



Poland's residential market

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

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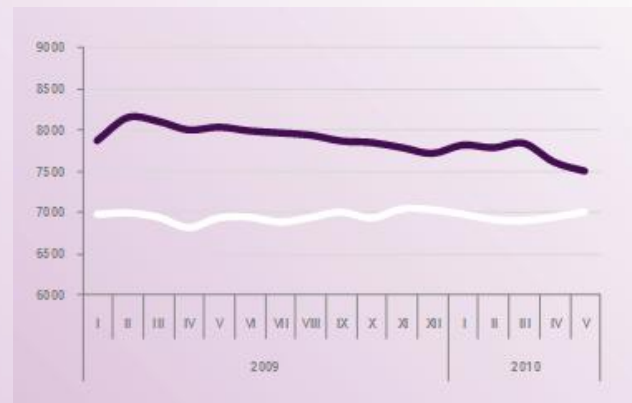
Residential Market May 2010

May price rates continued the improving trend; further approach of buyers and sellers' stands is being observed as it has been in the last periods, e.g. at the end of 2009. It is clear that as long as the average price of flats sold is remaining on a stable level, the development companies systematically try to adjust to conditions determined by demand. This has been present since the beginning of 2009, i.e. since the time when the first development companies started reacting to the crisis. It was due to the crisis – or thanks to it – that planning and offering cheaper flats started, the flats that are generally more available for a customer having problems with obtaining a home loan. The effect of such a situation is a higher share of flats from the popular segment which is a response to the need of providing place of residence possibly quickly. This does not require stone in the elevation, high flats or a reception in the entrance lobby. Among others, thanks to the resignation from these elements improving the standard, cheaper projects are being launched on the market. In this year's May the difference between the average price of all offers and the average price of flats sold fell to 6.6% and reached the lowest value from over a year and a half.

The average price of flats available on offer in the main Polish cities levelled at the end of May 2010 at 7,495 zł/m² and was 1.4% lower than at the end of April 2010. This proves that previous hopes about levelling the market are becoming real, but this is an even stronger tendency as it simultaneously happens from two directions. Apart from a fall in the average price of flats, we could also record a slight rise in the factor reflecting the price of flats sold – it is 0.9% higher compared to last month; the average price stayed at 6,999 zł/m².

In relation to the average offer in the seven major agglomerations in Poland the average price of flats sold has been reflected with two digits for the last few months. Having this in mind, a fall to 6.6% is a very good signal, especially as it constitutes a confirmation of a trend that we could observe from the beginning of 2009. Demand is becoming more stable (on average flats in Poland are sold at a price fluctuating around 7,000 zł/m²), keeping the average on the same level for months. At the same time, thanks to the fact that the cost of construction has fallen, portfolios comprise cheaper land acquired earlier and some steps are taken by development companies to adjust their offer to the market – the supply side of the market is stepping back.

AVERAGE PRICE OF A FLAT IN SEVEN MAIN CITIES



Source: redNet Consulting on the base of data tabelaofer.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

However, these are only deliberations concerning the whole country. Comparing the average offer price with the average price of flats which are sold in individual cities, we can observe various intensities of the same phenomenon. Almost everywhere (apart from Poznań) flats at a price lower than the average price of all flats offered on the market are sold. Still, the biggest discrepancy is visible in Gdańsk where flats are sold at a 15% lower price. Nonetheless, it is visible that this difference is becoming smaller by the month (20% in March, 17% in April). Only Kraków has still a two-digit discrepancy, but also here it is becoming smaller – in May flats were sold at an average price 11.3% lower than the average offer price. An interesting case is Poznań where more expensive flats than the average offer are being sold. Actually, this is only a difference of 0.9% upwards, but it clearly shows that the residents of Poznań accept the development companies' price more and appreciate offer well-prepared by the producers. The Warsaw market, which is the most liquid residential market in Poland, recorded a discrepancy between the two subject rates of 3.8% at the end of May. With this scope of supply and liquidity of sale, this proves high efficiency of capital's market. In the best-adjusted market this relation should fluctuate around zero.

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	5447	5072	-6,9%
Kraków	7439	6602	-11,3%
Łódź	5357	5198	-3,0%
Poznań	6564	6623	0,9%
Gdańsk	6926	5865	-15,3%
Warszawa	8632	8308	-3,8%
Wrocław	8291	7544	-9,0%
Warsaw Agglomeration	8071	7650	-5,2%
Tri-City Agglomeration	6602	5703	-13,6%
Silesian Agglomeration	5043	4889	-3,1%
The average for 7 agglomerations	7495	6999	-6,6%

City	Change in the offer price of flats May/April	Change in the price of flats sold May/April
Katowice	2,9%	-3,3%
Kraków	-3,1%	-0,9%
Łódź	0,2%	0,5%
Poznań	0,8%	-0,4%
Gdańsk	-2,3%	0,1%
Warszawa	-0,9%	1,0%
Wrocław	3,6%	-0,1%
Warsaw Agglomeration	-1,8%	1,9%
Tri-City Agglomeration	-1,7%	0,3%
Silesian Agglomeration	-0,9%	2,5%
The average for 7 agglomerations	-1,4%	0,9%

In contrary to the previous month, the average price of flats has not fallen in every city. A decrease in the average price of the whole offer was recorded only on the biggest markets in the country: a drop of 3.1% in Kraków, 2.3% in Gdańsk and 0.9% in Warsaw. In smaller cities the average price has become even higher than last month, e.g. in Wrocław (3.6%), Katowice (2.9%), Poznań (0.8%) and Łódź (0.2%). Poznań is a balanced market, especially considering the fact that a lot of cheaper investments were launched here last month.

In relation to the price of flats sold, which in the scope of the whole country has fallen again by about 1%, a considerable change took place only in Katowice where flats at a 3.3% lower price were bought compared to April. In other cities flats were bought at a less than 1% lower price compared to the previous month. It should be stressed that in Warsaw, Gdańsk and Łódź more expensive flats were bought in May than in the preceding month. In the capital this rate reached +1%.

May was a month continuing the advantageous period on the Polish residential market. At present supply of flats is trying to meet buyers' expectations. Buyers, on the other hand, being supported with home loans, accept the present price level and do not intend to change it, at least for the time being. The market is aiming at a balance and this is expressed, for example, in higher liquidity of well-designed residential projects.

We cannot forget about banks which play a positive role on the residential market scene in Poland. Thanks to a more-detailed verification of development companies' plans, more profound analysis of the market and better-thought policy of financing, investments that are being financially supported by these institutions are only those which are best-adjusted to the current market situation. This allows them to maintain a more stable situation than we could observe during the bull market between 2005 and 2007 or during the time of rapid falls in 2008 and 2009. Let's hope this stability will have a calming effect on all market participants.