



Poland's residential market

Report by redNet Consulting and tabelaofert.pl
SITUATION IN THE RESIDENTIAL MARKET
FEBRUARY 2009

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Stabilisation after falls

FEBRUARY 2009
in the residential market



AVERAGE PRICE OF FLATS IN EIGHT MAIN CITIES
SOURCE: tabelaofert.pl

LEGEND:

- **Average offer price** – the average price per sqm of flats 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 past three months
- **Average price of new flats on offer** – the average price per sqm of flats in new developer projects put up for sale in the last three months

After clear price decreases which became stronger especially at the end of last year the beginning of 2009 shows gradual departing from the downward trend. The average offer price is still subject to substantial fluctuations and developers, due to low market liquidity, are still willing to offer promotions and see much room for negotiation on the price. Because of the sustaining discrepancies between the developers and prospects' expectations, the market condition is mainly seen in the average price at which flats are sold. Since December this price has practically stayed unchanged, which means that the demand side of the market starts to regain its balance gradually and the price of flats bought at the beginning of the year stopped falling.

As for the largest Polish cities, in February we could witness further turbulences in the average offer price which reached the level of PLN 8,144. The average price of flats sold has not practically changed and amounted to PLN 6,974 in February, compared with 6,952 in January.

The chart presenting the average price illustrates the current market situation very well. In February the stabilisation of the price of flats sold was visible, with simultaneous significant fluctuations of the offer price. This depicts that the market has not reached its balance yet and only highly priced property remains on offer. The thesis saying about the stabilisation of prices seems to be true – the real prices of flats which are sold, taking into account all discounts, stopped falling at the beginning of the year.

SITUATION IN THE RESIDENTIAL MARKET FEBRUARY 2009

City	Offer price of flats	Price of flats sold	Price of flats sold/ offer price
Katowice	5,531	5,497	-0.6%
Kraków	8,064	6,697	-17.0%
Łódź	6,074	4,895	-19.4%
Poznań	7,794	7,399	-5.1%
Gdańsk	6,116	5,636	-7.8%
Warsaw	9,457	8,073	-14.6%
Wrocław	7,878	6,571	-16.6%
Szczecin	5,926	5,888	-0.6%
Warsaw Agglomeration	8,769	7,644	-12.8%
Tri-City Agglomeration	6,269	5,696	-9.1%
Silesian Agglomeration	4,864	5,328	9.5%
Average for 8 agglomerations	8,144	6,974	-14.4%

The average offer price of flats in the eight subject agglomerations stabilised on the level of PLN 8,144 per sqm in February, but when we take into account individual agglomerations it is only PLN 4,864 per sqm in Silesia and as much as PLN 9,457 per sqm in Warsaw. The discrepancy between the price of flats sold and the average price of the whole offer totalled -14.4%, which indicated that, after the period of a slight improvement observed in January (-11%), the relevant market discrepancy returned to the level recorded in December 2008. Such a change in price indices means that the market is still subject to considerable fluctuations and seeks for a balance. The highest misadjustment between the developers and prospects' expectations can be seen in Łódź, Kraków and Wrocław (-19.4%, -17.0% and -16.6% respectively). In Szczecin and Katowice dwellings are sold at a price close to the average price of the whole offer.

The observation of changes in the price shows that the market starts to stabilize slowly. A clear decrease in the average price of sold flats took place only in Łódź and Katowice (a fall of 11.5% and 6.3% respectively). These are cities where changes in the residential market tend to occur a little later than in other agglomerations. In other cities the changes in the price of flats sold were subject to only slight fluctuations and they even rose in some of the cities, which means that the downward tendency is close to the rock bottom and the market should enter the stabilisation phase. The average offer price in the main cities was by 4.3% higher in February than in January. However, this does not mean that developers increased prices, but it results from the fact that flats priced below the market average are still mainly sold.

City	Offer price of flats	Price of flats sold	Change in the offer price of flats February/January	Change in the price of flats sold February/January
Katowice	5,531	5,497	-12.9%	-6.3%
Kraków	8,064	6,697	3.1%	-3.8%
Łódź	6,074	4,895	0.6%	-11.5%
Poznań	7,794	7,399	3.5%	-1.6%
Gdańsk	6,116	5,636	-2.8%	0.6%
Warsaw	9,457	8,073	3.9%	0.2%
Wrocław	7,878	6,571	-0.1%	-0.3%
Szczecin	5,926	5,888	2.1%	0.0%
Warsaw Agglomeration	8,769	7,644	3.9%	0.3%
Tri-City Agglomeration	6,269	5,696	-1.0%	-0.7%
Silesian Agglomeration	4,864	5,328	-9.5%	-2.9%
Average for 8 agglomerations	8,144	6,974	4.3%	0.3%

Currently observed first symptoms of the stabilisation of the price of flats sold prove that buyers start to be aware of the fact that they should not count on further falls in the price. The volume of sales is still relatively low but more and more people are starting to look for a flat wanting to use the opportunity of negotiating some discounts with the developer.