KRAKOW REAL ESTATE MARKET 2012

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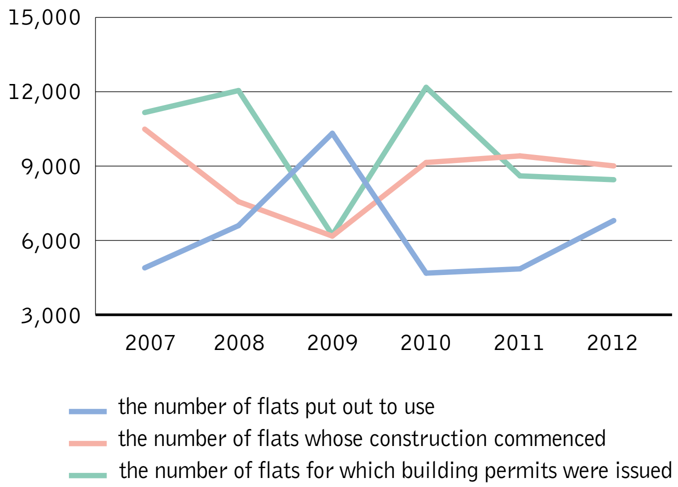
III. HOUSING MARKET

III.1. PRIMARY MARKET

According to the preliminary data of the Statistical Office in Krakow, there were 6,824 flats put out to use in Krakow in 2012. In the same period, the construction of 9,021 flats commenced; building permits were issued for 8,466 new ones. Having compared the data quoted above with the results since 2007 one may say that for the first time in a few years those three values were at a similar level. After two years of stable situation, in 2012 we saw a significant increase in the number of flats put out to use. In that year, 1,942 more flats were put to use than a year earlier, indicating an increase by almost 40%. The indicator of the number of commenced constructions seems also stable. Over the past three years, the investors commenced construction of over 9,000 flats a year. The indicator of the number of building permits issued also remained at the level similar to that of 2011.

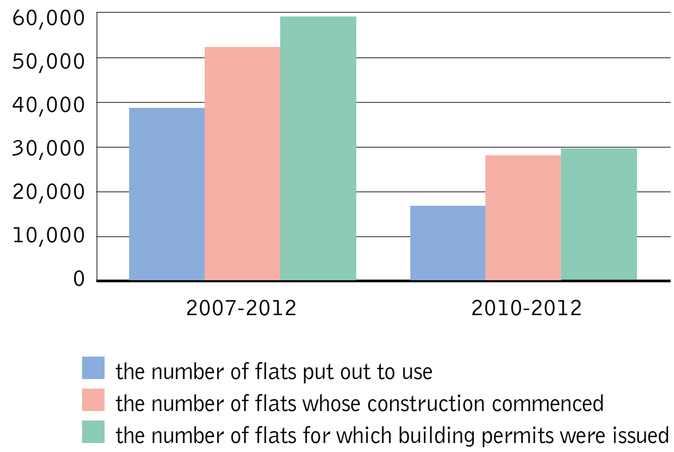
Over the past five years, the total surplus of the building permits over the number of constructions commenced reached 6,840 flats (in the past three years – 1,664). The total surplus of constructions commenced over the flats put out to use reached 13,592 (in the years 2007-2012) and 11,186 (in the years 2010-2012), respectively.

Chart III.1–1.
The number of flats put out to use, for which building permits were issued; and the number of flats whose construction commenced in Krakow in the years 2007-2012



Source: Prepared based on the data from the Statistical Office in Krakow

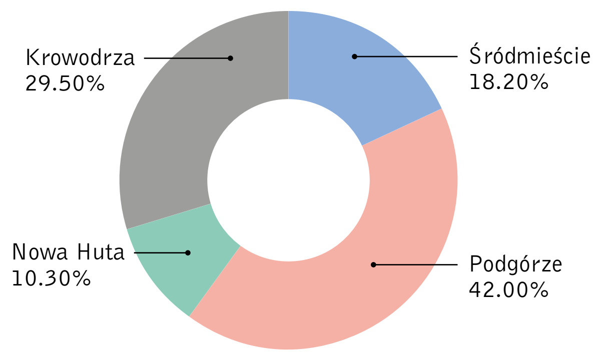
Chart III.1–2.
The number of flats put out to use, for which building permits were issued; and the number of flats, whose construction commenced in Krakow – the total for the years 2007-2012



Source: Prepared based on the data from the Statistical Office in Krakow

According to the data of the Dominium.pl website, the number of housing investments (multifamily buildings) understood as individual buildings, in which flats were sold, slightly exceeded 400 at the end of 2012. Compared with the previous year, it translates into a growth of investment by over 50. Moreover, 24 investments located in Krakow included single-family houses. About 42% of all housing investments were located in Podgórze, about 30% in Krowodrza, while over 18% – in Śródmieście. It was Nowa Huta that had the lowest percentage of investments in the primary market with only a little over 10% of investments. Compared with the situation 12 months ago, the share of Śródmieście and Podgórze decreased, while an increase of participation in the general investment pool took place in Nowa Huta and Krowodrza. Changes of participation did not exceed 3% in any of them. It is essential to emphasize that five years earlier (in December 2007), there were only 12% of investments in Śródmieście, while in Podgórze – 48%, in Krowodrza – 32%, and 8% in Nowa Huta.

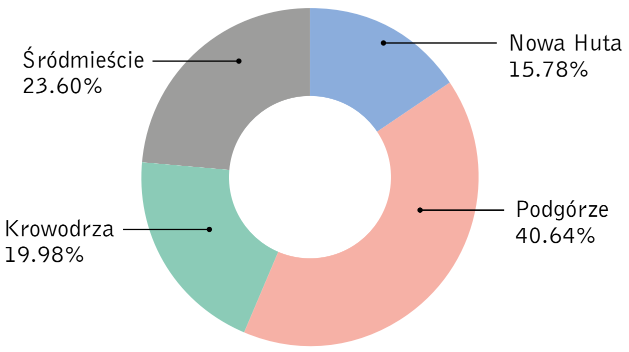
Chart III.1–3.
Distribution of housing investments in Krakow



Source: Dominium.pl

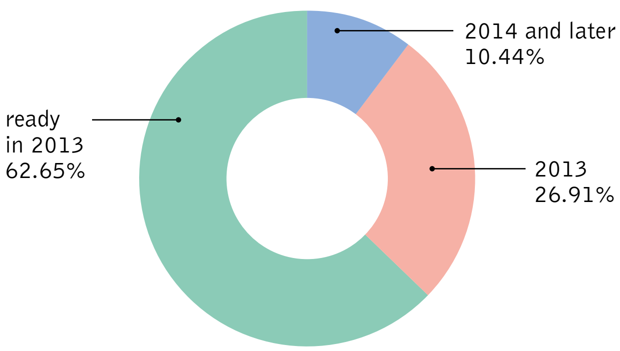
At the end of 2012, over 11 thousand of new flats were offered in Krakow, that is about 2 thousand more than a year before. Over 40% of all flats were offered in the investments located within Podgórze. Śródmieście came second – there were over 23% flats there offered in the primary market. A similar number of flats – almost 20% of all flats – was located in Krowodrza. Traditionally, the lowest number of flats – but still almost 16% of all flats on the offer – was located in Nowa Huta. Half a decade earlier the share proportions differed significantly: Podgórze (47%), Śródmieście (14%), Krowodrza (29%), Nowa Huta (10%). Five years later, potential buyers had a proportionally higher selection of investments and flats in Śródmieście and Nowa Huta. In the analysis of the distribution of flats within the administrative

Chart III.1–4.
Distribution of flats offered in Krakow



Source: Dominium.pl

Chart III.1–5.
Investment realization deadlines in Krakow ready in 2013 2014 and later



Source: Dominium.pl

borders of the districts in Krakow, it is important to emphasize the fact that the offer covered mainly four districts: Prądnik Biały (IV), Podgórze (XIII), Czyżyny (XIV), Dębniki (VIII), Prądnik Czerwony (III), Wola Duchacka (XI), Grzegórzki (II), Bieżanów--Prokocim (XII). These locations offer over 80% of all flats on the offer. In turn, the lowest number of offers applied to in the other districts of Nowa Huta as well as in Swoszowice (X), Łagiewniki (IX) and Zwierzyniec (VII).

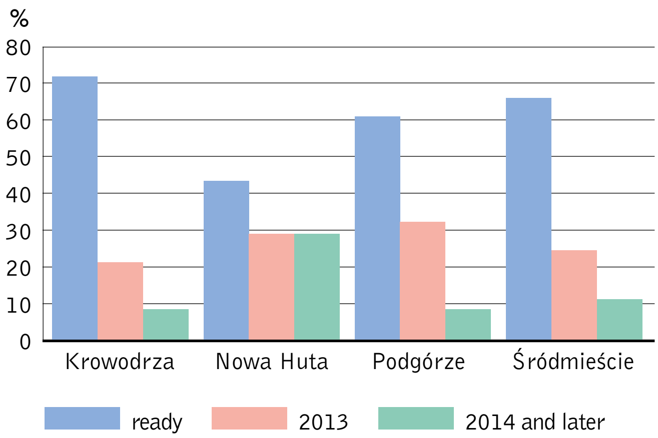
Out of the investments offered in December 2012, over 62% had been already completed, while almost 27% were to be put out to use in 2013. Relatively few investments, only a little over 10%, had the realization deadlines planned for 2014 or later.

Table III.1–1.
Distribution of flats divided by districts

District	Share (%)
Stare Miasto (I)	5.4
Grzegórzki (II)	8.73
Prądnik Czerwony (III)	9.47
Prądnik Biały (IV)	11.67
Krowodrza (V)	2.33
Bronowice (VI)	4.73
Zwierzyniec (VII)	1.25
Dębniki (VIII)	10.5
Łagiewniki-Borek Fałęcki (IX)	1.3
Swoszowice (X)	0.71
Podgórze Duchackie (XI)	9.47
Bieżanów-Prokocim (XII)	7.64
Podgórze (XIII)	11.02
Czyżyny (XIV)	10.64
Mistrzejowice (XV)	2.13
Bieńczyce (XVI)	1.18
Wzgórza Krzesławickie (XVII)	0.63
Nowa Huta (XVIII)	1.2

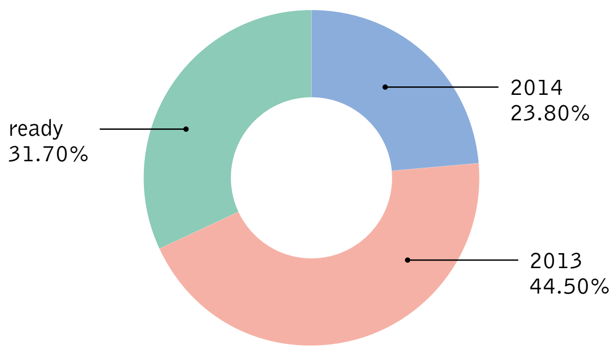
Source: Dominium.pl

Chart III.1–6.
Distribution of investments in Krakow according to the realization deadlines



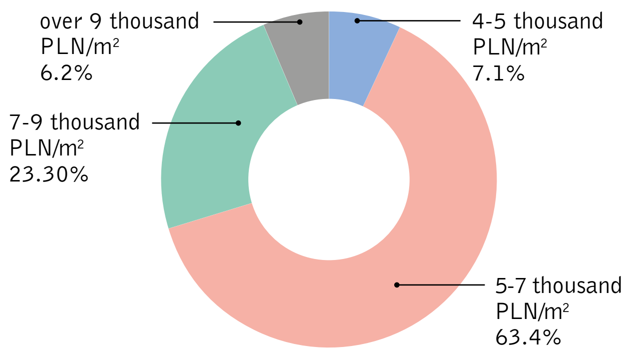
Source: Dominium.pl

Chart III.1–7.
Flat realization deadlines in Krakow



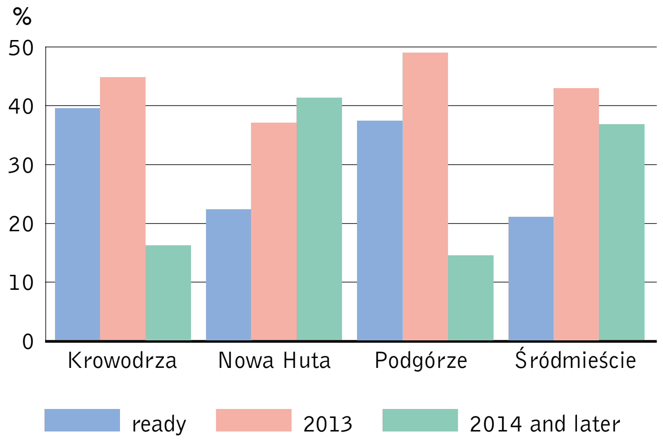
Source: Dominium.pl

Chart II.1–9.
The structure of offered flat prices in Krakow



Source: Dominium.pl

Chart III.1–8.
Distribution of flats in Krakow according to the realization deadlines



Source: Dominium.pl

In the majority of ready investments, only the last flats remained on the offer. According to the percentage, the highest number of completed investments (over 70%) was located in Krowodrza, slightly lower in Śródmieście and Podgórze, with the fewest in Nowa Huta (almost 43%). In 2013, between 20% (Krowodrza) and 32% (Podgórze) of investments were planned in the particular districts. At the end of December 2012, almost 32% of the flats on the offer on the market in Krakow were ready for the customers to move in. Further 44% had realization deadlines set for the following year.

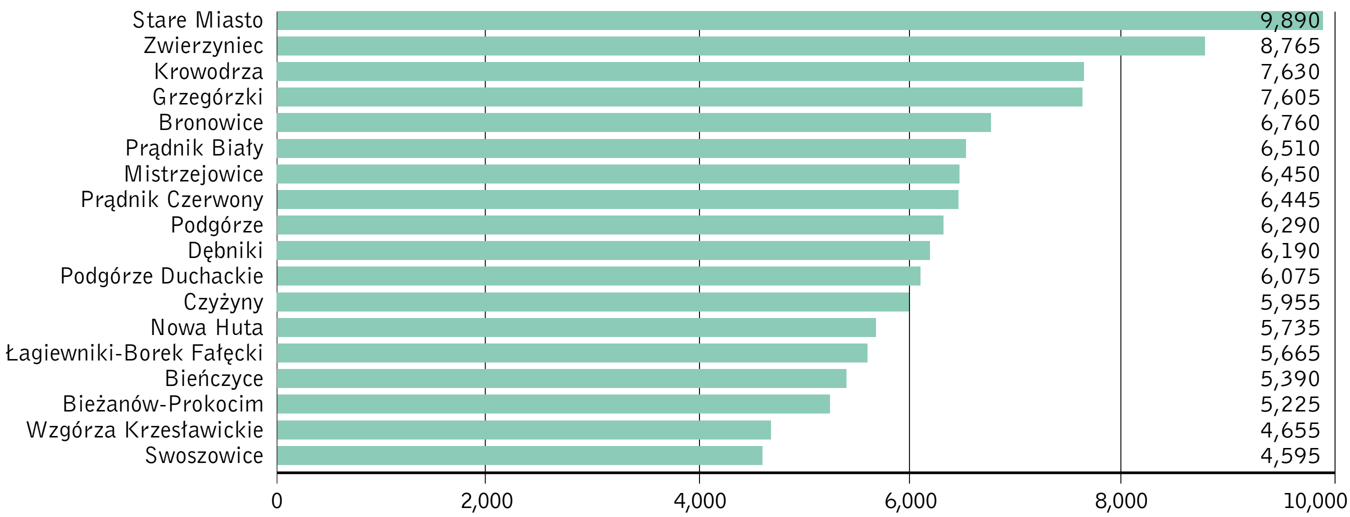
Almost half of the premises was to be put out for use in the first two quarters of 2013, the estimated influx of new flats will remain at a similar level throughout the whole year. The remaining 24% of flats were planned to be ready in 2014 and later.

The analysis of realization deadlines of flats in division by districts, Krakow may be divided into two zones. The first zone would be comprised of Krowodrza and Podgórze. There were almost 2/5 of all flats that were ready for the customers to move in. Much less, only about 1/5 of the flats on the offer, were ready in Nowa Huta and Śródmieście. Proportionally, the highest number of flats put out to use in 2013 will be in Podgórze, while in 2014 – in Nowa Huta.

The analysis of the price structure of the flats indicates that the majority of the flats (over 63%) fits within the 5-7 thousand PLN/m² price range. The 7-9 thousand PLN/m² price range, covering over 23% of flats, comes second. The price of about 7% of flats does not exceed 5 thousand PLN/m². The least numerous price range includes the most expensive flats, with the price exceeding 9 thousand PLN/m². The data might be treated as a representation, as they were prepared based on the notices, where the investors state the price per 1 m² of the flats offered. A frequent practice, in particular in the case of more expensive premises, is quoting the prices only in the course of direct contact with the client. The shares stated here might be under-estimated in the case of the two highest price ranges.

Since the beginning of the price corrections, we observe the gradual flattening of average prices in individual districts. The differences

Chart III.1–10. **Average of the offer prices of new flats in the Krakow's districts**



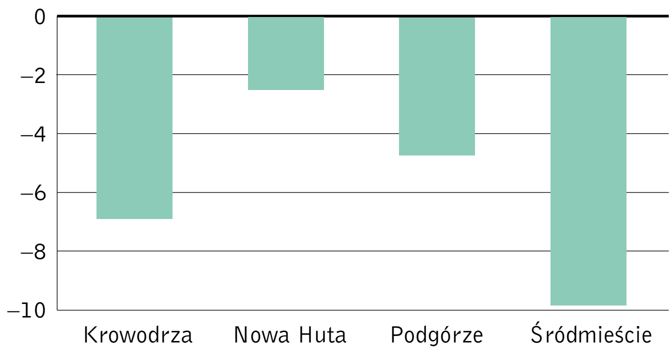
Source: Dominium.pl

in average offer prices between the cheapest and most expensive districts are not as visible as five years ago. At the moment, this difference reaches 100%. The lowering of average prices in the districts is influenced by: influx of new investments offered at lower prices, as well as lowering the prices in the investments already on the market. It is also true that you can find investments in each district, where the offer price deviates from the average, due to specificity of a given location or the standard of the premises on the offer.

