KRAKOW REAL ESTATE MARKET 2013 P. II

KRAKOW 2014

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Prices

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 (www.nbp.pl).

Measures used in Poland

1 ar =100 m^2 = 0.01 hectare (ha)
1 hectare = 10,000 m^2 = 100 ars (ar)

NEW APARTMENT MARKET

According to preliminary data from the Krakow Statistical Office, over the course of 2013, 7,038 new flats were handed over in the capital of Małopolska, or over 3% more than the previous year and more than 44% more than two years ago. At the same time in 2013, the construction of 8,650 flats commenced. This indicator has been steadily falling since 2011 and is now more than 8% lower than two years ago. Also decreasing is the number of apartments for which building permits have been issued. In 2013, building permits were issued for 7,541 apartments, over 10% less than the year before. Chart 1.

Most of the residential premises (almost 85%) have been constructed by developers as apartments for sale or rent. Slightly more than 14% of the housing was established within the framework of private construction. Cooperative and municipal construction in 2013 only constituted the margin of the market, not exceeding a total of 1.5% of the total number of completed dwellings.

Distribution of developments

According to the Dominium.pl portal, the number of housing projects (multi-family buildings), in terms of individual buildings, where flats were sold at the end of December 2013 amounted to approximately 340. In addition, 10 developments located in Krakow offered family houses. Approximately 41% of all residential projects are located in the Podgórze district. Approximately 29% of the developments were offered in the Krowodrza district. Investments in the City Centre accounted for over 19% of all investments. The smallest percentage ratio in the new housing market was in Nowa Huta, where more than 11% of developments were located. The distribution of developments in 2013 was almost identical to the year before. Chart 2.

Housing distribution

At the end of December 2013 Krakow's developers held about 7,400 flats. This means that over the 12 months the number of units fell by more than 3,600, an increase of over 30%. The Dominium.pl data shows that almost half of all housing was offered in the Podgórze area, more than 23% in the City Centre, about 17% in investments in Krowodrza, and slightly more than 11% in Nowa Huta. In comparison to the previous year there was a relatively significant 8% growth in the share of units offered in Podgórze – at the expense of two other areas (Krowodrza and Nowa Huta), whose shares have fallen by a few percent.

Among the districts the largest selection of new homes is located in Dębniki (VIII). In December 2013, more than 15% of Krakow's range was focused here. Three other districts – Prądnik Czerwony (III), Prądnik Biały (IV), and Podgórze (XIII) – had almost equal supply of 11% in their territory, including approximately one third of all flats in developer offers. Between 6 and 9% of the total pool of apartments were located in the districts of Stare Miasto/ Old Town (I), Grzegórzki (II), Czyżyny (XIV), Bieżanów-Prokocim (XII) and Podgórze Duchackie (XI). In the remaining nine districts, a total of less than 15% of the housing pool was on offer. It is worth noting that in the Nowa Huta district (XVIII), apartments in the new housing market were not offered at all. Table 1, chart 3.

Development deadlines

At the end of December 2013, more than 70% of the proposed developments had the status of completed or a specified deadline for completion by the end of the year. A year earlier, there was 8% less such development. Almost one third of the development was planned for implementation in 2014, and just over 5% in 2015 and thereafter. The least ready developments (about 60%) occurred in Nowa Huta. There also was proportionally the most planned completion in 2014 – almost 30% of the investments in the district. The highest proportion of developments occurred in Krowodrza (almost 74% of the investments in the district). Less than 20% of the investments offered in Krowodrza are envisaged for completion in 2014. Charts 4, 7, 8.

After the end of 2013, more than 45% of the units offered by developers had already been completed. For the following year, approximately 40% of dwellings are forecast to have been completed, and on later dates less than 15%. A year earlier, in the structure of housing offered there were proportionately fewer dwellings completed (less than 32%), although the overall pool of housing was far greater, so in absolute terms the number of units ready for reception remained at a similar level (more than 3 thousand premises).

Proportionally, the most apartments were finished in Krowodrza, where almost 57% of dwellings were of completed status. Of all the areas of Krakow, it was also in Krowodrza that the fewest dwellings were planned with completion dates after 2014 (less than 9% in this district). Proportionally the smallest selection of completed apartments was to be found in the offer of developers completing projects in Nowa Huta. This was similar the year before,

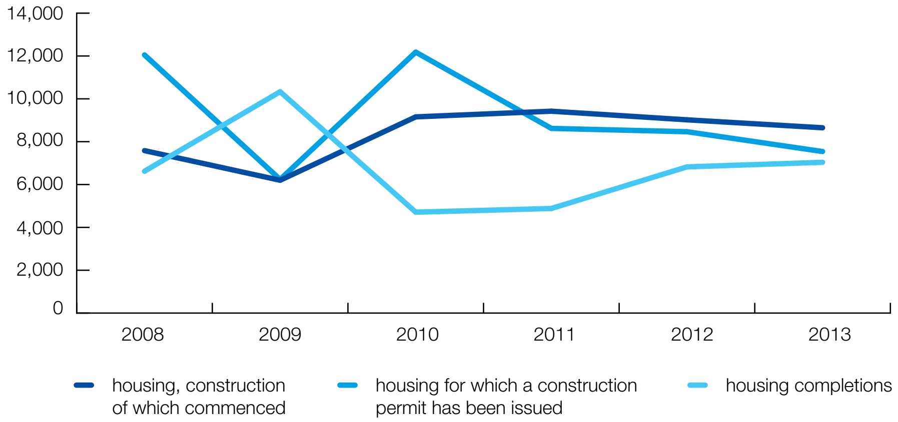


Chart 1.

Number of completed flats for which building and housing permits have been issued, whose construction was started in Krakow in 2008-2013

Source: Based on data from the Statistical Office in Krakow

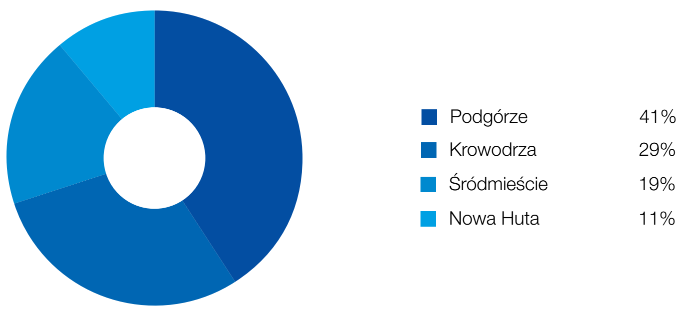


Chart 2.

The distribution of housing investments offered in old districts of Krakow (December 2013)

Source: Dominium.pl

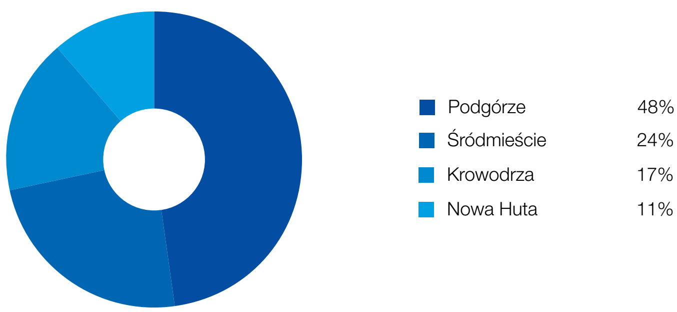


Chart 3.

The distribution of housing offered in Krakow (December 2013)

Source: Dominium.pl

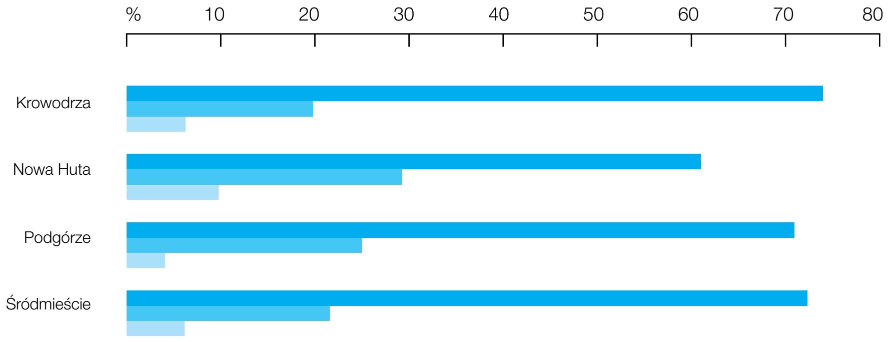


Chart 4.
Distribution of developments in Krakow districts by completion date
Source: Dominium.pl

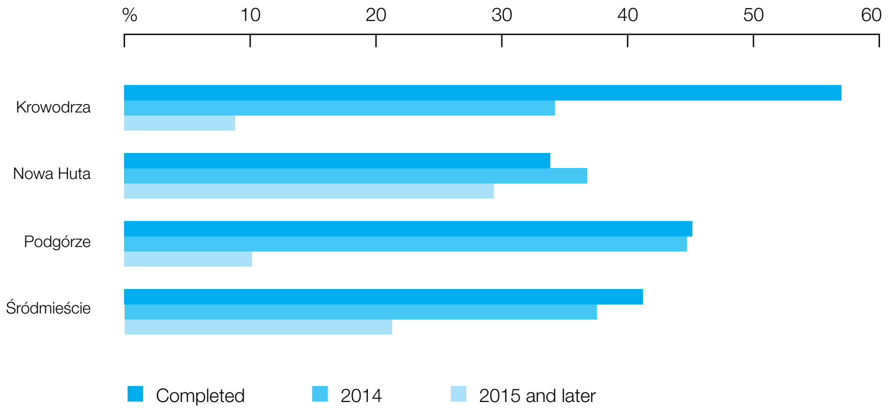


Chart 5.
Distribution of apartments in Krakow districts by completion date
Source: Dominium.pl

when only the City Centre could boast better sales of completed units. In December 2013, the City Centre offered proportionately twice as many completed units as the previous year – more than 41% of the homes sold in the city centre were ready to be inhabited. In 2014, proportionally the highest level (over 44%) of housing planned for completion is in the Podgórze district, in the remaining areas of the city this index was around 35% for each district. Chart 5.

Price structure

In December 2013, the majority of Krakow apartments cost between 5 and 7 thousand PLN/m^2. This covered 64% of housing. The second price bracket of 7-9 thousand PLN/m^2 holds approximately 18% of Krakow's offer. Over 9 thousand PLN/m^2 would be paid by potential buyers of 10% of Krakow's apartments. Proportionally the least, about 8%, was covered by the cheapest housing, at a cost that ranged between 4 and 5 thousand PLN/m^2. Chart 9.

Price level in districts

The highest average price, close to 11 thousand PLN/m^2 was recorded in the Stare Miasto/Old Town (I). The second price group, with average prices in the range of 7-9 thousand PLN/m^2 included Bronowice (VI), Krowodrza (V), Grzegórzki (II) and Zwierzyniec (VII). A large group of districts, where the average price per m^2 of housing offered came within a narrow range between 6 and 6.6 thousand PLN was constituted by Łagiewniki-Borek Fałęcki (IX), Mistrzejowice (XV), Prądnik Biały (IV), Dębniki (VIII), Podgórze (XIII) and Prądnik Czerwony (III). The same number of districts formed a group in which the average price per m^2 does not exceed 6,000 PLN/m^2. This group included three areas in Podgórze – Swoszowice (X), Bieżanów-Prokocim (XII), Podgórze Duchackie (XI) – and three in Nowa Huta – Wzgórza Krzesławickie (XVII), Bieńczyce (XVI), and Czyżyny (XIV). The cheapest of these districts was Swoszowice (X), where the average price hovered around 4,750 PLN/m^2. The average price, determined as the average of the prices in the districts, was 6,647 PLN/m^2 in December 2013. Chart 6.

Compared to the end of 2012, prices in the city's districts at the end of December 2013 were higher by an average of about 3.3%. Depending on the district, price changes ranged from a decrease of 8.64% in Podgórze Duchackie (XI) to an increase of 11.28% in Wzgórza Krzesławickie (XVII). Prices rose in 11 districts and fell in 6. The fact that prices moved in different directions depending on the district is due in large part to the quantitative diversity of offers in a given area, and the emergence of new developments in more or less attractive regions of a given district. Table 2.

Distribution of dwellings by number of rooms

At the end of December 2013 the developers' offer included mostly two- and three-bedroom flats, which accounted for over 43% and over 34% respectively of the total range. The housing structure was complemented by one-bedroom apartments with over 15% market share, and the largest four-and five-room premises, which together accounted for less than 6% of the total.
In comparison to the previous year the share of two-bedroom apartments fell by a few percent, while a slightly larger share in the housing structure was achieved by one- and three-room apartments. Chart 10.

Distribution of dwellings by property size
In December 2013, the largest share was held by flats with areas from 40 to 60 m^2. They accounted for a total of nearly half of all new housing. A further 23% of the offers covered areas from 60 to 80 m^2. Almost one fifth of the offered housing had an area not exceeding 40 m^2. A considerably smaller share included housing of more than 80 m^2 in area, which accounted for less than 8% of the offering on the Krakow market. Chart 11.

Summary

In 2013, three indicators characterising the housing market (housing completions, housing whose construction had commenced, and housing for which building permission has been granted) moved very much closer to each other, which shows that the market is balancing and appropriate adjustments have been made to plans by developers to bring them closer to current supply and demand. Due to the surplus in ready-to-receive housing, developers have reduced the number of obtained permits and housing starts.

At the end of 2013 the developments where the largest number of flats was sold were located in the Podgórze and Krowodrza areas. In total, they accounted for approximately 70% of the offer on the Krakow market. Nowa Huta (XVIII) was the only district in Krakow which was practically devoid of new housing.

In terms of the number of flats offered Podgórze also dominated, where there were almost 50% of all apartments sold. Approx. 15% of Krakow's offer were gathered in Dębniki (XIII). A total of 30% of the offered apartments were located in the neighbourhoods of Prądnik Czerwony (III), Prądnik Biały (IV), and Podgórze (XIII).

As a result of sales and a smaller supply of new apartments, within the12 months of 2013 the number of new homes shrank by about 30%.

At the end of December 2013, approximately 70% of the investments and 45% of the apartments in developers' offer in Krakow were completed. Proportionally, within this area, most of the completed dwellings were located in Krowodrza, and least in Nowa Huta.
In December 2013 in Krakow flats in the 5-7 thousand PLN/m^2 price band dominated. Average prices in the districts ranged between 4,750 and 10,820 PLN/m^2. The average price of a flat in Krakow, calculated as the average of the prices in the districts, was 6,647 PLN/m^2 in December 2013.

Throughout 2013, average prices in the districts of Krakow increased by slightly more than 3%.

More than 77% of the flats offered were two-and three-room premises, and almost half of the units had areas ranging from 40 to 60 m^2.

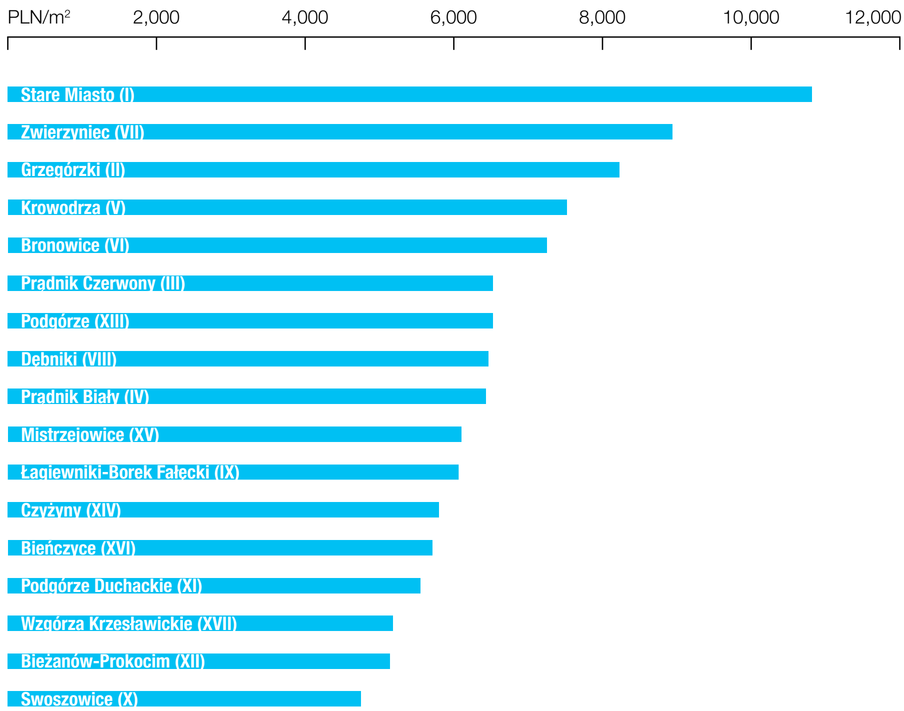
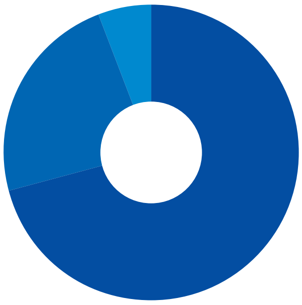


Chart 6.
Average asking prices for new apartments in Krakow districts (December 2013)
Source: Dominium.pl

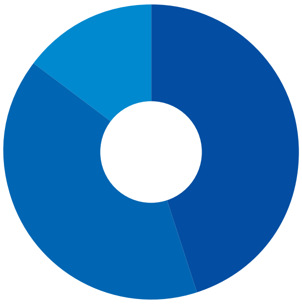


■	Completed	71%
■	2014	23%
■	2015 and later	6%

Chart 7.

Deadlines for developments in Krakow (December 2013)

Source: Dominium.pl

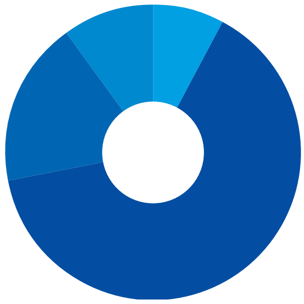


■	Completed	45%
■	2014	40%
■	2015 and later	15%

Chart 8.

Deadlines for apartments in Krakow (December 2013)

Source: Dominium.pl



■	5-7	64%
■	7-9	18%
■	over 9	10%
■	4-5	8%

Chart 9.

The price structure (in thousand PLN/m²) of apartments in Krakow (December 2013)

Source: Dominium.pl

District	Share (%)
Stare Miasto (I)	6.63
Grzegórzki (II)	6.10
Prądnik Czerwony (III)	11.05
Prądnik Biały (IV)	11.38
Krowodrza (V)	1.07
Bronowice (VI)	3.61
Zwierzyniec (VII)	0.99
Dębniki (VIII)	15.10
Łagiewniki-Borek Fałęcki (IX)	2.51
Swoszowice (X)	1.11
Podgórze Duchackie (XI)	9.17
Bieżanów-Prokocim (XII)	8.98
Podgórze (XIII)	11.13
Czyżyny (XIV)	6.01
Mistrzejowice (XV)	1.79
Bieńczyce (XVI)	3.21
Wzgórza Krzesławickie (XVII)	0.16
Nowa Huta (XVIII)	0

Table 1.

The distribution of housing offered in Krakow administrative districts (December 2013)

Source: Dominium.pl

Chart 10.

Distribution of dwellings by number of rooms

Source: Dominium.pl

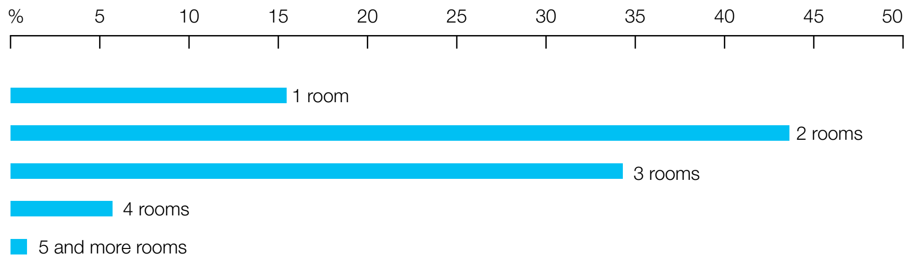


Chart 11.

