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Directions of development of the real estate market in the context of demographic changes in Poland

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ABSTRACT

The demographic situation in comparison with the current housing situation is critical for the assessment of housing needs and, therefore, the housing demand. It is required to adopt the following elements of the demographic situation, which are of significant importance for the housing market: population and its age structure, vital statistics, the number and structure of households, the size of working-age population creating households, the scale and directions of internal and foreign migration, as well as the scale of urbanization. Over the last few dozens of years in all these phenomena far-reaching changes occurred, strongly affecting the scale of housing needs and the strength of social pressure on the housing sphere.

Keywords: demographics, population aging, housing market, silver economy

1. INTRODUCTION

The evolution currently underway in the area of demographics in Poland and other European countries constitutes an overground problem for those states. It is also a challenge for the entire economy, which has to adapt to the changing conditions, in particular the change in the age structure of the population. One of the elements of the economy is the real estate

market, whose functioning is directly linked to the demographic situation in the environment in which it is located. Proper adjustment of supply to demand is crucial for this market. The issue of proper forecasting of demographics and thus the demand of housing has always been an inseparable part of the real estate market, however never before has it encountered such a scale of demographic changes, in particular the scale of the phenomenon of an aging population (in European countries and in Poland).

At present, a number of initiatives is being undertaken, projects on the part of state institutions and other public organizations that recognize the hazards that might result from the changing demographic situation. Attempts to adapt to new conditions, based on the changing structure and needs of the population are taken also by the real estate market. The article is to analyze the real estate market conditions, the changing demographic situation in Poland, with particular regard to senior housing market. The study analyzes current ideas on the adjustment of the housing market to the needs of the growing group of older people. The analysis was based on quantitative data from the Central Statistical Office reports or current market information (scientific articles, press releases).

The fact confirming the topicality of the subject matter is that it is being dealt with by the whole of Europe. Specific initiatives undertaken in 2012, which was proclaimed by the European Year of Active Ageing and Intergenerational Solidarity and the Year of Universities of the Third Age. Also, the European Housing Forum held this year addressed in a special way the subject of "Active aging and solidarity between generations - the role of housing"¹.

2. THE REAL ESTATE MARKET – MEANING TO THE PUBLIC

The development of the real estate market is dependent on a number of closely related factors. These include, above all, economic, legal, financial, institutional, political, and, finally, demographic conditions. These factors cause that the real estate market is subject to constant changes².

The relationship between the real estate market and its surroundings has the nature of feedbacks. Environment can either favor the development of this market or inhibit it. It is worth noting, in the context of this study, the social environment of the real estate market, especially in relation to apartments available in this market. Apartments are often the most valuable part of the overall market, however without the public this market cannot function.

This is due to basic human needs underlying the pyramid of human needs by Maslow³. Real estate is important not only for individual users, but for the entire socio-economic space, hence the large state role in the development of appropriate regulations to ensure safety of their application⁴.

¹ A. Walker, T. Maltby, *Active ageing: A strategic policy solution to demographic ageing in the European Union*, International Journal of Social Welfare, 21(s1), 2012, pp. 117-125.

² E. Gołąbeska, *Efektywność inwestowania na rynku nieruchomości przy uwzględnieniu ryzyka*, Studia i Prace Kolegium Zarządzania i Finansów 2011/110, p. 9, <http://kolegia.sgh.waw.pl/pl/KZiF/publikacje/Zeszyty%20Naukowe%20KZiF/Documents/Studia%20z.110%20druk.pdf>, [20.05.2015].

³ M. Bryx, *Rynek nieruchomości. System i funkcjonowanie*, Poltext, Warszawa 2007, pp. 90-92.

⁴ Op. cit., p. 42.

