



Poland's residential market

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

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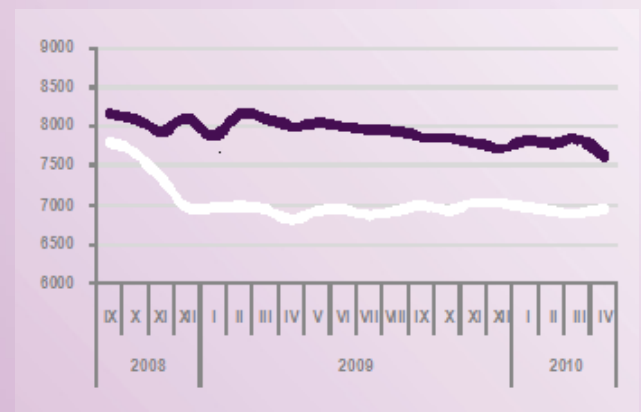
Residential Market April 2010

Being a very active month in respect of buyers' mobilisation to conclude purchases, April was also stimulated in respect of prices. The average price of the whole offer that has been available in seven biggest Polish cities has dramatically fallen compared to this year's March. This is a direct result of launching new cheaper residential projects on the market – projects that development companies have managed to prepare since the financial crisis in 2008. For that period they have been wondering how to redesign investments in which for example many large-area two- and three-bedroom flats or too spacious one-bedroom units were initially planned. Within all technical and market possibilities steps have been taken to maximally adjust these dwellings to contemporary needs. Recently when home loans have not been so easily available as in 2007, the low price of a flat has been the major criterion taken into account when deciding to buy a flat. Therefore, in order to meet the demand for cheap flats, the supply had to offer such a product. Among projects that we can now choose from, more and more flats are available within the programme "Rodzina na swoim". This results from both the adjustment to the condition of the area of a flat and price threshold. Such reality also impacts a fall in the average price, which is clearly illustrated in the chart.

The average price of flats on offer in the seven major cities in Poland levelled at 7,605 zł/ m² at the end of April 2010 and was 3% lower than at the end of March 2010. We hope that this is the beginning of a process which will be the continuation of closing the scissors gap, in other words targeting at a balanced market. Such a market will be observed only when the average price of flats bought will be close or equal to the price of flats on offer.

This is even more probable considering the fact that at the same time the average price of flats sold, which amounted to 6,938 zł/ m² in April 2010, rose compared with the preceding month by 0.6%. This is a very positive change which may be a revival of the process that was observed until the end of 2009. Such a situation results in decreasing the discrepancy between the average offer price and the average price of flats sold to 8.8%. Last month these two factors differed by 11%.

AVERAGE PRICE OF A FLAT IN SEVEN MAIN CITIES



Source: redNet Consulting on the base of data tabelaoferf.pl

LEGEND:

— Average offer price – the average price per sqm of flats on offer in developer projects put up for sale, as of 29th day 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	5295	5246	-0,9%
Kraków	7679	6662	-13,2%
Łódź	5345	5171	-3,3%
Poznań	6509	6646	2,1%
Gdańsk	7086	5861	-17,3%
Warszawa	8712	8227	-5,6%
Wrocław	8001	7549	-5,6%
Warsaw Agglomeration	8215	7507	-8,6%
T-ri-City Agglomeration	6719	5688	-15,3%
Silesian Agglomeration	5090	4769	-6,3%
The average for 7 agglomerations	7605	6938	-8,8%

City	Change in the offer price of flats April/March	Change in the price of flats sold April/March
Katowice	-3,5%	0,4%
Kraków	2,7%	-3,2%
Łódź	-5,4%	0,5%
Poznań	-5,0%	-2,7%
Gdańsk	-7,3%	0,0%
Warszawa	-0,3%	2,3%
Wrocław	-3,4%	0,4%
Warsaw Agglomeration	-1,1%	2,4%
Tri-City Agglomeration	-7,2%	0,6%
Silesian Agglomeration	-1,0%	-1,0%
The average for 7 agglomerations	-3,0%	0,6%

Despite all of that, we can still observe large difference between the studied factors. Moreover, the situation in individual cities is still diverse. Nonetheless, the discrepancies are becoming less and less visible, for example in Gdańsk where flats sold are on average 17.3% cheaper than the average offer; it is a high difference but still lower than in March when it reached 20%. Apart from Gdańsk only Kraków has also recorded a two-digit disproportion (-13.2%). In the other cities the situation seems to be improving, especially in such agglomerations as Poznań (a large fall to 2.1% in April), or in Katowice where the sold flats are only 0.9% cheaper than the average offer price would suggest. This can be observed in Katowice not for the first time; it can be said that this market is very balanced.

Generally a very important phenomenon that we have been observing since the beginning of the second quarter of 2010 is the fact that new projects priced below the market value have appeared for sale. This is not a result of a cut in price of individual flats, but an outcome of a new offer launched on the market. In fact, in each city (apart from Kraków) a fall in the average offer price of flats compared with March 2010 has been observed. The biggest reduction has been recorded in Gdańsk (-7.3%) where a few new phases of already realised investments have been started, the phases which are built in popular standard.

Such a plunge is a kind of normalisation of the situation after a rise in the average price in Gdańsk that took place last month (when two expensive investments entered the market). Nonetheless, the cut in the average price of flats was also evident in Łódź and Poznań (5.4% and 5% respectively). The most stable market in respect of the average price of offer flats is Warsaw, but this mainly derives from a very high (the highest in the country) market liquidity and generally perceived market development.

As it is clearly visible, the average offer of flats strongly depends on the market situation, but this is not only for a single reason. Growths and falls mainly result from the demand and supply relation – this is a factor that mainly determines the price level. However, when we face a more stable and balanced market – just like the one we are dealing with today – also the standard and type of products offered by development companies have an impact on the average price. The popular segment that is at present the most thriving part of residential market is increasing its share in development of the average price. Thanks to that we can count on higher liquidity and lowering the number of uninhabited flats, a large number of which was left after 2009 when a lot of expensive dwellings were completely unadjusted to the contemporary demand blocked by credits.