



# Poland's residential market

Report by redNet Consulting and [tabelaofert.pl](http://tabelaofert.pl)  
SITUATION IN THE RESIDENTIAL MARKET  
**NOVEMBER 2011**

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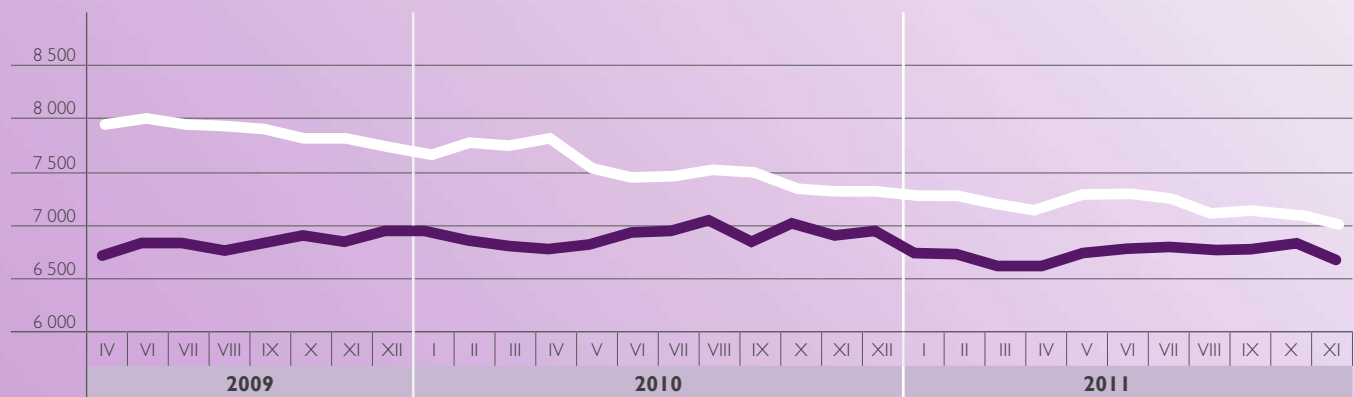
## Residential Market – NOVEMBER 2011

After the autumn revival which was characterised by both very positive selling results attained by developers and stabilisation of price of flats sold, at to the end of the year it can be expected that the market will slightly slow down. The first signals of the slack were already visible in November: Unchangeably high sales of flats together with the lower interest among buyers typical for the winter period will result in the situation where, being eager to encourage clients to conclude transactions, developers will launch various promotions, many of which will be on offer till the end of the year. Therefore, the upcoming December can be expected to bring about a fall in the average price of flats sold.

The average price of flats on offer in the seven main cities in Poland at the end of November 2011 was PLN 7,019 per sqm and was 0.6% lower than in this year's October. The change in the average price was very similar to the one recorded last

month, which is confirmed by the forecast saying that the offer will gradually adjust to the changing expectations on the market. The decrease in the average offer price results from both the price promotions launched in some projects and the changing composition of the offer in terms of standard. The dominating share of flats currently put up for sale is made up by dwellings from the economy segment which are the most popular among clients these days.

The situation on the market is even better reflected by the change in the offer price of flats sold. In November the said index levelled off at PLN 6,682 per sq m, which is 1.2% lower than in October. In autumn, when the interest in flats was very high, the price of flats sold stayed at a practically unchanged level. November had been the first month since the summer when over 1% decline in this index was recorded. The cut in the offer price of flats sold is an outcome of the fact that the peripheral and thus less expensive districts have been becoming more and more popular.



**AVERAGE PRICE OF FLAT IN SEVEN MAIN CITIES**  
SOURCE: redNet Consulting on the basis of tabelaofert.pl

Legend:

- **Average offer price** – the average price per sqm. of all flats on offer in real estate development 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

## SITUATION IN THE RESIDENTIAL MARKET NOVEMBER 2011

Situation regarding the prices of flats in individual cities has been presented below:

city	Offer price of flats	Price of flats sold	Price of flats sold/offer price of flats
Katowice	<b>4,946</b>	<b>5,085</b>	<b>2.8%</b>
Kraków	<b>6,992</b>	<b>6,547</b>	<b>-6.4%</b>
Łódź	<b>5,081</b>	<b>5,135</b>	<b>1.1%</b>
Poznań	<b>6,280</b>	<b>6,023</b>	<b>-4.1%</b>
Gdańsk	<b>6,333</b>	<b>5,507</b>	<b>-13.0%</b>
Warsaw	<b>8,195</b>	<b>7,707</b>	<b>-6.0%</b>
Wrocław	<b>6,647</b>	<b>6,423</b>	<b>-3.4%</b>
Warsaw agglomeration	<b>7,663</b>	<b>7,354</b>	<b>-4.0%</b>
Try-City agglomeration	<b>6,121</b>	<b>5,443</b>	<b>-11.1%</b>
Silesian agglomeration	<b>4,736</b>	<b>4,374</b>	<b>-7.6%</b>
<b>Average for the 7 main cities</b>	<b>7,019</b>	<b>6,682</b>	<b>-4.8%</b>

