



THE OFFER OF REDNET CONSULTING

ADVISORY SERVICES IN THE RESIDENTIAL CONSTRUCTION MARKET

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redNet Consulting Sp. z o.o.
ul. Sądowa 5, 43-600 Jaworzno
Head office: Wiśniowy Business Park, Bud. C
ul. 1-ego Sierpnia 6a, 02-134 Warszawa
telephone: +48 22 318 72 00
fax: +48 22 318 72 10
raporty@rednetproperty.com
www.raporty.rednetproperty.com

Registry Court: the District Court in Katowice, the 8th Economy Division
KRS: No 0000226990
NIP: 632-18-79-602
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President: Robert Chojnacki
Deputy President: Agnieszka Piotrowska

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Quarterly monitoring of the residential market

redNet Consulting, responding to the market demand referring to the knowledge of the current market situation, has decided to prepare quarterly reports. We are sure that the unique information contained in these reports will allow you to not only follow the changes currently taking place in the market, but also to draw the right conclusions for the future and make adequate business decisions.

The reports prepared for **Katowice, Kraków, Łódź, Poznań, Szczecin and Wrocław** contain the following information:

1. The average price of flats sold, those introduced on the market and remaining for sale in a given city (including the change in relation to the previous period).
2. The average price of flats sold, those introduced on the market and remaining for sale in a given city (including the change in relation to the previous period) according to the market composition – rooms and ranges of the floor surface assigned to them.
3. The average price of flats sold, those introduced on the market and remaining for sale in a given city (including the change in relation to the previous period) – relating to apartments meeting the requirements of the redNet Consulting definition (see the following website for the definition of an apartment: www.luksusowemieszkania.pl/definicja).
4. The composition of flats sold, those introduced on the market and remaining for sale in the market (including the change in relation to the previous period), according to:
 - the total price ranges,
 - the ranges of price per sqm,
 - rooms and ranges of the floor surface assigned to them.

The reports prepared for **the Tri-City and Warsaw** contain the following information:

1. The average price of flats sold, those introduced on the market and remaining for sale in a given city (including the change in relation to the previous period), with the division into districts (in the case of Warsaw) and cities (in the case of the Tri-City).
2. The average price of flats sold, those introduced on the market and remaining for sale in a given city (including the change in relation to the previous period), according to the market composition – rooms and ranges of the floor surface assigned to them, with the division into districts (in the case of Warsaw) and cities (in the case of the Tri-City).
3. The average price of flats sold, those introduced on the market and remaining for sale in a given city (including the change in relation to the previous period) – relating to apartments meeting the

requirements of the redNet Consulting definition (see the following website for the definition of an apartment: www.luksusowemieszkania.pl/definicja), with the division into districts (in the case of Warsaw) and cities (in the case of the Tri-City).

4. The composition of flats sold, those introduced on the market and remaining for sale in the market (including the change in relation to the previous period), with the division into districts (in the case of Warsaw) and cities (in the case of the Tri-City), according to:
 - the total price ranges,
 - the ranges of price per sqm,
 - rooms and ranges of the floor surface assigned to them.

Why “Quarterly review of the residential market”?

1. No other report prepared by other research companies contains such data.
2. Only here can you find information about the price of actually sold flats.
3. It is the only publication systematically presenting the rate of sale – in the whole market and in its individual segments.
4. It is a unique source of information about prices and the structure of the offer which is currently entering the market.
5. It contains up-to-date knowledge about flats which do not find buyers and stay in the market.
6. It presents the current demand and supply relation in the residential market.
7. It presents an objective view of the market from the perspective of the first real estate portal in Poland which started presenting complete information about individual flats.
8. It contains unique data from the www.tabelaofert.pl service – a team of ten professionals takes care of its relevance and quality!

A few conclusions from the first review from the period of March – May 2008 have been presented below.

The current model of presenting market price indices consists in presenting the average price per sqm in the selling offer – both in the primary and secondary market. When analysing the behaviour of such indices it should be kept in mind that they show **the average price per sqm in the selling offer** regardless of whether a flat has been sold or not. However, in the present situation it is necessary to draw up a new index which could measure the price per sqm of flats **sold**, not only the price of offers put on the market. The difficulty of drawing up an index like that consists in the fact that it is necessary to know whether the offer disappearing from the internet service is taken away because the advertisement contract has terminated, the offer has been withdrawn by the client, or due to the actual sale of a flat.

