



” Maintenance costs and the structure of the single-family houses market in Poland.

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AMRON CENTRE ANALYSIS

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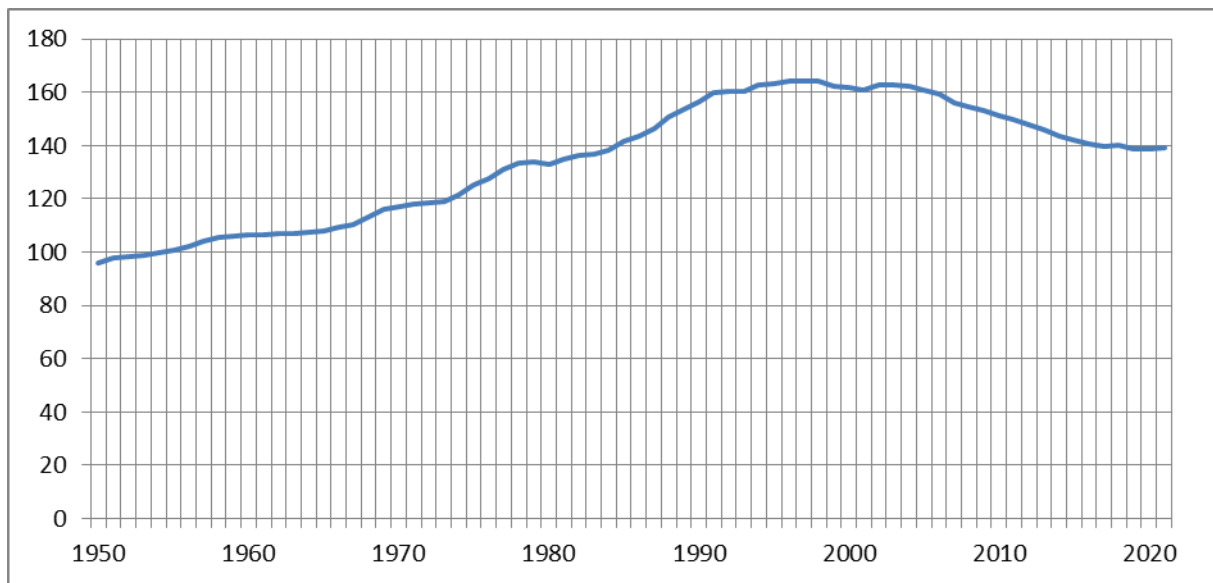


Year 2022 is another period of dynamic increases in home maintenance costs. According to data from the Central Statistical Office in July this year, these costs were higher than in the corresponding period of 2021 by an average of 25.3%. The fastest increases were in gas and fuel costs - by 44.9% and as much as 131.2%, respectively. There are approximately 5.5 million single-family buildings in Poland, inhabited by more than half of our country's population. Despite the considerable activity of individual investors observed in recent years, most of them are still buildings that do not meet current functional and technical requirements, including in particular those relating to thermal insulation. Many of them are not insulated at all, heated by heat sources with low efficiency and high emissions at the same time. The mismatch of the size or functional layout of the building to actual needs of people living in it also turns out to be a problem, especially in context of bearing maintaining and heating costs. This mainly applies to located in rural areas single-family houses, built in the 1980s and 1990s, which were supposed to accommodate two or sometimes even three generations of families. Thus, despite the fact that Poland still ranks fifth from the bottom in Europe in terms of percentage of people living in overcrowded apartments, many houses, requiring significant heating expenditure are at the same time at least partially unused. Also, a large number of houses built after year 2000 leave much to be desired in terms of energy efficiency.

The applicable regulations force designers and investors to meet higher and higher standards in terms of energy efficiency of buildings. It seems however, that in this case an equally important factor is the awareness of individual investors who are more and more rational in their approach to building a house. This applies not only to the choice of construction technology of the building or the method of its heating, but also to a change in the approach to its functionality and aesthetics. This change can be seen in catalogs of houses projects. Complex shapes of buildings with equally complex, multi-slope roofs, increasing the area of external surfaces and thus energy losses are less and less popular. Instead, buildings with simple shapes and solutions aimed at saving energy, such as foundation slabs or energy recovery devices, are steadily gaining in popularity. Importantly, the house does not have to be huge anymore. According to AMRON Centre data, the average usable floor area of houses built by both individual investors and developers has been systematically declining since the turn of the century. Chart 1 shows how the average floor area of single-family houses built in Poland has changed over the last 70 years.



