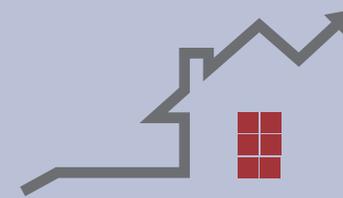


AMRON-SARFiN Report

on housing loans
and real estate transaction prices

3 / 2015

Q3 2009 – Q3 2015
JUBILEE EDITION



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ZWIĄZEK BANKÓW POLSKICH

Congratulatory Letter from Krzysztof Pietraszkiewicz, President of Polish Banks Association on the occasion of AMRON-SARFiN Report Jubilee



Dear Report Readers,

on November 27, 2009 during the Polish Banks Association's press conference I had a pleasure to present the first issue of the AMRON-SARFiN Report on housing loans and real estate transaction prices. By publishing the Report, we aimed to promote both AMRON and SARFiN Systems, but most of all we intended to provide all real estate market participants with interesting and

unique information on housing market and mortgage loans. This initiative succeeded, as we observed the meaningful media's interest – from November 27 till December 18, there were 34 publications in Polish media related to the Report.

My words were quoted then quite often, as I said: *"We start regular monitoring and publishing information on current situation on Polish mortgage loans market and housing market. We believe that such regular reporting will improve the current assessment of the market and will be*

helpful for taking decisions not only by professional entities, but also by individual persons considering purchase of a housing."

After six years, with great satisfaction I can state that AMRON-SARFiN Report is a must-read not only for journalists who follow up on real estate market, bankers professionally engaged in that field or property valuers cooperating with banks. AMRON-SARFiN Report is also systematically reviewed by parliamentarians and central administration's specialists. But what's the most important, the number of visits on AMRON's website and downloads of the Report is still growing – the Report is an important source of information for those, who intend to sell or buy a dwelling.

Let me congratulate the Report's authors and developers and thank them for their determinedness and commitment, which are reflected in the following, more and more attractive issues of the Report.

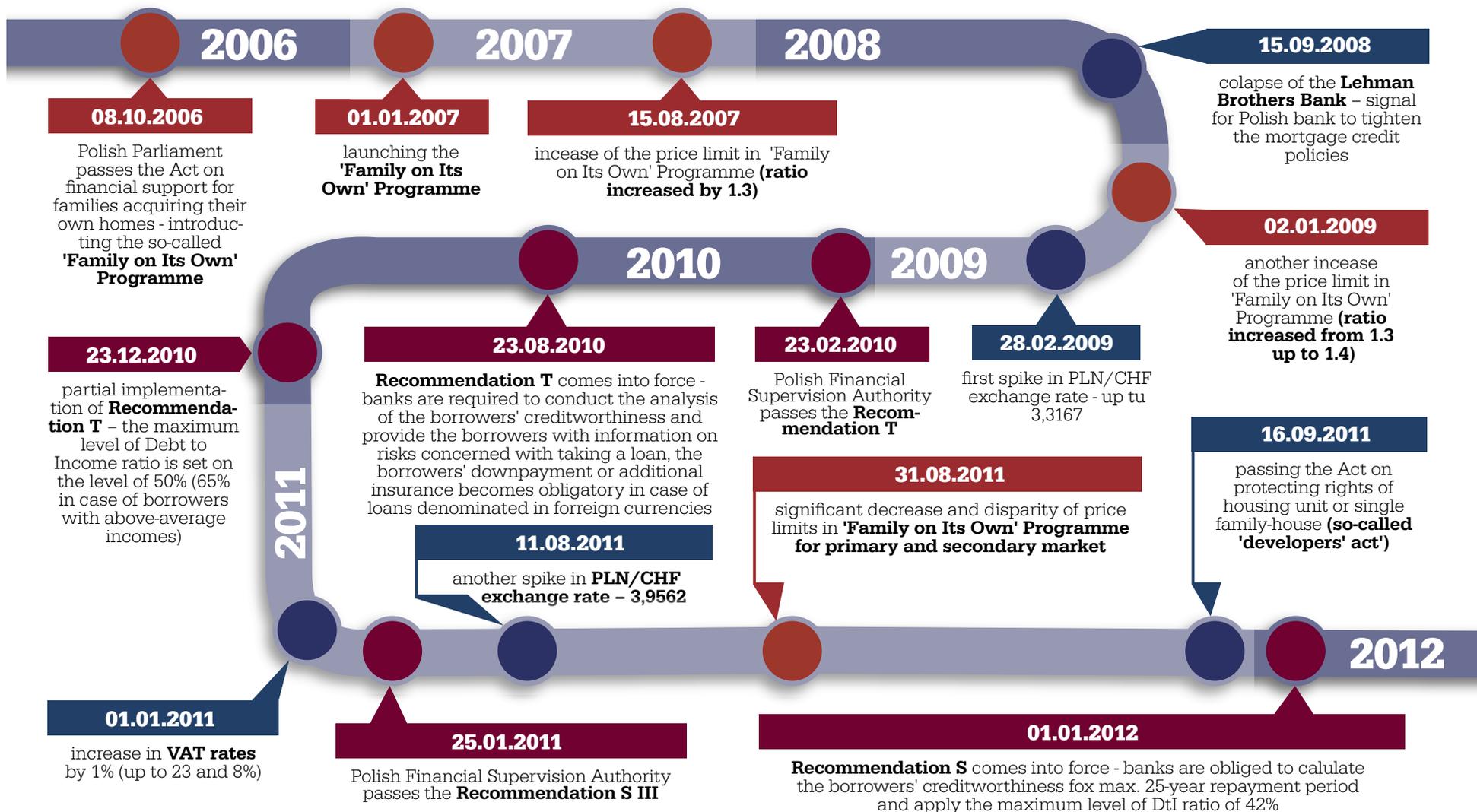
I also great all the Report readers and I wish you lots of inspirations concerned with housing market.

Krzysztof Pietraszkiewicz

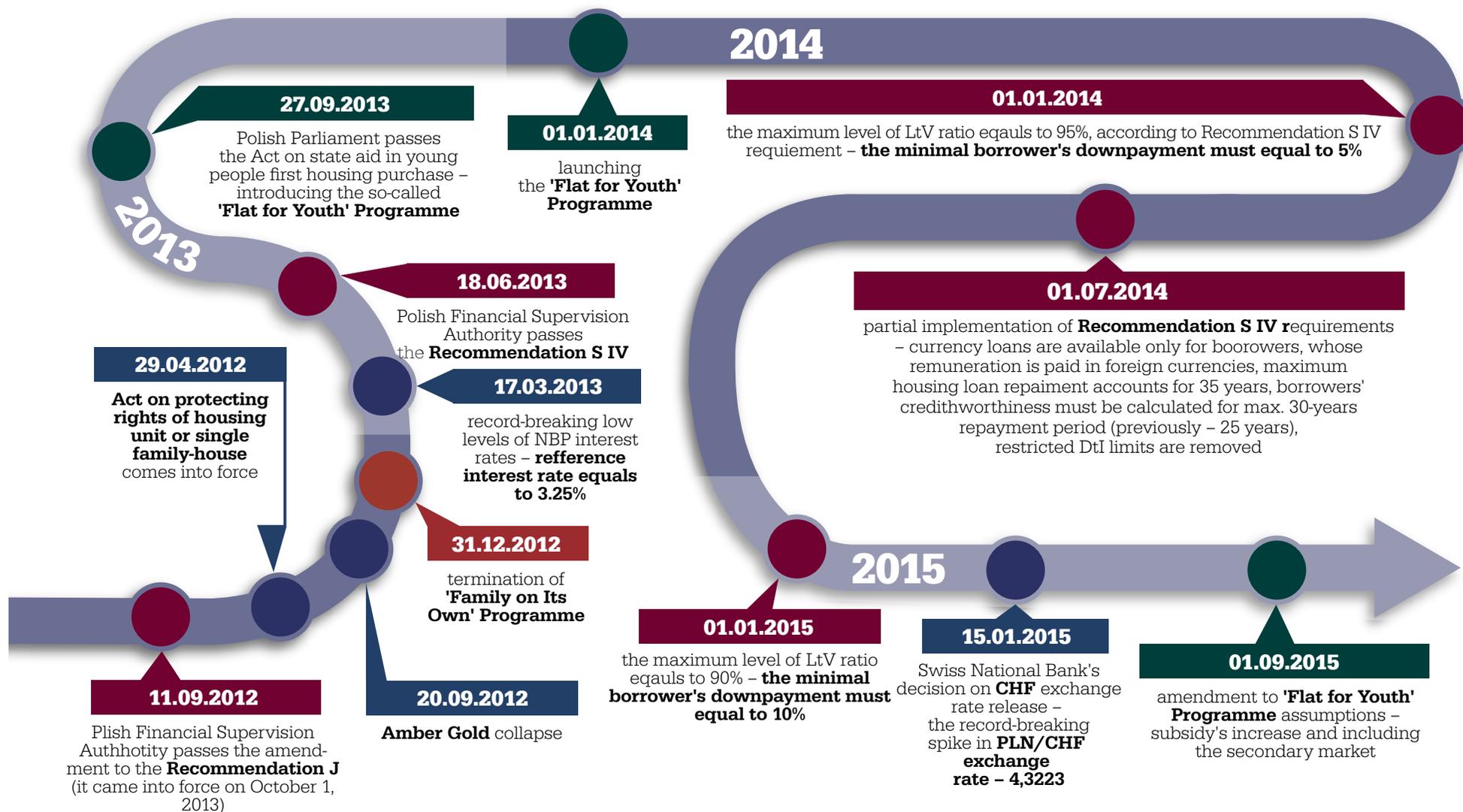
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KEY FACTS FOR HOUSING



AND MORTGAGE MARKET IN 2006 – 2015



Report in numbers

Q3 2009	Q3 2015		change Q3 2015 / Q3 2009
PLN 209.458 billion	PLN 370.630 billion	total housing loans debt	76.95% ↗
1.356 Mio	1.965 Mio	number of active loan agreements	44.92% ↗
52 884	43 945	number of concluded agreements	16.90% ↘
PLN 10.945 billion	PLN 9.704 billion	value of concluded agreements	11.34% ↘
PLN 202 448	PLN 212 132	average value of a housing loan	4.78% ↗
116.23 points	183.97 points	Housing Availability Index (HAI M3)	67.74 points ↗
25.55%	49.60%	share of new housing loans with LtV above 80%	24.05 p.p. ↗
76.94%	98.45%	share of new housing loans in PLN, by value	21.51 p.p. ↗
11.45%	1.01%	share of new housing loans in EUR, by value	10.44 p.p. ↘
PLN 489 605	PLN 412 671	total average transaction price of a housing unit in Warsaw	15.71% ↘
PLN 7 656	PLN 7 463	average transaction price per square meter of a dwelling in Warsaw	2.48% ↘

Report in numbers

Q3 2015		change Q3 2015 /Q2 2015
PLN 370.630 billion	total housing loans debt	0.91% ↓
1.965 Mio	number of active loan agreements	1.02% ↑
43 945	number of concluded agreements	5.50% ↓
PLN 9.704 billion	value of concluded agreements	3.52% ↓
PLN 212 132	average value of a housing loan	0.97% ↑
183.97 points	Housing Availability Index (HAI M3)	1.55 points ↑
49.60%	share of new housing loans with LtV above 80%	2.15 p.p. ↑
98.45%	share of new housing loans in PLN, by value	0.30 p.p. ↓
1.01%	share of new housing loans in EUR, by value	0.17 p.p. ↑
PLN 412 671	total average transaction price of a housing unit in Warsaw	1.43% ↑
PLN 7 463	average transaction price per square meter of a dwelling in Warsaw	1.49% ↑

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Introduction – about the Report

– dr. Jacek Furga, Chairman of the Real Estate Finance Committee, Polish Banks Association and President of the Management Board of Centre of Banking Law and Information (Centrum Prawa Bankowego i Informacji Sp. z o.o.)*



Dear Readers,

On the occasion of the Jubilee – as you hold the 25th issue of the AMRON-SARFiN Report – I would like to thank all Readers and Recipients of our Report. Both those, who accompanied us from the very beginning and those, who joined us later. It is thanks to all of you, thanks to your opinions and suggestions, the quarterly publication of the Report became the permanent feature in

the calendar of all active participants, observers and analysts of Polish housing market. What makes the Report reliable and attractive, is the quality and consistent growth of both databases – AMRON database increased from 740 thousand information at the end of 2009 up to 2.35 million records as for the end of October 2015.

For six years we have been quarterly providing you with update information on mortgage loans and housing transaction prices. In the period analysed in the following issues of the Report, i.e. since Q3 2009, banks in Poland granted 1 247 322 mortgage loans for the total value of PLN 261 billion. However, the number of active loans increased only by 600 thousand of loans and value of the total mortgage loans portfolio grew by PLN 166 billion. In the same time, 1 046 285 permits for housing construction were issued and 893 358 housing units were completed.

Interest rate of a mortgage loan diminished from 7% to 3.5% and the decrease of the nominal housing transaction prices ranged from 2.48% (i.e. PLN 190 per square meter) in Warsaw to 8.83% (i.e. PLN 512 per square meter) in Gdansk.

It would seem that such favourable conditions were conducive to increase in mortgage lending. Such was the impression after analysis of Q2 2015 results, in particular in scope of the unexpected, unprecedented since last few quarters increase in mortgage loans sale. Last quarter I advised not to celebrate the reversal of the downward trend. Results of mortgage lending in Q3 2015 turned out to be lower than those recorded in Q2, both in terms of value of new loans (by 3.52%) and volume of those loans (by 5.50%). Banks granted 43 945 new housing loans of the total value of PLN 9.704 billion. It is however possible that the final result of the year 2015 may be slightly better than the result of the year 2014, at least from the new loans value perspective – value of new loans portfolio is likely to reach the level of PLN 38 billion. Unfortunately, it seems that the volume barrier of 180 thousand of new loans will be difficult to overcome.

It is hard to expect mortgage lending to dynamically increase in 2016. Lack of saving instruments for systematic downpayment collecting – in 2016 on the obligatory level of 15% – results in more favourable banks' offers for affluent families, which have actually fulfilled their housing needs in previous years. At present, those most wealthy purchasers buy another housing for rent. Within those 6 analysed years, share of Warsaw citizens in total number of mortgage borrowers increased from 28.9% in Q3 2009 up to nearly 37% in Q2 2015, when it reached its maximum (in our researches' history) level. Analysis of the new loans portfolio in terms of LtV ratio and loan period confirms banks' adaptation to requirements defined in Recommendation S.

Developers still have reasons to be optimistic. Q3 this year was the following period of increases on housing market, in both developers and private sectors. Comparing to the previous quarter, the greatest increase (by 16%) was recorded in number of completed housing units, which amounted to 37 529. From July to September of 2015, there were issued 51 673 construction permits, which is 3% more than in Q2 2015. The only decrease (but insignificant – only by 2%) was recorded in number of constructions started, which in Q3 2015 amounted to 47 749.

Such developers' activity results in stabilisation of the transaction prices in all surveyed cities. Only on two out of eight monitored markets the prices slightly diminished comparing to previous quarter – in Katowice agglomeration by PLN 24 per square meter and in Lodz by PLN 12 per square meter. The other markets recorded small increases – the biggest in Warsaw, where the average price of a square meter of a dwelling amounted to PLN 7 463, i.e. PLN 109 more than in Q2 2015. Relating to Q3 of the previous year, the average price of a square meter decreased only in Gdansk (by PLN 154 per square meter). In Katowice agglomeration the average transaction price remained unchanged, while in other seven locations it increased – the most significant increase was recorded in Warsaw and Wroclaw, respectively by PLN 201 per square meter and PLN 185 per square meter.

