

Poland's Recovering¹ Housing² Market

After a slump³ of several years, it appears that the real estate⁴ market in Poland may finally be on the upswing⁵. Which factors indicate⁶ this positive trend, and is it likely to continue? **Michael Gaylord** recently hit the streets⁷ in Warsaw to see what's driving⁸ this turnaround⁹.

If you have been in the market for¹⁰ purchasing¹¹ a new home — either a detached house¹² or a flat — you've probably noticed that in recent years prices have hit rock bottom¹³, especially in comparison to¹⁴ the boom times of 2006 to 2008. However, the situation hasn't been all rosy¹⁵ if it's considered¹⁶ from the perspective of overall economic health of the country. A depressed residential¹⁷ property¹⁸ market can have negative knock-on effects¹⁹ — for example, reduced housing starts²⁰ means less work in the construction sector and less revenue²¹ for some parts of the retail²² sector (such as furniture and appliances²³). Also, when homes are sold the transaction costs themselves generate revenue for financial sectors of the economy. For instance, notaries²⁴, whose

¹ to recover *tə rɪ'kʌvə(r)* dojść do siebie, wrócić do dawnego poziomu

² housing *'haʊzɪŋ* mieszkaniowy

³ slump *slʌmp* okres zastoju

⁴ real estate *riəl 'ɪsteɪt* nieruchomości

⁵ to be on the upswing *tə bi ɒn ðɪ 'ʌpswɪŋ* poprawiać się, zwyżkować

⁶ to indicate sth *tʊ 'ɪndɪkeɪt 'sʌmθɪŋ* wskazywać na coś

⁷ to hit the streets *tə hɪt ðə stri:ts* wyjść na ulice

⁸ to drive sth *tə draɪv 'sʌmθɪŋ* napędzać coś, zasilać

⁹ turnaround *'tɜ:nəraʊnd* odwrócenie losów, zmiana na lepsze

¹⁰ to be in the market for sth *tə bi ɪn ðə 'mɑ:kit fə(r) 'sʌmθɪŋ* planować zakup czegoś, rozglądać się za czymś

¹¹ to purchase *tə 'pɜ:tʃəs* nabyć

¹² detached house *dɪ'tætʃt haʊs* dom wolno stojący

¹³ to hit rock bottom *tə hɪt rɒk 'bɒtəm* znaleźć się/spaść na same dno

¹⁴ in comparison to *ɪn kəm'pærɪsn* *tə* w porównaniu do

¹⁵ rosy *'rɒzi* różowy (np. o sytuacji)

¹⁶ to consider *tə kən'sɪdə(r)* rozważyć, przeanalizować

¹⁷ residential *'rezi'denʃl* mieszkalny

¹⁸ property *'prɒpəti* nieruchomość

¹⁹ knock-on effect *nɒk ɒn ɪ'fekt* efekt domina

²⁰ housing starts *'haʊzɪŋ stɑ:tɪs* wskaźnik nowo powstających mieszkań, budowa nowych domów/mieszkań

²¹ revenue *'revənju:* przychody, wpływy

²² retail *'ri:teɪl* detaliczny

²³ appliances *ə'plaɪənsɪz* artykuły gospodarstwa domowego

²⁴ notary *'nəʊtəri* notariusz

services are required in order to make the sales transaction legal, can charge²⁵ between three and five percent of the overall²⁶ price of the home. Decreased²⁷ sales of homes can even be indicative of²⁸ higher levels of unemployment²⁹. Furthermore, if you were looking to sell your home recently, you may have had a difficult time attracting prospective³⁰ buyers. But several factors indicate that these trends may be reversing³¹. Let's start with the take on 32demand³² and its influence³⁴ on prices.

A Gradual³⁵ Upturn³⁶ in Prices

The years of 2007 and 2008, especially, represented an unparalleled³⁷ boom in home sales, as well as in corresponding³⁸ high prices for homes. The economy in Poland was very healthy and people, in general, were prospering³⁹. In spite of⁴⁰ less-than-ideal mortgage rates⁴¹ offered by banks, over 200,000 new units⁴² were constructed in the country in 2007 and the average⁴³ price of residential property reached⁴⁴ PLN 8,774 per sq m⁴⁵. Fast forward⁴⁶ six years and early 2014 saw this figure⁴⁷ substantially⁴⁸ lower, according