city	Offer price of flats	Price of flats sold	Change in the offer price of flats November/October	Change in the price of flats sold November/October
Katowice	<b>4,946</b>	<b>5,085</b>	<b>0.0%</b>	<b>-0.2%</b>
Kraków	<b>6,992</b>	<b>6,547</b>	<b>-1.5%</b>	<b>-2.8%</b>
Łódź	<b>5,081</b>	<b>5,135</b>	<b>-0.7%</b>	<b>1.4%</b>
Poznań	<b>6,280</b>	<b>6,023</b>	<b>-0.5%</b>	<b>-0.8%</b>
Gdańsk	<b>6,333</b>	<b>5,507</b>	<b>-1.1%</b>	<b>0.2%</b>
Warsaw	<b>8,195</b>	<b>7,707</b>	<b>-0.2%</b>	<b>-1.4%</b>
Wrocław	<b>6,647</b>	<b>6,423</b>	<b>-1.9%</b>	<b>-0.2%</b>
Warsaw agglomeration	<b>7,663</b>	<b>7,354</b>	<b>-0.3%</b>	<b>-0.4%</b>
Try-City agglomeration	<b>6,121</b>	<b>5,443</b>	<b>-1.3%</b>	<b>-1.0%</b>
Silesian agglomeration	<b>4,736</b>	<b>4,374</b>	<b>-0.2%</b>	<b>-2.6%</b>
<b>Average for the 7 main cities</b>	<b>7,019</b>	<b>6,682</b>	<b>-0.6%</b>	<b>-1.2%</b>

SOURCE: redNet Property Group (Consulting Department) on the basis of tabelaofert.pl

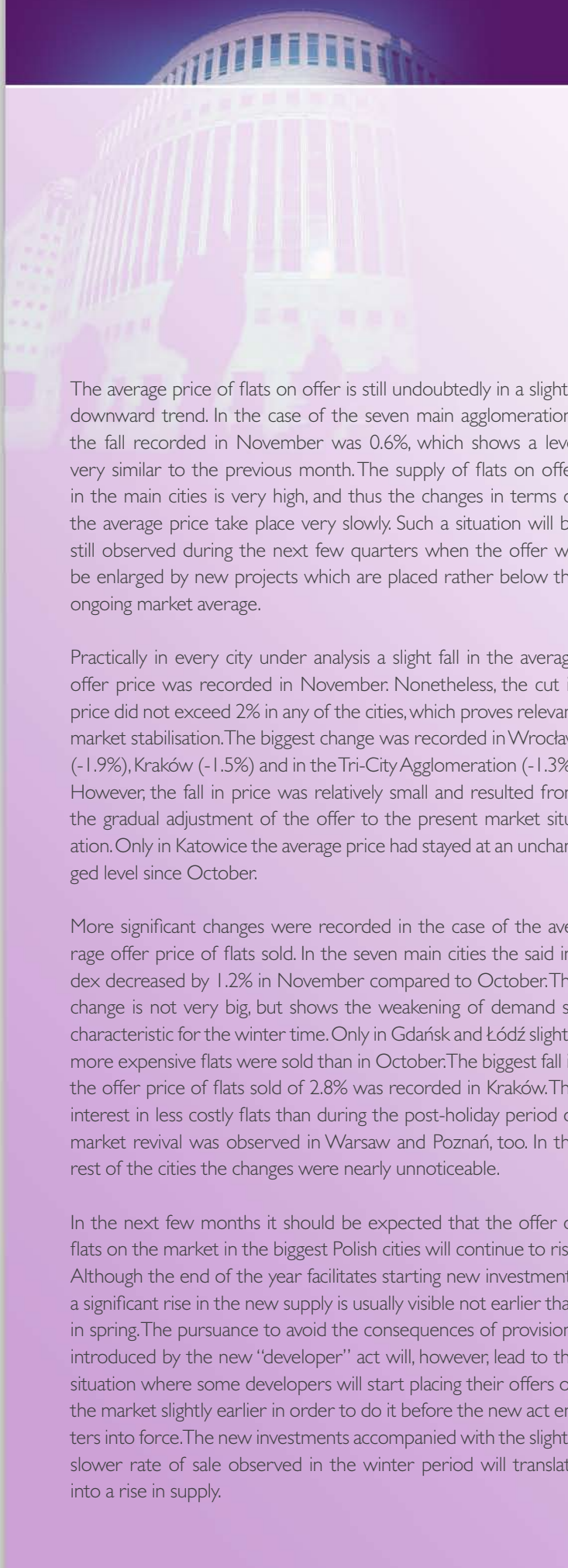
In November the recorded price of flats sold was lower than the average price of the whole offer in almost all cities under analysis. In the case of the seven main agglomerations the discrepancy is currently 4.8%; in other words it is slightly higher than the corresponding index last month. In November both the average offer price and the average offer price of flats sold slightly fell, but in the case of the latter the decline in price was slightly more visible resulting in delicate widening of price scissors.

