Gated communities in Prague
- general overview and econometric analysis

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ABSTRACT

Gated communities are a rather new development housing product in the field of real estate development in the Czech Republic. There has been lots of research done on this topic in the USA and other countries. However, in the Czech Republic this topic needs to be more discussed and researched. This paper looks at the concept of gated communities in the Czech Republic. It specifically focuses on the region of Prague where almost all gated communities are located. The interviews on the topic are conducted with real estate developers and real estate brokers in order to get better understanding of gated communities and its development in Prague. The next part which is the econometric analysis depicts the difference in prices in between real estate developments that are gated and the ones that are non-gated communities. Findings are presented. This research paper should contribute to better understanding of the topic gated communities in Prague.
I would like to express thanks to people involved in this research thesis. Special thanks belongs to my supervisor Hans Lind for the guidance, support and patience. I would also like to express thanks to Samuel Azasu for his help during research design and analysis. I am also grateful to all experts in the field of real estate development in the Czech Republic who contributed with their views on the topic of gated communities in Prague and also provided the data for the analysis.

I would also like to express big thanks to my family for the care and support.
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1. INTRODUCTION

1.1 Background and Purpose

The gated communities represent a rather new development product on the housing market in the Czech Republic (Fences Between Us, 1). Gated communities are defined as residential objects with more than two detached residential apartment or family house units. These objects are separated from the outer environment by gates or walls. The entry to such housing objects is prohibited to everyone who is not entitled to living in such a housing object or who doesn’t have the access permission into this housing complex. In these housing object complexes, there are particular rules that are to be followed by its residents.

The most important issue connected with gated communities is not related to the physical separation of walls or fences. The physical separation is one of the characteristics of a gated community. The most important aspect is related to the actual need for this type of housing (Blakely, Snyder 1997: 2-3). Large amount of research has been conducted on the topic of gated communities in a number of different country, especially in the USA. However, there has not been done that much research on this type of development housing projects in the Czech Republic. Therefore the topic of gated communities in the Czech Republic will be further explored and analyzed more in depth.

1.2 Methodology

It is of great importance to accurately identify the concept and meaning of the term gated communities in the Czech Republic. The term may have different interpretation according to diverging conditions in different countries. The gated communities don’t necessarily have to be defined only as a complex of buildings that is physically separated from the outer world. This study focuses on the Czech housing market. Therefore, this concept needs to be defined for the clarity of the term gated communities particularly in the Czech Republic.
This work includes both qualitative and quantitative analysis. The qualitative analysis part includes the interviews with real estate developers and real estate brokers. These interviews are conducted in order to get better understanding of the overall concept of gated communities in Prague. The interviews focus on questions such as reasons behind the rise and existence of gated communities, obtaining the permission for gated communities, sales and future outlook of this housing type. These interviews also reveal more information about the demand side for this type of development: the information about the composition of the inhabitants of gated communities in Prague.

The qualitative analysis is further accompanied by the quantitative analysis of the gated community properties. The quantitative analysis is depicting the difference in between the prices in gated and non-gated communities. The sale analysis of properties in gated communities in the Czech Republic is done according to already conducted American study where hedonic pricing model is used in order to analyze the prices of the property sales. This analysis is conducted in six different neighborhoods and it is hypothetically tested that the gated communities add value, and therefore the price of property in gated communities is higher in comparison to non-gated communities. The econometric model is estimated; there is a dummy variable for gated community included in this model. The dependent variable is log of price per square foot and the independent variables in this model are log of lot size, the age of the home, the number of months on the market before the sale of the house, the log of the tax rate, the log of the average household income for the neighborhood, and a dummy variable having a value of 1 if gated community and 0 if non-gated community (Bible, Douglas, Hsieh and Chengho, 2001: 140-150).

According to the American study, a similar study is conducted in this work in the Czech Republic. The prices of gated and non-gated communities are compared. In this analysis, the price differences in four different residential developments in Prague are thoroughly examined. The focus is put on region of Prague where almost all gated communities in the Czech Republic are located. As comparables non-gated communities are chosen in Prague. These properties are of the similar character and the sales occurred during the same time period. The sales of these properties occured in the year 2007-2009. The gated communities represented are Riegerovy sady, Kejřův Mlýn, Rezidence Radlice and non-gated
communities: River Lofts. The hypothesis is the same hypothesis as in the US study. The hypothesis is such that the gated communities add value. The study supports the evidence that the extra security on the property increases the value of the property. The extra security in this context is related to physical gates, other extra security systems or security guards that offer higher security of a new development area. Therefore the prices for the properties in gated communities are higher than the prices for the properties located in non-gated communities. The higher prices of the properties located in gated communities mean that the buyers need to pay the premium. The buyers are willing to pay this premium. However, this may differ according to the particular project.

This work further acknowledges the topic of the gated communities in the Czech Republic and contribute to the research field about this form of housing in general. The research questions look at the reasons behind the rise of gated communities in Prague; places where these developments are constructed and whether the permission for gated communities was easy or difficult to obtain. There are also questions about the composition of inhabitants in gated communities in Prague. The outlook for future of gated community projects is looked upon. The sales of gated communities are compared with the sales of non-gated communities in order to find out whether the prices for housing units in gated communities are higher than the prices for housing units in non-gated communities. This research can further contribute towards the debate about possible future outlook for the gated communities developments in the Czech Republic. This study can be of the interest for the real estate developers and real estate brokers dealing with Czech housing market.

1.3 Limitations

The primary aim of the interview part of the study was to target and focus on the conduction of the interviews with the managers of gated communities. They are the most appropriate representatives as they are dealing with gated communities on daily basis. The managers of the properties are considered the best available recipients since they run the properties, have relatively good knowledge on various functions of such properties, co-operate with the developers and are familiar with the inhabitants of gated communities. However, the access to the managers was quite difficult. Therefore adjustment was made and other players on
the market were targetted and interviewed. These are mainly real estate developers and real estate brokers in Prague. When the real estate developers and real estate brokers were interviewed, they usually put their project on the first place rather than looking at the issue of gated communities in Prague from a more general perspective.

The quantitative part of the study is adjusted according to the availability of the data on the Czech market. The data is provided by the real estate developers and real estate brokers. Some variables that are included in the American study are not be included in the Czech study. This is due to the fact that data are not accessible. One of the omitted variables in the Czech study is the average household income for the particular gated or non-gated community. There is no access to the data of the average incomes for households in gated communities in Prague. Therefore this variable is not included in the price analysis as one of the independent variables that explains the differences in prices. The price analysis of estimated variables is an analysis of cross-sectional data.  

1.4 Outline

First, the concept of gated communities in different countries will be reviewed. The gated communities will be described and compared. The gated communities has a long history. The very first gated communities started to emerge in line with the emergence of the first cities.

The second section focuses on accurate identification of the concept and meaning of the term gated communities in the Czech Republic. The term gated communities needs to be more closely defined since the conditions for development of such a housing objects differ in the particular case of the Czech Republic. The main focus is on region of Prague where almost all gated communities in the Czech Republic are located.

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1 A cross-sectional data set consists of a sample of units taken at a given point in time. The data on the units do not correspond to the exact same time period. The minor differences when collecting the data in pure cross-sectional data analysis are disregarded (Woolridge, 2009: 5)
The third section focuses on case studies conducted mainly with real estate developing companies and real estate brokers. This was done in order to get a greater insight on the issue of gated communities in Praha from more business viewpoint side. The interviews focus on reasons behind the rise and existence of gated communities. These interviews should also reveal more information about the demand side for this type of development: the inhabitants of gated communities in the Czech Republic.

The fourth section focuses on price comparison of gated and non-gated communities in Prague. This study will analyze sale prices of properties located in different neighborhoods in Prague region. The main importance is to compare the prices of gated communities where most sales of the units in such a communities were realized during the same time period. This comparison is done according to a study finalized in the USA.

In the conclusion, the main findings on the topic of gated communities in the Czech Republic are presented.

This paper should further contribute to the greater knowledge about the issue of the gated communities in the Czech Republic and tackle the issue related to the theme on this form of housing. This research can also further develop the debate about possible future outlook for gated communities in the Czech Republic. This work is beneficial also for the development companies and real estate agencies. They can familiarize themselves with the importance of development of projects of gated communities in Czech Republic, particularly in Prague.
2. GATED COMMUNITIES IN GENERAL: A LITERATURE REVIEW

2.1 Definition and description of gated communities

Gated communities represent an extreme form of residential boundaries. Gated communities are a type of residential housing with restricted access. The public space in such communities is under regular circumstances privatized. These communities are security developments usually surrounded by walls or fences. The access to gated communities is secured and controlled, so that the penetration by non-residents is prevented. These communities range from new developments to older housing areas retrofitted with gates. These communities can be located anywhere from inner cities to suburbs. They can be associated with rich as well as poor neighborhoods. Gated communities don’t belong to high-density or multi-unit apartments. They are rather small communities where the residents have private access to parks, streets, rivers, sidewalks and playgrounds. These gated communities are characterized as islands that are privately controlled. The gates and fences are not a mere representation of a physical separation from the outer world, they represent for instance protection of privilege as well as the personal and community control of the environment. The gated communities developments can form a private world where little is shared with neighbors or having larger political system (Blakely, Snyder 1997: 2-8).

