

AMRON-SARFiN Report

on housing loans
and real estate transaction prices

4 / 2020



ZWIĄZEK BANKÓW POLSKICH

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CHAPTER 1

- 3 REPORT IN NUMBERS 2020/2019
- 4 REPORT IN NUMBERS Q4 2020/Q3 2020
- 5 INTRODUCTION
- 8 ANALYSIS OF MARKET ENVIRONMENT

CHAPTER 2

- 9 SITUATION ON HOUSING LOANS MARKET
- 9 ACTIVE HOUSING LOANS
- 9 TOTAL HOUSING LOANS DEBT
- NEW HOUSING LOANS
- 10 LOAN CURRENCY
- 11 QUALITY STRUCTURE OF MORTGAGE LOANS PORTFOLIO
- 12 AVERAGE VALUE OF A LOAN
- 13 STRUCTURE OF NEW LOANS, BY AMOUNT
- 14 STRUCTURE OF THE LTV RATIO
- 16 HOUSING LOANS IN MAJOR POLISH CITIES
- 18 LENDING PERIOD
- 20 HOUSING AVAILABILITY INDEX M3 – HAI M3
- 21 AVERAGE MARGIN LEVELS AND MORTGAGE INTEREST RATES

CHAPTER 3

- 24 SITUATION ON HOUSING MARKET
- 24 HOUSING MARKET IN TOTAL
- 25 DEVELOPERS' SECTOR
- 26 AVERAGE TRANSACTION PRICES OF HOUSING UNITS
- 30 CHANGES IN MORTGAGE COLLATERALS VALUE
- 31 AVERAGE RENT RATES OF HOUSING UNITS

CHAPTER 4

- 33 EXPERT'S COMMENTARY
- 35 SYSTEM FOR ANALYSIS AND MONITORING OF REAL ESTATE TRANSACTIONS
- 35 SYSTEM FOR ANALYSIS OF REAL ESTATE FINANCING MARKET

REPORT IN NUMBERS











2020/2019

PLN 476.267 billion

| total housing
loans debt

change
2020 / 2019

7.48 % 

2.472 million	number of active loan agreements	3.47% 
204 170	number of concluded agreements	9.29% 
PLN 60.671 billion	value of concluded agreements	3.13% 
PLN 295 563	average value of a housing loan	6.37% 
203.24 points	Housing Availability Index (HAI M3)	2.53 points 
38.44%	share of new housing loans with LtV above 80%	4.92 p.p. 
98.79%	share of new housing loans in PLN, by value	0.3 p.p. 
64.90%	share of new housing loans with lending period of 25-35 years	1.99 p.p. 
PLN 10 081	average transaction price per square meter of a dwelling in Warsaw	11.75% 
PLN 1 666	average monthly rent rate of a housing unit in Warsaw	10.83% 

REPORT IN NUMBERS











Q4 2020/Q3 2020

PLN 476.267 billion

total housing
loans debt

change
Q4 2020 /Q3 2020

1.81 % 

2.472 million	number of active loan agreements	0.21% 
53 756	number of concluded agreements	10.20% 
PLN 16.435 billion	value of concluded agreements	16.22% 
PLN 305 093	average value of a housing loan	5.47% 
203.24 points	Housing Availability Index (HAI M3)	0.97 points 
34.60%	share of new housing loans with LtV above 80%	3.68 p.p. 
98.85%	share of new housing loans in PLN, by value	0.23 p.p. 
66.34%	share of new housing loans with lending period of 25-35 years	3.23 p.p. 
PLN 10 081	average transaction price per square meter of a dwelling in Warsaw	5.36% 
PLN 1 666	average monthly rent rate of a housing unit in Warsaw	2.83% 



DESPITE THE PANDEMIC THREAT, THE YEAR 2020 TURNED OUT TO BE A GOOD, OR EVEN VERY GOOD YEAR BOTH FOR THE MORTGAGE LOAN SECTOR AND THE HOUSING MARKET.

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,

It's already the forty-sixth edition of the AMRON Center Report published by the Polish Bank Association. For 11 years we have been providing you with quarterly updated information on housing loans and real estate trends and transaction prices. In current edition of the Report, we present the results for the fourth quarter and the entire year 2020 in relation to the results for several previous quarters and the year 2019.

Despite the pandemic threat, the year 2020 turned out to be a good, or even very good year both for the mortgage loan sector and the housing market. **The record number of completed flats and single-family houses reached 222 000 units.** Such results were achieved by housing construction in the seventies of the last century! Total value of mortgage loans granted in this pandemic year was also impressive. **With total amount exceeding PLN 60 billion, banking sector achieved the second lending result in the post-transformation period.** It was also a good year for the AMRON Center. **During the pandemic period, AMRON database grew by over 212 thousand new records on transaction prices and property valuations, exceeding the level of 3.5 million records in total.** This is a very good result, especially taking into account that **in 2020 banks granted over 204 thousand mortgage loans.**

The first shock caused by the pandemic brought a sharp decline in demand for housing loans

observed between March and May, but a gradual recovery started already in August. After tightening the terms of granting housing loans in the first months of the pandemic, in a second half of the year banks began to ease their lending policy criteria. In comparison to 2019, the number of applications for a housing loan submitted in 2020 decreased by only 0.6% and the number of granted loans was lower by 9.3%. It is worth emphasizing that this type of loan recorded the lowest decrease in demand compared to all loan products. At the end of the year, **the average value of a granted mortgage loan reached a historic record level of PLN 305 thousand.**

One of the most important factors determining such high lending results was a series of National Bank of Poland interest rates cuts, introduced by the Monetary Policy Council on March 18 (to 1.0%), April 9 (to 0.5%) and May 29 (to 0.1%). Combined with still disturbing level of inflation and money reprinting announcements that limit the confidence in its future value, such low interest rates questioned the profitability and reasonability of saving money on bank deposits. Therefore, it can be said that the Monetary Policy Council, with its decisions, sent Poles for shopping, including, and perhaps most of all, for purchases on the real estate market. At the end of 2020, total number of active housing loans reached the level of **2 472 thousand** and the total debt on this account amounted to **PLN 476.3 billion.**

The year 2020 brought a dynamic increase in share of housing loans granted in the largest Polish agglomerations. At the end of the year it amounted to **73.46%** and was higher than in the previous quarter by as much as **6.31 p.p.** **The share of Warsaw market in the structure of all newly granted loans in Poland in geographical terms reached a record level of 49.44%.** Compared to the corresponding period of 2019, Warsaw's share in the mortgage loan market was higher by as much as **10.46%**.

At the end of 2020, the average mortgage loan margin accounted for **2.28%**, i.e. by **0.18 p.p.** higher than at the end of 2019. As a result of a significant reduction in interest rates by the Monetary Policy Council, the average interest rate of a mortgage loan at the end of 2020 was equal to **2.49%**, i.e. it was lower by **1.33 p.p.** compared to the end of 2019.

Despite the second wave of the COVID-19 pandemic and related restrictions, as well as pessimistic information from the rental market, housing markets in the largest Polish cities remained stable. The situation in the fourth quarter of 2020 was shaped by the same factors as in previous periods, which include first of all cheap mortgage loans, no alternative means of money investing and high price availability of apartments. However, the AMRON Centre data show that the fourth quarter of 2020 brought a clear decrease in the dynamics of price increases in most of the analyzed markets. In case of five of them (Katowice agglomeration, Wrocław, Gdansk, Poznan and Lodz), change in the average price per square meter of a flat did not exceed one percent. Warsaw was the leader in terms of price increase – an average price per a square meter of a flat in Q4 2020 was **PLN 10 081** i.e. by **5.36%** higher than recorded a quarter earlier. The largest decrease in the average price, by **1.44%**, was recorded in Cracow (to the level of **PLN 8,015**). Compared to the numbers recorded at the end of 2019, the largest increases in the average price of flats were recorded in Katowice agglomeration and Lodz – by **15.52%** and **12.19%**, respectively. In Warsaw, the average price rose by **11.75%**.

If any segment of the real estate market has suffered from the coronavirus pandemic, it certainly was the segment of apartments for rent. A year ago, the expected return on rent exceeded 6% annually. Today, the level of 3% seems to be

satisfactory. Introduction of remote classes at universities and remote work by a large number of companies, restrictions in tourist traffic and – as a consequence – decrease in demand for short-term rent are the most important factors that determined the rent rates reductions. Decreases started already in the second quarter of 2020 year, deepened in the third quarter and slowed down at the end of 2020. The fourth quarter of 2020 brought reductions in private rent rates in all analysed cities. The average rent for a flat in Warsaw in the fourth quarter of 2020 amounted to **PLN 1 666** and was lower than in the previous quarter by **2.83%**. The deepest decline was recorded in Cracow and Gdansk. In Gdansk, the decrease in the average rent accounted for **4.34%**, while in Cracow – **4.95%**. Cracow market seems to be the most affected by the difficult situation on the rental market. This is because of the very high number of absent students, as well as the large number of flats available as short-term tourist accommodation. **In annual terms, the decrease in the average rent in Cracow amounted to 16.05%.**

Will 2021 be a period of continuation of the current trends? Forecasting for 2021 are of course extremely difficult. Any forecasting attempt should be taken with great reserve, as there are so many variables that can affect the market make.

In AMRON Centre's opinion, transaction prices per square meter will continue to grow this year, although at a much slower pace than in 2018-2019 years. The price increases will also result from higher construction costs, caused among others by the new energy efficiency requirements for buildings. In addition, supply will be under pressure due to still difficult situation on the building land market. On the other hand, rents will stabilize at a lower level, adjusted in the last quarter of 2020.

The housing market remains insatiable. Poland is still on the last or one before last place in EU countries rankings of satisfying citizens' housing needs. High deficit of flats is still a fact, which means that new flats will find buyers. The sale of apartments in 2021 will depend on the offer on the primary and secondary markets. Low interest rates – following the assurances of the President of the NBP to keep them unchanged in the following year – will continue to be an important factor stimulating the demand for flats. We all expect a COVID-19 vaccine that will allow us to

return to normal life. We are also waiting for the inflow of European funds, including sources from the reconstruction fund, which will ensure a sense of employment stability, crucial for consumers making decisions about large expenses or incurring long-term liabilities.

On the other hand, worsening situation of banks in Poland may be a threat to mortgage lending. Banks will not be able to cope with it by themselves, as they have no influence on two most important ones. The first is possible deterioration of repayment quality of loans granted in previous periods, caused by economy freezing, which may result in e.g. lower wages and sometimes job losses for borrowers. The labour market, however, may also revive in the event of a possible dynamic growth in the second half of 2021. The second threat, much more dangerous in terms of banks' financial burdens, is related with possible intensification of the Swiss franc borrowers claims and continuation of the current line of adjudication by the courts in this matter.

For years, Polish Banks Association has consistently recommended the implementation of solutions and financial instruments that ensure incomparably more effective meeting the citizens' housing needs in neighbouring countries. Systematic, long-term and universal solutions are indispensable. In our common interest we must understand the sense of collective effort and accept the commitment of public funds to meet housing needs. But these must be effective measures that build and strengthen confidence in the state and community.

The government's housing policy should ensure the availability of rental housing, but should not impose such an option. It is in the interest of the economy, but also in building the well-being of citizens, to inspire and support the pursuit of housing ownership. In developed economies, housing ownership is an important element of retirement benefits.

In the middle of last year, Polish Banks Association together with the Entrepreneurship Council, addressed Prime Minister Jarosław Gowin

with a wide range of necessary activities that should be implemented. In the Entrepreneurship Council's opinion, such long-term and systemic solutions will allow to improve the housing situation of Polish families and to use the housing development program both as a way to overcome the pandemic crisis, as well as one of the pillars of sustainable development and economic recovery in our country.

In many countries, national housing programs appeared as a way to overcome economic crises. At the moment in Poland it would be additionally favoured by low interest rates. This is a good time to launch a fixed-rate loan, to launch a fixed-rate contract loan in the formula of building savings banks and finally to improve the lame process of issuing and trading in mortgage bonds. There are many proven ways and mechanisms to accelerate this economic flywheel, which the housing construction can and should be. It is enough for persons responsible for Poland to have a will to implement them.

The basis for success can only be an efficient system of financing housing construction. **Since Poland's accession to the European Union in May 2004, the only permanent and effective instrument guaranteeing the development of housing construction is a bank mortgage loan, including a Swiss franc loan, which enabled the implementation of nearly 3 million housing investments.**

I invite you to read the Report. We will be obliged for any comments that will allow us to improve its future issues. Please send your questions and suggestions to the following e-mail address: Raport@amron.pl. Let me just remind you that interested parties are also offered a (paid) version of the Report in English.

Jacek Furga, PhD

* 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.

ANALYSIS OF MARKET ENVIRONMENT

Despite the second wave of the pandemic and related restrictions, both mortgage and housing markets remained stable. The basic factors shaping the situation on both markets have not changed – low interest rates, cheap mortgage loans, very low attractiveness of saving on bank deposits or high availability of housing prices. As during the first wave of coronavirus pandemic, the housing market reacted with a slowdown in price growth. Contrary to the situation in April last year, there was, however, no drastic decrease in the number of concluded transactions. Developers maintained high level of production. Although the number of flats was slightly lower than a quarter earlier, which is partly due to seasonal factors, all in all the sector achieved very good results, both in terms of the number of flats completed and the number of flats for which building permits have been obtained. As far as the latter parameter is concerned, the new 2021 technical standards, forcing investors to meet much higher requirements in terms of energy consumption of buildings and thus increasing construction costs, were certainly not without significance. As expected, the fourth quarter of 2020 did not bring any improvement in the situation on the private rent market. Rent rates continued to decline, although the scale of these falls was slightly slower than in the most difficult third quarter of last year. It seems that we will have to wait for an improvement in this segment of the housing market at least until autumn.

It should be emphasized that despite the extremely demanding environment, both the housing and the mortgage loan markets achieved very good results throughout the year, exceeding the pessimistic expectations of many market observers.

