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Information on home prices and the situation in the housing and commercial real estate market in Poland in 2020 Q2

Approved by:

Olga Szczepańska, Director of the Financial Stability Department

Authors:

Hanna Augustyniak

Krystyna Gałaszewska

Jacek Łaszek

Krzysztof Olszewski

Joanna Waszczuk

Marzena Zaczek

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The analysis of the situation in the real estate market in Poland in 2020 Q2¹ leads to the following conclusions:

- **Restrictions that were in place in 2020 due to the Covid-19 pandemic also curbed activity in the residential real estate market.** In 2020 Q2 activity in the housing market declined considerably - the number of home construction contracts sold in the largest primary markets was lower by more than half compared to previous periods. Yet, housing construction costs continued to rise as a consequence of high construction demand in the entire economy. The primary market of some cities saw a decline in the average home transaction prices; on the other hand, the secondary market continued to see their further rise. The available data concerning the commercial real estate market do not cover the period of the pandemic yet.
- **The impact of the pandemic on the housing market is complex and prices in the primary and secondary markets have fluctuated in various directions** (see Table 1). **Asking prices of new dwellings in the primary market continued to rise.** At the same time, real estate developers limited their supply, hoping to increase or maintain the market prices. High asking prices may also be subject to various types of promotions, which makes it easier to sell dwellings. **On the other hand, transaction prices in the primary market embarked on a downward trend in Warsaw and in the group of 10 cities, continuing a slight upward trend in the group of 6 cities.** In the secondary market in the largest cities, demand for full ownership housing decreased slightly. **In the analysed period, asking prices in Warsaw and the group of 6 cities declined and in the group of 10 cities increased. Transaction prices of housing in secondary markets grew in all groups of cities, yet their growth slowed down.** Some inertia of the secondary market compared to the primary market is typical, as the secondary market is made up of individual sellers who are not willing to lower prices and usually can postpone the transaction. Hedonically adjusted prices were also on the rise, which means that similar dwellings were sold at a higher price than in the previous quarter.

Table 1 Quarter-on-quarter growth in prices per square meter of housing in the analysed cities in 2020 Q2.

	RPO	RPT	RWO	RWT
Gdańsk	-1.0%	-0.1%	-2.2%	2.4%
Gdynia	2.1%	-3.4%	-0.2%	0.5%
Kraków	5.7%	4.3%	1.6%	3.8%
Łódź	-1.5%	-2.7%	-0.6%	4.7%
Poznań	2.9%	0.2%	0.2%	3.3%
Wrocław	2.0%	-3.8%	-1.6%	2.5%
Warszawa	1.0%	-3.9%	-1.2%	0.2%
6 cities:	2.2%	0.3%	-0.4%	3.5%
10 cities:	3.6%	-1.2%	2.4%	4.5%

Source NBP

¹ The analysis carried out in this issue of the Report is based on data available as at the end of 2020 Q2. The data collected in the NBP database during the listings include offers pending as at 01 June 2020 and transactions concluded in the period March - May 2020. Due to delays in access to some data, certain figures contain information up to 2020 Q1 inclusive. Data series with average prices per square metre of housing, commercial rents and transaction prices per square metre of retail space reflect the pool of data available at the cut-off date. Historical data are subject to revision. Price quotations (BaRN database) for 2020 Q2 include approx. 102.9 thousand records, of which approx. 22.8% concern transactions and 77.2% concern offers. A total of 3.7 million records have been gathered in the database, of which 24.1% concern transactions and 75.9% concern offers.

- **Average (asking and transaction) rental rates per square metre of housing** (excluding service charges and fees for utilities) **declined in 2020 Q2 in Warsaw and in the six largest cities; yet, they continued on an upward trend in ten other cities - voivodship capitals.** The internet offer of dwellings in long-term rental markets, including those purchased for investment purposes, continued to grow. This may put an downward pressure on rental rates in the future.
- **The annual sale of dwellings and contracts for their construction in the six largest primary markets in Poland² significantly decreased (by approx. 8.3 thousand dwellings) compared to the previous quarter and amounted to approx. 59.4 thousand at the end of June 2020, which was the result of regulations imposed to curb the COVID-19 pandemic by restricting people's mobility³.** The stock of unsold completed dwellings put on the market increased by approx. 4.7 thousand as compared with the previous quarter and amounted to approx. 48.9 thousand at the end of the analysed period. The number of completed dwellings put on sale in 6 cities dropped in comparison with the previous quarter by 1.5 thousand to 5.3 thousand and the home selling time in the primary market in the six largest markets increased to 3.3 quarters from 2.6 in the previous quarter.
- **The index of the estimated availability of housing in large cities** (based on average wages in the enterprise sector) **stood at 0.78 square metre in the analysed quarter.** Thus, it slightly exceeded the previous quarter's figure and was higher by 0.30 square metre (i.e. by approx. 62%) than the record low observed in 2007 Q3. The index of the estimated maximum availability of residential mortgage loans⁴ increased slightly. The estimated affordability of loan-financed housing⁵ for an average household also posted a slight increase. Growing wages were the main driving force behind the slight increase in the affordability of loan-financed housing.
- **Rent rates in long-term rental of housing declined, leading to falling profitability of rental.** Yet, housing investment (not taking into account transaction costs) compared with interest on deposits, investment in commercial real estate or yields on 10-year Treasury bonds seemed a profitable investment.
- **Until the end of the second quarter of 2020, a slight impact of restrictions related to the COVID-19 pandemic on the current disbursement of loans was observed. In the analysed quarter the value of**

² Based on JLL (former REAS) data.

³ According to the information of JLL (former REAS) presented in "Housing market in Poland in 2020 Q2".

⁴ The maximum residential mortgage loan available in a particular market is a measure expressed in PLN thousand, taking into account banks' lending requirements and loan parameters (i.e. interest rate, amortisation period of 25 years, minimum wage understood as the minimum income after the repayment of loan instalments). The estimate does not take into consideration changes in banks' lending policy, including lending criteria and loan terms.

⁵ Affordability of loan-financed housing – a measure specifying how many square metres of housing may be purchased with a residential mortgage loan obtained with the average monthly wage in the enterprise sector in a particular market (Statistics Poland), in view of bank's lending requirements and loan parameters (interest rate, amortisation period, minimum subsistence level understood as the minimum income after the payment of loan instalments) at an average transaction price of housing (40% in the primary market and 60% in the secondary market) in a particular market (BaRN). The pace of changes of the index and differences between particular markets provide important information.

residential mortgage loans in PLN granted to households^{6,7,8}, (excluding renegotiated agreements) **stood at approx. PLN 13.0 billion**, i.e. was PLN 1.9 billion (12.5%) lower than the figure recorded in the previous quarter and by approx. PLN 1.6 billion (11.2%) lower than the 2019 Q2 figure. According to NBP data, at the end of March 2020 the value of residential mortgage loans stood at PLN 462.8 billion, i.e. was PLN 2.7 billion higher than in the previous quarter and PLN 36.1 billion higher than the end of June 2020 (a 8.5% y/y increase compared to a 5.6% increase in 2019). The results of the NBP survey on the situation in the credit market⁹ indicate that the vast majority of banks tightened - often to a large extent - lending policy criteria and terms of granting loans. Most often, banks raised the loan margin and the required collateral. In the opinion of respondents, uncertainty as to the further economic and social consequences of the spread of the pandemic significantly reduced the demand for credit from the non-financial sector. Banks expect 2020 Q3 to see a reversal of the current trends, i.e. the easing of the lending policy criteria and a slight increase in demand¹⁰.

- **The estimated rate of return on development projects for housing developers slightly declined and stood at approx. 19% in 2020 Q2.** It still remains at a high level compared with other industries. This was due to high transaction prices offsetting the rising costs of home builders. Despite high level of equity (and, consequently, solvency) real estate developers may face liquidity problems. This is due to projects being largely financed with liabilities to contractors. According to Coface experts¹¹, the number of bankruptcies and restructuring proceedings decreased in year-on-year terms in the discussed period.

⁶ The data concerning the interest rate and the value of new residential mortgage loans based on the NBP data available in "4 OPN2PLN" tab on the NBP site https://www.nbp.pl/home.aspx?f=/statystyka/pieniezna_i_bankowa/oprocentowanie.html.

⁷ According to BIK data, in 2020 Q2 banks and SKOK credit unions granted 47.8 thousand residential mortgage loans totalling PLN 13.9 billion (compared with 59.4 thousand loans totalling PLN 17.2 billion in 2020 Q1). Residential mortgage loans granted in June 2020 had been requested in the period March-April 2020 (the procedure takes approx. 2 months). Their number reached approx. 15.1 thousand and their value totalled PLN 4.2 billion. July 2020 saw an increase in the number and value of loans. In 2020 Q2 a negative year-on-year growth in the sale of housing loans was seen in all groups of loans, both in terms of number and value. The share of loans in excess of PLN 350 thousand has been on the rise. It increased from 28.1% in the first half of 2015 to 47.6% in the first half of 2020. As of September 7 2020 BIK reported repayment holidays on 426 thousand private loans in the amount of PLN 35.4 billion. Compared to the situation as at 31 August there was a fall in both the number (by 11 thousand) and the amount of reported accounts (by PLN 1.0 billion).

⁸ According to the AMRON report in 2020 Q2, the amount of residential mortgage loan averaged approx. PLN 297.6 thousand, i.e. increased by 7.3% y/y. Loans with LtV 50-80% and in excess 80% accounted for the majority of loans (approx. 38.9% and 38.6%, respectively), while the number of loans with a LtV ratio below 30% and from 30 to 50% decreased (by approx. 15% and 7.3%, respectively). In the structure of new loan agreements, compared to 2019 Q2, the share of residential mortgage loans with a maturity ranging from 25 to 35 years increased, while the share of other loans decreased. At the end of 2020 Q2, the number of active loan agreements (in repayment) exceeded 2.44 million, i.e. increased in quarter-on-quarter terms by 41.7 thousand; at the end of that period their value amounted to PLN 459.5 billion. In 2020 Q2, the number of granted housing loans amounted to 45.2 thousand i.e. 20.0% less in quarter-on-quarter terms (11.3 thousand fewer loans in nominal terms). The value of newly granted mortgage loans amounted to PLN 13.5 billion, i.e. a decrease in quarter-on-quarter terms by PLN 3.151 billion, i.e. 19.0%.

⁹ „Situation in the credit market – results of the senior loan officer opinion surveys, 2020 Q3, NBP, July 2020 https://www.nbp.pl/home.aspx?f=/aktualnosci/wiadomosci_2019/kredytowy2019_3.html. In the opinion of the surveyed companies, the deteriorating economic situation in Poland and in the housing market was the most important driving force behind lending policy tightening. Lending policy tightening was also the result of deteriorating capital position of banks, changes in demand for housing loans and deteriorating quality of housing loan portfolio. It was also caused by factors not covered by the survey questions, namely the risk of the spread of the pandemic and limited cooperation with intermediaries.

¹⁰ The current issue of the Report covers the results of the full quarter of the negative impact of the COVID-19 pandemic on the economy. The trends in banks' lending policy and demand for loans, which were observed in 2020 Q1, deepened.

¹¹ According to Coface experts (bankruptcy and restructuring proceedings of firms in Poland in the first half of 2020) despite a difficult situation faced by many Polish companies the Report does not point to a growing number of bankruptcies. This was mainly due to: legal regulations contained in government programs, disturbed work of courts operating since 20 March in pandemic circumstances as well as the suspension of the obligation for debtors to file for bankruptcy. Experts expect a marked acceleration in the number of proceedings in the second half of 2020.

Their number declined in construction and commercial sectors, and increased in industrial production, gastronomy and agriculture. The share of the construction industry in the total number of bankruptcies and restructuring proceedings fell by 1.8 pp in year-on-year terms. This Report may, however, present underestimated figures due to the disturbed work of the judiciary and lagged response of enterprises to economic disturbances caused by the COVID-19 pandemic.

- **2020 Q2 saw a large number of completed dwellings made ready for occupancy¹², slightly below the record one seen in the previous quarter.** The number of home construction starts¹³ declined in comparison with the previous record-breaking periods. The estimated high rates of return on housing development projects and a strong demand urged real estate developers to apply for new home building permits¹⁴, which may be implemented over the next two years.
- **Work is under way on speeding up the implementation of the housing scheme “Housing Plus”.** The new priority is to support new social building projects. A draft act was submitted to the Polish Parliament to amend certain acts supporting the development of housing as part of the package of solutions counteracting the negative social and economic effects of the COVID-19 pandemic¹⁵. The proposed instruments are aimed to support municipal housing and social rental housing. They are also addressed directly to households - form of financial support in covering housing expenses.
- **The market of commercial real estate has also been affected by the Covid-19 pandemic, and the resulting limited activity of enterprises will affect rents and real estate sale transactions, particularly in a longer perspective¹⁶.** It should be remembered that rental contracts for commercial real estate are concluded for several-year period and termination of these contracts entails significant costs. However, when a tenant becomes insolvent, they are unable to pay the rent. Some tenants, especially high-profile ones, use this situation it as an opportunity to negotiate rent levels. On the other hand, real estate purchase and sale transactions are the result of long renegotiations, so the possible impact of the pandemic on the investment market will be observed with a delay.
- It is to be expected that the pandemic will have a major impact on the structural changes in the sector, which will be observed only after some time. The pandemic accelerated the changes that had started before. In the office market, some companies previously implemented remote working solutions to reduce costs. Traditional retail has already been partly replaced by e-commerce and some large shopping malls have turned into entertainment centres and opened cinemas to attract customers. Only the warehouse

¹² According to Statistics Poland data, in 2020 Q2 a total of 47.5 thousand dwellings were completed and made ready for occupancy, i.e. approx. 0.2 thousand more than in 2020 Q1 and approx. 2.0 thousand less than in the previous quarter. A total of 209.5 thousand dwellings were completed and made ready for occupancy over the last 4 quarters, i.e. 12.8 thousand more than in the corresponding period of 2019 (an increase of 6.5% y/y).

¹³ According to Statistics Poland data, in 2020 Q1 a total of 47.4 thousand dwellings were completed and made ready for occupancy, i.e. approx. 14.1 thousand more than in 2020 Q4 and approx. 5.1 thousand less than in 2019 Q4. In the last four quarters the construction of a total of 221.9 thousand dwellings was started, i.e. 1.8 thousand less than in the corresponding period of 2019 (a decrease of 0.8% y/y).

¹⁴ According to Statistics Poland data, in 2020 Q2 approx. 63.2 thousand home building permits were issued in Poland, i.e. approx. 9.0 thousand less than in 2020 Q1, yet approx. 4.1 thousand more than in the previous quarter. In the last four quarters a total of approx. 261.3 thousand permits were issued, i.e. 7.0 thousand more than in the corresponding period of 2019 (a 2.7% y/y increase).

¹⁵ The draft act amending certain acts supporting the development of housing presented by the Minister of Development; draft act no. 534 of 06 August 2020.

¹⁶ Available data on the commercial market also fail to fully reflect the period of the pandemic.

market is developing strongly, new spaces are being created, especially in the vicinity of large cities. The price of land does not seem to have the same impact as it did a few years ago, and the possibility of providing immediate services to customers and increasing turnover urges tenants to choose warehouses in very good locations.

- **In 2020 Q2 imbalances resulting from the previously observed excess supply of rental space in relation to demand increased in the office space markets.** The supply of new space and space under construction continues on a high level. According to market data, at the end of the analysed period, the stock of office space in the nine largest office markets¹⁷ stood at approx. 11.3 million square metres; approx. 1.6 million square metres of office space was under construction. The vacancy rate in these markets recorded a slight increase to 9.0% against 8.6%¹⁸ at the end of 2020 Q1. At the end of 2020 Q2 the vacancy rate in Warsaw stood at 7.9%¹⁹ (against 7.5% in 2020 Q1). The vacancy rate of office space depends on the age²⁰ and, in particular, on the location of the office building²¹. In view of a very large supply of modern office space, older office buildings were not in high demand. The situation improved in recent quarters, with emerging demand for co-working offices and the rearrangement of older building to fit the new working model. Despite the pandemic, the demand for office space remained high, as a result of earlier negotiations.
- **In the retail real estate market, the impact of the pandemic cannot be assessed yet.** It can be assumed that in 2020 the retail sector will be significantly affected by the COVID-19 pandemic due to restrictions in operating retail premises which were in force until May 2020. Grocery stores, pharmacies, laundries, drugstores and financial institutions were not subject to these restrictions. Temporary closure of retail premises and the persisting uncertainty on the labour market may change buyers' behaviour - reduce consumption to necessity goods. According to press releases, a significant number of tenants in large retail premises want to renegotiate lease terms. Only after this process comes to an end will it be possible to draw conclusions about the condition of this real estate market sector. At the end of 2020 Q1 the total stock of modern commercial space exceeded 12.2 million square metres and space under construction stood at 350 thousand square metres²². The low increase in new retail space may indicate that investors consider the market to be saturated, which is confirmed by the launch of projects transforming commercial centres into retail and entertainment centres.
- **Wide availability of foreign financing contributed to further growth in the stock of office real estate and, to a lesser extent, retail real estate.** This phenomenon may be largely attributed to low interest rate levels in the developed countries. On the other hand, the growth in retail real estate is limited, which may mean that investors consider this market to be saturated.
- **The modern warehouse space market in Poland was still in the expansion phase. Supply and demand remained high.** Demand for warehouse space came from logistic and courier companies as well as retail chains with a large share of the electronics sector. Also manufacturing companies expressed considerable demand. At the end of 2020 Q2, the total stock of the warehouse space amounted to 19.7 million square

¹⁷ The nine office real estate markets include: Warsaw, Kraków, Wrocław, Tri-City Agglomeration of Gdańsk, Sopot and Gdynia, Katowice, Łódź, Poznań, Szczecin, Lublin.

¹⁸ See: Report Colliers International: Market Insights, 1st half of 2020, Poland.

¹⁹ See: Report Colliers International: Market Insights, Annual Report 2020, Poland.

²⁰ Cushman & Wakefield, Marketing as one of the key factors supporting the modernisation of older office buildings, 2018.

²¹ See: Knight Frank, Report: Poland, Commercial Market, 1st half of 2018.

²² See: Report Colliers International: Market Insights, 1st half of 2020, Poland.

metres and modern space under construction stood at 1.9 million square metres. The vacancy rate all over Poland declined to 6.7%²³ against 7.3% in 2020 Q1. The modern warehouse space market was not negatively affected by the pandemic.

- **The estimated value of investment transactions** ^{24, 25} **in the commercial real estate market at the end of 2020 Q2 stood at EUR 3.5 billion.** Office space accounted for approx. 26.9% of the value of the transactions, retail space for 4.8%, while warehouse space for 31.8 %. It should be noted that the market of mixed-use real estate, hotels and student dormitories saw a growth.
- **The value of loans granted by domestic banks to enterprises at the end of 2020 Q2 amounted to PLN 65.9 billion,** which comprised loans granted to real estate developers for residential real estate, office space, retail space, warehouse space and industrial space and other real estate²⁶. It should be emphasized that approximately half of these loans are denominated in foreign currencies, therefore exchange rate fluctuations had a significant impact on the value of the PLN loan portfolio. Corporate debt resulting from residential real estate at the end of 2020 Q2 declined to PLN 4.9 billion against PLN 5.1 billion in 2020 Q1. The value of loans for office real estate declined to PLN 17.7 billion as compared to PLN 17.9 billion in 2020 Q1. The value of loans granted for retail real estate decreased to PLN 17.7 billion as against PLN 18.0 billion in 2020 Q1. The value of loans granted for warehouse and industrial real estate rose to PLN 9.4 billion. On the other hand, the value of loans granted for other real estate²⁷ stood at PLN 16.1 billion.
- **The share of non-performing loans in the total loans for real estate granted to enterprises was close to the one observed in the previous quarter.** The share of non-performing loans in the total loans for office real estate at the end of 2020 Q2 stood at 5.9% against 6.0% in 2020 Q1. The share of non-performing loans in total loans granted for retail real estate slightly rose to 12.4% as compared to 12.3% in 2020 Q1. The same indicator for loans for warehouse and industrial real estate declined to 7.7% as compared to 8% recorded in 2020 Q1 and for other real estate decreased to 8.1% as compared to 8.2% in 2020 Q1. The non-performing loans ratio in the case of housing loans increased slightly to 19.5% compared to 19.2% in 2020 Q1. A relatively high value of this ratio is mainly due to banks holding loans from previous years in their loan portfolio²⁸.
- **It should be noted that loans are not only granted for commercial real estate, but also secured on them.** The estimated value of investment transactions in the commercial real estate market at the end of 2020 Q2 stood at EUR 139 billion. This is a slight increase (compared to PLN 134 billion recorded in 2020 Q1), which may result from exchange rate fluctuations.
- **In the sales markets of small office real estate, the median offer price in Poland and in most major cities showed a slight decline.** On the other hand, in the sales markets of small retail premises the median

²³ See: Report Colliers International: Market Insights, 1st half of 2020, Poland.

²⁴ The above investments concern the sale of the entire operating company which leases the building and derives income from it. Such transactions are concluded between: 1/ the real estate developer who has commercialized the property and sells it to the investor, or 2 / two investors.

²⁵ See: Report Colliers International: Market Insights, Annual Report 2020, Poland.

²⁶ As of 2018 the category of loans granted for other real estate was broken down into three categories, namely loans for warehouse and industrial real estate, loans for retail premises and loans for other real estate.

²⁷ See the 2018 FINREP definition: „Loans for other real estate - loans for real estate other than residential, office, retail, industrial and warehouse premises (sub-category of loans for other real estate)“.

²⁸ See: Financial Stability Report, NBP, December 2018.

asking price showed a slight increase. In Warsaw the upward trend slowed down in 2020 Q2, while in Wrocław it has continued since the beginning of 2019.

- Data on transaction rents for large office and retail real estate will be available in the Report for 2020 Q3, which results from the data collection cycle.

The figures below describe the key developments in the housing market in Poland's major cities in 2020 Q2. The figures present:

- 1) home prices (Figures 1-16),
- 2) affordability of loan-financed housing, loan availability, profitability of housing investment (Figures 17 - 23),
- 3) housing loan disbursements and interest rates (Figures 24-33),
- 4) operating profitability of housing and real estate development projects, costs of construction and assembly output and economic situation of real estate developers in Poland (Figures 34-49),
- 5) housing construction and the residential market in selected cities in Poland (Figures 50-63),
- 6) rents and transaction prices of commercial real estate (Figures 64-65),
- 7) in-depth analysis of the situation of real estate developers and construction companies involved in the construction of buildings, the sale of building materials and manufacturing of building materials (Figures 66-137).

The analysis of home prices (asking, transaction and hedonic prices) in the primary and secondary markets as well as housing rents relies on the data derived from the housing market survey of the Real Estate Market Database (BaRN, NBP). On the other hand, the survey of the commercial real estate market, the Commercial Real Estate Market Database (BaNK, NBP) collects and analyses data on rent, offer prices and transaction prices of commercial real estate.

In addition, the analyses relied on data from PONT Info Nieruchomości, AMRON and SARFIN of the Polish Banks' Association and Comparables.pl. The authors also used analyses and reports of JLL (former REAS), the Polish Financial Supervision Authority and the aggregate credit data from the Credit Information Bureau. The structural market analysis used data published by the Statistics Poland (GUS) and many studies containing sector data.

