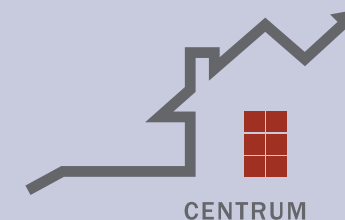


# AMRON-SARFiN Report

on housing loans  
and real estate transaction prices



**AMRON**

# 4 / 2014

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## Report in numbers

2014		change 2014 /2013
<b>PLN 350.354 billion</b>	total housing loans debt	<b>5.91%</b> ↗
<b>1.861 Mio</b>	number of active loan agreements	<b>2.24%</b> ↗
<b>174 087</b>	number of concluded agreements	<b>1.57%</b> ↘
<b>PLN 36.824 billion</b>	value of concluded agreements	<b>0.96%</b> ↗
<b>PLN 206 552</b>	average value of a housing loan	<b>3.24%</b> ↗
<b>174.32 points</b>	Housing Availability Index (HAI M3)	<b>12.01 points</b> ↗
<b>50.07%</b>	share of new housing loans with LtV above 80%	<b>2.90 percentage points</b> ↘
<b>99.28%</b>	share of new housing loans in PLN, by value	<b>0.20 percentage points</b> ↗
<b>0.57%</b>	share of new housing loans in EUR, by value	<b>0.31 percentage points</b> ↘
<b>62.16%</b>	share of new housing loans with lending period of 25-35 years	<b>0.79 percentage points</b> ↗
<b>422 512</b>	total average total transaction prices of housing units in Warsaw	<b>3.13%</b> ↗
<b>PLN 7 232</b>	average transaction price per square meter of a dwelling in Warsaw	<b>0.04%</b> ↗

## Report in numbers

Q4 2014		change Q4 2014 /Q3 2014
<b>PLN 350.354 billion</b>	total housing loans debt	<b>1.70%</b> ↗
<b>1.861 Mio</b>	number of active loan agreements	<b>1.05%</b> ↘
<b>42 993</b>	number of concluded agreements	<b>1.51%</b> ↘
<b>PLN 9.161 billion</b>	value of concluded agreements	<b>0.77%</b> ↘
<b>PLN 209 734</b>	average value of a housing loan	<b>2.65%</b> ↗
<b>190.20 points</b>	Housing Availability Index (HAI M3)	<b>22.99 points</b> ↗
<b>48.90%</b>	share of new housing loans with LtV above 80%	<b>1.77 percentage points</b> ↗
<b>98.81%</b>	share of new housing loans in PLN, by value	<b>0.32 percentage points</b> ↘
<b>0.81%</b>	share of new housing loans in EUR, by value	<b>0.14 percentage points</b> ↗
<b>63.52%</b>	share of new housing loans with lending period of 25-35 years	<b>1.84 percentage points</b> ↗
<b>401 303</b>	total average total transaction prices of housing units in Warsaw	<b>5.53%</b> ↘
<b>PLN 7 192</b>	average transaction price per square meter of a dwelling in Warsaw	<b>0.97%</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-second issue of the AMRON-SARFiN Report on mortgage loans and housing prices, published by Polish Banks Association. In the newest edition of the Report we present the results of fourth quarter and the whole 2014 with reference to the results from several previous quarters and data for 2013.

The results of the last quarter of 2014 strengthened the downward trend observed since mid-2011, both in terms of the number of new loans, as well as their total value. Thus, as predicted by AMRON Centre – 2014 was the weakest year for the mortgage industry since 2005. Both the number (174 thousand) of granted loans in 2014, as well as their value (PLN 36.8 billion) were lower even than those obtained in the crisis year 2009 (189 thousand for a total amount of PLN 39 billion). Neither the extremely low interest rate of PLN loans, nor the attractive prices did not convince buyers to take out the long-term mortgage loans. Opportunity to purchase on the housing market – with low prices and the growing range of dwellings in the primary market – was used in 2014 by those, who have had a cash or who withdrew their savings from bank deposits or other financial instruments and invested it in dwellings earmarked for lease. Profitability of the lease – especially in Warsaw – definitely exceeded refunds offered by financial institutions. Such situation was a reason for a great satisfaction of developers – sales results recorded in developers' sector in 2014 were comparable to the

results from the years before the crisis, which was in the considerable extend contributed to the government 'Flat for Youth' Programme. This optimism of developers resulted in an increase of new construction permits, as well as an increase in the number of new buildings. Slight, only by one percent, decrease concerned completed dwellings – their number in 2014 exceeded 143 thousand.

Transaction prices in the biggest Polish cities for two last years have slightly fluctuated. On an annual basis (Q4 2014/Q4 2013), an increase of the average transaction price was noted in Poznan (by PLN 184 per sq.m.), in Bialystok (by PLN 147 per sq.m.), in Lodz (by PLN 137 per sq.m.) and in Katowice (by PLN 110 per sq.m.). In Warsaw and Cracow, the average price decreased by PLN 82 per sq.m., while in Wroclaw and Gdansk prices remained at the same level as in 2013. Analyzing the price changes in the last few quarters it can be said that in most of the analyzed agglomerations they have achieved their minimum prices and in the next quarters we will witness the slight fluctuations, until a strong market impulse occurs.

For years, Polish Banks Association has monitored the residential mortgage market, what allowed to define the so-called Polish market's organic ability to generate an annual volume of mortgage loans at the level of at least PLN 38-40 billion, with the number of at least 180-190 thousand mortgage loans granted by the banking sector, regardless of whether the state, in a given year, had supported borrowers or not. The results from the last two years have forced us to revise down this 'organic' level of mortgage finance of the housing market.

At the moment, there are no arguments allowing to predict the mortgage lending at the level deviating significantly from what took place in 2013 and 2014. Interest rates are already at the very low level and even their further decrease will not cause significant changes at the level of lending, while an increase of the obligatory minimum level of the own contribution amounting to 10% may impede the access to mortgage loans for those, who currently does not have any savings or who wants to spend it on the renovation of newly purchased dwelling. These are mainly people seeking houses in the lowest prices and some of them can cope with requirement of own contribution by using the government subsidy granted by 'Flat for Youth' Programme. Even the declared more attractive state aid in 'Flat for Youth' Programme will not affect the increase in the number of loans, because it is not the role of this Programme to generate new borrowers. The Programme is used by those borrowers, who – anyway would decide to buy a flat on credit and who fulfills the Programme's conditions. It only remains to count on the fact that an economic recovery observed in the last year and increasing employment will result in increase in investments on the housing market financed by mortgage loans. Unfortunately, after the Swiss National Bank' decision to release the exchange rate of franc, everyone's attention is focused solely on finding solutions supporting borrowers indebted in francs. But analysis of loan portfolio does not justify such a commitment of the highest supervisory institutions, as well as regulatory and administrative bodies in this area. I would wish equally decisive actions and courageous decisions beyond political divisions even before new elections are held, resulting in global solutions for housing development

in Poland. Otherwise, I cannot see any chance for improvement of a situation on the housing market in the following years. Meanwhile, the housing problems of Polish families are mentioned in many researches and surveys as one of the two main causes of emigration, demographic crisis and dissatisfaction. We lost another year!

Recommended by Polish Banks Association starting of the system of long-term saving on housing purposes have already caused the first media discussion between deputy prime minister of economic affairs and minister of finance. A continuation of this discussion creates an opportunity to accept the idea of Polish Banks Association, and thus an opportunity to boost the housing finance market and improve the housing situation in our country.

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).

dr. Jacek Furga

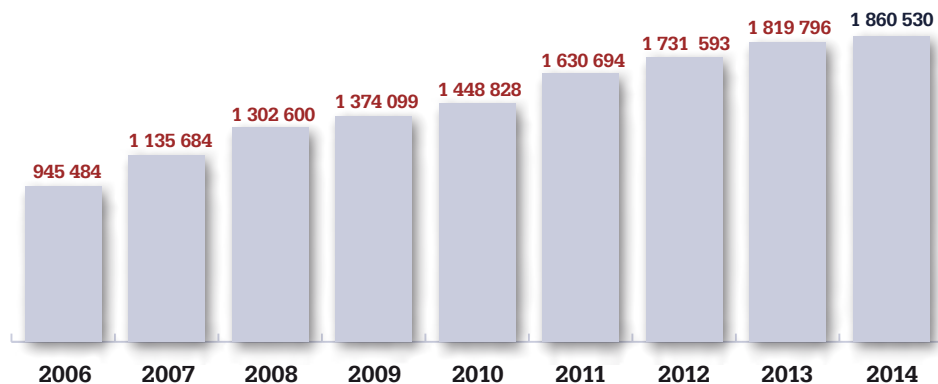
\* AMRON Centre was established by Polish Banks Association to manage and develop the System for Analysis and Monitoring of Real Estate Market Transactions and it operates within the organizational structure of a limited-liability company Centre of Banking Law and Information.

## Situation on housing loans market

### Number of active housing loans

In Q4 2014, housing loans portfolio decreased by **1.05%** comparing to the status as for the previous quarter. Despite this, on an annual basis there was noted an increase by **40 735** loans, i.e. by **2.24%**. At the end of 2014, total housing loans portfolio amounted to **1 860 530** active loans.

Chart 1. Total number of active housing loans in 2006 – 2014



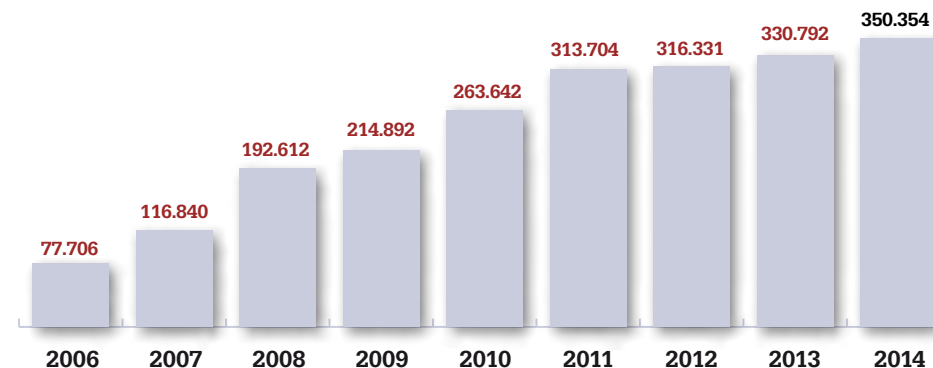
Source: Polish Banks Association – SARFiN

### Total housing loans debt

At the end of 2014, total value of all active mortgage loans equalled to **PLN 350.354 billion**. This means an increase of total outstanding value of mortgage loans in Polish banks by **5.91%**, by **PLN 19,562 billion** comparing to 2013.

Chart 2. below 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 – 2014 (PLN billion)



Source: Polish Banks Association – SARFiN, NBP

### Number and value of new housing loans

In Q4 2014, there was recorded a decrease in both the number and value of newly signed loan agreements. The value of new loans, comparing to Q3 2014, was lower by **0.77%** and amounted to **PLN 9.161 billion**. The total number of newly signed housing loans in the last quarter amounted to **42 993** loans, which means a decrease by **1.51%** comparing to the results of the previous quarter.

Table 1. Value and number of new housing loans in Q4 2010 – Q4 2014

quarter	value (PLN Mio)	change/previous quarter	number	change/previous quarter
<b>Q4 2010</b>	12.237	6.52%↓	56 920	6.92%↓
<b>Q1 2011</b>	12,252	0.12%↗	57 578	1.16%↗
<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%↓

Source: Polish Banks Association – SARFiN

In comparison to the analogous period of last year (Q4 2014/ Q4 2013), the value of granted loans decreased by **9.61%** and the number – by **5.33%**. During the whole year 2014, banks granted **174 087** new housing loans with a total value **PLN 36.824 billion**, which means an increase by **0.96%** in terms of value and a decrease by **1.57%** in terms of volume, comparing to the results recorded in 2013.

Taking into account the whole 2014, it is noteworthy that despite the significant reduction of interest rates and consequently – the decline in interest rates on housing loans, as well as an increase of creditworthiness

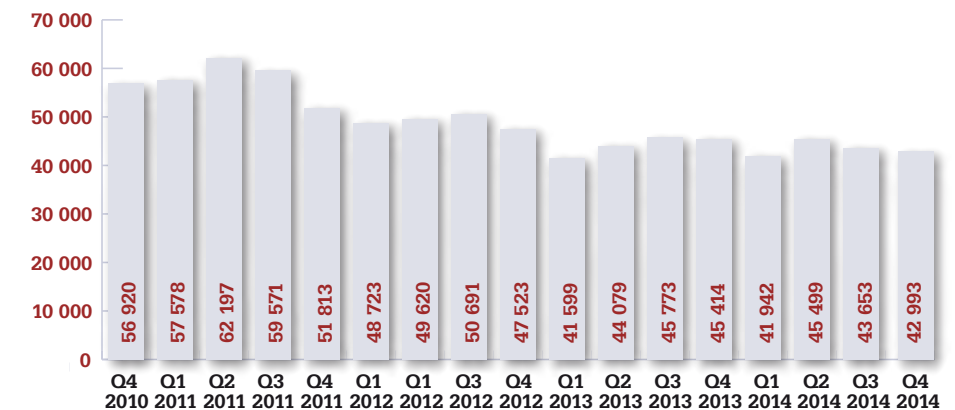
of Polish borrowers, mortgage lending increased only in Q2 2014, in accordance with the principle of seasonality. The remaining three quarters of 2014 were a time of decline in both value and quantity of newly signed loan agreements. Thereby it can be concluded that 2014 was the weakest period for the mortgage sector since 2005. Even the announcement of an increase in the required own contribution to the level of 10% from January 1, 2015 did not raise the demand for mortgage loans at the end of 2014.

