Krakow Real Estate Market 2008

> retail spaces
> housing market
> lands

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Prices in the report are quoted in PLN or EUR, depending on the transaction; often one of the currencies is referred to as the basis for defining the value.
Average currency exchange rates are published every day on the website of the National Bank of Poland (http://www.nbp.pl).

Measures

Used In Poland
1 ar = 100 sqm = 0.01 hectare (ha)
1 hectare = 10 000 sqm = 100 ars (ar)

Used in English speaking countries
1 acre (UK) = 40.47 ars (ar) = 0.40 hectare (ha)

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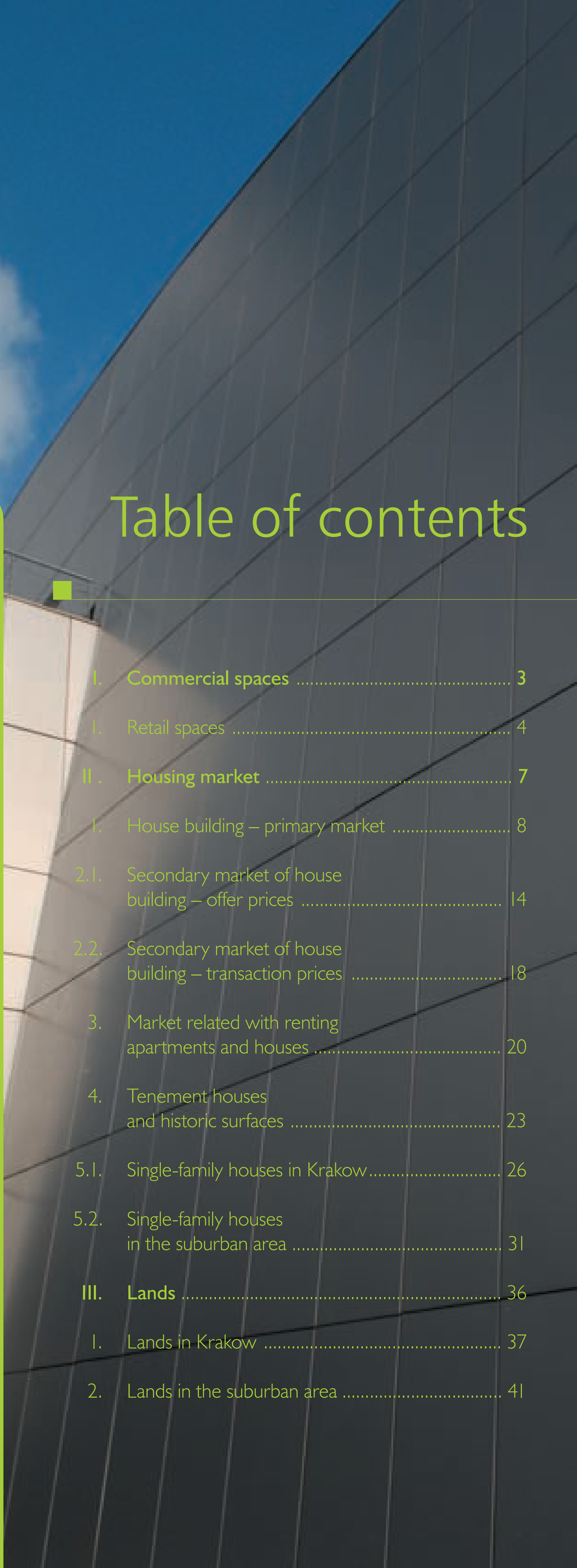

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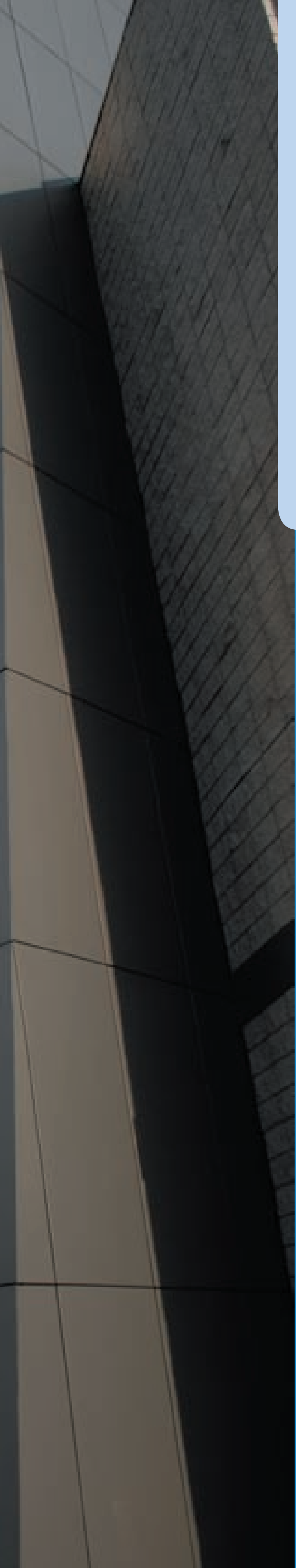


Dear Sir/Madam,

I am pleased to present you our latest publication „Krakow Real Estate Market 2008 – retail spaces, housing market, lands” showing changes that have recently taken place in the Krakow real estate market. I am convinced that this report will constitute a helpful tool providing plenty of useful information to all persons interested in the economic development of Krakow and its investment opportunities.

Together with the publishing house’s partners, Institute of Analysis, The Real Estate Market Monitor MRN.pl, National Real Estate Market KRN.pl and Krakow Residential Service DOMINIUM.pl, we made all possible efforts to collect proven and reliable data for you in one publication, which allows further and profound analysis of the real estate market and lets us answer the following question: is the Krakow real estate market going to face a slowdown, recession or maybe a crisis?

I strongly believe that reading our report will give you an opportunity to broaden your knowledge about Krakow and become a favourable premise of economic activity of our market, to which I sincerely invite you.

Monika Piątkowska
Director of City Strategy and Development Department
The Municipality of Krakow

I.

Commercial spaces

1. Retail spaces

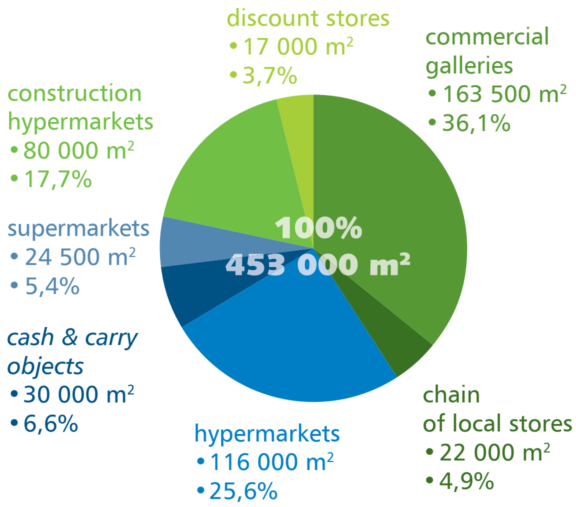
The retail space market in Krakow noted a slow, yet systematic increase of modern spaces within the period of the last several years. At the end of the year 2008 the entire retail space obtained the level of 453 000 m^2. More than 500 m^2 of retail space were accrued to 1 000 inhabitants, which reflected the average in large Polish cities. In 2008 a new grocery discount store and two new large markets, with the overall area of 8 000 m^2 were opened – Decathlon sports market at Al. Pokoju, Kaufland supermarket on a new housing estate at Norymberska Street and Lidl grocery discount store at Kobierzyńska Street.

Due to the type of stores and space, the market can be divided into the following segments:

- Shopping centres:
  - Galeria Krakowska – about 60 000 m^2 of retail space with almost 270 shops,
  - Galeria Kazimierz – retail and recreational space covering altogether more than 36 000 m^2, including Multikino Cinema,
  - Krakow Plaza – over 40 000 m^2 with 150 shops and boutiques, cinema with 9 projection rooms and IMAX screen, bowling, disco and billiard room,
  - Galeria Solvay Park – the latest retail space covering 23 500 m^2,
  - Galleries: M1, Czyżyny and Krokus established around hypermarkets.
- Grocery hypermarkets: Carrefour (3), Tesco (2), Kaufland, Real (2).
- Construction and furniture hypermarkets: Castorama (3), Obi (2), Praktiker, Leroy Merlin (2, including one just outside Krakow), Ikea.
- Cash and carry objects: Makro Cash&Carry, Selgros.
- Supermarkets: Tesco, Champion, Elea, Alma.
- Discount stores: Biedronka, Lidl.
- Chain of local stores: Polomarket, Aldi, Avita, Spar, Jubilat, Lewiatan, Żabka, Kefirek.
- Stores located along the main streets in the city centre.
- Remaining scattered retail spaces.

Chart I.1.

Modern commercial space in Krakow



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

During recent years we have observed stagnation in the development of hypermarkets. Hypermarkets in Krakow have been connected with commercial galleries, creating trans-district retail shopping centres, such as CH Zakopianka, CH M1, CH Krokus, CH Czyżyny.

Whereas within the market of supermarkets two large markets were erected in Krakow city centre and located on ground floors of residential buildings or in local shopping centres (Carrefour – Lea and Bobrzyńskiego Streets, Łokietka Street, Alma – Kościuszki Street). Detached facilities constructed with the use of light construction (Elea, Kaufland and Decathlon) were erected in the suburban residential districts and on lots cheaper than those located in the city centre.

The market of discount stores, characterised with limited assortment of goods in relatively low prices, has underwent significant changes, considering the increase of customer expectations towards the service quality and choice of articles. Differences between supermarkets and discount stores began to fade away. The above-mentioned tendencies were particularly visible in case of Biedronka chain, which successively modernised its stores. Large area delicatessens, characteristic for bigger urban agglomerations, have appeared in Krakow – Bomi and Alma, offering exclusive goods, quite often not available in traditional markets. The Alma Market Company was the first one to open such a shop in 2005 in Galeria Kazimierz.

Local chain stores still maintained their strong position on the retail real estate market. Numerous commercial objects were created on the base of grocery stores existing in the 80s of the 20th century, f. ex. the ABC chain was taken over by the Polo Market chain. Recently several stores were established in adjusted facilities of different former functions – Kefirek and Żabka stores are a good example of the above situation.

The division of retail space into commercial galleries and hypermarkets has been recently faded due to increase of the space within galleries, which has been partially rented by construction hypermarkets (Leroy Merlin in CH Czyżyny) and supermarkets (Carrefour in Galeria Plaza and Galeria Krakowska). Krakow also offers retail spaces in adapted historic tenement houses arranged to play commercial functions (The main Market Square 13, Dom Handlowy Centrum corner of Anna and Wiślna Streets, Herbewo at Al. Słowackiego).

Due to limitations in the development of retail chains the market faced a polarization manifested mainly in seizure of chains, which decided to reduce or liquidate their activity on the local and national market. Seizures of Albert stores by Carrefour chain, ABC by Polo Market, Julius Meinl and Leader Price by Tesco constituted examples of this process on Krakow market. Krakow real estate market still displays a deficiency in commercial facilities, as almost all chain commercial companies present in Poland constructed or planned new investments in the year 2008:

- TriGránit realised a construction of commercial-recreational centre with the area of more than 100 000 m^2 and Auchan hypermarket within the premises of the former "Bonarka" Chemical Plant. The investment is anticipated to be finished by the end of the year 2009,
- Neinver prepared a construction of a commercial centre near the A-4 motorway, with the area of 15 000 m^2,
- Mayland obtained a building permit for the erection of the Serenada commercial-recreational centre with the area

of 40 000 m^2 at Dobrego Pasterza Street and its opening is planned for the end of 2009, although the construction has not started yet. Average rent rates observed on the real estate market in 2008 have not changed, and similar to the year 2007 the demand for retail spaces for rent was maintained. In the second half of 2008 changes in the global economy caused a sudden, about 50%, drop in the PLN course in relation to EUR and USD. Consequently, the situation of lessees, who according to previously concluded agreements paid the rent settled in EUR, worsened. This may result in renegotiations of lease conditions or release of some part of the retail space by leaseholders, for which the rent in EUR, still attractive in the middle of the year 2008, was unacceptable at the end of the year.

Table I.1.

Recorded rent rates for the lease of retail spaces in Krakow in 2008

Large area delicatessen	40 PLN/m^2 + 7-8 PLN service	
Supermarkets	from 30 PLN/m^2 (lease of spaces in a building shell) do 54 PLN/m^2 (lease of turnkey spaces)	
Discount stores	25-35 PLN/m^2	
Local stores	20-30 PLN/m^2	
Stores in the commercial galleries	small commercial galleries located near supermarkets	70 PLN/m^2 to 130 PLN/m^2
	renowned commercial galleries	80-200 PLN/m^2
Stores located near main footpaths within the Old City District (Floriańska, Szewska, Grodzka)	150-400 PLN/m^2	
Stores by the main streets in the centre (Karmelicka, Zwierzyniecka, Długa, Starowiślna, Stradomska, Krakowska)	80-200 PLN/m^2	

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

Summary

The following trends have been observed within the Krakow real estate market in the year 2008:

- development of large shopping centres,
- development of delicatessen type of stores,
- limited growth in the number of detached commercial facilities, such as supermarkets,
- limited growth in the number of hypermarkets.

Perspectives concerning the development of commercial facilities in Krakow shall cover:

- finishing the realisation of Bonarka commercial centre,
- development of delicatessen stores,
- development of small shops, related in a form to delicatessen stores located on the ground floors of buildings,
- development of small local shops,
- limitations in the development of large- and medium area commercial facilities,
- easier access to attractive grounds anticipated for the erection of commercial objects than during previous years, due to stoppage in housing investments,
- differentiation of rent rates depending on the attractiveness of location,
- tendency to lower the rent rates in EUR due to PLN depreciation and the crisis in global and national economy.

II.

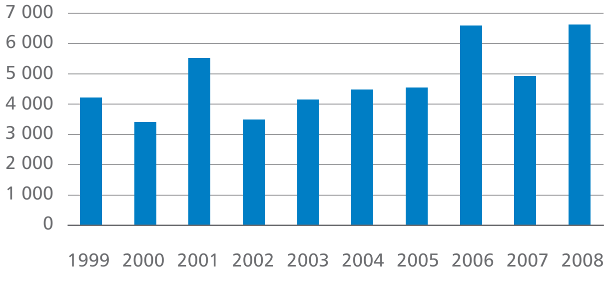
Housing market

1. House building – primary market

As it is stated by the Statistical Office, 6 621 apartments were given to use in 2008 in Krakow. It is worth mentioning that during last three years the average number of apartments given to use in Krakow exceeded 6 050 premises. Altogether, since 1999 – 47 940 apartments were given in Krakow, which is about 15% of the current housing resources of the city.

Chart II.1.

Number of apartments given to use in Krakow in 1999-2008



Source: Statistical Office in Krakow

The good result of house building during recent years is an outcome of a dynamic development of the market after joining the EU. Significant demand generated by the local purchasers and investors from other cities and from abroad was evoked by perspective related with the growth of prices and attractive offers of mortgage loans. After initial period of low supply, resulting from the increased activity of investors and rationalisation of administrative procedures, from the middle of 2007 a change of trend was observed, firstly signifying the balance of supply and demand, and then surplus as far as the apartments offered in 2008 are concerned.
Currently, there are only three types of building in Krakow:

- individual building – covering almost 11% of share in building results. This segment observed almost 19% increase in comparison to the year 2007,
- building apartments for sale or rent – possessing almost 86% of share in building results. Over 34% growth dynamics was obtained within this segment, when compared to the year 2007,
- building communal flats – covering over 3% of share in building results. Within this segment the number of apartments given to use was 160% higher than the amount given in 2007.

In the last years no cooperative flats, social and rental, and company flats were constructed in Krakow, as the market is dominated by commercial principles concerning the realisation and sale of apartments.

Table II.1.

Number of flats realised in 2008, according to the type of building

Type of building	Number of realised flats
Individual building	713
Apartments for sale or rent	5 674
Communal flats	234

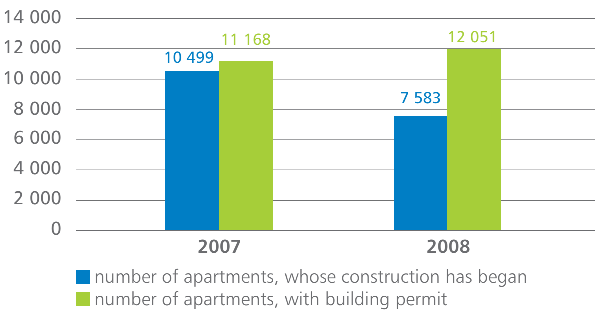
Source: Statistical Office in Krakow

The average surface of apartments realised in 2008 decreased by 5,6 m^2. Comparing to the previous year, the apartments (houses), whose surface decreased the most, were the ones realised within the scope of individual building. In 2008 the average surface of such flats equalled 123,5 m^2 and was 10,8 m^2 smaller when compared with the year 2007. Within the segment of apartments constructed for sale and for rent the average surface of realised flats equalled 57,5 m^2 and was respectively 3,5 m^2 smaller. As far as communal flats are concerned, a decrease of average surface by 1,4 m^2 – the typical apartment in this category had 42,6 m^2. The reduction related with standard surface of the realised apartments is a derivative of increase concerning the flat realisation costs and sale prices since 2004.
Forecast of potential building results in the following periods can be based on the data concerning the number of issued permits and initiated construction sites.
According to the Statistical Office in Krakow, the number of building permits issued in 2008 was a record one – 12

051 apartments (increase by about 8% in relation to 2007). Simultaneously the construction 7 583 apartments began in the same year (27% decrease). The drop in the number of realised apartments in the segment of apartments for rent and for sale equalled almost 38%. Concurrently, in 2008 a considerable dynamics was observed in the individual building. 126% more apartments were being erected this year than in the previous year. In 2007 the construction of 94% of flats, which obtained building permit, began, whereas in 2008 the activity of investors decreased and the same index equalled nearly 63%. If the analysis involved only the indexes for apartments built for sale and for rent, the percentage of commenced constructions associated with the number of building permits issued in 2008 would oscillate about 50%.