List of abbreviations:

5M	5 largest cities: Gdańsk, Kraków, Łódź, Poznań, Wrocław
6M	6 largest cities: Gdańsk, Gdynia, Kraków, Łódź, Poznań, Wrocław
7M	7 largest cities: Gdańsk, Gdynia, Kraków, Łódź, Poznań, Warszawa, Wrocław
10M	10 large cities: Białystok, Bydgoszcz, Katowice, Kielce, Lublin, Olsztyn, Opole, Rzeszów, Szczecin, Zielona Góra
BaNK	Commercial Real Estate Market Database, created by NBP
BaRN	Real Estate Market Database, created by NBP
BIK	Credit Information Bureau
CPI	Consumer Price Index
DFD	Large real estate developer
GD	Households
GUS	Statistics Poland
EURIBOR	Euro Interbank Offer Rate
KNF	Polish Financial Supervision Authority
LIBOR	London Interbank Offered Rate
LTV	The relation of loan value of loan to home value, i.e. Loan-to-Value
MDM	Government-subsidized housing scheme Mieszkanie dla Młodych [Housing for the Young]
NBP	Narodowy Bank Polski
PONT	PONT Info Nieruchomości
RNS	Government-subsidized housing scheme Rodzina na Swoim [Family on their own]
RP	Primary housing market
RW	Secondary housing market
ROE	Return on equity
WIBOR	Warsaw Interbank Offered Rate; reference level of interest on loans on the Polish interbank market
WIG20	Index including the top 20 companies listed on the Warsaw Stock Exchange with the highest value of publicly traded shares
ZBP	Polish Bank Association
ZKPK	Accumulated index of changes in banks' credit policy criteria vis-a-vis residential mortgage loans

1. Transaction, hedonic and asking prices of housing in the primary market (PM) and in the secondary market (SM)

Figure 1 Transaction prices per square metre of housing in Warsaw and in 6M, in PLN

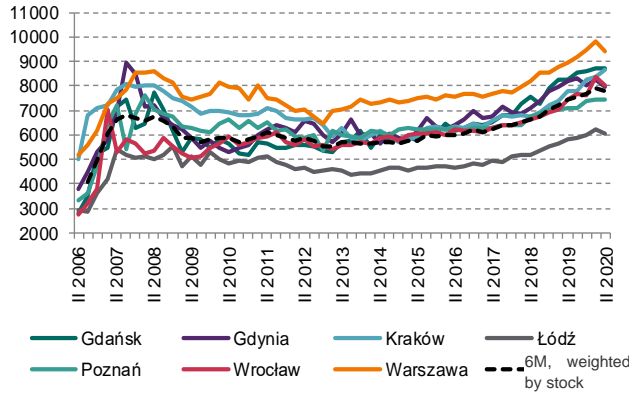
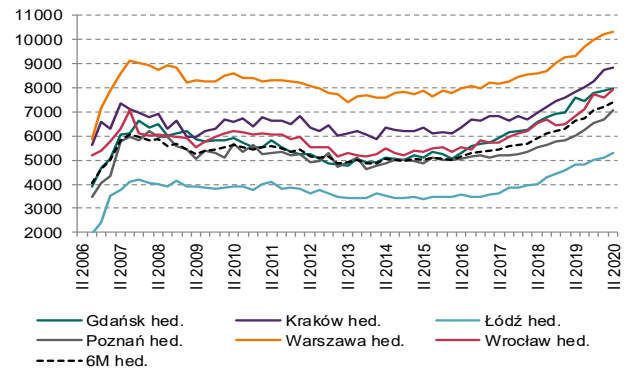


Figure 2 Transaction prices per square metre of housing adjusted by the hedonic index in Warsaw and in 6M



Note: the home price database of NBP (BaRN) has existed since 2006 Q3; description of the database may be found in the “Report on home prices and the situation in housing and commercial real estate market in Poland in 2018” available on the bank’s website.

Source: NBP

Source: NBP

Figure 3 Weighted average price per square metre of housing, offers (O) and transactions (T) - PM

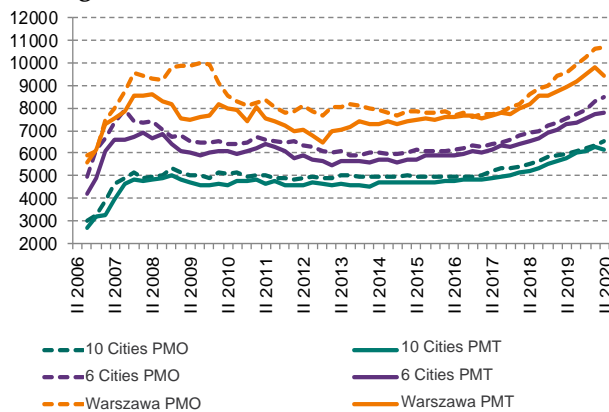
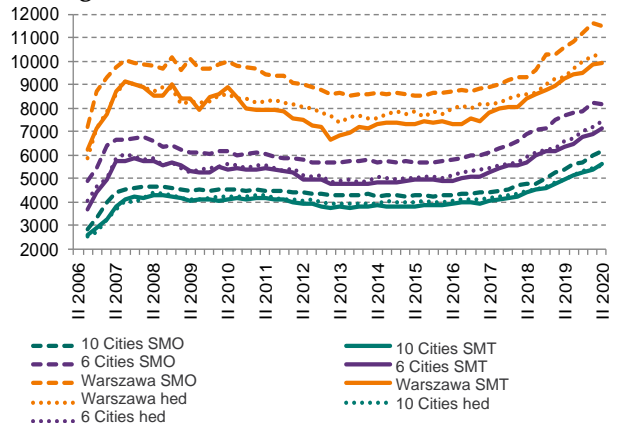


Figure 4 Weighted average price per square metre of housing, offers (O) and transactions (T)- SM

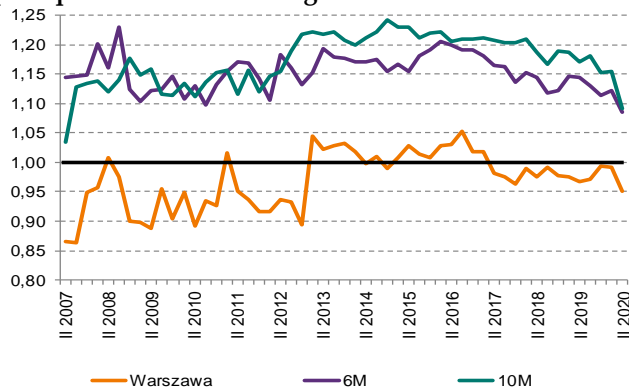


Note to Figures 3-10 and 14-15: prices and rents weighted with the share of housing stock, the average price for Warsaw

Source: NBP

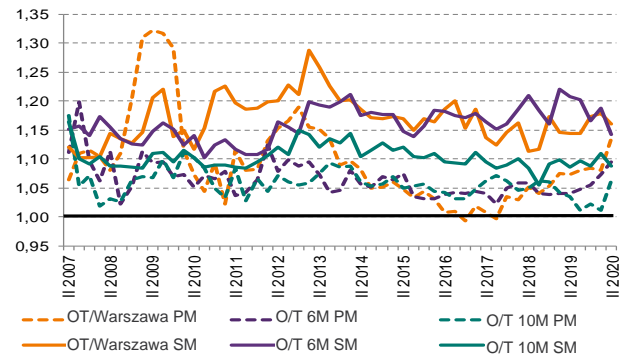
Source: NBP

Figure 5 Ratio of the average weighted transaction price per square metre of housing – PM to SM



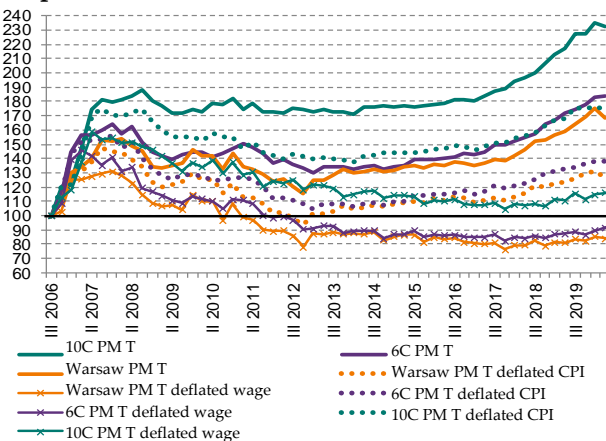
Source: NBP

Figure 6 Ratio of the average weighted offer price (O) to transaction price (T) per square metre of housing – PM and SM



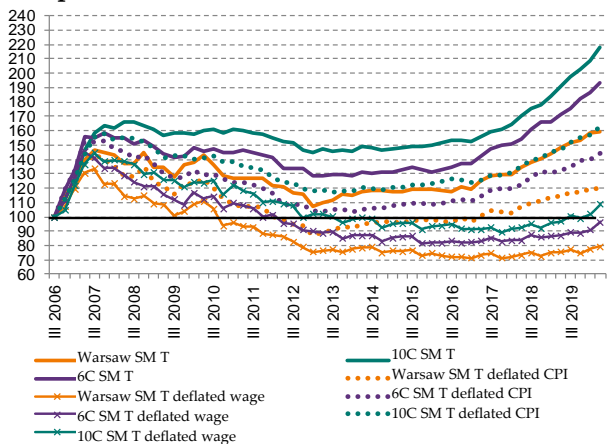
Source: NBP

Figure 7 Index of the average weighted transaction price per square metre of housing in PM, real to CPI deflated price (2006 Q3 = 100) and wage growth in the enterprise sector (2006 Q3 = 100)



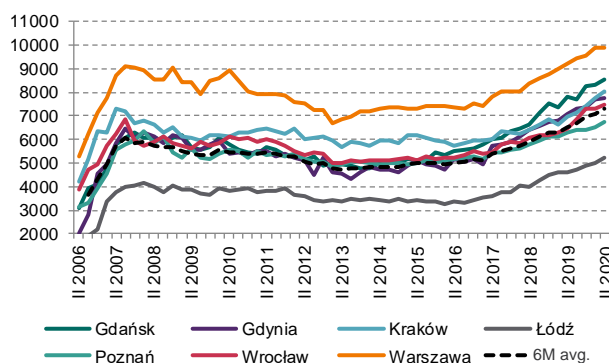
Source: NBP, ZBP (AMRON), Statistics Poland (GUS)

Figure 8 Index of the average weighted transaction price per square metre of housing in SM, real to CPI deflated price (2006 Q3 = 100) and wage growth in the enterprise sector (2006 Q3 = 100)



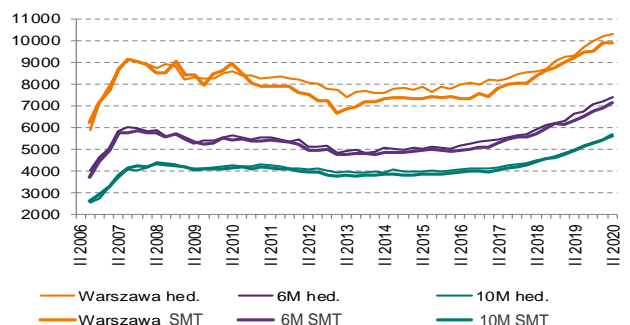
Source: NBP, ZBP (AMRON), Statistics Poland (GUS)

Figure 9 Transaction price per square meter of housing in SM in Warsaw and in 6M



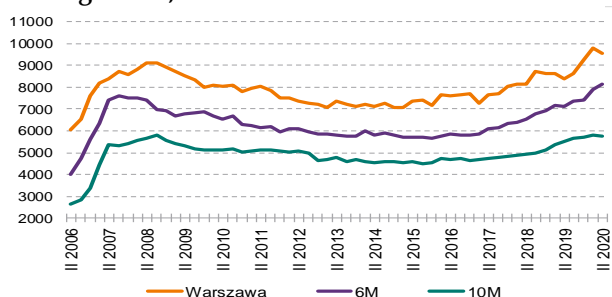
Source: NBP

Figure 10 Weighted average transaction price per square metre of housing in SM and average price adjusted by the hedonic price index, in selected markets



Source: NBP

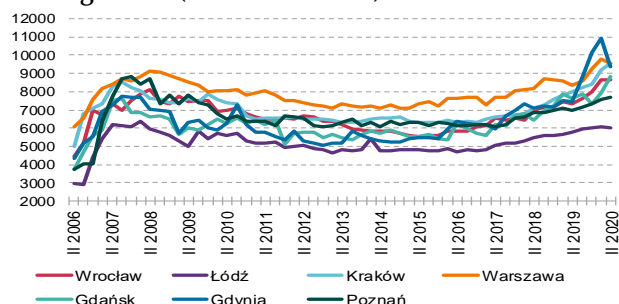
Figure 11 Average offer prices per square metre of housing in PM, selected markets



Note to Figures 11-12: prices are collected from all available sources.

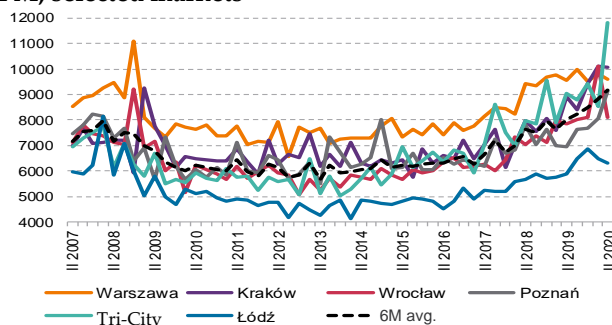
Source: PONT Info Nieruchomości

Figure 12 Average offer prices per square metre of housing in PM (Warsaw and 6M)



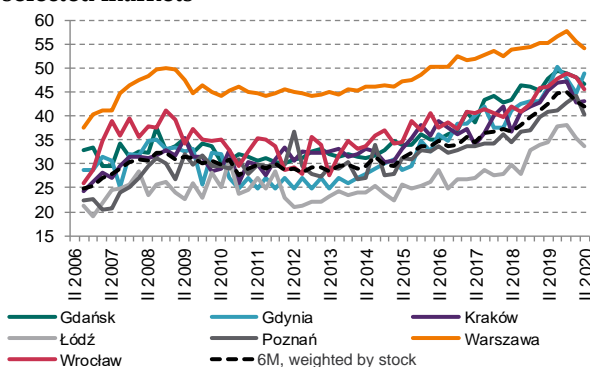
Source: PONT Info Nieruchomości

Figure 13 Average offer prices per square metre of housing, new home construction contracts launched-PM, selected markets



Note: prices refer only to new contracts put on the market for the first time. Source: JLL/former REAS

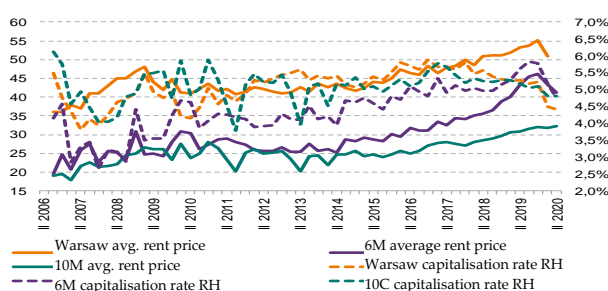
Figure 14 Average rent rates (offers and transactions) per square metre of housing - SM, selected markets



Note: in 2020 the sample was changed.

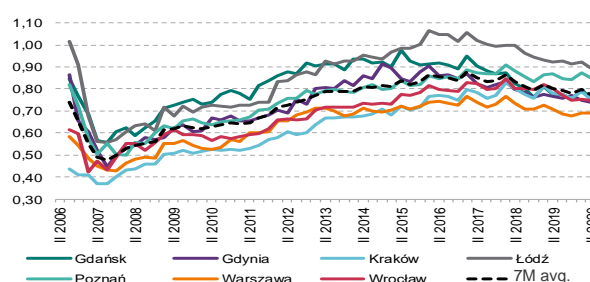
Source: NBP

Figure 15 Average rent rates (transactions) per square metre of housing in SM (left-hand scale) and the estimated profitability of housing rental (right-hand scale) in selected cities



Note to Figure 15: price per square metre of housing 50% PM and 50% SM; the price per square metre of housing in the PM was increased to include the average costs of home finishing and 1.5% amortisation; the analysis does not take into account the high transaction costs in the housing market and the potentially long period of disinvestment. Source: NBP

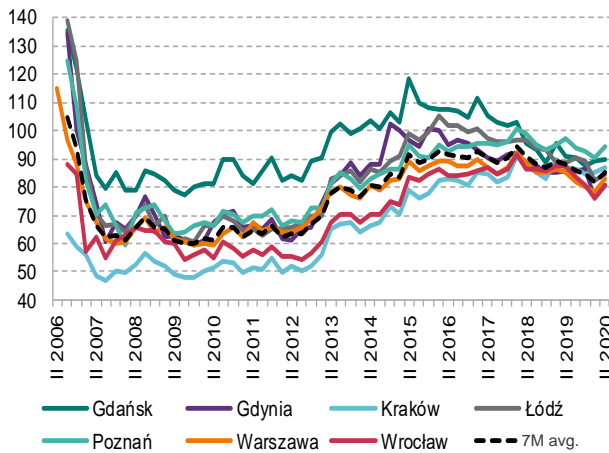
Figure 16 The estimated availability of housing in selected cities



Housing availability – a measure of potential availability to purchase housing at the transaction price for an average wage in the enterprise sector in a particular city. It expresses $\frac{\text{€7M avg. pr of square meters of housing that can be purchased for an average wage in the enterprise sector in a particular city (GUS), at an average transaction price in a particular market (40% from the primary market and 60% from the secondary markets according to the NBP database)}}{\text{€7M avg. pr}}$. Source: NBP, GUS

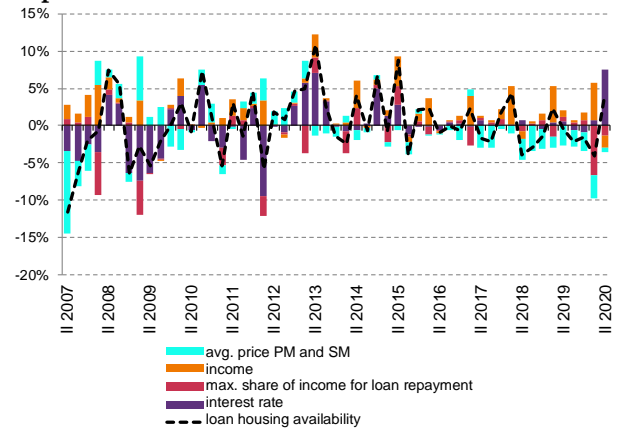
2. Affordability of loan-financed housing, loan availability, profitability of housing investment

Figure 17 Estimated affordability of loan-financed housing (average for 7M)



Source: NBP, GUS

Figure 18 Quarterly changes in the estimated affordability of loan-financed housing in 7M and the force and directions of the impact of particular components



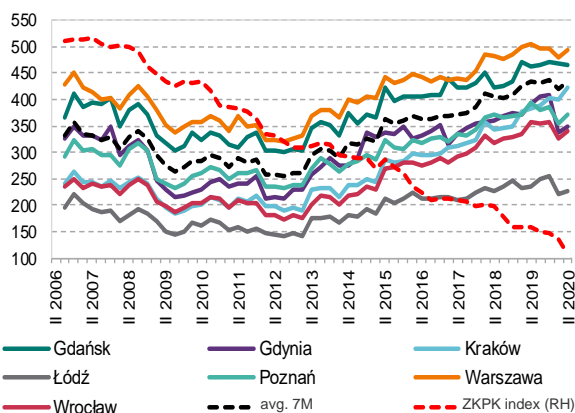
Source: NBP, GUS

Available residential mortgage loan – a measure specifying the potential maximum residential mortgage loan; expressed in PLN thousand taking into account banks’ lending requirements and loan parameters (interest rate, amortization period, minimum wage, as the minimum income after payment of loan instalments).

Affordability of loan-financed housing – a measure specifying how many square metres of housing may be purchased with a residential mortgage loan obtained basing on the average monthly wage in the enterprises sector in a particular market (CSO), in view of bank’s lending requirements and loan parameters (interest rate, depreciation period, social minimum wage understood as the minimum income after payment of loan instalments) at an average transaction price of housing (40% in the primary market and 60% in the secondary market) in a particular market (BaRN). The pace of changes of the index and differences between particular markets provide important information.

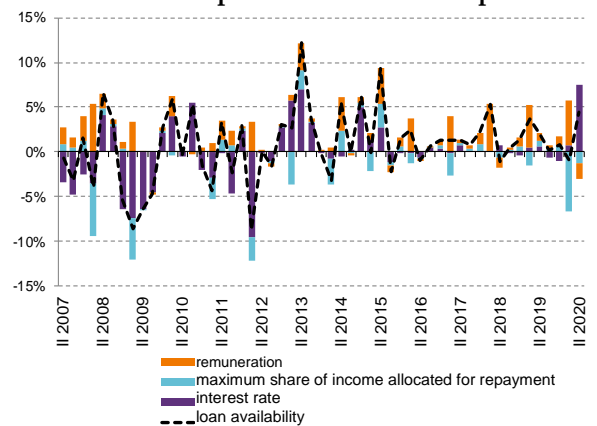
ZPKK Index – accumulated index of changes in banks’ lending policy criteria; positive values mean easing, and negative values tightening of the lending policy as compared to the initial period i.e. 2003 Q4. Computing methods of the index are described in the *Financial Stability Report, December 2012*, NBP

Figure 19 Estimated availability of residential mortgage loan and accumulated index of banks’ mortgage lending policy (ZPKK, right-hand scale)



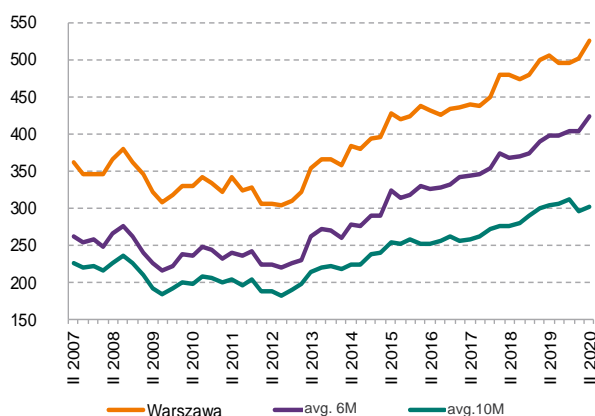
Source: NBP, GUS

Figure 20 Quarterly changes in the of an average residential mortgage loan in 7M and the force and directions of the impact of individual components



Source: NBP, GUS

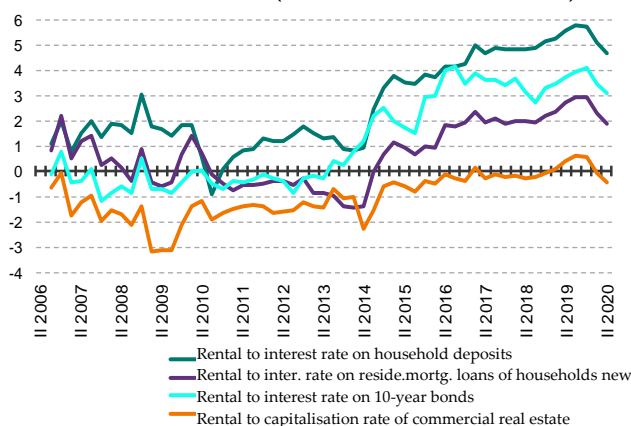
Figure 21 Estimated available mortgage loan for average gross wage in the enterprise sector in selected cities



Note: estimated values taking into account the minimum wage left to cover the borrower's living expenses

Source: NBP, GUS, BGK

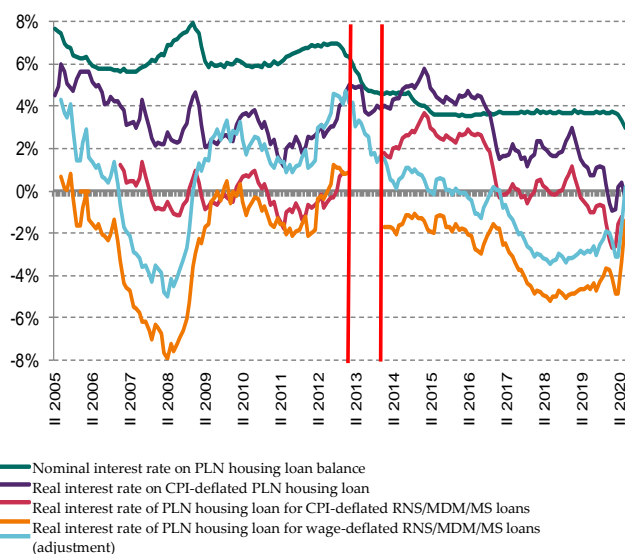
Figure 23 Profitability of home rental (average in Warsaw and 6M) as compared with alternative household investments (interest rate differentials)



Note to Figure 23: values below 0 indicate higher profitability of investment in rental housing than other forms of investment. Depreciation of 1.5 p.p. was deducted. This analysis does not take into account high transaction costs in the housing market and potentially long payback periods.

Source: NBP, GUS

Figure 22 Residential mortgage loan burden for consumer deflated with CPI or wage growth in the enterprise sector

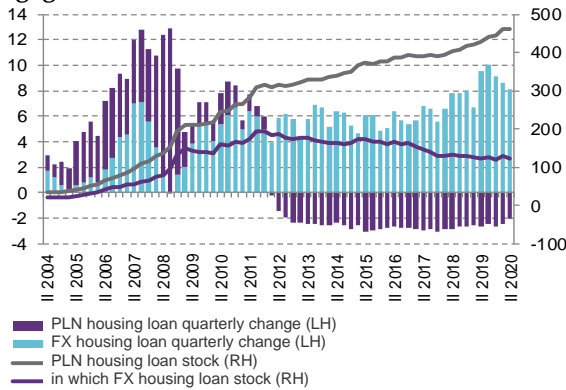


Note: values below 0 denote negative real interest rate for the borrower; red lines separate the period of the absence of the government subsidised housing scheme, i.e. RNS scheme (operating in the years 2007- 2012) and MDM scheme (operating in years 2014-2018) and Housing for the Beginning scheme (MS) operating since 2019.