The group of districts enjoying the lowest average prices (up to 5,500 PLN/m²) as of December 2012 includes: Swoszowice (X), Wzgórza Krzesławickie (XVII), Bieżanów-Prokocim (XII) and Bieńczyce (XVI). The biggest group covered the districts with the average prices at the level of 5,500-6,500 PLN/m². These districts were: Łagiewniki-Borek Fałęcki (IX), Nowa Huta (XVIII), Czyżyny (XIV), Podgórze Duchackie (XI), Dębniki (VIII), Podgórze (XIII), Prądnik Czerwony (III), Mistrzejowice (XV), Prądnik Biały (IV). In three further districts – Bronowice (VI), Grzegórzki (II), Krowodrza (V) – average prices oscillated in the 6,700-7,600 PLN/m² price range. Traditionally, Zwierzyniec (VII) and Stare Miasto (I) were the most expensive.

In the former, the average price reached almost 9 thousand PLN/m², while in the latter – almost 10 thousand PLN/m². The average price of 1 m² in Krakow, determined using the average prices from 18 districts, amounted to PLN 6,435.

Chart III.1–11.
Changes in the prices in Krakow (December 2012/ December 2011)



Source: Dominium.pl

Average decrease of offer prices, calculated on the basis of the changes to average prices in the districts, was about 5.5% in 2012. It needs to be emphasized that the real transaction prices might have been a few percent lower on average. It was due to the negotiation of the transaction prices and additional bonuses offered by the investors in the form of fittings, additional fixtures or beneficial financing conditions for the purchase. These bonuses did not decrease the price of the flat directly, but as they had a real value in themselves, they caused the real cost of purchasing 1 m² of a flat decreased.

Table III.1–2.
Changes in the prices in Krakow's districts (December 2012/December 2011)

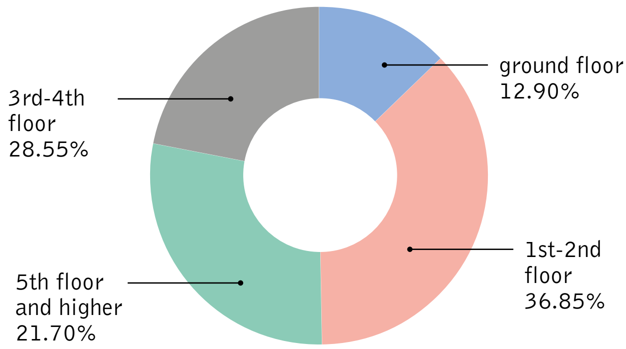
District	XII 2011	XII 2012	Change 2012/2011 (%)
Nowa Huta (XVIII)	–	5,735	–
Wzgórza Krzesławickie (XVII)	4,710	4,655	–1.17
Swoszowice (X)	5,200	4,595	–11.63
Bieńczyce (XVI)	5,480	5,390	–1.64
Bieżanów-Prokocim (XII)	5,580	5,225	–6.36
Łagiewniki-Borek Fałęcki (IX)	5,690	5,665	–0.44
Podgórze Duchackie (XI)	6,000	6,075	1.25
Czyżyny (XIV)	6,110	5,955	–2.54
Podgórze (XIII)	6,533	6,290	–3.72
Prądnik Czerwony (III)	6,570	6,445	–1.9
Prądnik Biały (IV)	6,591	6,510	–1.23
Dębniki (VIII)	6,650	6,190	–6.92
Mistrzejowice (XV)	6,750	6,450	–4.44
Bronowice (VI)	7,790	6,760	–13.22
Krowodrza (V)	8,270	7,630	–7.74
Grzegórzki (II)	8,310	7,605	–8.48
Zwierzyniec (VII)	9,230	8,765	–5.04
Stare Miasto (I)	12,200	9,890	–18.93

Source: Dominium.pl

Out of the Krakow's districts, the lowest drop in the average price was noted in Stare Miasto (I). It was mainly caused by a higher number of new offers with moderate prices, which caused a lowering of the average price to the level closer to 10 thousand PLN/m². The price drops exceeding 10% (due to analogous reasons) were recorded also in two other districts: Bronowice (VI) and Swoszowice (X). In general, the drops in the range of a few percents were recorded in almost all Krakow's districts. Podgórze Duchackie (XI) is an exception, where the average offer price per 1 m² increased slightly.

Having analysed the changes in the prices divided into districts, it might be stated that the highest drop in the prices was recorded in Śródmieście: over the past 12 months – by almost 10%. The second place is occupied by Krowodrza, where the drop of the average prices reached 7%. The average prices in Podgórze decreased by almost

Chart III.1–12.
Distribution of flats divided by the floors



Source: Dominium.pl

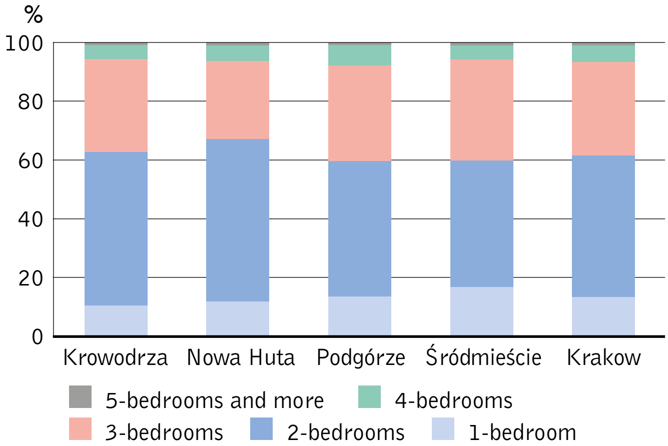
5%, while the most stable prices recorded were in Nowa Huta, where the drop in the average prices reached almost 2.5%.

The most flats were offered in December in Krakow at the first and second floors. In total, these flats comprised over one third of the offer. Almost 30% of the flats were located on the third and fourth floors; including the ground floor, almost 80% of the flats sold were located not higher than on the fourth floor. Therefore, the Krakow's housing construction sector is dominated by a relatively low buildings.

The offer of Krakow's developers is dominated by 2-bedroom flats, which constituted over 48% as of the end of December 2012. They are followed by 3-bedroom flats, constituting almost 32%. The share of 4-bedroom flats and bigger is relatively low – they constitute less than 7% of the total offer. The distribution of the flats according to the number of the bedrooms between the city districts is similar, and the differences in the structure are small. Even higher domination of 2-bedroom flats in Nowa Huta (over 55% of the offer) needs to be emphasized, slightly higher than the Krakow's average share of flats with a higher number of bedrooms in Podgórze (8%) and a higher share of one-bedroom flats in Śródmieście (about 17%).

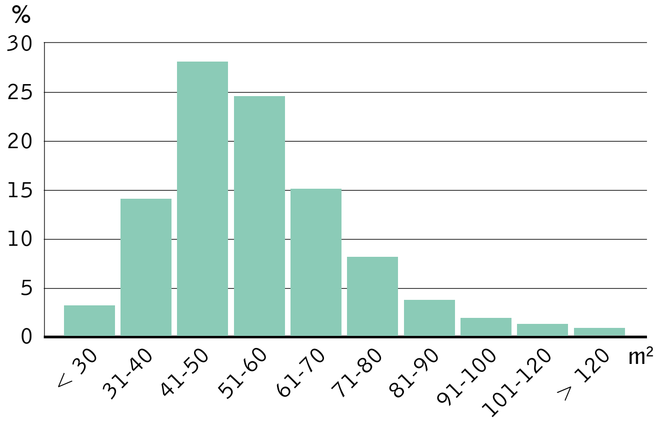
On the primary market, the biggest shares fit into two ranges of metric areas: 41-50 m² and 51-60 m². In total, these two ranges cover over 52% of all flat offers. Two other ranges, 31-40 m² (almost 14%) and 61-70 m² (15%) have a clearly smaller share. Small flats (up to 30 m²) comprise only 3% of the offer; the case is similar in the case of large flats. Premises larger than 91 m² constitute only a little less than 4% of the offer.

Chart III.1–13.
Distribution of the flats according to the number of bedrooms



Source: Dominium.pl

Chart III.1–14.
Distribution of the flats according to metric area



Source: Dominium.pl

At the beginning of 2012, we saw a large influx of new investments on the Krakow's housing market. As the new developer act entered into force, the investors were encouraged to offer as large as possible number of projects. In the second half of the year only individual investments entered the market. Earlier activity of the developers as well as lower demand, influenced by the problems in taking out mortgages, resulted in a large surplus of new flats on the local market. Moreover, the purchase decisions of the clients were largely impacted by the forecasts concerning the economic situation and by the expectations that the prices will continue to fall. The aforementioned factors resulted in prolonging the period, during which the new flats were sold. According to the data as of the end of 2012, had no new flats entered into the market, selling out the Krakow's flats offered by the developers would have taken over 2 years.

A surplus of the offer contributed to a gradual decrease of the flat prices. The customers gained the possibility to negotiate the prices individually and to receive additional bonuses. Moreover, the termination of the "Rodzina na Swoim" programme resulted in decreasing the prices for selected flats, located in particular in less desirable locations. A small supply of offers fitting in the price range of the "Rodzina na Swoim" programme caused that the majority of the flats offered under the programme was sold by the end of December 2012.

Summary

- In 2012, there were 6,824 flats put out to use in Krakow. After a record year 2009, it was a second in turn result over the past five years.
- Very similar indicators of commenced constructions and building permits issued were noted.
- The most new investments and flats are offered in Podgórze, with the fewest offered in Nowa Huta. Eight districts in Krakow encompass about 80% of the total housing offer.
- Over 30% of the flats on the offer in December 2012 were ready to move in. The area in which the largest percentage of ready flats was noted was Krowodrza.
- Average prices in the Krakow's district are in the range 4,600-9,900 PLN/m². Over 60% of the flats were available at 5,000-7,000 PLN/m².
- Almost all city districts saw a drop in the offer prices per 1 m² in 2012. Average decrease of offer prices, calculated on the basis of the changes to average prices in the districts, was about 5.5% in 2012.
- Almost 80% of the flats on the offer were located no higher than on the fourth floor.
- The offer of Krakow's developers is dominated by 2-bedroom flats, which constituted over 48% as of the end of December 2012.
- In the metric area range of 41-60 m².

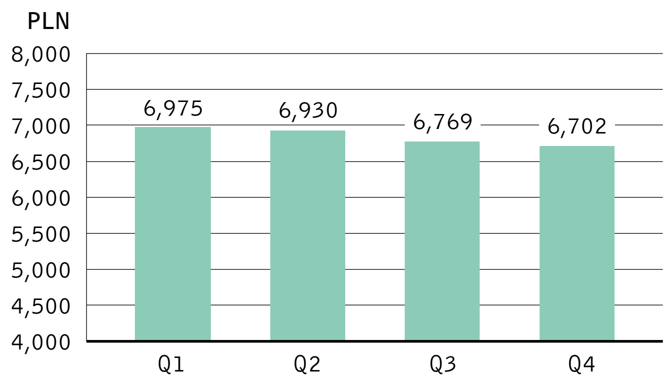
III.2. SECONDARY HOUSING MARKET

III.2.1. SECONDARY HOUSING MARKET – OFFER PRICES

The analysis of offer prices of flats on the secondary housing market in Krakow indicates that the year 2012 was another year, in which the prices fell. In the first quarter of the analysed year, you had to pay on average PLN 6,975 to purchase a flat located in the capital city of Małopolska. The average price of a Krakow's flat in the last quarter oscillated at the level of PLN 6,702. The comparison of the prices between the beginning and the end of 2012 shows that a decrease of an average price of 1 m² in Krakow was almost 4%.

In the previous years, the decrease in the price between the first and the fourth quarter was as follows: 1.7% in 2010 and 2.6% in 2011. The decrease is mostly due to the restrictive loan policy of the banks, which have a very large influence on the effective demand level on the housing market. A poorer availability of the financing sources translates directly into a longer period of waiting for the buyer.

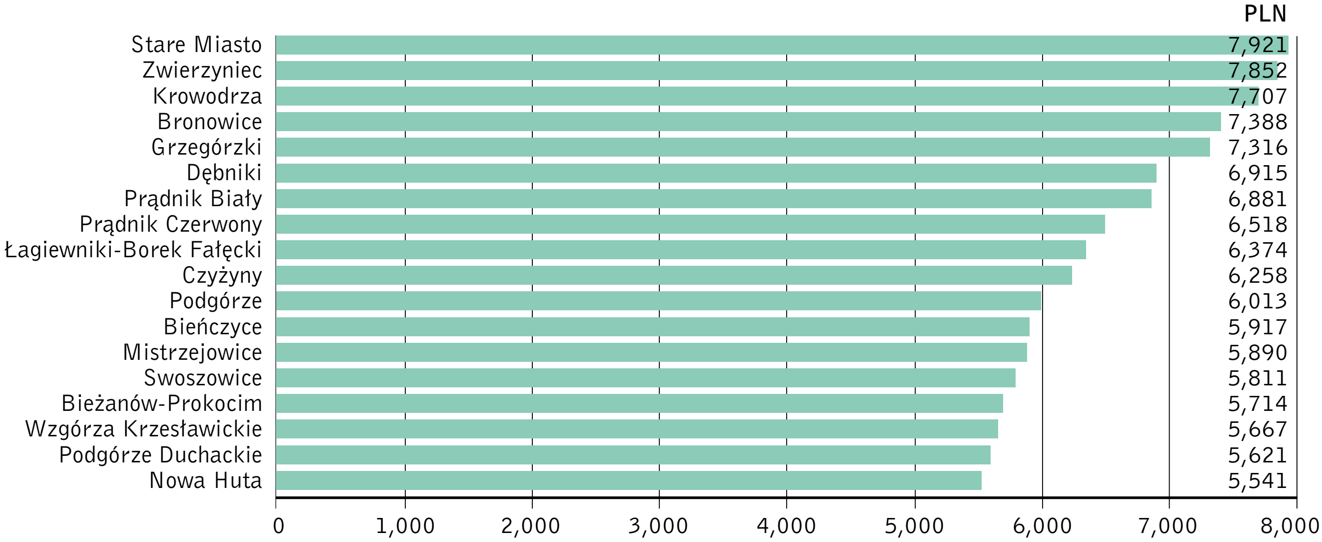
Chart III.2.1–1.
The price of 1 m² in Krakow in 2012



Source: Krajowy Rynek Nieruchomości – krn.pl

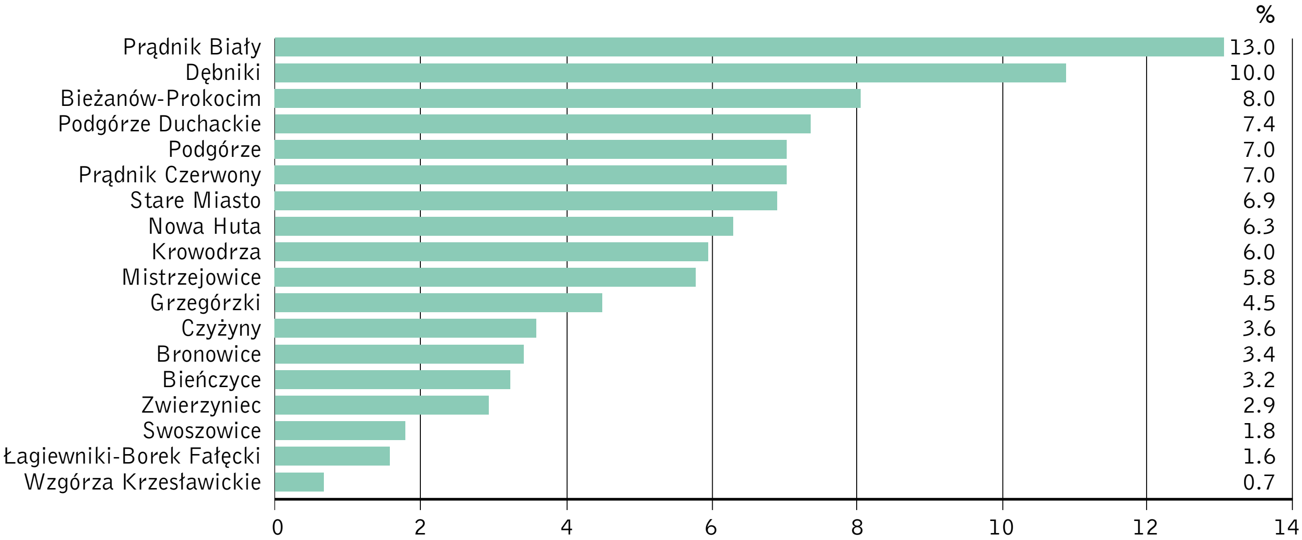
Despite the continuing drops and flat prices realignment, a smaller turnover dynamics was noted on the Krakow's housing market. The worsening of the situation on the market was more perceptible to the sellers. The purchase power of the majority of the customers is limited. At the same time, there are a lot of flats on the market offered in more and more competitive prices. On putting out an offer, the sellers had to take understand that the potential interested persons will be determined to negotiated hard. The buyers, which had sufficient credit worthiness or sufficient savings, were in the best situation. Over the course of the last year, they were able to purchase flats in particularly attractive and low prices. According to the earlier announcements, it was in 2012 when the governmental support programme "Rodzina na Swoim" was slowly terminated, until its end at the end of the year. At the end of 2012, the number of flats eligible for the support in the programme as regards the price was only a little over 1.5%. According to the information from the government, the "Mieszkanie dla młodych" programme, which is to replace the previous programme, "Rodzina na Swoim", will not offer support in the case of flats from the secondary market. It means that this market will not be stimulated in the coming months. Liberalising the credit policy of the banks will surely be a chance to improve the situation.