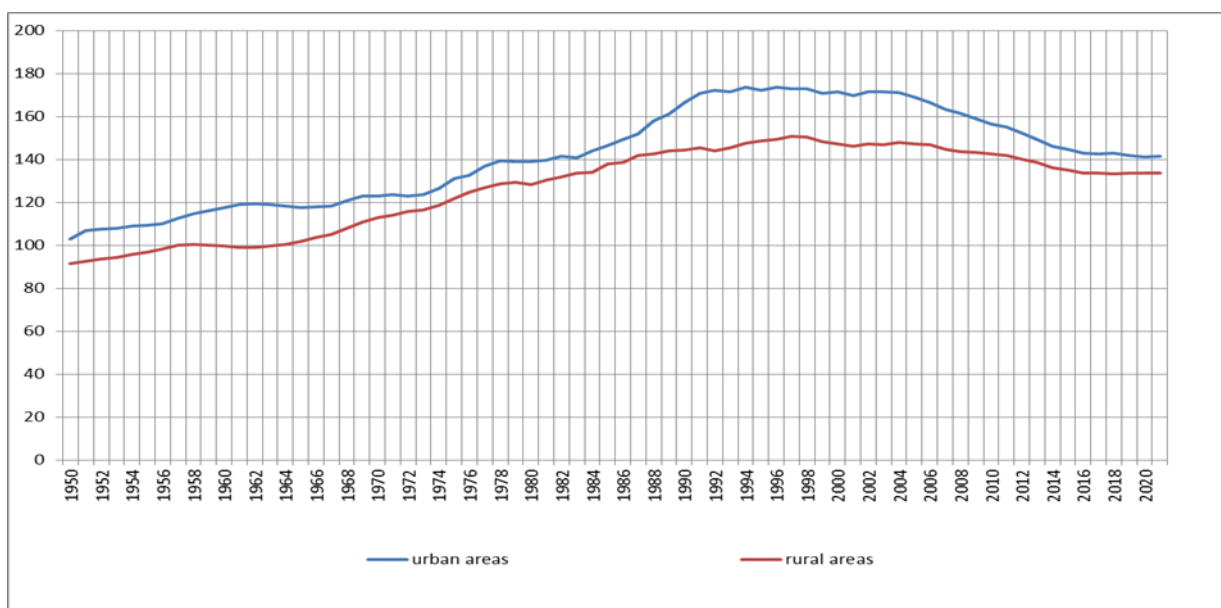
CHART 1. AVERAGE FLOOR AREA OF COMPLETED SINGLE-FAMILY HOUSES



Source: AMRON

From the 1950s until the second half of the 1990s, we had a steady upward trend in the average usable area of a house in Poland. The size of 100 square meters was exceeded already in 1955, and the maximum average area of the house was recorded in 1997. It was on average 164.12 square meters. Interestingly, the area of houses built in urban areas throughout this period was significantly higher than those located in rural areas. In case of urban areas, the maximum floor area was recorded in 1996 and amounted to 173.75 square meters, while in case of houses built in rural areas, the maximum average usable area was recorded in 1997 and amounted to 150.76 square meters.

CHART 2. AVERAGE FLOOR AREA OF COMPLETED SINGLE-FAMILY HOUSES (URBAN AND RURAL AREAS)