The most important factors shaping the situation on the residential real estate market and the mortgage loan market in the fourth quarter of 2020 were:

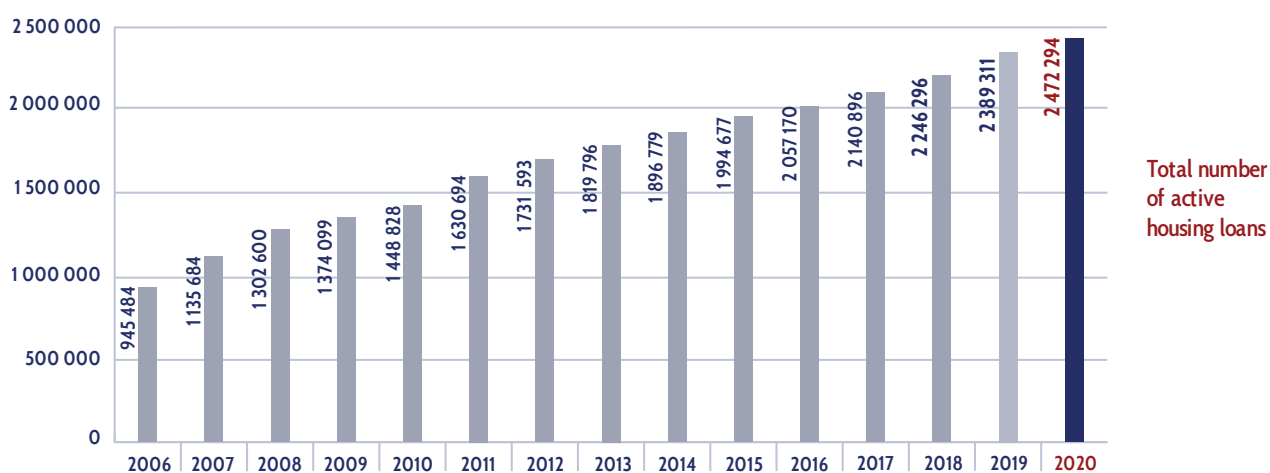
- a decline in economic activity following the outbreak of the second wave of the pandemic – GDP decline in the fourth quarter accounted for 0.7 q/q and 2.8% y/y;
- a slight decrease in the inflation rate – in Q4 2020, the GUS consumer price index amounted to 2.8% (in the previous quarter it was 3%);
- stable unemployment level – at the end of December 2020, the registered unemployment rate was equal to 6.2% and therefore slightly increased (by 0.1%) compared to the end of the previous quarter;
- historically low level of NBP interest rates;
- slowdown in the dynamics of housing price growth;
- a slight slowdown in the dynamics of declines in flat rent rates in all analysed cities;
- continued high price availability of apartments in the largest Polish cities;
- a renewed decline in consumer optimism after the second wave of the pandemic;
- continuous high developer's activity, observable in the results achieved by the sector.

SITUATION ON HOUSING LOANS MARKET

Active housing loans

As at December 31, 2020, the total number of active housing loan agreements in Poland amounted to **2 472 294**. This means an increase by **0.21%** in the

fourth quarter of 2020, i.e. by **5 074** loans in nominal terms compared to the end of the previous quarter. With reference to the number of active loans recorded at the end of 2019, such result means an increase by **82 983** contracts (**3.47%**).

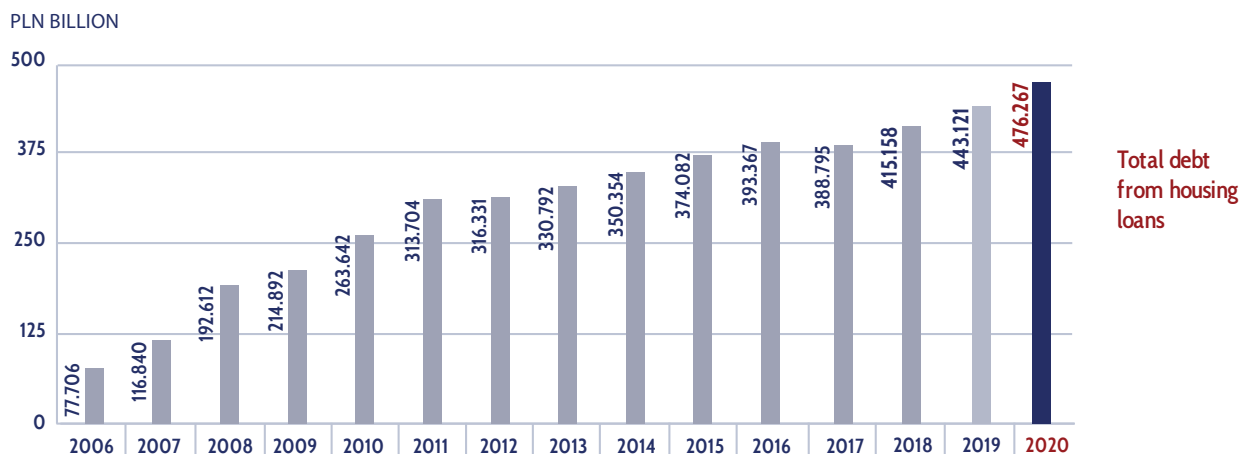


SOURCE: SARFIN

Total housing loans debt

At the end of the fourth quarter of 2020, the total debt of Polish households due to granted housing loans amounted to **PLN 476.267 billion**, compared to **PLN 467.809 billion** at the end of the previous quarter. In the period from October

to December last year, the total value of active mortgage loans for housing purposes increased by **1.14%**, i.e. by **PLN 5.277 billion**. Compared to the values recorded at the end of 2019, this means an increase by **PLN 33.146 billion** (**7.48%**).



SOURCE: SARFIN

New housing loans

The number of housing loans granted in the fourth quarter of 2020 amounted to **53 756**, i.e. by **10.20%** more than in the previous quarter (nominally by **4 974** loans more). The value of newly granted mortgage loans amounted to **PLN 16.435 billion**, which means an increase by **PLN 2 294 million**, i.e. **16.22%** compared to the third quarter of the year.

With reference to the corresponding period of the previous year (Q4 2020/ Q4 2019), in Q4 2020, there were less than **1 689** (i.e. by **3.05%**) signed

loan agreements, while their value was higher by **PLN 720 million (4.58%)**.

In the whole year 2020, banks granted **204 170** new housing loans. Compared to the results achieved by the sector a year earlier, this result was lower by **20 903** loans (a decrease by **9.29%**). In terms of value, the result achieved in 2020 was lower by **PLN 1.958 billion** than the amount of loans granted by banks in 2019 (a decrease by **3.13%**).

QUARTER	VALUE (PLN BILLION)	CHANGE/ previous quarter	NUMBER	CHANGE/ previous quarter
Q4 2019	15.715	6.87% ↓	55 445	7.14% ↓
Q1 2020	16.623	5.78% ↑	56 453	1.82% ↑
Q2 2020	13.472	18.96% ↓	45 179	19.97% ↓
Q3 2020	14.141	4.97% ↑	48 782	7.97% ↑
Q4 2020	16.435	16.22% ↑	53 756	10.20% ↑

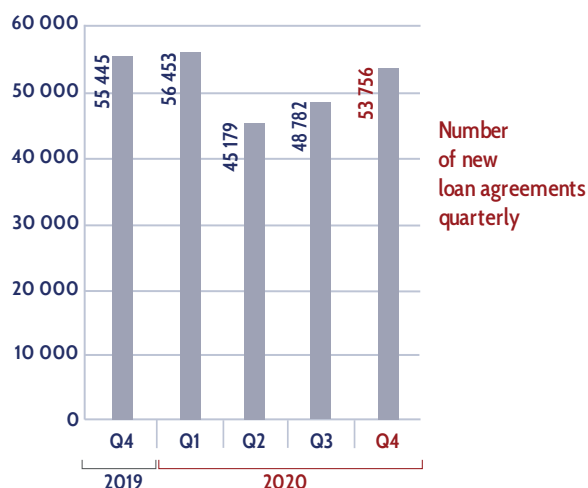
Value and number of new housing loans quarterly

SOURCE: SARFIN

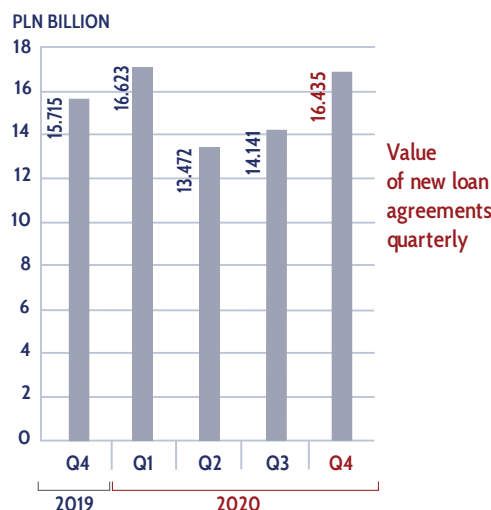
YEAR	VALUE (PLN BILLION)	CHANGE/ previous period	NUMBER	CHANGE/ previous period
2016	39.496	0.45% ↑	178 409	1.61% ↓
2017	44.574	12.86% ↑	190 634	6.85% ↑
2018	53.852	20.82% ↑	212 596	11.52% ↑
2019	62.629	16.30% ↑	225 073	5.87% ↑
2020	160.671	3.13% ↓	204 170	9.29% ↓

Value and number of new housing loans yearly

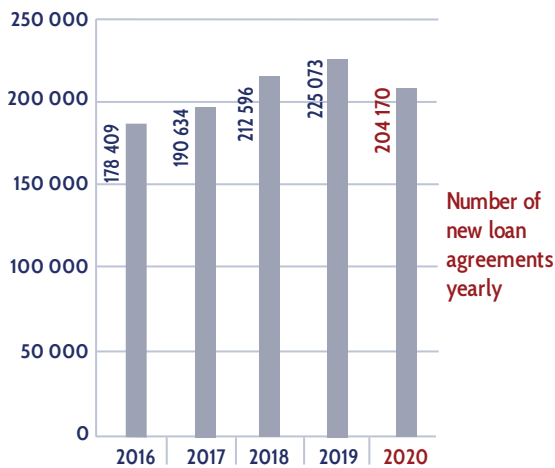
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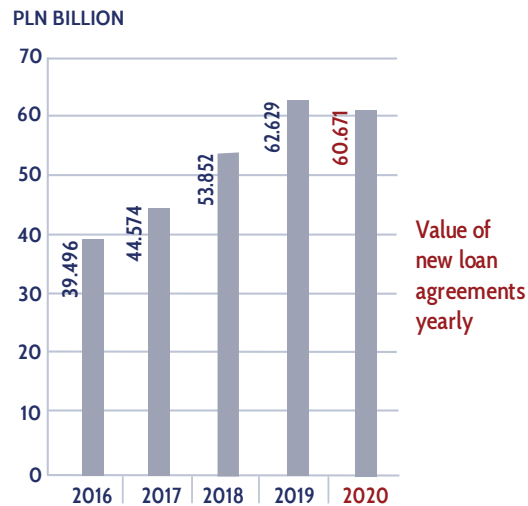
SOURCE: SARFIN



SOURCE: SARFIN



SOURCE: SARFIN



SOURCE: SARFIN

Loan currency

In Q4 2020, only slight changes in the currency structure of the value of newly granted housing loans were recorded. The share of PLN loans accounted for **98.85%** of the value of all newly granted mortgage loans, i.e. **0.23 p.p.** less compared to the previous quarter. The share of loans denominated in CHF in the portfolio of new loans remained at the level from the previous quarter and amounted to only **0.01%**. EUR loans accounted to **0.95%**, i.e. **0.24 p.p.** more, compared

to the previous quarter, and loans granted in other foreign currencies – **0.19%**, i.e. less by **0.01 p.p.**

Referring to the results of the fourth quarter of 2019, the share of newly granted loans in PLN increased by **0.52 p.p.** The share of EUR housing loans decreased by **0.18 p.p.**, the share of loans denominated in other foreign currencies – by **0.34 p.p.**, while the share of loans denominated in CHF did not change.

QUARTER	PLN	CHF	EUR	OTHER	
Q4 2019	98.33%	0.01%	1.13%	0.53%	Currency structure of the value of new loans
Q1 2020	98.59%	0.01%	0.96%	0.44%	
Q2 2020	98.65%	0.01%	0.97%	0.37%	
Q3 2020	99.08%	0.01%	0.71%	0.20%	
Q4 2020	98.85%	0.01%	0.95%	0.19%	

SOURCE: SARFIN

Throughout the whole year 2020, PLN loans accounted for **98.79%** of all new housing loans, i.e. **0.3 p.p.** more compared to the previous year. The share of loans denominated in foreign currencies amounted to **1.21%**, including **0.9%** of

loans granted in EUR (**0.13 p.p.** less than a year before), **0.01%** of loans in CHF (the same as in 2019 year), and loans in other foreign currencies accounted for **0.30%** (**0.17 p.p.** less).

YEAR	PLN	CHF	EUR	OTHER
2016	98.37%	0.05%	1.07%	0.51%
2017	98.86%	0.03%	0.75%	0.36%
2018	98.35%	0.01%	1.12%	0.52%
2019	98.49%	0.01%	1.03%	0.47%
2020	98.79%	0.01%	0.90%	0.30%

Currency structure of the value of new loans yearly

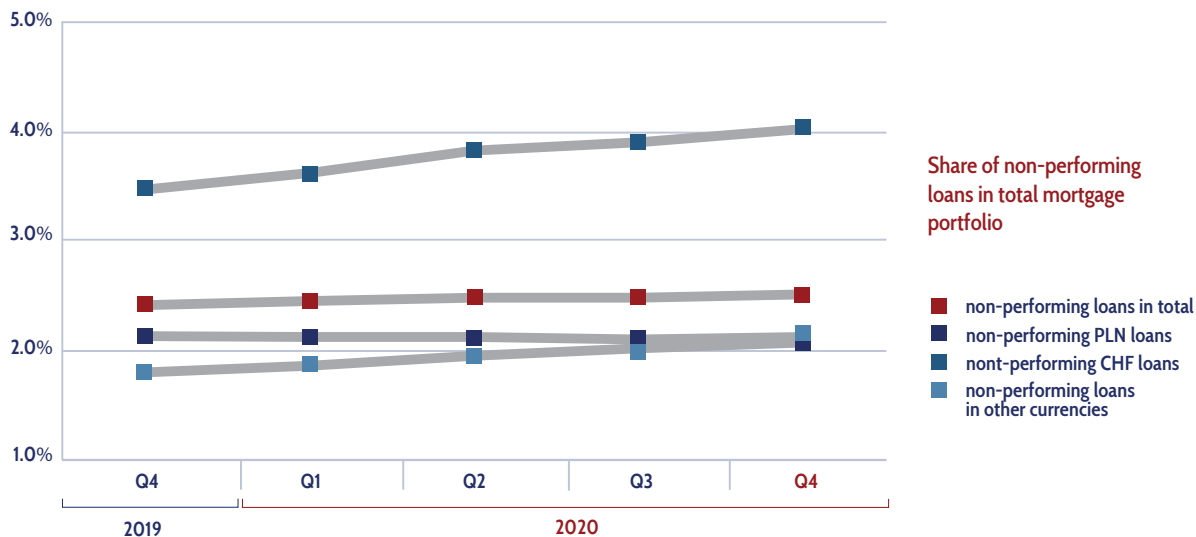
SOURCE: SARFIN

Quality structure of mortgage loans portfolio

The fourth quarter of 2020 brought slight changes in the quality structure of the mortgage loan portfolio. The share of non-performing loans in total housing loan portfolio amounted to **2.46%**, which was an increase of **0.04%** compared to the level recorded in the previous quarter. PLN housing loans with overdue payments at the end of December this year accounted for **2.04%** of the portfolio of loans in PLN, which meant an increase by **0.03 p.p.** The share of non-performing loans in

CHF amounted to **4.08%** of the portfolio (more by **0.16 p.p.**). The share of non-performing loans in other currencies also increased – at the end of the fourth quarter it amounted to **2.19%** (more by **0.07 p.p.**).