Gated community is defined by two major factors: the physical separation from the outer public space and privatization of public space. Physical separation is of a high importance in the countries with high crime rate or social polarization (Landman, 2000c: 1). These countries include Latin America and South Africa. The privatization of the public space is characterized in gated communities by having specific community rules. These rules include especially mandatory payment of the fees for the management of a particular gated community. These fees are applied towards the service provision in a gated community; these services can be the security provision, street maintenance, or mutual sharing of swimming pool, golf course (Atkinson and Blandy, 2006).
There has been a number of studies done on the topic of gated communities in the USA. These studies look at various aspects of these communities such as what the reasons are for developing gated communities, how can these communities sustain in long-term time period, what the market driving forces are or sales analysis of these developments. This product of housing is not merely related to the USA housing market but it has also been expanding and developing globally and there is a number of other countries where gated communities are built and developed. There is variety of reasons why these properties are constructed. From the developers’ point of view, the main reason is the profit of this type of project (Coy and Pöhler, 2002: 355-358). Number of studies considers that from the buyers’ point of view the security issue, the sense of a community or physical separation from the outer world can be the matters of importance.

Security issues are also of a concern of the inhabitants of the communities in the USA. The inhabitants escape the urban area that is associated with higher attraction of crime, and they prefer to live in the gated communities since they perceive them as a security sign of living preferences. Gated communities are a positive housing outcome as they are perceived as a safety arrangement against crime. The inhabitants of the US cities with increased cultural diversity may have the feeling as if they lost their place. Therefore they experience insecurity and threat of crime in the urban area and sooner or later they are more likely to seek again the security behind the walls and fences of the gated communities. The relations in between the discourse, loss of sense of place and increasing class separation in the urban area lead to tendency to live at the separate gated communities. The residents of gated communities feel the safety is much higher when there is the physical protection from the environment. The residents have the feeling they escape the poor areas that are associated with high crime rates. This study favors the creation of the gated communities (Low, 2001: 45-58).

The US study which serves as the basis for the econometric analysis of gated communities in the Czech Republic in this work concentrates on the composition of hedonic price index for evaluation of the prices in gated communities. The hedonic price index is constructed in
order to compare the sales prices of the houses in six neighborhoods in metropolitan areas in the USA. In construction of hedonic price models, the variable of having gated community or not having gated community is introduced. There is a discussion and representation of the results whether gated communities add extra value. The results prove that gates provide a higher security feeling and add extra benefits to its residents (Bible, Douglas, Hsieh and Chengho, 2001: 140-150).

2.3 Gated communities in Great Britain

In Great Britain, the gated communities are not considered to be a new form of development, it is well-established type of the residential development. This paper analyses the supply and demand side for such developments. There has been emergence of gated communities in Great Britain, they follow the path dependence pattern. There are three different types of gated communities identified: infill gated communities, heritage conversion gated communities and village gated communities. Infill gated communities consist of small group of buildings that are set backward from the entrance and can be entered by a gate. Heritage conversion gated communities are recreated by developers from already established buildings. Village gated communities represent a type of development where there is more than 150 dwellings and therefore this type is rather rare (Blandy, 2006: 15-26). Gated communities are well established product of housing having a long term history pattern in Great Britain while in the Czech Republic this product of housing is viewed as a recent trend development. This development is constructed in the Czech Republic since 1990’s (Fences Between Us, 1).

The British market where the largest proportion of gated communities development is composed of retirement communities is led by developers who advertise their product. The buyers are willing to pay the premium and purchase the property mainly because of the security reasons (Blandy, 2006).
2.4 Gated communities in Australia

In Australia, when looking at the demand side, the buyers of newly planned communities are willing to pay the premium if the property suits their wants and desires. For desired suitability, the variety of facilities in these communities should be included for instance provision of the security, leisure facilities, higher concentration of natural parks, lakes or combination of all mentioned advantages. The facilities are fulfilling the requirements of the clients, and therefore the clients are ready to pay the premium for this particular property. If the property is well-developed the customers are willing to pay higher price even if the property is not located in the most desirable location. If the adjacent area of new community in Australia is having rather low prices, the development of the new community usually increases the prices of the existing dwellings for the adjacent area (Chris, 2007: 164, 178).

2.5 Gated communities in China

Gated communities in Beijing has been established because of a high demand of expatriates for separate type of housing from the local Chinese market. There has been an increase in demand for expatriate housing in China. The housing system couldn’t provide suitable housing for foreigners; and therefore new housing form has been established. Foreign housing is built and clustered into gated communities. This housing phenomenon has been driven by concern for security. The security in this sense doesn’t mean a security against crime but rather protection against institutions. The supply and demand for such communities is analysed in the thesis and the form of gated communities is described with focus on security issues and provision of high-end amenities and spatial distribution of foreign housing projects. The cause of demand for high-quality housing in transitional economies is the economic globalization (Fulong and Klaire, 2004: 203-204, 212). In the Czech Republic certain gated communities are also associated with the expatriate inhabitants. There is a high percentage of expatriates living in gated communities since gated communities suit the needs and wants of expatriates better than regular type of
housing. Some gated communities in Prague are mostly inhabited only by the expatriates (Fences Between Us, 1).

2.6 Gated communities in South America

In South America, the gated communities are formed because of the failure of the local government. People feel insecure, and therefore they are willing to live in the gated communities. Lower trust of people in the government contributes to the separation of the property and enclosing the property behind the walls. People try to put a circle around their living space in order to be protected from infavorable country’s government conditions in Trinidad. They can’t trust the state government, and therefore they seek for a more stable and reliable form of housing that provides the protection. Gated communities create new system of services and these gated communities provide the inhabitants with its own microgovernance structure. This structure is perceived by the population as a safe governing form (Mycoo, 2006: 131-148).

In Latin America, there has been changes in the structure of the cities. These changes led to development of the gated communities in the suburbs of the cities. Before the development of these communities, the suburban areas weren’t considered as the most desirable parts of the cities. This type of development created new types of spaces. The expansion of gated communities is perceived not only as reformation of the spaces but also of the society. With the creation of the gated communities, the public places reduce.

Looking at the demand side, this product of housing is associated with privileged consumer group. There is distinct class separation in the classes in South America. From the supply side perspective, the gated communities are considered as a housing product having high return on the capital invested. This product of real estate good classifies gated communities according to location into inner city and suburban types. They represent a dynamic real estate product with high return on capital (Coy and Pöhler, 2002: 355-358).
Recently the gated communities started to spread in Eastern Europe (Post-Soviet Block countries). Gated communities in the Eastern Europe has been a rather new phenomena of development on the property market (Gasior, Glasze and Putz, 2009: 244-246). In Prague, there has also been registered rise of such communities (Fences Between Us, 1). The issue of gated communities in Praha is further explored and analyzed in this paper. In Eastern Europe, specifically in Bulgaria, the similar settlements to the gated communities have been already existing in the country. However, the major development of these communities started about 20 years ago. The growth of such a communities is merely associated with the capital, Sofia (Stoyanov and Frantz, 2006: 57-63). The same pattern follows also in the Czech Republic where gated communities are located in the capital of the country. And their development started just few years ago (Fences Between Us, 1). The gated communities in Sofia are located in attractive areas in the suburban parts of the city. This niche market attracts the high classes clients who desire the isolation and separation from the rest of the city. The main idea behind having these communities is the defensive trait of the property (Stoyanov and Frantz, 2006: 57-63).

The impact of gated communities on the environment is not perceived only as a positive even though there is a high demand for production of this niche housing product. There is another study that discusses the disadvantages of gated communities. This particular study is looking at the Polish market. The gated communities have a negative impact on the structure of the space in the city. Their establishment also effects the societal composition in a negative way. It represents risks to the society as whole and can further cause harm since the gated communities can be viewed as the contribution to the separation of rich and poor people (Gasior, Glasze and Putz, 2009: 244-246).
3. GATED COMMUNITIES IN PRAGUE

The changes in the housing market in Prague started at the begining of 1990’s. After the fall of communism, Prague has been through the transformation of economical, political and social sphere and Prague has become a more global city. Developers perceived a high potential in constructing the new developments in Prague. Therefore they rushed into the new market and started with the construction and development activities.

There has been three major time periods characterized for the transformation of the real estate market in Prague. The first period in between 1990 to 1993 is defined as a period of restitutions and finalization of housing construction that was initiated during the communist era. Second period in between 1993 to 1997 was a gradual transformation of the city center of Prague. The residents of city center started to move out of the center and residential units were transformed into commercial units and office units. There is the beginning of suburbanization. In the final period from 1997, the commercial activities start to move out of the city center to suburban areas. This period is characterized by residential suburbanization (Brabec, 2009: 42).