Source: NBP, GUS, BGK

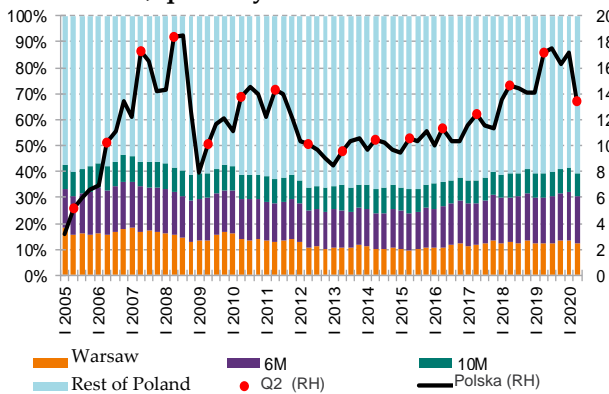
2. Disbursement of residential mortgage loans, interest rates

Figure 24 Value and quarter-on-quarter changes in residential mortgage loan receivables from households after adjustments and the currency structure of quarter-on-quarter changes in residential mortgage loan receivables (PLN billion)



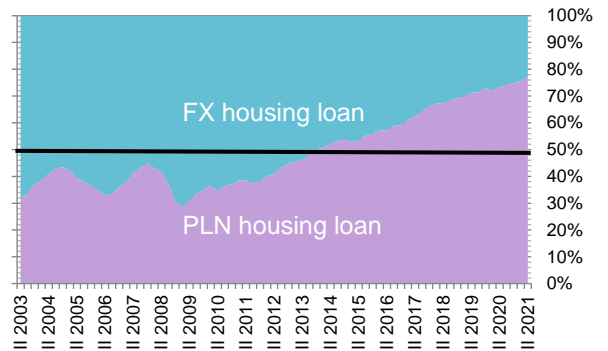
Source: NBP

Figure 26 Geographical structure of the value of new residential mortgage loan contracts in Poland's selected cities, quarterly data



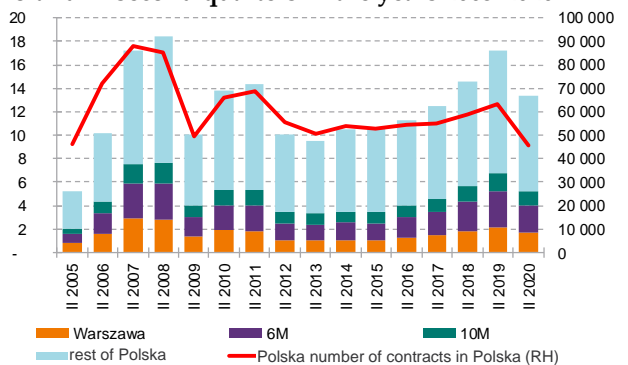
Source: BIK

Figure 25 Currency structure of residential mortgage loan receivables from households (%)



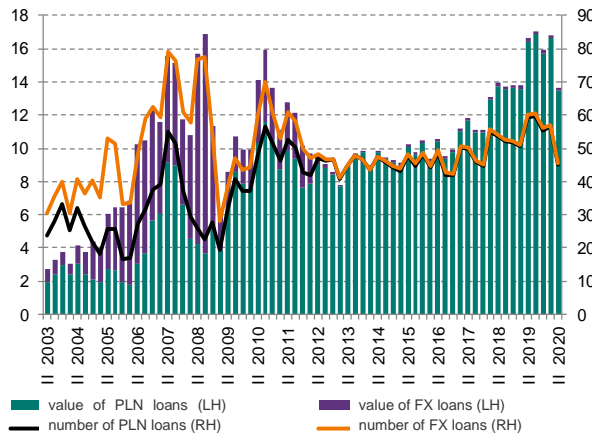
Source: NBP

Figure 27 Value in PLN billion (left-hand scale) and number of contracts (right-hand scale) for new residential mortgage loans in selected cities in Poland in second quarters in the years 2005-2020



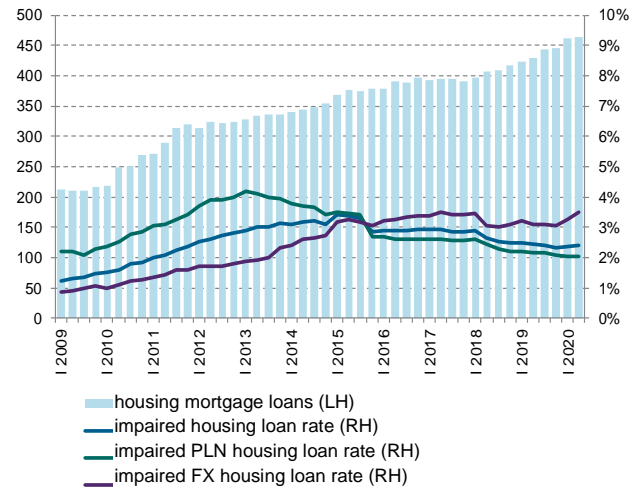
Source: BIK

Figure 28 New residential mortgage loans: value and number, quarterly data



Source: ZBP (AMRON)

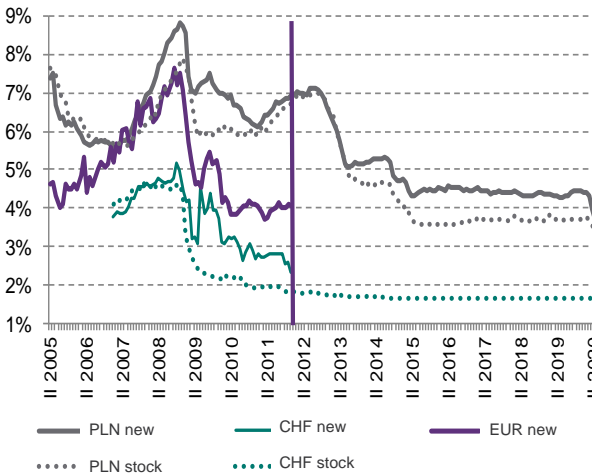
Figure 29 Household loans for housing real estate and loans recognised as non-performing loans



Note: receivables (loans) with determined loss of value – receivables from portfolio B, in relation to which objective premises of loss in value were observed and a decrease in the expected value of future cash flows (in banks using the IFRS) or which were recognized as non-performing receivables in accordance with the Ordinance of the Minister of Finance on establishing provisions against the risk associated with banking activities (in banks using the PAS).

Source: NBP

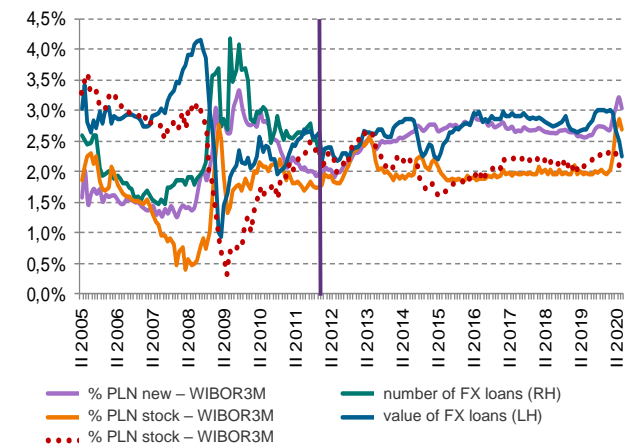
Figure 30 Interest rates on residential mortgage loans for households in Poland



Note to Figure 30 and 31: the violet vertical line separates a period with no FX loans; these loans practically ceased to be granted in 2012. Note to Figure 31: bank margin is the difference between the housing loan rate (NBP data) and the WIBOR3M rate or the LIBORCHF3M rate.

Source: NBP

Figure 31 Bank margins (for WIBOR, LIBOR, EURIBOR 3M) in the case of residential mortgage loans



Source: NBP

Table 2 Estimated gross residential mortgage loan disbursements to households in Poland and the estimated value of cash and loan-financed*/ purchases of developer housing in 7M (in PLN million)

Date	Estimated value of disbursed mortgage loans in Poland	Estimated value of housing transaction in PM in 7M	Demand for lending with own contribution in PM in 7M	Own contribution on to loans in PM in 7M	Demand for cash (without own contribution) in PM in 7M	Estimated share of cash home purchases in RP in 7M with own contribution**/
2015 Q1	8 996	3,980	2,051	513	1,929	61%
2015 Q2	10,640	4,435	2,426	606	2,010	59%
2015 Q3	10,341	4,709	2,358	589	2,351	62%
2015 Q4	11,237	5,113	2,562	641	2,551	62%
2016 Q1	9,742	5,158	2,221	555	2,937	68%
2016 Q2	11,661	5,425	2,659	665	2,767	63%
2016 Q3	9,632	5,234	2,196	549	3,038	69%
2016 Q4	9,933	6,635	2,265	566	4,370	74%
2017 Q1	10,945	6,851	2,495	624	4,356	73%
2017 Q2	12,139	6,480	2,768	692	3,712	68%
2017 Q3	11,794	6,676	2,689	672	3,987	70%
2017 Q4	10,652	7,152	2,429	607	4,724	75%
2018 Q1	11,914	7,015	2,716	679	4,299	71%
2018 Q2	12,807	6,072	2,920	730	3,152	64%
2018 Q3	13,024	5,697	2,969	742	2,727	61%
2018 Q4	12,584	6,759	2,869	717	3,890	68%
2019 Q1	11,865	7,156	2,705	676	4,450	72%
2019 Q2	14,653	6,713	3,341	835	3,372	63%
2019 Q3	14,554	7,282	3,318	830	3,964	66%
2019 Q4	12,770	8,147	2,912	728	5,235	73%
2020 Q1	14,871	9,059	3,391	848	5,669	72%
2020 Q2	13,009	3,244	2,966	742	278	31%

Note to Table 1: estimates are based on the following assumptions:

The estimated value of loan disbursements are based on the data collected from banks.

*/ Loan-financed home purchases comprise purchases made based on a loan and the minimum cash contribution (a down payment of 25% was assumed; in large cities a more prudent assumption than the 20% requirement was laid down by the amended S Recommendation), whereas cash-financed home purchases constitute the difference between the value of transactions and credit funds. In order to calculate the estimated value of transactions in the primary market in 7M (Gdańsk, Gdynia, Kraków, Łódź, Poznań, Warszawa, Wrocław), the average home price in 7M (NBP) was multiplied by the average home size in square metres (Statistics Poland (GUS) data) and the number of dwellings sold (JLL/former REAS data). On the basis of ZBP data it was assumed that the value of newly granted loans for the purchase of housing in the primary markets of 7M amounts to approx. 57%. The estimated value of cash transactions constitutes the difference between the value of transactions in the market of 7 cities and loan disbursements, including own contribution. Data concerning prices for all the periods have been updated.

**/ Other real estate sold/exchanged may also be the source of own funds.

***/The decrease in the estimated share of home purchases in Poland in 7M with own contribution, recorded in 2020 Q2, is related to the very low home sales in this period.

Source: NBP, JLL/former REAS, ZBP, Statistics Poland (GUS)

Figure 32 Estimated ROE on residential mortgage loans denominated in PLN for banks in Poland, taking into account interest income and non-interest profit, operating expenses and bank tax

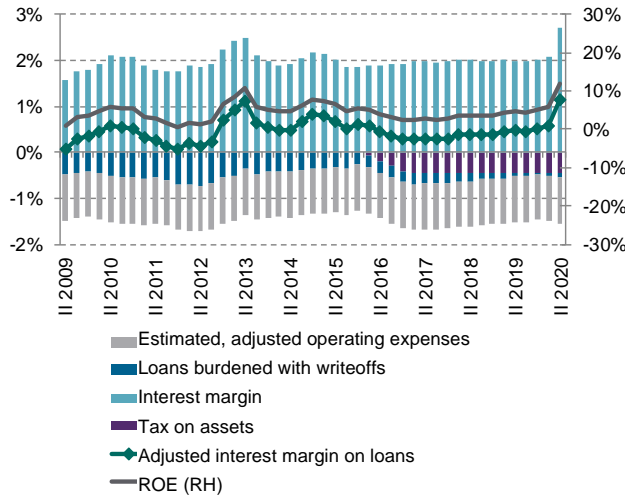
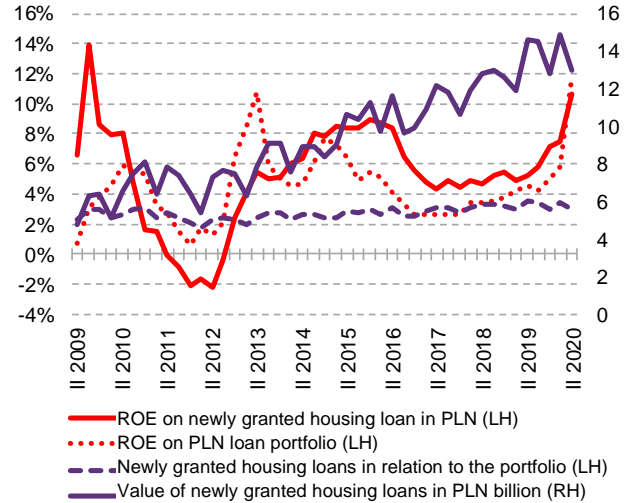


Figure 33 Estimated ROE on residential mortgage loans denominated in PLN for banks in Poland, taking into account interest income and non-interest profit and operating expenses and bank tax



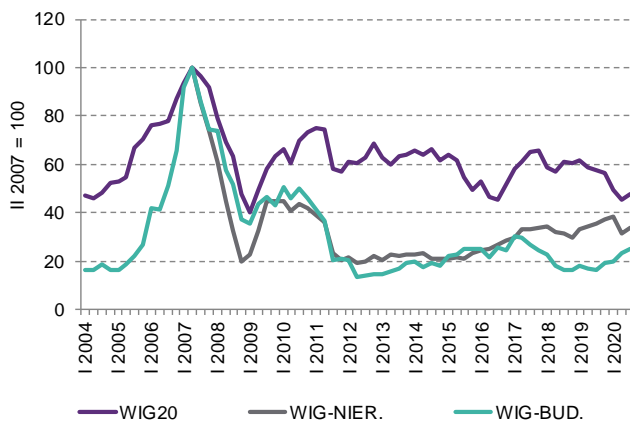
Note to Figures 32 and 33: for calculation, interest income, non-interest income and operating expenses were taken into account. The estimated ROE is calculated as the adjusted interest margin in relation to equity. The adjusted interest margin is the interest margin less write-offs, less the estimated operating expenses (adjusted for the non-interest result on residential mortgage loans), less bank tax. Operating expenses less non-interest income were estimated at 1% of the value of the credit portfolio and at 1.5% of the value of new loans. Data concerning equity calculated on the basis of KNF publications. Interest margin based on NBP data.

Source NBP, KNF

Source NBP, KNF

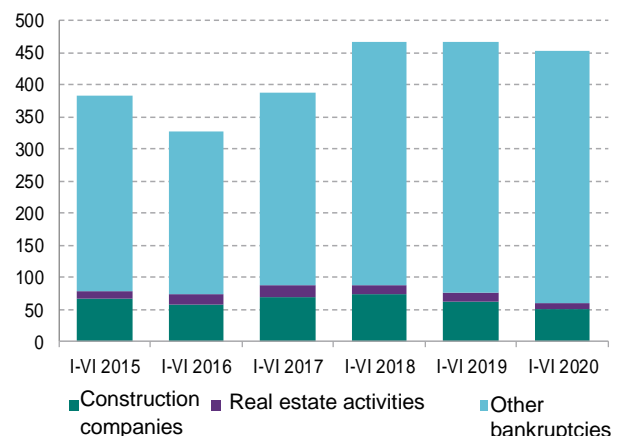
3. Operating profitability of housing and real estate development projects, costs of construction and assembly output and economic situation of real estate developers in Poland

Figure 34 Rescaled stock exchange indices: WIG20 and for real estate developers (WIG-NIER) and construction companies (WIG-BUD) (2007 Q2=100)



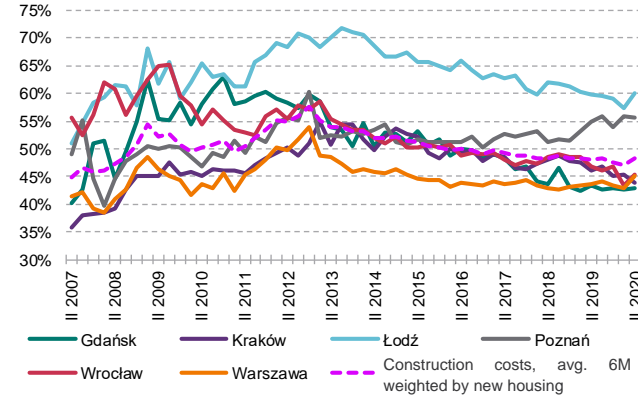
Note: harmonized data, 2007 Q2 = 100 (WIG for real estate developers has been quoted since 2007 Q2); 2020 Q1 - data as at 26 May 2020
Source: Warsaw Stock Exchange

Figure 35 Number of bankruptcies in construction industry (as at the end of the first half of the year)



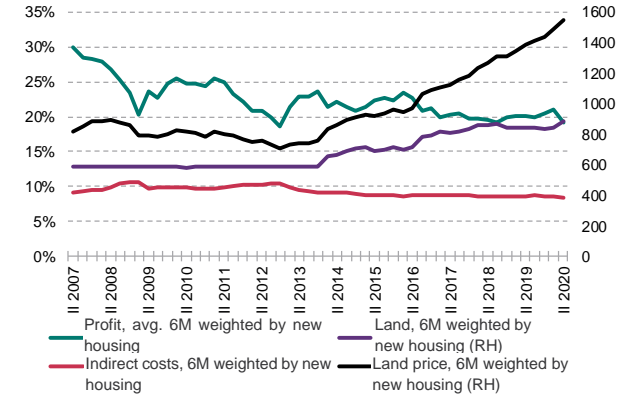
Note: breakdown according to the first entry into the KRS.
Source: Coface Poland

Figure 36 Estimated share of direct construction costs per square meter of the residential building's usable area (type 1122-302²⁹) in net transaction price in the primary market in 6M



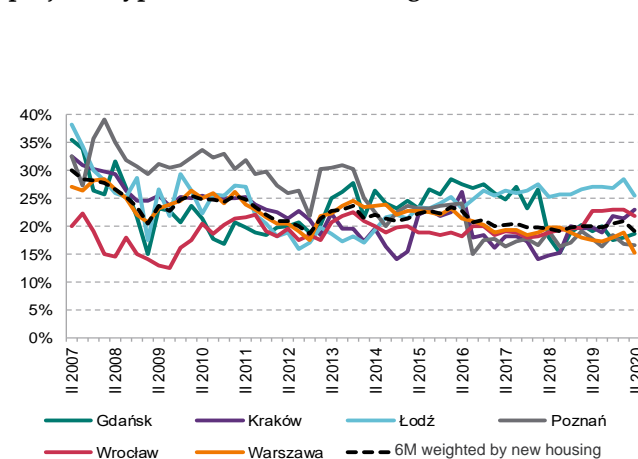
Note to Figure 36: Since 2014 NBP has used its own appraisal of land for residential multifamily construction.
Source: NBP based on Sekocenbud

Figure 37 Estimated share of various construction costs per square metre of the residential building's usable area (type 1122-302³³) in the net transaction in PM in 6M



Source: NBP based on Sekocenbud

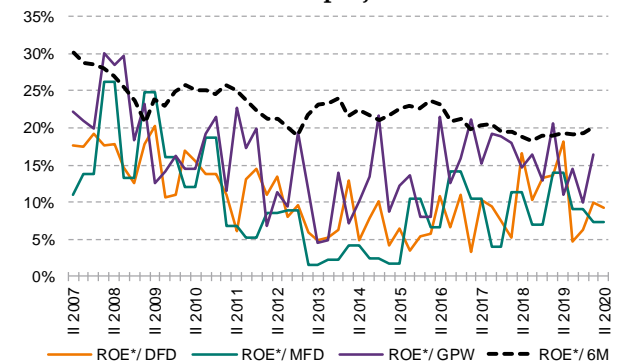
Figure 38 Estimated rate of return on investment projects (type 1122-302^{33/}) in the largest cities



*/ROE modified = net financial result/ (income from sale – net result from sale); **/ DFD – average large real estate development company (according to Statistics Poland employment =>50 employees), **/ MFD – average small real estate development company (employment 9-49 employees).

Source: NBP based on Sekocenbud, GUS (F01)

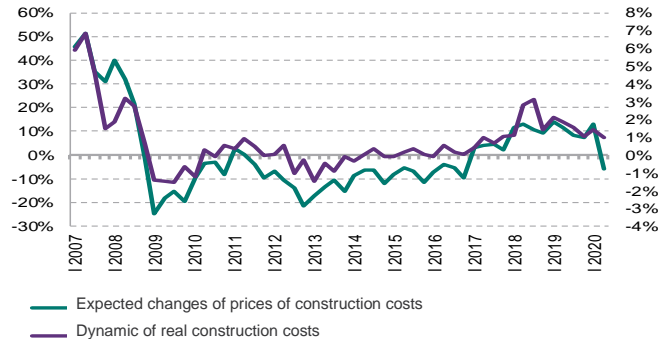
Figure 39 Estimated profitability indicators of development projects ROE* of real estate developers listed on the Stock Exchange, of large real estate developers (DFD) and small real estate developers (MFD)***/ and investment projects in 6 cities (6M)**



Source: NBP based on Sekocenbud, Financial Statements, GUS (F01)

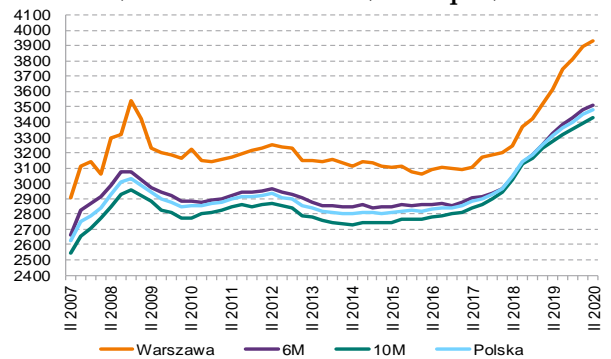
²⁹³⁵ Half of the building (type 1122-302) monitored by NBP since 2016 Q2 based on Sekocenbud data. An average residential five-storey multifamily building, with an underground garage constructed in the following technology: foundation footings, construction walls and ceilings from monolithic reinforced concrete, curtain walling in the form of bricked walls of hollow MAX blocks. Change of the type of the analysed building in 2017 is related to closing of the cost estimation of the building 1121. Analytical assumptions related to building 1121 have been maintained.

Figure 40 Predicted changes in prices of construction and assembly works (+3M) and growth in construction costs of usable area of a residential building (type 1122-302^{33/})



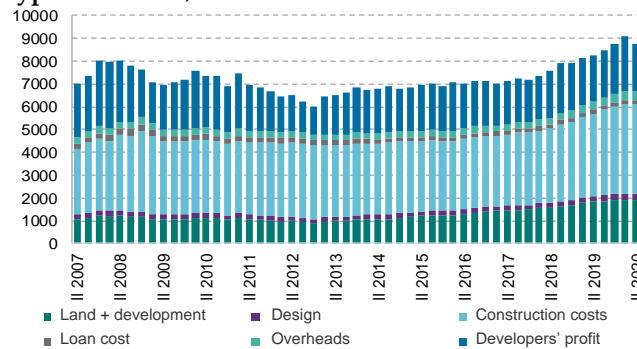
Source: NBP based on GUS (business conditions survey), Sekocenbud

Figure 41 Average cost of construction of square metre of the residential building's usable area (type 1122-302^{33/}) in selected markets (PLN/sq.m.)