Distribution of dwellings by size (December 2013)

Source: Dominium.pl

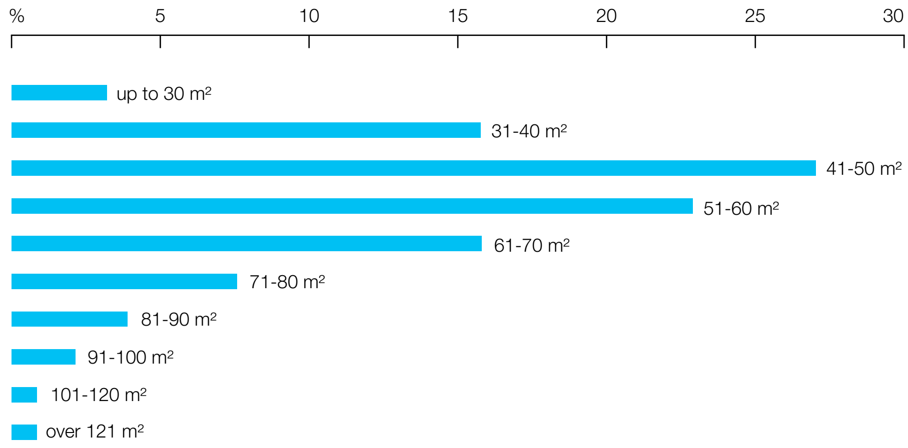


Table 2.

Price changes in Krakow districts (December 2013/ December 2012)

Source: Dominium.pl

District	2012 (PLN/m²)	2013 (PLN/m²)	2013/2012 (%)
Stare Miasto (I)	9,890	10,820	9.40
Grzegórzki (II)	7,605	8,230	8.22
Prądnik Czerwony (III)	6,445	6,525	1.24
Prądnik Biały (IV)	6,510	6,435	-1.15
Krowodrza (V)	7,630	7,520	-1.44
Bronowice (VI)	6,760	7,250	7.25
Zwierzyniec (VII)	8,765	8,940	2.00
Dębniki (VIII)	6,190	6,465	4.44
Łagiewniki-Borek Fałęcki (IX)	5,665	6,065	7.06
Swoszowice (X)	4,595	4,750	3.37
Podgórze Duchackie (XI)	6,075	5,550	-8.64
Bieżanów-Prokocim (XII)	5,225	5,140	-1.63
Podgórze (XIII)	6,290	6,525	3.74
Czyżyny (XIV)	5,955	5,800	-2.60
Mistrzejowice (XV)	6,450	6,100	-5.43
Bieńczyce (XVI)	5,390	5,710	5.94
Wzgórza Krzesławickie (XVII)	4,655	5,180	11.28
Nowa Huta (XVIII)	5,735	b.d.	b.d.

SECONDARY HOUSING MARKET – OFFER PRICES

An analysis of listing prices on the secondary real estate market in Krakow indicates that 2013 was a period of continued decline in average asking prices for apartments. The difference between the average of the first quarter and the average of the fourth quarter amounted to slightly more than 3%. In the first three months of 2013, buyers of apartments on the secondary market in the capital of Małopolska paid an average of 7,021 PLN/m^2, and in the last three it was down to 6,801 PLN/m^2 (i.e. 220 PLN less per 1 m^2). This trend was a continuation of reductions from previous years. In 2012, the listing prices on the secondary market fell by 4% in fact, while in 2011 the reduction was 2.6% and in 2010 – 1.7%. Chart 1.

The reasons for this lie in several factors. One of these was the overall situation on the housing market, which largely depended on the fact that 2013 was a period in which there was no assistance programme in place for people planning to buy an apartment. It was the transition period between the programme “A Family’s Own Place” (which expired at the end of December 2012) and its successor, i.e. the “Apartment for Young People” programme. Although this period of waiting for government support rebounded mainly on the primary market, for obvious reasons, the “second-hand” housing market could not remain unaffected. We should not forget that, right until the end of work on the Act on state aid for the purchase of a first home for young people, a dispute was waged about whether the programme should extend to premises on the secondary market. As we now know, in the end the legislature decided against such a solution.

Among the factors influencing the reduction in price on the secondary market in Krakow is also the greater supply of housing in this segment. It can be assumed that the declines in housing prices would have been even greater if not for the fact that with each successive month people were willing to buy a home. The situation on the credit market also had an impact on customer purchasing decisions. 2013 was the final year in which it was possible to apply for a loan for 100% of the property value. In addition, it was a period in which, thanks to decisions by the Monetary Policy Council, interest rates were lowered several times and, consequently, reached a record low, effecting an improvement in buyer creditworthiness. This all meant that over successive months last year customers willingly purchased flats. The proverbial “last straw” for all those who wanted to wait in the past year with the purchase of an apartment on the secondary market was the official information that the potential beneficiaries of the “Apartment for Young People” would not be able to buy the flat on the secondary market.

All this meant that 2013 proved to be a particularly good time for customers, who were able to purchase housing at relatively low prices and on good credit terms. An opportunity this good may not come again soon; the price declines recorded in 2013 in Krakow have already slowed. 2014 began with increases – both in the primary and secondary housing markets – and all indications are that the next months will see a continuation of this trend.

2013 brought no surprises when it comes to the shape of average asking prices for apartments on the secondary market in individual districts of Krakow. There is no change to the leaders, which are the Stare Miasto/Old Town, Zwierzyniec and Krowodrza. Prices also remained relatively high in Grzegórzki, Bronowice and Dębniki, all popular amongst customers. In these areas of Krakow, housing prices remained at a very similar level compared with the previous year and recorded declines were minor. From KRN.pl data, it is clear that, for example, in Krowodrza, the decline in average prices (on a year-to-year ratio) amounted to 37 PLN/m^2, i.e. less than 1%. In 2012, for the purchase of a “second hand” apartment in this location, the price averaged 7,707 PLN/m^2 and in 2013 – 7,670 PLN/m^2. The conclusion from this is that flats located in the most desirable neighbourhoods among customers remain resistant to price reductions. Interestingly, in the two most expensive neighbourhoods – the Stare Miasto/Old Town and Zwierzyniec – slight increases in prices were recorded compared with 2012. This is due to the fact that in these neighbourhoods contain many historic buildings, the prices of which are not as susceptible to changes in the market, and therefore remain high. At the opposite pole – the lowest average asking prices are in eastern areas of the city: Nowa Huta, Wzgórza Krzesławickie, Prokocim-Bieżanów and Bieńczyce. Chart 2.

In 2013, flats in buildings built before 1960 remained the most expensive. This is due to the fact that they are mainly older townhouses located in prestigious areas of Krakow. The average price of housing in this segment in 2013 amounted to 7,260 PLN/m^2. This value, however, does not fully reflect the situation on the ground. This group also includes historic buildings, mostly located in the city centre, where the price per m^2 is much higher than this average.

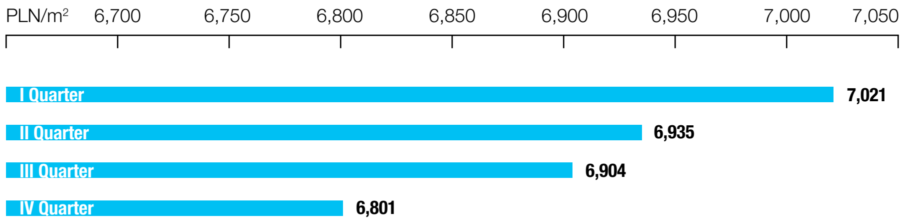


Chart 1.

The average price of apartments on the secondary market in individual quarters

Source: Data from KRN.pl

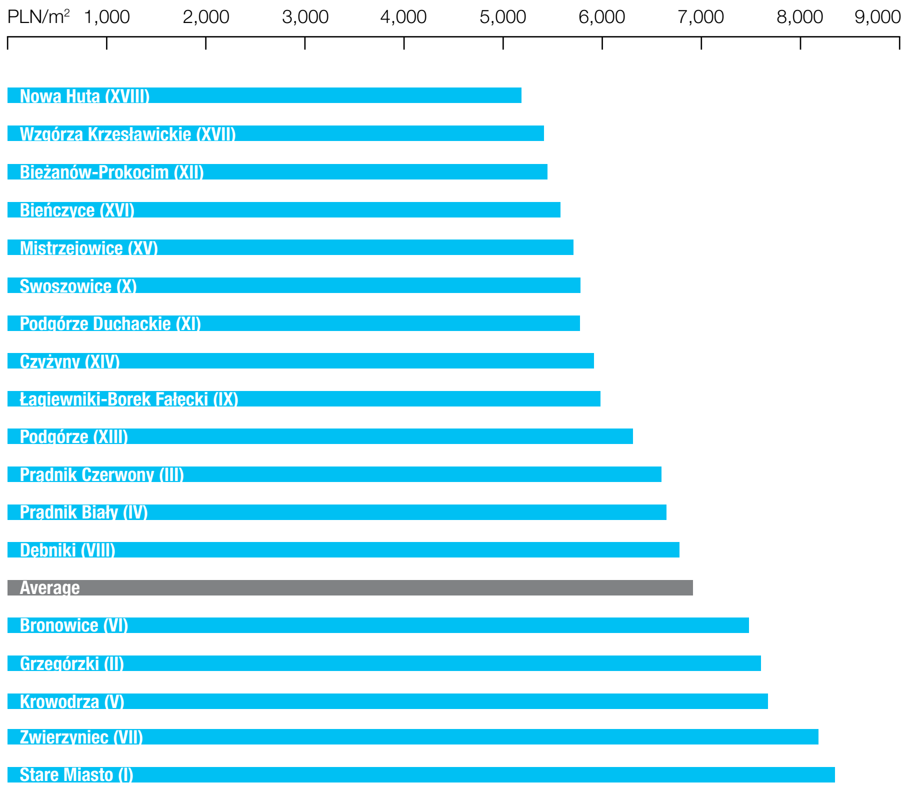


Chart 2.

Average listing prices on the secondary market in individual districts

Source: Data from KRN.pl

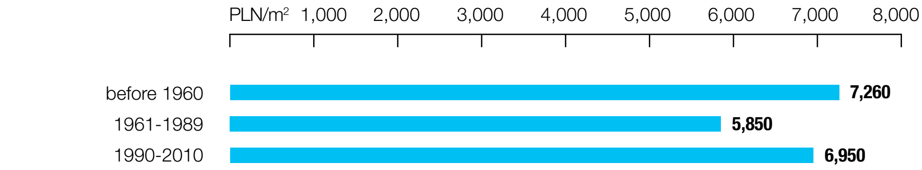


Chart 3.

The average price of apartments on the secondary market based on year of construction

Source: Data from KRN.pl

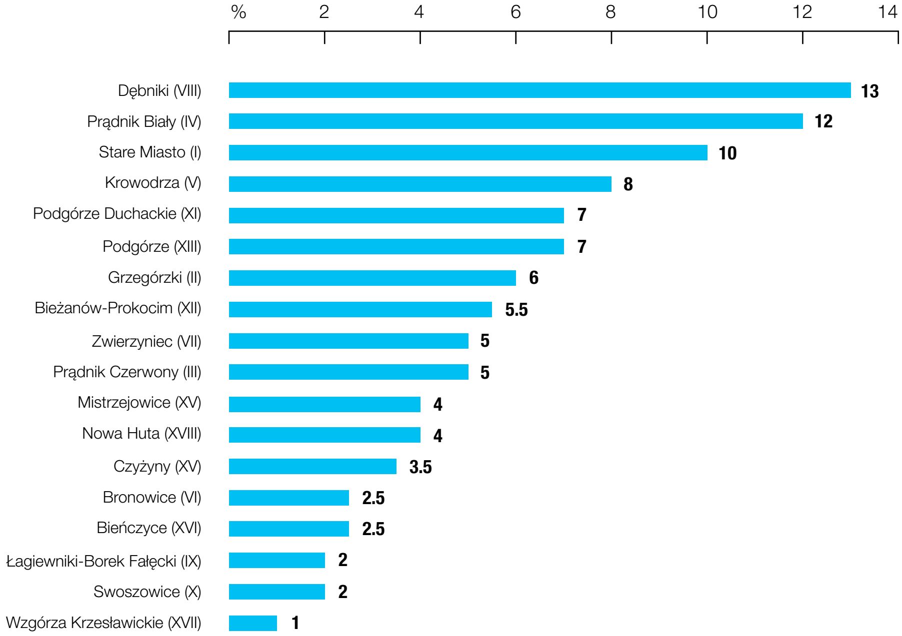


Chart 4.

Average listing prices on the secondary market in individual districts

Source: Data from KRN.pl

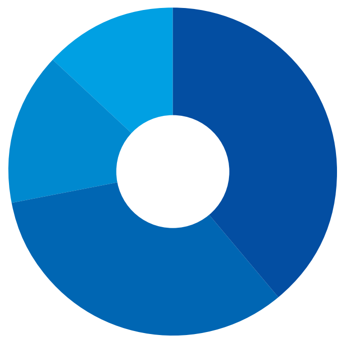
The cheapest apartments are to be found in buildings from 1961 to 1989. These are often buildings constructed using large panel technology, located in areas of large concentrations of multifamily housing away from the city centre, which are not attractive to the modern – and more demanding – customer. The average price of housing in this segment in 2013 amounted to 5,850 PLN/m². Chart 3.

Housing supply

The largest group of listings that appeared for sale on the secondary market was recorded in 2013 in the districts of Dębniki (13%) and Prądnik Biały (12%). Importantly, in the past year these two districts have also remained leaders in terms of the size of the "second hand" housing supply, with the exception that a better result was reported then in Prądnik Biały. In Krakow's listings, there were also a great many ads for apartments in the Stare Miasto/Old Town.

The areas with the lowest supply of housing on the secondary market remained Łagiewniki-Borek Fałęcki, Swoszowice and Wzgorza Krzesławickie. This may be due to the fact that these are areas that are less intensive areas of multifamily housing. Chart 4.

Among the for sale ads in the secondary market 2-room apartments invariably dominate. Their supply in 2013 accounted for 39% of Krakow's listings (about 2% lower than in 2012). Slightly fewer ads – 33% – concerned 3-room apartments. The smallest choice, in turn, was available to those who decided in 2013 to buy 1- or 4-room or larger flats. In Krakow these listings appeared least, at 15% and 13% respectively. Chart 5.



2 rooms	39%
3 rooms	33%
1 room	15%
4 rooms and more	13%

Chart 5.

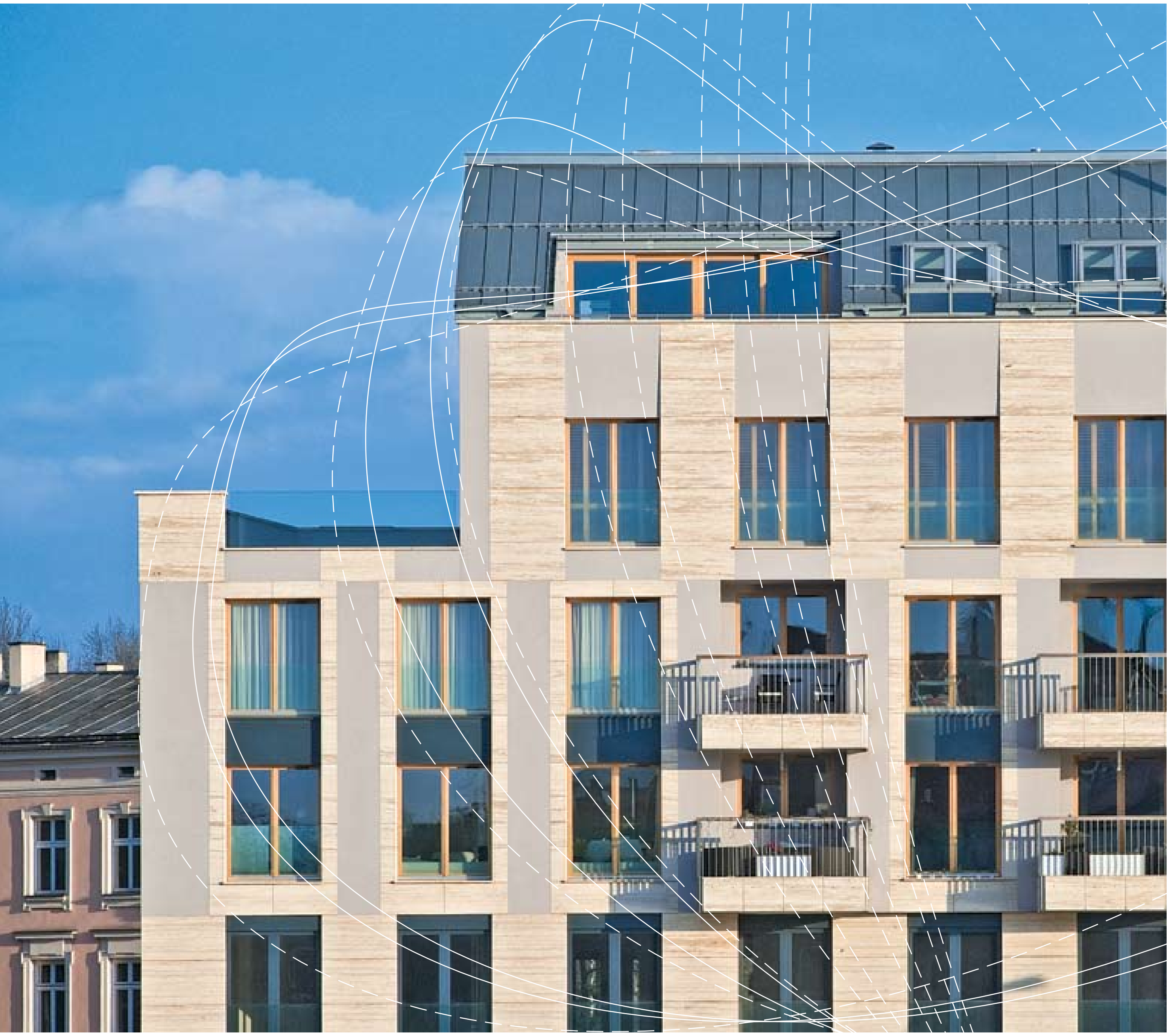
Supply of apartments on the secondary market based on number of rooms

Source: Data from KRN.pl

SECONDARY HOUSING MARKET – TRANSACTION PRICES

For the sixth year in a row every third apartment on Krakow's secondary market was sold in territorially the largest cadastral unit – Podgórze. For years, nearly half of all housing constructed by developers of housing took place here, which with time are supplying the secondary market, increasing the volume of transactions in this market segment. The fewest homes are sold in the City Centre (probably due to high prices) and Nowa Huta, despite the lowest prices in this district (even the crisis was not able to drive buyers to this area). Despite the gigantic number of flats built in the years of socialism, the bad connotations associated with Nowa Huta still exert a decisive influence on the lower volume of units purchased there. Chart 1.

Since the collapse of the market in 2007, over the next three years, the global number of transactions increased steadily, reaching a peak in 2010. However, it failed to top the record results of 2006, which were the culmination of a long-term boom. After the decline in the number of transactions to locally the lowest level in 2012, last year was characterised by a trend towards increases in this segment of the market. About 7% more of them were sold than in the previous year. This was mostly due to the decline in prices, as in 2013 they reached a very low level, beginning to make up for the loss by the end of the year. Competition from the primary market also weakened, as the supply-side overhang decreased rapidly. The prices of new and used housing still differ little from each other, so that the primary market sells more homes.



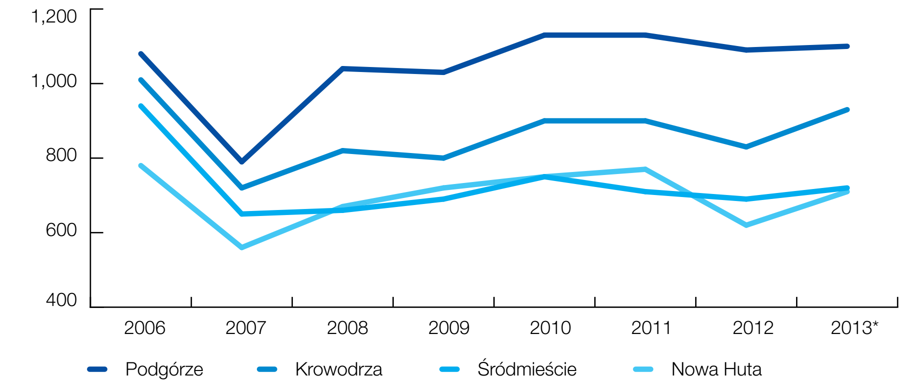


Chart 1.

