




# The phenomenon of stigmatization in the real estate market

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## Abstract

**Motivation:** The following article covers the entire path of stigmatization, from that which directly affects a person to special cases of real estate stigmatization. Market participants have created many types of stigmatization that discredit a property. These range from the more abstract ones (e.g., paranormal phenomena taking place on a property or superstition) to the more serious ones (e.g., a restricted use area). The following article focuses on properties located in restricted use areas and the impact of this factor on property values. It analyzes court rulings by Polish courts on compensation in connection with the decrease in the value of real estate due to the establishment of a restricted use area.

**Aim:** The main goal of the article is to identify the phenomenon of stigmatization in the real estate market, while the specific goal is to identify the phenomenon of stigmatization of real estate in restricted use areas around airports.

**Results:** One of the main reasons why stigmatization occurs in the real estate market is ignorance and people's fear of what they don't know. The most common objects of stigmatization are restricted use areas around airports. However, in the court rulings described in the article, there is no consensus on whether stigmatization of real estate in itself affects the value of real estate.

**Keywords:** *stigmatization; real estate market; restricted use area*

**JEL:** *R3; L85; K11; K25; K4*

## 1. Introduction

The problem of stigmatization in the real estate market is a poorly recognized phenomenon in the literature, so it was undertaken to identify this topic using the example of restricted use areas around airports. This type of real estate was chosen because it is addressed in many court rulings, which means that it is a significant social problem. Of course, lawsuits filed by people living near airports concern nuisance neighborhoods and are mainly aimed at obtaining compensation for inconvenience. On the other hand, the already large number of lawsuits concerning restricted use areas around airports indicates that there is a phenomenon of stigmatization of these properties.

The first part of the article focuses primarily on explaining the phenomenon of stigmatization, its types occurring in society and the areas in which it occurs. Two main types of stigmatization, i.e. personal and material, were distinguished and described. The following subsections describe the phenomenon of stigmatization occurring in the real estate market. The main types and effects of stigmatization in this very sphere are indicated. The effects of stigmatization were framed in the form of successive events. Emphasis was also placed on the stigmatization that takes place within the real estate in the restricted use area around airports. For this purpose, court judgments from Poland relating to this type of property were reviewed.

## 2. Literature review

Beginning to consider stigma, it is necessary to look at the definitions of this phenomenon in the literature. Goffman (1963, pp. 127–129) calls stigma a certain characteristic of a person that discredits him in the eyes of the community. People with stigma are seen as different, inferior, or incomplete, because society does not believe that such individuals are fully human. Kosche (2011, pp. 123–136), in his article, points to the definition of stigmatization as a process “in which a specific label is given to individuals who do not meet the expectations of others — atypical in appearance, behavior, views, culturally or racially different, unwilling or unable to behave according to accepted social norms”. Kieniewicz (2008, pp. 153–164) agrees with the previous definition, but expands on it slightly, stating that stigmatization is “giving negative labels, depreciating people, assigning values and roles on the basis of incomplete and not fully verified information, while succumbing to stereotypes and phobias born from an encounter with an unfamiliar phenomenon. In other words, stigmatization occurs as a result of fear and misunderstanding of the nature of a phenomenon”. From the above definitions, one very important conclusion clarifies that stigmatization stems from ignorance and from a person’s natural fear of what he does not know. All of the above definitions can also be transferred to the perception of real estate. Stigmatization of real estate also very often stems from people’s ignorance or personal beliefs and manifests itself in its discrediting in society.

Two forms of stigmas can be distinguished, the existence of which in a person is demonstrated by Goffman (1963). The first is discredited stigmas, or visible stigmas; these refer to situations in which the “stigma” is visible at first glance, such as disability. On the other hand, the second form is discredited stigmas, or invisible stigmas; these are impossible to notice until one enters interpersonal relationships, such as illiteracy (Świgost & Dabrowska, 2017, pp. 329–345). This also translates into stigmatization of the property. Discredited stigmas are encountered when a property is evaluated for its physical characteristics, i.e. its technical condition. The recipient is able to notice this stigma himself during a site visit. Discredited stigmas, on the other hand, can be encountered when evaluating a property due to, for example, an event that once took place there (such as a suicide). The recipient is not able to notice this stigma, and must be informed about it.

