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The external expectations of potential real estate buyers in Slovenia and Japan

This article presents partial results of a survey being conducted in Slovenia and Japan. It seeks to determine the factors that have a decisive influence over potential real estate buyers when deciding to purchase. The article focuses on the role of potential buyers' external expectations in relation to their various cultural identities. We follow the hypothesis that these differences in external expectations are statistically significant. The primary instrument for measuring participants' expectations was a survey in which 1,270 people participated. We statistically analysed the results by conducting a one-way analysis of variance related to the participants' various cultural identities. By analysing the results of the statistical analyses, we confirmed the hypothesis. It is evident from the results that Slovenian participants had lower expectations in terms of Slovenia's legal, taxation and other regulatory measures

in housing compared to Japanese participants. Considering that legislation represents the Slovenian government's primary influence over the real estate market, the expectations of the participants in our survey show that Slovenian buyers' confidence should be increased in this area.

Keywords: buyers' expectations, real estate rights, Slovenia, Japan

1 Introduction

The expectations of potential real estate buyers are diverse and differ according to the buyers' needs, wishes, interests, legal options and material ability. By observing market participants, researchers can attach recognition to specific determining factors (Cohen et al., 2005; Temeljotov Salaj, 2005; Sendi, 2005; Thomas, 2008). Joe Wong and Eddie Hiu (2006) combined these factors into personal expectations and external expectations. They link personal expectations to potential buyers, investors and owners, who expect high (or low) returns in the future when the market will grow (or fall) and whose expectations are too high (or too low) regarding the rise (or fall) in future market prices. They link external expectations to market price changes and a country's regulatory measures. They note that, particularly when prices are expected to rise, countries encourage investment and ownership through regulatory measures and banks provide favourable loans. The external expectation factors involved in the residential property market mainly include those that describe housing and tax legislation, regulatory measures and the economic situation.

In the analysis, we are interested in studying the external expectations of potential buyers from various cultural environments. We would like to establish whether, on the basis of their connection to various cultures, buyers show statistically significant differences in terms of external expectations. As external expectations, we included housing policy governance, the nation's tax and regulatory measures, real estate market availability, market price trends, national economic situation changes, the financial situation of potential buyers, a nation's unemployment rate and the ideal time to purchase (Grum, in press). We studied the expectations of participants in two different cultural environments: EU member Slovenia and Japan, a highly developed Asian country. The selection criterion for choosing these two cultural environments was the high percentage of owner-occupied housing. According to Eurostat data (Internet 1), 80% of households owned their home in Slovenia in 2007. According to data from the Japanese Ministry of Land, Infrastructure, Transport and Tourism (2009), 60% of households in Japan owned their home during the same period.

Using the survey described, we attempted to increase understanding of the influence that various cultural environments have upon the expectations of potential real estate buyers. The differences among expectations were statistically significant in relation to various cultural identities (Slovenia and Japan in our case) in housing policy, tax measures, regulatory measures, increased real estate market availability, market price trends, changes to the nation's economic situation, personal financial situation, unemployment rate and the ideal time to purchase.

This article first discusses the external expectations and then presents the methodology and instruments. Following that, the survey results are given and, finally, our conclusions are discussed.

2 External expectations of potential real estate buyers

We studied the expectations of potential buyers in relation to national housing policies. External expectations best relate to these policies. National housing policy is used to uniformly and transparently manage housing, taking into consideration social and other elements of forming public policy, especially real estate market elements and social needs (Štritof Brus, 2009). The housing policy is also linked to housing accessibility (e.g., there being a sufficient number of housing units available on the market, balanced supply and demand conditions, price affordability and suitable housing costs; Cirman, 2007). Housing affordability, measured according to an internationally established limit, which states that housing costs should not exceed 30% of the household's disposable income, is diverse in both countries compared. According to data published by the Statistical Office of the Republic of Slovenia (2009), the sum of the housing costs exceeded this 30% limit. It was 30.8% in 2005, 31.3% in 2006 and 31.8% in 2007. According to the Japanese Statistics Bureau (2010), the proportion in Japan is significantly more favourable, ranging from 17.6% in 2001 to slightly less than 18% in 2008. Andreja Cirman (2007) stated that housing accessibility is not only related to the burden the costs place on household income, but is also related to the issue of financing privately owned apartments. In this context, households are faced with markedly insufficient availability from the non-profit sector, expensive market housing and the high prices of privately owned housing. Slovenian housing policy is characterised by the relatively low affordability of privately owned housing, which means that the policy has not been successful in ensuring affordable housing options (Cirman, 2007). These problems can occur due to unresolved issues of denationalisation, difficulties selling properties to foreigners and problems related to updating the land register, which also influences the national lending policy (Temeljotov Salaj & Zupančič, 2006).

