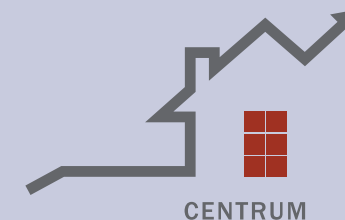


AMRON-SARFiN Report

on housing loans
and real estate transaction prices

2/2017

August 2017
COMPLETE VERSION



AMRON

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Report in numbers

Q2 2017		change Q2 2017 / Q1 2017
PLN 391.046 billion	total housing loans debt	0.24% ↗
2.106 million	number of active loan agreements	1.10% ↗
49 827	number of concluded agreements	0.82% ↘
PLN 11.686 billion	value of concluded agreements	6.14% ↗
PLN 234 546	average value of a housing loan	7.08% ↗
200.57 points	Housing Availability Index (HAI M3)	7.57 points ↘
49.18%	share of new housing loans with LtV above 80%	4.66 p.p. ↗
98.80%	share of new housing loans in PLN, by value	0.38 p.p. ↗
0.76%	share of new housing loans in EUR, by value	0.28 p.p. ↘
62.74%	share of new housing loans with lending period of 25-35 years	0.83 p.p. ↘
PLN 437 865	total average transaction price of housing unit in Warsaw	0.54% ↗
PLN 7 704	average transaction price per square meter of a dwelling in Warsaw	0.58% ↗

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Introduction – about the Report

– 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-second issue of the AMRON-SARFiN Report prepared by AMRON Centre and published by Polish Banks Association. For the last 8 years, we have quarterly provided you with updated information on the results of Polish banks' lending activity in the area of mortgage loans, as well as on trends and transaction prices on the residential market. This time we present

the results of the second quarter and first half of 2017 with reference to the results from several previous periods.

We were pleased to note high interest in the analysis of private rent market and rent rates, published for the first time in previous edition of the Report. It was possible thanks to the cooperation with Mzuri, which systematically supplies the AMRON database with information on housing rents. I recommend you this edition's commentary by Artur Bartnicki, President of Mzuri Sp. z o.o.

For the last few years housing market has been recording systematic and sustainable growth, which was confirmed also by the results of the second quarter of 2017. While interest rates are low, many people consider buying a dwelling as a capital investment, which brings measurable profits in a long term. On the other hand, there is also a large group of buyers, who changed their "first dwellings" purchased between 2005-2008 during property boom to larger ones in order to improve their current housing conditions. Negative interest rates decrease Poles' propensity to invest the financial surpluses in banks and support

investing in housing properties for rent, especially at such attractive and low cost housing loans. Suspension of accepting the applications for loans subsidised under the 'Flat for Youth' Programme did not affect either sales results or the number of new housing loans.

In the period from April to June 2017, banks basically repeated the impressive results from the first quarter and granted almost 50 thousand housing loans, the total amount of which was higher by over 6% and accounted for almost PLN 12 billion. Similar increase concerned also the average value of a PLN housing loan granted in Q2 2017, which amounted to PLN 233 thousand. Share of Warsaw in the structure of all new housing loans granted in Poland increased again and amounted to 42.83%.

The newest data published by the Central Statistical Office (GUS) confirmed the very good condition of Polish housing sector. The number of issued building permits, as well as the number of started investments have been systematically increasing. In Q2 2017, permits for construction of 70 453 were issued and 61 830 new dwellings were started, i.e. respectively more by 16.97% and 39.87% than in the previous quarter. The number of dwellings completed in the period from April to June 2017 decreased by 7.14% on a quarterly basis and amounted to 37 689.

Precise analysis of changes in the average transaction price per square meter of the floor area of dwellings in particular locations in the last few quarters indicates their high fluctuation. However, comparison of prices over the last 3 years clearly confirms the systematic, although moderate increases: in Warsaw and Gdansk by over 6%, in Wroclaw by

5%, in Cracow – by less than 3%. A decrease in the average transaction price was noted only in Katowice agglomeration – by 5% in this period.

Spectacular results of mortgage lending in Q1 2017 and continuously high lending activity in Q2 2017, despite the exhaustion of available funds under the 'Flat for Youth' Programme, as well as persistently low transaction prices and record-low PLN exchange rate make us **change our forecast for banks' lending activity level in 2017. Results promise to be higher than in 2012, therefore reaching 200 thousand of concluded agreements for a total value of over PLN 40 billion.**

The first opportunity to verify this forecast will be the 14th Housing Finance Congress organized by the Real Estate Finance Committee at Polish Banks Association on 30 November and 1 December, 2017. During the Congress, as in previous years, we will present the next issue of the Report summarizing the results of Q3 2017. The leading topics of this year's Congress will be the implications of the implementation

and interpretation of the Mortgage Credit Act and the assumptions of the National Housing Programme, as well as the alternative proposals of Polish Banks Association to solve the housing problem in Poland. Already today, please reserve a date to participate.

Enjoy reading. 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

* 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 housing market has been recording systematic and sustainable growth for the last few years, which was confirmed by the results of the second quarter of 2017. Demand was still on a high level. Customers are interested not only in dwellings subsidized under the 'Flat for Youth' Programme, but also in premium apartments. While interest rates are low, many people consider buying a dwelling as a capital investment, which brings measurable profits in a long time. On the other hand, there is also a large group of buyers, who changed their dwelling to larger ones in order to improve their current housing conditions.

It is clear that the housing sector, both in terms of construction and real estate financing, is in good condition and there are no reasons for assuming that this situation would change in the near future.

The most important factors affecting the situation on real estate market and mortgage market in Q2 2017 were:

- stabilization of inflation at about 2.0% and maintenance of the NBP' reference rate at 1.5%, which meant that real interest rates in Poland remained negative, which led to decrease Poles' propensity to invest their financial surpluses in banks and supports investing in properties for rent;

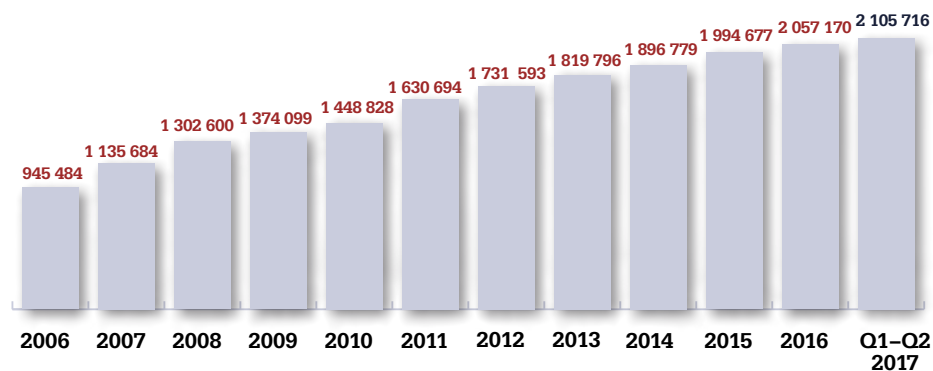
- despite a systematic increase in average margins and average mortgage interest rates since early 2016, the cost of housing loans remains low;
- the better results of Polish economy (4% of economic growth, decreasing unemployment rate, rising incomes, record low public finance deficit) fill consumers with optimism and support the demand for housing loans;
- a further decrease of PLN/CHF exchange rate to PLN 3.87 on June 30, 2017, i.e. by PLN 0.09 in three months, has improved CHF borrowers situation;
- the suspension of accepting applications for funding borrowers' downpayment under the 'Flat for Youth' Programme did not significantly affect the sale of dwellings and the number of new housing loans, although some of purchase decisions were probably postponed after the government's announcement on reopening the 'Flat for Youth' Programme planned for August, 8 2017 for subsidy applications from the 2017 budget;
- expiring subsidy for housing loans granted under the 'Family on Its Own' Programme did not bring any perturbations in ongoing repayments of loans.

Situation on housing loans market

Number of active housing loans

In Q2 2017, housing loans portfolio increased by **1.10%** (nominally by **22 978** loans) comparing to the status as for the end of previous quarter. At the end of June this year, the total number of active housing loans amounted to **2 105 716** agreements.

Chart 1. Total number of active housing loans in 2006 – Q2 2017



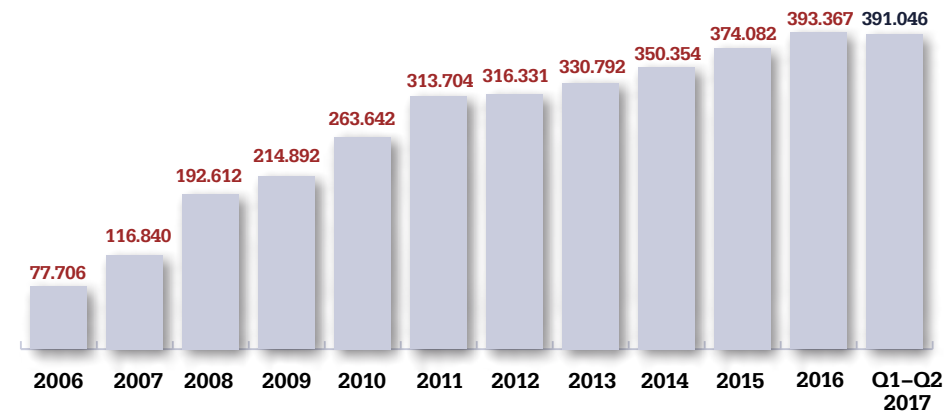
Source: SARFiN

Total housing loans debt

At the end of Q2 2017, total outstanding value of mortgage loans equalled to **PLN 391.046 billion**. This meant an increase in analysed period by **0.24%**, i.e. by **PLN 932 million** in comparison to March 31, 2017.

Chart 2. presents changes in value of total housing loans debt (PLN billion) of Polish households since 2006.

Chart 2. Total debt from housing loans in 2006 – Q2 2017 (PLN billion)



Source: SARFiN, NBP

Number and value of new housing loans

In the period from April to June 2017, banks granted **49 827** new housing loans, which meant a minimal decrease in comparison to the previous quarter – by **0.82 %**, i.e. by **411** agreements. The value of new housing loans was higher by **6.14%** (nominally by **PLN 676 million**) in relation to Q1 2017 and amounted to **PLN 11.686 billion**.

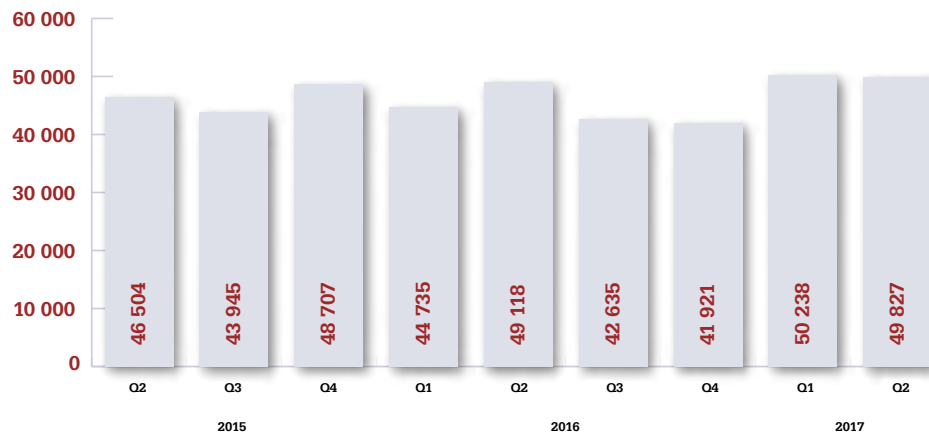
In comparison to the same period last year (Q2 2017/ Q2 2016), the number of newly granted loans increased by **1.65%** (nominally **809** agreements) and their value by **10.17%** (nominally by **PLN 1.079 billion**).

Table 1. Value and number of new housing loans in Q2 2015 – Q2 2017

quarter	value (PLN Mio)	change/previous quarter	number	change/previous quarter
Q2 2015	10.058	12.03% ↗	46 504	10.28% ↗
Q3 2015	9.704	3.52% ↘	43 945	5.50% ↘
Q4 2015	10.580	9.03% ↗	48 707	10.84% ↗
Q1 2016	9.433	10.85% ↘	44 735	8.15% ↘
Q2 2016	10.607	12.45% ↗	49 118	9.80% ↗
Q3 2016	9.676	8.78% ↘	42 635	13.20% ↘
Q4 2016	9.780	1.07% ↗	41 921	1.67% ↘
Q1 2017	11.010	12.58% ↗	50 238	19.84% ↗
Q2 2017	11.686	6.14% ↗	49 827	0.82% ↘

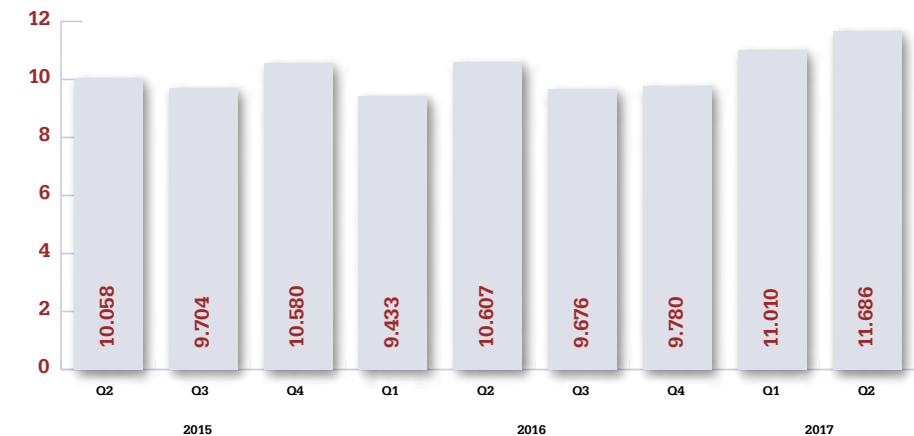
Source: SARFiN

Chart 3. Number of new loan agreements in Q2 2015 – Q2 2017



Source: SARFiN

Chart 4. Value of new loan agreements in Q2 2015 – Q2 2017 (PLN billion)



Source: SARFiN

Loan currency

In the currency structure of housing loans granted in Q2 2017 in terms of value, minimal changes were recorded. The share of PLN loans in value of all housing loans granted in the period from April to June slightly increased (by **0.38 p.p.**) in comparison to the previous quarter and amounted to **98.80%**. As a result, the share of loans granted in foreign currencies decreased and accounted for only **1.20%** of new loans portfolio. In analysed quarter, the share of loans denominated in EUR decreased by **0.76%** of portfolio, i.e. by **0.28 p.p.**, while the share of CHF loans remained at the level of the previous quarter and amounted to **0.05%**. Loans denominated in other foreign currencies accounted for **0.39%** of all new loan agreements.

