III. Housing market

III. 1. Primary housing market in Krakow

According to the initial data of the Statistical Office in Krakow, 10,332 apartments were commissioned in 2009. This means a 56% growth in relation to the previous year and a significant excess of the average from recent years, when about 4,000 and 6,000 apartments were commissioned each year. This record-breaking result is mainly due to property developing building industry, which included a commission of 9,570 apartments within the segment of premises for sale and rent. During this time individual investors commissioned 762 apartments, however, there were no apartments commissioned within the social building and other types of building industry (communal building, public building society and company building).

Number of apartments commissioned between 1999 and 2009

Year	Number of apartments
1999	4,212
2000	3,423
2001	5,517
2002	3,481
2003	4,123
2004	4,472
2005	4,557
2006	6,612
2007	4,922
2008	6,621
2009	10,332

Source: Statistical Office in Krakow

Excellent results obtained in 2009 are an effect of investment decisions and authorizations obtained during previous years – 2007 and 2008, when an overall number of 18,082 apartments were under construction and 23,219 construction permits were issued. When analysing perspectives concerning market development during the next two years (2010-2011), it is essential to consider the fact that the number of building permits issued in 2009 decreased significantly.

6,238 building permits for apartments were issued in Krakow in 2009 (48% decrease towards 2008 and 44% towards 2007), including 5,603 building permits in the segment of apartments for sale and rent, and 635 flats in individual building industry. As far as the above mentioned year is concerned, construction of 6,199 apartments was initiated (18% decrease towards the year 2008 and 41% towards the year 2007), including 4,658 flats for sale and rent, and 1,541 flats in individual building industry.

Number of apartments under construction, with building permit and commissioned between 2007 and 2009

	2007	2008	2009
Number of commissioned apartments	4,922	6,621	10,332
Number of apartments, whose construction was initiated	10,499	7,583	6,199
Number of apartments with building permit	11,168	12,051	6,238

Source: Statistical Office in Krakow

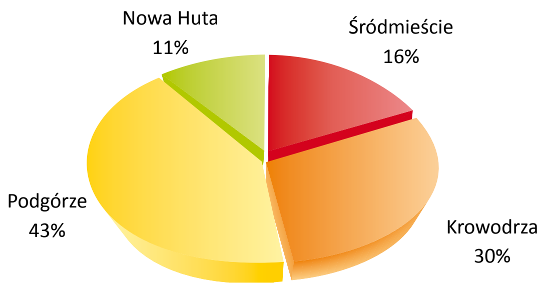
The data concerning the number of initiated constructions and the number of issued permits indicate a significant decrease in the activity of the investors, which will result in the reduction in supply of new apartments in the next two years. Developers, positively evaluating the market situation, initiate a greater number of constructions and limit the endeavours related with new permits. This shall mainly concern incidental investors, who

began to realize apartment investments during the period of a boom in the building industry and do not perceive this activity as a fundamental one. A relatively considerable current supply within the segment of more expensive apartments with better location may also hamper the activity of a certain number of investors acting within this segment of the real estate branch.
Taking into consideration the fact that between 2007 and 2009 permits for construction of 29,500 apartments were issued, it is possible to state that there is a certain reserve of issued permits, which may result in a quick initiation of an investment. Therefore, we are not in danger of a drop in supply, but only in gradual adjustment to the present demand, which will result in sale of ready apartments and prolongation of the period related with waiting for a new one. Despite the fact that in 2009 there was a considerable amount of offers for ready apartments (a greater than in previous years), some of them do not meet the current market requirements. The premises left in already realised investment are either too big, or the purchasers do not accept the layout of rooms or high level of prices. Apartments of smaller areas (usually with two or three rooms), for low or average prices, were objects of a much greater demand.

Multi-family blocks dominated on the primary housing market in Krakow in 2009. Single-family houses constituted only 6% of developer investments. They were offered in almost 20 locations, mainly within the area of Podgórze, as well as several localisations in Krowodrza. Single-family building was mainly realised by individual investors.

43% of investments in 2009 were constructed within Podgórze. As far as recent years are concerned, Nowa Huta gained the most, as 11% of projects were realised in this district. Due to lower prices and relatively good communication services with the city centre, investments realised in Nowa Huta (within the following districts: Mistrzejowice, Bieńczyce and Czyżyny) were appreciated by an increasing number of investors as well as buyers. It is worth mentioning that in 2009 the distance between Podgórze and Krowodrza, where 30% of investment have been realised, has decreased. The majority of questionnaires revealed that Krowodrza is indicated as the region where people would most gladly like to live. Hence, the developers tried to meet the expectations of the buyers, by realising an increasing number of investments within this area of the city.

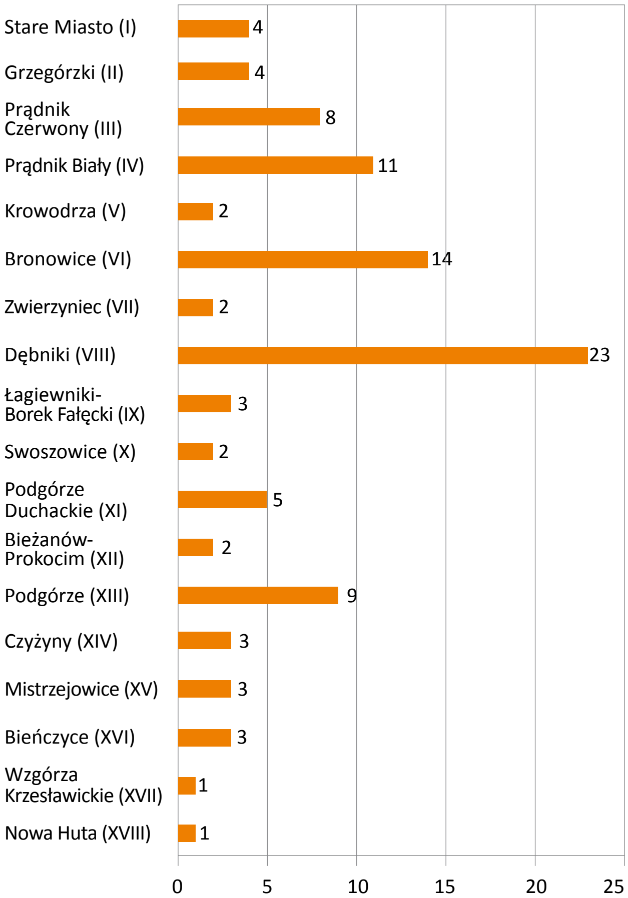
Layout of investments according to regions[1]



[1] as of 31.12.2009
Source: Dominium.pl

Dębniki district is the most popular area of Krakow, and in 2009 about 23% of all investments realised in Krakow were constructed in this region. However, in relation to the previous year, the share of investments within this district dropped by 10%. Bronowice and Prądnik Biały districts occupied the following places with a share of a dozen or so percentages. Podgórze and Prądnik Czerwony districts had more than 5% of shares. Shares of the remaining districts di not exceed 5%. All in all, almost half of all investments in Krakow was realised in the first three districts, whereas 10% of investments were constructed in the last six districts.

Layout of investments according to districts[1] **(%)**



[1] as of 31.12.2009
Source: Dominium.pl

Till the end of December 2009 as much as 65% of all offered investments was already realised, whereas nearly 30% was anticipated to be realised in 2010, and only 7% in the following year. Only one of the offered investments had a realisation date anticipated for the year 2012. During the analogous period of the previous year, less than 50% of all offered investments were realised. Therefore, there were more locations with unsold apartments in investments, which have been already commissioned.

The greatest amount of realised investments was located in Krowodrza and Podgórze (about 70%), slightly less in Śródmieście, and 45% in Nowa Huta.

Investments during particular realisation periods[1] (%)

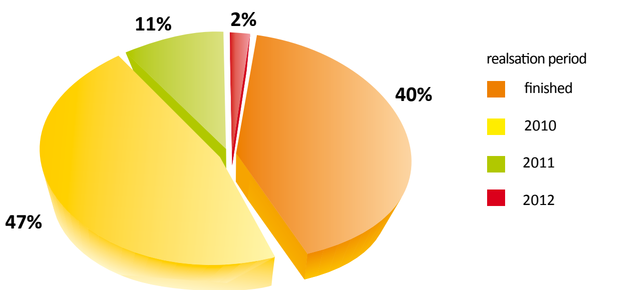
	Krowodrza	Nowa Huta	Podgórze	Śródmieście	Krakow
finished	72	45	67	58	65
2010	22	52	24	33	28
2011	5	3	9	9	7
2012	1	-	-	-	-

[1] as of 31.12.2009

Source: Dominium.pl

Finished apartments constituted 40% of flats within the structure of offered apartments, while 47% of flats shall be commissioned in 2010. In the second half of the year 2009 the sale of finished apartments noted a significant increase, hence, their share in the overall number of offered premises is smaller than the share of ready investments in the overall number of offered investments (only a small percentage of flats remained within the segment of commissioned flats). At the end of the year 2009 there were about 5,500 new apartments offered within Krakow housing market. Taking into consideration the duration of the investment period, we shall observe a significant drop in the number of commissioned apartments in the year 2010, when compared to the previous year.

Apartments and houses within particular realisation periods[1]

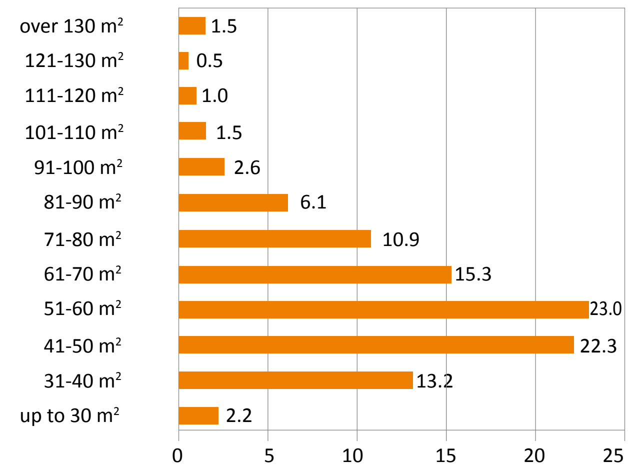


[1] as of 31.12.2009

Source: Dominium.pl

Premises with surface ranging between 40 and 50 m^2 as well as those with surface of 50-60 m^2 had the most significant share in the structure of offered apartments. Altogether, they constituted more than 45%, and together with apartments of up to 40m^2 - more than 60% of the offer. Structure of apartments remained almost unchanged when compared with the previous year.

Structure of offered apartments according to usable area[1] (%)

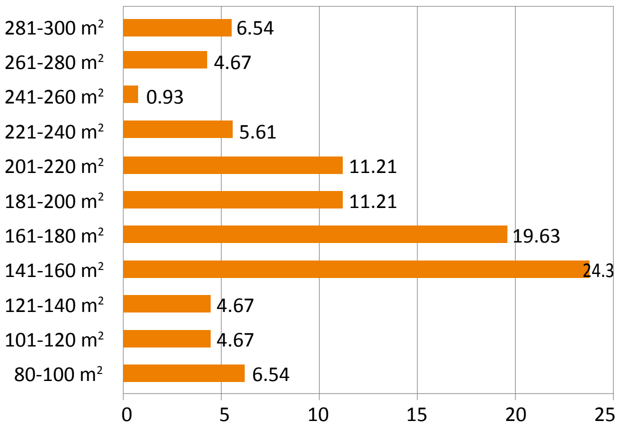


[1] as of 31.12.2009

Source: Dominium.pl

The greatest number, more than 24%, of houses offered in Krakow had usable surface of 140-160 m^2. Altogether, houses with the surface ranging between 140 and 220 m^2 constituted 66% of the offer.

Structure of offered houses according to usable area[1] (%)



[1] as of 31.12.2009

Source: Dominium.pl

In 2009 two room flats constituted more than 40% of offered apartments, and together with three room flats they equalled 70% of the offer. The share of one room flats and premises with the biggest amount of rooms has increased slightly when compared to the previous year.

Structure of offered apartments according to the number of rooms[1] (%)

Number of rooms	Share (%)
1	20
2	42
3	28
4	6
5	4

[1] as of 31.12.2009

Source: Dominium.pl

Due to correction of prices, which we have been facing since the beginning of the year 2008, in 2009 prices for 1 m² of certain apartments drop even below PLN 5,000. Apart from the competition on the market and general drop demand, the developers were inclined to lower the prices because of the low limit enabling to take advantage of the credit support programme "Family's own home". Prices fluctuating around PLN 5,000/m² were related only to a small percentage of apartments, located in the outskirts of the city. Prices for about half of all apartments ranged between PLN 5,000 – 7,000/m², while the cost of about 23% of apartments ranged between 7,000 – 9,000/m², and the following 23% between 9,000 – 12,000/m². According to the data presented by the portal dominium.pl only about 3% of apartments in Krakow cost more than PLN 12,000/m². Quite often, investors offering the most expensive flats (mainly in Stare Miasto district) do not state the official price balance sheets, hence, these apartments have not been included in the analysis concerning the price structure. Most probably, the share of apartments, whose price exceeded PLN 12,000/m² was slightly higher.

Structure of prices for apartments in Krakow[1]

Price (PLN/m²)	Share (%)
4,000 - 5,000	0.41
5,000 - 7,000	50.77
7,000 - 9,000	23.13
9,000 - 12,000	22.97
Over 12,000	2.72

[1] as of 31.12.2009

Source: Dominium.pl

Analysing the criterion of average prices, the area of Krakow can be divided into four zones:

- within the first zone, the cheapest zone included the northern and eastern districts of Nowa Huta (Wzgórza Krzesławickie, Bieńczyce, Mistrzejowice), as well as southern districts in

Podgórze (Bieżanów-Prokocim, Swoszowice). Prices of apartments in these districts started from below PLN 5,000/m² and reached PLN 6,000 m²,

- the second zone, where average prices ranged between PLN 6,000-7,000/m², included the following zones: Czyżyny, Dębniki, Podgórze Duchackie, Prądnik Czerwony, Prądnik Biały and Łagiewniki-Borek Fałęcki,
- Podgórze, Bronowice, Krowodrza, Grzegórzki, Zwierzyniec are districts where the price for m² ranged between PLN 8,000-9,500/m²,
- traditionally, Stare Miasto was the most expensive price zone in Krakow, since the average price for m² amounted to about PLN 13,500/m². The average prices in Stare Miasto district differ significantly within the scope of investments (apart from extreme exceptions, the range between PLN 10,000 – 17,500/m²), since the standard of the building, scope of the investment and surroundings played a significant role here.

It is worth mentioning that the above mentioned prices were average prices, while within each zone it is possible to indicate zones with prices lower or higher than the average for the given district. The issues related with communication, distance from the city centre and direct neighbourhood were of crucial significance. For example, location close to the park, the Vistula boulevards, nice view or development of the lot may influence the growth of prices, while big and noisy streets or lack of infrastructure cause a drop in prices. What is also of great significance is the standard of realised facilities, which has an influence on the shape of prices. In comparison with two previous years, in 2009 the differences between maximal and minimal prices within the scope of one district were smaller.
During the year 2009 the average prices for apartments on the primary market dropped in almost all Krakow districts.

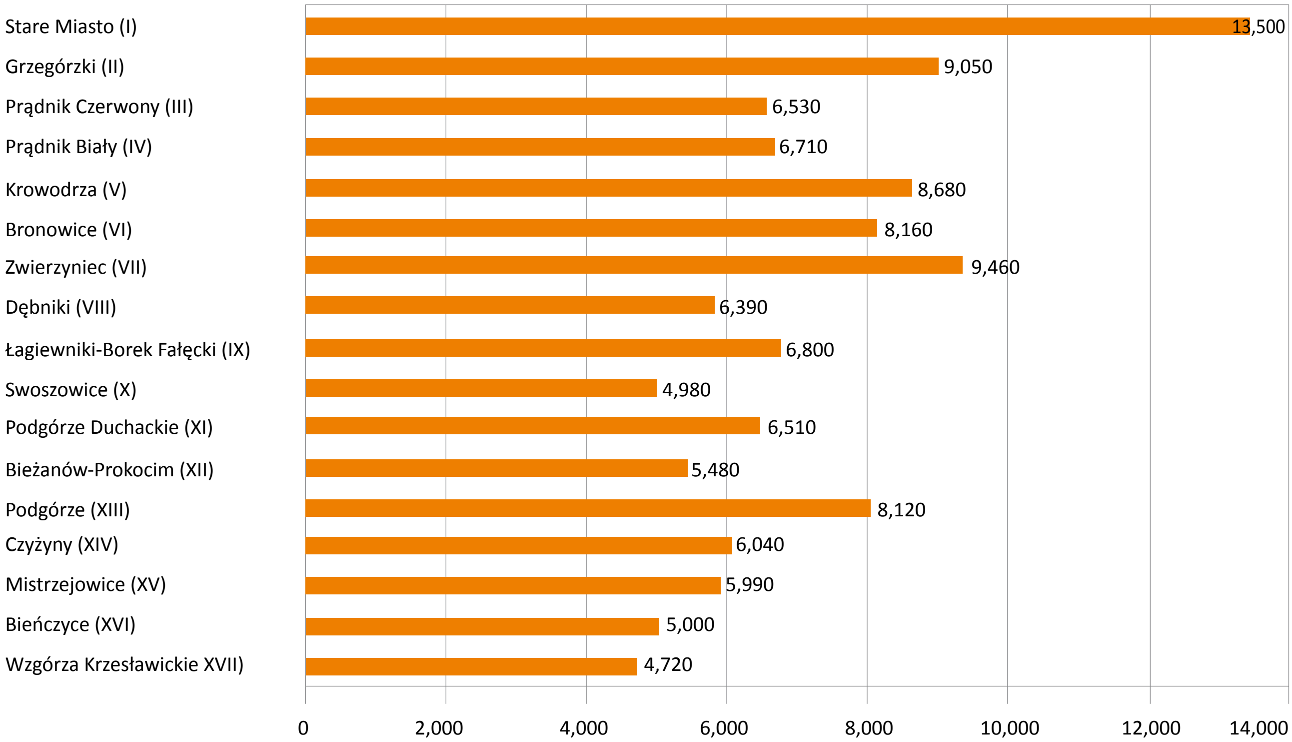
In majority of districts we have observed a drop by several percentages, which did not exceed 10%. Only in Stare Miasto the decrease in average prices reached 20%. As far as this district is concerned, the most expensive in Krakow, since the end of the year 2007 the average drops in prices did not exceed 25% (mainly within the scope of the most expensive investments), and the structure of prices was flattened. Due to fluctuations on global markets, buyers from abroad, who posed a considerable influence on shaping the prices within the old district of Krakow, became less interested in purchasing flats.