The residential construction and development can be divided into four time periods. In between 1990-1994, the development of buildings initiated during communist times was finished. During 1995-1997, the state stopped with financing of the new projects. Therefore a number of housing projects wasn’t finalized. During 1998-2001, there has been an increase in the construction and development activities primarily due to new instruments such as mortgages and loan savings. There has been a high increase in the housing production since 2002. There was just a decrease of the housing production in 2006 which was mainly due to concerns with rent deregulation (Brabec, 2009: 43)
The development production in 2009 accounted for 149 residential developers’ projects. These projects have all together about 16,000 residential units. The housing units encountered for don’t include single-family houses but rather bigger scale developers’ projects are included. The projects were chosen according to the criteria:

- The residential project was completed in 2009
- The residential project is currently in the construction phase
- The construction of the project didn’t start; however the sale of new housing units started

The most important hub for the residential development construction is Prague 13 – Stodůlky. In this area, there is the highest intensity of residential construction including more than 1500 housing units. The second most important residential development hub is Zličín with 1200 housing units (Němec, 2009: 5).
Developers’ projects according to a particular Prague district

<table>
<thead>
<tr>
<th>District</th>
<th>Completed projects (n°)</th>
<th>Housing units (n°)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Praha 1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Praha 2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Praha 3</td>
<td>5</td>
<td>821</td>
</tr>
<tr>
<td>Praha 4</td>
<td>13</td>
<td>786</td>
</tr>
<tr>
<td>Praha 5</td>
<td>18</td>
<td>1165</td>
</tr>
<tr>
<td>Praha 6</td>
<td>10</td>
<td>475</td>
</tr>
<tr>
<td>Praha 7</td>
<td>3</td>
<td>378</td>
</tr>
<tr>
<td>Praha 8</td>
<td>15</td>
<td>1054</td>
</tr>
<tr>
<td>Praha 9</td>
<td>9</td>
<td>1440</td>
</tr>
<tr>
<td>Praha 10</td>
<td>14</td>
<td>1435</td>
</tr>
<tr>
<td>Praha 11</td>
<td>2</td>
<td>913</td>
</tr>
</tbody>
</table>
The most popular area for the new development projects is Prague 5. There is also recorded a higher number of developers' projects in the districts of Prague 4, 8, 10 and 13. There is certain locations where there is no new housing production such as Prague 1, 2 and 20.

The definition of the gated communities in Prague is customized and tailored for specifically for this work. The definition is adjusted to the local conditions and local environment that are characteristic for Prague. Therefore there may be differences encountered when comparing the general definition with Prague definition of gated communities. The general definition states that gated community is defined by two major factors: the physical separation from the outer public space and privatization of public space (Landman, 2000c: 1).

The physical separation is one of the most important factors for creating the typology of gated communities in Prague. There are three different types of gated communities based on the physical separation (Brabec, 2009: 18):
• Guarded property: the area having no fences. However, there is presence of security service agency that is guarding the particular property.
• Fenced property: the area with fences or walls. No security service agency is present.
• Guarded and fenced property: the combination of guarded and fenced property. The property has walls or fences and there is presence of security agency.

When looking at the characteristics of a gated community, there is other factors than just a physical separation and privatization of the public space.

Another important factor is the function of gated community, which can be divided into three different types (Brabec, 2009: 18):

• Lifestyle community: the main reason for moving into such a community is sharing of the particular lifestyle by the residents. These communities are guarded areas. There are extra lifestyle services offered such as fitness centers.
• Elite community: they are symbol of higher social rank status and prestige. The inhabitants are mostly representants of higher class.
• Security zones: the inhabitants choose this type due to the fear of crime. They want to feel safe and secure in the gated community.

These are factors also important for the characteristics determination of a gated community. The extra services in the gated communities in Prague are either offered or not. These extra provision of the services can include for instance amenities such as swimming pool or fitness center. However, some gated communities don’t offer these extra services.

The housing units are intended for sale into personal proprietorship. Gated communities in Prague are typically built as a small scale projects. These type of housing represents a better standard and quality of housing. Consequently, this type of housing is intended for higher or higher-mid social class. The prices of the apartments are above-average when comparing with regular housing units in Prague (Brabec, 2009: 17-18, 57-68). The issue of prices is further invetigated in this paper. This work compares the relation of the prices of gated and non-gated community development projects in Prague.
Another specificity of a gated community is the privatization of the public space. In Prague, the space of gated communities is in most cases privatized. However, in some projects the communications or the common area is publicly accessible. If the space\(^2\) is accessible for public, the burden of property maintenance is not put on the developer. It is the city that is responsible for the maintenance of the property. Therefore the developer doesn’t have to consider the maintenance and the residents of the community are consequently charged the high fees (MUDr. Renée Schickerová - interview).

\(^2\) By the space it is meant the communications or common area such as park.
It can be concluded that gated communities in Prague are not in all the cases just physically separated by walls and fences. In Prague the physical separation can also have the meaning of the provision of security services, or the walls and fences can be combined with the security services. The public space is regularly privatized in gated communities in Prague. However, there are exceptions to this rule. In some cases, the communications adjacent to the gated community or common spaces are kept public, so that the burden of the maintenance is put on the city instead of the developer.
4. CASE STUDIES

The theoretical background about gated communities is further accompanied by the interview part. These interviews were conducted in order to get greater insight about the new residential developments in particular the gated communities projects in Prague. They are conducted with real estate developers and real estate brokers in Prague. The questions that were asked are included in the section of attachments.

4.1 Case study 1: FINEP

FINEP is a development company on Czech market that started its operations in 1995. Since then, FINEP sold more than 5000 housing units (apartments) in Praha and Bratislava. Their specialization is on financial and real estate services. The company received a price Best of Realty in the category of residential housing for the project Bydlení Mazanka. Since 2006, the company further expanded its operations to Slovakia. FINEP belongs to a group FINEP HOLDING, that is considered the biggest developer group in the Czech Republic. FINEP is specializing in construction of residential units while having the main focus on the provision of high quality services and the satisfaction of the clients. The location, original architecture and high-quality realization of the housing product remain of the main importance. In recent years, FINEP started to produce more luxurious housing units. FINEP also constructs and develops commercial complexes. The company also provides financial and real estate services (FINEP CZ, 2010). The interviewed person is Ing. Pavel Rejchrt, a business manager in FINEP for last 10 years.

The company focuses on a realization of projects with a relatively higher number of housing units. Concerning the position on the market, these developers are considered as the developers company with a high market share on the Czech market. The reason behind realizing bigger projects is the fact that the company utilizes one team. The administrative fees remain the same for every project; it doesn’t matter about the size (if the project is smaller or bigger). Therefore it is more profitable for the company to focus on production of
projects with higher amount of housing units. Some of the names of the company projects: Trojský vrch, Harfa, J.G. Alej and Kaskády Barrandov.

There are two main types of gated communities in Praha region. One of them is the satellite towns, there is decline of production of this type. The next type is the housing residential complexes where the main importance is put on facility management of such a housing. The housing units are a type of a gated community. There is usually a central reception in such a residential housing complex. There is higher security in these objects. The inhabitants have central keys in order to get to the building; so-called chip keys. Thanks to this type of key, it is possible to find out when the building was accessed. There is cameras in the housing complex at the entrances.

The production of such developments started due to a gradually rising demand of the Czech population for this type of development. The process of realization of these projects started in 2000. It was not so difficult to get licenses for development of these projects from local authorities in the beginning of realization of these projects. However, some developing companies took advantage of the benevolent approach of the local authorities. In 2004, the local authorities became more strict with granting the licenses for the developers companies. It has become more difficult to obtain the licenses. In 2008, the new highly complicated legislation concerning the housing market has been introduced. The office workers were in the beginning very confused with the interpretation of this new legislation, and this contributed to more difficulties of gaining the permission for real estate developers. Nowadays, the market has been stabilized and it is easier to get the permission from the officers. However, the city of Prague changed its land-scape planning, there has been a decrease in the availability of lots.

Gated communities are developed on the brownfields – the recultivation of the landscape and places where there is the availability of lots. In the suburban areas, there may be a problem with the infrastructure. The main problem is that these places are not easily accessible by the means of transportation.
The inhabitants composition of gated communities is either 25-30 years old or 45-50 years old. The second group has higher standards and is seeking for bigger apartments, importance of social connections. There is not a high willingness among the inhabitants to pay for the higher-quality services provided in gated communities if they are renting such an apartment.

Management of this object is 20% higher than in the case of non-gated community object. There is a higher tendency to acquire the apartment in gated community. The future of such a projects is viewed positively. FINEP is planning to produce 10.000 more housing units.

4.2 Case study 2: White Hill

The development company White Hill has been operating on the Czech market since 2002. The company completed two major residential development projects. One project is called Bělohorské zahrady and it was finished in 2005. The other project is called Zličínské zahrady and this project was completed in 2008. The company concentrates on providing quality standards of the apartments as well as the whole adjoining area. The company is quite successful with their projects, 95% were of the apartment units were sold. The interview was conducted with Ing. Jakub Špetlák. The interview specifically concentrates on the project Bělohorské zahrady.

The building of gated communities was initiated by the investor White Hill. The process of building of gated communities started in 2004. The authorization for the construction of gated community was obtained from local authorities under standard procedures. The investor decides upon the location for the new development projects. It can be either urban or suburban location. The inhabitants of such a development are usually middle class citizens. They don’t represent a particular group regarding their wages or level of education. However, this particular group of people wants to be different from others. That’s one of the reasons why they choose to live in a gated community. The inhabitants are willing to pay for the services provided in such a community. They decide to live in a gated community due to
the specific attributes of gated communities. The services provided in a gated community are crucial decisionmaking factor.