In relation to Q2 2016, a minimal decline in the share of newly granted loans in EUR was recorded in analysed quarter – by **0.22 p.p.**, while the share of housing loans denominated in CHF and other foreign currencies remained at the level of the previous year. The share of loans in PLN increased by **0.24 p.p.**

Table 2. Currency structure of the value of new loans in Q2 2015 – Q2 2017

quarter	PLN	CHF	EUR	other
Q2 2015	98.75%	0.02%	0.84%	0.39%
Q3 2015	98.45%	0.03%	1.01%	0.51%
Q4 2015	98.63%	0.09%	0.87%	0.41%
Q1 2016	98.44%	0.03%	0.97%	0.56%
Q2 2016	98.56%	0.04%	0.98%	0.42%
Q3 2016	98.44%	0.04%	1.06%	0.46%
Q4 2016	98.04%	0.09%	1.26%	0.61%
Q1 2017	98.42%	0.04%	1.04%	0.50%
Q2 2017	98.80%	0.05%	0.76%	0.39%

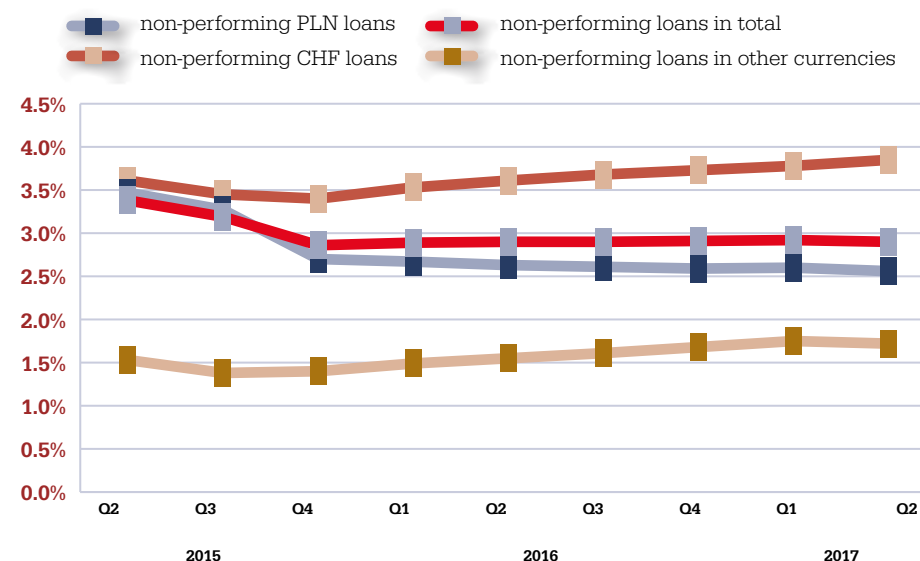
Source: SARFiN

Quality structure of mortgage loans portfolio

In Q2 2017, the share of non-performing housing loans in the mortgage portfolio remained at the level of the previous quarter and amounted to 2.90%. At the end of June 2017, the share of non-performing PLN loans accounted for 2.56% of the mortgage portfolio, while the quality of CHF loans slightly decreased – by 0.07 p.p. In Q2 2017, the share of non-performing CHF loans in the overall structure accounted for 3.85%.

In Q2 2017, a decrease in the share of PLN housing loans with defaults on payments by 0.07 p.p. was noted in comparison with the same period last year, while the quality of mortgages in foreign currencies was slightly worse. The share of non-performing CHF loans increased by 0.24 p.p. and the share of non-performing loans in other foreign currencies – by 0.17 p.p. Despite this, the quality of loans in total has not changed.

Chart 5. Share of non – performing loans in total mortgage portfolio in Q2 2015 – Q2 2017



Source: National Bank of Poland

Table 3. Share of non – performing loans in total mortgage portfolio in Q2 2015 – Q2 2017

	non-performing loans in total	non-performing PLN loans	non-performing CHF loans	non-performing loans in other currencies
Q2 2015	3.38%	3.47%	3.61%	1.53%
Q3 2015	3.19%	3.27%	3.45%	1.38%
Q4 2015	2.86%	2.70%	3.40%	1.40%
Q1 2016	2.89%	2.67%	3.53%	1.49%
Q2 2016	2.90%	2.63%	3.61%	1.55%
Q3 2016	2.90%	2.61%	3.68%	1.61%
Q4 2016	2.91%	2.59%	3.73%	1.68%
Q1 2017	2.92%	2.60%	3.78%	1.75%
Q2 2017	2.90%	2.56%	3.85%	1.72%

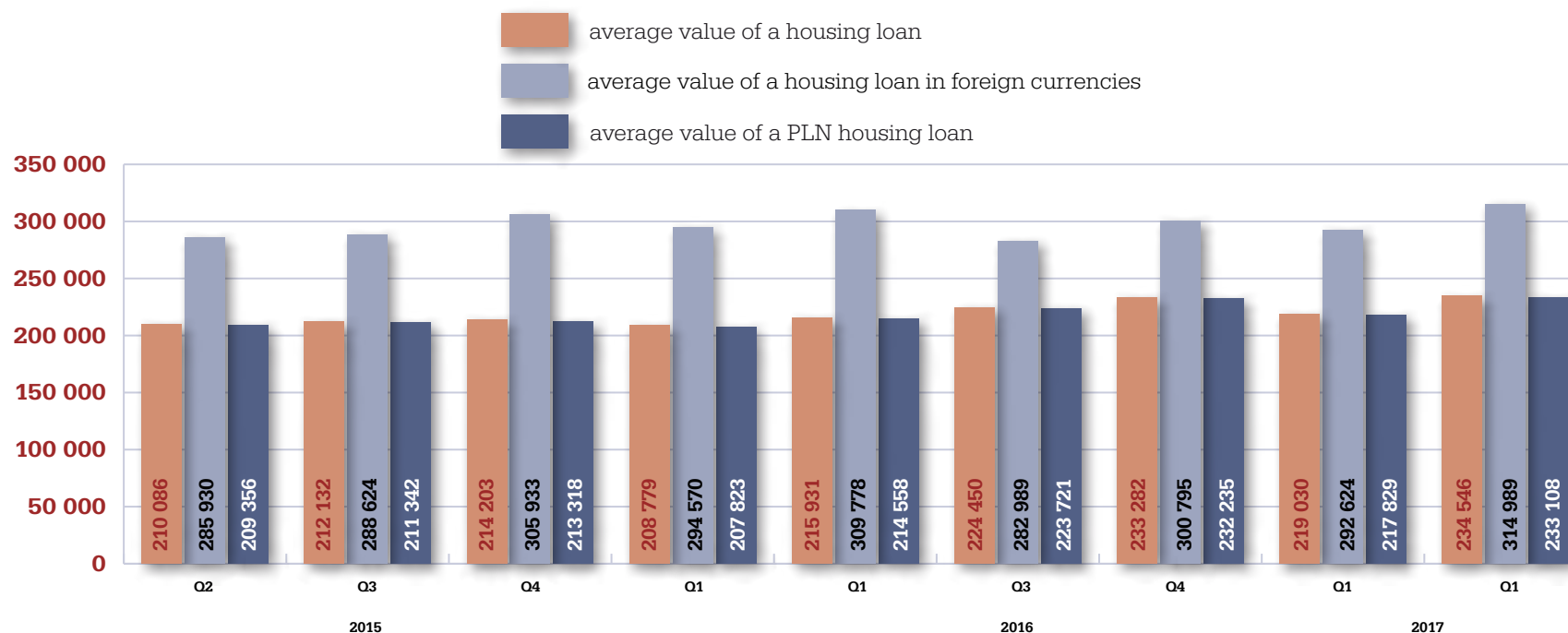
Source: National Bank of Poland

Average value of a loan

The average value of PLN housing loan granted in Q2 2017 amounted to **PLN 233 108**, i.e. it nominally increased by **PLN 15 279 (7.01%)** in comparison to the previous quarter. The average value of a loan denominated in foreign currencies increased by **PLN 22 365** (i.e. by **7.64%**) and amounted to **PLN 314 989**. As a result, the average value of housing loans in total also increased – by **7.08% (PLN 15 516)** in relation to the value recorded in Q1 2017 and accounted for **PLN 234 546**.

In comparison to the same period last year, a significant increase in the average value of newly granted housing loans in PLN (by **8.65%**) and a slight increase in the average value of loans denominated in foreign currencies (by **1.68%**) were recorded. In analysed quarter, the average value of housing loan in total increased by **8.62%** in relation to Q2 2016.

Chart 6. Average value of a housing loan, aggregated and by currency in Q2 2015 – Q2 2017



Source: SARFiN

Table 4. Average value of a loan, aggregated and by currency in Q2 2015 – Q2 2017

quarter	average value of a housing loan	average value of a housing loan in foreign currencies	average value of a PLN housing loan
Q2 2015	210 086	285 930	209 356
Q3 2015	212 132	288 624	211 342
Q4 2015	214 203	305 933	213 318
Q1 2016	208 779	294 570	207 823
Q2 2016	215 931	309 778	214 558
Q3 2016	224 450	282 989	223 721
Q4 2016	233 282	300 795	232 235
Q1 2017	219 030	292 624	217 829
Q2 2017	234 546	314 989	233 108

Source: SARFiN

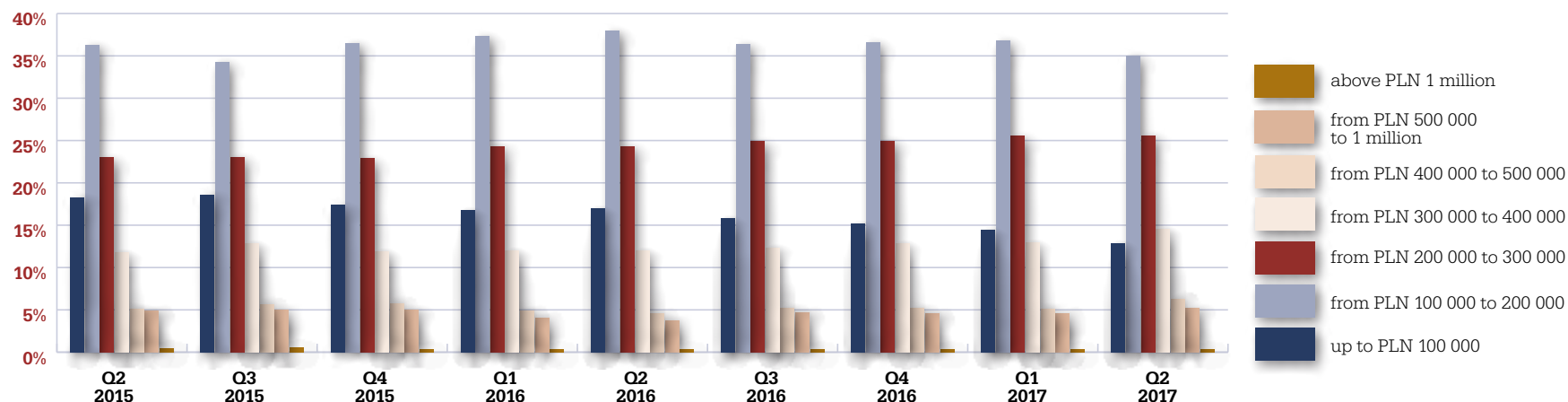
Structure of new loans, by amount

In comparison to the previous quarter, in Q2 2017 a slight decrease in the share of housing loans of the lowest value was recorded, i.e. up to

PLN 100 thousand and between PLN 100 and 200 thousand (by **1.62 p.p.** and **1.86 p.p.** respectively), unlikely to loans in all amount categories between PLN 300 thousand and PLN 1 million. The percentage of loans in the range from PLN 300 to 400 thousand increased by **1.57 p.p.**, those in the range between PLN 400 and 500 thousand – by **1.19 p.p.**, and those with amount from PLN 500 thousand to PLN 1 million – by **0.62 p.p.** Despite these changes, loans amounting from PLN 100 to 200 thousand were still the most often granted by banks (in Q2 2017 their share in the new loans portfolio accounted for **35.02%**), as well as loans with a value range between PLN 200 and 300 thousand (their share reached the level of **25.62%**).

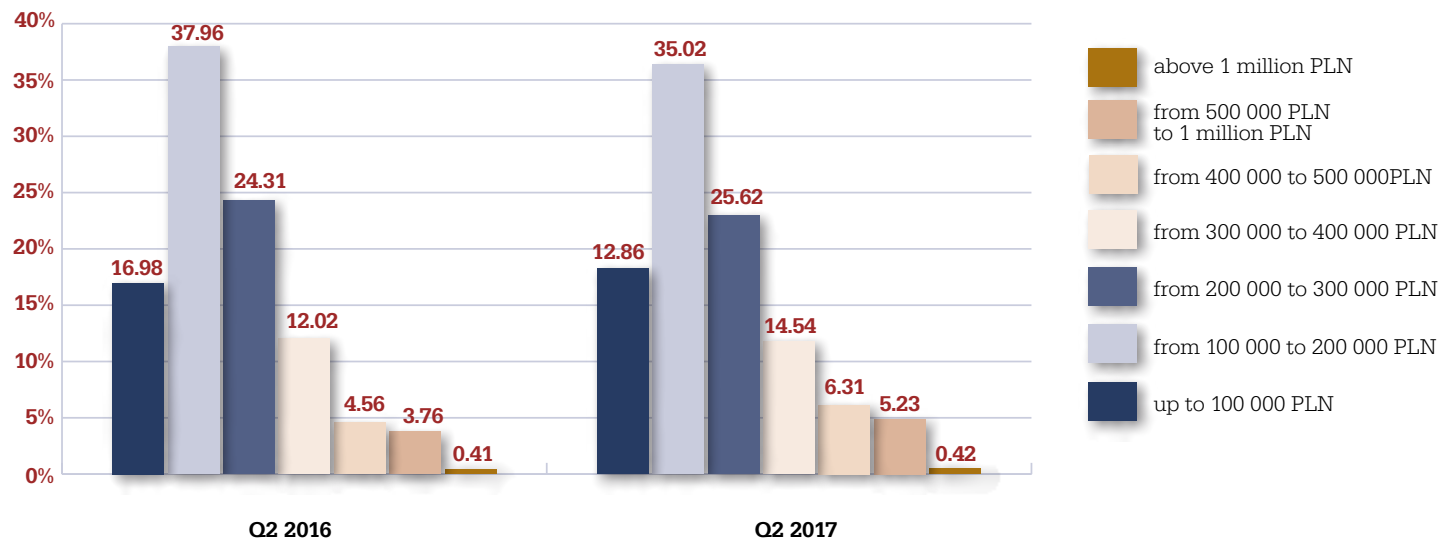
A similar trend was observed in comparison to Q2 2016. Loans amounting up to PLN 100 thousand were granted more rarely (their share in the portfolio of newly granted housing loans decreased by **4.12 p.p.**), similarly to loans amounting from PLN 100 to 200 thousand (a decrease by **2.94 p.p.**). The share of loans for amount above PLN 1 million did not change and in the other categories slight increases were noted. The share of loans with value from PLN 300 thousand to 400 thousand increased the most – by **2.52 p.p.**

