RESEARCH OF THE RESIDENTIAL MARKET ELEMENTS IN POLAND: SUPPLY, DEMAND AND PRICES

Elżbieta RADZI SZEWSKA-ZIELINA - Magdalena STAWARZ

ABSTRACT

The present research concerned the following elements of the residential market in the city of Cracow in Poland: the supply, the demand and the prices. The demand was examined on 103 respondents; the supply was examined on 30 property developers. On the basis of their research, the authors of the present paper conclude that the property developers conducting their activity in the area of Cracow recognize the expectations of customers quite well. The largest discrepancy was found between the prices expected by customers and the supplied prices. The latter are much higher than the prices preferred by customers.

Keywords: residential market research

JEL klasifikácia: L85

1. INTRODUCTION

The present research concerned the following elements of the residential market in the city of Cracow: the supply, the demand and the prices. In Cracow the need for flats is regarded as very large because it is a basic necessity; however, as a result of many factors this need is not transformed into demand.

According to the authors of the present report, the housing market is a very important market, requiring research and analyses as well as a search for optimal solutions for its functioning.

Research of the residential market is most often carried out on request of companies and it provides information exclusively for internal use so it is not published. The present study has an exclusively scientific character and as such it is an objective source of information.

The research consisted of two parts: a survey amongst potential customers and one amongst the representatives of property companies. The purpose of the research was a comparison of the supply represented by developers with the demand and expectations of customers. The work can also be of help for entrepreneurs conducting property activity since it contains the information concerning the preferences of customers, thus indicating which direction housing investment should take so as to answer the needs of customers.

2. DESCRIPTION OF THE EXAMINATION

2.1 Research methods

The research was carried out in the period from 08.03.2007 to 29.04.2007. In examining the demand the method of the direct and Internet questionnaire form was applied. The direct questionnaire form was carried out amongst persons interested in buying a house or a flat. They were chosen with the method of snowball sampling. The
questionnaire form was also put on the website and the information about it was put on Polish Internet forums.

In examining the supply the method of the direct questionnaire form and the e-mail questionnaire form were applied. The direct questionnaire form was handed out to companies which were participants of the Housing Fair in Cracow on 17.03.2007. The questionnaire form was also put on the website and the information about it was sent out by mail to companies which were not participants of the Housing Fair.

2.2 Characteristics of respondents

The demand was examined on 103 respondents; the supply was examined on 30 property developers. A statistically average respondent of the questionnaire may be described as a woman (60.4%), aged between 21-30 (66.7%), with higher education and living in a city of over 50 thousand inhabitants (81.30%). The respondent most probably works in the financial business (20.6 %), and his/her monthly disposable income ranges from 1000 to 4000 zlotys (56.4%).

The companies examined are mainly the ones which have been present on the market for the period of one to twenty years, most often employing 5-10 persons (28.6 %). The companies describe their position on the market as good (50%). Apart from Cracow, the majority of them also invest in its surroundings (44.4%) and some of them also invest in the whole territory of Poland.

Almost half of the respondents (46.5 %) were determined to purchase a house or a flat in Cracow, slightly fewer described the possibility of their purchase of a flat or a house as almost certain (34.7 %). Respondents who did not know yet whether they wanted to make a purchase constituted the smallest group; however, they were interested enough in the topic that they decided to fill in the questionnaire.

3. THE RESULTS OF THE MAIN RESEARCH

3.1 The reason for the purchase

The fact that the respondents are at present renting a flat and that paying a rent seems unprofitable to them is the most frequent reason for which they want to purchase a flat (42.40%). An exchange of the present accommodation for a bigger flat is the second popular reason for the purchase (24.20%). Persons who wanted to purchase a flat in order to let it constituted a low percentage of the respondents (4%). The demand for flats in Cracow is caused above all by housing needs but also by investment purposes.
Figure 1 Percentage distribution of replies to the question: “For what reason do you want to purchase a house or a flat?

