwellings, occupation, neighbourhood aesthetics, community building, recreation, accessibility, housing quality and design among others. The paper will conclude with findings and insights into consumer housing preferences and will contribute to understanding urbanism in a time of environmental and economic global change.

**Keywords:**

**Corresponding Author:**

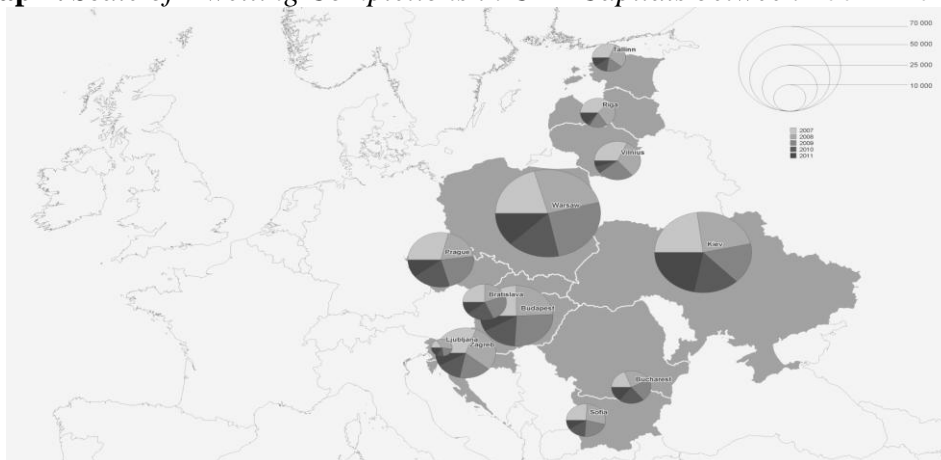
## Introduction

This paper analyses housing preferences in Poland. It contains statistical background material on housing trends for several cities in Central and Eastern Europe that show a diverse and uneven housing market performance. The principal aim of this paper is to report the findings of an extensive survey undertaken between 2010 and 2011 based on five Polish cities including the capital city, Warsaw. The results of the survey show a strong preference for inner city living and small unit sizes in the newly constructed housing estates, although in Warsaw there was a preference for properties in the secondary market with good locations. The paper analyzes housing preferences in relation to the unit size, location, living and floor space area, layout and funding sources. It concludes with a set of general findings drawn from the research on future housing preferences for Poland.

## Housing Markets in Central and Eastern Europe

Residential housing markets in Central and Eastern Europe (CEE) experienced continued improvement in 2012-2013 (REAS 2013a, 2013b). This trend was surprising given the 2011 housing performance when many CEE housing markets had bottomed out. Developers attempted to return to business as usual in market conditions very different to those they had grown accustomed to during the boom period (ibid). Demand in 2011, however, showed a preference for small unit types (one and two bedrooms units) with relatively small floor areas. It is interesting to note that this finding is consistent with sustainability principles that argue for smaller more compact dwellings rather than larger structures (Johnston and Gibson 2008). It also may reflect general consumer concern about rising energy costs. In an attempt to adjust to the above demand patterns, developers launched new housing projects into the market to match household needs (ibid).

**Map 1.** *Scale of Dwelling Completions in CEE Capitals between 2002—2012*



Source: Reas 2013a

By 2012 housing prices throughout the region had essentially stabilized to the extent that in the stronger housing market economies developers launched projects into the upper market segments (ibid). Of the twelve capital cities analyzed by REAS, seven recorded relatively stable year by year home prices where price changes varied between -1% and 2%. Bratislava, Prague and Riga recorded slight price growth, while Warsaw, Vilnius, Sofia and Budapest recorded minor price decreases. Greater price decreases were recorded for Bucharest, Ljubljana, Zagreb and Kiev (3) with Tallinn being the only city that saw an increase of the average price level above 5% (ibid).

The level of demand, however, differed greatly among the cities analyzed where the strongest demand performance was recorded in Kiev and Warsaw with 14,000 and 12,000 units sold in the respective primary property markets. Strong sales were also recorded for Prague in 2012 with a growth in demand of approximately 20%. And a high number of new projects were launched in Kiev, Warsaw and Prague. Sofia and Bucharest saw a low provision of housing supply (ibid).

