



# Poland's residential market

Report by redNet Consulting and [tabelaofert.pl](http://tabelaofert.pl)  
SITUATION IN THE RESIDENTIAL MARKET  
Ist QUARTER OF 2009

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# Residential market

1st QUARTER OF 2009

In January this year it was already visible that the wave of falls in the real prices, which strengthened especially at the end of 2008, would not last long. The market data from the first quarter of 2009 confirm these predictions. The average price of flats sold stopped dropping and has been subject to slight fluctuations since the beginning of the current year. Developers who reacted to the weakening of the rate of sale and offered additional material discounts when negotiating with clients can be much less flexible about granting them in the next few months. A growth in the number of flats sold, which was already noticeable in February and was maintained in March as well, indicates that the dormant demand is slowly coming to life.

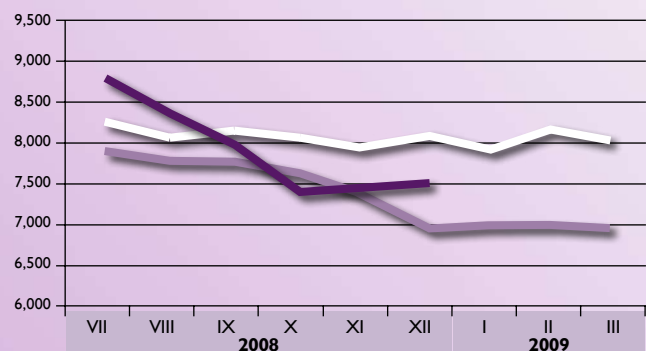
The chart presenting the average price of flats illustrates the current situation in the residential market in main cities. The price of flats sold, which in the present market conditions depicts the ongoing situation in this sector from the beginning of the current year much better, has been subject to very slight changes. In March it amounted on average to PLN 6,930 and was similar to the level from December 2008. The average offer price has still been subject to significant fluctuations. Its changes are largely dependant on the average price of flats sold. In the situation when the cheapest flats are mainly disappearing from the market and new projects are not put up for sale the average offer price is rising. In March the average offer price in eight major agglomerations amounted to PLN 8,083 and, contrary to February, it had slightly fallen.

The average offer price of flats in the eight monitored agglomerations amounted to PLN 8,083 per sqm in February but considering individual cities it varied from PLN 5,134 per sqm in Szczecin to PLN 9,499 per sqm in Warsaw. The discrepancy between the average price of flats sold and the average offer price reached -14.3% in March, which means that it stayed on the level close to the figure from February 2009. Such behaviour of price indices indicates that the discrepancy between customers and developers' expectations is still present in the scope of the price level. The biggest maladjustment between customers and developers' expectations can be observed in Warsaw, Kraków, Wrocław and Łódź. Apart from the capital city, a sort of market narrowing has taken place in the other cities. The narrowing consists in decreasing the difference between the average offer price and the average price

at which flats are actually sold (from about 17-19% in February to 13-15% in March). The approach of prices is one of the premises which may translate into a rise in the liquidity of sale.

In Katowice and Gdańsk flats are sold at the price very close to the average offer price.

In March the average price of flats sold was much lower than in February when the decline in the price level exceeded 10% in some cities. This month the cuts in prices have been visible only in Poznań (-6.4%) and Szczecin (-5.2%). Such a situation mainly resulted from the fact that due to a relatively high price in these cities very few flats were actually sold and the average price considering the small volume was disproportionately elevated in comparison to other cities (e.g. in Poznań the price of flats sold was higher than, for example, in Wrocław or Kraków). In other cities the average price of flats sold was only slightly lower than in February or even increased (e.g. in Gdańsk).



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

## SITUATION IN THE RESIDENTIAL MARKET 1st QUARTER OF 2009

The average offer price of all flats available in the market in the main cities was by 0.7% lower in March than in February. Its largest fall was recorded in Szczecin (-13.5%). Developers operating in this market had tried to protect the level of the offer price of flats. However, very low volume of sale resulted in the situation where they were forced to offer a lower price, closer to the customers' expectations. A relatively large fall in the average offer price was also recorded in Łódź (-6.5%) where changes take place with a slight delay in comparison to the other main agglomerations.

