

AMRON-SARFiN Report

on housing loans
and real estate transaction prices



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Report in numbers

Q2 2012		change Q2/Q1
PLN 317.872 billion	total housing loans debt	3.27% ↗
1.665 Mio	number of active loan agreements	0.69% ↗
49 620	number of concluded agreements	1.84% ↗
PLN 10.044 billion	value of concluded agreements	1.53% ↘
PLN 202 718	average value of a housing loan	3.17% ↘
132.89	Housing Availability Index (HAI M3)	11,66 points ↘
49.29%	share of new housing loans with LtV above 80%	1.35% ↘
94.61%	share of new housing loans in PLN, by value	10.40 percentage points ↗
0.12%	share of new housing loans in CHF, by value	0.94 percentage points ↘
5.19%	share of new housing loans in EUR, by value	9.47 percentage points ↘
PLN 1.78 billion	value of loans granted under the „Family on Its Own” programme	19.89% ↗
PLN 7 407	average transaction price per square meter of a dwelling in Warsaw	1.71% ↘

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Introduction – about the Report



Dear Sirs,

This is already the twelfth issue of the Report on housing loans and real estate transaction prices published by Polish Banks Association, as developed by the AMRON Centre, based on data gathered in the AMRON and SARFiN Systems. Similarly to previous editions, in this issue we present results of the second quarter of 2012 related to the results of few previous quarters, what allows the reader, regardless of authors opinions and comments, to individual evaluation of situation and trends on mortgage and housing loans markets in Polish agglomerations.

Lending results for second quarter of 2012, both in terms of volume (49 620) and value of granted loans (PLN 10.044 Mio) are very serious signals alarming turbulences on housing finance market. It was the first time since several years, when second quarter results turned out to be worse than results obtained at the beginning of the year. Such situation negate the regularity observed during few recent years, when results for second quarter were even 20-30% higher than those for first quarter. This time it is not as we might have expected. While the amount of loans granted in Q2 2012 is slightly higher than in previous quarter, the total value of newly granted loans was lower. Unfortunately, this downward tendency from quarter to quarter has been lasting for over a year.

When lending results are getting worse, data related to housing market presents surprisingly well. According to initial data published by Central Statistical Office, during the period from January to June 2012, 68 129 housing units were completed (i.e. 24.9% more than during the corresponding period of 2011). Compared to the first half-year of 2011, the amount of started housing units decreased to 80 681 (i.e. approximately 0.8%), whereas the number of construction permits issued remained stable comparing to previous year and amounted to

88 076. This result was determined by large number of constructions started in April, what can be explained with a new Act on protecting rights of housing unit or single family-house purchasers binding since April 29, 2012. Great part of developers had decided to start new investments before the new restrictions became obligatory.

Second quarter of 2012 brought further decline of average prices in all the biggest cities in Poland – it ranged from less than 1% to over 3%. Compared to the first quarter of current year, the largest decline (of PLN 182 per sq.m.) was noted in Wroclaw – the transaction price of a square meter of a housing unit in Wroclaw amounted to PLN 5 473. In capital city, the average transaction price declined to PLN 7 407 per sq. m., what means a drop of PLN 129 (in relation to the price level of Q1 2012). Comparison of the current results and the results of the corresponding period of 2011 prove the maximal price decline in Wroclaw and Lodz – respectively by PLN 672 (10.9%) and PLN 323 (7.8%) per square meter of a housing.

One of the most significant stimulus of the housing prices decline was increase in supply of newly-built housings, as well as more and more restricted availability of mortgage loans. Current prospect allows to forecast the constant, though slower than in the first half-year, decrease in transaction prices, which seems to be continued at least till autumn next year.

Banks' withdrawal from currency loans offer (share of PLN loans in the new portfolio has already reached 95%), mortgage lending restrictions resulting from new supervisory regulations and extinguishing of the „Family on Its Own” programme lead to further, drastic reductions on both mortgage and housing market. Determination of housing purchasers, who will try to benefit from subsidy available during the last months of the governmental programme may be – in my opinion – the only determinant of fulfilling my prognoses of 2012 mortgage lending results at the level of PLN 44 billion. Otherwise, the repetition of results of the post-crisis year 2009 seems to be quite probable.



Unfortunately, these clear signals of increasing crisis on housing finance market are not noticed either by government or by parliament. Necessity of a long-term program of state support for housing development, including a system stimulating households to long-time saving is urging.

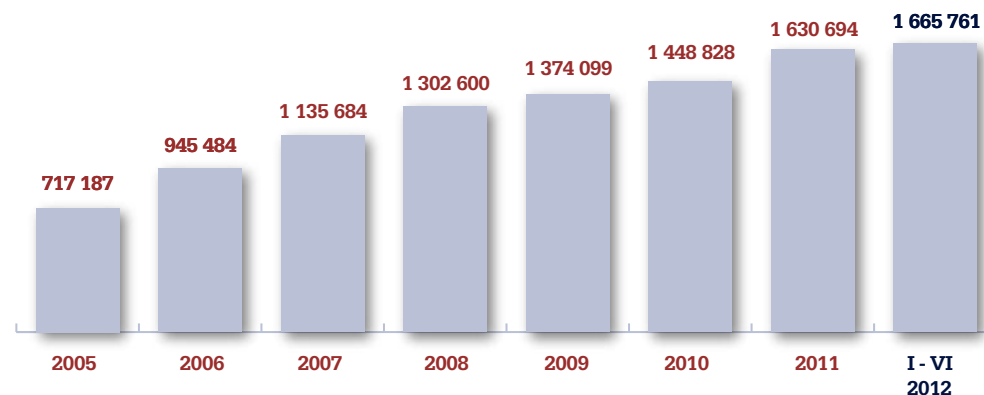
Enjoy reading. We will appreciate your comments, which shall allow us to improve next issues of this Report. Please send your questions and suggestions to the following e-mail address: raport@amron.pl.

Situation on housing loans market

Number of active housing loans

Second quarter of 2012 brought a slight increase in total number of active housing loans, which amounted to **11 481** loan agreements, comparing to results of first quarter of 2012. In the effect, as for June 30, 2012, the total portfolio of active housing loans amounted to **1 665 761**.

Chart 1. Total number of active housing loans in 2005 – I-VI 2012



Source: Polish Banks Association

Jacek Furga

Chairman of the Real Estate Finance Committee, Polish Banks Association

Vice-President of the Management Board of the Centre for Banking Law and Information (Centrum Prawa Bankowego I Informacji Sp. z o.o.)*

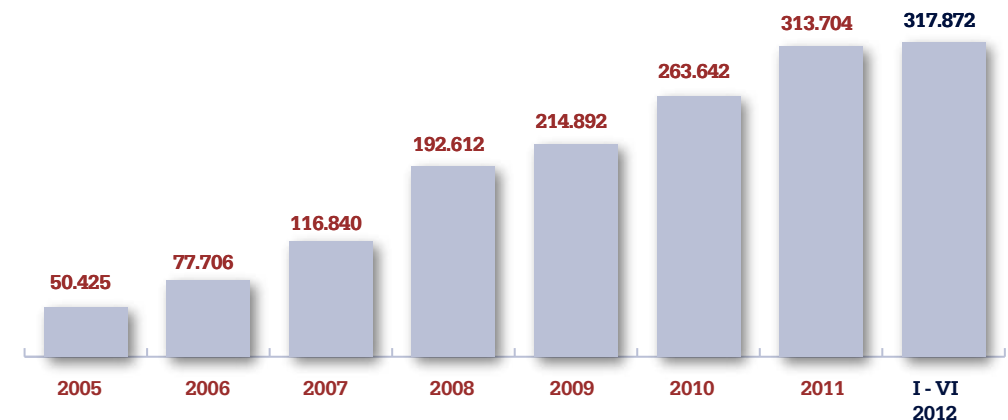
* AMRON Centre was established by Polish Banks Association to manage and develop the System for Analysis and Monitoring of Real Estate Market Transactions and it operates within the organizational structure of a limited-liability company Centre of Banking Law and Information.

Total housing loans debt

As for the end of June 2012, a change in total value of mortgage debt was noted. After the decrease in first quarter of 2012, second quarter brought increase in total debt value by **3.27%** in comparison with result recorded after first three months of current year. Total housing loans debt in second quarter amounted to PLN **317.872 billion** (against 307.792 billion at the end of Q1 2012).

The chart below presents changes of value of total housing loans debt (PLN billion) since 2005.

Chart 2. Total debt from housing loans in 2005 – I-VI 2012 (PLN billion)



Source: Polish Banks Association, National Bank of Poland



Number and value of new housing loans

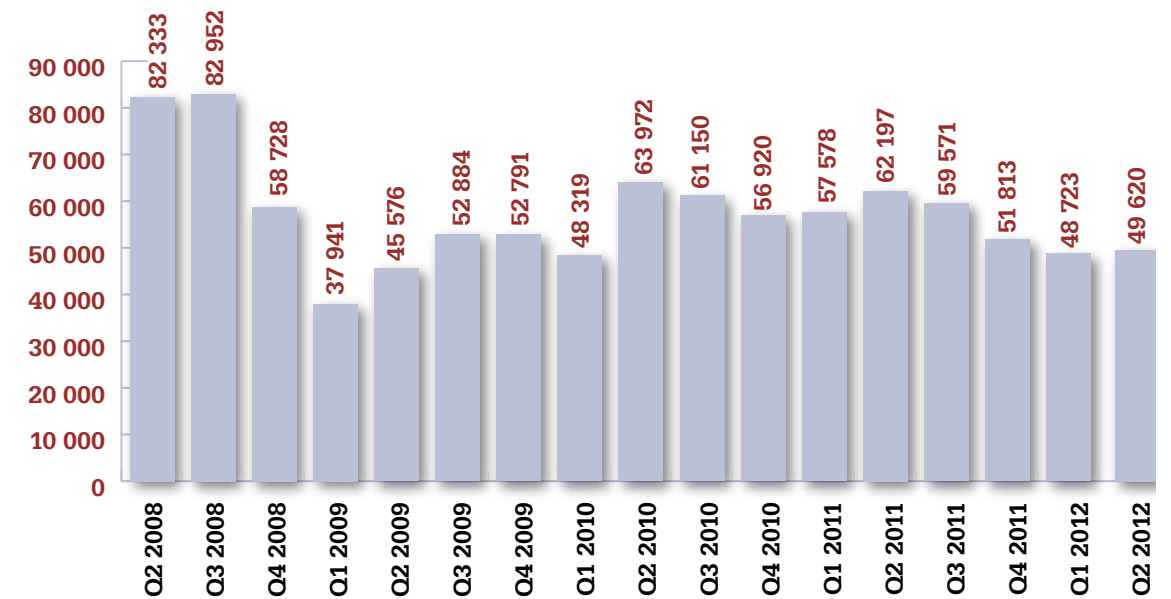
In second quarter of 2012, a decrease of value of newly granted mortgage loans was observed. Value of new loans decreased to level of **PLN 10.044 billion** (i.e. **1.53%** less than in Q1 2012). Volume of newly granted loans amounted to **49 620**, what means an increase of almost **2%**, compared to the results as for the end of March 2012. Decreased value confronted with increased number of new loans prove constantly lowering amount of the average mortgage loan.

