

AMRON-SARFiN Report

on housing loans
and real estate transaction prices

1 / 2019

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CENTRUM WIEDZY O RYNKU
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REPORT IN NUMBERS

PLN 420.691 billion

| total housing loans debt

change
Q1 2019 / Q4 2018

1.33% 

2.278 million	total housing loans debt	1.40%	
50 600	number of active loan agreements	2.13%	
PLN 13.596 billion	value of concluded agreements	0.22%	
PLN 268 135	average value of a housing loan	1.88%	
208.43 points	Housing Availability Index (HAI M3)	0.95 points	
45.85%	share of new housing loans with LtV above 80%	3.29 p.p.	
98.49%	share of new housing loans in PLN, by value	0.31 p.p.	
61.43%	share of new housing loans with lending period of 25-35 years	1.64 p.p.	
PLN 8 247	average transaction price per square meter of a dwelling in Warsaw	1.60%	
PLN 1 787	average monthly rent rate of a housing unit in Warsaw	1.14%	



THE RESULT OF 2019 AT THE LEVEL OF 200 THOUSAND NEWLY GRANTED LOANS FOR A TOTAL VALUE HIGHER THAN IN THE PREVIOUS YEAR, I.E. EXCEEDING PLN 55 BILLION, IS POSSIBLE TO ACHIEVE.

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 thirty-ninth issue of the AMRON Centre Report published by Polish Banks Association. We have been providing you with regularly updated information about housing loans and real estate trends and transaction prices every quarter for 10 years. And for 15 years we have been building the AMRON Centre proficiency and the largest interbank database in Poland, resources of which have already exceeded 3.2 million records! In the current edition of the Report we present the results of the first quarter of 2019 with reference to the results from several previous quarters.

The Polish households financial security increased, although it was built on government declarations and social transfers. On the other hand, the media created the image of investing in dwellings for rent as attractive. That is why the atmosphere on the residential investment market has still been warmed up. In addition to buyers looking for dwellings for short-term rent, the new group of investors in house flipping has emerged, looking for the cheap dwellings in poor condition on secondary market for renovation in order to quick resell. What is more, the housing loan availability in Poland increased and the President of NBP declared the stability of low interest rates. The dynamically growing average value of a housing loan was a clear confirmation of the growing availability of mortgage loans. On the other hand, a weakening developers' enthusiasm for starting new investments encourages to

accelerate the decision to invest in a flat. The number of construction permits issued was systematically decreasing, but it meant a return to normality after the construction boom period, rather than a rapid collapse on the housing market. Signals from the developers sector showed that the sale of new dwellings was over 11% lower than a year before. Developers' activity in the following quarters may be affected – rather in negative way – by a new Developers' Act, which will charge developers with a contribution to the Development Guarantee Fund.

In the first quarter of 2019, over 50 thousand housing loans were granted for a total amount of over PLN 13.5 billion – it was a slightly weaker result in comparison to the previous quarter.

Price increases on the housing market continued, although a slowdown in growth was noticeable. In the first quarter of 2019, the average transaction price per 1 sq.m. of floor area of dwelling in Katowice agglomeration even decreased and in Gdansk it did not change. However, in relation to the analogous quarter of 2018, the average price per 1 sq.m. of a flat increased in all analysed locations by 5-10%. The growth rate of the average dwelling rent also decreased.

What will be 2019? After three years of the high-sounding announcements of the National Housing Programme, the results so far have been disappointing. Initial declarations by the co-

authors of the Programme about the planned number of completed dwellings have been quickly reduced and the time perspective was extended! In Autumn 2019, the voters will decide indirectly about the Programme's future.

Although the number of newly granted housing loans was slightly, but systematically decreasing on a quarterly basis from the first quarter of 2018, at the same time the average value of mortgage loan was increasing, therefore the result of 2019 at the level of 200 thousand newly granted loans for a total value higher than in the previous year, i.e. exceeding PLN 55 billion, is possible to achieve.

Are you interested in AMRON detailed analyses of Polish real estate market, please do not hesitate

to contact us. We will also appreciate your comments, which shall allow us to improve next issues of the Report. Please send your questions and suggestions to the following e-mail address: raport@amron.pl

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.

ANALYSIS OF MARKET ENVIRONMENT

The situation on the housing market is stable. The results noted at the beginning of 2019 did not differ significantly from the previous quarter's results. The basic macroeconomic factors shaping the housing market situation have also remained unchanged – low interest rates, which for a long time have been the main driver of housing demand, as well as increasing difficulties in obtaining new investment plots, stabilization of building materials prices, increasing construction costs and complicated procedures decreasing elasticity of supply. This is why developers started new investments with weaker impetus than in previous years. It seems that a new factor with growing importance for developers' decisions is the buyers' willingness to accept even higher housing prices. So far, however, high prices have not affected the market significantly – in Q1 this year, demand in the largest Polish markets was still high, although developers' sales turned out to be lower than in Q1 2018. Thus, first signs of a slowdown on primary market have appeared, but they should not yet be considered as a breakthrough. Data from the housing market do not indicate a growing imbalance – supply and demand are falling evenly. The risk of major turbulence, which may be induced by new revolutionary legal provisions, is so far limited.

The most important factors affecting the situation on real estate market and mortgage market in Q1 2019 were:

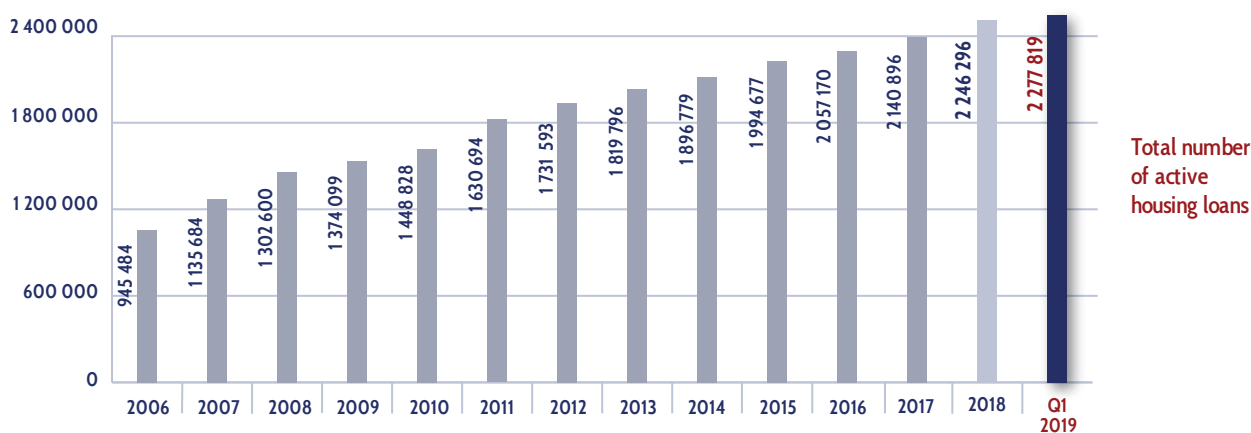
- favourable economic conditions – economic growth, record-low NBP's interest rates (the NBP's reference rate at the level of 1.5%) and systematically improving financial situation of Polish households (decrease in unemployment rate and increase in the average salary level) encouraging people to purchase of real estate;
- decreasing elasticity of supply on primary market, resulting from increasing construction costs and decreasing number of building plots suitable for housing purposes, which in combination with high demand caused price increases of new dwellings;
- increasing housing prices both on primary and secondary market, lowering the attractiveness of real estate purchases for investment purposes;
- minimal tightening of criteria for granting housing loans (regarding banks' regulations concerning the acceptance of loan applications, e.g. minimum income per household member) dictated by the expected deterioration of the economic situation and a slight decrease in mortgage financing costs (insignificant decrease of loan margins and non-interest loan costs);
- transformation of perpetual usufruct of built-up land for housing purposes into ownership right on January 1, 2019, caused chaos on the real estate market and in land and mortgage courts, and thus delays in sale of residential real estate;
- work on the amendment to the act on the agricultural system shaping, which will restore the possibility of free trade in agricultural plots within the administrative borders of cities with area less than 1 ha and increase the supply of investment plots;
- announcement of changes in spatial planning regulations, which in the long term may cause a revolution in developers activity and a race in implementation of investments based on already issued zoning decisions.

SITUATION ON HOUSING LOANS MARKET

Active housing loans

In Q1 2019, an increase in total number of active housing loans amounted to **31 523** agreements, i.e. **1.40%** in comparison to the previous quarter.

At the end of March 2019, the portfolio of active loans for residential purposes amounted to **2 277 819**.

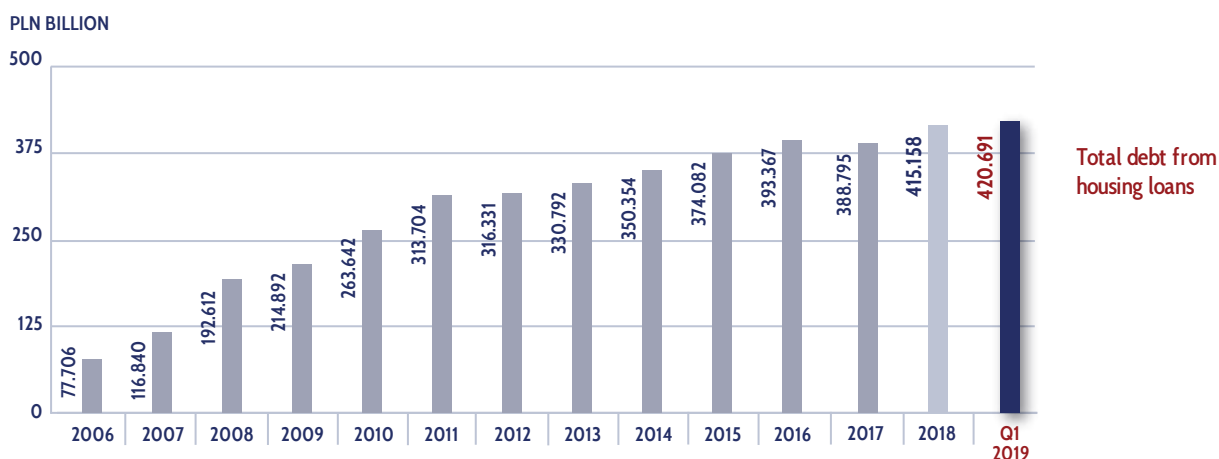


SOURCE: SARFIN

Total housing loans debt

As at March 31, 2019, the total value of active housing loans amounted to **PLN 420.691 billion**. This meant that in Q1 this year, the total value

of debt increased by **1.33%** in relation to the previous quarter - nominally by **PLN 5.533 billion**.



