

ISSN 2081-4461
e-ISSN 2449-9781

NR 21
(2021)

BIBLIOTEKA
REGIONALISTY
REGIONAL JOURNAL

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**THE PRIMARY MARKET IN HOUSING
AND APARTMENT DEVELOPMENTS
IN POLAND'S SIX LARGEST CITIES OVER THE COURSE
OF THE COVID-19 PANDEMIC**

**RYNEK PIERWOTNY NIERUCHOMOŚCI MIESZKANIOWYCH
I DOMÓW W SZEŚCIU NAJWIĘKSZYCH MIASTACH
W POLSCE W DOBIE PANDEMII COVID-19**

DOI: 10.15611/br.2021.1.13

JEL Classification: R30, R31, R32

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Quote as: Rynio, D. (2021). The primary market in housing and apartment developments in Poland's six largest cities over the course of the COVID-19 pandemic. *Biblioteka Regionalisty. Regional Journal*, (21).

Abstract: The research problem examined in this paper pertains to the situation on the primary market in apartment units and detached housing units over the course of the COVID-19 pandemic, namely between October 2020 and September 2021. The main research objective was to present current trends on the primary market in apartment units and detached housing units in the radically specific context of the present pandemic threat. The study was designed to examine local markets in real estate in Poland's six largest cities. The fundamental research question was formulated as follows: what trends could be observed in the primary market of apartment units and detached housing units in response to the ongoing pandemic threat, and what directions of development can be seen as those most favoured by the market in question? In an attempt to provide a complete picture of the studied trends, a supplementary question was posed as follows: what are the most important determinants of the market's development in the studied pandemic context? The research questions were approached by means of analytical evaluations of fluctuations in housing and apartment prices by city, complete

with analyses of availability, sales volumes and supply of new units. The study employed the following research methods: literature studies, trend analysis, observation, and rudimentary statistical methods.

Keywords: the primary market, the secondary market, apartments and houses, Poland's largest cities.

Streszczenie: Problem badawczy rozpatrywany w publikacji dotyczy sytuacji na rynku pierwotnym mieszkań i domów w okresie trwania pandemii COVID-19. Okres objęty badaniem to październik 2020 r. – wrzesień 2021 r. Celem badania było przedstawienie sytuacji na rynku pierwotnym nieruchomości mieszkaniowych i domów w specyficznych pandemicznych uwarunkowaniach. Obiektem badawczym było sześć największych miast w Polsce. Podstawowe pytanie badawcze brzmiało: Jak zareagował rynek pierwotny nieruchomości mieszkaniowych i domów na pandemię COVID-19 i jaki kierunek rozwoju obrał ten rynek? Sformułowano też dodatkowe pytanie: Jakie są determinanty rozwoju tego rynku w tych uwarunkowaniach? W celu uzyskania odpowiedzi na zadane pytania zbadano fluktuację cen mieszkań w poszczególnych miastach, ich dostępność, wielkość sprzedaży i liczbę nieruchomości wprowadzanych na rynek. W badaniu posłużono się następującymi metodami badawczymi: studia literaturowe, analiza trendów, obserwacja i proste metody statystyczne.

Słowa kluczowe: rynek pierwotny, rynek wtórny, mieszkania i domy, największe miasta w Polsce.

1. Introduction

For many months, real estate markets have been subject to intensive and rapid changes. The effects are quite pronounced on the primary and secondary (resale) market, particularly in large cities serving as regional reservoirs of employment, cultural influence, entertainment, etc. The research issue examined in this paper concerns the situation on the primary market in apartment units and detached housing units over the course of the COVID-19 pandemic, namely between October 2020 and September 2021. The main research objective was to present current trends in the primary market of apartment units and detached housing units in the radically specific context of the present pandemic threat. The study was designed to examine local markets in real estate in Poland's six largest cities. The fundamental research question was formulated as follows: what trends could be observed in the primary market of apartment units and detached housing units in response to the ongoing pandemic threat and what directions of development can be seen as those most favoured by the market in question? In an attempt to provide a complete picture of the studied trends, a supplementary question was posed as follows: what are the most important determinants of the market's development in the studied pandemic context? The research questions were approached by means of analytical evaluations of fluctuations in housing and apartment prices by city, complete with analyses of availability, sales volumes and supply of new units. The study employed the following research methods: literature studies, trend analysis, observation, and rudimentary statistical methods. It seems that the most important factor stimulated by the present pandemic threat is the heightened uncertainty as a major determinant of responses from all participants of the real estate market, complete with the associated