Chart II.2.

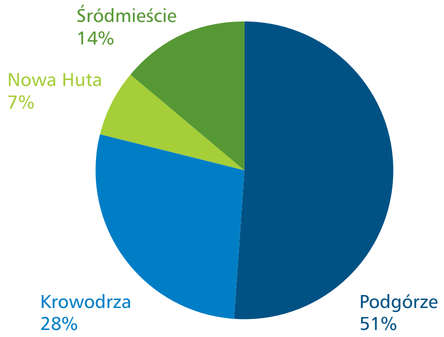
Number of apartments, with building permits and whose construction has began



Source: Statistical Office in Krakow

Chart II.3.

Localisation of the housing investments



Source: DOMINIUM.PL

As a consequence of the situation on the market many investors decided to delay the initiation of the construction, despite the permit they had. Therefore, quite probably in 2009-2010 the amount of delivered apartments shall gradually decrease, particularly within the segment of apartments for sale and for rent. At the end of the year 2008 about 50% from over 300 investments offered on the market were realised in Podgórze, in Krowodrza – 28%, in Śródmieście – 14%, and traditionally the smallest number was realised in Nowa Huta – over 7%. The activity of investors within specific Krakow districts is maintained on a similar level. Location of flats offered in particular areas of the city is coincident with the arrangement of investments.

From among 18 administrative districts Dębniki (District VIII) are the dominating one, as more than 33% of all Krakow investments are located there. More than 10% of all investments are realised only in Bronowice (District VI) and Prądnik Biały (District IV). About 7% of investments are erected on Prądnik Czerwony (District III) and in Podgórze (District XIII), and nearly 5% on Wola Duchacka (District XI). In case of the remaining districts the shares in the amount of realised investments do not exceed 4%.

Table II.2.

Location of the investments within the city districts[1]

District	Share [%]
Stare Miasto (I)	3.27
Grzegórzki (II)	3.59
Prądnik Czerwony (III)	7.19
Prądnik Biały (IV)	10.46
Krowodrza (V)	3.27
Bronowice (VI)	12.09
Zwierzyniec (VII)	1.96
Dębniki (VIII)	33.33
Łagiewniki-Borek Fałęcki (IX)	2.61
Swoszowice (X)	1.31
Podgórze Duchackie (XI)	4.9
Bieżanów-Prokocim (XII)	1.63
Podgórze (XIII)	7.19
Czyżyny (XIV)	1.31
Mistrzejowice (XV)	2.29
Bieńczyce (XVI)	1.96
Wzgórza Krzesławickie (VII)	0.98
Nowa Huta (XVIII)	0.65

[1]status on 31 December 2008

Source: DOMINIUM.PL

Within the scope of the whole city almost half of all investments, which still offer apartments, was realised by the end of 2008, and almost 40% were to be realised in 2009. If during the year 2009 the activity of investors shall not increase, the following year may bring a decline in the amount of realised investments.

Table II.3.

Investments in particular realisation deadlines [in %]

	Krowodrza	Nowa Huta	Podgórze	Śródmieście	Kraków
Realised	52	42	47	50	49
2009	36	58	40	36	39.5
2010	12	–	13	14	11.5

Source: DOMINIUM.PL

From among 7 500 apartments offered at the end of 2008 on primary market in Krakow, about 25% were realised before the end of the year 2008, following 50% are anticipated to be realised in 2009, and the remaining ones during the subsequent years.

Table II.4.

Apartments in particular realisation deadlines[1] [in %]

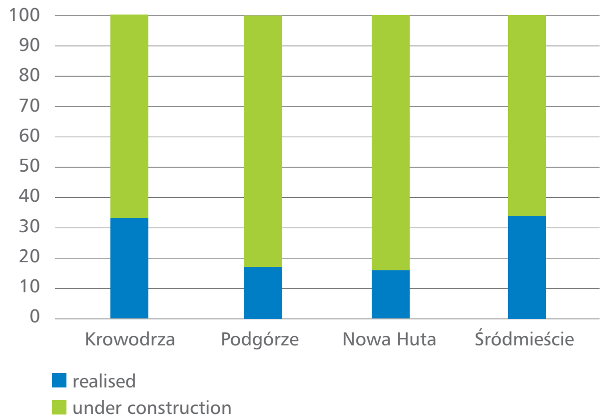
Realisation deadline	Share [%]
Realised	24.90
2009	49.20
2010 and following years	25.90

[1] status on 31 December 2008
Source: DOMINIUM.PL

The greatest proportional amount of ready, unsold apartments remained in the offer of developers within the area of Śródmieście and Krowodrza, where the realisation of one third from among flats offered at the end of 2008 has been already finished. Proportionally, the smallest number of realised apartments (16-17%) was available in investments located in Nowa Huta and Podgórze. Comparing the above-mentioned data with average price levels, it may be concluded that prices posed a significant influence on the pace related with selling the apartments in particular areas of the city. The majority of single-family houses, erected by developers, is located in Podgórze (mainly houses realised in Krowodrza (Zwierzyniec and Prądnik Biały) and houses in one investment in Nowa Huta. Generally, the offer of investors within this segment was particularly weak, and construction of single-family houses concentrated in municipalities bordering Krakow from north and south.

Chart II.4.

The share of unsold, ready apartments in city districts[1]



[1] status on 31 December 2008
Source: DOMINIUM.PL

Table II.5.

Location of houses within city districts[1]

Area	Share [%]
Podgórze	59
Nowa Huta	4
Krowodrza	37

[1] status on 31 December 2008
Source: DOMINIUM.PL

Table II.6.

Structure of offered flats according to the living area[1]

Living area	Share [%]
To 30 m^2	2
30-60 m^2	60
60-90 m^2	31
90-120 m^2	5
More than 120 m^2	2

[1] status on 31 December 2008
Source: DOMINIUM.PL

From among apartments available at the end of the year 2008, premises with the surface between 30 and 60 m^2 played a dominant role – they constituted over 60% of the offer. The smallest flats – up to 30 m^2 and the biggest flats – more than 120 m^2 comprise nearly 2% of the propositions. The biggest share, comprising almost 47%, in the structure of proposed apartments belonged to two-room flats. Three-room flats represented about 30%, and one-room flats about half of that. Flats with four or more rooms covered the smallest share in the investors offer, almost 7%.

Table II.7.

Structure of offered flats according to the number of rooms[1]

Number of rooms	Share [%]
1	16
2	47
3	30
4	5,5
5 and more	1,5

[1] status on 31 December 2008

Source: DOMINIUM.PL

Traditionally, average prices in Krakow districts result directly from the distance between their location and the Main Market Square. "Placing" the average prices on the district map it can be noted that prices dropped parallel to the increase in the distance from the city centre, and particular zones surround the Old Town with rings. Diversification of average prices within Krakow districts was enormous. Prices in the cheapest locations were 3 times smaller than in the most expensive ones. When extreme values, and not the average ones, were considered, the difference would be quadruple.

The cheapest apartments could be bought for almost PLN 5 000/m^2, while the most expensive ones for about PLN 20 000/m^2.

Nowa Huta and the south areas of Podgórze were the districts offering the cheapest flats.

The lowest proposed prices, falling between PLN 5 000-6 000/m^2 gross, were observed in December 2008 in districts most remote from the city centre: Bieńczyce, Swoszowice, Bieżanów-Prokocim, Wzgórza Krzesławickie and Mistrzejowice.

Average prices, ranging from PLN 6 000-7 000/m^2 were found in Czyżyny, Podgórze Duchackie, Łagiewniki-Borek Fałęcki, Dębniki, Prądnik Czerwony and Prądnik Biały.

Prices in Bronowice and Podgórze oscillated about PLN 8 000/m^2.

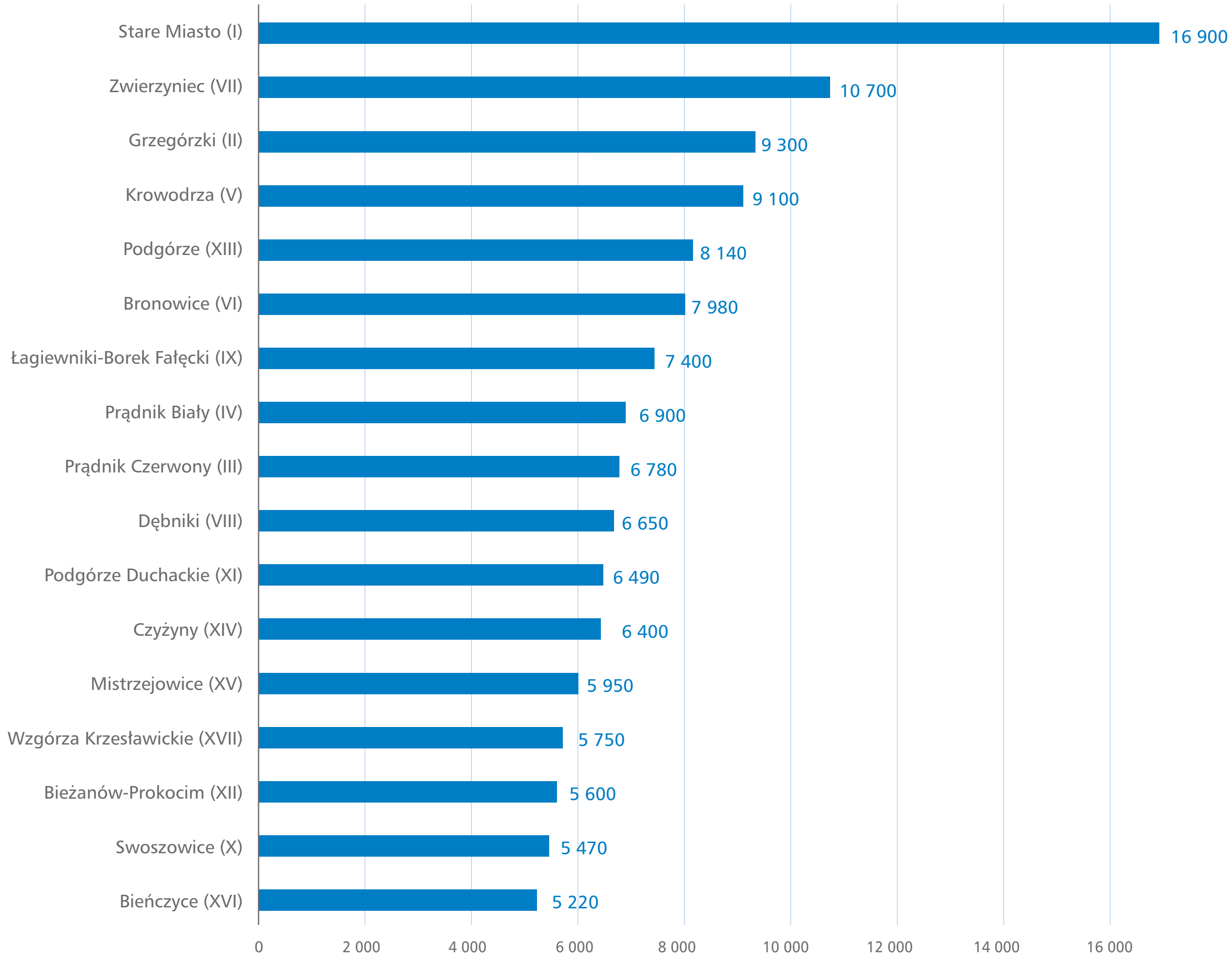
In Krowodrza, Grzegórzki and Zwierzyniec one had to pay PLN 9 000-11 000/m^2.

Stare Miasto was the most expensive district in Krakow. 1 m^2 costs about PLN 17 000, although depending on the design, average prices ranged between PLN 12 000 and 19 000/m^2. The apartments offered within the Stare Miasto district were constructed not only in historic, renewed tenement houses, but also in modern, newly erected housing complexes.

It is worth mentioning that there was a huge discrepancy between minimum and maximum prices in particular areas of the city, depending on the location of the investment. This resulted from diverse attractiveness of the area, which was influenced by – besides the distance from the city centre – f. ex. location near the Vistula River boulevards, park, view on the monuments, convenient road layout, closeness or direct proximity of communication. The most considerable differences, amounting up to PLN 10 000/m^2 were stated in Śródmieście, and Nowa Huta was the most homogenous district, as far as prices are concerned, as the differences did not exceed PLN 700/m^2.

Chart II.5.

Estimated average prices of new apartments within particular districts in 2008 [in PLN/m²]



Source: DOMINIUM.PL

Apart from Czyżyny, where the average price level did not practically change at all, the average prices in other districts dropped even by 21%. The medium drop in prices, indicated for the analysed districts, amounted up to 7% in 2008. The fall in average prices observed in the first half was the first one in several years.

This decrease for the whole city (calculated as an average for all districts) did not exceed 1%. Whereas, in several districts the drop ranged between several and a dozen percents. However, these drops were not standard in all districts (in some the prices increased by several percents), that is why, it is possible to state that the prices stabilised during this period. At this time, the developers were unwilling to introduce discounts, despite the slowdown in sales. The second half of the year, and the last quarter in particular, was the time of price revision in all districts.

What is noteworthy, is the fact that change in average prices in districts did not always result from the fluctuation of prices within particular investments. Quite often the lower prices of investments introduced on the market were caused by distant realisation date or lower standard. Sometimes the investment, due to high standard or another given value (f. ex. finishing package) influenced the increase in the average price of a given region. In the last quarter of the year 2008, the developers noted a substantial slowdown in sales, which was an outcome of bank credit limiting action. In numerous cases promotions were used, consisting in temporary discount or price cuts for a given category of flats. What could also be offered as a part of promotion was the finishing of the flat, garage, car or payment in instalments. Investors were also quite flexible when negotiating prices individually. The estimated average prices did not take into account the options, which

have been presented above, and they should be treated solely as a perspective view.
In 2008 medium size buildings, with up to six floors, stated the biggest share in the investments realised by the developers, the location of parking lots in underground garages was a standard option. Majority of investments has a fence, and the apartments have anti-theft doors installed. Krakow house building is dominated by traditional technology.
Investor structure did not alter substantially in comparison to the previous year. Hundred and several dozens entities competed on the market, both national companies and those with foreign capital.
The market was characterised with noteworthy competitiveness, and none of the firms had a dominating position within the scale of the whole city. That is why the prices were shaped due to market principles.
Due to the financial crisis, during the following quarters, the dominating companies shall be the ones possessing proper financial background or possibilities to obtain a credit to finance the investment.

Summary

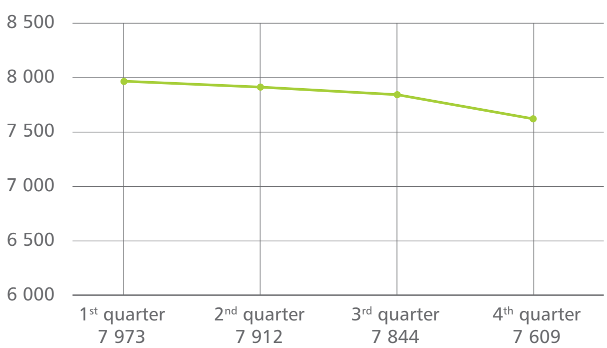
- In 2008 decrease in prices were noted in Krakow for the first time in several years.
- The average surface of realised apartments decreased, and the two-room apartments had the biggest share in the market offer.
- Structure of investments location in the city was stable. Podgórze was the dominating district – about 50% share of the new investments.
- 25% of the apartments offered at the end of 2008 was ready to use. Apartments in more expensive districts were sold slower.
- Despite record building results in the year 2008, the following years may bring a decrease in the number of realised apartments.
- Despite obtaining building permits, the investors delayed the initiation of new investments.
- The domination of developers building apartments basing on commercial principles deepened.

2.1. Secondary market of house building – offer prices

Basing on the quarterly analyses of offer changes concerning the prices of apartments in Krakow it can be seen that drops occurred throughout the whole year 2008. During the 2nd quarter the prices dropped by 0.8% in comparison to the 1st quarter. The price drop in the 3rd quarter equalled 0.9%. The biggest decrease was stated in the 4th quarter, when the prices dropped by 3% when compared to the previous quarter. Comparison of the 1st and 2nd quarter proves that the overall decrease in prices throughout the whole year 2008 equalled on average PLN 364/m² of an apartment. The final average price during the 4th quarter of 2008 remained on the level of PLN 7 609/m².

Chart II.6.