Table 1. Value and number of new housing loans in Q2 2008 – Q2 2012

quarter	value (PLN Mio)	change/ previous quarter	number	change/ previous quarter
Q2 2008	16.369	35.40% ↗	82 333	31.21% ↗
Q3 2008	16.803	2.65% ↗	82 952	0.75% ↗
Q4 2008	11.867	29.38% ↘	58 728	29.20% ↗
Q1 2009	7.609	35.88% ↘	37 941	35.40% ↘
Q2 2009	9.376	23.22% ↗	45 576	20.12% ↗
Q3 2009	10.945	16.73% ↗	52 884	16.03% ↗
Q4 2009	10.804	1.29% ↘	52 791	0.18% ↘
Q1 2010	9.809	9.21% ↘	48 319	8.47% ↘
Q2 2010	13.523	37.86% ↗	63 972	32.40% ↗
Q3 2010	13.091	3.20% ↘	61 150	4.41% ↘
Q4 2010	12.237	6.52% ↘	56 920	6.92% ↘
Q1 2011	12.252	0.12% ↗	57 578	1.16% ↗
Q2 2011	13.395	9.33% ↗	62 197	8.02% ↗
Q3 2011	12.774	4.64% ↘	59 571	4.22% ↘
Q4 2011	10.789	15.54% ↘	51 813	13.02% ↘
Q1 2012	10.200	5.46% ↘	48 723	5.96% ↘
Q2 2012	10.044	1.53% ↘	49 620	1.84% ↗

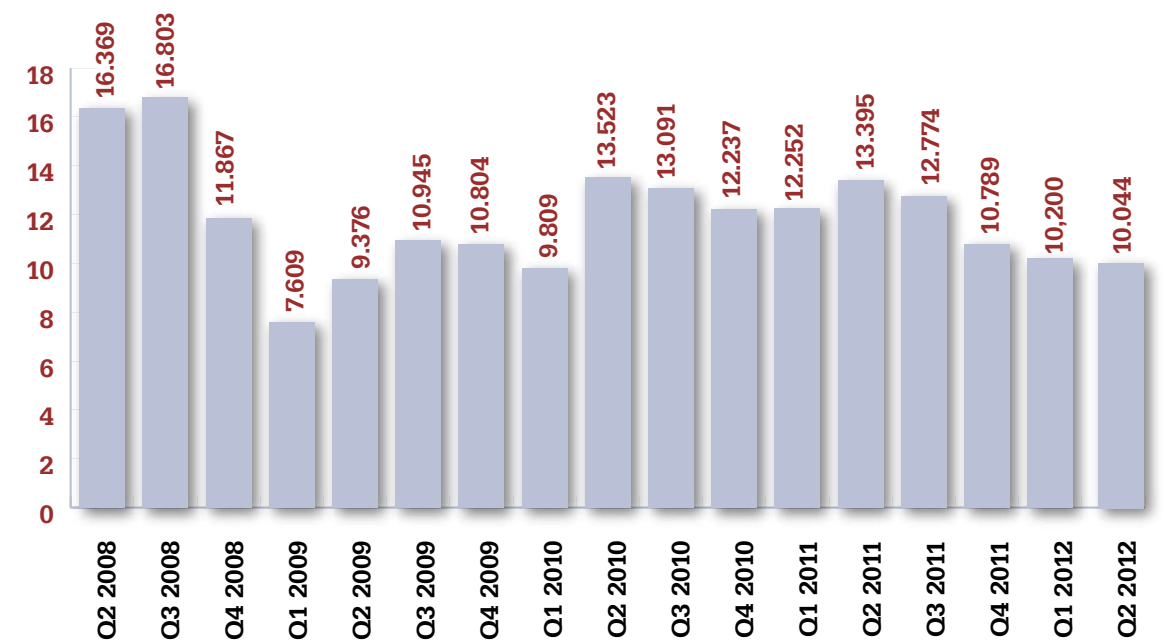
Source: Polish Banks Association

Chart 3. Number of new loan agreements in Q2 2008 – Q2 2012, quarterly



Source: Polish Banks Association

Chart 4. Value of new loan agreements in Q2 2008 – Q2 2012 (PLN billion)



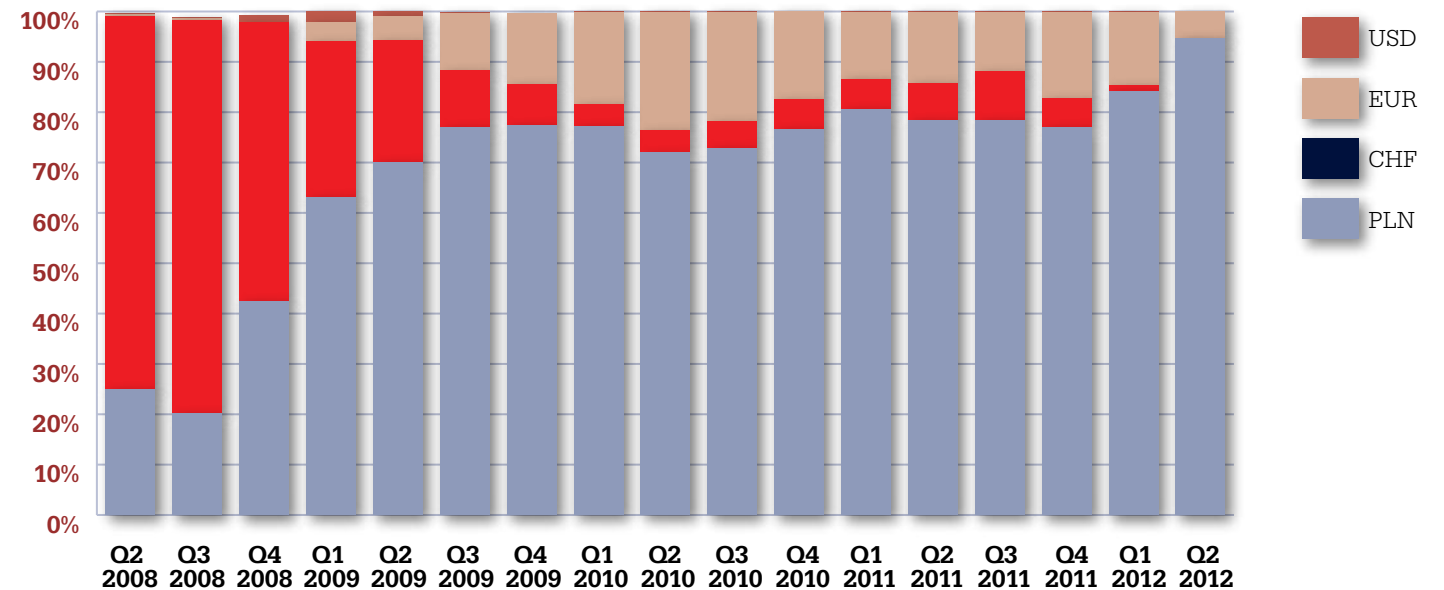
Source: Polish Banks Association



Loan currency

Restricted banks' policy in granting currency loans is reflected in currency structure of newly granted loans. Second quarter of 2012 brought succeeding changes. Share of new PLN loans in total number of newly granted loans equalled to nearly **95%** and was higher of over **10 percentage points** in relation to previous quarter's results. During the period from April to June 2012, share of EUR loans declined by more than **9 percentage points** and it amounted to **5.19%**. Share of loans denominated to other currencies (including CHF) is inappreciable – CHF loans constitute only **0.12%** of the total new loans portfolio.

Chart 5. Currency structure of new loans in Q2 2008 – Q2 2012



Source: Polish Banks Association .

Table 2. Currency structure of the value of new loans in Q2 2008 – Q2 2012

quarter	PLN	CHF	EUR	USD	other
Q1 2008	24.90%	0.40%	0.40%	74.10%	0.40%
Q3 2008	20.10%	0.20%	0.50%	78.10%	1.10%
Q4 2008	42.50%	0.00%	0.00%	55.40%	0.80%
Q1 2009	63.00%	0.00%	3.80%	31.00%	0.00%
Q2 2009	70.01%	0.01%	4.88%	24.26%	0.01%
Q3 2009	76.94%	0.17%	11.45%	11.34%	0.17%
Q4 2009	77.44%	0.27%	14.02%	8.11%	0.27%
Q1 2010	77.23%	0.05%	18.35%	4.28%	0.05%
Q2 2010	71.90%	0.02%	23.60%	4.40%	0.02%
Q3 2010	72.81%	0.03%	21.76%	5.38%	0.03%
Q4 2010	76.55%	0.02%	17.33%	6.06%	0.02%
Q1 2011	80.55%	0.01%	13.20%	6.12%	0.01%
Q2 2011	78.36%	0.01%	14.10%	7.49%	0.01%
Q3 2011	78.36%	0.02%	11.79%	9.75%	0.02%
Q4 2011	77.04%	0.02%	17.17%	5.67%	0.02%
Q1 2012	84.20%	0.01%	14.65%	1.06%	0.01%
Q2 2012	94.61%	0.01%	5.19%	0.12%	0.01%

Source: Polish Banks Association



Quality structure of mortgage loans portfolio

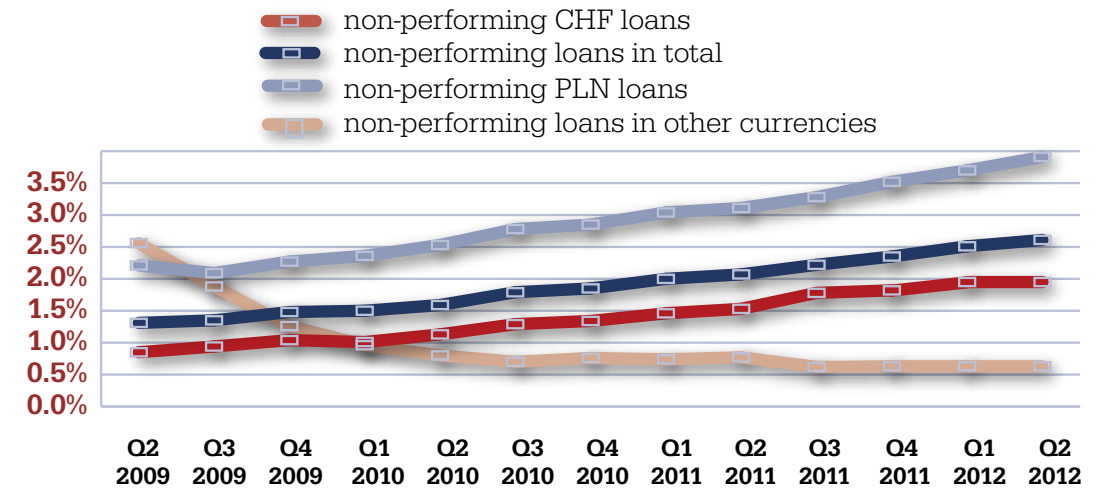
Table 3. Share of non-performing loans in total mortgage loans portfolio in Q2 2009 – Q2 2012

quarter	non-performing loans in total	non-performing PLN loans	non-performing CHF loans	non-performing loans in other currencies
Q2 2009	1.31%	2.21%	0.85%	2.56%
Q3 2009	1.35%	2.09%	0.94%	1.88%
Q4 2009	1.48%	2.27%	1.04%	1.26%
Q1 2010	1.50%	2.36%	1.01%	0.96%
Q2 2010	1.59%	2.53%	1.13%	0.80%
Q3 2010	1.79%	2.78%	1.29%	0.70%
Q4 2010	1.85%	2.85%	1.34%	0.76%
Q1 2011	2.00%	3.04%	1.46%	0.74%
Q2 2011	2.07%	3.11%	1.53%	0.77%
Q3 2011	2.22%	3.28%	1.78%	0.62%
Q4 2011	2.35%	3.52%	1.82%	0.63%
Q1 2012	2.51%	3.70%	1.95%	0.63%
Q2 2012	2.61%	3.91%	1.95%	0.63%

Source: Polish Banks Association, National Bank of Poland

Share of non-performing loans in total housing loans portfolio had slightly increased in second quarter of 2012 – it reached the level of **2.61%**, comparing to 2.51% in previous quarter, which was a result of systematic worsening of PLN loans quality. Constantly PLN loans constitute the biggest share in total portfolio of non-performing loans – as for the end of second quarter of 2012, it amounted to **3.91%** comparing to **3.70%** in previous quarter.