1-I want to live in a different city
2- I want to live in a different region
3-I want to move to a bigger flat
4-I want to move to a house
5-I want to have a family
6-I want to live on my own
7-At the moment I am renting a flat and I want to have my own
8-I want to buy a flat for my children
9-I want to buy a flat for my parents
10-I want to buy a flat in order to let it
11-I think it is an investment

3.2 Preferences for flats or houses

Analysis of the demand showed that the respondents looked for flats (49%) much more often than for houses (17%). These preferences can result from the fact that houses in urban agglomerations are less popular; besides, having a house often involves living in the suburbs. Analysis of the supply showed that most companies offered comprehensive property services (construction of flats, houses, commercial spaces) but a considerable number of companies offer exclusively flats. Property developers offer flats above all; and if necessary they extend the scope of their activity. Therefore this is the right decision.

In the case of the respondents who are going to buy a flat, it is possible to notice that they prefer living on the second floor (38.5%), in a building of up to four storeys (74.6%), most willingly with a lift and an underground garage (70.8%). The flat should have windows overlooking the south. The examined companies most often offer flats in buildings of up to 4 storeys (73.9%); however, this may change in the nearest future because, due to a long period of waiting for a construction permit and a small number of attractive grounds, companies will be trying to use ground effectively and to build on it like a large number of flats.

The respondents' opinions about attic flats were divided. Almost the same number of the respondents would like to live in such a flat and had the negative attitude (35.4%).
Almost 75% of the examined companies offer attic flats. The demand will be fulfilled; a surplus of the supply can even exist above the demand.

A considerable majority of respondents (65.4%) is interested in the purchase of a multi-storey flat and over half of the examined companies have such flats in their offer. Respondents would not like to live in lofts and at the moment on the Cracow housing market there are no offers of such flats.

Amongst potential buyers of houses, we notice preferences for single-storey houses (69.4%), detached ones (51.4%) and ones with a functional attic (81.5%). Houses in the terrace building development and wooden houses are not popular amongst the respondents. Deciding to settle in a house, the respondents expect that it has a big garden - above 200 m² (26.3%).

Companies building houses most often carry out investments in the form of terrace building development (63.6%). Such investments are probably cheaper and simpler; however, analysis of the demand shows that such houses are not popular among customers. In the case of detached houses, companies offer single-storey houses, with the garden above 200 m² (27.3%). Thus the offer is in accordance with the expectations of customers.

The majority of customers (67.7%) would like to have an antiburglar front door and the videophone. Almost 75% companies are installing antiburglar front door in their investments. It is much worse, however, with meeting the demand for videophones since the majority of the examined companies are not installing them.

Customers value more housing estates with the round-the-clock security guard than the round-the-clock monitoring. The first option is chosen by almost every third customer while the other option is chosen by every fifth respondent. Over half of the examined companies have built housing estates with the round-the-clock monitoring and almost half with round-the-clock protection.

Respondents are afraid of living in the immediate neighbourhood of a river (41.4%). Above ¼ of the examined companies have not yet considered possibilities of construction in the immediate neighbourhood of the river; but almost ¼ have already carried out such investments. However, quite a considerable group of persons (24.2%) regard living in the immediate neighbourhood of a river as a plus, although it is not the main guideline in searching for accommodation. When choosing the surroundings, the respondents are influenced most by closeness to the green belt (78.8%); convenient public transport has lower significance for them (68.7%). The respondents regard the proximity of the common dustbin as the most troublesome possibility. Companies buying land for new investments are most influenced by surroundings; and analysis of the demand showed that it is the right decision.

The technology is which a building is constructed is important to respondents but it is not a priority (55.6%). All of the examined companies carry out their investments in the traditional technology.

The majority of the respondents (55.6%) do not feel the need to use services of the real property agency. The majority (46.5%) do not regard it necessary to obtain help with completing the formalities with the notary although some customers would willingly use it.

