



Poland's residential market

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

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Residential Market November 2009

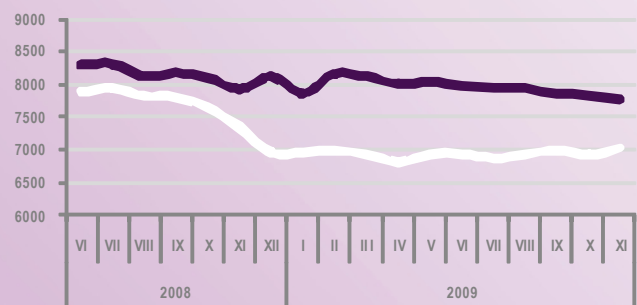
In November the continuation of the process of reaching balance between buyers' expectations and developers' offer could be observed on the residential market in Poland. Again the average price of flats sold came closer to the average offer price of flats in main cities in the country.

Both a slight fall in the offer price in comparison to this year's October (of 0.8%) and a little bigger rise in the price of flats sold (of 1.5%) contributed to this situation. The first change should be mainly explained by the beginning of sale of new investments priced below the average up-to-date offer price with the consideration of the current market conditions. On the other hand, the rise in the average price of flats sold can be justified best by the fact that the most price-attractive flats have already been sold.

With the volume of flats sold remaining relatively high and stable, every single transaction lowers the availability of the most attractive completed units. This is because the first to sell are flats which you can enter into, see and touch without the risk that the investment will not be finished by the developer. This is a rational customer choice since such a possibility is still attainable. However, it should be kept in mind that in the first half of the current year and at the end of the previous year many developers decided to start new investments, which means that next year it will be more and more difficult to find the most popular on the market and most functional two and three-room flats among the completed units.

The average price of flats available on offer in the seven main cities levelled in November at 7,786 zł/sqm and was by 0.8% lower than in October. Its fall was rather cosmetic and indicates an even better adjustment of the developers' offer to market expectations. The average price of flats sold has been at relatively the same level since the beginning of the year. In November it amounted to 7,033 zł/sqm, which shows a rise of 1.5% in comparison to the previous month. Such fluctuations (monthly rises and falls of about 1%) prove that further cuts in the price are less and less probable, especially considering the fact that developers' offer and customer expectations are becoming closer to each other.

AVERAGE PRICE OF A FLAT IN SEVEN MAIN CITIES



Source: redNet Consulting on the base of data tabelaofert.pl

LEGEND:

■ Average offer price – the average price per sqm of all flats on offer 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 last three months

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The price situation in individual cities is as follows:

City	Offer price of flats	Price of flats sold	Price of flats sold/offer price of flats
Katowice	5426	4892	-9,8%
Kraków	7860	6994	-11,0%
Łódź	5603	5196	-7,3%
Poznań	7362	6779	-7,9%
Gdańsk	6926	5891	-14,9%
Warszawa	9104	8215	-9,8%
Wrocław	8006	6843	-14,5%
Warsaw Agglomeration	8354	7575	-9,3%
Tri-City Agglomeration	6811	5775	-15,2%
Silesian Agglomeration	4902	4541	-7,4%
The average for 7 agglomerations	7786	7033	-9,7%

On individual markets we can still observe significant discrepancies between the average offer price and the average price of flats that are chosen by buyers. This is because they mainly decide to buy flats that are attractive in respect of the price. The biggest disproportion in November could be seen in the Tri-City market and the Wrocław market where flats were sold at the price respectively 15.2% and 14.5% lower than the average offer price. However, it should be stressed that in comparison to the previous month the discrepancy between developers and customers' expectations in both markets has been considerably reduced. The smallest price differences in November could be observed in Łódź (-7.3%), Poznań (-7.9%), and in Silesia (-7.4% in the agglomeration and -9.8% in Katowice). The flats sold in Warsaw and Kraków were one tenth cheaper than the average offer price.

Practically on every market (except for the Silesian Agglomeration) we observed a rise (month/month) of the average price of flats sold. Moreover, despite a slight fall in the average offer price of flats in Poland (of 0.8%) significant changes took place only in Wrocław (-4.1%) and Kraków (-2.4%). On the other markets the average offer price was only subject to cosmetic fluctuations.

Better and better buyers' adaptation to the present price level of residential premises offered by developers expressed in a rise in the index of average price of flats sold, with the stable economic situation in the country, forces a more optimistic look at the coming year. After an undoubtedly the hardest period for developers between the fourth quarter of 2008 and the first quarter of 2009, we have been observing a come-back to the balance on individual markets.

City	Offer price of flats	Change in the offer price of flats November/October	Change in the price of flats sold November/October
Katowice	5426	0,2%	3,1%
Kraków	7860	-2,4%	2,1%
Łódź	5603	0,4%	3,4%
Poznań	7362	-0,8%	3,2%
Gdańsk	6926	0,1%	2,7%
Warszawa	9104	-1,6%	1,7%
Wrocław	8006	-4,1%	3,6%
Warsaw Agglomeration	8354	-0,6%	1,9%
Tri-City Agglomeration	6811	-0,1%	1,7%
Silesian Agglomeration	4902	0,4%	-0,8%
The average for 7 agglomerations	7786	-0,8%	1,5%

After the period when developers were holding their decisions to put new investments up for sale, we have observed an investment revival in the residential market since the holiday period. As long as in Poznań, Wrocław and Kraków still only single usually cosy projects are introduced for sale, in Warsaw and the Tri-City developers are starting to sell new residential premises much more often than in the first half of the year. Still a dominating share is made up by investments or their phases with a small number of residential units on offer, but large investments with a few hundred flats for sale are appearing as well. Beginning more and more numerous projects by developers results in the situation where the residential offer on individual markets is becoming even more diversified – both completed flats and those in the stage of a "hole in the ground" are available, which increases the range of customer options and protects the residential market against a large supply deficiency at the end of 2010 and beginning of 2011.