Table 2. Value and number of new housing loans in 2010 – 2014

year	value (PLN billion)	change/previous period	number	change/previous period
<b>2010</b>	48.660	25.63%↗	230 361	21.76%↗
<b>2011</b>	49.210	1.13%↗	231 159	0.35%↗
<b>2012</b>	39.108	20.53%↓	196 557	14.97%↓
<b>2013</b>	36.475	6.73%↓	176 866	10.02%↓
<b>2014</b>	36.824	0.96%↗	174 087	1.57%↓

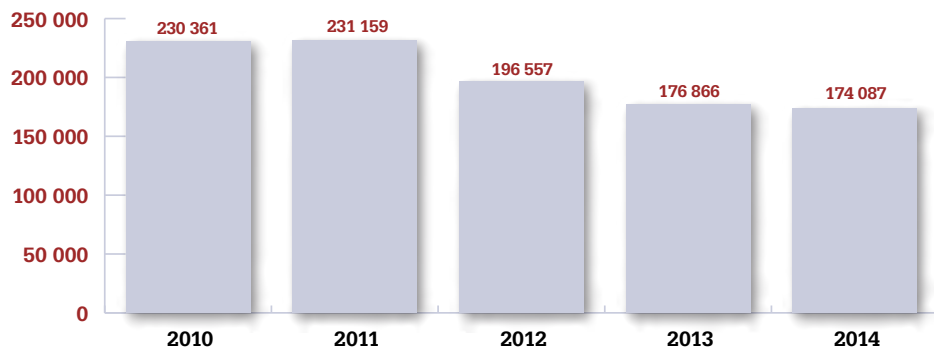
Source: Polish Banks Association – SARFiN

Chart 3. Number of new loan agreements in Q4 2010 – Q4 2014



Source: Polish Banks Association – SARFiN

Chart 4. Number of new loan agreements in 2010 – 2014



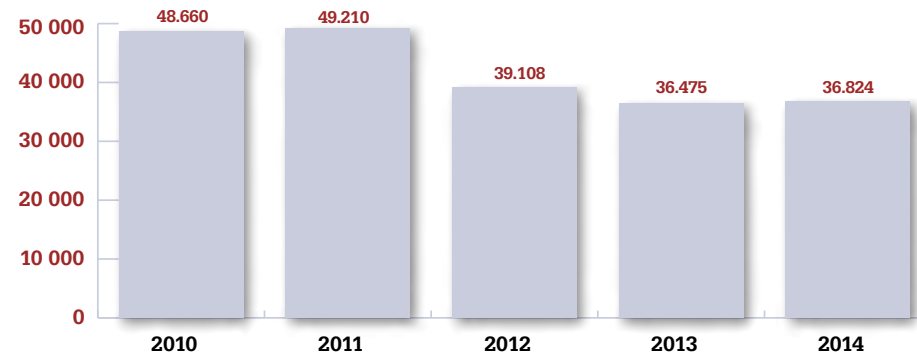
Source: Polish Banks Association – SARFiN

Chart 5. Value of new loan agreements in Q4 2010 – Q4 2014 (PLN billion)



Source: Polish Banks Association – SARFiN

Chart 6. Value of new loan agreements in 2010 – 2014 (PLN billion)



Source: Polish Banks Association – SARFiN

## Loan currency

Since July 1, 2014 loans denominated in foreign currencies have become available exclusively for those borrowers, who earn in such currency. Since then, in the currency structure of new loans only minor changes are noticeable. In Q4 2014, loans granted in foreign currency accounted for **1.19%** of all newly granted loans, which means an increase by **0.31 p.p.** in comparison to the previous quarter. In the last quarter, the slight increases in shares of loans denominated in different currencies were noted, i.e. the share of loans denominated in EUR increased by **0.14 p.p.**, the share of loans granted in USD increased by **0.07 p.p.**, while in CHF – only by **0.01 p.p.** The share of PLN loans in banks portfolios amounted to **98.91%** of mortgage loans portfolio granted in the last quarter 2014.

Table 3. Currency structure of the value of new loans in Q4 2010 – Q4 2014

quarter	PLN	CHF	EUR	USD	other
<b>Q4 2010</b>	76.55%	6.06%	17.33%	0.04%	0.02%
<b>Q1 2011</b>	80.55%	6.12%	13.20%	0.12%	0.01%
<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%

Source: Polish Banks Association – SARFiN

In 2014, PLN loans accounted for **99.28%** of all newly granted mortgage loans, which means an increase by **0.21 p.p.** in comparison to 2013. Denominated loans in foreign currencies accounted for **0.72%** of the total portfolio and the largest share (**0.57%**) were loans granted in EUR.

Table 4. Currency structure of the value of new loans in 2010 – 2014

	PLN	CHF	EUR	USD	other
<b>2010</b>	74.63%	5.04%	20.23%	0.06%	0.03%
<b>2011</b>	83.55%	4.15%	12.20%	0.08%	0.02%
<b>2012</b>	93.72%	0.34%	5.88%	0.05%	0.01%
<b>2013</b>	99.07%	0.01%	0.88%	0.04%	0.00%
<b>2014</b>	99.28%	0.01%	0.57%	0.08%	0.06%

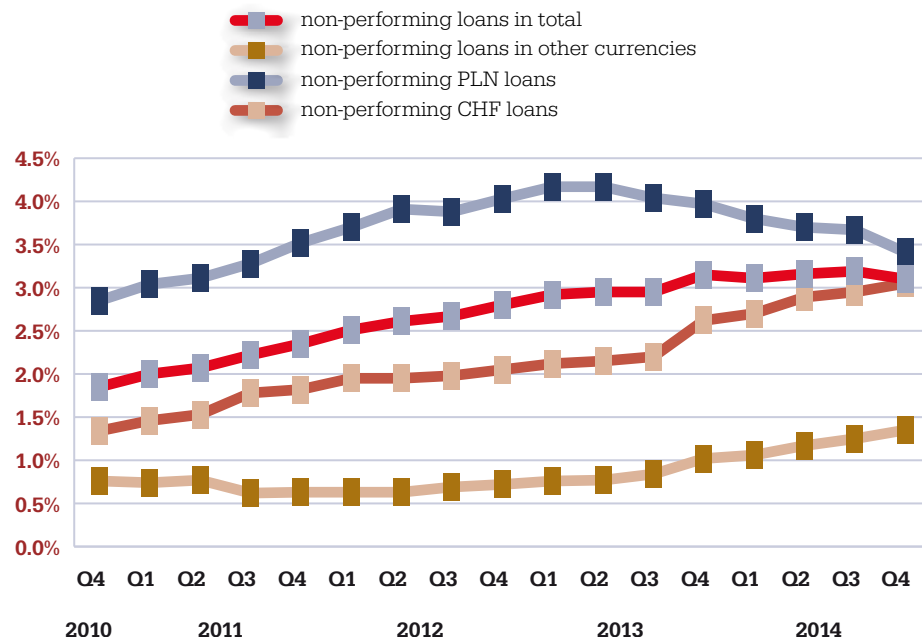
Source: Polish Banks Association – SARFiN

## Quality structure of mortgage loans portfolio

The share of non-performing mortgage loans in total housing loans portfolio diminished slightly in Q4 2014 (**by 0.09 p.p.**) in relation to previous quarter and reached the level of **3.10%**. Since mid-2013, a clear downward trend in share of non-performing PLN loans has been observed and – at the same time – a constant increase in the share of non-performing loans in foreign currencies. At the end of 2014, non-performing PLN loans accounted for **3.41%** of the total PLN loans portfolio of, while the share of non-performing loans in foreign currencies amounted to **4.41 %** of the total portfolio of denominated loans.

On an annual basis, there was noted an increase in both the number of non-performing loans in CHF and other loans in foreign currencies – respectively by **0.43 p.p.** and **0.34 p.p.** In case of PLN loans, it may be concluded that the quality of that segment of the portfolio has remained unchanged – compared to the analogous period of 2013, the share of non-performing loans decreased slightly by **0.05 p.p.**

Chart 7. Share of non – performing loans in total mortgage portfolio in Q4 2010 – Q4 2014



Source: National Bank of Poland

## Average value of a loan

In Q4 2014, the average value of a loan slightly increased and reached a level of **PLN 209 734**, which means a change by **2.65%** compared to the value recorded in Q3 of 2014. The amount of the average PLN loan

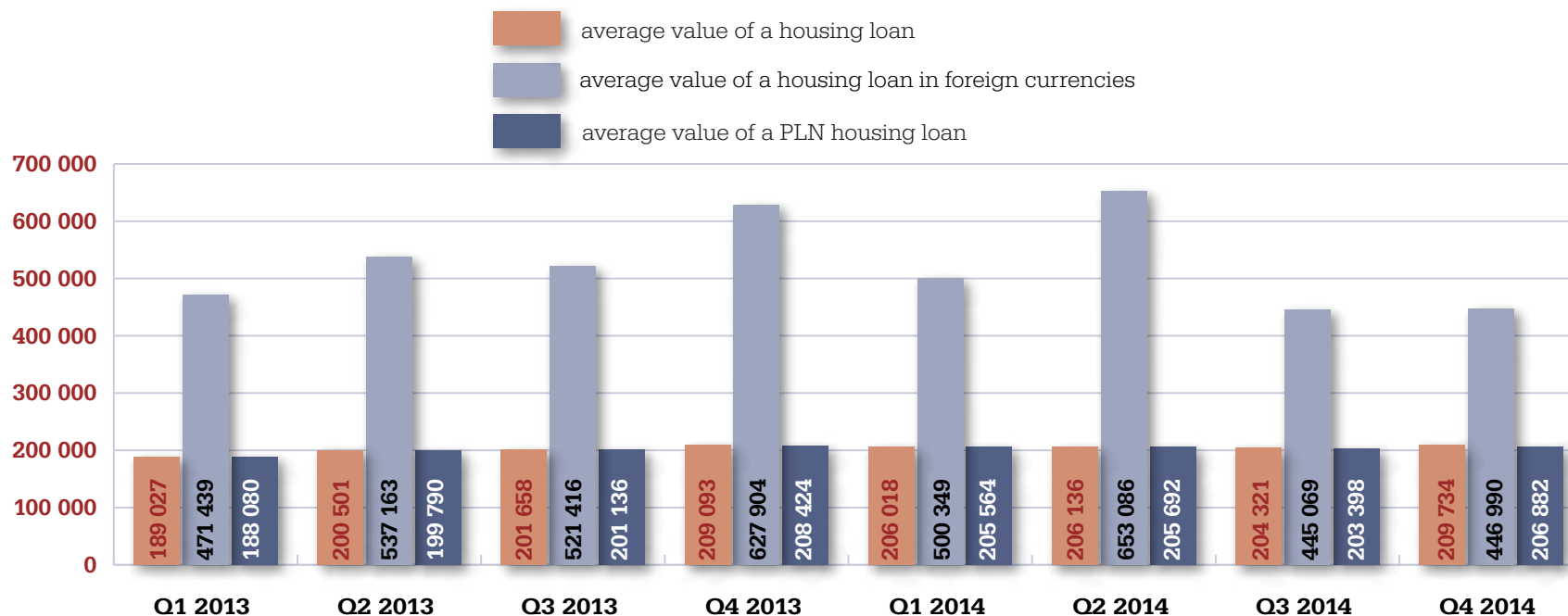
Table 5. Currency structure of the value of new loans in Q4 2010 – Q4 2014

period	non-performing loans in total	non-performing PLN loans	non-performing CHF loans	non-performing loans in other currencies
<b>Q4 2010</b>	1.85%	2.85%	1.34%	0.76%
<b>Q1 2011</b>	2.00%	3.04%	1.46%	0.74%
<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%

Source: National Bank of Poland

also increased (by **1.71%**) and amounted to **PLN 206 882**. However, the average value of denominated loan in foreign currencies reached the level of **PLN 446 990**, which means an increase by only **0.43%**.

Chart 8. Average value of a housing loan, aggregated and by currency in Q1 2013 – Q4 2014



Source: Polish Banks Association – SARFiN

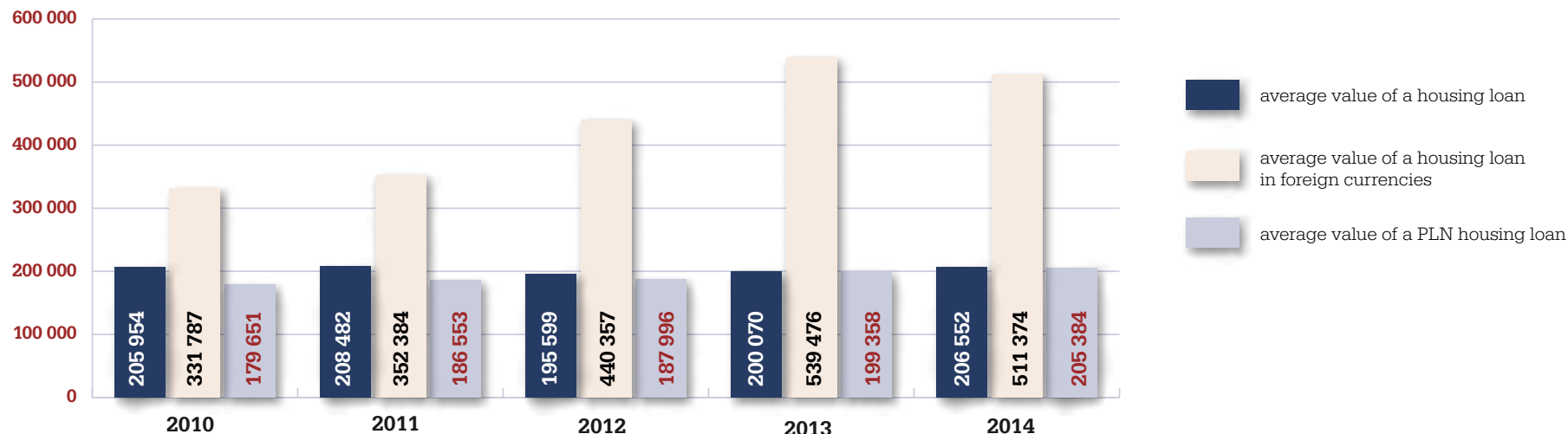
Table 6. Average value of a loan, aggregated and by currency in Q1 2013 – Q4 2014

quarter	average value of a housing loan	average value of a housing loan in foreign currencies	average value of a PLN housing loan
<b>Q1 2013</b>	189 027	471 439	188 080
<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

Source: Polish Banks Association – SARFiN

On an annual basis, both the average value loan in total, as well as PLN loan increased – respectively by **3.24% (PLN 6 482)** and **3.02% (PLN 6 026)**. In contrast, the average value of a foreign currency loan in 2014 diminished for the first time since 2005 – the decrease amounted to **5.21 % (PLN 28 103)** compared to the last year. Thereby, at the end of 2014 the average value of a loan denominated in foreign currencies amounted to **PLN 511 374**.

