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COVID-19: A Threat or an Opportunity? Financial Results of the Largest Real Estate Development Companies in Poland

Małgorzata Jaworek[1], Magdalena Kuczmarska[2],
Włodzimierz Karaszewski[3]

[1] *Nicolaus Copernicus University in Torun, Poland, ORCID: https://orcid.org/0000-0003-1448-1127, mjaworek@umk.pl*
[2] *Nicolaus Copernicus University in Torun, Poland, ORCID: https://orcid.org/0000-0002-8351-4589, wkaras@umk.pl*
[3] *Nicolaus Copernicus University in Torun, Poland, ORCID: https://orcid.org/0000-0002-7587-5122, mkuczmarska@umk.pl*

ABSTRACT

Purpose – This study assesses the threats induced by the COVID-19 pandemic in the activities of the largest real estate development companies in Poland, as well as the favourable conditions resulting from favourable changes on the demand side.
Design/methodology/approach – The evaluation was based on data characterising the economic performance of real estate development companies (sales revenue, net profit, capital valuation). The survey was conducted using various sources, including cyclical surveys conducted by the National Bank of Poland (the central bank of the Republic of Poland) and Główny Urząd Statystyczny (also known as Statistics Poland), the ranking of the 100 largest real estate developers published by PricewaterhouseCoopers, Builder, Bisnode Polska, the financial statements of the surveyed companies, and EMIS and EquityRT databases.
Findings — Results of the research indicated that the COVID-19 pandemic, which shook the world economy, did not cause serious economic distress in the performance of the largest real estate developers operating in Poland.
Research limitations – Several of the 20 largest real estate developers used in the study did not provide data characterising their economic performance in 2020. Even fewer of them made this information available for 1Q 2021.
Research implications – The obtained results may serve as a basis for assessing the real estate market in Poland, especially the economic condition of the real estate development companies during the COVID-19 pandemic.

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INTRODUCTION

The COVID-19 pandemic is one of the greatest crises in the world economy to date. Its full effects are unknown as it continues to take a tragic toll on the deaths of millions of people, deepening the dichotomy between poverty and wealth, economic collapse, numerous business failures and huge social and educational problems, among others. The global dimension of this pandemic indicates that it has no precedent in world history. Its economic consequences are evident across all countries, including Poland, and may continue in the long run.

For businesses, 2020 began a period of struggling with the impact of the pandemic, including problems in supply and demand, sanitary restrictions and lockdowns, affecting different economic sectors at varying degrees of intensity. Nevertheless, the construction industry in Poland has not been severely affected by the pandemic, unlike other industries, such as hotels, tourism, catering, air transport and passenger transport. Particularly, Polish real estate development companies remain active in the Polish residential market and have managed to maintain an upward wave that has lasted for several years thus far. The growth rate in this market poses questions about its factors and prospects over time. This study assesses the threats induced by the COVID-19 pandemic in the activities of the largest real estate development companies in Poland, as well as the favourable conditions resulting from favourable changes on the demand side.

The paper is organised as follows. The following section provides a brief overview of related literature on the activities of enterprises during the COVID-19 pandemic. Next, the methodology used in the research is presented, followed by a discussion of the research findings. Finally, the general conclusions are provided along with the study limitations and valuable insights into future research.

LITERATURE REVIEW

The COVID-19 pandemic draws an interesting scenario due to its unexpected shocks causing severe changes in global value chains, shifts in supply and demand, and companies' economic performance (Jaworek, Karaszewski & Kuczmarska, 2020, p. 282).

Studies examining the impacts of the COVID-19 pandemic on the performance of companies are still limited (e.g. Golubeva, 2021), particularly in real estate development companies.

The economic downturn has negatively affected many entities, leading to deteriorating financial indicators and often liquidation (Bartic et al., 2020). The negative effects of the pandemic were particularly evident in sales revenues (Kells, 2020; Larcker et al., 2020; Shen et al., 2020) and companies' investments. Starbucks was the first to reveal a drastic drop in sales, leading to the closure of more than half of its shops in China (Larcker et al., 2020).

