



Poland's residential market

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

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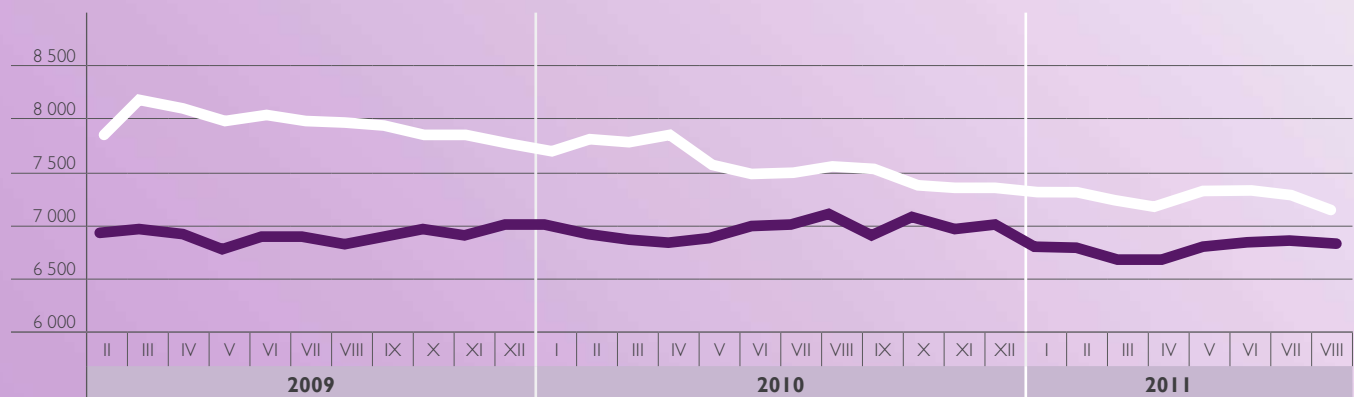
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Residential Market – AUGUST 2011

The end of August and beginning of September is a crucial moment for many people. A lot of youngsters see this time as the end of summer holidays, others as a period of increased activity on the market, also on the residential market. Frantic searching and preparation for buying start at that time. In August we have been able to observe a huge range of real-estate developers' offers to choose from, so the number of people interested in the offer is going to grow week by week from now on. Lowering the price on the occasion of the holiday period and adding various bonuses are the means used by real-estate developers in the last few weeks in order to sell their flats. With such high supply of flats and limited, although not the lowest, demand, flats which stand out thanks to their competitive price are being sold. The second month of the holidays has also brought some changes. The limits of prices of flats which qualified for the programme "Rodzina na Swoim" have been reduced. Finding a flat that qualifies for obtaining the credit for the purchase of own dwelling with the subsidy provided by the programme is to be much more difficult. The said programme has also been made available for single people and limited to the group of people under 35. A very important aspect was also the end of July and beginning of August when the substantial rise in the exchange rate of Swiss frank took place, which in turn triggered off holding the process

of granting credits in this currency by banks. For example such credits were held by Alior Bank, mBank and MultiBank. However, one cannot wait to get the words out that taking a credit with this exchange rate would be pure business.

The average price of flats on offer in the seven main Polish cities at the end of August 2011 reached PLN 7,087 per sqm, and was 0.7% lower than the price recorded at the end of July 2011. The trend of falling offer price is still present. Real-estate developers have been launching mainly cheap projects from the economy segment on the market; a lot of old investments, which are also more expensive, are largely sold out. Moreover, new investments are frequently located in areas which were poorly developed in terms of the residential market in the past – the land bought there was cheap then. Developers are much safer when marketing a project characterised by not very excessive price. At the same time, the average rate of the price of flats sold is still strong, and since February it has been at about PLN 6,700 – 6,750 per sqm. Therefore, the offer price has been falling and clients have been buying only slightly less expensive flats which have been at a relatively the same level since about half a year. We can see that the price scissors are narrowing between the two indices of the offer price of flats and the price of flats sold.