3. DEMOGRAPHIC CHANGES AND SENIOR SILVER ECONOMY IN POLAND

Changes in the age structure of the population of Poland stems from three basic elements: a low birth rate caused by low fertility, lengthening of life expectancy and a significant number of emigration of people in the working age abroad. At the same time there is a noticeable trend throughout the European society showing an increase in the population over the age of 65 years and an increase in the population over 80 years of age. Demographic projections in the perspective of the end of the twenty-first century indicate that a significant increase in the number of older and very old people will fundamentally change the societies of European countries⁵. Population aging is a global phenomenon that will continue to affect all regions of the world. By 2050 there will be the same number of old as young in the world. There will be 2 billion people aged 60 or over and another 2 billion under age 15, each group accounting for 21% of the world's population⁶.

The growing number of people in a more advanced age increases the need to adapt housing and other spheres accordingly. In reference to the market demand for the changing demographic situation the term of senior "silver" economy has been coined ("silver economy"). According to S. Golinowska it should be understood as the use of the potential of senior citizens by offering this group of consumers goods and services to facilitate their daily functioning, as well as rehabilitation, recreation and culture. Thus, this market is to respond to the needs of individuals from this age group but also to increase employment and generate income in the total economy⁷. The silver economy can be also defined (European Commission, 2015) as "...the existing and emerging economic opportunities associated with the growing public and consumer expenditure related to population ageing and the specific needs of the population over 50."⁸

The concept of silver economy is oriented on the needs and demand among the elderly population and its characteristics, the use of which would contribute to their greater self-reliance and activation. The concept of such a development-oriented age group of seniors emerges from Japan. Silver economy or silver market are also referred to as senior economy. It was found that an increase in the activity and integration of the elderly favors a more efficient satisfaction of their needs, thereby helping to improve their quality of life and impacting positively on the entirety of the society⁹. Silver economy affects in particular the labor market, social insurance system, health system and fiscal policy. It can be a stimulus for the development of a new offer of goods and services oriented on the needs of seniors. The growing number of older persons is an opportunity for developing new solutions, products and services¹⁰. Fast-growing market for consumers in the elderly will create big changes in

⁵ A. Niewiadomska, E. Sobolewska-Poniedziałek, *Srebrna gospodarka – nowy paradygmat rozwoju starzejącej się Europy*, [in:], D. Pitulec (ed.), *Ekonomia XXI Wieku*, 3 (7), Wydawnictwo Uniwersytetu Ekonomicznego we Wrocławiu, Wrocław 2015, pp. 71-72.

⁶ S. Harper, *Economic and social implications of aging societies*, *Science*, 346(6209), 2014, 587-591.

⁷ W. Brzeski, K. Kirejczyk, E. Kozłowski, *Perspektywy rozwoju budownictwa senioralnego w Polsce. Obecne i przyszłe problemy związane z zapewnieniem lepszych mieszkań dla polskich seniorów*, *Reas* 2014, p. 7.

⁸ European Commission, *Growing the Silver Economy*, Background paper, 2015, p. 7.

⁹ S. Golinowska, *Srebrna gospodarka i miejsce w niej sektora zdrowotnego. Koncepcja i regionalne przykłady zastosowania*, [w:] C. Włodarczyk (red.), *Zdrowie Publiczne i Zarządzanie*, 1/2011, Wydawnictwo Uniwersytetu Jagiellońskiego, Kraków 2011, pp. 76-85.

¹⁰ C. Usui, *Japan's population aging and silver industries*, [in:] *The Silver Market Phenomenon*, Springer Berlin Heidelberg, 2011, pp. 325-327.

the whole consumer market. It is expected that the future market share in the economy will increase significantly. Also in this regard, the entire industry consumer market must adapt to the new structure of the population. This type of economy is of interest to state institutions and non-governmental sector. The development of the silver economy is affected by the following areas: ensuring the longest professional activity, ensuring the longest independence, seniors' time management, attention to health, ensuring the integration and delivery of financial services that are "age-sensitive"¹¹. A significant impact on changes in the economy will be surely new technologies (to the goods) and services oriented to the older generation with limited movement skills. These are mostly related products and services with modifications housing, transportation and any related health care. There are two groups of household expenditures which are opportunities for the private sector: functional expenditures (expenditure on food, housing including water, electricity, gas and other fuels, transport and health) and expenses related to lifestyle (spending on furnishing including household equipment maintenance, clothing, recreation and culture, restaurant and hotels)¹².