Another expectation factor is the national tax measures. Economists have yet to find a unified answer regarding the impact of taxation on the property market and on the distribution of the tax burden. Empirical analyses of the subject have mainly been based on the experiences of the US and Great Britain (Pušnik, 1999). The major problem in terms of real estate tax is in determining the taxable value. The government or local community must estimate the market value of all properties

that are subject to taxation. In Slovenia, the obstacle was the lack of a universal system of property valuation (Macarol, 2009). This obstacle was eliminated with the adoption of the Real Estate Mass-Appraisal Act (Sln. *Zakon o množičnem vrednotenju nepremičnin*, Ur. l. RS, no. 50/2006). In Japan, stabilised prices for standard real estate are made publicly available each year. The prices are published in accordance with the Public Notice of Land Price Law (Japan Official Gazette, no. 49/1969). The Slovenian Real Estate Mass-Appraisal Act will perform a similar function to this Japanese law. The aim of the act will be to regulate the valuation of real estate in the Slovenia on the basis of universal appraisal for taxation and other public purposes.

Participants' expectations were examined regarding real estate market availability and market price trends. The issue of housing affordability is also related to ensuring housing availability (Mandič et al., 2006). Through its own actions, a country can significantly influence the real estate market through supply and demand and also in a normative sense. According to Igor Šoltes (2009), normative influence is even more important because the market response is actually a response to the legal framework that defines the restrictions and options in dealing with real estate. It is therefore important how a country chooses to handle its tangible assets, which are important financial resources. According to Šoltes (2009), the real estate market cannot function effectively and successfully until precise records are established and entry into the land register is properly regulated. The real estate markets in Slovenia and Japan were strongly affected by the economic crisis in 2008. In Slovenia that year the number of property transactions fell by 18% compared to 2007 (Surveying and Mapping Authority of the Republic of Slovenia, 2009). In Japan they fell by 10% (Ministry of Land, Infrastructure, Transport and Tourism, 2009). In 2009, compared to the previous year, Tokyo housing prices fell by 19.4% (Ministry of Land, Infrastructure, Transport and Tourism, 2009). In Ljubljana, they fell by 4.8% (Surveying and Mapping Authority of the Republic of Slovenia, 2009).

We studied whether, in a time of markedly changing housing prices, there are discrepancies among economic models that explain the patterns of price changes and participants' expectations in the short-term. According to Jan Rouwendal and Simonetta Longhi (2008), these discrepancies are due to a variable that is expressed psychologically as either a feeling of optimism or pessimism in consumers. Both investors and owners are expecting high (or low) yields when the market grows (or falls), or they have too high (or too low) expectations regarding the price trends (Wong & Hiu, 2006). Wong and Hiu (2006) concluded that investors and owners are, in reality, more susceptible to the behaviour of other investors

or owners than to real estate conditions. They note that, in times of an expected rise in prices, the country encourages investments and ownership through regulatory measures and banks provide favourable loans. High expectations regarding housing can negatively affect housing affordability (Thomas, 2008). Wong and Hiu (2006) established that investors in the housing market are frequently over-optimistic. They referred to the Pygmalion hypothesis, which anticipates that this is the result of self-fulfilling prophecies (Kobal, 2001). These self-fulfilling prophecies occur when the "wrong concept of understanding the situation awakens new behaviour that makes the originally incorrect concept true" (Merton, 1957: 36). People do not always act rationally. Their tendencies are more optimistic when real estate market prices are rising and are more pessimistic when the prices are falling. As long as participants expect price growth on the real estate market, their behaviour creates higher demand. Expectations that the prices will continue to grow lead to increased market supply and demand, contrary to expectations that real estate prices will decrease until the market reaches equilibrium. This shows that those hopes, desires, expectations and self-fulfilling prophecies, whether true or not, affect the real estate market (Wong and Hiu, 2006).

Another factor is the nation's economic situation. The global crisis is reflected in both countries by changing gross domestic product (GDP) trends. After 2007, when the real growth rate in Slovenia reached 6.8%, GDP decreased until 2009 (Institute of Macroeconomic Analysis and Development, 2010). Based on current predictions, a slight increase in GDP of 0.9% is expected in 2010, and should be 2.5% in 2011. According to the Japanese Real Estate Institute (2009), in 2008, after a long period of recovery, GDP growth also decreased in Japan (positive growth). According to predictions from the same source, negative growth was recorded in 2009, but positive growth is expected for 2010 and 2011, when the growth percentage should be close to 2%.

