



Poland's residential market

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

SEPTEMBER 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 September 2010

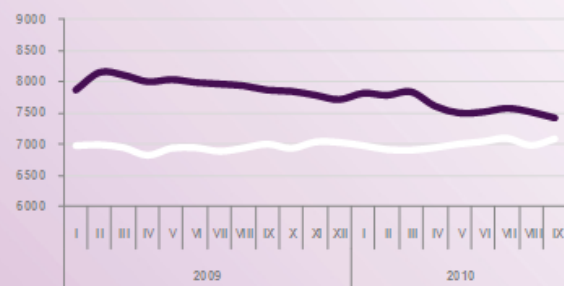
SITUATION IN THE RESIDENTIAL MARKET
SEPTEMBER 2010

After this year's holidays, September is a special period on the residential market. In August we could observe sales at the level recorded in the spring months, which was far from regularity – abnormal because holidays is a period of resting and lower buyers' activity. Nonetheless, good economic situation on the residential market was also confirmed in the September statistics. The sales have been rising. This is the effect of higher openness of banks in the field of mortgage credits – it is obvious. However, it is difficult to say how financial recommendations made or the perspective of higher VAT will influence purchase decisions. One thing is certain – buyers are much more optimistic. This is the clearest aspect of today's market. Despite the fact that we are still talking about continuous stabilisation, it should be pointed out that the price of flats sold does not intend to be falling and the number of transactions made in the recent period has started to resemble the time before the crisis.

The average price of flats on offer in the seven main Polish cities levelled at 7,413 zł/ sq m at the end of September 2010 and was by 1.3% lower than at the end of August 2010. After a temporary break, we are coming back to the situation when the price of flats on offer and the average price of flats sold are becoming similar. In the corresponding period, flats were sold at a 1.6% higher price than a month earlier, exactly at 7,086 zł/sq m. Not such a long time ago, the average price of flats on offer and the average price of flats sold in the majority of the biggest cities recorded a two-digit discrepancy. The situation in September showed a two-digit difference only in Gdańsk – just there it was over 10% reaching 13.1%. On average in the whole country clients are purchasing flats that are only 4.4% cheaper than those offered by development companies. Again, we can say that this has been the best result since the times before the crisis; sellers and buyers' stands are becoming close to each other for several reasons, but it must be highlighted that much more often these are development companies that give in, not the demand side. The latter has been sticking to its guns since the beginning of 2009 when the price of flats sold was at about 7,000 zł/ sq m.

Apart from stabilisation at the level of the average price for all biggest cities, smaller discrepancy between these cities has been observed as well. In general, it can be said that the difference between the sellers and buyers' stands is only a few percent. However, the already mentioned city, Gdańsk, is standing out in this respect – there buyers are still buying a lot cheaper than development companies would like them to (-13.1%). Another phenomenon is Wrocław, where flats sold are 0.8% more expensive than the average development companies' 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

Here Wrocław has substituted Poznań which not so long ago stood out in this regard. This time the residents of Poznań are again buying less costly flats than developers offer (-2.1%), which does not mean that in general they purchase at a lower price – the average price of flats sold in this city has risen since August. Still the most liquid of all markets, Warsaw, has increased the discrepancy to 6.4%, similarly to Kraków (6.5%). Reasons for these changes are coming from various directions – sometimes these are new more expensive investments in a given city that increase the average offer price by just being on the market (for example, as it was in the case of Warsaw), some other time these are cheaper flats which were sold in the previous period (for example, in Wrocław). Nevertheless, these statistics let us obtain more information about the market and specify which direction it is going to head for now.

SITUATION IN THE RESIDENTIAL MARKET
SEPTEMBER 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	5451	5136	-5,8%
Kraków	7452	6970	-6,5%
Łódź	5408	5241	-3,1%
Poznań	6583	6443	-2,1%
Gdańsk	7023	6104	-13,1%
Warszawa	8641	8084	-6,4%
Wrocław	7097	7155	0,8%
Warsaw Agglomeration	8107	7643	-5,7%
Tri-City Agglomeration	6833	6189	-9,4%
Silesian Agglomeration	4968	4563	-8,2%
The average for 7 agglomerations	7413	7086	-4,4%

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

The price of flats sold changed in September totally differently than in the previous month. This makes us think that the September results were just a slight fluctuation in the trend which has been heading for making the two indicators that are calculated by redNet close to each other for the past few months now. The fall in the price of flats sold was seen only in Katowice (-2.4%) – in all other cities clients accepted a higher price than a month earlier. The most significant rise was registered in Poznań where the rate occurred to be 3.7% higher than in August.

Being a month opening the period of autumn shopping, September makes us optimistic about the residential market. This feeling can infect both banks which have made access to financing of flats easier thanks to their policy and development companies which now have some potential customers to sell to – this relates equally to the same development companies that remained on the market and develop new better thought out projects and the same customers that will exploit better designed flats more effectively.

Despite that fact that generally the average price of a flat in Poland has fallen, this situation has not been reflected in every city. The average price rose compared to the data from August in Warsaw (+0.7%) and Katowice (+0.5%). No changes occurred in Łódź. On the other hand, a decline was recorded in the other cities; among them the highest fall took place in Wrocław – of 7.1%.

We expect that the high sales will be kept in the next few months of this year, for both purely fundamental and marketing reasons (VAT, Polish Financial Supervision Authority's recommendations). We do not know what the customer reaction will be as a result of the above. Nonetheless, we can clearly state today that the 1 % rise in VAT (which corresponds with an increase in the price of a flat of less than 1%) can have only cosmetic impact in the price. As for the recommendation relating to granting credits, we know that banks learned their lesson during the crisis and introduced stricter methods of verifying clients' credit capacity on their own. Therefore, we should pay more attention to the fundamental purely-market changes rather than such marketing factors.