

**SURVEY RESULTS ON THE REAL ESTATE MARKET AND RESIDENTIAL
PRICE INDEX**

2021 H1

September 2021

Summary

The questionnaire on the real estate market was conducted in May 2021. The sample consisted of 230 construction firms and real estate agencies, which represent around 75%-80% of the overall population, according to a selection based on the number of employed persons and the annual turnover provided by INSTAT. The survey was completed by 187 entities or 81% of the sample.

Trajectory of index change (2021 H1)

Survey indicators	General Outlook indicator	Future expectations	Price indicator (Fischer Index) *		Sale's time			Inventory additions	Number of unsold properties**
	Entire territory		Albania	Tirana	Tirana	Coastal area	Other areas	The entire territory	
Against the previous period	=	↑	↑	↑	=	↓	↑	↓	↓
Against the historical average	↑	↑	↑	↑	↓	↓	↑	↑	↓

* Regarding the price index, the second row is not compared against the historical period, but against the base period.

** The direction of the arrow shows the change in the number of unsold properties in the entities' books.

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- The indicator of overall situation is neutral, breaking away from the negative net balance trend recorded during the previous periods.
 - The ratio of the number of agents that have realised a sale to the total number of responding entities increased to 50% from 39% in the previous six months.
 - The total number of sold properties was 709 from 632 in the previous year, and the average number of sold properties per entity remained 4 in this period as well.
 - Around 50% of residential and commercial properties sold by agents were purchased using a bank loan. This value stood at 60% in the previous survey. The loans received have covered 60% of the value for 80% of these properties.
 - The sale's time of residential properties across the country is reported to be 10.5 months on average and has remained unchanged compared to the previous six-months. The interviewed entities reported a 9.6 months average sale's time for Tirana; a much shorter time compared with the sale's time reported in the previous six months. In the coastal area, the sale's time fell to 7.6 months, while in other areas it increased to 12.6 months compared to the previous period.
 - Around 32% of residential and commercial properties sold during the period were purchased by non-residents, 39% of which are EU residents.
 - The Fischer Price Index for Residential properties across the country increased by 0.5% compared to the previous six-months. The price index for Tirana increased by 3.4% from the previous period and by 5.8% from the previous year. The average prices for properties sold in the suburbs and areas outside of Tirana have increased, while changes in sale prices for properties in the center were small. Agent reported
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lower prices for properties sold in the coastal areas, while changes to sale prices of other areas¹ were insignificant.

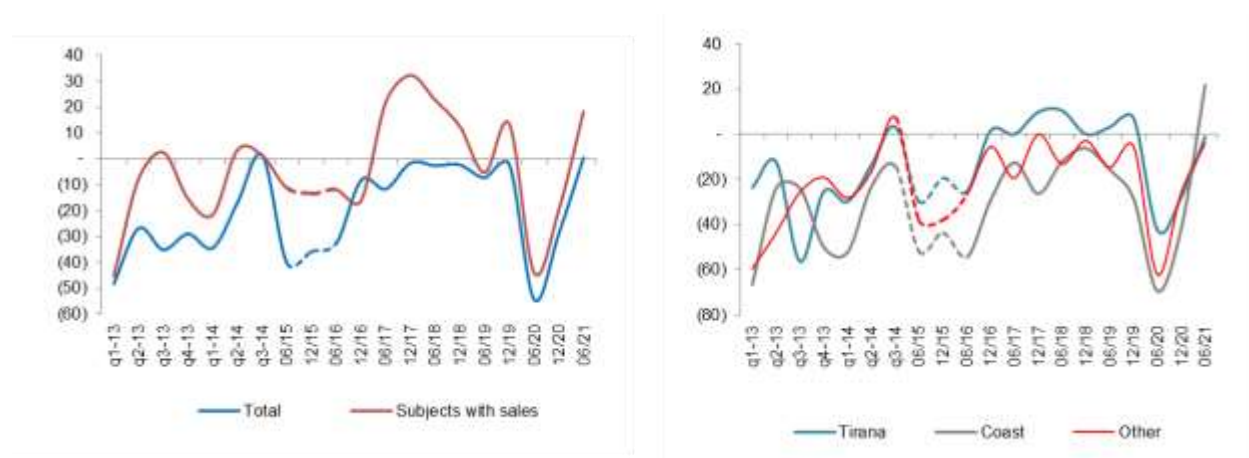
- Agents report that the demand for rental properties was almost unchanged, both for residential and commercial properties, while rent prices have increased. The leasing activity is concentrated in the capital area, particularly in the city centre.
 - In the next six months, agents are expecting an increase in both prices and the number of properties listed for sale.
 - In the short-term future, agents are optimistic regarding market performance in the territory where they operate, and they are significantly more optimistic regarding the activity of the real estate market across the entire territory, in the longer-term period (up to two years).
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¹ "Other areas" include all the areas except for Tirana and the coastal area.