SOURCE: SARFIN

New housing loans

In Q1 2019, a minimal decrease in sale of new housing loans was noted in comparison to the results of the previous quarter, both in terms of number and value. In period from January to March this year, banks in Poland concluded **50 600** housing loan agreements, which was by **2.13%** (**1 103** loans) less in relation to Q4 2018. The total value of granted loans amounted to **PLN 13.596 billion**, which was a decrease by

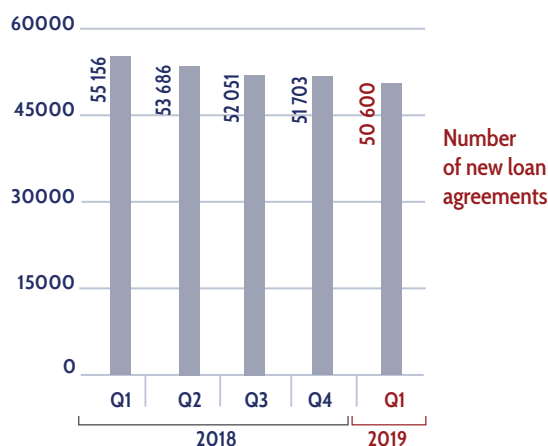
0.22% (nominally by **PLN 30 million**). It meant that the average value of newly granted housing loans continued to grow.

In comparison to the corresponding period of the previous year, a decrease by **4 556** loans (i.e. by **8.26%**) in the number of mortgage loans granted for housing purposes was recorded, while their value increased by **PLN 681 million** (i.e. by **5.27%**).

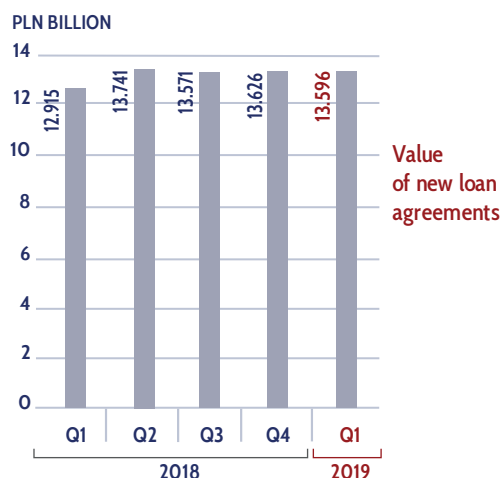
QUARTER	VALUE (PLN BILLION)	CHANGE/previous quarter	NUMBER	CHANGE/previous quarter
Q1 2018	12.915	18.19% ↗	55 156	23.27% ↗
Q2 2018	13.741	6.40% ↗	53 686	2.67% ↘
Q3 2018	13.571	1.24% ↘	52 051	3.05% ↘
Q4 2018	13.626	0.41% ↗	51 703	0.67% ↘
Q1 2019	13.596	0.22% ↘	50 600	2.13% ↘

Value and number of new housing loans

SOURCE: SARFIN



SOURCE: SARFIN



SOURCE: SARFIN

Loan currency

The share of loans denominated in foreign currencies in the value structure of all new housing loans granted in Q1 2019 amounted to **1.51%**, which meant a decrease by **0.31 p.p.** in relation to the previous quarter. The share of CHF loans remained at the level from the previous quarter, i.e. **0.01%**. At the same time, the share of loans in EUR decreased by **0.18 p.p.** and amounted to 1.05%, and the share of loans in other foreign currencies diminished by **0.13 p.p.** to the level of

0.45%. In analysed quarter, new housing loans in domestic currency accounted for **98.49%** of all newly granted loans.

In relation to the analogous period of 2018, in Q1 2019 a minimal increase in the share of newly granted EUR loans was noted – **by 0.15 p.p.** The percentage of loans denominated in CHF and other foreign currencies did not change, while the share of mortgage loans in PLN decreased by **0.17 p.p.**

QUARTER	PLN	CHF	EUR	OTHER
Q1 2018	98.66%	0.01%	0.90%	0.43%
Q2 2018	98.41%	0.01%	1.10%	0.48%
Q3 2018	98.17%	0.01%	1.24%	0.58%
Q4 2018	98.18%	0.01%	1.23%	0.58%
Q1 2019	98.49%	0.01%	1.05%	0.45%

Currency structure
of the value of
new loans

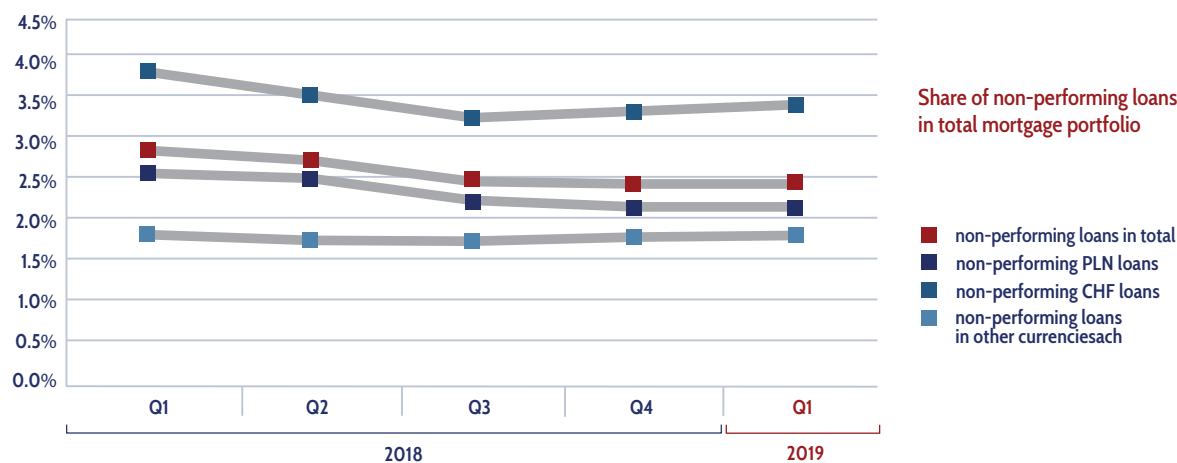
SOURCE: SARFIN

Quality structure of mortgage loans portfolio

In Q1 2019, the quality structure of mortgage loans portfolio for households has remained practically unchanged in comparison to the previous quarter. A minimal change in the share of CHF loans with default on payments was noted – it amounted to **3.45%** of the portfolio, i.e. by **0.08 p.p.** more on a quarterly basis. At the end of March 2019, the share of non-performing housing loans in PLN accounted for **2.20%**, and loans in other foreign currencies – **1.85%**. Thus, the share of non-performing housing loans in the mortgage

portfolio was exactly the same as in the previous quarter, i.e. **2.48%**.

In relation to the corresponding period of the previous year, the percentage of non-performing housing loans granted in PLN decreased by **0.41 p.p.** and the share of CHF loans – by **0.40 p.p.**, while the quality of loans in other foreign currencies did not change. The share of non-performing housing loans in total diminished by **0.41 p.p.** in relation to Q1 2018.



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
Q1 2018	2.89%	2.61%	3.85%	1.86%
Q2 2018	2.77%	2.55%	3.57%	1.79%
Q3 2018	2.51%	2.28%	3.29%	1.78%
Q4 2018	2.48%	2.20%	3.37%	1.83%
Q1 2019	2.48%	2.20%	3.45%	1.85%

Share of non-performing loans in total mortgage portfolio

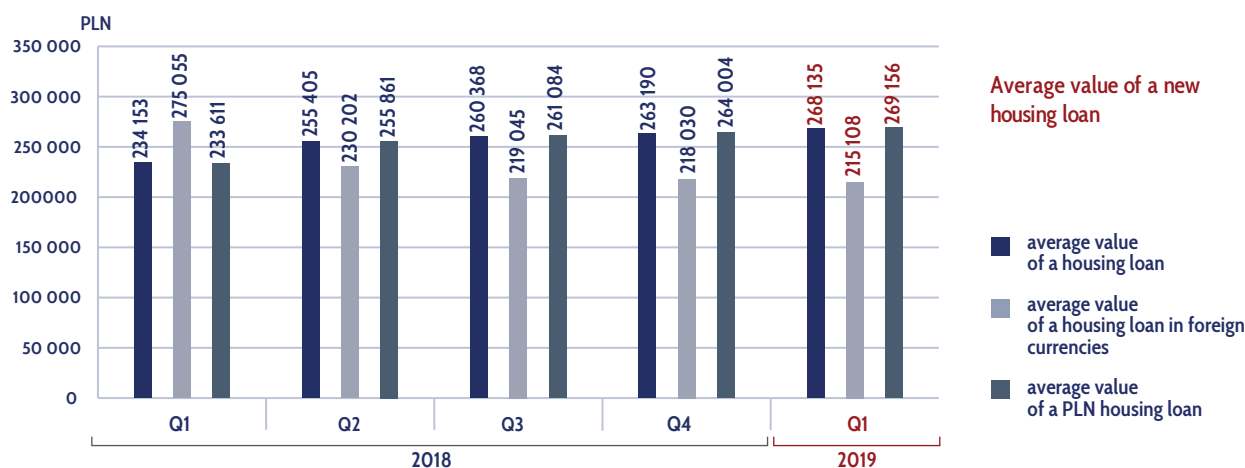
SOURCE: NATIONAL BANK OF POLAND

Average value of a loan

The average value of a housing loan granted in domestic currency in Q1 2019 amounted to **PLN 269 156**, which meant an increase by **1.95%** in comparison to the previous quarter (nominally by **PLN 5 152**), while the average value of a housing loan in foreign currency decreased by **1.34 % (PLN 2 922)** and accounted for **PLN 215 108**. Thus, the average value of a housing loan in total increased in relation

to Q4 2018 by **PLN 4 945**, i.e. by **1.88%** and amounted to **PLN 268 355**.

In relation to the corresponding period of the previous year, the value of average loan granted in Q1 2019 increased by **14.51% (PLN 33 982)**. The average PLN loan was in Q1 2019 higher by **15.22%** than a year earlier (by **PLN 35 545** in nominal terms), while the average value of loans denominated in foreign currencies decreased by **21.79% (PLN 59 947)**.