Despite the negative impact of the pandemic, many companies survived (Obrenovic et al., 2020) and increased their efficiency. Research on the effects of the COVID-19 pandemic on business activities and trading results indicates the high importance of the sector in which entities operate (Bartic et al., 2020; Golubeva, 2021). Many industries have seen significant declines in financial performance: tourism, travel and aviation (Lam et al., 2021, p. 2). In contrast, others have experienced increases, e.g. the medical, gaming industry, EdTech, as well as the CEP industry (courier, express and parcel services).

The COVID-19 pandemic also affected the construction market and related real estate development companies affecting their material supply, labour resources, company liquidity and project delivery (Shinde et al., 2020a, as cited in: Majumder & Biswas, 2021). During the pandemic, many construction contractors face absenteeism of workers in quarantine, unavailability of construction materials and a significant increase in their prices. These factors frequently affected project delays (Fong et al., 2020, as cited in: Majumder & Biswas, 2021). Such problems have also affected companies in Poland. The negative impact on the construction sector and companies' financial performance was particularly evident at the onset of the pandemic. According to a survey conducted by PricewaterhouseCoopers (PwC) in April 2020, construction companies saw the greatest difficulties: decline in demand (71.7% of respondents), payment delays from customers (56.5%) and value chain disruptions (43.5%) (PwC, 2020, p. 15).

Accordingly, the authors of this study aimed to address the following research question: Has the COVID-19 pandemic created a threat or provided an opportunity to Polish real estate development companies, and to what extent?

RESEARCH METHODOLOGY

This study collected data from statistical sources including Statistics Poland, the National Bank of Poland (NBP) and EquityRT and EMIS databases; periodical rankings published by consulting companies, such as PwC, Builder and Bisnode Polska; and financial statements of the largest real estate developers in Poland. The information included (1) the characteristics of residential construction in Poland from 2011 to 2020, (2) transaction prices of residential properties in Poland from 2016 to 2021 and (3) sales revenues, (4) net profits and (5) the price/book value (P/BV) ratios of the largest real estate developers in Poland from 2018 to Q1 2021. The use of various types of data is subject to their availability and provides a broad overview of the analysed subject. The methods used in this study include statistical and economic analysis, comparison, analogies and synthesis and methods for measuring and aggregating data, graphical and tabular methods. As proposed by the authors, the economic parameters presented below are selected based on the findings of the preliminary literature review on the subject, the available statistical data and the authors' research experience.

RESULTS AND DISCUSSION

In 2020, Poland recorded the largest number of flats handed over during the decade 2011-2020. The high level of growth in this area of construction continued. Although the increase in housing completions in 2020 (6.5%) was lower than that in 2019 (12.1%), it reached a level higher than the annual average of the decade 2011–2020 (8.3%). The year 2020 is a record year in terms of flats handed over per 1,000 population, which was 26.1% higher than the average for the period 2011–2020. In 2020, with an increase in the number of residential building permits issued, the number of flats where construction started has decreased compared to the previous year. Nevertheless, this number was significantly higher than the average for the decade presented, though it may signal a decrease in supply in the future (Tab. 1).

The number of flats completed in Q1 2021 was 7.0% higher than that in Q1 2020. Increases in the floor area of flats (12.5%) and the number of rooms (10.8%) were also recorded (Statistics Poland, 2021a, p. 1). The total new non-residential building completions, including office, retail and service and industrial/warehouse buildings, decreased in 2020 compared with that in 2019.

Table 1. Housing construction in Poland 2011-2020

Detailed list	2011	2012	2013	2014	2015
Flats handed over to use	130,954	152,904	145,136	143,166	147,711
Flats handed over to use per 1000 population	3.4	4.0	3.8	3.7	3.8
Number of residential building	85,270	73,122	64,873	65,449	72,293

permits issued					
Flats in which construction has begun	162,200	141,798	127,392	148,122	168,403
Number of new non-residential buildings handed over to use comprising the following:	20,968	22,629	22,031	23,273	23,829
Offices	572	658	593	650	649
Hotels and tourist accommodation	698	1040	1051	1075	1342
Retail and service	3439	3385	3237	3606	3399
Transport and communications	6795	6973	6926	6470	6544
Industrial and storage	3051	3204	3250	3085	3611
Detailed list	2016	2017	2018	2019	2020
Flats handed over to use	163,325	178,342	185,063	207,425	220,831
Flats handed over to use per 1000 population	4.3	4.6	4.8	5.4	5.8
Number of residential building permits issued	80,796	89,888	95,463	101,595	107,590
Flats in which construction has begun	173,932	205,990	221,907	237,281	223,842
Number of new non-residential buildings handed over to use comprising the following:	23,072	23,432	22,917	23,042	22,536
Offices	565	451	520	574	527
Hotels and tourist accommodation	1449	1756	1704	1776	1890
Retail and service	2719	2697	2624	2838	2652
Transport and communications	6489	6265	5411	5069	5222
Industrial and storage	3568	3279	3265	3397	3240