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to⁴⁹ statistics from Oberhaus, a Baltic-wide brokerage⁵⁰ and property evaluation⁵¹ firm. However, although average prices were actually still falling during the first half of this year nationwide⁵², the key factor is that they were falling much less so than in 2012 or 2013. In fact, in some areas, such as in Warsaw, price levels had stabilised and were beginning to

climb⁵³. By some accounts⁵⁴, the city saw a four percent increase in the average price of homes during the last three quarters of 2013 and into the 1st quarter of 2014. In other cities, such as Poznan and Lodz, they were still falling throughout 2013, but only slightly⁵⁵. In spite of this new-found⁵⁶ price stability, the best deals – in terms of⁵⁷ buying – are still found in Lodz, where an apartment⁵⁸ averages PLN 3,850 per sq m (compare this with⁵⁹ Warsaw and Krakow, where the prices are PLN 7,900 and PLN 6,600, respectively⁶⁰). See the chart⁶¹ which accompanies⁶² this article for an overview⁶³ on the price of apartments in six Polish cities.

Not only do prices vary⁶⁴ from city to city, but demand has shown wide fluctuation⁶⁵ as well. Demand can be measured⁶⁶ by the number of transactions for home sales and also by the number of home loans (mortgages) given to new buyers. In the last quarter of 2013, according to Poland's Central Statistical Office, almost 34,000 units were sold in the six largest cities in the country. In mid-sized⁶⁷ cities and rural⁶⁸ areas, however, sales were still suffering⁶⁹, and in fact the remainder⁷⁰ of the country saw fewer units sold than in the six largest metropolitan⁷¹ areas taken together. »

²⁵ to charge tə tʃɑ:dʒ pobierać opłatę

²⁶ overall ˌəʊvərˈɔ:l cały, łączny

²⁷ decreased dɪˈkri:st zmniejszony

²⁸ to be indicative of sth tə bi ɪnˈdɪkətɪv əv ˈsʌmθɪŋ oznaczać coś, świadczyć o czymś

²⁹ unemployment ˌʌnɪmˈplɔɪmənt bezrobocie

³⁰ prospective prəˈspektɪv potencjalny

³¹ to reverse tə rɪˈvɜ:s odwrócić się

³² take on teɪk ɒn punkt widzenia

³³ demand dɪˈmɑ:nd popyt

³⁴ influence ˈɪnfluəns wpływ

³⁵ gradual ˈɡrædʒuəl stopniowy

³⁶ upturn ˈʌptɜ:n poprawa, zmiana na lepsze

³⁷ unparalleled ˌʌnˈpærəleɪd niezrównany, niebywały

³⁸ corresponding kɒrəˈspɒndɪŋ odpowiadający (czemuś), analogiczny (do czegoś)

³⁹ to prosper tə ˈprɒspə(r) dobrze prosperować

⁴⁰ in spite of ɪn spaɪt əv pomimo

⁴¹ mortgage rate ˈmɔ:ɡɪdʒ reɪt procent hipoteczny

⁴² unit ˈju:nɪt tu: mieszkanie bądź dom

⁴³ average ˈævərɪdʒ przeciętny

⁴⁴ to reach X tə ri:tʃ sięgnąć X

⁴⁵ per sq m (square metre) pə(r) skweə(r) ˈmi:tə(r) na/za metr kwadratowy (UK)

⁴⁶ to fast forward tə ˈfɑ:st fɔ:wəd tu: spojrzeć na późniejszy okres

⁴⁷ figure ˈfɪɡə(r) liczba, cyfra

⁴⁸ substantially səbˈstænʃiəl znacząco, znacznie

⁴⁹ according to əˈkɔ:dnɪŋ tə zgodnie z, według

⁵⁰ brokerage ˈbrɒkərɪdʒ dom maklerski

⁵¹ evaluation ɪˌvæljuːˈeɪʃn wycena

⁵² nationwide ˌneɪʃnˈwaɪd na terenie całego kraju, w całym kraju

⁵³ to climb tə klaɪm tu: rosnąć, zwiększać

⁵⁴ by some accounts baɪ sʌm əˈkaʊnts według pewnych opinii

⁵⁵ slightly ˈslaɪtli trochę

⁵⁶ new-found nju: fəʊnd nowo odkryty, świeży (tylko przed rzeczownikiem)

⁵⁷ in terms of X ɪn tɜ:mz əv pod względem X, jeśli chodzi o X

⁵⁸ apartment əˈpɑ:tmənt mieszkanie

⁵⁹ to compare sth with sth tə kəmˈpeə(r) ˈsʌmθɪŋ wɪð ˈsʌmθɪŋ porównać coś z czymś