Such an index has been drawn up by redNet Consulting, in cooperation with the tabelaofert.pl internet service. For over a half a year the team updating the portal has been checking every single offer of sale which has been removed from the service. Flats which are removed due to a concluded purchase contract are specially marked. On the basis of these offers a new price index has been created – **the average price per sqm of the flats sold**, which is calculated on the basis of the last three months.

redNet Consulting has also created a different interesting index – **the average price per sqm of the new market offer**. It is calculated on the basis of the flats which have entered the selling offer within the last three months.

City	Average price per sqm of the flats for sale	Average price per sqm of flats sold	Average price per sqm of flats from the new market offer	The discrepancy between the average price of flats sold and flats for sale	The discrepancy between the average price per sqm of flats from the new market offer and all flats for sale	The discrepancy between the average price per sqm of flats from the new market offer and flats sold
Katowice	6,308	6,257	6,367	-0.81%	0.94%	1.76%
Kraków	8,119	7,987	8,240	-1.63%	1.49%	3.17%
Łódź	5,981	5,488	6,113	-8.25%	2.20%	11.39%
Poznań	7,919	7,621	8,393	-3.76%	5.99%	10.13%
Trójmiasto	7,657	6,517	7,810	-14.89%	2.00%	19.84%
Warszawa	9,246	8,127	9,895	-12.10%	7.02%	21.75%
Wrocław	8,204	7,402	8,757	-9.78%	6.74%	18.31%

Source: redNet Consulting on the basis of the www.tabelaofert.pl service

Cheaper flats are sold and expensive offers enter the market. The difference between the average price of flats which are currently bought by clients and the average value of sqm in new developers' projects introduced in the market is substantial.

In Warsaw, where the present average price per sqm in the selling offer amounts to 9,246 PLN/sqm, the average price of the sold flats is **over 12% lower** and reaches the level of 8,127 PLN/sqm. On the other hand the average price per sqm of the new market offer is over 7% higher than the average price of the selling offer and amounts to 9,895 PLN/sqm. It indicates that the average price per sqm of new flats introduced for sale by developers in Warsaw in the last three months is **nearly 22% higher than the average price of the flats sold** in the corresponding period. A similar situation

is present in the Tri-City and Wrocław and, on a smaller scale, in Poznań and Łódź. Only Kraków and Katowice have recorded only slight differences.

District	Average price per sqm of flats for sale	Average price per sqm of flats sold	Average price per sqm of flats from the new market offer	The discrepancy between the average price of flats sold and flats for sale	The discrepancy between the average price per sqm of flats from the new market offer and all flats for sale	The discrepancy between the average price per sqm of flats from the new market offer and flats sold
Bemowo	8,054	8,262	7,990	2.59%	-0.79%	-3.29%
Białołęka	6,587	6,271	6,722	-4.80%	2.05%	7.19%
Bielany	9,394	8,422	16,420	-10.34%	74.80%	94.97%
Mokotów	9,890	9,728	9,416	-1.63%	-4.79%	-3.21%
Ochota	10,143	10,084	10,318	-0.58%	1.72%	2.32%
Praga Południe	8,712	8,377	8,661	-3.84%	-0.58%	3.39%
Praga Północ	7,914	7,943	7,721	0.36%	-2.44%	-2.79%
Śródmieście	16,299	15,705	16,446	-3.65%	0.90%	4.72%
Saska Kępa	11,809	11,239	12,416	-4.83%	5.14%	10.47%
Targówek	7,132	6,719	7,703	-5.80%	8.00%	14.65%
Ursus	7,404	7,632	7,534	3.08%	1.76%	-1.28%
Ursynów	8,761	8,057	9,060	-8.04%	3.41%	12.45%
Wawer	7,014	6,334	7,712	-9.70%	9.95%	21.76%
Wilanów	9,562	9,791	9,358	2.39%	-2.13%	-4.42%
Wola	10,583	9,259	10,855	-12.51%	2.57%	17.24%
Żoliborz	10,371	9,320	10,008	-10.14%	-3.50%	7.38%

Source: redNet Consulting on the basis of the www.tabelaofert.pl service

Where do these differences in price come from?