Information about the housing offer is usually obtained from the Internet (86.1%), fewer customers use specialist magazines (30.7%) and daily newspapers (29.70%). The respondents consider the TV and the radio to be the least useful source of information. It is possible to notice that the examined companies chose the right way of informing of their services because all of the examined companies are advertising their services on the Internet and 8 to 10 companies are also advertising their services in the press and the radio.
3.3 Preferred residential districts

The districts which the respondents perceive as most attractive are: Krowodrza (30 %) and Bronowice (28 %), the second attractive is Zwierzyniec, Prądnik Czerwony and Dębniki (Figure 2). Among the districts in which the respondents definitely would not like to settle are above all Nowa Huta, as well as, in the second place, Bieżanów and Wzgórze Krzesławickie.

The examined companies carried out most investments in the districts of Podgórze (39.3 %) and Krowodrza (28.6 %) and in these districts they are still going to make the majority of their investments (Figure 3). Stare Miasto and Dębniki are also enjoying great popularity. Investments in the Krowodrza district meet the expectations of the customers. The companies which invest in the Krowodrza district will not have a problem with the sale of flats, they can even raise prices. One should pay attention to the fact that most construction and construction planning is carried out in Podgórze although this district is only on the sixth place in terms of its attractiveness, where every fifth examined person would not like to settle. Companies should increase the profitability of investment in this district through its intensive advertising.

![Figure 2](image-url)

Figure 2 Percentage of distribution of the replies to the question: ‘Which district would you like to inhabit?’ in examining the demand
When choosing a place to live, the respondents are influenced above all by the fact whether they like a given district or not (58.6%). The distance from the centre (51.5%) and safety of the district (39.6%) are also playing a significant role. The respondents do not pay attention to the fact whether there are any cultural or shopping centres in the vicinity.

The choice of land for new investments is above all influenced by surroundings (96.3%). Such behaviour pays off in the future because analysis of the demand shows that surroundings are the most important factor for the customers. For the investors, the distance from the centre is also an important factor (55.6%) and the price of a plot is only on the third place (48.1%). Companies are deciding to spend more on the land for new investments because they know that when surroundings are attractive, they will make a profit on such an investment. Such factors as the vicinity of shopping centres and the closeness of cultural centres have lower significance for the investing companies.

The best way to attract inhabitants to a given district is to increase its attractiveness by green areas, parks, taking care of the cleanliness and the safety of the district.

3.4 Developing prices and financing an investment

Preferences of respondents for the price are connected not only with the level of profits but also with the awareness of the current situation on the housing market. A price of 6-7 thousand zlotys for 1 m² is a price recognized to be the right one by the majority of the respondents (25.3%); it is at the same time the maximum price which the respondents would be able to pay. This limit is caused probably by the awareness of currently developing prices on the housing market because the respondents certainly would be willing to pay less, but realize the problem of finding such an offer.

The largest percentage of the respondents (22.7%) are ready to pay the maximum of 350-400 thousand zlotys for an entire apartment. On a second place are the respondents...
(18.6 %) for whom the price of 450-500 thousand zlotys is still acceptable while 14.4% of the respondents would be able to pay only 250-300 thousand zlotys. It is possible to notice that the price of over 500 thousand zlotys would be acceptable only for a few respondents and therefore it will be hard to sell flats above this price.

The examined companies do not fulfil the expectations of the customers concerning prices. The price offered by the examined companies is most often 7-8 thousand zlotys for 1 m² (52 %), which is by 1000 zlotys higher than the customers expect. The prices offered for an entire apartment, i.e. 550-600 thousand zlotys, are also much higher than those preferred by the respondents.

Over half of the respondents are going to finance the purchase of the flat/house by combining individual means and a mortgage, slightly fewer are going to count exclusively on a mortgage. So enhancing the offer of mortgages will be an important factor in the fight against unmet housing needs.

Combining individual means and a mortgage is the most popular way of financing investments by the customers (42.3 %). The system consists in companies investing certain individual means obtained by signing contracts with customers and taking instalments from them in order to proceed with consecutive stages of the construction.