Offer price for 1 m² of an apartment in 2008 [in PLN]



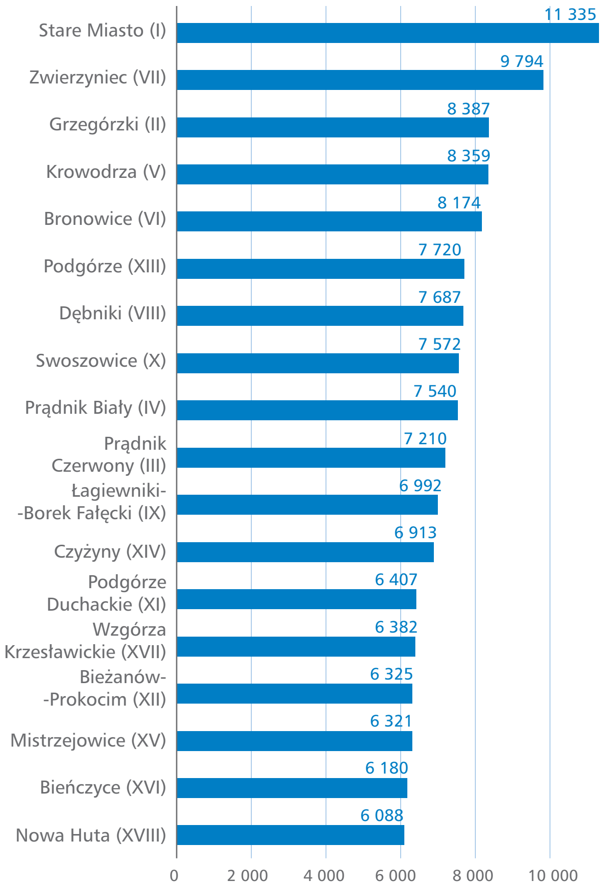
Source: National Real Estate Market (Krajowy Rynek Nieruchomości – krn.pl)

In order to obtain a better image of offer price formation within the urban area, a proper study has been executed (average prices due to particular districts). Results of the analysis showed that in 2008 the highest prices for 1 m² were noted for the following districts: Stare Miasto (PLN 11 385), Zwierzyniec (PLN 9 794) and Grzegórzki (PLN 8 387). The following districts were the cheapest regions: Nowa Huta (PLN 6 088), Bieńczyce (PLN 6 180) and Mistrzejowice (PLN 6 321). The price ranking of the districts did not change radically for a long time. Districts located near the city centre were the most expensive regions of the city for a long time.

An intensive development of the Western part of the city was observed during the last several years. This is reflected in the high prices in such districts as Krowodrza or Bronowice. The average price for 1m² in Krakow was PLN 7 834. The comparison proves that the level of prices in Podgórze and Dębniki was the closest to the average price for the whole city.

Chart II.7.

Average offer prices for 1 m² of an apartment in particular districts [in PLN]



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

The balance of raises and falls of prices in particular districts shows that decrease was noted in as much as 12 districts, however, increases were noted in some districts of Krakow. In Swoszowice and Grzegórzki districts the offered prices for apartments observed an annual 6-7% increase. Prices in Czyżyny (3.1%) and in Podgórze (2.8%) rose much slower. The comparison shows the level of price fluctuation in Krakow in 2008. The value of variation equalled 18% maximally. Considerably large drops were registered mainly in these districts, where big large panel housing estates are located (Bieńczyce, Bieżanów-Prokocim, Nowa Huta and Prądnik Czerwony). Swoszowice commune noted an increase in prices – quite an insignificant number of offers -, and this was mainly generated by new buildings, which have been erected in this part of town in the recent years, and some of the apartments was already present on the secondary market.

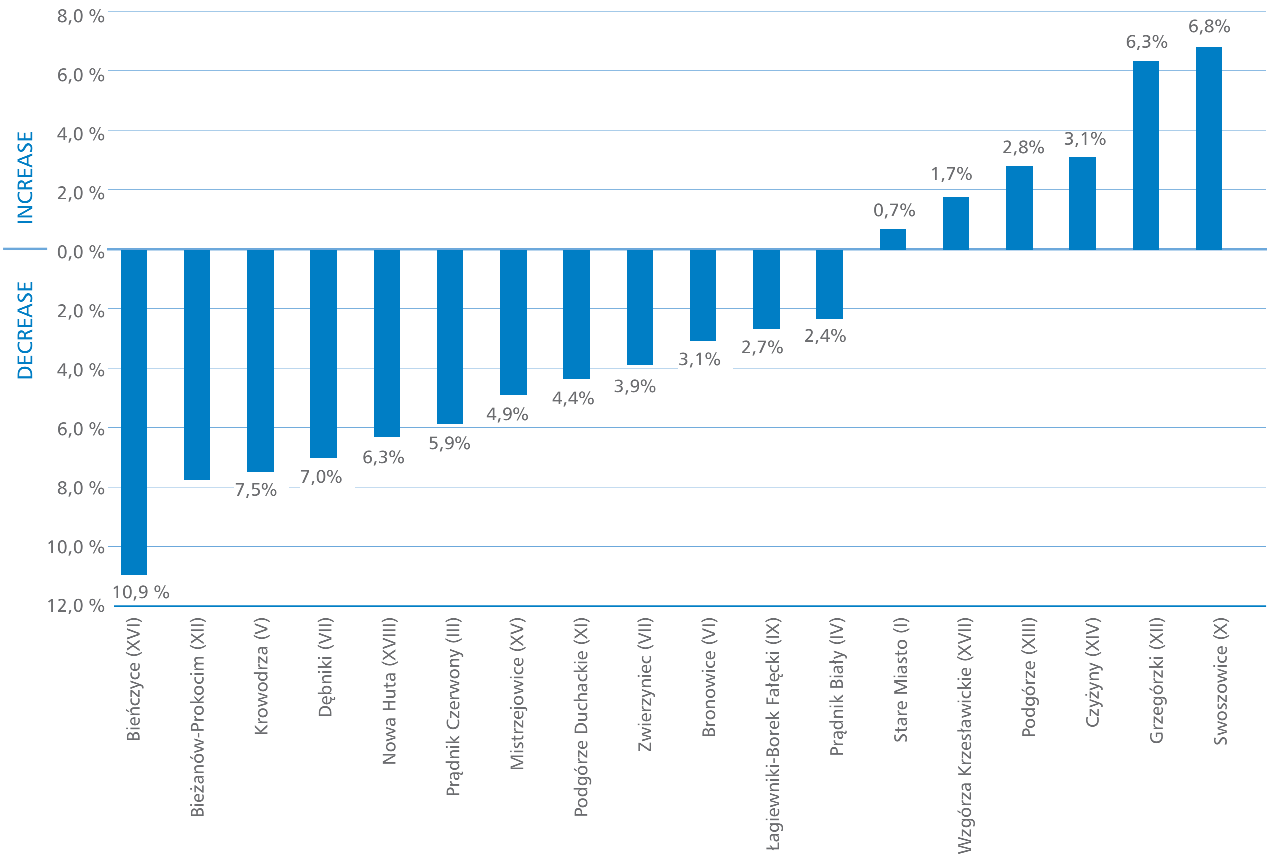
Both in the case of rent offers, as well as sale offers, the number of offers in given city districts is essential. It may be assumed that it shall be easier to find a searched property within areas with a greater intensity of offers. In 2008 more than 20% of all apartments offered for sale originated from Krowodrza district. Every tenth offer was found in Prądnik Biały. The similar result was stated for Dębniki district. The smallest number of offers was recorded in Wzgórza Krzesławickie and Łagiewniki-Borek Fałęcki.

What was a characteristic feature was the significant diversification of supply between particular districts. The difference between the number of offers in Krowodrza and Wzgórza Krzesławickie was so big that the number of offers from the second district was only a fraction of what Krowodrza district had to offer.

The supply of offers may be also analysed through the prism of the number of rooms in apartments available on the market. In 2008 the greatest number of offers concerned the two-room apartments. 46% of all sale advertisements in Krakow are related with the premises from this segment. Three-room apartments occupied the following place (32% of all offers). Offers for smaller premises constituted a much smaller group of advertised apartments. Single room apartments posed only 17% of the whole number of sale advertisements. Four room apartments and larger ones were the smallest group in number. There were only 5% of such flats.

Chart II.8.

Change of offer prices in particular districts in 2008

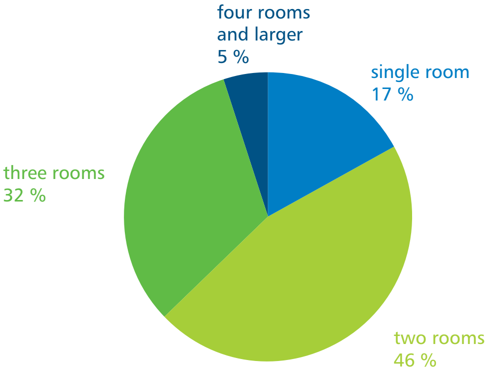


Source: National Real Estate Market (Krajowy Rynek Nieruchomości – krn.pl)

Krakow real estate market noted a normalisation of prices in the year 2008, prices that were raised to a level, which the average customer is unable to reach.

Chart II.9.

Supply of offers according to the number of rooms

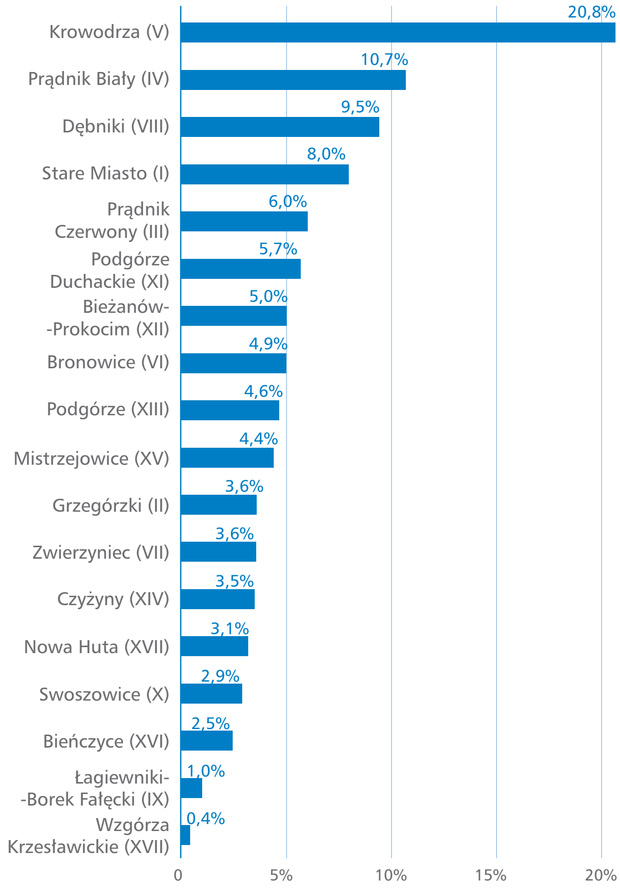


Source: National Real Estate Market (Krajowy Rynek Nieruchomości – krn.pl)

It is worth mentioning that the fluctuation of offer prices did not signify analogous changes in transactional prices. The fact that offer prices reacted extremely flexibly and rapidly to the events on the real estate market was a characteristic feature. Previous years accustomed us to fixed and stable growth. Purchase of an apartment or a house meant a safe capital deposit and investment with high return rate and it was not commonly assumed that the price of the acquired property might decrease. However, it is essential to emphasize that the purchase of a property is a long-term investment and within a short period within several years the prices may fall.

Chart II.10.

Supply of offers in particular districts



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

In 2008 the cheapest apartments, located on housing estates situated far from the city centre, dominated the secondary real estate market in Krakow. The most considerable fall in prices for apartments in all larger Polish cities was recorded in the segment of flats in blocks built in the 60s, 70s and 80s of the 20th century. Northern and southern parts of the city (f. ex. Bieńczycze or Bieżanów-Prokocim) developed largely with the so-called large plate noted the greatest decrease. This provided a possibility to purchase an own venue for people searching for cheap flats. Hence, with a small turnover in districts located around the centre of Krakow, the sale of apartments on peripheries of the city was relatively high, although here the buyers purchased mainly cheap lodgings. 3% decrease observed in the 4th quarter in comparison to the 3rd quarter was mainly related with tightening of bank credit policy. At the end of the year 2008 the mortgage loan was hard to obtain and was much more expensive, and what is more, the credit capacity of potential customers decreased significantly. It is being estimated that the downward tendency from the year 2008 shall be also maintained in the year 2009.

Summary

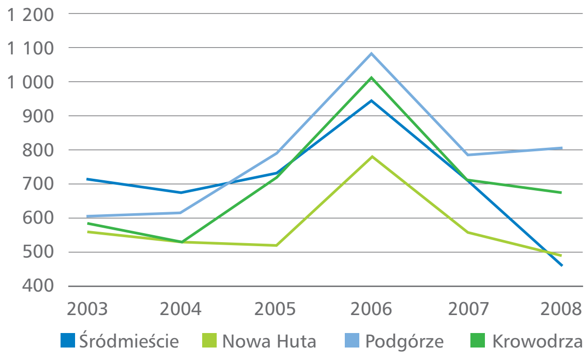
- Prices of real estates and apartments in Krakow in 2008 dropped in 12 districts. Increase was recorder only in 6 districts.
- The greatest decrease (10.9%) was observed in Bieńczyce district.
- The most significant drop in prices occurred in the 4th quarter of 2008. Prices dropped by 3% in comparison to the level in 3rd quarter.
- The year 2008 was a period of stabilization and normalisation of prices in the real estate market in Krakow.

2.2. Secondary market of house building – transaction prices

Between 2003 and 2008 the majority of transactions related with the sale of apartments was concluded in Podgórze and Krowodrza. Between the year 2004 and 2006 the turnover increased quite dynamically, it doubled in these districts, and in 2008 they dropped to the level recorded three years before. The number of apartments sold in Nowa Huta achieved a similar level, just like three years before. Whereas the most significant drop in the amount of transactions was noted in the most expensive and the most prestigious district – Śródmieście.

Chart II.11.

Number of transactions on the secondary market of apartments



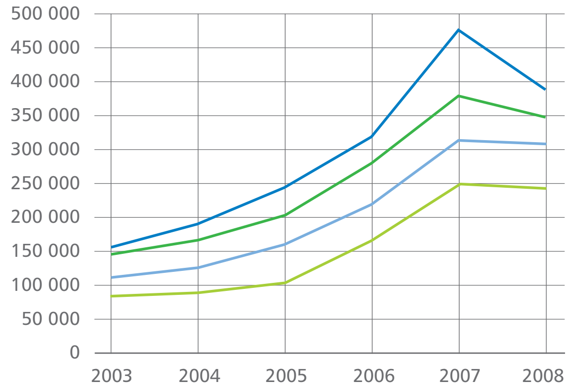
Source: Institute of Analysis, The Real Estate Market Monitor – mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

The value of transactions creates the evaluation of attractiveness within particular areas in Krakow, and the ones, which evoked the greatest interest – during the recent five years – were Śródmieście and Krowodrza. Lower prices were achieved in Podgórze, and traditionally the cheapest apartments were available in Nowa Huta.

The average transaction price in 2008 was lower in comparison to the previous year in all districts in Krakow, yet the difference was most clearly visible in Śródmieście.

Chart II.12.

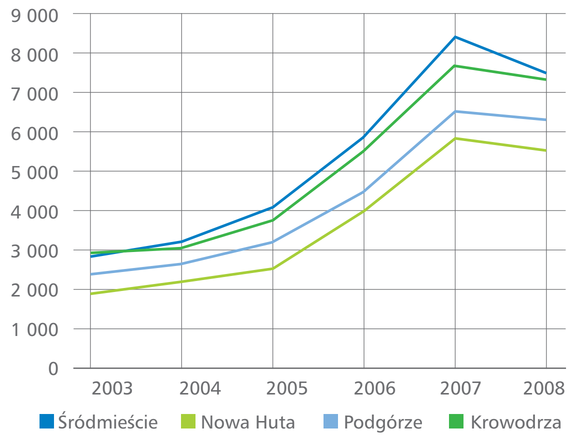
Average transaction price for an apartment on the secondary market [in PLN]



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

Chart II.13.

Average price for 1m² of an apartment on the secondary market [in PLN]

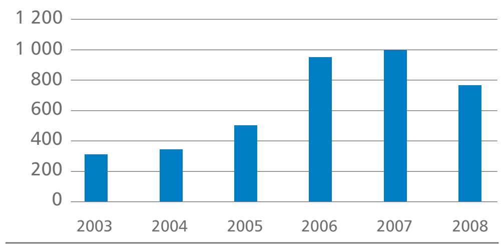


Source: Institute of Analysis, The Real Estate Market Monitor – mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

The average surface of an apartment sold on the secondary market in 2008 equalled 48m². This signified a decreasing purchasing capacity of the buyers, who could only afford smaller apartments. Diminishing turnover, which dropped by more than 20% in comparison to the previous year, was a derivative of falling prices and the number of transactions in 2008. The escalation of means engaged in transactions between 2004 and 2007 was enormous. The years 2006 and 2007 were record-breaking within this aspect – investors spent almost twice as much money on purchasing apartments than in 2005. Whereas in 2008 the market faced a cooling caused by the limitation of sources related with financing the purchases (bank loan). Credit costs rose, and bank requirements towards debtors were much higher than in the previous years.

Chart II.15.