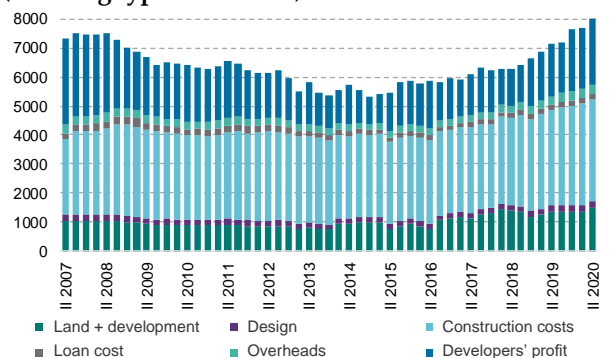
Source: NBP based on Sekocenbud

Figure 42 Warsaw – estimated structure of price per square meter of housing usable area in PM (building type 1122-302^{33/}) for consumer



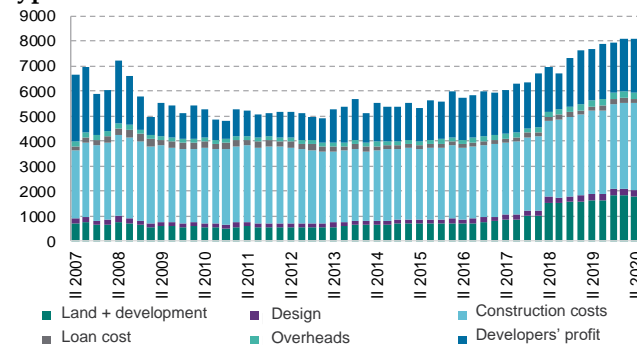
Source: NBP based on Sekocenbud, JLL/former REAS

Figure 43 Kraków - estimated structure of price per square meter of housing usable area in PM (building type 1122-302^{33/}) for consumer



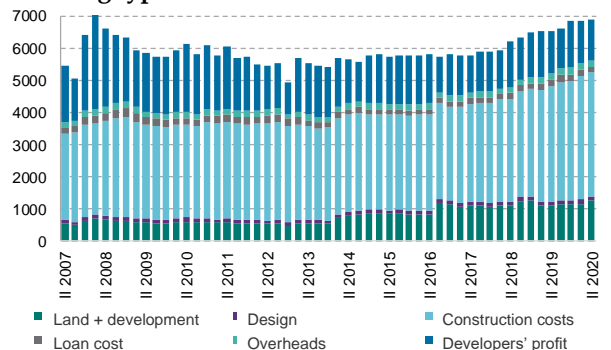
Source: NBP based on Sekocenbud, JLL/former REAS

Figure 44 Gdańsk – estimated structure of price per square meter of housing usable area in PM (building type 1122-302^{33/}) for consumer



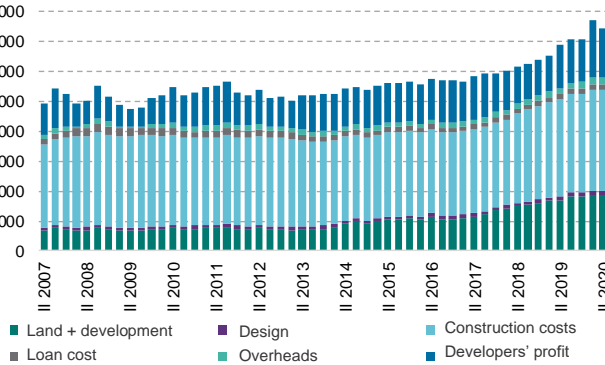
Source: NBP based on Sekocenbud, JLL/former REAS

Figure 45 Poznań - estimated structure of price per square meter of housing usable area in PM (building type 1122-302^{33/}) for consumer



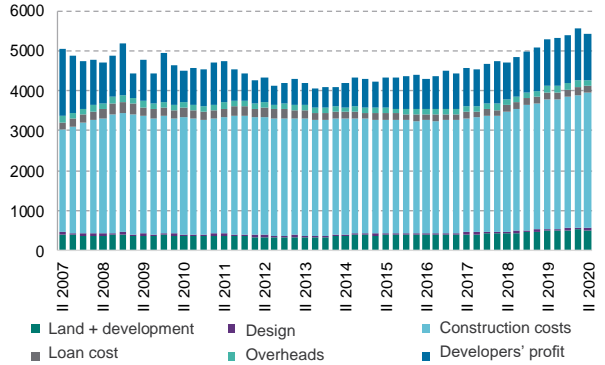
Source: NBP based on Sekocenbud, JLL/former REAS

Figure 46 Wrocław - estimated structure of price per square meter of housing usable area in PM (building type 1122-302^{33/}) for consumer



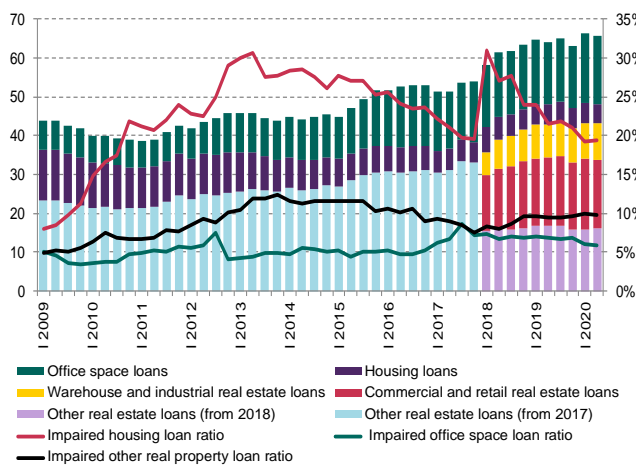
Source: NBP based on Sekocenbud, JLL/former REAS

Figure 47 Łódź – estimated structure of price per square meter of housing usable area in PM (building type 1122-302^{33/}) for consumer



Source: NBP based on Sekocenbud, JLL/former REAS

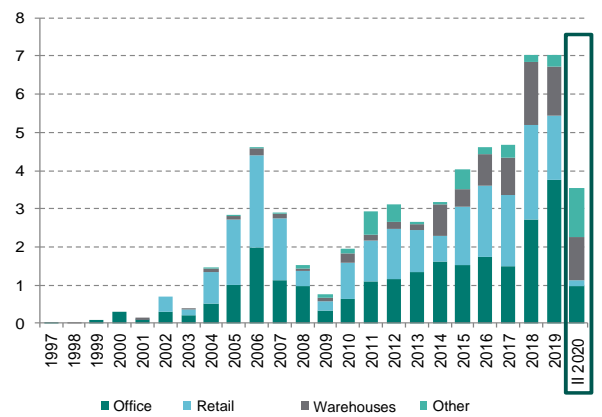
Figure 48 Loans to corporations for real estate purchases (in PLN billion, left-hand scale) and the share of loans recognised as non-performing loans (in %, right-hand scale)



Note: Data exclusive of BGK. Since 2018, new accounting standards have been in place.

Source: NBP

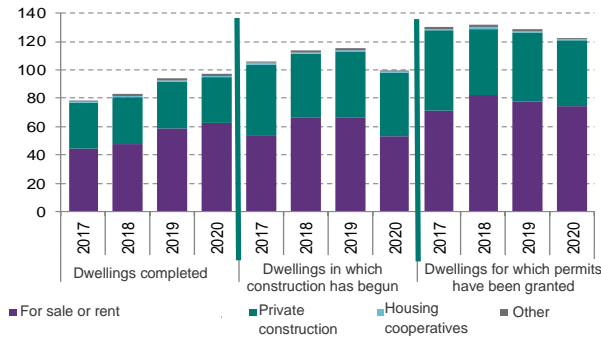
Figure 49 Value of investment transactions in the commercial real estate market (EUR billion)



Source: Comparables.pl

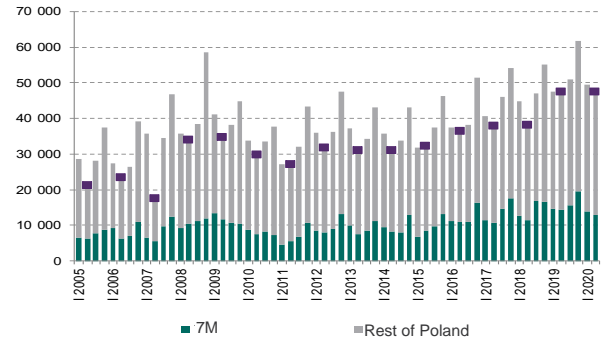
4. Housing construction and the residential market in Poland's selected cities

Figure 50 Structure of investors in housing construction in Poland in first quarters of the years 2017-2020



Source: GUS

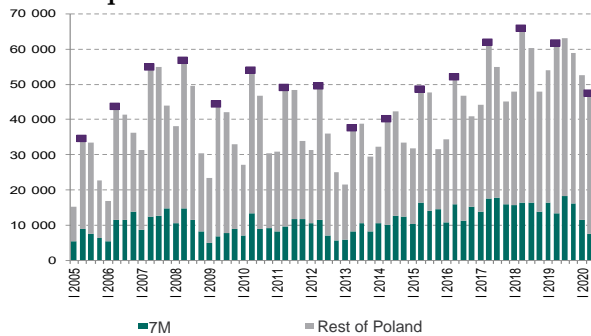
Figure 51 Dwellings completed and made ready for occupancy in Poland, in quarter-on-quarter terms



Note to Figures 51–53: violet colour indicates only second quarters

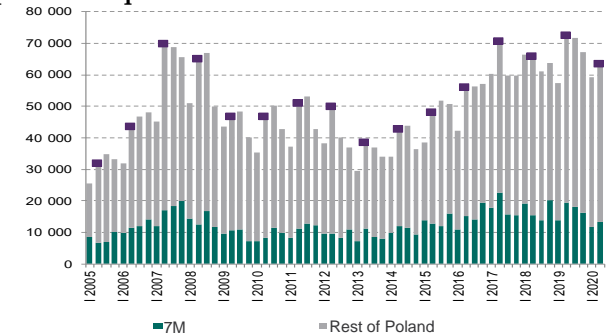
Source: GUS

Figure 52 Dwellings under construction in Poland, in quarter-on-quarter terms



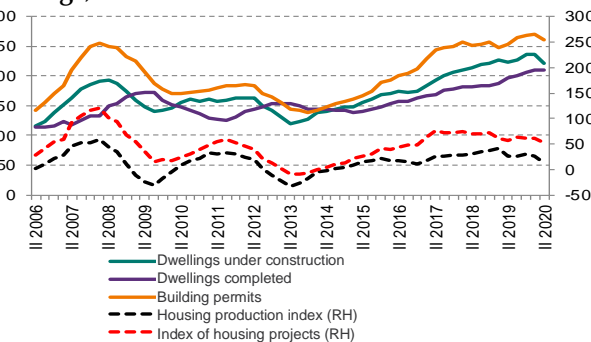
Source: GUS

Figure 53 Issued home building permits in Poland, in quarter-on-quarter terms



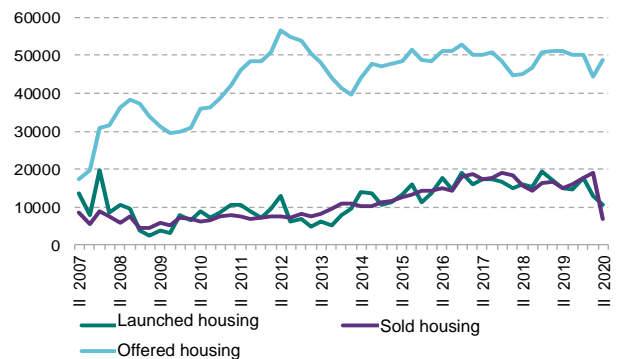
Source: GUS

Figure 54 Housing construction in Poland (in thousands of dwellings) and home construction in progress (dwellings under construction minus completed dwelling) and investment projects in progress (home construction permits minus completed dwellings)



Note: rolling averages for four subsequent years
Source: NBP based on PABB and GUS

Figure 55 Number of contracts for the construction of dwellings put on the market, both sold and offered for sale in Poland's 6 largest markets.* /



*/Warsaw, Kraków, Tri-City Agglomeration of Gdańsk, Sopot and Gdynia, Wrocław, Poznań, Łódź.

Source: JLL/former REAS

Figure 56 Housing supply and the estimated rate of return on housing development projects in PM in 7M

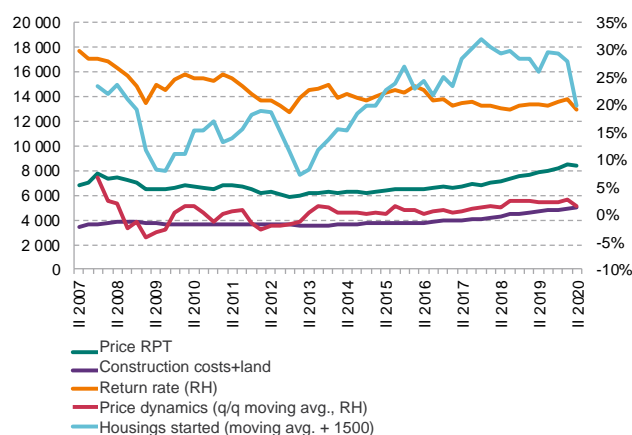
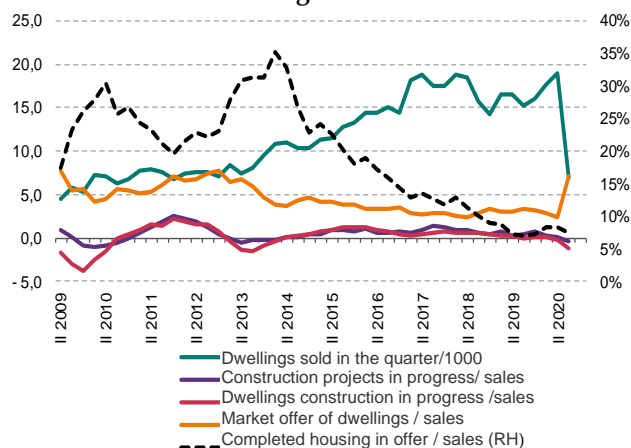


Figure 57 Housing projects and dwellings under construction and dwellings offered for sale in 7M



Note to Figure 57: Housing projects in progress = building permits for dwellings minus completed dwellings; home constructions in progress = dwellings whose construction has begun minus completed dwellings; cumulative values of the last 4 quarters, divided by sales in the given period.

Source: NBP, Statistics Poland (GUS), JLL/former REAS, Sekocenbud

Source: NBP based on Statistics Poland (GUS)

Figure 58 Measure of adjustment of dwellings on offer to demand in terms of area ≤ 50 sq. m., PM in selected cities in Poland

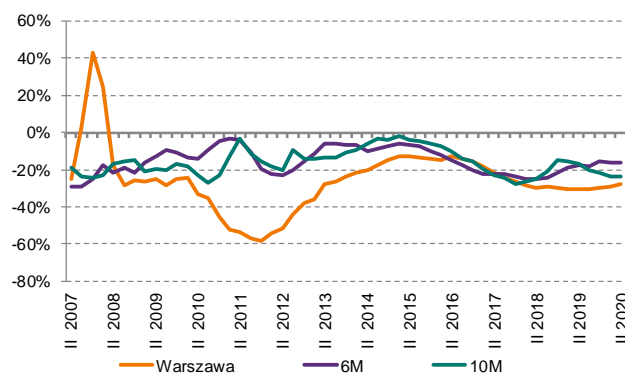
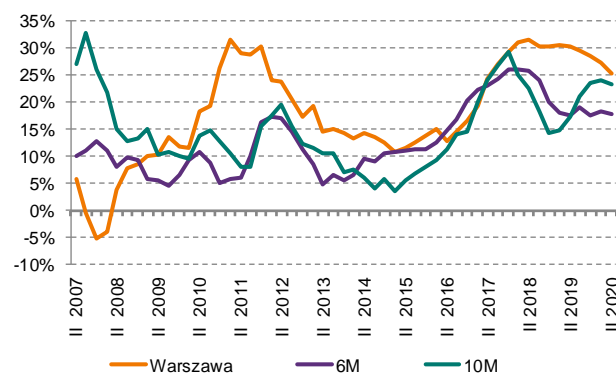


Figure 59 Measure of adjustment of dwellings on offer to demand in terms of area > 50 sq. m., PM in selected cities in Poland

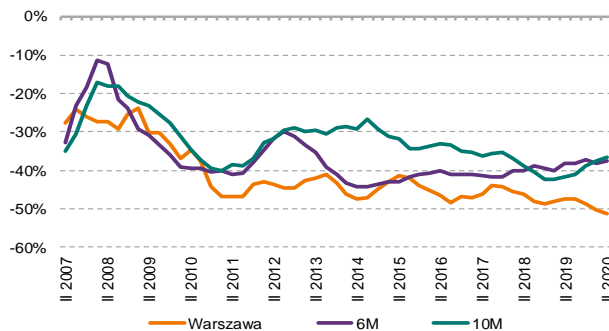


Note: figure 58 presents, in percentage terms, a short-term mismatch in the primary market between supply (developers' housing offer) and the estimated demand (housing transactions) in terms of the dwelling's size, according to the data from the BaRN database. The mismatch is calculated as the ratio of the share of housing units with usable area of up to 50 square meters offered for sale to the number of transactions involving housing units with a total area of up to 50 square meters (the average figure for the last four quarters). A positive result (above the black line) indicates the surplus of dwellings of a particular size, a negative result – their deficit. Figure 59 is parallel for the space above 50 sq.m. Figures 60-61 are parallel, but they concern the secondary market only.

Source: NBP

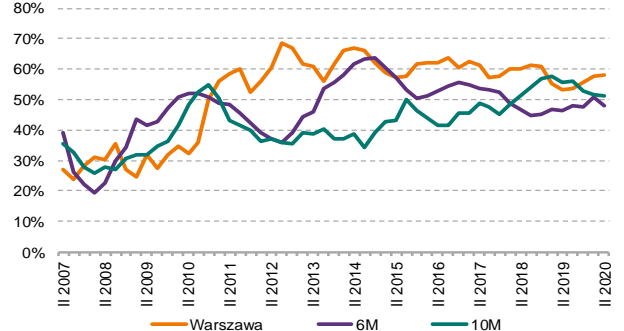
Source: NBP

Figure 60 Measure of adjustment of dwellings on offer to demand in terms of area ≤ 50 sq. m, SM in selected cities of Poland



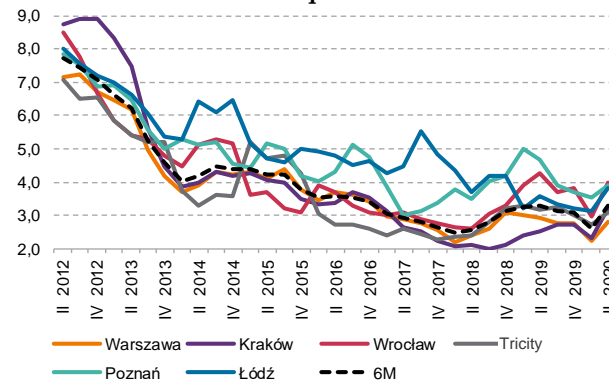
Source: NBP

Figure 61 Measure of adjustment of dwellings on offer to demand in terms of area > 50 sq. m, SM in selected cities of Poland



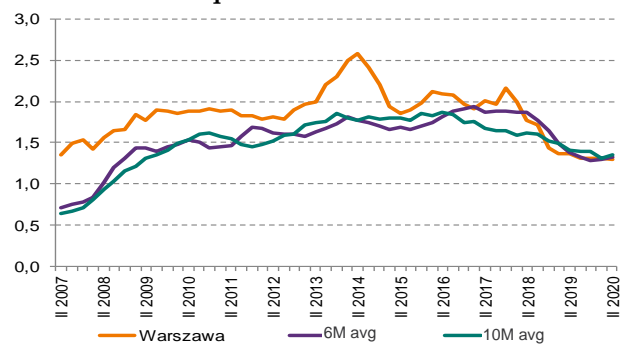
Source: NBP

Figure 62 Selling time of dwellings on offer in PM in selected cities (number of quarters)



Note: home selling time in primary markets is the relation of the number of dwellings on offer at the end of the current quarter in relation to the number of dwellings sold in the last four quarters.
Source: NBP based on JLL/former REAS

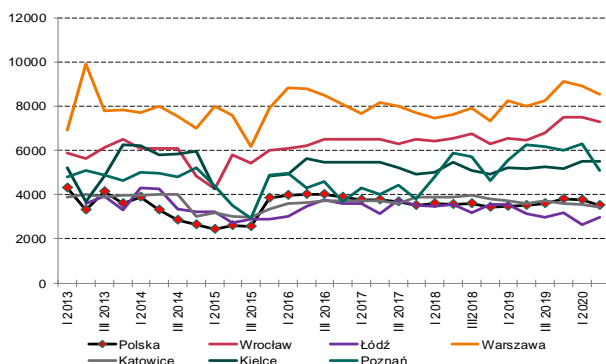
Figure 63 Selling time of dwellings in SM in selected cities (number of quarters)



Note: the actual home selling time, average of the last four quarters; data are not comparable with Figure 62. Home selling time in the secondary market takes into account only transactions ended with a sale deal. The data are underestimated since they do not contain offers entered but not sold yet.
Source: NBP

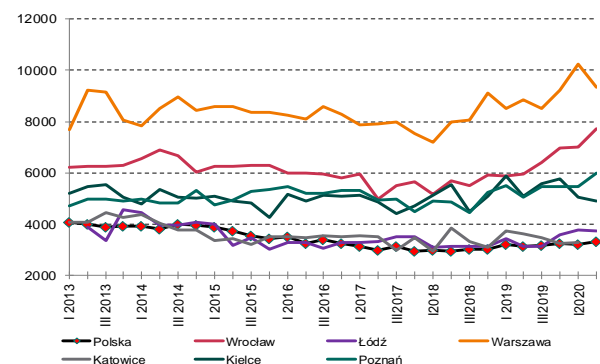
5. Offer prices of commercial real estate

Figure 64 Median of offer selling price of small office premises in SM (PLN/sq.m.)



Source: PONT, NBP's study

Figure 65 Median of offer selling price of small retail premises in SM (PLN/sq.m.)



Source: PONT, NBP's study

Table 3 Estimated rate of return on investment in housing of 50 sq. m. in Warsaw

Date	Hedonic rent per sq.m of space in EUR	Hedonic price per sq.m of space in EUR	Calculated capitalisation rate (yield)	Market capitalisation rate (yield)	ROE at LTC = 0%	ROE at LTC = 50%	ROE at LTC = 80%	Average market rates of 10-year Treasury bonds
IV 2013	43,5	7 558	6,9%	4,3%	3,4%	0,9%	4,4%	5,1%
II 2014	43,4	7 574	6,9%	4,3%	2,9%	0,2%	3,4%	5,3%
IV 2014	43,6	7 601	6,9%	4,3%	2,9%	0,3%	2,6%	5,3%
II 2015	43,8	7 659	6,9%	4,2%	3,8%	3,8%	2,8%	4,4%
IV 2015	45,0	7 682	7,0%	4,4%	3,9%	4,0%	2,8%	4,5%
II 2016	46,4	7 719	7,2%	4,5%	4,2%	4,4%	3,0%	4,6%
IV 2016	48,4	7 871	7,4%	4,7%	4,5%	5,5%	3,3%	4,5%
II 2017	47,9	8 002	7,2%	4,5%	4,2%	4,8%	3,3%	4,4%
IV 2017	49,7	8 202	7,3%	4,6%	4,4%	5,3%	3,4%	4,4%
II 2018	51,2	8 638	7,1%	4,5%	4,2%	4,9%	3,2%	4,3%
IV 2018	52,2	9 013	7,0%	4,3%	3,9%	4,1%	3,1%	4,4%
II 2019	53,3	9 414	6,8%	4,2%	3,8%	3,8%	2,7%	4,3%
IV 2019	55,2	9 857	6,7%	4,1%	3,5%	2,9%	2,0%	4,4%
II 2020	49,3	10 029	5,9%	3,4%	2,8%	2,3%	1,4%	3,7%

Assumptions: Transaction price per square metre of housing (50% from the primary market, increased by finishing costs - amounting to +PLN 700.00/sq.m. since 2018 - and 50% from the secondary market). Average transaction rent. Loan in PLN granted for 25 years, equal instalments payable four times a year. Occupancy of 95%. Calculated capitalization rate includes amortization costs (1.5%; two thorough renovations in the period of 100 years). Taxable with lump-sum tax of 8.5%. ROE – net income/equity. Calculations have been verified against those presented before.