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
Q1 2018	234 153	275 055	233 611
Q2 2018	255 405	230 202	255 861
Q3 2018	260 368	219 045	261 084
Q4 2018	263 190	218 030	264 004
Q1 2019	268 135	215 108	269 156

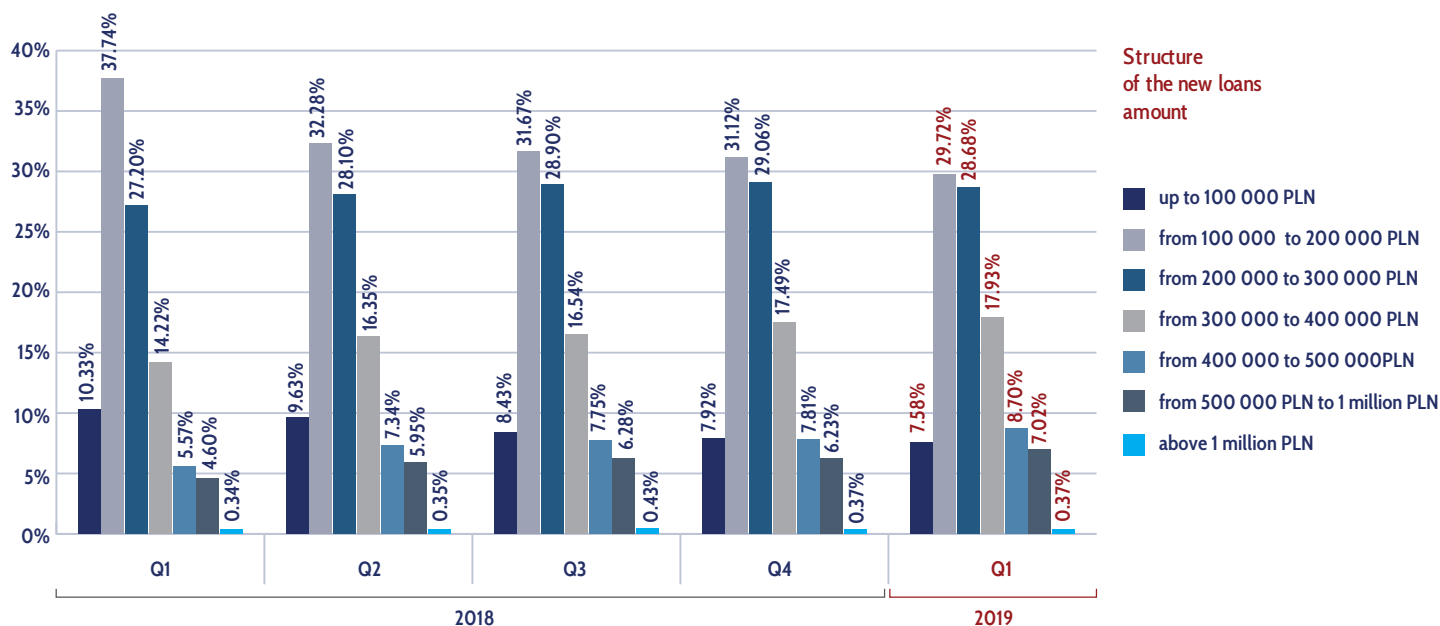
SOURCE: SARFIN

Structure of new loans, by amount

In Q1 2019, the popularity of housing loans with the amount up to PLN 300 000 decreased slightly. The largest decrease in the share of new loans in the portfolio (by **1.40 p.p.**) was recorded in the category from PLN 100 to 200 thousand – in analysed quarter it accounted for **29.72%**, which meant that such loans were still the most popular. The percentage of loans with amount exceeding PLN 1 million did not change and amounted to **0.37%**. In analysed period, number of newly granted loans in amount categories from PLN 300 thousand to PLN 1 million was higher than

a quarter ago. The highest increase (**0.89 p.p.**) was recorded in the category of loans for the amount ranging from PLN 400 to 500 thousand.

In relation to Q1 2018, a decrease in share of loans with the amount up to PLN 100 thousand and from PLN 100 to 200 thousand was observed – respectively by **2.75 p.p.** and **8.02 p.p.** Only the share of loans amounting more than PLN 1 million did not change in relation to the corresponding period of the previous year. In other categories of loans amount, increases were recorded, the highest in the category of loans for the amount ranging from PLN 300 to 400 thousand – by **3.71 p.p.**



SOURCE: SARFIN

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
up to PLN 100 000	10.33%	9.63%	8.43%	7.92%	7.58%
from PLN 100 000 to 200 000	37.74%	32.28%	31.67%	31.12%	29.72%
from PLN 200 000 to 300 000	27.20%	28.10%	28.90%	29.06%	28.68%
from PLN 300 000 to 400 000	14.22%	16.35%	16.54%	17.49%	17.93%
from PLN 400 000 to 500 000	5.57%	7.34%	7.75%	7.81%	8.70%
from PLN 500 000 to 1 million	4.60%	5.95%	6.28%	6.23%	7.02%
above PLN 1 million	0.34%	0.35%	0.43%	0.37%	0.37%

SOURCE: SARFIN

Structure of the LtV ratio

In Q1 2019, housing loans with LtV ratio at the level of at least 80% were the most popular – such loans accounted for **45.85%** of all new loans, which was more by **3.29 p.p.** in comparison to the previous quarter. A slight increase was also recorded in LtV category up to 30% – by **1.87 p.p.** In the same period, a significant decline in the

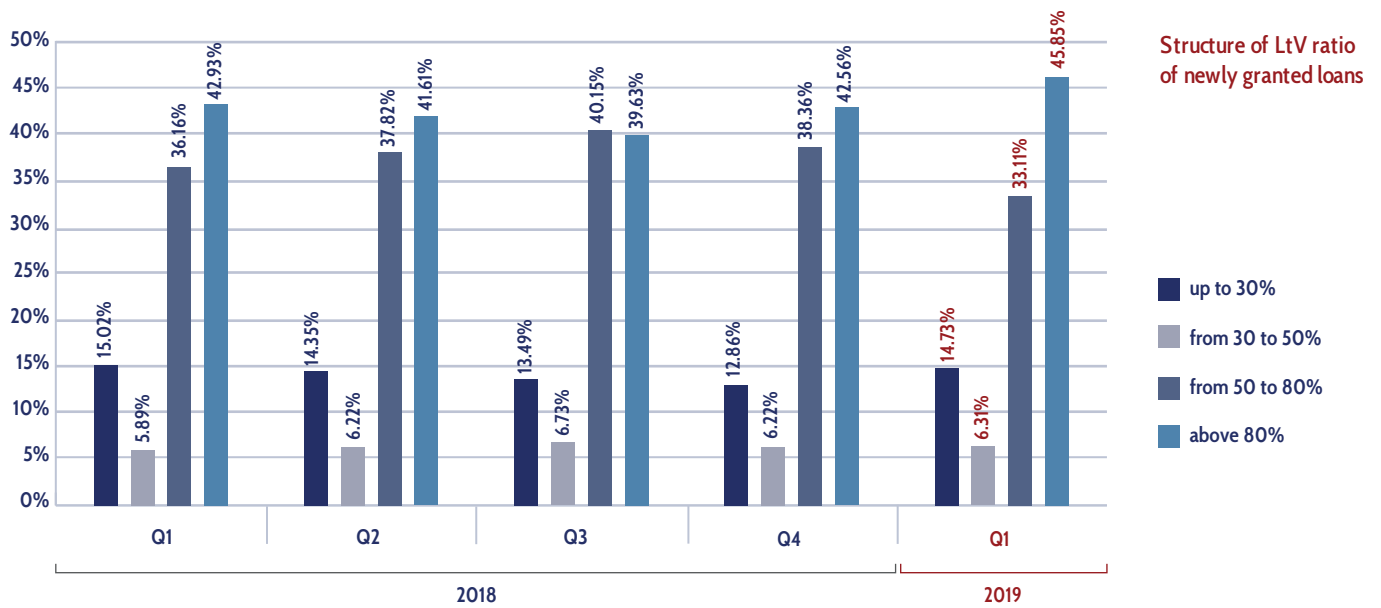
popularity of loans with LtV ratio ranging from 50 to 80% was recorded – their share decreased from **38.36%** to **33.11%**, i.e. **5.25 p.p.**

In relation to Q1 2018, the share of loans with LtV between 50 and 80% decreased by **3.05 p.p.**, while the popularity of loans with LtV ratio above 80% increased. In comparison to the corresponding period of the previous year, the share of those loans was higher by **2.92 p.p.**

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
up to 30%	15.02%	14.35%	13.49%	12.86%	14.73%
from 30 to 50%	5.89%	6.22%	6.73%	6.22%	6.31%
from 50 to 80%	36.16%	37.82%	40.15%	38.36%	33.11%
above 80%	42.93%	41.61%	39.63%	42.56%	45.85%

Structure of LtV ratio of newly granted loans

ŹRÓDŁO: SARFIN

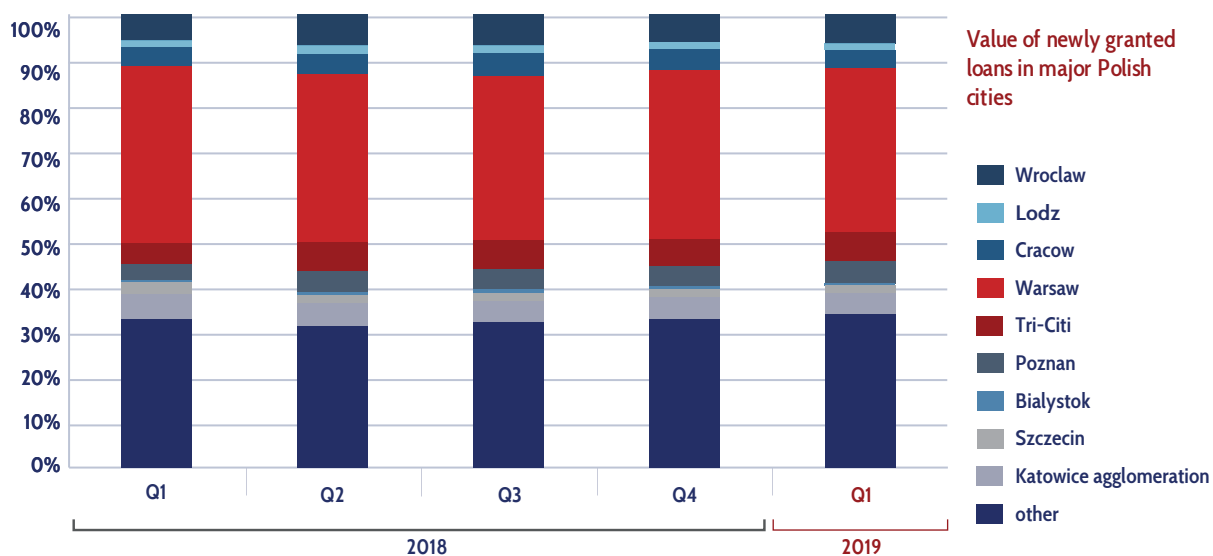


SOURCE: SARFIN

Housing loans in major Polish cities

In Q1 2019, **66.17%** of all new housing loans were granted in the largest Polish agglomerations, i.e. by **1.07 p.p.** less on a quarterly basis. The share of loans granted in Warsaw in the structure of all new loans diminished by **1.12 p.p.** and amounted to **36.26%**. A slight decrease was also recorded in the share of loans granted in Cracow – up to **4.03%**, i.e. by **0.48 p.p.** in relation to Q4 2018. The percentage of loans granted in Poznan in the period from January to March 2019 increased by **0.52 p.p.**, while changes in other cities were minor.

