



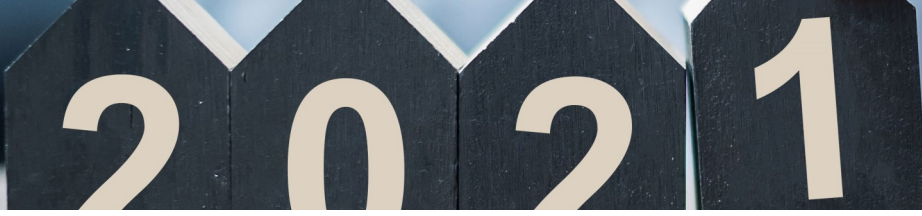
” Summary of the year 2021 on Polish housing market

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AMRON CENTRE ANALYSIS

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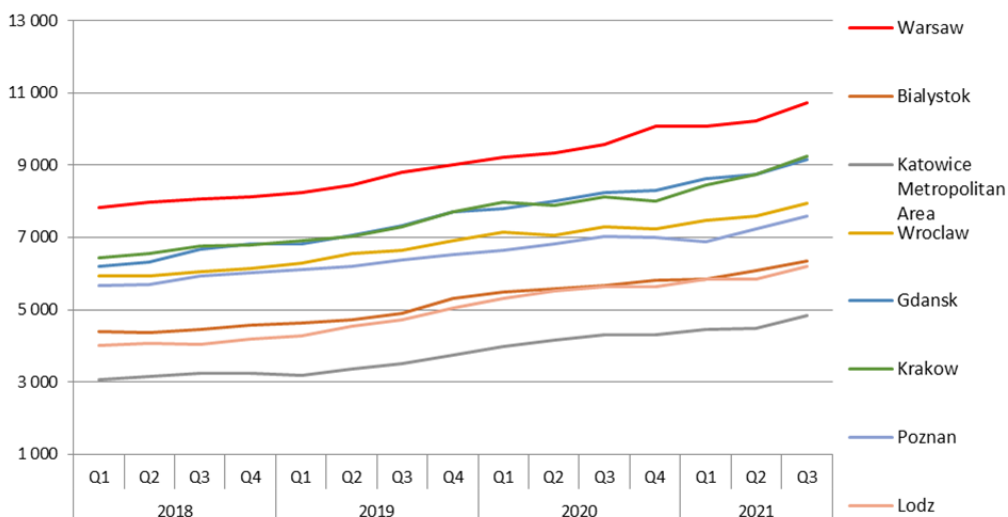
The year 2021 did not bring the end of the COVID-19 pandemic, but it did bring many other significant events. It was another period of record performance on the residential real estate market in Poland. A variety of factors contributed to the dynamic increase in residential premises over the past year. As in previous years, buyers' interest continued to grow and developers struggled to meet the demand. The good situation on the market was also influenced by factors in its environment, including, among others, a significant increase in inflation, a dynamic increase of prices, especially of construction materials and land for development, as well as changes in the situation on the housing loan market at the end of the year.

HOUSING MARKET AND HOUSING PRICES

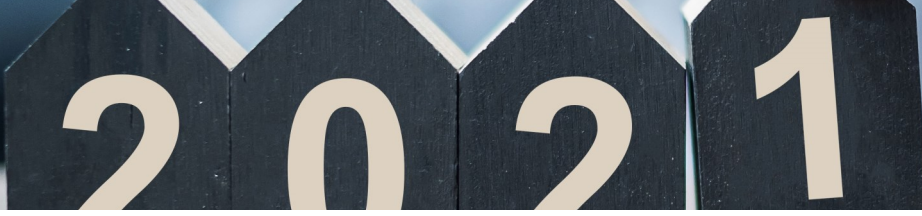
For most of the year, the residential market continued the trend of dynamic growth of transaction prices. Due to the constancy of factors shaping the situation on the market, including above all low interest rates, it was difficult to expect the prices decrease or even stabilization. In Q1 2021, the dynamics of quarterly changes of residential prices was similar to that of Q4 2020. However, dynamic growth was recorded in Q2 and Q3 2021. At the end of September 2021 the average prices on the individual monitored markets increased by 8 to 14% compared to the same period a year earlier.