Figure 4 Percentage of distribution of replies to the question: “How are you going to finance the purchase of a flat or house?” in examining the demand
3.5 Decorating interiors

A flat preferred by the respondents is a three-roomed apartment (44%) with the surface of 50-70 m² (39%) and with one bathroom (65%). Almost all respondents are attaching importance to the view from the window (88.9%), a large majority are also seeking a flat or a house with a balcony (81.8%), best directed to the south (52.5%) or west (28.9%). The majority of the companies (88.9%) offer houses or flats with balconies.

Almost half of the respondents (46%) would like to have wooden windows in their house or flat. Over half of the examined companies (56%) offer such windows.

The attitude of the respondents to having panoramic windows may be described as indifferent; however, with the tendency to desire having them. Companies are making the assembly of such windows conditional on the kind of investment.

It is possible to state that respondents are not hunting for the standard of a luxury apartment. It is possible to determine the attitude of customers to marble windowsills and the air-conditioning as indifferent, with a negative tendency. A large majority (36.4%) would like to have a fireplace. The respondents either regard having a garage as necessary (80.6%) or think that it would be good if a building had one (19.4%).

In the case of the possibility of an extra charge for decorating the interior, the majority of customers (38.4%) would be prone to pay only 100-300 zlotys extra for 1 m² of such decoration. However, the examined companies would most often demand the payment within 700-900 zlotys for 1 m² (27.3%) of decoration, which would not meet with interest on the part of customers. Offering fully decorated flats for an extra charge is not very profitable to companies because, in order to attract potential customers, the prices have to be low. Customers will most probably be more interested in seeing the final price, without the quotation of the extra charge.

When looking for a finished apartment, the respondents are most often discouraged by having little influence on the decoration (59, 6%), as well as price (44,4%) and delays.
in their receiving the apartment (29.3%). For companies, it is a problem to meet the tastes of customers (72.7%). Small interest on the part of customers is also to the disadvantage of this offer (27.3%).

We can conclude that companies are basing their scope of activity on expectations of customers. In the case of an increase in demand for flats with fully decorated interiors and possibilities of the prior discussing with the customers their expectations as for the standard of the apartment, companies would certainly include fully decorated flats in their offer. This is a chance especially for those companies which finance their investments with the use of customers’ financial means and which could prepare flats according to the preferences of particular customers. So far this has not been a frequent case as the companies facilitate their work by offering the same standard of decorating all flats in a given investment.

In the case of seeking flats with fully decorated interiors, the respondents expect bathroom and kitchen fittings above all (88.5%), floors (85.7%) and inner doors (74.5%). The same items are also offered by companies in their offer of extra interior decoration. In this case the supply could meet the demand if the price was more attractive for the customer.

4. CONCLUSIONS

On the basis of their research, the authors of the present paper conclude that the property developers conducting their activity in the area of Cracow recognize the expectations of customers quite well. Increasing the investing intensity in the Bronowice district would be a good solution because this district is enjoying great popularity amongst customers. Companies should also invest in construction of multi-storey flats as they are popular among customers, too. The largest discrepancy was found between the prices expected by customers and the supplied prices. The latter are much higher than the prices preferred by customers.

BIBLIOGRAPHY


ABOUT THE AUTHORS

Dr inż. Elżbieta Radziszewska-Zielina is educated as an construction engineer and a sociologist. Nowadays, she works as assistance professor in Institute of Building Management and Transport at Cracow University of Technology. She is interested in Building Marketing and Management. She specializes in empiried research of building market. She is authors of numerous articles, researches and expertises for industry.
Cracow University of Technology, ul. Warszawska 24, 31-155 Kraków, Poland
E-mail: eradzisz@izwbil.wil.pl.edu.pl

Mgr inż. Magdalena Stawarz was graduated at Cracow University of Technology, Department of Civil Engineering, specialization Building Management and Marketing. She works in PZU Życie S.A., ul. Lubicz 23, 31-503 Kraków, Poland.
E-mail: M.Stawarz@pzuzycie.com.pl, magdalenastawarz@interia.pl