Regulatory, legal and tax issues affected housing markets in the CEE. In 2012, for example, VAT rates changed in the Czech Republic (1% increase), Hungary (2% increase) and Latvia (1% decrease). And while Poland's introduction of the Developer Act can partially explain the relatively high supply levels in 2012, the end of the Family's Own Home mortgage support program for homebuyers in December 2012 had a very strong impact on demand by the year's end (ibid).

The 2013 market outlook saw the financial position of developers with respect to the residential property market as very diverse. Liquidity and access to financing were expected to remain the key issues in the CEE housing markets (ibid). The REAS report 2012 considers the performance of regional housing markets as fragile largely because they depend on stability in demand, which in turn is influenced by macro-economic policy, events in the labour market, income growth and access to bank financing (ibid). Generally the overall macro-economic outlook for the region was assessed as positive. The economies of Bulgaria, Romania, Lithuania, Estonia, Ukraine and Slovakia were forecast to grow further in 2013. The REAS report 2012 predicts developer activity for 2013 will continue to focus on proven products within their respective markets, which means supply of small units (small floor areas) in the low-end and lower-middle market segments (ibid). It warns, nevertheless, that 2013 may still be a challenging year for many developers and that the developer scene within the CEE residential markets is highly fragmented.

Poland saw the cities of Krakow (760, 000 inhabitants), Gdansk (460,000, an [750,000 taking into account the Tri-City]), Wroclaw (630,000) and Poznan (550,000) record consistent performance in comparison with other CEE capital cities in relation to the scale of market supply, demand and prices (REAS 2013a). Apartment prices in Poland's secondary cities are still much cheaper than the capital, Warsaw. Housing prices in Krakow are still below those in

Prague, yet similar to Bratislava prices and higher than those in Sofia and Bucharest (ibid).

During the past six years, the scale of new housing construction in Krakow (38,275 units completed between 2008-2012) was higher than that of Prague (36,802 units), which may partially explain the lower prices recorded for Krakow. Wroclaw and Gdansk (even excluding the Tri-City parts of Sopot and Gdynia) reached dwelling completion volumes that surpassed those of most CEE capital cities. And Poznan recorded higher sales output than Sofia or Bucharest. Currently, Krakow offers some 11,000 units, while the inventory of unsold stock in Wroclaw comprises almost 9,500 units (ibid).

Over the past twelve months, sales results in Polish secondary markets were very good despite a noticeable economic slowdown and disruption caused by the Developer Act. The number of sold units in the cities of Poznan, Tri-City, Wroclaw and Krakow were in each case far lower Warsaw (ibid)

### **Residential Market in Poland - Q1 2013**

Following the closure of the Family's Own Home program in 2012, the slowing economy, deteriorating public mood and labor market saw many development companies fear that the first quarter of 2013 would bring a sales slump (REAS 2013b). In the preceding months of the quarter, however, buyer interest and sales recorded growth results similar to those recorded in Q1 2012 and the final quarter of 2011. This brought a degree of stabilization and even marginal appreciation of prices (ibid).

Falling inflation and the reduction of interest rates on mortgage loans were key stimuli in the market. Interest rates on mortgages were 6.0% - 7.0% in 2012 dropping to 4.5% - 5.0% in 2013. Because the majority of mortgages were taken out in Polish zloty, the reduction of interest rates brought with it a growth in credit worthiness (ibid) and this benefited both buyers and developers. The interest rate reduction also helped neutralize the higher costs resulting from the Developer Act (ibid).

On a countrywide basis property launches were made in the major Polish cities. Developers commenced construction of some 9,400 dwellings, down 38.6% compared to the year-earlier quarter and over the same time period obtained building permits for 12,000 units (down 34.1%). Housing cooperatives commenced construction of only slightly more than 250 dwellings, which recorded a 70% drop relative to the results from the first three months of 2012 (ibid). It is interesting that a sales analysis shows in most urban centers the recently completed units or those at the final stage of construction had highest sales rates (ibid).