The price growth rate in Q3 2021 was similar to that of the end of 2019. The average transaction price in Warsaw in third quarter of the year amounted to 10 738 PLN/m² and was higher by 5.03% in relation to the value recorded in the previous quarter and by 12.23% in relation to the same period of 2020. At the same time, price increases in the other locations monitored by the AMRON Centre ranged from 4% to almost 8%. The highest quarterly price dynamics were recorded in the Katowice Metropolitan Area. Slight decreases occurred only at the turn of 2020 and 2021 and only in 2 out of the 8 surveyed cities. The highest price decrease in that period was recorded in Poznan - by 1.45% q/q, after which in the following quarters prices in that city increased by nearly 5%. According to preliminary data from the Q4 2021, changes in demand related to the rise in interest rates implemented by NBP (Central Bank of Poland), did not significantly affect the price dynamics at the end of the year.

CHART 1. AVERAGE PRICES OF 1 SQ.M. OF FLAT IN MAJOR POLISH CITIES



source: AMRON System

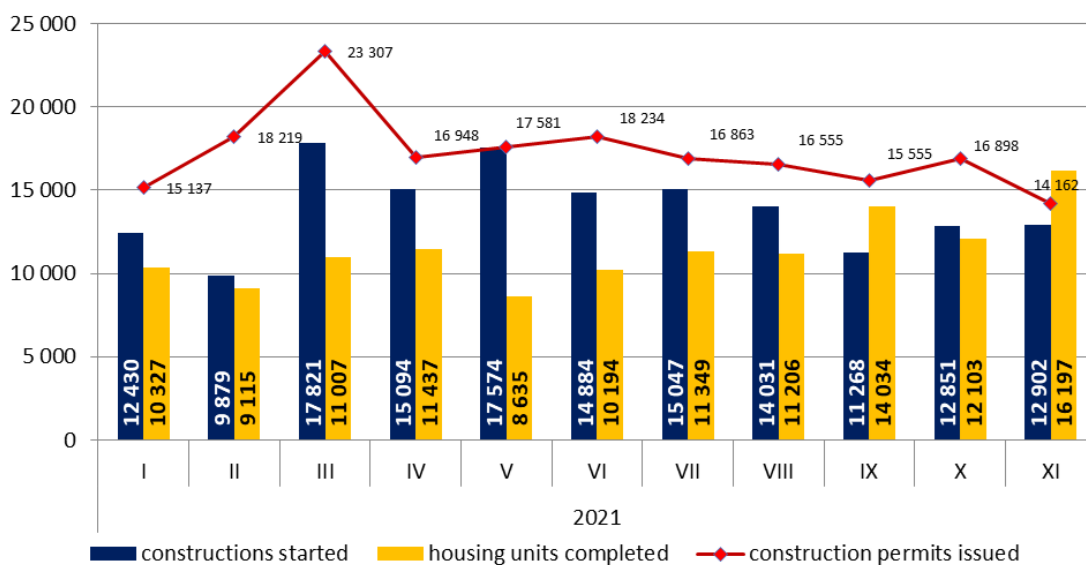


The developers sector, in an attempt to make up for delays from earlier periods, in Q2 last year set another quarterly record for the number of newly constructed apartments – 47 552, thus exceeding the highest number ever recorded in Q3 2020 - 40 283. The result achieved by developers in March 2021 – 17 821 - was the highest monthly number of newly constructed apartments in the history of the real estate development sector in Poland.

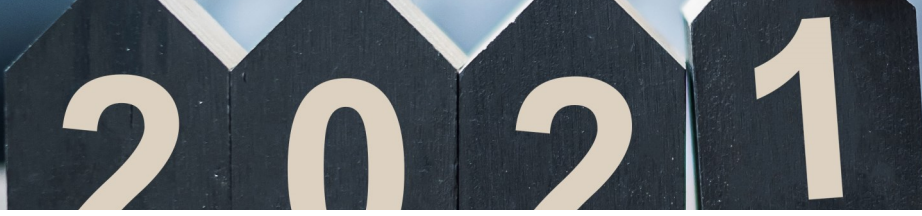
In Q3 2021, developers signalling increasingly difficult access to new land for development started construction of 15.15% fewer flats than a quarter earlier. The number of dwellings, the construction of which has started, was practically at the same level as a year ago. At the same time, developers obtained 8.20% fewer building permits than in the previous quarter, although the number was 17.85% higher than a year ago. It should be noted that the second half of the year brought a clear downward trend in both the number of apartments, the construction of which has started and the number of apartments for which building permits were obtained. These drops are also visible in the data for October and December. However, it should be emphasized that despite the noted declines, the level of developers' production remained at a high level.