In comparison to Q1 2018, the share of housing loans granted in Warsaw decreased by **2.67 p.p.**, in Katowice agglomeration by **1.07 p.p.** and in Szczecin by **0.71 p.p.** A slight increases were recorded in the Tri-City, Poznan and Wroclaw, respectively by **1.51 p.p.**, **1.49 p.p.** and **0.69 p.p.** Changes noted in other analysed agglomerations were minimal. In annual terms, total percentage of housing loans agreements concluded in nine largest Polish agglomerations diminished by **1.13 p.p.**



SOURCE: SARFIN

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
other	32.70%	31.18%	32.10%	32.76%	33.83%
Katowice agglomeration	5.61%	4.98%	4.59%	4.81%	4.54%
Szczecin	2.52%	1.93%	1.83%	1.71%	1.81%
Bialystok	0.61%	0.58%	0.68%	0.72%	0.52%
Poznan	3.37%	4.60%	3.86%	4.34%	4.86%
Tri-Citi	4.78%	6.43%	6.52%	6.03%	6.29%
Warsaw	38.93%	37.17%	36.14%	37.38%	36.26%
Cracow	4.23%	4.35%	4.97%	4.51%	4.03%
Lodz	1.51%	1.81%	1.78%	1.59%	1.43%
Wroclaw	5.74%	6.97%	6.91%	6.15%	6.43%

Value of newly granted loans in major Polish cities

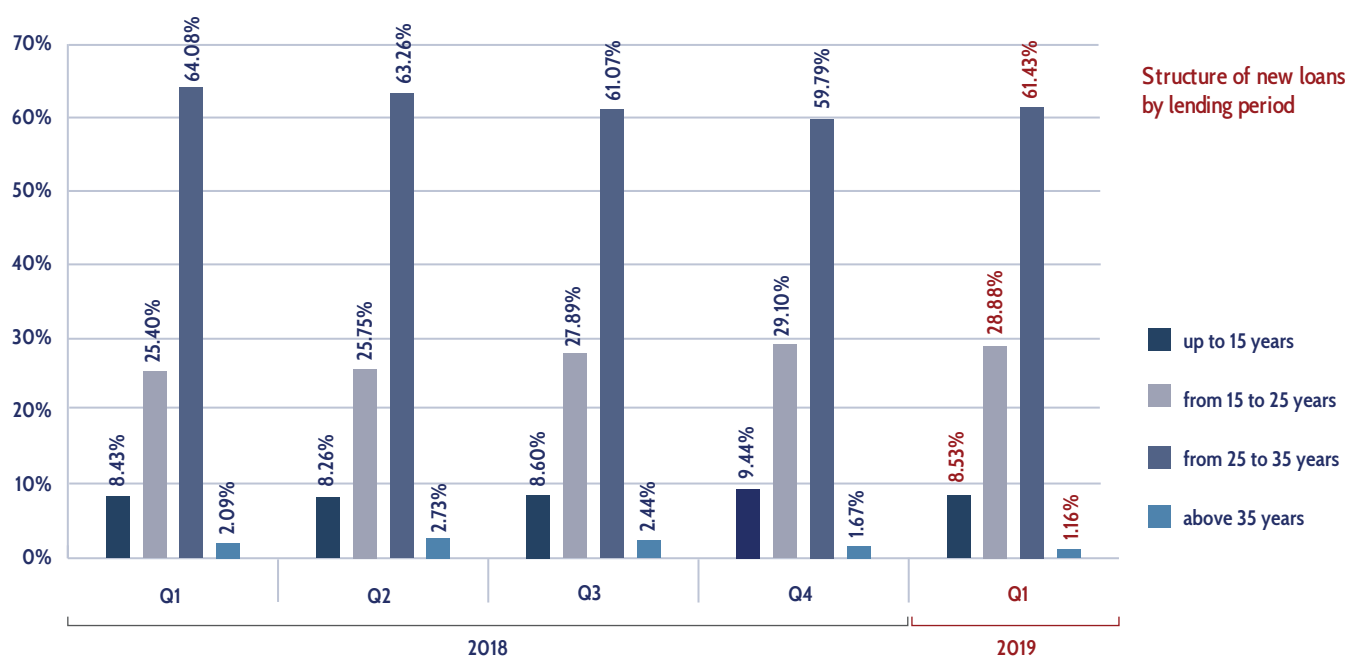
SOURCE: SARFIN

Lending period

Q1 2019 brought an increase in the popularity of housing loans with a maturity period from 25 to 35 years – the share of such loans in the structure of new loan agreements increased by **1.64 p.p.** in relation to the previous quarter and amounted to **61.43%**. In other categories, declines were recorded. Loans with maturity up to 15 years accounted for **8.53%** of all new loans, those with maturity from 15 to 25 years amounted to **28.88%**, and the share of loans granted for at least 35 years – **1.16%**, which meant declines, respectively by

0.91 p.p., **0.22 p.p.** and **0.51 p.p.** in comparison to Q4 2018.

On an annual basis, a significant increase in popularity of loans with maturity period from 15 to 25 years was observed – their share in portfolio increased by **3.48 p.p.** The share of loans with repayment period up to 15 years increased slightly, by only **0.10 p.p.** The share of loans granted for the period from 25 to 35 years decreased by **2.65 p.p.**, and those for at least 35 years – by **0.93 p.p.**



	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
up to 15 years	8.43%	8.26%	8.60%	9.44%	8.53%
from 15 to 25 years	25.40%	25.75%	27.89%	29.10%	28.88%
from 25 to 35 years	64.08%	63.26%	61.07%	59.79%	61.43%
above 35 years	2.09%	2.73%	2.44%	1.67%	1.16%

Structure of new loans by lending period

SOURCE: SARFIN

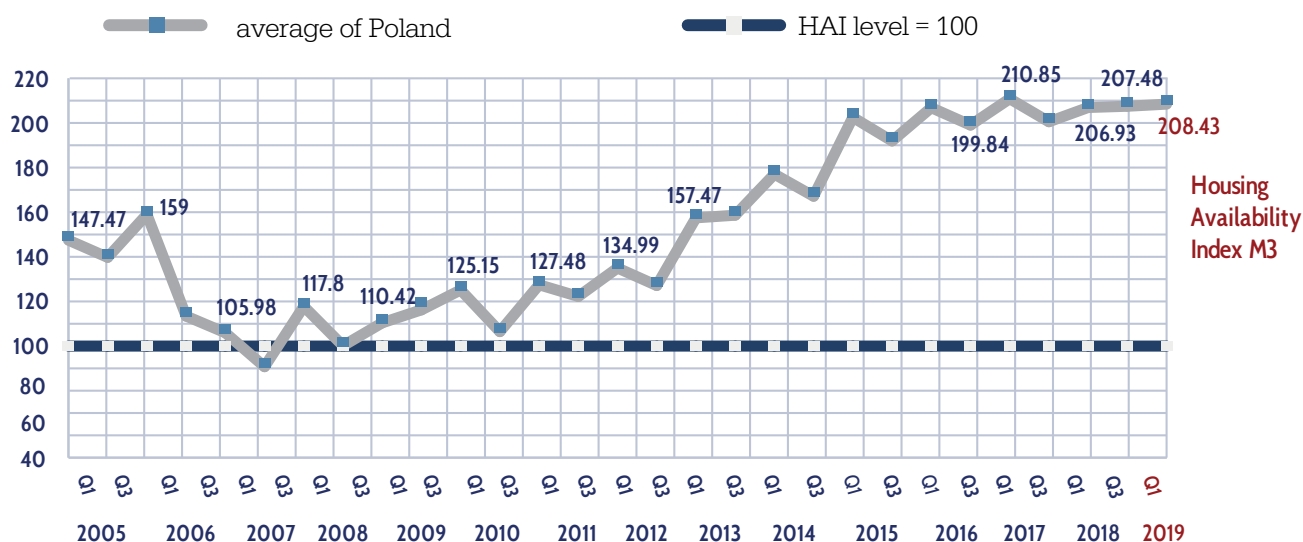
Housing Availability Index M3 – HAI M3

Housing Availability Index (HAI M3), a synthetic measure presented in AMRON-SARFiN Reports, shows quarterly changes in availability of housing units in Poland for the exemplary family comprising of two employed adults with one older child. A slight increase of dwelling availability in Q1 2019 was influenced by the following factors:

- price increase in analysed housing segment (with floor area from 45 to 55 sq.m.) in monitored cities in order to calculate HAI M3 Index (8 biggest cities) – by **1.29%** in relation to Q4 2018;
- a decrease in interest rates of newly granted loans – according to National Bank of Poland, the real interest rate of loans granted in Q1 2019 amounted to **4.3400%** (in Q4 2018 it was **4.3867%**);

- an increase in the average gross family income by **1.79%** in Q1 2019 in comparison to the previous quarter;
- an increase in the living costs level, 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) – by **0.20%** in comparison to Q4 2018.

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 **1.75%** and therefore the index increased by **0.95 points** in Q1 2019 and amounted to **208.43 points** (index level in Q4 2018 accounted for **207.48 points**).



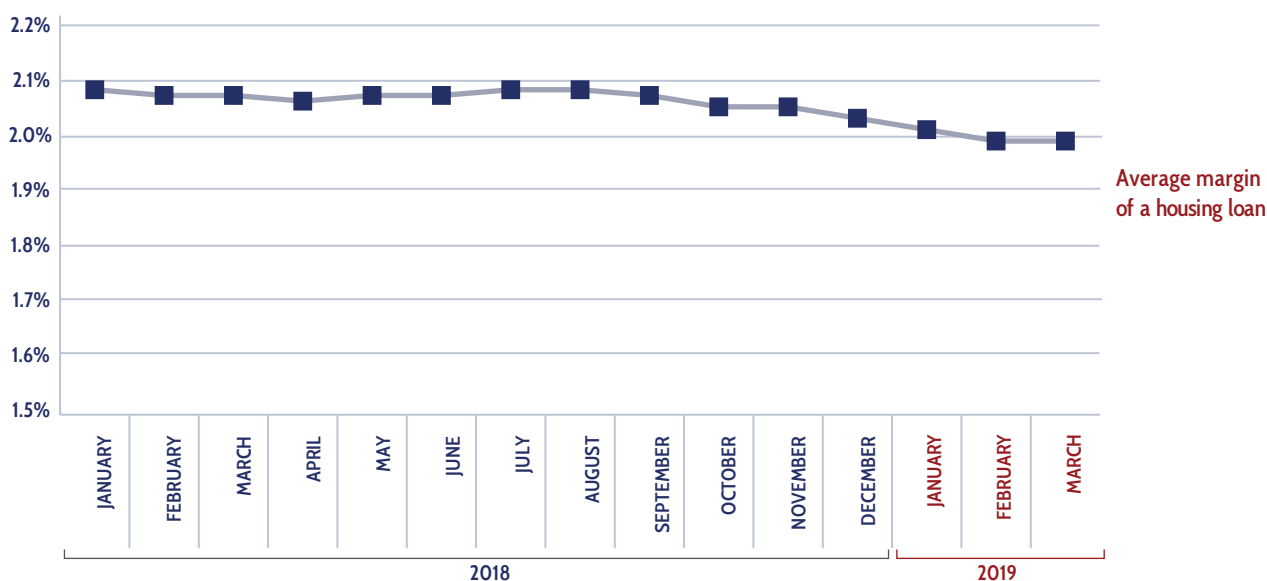
SOURCE: POLISH BANKS ASSOCIATION

Average margin levels and mortgage interest rates

In Q1 2019, both the average margin and average interest rate of housing loans decreased slightly in comparison to the previous quarter. The average margin (for a model mortgage loan in amount of PLN 300 000, at the LtV ratio of 75% and granted for the period of 25 year) in March this year amounted to **1.98%**, which meant a decrease by **0.04 p.p.** in comparison to December 2018. The Monetary Policy Council

maintained the NBP's reference rate at the level of **1.50%**, and WIBOR 3M remained unchanged and at the end of March 2019 amounted to **1.72%**. The average interest rate for the model mortgage loan at the end of Q1 2019 amounted to **3.70%** – by **0.04 p.p.** less in relation to December last year.