Compared to the fourth quarter of 2019, the share of non-performing housing loans in total increased by **0.12%** (**2.46%** in total). The share of PLN loans with default on payments decreased by **0.03 p.p.**, while the share of non-performing loans denominated in foreign currencies increased – by **0.42 p.p.** in CHF and by **0.19 p.p.** in other foreign currencies.



SOURCE: NATIONAL BANK OF POLAND

QUARTER	NON-PERFORMING LOANS IN TOTAL	NON-PERFORMING PLN LOANS	NON-PERFORMING CHF LOANS	NON-PERFORMING LOANS IN OTHER CURRENCIES
Q4 2019	2.33%	2.05%	3.35%	1.83%
Q1 2020	2.38%	2.04%	3.55%	1.91%
Q2 2020	2.42%	2.04%	3.82%	2.03%
Q3 2020	2.42%	2.01%	3.92%	2.12%
Q4 2020	2.46%	2.04%	4.08%	2.19%

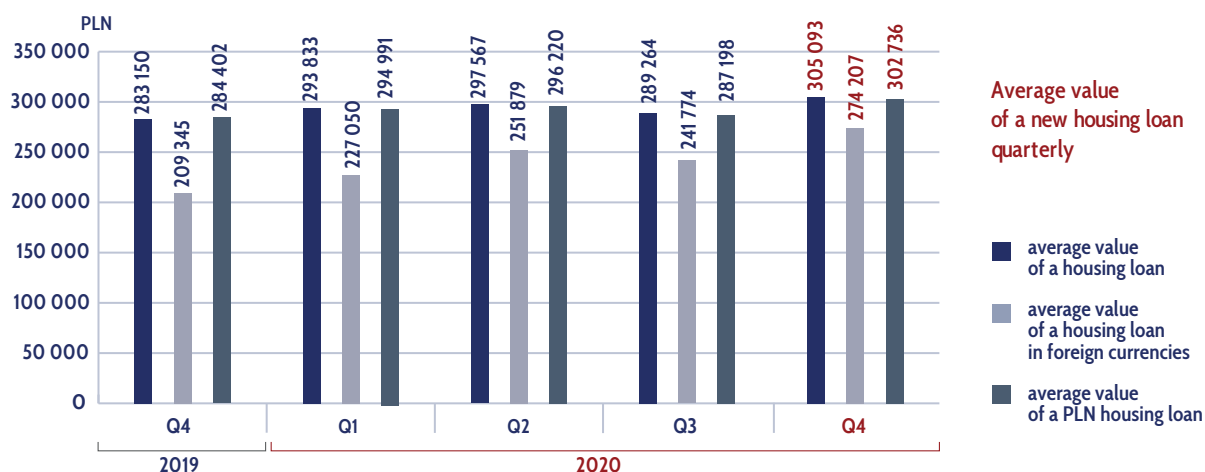
Share of non-performing loans in total mortgage portfolio

SOURCE: NATIONAL BANK OF POLAND

Average value of a loan

The average value of a housing loan in the fourth quarter of 2020 reached a level of **PLN 305 093**, which was **PLN 15 830 (5.47%)** more than in the previous quarter. The average value of a foreign currency loan increased by **PLN 32 434**, (i.e. **13.41%**) and amounted to **PLN 274 207**, while the average amount of a housing loan in PLN was **PLN 305 452**, which meant an increase by **PLN 18 254 (6.36%)** compared to the value recorded in the previous quarter.

In relation to the fourth quarter of 2019, the average value of a new housing loan granted in the domestic currency was higher by **7.40%** (by **PLN 21 050** in nominal terms) and the average value of a loan denominated in foreign currencies – by **30.98%** (i.e. **64 862 PLN**). The average value of a mortgage loan in total granted in the examined quarter increased by **7.75%**, i.e. by **PLN 21 943** in nominal terms, compared to the corresponding quarter of 2019.



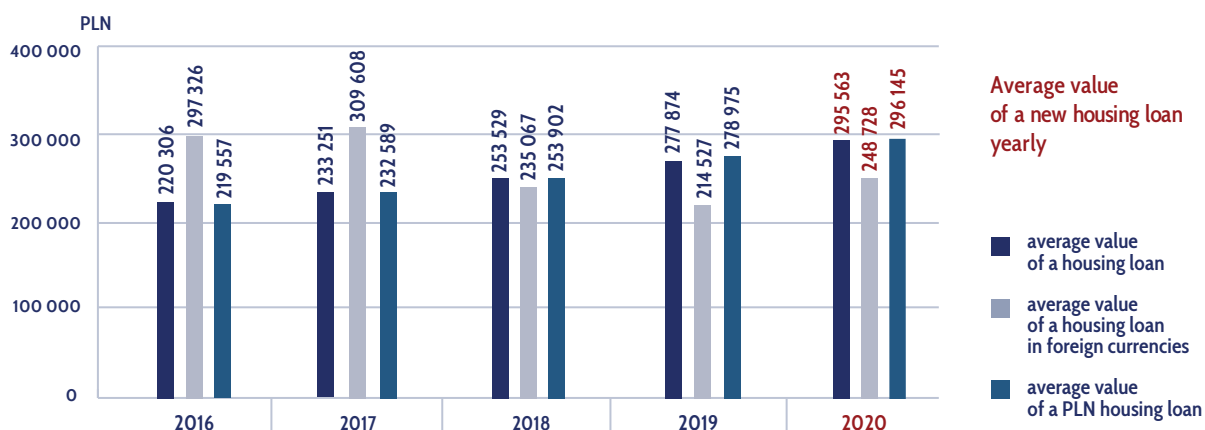
SOURCE: SARFIN

QUARTER	AVERAGE VALUE OF A HOUSING LOAN	AVERAGE VALUE OF A HOUSING LOAN IN FOREIGN CURRENCIES	AVERAGE VALUE OF A PLN HOUSING LOAN
Q4 2019	283 150	209 345	284 402
Q1 2020	293 833	227 050	294 991
Q2 2020	297 567	251 879	296 220
Q3 2020	289 264	241 774	287 198
Q4 2020	305 093	274 207	302 736

SOURCE: SARFIN

Year 2020 brought a continuation of the upward trend in the average value of the mortgage loan. The average value of a new loan in PLN increased by **6.15%** (nominally by **PLN 17 170**), while the value of a loan in foreign currencies increased by

15.94% (**PLN 34 201**). Thus, the average value of all housing loans granted in 2020 increased by **6.37%**, i.e. by **PLN 17 689** compared to the previous year, and amounted to **PLN 305 093**.



SOURCE: SARFIN

YEAR	AVERAGE VALUE OF A HOUSING LOAN	AVERAGE VALUE OF A HOUSING LOAN IN FOREIGN CURRENCIES	AVERAGE VALUE OF A PLN HOUSING LOAN
2016	220 306	297 326	219 557
2017	233 251	309 608	232 589
2018	253 529	235 067	253 902
2019	277 874	214 527	278 975
2020	295 563	248 728	296 145

Average value of a new housing loan yearly

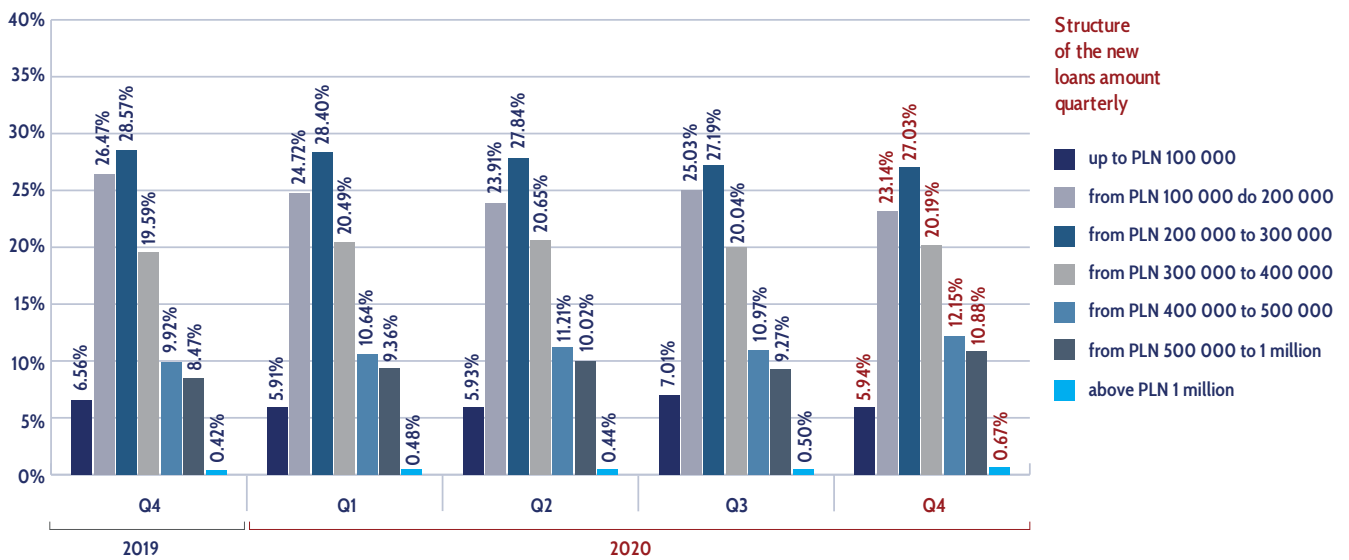
SOURCE: SARFIN

Structure of new loans, by amount

In the fourth quarter of 2020, the largest changes in the structure of newly granted housing loans in terms of value were recorded in the categories from 100 000 to 200 000 PLN and from 500 thousand PLN up to a million PLN. The share of loans ranging from PLN 100 000 to 200 000 PLN decreased by **1.89 p.p.**, while the share of loans with a value in the range of PLN 500 thousand – PLN 1 million increased by **1.62 p.p.** Increases were recorded in all loan categories above PLN 300 thousand, by **0.15 p.p.** in the loan category from PLN 300 thousand to PLN 400 thousand, by **1.19 p.p.** in case of loans from 400 to 500 thousand PLN and by **0.17 p.p.** for loans above a PLN million. On the other hand, decreases were recorded in the share of the loan category up to PLN 300 thousand – respectively by **1.07 p.p.** for loans for the amount up to 100 000 PLN and **0.16 p.p.** for loans with a value from PLN 200 to 300 thousand.

The changes in the shares of individual categories of mortgage loans recorded in the fourth quarter of 2020 are in line with the trend of the market shifting towards loans with higher amounts, which has been observed for several quarters.

Compared to the fourth quarter of 2019, the share of loans with the lowest values, i.e. from the range up to PLN 100 thousand, from PLN 100 to 200 thousand and from PLN 200 to 300 thousand fell – by **0.62 p.p.**, **3.33 p.p.** and **1.54 p.p.** respectively. In all other value categories (PLN 300 thousand and more) increases were recorded: from **0.25 p.p.** in case of loans with a value exceeding PLN 1 million, up to **2.41 p.p.** in case of loans from PLN 500 thousand up to 1 million.



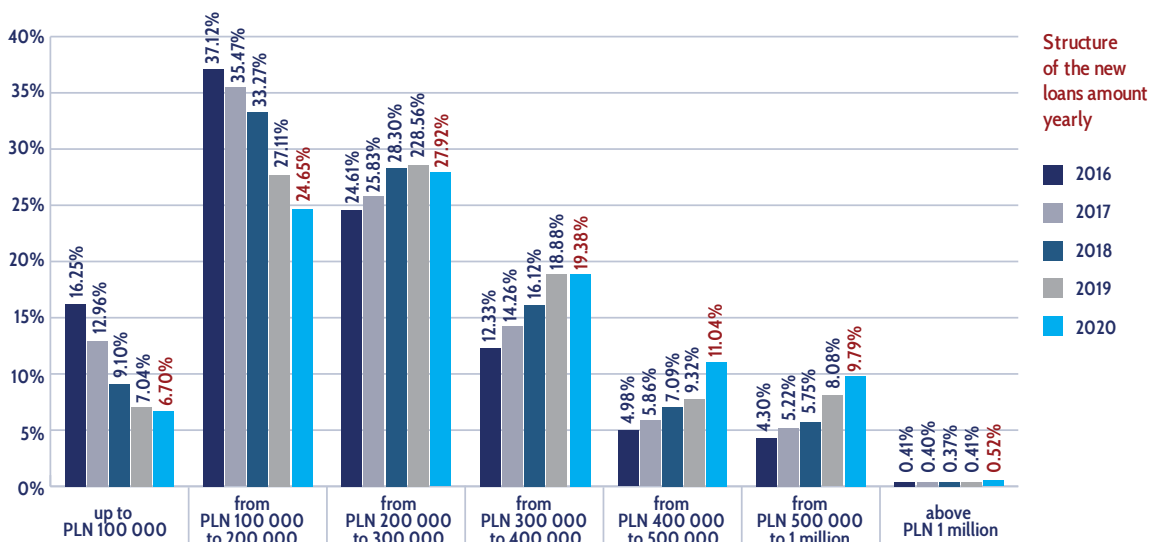
SOURCE: SARFIN

	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
up to PLN 100 000	6.56%	5.91%	5.93%	7.01%	5.94%
from PLN 100 000 to 200 000	26.47%	24.72%	23.91%	25.03%	23.14%
from PLN 200 000 to 300 000	28.57%	28.40%	27.84%	27.19%	27.03%
from PLN 300 000 to 400 000	19.59%	20.49%	20.65%	20.04%	20.19%
from PLN 400 000 to 500 000	9.92%	10.64%	11.21%	10.97%	12.15%
from PLN 500 000 to 1 million	8.47%	9.36%	10.02%	9.27%	10.88%
above PLN 1 million	0.42%	0.48%	0.45%	0.50%	0.67%

SOURCE: SARFIN

In annual terms (2020/2019), there was observed a continuing trend of decline in the popularity of loans amounting up to PLN 100 thousand and from PLN 100 to 200 thousand. The shares of these loan categories in the portfolio of new housing loans amounted to **6.70%** and **24.65%** respectively and were lower by **0.34 p.p.** and **3.06 p.p.** than a year earlier. The percentage of housing loans with a value from PLN 200,000 to 300,000 was also lower (by **0.64 p.p.**).