In summary, the REAS reports found that for many development companies the year 2012 was a period of finalizing and accounting for projects started on land plots purchased during the boom period. The first quarter of 2013 brought satisfactory sales, which to a certain extent was the result of the growing activity of "cash" buyers. But developers might be forced to reduce



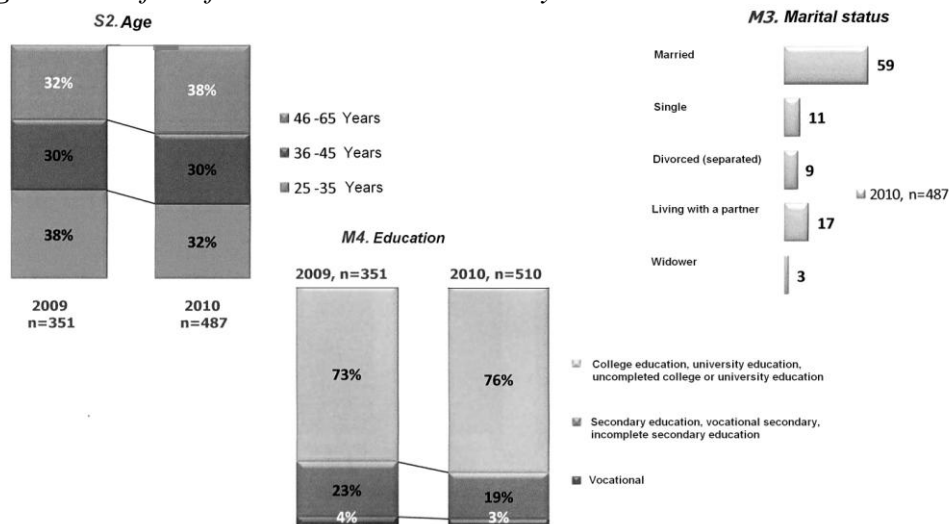
prices unless they find an alternative solution to their liquidity problems. Hence future market conditions will ultimately depend on financial institutions, especially the banks. The REAS reports end on a positive note stating that unless unexpected and dramatic events occur in the Polish economy, the coming economic cycle will not bring an ‘end to the developer world’ (REAS 2013b).

### Housing Preferences in Poland – a case study

#### Research Method and Sample Characteristics

Interview surveys were carried in 2009 and 2010 using the Computer Assistant Web Interviewing method. The study involved 1,500 households who belonged to a panel of Internet users (GfK AccessPanel) comprising 300 households in each of five selected cities, namely—Warsaw, Wrocław, Poznan, Krakow and the Tri-City. These cities were selected because they had the highest housing market growth rates during the period of transformation, which began in 1989. Prior to the transformation, a housing market existed but was very limited because there was little private ownership. The majority of these flats belonged to cooperatives. In the early period of the transformation they were sold to their occupiers for a symbolic price of 1 Euro. As will become clear in the analysis below, a large number of these flats eventually appeared on the secondary housing market. It is important here to explain that these new owners never contributed to the real costs of constructing these flats. That is why it is referred to as "non-market regulation". The transfer of these flats into private ownership resulted in the supply of a large number of dwellings on the secondary housing market, which exceeded demand. Some owners opted to keep such flats unoccupied as a form of investment.

**Figure 1. Profile of Potential Real Estate Buyers**



Source: Report: ‘Polish Housing Market – Supply and Buyers’ Preferences 2010’, Nowy Adres S.A., December 2010, p. 68.

The average number of a household for the total sample (n = 1505) is 3.1 persons and 73% of the respondents have children. Only 13% percent of respondents rated their financial situation as poor or very poor, while 41% declared the possibility of depositing money every month. Respondents belong to the following age groups: 25 - 35 years (26%), 36 - 45 years (28%) and 46 - 65 years (46%). The majority of households hold a university degree (70%). (See Fig.1 above)

#### *Profile of Potential Housing Property Buyers*

As indicated above, the transformation period saw many people given ownership of their flat/house. The implications of this will be become evident in the sections of this paper that analyze preferences in relation the planned housing purchases, savings and borrowing.