Chart III.2.1–2. **The price of 1 m² in Krakow's districts**



Source: Krajowy Rynek Nieruchomości – krn.pl

Chart III.2.1–3. **Offer supply structure**

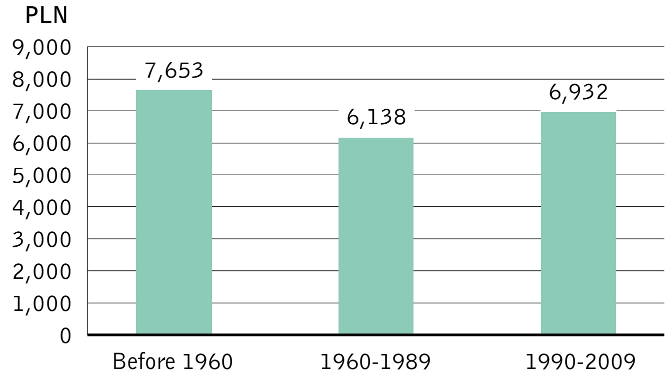


Source: Krajowy Rynek Nieruchomości – krn.pl

According to the announcements of the Polish Financial Supervisory Authority, which forces the banks to calculate credit worthiness in a most restrictive manner, will be updated and therefore it will have a positive impact on the availability of this financing method. The last year was a difficult year for the companies operating on the housing market. A lot of entities operating in the housing agency industry decided to lower the prices of their services as well as to reduce their operating costs in order to remain competitive.

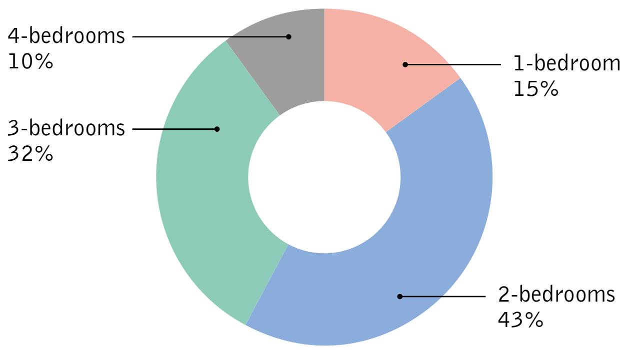
Compared with 2011, the prices dropped in almost every district of Krakow, except for Czyżyna i Grzegórzka. These areas noted a growth in the offer price, by 1.3% and 2.4% respectively. A slight decrease in prices was observed in the popular districts in Krakow. In Stare Miasto, the offer price decreased by only 0.5% compared with the previous year. The analysis of the flat announcements from the districts: Krowodrza and Dębniki shows that the price per 1 m² decreased by 0.8% there. What is important here is the fact that

Chart III.2.1–4.
The price of 1 m² of a flat in Krakow depending on the year of construction



Source: Krajowy Rynek Nieruchomości – krn.pl

Chart III.2.1–5.
The supply of offers divided according to the number of bedrooms



Source: Krajowy Rynek Nieruchomości – krn.pl

the decreases were also present in the cheapest districts. It results from the high drops of prices that took place in these districts in the previous years. The price of 1 m² in Podgórze Duchackie was PLN 5,621 in 2012. In the previous year, a buyer deciding to purchase a flat in this location had to pay 5,662 PLN/m². It means that the offer price of 1 m² decreased in this area by only PLN 41. The highest drops of prices were noted in Bronowice (by 6.1%) and Mistrzejowice (by 5.2%). In 2012, the cheapest district was Nowa Huta, where the buyers had to pay PLN 5,541 per 1 m². The most expensive locations, traditionally, include Stare Miasto (7,921 PLN/m²) and Zwierzyniec (7,852 PLN/m²).

The highest supply of the flat offers in 2012 was in Prądnik Biały district. There were 13% of the total number of sale announcements from that area. The second district was Dębniki, with 10.9%. A relatively large number of announcement concerned the sale of flats located in Bieżanów-Prokocim (8.0%). A moderate number of announcements appeared for example in: Stare Miasto (6.9%), Nowa Huta (6.3%) and Krowodrza (6.0%). The area with the lowest number of announcements was Wzgórza Krzesławickie. Only 0.7% of the total number of offers concerned that district. Looking at the supply in the individual city district may be an important guideline for the sellers and the persons looking for a flat to buy, as it shows where a relatively large competition is present in the city. A higher supply of offers from the given area also means a more extensive choice of flats for a prospective buyer.

In the analysed period, the most expensive flats – looking at the year of construction – were the ones built before 1960. It results from the strict correlation of the year of construction and location, in which the given buildings are located. The majority of the offers of flats built before 1960 concerned the tenement houses located in the centre of the city. A buyer had to pay PLN 7,653 on average for 1 m² of a flat in the previous year. The comparison of the prices in the analysed period with the prices from the previous year shows that there was a decrease of a square metre in this group at the level of PLN 567. The flats constructed in the years 1960-1989 remained the cheapest. The low prices of the flats in this segment is influenced by the fact that a lot of the flats from this group was constructed at the housing districts that are distant from the city centre, built using the prefab concrete panels. In turn, the prices of the newly constructed flats remains at a moderate level. An average price for 1 m² of a flat, which was built in the years 1990-2009 reached PLN 6,932 in the analysed period. What is interesting, the supply of the flats in this segment constitutes almost half of the total number of announcements on the market.

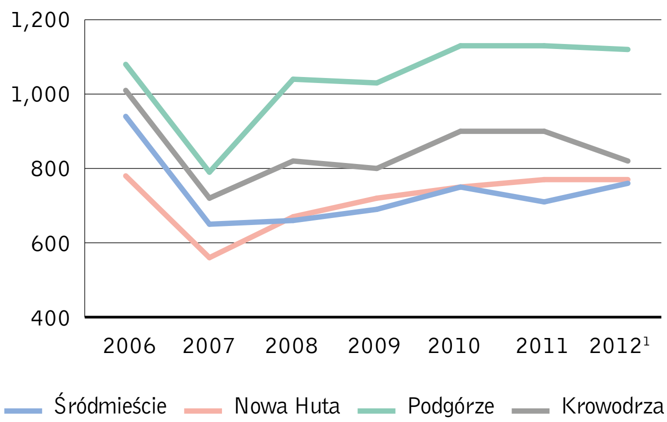
The majority of the flats offered fit in the group of 2-bedroom flats. This tendency has been constant on the Krakow's housing market for many years. The flats belonging to this group constitute almost a half of the total number of announcements on flat sales. Compared with 2011, the participation of 4-bedroom flats increased by 3%. The analysis of the supply structure shows that the participations of the 1-bedroom and 2-bedroom flats decreased, by 2% and 1%, respectively.

III.2.2. SECONDARY HOUSING MARKET – TRANSACTION PRICES

For the past five years, every third flat sold on the secondary market was sold in Podgórze. For years almost half of all flats constructed by the developers are constructed in this district, which are fed into the secondary market as the time goes by, increasing the volume of transactions in this market segment. The lowest number of flats is sold in Śródmieście, which is most probably caused by high prices. A surprisingly small number of flats is transferred in Nowa Huta, despite low prices in that district. As we see, even the crisis is not able to stimulate buyers to come to this area. There are few investments in the area, mainly due to the prices that might be achieved there. Bad reputation of the district, despite the time passing by, is still having an impact on the decisions of the flat buyers.

Ever since the collapse on the market in 2007, for the next three years the total number of transactions grew constantly, reaching its peak in 2010. However, we did not reach the numbers similar to the record of 2006, which was a peak of a long-term run. As regards the number of flats sold over the past two years, the situation is quite stable, with a slight downward trend. It is a result of a very strong competition against the primary market, where the flats get cheaper faster due to significant surplus. The prices of new and used flats are similar. Therefore more flats are now being sold on the primary market. Less flats than in the previous years are also offered on the secondary market, owing to the relieves available when the premises owned by the municipality or housing cooperative are purchased.

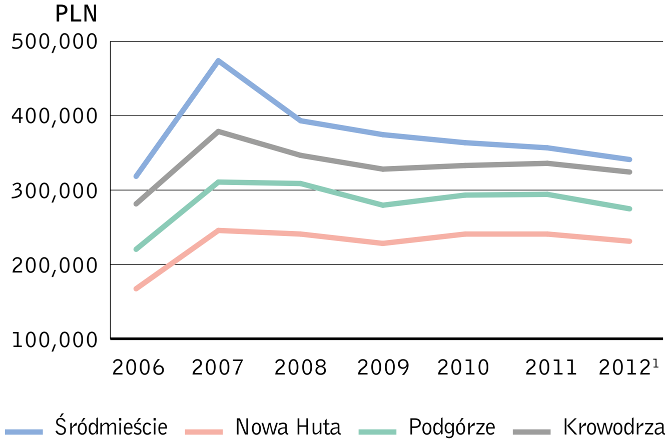
Chart III.2.2–1.
The number of transactions on the secondary housing market



¹ values estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Chart III.2.2–2.
Average price of a flat on the secondary housing market



¹ values estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

The assessment of the attractiveness of individual districts of Krakow is visible in the average prices for flats within the area of the former four districts. Nothing has changed in this respect for years. The highest interest, and consequently – highest prices, are recorded in the case of Śródmieście and Krowodrza. Lower prices are recorded in Podgórze, and the lowest – in Nowa Huta. Over the year 2012, the prices in all districts decreased. There is a clear downward trend on the market.

That year was the first year in a few years when the average price of the purchased flats fell below 300 thousand PLN/flat.

The average unit price of 1 m² out of all flats sold on the secondary market in 2012 fell by about 5% compared with the previous year, nearing the 6 thousand PLN limit. The downward trend was visible in all city areas to a similar extent.

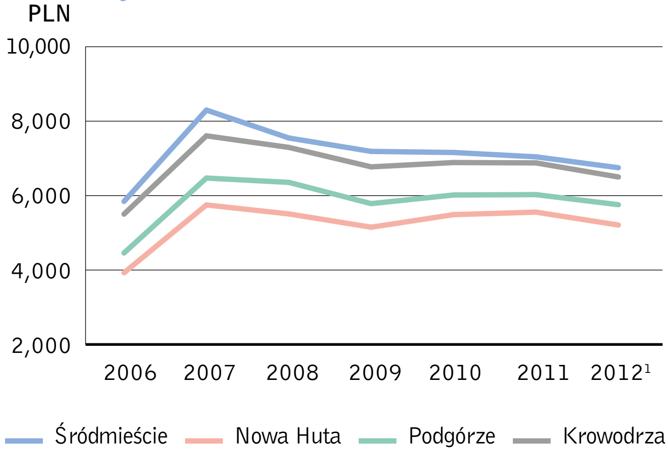
The year 2012 on the secondary housing market was the second year in the row when the buyers reduced their purchases. The main reason for it was the credit policy of the banks, which still made the access to mortgages difficult.

In total, for the whole city, the average surface of a flat purchased in 2012 was about 48 m². It has remained at this level, the lowest in history, for the fifth year in a row. It indicates that the purchasing power of the buyers is still small, as they can afford mainly such small flats. The flats like that were the main trading subjects in all Krakow's districts.

Despite the lowering of the prices, the average metric surface of the purchased flats remained at the same level. It means that the society is getting poorer, failing to increase the metric area of the purchased flats despite the price drops. Large flats constitute the subject of trading infrequently. In 2012, the transactions concerning the flats exceeding 65 m² constituted only 15% of all transactions, while the flats exceeding 100 m² – only 2% of the total market.

The cooling on the market at the end of last year, leading to the drop in the number of transactions, led to a shrinking turnover, which has been decreasing for the past two years. A large activity of the banks, such as in 2010, resulted in an increase of the amount of capital flowing through the secondary housing market. However, since the T recommendation entered into force and the S recommendation was modified in 2011, the turnover on this market is falling. The lowering of the price thresholds of the "Rodzina na Swoim" programme in the last year of its operation was of significance here.

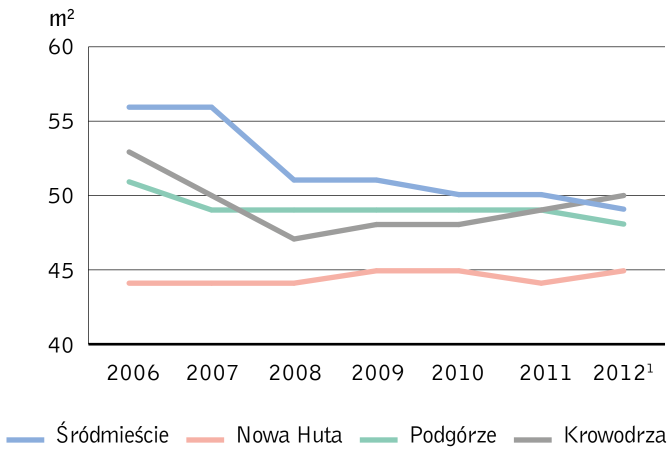
Chart III.2.2–3.
Average price of 1 m² of flats on the secondary market



¹ values estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

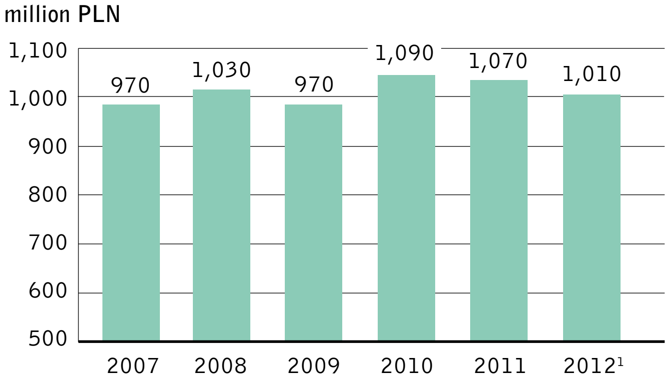
Chart III.2.2–4.
The average metric area of a flat on the secondary market in the individual districts



¹ values estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Chart III.2.2–5.
Turnover on the secondary housing market



¹ values estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Summary

- The internal demand decreased as a result of the strict criteria of granting mortgages, limitations in the "Rodzina na Swoim" programme as well as psychological factors connected with the crisis in the Euro zone. It led to the decrease of the prices and of the number of transactions, and thus – turnover on the secondary market.
- Mainly small flats are sold in all areas of the city, more affluent customers prefer the primary market.
- A record-level growth of supply of developer flats was noted, which led to an increase of competition between both markets, with the primary market being the winner, by selling a higher number of flats, in the context of the dropping prices.
- The aforementioned factors may lead to further decreasing of the flat prices on the secondary market in 2013.

III.3. RENTAL OF FLATS AND HOUSES

The analysis of the situation on the Krakow's rental market showed that the level of prices remained at a very stable level, in particular in the first half of 2012. The biggest variations in the rent rates were registered in the third quarter of the last year. The rent prices for 2-bedroom and 3-bedroom flats decreased significantly. The downfall of the prices in the case of the flats in this group did not last long, as in the next quarter the prices returned to the level from the second quarter.

It needs to be emphasized that the price drops in the third quarter are mostly due to the seasonal character of the rental services connected with the departures of students in the summer to their home towns. The continued decrease in prices was registered in the case of 4-bedroom flats and bigger. In order to rent a flat from this segment, you would have to pay about PLN 2,400 in the first months of the year. In the last quarter, the rental price for a 4-bedroom flat oscillated at the level of PLN 2,100. The rental prices remained the most stable in the case of 1-bedroom flats. The rental prices remained at an almost unchanged level for the first three quarters of the year. In the recent months, there was a slight increase in the prices in this group.

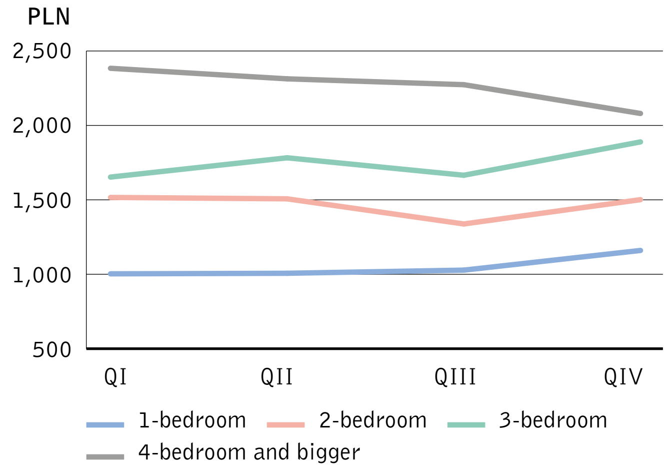
The majority of the persons renting the flats in Krakow belongs to students as well as young people, who have not yet decided to search for their own flat or who are still gathering resources needed to purchase a flat.

A difficult and unstable situation on the labour market is also a reason why customers are looking for savings when selecting rent offers. In the context of limited financial capabilities, potential tenants are not able to exceed a certain psychological price barrier they are ready to pay to rent a flat.

It is possible that the main result of this is the 12% decrease of prices in the case of the most expensive flats with 4 or more bedrooms. A large decrease of an average price (year-to-year) for 3-bedroom flats is also characteristic.

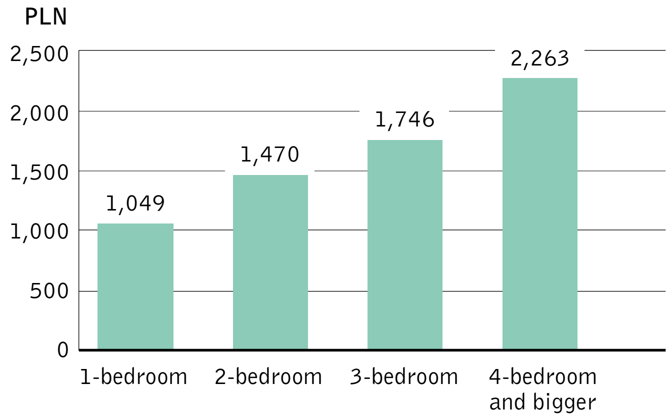
In 2011, the announcements concerning rental of flats from this group often exceeded PLN 2,000. At the moment, renting a 3-bedroom flat does not usually exceed PLN 1,800. At the same time it is worth noting that the 1-bedroom and 2-bedroom flats are the most resistant to price variations flats, which are also the cheapest.

