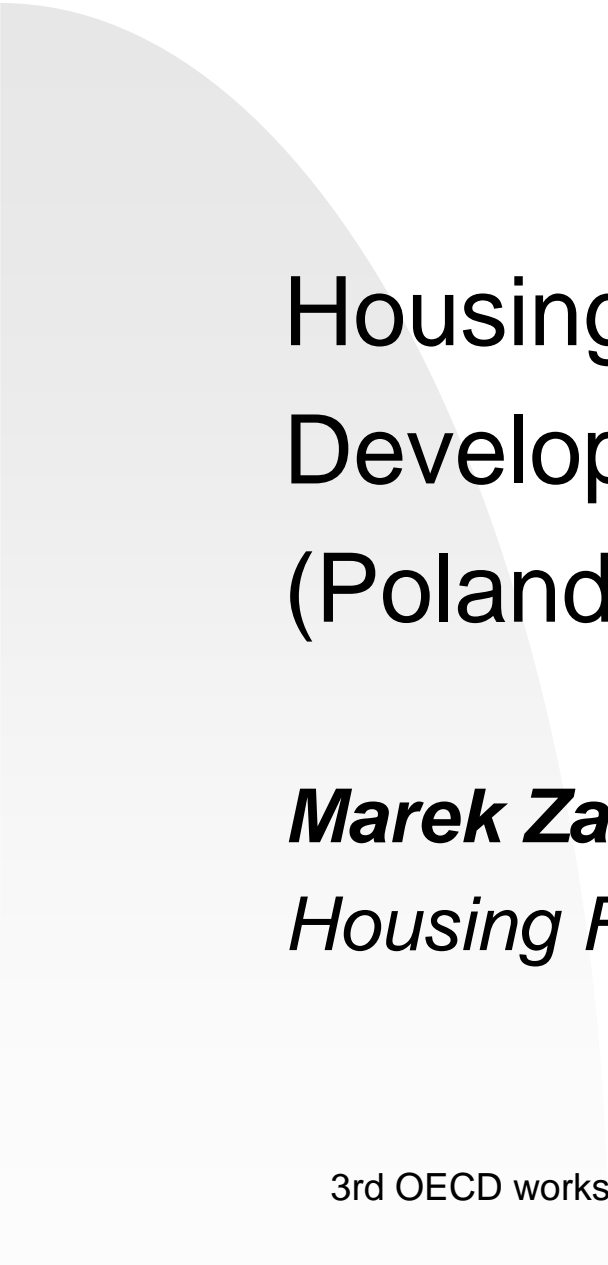




Poland: Housing Sector and Housing Finance Overview



Housing and Urban Development Office (Poland)

Marek Zawislak

Housing Finance Division

Population facts

- National census in May 2002
- Last census 1988
- Population now: 38.3 mill.
- 13.8 mill. households
- household size: 2.8 (last census: 3.1)
- household number forecast for 2010: 15.5 mill. (increase: 1.7)

