redNet CONSULTING

# Poland's residential market

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

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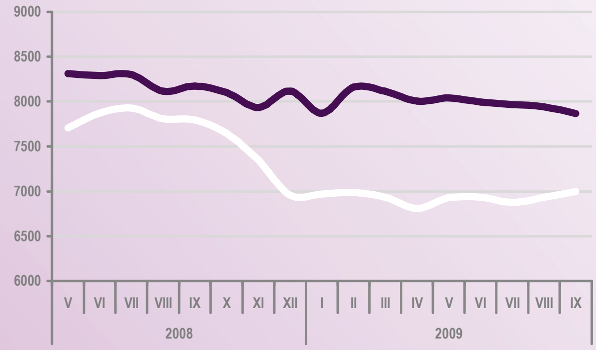
# Residential Market
## September 2009

The autumn has brought about a slight rebound in the real estate market, the rebound which reflects mainly in a rise in the number of transactions concluded in comparison to the holiday period. Apart from a better rate of sale in the third quarter, developers also recorded a fall in the volume of flats returned, which still at the beginning of the year was a serious problem decreasing the sales.

However, the revival did not greatly influence the change in the average price of flats in the major agglomerations. Both the change in the average price of the offer and the average price of flats sold did not exceed the level of 1%. Nonetheless, the falling developers' willingness to grant high discounts on flats bought has also had some impact on the purchase conditions.

The average price of flats available on offer in the seven main cities settled in September at the level of 7,869 zł/sqm and was 0.9% lower than in July. The fall in the average offer price mainly results from the fact that investments from the popular segment dominated in the relatively low number of new projects that were put up for sale in the third quarter of the current year. Due to the lower standard their price usually stays below the average recorded for the flats offered to date.

Similarly to August, in September a slight rise in the average offer price of flats sold was recorded at the level of 1%, reaching an amount of 6,998 zł/sqm. These changes are still so little that they should not be interpreted as a reason for a come-back to the upward tendency in the price level. However, they prove that further falls are less and less likely since the present price level is more frequently accepted by buyers.




**AVERAGE PRICE OF A FLAT IN SEVEN MAIN CITIES**

**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

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 | 5 386 | 4 727 | -12,2% |
| Kraków | 7 824 | 6 771 | -13,5% |
| Łódź | 5 670 | 5 079 | -10,4% |
| Poznań | 7 443 | 6 676 | -10,3% |
| Gdańsk | 6 368 | 5 323 | -16,4% |
| Warszawa | 9 252 | 8 230 | -11,0% |
| Wrocław | 8 300 | 6 486 | -21,9% |
| Warsaw Agglomeration | 8 467 | 7 544 | -10,9% |
| T-ri-City Agglomeration | 6 391 | 5 485 | -14,2% |
| Silesian Agglomeration | 4 880 | 4 531 | -7,2% |
| The average for 7 agglomerations | 7 869 | 6 998 | -11,1% |

Since the beginning of the third quarter we have witnessed a gradual narrowing of the market. Although the changes in prices are scarce, we can see a simultaneous fall in the average offer price and a slight rise in the average price of flats sold. The discrepancy between these prices, which still at the end of the second quarter exceeded 13%, is currently at the level of about 11%. The fact that customers and developers' expectations are becoming more and more alike is one of essential factors increasing the market liquidity. The highest price discrepancy is still present in Wrocław where it reaches 22%, which proves that it has stayed unchanged since August. The highest similarity between the offer price and price accepted by buyers is observed in the markets in Łódź and Poznań.

A fall in the average offer price of flats was recorded in four out of seven analysed cities in September. The biggest change took place in Poznań, but even in this city it did not exceed 2%. A small rise took place in Łódź and Kraków, and in Warsaw and Wrocław the prices practically did not change at all.

Also, the price of flats sold was subject to only slight fluctuations in September. The highest fall of 2.8% was recorded in Łódź where in September mainly flats at a lower standard were sold. A slight decrease in the price of flats was noticeable in Gdańsk and Katowice as well. On the other hand, in Kraków and Wrocław flats at a little higher price than in August were popular among buyers. In Warsaw the price of flats sold has not practically changed.

| City | Offer price of flats | Change in the offer price of flats September/ August | Change in the price of flats sold September/ August |
|---|---|---|---|
| Katowice | 5 386 | -1,1% | -0,8% |
| Kraków | 7 824 | 1,2% | 1,7% |
| Łódź | 5 670 | 2,4% | -2,8% |
| Poznań | 7 443 | -1,7% | -0,7% |
| Gdańsk | 6 368 | -2,0% | -1,4% |
| Warszawa | 9 252 | -0,2% | 0,1% |
| Wrocław | 8 300 | 0,4% | 1,2% |
| Warsaw Agglomeration | 8 467 | -0,5% | 0,1% |
| Tri-City Agglomeration | 6 391 | -3,4% | 0,3% |
| Silesian Agglomeration | 4 880 | 5,6% | -0,4% |
| The average for 7 agglomerations | 7 869 | -0,9% | 1,0% |

Apart from the change in the average offer price, it is also worth to pay attention to the fact that along with a higher liquidity in the market the developers' selling policy is being altered. Growth in the rate of sale of flats visible in the second and third quarters of the current year resulted in some reassurance of developers' feeling. Being aware of the fact that flats have started to be sold again and the worst is already behind, they stopped being willing to grand so high discounts as they did at the beginning of the year. For example, the average discount in Warsaw which was possible to obtain when buying a flat fell from 11% at the begging of the year to 7% in September. The conditions of purchasing a flat have already deteriorated but buyers can still count on negotiating the price. Therefore, people who want to take advantage of a relatively high discount should decide to conclude the purchase by the end of this year – this is because later discounts may be much lower.