AVERAGE PRICE OF FLAT IN SEVEN MAIN CITIES
SOURCE: redNet Consulting on the basis of tabelaofer.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 AUGUST 2011

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	5,148	5,186	0.7%
Kraków	7,128	6,658	-6.6%
Łódź	5,269	5,118	-2.9%
Poznań	6,441	6,078	-5.6%
Gdańsk	6,160	5,351	-13.1%
Warsaw	8,156	7,799	-4.4%
Wrocław	6,665	6,251	-6.2%
Warsaw agglomeration	7,703	7,417	-3.7%
Try-City agglomeration	6,180	5,371	-13.1%
Silesian agglomeration	4,884	4,715	-3.5%
Average for the 7 main cities	7,087	6,733	-5.0%

city	Offer price of flats	Price of flats sold	Change in the offer price of flats August/July	Change in the price of flats sold August/July
Katowice	5,148	5,186	0.0%	-0.6%
Kraków	7,128	6,658	0.8%	0.8%
Łódź	5,269	5,118	-0.5%	0.0%
Poznań	6,441	6,078	-0.2%	0.4%
Gdańsk	6,160	5,351	1.3%	-0.9%
Warsaw	8,156	7,799	-0.8%	-0.5%
Wrocław	6,665	6,251	-0.9%	0.2%
Warsaw agglomeration	7,703	7,417	-1.1%	-0.6%
Try-City agglomeration	6,180	5,371	0.8%	-0.6%
Silesian agglomeration	4,884	4,715	0.0%	0.4%
Average for the 7 main cities	7,087	6,733	-0.7%	-0.3%

SOURCE: redNet Consulting on the basis of tabelaofert.pl

In August the difference between the average offer price and the average price of flats sold changed a little. At present it is 5.1%. The price of flats sold has been falling more slowly than the supply of flats that is subject to various transformations. Real-estate developers met buyers' expectations thanks to offering flats in the economy segment (C) with a small number of bedrooms and small floorage. However, the changes in the residential offer related also to the price. It turned out that it was worth adjusting prices to buyers' prospective situation, since thanks to doing so, even if the supply is high, the market is still liquid. The discrepancy between the two price indices, namely the offer price and price of flats sold, is currently single-digit. An exception is again Gdańsk where the strong supply of cheap offers and low liquidity of the more expensive investments lead to such a gap. Particularly, considering that the offer price of flats in Gdańsk in some investments does not always exceed PLN 4,000 gross per sqm.

The indices under analysis are not much different from one another when we compare August and July. The average price of flats offered by real estate developers in the biggest Polish cities fell by 0.7% compared to July. The rate reflecting the average price of flats was 0.3% lower in August than in July. In the case of individual cities, the changes were not extremely significant. The average offer changed most strongly in Gdańsk (+1.3%), Wrocław (-0.9%) and Cracow (+0.8%). It was Cracow where the biggest increase was observed. In Warsaw we can still observe a visible fall in the offer price of flats – along with the development of city's infrastructure, more and more areas located outside the city centre are becoming attractive for residential real estate development. The offer price there is not very high. No drastic changes in the price of flats sold were recorded – compared to July the discrepancy varies from (-0.9%) in Gdańsk to (+0.8%) in Cracow. Flats were purchased at a higher price than in July in Cracow (+0.8%), Poznań (+0.4%), Wrocław (+0.2%) and in the Silesian Agglomeration (+0.4%).

The real estate market in Poland is still characterised by high supply of new flats and demand at a high level, too. All in terms of floorage, functionality of flats, and their prices, the stands of both prospective buyers and real-estate developers are very similar to each other. At present the discrepancy between the offer price index and the price of flats sold index is exactly 0.5%, taking into account the seven most important residential markets in Poland.

A few words about FLATS “STARTING AT DIGIT THREE”

This year we have been observing a phenomenon that was not known yet in 2010 considering the most important residential markets in Poland. Here, we are referring to the situation where offers which price starts with digit three, so not reaching PLN 4,000 gross per sqm – the level which already seems to be not excessive – are more and more frequently appearing on the market. The fact that a lot of new projects in the economy segment (C) appeared on the market (comprising offers in less convenient locations, and from subsequent phases of known investments) resulted in the situation where real estate developers can offer a small but very inexpensive pool of flats.