### 2.1. The most common areas of stigmatization

There are various manifestations of stigmatization in society. While the previous subsections focused on these purely social aspects of stigmatization, it is worth mentioning that stigmatization does not only affect individuals. Based on an analysis of the literature, two main types of stigmatization have been identified: personal and material. Personal stigmatization affects specific people, or a group of people, and affects them directly. It is the judging of a person based on their physical or psychological characteristics. In contrast, material stigmatization concerns specific things and physical characteristics. The evaluation of that thing indirectly affects the owner of the item. An example of personal stigmatization would be discrimination against a person with a disability, while material stigmatization might apply to a property located in a so-called “poverty district”.

Once the distinction of stigmatization has been made, one can move on to determine in which areas it occurs. These areas are divided into those of personal stigma and material stigma (Table 1).

Using the Table 1, eight areas of both material and personal stigma were identified. The areas of material stigmatization mainly concern real estate resources. The choice of such examples is due to the topic of the article and the desire to focus on this area of stigmatization occurrence. For this reason, the areas of personal stigmatization also relate strongly to the real estate sphere, and more specifically to the so-called “neighborhoods of poverty”. The areas listed above indicate the main problems faced by residents of stigmatized areas. Thus, the division of stigmatization into such areas is mainly based on the reasons by which the persons or properties in question are discredited.

## 2.2. Types of stigma in the real estate market

Researchers often point out the physical aspects by which potential customers are reluctant to purchase real estate. On the other hand, it is also worth looking at those less obvious aspects — the psychological ones, since it is from these that stigmatization of real estate originates. Larsen and Coleman (2001, pp. 1–16) point out that a property can be in perfect condition, but can be stigmatized by people because of what happened there in the past or where the property is located. The types of stigma in the real estate market are many, in fact, each person has his or her own reasons for not wanting to purchase a particular property. However, the following types of real estate stigma deserve mention:

- property included in a restricted area (e.g., near airports);
- air quality and neighborhood pollution (e.g., in the past, cities located in Silesia were often stigmatized for this; Krakow has also been on the list of cities with heavily polluted air for some time);
- proximity to telephone masts and high-voltage lines (e.g., the recent heated discussion about the impact of so-called 5G masts on human health);
- numerical superstitions (e.g., those concerning the unlucky number 13), and the reluctance of a potential buyer to purchase a property with a particular number due to his personal beliefs;
- the name of the street (e.g. Sad, Cemetery Street), which is negatively associated with many people, or a name given in honor of some hero that a person does not recognize (e.g. a frequent situation with streets named after Roman Dmowski or Hanna Sawicka);
- a vacant lot or a building located near the property, which houses people generally considered dangerous (a good example would be the block of flats located on Młoda Street in Kielce, which at one time was hailed as the most dangerous building in the country; due to the fact that it was inhabited by, among others, former criminals, numerous assaults and arson attacks took place there);
- proximity to cemeteries and funeral homes;
- proximity to fire stations and hospitals, which generate frequent noise;
- rumors that the property is haunted and paranormal phenomena can be experienced there;
- properties where suicides, murders were committed or those that belonged to the killers (for example, a house in Rakowiska or a house in Osieki);
- properties located in neighborhoods shrouded in so-called “notoriety” (e.g., such a neighborhood used to be Krakow’s Kazimierz, as people from pathological circles often lived there and various types of crimes most often occurred there).

Chapman and Ludlum (2014, pp. 63–70) point to the type of property that causes a potential buyer a form of emotional or psychological discomfort. These include properties located near cemeteries or funeral homes, properties that have witnessed terrible events (suicides, murders), and properties that are con-

sidered haunted by the public. The same authors, along with other researchers, conducted a survey of several hundred respondents in 2019, in which they showed that the stigmatization of real estate has a real impact on its prices. In the survey, they asked respondents questions about properties near funeral homes, haunted properties and properties where crimes had occurred. The results showed that the largest number of people would not want to live near funeral homes and haunted houses, while houses where crime had taken place received the smallest percentage of negative responses, but still settled at more than half of the respondents. On the other hand, in terms of the impact of individual factors on property values, there was a 16.55% decrease in value for haunted houses, a 17.3% decrease for properties near funeral homes, and a 24% decrease for properties where crime took place. From this it can be seen that the stigmatization of properties has a real impact on their value and is a very good reason to negotiate the price with the owner (Chapman et al., 2019, pp. 683–696).