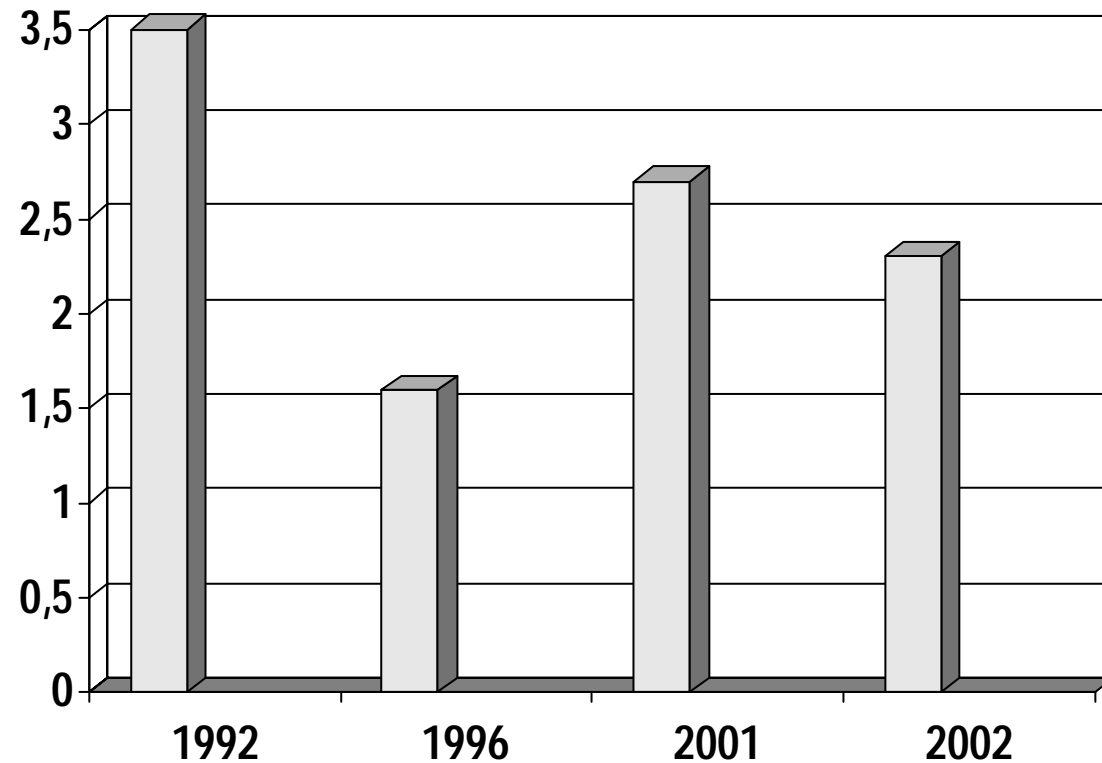
Housing stock facts

- 12,3 mill. dwellings (321/1000 pop.)
- including 0.6 mill. vacant dwellings
- 2.28 persons per dwelling
- 19.5 sq. m. per person
- average useful floor surface: 61.7
- 3.4 rooms per dwelling
- dwellings equipped with bath or shower: 82.2%, central heating: 72.9%
- estimated demolitions: 800,000 until 2010

Housing shortage

- 1.5 mill. households without dwelling of their own (1988: 1.1 mill.)
- housing shortage forecast for 2010: 3.0 mill.

Housing construction output per 1000 pop.



Housing output by landlord (2001)

- non-profit social (including cooperative social): 11.1%
- municipal: 2.1%
- employer: 0.9%
- other co-operative: 19.6%
- other (incl. owner-occupied and private rental): 66.2%

Housing stock by tenure

- Owner-occupancy and similar tenures (“cooperative ownership”): ca. 75% of the stock
- Rental and similar (“cooperative rental”): 25% of the stock

Restricted demand

- Average net income in I Q 2002:
1,400 zlotys
- Average price of 1 sq.m. of newly completed dwellings in I Q 2002:
2,400 zlotys
- INCOME/PRICE ratio: 0,58
- 7 net yearly incomes buy 50 sq.m. flat

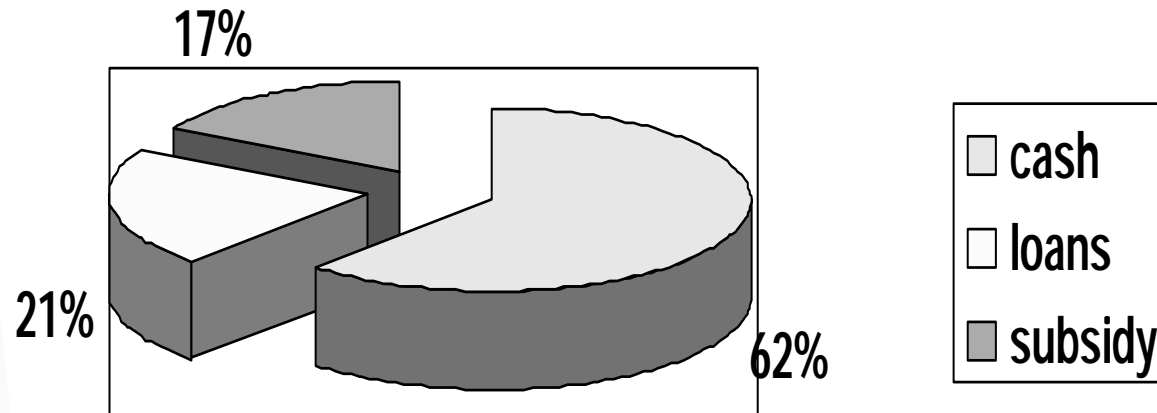


Housing policy issues

- housing shortage
- quality deficits (technical condition, standards)
- low construction output
- low affordability
- “reversed pyramid” tenure structure
- low labour mobility