In the following districts: Mistrzejowice, Podgórze Duchackie and Podgórze the prices almost did not decrease at all, and in Bronowice we have even observed a slightly higher average price than the year before.

Majority of drops in prices occurred in the first half of the year 2009. At that time the supply was quite low, the amount of commissioned apartment was growing up, and some developers struggled to maintain financial flow and sale by lowering prices. The governmental programme "Family's own home" with low limit of prices for Krakow also contributed to the drop in prices. Investments in case of which it was possible to take advantage of credit support have noted very good sale results. The buyers also often took advantage of the possibility to lower the price and obtain bonuses during individual negotiations.

The prices stabilised after summer holidays, and the open crediting policy of the banks created an increase in the interests of buyers, who could look for an appropriate offer among the significant number of finished apartments.

Average prices for apartments in Krakow districts[1] (PLN/m²)



[1] as of 31.12.2009

Source: Dominium.pl

Changes of prices for 1 m² in Krakow districts between 2007 and 2009

	Change in % (XII 2009/XII 2008)	Change in % (XII 2009/XII 2007)
Wzgórza Krzesławickie (XVII)	decrease by 17.91	N/A
Swoszowice (X)	decrease by 8.96	N/A
Bieńczyce (XVI)	decrease by 4.21	decrease by 24.92
Bieżanów-Prokocim (XII)	decrease by 2.14	decrease by 17.35
Mistrzejowice (XV)	increase by 0.67	decrease by 5.07
Czyżyny (XIV)	decrease by 5.63	decrease by 5.48
Dębniki (VIII)	decrease by 3.91	decrease by 14.34
Podgórze Duchackie (XI)	decrease by 0.31	decrease by 0.91
Prądnik Czerwony (III)	decrease by 3.69	decrease by 7.38
Prądnik Biały (IV)	decrease by 2.75	decrease by 5.49
Łagiewniki-Borek Fałęcki (IX)	decrease by 8.11	decrease by 2.16
Podgórze (XIII)	decrease by 0.25	N/A
Bronowice (VI)	increase by 2.26	decrease by 4.90
Krowodrza (V)	decrease by 4.62	decrease by 9.39
Grzegórzki (II)	decrease by 2.69	decrease by 7.08
Zwierzyniec (VII)	decrease by 11.59	N/A
Stare Miasto (I)	decrease by 20.12	decrease by 27.03

Source: Dominium.pl

In the second half of the year, part of smaller investments or these, which were more attractive as far as price is concerned began to disappear from the market, since all premises have been sold out. Simultaneously, after months of stagnation, new offers began to emerge, mainly due to developers investing in Krakow for many years. Some of the new offered investments have already been in quite an advanced phase of realisation when they have been introduced on the market. Due to considerable availability of finished premises chances for selling apartments in an early phase of realisation and the chance to finance them with the money of the buyers dropped significantly. Developers initiating an investment were forced to finance the investment on their own or with the help of bank credit, which had an influence on the increase of financial costs. At the same time a drop in prices of services and building materials could compensate for higher costs related with crediting the investment.

Structure of investors in 2009 did not face significant changes, and there were hundred and several dozens of developers and few housing associations competing with each other on the market. Due to the fact that investments were relatively scattered and the big number of investments, it was impossible for any of the investors to obtain a dominating position within the scale of the whole city. Only several new entities emerged on the market, usually offering small investments, and several companies have disappeared from the market (usually because of financial reasons). Luckily, a vast majority of developers were able to survive the several months of financial crisis, which proves the strength of the local real estate market and may stand as a good prognosis for the future.

Economic trend within the primary housing market in Krakow shall be determined during the following months mainly by good economic situation, bank crediting policy and the development of credit support programme. The revival of the market may be influenced by the stabilisation of prices and gradual sale of finished apartments.

These factors may incline people waiting for the development of the situation and expecting further decreases in prices to buy apartments. Demographic factor shall play a significant role in the following years, as less numerous age groups will begin adult life. This may cause a decrease in the demand for the first, smallest flats. Concurrently, interest in bigger premises will rise gradually, which will result from the fact that age groups from the demographic bulge are going to buy second, bigger apartments.

Smaller number of students may contribute to a decrease in demand on the flat renting market, which may consequently lead to weakening of the demand for smaller apartments, previously purchased for rent.

Nonetheless, Krakow, with its specificity of a tourist city, city of knowledge and new technologies, is going to remain a place attractive for real estate investments, which allows an optimistic outlook on the development of the housing market in the city during the next several years.

Summary

- In 2009 a record breaking number of 10,300 apartments were commissioned in Krakow.
- The number of issued building permits and initiated constructions decreased.
- The share of Podgórze district in the quantitative structure of realised investments decreased.
- In December 2009 about 65% of investments and 40% of offered apartments were finished and ready to be received.
- Within the structure of offered apartments, premises with usable area ranging between 40 and 60 m^2 constituted the greatest share.
- Two room flats constituted more than 40% of apartments.
- Average prices in particular districts ranged between PLN 4,700–13,500/m^2.
- In majority of districts the average prices dropped by several percentages, although in the more expensive locations the decrease in prices for apartments were more significant.
- In the second half of the year the prices were stabilised, and new investments emerged on the market.

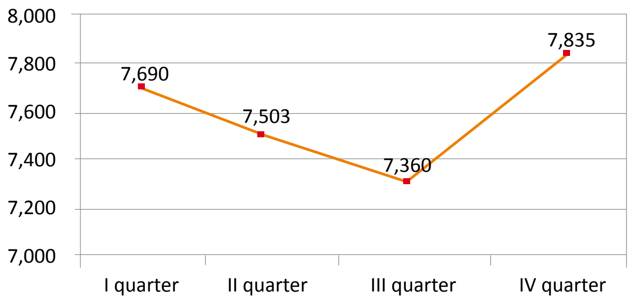
III. 2.1. Secondary housing market – offer prices

For the first three quarters of the year 2009 the market noted systematic drops in prices on Krakow real estate market. During the II quarter the price decreased by 2.4% in comparison to the I quarter, and in the III quarter the price drop equalled 1.9% when compared to the previous quarter. During the IV quarter price tendencies in Krakow have reversed. By the end of the year the average price of an apartment in Krakow on the secondary market equalled PLN 7,835/m^2, which means an increase by 1.9% when compared to the previous quarter. After the crisis within the market of hyphotecary credits in the IV quarter of the year 2008 and at the beginning of the year 2009, the number of granted housing credits constantly grew during the following quarters. Although crediting action did not achieve the level from before the crisis, then in the second half of the previous year it lead to an increase in the number of concluded transactions.

One of the factors stimulating the real estate market in 2009 was the governmental programme “Family’s own home”, which became extremely popular in Krakow, after making the calculative factor real at the beginning of the II quarter. Increase in the accessibility of credits offered in Euro stands as another important factor, as well as lowering margins for currency credits by banks.

Increase in the offer prices in the IV quarter was partially a result of the improved availability in financing the purchase of a real estate and increase in the level of optimism. What also influenced the increase in the average prices of apartments was the fact that in 2009 cheaper apartments were sold in the first place, and not the more expensive ones, which were offered much earlier. It is also worth noticing that it was much harder to find apartments within the range of up to PLN 300,000 on the market.

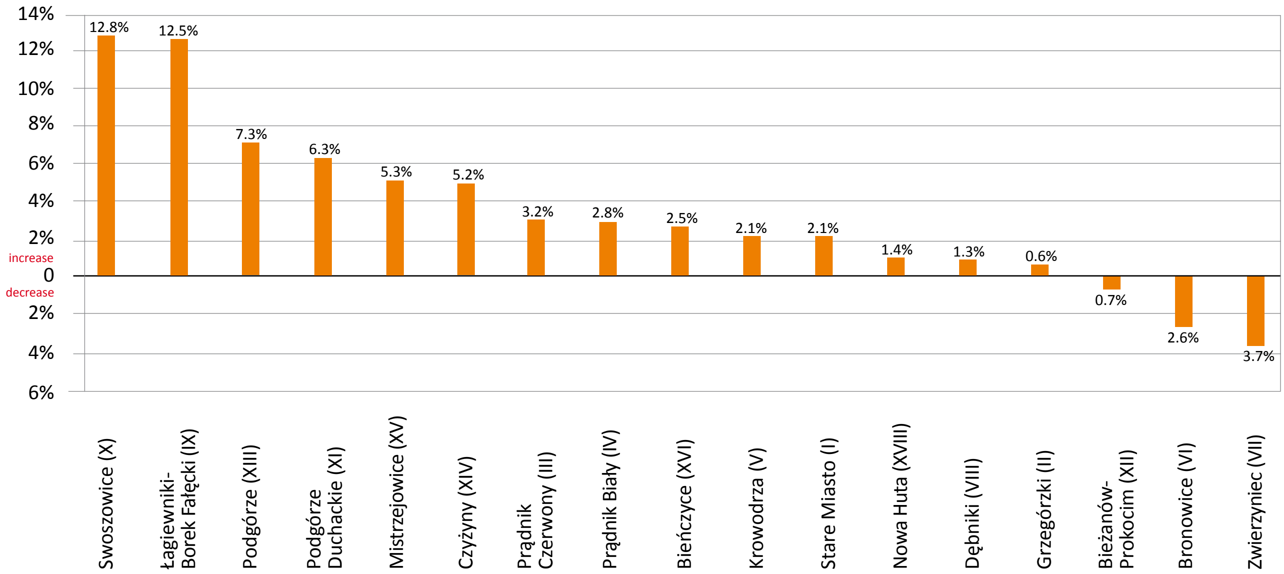
Offer price for 1m^2 in Krakow in 2009 (PLN)



Source: National Real Estate Market (Krajowy Rynek Nieruchomości – krn.pl)

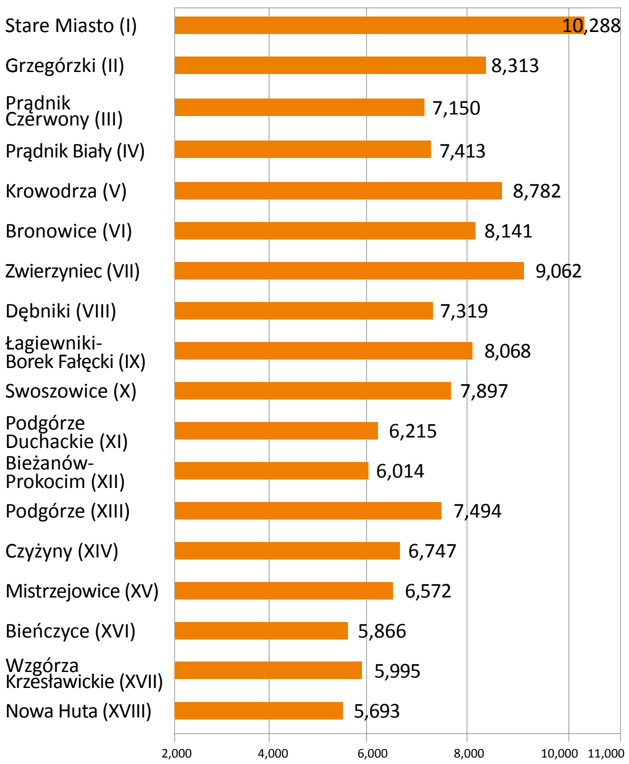
Analysis related with prices of offered apartments due to particular Krakow districts indicates that the situation did not change significantly in comparison with the inquiry conducted in the previous year. In 2009, in Stare Miasto district the average price for 1 m^2 oscillated around PLN 10,288/m^2. In comparison with the previous year, prices in the most expensive districts have decreased. In 2008 the price for 1 m^2 within the Stare Miasto area equalled PLN 11,000. Zwierzyniec was the second most expensive district. In this case the price was also lower when compared with the previous year and equalled PLN 9,062/m^2. The subsequent places were occupied by the following districts: Krowodrza (PLN 8,782/m^2), Grzegórzki (PLN 8,313/m^2) and Bronowice (PLN 8,141/m^2). Basing on this observation it can be seen that the central districts were the most expensive regions of the city. Nowa Huta (PLN 5,693/m^2), Bieńczyce (PLN 5,866/m^2) and Wzgórza Krzesławickie (PLN 5,995/m^2) remained to be the cheapest districts. In case of the cheap districts we have also observed a decrease in the average price for 1 m^2. As far as Nowa Huta is concerned the decreased amounted to as much as 7% in comparison with the previous year.

Change of offer prices in particular districts in 2009 (January – December)



Source: National Real Estate Market (Krajowy Rynek Nieruchomości – krn.pl)

Average prices for 1 m² of an apartment in particular districts (PLN)

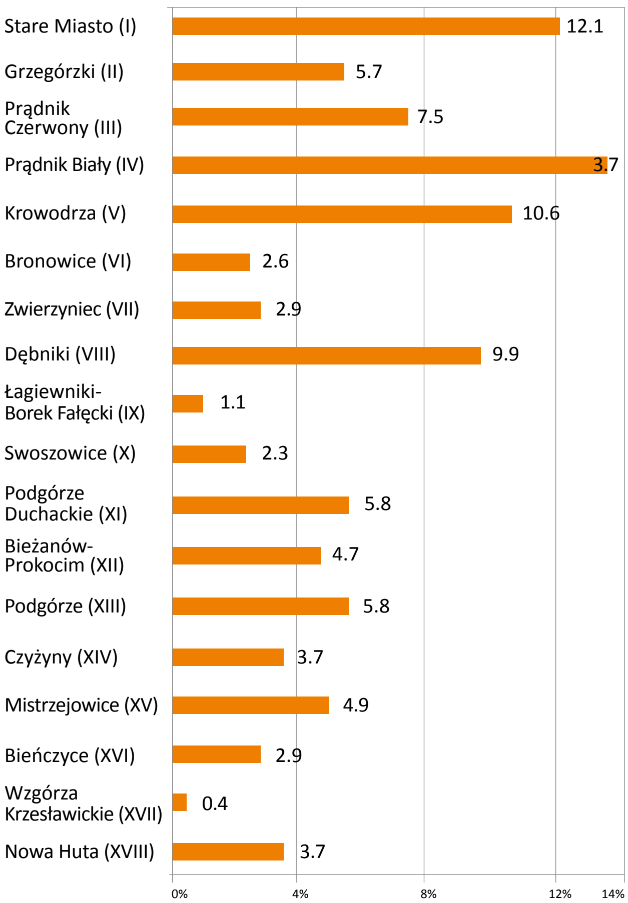


Source: National Real Estate Market (Krajowy Rynek Nieruchomości – krn.pl)

In order to provide a better presentation of prices, we have compared the difference in their level in January and December 2009. As it can be seen from the above, the growth of offer prices was reported in 14 Krakow districts. Drops in prices were observed only in case of Zwierzyniec (by 3.7%), Bronowice (2.6%) and a slight decrease in Bieżanów-Prokocim district

(by 0.7%). The analysis of the situation at the beginning and by the end of the year 2009 showed that the most significant increases were noted in districts located far from the city centre. Particularly high increase in prices in Swoszowice and Łagiewniki-Borek Fałęcki districts is related with the fact that the cheaper apartments have been sold out, and they have been sold out among others due to the fact that customers too advantage of governmental support programme. Apart from the above, offers of premises erected during the recent 10 years constituted a significant part (even more than 40%) of the overall number of advertisements concerning the sale of apartments. Flats in modern buildings, characterised by good standard, maintained their price in a much better manner than premises constructed in the so-called "high-rise panel" technology. Significant growth in prices in Swoszowice was mainly generated by new buildings. New apartments purchase for investment and investment of capital returned on the market. It is also worth mentioning here that the number of offers, concerning both Swoszowice, as well as Łagiewniki, available on the market is very small.