Source: Statistics Poland (2021, tab. 01, 13,14,17, 23; 2016, pp. 104-110, 155; 2015, pp. 104-110, 154; 2014, pp. 107-113, 161; 2013, pp. 106-112, 160; 2012, tab. 2[49], 16[24], 17[25], 18 [26], 19[27]).

Data from the NBP indicate a 14% decline in the primary market of housing contracts in 2020 compared with that in 2019 (NBP, 2021, p. 33). Nevertheless, the housing market remained stable due to a recovery in housing demand in the second half of 2021. In a survey conducted by the NBP in late 2020, real estate developers anticipated a continuous increase in sales in 2021 compared with that in 2020 (NBP, 2021a, p. 33)[1]. Data for Q1

[1] The survey was conducted in November 2020. The developers who participated represented about 28% of the real estate development companies investing in multi-family housing projects in the country. Residential and commercial building companies were also included in the survey. Participants represented approximately 21% of micro, 43% of small, 30% of medium and 6% of large companies in this construction industry. Over 90% of the

2021 confirmed the accuracy of these assessments. Moreover, high activity in the housing market resumed, as confirmed by a significantly higher number of residential construction contracts sold in the largest primary markets than in the previous quarter's volume (NBP, 2021b, p. 2).

The increase in demand in the housing market is invariably generated not only by the need to satisfy housing needs but also by commercial objectives, particularly the perception of the housing market as a place to invest savings. Thus, the results of the cyclical survey conducted by the NBP is interesting. They show that meeting one's housing needs remained the dominant purpose of purchasing flats in 2020, with 69% (68% and 63% in 2019 and 2018, respectively), whereas the investment nature of the purchases constituted 25% of the total transactions (26% in 2018, 25% in 2018). In 2020 with the intention of purchases for renting and personal use purchased 5%, a year earlier – 7%, and in 2018 – 12% of flats. (PKO Bank Polski, 2021, p. 1). As explained by the NBP, this decline is due to the slowdown in rental growth before the pandemic COVID-19 which subsequently continued to exhibit a downward trend due to the pandemic restrictions. The increase in consumer demand in the housing market was enhanced by the conditions of external financial supply, especially bank lending rates and availability. According to the NBP, in Q1 2021, the value of new housing loan contracts of households in PLN (excluding renegotiated contracts) was higher by 7.5% and 17.0% compared with those in Q4 2020 and Q1 2020 (NBP, 2021b, p. 2).

The COVID-19 pandemic did not cause a drop in prices in the housing market in Poland; on the contrary, there was a further increase in prices both on the primary and secondary market (Fig. 1). According to the latest data from Statistics Poland, flat prices in Q1 2021 increased by 2.0% (by 2.1% and 1.9% in the primary and secondary markets, respectively) compared with that in Q4 2020, whereas compared with Q1 2020, flat prices increased by 7.2% (6.5% and 7.8% in the primary and secondary markets, respectively) (Statistics Poland, 2021c). Increases in housing prices were also recorded in other countries. For example, in the United States and China, the declines were low and short-lived, and housing prices returned to their development path a few months after the pandemic (Liu & Tang, 2021, p. 1; Anenberg & Ringo, 2021). (Liu & Tang, 2021, p. 1; Anenberg & Ringo, 2021).

developers and over 80% of the construction companies surveyed also took part in the previous editions of the survey (in February 2020 and February 2019).