The respondent group that plans to buy or build a house/flat in the next three years not surprisingly shows a majority having higher education (76%). The decision to purchase/build a house or a flat is also connected with marital status, which is consistent with the research group sample as a whole. Younger respondents (up to 45 years) plan to buy/build a property more often than respondents in the 45 – 65 year age group. In 2010, the highest percentage of respondents who purchased or built a house/flat belonged to the 46-65 years age group. The share of the youngest group (25 - 35 years old) of potential buyers during this same time period decreased. This can partially be explained by the effects of the economic crisis, the decline in wage growth, difficulties in obtaining credit, a sense of uncertainty and fear of job loss.

The expected date of purchase of real estate (usually a period of 24-36 months from the date of declaration) also shows caution growing in potential buyers in response to the unstable economic conditions. This cautious approach by potential buyers, however, can also be offset by an expectation of possible lower prices and better transaction terms.

### **Preferences for the Type of Property, Location, and its Features**

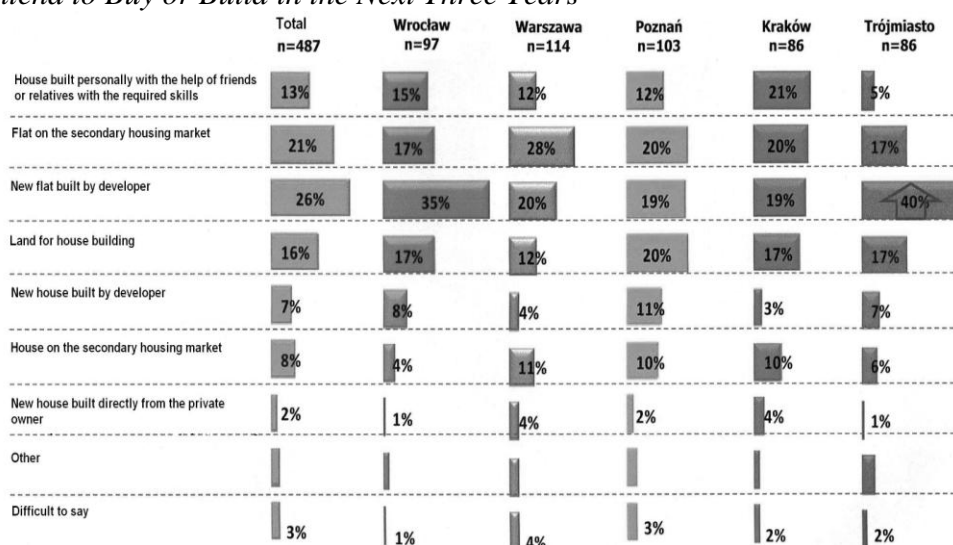
#### *Property Type*

Many people were interested in both houses/flats on offer with a similar percentage of respondents intending to buy/build a house or a flat (See Fig. 2 below).

Consumers opting to live in a single-family house often decide to organize the investment process personally by employing small firms specialized in selected works. Such investors may ask for the assistance of friends or relatives who have the required skills. Investor activity can be explained as follows: developers generally offer a poor range of homes to choose from, so finding a suitable home may be difficult. Further, developers usually construct terrace houses at high land use densities. But the preferred single-family house in Poland is a detached house and there is a wide choice of detached houses on the secondary (used) property market. Many of these buildings require

modernizing and refurbishing: e.g. replacement of windows, insulation of walls and roof, heating system upgrade/replacement etc. This work can be very expensive and does not necessarily improve the housing standards to a sufficient level. Hence construction of new houses is often considered the rational economic choice. The typical household strategy, therefore, is to purchase land. Potential buyers are then able to precisely plan their future home in terms of size, architectural style, interior layout and garden arrangement. The planning and construction of one's own home then becomes a component of lifestyle.

**Figure 2. Planned Purchase of House/Flat. The Type of Property Respondents Intend to Buy or Build in the Next Three Years**



Source: Report: "Polish Housing Market – Supply and Buyers' Preferences 2010", Nowy Adres S.A., December 2010, p. 56.

Developers try to build what they perceive to be the most popular flats and apartments. This represents a rapidly growing part of the housing market in the big cities, which increasingly offer rich and diversified living environments. Competition in the housing market has also helped stabilize prices and improve sales. In fact properties available on the secondary market are now very popular as they can offer a prestigious city center location in a "good neighborhood" and also unique architectural design features.