The age at which a person is considered a senior is quite subjective: however, generally it is set at 60 years. Given those that are over 60 years of age and their housing needs, this age group can be further divided into three groups. People aged 60-69 years are the early seniors. At this age, most often they would take the housing decisions for the autumn of life, while many of them are still professionally active. Another group consists of "mature seniors" aged 70-79 with visibly reduced physical fitness due to advanced age. These people need an increased assistance in household tasks and appropriate adaptation of their living conditions to the new needs. The oldest seniors (the group aged 80 years and over) need daily assistance due to their health status and require adequate adaptation of housing conditions to their senior age¹³ According to the OECD, the development of the silver economy sector can positively affect the growth of activity and employment in the housing sector discussed in this paper, as well as the sectors of construction and tourism¹⁴.

This segment is of great interest to numerous organizations. An interesting document, the so-called Bonn Declaration, was adopted by the European Union. It adopted such elements of the policy on the senior management as the promotion of growth of activity in this age group and support for the model of life-long learning. Moreover, specific assumptions have been specified as to how to adapt particular economies to the changing perspective of the demographic situation. An example can be an increase in support for producing and providing goods and services that are of importance for further development of the economy, with particular emphasis on the needs of the growing age group of older people¹⁵. The changes in the age structure of the population can therefore be used in a positive way in the domestic economy through the application of the concept of silver economy¹⁶.

Changes in the age structure of populations have unavoidable effects on the economy. Experience has shown that changes in the age structure of the population can affect production substantially. The segments of goods and services targeting the elderly are going

¹¹ K. Zimnoch, *Starzenie się i srebrna gospodarka w uwarunkowaniach rozwojowych Podlasia*, Optimum. Studia Ekonomiczne, 4 (64), Wydawnictwo Uniwersytetu w Białymstoku, Białystok 2013, p. 29.

¹² I. Pauhofova, G. Dovalova, *Potential of silver economy in the European Union* (selected views), European Scientific Journal, 2015, pp. 197, 201.

¹³ W. Brzeski, K. Kirejczyk, E. Kozłowski, op. cit., p. 14.

¹⁴ K. Zimnoch, *Starzenie się i srebrna gospodarka w uwarunkowaniach rozwojowych Podlasia*, p. 29.

¹⁵ Op. cit., p. 30.

¹⁶ A. Niewiadomska, E. Sobolewska-Poniedziałek, op., cit., p. 67.

to grow purely because of the increase in the proportion of the elderly in the overall population. Astute reaction to this change, followed by changes in the production and provision of goods and services, could bring a competitive advantage not only within Europe but other markets¹⁷. According to the authors dealing with this issue (Bloom and Canning, 2008) population growth and age structure may be linked to economic growth and prosperity, which confirms the importance of paying special attention to these processes¹⁸.

There are more and more studies pointing to the opportunities presented by changes of the demographic situation in Europe, mainly of demographic change in the form of an aging population. There was analyzed the identification and exploitation of opportunities in the silver economy (market – the market drive the elderly)¹⁹. However, we should not forget about the negative consequences of an aging population for the economy, as the large scale of this phenomenon may contribute to a decline in the degree of economic development. The process of population aging is seen mainly in the context of the problems posed to the economy and public finances. It is needed to also point to the emerging problems of pension systems, the healthcare system issues, and, further, the growth of state expenditures and labor market problems. These issues were discussed in another article of the author²⁰.