The number of transactions on the secondary housing market

Source: Institute of Analyses Real Estate Market Monitor mrn.pl

* the numbers are estimated based on incomplete data

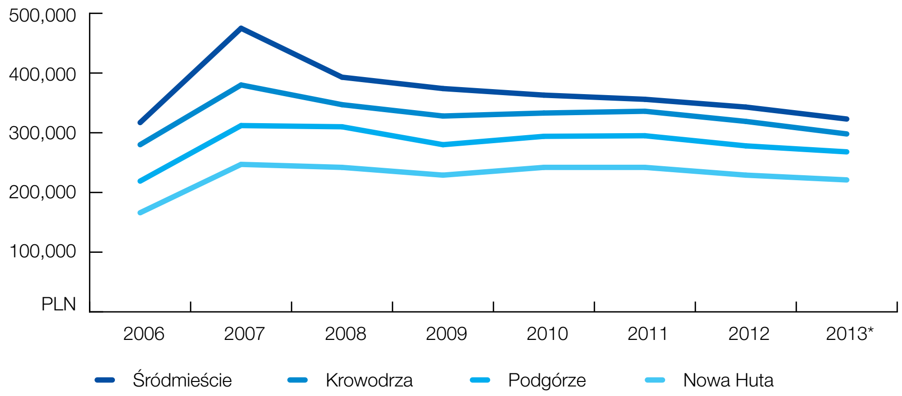


Chart 2.

The average transaction price for an apartment on the secondary market

Source: Institute of Analyses Real Estate Market Monitor mrn.pl

* the numbers are estimated based on incomplete data

The assessment of the attractiveness of particular areas of Krakow can be seen in the average prices obtained for premises in the former four districts. Nothing has changed here for many years. The greatest interest and, consequently, the highest prices, are recorded in the city centre and Krowodrza. Lower prices are achieved in Podgórze, and traditionally the cheapest are in Nowa Huta. In 2013 there was a clear price dip, in all districts prices declined compared to 2012.

2013 was the second in recent years when the average price of purchased units remained below the limit of 300 thousand PLN per premises. Chart 2.

The average price per m^2 of all units sold in the secondary market in 2013 declined by about 7% compared to the previous year, going down clearly below 6 thousand PLN/m^2. The downward trend was evident in all areas of the city to a similar extent. Chart 3.

In total, for the whole city, the average size of premises acquired in 2013 was approximately 49 m^2, growing from the lowest level ever which continued for five years in a row. This demonstrates the increasing purchasing power of buyers, which at heavily discounted prices is somewhat obvious. Chart 4.

Despite a slight increase in the average area of the premises purchased, smaller flats were mostly traded on the secondary market. Large apartments are rarely traded. In 2013, the sale of residential premises with an area over 65 m^2 accounted for nearly 14% of all transactions. And transactions for flats above 100 m^2 constituted only a little more than 2% of the total market.

The derivative of the recovery of the market in late 2013, which resulted in an increase in the number of transactions, was growing turnover. It increased slightly due to the lowest housing prices in six years. Much of the credit here goes to cash customers, whose activity was stimulated by low interest rates on deposits and the desire to earn on the price increases of currently affordable housing.

Since the entry into force of the new T recommendation and modification of the S recommendation in 2011, the activity of the banks in this market sector has been limited. From 2014 further constraints will come into force in the form of compulsory self contribution, whose threshold will be raised annually thereby inhibiting an excessive increase in the number of loans. Chart 5.

Summary

Demand revived because of the lowest housing prices in several years. This led to an increase in the number of transactions, and thus turnover in the secondary market.
In all districts it was mainly small apartments that were sold, wealthier customers preferring the primary market. There was a significant reduction in the supply overhang in housing development, which led to a decrease in competition between the two markets.
The above factors have led to a price rebound in 2013 and may lead to further increases in housing prices in the secondary market in 2014.

Chart 3.

The average transaction price per m² for an apartment on the secondary market

Source: Institute of Analyses Real Estate Market Monitor mrn.pl

* the numbers are estimated based on incomplete data

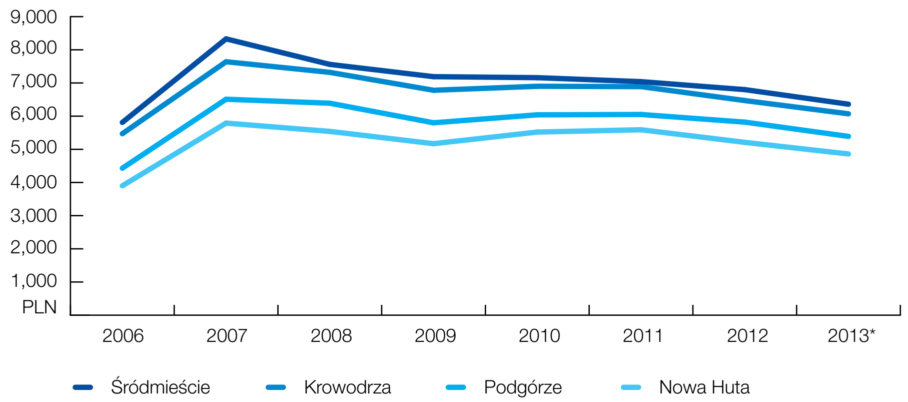


Chart 4.

The average size of dwellings on the secondary market in Krakow

Source: Institute of Analyses Real Estate Market Monitor mrn.pl

* the numbers are estimated based on incomplete data

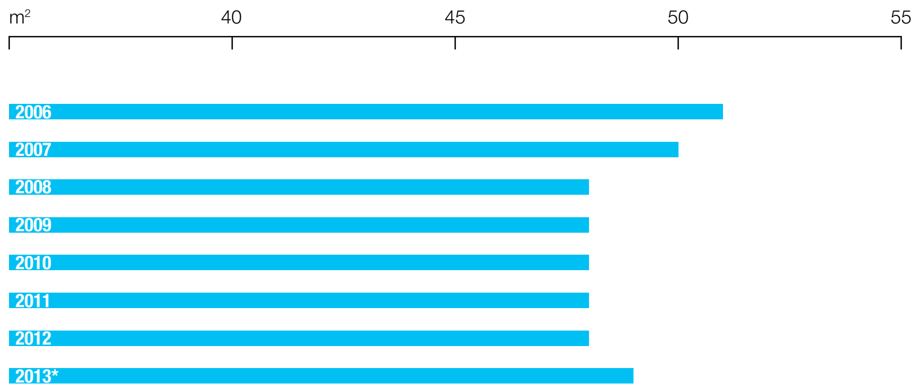
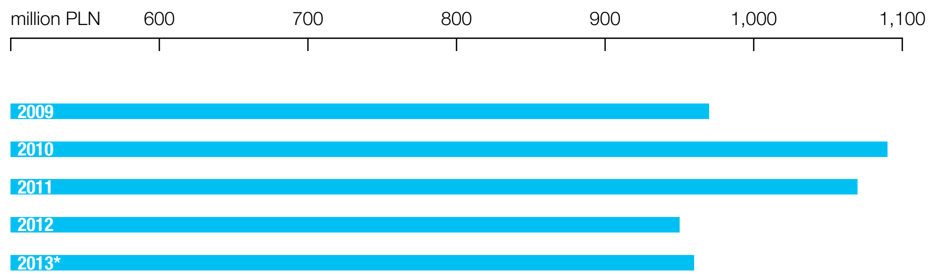


Chart 5.

Turnover in the secondary housing market

Source: Institute of Analyses Real Estate Market Monitor mrn.pl

* the numbers are estimated based on incomplete data



RENTAL APARTMENTS AND HOUSES

The Krakow rental market was characterised in 2013, as in previous years, by average rental price stability. Differences in the rates for renting recorded in individual periods of 2013 years were in the main for small apartments. Rental of the most popular among potential tenants 2-room flats last year was an average of 1,466 PLN/month. Importantly, this amount is only slightly different from the average rate for 2012 – when in fact tenants paid an average of 1,470 PLN/month for this size apartment. There was also only a small difference recorded in the case of 1-bedroom apartments. Rental for one of these was about 22 PLN/month (2%) lower in 2013 than in 2012. The largest difference was to be found in 4-room premises: for these, in 2012 the monthly average was 2,263 PLN, while last year while it was about 5% lower, i.e. 2,157 PLN/month. Relatively small variations in average rents for apartments in Krakow are proof that the local rental market is stable enough that it remains less vulnerable to changes in the real estate market. Chart 1.

Analysing the rents for particular types of housing in successive quarters last year, it can be seen that the greatest fluctuations were recorded in the third quarter. This situation is probably influenced by the fact that the rental market for apartments in Krakow is characterised by high seasonality. This is due to the fact that the largest group of tenants in the capital of Małopolska are students. A large number of them avoid paying rent for an apartment in the holiday season by only starting the search for premises for the new academic year at the end of the holiday. Therefore, in the third quarter of the year there is a perceptible decrease in demand. Along with this, property owners often opt for cheaper rent for their apartment – the prospect of reduced revenues is nevertheless preferable to a situation in which the premises stand empty for about three months, when in addition the owner will have to bear the fixed costs, such as administration fees.

Confirmation of the seasonality of rental in Krakow is also provided by the fact that in the fourth quarter the average rental prices for 1-, 2- and 3-room apartments returned to the level before the holidays. The exception here is 4-room flats. Chart 2.

For those interested in renting an apartment in the regional capital, a valuable source of information, beyond the differences between the average rental rates for apartments in various quarters, would also be the average rental rates broken down into individual neighbourhoods. In this case, diversity is definitely more visible. This is confirmation that location is largely a determining factor for rentals in Krakow. In 2013, the most expensive apartments were invariably located in the city centre or a short distance away. Tenants paid most for apartments in the Stare Miasto/Old Town. The average rent of premises located here amounted to 1,667 PLN/month, and this means that it was about 8% higher than in 2012. The group of most expensive neighbourhoods also includes Zwierzyniec (1,568 PLN), Grzegórzki (1,502 PLN), Krowodrza (1,492 PLN) and Bronowice (1,418 PLN). In these districts the average lease price last year was lower than the average for the whole city, which amounted to 1,371 PLN/month. Chart 3.

It is worth noting that the relatively high prices of apartments for rent have also been reported in districts especially popular among students (mainly due to the proximity of universities). This group includes Dębniki, where the average rental price in 2013 was 1,357 PLN/month.

In turn, the cheapest apartments for rent in Krakow were to be found in Mistrzejowice, Wzgórze Krzesławickie, Nowa Huta and Bieńczyce.

Tenants wondering which district is searching for an apartment for rent is relatively the easiest in should take into account the volume of supply in different parts of the city. Last year, the clear leader in this respect was Prądnik Biały. Offers for apartments for rent here accounted for 14% of all ads. In second place were Dębniki (12%), and the Stare Miasto/Old Town (11%). A high score was also reported in Krowodrza (9%) and Prądnik Czerwony (7%). Chart 4.

The lowest number of listings for apartments for rent appeared in the Wzgórza Krzesławickie neighbourhood (0.5%). An only slightly larger selection of flats to rent were to be found in Swoszowice (1%) and Bieńczyce (1.5%).

Chart 1.

Average rental rates for apartments

Source: Data from KRN.pl

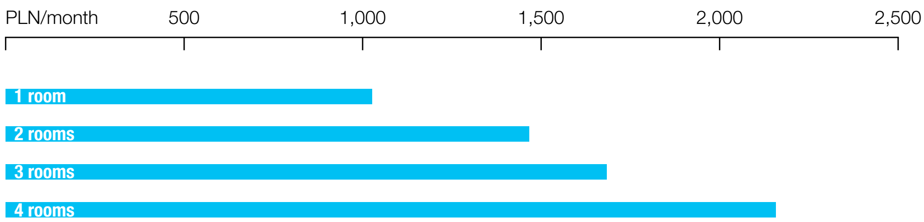
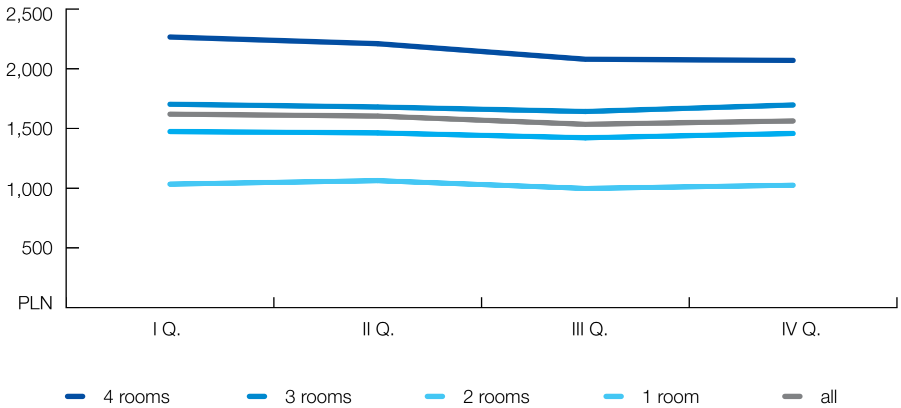


Chart 2.

Changes in average rental prices, taking into account the number of rooms, in each quarter

Source: Data from KRN.pl



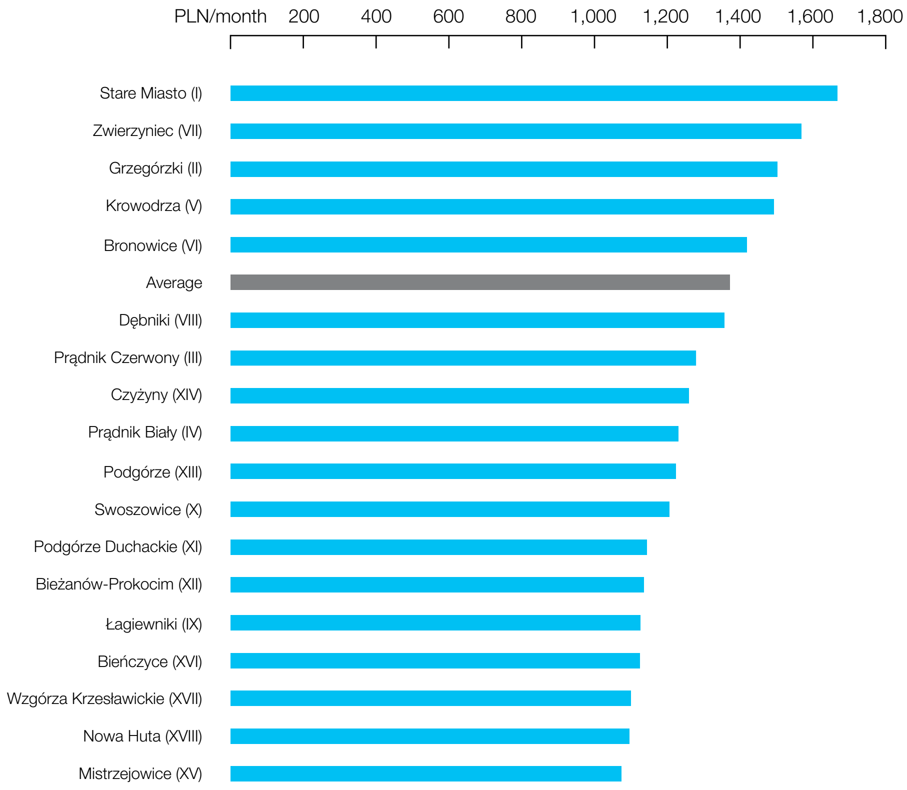


Chart 3.

Average prices for apartments divided into districts

Source: Data from KRN.pl

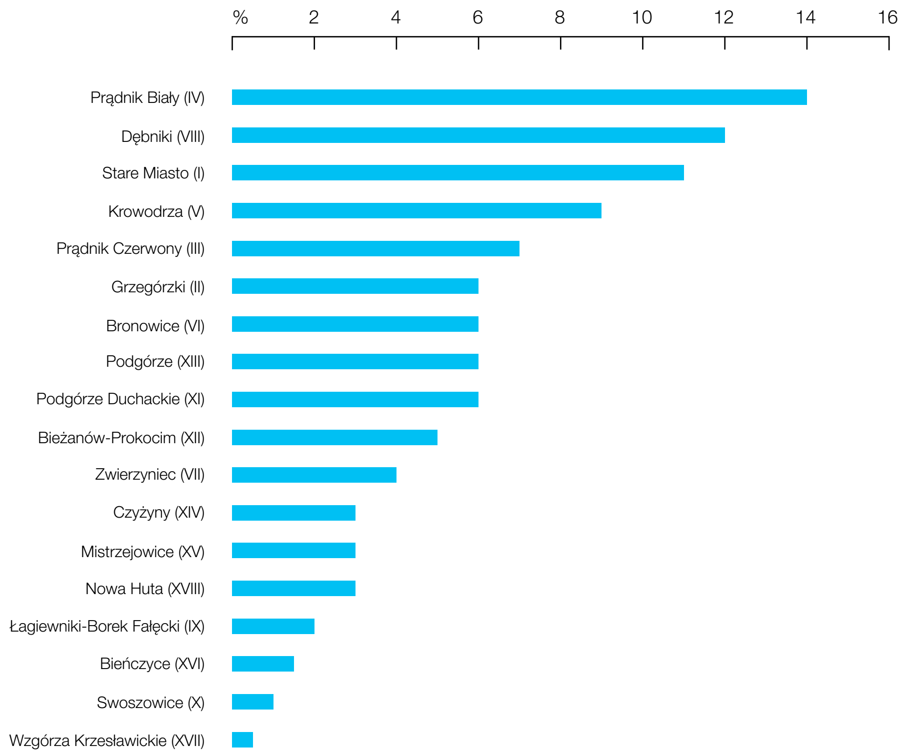


Chart 4.

The supply of apartments for rent in different areas

Source: Data from KRN.pl

Krakow's offer of apartments for rent in 2013 was strongly dominated by 2-bedroom premises. Flats in this segment accounted for nearly 50% of the total offer in the regional capital. In second place, with a score almost half the size, were 1-room apartments (25%). There were far fewer apartments for rent in 2013 that were 3-room flats (22%). The smallest group, however, were 4-bedroom. Apartments from this group accounted for only 3% of Krakow's total supply. Due to the low number of ads, the number of rooms does not include larger apartments in the analysis of the distribution – such premises accounted for 1% of all ads. Chart 5.

From the analysis of rental prices of houses in Krakow, as well as in the Krakow and Wieliczka district, it is clear that 2013 was a year of further reductions in average prices for rental. As for this real estate segment, lower rental cost stability was reported here than in the case of flats. Compared to 2012, renting a house in Krakow was 7.5% cheaper and in 2013 was 3,523 PLN/month. A smaller reduction in rental prices (about 6%) was recorded in the case of houses located in the district of Krakow – the average monthly price for rental last year was 2,349 PLN. As for houses located in the Wieliczka district, the average price for rental in 2013 was higher by 3% (2,333 PLN) than the 2012 average. If the price decline in home rental continues to be felt, we can assume that this type of property rental will become an interesting alternative to apartment rental. Chart 6.

Chart 5.

Supply of apartments based on number of rooms

Source: Data from KRN.pl

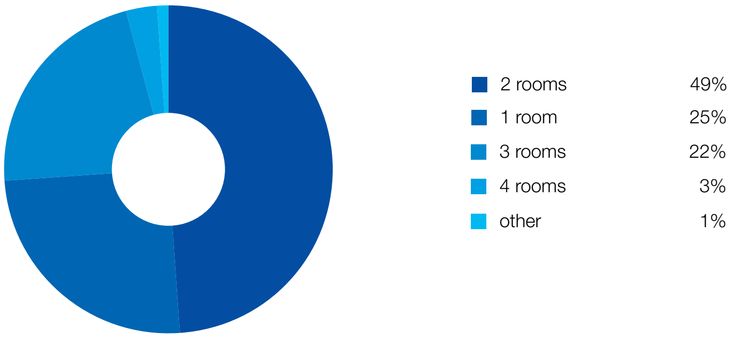
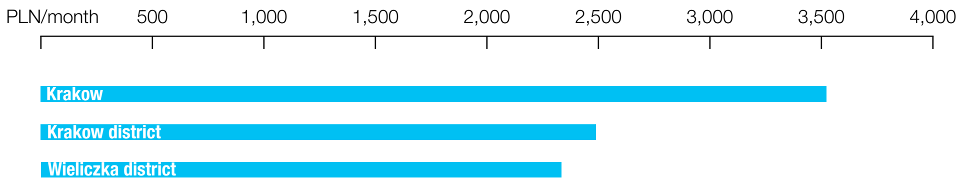


Chart 6.

The average house rental price

Source: Data from KRN.pl



TOWNHOUSES AND HISTORIC AREAS

The heart of the city, where historical residential development is concentrated, is the area of the Planty gardens and the most expensive townhouses in the Main Market Square, along the streets Floriańska, Grodzka and Szewska. Another attractive enclave is the Kazimierz district with Szeroka, Krakowska and Starowiślna Streets, and the streets which are a continuation of the streets within the first ring road, i.e. Stradomska, Zwierzyniecka, Karmelicka, Długa and Lubicz. The prices of townhouses located in the vicinity of Wawel Castle, including around Na Groblach Square and Warszawska and Pawia Streets, are also rising. From year to year, the area surrounding the bus station is becoming more attractive – from Lubicz to Prażmowskiego Street and the Oficerskiego Estate, favourite locations for law firms.

