



Poland's residential market

Report by redNet Consulting and tabelaofert.pl
SITUATION IN THE RESIDENTIAL MARKET
NOVEMBER 2008

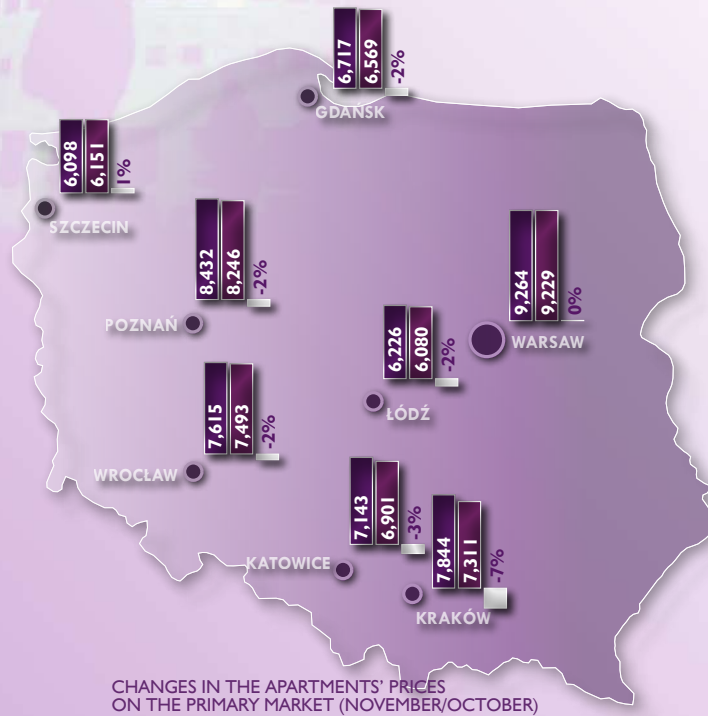
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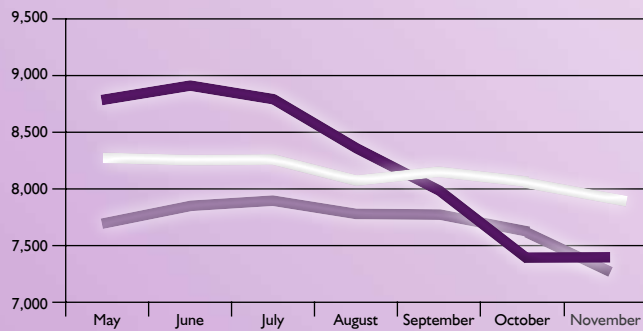
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Price correction continues

NOVEMBER 2008
on the residential market

The average offer prices of flats fell during November in the whole country, on average by 2%. The most significant correction of prices was observed in Krakow (-6.79%) whereas in the other major cities the price decline oscillated between 0 and -3%. Detailed price changes are presented on the graph.



AVERAGE PRICE OF FLATS IN EIGHT MAIN CITIES

SOURCE: tabelaufert.pl

LEGEND:

- **Average offer price** – the average market price per sqm of all flats in developer projects put up for sale, as of 29th November 2008
- **Average price of flats sold** – the average price per sqm of flats sold in the last three months, i.e. from September to November 2008
- **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, i.e. September to November 2008

However, as we have already determined, the average offer price does not reflect the whole market situation. According to the division implemented in May 2008 we should observe as well the changes occurring in prices of flats sold and those newly brought on offer. In the whole country persists a significant disjunction between the price of apartments newly introduced onto the market and the average offer price. Such a situation confirms the fact that the residential market in Poland normalizes – the price of flats newly introduced onto the market have to be discounted against the price of completed units.

A further decline in prices of sold flats is a substantial fact connected with the current situation on the market: the possibility of choosing a well priced offer out of a broad supply of flats on the market, difficulties in obtaining a mortgage loan and expectations of a further price decrease. It results in a significant slump in the pace of sales; and when talking about sales – it concerns only those flats whose price is adequate to the buyers expectations.