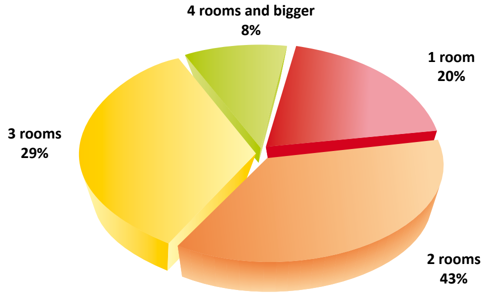
Supply of offers within particular districts (%)



Source: National Real Estate Market (Krajowy Rynek Nieruchomości – krn.pl)

Analysis concerning the structure of offer supply, as far as particular districts are concerned, enables better evaluation of difficulty level, when searching for apartments in various areas of the city. It was easier for the customer to find a real estate meeting his requirements within districts characterised by an increased density of advertisements. The comparison shows that the majority of offers was related with Prądnik Biały district (13.7%) Stare Miasto (12.1%) and Krowodrza (10.6%). In case of the following districts: Krowodrza and Bronowice we have observed a noteworthy drop in relation to the previous year. Study proved that the demand in Stare Miasto district increased. Offers from this district constituted 12.1% of the overall amount of adverts entered in 2009 in the KRN.pl portal. Similarly to the previous year, the smallest number of offers concerned Wzgórza Krzesławickie (0.4%) and Łagiewniki-Borek Fałęcki (1.1%).

Supply of offers in Krakow in 2009 according to the number of rooms



Source: National Real Estate Market (Krajowy Rynek Nieruchomości – krn.pl)

Structure of supply offers in Krakow indicates that the greatest amount of offers concerned two room apartments (as much as 43%). This layout of supply remained virtually unchanged when compared with the previous year. Two room flats were the top selling apartments both on the primary market, as well as the secondary market. In 2009, the subsequent place, as far as the amount of placed offers is concerned, was occupied by three room apartments.

Almost every third apartment for sale was the flat from this particular segment. In comparison with the previous year we have observed an increase (by 3%) in the number of bachelor flats offered for sale – every fifth flat from the group of analysed advertisements was a one room flat. Similarly to the previous year, the biggest apartments (four rooms and more) constituted the smallest group (all in all – 8%).

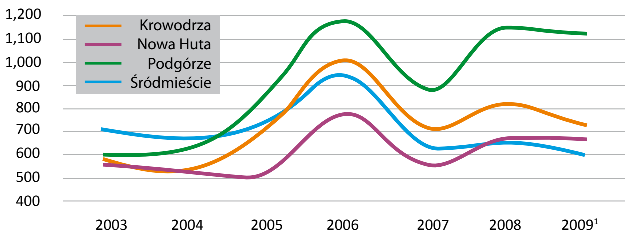
Summary

- At the end of the year 2009 the average price for an apartment offered in Krakow on the secondary market equalled PLN 7,835/m^2, which means an increase by 1.9% when compared to the I quarter.
- In Stare Miasto district an average price for 1 m^2 in 2009 equalled on PLN 10,288/m^2. The year before the price for 1 m^2 in the Stare Miasto area exceeded PLN 11,000/m^2.
- The biggest amount of offers (43%) were related with two room apartments.
- The smallest number of offers concerned the following districts: Wzgórza Krzesławickie and Łagiewniki-Borek Fałęcki.

III. 2.2. Secondary housing market – transaction prices

Since 2005 the biggest number of transaction on the sale of apartments was concluded in Podgórze – this area was the most dynamically developing region during recent years. This is where almost half of all apartments realised within the area of the city were constructed. During the same time the most expensive and the most prestigious region – Śródmieście, lost its position of a leader as far as the number of transactions is concerned and dropped to the last place in the ranking.

Number of transactions on the secondary housing market



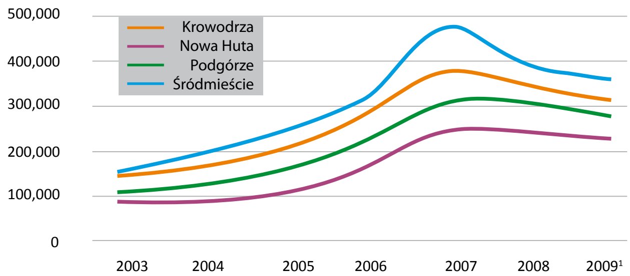
[1] values evaluated on the basis of incomplete data

Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

Between the year 2004 and 2006 the overall number of transactions faced quite a dynamic growth, then it dropped after the financial crisis in the year 2007 to the level observed two years before. In 2008, when the secondary market faced certain decreases, the prices on the primary market tended to continue a significant grow. This is resulted in transfer of all buyers to the secondary market and caused a mirror effect and increase in the number of transaction, which occurred in 2008.

Whereas the year 2009 brought substantial drops in prices on the primary market, and simultaneously an increase in the interest of new buyers related with new apartments. This caused a slight decrease in the number of transactions on the secondary market, which – with a small number of offers – became less attractive for buyers. Attractiveness of Krakow areas is represented by the average prices of apartments, obtained for premises, among which the greatest interest – during the last six years - was related with those located in Śródmieście and Krowodrza. Smaller prices were observed in Podgórze, and Nowa Huta was traditionally the district where the cheapest apartments were available.

Average transaction prices for an apartment on the secondary market (PLN)

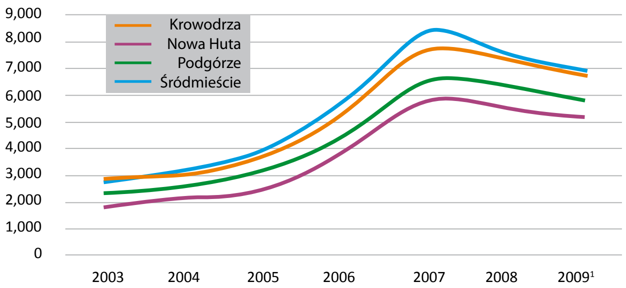


[1] values evaluated on the basis of incomplete data

Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

For more than two years we have observed a decrease in the prices of apartments within the area of the whole city, however, the most significant drops were observed in district considered as the most expensive ones. Hence the differences within average prices of apartments in certain districts tend to decrease. The average price for 1 m² of premises in 2009 was lower than the same price in the previous year in all districts of Krakow, prolonging the decreasing trend that started in 2007.

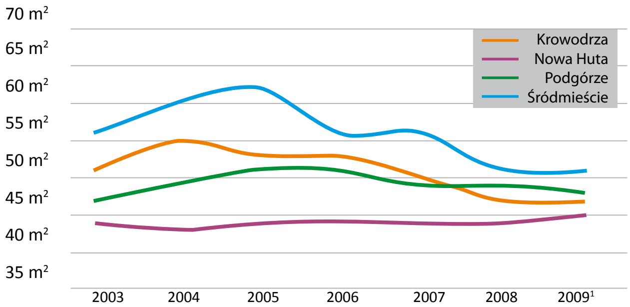
Average price for 1 m² of apartment on the secondary market (PLN)



[1] values evaluated on the basis of incomplete data
Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

Until 2007 average prices for 1 m² on the secondary market grew dynamically in all districts of the city. The growth was steady within the whole city of Krakow, both in the trendy districts, as well as at the outskirts. This reflected the shortage of premises on the market. Since 2008 this tendency has reversed significantly, however, decreases are not as significant as increases during the recent years.
The average surface of the purchased apartment on the secondary market in Krakow increased until 2005, however, with the growth in prices this trend reversed. Since 2006 the average area of purchased premises decreases. This decrease is not even in all areas of the city, and in Nowa Huta it observed a slight increase. The average usable area of premises within the turnover dropped until the year 2008, and in 2009 it was maintained at the level from the previous year, with slight variations within the particular areas.
During the last two years the average area of the purchased premises equalled 48 m². This proves the small purchasing capacity of the buyers, since they could only afford small apartments. Small apartments were sold and purchased within the area of all Krakow districts mainly during the time of crisis on the housing market. Transactions concerning big apartments were quite rare and were related with long period of waiting for the purchaser and significant price discounts.

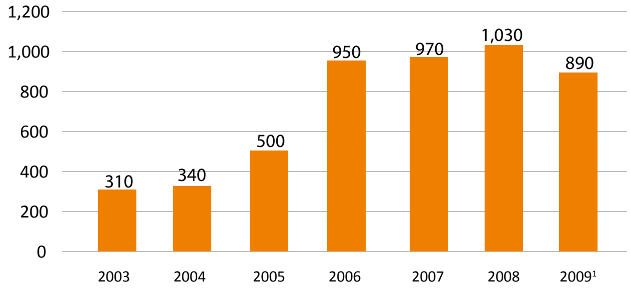
Average usable area of an apartment on the secondary market (m²)



[1] values evaluated on the basis of incomplete data
Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

Decreasing turnover in 2009 was the derivative of dropping prices and number of transactions. It was almost 20% lower in comparison to the previous year, which due to increase of interest in the secondary market, resulting from fear concerning the fall of developers, noted a record breaking level in 2008, exceeding one milliard PLN.

Turnover on the secondary housing market (PLN million)



[1] values evaluated on the basis of incomplete data
Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

Together with the return of buyers to the primary market, which occurred in the second half of the year 2009, the turnover of the secondary market decreased. However, together with the growth of crediting action within banks during the first months of the year 2010, cancelling main limitations related with the property financing source, one can expect an enhanced interest in bank credit. This may lead to growth of financial means engaged in the housing market. Therefore, one should not expect a significant drop in the turnover on the secondary market in the year 2010.

Summary

- Internal demand slowly returns to the housing market in Krakow.
- After a stoppage in purchases on the primary market in 2008, the secondary market observed record breaking turnover with dropping prices of apartments, and in 2009 the prices stabilised on a moderate level.
- As far as small apartments are concerned, they are small risk investments within all districts, with potential related with limited growth in 2010.
- At the beginning of the year 2009 we have observed an accumulation of supply for apartments realised by developers, whose construction began in the period of boom.
- Supply escalation from the recent years hampered the majority of realisations anticipated by developers, which resulted in shrinkage of the offer concerning new apartments in the II half of 2009.

III. 3. House and apartment renting market

In 2009 we have observed an increase in rent rates for all categories of apartments – according to the number of rooms. Comparison of the data from I and IV quarter of the year 2009 allows to state that the most significant increase was observed in case of the biggest apartments – with at least four rooms. Rent rates for smaller apartments did not change radically. However, this does not mean that the rent rate in Krakow did not fluctuate and was not subject to disturbances resulting from seasonal events. Similarly to previous years, the average rent rate increased significantly in III quarter of the year 2009. This is a consequence of increased demand for rent in III quarter, resulting from the fact that students returned to Krakow after summer holidays. According to the annual report, comparison of the data from II and III quarter, allowed to state that the most rapid growth was noted for apartments with four rooms and more. The rent rate increased during this period by as much as 17%. The rent rate related with one room apartments increased significantly during the III quarter: by 12%. At the end of the year 2009 the average rent for one room flat equalled PLN 1,123.

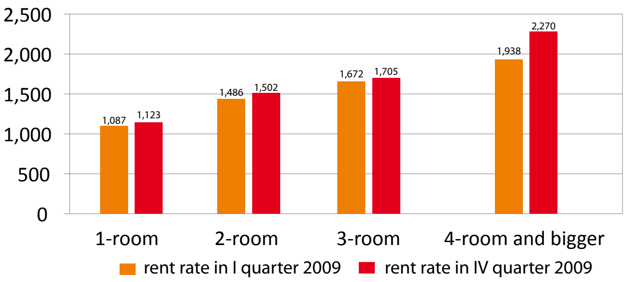
Apartment renting prices in Krakow – division according to the number of rooms (PLN)

Apartments	I quarter	II quarter	III quarter	IV quarter	difference I-IV quarter of 2009
1 room	1,087	1,098	1,233	1,123	3%
2 rooms	1,486	1,448	1,544	1,502	1%
3 rooms	1,672	1,730	1,878	1,705	2%
4 rooms and bigger	1,938	1,926	2,257	2,270	17%

Source: National Real Estate Market (Krajowy Rynek Nieruchomości – krn.pl)

The prices tend to drop slightly in the IV quarter. During the last months of the year 2009 rent rates also decreased – when compared to III quarter – by 9% in case of one room apartments, 3% in case of two room apartments, and 9% in case of three room apartments. The growing tendency was maintained only in case of the biggest apartments, yet, on a very low, 1%, level. Two room apartments were characterised by a definitely mild change dynamics within the whole period. Rent rates for apartments within this segment did not fluctuate significantly, and quarterly amplitude of rent change in case of flats from this group did not exceed 7% throughout the whole year. Real estate prices in Poland still tend to be overestimated – this is what almost half of people questioned within the survey realised by KRN.pl portal said. Only 15% of respondents believed that prices for apartments and houses reflect their true value. Despite considerable drops in prices, observed during the last year, there still is a large group of people, who cannot afford purchasing one's own flat. These people are the main group taking advantage of flat rent option. Comparison of flat renting rates from IV quarter of 2009 and analogous period of the year 2008 allows to observe drops within this market for apartments from each segment. The most significant decrease was reported for three room apartments (decrease by 14%), yet, the price for four room and bigger apartments was also significantly lower (decrease by 11%).

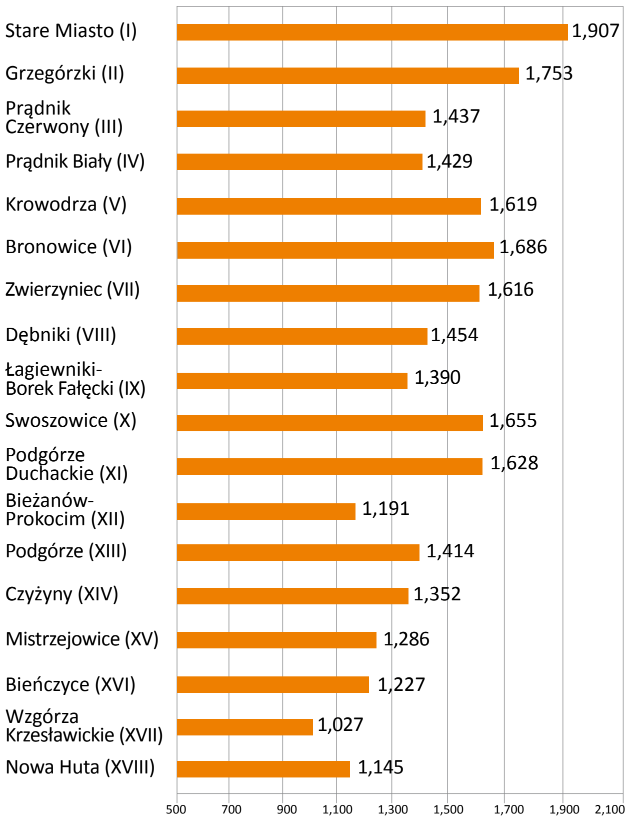
Rent rate in Krakow – comparing I-IV quarter of the year 2009 (PLN)



Source: National Real Estate Market (Krajowy Rynek Nieruchomości – krn.pl)

Differences in rent rates may be observed in the analysis of prices for two-room apartments in particular districts. The analysis shows that similarly to the year 2009, rent rates for premises located in the city centre were the most expensive ones. The cost of renting an apartment in Stare Miasto district equalled PLN 1,907. It is worth mentioning here that this rent rate was more than PLN 100 lower than in the previous year. In 2008 the cost of renting an apartment within this area amounted to 2,000 PLN. The following places on the list were occupied by the following districts: Grzegórzki (PLN 1,753), Bronowice (PLN 1,686) and Swoszowice (PLN 1,655). Offers for apartments located in Podgórze Duchackie (PLN 1,628) were placed high, compared to the year 2008, in the price ranking. Rent rates in this district increased by more or less PLN 200 (12%). Unchangeably, the cheapest flats for rent could have been found district XVII – Wzgórza Krzesławickie, as the price there amounted about PLN 1,100. Apartments located in Nowa Huta (PLN 1,145) and Bieżanów-Prokocim (PLN 1,191) were also enumerated among cheap apartments.

