



Poland's residential market

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

JULY 2010 r.

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 Gołębowski

TECHNOLOGICAL PARTNER:



All data and material on the redNet Consulting website is protected by copyright.
Using for publication (in full or in part) data and material placed on the website requires the prior consent of redNet Consulting. Disseminating and using data or materials contained on the website is only possible on condition that redNet Consulting is given as the source.
It is permitted to load, display, copy and send material to other persons only for personal use and on condition that the material is not modified.
redNet Consulting bears no responsibility for damages resulting from using the website and in particular damages resulting from the interpretation and use of data and material available on the website as well as any damages caused by the application of these materials or data.

Residential Market July 2010

For obvious reasons usually weaker in terms of sales than spring and autumn, last year summer months brought about very good results. Everything shows that during this year's summer holidays the fall in sales will be also weaker than we could experience in the market's earlier history.

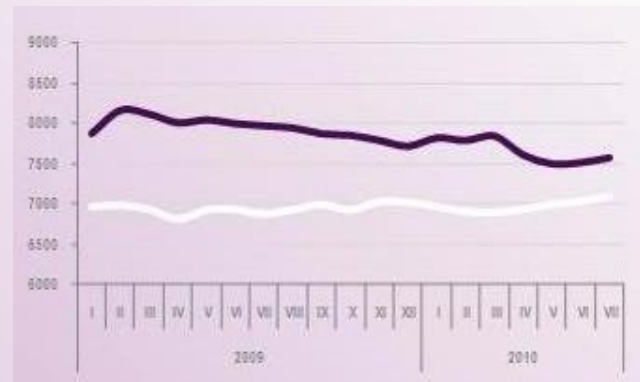
There are a few reasons for that: starting with the fundamental revival of sales, ending with novelties in taxation. The first set of reasons comprises better access to loans, more adequate adjustment of the offer to current needs, positive influence of demography, etc. The latter one stands for especially the change in the VAT rate from 7% to 8% for flats and from 22% to 23% for parking spaces and can become an impulse to facilitate the decision about real estate purchase, especially in autumn and at the end of the year.

This will take place despite the fact that such a rise in tax will have a scarce impact on the final price of flats, and bigger changes will be determined by purely market conditions. Nonetheless, being taught by our experience, we can expect that the tax changes will be used in marketing actions launched by sellers of flats.

In the meantime, the average price of flats available on offer in the seven main Polish cities levelled at the end of July 2010 at 7,571 zł/m² and was by 0.8% higher than at the end of June. The rise in this rate is the result of a growing number of sales of flats from the economy segment. In addition – the thing we have not been able to write about for a long time – in some Polish cities a few investments from the average segment have been started. At the same time, changes are clearly outlined in the case of the average price of flats sold – this rate also went up by 0.8% reaching 7,096 zł/m². The source data indicates that, despite the fact that the biggest movement in the market has been recorded among flats from the economy segment, clients are starting to accept higher and higher prices. Sometimes this is reflected in a flat closer to the city centre, sometimes in a better standard of a flat.

This is even more important considering the fact that the average price of flats sold, which is the factor illustrating the actual price accepted on the market, has been on a constant rise since this year's April. Another important symptom has been a clear increase above a level of 7,000 zł/m² for the first time since the crisis in 2008.

AVERAGE PRICE OF A FLAT IN SEVEN MAIN CITIES



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

LEGEND:

— Average offer price – the average price per sqm of all flats on offer 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 last three months

On average in Poland flats were sold at a price fluctuating around 7,000 zł/m², nonetheless the jump up to nearly 7,100 zł in July proves strengthening the buyers' position. This is also an outcome of high and at the same time still growing share of Warsaw in the Polish residential market, but the tendency of improving position of demand is visible all over the country. From the point of view of the global situation of the whole country, it should be expected that at least the price of flats sold will stay at the same level as flats, even from the costs perspective, will not be built cheaper.

This time the difference between the average price and the price of flats sold is negative in each of the analysed cities. The discrepancies between individual cases are still substantial: from -3.6% in Katowice, to -16.1% in Gdańsk. The latter city has been leading in the difference between the average development companies' offer and this what customers need in fact for a long time – this month even stronger than last month. The two-digit discrepancies are also visible in Wrocław (-15.5%) and in Kraków (-11.8%).

SITUATION IN THE RESIDENTIAL MARKET
JULY 2010

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	5 439	5 241	-3,6%
Kraków	7 665	6 763	-11,8%
Łódź	5 428	5 192	-4,4%
Poznań	6 641	6 236	-6,1%
Gdańsk	7 319	6 144	-16,1%
Warszawa	8 639	8 170	-5,4%
Wrocław	8 415	7 110	-15,5%
Warsaw Agglomeration	8 107	7 742	-4,5%
Tri-City Agglomeration	6 987	5 849	-16,3%
Silesian Agglomeration	5 000	4 985	-0,3%
The average for 7 agglomerations	7 571	7 096	-6,3%

The most balanced market is Katowice's which substituted Poznań in this respect where previously even more expensive flats were sold than those which were on average offered by development companies. Warsaw is still among the top three cities characterised by the most balanced relation between these two indices.

When analysing individual markets, it can be noticed from the start that the average offer has inclined in all cities except for Poznań – only in this agglomeration the development companies' offer decreased by 1%, on average. The most significant rise has been seen in Kraków – 2.5%, and only slightly smaller in Wrocław – 2.2%. Practically unnoticeable change appeared in Łódź – 0.2%, and a little bigger in Katowice – 0.4%. In these smaller cities more considerable increase was visible last month; nonetheless, at the same time in these two places changes are quite easily attainable as these markets are relatively shallow compared to for instance Kraków or the Tri-City.

Continuing the rise observed all over the country, the average price of flats sold has fallen only in Warsaw (-2.9%) and Wrocław (-1.2%). The highest rise in this rate compared to the previous month was recorded in Katowice (2.2%), Kraków (1.6%) and Gdańsk (1.5%).

City	Change in the offer price of flats July/June	Change in the price of flats sold July/June
Katowice	0,4%	2,2%
Kraków	2,5%	1,6%
Łódź	0,2%	0,7%
Poznań	-1,0%	0,1%
Gdańsk	1,5%	1,5%
Warszawa	0,1%	-2,9%
Wrocław	2,2%	-1,2%
Warsaw Agglomeration	1,0%	-1,1%
Tri-City Agglomeration	2,2%	2,4%
Silesian Agglomeration	0,4%	-0,6%
The average for 7 agglomerations	0,8%	0,8%

During the holiday time which is associated with the time free of work, a growing number of buyers are deciding to purchase a flat. Less crowded selling offices, more sellers' attention paid to a "summer" buyer, higher comfort of making the decision and declining belief that cheaper purchase will be possible in the future – all these factors can influence another summer ending up with a good selling result. A lot of new projects are being launched on the market; however, a kind of novelty is the appearance of investments at a slightly higher standard among a forest of undertakings in the economy class. Also, clients are willing to accept a higher and higher price of flats, thanks to which the market is catching some wind too. Therefore, it should be expected that the autumn months will be quite fruitful as well, especially considering the liquidity of sales on the Polish residential market.