Availability of loans, including mortgage loans, as well as scale of housing market finance, will be determined most of all by laws passed by

newly elected Parliament and decisions of the new government. First assembly of the Parliament of its new term proved that it is possible to pass all three parliamentary readings of the draft law in one working day. If only the act on saving-building banks was passed in this rate, first savers would appear already in 2016. Comparative analysis of the saving-building banks development in Czech Republic, Slovakia and Hungary justifies the estimation of at least 500 thousand of new saving contacts in Poland. It means that after 3 years from launching this system in Poland, volume of savers could exceed the current volume of mortgage borrowers amounting to 1 965 thousand.

Participants and guests of the XII Congress on Housing Finance, which opens today, will have an opportunity to take part in formulating the final Housing Recommendations of Polish Banks Association, which are to be referred to the new Ministry of Infrastructure.

Enjoy reading the Report!

dr. Jacek Furga

* AMRON Centre was established by Polish Banks Association to manage and develop the System for Analysis and Monitoring of Real Estate Market Transactions and it operates within the organizational structure of a limited-liability company Centre of Banking Law and Information.

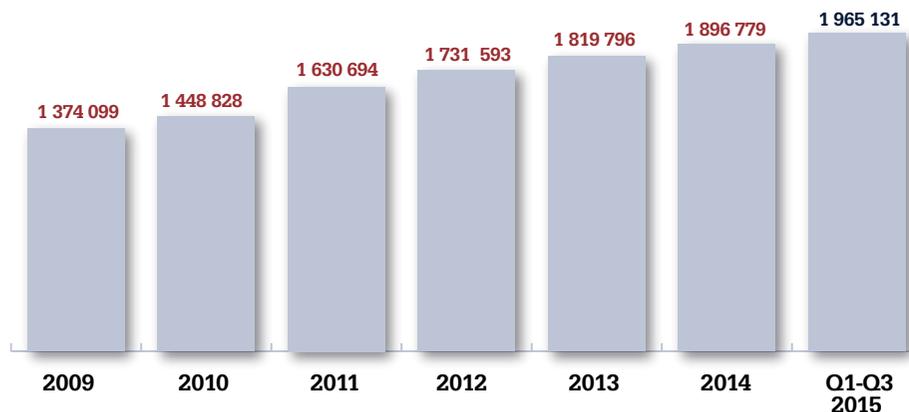
Situation on housing loans market

Number of active housing loans

In the period from 2009 to Q3 2015, the number of active housing loans increased by almost **600 thousand**. At the same time, Polish banks granted about **1 300 thousand** new loans, which means that a significant part of the loans had been repaid.

Total number of active housing loans increased by **1.02%** in Q3 2015 and amounted to **1 965 131** at the end of analysed period. That's **19 844** loans more in comparison to the previous quarter.

Chart 1. Total number of active housing loans in 2009 – Q3 2015



Source: Polish Banks Association – SARFiN

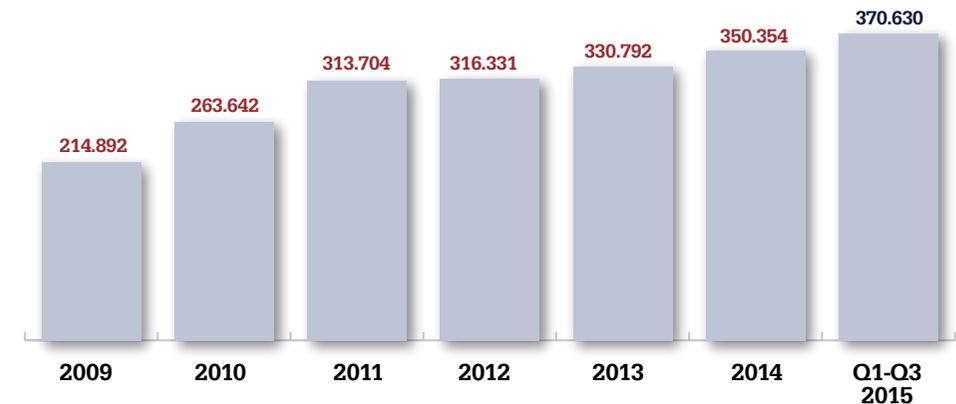
Total housing loans debt

After Q3 2015, total housing loans debt was lower by **0.91%** than value recorded at the end of Q2 2015. The fluctuations of CHF exchange rate were the main reason for this decrease (despite increase in the number

of active loans of a total value over **PLN 4.2 billion**). A significant share of CHF loans in total mortgage loans portfolio caused a decrease in the level of households' debt. At the end of Q3 2015, the total outstanding value of mortgage loans amounted to **PLN 370.630 billion** – nominally less by **PLN 3.409 billion** in comparison to the result at the end of the previous quarter.

Chart 2. below presents changes in value of total housing loans debt (PLN billion) of Polish households since 2009.

Chart 2. Total housing loans debt in 2009 – Q3 2015 (PLN billion)



Source: Polish Banks Association – SARFiN, NBP

Number and value of new housing loans

Interest rates are currently at record-breaking low levels. A series of interest rates cuts was started already in 2012 and caused a significant decrease in mortgage interest rates and also it improved the Polish borrowers' creditworthiness. Despite this, Polish banks' lending

activity is decreasing steadily since 2011. Neither launching a new program of government housing support 'Flat for Youth' Programme, nor even prospects of increasing the level of own contribution required from January 1, 2014, mobilized Poles to increased activity in the mortgages area. Although an extraordinary for several quarters increase in lending activity was noticed in Q2 2015, next quarter – despite a significant increase in interest of 'Flat for Youth' Programme caused by widening its scope on the secondary market – brought a substantial decrease in both number and value of newly granted housing loans. In Q3 2015, a total amount of new loans was lower by **3.52%** in comparison to the previous quarter and amounted to **PLN 9.704 billion**. In the analysed period, banks granted **43 945** new housing loans, which was **5.50%** less than in previous quarter.

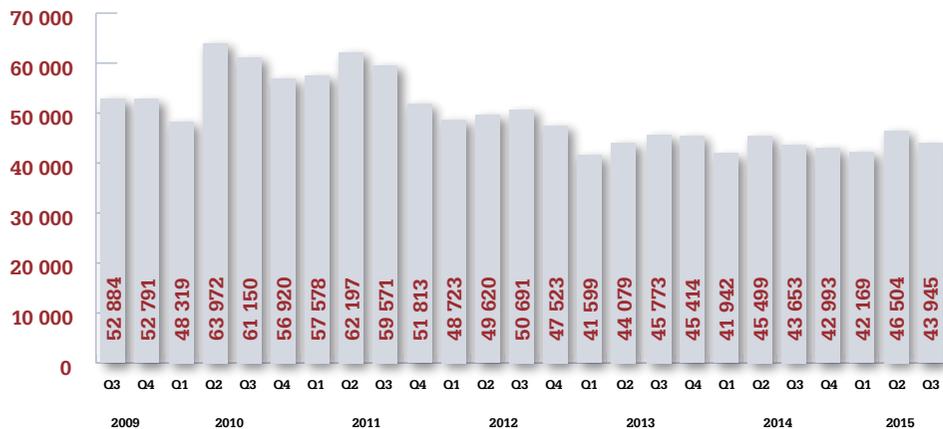
In comparison to Q3 2014, the value of newly granted loans increased by **5.11%**, while the number – by **0.67%**, which allows to state that also in this case the increase was due to changes in the CHF exchange rate. In the period from January to September 2015, banks signed **132 618** loan agreements for a total amount of **PLN 28.740 billion**. In the same period of 2014, the amount of new loans was slightly lower and equalled to **PLN 27.663 billion**, while the number reached the level of **131 094**. Therefore it can be assumed that the results of the whole 2015 will be slightly better than in the previous year.

Table 1. Value and number of new housing loans in Q3 2009 – Q3 2015

quarter	value (PLN Mio)	change/previous quarter	number	change/previous quarter
Q3 2009	10.945	16.73% ↗	52 884	16.03% ↗
Q4 2009	10.804	1.29% ↘	52 791	0.18% ↘
Q1 2010	9.809	9.21% ↘	48 319	8.47% ↘
Q2 2010	13.523	37.86% ↗	63 972	32.40% ↗
Q3 2010	13.091	3.20% ↘	61 150	4.41% ↘
Q4 2010	12.237	6.52% ↘	56 920	6.92% ↘
Q1 2011	12.252	0.12% ↗	57 578	1.16% ↗
Q2 2011	13.395	9.33% ↗	62 197	8.02% ↗
Q3 2011	12.774	4.64% ↘	59 571	4.22% ↘
Q4 2011	10.789	15.54% ↘	51 813	13.02% ↘
Q1 2012	10.200	5.46% ↘	48 723	5.96% ↘
Q2 2012	10.044	1.53% ↘	49 620	1.84% ↗
Q3 2012	10.021	0.23% ↘	50 691	2.16% ↗
Q4 2012	8.843	11.76% ↘	47 523	6.25% ↘
Q1 2013	8.017	9.34% ↘	41 599	12.46% ↘
Q2 2013	9.160	14.25% ↗	44 079	5.96% ↗
Q3 2013	9.531	4.05% ↗	45 773	3.84% ↗
Q4 2013	9.767	2.48% ↗	45 414	0.78% ↘
Q1 2014	8.854	9.35% ↘	41 942	7.65% ↘
Q2 2014	9.577	8.17% ↗	45 499	8.48% ↗
Q3 2014	9.232	3.61% ↘	43 653	4.06% ↘
Q4 2014	9.161	0.77% ↘	42 993	1.51% ↘
Q1 2015	8.978	1.99% ↘	42 169	1.92% ↘
Q2 2015	10.058	12.03% ↗	46 504	10.28% ↗
Q3 2015	9.704	3.52% ↘	43 945	5.50% ↘

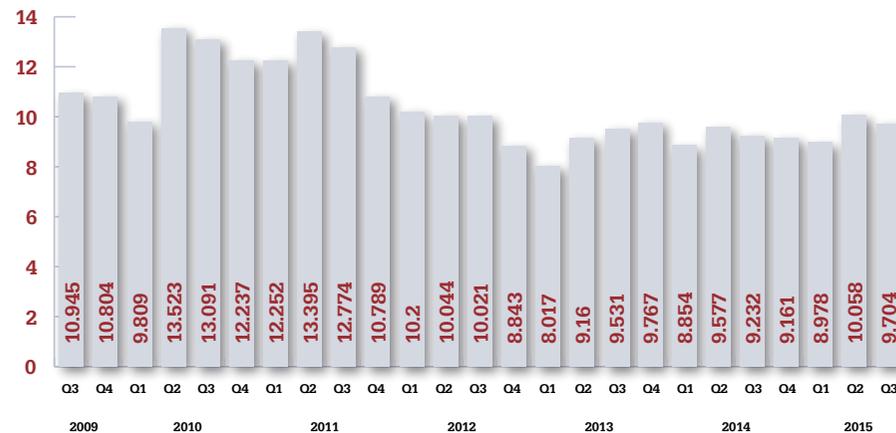
Source: Polish Banks Association – SARFiN

Chart 3. Number of new loan agreements in Q3 2009 – Q3 2015



Source: Polish Banks Association – SARFiN

Chart 4. Value of new loan agreements in Q3 2009 – Q3 2015 (PLN billion)



Source: Polish Banks Association – SARFiN

Loan currency

The economic slowdown, the uncertain market situation and the tightening of banks' credit policies caused that the share of domestic currency in the structure of new loans exceeded 90% already in Q2 2012 and in the following quarters it stabilized at the level of 98-99%. Since then, only minor changes have been noticed in the currency structure of the value of new loans – especially after July 1, 2014, when loans denominated in foreign currencies have become available only for those borrowers, who earn in such currency.

In Q3 2015, newly granted loans in PLN accounted for **98.45%** of the portfolio, which means a slight decrease in their share – by **0.30 p.p.** in comparison to the previous quarter. In the analysed period, there were recorded only a minimal increases in the shares of loans denominated in foreign currencies,

i.e. the share of loans denominated in EUR increased by **0.17 p.p.**, in CHF – by only **0.01 p.p.** and in other foreign currencies – by **0.51 p.p.** New housing loans denominated in foreign currencies in Q3 2015 accounted for **1.55%** of all new loans in terms of value.

Chart 5. Currency structure of the value of new loans in Q3 2009 – Q3 2015

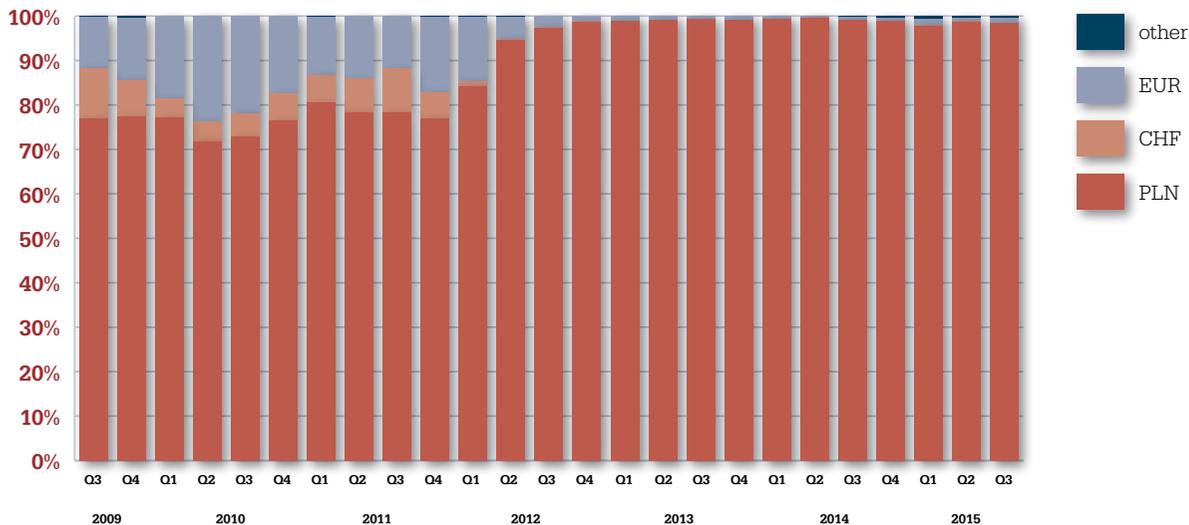


Table 2. Currency structure of the value of new loans in Q3 2009 – Q3 2015

	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015
PLN	76.94%	77.44%	77.23%	71.90%	72.81%	76.55%	80.55%	78.36%	78.36%	77.04%	84.20%	94.61%	97.37%	98.70%	98.83%	99.05%	99.35%	99.07%	99.48%	99.69%	99.13%	98.81%	97.88%	98.75%	98.45%
CHF	11.34%	8.11%	4.28%	4.40%	5.38%	6.06%	6.12%	7.49%	9.75%	5.67%	1.06%	0.12%	0.17%	0.02%	0.01%	0.01%	0.00%	0.01%	0.00%	0.00%	0.01%	0.02%	0.08%	0.02%	0.03%
EUR	11.45%	14.02%	18.35%	23.60%	21.76%	17.33%	13.20%	14.10%	11.79%	17.17%	14.65%	5.19%	2.42%	1.25%	1.11%	0.89%	0.61%	0.91%	0.51%	0.28%	0.67%	0.81%	1.49%	0.84%	1.01%
Other	0.27%	0.43%	0.15%	0.12%	0.06%	0.06%	0.12%	0.05%	0.10%	0.12%	0.08%	0.08%	0.04%	0.04%	0.06%	0.05%	0.04%	0.02%	0.01%	0.03%	0.19%	0.36%	0.55%	0.39%	0.51%

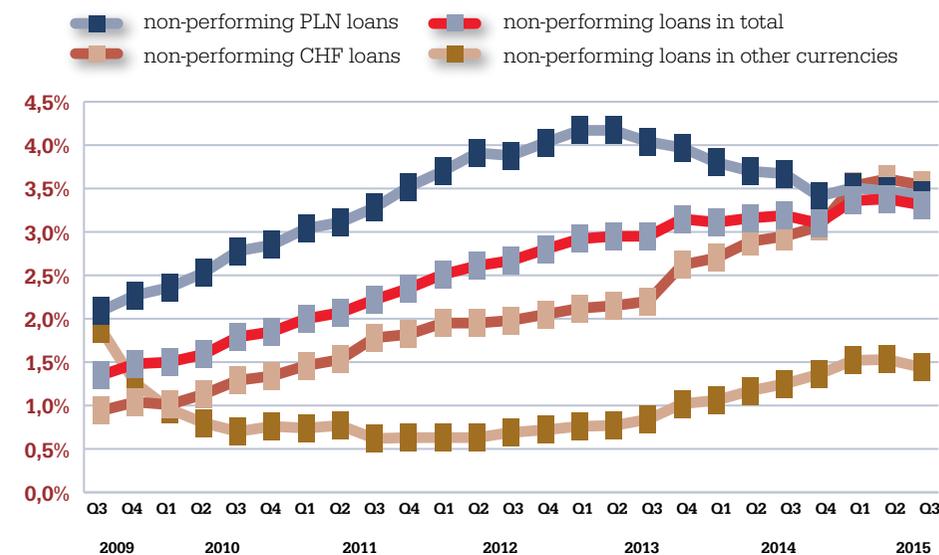
Source: Polish Banks Association – SARFiN

Quality structure of mortgage loans portfolio

In the period from Q3 2009 to Q2 2015, the quality of non-performing loans in total and non-performing loans denominated in CHF has decreased steadily – a rapid increase in the share of non-performing CHF loans was recorded in Q1 2015, when the Swiss central bank decided to release the CHF/EUR exchange rate. However, the quality of PLN loans has steadily improved since half of 2013.