Chart III.3–1.
Rental prices of the flats in Krakow according to the number of bedrooms



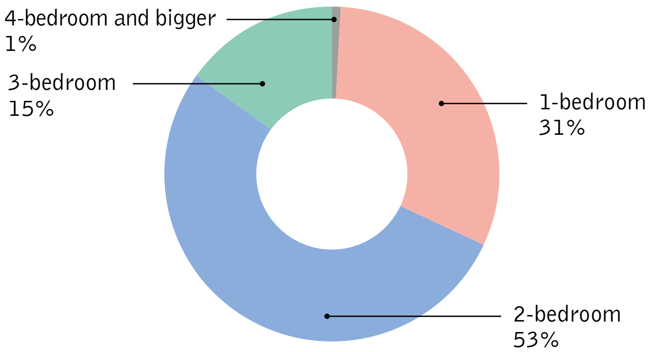
Source: Krajowy Rynek Nieruchomości – krn.pl

Chart III.3–2.
Average rental prices of the flats in Krakow according to the number of bedrooms



Source: Krajowy Rynek Nieruchomości – krn.pl

Chart III.3–3.
The share of rental offers acording to the number of bedrooms



Source: Krajowy Rynek Nieruchomości – krn.pl

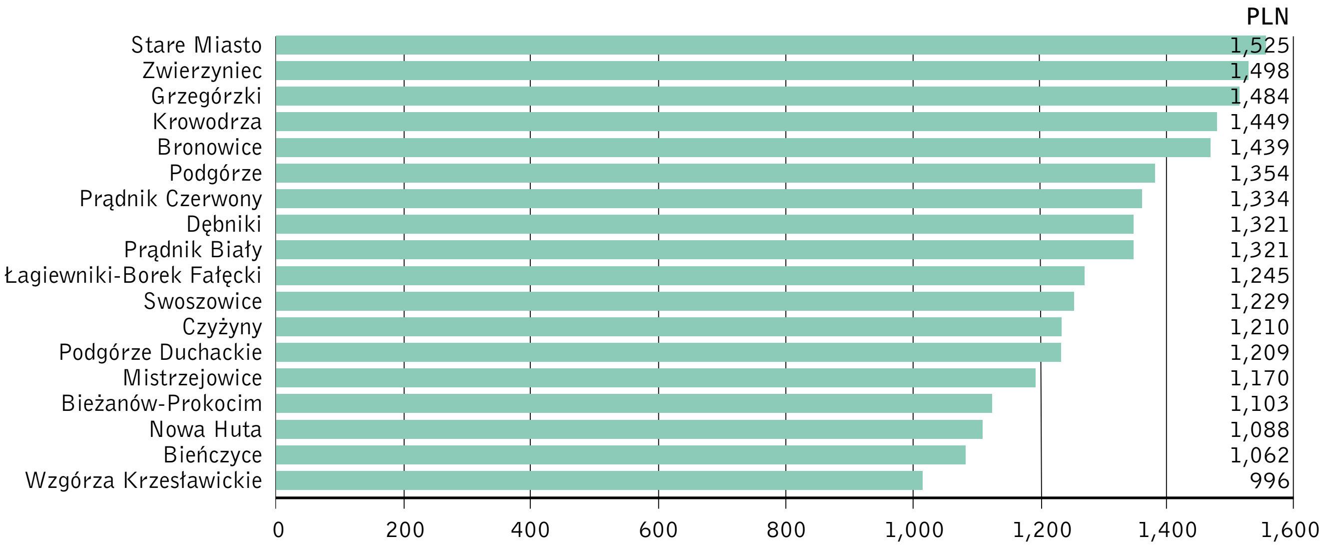
The rental prices drop also as a result of a large supply of offers of flats for rentals, which are also for sale. Despite the benefits from offering a flat for sale without a tenant, some of the owners, after a long period of fruitless offering of the flat for sale, decided to go back to renting it. In such situations, the sellers are often interested in renting the flat quick (usually at an attractive price for the tenant), to cover the maintenance costs until a buyer is found.

Renting a 1-bedroom flat in the analysed period cost about PLN 1,000. The rental price of a 1-bedroom flat was similar in the previous year. However, renting a 2-bedroom flat cost PLN 400 more in the last year. When you compare the flat offers for 1-, 2- and 3-bedroom flats, it may be indicated that the least difference in the price is present between the 2- and 3-bedroom flats. In terms of percentage, it was less than 18%. It means that if the budget allocated to rent a 2-bedroom flat was increased by less than PLN 300, it would be possible to rent a flat with a higher number of bedrooms. The most expensive flats, similarly to the previous year, are the flats with 4 or more bedrooms. The rental price for the flats in this segment was over PLN 500 more in comparison with a 3-bedroom flat.

The supply structure of the rental offers in 2012 looks similar to the previous years. The majority of the offers on the rental market are offers for 2-bedroom flats. They constitute over a half of the total number of rental announcements.

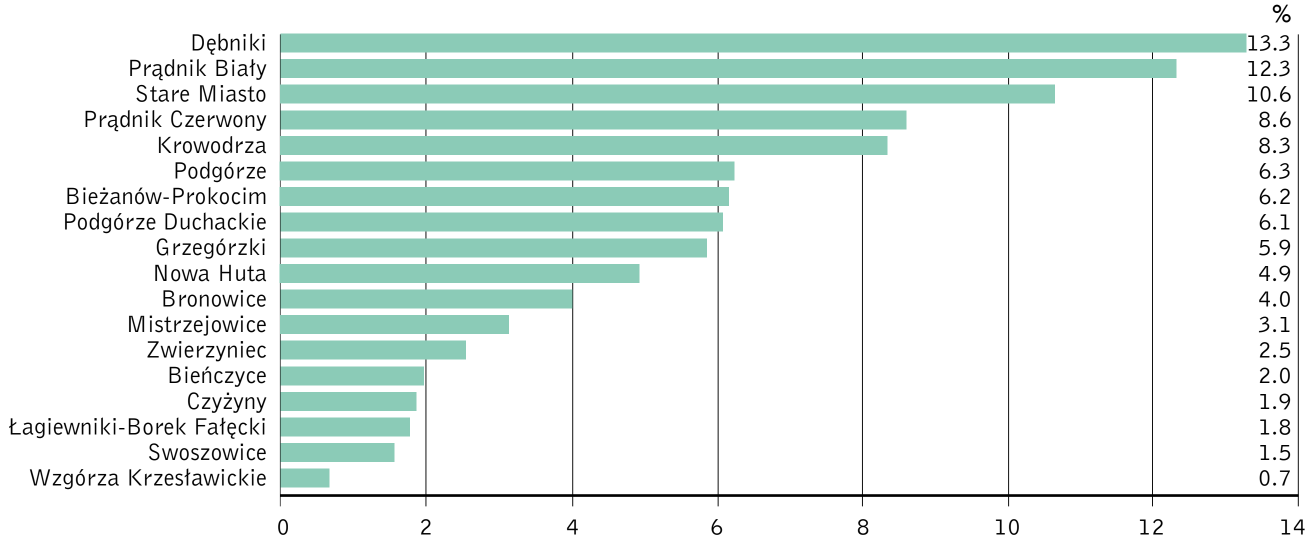
The second place as regards the number is occupied by 1-bedroom flats (31%). The participation of 3-bedroom flats increased in comparison with the previous year. In the analysed period, the participation of the announcements of flats from this group was 15%. Similarly to the previous year, the flats with 4 and more bedrooms constitute the least numerous group (1%).

Chart III.3–4. **Rental prices for a 2-bedroom flat**



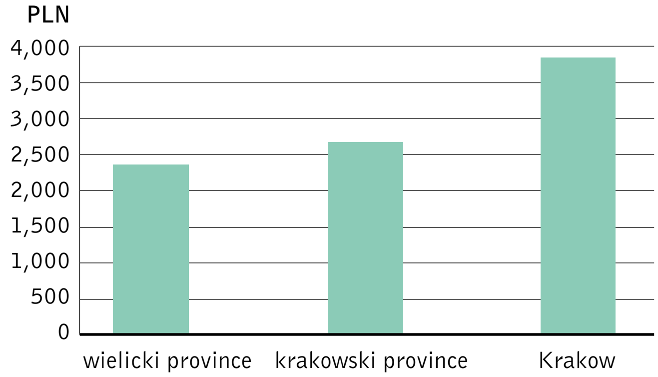
Source: Krajowy Rynek Nieruchomości – krn.pl

Chart III.3-5. **The structure of rental flat prices in Krakow**



Source: Krajowy Rynek Nieruchomości – krn.pl

Chart III.3-6.
House rental prices



Source: Krajowy Rynek Nieruchomości – krn.pl

A particularly important factor that influences the level of rental rates is the location within the city. The most expensive offers are the offers of the flats located in the central districts of Krakow. Renting a 2-bedroom flat in Stare Miasto cost PLN 1,525 in the last year, followed in the price ranking by the districts: Zwierzyniec (PLN 1,498), Grzegórzki (PLN 1,484) and Krowodrza (PLN 1,449).

The cheapest areas of the city are mainly the districts located at a significant distance from the city centre. In 2012, the lowest rental prices were in the following districts: Wzgórza Krzesławickie (PLN 996), Bieńczyce (PLN 1,062) and Nowa Huta (PLN 1,088).

In order to obtain information on where it is the easiest to find a flat for rent, it might be helpful to analyse the volume of the supply of the rental offers within the particular city districts. In 2012, the most rental offers came from Prądnik Biały (13%). The second district was Dębniki. About one in ten rental announcements in Krakow concerned a flat located in that part of the city. The supply at the level of 7% of the total number of rental offers concerned the following districts: Bieżanów-Prokocim, Podgórze Duchackie, Prądnik Czerwony and Stare Miasto. The area with the lowest number of announcements was Wzgórza Krzesławickie. Less than 1% of the total number of offers came from that district.

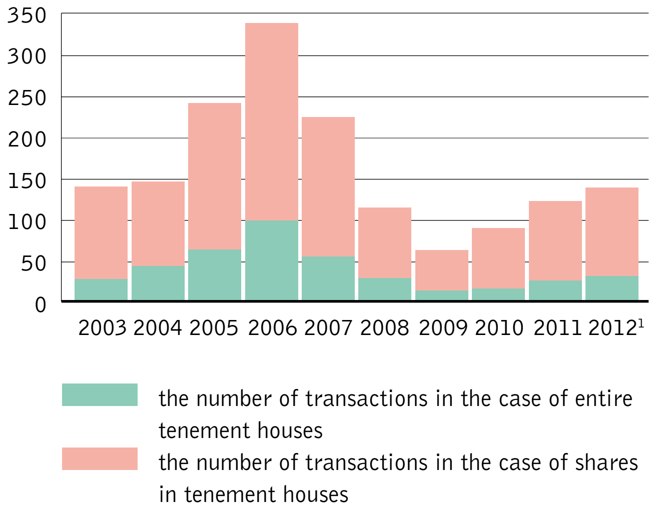
The analysis of house rental prices in Krakow and in the krakowski and wielicki provinces shows that the rental prices for renting real estate in this segment decreased – compared with the previous year. The average rental prices of houses in Krakow reached PLN 3,809 in 2012. It means a decrease in the rental price by PLN 202. The decrease of rental prices also took place in the case of houses located in the wielicki and krakowski provinces. In the end, the average level of prices in the analysed year reached PLN 2,399 and PLN 2,647, respectively.

III.4. TENEMENT HOUSES AND HISTORIC PREMISES

Krakow's tenement houses have always constituted a separate segment of the investment housing market, with its own dynamics, demand and supply. Due to the variety of the function with domination of flats, the tenement houses' market is most closely correlated with the housing market (in particular with the market for apartments) and with the commercial surface market and hotel-tourism market. There are over 10 thousand tenement houses in Krakow, but their majority has unregulated legal status (lack of physical division and division of shares).

Another tendency present is permanent division and marking off separate premise estates. The supply of entire tenement houses is very limited and the new offers on the market are most often a result of another series of regulating legal statuses, in particular property rights.

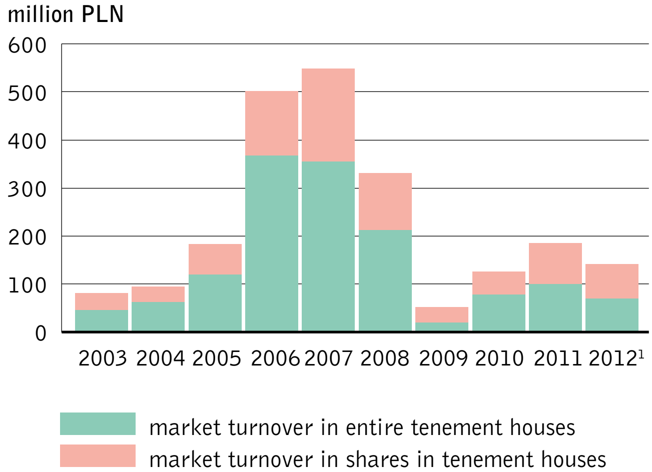
Chart III.4–1.
The number of transactions on the tenement houses in the years 2003-2012



[1] values estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Chart III.4–2.
Market turnover in tenement houses and shares in tenement houses in the years 2003-2012



[1] values estimated based on incomplete data

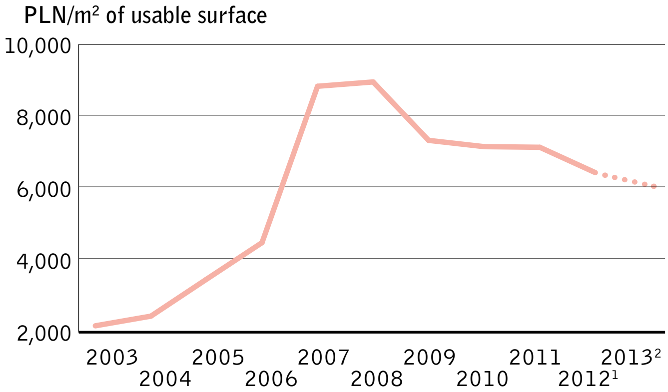
Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Market turnover in tenement houses focuses within three pre-war districts: Śródmieście, Krowodrza and Podgórze. It is estimated that there were over 130 market transactions of sale in the case of tenement houses, including 30 transactions concerning entire buildings, in 2012. The other transactions concerned shares in the tenement houses. After a period of the decreases in the number of transactions in the years 2006-2009, since 2010, the number of the sale contracts concluded has been gradually on the rise. The year 2009 was the worst year as regards the number of transactions concluded, compared with the whole period from 2003 to 2012, but looking backwards, we observe a distinct change in the trends. In 2012, almost the same number of transactions was concluded as in 2003, closing the whole economic cycle on the market.

At the same time, in 2012 the market registered a distinct decrease in the turnover compared with the previous year – by 33%. The estimated turnover reached the level of 139 million PLN, whereas in 2011, the turnover reached 180 million PLN. In 2012, the investors spent 70 million PLN to purchase entire tenement houses, that is much less than in 2011.

Thus, 2012 saw an increase in the number of the transactions, with the simultaneous decrease of the turnover. It proves a still difficult situation on the housing market and that the downward tendency of the prices is still maintained. The investment capital is returning to the market slowly, but the transactions concern mainly smaller and cheaper tenement houses. Similar tendencies are present also on the housing, commercial and hotel markets.

Chart III.4–3.
The price trend in the case of tenement houses in Śródmieście in the years 2003-2013



[1] values estimated based on incomplete data

[2] forecast

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

The analysis of the transaction prices for the past 4 years indicates that the slight downward tendency in the case of tenement houses' prices in Krakow is maintained: from 7,300 PLN/m² in 2009 to 6,400 PLN/m² in 2012 (Śródmieście). Over the past year, the highest unit drop of prices was registered, in the amount of 10% year to year. Taking into consideration the simultaneous increase in the number of transactions, it might mean that the market reached the lowest price level and that the trends will soon reverse.

The highest price paid for a tenement house in 2012 was 9.2 million PLN, at the average market price of such buildings at 2.6 million PLN. In comparison, in 2011, the most expensive tenement house cost 14.0 million PLN, while the average market price was 3.8 million PLN. The unit prices, converted into prices per 1 m² of a tenement house in Śródmieście, fell from the record year 2007 by as much as 28%.

In 2012, the long-term downward trend continued, even though the increase in the number of transactions indicates that the moment, in which the trends reverse, is drawing near. A significant variation of unit prices of tenement houses is an integral characteristic of this market (1-14 thousand PLN/m² of usable surface), arising from disproportionate attractiveness of locations (e.g. Zamoyskiego street in Podgórze and Garbarska street near Planty), disproportionate technical condition (from luxurious tenement houses to empty buildings requiring extensive renovations) and disproportions in the income from the rental surface (from commercial surface rented for 300-400 PLN/m² – to flats with tenants paying regulated rent at the level of 10-14 PLN/m²). It is the expected return on the investment is the basis for calculation of the profitable purchase price of the given tenement house for the majority of the investors.

A new phenomenon on the supply side takes the form of more and more numerous offers for the sale of tenement houses including the development permits or permits for reconstruction and expansion. Such offers enable the potential buyers to prepare a business plan for the undertaking, and consequently – to estimate the investment risk in a more precise manner. A characteristic feature of such offers and transactions takes the form of price calculation based on the target (projected) size of the usable surface of the building, similarly to selling investment land. Currently the highest sale offer for such a tenement house located near Wawel, with a permit for expansion, states the sum 7,000 PLN/m² of the target usable surface. These tendencies are also the response for the expectations of the market on the demand side, as the investors expect sales offers for tenement houses with a ready investment programme that would ensure a faster return on investment, in the context of the today's difficult market.

The demand structure of 2012 indicates that the investors in the housing and apartment industries have the advantage. It also indicates a limited, but stable demand from the hotel-tourism market (purchases for locations for hotels, hostels, guest houses, restaurants), and a low demand from the investors seeking to buy tenement houses for office surface and seats of companies. The investment attractiveness of tenement houses is proven by the new apartment investments in the city centre, the so-called infills (buildings built between the existing tenement houses).

The forecasts for the tenement houses market in Krakow in short term are pessimistic, similarly to the macroeconomic situation of the country and the entire real estate market, but in the perspective of a few years, the market will face a new stage of moderate increase in the turnover and in the prices.

New national and foreign capital will continue to flow in, attracted by a very good "brand" of Krakow, as a tourist capital city of Poland, and more recently, as an international centre of business services and science.