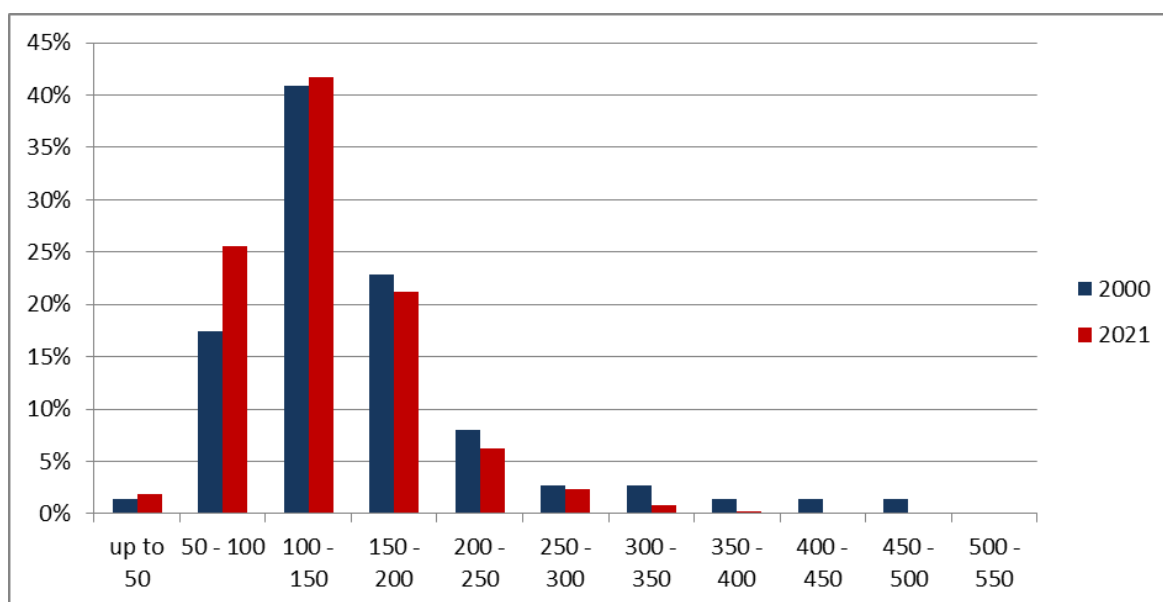
Source: AMRON



The increase in the floor area of houses in this period was related not only to increasing level of wealth of the society, but also to the limited possibility of meeting housing needs in a way other than building a house that could accommodate even several generations. Social and economic changes that have taken place in Poland since the beginning of the century, including changes in the real estate market, dynamic growth of the real estate development sector, increase in the availability of mortgages and housing have caused a decisive change in investment and purchase decisions of Poles and a reversal of the trend. Consequently, the average floor area of a house built in 2021 was 139.12 sqm, which was more than 15% lower than that recorded in 1997. As before, larger houses continue to be built in cities or their immediate vicinity. For urban areas, the average area of houses was 141.76 square meters, and as for rural areas it was 133.53 square meters, which is 18.5% and 11.4% less than the end of the 1990s, respectively.

The data on the turnover structure shows that the trends seen in the activities of individual investors also apply to the preferences of home buyers. The average usable area of the house for sale in 2021 was 139.34 square meters and was over 35 square meters lower than in 2000. A comparison of the market structure in terms of the size of usable area indicates a significant increase in popularity of houses with an area of up to 100 square meters. Their market share in 2000 was 18.8%, while in 2021 it was already 27.4%. There has also been a slight increase in the market share of the most popular houses, with a usable area of 100 to 150 square meters. In 2021, they accounted for 41.7% of transactions concluded on the market, by 0.8 pp. more than in 2000. The share of all other house size categories was significantly lower than in 2000.