Chart 6. Share of non-performing loans in total mortgage portfolio in Q2 2009 – Q2 2012



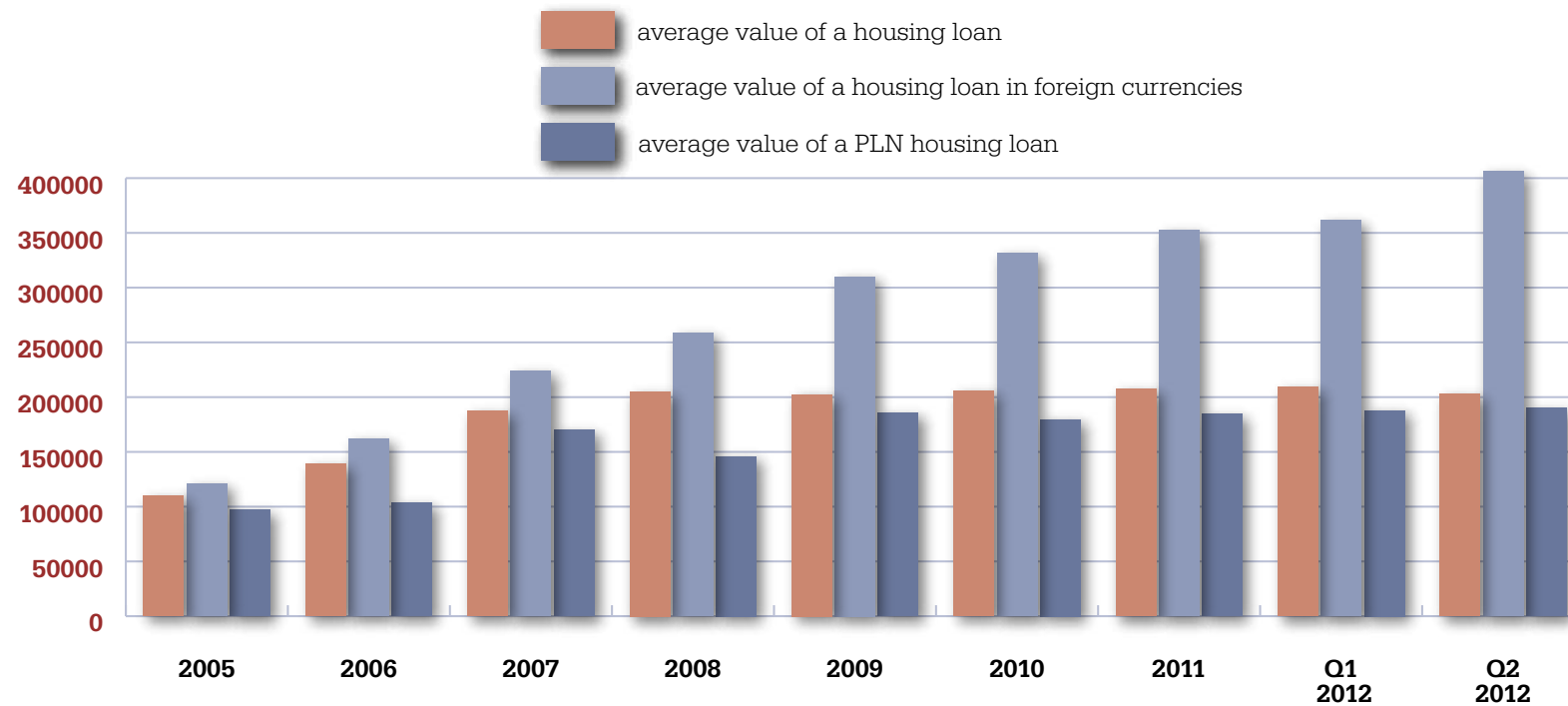
Source: Polish Banks Association, National Bank of Poland

Average value of a loan

Share of PLN loans in total portfolio of newly granted loans in second quarter of 2012 amounted to 95%. Such an increase resulted in diminishing average value of a housing loan, which was equal to **PLN 202 718** (i.e. **3.17%** more than in previous quarter). The average value of loans granted in domestic currency as for the end on June 2012 amounted to **PLN 189 865**, while the average loan denominated to foreign currency amounted to **PLN 406 512**. Observed increase in an average value of a loan in foreign currency is a consequence of restrictions in banks' credit policies – loans in foreign currencies are granted exclusively to the borrowers with high net incomes and therefore value of those loans is often much higher than value of PLN loans.



Chart 7. Average value of a housing loan, aggregated and by currency in 2005 – Q2 2012



Source: Polish Banks Association

Table 4. Average value of a loan, aggregated and by currency in Q2 2011 – Q2 2012

quarter	average value of a housing loan	average value of a housing loan in foreign currencies	average value of a PLN housing loan
Q2 2011	208 863	351 086	187 115
Q3 2011	209 114	352 343	187 056
Q4 2011	207 571	352 576	184 771
Q1 2012	209 348	361 417	187 865
Q2 2012	202 718	406 512	189 865

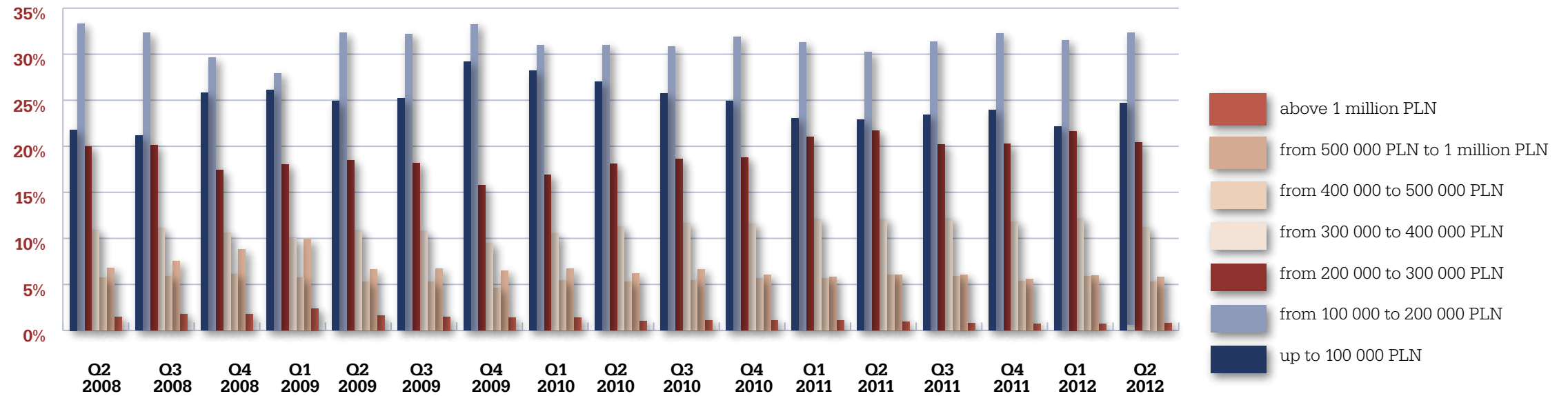
Source: Polish Banks Association

Structure of new loans, by amount

Decline in number of newly granted housing loans in second quarter of 2012 was noted in the segment of loans in the amount from PLN 200 000 up to PLN 1 000 000. Comparing to the previous quarter's results, the greatest decline was recorded in number of loans amounting from PLN 200 000 up to PLN 300 000 (**1.23 p.p.**), while share of loans in the amount up to PLN 100 000 is constantly growing – in second quarter it increased by **2.5 p.p.** up to the level of almost **25%** of the total newly granted loans portfolio. Segment of loans from PLN 100 000 to PLN 200 000 remains the largest share – in second quarter it amounted to **31.74%**.



Chart 8. Structure of the new loans amount in Q2 2008 – Q2 2012



Source: Polish Banks Association

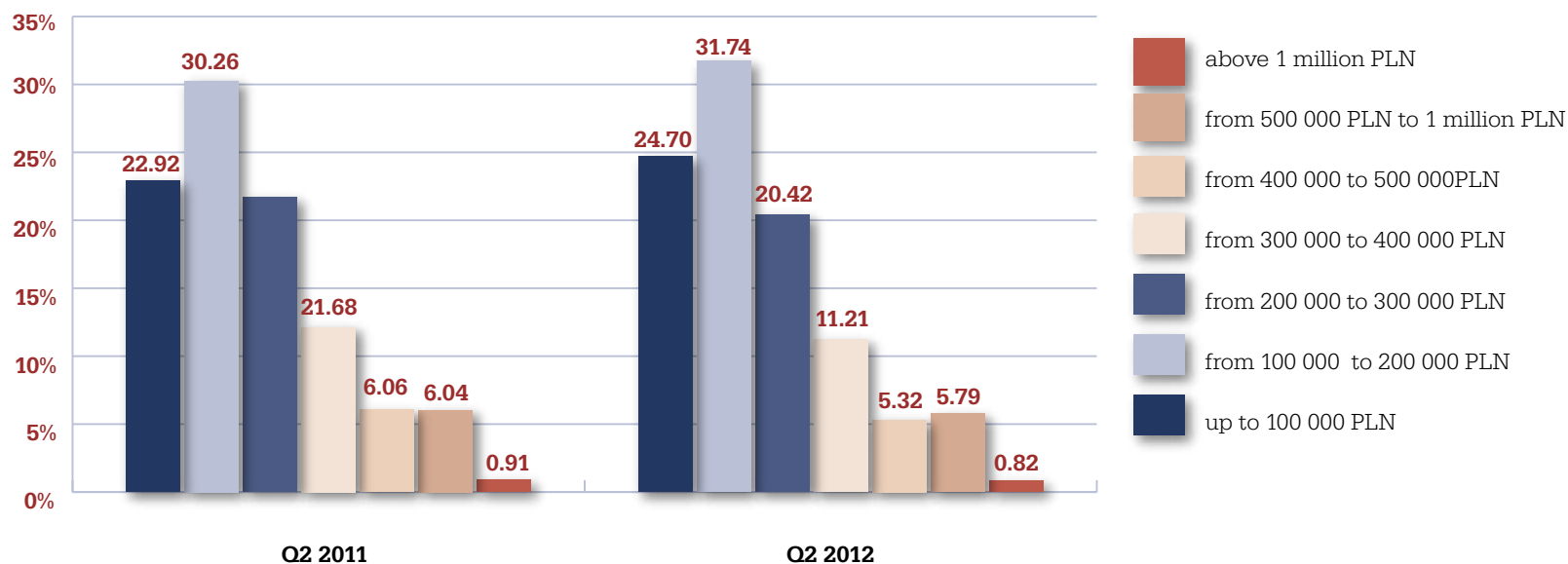
Table 5. Structure of the new loans amount in Q2 2008 – Q2 2012

	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012
up to 100 000 PLN	21.80%	21.20%	25.80%	26.10%	24.9%	25.20%	29.20%	28.20%	27.00%	25.72%	24.90%	23.03%	22.92%	23.44%	23.96%	22.14%	24.70%
from 100 000 to 200 000 PLN	33.30%	32.30%	29.60%	27.90%	32.3%	32.20%	33.20%	31.00%	31.00%	30.81%	31.87%	31.26%	30.26%	31.36%	32.26%	31.51%	31.74%
from 200 000 to 300 000 PLN	20.00%	20.10%	17.40%	18.00%	18.5%	18.20%	15.80%	16.90%	18.10%	18.65%	18.79%	21.00%	21.68%	20.21%	20.25%	21.65%	20.42%
from 300 000 to 400 000 PLN	10.90%	11.10%	10.60%	10.00%	10.9%	10.80%	9.50%	10.50%	11.30%	11.68%	11.60%	12.11%	12.13%	12.21%	11.83%	12.19%	11.21%
from 400 000 to 500 000 PLN	5.70%	5.90%	6.10%	5.70%	5.3%	5.30%	4.60%	5.40%	5.30%	5.41%	5.66%	5.68%	6.06%	5.89%	5.38%	5.85%	5.32%
from 500 000 PLN to 1 million PLN	6.80%	7.50%	8.80%	9.90%	6.6%	6.70%	6.50%	6.70%	6.20%	6.65%	6.07%	5.82%	6.04%	6.06%	5.58%	5.93%	5.79%
above 1 million PLN	1.50%	1.80%	1.80%	2.40%	1.6%	1.50%	1.40%	1.40%	1.00%	1.07%	1.11%	1.09%	0.91%	0.82%	0.74%	0.73%	0.82%

Source: Polish Banks Association



Chart 9. Structure of the new loans amount – comparison of Q2 2011 and Q2 2012

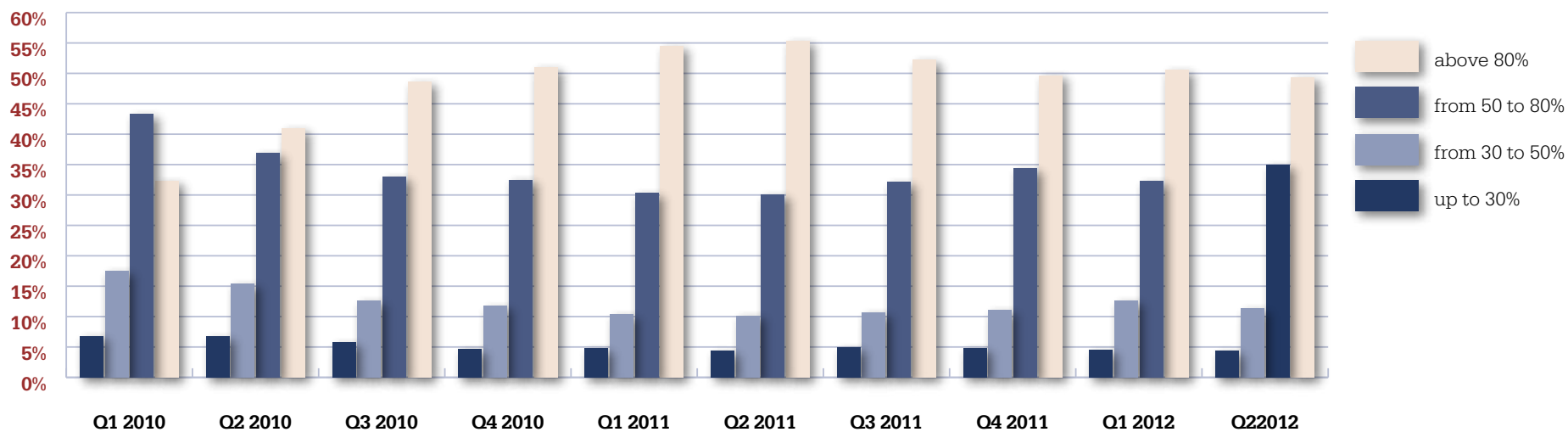


Source: Polish Banks Association

Structure of the LtV ratio

From April to June 2012, the structure of the LtV ratio changed. Share of loans with LtV ratio at the level of 50-80% increased from 32% in first quarter up to the level of almost **35%** (i.e. by 2.71 p.p.) in second quarter and it was the only LtV share that increased. Loans with LtV ratio at the level over 80% decreased by **1.35 p.p.**, however that segment of loans is still dominant in the total newly granted loans portfolio – as for the end of June it amounted to **49.29%**.