Source: NBP (data and calculations), MF (rate of return on 10-year bonds)

Table 4 Average prices of a square meter of housing in the primary market in Gdańsk

specification	II Q 2019		III Q 2019		IV Q 2019		I Q 2020		II Q 2020	
	offer	trans.	offer	trans.	offer	trans.	offer	trans.	offer	trans.
average price (PLN/sq.m.)	9 033	8 288	9 474	8 534	9 806	8 585	9 904	8 741	9 803	8 733
growth (q-o-q)	109,4	100,3	104,9	103,0	103,5	100,6	101,0	101,8	99,0	99,9
growth (y-o-y)	107,3	111,2	114,6	118,4	114,0	108,4	119,9	105,8	108,5	105,4
dwelling price range	3 780	1 424	4 118	1 331	3 625	1 478	3 110	1 204	3 393	739
<=4 000 PLN/sq.m	10	4	9	2	14	1	4	1	4	3
(4 001; 6 000] PLN/sq.m	594	262	412	168	172	204	59	84	83	54
(6 001; 8 000] PLN/sq.m	940	494	1 209	441	957	540	1 000	478	1 046	310
(8 001; 10 000] PLN/sq.m	1 137	392	945	410	1 004	331	613	297	767	170
>10 001 PLN/sq.m	1 099	272	1 543	310	1 478	402	1 434	344	1 493	202
dwelling space range	3 780	1 424	4 118	1 331	3 625	1 478	3 110	1 204	3 393	739
<= 40 sq.m	512	388	607	341	600	361	416	290	520	169
(40,1; 60] sq.m	1710	596	1838	588	1605	707	1430	548	1479	349
(60,1; 80] sq.m	1160	356	1225	334	998	323	872	288	956	170
> 80,1 sq.m	398	84	448	68	422	87	392	78	438	51
average price of 1 sq.m. of dwelling	9 033	8 288	9 474	8 534	9 806	8 585	9 904	8 741	9 803	8 733
<=4 000 sq.m	9 794	8 772	10112	9303	10941	8744	10456	9575	10440	8915
(40,1; 60] sq.m	8 936	8 010	9398	8141	9681	8404	9769	8536	9656	8914
(60,1; 80] sq.m	8 382	8 067	8754	8320	8932	8306	9257	8024	9237	7785
> 80,1 sq.m	10 364	8 964	10890	9128	10736	10438	11252	9731	10778	10051
average offer price deviation	9,0%	x	11,0%	x	14,2%	x	13,3%	x	12,3%	x
<= 40 sq.m	11,7%	x	8,7%	x	25,1%	x	9,2%	x	17,1%	x
(40,1; 60] sq.m	11,6%	x	15,4%	x	15,2%	x	14,4%	x	8,3%	x
(60,1; 80] sq.m	3,9%	x	5,2%	x	7,5%	x	15,4%	x	18,7%	x
> 80,1 sq.m	15,6%	x	19,3%	x	2,9%	x	15,6%	x	7,2%	x

Source: NBP

Table 5 Average prices of a square meter of housing in the secondary market in Gdańsk

specification	II Q 2019		III Q 2019		IV Q 2019		I Q 2020		II Q 2020	
	offer	trans.	offer	trans.	offer	trans.	offer	trans.	offer	trans.
average price (PLN/sq.m.)	9 345	7 823	9 958	7 687	9 889	8 268	10 562	8 347	10 332	8 551
growth (q-o-q)	99,3	106,4	106,6	98,3	99,3	107,6	106,8	101,0	97,8	102,4
growth (y-o-y)	109,1	118,1	113,9	107,5	111,7	110,1	112,2	113,6	110,6	109,3
dwelling price range	1 314	1 008	1 080	904	1 247	988	885	888	1 057	584
<=4 000 PLN/sq.m	1	2	1	9	0	3	0	8	0	2
(4 001; 6 000] PLN/sq.m	86	156	47	139	40	104	27	74	31	44
(6 001; 8 000] PLN/sq.m	491	458	295	431	351	423	178	359	218	211
(8 001; 10 000] PLN/sq.m	319	252	306	231	393	289	259	302	325	217
>10 001 PLN/sq.m	417	140	431	94	463	169	421	145	483	110
dwelling space range	1 314	1 008	1 080	904	1 247	988	885	888	1 057	584
<= 40 sq.m	289	260	204	224	242	242	124	216	160	128
(40,1; 60] sq.m	471	443	409	406	453	496	336	433	422	279
(60,1; 80] sq.m	335	206	279	191	343	179	253	190	289	128
> 80,1 sq.m	219	99	188	83	209	71	172	49	186	49
average price of 1 sq.m. of dwelling	9 345	7 823	9 958	7 687	9 889	8 268	10 562	8 347	10 332	8 551
<=4 000 sq.m	9 658	8 607	10691	8618	10385	9094	11571	8923	11647	9323
(40,1; 60] sq.m	9 421	7 723	10198	7705	10023	8215	10951	8330	10308	8666
(60,1; 80] sq.m	9 010	7 396	9224	7043	9487	7473	9700	7692	9739	7867
> 80,1 sq.m	9 280	7 100	9728	6571	9681	7829	10342	8501	10177	7670
average offer price deviation	19,5%	x	29,5%	x	19,6%	x	26,5%	x	20,8%	x
<= 40 sq.m	12,2%	x	24,1%	x	14,2%	x	29,7%	x	24,9%	x
(40,1; 60] sq.m	22,0%	x	32,4%	x	22,0%	x	31,5%	x	18,9%	x
(60,1; 80] sq.m	21,8%	x	31,0%	x	27,0%	x	26,1%	x	23,8%	x
> 80,1 sq.m	30,7%	x	48,0%	x	23,7%	x	21,7%	x	32,7%	x

Source: NBP

Table 6 Average prices of a square meter of housing in the primary market in Kraków

specification	II Q 2019		III Q 2019		IV Q 2019		I Q 2020		II Q 2020	
	offer	trans.	offer	trans.	offer	trans.	offer	trans.	offer	trans.
average price (PLN/sq.m.)	7 957	7 739	8 017	7 786	8 532	8 237	9 210	8 303	9 737	8 661
growth (q-o-q)	104,4	104,2	100,8	100,6	106,4	105,8	108,0	100,8	105,7	104,3
growth (y-o-y)	115,3	114,2	113,9	112,1	116,0	114,4	120,8	111,8	122,4	111,9
dwelling price range	5 245	1 855	5 415	1 625	6 437	2 029	5 470	2 119	6 040	985
<=4 000 PLN/sq.m	0	0	0	0	0	0	0	0	0	0
(4 001; 6 000] PLN/sq.m	507	202	506	186	358	152	98	158	127	30
(6 001; 8 000] PLN/sq.m	2 428	946	2 469	811	2 332	799	1 460	821	1 291	380
(8 001; 10 000] PLN/sq.m	1 799	582	1 961	493	2 790	861	2 368	891	2 216	374
>10 001 PLN/sq.m	511	125	479	135	957	217	1 544	249	2 406	201
dwelling space range	5 245	1 855	5 415	1 625	6 437	2 029	5 470	2 119	6 040	985
<= 40 sq.m	923	527	974	431	1188	556	1033	518	1210	208
(40,1; 60] sq.m	2766	865	2787	828	3220	1017	2597	1106	2791	501
(60,1; 80] sq.m	1193	350	1301	281	1618	354	1471	389	1553	210
> 80,1 sq.m	363	113	353	85	411	102	369	106	486	66
average price of 1 sq.m. of dwelling	7 957	7 739	8 017	7 786	8 532	8 237	9 210	8 303	9 737	8 661
<=4 000 sq.m	8394	8251	8520	8235	8899	8701	9925	8680	10978	9180
(40,1; 60] sq.m	7895	7580	8018	7675	8533	8136	9144	8355	9538	8637
(60,1; 80] sq.m	7774	7389	7689	7502	8266	7823	8849	7743	9067	8386
> 80,1 sq.m	7914	7653	7838	7543	8505	8147	9119	7980	9934	8089
average offer price deviation	2,8%	x	3,0%	x	3,6%	x	10,9%	x	12,4%	x
<= 40 sq.m	1,7%	x	3,5%	x	2,3%	x	14,3%	x	19,6%	x
(40,1; 60] sq.m	4,2%	x	4,5%	x	4,9%	x	9,4%	x	10,4%	x
(60,1; 80] sq.m	5,2%	x	2,5%	x	5,7%	x	14,3%	x	8,1%	x
> 80,1 sq.m	3,4%	x	3,9%	x	4,4%	x	14,3%	x	22,8%	x

Source: NBP

Table 7 Average prices of a square meter of housing in the secondary market in Kraków

specification	II Q 2019		III Q 2019		IV Q 2019		I Q 2020		II Q 2020	
	offer	trans.	offer	trans.	offer	trans.	offer	trans.	offer	trans.
average price (PLN/sq.m.)	8 899	6 956	8 913	7 135	9 109	7 414	9 518	7 766	9 672	8 061
growth (q-o-q)	102,3	105,0	100,2	102,6	102,2	103,9	104,5	104,8	101,6	103,8
growth (y-o-y)	111,2	108,7	110,6	107,8	107,6	108,3	109,4	117,2	108,7	115,9
dwelling price range	656	316	493	344	493	330	569	310	587	201
<=4 000 PLN/sq.m	0	2	0	0	0	0	0	0	0	0
(4 001; 6 000] PLN/sq.m	35	86	19	66	15	47	6	32	2	17
(6 001; 8 000] PLN/sq.m	231	161	175	200	139	176	138	147	132	83
(8 001; 10 000] PLN/sq.m	229	62	181	65	211	94	239	108	253	82
>10 001 PLN/sq.m	161	5	118	13	128	13	186	23	200	19
dwelling space range	656	316	493	344	493	330	569	310	587	201
<= 40 sq.m	160	135	113	154	123	155	145	128	161	69
(40,1; 60] sq.m	252	135	199	147	208	132	251	140	283	101
(60,1; 80] sq.m	142	38	122	38	111	40	121	39	109	22
> 80,1 sq.m	102	8	59	5	51	3	52	3	34	9
average price of 1 sq.m. of dwelling	8 899	6 956	8 913	7 135	9 109	7 414	9 518	7 766	9 672	8 061
<=4 000 sq.m	9 591	7 403	9894	7674	10079	7821	10512	8463	10614	8249
(40,1; 60] sq.m	8 600	6 671	8579	6888	8782	7228	9275	7442	9399	8153
(60,1; 80] sq.m	8 407	6 297	8426	6052	8602	6401	8875	6733	8928	7617
> 80,1 sq.m	9 238	7 366	9168	6009	9205	8036	9413	6618	9873	6671
average offer price deviation	27,9%	x	24,9%	x	22,9%	x	22,6%	x	20,0%	x
<= 40 sq.m	29,6%	x	28,9%	x	28,9%	x	24,2%	x	28,7%	x
(40,1; 60] sq.m	28,9%	x	24,6%	x	21,5%	x	24,6%	x	15,3%	x
(60,1; 80] sq.m	33,5%	x	39,2%	x	34,4%	x	31,8%	x	17,2%	x
> 80,1 sq.m	25,4%	x	52,6%	x	14,5%	x	42,2%	x	48,0%	x

Source: NBP

Table 8 Average prices of a square meter of housing in the primary market in Łódź

specification	II Q 2019		III Q 2019		IV Q 2019		I Q 2020		II Q 2020	
	offer	trans.	offer	trans.	offer	trans.	offer	trans.	offer	trans.
average price (PLN/sq.m.)	6 010	5 853	6 027	5 881	6 274	6 026	6 608	6 249	6 510	6 080
growth (q-o-q)	103,7	103,9	100,3	100,5	104,1	102,5	105,3	103,7	98,5	97,3
growth (y-o-y)	109,8	112,4	109,0	109,8	110,8	109,4	114,0	111,0	108,3	103,9
dwelling price range	1 442	408	1 465	467	1 869	420	1 049	323	1 218	171
<=4 000 PLN/sq.m	0	0	2	0	4	0	0	0	0	0
(4 001; 4 500] PLN/sq.m	41	26	34	1	26	4	13	6	5	4
(4 501; 5 000] PLN/sq.m	779	235	800	326	759	260	326	117	399	85
(5 001; 6 000] PLN/sq.m	533	129	559	127	792	129	391	169	533	58
(6 001; 7 000] PLN/sq.m	89	18	70	13	288	27	319	31	281	24
> 7 000 PLN/sq.m	1 442	408	1 465	467	1 869	420	1 049	323	1 218	171
dwelling space range	207	87	167	91	362	75	232	105	201	34
<= 40 sq.m	663	204	701	240	921	216	529	174	557	83
(40,1; 60] sq.m	486	94	472	79	480	111	221	35	363	42
(60,1; 80] sq.m	86	23	125	57	106	18	67	9	97	12
> 80,1 sq.m	6010	5853	6027	5881	6274	6026	6608	6249	6510	6080
average price of 1 sq.m. of dwelling	6 538	6 254	6 610	6 215	6 952	6 504	7 481	6 692	7 456	6 911
<=4 000 sq.m	6 044	5 886	6084	5875	6177	6007	6542	6079	6464	6002
(40,1; 60] sq.m	5 779	5 481	5812	5679	5931	5722	5895	5781	6068	5520
(60,1; 80] sq.m	5 782	5 571	5742	5656	6354	6143	6467	6200	6463	6225
> 80,1 sq.m	0	x	0	x	0	x	0	x	0	x
average offer price deviation	4,5%	x	6,4%	x	6,9%	x	11,8%	x	7,9%	x
<= 40 sq.m	2,7%	x	3,6%	x	2,8%	x	7,6%	x	7,7%	x
(40,1; 60] sq.m	5,4%	x	2,3%	x	3,6%	x	2,0%	x	9,9%	x
(60,1; 80] sq.m	3,8%	x	1,5%	x	3,4%	x	4,3%	x	3,8%	x

Source: NBP

Table 9 Average prices of a square meter of housing in the secondary market in Łódź

specification	II Q 2019		III Q 2019		IV Q 2019		I Q 2020		II Q 2020	
	offer	trans.	offer	trans.	offer	trans.	offer	trans.	offer	trans.
average price (PLN/sq.m.)	5 116	4 596	5 203	4 708	5 392	4 870	5 465	5 011	5 432	5 245
growth (q-o-q)	101,2	99,6	101,7	102,4	103,6	103,4	101,3	102,9	99,4	104,7
growth (y-o-y)	110,2	116,1	110,4	110,6	112,1	109,1	108,1	108,6	106,2	114,1
dwelling price range	503	98	425	179	304	83	243	167	298	54
<= 3 000 PLN/sq.m	15	4	3	10	4	0	0	2	0	1
(3 001; 4 000] PLN/sq.m	68	18	53	24	25	11	27	19	29	4
(4 001; 5 000] PLN/sq.m	178	56	145	85	87	44	69	71	79	19
(5 001; 6 000] PLN/sq.m	159	16	146	41	122	18	84	49	122	22
(6 001; 7 000] PLN/sq.m.	51	4	52	16	38	10	33	22	40	6
> 7 000 PLN/sq.m	32	0	26	3	28	0	30	4	28	2
dwelling space range	503	98	425	179	304	83	243	167	298	54
<= 40 sq.m	93	30	68	67	50	27	25	57	40	14
(40,1; 60] sq.m	171	42	148	76	101	35	84	79	108	29
(60,1; 80] sq.m	112	11	91	25	78	14	57	23	68	10
> 80,1 sq.m	127	15	118	11	75	7	77	8	82	1
average price of 1 sq.m. of dwelling	5 116	4 596	5 203	4 708	5 392	4 870	5 465	5 011	5 432	5 245
<=4 000 sq.m	5 604	4 835	5 692	4 804	5 871	4 982	6 040	5 317	6 004	5 481
(40,1; 60] sq.m	5 180	4 644	5 295	4 653	5 507	4 970	5 660	4 887	5 473	5 340
(60,1; 80] sq.m	5 294	4 722	5 187	4 739	5 349	4 864	5 437	4 810	5 356	4 894
> 80,1 sq.m	4 514	3 892	4 817	4 436	4 962	3 953	5 085	4 631	5 160	2 710
average offer price deviation	11,3%	x	10,5%	x	10,7%	x	9,1%	x	3,6%	x
<= 40 sq.m	15,9%	x	18,5%	x	17,8%	x	13,6%	x	9,5%	x
(40,1; 60] sq.m	11,5%	x	13,8%	x	10,8%	x	15,8%	x	2,5%	x
(60,1; 80] sq.m	12,1%	x	9,5%	x	10,0%	x	13,0%	x	9,4%	x
> 80,1 sq.m	16,0%	x	8,6%	x	25,5%	x	9,8%	x	90,4%	x

Source: NBP

Table 10 Average prices of a square meter of housing in the primary market in Poznań

specification	II Q 2019		III Q 2019		IV Q 2019		I Q 2020		II Q 2020	
	offer	trans.	offer	trans.	offer	trans.	offer	trans.	offer	trans.
average price (PLN/sq.m.)	7 232	7 079	7 383	7 126	7 384	7 405	7 528	7 425	7 749	7 437
growth (q-o-q)	98,4	100,3	102,1	100,7	100,0	103,9	101,9	100,3	102,9	100,2
growth (y-o-y)	105,3	105,1	106,5	104,1	105,0	105,5	102,4	105,2	107,2	105,1
dwelling price range	6 766	1 468	6 614	1 333	6 021	1 579	6 207	1 372	5 984	974
<=4 000 PLN/sq.m	1	0	0	0	0	0	0	0	0	0
(4 001; 6 000] PLN/sq.m	717	315	555	243	487	169	428	124	373	90
(6 001; 8 000] PLN/sq.m	4 767	873	4 562	854	4 230	1 023	3 938	938	3 517	678
(8 001; 10 000] PLN/sq.m	1 149	244	1 339	216	1 157	355	1 684	273	1 815	174
>10 001 PLN/sq.m	132	36	158	20	147	32	157	37	279	32
dwelling space range	6 766	1 468	6 614	1 333	6 021	1 579	6 207	1 372	5 984	974
<= 40 sq.m	1325	386	1316	330	1048	394	1165	385	1045	224
(40,1; 60] sq.m	3336	772	3079	744	2852	867	2738	671	2568	492
(60,1; 80] sq.m	1752	220	1818	208	1753	237	1853	272	1857	220
> 80,1 sq.m	353	90	401	51	368	81	451	44	514	38
average price of 1 sq.m. of dwelling	7 232	7 079	7 383	7 126	7 384	7 405	7 528	7 425	7 749	7 437
<=4 000 sq.m	7 722	7 173	7 875	7 485	7 958	7 665	8 179	7 703	8 409	7 408
(40,1; 60] sq.m	7 173	6 990	7 356	7 020	7 368	7 322	7 502	7 468	7 710	7 320
(60,1; 80] sq.m	6 957	7 075	7 089	7 007	7 055	7 290	7 147	6 985	7 384	7 251
> 80,1 sq.m	7 310	7 445	7 315	6 832	7 444	7 358	7 565	7 064	7 924	10 194
average offer price deviation	2,2%	x	3,6%	x	-0,3%	x	1,4%	x	4,2%	x
<= 40 sq.m	7,7%	x	5,2%	x	3,8%	x	6,2%	x	13,5%	x
(40,1; 60] sq.m	2,6%	x	4,8%	x	0,6%	x	0,5%	x	5,3%	x
(60,1; 80] sq.m	-1,7%	x	1,2%	x	-3,2%	x	2,3%	x	1,8%	x
> 80,1 sq.m	-1,8%	x	0	x	0	x	0	x	0	x

Source: NBP

Table 11 Average prices of a square meter of housing in the secondary market in Poznań

specification	II Q 2019		III Q 2019		IV Q 2019		I Q 2020		II Q 2020	
	offer	trans.	offer	trans.	offer	trans.	offer	trans.	offer	trans.
average price (PLN/sq.m.)	7 073	6 309	7 188	6 417	7 639	6 413	7 809	6 511	7 823	6 724
growth (q-o-q)	101,6	102,6	101,6	101,7	106,3	99,9	102,2	101,5	100,2	103,3
growth (y-o-y)	106,3	109,2	106,3	108,2	110,1	104,9	112,2	105,9	110,6	106,6
dwelling price range	1127	1057	1 530	756	740	551	1 192	435	975	323
<=4 000 PLN/sq.m	22	36	21	12	5	13	3	11	4	2
(4 001; 6 000] PLN/sq.m	279	429	325	274	115	178	156	140	99	75
(6 001; 8 000] PLN/sq.m	575	477	815	395	367	311	559	245	501	214
(8 001; 10 000] PLN/sq.m	197	99	288	68	175	45	355	34	285	32
>10 001 PLN/sq.m	54	16	81	7	78	4	119	5	86	0
dwelling space range	1127	1057	1 530	756	740	551	1 192	435	975	323
<= 40 sq.m	202	304	267	234	127	165	207	146	165	105
(40,1; 60] sq.m	453	471	652	339	307	271	469	183	440	145
(60,1; 80] sq.m	276	203	357	134	193	93	333	92	250	63
> 80,1 sq.m	196	79	254	49	113	22	183	14	120	10
average price of 1 sq.m. of dwelling	7073	6309	7 188	6 417	7 639	6 413	7 809	6 511	7 823	6 724
<=4 000 sq.m	7957	6955	8 169	7 048	8 832	7 125	8 895	7 380	8 656	7 194
(40,1; 60] sq.m	7302	6250	7 295	6 337	7 816	6 309	8 132	6 356	8 037	6 689
(60,1; 80] sq.m	6576	5824	6 742	5 806	6 902	5 789	7 115	5 631	7 192	6 079
> 80,1 sq.m	6334	5424	6 509	5 627	7 074	4 991	7 016	5 239	7 207	6 367
average offer price deviation	12,1%	x	12,0%	x	19,1%	x	19,9%	x	16,3%	x
<= 40 sq.m	14,4%	x	15,9%	x	24,0%	x	20,5%	x	20,3%	x
(40,1; 60] sq.m	16,8%	x	15,1%	x	23,9%	x	27,9%	x	20,2%	x
(60,1; 80] sq.m	12,9%	x	16,1%	x	19,2%	x	26,3%	x	18,3%	x
> 80,1 sq.m	16,8%	x	0	x	0	x	0	x	0	x

Source: NBP

Table 12 Average prices of a square meter of housing in the primary market in Warsaw

specification	II Q 2019		III Q 2019		IV Q 2019		I Q 2020		II Q 2020	
	offer	trans.	offer	trans.	offer	trans.	offer	trans.	offer	trans.
average price (PLN/sq.m.)	9 591	8 932	9 935	9 188	10 280	9 476	10 610	9 819	10 717	9 438
growth (q-o-q)	101,7	101,8	103,6	102,9	103,5	103,1	103,2	103,6	101,0	96,1
growth (y-o-y)	117,2	100,5	116,4	101,9	120,0	100,5	121,0	102,4	120,0	95,0
dwellings price range	14 945	4 348	13 824	4 128	12 204	4 622	11 516	4 773	12 347	2 631
<=4 000 PLN/sq.m	0	0	0	0	0	0	0	0	0	0
(4 001; 6 000] PLN/sq.m	108	121	61	28	35	31	40	15	32	72
(6 001; 8 000] PLN/sq.m	4 109	1 535	3 574	1 285	2 381	1 190	2 089	1 117	2 006	679
(8 001; 10 000] PLN/sq.m	6 139	1 804	5 278	1 790	4 679	2 092	3 672	1 996	3 980	1 063
>10 001 PLN/sq.m	4 589	888	4 911	1 025	5 109	1 309	5 715	1 645	6 329	817
dwellings space range	14 945	4 348	13 824	4 128	12 204	4 622	11 516	4 773	12 347	2 631
<= 40 sq.m	1 835	911	1 657	799	1 543	911	1 576	1 048	1 784	533
(40,1; 60] sq.m	6 532	2 004	5 898	1 997	4 972	2 193	4 617	2 248	4 995	1 240
(60,1; 80] sq.m	4 710	1 053	4 554	986	4 101	1 116	3 864	1 129	4 011	647
> 80,1 sq.m	1 868	380	1 715	346	1 588	402	1 459	348	1 557	211
average price of 1 sq.m. of dwelling	9 591	8 932	9 935	9 188	10 280	9 476	10 610	9 819	10 717	9 438
<=4 000 sq.m	11 400	9 675	12 059	9 829	12 425	10 474	12 458	10 330	12 772	9 933
(40,1; 60] sq.m	9 332	8 694	9 706	9 022	10 088	9 238	10 460	9 826	10 600	9 315
(60,1; 80] sq.m	8 920	8 542	9 136	8 804	9 389	8 991	9 717	9 245	9 693	9 034
> 80,1 sq.m	10 407	9 487	10 790	9 769	11 098	9 856	11 456	10 088	11 378	10 155
average offer price deviation	7,4%	x	8,1%	x	8,5%	x	8,1%	x	13,6%	x
<= 40 sq.m	17,8%	x	22,7%	x	18,6%	x	20,6%	x	28,6%	x
(40,1; 60] sq.m	7,3%	x	7,6%	x	9,2%	x	6,4%	x	13,8%	x
(60,1; 80] sq.m	4,4%	x	3,8%	x	4,4%	x	5,1%	x	7,3%	x
> 80,1 sq.m	9,7%	x	10,5%	x	12,6%	x	13,6%	x	12,0%	x

Source: NBP

Table 13 Average prices of a square meter of housing in the secondary market in Warsaw

specification	II Q 2019		III Q 2019		IV Q 2019		I Q 2020		II Q 2020	
	offer	trans.	offer	trans.	offer	trans.	offer	trans.	offer	trans.
average price (PLN/sq.m.)	10 575	9 240	10 816	9 458	11 192	9 539	11 656	9 895	11 520	9 920
growth (q-o-q)	102,8	102,8	102,3	102,4	103,5	100,9	104,2	103,7	98,8	100,2
growth (y-o-y)	113,1	110,1	112,5	109,9	108,9	108,9	113,3	110,1	108,9	107,4
dwellings price range	2 533	3 310	2 130	3 992	1 915	2 639	1 860	3 158	2 100	1 555
<=4 000 PLN/sq.m	0	0	0	0	0	0	0	0	0	0
(4 001; 6 000] PLN/sq.m	34	124	30	91	19	38	12	40	17	17
(6 001; 8 000] PLN/sq.m	458	1 151	332	1 008	247	614	186	611	201	279
(8 001; 10 000] PLN/sq.m	802	1 520	651	1 527	549	1 027	471	1 209	585	598
>10 001 PLN/sq.m	1 239	1 238	1 117	1 366	1 100	960	1 191	1 298	1 297	661
dwellings space range	2 533	4 033	2 130	3 992	1 915	2 639	1 860	3 158	2 100	1 555
<= 40 sq.m	340	1 144	280	1 144	231	789	209	889	268	420
(40,1; 60] sq.m	863	1 765	711	1 775	617	1 137	581	1 397	697	714
(60,1; 80] sq.m	631	709	518	690	450	450	456	534	539	285
> 80,1 sq.m	699	415	621	383	617	263	614	338	596	136
average price of 1 sq.m. of dwelling	10 575	9 240	10 816	9 458	11 192	9 539	11 656	9 895	11 520	9 920
<=4 000 sq.m	11 688	9 813	11 817	10 109	12 581	10 256	13 095	10 692	12 965	10 887
(40,1; 60] sq.m	10 281	8 899	10 759	9 134	11 159	9 222	11 679	9 521	11 299	9 608
(60,1; 80] sq.m	10 038	8 886	10 230	9 085	10 669	9 045	11 089	9 185	11 102	9 282
> 80,1 sq.m	10 882	9 715	10 917	9 685	11 085	9 605	11 566	10 468	11 505	9 908
average offer price deviation	14,5%	x	14,4%	x	17,3%	x	17,8%	x	16,1%	x
<= 40 sq.m	19,1%	x	16,9%	x	22,7%	x	22,5%	x	19,1%	x
(40,1; 60] sq.m	15,5%	x	17,8%	x	21,0%	x	22,7%	x	17,6%	x
(60,1; 80] sq.m	13,0%	x	12,6%	x	18,0%	x	20,7%	x	19,6%	x
> 80,1 sq.m	12,0%	x	12,7%	x	15,4%	x	10,5%	x	16,1%	x