The national unemployment rate is another factor. The world economic crisis has substantially altered real estate market price trends in most countries. The same is true for Slovenia and Japan. Alenka Kajzer (2009) stated that the financial crisis that emerged in 2007 was gradually transferred into the real sector, where it became an economic crisis. In 2007, Slovenia was characterised by extremely high economic growth, but that trend slowed in 2008. Towards the end of 2008, a decrease in economic activity was measured. Similar trends could also be seen in Japan, where, in 2008, economic recovery from the 1991 recession halted. According to Kajzer (2009), this affected the labour market and, in comparison to 2007, some substantial changes in wage movements were observed. Due to the increase in unemployment, Slovenia reacted by strengthen-

ing the implementation of active employment policy programs. Two intervention acts, each designed to maintain jobs, were adopted: in January 2009, an act that amended the Partially Subsidising of Full-Time Work Act (Sln. *Zakon o delnem subvencioniranju polnega delovnega časa*, Ur. l. RS, no. 5/2009) and, at the end of May, the Partial Reimbursement of Payment Compensation Act (Sln. *Zakon o delnem povračilu nadomestila plač*, Ur. l. RS, no. 42/2009). In 2009, the Japanese government responded to the crisis by adopting a stimulation measure worth \$173 billion, which is more than the total value of all measures adopted in 2008 (Japan Price History, 2009). Those actions influenced the real GDP growth rates. In 2008 and 2009, both countries recorded a significant decrease in GDP. In 2010, as the result of anti-crisis measures adopted by the government, GDP increases were recorded. Predictions for 2011 are positive for both Slovenia and Japan. In both countries, a steady and constant 2% GDP growth is anticipated. The survey carried out by Wong and Hiu (2006) also showed an interesting conclusion. They concluded that as many as 95% of all Japanese participants answered that, when deciding to purchase housing, the key factors were economic situation, interest rate and family income. They regarded the unemployment rate as being of almost no importance even though the rate was extremely high when the survey was carried out.

Determining the ideal time to purchase real estate during the next 6 months was another factor examined. In the last quarter of 2009, the housing market showed signs of recovery after nearly disappearing at the end of 2008 and during the first half of 2009 on account of the substantial decrease in prices (Surveying and Mapping Authority of the Republic of Slovenia, 2009). The number of real estate transactions rose markedly (by 70% compared to the previous quarter) and came closer to the average recorded prior to the crisis. The Statistical Office of the Republic of Slovenia (2010) states that it is not yet clear whether this rise means a revival of the regular market or merely the implementation of urgent real estate transactions that had been postponed or withheld during the previous year because of the price drop. The indicators for economic climate and confidence in the construction market show moderate improvement, but it is not certain whether the participants' expressed expectations will follow suit. In Japan, buyer confidence in the real estate market is slowly being restored, and therefore the recovery of the housing market is expected (Japan Price History, 2009). According to the Economic and Social Research Institute of Japan (2010), the consumer confidence index is rising after constantly falling from 2006 to 2008.

3 Methodology and instruments

We ourselves created a survey questionnaire that was the primary instrument for measuring participants' expectations.

Compiling the questionnaire was part of a wider survey that is being conducted in Slovenia and Japan. It seeks to determine the factors that are decisive for potential real estate buyers when deciding to purchase, to subdivide possible variations between the listed expectations and current legislation in real estate and to determine whether the modern economic environment is positively linked to the expressed expectations (Grum, in press). We created the three-part questionnaire according to Tarik M. Al-Soliman (1990) guidelines. The first part measured demographic factors, the second personal expectations and the third external expectations. We then used a review method that was based on the type of questionnaire (Walonic, 2007). Participants responded to the questions by means of a Likert scale, with 5 indicating that they completely agree with a statement and 1 that they completely disagree. The data collection was carried out via personal correspondence and through the internet. The anonymity of participants involved in the survey was ensured. The data were processed using an SPSS statistics system.