Chart 7. Structure of the new loans amount in Q2 2015 – Q2 2017



Source: SARFiN

Chart 8. Structure of the new loans amount – comparison of Q2 2016 and Q2 2017



Source: SARFiN

Table 5. Structure of the new loans amount in Q1 2015 – Q1 2017

	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
up to PLN 100 000	18.29%	18.59%	17.39%	16.84%	16.98%	15.84%	15.17%	14.48%	12.86%
from PLN 100 000 to 200 000	36.35%	34.28%	36.50%	37.40%	37.96%	36.40%	36.60%	36.88%	35.02%
from PLN 200 000 to 300 000	23.00%	23.03%	22.90%	24.28%	24.31%	24.91%	25.00%	25.55%	25.62%
from PLN 300 000 to 400 000	11.81%	12.89%	11.95%	12.07%	12.02%	12.39%	12.92%	12.97%	14.54%
from PLN 400 000 to 500 000	5.14%	5.64%	5.78%	4.89%	4.56%	5.29%	5.24%	5.12%	6.31%
from PLN 500 000 to 1 million	4.89%	5.02%	5.06%	4.12%	3.76%	4.75%	4.66%	4.61%	5.23%
above PLN 1 million	0.52%	0.55%	0.42%	0.40%	0.41%	0.42%	0.41%	0.39%	0.42%

Source: SARFiN

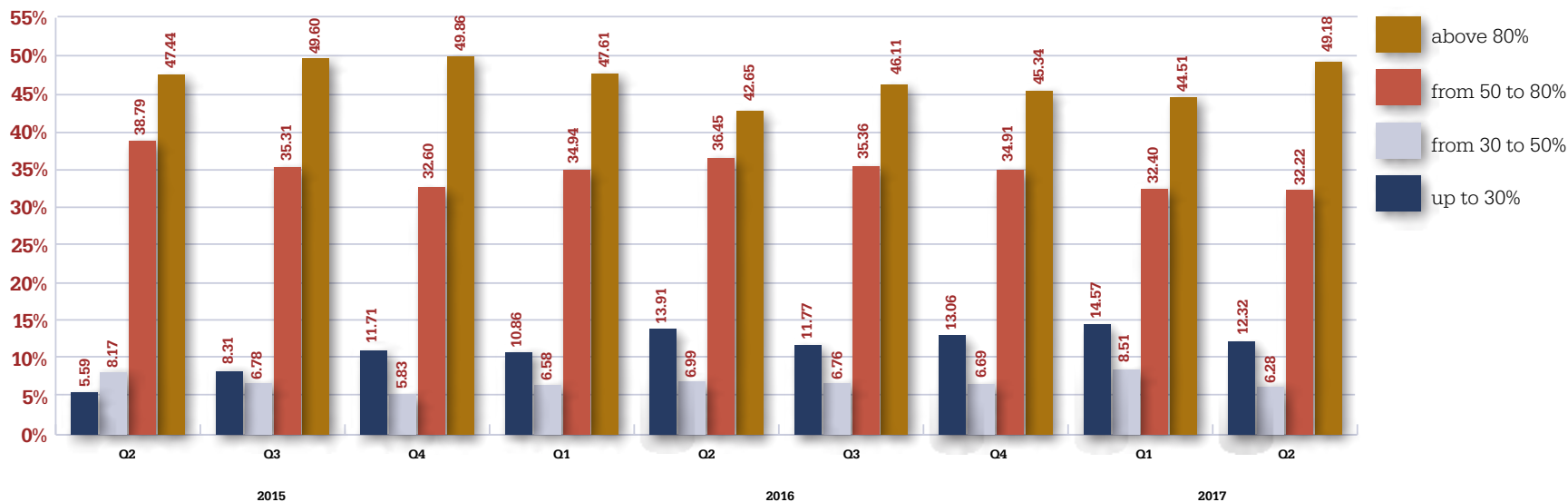
Structure of the LtV ratio

In Q2 2017, the share of newly granted housing loans with LtV ratio above 80% amounted to **49.18%**, which meant an increase by **4.66 p.p.** in comparison to the previous quarter. Shares of other LtV categories decreased. Loans with LtV level up to 30% accounted for **12.32%**, which was less by **2.25 p.p.** in comparison to the previous quarter. The share of loans with LtV ratio between 30% and 50% amounted to **6.28%**, which meant a decrease by **2.23 p.p.** and loans with LtV from 50% to 80%

accounted for **32.22%** of newly granted loans – it was less than in Q1 2017 by **0.18 p.p.**

In relation to the same period last year, the increase in share of newly granted housing loans with own contribution up to 20% amounted to **6.53 p.p.** The popularity of loans with higher own contribution decreased. The share of loans with LtV ratio from 50% to 80% was lower by **4.23 p.p.**, those with LtV from 30% to 50% – by **0.71 p.p.**, and those with the lowest LtV up to 30% – by **1.59 p.p.** in comparison to Q2 2016.

Chart 9. Structure of LtV ratio of newly granted loans in Q2 2015 – Q2 2017, in terms of value



Source: SARFiN

Table 6. Structure of LtV ratio of newly granted loans in Q2 2015 – Q2 2017

	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
up to 30%	5.59%	8.31%	11.71%	10.86%	13.91%	11.77%	13.06%	14.57%	12.32%
from 30 to 50%	8.17%	6.78%	5.83%	6.58%	6.99%	6.76%	6.69%	8.51%	6.28%
from 50 to 80%	38.79%	35.31%	32.60%	34.94%	36.45%	35.36%	34.91%	32.40%	32.22%
above 80%	47.44%	49.60%	49.86%	47.61%	42.65%	46.11%	45.34%	44.52%	49.18%

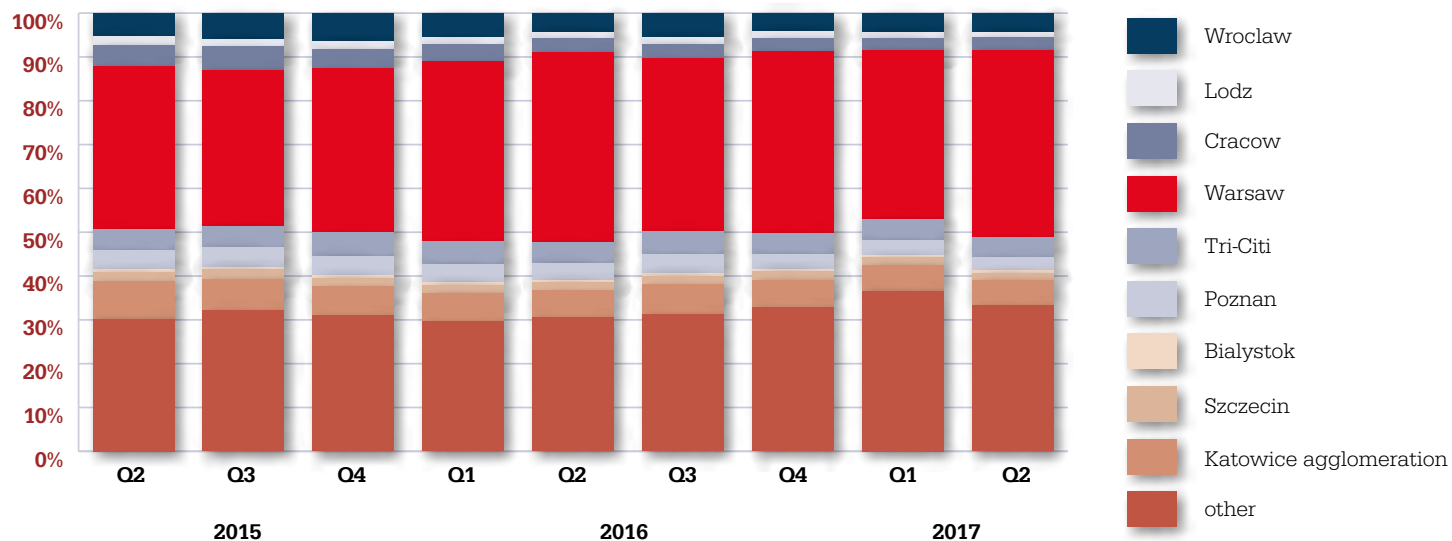
Source: SARFiN

Housing loans in major Polish cities

In Q2 2017, the share of housing loans granted in major Polish agglomerations increased by **3.35 p.p.** in relation to the previous quarter and amounted to **66.74%**. This is a result of significant increase in share of Warsaw in the structure of all new loans granted in Poland, which in analysed quarter amounted to **42.83%**, i.e. increased by **4.28 p.p.** In other agglomerations, only minimal changes were recorded.

In comparison to Q2 2016, a slight decreases in shares of particular agglomerations in the portfolio of newly granted housing loans were noted – the largest in share of Poznan (by **0.87 p.p.**) and Warsaw (by **0.44 p.p.**). Thus, the value of housing loan agreements concluded in Q2 2017 in the nine largest Polish agglomerations diminished by **2.73 p.p.** in relation to the same period last year.

Chart 10. Value of newly granted loans in major Polish cities in Q2 2015 – Q2 2017



Source: SARFIN

Table 7. Value of newly granted loans in major Polish cities in Q2 2015 – Q2 2017

quarter	other	Katowice agglomeration	Szczecin	Bialystok	Poznan	Tri-Citi	Warsaw	Cracow	Lodz	Wroclaw
Q2 2015	30.20%	8.60%	2.06%	0.71%	4.31%	4.81%	37.08%	5.00%	1.96%	5.27%
Q3 2015	32.10%	7.20%	2.14%	0.66%	4.38%	5.00%	35.54%	5.38%	1.58%	6.02%
Q4 2015	30.98%	6.64%	1.92%	0.63%	4.39%	5.37%	37.43%	4.54%	1.70%	6.41%
Q1 2016	29.66%	6.43%	1.83%	0.65%	4.18%	5.19%	40.98%	3.95%	1.61%	5.52%
Q2 2016	30.53%	6.21%	1.76%	0.62%	3.84%	4.74%	43.27%	3.22%	1.49%	4.31%
Q3 2016	31.22%	6.87%	2.01%	0.66%	4.19%	5.31%	39.40%	3.29%	1.60%	5.44%
Q4 2016	32.83%	6.29%	1.91%	0.63%	3.23%	5.01%	41.37%	3.12%	1.55%	4.06%
Q1 2017	36.61%	5.92%	1.75%	0.57%	3.26%	4.94%	38.55%	2.71%	1.20%	4.49%
Q2 2017	33.26%	5.80%	1.64%	0.54%	2.97%	4.62%	42.83%	2.81%	1.25%	4.28%

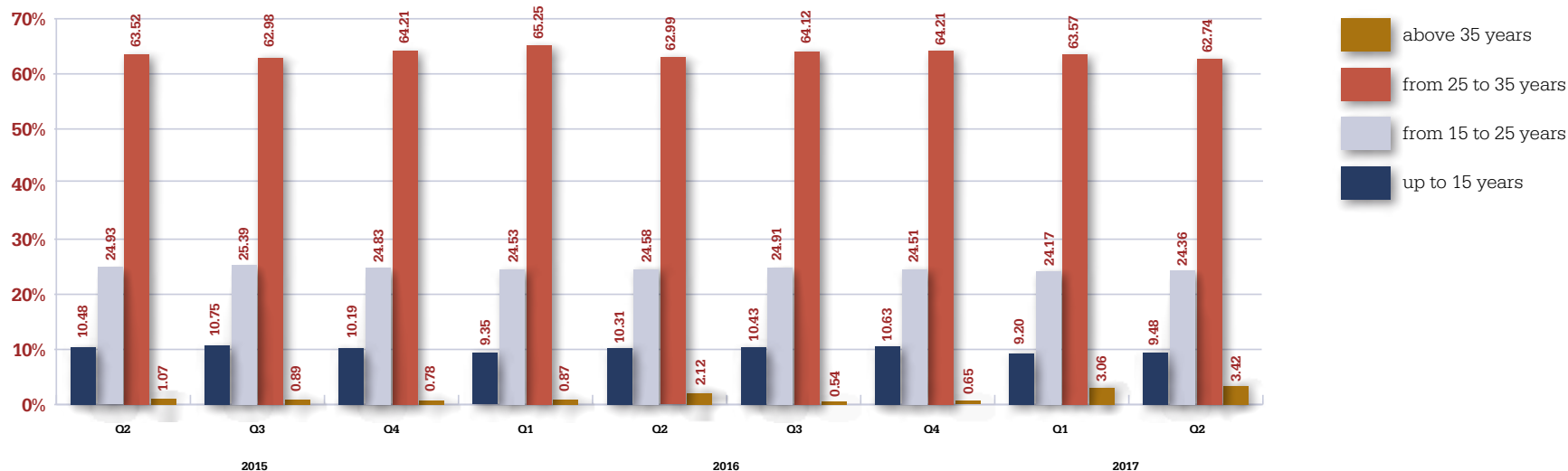
Source: SARFIN

Lending period

In Q2 2017, the share of the most popular housing loans with maturity period between 25 and 35 years in the value structure of new loans amounted to **62.74%**, i.e. by **0.83 p.p.** less in comparison to Q1 2017. As far as other categories are concerned, only minimal increases were recorded, the largest in case of loans granted for the period above 35 years – **by 0.36 p.p.**

In comparison to Q2 2016, only loans with maturity period above 35 years have gained popularity – their share in the overall structure of new housing loans increased by **1.30 p.p.** Shares of other categories of housing loans slightly decreased.

