

Poland

By Agnieszka Nierodka, Polish Bank Association

IN A NUTSHELL

- Economy grew by 2.9%, inflation slowed considerably to 3.7%.
- Strong growth in construction and the mortgage market.
- Housing market awaiting announcement of another support program.
- Slowing of price increase second half.

MACROECONOMIC OVERVIEW

Macroeconomic situation began to improve. According to EUROSTAT estimates, GDP grew by 2.9%, (EU average 1% y/y). The HICP inflation rate was 3.7%, which was still above the NBP target, but significantly lower than the previous year (10.9%). The central bank's interest rates remained stable – since October 2023, the reference rate has been 5.75%. The labor market remained strong unemployment was 3% at year end, one of the lowest levels in the EU. At the same time, double-digit wage growth continued – the average gross monthly wage in the private sector in Q4 was PLN 8,549, (EUR 1,999.77 equivalent) i.e. 10% more year-on-year.

LOOKING AHEAD

Further growth of the mortgage and real estate market is expected in 2025. Rising wages and the prospect of interest rate cuts may increase the consumer creditworthiness and encourage greater activity in the real estate market. However, the key issue remains the development of government programs supporting housing, such as the announced "Key to the apartment", which is to come into effect at the end of 2025. The program, was to be launched in the second half of 2025. It is currently unknown whether the program will be processed. Its main goal is to facilitate access to housing for people who have not yet had the opportunity to purchase their own property. The initiative aims to support primarily young people and families who, for various reasons, have been unable to enter the housing market.

According to the program's assumptions, support will be directed exclusively to people who have never owned their own apartment or house before. A key condition for receiving support will also be income restrictions – depending on the number of people in the household, specific limits on monthly net income will apply, which in the case of a single-person household will be a maximum of PLN 6,500, and in the case of a family of five – up to PLN 21,000.

The program provides for preferential mortgage loans with installment subsidies – for up to 10 years. During this time, the state will subsidize the interest rate, reducing the real cost of the loan to around 1.5% per annum. Apartment prices will also be limited – the maximum price per square meter will be PLN 10,000, and in the largest cities – PLN 11,000, although ultimately municipalities will be able to adjust this threshold to local conditions.

Another important requirement will be the age of the property – apartments eligible for purchase must come from the secondary market and be at least five

years old, and the seller must have owned them for at least three years. This is to limit speculation and artificial price inflation. The program will not cover apartments from the primary market, with the exception of those built by social entities.

HOUSING MARKETS

Construction began on over 233,000 apartments, up 24% y-o-y. Of these apartments for sale or rent were 65.2% of the total, while apartments being built for the owner were 32.8%. The remaining 2.0% consisted of cooperative, municipal, social apartments.

Building permits were issued for nearly 292,000 apartments with a total usable area of 24.1 million m², which is 20.7% and 16.6% more than in 2023, respectively. The average construction time was 43.6 months (compared to 43 months in 2023). In 2024, the total number of apartments put into operation was 200,409, a decrease of 9.4% y/y. 124,347 apartments were put up for sale or rent (a 9.2% year-on-year drop).

In Q1 the increase in apartment prices was still supported by the Safe Credit 2%. The "Safe 2% Loan" program guaranteed a subsidy for mortgage payments so that the actual interest rate for the first ten years of repayment did not exceed 2% (+ba.k margin). This subsidy was equal to the difference between the market fixed interest rate applicable in banks and the 2% interest rate applicable to program beneficiaries. Only households that had never previously owned their own property were eligible for the program. The maximum age of the borrower was 45 years, and in the case of married couples or couples raising a child together, only one of the borrowers must meet the age requirement (45 years).

The maximum preferential loan amount is PLN 500,000 for a single person and PLN 600,000 for married couples or single parents with a child. The program allows for the financing of both primary and secondary market real estate, as well as the construction of a house, including the purchase of a plot of land and completion of construction. The loan period in the program is at least 15 years. For the first ten years, the installments are paid in a decreasing form at a fixed rate of 2% plus the bank's margin. After this period, the interest rate switches to market variables, and the installments are converted to an annuity form.

