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Poland's residential market

Report by redNet Consulting and tabelaofert.pl

SITUATION IN THE RESIDENTIAL MARKET

APRIL 2009

redNet Consulting

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Residential Market

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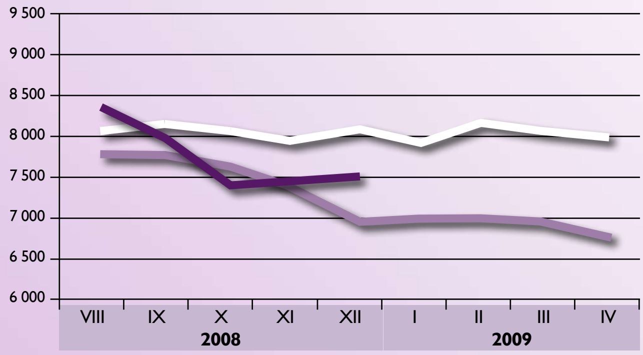
April was another month after March when the tendency to look for and purchase flats stayed on a much higher level than at the beginning of the year. A higher upswing in demand is still hindered by low availability of home loans. A significant improvement in the availability of flats meeting the conditions of the "Rodzina na swoim" programme ("Family on its Own" programme) has been influencing a higher interest among buyers (the rates for flats in the case of which buyers can participate in the programme have been higher since the second quarter). An increase in the price limits has a positive impact on both the customers and developers' situation. Potential buyers who want to obtain a grant to their loan may now choose from a wider range of flats, and these are not only units located in the outskirts but also those located in more central districts. Developers who want to make their offer more attractive and appeal to clients by a large number of flats allowing participation in the government programme will not be forced to introduce substantial cuts in prices, as it was observed not long ago in the first quarter of the current year. It is a positive signal especially from the point of view of liquidity of the sale in the residential market in main cities.

In April buyers mainly focused on looking for market bargains. Still, in the first quarter of 2009 nearly all developers operating on the markets in the main cities were willing to negotiate and grant substantial price discounts. The revival of sale visible especially at the end of the first and beginning of the second quarter results in the situation where developers are less and less willing to give so high price discounts as they used to give. The marketing announcements very often present very low prices as for a given project for which it is possible to purchase a flat; however, they usually refer to a few smaller dwellings and the others are frequently priced at the standard current level.



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

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Being aware of the fact that there are not many bargains in the market, buyers of flats have been trying to use the promotions still available in the market and purchase mainly the cheapest flats, which translated into a visible although slight fall in the price of flats sold in April in comparison with March.
Price situation in individual cities is as follows:

City	Offer price of flats	Price of flats sold	Price of flats sold/ offer price
Katowice	5,417	5,559	2.6%
Kraków	7,311	6,549	-10.4%
Łódź	5,711	5,032	-11.9%
Poznań	7,742	6,775	-12.5%
Gdańsk	6,027	5,713	-5.2%
Warsaw	9,503	7,964	-16.2%
Wrocław	7,577	6,362	-16.0%
Szczecin	5,315	5,487	3.2%
Warsaw Agglomeration	8,798	7,374	-16.2%
Tri-City Agglomeration	6,026	5,543	-8.0%
Silesian Agglomeration	4,826	5,092	5.5%
The average for the eight agglomerations	7,991	6,796	-15.0%

The average offer price of flats in the eight monitored agglomerations balanced at the level of PLN 7,991 per sqm in April, but it varied from only PLN 5,315 per sqm in Szczecin, up to PLN 9,503 per sqm in Warsaw. The discrepancy between the price of flats sold and the average price of the whole market offer amounted to -15.0% in the last month and was much higher than in March. It proves that developers are less willing to grant discounts resulting from a low level of prices acceptable by buyers. The biggest discrepancies between the average offer price of flats and the price of flats sold in the market are present, similarly to the situation in March, in Warsaw (-16.2%) and in Wrocław (-16.0%). The market became much narrower in Kraków where the discrepancy between the relevant average prices reached -15% in March and in April it fell to -10% (developers operating in this city started to adjust the offer more accurately to customer expectations). In Katowice and Szczecin flats are sold at the price close to the average price of the whole-country offer; the volume of transactions concluded in these markets is relatively low.

The average price of flats sold in the eight main agglomerations amounted to PLN 6,796 per sqm and was by 1.9% higher than a month earlier. The highest falls were recorded in Wrocław and Poznań; even in these two cities the accepted customer price was by less than 3% lower than in March. Thus, a clear stop in the downward tendency has been noticed, since not later than in March it was at the level of 6%. In April the price of flats sold in Warsaw did not actually change; stabilisation was also visible in Gdańsk. However, in Katowice and in the whole Silesian Agglomeration the price slightly rose (in the preceding month these markets recorded a fall in prices).

City	Offer price of flats	Price of flats sold	Change in the offer price of flats April/ March	Change in the price of flats sold April/ March
Katowice	5,417	5,559	-4.4%	2.1%
Kraków	7,311	6,549	-6.8%	-1.8%
Łódź	5,711	5,032	0.6%	2.1%
Poznań	7,742	6,775	-0.4%	-2.2%
Gdańsk	6,027	5,713	-0.3%	-1.1%
Warsaw	9,503	7,964	0.0%	-0.4%
Wrocław	7,577	6,362	1.1%	-2.7%
Szczecin	5,315	5,487	3.5%	-1.7%
Warsaw Agglomeration	8,798	7,374	0.2%	-1.2%
Tri-City Agglomeration	6,026	5,543	-3.1%	-4.2%
Silesian Agglomeration	4,826	5,092	-1.0%	2.9%
The average for the eight agglomerations	7,991	6,796	-1.1%	-1.9%

In April, similarly to the situation from the preceding month, a slight decrease in the average offer price of flats was recorded at the level of about 1%. This change mainly resulted from adjusting the developers' offer in Kraków, Katowice and the Tri-City where the cut in price reached 3 – 7%. In the case of other cities the changes were scarce and fluctuated around zero. In Szczecin, where in March the average offer price of flats fell by as much as 13%, a slight bounce took place in April.

In April the market turnover stayed at the level close to the one observed in March. This is also confirmed by developers who point at an increasing rush in selling offices. The number of buyers is still lower than in the corresponding period last year, but it can be concluded that the worse period in the scope of the rate of sale of flats is already behind us.

In the last few months the majority of developers reacted to the real estate market correction in a similar way, i.e. ceasing nearly all previously planned projects. Currently however, first companies start to appear saying that if the sale stays at the present level, which is highly probable, a shortage of flats on offer may be observed. Soon some developers, despite having a lot of unsold flats, will not be able to offer a full range of flats because they have already started to lack e.g. small flats which are currently sought for.