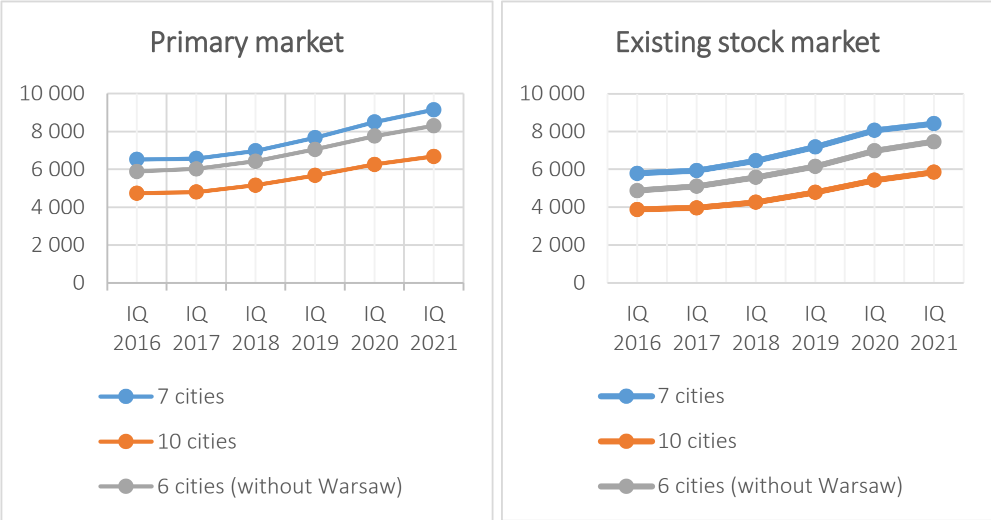


Figure 1. Average transaction prices per square metre of residential properties in Poland in Q1 2016-2021 (PLN/sqm)

Notes: The data concern major Polish cities: 7 cities including Gdańsk, Gdynia, Kraków, Łódź, Poznań, Warszawa and Wrocław; 10 cities including Białystok, Bydgoszcz, Katowice, Kielce, Lublin, Olsztyn, Opole, Rzeszów, Szczecin and Zielona Góra.
Source: (NBP, 2021d).

The beginning of the pandemic COVID-19 was a time of great uncertainty in the primary residential property market. Although the first quarter closed with the expected results, which was mainly due to the execution of contracts concluded in the earlier period, worrying signals were identified. The NBP described the situation as unclear and difficult to assess, particularly about the future. Moreover, attention was drawn to the dangers of high-risk business schemes, the main sources of which are the excessive number of investments started, rising construction costs, insufficient stable financing and the exhaustion of buyers' capacities. The risk was compounded during this period due to the difficulty in predicting the effects of the pandemic and its associated constraints (NBP, 2021b, p. 33).

Real estate development activities showed reduced profitability ratios for approximately 1 year. This condition was largely due to increasing construction costs and administrative delays in transferring ownership rights to buyers and thus in reporting revenues and financial results. Nevertheless, return on sales (ROS) significantly improved in Q4 2020 and Q1 2021. In Q1 2021, the average ROS, return on equity (ROE) and return on assets (ROA) reached 13.3%, 6.2% and 2.5%, respectively, compared with the lower ratios recorded in 2020 (ROS: 9.0%, ROE: 4.0% and ROA: 1.5%) (NBP, 2021b, p. 53).

The recent increase in transaction prices is significantly higher than the increase in costs incurred by housing producers, thus generating significant profits for development companies. According to the NBP's assessment, in Q1 2021 residential developers' estimated ROE from investment projects increased from Q4 2020 by approximately 23% (NBP, 2021b, p. 3). The achievement of equally favourable results by residential and commercial building construction companies in Q1 2021 is worth noting. The financial data for Q1 2021 indicated in the F.01 reports of large construction companies (with more than 49 employees) show a favourable situation for these entities. They achieved a higher net financial result in Q1 2021 than that recorded in the respective quarters in 2017-2020. The return ratios, namely the ROS (7.8%), ROE (5.2%) and ROA (2.0%), were significantly higher compared with those in Q1 2020 (ROS: 4.0%, ROE: 3.0% and ROA: 1.2%). Although the data on small construction companies (between 9 and 49 workers) are not available, information from the end of the first half of 2020 indicates an improvement in their economic performance (NBP, 2021b, pp. 60-61).

Thus, the extremely difficult period of the pandemic for the economy did not significantly negatively affect the activities of real estate development companies and those representing residential and commercial building construction. They maintained a stable economic situation as evidenced by the following characteristics of the largest real estate development companies in Poland[2].