The program was launched on July 1, 2023, and was supposed to run until 2027. By the beginning of 2024, the program's funds were so popular that banks had to suspend accepting new applications.

Average prices continued to increase in H2, but at a slower rate than in H1 and 2023 as supply grew more rapidly than demand. The highest prices increases were in Krakow (+25%) and Warsaw and Wrocław (+18%).

MORTGAGE MARKETS

There were significant changes to the housing market. Q1 continued trends of the previous year, which were due to the 'Safe Credit 2%' mortgage subsidy

program which lasted until the end of March 2024 and had a key impact on the housing market.

In Q1, banks granted 64,504 new mortgage loans for a total amount of PLN 26,876 bn (EUR 6,287bn). This was the second highest amount ever t after Q423. From Q2, the rate of apartment sales slowed significantly. In April and May, to a level comparable to that in the “crisis” period of the end of 2022 and the beginning of 2023. Lending also slowed.

In the whole of 2024, over 200 thousand new mortgage loans were concluded for over PLN 85 billion (EUR 25bn, (25% more in number and 36% in value compared to 2023). Despite this the total number outstanding fell to 2.24 million, a decrease of 2.29% y-o-y). The total amount was PLN 496 bn (EUR 11bn, 3.3% more y-o-y). Competitive pressure forced banks to reduce credit margins, which caused the average interest rate on new housing loans to drop to 7.40%, i.e. by 0.40 p.p. quarterly and by 0.30 p.p. year-on-year. In the case of variable-rate loans, the interest rate is based on the WIBOR rate plus the bank’s margin. In the case of fixed-rate loans, the interest rate is based on the Interest Rate Swap rate for a given period plus the bank’s margin.

The average value of new loans increased again; the average loan granted in Q4 was PLN 426,916 (EUR 100,500, UP 1.24% in the last quarter, and 4.66% y-o-y).

The quality of the portfolio improved slightly, at year end NPLs were 1.65%, a quarterly decrease of 0.04 p.p., while year-on-year it was less by almost a quarter.

MORTGAGE FUNDING

The main funding instrument for mortgages are deposits, followed by covered bonds. According to the covered bond law, only specialised mortgage banks are eligible to issue covered bonds in Poland. In 2023 there were 5 mortgage banks registered in Poland: mBank Hipoteczny S.A., PKO Bank Hipoteczny S.A., Pekao Bank Hipoteczny S.A., ING Bank Hipoteczny S.A., and Millennium Bank Hipoteczny S.A. All these banks issued mortgage covered bonds, but not all of them in 2024. According to banking law, in order not to lose its license to issue covered bonds, a bank must issue covered bonds at least once every three years.

To stimulate the mortgage covered bond market and change the structure of mortgage funding, the Polish Supervision Authority introduced the Long-Term Funding Ratio (Wskaźnik Finansowania Długoterminowego – WFD) under a recommendation by the KNF, which came into effect on July 18, 2024. Banks are required to maintain this ratio at a minimum level of 40% starting from December 31, 2026. The aim of the ratio is to reduce the risk associated with the current funding structure of mortgage loans, which relies heavily on short-term retail deposits and may lead to financial instability under stress conditions. The WFD is designed to increase the share of long-term debt instruments in banks’ liabilities, thereby improving the maturity matching of assets and liabilities and enhancing the resilience of the banking sector to liquidity shocks. Additionally, the ratio includes preferential weights for mortgage loans with fixed or periodically fixed interest rates, as well as for green debt instruments, supporting the development of these market segments. Preferential weights are discounts on the value included in the WFD ratio for those mortgage loans or assets that are considered more stable and valuable from the point of view of the banks’ financial security – e.g., fixed-rate loans or loans financing green assets. This allows the bank to lend more of these types of funds without lowering its WFD ratio as much as it would with regular loans.