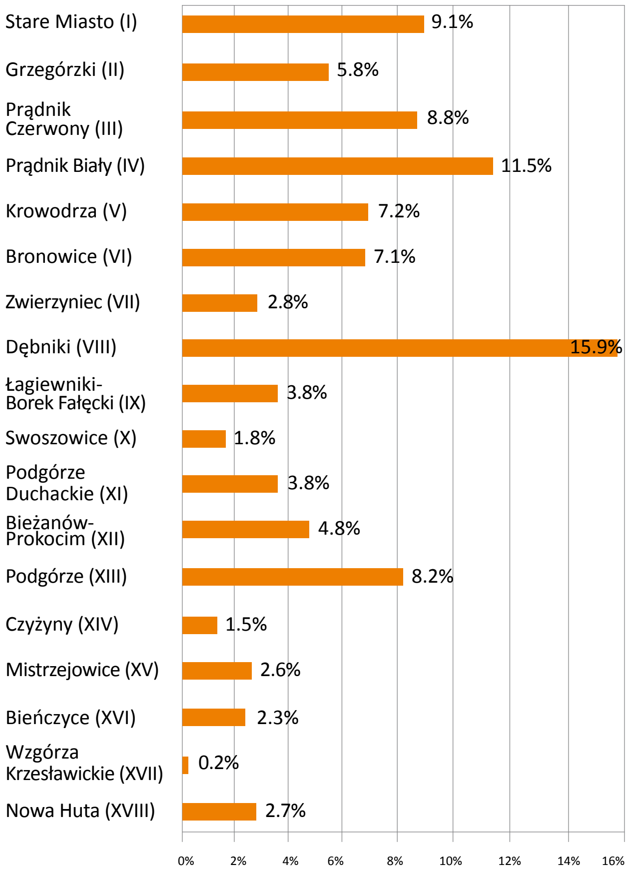
Rent rate in Krakow according to districts in 2009 (PLN)



Source: National Real Estate Market (Krajowy Rynek Nieruchomości – krn.pl)

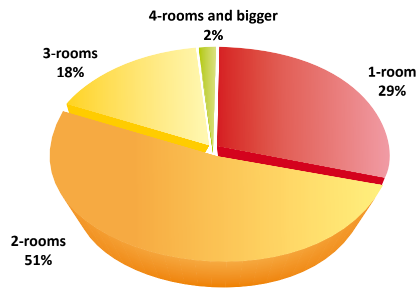
In 2009 the supply of offers on the renting market increased by about 15% in comparison to the previous year. A considerable amount of apartments, for which there were no buyers on the real estate market, supported the apartment renting market. Dębniki district – with new housing estates within its premises – is a place, with the biggest number of rent offers in 2009. Almost 16% of all renting advertisements concerned this area of Krakow. The following places in the ranking were occupied by Prądnik Biały (11.5%) and Stare Miasto (9.1%). It was most difficult to find premises for rent in Wzgórza Krzesławickie (0.2%) and Czyżyny (1.2%) districts.

Supply of rent offers according to districts in 2009



Source: National Real Estate Market (Krajowy Rynek Nieruchomości – krn.pl)

Supply of rent offers in 2009 according to the number of rooms



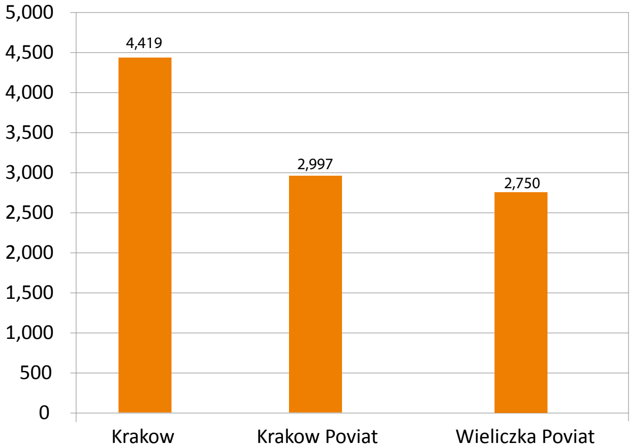
Source: National Real Estate Market (Krajowy Rynek Nieruchomości – krn.pl)

Basing on the analysis concerning the supply of apartment rent offers according to the number of rooms it can be clearly seen that – similarly to the previous year – the biggest amount of offers was related with two room apartments. They constituted more than a half of all advertisements. Almost every third apartment offered for rent was a bachelor flat (29%). It was most difficult to find offers concerning big apartments, with four rooms or more. This may be partially explained by the high level of prices, which is maintained in case of premises within this segment.

KRN.pl portal also conducted a market research relating to houses for rent in Krakow and in Krakow Poviat and Wieliczka Poviat. The observation lead to a conclusion that in 2009 the prices for houses increased in comparison to the previous year. In case of Krakow this growth equalled more than PLN 500. What is also significant is the fact that prices within Krakow

Poviat in 2009 proved to be higher than in Wieliczka Poviat, contrary to the previous year. Renting a house in Krakow Poviat cost about PLN 3,000, and in case of Wieliczka Poviat renting a house cost about PLN 2,800. Results of the analysis show that, similarly to the previous year, the price offers for real estates located in the city and houses from neighbouring districts reveal significant disproportions. It can be easy seen that prices for renting houses in Krakow are almost PLN 1,000 higher than in the suburban area.

House rent rate – comparison between I and IV quarter of the year 2009 (PLN)



Source: National Real Estate Market (Krajowy Rynek Nieruchomości – krn.pl)

Summary

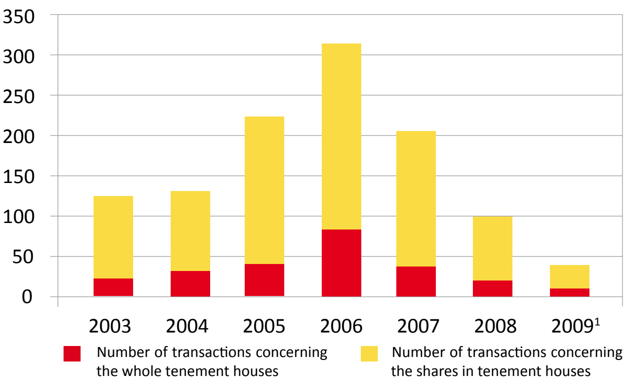
- In 2009 the supply of offers on the renting market increased by about 15% in comparison to the previous year.
- At the end of the year 2009 the average cost of renting one-room apartment located in Krakow equalled PLN 1,123.
- Due to the lowest supply of offers, it was most difficult to find premises in Wzgórza Krzesławickie and Czyżyny districts.
- Prices for renting houses in Krakow were almost PLN 1,000 higher than prices for real estates located in the suburban area.

III. 4. Market of tenement houses and historic areas

Tenement house – according to historic explanation – is at least one-storey urban residential house, made of brick. Tenement houses were adjusted both to play the role of residential house, as well as to provide commercial and service role. Their ground floors, from the side of the street were occupied by commercial premises, while in annexes one could find workshops, service plants, small factories, warehouses, storehouses, etc. Pre-war and historic tenement houses are a dominating urban form in Krakow, covering the oldest part of Śródmieście, Krowodrza and Podgórze. They have very attractive location and unique architectural, historic and artistic values. The best locations generate the highest profits from rent and services (commerce, tourism and gastronomy), and the exceptional architecture and historic values make it a good "brand" for the owner of such a building. That is why tenement houses have always constituted a separate segment of the real estate market in Krakow, with its own dynamics, supply and demand.

The specificity of this market lies in limited supply, as the number of pre-war tenement houses does not increase, and sale offers are usually a result of regulation concerning the legal status, especially the ownership. The most modern streets, with the historic and pre-war residential buildings standing along them, include the area of Planty with Floriańska street, Main Square, Grodzka and Szewska streets located in Śródmieście district, as well as the pre-war Kazimierz district with Szeroka, Krakowska and Starowiślna streets, and what is more - Stradomska, Zwierzyniecka, Karmelicka, Długa, Lubicz and Grzegórzecka streets. Salwator, around the Na Stawach Square and Kościuszki street, remains the most attractive historic part of Krowodrza district. Area around Lea, Królewska, Mazowiecka and Wrocławska streets is also of considerable interest. The greatest number of tenement houses in Podgórze district concentrates around Kalwaryjska and Limanowskiego street, and cross streets near them, however, areas above these streets become more and more trendy – on Wzgórze Lasoty (Zamojskiego and Parkowa streets) and in Dębniki district, on Dębnicki Square.

Number of transactions within the tenement house market in Krakow between 2003 and 2009

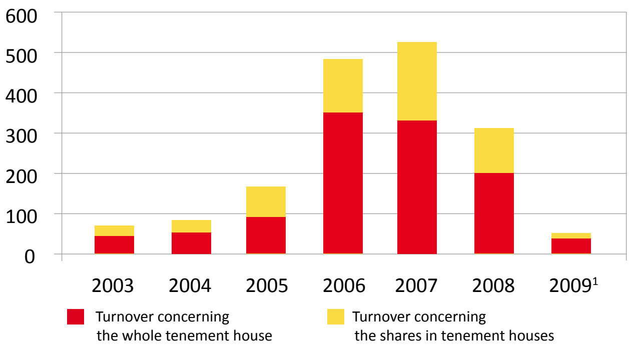


[1] values evaluated on the basis of incomplete data

Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

Turnover on the market of tenement houses in Krakow concentrates within the areas of three old districts: Śródmieście, Krowodrza and Podgórze. Since 2006 we have observed a systematic decrease of turnover within this market. In 2009 the number of concluded transactions on selling tenement houses or their share was 57% smaller than in 2008, and the turnover value decreased six times in relation to the year 2008. The average price of 1m^2 of the usable area in the tenement house in Śródmieście dropped by 18%.

Turnover on the market of tenement houses and their percentage between 2003 and 2009 (PLN million)

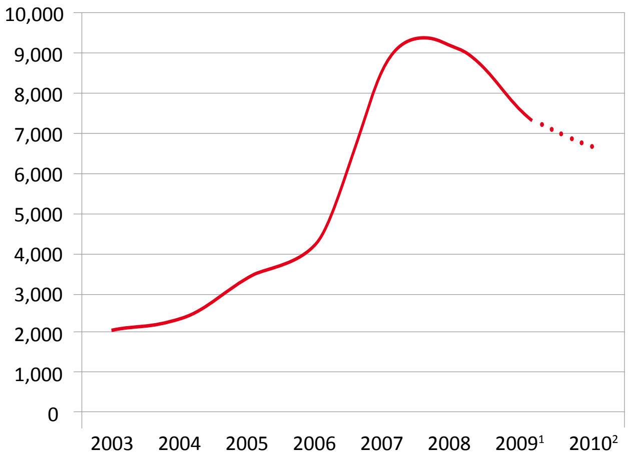


[1] values evaluated on the basis of incomplete data

Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

Both the turnover, as well as the number of concluded transactions, beginning from the year 2007 presented a constant downward tendency, which increased significantly in 2009, which proves the immense recession on this market. Last year the investors withheld their decisions to purchase tenement houses and the supply nearly "froze". Only fourteen tenement houses changed their owners, with a record breaking number of 97 sold tenement houses in the year 2006. The situation is much worse, when we consider the size of the market (turnover) – in 2009 only PLN 54 million was engaged, while in the record breaking year 2007 as much as PLN 543 million were engaged (10 times less).

Price trend of tenement houses in Śródmieście between 2003 and 2009 (PLN/m²)



[1] values evaluated on the basis of incomplete data

[2] prognosis

Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

After comparing complete data on transactions concluded in 2008 and incomplete data from the year 2009, one can clearly see a sudden drop in prices of tenement houses in Krakow: in Śródmieście prices dropped by 18% (and shall probably fall by further 11% in 2010). Price index on the graph shows distinct upward tendency of prices between 2003 and 2007 (with "buying fever" in 2006 and 2007), stabilisation in 2008 and reverse of the trend into downward trend in the year 2009. Fast drop in prices of tenement houses is determined by a sudden shrinkage in the effective demand with an extensive unrealised supply of these real estates in relation to their sale. In 2009 investors withheld their purchases, and the amount of sale offers increased, which had even a greater influence on the lack of balance on this market. Between the year 2009 and 2010 sale offers concerned nearly 220 tenement houses. A year before the number of such offers amounted to 180, which means 22% growth of the supply. The biggest number and value of offered tenement houses concerned the area of Śródmieście (117 offers), as well as Podgórze (70) and Krowodrza (33), where the number of real estates for sale was clearly smaller. The average offer price in case of tenement house in Śródmieście reached almost PLN 9,000/m^2, and the most expensive offer reached PLN 25,000/m^2. In Krowodrza, the average offer price was PLN 7,000/m2, and the maximal price – more than PLN 12,000/m^2. The average price in Podgórze did not exceed PLN 8,000/m^2, and the highest offer equalled PLN 16,000/m^2. The most expensive tenement house, was the one offered on Stradomska Street for PLN 60 million.

In 2009, none of the tenement houses in Śródmieście was sold for more than PLN 10 million, and the most expensive one reached the price of more than PLN 4 million. The most expensive tenement house in Podgórze cost PLN 3 million, and as far as Krowodrza is concerned, only shares in tenement houses were sold. The average expenditure for the purchase of tenement house in Krakow equalled PLN 2.5 million (in 2008 – PLN 5.2 million). The price of 1 m^2 of the usable area in a tenement house did not exceed PLN 12,000, even within the most expensive areas of the city (Planty area). To compare, the maximal unit price in the year 2008 equalled almost PLN 20,000/m^2.

Despite such crisis within this branch, Krakow remains to be the market of extra-regional and international significance, with considerable investment potential. Analysis of transactions on historic areas of Kazimierz and Stradom indicated a noteworthy engagement of foreign capital, mainly from European Union member states, USA and Israel. The year 2010 will be a period of market consolidation, after which new investors shall appear, encouraged by low prices, and even bargains (f. ex. tenement house on the Main Square offered for PLN 30 million), willing to invest in tenement houses. They shall be also encouraged by relatively good macro-economic situation of the state, and still a very good brand of Krakow as a tourist capital of Poland.

Summary

- Since 2006 the turnover on the market of tenement houses has revealed a systematic downward tendency.
- In 2009 the turnover decreased six times in relation to results from the year 2008.
- The year 2009 also brought drop in the number and prices of concluded transactions.
- Nonetheless, prognoses concerning the year 2010 are optimistic, and anticipate a great share of foreign capital and occurrence of new investors, who shall be interested in Krakow tenement houses.

III. 5.1. Single family houses in Krakow

Market offers

In 2009 offers concerning the sale of buildings usually ranged between PLN 0.8 million and PLN 1.5 million. When calculated for one square meter, the majority of offers ranged between PLN 4,000/m^2 and PLN 6,500/m^2. In good locations offers exceeded PLN 10,000/m^2. Offers on houses located on relatively small lots prevailed. They usually fell within the scope of 3.5 ares and 8.5 ares. These offers generally included houses with usable area between 170 m^2 and 300 m^2. The average market offer was a house with usable area of 220 m^2, located on a 5 acre lot, offered for about PLN 1.1 million. The most expensive houses rarely exceeded the offer price of PLN 2.5 million, the surface of the house did not exceed 450 m^2 and the lot was smaller than 15 acres. During the last year offers for houses revealed a downward tendency and by the end of the year they were about 12% cheaper than the offers from the beginning of the year 2009.

Primary market

Analysis of the primary market and comparison with the previous year still shows a significant activity of developers. In the recent years, majority of investments within this market moved to neighbouring communes, due to lower land prices and land development plans, which make it easier for developers to obtain building permits.

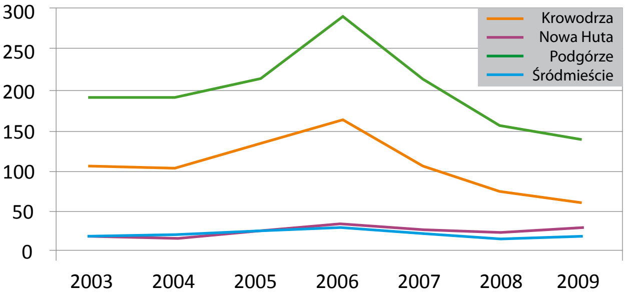
In 2009 more than 220 single family houses were under construction or the construction was proclaimed, usually semi-detached houses or terraced houses, which amounts to the surface of 36 thousand m^2. This level is close to the one observed in 2008.

Prices of offered buildings were differentiated and depended on the location, condition of finishing, standard and size of the lot – although we can see a tendency of development concentration within this aspect. The scope of reported prices ranged between PLN 3,400 – 5,000/m^2. Since last year we have observed a downward tendency of prices. Developers – open for negotiations – often offered discounts or bonuses in form of additional furnishing or increasing the scope of finishing works. The majority of investments were located in the suburbs of the city – most of the investments were erected in Dębniki district, in the area of Podgórki Tynieckie, Sidzina (with binding land development plan) and in Swoszowice district. The developers tended to avoid the areas in Nowa Huta. Although, we could see buildings being erected in these areas, however, these investments were realised by small entrepreneurships.

Secondary market

As far as the secondary market is concerned, the year 2009 was the following year, when the number of transactions dropped by 7%. While the decrease in the activity on the market in previous years was caused by high prices and a search for alternative, cheaper markets, the decreases in the previous year were mainly caused by the financial crisis.