Chart 9. Average value of a housing loan, aggregated and by currency in 2010 – 2014



Source: Polish Banks Association – SARFiN

Table 7. Average value of a loan, aggregated and by currency in 2010 – 2014

year	average value of a housing loan	average value of a housing loan in foreign currencies	average value of a PLN housing loan
<b>2010</b>	205 954	331 787	179 651
<b>2011</b>	208 482	352 384	186 553
<b>2012</b>	195 599	440 357	187 996
<b>2013</b>	200 070	539 476	199 358
<b>2014</b>	206 552	511 374	205 384

Source: Polish Banks Association – SARFiN

## Structure of new loans, by amount

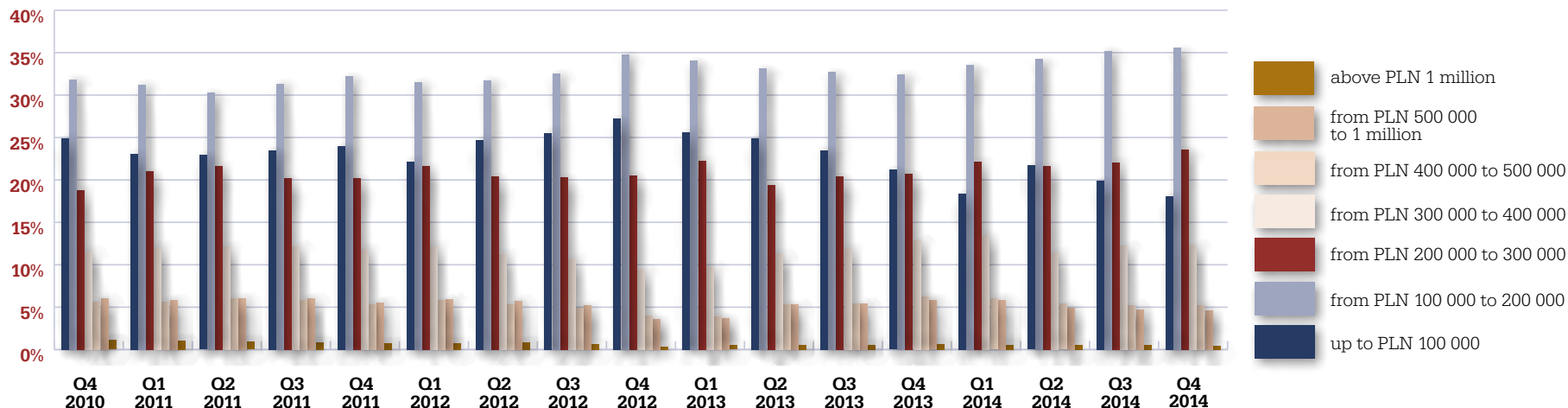
In the last quarter of 2014, the largest change in the structure of newly granted loans according to their amount occurred in segment of loans granted for amount up to PLN 100 000 – share of these loans decreased by **1.84 p.p.** in comparison to the previous quarter and amounted to **18.11%**. Such a change resulted from increasing creditworthiness of Polish borrowers. A slight decrease in segment of loans amounted for over PLN 500 thousand was also recorded (both the share of loans of amount ranging from PLN 500 thousand to PLN 1 million, and loans of amount of over PLN 1 million decreased by **0.11 p.p.**). However, loans in amount from PLN 100 to 500 thousand became more popular. The largest increase was recorded in category of loans of a value in the range from PLN 200 to 300 thousand, which amounted to **1.47 p.p.**

Also, in comparison to the analogous period of last year, popularity of loans granted in amount up to PLN 100 000 diminished significantly, i.e. by **3.08 p.p.** Share of particular amount categories over PLN 300 000 in the portfolio of newly granted loans also decreased, but the changes were

minor – the largest decrease was noted in case of loans amounting from PLN 500 000 to PLN 1 000 000, i.e. by **1.16 p.p.** Comparing to analogous period of 2013, in Q4 2014 increase in share of amount category from

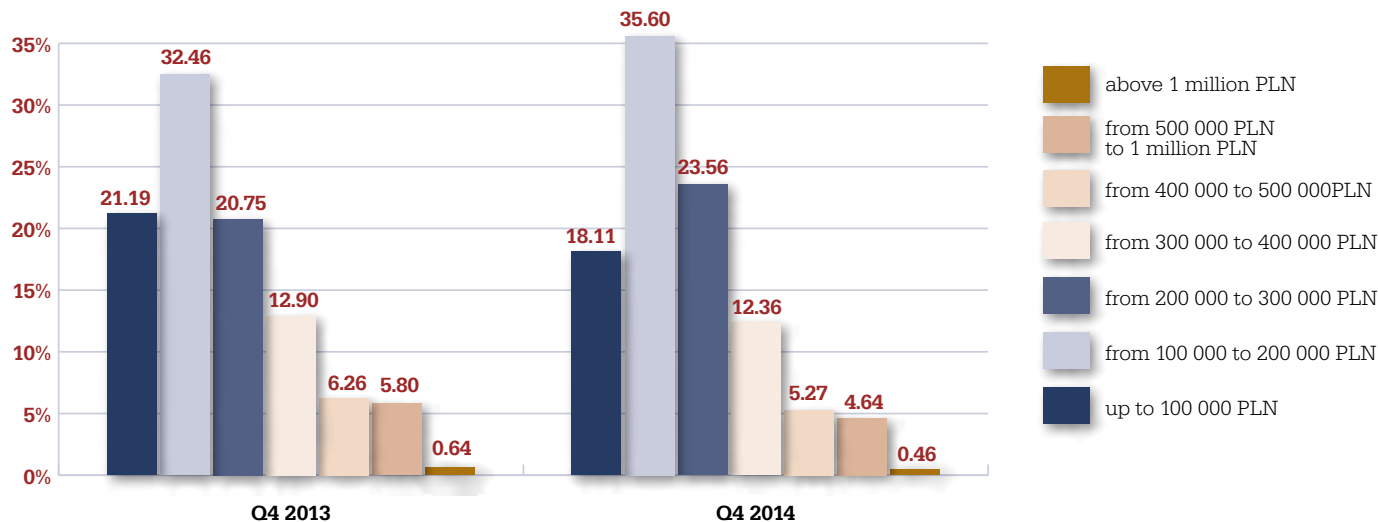
PLN 100 to 200 thousand and from PLN 200 to 300 thousand was noted – respectively by **3.14 p.p.** and **2.81 p.p.**

Chart 10. Structure of the new loans amount in Q4 2010 – Q4 2014



Source: Polish Banks Association – SARFiN

Chart 11. Structure of the new loans amount – comparison of Q4 2013 and Q4 2014



Source: Polish Banks Association – SARFiN

Table 8. Structure of the new loans amount in Q4 2010 – Q4 2014

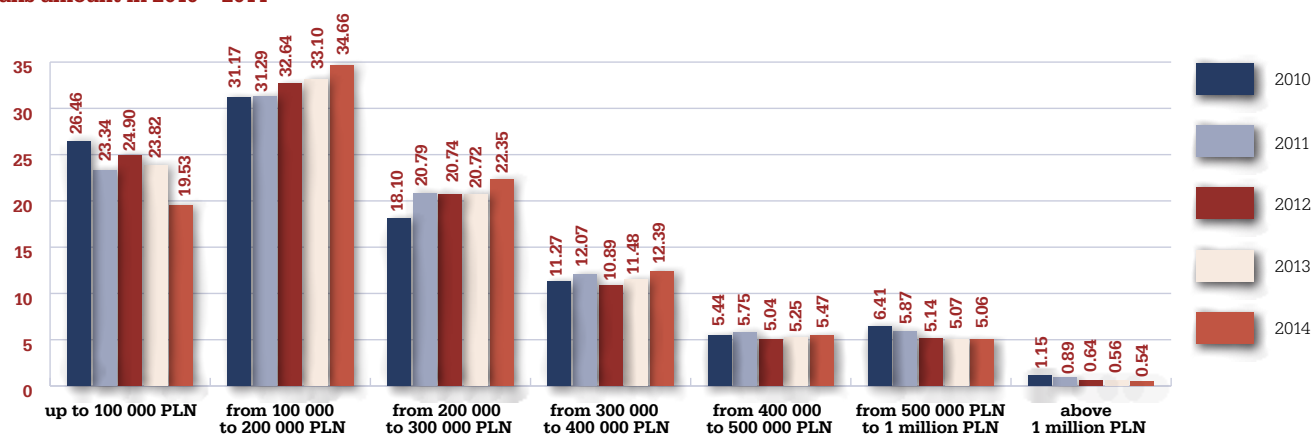
	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
<b>up to PLN 100 000</b>	24.90%	23.03%	22.92%	23.44%	23.96%	22.14%	24.70%	25.54%	27.22%	25.65%	24.92%	23.52%	21.19%	18.38%	21.70%	19.95%	18.11%
<b>from PLN 100 000 to 200 000</b>	31.87%	31.26%	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%
<b>from PLN 200 000 to 300 000</b>	18.79%	21.00%	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%
<b>from PLN 300 000 to 400 000</b>	11.60%	12.11%	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%
<b>from PLN 400 000 to 500 000</b>	5.66%	5.68%	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%
<b>from PLN 500 000 to 1 million</b>	6.07%	5.82%	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%
<b>above PLN 1 million</b>	1.11%	1.09%	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%

Source: Polish Banks Association – SARFiN

Comparing year 2014 and 2013, the situation in terms of amount structure of newly granted loans is similar to quarterly comparison. In 2014, share of loans amounting up to PLN 100 000 decreased by **4.29 p.p.** in comparison to 2013, similarly to share of loans amounting over PLN 500 000, however in case of this segment the change is negligible. In the same period in overall structure of new loans, the greatest increase (i.e. by **1.63 p.p.**

comparing to 2013) was noted in segment of loans granted in amount between PLN 200 000 and 300 000. This segment accounted for **22.35%** of total portfolio of newly granted loans. Invariably, the most popular were loans in the amount ranging from PLN 100 000 to 200 000, which in 2014 accounted for **34.66%** of total portfolio of new housing loans, and their share increased by **1.55 p.p.** in relation to the previous year.

Chart 12. Structure of new loans amount in 2010 – 2014



Source: Polish Banks Association

Table 9. Structure of the new loans amount in 2010 – 2014

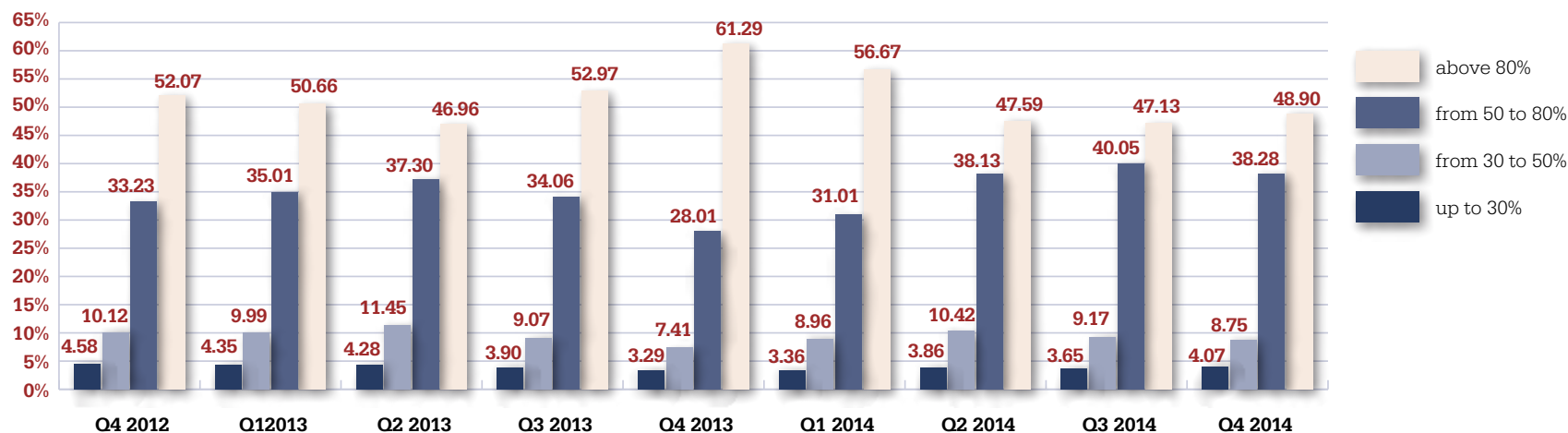
	2010	2011	2012	2013	2014
<b>up to PLN 100 000</b>	26.5%	23.34%	24.90%	23.82%	19.53%
<b>PLN 100000 – 200000</b>	31.2%	31.29%	32.64%	33.10%	34.66%
<b>PLN 200000 – 300000</b>	18.1%	20.79%	20.74%	20.72%	22.35%
<b>PLN 300000 – 400000</b>	11.3%	12.07%	10.89%	11.48%	12.39%
<b>PLN 400000 – 500000</b>	5.4%	5.75%	5.04%	5.25%	5.47%
<b>PLN 500000 – 1 000000</b>	6.4%	5.87%	5.14%	5.07%	5.06%
<b>above PLN 1 000 000</b>	1.2%	0.89%	0.64%	0.56%	0.54%

Source: Polish Banks Association

## Structure of the LtV ratio

In comparison to previous quarter, in the period from October to December 2014 there was an increase noted (by **1.77 p.p.**) in newly granted loans with LtV ratio over 80%. These loans accounted for **48.90%** of all loans granted in this quarter. In the same period, the share of loans with LtV ratio at the level from 50% to 80% declined by **1.77 p.p.** The recorded changes probably resulted from the amendment to the Recommendation S, which limited – from January 1, 2015 – the maximum possible level of LtV ratio for new mortgages to 90%.