increase of speculative behaviour. In addition, the construction sector has been strongly affected by the disruptions of global supply chains caused by the ongoing COVID-19 pandemic restrictions.

2. Determinants of changes in the primary real estate market under the present COVID-19 pandemic threat

The real estate market, as a major segment of the global economy, plays an important role in socio-economic development. Changes in the market, perceived as largely inseparable qualities of the modern economies, are generated in response to current market trends. The wealth of global economic effects produced by the outbreak of the COVID-19 pandemic has been enormous. On the one hand, they served to stimulate the rapid development of specific sectors and segments, while on the other hand, they resulted in the stagnation or critical disruption of other economic areas. Faced with the above determinants, the primary real estate market is on the rise and growing at a fairly steady rate. In practice, determinants of changes in the real estate market may not necessarily be directly related to the pandemic threat. The non-pandemic stimuli may include (among others): rampant inflation, marginal interest rates on deposits, growing demand for secure long-term investments, a relatively easy access to credit, and low cost of credit (Belniak & Głuszak, 2020). In the context of the primary real estate market, one of the most important indirect effects of the pandemic threat was the rise in demand for new units, as lockdown restrictions served to emphasize the scarcity of space for many households. The extra demand was also dictated by the need for privacy and comfort of work and study held online. Major changes were also observed in consumer expectations, with a drastic increase of demand for apartments with large balconies, terraces or gardens (Internet 1; Internet 7). Another important change was the rise in average square footage sought on the market – demand rose drastically compared to historical trends (Internet 2; Internet 8). There was also a major rise in demand for detached units, probably stimulated by the fact that many employees are no longer ‘tied’ to the place or even region of their employment as their duties are performed online (Internet 9). This was further enhanced by the obvious difference in prices for new units situated at a larger distance from city centres instead of apartments in attractive districts of large cities (Internet 10). The increased demand for housing units and apartments is mostly evident in large and dynamic municipalities and in their immediate surroundings (Stelmaszewska, 2020). This trend is relatable to the ongoing and steady path of urban development (Szymańska & Biegańska, 2011). Large and vigorous centres provide many benefits, such as low unemployment, extensive labour market, and a wide choice of entertainment and cultural activities (targeted to various segments). In light of the above, cities are attractive places for permanent settlement.

3. Changes in the structure of the primary market of housing and apartment developments in Poland's six largest cities over the course of the COVID-19 pandemic

The six largest cities in Poland are: Gdańsk, Kraków, Łódź, Poznań, Warszawa, and Wrocław. The capital city of Warszawa (Warsaw) comes first on the list, followed by Kraków (Cracow) with a population lower by a factor of around 2.3, and Gdańsk placed sixth (by a factor of 3.8 less than Warsaw). Similar structural composition can be seen in the spatial arrangement of the cities under study, but the differences in this respect are less pronounced.

Table 1. Area and population of Poland's six largest cities (at the end of 2019)

City	Area (km ²)	Population at the end of 2019 r. (in thousands)	Population density (people/km ²)
Gdańsk	262	470.9	1797.3
Kraków	327	779.1	2382.6
Łódź	293	679.9	2320.5
Poznań	262	534.8	2041.2
Warszawa	517	1790.7	3463.6
Wrocław	293	642.9	2194.2

Source: own study based on (*Informator o sytuacji społeczno-gospodarczej Gdańska za 2019 rok, 2020*).