On the other hand, an increase was recorded in the category of apartments completed. According to data provided by the Central Statistics Office (GUS), in the period from January to the end of October 2021, more housing units were completed than a year earlier. In the July-September period, there were 36 580 units, i.e. 18.65% more than a quarter earlier. November 2021 set a monthly record with 16 197 flats completed. Compared to October, this was an increase of as much as 34%, and compared to January - by as much as 57%. This value is similar to that of May 2020. As in the previous year, the monthly dynamics of changes in this category was very volatile - changes ranged from -24% to +34%.

CHART 2. RESULTS OF THE DEVELOPERS' SECTOR IN 2021



Source: Central Statistical Office



SITUATION ON THE HOUSING LOAN MARKET

Although June 2021 brought a slight tightening of lending policy criteria, mainly due to the implementation of the amended Recommendation S, the trend of dynamic growth of lending observed in the first quarters was not halted. The low interest rates maintained until the fourth quarter - at the level of 0.1% - encouraged people to take out relatively cheap mortgage loans and were the main factor shaping the economic situation on the housing market. It was not until the fourth quarter of 2021 that the housing loan market changed. On October 6, 2021, in order to slow down the growing inflation and drastically rising prices, the Monetary Policy Council decided to increase the NBP reference rate by 0.4 percentage points, i.e. to 0.50%, for the first time in 9 years. In the following months, the Council decided to take further steps - as of November 4, the NBP reference rate was 1.25%, and on December 9 it was already 1.75%. However, the decisions taken towards the end of the year did not have a significant impact on mortgage financing results for the full year. Last year's the results of the housing loans segment were the highest in the history. Banks granted in total over 200 thousand new housing loans with the highest value ever recorded. The total value of the housing loan portfolio in Poland exceeded PLN 500 billion for the first time and the number of active loan agreements increased to 2.5 million. Thus, the size of the lending activity exceeded our earlier forecasts.

However, rising interest rate levels will be a key factor shaping both the housing and mortgage markets in 2022.

PRICE INCREASES NOT ONLY ON THE REAL ESTATE MARKET

Poland's consumer inflation rose to 8.6% year-on-year in December 2021, according to the Central Statistical Office. This is the highest reading in 21 years. The rising price level in the past year prompted many people to invest their savings in real estate.

In addition, high inflation has clearly affected the prices of construction materials and labour. Preliminary data from the Central Statistical Office indicate that in September 2021, the cost of construction and assembly production increased by 4.9% compared to the same month last year, and compared to August 2021 - by 0.7%. Compared to September 2020, the cost of building construction increased by 5.5 percentage points. According to a report published by Grupa PSB Handel S.A., prices in September 2021, compared to September 2020, increased by 21.7% on average. Increases were recorded in all groups of goods. The highest increase was recorded in the prices of OSB boards (+124.7%), drywall materials (+60.1%) and thermal insulation (+53.1%). The availability of materials was also a problem. This resulted in extended construction deadlines or their suspension by individuals. In some cases, it resulted in exceeding budget possibilities, as well as sometimes the possibility of fulfilling the declarations given in contracts with banks.

