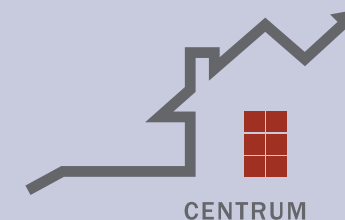


# AMRON-SARFiN Report

on housing loans  
and real estate transaction prices



**AMRON**

# 2 / 2015

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## Report in numbers

Q2 2015		change Q2 2015 /Q1 2015
<b>PLN 374.039 billion</b>	total housing loans debt	<b>2.47%</b> ↗
<b>1.945 Mio</b>	number of active loan agreements	<b>1.56%</b> ↗
<b>46 504</b>	number of concluded agreements	<b>10.28%</b> ↗
<b>PLN 10.058 billion</b>	value of concluded agreements	<b>12.03%</b> ↗
<b>PLN 210 086</b>	average value of a housing loan	<b>0.43%</b> ↘
<b>187.71 points</b>	Housing Availability Index (HAI M3)	<b>10.56 points</b> ↘
<b>47.44%</b>	share of new housing loans with LtV above 80%	<b>2.17 percentage points</b> ↘
<b>98.75%</b>	share of new housing loans in PLN, by value	<b>0.87 percentage points</b> ↗
<b>0.84%</b>	share of new housing loans in EUR, by value	<b>0.65 percentage points</b> ↘
<b>61.84%</b>	share of new housing loans with lending period of 25-35 years	<b>3.19 percentage points</b> ↘
<b>PLN 406 873</b>	total average transaction price of a housing unit in Warsaw	<b>2.60%</b> ↘
<b>PLN 7 354</b>	average transaction price per square meter of a dwelling in Warsaw	<b>1.19%</b> ↗

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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 twenty-fourth issue of the AMRON-SARFiN Report published by Polish Banks Association. For 6 years, we have been providing you with quarterly updated information about mortgage loans and real estate transaction prices. This time we present the results of second quarter and first six months of 2015 with reference to the results from several previous quarters.

The results of Q2 2015 is a perfect example confirming the seasonality of banks' lending activity, resulting from the seasonality of their customers' activity in the residential investment market. After a very poor results of the first quarter, situation on housing loans market in the second quarter was characterized by growth unprecedented for several quarters growth. Banks granted 46 504 new housing loans for a total amount of PLN 10.058 billion. Comparing to Q1 2015 this means an increase of value of newly granted housing loans by 12.03%, and the number – by 10.28%.

Partly this was an effect of continued very low PLN interest rates and attractively low transaction prices. There is also a new factor – the take-strength political campaign launched against banks and announcements imposing on banks new financial burden are seen as a threat to savings deposited in banks. According to information published by the National Bank of Poland, the accumulated amount of deposits in Polish banks decreased by more than PLN 5 billion in period from February to

June 2015. These money supplemented by mortgage loans appeared on the real estate market. Investment on real estate market is not only more profitable than bank deposit, but also appears as more secure in the current situation.

When will better times for savers come? Lack of government savings programs, which offer opportunities of systematic collection of own contribution, results in more favourable banks' offers for affluent families. Only during last two years, the share of Warsaw in the location structure of new loans increased from 26.4% to 37.1% and reached a maximum level in the history of our studies. In Q4 2008 this level equaled to 35%.

Analysis of the structure of new loans in terms of the LtV ratio and repayment period confirms that banks have adapted to the requirements of the Recommendation S. At the same time it doesn't confirm the concerns on restricted access to mortgage loans by own contribution requirements. More than 52% of new loans did not exceed 50% of the real estate value. The average value of housing loan has stabilized at the level of PLN 210 000.

Spring revival was also noted on the housing market. In Q2 2015, permits were issued for the construction of 47 977 dwellings, which means an increase of 25% comparing to the previous quarter. In the period from April to June, the number of started constructions of new housing units was doubled and amounted to 48 501, while the number of completed constructions increased by only 1% on quarterly basis and amounted to 32 031 units.

In Q2 2015 only slight changes of the residential units' average transaction prices were observed in the eight largest Polish cities. A slight decrease (by about 50 PLN/sq.m.) of the average transaction prices per 1 square meter was noted in Poznan, Lodz and Gdansk. In two urban centers, i.e. Bialystok and Katowice agglomeration, the average prices remained at the same level as previous quarter. An increase was recorded in Wroclaw (by 58 PLN/sq.m.) and in Warsaw (by 86 PLN/sq.m.) – the average transaction prices per 1 square meter in these cities amounted to 5 534 PLN/sq.m. and 7 354 PLN/sq.m. respectively.

The final form of the act on special rules for restructuring mortgage loans denominated in foreign currency due to changes in foreign currency exchange rates and the amendment of other laws, currently being discussed in Parliament, will effect on the availability of bank loans, including mortgage loans. The politicians' desire to please a group of over 600 thousand CHF borrowers – potential voters – will lead not only to higher costs of PLN loans, but also may result in limited access to mortgage loans for those, who would like to improve their housing situation in the future. Answer to the question on constitutionality of that law I leave for specialists. However, I can comment with full responsibility the impact of this act on the condition of Polish loan market (not only housing loans). I believe this is a very bad solution – unsatisfactory for most of CHF borrowers and unfair for those, who – aware of the risks – acted responsibly and decided to take loans of lower amount or take a loan in domestic currency. This act is also discriminatory for those,

who did not take a risk and still did not improve their housing situation. In such circumstances, it is extremely difficult to predict the results of the housing loan market at the end of the election year 2015.

Let me remind you of the XII Housing Finance Congress, organized by the Real Estate Finance Committee at Polish Banks Association and AMRON Centre on November 26-27, 2015, the agenda of which includes the debate on housing policy that should be completed with the adoption of Housing Programme for 2016-2035. We look forward to your suggestions concerning the issues for discussion, as well as declarations of participation in the Congress and the debate. We hope that the winners of October's elections will participate in the Congress and will be ready to create a new order of housing.

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](mailto:raport@amron.pl)

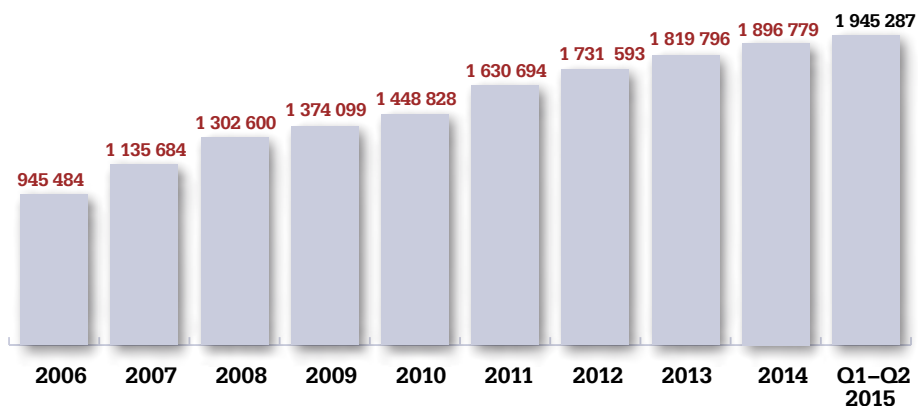
\* AMRON Centre was established by Polish Banks Association to manage and develop the System for Analysis and Monitoring of Real Estate Market Transactions and it operates within the organizational structure of a limited-liability company Centre of Banking Law and Information.

## Situation on housing loans market

### Number of active housing loans

In Q2 2015, active housing loans increased by **1.56%**, i.e. by **29 928** loans comparing to the previous quarter. At the end of June 2015, total housing loans portfolio amounted to **1 945 287** active loans.

Chart 1. Total number of active housing loans in 2006 – Q2 2015



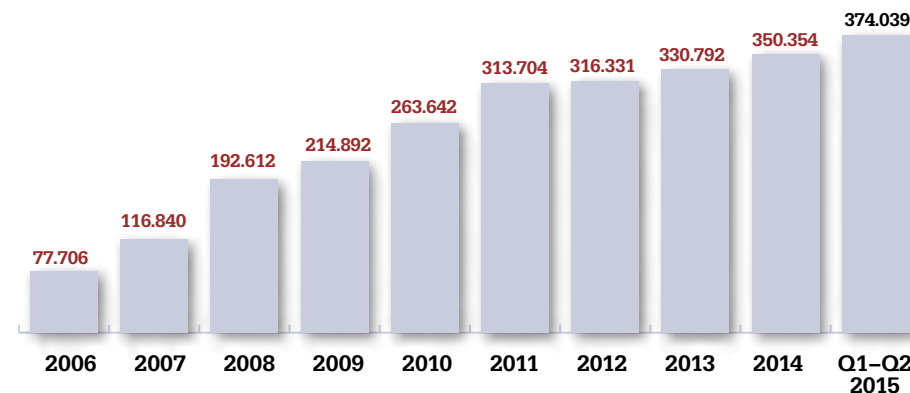
Source: Polish Banks Association – SARFiN

### Total housing loans debt

After the first half of 2015, total value of mortgage loans portfolio equaled to **PLN 374.039 billion**, what means an increase in total outstanding value of mortgage loans by **PLN 9.003 billion** (i.e. by **2.47%**) comparing to Q1 2015.

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

Chart 2. Total housing loans debt in 2006 – Q2 2015 (PLN billion)



Source: Polish Banks Association – SARFiN, NBP

### Number and value of new housing loans

In Q2 2015, a significant increases on mortgage market were recorded. In the analyzed period, banks granted **46 504** new housing loans for a total amount of **PLN 10.058 billion**. Comparing to Q1 2015 this means an increase of value of newly signed housing loans by **12.03%**, and the number – by **10.28%**.

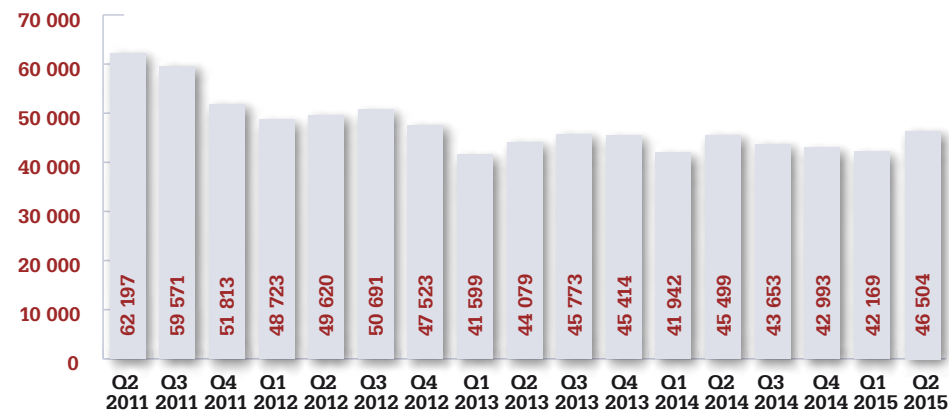
Table 1. Value and number of new housing loans in Q2 2011 – Q2 2015

quarter	value (PLN Mio)	change/previous quarter	number	change/previous quarter
<b>Q2 2011</b>	13.395	9.33% ↗	62 197	8.02% ↗
<b>Q3 2011</b>	12.774	4.64% ↘	59 571	4.22% ↘
<b>Q4 2011</b>	10.789	15.54% ↘	51 813	13.02% ↘
<b>Q1 2012</b>	10.200	5.46% ↘	48 723	5.96% ↘
<b>Q2 2012</b>	10.044	1.53% ↘	49 620	1.84% ↗
<b>Q3 2012</b>	10.021	0.23% ↘	50 691	2.16% ↗
<b>Q4 2012</b>	8.843	11.76% ↘	47 523	6.25% ↘
<b>Q1 2013</b>	8.017	9.34% ↘	41 599	12.46% ↘
<b>Q2 2013</b>	9.160	14.25% ↗	44 079	5.96% ↗
<b>Q3 2013</b>	9.531	4.05% ↗	45 773	3.84% ↗
<b>Q4 2013</b>	9.767	2.48% ↗	45 414	0.78% ↘
<b>Q1 2014</b>	8.854	9.35% ↘	41 942	7.65% ↘
<b>Q2 2014</b>	9.577	8.17% ↗	45 499	8.48% ↗
<b>Q3 2014</b>	9.232	3.61% ↘	43 653	4.06% ↘
<b>Q4 2014</b>	9.161	0.77% ↘	42 993	1.51% ↘
<b>Q1 2015</b>	8.978	1.99% ↘	42 169	1.92% ↘
<b>Q2 2015</b>	10.058	12.03% ↗	46 504	10.28% ↗

Source: Polish Banks Association – SARFiN

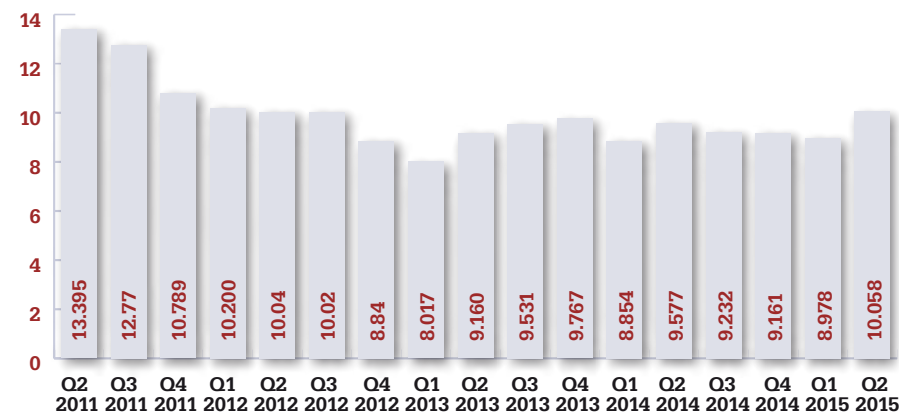
In comparison to the analogous period of last year (Q2 2015/ Q2 2014), the value of granted loans increased by **5.02%** and the number – by **2.21%**.