Chart 13. Structure of LtV ratio of newly granted loans in Q4 2012 – Q4 2014, in terms of value



Source: Polish Banks Association – SARFiN

Table 10. Structure of LtV ratio of newly granted loans in Q4 2012 – Q4 2014

	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2013	Q2 2014	Q3 2014	Q4 2014
<b>up to 30%</b>	4.58%	4.35%	4.28%	3.90%	3.29%	3.36%	3.86%	3.65%	4.07%
<b>from 30 to 50%</b>	10.12%	9.99%	11.45%	9.07%	7.41%	8.96%	10.42%	9.17%	8.75%
<b>from 50 to 80%</b>	33.23%	35.01%	37.30%	34.06%	28.01	31.01%	38.13%	40.05%	38.28%
<b>above 80%</b>	52.07%	50.66%	46.96%	52.97%	61.29%	56.67%	47.59%	47.13%	48.90%

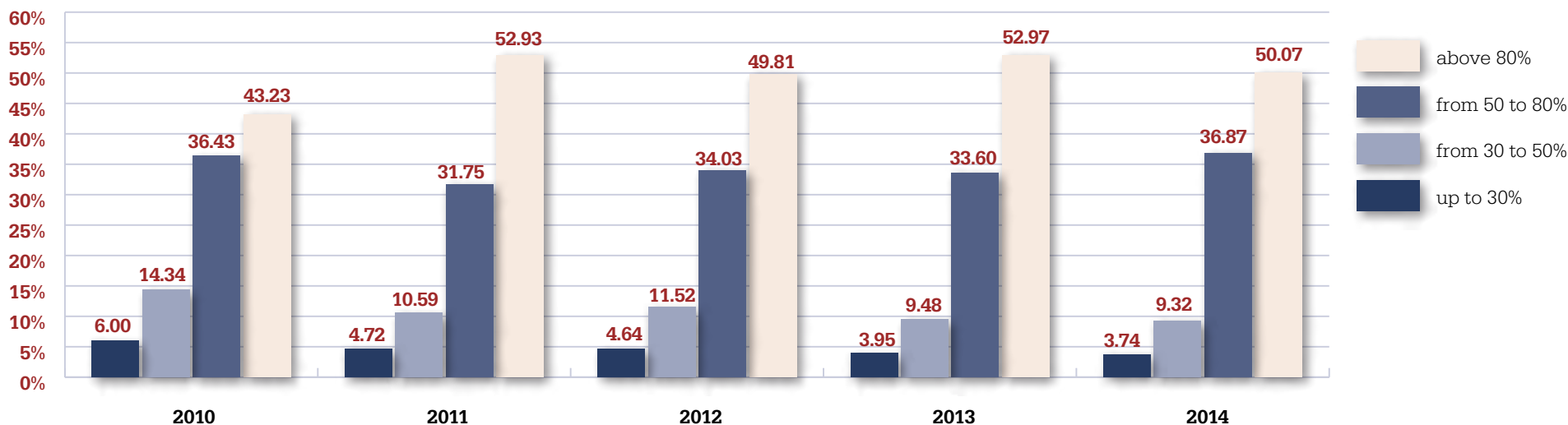
Source: Polish Banks Association – SARFiN

Comparing the last quarter to the analogous period of 2013 the share of loans with LtV ratio over 80% declined significantly, i.e. by **12.39 p.p.** In the same period loans with LtV ratio in the range from 50 to 80% were granted more often. The share of these loans increased by **10.27 p.p.**, compared to Q4 2013.

Annual changes (2014/2013) of the LtV ratio were negligible. Compared to 2013, the number of loans with LtV ratio over 80% granted in 2014 was

lower by **2.90 p.p.** This type of housing loans still dominate in the overall structure – in 2014 their share accounted for **50.07%**. At the same time, the share of loans with LtV ratio at the level up to 30% slightly decreased – by **0.21 p.p.**, similarly to the share of loans with LtV ratio ranging from 30 and 50% – by **0.16 p.p.** However, the number of newly granted loans with the LtV ratio between 50 and 80% increased – the share of this type of housing loans amounted to **36.87%** of the total portfolio of new loans granted in 2014, which means an increase by **3.27 p.p.** comparing to 2013.

Chart 14. Structure of LtV ratio of newly granted loans in 2010 – 2014



Source: Polish Banks Association – SARFiN

Table 11. Structure of LtV ratio of newly granted loans in 2010 – 2014

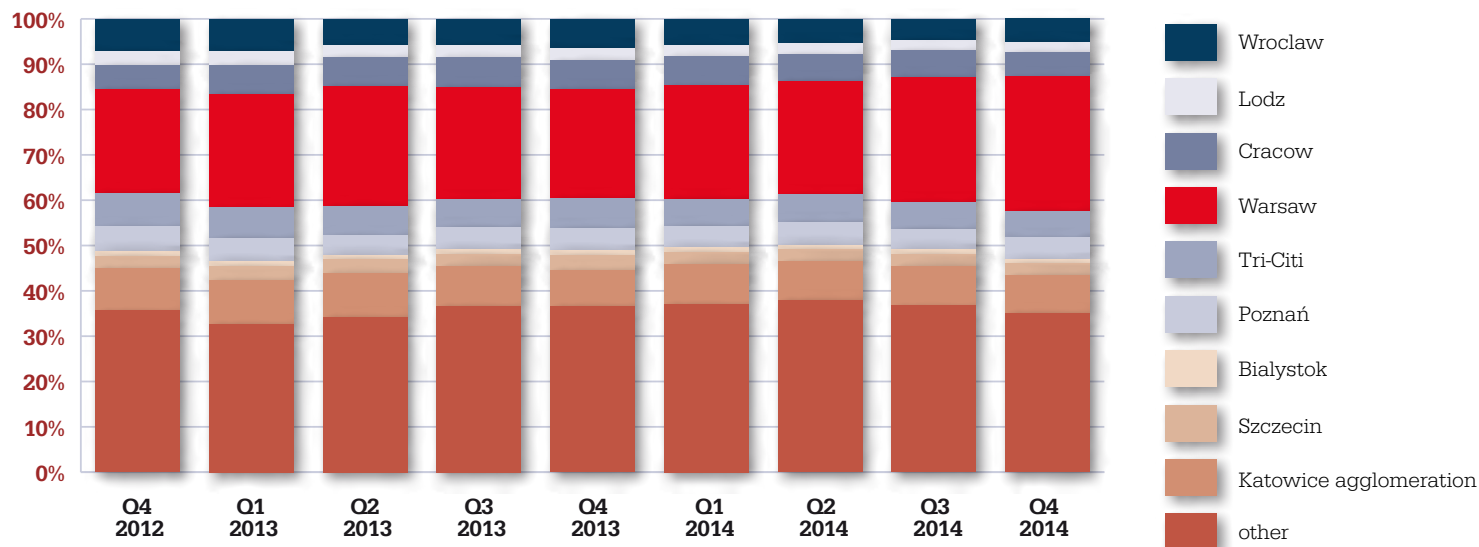
	2010	2011	2012	2013	2014
<b>up to 30%</b>	6.00%	4.72%	4.64%	3.95%	3.74%
<b>from 30 to 50%</b>	14.34%	10.59%	11.52%	9.48%	9.32%
<b>from 50 to 80%</b>	36.43%	31.75%	34.03%	33.60%	36.87%
<b>above 80%</b>	43.23%	52.93%	49.81%	52.97%	50.07%

Source: Polish Banks Association – SARFiN

## Housing loans in major Polish cities

In the period from October to December 2014, nearly **65%** of new loans in terms of value were granted in nine the largest Polish cities (i.e. by **1.68 p.p.** more than in the previous quarter). For several quarters share of loans granted in Warsaw has increased in the structure of new loans – in the last quarter of 2014 it amounted to **29.57%**, which means an increase by **2.01 p.p.** in relation to Q3 2014. In the remaining cities, slight changes were recorded, i.e. the volume of loans granted in Wroclaw increased by **0.33 p.p.**, in Poznan – by **0.26 p.p.** and in Lodz – by **0.11 p.p.** In the remaining cities slight decreases were noticeable, the largest in Katowice – by **0.34 p.p.** The share of new mortgage loans in the overall structure of value of housing loans granted in smaller Polish cities decreased in comparison to previous quarter by **1.68 p.p.**

Chart 15. Value of newly granted loans in major Polish cities in Q4 2012 – Q4 2014



Source: Polish Banks Association – SARFiN

The biggest change comparing to Q4 2013 was observed in Warsaw, where the share of newly granted loans increased by **5.63 p.p.** In the last quarter 2014, there was recorded a decrease of new loans granted

in Wroclaw (by **1.37 p.p.**) and in smaller cities (by **1.52 p.p.**). In the remaining cities, changes were minor.

Table 12. Value of newly granted loans in major Polish cities in Q4 2012 – Q4 2014

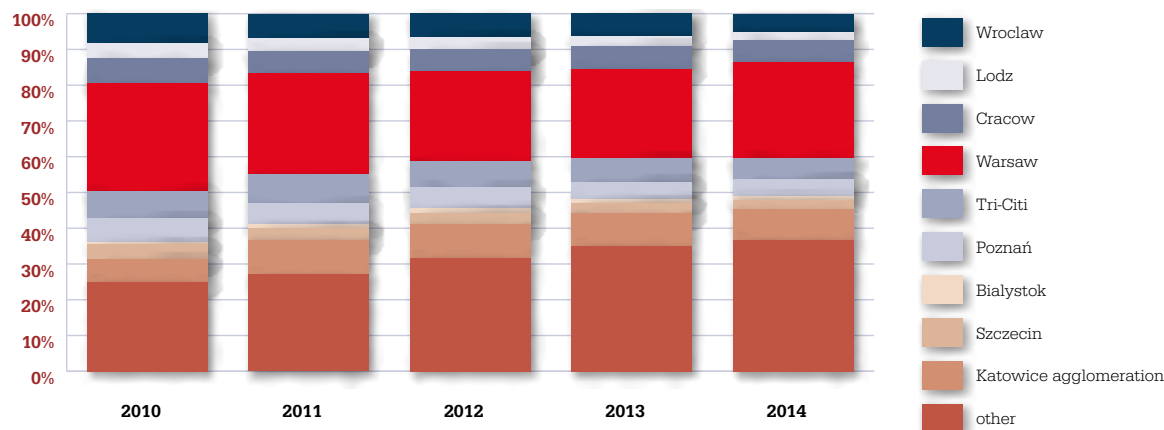
	other	Katowice agglomeration	Szczecin	Bialystok	Poznan	Tri-Citi	Warsaw	Cracow	Lodz	Wroclaw
<b>Q4 2012</b>	35.65%	9.30%	2.81%	1.02%	5.32%	7.49%	22.84%	5.46%	2.99%	7.11%
<b>Q1 2013</b>	32.66%	9.73%	3.00%	1.08%	5.14%	6.75%	25.00%	6.49%	3.00%	7.15%
<b>Q2 2013</b>	34.20%	9.69%	3.03%	1.04%	4.21%	6.51%	26.46%	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%

Source: Polish Banks Association – SARFiN

In annual terms, the volume of new housing loans granted in smaller Polish cities still increases – in 2014 (2014/2013) this increase amounted

to **1.68 p.p.** Among the large agglomerations, an increase in share in the overall structure of new loans was only recorded in Warsaw, i.e. by **1.72 p.p.**

Chart 16. Value of newly granted loans in major Polish cities in 2010 – 2014



Source: Polish Banks Association – SARFiN

Table 13. Value of newly granted loans in major Polish cities in 2010 – 2014

	other	Katowice agglomeration	Szczecin	Bialystok	Poznan	Tri-Citi	Warsaw	Cracow	Lodz	Wroclaw
<b>2010</b>	24.98%	6.25%	4.22%	0.67%	6.62%	7.72%	30.06%	6.98%	4.21%	8.29%
<b>2011</b>	27.04%	9.67%	3.24%	1.23%	5.80%	8.05%	28.47%	6.12%	3.43%	6.94%
<b>2012</b>	31.73%	9.36%	3.22%	1.12%	5.92%	7.46%	25.10%	6.17%	3.19%	6.73%
<b>2013</b>	35.02%	9.06%	3.03%	1.07%	4.75%	6.51%	25.05%	6.46%	2.75%	6.30%
<b>2014</b>	36.70%	8.58%	2.69%	1.00%	4.71%	6.01%	26.77%	5.97%	2.27%	5.30%