III.5. SINGLE--FAMILY HOUSES

III.5.1. SINGLE-FAMILY HOUSES IN KRAKOW

Primary market

The analysis of the primary market, compared with the previous years, shows that after a sudden increase of the developers' activity in the wielicki and krakowski provinces, the number of the houses sold dropped significantly in 2011, by almost 30%. In Krakow, the tendency was reversed. In 2011, a slight increase in the number of single-family houses sold on the primary market. This change may both be due to a slight drop in the prices of buildings as well as in the prices converted into price per surface unit. Location seems to be of significance for this change. There is still supply surplus on the market. Therefore it is easy to negotiate a price for the buyer, but the problems with obtaining a loan – due to the restrictive banking policy – were still a limitation, both for the developers as well as for the potential buyers.

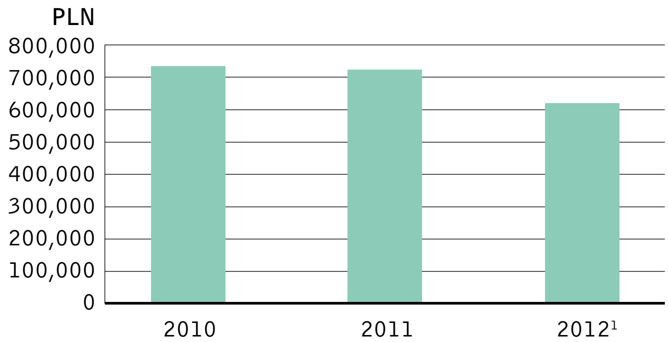
In relation to 2011, a drop in the volume of turnover happened at the level of 3%, with the simultaneous increase in the number of transactions. In 2011, 69 transactions were registered, while the estimated number of transactions in 2012 is 70, with the drop in the turnover from 49.5 million PLN to 48.0 million PLN. After the slight growth of the turnover in 2011, we observe a stagnation. We see a strong differentiation in the activity of the developers divided into the former districts in Krakow. In general, over the past 2 years, there were no development realizations in Śródmieście, with scarce activity within Nowa Huta. The highest activity concerned Podgórze – as usual.

Chart III.5.1–1.
Turnover on the house transaction market

¹ estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

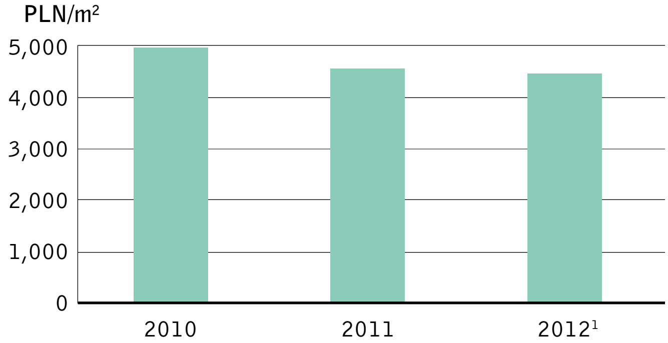
Chart III.5.1–2.
Average transaction price for a single-family house



¹ estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Chart III.5.1–3.
Average price of 1 m² of usable surface in a single-family house

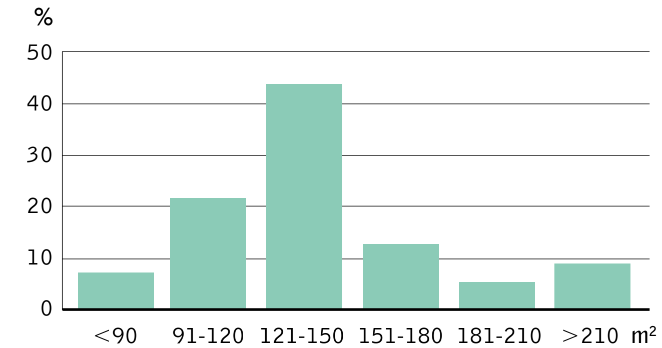


[1] estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Average transaction prices over the course of the last year went down by 14%, while the average price of 1 m² of usable surface fell by 4%, at the simultaneous significant drop of the average usable surface of houses by 8.5%. Average surface of a single-family house sold on the developers' market in 2012 was 141.46 m², while in 2011 – 158.22 m².

Chart III.5.1–4.
Participation of the sale of buildings according to the surface



Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

The chart above presents the market in division into the surface ranges of the houses sold. A shift took place towards selling smaller houses, in the range of 121-150 m². The prices ranged from PLN 400 thousand to 1 million 200 thousand per building.

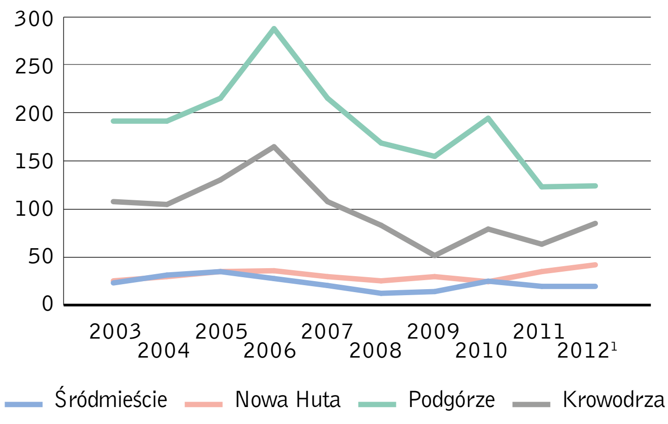
Summary

In 2012, on the primary market of single-family houses in Krakow a slight drop of the turnover was observed, with a slightly higher number of transaction, a drop of the average price converted into a usable surface unit, and a simultaneous significant decrease of usable surface of residential houses. So, the primary market in Krakow improves its competitiveness against the secondary market and the markets in the municipalities neighbouring with Krakow.

Secondary market

On the secondary market, there were no significant changes registered in 2012 compared with 2011, as regards the number of the transactions registered. After a short-lived revival on the market in 2010, the situation is still stable.

Chart III.5.1–5.
The number of transactions concerning houses in the years 2003-2012

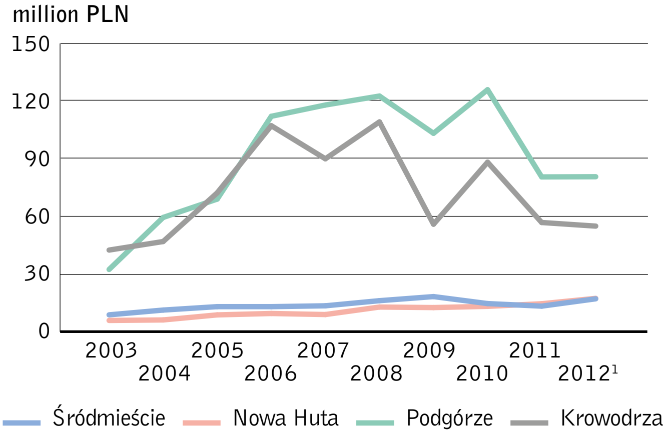


[1] estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

The situation is similar in the case of the turnover volume. We might see a slight increases (e.g. in Krowodrza), but it is caused by the conclusion of a few higher-value transactions, not by a trend with a more fundamental basics.

Chart III.5.1–6.
The total turnover concerning houses in the years 2003-2012

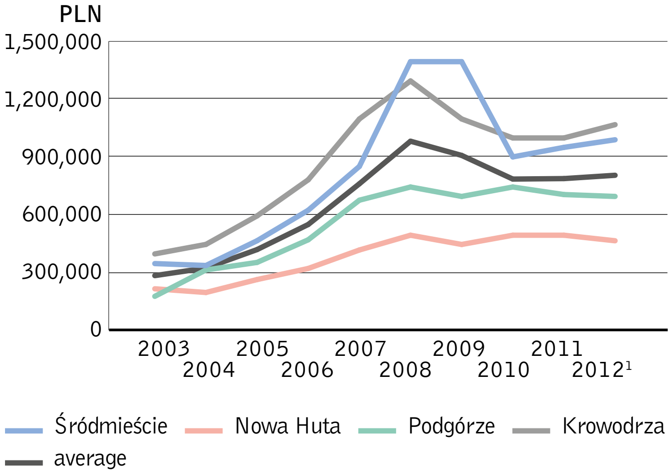


¹ estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Similarly to 2011, the price level is stable, with a slight upward trend. Small houses are offered more rarely on the market, which results in an increase of the average house prices.

Chart III.5.1–7.
Average house prices in the years 2003-2012

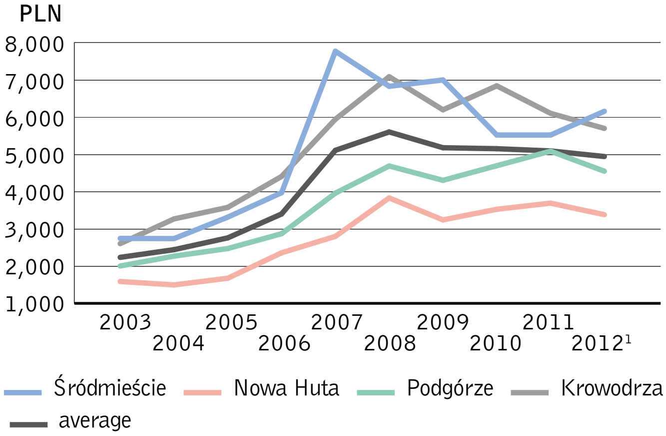


¹ estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

The analysis of the house prices converted into values per 1 m² shows that we see a stable situation, with a slight tendency to decrease prices.

Chart III.5.1–8.
Average prices of 1 m² of the surface of a single-family house in the years 2003-2012

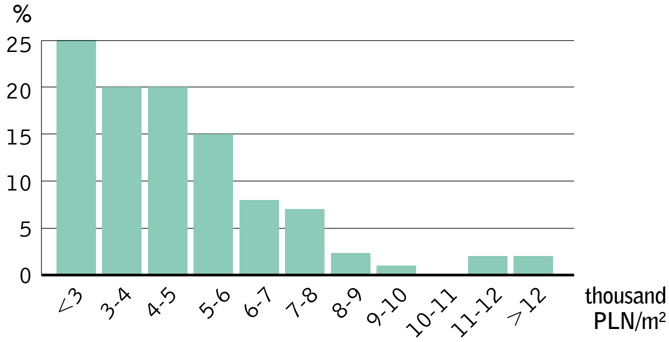


¹ estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

The weakness of the market is exemplified by the Chart No. 9. It is the cheapest houses that are sold the most often. Over half of all transactions (65%) concerns the sale of houses at the price below 5 thousand PLN/m².

Chart III.5.1–9. **Participation of transactions according to the prices in 2012**



Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Summary

The secondary market for houses in Krakow is still in recession. The number of the transactions concluded remains at the level of about 50% of the peak transactions, and the turnover volume is about 70% of the turnover from the best period (2006-2007). However, the price levels are stable. The fact that the sellers are not inclined to lower the prices is one of the reasons of the low activity of the market. Revival might be expected along with the changes on the macro scale (mortgage market, labour market), that is when the buyers will be able to accept high prices.

III.5.2. SINGLE-FAMILY HOUSES IN THE SUBURBAN ZONE

Krakowski province and wielicki province

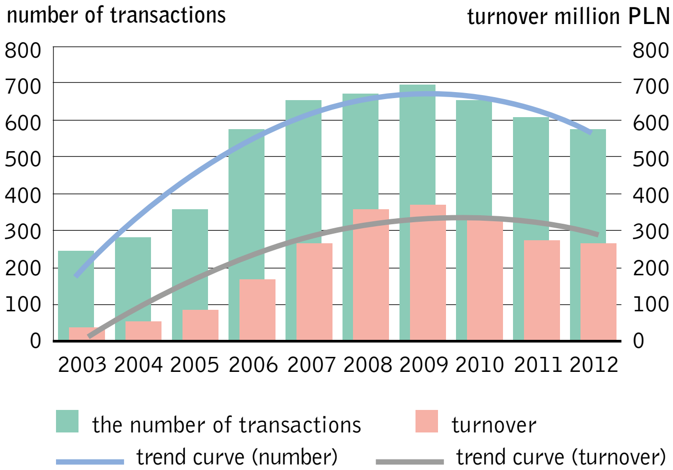
The available data concerning the transactions conducted in 2012 on the single-family houses indicate the continuation of a shrinking tendency as regards the number of transactions concluded and the turnover volume. After the increase of the sale contracts for the sale of real estate in the years 2003-2008, 2009 saw an upward trend in the krakowski province and a significant drop in the number of transactions in the wielicki province, while in 2010 we saw a significant revival in the wielicki province, while there was no such trend in the krakowski province. In the years 2007-2011, the annual number of transactions in the krakowski province ranged from 600 to 700, but in 2012 it fell below 600. The record period in terms of the number of transactions was the year 2009 – there were 692 registered in that period. In turn, in the wielicki province, the number of transactions over the past five years ranged between 295 and 350, except for 2009.

The turnover on the market of single-family houses in the krakowski province in 2012, similarly to a year earlier, fell below PLN 270 million, continuing the downward trend that has lasted for four years. Analogous turnover values for the wielicki province are: about 90 million in 2012, that is also a drop compared with 2011. The charts present approximate data for 2012 due to the fact that not all administrative units provided complete data.

The trend curves generated for an extensive period of time indicate a probable unfavourable tendency in 2013.

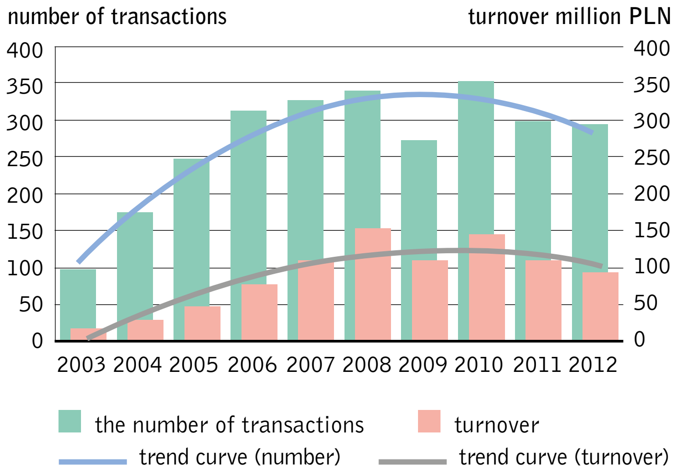
Unfavourable, shrinking trend has been visible for the past three years, also in the case of the wielicki province, and a large drop of the turnover volume against the number of transactions indicates a general drop of the prices on this market.

Chart III.5.2–1.
The number of transactions and house turnover in the krakowski province



Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Chart III.5.2–2.
The number of transactions and house turnover in the wielicki province



Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Krakowski province

The highest number of transactions concerning single-family houses were registered in the following municipalities: Zielonki, Zabierzów, Mogilany and Czernichów. The number of transactions for 2012 indicates that there were more sale contracts in the municipalities: Mogilany, Świątniki Górne and Skała than in 2011. The highest drop in the number of transactions concerned the Zielonki and Michałowice municipalities, that is the municipalities with an active real estate market.

The highest turnover was registered in the following municipalities: Zielonki, Zabierzów, Michałowice, Mogilany and Wielka Wieś (it is also correlated with the number of transactions), while the highest transaction price was registered in the Liszki municipality, in Piekary – it was a large real estate with a residential building and a farm-garage building of a significant surface, which was sold for over PLN 2 million. The historical analysis of the average transaction prices for real estate in the krakowski province in the majority of the municipalities exhibits a downward trend. Attention is drawn here to the increase of the average transaction price in Wielka Wieś, Michałowice, Zielonki, Zabierzów, Liszki and Sułoszowa.

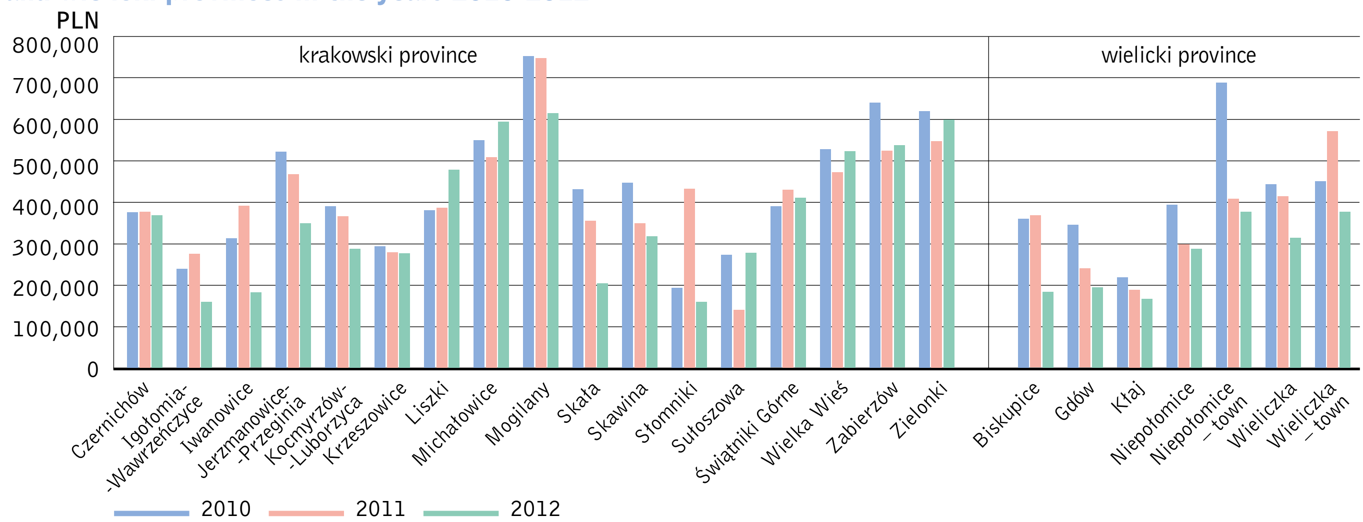
In 2011 the activity of developers increased. The recession period is characterized by the drop in the number of developers› transactions, as proven by the data for 2012.

