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THE BENEFITS OF SCALE

The number of huge residential projects comprising even several thousand apartments when fully developed is on the rise in Poland. Schemes of this kind are now better thought-out than in the past

BY ADAM ZDRÓDOWSKI

Warsaw Stock Exchange-listed developer Ronson Development has recently launched sales in its planned Ursus Centralny residential project in the Polish capital. The development will comprise approximately 1,600 apartments and will be the biggest scheme in the company's history. The developer is marketing the scheme as a self-sufficient estate exemplifying the concept of "a city within a city." Besides housing units, Ursus Centralny is also to include numerous commercial units, recreational space and a school complex.

Ronson Development's latest investment is just one of a constantly increasing number of ongoing housing projects that will by themselves create new residential neighborhoods and which will accommodate populations comparable with those of many Polish towns. According to REAS/JLL Residential Advisory, there are now a total of around 25-30



Buyers like huge residential projects, because of the broad range of apartments on offer

projects under construction in Poland's six largest housing markets which will – after completion – consist of 2,000 or more apartments (which translates into around 5,000 inhabitants).

The company's data shows that the most such schemes (five) were started in 2007. Soon after the outbreak of the global financial crisis, just one or two such developments were launched annually, while in recent years the number has increased and stands at between two and four. Kazimierz Kirejczyk, vice president of the management board at JLL Poland, noted that the growth of the country's residential market is one of the reasons for the rising number of large-scale housing investments.

Over the last six years, the number of new apartments built by developers annually has doubled, Kirejczyk noted. He expects more multi-phase projects to be started in the near future as big listed developers try to keep their turnover volumes at

steady levels. Those companies will continue to look for large residential sites. Additionally, several huge residential schemes could be developed within the government's Mieszkanie Plus program. Such developments have already been announced in cities such as Warsaw and Kraków.

LOWER COSTS

There are several factors that make large-scale housing investments popular with developers. For one thing, their size means that the cost of building one apartment is often relatively lower than in smaller projects, Kirejczyk said. This is because the price of one sqm of a large site is lower than the price of one sqm of a smaller plot of land. Also, design and marketing costs – which a developer needs to bear anyway – are lower when they can be spread between a larger number of units.

In a similar vein, the cost of providing additional infrastructure – for example a local road – may get smaller as the scale of a project grows, although small infill schemes usually require less new infrastructure. Large developments offer more flexibility when it comes to tailoring the supply of units to the current demand. Admittedly, developers planning multi-phase residential investments often face a number of major challenges, including the process of obtaining administrative permits.

The process is often lengthy in a situation when many parts of large Polish cities are not covered by zoning plans. Also, cooperation with local authorities on the delivery of roads and public transport infrastructure, as well as schools and kindergartens, tends to be difficult. The acquisition of a site for a development of this scale is usually not easy. The availability of such sites in big cities – especially in attractive locations that are popular with apartment buyers – is now limited, pointed out Wojciech Marzec, an analyst at redNet Property Group.

Some of the available sites require additional work. Oscar Kazanelson, supervisory board president at Robyg, said that the developer needed to revitalize a post-industrial area in Warsaw's Ursus district where it has two projects comprising a total of over 3,000 apartments. Nevertheless, he stressed that the creation of entire neighborhoods is part of the company's philosophy. Robyg's portfolio includes several large investments, such as Modern City and Young City in Warsaw's Bemowo district (almost 2,000 and over 1,700 units respectively).

25-30

the estimated number of ongoing residential projects in Poland's six largest housing markets, which will comprise 2,000 or more apartments at full build-out

Source: REAS/JLL Residential Advisory

COMPLEMENTARY FUNCTIONS

Crucially, buyers like huge residential projects, because of the broad range of apartments on offer. Kazanelson noted that big multi-phase schemes allow the developer to offer units in several types of buildings and to appeal to more potential clients. Besides, such developments always accommodate numerous commercial units, thus providing their inhabitants with easy access to basic services and amenities – including grocery stores, bakeries, cafés and pharmacies – that directly influence the comfort of one's daily life.

A report published by JLL last October put the number of commercial units in the Miasteczko Wilanów neighborhood in the Wilanów district of Warsaw – one of the biggest new residential areas in the city – at almost 460 and their total space at around 37,000 sqm. This is the equivalent of a medium-sized shopping mall. Miasteczko Wilanów may be a unique case in that it is being developed by a number of developers, but many other large-scale housing investments also include sizable retail areas.

Meanwhile, according to Marzec, this matters, as apartment buyers today are more and more conscious and demanding clients. Developers, too, recognize the need to deliver complementary non-residential functions within big residential projects. "Commercial units undoubtedly add value to and significantly increase the attractiveness of a residential project," argued Katarzyna Kajak, the sales and marketing director at Pro Urba, the developer



of the 19. Dzielnica housing scheme in Warsaw.

Bordering the quickly growing office hub in the Rondo Daszyńskiego area of the Wola district of the city, the development is one of the biggest new residential investments located in the center of the Polish capital. It will comprise over 1,700 apartments at full build-out. Kajak claimed that commercial units in her company's project are popular with both retailers and investors who buy and subsequently lease them to their end users. However, she admitted that such units take longer to commercialize than apartments.

BETTER DESIGNS

By and large, big multi-phase housing schemes are today better designed than one or two decades ago. With their street patterns and blocks, bus or even



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railway stops, some indeed resemble small towns, even if education infrastructure is often missing from the picture. Notably, unlike some controversial developments in the past, such investments are now rarely gated and usually include a significant amount of publicly accessible space. Many of them feature squares and boulevards, fountains, attractive green areas or even small ponds.

Kirejczyk said that thanks to developers' and local authorities' growing experience with regard to the construction of large residential projects, buyers' rising expectations and intense competition in the housing market, the urban planning quality of such schemes has improved. There is still room for improvement, but the final effect – the quality of public space and infrastructure – does not depend on developers only. "Local authorities have a huge role to play here, too," he stressed. ●