In Krowodrza, the most expensive area is Krowodrza around Na Stawach Square and. Kościuszki St. and also attractive is the area around the Krakowski Park and Lea, Królewska, Mazowiecka and Wrocławska Streets.

Podgórze is primarily commercial streets: Kalwaryjska and Limanowskiego, but more frequently for residential purposes areas located above Wzgórze Lasoty Hill (Lasoty Square, Krzemionki, Zamoyskiego, Parkowa Streets) and the district of Dębniki. Krakow is the only big city in Poland where the structure of pre-war housing stock has been preserved to a large extent. Almost one third of housing was built over 60 years ago, which means 90 thousand apartments in 10 thousand townhouses, of which one thousand are included in the register of monuments for the city of Krakow. In the City Centre, about 7 thousand pre-war houses have been retained; in Krowodrza 2 thousand, and in Podgórze nearly 1 thousand. A large number of tenements still have unsettled legal status. Another trend is the permanent division of property into separate premises. The supply of entire houses is thus limited, and emerging new sales offers are usually the result of further adjustment of legal status, especially property rights.

A new development on the supply side are more numerous offers of townhouses along with zoning decisions or permits for their reconstruction and expansion. Offers of this type allow potential buyers to accurately prepare a business plan for the project, and hence more accurately estimate the investment risk. A characteristic feature of these offers and transactions is a price calculation based on the target (projected) size of the usable area of the building, as in the case of the sale of investment land. These trends are also a response to the expectations of the market on the demand side, as investors in today's difficult market expect offers for townhouses with a prepared investment programme that provides a faster return on investment.

Turnover

Every year transactions in townhouses in the area of all three pre-war Krakow districts are recorded: City Centre, Krowodrza and Podgórze. In 2013, 30 sales of entire townhouses and 160 transactions of shares were concluded. After a period of decline in the number of transactions in the period 2006-2009, from 2010 onwards the number of concluded contracts of sale has rapidly been growing. 2013 only yields in this respect to the peak of the boom, i.e. the period from 2005 to 2007. This strong 5-year upward trend confirms market prosperity. Chart 3.

After a temporary decline in sales in the previous year, 2013 showed a return to a growth trend – turnover was 30% higher than in 2011 and a whopping 73% higher than in 2012. The total value of transactions in 2013 amounted to 235 million PLN. For purchases of entire houses, investors spent as much as 140 million PLN in 2013, i.e. more than twice as much as in 2012 (62 million PLN).

2013 was characterised by an increase in the number of transactions and the value of turnover as a result of growing demand, despite a relatively tight supply of offers. The difficult situation on the real estate market continuing to early 2013 was halted and slowly trends have turned in the direction of growth, which is also reflected in the market for historic buildings. Investment capital is returning to the market ever more boldly, and sales transactions include no longer just smaller houses for several million PLN, but more often large expensive buildings. Analogous trends in recent years also prevail in the apartment, commercial and hotel markets. Chart 1.

Prices of townhouses

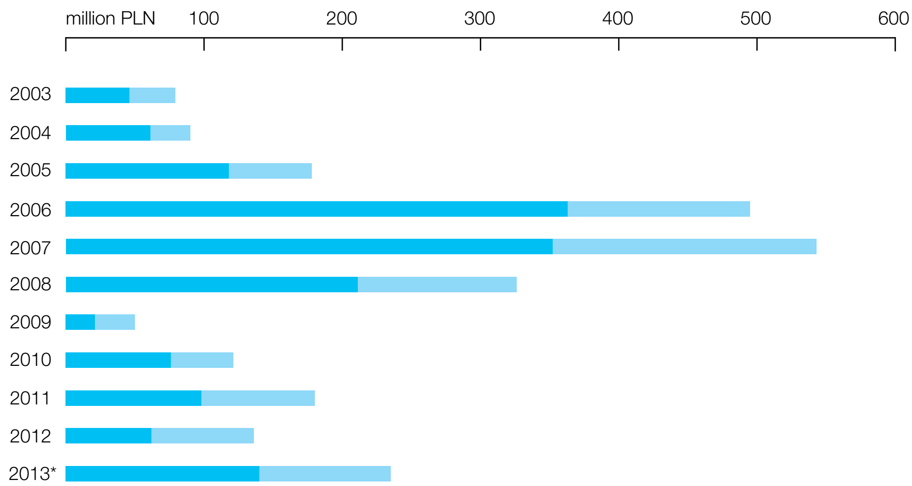
The period between 2003-2007 showed a rapid increase in townhouse prices resulting from the real estate boom. In 2008, a correction began and prices fell until 2012.

Chart 1.

Market turnover in townhouses and shares in townhouses

Source: Institute of Analyses Real Estate Market Monitor mrn.pl

* numbers are estimated based on incomplete data



market turnover for entire townhouses

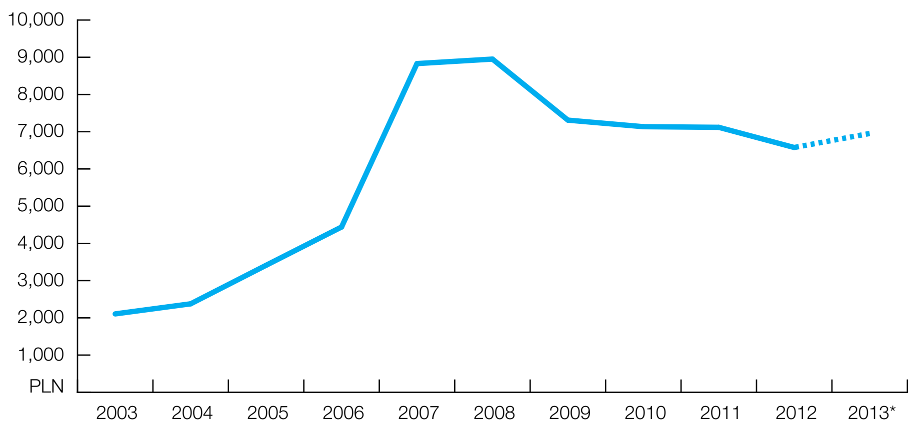
market turnover for shares in townhouses

Chart 2.

Average price of 1 m² of usable area for a townhouse in the City Centre in the years 2003-2013

Source: Institute of Analyses Real Estate Market Monitor mrn.pl

* numbers are estimated based on incomplete data



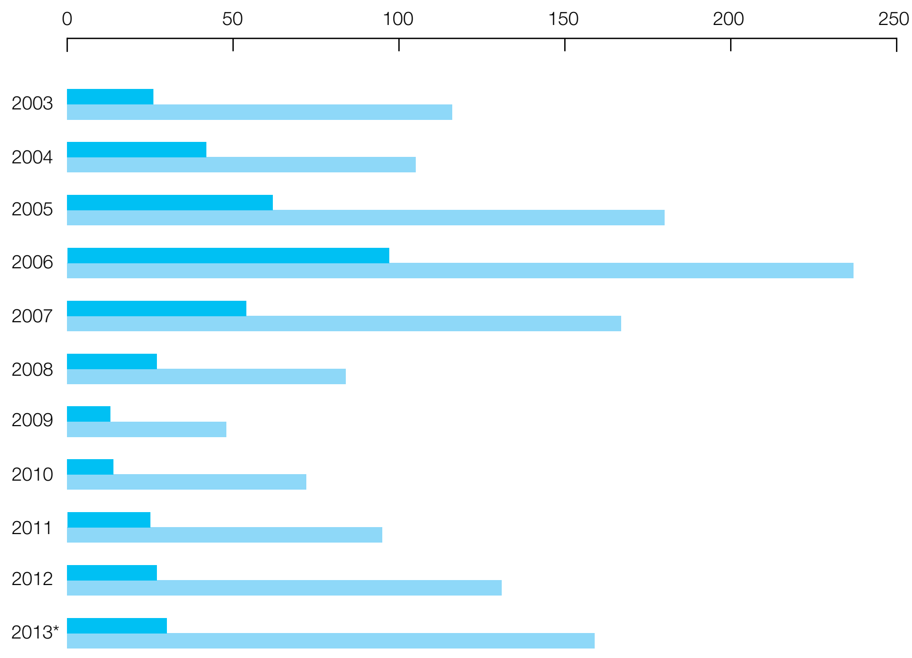


Chart 3.

The number of transactions on the townhouse market in the years 2003-2013

Source: Institute of Analyses Real Estate Market Monitor mrn.pl

* numbers are estimated based on incomplete data

number of transactions in entire townhouses

number of transactions in shares in townhouses

2013 ended the period of decline, prices stabilised at the level of 2010 and 2011 (an average of 7,100 PLN/m^2 of usable area for a townhouse in the City Centre). Given the simultaneous increase in the number of transactions, this may mean that the market already reached its lowest price level in 2012, and this year there has been a change in the downward trend to growth. However, confirmation of this trend will only come with an increase in prices in 2014. It should also be noted that since the boom in 2007, unit prices of townhouses have fallen by as much as 30% (nominal prices), and after adjusting for inflation by almost 40% (real prices).

The highest price achieved for a townhouse in 2013 amounted to 25.3 million PLN, at an average market price for such properties equal to PLN 5.3 million. For comparison, in 2012 the most expensive townhouse reached a price 6 million PLN, and the average market property price amounted to 2.4 million PLN.

An inherent feature of this market is significant variation in the prices of individual townhouses (from 1,000 to 13,000 PLN/m^2 of usable area) resulting from the large disparities in the attractiveness of locations (between Wrocławska St. in Krowodrza and the Main Market Square), in the technical and operational condition (from luxury townhouses to vacancies requiring overhaul), and the size of the income from the lease (of retail space rented at 300-400 PLN/m^2 to apartments with tenants paying rent regulated at 10-14 PLN/m^2). The expected rate of return for most investors is the basis for the calculation of a cost-effective purchase price for the building. Chart 2.

Demand

During the boom, there was increased foreign demand primarily from foreign capital. For example, in Kazimierz the participation of foreign investors (mainly from the EU and Israel) trading on the market increased from 13% in 2003 to 75% in 2008. Since 2009, their interest in townhouses has fallen. Currently, the share of foreign capital does not exceed 50%.

The structure of demand in 2013 shows a continuing lead from investors in the flat and apartment sector and a limited but stable demand from the hotel and tourism market (shopping for hotels, hostels, guest houses, and catering), while there is low demand from investors looking for townhouses for offices and corporate headquarters. The investment attractiveness of townhouses is shown by new apartment projects in the city centre, known as “plomba” (new construction between existing townhouses). The latest example of the growing interest in such buildings was the sale in October 2013 of a 3.3-are plot on Jakuba St. in Kazimierz for 1.50 million PLN.

Forecast

From mid-2013 investors are slowly returning to the market encouraged by low prices and ever cheaper loans. Therefore, market forecasts for townhouses in Krakow in the short and medium term are optimistic.
In the coming year new national and foreign capital will still be pouring in attracted by the very good Krakow brand as Poland’s tourist capital, and more recently – as an international centre of business and academia.

Primary market

Analysis of the primary market in 2013 compared to previous years shows that in this market segment there is still no sign of recovery. High construction activity in the apartment market does not facilitate the task of development projects in the detached-house sector. The market situation is so difficult that for financial reasons marketing campaigns are limited. Houses are sold directly by developers.

Compared to 2012, there has been a decline in trading volumes, with a slight increase in the number of transactions. In 2012, 90 transactions were recorded, which was a significant and surprising increase compared to 2011, which recorded 69 transactions. The estimated number of transactions in 2013 is 74, with a decline in sales from over 61.7 million PLN in 2012 to 55 million PLN. The decrease in turnover is 11%. After a significant increase in turnover in 2012, we are still seeing a decline, but the level of turnover remains higher than in 2011.

There is a strong variation in developer activity broken down by former districts of Krakow. In general, in the last 2 years, there has been no development in the City Centre, with negligible activity in Nowa Huta. Developers have been most active, as usual, in Podgórze.

Average transaction prices over the last year fell by 5%, while the average price per m² of usable area decreased by 12%, with an increase in usable home area of 8%. The average size of a single-family home

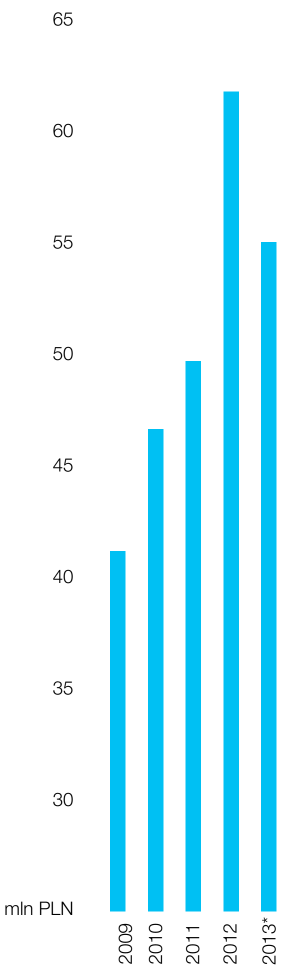


Chart 1.

Total turnover in the years 2003-2013

Source: Institute of Analyses Real Estate Market Monitor mrn.pl

* estimated based on incomplete data

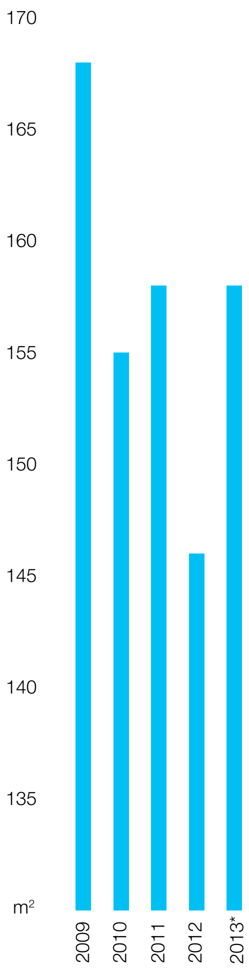


Chart 2.

Average usable floor area for a detached house in 2009-2013

Source: Institute of Analyses Real Estate Market Monitor mrn.pl

* estimated based on incomplete data

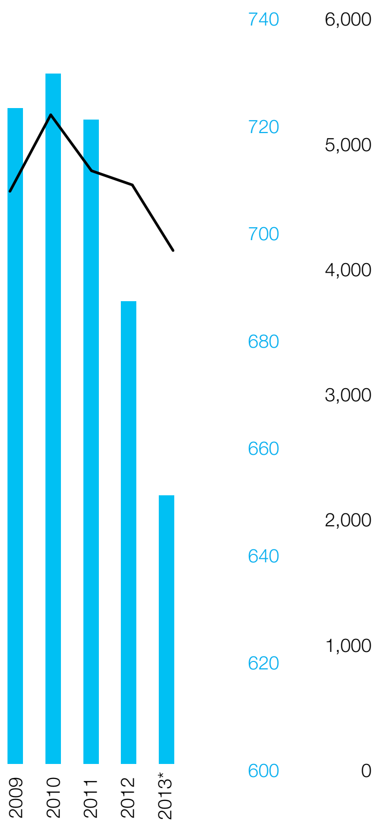


Chart 3.

Average transaction price and average price per m² for a detached home in 2009-2013

Source: Institute of Analyses Real Estate Market Monitor mrn.pl

* estimated based on incomplete data

average transaction price (thousand PLN)

average price per m² (PLN)

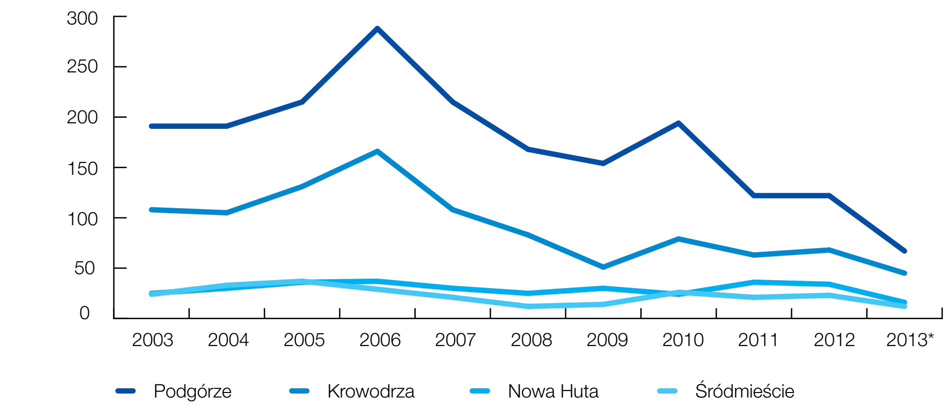


Chart 4.

The number of transactions on the secondary market in the years 2003-2013

Source: Institute of Analyses Real Estate Market Monitor mrn.pl

* estimated based on incomplete data

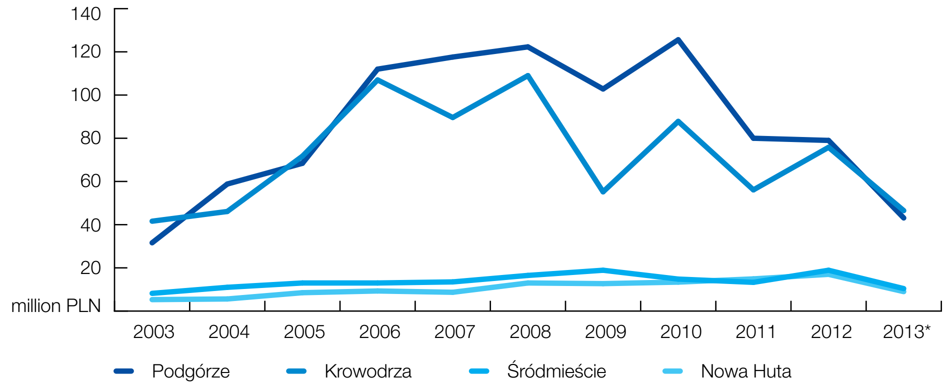


Chart 5.

Trading on market transactions for houses in 2009-2013

Source: Institute of Analyses Real Estate Market Monitor mrn.pl

* estimated based on incomplete data

sold in the developer's market in 2013 amounted to 158 m^2 growing from 145 m^2 in 2012. 2012 ended with the increased number of sales of homes with a small area. It seems that this trend will be reversed in 2013. Chart 2.

Prices for detached houses in Krakow in 2013 ranged from 330 thousand to 1,625 thousand PLN for a property. Chart 3.

Summary

The primary market segment for detached homes in Krakow in 2013 showed a decrease in turnover and number of transactions. The surface area per home sold increased. A further decrease in unit price indicates that the market for detached houses still feels strong competition from SFH outside Krakow (just in municipalities around Krakow the turnover in 2012 was twice as high) and trying to be competitive in relation to the prices of apartments within Krakow. The persistence of small areas of land for building detached houses is confirmation of the need to maintain offer prices as low as possible.

Secondary market

The secondary market for houses in Krakow in 2013 was another in which the decreased market activity was measured by the number of registered transactions. This trend has been maintained since 2006, with a slight recovery in 2010. The estimated number of transactions in the past year is 50% lower than the number of transactions from the best period, i.e. 2006. Chart 4.

If the criterion for market assessment is accepted as the size of the volume recorded on the market, the situation is essentially analogous as with the case number of transactions. Although you can momentary increases can be seen, since 2008 the overall trend has been downward. The estimated turnover in the past year represents approximately 55% of turnover at best, in 2008. Chart 5.

For three years, the level of house prices has remained stable. It can be argued that sellers are not willing to further reduce the prices of their property.

Currently, home prices are lower by more than 20% than prices in the best period, i.e. 2008-2009. Chart 6.

Analogous conclusions can be drawn from the observation of house price per m^2. Generally, price declines are lower here, at a little more than 15% compared to the highest prices, which were recorded in 2008. Lower price drops per m^2 in relation to overall prices testify to the growing share of the real estate for market houses located on smaller plots. Chart 7.

Over the past three years, from year to year, the share of sales of low-cost houses has grown. In 2013, over 70% were sales of homes priced below 5 thousand PLN. In 2012, the rate was 65%. Chart 8.

Summary

On the secondary market for SFH in Krakow there is still a crisis. Further declines in the number of transactions have been recorded. Also, turnover calculated as the value of the transaction has decreased. In the last three years, prices have remained at a similar level, with a slight tendency to decline. A more careful analysis indicates a growing share in the sale of small, less valuable, properties.