Pursuant to data presented above, in the area of six out of seven main residential markets in Poland at the end of this year's August it was possible to find offers of flats at a price starting with digit “3”. Only in Wrocław it was not possible to find such an offer. More interestingly, the cheapest offer of flats in Warsaw was lower than the cheapest offer in Katowice, although the latter is a much less developed market characterised by low liquidity, strong secondary market and much lower offer price of flats and price of flats sold. Of course the least expensive offers refer to investments in the economy segment (C), as well as to next phases of known investments where developers can

City	Price from [PLN/sqm]
Warsaw	3 930
Cracow	3 950
Wrocław	4 204
Gdańsk	3 058
Poznań	3 584
Łódź	3 900
Katowice	3 999

THE CHEAPEST OFFERS OF FLATS IN INDIVIDUAL CITIES AT THE END OF AUGUST 2011

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

easily lower the costs of construction; with low purchase price of land (bought a few or a dozen or so years ago), they are able to offer some of less attractive residential premises which are frequently large units at such a low price per square metre. Can we expect breaking next barriers? When looking at the price in Gdańsk (PLN 3,058 per sqm), it can be assumed that a cut in price of a few dozen Polish zlotys is possible.

The outcome of inexpensive or even very cheap offers can result in strengthening the market, just like the above-presented situation shows. When the supply of flats on the market is high, the condition of demand will be the decisive factor. Despite macroeconomic fluctuations, real estate developers can attract a group of clients who have not been able by now to purchase a flat from their own means or with mortgage credit (due to low creditworthiness). Opening the market also for this new group of people, very often young without a lot of savings, will lead to widening the range of people interested in buying a flat, in other words prospective clients, and in this way will strengthen the market. Simultaneously, it should not be expected that such inexpensive offers will dominate the market in the nearest future.

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.

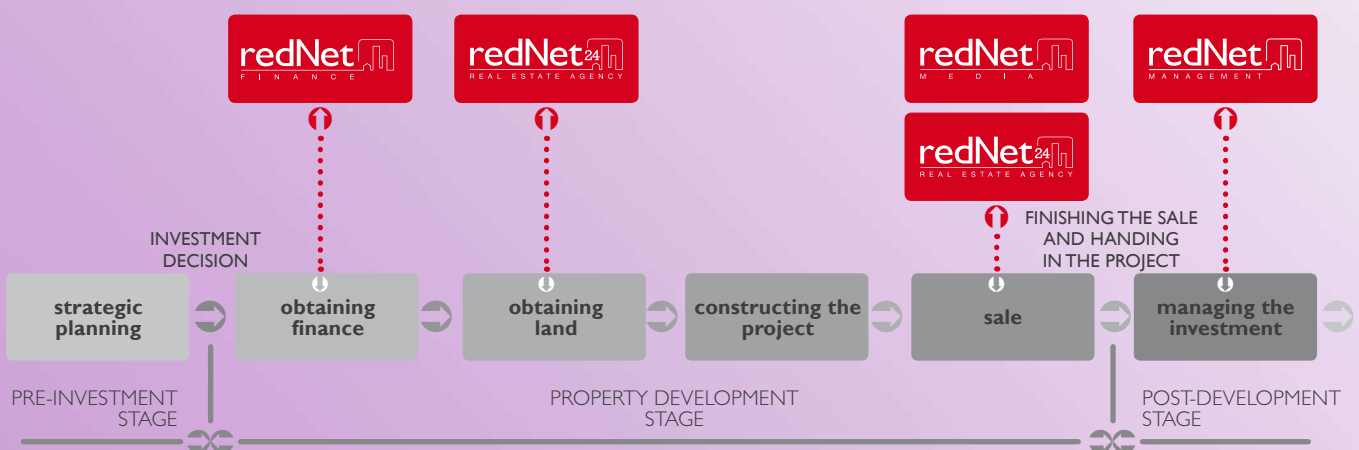
Cooperation with architects

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		