Source: NBP

Table 14 Average prices of a square meter of housing in the primary market in Wrocław

specification	II Q 2019		III Q 2019		IV Q 2019		I Q 2020		II Q 2020	
	offer	trans.	offer	trans.	offer	trans.	offer	trans.	offer	trans.
average price (PLN/sq.m.)	7 636	7 435	7 909	7 661	7 976	7 634	8 483	8 354	8 652	8 041
growth (q-o-q)	102,4	105,7	103,6	103,0	100,8	99,6	106,4	109,4	102,0	96,2
growth (y-o-y)	108,8	111,8	110,7	113,5	110,3	110,6	113,8	118,8	113,3	108,1
dwelling price range	6 360	1 464	6 747	1 563	6 456	1 724	6 491	2 157	6 792	786
<=4 000 PLN/sq.m	0	0	0	0	0	2	0	0	0	0
(4 001; 6 000] PLN/sq.m	807	222	498	160	609	259	531	138	325	91
(6 001; 8 000] PLN/sq.m	3 477	833	3 595	838	3 060	874	2 445	777	2 403	350
(8 001; 10 000] PLN/sq.m	1 552	316	1 981	467	2 073	457	2 120	957	2 502	249
>10 001 PLN/sq.m	524	93	673	98	714	132	1 395	285	1 562	96
dwelling space range	6 360	1 464	6 747	1 563	6 456	1 724	6 491	2 157	6 792	786
<= 40 sq.m	1235	289	1213	383	1240	345	1292	559	1531	124
(40,1; 60] sq.m	2946	695	3241	672	3072	856	3133	1046	3185	440
(60,1; 80] sq.m	1685	394	1820	426	1644	446	1581	434	1592	179
> 80,1 sq.m	494	86	473	82	500	77	485	118	484	43
average price of 1 sq.m. of dwelling	7 636	7 435	7 909	7 661	7 976	7 634	8 483	8 354	8 652	8 041
<=4 000 sq.m	8683	8513	8948	8604	8913	8411	9789	9077	9787	9135
(40,1; 60] sq.m	7498	7192	7771	7339	7840	7527	8316	8162	8433	7996
(60,1; 80] sq.m	7076	7077	7389	7262	7489	7253	7771	7816	7929	7448
> 80,1 sq.m	7749	7415	8192	7964	8091	7545	8402	8616	8884	7810
average offer price deviation	2,7%	x	3,2%	x	4,5%	x	1,5%	x	7,6%	x
<= 40 sq.m	2,0%	x	4,0%	x	6,0%	x	7,8%	x	7,1%	x
(40,1; 60] sq.m	4,3%	x	5,9%	x	4,2%	x	1,9%	x	5,5%	x
(60,1; 80] sq.m	0,0%	x	1,7%	x	3,3%	x	-0,6%	x	6,5%	x
> 80,1 sq.m	4,5%	x	2,9%	x	7,2%	x	-2,5%	x	13,8%	x

Source: NBP

Table 15 Average prices of a square meter of housing in the secondary market in Wrocław

specification	II Q 2019		III Q 2019		IV Q 2019		I Q 2020		II Q 2020	
	offer	trans.	offer	trans.	offer	trans.	offer	trans.	offer	trans.
average price (PLN/sq.m.)	7 441	6 482	7 572	6 858	7 720	7 316	8 158	7 315	8 024	7 496
growth (q-o-q)	101,4	103,4	101,8	105,8	102,0	106,7	105,7	100,0	98,4	102,5
growth (y-o-y)	114,7	106,7	116,7	111,3	117,5	118,2	111,2	116,7	107,8	115,6
dwelling price range	1 703	201	1 154	233	1 719	263	1 227	188	1 161	282
<=4 000 PLN/sq.m	5	3	0	3	1	5	2	0	2	1
(4 001; 6 000] PLN/sq.m	301	75	144	61	180	53	81	33	74	38
(6 001; 8 000] PLN/sq.m	926	103	666	124	957	123	554	97	552	155
(8 001; 10 000] PLN/sq.m	324	13	266	39	430	65	446	50	413	69
>10 001 PLN/sq.m	147	7	78	6	151	17	144	8	120	19
dwelling space range	1 703	201	1 154	233	1 719	263	1 227	188	1 161	282
<= 40 sq.m	221	38	117	41	214	60	137	34	150	48
(40,1; 60] sq.m	656	95	441	114	660	122	455	78	466	136
(60,1; 80] sq.m	529	51	387	57	548	52	394	50	340	75
> 80,1 sq.m	297	17	209	21	297	29	241	26	205	23
average price of 1 sq.m. of dwelling	7 441	6 482	7 572	6 858	7 720	7 316	8 158	7 315	8 024	7 496
<=4 000 sq.m	8 796	7 592	8 840	8 021	9 099	8 172	9 486	8 196	9 313	8 712
(40,1; 60] sq.m	7 502	6 447	7 666	6 736	7 767	7 128	8 366	7 330	8 126	7 489
(60,1; 80] sq.m	7 066	5 947	7 165	6 393	7 244	6 905	7 826	6 925	7 665	7 040
> 80,1 sq.m	6 967	5 807	7 415	6 510	7 498	7 076	7 555	6 872	7 445	6 488
average offer price deviation	14,8%	x	10,4%	x	5,5%	x	11,5%	x	7,0%	x
<= 40 sq.m	15,9%	x	10,2%	x	11,3%	x	15,7%	x	6,9%	x
(40,1; 60] sq.m	16,4%	x	13,8%	x	9,0%	x	14,1%	x	8,5%	x
(60,1; 80] sq.m	18,8%	x	12,1%	x	4,9%	x	13,0%	x	8,9%	x
> 80,1 sq.m	20,0%	x	13,9%	x	6,0%	x	9,9%	x	14,7%	x

Source: NBP

6. Analysis of the situation of real estate developers and construction companies

7.1. Analysis of the financial situation of real estate developers³⁰

The analysis of NBP data and data reported in financial statements available from other sources for 2020 Q2 compared with the results recorded in the previous quarter and in individual quarters of 2019 indicates a decline in activity in the housing market, both as regards home buyers and housing developers in the primary market. The postponement of starting new investments is a sign of developers' cautious policy should the low level of sales persist. According to financial data reported by larger (medium and large) real estate developers and real estate developers listed on the WSE (Warsaw Stock Exchange), the value of projects in progress since 2017 is at a very high level (42% in the asset structure). So far, a slightly higher share of work in progress was recorded in the period from the second half of 2008 to 2009 Q3 (quarterly average of 47% in the structure of assets). Given a large number of preliminary sale contracts in the initial stages of construction recorded until the end of 2019, in view of a collapse in demand in 2020, after the spread of the COVID-19 pandemic, developers with a significant number of dwellings started and a small number of sold home construction contracts may run the greatest risk. A drop in revenues, with rising costs and liabilities, may result in problems with financial liquidity. NBP data for 2020 Q2 confirmed a significant decline in home sales and a similar level of home prices persisting in most of the largest local markets in Poland. The results of developers listed on the Catalyst market for 2020 Q2 also confirmed a significant drop in sales, which, in the absence of an adjustment in home prices, means that companies with a significant share in housing production, despite difficult access to capital, were in a good condition. In 2020 Q2, these companies sold 2,722 dwellings compared to 4,173 dwellings sold in the corresponding period of 2019 (less by 34.8% y/y). The small number of home construction contracts signed was due to restrictions in economic life imposed as a result of the spread of the COVID-19 pandemic.

According to Statistics Poland's data for 2020 Q2, as compared to 2019 Q2, a similar number of dwellings were delivered for use (an increase by approx. 1%), which is the result of the completion of some dwellings whose construction started in 2018. In 2020 Q2, higher value of revenues from sales reported by developers in F01 reports in the group of larger developers corroborates Statistics Poland's data on the high number of dwellings completed and high demand for services in housing construction in this period. The activity of developers in obtaining building permits and the number of home construction starts (according to Statistics Poland's data, a decrease of over 13% and approx. 23% in 2020 Q2 compared to 2019 Q2, respectively) was at a much lower level, which confirms reduced activity of real estate developers in starting new projects.

The increase in the value of projects in progress and the value of prepayments of home buyers recorded in two quarters of 2020 compared to two quarters of 2019 indicates a significant part of construction projects with a high advancement level in the first half of 2020 or buildings already completed in this period. Final acceptance and handover of the dwellings to buyers coincided in time or was delayed due to formal reasons.

³⁰ Calculations and conclusions in this issue of the Information are based on data resulting from F01 reports submitted to Statistics Poland (GUS), broken down into two groups of companies: small companies employing from 9 to 49 persons (data available until the first half of 2020, in half-a-year periods) and bigger companies whose staff exceeds 49 persons (data available until 2020 Q2 in quarterly periods), involved in the execution of projects related to the construction of buildings (PKD 41.10). The analysis of accounting entries in the financial statements of real estate developers listed on the Warsaw Stock Exchange was based on the data covering the period up to 2020 Q1. The analysis of the accounting entries was supplemented with the information on a dozen or so real estate developers listed on the Catalyst market (report "Situation of the largest residential real estate developers listed on the Catalyst market after 2020 Q2", Nawigator Dom Maklerski, Warsaw, July 2020).

Formal difficulties in the first half of 2020 resulted mainly from the mobility restrictions imposed in that period. In 2020 Q1 and Q2, the value of dwellings unsold in finished buildings, i.e. completed and made ready for occupancy, increased as reported in F01 reports. Their share in the structure of assets (10.3% share) is almost half lower than the share recorded in the period from 2008 Q4 to 2009 Q2.

There was an increase in the stock of dwellings completed and made ready for occupancy in in the group of larger developers and their slight decrease in the group of small developers. In 2020 Q1 and Q2, in the group of large developers, the average value of dwellings unsold in finished buildings, i.e. completed, increased significantly, as reported in F01 reports. Their value in both analysed quarters was approx. 39% higher than in the respective periods of 2018 and 2019, however, these were lower values than in the corresponding quarters in the years 2009 - 2017. Yet, the share of dwellings completed and made ready for occupancy in the asset structure (5% share in 2020 Q2) is similar to the share recorded in individual quarters of 2019 and is by 2 pp. lower than the share recorded in the period from 2008 Q4 to 2009 Q2. In the first half of 2020, small real estate developers reported a slightly lower value and share of completed dwellings in the asset structure (2.5% share) compared to the in half-year periods from 2009 to 2019.

According to the entries in the financial statements reported by small real estate developers in the first half of 2020 and by larger real estate developers in 2020 Q2, compared to the corresponding periods of 2019, the higher increase in total costs than in total revenues confirms the growing costs of construction of buildings. Thus, in both analysed groups of developers, the average value of net generated financial result decreased and profitability deteriorated. In 2020 Q2, larger developers generated the following results: 8.5% - ROS, 3.8% - ROE and 1.5% - ROA, compared to 15.4% - ROS, 4.8% - ROE and 2.1% - ROA in 2019 Q2. The results generated by the group of small developers in the first half of 2020 were as follows: 6.8% - ROS, 4.4% - ROE and 1.8% - ROA, compared to 12.3% - ROS, 8.0% - ROE and 3.4% - ROA in the first half of 2019. The percentage of profitable companies among larger developers reached 72% and was much higher than in the group of small developers (65%). Lower profitability of real estate development observed since mid-2019 was due to the rising costs, increased share of external financing and high volume of real estate development in progress.

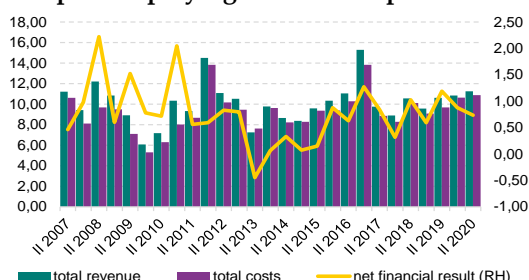
As at the end of June 2020, no significant change in the structure of liabilities was recorded in the analysed groups of developers. The main source of financing was equity, whose share amounted to 40% in the structure of liabilities in the group of larger companies and 42% in the group of small companies. In the case of developers listed on the WSE the share of equity reached 43%. Among external sources of financing, debt resulting from bank loans in the group of small developers increased to over 20%. Lower, stable level of bank debt was recorded in the group of larger companies (over 10%) and in the group of developers listed on the WSE (approx. 13%). The share of debt resulting from debt securities decreased slightly (to approx. 8% in the group of larger companies and to approx. 3% in the group of small companies). In 2020 Q2, compared to 2019 Q2, debt of housing developers holding bonds on the Catalyst market remained low, with a further, slight decrease in the average interest rate on bonds - to 4.46%. Buyers' prepayments in project financing play a much greater role than bank loans in the case of larger developers (approximately 21% in the structure of liabilities). There was a slight decrease in liabilities to service contractors, both in the group of larger and small developers (to approx. 21% in the structure of liabilities), which, combined with an increase in sales revenues and a decrease in receivables from clients, means that some liabilities to contractors are settled as funds for dwellings delivered to buyers are received. However, the higher cash position in the group of larger and WSE-listed developers than in the previous periods indicates that these developers have gathered funds allowing to maintain financial liquidity should low demand continue.

Operating expenses, including their individual components, continued to grow. The highest increase was seen in the value of costs related to services provided by project contractors, which, along with a slight annual change in the value of own costs (payroll expenses and materials and electricity consumed), means that developers use the services of third party contractors to a greater extent. In the group of larger companies, the share of third party services in the structure of operating expenses amounted to over 62% in 2020 Q2, compared to their much lower level a year before (approximately 48%). On the other hand, their share in the structure of operating expenses of small companies was higher and also increased in year-on-year terms (64% in the first half of 2020 compared to 62% in the first half of 2019).

In 2020 Q2 the group of larger developers and in 2020 Q1 the group of developers listed on the WSE recorded a stable level of liquidity and a safe level of general debt ratios, the debt-to-equity ratio and the debt-service coverage ratio, which ensured the safety of funds entrusted by creditors. In both groups, a slight improvement in the assets to equity ratio was observed. The less stable financial situation, yet still favourable for small companies is indicated by a slight deterioration of the quick ratio, the debt-to-equity ratio and the assets-to-equity ratio.

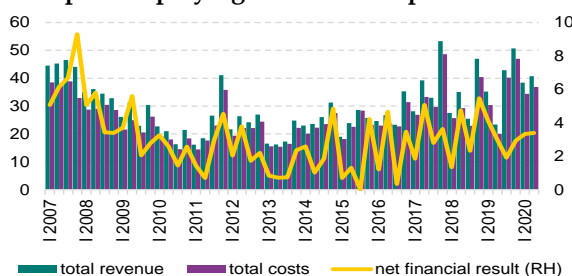
In 2020 Q1, among the developers listed on the WSE, the positive sum of the three cash flows (from operating activities, from investment activities and from financial activities) confirms the net profit generated in cash terms in this period.

Figure 66 Economic indicators of real estate developers employing from 9 to 49 persons



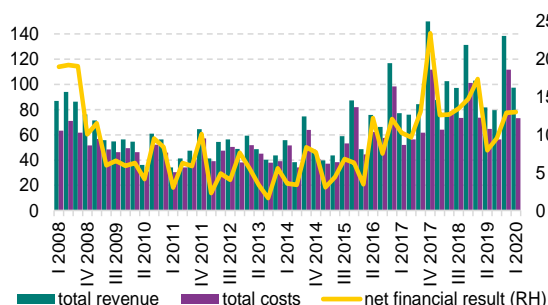
Source: NBP based on Statistics Poland (F01)

Figure 67 Economic indicators of real estate developers employing more than 49 persons



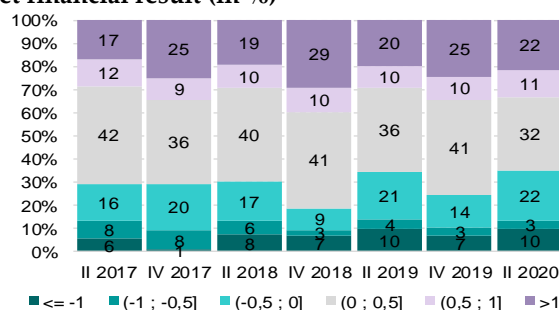
Source: NBP based on Statistics Poland (F01)

Figure 68 Economic indicators of real estate developers listed on the WSE



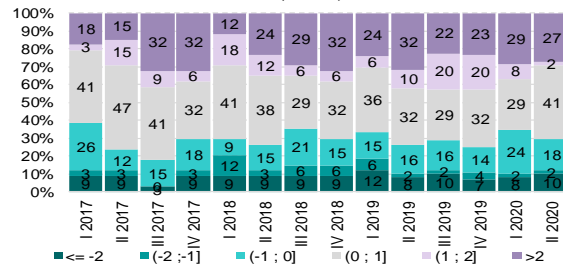
Source: NBP based on Financial Statements

Figure 69 Structure of real estate developers employing from 9 to 49 persons depending on the net financial result (in %)



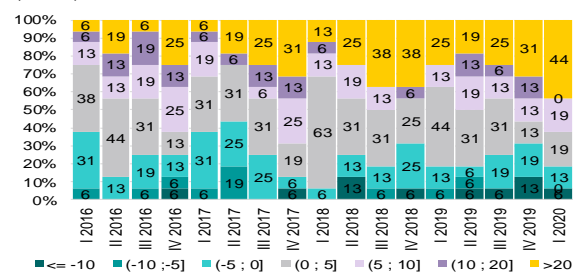
Source: NBP based on Statistics Poland (F01)

Figure 70 Structure of real estate developers employing more than 49 persons depending on the net financial result (in %)



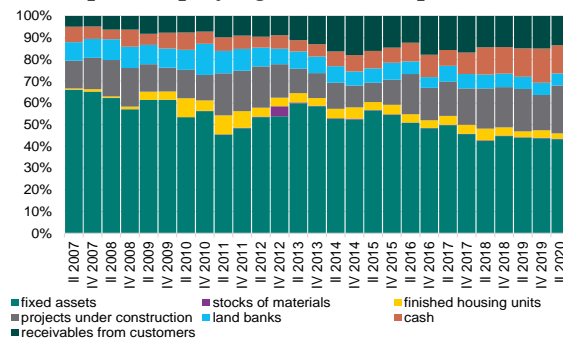
Source: NBP based on Statistics Poland (F01)

Figure 71 Structure of real estate developers listed on the WSE depending on the net financial result (in %)



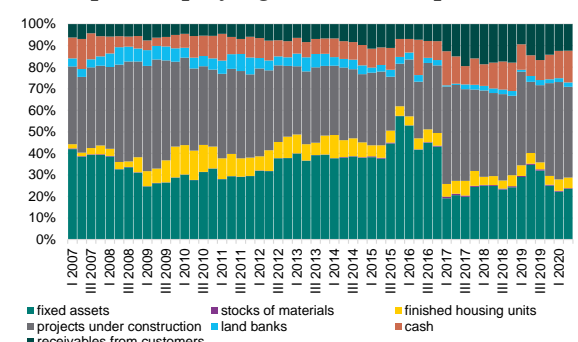
Source: NBP based on Financial Statements

Figure 72 Structure of assets of real estate developers employing from 9 to 49 persons



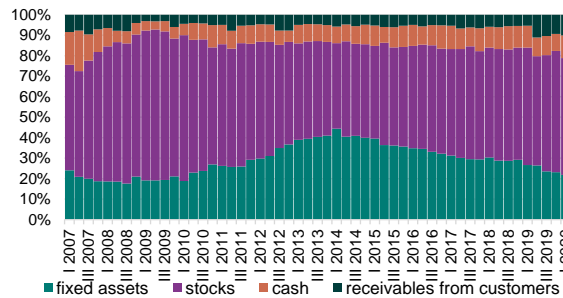
Source: NBP based on Statistics Poland (F01)

Figure 73 Structure of assets of real estate developers employing more than 49 persons



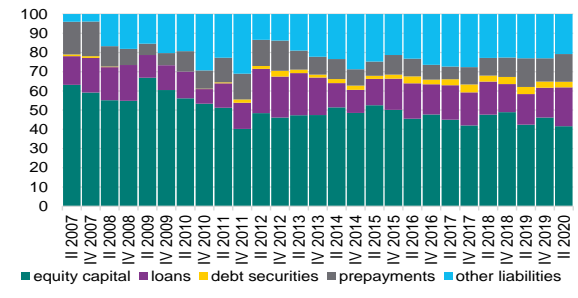
Source: NBP based on Statistics Poland (F01)

Figure 74 Structure of assets of real estate developers listed on the WSE



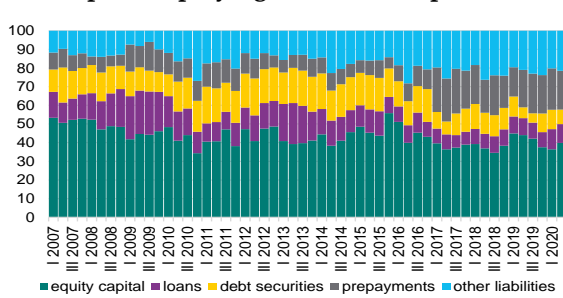
Source: NBP based on Financial Statements

Figure 75 Structure of liabilities of real estate developers employing from 9 to 49 persons



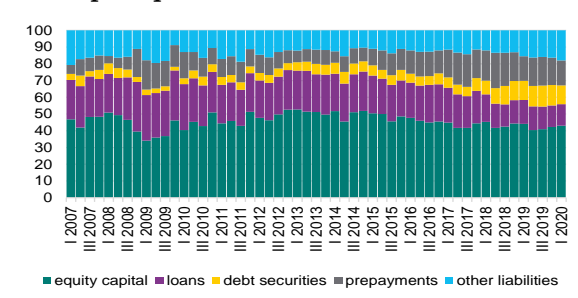
Source: NBP based on Statistics Poland (F01)

Figure 76 Structure of liabilities of real estate developers employing more than 49 persons



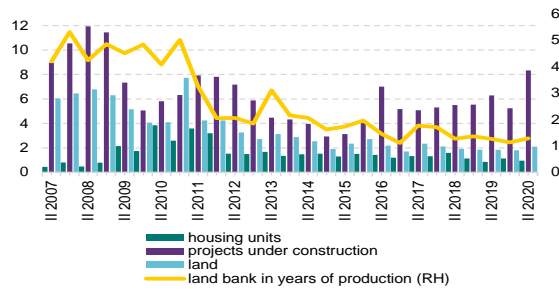
Source: NBP based on Statistics Poland (F01)

Figure 77 The structure of liabilities of real estate developers quoted on the WSE



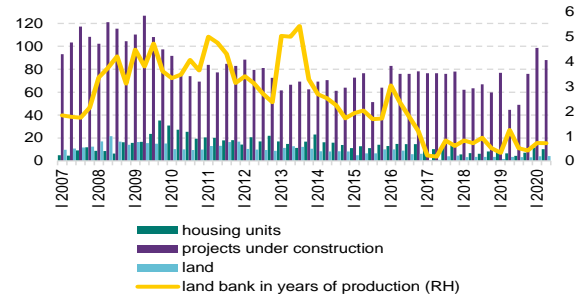
Source: NBP based on Financial Statements

Figure 78 Situation of real estate developers employing from 9 to 49 persons



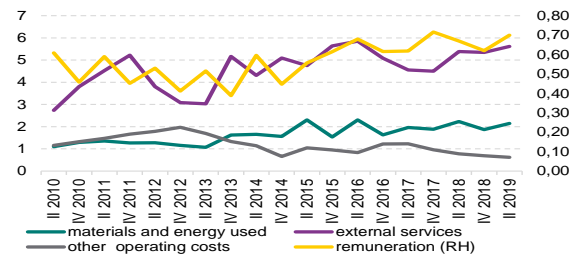
Source: NBP based on Statistics Poland (F01)

Figure 79 Situation of real estate developers employing more than 49 persons



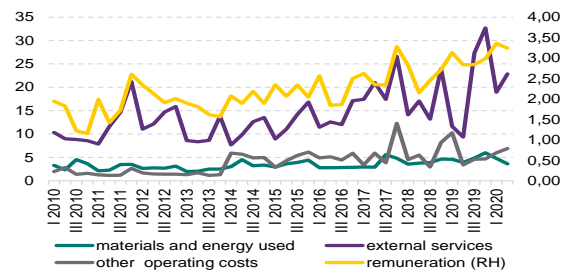
Source: NBP based on Statistics Poland (F01)

Figure 80 Operating expenses of real estate developers employing from 9 to 49 persons



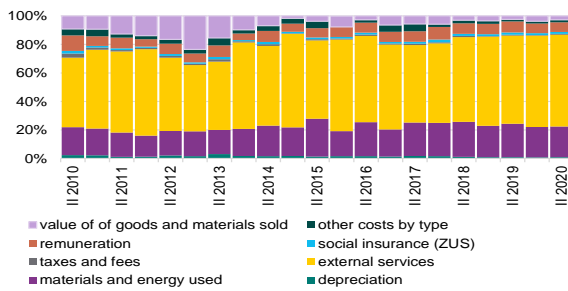
Source: NBP based on Statistics Poland (F01)