4. SENIOR HOUSING IN POLAND

The sales of goods and services is aimed at different segments of buyers. In the context of providing goods and services to different age groups of consumers it is necessary to point out three major planes, within which companies implement innovative solutions. The first is the sale of products and services aimed at the elderly and the development of this segment – called ‘unique solutions’. Another consists in an appropriate adaptation of products and services that are already offered for the needs of the elderly – the so-called ‘extended solutions’. The last one is targeted to all age groups who use the products and services proof to age – called ‘universal solutions’²¹. Also, the housing market has to adapt itself and its offer to the changing demographic conditions, in a more or less innovative way, responding primarily to the reported demand.

Unfavourable demographic changes can be used by some sectors as a field for development and profit. Any changes can be a stimulus that initiates the formation of new, innovative and improved products or services, which, on the one hand, are profitable to their producers, and, on the other hand, could be extremely useful for their recipients. The fact is that the prolonged life expectancy of people to a scale hitherto unprecedented often requires adjustment of objects of everyday life with regard to people with significantly reduced efficiency. The real estate market in Poland also opens itself up to precisely such needs.

¹⁷ M. Štefánik, T. Domonkos, P. Horvát, V. Hvozdková, I. Lichner, T. Miklošovič, M. Radvanský, *Modelling The Economic Potential of The Silver Economy*, Neujobs Working Paper No. D 12.3, 2013, p. 59.

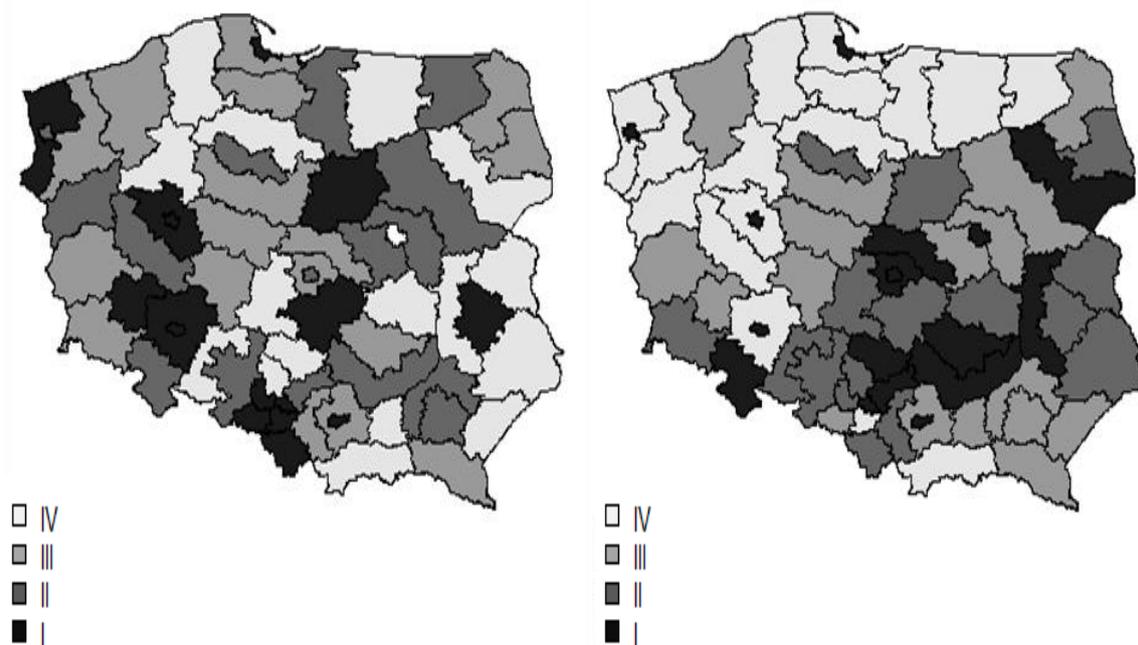
¹⁸ D. E. Bloom, D. Canning, *Global demographic change: dimensions and economic significance*, Population and Development Review, 34(S), 2008, pp. 20-50.

¹⁹ F. Kohlbacher, C. Herstatt, N. Levsen, *Golden opportunities for silver innovation: How demographic changes give rise to entrepreneurial opportunities to meet the needs of older people*, Technovation, 39, 2015, 73-82.