To analyse the external expectations, we used the first and third parts of the questionnaire. The first part of the questionnaire measured demographic factors and included 34 variables. We determined the eight factors that explain over 60% of the total variation (Bastič, 2006). The Kaiser-Meyer-Olkin measure of sampling adequacy was 0.7. Bartlett's test ($BT = 2178.1$), which was statistically significant, showed that these factors could be interpreted (Fulgosi, 1984). The results of the third part of the questionnaire, which was based on external expectations, showed that four factors explained over 61% of the variance. The Kaiser-Meyer-Olkin measure of sampling adequacy was 0.9. Bartlett's test ($BT = 2791.8$), which was statistically significant, showed that four of these factors could be interpreted. The reliability of the questionnaire was established using the inner consistency method (Cronbach's alpha coefficient) and indicated that the questionnaire displayed a high level of reliability. Cronbach's alpha coefficient for the first part of the questionnaire was 0.8 and was 0.6 for the third part.

The survey was conducted in Slovenia and Japan. The sample included participants 20 to 40 years old that were selected according to cultural identity, gender, age, employment, marital or family status, and economic social status. The survey included 1,006 Slovenian participants and 264 Japanese participants.

Table 1 shows that Japanese participants made up only just over 20% of the total number. This is because Japanese law restricts the distribution of a questionnaire in public places (without the authorisation of a special ethics committee). In comparison to Slovenian participants, Japanese participants also showed great distrust regarding participation in online surveys. In terms of education, most participants had com-

Table 1: Participants by cultural identity, gender, age, education, family status, number of children in a joint household and place of residence

	Slovenian		Japanese		Together	
	<i>n</i>	%	<i>n</i>	%	<i>n</i>	%
Cultural identity	1,006	79.2	264	20.8	1,270	100.0
Gender						
Women	623	49.0	90	7.0	713	56.1
Men	383	30.1	174	13.7	557	43.9
Total	1,006	79.2	264	20.8	1,270	100.0
Age						
20 to 29	490	38.6	114	8.9	604	47.6
30 to 40	516	40.6	150	11.8	666	52.4
Total	1,006	79.2	264	20.8	1,270	100.0
Education						
Less than secondary	10	0.8	0	0.0	10	0.8
Secondary	370	29.1	18	1.4	388	30.6
Tertiary	533	41.9	96	7.5	629	49.5
Masters or more	93	7.3	150	11.7	243	19.1
Total	1,006	79.2	264	20.8	1,270	100.0
Family status						
Single	264	21.0	168	13.4	432	34.5
Married/partnership	731	58.3	90	7.1	821	65.5
Total	995	79.4	258	20.5	1,253	100.0
Number of children in household						
None	486	38.7	198	15.8	684	54.6
One	174	13.9	12	0.9	186	14.9
Two	251	20.0	18	1.4	269	21.5
Three	68	5.4	30	2.3	98	7.8
Four or more	15	1.2	0	0.0	15	1.2
Total	994	79.3	258	20.6	1,252	100.0
Place of residence						
City centre	316	25.2	114	9.0	430	34.3
Outskirts of the city	321	25.6	132	10.5	453	36.2
Rural, densely populated	234	18.7	6	0.4	240	19.2
Rural, dispersed	116	9.3	0	0.0	116	9.3
Other	8	0.6	6	0.4	14	1.1
Total	995	79.4	258	20.5	1,253	100.0

pleted tertiary education (49.5%) or at least secondary education (30.6%). In terms of the number of children in a joint household, the majority of participants did not have children (54.0%). The majority of participants live on the outskirts of the city (36.2%) or in the city centre (34.3%).

Table 2 shows that the majority of participants either owned or co-owned the housing that they lived in (48.3%) or were living with their relatives (25.9%). The majority of participants lived in houses (57.8%) or a block of flats (40.8%). The majority of participants are employed (59.6%). A total of 84.5% of participants dedicated approximately 30% of their monthly expenditure to their current housing issues. In terms of housing

satisfaction, most participants were satisfied with their current residence status (29.9%).

4 Results and discussion

We analysed the data by conducting a one-way analysis of variance in relation to the participants' various cultural identities (Table 3). Statistically significant differences ($p < 0.01$) were found regarding the expectations of potential buyers in terms of tax measures, housing policy, regulatory measures, increased real estate market availability, predicted future national economic situation, personal financial situation during past

Table 2: Participants by housing ownership, type of housing, occupation, monthly expenses for housing and satisfaction with current residence status