The biggest difference between the two indices is still recorded in Gdańsk and the whole Tri-City Agglomeration. In November it reached 13% and was much lower than in the preceding month. In this region we can still observe strong maladjustment of the developer offer to clients' expectations. Such large discrepancies result from the fact that there have been a lot of new projects started at a very high standard, and buyers are most willing to purchase the inexpensive flats from the economy segment, which they do in fact. The slight narrowing of price scissors observed in November shows that developers have started to adjust their offer to the changing customer needs step by step.

In Kraków, Poznań and Warsaw the discrepancy between the two indices rose a little. The average offer price of flats sold is much more vulnerable to changes and thus reacts earlier to the weakening of demand, which is typical at the end of the year.

A higher price of flats sold compared to the average price of the whole offer was only observed in Katowice and Łódź. Nonetheless, this difference is very indistinctive and mainly derives from a small number of transactions concluded on the market.

October occurred to be the next consecutive month when a high rate of sale of new flats was seen. Encouraged by promising selling results, real-estate developers will be launching new projects, mostly ones with inexpensive flats offering smaller than currently floorage. Higher supply in the next months can be also caused by introducing the so-called "developer's" act at the end of April 2012 which is to protect the rights of buyers of residential premises and single-family houses on the primary market. Some developers who want to avoid the consequences connected with introducing the said act can decide to start selling their projects earlier than planned, which will lead to a rise in the offer of flats with a long realisation time.



The average price of flats on offer is still undoubtedly in a slightly downward trend. In the case of the seven main agglomerations the fall recorded in November was 0.6%, which shows a level very similar to the previous month. The supply of flats on offer in the main cities is very high, and thus the changes in terms of the average price take place very slowly. Such a situation will be still observed during the next few quarters when the offer will be enlarged by new projects which are placed rather below the ongoing market average.

Practically in every city under analysis a slight fall in the average offer price was recorded in November. Nonetheless, the cut in price did not exceed 2% in any of the cities, which proves relevant market stabilisation. The biggest change was recorded in Wrocław (-1.9%), Kraków (-1.5%) and in the Tri-City Agglomeration (-1.3%). However, the fall in price was relatively small and resulted from the gradual adjustment of the offer to the present market situation. Only in Katowice the average price had stayed at an unchanged level since October.

More significant changes were recorded in the case of the average offer price of flats sold. In the seven main cities the said index decreased by 1.2% in November compared to October. The change is not very big, but shows the weakening of demand so characteristic for the winter time. Only in Gdańsk and Łódź slightly more expensive flats were sold than in October. The biggest fall in the offer price of flats sold of 2.8% was recorded in Kraków. The interest in less costly flats than during the post-holiday period of market revival was observed in Warsaw and Poznań, too. In the rest of the cities the changes were nearly unnoticeable.

In the next few months it should be expected that the offer of flats on the market in the biggest Polish cities will continue to rise. Although the end of the year facilitates starting new investments, a significant rise in the new supply is usually visible not earlier than in spring. The pursuance to avoid the consequences of provisions introduced by the new "developer" act will, however, lead to the situation where some developers will start placing their offers on the market slightly earlier in order to do it before the new act enters into force. The new investments accompanied with the slightly slower rate of sale observed in the winter period will translate into a rise in supply.

## A few words about CHANGE IN THE SIZE OF FLATS LOOKED FOR BY BUYERS

A very important change currently observed on the residential market is the lower average floorage of a flat looked for by clients. During the bull market spacious flats with very well designed plans were extremely popular. High availability of mortgages resulted in the situation where the price was not a very strong obstacle when buying a new flat.

The new market situation leads to changes in clients' expectations in terms of the most wanted features of the flat which is considered to be purchased. This is confirmed by the analysis of preferences of people who are planning to buy a new dwelling. For example, still in autumn 2010 only 8% of prospects for flats in Warsaw declared willingness to acquire a flat with floorage of 30 to 40 sq m, and in the corresponding period this year the interest in such a residential unit was declared by about 12% of respondents. A similar rise in popularity referred to flats with floorage of 40 to 60 sq m as well. In the case of larger units the opposite tendency is visible. Not longer than a year ago about 44% of prospects declared that they would like to buy a flat with floorage exceeding 60 sq m. Currently this share has fallen to about 36%.