In relation to March 2018, the average cost of a housing loan decreased. The average margin for a model housing loan diminished by **0.08 p.p.**, and the average interest rate – by **0.09 p.p.**



SOURCE: AMRON CENTRE BASED ON BANKS' CREDIT OFFERS



SOURCE: AMRON CENTRE BASED ON BANKS' CREDIT OFFERS

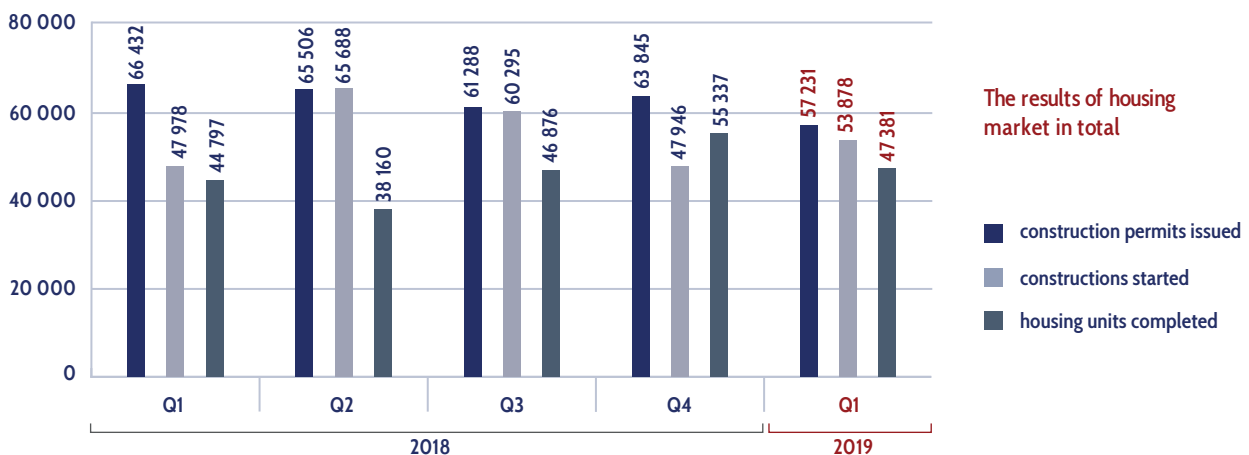
SITUATION ON HOUSING MARKET

Housing market in total

According to the newest data published by the Central Statistical Office, in Q1 2019 – as in every first quarter of the year – a decrease in the number of housing units completed was noted. In analysed period **47 381** dwellings were completed, i.e. by **14.38%** less in relation to the previous quarter. The number of constructions started in the period from January to March increased by **12.37%** and amounted to **53 878**, while the number of

construction permits issued decreased by **10.36%** in comparison to Q4 2018 and accounted for **57 231**.

In relation to Q1 2018, the number of construction started increased by **12.30%**, and the number of dwellings completed – by **5.77%**, while the number of construction permits issued decreased by **13.85%**.



SOURCE: CENTRAL STATISTICAL OFFICE

Developers' sector

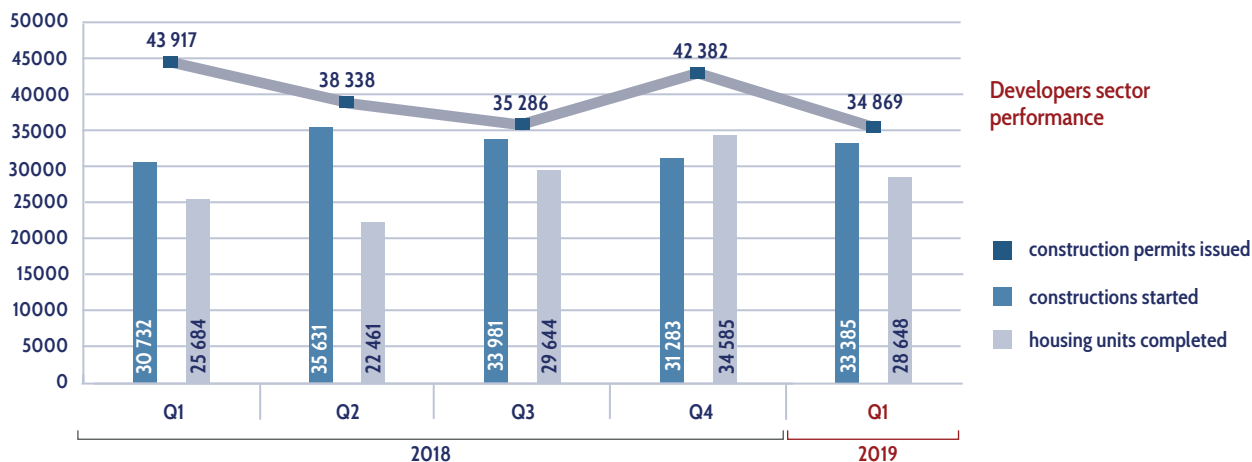
The latest GUS data regarding the construction results of developers' sector in Q1 2019 signalled a weakening developers' enthusiasm for starting new investments, but it meant a return to normality after the construction boom period, rather than a rapid collapse on the housing market. In the period from January to March 2019, developers completed **28 648** dwellings, i.e. by **17.17%** less comparing to Q4 last year, which was a natural phenomenon and resulted from the cyclical nature of the market. In the same period, the developers'

sector began the construction of **33 385** dwellings, which meant an increase by **6.72%** quarter to quarter. The number of construction permits issued in Q1 2019 amounted to **34 869**, which was less by **17.73%** in relation to the previous quarter.

In comparison to Q4 2018, the number of dwellings completed and the number of construction started increased – by **11.54%** and **8.63%** respectively, while the number of construction permits issued for developers decreased by **20.60%**.

In Q1 2019, the number of construction permits obtained by developers accounted for **60.93%** of all permits in the housing sector (less by **5.45 p.p.** in relation to Q4 2018) and the number of dwellings, the construction of which were

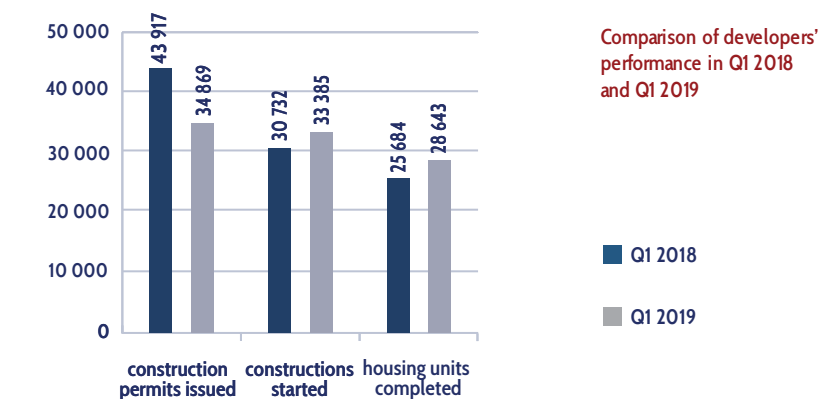
started by developers, amounted to **61.96%** of all newly started investments (less by **3.28 p.p.**). In analysed quarter, developers completed **60.46%** of all completed dwellings, i.e. more by **2.04 p.p.** in relation to the previous quarter.



SOURCE: CENTRAL STATISTICAL OFFICE

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
Construction permits issued	43 917	38 338	35 286	42 382	34 869
Constructions started	30 732	35 631	33 981	31 283	33 385
Housing units completed	25 684	22 461	29 644	34 585	28 648

SOURCE: CENTRAL STATISTICAL OFFICE



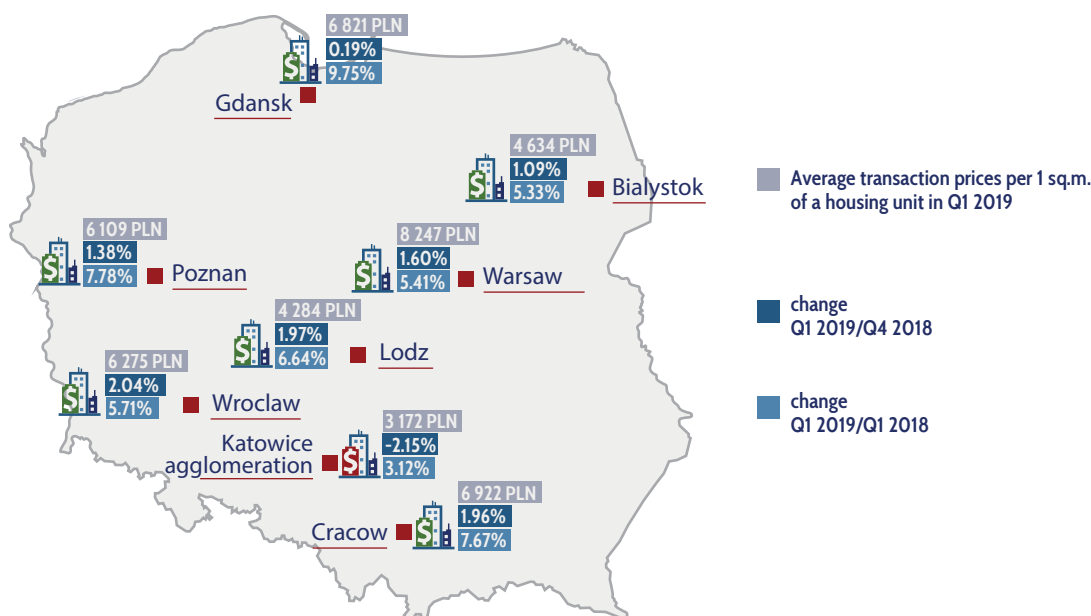
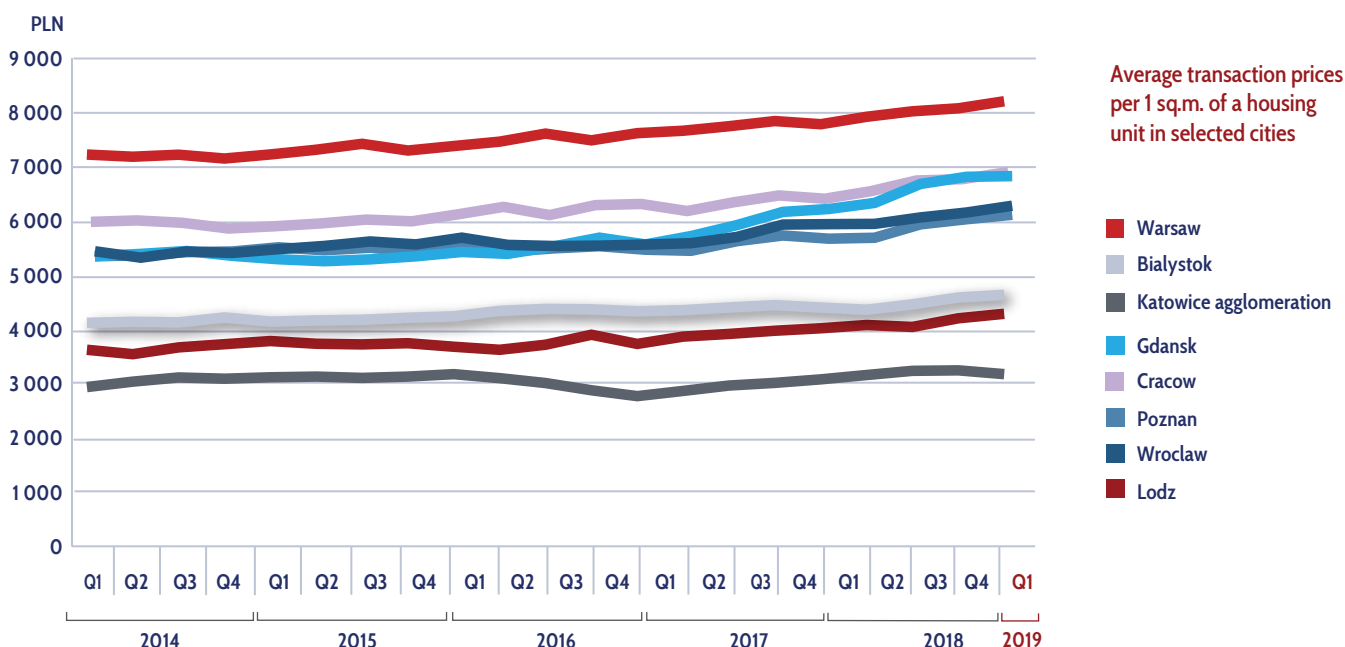
SOURCE: CENTRAL STATISTICAL OFFICE

