III. Housing Market

III.1. Primary housing market in Krakow

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Housing statistics

The year 2010 was very interesting from the perspective of Krakow's housing statistics. On the one hand, compared to the previous year, we have observed a clear drop in the number of flats commissioned. The preliminary data from the Statistical Office in Krakow shows that 4,710 flats were commissioned in 2010, while in the peak year 2009 – as many as 10,332 houses. A year-on-year decrease amounted to nearly 55 %. We cannot speak about a crisis, though, since the number of flats commissioned in 2010 was lower than the average in the years 2004–2008 only by a few hundred flats.

In 2010, we observed a natural correction due to earlier investment limitations – the market waited for the surplus of completed houses to be absorbed. Additionally, developers positively assessed market developments in the following quarters, commencing construction of 9,158 flats (an increase of 47.7 %) and obtaining a building permit for a another 12,180 flats (an increase by 95.3 %). The figures are similar to the ones in 2007 that led to record results of the construction industry in the years 2008–2010. Thus, unless we observe severe deterioration of other indices determining the demand and housing growth, i.e. credit availability, costs of investment completion, inflation rate, unemployment indices and general economic situation, in the years 2011–2012 an increase in the number of flats commissioned can be expected.

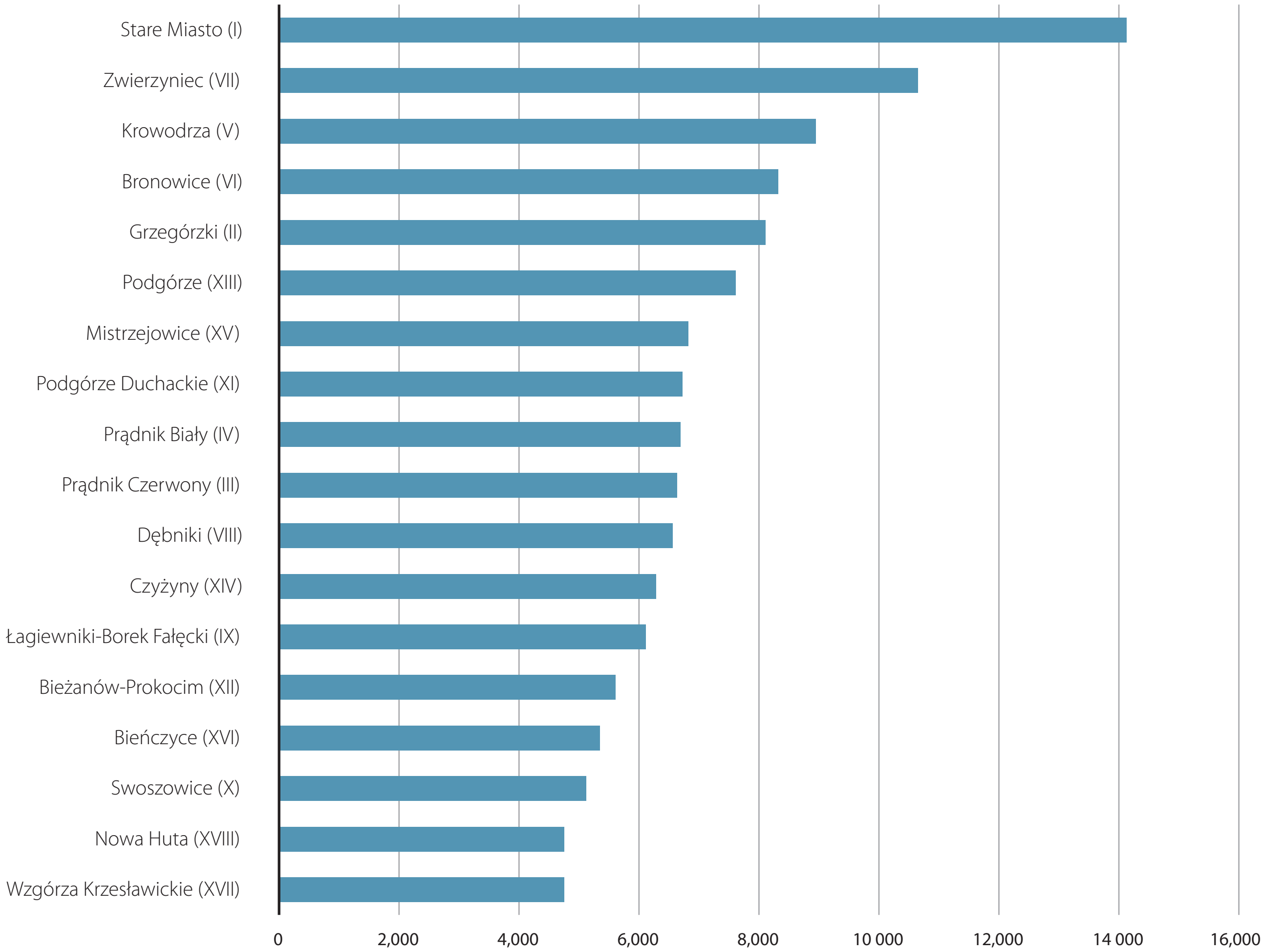
Number of flats commissioned, for which building permits were issued, and construction of which was commenced in Krakow in the years 2007–2010

	2007	2008	2009	2010
The number of flats commissioned	4,922	6,621	10,332	4,710
The number of flats whose construction was commenced	10,499	7,583	6,199	9,158
The number of flats for which building permits have been issued	11,168	12,051	6,238	12,180

Source: Statistical Office in Krakow

Prices

Average prices of new flats in various districts of Krakow (PLN/sqm)



Source: dominium.pl

In Krakow, we could observe a continued division into price zones. District's classification into a given price zone is contingent on the distance to the Main Square, the zones surrounding the Main Square in a ring-like manner. When analysing district's being classified into a certain price zone, one has to bear in mind that we assume an average district price, and in the case of larger districts, it may happen that some investments, in terms of price, could be classified into a lower or a higher price zone. Such situation can be observed in Dębniki, Podgórze, Grzegórzki, Łagiewniki-Borek Fałęcki and Bronowice. This analysis assumes 4 price zones depending on the average price for sqm by the end of 2010.

- **1st price zone: Old Town (I)**
  An average price in the Old Town exceeded PLN 14,000/sqm, although one could also find in this price zone flats at the price of PLN 10,000/sqm and above PLN 20,000/sqm. The factors of greatest importance were the prestige of a location, standard of a building and a scale of investment.
- **2nd price zone: Zwierzyniec (VII), Krowodrza (V), Bronowice (VI), Grzegórzki (II), Podgórze (XIII)**
  Average prices in the districts falling into to the 2nd price zone were between PLN 7,500–10,500/sqm. An average price does not reflect a full picture of prices within the district, though. Prices below PLN 7,000 could be found especially in the district of Podgórze and – less frequently – in Grzegórzki and Bronowice. Such prices were found especially in less attractive areas of those districts, with poorer standard of public transport system or located in a greater distance from some of the attractive places of a district such as Vistula boulevards, revitalised areas, and historical or green areas.
- **3rd price zone: Mistrzejowice (XV), Podgórze Duchackie (XI), Prądnik Biały (IV), Prądnik Czerwony (III), Dębniki (VIII), Czyżyny (XIV), Łagiewniki – Borek Fałęcki (IX)**
  The third, most numerous, price zone includes almost half of all Krakow's districts. Average prices in the third price zone

show relatively little diversity, ranging from PLN 6,000 to PLN 7,000/sqm. Obviously, average prices for some investments were lower or higher than the set range. Here, too, attractiveness of location within the district itself was of high importance. The highest price diversity was observed in Dębniki, but such a phenomenon is due to the large area of the district and resultant differences in the distance to the Krakow's centre.

- **4th price zone: Bieżanów-Prokocim (XII), Bieńczyce (XVI), Swoszowice (X), Nowa Huta (XVIII), Wzgórza Krzesławickie (XVII)**
  The cheapest price zone includes districts making up the southern and eastern border of the city. An average price for investments located in these districts was less than PLN 6,000/sqm, at times dropping below the level of PLN 5,000/sqm. The main determinant of low prices in these areas was a large distance from the centre and related long travel times, and for Nowa Huta district – also the proximity to the industrial plant – steelworks.

Change in average prices of new flats in various districts of Krakow

	XII 2009 (PLN)	XII 2010 (PLN)	Change XII 2010/ XII 2009 (%)
Stare Miasto (I)	13,500	14,130	4.67
Grzegórzki (II)	9,050	8,110	–10.39
Prądnik Czerwony (III)	6,530	6,630	1.53
Prądnik Biały (IV)	6,710	6,690	– 0.30
Krowodrza (V)	8,680	8,950	3.11
Bronowice (VI)	8,160	8 320	1.96
Zwierzyniec (VII)	9,460	10,650	12.58
Dębniki (VIII)	6,390	6,560	2.66
Łagiewniki-Borek Fałęcki (IX)	6,800	6,110	–10.15
Swoszowice (X)	4,980	5,120	2.81
Podgórze Duchackie (XI)	6,510	6,720	3.23
Bieżanów-Prokocim (XII)	5,480	5,610	2.37
Podgórze (XIII)	8,120	7,610	– 6.28
Czyżyny (XIV)	6,040	6,280	3.97
Mistrzejowice (XV)	5,990	6,820	13.86
Bieńczyce (XVI)	5,000	5,350[1]	7.00
Wzgórza Krzesławickie (XVII)	4,720	4,750	0.64
Nowa Huta (XVIII)	no listings	4,750	–

[1] An average price in Q3 2010. As of the end of Q3 2010, no listing of new flats was observed in Bieńczyce.

Source: dominium.pl

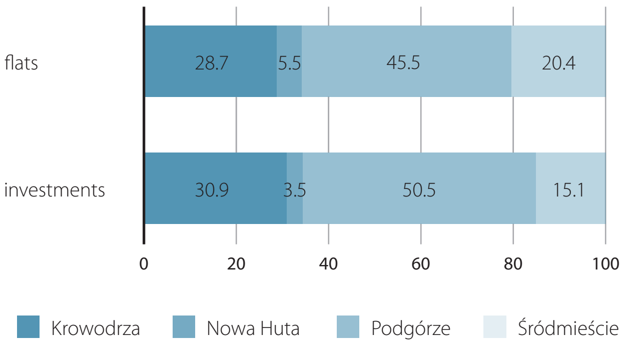
The year 2010 was a period during which average asking prices in different districts changed in different ways. In the districts: Grzegórzki, Łagiewniki-Borek Fałęcki and Podgórze, several-percent price drops were observed. These decreases resulted largely from emergence of new and cheaper supply of houses located in less attractive areas of the districts in question. At the same time, due to oversupply in the category of more expensive flats, price corrections were observed in the case of related investments.

In the districts of Wzgórza Krzesławickie and Prądnik Biały, prices remained roughly unchanged. However, average prices in 2010 changed in most of Krakow's districts. This occurred mainly in the second half of the year, when a rise in demand was observed. Half of all of the Krakow's districts saw minor price increases not exceeding 5%. The sharpest increase in the average price was recorded in Mistrzejowice, but it resulted mainly from the houses in cheaper areas having been sold out. By the end of the year, listings in Mistrzejowice included only flats located on the border with Prądnik Czerwony, and so their average price approached the level of comparable locations in the latter district. A noticeable increase in the average price was recorded in the district of Zwierzyniec, but this part of Krakow has been for many years seen as exclusive, and projects implemented here are of cosy character. Due to the small number of houses on offer in this district, even a small number of new and more expensive listings may have a visible impact on the average price.

Analyzing the market in its entirety, we can say that in 2010 Krakow's market saw price stability, and the price changes in individual districts were contingent largely on the supply of new investments, number of flats ready to be commissioned and attractiveness of individual projects. While decreases in average prices resulted from the emergence of new cheaper investments, then the increases were often due to the cheaper flats, having been available on market for some time, having been sold out. It is worth stressing the fact that asking prices for investments characterized by lower selling fluidity (most often already completed houses) were reduced in the course of direct negotiations with buyers.

Location of investments and flats

Distribution of flats and investments in individual areas of Krakow (%)



Source: dominium.pl

As of the end of 2010, over 5,400 new flats were on offer in Krakow. flats located within the area of Podgórze accounted for the largest share (45%) in the total of listings. With almost 29% of the total of all flats on offer, Krowodrza took the second position. Slightly more than 20% of all houses on offer were located in Śródmieście, and only 5.5% – in Nowa Huta. Investment statistics are slightly different. Although order of individual areas remains unchanged, it is evident that the percentage share of investments located in Podgórze and Krowodrza is slightly higher than the percentage share of flats on offer in those areas. It is quite the opposite in Śródmieście and Nowa Huta – districts with higher share of flats than investments. In other words, the flat-to-investment ratio is on the average higher in those districts. One can guess two possible reasons for this. In the analysed period, some investments in the area of Śródmieście were characterised by relatively less advanced sales (investments were at an early sale stage – having just appeared on the market – or were on offer for a long time but characterised by poor selling fluidity), and the statistics may have been impacted by the scale of some of the projects.

Distribution of flats and investments in individual areas of Krakow (%)

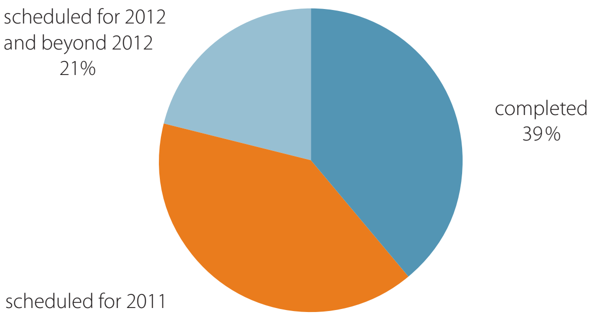
District	Flats (%)	Investments (%)
Stare Miasto (I)	2.8	3.5
Grzegórzki (II)	6.4	3.9
Prądnik Czerwony (III)	11.3	7.7
Prądnik Biały (IV)	15.8	16.7
Krowodrza (V)	3.1	3.2
Bronowice (VI)	7.0	6.8
Zwierzyniec (VII)	2.8	4.2
Dębniki (VIII)	11.5	22.5
Łagiewniki-Borek Fałęcki (IX)	2.7	4.2
Swoszowice (X)	2.6	2.3
Podgórze Duchackie (XI)	6.7	7.4
Bieżanów-Prokocim (XII)	5.7	4.5
Podgórze (XIII)	16.1	9.6
Czyżyny (XIV)	2.7	1.3
Mistrzejowice (XV)	1,8	1.6
Wzgórza Krzesławickie (XVII)	0.7	0.3
Nowa Huta (XVIII)	0.3	0.3

Source: dominium.pl

Analysis of districts in terms of distribution of investments and flats clearly shows that as of the end of 2010 the leading places were occupied by four districts. Most flats (each district had a several-percent share) were on offer in the districts of Podgórze, Prądnik Biały, Dębniki and Prądnik Czerwony. In total, offerings in those districts accounted for 55% of the total of all flats and investments. It is worth paying attention at Dębniki, with more than 20% of investments, but only 11% of flats. This is connected with the fact that a large proportion of investments in this district was at the final sales stage, offering the last few flats. Other districts with at least 5% share in the total of all flats on offer include Grzegórzki, Bronowice, Podgórze Duchackie and Bieżanów-Prokocim. The total of all flats in those districts accounts for 25% of all Krakow flats offered, other districts accounting for only 20% of all flats on offer.

Completion dates

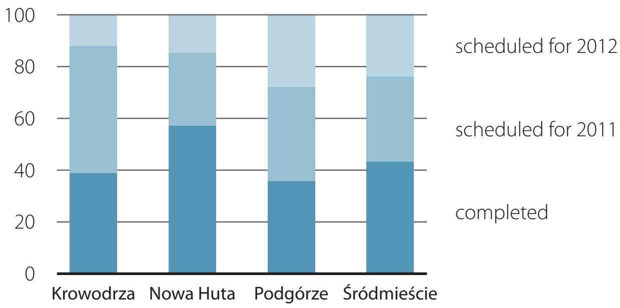
Distribution of flats in Krakow according to completion dates



Source: dominium.pl

Citywide, 39% of all flats on offer in 2010 were up for commissioning. Almost the same was scheduled for completion in 2011, and approximately 21% were scheduled for completion in 2012 or beyond 2012. Percentagewise, most of the completed flats were located in Nowa Huta, but due to small number of offers in this area, even single slowly selling offers could inflate this statistics. Śródmieście was, in percentage terms, the only other area with the number of completed flats exceeding Krakow's average. This may result from higher average prices in the area, which naturally extend the selling process. The reverse situation could be observed in Podgórze, a district with the lowest percentage of completed flats. This district includes a large number of projects offering popular-category flats – selling most quickly.