Each of the cities under examination represents a high level of socio-economic development, with the capacity to attract new settlement and the potential of providing them with high living standards (Bryk, 2019). The purchase of a house or apartment presents a major component of the standard of living (Internet 6; Siedlecka & Smarzewska, 2013). The well-established Polish mindset places great emphasis on home ownership as a central element of the general resource expectation structure, in stark contrast to many other countries where the focus is on renting as a method to increase mobility (Gorzeń-Mitka & Grabiec 2015; *Jak Polacy kupują mieszkania, 2019*). Detached housing units and apartments are offered on the primary and the secondary market. The primary market in real estate determines the supply and the accessibility of new units, and in consequence, its development in the long-term perspective defines the future capacity and resource support of individual suppliers (developers) and whole segments.

Between October 2020 and September 2021, the average price per square metre of residential space in new detached units and apartments showed a steady rising trend in all of the cities under study. By taking the October 2020 values as the base for the calculation of price differences, the rise of prices was found to be from around 7% (for Gdańsk) up to more than 18% (for Wrocław). Over the studied period,

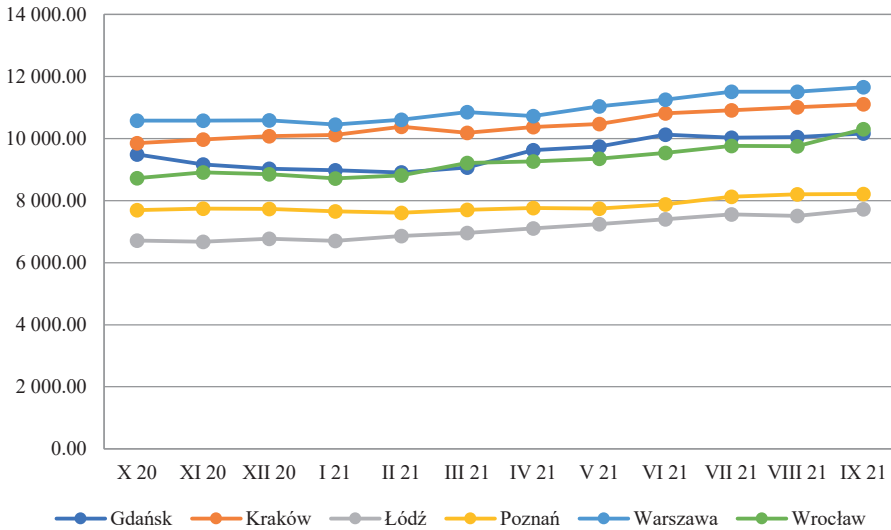


Fig. 1. Average price of residential space per square metre in detached and apartment units in Poland's six largest cities (in złoty)

Source: own study based on (Internet 3).

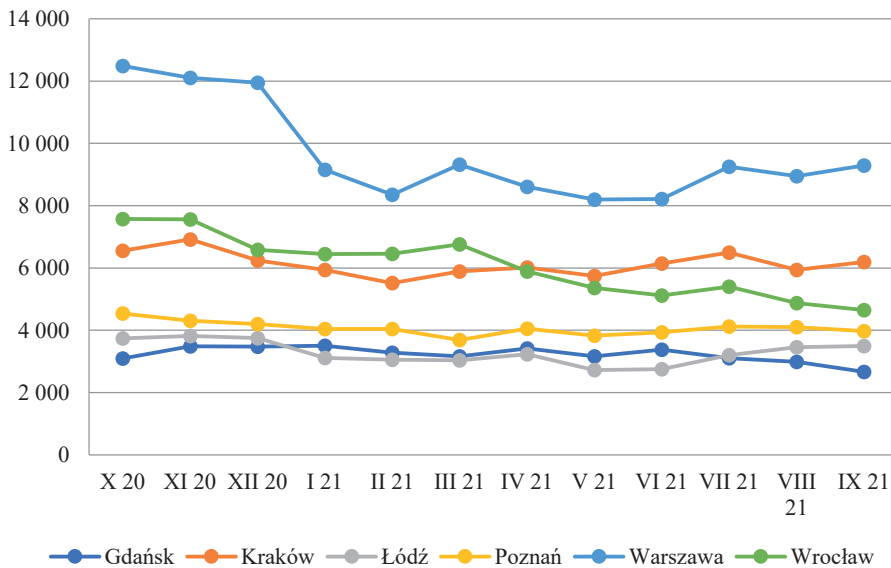


Fig. 2. Supply of units on the primary market between October 2020 and September 2021 in Poland's six largest cities