Chart 11. Structure of new loans by lending period in Q2 2015 – Q2 2017



Source: SARFiN

Table 8. Structure of new loans by lending period in Q2 2015 – Q2 2017

	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
up to 15 years	10.48%	10.75%	10.19%	9.35%	10.31%	10.43%	10.63%	9.20%	9.48%
from 15 to 25 years	24.93%	25.39%	24.83%	24.53%	24.58%	24.91%	24.51%	24.17%	24.36%
from 25 to 35 years	63.52%	62.98%	64.21%	65.25%	62.99%	64.12%	64.21%	63.57%	62.74%
above 35 years	1.07%	0.89%	0.78%	0.87%	2.12%	0.54%	0.65%	3.06%	3.42%

Source: SARFiN

Housing Availability Index M3 – HAI M3

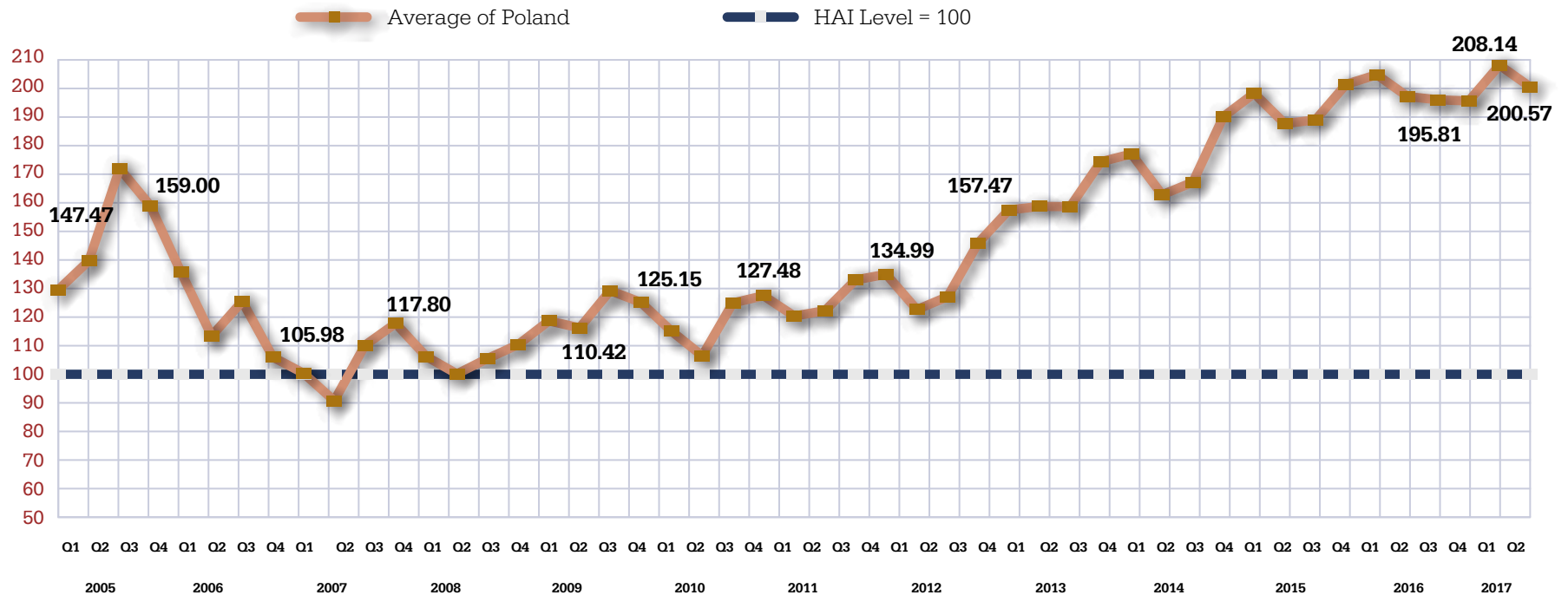
Housing Availability Index (HAI M3), a synthetic measure presented in AMRON-SARFiN Reports, shows quarterly changes in availability of housing units in Poland for the exemplary family comprising of two employed adults with one older child. Significant increase of dwelling availability in Q2 2017 was influenced by the following factors:

- a slight increase of housing prices in monitored cities in order to calculate HAI M3 Index (8 biggest cities) – by **0.89%** in relation to Q1 2017;
- an unnoticeable decrease in the average interest rate of loans granted in Q2 2017 – according to National Bank of Poland, it diminished by **0.02 p.p.** – the real interest rate of loans granted in Q2 2017 amounted to **4.60%** (in the previous quarter – **4.62%**);

- a decrease in the average family income by **3.05%** in Q2 2017 in comparison to the previous quarter;
- 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), increased by inflation rate (**0.03%**).

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) decreased by **2.98%** and therefore the Index diminished in Q2 2017 by **7.57 points**.

Chart 12. Housing Availability Index M3 for the period from Q1 2005 to Q2 2017



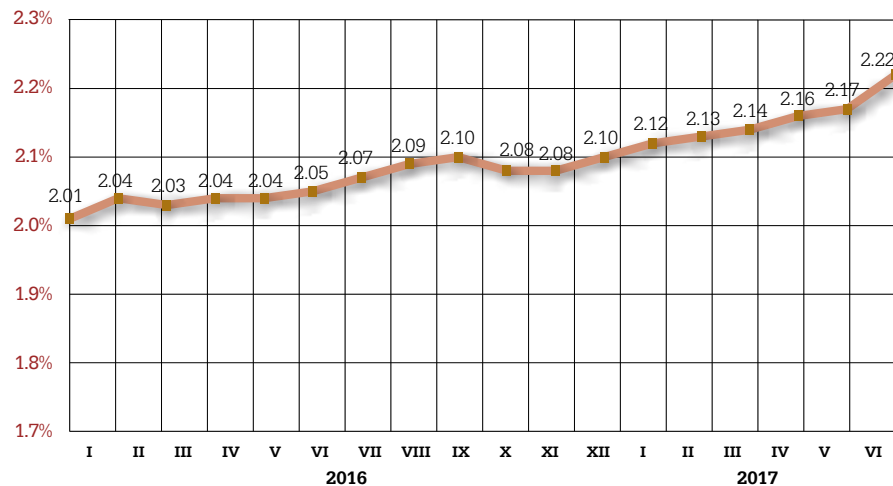
Source: Polish Banks Association

Average margin levels and mortgage interest rates

The average margin of an exemplary mortgage loan (in amount of PLN 300 000, at the LtV ratio of 75% and granted for the period of 25 years) systematically increases from the beginning of 2016. In Q2 2017 it

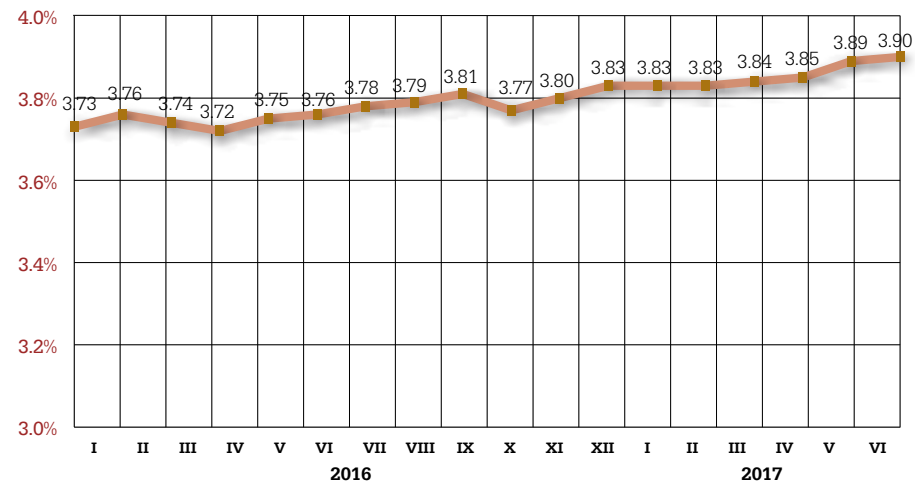
amounted to **2.22%**, i.e. **by 0.08 p.p.** more in relation to March 2017. The NBP's reference rate was maintained at the level of **1.50%**, WIBOR 3M remained at the level of **1.73%** and the average interest rate of housing loan at the end of Q2 2017 accounted for **3.90%**, which meant an increase by **0.06 p.p.** in comparison to the end of Q1 this year.

Chart 13. Average margin of a housing loan in January 2016 – June 2017



Source: AMRON Centre based on banks' credit offers

Chart 14. Average interest rate of a housing loan in January 2016 – June 2017



Source: AMRON Centre based on banks' credit offers

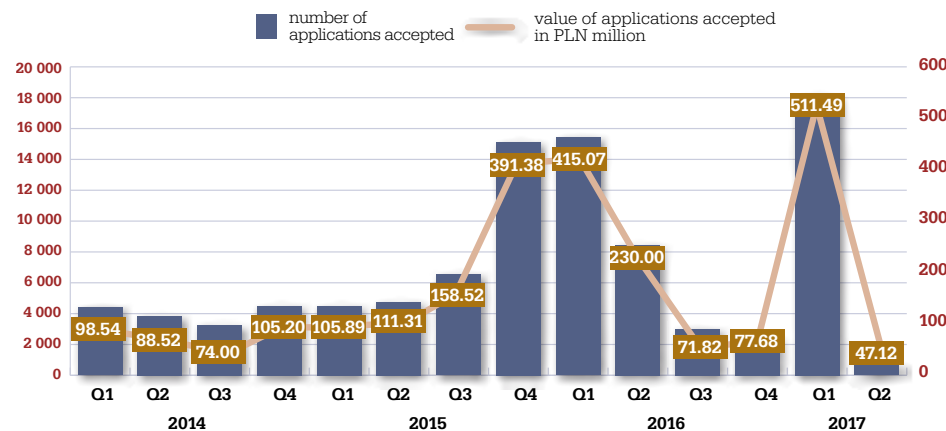
'Flat for Youth' Programme

Due to the suspension of accepting applications for subsidies under the 'Flat for Youth' Programme from both funds reserved for 2017 (January 31) and 2018 (April 7), only **1 701** applications were accepted in Q2 2017 for the amount of subsidies accounting for **PLN 47.117 million**. In the period from April to June, **5 659** loan agreements for a total amount accounting for **PLN 1 065.2 million** and the amount of subsidies accounting for **PLN 162.8 million** were concluded. This represented **11.36%** of the number and **9.11%** of the value of all new housing loan agreements signed in the period from April to June this year.

In the period from January 1, 2014 to June 30, 2017, **95 959** applications for subsidy of the purchase of dwellings were accepted for the total amount of **PLN 2.487 billion**. In the same period, **95 311** loan agreements were concluded on the basis of the Act on state aid in young people first housing purchase for a total amount of **PLN 16.708 billion**. Total amount of the financial support resulting from signed agreements accounted for **PLN 2.466 billion**. Loans granted under the Programme accounted for **12.08%** of total banks' lending activity in terms of value and **15.04%** in terms of number of new loans.

As for March 31, 2017, total amount of state support for borrowers' downpayment and additional financial support to repay part of the housing loan reserved for disbursements (in case of birth or adoption a third child in the period of 5 years from the date of signing the purchase agreement) amounted to **PLN 2.490 billion**. **8.32%** of this amount was paid from funds reserved for subsidies in 2014, **20.91%** came from the Programme's budget earmarked for 2015, **28.17%** – for 2016, for 2017 – **27.29%** and **15.30%** – from funds for 2018.

Chart 15. Number and value of subsidy to loan applications approved by banks in Q1 2014 – Q2 2017 – 'Flat for Youth' Programme



Source: BGK

The average floor area of a dwelling acquired in the Programme amounted to **53.92 sq.m.** and a detached house – **87.06 sq.m.**, while the average price was equal to **PLN 219 thousand** for dwellings and **PLN 293 thousand** for houses.

In Q2 2017, the maximum price per square meter of a housing in 'Flat for Youth' Programme was reduced in Lodz (by **PLN 46.20** for primary market and by **PLN 37.80** for secondary market) and Warsaw (for primary market by **PLN 28.87** and for secondary market by **PLN 23.55**). Maximum prices of dwellings in Wroclaw, Cracow and Poznan increased respectively by **PLN 112.75**, **PLN 12.65** and **PLN 11.55** for primary market and by **PLN 92.25**, **PLN 10.35** and **PLN 9.75** for housing units on secondary market.

Table 9. Price limits in 'Flat for Youth' Programme in selected Polish cities – comparison of Q1 2017 and Q2 2017

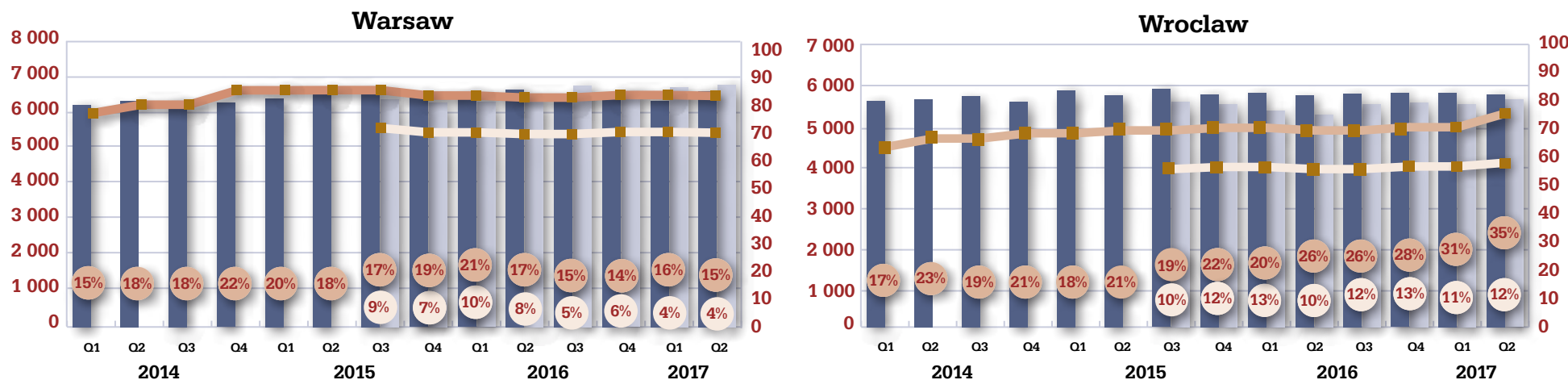
City	price limits in the 'Flat for Youth' Programme – primary market (price per 1 sq.m.)	change on primary market Q2 2017/Q1 2017	price limits in the 'Flat for Youth' Programme – secondary market (price per 1 sq.m.)	change on secondary market Q2 2017/Q1 2017
Warsaw	PLN 6 404.65	PLN – 28.78	PLN 5 240.16	PLN – 23.55
Wroclaw	PLN 5 371.85	PLN 112.75	PLN 4 395.15	PLN 92.25
Gdansk	PLN 5 229.40	PLN 0.00	PLN 4 278.60	PLN 0.00
Cracow	PLN 5 260.20	PLN 12.65	PLN 4 303.80	PLN 10.35
Poznan	PLN 5 722.75	PLN 11.55	PLN 4 682.55	PLN 9.75
Lodz	PLN 4 154.70	PLN – 46.20	PLN 3 399.30	PLN – 37.80