The management and maintenance costs of a gated community are not necessarily much higher than in the case of a non-gated community. The gated community needs to be well-planned projects. There can be savings attained when managing private communications of gated communities. The area where the gated community is built becomes more attractive for second tier buyers. However, it is the specificity of the project that attracts the particular buyers. Therefore the project itself is of a great importance. Nowadays there is a higher tendency to purchase an apartment in a gated community due to better service provision, higher security and other advantages of such a development project. The future of gated communities in Prague differ according to particular projects. The projects should be mid-size in order to be profitable. The company White Hill further plans to build more gated community projects. In general gated communities in Prague tend to be similar.

4.3 Case study 3: Realitní společnost České spořitelny a.s.

Realitní společnost České spořitelny is established in the Czech Republic, and this company offers their clients the overall service related to acquiring of the real estate, selling of real estate or rental real estate services. This company provides financial services, consulting, valuation of properties and much more. The company has been operating on the Czech market for past five years and during this timeperiod they started to enlarge the focus of their activities. Nowadays the company can be found thanks to its franchising partners in 48 towns in the Czech Republic (Realitka ČS – O společnosti, 2010).

The interview was conducted with Mr. Michal Barthell. The company was directly dealing with the gated communities projects River Diamond and Central Park Praha. The gated communities projects started to evolve with the company development company RECG. It started 2-3 years ago. Realitní společnost České spořitelny is not a development company, therefore the permission from local authorities related with establishment of gated communities is better to target on real estate developers. This permission obviously depend
on a specific permission in the particular part of the municipality. Gated communities are built on suitable sites Praha 1 to Praha 8. The locations need to be somehow attractive and have good communications access. For instance; Prosek would be out of question for developers.

The development companies focus with the production of the gated communities on a particular group of inhabitants. These projects are niche market projects and they are not mass production. They are targeting a particular group of inhabitants more targeting high classes. The inhabitants are willing to pay 3.100 to 3.900 EUR/m². Obviously, the inhabitants are willing to pay for the high standard services provided in gated communities. It can range from having reception, security and other services. The management and maintenance of such a community is more costly than in the case of a non-gated community. The projects of gated communities are focused on a particular group of inhabitants. Therefore the sample of the inhabitants is relatively small. Earlier there was a higher share of Russian, German and Austrian inhabitants. Nowadays, there is lower share of these inhabitants. There is very small representation of Czech inhabitants. In general, people who live in such a community has established position in terms of work and social position.

For second-tier buyers the adjacent area around the gated community becomes attractive. However, the main reason is to develop attractive gated community for the primary buyers. Nowadays there is lower demand for gated communities. Many development companies go further east since they find the investments in countries located on the east side of the Czech Republic more profitable. There is then less developers in Prague, the demand for developments would increase and then consequently there will be higher concentration of the development companies. In the future, there will be higher focus on building of gated communities for middle social classes.

4.4 Case study 4: Akro Real

Akro Real is the development company in the Czech Republic since 1997 and their main concentration is on provision of high quality projects. Projects are developed in a way they target the requirements of the customers and also fit with the surrounding environment.
The main importance is put on the requirements of the buyers concentrating mainly on the interior amenities and spatial arrangement (Akro Real – O společnosti, 2010). The interview was conducted with MUDr. Renée Schickerová. There is a number of projects finished and there are other projects to be realized. These projects are rather small in its size. However, the main importance is put on specifications of the customers.

The gated communities start to emerge with the general development of the Czech Republic after the revolution. The facilities and services are gaining on a higher importance for the customers. This provision of services created a new split for the developers. The gated communities emerged as a new product on the Czech market. The process of the gated community developments started about five years ago. The permission from the local authorities weren’t so difficult to obtain.

The projects are built in the city center; these are relatively more expensive projects and therefore also more luxurious type of gated communities. There is other projects located more in suburban areas having good infrastructure providing the services and these projects are not so costly.

The composition of the inhabitants is mostly business people having good positions in the companies. The clientele is also expatriates. In general, it is rather upper-middle class living in such projects. There is usually at least one member who has University education. The inhabitants are willing to pay the premium for the project according to a particular project. In the case of the projects of high quality that are more luxurious, there is high willingness to pay the premium. However, in the case of cheaper projects, the extra fees can be viewed as a burden for the customers. The management and maintenance of a gated community involves the provision of the services. That is a significant part of the project.

Gated communities sell relatively well in the case of luxurious projects. The customer seeks particular services and the customer is willing to pay for these services and there is a higher sales of these projects. The projects that are targeted for lower classes, there is an expenses increase and these types of projects don’t necessarily sell so well. The locations
where the gated communities are built increase the prestige of the adjacent area, and therefore the second-tier buyers are also attracted.

Nowadays, there is high tendency to buy a high class projects. It obviously depends on the clients and their willingness to pay for the project. However, the projects targetted at higher class are still very attractive. Therefore also, there is a high future potential for luxurious projects. The company Akro Real plans a new project in Prague district Březiněves.

4.5 Case study 5: Lexxus

Lexxus is one of the most well known real estate companies in Prague. The great portfolio of the company is obtained mainly due to longterm co-operation of Lexxus specialists and leading investors and developers companies. Lexxus a.s. is concentrating on a residential housing market specifcally on the segment of luxurious real estate properties. The company offers a high range of new development projects in Prague. The company offers much more to its clients such as relocation, financing thanks to its partner in the Czech Republic, Hyposervis (Lexxus – O společnosti, 2010).

The interviewed person is Ivo Ščuka. The preparation of the development project takes usually 3-6 years and the project sells in approximately 2 years. The company was involved in projects such as Villa Bianca, which is a very small scale gated community project. The project is upscale with the price 3.510-3.900 EUR/m². Another project that the company was dealing with is Podvinný Mlýn. This is rather bigger scale project with 400 housing units. This project can be called gated community project from 80%. There is minimum of services provided. However, it is important that the security in the area is provided. Riegerovy sady are also a gated community project. In the area there are a reception and administration services. The area is accessible to the public. This project belongs to the category of the standard accomodation where the prices are 2.340-3.900 EUR/m². The residential projects started to emerge as satellites. The problem with satellite projects was that they were usually built in parts that were out of Prague and the infrastructure wasn’t well-developed. For developers, the costs of land were much smaller in the case of areas outside of Prague.
The inhabitants of these satellites were usually young, dynamic families. They had to commute to their works in Prague. There were not so many inhabitants staying in the satellites during the day, therefore the security was inevitable to have. This could be considered as the beginning of gated communities in Prague. The projects started to emerge in 1995-2000. Considering the permission for building of gated communities, the main points for decisionmaking for developers are whether to have the area under own control or whether to make it accessible for the public. If the access is public, it is the responsibility of the city to provide all the services. If the access is private, it is the developers burden to bear all the costs related to the maintenance of the development. The city usually support the refurbishment projects since it is already stabilized area. When it comes to supplementary housing construction, the permissions may be more complicated to attain. The gated communities are built either in suburban parts: these are mostly so-called satellite towns. Suburban locations offer bigger lots for development projects. In the city center the building construction is dependant on the availability of place.

The composition of the inhabitants of gated community projects is mostly people having higher incomes compared to the average. The inhabitants of satellite towns is mostly people having high incomes. However, the trend of living in satellite towns is already declining. The prices of these properties go down. There is 30-40 % lower price for the final customer in such properties. They are not so attractive any more. There is problem with the provision of services in satellite towns. The services such as school, pre-school education facilities or stores are usually not provided, which is one of the negative aspects of satellite towns. However, the satellite towns may again become attractive in future in 10-15 years when the areas are more developed and better infrastructure is created. In gated communities that are not considered satellite towns, the inhabitants are mostly educated people having well-established positions in their jobs and have higher incomes. There is no problems yet with the segregation of the particular group of people behind the gates. There is no inadaptable inhabitants living in gated communities. For the developers of the gated communities, these projects are very positive and successful. They however need to take into consideration the fact that if it is their properties, they are in charge of the provision of the services such as cleaning of the pavements in the winter. This means higher costs for the developers and there is a burden put on the inhabitants of gated communities. They need to pay for the
extra services. Group of the inhabitants of gated communities is willing to pay for the extra safety and security provided in the gated communities properties. There is also representants of expatriates living in gated communities but these places are considered micro localities such as properties in Prague 1 or Prague 6. These parts are one of the most attractive and appealing locations in Prague. The most gated communities are located in Prague, there is very few of them located in Brno, which is the second largest city in the Czech Republic.

The management of gated community is generally higher than in the case of non-gated community. Different behavior is observed from the customers. There is willingness to pay for the services provided in gated communities.