Average transaction prices of housing units

Q1 2019 brought further small increases in dwellings prices. According to data collected in AMRON System, during the first three months of this year, a decrease in the average transaction price of 1 sq.m. of floor area was noted only in Katowice agglomeration – up to **PLN 3 172 /sq.m.**, i.e. by **PLN 70 (2.15%)** in comparison to the value recorded in Q4 2018. In Gdansk, the average price of a flat in Q1 this year did not change in comparison to previous quarter – **PLN 6 821 /sq.m.** In other analysed cities, average housing prices were higher than last quarter. Dwellings prices in Wroclaw

increased the most – buyers paid there on average **PLN 6 275 per sq.m.**, i.e. by **PLN 125 (2.04%)** more in quarterly terms. In capital city, the average price of a flat in Q1 2019 amounted to **PLN 8 247 /sq.m.**, which meant an increase by **PLN 130 (1.60%)** in relation to Q4 last year.

In relation to the analogous quarter of 2018, an increase in the average transaction price of 1 sq.m. of dwelling was noted in all analysed locations. In Poznan (by **PLN 441 /sq.m.**, i.e. **7.78%**), in Cracow (by **PLN 493 /sq.m.**, i.e. **7.67%**) and in Gdansk (by **PLN 606 /sq.m.**, i.e. **9.75%**), where prices increased the most.



SOURCE: AMRON

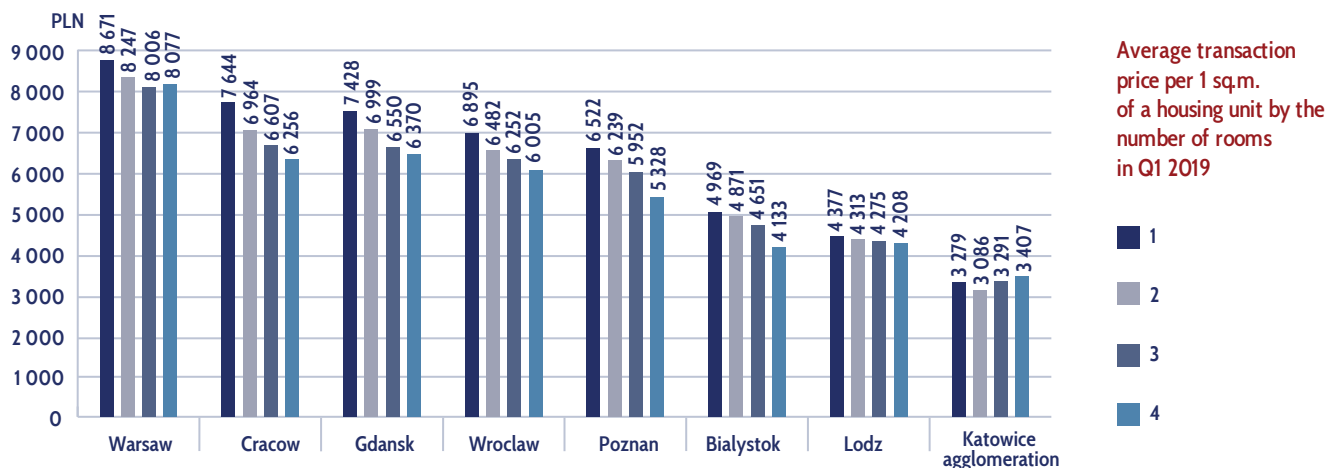
QUARTER	WARSAW	BIALYSTOK	KATOWICE AGGLOMERATION	WROCLAW	GDANSK	CRACOW	POZNAN	LODZ
Q1 2014	7 265	4 117	2 934	5 436	5 347	6 003	5 343	3 621
Q2 2014	7 225	4 137	3 034	5 318	5 388	6 029	5 364	3 540
Q3 2014	7 262	4 126	3 111	5 432	5 441	5 985	5 420	3 665
Q4 2014	7 192	4 216	3 088	5 406	5 352	5 880	5 432	3 724
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

Average transaction prices per 1 sq.m. of a housing unit in selected cities

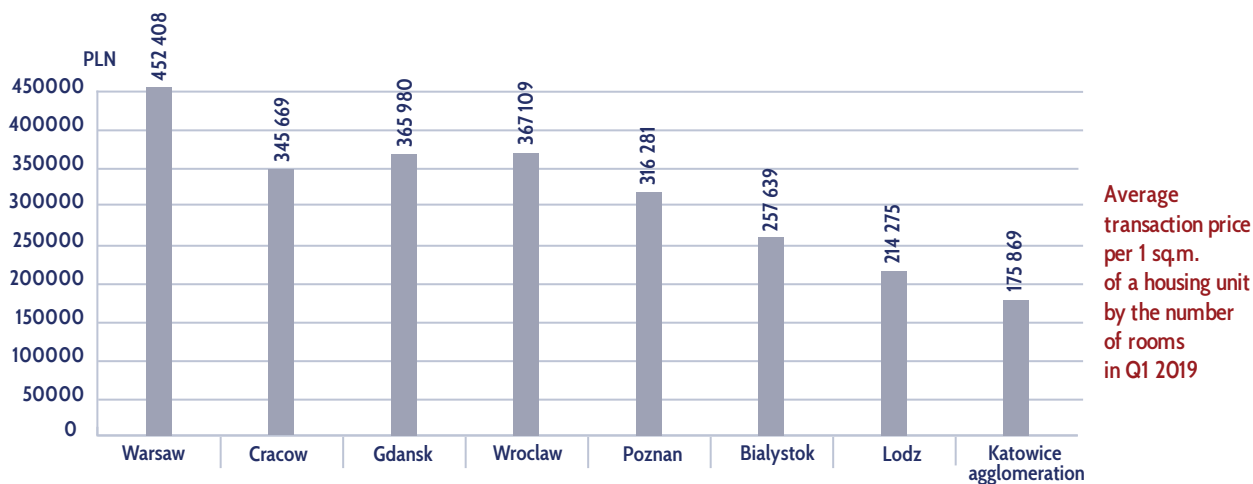
SOURCE: AMRON

The average transaction prices per 1 sq.m. of a housing unit by the number of rooms recorded in Q1 2019, confirmed a strong correlation of these two parameters, i.e. the greater number of rooms, the lower average price of a square meter. In Q1 2019, the average price of a studio in Warsaw amounted to **PLN 8 671 /sq.m.**, a two-room apartment – **PLN 8 247 /sq.m.**, a three-room flat – **PLN 8 006 /sq.m.**, and a four-room flat – **PLN 8 077 /sq.m.** Among the analysed locations, in Q1 this year only in Katowice agglomeration the average prices varied differently – due to relatively low prices, potential buyers in this location were looking for larger apartments, i.e. three- and four-room apartments.

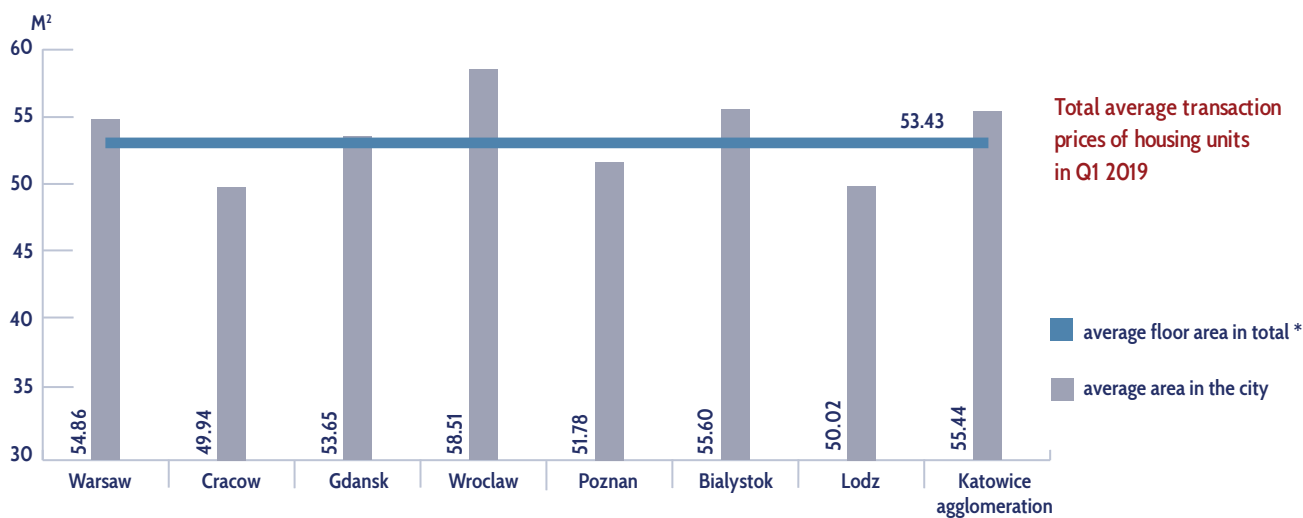
The average floor area of dwellings purchased in Q1 2019 in eight largest Polish agglomerations amounted to **53.43 sq.m.**, i.e. more by **0.31 sq.m.** in comparison to the previous quarter. Dwellings with floor area larger than average were bought in Wroclaw (**58.51 sq.m.**), in Bialystok (**55.60 sq.m.**), in Katowice agglomeration (**55.44 sq.m.**) and in Warsaw (**54.86 sq.m.**). The smallest flats were traded in Cracow, where the average floor area amounted to **49.94 sq.m.**



