



Poland's residential market

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

MARCH 2010 r.

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Residential Market March 2010

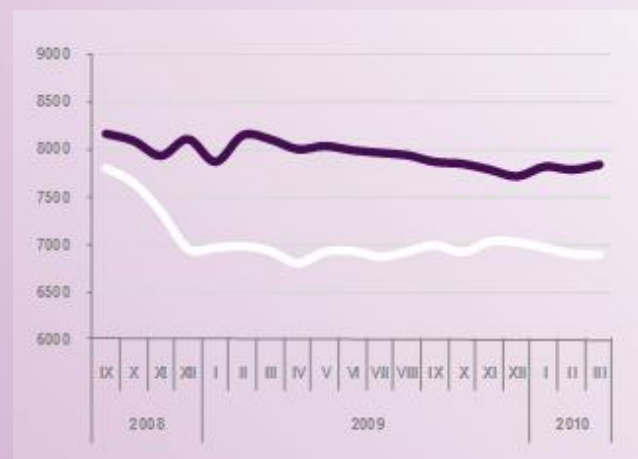
The last month of the quarter lets us sum up the beginning of the year. Being seemingly very quiet, this period was extremely important from the point of view of the Polish residential market stability. The price change was very small and, although the price is not unanimously leading towards the balance, it is neither indicating the intention of falling. This is especially important from the perspective that we are now talking about a winter time which is relatively the weakest period in a year as for sale and generally perceived market strength. This is the sale in that period that showed its power, which translated into a lower than usual fall in the turnover in the sale of flats in individual cities during this less active period.

Buyers are additionally encouraged by the programme "Rodzina na swoim" that is embracing bigger and bigger market offer available from development companies. Additionally, clients are becoming more aware of their choice and needs; they verify the price and quality of the flats' offer and then choose these that are most adjusted to their needs. Thanks to that or due to the fact that the average price of flats sold is still slightly falling the flats chosen are those that are the most attractive and most advantageously priced.

The average price of flats on offer in the seven major cities in Poland levelled at the end of March 2010 at 7,840 zł/ m² and was 0.7% higher than the relevant index at the end of Feb 2010. First of all, its slight rise proves that the cheapest flats have already been sold out, which directly influences the average data, and secondly it proves that development companies as a whole group do not intend to lower the price of new flats.

The average price of flats sold in March 2010 reached 6,894 zł/ m², which shows its further minimal fall of about 0.2% compared to the previous month. The discrepancy between the average offer price and the average price of flats sold rose to 12.1% in March. This means that on average flats that are 12% cheaper than the average price of flats offered on the market are actually bought. This may result from either higher customer awareness who choose offers more rationally priced, or the necessity arising from financial possibilities which are every day much better but still not fully supported by credits.

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 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

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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	5490	5224	-4,8%
Kraków	7480	6882	-8,0%
Łódź	5650	5145	-8,9%
Poznań	6854	6828	-0,4%
Gdańsk	7646	5863	-23,3%
Warszawa	8731	8039	-7,9%
Wrocław	8279	7516	-9,2%
Warsaw Agglomeration	8303	7330	-11,7%
Tri-City Agglomeration	7241	5654	-21,9%
Silesian Agglomeration	5144	4816	-6,4%
The average for 7 agglomerations	7840	6894	-12,1%

High discrepancy is still visible between individual cities as for the adjustment of the sellers' offer to buyers' possibilities and needs. The biggest difference is still present in the Tri-City, especially in Gdańsk. Over 23% is an even higher rate than in the previous month – this is an outcome of launching other investments from the luxurious segment on the market. Although not being the biggest as for their size, these offers make the average price indices higher in this location by their high price per sq m. The second in terms of this discrepancy is the Warsaw Agglomeration where the difference is half of the one recorded in the Tri-City – 'only' 11.7%.

In other cities the difference between the average offer price and the average price of flats sold is much lower, but in each city it is clearly visible that globally buyers choose the cheaper flats from the offer launched by development companies. Demand and supply in Poznań are the closest in this respect. In this city the discrepancy is 0.4%. It is characteristic that in places where these rates are low the level of sale reached in a given period is high.

As opposed to February, March brought about a rise in the average price of offer in a few cities. The leader among them is Łódź (+1.5%), the rate remained on the same level in Wrocław and the largest fall was recorded in Kraków.

These changes result from shuffles in the offer thanks to selling out a part of flats (usually the cheapest ones) and launching another set of offers on the market. The mean rise in the whole country that has been recorded is 0.7%.

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

On the other hand, the reason of the improvement in the market liquidity in some cities was the acceptance of higher and higher prices, for example in Wrocław where flats 4.8% more expensive than last month are being sold, or in Poznań (+4.5%). Thanks to that Wrocław which not a long time ago was leading together with Gdańsk in terms of the highest discrepancy between demand and supply, is now a more and more active market. This is completed by Poznań which at present is closest to the balance point.

All in all, we are witnessing a situation which helps us forget about the visions of a crash on the Polish residential real estate market. Development companies that remained on this market are more professional entities than the accidental companies that were appearing during the bull market. They anticipate trends very well, prepare projects much better (also benefiting from their bad experience gained during the difficult period) and have more capital (usually in the form of land) for a better product more adjusted to customer needs. Prices that stay on a relatively stable level with just slight fluctuations by the month being accompanied by changes in the market composition in individual cities create a conviction of a fundamental not profiteering image and value of the market.