CHART 3. SINGLE-FAMILY HOUSES MARKET STRUCTURE IN POLAND IN TERMS OF USABLE FLOOR AREA 2000 - 2021



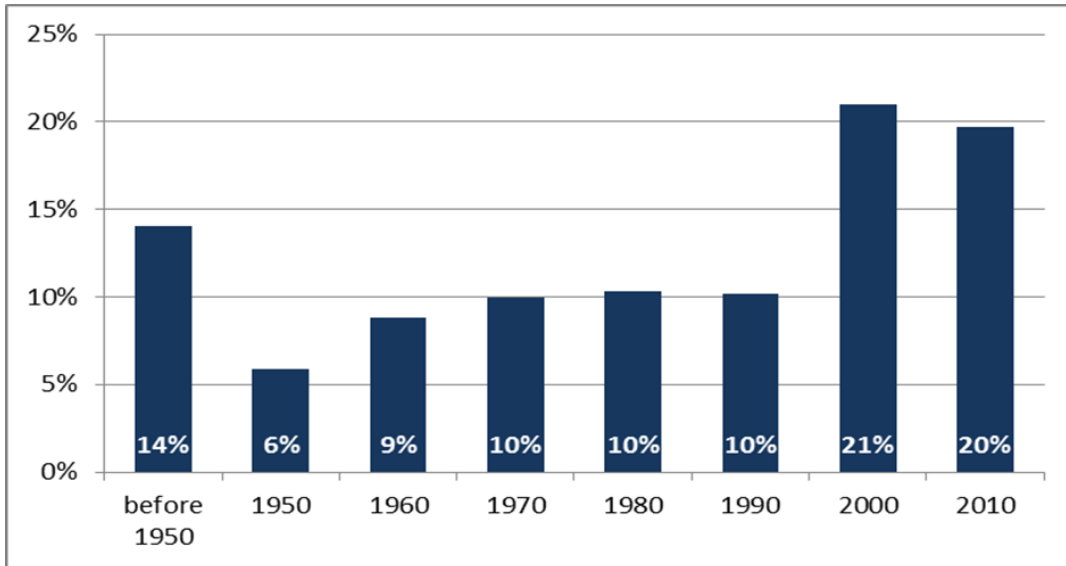
Source: AMRON

The structure of the single-family houses market in terms of building age shows that the majority of houses sold are still buildings from the old stock, i.e. dating from before 2000. Buildings that may meet today's functional standards accounted for about 40-41% of the properties sold. Given



the quality of older buildings however, it must be assumed that a significant portion of them are purchased either with the intention of demolition or of recreational use.

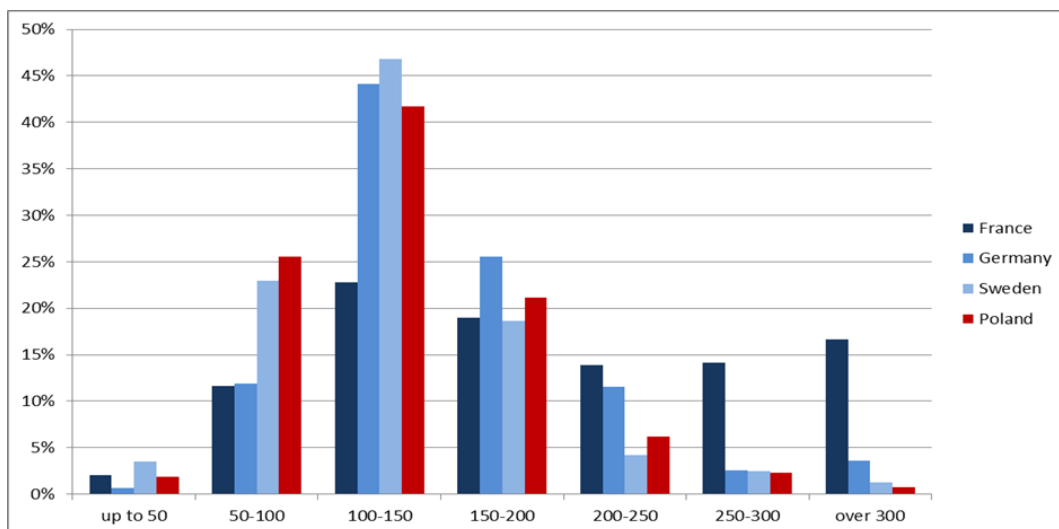
CHART 4. SINGLE-FAMILY HOUSES MARKET STRUCTURE IN POLAND IN TERMS OF THE AGE OF THE HOUSE IN 2021



Source: AMRON

A comparison of the Polish market of single-family houses with the markets of other European countries shows a convergence of the supply structure in terms of house size with the markets of northern European countries (Sweden, the Netherlands). Slightly different is the structure of the market in Germany, where by far the larger houses - from 150 to 300 square meters - have definitely greater share. For obvious reasons, the markets of France or southern European countries are also quite different, with a characteristic large segment of houses exceeding 300 square meters.

CHART 5. CHART 4. SINGLE-FAMILY HOUSES MARKET STRUCTURE IN POLAND IN TERMS OF THE AGE OF THE HOUSE IN 2021



Source: Own study/AMRON



Despite this convergence, which may theoretically indicate a certain maturity of the market and its participants, it cannot be assumed that the pace of change in the single-family home market will slow down. In view of the current and expected social and economic changes in the market environment, it seems more likely that they will even accelerate, both in terms of house size and quality. Rising energy costs will certainly cause the heating bill to be an even more important argument for taking the decision to purchase a single-family house.



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