²⁰ M. Klusek, *Wpływ przemian demograficznych na rozwój współczesnej gospodarki na przykładzie Polski*, [in:] A. Kraińska (sc. ed.), *Rynek nieruchomości, pracy i finansowy – kierunki rozwoju*, Fundacja Hutena, Elbląg 2016.

²¹ A. Niewiadomska, E. Sobolewska-Poniedziałek, op., cit., p. 79.

Figure 1. Investment expenditures (left) and the coefficient of demographic burden (right) in 2012 in Poland by NUTS-3



Source: Own study based on: Główny Urząd Statystyczny, www.bdl.pl, [20.02.2016].

Figure 1 presents a summary of Polish subregions (according to the NUTS-3) investment in enterprises 1 inhabitant and the distribution of the coefficient of demographic burden, defined as the ratio of the number of people of retirement age per 100 people of working age. In order to isolate groups of similar sub-regions in terms of the variables analyzed using the following positional measure criterion:

I group (very high): $z_i > Me + Q$, (the darkest color)

II group (high level): $Me < z_i \leq Me + Q$,

III group (average level): $Me - Q < z_i \leq Me$,

IV group (low level): $z_i \leq Me - Q$ (the brightest color),

where: z_i , Me , Q mean analyzed variable, median and quartile deviation.

The map contained in Figure 1 shows that the highest investment expenditures are incurred within the largest cities in Poland. The smallest expenditures are incurred in the subregions furthest away from the big cities and in a large part on the eastern wall of the country. The eastern part of Poland is also characterized by a high level of demographic dependency ratio. Therefore it is found that in the eastern part of Poland it is required to take an action to increase the value and volume of investment. Given the overlap of this area onto an area with a high rate of demographic dependency, the investments aimed at this social group and those

within the silver economy seem to be particularly useful there. A huge demand also exists in large, aging cities.

5. CURRENT PROSPECTS FOR SENIOR HOUSING IN POLAND

Apartment for every human being is a basic point of reference. For the elderly, it is particularly important. At this age the aspects related to the quality of housing that meet the basic utility needs of this age group are becoming increasingly important. Quality is also associated with the location of the apartment, proximity to public transport, hospitals, the character of the neighborhood and neighborly bonds.

One of the latest ideas for the real estate market is to build housing within senior centers. Investors and initiator companies argue that Polish seniors would be able to afford living in this type of centers (assuming an average amount of pensions and the possibility to rent an own apartment, or recapitalization by the family). In Western Europe a model elderly person, who remains under the care of a specialized center for seniors is "natural", however it is completely different from the Polish culture and tradition of providing support for the elderly by their families. An analysis of one of the researches on the solutions considered in the case of a sudden need to ensure care for a close person. The most frequent answer was that at first the family would look for a nurse to help take care of such a person in the place of residence, or engage other family members. It was only the third variant where the respondents pointed at a care center. This confirms the position of the Poles in this case, the one that is socially less controversial²². According to the index of the United Nations – Global Age Watch Index – among 91 countries Poland was classified for the 62nd place in terms of the housing conditions of Polish seniors²³. This may prove the insufficiency in the Polish adaptation of housing to the needs of this age group. Certainly, the inhabitation of a specialized center, targeted exclusively to the needs of a specific group of people, including the wide availability of specialized medical services is indisputable, which creates a huge area for development for the residential market.

According to a study by Eurostat conducted in 2009, Poland is one of the countries that allocate minimum funds to long-term care of dependent persons, which amounts to less than 0.5% of GDP. At the same time a growing number of people in the oldest age group produces a deficit of places in long-term care facilities. This is an additional argument for the real estate market, and specifically the housing market, to invest in this industry.