Chart 10. Structure of LtV ratio of newly granted loans in Q1 2010 – Q2 2012, in terms of value



Source: Polish Banks Association



Table 6. Structure of LtV ratio of newly granted loans in Q2 2010 – Q2 2012

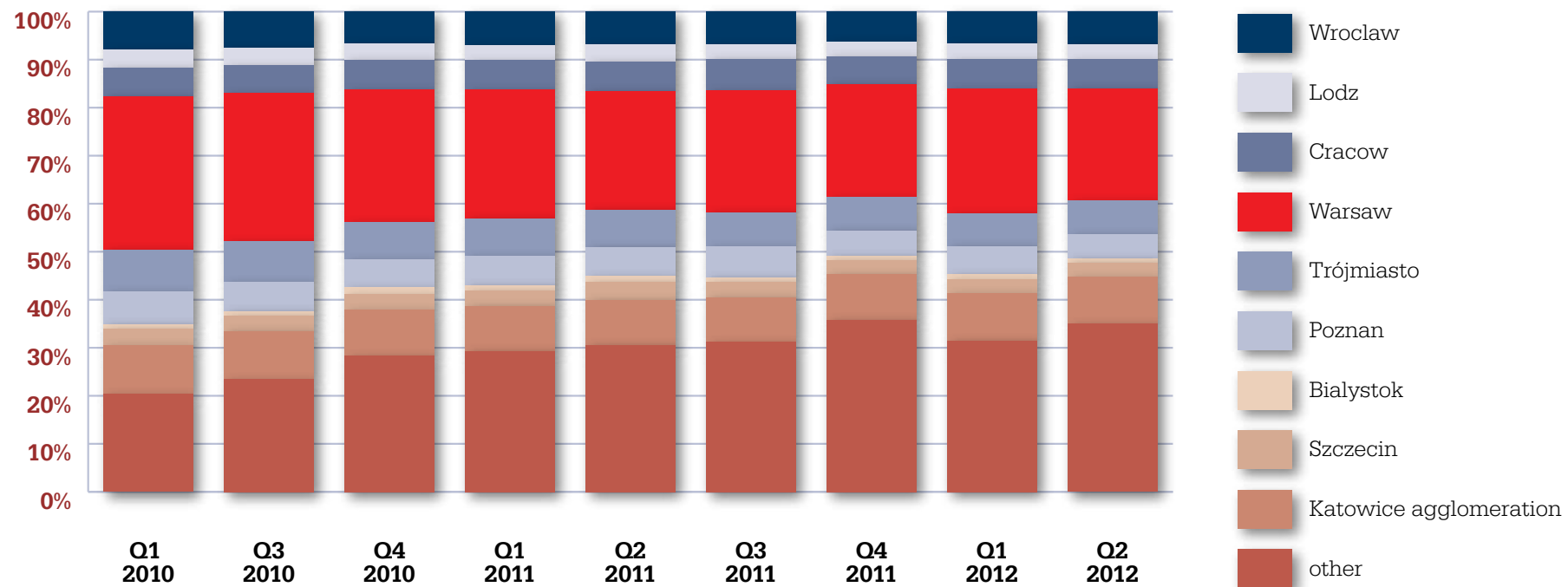
	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012
up to 30%	6.72%	5.77%	4.70%	4.77%	4.41%	4.90%	4.82%	4.51%	4.42%
from 30 to 50%	15.42%	12.62%	11.75%	10.38%	10.18%	10.68%	11.12%	12.57%	11.31%
from 50 to 80%	36.89%	33.03%	32.52%	30.35%	30.08%	32.19%	34.39%	32.28%	34.98%
above 80%	40.97%	48.58%	51.03%	54.51%	55.33%	52.23%	49.67%	50.64%	49.29%

Source: Polish Banks Association

Housing loans in major Polish cities

It was the successive quarter with changes in share of eight the largest analysed markets in total value of newly granted loans – as for the end of June 2012, it amounted to **65%**, while after the first quarter it was over 68%. The greatest decrease (**2.6 p.p.**) was noted in Warsaw. At the same time the share of minor cities markets increased by nearly **3.5 p.p.**

Chart 11. Value of newly granted loans in major Polish cities in Q1 2010 – Q2 2012



Source: Polish Banks Association



Table 7. Value of newly granted loans in major Polish cities in Q1 2010 – Q2 2012

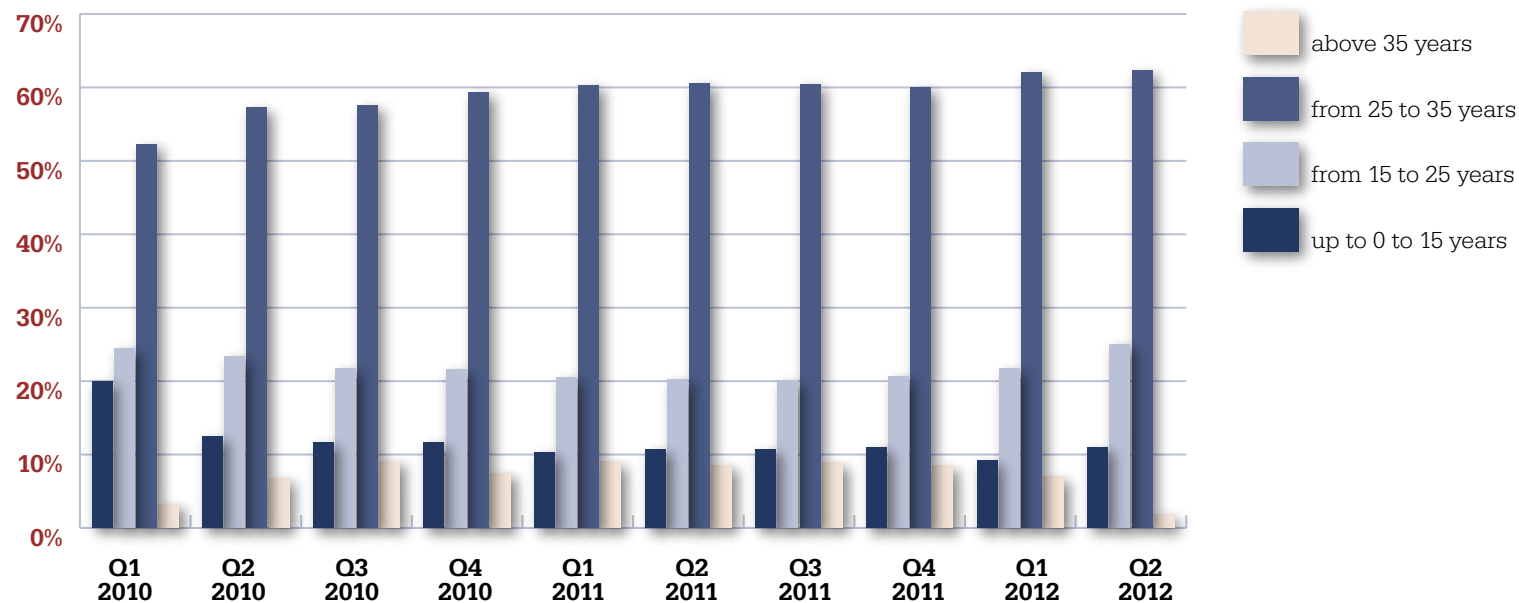
	Wroclaw	Lodz	Cracow	Warsaw	Tri-Citi	Poznan	Bialystok	Szczecin	Katowice agglomeration	other
Q1 2010	6.88%	4.15%	7.30%	23.34%	6.84%	6.31%	1.32%	4.14%	13.56%	26.15%
Q2 2010	7.90%	3.77%	5.93%	31.91%	8.81%	6.77%	0.96%	3.44%	10.19%	20.31%
Q3 2010	7.59%	3.63%	5.74%	30.90%	8.48%	6.06%	1.02%	3.10%	10.00%	23.48%
Q4 2010	6.68%	3.31%	6.28%	27.57%	7.85%	5.78%	1.35%	3.32%	9.49%	28.36%
Q1 2011	6.92%	3.23%	6.18%	26.73%	7.88%	6.06%	1.17%	3.14%	9.42%	29.27%
Q2 2011	6.90%	3.48%	6.17%	24.71%	7.79%	6.00%	1.28%	3.72%	9.37%	30.57%
Q3 2011	6.81%	3.04%	6.58%	25.37%	7.19%	6.32%	1.06%	3.11%	9.26%	31.25%
Q4 2011	6.29%	3.01%	5.77%	23.58%	6.97%	5.29%	0.96%	2.92%	9.40%	35.83%
Q1 2012	6.69%	3.23%	6.16%	26.01%	6.79%	5.87%	1.00%	3.00%	9.78%	31.47%
Q2 2012	6.73%	3.24%	6.03%	23.42%	6.97%	5.13%	0.74%	3.02%	9.78%	34.95%

Source: Polish Banks Association

Lending period

The greatest change in lending period structure on newly granted loans portfolio referred to segment of loans granted for the period of 35 years and more – it diminished by over **5 p.p.** Share of loans granted for the period shorter than 15 years and from 15 to 25 years increased respectively by **1.7 p.p.** and **3.2 p.p.** Loans granted for the period of 25-35 years still has the dominant share of the whole newly granted loan portfolio (over **62%** in Q2 2012).