Turnover on the secondary market of apartments [in million PLN]



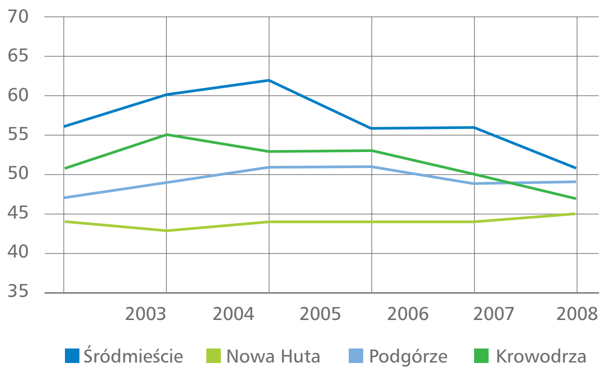
Turnover	311,92	342,88	502,90	946,78	1000,40	778,71

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

As it turns out from the analysis of transactions on the secondary market of apartments, the average price for 1m² rose dynamically in all city districts until 2007. The increase was equal in the whole city, both in the popular, as well as suburban districts. This signified a lack of lodgings on the market. In 2008 the tendency reversed visibly, however, the drops were not as intense as the increase in the recent years. The average surface of an apartment purchased on Krakow market increased until the year 2005, yet when the prices increased the trend reversed. Since 2005 the average surface of the purchased apartments dropped, however, not evenly in all districts. Average area of premises available on the market in 2008 dropped in the most expensive districts of the city – Śródmieście and Krowodrza, in Podgórze it remained on the level from the previous year, an in Nowa Huta it increased slightly.

Chart II.14.

Average surface of the residential premises [in m²]



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

Summary

- Krakow real estate market is constantly supported by great external demand.
- After withholding purchases in the 2nd half of 2007 the demand, as far as the number of transactions was concerned, was stabilised on a moderate level from before the year 2006.
- Apartments in the direct centre of Krakow are investments related with the smallest risk and with potential for moderate raise in the following years.
- Accumulation of supply related with newly built apartments available for sale at the end of 2008 (sudden raise in the number of apartments, whose construction began in the time of boom).
- With the current setback of demand, the internal dynamics of the investment process (cost of the foreign capital and payments) forces the developers to lower the prices of sold apartments.

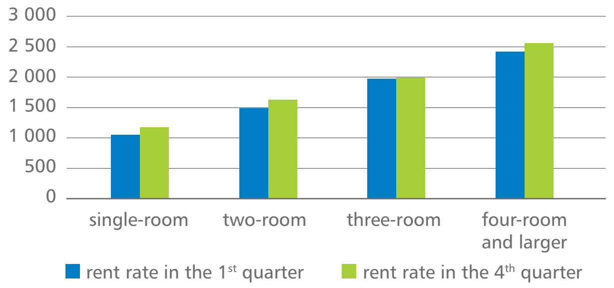
3. Market related with renting apartments and houses

Prices for renting apartments and houses in Krakow rose throughout the whole year 2008. Raises were recorded for every size of apartments. Comparing the 1st and the 4th quarter of 2008 it is clearly visible that the price for renting smaller single room and two room apartments noted the biggest increase. At the end of the year the average rate for tenting a single-room flat equalled PLN 1 162, which is 13% more when compared to the level of prices from the 1st quarter. On the average, the price for renting a single room apartment has risen by 4% every quarter.

Two-room apartments observed a slower dynamic of growth, for which the rent rate increased by 2.6% every quarter, which gave an overall raise by 8% in the year 2008. Changeability of prices in case of three-room, four-room and larger apartments were much stronger during the whole year 2008. Nonetheless, the final comparison of the 1st and 4th quarter of 2008 proved that the rent rate increased both in the case of three-room apartments and in case of four-room and larger apartments, respectively by 1% and 6%. This does not result from the constant even annual increase. Particular variations for larger apartments could have been noted during the 2nd quarter, when prices of the three-room apartments dropped by nearly 4%, and four-room and larger apartments increased by 7%. The situation began to stabilise in the 3rd quarter, three-room apartments began to make up for their losses (the price raised by 6%) and the largest lodgings noted a correction (drop by 2%).

Chart II.16.

Prices for renting apartments in the 1st and 4th quarter [in PLN]



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

Table II.8.

Price for renting apartment in Krakow – division according to number of rooms [in PLN]

	1st quarter	2nd quarter	3rd quarter	4th quarter	difference 1st–4th 2008
single-room	1 033	1 108	1 126	1 162	+13%
two-room	1 486	1 507	1 565	1 607	+8%
three-room	1 961	1 891	2 008	1 984	+1%
four-room and larger	2 406	2 569	2 507	2 548	+6%

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

In case of apartments most often offered for rent – two-room flats, differences in rent rates could amount to almost 100%, depending on whether the apartment was rented in the Old Town (PLN 2 052) or in the Wzgórza Krzesławickie district (PLN 1 078). Apart from Wzgórza Krzesławickie district, Bieńczyce (PLN 1 126), Nowa Huta (PLN 1 280) and Bieżanów-Prokocim (PLN 1 305) were enumerated among the cheapest districts when renting premises is concerned. Next to the Old Town the most expensive districts include: Zwierzyniec (PLN 1 825), Grzegórzki (PLN 1 712), Krowodrza (PLN 1 638) and Bronowice (PLN 1 607).

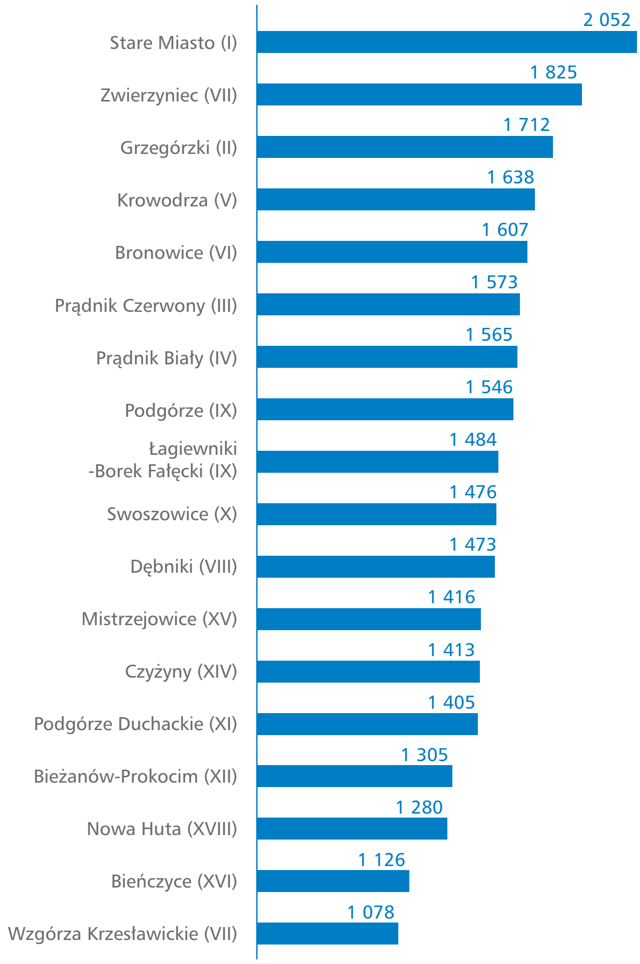
It was easiest to rent an apartment in Dębniki district. It is a very large district (second big after Nowa Huta), with dense multi-family development, particularly in Ruczaj. The smallest amount of renting offers was available in districts located on the far north of Krakow – Wzgórza Krzesławickie and Bieńczyce, and districts located on the far south – Łagiewniki-Borek Fałęcki and Swoszowice. Finding a place to rent in these districts was much harder than on both Prądnik districts (Prądnik Biały, Prądnik Czerwony) and Krowodrza.

The year 2008 was a breakthrough period for the real estate market in Poland, as for the first time for several years prices of apartments noted a drop. "Stabilization" and "price correction" were the most characteristic words and the most often used phrases during the passing period. It is true that after several years of significant raises in prices, the prices observed a significant slow in price dynamics. Changes on the market were felt mainly in biggest urban agglomerations, such as Krakow or Wrocław, as in such places the prices have been "raised sky-high" during the boom to a level, which made it possible to buy an apartment only for a small group of wealthy customers.

demand. Students tend to rent larger apartments, preferably with a group of friends, which helps to reduce costs. Such preferences usually change after studies and the majority of students look for smaller apartments (young families, people beginning their career).

Chart II.17.

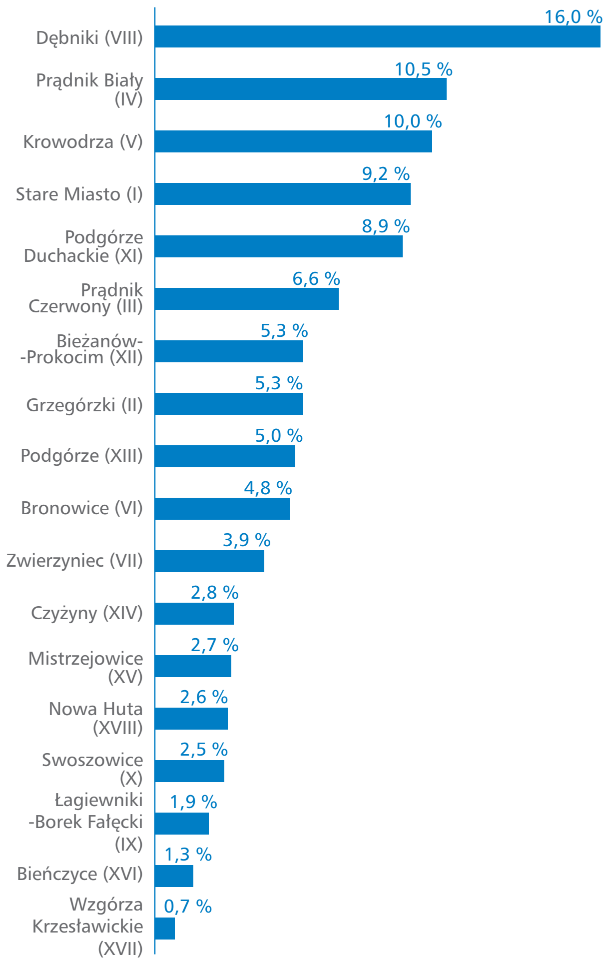
Price for renting a two-room apartment according to the district [in PLN]



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

Chart II.18.

Supply of offers according to the districts



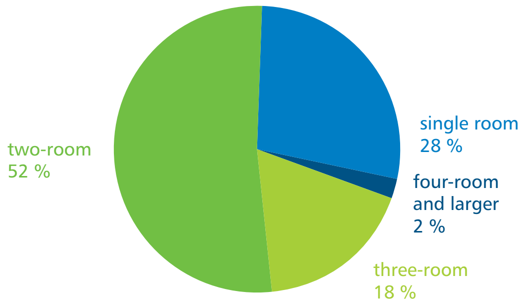
Source: National Real Estate Market (Krajowy Rynek Nieruchomości – krn.pl)

The increase in the value of properties in Krakow did not leave house and apartment renting rates without influence. Many people had to cancel their plans to buy and continue to take advantage of renting. This put the apartment owners in a highly advantageous situation – seeing a greater interest in renting, they decided to raise rates. Besides, the specific character related with the real estate market in Krakow ("the city of students") influenced the maintenance of high renting

The situation on the market of mortgage loans began to change in the middle of the year 2008. Fulfilling the aggravated criteria was the condition necessary to obtain a credit. This forced many people, particularly the young ones, to continue renting apartments. By the same, prices within the segment of single room and two-room apartments rose most significantly. Price tendencies show that the market lacked the smallest apartments, the so-called "bachelor flats".

Chart II.19.

The supply for rent offers according to the number of rooms

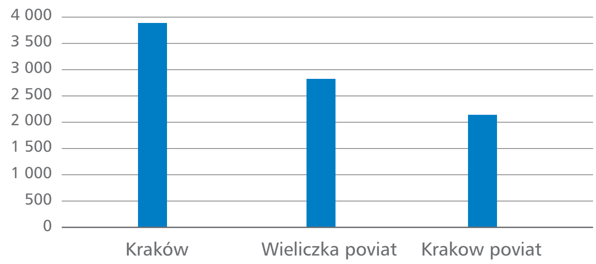


Source: National Real Estate Market (Krajowy Rynek Nieruchomości – krn.pl)

Analysis of the house renting market in Krakow and in Wieliczka poviat and Krakow poviat showed a significant difference in the prices for renting offers concerning the houses located in the city and houses from surrounding poviats. In Krakow the average price for renting a house equalled PLN 3 874 in 2008. The rate for renting a house in Wieliczka poviat was PLN 1 000 lower than in Krakow. It was the cheapest to rent an apartment in Krakow poviat. The rent rate equalled PLN 2 133. It is worth mentioning that the supply of houses for rent was very small, hence the people deciding to rent this kind of property had a harder period ahead of them than when searching for apartments. Especially that the range of prices was quite significant – from slightly more than PLN 1 000 to PLN 10 000 for a month of rent.

Chart II.20.

House renting rates [in PLN]



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

Summary

- In 2008 the rates for renting single room apartments rose most rapidly.
- Renting an apartment in the Old Town district cost twice as much as in the Wzgórza Krzesławickie district.
- The biggest group of apartments offered for rent were the two-room lodgings.
- The range of rates for renting a house, in Krakow and in the suburban area, was quite significant and ranged between 1 000 and 10 000 a month.

4. Tenement houses and historic surfaces

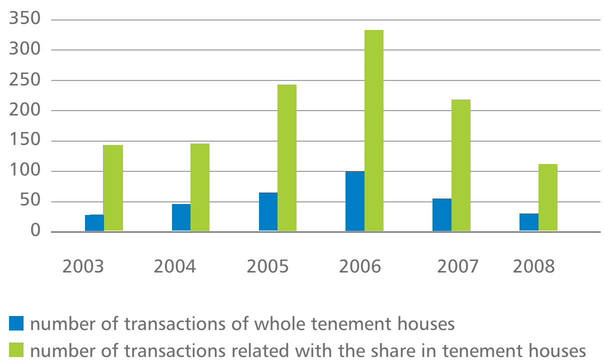
Historic tenement houses are a dominating urban form of multi-family development in the centre of Krakow, covering the oldest part of Śródmieście, Krowodrza and Podgórze.

Attractive location in the best areas of the city and architectural, historic and artistic values are characteristic features of tenement houses. The best locations generate highest rent and service (tourism and gastronomy) profits, and the unique architecture and history of a building is a source of good reputation for the owner. That is why we can talk about a separate segment of the real estate market – tenement houses market, with its own dynamics, supply and demand. The specificity of this market is its limited supply, and new sale offers of tenement houses are usually resulting from the regulation of legal statuses, especially the ownership rights. The most fashionable streets, with a historic and pre-war residential development along them, include the Planty area with Floriańska Street, the Main Market Square, Grodzka Street and Szewska Street in Śródmieście district, then the pre-war Kazimierz district with Szeroka, Krakowska and Starowiślna Streets, furthermore Stradomska, Zwierzyniecka, Karmelicka, Długa, Lubicz and Grzegórzecka Streets. The most fashionable region in Krowodrza district is Salwator, around Na Stawach square and Kościuszki Street, as well as the area of Lea, Królewska, Mazowiecka and Wrocławska Streets. The Old Podgórze includes mainly Kalwaryjska and Limanowskiego Streets with cross streets, yet the areas above these streets, Lasota Hills (Zamojskiego Street and Parkowa Street) and Dębniki district, are becoming more and more popular.

Market turnover related with tenement houses in Krakow exists within the area of three former districts: Śródmieście, Krowodrza and Podgórze. Basing on the sale transactions registered during the first three quarters it was estimated that a sudden drop in turnover on the market occurred in 2008: 50% less transactions concerning the sale of tenement houses or their share, and the turnover value decreased by 40% in comparison to 2007. Simultaneously, the average unit price of the tenement house (1m^2 of usable area) increased by 14% during this year.

Chart II.21.

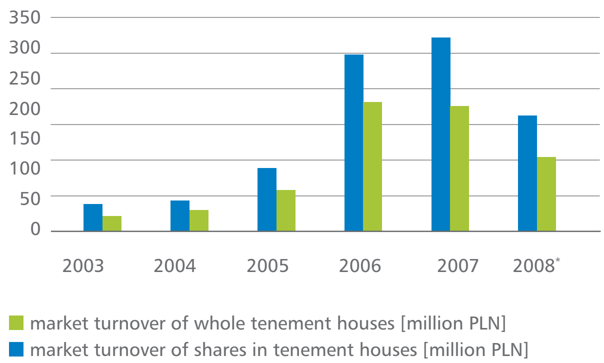
Number of transactions within the tenement house market between 2003 and 2008



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

Chart II.22.

Market turnover of tenement houses and shares in tenement houses between 2003 and 2008*



* estimated values basing on the data from the 3rd quarter of 2008

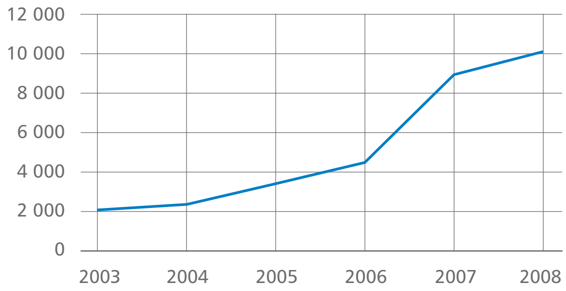
Source: Institute of Analysis, The Real Estate Market Monitor – mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

The number of transactions concluded in 2008 dropped rapidly to the level from 2003. Only somewhat above eighty tenement houses changed owners, which is two times less than in 2007.