SITUATION IN THE RESIDENTIAL MARKET NOVEMBER 2008

SITUATION IN THE PARTICULAR CITIES LOOKS AS FOLLOWS:

The difference between the price of flats sold and the average offer is the most visible in the Warsaw Agglomeration (-10.1%) and Silesian Region (-9.0%). In Wroclaw and Krakow the flats are being sold almost at the level of average price. The discrepancies between the prices of flats newly introduced on offer and those in fact sold are extremely high in Lodz (37.1%) and Krakow (16.2%). This situation results from the introduction of a considerable number of flats characterized by higher standard and price onto those markets.

We dealt with an interesting situation regarding the changes of price level during the last month. It turned out that while the differences in average price remained mainly slight, the price of flats sold dropped considerably in Katowice (by over 11%), Wroclaw (by 9.5%) and Poznan (by 6.5%). In some cities the developers still continue to introduce expensive flats onto the market, which results in a price increase of new flats on offer – in comparison to October it surged by 9% in Poznan or Lodz and by almost 5% in Warsaw. On the contrary, in Katowice, Krakow, Gdansk and Wroclaw the developers tend to put lower prices on the flats newly introduced onto the market.

cities	average offer price	average price of flats sold	average price of new flats on offer	price of new flats on offer /price of flats sold	price of flats sold /offer price
Katowice	6,901	5,978	6,949	16.2%	-13.4%
Krakow	7,311	7,357	6,770	-8.0%	0.6%
Lodz	6,080	5,649	7,744	37.1%	-7.1%
Poznan	8,246	7,774	7,751	-0.3%	-5.7%
Gdansk	6,569	6,132	6,693	9.2%	-6.7%
Warsaw	9,229	8,530	8,731	2.4%	-7.6%
Wroclaw	7,493	7,511	7,744	3.1%	0.2%
Szczecin	6,151	5,935	6,551	10.4%	-3.5%
Warsaw Agglomeration	8,591	7,723	8,203	6.2%	-10.1%
Tri-city Agglomeration	6,498	6,107	6,459	5.8%	-6.0%
Silesian Agglomeration	6,420	5,844	6,379	9.2%	-9.0%
average for eight agglomerations	7,913	7,332	7,406	1.0%	-7.3%

In conclusion, it should be stated clearly that the prices are declining. And they will probably continue to fall in December. The end of this year is going to be a special period of time characterized by a flood of developers' discounts and promotions. In this respect the real price decreases will be even higher – adding the finishing package or other supplements to the flat is nothing else but a price reduction. Though, the finishing of flats, even apart from the current situation regarding apartments prices, will become more and more popular among the developers as a reaction to the buyers expectations.

After the temptation with promotions in the end of 2008, we may expect a stabilization of the market situation in the beginning of 2009 as far as the prices are concerned. The developers do not want and in many cases simply cannot apply further price reductions; in particular cases they may even come across the costs of apartments' construction. We shall remember that the supply quite quickly reacted to the limited demand and in 2009 a definitely smaller number of projects will enter the residential market.

cities	average offer price	average price of flats sold	average price of new flats on offer	change in average offer price	change in average price of flats sold November/October	change in average price of new flats November/October
Katowice	6,901	5,978	6,949	-3.39%	-11.02%	-2.50%
Krakow	7,311	7,357	6,770	-6.79%	-2.30%	-1.64%
Lodz	6,080	5,649	7,744	-2.34%	-0.93%	9.15%
Poznan	8,246	7,774	7,751	-2.20%	6.44%	9.64%
Gdansk	6,569	6,132	6,693	-2.21%	-3.49%	-3.57%
Warsaw	9,229	8,530	8,731	-0.38%	-1.08%	4.82%
Wroclaw	7,493	7,511	7,744	-1.61%	-9.48%	-1.82%
Szczecin	6,151	5,935	6,551	0.87%	-1.50%	0.26%
Warsaw Agglomeration	8,591	7,723	8,203	-1.62%	-4.87%	4.06%
Tri-city Agglomeration	6,498	6,107	6,459	-3.13%	0.14%	-8.02%
Silesian Agglomeration	6,420	5,844	6,379	3.44%	-11.50%	-2.89%
average for eight agglomerations	7,913	7,332	7,406	-2.0%	-3.94%	-0.46%