In Q3 2015, the share of both non-performing loans in total and non-performing loans denominated in foreign currencies decreased. Share of total non-performing loans portfolio accounted for **3.31%** of all mortgage loans and their share diminished by **0.07 p.p.** in comparison to the previous quarter. At the end of September, non-performing PLN loans amounted to **3.42%** of the total PLN loans portfolio, which means a decrease by **0.05 p.p.** in quarterly terms and by **0.25 p.p.** on an annual basis. Number of non-performing loans in CHF slightly diminished (by **0.07 p.p.**) in comparison to Q2 2015 – the share of those loans amounted to **3.54%**. But on an annual basis this represents an increase by **0.59 p.p.** A similar trend was observed in loans denominated in other foreign currencies – the share of overdue debt amounted to **1.44%**, which means a decrease by **0.08 p.p.** in comparison to Q2 2015 and an increase of **0.19 p.p.** in relation to the same period last year.

Chart 6. Share of non – performing loans in total mortgage loans portfolio in Q3 2009 – Q3 2015



Source: National Bank of Poland

Table 3. Share of non-performing loans in total mortgage loans portfolio in Q3 2009 – Q3 2015

period	non-performing loans in total	non-performing PLN loans	non-performing CHF loans	non-performing loans in other currencies
Q3 2009	1.35%	2.09%	0.94%	1.88%
Q4 2009	1.48%	2.27%	1.04%	1.26%
Q1 2010	1.50%	2.36%	1.01%	0.96%
Q2 2010	1.59%	2.53%	1.13%	0.80%
Q3 2010	1.79%	2.78%	1.29%	0.70%
Q4 2010	1.85%	2.85%	1.34%	0.76%
Q1 2011	2.00%	3.04%	1.46%	0.74%
Q2 2011	2.07%	3.11%	1.53%	0.77%
Q3 2011	2.22%	3.28%	1.78%	0.62%
Q4 2011	2.35%	3.52%	1.82%	0.63%
Q1 2012	2.51%	3.70%	1.95%	0.63%
Q2 2012	2.61%	3.91%	1.95%	0.63%
Q3 2012	2.67%	3.88%	1.98%	0.69%
Q4 2012	2.80%	4.03%	2.05%	0.72%
Q1 2013	2.92%	4.17%	2.12%	0.76%
Q2 2013	2.95%	4.17%	2.15%	0.77%
Q3 2013	2.95%	4.04%	2.20%	0.84%
Q4 2013	3.15%	3.97%	2.62%	1.02%
Q1. 2014	3.11%	3.80%	2.70%	1.06%
Q2 2014	3.16%	3.70%	2.89%	1.17%
Q3 2014	3.19%	3.67%	2.95%	1.25%
Q4 2014	3.10%	3.41%	3.06%	1.36%
Q1 2015	3.36%	3.51%	3.53%	1.52%
Q2 2015	3.38%	3.47%	3.61%	1.53%
Q3 2015	3.31%	3.42%	3.54%	1.44%

Source: National Bank of Poland

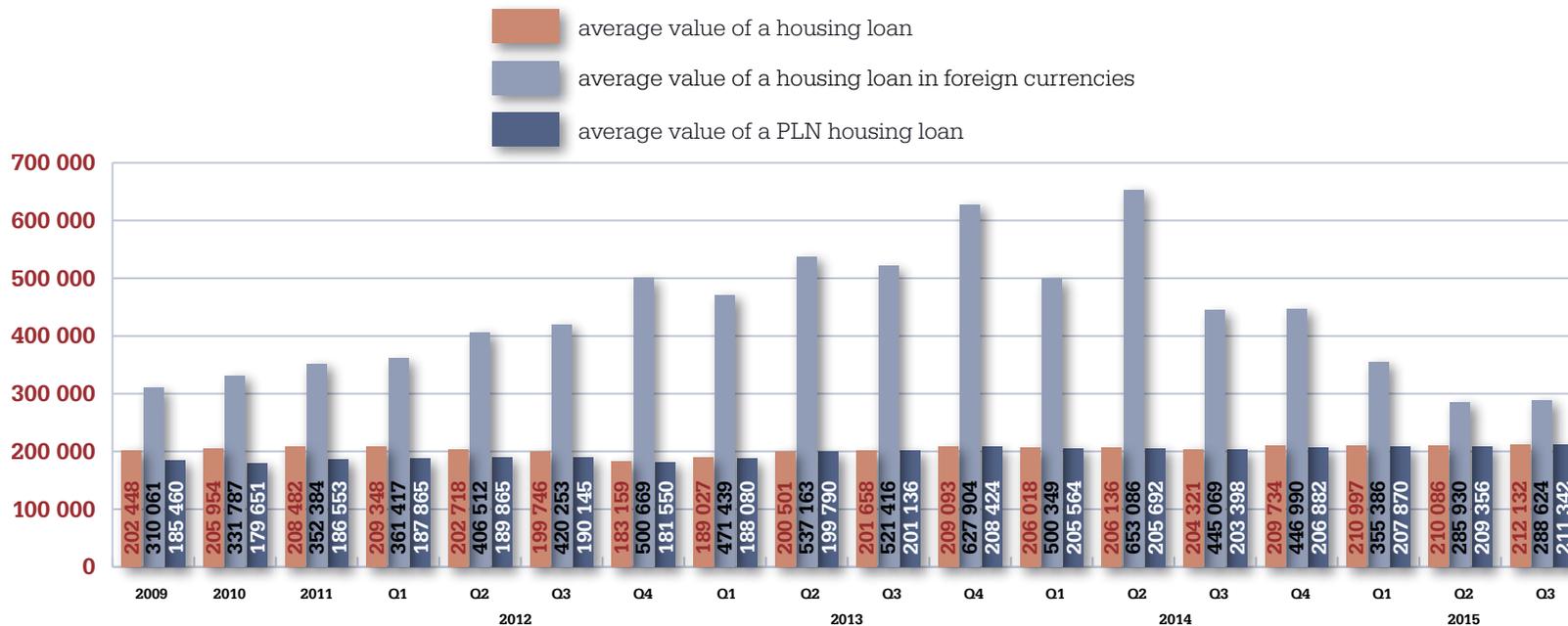
Average value of a loan

Since the beginning of the analysed period until the turn of 2013 and 2014, the average value of housing loan denominated in foreign currencies increased steadily. However, during the past few quarters, the average value of this kind of housing loans has decreased – minor exemptions from this rule are due to changes in foreign exchange rates. The average value of PLN loan is subject to a sustained upward trend, although the scale of changes is on totally different level than in case of denominated loans.

In analysed quarter, there were recorded a slight increases in both average loan in PLN and in foreign currency, respectively by **0.95%** and **0.94%**. The average value of a housing loan in PLN increased nominally by **PLN 1 986** in comparing to the Q2 2015 and amounted to **PLN 211 342**. The average value of a loan denominated in foreign currencies increased by **PLN 2 694**, thereby reaching a value of **PLN 288 624**. The average value of new mortgage loan in total also slightly increased and amounted to **PLN 212 132**.

In relation to the same period of the previous year, the increases were recorded in the average value of a housing loan in total (by **PLN 7 811**, i.e. **3.82%**) and also in the value of PLN loan (by **PLN 7 944**, i.e. **3.91%**), while the average value of a loan denominated in foreign currency diminished as much as **35.15%**.

Chart 7. Average value of a housing loan, aggregated and by currency in 2009 – Q3 2015



Source: Polish Banks Association – SARFiN

Table 4. Average value of a loan, aggregated and by currency in 2009 – Q3 2015

quarter	average value of a housing loan	average value of a housing loan in foreign currencies	average value of a PLN housing loan
2009	202 448	310 061	185 460
2010	205 954	331 787	179 651
2011	208 482	352 384	186 553
Q1 2012	209 348	361 417	187 865
Q2 2012	202 718	406 512	189 865
Q3 2012	199 746	420 253	190 145
Q4 2012	183 159	500 669	181 550
Q1 2013	189 027	471 439	188 080
Q2 2013	200 501	537 163	199 790

quarter	average value of a housing loan	average value of a housing loan in foreign currencies	average value of a PLN housing loan
Q3 2013	201 658	521 416	201 136
Q4 2013	209 093	627 904	208 424
Q1 2014	206 018	500 349	205 564
Q2 2014	206 136	653 086	205 692
Q3 2014	204 321	445 069	203 398
Q4 2014	209 734	446 990	206 882
Q1 2015	210 997	355 386	207 870
Q2 2015	210 086	285 930	209 356
Q3 2015	212 132	288 624	211 342

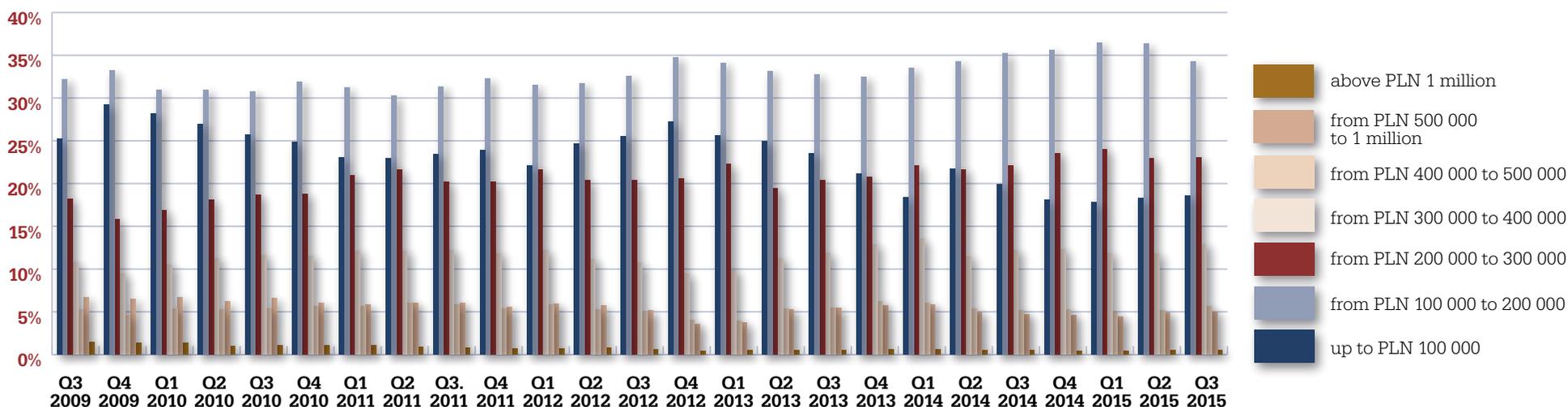
Source: Polish Banks Association – SARFiN

Structure of new loans, by amount

Although the housing loans granted for amount from PLN 100 000 to PLN 200 000 have still been the most popular loans (constantly for 25 quarters), a significant changes have been noted in the structure of new loans in terms of value. During last six years, the share of the lowest loans in the amount up to PLN 100 000 decreased by nearly **7 p.p.** and simultaneously the share of loans of higher value (from PLN 100 000 to PLN 400 000) increased.

In Q3, 2015 banks granted less loans for amount from PLN 100 000 to PLN 200 – their share in the structure of newly granted loans diminished by **2.07 p.p.** in comparison to Q2 2015 and amounted to **34.28%**. The share of loans of value between PLN 200 000 and PLN 300 000 and more than PLN 1 million did not change and amounted respectively to **23.03%** and **0.55%**. In other segments of loan amount, a slight increases were recorded – the largest (approximately **1.08 p.p.**) in case of loans in the amount from PLN 300 000 to PLN 400 000, share of which in total structure equalled to **12.89%**.

Chart 8. Structure of the new loans amount in Q3 2009 – Q3 2015

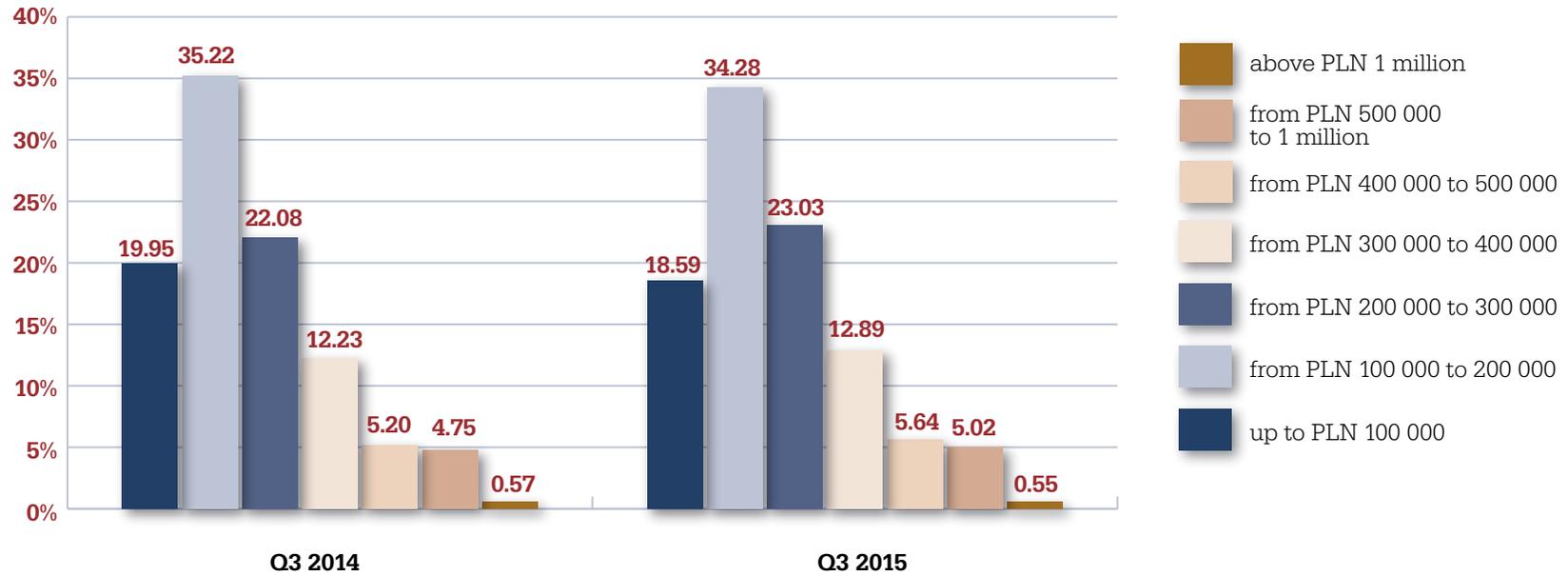


Source: Polish Banks Association – SARFiN

On an annual basis (Q3 2015/Q3 2014), the share of loans of the lowest value (i.e. up to PLN 100 000 and from PLN 100 000 to PLN 200 000) diminished – respectively by **1.36 p.p.** and **0.93 p.p.**, while popularity of loans in all value categories from PLN 200 000 up to PLN 1 million

increased – the number of loans in the amount between PLN 200 000 and 300 000 grew the most (by **0.95 p.p.**). Share of mortgage loan agreements for the amount exceeding PLN 1 million remained at the level from the same period last year.