As in the previous year, however, the share of loans for higher amounts increased – by **0.50 p.p.** those worth from PLN 300 to 400 thousand, **1.72 p.p.** those in the range between PLN 400 and 500 thousand, by **1.71 p.p.** loans with a value between PLN 500 thousand and 1 million and by **0.11 p.p.** share of loans in the amount over PLN 1 million.



SOURCE: SARFIN

	2016	2017	2018	2019	2020
up to PLN 100 000	16.25%	12.96%	9.10%	7.04%	6.70%
from PLN 100 000 to 200 000	37.12%	35.47%	33.27%	27.71%	24.65%
from PLN 200 000 to 300 000	24.61%	25.83%	28.30%	28.56%	27.92%
from PLN 300 000 to 400 000	12.33%	14.26%	16.12%	18.88%	19.38%
from PLN 400 000 to 500 000	4.98%	5.86%	7.09%	9.32%	11.04%
from PLN 500 000 to 1 million	4.30%	5.22%	5.75%	8.08%	9.79%
above PLN 1 million	0.41%	0.40%	0.37%	0.41%	0.52%

Structure of the new loans amount yearly

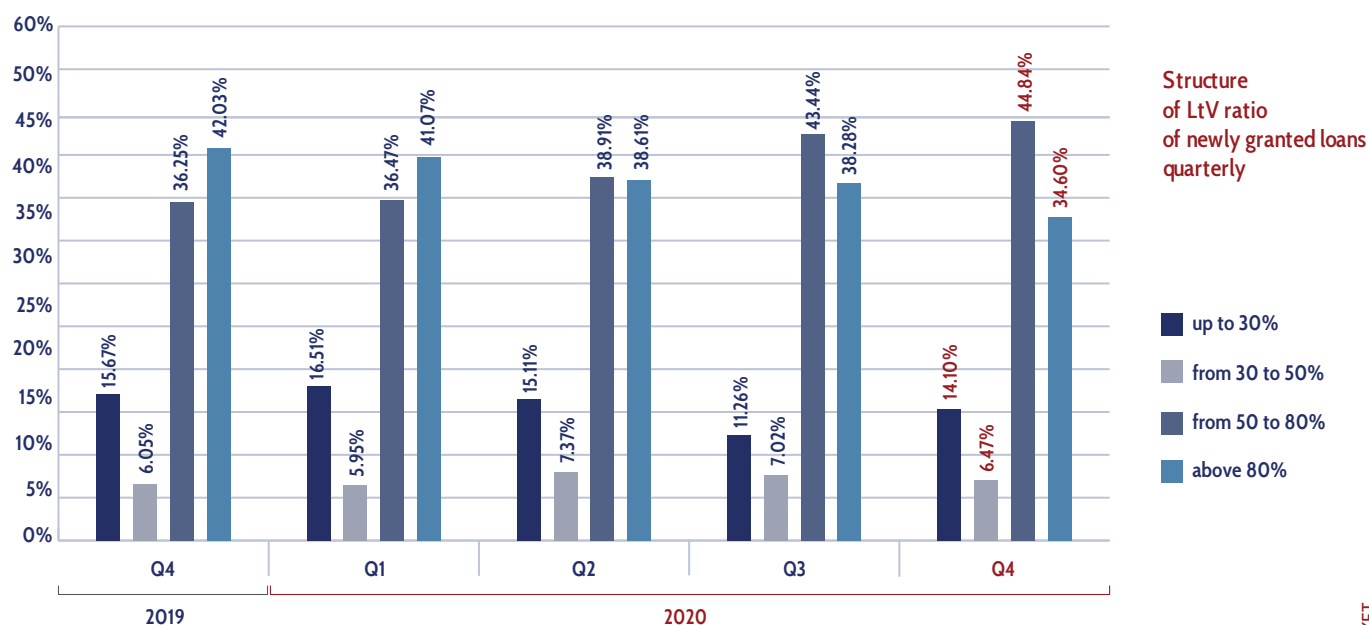
SOURCE: SARFIN

Structure of the LtV ratio

After dynamic changes in the structure of the mortgage market in terms of the LtV ratio recorded in the third quarter of 2020, the fourth quarter brought a return to the trends recorded in previous periods. The share of loans with LtV ranging from 50 to 80% increased by **1.40 p.p.** and amounted to **44.84%**. The share of loans with LtV to 30% also increased, by **2.83 p.p.** Declines were recorded in other loan categories. The percentage of LtV loans from 80% decreased by **3.68 p.p.** to

34.60%, while the decrease in the share of LtV loans from 30% to 50% accounted for **0.55 p.p.** (to the level of **6.47%**).

Compared to the fourth quarter of 2019, there was a clear decrease – by **7.43 p.p.** – in the share of loans with a LtV ratio at the level of 80% and more. The percentage of housing loans with LtV to 30% also decreased – by **1.57 p.p.** Increases were recorded in all remaining LtV categories. The share of loans in the 50-80% LtV category increased by **8.59 p.p.**, while in the 30-50% LtV category – by **0.42 p.p.**



SOURCE: SARFIN

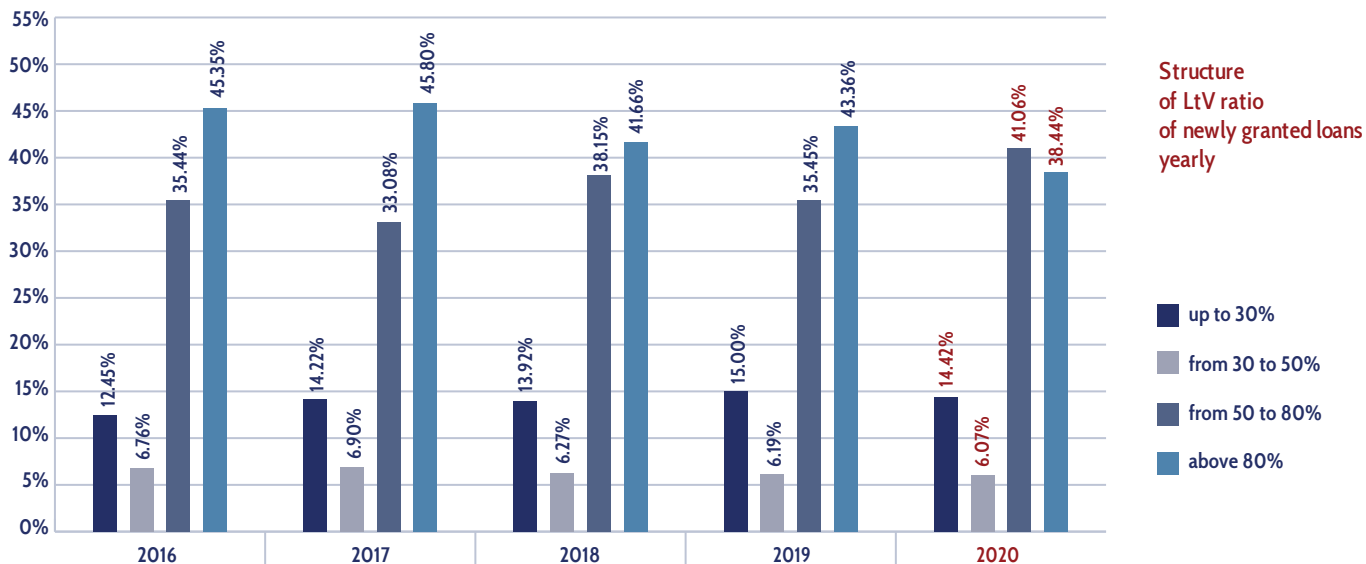
	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
up to 30%	15.67%	16.51%	15.11%	11.26%	14.10%
from 30 to 50%	6.05%	5.95%	7.37%	7.02%	6.47%
from 50 to 80%	36.25%	36.47%	38.91%	43.44%	44.84%
above 80%	42.03%	41.07%	38.61%	38.28%	34.60%

Structure of LtV ratio of newly granted loans quarterly

SOURCE: SARFIN

In annual terms, there was a clear increase – by **5.61 p.p.** – in the share of loans with LtV ratio from 50% to 80%. At the same time, the share of

mortgage loans with LtV above 80% amounted to **38.44%**, which means a decrease by **4.92 p.p.** compared to 2019.



SOURCE: SARFIN

	2016	2017	2018	2019	2020
up to 30%	12.45%	14.22%	13.92%	15.00%	14.42%
from 30 to 50%	6.76%	6.90%	6.27%	6.19%	6.07%
from 50 to 80%	35.44%	33.08%	38.15%	35.45%	41.06%
above 80%	45.35%	45.80%	41.66%	43.36%	38.44%

Structure of LtV ratio of newly granted loans yearly

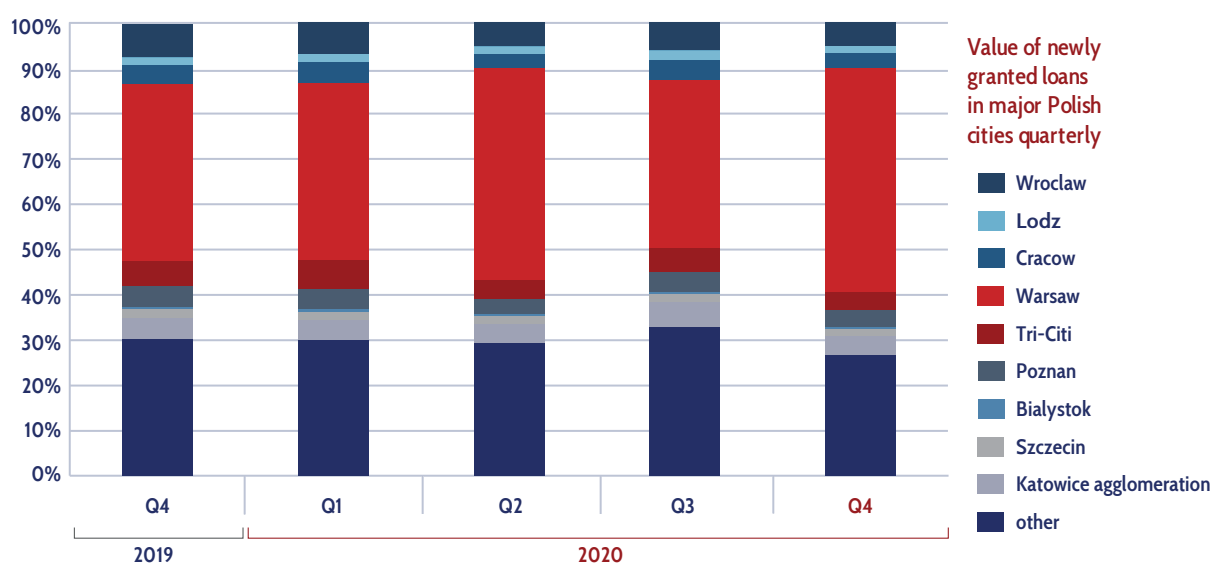
SOURCE: SARFIN

Housing loans in major Polish cities

The fourth quarter of 2020 brought a dynamic increase in the share of housing loans granted in the largest Polish agglomerations. At the end of 2020, it amounted to **73.46%** and was higher than in the previous quarter by as much as **6.31 p.p.** Warsaw's share in the structure of all newly granted loans in Poland amounted to **49.44%**, which was by **12.17 p.p.** more than it was recorded in the third quarter. At the same time, it was the highest share of one city in the mortgage loan market recorded so far (i.e. since 2009)

in the SARFiN System. The shares of the other listed locations slightly decreased, with the largest decrease recorded in case of Tri-City – by **1.28 p.p.** The share of Białystok remained unchanged at the level of **0.48%**.

Compared to the corresponding period of 2019, there was a decrease in the share of new loans granted in all locations except for Warsaw. Warsaw's share in the mortgage loan market was higher by **10.46%** than a year earlier.



SOURCE: SARFIN

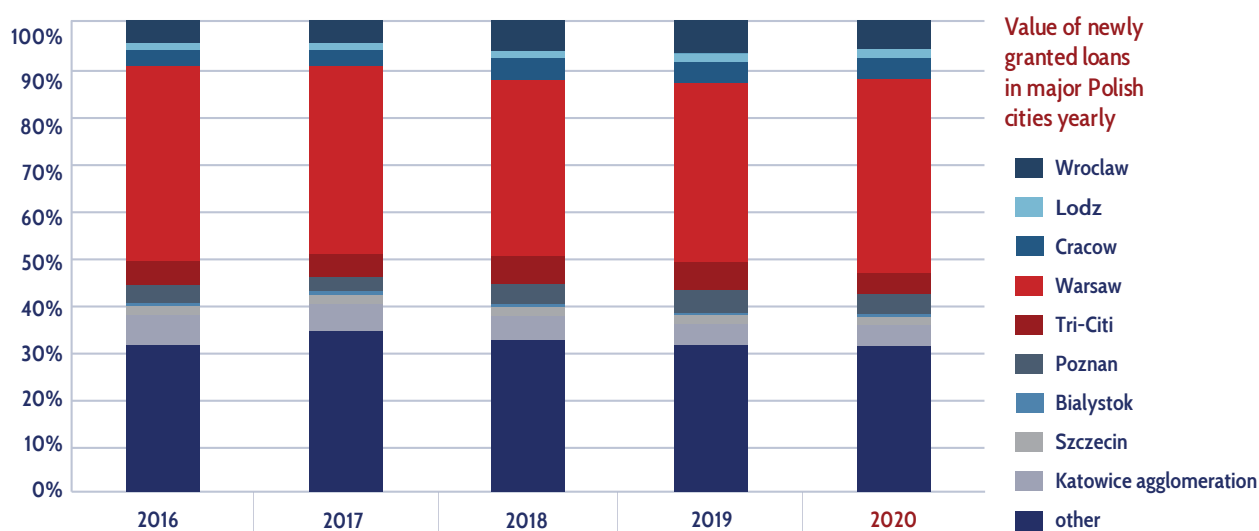
	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
other	30.03%	29.90%	29.19%	32.85%	26.54%
Katowice agglomeration	4.69%	4.30%	4.35%	5.42%	4.22%
Szczecin	1.94%	1.87%	1.56%	1.72%	1.55%
Białystok	0.60%	0.74%	0.50%	0.48%	0.48%
Poznań	4.42%	4.39%	3.35%	4.32%	3.63%
Tri-City	5.61%	6.18%	4.25%	5.32%	4.03%
Warsaw	38.98%	39.19%	46.55%	37.28%	49.44%
Cracow	4.40%	4.59%	3.29%	4.29%	3.20%
Łódź	2.02%	1.88%	1.61%	2.09%	1.74%
Wrocław	7.31%	6.96%	5.34%	6.24%	5.18%

SOURCE: SARFIN

Value of newly granted loans in major Polish cities quarterly

In 2020 in total, **69.17%** of all new housing loans were granted in the largest Polish cities, i.e. by **0.17 p.p.** more than in 2019. An increase in the share of value of new housing loans was recorded in Warsaw, Cracow and Lodz, by

3.15 p.p., **0.15 p.p.**, and **0.05 p.p.** respectively. The shares of the remaining cities slightly decreased, only in case of Bialystok there was no change recorded.