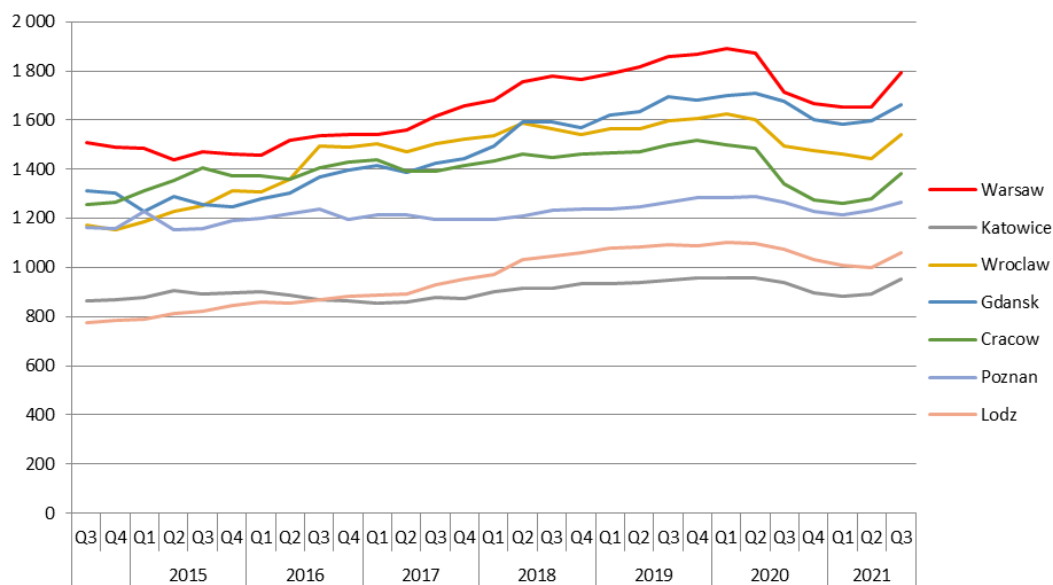
RENTAL MARKET

A clear reversal of the 2020 trend was evident in the residential rental market in 2021. In Q3 2021, there was also observed a marked turnaround in the year-long downward trend in rent rates across all surveyed locations, primarily related to students returning to full-time classes. Compared to the average rent rates recorded in the second quarter of 2021, the highest increases were recorded in Warsaw and Cracow - by 8.54% and 8.22% respectively. Compared to the same periods a year earlier, rents increased the most



in the same two cities - by 4.59% and 3.04%, while the least in Poznan. This might be due to the fact that in this city the quarterly changes in average rents were not as significant as in other locations. Despite the quarterly increases, rental prices in all analysed locations in Q3 2021 had not yet reached the values of the second quarter of 2020. With another wave of pandemonium rising in the fourth quarter, the government has not decided to introduce strong restrictions that could affect the rental market. According to preliminary data, it can therefore be concluded that during this period we saw further increases in rental rates in the markets of the largest Polish cities.

CHART 3. AVERAGE MONTHLY RENT RATES FOR A FLAT IN SELECTED CITIES

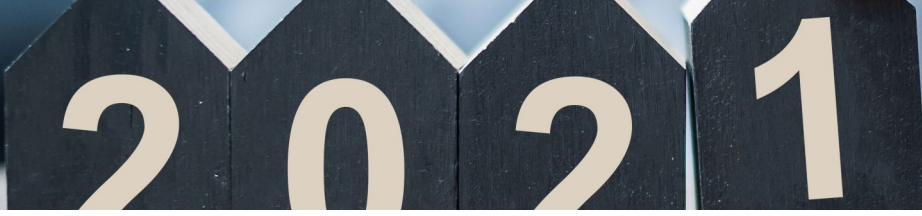


Source: AMRON System

POLISH DEAL AND OTHER CHANGES IN LAW

When analysing the factors that may affect the real estate market in the new year, one cannot overlook the adopted government programs listed in the Polish Deal in 2021. It is difficult to estimate today the potential impact of these solutions on rental housing, as well as on mortgage lending. In the opinion of the AMRON Centre, these solutions are not conducive to housing price deceleration. For the time being, it is also difficult to estimate how the idea of guarantees for borrowers, i.e. loans without "own" contribution, will affect the situation on the real estate and mortgage market. A loan with such a guarantee will have a higher margin, and due to the lack own contribution, its amount will be higher, which will increase the amount of monthly charges. Opening up to customers with increased risk, as this programme is addressed to people who did not manage to save their own money, will necessarily be cautious. However, increased housing availability is needed and requires the necessary systemic solutions - long-term and universal.

It is also useful to mention here that in 2021, as part of the Polish Deal, the Law on Construction, Planning and Spatial Development was amended. From January 1, 2022 it gives the possibility to build a house up to 70 m² without a building permit. It will be enough to submit a construction notification with a technical design to the relevant authority. Moreover, it will not be required to employ a construction manager and keep a construction log.



The year 2021 also marks a new development law. The changes resulting from the Act concern mainly the developers and the banking sector. Under the new legislation, banks will have a greater responsibility for proper settlement of investments and disbursement of individual tranches and funds to developers. A Developer Guarantee Fund has also been created, which comes into force on July 1, 2022. As part of the fund, developers will be required to pay an additional contribution calculated on the transaction price of an apartment. The purpose of this fund is to increase protection of purchasers of residential properties. The act also regulates the functioning of the so-called reservation contracts.

PRS SECTOR

The passing year on the real estate market was certainly a time of growth for Private Rented Sector. At present, in Poland there are about 6 100 apartments under the already operating PRS entities and approx. 2 000 of which are in the resources of the Housing for Rent Fund. Thus, the share of the PRS sector in the rental market accounts for about 0.34%, but it is growing dynamically and it is a chance for a professional rental market to develop. Already over 24 600 units have been contracted by the funds or are under construction. Institutional rent is an alternative for people who do not want to be tied to a given place for years or with no creditworthiness. Funds invest mainly in large cities, such as Gdansk, Katowice, Cracow, Lodz, Poznan, Wroclaw and Warsaw.



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AMRON Centre

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