There is currently a drop in the sales of gated communities due to the crisis. It is highly dependable on the particular project. Good project still sells well. The areas where gated communities are constructed for the particular customers. Therefore second-tier buyers are not primarily the ones attracted to the location of gated community. However, in general the gated community creates very positive image for the locality and there is usually the appreciation of the quality of the adjacent area. The properties that are located nearby the gated community are usually reconstructed and then sold. Overall, this is a long process and it may take several years. Nowadays, there is not high tendency to buy the property in gated community. From the perspective of privacy and safety, the gated community is perceived as a positive one. However, Prague is relatively safe city, therefore the safety provision of the gated community is not so important. In the case of expatriates, there is the preference of the option of purchasing and living in the gated community.

The future of developments of gated communities in Prague is positive. There will be more housing units built and the city will become more dense, there will be less green areas. The inhabitants will be seeking the privacy, and they will be willing to pay for having ensured the privacy. Currently many projects that offer high quality services such as fitness centers and especially swimming pools facilities seem to fail. It is due to the fact that operation costs of these facilities are too high and it is also related to the Czech culture. The inhabitants of gated community prefer to be members of gyms or swimming pools that are located out of
the gated community. They prefer to leave the gated community by the car and meet their personal coaches and friends in the public membership facilities such as gym or swimming pool. This is highly related to the Czech culture when inhabitants feel they need to interfere with the public lifestyle even though people prefer privacy for their living.

4.6 Case study 6: Orco Property Group

Orco Property Group is operating on the Czech housing market for more than 16 years. They are the leaders in real estate field on the Central and Eastern European markets. Orco Property Group is not merely a developer but they also provide a number of services to its clients such as investment opportunities, purchase of the real estate, short-term accommodation services such as stay in residence or a hotel. This company highly values quality and innovation. Orco Property Group has about 2500 employees and the company is further expanding over Europe. The company is primarily concentrating on residential housing projects, commercial and retail projects, small top-notch hotels, investments and management of the property (Orco - O firmě, 2010). The interview was conducted with sales manager Branka Jočić.

The Orco Property Group started with providing the hotel services. Mr. Jean Francois who is the founder of the company arrived in Prague in early nineties. He perceived Prague as a city with high potential for new housing opportunities. He started the business with running of the residence. He was renting the apartments in residence Jana Masaryka. This residence is located at lucrative part of Prague 2-Vinohrady. These apartments were rented by mostly representatives of successful business companies such as Komerční banka, Danone, Johnson and Johnson. The principle of this residence was based on a principle of the hotel. There was a reception that was disposable to the clients staying at the residence. The clients could request the services at the reception desk such as cleaning, delivery of the breakfast or other. Mostly the housing units were rented for the period of one to five months. The price for stay in such an apartment would be 120 €/daily rate. There was a relatively high demand for this type of accommodation. Therefore there were two other residences that were offering the same type of accommodation with the provision of the services at Prague 2-Vinohrady. It
has been Belgická and Americká. The complex of residence Americká further offers sports facilities such as fitness center and swimming pool. The stay in Americká residence was therefore much higher and the rate would be 350 €/daily. However, Americká residence is relatively expensive for the operations of the building and its facilities and currently is being sold out. These type of projects would be considered as the first evolving gated community projects in the Orco Property Group. The process with construction of the gated communities started in 2004-2005.

The properties of Orco Property Group are new developments such as Tyršův vrch, Nové Dvory and Slunečný Vršek. The project Slunečný Vršek is further considered. This project is not totally separated from the outer environment. However, it is still considered as a lifestyle gated community project. This type of project offers a number of facilities such as restaurants, supermarket, kindergarten, great choice of sports facilities such as inline parks, fitness center, swimming pool, sauna and others. The permission from local authorities were not difficult to obtain, these were considered rather regular procedures. Gated communities are built mainly in urban parts that are easily accessible. The project Slunečný Vršek is easily accessible to Chodov where the companies offices and big shopping mall are located. The project Slunečný Vršek has great location, and therefore it sells well.

The composition of the inhabitants of gated communities are rather families with children. 25% of the inhabitants are expatriates. This group of inhabitants represent in general educated people where at least one member of the family has a managerial position. There is also people from Vietnam represented. They are mostly entrepreneurs. The last major representatives are Russian inhabitants who have possessions. The inhabitants are on average 30-45 years old, and they are representatives of upper middle class. There is also a very small percentage that buy the property in Slunečný Vršek as an investment. These investors represent Russian and British people. British people purchase the apartments, and then they rent them. Vietnamese people tend to purchase the biggest available apartments, so that the whole generation of the family can live in the same apartment.

The project Slunečný Vršek is managed by BP Servis. This service provider assures for instance the upkeeping of the green surrounding spaces. This particular project has two
phases that are already completed and sold. These two phases were sold before the actual completion of the project. There is another part of the project that is completed and it is the third part A that is currently available for sale. There is a very high tendency for people to move directly to gated community project rather than to the adjacent area properties. Nowadays it is difficult to get to attractive locations, almost all of them are already taken. For instance the projects of satellite towns that are mostly located out of Prague are not very convenient and therefore these are not well sold. The infrastructure is poorly developed and this fact influences the further interest of the buyers of a property in a satellite town. In the past, satellite towns used to be quite successful projects. However, nowadays there is a high tendency of moving out from satellite towns due to the lack of services and badly designed infrastructure. In the future the production of the projects of gated communities will be concentrated closer to the city. The project Slunečný Vršek will be further extended by the phase III B.

4.7 Case study 7: Acred

Acred has been operating on the Czech property market since 1995. It is development and property management company of the residential and non-residential real estate. The company is successful with its operations in real estate developments as well as complex leading of the projects. The company focuses on different types of developments such as residential, logistics, commercial, retail and polyfunctional projects. Acred also has a facility management division. The main importance is focused not only on a knowledge of managed property but also on the knowledge of the overall Czech property market (Acred developing value, 2010). The interviewed person is Jan Sedláček who is the project manager and analyst. Gated community project that was realized by Acred is the project Malá Šárka. There is 150 single family houses.

The development of gated communities started after the year 1989 when developers from the western countries came to the Czech Republic, and they started to create a new developments according to the western style developments. The process of building of gated communities started in the first half of nineties. The construction was on
uncontrollable level. When the developers came to the Czech Republic, it was very easy to obtain permits for the construction of new developments mainly non-gated communities but also gated communities. Nowadays, the local authorities are much more strict and the real estate market in the Czech Republic is more saturated. The municipalities outside Prague realize that more people won’t necessarily bring more money to the particular municipality. Also a number of buyers prefer to have the permanent address as well as the address of the company in Prague. Therefore, many of local municipalities located outside of Prague lose a relatively high amount of local taxes and they still have high expenditures. Therefore the solution of the municipalities is to induce the development and infrastructure fee that is payable when developer receives the construction permission. The municipality therefore reduces the losses. Most of the gated community projects are located in suburban areas. In the urban areas and the city center of Prague, this is mostly apartment housing with higher standards.

The composition of the inhabitants is socio-economically higher middle or higher class. These inhabitants represent in general people with university education who have above-average incomes. The inhabitants of gated communities are willing to pay for the high-quality services provided in gated communities. That is the reason why they seek the housing in gated community. The question remaining then is the relation of the price versus output\(^3\). This is then one of the consideration factors.

The primary investment concerning the construction doesn’t have to be higher than in the case of a non-gated community. The investment is dependent on the choice of exterior and interior materials. Another aspect is the choice of other non-residential amenities such as swimming pool, tennis court or park. The materials and amenities are direct expenditures for an investor and they increase the initial investment.

The gated communities and non-gated communities sell relatively on the same level. The situation is dependant on the overall situation of the real estate market. The market with gated communities is smaller, and therefore more sensitive to the fluctuations in the economy. Nowadays, the buyers are more demanding when they choose the apartment/house. The supply exceeds the demand. The developers will be still looking for new and

\(^3\) By output it is meant the expected standard of the service.
attractive locations for the construction of gated communities. The company is planning to build a new development which is the combination of gated and non-gated community. Considering the basic principle, all gated communities are the same; the main function of the entity is the enclosed community. The main difference is the specific offer of a sport establishment or a historically prestigious location.

**4.8 Case study 8: ING Real Estate Development CR**

ING Real Estate Development Czech Republic s.r.o. is the member of ING Group. The specialization of this company is the real estate field. ING Real Estate has been operating on Czech housing market since 1990. The company has been involved in a number of projects in Prague such as the Dancing House, Zlatý Anděl business and retail center and Villa Bianca housing estate. The company specializes in a variety of residential and commercial projects (ING Real Estate, 2010). The interview was conducted with Richard Král who is a senior developer.

The project realized by the company is Villa Bianca. The permissions from the local authorities are not obtained easily. The situation with receiving permission for new housing developments is not simple. The gated communities with apartments are built in urban area. In the suburban areas, it is mostly single-family houses or villas. The composition of the inhabitants is the „upper 10,000“ These projects are concentrating on this particular group due to high expenditure costs for the developer. Consequently the selling price of these projects is much higher. The inhabitants of gated communities are willing to pay for extra services provided. The reception that is operating 24/7 is the absolute necessity. The gated areas usually have higher expenditures for the provision of extra services. The initial investment for the gated community development is higher than the initial investment for non-gated community based in the same location. When constructing the gated comunity, the choice of a location is an important factor. If the location is suitable, then gated community is smart marketing counterpart. The boom with gated communities is not expected. However, there is clients looking for this type of development. It is however a narrow segment. ING Real Estate Development is not planning other gated community
projects since the strategy of the company is the orientation on commercial projects. Every project is different due to different location. The comparable aspect is the services composition. However, the quality of services is different.

