



# ” Interest rate cuts - catalyst for boosting the housing market

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The first half of 2025 brought a breakthrough on the Polish real estate and mortgage markets, ending a prolonged period of high interest rate policy. After a long wait for signs of monetary easing, the Monetary Policy Council (MPC) made decisions that set a new direction. Although the nominal interest rate cuts in May and July 2025 were moderate, their significance went far beyond a simple adjustment of values. The MPC's resolutions acted as a catalyst, sparking optimism and a revival that may reshape the market.

### **Groundbreaking MPC Meetings**

At its meeting on May 6-7, 2025, the Monetary Policy Council decided to cut the NBP reference rate by 0.50 percentage points, to 5.25%. This was the first such change since October 2023, interpreted as a strong signal that the rate-hiking cycle had definitively ended.

Two months later, at its meeting on July 1-2, 2025, the MPC took another, though smaller, step, reducing the reference rate by a further 0.25 percentage points, to 5.00%. A total reduction of 0.75 percentage points within just two months was interpreted by the market as the beginning of a new, systematic easing cycle that would unlock the "dormant" demand. These decisions, supported by forecasts of falling inflation, acted not only as a nominal adjustment, but above all as a psychological impulse that influenced the expectations of borrowers and banks. On September 3, 2025, the MPC decided on yet another rate cut of 0.25 percentage points. The reference rate now stands at 4.75%.

The following analysis presents calculations based on the first two cuts: those of May and July.

### **Key effects for borrowers**

The MPC's decisions translated into tangible savings for holders of variable-rate loans, primarily indexed to WIBOR. Although the effects of cuts appear with a delay due to the setting periods of reference indices (WIBOR 3M or 6M), relief for household budgets is already noticeable.

A simulation for a sample loan of PLN 500 000 taken for 30 years perfectly illustrates the scale of change. Before May 2025, with the reference rate at 5.75%, the monthly instalment amounted to approx. PLN 3 382. After the May cut, which reduced the rate to 5.25%, the instalment fell to PLN 3 171 (a decrease of over 6%), meaning a saving of PLN 211 per month. After the July cut to 5.00%, the instalment dropped further to PLN 3 100, i.e. less by 8.3%. The combined saving thus amounted to PLN 282 per month, or nearly PLN 3 400 annually.

Equally important, or perhaps even more significant, is the improvement in creditworthiness. Falling interest rates lower the critical threshold a potential borrower must meet to obtain financing. A reduction in rates by 1 percentage point can increase credit capacity by as much as 10-12%.

The creditworthiness of a person, who in April could qualify for a PLN 500 000 loan, rose by approx. PLN 26 000 after the May cut and by a further PLN 14 000 after the July cut, resulting in a total increase of more than PLN 40 000, i.e. 8%. This change is the most fundamental mechanism driving current



demand, as those previously excluded from the market have now gained the access to mortgage loans. Meanwhile, those, who already had such capacity, can now look for larger or better-located properties.

**TABLE 1: IMPACT OF NBP INTEREST RATE CUTS ON LOAN INSTALMENTS AND CREDIT CAPACITY**

Period	Reference rate	Monthly instalment	Total instalment change	Credit capacity	Total capacity increase
Before May 2025	5.75%	PLN 3 382	-	PLN 500 000	-
After May cut	5.25%	PLN 3 171	- PLN 211	PLN 525 997	+ PLN 25 997
After July cut	5.00%	PLN 3 100	- PLN 282	PLN 540 221	+ PLN 40 221

*Assumptions: mortgage granted in March 2025 for 30 years, LtV = 80%, equal instalments*

*Source: own elaboration*

### Clear growth on the mortgage market

Interest rate cuts have revived the mortgage market. According to AMRON Centre data, in Q2 2025, 55.5 thousand new housing loans worth PLN 25.607 billion were granted, i.e. more respectively by 22% and nearly 29%, compared to the same quarter of the previous year. Meanwhile, data from the Credit Information Bureau (BIK) show that between March and June 2025, the number of mortgage loan applications reached 111.74 thousand, exceeding 100 thousand for the first time since Q4 2023. This represents a 29% increase year to year.