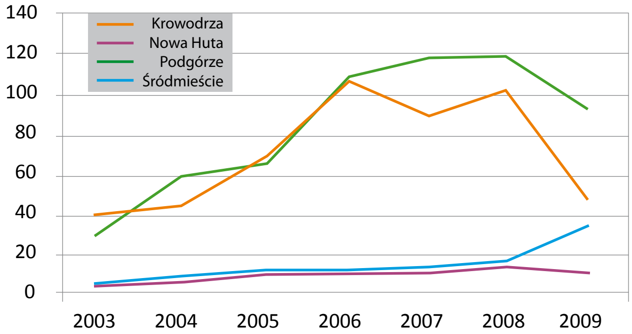
Number of transactions between years 2003 and 2009



Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

Similar phenomenon found its reflection in the amount of turnover. Although the size of turnover during the previous years maintained, small or less, on the same level, last year the turnover dropped by 26% and closed in the amount of PLN 186 million.

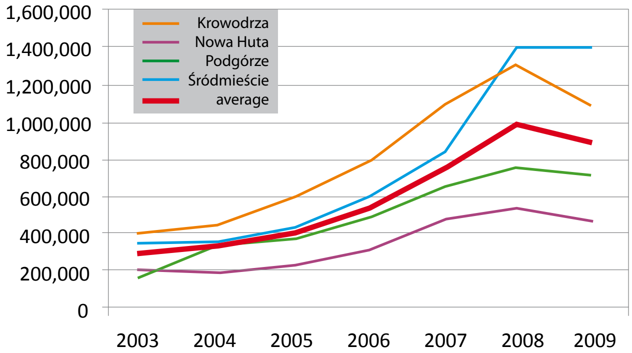
Overall turnover between 2003 and 2009 (PLN million)



Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

Between 2003 and 2009 the average price for a house continue to grow, to reach its peak in the year 2008, on the level of PLN 1 million. Last year the average price for a house was about 7.5% lower in relation to the year 2008. The drop in prices was not as conspicuous as the decrease in the turnover. It is possible to state that we have been facing a condition of expectations on the market of single family houses. The sellers are not willing to significantly decrease the prices, while the buyers are unwilling to buy houses for current prices.

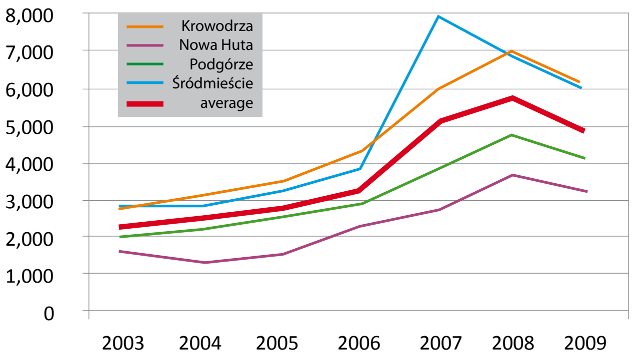
Average prices for a house between 2003 and 2009 (PLN)



Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

In 2009 the average price, expressed in the usable area of the building dropped by 13% and equalled PLN 4,900/m². The main reason lied in lowering prices of large houses, which are hard to sell.

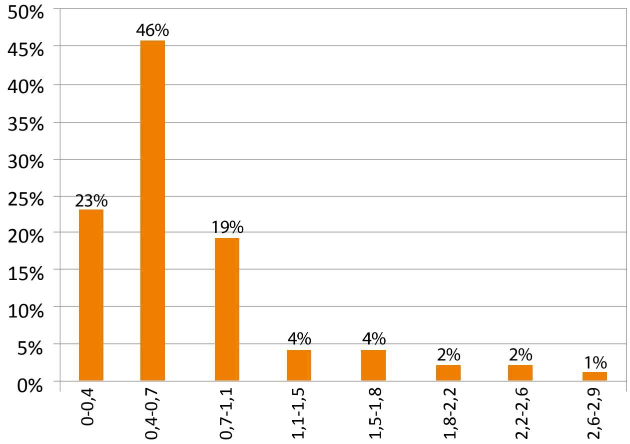
Average prices for 1m² of the usable area of the building between 2003 and 2009 (PLN)



Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

Last year, the most common prices for homes ranged between PLN 400,000 and PLN 700,000. Transactions within this scope of prices constituted almost a half of all transactions concluded in 2009. Prices of up to 1 million constituted 85% of all transactions. More expensive houses were bought sporadically.

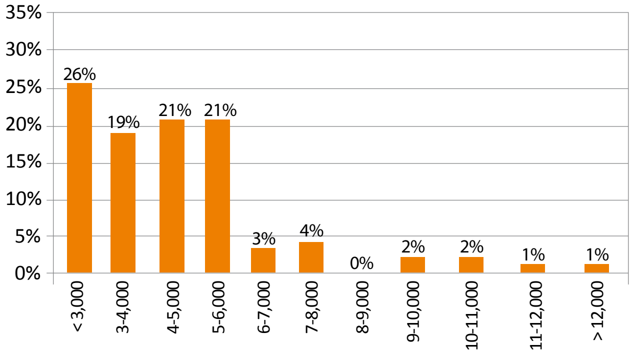
Share of transactions within the price ranges in 2009 (PLN million)



Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

Because of the crisis the most commonly purchased houses were the houses, which cost up to PLN 3,000/m². PLN 6,000/m² stood as an absolute price barrier. Only 13% of all transactions concerned the price exceeding this value.

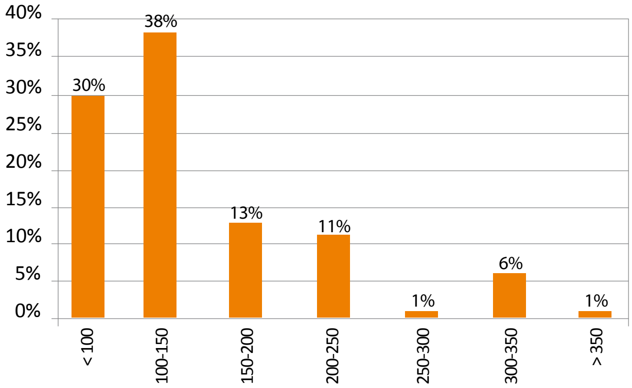
Share of transactions in price ranges for 1m² in 2009 (PLN)



Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

Respectively small houses, with surface of up to 150 m², were bought most often. Altogether, 68% of transactions were concluded within this range. Bigger houses, with surface of up to 250 m², were less popular.

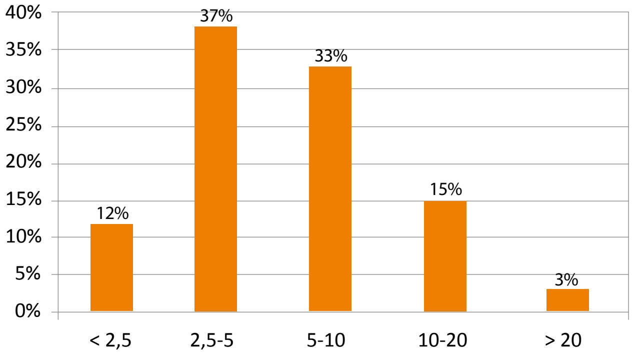
Share of transactions within the range of house surface in 2009 (m²)



Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

Due to high land prices, houses being the subject of transactions were usually located on small lots. Houses located on lots between 2.5 acres and 10 acres constituted 70% of the overall number of transactions.

Share of transactions within the range concerning the area of the lots in 2009 (acre)



Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

Financial crisis, which began in Poland in the second half of the year 2008, had an influence on the market of single-family houses in Krakow, which was seen especially during the last year. Significant decrease in the value of turnover (by 26%) was the main symptom of the crisis. However, prices of houses dropped insignificantly (7.5%). Decrease in the size of turnover and the number of transactions also resulted from the withdrawal of sale offers due to the low demand caused by crisis, which also resulted in the lowering of purchasing capacity of the buyers. Slight drop in prices is to be perceived as stagnation and expectation of increased demand and return of increase in prices.

Summary

- In 2009 the most often purchased houses were small houses, located on lots ranging between 2.5 acres and 10 acres.
- We have observed a downward tendency, both on the primary and the secondary market, both as far as turnover (26%) and prices (7.5%) are concerned.
- Worse situation on the market of single family houses resulted from the financial crisis, which began in Poland in 2008.
- However, the current situation seems to be a momentary period of waiting for a change in economic situation and increase in the demand, which also results in growth of prices.

III. 5.2. Single family houses in the suburbs of Krakow

Analysis of the situation

The year 2009 confirmed the fact that Krakow citizens were interested in real estates within the metropolitan area of the city. Due to the above, developers were more willing to invest outside Krakow, offering houses for a reasonable price.

Between 2003 and 2008 we have observed a continuous growth in the number of concluded real estate purchase and sale agreements, both in Krakow Poviat, as well as in Wieliczka Poviat. During the last three years the number of transactions in Krakow Poviat stabilised – it amounted to about 650 a year, whereas the estimated tendency (lack of information on all transactions from the year 2009) in the year 2009 revealed a slightly upwards tendency – 671[1] of reported transactions, which means an increase by 3% in relation to the year 2008, when 667 transactions were concluded.

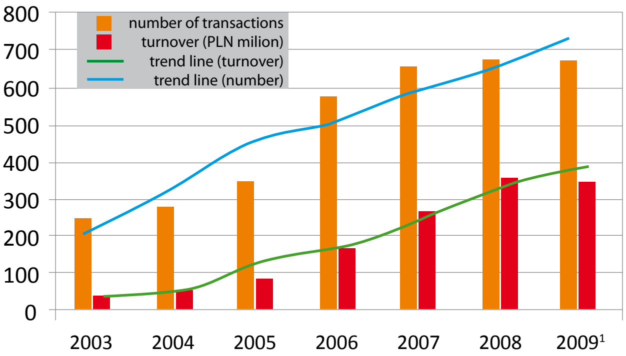
As far as Wieliczka Poviat is concerned, the dynamics of transactions was of the following course: in 2009 – 222[1], in 2008 – 304, in 2007 – 326 transactions. Between 2007 and 2009 the number of transaction decreased by 7%, and in 2009 it was 27% lower when compared with the year 2008.

During the last two years, the turnover in Krakow Poviat reached the level of about PLN 350 million (354.3 million in 2008 and 351.9 million[1] in 2009 - decrease by 1%). This reflects a stabilisation of the transaction price as on 1 transaction during the last two years.

In case of Wieliczka Poviat, turnover value equalled 93.177 million[1] for the year 2009 (136.6 million in 2008 and 108.9 million in 2007). After a 25% increase in 2008, the year 2009 faced a considerable decrease, by 32%.

[1] values estimated on the basis of incomplete data

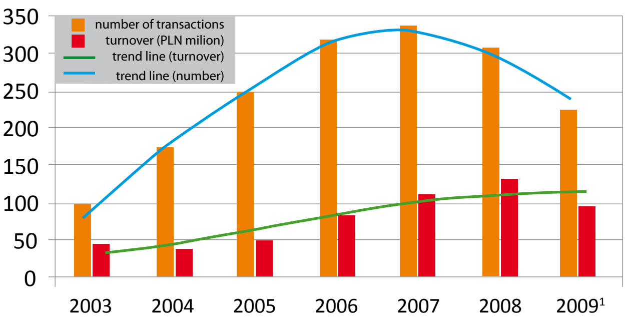
Number of transactions and sale and purchase of houses in Krakow Poviat



Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

Trend lines in the graph presenting the "Number of transactions and sale and purchase of houses in Krakow Poviat" illustrate a stabilisation of the number of transactions and this condition should also be expected in case of turnover volume.

Number of transactions and sale and purchase of houses in Wieliczka Poviat



Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

In Wieliczka Poviat, the course of the trend line confirms the downward tendencies, concerning both the number of transactions, as well as sale volume during the last 3 years, whereas the drop in 2009 was quite significant.

Krakow Poviat

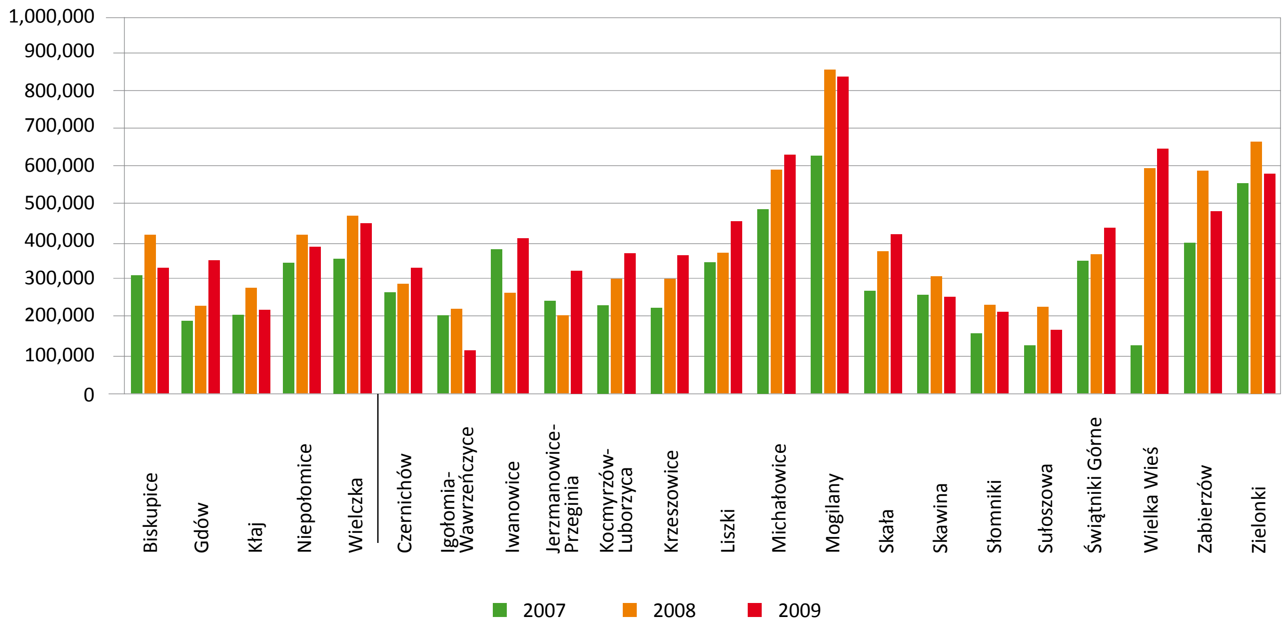
The most significant number of transactions concerning single family houses was traditionally reported in Zielonki, Zabierzów and Wielka Wieś communes, whereas in case of Zabierzów and Zielonki communes the growth in the number of transactions was considerable, while Liszki and Świątniki Górne communes have reported a decrease. Areas located close to north-western borders of Krakow were the most popular regions among buyers. Mogilany commune, southern neighbour of the city, induced the buyers with picturesque landscape and attractive views (when the weather is good, one can see the Tatra mountains).

Number of transactions, turnover and average prices of single family houses in Krakow Poviat in 2009

Commune	Number of transactions	Turnover (PLN in 1,000)	Average transaction price (PLN)
Czernichów	34	11,427	336,088
Igołomia-Wawrzeńczyce	5	615	123,000
Iwanowice	12	4,949	412,417
Jerzmanowice-Przeginia	10	3,125	312,500
Kocmyrzów-Luborzyca	12	5,413	451,083
Krzeszowice	27	9,800	362,948
Liszki	33	12,204	369,818
Michałowice	43	27,238	633,442
Mogilany	67	56,218	839,075
Skała	18	7,703	427,944
Skawina	17	4,402	258,941
Słomniki	14	2,981	212,929
Sułoszowa	4	629	157,250
Świątniki Górne	4	1,752	438,100
Wielka Wieś	55	35,136	638,836
Zabierzów	96	35,136	638,836
Zielonki	151	90,437	576,032

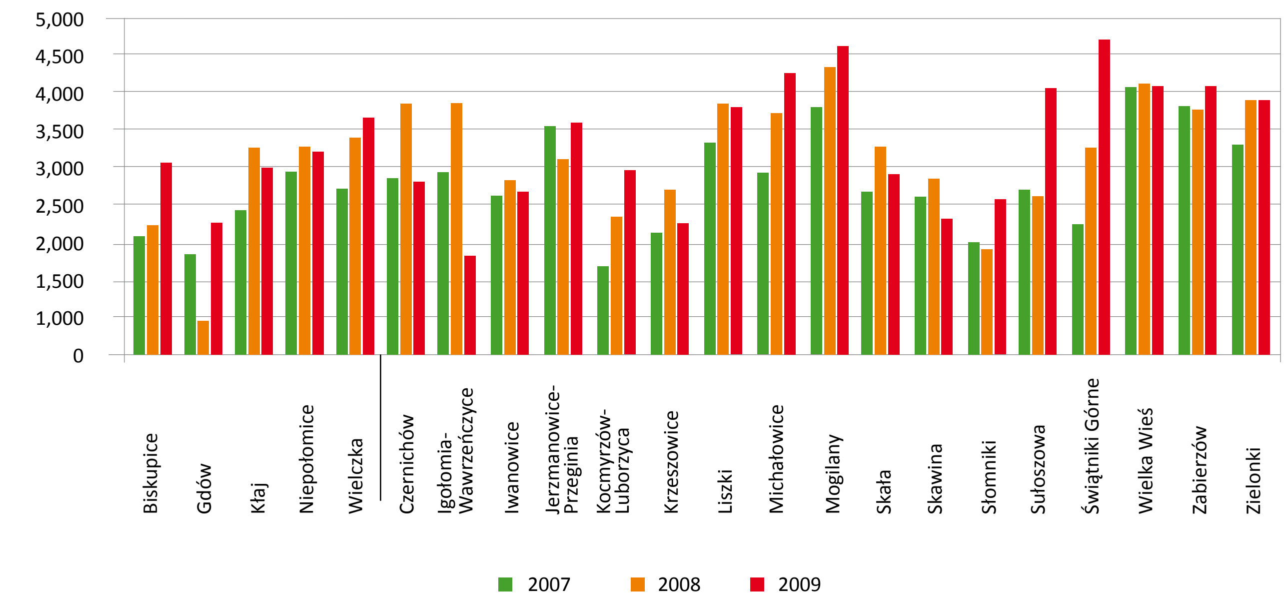
Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

Average transaction price for houses in Wieliczka and Krakow Poviat between 2007 and 2009 (PLN)



Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

Average price for 1 m² of the house in Wieliczka and Krakow Poviat between 2007 and 2009 (PLN)[1]



[1] Average price of 1 m2 was evaluated in the basis of transaction, where surface if the usable area of the building was stated

Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

The greatest target turnover was observed in Zielonki commune, whereas the highest transaction price was reported in Mogilany commune – for a single family house standing on a large lot in Włosań village (transaction price of PLN 2.675 million).

