redNet CONSULTING

Poland's residential market

Report by redNet Consulting and tabelaofert.pl

SITUATION IN THE RESIDENTIAL MARKET

MAY 2009

redNet Consulting Sp. z o.o.

SIEDZIBA SPÓŁKI
Wiśniowy Business Park (Budynek C)
ul. 1-go Sierpnia 6a
02-134 Warszawa
tel: (+48 22) 318 72 00
fax: (+48 22) 318 72 53
e-mail: consulting@rednetproperty.com
www.rednetconsulting.pl
Sąd Rejonowy dla m. st. Warszawy w Warszawie,
XIII Wydział Gospodarczy,
KRS: 0000226990, NIP: 632-18-79-602,
Kapitał zakładowy: 51 000 PLN
ZARZĄD
Prezes: Robert Chojnacki
Wiceprezes: Marcin Gołębiowski

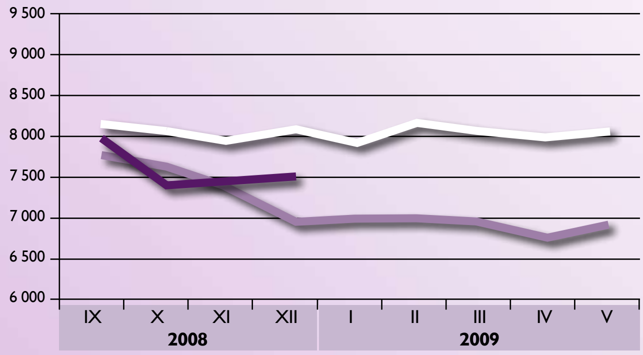
TECHNOLOGICAL PARTNER:
lenovo shop

Residential Market

MAY 2009

Last half a year was surely the worst period for the Polish developers since it was mainly characterised by a considerable fall in the rate of sale caused by the finite availability of home loans on the one hand, and falling acceptance of high real estate prices which during the bull market reached the level unavailable for many buyers on the other hand. In the present situation most developers held further work on their projects and postponed the beginning of the sale of these projects for some indefinite future. New projects are sporadically entering the market and it is much more often made public that one more investment is being held. Although the offer of new flats is still quite wide, the gradual sale of available dwellings accompanied by a lack of new supply is going to restrict purchasing possibilities soon. This is especially true as the most attractive residential premises are the ones that are going to be the first to disappear from the offer, including the most often looked for two- and three-room flats, which may bring the shortage of supply closer than it is generally expected.

After a clear correction which took place in the last quarter of the previous year, and the real fall in the price of flats sold amounted to over 10%, a stabilisation has been observed since the beginning of this year January. The average price in the eight analysed agglomerations has been fluctuating below 7 thousand PLN/sqm., and in May it totalled 6,923 PLN/sqm. indicating a slight rise in relation to the previous month. The discrepancy between customer expectations and developers' offer is still significant reaching 14%, although some stabilisation has been observed in the case of the average offer price for the past few months.



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

SITUATION IN THE RESIDENTIAL MARKET
MAY 2009

Price situation in individual cities is as follows:

City	Offer price of flats	Price of flats sold	Price of flats sold/ offer price
Katowice	5,415	4,955	-8.5%
Kraków	7,639	6,564	-14.1%
Łódź	5,496	5,249	-4.5%
Poznań	7,790	6,873	-11.8%
Gdańsk	6,243	5,664	-9.3%
Warsaw	9,452	8,112	-14.2%
Wrocław	7,860	6,386	-18.7%
Szczecin	5,282	5,508	4.3%
Warsaw Agglomeration	8,750	7,550	-13.7%
Tri-City Agglomeration	6,372	5,494	-13.8%
Silesian Agglomeration	4,752	4,486	-5.6%
The average for the eight agglomerations	8,021	6,923	-13.7%

City	Offer price of flats	Price of flats sold	Change in the offer price of flats May/ April	Change in the price of flats sold May/ April
Katowice	5,415	4,955	0.0%	-10.9%
Kraków	7,639	6,564	4.5%	0.2%
Łódź	5,496	5,249	-3.8%	4.3%
Poznań	7,790	6,873	0.6%	1.4%
Gdańsk	6,243	5,664	3.6%	-0.9%
Warsaw	9,452	8,112	-0.5%	1.9%
Wrocław	7,860	6,386	3.7%	0.4%
Szczecin	5,282	5,508	-0.6%	0.4%
Warsaw Agglomeration	8,750	7,550	-0.6%	2.4%
Tri-City Agglomeration	6,372	5,494	5.7%	-0.9%
Silesian Agglomeration	4,752	4,486	-1.5%	-11.9%
The average for the eight agglomerations	8,021	6,923	0.4%	1.9%

The biggest discrepancy between the average price offered on the market and the price accepted by buyers is observed in Wrocław and reaches nearly 20% - while developers wanted to sell flats at an average price of 7,860 PLN/sqm., their customers were focusing on looking for flats 1.5 thousand zł cheaper. Slightly smaller discrepancies (of around 14%) are characteristic for Warsaw and its agglomeration, Kraków and the Tri-City agglomeration. In the case of the Tri-City, the change of this indicator was considerable and amounted to nearly six percentage points (and about four percentage points in the case of Gdańsk). Among the analysed cities, excluding Warsaw, the Tri-City has been characterised by the highest volume of flats sold for the past few months. Customers mainly focused on the cheapest flats, therefore the price of flats sold has fallen and along with the sale of the cheapest flats the average offer price has risen. The lowest discrepancies are observed in Łódź, Szczecin and the Silesian Agglomeration. In these locations the number of flats sold is very low, which results in significant fluctuations of the analysed indices.

The biggest changes in the price of flats sold registered in May were observed in the Silesian Agglomeration (and also in the city of Katowice itself). However, it should be taken into account that this phenomenon has been mainly the result of a small number of transactions concluded in the market. The majority of cities were characterised by stabilisation of this price – changes where basically inexistent in comparison to April in Kraków, Wrocław and Szczecin. The highest increase in the price of flats sold was recorded in Łódź (of about 4%). In Poznań and Warsaw the average price of flats sold rose by 1 – 2%. A slightly clearer rise took place in the Warsaw Agglomeration (of nearly 2.5%). It is probably connected with customers more rarely choosing the cheapest residential premises and aiming at slightly more expensive dwellings. Apart from the Silesian Agglomeration, a fall of 1% was recorded only in the Tri-City.

The result of the gradual sale of the cheapest flats is the growth in the average offer price which in the eight analysed agglomeration rose on average by 0.4% in May. In the case of individual cities, the rise was observed in Kraków, Poznań, Gdańsk and its agglomeration, and in Wrocław. In Warsaw and in the Warsaw Agglomeration a slight fall in the offer price appeared (with a simultaneous rise in the average price of flats sold). The highest fall (of nearly 4%) took place in Łódź.

The activity in the residential market in May stayed at the level comparable to the one observed in the past few months. The range of concluded transactions is still lower than a year ago, but the present rate of sale is at a level satisfactory for most developers who after really "poor" months at the end of 2008 and at the beginning of 2009 finally can experience some "spring thaw" in their business. Customers still focus when looking for residential premises on the cheapest units, the proof of which can be seen in the recent rise in the offer price being the result of a restriction of the supply of the most cost-effective flats.