



Poland's residential market

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

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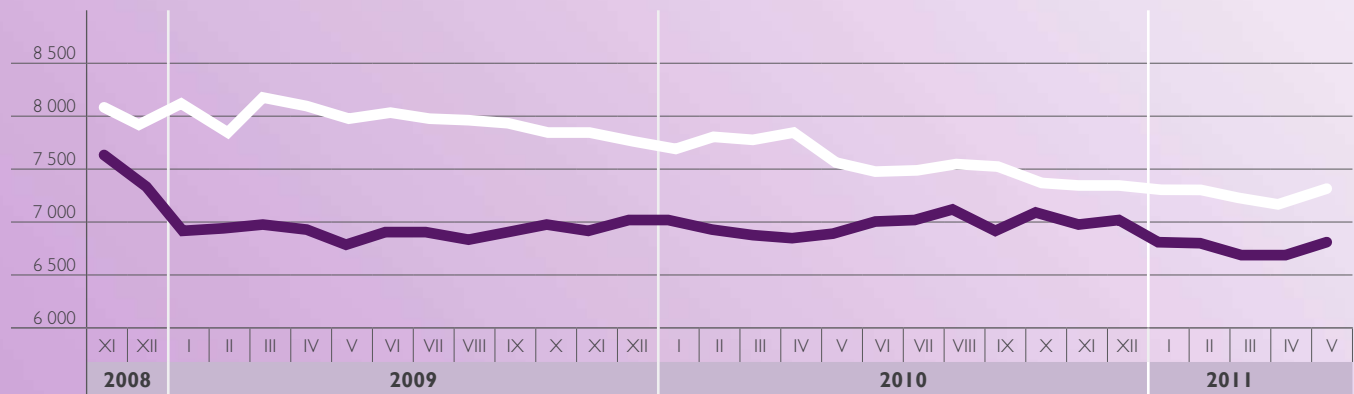
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Residential Market – MAY 2011

This year's May witnessed a huge inflow of new offer on the market. A record was set in Warsaw – there are 18,000 flats from which prospects can now choose from in the capital. Real estate developers have caught the ball on the fly and have been trying to use all their resources – mainly cheap land, but also the possibilities and experience in order to produce flats adjusted to client's needs. We are currently observing a situation when the market is showing relatively high and balanced liquidity. Such a situation is a great opportunity for development companies to obtain sufficient income. Nonetheless, this refers to only those companies which are able to meet customer requirements. Today buyers' preferences relate to the price, and more precisely – the most sought-for flats are those which deliver maximal functionality at possibly the lowest price. The most frequently sold dwellings comprise one- and two-bedroom flats, but the size of a one-bedroom unit should be not higher than 45 sqm., and in the case of a two-bedroom flat – not more than 60 sqm. This is because the price depends on two factors: unit price (price per sqm.) and the size of the dwelling bought.

The average price of flats on offer in the seven main Polish cities at the end of May 2011 reached PLN 7,193 per sqm., and was 1.7% higher than the price of residential premises recorded at the end of April 2011. A slight jump of both the offer price of flats and price of flats sold was observed. Apart from launching new inexpensive projects from the economy segment on the market, a new offer for clients also appeared, namely a little more expensive projects that are located closer to the city centre. In the case of Warsaw this tendency refers to Wola, for example. Investments offered there are still middle-end, with the composition of units meeting customer expectations in respect of the number of rooms and size. However, due to their vicinity to the direct city centre, retail facilities and convenient communication access to other parts of the city, the price in these projects is higher, influencing the price of flats in the whole city.



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	4,969	5,218	5.0%
Kraków	7,047	6,741	-4.3%
Łódź	5,261	5,153	-2.1%
Poznań	6,478	6,205	-4.2%
Gdańsk	5,848	5,585	-4.5%
Warsaw	8,393	7,896	-5.9%
Wrocław	6,748	6,050	-10.3%
Warsaw agglomeration	7,943	7,428	-6.5%
Try-City agglomeration	5,996	5,421	-9.6%
Silesian agglomeration	4,728	4,777	1.0%
Average for the 7 main cities	7,193	6,744	-6.2%

city	Offer price of flats	Price of flats sold	Change in the offer price of flats May/April	Change in the price of flats sold May/April
Katowice	4,969	5,218	0.9%	0.1%
Kraków	7,047	6,741	-0.1%	-2.2%
Łódź	5,261	5,153	1.2%	-1.0%
Poznań	6,478	6,205	-0.2%	-2.9%
Gdańsk	5,848	5,585	3.2%	0.1%
Warsaw	8,393	7,896	1.3%	-1.4%
Wrocław	6,748	6,050	3.2%	0.9%
Warsaw agglomeration	7,943	7,428	2.5%	1.0%
Try-City agglomeration	5,996	5,421	2.2%	0.3%
Silesian agglomeration	4,728	4,777	-0.9%	2.8%
Average for the 7 main cities	7,193	6,744	1.7%	0.8%