These observations allow us to conclude that the prices, continuing unchanged for three years, are too high in relation to the purchasing power (including credit) of potential buyers. It seems that the only stimulus to push this market out of crisis would be macroeconomic developments causing an increase in buyer purchasing power.

Chart 6.

Average prices for a house on the secondary market in the years 2003-2013

Source: Institute of Analyses Real Estate Market Monitor mrn.pl

* estimated based on incomplete data

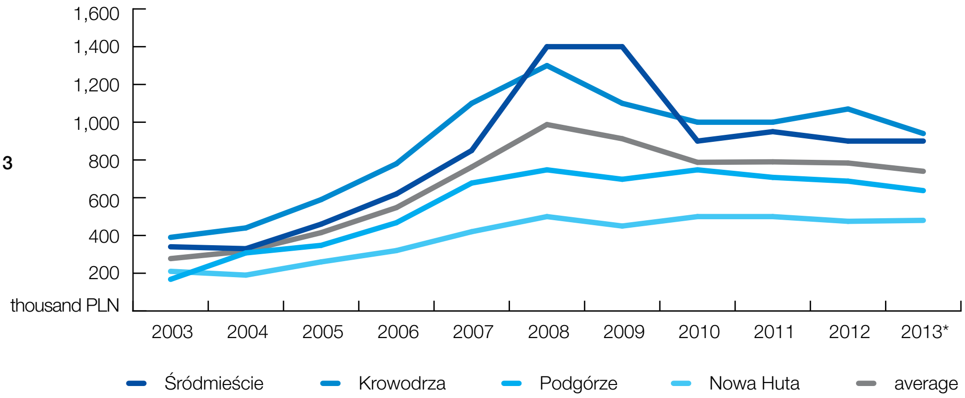


Chart 7.

The average transaction price per m² for a house on the secondary market

Source: Institute of Analyses Real Estate Market Monitor mrn.pl

* estimated based on incomplete data

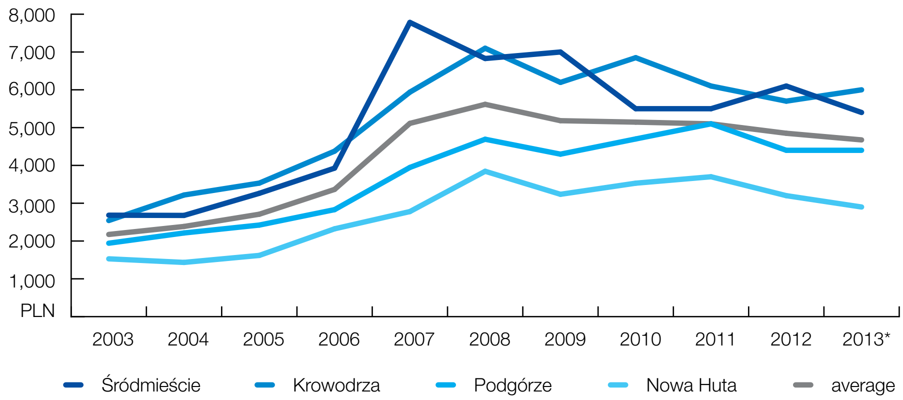
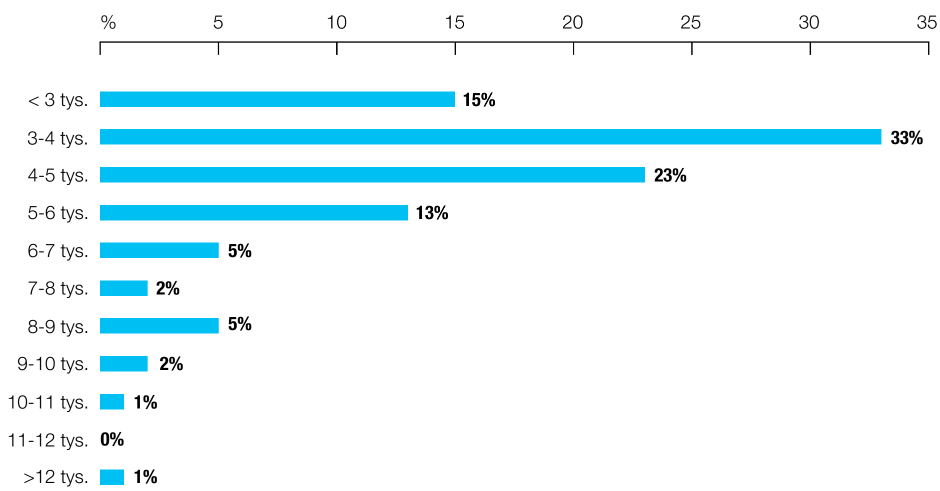
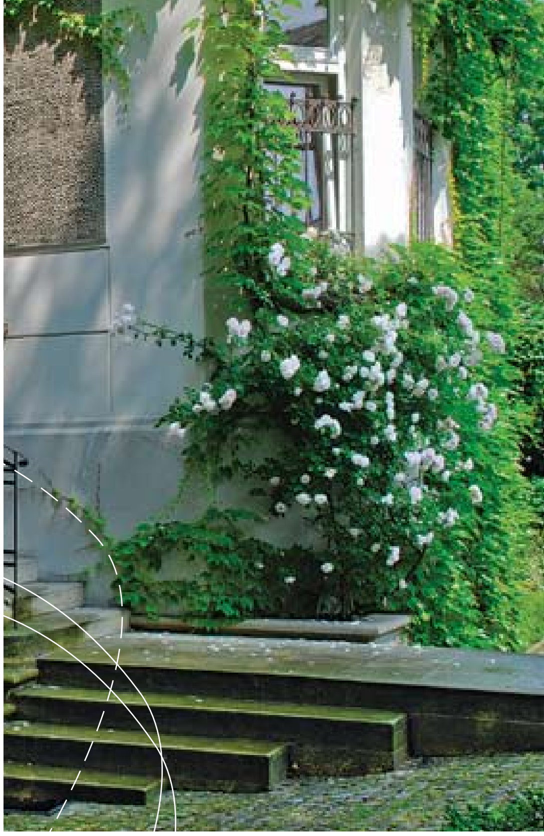


Chart 8.

The share of homes in individual price ranges in 2013

Source: Institute of Analyses Real Estate Market Monitor mrn.pl





SINGLE-FAMILY HOUSES IN THE SUBURBAN AREA OF KRAKOW

In 2013, the downward trend in the market for single-family houses was maintained in the number of transactions and trading volume, as evidenced by real estate transactions in the districts of Krakow and Wieliczka. After growth in the years 2003-2008 in the number of concluded contracts for the sale and purchase of real estate, in 2009 the growth trend in the Krakow district was accompanied by a significant decrease in the number of transactions in the Wieliczka district. In 2010, however, there was a strong recovery in the district of Wieliczka – while in the Krakow district there was no such trend. In 2007-2011, the annual number of transactions in the Krakow district ranged from 600-700, but unfortunately in 2012 fell below 600. The record-breaking period in terms of the number of transactions was 2009 – with 692 contracted sales recorded. In turn, in the Wieliczka district, the number of transactions over five years ranged between 295 and 350, with the exception of 2009.

Trading on the SFH market in the Krakow district in 2013 decreased, reaching approximately 210 million PLN, which equals the turnover at the turn of 2007.

These unfavourable trends also occurred in the Wieliczka district – turnover in 2013 was 87.5 million PLN, and thus a 4% decrease compared to 2012.

The Charts below show data from 2013 approximated due to the withholding of all data in counties.

The trend lines generated for the wide time interval in the district of Krakow indicate a probable negative trend in 2014. Chart 1.

An analysis of the trend line for the Wieliczka district indicates a slowdown in the unfavourable trends, both for number of transactions and trading volume. Chart 2.

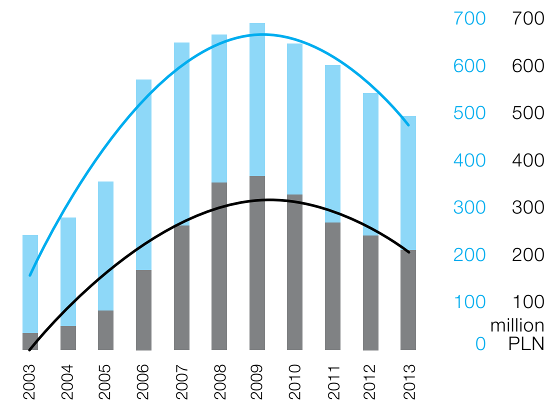


Chart 1.

The number of transactions and trading in houses in the district of Krakow

Source: Institute of Analyses Real Estate Market Monitor mrn.pl

- number of transactions
- turnover in the district of Krakow
- trend curve (number)
- trend curve (turnover)

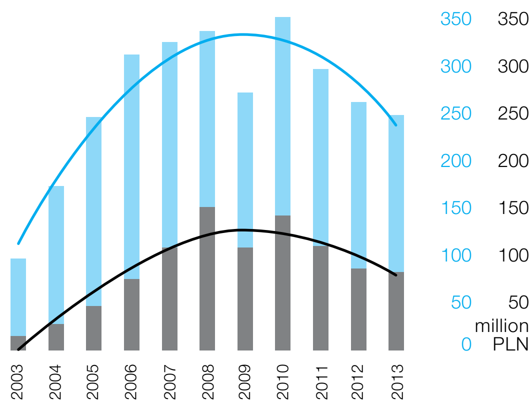


Chart 2.

The number of transactions and trading in houses in the district of Wieliczka

Source: Institute of Analyses Real Estate Market Monitor mrn.pl

- number of transactions
- turnover in the district of Wieliczka
- trend curve (number)
- trend curve (turnover)

Chart 3.

The average transaction price for a house in municipalities in the districts of Krakow and Wieliczka in 2007-2013

Source: Institute of Analyses Real Estate Market Monitor mrn.pl

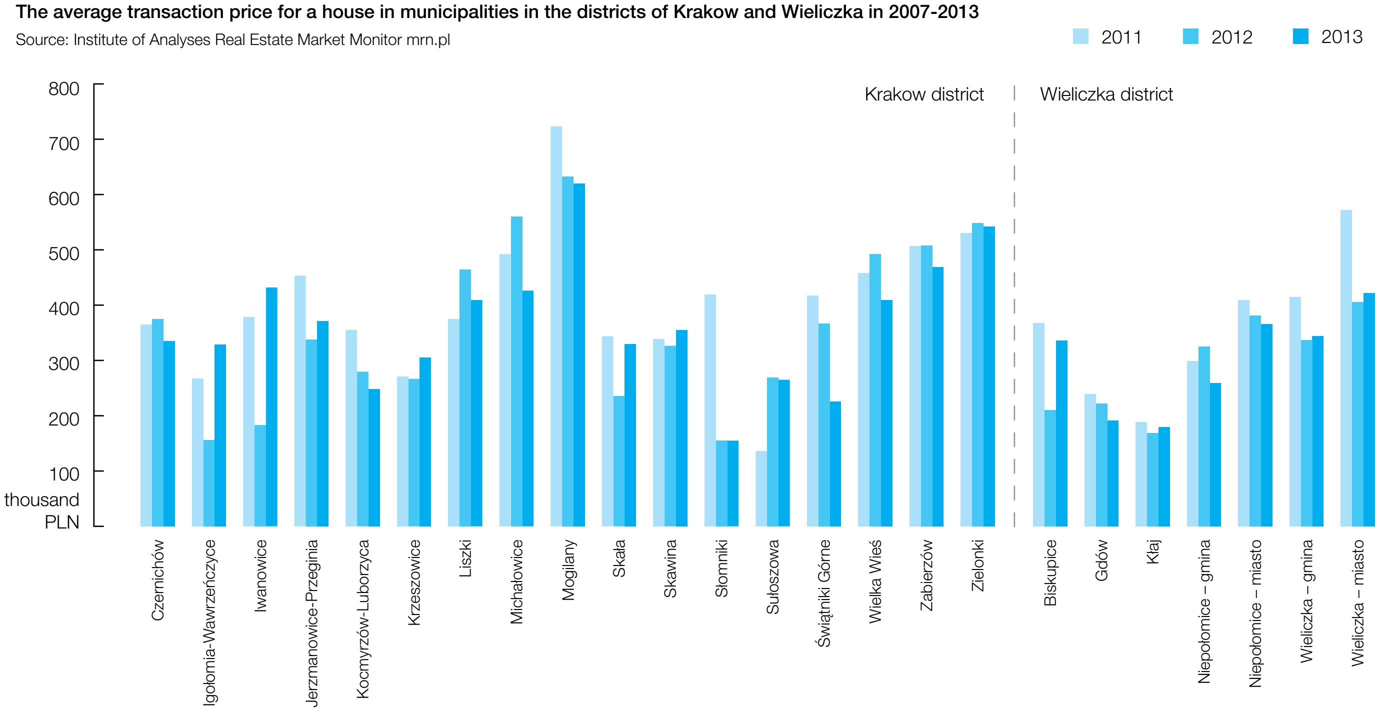
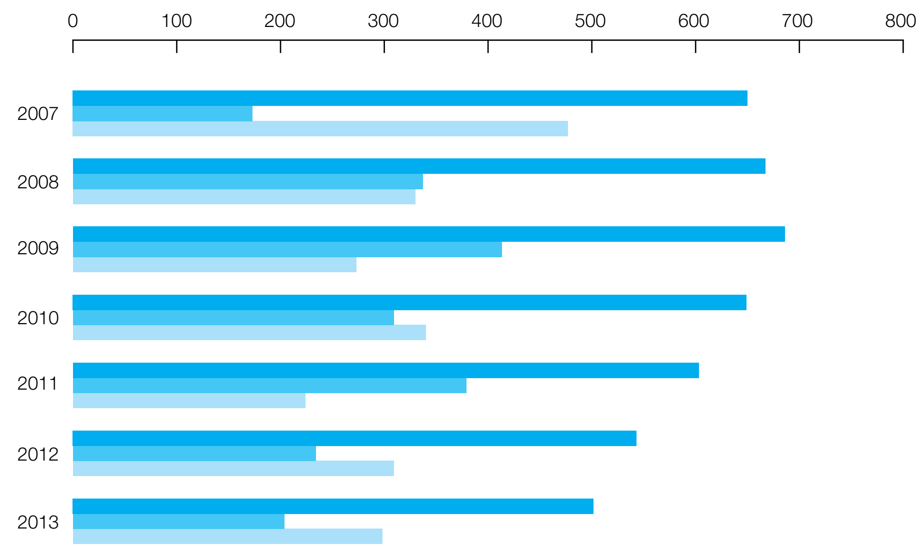


Chart 4.

Comparison of the number of transactions carried out by developers and individuals in the district of Krakow in 2007-2013

Source: Institute of Analyses Real Estate Market Monitor mrn.pl

- total transactions
- developers
- individuals



Municipality	Number of transactions	Turnover (thousands PLN)
Czernichów	45	15,092
Igołomia-Wawrzeńczyce	4	1,315
Iwanowice	8	3,455
Jerzmanowice-Przeginia	6	2,228
Kocmyrzów-Luborzyca	25	6,197
Krzeszowice	36	10,999
Liszki	19	7,778
Michałowice	17	7,245
Mogilany	55	34,092
Skała	7	2,310
Skawina	28	9,934
Słomniki	10	1,549
Sułoszowa	2	530
Świątniki Górne	14	3,157
Wielka Wieś	47	19,217
Zabierzów	61	28,592
Zielonki	71	38,467

Table 1.

The number of transactions and turnover in single-family houses in the district of Krakow in 2013

Source: Institute of Analyses Real Estate Market Monitor mrn.pl

Krakow District
In 2013, the largest number of transactions for single-family homes was recorded in the municipalities of Zielonki, Zabierzów, Mogilany and Czernichów. So far, the number of transactions for the year 2012 made available at the District Office indicates that in the Mogilany, Świątniki Górne and Skała municipalities, more sales contracts were concluded than in 2011. The biggest drop in the number of transactions over the period affected the municipalities of Zielonki and Michałowice, i.e. municipalities characterised by an active real estate market. Table 1.

The highest turnover was recorded in the municipalities of Zielonki, Mogilany, Zabierzów and Wielka Wieś, while the highest price for a transaction was recorded in the municipality of Zielonki – concerning a plot with a residential house constructed, where the selling price exceeded 3 million PLN, also including furnishings. The large number of transactions in the municipality of Czernichów draws attention, correlated with a relatively low turnover, which shows that affordable real estate can still find buyers.

Historical analysis of average transaction prices for real estate in the district of Krakow, in the majority of municipalities with the most developed market, shows a downward trend. In municipalities with a lower number of transactions, such as Igołomia-Wawrzeńczyce or Jerzmanowice-Przeginia, growth was recorded. Chart 3.

2011 was a year of increased developer activity. The last two years indicate a stabilisation in the number of development transactions, which should be considered a positive signal in the current market. Chart 4.

Analysis of the price per m^2 in development transactions shows – similarly as in previous years – that in municipalities where the numbers are large there was a significant difference between the maximum and minimum price, depending on the degree of progress in the building sold. No bars means no developer transactions in a given municipality. Chart 5.

Wieliczka District
In the Wieliczka district, traditionally the town and municipality of Wieliczka and the town of Niepołomice accounted for the majority of transactions. The highest average price per m^2 of building are in Wieliczka, Niepołomice and Biskupice. Table 2.

In 2012, average transaction prices decreased in Gdów and Niepołomice (town and municipality), while they slightly increased in Wieliczka (town and municipality) and Kłaj. The large increase in the Municipality of Biskupice is not reliable due to the small number of transactions. Chart 3.

The most expensive transaction recorded in 2013 in the district of Wieliczka related to real estate located in Janowice (municipality of Wieliczka). This residential building on a plot of 23 ares was bought for 950 thousand PLN.

Like the district of Krakow, in Wieliczka district the number of developer transactions has stabilised at a level similar to that of 2012 (a slightly increase). Unfortunately, the data covering transactions by individuals are less optimistic – for the third year in a row there was a decline. Chart 6.

In the district of Wieliczka, developers conducted their activities mainly in the municipalities of Niepołomice and Wieliczka, although this type of activity was also conducted in Gdów. Chart 7.

Summary

In 2013, the number of transactions declined, which reflects the difficult situation on the real estate market, and unit prices were lower.

Increasing interest was noted in cheaper property located further from the Krakow city limits.

There is a levelling in prices observed – which is a result of the economic downturn – stabilisation or even growth in towns located a bit further from Krakow, while there is a larger decline in prices in municipalities where transaction prices had thus far been highest.

In 2013, stabilisation of developer activity in municipalities near Krakow was observed at the 2012 level.

Chart 5.

Summary of minimum, average and maximum prices per m²
for a house in the rural district of Krakow in developer transactions*

Source: Institute of Analyses Real Estate Market Monitor mrn.pl

* no bars means no developer transactions in a given municipality

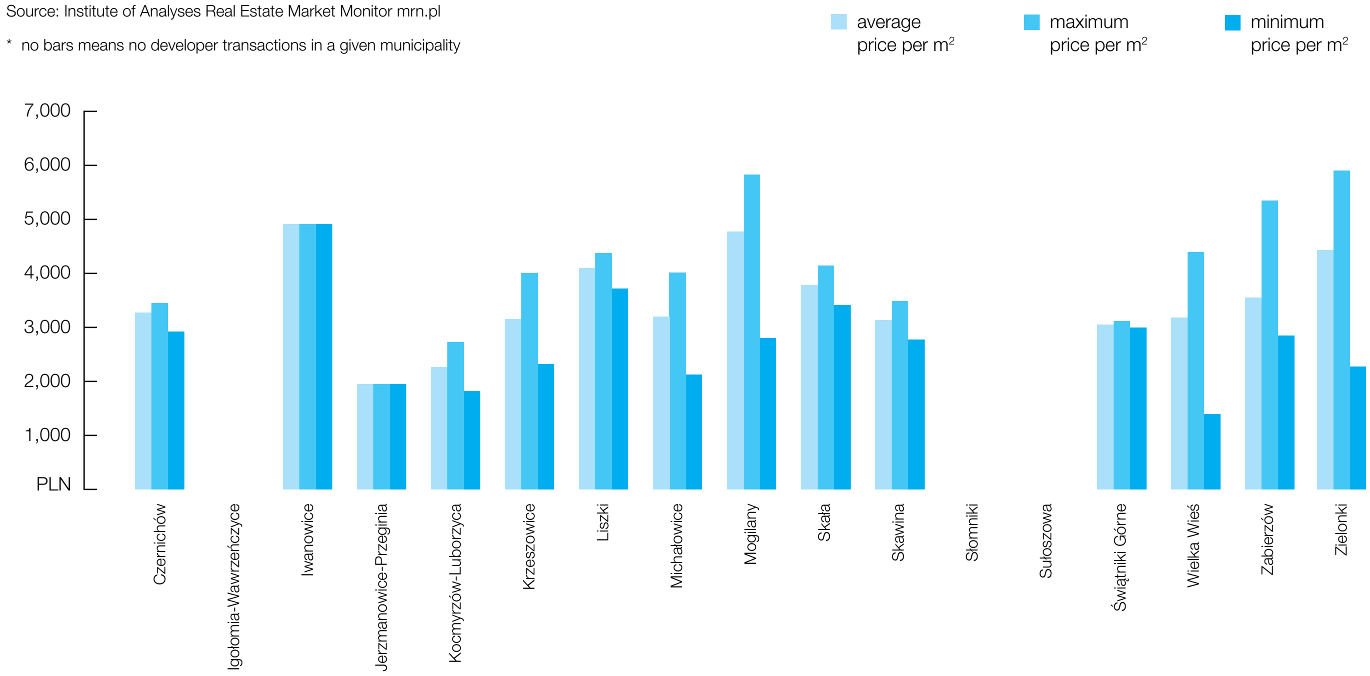


Table 2.