Chart 9. Structure of the new loans amount – comparison of Q3 2014 and Q3 2015



Source: Polish Banks Association – SARFiN

Table 5. Structure of the new loans amount in Q3 2009 – Q3 2015

	up to PLN 100 000	from PLN 100 000 to 200 000	from PLN 200 000 to 300 000	from PLN 300 000 to 400 000	from PLN 400 000 to 500 000	from PLN 500 000 to 1 million	above PLN 1 million
Q3 2009	25.21%	32.22%	18.21%	10.80%	5.31%	6.72%	1.52%
Q4 2009	29.20%	33.15%	15.75%	9.50%	4.55%	6.47%	1.37%
Q1 2010	28.20%	31.00%	16.90%	10.50%	5.40%	6.70%	1.40%
Q2 2010	27.01%	31.00%	18.09%	11.34%	5.34%	6.23%	1.00%
Q3 2010	25.72%	30.81%	18.65%	11.68%	5.41%	6.65%	1.07%
Q4 2010	24.90%	31.87%	18.79%	11.60%	5.66%	6.07%	1.11%
Q1 2011	23.03%	31.26%	21.00%	12.11%	5.68%	5.82%	1.09%
Q2 2011	22.92%	30.26%	21.68%	12.13%	6.06%	6.04%	0.91%
Q3 2011	23.44%	31.36%	20.21%	12.21%	5.89%	6.06%	0.82%
Q4 2011	23.96%	32.26%	20.25%	11.83%	5.38%	5.58%	0.74%
Q1 2012	22.14%	31.51%	21.65%	12.19%	5.85%	5.93%	0.73%
Q2 2012	24.70%	31.74%	20.42%	11.21%	5.32%	5.79%	0.82%
Q3 2012	25.54%	32.53%	20.35%	10.75%	4.97%	5.23%	0.63%
Q4 2012	27.22%	34.80%	20.55%	9.43%	4.01%	3.60%	0.39%
Q1 2013	25.65%	34.07%	22.27%	9.84%	3.94%	3.72%	0.50%
Q2 2013	24.92%	33.15%	19.44%	11.31%	5.35%	5.32%	0.52%
Q3 2013	23.52%	32.74%	20.44%	11.89%	5.44%	5.44%	0.53%
Q4 2013	21.19%	32.46%	20.75%	12.90%	6.26%	5.80%	0.64%
Q1. 2014	18.38%	33.53%	22.11%	13.51%	6.00%	5.88%	0.59%
Q2 2014	21.70%	34.29%	21.65%	11.47%	5.39%	4.95%	0.55%
Q3 2014	19.95%	35.22%	22.08%	12.23%	5.20%	4.75%	0.57%
Q4 2014	18.11%	35.60%	23.56%	12.36%	5.27%	4.64%	0.46%
Q1 2015	17.80%	36.47%	24.04%	11.86%	4.93%	4.46%	0.44%
Q2 2015	18.29%	36.35%	23.00%	11.81%	5.14%	4.89%	0.52%
Q3 2015	18.59%	34.28%	23,03%	12.89%	5.64%	5.02%	0.55%

Source: Polish Banks Association – SARFiN

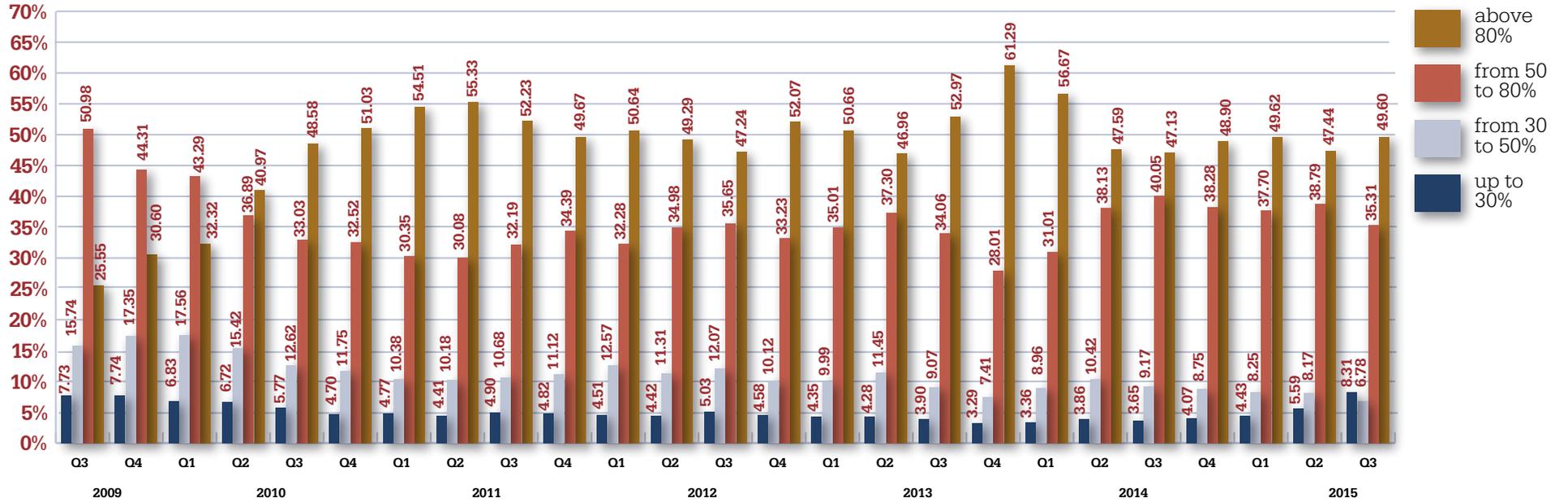
Structure of the LtV ratio

The increasing share of loans with LtV ratio over 80% was recorded already in 2009, while simultaneously the share of mortgage loans with LtV ratio in the range from 50 to 80% was decreasing. A clear reversal of the previous long-term trend in the mortgage market occurred in Q2 2011, when the share of housing loans with LtV ratio from 50 to 80% reached a minimum level in the structure of new loans and the share of loans with LtV above 80% was maximum. Then, banks restricted their lending policies and the Monetary Policy Council raised the interest rates four times during one year, which effectively discouraged potential buyers to take out long-term mortgage loans. In Q4 2013, **61.29%** of new housing loans were granted to borrowers, whose own downpayment amounted to less than 20% of collateral's value.

In Q3 2015, there was recorded a slight increase (by **2.15 p.p.**) in share of loans with LtV ratio above 80% in new housing loans portfolio comparing to the previous quarter and amounted to **49.60%**. Loans with LtV ratio at the level of up to 30% became more popular – its share increased by **2.72 p.p.**, while the share of housing loans with LtV ratio at the level between 30% and 50% and between 50% and 80% decreased, respectively by **1.39 p.p.** and **3.48 p.p.**

In annual terms, share of loans with LtV ratio up to 30% increased the most – by **4.66 p.p.** Also loans with borrowers' downpayment on level not exceeding 20% were granted more often – in Q3 2015, the share of this segment increased by **2.47 p.p.** At the same time, the popularity of mortgage loans with LtV ratio in the range from 30% to 50% and from 50% to 80% decreased – the share of these segments of loans diminished respectively by **2.39 p.p.** and **4.74 p.p.** in comparison to Q3 2014.

Chart 10. Structure of LtV ratio of newly granted loans in Q3 2009 – Q3 2015



Source: Polish Banks Association – SARFiN

Table 6. Structure of LtV ratio of newly granted loans in Q3 2009 – Q3 2015

	up to 30%	from 30 to 50%	from 50 to 80%	above 80%
Q3 2009	7.73%	15.74%	50.98%	25.55%
Q4 2009	7.74%	17.35%	44.31%	30.60%
Q1 2010	6.83%	17.56%	43.29%	32.32%
Q2 2010	6.72%	15.42%	36.89%	40.97%
Q3 2010	5.77%	12.62%	33.03%	48.58%
Q4 2010	4.70%	11.75%	32.52%	51.03%
Q1 2011	4.77%	10.38%	30.35%	54.51%
Q2 2011	4.41%	10.18%	30.08%	55.33%
Q3 2011	4.90%	10.68%	32.19%	52.23%
Q4 2011	4.82%	11.12%	34.39%	49.67%
Q1 2012	4.51%	12.57%	32.28%	50.64%
Q2 2012	4.42%	11.31%	34.98%	49.29%
Q3 2012	5.03%	12.07%	35.65%	47.24%
Q4 2012	4.58%	10.12%	33.23%	52.07%
Q1 2013	4.35%	9.99%	35.01%	50.66%
Q2 2013	4.28%	11.45%	37.30%	46.96%
Q3 2013	3.90%	9.07%	34.06%	52.97%
Q4 2013	3.29%	7.41%	28.01%	61.29%
Q1 2014	3.36%	8.96%	31.01%	56.67%
Q2 2014	3.86%	10.42%	38.13%	47.59%
Q3 2014	3.65%	9.17%	40.05%	47.13%
Q4 2014	4.07%	8.75%	38.28%	48.90%
Q1 2015	4.43%	8.25%	37.70%	49.62%
Q2 2015	5.59%	8.17%	38.79%	47.44%
Q3 2015	8.31%	6.78%	35.31%	49.60%

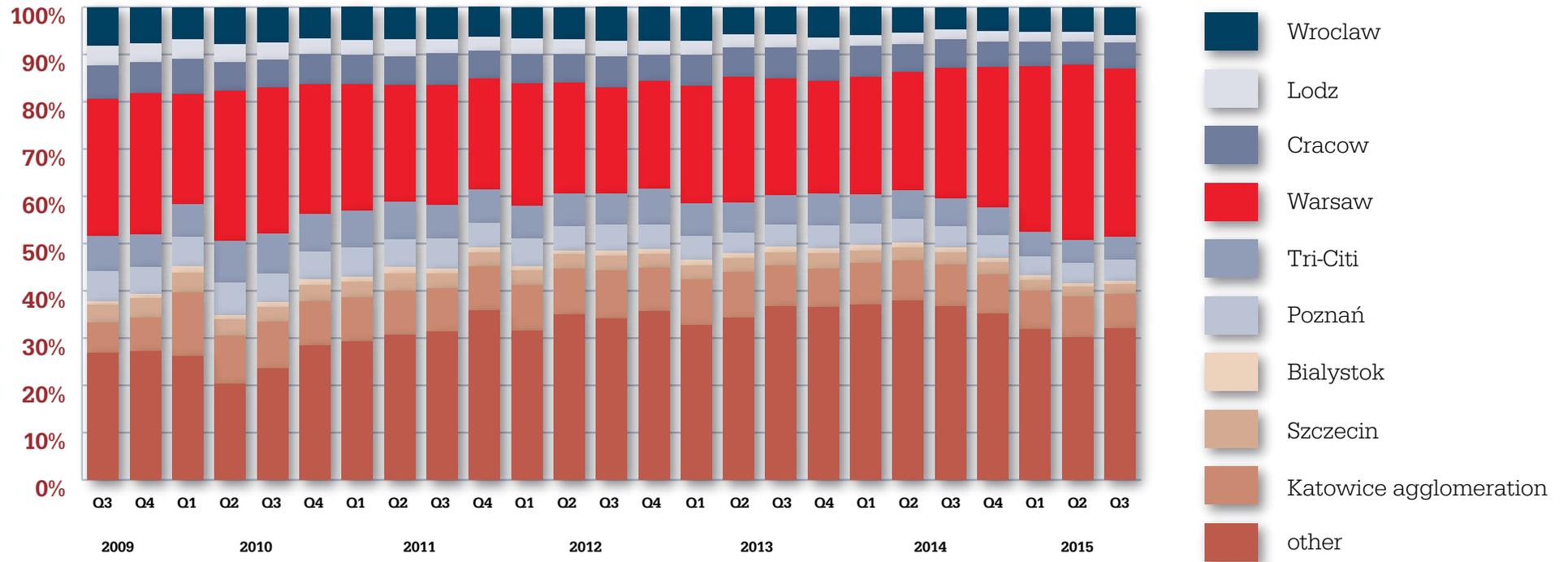
Source: Polish Banks Association – SARFiN

Housing loans in major Polish cities

For the first time from several quarters, the share of the largest Polish urban centres in the overall structure of new loans by value has decreased – in Q3 2015 by **1.90 p.p.**, i.e. to the level of **67.90%**. Out of nine surveyed agglomerations, the most significant decrease was noted in Warsaw share – by approximately **1.54 p.p.**, as well as in Katowice agglomeration – by **1.40 p.p.** In contrary, slight increases were recorded in volume of loans granted in Cracow (by **0.38 p.p.**), Wroclaw (by **0.75 p.p.**) and Tri-City (by **0.19 p.p.**).

However, in comparison to Q3 2014, the last quarter's trend has not been noted yet. The value share of loans granted in capital city increased by **7.98 p.p.** and share of loans granted in Wroclaw – by **1.26 p.p.**, while the share of other urban areas and smaller towns diminished by **4.64 p.p.**

Chart 11. Value of newly granted loans in major Polish cities in Q3 2009 – Q3 2015



Source: Polish Banks Association – SARFIN

Table 7. Value of newly granted loans in major Polish cities in Q3 2009 – Q3 2015

	other	Katowice agglomeration	Szczecin	Bialystok	Poznan	Tri-Citi	Warsaw	Cracow	Lodz	Wroclaw
Q3 2009	26.80%	6.40%	3.90%	0.60%	6.40%	7.50%	28.90%	7.10%	4.30%	8.10%
Q4 2009	27.20%	7.10%	4.10%	0.90%	5.80%	6.90%	29.70%	6.60%	4.00%	7.70%
Q1 2010	26.15%	13.56%	4.14%	1.32%	6.31%	6.84%	23.34%	7.30%	4.15%	6.88%
Q2 2010	20.31%	10.19%	3.44%	0.96%	6.77%	8.81%	31.91%	5.93%	3.77%	7.90%
Q3 2010	23.48%	10.00%	3.10%	1.02%	6.06%	8.48%	30.90%	5.74%	3.63%	7.59%
Q4 2010	28.36%	9.49%	3.32%	1.35%	5.78%	7.85%	27.57%	6.28%	3.31%	6.68%
Q1 2011	29.27%	9.42%	3.14%	1.17%	6.06%	7.88%	26.73%	6.18%	3.23%	6.92%
Q2 2011	30.57%	9.37%	3.72%	1.28%	6.00%	7.79%	24.71%	6.17%	3.48%	6.90%
Q3 2011	31.25%	9.26%	3.11%	1.06%	6.32%	7.19%	25.37%	6.58%	3.04%	6.81%
Q4 2011	35.83%	9.40%	2.92%	0.96%	5.29%	6.97%	23.58%	5.77%	3.01%	6.29%
Q1 2012	31.47%	9.78%	3.00%	1.00%	5.87%	6.79%	26.01%	6.16%	3.23%	6.69%
Q2 2012	34.95%	9.78%	3.02%	0.74%	5.13%	6.97%	23.42%	6.03%	3.24%	6.73%
Q3 2012	34.10%	10.24%	3.09%	0.99%	5.63%	6.41%	22.59%	6.48%	3.30%	7.19%
Q4 2012	35.65%	9.30%	2.81%	1.02%	5.32%	7.49%	22.84%	5.46%	2.99%	7.11%
Q1 2013	32.66%	9.73%	3.00%	1.08%	5.14%	6.75%	25.00%	6.49%	3.00%	7.15%
Q2 2013	34.20%	9.69%	3.03%	1.04%	4.21%	6.51%	26.46%	6.34%	2.72%	5.80%
Q3 2013	36.64%	8.72%	2.83%	1.08%	4.81%	6.05%	24.79%	6.55%	2.65%	5.89%
Q4 2013	36.57%	8.08%	3.25%	1.06%	4.82%	6.75%	23.94%	6.44%	2.63%	6.46%
Q1 2014	37.08%	8.74%	2.76%	1.08%	4.55%	6.11%	24.94%	6.55%	2.31%	5.89%
Q2 2014	37.94%	8.52%	2.72%	0.98%	5.05%	6.01%	25.02%	5.99%	2.33%	5.43%
Q3 2014	36.74%	8.70%	2.68%	1.01%	4.49%	5.99%	27.56%	5.91%	2.16%	4.76%
Q4 2014	35.06%	8.36%	2.61%	0.94%	4.75%	5.93%	29.57%	5.42%	2.27%	5.09%
Q1 2015	31.89%	8.09%	2.36%	0.89%	4.07%	5.08%	35.05%	5.20%	2.09%	5.28%
Q2 2015	30.20%	8.60%	2.06%	0.71%	4.31%	4.81%	37.08%	5.00%	1.96%	5.27%
Q3 2015	32.10%	7.20%	2.14%	0.66%	4.38%	5.00%	35.54%	5.38%	1.58%	6.02%