SOURCE: redNet Consulting on the basis of tabelaofert.pl

Last month the discrepancy between the average offer price and the average price of flats sold rose. In May the first of the said indices exceeded the second one by 6.2%. This was due to the fact that the market welcomed slightly more expensive projects. The acceptance of the higher price level by clients has been relatively slow, though. Nevertheless, development companies are still trying to react to this market situation and price their offer at a level that would be acceptable for clients. The difference between the two indices was one-digit everywhere but Wrocław. In May only Kraków, Poznań and the Silesian Agglomeration recorded a fall in the offer price of flats. In Katowice, still more expensive flats than the average offer were sold (a jump of 0.5%) – this had resulted from relatively low supply of flats launched after the crisis. Therefore, even selling a few more expensive dwellings has a strong impact on price indices. With a large number of investments being launched in Gdańsk and Wrocław, the rise in offer price of flats there exceeded 3%. As the cheaper projects are being sold out, the more expensive ones remain on the market. Besides this, new investments appearing on the market in some cases exceed, in terms of their price, the cheapest offers currently available quite significantly.

When analysing the said factors, it should be noticed that there is a large difference between May and April. The average price of flats offered by real estate developers in the biggest Polish cities rose by 1.7% compared to April. On the other hand, the average price of flats sold fell by 0.8% in the same sample. Taking into account the average offer price it is worth noting the rise in Gdańsk and Wrocław (change in each was +3.2%), practically unchanged situation in Kraków (-0.1%) and Poznań (-0.2%) and a clear fall in the Katowice Agglomeration (-0.9%). Significant changes relate to the cities with vast land subject to expansion, e.g. Chełm in Gdańsk or Krzyki and Fabryczna in Wrocław. In the case of changes in the price of flats sold compared to April, the biggest discrepancy was recorded in Poznań (-2.9%) and in the Silesian Agglomeration (+2.8%). In the case on Poznań such a rise is a consequence of new offer that is adjusted to clients' expectations but is much worse-represented than in other cities (e.g. Warsaw, Gdańsk, Kraków). Buying flats at a higher price than in April by clients was observed in Katowice (+0.1%), Gdańsk (+0.1%), and Wrocław (+0.9%).

Thanks to the advantageous selling results in the past few months many development companies launched new projects, which contributed to a rise in supply on the market. Still, the projects that are appearing are also inexpensive and adjusted to customer expectations both in terms of the type of development, metric area and number of rooms in flats. However, more and more frequently, even within the economy segment, we can observe the appearance of a new type of projects meeting also other customer needs by providing greenery and a playground or caring about the cosiness of buildings. The average offer price has remained at a similar level, but investments that are currently launched are slightly more expensive if they are better located, i.e. they are closer to the city centre. Thus, the rise in price is a clear consequence of better conditions. Nonetheless, this does not result from an increase in the price of flats in projects offered to date. When the less expensive flats are sold out, and better-located, slightly more expensive units appear, the offer price of flats slightly rises. In the case of the price of flats sold, no drastic changes should be expected as still, when looking at the seven biggest agglomerations, the acceptable price level for clients slightly exceeds PLN 6,700 per sqm.

A few words about SALES OF FLATS IN CHOSEN CITIES

At the end of April 2011 the residential offer in Warsaw comprised about 16,500 flats. The biggest number of flats was available in Wola (2,100 flats), Mokotów (2,000 flats) and Białołęka (1,850 flats). The fewest dwellings were for sale in Saska Kępa, Praga Północ and Rembertów. A year earlier we could see a similar situation: Wola, Mokotów and Białołęka also offered the biggest number of flats and represented the highest share in the city's residential offer. In April 2011 about 950 flats net were sold in Warsaw; this turnover is 13% higher than the one registered last year when 840 dwellings were sold. Among the most popular Warsaw districts we can name Wola, Mokotów and Wilanów where the biggest number of transactions was recorded in this year's April. A growing number of prospective buyers purchases flats in districts more distant from the city centre, such as Bielany, Targówek, or Bemowo, which is confirmed by higher sale bars

compared to last year. However, clients seem to be much less interested in districts like Ursus and Praga Południe. As long as in the case of Ursus the fall in popularity results mainly from fewer flats on offer, Praga Południe faces a clear decline in interest in this area – the reason cannot be a lack of flats as they are in plenty.