The preferences of respondents who plan to buy or build a house in the next three years varies depending on the city. In Wrocław and the Tri-City newly constructed dwellings are much more appreciated than those offered on the secondary market. The secondary housing market, however, is more attractive than the primary market for buyers in Warsaw and Krakow because new houses/flats offered by developers on the primary market in these cities were predominantly built at a considerable distance from the city centre. Interestingly the Tri-City has defied this trend where developers still have

access to land with good transport infrastructure and attractive natural environments.

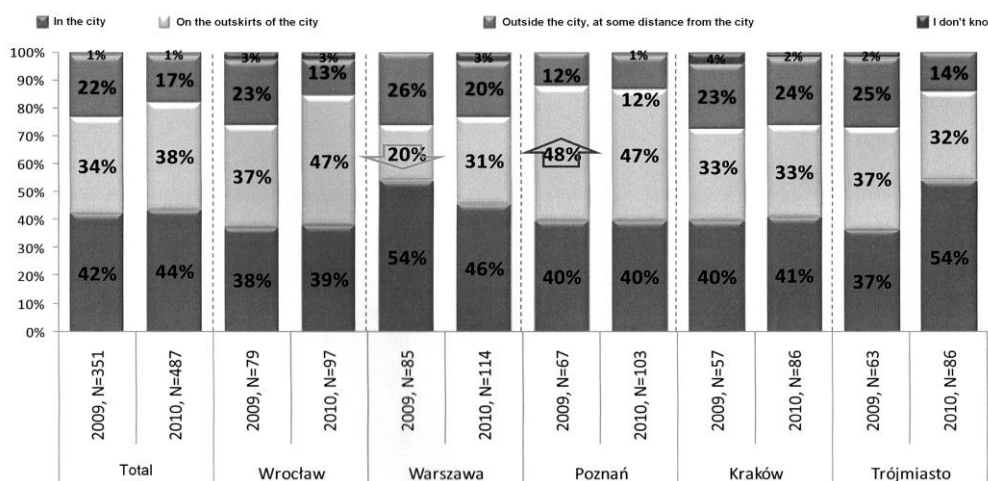
### Why Respondents Purchase a New Property

There are three important reasons why respondents decide to the purchase of a new house/flat. The first and most important is to change from a small house/flat to a larger one (21%); the second is the desire to change from a flat to a house (16%); and the third reason is to acquire a higher standard house/flat (8%). From these statistics we can assume that 45% of respondents want to improve their current housing conditions. The next important groups are: 1) young people who want to live on their own and have some financial resources (16%); and 2) adult children, without any income, whose parents purchase a flat (11%). It significant to mention here that the mobility of Polish society is not very high as only 13% of households intend to change their city or even the district within the city in which they live. A very low percentage of respondents said that they purchased a rental property (5%).

### Preferred Living Location

Survey participants were asked to choose from three types of location: The city, the city outskirts, outside the defined city boundary at some distance from the city. The most popular location for future housing was the city followed by the city outskirts. For 17% of the respondents their preferred living place was some distance from the city (See Fig. 3 below).

**Figure 3.** Location of the Flat/House Respondents Intend to Buy or Build Respondents who Plan to Buy or Build a Property



Source: Report: "Polish Housing Market – Supply and Buyers' Preferences 2010", Nowy Adres S.A., December 2010, p. 65

It is assumed this household preference refers to those who plan to build/buy a single-family house rather than a flat. The percentage of this type of household, however, decreased in 2010 in comparison to the previous years and there are distinct differences with respect to this preference across the

selected cities. For example the number of consumers interested in locating their future home at some distance from the city has decreased in Wroclaw and the Tri-City but remained at the same level in Krakow and Poznan. It should be noted, however, that the percentage of respondents choosing to live outside Krakow is half that of Poznan.

