redNet CONSULTING

# Poland's residential market

SITUATION ANALYSIS
**MARCH 2008**


**redNet Consulting**

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# March
## ANOTHER PEACEFUL MONTH.

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| | March 2008 | February 2008 | change in the average price per sqm. (March 2008/February2008) | |
|---|---|---|---|---|
| **Katowice** | 6,206 | 6,397 | -3.00% | ⇩ |
| **Cracow** | 7,572 | 7,520 | 0.69% | ⇧ |
| **Lodz** | 6,309 | 6,376 | -1.05% | ⇩ |
| **Poznan** | 7,316 | 7,251 | 0.89% | ⇧ |
| **Tri-City** | 7,093 | 7,048 | 0.64% | ⇧ |
| **Warsaw** | 8,918 | 8,882 | 0.41% | ⇧ |
| **Wroclaw** | 7,429 | 7,438 | -0.13% | ⇩ |

**CHANGE IN THE AVERAGE PRICE PER SQM.**
SOURCE: redNet Consulting based on www.tabelaofert.pl

In December 2007 average price per sqm in **Katowice** crossed a magic limit of 6,000 PLN. Two months later that average was only 3 PLN apart from the level of 6,400 PLN. However, in March there was on average 3% fall registered in Katowice. Average price per sqm in March was 6,206 PLN, 192 PLN less than a month before. This relatively distinct (especially in comparison with other cities) change for the worse was mainly due to very low supply of new flats on sale. Since 2005 each year only few hundreds new flats has appeared on the market in the capital of Silesian Province (619 at best in 2007). More and more expensive loans and thus declining purchasing power of Katowice's residents are also of some significance. According to redNet Consulting analysts prices of residential property in Katowice may go up by 5-7%, but even now they provoke potential clients' thoughts whether to buy and force them to calculate their credit ratings thoroughly.

Since the beginning of 2008, situation in **Cracow** has seemed stable. After the minor decrease in January and slight increase in February, the situation in fact restored to its original condition from the end of 2007. In march average price per sqm in Cracow increased only slightly by 0.7%, which amounts to 52 PLN more and the level of 7,572 PLN. However, by the end of 2008 average price per sqm in Cracow should drop a little due to expected significant supply of flats-to-be, planning permissions of which were issued as early as in 2007.

Investors in **Lodz** lost in March almost everything they earned in February – in the last month of winter average price per sqm in 'the promised land' (as the Nobel Prize in Literature winner Wladyslaw Reymont described the city in his novel) dropped by approximately 1%, that is by 67 PLN. Therefore average cost of purchasing 1 sqm in Lodz amounts to 6 309 PLN. Such prices level is not acceptable by many Lodz's residents, what in the upcoming months can force some developers to revise their offers and there may be even 5% decrease by the end of 2008.

**Poznan**, which in 2007 solitarily leaded the way in dynamics of price inflation among the largest Polish cities, is a shadow of its former self since last year's autumn and it joined the ranks of cities with stable situation on the residential market. Following the distinct drop of average price per sqm by 3.77%, over the next two months Poznan is ascending slowly. In March nominal 0.9% increase in the capital of Greater Poland was registered reaching 7,316 PLN and buyers' wallets lost additionally on average 65 PLN. Over 2008 relatively inexpensive projects are expected to appear on the market and there may be a few-percent revision consequently. It is likely especially in light of rapidly growing supply. A number of planning permissions issued in the capital of Greater Poland could be a measure of its dynamics.

| district | March 2008 | February 2008 | change in the average price per sqm. (March 2008/February2008) | |
|---|---|---|---|---|
| Bemowo | 8,116 | 8,171 | -0.68% | ⇩ |
| Białołęka | 6,409 | 6,397 | 0.18% | ⇧ |
| Bielany | 9,355 | 8,882 | 5.32% | ⇧ |
| Mokotów | 9,854 | 9,899 | -0.45% | ⇩ |
| Ochota | 10,212 | 10,040 | 1.71% | ⇧ |
| Praga Południe | 8,733 | 8,627 | 1.22% | ⇧ |
| Praga Północ | 7,802 | 7,851 | -0.63% | ⇩ |
| Śródmieście | 15,757 | 16,030 | -1.71% | ⇩ |
| Saska Kępa | 11,597 | 11,918 | -2.69% | ⇩ |
| Targówek | 6,955 | 6,904 | 0.73% | ⇧ |
| Ursus | 7,582 | 7,622 | -0.53% | ⇩ |
| Ursynów | 8,346 | 8,361 | -0.18% | ⇩ |
| Wawer | 6,917 | 6,848 | 1.01% | ⇧ |
| Wesoła | 7,091 | 7,091 | 0.00% | ⇔ |
| Wilanów | 9,673 | 9,542 | 1.38% | ⇧ |
| Wola | 10,308 | 10,284 | 0.23% | ⇧ |
| Żoliborz | 10,381 | 10,293 | 0.85% | ⇧ |

