



Poland's residential market

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

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The market approaches the balance

In the comment to the last month's data we pointed out the beginning of a gradual process of mutual adjustment of developers' and customers' price expectations. Recently the price indices indicated relatively small declines, while the feeling in the market was clear – we are in the period of recession. This is why in May of the current year redNet Consulting, on the basis of the data from the tabelaofert.pl service, was the first to publish two new indices – the average price of flats sold and the average price of new market offer. It occurred that the discrepancy between the two reached as much as nearly 20%. What did it mean? If the product that a customer buys (reflected in the index of the average price of flats sold) is much cheaper (20%) than the product offered by a developer (reflected in the index of the average price of the new market offer) – the result can be only one: a slump in sales and loss of the flow in the market. June and July were the worst months on the market in relation to the rate of sale, even worsened by traditionally lower sales during summer holidays. August was not much better in this respect.

All data from August finally show the thing that has been sensed by the market participants for a long time – a fall in prices. The tables below illustrate the situation in the eight biggest residential markets in Poland, i.e. the Warsaw, Tri-City, and Silesian Agglomerations as well as Kraków, Wrocław, Poznań, Łódź and Szczecin.

	August 2008	July 2008	change %
Average price of the offer of flats	8,091	8,278	-2.26%

THE AVERAGE PRICE OF THE OFFER OF FLATS FELL IN AUGUST BY 2.26% - from 8,278 PLN/m² to 8,091 PLN/m².

	June - August 2008	May - July 2008	change %
Average price of flats sold	7,795	7,915	-1.51%

THE AVERAGE PRICE OF FLATS SOLD FELL BY 1.51%, DOWN TO 7,795 PLN/m².

	June - August 2008	May - July 2008	change %
Average price of the new market offer	8,368	8,804	-4.95%

THE BIGGEST FALL WAS RECORDED IN THE CASE OF THE PRICE OF NEW FLATS ENTERING THE MARKET – OF NEARLY 5%, RESULTING IN 8,368 PLN/m² AT THE MOMENT.

City	Price of the total offer of flats	Price of flats sold	Price of flats entering the market	How much are new flats more expensive/cheaper than sold units	How much are sold flats more expensive/cheaper than the average market price
Katowice	7,060	7,414	7,220	-2.6%	5.0%
Kraków	8,464	7,636	8,085	5.9%	-9.8%
Łódź	5,798	5,947	6,294	5.8%	2.6%
Poznań	9,063	7,670	9,179	19.7%	-15.4%
Gdańsk	6,507	6,710	6,502	-3.1%	3.1%
Warsaw	9,070	8,633	9,030	4.6%	-4.8%
Wrocław	8,065	8,101	9,057	11.8%	0.4%
Warsaw Agglomeration	8,547	8,098	8,586	6.0%	-5.3%
Tri-City Agglomeration	6,656	6,404	7,063	10.3%	-3.8%
Silesian Agglomeration	6,025	7,186	7,164	-0.3%	19.3%
Average	8,091	7,795	8,368	7.4%	-3.7%

SOURCE: tabelaofert.pl.

LEGEND:

Price of the total offer of flats – the average market price per sqm of all flats in developer projects put up for sale, the data of 29 August 2008

Price of flats sold – the average price per sqm of flats sold in the last three months, i.e. from June to August 2008

Price of flats entering the market – the average price per sqm of flats in new developer projects put up for sale in the last three months, i.e. from June to August 2008

City	By how much are new flats more expensive/cheaper than sold units		By how much are sold flats more expensive/cheaper than the average market price	
	June – August 2008	May – July 2008	June – August 2008	May – July 2008
Katowice	-2.6%	-1.5%	5.0%	5.6%
Kraków	5.9%	5.2%	-9.8%	-8.0%
Łódź	5.8%	16.7%	2.6%	-3.0%
Poznań	19.7%	9.3%	-15.4%	-6.3%
Gdańsk	-3.1%	-5.0%	3.1%	-0.7%
Warsaw	4.6%	13.5%	-4.8%	-5.4%
Wrocław	11.8%	16.3%	0.4%	-8.5%
Warsaw Agglomeration	6.0%	14.6%	-5.3%	-4.7%
Tri-City Agglomeration	10.3%	8.5%	-3.8%	-3.9%
Silesian Agglomeration	-0.3%	1.1%	19.3%	15.1%
Average	7.4%	11.2%	-3.7%	-4.4%

 THE CHANGE IN THE SITUATION ON THE MOST IMPORTANT MARKETS
 SOURCE: tabelaofert.pl.

CLOSER AND CLOSER TO THE BALANCE IN PRICE

More and more developers introduce rationally priced projects into the market, especially from the popular segment. The project preparation process still lasts; therefore the new market offer is still by 7.4% more expensive than the price of flats sold. However, according to our last month's report, buyers and sellers are becoming more and more alike, since last month the discrepancy was 11.2%, and two months ago 13.5%.

STILL ATTRACTIVE GDAŃSK, AN IMPROVEMENT IN WARSAW AND ŁÓDŹ, HIGH PRICES IN POZNAŃ

Gdańsk still seems to be the most balanced market. This is because new flats entering this market are cheaper than those which are being sold. It is a proper situation as new flats, with the completion date being e.g. in two years from now, should be cheaper than those which are ready or are going to be completed soon. It is connected with the risk of delays and costs of financing. A large fall in prices also improved the situation in the whole Warsaw Agglomeration and in Łódź, where not longer than a month ago new offers were by a dozen or so percent more expensive than those actually sold (in Warsaw by 13.5%, in the Warsaw Agglomeration by 14.6%, in Łódź by 16.7%). The most difficult situation is currently present in Poznań where developers increased their prices forcing the ratio of the price of new flats to sold flats up to nearly 20%. The second city, after Poznań, is Wrocław (+11.8%) – here the market stabilisation process has been stepping forward for the last few months – two months ago this discrepancy amounted to 22.3% in this city.

What's next?

In the next few months more and more rationally priced projects will enter the market. The main price index will indicate a fall, but beginning with September the sales will improve and the market will gradually recover the flow – in our opinion this is a natural consequence of approaching indices which reflect the buyers and sellers' expectations. The highest decline in prices is going to take place in Poznań. The price in Gdańsk should not fall any further.

Robert Chojnacki
 The President of the Management Board
 redNet Consulting