Source: own study based on (Internet 3).

the lowest prices were in January 2020. Gdańsk recorded a decline in average prices between November 2020 and March 2021. In Warsaw, average prices were below base values (October 2020 = 100) only in November 2020 and January 2021, with similar trends observed in Łódź. Between January and February 2021, the average price per square metre dropped below the value recorded in Poznań in October 2020.

Over the analysed period, and despite the general increase in prices, there was a marked decrease in the number of units available on the primary market. The problem was the most notable for Wrocław (plunging by approximately 39%). The least acute effects in this context were recorded for Kraków and Łódź.

Warszawa was by far the largest market regarding available units (of all the municipalities examined), with a pool of 12 488 units available in October 2020, down to 9288 in September 2021, which is an evidence of a large market demand. Wrocław ranked second over the studied period, with an initial pool of nearly 61% of that in Warsaw, and dropping down to 50% in September 2021. The lowest availability of new units was observed for Łódź and Poznań.

The demand index for the market of apartments and housing units fluctuated over time and varied between the analysed municipalities. The most dynamic changes were observed in Warszawa: starting from the initial index value of 11.64% in October 2020, rising to 22.08% in February 2021, followed by a decline down to 11.45% in July 2021, and increasing again to 13.2% in September. Dynamic fluctuations were also found for Wrocław, with the highest index value recorded in April 2021, and the lowest in January 2021; between January and March 2021 the index value rose significantly (by a factor of around 2.4). The most notable spread of index values was recorded for Gdańsk (nearly 16%), compared to less than 9% for Kraków and Poznań. For Łódź, the index fluctuation varied from 5.45% to 12.84% over the studied period.

Table 2. The demand index on the market of apartments and housing units (Oct 2020 to Sept 2021)

	X 20	XI 20	XII 20	I 21	II 21	III 21	IV 21	V 21	VI 21	VII 21	VIII 21	IX 21
Gdańsk	14.78%	5.14%	11.28%	15.38%	11.35%	20.27%	13.55%	12.38%	14.23%	12.71%	20.97%	14.00%
Kraków	11.68%	7.82%	7.78%	8.38%	10.60%	16.72%	13.55%	12.17%	8.58%	9.08%	10.44%	10.34%
Łódź	7.43%	6.17%	5.45%	16.18%	6.79%	11.81%	9.67%	12.84%	11.29%	11.45%	8.20%	12.20%
Poznań	15.05%	10.15%	7.37%	11.44%	11.16%	11.05%	10.07%	10.84%	5.52%	6.38%	10.60%	11.90%
Warszawa	11.64%	11.59%	10.58%	14.89%	22.08%	18.96%	15.92%	18.93%	12.34%	10.45%	13.88%	13.20%
Wrocław	7.87%	6.73%	7.62%	5.76%	13.58%	12.35%	19.22%	11.47%	11.25%	10.43%	17.85%	14.54%

Source: own study based on (Internet 3).

With respect to the number of new units introduced on the market, the most dramatic change was observed for Wrocław (from the initial 1122 in October 2020, down to 214 in May 2021, and up to 231 in September 2021), with large fluctuations recorded over the entire period of the analysis. For Warszawa (initial pool of 1700 new units in October 2020), the highest supply was recorded in July 2021, with February 2021 marking the lowest number of new units available on the market.