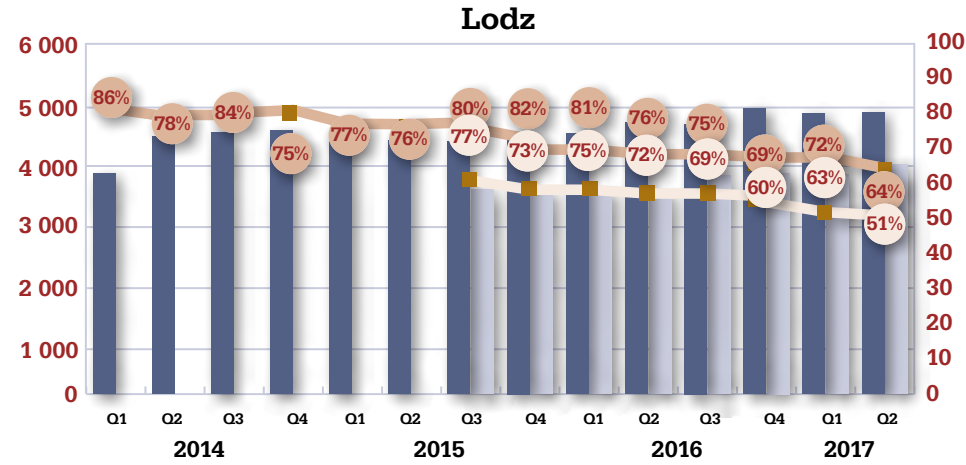
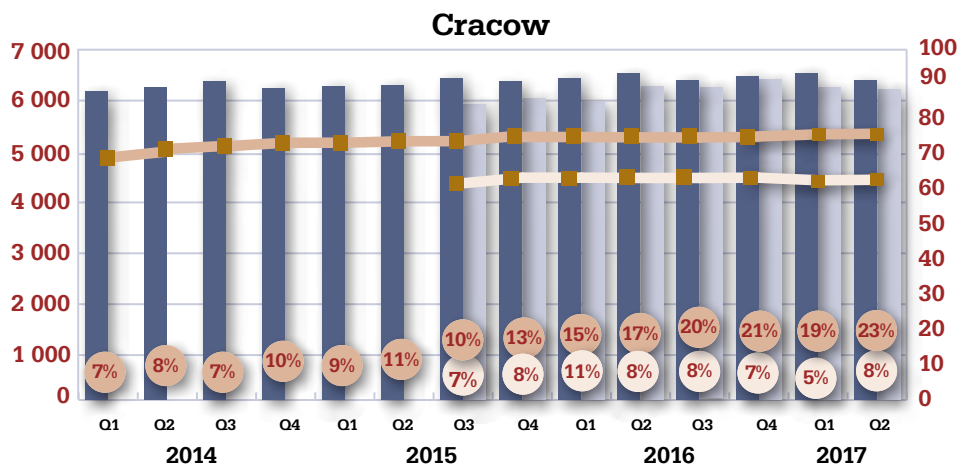
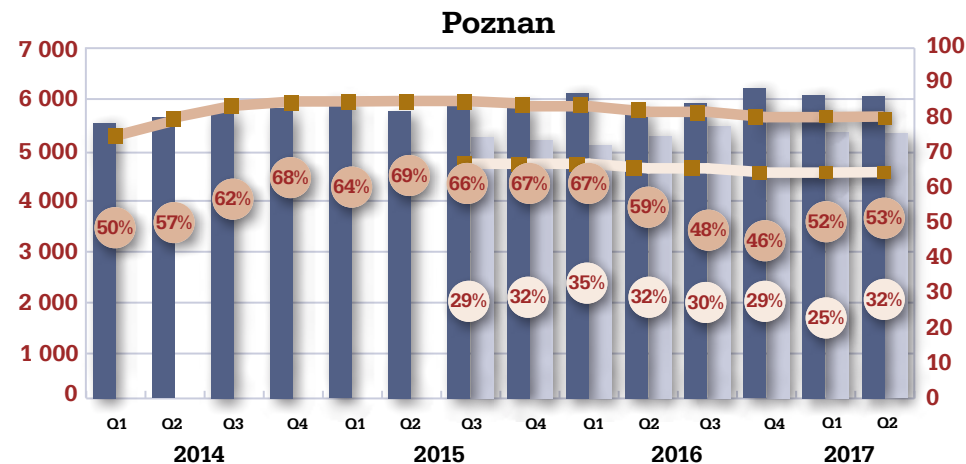
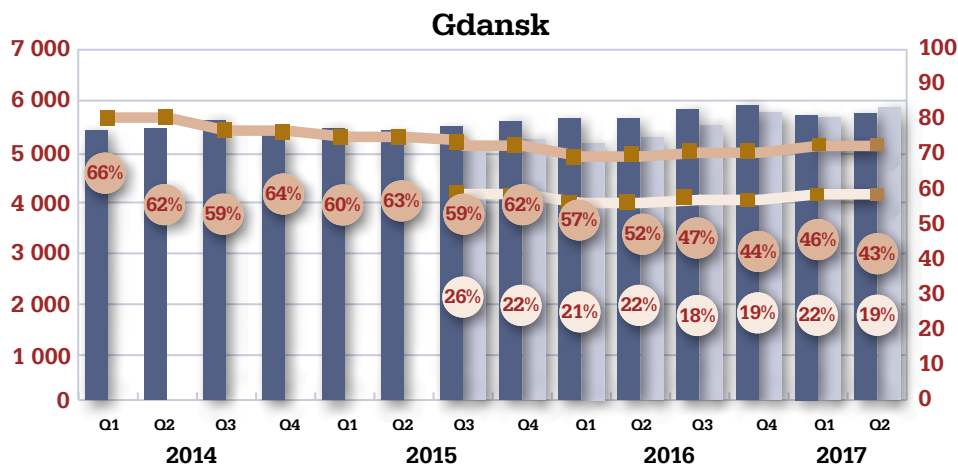
the price limits per 1 sq.m. of dwelling in the 'Flat for Youth' Programme change twice a year – for the Pomeranian voivodship in January and July, for the other provinces – in April and October
Source: BGK

Extracting the transactions concluded in Q2 2017 with price per square meter and floor area within the limits of 'Flat for Youth' Programme, enabled to identify the availability of the Programme in the biggest Polish cities. In analysed quarter, the largest percentage of transactions, which met the conditions of the 'Flat for Youth' Programme, was noted in Lodz – **64%** of all transactions concluded on primary market and **51%** on secondary market. In worse situation were potential buyers

of dwellings in Poznan and Gdansk, where respectively **53%** and **43%** of transactions on primary market and **32%** and **19%** on secondary market concerned flats below the limits. The worst situation in terms of the Programme's availability was in Warsaw – **15%** of all transactions concluded on primary market and only **4%** of flats sold on secondary market met the requirements of the Programme.

Chart 16. Comparison of average transaction prices per 1 sq.m. of flats in Q1 2014 – Q2 2017 and price limits in 'Flat for Youth' Programme





■ average transaction prices - primary market
■ average transaction prices - secondary market
— "Flat for Youth" Programme - price limits per 1 sq. m. on primary market
— "Flat for Youth" Programme - price limits per 1 sq. m. on secondary market
● transaction corresponding to price limits of the "Flat for Youth" Programme - primary market
● transaction corresponding to price limits of the "Flat for Youth" Programme - secondary market

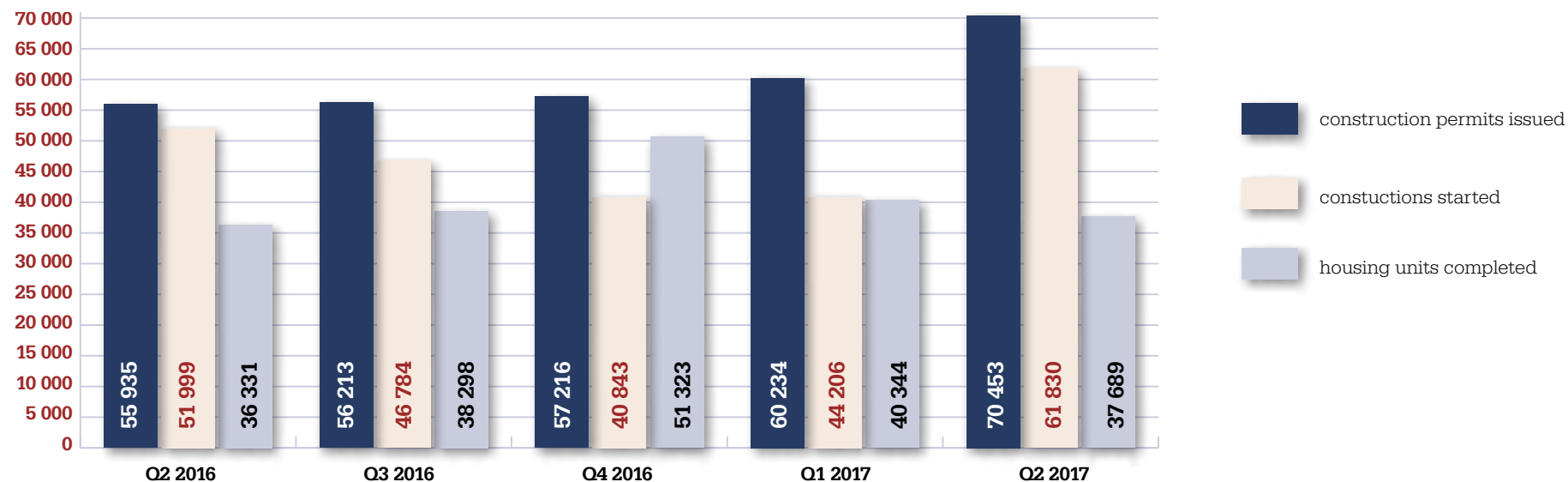
Source: BGK, AMRON

Situation on housing market

The newest data published by the Central Statistical Office (GUS) confirmed the very good condition of Polish housing sector. In Q2 2017, permits for construction of **70 453** were issued and **61 830** new dwellings were started, i.e. respectively more by **16.97%** and **39.87%** than in the previous quarter. The number of dwellings completed in the period from April to June 2017 decreased by **7.14%** on a quarterly basis and amounted to **37 689**.

In comparison to Q2 last year, increases were recorded in all categories. In Q2 2017 the number of construction permits issued increased by **25.91%**, the number of constructions started – by **18.91%** and the number of completed dwellings – by **3.77%**.

Chart 17. Number of construction permits issued, constructions started and housing units completed in Q2 2016 – Q2 2017



Source: Central Statistical Office

The period from April to June 2017 was another very successful quarter for the developers' sector. Despite lack of subsidies from the 'Flat for Youth' Programme, sales remained on a high level and supply corresponded to the growing demand. According to GUS data, in Q2 2017 developers completed **18 464** housing units, which represented

a slight decrease in comparison to the previous quarter – by **2.61%**. The number of construction permits issued and construction started increased respectively by **14.68%** and **31.93%**. In analysed quarter, developers started construction of **30 595** dwellings and obtained permits for construction of further **38 033** flats.

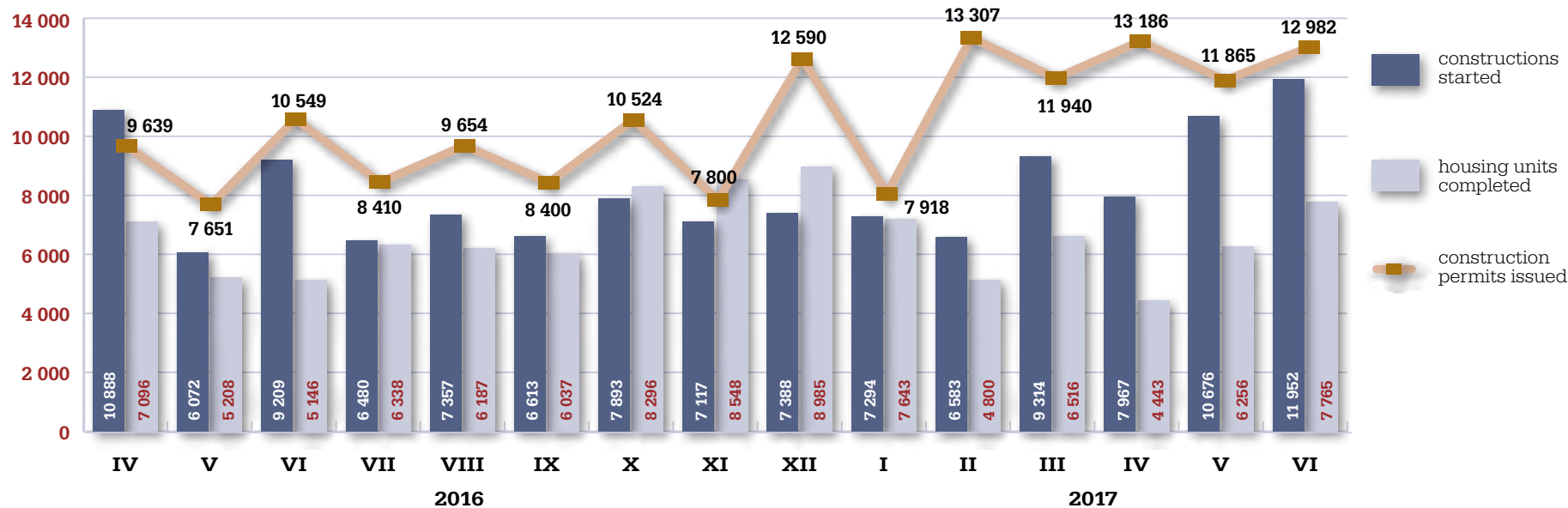
In relation to Q2 last year, number of construction permits grew by **36.62%**, number of started constructions of dwellings – by **16.91%** and number of completed dwellings by **5.81%**.

Construction permits obtained by developers accounted for **53.98%** of all permits issued in Q2 2017 (less by **1.08 p.p.** than in Q1 2017). Investments started by developers accounted for **49.48%** of all new projects (less by **2.98 p.p.**) and dwellings completed by developers'

sector amounted to **48.99%** of all new units ready to move in (more by **2.28 p.p.** in comparison to the previous quarter).

