

## **Impact of monetary and micro-prudential policy on the economic situation in the housing market (examples of Poland and Great Britain)**

The residential real estate market is characterized by wide economic interconnections and reacts strongly to changes in the interest rate, regardless of whether they occur in the long or short term. The residential real estate market is also strongly linked to the financial sector, not only through the housing mortgage loan market, but also through the market of various types of financial instruments that are the source of financing the lending activities of banks on this market, such as covered bonds or mortgage loan securitization instruments.

The economic situation on the housing market is changeable, and these changes may be cyclical (then we refer to the housing cycle) - as well as various types of fluctuations resulting from the influence of non-standard factors for this market or factors permanently affecting it, but occurring with particular strength and intensity. The housing market is affected by many exogenous factors, e.g. macroeconomic factors, as well as endogenous factors for this market (e.g. access to development land, access to financing sources), which affect the economic situation on this market. On the other hand, the real estate market, or more precisely, the economic situation on this market, affects the stability of the financial system and macroeconomic stability<sup>1</sup>. Therefore, learning about the factors influencing the real estate market and determining their impact on the economic situation on this market is very important not only for understanding the mechanisms shaping the stability of the residential real estate market. It is also very important to know one of the elements and mechanisms shaping financial and economic stability in a given country and in the world. Real estate markets are linked to financial markets around the world, hence the turbulence in a given residential real estate market may, to a greater or lesser extent - through financial markets - affect the stability of the financial sector and economy not only in the country where these real estate market turbulences occurred but also in other countries or even around the world.

The real estate market financing system in Poland and in Great Britain is different. In Great Britain, it has been shaped for many decades and equipped with many different financing instruments - both refinancing banks crediting the real estate market and financing housing borrowers. In Poland, this market is much less developed and shaped, as it has only two decades of history. The subject of the impact of monetary policy instruments of central banks in Poland and Great Britain (especially interest rates) on the residential real estate market has not yet been comprehensively studied. The above arguments were the basis for adopting the research topic, formulating the objectives of the work and research hypotheses. The main objective of the dissertation is the impact of the

Central Bank's monetary policy and supervisory policy on the residential real estate market and the mortgage loan market.

The dissertation consists of 8 chapters, conclusions, bibliography, lists of tables and figures, and an annex with a research questionnaire. The first chapter deals with methodological issues. Research goals and hypotheses were presented. Chapters two and three present the economic essence of residential real estate and their role in the economy. Characteristics of the concept and essence of residential real estate and the real estate market were made. The real estate financing system was described as a factor in the development of the housing market. Investments in residential real estate were characterized in micro and macroeconomic terms. The housing market in Poland and Great Britain is presented. The fourth chapter characterizes the banking sector as a source of financing residential real estate. Banking tools for financing the residential real estate market were presented, in particular mortgage loans and other mortgage-based banking products. Next, the characteristics of the housing loan market in Poland and Great Britain in the years 2003-2017 were made. The fifth chapter presents the mechanism of the formation of a price bubble in the residential real estate market. The essence of the price bubble in the asset market was described in relation to the financial crisis model according to Minsky. The focus was on the price bubble in the residential real estate market in Poland and the UK. The importance of behavioral factors in bubble creation was described. The sixth chapter describes the monetary policy of the Bank of England (BoE) and the National Bank of Poland (NBP) and its impact on the residential real estate market. Monetary policy instruments and their impact on the residential real estate market through the mortgage loan market were characterized. The seventh chapter describes the financial supervision system in Poland and Great Britain. Tasks and powers of micro and macro prudential financial supervision in relation to housing loans are described. The characteristics of the recommendations and supervisory standards relating to the housing loan market in Great Britain and Poland were made. Next, an analysis of their impact on the economic situation on the residential real estate market in Great Britain and Poland in the years 2003-2017 was made. Chapter eight analyzes the impact of changes in monetary policy and changes in financial supervision policy in relation to housing loans on the economic situation of the housing market in Poland and Great Britain. Based on own surveys of housing borrowers, an assessment of the impact of monetary policy instruments and supervisory recommendations on their decisions is presented. credit cards.

The results of the study of the relationship between the determinants of the credit decision and the premises for taking out a housing loan confirm the previously demonstrated regularity that for borrowers in Poland both changes in interest rates and changes in supervisory recommendations for housing loans addressed by the Polish Financial Supervision Authority to banks were of great



importance for taking out a housing loan. By contrast, in the case of borrowers in the UK, changes in interest rates were of fundamental importance to borrowers, regardless of the motive for taking out the loan. If the loan was the only possibility to meet the housing need, the borrowers, in the decision to take out the loan, also took into account the changes in supervisory recommendations in the area of housing loans towards their tightening.

Comparing the results of surveys for the above-mentioned characteristics between the samples in Poland and in Great Britain, we can notice that for respondents in Poland, the motives related to satisfying basic housing needs and becoming independent of a "small family" (or a given person) are still dominant. For respondents in Great Britain, the following are of key importance when buying a flat: expanding the family, improving the standard of living, changing the location, moving to a larger flat and changing the job. These results confirm earlier observations that for many people and families in Poland, the purchase of a flat is an exceptional act in the scale of the entire life cycle, it is the satisfaction of a basic life need and creates the opportunity to become independent. On the other hand, for residents of Great Britain, it is often the exchange of another apartment, the exchange of a smaller apartment for a larger one, located in a worse location, for one located in a more attractive place. It is possibly a replacement of a rented flat for one's own or a transaction caused by a change of residence.

**Keywords:** monetary policy, micro-prudential policy, real estate market, central bank interest rates, Great Britain.