Table III.5.2–1.
The number of transactions, turnover and average prices of single-family houses in the krakowski province in 2012

Municipality	Number of tran-sactions	Turnover (thousand PLN)	Average price of 1 m² (PLN)
Czernichów	39	13,943	3,035
Igołomia-Wawrzeńczyce	7	1,090	2,142
Iwanowice	7	1,235	1,963
Jerzmanowice-Przeginia	11	3,717	2,898
Kocmyrzów-Luborzyca	29	8,093	2,457
Krzeszowice	24	6,451	2,696
Liszki	31	14,389	3,071
Michałowice	37	21,315	3,303
Mogilany	44	26,168	4,503
Skała	13	2,575	2,219
Skawina	31	9,545	3,068
Słomniki	9	1,392	2,147
Sułoszowa	2	538	2,088
Świątniki Górne	19	7,554	3,216
Wielka Wieś	35	17,734	3,959
Zabierzów	70	36,374	3,857
Zielonki	84	48,749	3,982

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

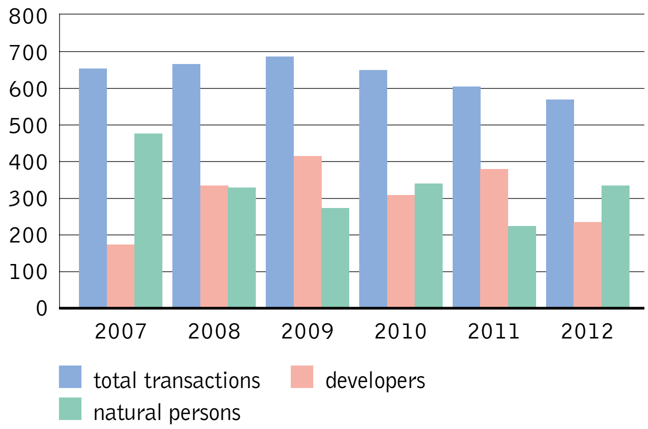
Chart III.5.2–3. **Average transaction price for a house in the municipalities of the krakowski and wielicki provinces in the years 2010-2012**



Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

The analysis of the prices per 1 m² in the developers' transactions shows that in the case of municipalities with a high number of such transactions, a significant difference came to be between the maximum and minimum price, depending on the progress of the works in the building being sold.

Chart III.5.2–4. **The balance of the number of transactions conducted by the developers and natural persons in the krakowski province in the years 2007-2012**



Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Wielicki province

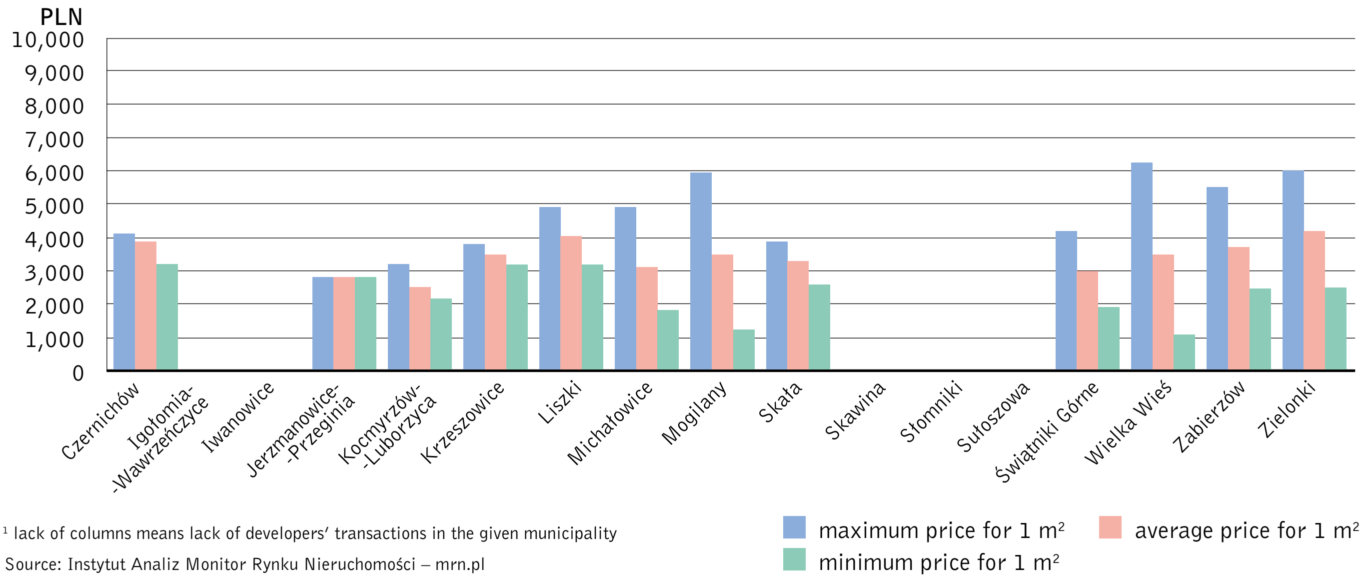
In the wielicki province, the majority of the transactions were held in the town and municipality Wieliczka and the town Niepołomice. Deciding to purchase a house in Wieliczka or Niepołomice, a buyer had to dispose of the highest resources, as the average prices converted into prices per 1 m² of the building's surface were the highest in these two towns.

Table III.5.2–2. **The number of transactions, turnover and average prices of single-family houses in the wielicki province in 2012**

Municipality	Number of transactions	Turnover (thousand PLN)	Average price of 1 m² (PLN)
Biskupice	13	2,401	2,284
Gdów	22	4,341	2,520
Kłaj	19	3,182	2,061
Niepołomice – municipality	27	7,807	2,733
Niepołomice – town	45	17,021	3,317
Wieliczka – municipality	89	27,963	3,294
Wieliczka – town	58	21,966	3,310

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

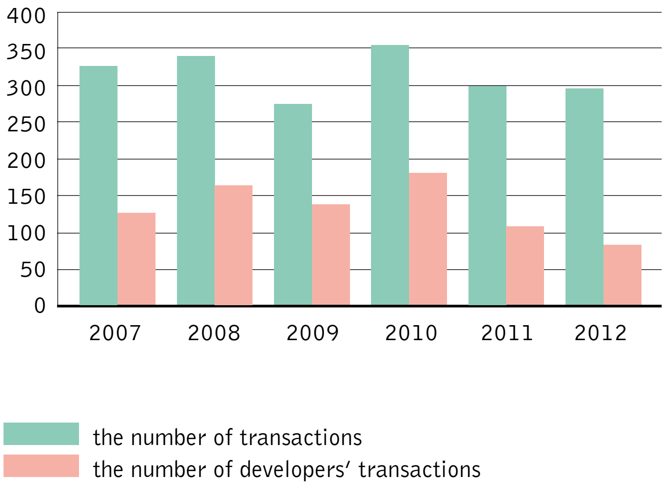
Chart III.5.2–5. **The comparison of the minimum, average and maximum prices of 1 m² of a house in the municipalities of the krakowski province in the developers' transactions**[1]



[1] lack of columns means lack of developers' transactions in the given municipality

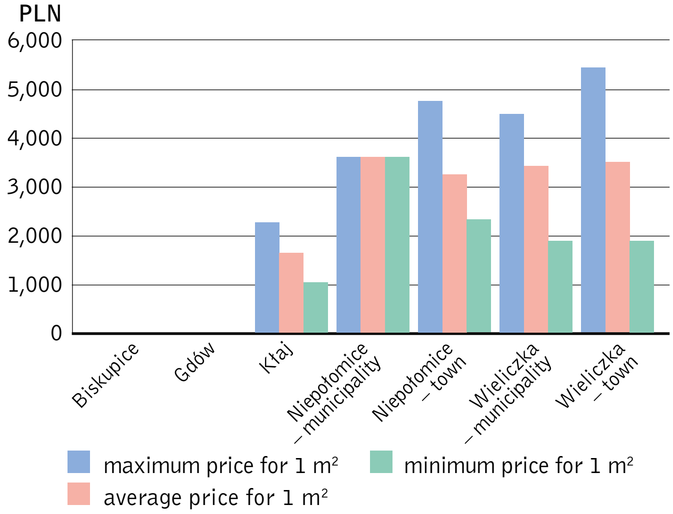
Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Chart III.5.2–6.
The balance of the number of transactions conducted by the developers and natural persons in the wielicki province in the years 2007-2012



Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Chart III.5.2–7.
Comparison of minimum, average and maximum prices of 1 m² of a house in the wielicki province in the developers' transactions



[1] lack of columns means lack of developers' transactions in the given municipality
Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

In 2012, the average transaction prices in all municipalities of the wielicki province went down, with the highest drop in the case of Wieliczka town. The most expensive transaction registered in 2012 in the wielicki province concerned a property located in Niepołomice (town). A residential building at a 54 are plot was purchased for PLN 1.4 million.

Similarly to the krakowski province, the wielicki province also noted a drop in the number of the developers' transactions. A positive signal comes from the secondary market, where the number of the transactions remains at the level of 2011. In the wielicki province, the developers were mainly active in the Niepołomice and Wieliczka municipalities. The weakening of the real estate market is clearly visible on the developers' market. Here, both in the krakowski and in the wielicki provinces, we observe a drop in the activity.

Summary

- The number of the transactions concluded fell, which reflects a difficult situation on the real estate market, unit prices were lower.
- The properties located not too far from the Krakow's borders continue to enjoy the highest interest.
- The recession on the market leads to the levelling out of the prices – a slight drop in the prices or stable prices in not estimated towns located a little further from Krakow, with the highest drop in the prices in the municipalities, which has enjoyed the highest transaction prices until now.
- A drop in the developers' activity in the municipalities near Krakow.

IV. LANDS

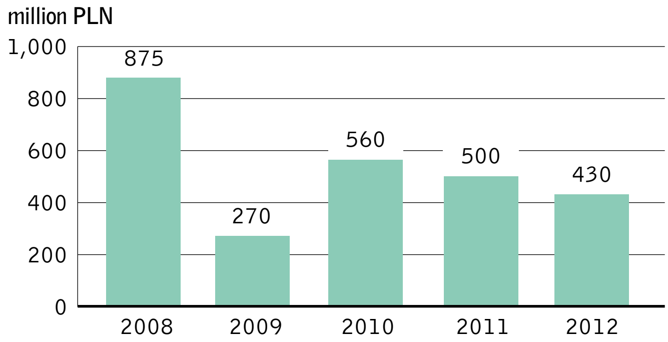
IV.1. LANDS IN KRAKOW

The year 2012 brought a seeming stabilisation of the prices in Krakow, but with a downward trend. We saw various behaviour of transaction prices in the individual market segments compared with 2011. No revival was registered on the market due to the drop in the volume and value of the turnover. In 2008, about 900 transactions and turnover of PLN 875 million were registered. In 2009, a weaker year, about 500 transactions took place, with a very low turnover value at the level of PLN 270 million. In 2011, about 650 transactions took place, with the turnover value at the level of PLN 500 million. Preliminary data for 2012 shows that about 550 transactions took place, with the turnover at the level of about PLN 430 million, which constitutes a drop in the number of transactions by about 15% and in the turnover value – by about 14%, compared with 2011. We have been registering the decrease of the volume and the value of the turnover for the past two years.

In 2012, the average transaction price of the land for construction purposes did not diverge from the average prices for 2011 significantly. The maintenance of the average transaction price should not be understood as the stabilisation of the market for land, but as a decrease in the number of low-priced transactions concerning plots for single-family development and the increase in the number of transactions for commercial purposes and higher-priced transactions connected with the plots for multifamily housing development. The lower prices of the plots for single-family housing was compensated by the growth in the number of the transactions concerning more expensive commercial plots. The highest participation in the land market, similarly to the previous years, applies to the plots for single-family housing. In 2012, their participation reached almost 54% of all land transactions, which means that the number of transactions was similar to 2011.

Considering the value of the transactions, the land property market is dominated by the plots for multi-family housing development and for residential-services development, whose participation in the land turnover reached about 40%, compared with 50% in 2011.

Chart IV.1–1. **Turnover on the land market in Krakow**



Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

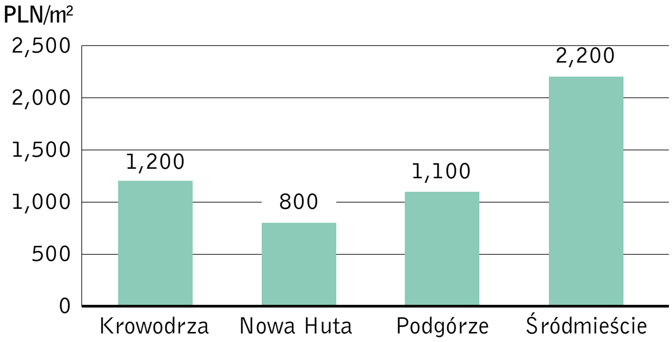
Table IV.1–1. **The number of transactions on the land market in Krakow**[1]

	2009	2010	2011	2012
Number of transactions	500	750	650	550

[1] the data does not apply to the non-market transactions, lands purchased by the Municipality and the State Treasury in connection with the investments in the road infrastructure and contributions in kind between various entities. Preliminary estimated data for 2012.

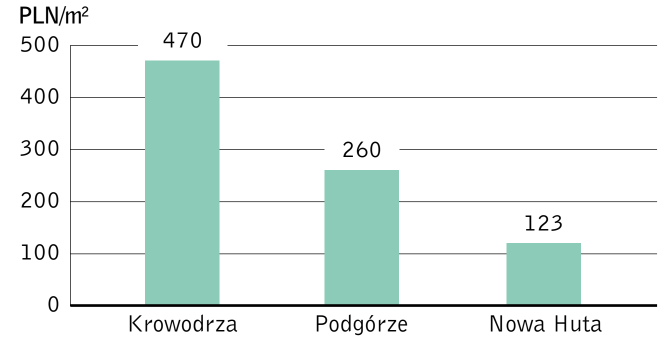
Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Chart IV.1–2. **Average prices of plots for multi-family development in Krakow in 2012**



Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Chart IV.1–3. **Average prices of plots for single-family development in Krakow in 2012**



Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

A large value increase is visible in the participation of the lands for commercial development, to about 36%. In 2011, this participation was over 20% and also grew compared with the previous year. The participation of the plots for single-family development decreased to about 21% of the turnover value. A significant decrease, below 2% of the participation in the turnover on the land property market was registered in the segment of the plots for public green areas and farm lands.

The market of the plots for multi-family residential development and residential-services development was asymmetrical in individual districts in terms of the numbers and the value of the turnover. The investors focused on Podgórze and Krowodrza, where almost 75% of the turnover value was registered. The most expensive single transaction was registered at Pilotów street, in a sale of a commercial plot sized 2,892 m², at the unit price 7,250 PLN/m². The market for the plots for single-family residential development exhibited a downward trend. Average transaction prices of plots for single-family residential development decreased slightly in Nowa Huta and Podgórze and remained at the same level as in 2011 in Krowodrza.

As regards the commercial plots market, a continuation of the revival from the second half of 2011 was discernible. Regardless of the district, the majority of the prices of the commercial plots for trading purposes remained at a relatively high level, in the range 500-1,300 PLN/m². The prices of commercial plots for hotels and office buildings remained in the range 1,500-4,000 PLN/m², with one exception, when the price reached over 7,000 PLN/m². The market for commercial plots exhibited a strong increase of turnover and prices. The average price in 2012 reached 1,050 PLN/m². Still, the commercially most attractive areas seem to be the areas near Radzikowskie roundabout, and under-invested areas near the airport in Balice.

On the market of industrial plots, which are mainly present in Podgórze and Nowa Huta, the price level in the main industrial areas of these districts was similar to the level of 2011, that is in Podgórze in the range 50-300 PLN/m², while in Nowa Huta – in the range 50-220 PLN/m². The construction of the S7 road between the A4 highway and the Christo Botewa street as well as the perspective of completing the eastern ring road are still positively influencing the "discovery" of Rybitwy and interest with this location.

Summary

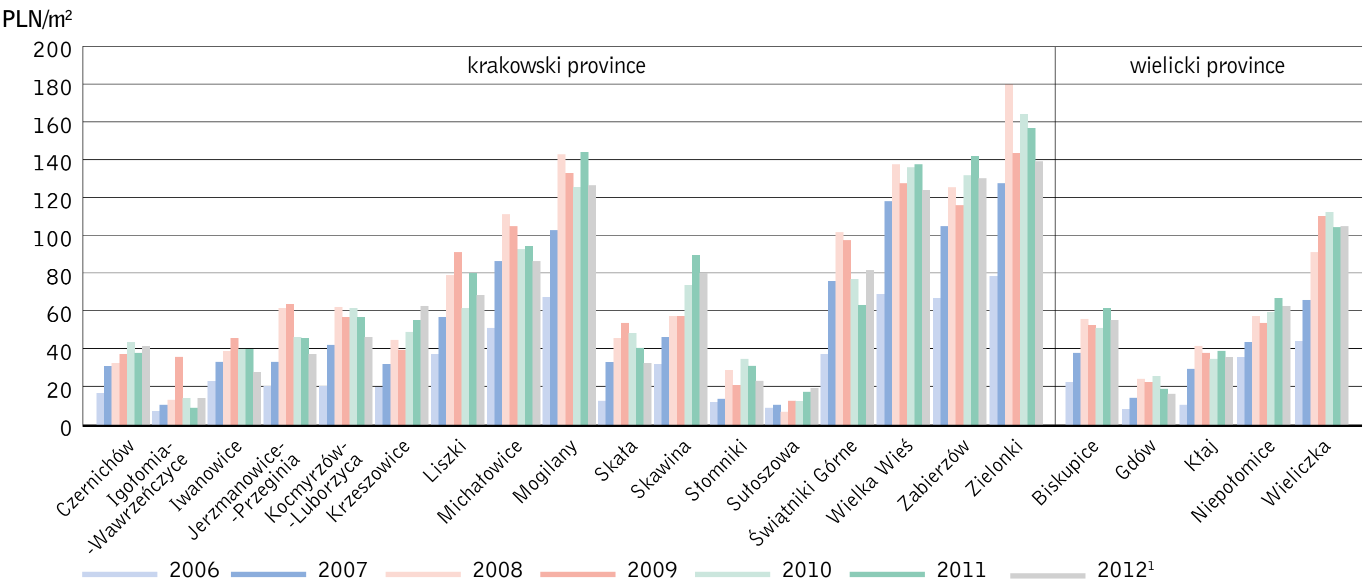
- In 2012, Krakow saw a relative stabilisation of the prices with the downward tendency in the residential segment and an increase in the interest, turnover and prices in the commercial segment.
- In general, the market does not show any indicators of revival, apart from the symptoms from the commercial market, which is confirmed by the drop in the transaction volume by 15% and in the turnover volume by 14%. The upward tendencies in the commercial plot segment need to be associated with the expansion of the retail networks, which take advantage of the drops in the retail sales in small shops and they keep growing, purchasing lands from other entities that are forced to sell them. This trend is also due to the low level of interest rates in the world and due to the resignation from the bonds issued by the Euro Zone states. "Additional printed money" and new capital seeks alternative investments to risky bonds, therefore some part of it is allocated to the commercial plots market.
- The sector of the plots for single-family development exhibits a downward trend.
- The segment of the plots for multi-family development exhibits a relative stabilisation of the prices, yet it seems to be of short-term nature, followed by the further decreasing of the prices.