Chart 12. Structure of new loans by lending period in Q1 2012 – Q2 2012



Source: Polish Banks Association



Table 8. Structure of new loans by lending period in Q1 2010 – Q2 2012

	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012
up to 15 years	20.00%	12.51%	11.62%	11.67%	10.29%	10.73%	10.69%	10.93%	9.26%	10.94%
from 15 to 25 years	24.44%	23.37%	21.71%	21.55%	20.50%	20.26%	20.08%	20.59%	21.73%	24.96%
from 25 to 35 years	52.30%	57.34%	57.57%	59.30%	60.22%	60.50%	60.36%	60.03%	62.07%	62.29%
above 35 years	3.26%	6.78%	9.11%	7.49%	8.99%	8.51%	8.86%	8.45%	6.95%	1.81%

Source: Polish Banks Association

Housing Availability Index M3

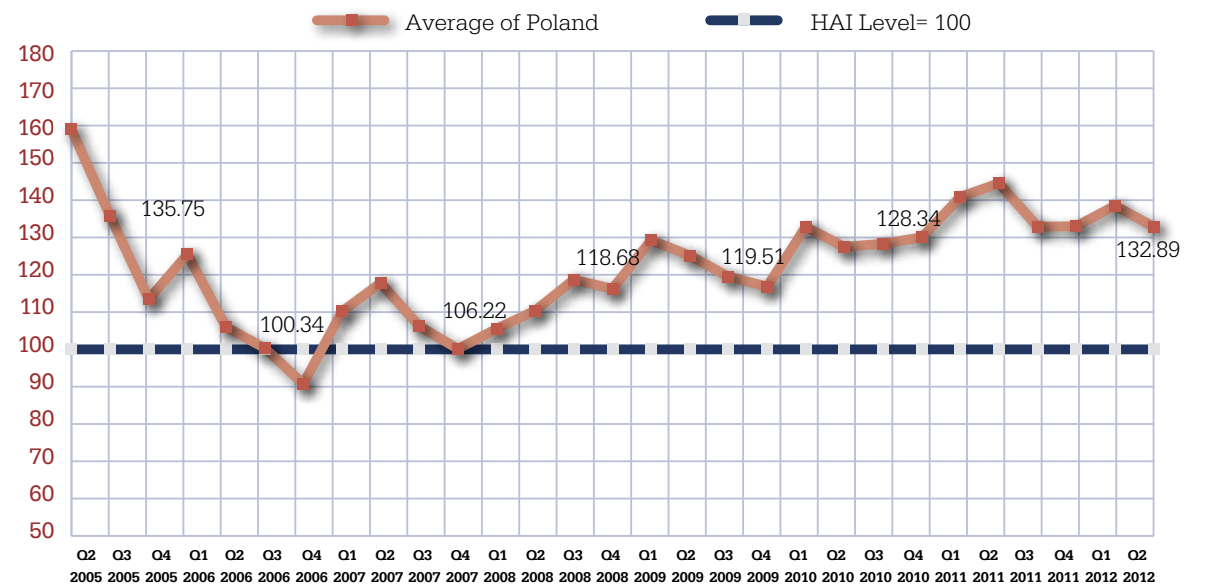
Housing Availability Index (HAI M3), a synthetic measure presented in AMRON-SARFiN Reports, shows quarterly changes in availability of housing units in Poland for a hypothetical family comprising of two employed adults with one older child.

Decrease of dwelling availability in Q2 2012 was influenced by the following factors:

- significant decline of average earnings level in second quarter of 2012 announced by Central Statistical Office, which contributed to decline of net average earnings level by **4.09%** in relation to previous quarter. And thus, considering the minimum subsistence level published by IPSS, disposable income per sample family declined in second quarter by **9.67%** in relation to previous quarter;
- housing prices decrease in eight major cities monitored for HAI M3 purposes – in second quarter of current year the average transaction prices of surveyed housing units (of approximately 50 sq. m.) declined by **1.74%** in relation to the first quarter of 2012 and **5.82%** in relation to the corresponding quarter of 2011.
- slight increase of interest rates – according to the National Bank of Poland, the average interest on housing loans for households increased in Q2 2012 by 4 basis points.

Summarizing, decline of average earnings in second quarter of 2012, noted in statistics published by Central Statistical Office, resulted in decline in Housing Availability Index M3 by **8.07%** to the level of **132.89 points** and therefore the availability of mortgage loans for a sample family also declined.

Chart 13. Housing Availability Index (HAI M3) in Q2 2005 – Q2 2012



Source: Polish Banks Association

Purchasing powers on the largest housing markets

Analysis of the average net monthly income in surveyed cities and the average transaction price per a square meter of a housing unit allows to estimate the purchasing powers. In analysed period, the average monthly remuneration allowed to purchase smaller housing area than in previous quarter. Similarly to previous quarter, it was Katowice, where the largest housing area (i.e. **0.89 sq. m.**) might be bought for the average monthly remuneration. The smallest housing



area (**0.40 sq. m.** of a dwelling) may be purchased for the average remuneration noted in Krakow and the lowest average remuneration noted in Bialystok enables to buy **0.59 sq. m.** of an average housing unit.

Table 9. Purchasing powers on the largest housing markets in Q2 2012

city	average net monthly income in Q1 2012	average transaction price of 1 sq. m. of housing unit of floor area from 45 sq. m. to 55 sq. m.	purchasable floor area (sq. m.) with the average monthly income in Q1 2012
Katowice	2 742	3 079	0.89
Lodz	2 452	3 677	0.67
Bialystok	2 446	4 121	0.59
Gdansk	2 602	5 134	0.51
Wroclaw	2 618	5 288	0.50
Poznan	2 467	5 045	0.49
Warsaw	3 276	7 374	0.44
Cracow	2 537	6 275	0.40

Source: AMRON, Central Statistical Office

“Family on Its Own” Programme

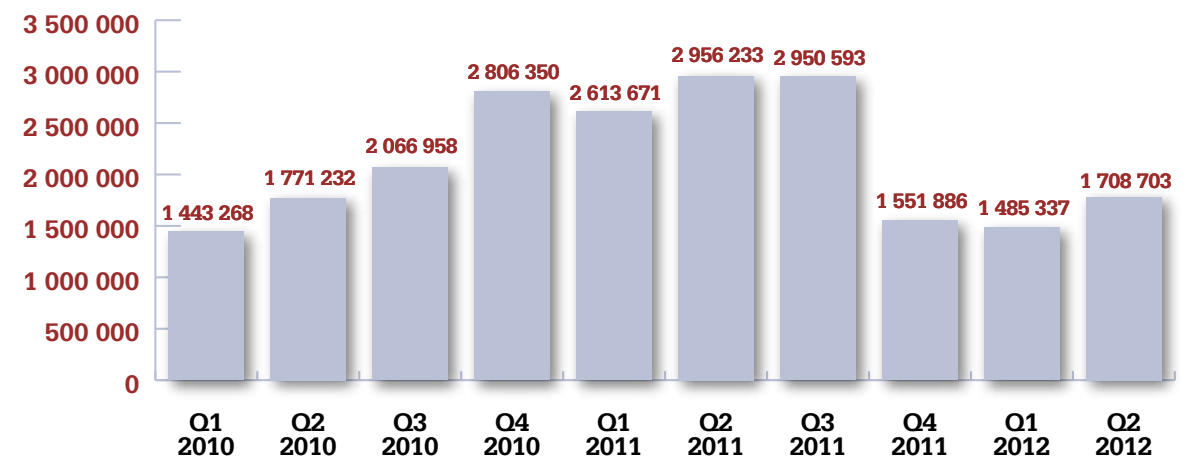
Unexpectedly, dynamics of granting loans under the “Family on Its Own” programme was quite high, which allowed to increase financing of flats and single-family houses for programme’s beneficiaries. Value of granted loans increased by almost **20%**, comparing to previous quarter. Such result, along with decrease in total PLN mortgage loans granting, indicates the importance of government instruments supporting housing development.

Simultaneously, the number of loans granted under the programme increased **17.54%**. Thereby, the level of prices – or rather offer

values – on both the primary and secondary market was structurally adapted to the reduced rate of price-cost limit.

However, the level of volume and value of loans granted under the “Family on Its Own” programme from second quarter of 2011 was not reached. Comparing this two quarters it must be emphasized that good results of second quarter of 2012 make only **70.95%** of volume and **60.24%** of value of loans granted in second quarter of 2011.

Chart 14. Value of loans under the “Family on Its Own” programme granted in Q1 2010 – Q2 2012 (PLN thousands)

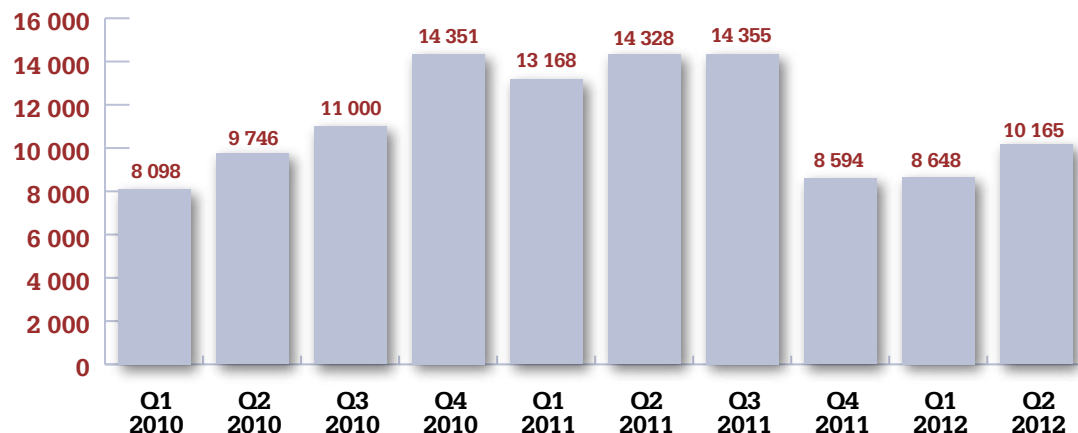


Source: Bank Gospodarstwa Krajowego

Share of loans granted for financing single-family houses construction is constantly growing, both in terms of volume and value – it increased respectively by **26.50%** and **30.93%**. Therefore, share of primary market in total volume and value of granted loans have slightly decreased, relating to second quarter of 2011 and it was equal to **87.91%** of number and **73.96%** of value of loans granted on primary market in second quarter of previous years.

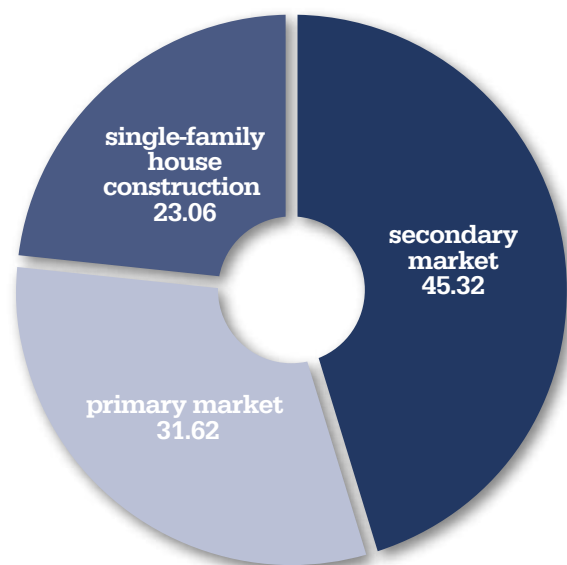


Chart 15. Number of loans under the "Family on Its Own" programme granted in Q1 2010 – Q2 2012



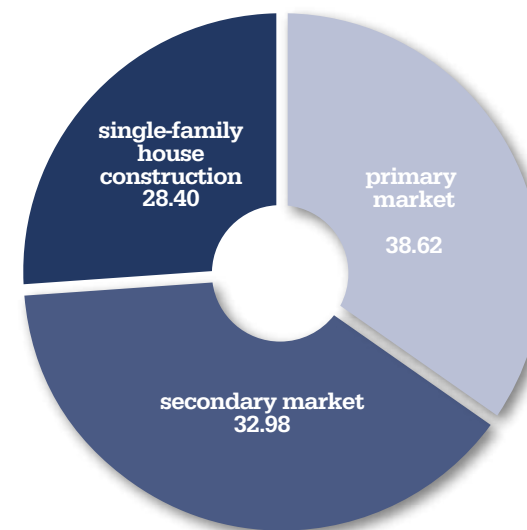
Source: Bank Gospodarstwa Krajowego

Chart 16. Volume structure of loans under the "Family on Its Own" programme granted in Q2 2012 (%)



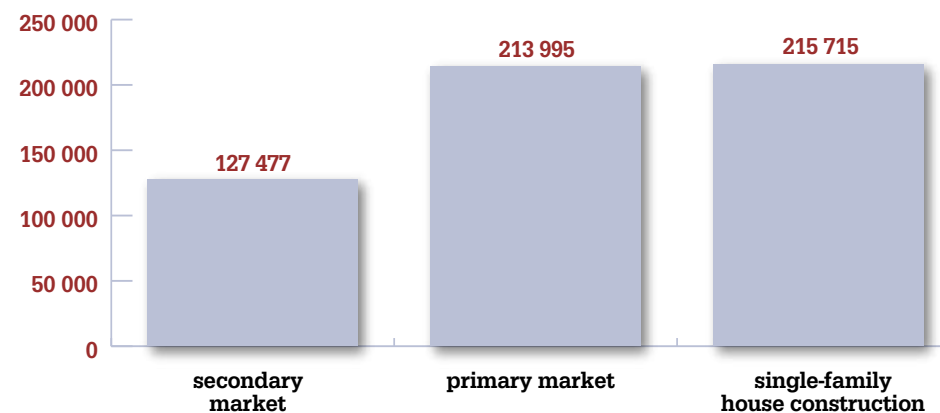
Source: Bank Gospodarstwa Krajowego

Chart 17. Value structure of loans under the "Family on Its Own" programme granted in Q2 2012 (%)



Source: Bank Gospodarstwa Krajowego

Chart 18. Average value of a loan granted under the „Family on Its Own” programme in Q2 2012



Source: Bank Gospodarstwa Krajowego

Target age group of the programme’s beneficiaries are mostly people in the age up to 39 year. On the secondary market, they constitute **90.35%** borrowers, on primary market – **92.94%** and on single-family house construction – **89.05%**.