In case of seven communes (f. ex. Mogilany, Zielonki, Zabierzów) we have noted a decrease in the average transaction price, while in ten other communes this value grew significantly.

Wieliczka Poviat

Wieliczka Poviat was characterised by a drop both in the number of transactions, as well as the sale volume.

Number of transactions, turnover and average prices of single family houses in Wieliczka Poviat in 2009

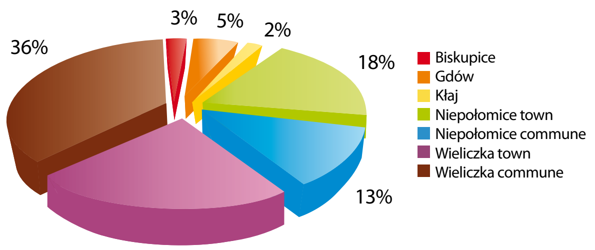
Commune	Number of transactions	Turnover (PLN in 1,000)	Average transaction price (PLN)
Biskupice	7	2,194	313,429
Gdów	13	4,575	351,908
Kłaj	7	1,468	209,714
Niepołomice	66	26,348	399,226
Niepołomice miasto	38	15,703	413,232
Wieliczka	109	50,120	459,820
Wieliczka miasto	41	19,231	469,057

Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

In 2009 the greatest number of transactions concerning single family houses was traditionally reported in Wieliczka commune – 54%, whereas 23% of transactions were concluded in Niepołomice commune. Comparable number of transactions was observed in cities of Wieliczka and Niepołomice.

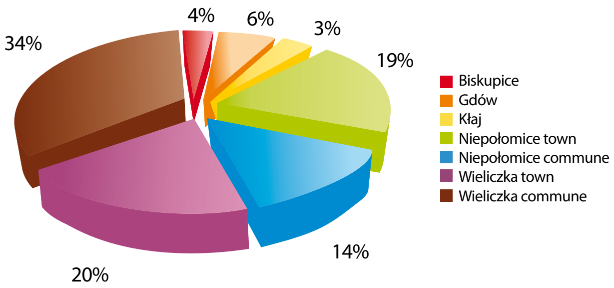
Areas close to south-eastern borders of Krakow were the most popular regions among buyers. What is more, houses in Wieliczka and Niepołomice reached the highest average prices for 1m².

Percentage related with values of transaction on single family houses in Wieliczka Poviat in 2009



Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

Percentage related with the number of transaction on single family houses in Wieliczka Poviat in 2009



Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

Real estates in Wieliczka and Niepołomice were the most expensive properties in Wieliczka Poviat. What is also worth mentioning is the growth in prices within Gdów commune. The most expensive transaction was reported in 2009 was reported in Wieliczka Poviat and concerned a real estate located in Grabówki (Wieliczka commune), whereas the highest prices for 1 m² of a single family house was noted in Wieliczka.

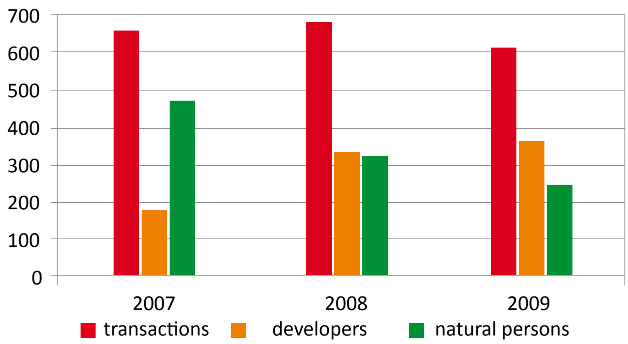
Market of developers

This category included all transactions, where firms and companies constructing buildings for sale were the selling party.

Krakow Poviat

During last years we have observed an increasing percentage of developers on the market of houses.

Number of transactions in Krakow Poviat with consideration of the market of developers between 2007 and 2009



Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

While in 2007, natural persons dominated among selling subjects (73% of transactions) currently developers have 56% share in the number of transactions. As it can be seen from the above, more people tend to resign from individual purchase of a lot and construction of the house, preferring to purchase real estates in the developer state, to be finished in an individual manner.
Residential estates with single family houses realised during the recent years in communes located close to Krakow: Zielonki, Zabierzów, Michałowice and Mogilany, offered houses for prices close to the average for the given area. Developers ensure modern standard and fencing of the whole residential estate.

Comparison of the turnover, maximal and minimal prices, as well as average price for 1 m² sold by developers, in selected communes of Krakow Poviat in 2009

Commune	Turnover (PLN in 1,000)	Max. price (PLN/m²)	Min. price (PLN/m²)	Average price (PLN/m²)
Czernichów	7,413	3,376	3,240	3,308
Iwanowice	1,380	3,082	1,617	2,324
Kocmyrzów-Luborzyca	7,573	4,509	1,545	3,047
Liszki	2,215	N/A	N/A	2,827
Michałowice	21,754	7,365	2,111	4,527
Mogilany	42,612	7,271	2,253	4,795
Skała	4,680	3,729	1,996	3,104
Wielka Wieś	24,956	5,417	1,750	4,003
Zabierzów	28,183	5,738	2,813	4,167
Zielonki	79,053	7,500	1,967	4,003

Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

Average transaction price, maximal and minimal prices in sale performed by developers in selected communes of Krakow Poviat in 2009

Commune	Average transactions price (PLN)	Maximal price (PLN)	Minimal price (PLN)
Czernichów	463,281	N/A	N/A
Iwanowice	460,000	N/A	N/A
Kocmyrzów-Luborzyca	398,579	N/A	N/A
Liszki	553,750	900,000	400,000
Michałowice	725,133	1,600,000	380,000
Mogilany	926,348	2,427,246	396,000
Skała	425,445	648,500	261,270
Wielka Wieś	594,190	845,000	180,000
Zabierzów	485,914	944,000	100,000
Zielonki	612,814	1,537,000	295,000

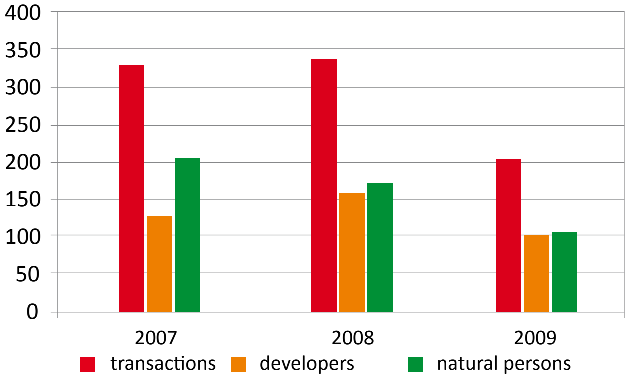
Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

The biggest average prices have been noted in the area of Mogilany, Wielka Wieś, Michałowice and Zielonki communes.

Wieliczka Poviat

The share of developers in the market of single family houses in Wieliczka Poviat increased in 2008 by almost 50%. In 2009 the number of transactions dropped, although the level of developer transactions was maintained on the same level of 50%. For the requirements of the present analysis, the category of developers included all transactions, where various companies and firms constructing premises for sale were the selling party.

Comparison of transactions by developers and natural persons in Wieliczka Poviat between 2007 and 2009



Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

Sales by developers were reported in Wieliczka commune (59 transactions) and Niepołomice commune (39 transactions); while as far as other communes are concerned, only one transaction was concluded.

Turnover in the sale by developers in selected communes of Wieliczka Poviat in 2009

Commune	Turnover (PLN in 1,000)	Average transaction price (PLN)	Average price (PLN/m²)	Max. price (PLN/m²)	Min. price (PLN/m²)	Price max. (PLN in 1,000)	Price min. (PLN in 1,000)
Niepołomice	18,209	466,918	3,377	3,850	1,959	860	265
Wieliczka	31,707	537,421	3,988	5,258	2,083	1,924	255

Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

Prices of houses offered by developers in Wieliczka Poviat were lower than analogous prices in Krakow Poviat in Zielonki, Michałowice, Wielka Wieś or Mogilany, although they were close to prices for houses in Zabierzów and Liszki.
Wieliczka remained a leader in Wieliczka Poviat as far as sale by developers is concerned.

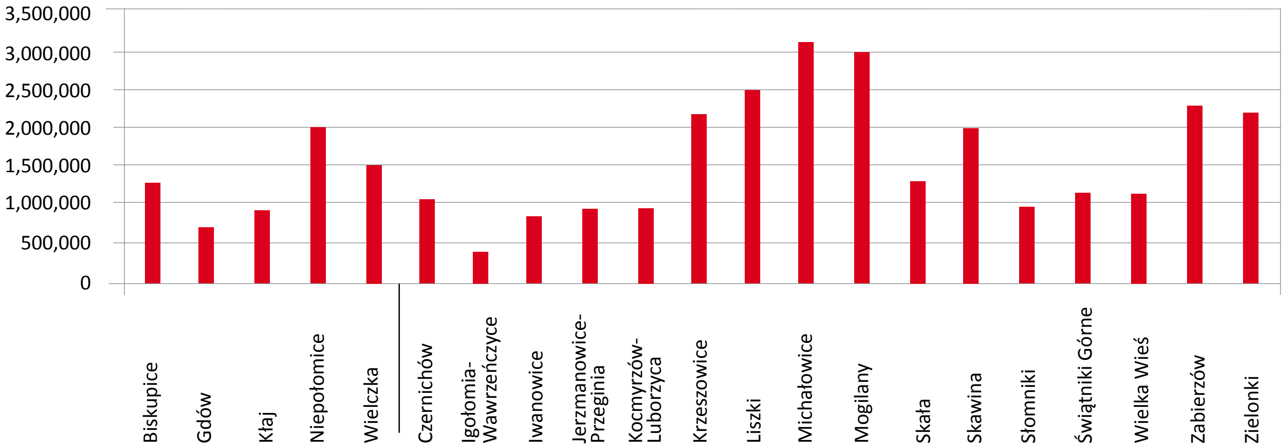
Offers

Analysis of the market offers was elaborated on the basis of the list of transactions placed on one of the Internet portals, which reflects the situation on the market quite well. The offers concerned finished houses, ready for inhabitation and those requiring certain construction works (to be renovated or under construction – open shell and shell building, unfinished stage of completion).

Krakow Poviat

Prices in Krakow Poviat were diverse, and the locations of the real estate were of great significance. The most considerable number of offers concerned buildings in Zielonki, Zabierzów, Michałowice, Wielka Wieś and Mogilany communes. The most expensive offers were noted in Mogilany, whereas the highest offer – PLN 3.17 million – concerned a house in Michałowice with surface of 166 m². Price level related with maximal prices in the given communes shows that these were single offers. Assigning about PLN 450,000 for purchasing a house enabled to find quite a large number of such

Maximal house offer prices in 2009 in Wieliczka Poviat and Krakow Poviat[1] (PLN)



[1] no offers were reported in 2009 in Sułoszowa commune

Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

Average and minimal house offer prices in 2009 in Wieliczka Poviat and Krakow Poviat[1] (PLN)

[1] no offers were reported in 2009 in Sułoszowa commune

Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

offers, although they were usually related with small buildings, requiring additional expenditures. The amount of PLN 700,000 allowed a wide selection of offers. Average price for 1 m^2 ranged between PLN 2,900 and 6,490. The offers concerned houses with surface of about 60 m^2, usually several dozen years old, whose prices for 1 m^2 of usable area were high and posed a significant influence on the average in case, when there were not too many offers in the commune (the highest average price – PLN/1 m^2 – was reported in Jerzmanowice-Przeginia).

Maximal, average and minimal offer prices for 1 m^2 of a house in Krakow Poviat in 2009[1]

Commune	Min. price (PLN)	Average price (PLN)	Max. price (PLN)	Number of offers
Czernichów	1,669	3,106	5,282	24
Igołomia-Wawrzeńczyce	4,200	4,200	4,200	1
Iwanowice	2,269	3,240	7,980	11
Jerzmanowice-Przeginia	3,746	4,690	6,154	54
Kocmyrzów-Luborzyca	1,935	3,295	6,013	25
Krzeszowice	2,000	3,799	6,850	30
Liszki	2,500	4,175	8,929	11
Michałowice	1,101	4,243	19,096	52
Mogilany	1,964	4,194	9,900	44
Skała	1,955	3,049	5,702	13
Skawina	1,043	3,299	7,692	22
Słomniki	2,308	4,343	7,705	4
Świątniki Górne	1,650	2,941	6,111	22
Wielka Wieś	1,905	3,675	5,929	51
Zabierzów	1,043	4,406	8,621	63
Zielonki	1,314	3,965	6,875	89
Average price in the poviat	**1,043**	**3,852**	**19,096**	

[1] no offers were reported in 2009 in Sułoszowa commune

Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

Wieliczka Poviat

As far as Wieliczka Poviat is concerned, the greatest amount of offers concerned houses in Wieliczka commune and Niepołomice commune.

Maximal, average and minimal offer prices for 1 m^2 of a house in Wieliczka Poviat in 2009

Commune	Min. price (PLN)	Average price (PLN)	Max. price (PLN)	Number of offers
Biskupice	2,099	3,227	5,962	13
Gdów	2,230	2,230	4,063	5
Kłaj	1,831	3,334	4,400	6
Niepołomice	1,043	3,159	6,250	51
Wieliczka	667	3,576	7,667	110

Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

Currently, there are about 110 offers for single family houses in Wieliczka commune. It is necessary to spend about PLN 540,000 to buy a house within the area of this commune. In case of five offers the price exceeded PLN 1 million. The lowest prices were related with houses – shell buildings, in the most peripheral location. The average offer price in Wieliczka commune, per 1m^2 usually ranged between PLN 3,400 – 3,500, whereas in case of the most expensive location the price exceeded PLN 7,000. In Wieliczka itself the average price of a house equalled almost PLN 600,000, and the price for 1 m^2 – about PLN 4,000.

Niepołomice commune stands as the second most important area of the real estate market within the area of Wieliczka Poviat. There were 51 single family houses offered in this commune. Average offer prices for the whole commune ranged between PLN 415-492,000, and in the city of Niepołomice – between PLN 500-571,000. In case of realised investments, it might have been necessary to spend even PLN 2 million for a real estate (more than PLN 5 000/m^2), but it was also possible

to find offers oscillating about PLN 300-500,000, and a price exceeding PLN 1 million was related with only three offers. Average prices for 1 m^2 equalled about PLN 3,000, and the highest one exceeded PLN 6,000.

13 offers were noted within the area of Biskupice commune. Prices ranged between PLN 320, 000 and PLN 1,250,000, with the average price of PLN 507,000. The price for 1 m^2 ranged between PLN 2,100 and 5,960, while the average – about PLN 3,000.

In Gdów commune only 5 offers were reported, and the price for 1 m^2 equalled about PLN 3,000. Offered prices of houses were quite diverse: the most expensive house was offered for PLN 650,000, while the average price equalled PLN 414,000.
Simultaneously in Kłaj commune 6 offers were proposed, and prices ranged between PLN 179 and 880,000, and the average price equalled about PLN 440,000, while 1 m^2 cost about PLN 3,500.
Analysis of the offers indicated price stabilisation tendency. Number of offers and the long period of time when they were present on advertisement portals proved the prevalence of supply over the demand. The offer analysed real estates offered on the market in 2009.

Development tendencies

Taking into consideration the difficult economic situation on the real estate market, caused mainly by the limitation in credit accessibility, the situation within the segment of single family houses is good. In Krakow Poviat the number of transactions was maintained, and transaction prices did not decrease. In Wieliczka Poviat drops were observed both in the number of transactions, as well as sale volume, whereas these drops varied in different communes. News about improvement in bank credit offer should cause an increase in the demand for this kind of real estates. Positive signals from the housing market may encourage selling apartments in order to move into a single family house near Krakow. In the nearest future we can expect that the time of exposure on the market (interval between placing the offer and the moment of selling) shall shorten. Real estates located within 25 km from Krakow are most popular, although real estates in further locations and for good prices are also sought for, and this situation shall probably remain unchanged. Terraced houses and semi-detached houses, constructed by developers, who are becoming the basic member of the market, will gain an increasing percentage in the market offer.