Source: Polish Banks Association – SARFIN

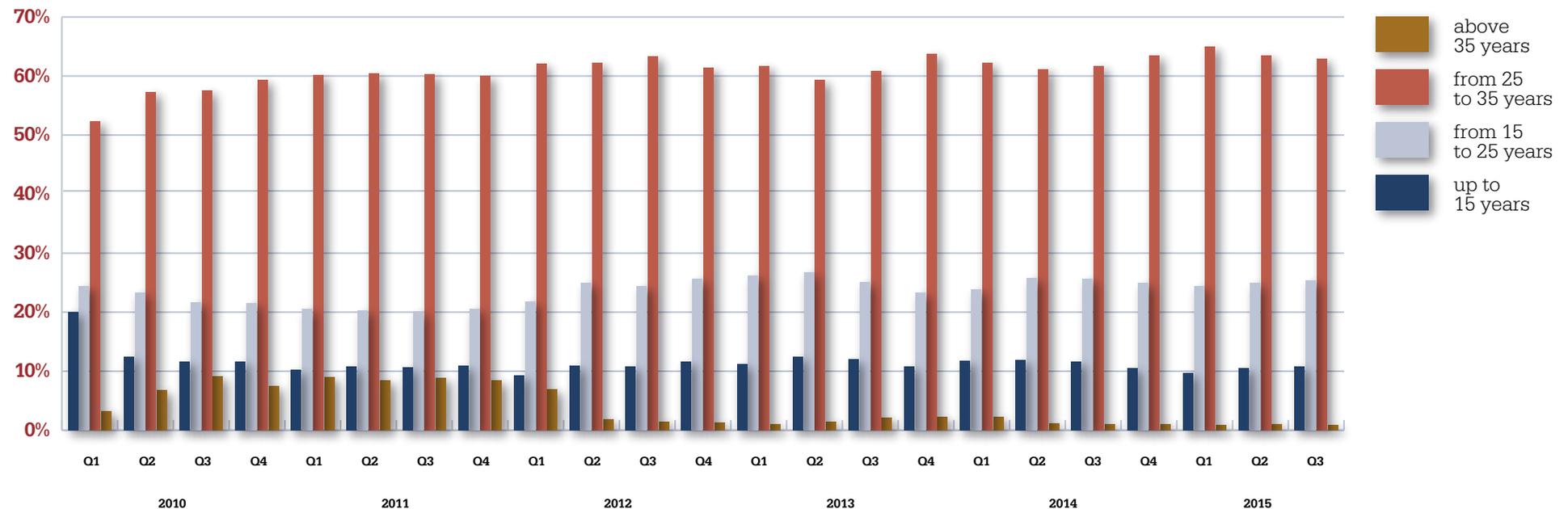
Lending period

In Q3 2015, the popularity of loans granted for a period above 25 years declined. This decrease, in its substantial part, resulted from the requirements of new Recommendation S, according to which mortgage loans may be granted for more than 25 years only if the borrower's creditworthiness enabled him to repay the loan during 25 years. Although the share of loans with maturities from 25 to 35 years was still on very high level (**62.98%**), it has been declining second quarter in a row (in analy-

sed quarter by **0.54 p.p.** in relation to the previous quarter). The share of housing loans granted for the period up to 15 years and from 15 to 25 years increased – respectively by **0.27 p.p.** and **0.46 p.p.**

However, in comparison to Q3 2014, the share of loans with maturities from 25 to 35 years grew by **1.30 p.p.** In other segments, declines were noted – the biggest in case of loans granted for the period of max. 15 years – by **0.86 p.p.**

Chart 12. Structure of new loans by lending period in Q1 2010 – Q3 2015



Source: Polish Banks Association – SARFiN

Table 8. Structure of new loans by lending period in Q1 2010 – Q3 2015

	up to 15 years	from 15 to 25 years	from 25 to 35 years	above 35 years
Q1 2010	20.00%	24.44%	52.30%	3.26%
Q2 2010	12.51%	23.37%	57.34%	6.78%
Q3 2010	11.62%	21.71%	57.57%	9.11%
Q4 2010	11.67%	21.55%	59.30%	7.49%
Q1 2011	10.29%	20.50%	60.22%	8.99%
Q2 2011	10.73%	20.26%	60.50%	8.51%
Q3 2011	10.69%	20.08%	60.36%	8.86%
Q4 2011	10.93%	20.59%	60.03%	8.45%
Q1 2012	9.26%	21.73%	62.07%	6.95%
Q2 2012	10.94%	24.96%	62.29%	1.81%
Q3 2012	10.76%	24.39%	63.33%	1.51%
Q4 2012	11.64%	25.67%	61.42%	1.27%
Q1 2013	11.17%	26.24%	61.62%	0.97%
Q2 2013	12.46%	26.78%	59.31%	1.46%
Q3 2013	12.07%	25.04%	60.79%	2.10%
Q4 2013	10.74%	23.30%	63.75%	2.21%
Q1 2014	11.75%	23.80%	62.24%	2.21%
Q2 2014	11.90%	25.79%	61.20%	1.11%
Q3 2014	11.61%	25.66%	61.68%	1.05%
Q4 2014	10.48%	24.93%	63.52%	1.07%
Q1 2015	9.67%	24.36%	65.03%	0.94%
Q2 2015	10.48%	24.93%	63.52%	1.07%
Q3 2015	10.75%	25.39%	62.98%	0.89%

Source: Polish Banks Association – SARFiN

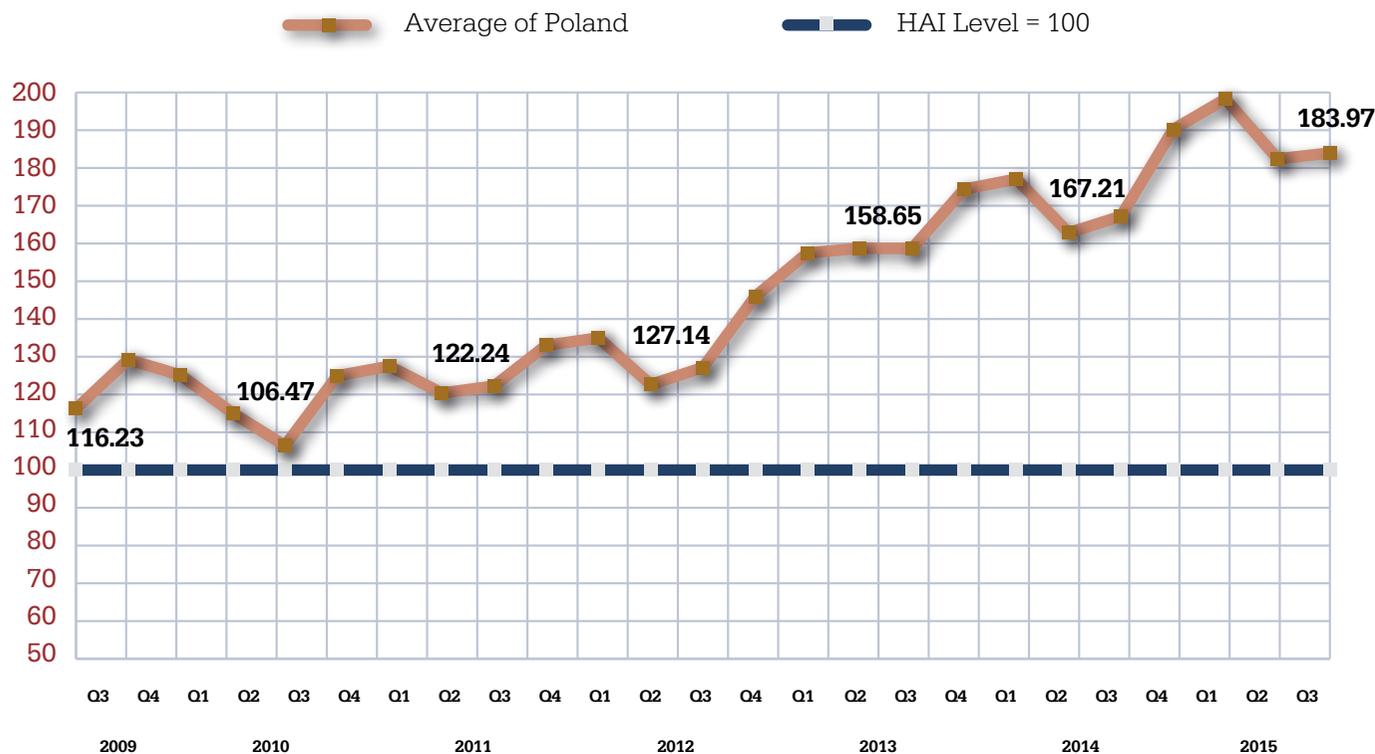
Housing Availability Index M3 – HAI M3

Housing Availability Index (HAI M3), a synthetic measure presented in AMRON-SARFiN Reports, shows quarterly changes in availability of housing unit in Poland for the exemplary family comprising of two employed adults with one older child. Slight increase of dwelling availability in Q3 2015 was influenced by the following factors:

- a persistent slight increase in housing prices in cities monitored in order to calculate HAI M3 Index (8 biggest cities) – recorded prices increased by **1.52%** in relation to Q2 2015;
- a slight increase in average interest rate of loans granted in Q3 2015 – according to the National Bank of Poland, this increase amounted to **0.09 p.p.** (by **8 basis points**) – the real interest rate of loans granted in Q3 2015 amounted to **4.61%** (in previous quarter – **4.53%**);
- a slight increase in average income in Q3 2015, i.e. by **1.05%**;
- level of living cost, which – for the Report purposes – are expressed as the minimum subsistence level of the previous quarter (calculated as inflation quarter on quarter due to the postponement of announcing the minimum subsistence level by the Institute of Labour and Social Affairs for the next quarter) decreased by the inflation level (**0.27%**).

All the aforementioned factors caused that the disposable income for HAI M3 (which is the difference between the family income and the amount of the loan instalment amount, or the value of the minimum subsistence level – in order to calculate the Housing Availability Index the lower amount is taken into account) increased by **2.43%**, which resulted in the increase of the Index in Q3 2015 by **1.55 basis points** (Index level in Q2 2015 amounted to **182.42** points).

Chart 13. Housing Availability Index M3 for the period from Q3 2009 to Q3 2015



Source: Polish Banks Association

Average margin levels and mortgage interest rates

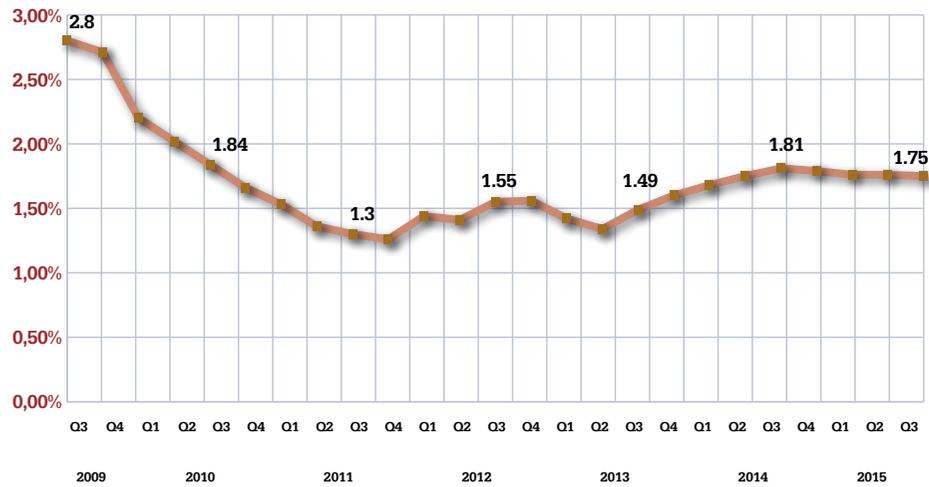
In Q3 2009, the average loan margin amounted to **2.80%**, while mortgage interest rate was equal to **7.06%**. Over the last 25 quarters, both these values have decreased significantly and currently are on a very low level.

The average margin of a loan (in amount of PLN 300 000, at LtV ratio of 75% and granted for the period of 25 years) in Q3 2015 equalled to 1.75%, which meant a negligible (by only **0.01 p.p.**) decrease in comparison to

the previous quarter. Monetary Policy Council did not change the interest rates – the reference rate was still at record low level (**1.50%**) and WIBOR 3M increased slightly in Q3 2015 to the level of **1.72%** compared to **1.68%** in Q2. That was the reason for a slight increase in interest rates of housing loans, which in Q3 2015 accounted for **3.48%**, i.e. more by **0.02 p.p.** in relation to Q2 2015.

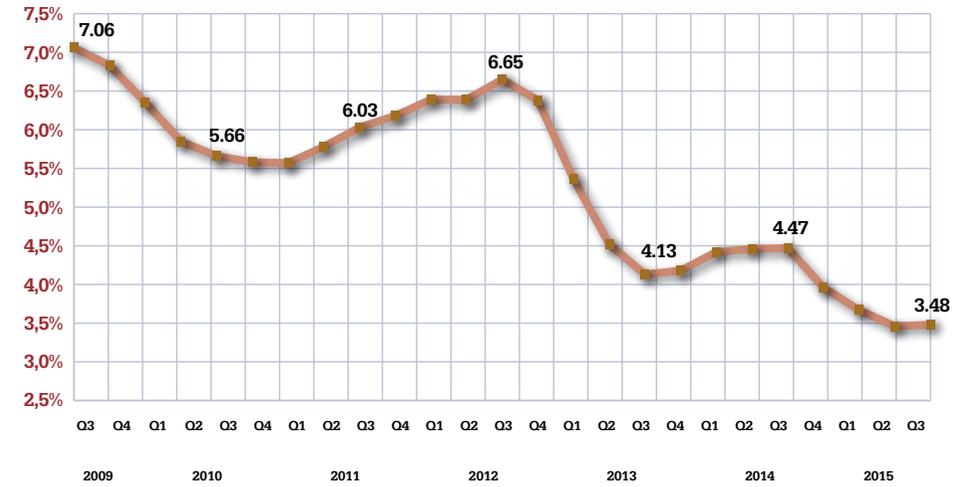
At the end of the analysed period, the average loan margin was equal to **1.72%**, while the average interest rate – to **3.44%**.