Table 10. Preferential loans granted under the "Family on Its Own" programme, by borrower age and by market type (secondary, primary and single-family house construction) in Q2 2012

age bracket	secondary market		primary market		single-family house construction		total	
	number	% of share	number	% of share	number	% of share	number	% of share
<=19	8	0.01%	12	0.03%	0	0.00%	20	0.01%
20-24	2 324	2.66%	1 040	2.68%	278	0.98%	3 642	2.36%
25-29	28 218	32.28%	14 932	38.54%	6 193	21.78%	49 343	31.92%
30-34	33 353	38.16%	14 792	38.18%	12 217	42.96%	60 362	39.05%
35-39	15 069	17.24%	5 232	13.50%	6 633	23.33%	26 934	17.42%
40-44	5 157	5.90%	1 589	4.10%	1 984	6.98%	8 730	5.65%
45-49	1 841	2.11%	570	1.47%	682	2.40%	3 093	2.00%
50-54	797	0.91%	300	0.77%	299	1.05%	1 396	0.90%
55-59	395	0.45%	186	0.48%	99	0.35%	680	0.44%
60-64	187	0.21%	68	0.18%	45	0.16%	300	0.19%
65-69	47	0.05%	22	0.06%	4	0.01%	73	0.05%
>=70	13	0.01%	2	0.01%	1	0.00%	16	0.01%
total	87 409	100.00%	38 745	100.00%	28 435	100.00%	154 589	100.00%

Source: Bank Gospodarstwa Krajowego

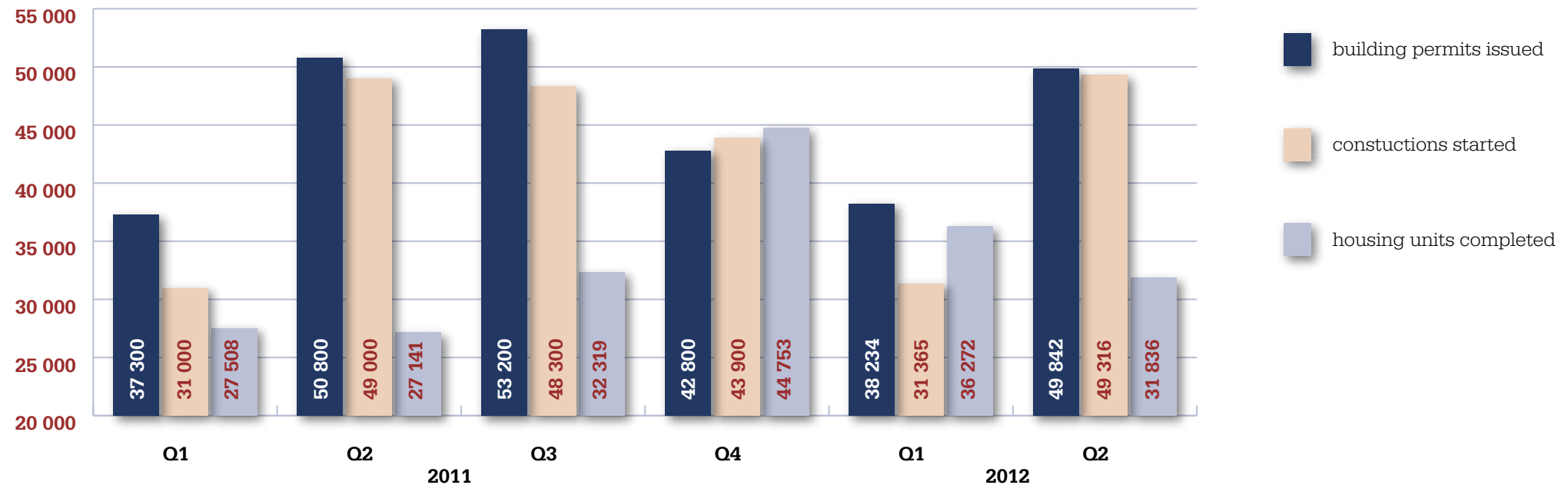
Situation on the housing market

Second quarter of 2012 brought decline in number of completed housing units by **12%**, comparing to previous quarter. According to preliminary data published by Central Statistical Office, during the period from April to June 2012 construction of **31 836** housing

units was completed (comparing with 36 272 completed in Q1 2012) and construction of **49 316** housing units was started, what means similar result to the result of analogical quarter of previous year. The number of housing units, for which construction permits were issued, decreased by almost 2% to the level of **49 842** (in comparison with 50 800 in Q2 2011).



Chart 19. Number of building permits issued, constructions started and housing units completed by developers in Q1 2011 – Q2 2012



Source: Central Statistical Office

From April to June 2012, the number of constructions of housing units started by housing cooperatives sector amounted to **775** (11% less than in Q1 2012), while the number of the building permits issued for the sector increased up to the level of **521**, comparing to **412** permits issued in Q1 2012. Number of housing units completed by housing cooperatives in Q2 2012 was higher by **16%** than in previous quarter. Share of self-builders group in new housing units construction diminished to the level of **54%**, comparing to **57%** in Q1 2012.

In developers sector, second quarter of current year brought significant increase of the number of constructions started. Both annual comparison (Q2 2012/Q2 2011) and quarterly comparison (Q2/Q1 2012) prove the increase in number of started housing units constructions by **28%**. This result was determined by a large

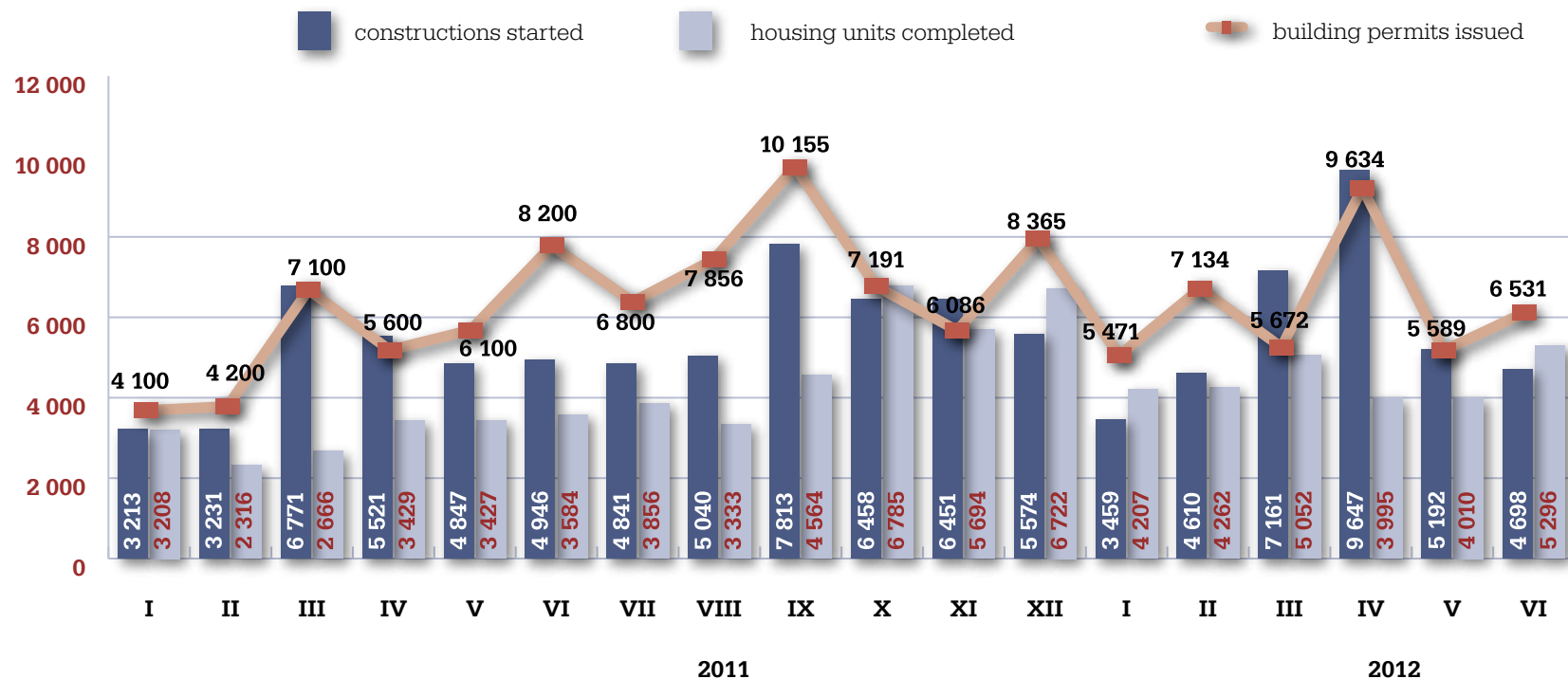
number of constructions started in April, what can be explained as a result of the new Act on protecting rights of housing unit or single family-house purchasers binding since April 29, 2012. Great part of developers had decided to start new investments before the new restrictions became obligatory. Number of constructions started in May and June was significantly lower.

A similar trend was observable as far as building permits issued are concerned – **44%** of all permits issued in second quarter of 2012 were issued in April. Therefore, quarterly comparison presents increase in number of building permits issued in Q2 2012 by **19%** relating Q1 2012.

Number of housing units completed in second of 2012 diminished by **1.63%** comparing to previous quarter.



Chart 20. Number of building permits issued, constructions started and housing units completed by developers in January 2011 – June 2012



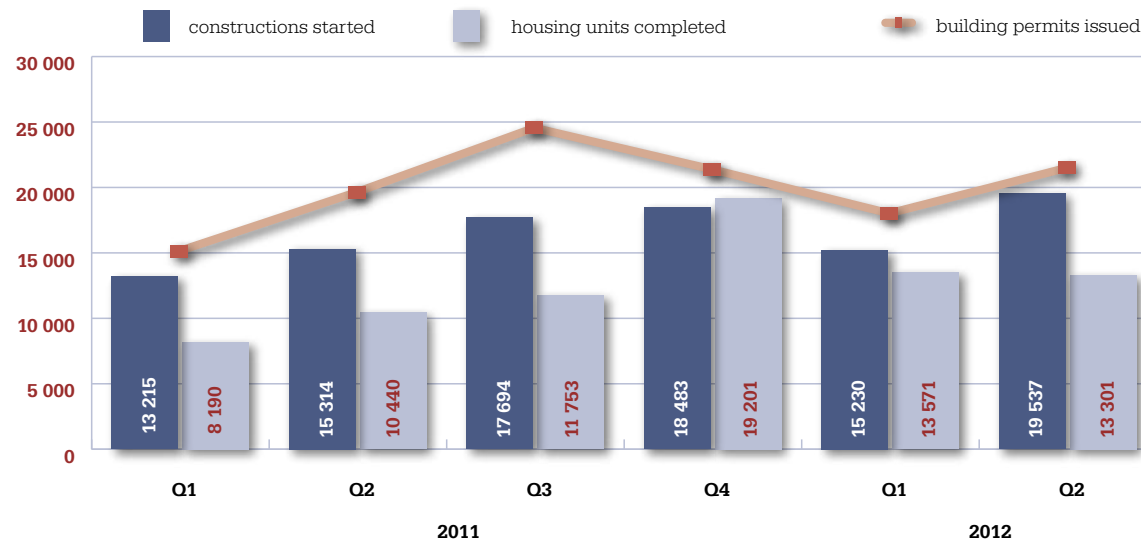
Source: Central Statistical Office

Table 11. Number of building permits issued, constructions started and housing units completed by developers in Q1 2011 – Q2 2012

	2011				2012	
	Q1	Q2	Q3	Q4	Q1	Q2
building permits issued	15 400	19 900	24 811	21 642	18 277	21 754
constructions started	13 215	15 314	17 694	18 483	15 230	19 537
housing units completed	8 190	10 440	11 753	19 201	13 521	13 301