	Slovenian		Japanese		Together	
	<i>n</i>	%	<i>n</i>	%	<i>n</i>	%
Housing ownership:						
Owned or co-owned	531	42.5	72	5.7	603	48.3
Market rental	99	7.9	96	7.6	195	15.6
Non-profit	27	2.1	24	1.9	51	4.1
With relatives	269	21.5	54	4.3	323	25.9
Other	64	5.1	12	0.9	76	6.1
Total	990	79.3	258	20.6	1,248	100.0
Type of housing:						
Block of flats	366	29.2	144	11.5	510	40.8
House	608	48.6	114	9.1	722	57.8
Other	17	1.4	0	0.0	17	1.4
Total	961	76.9	258	23.0	1,249	100.0
Employment:						
Unemployed	30	2.4	6	0.4	36	2.9
Student	304	24.3	126	10.0	430	34.4
Employed	630	50.4	114	9.1	744	59.6
Other	27	2.1	12	0.9	39	3.1
Total	991	79.3	258	20.6	1,249	100.0
Monthly expenses for housing						
Nothing	450	36.2	60	4.8	510	41.1
< 30% of income	216	17.4	150	12.0	366	29.5
30% of income	149	11.9	24	1.9	173	13.9
> 30% of income	129	10.3	24	1.9	153	12.3
Almost all income	40	3.2	0	0.0	40	3.2
Total	984	79.2	258	20.7	1,242	100.0
Satisfaction with current residence status:						
Very dissatisfied	76	6.0	30	2.4	106	8.5
Dissatisfied	105	8.4	24	1.9	129	10.4
Medium satisfied	220	17.7	48	3.8	268	21.6
Satisfied	281	22.6	90	7.2	371	29.9
Very satisfied	300	24.1	66	5.3	366	29.5
Total	982	79.1	258	20.8	1,240	100.0

months and the ideal time to purchase real estate. Statistically significant differences ($p < 0.01$) were also found in terms of the national economic situation during past months and the unemployment rate.

As shown in Figure 1, Slovenian participants had higher expectations regarding increased real estate market availability, the national economic situation during past months and the ideal time to purchase real estate. Japanese participants had higher expectations regarding tax measures, housing policy, regulatory measures, predicted future real estate price trends, the predicted national economic situation for future months and the unemployment rate.

According to participants' cultural identity, statistically significant differences were shown in terms of national tax measures. Although participants from both cultures expressed relatively low expectations regarding tax measures, Japanese participants expressed higher expectations (average accordance rate = 2.54). Adistair Adair et al. (2006) pointed out that the most important factors in the development of the land and real estate market are adequate and quality market data and the ability to properly present or interpret that data. Property tax is one of the oldest public revenues. This tax is unpopular throughout the world and is often criticised because it is more noticeable and distinct from other taxes such as tax on income or value added tax (Bevc, 1997). The major problem with property

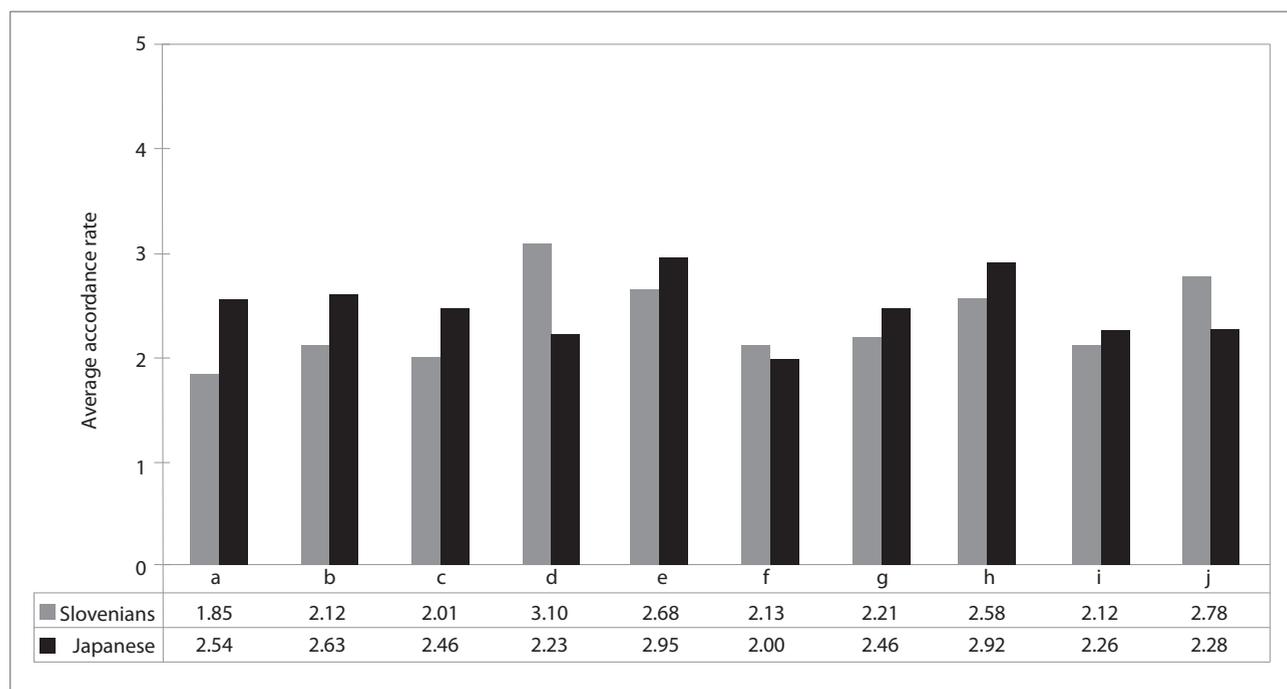
Table 3: Results of analysis of variance for external expectations of potential real estate buyers in relation to their cultural identity