IV.2. LANDS IN THE SUBURBAN ZONE

(KRAKOWSKI AND WIELICKI PROVINCES)

As regards the market of undeveloped plots, we have seen a stabilisation of the prices since 2008, with a slight downward trend in some municipalities of the krakowski and wielicki provinces. A slight drop of the prices applies mainly to the municipalities located on the outskirts of the provinces. The prices have remained at a similar level for the past four years in the towns located nearest to Krakow and Wieliczka.

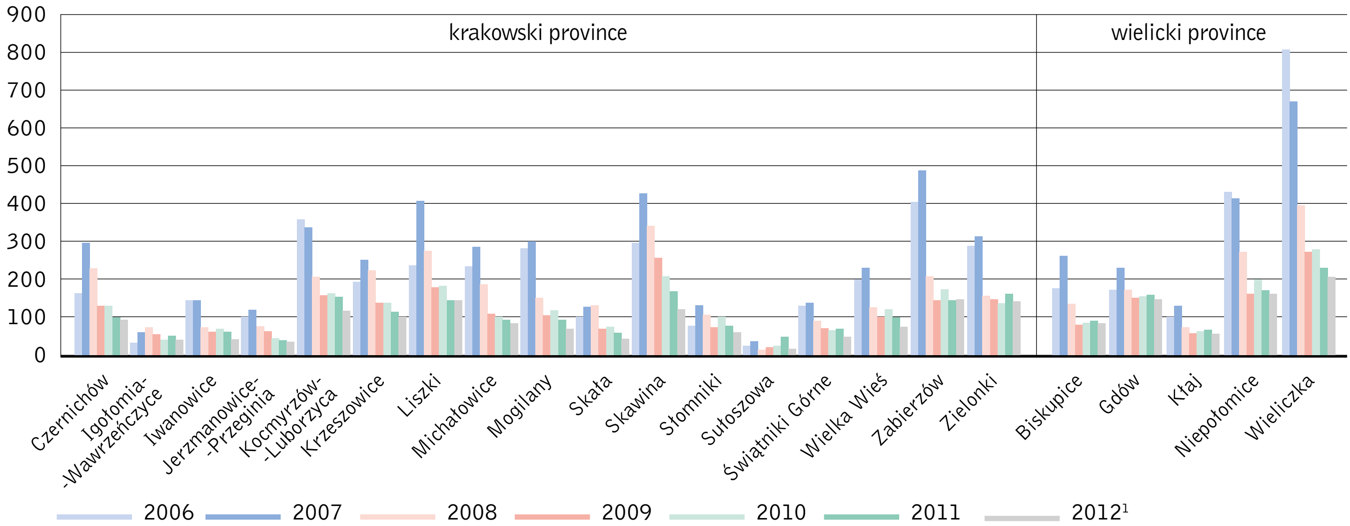
Chart IV.2–1. **Average prices of undeveloped plots in the municipalities in the krakowski and wielicki provinces**



¹ values estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

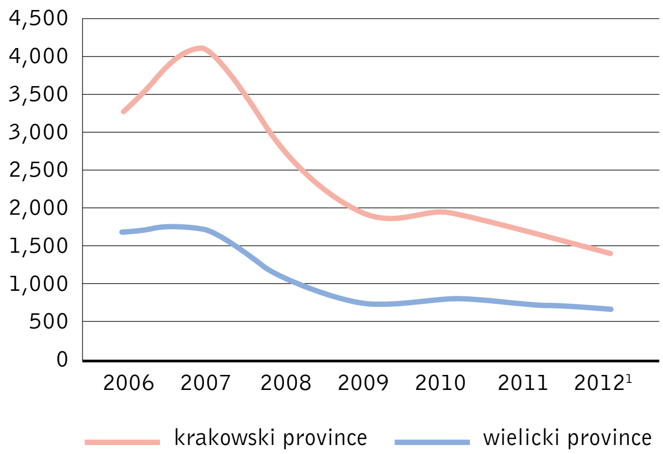
Chart IV.2–2. **The number of transactions in the undeveloped plots in the municipalities in the krakowski and wielicki provinces**



¹ values estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Chart IV.2–3.
The number of transactions in the undeveloped plots in the krakowski and wielicki provinces in the years 2006-2012



¹ values estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

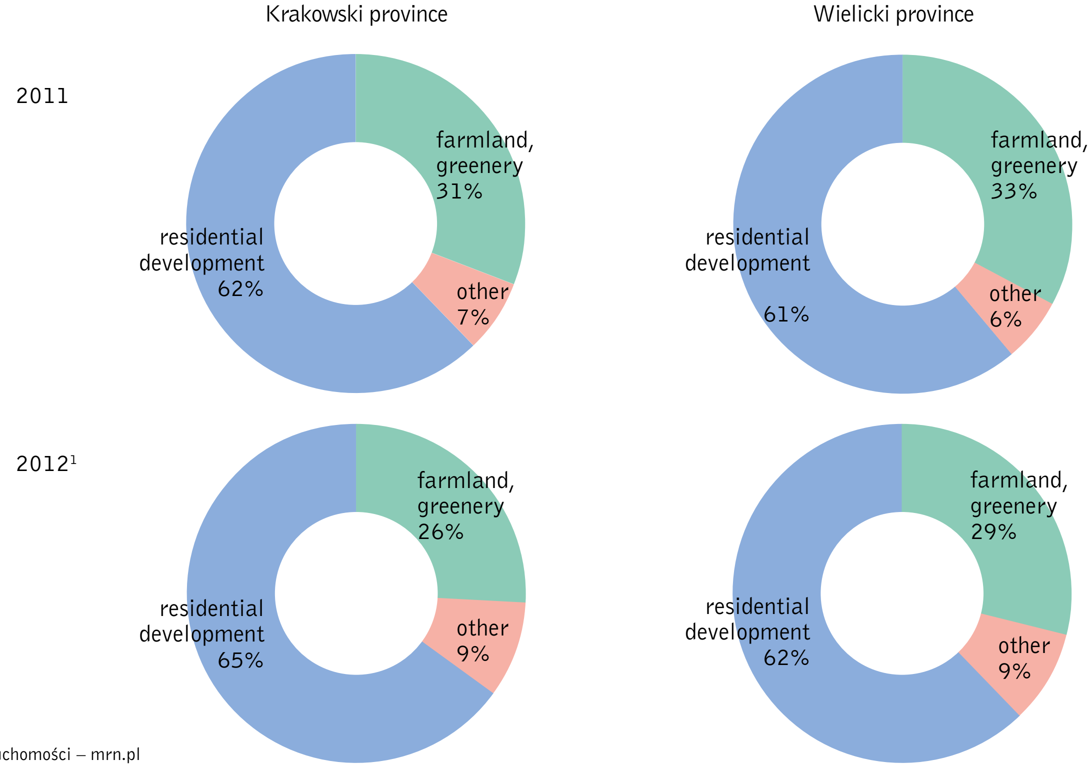
The price levels of plots in the analysed provinces became stable, yet the volume of the transactions is systematically decreasing, concerning mainly the krakowski province. In the wielicki province, the number of transactions has remained practically unchanged since 2009.

The market for undeveloped plots in the analysed provinces encompasses mainly the lands for residential development, about 60% of all transactions, as well as the farmlands and green areas, that is about 30% of all transactions. The lands with a different purpose encompass a minor part of the discussed market. A small number of the transactions and a large price range lead to the fact that averaging or aggregation activities may lead to erroneous conclusions. Therefore that section of the market was omitted further in the analysis.

The most expensive lands have still been located in the municipalities near Krakow, i.e. Zielonki, Wielka Wieś, Mogilany, Zabierzów, Michałowice and Liszki. In the wielicki province, the most expensive lands are located in the Wieliczka municipality, with Niepołomice on the second place. The farther from the agglomeration, the lower the prices.

While in the case of the market for plots for residential development we might talk about a certain stability both in terms of the number of transactions concluded as well as in terms of the prices, the market for the farmlands and lands for green areas exhibits a drop in the prices at the simultaneous increase in the number of transactions, which is connected for example with a high supply of such plots, along with a weakening demand for them.

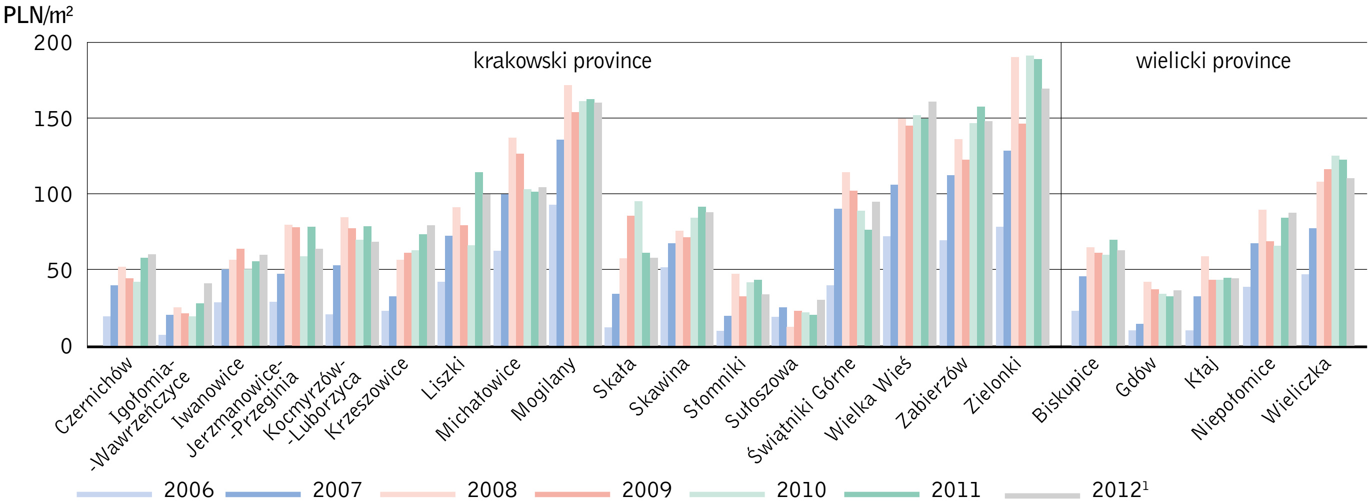
Chart IV.2–4. **Participation of the residential development in the land structure of the krakowski and wielicki provinces**



[1] values estimated based on incomplete data

Source:
Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

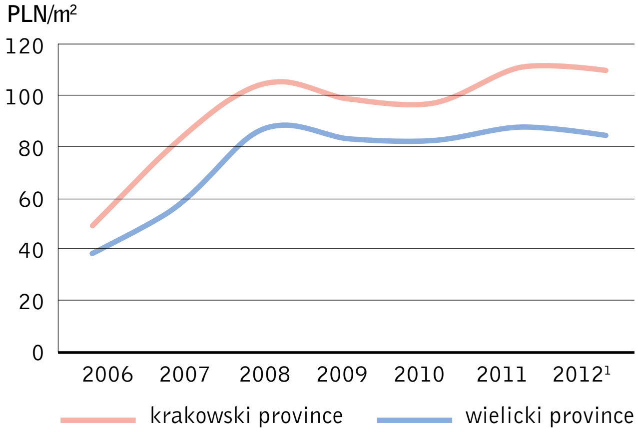
Chart IV.2–5. **Average land prices for residential development in the municipalities of the krakowski and wielicki provinces in the years 2006-2012**



[1] values estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

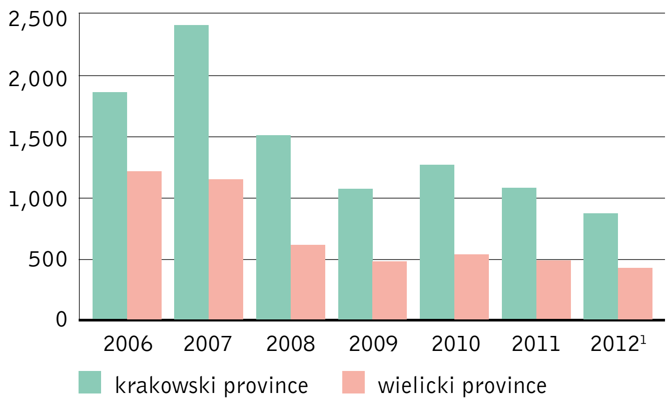
Chart IV.2–6.
Average land prices for residential development and farm-housing in the krakowski and wielicki provinces in the years 2006-2012



¹ values estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Chart IV.2–7.
The number of transactions in the plots for residential development in the krakowski and wielicki provinces in the years 2006-2012

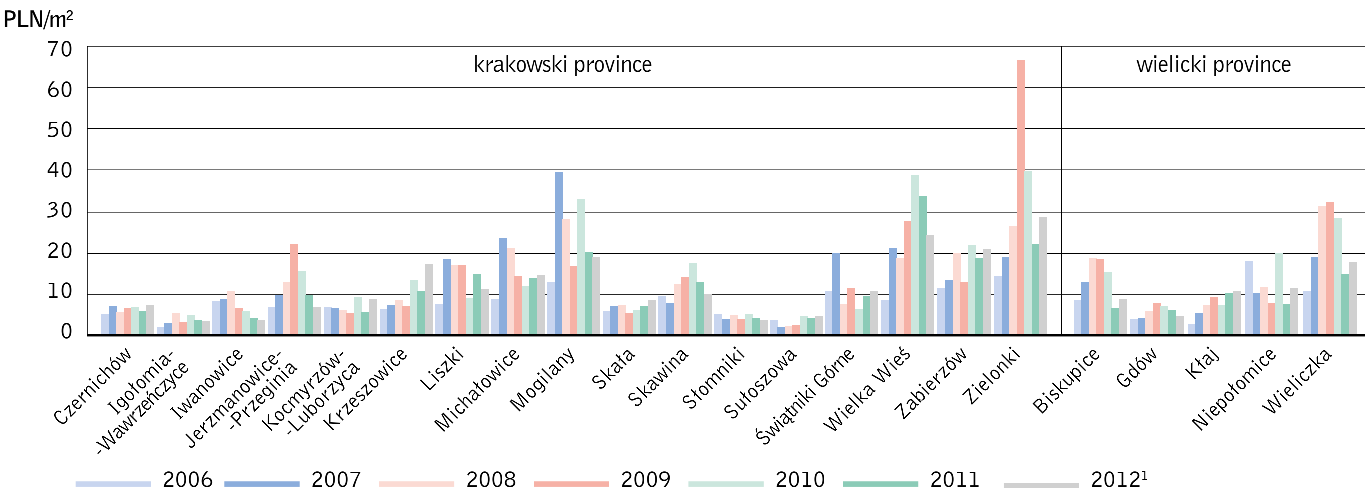


¹ values estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

The times, when you would purchase anything, regardless of the location, price or purpose, are over. Now the "certain properties" are on the top, i.e. the ones in good locations and with extensive investment prospects. The period of speculation is over. The group of investors that treated purchasing farmlands as a capital investment decreased significantly. At the moment the farmlands are purchased mainly for the purposes of conducting agricultural activity, to expand the farms. Therefore the farmland prices in the mostly agricultural municipalities, located at a larger distance from the agglomeration, has remained at a similar level for the past four years. The decreasing of the prices in the farmlands segment is also connected with the reduction of the subsidies for farms as well as with the fact that the EU legislation became more strict.