⁶⁰ respectively rɪˈspektɪvli odpowiednio

⁶¹ chart tʃɑ:t wykres, diagram

⁶² to accompany sth tu əˈkəmpani ˈsʌmθɪŋ towarzyszyć czemuś

⁶³ overview ˌəʊvəvju: przegląd

⁶⁴ to vary tə ˈveəri różnić się, różnicować

⁶⁵ fluctuation ˈflʌktʃueɪt wahanie

⁶⁶ to measure tə ˈmeʒə(r) zmierzyć

⁶⁷ mid-sized mɪd saɪzd średniej wielkości (US)

⁶⁸ rural ˈrʊərəl wiejski

⁶⁹ to suffer tə ˈsʌfə(r) cierpieć, tu: odczuwać skutki czegoś (boleśnie/źle)

⁷⁰ remainder rɪˈmeɪndə(r) reszta, pozostała część

⁷¹ metropolitan ˌmetrəˈpɒlɪtən wielkomiejski

Economic Indicators, the Good and the Bad

If employment levels and overall economic growth are **reliable**⁷² indicators of real estate growth – and by most

⁷² **reliable** 'ri:laɪəbl̩ **pewny, wiarygodny**

⁷³ **improvement** ɪm'pru:vmənt **poprawa (sytuacji), polepszenie (się)**

⁷⁴ **marginally** 'mɑ:dʒɪnəli **nieznacznie**

⁷⁵ **relatively** 'relatɪvli **stosunkowo, relatywnie**

⁷⁶ **latter** 'lætə(r) **drugi, ostatni**

⁷⁷ **to fuel sth** tə 'fju:əl 'sʌmθɪŋ **napędzać coś, zasilać**

⁷⁸ **spin-off** spɪn ɒf **poboczny, powiązany**

⁷⁹ **research** ri'sɜ:tʃ **badanie, badania**

⁸⁰ **scientific** ,saɪən'tɪfɪk **naukowy, nauki**

⁸¹ **indeed** ɪn'di:d **istotnie, faktycznie**

⁸² **to correlate with sth** tə 'kɒrəleɪt wɪð 'sʌmθɪŋ **korelować (się) z czymś, być z czymś powiązanym**

⁸³ **likelihood** 'laɪklihʊd **prawdopodobieństwo**

⁸⁴ **cautiously** 'kɔ:ʃəsli **ostrożnie**

⁸⁵ **to exist** tu ɪg'zɪst **istnieć**

⁸⁶ **to replace** tə rɪ'pleɪs **zastąpić**

⁸⁷ **to mention** tə 'menʃn **wspomnieć, wymienić**

⁸⁸ **to predict** tə prɪ'dɪkt **przewidywać**

⁸⁹ **IMF (International Monetary Fund)**
aɪ em 'ef ,ɪntə'næʃnəl 'mʌnɪtri fʌnd **MWF, Międzynarodowy Fundusz Walutowy**

⁹⁰ **to forecast** tə 'fɔ:kə:st/ **prognozować**

⁹¹ **favourably** 'feɪvərəbli **korzystnie**

⁹² **divorce** dɪ'vɔ:s **rozwód**

⁹³ **mobility** məʊ'bɪləti **mobilność, (częste) podróżowanie/zmiana miejsca zamieszkania**

⁹⁴ **to bode well for sth** tə bəʊd wel fə(r) 'sʌmθɪŋ **dobrze czemuś wróżyć**

⁹⁵ **including** ɪn'klu:dɪŋ **w tym, wliczając w to**

⁹⁶ **head** hed **dyrektor, prezes**

⁹⁷ **to refer to sth** tə rɪ'fɜ:(r) tə 'sʌmθɪŋ **odnosić się do czegoś, wspominać o czymś**

⁹⁸ **crucial** 'kru:ʃl **decydujący, rozstrzygający**

⁹⁹ **to obtain** tu əb'teɪn **uzyskać, zdobyć**

¹⁰⁰ **interest rate** 'ɪntrəst reɪt **stopa procentowa**

¹⁰¹ **to remain** tə rɪ'meɪn **pozostać**

¹⁰² **to inch up** tu ɪntʃ ʌp **rosnąć stopniowo**

¹⁰³ **evidence** 'eɪdɪns **dowody**

¹⁰⁴ **profitable** 'prɒfɪtəbl̩ **rentowny, dochodowy**

¹⁰⁵ **data** 'deɪtə **dane**

¹⁰⁶ **rental** 'rentl̩ **wynajem**

¹⁰⁷ **yields** jɪld **zyski, przychody**

¹⁰⁸ **return rate of investment** rɪ'tɜ:n reɪt əv

ɪn'vestmənt **wskaźnik stopy zwrotu z inwestycji**

Average Price of an Apartment in Selected Polish Cities, July 2014 (price in PLN)