Chart 14. Average margin of a housing loan in Q3 2009 – Q3 2015



Source: AMRON Centre based on banks' credit offers

Chart 15. Average interest rate of a housing loan in Q3 2009 – Q3 2015



Source: AMRON Centre based on banks' credit offers

“Flat for Youth” Programme

September was the first month of functioning the ‘Flat for Youth’ Programme under the new rules. The most important modifications of the Programme include:

- subsidies increase – currently the subsidies of borrower’s downpayment amount to:
 - **10%** of the replacement value of a housing for single person and for families without children,
 - **15%** of the replacement value of a housing for families with one child,
 - **20%** for families with two children,
 - **30%** for families with at least three children; what is more, for large families (with three or more children) the borrower’s age limit was abolished, as well as the condition that the subsidized dwelling must be the first beneficiary’s own housing. Also, the limit of floor area, which is the parameter for calculating the subsidy’s amount, increased from **50 sq.m.** to **65 sq.m.**;
- expanding the catalogue of dwellings, which qualify for government subsidies also on secondary market (price of 1 sq.m. of dwelling in this case cannot be higher than 90% of the average replacement value of 1 sq.m. applicable in a municipality).

The amendment to the Act on state aid in young people first housing purchase has resulted in the best results of the Programme ever since it has been launched. Only in September 2015, there were **3 744** applications for borrowers’ downpayment subsidies (in August there were **1 787** applications), for the total subsidy amount of nearly **PLN 94** million. **43%** of all applications were for housing units on the secondary market.

In Q3 2015, **6 533** applications under the ‘Flat for Youth’ Programme were placed to the BGK via banks, which is by **37.8%** more than in Q2 of this year and as much as two times more in comparison to the weakest Q3 2014. Value of approved applications amounted to **PLN 158.78 million** – **42.6%** more than in the previous quarter and **114.6%** more in comparison to the same period last year.

In total, from January 1, 2014 banks have accepted **31 727** applications for the subsidy amount of **PLN 742.24 million**. **27.92%** of this value was paid from funds provided for subsidies in 2014, **54.45%** comes from the amount earmarked for 2015, **16.06%** – in 2016, from funds of 2017 – **1.55%**, and **0.02%** from funds of 2018.

A significant increase in the popularity of the Programme caused that the total amount of applied subsidy in 2015 reached level of **PLN 404 million**. But still, after three quarters, **56.52%** of all funds planned for the year 2015 has been used. Therefore it is quite possible that even if the current level of interest in the Programme will continue, funds for subsidies for this year should not be exhausted. However, there is such a risk in the next year – currently **16.33%** of the amount earmarked for 2016 is used.

In the period from January 1, 2014 to September 30, 2015, **28 276** loan agreements for a total value of **PLN 5.3 billion** were concluded with the support of ‘Flat for Youth’ Programme. The share of preferential loans in the overall lending equalled to **8.08%** of value and **9.22%** of volume.

Chart 16. Number of loan applications approved by banks in Q1 2014 – Q3 2015 – ‘Flat for Youth’ Programme

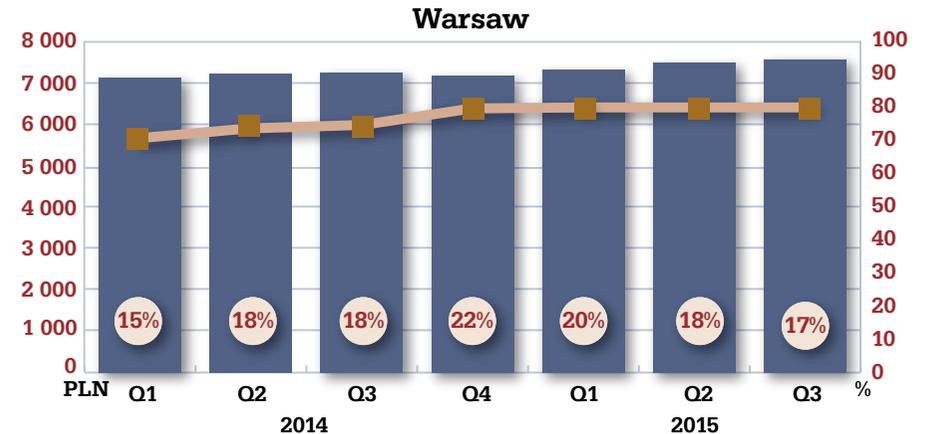


Source: BGK

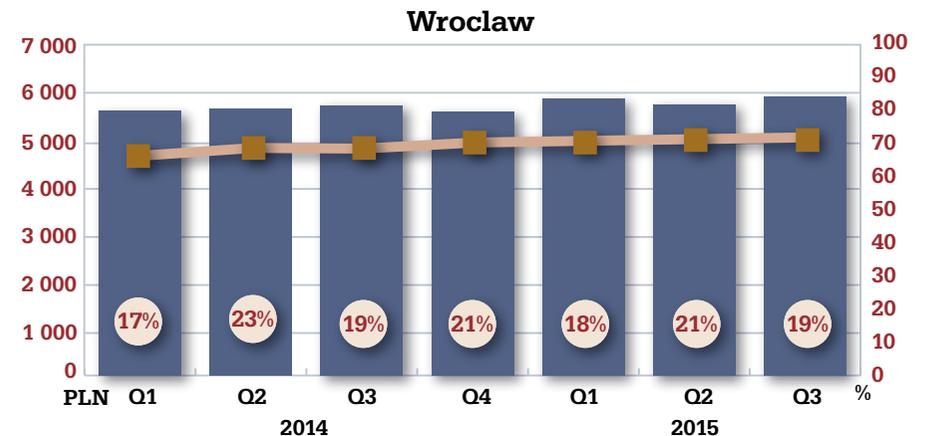
In Q3 2015, the maximum price per square meter in Gdansk was reduced to the level of **PLN 5 234.35** (by **PLN 58.75**). In other cities the maximum prices remained at current levels (the price limits per 1 sq.m. of dwelling in the ‘Flat for Youth’ Programme change twice a year – for the Pomeranian voivodship in January and July, for the other provinces – in April and October).

Verification of the number of purchase transactions, which in Q3 2015 could be qualified for the Programme in terms of floor area and transaction prices, enabled to identify the possibility of benefit this Programme in main Polish cities. Still in Q3 2015, inhabitants of Lodz were in the best position – in Q3 2015, 80% of transactions on the primary market remained within the limit of **4 515.50 PLN/sq.m.** The next cities in terms of Programme accessibility were Poznan and Gdansk, where respectively **66%** and **59%** of sold dwellings could be bought with government subsidies. Residents of Cracow had the smallest chance of getting subsidy – the price limit per 1 sq.m. of usable area amounted to **5 112.80 PLN/sq.m.**, while the average price of dwellings with usable area up to 75 sq.m. on the primary market amounted to **PLN 6 322**.

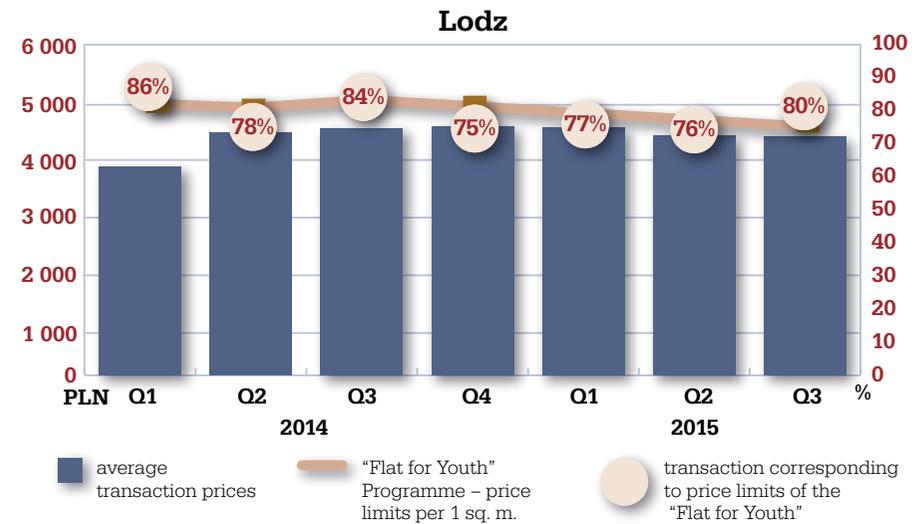
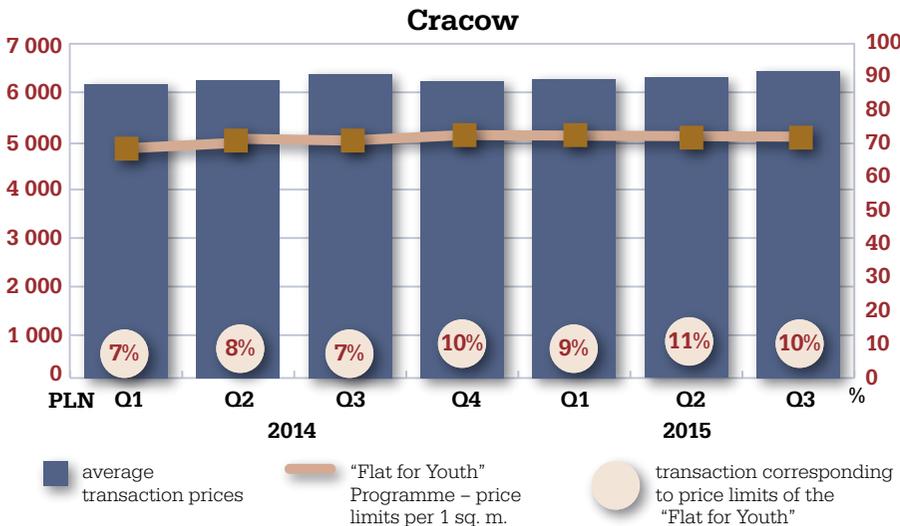
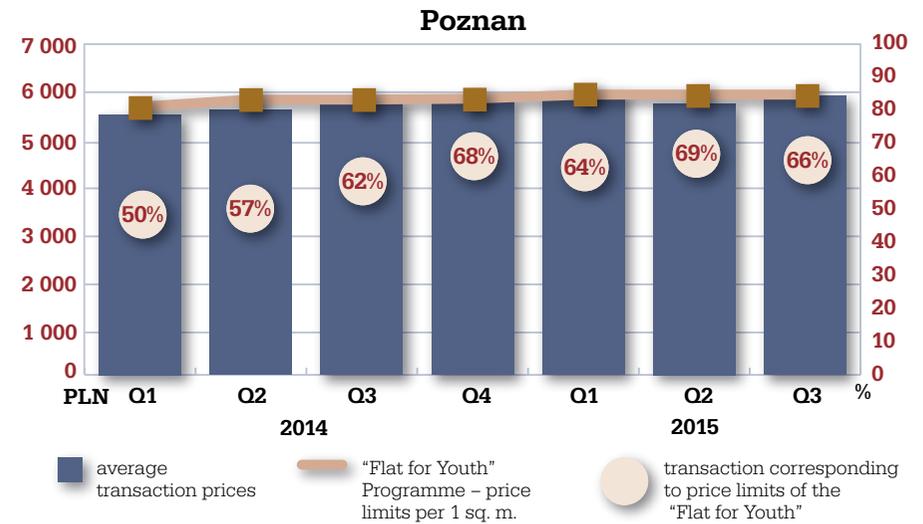
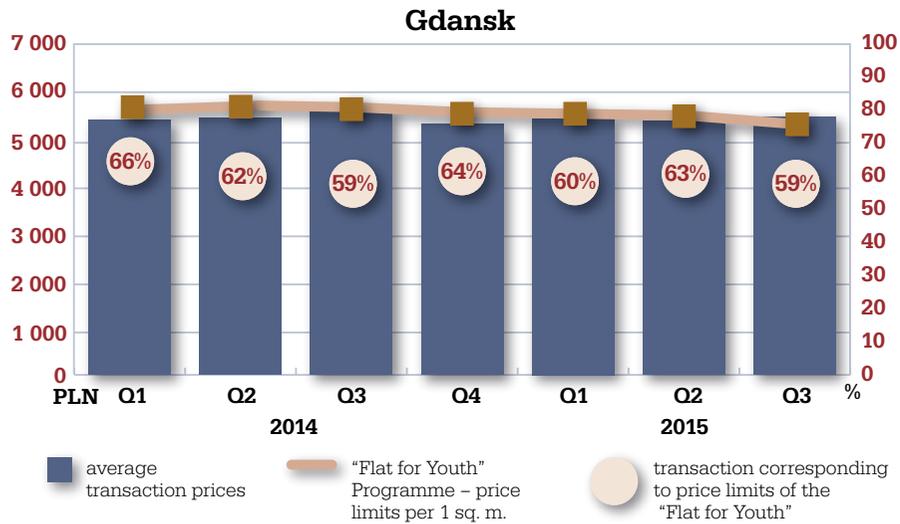
Chart 17. Comparison of average transaction prices 1 sq. m. of flats in Q1 2014 – Q3 2015 and price limits in the ‘Flat for Youth’ Programme



Legend: Blue bar = average transaction prices; Orange line = ‘Flat for Youth’ Programme – price limits per 1 sq. m.; Circle = transaction corresponding to price limits of the ‘Flat for Youth’



Legend: Blue bar = average transaction prices; Orange line = ‘Flat for Youth’ Programme – price limits per 1 sq. m.; Circle = transaction corresponding to price limits of the ‘Flat for Youth’



Source: BGK, AMRON

Situation on the housing market

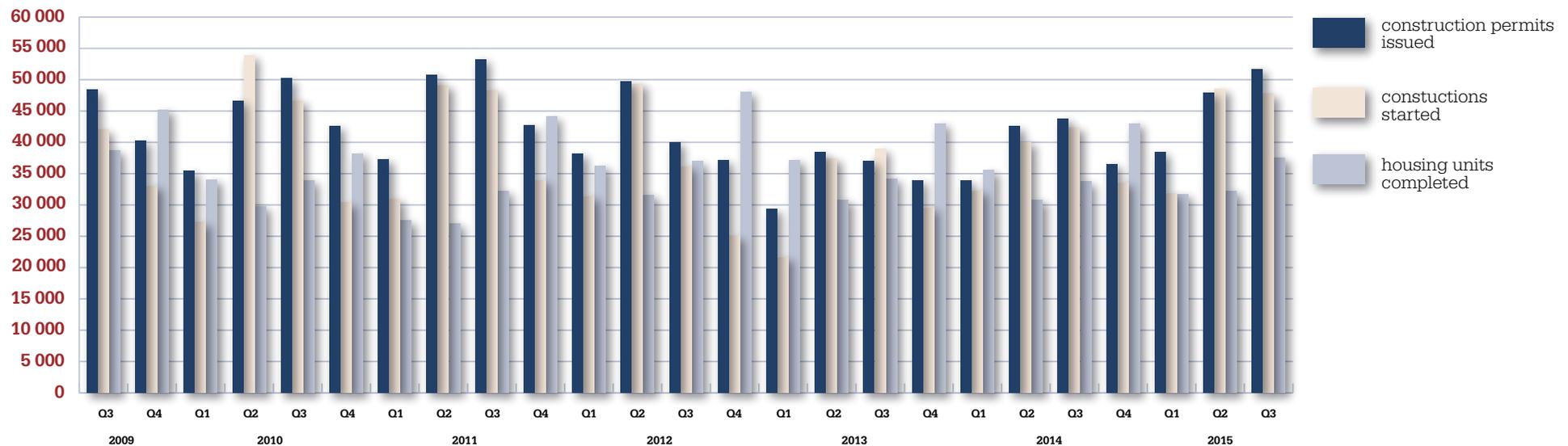
Q3 of this year was another period of growth in real estate market, both in developer sector and individual sector. In comparison to the previous quarter, the most significant increase (by **16%**) was noted in the number of completed dwellings, which amounted to **37 529**. In the period from July to September 2015, there were issued **51 673** permits for construction of housing units, which was by **3%** more than in the previous quarter. Only the number of started constructions decreased – in analysed quarter by **2%** and it amounted to **47 749** flats.