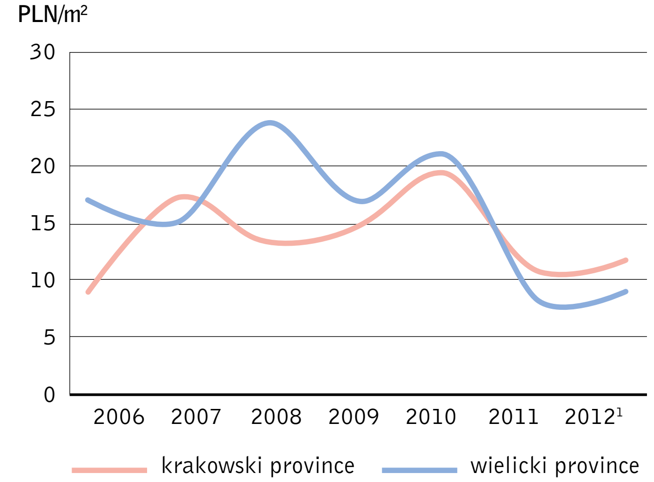
Chart IV.2–8. **Average farmland prices and prices of green areas in the municipalities of the krakowski and wielicki provinces in the years 2006-2012**



¹ values estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

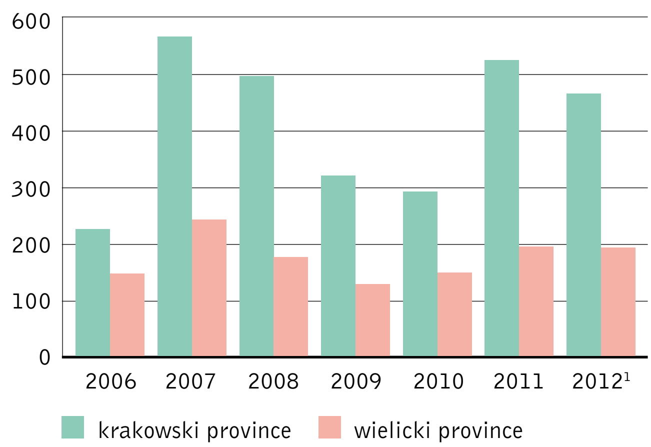
Chart IV.2–9.
Average farmland prices and prices of green areas in the krakowski and wielicki provinces in the years 2006-2012



¹ values estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Chart IV.2–10.
The number of transactions in the plots for farmland and green areas in the krakowski and wielicki provinces in the years 2006-2012

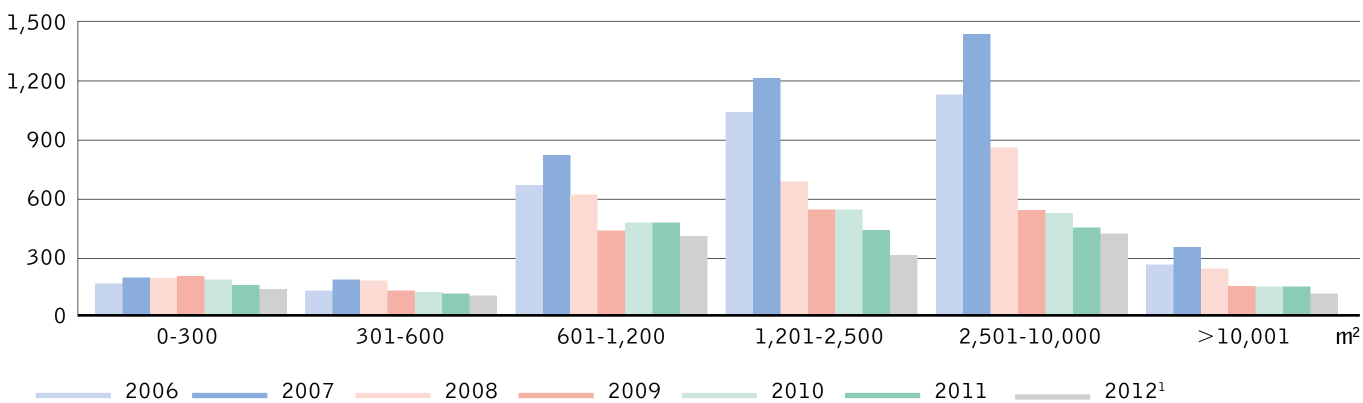


¹ values estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

The weakening of the purchase power of the persons potentially interested in buying land properties as well as problems with obtaining mortgages result in not only the falling number of the transactions and prices, but also in the decreasing of the average surface of the purchased land. For the past few years, the plots in the range 600-2,500 m² have been sold most often, yet over the past two years, we might observe the drop in the number of transactions in the krakowski province as regards the plots in the range 1,200-2,500 m².

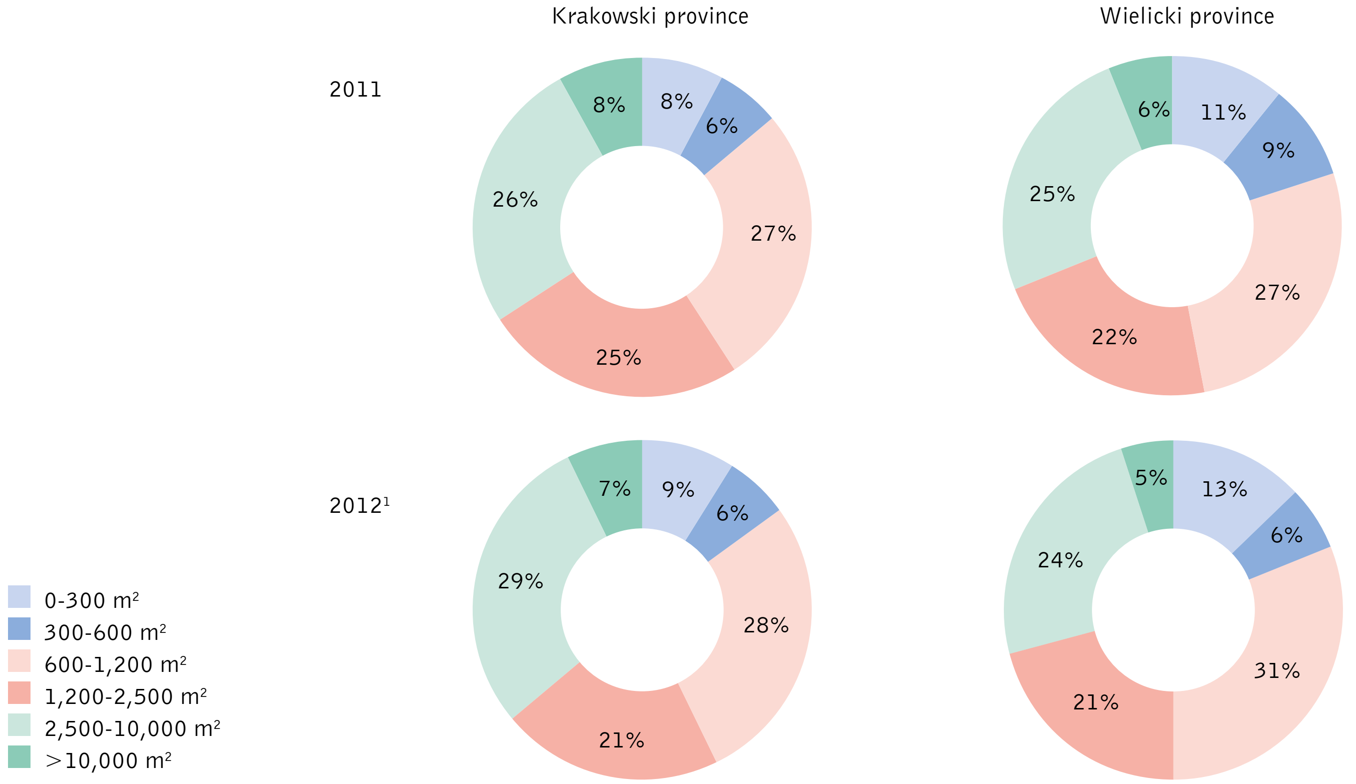
Chart IV.2–11. **The number of transactions in the surface groups in the krakowski province in the years 2006-2012**



¹ values estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

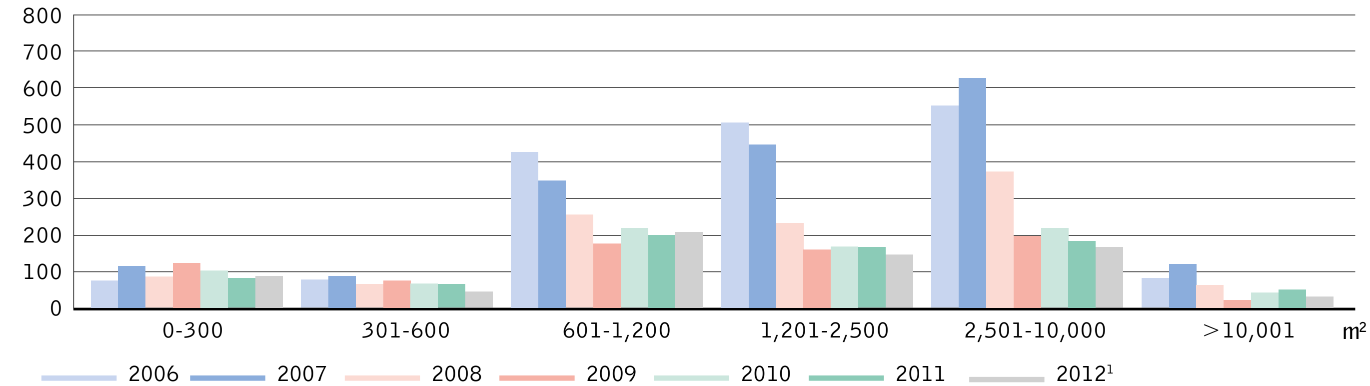
Chart IV.2–12. **Participation of the individual plot sizes in the krakowski and wielicki provinces, in the years 2011-2012**



¹ values estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Chart IV.2–13. **The number of the transactions in the surface groups in the wielicki province in the years 2006-2012**

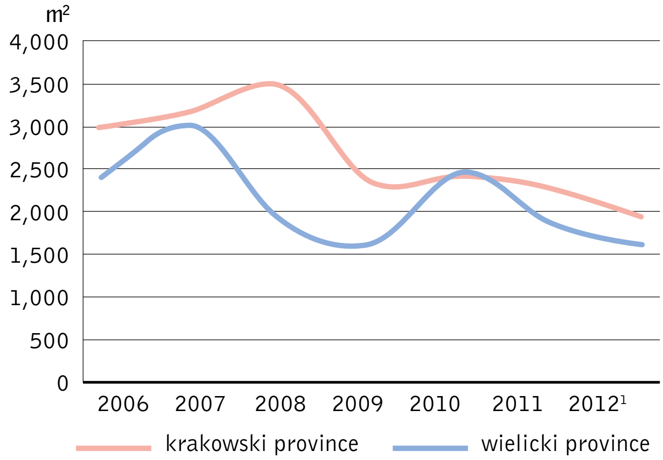


¹ values estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Both in the wielicki province as well as in the krakowski province, we have seen a significant drop in the average surface of the land purchased both among the plots for residential development as well as among the farmlands over the past few years. At the moment, the average size of the plot for residential development in the krakowski and wielicki provinces oscillates in the range 1,500-2,000 m², while the average size of the farmland plots – 4,000-6,000 m².

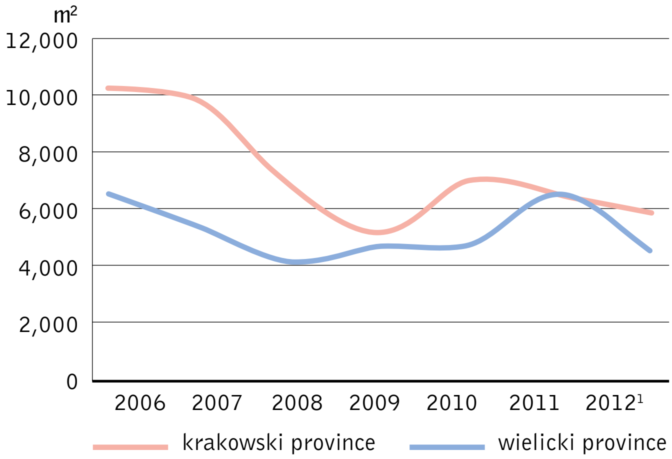
Chart IV.2–14.
Average size of the plot for residential development in the krakowski and wielicki provinces in the years 2006-2012



¹ values estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Chart IV.2–15.
Average size of the plot for farmland and green areas in the krakowski and wielicki provinces in the years 2006-2012



¹ values estimated based on incomplete data

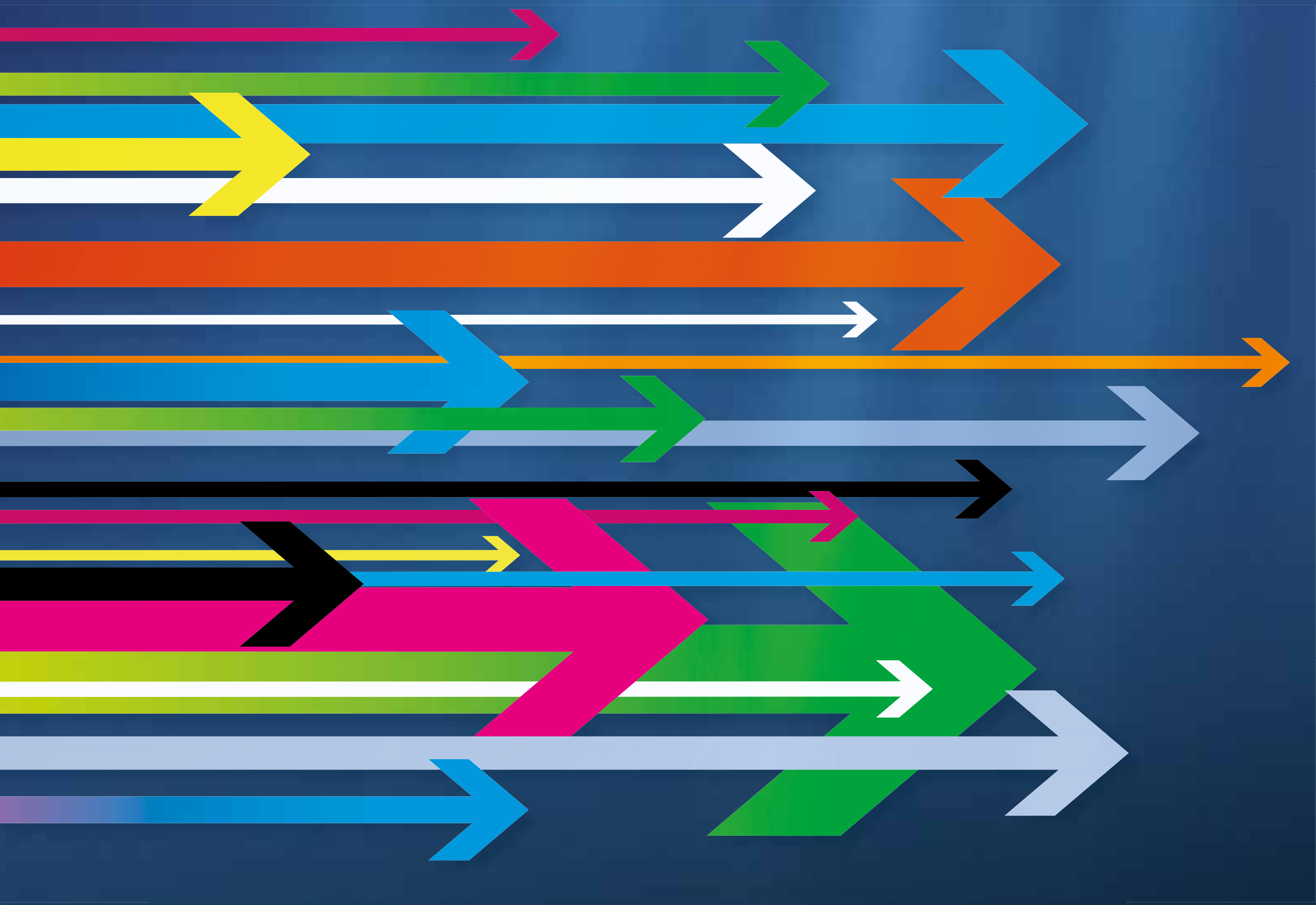
Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Summary

- The market for undeveloped lands is still stable, and the slight drop of the prices applies mostly to the least attractive lands.
- Similarly to the previous years, we observe a drop in the number of the transactions.
- The period of speculations and the period of establishing "land banks" is over.
- At the moment, "certain properties" count on the land market – properties with favourable locations and extensive investment potential.
- In the recent years, the demand for the large-sized plots shrunk.
- The weakening of the purchase power of the persons potentially interested in buying land may result in the further decrease of the transaction volume and the drop in the prices in 2013.

destination > future

the past may inspire, we create the future!



KRK>2B

Krakow to business

Wydział Rozwoju Miasta / Urząd Miasta Krakowa
City Development Department / Municipality of Krakow

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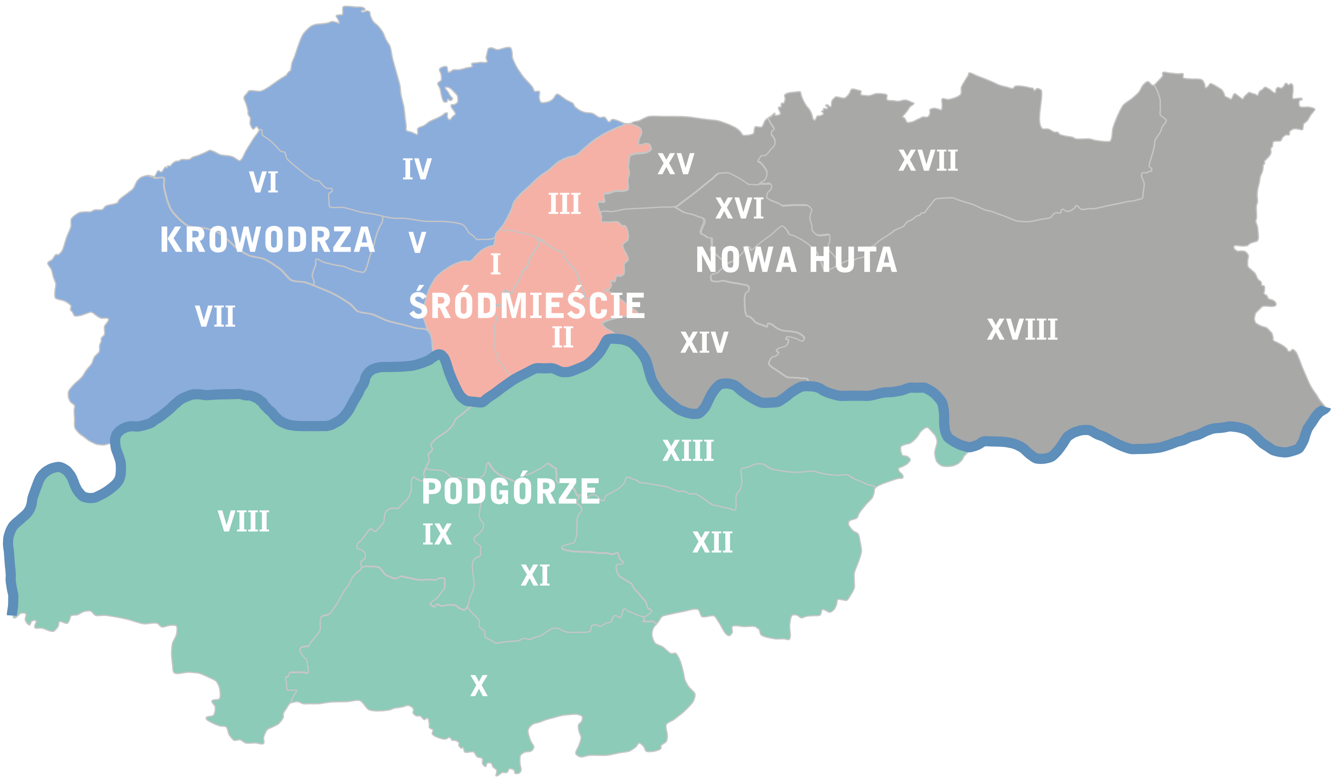
ADMINISTRATIVE BOROUGHS



Area	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