Source: Central Statistical Office

Chart 21. Number of building permits issued, constructions started and housing units completed by developers in Q1 2011 – Q2 2012, quarterly



Source: Central Statistical Office

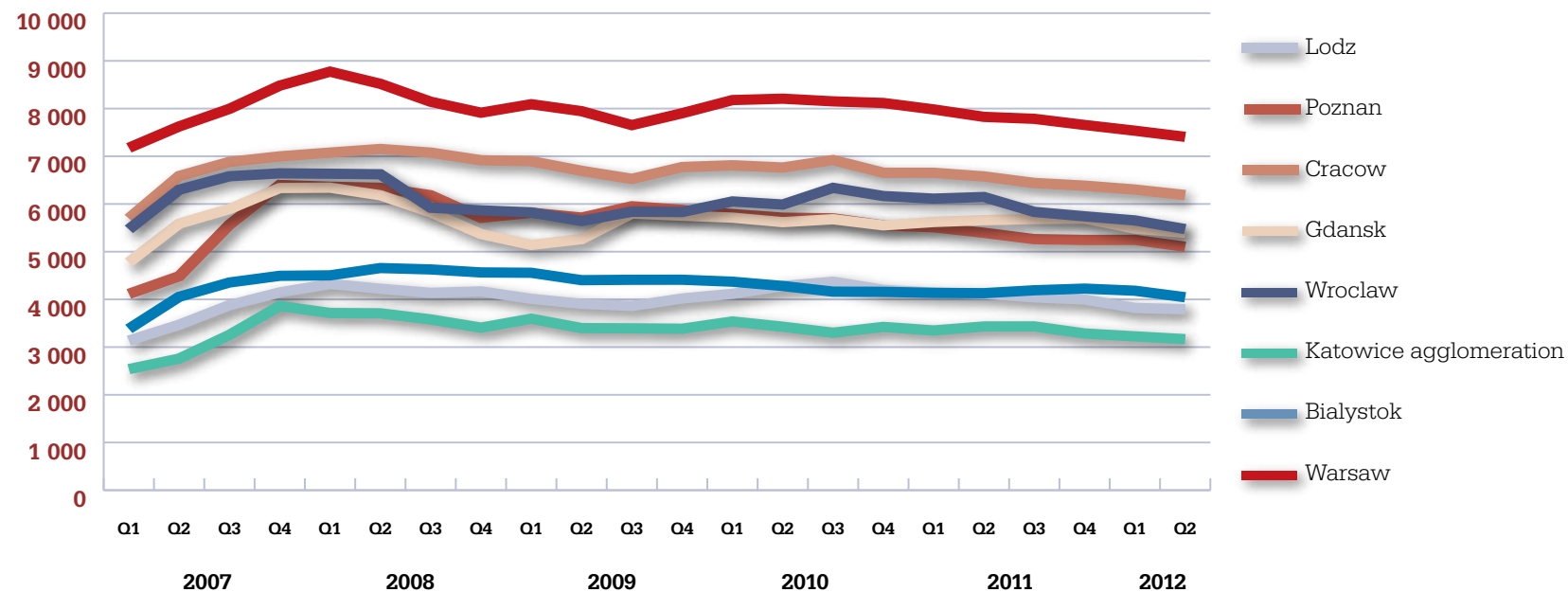


Average transaction prices of housing units

Downward trend of the average transaction prices in all the greatest Polish cities continued in second quarter of 2012 – price reductions ranged from less than **1%** to over **3%**. Comparing prices noted in analysed period to the prices noted in previous quarter, the most

significant drop was noted in Wroclaw – by **PLN 182 per sq. m.** In Warsaw the average transaction price declined to **PLN 7 407 per sq. m.**, i.e. by **PLN 129** comparing to the level noted in previous quarter. In relation to the results noted in second quarter of 2011, the greatest drops were observed in Wroclaw and Lodz, respectively by **PLN 673** and **PLN 323 per sq. m.**

Chart 22. Average transaction prices per square meter of a housing unit in selected cities in Q1 2007 – Q2 2012



Source: AMRON

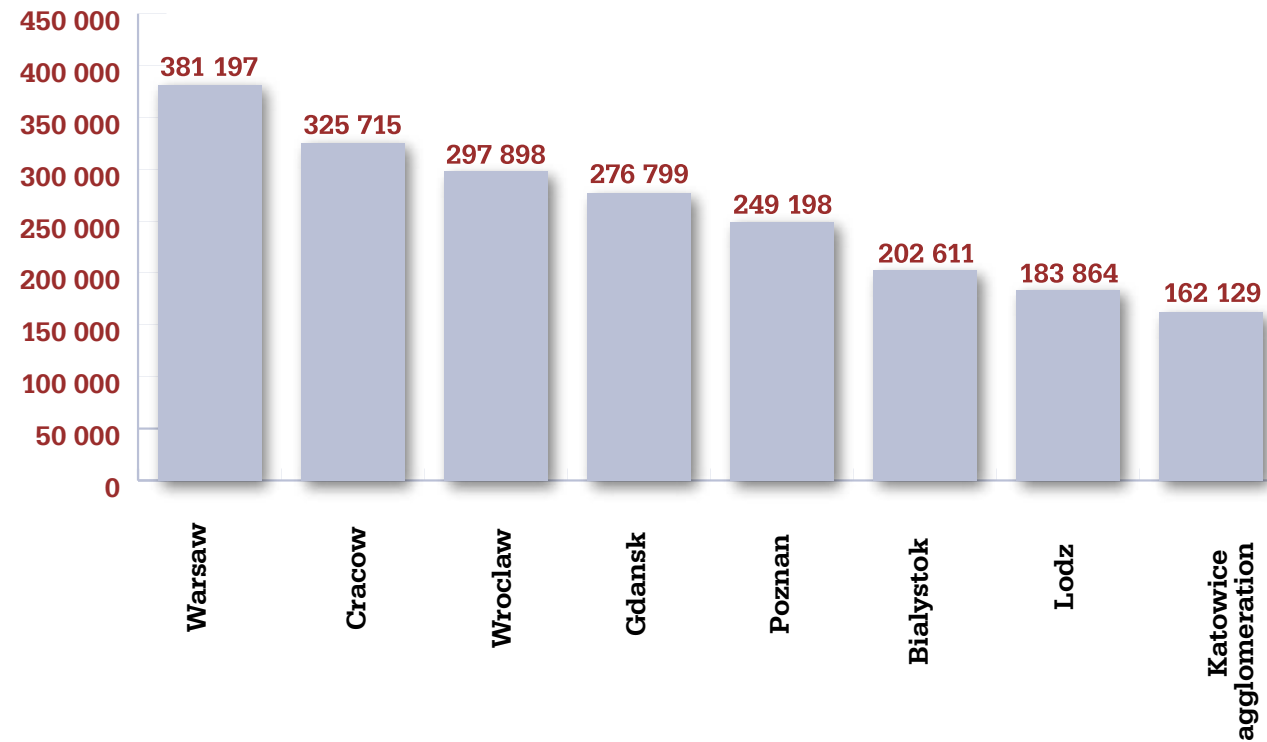
Table 12. Average transaction price per square meter of a housing unit in selected cities in Q1 2007 – Q2 2012

	2007				2008				2009				2010				2011				2012	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Warsaw	7 176	7 625	7 994	8 481	8 774	8 519	8 143	7 913	8 091	7 945	7 653	7 902	8 178	8 207	8 151	8 117	7 982	7 826	7 785	7 656	7 536	7 407
Bialystok	3 381	4 054	4 354	4 494	4 504	4 657	4 628	4 565	4 558	4 403	4 411	4 412	4 371	4 281	4 162	4 159	4 136	4 130	4 191	4 226	4 182	4 045
Katowice agglomeration	2 538	2 758	3 255	3 862	3 715	3 708	3 580	3 407	3 595	3 398	3 393	3 385	3 537	3 427	3 301	3 423	3 348	3 432	3 433	3 285	3 225	3 166
Wroclaw	5 468	6 298	6 581	6 642	6 634	6 622	5 922	5 866	5 823	5 644	5 837	5 831	6 053	5 988	6 338	6 166	6 112	6 146	5 834	5 741	5 655	5 473
Gdansk	4 776	5 588	5 894	6 335	6 342	6 182	5 825	5 370	5 141	5 263	5 799	5 754	5 714	5 619	5 680	5 551	5 622	5 660	5 686	5 694	5 484	5 397
Cracow	5 696	6 586	6 882	6 998	7 077	7 153	7 077	6 917	6 897	6 695	6 526	6 774	6 811	6 764	6 921	6 655	6 654	6 577	6 440	6 384	6 302	6 187
Poznan	4 115	4 486	5 565	6 398	6 360	6 339	6 183	5 710	5 816	5 714	5 952	5 877	5 788	5 712	5 698	5 551	5 513	5 396	5 263	5 246	5 248	5 103
Lodz	3 135	3 467	3 878	4 145	4 322	4 222	4 136	4 167	4 010	3 907	3 861	4 018	4 116	4 279	4 370	4 198	4 142	4 116	4 042	3 995	3 819	3 793

Source: AMRON



Chart 23. Total average transaction prices of housing units in selected cities in Q2 2012



Source: AMRON

Share of particular floor area segments in total turnover volume

Table 13. Dynamics of changes in share of particular floor area segments in total turnover volume on housing markets in 2010 – Q2 2012

floor area (sq. m.)	2010	2011	Q1 2012	Q2 2012
up to 35	10%	10%	11%	13%
35-45	19%	18%	19%	22%
45-55	27%	28%	30%	32%
55-65	18%	19%	17%	17%
65-75	11%	12%	11%	8%
75-85	6%	5%	5%	4%
85-100	5%	4%	3%	3%
above 100	5%	4%	3%	2%

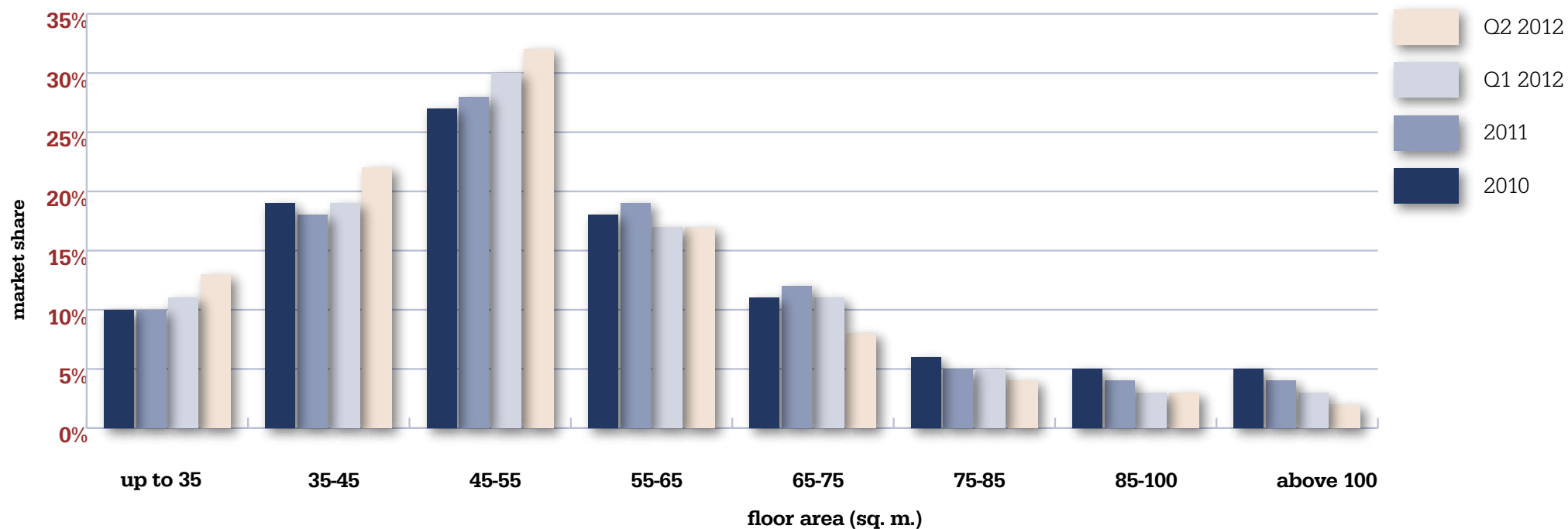
Source: AMRON

In second quarter of 2012, the turnover volume share of particular floor area segments has changed. For the first time, share of the most popular segment of housing units of 35-55 sq. m. exceeded the level of **50%** of the total turnover. Increase was also noted in segment of housing units of a floor area up to 65 sq. m. Comparing results of Q2 2012 to the previous quarter, the greatest value increase was noted in segment of housing units of 35-45 sq. m. of floor area – market share of that segment increased by **3 p.p.** Simultaneously, second quarter of 2012 brought the decline in market share of housing units of 65-75 sq. m., 75-85 sq. m. and above 100 sq. m.