SOURCE: SARFIN

	2016	2017	2018	2019	2020
other	31.05%	34.05%	32.18%	31.00%	30.83%
Katowice agglomeration	6.44%	5.63%	4.99%	4.52%	4.51%
Szczecin	1.88%	2.11%	2.00%	1.89%	1.77%
Białystok	0.64%	0.73%	0.65%	0.59%	0.59%
Poznań	3.86%	3.01%	4.20%	4.82%	4.19%
Tri-City	5.06%	4.75%	5.94%	5.89%	4.46%
Warsaw	41.31%	40.03%	37.41%	37.96%	41.11%
Cracow	3.39%	3.36%	4.52%	4.48%	4.63%
Łódź	1.56%	1.57%	1.67%	1.79%	1.84%
Wrocław	4.81%	4.76%	6.44%	7.06%	6.05%

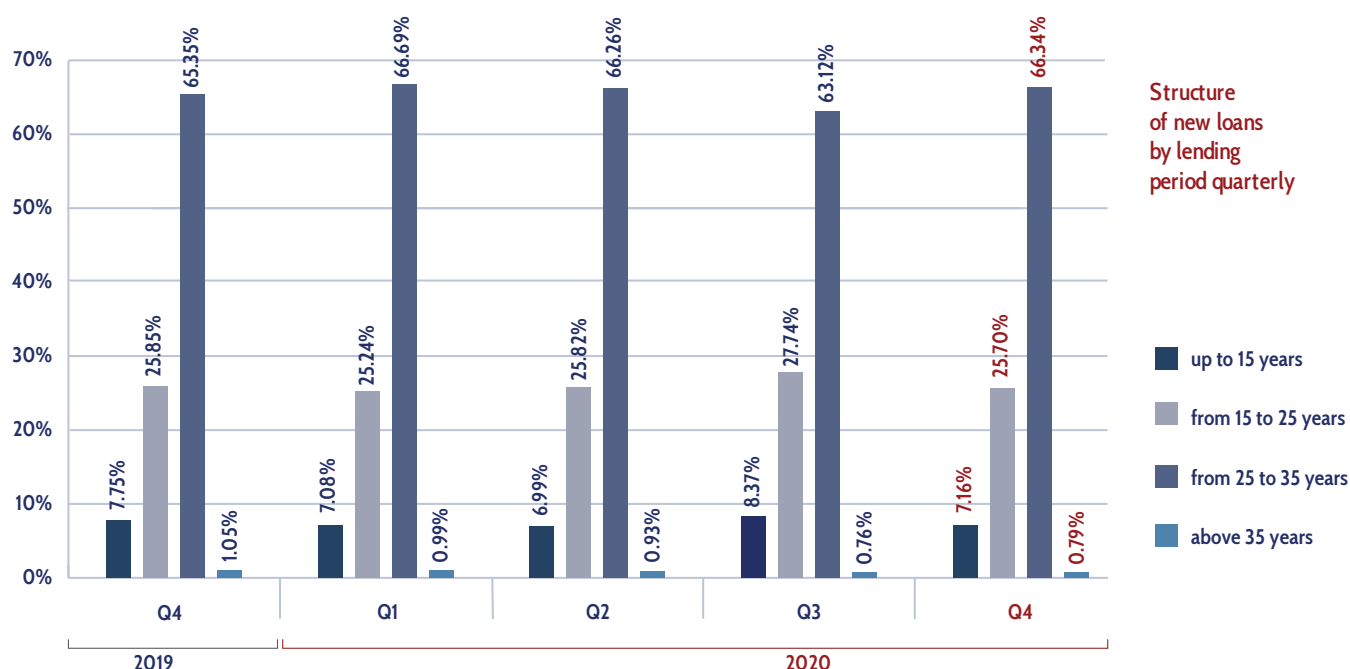
Value of newly granted loans in major Polish cities yearly

SOURCE: SARFIN

Lending period

In the fourth quarter of 2020, after a short period of change, the mortgage loan market returned to loan maturity structure noted in previous quarters. An increase was recorded in category of loans with maturities of up to 25 to 35 years, the market share of which was **66.34%**, i.e. **3.23 p.p.** more compared to the previous quarter. In all other categories, declines were observed – by **1.21 p.p.** for loans with maturity of up to 15 years, by **2.04 p.p.** for loans from 15 to 25 years and by **0.02 p.p.** for loans for a period longer than 35 years.

Compared to the results recorded in the fourth quarter of 2019, there were no significant changes in the market structure in terms of loan maturity. The recorded fluctuations in the share of individual loan categories did not exceed **1 p.p.** The share of loans with maturities of up to 25 to 35 years increased (by **0.99 p.p.**), while the share of housing loans from other categories decreased – by **0.26 p.p.** for a period over 35 years, by **0.15 p.p.** for loans granted for a period from 15 to 25 years and by **0.59 p.p.** for loans granted for a period of up to 15 years.



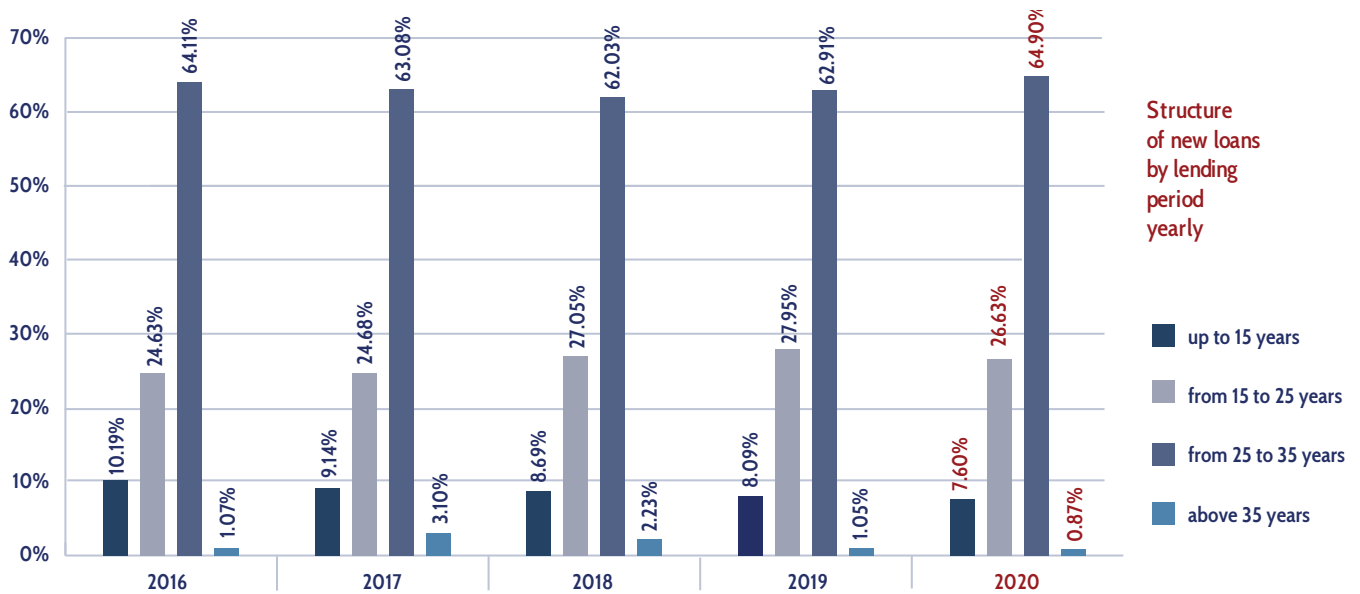
SOURCE: SARFIN

	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	
up to 15 years	7.75%	7.08%	6.99%	8.37%	7.16%	Structure of new loans by lending period quarterly
from 15 to 25 years	25.85%	25.24%	25.82%	27.74%	25.70%	
from 25 to 35 years	63.35%	66.69%	66.26%	63.12%	66.34%	
above 35 years	1.05%	0.99%	0.94%	0.76%	0.79%	

SOURCE: SARFIN

In annual terms, there was a slight increase in the share of loans with maturity from 25 to 35 years – by **1.99 p.p.** (to the level of **64.90%**). Slight declines were recorded in all other segments. The share

of loans granted for up to 15 years decreased by **0.49 p.p.**, the share of loans with maturity between 15 and 25 years decreased by **1.32 p.p.** and those granted for at least 35 years – by **0.18 p.p.**



	2016	2017	2018	2019	2020
up to 15 years	10.19%	9.14%	8.69%	8.09%	7.60%
from 15 to 25 years	24.63%	24.68%	27.05%	27.95%	26.63%
from 25 to 35 years	64.11%	63.08%	62.03%	62.91%	64.90%
above 35 years	1.07%	3.10%	2.23%	1.05%	0.87%

SOURCE: SARFIN

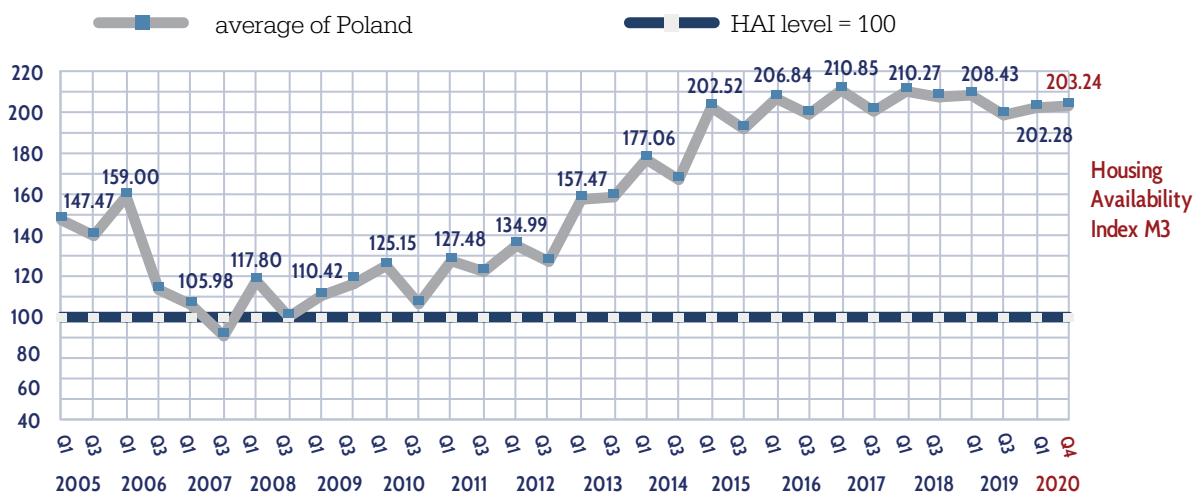
Housing Availability Index M3 – HAI M3

Housing Availability Index M3 (HAI M3), a synthetic measure presented in AMRON-SARFIN Reports, shows quarterly changes in availability of housing units in Poland for the exemplary family comprising of two employed adults with one older child. A slight increase of dwelling availability in Q4 2019 was influenced by the following factors:

- a slight increase in transaction prices in analyzed housing segment (with floor area of 45 to 55sqm) in cities monitored in order to calculate IDM M3 (8 largest cities) – by **2.10%** compared to Q3 2020;
- drop in interest rates on newly granted loans – according to NBP data, the real interest rate on loans granted in the fourth quarter of 2020 amounted to **2.93%** (in the third quarter of 2020, the interest rate was **3.15%**);
- an increase in the average gross family income by **5.57%** in the Q4 2020 in comparison to the previous quarter;

- a slight increase in the level of the cost of living, which for the index is expressed as the subsistence minimum at the level of the previous quarter (quarter/quarter inflation rate due to the postponement of the publication of the subsistence minimum value by the Institute of Labor and Social Affairs for the following quarter) **0.1%** in relation to the third quarter of 2020.

The disposable income for IDM3 (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 **5.5%**. After taking into account the increase in housing prices, the housing availability index in the fourth quarter of 2020 increased by **0.97 points**, i.e. to the level of **203.24 points**.