Figure 81 Operating expenses of real estate developers employing more than 49 persons



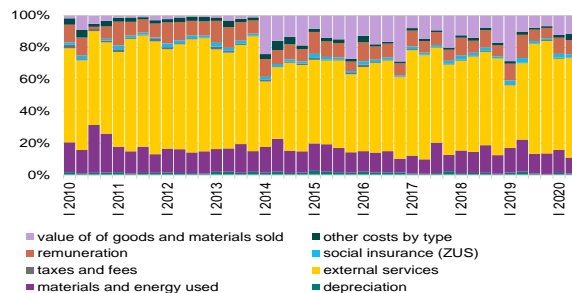
Source: NBP based on Statistics Poland (F01)

Figure 82 Structure of operating expenses of real estate developers employing from 9 to 49 persons



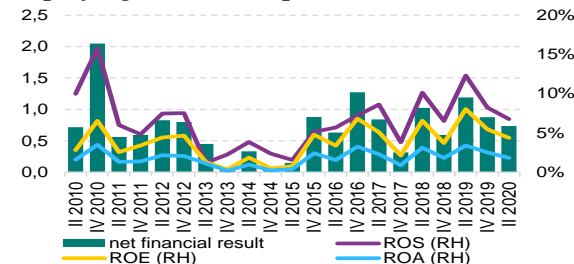
Source: NBP based on GUS (F01) and Financial Statements

Figure 83 Structure of operating expenses of real estate developers employing more than 49 persons



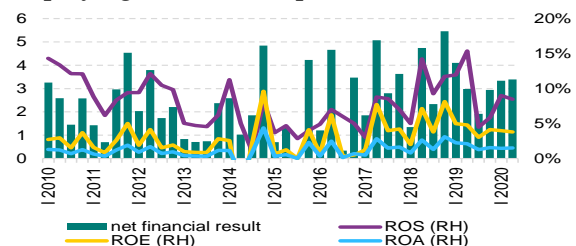
Source: NBP based on GUS (F01) and Financial Statements

Figure 84 Profitability of real estate developers employing from 9 to 49 persons



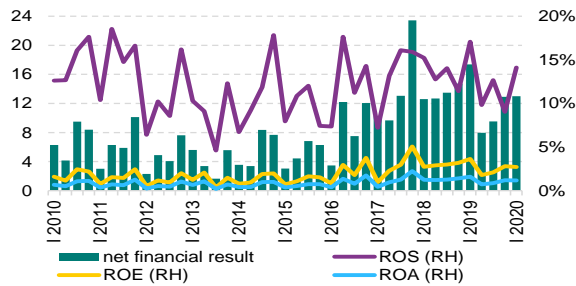
Source: NBP based on Statistics Poland (F01)

Figure 85 Profitability of real estate developers employing more than 49 persons



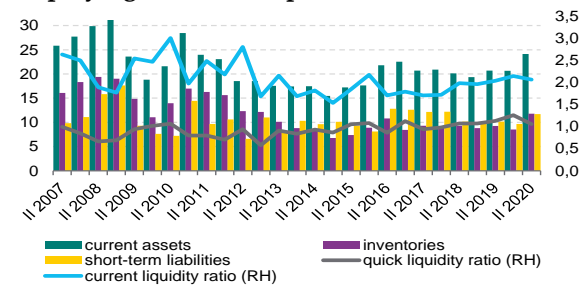
Source: NBP based on Statistics Poland (F01)

Figure 86 Profitability of real estate developers listed on the WSE



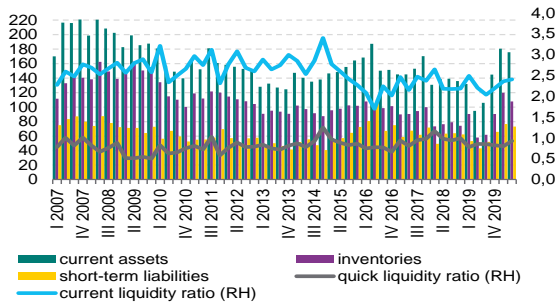
Source: NBP based on Financial Statements

Figure 87 Liquidity ratios of real estate developers employing from 9 to 49 persons



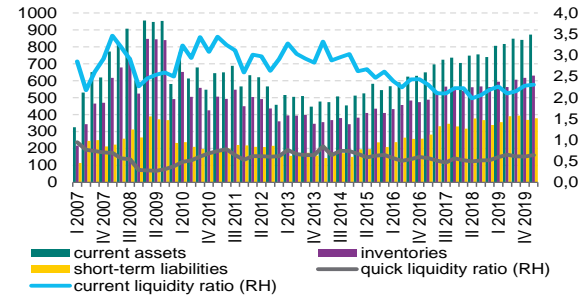
Source: NBP based on Statistics Poland (F01)

Figure 88 Liquidity ratios of real estate developers employing more than 49 persons



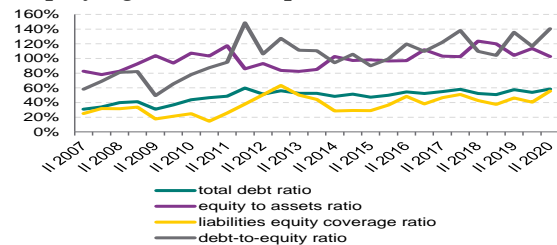
Source: NBP based on Statistics Poland (F01)

Figure 89 Liquidity ratios of real estate developers listed on the WSE



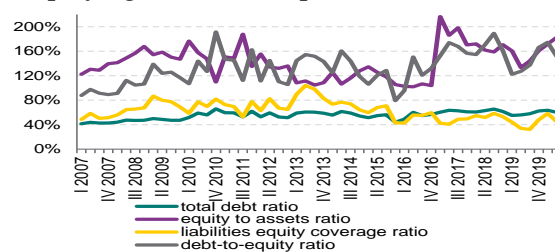
Source: NBP based on Financial Statements

Figure 90 Debt ratios of real estate developers employing from 9 to 49 persons



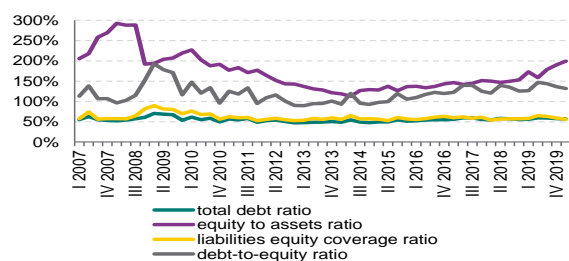
Source: NBP based on Statistics Poland (F01)

Figure 91 Debt ratios of real estate developers employing more than 49 persons



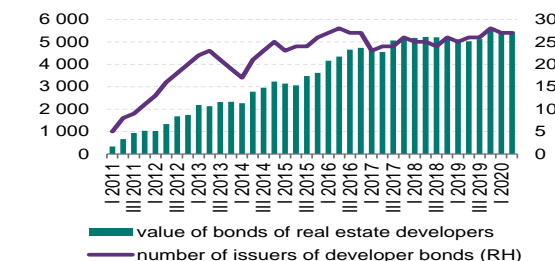
Source: NBP based on Statistics Poland (F01)

Figure 92 Debt ratio and debt service coverage ratio of real estate developers quoted on the WSE



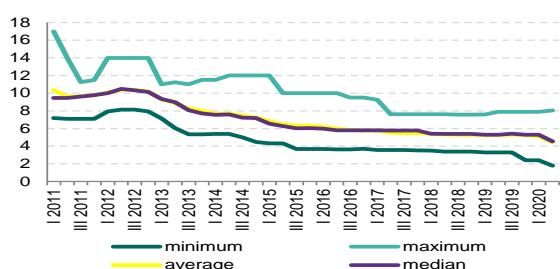
Source: NBP based on Financial Statements

Figure 93 Value of developer bonds and number of issuers of developer bonds on the Catalyst market



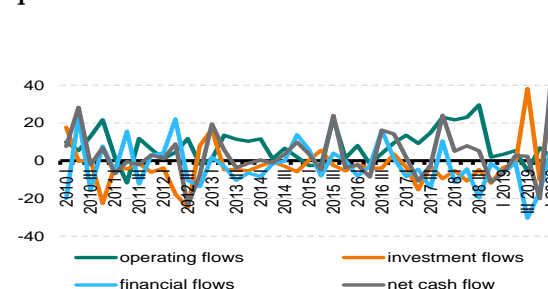
Source: NBP based on Catalyst data

Figure 94 Interest income on bond coupons held by real estate developers listed on the Catalyst market



Source: NBP based on Catalyst data

Figure 95 Cash flows of real estate developers quoted on the WSE



Source: NBP based on Financial Statements

7.2 Analysis of financial standing of companies involved in the construction of buildings³¹

The entries reported in F01 reports to Statistics Poland by companies involved in the construction of residential and non-residential buildings confirm the high demand for construction services, as evidenced by the high level of turnover of building construction companies in the first half of 2020 compared to the results in 2019. There is a slight improvement in the situation of larger (medium and large) developers. Yet, larger construction companies generate poorer results than small ones.

Data for 2020 Q2 presented by building construction companies indicate that the period of economic lockdown caused by the COVID-19 pandemic did not have any negative effects on the activity of this part of the construction industry. The averaged value of revenues of larger construction companies remained at the previous year's level, and in the case of small companies it was higher by 4% y/y, which proves that construction services are executed as scheduled. On the other hand, a fairly quick verification of developers' plans to start new projects in 2020 Q2, expressed as a negative growth in the number of dwellings started and the number of permits issued for their construction, resulted in lower production in the case of larger companies involved in the construction of buildings.

The results of an additional GUS study³² on the impact of the COVID-19 pandemic on the economic situation indicate that the largest construction companies report an increase in investment by 3.9% in 2020, and the smallest ones report a decline by 30.8%.

Profitability in both groups was favourable, however, the net margin of larger companies was much lower than that of small ones, despite the fact that it improved significantly in the group of larger companies over the year. In the group of larger construction companies, a lower (by 5%) value of total costs incurred with a similar level of revenues allowed for an improvement in profitability ratios (6.7% - ROS, 4.8% - ROE and 2.0% - ROA in 2020 Q2 compared to 2.14% - ROS, 1.6% - ROE and 0.7% - ROA in 2019 Q2). On the other hand,

³¹ Calculations and conclusions in this edition of the Information are based on data resulting from F01 reports submitted to Statistics Poland (GUS), broken down into two groups of companies: those employing from 9 to 49 persons (data available until the second half of 2020 in half-year intervals) and those whose staff exceeds 49 persons (data available until 2020 Q2, in half-year intervals), involved in the construction of residential and non-residential buildings (PKD 41.20).

³² The results of the fifth edition of the additional GUS study on the impact of the COVID-19 pandemic on the economic situation (August 2020), available at: <https://stat.gov.pl/aktualnosci/wplyw-pandemii-covid-19-na-koniunkturę-gospodarczą-oceny-i-oczekiwania-dane-szczegolowe,311,1.html>

in the group of small companies, the average value of the generated net financial result decreased and profitability deteriorated (8.2% - ROS, 5.8% - ROE and 3.0% - ROA in the first half of 2020 compared to 11.5% - ROS, 8.6% - ROE and 4.7% - ROA in the first half of 2019).

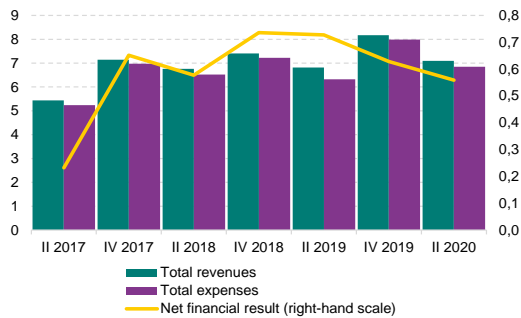
In the group of small companies, lower profitability of operations observed for the last two half years resulted from higher growth in costs than in revenues and from the fact that operations were financed with external funds to a larger extent. Among the external sources of financing, in the first half of 2020, bank loans accounted for 12% and debt securities for 6% in the structure of liabilities. During this period, the share of liabilities to contractors amounted to 22% in the structure of liabilities and, despite the persistently high turnover, it was one of the lowest share since 2017. The decrease in outstanding liabilities and the 18% share of receivables in the asset structure may indicate a reduction in payment problems. There was also an increase in cash (up to 15% share in the structure of assets) and production in progress (up to 20% share in the structure of assets) and these are the highest values of both ratios since the beginning of 2017. However, equity in this group remained at a high level (59% share in the structure of liabilities at the end of June 2020).

In the group of larger companies, the less favourable financial situation in 2020 Q2 is indicated by a lower share of equity (48% in the structure of liabilities) and a much higher share of liabilities to contractors (40% in the structure of liabilities). Delays in settling liabilities coupled with a decline in production in progress may result from problems with receivable collection and cash reserve accumulation for two quarters (20% share in the structure of assets at the end of June 2020 compared to a 14% share at the end of June 2019). The reduction in debt resulting from bank loans (10% share in the structure of liabilities at the end of June 2020 compared to a 13% share at the end of June 2019), despite the high portfolio of executed orders, may result from banks' prudence in financing the construction industry. A characteristic feature of the entire construction sector in Poland is the fact that liabilities continue to be largely used to finance operations, which is confirmed both by the reported financial data and interviews with sector representatives. As it is a common phenomenon, it is difficult to clearly identify its sources. One of the reasons may be delays in payments in the real estate development sector, which, unlike European companies, uses bank financing in housing project implementation on a small scale.

Financial liquidity in both analysed groups in the first half of 2020 was at a safe level and improved due to increased cash reserves, which means that these companies are able to timely pay their current liabilities. Debt ratios and debt service coverage ratios remain at a safe level.

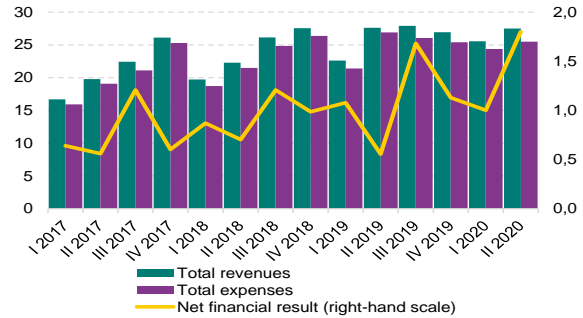
In the structure of operating expenses, both in the group of larger and small companies involved in the construction of buildings costs of third party services are predominant (62% in 2020 Q2 and 57% in the first half of 2020, respectively), which means a significant level of subcontracting. In 2019, both analysed groups reported an increase of approximately 3% in the share of costs related to third party services. Own costs of larger and small companies were mainly costs of materials and electricity consumed (21% in 2020 Q2 and 24% in the first half of 2020, respectively) and payroll expenses (10% in 2020 Q2 and 9% in the first half of 2020).

Figure 96 Economic indicators of construction companies employing from 9 to 49 persons



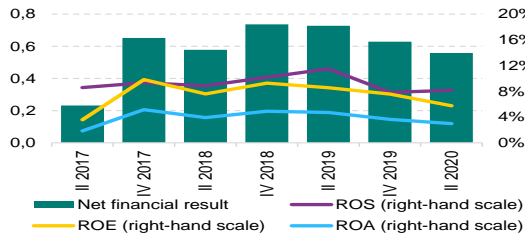
Source: NBP based on Statistics Poland (GUS)

Figure 97 Economic indicators of construction companies employing more than 49 persons



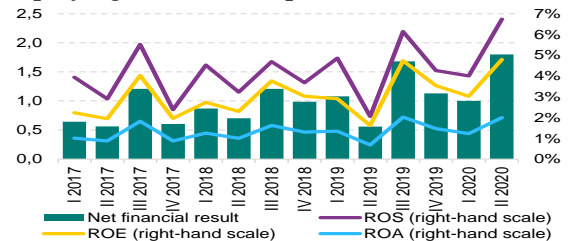
Source: NBP based on Statistics Poland (GUS)

Figure 98 Profitability of construction companies employing from 9 to 49 persons



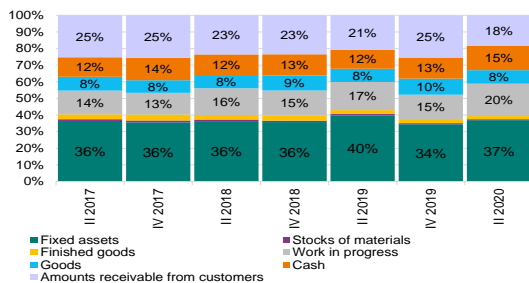
Source: NBP based on Statistics Poland (GUS)

Figure 99 Profitability of construction companies employing more than 49 persons



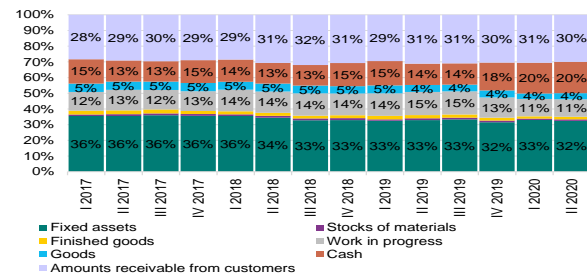
Source: NBP based on Statistics Poland (GUS)

Figure 100 Structure of assets of construction companies employing from 9 to 49 persons



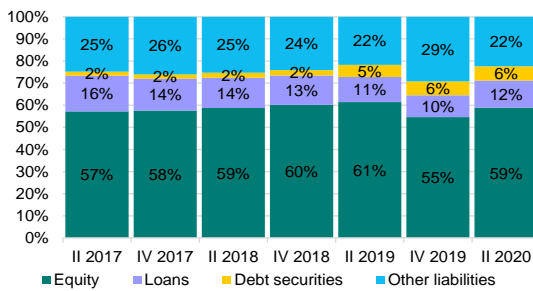
Source: NBP based on Statistics Poland (GUS)

Figure 101 Structure of assets of construction companies employing more than 49 persons



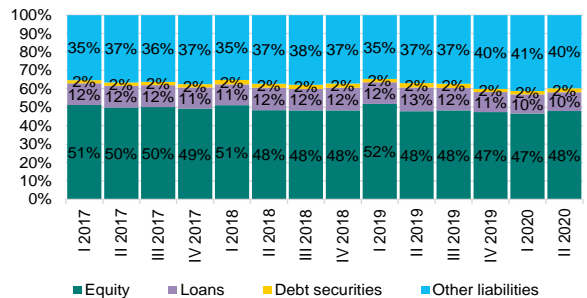
Source: NBP based on Statistics Poland (GUS)

Figure 102 Structure of liabilities of construction companies employing from 9 to 49 persons



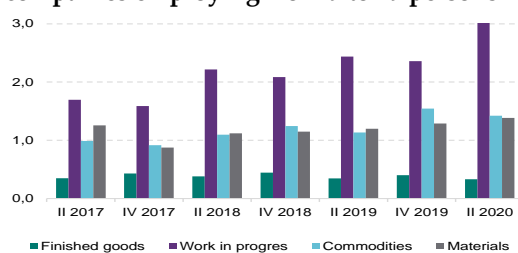
Source: NBP based on Statistics Poland (GUS)

Figure 103 Structure of liabilities of construction companies employing more than 49 persons



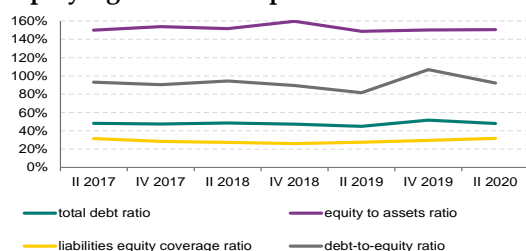
Source: NBP based on Statistics Poland (GUS)

Figure 104 Situation of construction companies employing from 9 to 49 persons



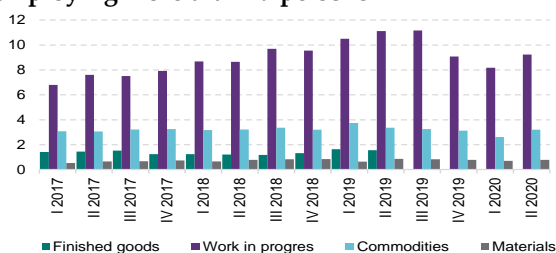
Source: NBP based on Statistics Poland (GUS)

Figure 106 Debt ratios of real estate developers employing from 9 to 49 persons



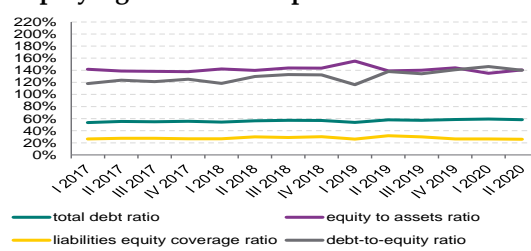
Source: NBP based on Statistics Poland (GUS)

Figure 105 Situation of construction companies employing more than 49 persons



Source: NBP based on Statistics Poland (GUS)

Figure 107 Debt ratios of real estate developers employing more than 49 persons



Source: NBP based on Statistics Poland (GUS)

7.3 Analysis of financial situation of construction material suppliers³³

The current tensions in the real estate markets make it necessary not only to take into account the situation of real estate developers and construction companies, but also the financial condition of other companies involved in the process of implementing residential and commercial real estate projects. As a consequence of the accumulation of construction works carried out, the costs of implementation increase, which ultimately become a factor influencing projects' profitability and companies' liquidity.

According to the data of the Polskie Składy Budowlane Group, prices of materials in the period from January to July 2020 compared to the corresponding period of 2019 increased by an average of 1.5% in seventeen product groups. The largest price increases were noted in the following product groups: cement, lime (by 6.9%), installations and heating (by 3.5%), carpentry and joinery (by 3.3%), garden and hobby (by 3.1%), construction chemicals (by 2.9%), tools and machines (by 2.9%), paints and varnishes (by 2.6%), equipment and household appliances (by 2.6%), lighting and electrical equipment (by 2.5%), decoration (by 2.3%), tiles, bathrooms and kitchens (by 2.1%), finishing and fixtures (by 2.1%), drywall (by 1.2%), walls, chimneys (by 1.2%), house surroundings (by 1.0%) and automotive equipment (by 0.8%). Price decreases were noted in three product groups: waterproofing (by 1.4%), thermal insulation (by 4.8%) and oriented strand boards (by 9.9%).

³³ The calculations and conclusions presented in this issue of the Information were based on data resulting from F01 reports submitted to Statistics Poland (GUS) broken down into two groups of companies: employing from 9 to 49 persons (data available until the second half of 2020, in half-year intervals) and those with staff exceeding 49 persons (data available until 2020 Q2, in quarterly intervals), which are involved in the sale of wood and constructions materials (PKD 46.13) and in the wholesale of construction materials and sanitary equipment (PKD 46.73). The accounting entries were supplemented with information on changes in the prices of construction materials („Zmiana cen materiałów dla budownictwa oraz domu i ogrodu w kwietniu 2020 r. – analiza PSB”, Grupa PSB Handel S.A., - "Change in prices of construction materials and home and garden equipment in April 2020 - PSB analysis", PSB Handel SA Group, August 2020).

According to PSB Group data, the increase in prices of construction materials recorded a year ago (January-July 2019 compared to January-July 2018) was much higher and concerned all product groups, which suggests that the growth in material prices in 2020 was halted.

The analysis of the entries in the F01 reports sent to Statistics Poland points to a good overall situation of building materials wholesalers and profitability of their operations. In 2020 Q2 compared to 2019 Q2 larger wholesalers (employing over 49 people) recorded a similar level of total revenues, a slight decrease in total expenses (by 1.7%) and an increase in the net financial result by over 33%, which is confirmed by the persistently high level of demand for construction materials and a slowdown in the growth of costs. A similar economic situation was observed in the group of small wholesalers in the first half of 2020 compared to the corresponding period of 2019 (a similar level of total revenues, a decrease in total costs by 2.5% and a slightly higher growth of the net financial result (by approx. 45%).

The share of profitable companies increased slightly in the group of larger wholesalers (84% in 2020 Q2 compared to 83% in 2019 Q2) and in the group of small companies (84% in the first half of 2020 compared to 81% in the first half of 2019). In the analysed periods, both groups recorded an improvement in profitability ratios and a similar level of sales profitability. In the group of small companies, the return on equity ratio (ROE) and the return on assets ratio (ROA) are twice as high as in the group of larger companies.

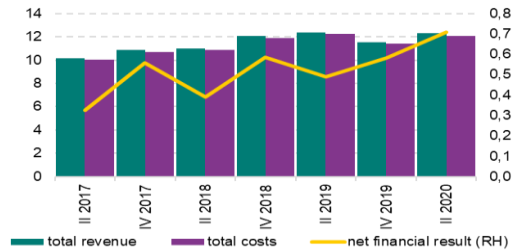
Equity is the main source of financing of companies involved in the sale of construction materials. Its share in the structure of liabilities has been relatively stable for three years (approx. 51% in the group of larger companies and 54% in the group of smaller companies as at the end of June 2020).