However, turnovers dropped significantly slower and were still quite high in comparison to the years 2003-2005. This proves a fast dropping demand for surfaces in the city centre, caused by constantly growing market prices.

Chart II.23.

Average price for 1m² of the usable area of the tenement house in Śródmieście [in PLN/m²]



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

The confirmation of this market situation was the noted raise in prices for 1m² of the usable space in tenement houses. After the boom on real estate market during the years 2006-2007, when prises raised in the amount of several dozen percents a year, in 2008 the growth dynamics dropped significantly to 14%, and at the end of the year an insignificant decrease of prices was visible.

The year 2008 was the year of trend change, crisis in the tenement house market – the demand dropped, yet the priced maintained on a high level, and the supply increased considerably.

Between 2008 and 2009 sale advertisements included almost 180 tenement houses. This reflects an 80% rise in the supply compared to the previous year. The greatest number and value of offered tenement houses concern the area of Śródmieście (almost 100 offers), while Krowodrza and Podgórze offered a significantly smaller number of real estates, 30 and 50 respectively. The most expensive tenement house was the one offered on Stradomska Street for the price of PLN 65 000 000.

Table II.9.

Average and highest offer prices for tenement houses [in PLN/ m²]

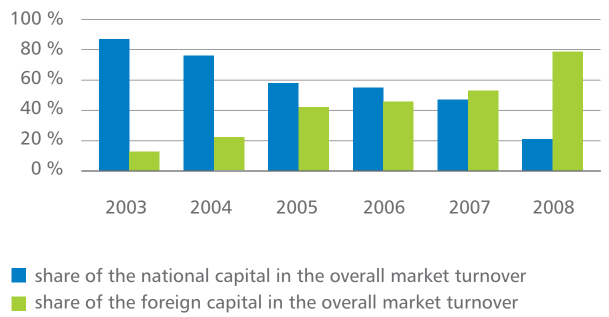
	Average price	Highest price
Śródmieście	10 000	35 000
Podgórze	8 000	16 000
Krowodrza	7 000	11 000

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

In 2008 3 tenement houses were sold in Śródmieście for more than PLN 10 000 000 each, and the most expensive tenement houses in Krowodrza and Podgórze cost over PLN 3 500 000. The average expense for the purchase of a tenement house in Krakow equals PLN 5 200 000. 1m^2 of the usable space in tenement house did not exceed PLN 20 000/m^2, even in the most expensive parts of the city (The Main Market Square, Floriańska, Grodzka and Szewska Streets). It is estimated that in 2008 the turnover on the market of tenement houses equalled slightly more than PLN 300 million, which means a 40% drop in comparison to the year 2007 (the number of transactions dropped by 50%). These data show that the greatest inflow of investment capital occurred in 2006, when the greatest number of transactions was recorded, with raising prices and decreasing supply. On the other hand, the year 2008 was a period devoted to realisation of profits and resale of tenement houses (as buildings or after division as lodgings properties), hence the sudden increase in prices and their supply with a simultaneous drop in the demand.

Chart II.24.

Structure of the investment capital



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

Krakow is still a market of super-regional and international significance. Analysis of transactions within the area of Kazimierz and Stradomska Street indicate a greater share of the foreign capital, mainly from the EU member states, USA and Israel. In case of 2008 it is possible to talk about the domination of the foreign capital towards the national capital – its share in the turnover is estimated for about 80%, whilst in 2007 it equalled 53%, and in 2003 it amounted to 13%. What is also essential, apart from the macroeconomic factors observed during the recent years, such as Poland entering the EU, economic growth and boom on the real estate market, is the good tourist reputation of Krakow. The result of the sudden growth in the tourist movement in the city described by media as one of several European tourist capitals is the increasing engagement of tourist business investors.

In the recent years investments related with tourism are one of the main investment strategies within the tenement house market. Although the strict city centre lacks free areas for the construction of hotels and other tourist facilities, yet what can be observed is the demand for small hotels and hostels (unclassified objects with standard lower than standards of hotels and pensions, but offering significantly cheaper accommodation). Tenement houses, which were previously multi-family buildings, are being entirely or partially modernised for the needs of tourist functions, quite often with the use of ground floors and basements for the need of gastronomic premises.

"Rentiers" investing financial surpluses in real estates, which should pose a source of constant income from lease, still constitute a big percentage of buyers. In this case the basis for negotiating the sale price is the investment return rate. This group of investors is mainly interested in tenement house located along the main commercial streets, such as Floriańska, Grodzka and Szewska Streets, and the Main Market Square.

Summary

- Short-term investors (quickly reselling particular apartments and gaining profit from the difference in prices, as well as adjusting additional attic areas and realising superstructures of subsequent residential floors) disappeared in 2008 from the tenement house and historic surfaces market, as the binding prices were already too high – this was the main reason for the fall in the demand.
- After the period of stagnation in 2008, it is being anticipated that the investment capital shall return to the tenement house market, and their prices shall gain new records, as these are the properties of best location in Krakow, unique as cultural goods and composition of prominent architects. The fashion for apartments in the historic centre of the most modern city in Poland shall still turn up the economic situation within this segment of the market.
- Additional favourable circumstance concerning the investors return to the market is the significant weakening of Polish currency in relation to EUR and USD, which signifies a drop in prices for foreign investors.

5.1. Single-family houses in Krakow

Offer market

In 2008 the sale offers concerning the single-family buildings ranged between PLN 800 000 and PLN 1 500 000. The majority of offers were included in the range of PLN 4 000/m^2 to PLN 7 000/m^2. The advertisements were dominated by houses located on relatively small lots (3.5-8 Ares). Most of the advertised houses were the houses with the surface of 150m^2 to 270m^2. The average offer on the market is a 200m^2 house, located on a 5 are lot, offered for about PLN 1 100 000. The most expensive houses seldom exceeded the offer price of PLN 2 600 000, building surface of 400m^2 and 15 are lot. In the annual scale house price offers displayed a downward tendency – in December they were 12% lower in comparison to offers from the beginning of the year.

Primary market

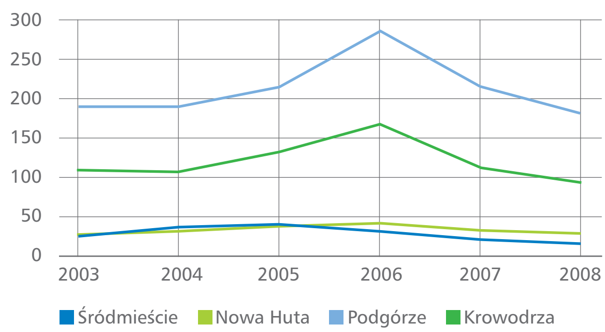
In 2008, 220 single-family buildings were being realised or their construction was announced, the majority of which were semi-detached or terraced houses, and it gave an overall surface of 34 000m^2.
The price of offered houses depended on the location, finishing condition, standard and the size of the lot – although the last aspect shows a tendency to concentrate the arrangement. Recorded prices ranged from PLN 4 000-8 000/m^2, whereas small number of offers exceeded PLN 6 000/m^2.
The majority of these investments were located on the outskirts of the city – most of them in Podgórze, within the area of Podgórki Tynieckie – Sidzina (in Sidzina there is a binding spatial development plan) and Swoszowice. Developers avoided the areas in Nowa Huta. Although single house complexes were constructed in this region, nevertheless these investments were realised by small entrepreneurs.

Secondary market

The market activity in the segment of single-family houses decreased in 2008 to the level from the year 2003. Decreasing number of transactions resulted from high prices, which constituted a noteworthy limit on the demand. At the end of 2008 the global economic crisis posed a significant influence on the market activity.
As far as the territorial structure of the analysed market sector, Podgórze district was traditionally the most active part of Krakow, where the greatest number of new houses was constructed. This district is the most extensive one, hence the biggest number of transactions registered in that part of the city. Krowodrza was the second district with the most significant market activity. The two remaining districts – Śródmieście and Nowa Huta – noted a notably smaller amount of transactions relating to the sale of single-family houses.

Chart II.25.

Number of transactions concerning single-family houses in 2003-2008

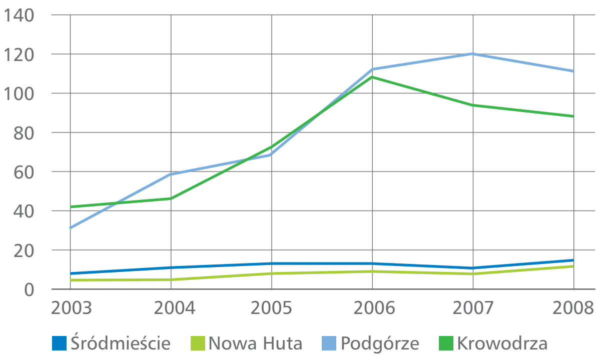


Source: Institute of Analysis, The Real Estate Market Monitor – mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

Podgórze and Krowodrza were at the top of the ranking concerning the turnover value in the analysed segment of the market. Decrease in the turnover value was not as obvious as the decrease in the number of concluded transactions, which resulted from the maintained high level of house prices.

Chart II.26.

The overall turnover related with single-family houses in Krakow in 2003-2008 [in million PLN]

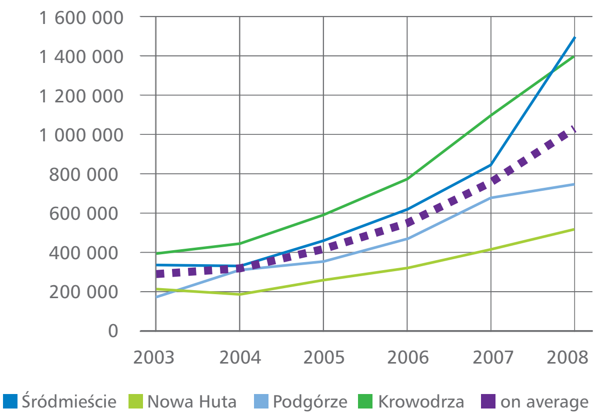


Source: Institute of Analysis, The Real Estate Market Monitor – mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

The average price for a house in 2008 exceeded PLN 1 000 000. The increase of an average price, in comparison to the average price in 2007, was observed in all districts. This resulted mainly from transactions concluded during the first half of the year. At the end of 2008 a drop in prices was stated, when compared to the beginning of the year. Śródmieście and Krowodrza were the most expensive districts, and the cheapest houses could be found in Podgórze and Nowa Huta.

Chart II.27.

Average prices for single-family house in Krakow in 2003-2008 [in PLN]



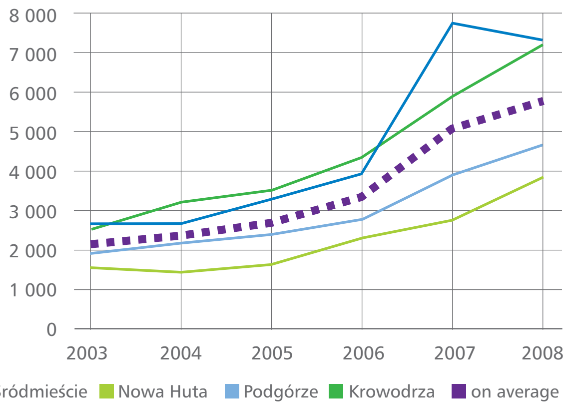
Source: Institute of Analysis, The Real Estate Market Monitor – mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

The highest prices calculated for 1m^2 of the building surface were observed in Śródmieście and Krowodrza, which was

characterised by the greatest dynamics of prices. The biggest amount of very impressive houses found its purchasers on the secondary market. In 2008, a drop in prices was stated in Śródmieście, and this can be related with the decrease in prices on the market of apartments – small houses in Śródmieście were often a substitute of residential premises. This may also be an outcome of transactions related with older buildings, to be renovated – due to insignificant amount of concluded transactions within this area the average transaction price for 1m^2 was decreased.

Chart II.28

Average prices for 1m^2 of a building surface in Krakow in 2003-2008 [in PLN]

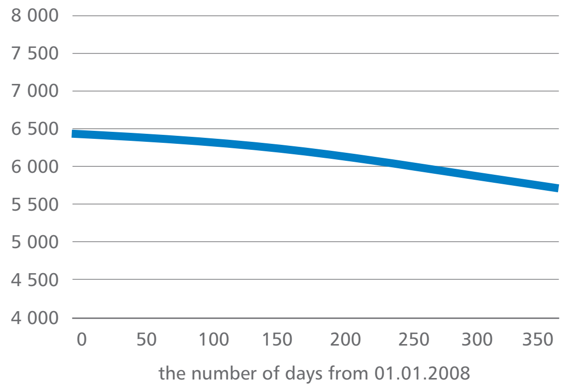


Source: Institute of Analysis, The Real Estate Market Monitor – mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

The diagram of changes in prices proves that from the beginning of the year prices decreased by 12%.

Chart II.29.

Change in prices of single-family houses in Krakow [in PLN]

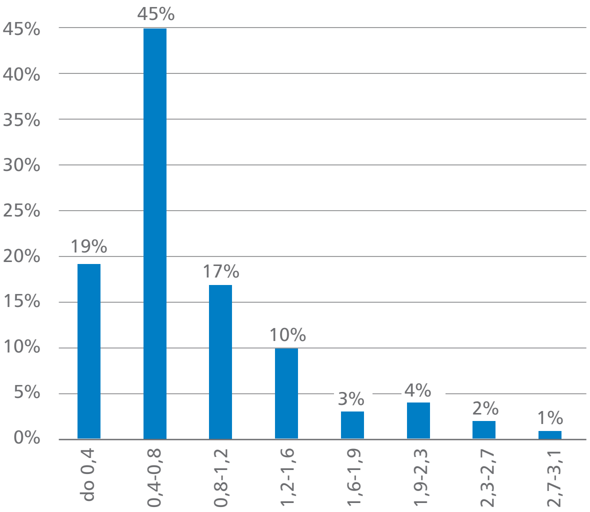


Source: Institute of Analysis, The Real Estate Market Monitor – mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

In 2008 the most popular houses belonged to the price range from PLN 400 000 to PLN 800 000. In the price range from PLN 800 000 to PLN 1 600 000 27% of the overall number of houses were sold. The turnover concerning the houses whose price exceeds PLN 1 600 000 was a marginal percentage of the market. The most expensive house was sold in Krowodrza district. This was a building located in Wola Justowska with 340m^2 surface, which was sold for PLN 3 100 000.

Chart II.30.

Share of single-family house transactions in particular price segments [in million PLN]

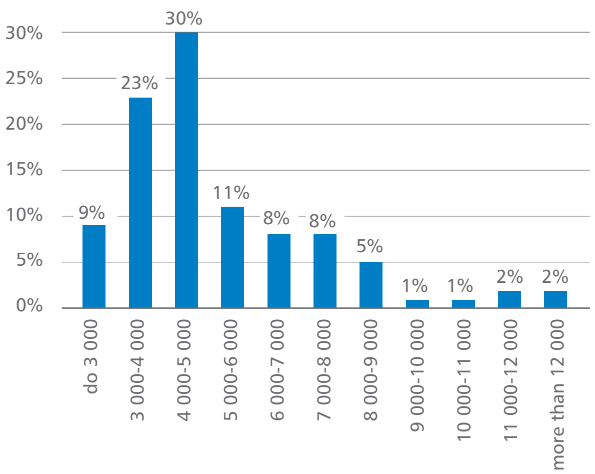


Source: Institute of Analysis, The Real Estate Market Monitor – mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

In calculation for 1m² the biggest amount of houses purchased for PLN 4 000-5 000/m². More than 90% of all transactions were concluded for the price to PLN 8 000/m². More expensive houses constituted an insignificant percentage of transactions. The most expensive house within this category was also sold on Wola Justowska for the price slightly exceeding PLN 13 000/m².

Chart II.31.

Share of single-family house transactions in particular price segments [PLN/m²]



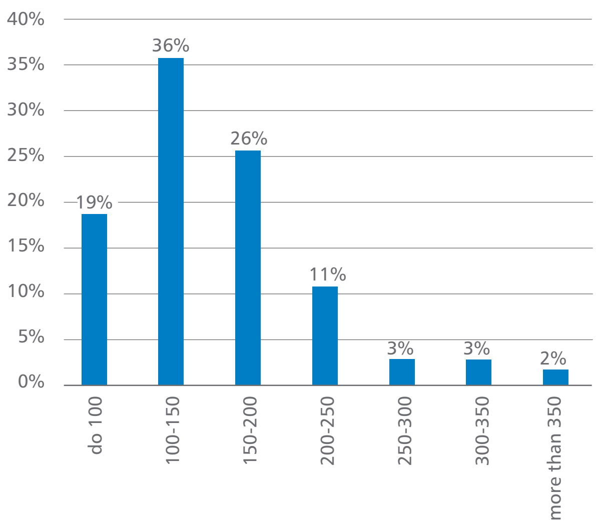
Source: Institute of Analysis, The Real Estate Market Monitor – mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

The biggest amount of sale transactions concerned houses of the surface ranging from 100-150 m². Houses with a surface of 150-200m² were also extremely popular. Over 60% of all transactions concerned houses within the segment of houses with a surface ranging between 100-200m².

The biggest sold house was the house from Śródmieście. It was a pre-war building with a surface of 365 m², which was sold for PLN 2 100 000.

Chart II.32.