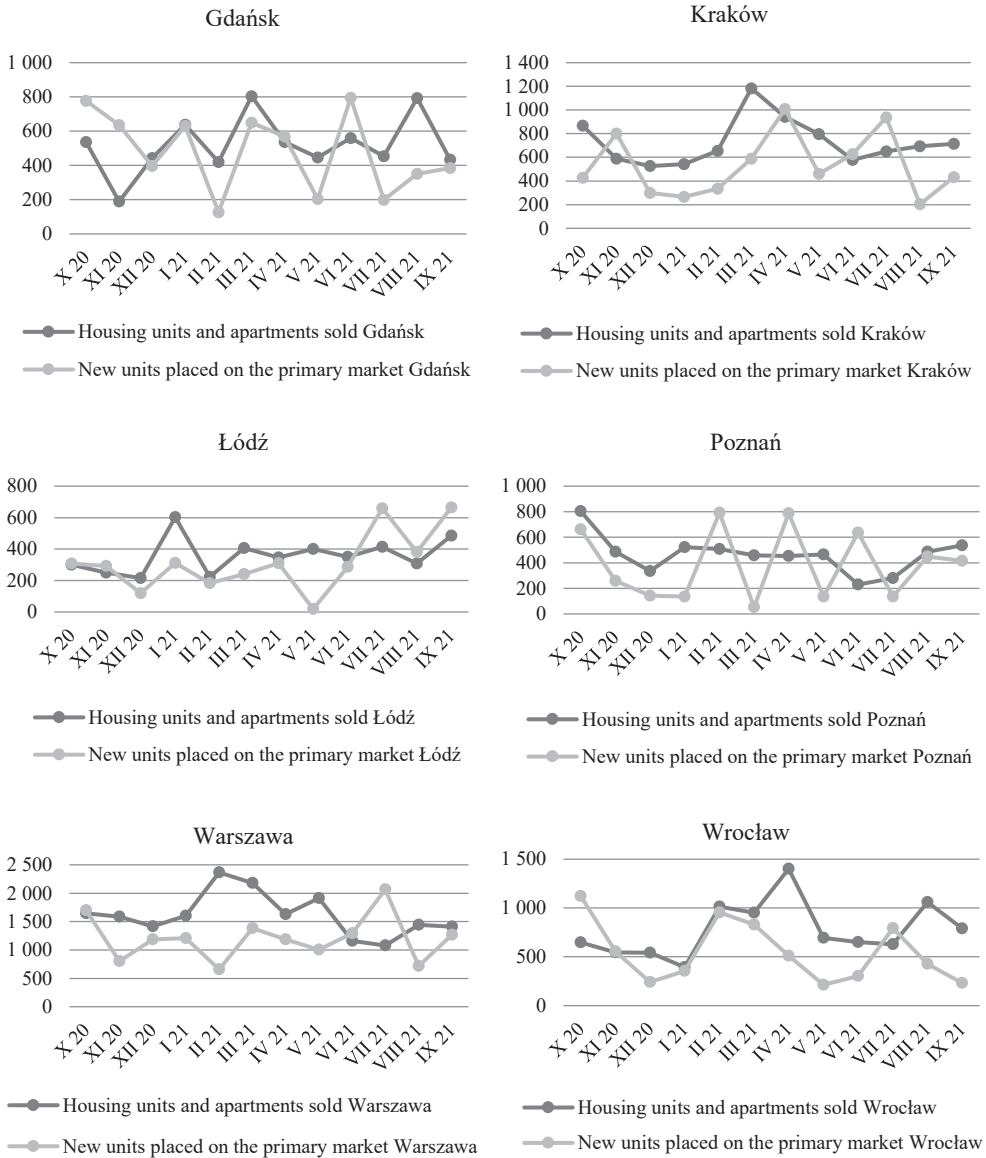


Fig. 3. Housing units and apartments, by number of units sold and units placed on the market between October 2020 and September 2021

Source: own study based on (Internet 3).

Over the studied period, the lowest number of new units introduced on the market was in Łódź (with only 19 new units available in May 2021, followed by a significant rise up to 658 units in July 2021), while for Poznań, the supply of new units placed

on the primary market varied between 52 and 788. By taking the October 2020 value as the base value (100), the number of new units in Kraków reached an impressive 236.07% in April 2021. A notable reduction of new units supply was recorded for Gdańsk and amounted to meagre 16.22% (with October 2020 value = 100).

