



Poland's residential market

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

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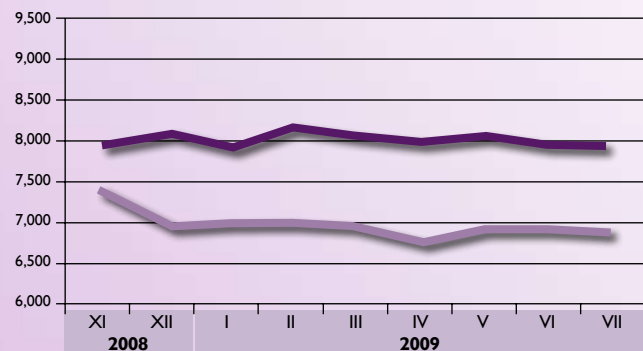
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Residential Market

JULY 2009

At first glance not much happened in the residential market in July. Especially from the point of view of prices. Both the average offer price and the average price of flats sold changed only slightly downwards (by less than 1%). However, it does not mean that nothing has been happening. This stabilisation shows in fact that the market is bordering on the balance point. It is even clearer considering the fact that we have been recording significant liquidity of sale since the stabilisation of price started (since March of the current year). Truly, this is not the sale we could observe at the time of the bull market (for example, 6,000 flats sold in Warsaw in the best quarters), but it is noticeable that clients have rushed to buy after the worst period recorded at the end of 2008 and beginning of 2009.

Therefore, taking into account the market in the biggest cities in Poland, the average price per sqm of a flat in seven agglomerations amounted to PLN 7,968 in July and was by 0.3% lower than in June. On the other hand, the average price of flats sold settled at the level of PLN 6,876 per sqm and was by 0.9% lower than a month earlier. However, the difference between these parameters is a more important factor since it occurs that flats that are actually sold are sold at a price of over 13% lower than the average offer price. Such a situation takes place because buyers verify offers, compare them and make conscious choices. They have had a very good period for that – the speeding developers' investment market experience in the past years resulted in the situation where it is possible to choose a flat from still a wide available range of offers, including numerous finished flats. These are conditions allowing for thorough consideration and making conscious choices. At the same time it should be taken into account that such a situation will not last forever. Holding new investments along with, as it occurs, quite good liquidity of sale does not forecast any improvement for a buyer. It can be already said that the market is testing the price level at which customers are willing to buy, banks are eager to finance and developers sell.



AVERAGE PRICE OF FLATS IN SEVEN 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

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Price situation in individual cities is as follows:

City	Offer price of flats	Price of flats sold	Price of flats sold/ offer price
Katowice	5,118	4,645	-9.2%
Kraków	7,599	6,562	-13.6%
Łódź	5,426	5,335	-1.7%
Poznań	7,831	6,774	-13.5%
Gdańsk	6,417	5,577	-13.1%
Warsaw	9,307	8,246	-11.4%
Wrocław	8,138	6,357	-21.9%
Warsaw Agglomeration	8,512	7,589	-10.8%
Tri-City Agglomeration	6,562	5,477	-16.5%
Silesian Agglomeration	4,568	4,351	-4.8%
The average for the eight agglomerations	7,968	6,876	-13.7%

City	Offer price of flats	Price of flats sold	Change in the average offer price July/June	Change in the price of flats sold July/June
Katowice	5,118	4,645	-3.5%	-1.9%
Kraków	7,599	6,562	0.4%	0.2%
Łódź	5,426	5,335	0.7%	-0.4%
Poznań	7,831	6,774	-0.5%	-1.5%
Gdańsk	6,417	5,577	1.8%	-0.8%
Warsaw	9,307	8,246	-0.5%	0.4%
Wrocław	8,138	6,357	2.4%	-3.0%
Warsaw Agglomeration	8,512	7,589	-1.7%	0.9%
Tri-City Agglomeration	6,562	5,477	1.4%	0.6%
Silesian Agglomeration	4,568	4,351	-2.2%	-0.3%
The average for the eight agglomerations	7,968	6,876	-0.3%	-0.9%

In individual cities – just as it is in various markets – we can observe different intensity of the phenomenon. The discrepancy between the average offer price of flats and the average price of flats actually sold varies between 1.7% in Łódź and nearly 22% in Wrocław. Wrocław is again the market where sellers' expectations and final decisions made by buyers are the furthest from each other.

In the comparison presenting changes in the price in time it has not been so stable for long. Generally speaking the falls/growths in prices in individual cities were cosmetic in July. The biggest difference in the average price of flats was recorded in Katowice where developers implemented widely spread promotional actions. The offer price fell there by 3.5%. It must be said that it has given notable results in the actual sale. On the other hand, the highest growth in the average offer price of flats took place in Wrocław (+2.4%). As it is visible judging by the price of flats sold, it is not a move focused on the market. The liquidity of sale of flats offered by Wrocław's developers is far from the expected level.

A similar situation is in the case of the average price of flats sold. The three-percent fall in Wrocław illustrates the direction of buyers' expectations. The majority of cities recorded a very delicate decline, except for Warsaw (+0.4%) and Kraków (+0.2%).

When looking at the Polish residential market as a whole, it seems that the stabilisation that we have been experiencing for the last few months is a transition period between a significant correction (of price and volume of sale) and revival, which should be expected in the nearest future. Currently, still in the holiday period, we say that after quite a good July, which is a month usually characterised by a fall in sale and the time when a price reduction is a trial to prevent such a situation. Surely, the period of uncertainty which was seen after the crisis did not have a positive influence on the market; however, the same level of certainty is given by the present situation of more stable indicators. It automatically translates into, among others, the came-back of credit activity realised by Polish banks. We will see how the market will develop in the future.