Share of single-family house transactions in particular segments of house surface in 2008 [in m²]

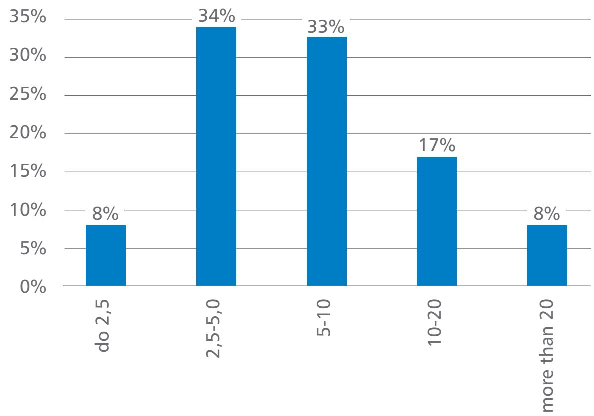


Source: Institute of Analysis, The Real Estate Market Monitor – mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

The smallest amount of single-family houses sold in 2008 was located on lots with a surface smaller than 2.5 are and above 20 Ares. As much as 67% of sold properties were located on lots from 2.5 to 10 Ares.

Chart II.33.

Share of single-family house transactions in particular segments of lot areas in 2008 [in Ares]



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

Summary

- Krakow single-family house market in 2008 showed a downward tendency in comparison to the year 2007, both in the aspect of the turnover value, as well as the number of sold houses.
- Decreased activity of this market resulted mainly from pertaining high prices (especially at the beginning of this year), which posed a demand limit. At the end of the year the decreasing market activity was the result of the financial crisis.
- Drop in house prices was observed throughout the whole year 2008.
- Average prices at the end of 2008 were 12-15% lower than average prices from the beginning of the year.
- The biggest figure of sale transactions in 2008 concerned house with surface between 100 and 150 m^2, constructed on lots ranging from 2.5 to 10 Ares.

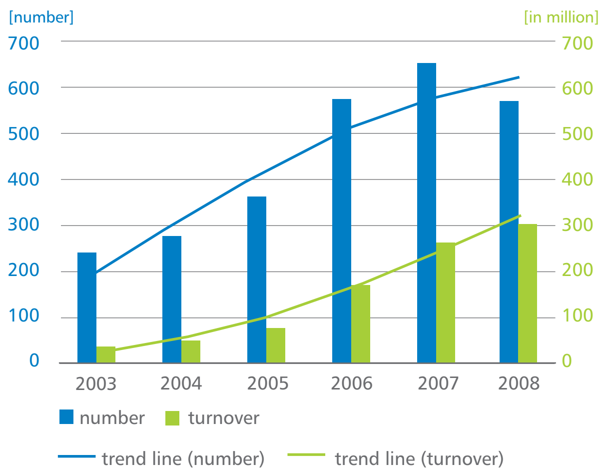
5.2. Single-family houses in the suburban area

High prices of apartments and land within Krakow administrative borders, observed at the time of real estate market boom, with its climax in 2007, caused a natural interest in the lands of communes surrounding Krakow. The period between 2003 and 2007 faced a steady increase in the number of concluded sale-purchase agreements related with houses within the suburban area. However, in 2008 the number of transactions finalised in Krakow poviat decreased by 12% (573 concluded sale-purchase agreements in 2008, with 650 transactions in 2007). In Wieliczka poviat the dynamics of growth was significantly slower – the number of transactions dropped y 7% (304 transactions in 2008, 326 in 2007). Despite the drop in the amount of concluded sale-purchase agreements, the market noted a 16% raise in the turnover that is a total amount of all real estate transactions in a given year (PLN 262 400 000 in 2007 and PLN 304 600 000 in 2008). This signified a great increase in the transaction price in respect of 1 agreement. Wieliczka poviat noted 25% increase in the turnover (PLN 108 900 000 in 2007 and PLN 136 600 000 in 2008).

Trend lines on the diagram showing the number of transactions and turnover in Krakow poviat illustrate the downward tendency in number of transactions and upward tendency in the turnover volume. In Wieliczka poviat the direction of trend line confirms the stabilization of the transaction number during previous 3 years, whereas in 2008 the tendency is significantly falling. The greatest amount of transactions related with single-family houses was observed in Zielonki, Zabierzów, Wielka Wieś, Mogilany and Michałowice communes. The average prices were highest in these regions.

Chart II.34.

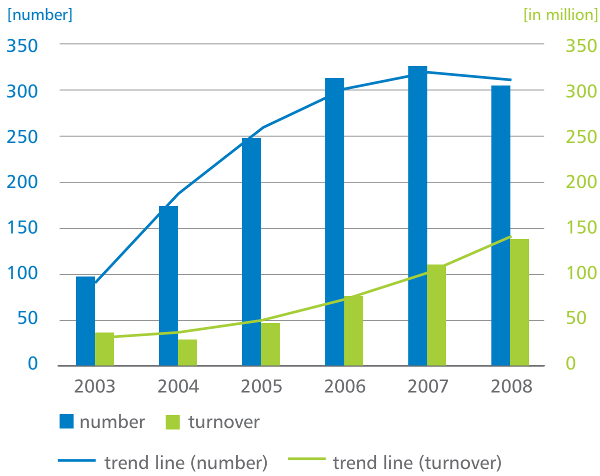
Number of house transactions and house turnover in Krakow poviat



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

Chart II.35.

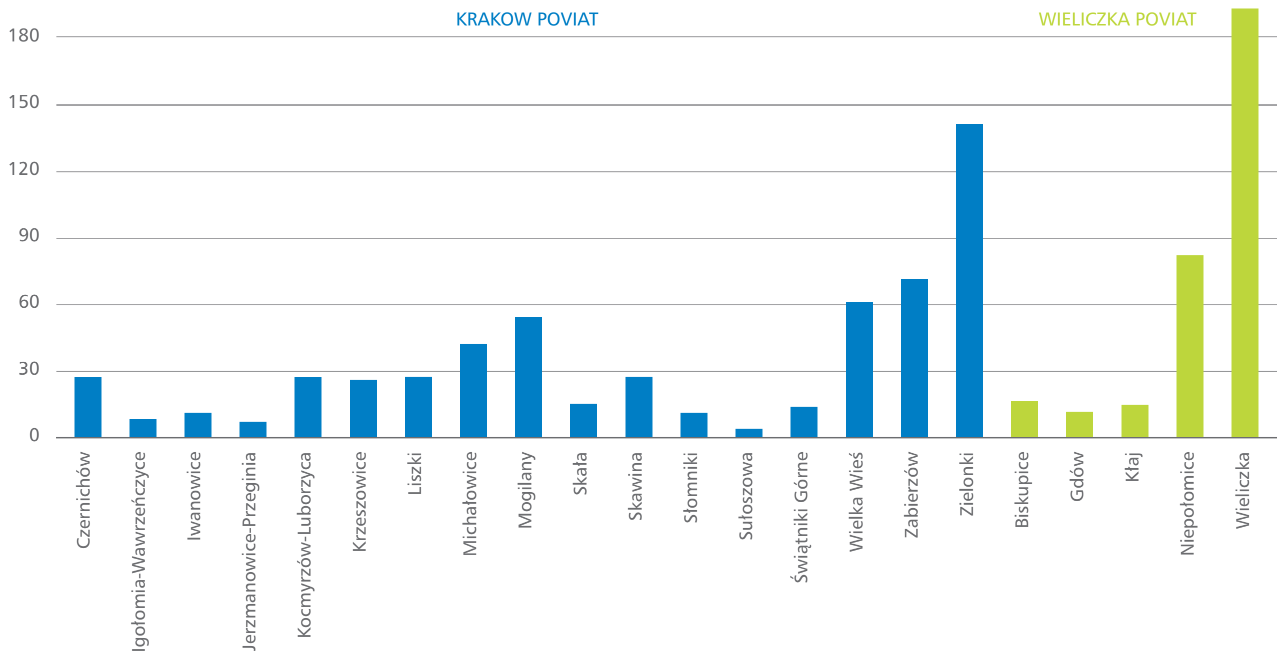
Number of transactions and turnover in Wieliczka poviat



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

Chart II.36.

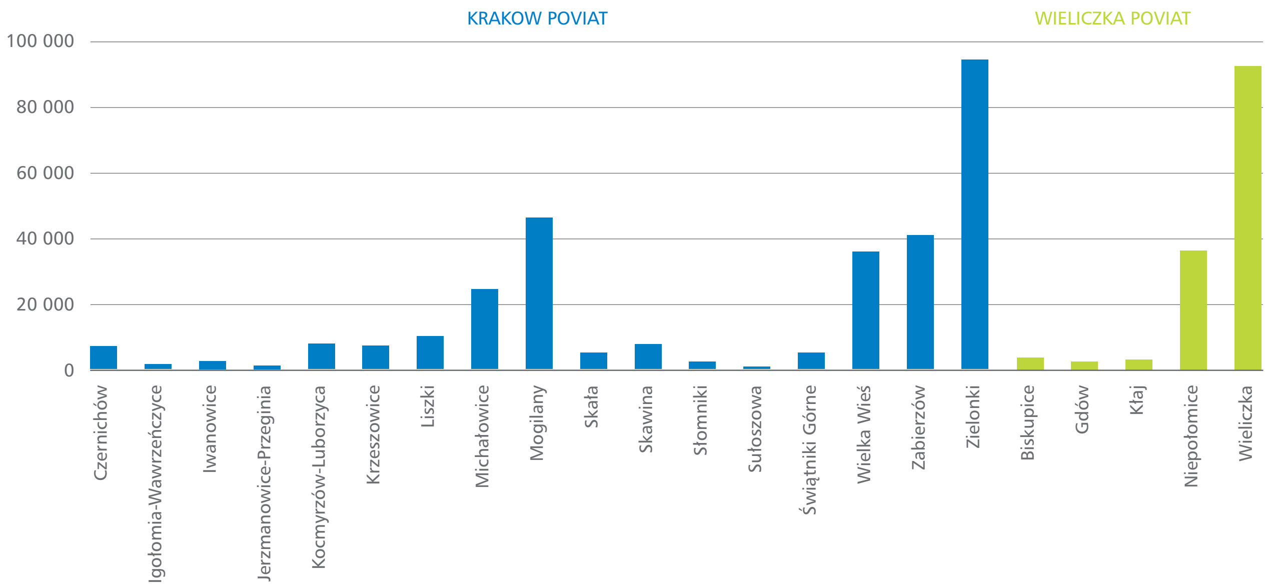
Number of single-family house sale transactions in communes of Krakow and Wieliczka poviats



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

Chart II.37.

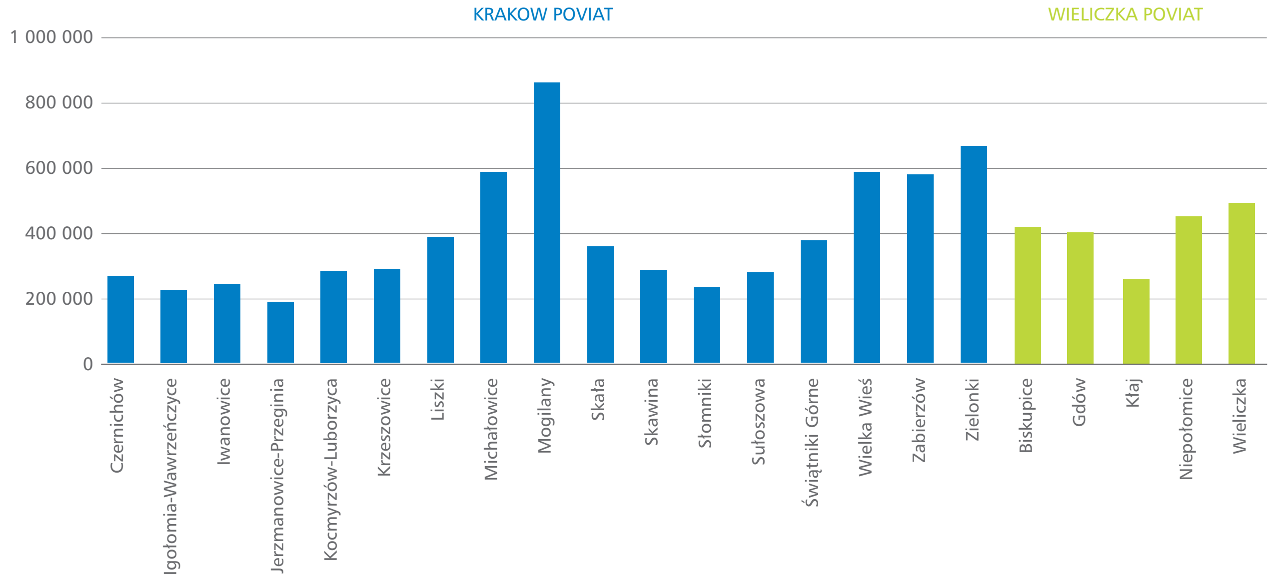
Value of single-family house turnover in communes of Krakow and Wieliczka poviats [in thousand PLN]



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

Chart II.38.

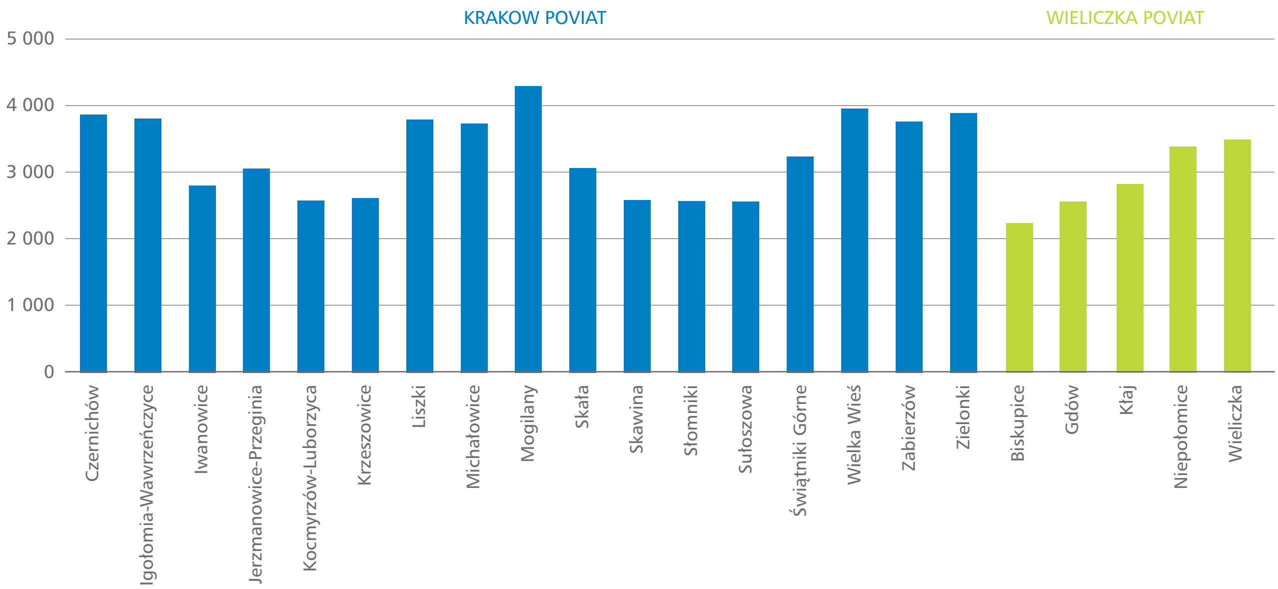
Average transaction price of single-family houses in communes of Krakow and Wieliczka poviats [in PLN]



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

Chart II.39.

Average price of 1m² of single-family houses in communes of Krakow and Wieliczka poviats [in PLN/m²][1]



[1] Average price for 1m² calculated from transactions, in which a usable surface of the building was stated.
Source: Institute of Analysis, The Real Estate Market Monitor – mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

The most significant turnover of amounts was recorded in Zielonki commune, similarly as the highest transaction price – in Januszowice village (residence sold for PLN 3 115 000).
In Wieliczka poviat most of transactions concerned the commune of Wieliczka, followed by the areas of Niepołomice commune.
The most expensive transaction registered in 2008 in Wieliczka poviat was recorded in Zabierzów Bocheński (Niepołomice commune). The value of the sold house equalled PLN 1 500 000.
Developers possessed a large share in the house market in 2008, similarly to previous years. Estates of single-family houses were realised in communes surrounding Krakow – Zielonki, Zabierzów, Michałowice and Mogilany.

Table II.10.

Prices of sale by developers from chosen communes in Krakow poviat [in PLN/m²]

	Zabierzów	Michałowice	Zielonki	Wielka Wieś
Average price	4 057	3 622	3 925	3 927
Minimum price	3 053	1 781	2 038	2 279
Maximum price	6 648	5 063	5 292	4 745

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

The sale offers for the year 2008 about 1 730 houses were located in Krakow poviat. Offers covered houses ready to live in and requiring various construction works (to be repaired or during repair – open shell and building shell, to be finished).
Real estate prices were diverse, and the location of a house played an important role. The most common offers concerned buildings in Zielonki, Michałowice, Mogilany and Zabierzów communes, the most expensive ones could be found in Mogilany. One of the most expensive offers – PLN 7 000 000 concerned a 170m² house in Cianowice in Skała commune.
In Zielonki commune 295 single-family house sale offers have been registered in 2008. Minimal offer price equalled PLN 340 000 and the maximum price was PLN 2 500 000. The cheapest adverts were offering raw state buildings in a more remote localisation. 31 properties (about 13%) were offered for a price exceeding PLN 1 000 000, and 8 among them – for more than PLN 2 000 000. Offer prices in Zielonki commune, calculated for 1m², were diversified (min. PLN 1 948/m², max. PLN 7 667/m²). 77% of offer prices ranged between PLN 2 500-5 000/m², and 13% ranged from PLN 5 000/m² and more.