In relation to the same period last year, a significant increase in housing supply was recorded. The number of construction permits issued incre-

ased by **18%** in comparison to Q2 2014. Slightly smaller increases occurred in the category of the number of constructions started and the number of housing units completed, respectively by **13** and **11%**.

During the last few years, number of completed dwellings accounted for 130 to 160 thousand dwellings per year, so that since Q3 2009 to Q3 2015, there were **almost 900 thousand** new dwellings completed and banks granted almost **1 300 thousand** mortgage loans during this period.

Chart 18. Number of construction permits issued, constructions started and housing units completed in Q3 2009 – Q3 2015



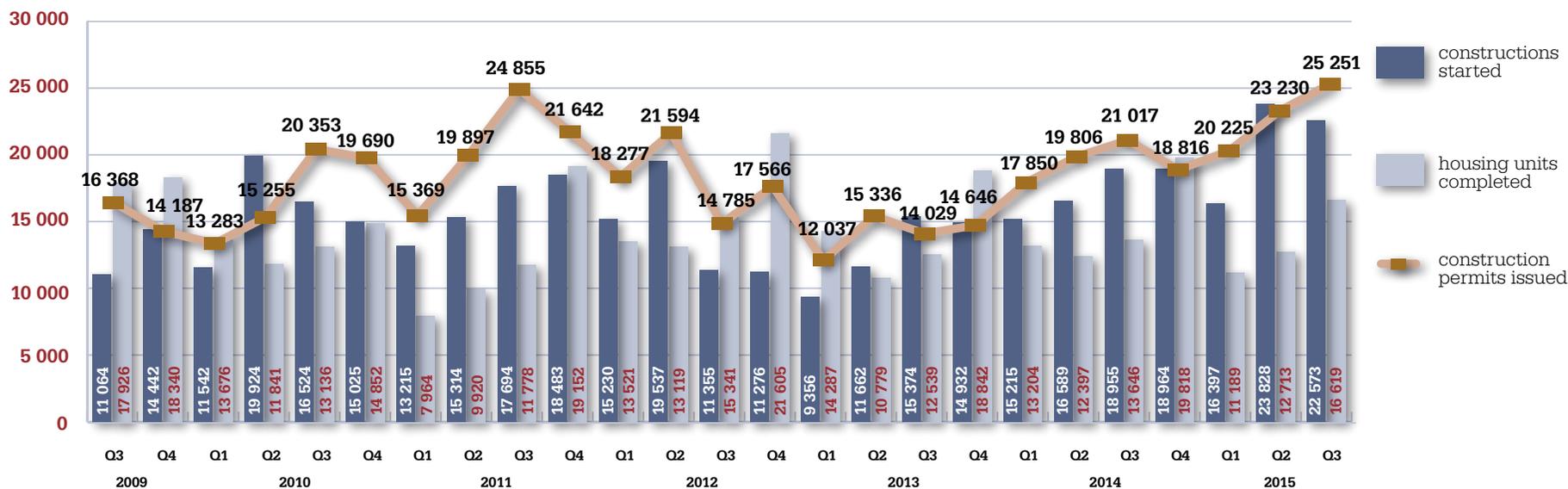
Source: Central Statistical Office

Since 2013, developers activity has increased. Competitive prices and favourable market conditions caused that the demand for dwellings in the last few quarters is at a stable high level. As a result, in 2014, an increase in the number of concluded transactions were noted – for the own purchases and for investment, as well as financed with bank loans and with own funds. Thereby, developers sales results were getting better – especially it improved during the last few months after an interest rates cut by the Monetary Policy Council to a record-breaking low level (presently the reference rate equals to **1.50%**), which furtherly encourage to start new investments. The increase in supply was also affected by developers’ concerns associated with the announced amendment to the so-called ‘developers act’, which encouraged them to start new projects before the regulation enters into force.

Developers noted new record-breaking results. According to Central Statistical Office of Poland, the number of dwellings completed in Q3 2015 increased by **31%** in comparison to the previous quarter and amounted to **16 619**. In the period from July to September, there were issued permits for construction by developers of **25 251** dwellings, i.e. **9%** more than in Q2 2015. Only number of started constructions decreased by **5%** – developers in Q3 of this year started **22 573** constructions.

In Q3 2015, in all analysed categories, i.e. the number of construction permits issued, started constructions and completed housing units, developers noted an increase by **about 20%** in comparing to the same period last year.

Chart 19. Number of construction permits issued, constructions started and housing units completed by developers in Q3 2009 – Q3 2015



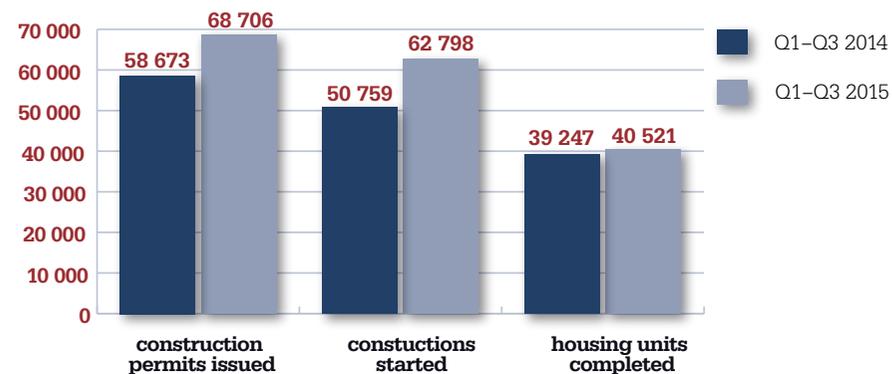
Source: Central Statistical Office

Table 9. Number of construction permits issued, constructions started and housing units completed by developers in Q3 2009 – Q3 2015

		Construction permits issued	Constructions started	Housing units completed
2009	III kw.	16 368	11 064	17 926
	IV kw.	14 187	14 442	18 340
2010	I kw.	13 283	11 542	13 676
	II kw.	15 255	19 924	11 841
	III kw.	20 353	16 524	13 136
	IV kw.	19 690	15 025	14 852
2011	I kw.	15 369	13 215	7 964
	II kw.	19 897	15 314	9 920
	III kw.	24 855	17 694	11 778
	IV kw.	21 642	18 483	19 152
2012	I kw.	18 277	15 230	13 521
	II kw.	21 594	19 537	13 119
	III kw.	14 785	11 355	15 341
	IV kw.	17 566	11 276	21 605
2013	I kw.	12 037	9 356	14 287
	II kw.	15 336	11 662	10 779
	III kw.	14 029	15 374	12 539
	IV kw.	14 646	14 932	18 842
2014	I kw.	17 850	15 215	13 204
	II kw.	19 806	16 589	12 397
	III kw.	21 017	18 955	13 646
	IV kw.	18 816	18 964	19 818
2015	I kw.	20 225	16 397	11 189
	II kw.	23 230	23 828	12 713
	III kw.	25 251	22 573	16 619

Source: Central Statistical Office

Chart 20. Comparison of numbers of construction permits issued, constructions started and housing units completed by developers in Q1 – Q3 2014 and Q1 – Q3 2015



Source: Central Statistical Office

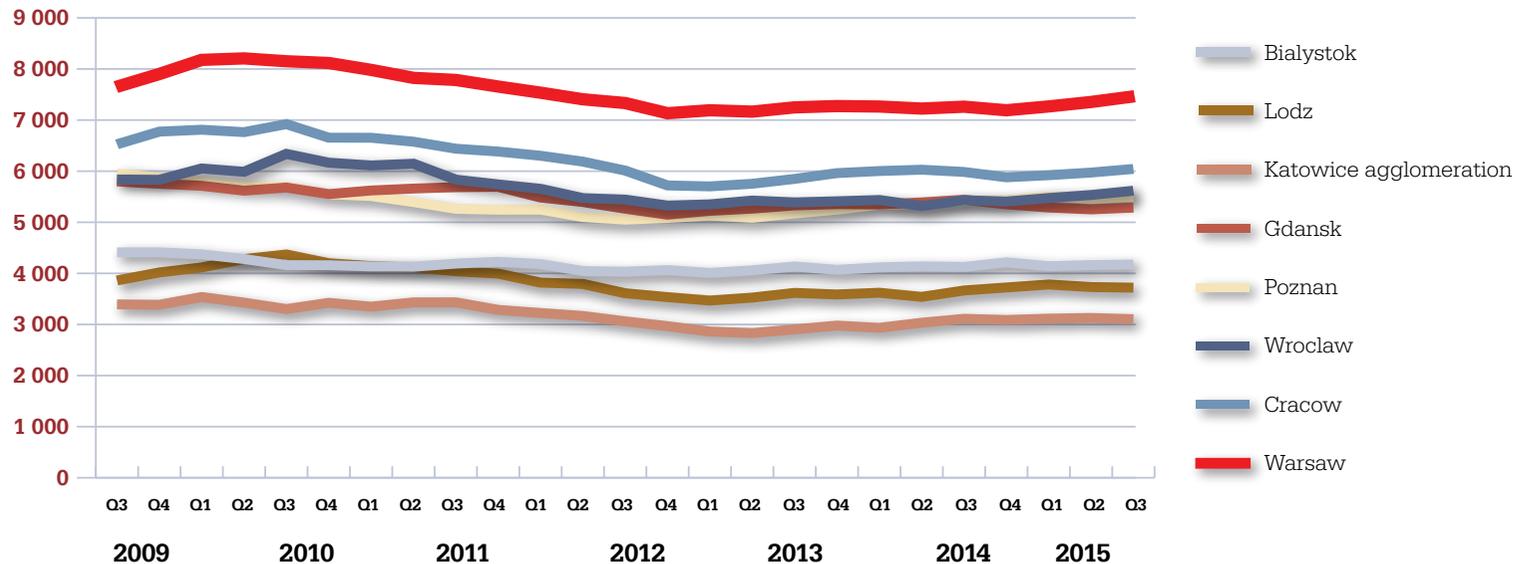
Average transaction prices of housing units

The end of 2009 and the year 2010 was a period of slow return of Polish economy to stabilize – a slight decline in transaction prices slowed down and in some locations there were even noted minimal increases. The following years we have witnessed a slight decline in transaction prices, caused by deterioration of the situation on labour market and worse results of banks' lending activity, which has led to reduction of effective demand on real estate market. On the beginning of 2013, prices on housing market slightly increased, which was a result of termination of the 'Family on Its Own' Programme, but next quarters there were only minor fluctuations in average housing prices dependent on changes in price limits at the 'Flat for Youth' Programme launched at the beginning of 2014. Currently, a relative balance on the housing market is observed, which translates into a low level of price fluctuations in major Polish cities.

In Q3 2015, a slight decrease in the average transaction price of 1 sq.m. of floor area in relation to the previous quarter were recorded only in two out of the eight Polish urban centres – in Katowice agglomeration (by **24 PLN/sq.m.**) and in Lodz (by **12 PLN/sq.m.**). In other cities, there were recorded slight increases – the largest in Warsaw, where the average price of 1 sq.m. amounted to **7 463 PLN**, i.e. by **109 PLN** more than in Q2 2015.

In comparison to Q3 2014, a decline in the average transaction price was noted only in Gdansk – by **154 PLN/sq.m.** The average price of residential unit in Katowice agglomeration remained at last year’s level, while in other locations the average transaction price of 1 sq.m. of dwelling increased – the most in Warsaw and Wroclaw, respectively by **201 PLN/sq.m.** and **185 PLN/sq.m.**

Chart 21. Average transaction prices per square meter of a housing unit in selected cities in Q3 2009 – Q3 2015



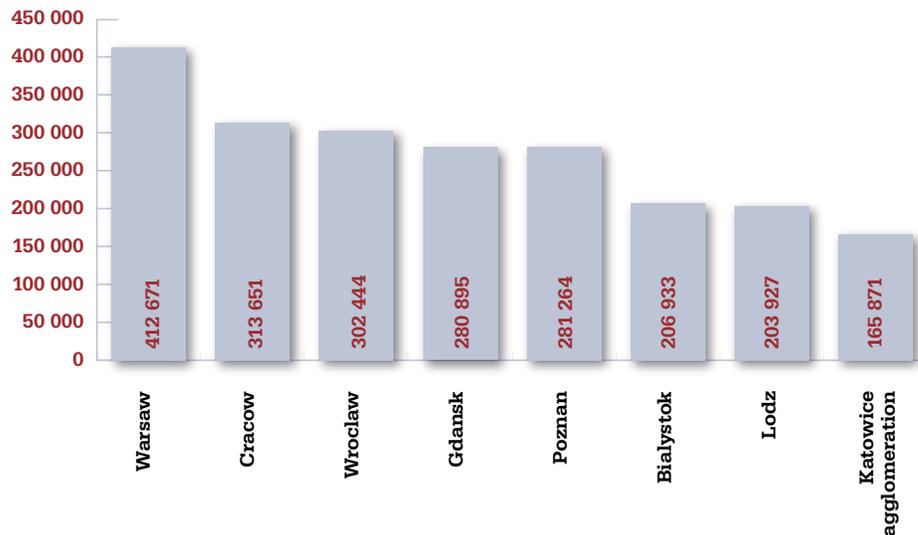
Source: AMRON

Table 10. Average transaction price per square meter of a housing unit in selected cities in Q3 2009 – Q3 2015

		Warsaw	Bialystok	Katowice agglomeration	Wroclaw	Gdansk	Cracow	Poznan	Lodz
2009	III kw.	7 653	4 411	3 393	5 837	5 799	6 526	5 952	3 861
	IV kw.	7 902	4 412	3 385	5 831	5 754	6 774	5 877	4 018
2010	I kw.	8 178	4 371	3 537	6 053	5 714	6 811	5 788	4 116
	II kw.	8 207	4 281	3 427	5 988	5 619	6 764	5 712	4 279
	III kw.	8 151	4 162	3 301	6 338	5 680	6 921	5 698	4 370
	IV kw.	8 117	4 159	3 423	6 166	5 551	6 655	5 551	4 198
2011	I kw.	7 982	4 136	3 348	6 112	5 622	6 654	5 513	4 142
	II kw.	7 826	4 130	3 432	6 146	5 660	6 577	5 396	4 116
	III kw.	7 785	4 191	3 433	5 834	5 686	6 440	5 263	4 042
	IV kw.	7 656	4 226	3 285	5 741	5 694	6 384	5 246	3 995
2012	I kw.	7 536	4 182	3 225	5 655	5 484	6 302	5 248	3 819
	II kw.	7 407	4 045	3 166	5 473	5 397	6 187	5 103	3 793
	III kw.	7 333	4 033	3 061	5 444	5 265	6 012	5 052	3 611
	IV kw.	7 134	4 064	2 967	5 327	5 149	5 721	5 086	3 535
2013	I kw.	7 192	4 008	2 862	5 351	5 224	5 702	5 132	3 468
	II kw.	7 165	4 060	2 832	5 425	5 266	5 754	5 089	3 526
	III kw.	7 249	4 134	2 903	5 389	5 331	5 849	5 173	3 618
	IV kw.	7 274	4 069	2 978	5 411	5 355	5 962	5 248	3 587
2014	I kw.	7 265	4 117	2 934	5 436	5 347	6 003	5 343	3 621
	II kw.	7 225	4 137	3 034	5 318	5 388	6 029	5 364	3 540
	III kw.	7 262	4 126	3 111	5 432	5 441	5 985	5 420	3 665
	IV kw.	7 192	4 216	3 088	5 406	5 352	5 880	5 432	3 724
2015	I kw.	7 267	4 140	3 114	5 475	5 289	5 921	5 509	3 782
	II kw.	7 354	4 162	3 127	5 534	5 253	5 973	5 454	3 732
	III kw.	7 463	4 174	3 103	5 617	5 287	6 044	5 502	3 720