Fixed-rate loans can have their weighting reduced by as much as 30-50% compared to variable-rate loans. Similar reductions apply to green assets.

	POLAND 2023	POLAND 2024	EU 27 2024
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)	0.2	2.9	1.0
Unemployment Rate (LSF), annual average (%) (1)	2.8	2.9	5.9
HICP inflation (%) (1)	10.9	3.7	2.6
HOUSING MARKET			
Owner occupation rate (%) (1)	87.3	87.1	68.4
Gross Fixed Investment in Housing (annual change) (1)	-1.4	-9.4	-4.3
Building Permits (2015=100) (2)	107.8	122.5	136.9
House Price Index - country (2015=100) (2)	188.3	198.1	179.8
House Price Index - capital (2015=100) (2)	193.5	221.0	171.5
Nominal house price growth (%) (2)	6.1	14.2	4.9
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (2)	110,595	116,045	6,879,667
Outstanding Residential Loans per capita over Total Population (EUR) (2)	3,009	3,169	15,311
Outstanding Residential Loans to disposable income ratio (%) (2)	25.3	23.4	71.3
Gross residential lending, annual growth (%) (2)	24.0	52.2	3.9
Typical mortgage rate, annual average (%) (2)	8.3	7.7	4.34

(1) Eurostat Data

(2) European Mortgage Federation – Hypostat 2024, Statistical Tables



POLAND FACT TABLE

Which entities can issue mortgage loans in your country?	Banks and credit unions
What is the market share of new mortgage issuances between these entities?	No detailed data available, rough estimates: less than 1% of new lending is granted by credit unions, over 99% – by banks.
Which entities hold what proportion of outstanding mortgage loans in your country?	Around 99.9% – banks; 0.1% – credit unions.
What is the typical LTV ratio on residential mortgage loans in your country?	30.94% of new loans granted in 2024 had LTVs over 80%. 45.58% – LTVs between 50-80%. 9.66% – LTVs between 30-50%. 13.83% – LTVs below 30%.
How is the distinction made between loans for residential and non-residential purposes in your country?	Borrower's statement – the client must declare (in loan's application) for what purpose the credit will be used; bank is allowed to check whether the loan was used according to that declaration.
What is/are the most common mortgage product(s) in your country?	Since 2022 loans with a periodically fixed interest rate (mainly: 5Y fixed) began to prevail among new loans. In 2024 79.9% of the loans (in terms of portfolio value) were periodically fixed-rate loans, 20.1% were floating rate.
What is the typical/average maturity for a mortgage in your country?	Between 25 and 35 years (according to yearly data, 59.88% of new lending belonged to that range in 2024).
What is/are the most common ways to fund mortgage lending in your country?	Banking deposits and interbank lending.
What is the level of costs associated with house purchase in your country (taxes and other transaction costs)?	<ul style="list-style-type: none"> • establishment of a mortgage – 0.1% of the secured amount. • notary fee (depends on the value of property) – usually: PLN 1,010 + 0.4% over the value of PLN 60,000 (+ VAT 23%). • additional notary documents – PLN 6 per page. • entry to the mortgage register – PLN 200; if there's no mortgage register for the property – establishment of mortgage register costs additionally PLN 60. • tax on civil law transactions (paid only if the property is purchased on the <u>secondary</u> market) – 2% of the value of property. Note: <u>since 2024</u> the need to pay this tax – when purchasing the 1st apartment from the secondary market has been abolished. • property valuation (sometimes covered by the bank) – usually PLN 700-1300. • commission for the broker (if needed) – around 3% + VAT.
What is the level (if any) of government subsidies for house purchases in your country?	Between July and December 2023, a new mortgage subsidy programme was in place (so called 2% Safe Credit" loan). Due to the exhaustion of budget funds, this very popular program was terminated in 2024, but banks were still granting loans under this program during the first quarter of 2024 based on loan applications submitted at the end of 2023.