Occurring type of stigma in the real estate market is territorial stigmatization. It involves discrediting people who live in areas associated, for example, with a high percentage of crime or buildings in very poor condition. These are so-called “poverty neighborhoods”, but such stigmatization also affects people who live in villages. In recent years, society’s attitude toward people from smaller towns has changed a lot, and this stereotype is dying out. On the other hand, the stigma regarding poverty districts is not going away. Residents of such places are often subjected to so-called “address discrimination” by employers or are deprived of various services in their neighborhood. Residents of defamed neighborhoods are deprived of their self-esteem by being ridiculed by society for the place they come from. Unfortunately, there are often situations where public officials, i.e. police or ambulance services, do not want to come to calls because there is a perception that they are, for example, just ordinary skirmishes between people under the influence of various means (Wacquant et al., 2014, pp. 1270–1280). This stigmatization of people living in the area leads to their exclusion from society and only exacerbates their plight. This type of stigmatization also leads to the stigmatization of real estate, which is viewed less favorably by the public and potential investors because of the area in which it is located. Properties in the poverty districts are increasingly falling into disrepair because no one, neither the city nor private investors, wants to invest money to change this state of affairs. They fear that after the restoration of these neighborhoods, they will continue to be stigmatized and there will be no people willing to live in such an area.

Another example of stigmatization of real estate can be neighborhoods, or neighborhoods of large cities, which are stigmatized in society, and consequently people living in such areas also have problems with social acceptance. These areas are characterized by, among other things, a high percentage of unemployed people, poor technical condition of real estate, a large number of people on social assistance, poverty or insufficient access to public services (Zięba, 2011, pp.

30–35). By the above factors, it can be said that these areas are “cut off” from the cities within which they are located. The effect of the stigmatization of such neighborhoods or settlements is that there is a lack of investors who would like to make any investments in the area, as they realize that they might not find potential buyers. On the other hand, cities often do not have the financial resources to change the fate of such neighborhoods. Often the failure to change such a state of affairs is due to the lack of willingness of the residents of such areas themselves. Most often, the residents of such areas are elderly people who are negatively disposed to change in advance, or people from pathological circles who are not interested in revitalizing their place of residence.

Another example of stigmatization of real estate is that concerning the restricted use area (O.O.U.). While there is no consensus on whether it causes a reduction in the value of real estate (which is discussed in more detail in the next subsection), in principle, if such a reduction occurs it may be due to a restriction of the free use of the property, or a decrease in the acoustic quality of the building (Habdas & Konowalczyk, 2018). There is no doubt that real estate located in a restricted use area is subject to the phenomenon of stigmatization. This is related to the public’s belief that these properties are not worthy of interest because of negative factors such as noise. Many market participants benefit from stigmatization, as this allows them to negotiate a better price with the owner. On the other hand, it is also worth noting that the establishment of an O.O.U. is perceived in advance by potential buyers as a factor intended to affect the comfort of the property. In doing so, it is forgotten that the same buildings existed in the area, even before the introduction of the O.O.U., they were exposed to the same negative factors, but no one noticed this before. It was only when it was legally recorded that the area was an O.O.U. that this began to be an obstacle to the disposal, acquisition and use of the property while the negative factors remained unchanged. This is the essence of stigmatization. People perceive a given phenomenon negatively in advance without checking it out for themselves, without thinking through the details or the exact new consequences or lack thereof. If in a given area the establishment of O.O.U. was abandoned, it seems very likely that the phenomenon of stigmatization and the decline in property values in the area would then not occur, despite the negative factors still continuing.

### 3. Methods

Court rulings on the stigmatization of sites in the restricted use area are reviewed below. Judgments of courts in cases of determining whether the establishment of O.O.U. negatively affects the value of real estate are very ambiguous, while they often treat the stigmatization of real estate located within the O.O.U.

In the October 6, 2016 ruling of the District Court of Poznań (XVIII.C. 102/15), you can read the opinion of an expert, who stated that as a result of the establishment of the O.O.U., the value of the plaintiffs’ property (a sin-

gle-family residential house) decreased by 10%. On the other hand, he issued an opinion that the main reason for this was not discomfort from negative factors such as noise, but the reason became stigmatization in the real estate market. Market participants are not strictly interested in the magnitude of the noise, but only in gracing a price reduction in connection with the fact that the property is sited in the area of the O.O.U. It should be remembered that before the establishment of the O.O.U. this property was also located near the airport, the negative factors were not exacerbated, and the owners claimed compensation only when the area was established.