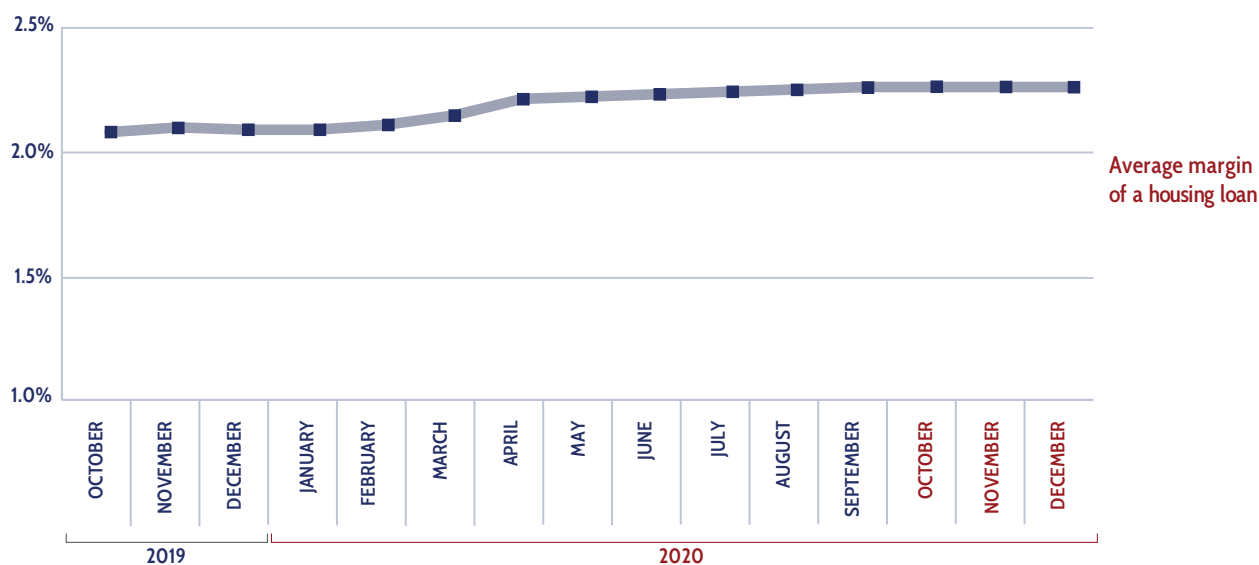


SOURCE: POLISH BANKS ASSOCIATION

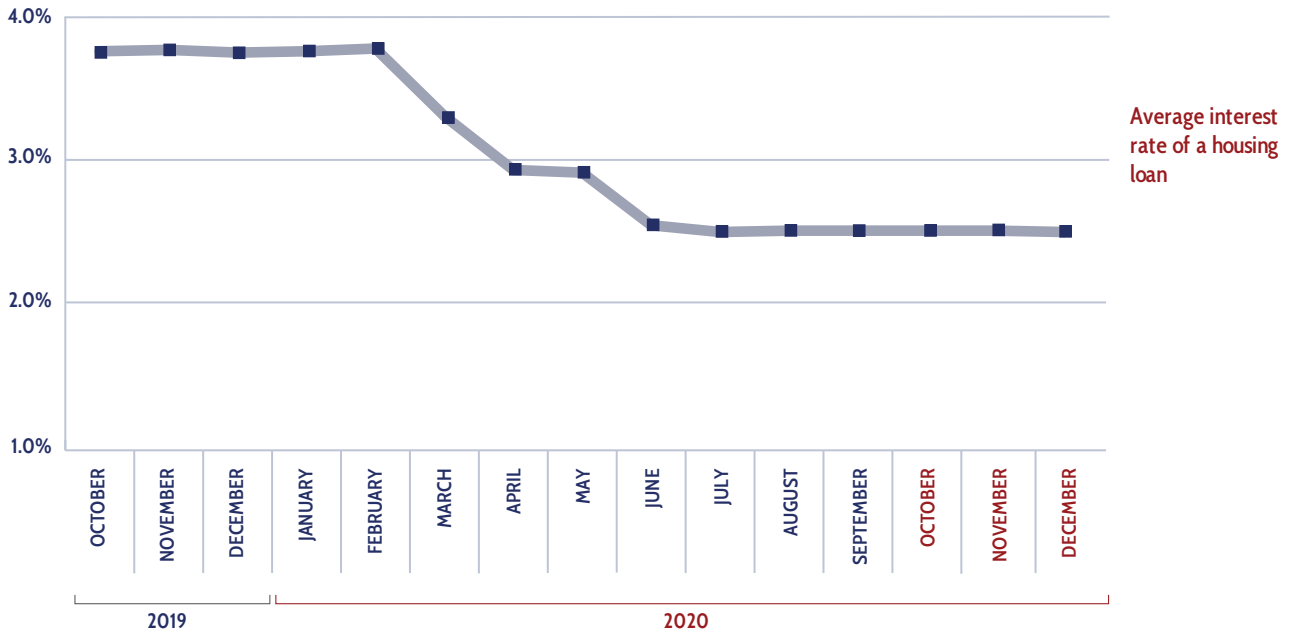
Average margin levels and mortgage interest rates

At the end of the fourth quarter of 2020, the average offer margin of a sample mortgage loan (in the amount of PLN 300 thousand, at the LtV level of 75%, granted for a period of 25 years) amounted to **2.28%**, i.e. it remained at the level recorded at the end of the third quarter of 2020. Compared to the end of the corresponding period of 2019, the average mortgage margin was **0.18 p.p.** higher.

The average interest rate on a model mortgage loan at the end of the fourth quarter of 2020 was **2.49%**, i.e. by **0.01 p.p.** lower compared to the end of the third quarter. Compared to the same period of the previous year, the average interest rate was lower by **1.33 p.p.**



SOURCE: AMRON CENTRE BASED ON BANKS' CREDIT OFFERS



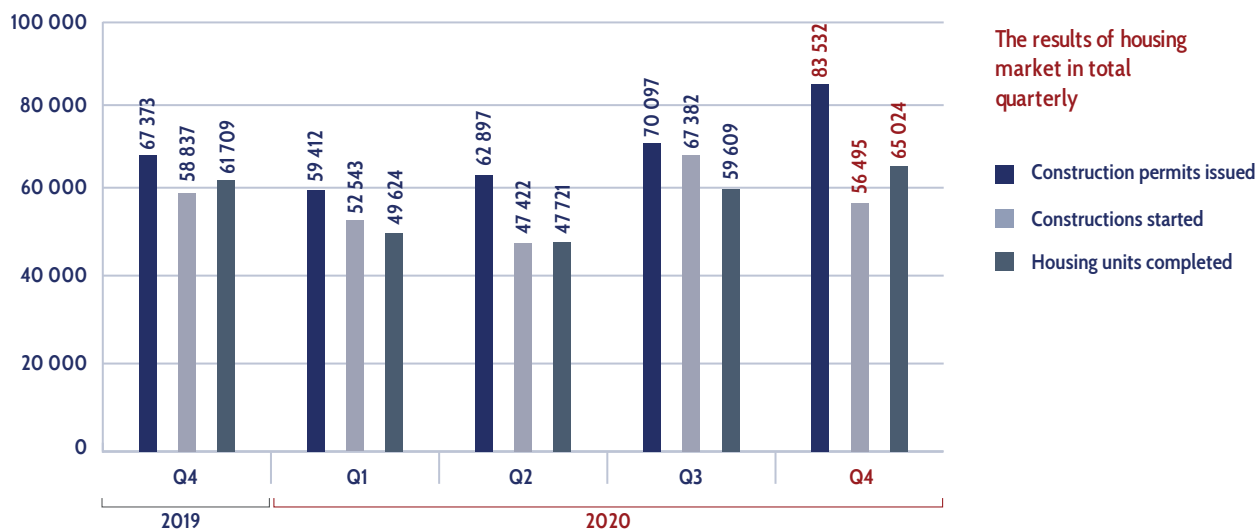
SOURCE: AMRON CENTRE BASED ON BANKS' CREDIT OFFERS

SITUATION ON HOUSING MARKET

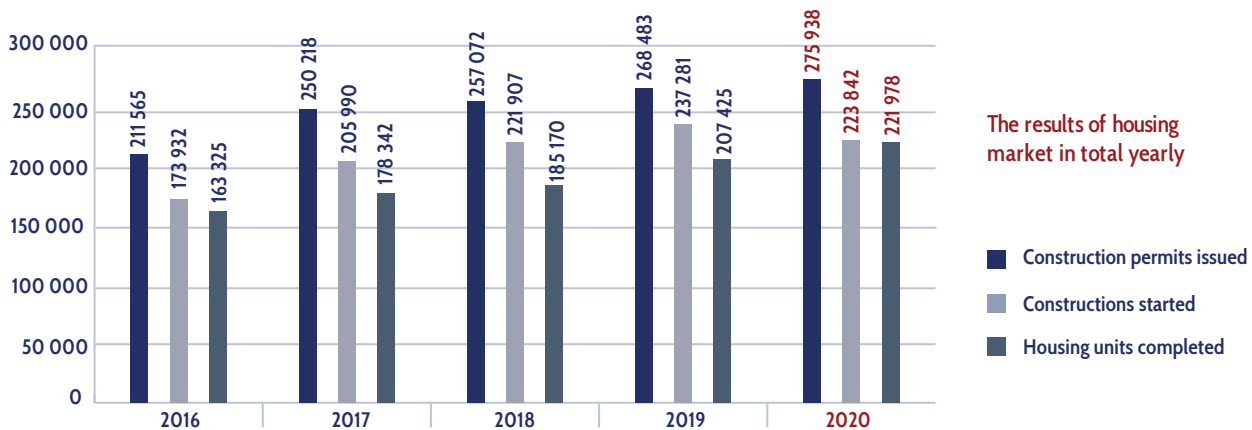
Housing market in total

Despite the second wave of the COVID-19 pandemic and its consequences in the form of further restrictions, GUS data indicate that housing construction is not slowing down. Compared to the quotations for the third quarter, the number of flats completed in Q4 2020 increased by **9.08%** and amounted to **65 024**. The number of flats, for which construction permits were issued or for which a construction design application was submitted, increased by **19.17%** (compared to the third quarter of 2020 year) and amounted to **83 532**. The number of dwellings, construction of which has begun in Q4 2020, decreased by **16.16%** to **56 495** housing units.

Similarly, compared to the fourth quarter of 2019, an increase was recorded in the categories of flats completed and flats, for which construction permits were issued or for which a construction design was submitted. In the fourth quarter of 2020, **5.37%** more apartments were completed than in the corresponding period of the previous year, while the increase in the number of apartments, for which construction permits were issued or for which a construction design was submitted, was high as much as **23.98%**. The number of flats, the construction of which was started, was lower by **3.98%**.



SOURCE: CENTRAL STATISTICAL OFFICE



SOURCE: CENTRAL STATISTICAL OFFICE

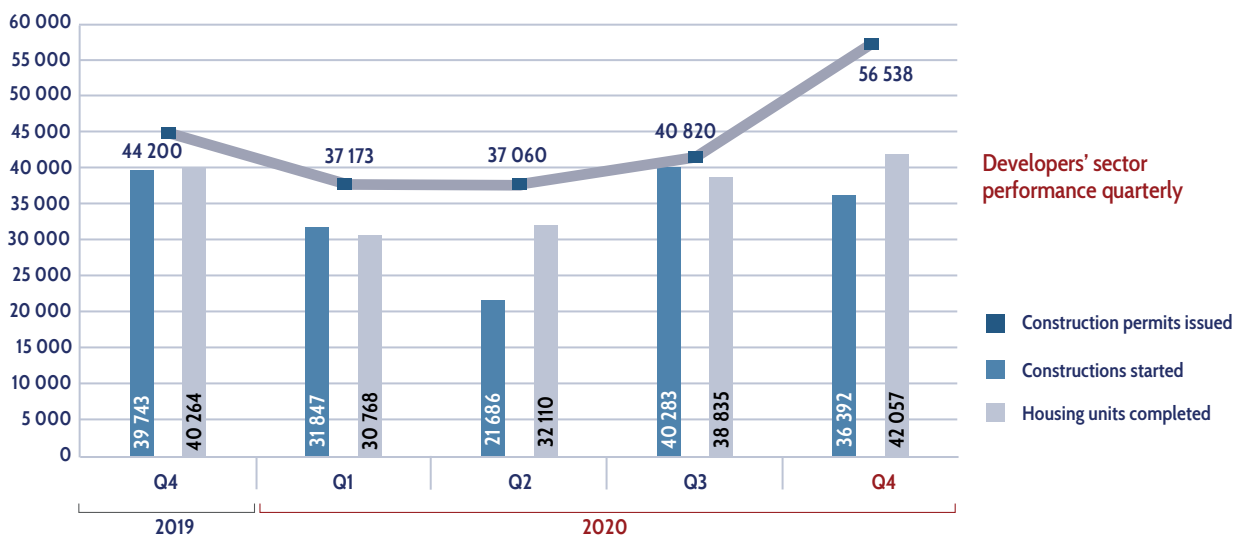
Developers' sector results

In the fourth quarter of 2020, developers started construction of **36 392** apartments, i.e. **9.66%** less than in the record-breaking third quarter. The number of apartments, for which developers obtained building permits in this period, amounted to **56 538**, which meant an increase by **38.51%**. **This was the highest number of flats, for which developers obtained construction permits, recorded in a quarter, in entire history of the Polish real estate development market.** Less dynamic growth was observed in the category of completed dwellings – in the fourth quarter there were **42 057** of them, i.e. **8.30%** more than in the previous period.

Compared to the results achieved by the real estate development sector in the same period of the previous year, increases were recorded in the categories of flats completed and flats, for which the construction permits have been issued. In the fourth quarter of last year, **4.45%** more flats were completed than in the previous year. In case of

dwellings, for which construction permits have been issued, the increase was definitely higher and amounted to **27.91%**. The number of dwellings, the construction of which has begun, was **8.43%** lower than in the corresponding period (i.e. 2019). Such a dynamic increase in the number of permits issued was probably the result of entering in 2021 into force the new technical standards, imposing on investors much higher requirements in terms of energy consumption of buildings.

The number of construction permits obtained by developers in the fourth quarter of 2020 accounted for as much as **67.68%** of all construction permits obtained in the housing sector. It was a result higher by **9.45 p.p.** than recorded in the previous quarter. The number of flats started by developers amounted to **64.42%** of all commenced investments (more by **4.63 p.p.**) and the number of flats completed by developers accounted for **64.68%** of all completed flats (less by **0.47 p.p.** in relation to the previous quarter).