4.9 Case study 9: RS Residence s.r.o.

RS Residence s.r.o. is the company that was established for the completion of one specific gated community project. The interviewed person is Václav Šlosar. He is the manager of the project. The project is Riegerovy sady residence located in Prague 2. The construction of this gated community was initiated by a real estate broker. In general, the emergence of gated community projects started around the year 2000. It could have been even earlier. The production of Riegerovy Sady started in 2004. The permission for this development was and was not easy to obtain. The people from the urban planning division preferred to keep this area public. However, the plan of constructing a gated community was finally approved and the area was enclosed. The gated communities are mostly located on the urban/suburban boarder or even more in suburban areas. However, Residence Riegerovy Sady is located in the urban area. There is about 25% of expatriates living in Residence Riegerovy Sady. They are representatives of a higher income class. There is not such a high willingness to pay for the services provided in a gated community. The inhabitants have been living in the development for about one year and there is already disputes about the payment of the services and to what extent the services should be provided. The main disputes are about the security provision that is relatively expensive. The initial expenses and operations of the area are higher than in the case of a non-gated community. This particular project was sold out very fast. There was even no chance for increasing the prices. Nowadays, there is a slowdown in the construction of new housing developments. There is still emergence of new housing. However, this is mostly production of individual projects on the urban/suburban boarders of Prague.

The future of gated communities is highly related to the particular specification of the project. The projects that are well-located will always sell. RS Residence was involved only in Residence Riegerovy Sady and the company doesn’t plan to involve in other projects. The
gated communities in Prague vary in the extra services provided such as fitness centres, childcare and others. Nowadays, the facility management can provide practically any type of service.

4.10 Case study 10: Star Group Ltd.

Star Group is real estate development company. The interview was conducted with Helena Svozilová who is the project manager. The project that was completed is called Kejřův Mlýn. In this case, the development of the gated community was initiated by investors. The idea of constructing this project arose in 2004 and the construction started in 2007. The permission from local authorities was difficult to obtain. However, the municipality of Prague 9 where the gated community is located appreciated the endeavour of the developer. The area was in relatively bad condition and the area was partly reconstructed and new buildings were added. This particular gated community is built in urban area Prague 9, Hloubětín.

The composition of the inhabitants is heterogeneous. They represent young people in the age of 33 years old, parents with children, middle age people 45 years old, lawyers, entrepreneurs, doctors and regular employees of business companies. The inhabitants of Kejřův Mlýn don’t represent a particular group. They have the shared opinion of not living in the new classical bigger scale type of housing development. The inhabitants are willing to pay for the extra gated community services. The management of a gated community and maintenance of gated community is higher than in the case of a non-gated community. There is a gated community janitor who overlooks the property. The apartment in the gated community is purchased by people who expect more than just living in a new development but are mostly concerned with a way of living. The market for gated community is a niche market. However, there is higher percentage of realizing sales of gated community projects than non-gated community projects. The level of successful sale of gated community is three times higher than in non-gated community case.

Nowadays, during the financial crisis the price and the investor’s willingness of offering a discount plays a big role from the buyer’s perspective. The housing market is highly
unpredicatable. There were no sales realized in four months time period. During the October and November, there were realized sales of ten apartments. The future of gated community housing units highly depends on the price of the housing units. There is the interest from the buyers. However, the price is the major crucial factor for the decision-making of the buyer. Star Group Ltd. plans other projects. Currently, the company doesn’t build. The inspiration for gated community projects came from the USA projects. The directors of the company got inspired by US developments.

Table 1 Summary of questionnaires

<table>
<thead>
<tr>
<th>THE COMPANY NAME</th>
<th>The rise of gated communities in Prague</th>
<th>Tendency to build gated communities: urban or suburban areas</th>
<th>Composition of inhabitants of gated communities</th>
<th>Future outlook for gated communities</th>
</tr>
</thead>
<tbody>
<tr>
<td>FINEP</td>
<td>Year 2000</td>
<td>Brownfields, urban and suburban areas</td>
<td>25-30 years old or 45-50 years old</td>
<td>Positive, more units to be produced</td>
</tr>
<tr>
<td>White Hill</td>
<td>Year 2004</td>
<td>Location based on decision of the investor</td>
<td>Middle class citizens having different income level</td>
<td>Positive, more GCs to be produced</td>
</tr>
<tr>
<td>Realitní společnost České spořitelny a.s.</td>
<td>Year 2007</td>
<td>Suitable sites, Prague 1 – Prague 8</td>
<td>Inhabitants with well-established position, earlier high share of Russian, German, Austrian inhabitants</td>
<td>Nowadays lower demand, in future focus on production of GCs for middle classes</td>
</tr>
<tr>
<td>Akro Real</td>
<td>After the revolution</td>
<td>City center – more expensive projects; suburban areas in areas with good infrastructure</td>
<td>Upper middle class; expatriates</td>
<td>High potential for luxurious projects</td>
</tr>
<tr>
<td>Lexxus</td>
<td>Years 1995-2000</td>
<td>Usually suburban areas, in city center dependent on availability of place</td>
<td>Inhabitants with higher incomes</td>
<td>Positive</td>
</tr>
<tr>
<td>Orco Property Group</td>
<td>Years 2004-2005</td>
<td>Mainly urban areas being easily accessible</td>
<td>Families with children; age 30-45; 25%</td>
<td>Positive</td>
</tr>
<tr>
<td>Company</td>
<td>Year</td>
<td>Location Description</td>
<td>Income Class/Expatriates</td>
<td>Notes</td>
</tr>
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<td>------------------</td>
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</tr>
<tr>
<td>Acred</td>
<td>After the year 1989</td>
<td>Mostly in suburban areas; in city center apartment housing having higher standard</td>
<td>Higher middle or higher class</td>
<td>Planning new development project</td>
</tr>
<tr>
<td>ING Real Estate Development CR</td>
<td>-</td>
<td>Urban areas – apartment gated communities; suburban areas – villas</td>
<td>„Upper 10,000“</td>
<td>Boom with GCs not expected</td>
</tr>
<tr>
<td>RS Residence s.r.o.</td>
<td>Year 2000</td>
<td>Urban/suburban boarder or even more in suburban areas</td>
<td>Higher income class; 25% expatriates</td>
<td>Related to the particular project</td>
</tr>
<tr>
<td>Star Group Ltd.</td>
<td>Year 2004</td>
<td>-</td>
<td>Inhabitants – very heterogenous group</td>
<td>The future of gated community housing units depends on the price of the housing units</td>
</tr>
</tbody>
</table>
5. CASE STUDIES SURVEY

The respondents included in this survey are the real estate brokers and real estate developers who are involved either directly or indirectly in the field of new developments in Prague. Sample size of approximately 50 players on the market such as real estate brokers or real estate developers were selected. From these 50 respondents, a group of ten real estate players was chosen for the interview part. The group consists of ten respondents. These respondents are already considered in the case study part, which is non-structured based interview. This part is structured and the results are represented in percentage manner. All respondents are based in Prague. This survey is constructed in order to approach and get better overview on the topic of gated communities in Prague and gather the information on general perception of gated communities in Prague. The aim is to find out to what extent this topic is considered by real estate players in the identical or diverging way.

The question number one is depicting the prevalent type of gated communities in Prague.

<table>
<thead>
<tr>
<th>Response options</th>
<th>Responses in percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lifestyle community</td>
<td>30%</td>
</tr>
<tr>
<td>Elite community</td>
<td>10%</td>
</tr>
<tr>
<td>Security zone</td>
<td>10%</td>
</tr>
<tr>
<td>Combination of above, specify</td>
<td>40%</td>
</tr>
<tr>
<td>Other, specify</td>
<td>10%</td>
</tr>
</tbody>
</table>

30% of the respondents consider gated communities to be lifestyle communities. 40 percent share the opinion that gated communities are a combination of the lifestyle, elite and security zone communities. From those 40 percent, 30 percent of the respondents agree that gated communities are a combination of a lifestyle and elite community and 10 percent agree gated communities are combination of a lifestyle and security zone types of gated communities. 10 percent claims that gated community is a combination of elite, lifestyle and security zone with emphasis on the environment and access to nature.
In the question two, the Likert scale is incorporated. There is the choice in between very important, important or not important. The question emphasizes the importance of factors for a developer when building gated community.