I. THE OVERALL SITUATION

According to the interviewed entities, the overall situation of the real estate market has remained unchanged, compared with the previous six months. The net balance of responses (+0.5%) shows that agents' assessment on the situation during 2021 H1 was more optimistic than the previous period (-29%), and notably above the long-term net average balance of (-22%). Nonetheless, it is worth emphasizing that the balances of responses from Tirana area and Other areas have small negative values; the increase of the overall balance was affected by the positive balance recorded in the coastal area, which the agents assessed to have been improved from the previous period. When the same indicator is assessed only for entities which reported sales during the period, it appears to be much more positive. The net balance of responses on the overall situation from sales reporting entities, is +18%. This assessment reflects the restored optimism of agents after 2020, during which this balance recorded significant negative values. The current value of this indicator is comparable to the average values of 2017-2019 period, during which the highest net balance values were recorded since launching this survey.

Chart 1. Net balance on the overall situation of the real estate market during 2021 H1

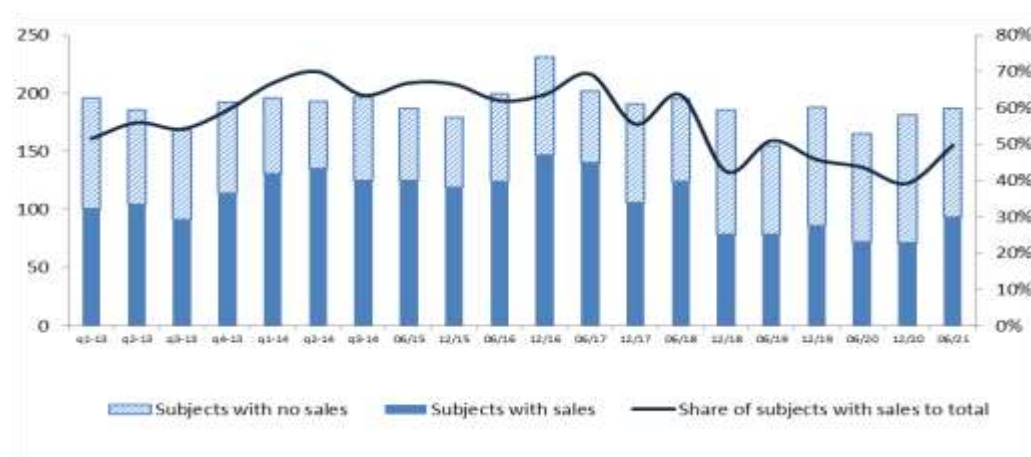


Source: Financial Stability Department.

II. SALES

The number of entities that have carried out sales (93 entities) was significantly higher from the previous six months (71 entities), and the total number of properties sold was around 12% higher. The ratio of the number of entities that have carried out sales to the total number of valid responses increased to 50% from 39%. The average number of properties sold from each entity during 2021 H1 was around 4, unchanged from the average recorded during 2020 H2. The ratio of sold mortgage properties to the overall number of sold properties was 60%.

