redNet CONSULTING

Poland's residential market

Report by redNet Consulting and tabelaofert.pl
SITUATION IN THE RESIDENTIAL MARKET

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Residential Market
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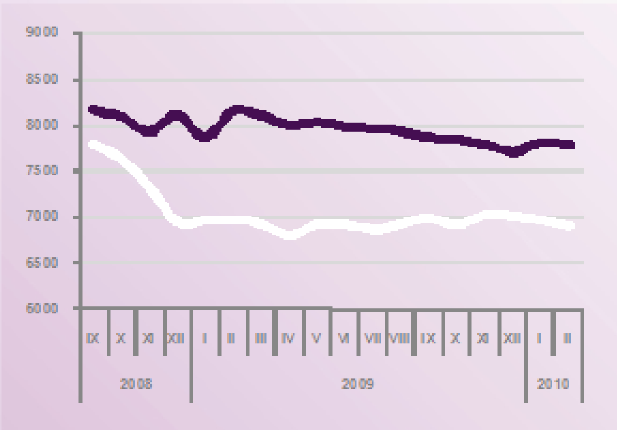
The shortest month of the year did not bring many changes on the Polish residential market. In individual cities much cheaper flats were still sold compared with the average price of flats on offer. Despite of the fact that this is a winter season, which is usually a period characterised by a lower number of flats sold, the past few months did not show such a high fall in the volume of sale as it had been observed in the previous years. High supply of new flats accompanied with improving conditions of obtaining home loans results in the fact that a satisfactory rate of sale is maintained on the market. Apart from developers' dwellings, a gross of completed flats can be found on offer – these are units bought by investors still before the crisis which came back on offer in the last few months increasing the buyers' range of choice. Developers are also trying to meet buyers' needs – new projects that they have recently started are much better adjusted to the market expectations.

The majority of newest investments are placed in the popular segment, therefore they are characterised by a price lower than the market average. In addition, the composition of offered dwellings is changing as well – mainly one-bedroom units dominate in the new projects, together with two-bedroom flats that have a smaller metric area than those designed during the time of the bull market, and thus more attractive as for the price. As a result due to a large number of new attractive projects and a considerable improvement of availability of home loans, it is expected that the number of flats sold on the market will rise in the spring.

The average price of flats available on offer in the seven main cities in Poland levelled at 7,785 zl/m² at the end of February 2010 and was by 0.4% lower than at the end of January 2010. Its slight fall was mainly the result of the beginning of the sale of flats in new projects priced below the market average.

The average price of flats sold, which has remained on practically the same level since the beginning of 2009, reached 6,906 zl/m² in 2010, which means that it fell by about 1.0% in comparison to the previous month. In relation to the average offer price of flats in the seven main Polish agglomerations, the average price of flats sold was kept on the level of about 11% lower considering the past three months. Such a discrepancy is the result of the fact that buyers are still choosing the most attractively priced flats.

AVERAGE PRICE OF A FLAT IN SEVEN MAIN CITIES



Source: redNet Consulting on the base of data tabelaofert.pl

LEGEND:

Average offer price – the average price per sqm of all flats on offer in developer projects put up for sale, as of 29th day of each month

Average price of flats sold – the average price per sqm of flats sold in the last three months

New investments started in the second half of the previous year are becoming more and more important, as their price is usually lower than the average and is sometimes additionally lowered due to an early stage of their realisation. Monthly changes in the average market price fluctuating within the range of +/- 1% prove an improving adjustment of the developers' offer price to buyers' expectations.

When comparing average offer prices with the average price of flats that are actually sold in individual cities, it is easy to notice how completely different every market is. In Gdańsk the difference in the price of flats on offer and flats sold exceeded 20% in the past few months, in Wrocław it was 13%, and at the same time in Poznań and Warsaw it reached only 6-7%. A high discrepancy at the seaside can be explained by strong investment revival among developer companies realising projects in the high segment. A substantial offer of new and expensive flats was put up on the Tri-City residential market resulting in a rise in the average offer price.

The price situation In individual cities is as follows:

City	Offer price of flats	Price of flats sold	Price of flats sold/offer price of flats
Katowice	5444	5031	-7,6%
Kraków	7740	7022	-9,3%
Łódź	5566	5130	-7,8%
Poznań	6943	6531	-5,9%
Gdańsk	7552	5990	-20,7%
Warszawa	8789	8179	-6,9%
Wrocław	8275	7169	-13,4%
Warsaw Agglomeration	8247	7472	-9,4%
T-ri-City Agglomeration	7045	5705	-19,0%
Silesian Agglomeration	5053	4916	-2,7%
The average for 7 agglomerations	7785	6906	-11,3%

In relation to the fact that buyers are still more willing to decide to buy cheaper flats in an advanced realisation stage, a rise in the average offer price did not bring about any considerable changes in the price of flats sold, which in return increased the difference between these two indices.

In the cities where the average price of flats sold differ from the average price of flats on offer much less we can observe a significantly better adjustment of demand and supply. It means that buyers have an easier task as far as finding a flat that corresponds with their needs and purchasing possibilities is concerned.

Practically in all cities a fall in the average price of the available residential offer was observed in February 2010, which results from putting new cheaper projects up for sale. This decrease is especially noticeable in Poznań (of about 5%) where the scope of cheaper investments started last month in relation to the number that remained on offer was especially high. A reverse situation took place in Gdańsk where developer companies, being encouraged by a high rate of sale of flats, decided to enter the market with a few large projects from the high segment, which significantly influenced a rise in the average price of flats on offer (of about 6.5%).

In other cities monthly changes in the offer price varied within the range of 2.2%-0.5%, and thus had a lower influence on the respective local markets.

City	Change in the offer price of flats February/January	Change in the price of flats sold February/January
Katowice	-0,3%	1,2%
Kraków	-0,8%	-0,6%
Łódź	0,5%	-1,3%
Poznań	-5,0%	-5,2%
Gdańsk	6,6%	2,0%
Warszawa	-2,2%	-2,5%
Wrocław	-1,3%	3,9%
Warsaw Agglomeration	-1,6%	-1,5%
Tri-City Agglomeration	2,9%	-0,1%
Silesian Agglomeration	-0,6%	3,8%
The average for 7 agglomerations	-0,4%	-1,0%

In relation to the price of flats sold, which in the scope of the whole country fell by about 1%, bigger changes were recorded only in the case of Poznań and Wrocław compared with the previous month. The average price of flats sold in Poznań declined by over 5%, which was largely influenced by new attractively priced projects. On the other hand, the average price of flats sold in Wrocław rose by nearly 4%, which partly resulted from a falling offer of cheaper flats on the market – still the cheap units are being sold, but they are now slightly more expensive than in the past few months.

Higher availability of home loans accompanied with the forecast general improvement of economic situation results in the fact that it is expected to observe a rise in the number of flats sold in the spring. The rising rate of sale will not translate into an increase in the price on the residential market yet due to the residential offer that is still very wide, but by contributing to higher liquidity of investments it will make developers start new projects, the plans of which were put away last year. Along with the higher sale and wide new offer that is observed, the residential market is slowly starting to forget about the crisis.