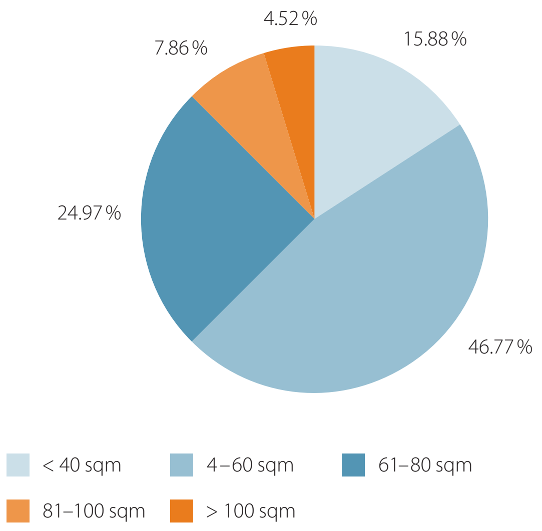
Distribution of flats in various areas of Krakow (%)



Source: dominium.pl

Structure of flats

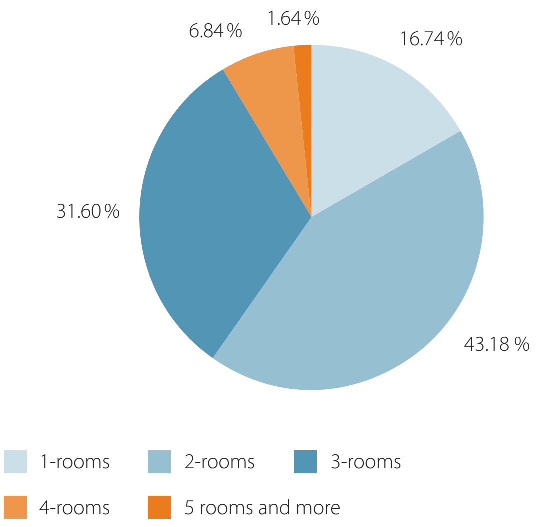
Structure of flats in terms of the area of a property



Source: dominium.pl

As of the end of 2010, nearly 16 % of all flats on offer in Krakow had floor area of not more than 40 sqm. By far the largest number of flats had floor area of 41–60 sqm – and these accounted for almost 47 % of the total of all flats on offer. Almost every fourth flat fell into the 61–80 sqm range, while larger flats accounted for mere 12 % of the total of all flats on offer.

Structure of flats in terms of the number of rooms



Source: dominium.pl

Structure of flats in terms of the number of rooms correlates with floor area. One in six flats on offer had one room only; over 43 % –two rooms; and more than 31 % – three rooms. Only less than 9 % of flats had four rooms or more. Nearly three out of four flats on offer had two or three rooms.

Summary

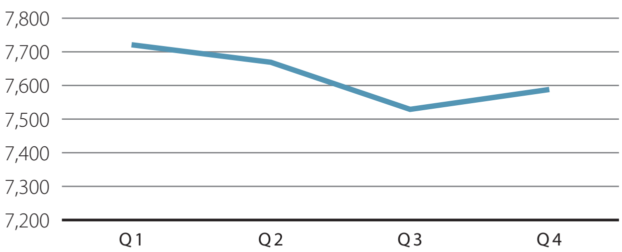
Positive developments on Krakow's primary housing market were helped by stabilisation on financial martkets and banks' relaxing credit policy. Krakow's price index for the 'Rodzina na swoim' scheme (permitting use of the governmental subsidy scheme) was raised. This resulted in an increase in the pool of flats eligible for participation in the scheme and an increase in sales in investments related to such houses. Since early 2010, Krakow's housing market saw increasingly bigger number of new investments, and from the half year on a clear increase in supply was observable. Satisfied with the sales performance for new flats up for commissioning, many investors chose to come up with new listings. Additionally, housing market saw a return of the projects put on hold during the financial crisis. The increase in the demand for flats observed from mid 2010 was partially triggered by a fear of a VAT increase and envisaged changes limiting the 'Rodzina na Swoim' scheme. Due to the larger number of issued building permits, the following quarters are likely to see the supply smoothly increase, which should have a stabilising effect on the price level.

- 2010 saw a drop in the number of flats commissioned.
- Compared to 2009, we have observed a sharp increase in the number of construction projects commenced and building permits issued.
- In December 2010, average prices of flats in Krakow ranged from PLN 5,750 to 14,130/sqm – an average price in most of the districts being PLN 6,000–PLN 9,000/sqm.
- Prices in most districts were stable and had a slight rising tendency. Local drops in prices occurred predominantly due to new investments having been launched onto the market at reduced prices.
- The largest number of houses were on offer in the districts of Podgórze and Krowodrza – altogether nearly 3/4 of the the total of all flats.
- As of the end of the year, the number of listed flats that were ready to be commissioned and the houses scheduled for completion in 2011 were equal.
- Most of developers' listings included 2- and 3-roomed flats and with floor areas ranging between 40 and 80 sqm.

III.2.1. Secondary housing market – asking prices

In 2010, Krakow saw tendencies in flat prices that were similar to the previous year's. The analysis shows that – in a manner comparable to the previous year – in the first three quarters of 2010, prices of flats consistently declined, while in Q4 – a slight increase in prices was observed. Finally, the price in Q4 dropped by 1.7% against Q1. The average price of sqm of a flat in Q4 2010 amounted to PLN 7,588. The present study, thus, shows a two-year downslide trend for flat listings on the secondary housing market. Analysts predict that in 2011 a drop in flat prices may amount to several percent. However, the range of price fluctuation observed in 2010 has been significantly lower compared to the previous year. It is a symptom of stabilising situation on the property market in Krakow.

Asking price per sqm in Krakow in 2010 (PLN)



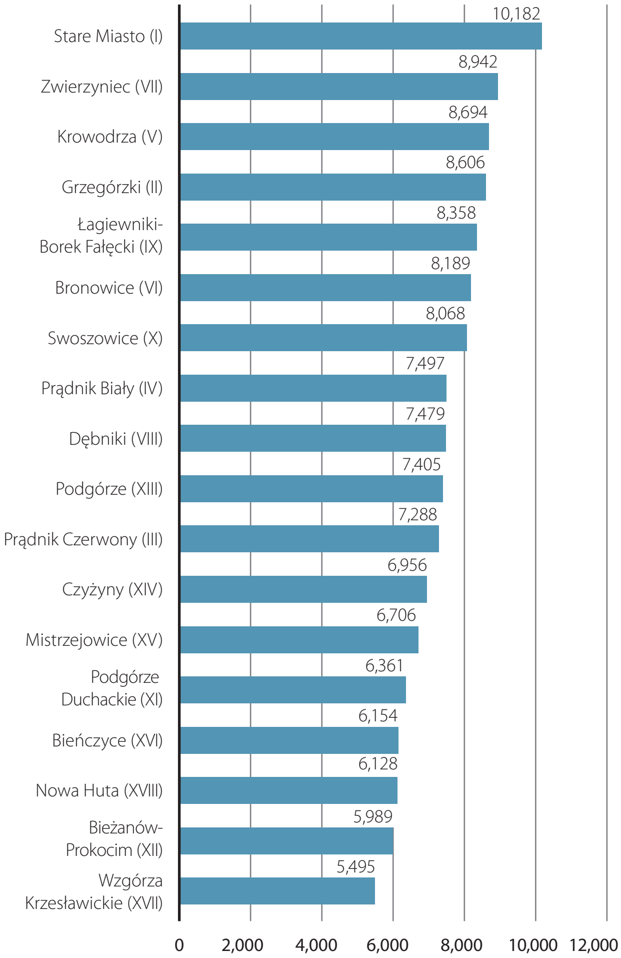
Source: Krajowy Rynek Nieruchomości – krn.pl

Analysis of prices in the map of Krakow involved comparison of average asking prices for January and December 2010 in respective districts of Krakow. The highest rise was observed in the district of Nowa Huta. In this part of the city, an average price per sqm rose in the previous year by 7%. A house in Nowa Huta is now priced at PLN 6,128 1/sqm. Besides Nowa Huta, the largest increases in flat prices were observed in the districts: Łagiewniki-Borek Fałęcki (4.3%), Grzegórzki (2.5%), Czyżyny (2.1%) and Bieńczyce (1.9%). Price drops were observed in the districts marked with high supply of listed in 2011. The price per sqm in Prądnik Biały – a district accounting for as much as 14.4% of the total of all sales listings – dropped by 0.8%. It was similar in Krowodrza – a district ranking third in terms of the number of listings – where the price per sqm fell by 2.1%. The biggest drop was observed in the district of Podgórze (2.9%). Stare Miasto (Old Town), Bronowice, Bieżanów-Prokocim, Mistrzejowice are the areas of the city where prices remained virtually unchanged.

Traditionally now, the most expensive district of Krakow in 2010 was Stare Miasto (Old Town). sqm was priced at the astonishing amount of PLN 10,188. Other most expensive districts were: Zwierzyniec (PLN 8,942/sqm) and Krowodrza (PLN 8,694/sqm). The cheapest flats were listed for sale in Wzgórza Krzesławickie (PLN 5,995/sqm) and Bieżanów-Prokocim (PLN 5,989/sqm).

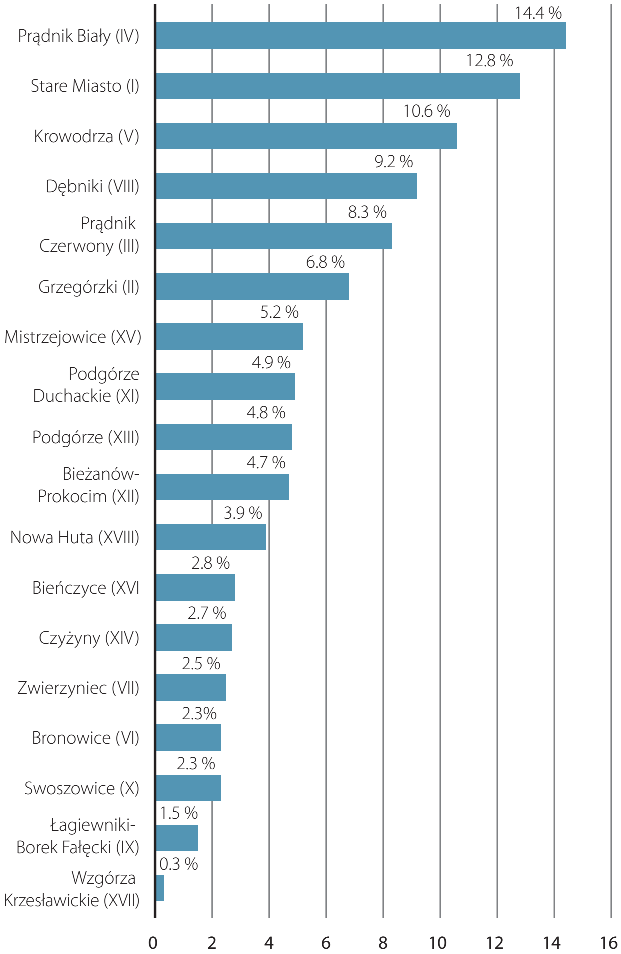
The biggest number of listings in 2010 came from the following districts: Prądnik Biały (14.4%), Stare Miasto (12.8%), Krowodrza (10.6%). Districts with fewest listings: Wzgórza Krzesławickie (0.3%), Łagiewniki-Borek Fałęcki (1.5%), Swoszowice (2.3%). However, it is worth noting that it is most difficult to find a suitable flat in the districts with the lowest supply.

Prices for sqm in various districts of Krakow in 2010 (PLN)



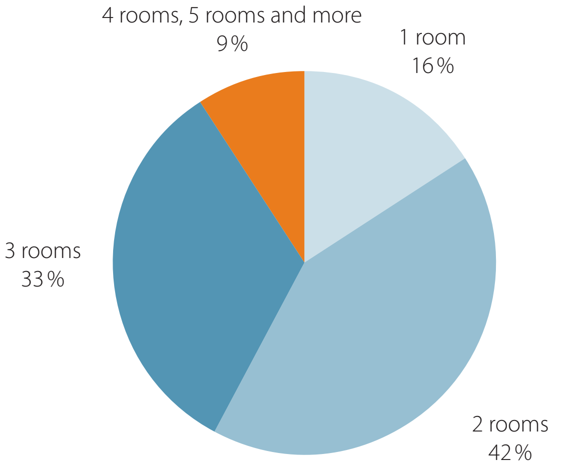
Source: Krajowy Rynek Nieruchomości – krn.pl

Supply of listings in various districts of Krakow (%)



Source: Krajowy Rynek Nieruchomości – krn.pl

Supply of listings in terms of the number of rooms

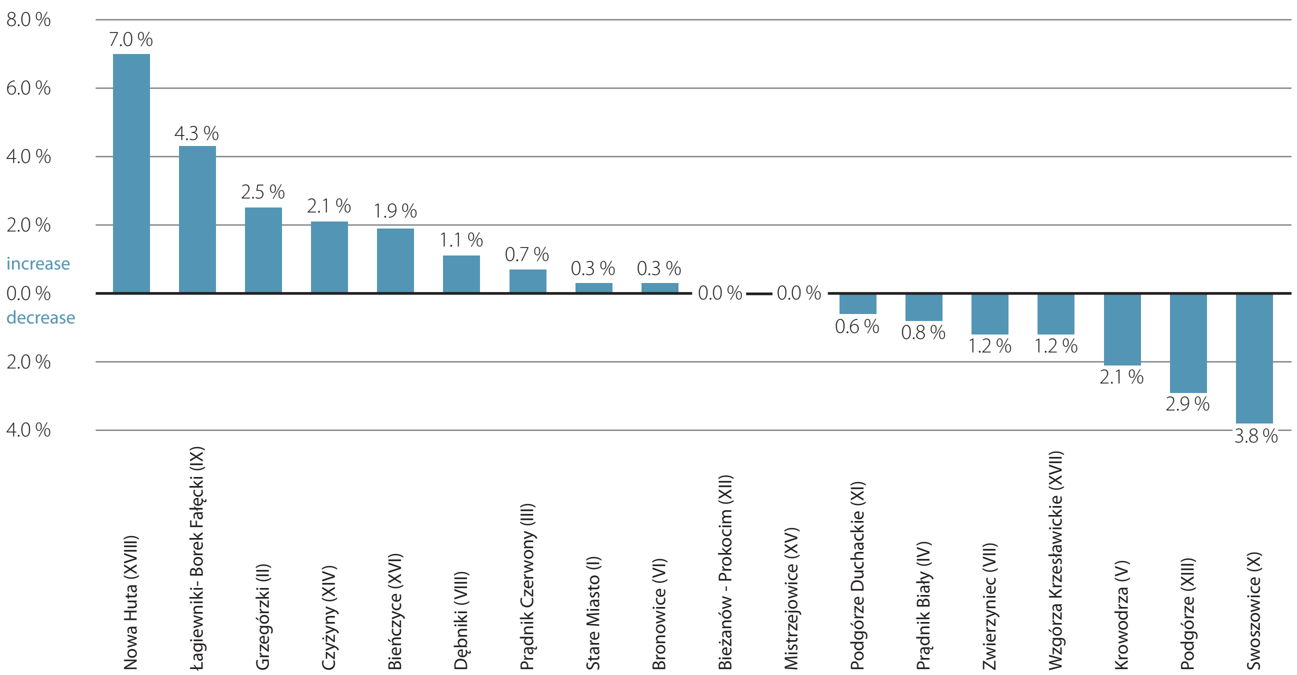


Source: Krajowy Rynek Nieruchomości – krn.pl

Analysis of price trends in Krakow's secondary property market in 2010 demonstrates a continued stabilisation, with a slight downward trend. Prices were on a slight decline, and this trend is also likely to follow in 2011. Given the changing profile of flats as part of investments commissioned in 2010, we can conclude that Krakow's property market adapts to consumers' needs. Most of property seekers consider their financial capacity as the overriding criterion in their search for a property. Average consumer's horizon of possible choice narrows down with the increase in credit capacity requirements. Consequently, the cheapest flats – that is those selling most quickly and being hardest to find – enjoyed the largest popularity. This trend is likely to continue also in 2011.

Analysis of the supply of Krakow's listings according to the number of rooms shows that properties in most listings consist of 2-roomed houses. Houses in this segment accounted for as many as 42 % of the total number of all houses on offer. In YoY comparison, the share of 1-roomed flats in the total of all flats on offer fell from 20 % in 2009 to 16 % in 2010. The share of 3-roomed flats, however, was bigger than the previous year. Virtually every third listing regarded a 3-roomed flat. Supply structure did not change compared to 2009 and forecasts show that present trends will also continue next year.

Changes in asking prices in various districts – comparison of the average price per sqm in 2009 and 2010 (%)

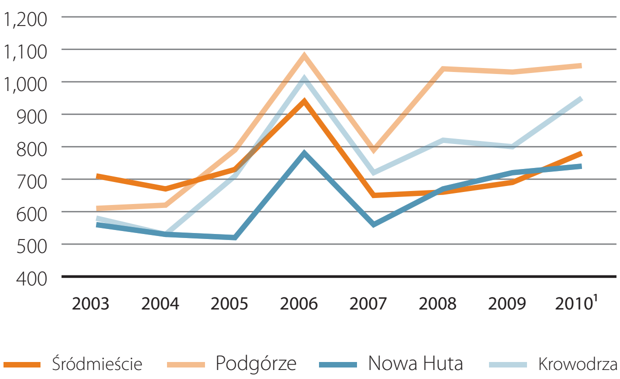


Source: Krajowy Rynek Nieruchomości – krn.pl

III.2.2. Secondary housing market – transaction prices

With almost half of all houses completed in Krakow, which, over time, come to the secondary market, Podgórze is an unquestionable leader in sales on the secondary housing market. The fewest flats are sold in Śródmieście, where sales are hampered by high prices, and Nowa Huta, where developers undertake the fewest housing investments, largely because of the prices they can claim there – some of the lowest on the Krakow's market.