Table 3

<table>
<thead>
<tr>
<th>Response options</th>
<th>Very important</th>
<th>Important</th>
<th>Not important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level of security offered</td>
<td>40%</td>
<td>60%</td>
<td>0%</td>
</tr>
<tr>
<td>Availability of recreational and sporting facilities</td>
<td>10%</td>
<td>70%</td>
<td>20%</td>
</tr>
<tr>
<td>Quality of services</td>
<td>60%</td>
<td>40%</td>
<td>0%</td>
</tr>
<tr>
<td>Community ethic and expectations</td>
<td>50%</td>
<td>40%</td>
<td>10%</td>
</tr>
<tr>
<td>Other, specify:</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

The level of security is important in the case of 60% and very important in the case of 40%. There is a high emphasis of having recreational and sporting facilities included in the project; 70% think it is of an importance and 10% thinks it is of a high importance. The quality of services in gated communities are perceived as very important from 60%. The respondents agree the quality of the services is either of great importance or of an importance. The community ethics and expectations of the inhabitants of gated communities are from 90% either important or very important. From the developer’s perspective, there is another factor that is of a high importance and this factor is a profit. This is agreed upon by all the parties.

Question number three is concerned with advantages of gated communities.

Table 4

<table>
<thead>
<tr>
<th>Q 3 Advantages of gated communities</th>
<th>Very important</th>
<th>Important</th>
<th>Not important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased prestige</td>
<td>50%</td>
<td>30%</td>
<td>20%</td>
</tr>
<tr>
<td>Greater safety and security</td>
<td>30%</td>
<td>70%</td>
<td>0%</td>
</tr>
<tr>
<td>Reduced traffic</td>
<td>0%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Favor desirability of limited access</td>
<td>40%</td>
<td>50%</td>
<td>10%</td>
</tr>
<tr>
<td>Other, specify:</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>
The gated communities are perceived as type of housing of increased prestige from 80%. This type of housing real estate provides a greater security and safety. This aspect is of 100% importance. The limited access to a gated community is favored from 90% of the respondents. Reduced traffic is important to 50% of the respondents and the same percentage of respondents supports the non-importance of this factor.

There are also disadvantages of gated communities, which are specifically depicted in question number four. However, housing market with gated communities is not affected by disadvantages to a high extent. This can be due to the existence of a relatively small number of gated community properties in Prague.

Table 5

<table>
<thead>
<tr>
<th>Response options</th>
<th>Very important</th>
<th>Important</th>
<th>Not important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic segregation</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>Larger social pattern of segmentation</td>
<td>10%</td>
<td>20%</td>
<td>70%</td>
</tr>
<tr>
<td>Privatization of public space (defeat of democracy)</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>Other, specify:</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

The economic segregation and privatization of public space are not among the disadvantageous aspects of gated communities. The gated communities may represent a larger social segmentation, this is agreed upon by 30% of the respondents. However, as some respondents mentioned when completing this question, in the future there may be more disadvantages associated with gated communities due to higher production of this type of housing in Prague.

Question five is looking at the overall impact of gated communities in the city structure. The Likert scale is incorporated with the choice of high, medium or low impact.
Table 6

<table>
<thead>
<tr>
<th>Response options</th>
<th>High</th>
<th>Medium</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uncontrolled suburbanization</td>
<td>0%</td>
<td>30%</td>
<td>70%</td>
</tr>
<tr>
<td>Decreasing importance of public vs. private space</td>
<td>0%</td>
<td>20%</td>
<td>80%</td>
</tr>
<tr>
<td>Formation of new centers</td>
<td>10%</td>
<td>30%</td>
<td>60%</td>
</tr>
<tr>
<td>Other, specify:</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

The production of gated communities in Prague doesn’t have a long history. Gated communities has been produced at a small scale level so the effect on the city structure is not highly apparent. According to the respondents, the uncontrolled suburbanization is from 70% rather low. The decreasing importance of the public vs. private space is low in 80%. The only impact the gated communities may have on the restructuring of the city is the formation of the new centers. 10% of the respondents states this is high impact factor, 30% of the respondents states it is medium impact factor.
6. PRICE ANALYSIS

The price analysis is an econometric analysis that is based on 446 observations. These observations include observations from three gated communities and one non-gated community in Prague. Three gated communities include Residence Riegerovy sady, Kejřův Mlýn, Residence Radlice and one non-gated community includes River Lofts. All these development communities are located in Prague, and they don’t have any extra amenities such as swimming pool. The analyzed data were provided by real estate developers based in Prague. These data include the information on price of the housing unit, size of the apartment and lotsize in either gated or non-gated communities. These data provide the basis for the analysis. The sales of the housing units in these communities were realized in years 2007-2009. The data information on the particular sale for particular date is not available. Therefore the time variations are not encountered for in this price analysis. There is no inflation adjustment made for the prices.

The hypothesis to be tested in this thesis states that the gated communities add value. The evidence supports the statement that the extra security provided at the property increases the value of the property. The extra security in this context is related to physical gates, other extra security systems or security guards that offer higher security of a new development area. Therefore the prices for the housing units located in gated communities are higher than the prices for the properties located in non-gated communities. For the illustration the photos of two gated communities and one non-gated community are included.
Picture 5: Gated community Kejřův Mlýn. Photo: author

Picture 6: Gated community Residence Riegerovy sady. Photo: author
### DESCRIPTIVE STATISTICS

**Table 7**

Description for the chart

<table>
<thead>
<tr>
<th>A - Variables</th>
<th>B - Mean</th>
<th>C - Standard Deviation</th>
<th>D - Minimum</th>
<th>E - Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price (CZK)</td>
<td>4 552 824</td>
<td>1 509 944</td>
<td>1 919 492</td>
<td>7 831 000</td>
</tr>
<tr>
<td>M²</td>
<td>81</td>
<td>26</td>
<td>37</td>
<td>139</td>
</tr>
<tr>
<td>Price/m² (CZK)</td>
<td>55 868</td>
<td>3863</td>
<td>43 024</td>
<td>67 114</td>
</tr>
<tr>
<td>Gate</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Lotsize</td>
<td>121</td>
<td>55</td>
<td>37</td>
<td>291</td>
</tr>
</tbody>
</table>

Descriptive statistics for 78 home sales in Kejřův Mlýn

<table>
<thead>
<tr>
<th>A - Variables</th>
<th>B - Mean</th>
<th>C - Standard Deviation</th>
<th>D - Minimum</th>
<th>E - Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price (CZK)</td>
<td>8 458 262</td>
<td>2 389 267</td>
<td>4 009 550</td>
<td>10 415 844</td>
</tr>
<tr>
<td>M²</td>
<td>108</td>
<td>29</td>
<td>53</td>
<td>127</td>
</tr>
<tr>
<td>Price/m² (CZK)</td>
<td>78 176</td>
<td>6 952</td>
<td>69 557</td>
<td>86 799</td>
</tr>
<tr>
<td>Gate</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Lotsize</td>
<td>199</td>
<td>131</td>
<td>123</td>
<td>457</td>
</tr>
</tbody>
</table>
These tables include the description of the variables for the descriptive statistics separately in three gated communities and one non-gated community. These can be used for the comparison of the values in between the communities.

Table 8

<table>
<thead>
<tr>
<th>A – Variables</th>
<th>B – Mean</th>
<th>C – Standard Deviation</th>
<th>D – Minimum</th>
<th>E – Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Descriptive statistics for 151 home sales in Riegerovy sady</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price (CZK)</td>
<td>7 031 587</td>
<td>3 258 499</td>
<td>2 427 534</td>
<td>20 938 627</td>
</tr>
<tr>
<td>M²</td>
<td>83</td>
<td>30</td>
<td>26</td>
<td>171</td>
</tr>
<tr>
<td>Price/m² (CZK)</td>
<td>88 115</td>
<td>48 845</td>
<td>48 286</td>
<td>539 588</td>
</tr>
<tr>
<td>Gate</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Lotsize</td>
<td>99</td>
<td>33</td>
<td>37</td>
<td>186</td>
</tr>
</tbody>
</table>

Descriptive statistics for 71 home sales in River Lofts

| Price (CZK)       | 4 610 108 | 2 312 725 | 1 934 849 | 13 138 860 |
| M²                | 71        | 27        | 40        | 155        |
| Price/m² (CZK)    | 63 043    | 10 471    | 43 766    | 91 438     |
| Gate              | 0         | 0         | 0         | 0          |
| Lotsize           | 97        | 49        | 40        | 294        |

The descriptive statistics for all homes sales are included. These statistics are done as a log of a certain variable. This is due to the fact that the regression is also done in logged manner.

The following regression model is estimated. This model explains the variations in the prices in gated and non-gated communities in Prague. Regression model is estimated on available data provided by real estate developers. These data include the presence of gates or non-gates in a particular community, the size of the apartment and lotsize.
\( \ln Price = \alpha + \beta_1 \cdot \text{gate} + \beta_2 \cdot \ln \text{size apartment} + \beta_3 \cdot \text{lotsize} + e \)

The regression results are reported in table 9. The estimates of parameters give this equation:

\[
\begin{align*}
\text{Log of price} & = 11,06 \text{ (intercept)} \\
& + 0,18 \text{ (gate)} \\
& + 0,94 \text{ (ln size of apartment)} \\
& + 0,05 \text{ (ln lotsize)}
\end{align*}
\]

The independent variable of gated community is positive and significant which is based on the t-value. Therefore the hypothesis that gated community adds value is supported. The variable log of the apartment size (m²) is positive and significant. The explanation is the larger size of the apartment contributes positively to a value of the housing unit. The variable of lotsize is included. This variable is positive. However, this variable is not significant based on its t-value.