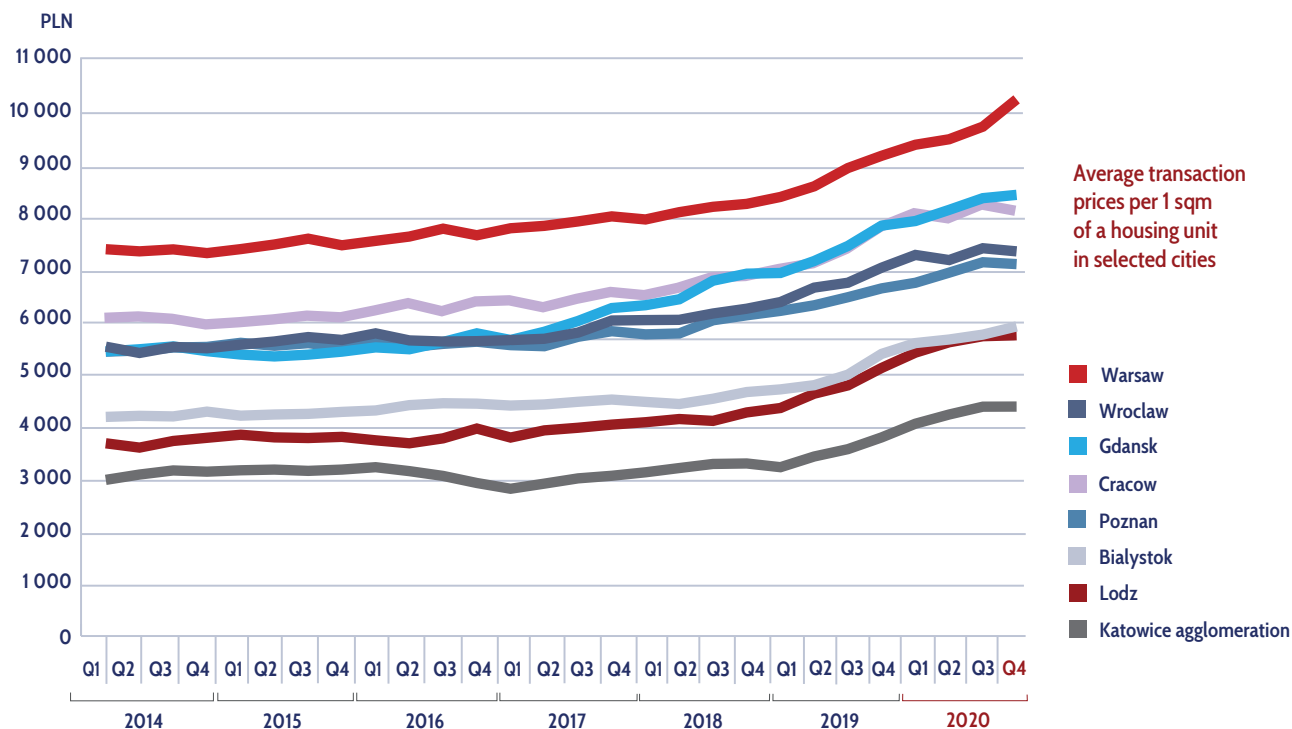
SOURCE: CENTRAL STATISTICAL OFFICE

Average transaction prices of housing units

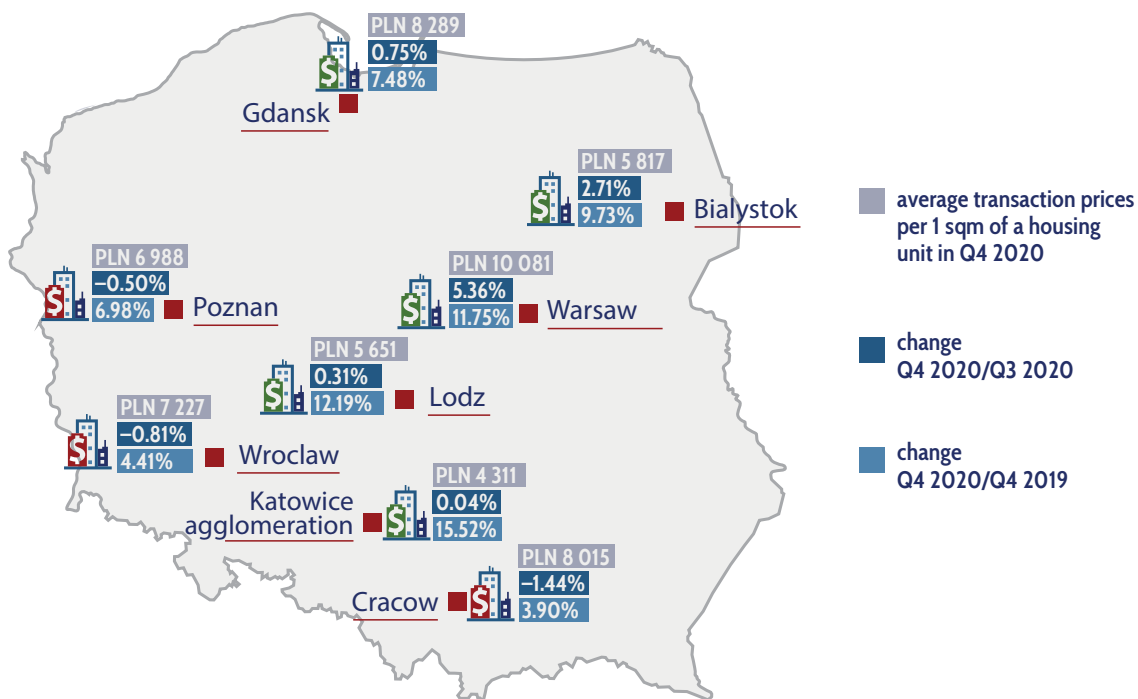
Despite the second wave of the COVID-19 pandemic and related restrictions, as well as pessimistic information from the rental market, housing markets in the largest Polish cities remained stable. The situation on the housing market in the fourth quarter of 2020 was shaped by the same factors as in the previous periods, which include, above all, a cheap mortgage loans, no alternative to invest capital and the price availability of apartments. However, the data of the AMRON Centre show that the fourth quarter of 2020 brought a clear decrease in the dynamics of price increases in most of the studied markets. In case of five of them, the change in the average price of 1 square meter of a flat did not exceed 1 percent. This was the case of Katowice agglomeration, Wrocław, Gdansk, Poznan and Lodz. Definitely the lowest dynamics of the average price increase was recorded in Katowice agglomeration, where the average price in Q4 2020 was higher than the

one recorded in the previous quarter by only **0.04%**. Warsaw market was the leader of the price increase in this period. The average price per square meter of a flat in Warsaw in Q4 2020 amounted to **PLN 10 081** and was **5.36%** higher than the average recorded a quarter earlier. An increase in the average price exceeding the level of **1%** was also recorded in Bialystok, where the average price per square meter of a flat amounted to **PLN 5 817**, what meant an increase by **2.71%**. The largest decrease in the average price was recorded in Cracow, by **1.44%** (to **PLN 8 015**).

In relation to the corresponding period of 2019, the largest increases in the average price of apartments were recorded in Katowice agglomeration and Lodz - by **15.52%** (**PLN 579/sqm**) and **12.19%** (**PLN 614/sqm**) respectively. In Warsaw, the difference amounted to **11.75%** (**PLN 1 060/sqm**).



SOURCE: AMRON



SOURCE: AMRON

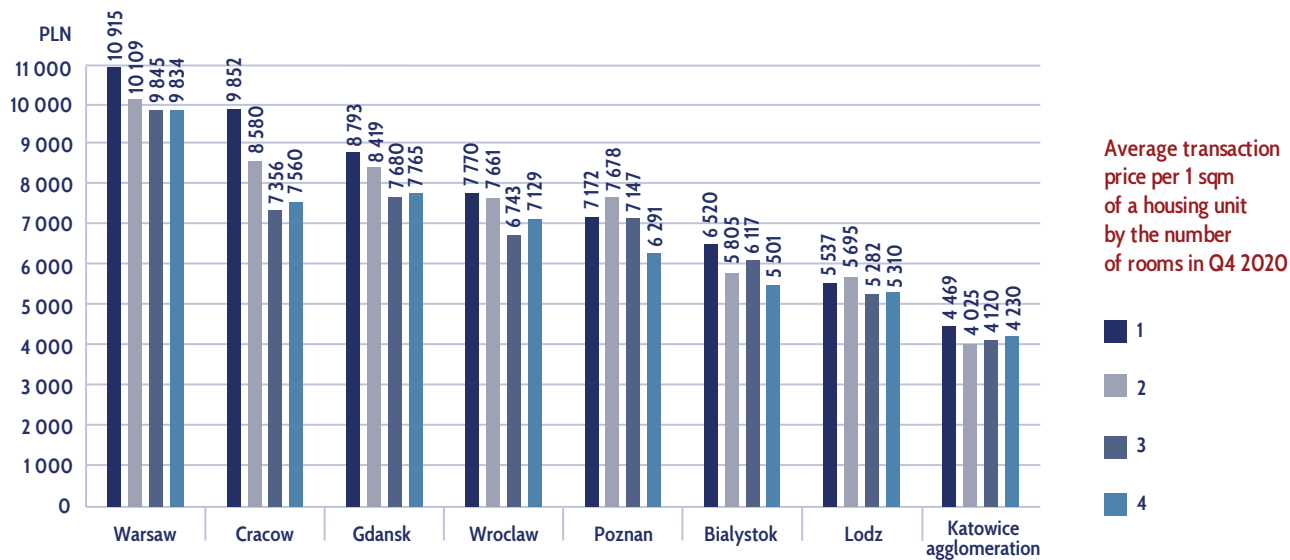
QUARTER	WARSAW	BIALYSTOK	KATOWICE AGGLOMERATION	WROCLAW	GDANSK	CRACOW	POZNAN	LODZ
Q1 2014	7 265	4 117	2 934	5 436	5 347	6 003	5 343	3 621
Q2 2014	7 225	4 137	3 034	5 318	5 388	6 029	5 364	3 540
Q3 2014	7 262	4 126	3 111	5 432	5 441	5 985	5 420	3 665
Q4 2014	7 192	4 216	3 088	5 406	5 352	5 880	5 432	3 724
Q1 2015	7 267	4 140	3 114	5 475	5 289	5 921	5 509	3 782
Q2 2015	7 354	4 162	3 127	5 534	5 253	5 973	5 454	3 732
Q3 2015	7 463	4 174	3 103	5 617	5 287	6 044	5 502	3 720
Q4 2015	7 339	4 211	3 127	5 563	5 343	6 013	5 426	3 742
Q1 2016	7 422	4 238	3 172	5 687	5 423	6 141	5 564	3 677
Q2 2016	7 503	4 338	3 098	5 554	5 388	6 279	5 429	3 621
Q3 2016	7 651	4 374	3 008	5 533	5 525	6 128	5 489	3 714
Q4 2016	7 527	4 366	2 875	5 540	5 687	6 311	5 530	3 898
Q1 2017	7 659	4 330	2 767	5 560	5 562	6 332	5 465	3 729
Q2 2017	7 704	4 351	2 863	5 585	5 717	6 202	5 445	3 864
Q3 2017	7 787	4 401	2 962	5 701	5 919	6 361	5 622	3 913
Q4 2017	7 882	4 443	3 011	5 928	6 162	6 489	5 727	3 972
Q1 2018	7 824	4 399	3 076	5 936	6 215	6 429	5 668	4 017
Q2 2018	7 961	4 359	3 156	5 941	6 327	6 567	5 685	4 077
Q3 2018	8 062	4 458	3 233	6 060	6 676	6 765	5 932	4 042
Q4 2018	8 117	4 584	3 242	6 149	6 808	6 789	6 025	4 201
Q1 2019	8 247	4 634	3 172	6 275	6 821	6 922	6 109	4 284
Q2 2019	8 447	4 713	3 373	6 546	7 046	7 028	6 214	4 553
Q3 2019	8 790	4 911	3 511	6 638	7 329	7 301	6 366	4 709
Q4 2019	9 021	5 301	3 732	6 921	7 711	7 714	6 532	5 037
Q1 2020	9 228	5 504	3 989	7 160	7 797	7 968	6 637	5 324
Q2 2020	9 331	5 571	4 162	7 064	8 007	7 873	6 827	5 519
Q3 2020	9 568	5 663	4 309	7 286	8 227	8 132	7 023	5 633
Q4 2020	10 081	5 817	4 311	7 227	8 289	8 015	6 988	5 651

Average transaction prices per 1 sqm of a housing unit in selected cities

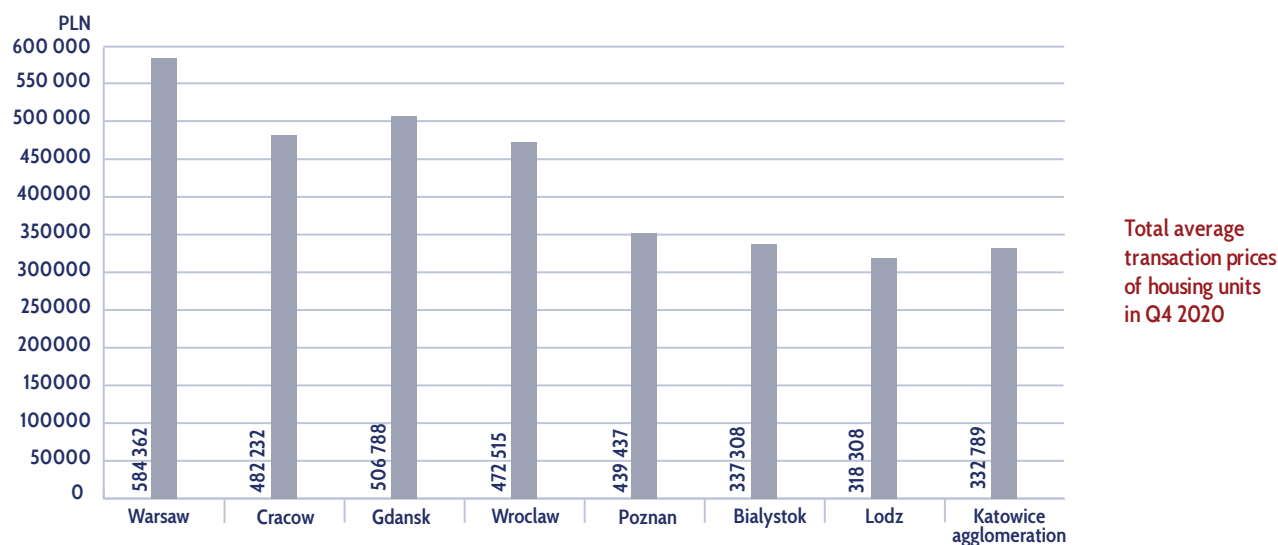
SOURCE: AMRON

The analysis of the average transaction price of 1 sqm of floor area of a flat by number of rooms showed that in the fourth quarter of 2020, the highest dynamics was recorded in average apartment prices in Bialystok. The average price

per square meter of a one-room flat was **7.89%** higher than in the previous quarter, while the average price of flats with four or more rooms fell by **4.50%**. Two-room apartments showed the lowest price dynamics in all locations.