Chart 3. Number of new loan agreements in Q2 2011 – Q2 2015



Source: Polish Banks Association – SARFiN

Chart 4. Value of new loan agreements in Q2 2011 – Q2 2015 (PLN billion)



Source: Polish Banks Association – SARFiN

## Loan currency

In Q1 2015, loans denominated in foreign currencies accounted for **1.25%** of all newly granted loans, which means a decrease by **0.87 p.p.** in comparison to the previous quarter. In the analyzed period, there were recorded decreases in shares of loans denominated in all foreign currencies. The most considerable decline was recorded in share of loans denominated in EUR – by **0.65 p.p.** The significant decrease was noted also in share of CHF mortgage loans (by **0.06 p.p.**), which reached the level of **0.02%** of newly granted mortgage loans portfolio. The share of PLN loans amounted to **98.75%** of new loans granted in the analyzed period.

Table 2. Currency structure of the value of new loans in Q2 2011 – Q2 2015

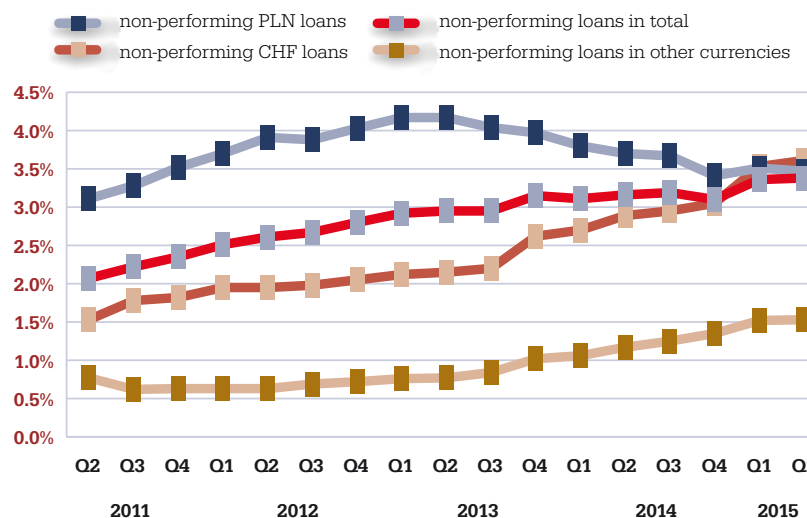
quarter	PLN	CHF	EUR	USD	other
<b>Q2 2011</b>	78.36%	7.49%	14.10%	0.03%	0.01%
<b>Q3 2011</b>	78.36%	9.75%	11.79%	0.08%	0.02%
<b>Q4 2011</b>	77.04%	5.67%	17.17%	0.10%	0.02%
<b>Q1 2012</b>	84.20%	1.06%	14.65%	0.07%	0.01%
<b>Q2 2012</b>	94.61%	0.12%	5.19%	0.07%	0.01%
<b>Q3 2012</b>	97.37%	0.17%	2.42%	0.02%	0.02%
<b>Q4 2012</b>	98.70%	0.02%	1.25%	0.03%	0.00%
<b>Q1 2013</b>	98.83%	0.01%	1.11%	0.05%	0.00%
<b>Q2 2013</b>	99.05%	0.01%	0.89%	0.05%	0.00%
<b>Q3 2013</b>	99.35%	0.00%	0.61%	0.04%	0.00%
<b>Q4 2013</b>	99.07%	0.01%	0.91%	0.02%	0.00%
<b>Q1 2014</b>	99.48%	0.00%	0.51%	0.01%	0.00%
<b>Q2 2014</b>	99.69%	0.00%	0.28%	0.03%	0.00%
<b>Q3 2014</b>	99.13%	0.01%	0.67%	0.11%	0.09%
<b>Q4 2014</b>	98.81%	0.02%	0.81%	0.18%	0.18%
<b>Q1 2015</b>	97.88%	0.08%	1.49%	0.17%	0.38%
<b>Q2 2015</b>	98.75%	0.02%	0.84%	0.15%	0.23%

Source: Polish Banks Association – SARFiN

## Quality structure of mortgage loans portfolio

It can be stated that in Q2 2015 the share of non-performing loans in total housing loans portfolio remained at the level noted in previous quarter and amounted to **3.38%**. The quality of PLN loans improved comparing to last quarter and to corresponding quarter of last year, while the share of non-performing loans in foreign currencies increased. At the end of June 2015, non-performing PLN loans accounted to **3.47%** of the total PLN loans portfolio, which means a decrease by **0.44 p.p.** in quarterly terms and by **0.22 p.p.** on an annual basis. At the same time the share of non-performing loans in CHF in the portfolio of loans granted in foreign currencies increased to the level of **3.61%** (by **0.08 p.p.** in comparison to Q1 2015 and by **0.72 p.p.** compared to the same period of the previous year. Quarterly, there were no changes in the portfolio of loans in other foreign currencies, but in comparison to Q2 2014 an increase of **0.36 p.p.** was recorded.

Chart 5. Share of non – performing loans in total mortgage loans portfolio in Q2 2011 – Q2 2015



Source: National Bank of Poland

Table 3. Share of non-performing loans in total mortgage loans portfolio in Q2 2011 – Q2 2015

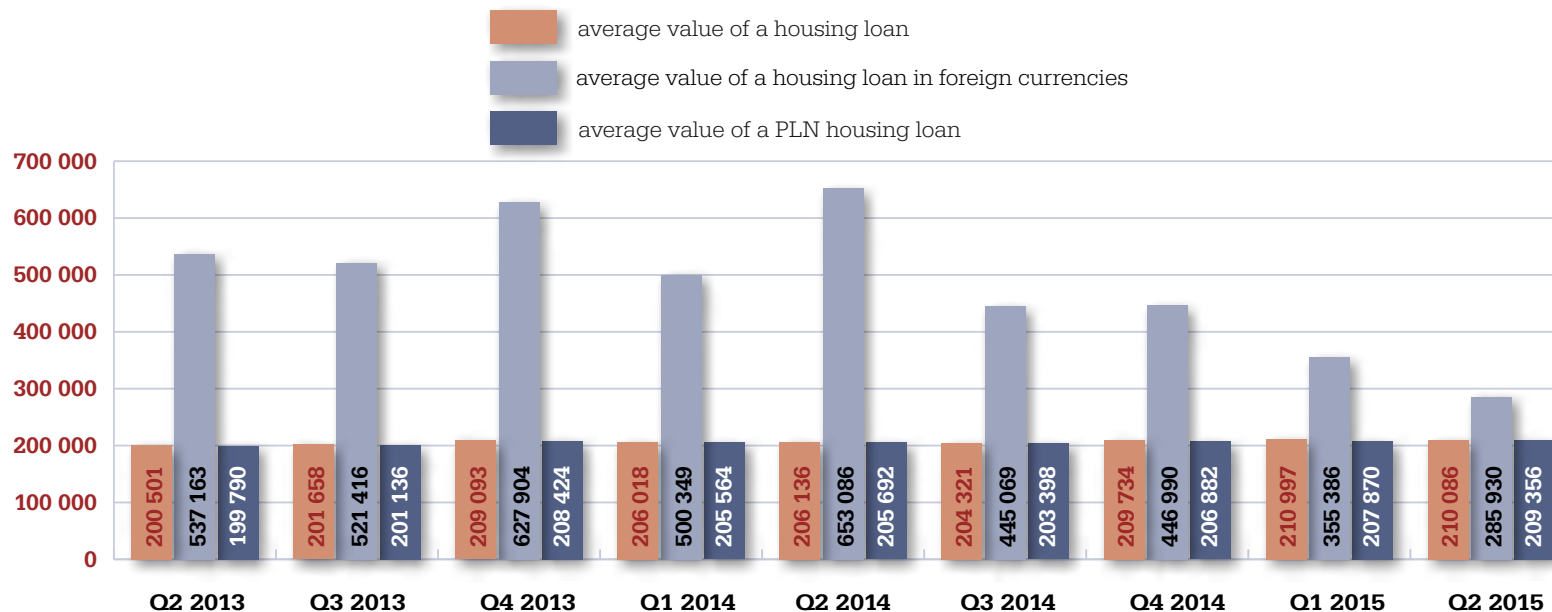
period	non-performing loans in total	non-performing PLN loans	non-performing CHF loans	non-performing loans in other currencies
<b>Q2 2011</b>	2.07%	3.11%	1.53%	0.77%
<b>Q3 2011</b>	2.22%	3.28%	1.78%	0.62%
<b>Q4 2011</b>	2.35%	3.52%	1.82%	0.63%
<b>Q1 2012</b>	2.51%	3.70%	1.95%	0.63%
<b>Q2 2012</b>	2.61%	3.91%	1.95%	0.63%
<b>Q3 2012</b>	2.67%	3.88%	1.98%	0.69%
<b>Q4 2012</b>	2.80%	4.03%	2.05%	0.72%
<b>Q1 2013</b>	2.92%	4.17%	2.12%	0.76%
<b>Q2 2013</b>	2.95%	4.17%	2.15%	0.77%
<b>Q3 2013</b>	2.95%	4.04%	2.20%	0.84%
<b>Q4 2013</b>	3.15%	3.97%	2.62%	1.02%
<b>Q1 2014</b>	3.11%	3.80%	2.70%	1.06%
<b>Q2 2014</b>	3.16%	3.70%	2.89%	1.17%
<b>Q3 2014</b>	3.19%	3.67%	2.95%	1.25%
<b>Q4 2014</b>	3.10%	3.41%	3.05%	1.35%
<b>Q1 2015</b>	3.36%	3.51%	3.53%	1.52%
<b>Q2 2015</b>	3.38%	3.47%	3.61%	1.53%

Source: National Bank of Poland

## Average value of a loan

In Q2 2015, the average value of housing loan denominated in domestic currency slightly increased comparing to the previous quarter – by **PLN 1 486**, i.e. by **0.71%**. The average value of a mortgage in PLN granted in the period from April to June amounted to **PLN 209 356**. However, the average value of denominated loan in foreign currencies diminished (in the analyzed quarter by **PLN 69 456**, i.e. **19.54%**) and reached the level of **PLN 285 930**. Due to the low share of loans denominated in foreign currencies, the average value of newly granted loan in total slightly decreased, i.e. by **0.43%** comparing to Q1 2015 and amounted to **PLN 210 086**.

Chart 6. Average value of a housing loan, aggregated and by currency in Q2 2013 – Q2 2015



Source: Polish Banks Association – SARFiN

In relation to Q2 2014, the average value of both mortgage loan in total, as well as PLN loan slightly increased – respectively by **1.92% (PLN 3 950)** and **1.78% (PLN 3 664)**. On an annual basis, the average value of a loan denominated in foreign currencies diminished from the level of **PLN 653 086**, i.e. by **56.22%**.