Michałowice commune is the subsequent area of Krakow poviat as far as number of offers is concerned. More than 291 offers for single-family houses were registered here. The minimal offer price amounted up to PLN 280 000, and the maximum price PLN 4 690 000. Almost 30 properties (that is 14%) were offered for a price exceeding PLN 1 000 000. Offer prices in Michałowice commune, calculated for 1m², were also diverse (min. PLN 1 786/m², max. PLN 10 422/m²). As much as 72% of houses were enumerated in the price range from PLN 2 500 to PLN 5 000/m², and 12% of houses cost over PLN 5 000/m².

In Mogilany commune, there were more than 230 single-family house sale offers. Minimum offer price equalled PLN 45 000, while the maximum price PLN 4 800 000. One third of all properties were offered for sale with a price exceeding PLN 1 000 000, including 20 real estates with the price higher than PLN 2 000 000. Offer prices in Mogilany commune, calculated for $1m^2$, were also extremely diverse (min. PLN 1 412/m^2, max. PLN 14 000/m^2), yet the prevailing prices were higher than those in other communes in Krakow poviat: 54% of prices ranged between PLN 2 500-5 000/m^2, 35% of prices exceeded PLN 5 000/m^2 (prices higher than PLN 6 000/m^2 concerned 22% of offers). 20% of offers ranged from PLN 2 000 to PLN 3 000/m^2.

173 offers were registered in Zabierzów commune. As far as the number of offers is concerned, the following communes followed: Skawina (117 offers), Wielka Wieś (106 offers), Świątniki Górne (91 offers), Krzeszowice (86 offers), Kocmyrzów-Luborzyca (58 offers) and Jerzmanowice-Przeginia (32 offers). In the remaining communes of Krakow poviat, Iwanowice, Słomniki, Igołomia-Wawrzeńczyce and Sułoszowa, an overall number of 34 offers were stated. Majority of offer prices ranges between PLN 2 500 and 4 000/m^2.

The offer was dominated by offers present on the market since 2008. By the end of 2008 there were 500 sale offers for properties developed with single-family houses in Wieliczka commune with prices starting from PLN 400 000. The offer price usually ranged between PLN 2 000-4 000/m^2, whereas in the most expensive locations it was higher than PLN 9 000/m^2.

Niepołomice commune constitutes a second important area of the real estate market within Wieliczka poviat. More than 300 offers for the sale of single-family houses were registered there. What is worth mentioning is the number of offers concerning unfinished buildings, which usually cost about PLN 350 000. In case of finished investments one had to consider an expense equalling PLN 1 000 000 for a property (about PLN 5 000/m^2), but there were also offers for about PLN 500 000. 20 offers were available in Biskupice commune. It was possible to buy an open shell house for PLN 380 000, while shell units were available for PLN 560 000. The offer price ranged between PLN 2 400-3 440/m^2. Gdów commune offered 30 houses. The offer price amounted to as much as PLN 5 500/m^2.

20 offers were available in Kłąj. One could buy an open shell house for PLN 309 000, while the finished houses were available for PLN 430 000 or PLN 590 000. Offer prices for finished houses ranged between PLN 400 000 and 800 000.

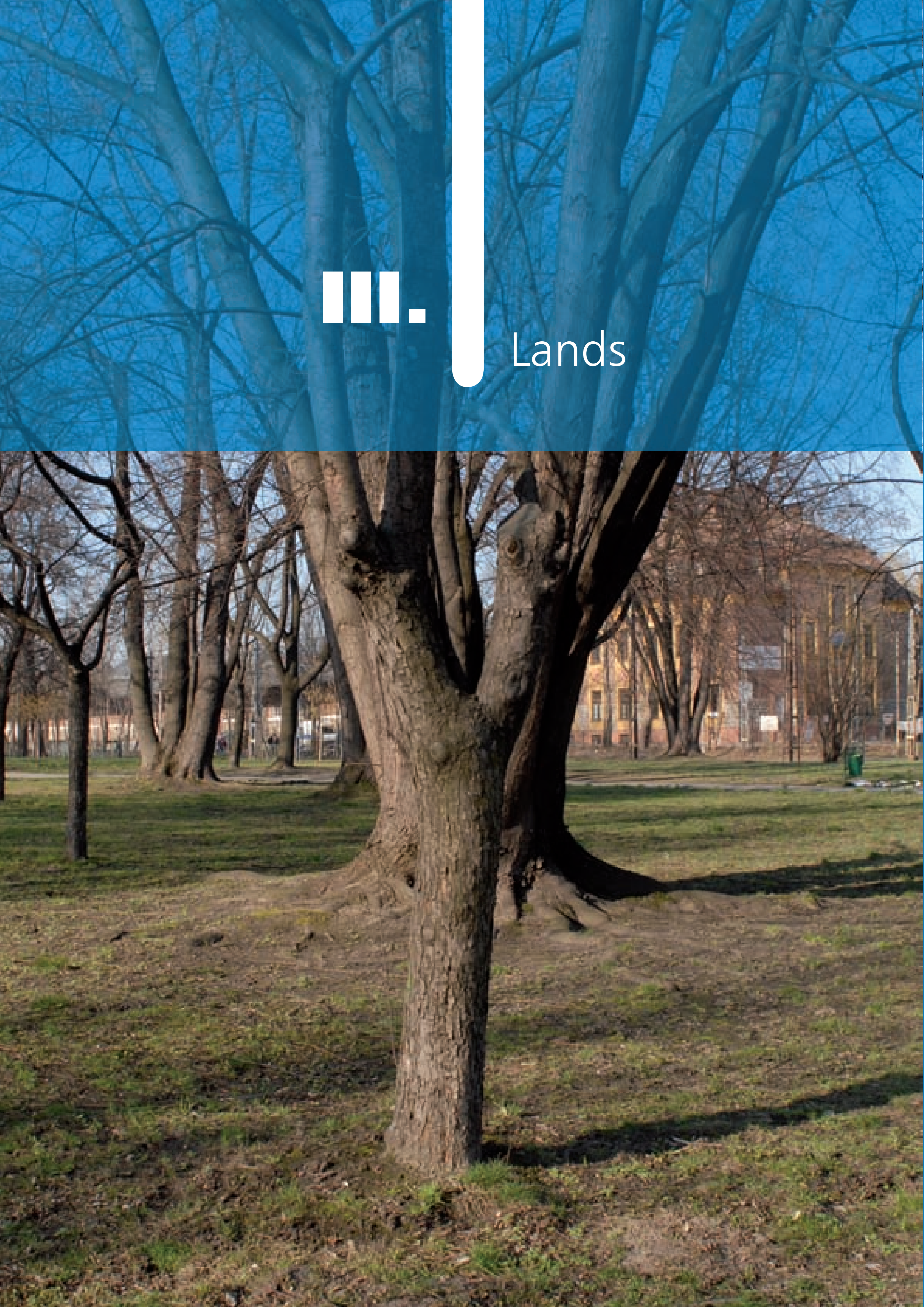
The market of single-family houses noted a slowdown, or even stagnation in 2008. The period of market exposure (interval between placing the offer and the moment of sale) extended considerably. The most popular properties were those located up to 25 km from Krakow. Terraced houses and semi-detached house executed by developers, who have perfectly taken advantage of the demand for 'a house outside the city', constituted a noteworthy share in the market offer. Houses from the 70s and 80s were not too popular. In 2009 we can expect a drop on the market of single-family houses (this concerns both the average price for the whole property, and the average price for $1m^2$ of the house surface).

Summary

- In 2008 the average unit transaction price increased significantly, both in Krakow poviat (16%) and in Wieliczka poviat (25%).
- The highest number of transactions related with properties developed by residential houses took place in communes, where these prices were the highest.
- Shell realisations played an important role in shaping the market of single-family houses in communes surrounding Krakow. Organised housing estates have been recently realised around Krakow. Prices in these estates reflected average prices from the local market or they were slightly higher. These prices concerned the so-called shell condition.
- Due to decreasing demand with a significant supply of properties, we can expect a fall in prices and a drop in the number of transactions on the market.

III.

Lands

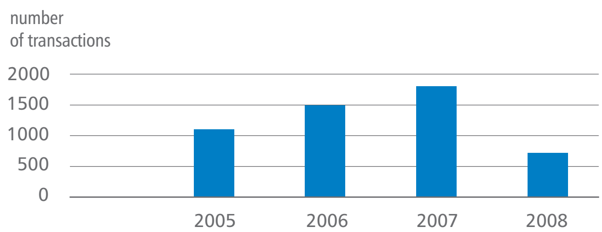


1. Lands in Krakow

After noteworthy increase in prices in 2006 and 2007 in Krakow, the year 2008 brought stagnation – significant drop in the number of transactions and turnover value. In 2007 the value resulting from the realised land sale transactions equalled about PLN 2.5 milliard with the turnover value amounting to about 1 800 transactions. In 2008 the amount of transactions dropped by 50% and the turnover dropped by 70%. What was characteristic in the years 2006 and 2007, namely transactions for several dozens or several hundreds PLN were long forgotten. Only about 10 land transactions were concluded for the price exceeding PLN 10 000 000. The number of transactions dealing with large land areas is a symptom of crisis on the market in 2008 – only about 10 transactions were related with lands with the area of at least 2ha.
In 2006 and 2007 transactions related with the sale of large areas of land with constructions to be demolished, which is properties to be revitalised (investment areas), were also of great significance. Such transactions practically did not occur in the year 2008.

Chart III.1.

Number of transactions and the land turnover value in Krakow[1]



	2005	2006	2007	2008
turnover in PLN million	380	1100	2500	720

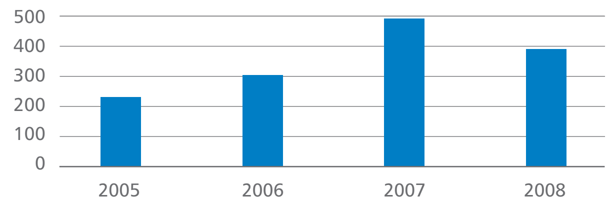
[1] The data shall not cover grounds purchased by the Commune and the State Treasury in connection with the realisation of the investment in the road infrastructure and grounds introduced as a contribution between various entities

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

In 2008 the average price for 1m^2 of an investment land dropped by 20% in relation to quotations from 2007.

Chart III.2.

Average price of construction lands [in PLN][1]



[1] The data shall not cover grounds purchased by the Commune and the State Treasury in connection with the realisation of the investment in the road infrastructure and grounds introduced as a contribution between various entities

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

The greatest quantitative share in the land turnover belonged to single-family house building, similarly to the year 2007. In 2008 they were still 60% of all development land transactions. Taking into consideration the value of transactions within the segment of land properties, then in comparison to 2007, when the biggest share was covered by lots for high intensive development housing building (about 60%) – this share dropped to 40% in 2008. However, what has increased was the share of lands for single-family development – to 40%. Lands anticipated for commercial and industrial-logistics purposes constituted about 15-18% of the turnover, similarly to the year 2007. Remaining 2-5% of turnover share on the real estate market belonged to lots of irregular planning status, or those aimed for green areas. The majority of these transactions were the speculation transactions, whose growing number was observed on the market. In such cases the purchasers usually wait for the resolutions concerning the spatial development plans or the development of the arrangement in the area, which will facilitate obtaining the Land development decision, and they have to consider a perspective of long awaiting for such changes. In 2008 these transactions concerned in general 34ha of lands for the overall amount of PLN 27 000 000. The average price equalled PLN 80/m^2. Comparing this price with average prices of lands for single-family housing, multi-family housing or industrial and commercial development, clearly shows that as a result of freezing the capital for several years, the purchasers await high profits exceeding the initial value of the investment.

After the price peak on the land market, which occurred in the middle of 2007, this market faced a sudden weakening of the economic situation. The second half of the year, and in particular the period between September and December, should be considered as market hibernation period. As a result of the culmination of the global financial crisis, participants of the market decided to withhold purchases. Credit market became extremely restrictive. Companies, both the national ones and the foreign ones, which purchased lands in 2006 and 2007, with the support of bank loan, started to face financial problems. This resulted in a sudden drop in the number of transactions and turnover value within the segment of lands for multi-family housing development, a segment that observed greatest financial investments in 2006 and 2007.

Statistics of average prices in the segment of lands for multi-family development partially reflects the bad condition of the market. Average prices dropped significantly in Krowodrza and Podgórze. The prices grew in Nowa Huta and Śródmieście. However, the increase in Śródmieście was based on several transactions, which were record-breaking as far as price is concerned, for "infill" lots on Kazimierz and near Planty (Piłsudskiego Street – 300 m^2 for almost PLN 25 000/m^2; Miodowa Street – almost 200m^2 for PLN 16 400/m^2). Transactions on Grzegórzki, Wieczysta and Prądnik, previously popular locations, have vanished completely.

The most expensive transactions in Krowodrza district concerned areas at Kościuszki Street with the price oscillating about PLN 4 000/m^2. In Podgórze the most expensive transactions were related with lots in Dębniki, at Barska Street – PLN 6 600/m^2 and at Mieszczańska Street – PLN 5 700/m^2. Nonetheless, prices of lots anticipated for single-family housing and less intense development did not drop. In Krowodrza, a district particularly popular as far as this kind of development is considered, the average price in 2008 maintained the level from the year 2007, and equalled about PLN 420/m^2.

Invariably, the highest prices for low intensity development lots were observed on Wola Justowska – ranging from PLN 600 to 1 300/m^2. In Podgórze, the largest district, and in its extensive undeveloped areas, the prices increased by about 10%, equalling about PLN 280/m^2, mainly due to the con-

siderable turnover of relatively cheaper lots on the outskirts of the city. The most visible growth of prices, about 25%, was observed in Nowa Huta, as a result of relatively large number of transactions in Grębałów and Łęg.

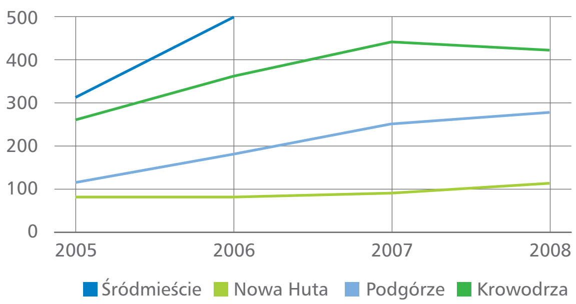
The level of prices for lots with commercial service functions (UC) in Śródmieście, Krowodrza and Podgórze was maintained on the average level of PLN 600/m², with the highest prices reaching PLN 1 000/m². In 2008 the level of average prices rose to PLN 800/m², with a comparative number of transactions within this market segment. The demand for hotel and office development was observed at the beginning of the year, yet it weakened with time and became extremely selective.

In case of lots with industrial and storage functions (PS), existing mainly in Podgórze and Nowa Huta, the average price in 2008 in Podgórze amounted to PLN 203/m² (PLN 120-300/m² in 2007) and in Nowa Huta it amounted to PLN 170/m² (PLN 100-250/m² in 2007).

In 2008 there were virtually no transactions related with the revitalisation process of industrial areas located near the city centre. The excess of new, unsold apartments resulted in the lack of constant demand for lots for multi-family housing development near the city centre and other attractive, more expensive locations. During the crisis, with limited availability of credits, only cheaper apartments offered better perspectives, and such apartments area being constructed only on cheaper lands.

Chart III.3.

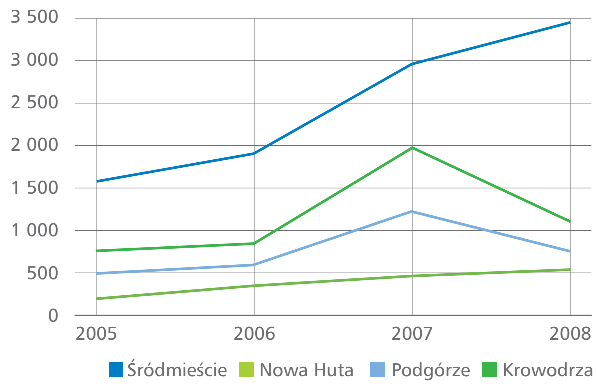
The average prices for land for single-family housing development (with low development intensity) [in PLN/m²]



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

Chart III.4.

The average prices for land for multi-family housing development (with high development intensity) [in PLN/m²]



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

Table III.1.

The average prices for commercial lands in 2008

	Krowodrza	Nowa Huta	Podgórze	Śródmieście
PLN/m²	250-1300	200-900	200-3000	800-5200

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

Summary

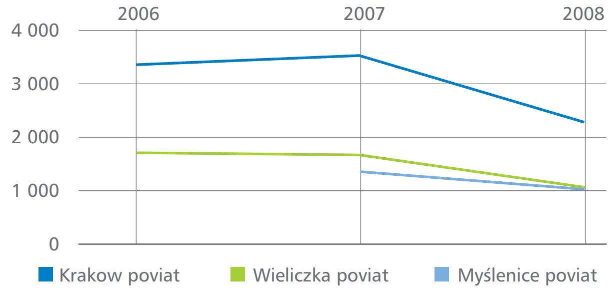
- The land market in Krakow in 2008 was characterised with a drop in number and value of transactions. No large transactions were recorded, and the real demand decreased significantly.
- In the second half of 2008 the investors did not undertake any activities in the land market, awaiting the development of events related with the global financial crisis, which reached Poland in autumn.