In 2019, Poland's top 20 developers generated approximately PLN 8.7 billion in sales revenues, 19.2% higher than that in 2018 (Tab. 2). In 2020, seven of the 14 companies that published information on their economic performance increased their sales revenue by 28.1% on average. The record-holder was the Atal Group, which significantly increased the number of residential units handed over in the years under review, achieving a 62% increase in sales revenue (Atal, 2021, p. 7). The largest declines were recorded by companies, including GK JW Construction Holding, which also operated in other segments, such as office, retail and hotel, in addition to residential construction. The company's 2020 sales revenue fell by 70% on

[2] The article presents selected economic data of the 20 largest real estate development companies in Poland in terms of sales revenue achieved in 2019, according to the ranking of the 100 largest real estate development companies published by PwC, the "Builder" journal and Bisnode Poland.

2019. In addition to its development activities in the residential market, it manages hotel facilities. However, the result presented was not related to the hotel business only. Sales of residential units in GK JW Construction Holding also significantly declined in 2020 (JWC, 2021). However, the financial performance of Poland's largest real estate developers in Q1 2021 cannot be interpreted comprehensively as most of them have not provided the relevant information. Among the companies that announced such results for the period, GK Dom Development achieved the best result of PLN 807.9 million and handed over 1,366 residential flats amounting to PLN 591,000 on average. Compared with Q1 2020, the sales revenue of GK Dom Development in Q1 2021 increased by 157%, and the ROS of residential units reached 33% (GK Dom Development SA, 2021, pp. 3-4).

Table 2. Sales revenue of the largest real estate developers in Poland from 2018 to Q1 2021 (in million PLN)

No.	Company name	2018	2019	2020	Q1 2021
1	GK Dom Development	1,653.9	1,661.7	1,815.0	807.9
2	GK Robyg	1,034.5	1,115.2	1,105.3	N/D
3	Panattoni Development Europe Sp. z o.o.	960.0	1,005.8	N/D	N/D
4	GK Murapol	910.7	981.4	N/D	N/D
5	GK Echo Investment	713.0	880.1	1,212.9	155.4
6	GK Develia	796.7	819.3	517.1	176.5
7	GK Atal	1,055.0	720.2	1,167.4	261.1
8	GK JW Construction Holding	404.1	605.3	182.2	103.8
9	Ghelamco Poland Sp. z o.o.	21.3	603.3	N/D	N/D
10	GK Arche	413.4	550.5	445.5	N/D
11	GK Archicom	484.5	508.2	669.9	N/D
12	GK Victoria Dom	239.0	441.9	453.8	N/D
13	Bouygues Immobilier Polska Sp. z o.o.	335.2	367.1	383.6	N/D
14	GK Vantage Development	467.7	361.9	327.4	N/D
15	GK Invest Komfort	267.4	332.1	NA	N/D
16	GK White Stone Development	208.2	316.7	288.8	N/D
17	F.R.B. Inter-Bud Sp. z o.o. sp. k.	268.8	308.5	N/D	N/D
18	GK Marvipol Development	266.1	290.8	431.4	50.7
19	GK Lokum Deweloper	322.4	285.9	191.0	13.0
20	GK Przedsiębiorstwo Budowlane Górski	179.2	274.8	N/D	N/D

Notes: The table lists the largest real estate developers in Poland based on sales revenues in 2019; N/D denotes no data.
Source: own study based on (PwC, Builder & Bisnode Polska, 2021, p. 4), data from financial statements of companies and EMIS database.

In 2019, the combined net profit of the 20 largest real estate developers in Poland amounted to over PLN 1.6 billion. This amount was 7.8% lower than the value recorded in 2018. In 2020, among the 14 companies that provided information in this regard, eight achieved an increase in net profit, whereas two showed a negative result. GK Dom Development was the record holder. In 2018-2020, the company successively increased their net profit (PLN 227.0 million, PLN 256.0 million –and PLN 302.3 million in 2018, 2019 and 2020, respectively). The company has also maintained its good financial performance in Q1 2021, generating a net profit of approximately 60% of that in 2020. The remaining companies that disclosed their net income in Q1 2021 generated positive values, except for one company (Tab. 3).