Table 4. Average value of a loan, aggregated and by currency in Q2 2013 – Q2 2015

quarter	average value of a housing loan	average value of a housing loan in foreign currencies	average value of a PLN housing loan
<b>Q2 2013</b>	200 501	537 163	199 790
<b>Q3 2013</b>	201 658	521 416	201 136
<b>Q4 2013</b>	209 093	627 904	208 424
<b>Q1 2014</b>	206 018	500 349	205 564
<b>Q2 2014</b>	206 136	653 086	205 692
<b>Q3 2014</b>	204 321	445 069	203 398
<b>Q4 2014</b>	209 734	446 990	206 882
<b>Q1 2015</b>	210 997	355 386	207 870
<b>Q2 2015</b>	210 086	285 930	209 356

Source: Polish Banks Association – SARFiN

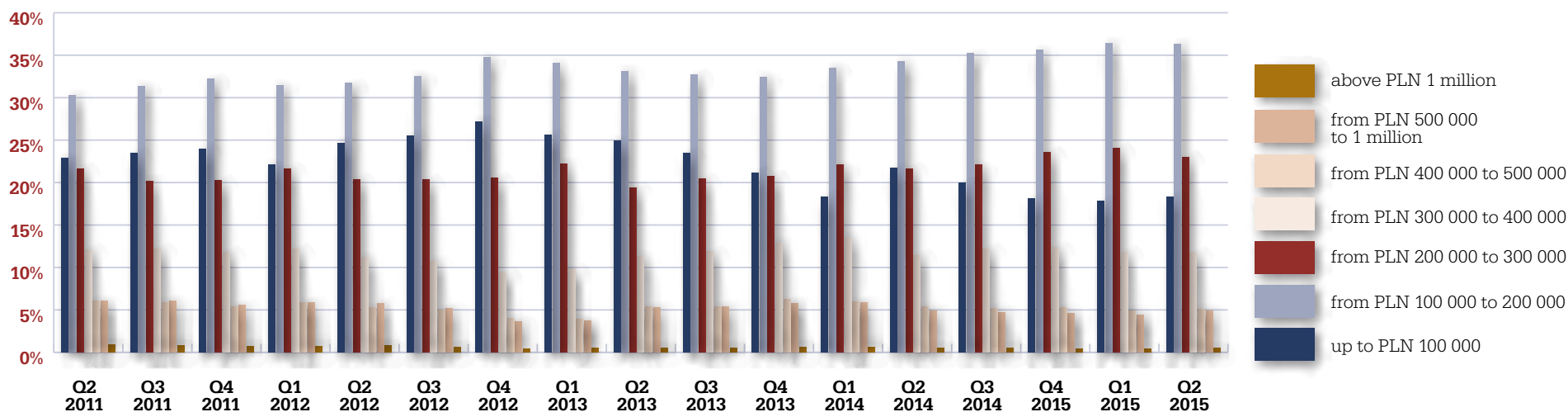
## Structure of new loans, by amount

In Q2 2015, the largest change in the structure of newly granted loans according to the loan amount occurred in segment of loans granted for amount from PLN 200 000 to PLN 300 000 – their share diminished by **1.03 p.p.** in comparison to Q1 2015 and amounted to **23.00%**. There was also recorded a slight decrease in the most popular segment of loans in amount from PLN 100 to 200 thousand – in Q2 2015, share of those loans diminished by **0.11 p.p.** in quarterly terms and it accounted for **36.35%** of the portfolio of newly granted loans.

The share of loans in amount from PLN 300 to 400 thousand and over PLN 1 million remained at the same level as in previous quarter and amounted to **11.81%** and **0.52%**.

In the other categories of value, there were recorded slight increases in the volume of new housing loans. Loans of the lowest value, i.e. in the amount up to PLN 100 thousand, became more popular (an increase of the share by **0.49 p.p.**). Similarly, the share of loans in the amount from PLN 400 thousand to PLN 1 million increased: the share of loans in amount from PLN 400 to 500 thousand increased by **0.20 p.p.**, while share of those of value from PLN 500 thousand to PLN 1 million – by **0.43 p.p.**

Chart 7. Structure of the new loans amount in Q2 2011 – Q2 2015

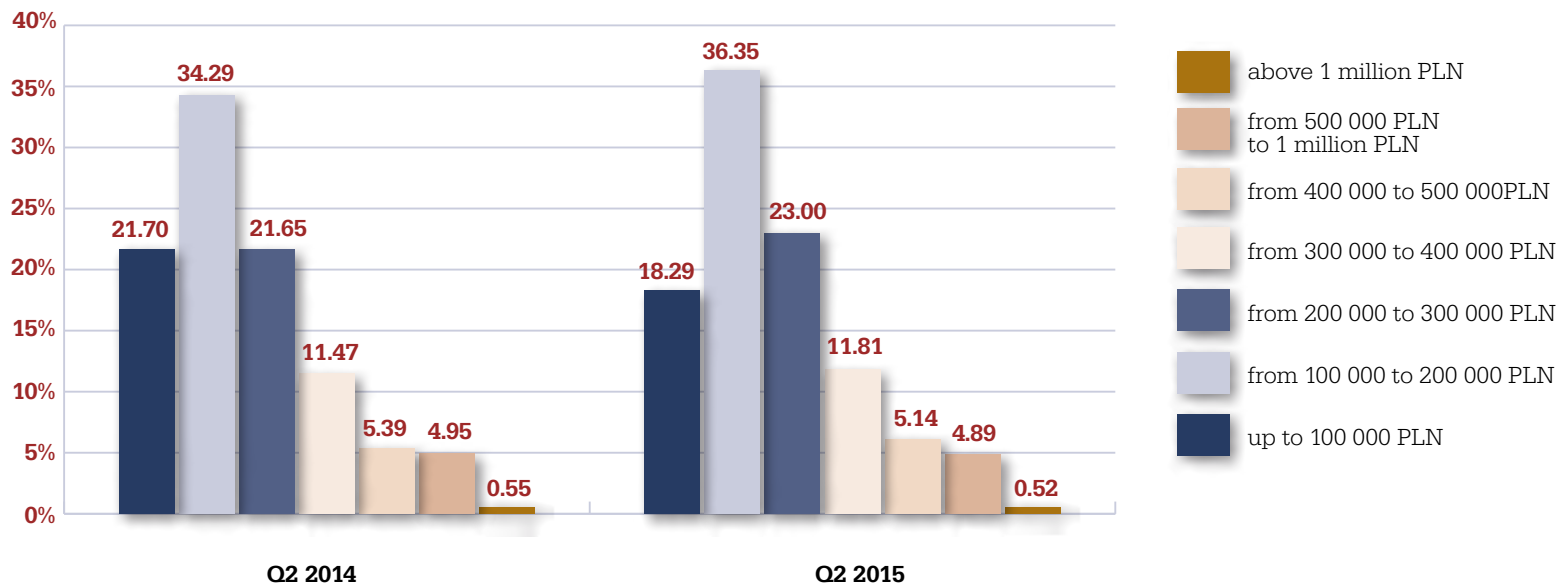


Source: Polish Banks Association – SARFiN

By contrast, yearly changes in the structure of newly granted loans due to their value appeared quite opposite. In comparison to Q2 2014, popularity of loans in the amount from PLN 100 to 400 thousand increased in analysed period – the largest increase (**2.07 p.p.**) related to loans from PLN 100 to 200 thousand. In contrast, there were less loans

granted in amount up to PLN 100 thousand (decrease in the share by **3.41 p.p.**) and from PLN 400 to 500 thousand (decrease by **0.25 p.p.**). The share of other categories in the volume of newly signed mortgage loan agreements in Q2 2015 remained at the same level as it was noted in the same period last year.

Chart 8. Structure of the new loans amount – comparison of Q2 2014 and Q2 2015



Source: Polish Banks Association – SARFiN

Table 5. Structure of the new loans amount in Q2 2011 – Q2 2015

	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015
<b>up to PLN 100 000</b>	22.92%	23.44%	23.96%	22.14%	24.70%	25.54%	27.22%	25.65%	24.92%	23.52%	21.19%	18.38%	21.70%	19.95%	18.11%	17.80%	18.29%
<b>from PLN 100 000 to 200 000</b>	30.26%	31.36%	32.26%	31.51%	31.74%	32.53%	34.80%	34.07%	33.15%	32.74%	32.46%	33.53%	34.29%	35.22%	35.60%	36.47%	36.35%
<b>from PLN 200 000 to 300 000</b>	21.68%	20.21%	20.25%	21.65%	20.42%	20.35%	20.55%	22.27%	19.44%	20.44%	20.75%	22.11%	21.65%	22.08%	23.56%	24.04%	23.00%
<b>from PLN 300 000 to 400 000</b>	12.13%	12.21%	11.83%	12.19%	11.21%	10.75%	9.43%	9.84%	11.31%	11.89%	12.90%	13.51%	11.47%	12.23%	12.36%	11.86%	11.81%
<b>from PLN 400 000 to 500 000</b>	6.06%	5.89%	5.38%	5.85%	5.32%	4.97%	4.01%	3.94%	5.35%	5.44%	6.26%	6.00%	5.39%	5.20%	5.27%	4.93%	5.14%
<b>from PLN 500 000 to 1 million</b>	6.04%	6.06%	5.58%	5.93%	5.79%	5.23%	3.60%	3.72%	5.32%	5.44%	5.80%	5.88%	4.95%	4.75%	4.64%	4.46%	4.89%
<b>above PLN 1 million</b>	0.91%	0.82%	0.74%	0.73%	0.82%	0.63%	0.39%	0.50%	0.52%	0.53%	0.64%	0.59%	0.55%	0.57%	0.46%	0.44%	0.52%

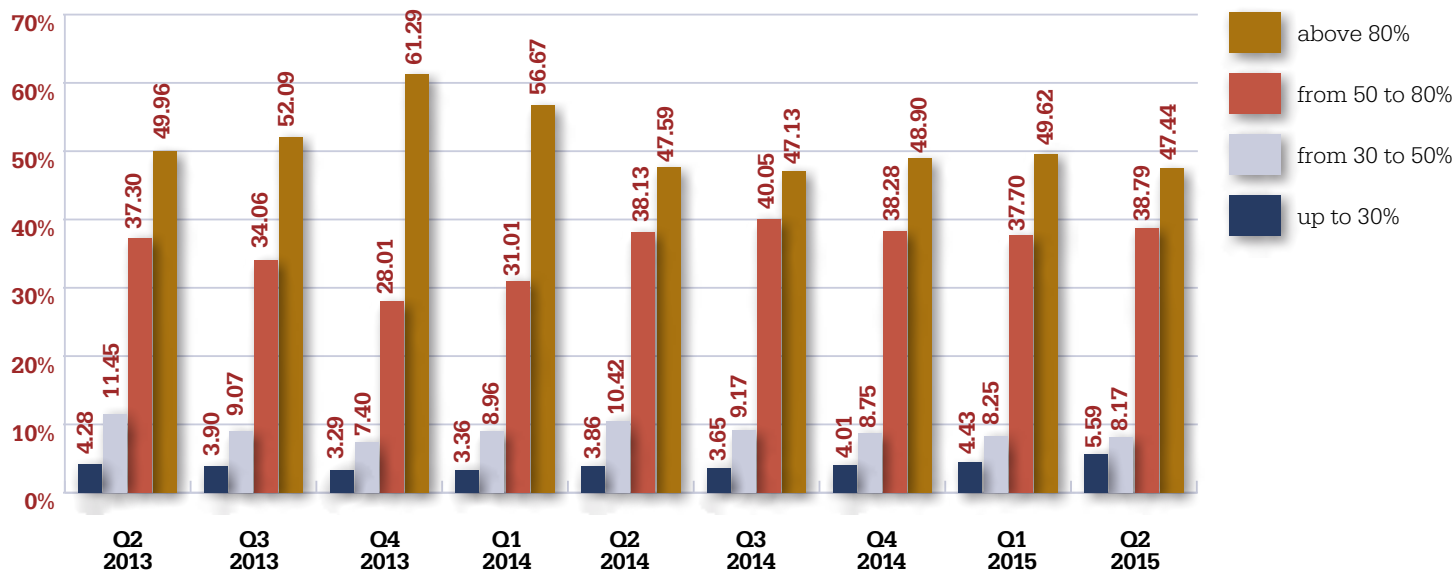
Source: Polish Banks Association – SARFiN

## Structure of the LtV ratio

In the period from April to June 2015, there was noted a significant decline in loans with LtV ratio over 80% – share of those loans in the total volume of new loans was still the largest, but in the last quarter declined by **2.17 p.p.** and reached the level of **47.44%**. While, more popular became loans with LtV ratio at the level up to 30% and in the range from 50 to 80%, respectively by **1.17 p.p.** and **1.09 p.p.** In analyzed period, housing loans with LtV ratio in the range from 30 to 50% only slightly decreased – by **0.08 p.p.**

Comparing previous quarter to the analogous period of 2014, changes were minor. In relation to Q2 2014, loans with LtV ratio at the level up to 30% and in the range from 50 to 80% were more often granted – there was noted an increase of the share of these segments respectively by **1.73 p.p.** and by **0.66 p.p.**, while, housing loans with LtV ratio in the range from 30% to 50% became less popular. The share of these loans decreased by **2.25 p.p.** in comparison to Q2 2014. In case of loans with LtV ratio over 80% the change was minimal – decline by **0.15 p.p.**

Chart 9. Structure of LtV ratio of newly granted loans in Q2 2013 – Q2 2015



Source: Polish Banks Association – SARFiN

Table 6. Structure of LtV ratio of newly granted loans in Q2 2013 – Q2 2015

	Q2 2013	Q3 2013	Q4 2013	Q1 2013	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015
<b>up to 30%</b>	4.28%	3.90%	3.29%	3.36%	3.86%	3.65%	4.07%	4.43%	5.59%
<b>from 30 to 50%</b>	11.45%	9.07%	7.41%	8.96%	10.42%	9.17%	8.75%	8.25%	8.17%
<b>from 50 to 80%</b>	37.30%	34.06%	28.01	31.01%	38.13%	40.05%	38.28%	37.70%	38.79%
<b>above 80%</b>	46.96%	52.97%	61.29%	56.67%	47.59%	47.13%	48.90%	49.62%	47.44%

