Poland's residential market

Report by redNet Consulting and tabelaoferty.pl
SITUATION IN THE RESIDENTIAL MARKET
JANUARY 2009

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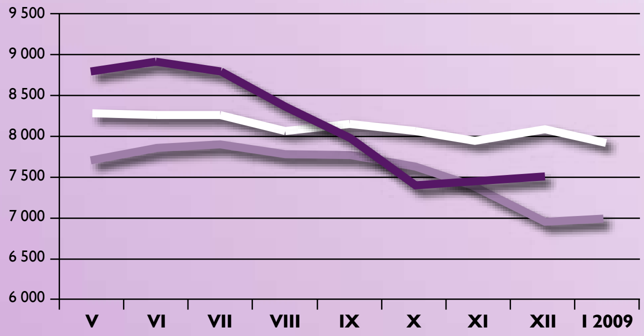
The Real
Price

JANUARY 2009
in the residential market)

Despite the fact that price charts are much smoother than during the bull market the residential market is changing very exuberantly. In relation to the low liquidity of sale in the past two months, developers are clearly meeting buyers' expectations. They do this by various promotions and discounts forcing buyers to make the decision of purchase. Therefore, apart from the average prices calculated on the basis of official offers, we need to be aware of the real prices being the result of discounts, promotions and bargaining. Nowadays it is possible to get an average discount of about 10% from the average offer price. Probably this is the reason for revival experienced by developers, visible in a slight rise in interest in their premises. However, we are now talking about a growth in interest in comparison to December when flats were not practically sold.

As for the largest Polish cities, in January we could observe the average offer price approaching the average price of flats sold. The average price of dwellings in January in eight main agglomerations amounted to 7,808 PLN, compared with 8,079 PLN in December. These figures indicate a 3% fall.

The chart of average price of flats is a good illustration of the present market situation. In January it was visible that the price of flats sold was stabilising, together with a simultaneous fall in the offer price. It shows how the market aims at balance. Flats were being sold at the same price as in December and, what is more, developers lowered the price of their offers. This is why the thesis about price stabilisation is apt – relating to the real price of flats which are being sold, with the consideration of all cuts, the prices are going to fall. Furthermore, the average offer price is going to be closer and closer to the price of actually sold dwellings. In this way the market will be trying to reach a balance.



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

City	Offer price of flats	Price of flats sold	Price of flats sold/ offer price
Katowice	6,348	5,864	-7.6%
Kraków	7,822	6,963	-11.0%
Łódź	6,038	5,530	-8.4%
Poznań	7,534	7,520	-0.2%
Gdańsk	6,293	5,600	-11.0%
Warsaw	9,098	8,058	-11.4%
Wrocław	7,889	6,593	-16.4%
Szczecin	5,805	5,887	1.4%
Warsaw Agglomeration	8,440	7,622	-9.7%
Tri-City Agglomeration	6,330	5,735	-9.4%
Silesian Agglomeration	5,373	5,485	2.1%
Average for 8 agglomerations	7,808	6,952	-11.0%

City	Offer price of flats	Price of flats sold	Change in the offer price of flats January/December	Change in the price of flats sold January/December
Katowice	6,348	5,864	0.2%	2.3%
Kraków	7,822	6,963	0.6%	-3.0%
Łódź	6,038	5,530	-0.9%	-0.4%
Poznań	7,534	7,520	-5.6%	2.6%
Gdańsk	6,293	5,600	-2.1%	-3.5%
Warsaw	9,098	8,058	-3.0%	-1.6%
Wrocław	7,889	6,593	-3.1%	-5.2%
Szczecin	5,805	5,887	-2.9%	1.7%
Warsaw Agglomeration	8,440	7,622	-3.6%	3.5%
Tri-City Agglomeration	6,330	5,735	1.3%	0.9%
Silesian Agglomeration	5,373	5,485	-0.6%	-0.2%
Average for 8 agglomerations	7,808	6,952	-3.4%	0.1%

Moreover, we have suspended the publication of the average price of new flats since the beginning of 2009. It results from the fact that at the beginning of 2009 very few new projects entered the market. Such a situation is in conformity with our previous predictions saying that supply of new flats would be drastically stopped in 2009. This is another argument confirming the thesis that the first quarter of 2009 is a good time to purchase a flat from a developer since it is possible to obtain a discount and choose from among a wide available offer.

Currently the lowest average price of flats is being recorded in the Silesian Agglomeration (5,373 PLN/sqm.) and the highest – traditionally in Warsaw (9,098 PLN/sqm.). The discrepancy between the price of flats sold and the average price of all flats amounted to -11% in January, compared with -14% in December. The highest difference has been recorded in Wrocław and Warsaw (-16.4% and -11.4% respectively). However, high discrepancies in these prices are also visible in Kraków and Gdańsk (-11% in each city). In Poznań and Szczecin flats are being sold at a price similar to the one in the offer.

As for the changes in relation to December, we can clearly state that the downward trend is being continued. The average offer price in all cities apart from Katowice and Kraków has fallen. The growth in price in these two cities (of 0.2% and 0.6% respectively) was triggered off not so much by increasing the price by developers but by selling cheaper flats, which results in a rise in the average price. The highest fall took place in Poznań, Warsaw and Wrocław. In the first month of 2009 in the majority of cities cheaper flats were sold than in December (e.g. by 5% in Wrocław, 3.5% in Gdańsk and 3% in Kraków).

At the moment it is a good time to purchase flats on the market. It is because a buyer can choose from among a wide offer of dwellings very often comprising units already completed. Thanks to that it is possible to acquire a ready-to-move-in flat. It may be a very good incentive for people who are considering purchasing today and would not like to take the risk of their developer's possible bankruptcy. An additional advantage might be also the system of discounts and bonuses allowing for buying at an attractive price. Being aware of the limited new supply, with still present dwellings' deficit, people purchasing residential premises in these circumstances can be certain of their right decision, especially as the wide choice, unthinkable a year ago, makes it possible for them to find their dream accommodation.