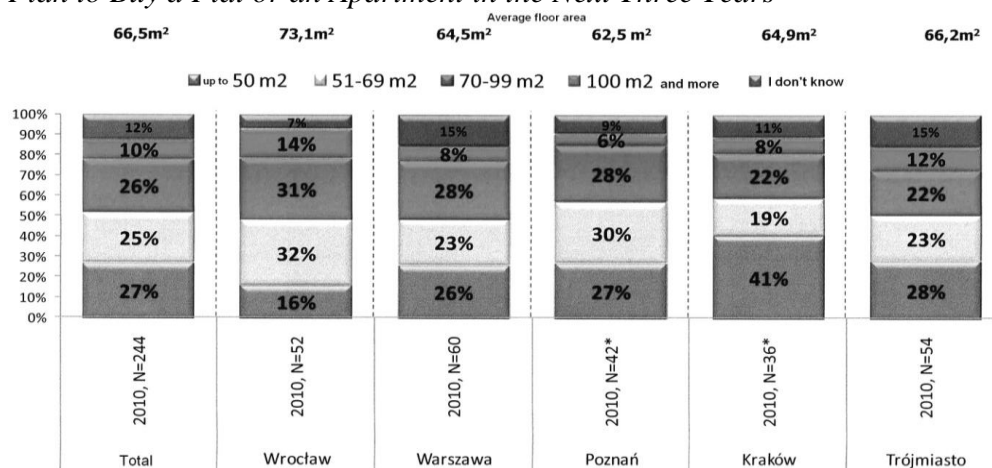
As indicated above, the survey results reflect suburbanization trends in Polish cities. The results also show that many Polish citizens planning to change their house/flat prefer to reside outside the dense urban areas, a trend that poses a potential problem with respect to the phenomenon known as urban sprawl.

This preference can partially be explained by the standard of living offered in the new housing complexes. The housing estates built outside the high-density built-up areas in most cases offer residents a higher standard of living than those available in the inner cities. These estates usually have larger plots, better access to recreation areas and good access to transport infrastructure.

*Preferred Floor Area of a Flat (sq. m.)*

The majority of respondents (88%) have clearly defined expectations regarding preferred floor space areas. The average floor area in Poland is now 66.5 sq. m. The preferred floor area is a compromise between housing needs and financial capacity. The preferred floor area is dependent on the number of family members, profession, lifestyle and stage in the life cycle. (See Fig. 4 below)

**Figure 4. Dwelling Space that the Respondents Intend to Buy Respondents who Plan to Buy a Flat or an Apartment in the Next Three Years**



Source: Report: “Polish Housing Market – Supply and Buyers’ Preferences 2010”, Nowy Adres S.A., December 2010, p. 62.

Household perceptions in relation to the ‘perfect apartment’ are contingent on purchasing power and borrowing capacity. The contemporary Polish housing market shows that the majority of households (52%) plan to buy a small flat up to 69 sq. m. (Fig. 4). Users of small dwellings are mostly single or couples starting life on their own. Young people often buy this type of

apartment with financial help from parents or relatives. In many cases buyers will opt for higher quality smaller apartments in better locations rather than larger units of lower quality. Krakow, for example, shows the price impact on preferences for smaller floor space areas where prices are the highest in the country in relation to earnings. And the required range of small dwellings up to 50 sq. m. is the highest in comparison to the other selected cities.

*Preferred Floor Area of a House (sq. m.)*

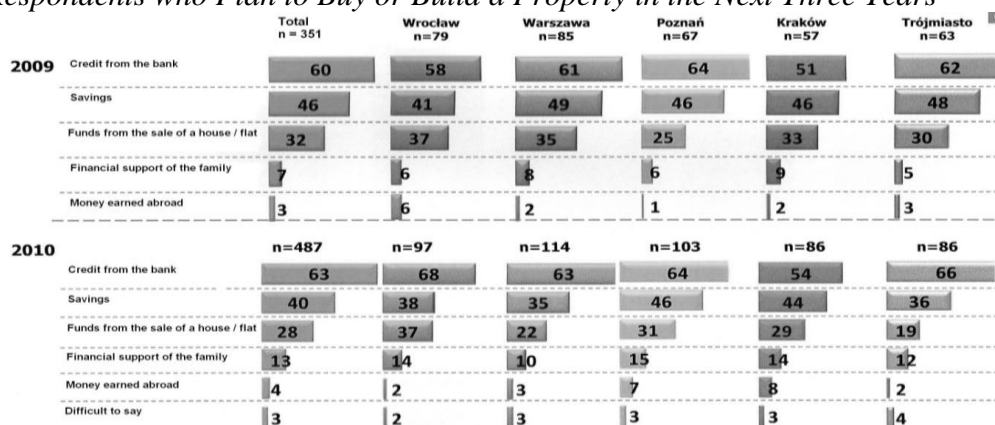
The preferred area of a single-family house is fairly small where almost half the potential builders/buyers (48%) opt for an area not exceeding 150 sq. m. Only 11% of respondents indicated a preference for an area larger than 200 sq. m. A similar percentage of respondents do not specify a preferred floor area.