The surge in demand was already visible in May, when 38.63 thousand people applied for mortgage loans, i.e. more by 8.4% month to month and more than 43% year to year. In July, the number of applications rose again – by 9.3% month to month and 33.6% year to year, up to 40.93 thousand. Such a high figure had not been recorded since September 2021.

**TABLE 2: DYNAMICS OF DEMAND FOR MORTGAGE LOANS IN Q1 AND Q2 2025**

Period	Number of loans granted (thousand units)	Value of loans granted (PLN billion)	y/y change in number of loans granted	y/y change in value of loans granted	Number of applications (thousand units) acc. to BIK	y/y change in number of applications acc. to BIK
Q1 2025	48.1	20.397	-25.41%	-24.10%	98.36	+24.68%
Q2 2025	55.5	24.607	+22.20%	+28.71%	111.74	+28.73%
July 2025	no data	no data	no data	no data	40.93	+33.63%

*Source: AMRON-SARFiN Report 2/2025, BIK*



## Price stabilization

Housing prices in major cities stopped rising dynamically and in some locations small declines, long awaited by potential buyers, even appeared. According to AMRON Centre data, in Q2 2025, the average transaction price per square meter in Cracow fell by almost 3% compared to Q1 2025, in Warsaw by 1.7%, and in Poznan by 1.3%. In the remaining three of the six largest agglomerations, only symbolic increases were recorded. Year to year, housing prices still rose, but at a much slower pace than in previous periods.

However, the decline in average prices was mainly driven by the secondary market. In Q2 2025, prices of “second-hand” flats in the six largest cities collectively fell by 1.7% quarter to quarter. This indicates that private sellers on the secondary market are becoming more flexible in their price expectations, reacting to weaker demand from previous months. Meanwhile, on the primary market, a 2.4% increase was recorded. This is surprising, as in 2024 this segment grew more slowly than the secondary market. However, price changes are selective and often result from the introduction of more expensive new projects rather than across-the-board increases. Despite the rise on the primary market, overall housing price growth in Poland in Q2 2025 was the slowest among Central and Eastern European countries.

In July, housing offer prices also showed only minor fluctuations. According to data from the Morizon portal, both primary and secondary markets in the six largest agglomerations recorded minimal monthly changes, within the range of +/- 1%.

As can be seen, after a period of high volatility, the housing market is finally stabilizing. Prices have stopped rising, making homeownership more attainable than before.

