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Poland's residential market

Report by redNet Consulting and tabelaofert.pl

SITUATION IN THE RESIDENTIAL MARKET

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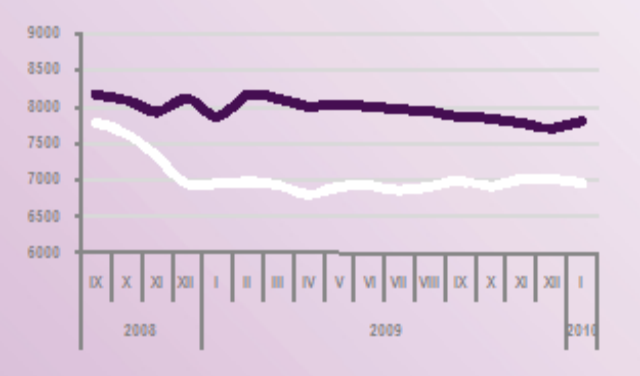
Residential Market
January 2010

The beginning of the year was quite uneventful in the residential market both as far as prices and the level of sale are concerned. However, this does not mean that nothing has happened. Especially puzzling is the direction of changes, more precisely the reverse of the trend that was leading the market towards the balance. The average price of all flats on offer in 2009 came close to the average price of flats sold. This was the result of both a slow fall in the average price of all flats and stable level of the average price of flats that were actually sold. This changed in January 2010 – the question is why.

The average price of flats on offer was at a level of 7,818 zl/m² in the seven main Polish cities and was about 1.3% higher than in December. Its rise can be a derivative of purely statistical factor. In relation to the fact that mainly the cheapest flats are being sold on the market (the cheapest flats within a given location and the most attractively priced units within a given investment are chosen), in the group of flats which remained on offer only the most expensive dwellings remained. From purely technical reason the priciest offers are shaping the average market price.

The average price of flats sold which has stayed on a practically unchanged level from the beginning of the year reached 6,792 zl/m², which indicates a fall of about 0.8% in relation to the previous month. This is a direct result of the choice that buyers made by selecting the most attractive, i.e. the best priced offers (this does not mean the cheapest ones). Surely new projects are starting to play some role here as well, considering the fact that they were put up for sale in a large number at the end of last year. From a global point of view these are mainly investments from lower segments: cheaper flats the price of which is additionally lower especially in the initial realisation phases. It should be stressed that we cannot say the investment bull market has come back, but an obvious change in comparison to the first half of 2009 is the beginning of a greater number of residential investments.

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

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	5458	4971	-8,9%
Kraków	7799	7068	-9,4%
Łódź	5539	5198	-6,2%
Poznań	7306	6888	-5,7%
Gdańsk	7086	5872	-17,1%
Warszawa	8985	8388	-6,6%
Wrocław	8382	6901	-17,7%
Warsaw Agglomeration	8380	7586	-9,5%
T-ri-City Agglomeration	6848	5713	-16,6%
Silesian Agglomeration	5081	4734	-6,8%
The average for 7 agglomerations	7818	6972	-10,8%

A glance on the situation in individual cities allows us make a few conclusions. The difference between the average offer office and the price of flats sold is still high; considering the seven main markets this discrepancy reaches 11%. The largest difference of over 17% is observed in Gdańsk and Wrocław. A similar situation was recorded in 2009 when these two cities were leaders in this category. Other markets seem to be much more stable, with the best statistics in Poznan (-5.7%) and Łódź (-6.2%). In the case of the latter the difference between the average offer price and the average price of flats sold has always been on a relatively low level; such a situation mainly results from the fact that the market composition is flat there and predominately focused on the lower market segments. Such an adjustment of the market offer to the market needs paradoxically present in Łódź, the market considered to be a difficult one by developers, but also in Poznań is a characteristic of developed markets that are well-explored (by both the demand and supply side).

In contrary, a rise in the average price of the whole offer has been observed for the last few months. Also the price of flats sold, despite a slight fall, has remained on a stable level.

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In fact the level recorded in January is higher or the same as in nearly all months of 2009. Although, as we have previously explained, it does not necessarily indicate a fall in the price of individual flats, but a change in the composition of the offer and the choice of the most attractive offers. So what does this picture actually present? It seems to be obvious that when observing the quoted data the decrease in price can be excluded.

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

Stabilisation present during the whole 2009 after the falls recorded in 2008, having been changed at the beginning of 2010, does not indicate in any way that there can be reasons for weakening the market. However, this sounds more like a technical analysis. What do the facts show? The credit market is improving – the year 2010 is talked about in the “after crisis” category; Poland is marked in green optimistic colour in the maps recently so often showed. Along with an improvement in the market condition the unemployment rate will stop falling and a potential for a rise in remuneration will appear. The fact is that this year is ruled by psychology – optimistic or not attitude towards the future. This largely influences decisions connected with buying, in this case very important buyers’ decisions. In relation to the fact that everything indicates an improvement in the situation, a recovery in the residential market should also be expected. Although this will not be soon visible in the actual rise in prices, it will surely be shown in better market liquidity and further stabilisation processes.