Information courtesy of REAS, Poland

accounts they usually are – then in Poland we could see this improvement⁷³ continuing throughout 2014 and into 2015, although only marginally⁷⁴. The unemployment rate has been relatively⁷⁵ high in recent years, but during the latter⁷⁶ part of 2013 and early this year, employment levels improved slightly. For some experts, this is a key to fueling⁷⁷ growth in the housing sector and in its spin-off⁷⁸ industries. Piotr Odrakiewicz, a business professor at the Poznan University College of Business and Research⁷⁹ Director of the Scientific⁸⁰ Board at the Global Partnership Management Institute, told BEM that indeed⁸¹ employment levels can positively correlate with⁸² increased likelihood⁸³ of buying homes – however, we should be only cautiously⁸⁴ optimistic, given the less-than-dramatic improvement in employment levels in the country recently. “We cannot forget the still unstable employment prospects and dynamic situation that exists⁸⁵ when someone is changing jobs. As new technology has replaced⁸⁶ a lot of old jobs, it takes some time for new jobs to move in and replace them,” he mentioned⁸⁷.

If economic growth ramps up⁸⁸, as it is predicted to do, then the near future prospects for a healthier real estate sector look good. According to the IMF⁸⁹, Poland is forecast⁹⁰ to see 2.3 percent overall growth in 2014, which compares favourably⁹¹ to 2013's rate of 1.6 percent. Furthermore, socioeconomic factors, such as divorce⁹² and the increased mobility⁹³ of professionals – not to mention increased migration to Poland's largest cities – bode well for⁹⁴ some economic sectors, including⁹⁵ that of home sales. Wojciech Werochowski, the head⁹⁶ of retail financing at PKO Bank Polski, revenue gained from new home loans finally inched up¹⁰² during the last quarter of 2013.

Home Purchases as an Investment

If you're considering buying a home but not actually living in it, there is some evidence¹⁰³ to show that in 2014 this could be a profitable¹⁰⁴ investment choice. According to data¹⁰⁵ from the Global Property Guide, average rental¹⁰⁶ yields¹⁰⁷ (this is the return rate of investment¹⁰⁸ on the

increasing monetary value¹⁰⁹ of a home based on collecting¹¹⁰ rent, calculated on a per year basis) in central Warsaw were between 5.3 and 5.9 percent in central Warsaw (although they were even higher in some other districts¹¹¹ such as Mokotów). In Krakow, they averaged four to 4.5 percent.

These figures are fairly¹¹² impressive¹¹³ when we consider that just four years ago rental yields were less than three percent (nationally). Also, compare the return on this type of investing to that of depositing¹¹⁴ money into a savings account¹¹⁵ or into a fixed-term¹¹⁶ deposit, where the average rate of return is less than three percent. Here Odrakiewicz was optimistic, telling BEM, "You can always find good deals in the residential and especially commercial real estate market, new developments have (once again) started to rise. Especially in the good locations, it can be profitable for young buyers."

The Youth¹¹⁷ Movement

Speaking of youth, things could become more promising¹¹⁸ for young home buyers who are looking for their first home. This year the government is launching¹¹⁹ a new subsidy¹²⁰, designed

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for buyers under the age of 35. It features¹²¹ a 10 to 20 percent financing of home mortgages, which the new owners will not have to repay¹²² if they keep their home for at least five years. In 2014 alone, PLN 600 mln is being set aside¹²³ for the programme, with an addition PLN 3 bln expected during 2015-2018. Theoretically, this could add several billion zloty in new mortgages, helping to spark¹²⁴ the overall economy in Poland. On the other hand, some experts feel that it's possible the subsidies will not provide¹²⁵ the expected boost¹²⁶. Wojciech Kwasniak, who oversees¹²⁷ banks at

Poland's Financial Supervision¹²⁸ Authority¹²⁹, told Bloomberg Press that there may not be enough people who actually need a new home loan to make it successful.