The District Court of Warsaw, in its December 4, 2020 ruling (XXVI GC 799/14), noted that the owners of properties located in the O.O.U. had to incur additional costs in order to enhance the acoustics of buildings. In this case, on the other hand, we should consider that it was not the establishment of the O.O.U. that had to cause such a necessity, but the establishment of the airport itself, which appeared much earlier than the O.O.U. (this is an observation by the author of the article). The court's ruling also mentions that the decline in the value of the property was strongly linked to the stigmatization of the property.

The May 31, 2019 ruling of the Court of Appeals in Warsaw (VII AGa 168/18 VII AGa 168/18) emphasizes that the establishment of an O.O.U. entitles a property owner to seek compensation, including for a decrease in value. The judgment also includes factors that cause a decrease in the value of real estate due to O.O.U., and these are: restriction of use, stigmatization on the real estate market, narrowing of the boundaries of property rights, and noise. In contrast, in this case, the Court did not find that the plaintiffs' apartment building, which has been in the area for a long time, would suddenly become an uncomfortable place to live; it did not find that there was a restriction of use. The Court of Appeals in Warsaw points out that the view that the O.O.U. area is "contaminated", covered by a negative factor in the perception of market participants, is often used. It then becomes irrelevant whether the property is actually affected by the O.O.U. The conclusion of this consideration becomes that each case should be considered individually. The point remains raised by the plaintiffs that once an O.O.U. is established, the owner is deprived of the ability to seek the cessation of noise immission, which, according to some adjudicators, affects the value of the property. However, the court disagrees with this statement, as the owner of the property in question could have made such a request long before the establishment of the O.O.U., as the property was already there when the airport was built, but never took such steps. Taking into account all the factors mentioned above, the Court dismissed the plaintiffs' request for compensation.

The Supreme Court, in its March 11, 2020 ruling (I CSK 568/18), disagreed that the establishment of an O.O.U., stigmatization or noise are not causes of a decrease in the value of the property. The court cited rulings by other courts stating that the noise associated with the proximity of an airport significantly

affects the decrease in the value of a property, and that once an O.O.U. is established, the owner can no longer do anything about the noise. Therefore, the very establishment of an O.O.U. is already a cause of a decrease in property value. The second cause is stigmatization, as a market participant subjectively rates a property encumbered by an O.O.U. lower, which in itself is a factor in shaping market prices.

The April 24, 2018 ruling of the Court of Appeals in Warsaw (VII AGa 22/18, VII AGa 22/18) cited the aforementioned factors for the decrease in the value of real estate. The court noted that the introduction of O.O.U. at a landed property has a greater impact on the owner if the property is located in Zone A because almost nothing can be built there (of course, this is determined by a resolution of each province). On the other hand, if we are dealing with a developed property located in zone B or C, there is not always a negative impact on the value of the property. The court stresses that the case of each property should be considered individually.

The Supreme Court's ruling of April 30, 2021 (I CSK 568/18) indicates that compensation should be awarded only by considering the direct factors that reduce the value of the property resulting from the establishment of the O.O.U.. Other factors, i.e. economic or stigmatization occurring in the real estate market, should not be taken into account.

The District Court of Lodz, in its judgment of December 29, 2017 (II C 280/14), incorporated the opinion of an expert who found a significant decrease in the value of the property due to the establishment of the O.O.U. In the assessment, she cited incessant airport noise and stigmatization as the main factors. In this case, compensation was paid.

In the judgment of the District Court of Gdansk dated July 31, 2020 (I C 437/18), it was shown that the establishment of the O.O.U. and stigmatization were not related to the decrease in the value of the property. The expert valued similar properties, one from the O.O.U. area and another from outside the area. His research showed that the property located in the O.O.U. area had a higher value. Accordingly, the court decided not to pay compensation.

Analyzing the above court rulings, it is impossible to conclude with complete severity that the establishment of an O.O.U. has the effect of lowering the value of the property and thus stigmatizing the property on the market. Instead, it can be recommended that each property be considered individually, as each is actually affected by other factors that are not common to the properties located in the O.O.U. Similarly, one can refer to the stigmatization of the property located within the O.O.U., as it does not affect every market situation and every property. In determining whether stigmatization was an influence in establishing the price of a particular real estate transaction, the most important element is to determine for what purpose the property is being purchased, what plans the new owner has for the property, and whether it is important to the new owner that the property is located within an O.O.U. It can be presumed that



in a situation where the restricted use area will not be an obstacle to the new owner, stigmatization of the property does not apply in this case.