Source: Polish Banks Association – SARFiN

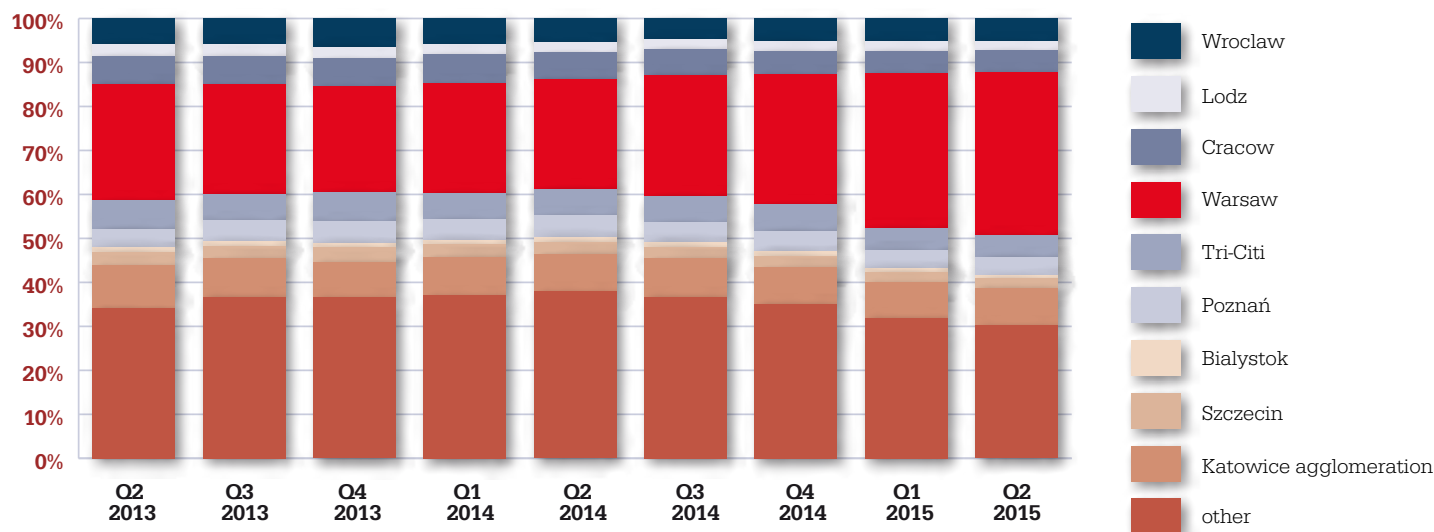
### Housing loans in major Polish cities

In Q2 2015, once again an increase – to the level of **69.80%**, i.e. by **1.69 p.p.** – was noted in the share of nine the largest Polish cities in terms of value of newly granted housing loans. Invariably, there was a noticeable increase in the share of Warsaw in the structure of new loans – in this period it amounted to **37.08%**, i.e. **2.03 p.p.** more than in Q1 2015. In analyzed period, the volume of loans granted in Katowice agglomeration and Poznan increased, respectively by **0.51 p.p.** and

**0.24 p.p.** The percentage of loans granted in Wroclaw did not change in comparison to the previous quarter, while slight decreases were noted in the remaining cities – the largest in Szczecin (**0.30 p.p.**).

In comparison to the same period of the last year, a similar trend is noticeable: share of loans granted in small cities decreased (in analyzed quarter by **7.74 p.p.**), while the importance of the capital city increased (by **12.06 p.p.**). In other big cities, recorded changes were slight.

Chart 10. Value of newly granted loans in major Polish cities in Q2 2013 – Q2 2015



Source: Polish Banks Association – SARFiN

Table 7. Value of newly granted loans in major Polish cities in Q2 2013 – Q2 2015

	other	Katowice agglomeration	Szczecin	Bialystok	Poznan	Tri-Citi	Warsaw	Cracow	Lodz	Wroclaw
<b>Q2 2013</b>	34.20%	9.69%	3.03%	1.04%	4.21%	6.51%	26.46%	6.34%	2.72%	5.80%
<b>Q3 2013</b>	36.64%	8.72%	2.83%	1.08%	4.81%	6.05%	24.79%	6.55%	2.65%	5.89%
<b>Q4 2013</b>	36.57%	8.08%	3.25%	1.06%	4.82%	6.75%	23.94%	6.44%	2.63%	6.46%
<b>Q1 2014</b>	37.08%	8.74%	2.76%	1.08%	4.55%	6.11%	24.94%	6.55%	2.31%	5.89%
<b>Q2 2014</b>	37.94%	8.52%	2.72%	0.98%	5.05%	6.01%	25.02%	5.99%	2.33%	5.43%
<b>Q3 2014</b>	36.74%	8.70%	2.68%	1.01%	4.49%	5.99%	27.56%	5.91%	2.16%	4.76%
<b>Q4 2014</b>	35.06%	8.36%	2.61%	0.94%	4.75%	5.93%	29.57%	5.42%	2.27%	5.09%
<b>Q1 2015</b>	31.89%	8.09%	2.36%	0.89%	4.07%	5.08%	35.05%	5.20%	2.09%	5.28%
<b>Q2 2015</b>	30.20%	8.60%	2.06%	0.71%	4.31%	4.81%	37.08%	5.00%	1.96%	5.27%

Source: Polish Banks Association – SARFIN

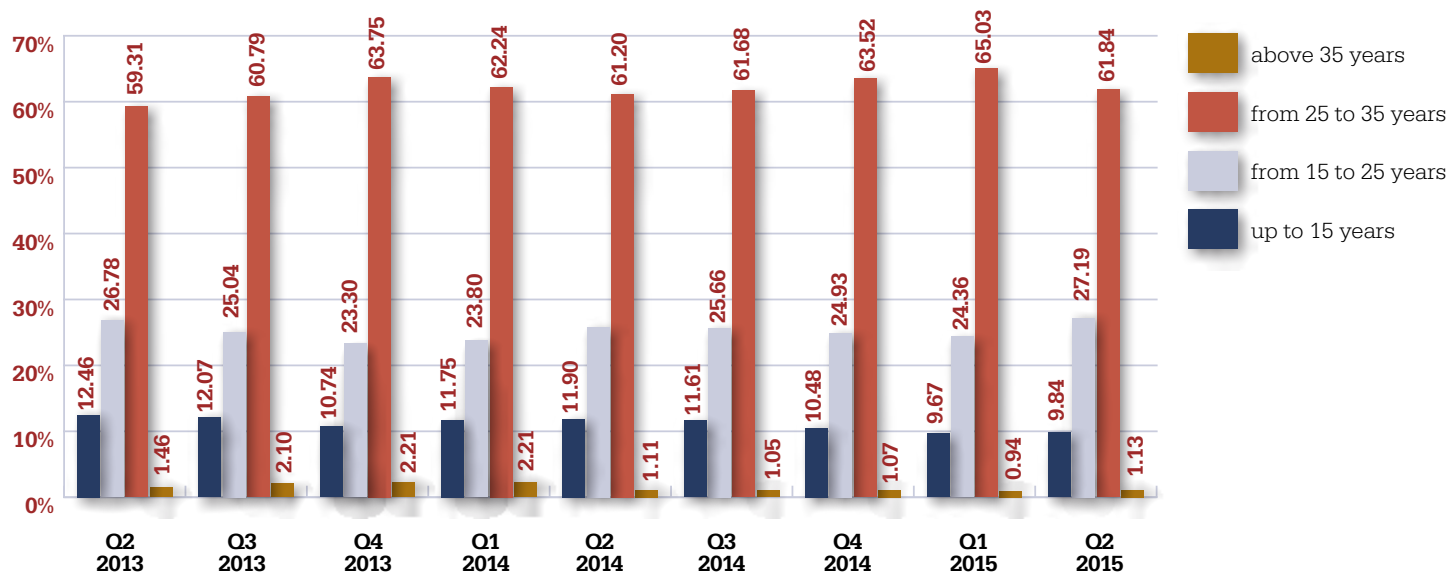
## Lending period

In Q2 2015, share of the most popular loans with the maturity from 25 to 35 years decreased for the first time since Q2 2014. In comparison to the previous quarter, popularity of this segment diminished by **3.19 p.p.** and the share of those loans in total structure amounted to **61.84%**. In the other segments, there was noted an increase – the largest in case of loans granted for the period from 15 to 25 years (by **2.83 p.p.**), which

share in the structure of newly granted loans due to lending period amounted to **27.19%**.

On an annual basis, there was a decrease noted in share of loans granted for the period to 15 years (by **2.06 p.p.**) and simultaneous increase in share of loans with maturities from 15 to 25 years (by **1.40 p.p.**) and from 25 to 35 years (by **0.64 p.p.**).

Chart 11. Structure of new loans by lending period in Q2 2013 – Q2 2015



Source: Polish Banks Association – SARFiN

Table 8. Structure of new loans by lending period in Q2 2013 – Q2 2015

	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015
<b>up to 15 years</b>	12.46%	12.07%	10.74%	11.75%	11.90%	11.61%	10.48%	9.67%	9.84%
<b>from 15 to 25 years</b>	26.78%	25.04%	23.30%	23.80%	25.79%	25.66%	24.93%	24.36%	27.19%
<b>from 25 to 35 years</b>	59.31%	60.79%	63.75%	62.24%	61.20%	61.68%	63.52%	65.03%	61.84%
<b>above 35 years</b>	1.46%	2.10%	2.21%	2.22%	1.11%	1.05%	1.07%	0.94%	1.13%

Source: Polish Banks Association – 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 unit in Poland for the exemplary family comprising of two employed adults with one older child. Decrease of dwelling availability in Q2 2015 was influenced by the following factors:

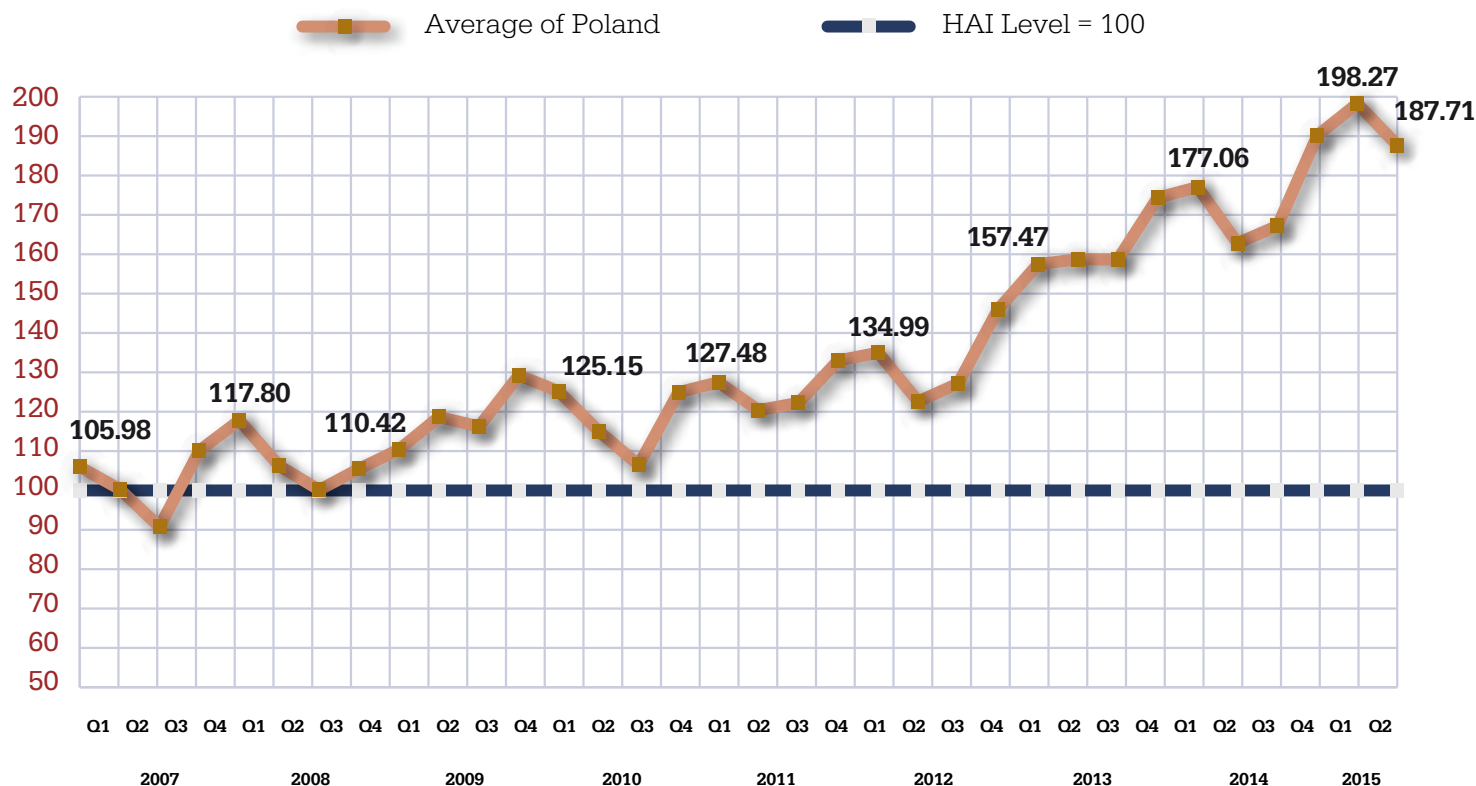
- a slight increase in housing prices in cities monitored in order to calculate HAI M3 Index (8 biggest cities) – recorded prices increased by **0.51%** in relation to Q1 2015;

- a slight decrease in average interest rate of loans granted in Q2 2015 – according to the National Bank of Poland, this decrease amounted to **6.28 p.p.** (a decrease by **30 basis points**) – the real interest rate of loans granted in Q2 2015 amounted to **4.53%** (in previous quarter – **4.83%**);
- a significant decrease in average income in Q2 2015 – by **4.93%**;
- stable level of living cost, 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) – the inflation on the level of **0.00%**.