Nearly 6,600 flats were recorded in the offer on the Kraków market, which makes up 25% more than in April 2010. The most popular districts as for the sale of flats were Dębniki, Prądnik Biały, Prądnik Czerwony and Bronowice. These areas are characterised by a high share in the total offer of flats in the city. Such districts as Wzgórze Krzesławskie, Nowa Huta and Bieńczyce were the least popular ones. Compared to last year, the tendency of low interest in the above mentioned districts has been maintained. The reason behind this is not the price, which is clearly lower than in other districts, but the location itself (the reason for low location attractiveness in the case of each district is different).

April 2011 on the Wrocław market was closed with nearly 160 investments offering nearly 6,400 flats in total. Last year the number of flats reached 4,000 – such a situation confirms development companies' interest in the Wrocław market. Traditionally, the biggest number of flats was available in Krzyki and the district located in the south-eastern part of Wrocław – Fabryczna. Also, in these districts the highest number of flats were sold, but in Fabryczna this year's sales show a rise of 119% compared to last year's April. A rise in supply and sales was also seen in Stare Miasto. In this district we could observe a number of investments better-adjusted to customer requirements. Here it is worth mentioning the unchangeably low level of sales in Psie Pole compared to the area of the district (constituting a third of the area of Wrocław). At present Wrocław is the third city, behind Warsaw and Kraków, where development companies invest so intensively. With the current low level of price, high share of flats from the economy segment and wide offer of dwellings, we can expect that the ongoing rate of sale will remain. It is forecast that next month the residential offer will increase, as a lot of development companies in Kraków and Wrocław are planning to start new investments or continue with new phases.

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.

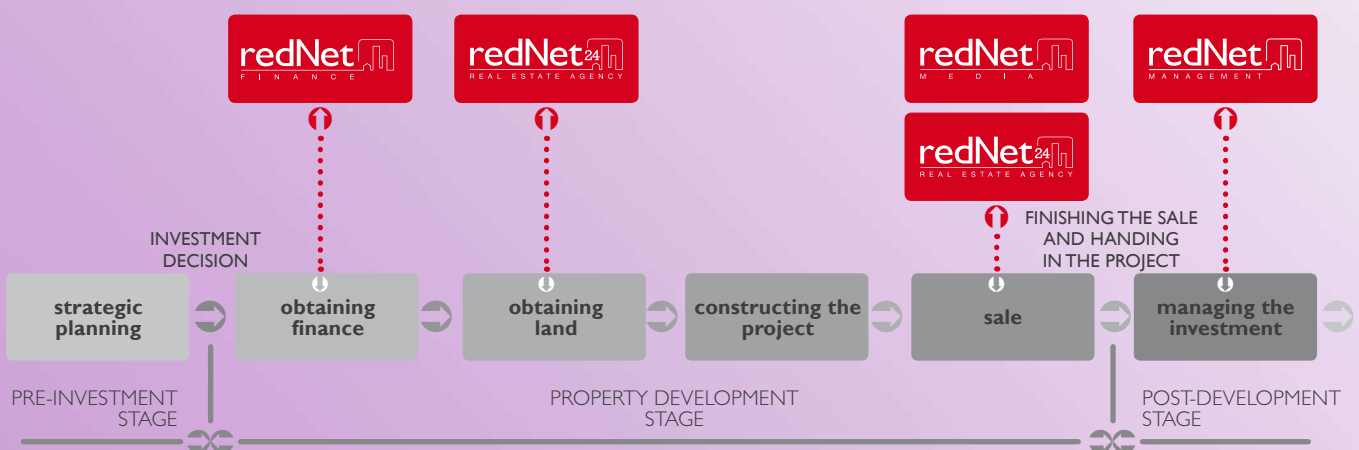
Cooperation with architects

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		