Housing finance facts

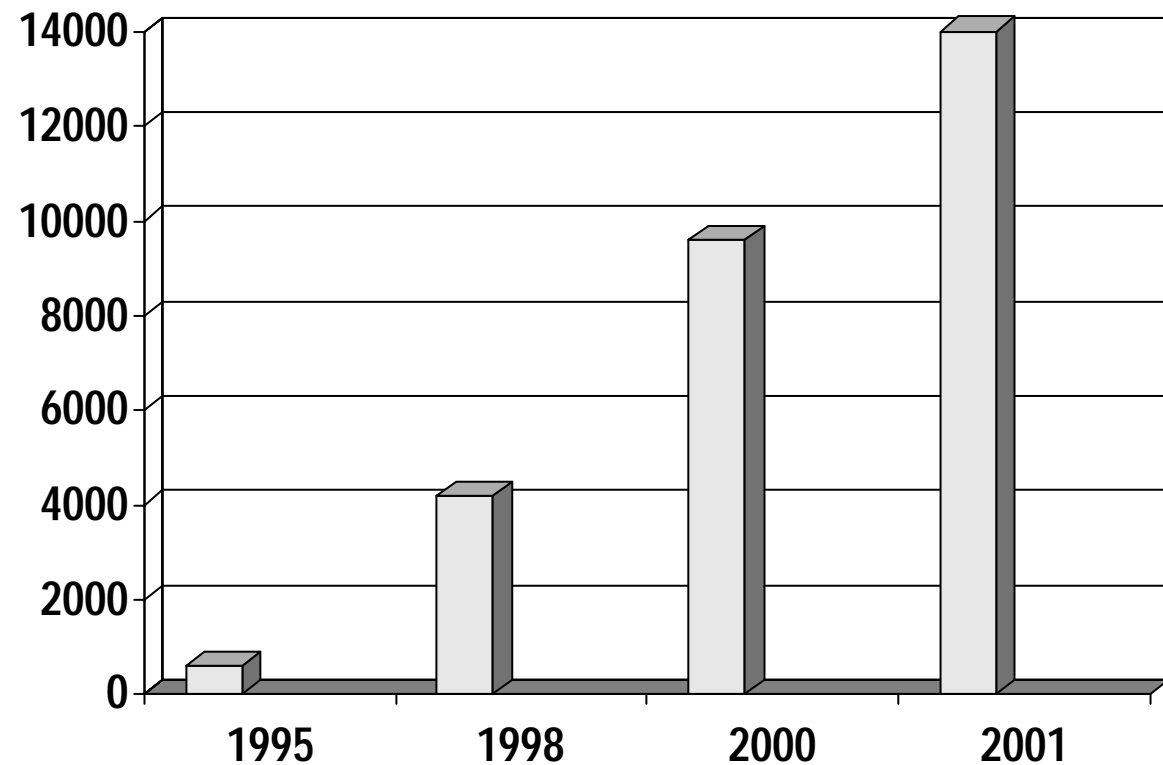
- USD 6 bill. worth of investment in housing in 2001
- estimated break-down by source of investment finance:



Housing finance: loans

- inflation for III Q. 2002: 1.3%
- interest rate on housing loans (adjustable rate, leading bank, PLN) in III Q. 2002 : ca. 10.5% p.a.
- dominance of adjustable mortgages denominated in Euro
- universal banks in the lead (far ahead of contract savings and German-type mortgage banks)

Growth of mortgage lending (mortgages granted to individuals outstanding, mill. zlotys)



Housing finance: public spending (2002)

- Total allocations in central budget: 2.44 bill. zlotys
- 0.3% GDP, 1.3% of total exp.
- 63.5% to cover “old commitments”
- 36.5% on effective housing policy
- Worth of tax deductions related to housing - 5 bill. zlotys

Polish housing policy priorities

- (re)creation of affordable rental sector
- renovation of existing stock
- housing allowances to replace rent controls
- growth of private investment in housing
- sufficient supply of serviced land for housing construction

Principal policies

- rental housing loans
- housing allowances
- subsidised fixed-rate loans
- thermal modernisation subsidies
- housing infrastructure loans
- income tax deductions (home-purchase and renovation)
- reduced VAT rate

Rental housing loans

- low interest loans to non-profit operators of rental housing (TBS) and housing co-operatives for rental housing construction
- lender: National Economy Bank (BGK)
- funding: National Housing Fund (operated by BGK)
- programme started in 1995

Housing allowances

- financed jointly by municipal and state budget
- available on application for income eligible households, disregarding type of tenure
- households in excessively big dwellings do not qualify
- covers the difference between the defined minimum expenses and actual expenses
- transferred directly to property manager
- programme started in 1994

Subsidised fixed-rate loans

- originated by banks
- interest subsidy paid if fixed rate lower than reference rate (WIBOR 3M + 150 bp.)
- fixed rate set at 8%
- possible surplus transferred to Fund
- prepayment not before nominal subsidy received is repaid
- for home purchase or major renovation of residential buildings

Housing infrastructure loan

- low interest loans to municipalities for the construction of housing-related infrastructure
- National Housing Fund
- programme started in 2000

Personal income tax deductions

- natural persons
- interest paid on a housing loan - off taxable income (since 2002)
- 19% of renovation expenses - off income tax
- (before 2002 also: 19% of home purchase expenses or 30% of contract saving expenses off tax)

Reduced VAT rate

- basic VAT rate: 22%
- purchase of a dwelling in a multi-family building: reduced rate 7%
- building materials: reduced rate 7%
- housing construction works: reduced rate 7%
- transitional periods in accession treaty



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