redNet CONSULTING

Poland's residential market

Report by redNet Consulting and tabelaofert.pl

SITUATION IN THE RESIDENTIAL MARKET

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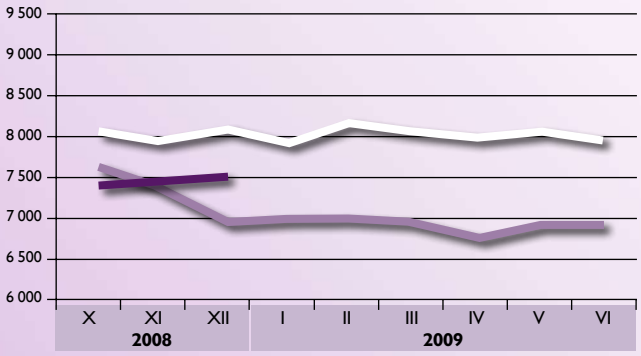
Residential Market

MAY 2009

June – a month indicating the middle of the year makes us run a summary of the past few months. Let's have a look what changes were taking place in the residential real estate market in the first half of 2009. After a very bad fourth quarter of the previous year when the worldwide financial crisis became an unquestionable fact, which resulted in a rapid limitation of access to sources of financing not only for developers but also for their customers and in the end brought about a sharp stop of the rate of sale of flats, the echo of the events from the end of last year was still audible in the fist months of this year (January, February). The sale of flats was still at a very low level, but a month after month developers started signing more and more contracts. As a result the first quarter of this year finished with a much better sales result than in the preceding quarter. In the second quarter the sale stayed in subsequent months at a stable level higher than in the preceding period. It became clear that the worse times for developers are over as far as the liquidity of sale is concerned. However, the fact of low demand forced lowering the price.

Although the offer price in the eight biggest agglomerations has shown a slight downward tendency of 3.5%, in the perspective of the whole last year (from June 2008 to June 2009) the actual transactional price has been much lower – in some cases it has reached even a dozen or so per cent. On the other hand, from the point of view of the past 12 months the price of flats sold has indicated much stronger falling dynamics – in that period it fell by nearly 12%. Facing a stricter credit policy of banks resulting in customer lowering purchasing power, buyers focused on cheaper flats. The government programme, "Rodzina na swoim", played a major part in this case too, as it gave the possibility of taking advantage of this scheme when buying a flat within a defined price limit. In relation to the financial crisis, at the end of 2008 the developers' expansion was rapidly restricted – investors held the majority of their projects and practically stopped putting new flats for sale. In such a situation, beginning with 2009 redNet has stopped quoting the average price of new projects as their scope has been too little.



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

Price situation in individual cities is as follows:

City	Offer price of flats	Price of flats sold	Price of flats sold/ offer price
Katowice	5,305	4,734	-10.8%
Kraków	7,566	6,552	-13.4%
Łódź	5,388	5,359	-0.5%
Poznań	7,870	6,876	-12.6%
Gdańsk	6,303	5,620	-10.8%
Warsaw	9,353	8,214	-12.2%
Wrocław	7,950	6,556	-17.5%
Szczecin	5,260	5,357	1.8%
Warsaw Agglomeration	8,655	7,518	-13.1%
Tri-City Agglomeration	6,474	5,446	-15.9%
Silesian Agglomeration	4,672	4,365	-6.6%
The average for the eight agglomerations	7,974	6,924	-13.2%

City	Offer price of flats	Price of flats sold	Change in the offer price of flats June/ May	Change in the price of flats sold June/ May
Katowice	5,305	4,734	-2.0%	-4.5%
Kraków	7,566	6,552	-1.0%	-0.2%
Łódź	5,388	5,359	-2.0%	2.1%
Poznań	7,870	6,876	1.0%	0.0%
Gdańsk	6,303	5,620	1.0%	-0.8%
Warsaw	9,353	8,214	-1.0%	1.3%
Wrocław	7,950	6,556	1.1%	2.7%
Szczecin	5,260	5,357	-0.4%	-2.7%
Warsaw Agglomeration	8,655	7,518	-1.1%	-0.4%
Tri-City Agglomeration	6,474	5,446	1.6%	-0.9%
Silesian Agglomeration	4,672	4,365	-1.7%	-2.7%
The average for the eight agglomerations	7,974	6,924	-0.6%	0.0%

In June the average offer price in the eight agglomerations settled at the level slightly lower than 8 thousand zł/sqm. At the same time the average price of flats sold was by 13% lower and amounted to 6,924 zł/sqm. The biggest discrepancy between the price at which buyers have been willing to purchase and the price offered by developers is in Wrocław reaching over 17% - such a high disproportion has been observed since the end of the previous calendar year. Significant differences in these prices are also seen in the Tri-City Agglomeration (approx. 16%), Kraków (13%), Poznań (13%) and Warsaw (12%). The lowest discrepancies have been recorded in Łódź, the Silesian Agglomeration and Szczecin (in the case of Szczecin the average price of flats sold is higher than the average offer price) – which are markets weakly diversified in the scope of price, being characterised by a low volume of transactions.

In comparison to the previous month the average price of flats sold in the analysed locations has not changed, which, being compared to the last-month growth of nearly 2%, confirms the assumption that slightly more expensive flats are being sold out now than a few months ago. The average price of flats sold is at a higher level than last month in Warsaw, Wrocław and Łódź. In the majority of locations buyers are still looking for their accommodation among the cheapest dwellings, although the shrinking market range in this scope has already been visible. The price of flats sold has fallen in comparison to last month in the case of Katowice and the Silesian Agglomeration, Szczecin, Gdańsk and the Tri-Cily Agglomeration, and, to a small degree, in Kraków and the Warsaw Agglomeration. In Poznań the price of flats sold has not changed. The average offer price in all agglomerations has slightly declined in comparison to May, and in individual locations it has changed by -2% to +1.6%.

When compared to other months, June did not bring any surprising changes in the residential real estate market. However, taking into account a half-year perspective, a clear improvement is visible. The situation in the mortgage market is still difficult, but the range of transactions concluded, being much higher than at the beginning of 2009, provides developers with liquidity of sale and indicates some potential on the demand side. Buyers looking for their own flat focus on the cheapest dwellings, which restricts the range of options among the most searched-for and price-attractive flats as there is a lack of new supply. Transactional prices are still lower than original prices, but developers' willingness to grant discounts is falling as the list of flats on offer is shrinking.