Apparently purchasers prefer smaller, but more functional dwellings. Changes in market share of particular floor area segments result mostly from mortgage loans availability – when conditions of mortgage lending are difficult for potential borrowers, housing market offers new functional solutions of smaller dwellings, so that it could be comparable with housing units of larger floor area.



Chart 24. Share of particular floor area segments in total turnover volume on housing markets in 2010 – Q2 2012



Source: AMRON

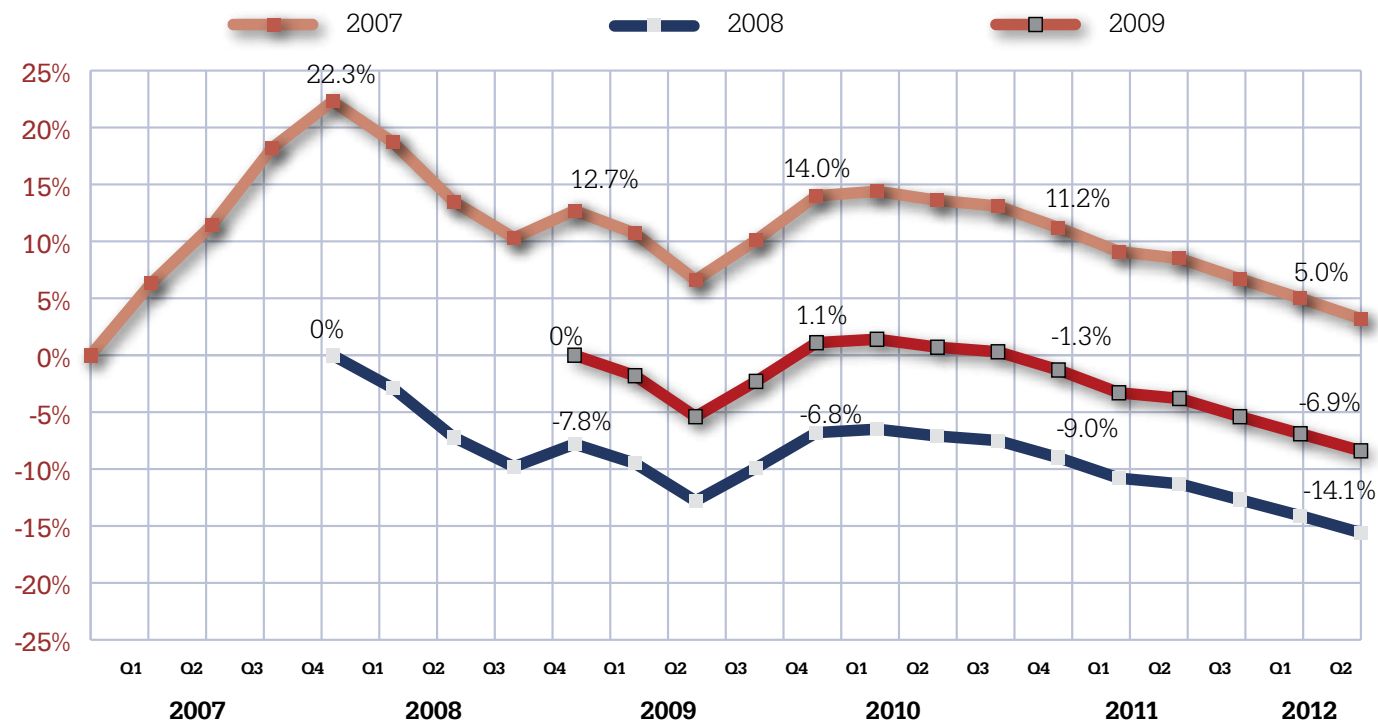
Changes in mortgage collateral value

In second quarter of 2012, banks imposed emergency procedures related to negative changes in value of mortgage collateral, which were found controversial both by borrowers and by media. Banks justified undertaken proceedings with continuous downward trend of housing prices and supervisory requirements concerning periodic verification of mortgage collateral value.

Below charts present the results of simulation of mortgage collateral value changes conducted for loans granted in first quarter of year 2007, 2008 and 2009, based on the analysis of changes of transaction prices of comparable housing units on Warsaw market. Chart 25 illustrates changes in value of housing units accepted as mortgage collateral of loans granted in analysed periods – for each of analysed years.

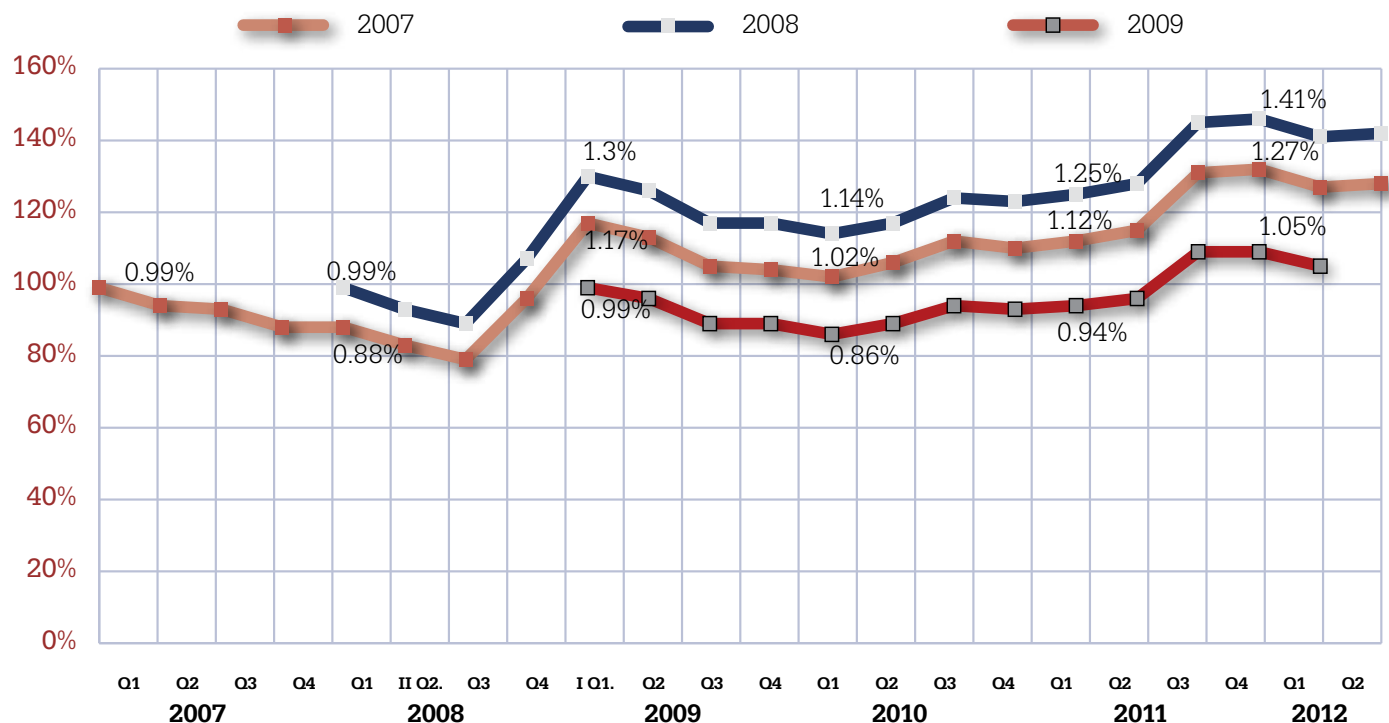


Chart 25. Value changes indicators of mortgage collaterals of loans granted in 2007 – 2009



Source: AMRON

Chart 26. Value changes of mortgage collaterals of loans granted in 2007 – 2009



Source: AMRON

analysis of indicators of mortgage collaterals value changes leads to conclusion that generally banks should not have any concerns – from the perspective of the end of Q2 2012, properties financed in 2007 have actually gained in value. The worst results shows the analysis for mortgage collaterals established in Q1 2008 – decrease in value of those properties currently equals to 14%. Starting with mortgage collateral value equaling to 100% as for the day of establishing the collateral, we have analysed its current value, for each of analysed years. Results are presented on Chart 26.

Presented analyses refer to value changes of mortgage collaterals located in Warsaw, where the greatest amplitude of transaction prices changes was noted. On the other markets, situation is probably much better. Moreover, we should take into consideration that straight majority of loans was granted in the amount not exceeding 80% of LtV ratio or even lower in case of loans granted in foreign currencies.

Commentary to the Report – Jacek Bielecki, General Manager of Polish Developers Association (Polski Związek Firm Deweloperskich)



The newest AMRON-SARFiN Report, presenting situation on the housing market in the second quarter of 2012, confirms in objective, numerical way the definite trend, that could have been observed by all market participants since at least a year.

For such a period of time, we keep on tracking the increasing demand for smaller apartments, determined by decrease in potential borrowers' creditworthiness. Even though the number of granted loans slightly increased, their amount fell considerably. Developers, accommodating to market expectations, offer mostly small, two-roomed apartments, not exceeding 50 sq. m. of floor area. This tendency is fully understandable, even if it's results are negative not only for our life quality, but also may provoke a danger to our demography. It will be quite difficult to agitate marriages living in such a small apartments to have two or more children. Worsening flat availability is confirmed also by significant, exceeding 8%, decline of the HAI M3 Index. It is even more alarming as it regards the second quarter of the year, which historically used to be significantly better than the first one.

Slight drop of the average flat price in Warsaw attests to slowing down price-declining tendency. This is a result of higher supply

of small flats on the primary market, as well as reaching the projects profitability barrier with high level of non-market developer risk.

What may be surprising, is the growing amount of loans granted under "Family on Its Own" programme, even with reduced price limits. It would be worth analysing if this growth regards mainly secondary market, where it is much easier to skip price limitations of the program.

Numbers presented in the Report confirm worsening availability of flats for the Polish families, while the purchase of apartment remains the only way to autonomous accommodation for young people, entering self-dependency. It is hard to expect that macroeconomic situation will improve and – as consequence – purchasing powers shall increase in the next few years. With limited budget resources, private capital should be allowed to participate in housing finance. This, without engaging public money, could stimulate the development of rental housing, improving housing availability for the majority of the society that cannot afford an apartment. The tendencies presented in the Report should be carefully analysed by the government and became an impulse for fast and effective actions, aimed on restraint of worsening housing situation of people entering self-dependency.



AMRON and SARFiN Systems



System for Analysis and Monitoring of Real Estate Market Transactions

AMRON System is a standardized, nationwide database on real estate prices and values, equipped with advanced reporting and analytical modules, for testing and monitoring of developments 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. Our goal is to create a comprehensive database of the real estate market. AMRON provides quick and direct access to the reliable information necessary for all participants on the market.

Our offer also includes periodic analytical publications and reports on price changes of housing units, construction plots and rural areas in selected provincial real estate markets available on AMRON website, as well as individual reports prepared accordingly to the detailed specifics of the market segment, location and time period. AMRON Centre cooperates with commercial and cooperative banks, insurance companies, Agricultural Property Agency, real estate appraisers and realtors, as well as with developers, financial advisors and municipalities. AMRON database is also available for National Bank of Poland and General Prosecutor's Office.

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System for Analysis of Real Estate Financing Market

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

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

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

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This report has been developed at the Polish Banks Association in cooperation with the AMRON Centre and Committee on Real Estate Financing of Polish Banks Association. Figures and comments have been developed by AMRON and SARFiN teams: Barbara Czyściecka (barbara.czysciecka@amron.pl), Jerzy Ptaszyński (jerzy.ptaszynski@amron.pl), Bolesław Meluch (bmeluch@zbp.pl) and Michał Wydra (mwydra@zbp.pl).

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