Number of transactions, turnover and average prices of single-family homes in the Wieliczka district in 2013

Source: Institute of Analyses Real Estate Market Monitor mrn.pl

Municipality	Number of transactions	Turnover (thousands PLN)
Biskupice	10	3,356
Gdów	21	4,010
Kłaj	18	3,228
Niepołomice – gmina	27	7,003
Niepołomice – miasto	47	17,189
Wieliczka – gmina	59	20,300
Wieliczka – miasto	60	25,314

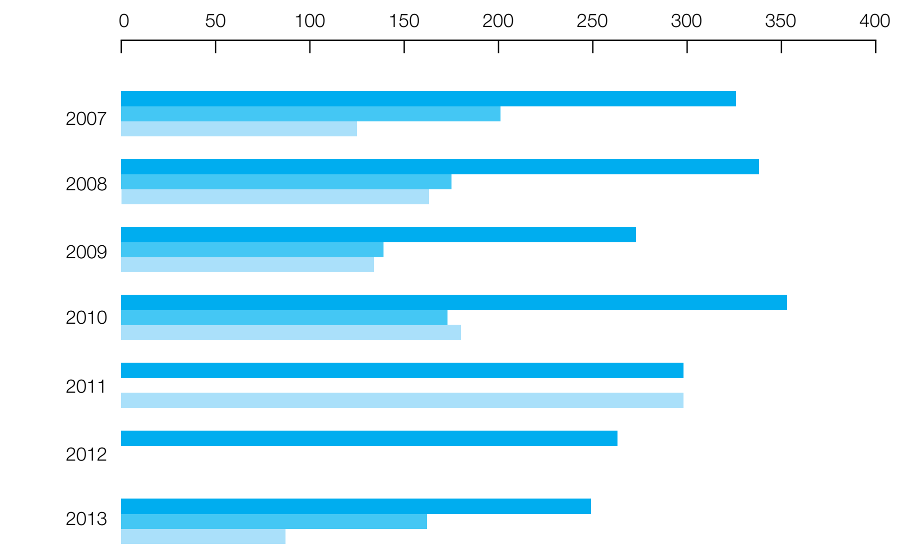


Chart 6.

Comparison of the number of transactions carried out by developers and individuals in the district of Wieliczka in 2007-2013

Source: Institute of Analyses Real Estate Market Monitor mrn.pl

- total transactions
- individuals
- developers

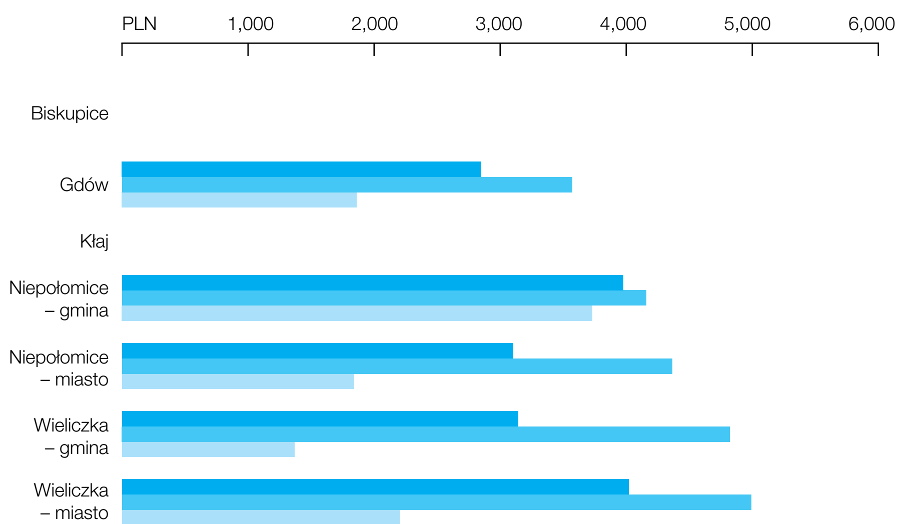


Chart 7.

Summary of minimum, average and maximum prices per m^2 for a house in the rural district of Wieliczka in developer transactions*

Source: Institute of Analyses Real Estate Market Monitor mrn.pl

* no bars means no developer transactions in a given municipality

- average price per m^2
- maximum price per m^2
- minimum price per m^2

LAND IN KRAKOW

On the land market in Krakow, 2013 was asymmetrical. After a fuzzy first half of the year, the second half, especially from early autumn, showed a noticeable revival. This trend is related to investment land, primarily for multi-family housing, and to a lesser extent, commercial land. A very good reflection of the prevailing sentiment is the statistic for tenders for the sale of property by the Urban Municipality of Krakow, which was a significant supply-side market participant. Real estate presented for sale at auctions organised by the Urban Municipality of Krakow and bailiff auctions to July did not raise much buyer interest. Since September there has been a sea change in attitude. Tenders involved up to a dozen agents, and the prices in some tenders beat asking prices significantly. In the first half of the year, only 20% of tenders for the sale of the property by the Urban Municipality of Krakow ended in success. It was necessary to reduce prices and organise subsequent auctions. In the second half of the year the situation changed for the better – the success rate increased to 38%. It should be noted that in 2013 the Urban Municipality of Krakow offered many attractive properties.

The increase in activity can be explained by the belief that in the first half of the year prices hit bottom and would not get cheaper, and a shift to the land and housing markets of capital from bank deposits. At the same time there was an influx of new capital from investment funds, especially foreign ones: investors with "cheap money" looking for an alternative to still low-interest securities. This is also confirmed by large sales of completed commercial real estate.

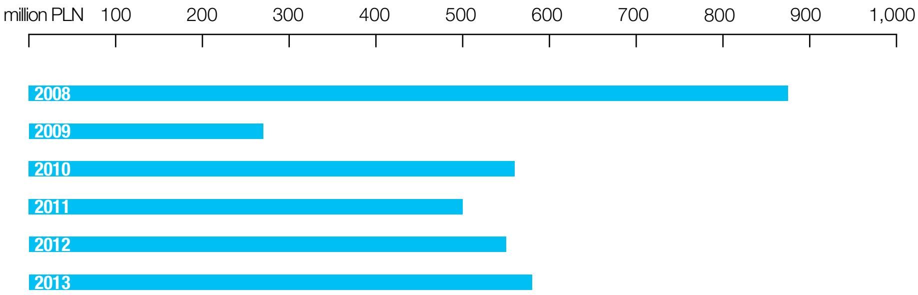


Chart 1.

Trading on the land market in Krakow*

Source: Institute of Analyses
Real Estate Market Monitor mrn.pl

* data do not include non-market transactions, land purchased by the Municipality and the Treasury in connection with investment in road infrastructure, and the contributions made between different agents. 2013 data are preliminary estimates.

Chart 2.

Number of transactions on the land market in Krakow*

Source: Institute of Analyses
Real Estate Market Monitor mrn.pl

* data do not include non-market transactions, land purchased by the Municipality and the Treasury in connection with investment in road infrastructure, and the contributions made between different agents. 2013 data are preliminary estimates.

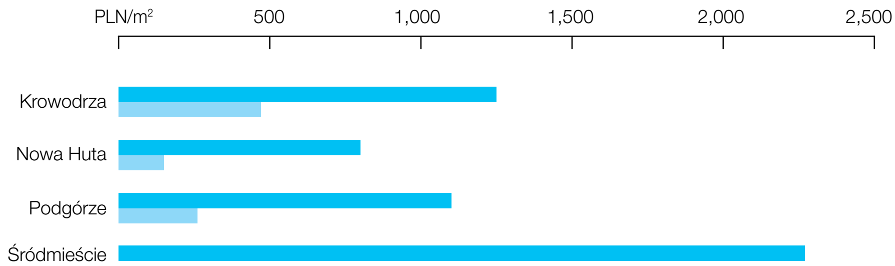


Chart 3.

Average prices of plots for multi- and single-family houses in the area of Krakow in 2013

Source: Institute of Analyses
Real Estate Market Monitor mrn.pl

multi-family housing
single-family housing

In Krakow, the market recorded an increase in the number of transactions for plots, with a mild increase in turnover compared to 2012. Preliminary data indicate a turnover of approximately 580 million PLN, with about 650 transactions. However, it should be borne in mind that these are preliminary data and because of the growing demand in the last quarter some of the transactions have not yet been disclosed.

In the course of 2013, we have seen a variety of behaviours in transaction prices in individual market segments in relation to 2012 – a relative stabilisation of transaction prices in the sector of land for residential single-family and multi-family housing in the first half of the year, and a continuation of a relatively positive trend in the commercial plot market. Since August the market has picked up, particularly in relation to the sector of land for multi-family housing, which resulted in an increase in prices compared to 2012. Despite a weak first half for the year's statistics – in terms of the number of transactions and turnover – this confirms the recovery in the sector of multifamily housing plots.

In a weak 2009 there were some 500 transactions at a very low turnover of 270 million PLN. In 2011 there were some 650 transactions at a turnover of 500 million PLN. The revised data for 2012 showed about 550 transactions, with a value of turnover at about 550 million PLN. Preliminary data for 2013 indicate about 650 transactions, with turnover of about 580 million PLN, which compared to 2012 is an increase in the number of transactions by about 18% and turnover of around 5%. Charts 1, 2.

In 2013, the average transaction price for building land was about 480 PLN/m². Invariably, the largest share by volume in the turnover of land, as in previous years, were plots of land for single-family housing. Their share in 2013 – as in 2012 – was more than 60% of all transactions in construction land.

However, taking into account the value of transactions in the building land market, land for multi-family housing and residential and services invariably dominated, their share in land turnover increased by 10% compared to 2012, and amounted to about 50%. The increase in turnover in the segment of land for multi-family housing and residential and services took place at the expense of land for commercial development, whose share fell from about 36% to less than 30%, and the cost of plots for SFH, where share in turnover fell below 20%.

The market for land for multi-family housing and residential services, in terms of number and value of trading, was unbalanced in different neighbourhoods. Investors focused on the areas of Podgórze and Krowodrza, which accounted for almost 80% of the turnover. Average annual prices rose slightly in the City Centre and Krowodrza, and have not changed in Podgórze and Nowa Huta.

Along with strong sales of apartments from early autumn, there was significant market recovery in plots for multi-family housing. Transaction highlights involved the sale of land for multifamily housing on Spiska St. (Podgórze), with an area of 1.7 hectares, for about 31 million PLN (1,838 PLN/m^2) and in Bronowice on Katowicka St., with an area of almost 3 hectares, for not quite 28 million PLN (946 PLN/m^2).

The market in land for single-family housing showed a slight downward trend in prices in the first half of the year, after which prices rose in the second half of the year. Annual average transaction prices for plots for single-family houses have not changed in Krowodrza and Podgórze, while in Nowa Huta they increased in comparison with 2012, due to the disappearance of low-cost transactions on the outskirts of the district. Chart 3.

Market allocation of plots for services was stable across all of 2013. Continued recovery from 2012 was to be seen, despite a slight decline in average prices due to the increase in the number of transactions in "vulnerable locations". There were fewer significant transactions. Commercial networks, after large land purchases in 2012, earmarked 2013 for further exploration of potential targets. The average price of commercial plots (UC) stood at about 950 PLN/m^2. There was evident interest in plots for office buildings, especially in the second half of the year. Commercial retail land prices ranged from 300-1,400 PLN/m^2. Prices of plots for commercial office buildings ranged from 600 to 2,500 PLN/m^2.

In terms of supply-demand relationships, the market broke the downward trend from 2012, and currently a recovery can be discerned with a majority on the demand side.

In the market for industrial plots, which is essentially in Podgórze and Nowa Huta, the price level in the major industrial areas of these districts remained at a level similar to that achieved in 2012, i.e. in the range of 120-300 PLN/m^2 in Podgórze, and in Nowa Huta in the range between 50-200 PLN/m^2.

Summary

General the market in Krakow showed recovery in 2013, despite the stagnation in the first half of the year, which over the entire year is confirmed by the increase in the volume of transactions and the volume of trading. The market broke the downward trend in prices in the land for multi-family housing segment, and underwent a phase of price increases, mainly on the demand side. It is difficult to assess whether this is a temporary several-month-long revival – the result of an increase in demand for developer apartments and adjustments in the downward trend since the end of 2010, or a more permanent trend.

The commercial plots segment maintained 2012's favourable trend. Increased interest was observed in sites for office building. 2013 was a record in Poland since 2006 in terms of volume of transactions in the commercial real estate market. The constant low level of interest rates worldwide and some excess liquidity in funds, especially foreign, means that capital is looking for alternative investments in place of low-interest Treasury securities, and some part of this goes to the commercial real estate market – including land.

The segment of plots for detached houses showed an average annual stabilisation, with asymmetric behaviour during the year (a slight downward trend until mid-year and growth in the second half).

The segment of land for multifamily housing showed recovery from mid-year, with a tendency to increase in demand and prices.


LAND IN THE SUBURBAN AREA

Land in the suburban area is an alternative to the relatively expensive property located in larger urban areas. The analysis covered two districts adjacent to Krakow, i.e. the districts of Krakow and Wieliczka. Data mining refers to undeveloped land, recorded in the period from early 2010 to the end of 2013.

The economic crisis ongoing since 2007 manifests itself not only in the financial market, but its effects are also visible in the real estate market. Since 2010, a systematic decrease in the number of transactions and trading volume has been visible. In these four years the total turnover in plots of undeveloped land in the district of Krakow fell by nearly half, with a decline in the number of transactions of 26%. It should be noted, however, that this drop is mainly due to two transactions recorded in 2010 in Wielka Wieś, which exceeded a total price of 130 million PLN. Apart from these transactions, trading volume in undeveloped plots of land over this period decreased by not quite 24%. The effects of the crisis in the district of Wieliczka are slightly less visible. Trading volume in undeveloped plots of land decreased by nearly 20%, with a decrease in the number of transactions recorded comparable to the Krakow district, i.e. 27%. Chart 1.

The drop in trading volume and number of transactions did not produce the expected reduction in unit prices, which over this period remained at a similar level. Chart 2.

In individual municipalities in the analysed districts, the market situation for undeveloped land varies. In 2013, the most expensive municipalities in the Krakow district include Wielka Wieś, Mogilany, Zielonki and Zabierzów, where Wielka Wieś shows a systematic increase in the number of transactions and trading volume, in Mogilany unit price in 2013 increased, while there was a systematic reduction in the volume of trading and the number of transactions, in the Municipalities of Zielonki and Zabierzów we see a decrease in the average unit price, with a relative stabilisation in other parameters. The systematic decline in the analysed factors is also evident in Skawina.

Chart 1.

The trading volume and number of transactions in land in the districts of Krakow and Wieliczka in 2010-2013

Source: Institute of Analyses Real Estate Market Monitor mrn.pl

* the numbers are estimated based on incomplete data

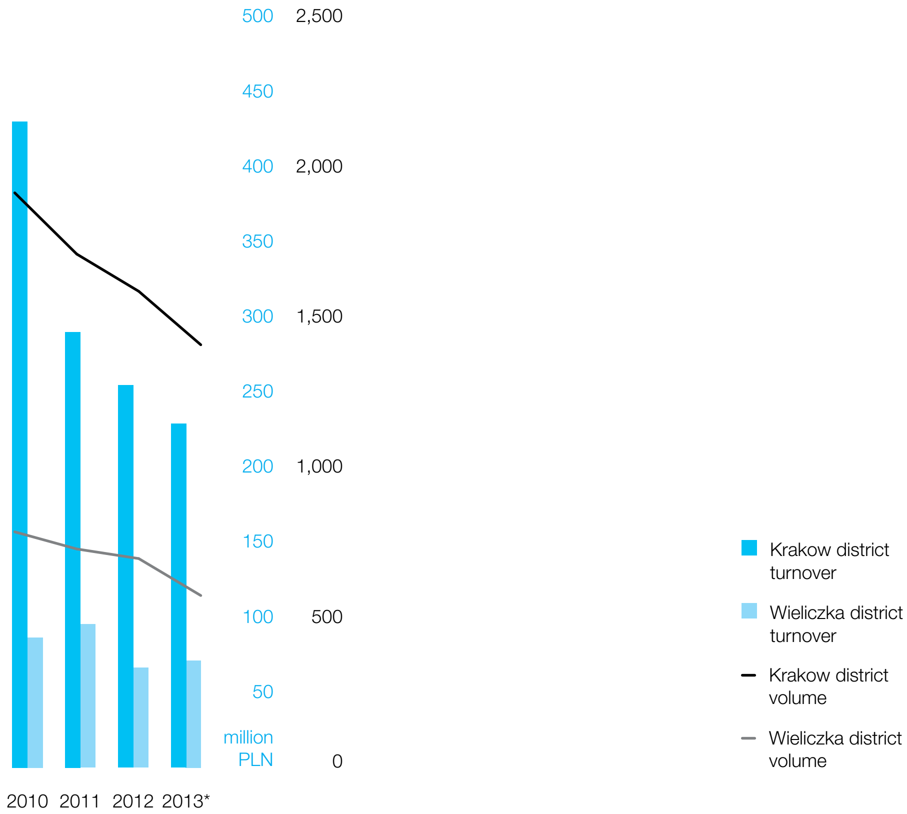


Chart 2.

Average prices of undeveloped land in the districts of Krakow and Wieliczka

Source: Institute of Analyses Real Estate Market Monitor mrn.pl

* the numbers are estimated based on incomplete data

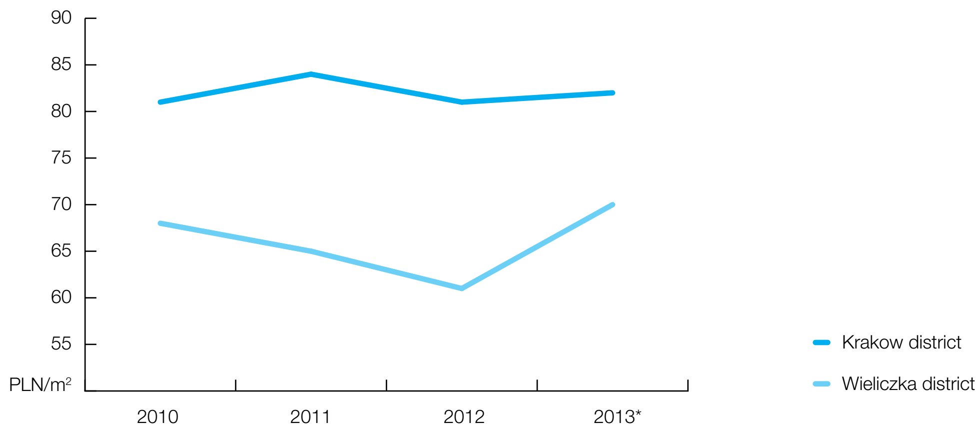


Chart 3.