The number of construction permits obtained by developers in the first half of 2017 accounted for almost **67%** of the result from the previous year, the number of construction started – almost **63%** and the number of dwellings completed exceeded **47%** of the result of 2016. If developers' results maintain high, we will witness another record-breaking year on the housing market.

Chart 18. Number of construction permits issued, constructions started and housing units completed by developers in April 2016 – August 2017, monthly



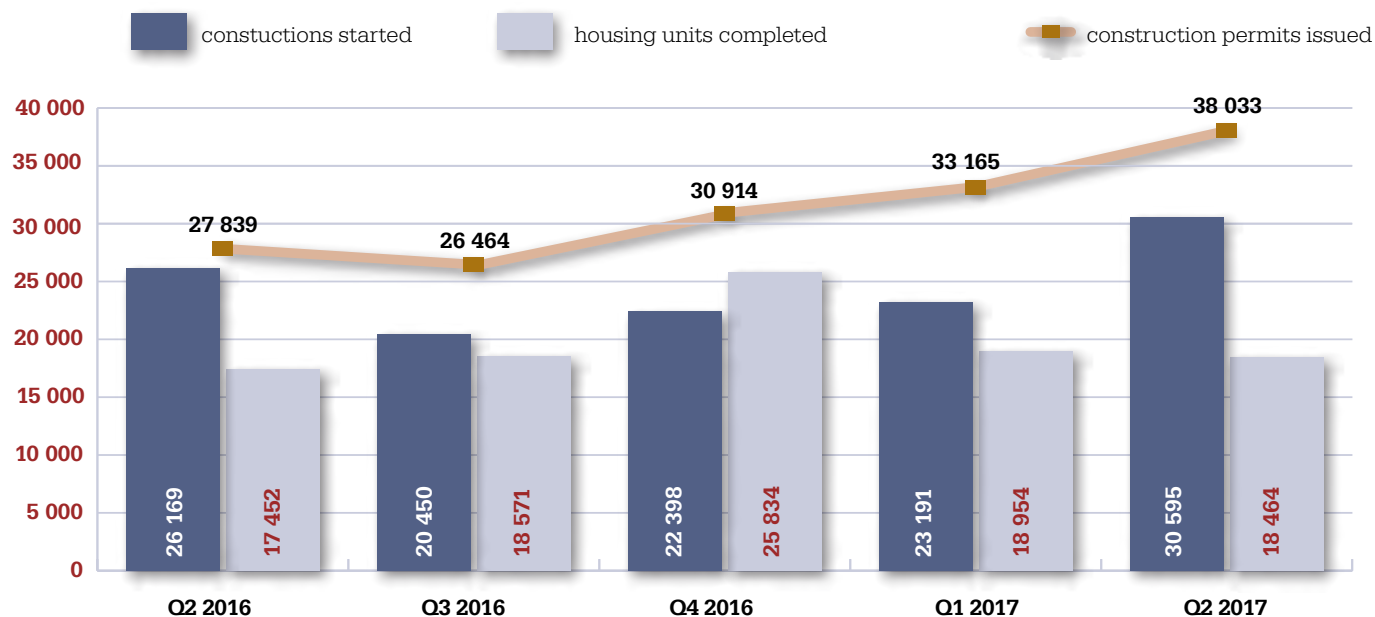
Source: Central Statistical Office

Table 10. Number of construction permits issued, constructions started and housing units completed by developers in Q2 2016 – Q2 2017

	2016			2017	
	Q2	Q3	Q4	Q1	Q2
Construction permits issued	27 839	26 464	30 914	33 165	38 033
Constructions started	26 169	20 450	22 398	23 191	30 595
Housing units completed	17 450	18 562	25 829	18 959	18 464

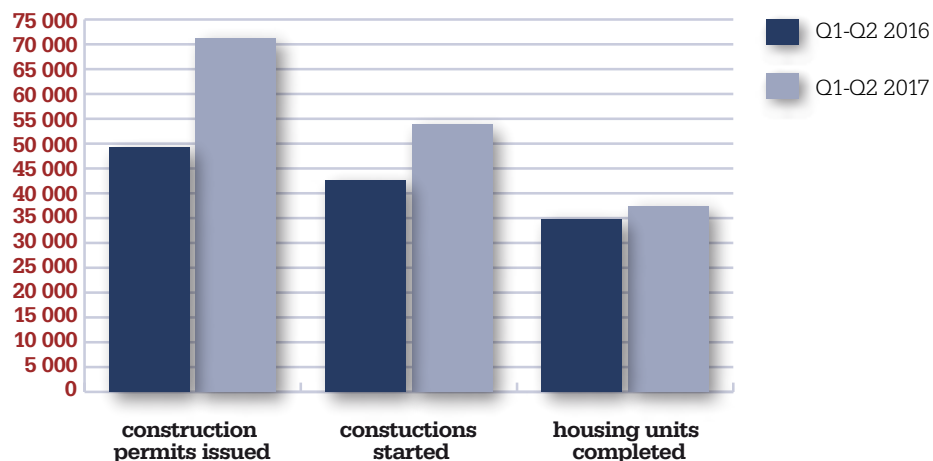
Source: Central Statistical Office

Chart 19. Number of construction permits issued, constructions started and housing units completed by developers in Q2 2016 – Q2 2017, quarterly



Source: Central Statistical Office

Chart 20. Comparison of numbers of construction permits issued, constructions started and housing units completed by developers in Q1 – Q2 2016 and Q1 – Q2 2017



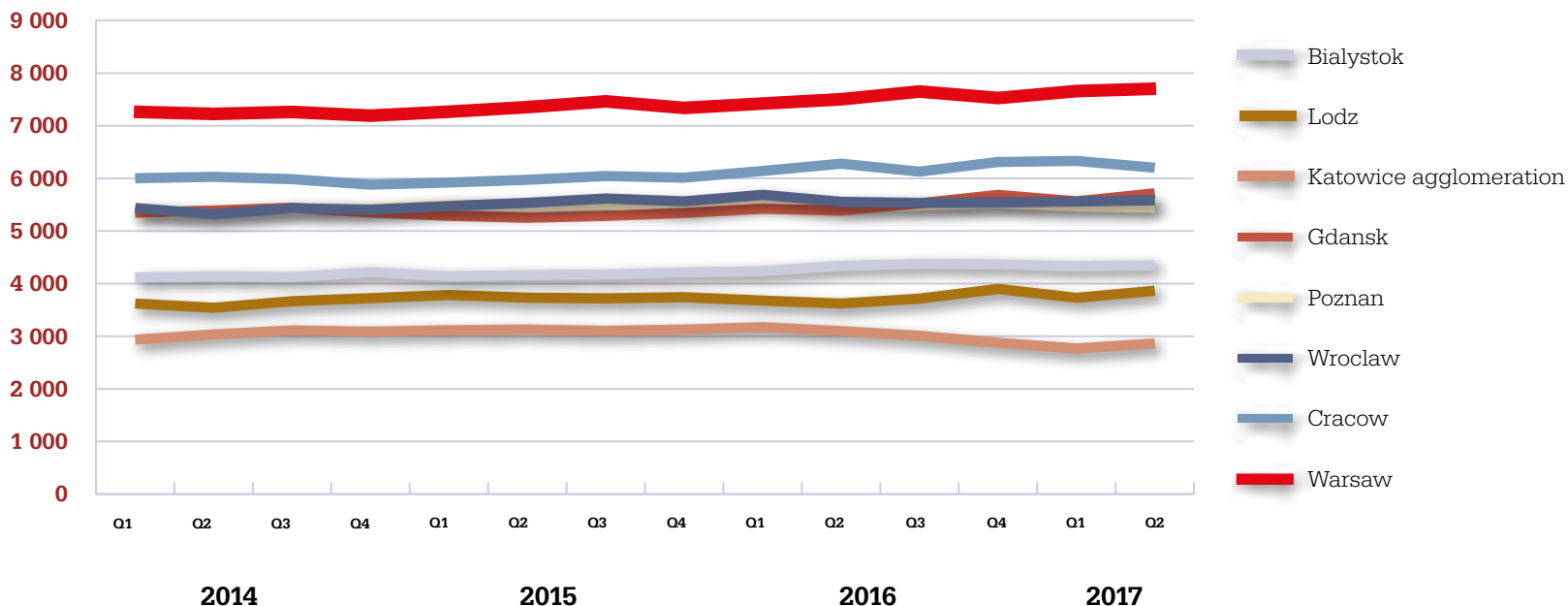
Source: Central Statistical Office

Average transaction prices of housing units

In Q2 2017, a decrease in an average transaction price per 1 square meter of floor area of dwelling was recorded only in Cracow – by **PLN 130 /sq.m.** in comparison to Q1 this year. In Wroclaw, Poznan and Bialystok the average price remained at the level of the previous quarter. In other agglomerations, increases in the average price of dwellings were noted – in Gdansk by **PLN 156 /sq.m.**, in Lodz by **PLN 135 /sq.m.**, in Katowice agglomeration by **PLN 96 /sq.m.**, and in Warsaw by **PLN 45 /sq.m.**

In relation to the corresponding period of 2016, a decrease in the average transaction price was recorded in Katowice agglomeration (by **PLN 235 /sq.m.**) and in Cracow (by **PLN 77 /sq.m.**). In Bialystok, Poznan and Wroclaw prices remained at the level of Q2 last year. In other analysed cities increases were recorded – in Gdansk by **PLN 330 /sq.m.**, in Lodz by **PLN 243 /sq.m.** and in Warsaw by **PLN 201 /sq.m.**

Chart 21. Average transaction prices per square meter of a housing unit in selected cities in Q1 2014 – Q2 2017



Source: AMRON

Table 11. Average transaction price per square meter of a housing unit in selected cities in Q1 2014 – Q2 2017

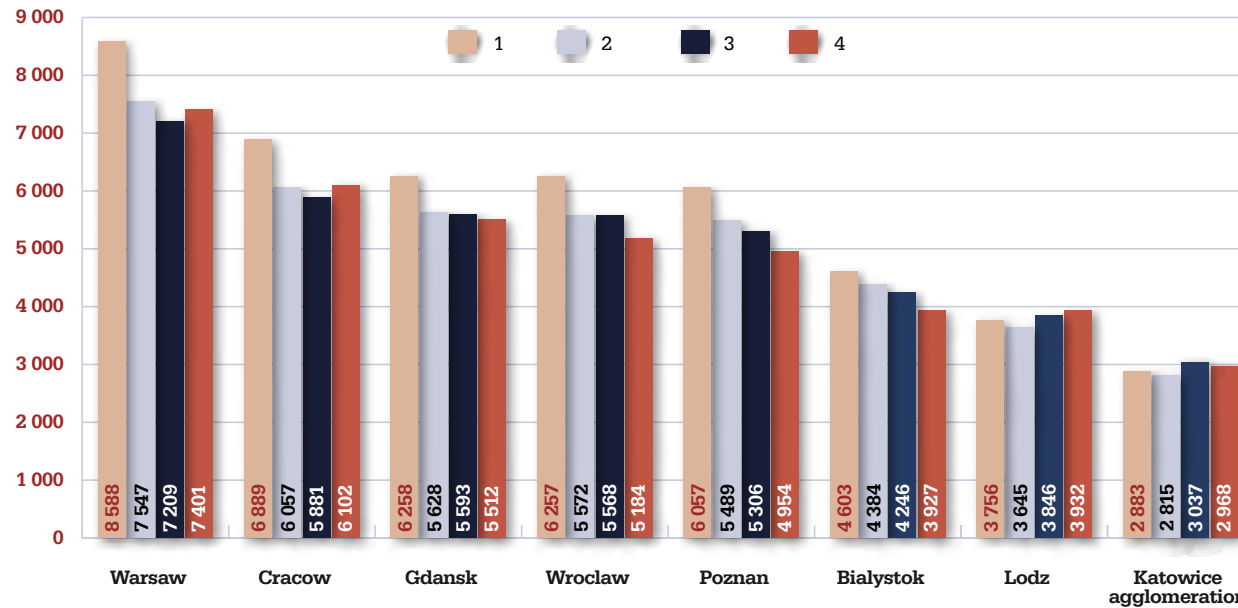
		Warsaw	Bialystok	Katowice agglomeration	Wroclaw	Gdansk	Cracow	Poznan	Lodz
2014	Q1	7 265	4 117	2 934	5 436	5 347	6 003	5 343	3 621
	Q2	7 225	4 137	3 034	5 318	5 388	6 029	5 364	3 540
	Q3	7 262	4 126	3 111	5 432	5 441	5 985	5 420	3 665
	Q4	7 192	4 216	3 088	5 406	5 352	5 880	5 432	3 724
2015	Q1	7 267	4 140	3 114	5 475	5 289	5 921	5 509	3 782
	Q2	7 354	4 162	3 127	5 534	5 253	5 973	5 454	3 732
	Q3	7 463	4 174	3 103	5 617	5 287	6 044	5 502	3 720
	Q4	7 339	4 211	3 127	5 563	5 343	6 013	5 426	3 742
2016	Q1	7 422	4 238	3 172	5 687	5 423	6 141	5 564	3 677
	Q2	7 503	4 338	3 098	5 554	5 388	6 279	5 429	3 621
	Q3	7 651	4 374	3 008	5 533	5 525	6 128	5 489	3 714
	Q4	7 527	4 366	2 875	5 540	5 687	6 311	5 530	3 898
2017	Q1	7 659	4 330	2 767	5 560	5 562	6 332	5 465	3 729
	Q2	7 704	4 351	2 863	5 585	5 717	6 202	5 445	3 864

Source: AMRON

In six of the eight analysed cities, a strong correlation between the average price per square meter of floor area and the number of rooms in dwelling was noted, i.e. the greater number of rooms, the lower average price of a square meter. In all analysed segments, the highest prices were recorded in Warsaw. In Q2 2017, 1 square meter of a studio in the capital city cost **PLN 8 588**. The average price of dwellings with more rooms was significantly lower. A similar trend was also observed in other large

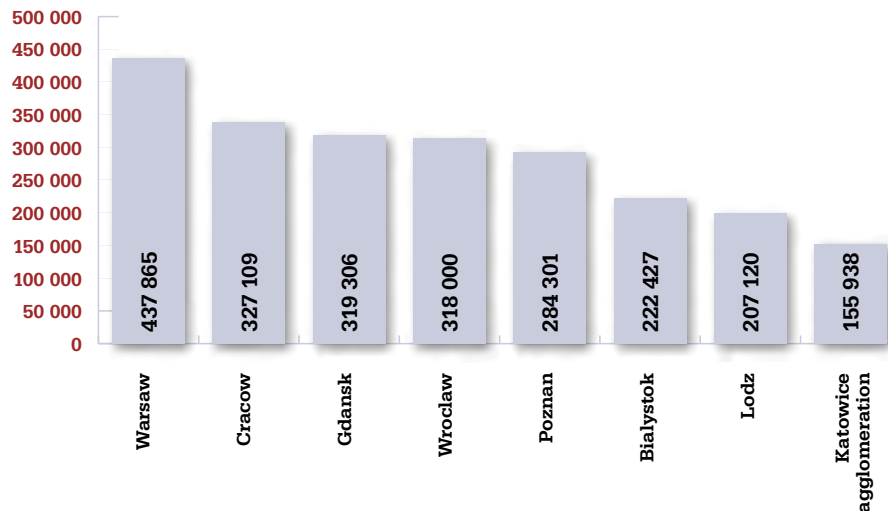
cities. Four-room dwellings were the exception, which in the largest agglomerations were treated as luxury goods due to the high total price. In locations, where prices of dwellings were lower and purchasers could afford to buy a larger flat, the trends were slightly different. The average price per square meter of a four-room dwelling in Lodz was higher than the price of 1 square meter of a studio, while in Katowice agglomeration prices of dwellings with different number of rooms were similar.

