



Poland's residential market

Report by redNet Consulting and tabelaofert.pl
SITUATION IN THE RESIDENTIAL MARKET
APRIL 2011

redNet Property Group Sp. z o.o.

Wiśniowy Business Park, Building C
ul. 1-go Sierpnia 6a, 02-134 Warszawa
tel.: +48 22 318 72 00
fax: +48 22 318 72 10
info@rednetproperty.com
www.rednetproperty.com

KRS: District Court for Warsaw,
XIII Commercial Division
KRS: 0000043992
NIP: 632-17-99-435
Company stock: 57 500 PLN

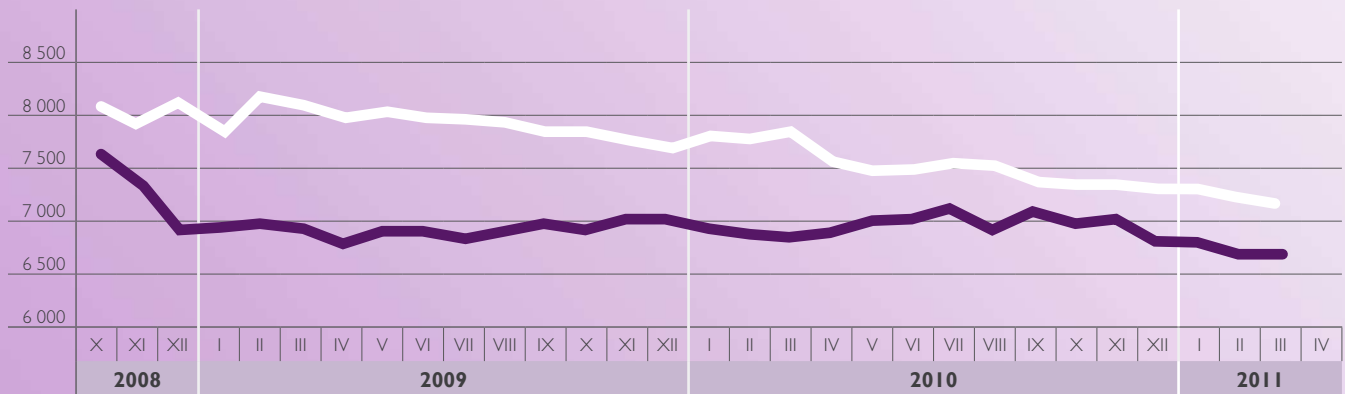
President: Robert Chojnacki
Vice-president: Michał Kosyrcz

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 – APRIL 2011

The beginning of May lets us observe the changes that spring is bringing to the residential market. This is usually a period of increased interest in the offer and higher number of transactions, which can be also seen at present – March was a month of the best statistics in sales in over a year. This means that buyers and sellers are more successful in finding common ground and transactions are concluded on terms and conditions meeting the expectations of both parties. Indeed, price charts are showing a fall due to the fact that development companies withdraw from their positions, but the outcomes (e.g. market liquidity) are definitely positive: the said revival and an increase in the number of transactions.

The average price of flats on offer in the seven main Polish cities at the end of April 2011 reached PLN 7,097 per sq m and was 0.6% lower than the price recorded at the end of March 2011. We are now observing a further fall in this index that has been visible since 2009. Still, this is a result of the same factor, i.e. launching cheaper and cheaper flats on the market – these are dwellings constructed in the economy standard. Finding an overpriced flat left from the time of the bull market is every day rarer – such units increased the average price of flats in the past. At the same time, an average price rate of flats sold is stable and has been at about PLN 6,700 per sq m since February. This can be a proof of reaching a level of price which is approved by clients as a fundamental price reflecting the actual value of residential units. Naturally, it can also take place owing to the availability of an adequately priced product; nonetheless, the market is still looking for a “place” that would be closest to balance. Relatively high selling results only confirm the said rule.