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) diminished by **4.84%**, which resulted in the decrease of the Index in Q2 2015 by **10.56 basis points** (Index level in Q1 2015 amounted to **198.27** points and it was the highest value during the studying this indicator).

Chart 12. Housing Availability Index M3 for the period from Q1 2007 to Q2 2015



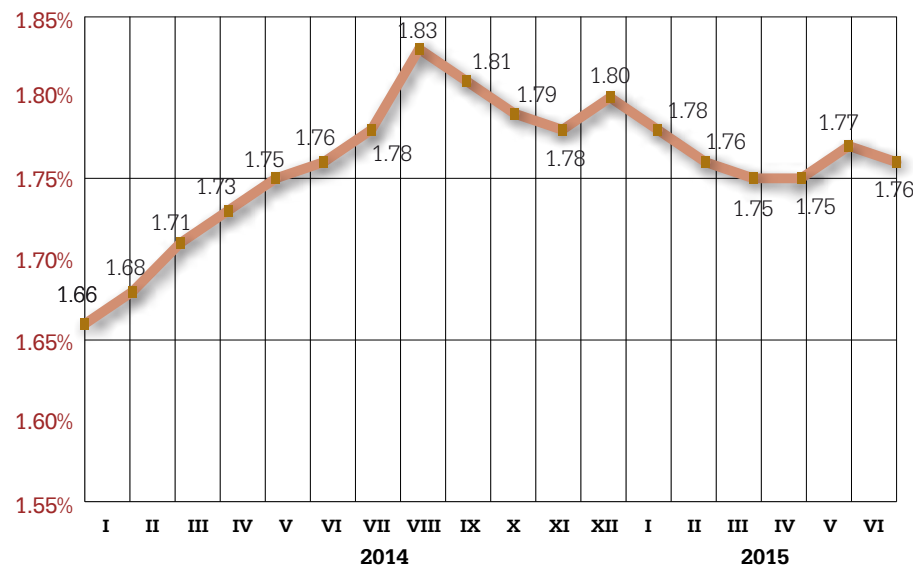
Source: Polish Banks Association

## Average margin levels and mortgage interest rates

In the second quarter of 2015, only slight changes were recorded in both the average loan margin and interest rate of housing loan. The average margin of mortgage loan (in amount of PLN 300 000, at LtV ratio of 75% and granted for the period of 25 years) in June 2015 equaled to **1.76%** – that means an increase by only **0.01 p.p.** in comparison to the average margin noted at the end of March. The NBP’s reference rate remained

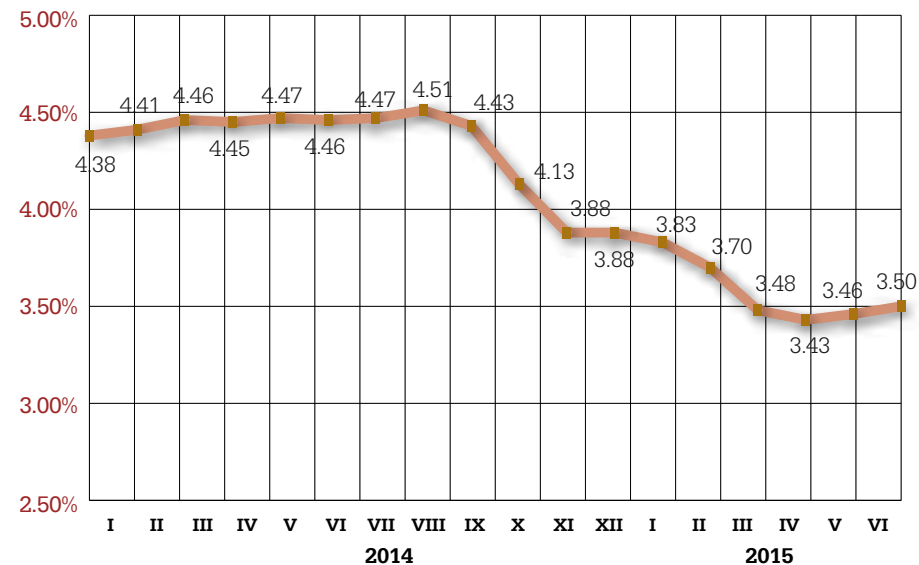
at the level of **1.50%**, while WIBOR 3M increased slightly from **1.67%** in March to **1.70%** in June 2015, which resulted in minor changes of average mortgage interest rate. The average interest rate of housing loan increased by **0.02 p.p.** in comparison to March 2015 and at the end of analyzed quarter amounted to **3.50%**.

Chart 13. Average margin of a housing loan in January 2014 – June 2015



Source: AMRON Centre based on banks' credit offers

Chart 14. Average interest rate of a housing loan in January 2014 – June 2015



Source: AMRON Centre based on banks' credit offers

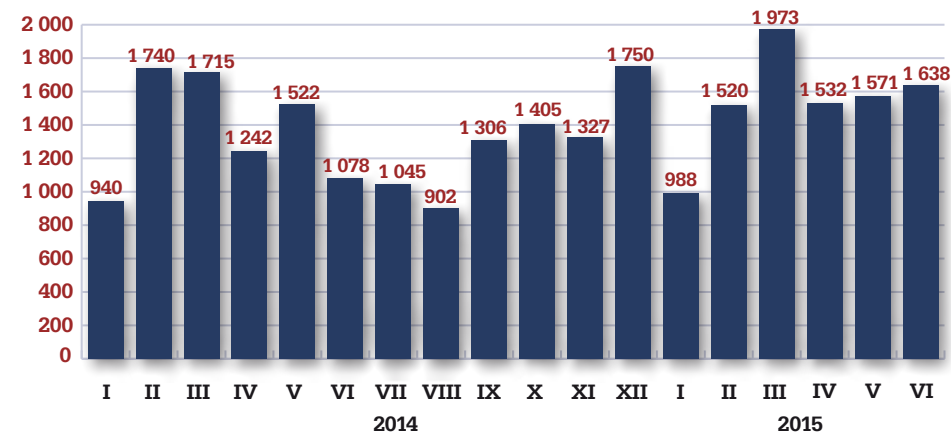
## „Flat for Youth” Programme

The results of ‘Flat for Youth’ Programme recorded in Q2 2015 were the best ever since it has been launched on January 1, 2014. In the period from April to June 2015, banks approved **4 741** loan applications, i.e. by **5.8%** more than in Q1 2015 and **23.4%** more than in Q2 2014. The total amount of subsidies in analyzed period amounted to **PLN 111.3 million** (by **5.1%** more than in the previous quarter and by **25.7%** more on annual basis). In monthly terms, results of Programme are on similar level: **1 500 – 1 600** loan applications for a total subsidy amount of **PLN 36 – 38 million**. The aforementioned figures prove that the popularity of the ‘Flat for Youth’ Programme slightly increased, although only **41.5%** of all funds planned for 2015 has been used.

From the beginning of ‘Flat for Youth’ Programme, there were **25 194** loan applications approved by banks for the total subsidy amount of **PLN 583.5 million**. **35.5%** of this value comes from the funds planned for subsidies in 2014, **50.8%** – from fund for subsidies in 2015, **12.7%** – in 2016, and **1.0%** in 2017.

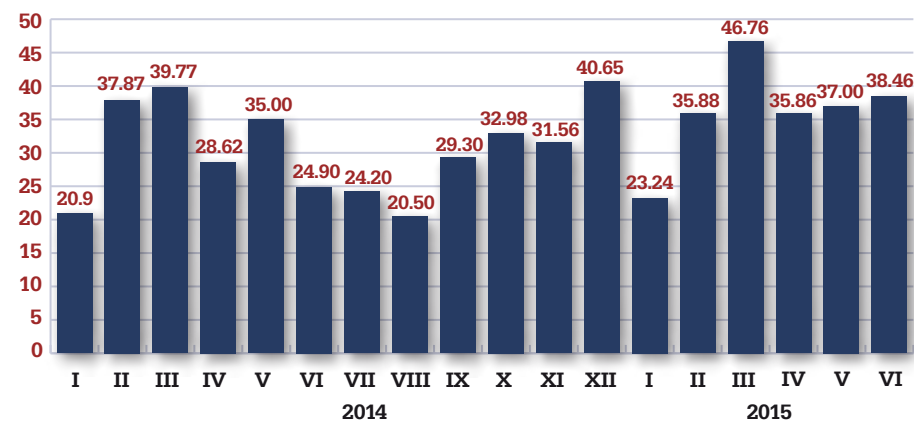
Until 30 June 2015, **23 297** loan agreements for a total value of **PLN 4.4 billion** were concluded with the support of ‘Flat for Youth’ Programme. The share of preferential loans in the overall lending in the period from January 2014 to June 2015 equaled to **7.88%** of value and **8.87%** of volume, which mean an increase respectively by **0.45 p.p.** and **0.40 p.p.**

Chart 15. Number of loan applications approved by banks in January 2014 – June 2015 – ‘Flat for Youth’ Programme



Source: BGK

Chart 16. Value of subsidy to loan applications approved by banks in January 2014 – June 2015 (PLN million) – ‘Flat for Youth’ Programme



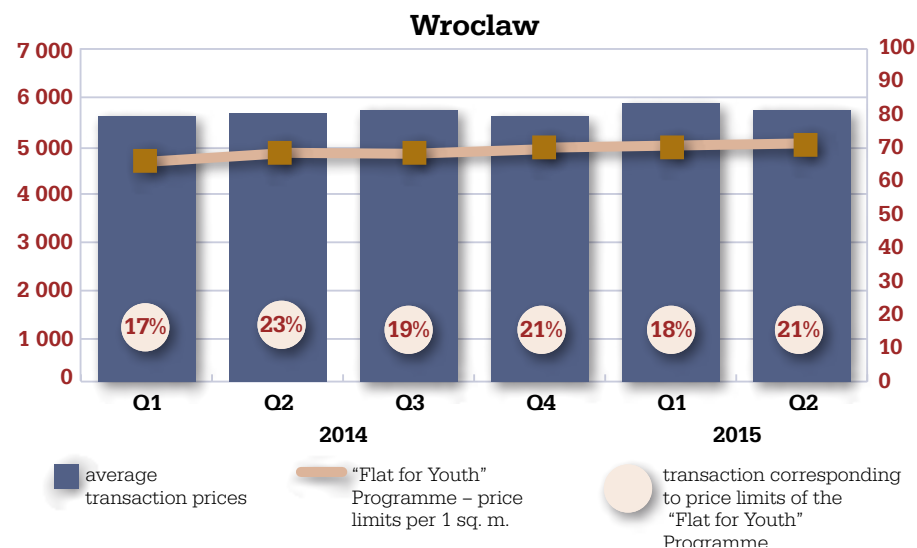
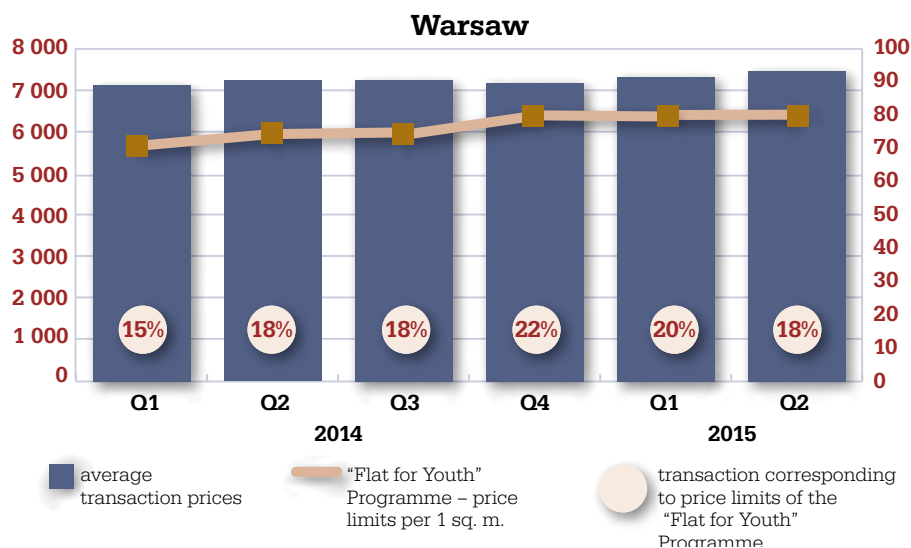
Source: BGK