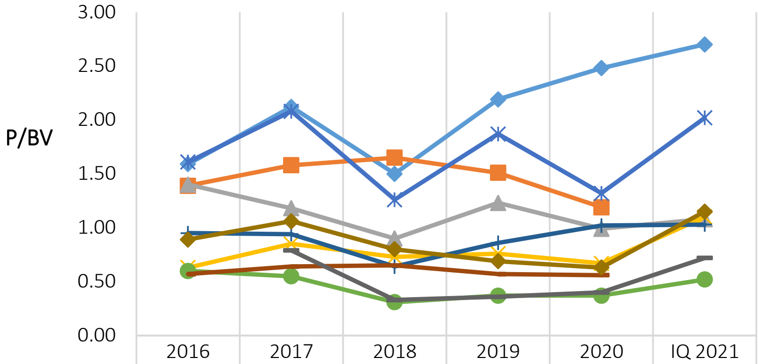
Table 3. Net profits of the largest real estate developers in Poland from 2018 to IQ 2021 (PLN million)

No.	Company name	2018	2019	2020	IQ 2021
1	GK Dom Development	227.0	256.0	302.3	174.5
2	GK Robyg	138.9	177.6	210.7	NA
3	Panattoni Development Europe Sp. z o.o.	171.9	126.0	NA	NA
4	GK Murapol	53.5	−52.9	NA	NA
5	GK Echo Investment	305.4	203.0	243.8	24.5
6	GK Develia	160.4	117.4	−138.8	34.6
7	GK Atal	206.6	115.6	167.5	33.1
8	GK JW Construction Holding	16.5	63.4	−12.1	0.4
9	Ghelamco Poland Sp. z o.o.	3.9	2.1	NA	NA
10	GK Arche	28.2	102.5	44.0	NA
11	GK Archicom	56.0	97.8	135.2	NA
12	GK Victoria Dom	45.0	86.5	88.7	NA
13	Bouygues Immobilier Polska Sp. z o.o.	22.8	−2.4	2.9	NA
14	GK Vantage Development	78.7	51.4	64.1	NA
15	GK Invest Komfort	63.7	50.1	NA	NA
16	GK White Stone Development	6.9	11.0	4.5	NA
17	F.R.B. Inter-Bud Sp. z o.o. sp. k.	42.0	34.0	NA	NA
18	GK Marvipol Development	47.3	69.9	80.5	8.1
19	GK Lokum Deweloper	73.0	62.2	20.4	−4.1
20	GK Przedsiębiorstwo Budowlane Górski	15.2	64.0	NA	NA

Notes: The table lists the largest real estate developers in Poland based on sales revenues in 2019; N/D denotes no data.
Source: Own study based on (PwC, Builder & Bisnode Polska, 2021, p. 4) data from financial statements of companies and the EMIS database.

Ten of the presented largest developers in Poland are listed on the stock exchange. An analysis of the P/BV ratios (the ratio of the firm's market value to book value) shows that the COVID-19 pandemic initially reduced the capital valuation of most of them (Fig. 2). In 2020, six reported a decrease in the P/BV ratio compared with 2019; one maintained the ratio and three recorded an increase. In 2000, only four companies generated a P/BV ratio above 1. Dom Development SA achieved the most favourable result by at 2.48.

Q1 2021 extremely contributed to the capital valuation of the largest real estate development companies in Poland. During this period, all analysed companies[3] noted an increase in the P/BV ratio, six of which achieved P/BV ratios above 1. In the period under review, Dom Development SA remained the undisputed record-holder in terms of the P/BV ratio (2.7).



	2016	2017	2018	2019	2020	IQ 2021
Dom Development SA	1.59	2.12	1.50	2.19	2.48	2.70
Robyg SA	1.39	1.58	1.65	1.51	1.19	
Echo Investment SA	1.40	1.18	0.90	1.23	0.99	1.08
Develia SA	0.63	0.85	0.73	0.76	0.67	1.10
Atal SA	1.61	2.08	1.26	1.87	1.32	2.02
JW Construction Holding SA	0.60	0.55	0.31	0.37	0.37	0.52
Archicom SA	0.95	0.94	0.64	0.86	1.02	1.03
Vantage Development SA*	0.57	0.64	0.65	0.57	0.56	
Marvipol Development SA		0.79	0.33	0.36	0.40	0.72
Lokum Deweloper SA	0.89	1.06	0.80	0.69	0.63	1.15

Figure 2. P/BV ratio of the largest real estate developers in Poland from 2018 to Q1 2021

Notes: *The P/BV ratio of Vantage Development SA in 2020 includes only a 6-month period.