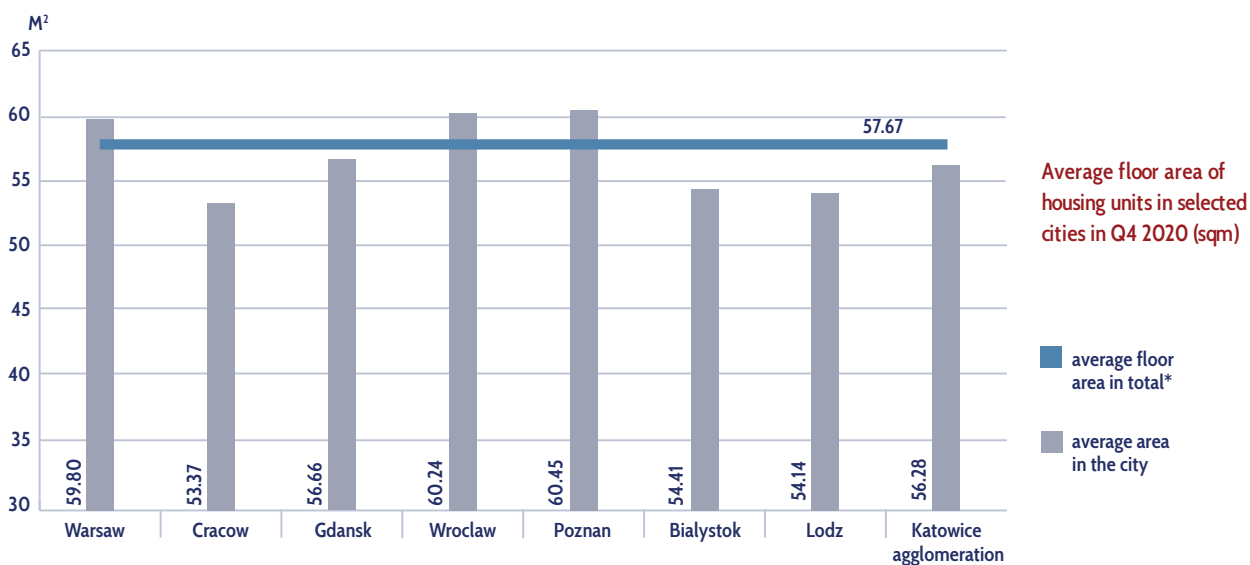
SOURCE: AMRON



SOURCE: AMRON

In the analyzed quarter, a studio apartment in Warsaw cost on average **PLN 10 915/sqm**, a two-room apartment - **PLN 10 109/sqm**, a three-room apartment - **PLN 9 845/sqm**, and a four-room apartment - **PLN 9 834/sqm**. The lowest value was recorded for 1 square meter of a two-room flat in the Katowice agglomeration - **PLN 4 025**.

The average usable floor space of flats traded in the fourth quarter of 2020 in the eight largest Polish agglomerations increased compared to the previous quarter and amounted to **57.67 sqm**. The highest average area of flats sold was recorded in Poznan (**60.45 sqm**) and Wroclaw (**60.24 sqm**), while the smallest flats were traded in Cracow, where the average area was **53.37 sqm**.



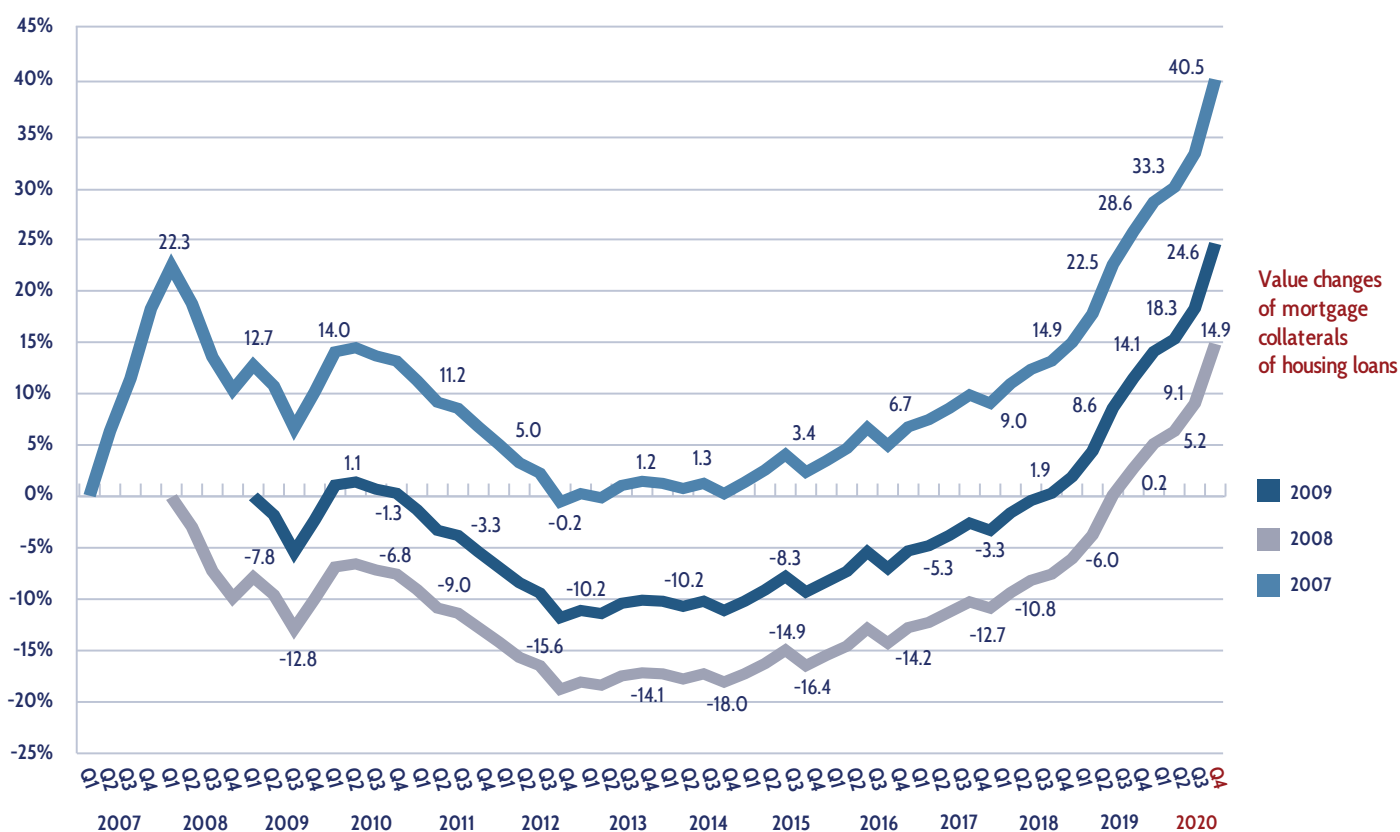
* in 8 surveyed locations

SOURCE: AMRON

Changes in mortgage collaterals value

Indebtedness of mortgage borrowers, who bought apartments in the period from 2007 to 2009, is systematically decreasing. Nevertheless, the LtV ratio of almost 20% of foreign currency loans (almost 5% of total number of loans) still exceeds 100% and proceeds from the sale will not cover the remaining liability amount. In order to verify the impact of changes in housing prices recorded in 2007–2019 on the current situation of borrowers, simulation of changes in the value of dwellings bought in Q1 2007, Q1 2008 and Q1 2009 was prepared. Due to high transaction prices and their significant fluctuations, the average prices on Warsaw market were analysed.

In the fourth quarter of 2020, the upward trend of the average transaction price of 1sqm of usable floor space in a residential premises in Warsaw continued, which improved the situation of borrowers in the years 2007-2009. As for the end of 2020, the value of properties that constitute the collaterals of mortgage loans granted in Q1 2007 was higher by **40.5%**, which meant an increase by **7.1 p.p.** compared to the previous quarter. The value of flats securing housing loans granted in the first quarter of 2009 in Q4 2020 exceeded the purchase price by **24.6%** (more by **6.3 p.p.** compared to the fourth quarter of 2019), while the value of flats purchased in the first quarter of 2008 was higher than the purchase price by **14.9%** (**5.8 p.p.** more than in the previous quarter).



SOURCE: AMRON

QUARTER	WARSAW	KATOWICE	WROCLAW	GDANSK	CRACOW	POZNAN	LODZ
Q1 2014	1 544	841	1 116	1 353	1 185	1 165	722
Q2 2014	1 543	837	1 205	1 295	1 212	1 177	737
Q3 2014	1 507	862	1 172	1 311	1 255	1 164	773
Q4 2014	1 491	869	1 152	1 302	1 265	1 157	784
Q1 2015	1 486	876	1 187	1 229	1 313	1 228	791
Q2 2015	1 440	905	1 230	1 290	1 356	1 156	813
Q3 2015	1 472	891	1 254	1 256	1 404	1 160	823
Q4 2015	1 461	899	1 314	1 246	1 373	1 192	847
Q1 2016	1 455	899	1 307	1 282	1 375	1 202	859
Q2 2016	1 518	887	1 358	1 305	1 357	1 219	857
Q3 2016	1 538	870	1 494	1 368	1 405	1 237	867
Q4 2016	1 539	864	1 490	1 394	1 431	1 194	884
Q1 2017	1 540	852	1 505	1 416	1 438	1 214	886
Q2 2017	1 559	859	1 470	1 389	1 390	1 216	894
Q3 2017	1 617	877	1 502	1 424	1 393	1 207	927
Q4 2017	1 659	874	1 521	1 445	1 417	1 196	955
Q1 2018	1 682	902	1 537	1 495	1 433	1 196	972
Q2 2018	1 755	917	1 589	1 592	1 462	1 211	1 033
Q3 2018	1 780	915	1 563	1 594	1 447	1 232	1 046
Q4 2018	1 767	934	1 542	1 571	1 462	1 237	1 059
Q1 2019	1 787	933	1 565	1 620	1 464	1 236	1 078
Q2 2019	1 816	941	1 564	1 632	1 470	1 246	1 083
Q3 2019	1 859	948	1 596	1 695	1 499	1 267	1 094
Q4 2019	1 868	959	1 604	1 680	1 519	1 282	1 088
Q1 2020	1 891	955	1 627	1 700	1 499	1 285	1 103
Q2 2020	1 872	957	1 603	1 709	1 484	1 288	1 099
Q3 2020	1 714	937	1 492	1 676	1 342	1 268	1 073
Q4 2020	1 666	897	1 476	1 603	1 275	1 227	1 033

Average monthly rent rates of a housing unit in selected cities

SOURCE: AMRON

The analysis was based on the monthly amounts owed to the landlord before tax, excluding administration fees and maintenance costs, rent management fees, projected and current utility charges, etc.

The analysis was based on rent rates entered into the AMRON System, among others, by Mzuri Sp. z o.o., leader on the Polish private rent market.



EXPERT'S COMMENTARY

Professor Jacek Łaszek

Warsaw School of Economics

Nothing happens twice...

Well, if the entire Polish economy developed in the same way as the real estate sector, and especially the developers' sector, we would probably have much fewer problems than we actually do. After a sharp decrease in housing production in the second quarter of 2020, accompanied by a decline in loans and a collapse of the rental market, a typical scenario of a cycle reversal or even a small crisis in the housing sector seemed very realistic. It was even more likely, as consecutive optimistic government forecasts regarding the end of the pandemic did not come true and it could be assumed that the consequences, as usually in such cases, would finally affect also this sector. Meanwhile, in the following quarters, production gradually increased and prices and costs slowed down. Unfavourable trends continued only on the rental market. The situation is not too bad today as well. Housing production is not getting back to the previous level, which, however, may not be a disadvantage, and the good results of the developers' sector are also returning. Households are still buying flats, the production of which is at a very high level (as for Poland), and banks grant loans that are repaid on a satisfactory level. Therefore, the question arises: why the scenario of the economic downturn (for Poland, of course) from 2008–2013 did not repeat, even to a small extent.

Well, it seems that in this case, the matter is based on a principle known to economists, analysts or inquisitive researchers, that apparently

similar events are not generally similar on closer examination. Both events are virtually incomparable, except that in case of Poland, causes of the crisis were outside the housing sector, despite the fact that during the subprime crisis, its main cause was the loss of control by the American banking system and supervisory institutions over the enormous scale of speculation on the housing market and in a dedicated financial system. As a consequence, the collapse of these markets, especially the financial market, caused a tsunami first in the global financial system, and then in the real economy. In Polish mortgage banking system, which was just beginning to develop, as in the real estate development market, the problems were of a different caliber and were quite simple, just as (fortunately) the whole system was. What struck the Polish economy was the general economic downturn, which resulted in an increase in unemployment and a further decline in housing demand. On the other hand, the bankruptcy of Lehman Brothers hit the housing market directly, disrupting the inflow of external capital (loans, including the famous Swiss franc loans) and causing a powerful, negative demand shock. It is worth recalling here that, starting in 2005, the classic speculative madness, financed carelessly with a bank loan, began on the Polish housing market in Warsaw and several largest cities. Everyone wanted to buy a flat on a loan, due to the physical shortage of flats. Newly-established developers sold promises to build them (the famous 'holes in the ground') and the prices of flats in 2005–2008 practically doubled, reaching the indicators characteristic for speculative bubbles.

In this situation, tightening the credit policies had to start the painful processes of balancing the market, and that was how it ended. However, there was no crisis whatsoever.

Currently, all market participants, as well as economists and public authorities, still remember those times, so despite the construction boom (in 2020, the highest housing production in Poland since 1978), there was neither a credit boom, nor price increases of several dozen percent. Prices are high, so are the tensions, but supply and demand tend to balance. Costs and consequently prices rise, but so far there is no speculative bubble. Also, the scale of speculative purchases has been low so far and loans are granted relatively cautiously. The share of cash in housing purchases is also high, which usually cools the madness. The main motivations for purchasing are to improve the housing situation and protect savings against low

real interest rates on deposits. So, as long as the overall economic situation is under control and risk of income shocks and mass unemployment is rather low, the possibility of a housing market collapse, falling prices and mass problems with loan repayment and, consequently, the banking system, is low. Of course, this does not mean that it will be idyllic. It seems that the time to pay bill for franc loans, which were introduced on a larger scale at that time, is slowly coming, but we have a chance to avoid other big problems. On the other hand, the situation on the commercial real estate market is much more interesting, both in Poland and in other European countries. But that's another topic.

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.



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.

During this period, we collected almost 3,6 million data on real estate prices and values and we gained both huge experience and the trust of our business partners. Our offer also includes periodic analytical publications and reports. We also offer the individual reports prepared accordingly 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. The newest project – the Platform of Mortgage Borrowers Support – offers professional support in the process of voluntary sale of real estate for repayment of irregular mortgage loans.



System for Analysis of Real Estate Financing Market

SARFiN System is a system for exchanging information on sales of housing loans and information relating to the monitoring of the risk portfolio of housing loans. The System is run by the Polish Banks Association since July 2001 and it is available for banks only. Access to the data stored in the SARFiN System has also the National Bank of Poland.

The data processed in the SARFiN System are also used in specialist analytical publications prepared by AMRON Centre, developed at the individual request of banks, investors, developers and other entities interested with reliable information about a particular market segment in the selected location and time period.



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About AMRON-SARFiN Report

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

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