The number of transactions in land in the districts of Krakow and Wieliczka

Source: Institute of Analyses Real Estate Market Monitor mrn.pl * the numbers are estimated based on incomplete data

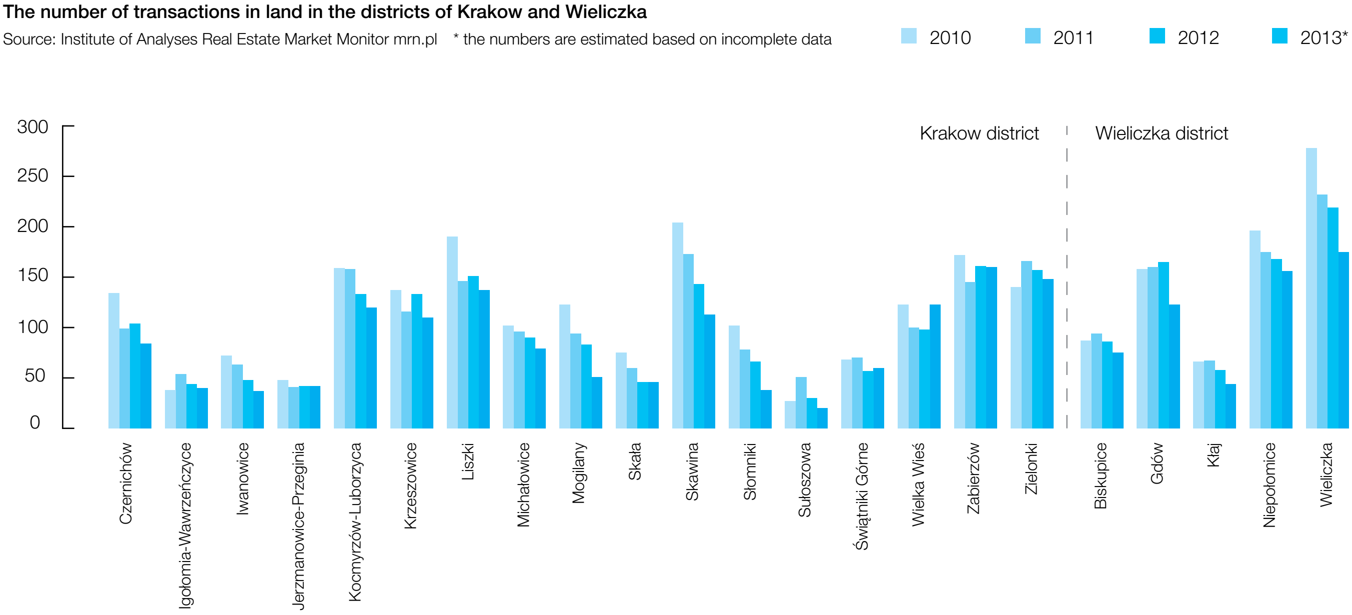
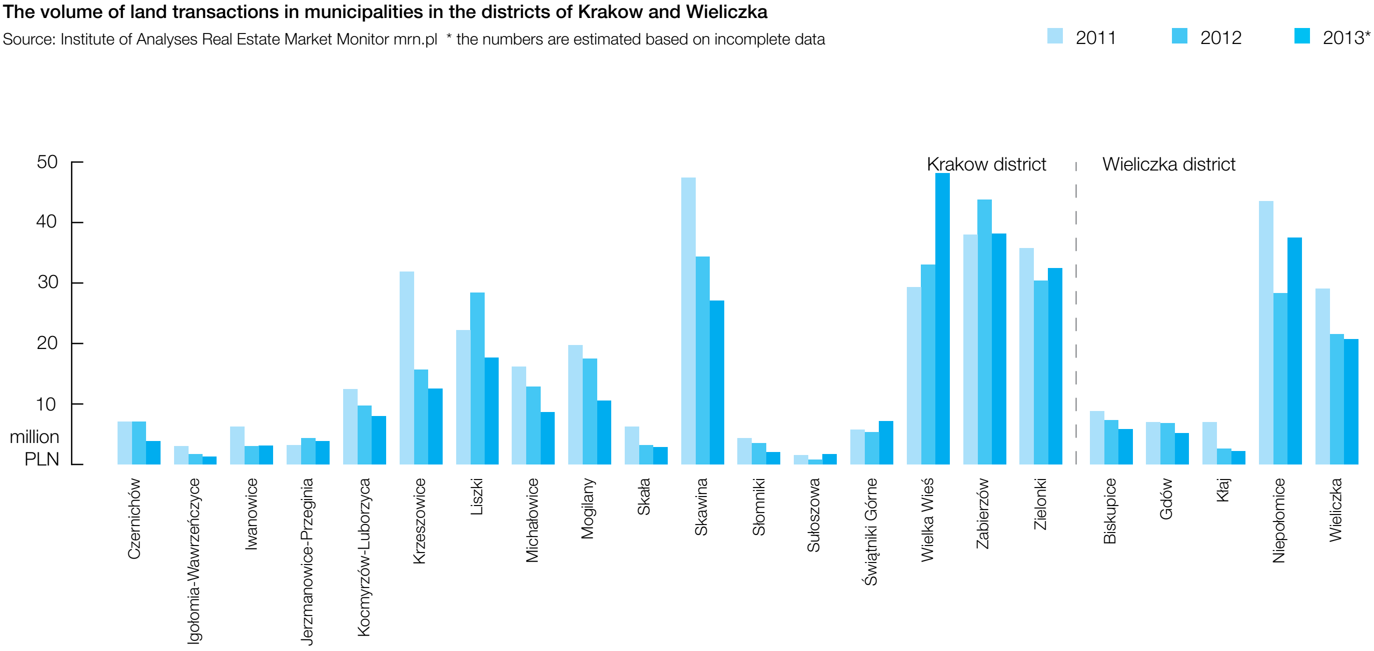


Chart 4.
The volume of land transactions in municipalities in the districts of Krakow and Wieliczka
Source: Institute of Analyses Real Estate Market Monitor mrn.pl * the numbers are estimated based on incomplete data



In the rural district of Wieliczka we see a steady decline in the number of transactions, an increase in the volume of trading in Niepołomice, and a slight decrease in the remaining municipalities. In Niepołomice, 2013 showed the highest increase in the average unit price. In Wieliczka and Kłaj we see a slight appreciation in unit prices, in Gdów stabilisation, while in Biskupice – a small depreciation. Unlike the rural district of Krakow, in the rural district of Wieliczka there has been a rise in average surface area of land acquired and a relative stabilisation in Wieliczka and Kłaj. Charts 3, 4, 5, 6.

The real estate market for undeveloped land in the districts analysed are mainly land designated for residential development, accounting for over 60% of all transactions, and agricultural and green lands, representing approximately 30% of all transactions. Land for other designations account for a negligible part of the market. The small number of transactions and the large price range mean that averaging or aggregation calculations can lead to erroneous conclusions. In view of the above, this part of the market has been omitted and not analysed. Chart 7.

In the analysed period, the district of Krakow has shown relative stabilisation in prices in both land for housing development and agricultural land. A different situation is observed in the district of Wieliczka, where after a systematic decline in prices of land allocated for housing development, 2013 has shown an increase in prices. Agricultural real estate market in the district of Wieliczka is characterised by price depreciation. Chart 8.

Individual municipalities in the Krakow district are characterised by a decrease in the number of land transactions for housing and agriculture, while the number of transactions for housing in the municipalities of Świątniki Górne, Wielka Wieś, and Zabierzów over this period remained relatively constant. Average unit prices of land for residential purposes have stabilised, with a slight decrease in Mogilany, Skawina and Zielonki. Among agricultural property, we have observed a drop in unit prices, except for the municipality of Zielonki, where the level of prices in 2013 came close to that of 2010. The ongoing economic crisis translates into investment opportunities for potential buyers of land, which is directly associated with a periodic decrease in the average area of land purchased in terms of residential land. The average area of purchased real estate for residential purposes is inversely proportional to the average unit price.
In 2013, in the municipalities of the district of Krakow, with few exceptions, we observe an increase in the average area of land purchased in the agricultural property sector.

Comparable to the municipalities in the district of Krakow, municipalities in Wieliczka district area characterised by a decrease in the number of transactions in the real estate market for residential and agricultural land, depreciation in the price of agricultural land, and relative stabilisation in the market for residential land. The average area of land sold for residential purpose has stabilised, with the exception of properties located within Niepołomice, where we observe a significant increase in the average area. The agricultural land sector is characterised by stabilisation in average area, with a slight upward trend. Charts 9, 10, 11, 12, 13, 14.

Over the four-year period of the analysis, the largest group of land purchasers are private individuals, the second group consists of businesspeople (companies, partnerships, individuals conducting business, etc.) while the third, a small group, includes units of local government and other institutions. Charts 15.

Summary

The land real estate market is characterised by a periodic decline in the number of transactions and trading volume.

In terms of building land prices, in the districts analysed there is an observed stabilisation in unit prices and the surface area of the land acquired.

In the district of Krakow, the agricultural land market shows a depreciation in unit price with an increase in the area of the land purchased. The Wieliczka market is characterised by a drop in unit prices and relative stabilisation in terms of surface area, with an upward trend. There is apparently limited demand for plots with a large surface area.

In 2013, we see a slight recovery in the land market, particularly in the municipalities considered to be less attractive in relation to the most expensive municipalities.

Chart 5.
Average prices of undeveloped land in the municipalities in the districts of Krakow and Wieliczka
Source: Institute of Analyses Real Estate Market Monitor mrn.pl * the numbers are estimated based on incomplete data

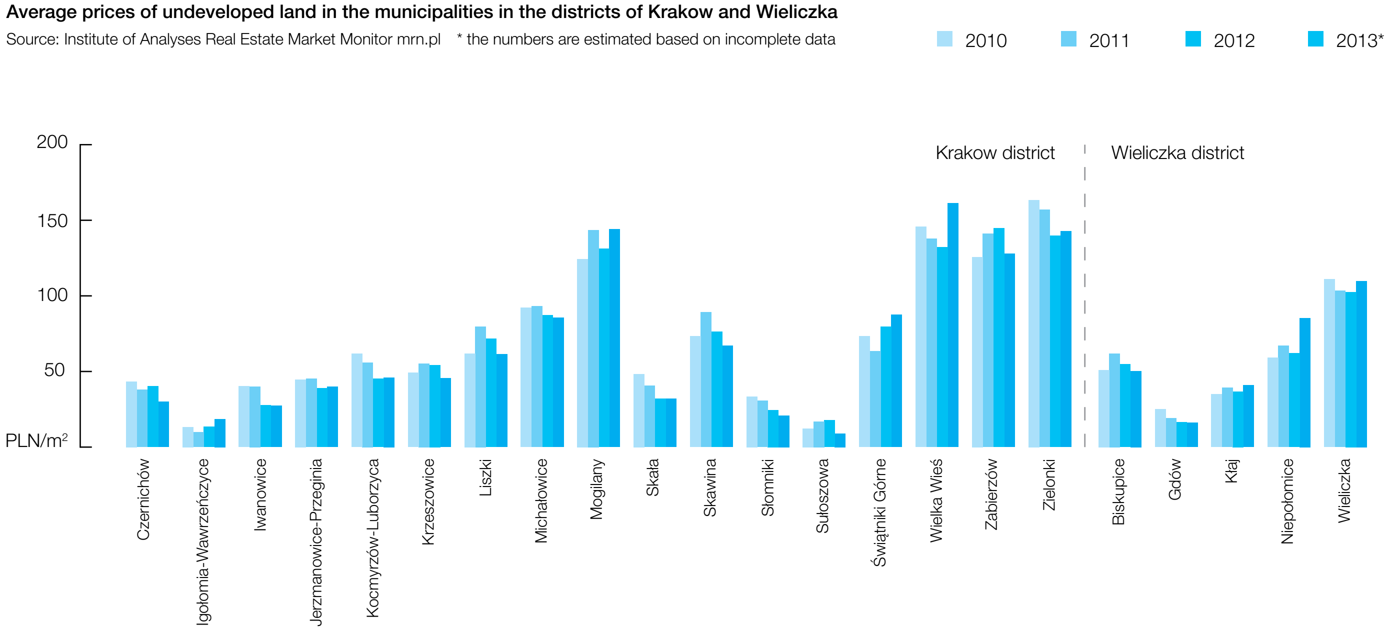
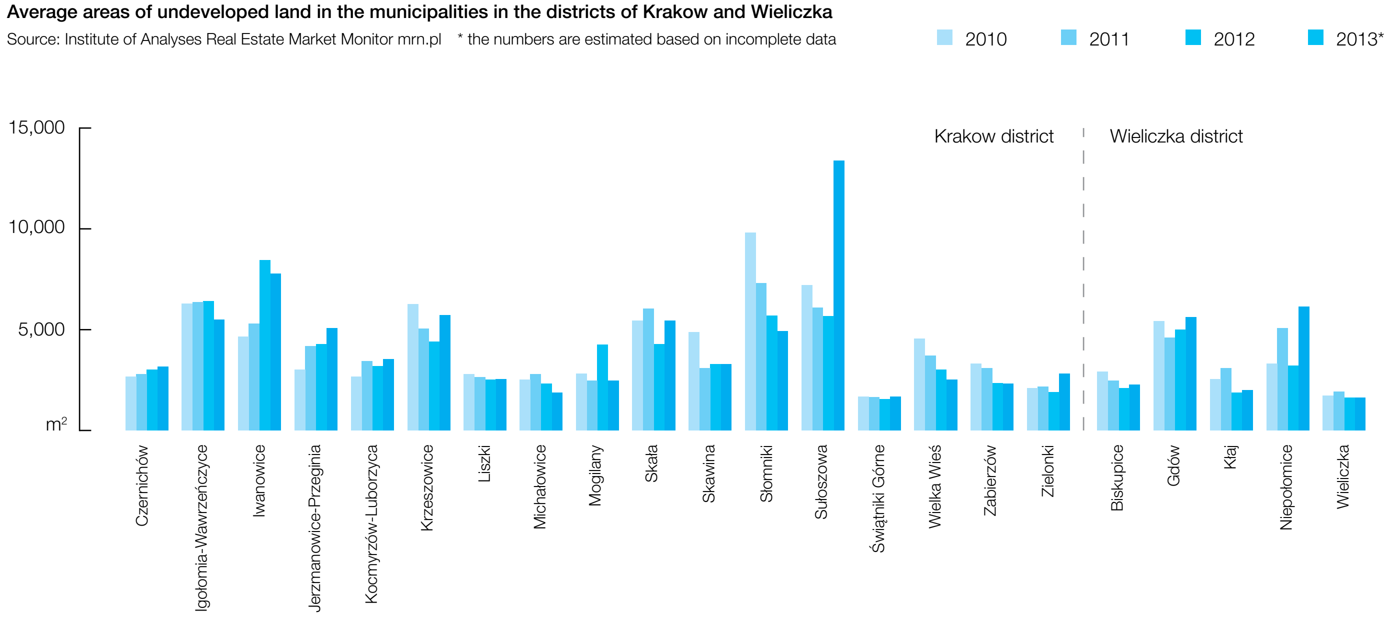


Chart 6.
Average areas of undeveloped land in the municipalities in the districts of Krakow and Wieliczka
Source: Institute of Analyses Real Estate Market Monitor mrn.pl * the numbers are estimated based on incomplete data



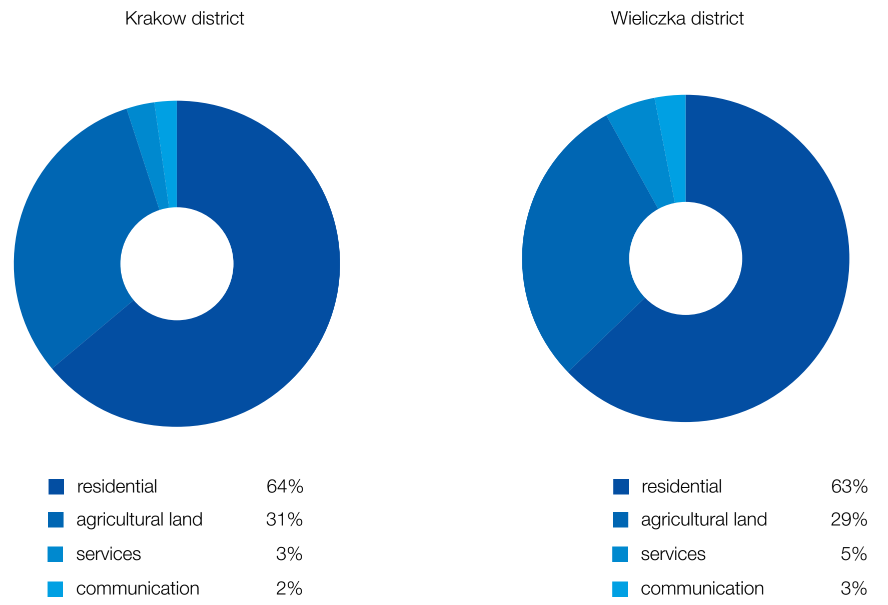


Chart 7.

The structure of transactions in the districts of Krakow and Wieliczka with zoning in 2013

Source: Institute of Analyses Real Estate Market Monitor mrn.pl

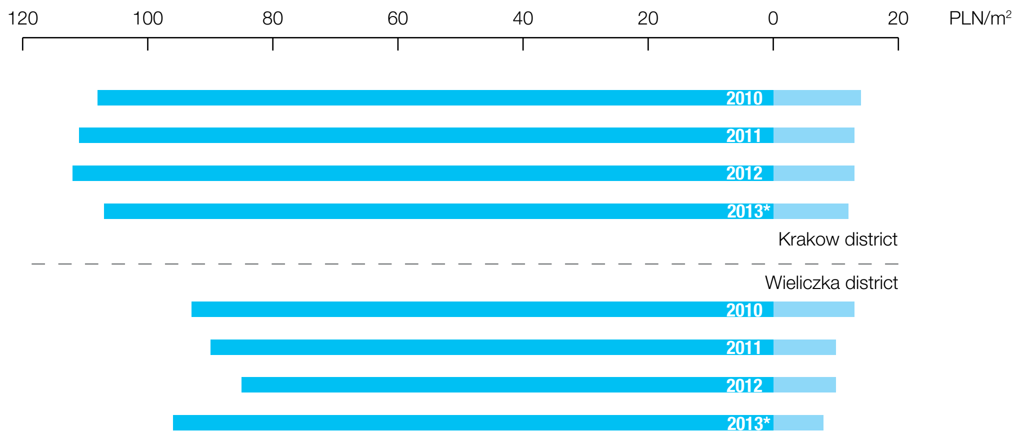


Chart 8.

Average price of land for residential and agricultural purposes in the districts of Krakow and Wieliczka

Source: Institute of Analyses Real Estate Market Monitor mrn.pl

* the numbers are estimated based on incomplete data

residential

agricultural land

Chart 9.
The number of transactions for residential land in the municipalities in the districts of Krakow and Wieliczka

Source: Institute of Analyses Real Estate Market Monitor mrn.pl * the numbers are estimated based on incomplete data

2010 2011 2012 2013*

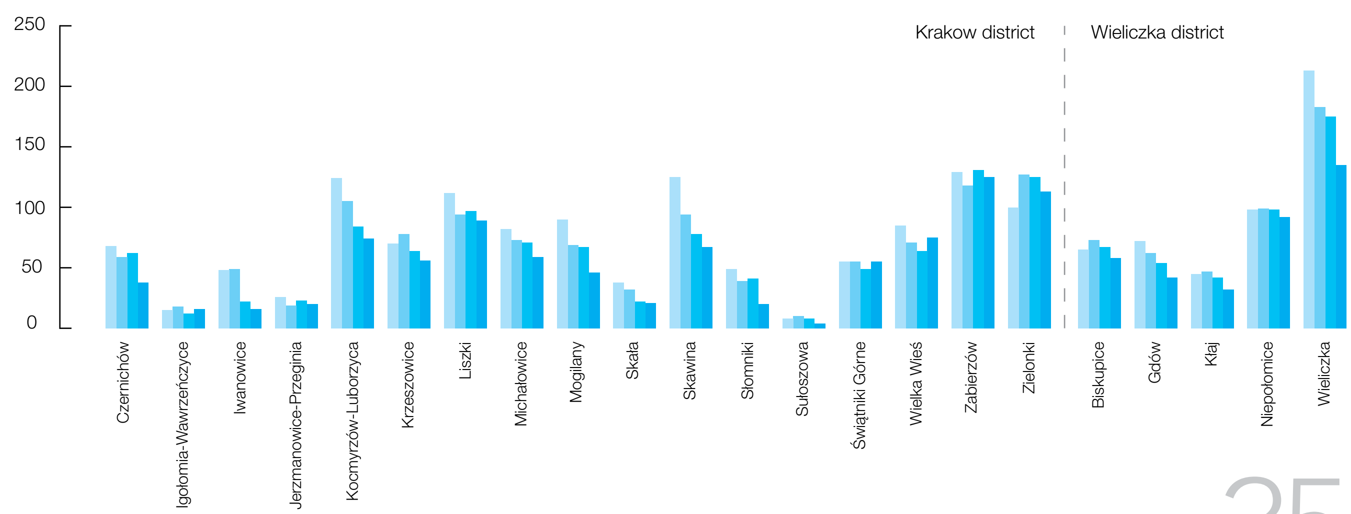


Chart 10.