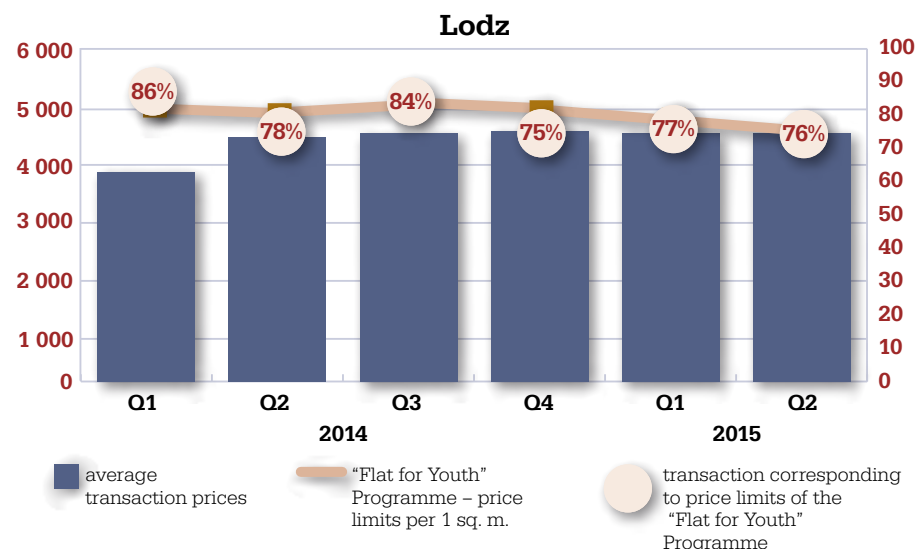
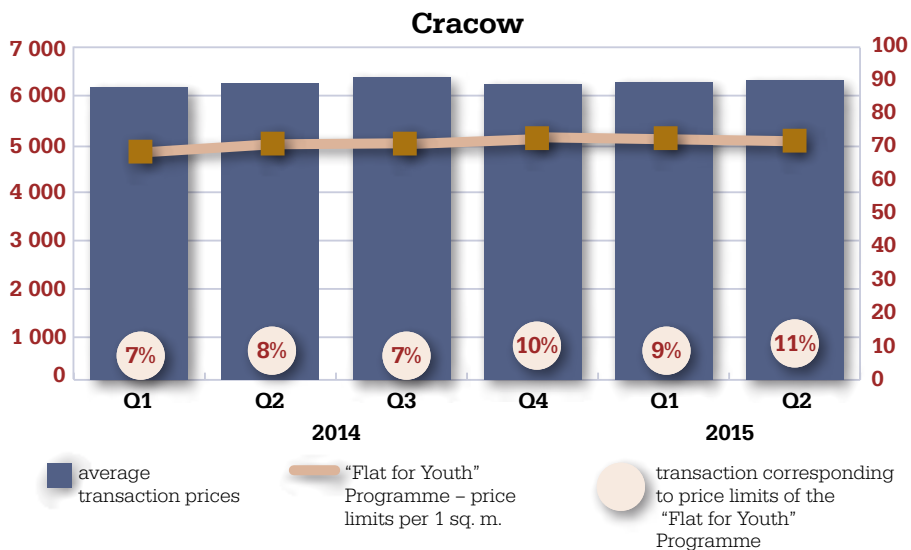
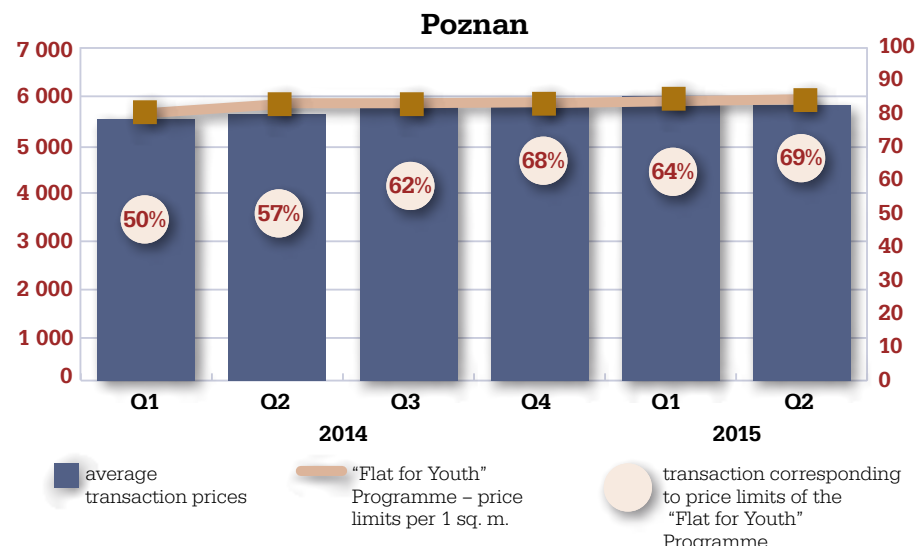
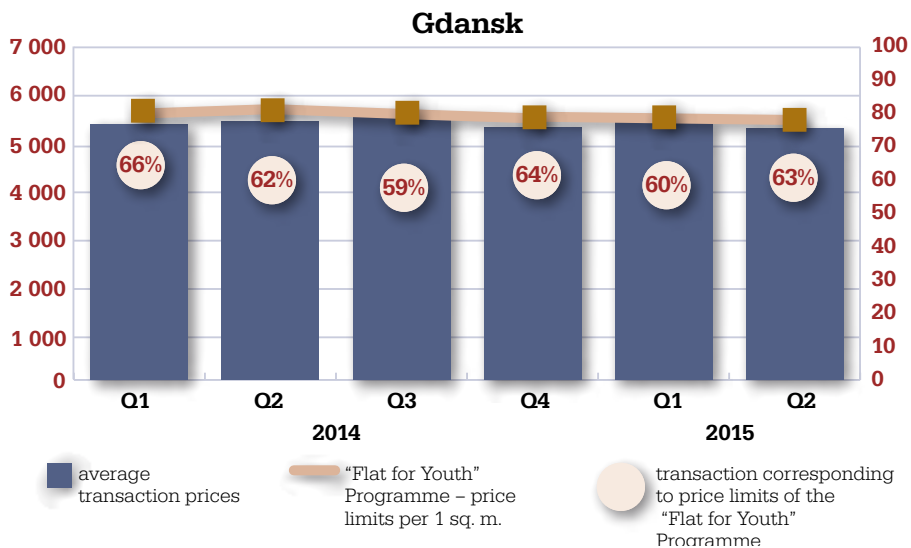
In Q2 2015, the maximum price per square meter of a housing in 'Flat for Youth' Programme did not change only in Gdansk and remained at the level of **PLN 5 303.10** – the limit was reduced by **PLN 123 (2.26%)** and amounted to **PLN 5 303.10**. Out of the six analyzed locations, maximum price was reduced only in Lodz (by **PLN 202.40** and it amounted to **PLN 4 515.50**). In other analyzed cities, the limits have been increased – from **PLN 5.18** in Warsaw to **PLN 68.75** in Wroclaw.

Extracting the transactions concluded on the primary market with price per square meter within the limits of 'Flat for Youth' Programme, enabled to identify the possibility of benefit this Programme in main Polish cities.

Still, most of transactions, which would qualify for subsidies, were concluded in Lodz – in Q2 2015 it was up to **76%** of all transactions concluded in this city on primary market. Invariably, at the following places in terms of availability of housing prices corresponding to the limits of the Programme were Poznan (**69%**) and Gdansk (**63%**). In Wroclaw, **21%** of dwellings might be bought with government subsidy, while in the capital city it was **18%** of sold dwellings. Despite a slight increase of the share of flats with the prices within the limits of the Programme (from **9** to **11%**), still buyers in Krakow had the slightest chance for government support.

Chart 17. Comparison of average transaction prices 1 sq. m. of flats in Q1 2014 – Q2 2015 and price limits in the 'Flat for Youth' Programme





Source: BGK, AMRON

On September 1, 2015 amendments to the Act on state aid in young people first housing purchase comes into force. The most important modifications of the Programme include the following assumptions:

- strengthening the family-oriented impact – increasing subsidies from 15% to 20% of the replacement value of housing for families with two children and to 30% for families with at least three children. what is more, for large families (with three or more children) the borrower's age limit was abolished, as well as the condition that the subsidized dwelling must be the first beneficiary's own housing. In addition, the limit of floor area, which is the parameter for calculating the subsidy's amount, increased from 50 sq.m. to 65 sq.m.;
- widening the scope of the Act – expanding the catalog of dwellings, which qualify for government subsidies also on the secondary market (1 sq.m. price of dwelling in this case cannot be higher than 90% of the average replacement value of 1 sq.m. force in a specific municipality) and introducing the possibility of co-financing building contributions

in the investments realized by housing cooperatives in order to obtain ownership of the flat;

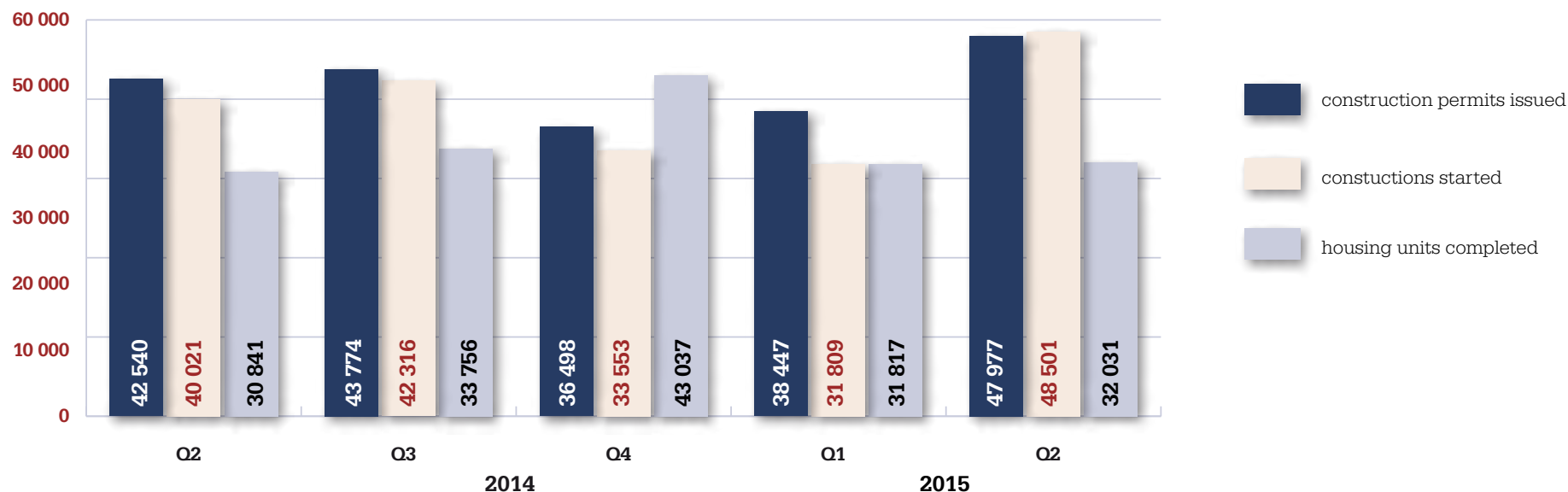
- extending the list of potential co-borrowers to any persons, also unrelated to the borrower (currently co-borrowers acceptable by the Act may only be descendants, ascendants, siblings, spouses of siblings, stepfather, stepmother or parents-in-law of the purchasers) in case of insufficient purchaser's creditworthiness;
- the penalties for the earlier repayment of loan granted under the Programme were prescribed – the borrower, who within five years from the date of ownership transfer repays all or part of the loan in amount exceeding received subsidy, will be required to return part of subsidy. In case of repayment of all or part of loan exceeding 50% of the dwelling price or the building contribution before the creation or transfer of ownership, the purchaser will be required to return the full amount of subsidy.

## Situation on the housing market

After not quite optimistic Q1 2015, a revival on the housing market can be noticed during the spring months. In Q2 2015, permits were issued for the construction of **47 977** dwellings, which meant an increase of **25%** in comparing to the previous quarter. In the period from April to June, the number of started constructions of new housing units was doubled and amounted to **48 501**, while the number of completed constructions increased by only **1%** on quarterly basis and amounted to **32 031** units.