In 2010 we can expect a slight increase on the market of real estates developed with single family houses – this shall concern both the average price of the whole property, as well as the average price for 1 m^2 of the house.

Summary

- In 2009 the average single transaction price stabilised, both in Krakow Poviat as well as in Wieliczka Poviat.
- The biggest number of transactions concerning single family houses were concluded in communes, where prices of such properties were the highest ones.
- We observed an increase in prices within communes of Krakow Poviat, which have recently been underestimated, however, we have noted a cease or even drop in prices within communes, where transaction prices have been the highest prices until now.
- Constructions erected by developers play a more significant role in shaping the market of single family houses within communes neighbouring with Krakow. During the last years organised residential house estates have been realised around Krakow. Prices within these estates are comparable with average prices on the local market or are slightly higher. These prices relate to shell units.

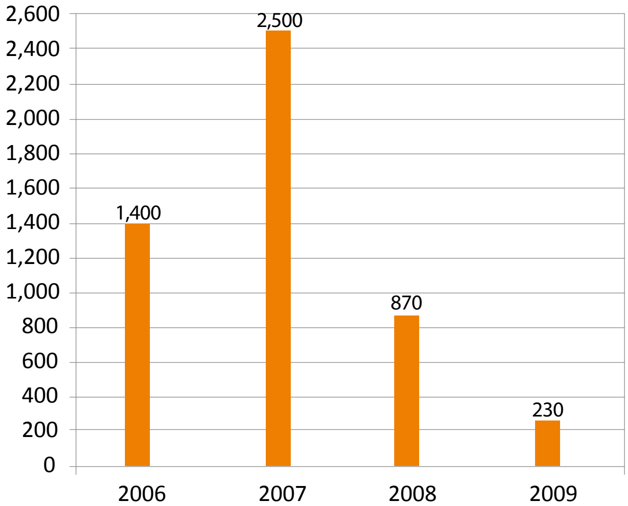
IV. Lands

IV. 1. Lands in Krakow

The year 2009 brought further decrease in the number of transactions in Krakow and fall in the turnover value. In the record breaking year 2007 the value resulting from realised transactions concerning land properties equalled about PLN 2.5 billion, with turnover size reaching the level of about 1,800 transactions. In 2008 we reported about 900 transactions and turnover amounting to PLN 870 million. Initial data reveal that about 500 transactions were concluded in 2009, with very low turnover value equalling PLN 230 million. During the last two years we have faced a 90% drop in the turnover value. It is worthless to search for transactions amounting to several dozen million PLN or of higher amount. We have noted only several transactions concerning the sale of grounds with value exceeding PLN 10 million. The number of transactions related with large areas of land was also a symptom of recession on the market – only about 10 transactions with area of at least 1 ha, and only several transactions concerned building lots.

Between the year 2006 and 2007, transactions, which gained significance were those relating large area grounds with buildings to be demolished, perceiving the real estates as investment areas. There was only a scarce number of such transactions in the year 2009, and the area after Fixtures plant by Zakopiańska Street with area of more than 6 ha was the only exception, sold for PLN 76 million (almost PLN 1,200/m^2). One may risk a statement that in 2009 the market of investment areas practically did not exist.

Turnover on land market in Krakow[1] (PLN million)



[1] data do not include lands purchased by the Commune and the Treasury in relation with the realisation of investment in road infrastructure and contributions between various entities, for the year 2009 (initial estimated data)

Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

Number of transactions on the land market[1]

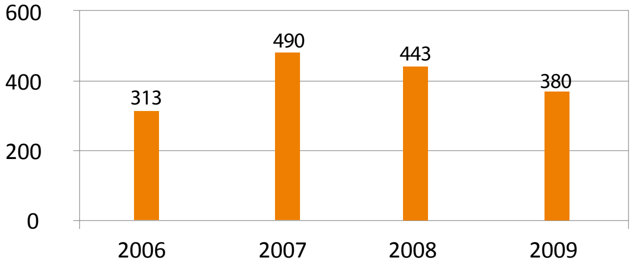
Year	Number of transactions
2006	1,600
2007	1,800
2008	900
2009	500

[1] data do not include lands purchased by the Commune and the Treasury in relation with the realisation of investment in road infrastructure and contributions between various entities, for the year 2009 (initial estimated data)

Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

In 2009 the average price of investment lands (for multifamily housing development) dropped, in comparison to high results in 2007, by about 30-40%. In relation to prices of all building lots, the drop in prices is smaller, due to the segment of building lots for single family development.

The average price for 1m² of the building land in Krakow[1] (PLN)



[1] data do not include lands purchased by the Commune and the Treasury in relation with the realisation of investment in road infrastructure and contributions between various entities, for the year 2009 (initial estimated data)

Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

Because of the crisis within the market of the investment lands, the biggest percentage in the land turnover, similarly to recent years, belonged to single family housing development. Their share in the year 2009 increased to about 75% of all transactions concerning building lands.

Taking into consideration the value of transactions within this segment, in comparison to the year 2008, when the biggest share of turnover belonged to lots for housing development of high and low density (by about 40%) – in 2009 the share of multifamily housing lots dropped to about 13%. Nonetheless, the valued share of grounds under commercial development increased to about 40%, due to the transaction concerning the land by Zakopiańska street, of which mention has been made above. The share of grounds for single family development remained on the level comparable to the year 2008 – about 40%. The remaining 7% of share in the turnover on the real estate market belonged to lots anticipated for public green areas, agricultural and industrial premises.

In the second half of the year 2008 the market faced a status of hibernation. In 2009 this trend tended to continue, which can be seen in low turnover, especially within the scope of investment lands. Capital owners could choose among numerous offers on the sale of grounds for multifamily development.
As far as the crisis on the market of lands for multifamily development is concerned, it is hard to talk about average prices. Basing on a very low number of transactions we can only estimate the price segment of the market.

Prices of grounds for multifamily development in 2009

Krowodrza	400 - 3,300 PLN/m²
Nowa Huta	200 - 800 PLN/m²
Podgórze	200 - 3,300 PLN/m²
Śródmieście	600 - 3,400 PLN/m²

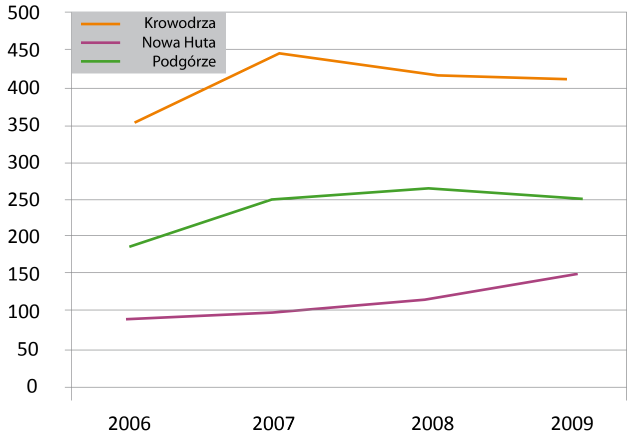
Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

Market of lots aimed for single family building was the only light point of the year 2009. As far as Krowodrza is concerned, a district, which is attractive within this aspect, the average price did not change and equalled about PLN 420/m². However, it is worth mentioning that the number of transactions was quite small. Unchangeably, the highest prices for a lot under low intensity development were located in Wola Justowska.

In Podgórze, areas near Monte Cassino Street (PLN 1,000-2,500/m²) and closed buildings in Podgórze district (PLN 2,500-3,300/m²) reached the highest prices.

Most land transactions were concluded in Podgórze (almost 60%). Average price dropped slightly: from PLN 270/m² to about PLN 260/m². The turnover covered mainly housing estates in Skotniki, Kostrze, Tyniec and Kliny. Respectively large number of transactions concerned Bieżanów-Prokocim district. Dębniki and Zakrzówek remained to be the most attractive and expensive locations, with prices ranging between PLN 500 and PLN 1,200/m². In Śródmieście land transactions have completely vanished.
Nowa Huta may stand as a surprise, as the average price in this district increased (by about 10%), due to drop in the number of cheap transactions and maintenance of relatively big number of transactions in Wzgórza Krzesławickie district, on Krzesławice and Łęg estates. Transaction prices oscillated between PLN 150-300/m².

Average prices of lots anticipated for single family building in Krakow (PLN/m²)



Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

The number of transactions within the market of commercial lots was small, and concerned lands of average market values. Transactions in Krowodrza and Śródmieście came to a standstill.

What concerns the market of industrial lots (PS), which occur mainly in Podgórze and Nowa Huta, the price level in main industrial areas of these districts showed the following tendency: in Podgórze the prices ranged between PLN 80 and PLN 270/m², with price exception of PLN 400/m², while in Nowa Huta transaction prices amounted to PLN 80-200/m². Łęg face a standstill in transactions, whereas areas in Branice have been "discovered".

Summary

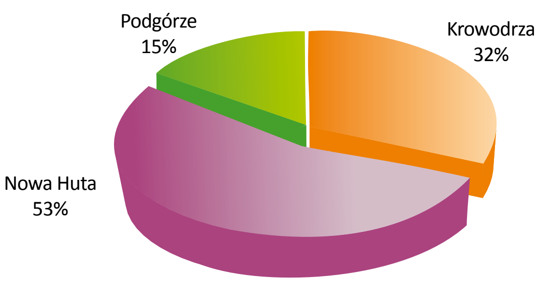
- In general, the land market in Krakow in 2009 was distinguished by a significant drop in values of transactions. Significant transactions and real demand have vanished. The market within the segment of investment lands faced a crisis.
- Land market for single family development was stabilised.
- In 2009 the situation within the segment of investment lots was very bad. Certain activity and symptoms of improvement have been observed at the beginning of the year 2010.

Green areas

Urban green areas in Krakow constitute less than 9% of the whole area of the city, including: more than 1,400 ha of forests, about 425 ha of parks, more than 100 ha of cemetery greenery and nearly 1,000 ha of other kinds of greenery (allotment gardens, fort greenery, bushes and thickets, greenery close to watercourse and water reservoirs, street greenery). What is more, about 3,500 ha of lands stands as a reserve – undeveloped greenery – in the form of the so-called wastelands, as well as meadows and fields. Altogether they constitute about 20% of the area of the city, which may be perceived as green areas. Due to green reservoirs, Krakow may develop as a city friendly for citizens and tourists. Neighbouring green areas in the place of residence or work result in better well-being of people, create prestige of the surroundings, the district, and creates the value of the whole city. Closeness of green areas on developed areas results in an increase in the value of developed real estates. Regardless of the form of ownership, green areas are a wealth, which is used by majority of the society free of charge.

Sale and purchase of such properties is extremely rare. In 2009, according to the data from three first quarters, 17 sale contracts of green areas were observed, including the following districts: Śródmieście – 0, Krowodrza – 4, Nowa Huta – 7, Podgórze – 6. The overall area of sold real estates equalled 6 ha 42 a 54 m^2, and the overall turnover amounted to more than PLN 2.5 million. Nowa Huta had the biggest share in the area of sold green areas.

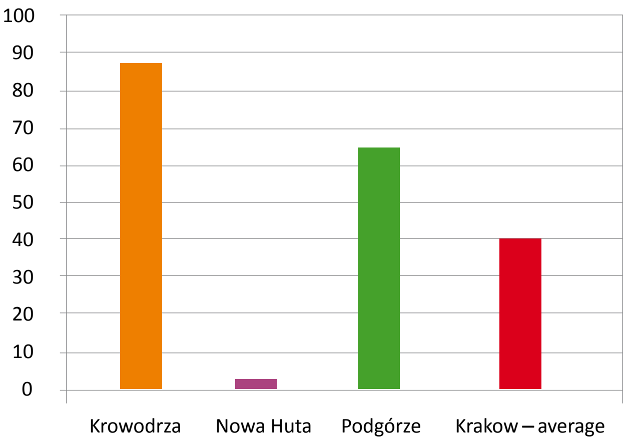
Percentage of districts in the area of sold green areas in Krakow in 2009



Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

The average price of green areas in Krakow equalled almost PLN 40/m^2. This was a respectively low price, caused by significant share in the sale of cheap real estates, located on the outskirts of Nowa Huta, within the protective zone of industrial plants, and between banks of the Vistula River and its rampart.

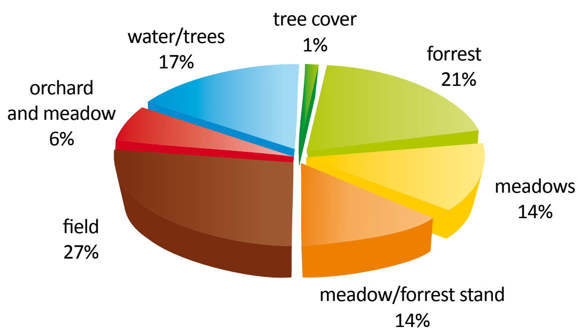
Average prices of sold green areas in Krakow in 2009



Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

Significantly higher prices were observed in Podgórze, as they equalled about PLN 65/m^2 of the land, which was mainly influenced by transactions with participation of Krakow City Commune – purchaser of the areas for the realisation of public park near Aleksandra Street. The highest average price was reported in Krowodrza, and it equalled as much as PLN 90/m^2. This was mainly influenced by sale of wooded lot in the centre of housing estate within the area of Młynówka Królewska Park, and an extreme rarity – sale of over 1 ha of the forest close to the road close to Las Wolski, by the road leading to the ZOO. Apart from the forest, sold properties included such wastelands as: arable fields, meadows, waters, orchards and tree covers.

Percentage of lands within the areas of sold properties



Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

All transactions used in calculations concern the properties anticipated in the municipal development plan or in the study concerning conditions of land development trends in Krakow related with greenery, forest or agricultural lands without the right to be developed.

IV. 2. Grounds within the suburban area

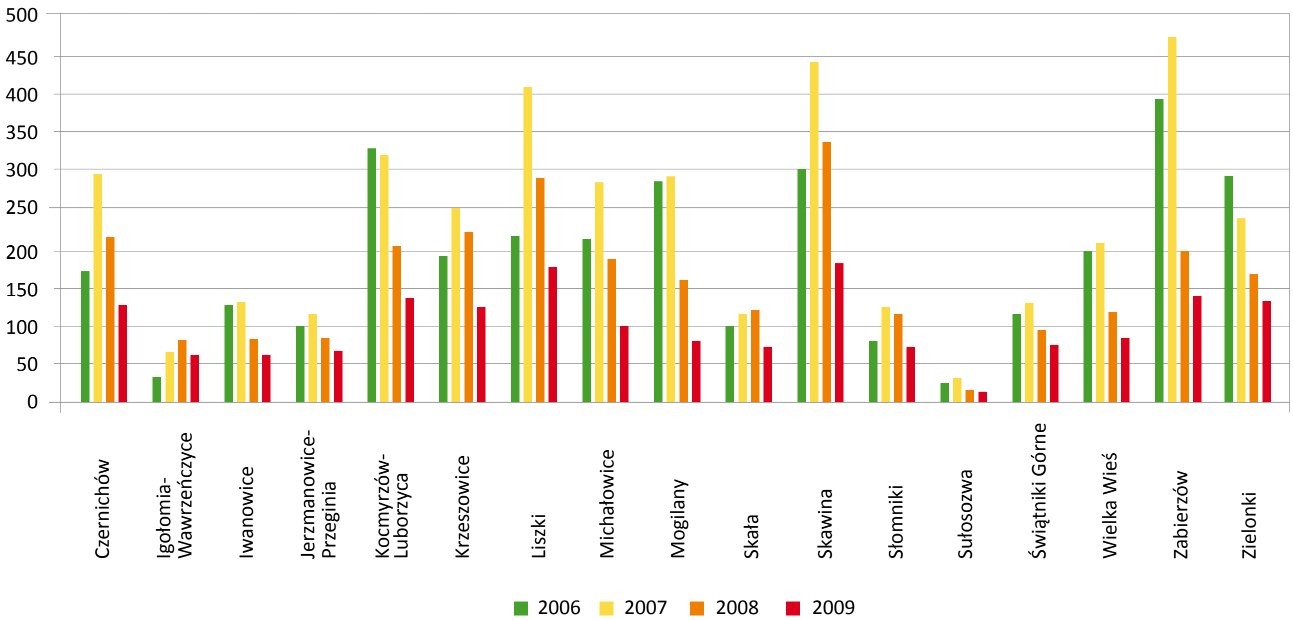
According to prognosis, the year 2009 was characterised by a small activity on the real estate market. For the first time from many years the market has faced drops in prices. During the last months downwards trend was particularly clear within the sector of real estates not related with building industry, which include agriculture lands, green areas and areas of ecologic value. This segment of the market played a significant role during the initial phase of boom, when in case of quite low level of capital engaged for a dozen or so months it was possible to obtain multiple profits. This situation was related with enormous demand for more and more expensive building areas, as well as expansion of investments into suburban areas located far from Krakow, which encouraged investors to speculative location of the capital in lands.