Chart 2. Data on the number of agents according to their sales' situation (agents reporting sales and agents with no sales reported)

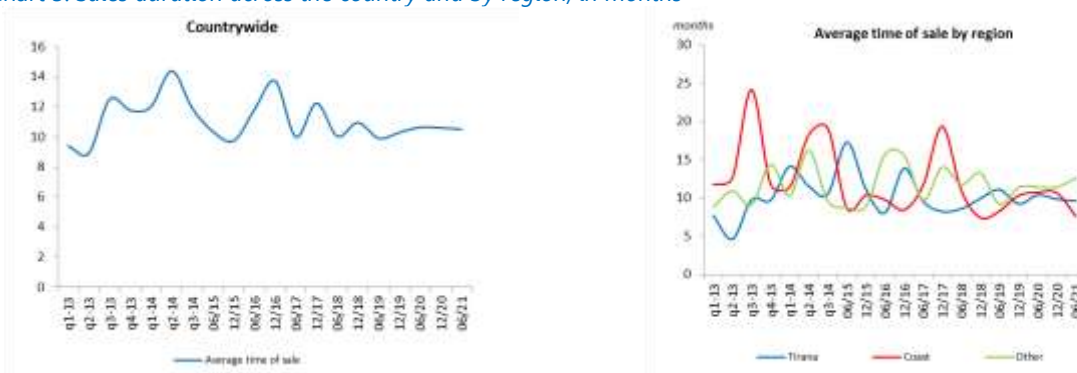


Source: Financial Stability Department

Around 50% of sales realised during 2021 H1 across the entire territory, is represented by properties located in the most preferred areas within the city, from 33% in the previous period; 26% of sold properties were built in the suburbs of the city, from 37% in the previous period), and around 24% were properties built outside the city, from 30% in the previous six months.

The average sale's time of properties across the country is reported at 10.5 months, remaining almost unchanged from the previous six months. In Tirana, the interviewed entities reported an average sale's time of 9.6 months, a bit lower from the one reported in previous six months. In the Coastal area the average sale's time was 7.6 months, significantly downwards from the 10.6 months average reported during the previous period. As regards Other areas, sale's time has increased from 11.4 to 12.6 months. The majority of sales were finalised within 1-12 months for all three areas.

Chart 3. Sales duration across the country and by region, in months

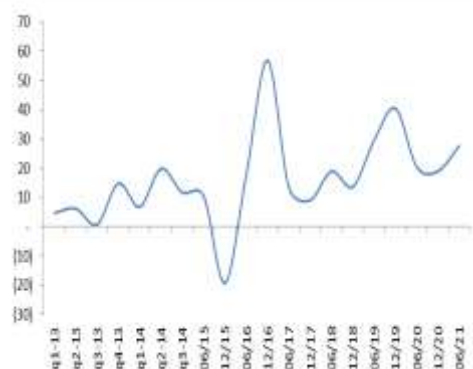


Source: Financial Stability Department

Agents reported a lower number of residences registered in their books; the net balance between those reporting an increase in the number of residences registered and those reporting a decline in their number, was around [-6.3%], and this value was almost equal to the previous period. The net balance for commercial properties was also negative (-5.2%). It must be emphasized that 2/3rd of responses were neutral, while "more/less" responses were fewer. The number of unsold properties, for both residences as well as commercial

buildings, has decreased. The net balance of unsold properties continues to be positive, and this phenomenon has been reported since the beginning of 2016. This performance shows that the number of unsold properties has continuously decreased in each six-month of this period.