Number of transactions on the secondary housing market



[1] Values estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

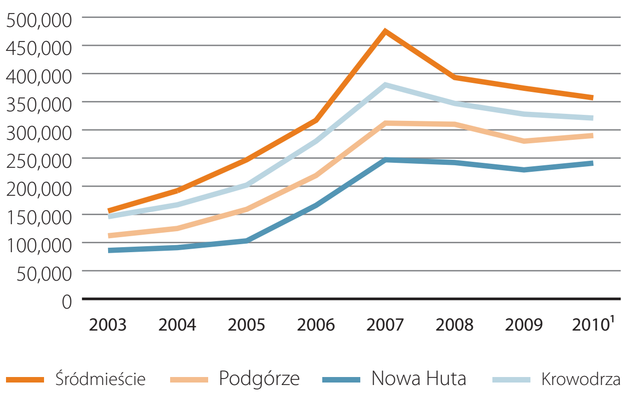
Since the market crisis of 2007, the number of transactions in the secondary housing market is approaching the limit of the period before 2006, being a peak of many years of bull market. Although the number of transactions in 2010 was for the first time in 4 years lower than on the primary market, compared to the previous year, it rose by 9% whatsoever.

For years, increasingly more flats are coming to the secondary market due to allowances for those who purchase flats from commune's or housing cooperative's stock. Developers' activity contribute to the growth in the secondary market of all Krakow's housing units by 0.5–1.5% per annum.

Attractiveness of particular areas of Krakow may be judged by average prices claimed for flats in four old districts. Invariably, the greatest interest and, consequently, the highest prices – are observed in Śródmieście and Krowodrza. Lower prices can be found in Podgórze, and, traditionally, the lowest – in Nowa Huta. But it was in the area of these two (cheapest) districts that a slight increase in average prices occurred in 2010.

In 2010, a drop in prices flats on the secondary market was observed in Śródmieście. Prices of houses in Krowodrza have not changed compared to last year. Price rises in Nowa Huta and Podgórze led to a reducing differences in average prices of flats throughout the city. Currently, this difference amounts to PLN 116,000, which is almost half as much as in 2007, when the difference was at its historical highest

The average transaction price for a flat on the secondary market (PLN)

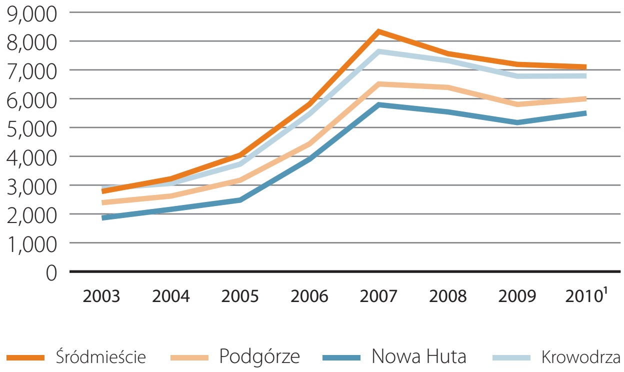


[1] Values estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

For the first time after several years of decline, the average price of a housing unit rose in 2010 in YoY comparison by nearly PLN 170/sqm. It was thanks to two cheapest districts of the city, where price increases were observed. 2010 saw the downward trend that began in 2007 reverse.

Average price per sqm of a flat on the secondary market (PLN)



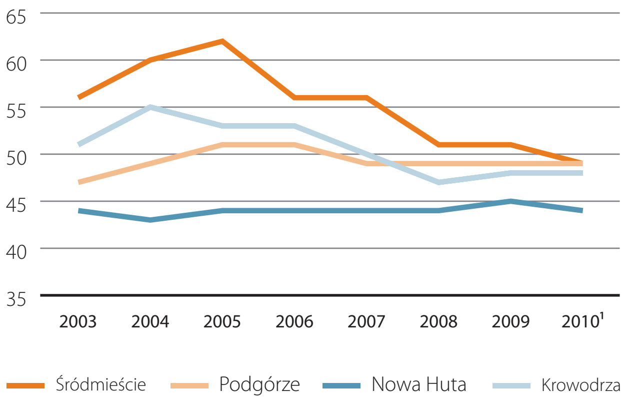
[1] Values estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Previous year showed clearly that after several years of waiting, buyers returned to the market. This was probably due to credit policy of banks, which are strongly competing for customers again. Developers immediately launched projects that had previously waited for the right moment. Consequently, the secondary market has now big competition. Otherwise, the increase on the secondary market would be much visible.

The average floor area of flats purchased in Krakow has been falling since 2005. The decline is in not uniform across all areas. In Podgórze, this figure has remained unchanged since 2007. In Krowodrza, the same level has been observed for a year. In Nowa Huta, the figure rose slightly in 2009, to fall again in 2010. The largest decrease in average floor area of flats purchased has been observed in Śródmieście.

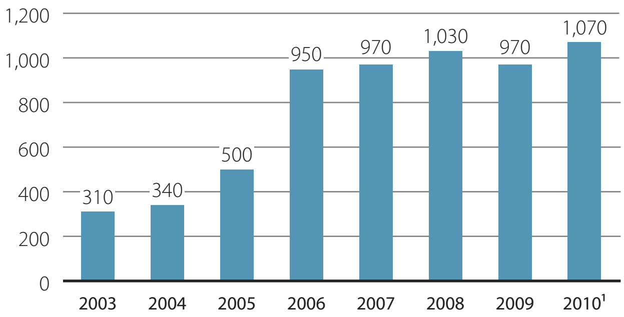
Average floor area of a housing unit on the secondary market (sqm)



[1] Values estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Turnover on the secondary housing market (PLN million)



[1] Values estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

The average floor area of the housing unit purchased in 2010 fell below 48 sqm. This demonstrates the low purchasing power of buyers who could afford mostly small houses. Most flats in trade throughout all of Krakow's districts included small small housing units.

Large flats have not been popular. In 2010, transactions regarding flats with area exceeding 80 sqm accounted for only 5 % of all transactions. Nevertheless, in 2010 a flat with area of almost 200 sqm and located in the very centre of Krakow was sold at the price of PLN 6 million, which is a record of all time of the Krakow's Market Square.

Market recovery and the increase in the number of transactions translated into bigger turnover. The turnover was over 10 % higher compared to the previous year, reaching the highest amount in the history of Krakow's property market. High activity of banks in 2010 resulted in increased amounts of money flowing through the secondary housing market. However, the entry into force of the T recommendation (toughening the method of assessing credit capacity) and modification of the S recommendation (limiting the availability of mortgages) may effectively prevent other record turnover on Krakow's secondary market in 2011.

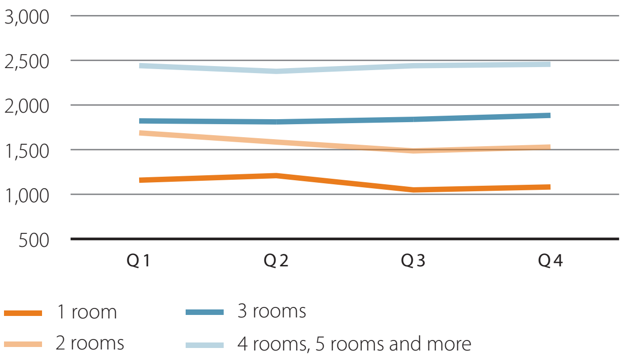
Summary

- Krakow's housing market saw the return of domestic demand caused by banks' opening towards granting mortgages, which led to breaking the downward trend in prices of second-hand flats.
- Despite the predominant share of the primary market in the number of transactions in housing units in 2010, the secondary market observed record turnover, with slightly rising prices of flats.
- Small flats in all districts have been investments with the lowest risk, with potential for growth in 2011.
- In 2010, a drop in supply of commissioned developer flats was observed, which led to the return of trade in flats under construction.
- As of the end of 2010, supply of listings both on primary and secondary markets began to shrink.
- We can expect moderate increases in prices of flats at the beginning of 2011.

III.3. Rental market for flats and houses

Prices on Krakow's rental market for flats in 2010 rose by about 10 % on the average compared to the previous year. However, as of the end of 2010, we observed a partial correction of increases, especially in the most popular segment of the market. A comparison between the beginning and end of the year shows a slight decrease in average prices of 1- and 2-roomed flats and an insignificant increase in the case of larger housing units. It means that the market has calmed down, in a similar manner as in other sectors of the real estate market.

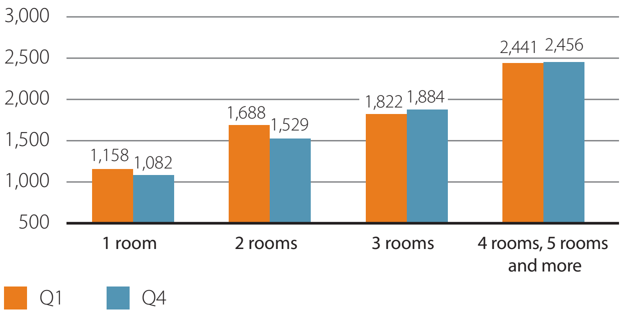
Rental prices in Krakow in 2010 (PLN)



Source: Krajowy Rynek Nieruchomości – krn.pl

During 2010 we could observe standard rent price fluctuations. A slight reduction in prices in Q3 for 1- and 2-roomed flats was due to the fact that a large number of students left the city and holiday season rates were adopted. The upward correction in Q3 and Q4 resulted from recovery on the rental market due to the start of the academic year. This shows that Krakow's rental market has been strongly influenced by the large number of students estimated at approximately 180,000.

Rental price in Krakow – a comparison of Q1 and Q4 2010 (PLN)

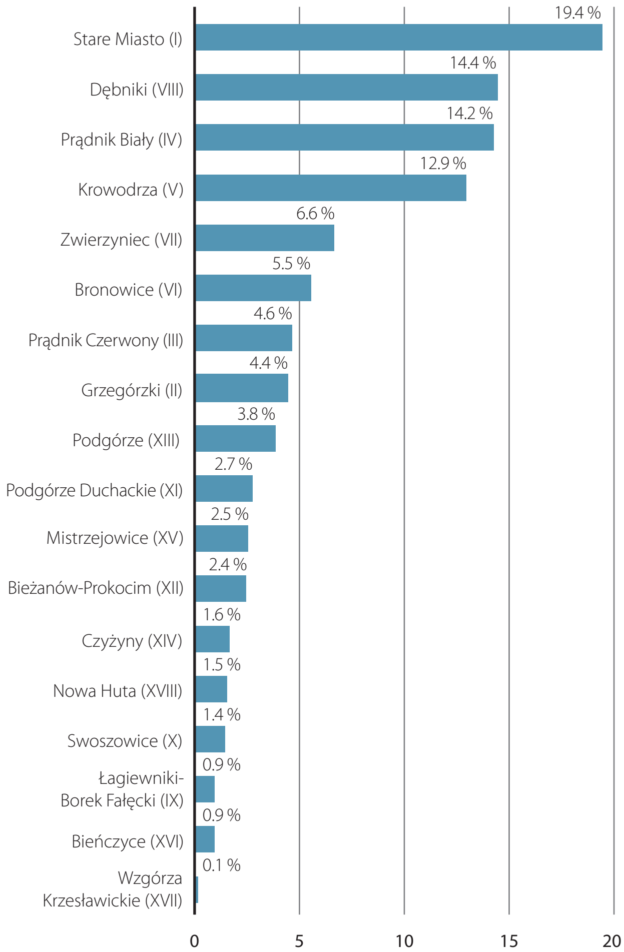


Source: Krajowy Rynek Nieruchomości – krn.pl

These trends have not applied to flats with three or more rooms, accounting for a smaller market share and usually rented by permanent inhabitants of Krakow. 2-roomed houses accounted for 46 % of the total of all flats on offer. Studios accounted for 27 % of all listings. In total, they accounted for almost three quarters of the total supply. In 2010, listings regarding flats with three or four bedrooms and more accounted for 27 % of the total number of all listings.

In terms of regional divisions, the structure of supply of rental listings in 2010 looked different than in the previous year. What is most visible is the double increase in the share of flats in Stare Miasto – from 9.1 % (in 2009) to 19.4% (in 2010). The reasons for this change is the trend of landlords to leave the central area – which, in turn, results from bigger intensity of tourist traffic and growth of service sector. On a smaller scale, this phenomenon also took place in Podgórze (a fall from 8.2% to 3.8%). The figures for Dębniki and Prądnik Biały are similar compared to the last year. Ruczaj, a part of Dębniki, has showed in the recent years a particular increase in the number of listings. This is due to the development of the Campus No 3 of the Jagiellonian University and the growing number of students choosing to rent flats near the university instead of the daily commuting to this part of the city, still affected with poor standard of public transport services.

The supply of rental listings with a breakdown into Krakow's districts in 2010

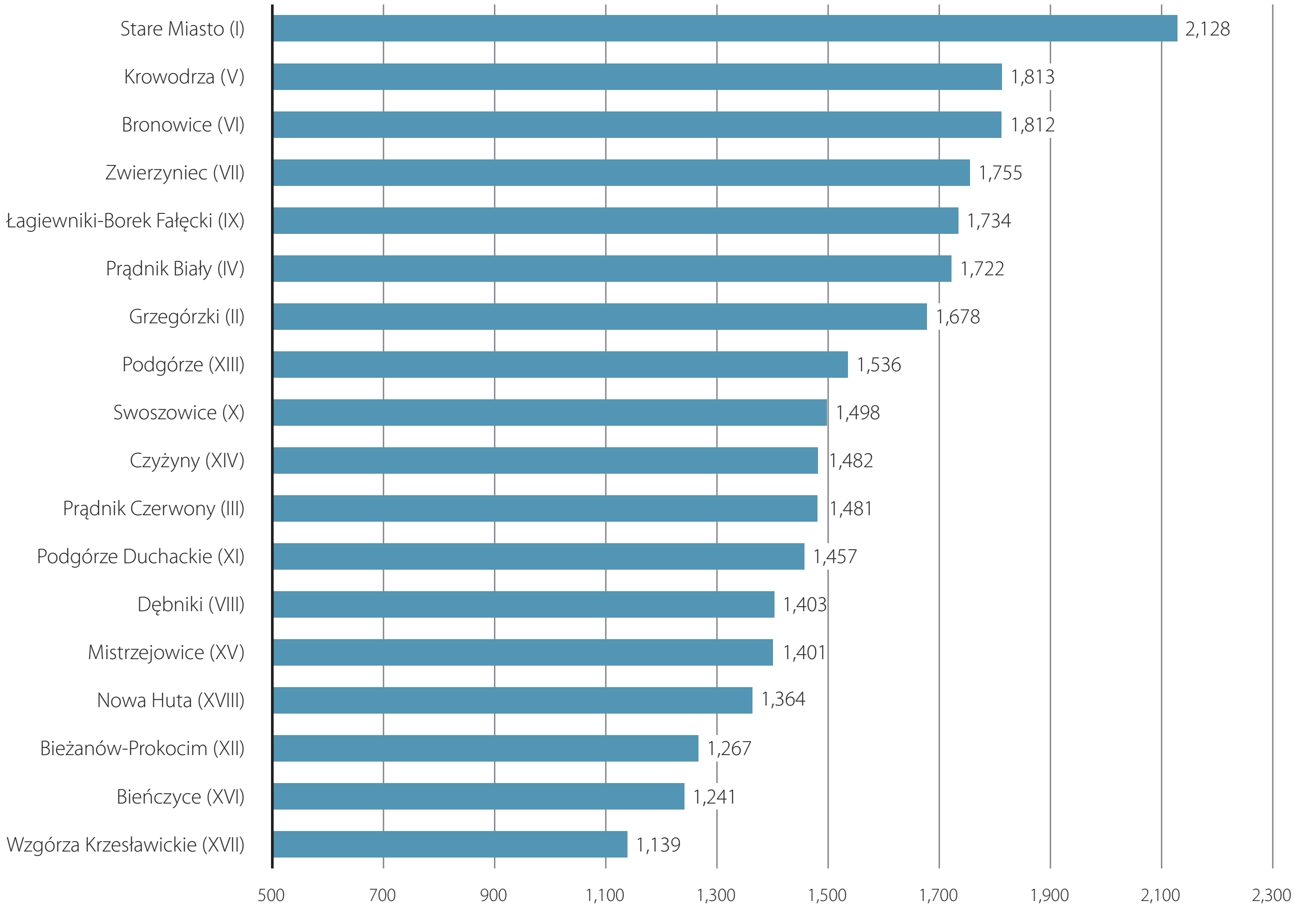


Source: Krajowy Rynek Nieruchomości – krn.pl

In 2010, rental listings in three districts – Stare Miasto, Dębniki and Prądnik Biały – accounted for 48 % of the supply. The combined share in supply – including the fourth district to have the biggest share in supply – Krowodrza (12.9 %) – amounted in these districts to more than 60 %. It is these districts that mostly contributed to the formation of prices in Krakow.

The average price of renting a 2-bedroomed flat in Stare Miasto in 2010 amounted to PLN 2,128. Compared to previous year, this figure increased by over 10 %. A similar rise in prices was also observed in Krowodrza, where the rental cost was on average PLN 1,813 (a 12 % increase against the same figure for 2009). In Bronowice, where the average price reached PLN 1,812, an amount almost identical to that in Krowodrza, the increase was 7 %. Price increases were most clearly noticeable in Prądnik Biały, where an average rent in 2010 amounted to PLN 1,722, i.e. 20 % more than the previous year. An insignificant reduction in prices – by 3 % – was observed in Dębniki, where the average price was PLN 1,403.