In the first place the crisis within the real estate market, caused by paralysis of the banking sector, was felt in the housing segment, nevertheless, its repercussions significantly ceased all speculative activities within the whole real estate market. As a consequence, agricultural lands within the area of communes with the highest level of urbanisation, purchased for speculative aims, faced the most significant drop.

The market of lands aimed for housing, single family, industrial and commercial development opposed to critical situation for the longest period of time, probably because of the fact that individual investors and small enterprises constituted a significant amount of investors within this segment, purchasing lands with the aim to realise investments for one's own needs. During the last months, despite the more frequently occurring decreases in prices, a significant growth in prices was observed in certain communes.

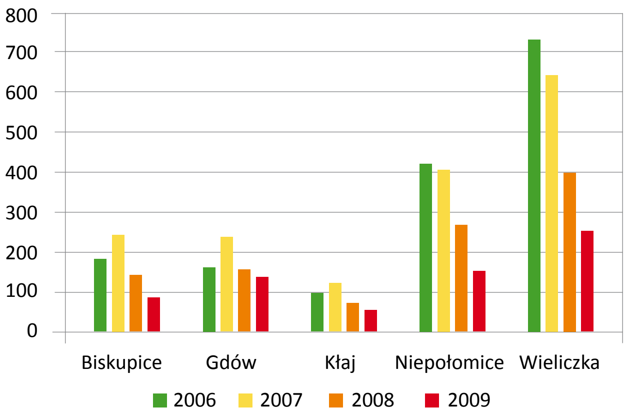
Transaction volume in majority of communes within the area of Krakow Poviat dropped below the level from the year 2006. Similar situation was observed in Wieliczka Poviat. The most significant stagnation of the market was observed in communes, which were characterised by the most significant activity during the economic situation.

Number of land transactions in Krakow Poviat between 2006 and 2009



Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

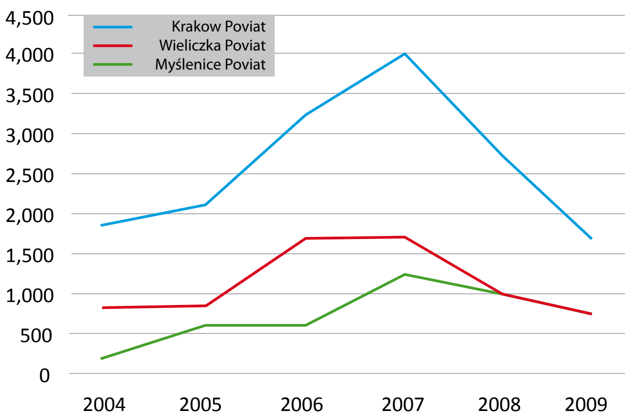
Number of land transactions in Wieliczka Poviat between 2006 and 2009



Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

Number of transactions was almost two times smaller during the years 2006 and 2007 in Krakow Poviat, which was an extremely active area. Activity in Wieliczka Poviat suffered slightly less in the face of crisis, and the decrease in Myślenice Poviat was even smaller. This situation is a result of great activity during the boom, considerably reduced at the time of current developer activity within the area of Krakow Poviat and small activity of developers in Myślenice Poviat. The decrease in the purchasing capacity of investors caused a reduction in interest relating the most expensive areas.

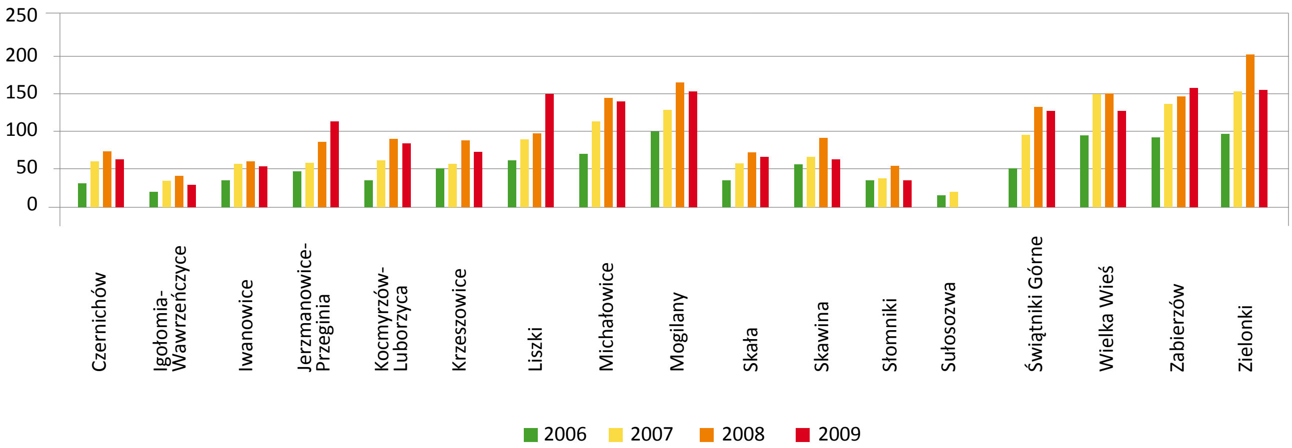
Number of land transactions in Krakow suburban zone between 2004 and 2009



Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

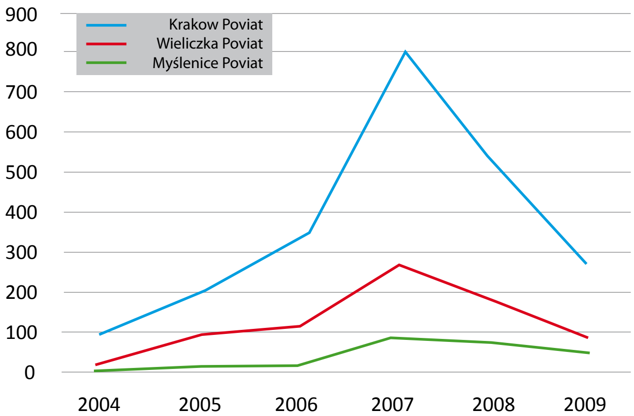
Following the number of transactions, turnovers in all Poviats also dropped, whereas the greatest decrease in turnover was reported in Krakow Poviat, and the least significant fluctuations – in Myślenice Poviat.

Average prices of lands aimed for housing building in the suburban zone between 2006 and 2009 (PLN/m²)



Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

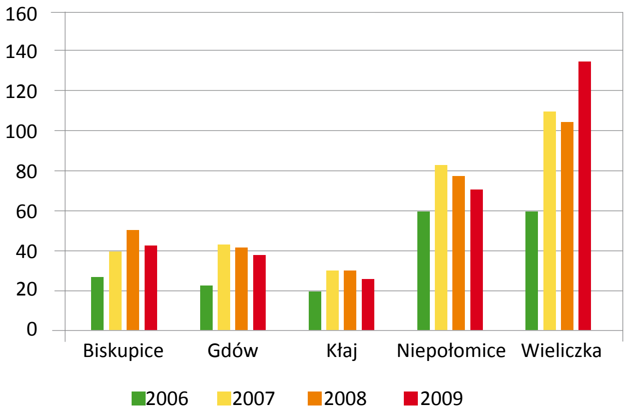
Turnover in land transactions in Krakow suburban zone between 2004 and 2009 (PLN million)



Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

Despite such a significant decrease in the number of transactions during the last two years, the average level of prices of building lands was still quite high. In Krakow Poviat the most considerable reductions in prices, reaching up to 30%, were observed in typically agricultural communes - Igołomia-Wawrzeńczyce and Słomniki. The positive trend was maintained within the premises of Jerzmanowice-Przeginia (38%), Liszki (55%) and Zabierzów (7%) communes. Regardless of the drops, the average prices in majority of communes were maintained above the level from the year 2007.

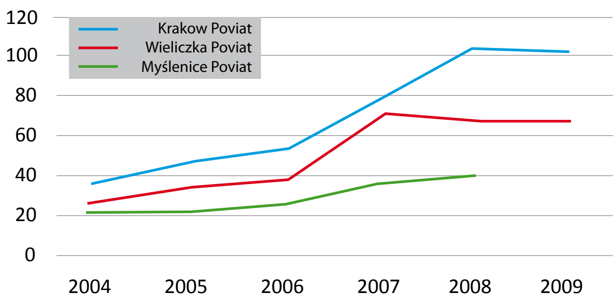
Average prices of lands anticipated for housing estates in Wieliczka Poviat (PLN/m²)



Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

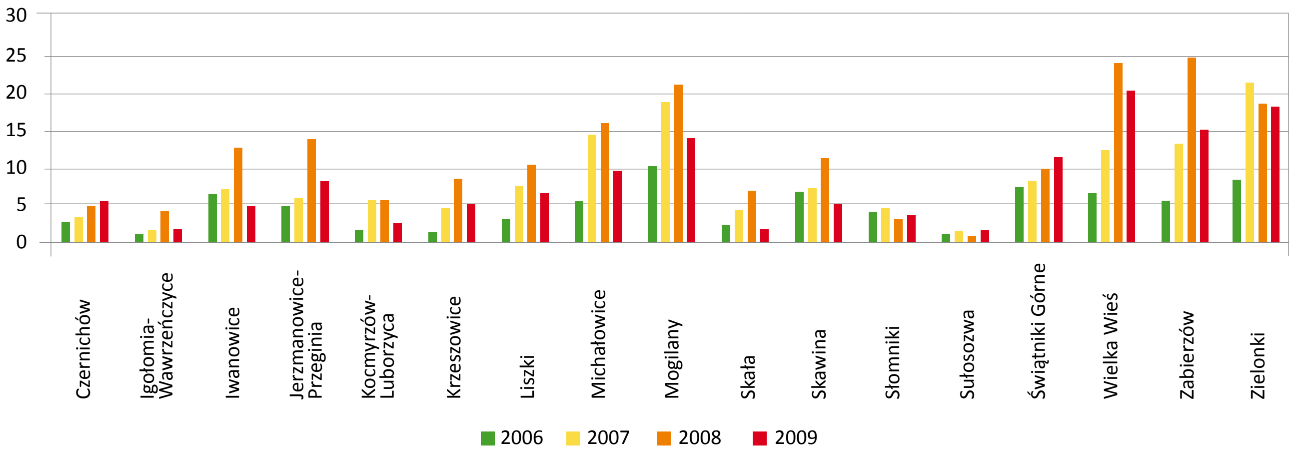
In case of Wieliczka Poviat prices increased only in Wieliczka commune, whereas, in the remaining communes slight drops were observed.

Average price of lands anticipated for housing estates in communes (PLN/m²)



Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

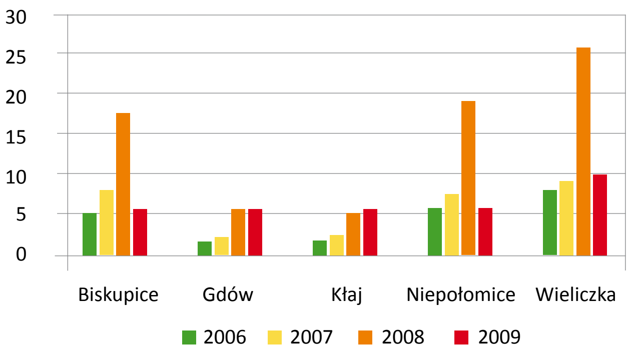
Average prices of agricultural lands and green lands in Krakow Poviat (PLN/m²)



Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

Average prices of lands within agricultural and green areas decreased almost in all Krakow suburban communes. Particularly clear drops, after quite an intensive increase in the year 2008, were noted within the premises of Wieliczka Poviat, however, only in two communes (Biskupice and Niepołomice) prices reached the level from before the year 2007. In Krakow Poviat the drop below the level from the year 2007 was observed in as much as seven communes.

Average prices of agricultural lands and green lands in Wieliczka Poviat (PLN/m²)



Source: Institute of Analysis, The Real Estate Market Monitor mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

Lands anticipated for commercial and industrial purposes, located close to airports (Balice, Cholerzyn) were most resistant to crisis, which considerably increased the average level of prices within the area of Zabierzów and Liszki communes, where the enhancement equalled respectively 64% and 17%. Prices of commercial lands in Wieliczka and those located close to national road no. 4 also increased significantly the average price in the area of Wieliczka Poviat by 55% in relation to 2008.

Summary

- In 2009 the number of transactions grew, especially within the most expensive communes.
- Lands located within agricultural lands, green areas and grounds of ecological meaning faced the most considerable drop in prices.
- The most significant price raises were noted in proximity of Balice airport.

Prognosis

It is currently difficult to evaluate the situation on the market of lands within the metropolitan area of Krakow, as phenomena observed during last months cannot be interpreted in an unequivocal manner. Two scenarios seem highly probable. According to the first one, based on an assumption that the economic crisis has not ended yet, one may assume further decrease in prices, as the slowly reacting land market only enters the recession phase. The optimistic variant assumes that the crisis has ended, which would mean a stabilisation of land prices on the current level, since in face of quite a slow reaction of the market concerning undeveloped ground real estates to the economic situation, one should not expect distinct rise in prices.

fot. Krystian Szmit

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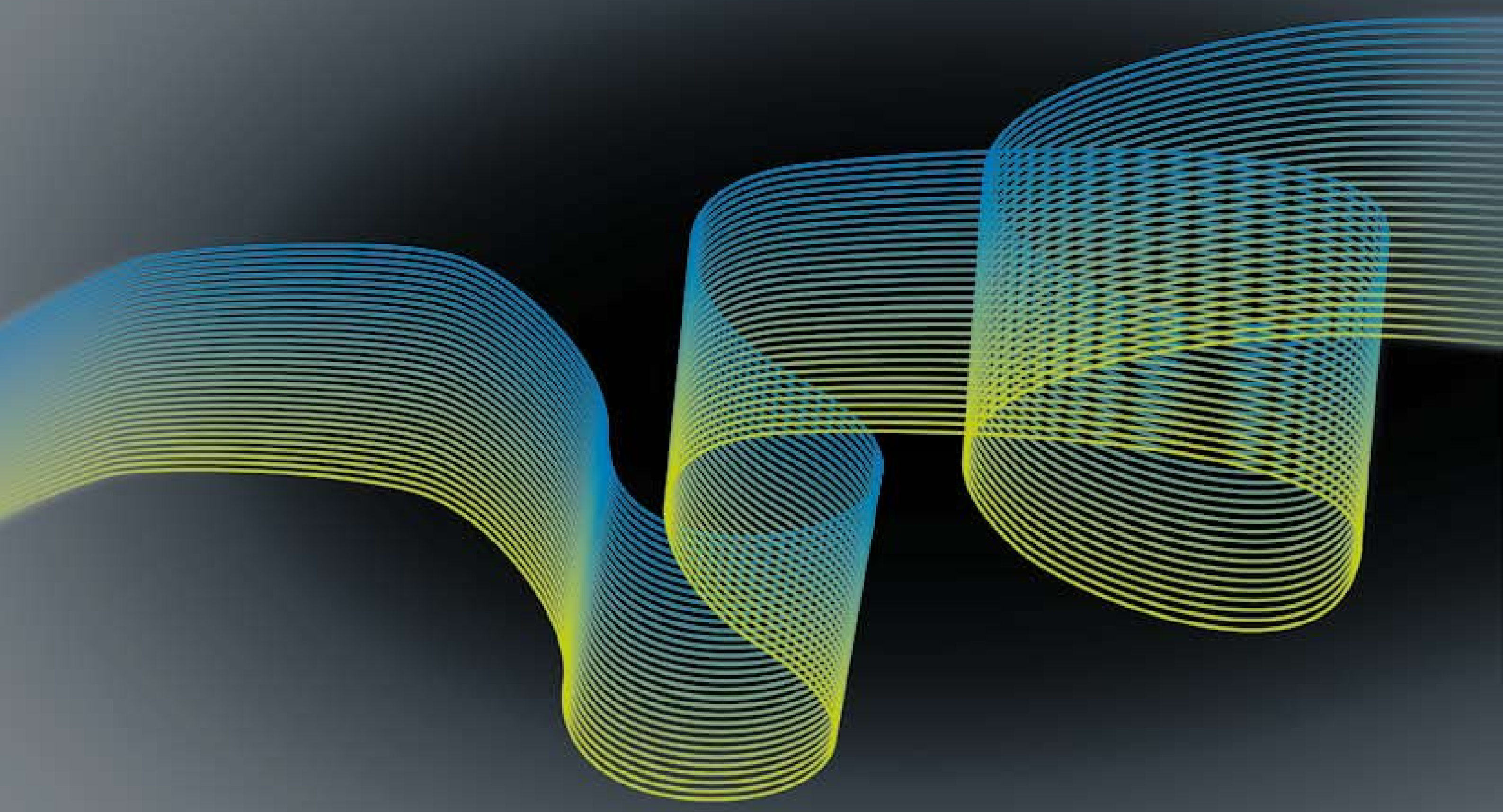

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