Not only is the smaller and smaller size of flats wanted confirmed by prospects' declarations, but also by the analysis of transactions actually concluded on the market. For example, two years ago the average floorage of a one-bedroom flat purchased in Warsaw was 53.5 sq m. At present the size of such a dwelling is about 49 sq m. The most popular type of residential premises are now small one-bedroom flats. In the next few quarters it should be expected that the average floorage of flats sold will continue to fall. The biggest interest will be in dwellings with relatively small floorage considering the number of bedrooms they offer.

# Example analysis that we can prepare for you:

## Market Monitoring

This analysis provides useful knowledge about the current and forecast market situation. Thanks to the data on the number of new flats on offer and flats already sold, you will be easily able to notice market gaps and will possess reliable knowledge about the market absorption capacity. Market monitoring is currently run for Warsaw, Kraków, Łódź, Tri-City, Poznań, Wrocław, Katowice, Szczecin and Olsztyn, in every city being divided into districts, investments and standards of flats (redNet Consulting's original division).

## Competition Review

This review is an extremely helpful and practical study when drawing up a project. It will allow you to find out about the exact number of flats in competitive investments and their prices in an easy and clear way. This review will let you become familiarised with the market and assess the position your investment has compared to direct competitors.

## Customer preference analysis

This review will help you get to know your target customer thanks to the fact that it clearly shows who the buyers are and what kind of flats they are looking for. As a result, your offer will be possibly most adapted to customer expectations.

## Disintegration of prices of flats

This review will let us assess for you the most adequate price of flats sold by you. Thanks to this analysis flats will be sold at possibly highest prices with a satisfactory rate of sale; this will let you maximise your profits.

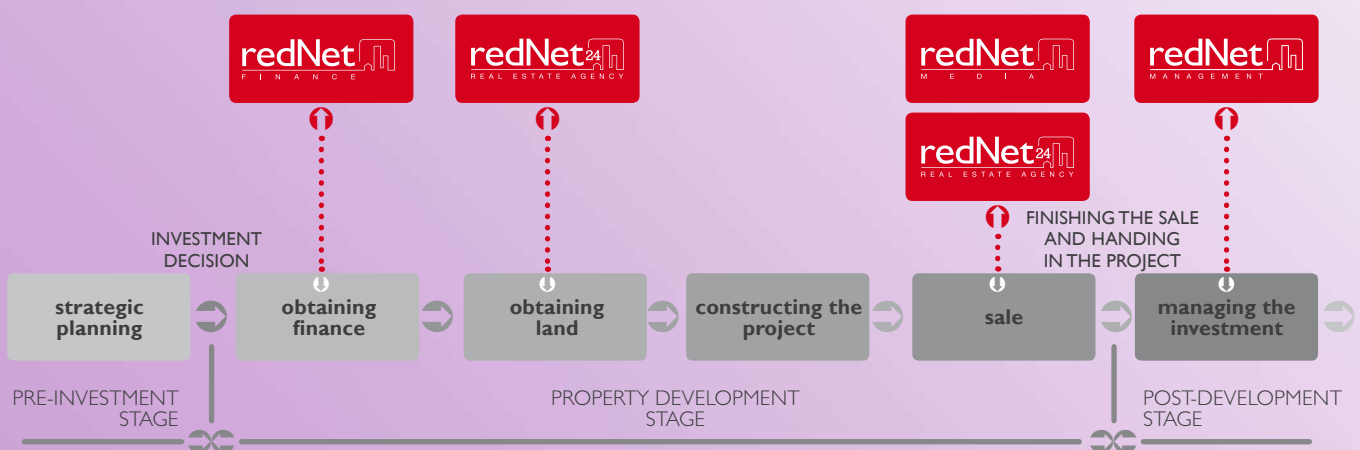
## Cooperation with architects

This service encompasses providing architects with guidelines relating to architectural and spatial solutions as well as layouts preferred by buyers. Thanks to our knowledge you will possess a successful project which, thanks to its adjustment to market needs, will be characterised by a high rate of sale.

## Business plans

It is an essential study drawn up in order to obtain finance. We are specialised and experienced in creating business plans for the property development industry. Analyses written by us take into account all conditions that the real estate market is characterised by.

Thanks to the fact that we operate within the redNet Property Group, we are the only entity in Poland that is able to participate in all stages of the investment process, starting from planning the investment, obtaining finance and land, via selling the project and finally ending with managing the real estate. Therefore, only we can provide you with comprehensive service of the investment under realisation.



market review	opinion on the project	price disintegration	managing portfolio
market development forecast	feasibility study	marketing strategy development	
opinion on location	business plan		