



Poland's residential market

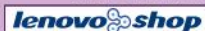
Report by redNet Consulting and tabelaofert.pl
SITUATION IN THE RESIDENTIAL MARKET

OCTOBER 2010 r.

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Residential Market October 2010

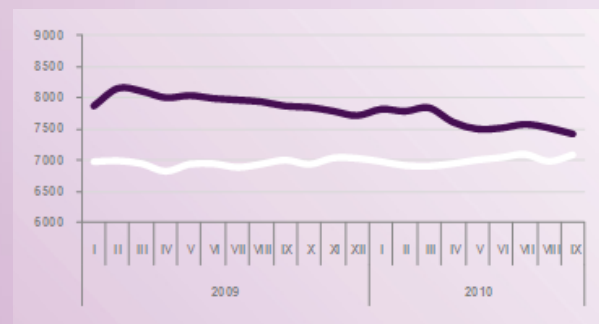
SITUATION IN THE RESIDENTIAL MARKET
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The autumn events on the residential market – continuation: It seems that the shape of the present-day market deviates from typical rules that governed in the past. We say so because summer holidays, being a time with poorer sales of flats, is a period of preparing for the prosperity in sales that should take place in autumn. This year however the trend has not been exactly the same. Surely, by the next summer development companies will have had pleasant memories of the sales seen this year's August, nonetheless the September results will not be recalled with joy. Certainly not in some cities, as it occurred that in such places as Wrocław, Kraków or Gdańsk, September happened to be even poorer in sales than August. Moreover, nothing shows that the sales in October have made up the loss and balanced this year's autumn sales against the general strong trend that should be recorded in this season. Therefore, it has become clear that the over-average results recorded at the end of the summer holidays were not a forecast of the bull market in autumn, but just an exception from the rule – the exception that questioned the turnover in the second half of the year.

The average price of flats on offer in the seven main Polish cities levelled at the end of October 2010 at 7,368 zł/ m² and was 0.6% lower than the price recorded in September 2010. At the end of October flats were sold at a price 0.8% lower than a month earlier, i.e. at 7,028 zł/ m². Although a slight one, the fall in this rate results from the availability of cheaper flats, also those newly built that have been constructed in the economy segment. At present, this part of the market offers the widest choice of flats. The fall in both of the average rates took place parallel – therefore the discrepancy between the two indices stayed at a level close to last month's: all over the country clients bought flats at a 4.6% cheaper price than the average price of flats offered by development companies.

Apart from the stable average price of flats sold in the past quarters, it can be noticed that the difference between the price of flats sold and those on offer has been becoming smaller. Łódź (1.9%), Poznań and Wrocław (2.8% each) recorded the slightest difference between these two average prices. The biggest discrepancy was observed in Gdańsk where the difference favouring buyers reached 8.7%, next was Kraków (8%) and then Warsaw where the rate amounted to 4%. The positive aspect of this situation is the fact that these figures have been becoming smaller for the past few months. Nevertheless, this is not only an outcome of the fact that buyers choose merely the cheapest flats from the available offer.

AVERAGE PRICE OF A FLAT IN SEVEN MAIN CITIES



Source: redNet Consulting on the base of data tabelaofert.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

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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	5350	5188	-3,0%
Kraków	7467	6871	-8,0%
Łódź	5339	5239	-1,9%
Poznań	6688	6501	-2,8%
Gdańsk	6820	6226	-8,7%
Warszawa	8470	8128	-4,0%
Wrocław	7143	6945	-2,8%
Warsaw Agglomeration	8022	7568	-5,7%
Tri-City Agglomeration	6536	6300	-3,6%
Silesian Agglomeration	4752	4698	-1,1%
The average for 7 agglomerations	7368	7028	-4,6%

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

The market has already changed so much that the average offer is relatively well-adjusted to buyers' expectations – in short, a lot of investments that are priced lower have already been launched on the market. They offer both cheaper flats in the economy segment and also cheaper flats in the average segment.

The chart shows that the supply has been gradually decreasing the price level. On the other hand, despite the fact that the price is still a criterion of the top importance as for buying real estate, clients do not buy only the cheapest flats any longer. Interest has been transferred from the cheapest flats on the whole market's offer (e.g. observed when only small flats in the outskirts were sold) to the cheapest flats on offer in a given market segment or in a given location (visible now when inexpensive offers representing higher-class segments or more centrally located districts are being sold). It is especially noticeable in the cities where sales are generally good – e.g. Warsaw, Kraków or the Tri-City.

In spite of the fact that the average price per sq m of a flat on the seven main markets has been falling, not all cities reflect this tendency. The average offer price has risen compared to the September records in Poznań (+1.6%), Wrocław (+0.7%) and Kraków (+0.2%). On the other hand, a fall has been seen in all other cities, with Gdańsk being characterised by the highest decline of 2.9%.

Compared to September, the average price of flats sold has risen in Gdańsk by 2%, in Katowice by 1%, in Poznań by 0.9% and in Warsaw by 0.5%. The rise has confirmed the tendency of accepting higher prices by buyers, which has been observed for the last few months. On the other hand, Wrocław has recorded a fall of 2.9%. Apart from that, a decline has also been recorded only in Kraków, reaching -1.4%.

October became a month partly confirming the September fluctuation making the turnover in this year's autumn a big mystery. Such a market reaction is not based on any solid grounds as it was for example in 2008 when the word "crisis" appeared in every information service all over the world. However, nowadays demand and supply seem to be relatively balanced (with neither exaggerated optimism nor any collapse), and so are banks. Therefore, it is difficult to guess what, in fact, is the reason for a lack of autumn shopping that was expected during the over-average summer holidays. Surely, there are some people who would see the source of this situation in the fundamental factors (e.g. uncertainty about our economy, rumours about the crisis in the country's financial situation) as well as those who would associate it with tragic events that accumulated this year. It is possible that everyone is right to some extent; nonetheless, the biggest judge here is the market – it is the market that will decide about the future of the Polish housing industry.