The interpretation of the variables is if there is an increase of one percent in gated community variable, the price will increase by 18%. If there is an increase by 1% in the apartment size area, the price will increase by 0,94%. The variable of lotsize is not encountered for as this variable is not significant based on its t-value.

**Table 9 Regression results**

Number of observations: 446  
Dependant variable: log of price

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>11,06</td>
<td>81,26</td>
</tr>
<tr>
<td>Gate</td>
<td>0,18</td>
<td>5,47</td>
</tr>
<tr>
<td>Ln size apartment</td>
<td>0,94</td>
<td>22,85</td>
</tr>
<tr>
<td>Ln lotsize</td>
<td>0,05</td>
<td>1,62</td>
</tr>
</tbody>
</table>
There is a new regression model estimated. This model is estimated in order to get a better regression model than the previously obtained regression model. In the new regression, there is another independent variable included. This variable is the distance from the center to a particular community. This variable should also have an influence on the setting of the price of the housing unit in a gated or non-gated community. The following regression model is estimated.

\[ \ln(\text{Price}) = \alpha + \beta_1 \times \text{gate} + \beta_2 \times \ln(\text{size apartment}) + \beta_3 \times \text{lotsize} + \beta_4 \times \text{distance} + e \]

The independent variable of gated community is positive and significant which is based on the t-value. Therefore the hypothesis that gated community adds value is supported in this new regression model. The variable log of the apartment size (m$^2$) is positive and significant. The explanation is the larger size of the apartment contributes positively to a value of the housing unit. The variable of lotsize is in this new regression model positive and significant. The explanation is the larger lotsize contributes positively to a value of housing unit. The new independent variable distance from the center to a residential community is added. This variable is negative and significant. It influences the price in a way the further the community is away from the center, the lower the price is for the particular housing unit in the community.

The interpretation of the variables is if there is an increase of one percent in gated community variable, the price will increase by 16%. If there is an increase by 1% in the apartment size area, the price will increase by 0,89%. If there is an increase by 1% of the lotsize, the price will then increase by 0,09%. If there is an increase in one percentage unit in distance from the center variable, the price will then decrease by 0,06%.

**Table 10 Regression results**

<table>
<thead>
<tr>
<th>Number of observations: 446</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependant variable: log of price</td>
</tr>
<tr>
<td>A</td>
</tr>
<tr>
<td>-----------------</td>
</tr>
<tr>
<td>Intercept</td>
</tr>
<tr>
<td>Gate</td>
</tr>
<tr>
<td>Ln size apartment</td>
</tr>
<tr>
<td>Ln lotsize</td>
</tr>
<tr>
<td>Distance</td>
</tr>
</tbody>
</table>

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted R2</td>
<td>82,08</td>
</tr>
<tr>
<td>F value</td>
<td>510,69</td>
</tr>
<tr>
<td>N</td>
<td>446</td>
</tr>
</tbody>
</table>
7. CONCLUSION

Gated communities that are a rather new product of housing on the Czech housing market are further explored in this work. There was a lot of research done on the topic of gated communities in the USA where these communities have a long tradition. However, in the Czech Republic there hasn’t been so much research done. Therefore the information gained by exploring further the concept of gated communities can be beneficial not only for the real estate developers and real estate brokers but also for general perception on this topic.

The concept of gated communities may have a different interpretation in diverging conditions in different countries. This work first describes the term of gated communities and further illustrates the examples of gated communities in different countries. Gated communities are a form of housing that are characteristic by two important factors: its physical separation by walls or fences and by privatization of the public space. These communities are located in the inner city as well as in the suburbs. The physical separation is done in order prevent the access to the object by non-residents. Therefore it is only the residents permitted the access to such a community. The gated community space is secured and the access to the gated community is controlled. Privatization of the public space means that burden of maintenance is put on the developer and the developer is responsible for upkeep of the private property (Blakely, Snyder 1997: 2-8).

In Prague gated communities are also characterized by physical separation of the space and the privatization of the public space. However, physical separation in Prague is further specified. It is either the provision of physical separation such as gates or walls or it can be the presence of the security service agency that is guarding the property. The Prague gated communities are also characterized by the privatization of the public space (Brabec, 2007). This work is divided into two main research parts. The first part is the qualitative part where there is interviews conducted with the real estate developers and real estate brokers. This part contributed to the general perception of the concept gated communities in Prague. The developers think that gated communities in Prague are from 30% the type of life style communities. 30% respondents agree that gated communities in Prague are a type of a
lifestyle and elite community. The gated communities represent a higher security and safety and are a symbol of prestige. So far, the gated communities in Prague are perceived positively. There is no big disadvantages connected with the gated communities.

The second part of the gated community study in Prague is the quantitative part. This part is included in order to investigate the differences in between the prices in gated and non-gated communities. The regression model for comparison of three gated communities and one non-gated community in Prague is estimated. The regression model supports the hypothesis. The hypothesis that gated communities add value is confirmed in the study. The value of a gated community is higher due to higher security provision.

The issue of gated communities is rather a small scale issue in Prague. However, there is a space to investigate the gated communities in Prague even further. Different aspects of gated communities may be considered and looked upon.
REFERENCES

Academic literature and journals


Fences Between Us: Separation of the Wealthy in Gated Communities, unpublished version, ENHR 2009


Online sources:


<http://www.orco.cz/o-firme.html>


Interviews

APPENDIX

Questionnaire Gated communities in Prague

Please try to answer these questions in the space provided. This questionnaire will be assessed and the results will contribute towards better knowledge on the topic Gated communities in Prague (new type of developments physically separated by gates from the other environment providing higher security or amenities such as gym).

The results will be sent to your company when the work is completed (May 2010).

BACKGROUND INFORMATION

The Short Company Introduction (what the company does, specialization):

The name of interviewed person and position in the company:

The gated community project(s) involved in:

GATED COMMUNITIES IN PRAGUE

Who took the initiative starting these projects?

When did the process of building gated communities start to evolve?

Was it difficult to get permits for such a development from local authorities?
Were the authorities supportive of such a development?

Where is the tendency to build GCs?
Urban or suburban areas?

What is the composition of inhabitants of gated communities?

Do they represent particular group (concerning the income level, education)?

Is there a willingness among buyers to pay the premium for living in GC?

Does it cost (much) more to build, manage and maintain GC?

How do GCs sell in comparison with NGCs?

Do GCs attract second tier buyers to surrounding area who may not be able to afford house/apartment in GCs?

Is there higher willingness to purchase GC housing product among buyers nowadays?

What is the future outlook for building of GCs?
MULTIPLE CHOICE QUESTIONS

1. The prevalent type of gated communities in Prague
   a) Lifestyle community – gates provide security and enclose leisure activities and amenities (tennis course, gym...)
   b) Elite community – gates symbolize distinction and prestige, indicate secure place on the social ladder
   c) Security zone – fear of crime and outsiders, the most important motivation for defensive fortification
   d) Combination of above mentioned, specify which types:
   e) Other, specify:

In questions 2.-5., highlight (circle) the most appropriate for each sub-question.

2. What factors does a developer focus on when building such a community?
   a) Level of security offered
      Very important somewhat important not important
   b) Availability of recreational and sporting facilities
      Very important somewhat important not important
   c) Quality of services
      Very important somewhat important not important
   d) Community ethic and expectations
      Very important somewhat important not important
   e) Other, specify:
      Very important somewhat important not important

3. Advantages of gated communities (order according to importance)
   a) Increased prestige
      Very important somewhat important not important
b) Greater safety and security
   Very important  somewhat important  not important

c) Reduced traffic
   Very important  somewhat important  not important

d) Favor desirability of limited access
   Very important  somewhat important  not important

e) Other, specify:
   Very important  somewhat important  not important

4. Disadvantages of gated communities
   a) Economic segregation
      Very important  somewhat important  not important

   b) Larger social pattern of segmentation and separation
      Very important  somewhat important  not important

   c) Privatization of public defeat the very idea of democracy (since GC have their own structure eg. guards)
      Very important  somewhat important  not important

   d) Other, specify:
      Very important  somewhat important  not important

5. What is the impact of GCs on city structure?
   a) Uncontrolled suburbanization
      High  medium  small

   b) Decreasing significance of public vs. private space
      High  medium  small

   c) Formation of new centers
      High  medium  small

   d) Other, specify:
      High  medium  small

Is there a tendency towards similarities of the gated communities in Prague or are they rather different?
Econometric (statistical) part of the study

This part of the study is concentrating on comparison of the prices in Gated residential communities (new developments, fenced or walled communities that are secured and that provide extra amenities such as fitness center) and Non-gated residential communities (new developments, these developments are not fenced or walled or secured, there is no extra. The hypothesis is that housing units in gated communities have higher value than housing units in non-gated communities. This hypothesis is to be tested for in this statistical study.

Can you provide me with this type of data regarding the gated community or non-gated community project realized by your company:

- The name of Gated or Non-gated community project
- The lotsize of the project (m²)
- The list of sales prices and sizes of the apartments in a particular project
- The year of sales of the apartments

Thank you! These data will be used for the econometric analysis.