Source: Own study based on (PwC, Builder & Bisnode Polska, 2021, p. 4; EquityRT database).

[3] P/BV ratio information for IQ 2021 was retrieved for 8 companies.

The boom in Poland's primary residential market continued in Q2 2021. In Q1 2021, the sales of residential units by the listed developers increased by 38.6% relative to Q1 2020 (Zielińska, 2021). The development forecasts of the Polish residential market in Q2 2021 are also favourable for real estate developers. The majority of them stated that the situation will further increase property prices in the primary and secondary markets due to the extremely high demand for flats purchased to meet housing needs and as a capital investment (Studzińska, 2021). Its level and variability are due to the influence of numerous factors, including those directly related to the pandemic. For example, the new working model of the partial and full *home office* creates the need to move to large flats as a workplace (Delventhal et al., 2021). However, this study found that the most important factor in creating demand has been the policy of 'cheap money' pursued in Poland through lowering interest rates and maintaining them at a level slightly above zero. Recorded low-interest rates have been reflected in mortgage rates encouraging borrowing whereas discouraging savings in the form of bank deposits. A high increase in housing loan disbursements has been observed. This increase is associated with the easing of their criteria, inter alia, lowering the deductible and credit margins. The NBP surveys suggest that banks in Poland anticipate further easing of housing loan conditions and growing demand for them (NBP, 2021c). Thus, upward trends on the housing demand side can be expected to continue, with reduced supply adjustments and rising construction costs. This condition will further increase housing prices.

Many countries worldwide, including the European Union, have currently maintained interest rates close to or below zero. This action enables the involvement of entire societies in the burden of the economic crisis and financing projects to counteract its effects as it allows for a lower cost of repaying the budget debt. However, rising inflation is becoming a considerable concern in Poland. The Polish government assures that it will be temporary. However, in the current projection, the NBP indicates *an in plus* revision of the previously projected inflation level, assuming that the consumer price index will not fall below 3% over the entire projection period, i.e. until the end of 2023 (NBP, 2021e, p. 88) (though recent NBP projections have been underestimated). A continued policy of low-interest rates is highly risky as it could lead to a dangerous spiral in costs and prices, consequently slowing down economic growth and increasing unemployment, among others.

Such knowledge may disturb the credit optimism of banks, leading to reduced lending scale and thus the inflow of money into the housing market. Consequently, the demand reduction in this market will be affected. All indications show that further the cost of construction work is expected to increase. Land prices are rising, whereas developers' 'land banks' are shrinking, and labour costs, building material prices etc., are increasing. These conditions justify the cost pressures of rising flat prices. Therefore, the long-term situation for real estate developers is becoming precarious.

CONCLUSION

The residential market faced difficulties related to the COVID-19 pandemic. Nevertheless, the real estate development companies in Poland presented in this article achieved unexpectedly good economic results in 2020 and Q1 2021. The shares of most listed entities in this quarter raised their capital valuation. Based on the presented characteristics, it can be concluded that the results achieved by the described entities are the effect of a sustained and growing demand for flats. Its level and variability are due to the influence of numerous factors, including those directly related to the pandemic. However, the most crucial element in creating demand has been the policy of 'cheap money' pursued in Poland through lowering interest rates and maintaining them at a level slightly above zero. Recorded low-interest rates have been reflected in mortgage rates encouraging borrowing whereas discouraging savings in bank deposits. A continued policy of low-interest rates is perilous as it could lead to a dangerous spiral in costs and prices, consequently slowing down economic growth and increasing unemployment, among others. This situation can lead to reducing lending scale and thus the inflow of money into the housing market. Consequently, the demand reduction in this market will be affected. Also, it be expected that the costs of construction works will continue to increase. Accordingly, regarding the research question of this study, the authors forewarn that the presented context image of real estate development companies may be illusory. This image may suggest that real estate development and construction companies are coming out 'unscathed' from the hardships of the pandemic. Therefore, the COVID-19 pandemic remains a source of potentially serious risks, requiring continuous successive monitoring of the current situation.

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