In any case, it is probably a good idea to remain optimistic, yet¹³⁰ realistic. The slowly increasing – yet affordable¹³¹ – prices of both flats and detached homes spell¹³² good news for both buyers and sellers. Economic growth forecasts are promising, but still pale in comparison to¹³³ the growth rates seen last decade. In Poland, the economy is still transforming from manufacturing¹³⁴ to one that is more based on technological innovation, communication, education and exchange¹³⁵ of information, and although this may sound good for some, it is difficult to define the pure¹³⁶ purchasing power¹³⁷ of potential home buyers. This is because unemployment remains stubbornly¹³⁸ high and many of those new jobs are customer service-oriented¹³⁹, which typically don't leave a lot of extra¹⁴⁰ cash in the pockets of twenty – and thirty-somethings¹⁴¹ for forking out¹⁴² a quarter million for a new flat. Let's hope that the rosy forecast for the future holds and the market remains inviting¹⁴³, especially for those who are busting their tails¹⁴⁴ trying to get established¹⁴⁵ by gaining a foothold¹⁴⁶ in the home ownership¹⁴⁷ game. ■

¹⁰⁹ value 'væljʊ: wartość

¹¹⁰ to collect tə kə'lekt ściągnąć, pobrać (np. opłatę)

¹¹¹ district 'dɪstrɪkt dzielnica

¹¹² fairly 'feəli całkiem

¹¹³ impressive ɪm'prestɪv imponujący

¹¹⁴ to deposit tə dɪ'pɒzɪt zdeponować, włożyć

¹¹⁵ savings account 'seɪvɪnz ə'kaʊnt konto oszczędnościowe

¹¹⁶ fixed-term fɪkst tɜ:m na czas określony, o określonym okresie (spłaty) (tylko przed rzeczownikiem)

¹¹⁷ youth ju:θ młodzież

¹¹⁸ promising 'prɒmɪsɪŋ obiecujący

¹¹⁹ to launch sth tə lɔ:ntʃ 'sʌmθɪŋ rozpocząć coś, wprowadzić

¹²⁰ subsidy 'sʌbsədi subsydlum, dotacja

¹²¹ to feature sth tə 'fi:tʃə(r) 'sʌmθɪŋ cechować się czymś, mieć coś

¹²² to repay tə rɪ'peɪ spłacić

¹²³ to set sth aside tə set 'sʌmθɪŋ ə'saɪd odłożyć coś (na później)

¹²⁴ to spark sth tə spɜ:k 'sʌmθɪŋ zapoczątkować coś, wywołać

¹²⁵ to provide tə prə'vaɪd zapewnić

¹²⁶ boost bu:st czynnik pobudzający, zachęta

¹²⁷ to oversee tu ,əʊvə'si: nadzorować

¹²⁸ supervision ,su:pə'vɪzn nadzorowanie

¹²⁹ authority ɔ:'θɒrəti (organ) władzy, władze

¹³⁰ yet jət jednak, lecz

¹³¹ affordable ə'fɔ:dəbl przystępny

¹³² to spell sth tə spel 'sʌmθɪŋ zwiastować coś, zapowiadać

¹³³ to pale in comparison to sth tə peɪl ɪn kəm'pærɪsn tə 'sʌmθɪŋ błędnie przy czymś

¹³⁴ manufacturing ,mænjʊ'fæktʃərɪŋ produkcja, produkowanie

¹³⁵ exchange ɪks'tʃeɪndʒ wymiana

¹³⁶ pure pjʊə(r) czysty

¹³⁷ purchasing power 'pɜ:tʃəsɪŋ 'paʊə(r) moc nabywczą

¹³⁸ stubbornly 'stʌbənlɪ uparcie

¹³⁹ X-oriented ɔ:'ɒrɪəntɪd związany z X, zorientowany na X

¹⁴⁰ extra 'ekstrə dodatkowy

¹⁴¹ thirty-something 'θɜ:ti 'sʌmθɪŋ trzydziestolatek, trzydziestoparolatek

¹⁴² to fork out tə fɔ:k aʊt wybulić, wyłożyć

¹⁴³ inviting ɪn'vaɪtɪŋ zachęcający

¹⁴⁴ to bust one's tails tə bʌst wʌnz teɪlz urabiać sobie ręce po łokcie, zarzynać się (aby coś zrobić)

¹⁴⁵ to establish tu ɪ'stæblɪʃ tu: ustatkować (się)

¹⁴⁶ to gain a foothold tə geɪn ə 'fəʊthəʊld zacząć się (gdzieś), zdobyć przyczółek (gdzieś, w czymś)

¹⁴⁷ home ownership hæʊm 'əʊnəʃɪp posiadanie domu/mieszkania