Before making a decision to purchase a property, potential buyers/builders will compare the construction and maintenance costs for single-family houses and flats and multi-family houses. It is noteworthy that the costs associated with a small single-family dwelling are comparable with the cost of purchasing a dwelling in a multi-family house. This is especially so when the investor intends to both organize and coordinate the construction process. Not surprisingly, single-family houses were found to be more attractive than flats for families with children, multigenerational families and households with strong social ties to traditional family life. Flats, on the other hand, tend to attract people focused on their jobs such as young professionals and singles.

**Sources of Funding for Purchase/Construction of House/Flat**

The main funding source for buying/building a residential dwelling is from a bank where 63% of households take out a loan (See Fig. 5 below).

**Figure 5. Planned Purchase of House/Flat – The Source of Funding Respondents who Plan to Buy or Build a Property in the Next Three Years**



Source: Report: “Polish Housing Market – Supply and Buyers’ Preferences 2010”, Nowy Adres S.A., December 2010, p. 60.

From the contents of the above table it can be seen that households use a significant share of family savings and funds from the sale of an existing property to finance the purchase/construction of a new house/flat. While the data shows family savings and funds from existing property sales decreasing in 2010, people are borrowing more money to finance property purchases, which may indicate higher expectations and aspirations in terms of housing and lifestyle.

Money earned abroad was not a significant source of funding, indicating that many Polish people working abroad do not intend to invest in the Polish housing in the near future.

The survey findings show that 63% of households who take out a loan were still unable to cover the total purchase cost. And only 23% of respondents declared that they would take out a loan to cover 80 – 100% of the new property value. This refers to the wealthiest households who can secure a loan in accordance with their borrowing capacity.

Potential debtors will also consider the total borrowing costs in relation to interest rates. These are the important factors in making decisions to enter the property market as show by the 23% of respondents in the last 12 months who planned purchase real estate but later changed their minds and canceled. The main factor in purchase withdrawal is the perception that prices in the housing market are too high (44% of respondents). Also the growing significance of the fear of job loss also has a strong influence on the decision to purchase.

## **Conclusion**

This paper has provided statistical background information on housing trends in selected Central and Eastern European cities. It provides a context in which to understand housing preferences in Poland—a country that has undergone significant economic and political transformation from a centralized economic system to a market based economy during the post 1989 years. The survey results show a marked preference for small floor area flats (below 70 sq. m.) offered by developers on the primary housing market. There is, however, a strong preference for inner city flats on the secondary property market, particularly in Warsaw and Krakow. Polish households showed a strong preference, nevertheless, for single-family houses in new estates located on the city outskirts, which could lead to more suburbanization and concomitant urban sprawl. Warsaw and Krakow resisted this trend by showing strong demand for flats/houses on the secondary property market - especially those in good inner city locations. It was also evident that housing preferences were strongly influenced by perceptions about economic conditions and the job market. It is noteworthy that the preference for smaller floor areas is consistent with sustainable urban design principles and this is a potentially good outcome. The survey results also indicate that potential purchasers often want to move from a small flat to a modest sized house to achieve a higher standard lifestyle. Most often, new property purchases were financed by a combination of

personal savings, funds from property sales and bank loans. In Poland this form of mixed financing is governed by strict regulations in relation to bank lending and borrowing. In the long-term it is fair to say that housing preferences do not really change to a significant extent. Most people naturally will want to improve their living standards.

NB: These findings represent only part of an extensive household preference survey. The full results will be published in subsequent papers in the coming year.

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