## 4. Results

The consequences of stigmatization in the real estate market are many, in fact, each case of such property involves new consequences. These consequences concern the personal sphere (e.g., discrimination against those living in the stigmatized area), the legal sphere (e.g., numerous lawsuits for damages), as well as the material sphere (e.g., a decrease in the value of the property). Considering the above subsections, it can be concluded that stigmatization in the real estate market causes various negative effects especially in the areas of jurisprudence and estimation. The most common effects of real estate stigmatization are summarized in the Scheme 1, which also shows their interconnections and stages of occurrence.

As can be seen in scheme.1, the recognition of a particular property or area as a stigmatized area entails further consequences of such a statement. To begin with, there is a decrease in demand for properties from stigmatized areas due to the beliefs and fears of people against acquiring such goods. This results in a decrease in the value of stigmatized properties, making people who own such goods feel aggrieved by such a state of affairs. This causes an increase in the number of lawsuits in the courts for compensation due to the fact that the property has become unattractive. However, the courts are having trouble ruling conclusively that the stigma has become a contributor to the decline in the value of the property due to the lack of a clear position among the judicial community. In the final stage, all of the above effects result in discrimination against people living in the marked areas, if only by limiting their ability to pursue their claims in court (as the court decisions indicated in this article show, not every lawsuit ends in an award of damages).

Analyzing the above effects, it can be concluded that stigmatization in the real estate market is a negative phenomenon. It causes many successive negative consequences, which consequently add up to the formation of new disadvantages in the market. Each successive consequence is a contributor to the occurrence of the next. These range from a decrease in demand for stigmatized properties, to a decrease in the value of properties, to the stigmatization of people living in stigmatized areas. Referring to both the effects and the types of stigmatization, one can conclude that material stigmatization often leads to personal stigmatization and becomes the cause of further problems related to this phenomenon.

## 5. Conclusion

The main objective of this article was to identify the phenomenon of stigmatization in society, but mainly in the context of its occurrence in the real estate market. The specific goal was to identify the phenomenon of stigmatization of real

estate in restricted use areas around airports. The main conclusion of the article is that stigmatization stems from human ignorance and fear. The article cites many examples of real estate stigmatization that can occur among the public. For example, those relating to events taking place on the property, or those resulting from people's personal beliefs, such as superstition or prejudice. Referring to the specific objective, it should be noted that the most common phenomenon of stigmatization can be encountered in the case of inclusion of land in a restricted use area around airports. In the court rulings described in the article, there is no agreement on whether stigmatization of real estate per se affects the value of real estate. The only conclusion that can be drawn from the aforementioned rulings is that each such property should be considered individually, as different factors affect each one. A limitation of the study was the narrowing of the research only to areas around airports and the focus only on the analysis of literature and court judgments. It would be necessary to expand the above study to also include other restricted use areas, not only for airports, which will be the subject of future studies. It would also be good to conduct in-depth interviews with residents of the stigmatized areas to get their point of view. This could reveal a broader spectrum of the stigmatization phenomenon in the real estate market.

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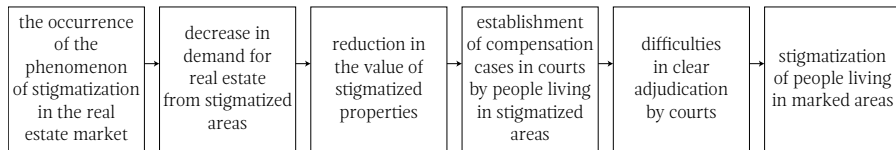
## Appendix

**Table 1.**  
**Examples of stigma's areas**

Type of stigmatization	Areas of stigmatization
physical	institutional — there is often an underdevelopment of public institutions in the areas of so-called poverty districts, with poor administration and social insecurity as a result locational — environmental degradation, lack of adequate housing stock, lack of service establishments, spatial — concentration in one area of properties characterized by poor technical condition, the result becomes marginalization of society
personal	political — low level of public participation in local affairs, low turnout in elections, weak sense of connection with society economic — high unemployment rate, poverty, frequent use of social assistance social — alcoholism, homelessness, crime, poor living conditions individual — lack of education, poor mental and physical condition of the individual group — concentration in one area of people failing in society

Source: Own preparation based on Łojko (2017, p. 18).

**Scheme 1.**  
**The effects of stigma on the real estate market**



Source: Own preparation.