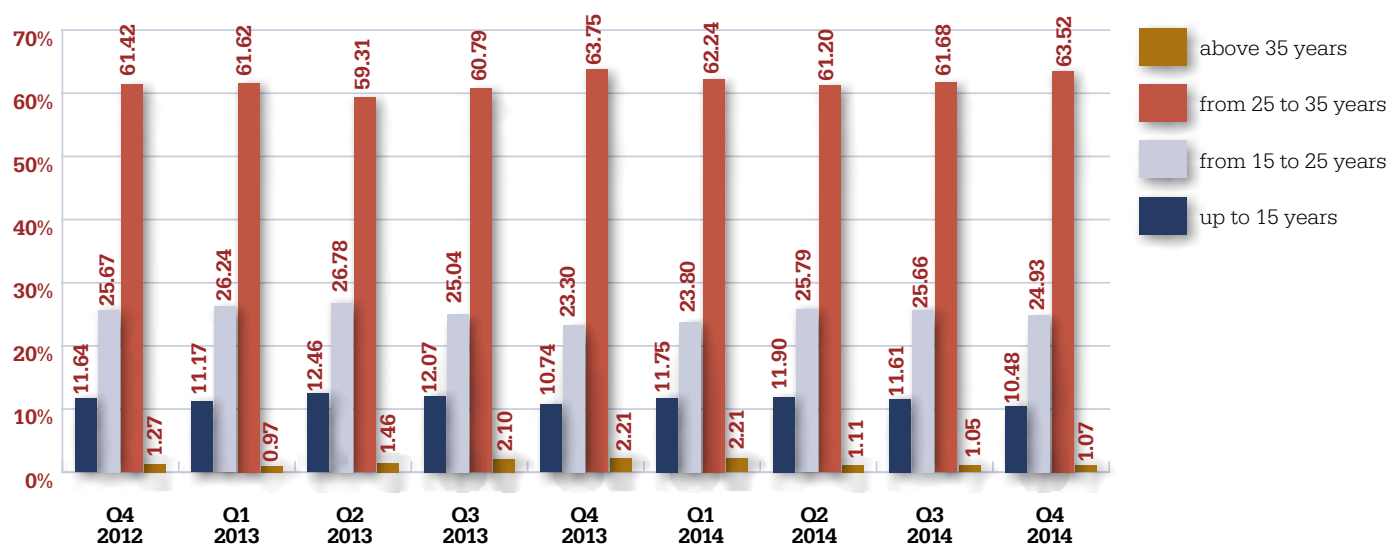
Source: Polish Banks Association – SARFiN

## Lending period

The last quarter of previous year brought slight changes in the structure of newly granted loans due to lending period. The increase occurred only in the segment of the most popular loans granted with the maturity from 25 to 35 years – in comparison to the previous quarter, the increase

amounted to **1.84 p.p.**, thus the share of these loans in the total portfolio reached the level of **63.52%**. The share of loans with the maturity over 35 years remained at the level recorded in Q3 2014. In the other two segments, a decline was noted: in case of loans granted with maturity up to 15 years – by **1.13 p.p.**, and in case of loans granted for the period from 15 to 25 years – by **0.73 p.p.**

Chart 17. Structure of new loans by lending period in Q4 2012 – Q4 2014



Source: Polish Banks Association – SARFiN

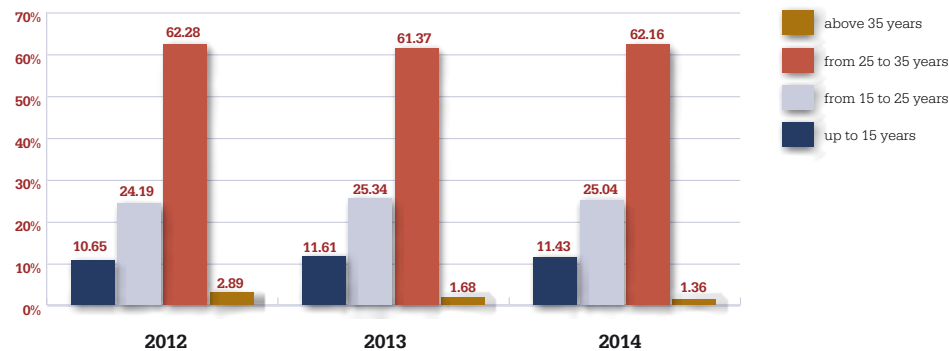
Table 14. Structure of new loans by lending period in Q4 2012 – Q4 2014

	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
<b>up to 15 years</b>	11.64%	11.17%	12.46%	12.07%	10.74%	11.75%	11.90%	11.61%	10.48%
<b>from 15 to 25 years</b>	25.67%	26.24%	26.78%	25.04%	23.30%	23.80%	25.79%	25.66%	24.93%
<b>from 25 to 35 years</b>	61.42%	61.62%	59.31%	60.79%	63.75%	62.24%	61.20%	61.68%	63.52%
<b>above 35 years</b>	1.27%	0.97%	1.46%	2.10%	2.21%	2.22%	1.11%	1.05%	1.07%

Source: Polish Banks Association – SARFiN

Also there were not a lot of changes in the structure of new loans in terms of lending period in annual comparison (2014/2013). An increase was recorded only in the segment of loans with maturity from 25 to 35 years – their share increased by **0.79 p.p.** compared to 2013 and amounted to **62.16%** of total portfolio of newly granted housing loans. In other segments only slight declines were noted.

Chart 18. Structure of new loans by lending period in 2012 – 2014



Source: Polish Banks Association

## 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

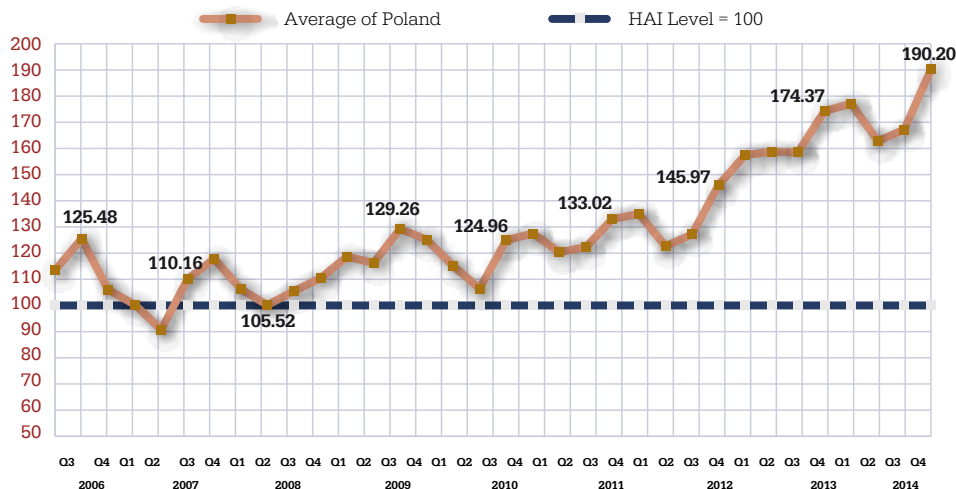
employed adults with one older child. Increase of dwelling availability in Q4 2014 was influenced by the following factors:

- a slight decrease of housing prices in monitored cities in order to calculate HAI M3 Index (8 biggest cities) – recorded prices decreased by **0.51%** in relation to Q3 2014. For the whole 2014 an increase of property prices amounted to **1.15%**;
- a significant decrease in the average interest rate of loans granted in Q4 – according to the National Bank of Poland this decrease amounted **5.98 p.p.** (57 basis points) – the real interest rate of loans granted in 2014 amounted to **5.06%**;
- a significant increase, compared to the previous quarters of 2014, in average family income in Q4 2014 – by **4.27%**;
- the living costs, 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) slightly decreased (the inflation decreased by **0.17%**).

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 **13.75%**, which resulted in the increase of the Index by **22.99 basis points** in Q4 2014.

Chart 19. Housing Availability Index M3 for the period from Q3 2006 to Q4 2014



Source: Polish Banks Association

It should be emphasized that macroeconomic factors had a positive influence on the installment level of PLN loan, hence the increase of the Index and recorded significant decrease of the level of installments of previously contracted loans. Paradoxically, for the media atmosphere around mortgage crediting, this and the next few quarters will be optimal for borrowers, who intend to finance the purchase or construction of real estate with the mortgage loan.

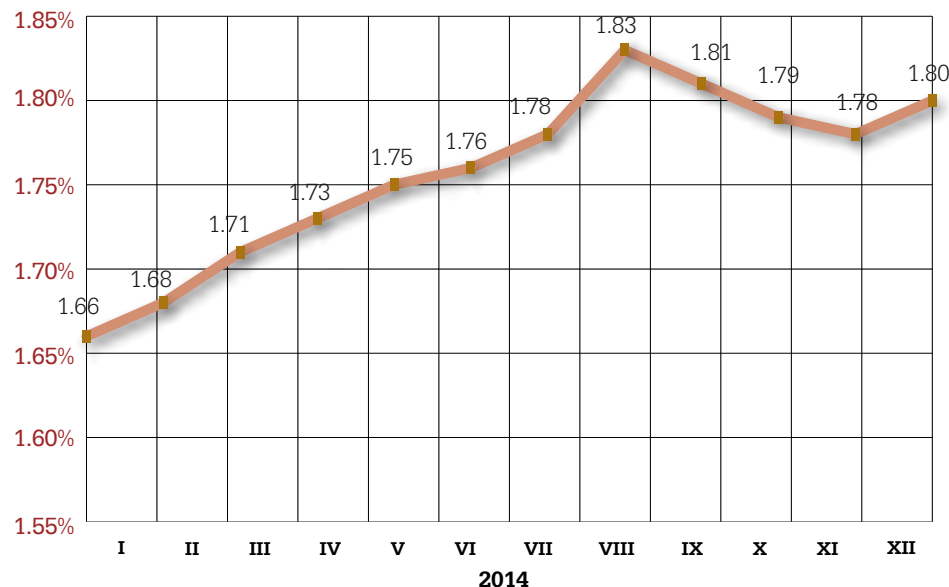
Comparing changes in the level HAI M3 Index in the period between Q4 2014 and Q4 2013, it should be emphasized that with the relatively low increase of real estate prices in this period (by **1.15%**), an important factor influencing the increase of Index from the level 174.30 point to 190.20 was the reduction of the average interest rate by **50 basis**

**points**, the increase in incomes by **3%** and the decrease of minimum subsistence level (associated with deflation) by **1 p.p.**

## Average margin levels and mortgage interest rates

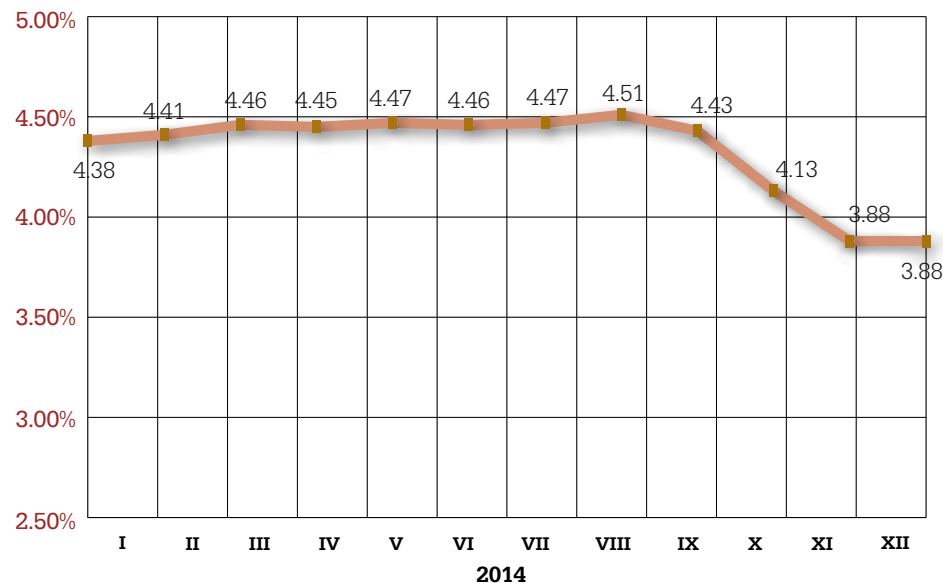
In Q4 2014, the loan margins slightly decreased. An average margin of a mortgage loan (in amount of PLN 300 000, at the LtV ratio of 75% and granted for the period of 25 years) amounted to **1.79%**, which meant a decrease by **0.02 p.p.** comparing to the previous quarter. October 9, 2014 NBP's reference rate was reduced to **2.00%** and 3M WIBOR decreased from the level of **2.45%** in Q3 to **2.05%** in Q4 2014, which resulted in a significant decrease of average mortgage interest rates. At the end of Q1 2014, interest rates amounted to **3.88%** and in comparison to September last year was lower by **0.55 p.p.**

Chart 20. Average margin of a housing loan in January 2014 – December 2014



Source: AMRON Centre based on banks' credit offers

Chart 21. Average interest rate of a housing loan in January 2014 – December 2014



Source: AMRON Centre based on banks' credit offers

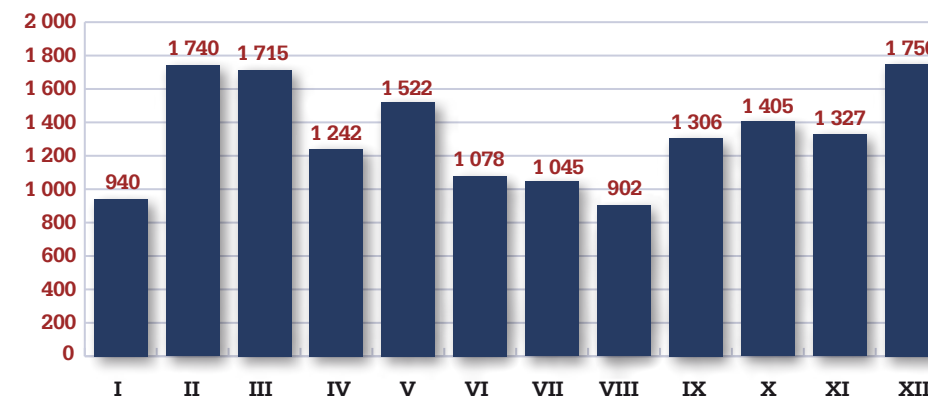
## 'Flat for Youth' Programme

The results recorded in Q4 2014 were the best in the first year of the 'Flat for Youth' Programme – banks approved **4 482** loan applications, which were **1 228 (37%)** more, comparing to Q3 2014. The total amount of subsidies in Q4 2014 amounted to **PLN 105.2 million**, i.e. by **42.2%** more than in the previous quarter. Thereby, from the beginning of 'Flat for Youth' Programme there were **15 972** loan applications approved for the total subsidy amount of **PLN 366.3 million**. **56%** of this value comes from the funds planned for subsidies in 2014, **37.1%** – from fund for subsidies in 2015, **6.0%** – in 2016 and merely **0.3%** – in 2017.