Such large disproportions in customer expectations (measured by customer activity) and developers' expectations (measured by their price offer) can be justified by the optimism shown especially by new developer companies, which were buying construction plots during the prosperity period, hoping for an everlasting growth in price. These provisions are cruelly corrected now by customers. It is not that they buy only cheap flats or only flats located in cheap districts. Buyers do not want **overpriced** flats regardless of whether they are located in Białołęka or Śródmieście. It is best visible in the case of Warsaw when divided into districts.

Although the average price per sqm of new flats introduced on the market in Warsaw during the last three months is nearly 22% higher than the price of flats already sold, the situation equally refers to prestigious districts such as **Mokotów and Wilanów**, and more popular ones, such as **Ursus and Bemowo**, where the average price per sqm of the new market selling offer is a few percent lower than the average price of flats sold. These are locations where competition has been very high for years, and developers know that in order to sell a flat they need to quote realistic prices.

On the other hand, having recently put up flats for sale in **Wola and Wawer**, developers' expectations will be put to the test. In these districts, **the average price per sqm of the new market offer is higher by respectively 17% and nearly 22% than the average price of flats which have been sold there recently.**

This does not imply that the flats in Wawer or Wola do not sell. On the contrary, they sell quite well but only those which are at a reasonable price. Wola is second (after Białołęka) in Warsaw in respect of the number of flats sold in the past three months, having a share in the market at the level

exceeding 12%. However, the average price per sqm of flats sold there totals 9,259 PLN/sqm, and the average price per sqm of the new market offer equals 10,855 PLN/sqm. And lastly, nearly three times as many flats have recently entered the Wola market as have been sold. What is more, the supply comprises expensive flats...

All in all, in the last three months twice as many flats have been entered into the Warsaw market as have been sold (!) A similar situation is also present in other cities.

Customers have started behaving very rationally. They reject overpriced flats no matter whether it is an expensive or cheap district. Simultaneously, they are willing to pay a much higher price for a reasonably valued flat in a good location.



Source: redNet Consulting on the basis of the www.tabelaofert.pl service

Lastly, the differences in the expectations of customers and some developers mainly refer to the price level per sqm of a flat. It is not the case that only small residential premises are bought. The chart presented above shows the Warsaw market composition according to the size of a flat (calculated by the number of rooms). **It is visible that, in contrast to the price per sqm, the composition of the new market offer does not significantly stray from the composition of flats sold.**

The ordering procedure

An order is placed at the moment of signing the commission contract sent earlier by the redNet Consulting team to the Client, and faxing it by the Client to us on (22) 3187 253 or (22) 3187 210, or sending it back to the following e-mail address: raporty@rednetproperty.com.

The digital version of the report is sent via the Internet after the realisation time of the contract. Should the Client wish so, a printed version or a digital version of the report recorded on a CD is sent by post or by courier. The date on the post stamp placed on the parcel shall be perceived as the date of completing the report.

A VAT invoice shall be issued after the report is sent to the Client.

The payment shall be made within seven days of issuing the VAT invoice.

Our experience

Among the companies which have purchased our reports to date are the following:

Agroman, Bouygues Immobilier, Budimex Nieruchomości, Dom Development, Maripol, Orco Group, PKO Inwestycje, BPH, Koneksim, Skanska, ING Real Estate, Universale International, Pod Fortem Development, Profit Development, Nickel Development, Salwator, Property Secrets, Extenda – Agencja Promocji Regionu Andaluzji, Reescon, GD&K Group, Deweloper Widok, PRO-URBA, Open Finance, Bouwfonds Property, Hollybrook, Limitless, Wilanów Investment, Espais Polska, Karel Investments, Lubasa Polska, Victoria Investment, Volumetric MK, Agrobex, Magnus Group, Atlas Management Howard Property, Ekolan, Euromax, Echo Investment, West Development, Acciona Nieruchomości, Kronos Kapital, TK Development and others.