City	Offer price of flats	Price of flats sold	Price of flats sold/ offer price
Katowice	5,669	5,444	-4.0%
Kraków	7,847	6,671	-15.0%
Łódź	5,678	4,929	-13.2%
Poznań	7,776	6,928	-10.9%
Gdańsk	6,048	5,779	-4.4%
Warsaw	9,499	7,997	-15.8%
Wrocław	7,495	6,537	-12.8%
Szczecin	5,134	5,580	8.7%
Warsaw Agglomeration	8,783	7,465	-15.0%
Tri-City Agglomeration	6,219	5,788	-6.9%
Silesian Agglomeration	4,874	4,949	1.5%
The average for the eight agglomerations	8,083	6,930	-14.3%

The residential market can be called an 'awakening' market in the first quarter of 2009. After very bad (from the point of view of sales) months – December and January, revival could be observed in February and a growth in sales in March. Naturally, it is not a reason for a comeback to the times of the bull market when a few thousand flats were sold just in Warsaw in a single quarter, however since the beginning of this year the sales have clearly improved. This situation confirms our prognosis from January in which we were trying to prove the thesis that the best time for people who are considering purchasing a flat is the first half of the current year. It results from many factors occurring at the same time. A lot of potential buyers held their purchasing decision at the end of 2008. Having found out about the crisis they expected further falls in prices and decided to use that time to earn high interest on lucrative deposit accounts offered by banks. This waiting time translated directly into a dramatically low sale – in the fourth quarter of 2008 only below 900 flats were sold in Warsaw, compared with over 5,000 flats sold in the second quarter of 2008. However, it was not a bad move – in contrary, it shows how reasonable potential buyers are, since in fact they benefited in two ways – by interest on deposit accounts and cuts in the price.

Today we need to become aware that the situation is completely different. It is known for sure that the majority of residential projects planned for the year 2009 have been held. According to our estimate, nine or ten new investments have been cancelled or postponed. Understandably, developers also monitor the market and adjust to it. Confronted with difficulties with obtaining funds and a prolonged period of sale, they adjust by completing investments that have already been started and holding the new ones. It showed that today's supply is an example of a completely different reality than a year ago. Simply, new projects do not appear and the currently realised ones, although they do not sell as we would dream they could, are still being sold. It means that the available offer is going to shrink.

City	Offer price of flats	Price of flats sold	Change in the offer price of flats March/February	Change in the price of flats sold March/February
Katowice	5,669	5,444	2.5%	-1.0%
Kraków	7,847	6,671	-2.7%	-0.4%
Łódź	5,678	4,929	-6.5%	0.7%
Poznań	7,776	6,928	-0.2%	-6.4%
Gdańsk	6,048	5,779	-1.1%	2.5%
Warsaw	9,499	7,997	0.4%	-0.9%
Wrocław	7,495	6,537	-4.9%	-0.5%
Szczecin	5,134	5,580	-13.4%	-5.2%
Warsaw Agglomeration	8,783	7,465	0.2%	-2.3%
Tri-City Agglomeration	6,219	5,788	-0.8%	1.6%
Silesian Agglomeration	4,874	4,949	0.2%	-7.1%
The average for the eight agglomerations	8,083	6,930	-0.7%	-0.6%

What about the buyers then? They also need to face the new situation. Deposit accounts have stopped alluring with high interest and the real market price has reached the rock bottom. The cheapest flats are being sold and buyers make rational decisions. Developers successfully stimulate the sale by offering numerous promotions and discounts. A bigger and bigger group is trying to adjust to the state's support being the "Rodzina na swoim" programme ("Family on its Own" programme). Thanks to an adequate diversification of the offer it is now possible to purchase a flat even in projects at a higher standard on very good conditions by taking part in this programme.

It should be kept in mind that when considering the purchase in the situation when new investments do not appear, every sold flat makes the available offer smaller. Due to the fact that surely the most attractive dwellings are going to be sold first we expect that the nearest future will be still an advantageous period for a purchase of a flat. Therefore, compared with the "crisis" months, the spring of 2009 is going to be a good time in the market from the perspective of the sale of flats.