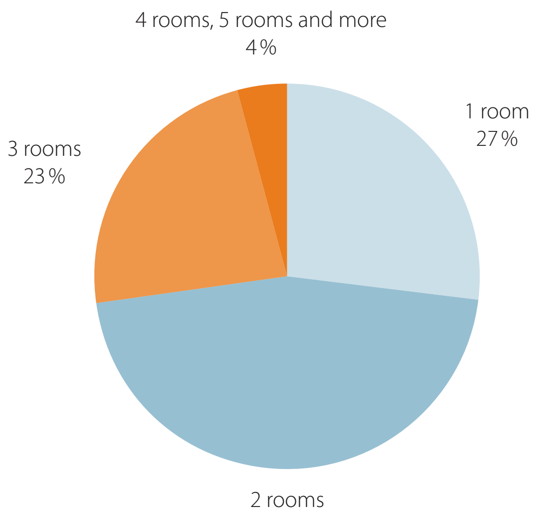
Rental price in Krakow in 2010 with a breakdown into districts – 2-roomed houses (PLN)



Source: Krajowy Rynek Nieruchomości – krn.pl

The cheapest rentals could be found in the district most distant from the centre: Wzgórza Krzesławickie (PLN 1,139), Bieńczyce (PLN 1,241), Bieżanów (PLN 1,267) and Nowa Huta (PLN 1,364). However, these accounted for the smallest number of listings – 4.9% of the total supply

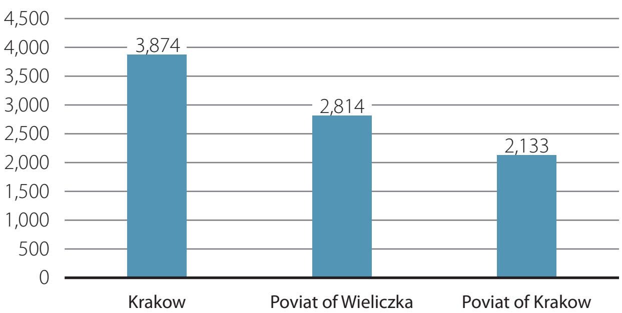
Supply of listings in 2010 with a breakdown into the number of rooms



Source: Krajowy Rynek Nieruchomości – krn.pl

As opposed to the market of flat rentals, the market of house rentals observed in 2010 significant decreases. The average rental price in Krakow was 3,874 PLN, which is about 12% less than in 2009. However, the Poviat of Krakow observed 30% price decreases – houses in the suburbs of Krakow were rented at a an average rate of PLN 2,133. Rents in the district of Wieliczka remained unchanged – on the average amounting to PLN 2,814.

The average rental price for houses in Krakow in the Poviat of Krakow and Poviat of Wieliczka in 2010 (PLN/month)



Source: Krajowy Rynek Nieruchomości – krn.pl

III.4. The market of tenement houses and historic housing units

The market of tenement houses undoubtedly includes the most beautiful and well-known properties in Krakow, many of which are protected and classified as historic monuments and national cultural assets. Tenement houses are historically defined as brick town residential houses with at least one storey and built to serve both residential and commerce and service use. Compact frontage development with several-storey residential and service buildings is typical of the historic and pre-war city centres. It is similar in Krakow – pre-war and historic tenement houses are a predominant town–planning form of Krakow's centre – including the oldest part of Śródmieście, Krowodrza and Podgórze.

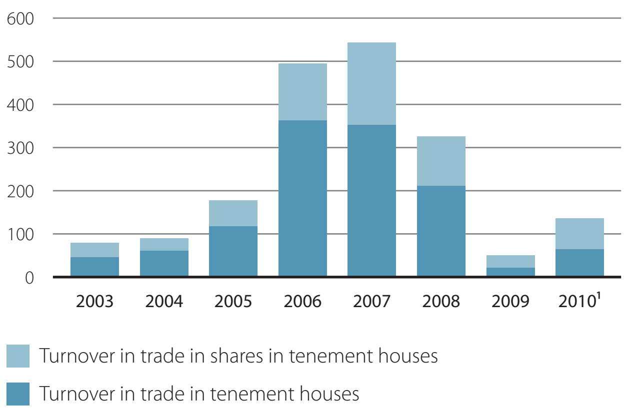
Due to its attractive location and unique architectural features, Krakow tenement houses have always made up a separate segment of the investment property market. Krakow includes over 10,000 tenement houses, but most of them have an unregulated legal status or were permanently divided into seperate premises. Thus, supply of tenement houses is pretty limited, new offerings being most often a result of a tenement house having its legal status settled (most often the owenrship title).

The most fashionable streets in Śródmieście, lined with historical residential buildings, include the area of Planty and adjacent streets and the area of Kazimierz. The most fashionable areas of Krowodrza are Salwator and the environs of Królewska Str. Such areas in Podgórze are Stare Podgórze and Dębniki.

It is estimated that in 2010 Krakow saw approximately 110 sales of tenement houses, including 18 whole properties and transactions in shares in tenement houses. For the first time since 2006 we have observed a significant (75 %) increase in the number of transactions compared to the previous year. In 2010 this market saw an even larger increase in turnover, for the first time since 2007. Approximate turnover was over PLN 130 million, while in 2009, only PLN 50 million. For purchases of entire tenement houses, investors spent PLN 64 million, that is is just as much as in 2004.

Both the number of transactions and the value of turnover in 2010 imply that the downward trends after previous year's decline have been broken. After the boom of 2004–2007 and depression in 2008 and 2009, investment capital is slowly coming back to the market of tenement houses. The number of transactions, however, is still just a fraction of the record volume recorded in 2006 – when 97 tenement houses changed their owners. Similarly, the turnover in 2010 accounts for only a quarter of turnover in the peak year 2007. Similar trends, however, have also occurred in the recent years on the markets for residential, commercial and hotel markets.

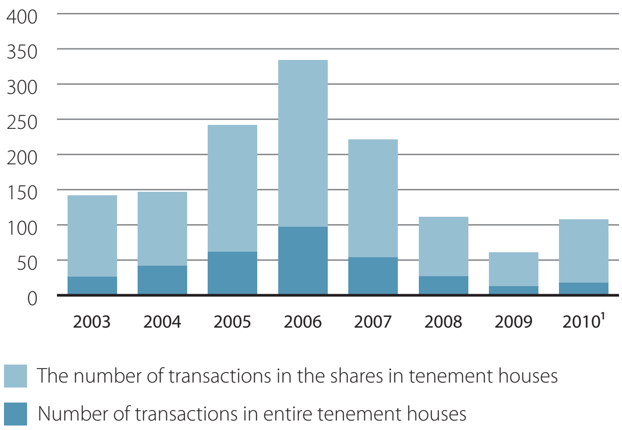
Turnover in trade in tenement houses and shares in tenement houses in the years 2003–2010 (PLN million)



[1] Values estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

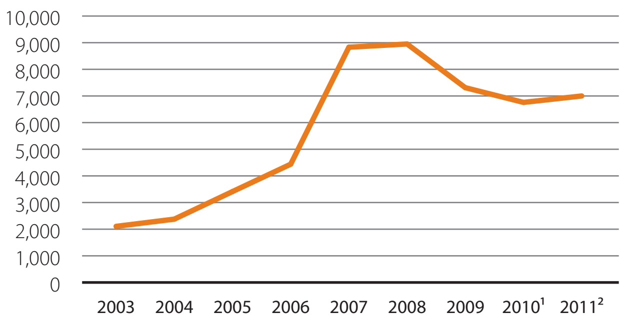
Number of transactions on the market of tenement houses in the years 2003–2010



[1] Values estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Average prices of houses in Śródmieście in the years 2003–2011 (PLN/sqm of floor area)



[1] Figures estimated based on incomplete data
[2] Forecast

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

An analysis of transaction prices in the recent years points to substantial volatility of the market both in terms of price per property and per sqm of floor area of a tenement house. The highest price paid in 2010 for a tenement house was PLN 9.0 million, while the average market price was 3.5 million PLN. In 2009 the most expensive tenement house was sold at the price of mere PLN 4.15 million (the average market price was 1.6 million PLN). However, in 2010 the price for sqm of a tenement house in Śródmieście was only PLN 6,700, 8 % less than in 2009. The decline in prices per sqm occurred in the first half of 2010 as a continuation of the downward trend that began in early 2008. For three years, prices per sqm of a tenement house fell by as much as 25 %.

In the second half of 2010, we have seen declines slow down and the trend began to turn to a moderate growth, as shown by the figures of the first months of 2011. It should be noted that the strong variation of prices per sqm (ranging from PLN 2,000 to 13,000/sqm of floor area) is an inherent feature of this market, and this is due to large disproportion in the attractiveness across individual locations (from Floriańska to Towarowa Str.), technical condition (from luxury tenement houses to empty and uninhabited premises for major renovation) and the size of rental income (from commercial spaces leased at the rate of PLN 300–400/sqm to the flats with tenants paying controlled rent of PLN 9–11/sqm.) And it is the expected rate of return that for most investors is the basis for calculating a cost-effective purchase price for a tenement house.

Analysis of the upward trend in the average price paid for a tenement house, with a concurrent drop in rates per sqm in 2010, also shows changes of buyers' preferences: tenement houses most sought after and most often bought are considerably larger than in the preceding year.

At the turn of 2010 and 2011, 16 tenement houses in Krowodrza were listed for sale at prices ranging between PLN 0.8 million and PLN 6.0 million, in terms of a price per sqm – between PLN 3,000 and PLN 10,000, or an average of PLN 6,500/sqm. Listings in Podgórze include now as many as 35 tenement houses, priced between PLN 1 million and PLN 14 million, i.e. the range of PLN 2,000–14,000 in terms of rate per sqm, with an average of PLN 7,000/sqm. It is surprising that the asking price for a tenement house in Podgórze was higher than in Krowodrza, since Krowodrza has always been regarded as more attractive and expensive location. The reason for this phenomenon is the significant increase in demand for investment properties located in Podgórze that has been observed for a few years now. The environs of the streets: Parkowa and Zamoyskiego and Dębniki are considered luxury locations.

Śródmieście is the most important local market, especially Stare Miasto, where listings at the end of year comprised 61 entire tenement houses at prices ranging from PLN 1.3 m to PLN 25 million. Also prices per sqm of listed tenement houses were record-breaking – ranging between PLN 2,300–24,300/sqm, with an average of PLN 10,300/sqm.

All sales listings at the end of 2010 comprised 130 tenement houses – listed either entire or as a share – which is significantly less than the last year (220 listings). The average asking price per sqm of a tenement house situated in Śródmieście increased over the year by as much as 13%, while in Krowodrza – fell by 7%, and in Podgórze – remained unchanged. What had an evident impact on the supply changes was the increase in demand and market turnover as well as changes of buyers' preferences. Also, year after year, sales listings include less and less properties burdened with controlled rents, which improves market attractiveness of a listing and its price. On the other hand, after unsuccessful efforts to sell the entire property in 2009, some owners of tenement houses chose to divide properties into separate housing units and sell them as flats and business premises.

Demand structure in 2010 is marked by the prevalence of investors from the sector of flats and upscale appartments, a limited yet stable demand from the hotel and tourist market (purchases for hotels, hostels, boarding houses and restaurants) and low demand on the part of investors seeking for tenement houses for offices and corporate headquarters. What evidences steady growth of attractiveness of tenement houses is new investments in properties including up-scale appartments in the city centre, the so-called "fill-ins" (structures that fill in the space between existing tenement houses), in which up-scale appartments are sold at record prices. Buyers are willing to pay highest prices for the mix of historical location and luxurious finish to the building and the appartment itself, which is exemplified by the investment at Kopernika Str. (prices in excess of PLN 20,000/sqm of an appartment). This is even more visible on the market of commercial properties, where properties in tenement houses located at high streets were in 2010 offered at the prices exceeding PLN 40,000/sqm.

The past year also saw an increased interest in purchases on the part of foreign investors, although this is merely a small fraction of their commitment in the boom period 2006–2007. Investors are still considering Krakow as a property market of supra-regional and international significance and with high investment potential. Given the depreciation of Polish currency against euro and dollar, prices of tenement houses for foreign investors are increasingly lower and, thus, more attractive.

The outlook for Krakow's market of tenement houses is optimistic as in the second half of 2010 the downward trend lasting for the last few years ended and the upward trend began, with increasing turnover and volume of transactions. The market of tenement houses will continue to be strongly correlated with the market of up-scale appartments, and, to a lesser extent, with the commercial and hotel markets – the markets which in 2010 were similarly coming out of the crisis. Investors will also be encouraged to invest by continuously positive macroeconomic situation in Poland and very strong 'brand' of the touristic capital of Poland.

Summary:

- 2010 saw a reversal of downward trends on the market of tenement houses, as evidenced by the surging market turnover, an increase in the number of transactions and the average price of a tenement houses – substantially higher compared to the previous year.
- In 2010, downward trends in prices per 1 square metre of a tenement house continued, yet dynamics was much lower than in 2008 and 2009, and at the end of 2010 prices per sqm of floor area of a tenement house ceased falling.
- After three years of crisis, in the second half of 2010 the market for tenement houses was once again viewed as an increasingly attractive location for investments, particularly by the residential sector but also hotel and commercial sectors.
- The good brand of Krakow as a city with European significance has a positive impact particularly on the market of tenement houses, considered to be typically Krakow market and, thus, unique, which attracts domestic and foreign investors, additionally encouraged by the relatively low prices of tenement houses due to the depreciation of the Polish currency.
- The coming year is likely to see continuation of the upward trend initiated in 2010, although its dynamics will depend on macroeconomic situation in Poland and the luxury residential market in Krakow.

III.5.1. Single-family houses in Krakow

Market of listings

In 2010, sales listings for buildings fluctuated mostly within the price band of PLN 0.7 million and PLN 1.5 million. Prices per sqm in most listings ranged between PLN 3,800 and PLN 10,000. Prices for well-located properties exceeded the level of PLN 10,000. Listings regarding homes with area between 160 and 300 sqm and buildings located on relatively small plots (4–8.5 acres) prevailed. An average listing on the market was a house with area of 220 sqm situated on nearly 6–acre plot and listed at the price of approximately PLN 1.1 million. Most expensive homes rarely exceeded the ceiling of PLN 2.7 million, with area of the building and land rarely exceeding, respectively – 500 sqm and 15 acres. Last year, listings of homes showed a downward trend and, at the end of the year, were lower by about 9% compared to the listings in the early 2010.

Primary market

Analysis of the primary market against the previous year showed a clear decline in developers' activity. It has been observed that investments on the market of houses were moving to adjacent communes as early as the previous years, and this occurred due to lower land prices and zoning policies (in place in those areas) that have facilitated developers' procurement of building permits. Another factor was the fact that demand for new houses was reduced due to high prices of those properties. Consequently, we have observed oversupply. It is estimated that Krakow's market includes 150 offerings of completed new single-family homes.

The year 2010 saw announcement of development or launch of development of over 200 single-family buildings, mostly semi-detached and terraced houses with the aggregate area of more than 30,000 sqm. This level is lower than the one recorded in 2009 due to an insignificant increase associated with the launch of new investments and gradual sales of completed buildings.

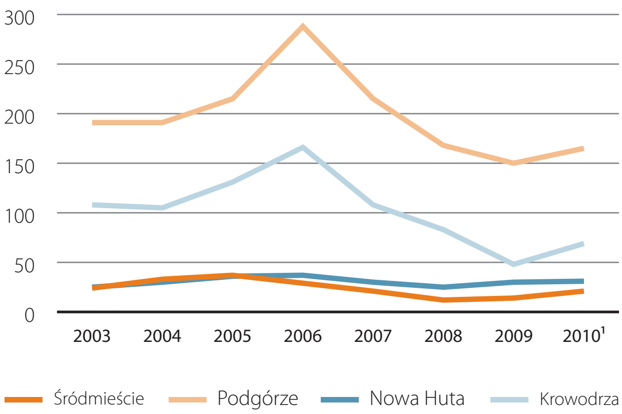
Houses were listed at varying prices depending on the location, finish condition, standard and area of the plot – although we could see a tendency towards more compact development. Observed prices ranged between PLN 3,400 and 5,000/sqm.

The prevailing market situation forces price reductions and greater flexibility on the part of developers. Therefore, during negotiations, developers offer discounts or bonuses – either in the form of extra fittings or extended scope of finish works. Most of these investments are located within peripheries of the city – mostly in Podgórze, the area of Podgórki Tynieckie – Sidzina (Sidzina has a valid zoning plan) and Swoszowice. Developers avoid the areas of Nowa Huta. Although we can see some complexes of buildings being developed there, these are investments pursued by small businesses.

Secondary market

In 2010 the secondary market observed a recovery. The number of transactions rose by several percent. A growth was recorded particularly in the areas which had traditionally the highest number of transactions (Podgórze, Krowodrza).