SOURCE: AMRON



SOURCE: AMRON



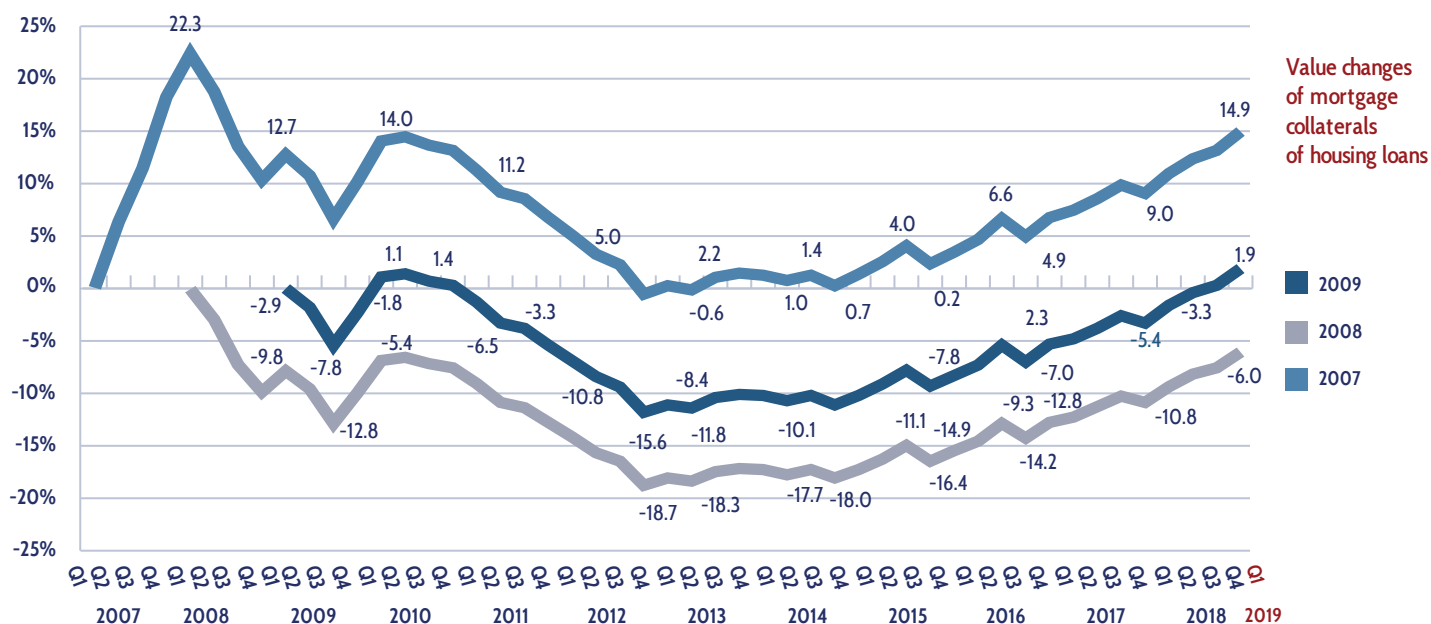
* in 8 surveyed locations

SOURCE: AMRON

Changes in mortgage collaterals value

Indebtedness of mortgage borrowers, who bought apartments in the period from 2007 to 2009, is systematically decreasing due to regular loan repayments. Nevertheless, the LtV ratio of around 28% foreign currency loans still exceeds 100%, and proceeds from the sale will not cover the remaining liability amount. In order to verify the impact of significant declines in housing prices recorded in 2008 – 2012 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 Q1 2019, a slight increase in the average price of dwellings in Warsaw was noted again, what caused the situation of borrowers from the period of 2007 – 2009 has improved. The value of these properties, which constitute collaterals of loans granted in Q1 2007, currently is higher by **14.9%**, i.e. more by **1.8 p.p.** in comparison to the previous quarter. The value of dwellings, which constitute collaterals of loans granted in Q1 2009 exceeded in analysed quarter the purchase price by **1.9%** (by **1.6 p.p.** more in comparison to Q4 2018) and the value of dwellings bought in Q1 2008 have still not reached the level of the purchase price. The value of dwellings bought in Q1 2008 currently is lower by **6.0%** (in the previous quarter it was **7.5%**).



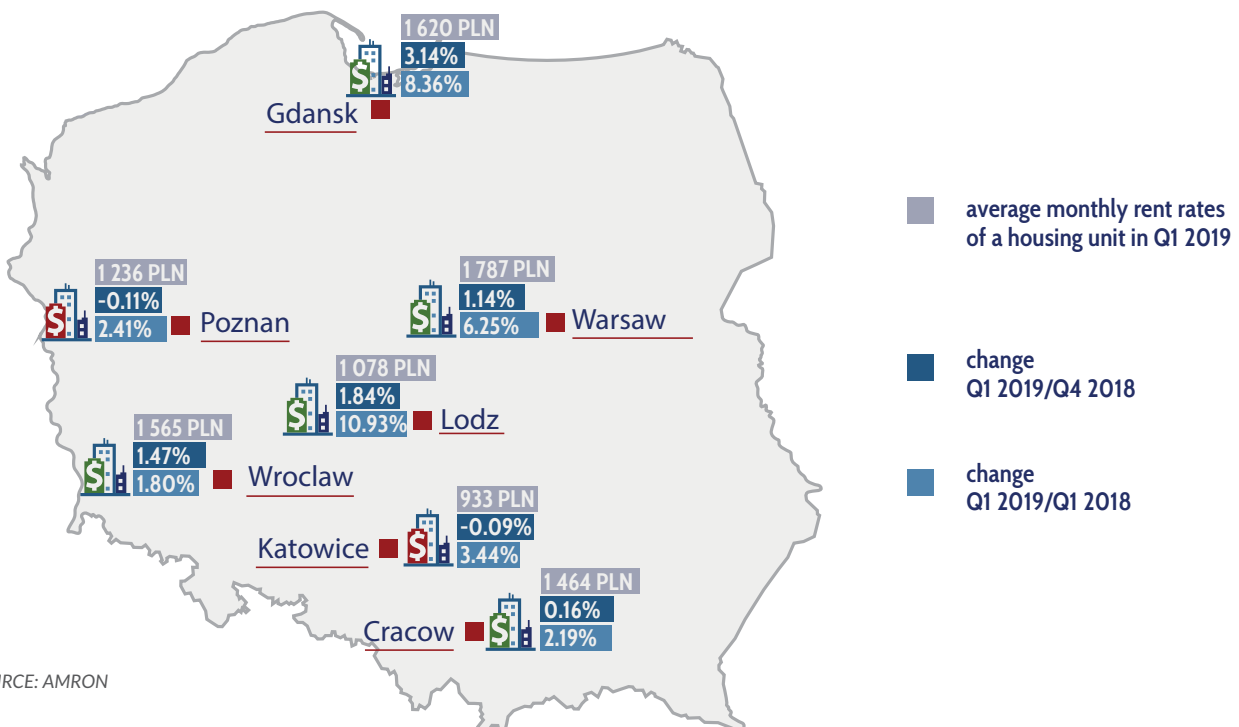
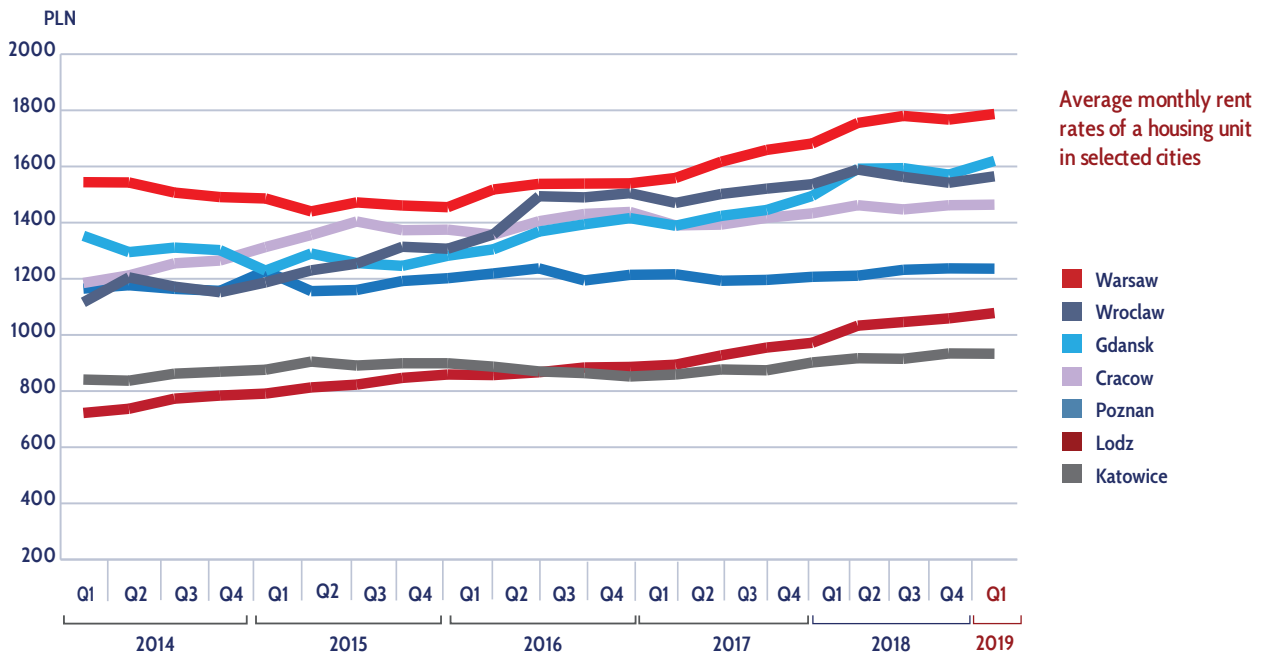
SOURCE: AMRON

Average rent rates of housing units

In the period from January to March this year, a significant increase in the average rent rate for private dwellings (excluding administration fees and maintenance costs) was noted only in Gdansk – by **PLN 49**, i.e. **3.14%** in relation to Q4 2018. Thus, renting dwellings in this city cost on average **1 620 PLN** per month. In Warsaw, Wroclaw and Lodz a minimum increases in the monthly rent were noted in relation to the previous quarter, by **PLN 20 (1.14 %)**, **PLN 23 (1.47%)** and **PLN 19 (1.84%)** respectively. In other cities, i.e. in Cracow, Poznan and Katowice, the average flat rents did

not change in comparison to Q4 last year and amounted to **PLN 1 464**, **PLN 1 236** and **PLN 933**, respectively.