Chart 4. Net balance of unsold properties²

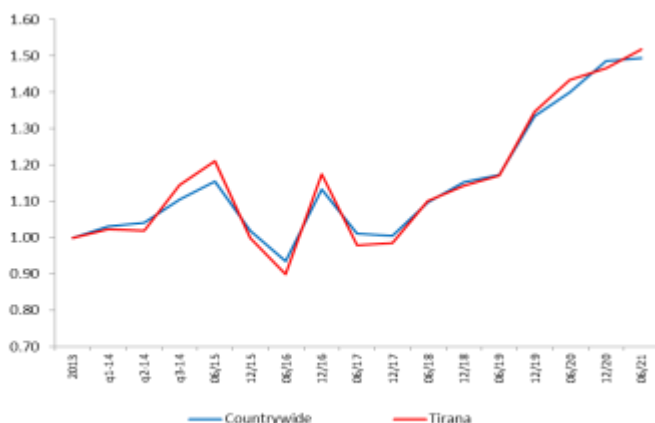


The Residential Price Index across the country is established by layering the fictitious sales' data in Tirana (designated as area 0), in the Coastal areas (Durrës, Vlora and Saranda – designated as area 1) and Other areas (designated as area 2). The method used is the Layered Central Price³, under the assumption that the price medium for each layer is comparable for residencies of similar quality, or similar characteristics, throughout the comparison period⁴.

In 2021 H1, the Fischer House Price Index for residential prices across the country recorded an increase by 0.5% compared with the previous six-months and by 6.7% compared with the same period of the previous year. The volume of sales appear higher in all areas of Albania.

The Fischer House Price Index for Tirana increased by 3.4% from the previous period, and by 5.8% in annual terms. The average prices have increased at the centre of the capital city (by 16% from the previous period) and have decreased for areas outside the capital (by 22%). Agents reported lower average prices for areas in the suburbs and outside Tirana, while prices in the central area of Tirana have recorded small changes. For properties sold in the coastal area, agents reported lower prices, while for properties sold in other areas, changes in prices were almost insignificant.

Chart 6. Fischer Index performance for residential properties across Albania and Tirana



Source: Financial Stability Department

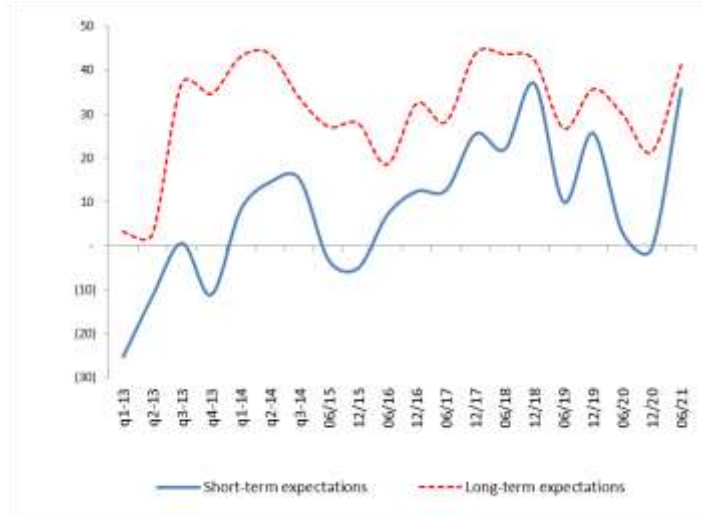
IV. Future expectations

Agents have provided optimistic answers regarding the overall situation of the real estate market across the entire territory of Albania in the short-term horizon (the successive six months), and are considerably more optimistic for the long-term period (in the next two years). The net balance of responses regarding the question on the medium-term future remains positive and with higher values than the long-term average. The overall expectations of agents recorded an upward trend since 2015 H2.

³Technical specifications on the methodology used for designing the real estate index may be found on the material "Survey results on the real estate market performance and establishing the index for 2014 Q1".

⁴ Eurostat "Handbook on Residential Property Price Indices", 2011.

Chart 7. Net balance of short-term and long-term expectations on the market situation across the territory



<i>Expectations for newly registered properties</i>	<i>Distribution of answers</i>
<i>Significantly lower</i>	2%
<i>Somewhat lower</i>	6%
<i>Will remain unchanged</i>	60%
<i>Somewhat higher</i>	23%
<i>Significantly higher</i>	1%