In connection with the growth in the rate of the elderly and single people, housing targeted to such customers is also developing, which offers small area flats characterized by low fixed costs. In their target plans developers building new homes more and more often take the new demand into account. It can be stated that for developers the elderly with a fixed monthly income from pensions constitute an interesting investor. The tendencies to build this type of housing forms a noticeable socio-demographic substrate (in addition to an increasing

²² Krajowy Instytut Gospodarki Senioralnej, *Ośrodki opieki długoterminowej w świadomości Polaków – opinie i wyzwania*, Raport Medisystem, Warszawa 2015, http://kigs.org.pl/wp-content/uploads/2014/08/medisystem-RAPORT_11.02.2015_newsletter.pdf, [10.05.2016].

²³ G. Błaszczak, *Firmy chcą budować dla seniorów*, Rzeczpospolita, 24.07.2015, <http://www4.rp.pl/Ekonomia/307249889-Firmy-chca-budowac-dla-seniorow.html>, [11.04.2016].

the number of older persons it also involves the disintegration of multi-generational families and starting a family at an older age than in the previously times). It consists in building of nursing homes, homes for pensioners and social welfare homes. It is also building of groups of small apartments that provide for centers of economic and social-cultural services.

Another form of housing market adjustment to the new needs resulting from the demographic transition consists in independent apartments, tailored to individual needs, resulting precisely from a poor health condition or an advanced age. These homes can also be equipped with adequate sanitary engineering facilities. Such a housing, due to its specific character is referred to as special housing. It is of a great significance for government-led social policies, complementing the basic single- and multi-family housing²⁴.

In its housing policy Western European countries must take into account the housing needs of pensioners. New housing must be adapted to the functionality of each room and provide appropriate communication routes in their area. Adaptations of the existing housing should be done in a dynamic way according to the dynamics of demographic changes. A growing social group in Poland (along with the increasing number of elderly people) are the disabled, for whom there is a need to adapt the even the stairs or the width of doors. The state government, as a creator of the housing policy in terms of households, should refer these need not only to the quantitative aspect of the housing market, but now also especially to the needs of quality²⁵.

By noting this demand, Polish cities take into account in their housing plans the increasing needs of the growing number of older people. The latest examples are the city of Poznan and Wroclaw.

The newly provided apartments in Wroclaw on the outskirts of Nowe Żerniki are to be a place of social integration. In addition to the need of providing access to kindergartens, this place will also house a senior or community center. New architectural solutions are to serve the residents and meet the changing age structure of the population. The City of Poznan in its housing plans has taken into account the housing needs of older people by allocating to them up to 15% of the new units. Moreover, ideas of creating the so-called sheltered housing for seniors emerge, which will be more favorable in financial terms for the town than providing places in nursing homes. To this end, developers have signed contracts with local governments in the field of investment cooperation²⁶.

6. CONCLUSIONS

The real estate market is constantly forced to grapple with the problems of forecasting the phenomena concerned with its environment in such a way as to be able to assess the market demand and comply with it. Its special feature is the housing market. Housing is in fact very sensitive to any changes in demand from the buyers. Currently, the importance has been gained by the demand of specific age groups. One of such specific age groups are people at the retirement age, for whom a new market segment is developing a new market segment, i.e. the so-called silver economy, oriented on the needs of older people. Housing needs in this market constitute one of the most valuable of its elements. The aging of the Polish society

²⁴ Z. Bukowski, *Zarządzanie nieruchomościami*, Wolter Kluwer, Warszawa 2013, p. 29.

²⁵ Op. cit., p. 44.

²⁶ <http://www.ryneksejora.pl/inwestycje>, [28.05.2016].

creates new ideas related to the construction and adaptation in terms of the quality and utility of housing.

The ideas presented in this paper concerned with the real estate sector and public institutions, or mutually supportive ones, confirm the growing interest in the shown problems of demographic changes in the country. The growing needs and changes in housing preferences are conducive to the appearance of more and more new ideas from developers and interesting investment projects. Certainly, it is required to continue to track the changes in the demographic structure in Poland, so that the market can respond in advance to the emerging new needs of the society.

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