2. Lands in the suburban area

Drop in prices occurred within numerous real estate market segments in 2008. Despite that, the land market in the suburban area of Krakow did not fall under these trends and maintained the price level from the previous year, and it even recorded a further increase. What is disturbing is the fact that the number of transactions dropped significantly, and the overall turnover sum was lower than in the previous year. Almost 16% drop in turnover was noted within the Krakow poviat, while in Wieliczka poviat it reached as much as 45%, and in Myślenice poviat – 25%. The number of transactions in the Krakow poviat decreased by 36%, in Wieliczka poviat by 39% and in Myślenice poviat by 28%. The increase in the number of transactions was observed solely in four communes within the analysed area.

Chart III.5.

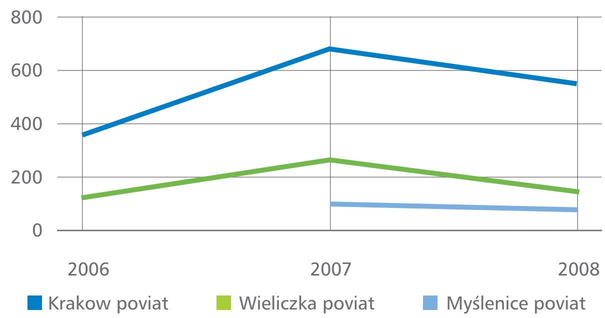
Number of land transactions in the suburban area



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

Chart III.6.

Value of the land turnover in the suburban area [in million PLN]

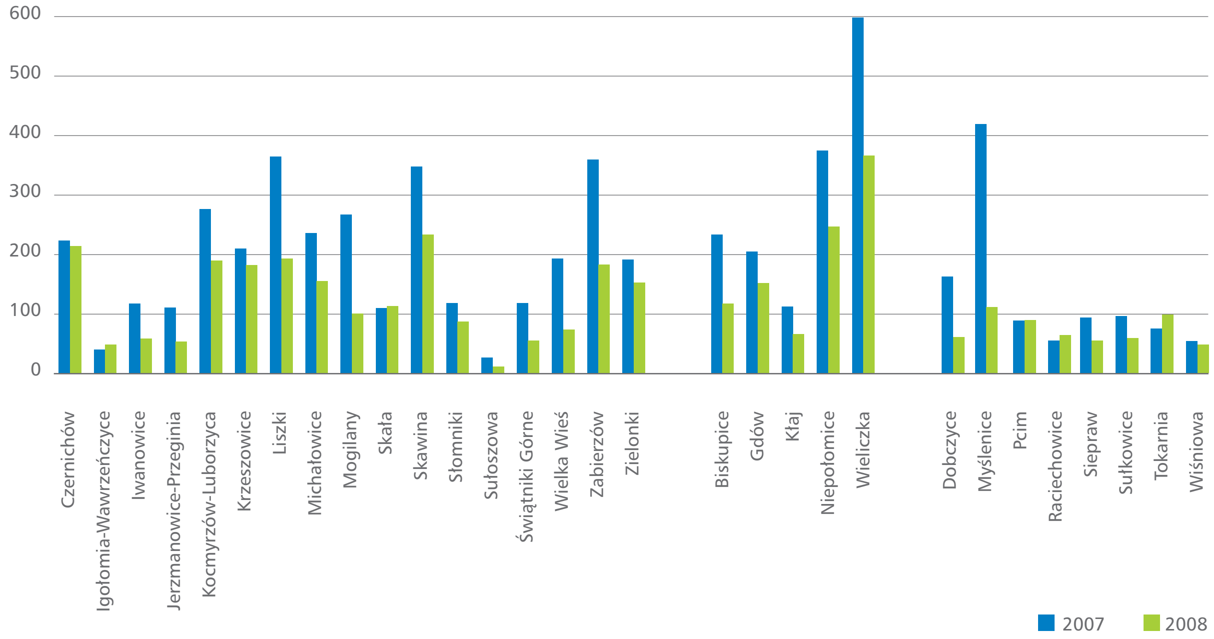


Source: Institute of Analysis, The Real Estate Market Monitor – mrn.pl (Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl)

The greatest number of transactions was stated in the following communes: Wieliczka, Czernichów, Niepołomice, Skawina and Liszki. Three last communes are of considerable economic significance – industrial areas are located in Niepołomice and Skawina, and Liszki commune, who is highly attractive for house building, is constantly under a strong influence of commercial areas around the Balice airport. Wieliczka, a globally known town, which for years belongs to the most attractive communes surrounding Krakow, attracts both the commercial and housing investments. The smallest number of transactions was recorded in Sułoszowa commune. The real estate market in this commune is atypical, as the supply is incredibly small here, and the majority of transactions take place between family members or neighbours. Localisation and natural attractiveness of the Sułoszowa is unquestionable, yet despite the fact, the number of concluded transactions does not exceed a dozen or so a year.

Chart III.7.

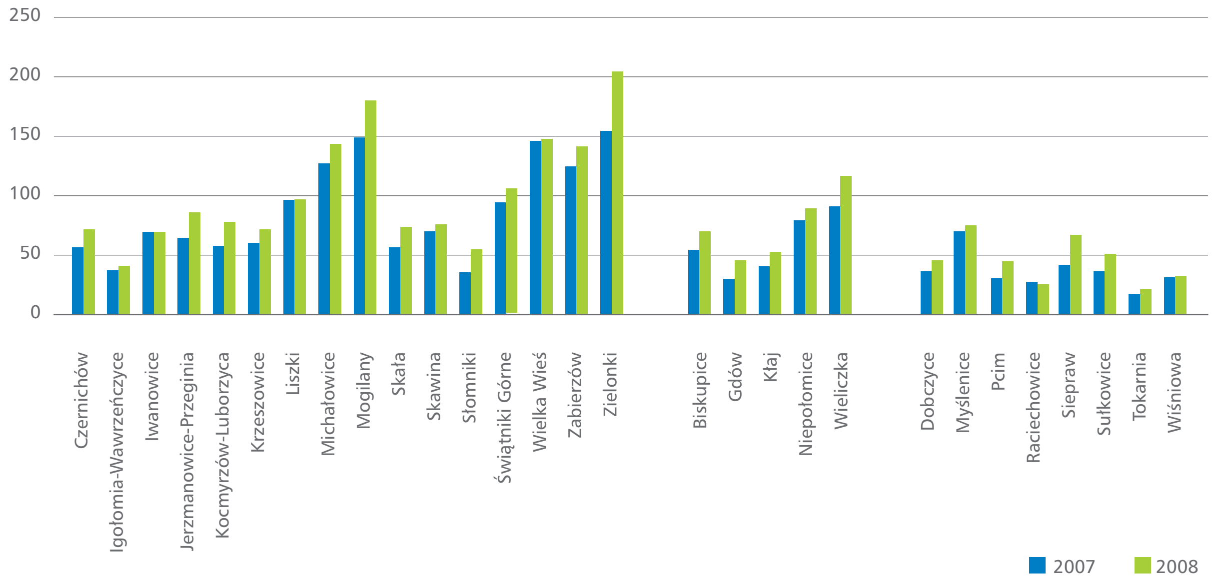
Number of land transactions within the suburban area



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

Chart III.8.

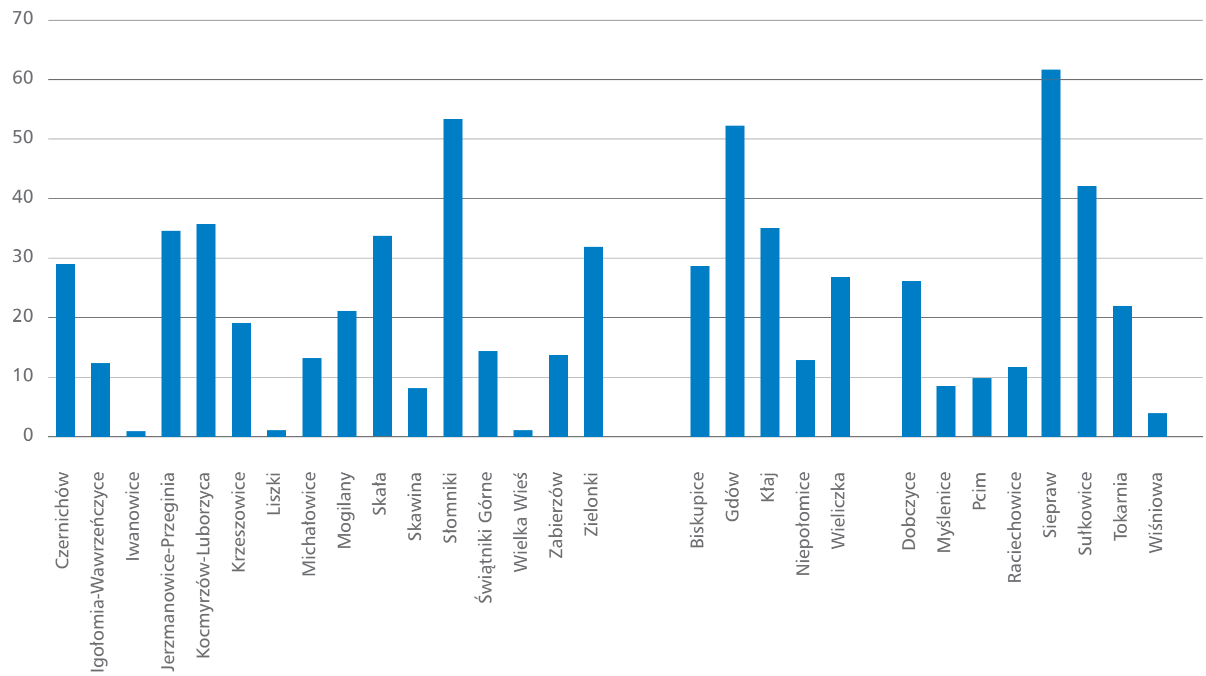
Average land prices anticipated for house building in the suburban area [in PLN/m²]



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

Chart III.9.

Relative change of average prices in 2008 [in %]



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

Similarly to previous years, in 2008 the largest amount of transactions was recorded in the category of land anticipated for single-family housing development. Individual investors were the most active ones within this market segment, although year-by-year developers constitute an increasing percentage of purchasers. In 2008 the communes located on the north and west side of Krakow – Zabierzów, Zielonki and Michałowice, were quite popular, yet not as popular as during previous years. Similar number of transactions was noted in previously underestimated communes – Kocmyrzów-Luborzyca, Krzeszowice and Gdów.

Next to lands anticipated for house buildings, green areas and agricultural lands pose a large amount of transactions. The most significant turnover related with this type of real estates occurs in typically rural communes of Słomniki and Igołomnia-Wawrzeńczyce and in communes most remote from Krakow.

Although the average land prices aimed for house buildings did not increase in 2008, as they did the year before, nevertheless, despite the general recession, they raised significantly, and in Siepraw, Słomniki, Gdów and Sułkowice communes they were 40% higher than in the previous year.

Not long ago, the three last locations were characterised with noteworthy lower prices, than the average price in the poviat, but during the year 2008 the level was equalized.

Siepraw commune gained value due to active operation of developers and the popularisation of ski complex "Siepraw-Ski". In 2008 the highest average price of lands anticipated for house building were observed in Zielonki commune (204 PLN/m^2), Mogilany commune (180 PLN/m^2) and communes of Michałowice, Wielka Wieś and Zabierzów (oscillating about the average unit price for the area – 140 PLN/m^2).

Prices of commercial lands raised in 2008, reaching the level of almost 300 PLN/m^2 in Niepołomice, 500 PLN/m^2 in Skawina and over 600 PLN/m^2 in Cholerzyn, in the neighbourhood of Balice airport, in Libertów, and near the Road No. 7, the so-called "Zakopianka". Average prices of commercial, industrial and industrial-service lands within the discussed area ranged between 100 and 200 PLN/m^2.

Summary

- Despite the determined decrease in the number of transactions and the turnover value, the prices of lots within the Krakow suburban area did not fall in 2008, and in several communes they raised significantly.
- The following decrease in the number of transactions may occur in 2009, particularly in towns, which have been the most expensive ones so far.
- Due to great supply of land and reasonable demand (conditioned by the smaller purchasing capability of the investors, when compared to previous years) a small drop in prices may be anticipated.

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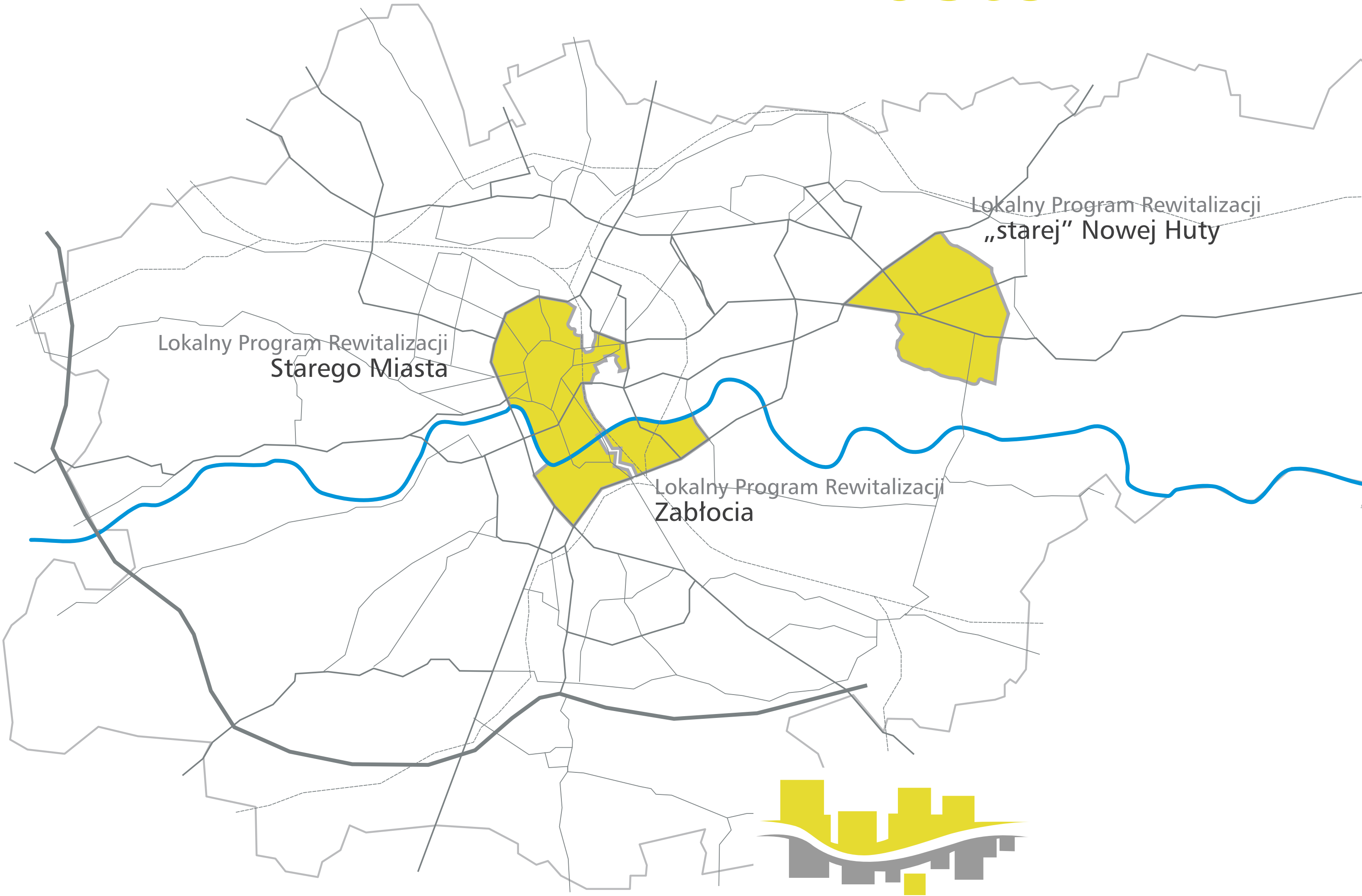

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TABLE ADMINISTRATIVE BOROUGHS

Former Boroughs	Current Status	
	Number	Name
Śródmieście	I	Stare Miasto/Old Town
	II	Grzegórzki
	III	Prądnik Czerwony
Krowodrza	IV	Prądnik Biały
	V	Krowodrza
	VI	Bronowice
	VII	Zwierzyniec
Podgórze	VIII	Dębniki
	IX	Łagiewniki – Borek Fałęcki
	X	Swoszowice
	XI	Podgórze Duchackie
	XII	Bieżanów – Prokocim
	XIII	Podgórze
Nowa Huta	XIV	Czyżyny
	XV	Mistrzejowice
	XVI	Bieńczyce
	XVII	Wzgórza Krzesławickie
	XVIII	Nowa Huta

map of the Krakow districts

Krakow Boroughs

From 1991, Krakow has been divided into 18 administrative boroughs. Their distribution in relation to the former four primary boroughs is presented in the table and a map below.

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Concept

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