Average price of land for residential purposes in the districts of Krakow and Wieliczka

Source: Institute of Analyses Real Estate Market Monitor mrn.pl * the numbers are estimated based on incomplete data

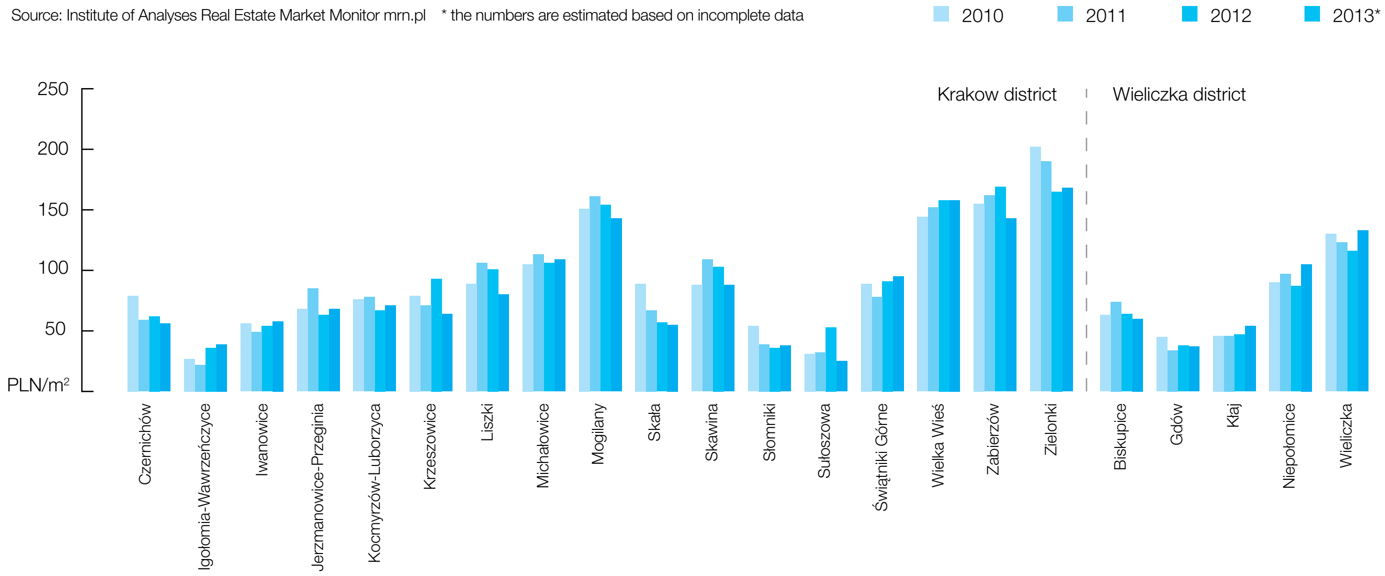


Chart 11.

Average area of land for residential purposes in the districts of Krakow and Wieliczka

Source: Institute of Analyses Real Estate Market Monitor mrn.pl * the numbers are estimated based on incomplete data

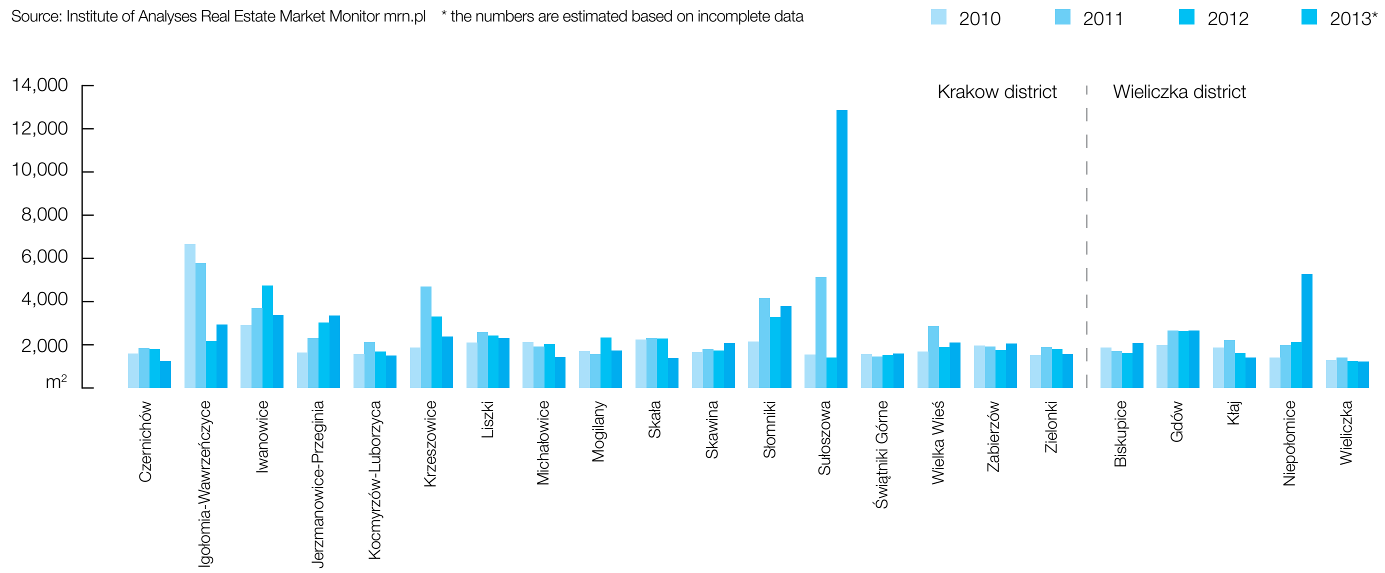


Chart 12.

The number of transactions in agricultural land in the districts of Krakow and Wieliczka

Source: Institute of Analyses Real Estate Market Monitor mrn.pl * the numbers are estimated based on incomplete data

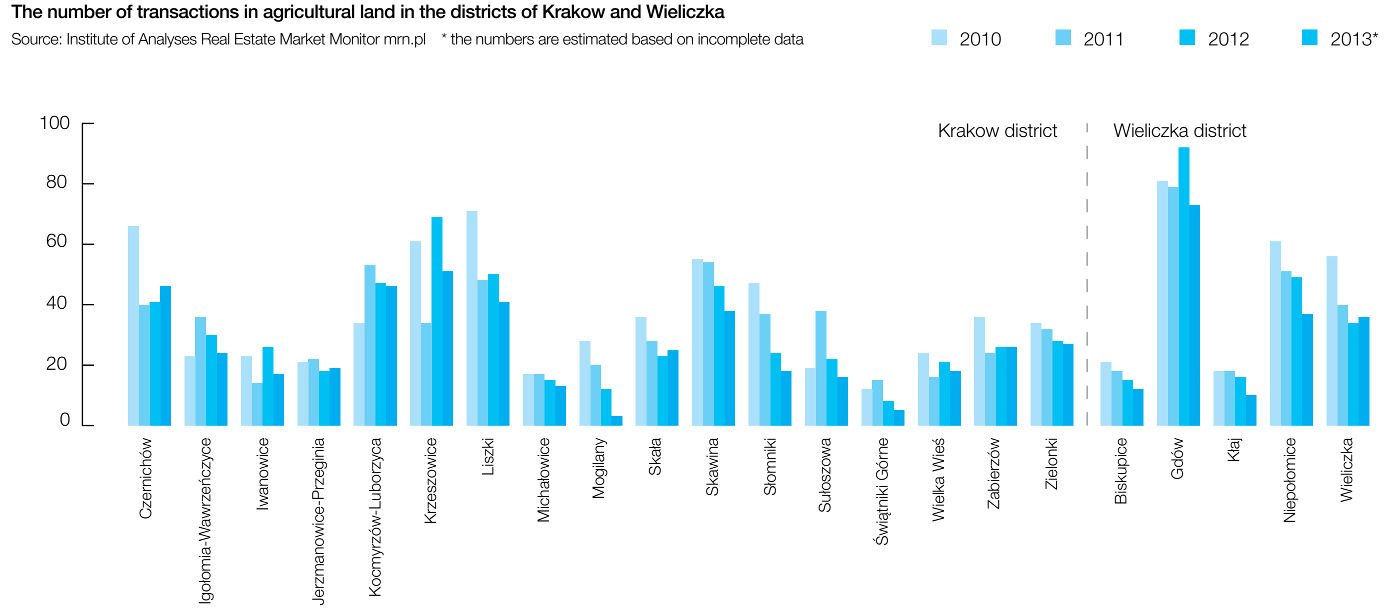


Chart 13.
Average price of land for agricultural purposes in the districts of Krakow and Wieliczka
Source: Institute of Analyses Real Estate Market Monitor mrn.pl * the numbers are estimated based on incomplete data

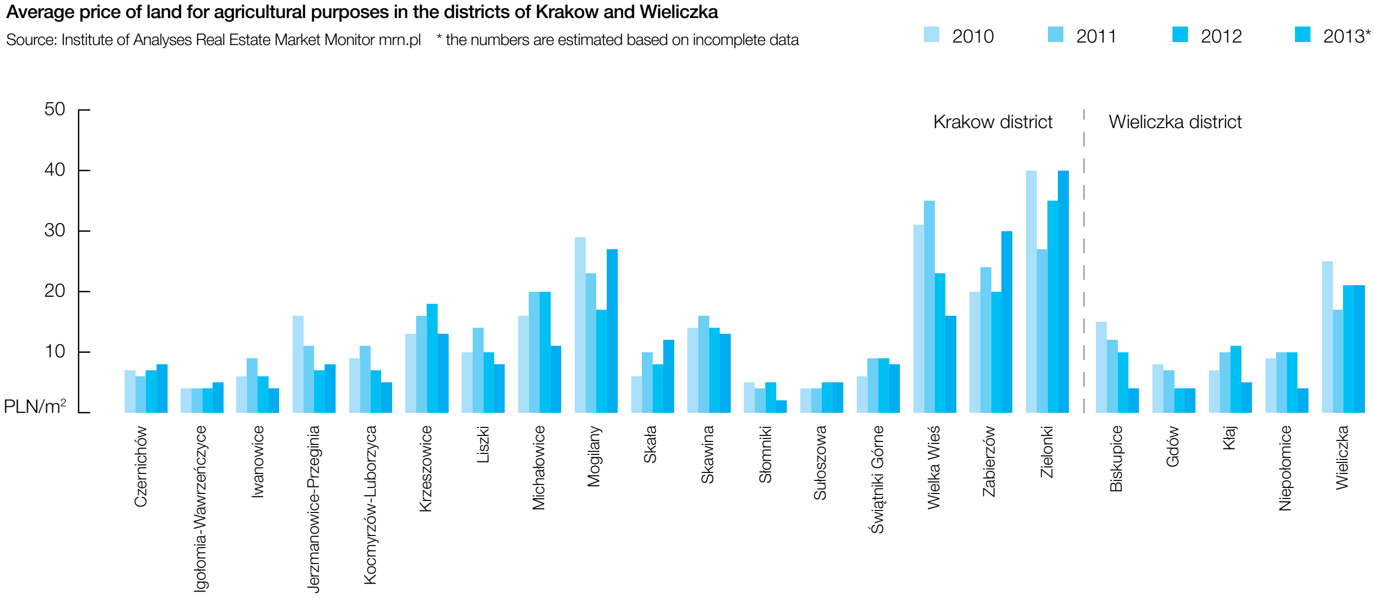


Chart 14.
Average price of land for agricultural purposes
in the municipalities in the districts of Krakow and Wieliczka
Source: Institute of Analyses Real Estate Market Monitor mrn.pl * the numbers are estimated based on incomplete data

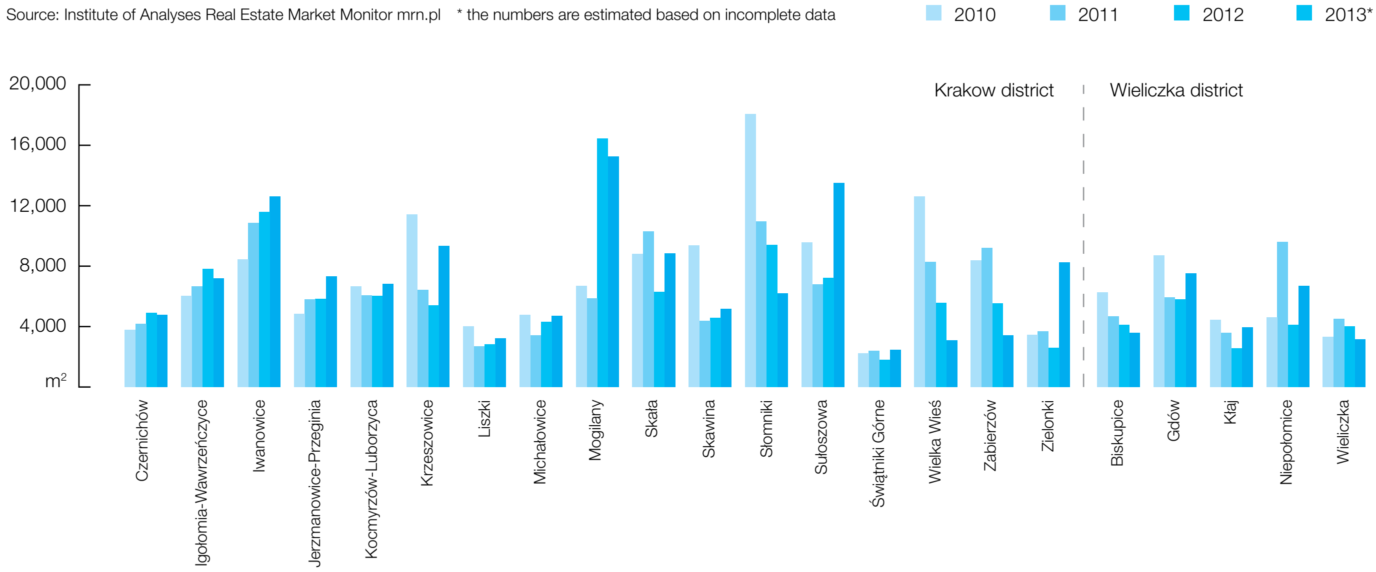
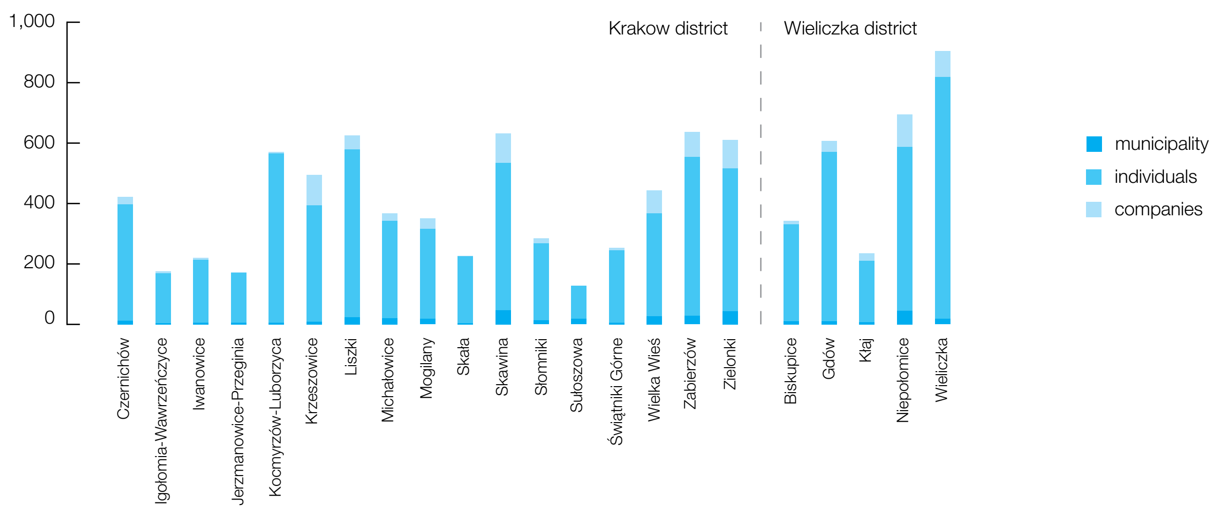
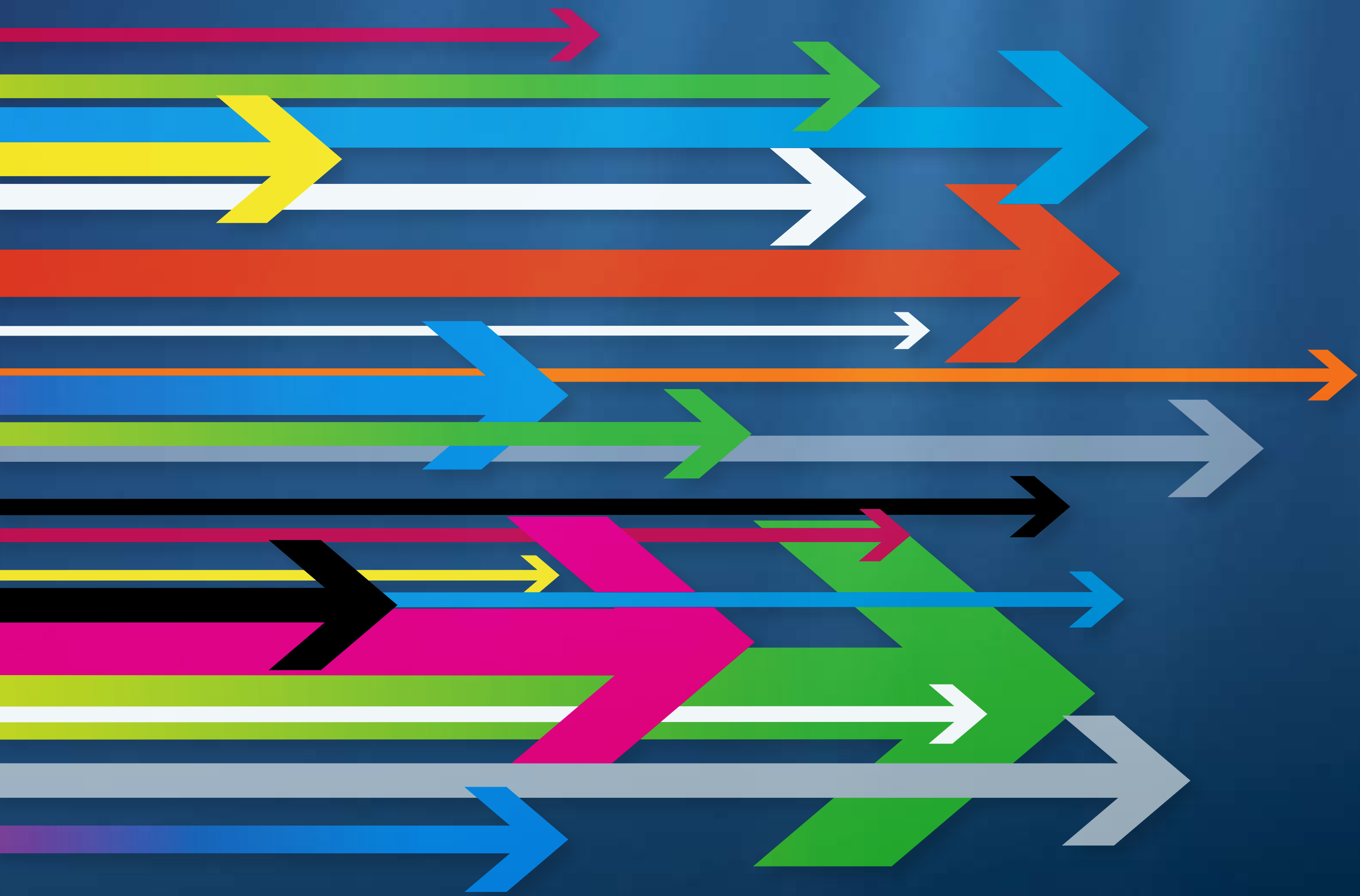


Chart 15.
Participants in the real estate market in the districts of Krakow and Wieliczka in 2010-2013
Source: Institute of Analyses Real Estate Market Monitor mrn.pl



destination > future

the past may inspire, we create the future!



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Krakow to business

Wydział Rozwoju Miasta / Urząd Miasta Krakowa
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