Variables		Sum of squares	df	Mean square	F	p
Tax measures	‡	87.102	1	87.102	94.067	0.000
Housing policy	‡	47.796	1	47.796	41.938	0.000
Regulatory measures	‡	37.764	1	37.764	40.59	0.000
Real estate market availability	‡	138.583	1	138.583	148.194	0.000
Market price trend	‡	13.332	1	13.332	17.786	0.000
National economic situation in past months	*	2.92	1	2.92	5.243	0.022
National economic situation in future months	‡	11.753	1	11.753	19.857	0.000
Personal financial situation in past months	‡	20.973	1	20.973	27.809	0.000
Personal financial situation predicted for future months		0.447	1	0.447	0.582	0.446
Unemployment rate	*	3.382	1	3.382	4.032	0.045
Ideal time to purchase	‡	46.243	1	46.243	45.365	0.000

Notes: * difference is statistically significant ($p < 0.05$); † difference is statistically significant ($p < 0.01$); ‡ difference is statistically significant ($p < 0.001$)

tax is determining the taxable amount. By adopting the Real Estate Mass-Appraisal Act (Ur. l. RS, no. 50/2006), Slovenia eliminated its barrier to implementation of the Civil Tax Act (Sln. *Zakon o davkih občanov*, Ur. l. RS, no. 36/1988). Those acts establish an appraisal system for Slovenia, but according to Šoltes (2009) it cannot function effectively and successfully until exacting records are established and entry into the land register is properly regulated. In 1991, Japan adopted the Landholding Tax (Japan Official Gazette, no. 69/1991) to prevent land speculations that had rapidly increased land prices

prior to 1990. Basic Act for Land (Japan Official Gazette, no. 84/1989) was a response to Japan's bitter experience of having high economic growth drive up land prices enormously, a quality that had encouraged speculative transactions (Yoshida, 2002). In accordance with the Public Notice of Land Price Law (Japan Official Gazette, no. 49/1969), real estate prices are published each year. The aim of this public notice is to provide guidelines for creating general transaction prices. Those published prices are also then used as guidelines to estimate the inheritance taxes and taxes for fixed assets.



Note: a) tax measures, b) housing policy, c) regulatory measures, d) real estate market availability, e) real estate market price trends, f) national economic situation during past months, g) national economic situation predicted for future 6 months, h) personal financial situation in past 6 months, i) unemployment rate, j) ideal time to purchase real estate.

Figure 1: Average accordance rate for identifying statistically significant differences between Slovenian and Japanese participants.

Expectations regarding the future national housing policy also showed statistically significant differences. Although participants from both cultures expressed relatively low expectations, Japanese participants had higher expectations (average accordance rate = 2.63). Cirman (2007) stated that the affordability of privately owned housing is relatively low in Slovenia. Mojca Štritof Brus (2009) observed that legislation is a nation's primary point of influence over the real estate market. In her opinion, among the more positive effects is the fact that access to the real estate records register enables searching, checking and exporting all submitted information about sales, purchases and rental businesses (except the personal information of the contracting parties). This information is undoubtedly helpful when setting prices, advertising and marketing.