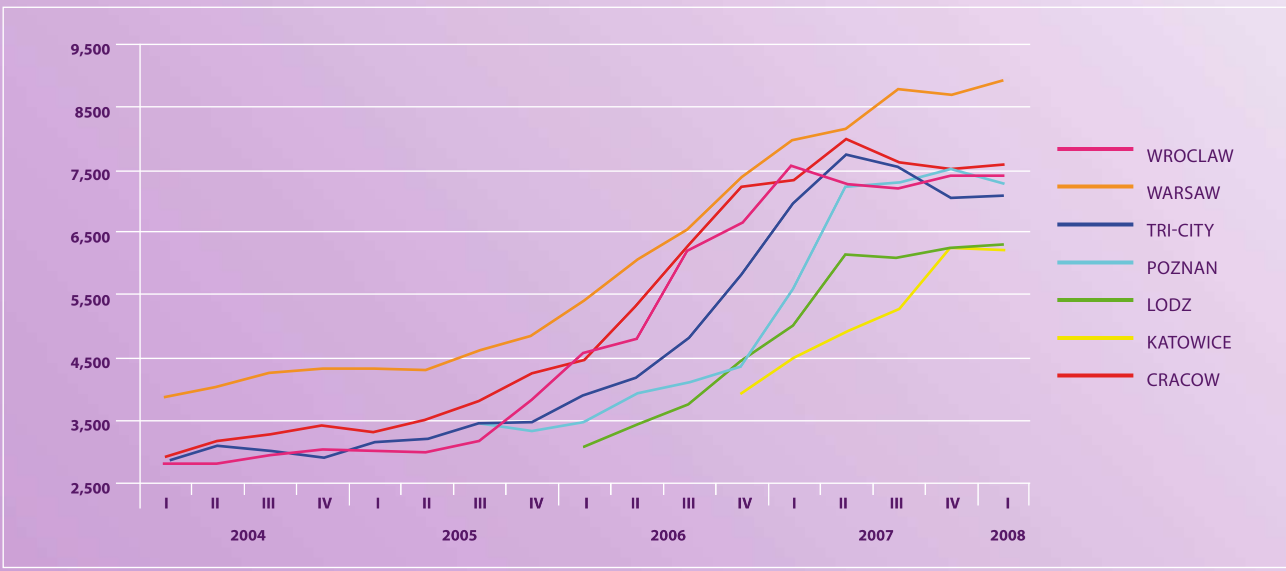
**CHANGE IN THE AVERAGE PRICE PER SQM. IN WARSAW**
SOURCE: redNet Consulting based on www.tabelaofert.pl

March is the second month of slight increase running for residential situation in the **Tri-City**, which is especially apparent in comparison with the previous 5-month period of decreases. This time price per sqm surged by 0.64% on average or by 45 PLN reaching the average of 7,098 PLN. Major fluctuations are not expected.

**Warsaw** is slightly up for the second time in a row. Just like in February, March brought in approximately 0.4% increase of average price per sqm and now one has to pay 8,918 PLN for a square metre (36 PLN more than a month before). Warsaw is a city of price contrasts, though, so one must not examine situation in the Poland's capital without taking a closer look at fluctuations in its districts. The most riveting is 5.32% increase of price average (or by 473 PLN) that was observed in March in Bielany. Such distinct fluctuation is no surprise if one examines structure of supply and demand in this district. In March in Bielany two factors overlapped each other. A lot of flats at average level for the entire district or below were sold. New projects exceeding the average not only in Bielany but also in Warsaw as a whole appeared on the market instead of them so to speak.

Once again there has been nominative drop in mature market of **Wroclaw** – by 0.13%. In the capital of Lower Silesia one had to pay in March on average 7,429 PLN, just under 10 PLN less than in February. It is expected that situation is to stabilise at the current level.

*To summarise, March has been another peaceful month on the Poland's residential market. Without doubt the consecutive 0.25 increase of primary interest rate made by the Monetary Policy Council on 26th March will affect situation of the Poland's residential market. Despite this decision was long expected, it will hinder already difficult situation of borrowers. All the more so because financial advisors forecast yet another anti-inflationary actions of the MPC.*




**CHANGE IN THE AVERAGE PRICE PER SQM. 2004 - 2008**
SOURCE: redNet Consulting based on www.tabelaofert.pl