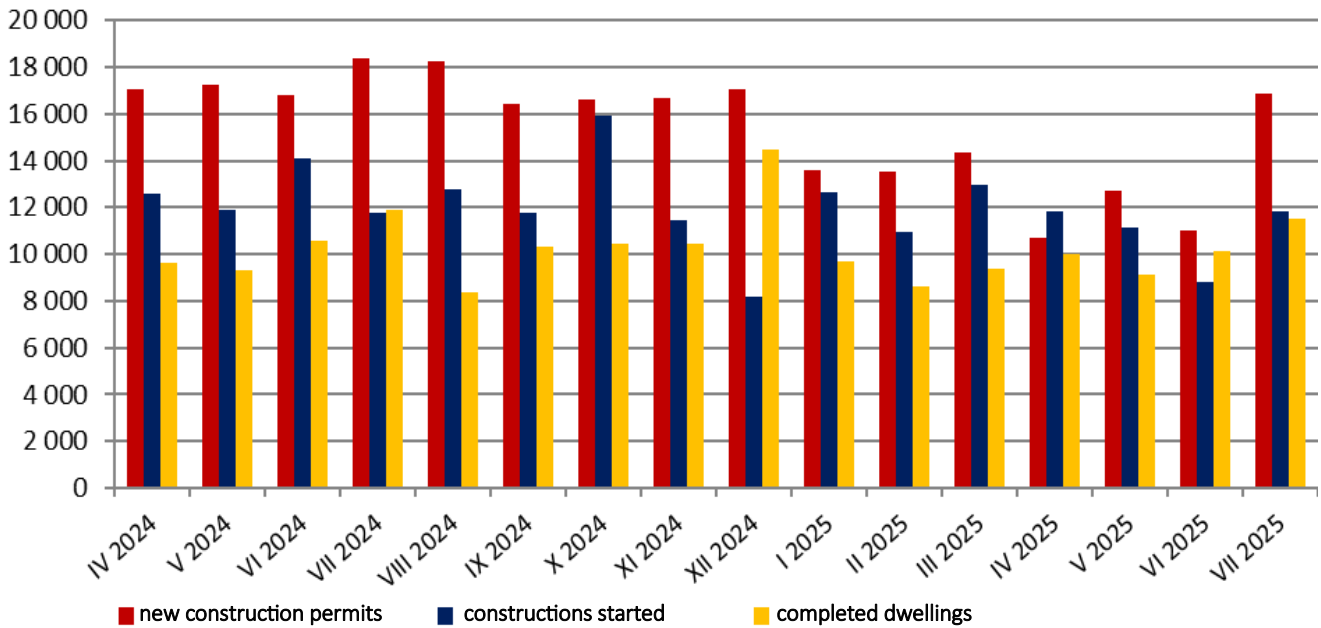
## Increased developers' activity

Developers remained cautious in Q2 2025, still struggling with high construction costs and maintaining conservative strategies. However, July data from Statistics Poland (GUS) show a clear rebound. Developers started construction of almost 12 000 dwellings (+35% month to month) and obtained nearly 17 000 building permits (+50% month to month). They also completed 11 500 dwellings, i.e. 13% more than in June.

The halt in declines in July suggests a shift in developers' approach. It seems their earlier concerns about future sales have given way to renewed investment activity in anticipation of higher demand on the primary market in autumn.



CHART 1: DEVELOPER SECTOR PERFORMANCE



### Unlocking frozen demand

On the primary market, July 2025 was a time of a dynamic rise in sales activity on the seven largest housing markets. According to data from the Otodom portal, 4 000 dwellings were sold that month, up by one third month to month and nearly 60% year to year. Supply also increased – the number of housing units launched for sale reached 4 300 (+86% m/m), while the total number of dwellings on offer hit a record high of almost 63 000 (+28% y/y).

The July revival also extended to the secondary market, where buyer activity exceeded seasonal norms. On the seven largest markets, the number of responses to listings on Otodom rose by 14% month on month, reaching 87 000 inquiries. Supply on these markets remained stable. Some owners are holding back from selling, anticipating further rate cuts and higher valuations, which explains the lower year-to-year supply.

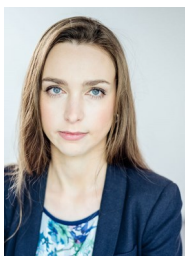
The surge in demand stems from a unique combination of factors. Beyond seasonality, which usually drives higher activity in Q2, and the direct impact of rate cuts that improved financing conditions, two other factors proved to be of a key importance. First, the continued growth of real wages. In H1 2025, real purchasing power rose by 4.2% year on year. Second, paradoxically positive, was the lack of a new support programme, such as “0% Loan.” Previously, many potential buyers had postponed decisions, waiting for government subsidies. When it became clear that no new state-funded programme would be introduced, buyers were forced to act based on current market conditions. This shift in expectations from “waiting for support” to “acting under better market conditions” unlocked dormant capital.



## Summary

The interest rate cuts of May and July 2025 were a crucial psychological impulse for the Polish market. The MPC's cautious decisions confirmed the return to a disinflationary path and sent a clear signal that financing conditions will gradually improve.

The current situation represents a unique combination of stable prices and better lending conditions, creating a "window of opportunity" for buyers. The growing number of loan applications, increased traffic on property listing sites and rising sales are clear signs that the market has responded to changes, while forecasts of further rate cuts suggest that demand is only beginning to gain momentum. Importantly, this is happening with no government subsidy programmes for housing loans. Although it is still too early to declare a lasting revival, recent data are highly promising.



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