Despite the record-breaking result recorded in December 2014 (**1 750** applications for the amount of **PLN 40.65 million**), merely **34.6%** of total expenditure amount from the Subsidy Fund provided for 2014 were expended.

Throughout the whole period of Programme's functioning, i.e. from January 1, 2014, banks concluded **13 968** loan agreements within 'Flat for Youth' Programme for the total value of over **PLN 2.6 billion**. The share of preferential loans in the overall lending is small and represents only **7.06%** of value and **8.02%** of total number of new loan agreements signed in 2014. In comparison, in the previous 'Flat for Youth' Programme this share amounted to **22-25%**.

Chart 22. Number of loan applications approved by banks in 2014 – 'Flat for Youth' Programme



Source: BGK

Chart 23. Value of subsidy to loan applications approved by banks in 2014 (PLN million) – 'Flat for Youth' Programme

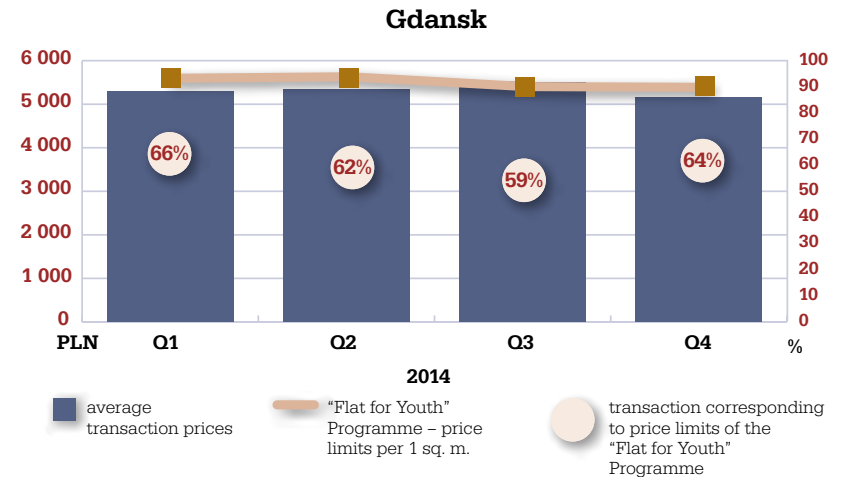
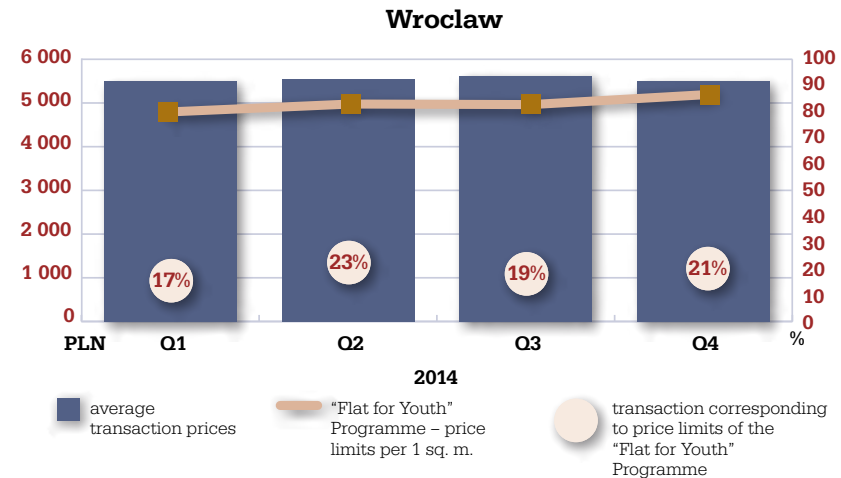
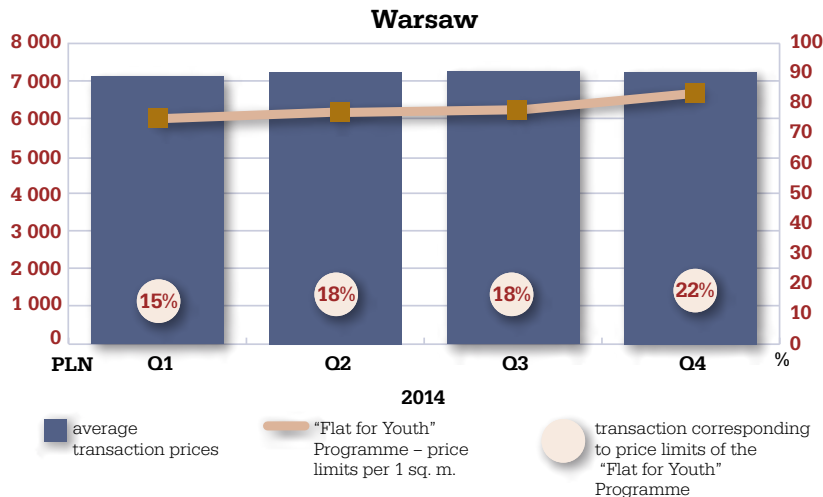


Source: BGK

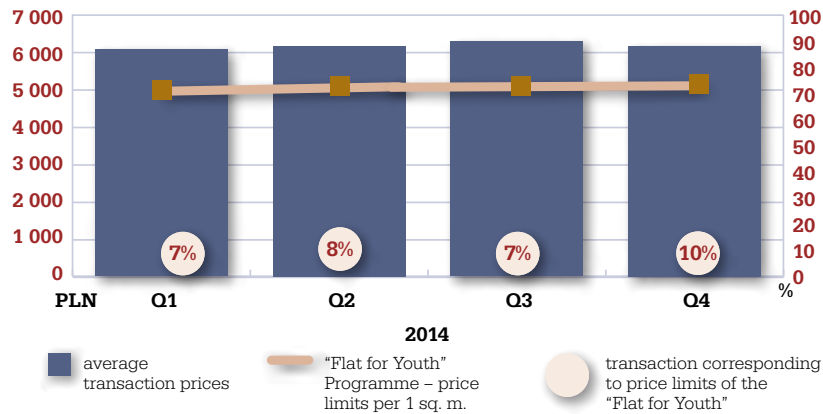
In Q4 2014, the maximum price per square meter of a housing in “Flat for Youth” Programme remained at the same level (**PLN 5 425.75**) only in Gdansk. Among all analysed cities, the limit was reduced only in Lodz – by **3.66%** and amounted to **PLN 4 717.90**. In the rest of the six surveyed cities, limits increased by amounts from **PLN 9** in Poznan to **PLN 456** in Warsaw.

Extracting the transaction with prices within the limits of ‘Flat for Youth’ Programme enabled to assess the possibility of using government subsidies by borrowers in the biggest Polish cities. Purchasers in Lodz invariably had the greatest chances in participating in the Programme – **75%**, transactions concluded in Q4 2014 on the primary market would qualify for subsidies. The next city is Poznan (**68%**) and Gdansk (**64%**). In Warsaw, **22%** of the total turnover on the primary market concerned housings of the price lower than the limit, while in Wroclaw it equaled to 21%. Despite the increase in number of transactions corresponding to the limits from **7%** to **10%**, still the least likely to benefit from the subsidy under the Programme were buyers from Cracow.

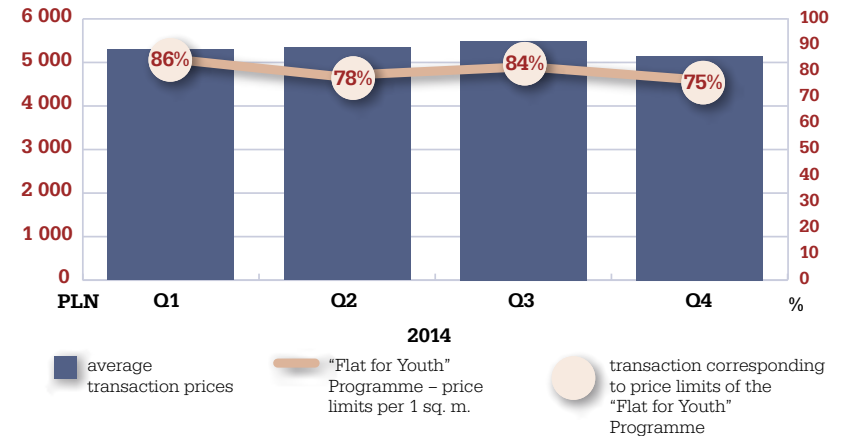
Chart 24. Comparison of average transaction prices 1 sq. m. of flats in Q1 2014 – Q4 2014 and price limits in the ‘Flat for Youth’ Programme



### Cracow

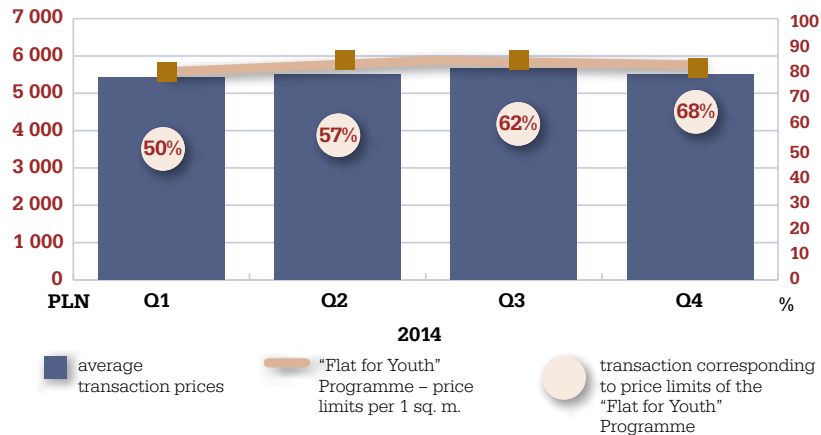


### Lodz



Source: BGK, AMRON

### Poznan



'Flat for Youth' Programme was supposed to be one of the elements of the government family policy, but according to the data published by BGK, in the first year of the Programme functioning, only **7%** of approved applications were submitted by families with two children, while families with three children submitted only **1%** of approved applications. More than half of all beneficiaries of the Programme are so-called singles.

This is one of the reasons why Ministry of Infrastructure and Development is currently working on amendments to the Act on state aid in young people first housing purchase. The most important modifications of the Programme include the following assumptions:

- government subsidy will be based on number of children raised by the beneficiary, i.e. marriages and single parents with two children will be entitled to obtain funding equal to **20%** of replacement value of the dwelling, and marriage or single parents with three children and more will be entitled to obtain funding in the amount of **30%** of replacement value (currently marriage and single people raising any number of children can receive the support of 15% of the replacement value). What is more, for a family with three or more children the floor

area parameter for calculating the subsidy's amount will be increased from 50 sq.m. to 65 sq.m.

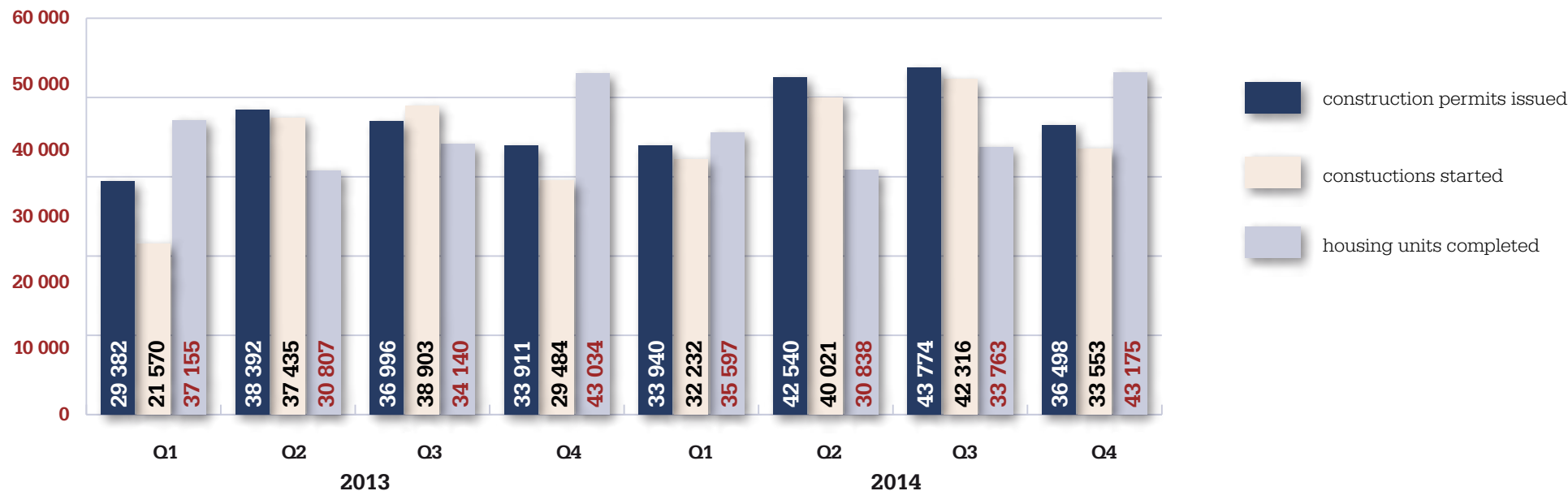
- borrowers, who submit own contributions for housing investments accomplished by housing cooperatives, will be entitled to benefit from the Programme
- the list of potential co-borrowers will be extended to any persons, also unrelated to the borrower – in case of insufficient purchaser's creditworthiness (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).