In terms of national regulatory measures, Japanese participants expressed higher expectations regarding future years (average accordance rate = 2.46). This can be explained by the efforts of the Japanese government, which introduced more changes to help revive the economy and resolve the problems that borrowers of housing loans face. According to Ray Forrest et al. (2003), these measures included lowering the standard interest rate and increasing the maximum amount of loans for new purchases or home renovation. They also extended the time limit for loan repayments from 3 to 10 years for the most at-risk group. Both countries responded to the worsening labour market situation by creating new labour market policy measures and through subsidies. In 2008, unfavourable economic trends altered economic activity in both countries. They affected the labour market and created substantial changes in wage movements compared with 2007 (Kajzer, 2009). Slovenia reacted to the increasing unemployment rate by strengthening the implementation of active employment policy programs (Kajzer, 2009). In 2009, the Japanese government responded to the crisis by adopting a stimulation measure worth \$173 billion, more than the total value of all measures from 2008 (Japan Price History, 2009). Considering the fact that Slovenian participants have lower expectations regarding predicted national regulatory measures for the next 5 years, we can assume that Slovenia has not increased buyer confidence through the adoption of recent acts.

Slovenian participants have significantly higher expectations regarding increased real estate market availability (average accordance rate = 3.10). Japanese participants have higher expectations regarding the rise of real estate prices (average accordance rate = 2.68). Compared to 2007, in 2008, the number of transactions involving building plots in Slovenia fell by 18% (Surveying and Mapping Authority of the Republic of Slovenia, 2009). In Japan, it fell by 10% (Ministry of Land, Infrastructure, Transport and Tourism, 2009). Slovenian participants therefore generally have higher expectations regard-

ing market availability, which may be the result of the market surplus in housing units. In Japan, real estate prices had been falling ever since the crash of the real estate market in 1990, and it was only a few years ago that the market began showing any signs of price recovery. Real estate price trends between 1991 and 2008 were very different in the two countries. In that period, Slovenia experienced a rapid growth in real estate prices that reached its peak intensity in 2006 (Surveying and Mapping Authority of the Republic of Slovenia, 2009). During that period, the prices of building plots in Slovenia increased on average by more than five times. In terms of price trends, Japan experienced quite the opposite. Following the real estate crash of 1991, prices were falling steeply, and it was not until 2006 that the market began to recover and the situation stabilised (Ministry of Land, Infrastructure, Transport and Tourism, 2009). We can therefore assume that Japanese participants, by having higher expectations about the rise of real estate prices, are expressing their belief that the curve of falling prices, which did not turn positive until 2006, had already reached bottom. This can also be explained by the results of public surveys conducted by the Economic and Social Research Institute of Japan (2010). At the beginning of 2010, respondents stated the following: 31.2% of them thought prices would remain unchanged, 24.5% of them thought real estate prices would fall, 28.8% of them thought prices would rise and 15.5% of the respondents were undecided. At the beginning of 2009, respondents had stated the following: 24% of them thought prices would remain unchanged, 15% of them thought real estate prices would fall, 44.7% of them thought prices would rise and 16.3% of the respondents were undecided. We can conclude that, although Japanese expectations regarding price trends are falling, they are still showing a positive trend, which has also been established by our survey. These dynamics are also associated with the difference expressed in participants' expectations regarding changes in the country's economic situation in past and future months. Compared to Japanese participants, Slovenian participants believed that the nation's economic position was better in the past 6 months (average accordance rate = 2.13). Japanese participants had higher expectations regarding their country's position in future months (average accordance rate = 2.46). It is interesting to note that Japanese participants, in comparison to Slovenian participants, thought their personal financial positions in past months were better (average accordance rate = 2.92). In his survey, Jože Bradeško (2003) confirmed the key findings, trends and relationships taken from a European Central Bank study, in which he pointed out the correlation between the growth of real estate property values and real GDP as well as the population's earnings. This does not imply that changes to the GDP affect the real estate price trend directly and in advance, but it means that GDP is one of the most influential factors affecting housing prices (Pšunder, 2009). The positive

correlation between the annual GDP per capita and the average number of real estate transactions is also confirmed by the survey of real estate market activities in Slovenia during the period from 2000 to 2006 that was conducted by Samo Drobne et al. (2009). According to the test results, there is a positive linear correlation between the variables analysed, with a correlation coefficient of 0.7 (risk 1%).