Number of transactions in the years 2003–2010

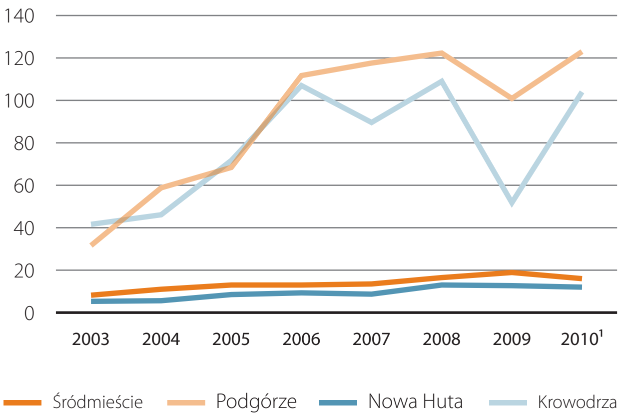


[1] Values estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

A similar phenomenon was reflected in the size of turnover. The turnover rose, approaching the level observed 2008.

Aggregate turnover in the years 2000–2010 (PLN million)



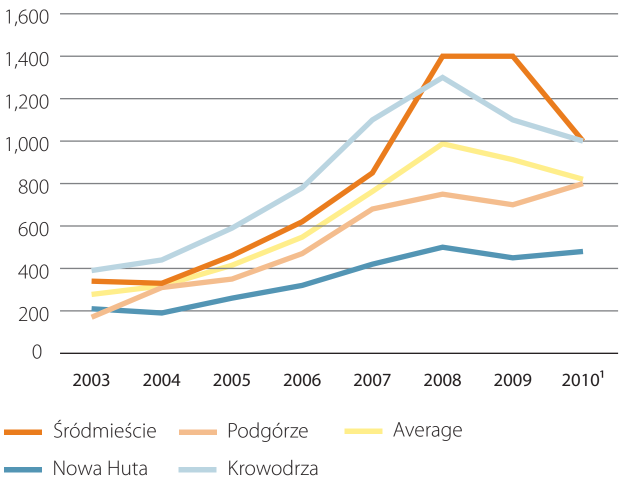
[1] Values estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Further decline in prices of houses were recorded. They largely concerned all of the expensive areas (Śródmieście, Krowodrza). A slight increase in prices was observed in the case of cheap areas (Podgórze, Nowa Huta).

In the light of increased turnover and number of transactions, we can speak of a slight recovery in market activity. This recovery has already resulted in a slight increase in prices for cheap homes, while the segment of expensive homes has observed further regression.

Average prices for a home in the years 2003–2010 (PLN)

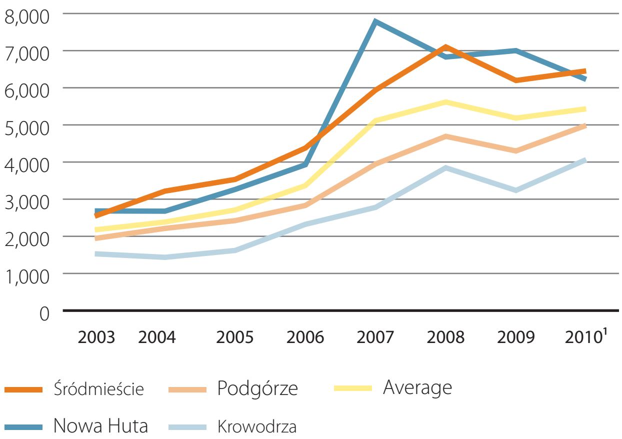


[1] Values estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Similar conclusions can be drawn by observing changes in house prices per sqm. We have observed an increase in average prices per sqm in buildings located in all districts except the most expensive Śródmieście.

Average prices per sqm of a building in the years 2003–2010 (PLN)



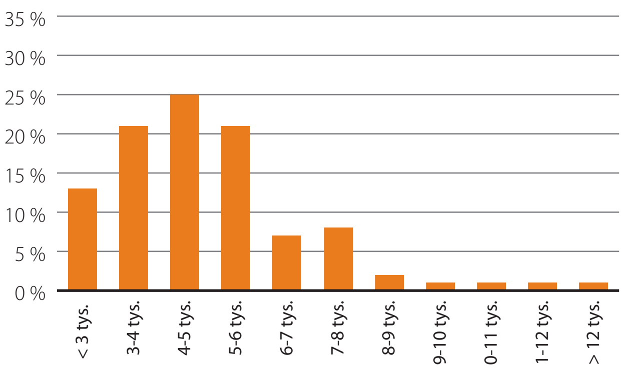
[1] Values estimated based on incomplete data

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Last year's home prices ranged largely between PLN 400,000 and PLN 800,000. Transactions in this price range accounted for nearly half of the turnover in 2010. Transactions amounting to more than PLN 1.2 million represented only 12% of total turnover. This demonstrates demand weakness of the market. Buyers' purchasing power was relatively low despite growing interest in purchasing houses.

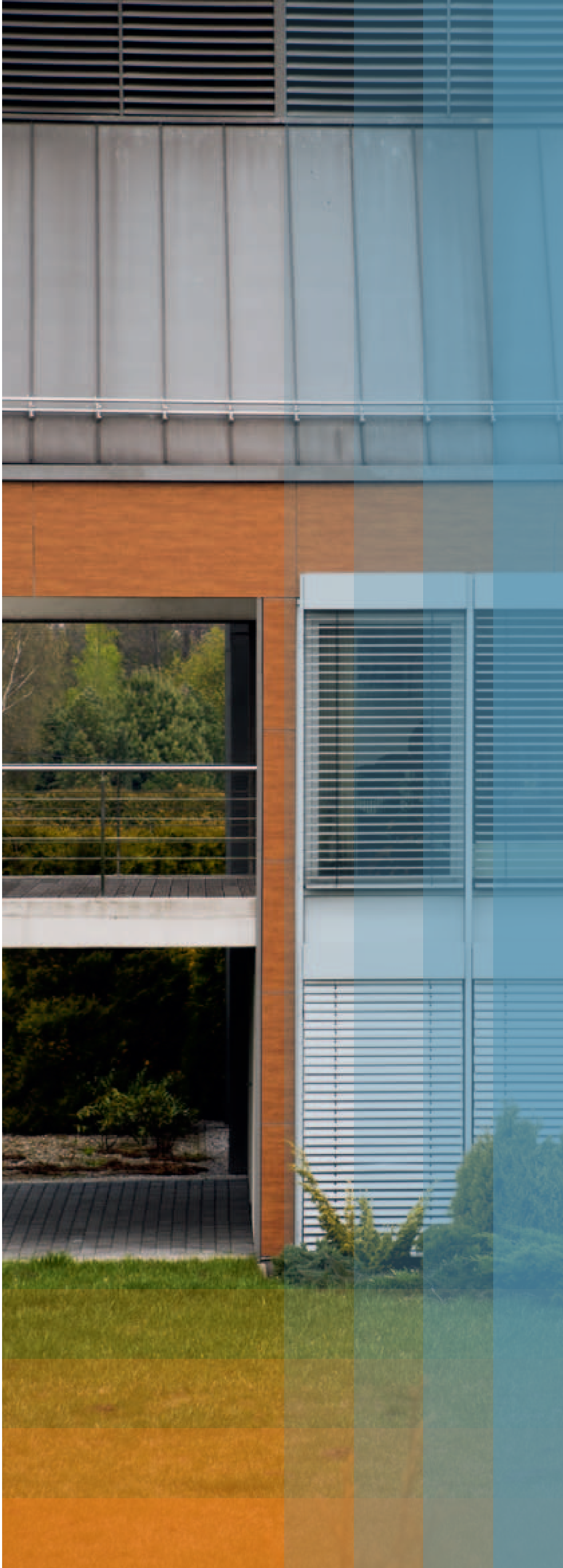
The increase in demand for houses caused the average price to hike to the level of PLN 5,000 per sqm. Just as in 2009, the ceiling was the level of PLN 6,000/sqm.

Distribution of transactions in 2010 in terms of price bands (PLN/sqm)

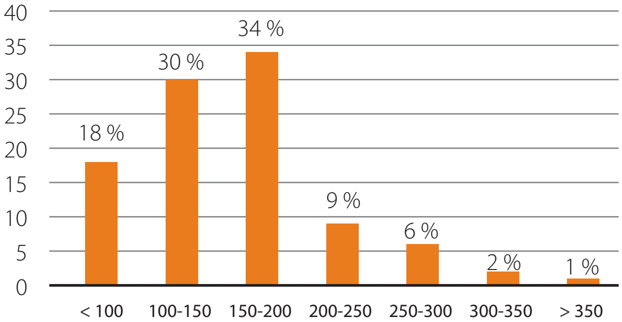


Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Compared to 2009, we saw an increase in the average floor area of houses. In 2010, the most often selling houses were those with area amounting up to 200 sqm. Larger buildings proved less popular.



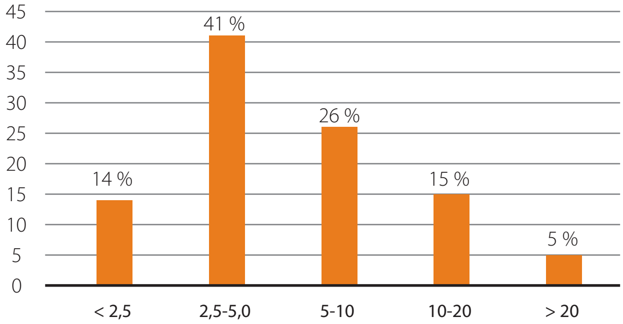
Distribution of transactions in terms of floor area of a home in 2010 (sqm)



Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Vast majority of transactions were in houses situated on small plots. A substantial share of the market included segments in terraced development, with area of plot usually not exceeding 500 sqm.

Distribution of transactions in 2010 in terms of area of plots (are)



Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Summary

In 2010, secondary market of single-family houses located in Krakow observed a surge in demand. This growth translated into a greater number of transactions in the segment of low-cost houses. This resulted in a slight increase in their prices. Prices of expensive homes were still on decline, which demonstrates continuation of buyers' low purchasing power. Due to high prices (low availability), developers' projects recorded a drop in consumers' interest. This segment of the market experienced oversupply.

III.5.2 Single-family houses in Krakow's suburban area

Transactions – Poviat of Krakow and Poviat of Wieliczka

Analysis of transactions made in 2010 points to a decline in Krakow's inhabitants' interest in purchasing single-family houses in the suburban area. However, this applies primarily to developers' sales listings, since the secondary market observed a slight increase in the number of transactions.

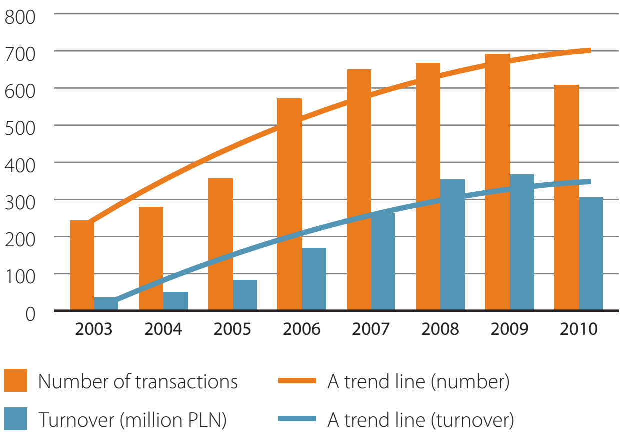
The years 2003 – 2008 saw a steady surge in the number of property-related purchase-sale agreements, both in the Poviat of Krakow and the Poviat of Wieliczka. In 2009, the upward trend in the Poviat of Krakow was accompanied by a significant decrease in the number of transactions in the Poviat of Wieliczka. The year 2010, however, saw a recovery in the Poviat of Wieliczka, while in the Poviat of Krakow no rise in the number of transactions occurred.

Since 2007, the annual number of transactions in the Poviat of Krakow has fluctuated in the range between 600 and 700, with the last year's figure approaching the bottom of this band. With 692 purchase-sale agreements, 2009 proved a record-breaking time in terms of number of transactions. In the last four years, the number of transactions in the Poviat of Wieliczka stayed within the range 250–300, yet 2010 saw a recovery.

In 2010, turnover on the market of single-family houses in the Poviat of Krakow (the aggregate value of all transactions over the year) reached a level of about PLN 300 million, which translated into a decrease by 17% compared to 2009.

Analogous figures for the Poviat of Wieliczka amounted to PLN 150 million in 2010 and PLN 109 million in 2009, and this means a rise in turnover by 36%, which largely stems from a substantial increase in the number of transactions.

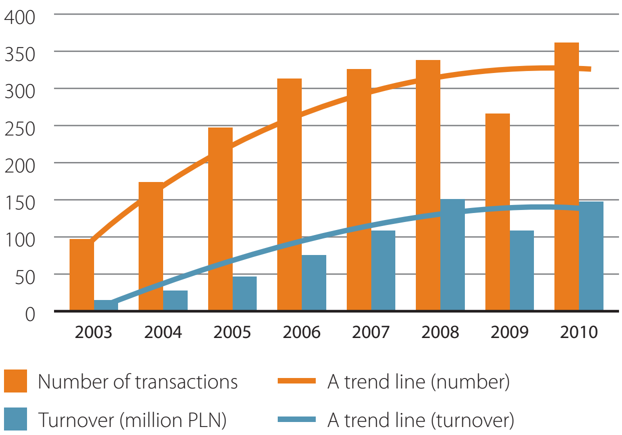
Number of transactions and turnover regarding sale of homes in the Poviat of Krakow



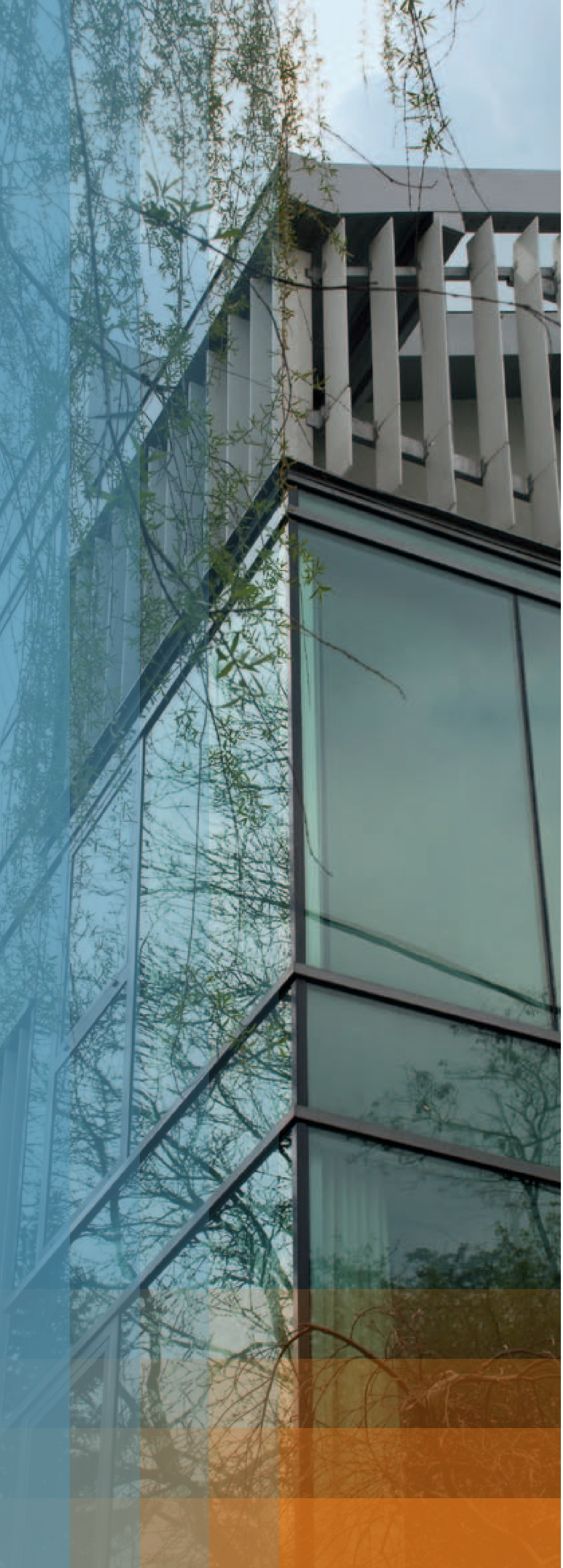
Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Despite the negative data for 2010, trend lines in the above graph, generated for a long time interval (from 2003), allow us to expect positive results in 2011.

Number of transactions and turnover regarding sales of homes in the Poviat of Wieliczka



Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl



In the Poviat of Wieliczka, the trend line shows a slowdown of downward trends in the number of transactions, while the trend in sales turnover is similar to a linear trend.

The largest number of transactions involving single-family homes was observed in the communes of Zielonki, Zabierzów and Wielka Wieś. A significant increase in the number of transactions was observed in the communes of Zabierzów and Zielonki, while in the communes of Liszki and Świątniki Górne the number of transactions declined. The most popular purchases were areas at the north-western limits of the city and the Commune of Mogilany, located south of Krakow.