In relation to the analogous period of 2018, increases in the average rent rates were recorded in all analysed locations. The biggest change was recorded in Lodz – an increase by **PLN 105**, i.e. **10.93%**, in Gdansk – by **PLN 125 (8.36%)** and in Warsaw – by **PLN 105 (6.25%)**. In Katowice, the cost of renting a flat increased by **3.44%**, i.e. **PLN 31** in comparison to Q1 2018, while in other cities the increases were slight and amounted to approx. **2%**.



SOURCE: AMRON

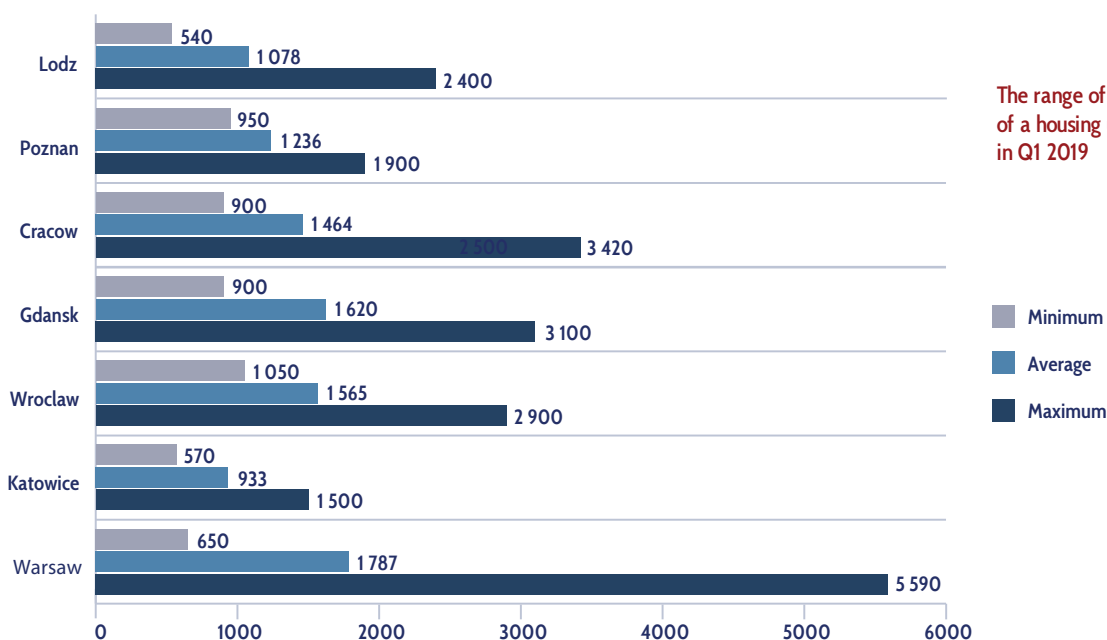
QUARTER	WARSAW	KATOWICE	WROCLAW	GDANSK	CRACOW	POZNAN	LODZ
Q1 2014	1 544	841	1 116	1 353	1 185	1 165	722
Q2 2014	1 543	837	1 205	1 295	1 212	1 177	737
Q3 2014	1 507	862	1 172	1 311	1 255	1 164	773
Q4 2014	1 491	869	1 152	1 302	1 265	1 157	784
Q1 2015	1 486	876	1 187	1 229	1 313	1 228	791
Q2 2015	1 440	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

Average monthly rent rates of a housing unit in selected cities

SOURCE: AMRON

According to data from current rent agreements in Q1 2019, the largest price range between the highest and the lowest monthly rent was observed in Warsaw – **PLN 4 940**. It was the result of location and significant differences in flat standard. In this city, the highest rent rate was recorded among all analysed locations,

which amounted to **PLN 5 590**. Large differences between the lowest and the highest rent rate were also recorded in Cracow and Gdansk – **PLN 2 520** and **PLN 2 200** respectively. The smallest difference between the minimum and maximum rent was observed in Katowice – in Q1 2019 it accounted for **PLN 930**.

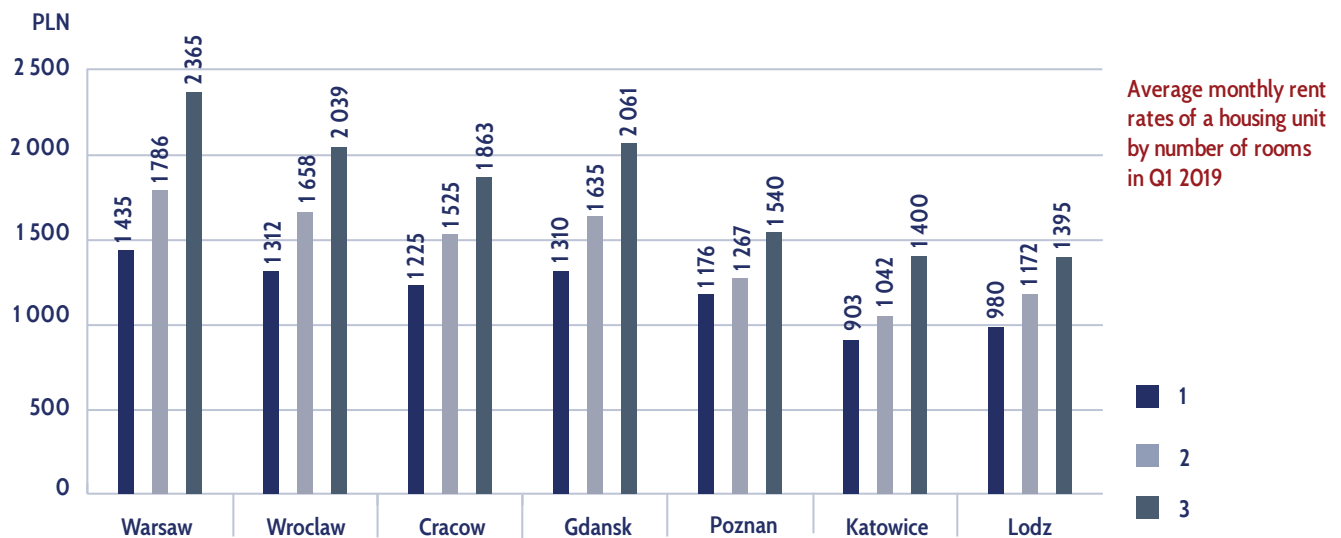


The range of rent rates of a housing unit in Q1 2019

SOURCE: AMRON

The highest rents for a flat, regardless of the number of rooms, were noted in Warsaw. In Q1 2019, **PLN 1 435** per month was paid for renting a studio in the capital city, the average monthly rent rate for a two-room dwelling amounted to **PLN 1 786** and for a three-room flat – **PLN 2 365**. High average rent rates were also registered in Wroclaw and in Gdansk. In the period from January to March this year, renting a one-room flat in Wroclaw cost on average **PLN 1 312** per

month, and in Gdansk **PLN 1 310**. Renting a two-room flat cost **PLN 1 658** in Wroclaw on average and **PLN 1 635** in Gdansk, while the average rent for a three-room flat amounted to **PLN 2 039** in Wroclaw and **PLN 2 061** in Gdansk. The cheapest three-room flat in Q1 2019 was rented in Lodz – **PLN 1 395** per month on average, while the lowest average rent for a studio and two-room flat was noted in Katowice – **PLN 903** and **PLN 1 042** respectively.



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.



PARTNER'S COMMENTARY



Artur Bartnicki

*President of the Management Board,
Mzuri Sp. z o.o*

In Q1 this year, a stabilization on the rent market was observed, however slight increase in demand comparing to the last quarter of 2018 was noted. A clear increase in rent rates in comparison to Q4 2018 was recorded only in Gdansk (+3.14%). Comparing Q1 2019 to Q1 2018, increases in the gap between the average rents in Warsaw and in particular cities were noted. The range between the average rent in Warsaw and Poznan increased by 4 p.p., and between Warsaw and Katowice, Krakow, Wroclaw – by 5 p.p. Cities that reduced the distance to average rent in Warsaw were Gdansk and Lodz (by 2 p.p. and 7 p.p. respectively). The difference in rent rates in Q1 2019 between Warsaw and Gdansk amounted to 10%, while between Warsaw and Lodz it amounted to 66% in favour of Warsaw. The increase in average rent in Warsaw was a return to the upward trend that has been noted over the last three years (the exception was the last quarter of 2018, in which rents in Warsaw slightly decreased) and may result from the growing demand for smaller dwellings due to increasing number of employees from abroad. Analysing the average annual vacancy of nearly 1 000 dwellings in Warsaw managed by

Mzuri, it can be noted that it is still at a low level below 4%, i.e. approx. 18 days a year.

In the second quarter, a further increase in demand is expected, but it should also be taken into account that in June a large number of rooms and one-room dwellings rented by students will be vacated. In cities with a large student population, the increase in vacancy at the end of the second quarter is more than probable. On the other hand, the third quarter and the beginning of the fourth quarter of each year (i.e. the period from mid-July to the end of October) is the so-called 'high season' on rent market, so dwellings vacated in June should quickly find new tenants.

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

Out of concern for the security of banking sector, already in 2000 Polish Banks Association started construction of a system to monitor the real estate market and manage the credit risk related to mortgage collaterals. Poland's accession to the European Union coincided with launching a specialized analytical Centre of Analysis and Monitoring of Real Estate Transactions (AMRON Centre) and the interbank database on real estate prices and values – AMRON System.

This year, we are celebrating the 15th anniversary of AMRON – for 15 years we have been operating to improve the transparency of the real estate market. At that time, in AMRON database we have collected over 3.2 million records on real estate prices and values and the AMRON Centre – a group of specialists with banking practice and experience on the real estate market – elaborated hundreds of analytical publications and thousands of specialist reports. Certified valuers cooperating with AMRON Centre prepared tens of thousands of property valuations. Currently, more than 600 entities use the AMRON System: commercial and cooperative banks, as well as credit unions, real estate appraisers and realtors, developers,

consulting companies, but also National Bank of Poland, National Public Prosecutor's Office and the Polish Financial Supervision Authority. AMRON System has become necessary tool in daily work for entities operating on the real estate market, while the AMRON-SARFiN Report published since 2009 has been read not only by journalists and bankers, but also developers, appraisers or employees of central offices, as well as Poles planning purchase or sale of a flat.

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. 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. In this period, we have prepared over 54 thousand property valuations in cooperation with over 240 property appraisers. The newest project – the Platform of Mortgage Borrowers Support – offering 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

This Report was developed by AMRON Centre and edited by Agnieszka Pilcicka (agnieszka.pilcicka@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 (boleslaw.meluch@zbp.pl) and Marta Polkowska (marta.polkowska@amron.pl).

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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