In both groups, in the structure of liabilities, apart from equity, liabilities to contractors, mainly to manufacturers of building materials (approximately 36% share), represent a high and similar share. In the case of larger wholesalers, the share of liabilities resulting from bank loans decreased (13% in the structure of liabilities in 2020 Q2, compared to 15% in 2019 Q2). In small companies, the share of bank debt has been relatively stable (approximately 12% in the structure of liabilities) for over two years. Debt securities are a minor source of funding.

Financial liquidity ratios as well as debt ratios and debt-service coverage ratios remained at a stable and safe level, enabling enterprises to settle their liabilities on time. A slight improvement in the liquidity of small entities in the second half of 2019 and in the first half of 2020 is the result of accumulation of cash reserves (14% share in the structure of assets in the first half of 2020 compared to 8% in the first half of 2019). Since the second half of 2018 both analysed groups have seen an improvement in the equity-to-assets ratios, which increases their creditworthiness and financial security.

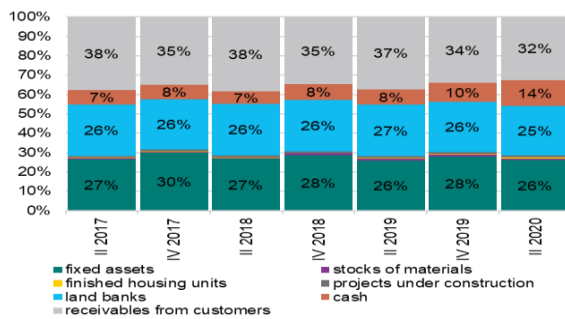
In the analysed periods, the high volume of goods and materials sold in both groups of building materials wholesalers is confirmed by the high portfolio of executed orders in the construction industry. These costs in both groups account for 79% share in the structure of operating expenses. In 2020 Q2, compared to the corresponding quarter of 2019, the share of costs related to third party services decreased in the group of larger wholesalers (by 8.1%) and personnel expenses related to payroll increased (by approx. 2%). In the group of small companies in the first half of 2020, compared to the corresponding period of 2019, there was a slight increase in the share of third party services (by approximately 2%) and an increase in payroll expenses (by approximately 8%).

Figure 108 Economic indicators of companies involved in the sale of construction materials employing from 9 to 49 persons



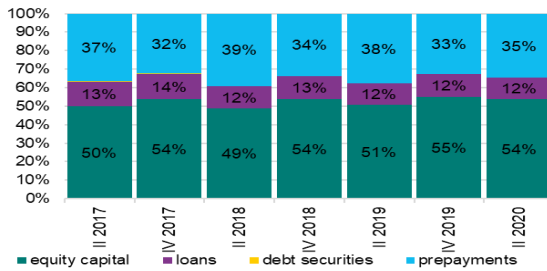
Source: NBP based on Statistics Poland (F01)

Figure 110 Structure of assets of construction material suppliers employing from 9 to 49 persons



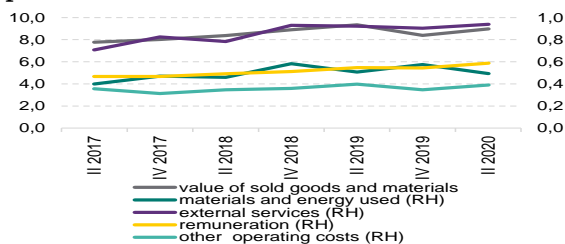
Source: NBP based on Statistics Poland (F01)

Figure 112 Structure of liabilities of construction material suppliers employing from 9 to 49 persons



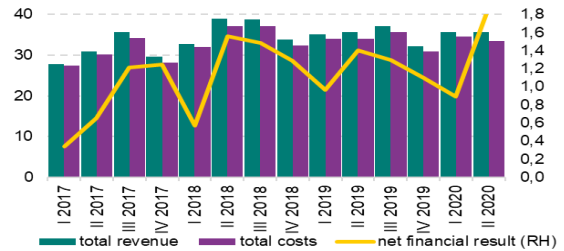
Source: NBP based on Statistics Poland (F01)

Figure 114 Operating expenses of construction material producers employing from 9 to 49 persons



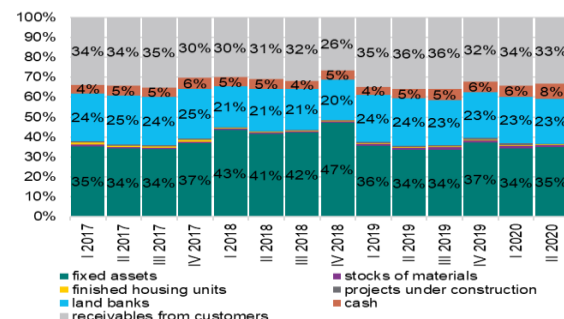
Source: NBP based on Statistics Poland (F01)

Figure 109 Economic indicators of companies involved in the sale of construction materials employing more than 49 persons



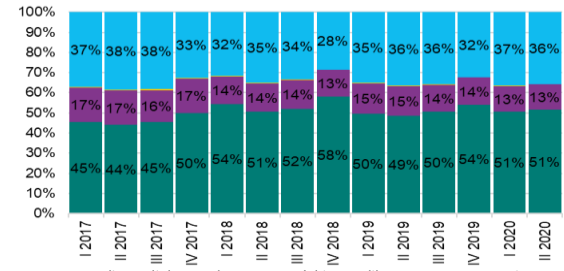
Source: NBP based on Statistics Poland (F01)

Figure 111 Structure of assets of construction material suppliers employing more than 49 persons



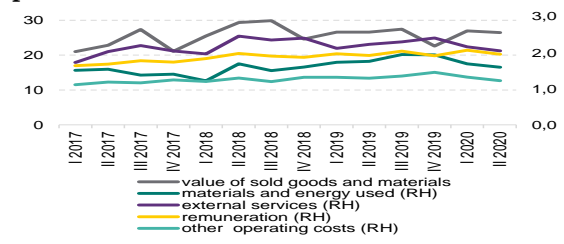
Source: NBP based on Statistics Poland (F01)

Figure 113 Structure of liabilities of construction material suppliers employing more than 49 persons



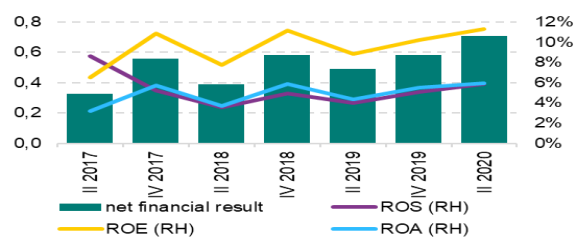
Source: NBP based on Statistics Poland (F01)

Figure 115 Operating expenses of construction material producers employing more than 49 persons



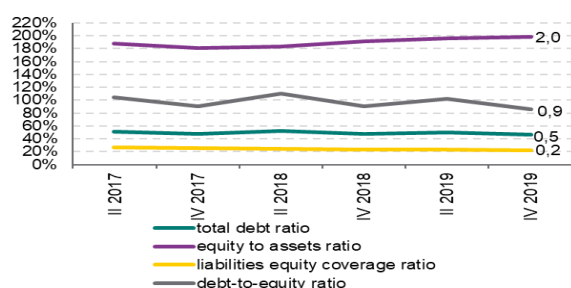
Source: NBP based on Statistics Poland (F01)

Figure 116 Profitability of construction material producers employing from 9 to 49 persons



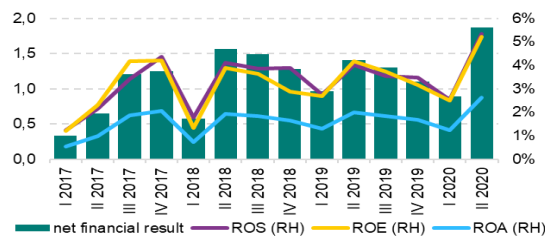
Source: NBP based on Statistics Poland (F01)

Figure 118 Debt ratios of construction material producers employing from 9 to 49 persons



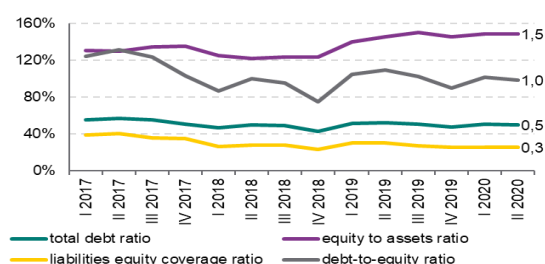
Source: NBP based on Statistics Poland (F01)

Figure 117 Profitability of construction material producers employing more than 49 persons



Source: NBP based on Statistics Poland (F01)

Figure 119 Debt ratios of construction material producers employing more than 49 persons



Source: NBP based on Statistics Poland (F01)

7.4 Analysis of financial situation of construction material producers³⁴

As a result of high demand for construction materials sales revenues and operating expenses as well as the net financial result of producers of construction materials remained at the same level throughout the year.

Both small and larger producers are in a good financial situation and their operations are profitable. In the first half of 2020, all profitability indicators improved in both analysed groups. In the group of larger companies in 2020 Q2, the return on sales ratio was over 13% compared to over 12% in the corresponding period of 2019. Small companies recorded a much lower return on sales ratio (approximately 9% in the first half of 2020 compared to 6% in the first half of 2019). On the other hand, larger producers have lower return on equity and return on assets ratios than small companies, which means that larger companies are less reliable for banks and other creditors. In the group of larger companies in 2020 Q2, the return on equity ratio (ROE) and the return on assets ratio (ROA) amounted to approx. 6% and approx. 4%, respectively, compared to approx. 11% and over 6%, respectively, in the group of small producers in the first half of 2020.

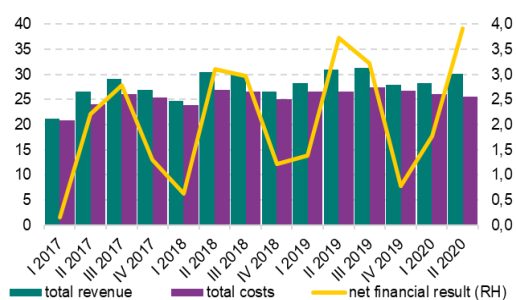
In 2020 Q2 compared to 2019 Q2 the group of larger producers recoded a slight decrease in both average sales revenues and average operating expenses by 2% and 4%, respectively (the costs of materials and energy consumed decreased by 7%). A decline was seen both in average payroll expenses (by 6%) and in the value of goods and materials sold (by 16%) - whose share in total operating expenses is 51%. A 7% increase was recorded in the average volume of costs of third party services. Despite slight drops in the averaged values

³⁴ The calculations and conclusions in this issue of the Information were based on data resulting from F01 reports submitted to Statistics Poland (GUS) broken down into two groups of companies: those employing from 9 to 49 persons (data available until the first half of 2020, in half-year intervals) and those with staff exceeding 49 persons (data available until 2020 Q2, in quarterly intervals), involved in the manufacture of constructions materials (PKD 1623, 2223, 2320, 2332, 2351, 2352, 2361, 2362, 2363, 2364)

of individual components of operating expenses their structure remained at a similar level. In 2020 Q2, the amount of investment expenditure was 4% lower than in the corresponding period of the previous year. In the analysed period, the structure of liabilities remained stable, including liabilities to service providers (22% share) and a relatively low and stable share of receivables from customers in the structure of assets (16% share). This helped to achieve the liabilities turnover ratio of 72 days and the receivables collection ratio of 51 days. Financial liquidity remains at a stable level, ensuring the settlement of current liabilities. Over the year, the share of debt resulting from bank loans remained similar (14% share in the structure of liabilities at the end of 2020 Q2).

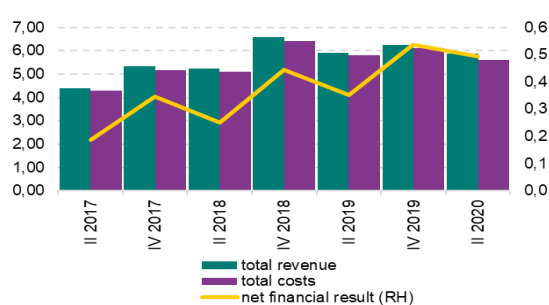
Small companies in the industry in the first half of 2020, compared to the same half of 2019, achieved a slightly lower (by about 1%) level of sales revenues in year-on-year terms, with a slightly sharper decrease in operating expenses (by 4%), which allowed to generate approx. 41% higher net financial result. The averaged value of all components of operating expenses decreased, including 5% for costs of materials and energy consumed, which prevails in the cost structure of producers of construction materials (49%), and about 5% for costs of third party services. A slight increase (by 1%) was recorded in the payroll expenses. Equity is the main source of financing operations, which remains invariably at a similar level in the structure of liabilities (59%). A higher share of liabilities to suppliers and service providers (27% share in the structure of liabilities) and that of receivables from buyers of construction materials (28% share in the structure of assets) than in the case of larger producers may indicate greater payment problems in this group of companies, as evidenced by longer average receivables collection time (68 days). The short-term liabilities turnover ratio in the group of small producers is higher than in the case of larger producers. Annual debt resulting from bank loans decreased to 13% in the structure of liabilities at the end of June 2020 compared to a 15% share at the end of June 2019. The average value of capital expenditure decreased (by 20%), which indicates a decline in investment activity among small producers. Financial liquidity in this group improved slightly. Also the equity-to-assets ratios and debt-to-equity ratios increased.

Figure 120 Economic indicators of construction material producers employing from 9 to 49 persons



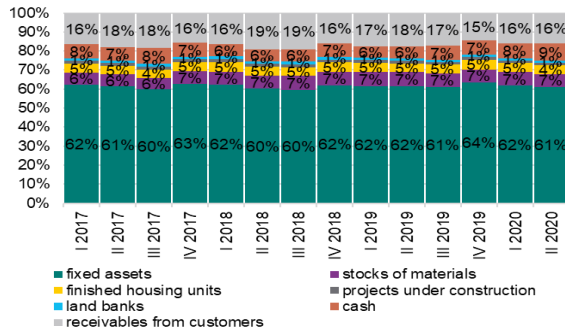
Source: NBP based on Statistics Poland (F01)

Figure 121 Economic indicators of construction material producers employing more than 49 persons



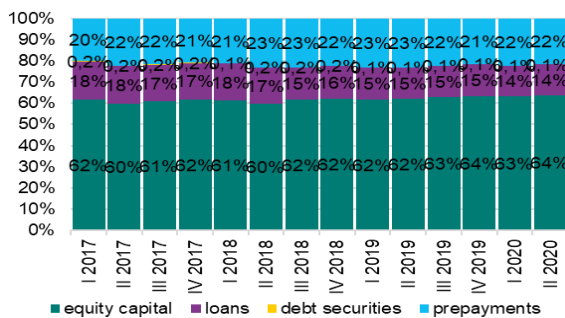
Source: NBP based on Statistics Poland (F01)

Figure 122 Structure of assets of construction material producers employing more than 49 persons



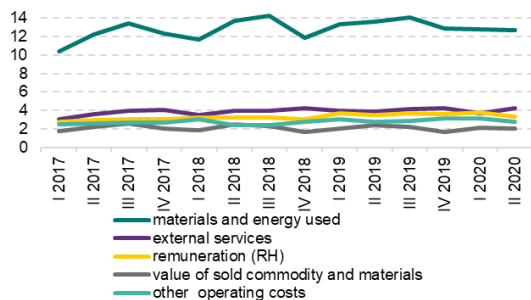
Source: NBP based on Statistics Poland (F01)

Figure 124 Structure of liabilities of construction material producers employing more than 49 persons



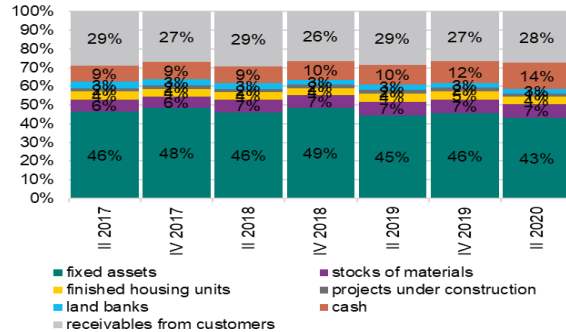
Source: NBP based on Statistics Poland (F01)

Figure 126 Operating expenses of construction material producers employing more than 49 persons



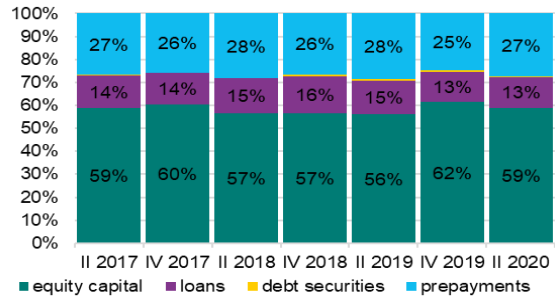
Source: NBP based on Statistics Poland (F01)

Figure 123 Structure of assets of construction material producers employing from 9 to 49 persons



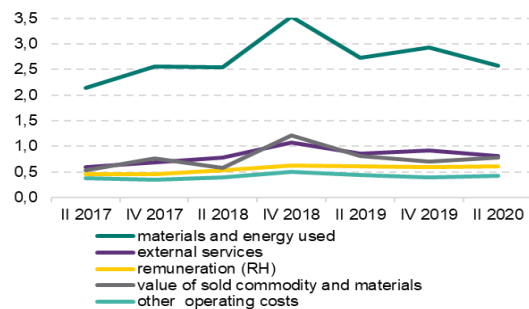
Source: NBP based on Statistics Poland (F01)

Figure 125 Structure of liabilities of construction material producers employing from 9 to 49 persons



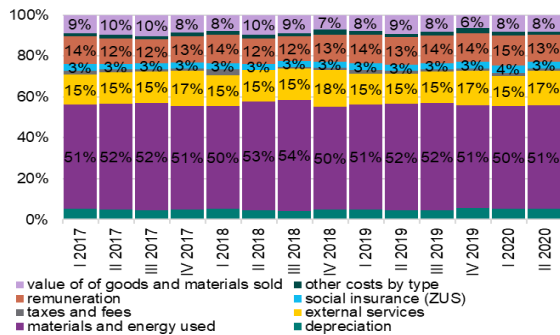
Source: NBP based on Statistics Poland (F01)

Figure 127 Operating expenses of construction material producers employing from 9 to 49 persons



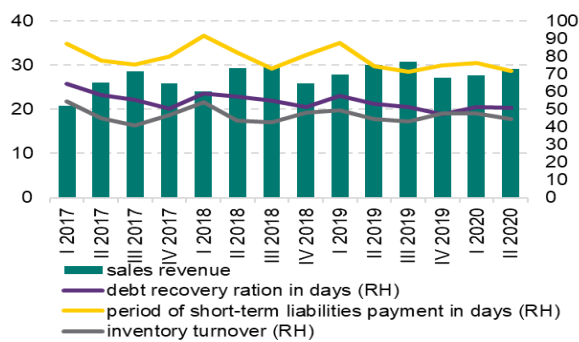
Source: NBP based on Statistics Poland (F01)

Figure 128 Structure of operating expenses of construction material producers employing more than 49 persons



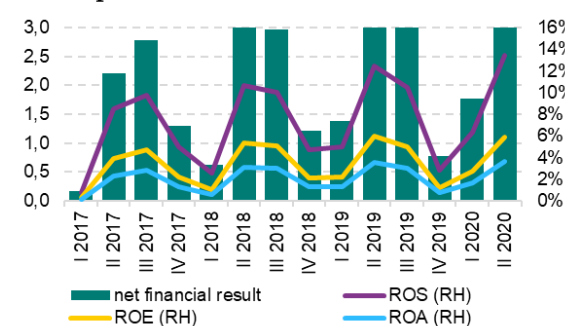
Source: NBP based on Statistics Poland (F01)

Figure 130 Turnover of inventory, receivables and liabilities of construction material producers employing more than 49 persons



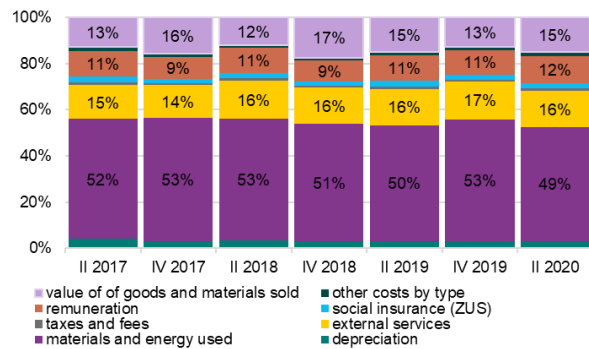
Source: NBP based on Statistics Poland (F01)

Figure 132 Profitability of operations of construction material producers employing more than 49 persons



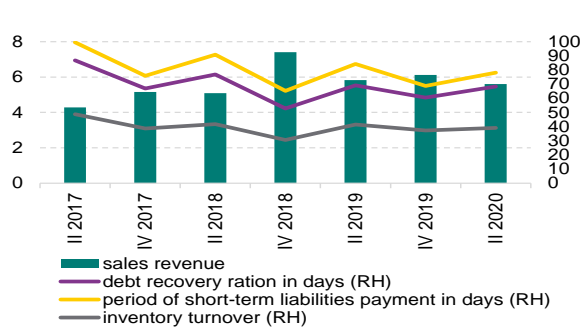
Source: NBP based on Statistics Poland (F01)

Figure 129 Structure of operating expenses of construction material producers employing from 9 to 49 persons



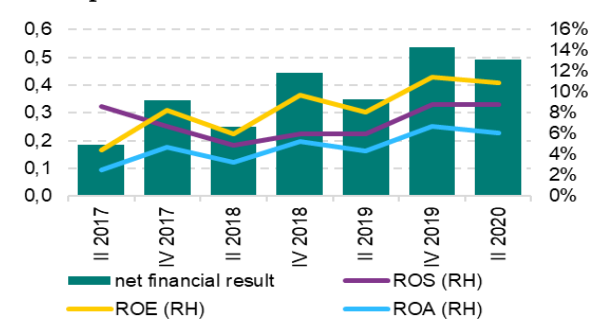
Source: NBP based on Statistics Poland (F01)

Figure 131 Turnover of inventory, receivables and liabilities of construction material producers employing from 9 to 49 persons



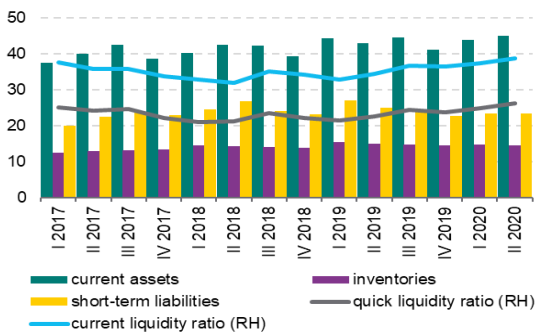
Source: NBP based on Statistics Poland (F01)

Figure 133 Profitability of operations of construction material producers employing from 9 to 49 persons



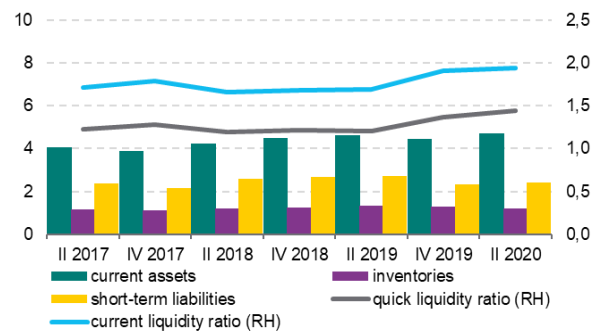
Source: NBP based on Statistics Poland (F01)

Figure 134 Liquidity ratios of construction material producers employing more than 49 persons



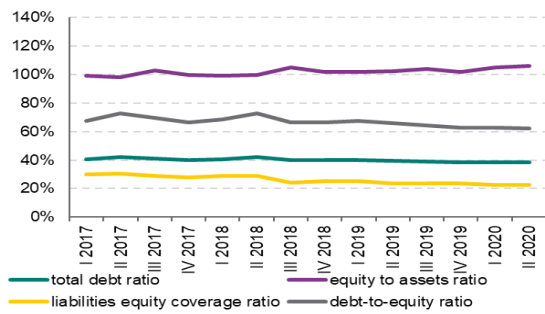
Source: NBP based on Statistics Poland (F01)

Figure 135 Liquidity ratios of construction material producers employing from 9 to 49 persons



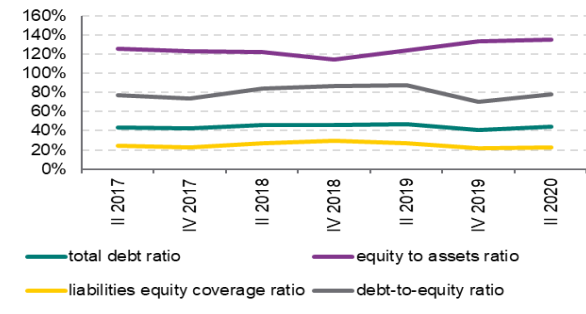
Source: NBP based on Statistics Poland (F01)

Figure 136 Debt ratios and debt-service coverage ratios of construction material producers employing over 49 employees



Source: NBP based on Statistics Poland (F01)

Figure 137 Debt ratios and debt-service coverage ratios of construction material producers employing from 9 to 49 employees



Source: NBP based on Statistics Poland (F01)

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