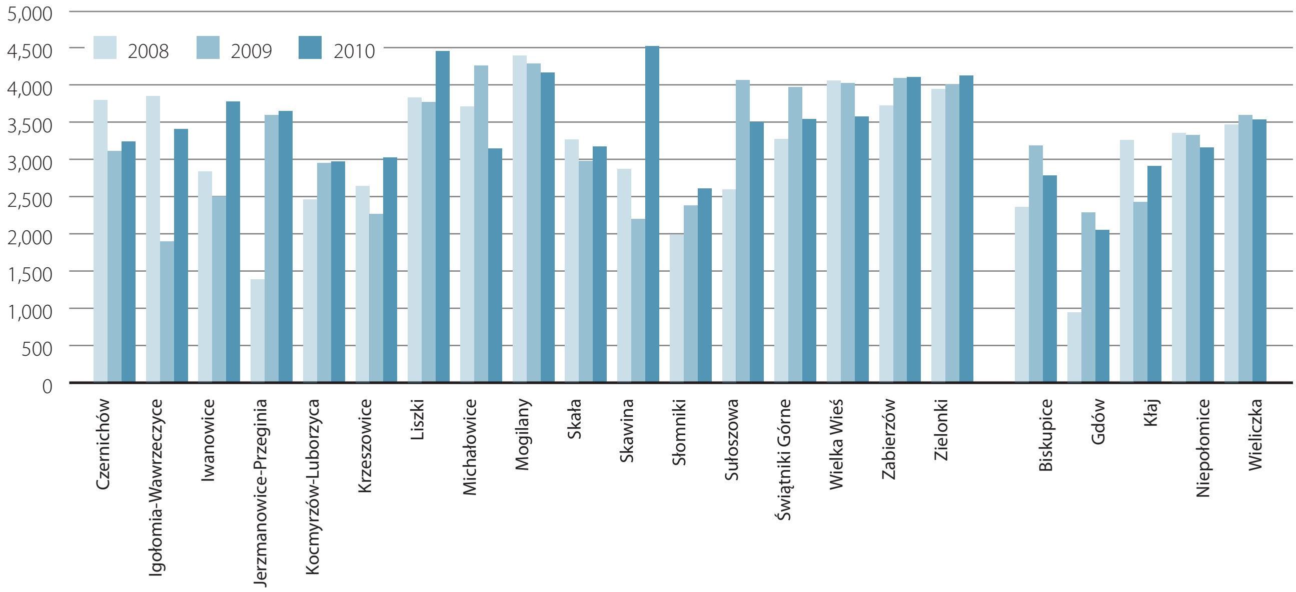
Number of transactions, turnover and average prices of single-family homes in the Poviat of Krakow in 2010

gmina	Number of transactions	Turnover (PLN thousand)	Average transaction price (PLN)
Czernichów	36	12,986	360,722
Igołomia-Wawrzeńczyce	4	1,025	256,250
Iwanowice	8	2,761	345,125
Jerzmanowice-Przeginia	4	2,020	505,000
Kocmyrzów-Luborzyca	23	9,119	396,478
Krzeszowice	35	9,569	273,400
Liszki	14	5,608	400,571
Michałowice	48	25,493	531,104
Mogilany	38	26,907	708,079
Skała	27	11,284	417,926
Skawina	23	11,484	499,304
Słomniki	8	1,690	211,250
Sułoszowa	2	530	265,000
Świątniki Górne	31	11,678	376,710
Wielka Wieś	54	27,603	511,167
Zabierzów	70	41,090	587,000
Zielonki	128	77,192	603,063

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

The highest turnover was observed in the communes of Zielonki, Zabierzów, Wielka Wieś and Michałowice (this is also correlated with the number of transactions), while the highest transaction price was recorded in the Commune of Skawina – where a well-located manor house was sold at a price of PLN 3.9 million. As opposed to 2009, far fewer transactions occurred in the communes of Zielonki, Mogilany and Zabierzów.

The average price of sqm in 2008–2010 in the Poviat of Krakow and Poviat of Wieliczka[1] (PLN)



[1] The average rate for sqm calculated on the basis of transactions with a specified floor area of the building

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

In the case of communes with the highest number of transactions, the average price was observed to decline (except for Zielonki), whereas the communes with the lowest average prices saw an increase in these figures. Both the number of transactions and turnover rose in the Poviat of Wieliczka.

Number of transactions, turnover and average prices of single-family houses in the Poviat of Wieliczka in 2010

Gmina	Number of transactions	Turnover (PLN thousand)	Average transaction price (PLN)
Biskupice	16	5,787	361,688
Gdów – siedziba gminy	5	1,222	244,400
Gdów – pozostałe miejscowości	12	4,954	412,833
Kłaj – siedziba gminy	3	375	125,000
Kłaj – pozostałe miejscowości	12	2,594	216,167
Niepołomice	35	11,122	317,771
Niepołomice – miasto	82	34,999	426,817
Wieliczka	119	52,534	441,462
Wieliczka – miasto	45	20,620	458,222

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Transactions located in the City of Wieliczka and the Commune of Wieliczka accounted for 50% transactions that occurred in the Poviat of Wieliczka, while transactions in Niepołomice (predominantly in the city) accounted for 36% transactions in this Poviat. Houses in Wieliczka and Niepołomice reached highest average prices per sqm.

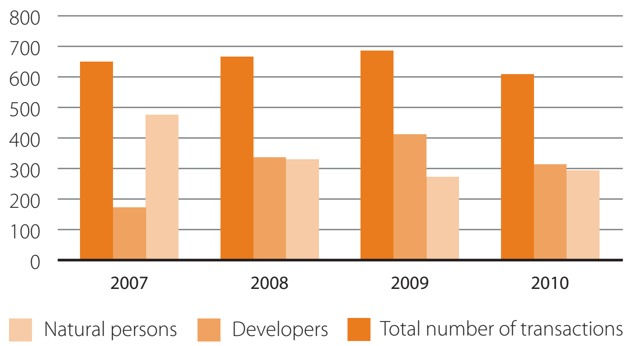
These communes observed stabilisation of prices per sqm of floor area. It is worth mentioning that the Commune of Gdów has seen regular annual increases in prices.

The most expensive transaction recorded in 2010 occurred in the Poviat of Wieliczka and concerned the property located in Jaroszówka (the Commune of Gdów) on a large plot including a home and recreation and utility buildings. The highest price per sqm paid for a single-family home was recorded in the in Bodzanów (the Commune of Biskupice).

Property developer market – the Poviat of Krakow and the Poviat of Wieliczka

The year 2010 saw declines in developer transactions. The largest number of such purchases were made in 2009.

Overview of the number of transactions carried out by developers and natural persons in the Poviat of Krakow in the years 2007–2010



Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

The overview of transactions points to a decline in the number of developer investments and, probably, the shift of potential buyers towards other segments on the property market (e.g. larger appartments within the city limits). What should be emphasized is the high activity on the secondary market, as shown by the increase in the number of transactions.

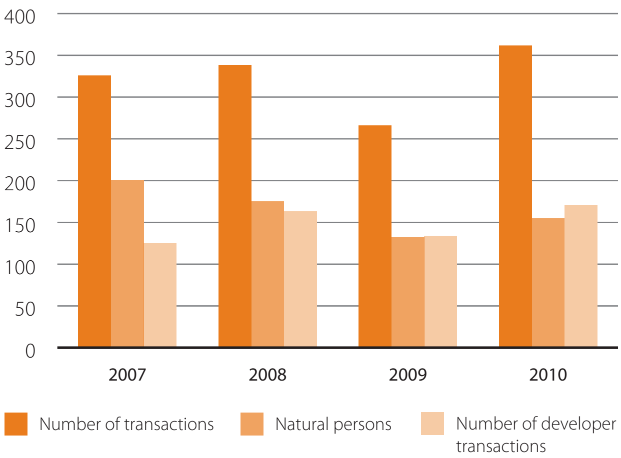
In estates of single-family houses developed in the recent years in the communes adjacent to Krakow – Zielonki, Zabierzów, Michałowice and Mogilany, homes were listed at prices similar to average prices for a given area. Developers provided modern standards and the fence around the settlements.

Overview of turnover, highest and lowest prices, and average prices per sqm in developer sales within selected communes of the Poviat of Krakow in 2010

	Turnover (PLN thousand)	Min. Price (PLN/sqm)	Average Price (PLN/sqm)	Max. Price (PLN/sqm)	Average transaction price (PLN)	Minimum transaction price (PLN)	Maximum transaction price (PLN)
Czernichów	7,369	2,993	3,613	4,877	460,563	330,000	587,000
Iwanowice	766	b.d.	1,945	b.d.	383,000	376,000	390,000
Kocmyrzów-Luborzyca	4,648	2,038	2,630	3,308	422,545	b.d.	b.d.
Krzeszowice	2,128	3,081	3,551	4,022	582,000	500,000	810,000
Liszki	1,718	4,112	4,112	4,112	429,500	400,000	900,000
Michałowice	17,472	1,905	2,906	3,821	529,455	380,000	1,100,000
Mogilany	20,074	2,348	4,434	6,180	836,417	224,246	2,427,000
Skała	3,160	2,171	3,035	3,763	415,429	350,000	575,000
Skawina	635	3,489	3,489	3,489	635,000	635,000	635,000
Świątniki Górne	6,097	2,740	3,482	4,417	338,722	140,000	455,000
Wielka Wieś	21,037	1,663	3,554	5,819	525,925	300,000	780,000
Zabierzów	20,538	2,857	4,300	5,546	540,474	375,000	944,000
Zielonki	52,631	2,628	4,223	6,907	611,980	351,944	1,679,000

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Overview of the number of transactions carried out by developers and natural persons in the Poviat of Wieliczka in the years 2007–2010



Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

The highest average prices were still observable in the Commune of Mogilany, Wielka Wieś, Zabierzów and Zielonki.

In 2010, in the Poviat of Wieliczka the share of developer market in the market of single-family houses stayed at a similar level to the one that occurred in previous years.

Developer sales transactions occurred in the Communes of Wieliczka and Niepołomice and – for the first time – in the Commune of Biskupice; other communes saw only one transaction of this type. Wieliczka (a commune and city) remained the leader also in developer sales.

Overview of turnover, highest and lowest prices, and average prices per sqm in developer sales in selected communes of the Poviat of Wieliczka in 2010

	Turnover (PLN thousand)	Min. Price (PLN/sqm)	Average Price (PLN/sqm)	Max. Price (PLN/sqm)	Average transaction price (PLN)	Maximum transaction price (PLN)	Minimum transaction price (PLN)
Biskupice	384,167	1,151	2,395	2,814	2,305	470,000	200,000
Niepołomice	5,993	3,022	3,545	4,066	499,417	1,063,160	175,000
Niepołomice – miasto	29,522	2,278	3,474	4,611	448,845	602,000	270,000
Wieliczka	31,411	1,338	3,732	5,647	475,924	795,000	100,000
Wieliczka – miasto	8 588	2 125	3 862	5,283	477,111	625,000	340,000

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Transactions – Summary

Given the hard situation on the property market, the segment of single-family houses observed comparatively substantial number of transactions, and prices per sqm also continued to be high. The number of transactions on the market in the Poviat of Krakow declined, while the Poviat of Wieliczka saw a positive change in this regard.

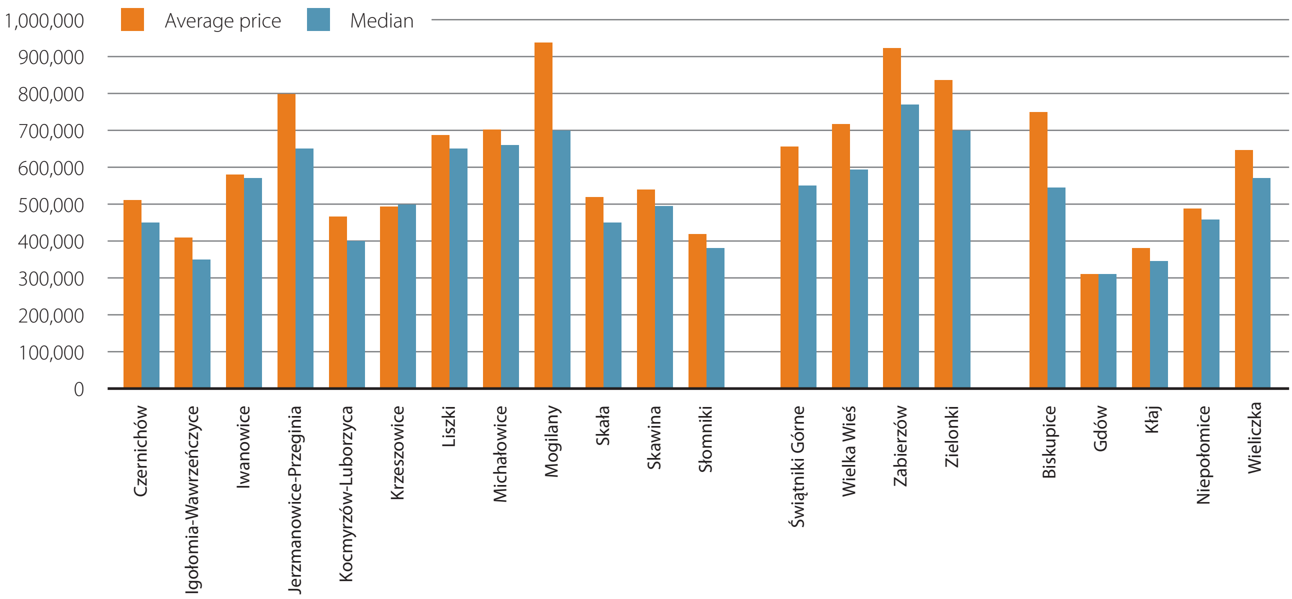
Most popular properties were those located up to 25 km from Krakow, though buyers also sought for properties in remoter locations at convenient prices. In future, listings will include more and more terraced and semi-detached houses listed by developers and on the secondary market.

Analysis of trends in the market of houses in suburban areas shows an increase in prices in undervalued towns located further away from Krakow while in the communes with previously the highest transaction prices – the arrest of or even decline in prices.

House listings – the Poviat of Krakow and the Poviat of Wieliczka

Analysis of listings was carried out based on data posted on one of Internet portals. The study included listings published in 2010 and still open in early 2011. The analysis is based on 1,696 listings, including 1,318 listings related to properties located in the Poviat of Krakow and 378 properties in the Poviat of Wieliczka. Listed houses represented differing standards and technical conditions, some of them being still under construction.

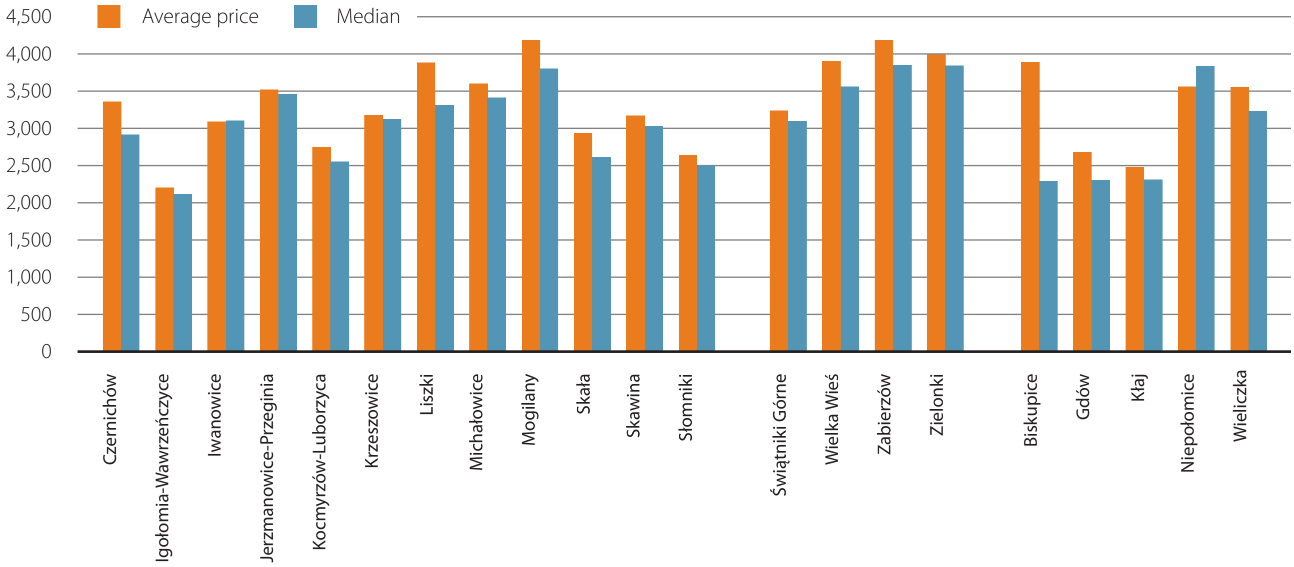
The average asking price in 2010 in the Poviat of Krakow and Poviat of Wieliczka (PLN)



Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

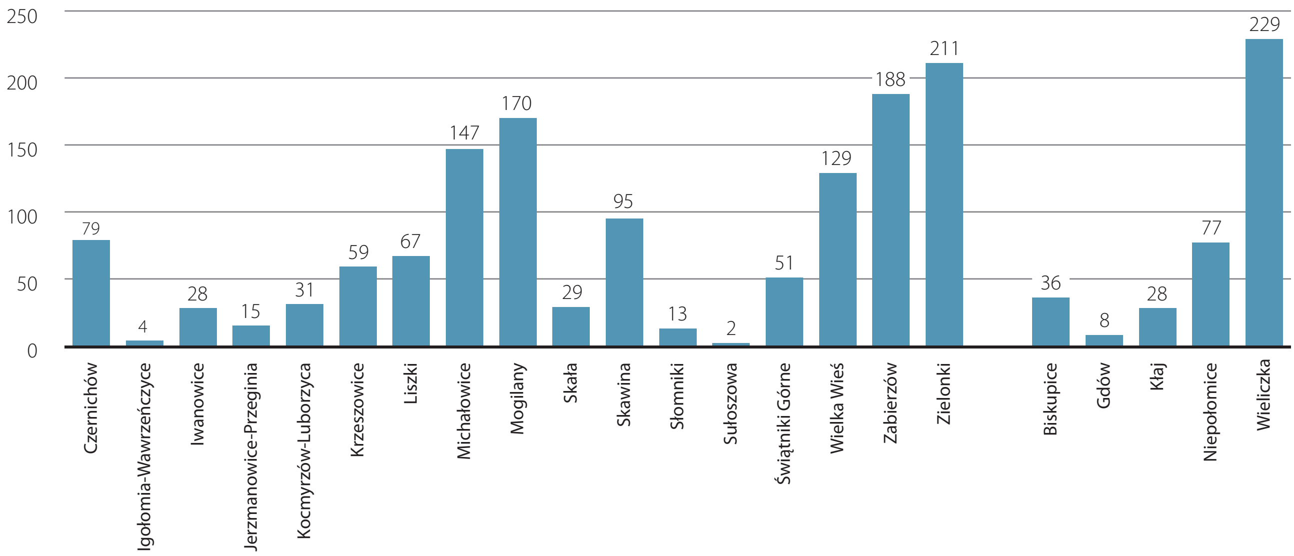
The vast majority of listings in the Poviat of Krakow were related to houses located in the communes of Zielonki, Zabierzów, Mogilany, Michałowice and Wielka Wieś. Igołomia-Wawrzeńczyce and Sułoszowa were communes with the smallest number of homes listed for sale.The area of homes listed for sale varied greatly: the area of small, mostly old farm houses, was largely below 100 sqm, (an average of about 70 sqm). Listings also included residences with area above 400 sqm. The median of area for listed houses was 180 sqm, and the average area – 198 sqm. The highest average price in the Poviat of Krakow was PLN 770,000 (the Commune of Zabierzów), and the lowest – PLN 350,000 – in the Commune of Igołomnia-Wawrzeńczyce. Only two listings were found in the Commune of Sułoszowa. The highest asking prices regarded listings of homes in the communes: Zielonki (PLN 4.9 million), Mogilany (PLN 2.69 million), Zabierzów (PLN 2.5 million) Michałowice (PLN 2.2 million), Wielka Wieś (PLN 2.1 million) and Liszki (PLN 2.0 million). The highest prices per sqm concerned listings in the communes of Mogilany, Zabierzów and Zielonki, and also the communes: Wielka Wieś, Jerzmanowice-Przeginia, Michałowice and Liszki.

Average prices of house per sqm in the Poviat of Krakow and Poviat of Wieliczka in 2010 (PLN)



Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Number of house listings located in the communes of the Poviat of Krakow and the Poviat of Wieliczka in 2010



Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Houses located in the Commune of Wieliczka and the City of Wieliczka accounted for 60% of all house listings in the Poviat of Wieliczka. Listed homes were diversified in terms of area: the area of small farm houses was in the range between 40 sqm and 80 sqm, while the area of new residences reached over 400 sqm. The average area of listed houses was 165 sqm. The average area of houses listed in the Poviat of Wieliczka was 148 sqm, with the average area in the Commune of Wieliczka amounting to 170 sqm, and in the Commune of Biskupice – 165 sqm.

The highest average price in the communes of the Poviat of Wieliczka was PLN 570,000 (the Commune of Wieliczka). The lowest average price – PLN 310,000. PLN – for a listing in the Commune of Gdów. The highest asking prices regarded houses in the Poviat of Wieliczka (PLN 2.8 million), the Commune of Biskupice (PLN 1.8 million), the Commune of Niepołomice (PLN 950,000). The lowest asking price was observed in the Commune of Kłaj – PLN 85,000. The highest prices per sqm regarded listings from the Commune of Biskupice, Niepołomice and Wieliczka.

Listed homes – summary

The highest asking prices (and also the highest prices per sqm for houses listed) and the greatest number of listings were observed in the communes of Mogilany, Zielonki and Zabierzów in the Poviat of Krakow.

In the Poviat of Wieliczka, the greatest number of listings and the highest average prices of houses were observed in the Commune of Wieliczka; in the Commune of Biskupice the average asking price was distorted by individual listings.

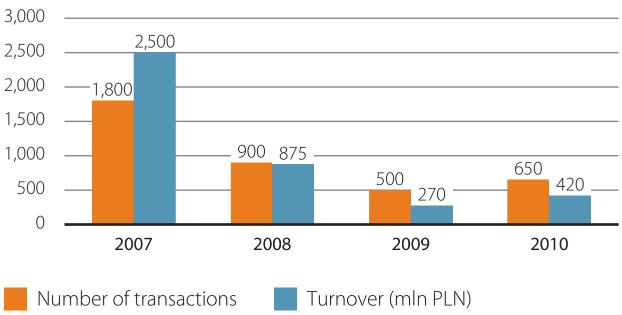
Note the level of average prices in the Commune of Wieliczka: similar prices are observed in listings of houses in the adjacent Commune of Świątniki Górne in the Poviat of Krakow. The median of asking prices in the Commune of Wieliczka is slightly lower than the median of prices in the Commune of Wielka Wieś.

IV. Land

IV.1. Land in Krakow

The year 2010 brought in Krakow a slight recovery on the land market, especially in the case of investment plots. This was reflected in increased number of transactions and turnover compared to figures of 2009. In 2008 we have recorded approximately 900 transactions and the turnover of PLN 870 million. In the weaker year 2009, the market saw approximately 500 transactions and a very low value of turnover – around PLN 270 million. Preliminary data show that in 2010 there were about 650 transactions, with turnover of PLN 420 million. Over the year, the market experienced a 50% increase in turnover, although it was still lower by almost 50% compared with 2008. What demonstrates market recovery, particularly in the second half of the year, is the fact that several transactions totalling tens of millions of PLN were made. Another symptom of recovery in 2010 was the number of transactions in large plots – several transactions for plots with the area of at least 1 ha were observed, compared to just a few transactions in 2009.

Number of transactions and turnover on the land market in Krakow in the years 2007–2010 [1]

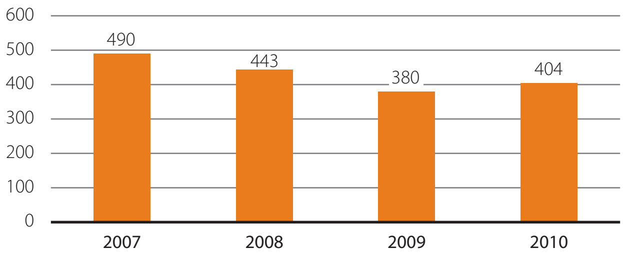


[1] Data does exclude plots acquired by the Commune and the State Treasury in relation to implementation of road projects and contributions made between various stakeholders. For 2010 – preliminary estimate data.

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

In 2010, the average price of building land rose by 6% compared to 2009. Particularly high increases were in prices of investment land (mostly the land for multi-family housing and development of residential and service character). Prices of land, from the record high level of 2007, decreased by about 30–40%, reaching the minimum level in the second half of 2009.

Prices of land for multifamily housing in 2010 (PLN/sqm)



[1] Data does exclude plots acquired by the Commune and the State Treasury in relation to implementation of road projects and contributions made between various stakeholders. For 2010 – preliminary estimate data.

Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

Invariably, as in previous years, plots for single-family housing had the largest share in the trade in land. In 2010, these transactions accounted for nearly 70% of all transactions in building plots and, that is less by a few percent compared to 2009.

However, in terms of the value of transactions on the market of plots, these plots accounted for the biggest percentage (more than 55%) of trade in land as a result of clear recovery in the segment of plots for multi-family housing and residential and service development. The share of plots for single-family housing dropped to about 25%. However, the share of plots for commercial devel-

opment fell in terms of value to about 13 %. The remaining 7 % of the share in turnover on the market of land property fell to agricultural and industrial land and public green space.

The market of land for housing and multi-family housing and residential and service development was asymmetrical in individual districts in terms of the number of transactions and the value of turnover. Over 70 % of the value of turnover fell to Śródmieście, where we saw a return of transactions amounting to a few millions of PLN each. Investors focused on the areas of Grzegórzki, Rakowice, Wieczysta and Prądnik Czerwony. The most expensive transaction in terms of price per sqm was carried out at Kupa Str. in Kazimierz, where a plot with area of 263 sqm was sold at the price above PLN 6,700/sqm. The average transaction price in Śródmieście rose by about 11 %.

In Krowodrza, due to the small number of market transactions in the land of this type, it is hard to perceive a long-term upward trend. An interesting thing is that a small plot with area of 222 sqm at Senatorska Str. in the centre of Salwator was sold at the price per sqm amounting to PLN 5,400.

In Podgórze, the situation in this sector was much more interesting – prices surged here on the average by almost 20 %. The high growth was a result of the low starting price in 2009 and the fact that many land transactions carried out in in 2010 regarded plots with increased building intensity. The most active area was the area of Łagiewniki – Borek Fałęcki, and only then – Ruczaj, Płaszów and Prokocim.

Prices of land for multifamily housing in 2010 (PLN/sqm)

Krowodrza	Nowa Huta	Podgórze	Śródmieście
700–5,000	400–1,400	400–3,300	700–8,200

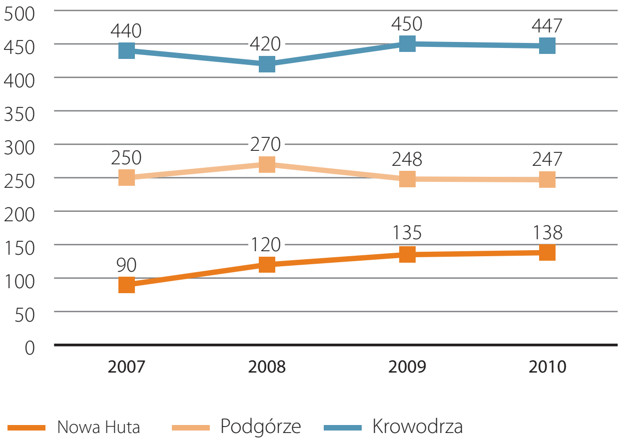
Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

The market of plots for single-family housing was stable. Prices did not change compared to 2009. Small price movements, both upward and downward, occurred independently in different parts of the city, depending on appearance of additional supply. The main factor that triggered additional supply was the fact that zoning plans were drawn up for new areas and the previously unused land was freed up. In Krowodrza – a district attractive in this regard – in 2010 the price of land remained virtually unchanged, fluctuating at the level of around 450 PLN/sqm. Invariably, the highest price for land for low intensity development were paid in Wola Justowska – on the average between PLN 700 – 1,200/sqm.

In Podgórze, a district with the largest area accounting for 70 % of land transactions in Krakow, the average price also remained unchanged, amounting to around PLN 250/sgm. Most transactions occurred in the vast areas of Skotniki, Kobierzyn, Opatkowice, Swoszowice and Tyniec. Relatively large transactions took place in Piaski Wielkie and Stary Bieżanów. These areas are largely covered with zoning plans, which improves the transaction liquidity and reduces investment risk.

In 2010 prices of plots in Nowa Huta remained stable. Most transactions occurred in Grębałów, Mogiła and Branice. In Mogiła and Grębałów transaction prices fluctuated in the range of 120–280 PLN/sqm; in Branice – 60–120 PLN/sqm.

Average prices of land for single-family homes in Krakow (PLN/sqm)



Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

As regards the market of commercial plots, it is difficult to see here a recovery similar to that on the market of plots for multi-family housing. It is worth mentioning two transactions in land sales, though: the sale of land with area of 2.2 ha at Pachońskiego Str. – at the price of PLN 1,000/sqm, and at Siewna Str. – a plot with area of 63 ares at the price of PLN 1,200/sqm. No significant transactions occurred in this segment in 2010. On the market of industrial plots, primarily including land in Podgórze and Nowa Huta, prices remained unchanged in comparison to the year 2009, i.e. PLN 80–250/sqm in Podgórze, and between 70–220 PLN/sqm in Nowa Huta. In this segment, no increase in interest in new locations has been observed.

Summary

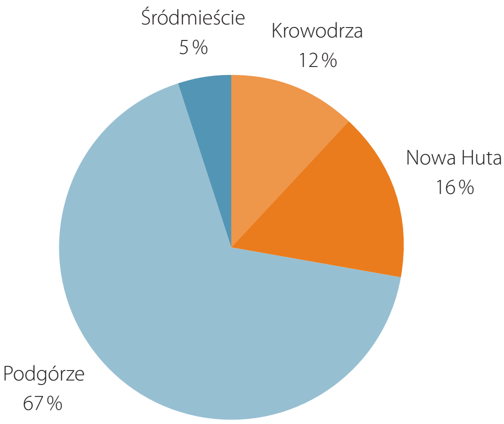
In 2010, the number of transactions and value of turnover on Krakow's land market rose by more than 50%. The recovery regarded mainly the segment of plots for multi-family housing and residential and service development. However, the market of land for single-family housing has shown to be stable. Prices did not change compared to 2009. Small price movements, both upward and downward, occurred independently in different parts of the city, depending on appearance of additional supply.

Green spaces

Urban green spaces within the administrative limits of Krakow account for less than 9% of the city's area. Urban green spaces include more than 1,400 hectares of forest, about 425 hectares of parks, over 100 hectares of cemetery green spaces and almost 1,000 ha of other types of green spaces (allotment gardens, fortress green spaces, shrubs and bushes, green spaces at watercourses and water reservoirs, roadside green spaces). Additionally, about 3,500 hectares of land is a reserve – non-landscaped green spaces – in the form of so-called wastelands and fields and meadows. In total, these accounted for about 20% of city's area that may be considered green spaces. With the green reserves, Krakow can develop as a city friendly to inhabitants and visitors. Proximity of green spaces both at home and work is to improve people's well-being, build prestige of the environment and district, and also add to the value of the whole city. In urban areas, green spaces raise the value of construction property located in the vicinity. Whatever the form of ownership, such land is a good used by the public free of charge. The proximity to forest and park within a city particularly contributes to the increase in value of the property. What is highlighted in developers' advertisements of new residential projects is the location in the vicinity of green spaces.

Over the last year, trade in such properties has increased several times compared to the year 2009. According to data for the first three quarters, the year 2010 has seen 72 sales of green spaces, including: 2 in Śródmieście; 14 in Krowodrza, 9 in Nowa Huta and 17 in Podgórze. The total area of properties sold was 21 ha 41 a 48 sqm, and the total turnover amounted to more than PLN 17,95 million. Podgórze had the largest share (67 %) in the area of green spaces sold. The other part was divided into Nowa Huta – 16 %, Krowodrza – 12 % and Śródmieście – 5 %.

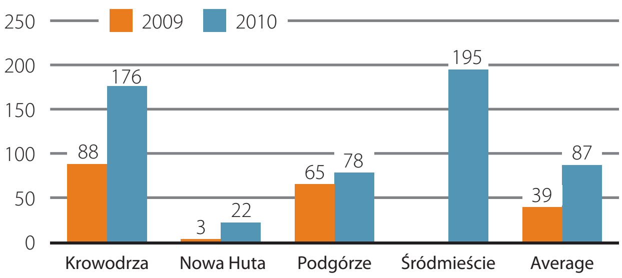
Districts' share in the area of green spaces sold in Krakow in 2010



Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

The average selling price for green spaces in Krakow was almost 87 PLN/sqm. This price increased by over 100 % compared to the average of 2009. The increase in the average price was caused not just by changes in prices, occurring naturally over time, but the increased number of transactions in the most expensive districts – in Śródmieście and Krowodrza. These transactions should be seen primarily as investments carried out with an assumption that the zoning plan will be modified in the long run and as a consequence of relaxed legal restrictions on the exclusion of land in urban areas from agricultural production.

Average selling prices of green spaces in Krakow in 2009–2010 (PLN/sqm)

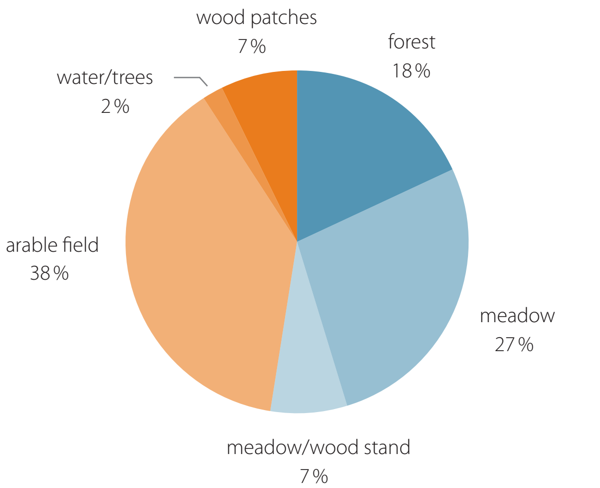


Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

The highest average price – nearly 200 sqm – was seen in Śródmieście and resulted from only two transactions in property situated at the northern boundary of the city. In Krowodrza, the average price was slightly lower – about PLN 175 sqm. A moderate price of land designated as green spaces was recorded in Podgórze – almost PLN 80/sqm, and the lowest, in Nowa Huta – somewhat below PLN 20/sqm.