According to participants' cultural identity and age, statistically significant differences were observed in their expectations regarding unemployment rate changes in future months. Japanese participants expressed higher expectations (average accordance rate = 2.26) than Slovene participants (average accordance rate = 2.12). Kajzer (2009) stated that the financial crisis that broke out in 2007 was gradually transferred into the real sector and had become the economic crisis. In 2007, Slovenia was characterised by extremely high economic growth. That growth slowed in 2008 and then, towards the end of the year, a decrease in economic activity was measured by the growth in GDP. In 2008, Japan saw the end of its few years of economic recovery that occurred after the major recession of 1991. Unfavourable economic trends in 2008 affected economic activities in both countries. According to Kajzer (2009), this affected the labour market and resulted in substantial changes in wage movements compared to 2007. In Slovenia, the unemployment rate has substantially increased in the past 2 years. This was expressed through the expectations of our participants, who have lower expectations regarding the unemployment rate change in the coming 6 months.

According to the participants' cultural identity and age, statistically significant differences were observed regarding expectations of the ideal time to purchase real estate in the next 6 months. The Japanese Office for Price Measurement (Japan Price History, 2009) stated that the buyers' confidence in the real estate market is slowly being restored and thus the recovery of the housing market is expected. The economic climate indicator for Slovenia, a significant synthesised indicator composed of the confidence indexes for the manufacturing and retail trades and the consumer confidence indicator, also shows that after the sharp decrease from the second half of 2007 until the beginning of 2009 there was some increase in 2009 and more is expected for 2010 (Statistical Office of the Republic of Slovenia, 2010). Slovenian participants have higher expectations regarding the ideal time to purchase real estate (average accordance rate = 2.78). In our survey, the correlation between participants' expectations regarding the ideal time to purchase real estate and increased market availability (0.244) was also shown. In addition, a negative correlation was shown between the ideal time to purchase real estate and the real estate market price trend (-0.207).

5 Conclusion

This article examined the expectations of potential real estate buyers in Slovenia and Japan. We wanted to establish whether participants from different cultural backgrounds express statistically significant differences in terms of external expectations. We conducted our research in terms of the following external expectations: national housing policy, national tax measures, national regulatory measures, increased real estate market availability, market price trends, changes to the national economic position, the personal financial situation of potential buyers, the national unemployment rate and the ideal time to purchase real estate. We followed the hypothesis that suggests that there are statistically significant differences in the external expectations of potential buyers in terms of their various cultural identities (Slovenia and Japan in our case).

We used a survey questionnaire as the primary instrument for measuring the participants' expectations. The questionnaire was created as part of a broader survey currently being conducted in Slovenia and Japan. Its main aim is to establish the factors that have a decisive influence over potential buyers when deciding to purchase real estate. The questionnaire was used to obtain reliable information and then that information was statistically analysed. One-way analyses of variance were conducted in relation to participants' cultural identity. By analysing the results of the statistical analyses, we confirmed the hypothesis that external expectations show statistically significant differences depending on cultural identity.

Slovenian participants had higher expectations regarding increased real estate market availability, the national economic position during the past months and the ideal time to purchase real estate. Japanese participants had higher expectations regarding the national housing policy, tax measures and regulatory measures, positive real estate price trends for future months, the national economic position in future months and the unemployment rate. The low expectations of Slovenian participants regarding their personal financial situation, however, showed that increasing numbers of them have fewer resources in comparison to others (e.g., money, information, connections and various skills) and are thus poorly prepared for competing on the market. For them, various national measures to help households deal with risk circumstances are highly significant. Considering that legislation is the nation's primary means of influencing the real estate market, the expectations of the participants in our research show that in Slovenia higher consumer confidence should be achieved.

The research has shown three primary influences that explain the low external expectations expressed by Slovenian partici-

pants: first, the high ratio between housing costs and available household income creates low housing affordability; second, the disorganised real estate records system and non-updated land register create vague property tax amounts, unresolved issues of denationalisation, difficulties in selling real estate to foreigners and issues with the national lending policy; and, third, the measures to address the deteriorating labour and real estate market situations are inappropriate or insufficient. Due to the increased unemployment rate, Slovenia strengthened the implementation of employment programs and Japan adopted a stimulation measure in the form of financial intervention. Japanese researchers concluded that as many as 95% of participants believed that, when deciding to purchase housing, the key factors involved in making the decision were the national economic situation, interest rates and family income. The unemployment rate was a relatively unimportant factor. It is not surprising that the measures that were taken by the Japanese government, which included lowering standard annual interest rates, increasing the maximum amount of loans for new purchases or home renovation and simultaneously extending the time limit for loan repayments from 3 to 10 years for the most at-risk group, led to higher levels of confidence on the part of potential real estate buyers.

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