In light of these figures, the number of units sold on the primary market was also characterised by fluctuations, again with Warszawa as the largest of the analysed markets. Over the studied period, the number of new units sold in Warszawa amounted to 19 432 individual apartments or detached units. Wrocław came second, with a joint sales figure of 9 323 new units sold. Kraków ranked third, with a difference of 592 units compared to Wrocław. A total of 6253 apartments and detached houses were sold in Gdańsk over the period under study. Sales figures for Poznań and Łódź amounted to less than 29% and a little more than 22% of that for Warsaw, respectively.

The differences in the number of new units placed on the market and the number of new units sold on the primary market seem to contribute to the general oversupply of new units, with the sales offer poorly adjusted to local requirements (a delayed response) for all the studied municipalities. Poznań is the most notable example of the marked delay between the placement of new units and the effective sales. In general, over the studied period, sales figures for Wrocław, Kraków and Warszawa were in excess of those representing the number of new units placed on offer. In the last few months of the analysed period, Łódź placed more units on the primary market in apartments and detached houses than dictated by the sales trends; a similar scenario was also observed for Gdańsk in the early months of the analysed period.

Over the studied period, all six markets displayed a discernible growing trend, both in prices and demand, which was – in principle – contrary to the traditional rules of market play. This scenario was also evidenced by changes in the secondary real estate market as well as forecasts. Similar conclusions can be gathered from real estate agents. The Index of Real Estate Agent Sentiments (INPON) for the second quarter of 2021 was at 62.75 % for all segments examined, suggesting a general sentiment of the market improvement and development, with the associated prognoses of further price increases in the next quarter (Internet 4).

For the third quarter of 2021 the INPON index displayed a slight drop down to 61.3%, mostly as a result of general socio-economic trends and conditions typical for this time of year. This provides further evidence to confirm the forecast of continued and fluctuating increase in prices and in the demand for apartments and housing units on the primary market, at least in large cities.

4. Conclusion

This paper presents an overview of the current trends in the primary market of apartments and housing units under the specific conditions of the global pandemic. The deliberations were carried out on the basis of analytical examinations of trends

in the primary real estate market (focused on the segment of apartments and detached housing units). The study of the research question provided evidence of fluctuations and variances on the primary market in Poland's six largest cities between October 2020 and September 2021, expressed in prices, accessibility of new units as well as their supply and sales. In the observed periods, real estate market of the city centers showed a surplus of demand, its incompatibility in time to the needs, or time delays. There were also increases of prices on the primary market in apartments and houses segment in the city centres. These effects were produced or stimulated by a number of determinants, including: changes in customer preferences, the lockdown and social distance restrictions, online work, increased risk of certain operations and segments, rise in unemployment, and previous commitments such as permits, schedules, etc. (Internet 5). Another important group of determinants to strongly affect the studied market were those associated with global disruptions of supply chains, problems with resource supply, and shortage of manpower partly caused by movement restrictions (for instance, the flow of seasonal workers from Ukraine was largely reduced by border restrictions and formal requirements related to the pandemic (Narodowy Bank Polski, 2021)). These determinants were accompanied by the growing inflation trend (at the end of the observed periods), further stimulating the general interest in the market on the part of investors. The sum of the above factors and conditions served to augment the uncertainty and volatility of the real estate market over the studied period. The above determinants were also in effect for the primary market in apartments and housing units. Consequently, the average price per square metre of residential space in Poland's six largest cities followed a rising trend, and was accompanied by a rise in demand for new units (with a parallel reduction in the number of available units and new units placed on the market). This led to a disruption of the pre-pandemic market equilibrium (Heritage Real Estate Think Tank, 2021). The demand side of the equation was also strongly affected by the sentiment of uncertainty and fear of further pandemic developments, one of the most prominent being that of the imminent collapse of the housing bubble (and the futility of forecasting its tipping point). The positive sentiments expressed by real estate agents for the next few months, supplemented by analytical examinations of trends on the primary market in apartments and housing units provide no tangible argument for forecasting the long-term character of the present trend in this segment of the real estate market. However, the long-term benefits offered by real estate investments are still a potent argument for consideration, and seem adequate enough to alleviate any fluctuations that may ensue.

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