Source: AMRON

Chart 22. Total average transaction prices of housing units in selected cities in Q3 2015

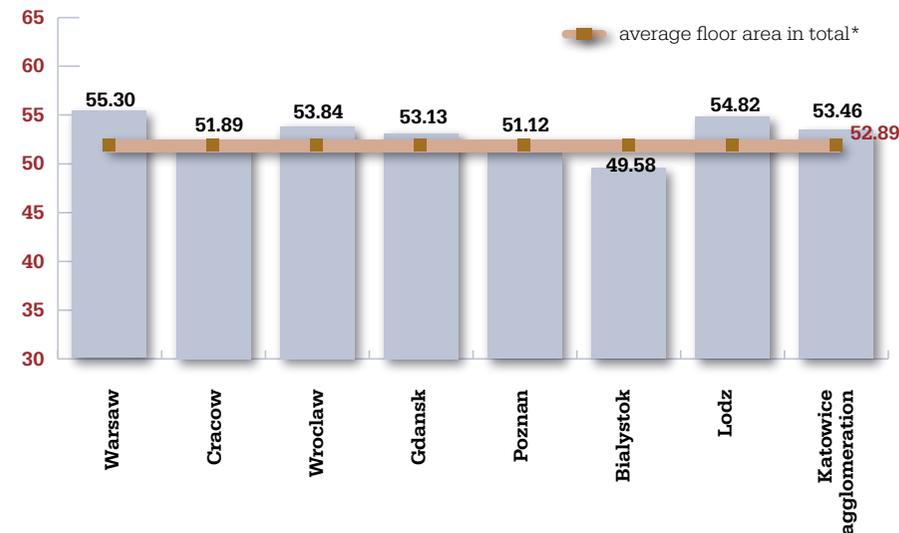


Source: AMRON

The average floor area of housing units purchased in Q3 2015 in eight the largest Polish cities amounted to **52.89 sq.m.** In the capital city, the average area of the apartment was equal to **55.30 sq.m.** Flats larger

than average floor area were bought in Lodz, Wroclaw, Katowice agglomeration and Gdansk. The smallest housing units were traded in Bialystok, where the average usable area amounted to **49.58 sq.m.**

Chart 23. Average floor area of housing units in selected cities in Q3 2015



* in 8 surveyed locations

Source: AMRON

Share of particular floor area segments in total turnover volume in Warsaw

The global financial crisis and the deteriorating economic situation in 2009 resulted in increased interest in small dwellings. In Q3 2009, more than 53% of all transactions concluded on the Warsaw real estate market related to dwellings with usable area up to 55 sq.m. In 2010, interest in larger dwellings slightly increased, but new restrictions on creditworthiness (which was a result of still uncertain economic situation), caused that interest of small housing units with possibly large number of rooms increased again. Currently, the share of dwellings with floor area up to 55 sq.m. fluctuates around 50% of the Warsaw turnover volume.

In Q3 2015, the most popular segment of dwellings on the Warsaw real estate market remained flats of floor area between 45 and 55 sq.m. The share of this segment in total turnover accounted to **24.30%** and it increased by **0.86 p.p.** in comparison to Q2 2015. Turnover of flats of floor area from 35 to 45 sq. m. also increased (by **1.1 p.p.**) and amounted to **21.20%**. Despite a slight decrease in the share of the smallest units with usable area up to 35 sq.m. (by **0.64 p.p.** quarterly) and from 55 to 65 sq.m. (by **0.57 p.p.**), buyers still hare preferred small dwellings – in analysed quarter, the share of transactions related to premises of an area up to 65 sq.m. accounted to **71.72%** of the total turnover in Warsaw. Share

of the largest segment of flats with an area above 100 sq.m. increased by **0.49 p.p.**

In comparison to Q3 2014, the share of all size segments up to 65 sq.m. increased – the greatest increase related dwellings of usable area from

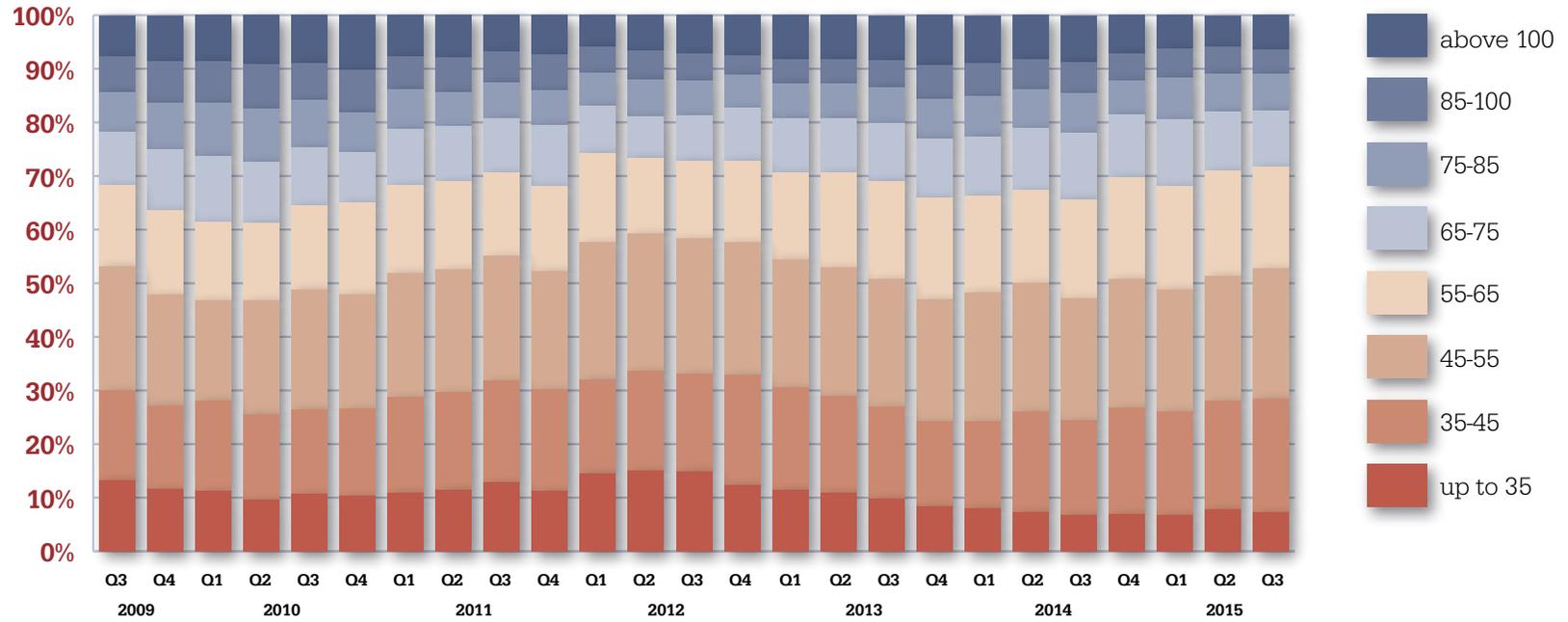
35 to 45 sq.m. – by **3.69 p.p.** In other categories, recorded decreases varied from **0.70 p.p.** (for flats of usable area between 75 and 85 sq.m.) to **2.23 p.p.** for dwellings of floor an area above 100 sq.m.

Table 11. Share of particular floor area segments in total turnover volume on housing units in Warsaw in Q3 2009 – Q3 2015

floor area (sq. m.)	up to 35	35 - 45	45 - 55	55 - 65	65 - 75	75 - 85	85 - 100	above 100
Q3 2009	13,30%	16,63%	23,27%	15,05%	9,93%	7,56%	6,51%	7,75%
Q4 2009	11,58%	15,58%	20,68%	15,76%	11,36%	8,66%	7,72%	8,66%
Q1 2010	11,21%	16,85%	18,73%	14,59%	12,42%	9,76%	7,94%	8,50%
Q2 2010	9,62%	15,93%	21,19%	14,59%	11,36%	9,80%	8,38%	9,13%
Q3 2010	10,65%	15,88%	22,38%	15,55%	10,90%	8,82%	6,89%	8,93%
Q4 2010	10,35%	16,24%	21,37%	17,03%	9,45%	7,46%	7,87%	10,23%
Q1 2011	10,96%	17,75%	23,22%	16,35%	10,51%	7,41%	6,14%	7,66%
Q2 2011	11,48%	18,09%	23,01%	16,41%	10,31%	6,39%	6,32%	7,99%
Q3 2011	12,87%	18,98%	23,20%	15,57%	10,09%	6,76%	5,62%	6,91%
Q4 2011	11,27%	18,87%	22,17%	15,77%	11,50%	6,39%	6,62%	7,41%
Q1 2012	14,62%	17,49%	25,49%	16,76%	8,81%	6,01%	5,01%	5,81%
Q2 2012	15,02%	18,63%	25,57%	14,15%	7,74%	6,94%	5,27%	6,68%
Q3 2012	14,98%	18,13%	25,25%	14,48%	8,46%	6,50%	5,02%	7,18%
Q4 2012	12,44%	20,49%	24,71%	15,21%	9,77%	6,22%	3,61%	7,55%
Q1 2013	11,49%	18,97%	23,98%	16,13%	10,27%	6,46%	4,48%	8,23%
Q2 2013	10,95%	17,96%	24,04%	17,65%	10,20%	6,45%	4,54%	8,22%
Q3 2013	9,91%	16,98%	23,84%	18,36%	10,70%	6,80%	5,04%	8,27%
Q4 2013	8,42%	15,72%	22,86%	18,92%	11,06%	7,34%	6,41%	9,27%
Q1 2014	8,06%	16,14%	24,15%	17,90%	11,12%	7,41%	6,21%	9,01%
Q2 2014	7,40%	18,67%	23,99%	17,30%	11,56%	7,24%	5,63%	8,21%
Q3 2014	6,81%	17,52%	22,77%	18,57%	12,29%	7,44%	5,94%	8,66%
Q4 2014	7,02%	19,73%	24,06%	18,95%	11,76%	6,20%	5,17%	7,11%
Q1. 2015	6,82%	19,25%	22,80%	19,25%	12,43%	7,79%	5,38%	6,28%
Q2 2015	7,89%	20,10%	23,44%	19,53%	11,17%	6,95%	4,97%	5,94%
Q3 2015	7,26%	21,20%	24,30%	18,96%	10,52%	6,75%	4,58%	6,43%

Source: AMRON

Chart 24. Share of particular floor area segments in total turnover volume on housing units in Warsaw in Q3 2009 – Q3 2015



Source: AMRON

Commentary to the Report

Professor Jacek Łaszek, Warsaw School of Economics



Nothing is going on in real estate...

Not too long ago the prophecies of the end of the history were preached, while now the world, including Poland, spins faster and faster. That's the way it is – the ambitious theories explaining the world usually fail, just like the great, radical (epochal, as politicians like to call them) political and economic programmes, which end with king-size debts to repay and social problems.

Real estate segment is a significant part of those problems, both in scope of housing, where politicians' cynicism mixes with the greed of business, and in scope of commercial, where business' debts are repaid by the whole society. These problems are presently growing relatively close (the closest – in wealthy Sweden) and they prove how difficult it is to fix the economy destabilized by bad politics. It's worth learning that lesson well.

Against this background, Polish real estate market appears as oasis of peace and stabilization. In housing sector, consumers invest in new housings, supported by moderate (meaning: of low risk rate) mortgage lending. Banks act conservatively and grant loans prudently, no conditions of price bubble – the most severe threat in low interest prices reality – are observed as far as now. Developers business is very profitable. The

only problem is the situation on commercial real estate market, but it seems that this problem is actually not our problem. In summary, we are in situation from the year 2002-2003, however the hurrah-optimism is on much lower level, what in result reduces the import of troubles.

The CHF loans issues are still under discussion, but it seems to me that this discussion is actually just the PR and all parties will finally reach agreement, which – as it usually happens – will not please anyone. Some other controversial propositions are also on the table. Well, new governing party is just learning the economy and it will be better for all of us, if it learns it sooner than later. Besides, it is difficult to forget the recent carnival.

Cycles on real estate market are usually correlated with cycles on financial markets, by interest rates. That's how it is right now. In addition, in Poland that cycle correlated with political cycle – we witness the alternation of power. It gives the new governing party the opportunity to develop the proper, multidimensional sector politics, which didn't happened yet in Poland. Still there is another side of it – in case of huge mistakes, voters will easily find guilty ones and charge them.

Expert's comments published in AMRON-SARFiN Report reflect authors' opinions, which not always are consistent with opinions presented by Polish Banks Association and AMRON Centre.

AMRON and SARFiN Systems



System for Analysis and Monitoring of Real Estate Transactions

AMRON System is a standardized, nationwide database on real estate prices and values, equipped with advanced reporting and analytical modules for monitoring changes on the property market. System was established in 2004 in response to the banking supervisory requirements related to credit risk management and monitoring security instruments for mortgage lending. Since 2010, System is available for all real estate market participants. For ten years we have created a new quality of information on value of real estate and from that point of view it is fully justified to literally understand the anagram of Polish name of the System: AMRON – NORMA (the norm). For participants of Polish real estate market, making use of AMRON System became a norm. We have consistently implemented our goal, which is to create a comprehensive database on Polish real estate market. AMRON provides quick and direct access to the reliable information necessary for all participants on the market.

Our offer also includes periodic analytical publications and reports on prices changes of housing unit, construction plots and rural areas in selected provincial real estate markets – those reports are available on AMRON website. We also offer the individual reports prepared ac-

ordingly to the detailed specifics of the market segment, location and time period. Since the beginning of 2014, we also offer services of real estate valuation realized by a network of appraisers cooperating with AMRON Centre.

AMRON Centre cooperates with commercial and cooperative banks, credit unions, insurance companies, Agricultural Property Agency, real estate appraisers and realtors, as well as with developers, financial advisors and municipalities. AMRON database is also available for National Bank of Poland, General Prosecutor's Office and Polish Financial Supervision Authority.

Contact:

Agnieszka Gołębiowska
AMRON Centre Director

ul. Cicha 7

00-353 Warszawa

phone No.: +48 22 463 47 57; mobile: +48 723 723 786

e-mail: agnieszka.golebiowska@amron.pl

sarfin System for Analysis of Real Estate Financing Market

Advantaging of the forum of Polish Banks Association to exchange, for business purposes, information on the number and size of housing loans, banks have adopted the principle of access to and sharing of these data on a monthly basis. In exchange for its information input, any participating bank has the possibility of assessing market volumes and dynamics and of identifying its own position on that market, based on the reciprocity principle. The information generated in the system reflects some 95% of the market for retail lending.

SARFiN also develops new services for banks and their customers: a loan affordability index, evaluation and estimation of the potential of the real estate lending market and the presentation of “risk maps” for different regions.

SARFiN is an additional source of information for banks and enables them to verify the trends in the real estate financing market.

Contact:

Michał Wydra

Secretary of Real Estate Finance Committee

Polish Banks Association

ul. Kruczkowskiego 8

00-380 Warszawa

phone No.: +48 22 4868129

e-mail: mwydra@zbp.pl

AMRON-SARFiN Report – contact:

Agnieszka Pilcicka

Real Estate Market Analyst

Real Estate Market Research And Analysis Division

AMRON Centre

phone No.: +48 22 463 47 56

e-mail: agnieszka.pilcicka@amron.pl; raport@amron.pl

This Report was developed by AMRON Centre and edited by Agnieszka Gołębiowska (agnieszka.golebiowska@amron.pl). Figures and comments have been developed by AMRON and SARFiN teams: Agnieszka Pilcicka (agnieszka.pilcicka@amron.pl), Jerzy Ptaszyński (jerzy.ptaszynski@amron.pl), Bolesław Meluch (bmeluch@zbp.pl) and Michał Wydra (mwydra@zbp.pl).

In addition to the data collected in the AMRON and SARFiN Systems, this Report also includes data from Bank Gospodarstwa Krajowego, Central Statistical Office, National Bank of Poland.