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

Price level 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	5,082	5,231	2.9%
Kraków	6,991	6,725	-3.8%
Łódź	5,314	5,012	-5.7%
Poznań	6,571	6,114	-7.0%
Gdańsk	6,697	5,835	-12.9%
Warsaw	8,301	7,861	-5.3%
Wrocław	7,041	6,576	-6.6%
Warsaw agglomeration	7,673	7,349	-4.2%
Try-City agglomeration	6,377	5,507	-13.6%
Silesian agglomeration	4,973	4,924	-1.0%
Average for the 7 main cities	7,143	6,702	-6.2%

city	Offer price of flats	Price of flats sold	Change in the offer price of flats April/March	Change in the price of flats sold April/March
Katowice	5,082	5,231	-4.2%	0.3%
Kraków	6,991	6,725	-1.7%	-0.4%
Łódź	5,314	5,012	-0.4%	2.4%
Poznań	6,571	6,114	0.2%	-1.6%
Gdańsk	6,697	5,835	-1.8%	-0.1%
Warsaw	8,301	7,861	-1.2%	1.2%
Wrocław	7,041	6,576	0.1%	-2.5%
Warsaw agglomeration	7,673	7,349	-1.1%	0.8%
Try-City agglomeration	6,377	5,507	-2.0%	0.0%
Silesian agglomeration	4,973	4,924	-2.5%	2.1%
Average for the 7 main cities	7,143	6,702	-1.1%	0.0%

SOURCE: redNet Consulting on the basis of tabelaofert.pl

Again the difference between the average offer price and the average price of flats sold has been falling. In April the two indices were different by 5.6%. The only reason for this state of affairs is the inflow of cheaper and cheaper flats. The better adjustment of the two market forces is the outcome of repeated actions taken up by development companies aiming at offering possibly the least expensive dwellings. The effect is apparent in the table illustrating the situation in individual cities. Generally discrepancies are single-digit, which was not so obvious in the past few months. An exception to this is still Gdańsk where flats about 10% less costly are sold than the average developers' offer (in March the difference was over 10%). Despite this the effects of taking over the market by economy segment is also noticeable in Gdańsk – flats in Gdańsk are now 4% cheaper than they were in March. This is a large step forward taking into account the fact that the discrepancy can be noticed within only a month. The change does not result from lowering the price of flats in investments already on offer, but from launching less costly flats on the market. We can also see a similar change in other cities where the discrepancy between the two indices have become smaller as well, but in Katowice flats that are more expensive than the average offer (5.9%) are sold in fact, which is not the first time such a situation happens there.

Holistically, April and May do not differ in respect of the analysed rates. The average price of flats on offer in development companies' projects in the biggest Polish cities fell by 0.6% compared to March; on the other hand, the rate reflecting the average price of flats sold did not change. The situation looks completely different in each of the cities – in individual agglomerations the average price of the offer has changed more dynamically beginning with a rise in Katowice (+0.9%), via a slight change in Warsaw (-0.2%), finishing with a substantial cut in prices in Wrocław (-7.2%). Wrocław is a perfect example of how new investments are capable of influencing the situation on the market – economy segment projects launched there have perceptibly affected the fall in the average rates. Much more scattered are the changes in the price of flats sold – compared to March the difference varies from -8.8% in Wrocław to +4.5% in Poznań; individual markets are in different stages of post-crisis transformations, but a positive shift is noticed in over half of the cities. Clients buy flats at higher prices than in March in Warsaw (+1.9%), Kraków (+2.5%), Łódź (+3.9%) and the said Poznań (+4.5%).

SITUATION IN THE RESIDENTIAL MARKET
APRIL 2011

The Polish residential real estate market is going through a period of spring revival. This is shown in the good selling results recorded by development companies, better adjustment of demand and supply and unchanged clients' purchasing power. In some cities we have recorded acceptance of even higher price than in March, but this is not enough to talk about a long-term trend. For the time being the average price of flats sold has stabilised at PLN 6,700 per sq m in the seven biggest Polish agglomerations. The corresponding rate had been kept for practically two years at about PLN 7,000 per sq m, but a large inflow of less expensive flats left a trail – the statistics have already reflected the turnover in flats that are better adjusted to customer needs. Observing subsequent projects the sale of which is being started it seems that the average price of the offer can still fall in the nearest future. Nevertheless, at least in the period of spring shopping spree we can expect that the average price of flats sold may stay at the level similar to the present one.

A few words about COMPLETED FLATS

Apart from the information that being clients we have now a wide range of flats to choose from, a lot of potential buyers find it extremely important where in the realisation process a given offer is. We have decided to check what the share of completed flats is in Warsaw compared to the whole offer and by market standard.