## Situation on the housing market

As expected, in Q4 2014 there was noted a significant decrease in both the number of construction permits issued (**36 498** housing units), as well as the number of started constructions of new housing units (**33 553** dwellings) – respectively by **17%** and **21%** with reference to Q3 2014. In the same period, the number of completed constructions amounted to **43 175**, which means an increase by **28%**. In an annual basis, the clear revival was recorded in terms of the number

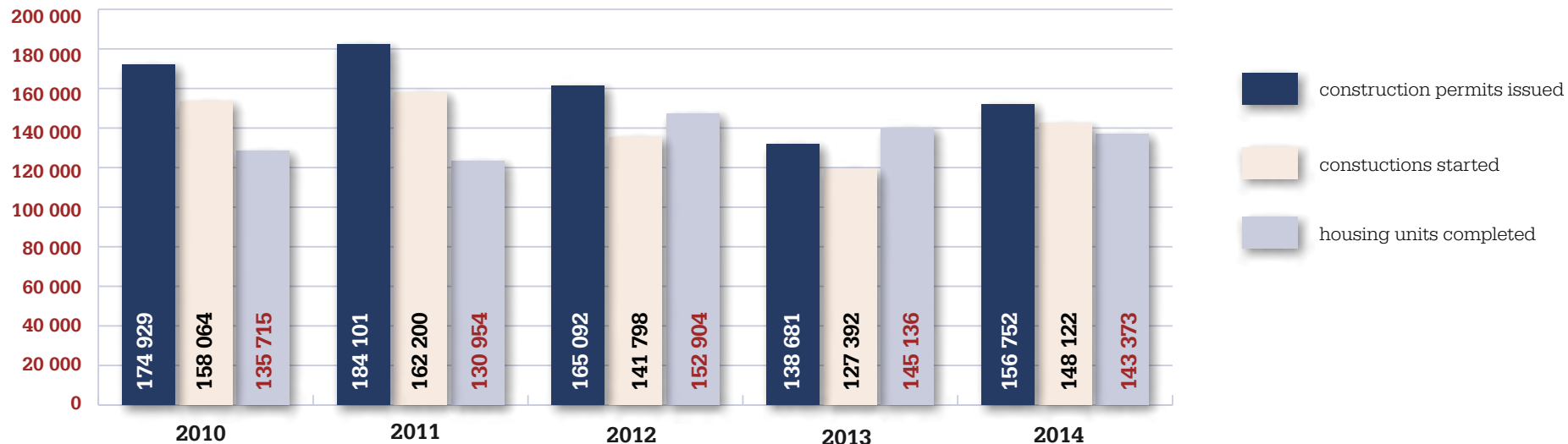
of started constructions and construction permits. In 2014, number of started constructions amounted to **148 122** new housing units (which means an increase by **16%** comparing to 2013) and number of new construction permits issued was equal to **156 752** (i.e. increased by **13%**). According to the data published by Central Statistical Office, a slight (**1%**) decrease concerned only completed constructions – in 2014 the number of completed housing units amounted to **143 373**.

Chart 25. Number of construction permits issued, constructions started and housing units completed in Q1 2013 – Q4 2014



Source: Central Statistical Office

Chart 26. Number of building permits issued, constructions started and housing units completed in 2010 – 2014



Source: Central Statistical Office

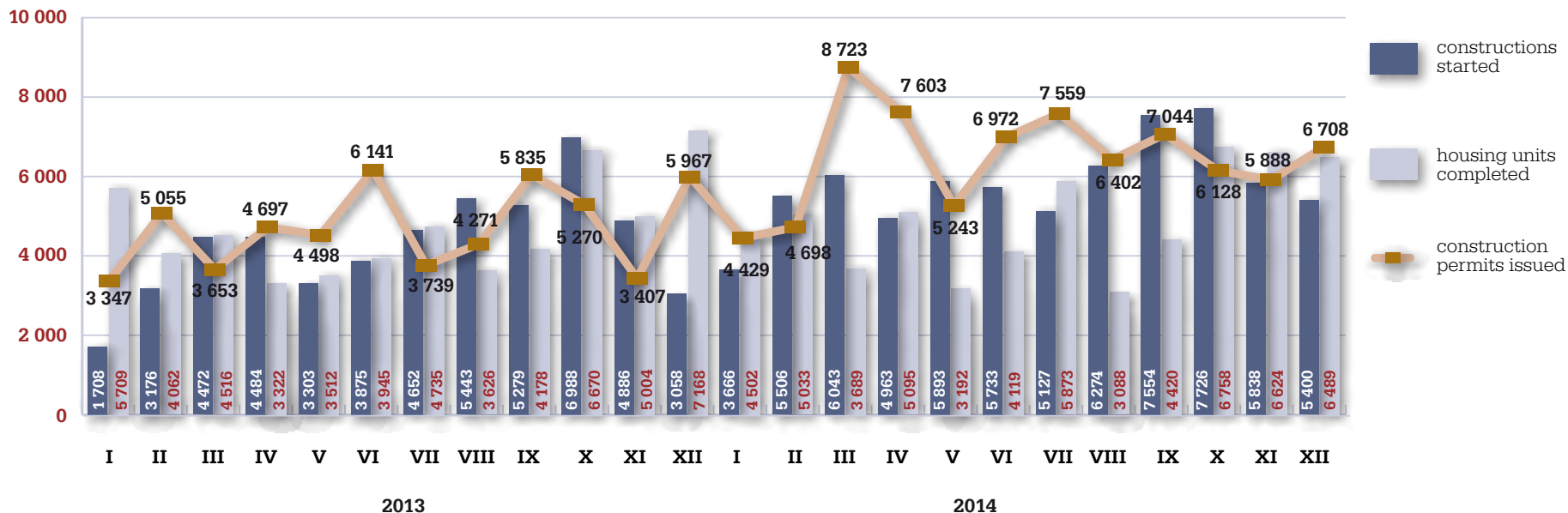
In comparison to Q3 2014, the number of started constructions by developers remained unchanged and in Q4 amounted to **19 000** constructions. There was **18 724** construction permits issued for developers, which means a **11%** decrease, while the number of completed constructions according to Central Statistical Office amounted to **19 871** and on a quarterly basis increased by **48.5%**.

The year 2014 was particularly successful for the developers' sector. In comparison to 2013, there was a record-breaking increase both in the number of construction permits issued (**77 397** housing units, i.e.

by **38%** more than one year ago), as well as in the number of started constructions (**69 723** housing units, which means an increase by **36%**). Only the number of completed constructions was less positive, as in 2013 it amounted to **58 882**, which means an increase by only **4%**.

It is worth noting that the number of construction permits obtained by developers accounted for **49%** of all permits in the housing sector and the number of started constructions by developers accounted for **47%** of all new started constructions. Developers completed **41%** of all constructions in 2014.

Chart 27. Number of construction permits issued, constructions started and housing units completed by developers in January 2013 – December 2014, monthly



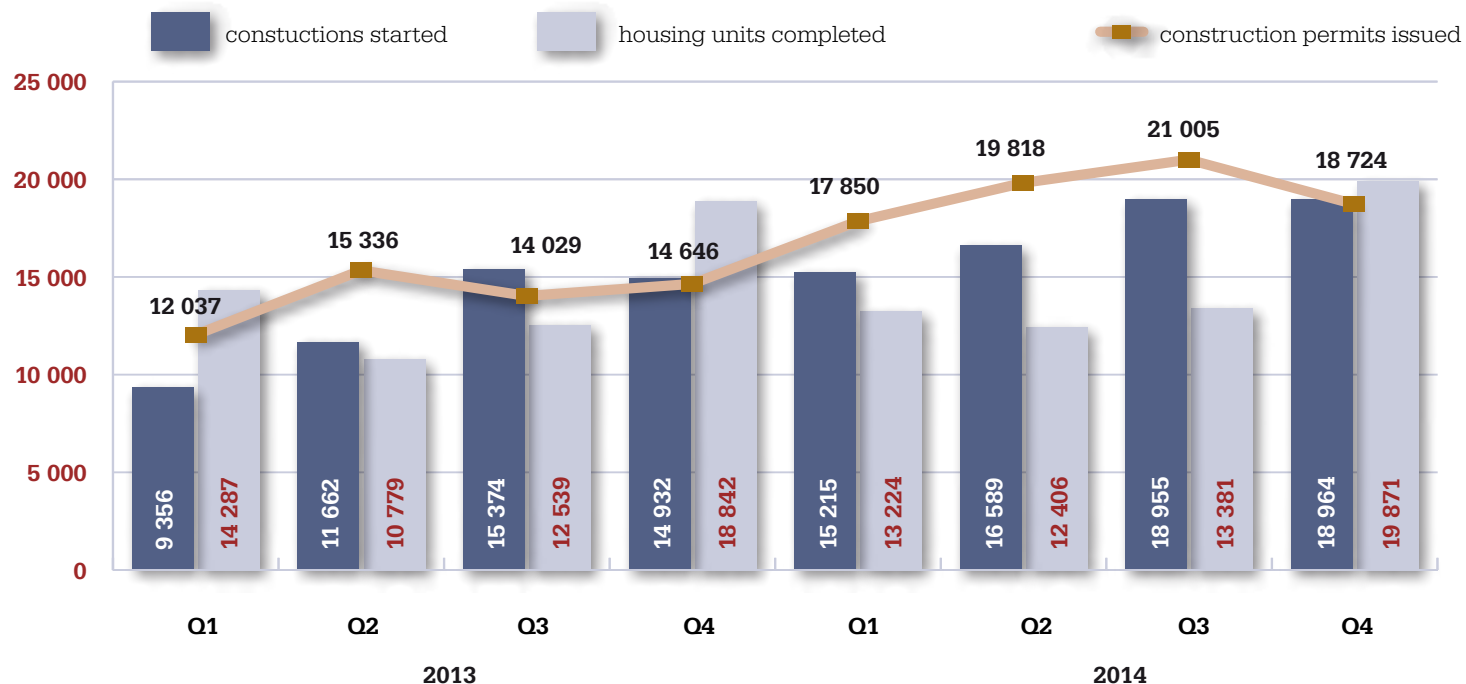
Source: Central Statistical Office

Table 15. Number of construction permits issued, constructions started and housing units completed by developers in Q1 2013 – Q4 2014

	2013				2014			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Construction permits issued</b>	12 037	15 336	14 029	14 646	17 850	19 818	21 005	18 724
<b>Constructions started</b>	9 356	11 662	15 374	14 932	15 215	16 589	18 955	18 964
<b>Housing units completed</b>	14 287	10 779	12 539	18 842	13 224	12 406	13 381	19 871

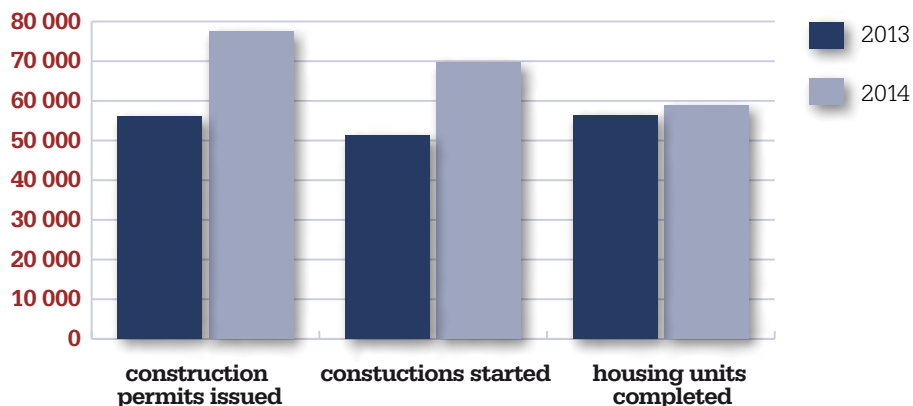
Source: Central Statistical Office

Chart 28. Number of construction permits issued, constructions started and housing units completed by developers in Q1 2013 – Q4 2014, quarterly



Source: Central Statistical Office

Chart 29. Comparison of numbers of construction permits issued, constructions started and housing units completed by developers in 2013 and 2014



Source: Central Statistical Office

### Average transaction prices of housing units

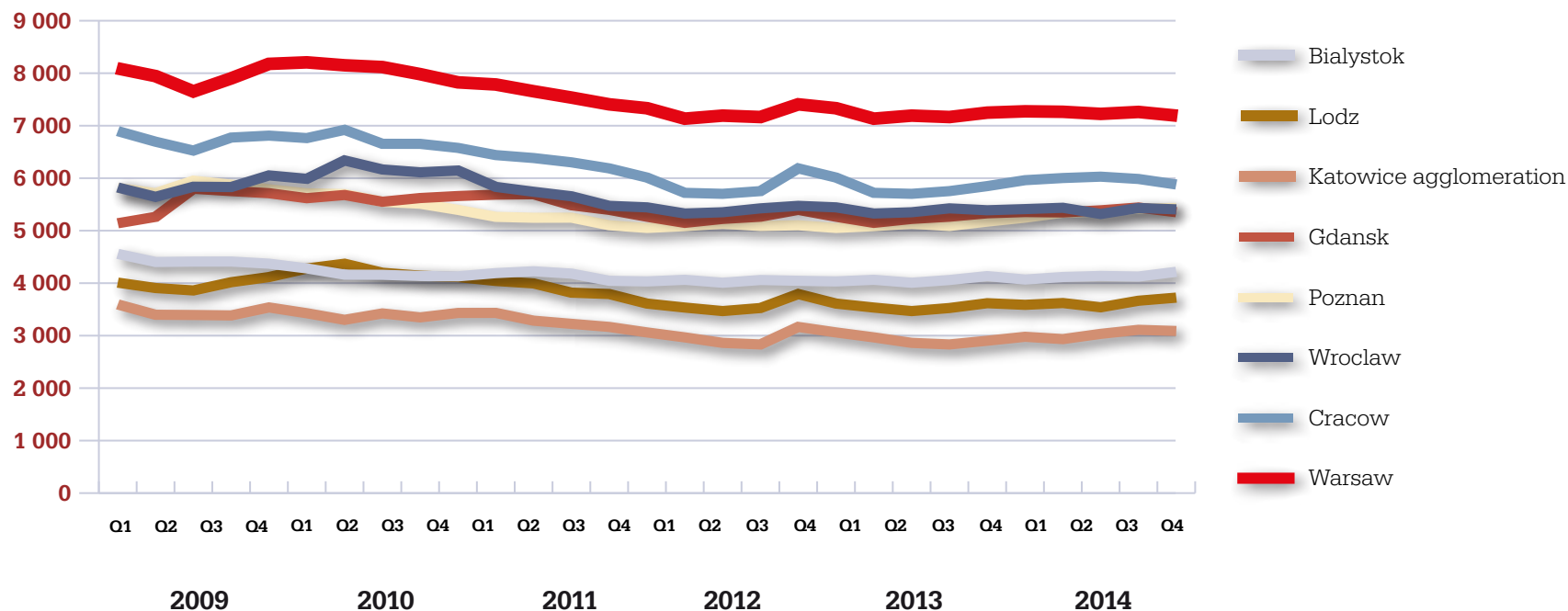
For two last years the transaction prices in major Polish cities have been subject only to slight fluctuations. In the last quarter of the previous year, there was noted a slight increase of the average transaction price in Bialystok, in Lodz and in Poznan, respectively by **90**, **59** and **12 PLN/sq.m.** In other analyzed cities, a decrease of the average prices was noted – the largest in Cracow, i.e. by **105 PLN/sq.m.** compared to the previous quarter. On an annual basis (Q4 2014/Q4 2013), an increase of the average transaction price was marked in four of all analyzed cities: in Poznan (by **184 PLN/sq.m.**), in Bialystok (by **147 PLN/sq.m.**), in Lodz (by **137 PLN/sq.m.**) and in Katowice (by **110 PLN/sq.m.**). In Warsaw and in Cracow, the average transaction price decreased

by **82 PLN/sq.m.**, while in Wrocław and Gdansk transaction prices remained at the same level as in 2013.