Chart 22. Average transaction price per square meter of a housing unit in selected cities by the number of rooms in Q2 2017



Source: AMRON

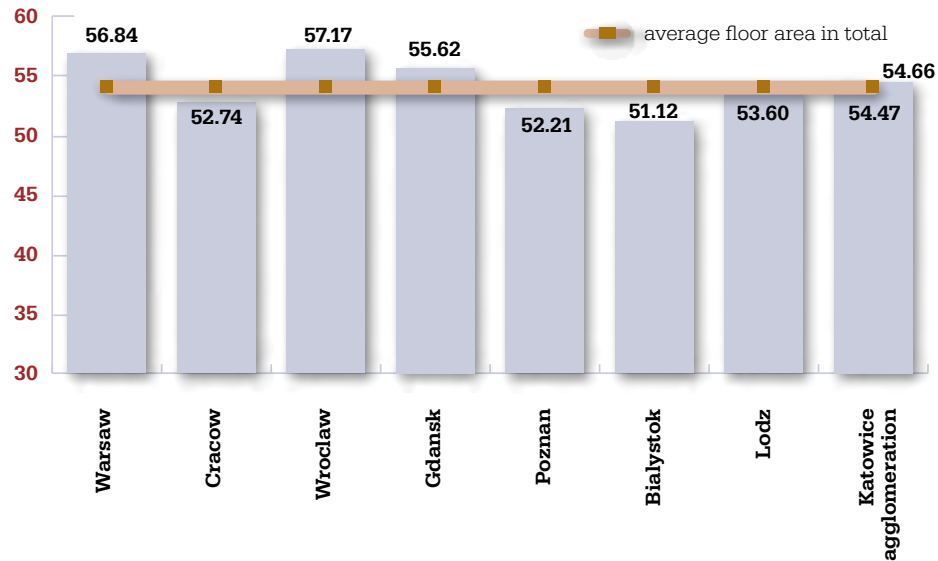
Chart 23. Total average transaction prices of housing units in selected cities in Q2 2017



Source: AMRON

The average floor area of dwelling purchased in Q2 2017 in eight major Polish cities diminished by **0.40 sq.m.** in comparison to the previous quarter and amounted to **54.66 sq.m.** Dwellings with useable area larger than average were bought in Warsaw (**56.84 sq.m.**), Gdansk (**57.17 sq.m.**), Wroclaw (**56.62 sq.m.**) and Katowice agglomeration (**54.47 sq.m.**). The smallest dwellings were traded in Bialystok, where the average floor area accounted for **51.12 sq.m.**

Chart 24. Average floor area of housing units in selected cities in Q2 2017 (sq.m.)



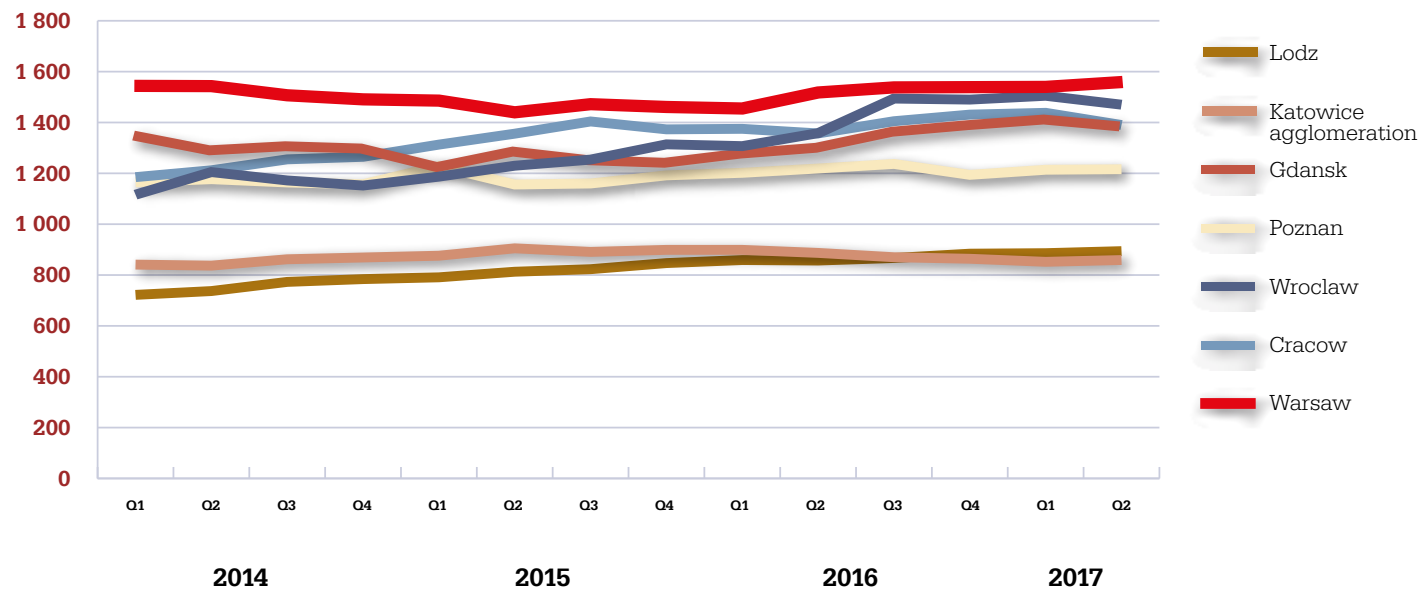
* in 8 surveyed locations
Source: AMRON

Average rent rates of housing units

An analysis based on housing rent agreements signed in the period from Q1 2014 to Q2 2017 indicates that the rent rates in Warsaw, which have been systematically growing since 2016, were still the highest. In Q2 2017, an average rent rate per month amounted to **PLN 1 559** for a dwelling in capital city, which was more by **PLN 700** than the average rent rate recorded in the same period in Katowice and by **PLN 665** more than in Lodz. Katowice and Lodz are comparable markets in terms of dynamics of the market changes – during last eight months, rent rates in those cities were similar.

Due to slight increases in rent rates recorded in the last quarter in Warsaw and decreases noted in average rents in Wroclaw and Cracow, the price distance between the capital city and the above mentioned cities began to increase again. In Q2 this year, difference in average rent rates between Warsaw and Wroclaw amounted to **PLN 89** (an increase by **PLN 54** quarterly), between Warsaw and Cracow – **PLN 169** (an increase by **PLN 67**) and between Warsaw and Gdansk – **PLN 170** (an increase by **PLN 46**). Average rent rates in Cracow and Gdansk were similar during last three quarters and in Q2 2017 were almost equal.

Chart 25. Average rent rates of a housing unit in selected cities in Q1 2014 – Q2 2017



Source: AMRON

Table 12. Average rent rates of a housing unit in selected cities in Q1 2014 – Q2 2017

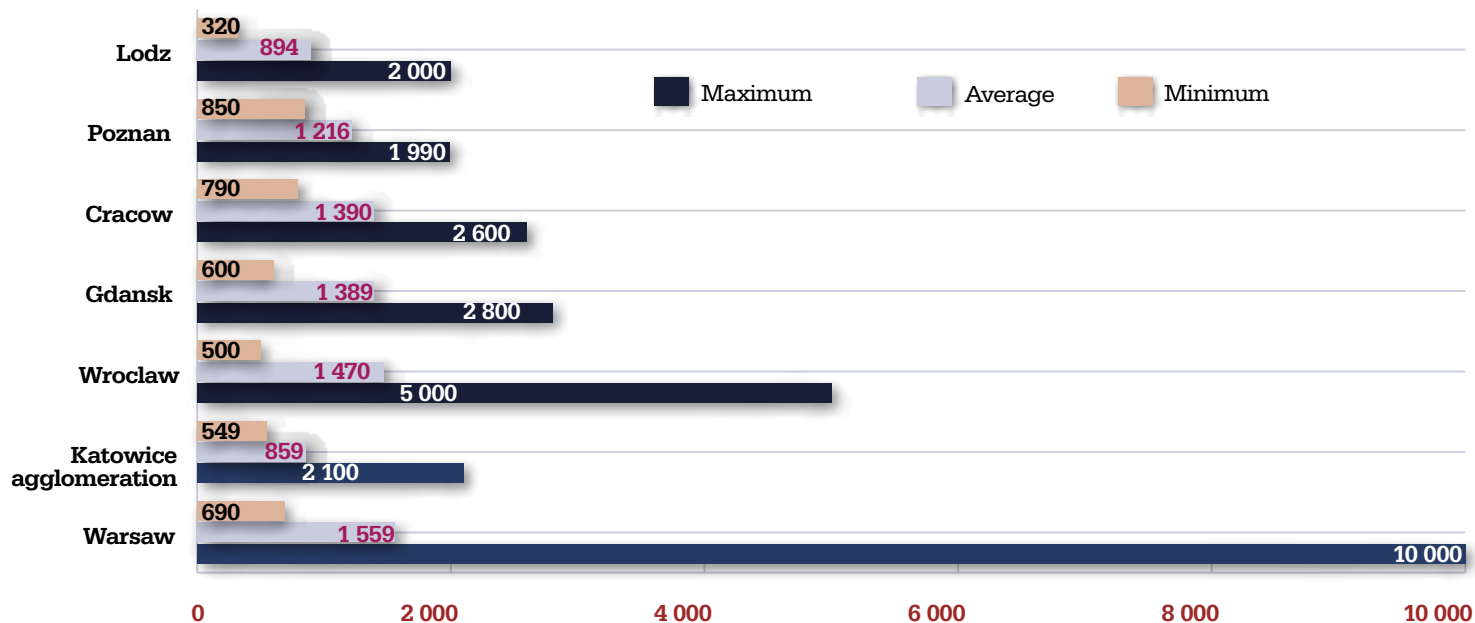
		Warsaw	Katowice	Wroclaw	Gdansk	Cracow	Poznan	Lodz
2014	Q1	1 544	841	1 116	1 353	1 185	1 165	722
	Q2	1 543	837	1 205	1 295	1 212	1 177	737
	Q3	1 507	862	1 172	1 311	1 255	1 164	773
	Q4	1 491	869	1 152	1 302	1 265	1 157	784
2015	Q1	1 486	876	1 187	1 229	1 313	1 228	791
	Q2	1 440	905	1 230	1 290	1 356	1 156	813
	Q3	1 472	891	1 254	1 256	1 404	1 160	823
	Q4	1 461	899	1 314	1 246	1 373	1 192	847
2016	Q1	1 455	899	1 307	1 282	1 375	1 202	859
	Q2	1 518	887	1 358	1 305	1 357	1 219	857
	Q3	1 538	870	1 494	1 368	1 405	1 237	867
	Q4	1 539	864	1 490	1 394	1 431	1 194	884
2017	Q1	1 540	852	1 505	1 416	1 438	1 214	886
	Q2	1 559	859	1 470	1 389	1 390	1 216	894

Source: AMRON

Based on current lease agreements, the highest average rent rates were recorded in Warsaw (**PLN 1 559**), Wrocław (**PLN 1 470**), Cracow (**PLN 1 390**) and Gdansk (**PLN 1 389**). The lowest average rate was noted in Katowice (**PLN 859**). The greatest spread was noted in Warsaw

(**PLN 9 310**) and the smallest – in Poznan (**PLN 1 140**). Poznan was the city, where the maximum rent rate was the lowest in the whole classification (**PLN 1 990**), while the lowest monthly rent was recorded in Lodz (**PLN 320**).

Chart 26. The range of rent rates of a housing unit in selected cities on the basis of the current rental agreements

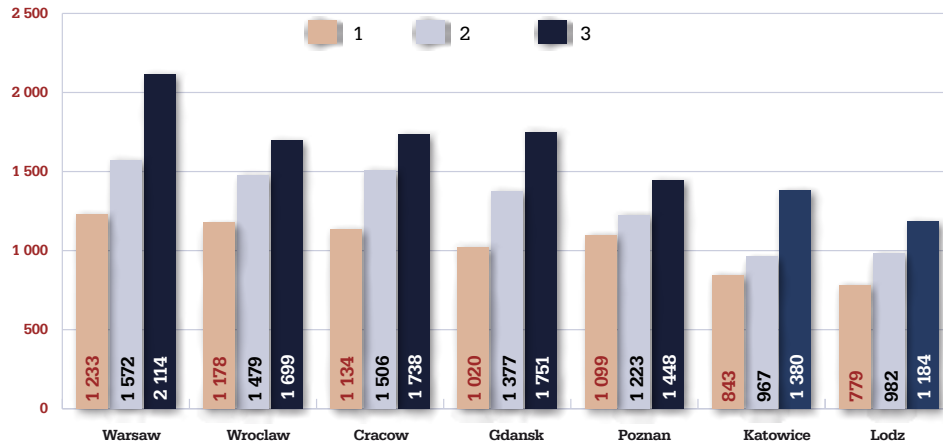


Source: AMRON

In all analysed housing size categories, the highest average rent rates (based on current rent agreements) were observed in Warsaw. The second most expensive city in terms of average rents for one-room studios was Wrocław, where it amounted to **PLN 1 178** per month. The second highest rents for two-room flats were recorded in Cracow, where

an average rent amounted to **PLN 1 506**, while in case of three-room dwellings it was Gdansk with an average rent at the level of **PLN 1 751**. The lowest rent rates for one-room and three-room flats were recorded in Lodz (**PLN 779** and **PLN 1 184** respectively) and two-room dwellings – in Katowice (**PLN 967**).