On an annual basis, similar changes were noted – increases were noticed in all analyzed categories in comparing to the Q2 2014. A significant increases were observed in the number of construction permits issued and the number of constructions started, respectively by **13** and **21%**, while the number of dwellings completed increased by nearly **4%**.

Chart 18. Number of construction permits issued, constructions started and housing units completed in Q2 2014 – Q2 2015



Source: Central Statistical Office

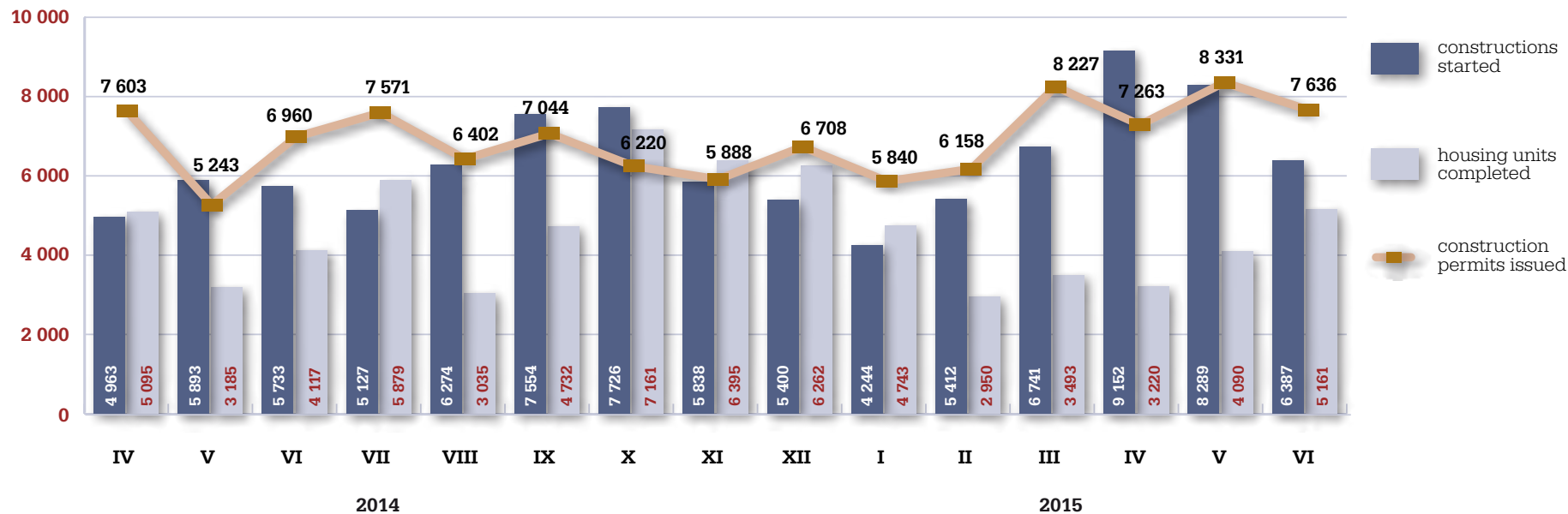
There was still a good situation on the development market and announced changes (widening the scope of 'Flat for Youth' Programme on dwellings on the secondary market and projected increases in interest rates) does not reduce developers' optimism. According to Central Statistical Office in Q2 2015 the biggest increases were recorded in case of the number of

constructions started – in comparison to the previous quarter, this number increased by **45%** (by **44%** in comparison to Q2 2014) and amounted to **23 828**. Thus in the first half of 2015, developers started construction of **40 225** units – this was a **26%** increase in relation to the same period last year and even more than before the financial crisis.

In the period from April to June, permits for developers were issued for the construction of **23 230** dwellings, i.e. by **15%** more in comparing to the previous quarter and by **17%** more in relation to the same period last year. At the same time, the number of housing units completed slightly changed (**11%** increase on quarterly basis and **1%** increase on annual basis) and in analyzed period amounted **12 471** units.

Number of construction permits obtained by developers accounted for **48%** of all construction permits issued in Q2 2015 in the housing sector. Development investments, which were started in analyzed quarter, accounted for **49%** of all started constructions, while **39%** of all dwellings completed were flats built by developers.

Chart 19. Number of construction permits issued, constructions started and housing units completed by developers in April 2014 – June 2015, monthly



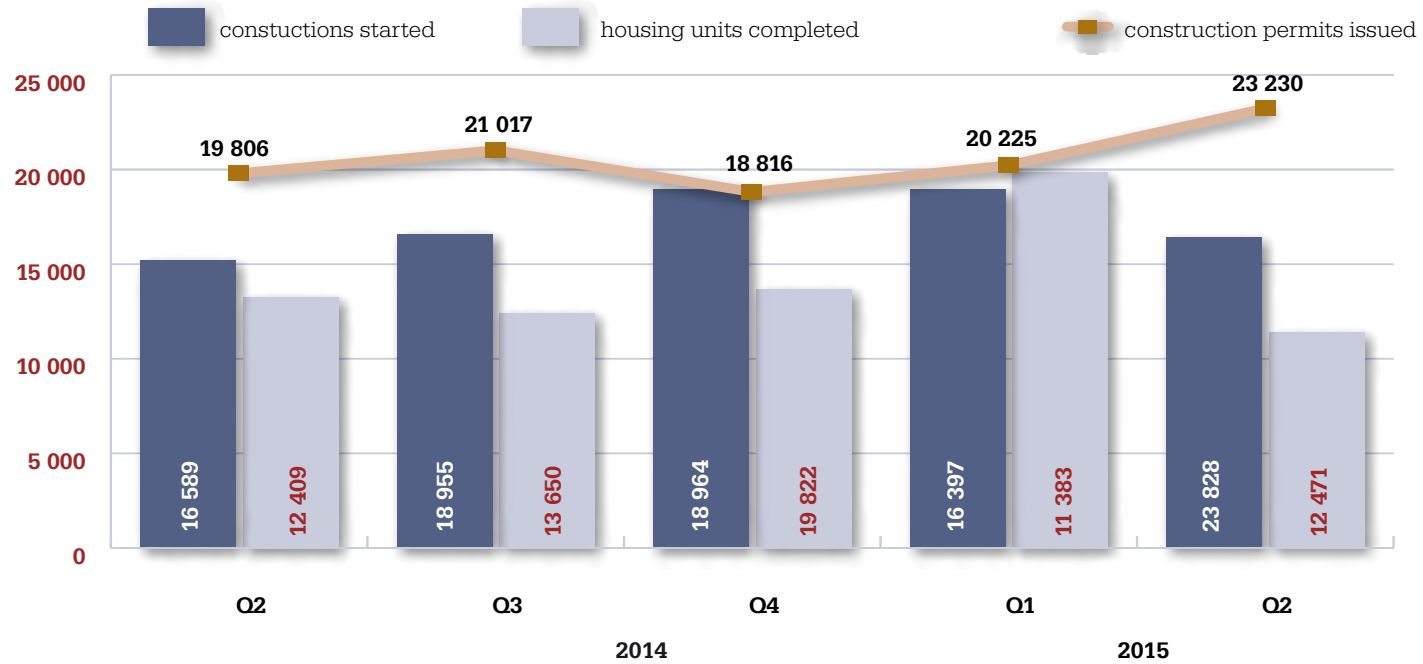
Source: Central Statistical Office

Table 9. Number of construction permits issued, constructions started and housing units completed by developers in Q2 2014 – Q2 2015

	2014			2015	
	Q2	Q3	Q4	Q1	Q2
<b>Construction permits issued</b>	19 806	21 017	18 816	20 225	23 230
<b>Constructions started</b>	16 589	18 955	18 964	16 397	23 828
<b>Housing units completed</b>	12 397	13 646	19 818	11 186	12 471

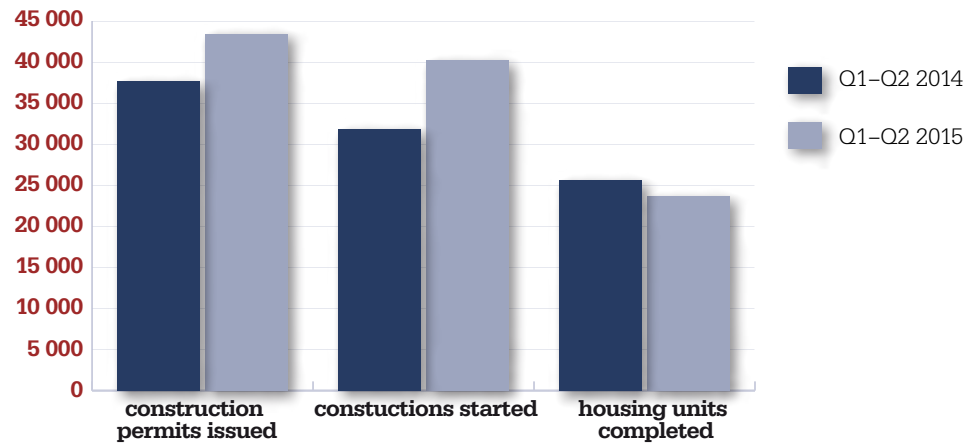
Source: Central Statistical Office

Chart 20. Number of construction permits issued, constructions started and housing units completed by developers in Q2 2014 – Q2 2015, quarterly



Source: Central Statistical Office

Chart 21. Comparison of numbers of construction permits issued, constructions started and housing units completed by developers in Q1 – Q2 2014 and Q1 – Q2 2015



Source: Central Statistical Office

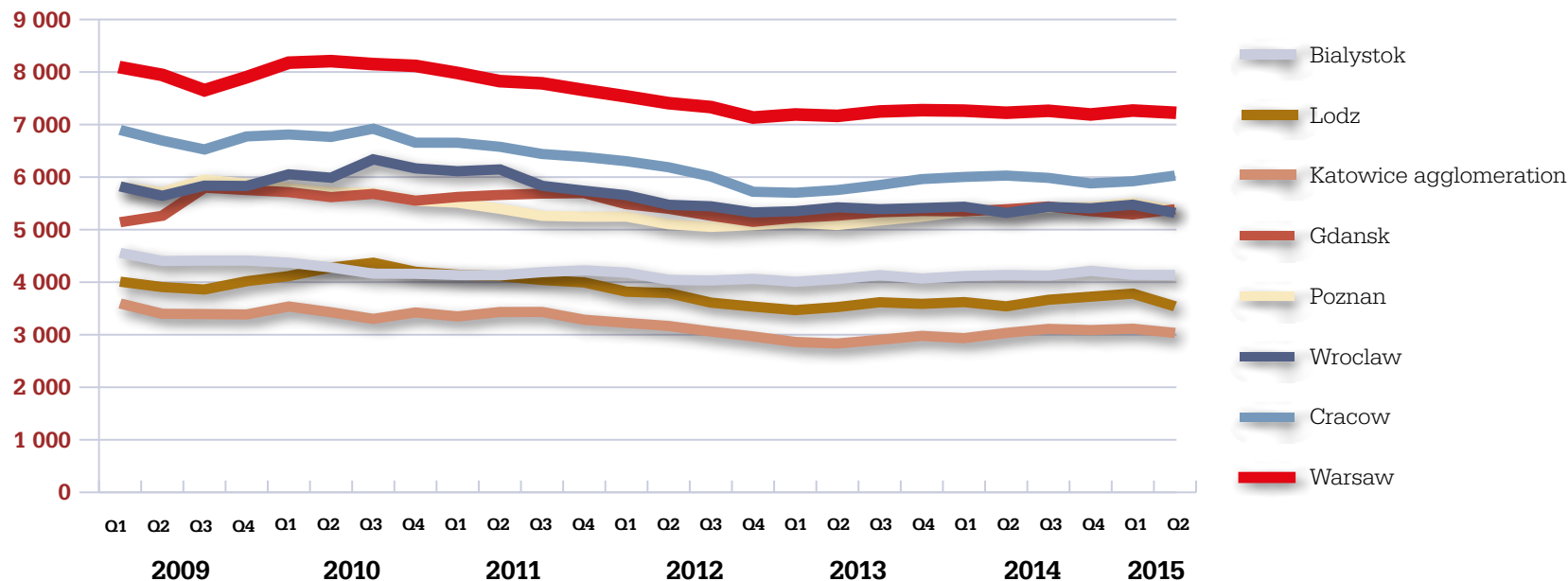
## Average transaction prices of housing units

In Q2 2015 there were noted only slight changes in the average transaction prices of residential units in eight the largest Polish cities. Insignificant decreases in the average transaction prices per 1 square meter in Poznan, Lodz and Gdansk were noted, respectively by **54**, **51** and **36 PLN/sq.m.** In two urban centers, i.e. Bialystok and Katowice agglomeration, the average prices remained at the same level as in previous quarter. In other cities, there were noted negligible increases – in Wroclaw by **58 PLN/sq.m.** and in Warsaw by **86 PLN/sq.m.** The

average transaction prices per 1 square meter in these cities amounted to **5 534 PLN/sq.m.** and **7 354 PLN/sq.m.** respectively.