Purchase of a completed flat provides a buyer with a lot of advantages. Starting from the possibilities of familiarising with a ready product, via the option of moving in immediately, finishing with minimising the risk of prospective failure of the transaction – these are all pros.

standard	I Q 2011	III Q 2010	I Q 2010	III Q 2009	I Q 2009
A	44.7%	50.8%	47.6%	23.6%	14.4%
B	29.1%	34.3%	31.6%	30.6%	18.4%
C	25.6%	35.80%	36.3%	23.7%	12.8%
Total	29.4%	37.4%	36.3%	25.8%	14.8%

TABLE: SHARE OF COMPLETED FLATS ON OFFER AT THE END OF EACH HALF-YEAR PERIODS IN WARSAW BY STANDARD;
SOURCE: redNet Consulting

- Standard A** – flats in the luxurious standard (high-end flats)
- Standard B** – flats in the average standard (upper-end flats)
- Standard C** – flats in the economy standard (middle-end flats)

The data presented in the half-year intervals clearly show that in the third quarter of 2010 the number of completed flats was the highest, reaching 37.4% of all flats available on offer. This means that nearly every 4 out of 10 flats which we could buy at that time provided the possibility of collecting the keys to a completed unit straight after the purchase. The share of finished flats on offer had been constantly rising since the first quarter of 2009 when nearly 15% of the whole offer were completed dwellings. However, the latest data indicate that this trend has been stopped; today only 29.4% of the offer comprise completed dwellings. This derives from a large number of new investments increasing the offer available on the market on the one hand, and on the other hand, the fact that these investments are still in the stage of a 'hole in the ground' or in the middle of construction process. Probably the share of completed units is to be falling as the crop of the newest offers is still being observed and development companies' plans prove that more residential premises are to be launched. Simultaneously, it should be noted that, as the latest months clearly suggest, investments under construction are also successfully sold. This is mainly owing to new projects being better adjusted to clients' needs. Their low unit price (lower market segment) and lower total price (i.e. smaller and more compact flats) are the most frequent features of the latest offer. Therefore, development companies in which a lot of confidence is placed cannot complain about their sales even if they offer nothing more but visualisations yet.

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.

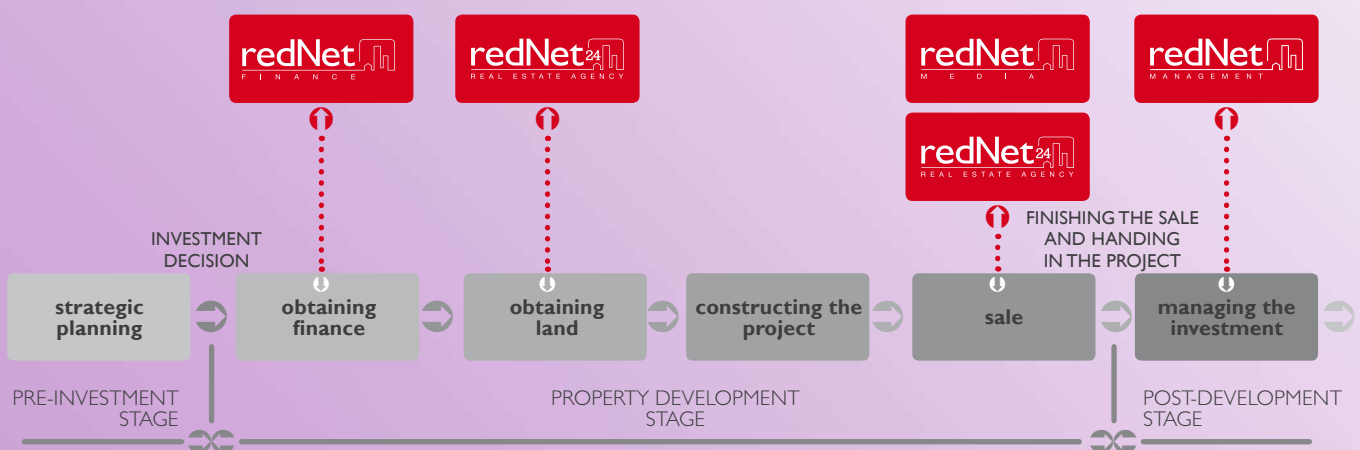
Cooperation with architects

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		