Chart 27. Average rent rates of a housing unit in selected cities by number of rooms on the basis of the current rent agreements



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.



Commentary of AMRON Centre Partner

– Artur Bartnicki, President of Mzuri Sp. z o.o., Co-Managing Partner of Mzuri Group



Analysis of changes in rents in particular cities, based largely on data provided by Mzuri, points to interesting phenomena.

Over the last year (Q2 2017 compared to Q2 2016), the highest dynamics of average rent rates was observed in Wroclaw (increase by 8.2%), Gdansk (increase by 6.4%) and Lodz (increase by 4.3%). According to owners of dwellings for rent, situation in Poznan was the worst, where a slight decrease of average rent was recorded

(by -0.2%). However, it should be noted that Poznan was the city with the most stable average rents in 2016 – 2017.

Rents in Wroclaw and Gdansk caught-up the most rents in Warsaw. In Q2 2016 rents in Wroclaw were on average more than 10% lower than in Warsaw, in Q2 2017 the difference was only less than 6%. The rent distance between Warsaw and Gdansk decreased from 14% to less than 11%. The greatest difference in average rents in relation to Warsaw (currently 44.9%) was noted in Katowice, whereas last year it was Lodz (43.5% in Q2 2016).

At the same time, Wroclaw and Cracow were two cities, where in Q2 2017 average rent was adjusted compared to the previous quarter. Decrease in Wroclaw amounted to 2.3%, and in Cracow – 3.3%. We do

not expect this to be a lasting trend – in our opinion this is rather a short-term phenomenon.

Rents in Warsaw, which is the largest rental market in Poland (about 120-140 thousand dwellings for rent according to estimates by Mzuri), slightly increased both on a quarterly basis (by 1.2%) as well as on an annual basis (by 2.7%). This is certainly good information for owners of dwellings for rent.

When analysing the dynamics of rents, it is important to remember that the sample of flats, on which this report is based on, primarily consists of one-room studios and two-room dwellings. Dynamics of rents for large units (three and more bedroom dwellings) may be different, but the data for such flats represent a relatively low share to draw reasonable conclusions.

It will be interesting to compare average rents after Q3 2017, because the period from June to September is the time when the large number of lease agreements expires, and therefore the rents are usually changed (during the twelve-month period of lease agreements of dwellings managed by Mzuri, we do not change rents), therefore period from mid-July to the end of October is so-called high season, when the greatest interest in renting apartments is noticed.

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.

Share of particular floor area segments in total turnover volume in Warsaw

In Q2 2017, there was recorded an increase in share of dwellings with floor area up to 35 sq.m., from 35 to 45 sq.m. and from 45 to 55 sq.m. in the overall turnover structure on Warsaw residential market – respectively by **0.65 p.p.**, **1.72 p.p.** and **0.42 p.p.** in relation to Q1 this year. Share of other categories of dwellings in terms of floor area decreased – the largest reductions have been recorded in segment of flats in the size category of 55 – 65 sq.m. (by **0.82 p.p.**).

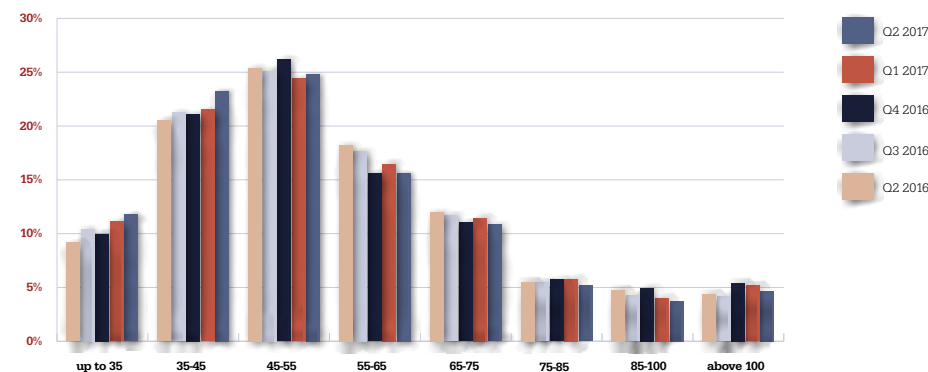
In comparison to Q2 2016, the popularity of the smallest dwellings increased. The share of flats with floor area up to 35 sq.m. in the total structure increased by **2.62 p.p.** and those with floor area from 35 to 45 sq.m. – by **2.77 p.p.** The percentage of dwellings with floor area exceeding 100 sq.m. did not change, while in other categories slight decreases were noted. The largest decrease – by **2.58 p.p.** – was noted in the share of dwellings with floor area from 55 to 65 sq.m.

Table 13. Share of particular floor area segments in total turnover volume on housing market in Warsaw in Q2 2016 – Q2 2017

floor area (sq.m.)	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
up to 35	9.17%	10.41%	9.99%	11.14%	11.79%
35 – 45	20.50%	21.25%	21.13%	21.55%	23.27%
45 – 55	25.39%	25.12%	26.18%	24.40%	24.82%
55 – 65	18.23%	17.68%	15.61%	16.47%	15.65%
65 – 75	11.99%	11.70%	11.02%	11.43%	10.85%
75 – 85	5.52%	5.44%	5.74%	5.79%	5.20%
85 – 100	4.78%	4.24%	4.94%	4.03%	3.75%
above 100	4.41%	4.16%	5.39%	5.19%	4.67%

Source: AMRON

Chart 28. Share of particular floor area segments in total turnover volume on housing market in Warsaw in Q2 2016 – Q2 2017



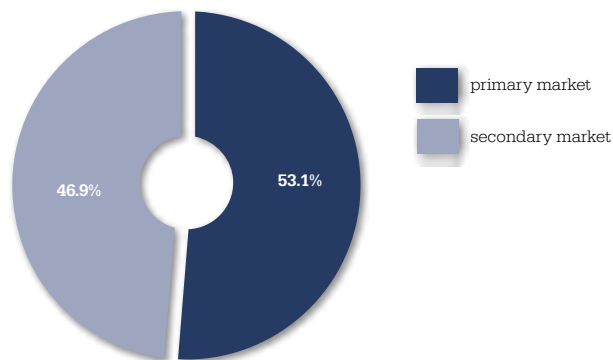
Source: AMRON

Turnover structure of the Warsaw housing market

In Q2 this year, **53.1%** of transactions concluded on Warsaw real estate market concerned the primary market and **46.9%** were concluded on the secondary market.

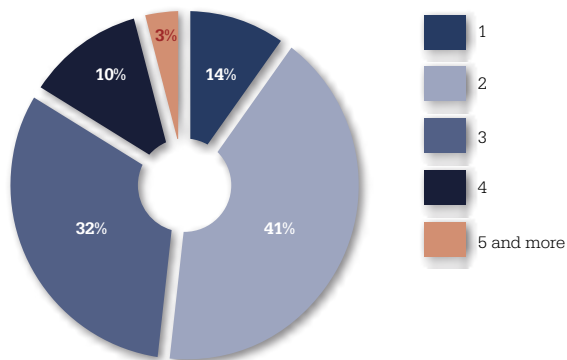
In the period from April to June 2017, one-room flats accounted for **14%** of the overall turnover structure on Warsaw housing market, which meant an increase by **4%** in comparison to the previous quarter. The popularity of two-room dwellings also increased (by **2%**), while the share of three, four and at least five-room dwellings decreased respectively by **2%**, **3%** and **1%**.

Chart 29. Turnover structure on Warsaw housing market – primary and secondary market in Q2 2017



Source: AMRON

Chart 30. Turnover structure on Warsaw housing market in terms of number of rooms in Q2 2017



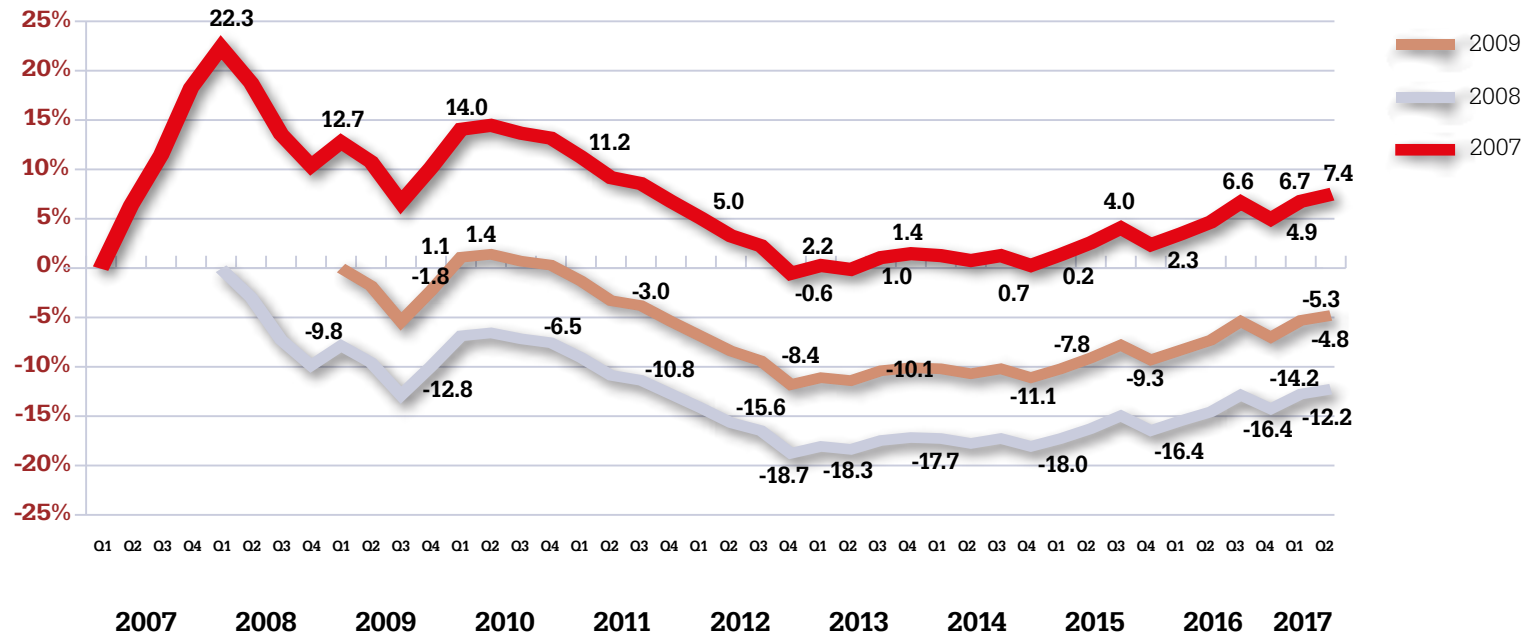
Source: AMRON

Changes in mortgage collaterals value

Simulation of mortgage collaterals value changes conducted for loans granted in in Q1 2007, Q1 2008 and Q1 2009, based on the analysis of the average transaction prices on Warsaw housing market, showed that borrowers, who have signed mortgage loan agreements in Q1 2008, are in the most difficult situation. At that time, the average transaction price in Warsaw reached the maximum. In terms of current level of transaction prices, decrease in value of properties that constitute collaterals of those loans at the end of Q2 2017 accounted for **12.2%** (in Q1 it was **12.7%**). In relation to Q1 2009, the value of properties decreased by **4.8%** (it was **5.3%** in the previous year). The best result of simulation was noted for loans secured with mortgage established in Q1 2007, when prices were still quite low – an increase noted for these properties amounted to **7.4%** (**0.6 p.p.** more than in Q1 2017).

In the period from Q1 2007 to Q2 2017, Warsaw housing market was characterized by the greatest amplitude of average transaction prices changes and therefore it can be concluded that the situation in other cities is better. Moreover, it should also be taken into consideration that the majority of housing loans was granted for the amount not exceeding 80% of collateral value, and also a significant part of the debt has already been repaid. The analysis of changes in property prices confirmed that the maximum decrease of real estate values was recorded between 2008 and 2011 and since 2013, a systematic increase in transaction prices has been observed. Thus, the loss of property value should not be a barrier in potential sale of mortgaged real estate, the only obstacle may be an increase in exchange rates in cases when loans were granted in foreign currencies.

Chart 31. Value changes indicators of mortgage collateral of loans granted in Q1 2007 – Q2 2017



Source: AMRON

AMRON and SARFiN Systems



System for Analysis and Monitoring of Real Estate Transactions

AMRON System is a standardized, nationwide database on real estate prices and values, equipped with advanced reporting and analytical modules for monitoring changes on the property market. System was established in 2004 in response to the banking supervisory requirements related to credit risk management and monitoring security instruments for mortgage lending. Since 2010, System is available for all real estate market participants. For over 13 years we have created a new quality of information on value of real estate and from that point of view it is fully justified to literally understand the anagram of Polish name of the System: **AMRON – NORMA (the norm)**. For participants of Polish real estate market, **making use of AMRON System became a norm**. We have consistently implemented our goal, which is to create a comprehensive database on Polish 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 prices changes of housing unit, construction plots and rural areas in selected provincial real estate markets – those reports are available on AMRON website. 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 realized by a network of appraisers cooperating with AMRON Centre.

AMRON Centre cooperates with commercial and cooperative banks, credit unions, insurance companies, Agricultural Property Agency, real estate appraisers and realtors, as well as with developers, financial advisors and municipalities. Currently, AMRON System is used by more than 500 entities active on real estate market. AMRON database is also available for National Bank of Poland, General Prosecutor's Office and Polish Financial Supervision Authority.

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sarfin System for Analysis of Real Estate Financing Market

System for Analysis of Real Estate Financing Market (SARFiN) 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. The System is used by 16 banks, which, in accordance with the principle of reciprocity, submit to the System own information contribution and in return receive the reports containing aggregated data. Those reports allow to assess the volume and dynamics of the whole market and identify banks' own position on that market. The information generated in the System reflects over 90% of the market for retail lending. 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.

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

The Management Board of Polish Banks Association decided that service and administration of SARFiN System have been submitted to the Centre of Banking Law and Information, which supports also other Exchanging Information Systems of the PBA in a similar range. This means that the SARFiN System is a subject of internal policies and procedures to guarantee the high quality of the processed information, application security and project management in a manner consistent with the KNF requirements defined in Recommendation D. The contractor of maintenance and administration of the SARFiN System is the AMRON Centre, operating within the organizational structure of the Centre of Banking Law and Information.

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

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