The last year was a period of systematic decline in the average transaction prices, which lasts since 2010. Recent limitations in housing loan availability and constantly increasing supply of dwellings is not

conductive to an increase of the average transaction price. On the other hand, 'Flat for Youth' Programme and very low interest rates should foster an increase in transaction prices. It is hard to say, which side will prevail, that is way in this situation we can expect slight fluctuations in average transaction prices, until some strong impulse from the market occurs.

Chart 30. Average transaction prices per square meter of a housing unit in selected cities in Q1 2009 – Q4 2014



Source: AMRON

Table 16. Average transaction price per square meter of a housing unit in selected cities in Q1 2009 – Q4 2014

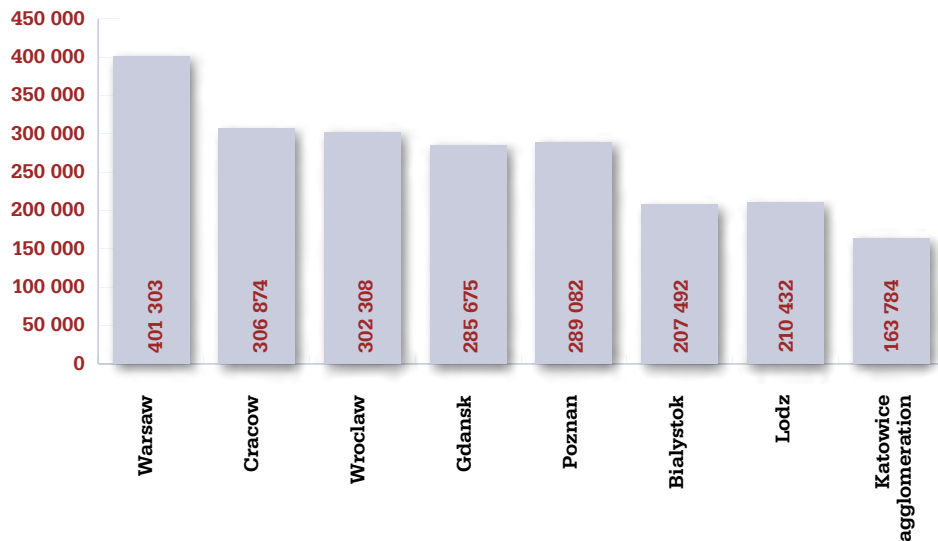
	2009				2010				2011				2012			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Warsaw</b>	8 091	7 945	7 653	7 902	8 178	8 207	8 151	8 117	7 982	7 826	7 785	7 656	7 536	7 407	7 333	7 134
<b>Bialystok</b>	4 558	4 403	4 411	4 412	4 371	4 281	4 162	4 159	4 136	4 130	4 191	4 226	4 182	4 045	4 033	4 064
<b>Katowice agglomeration</b>	3 595	3 398	3 393	3 385	3 537	3 427	3 301	3 423	3 348	3 432	3 433	3 285	3 225	3 166	3 061	2 967
<b>Wroclaw</b>	5 823	5 644	5 837	5 831	6 053	5 988	6 338	6 166	6 112	6 146	5 834	5 741	5 655	5 473	5 444	5 327
<b>Gdansk</b>	5 141	5 263	5 799	5 754	5 714	5 619	5 680	5 551	5 622	5 660	5 686	5 694	5 484	5 397	5 265	5 149
<b>Cracow</b>	6 897	6 695	6 526	6 774	6 811	6 764	6 921	6 655	6 654	6 577	6 440	6 384	6 302	6 187	6 012	5 721
<b>Poznan</b>	5 816	5 714	5 952	5 877	5 788	5 712	5 698	5 551	5 513	5 396	5 263	5 246	5 248	5 103	5 052	5 086
<b>Lodz</b>	4 010	3 907	3 861	4 018	4 116	4 279	4 370	4 198	4 142	4 116	4 042	3 995	3 819	3 793	3 611	3 535

	2013				2014			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Warsaw</b>	7 192	7 165	7 249	7 274	7 265	7 225	7 262	7 192
<b>Bialystok</b>	4 008	4 060	4 134	4 069	4 117	4 137	4 126	4 216
<b>Katowice agglomeration</b>	2 862	2 832	2 903	2 978	2 934	3 034	3 111	3 088
<b>Wroclaw</b>	5 351	5 425	5 389	5 411	5 436	5 318	5 432	5 406
<b>Gdansk</b>	5 224	5 266	5 331	5 355	5 347	5 388	5 441	5 352
<b>Cracow</b>	5 702	5 754	5 849	5 962	6 003	6 029	5 985	5 880
<b>Poznan</b>	5 132	5 089	5 173	5 248	5 343	5 364	5 420	5 432
<b>Lodz</b>	3 468	3 526	3 618	3 587	3 621	3 540	3 665	3 724

Source: AMRON

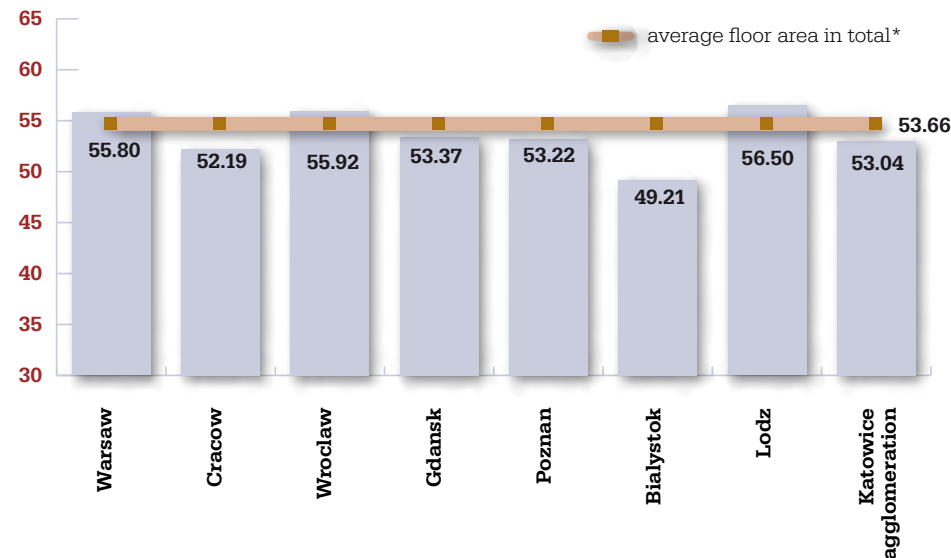
Chart 31. Total average transaction prices of housing units in selected cities in Q4 2014



Source: AMRON

The average useable floor area of a dwelling purchased in eight major Polish cities in Q4 2014 amounted to **53.66 sq.m.** Dwellings with the useable floor area larger than average were bought only in Warsaw, Wroclaw and Lodz. In the capital city, the average floor area amounted to **55.80 sq.m.** The smallest dwellings were traded in Bialystok, where the average floor area amounted to **49.21 sq.m.**

Chart 32. Average floor area of housing units in selected cities in Q4 2014



\* w ośmiu badanych lokalizacjach

Source: AMRON

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

In Q4 2014, popularity of small dwellings (with a useable area up to 65 sq.m.) increased. The share of the smallest flats with useable area up to **35 sq.m.** slightly increased compared to the previous quarter, i.e. by **0.21 p.p.** and accounted to **7.02%** of all total turnover in Warsaw. The largest increase in the share was observed in the category of **35-45 sq.m.** flats – by **2.21 p.p.** reaching the level of **19.73%**. The sale of dwellings with the floor area from 45 to 55 sq.m. increased by **0.71 p.p.** and with the floor area from 55 to 65 sq.m. also increased – by **0.32 p.p.** At the same time, the share of flats with the floor area above 65 sq.m. in total turnover on Warsaw housing market diminished. The biggest decrease was observed in the segment of flats with the floor area over 100 sq.m.

– this category constituted **7.11%** of the total Warsaw turnover, which means a decrease comparing to the previous quarter.

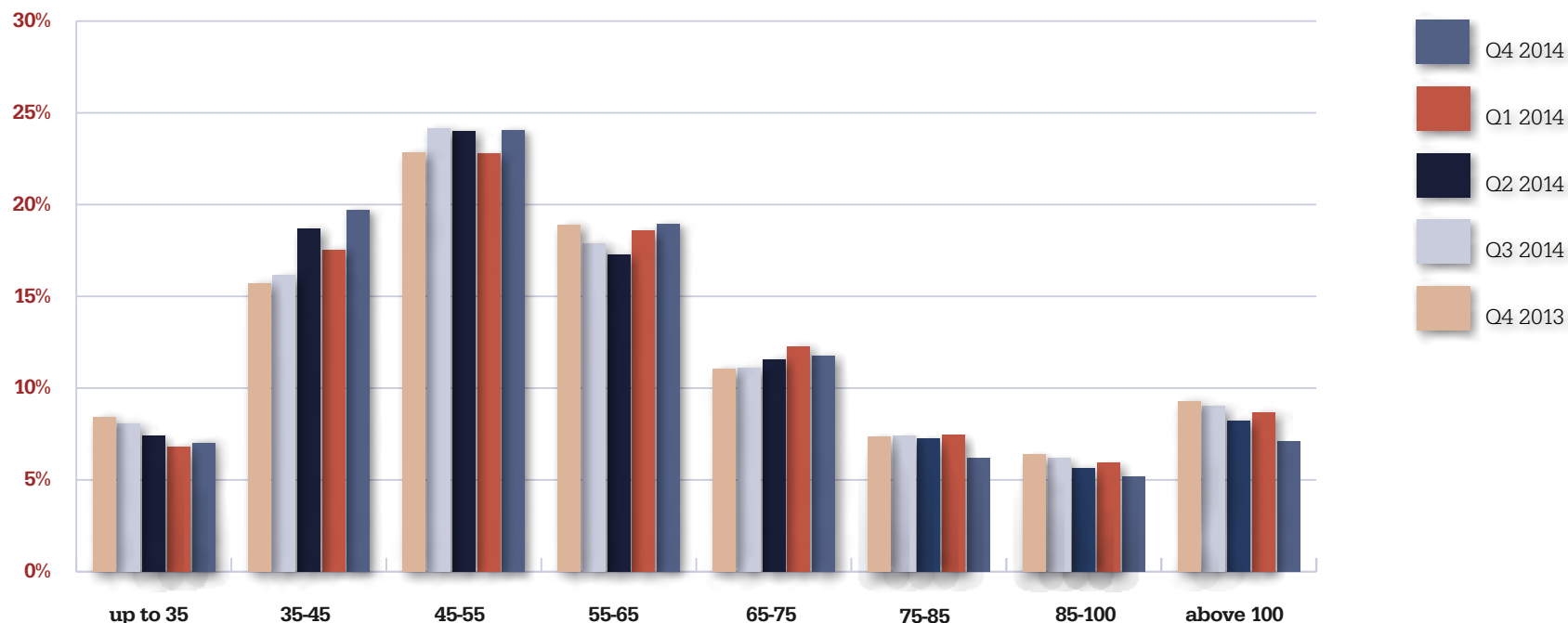
In relation to the same quarter of 2013, the biggest increase in the size structure of Warsaw flats was noted in segment of flats with the floor area ranging from 35 to 45 sq.m. (by **4.01 p.p.**), while the biggest decrease was recorded in segment of flats with the floor area over 100 sq.m. – by **2.16 p.p.**

**Table 17. Dynamics of changes in share of particular floor area segments in total turnover volume on housing units in Warsaw in Q4 2013 – Q4 2014**

floor area (sq. m.)	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
<b>up to 35</b>	8.42%	8.06%	7.40%	6.81%	7.02%
<b>35 – 45</b>	15.72%	16.14%	18.67%	17.52%	19.73%
<b>45 – 55</b>	22.86%	22.15%	23.99%	22.77%	24.06%
<b>55 – 65</b>	18.92%	17.90%	17.30%	18.57%	18.95%
<b>65 – 75</b>	11.06%	11.12%	11.56%	12.29%	11.76%
<b>75 – 85</b>	7.34%	8.31%	7.24%	7.44%	6.20%
<b>85 – 100</b>	6.41%	6.52%	5.63%	5.94%	5.17%
<b>above 100</b>	9.27%	9.80%	8.21%	8.66%	7.11%

Source: AMRON

**Chart 33. Share of particular floor area segments in total turnover volume on housing market in Warsaw in Q4 2013 – Q4 2014**



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 more than 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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