In relation to the same period last year, decrease in the average transaction prices was recorded only in Gdansk and Krakow, respectively by **135** and **56 PLN/sq.m.** The average price of dwellings in Bialystok remained at the level of Q2 2014. In other cities, the average transaction prices per 1 square meter of floor area increased, the most in Wroclaw (by **216 PLN/sq.m.**) and Lodz (by **192 PLN/sq.m.**).

Chart 22. Average transaction prices per square meter of a housing unit in selected cities in Q1 2009 – Q2 2015



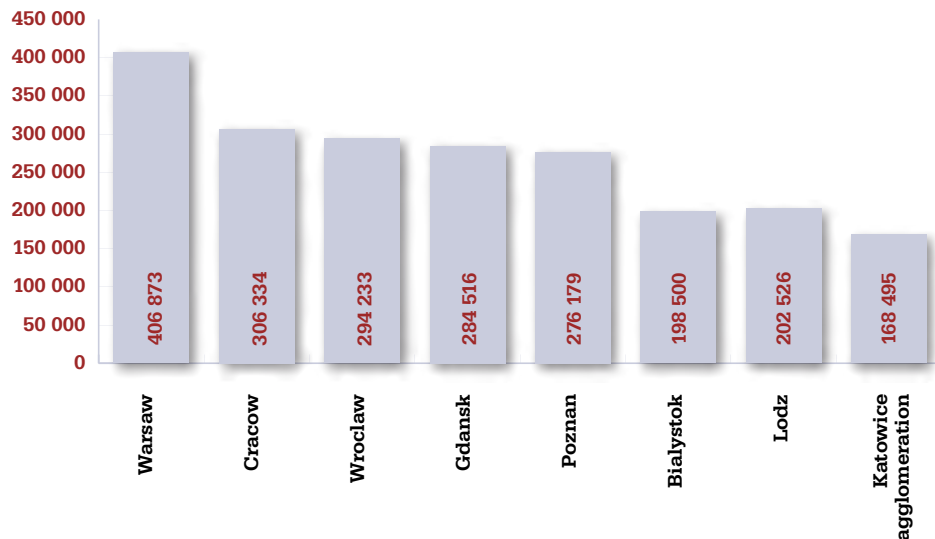
Source: AMRON

Table 10. Average transaction price per square meter of a housing unit in selected cities in Q1 2009 – Q2 2015

		Warsaw	Bialystok	Katowice agglomeration	Wroclaw	Gdansk	Cracow	Poznan	Lodz
<b>2009</b>	<b>Q1</b>	8 091	4 558	3 595	5 823	5 141	6 897	5 816	4 010
	<b>Q2</b>	7 945	4 403	3 398	5 644	5 263	6 695	5 714	3 907
	<b>Q3</b>	7 653	4 411	3 393	5 837	5 799	6 526	5 952	3 861
	<b>Q4</b>	7 902	4 412	3 385	5 831	5 754	6 774	5 877	4 018
<b>2010</b>	<b>Q1</b>	8 178	4 371	3 537	6 053	5 714	6 811	5 788	4 116
	<b>Q2</b>	8 207	4 281	3 427	5 988	5 619	6 764	5 712	4 279
	<b>Q3</b>	8 151	4 162	3 301	6 338	5 680	6 921	5 698	4 370
	<b>Q4</b>	8 117	4 159	3 423	6 166	5 551	6 655	5 551	4 198
<b>2011</b>	<b>Q1</b>	7 982	4 136	3 348	6 112	5 622	6 654	5 513	4 142
	<b>Q2</b>	7 826	4 130	3 432	6 146	5 660	6 577	5 396	4 116
	<b>Q3</b>	7 785	4 191	3 433	5 834	5 686	6 440	5 263	4 042
	<b>Q4</b>	7 656	4 226	3 285	5 741	5 694	6 384	5 246	3 995
<b>2012</b>	<b>Q1</b>	7 536	4 182	3 225	5 655	5 484	6 302	5 248	3 819
	<b>Q2</b>	7 407	4 045	3 166	5 473	5 397	6 187	5 103	3 793
	<b>Q3</b>	7 333	4 033	3 061	5 444	5 265	6 012	5 052	3 611
	<b>Q4</b>	7 134	4 064	2 967	5 327	5 149	5 721	5 086	3 535
<b>2013</b>	<b>Q1</b>	7 192	4 008	2 862	5 351	5 224	5 702	5 132	3 468
	<b>Q2</b>	7 165	4 060	2 832	5 425	5 266	5 754	5 089	3 526
	<b>Q3</b>	7 249	4 134	2 903	5 389	5 331	5 849	5 173	3 618
	<b>Q4</b>	7 274	4 069	2 978	5 411	5 355	5 962	5 248	3 587
<b>2014</b>	<b>Q1</b>	7 265	4 117	2 934	5 436	5 347	6 003	5 343	3 621
	<b>Q2</b>	7 225	4 137	3 034	5 318	5 388	6 029	5 364	3 540
	<b>Q3</b>	7 262	4 126	3 111	5 432	5 441	5 985	5 420	3 665
	<b>Q4</b>	7 192	4 216	3 088	5 406	5 352	5 880	5 432	3 724
<b>2015</b>	<b>Q1</b>	7 267	4 140	3 114	5 475	5 289	5 921	5 509	3 782
	<b>Q2</b>	7 354	4 162	3 127	5 534	5 253	5 973	5 454	3 732

Source: AMRON

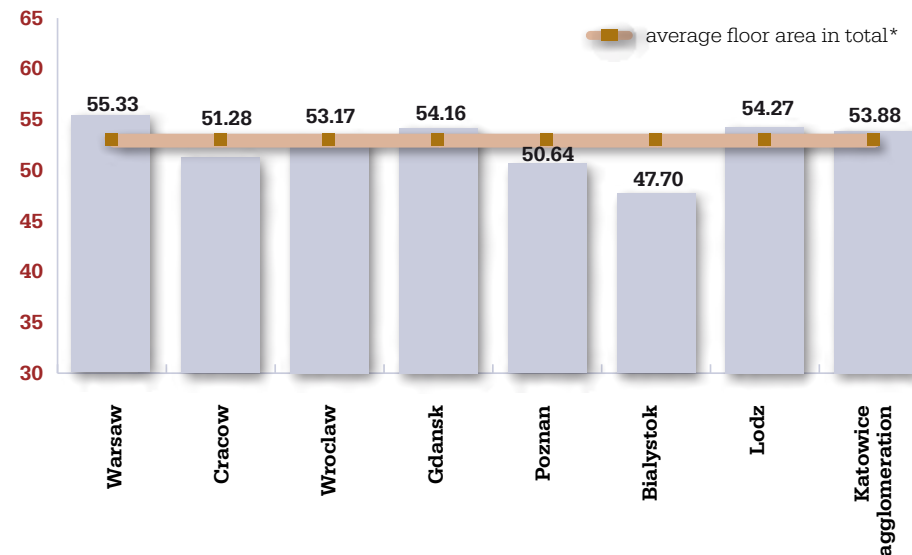
Chart 23. Total average transaction prices of housing units in selected cities in Q2 2015



Source: AMRON

The average floor area of a dwelling purchased in Q2 2015 in eight major Polish cities amounted to **52.55 sq.m.** The biggest dwellings were traded in Warsaw, where the average floor area amounted to **55.33 sq.m.** Dwellings with the useable floor area larger than average were bought also in Lodz, Gdansk, Katowice agglomeration and Wroclaw. The smallest housing units were bought in Bialystok and Poznan, where average floor area was equal respectively to **47.70** and **50.64 sq.m.**

Chart 24. Average floor area of housing units in selected cities in Q2 2015



\* in 8 surveyed locations

Source: AMRON

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

The share of flats with the floor area up to 65 sq.m. in the structure of total turnover in Warsaw slightly increased. In Q2 2015 share of those dwellings amounted to **70.97%** of total turnover in Warsaw. On quarterly basis, the popularity of the smallest dwellings (e.i. with useable area up to 35 sq.m.) increased the most (by **1.07 p.p.**). In the category of 35 – 45 sq.m. flats and 45 – 55 sq.m. flats, a slight increase were noted – respectively by **0.85 p.p.** and **0.64 p.p.** The sale of larger dwellings (with the floor area above 65 sq.m.) diminished. The greatest decrease was noted in category of 65 – 75 sq.m. (by **1.26 p.p.**) – the share of those flats reached the level of **11.17%** of total turnover in Warsaw.

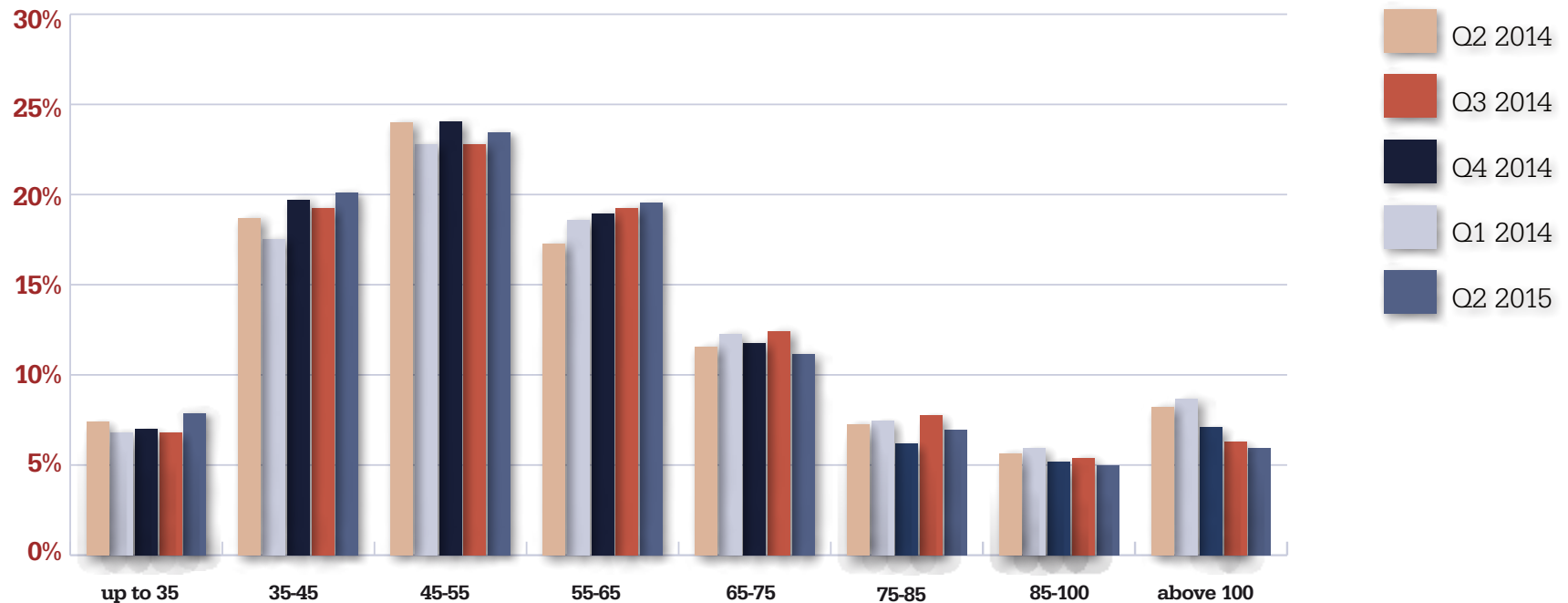
In relation to Q2 2014, the sale of Warsaw flats increased in three categories, i.e. with the floor area up to 35 sq.m. (by **0.49 p.p.**), from 35 to 45 sq.m. (by **1.43 p.p.**) and from 55 to 65 sq.m. (by **2.23 p.p.**), while the biggest decrease was noted in case of dwellings with floor area above 100 sq.m. – by **2.27 p.p.**

**Table 11. Share of particular floor area segments in total turnover volume on housing units in Warsaw in Q2 2014 – Q2 2015**

floor area (sq. m.)	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015
<b>up to 35</b>	7.40%	6.81%	7.02%	6.82%	7.89%
<b>35 – 45</b>	18.67%	17.52%	19.73%	19.25%	20.10%
<b>45 – 55</b>	23.99%	22.77%	24.06%	22.80%	23.44%
<b>55 – 65</b>	17.30%	18.57%	18.95%	19.25%	19.53%
<b>65 – 75</b>	11.56%	12.29%	11.76%	12.43%	11.17%
<b>75 – 85</b>	7.24%	7.44%	6.20%	7.79%	6.95%
<b>85 – 100</b>	5.63%	5.94%	5.17%	5.38%	4.97%
<b>above 100</b>	8.21%	8.66%	7.11%	6.28%	5.94%

Source: AMRON

**Chart 25. Share of particular floor area segments in total turnover volume on housing units in Warsaw in Q2 2014 – Q2 2015**



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 ten 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 consistently achieve 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. 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

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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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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