Arable land and meadows accounted for the largest percentage of sold plots that were qualified as urban green spaces – respectively, 38 % and 27 %. The other part of this area included arable land partially or wholly covered by trees: forests, field forest patches, as well as riverside forest patches and those located within housing estates.

Share of arable land in the area of sold green spaces

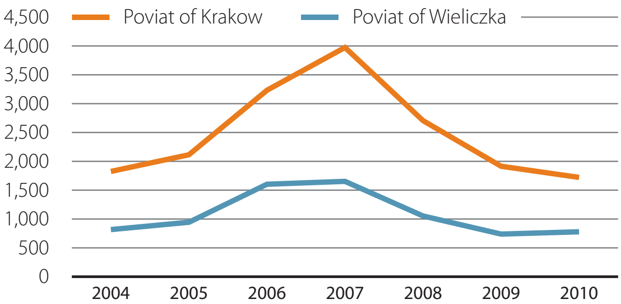


Source: Instytut Analiz Monitor Rynku Nieruchomości – mrn.pl

All transactions used in the calculations regard properties intended in a zoning plan or Krakow's study of land use conditions and directions for green spaces, forest or arable land without development rights.

IV.2. The land in suburban area

Average prices of building plots in the Poviat of Krakow and the Poviat of Wieliczka (PLN/sqm)



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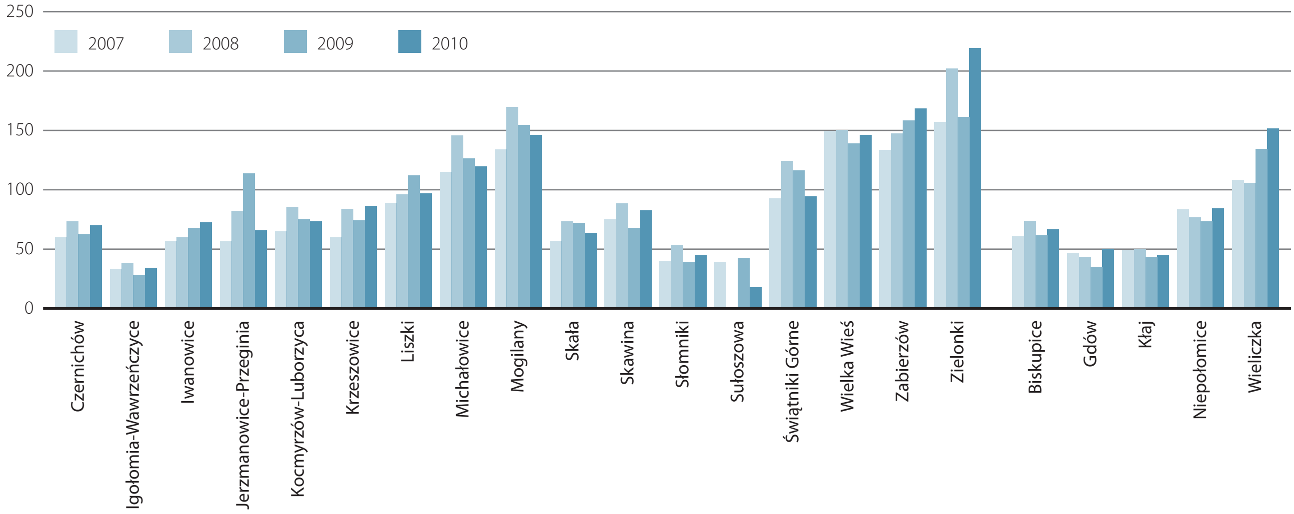
Just as 2009, the last year was marked by very low, or even "frozen" activity on the property market. The number of transactions, on decline since 2008, fell below the level of the year 2005, which marked the beginning of several years of a bull market.

The decline in market activity was not uniform – most communes of the Poviat of Krakow experienced deepening stagnation, though some communes (Zabierzów, Mogilany, Czernichów, Wielka Wieś) could see a slight recovery. At the moment, the highest number of transactions are carried out in the communes of Zabierzów, Liszki and Skawina in the Poviat of Krakow and the communes of Wieliczka, Niepołomice and Gdów in the Poviat of Wieliczka. The total number of transactions in the Poviat of Krakow has slightly decreased, and in the Poviat of Wieliczka – slightly rose.

Interestingly, despite general decline in the number of transactions and clear drop in prices of land that allow development, parts of some communes (Jerzmanowice-Przeginia, Świątniki Górne, Liszki, Skała) observed a marked increase, and these include, among others, communes of the Poviat of Wieliczka. While increases in the Poviat of Wieliczka seem to be consistent, then in the district of Krakow they are of local nature and, outside communes of Zielonki, Skawina, Igołomia-Wawrzeńczyce and Krzeszowice, do not exceed 15 %. The average level of prices of building plots is still quite high – in most communes prices remain above the level of 2007, and average prices in the Poviat of Wieliczka have reached the highest level ever.

Average prices of building plots in the Poviat of Krakow and the Poviat of Wieliczka (PLN/sqm)



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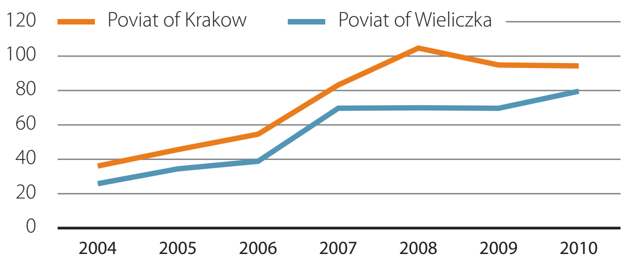
Average prices of building plots (PLN/sqm)



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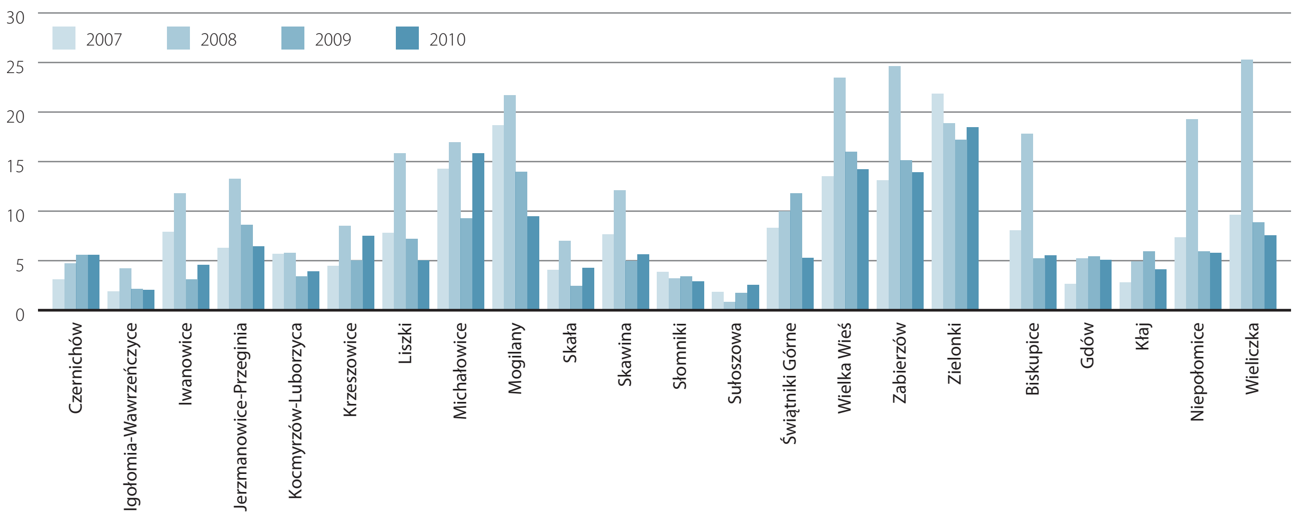
The situation of the sector of non-building land, which includes arable land, green spaces and spaces with ecological significance, is less clear. After very clear declines in 2009 that reached 35 % and 55 %, respectively, in the Poviat of Krakow and the Poviat of Wieliczka, 2010 has seen the average price in these poviats remain at a level similar compared to the last year. Nevertheless, in some communes considerable price fluctuations were observed. Prices of arable land rose particularly in the communes of Skała and Michałowice (growth above 70 %), while the largest decreases (over 30 %) took place in Świątniki Górne, Mogilany and Liszki. Despite these significant differences compared to last year, no correlation was observed between zoning situation in the communes and price fluctuation, which which proves great inconsistency on the part of investors. In the communes of the Poviat of Wieliczka, price fluctuations are insignificant, thus we can talk of stabilisation.

Average prices of arable plots in the Poviat of Krakow and the Poviat of Wieliczka (PLN/sqm)



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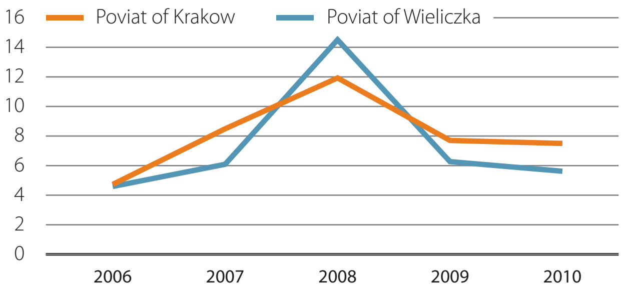
The average price of arable land and green spaces in poviats (PLN/sqm)



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Commercial and industrial land, most resilient to crisis so far, have not withstand the tempo of the price surge, which is reflected in clear price drops in the last year. The only commune in the Poviat of Krakow to observe an increase (14%) in prices was Skawina. Prices in other communes either remained unchanged or dropped. The largest price decrease was recorded in the Commune of Liszki, where most transactions concerned the plots located in the vicinity of the airport. The only commune in the Poviat of Wieliczka to resist price drops was the Commune of Wieliczka, where the recorded growth was more than 20%.

To put it in one sentence, the market of land in the vicinity of Krakow is in a wait state, and prices do not show clear trends. Despite a fairly large supply of land, sellers are reluctant to cut prices. This stems from low cost of maintaining land, as opposed to maintenance cost for built-up property and buildings. Buyers – in this market segment predominantly individual investors and small businesses – buy property mainly for their own needs. Speculative purchases and large development investments that occurred o a massive scale until recently are history now. In the face of society's low purchasing power, less and less is said about acquisition of land as a deposit of capital.

Forecast

The situation on the land market in Krakow metropolitan area is now pretty difficult to assess, but it seems highly likely that in the coming months the prices will remain at the current level. In spring, we should see the end of the period marked by an insignificant number of transactions that has lasted for two years now – the number of individual investors will increase, and the market will be likely to see a return of the developers that recently showed little activity

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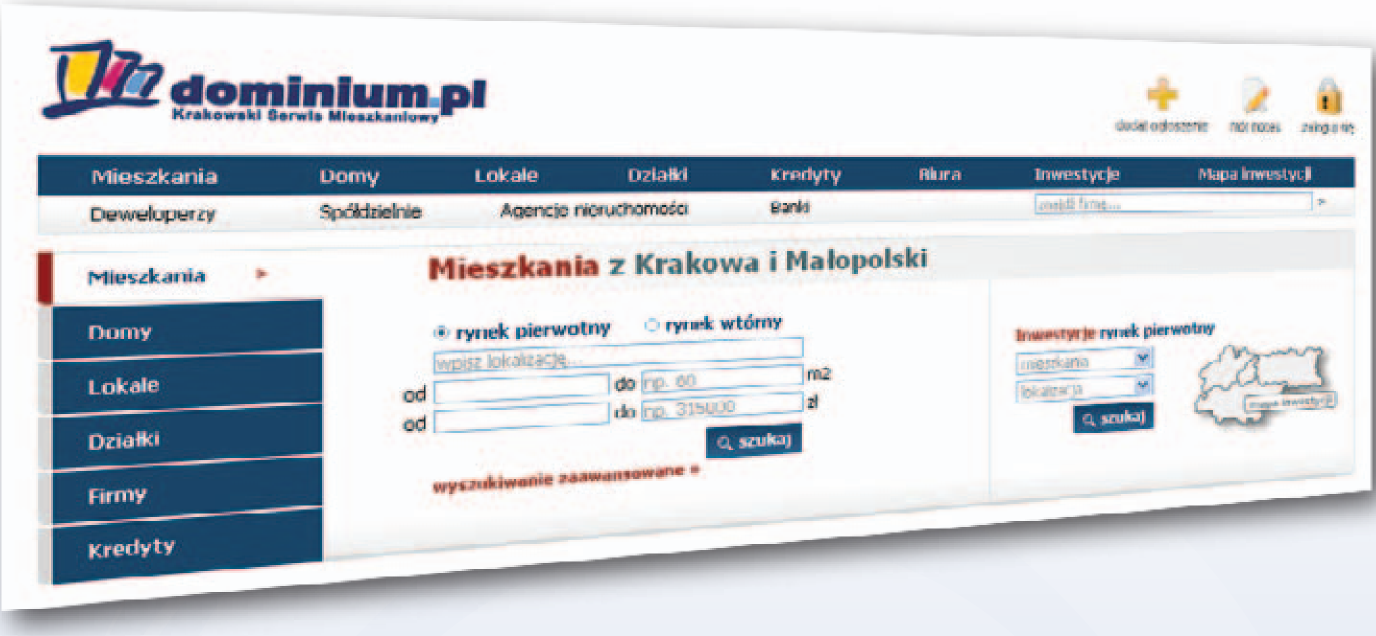

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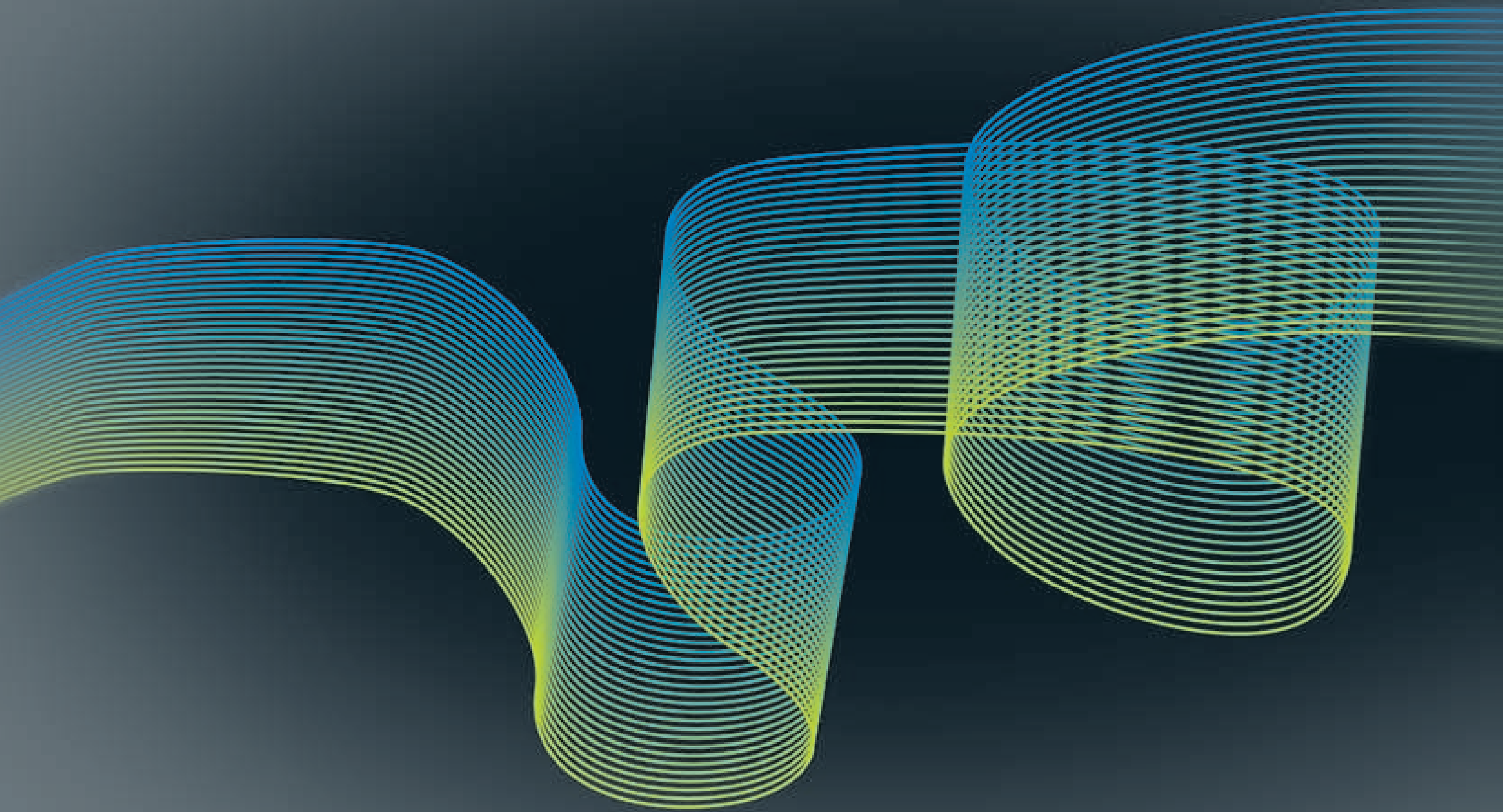

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