



Poland's residential market

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

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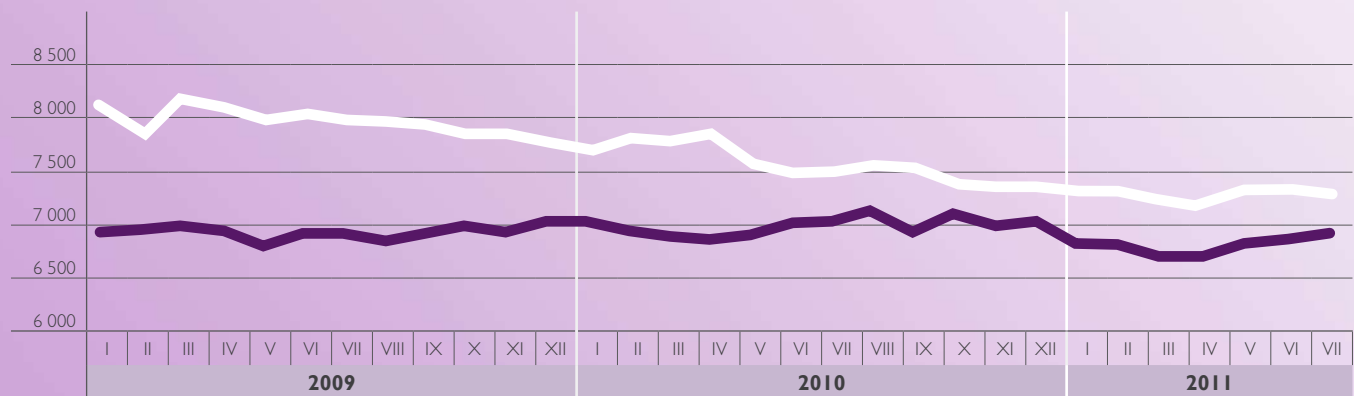
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Residential Market – JULY 2011

In the halfway point of summer holidays, we usually observe a very interesting relation. It is usually the case that the residential market during summer holidays is completely average. At the same time one of the months stands out in the positive way, the other not so much. No one knows what it depends on, but there are years when high sales are recorded in July and there are those when front runner is August. This year's July sales were very optimistic – being very high, they indicated how strong the market has been recently. Moreover, thanks to the wide (record-high) offer and very good condition of demand, this should not necessarily exclude good turnover in August. We are witnessing the new market image, the image that has not been seen yet, characterised by high liquidity of sales – just like during the bull market – accompanied by rationally calculated, sometimes even attractive, prices – just like during the difficult times on the real estate market in Poland.

The average price of flats on offer in the seven main Polish cities at the end of July 2011 reached PLN 7,139 per sq m and was 0.3% lower than the price of flats recorded at the end of June 2011. We are still observing a fall in this rate which has been registered since the year 2009. Unchangeably, the decline is a consequence of one and the same factor, namely launching more and more inexpensive flats from the economy segment (middle-end flats). Much rarer are the offers of overpriced flats constructed in the period of the bull market which earlier inflated the average price. Simultaneously, the average price of flats sold is stable and it has been at about PLN 6,700 – 6,750 per sq m since February. This can prove that a stable price level has been reached which is accepted by clients as fundamental and reflecting the real value of flats. Naturally, this can also be taking place because a properly priced product is on offer. Nonetheless the market is still searching for level which will be closest to the balance point. Relatively high turnover only proves this 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

SITUATION IN THE RESIDENTIAL MARKET JULY 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	5,217	1.3%
Kraków	7,074	6,605	-6.6%
Łódź	5,293	5,117	-3.3%
Poznań	6,454	6,056	-6.2%
Gdańsk	6,078	5,401	-11.1%
Warsaw	8,223	7,838	-4.7%
Wrocław	6,728	6,241	-7.2%
Warsaw agglomeration	7,792	7,464	-4.2%
Try-City agglomeration	6,129	5,402	-11.9%
Silesian agglomeration	4,884	4,697	-3.8%
Average for the 7 main cities	7,139	6,750	-5.4%

city	Offer price of flats	Price of flats sold	Change in the offer price of flats July/June	Change in the price of flats sold July/June
Katowice	5,148	5,217	-0.4%	-0.6%
Kraków	7,074	6,605	0.0%	-1.9%
Łódź	5,293	5,117	0.7%	-1.0%
Poznań	6,454	6,056	-0.6%	-1.9%
Gdańsk	6,078	5,401	-1.8%	-1.4%
Warsaw	8,223	7,838	-1.1%	-0.8%
Wrocław	6,728	6,241	-2.2%	1.6%
Warsaw agglomeration	7,792	7,464	-0.4%	0.7%
Try-City agglomeration	6,129	5,402	1.4%	-0.1%
Silesian agglomeration	4,884	4,697	0.8%	-0.9%
Average for the 7 main cities	7,139	6,750	-0.3%	0.0%

SOURCE: redNet Consulting on the basis of tabelaofert.pl

In July a noticeable difference between the average offer price and the average price of flats sold was maintained. Currently it is 5.4%. The advanced level of work in investments under realisation in the economy segment (C) which were started in the second half of 2010 facilitates the situation where this standard of flats is chosen by clients. Besides this, these are flats adjusted to clients' expectations in terms of their floorage and number of bedrooms. The majority of clients provides finance for the purchase with a mortgage, hence they choose cheaper flats than the average offer market price. The discrepancy between these two indices, namely the offer price of flats and the price of flats sold, are single-digit. An exception to this is observed in Gdańsk where strong supply of inexpensive flats and unwillingness of buyers to purchase costly dwellings in prestigious locations result in a difference of about 11% between the offer price and the price of flats sold. At the same time, due to quite high demand, also investments located closer to the centre and offered at a higher prices than projects launched a few months ago are starting to appear on the market.

All in all, July and June were not much different from each other in terms of the analysed rates. The average price of flats on offer by real-estate developers in the biggest Polish cities fell by 0.3% compared to June, but the rate of the average price of flats sold did not change. In the case of individual cities the changes were large, although not as big as in the case of some previous months. The average offer price changed most in Wrocław (-2.2%) and Gdańsk (-1.8%). The biggest rise was recorded in Łódź (0.7%). A fall in the offer price was recorded in Warsaw where in Białołęka, among others, the share of inexpensive offer was high and for example in Mokotów or Śródmieście a high rate of sale of expensive flats was observed. A rise in the offer price was recorded in places where still the cheap latest offer was sold (Gdańsk, Wrocław). No large changes were observed in terms of the price of flats sold – compared to May the difference varies from -1.9% in Poznań and Kraków to +1.6% in Wrocław. Flats are purchased at a higher price than in June in Wrocław (+1.6%) and in the Warsaw agglomeration (+0.7%).

The Polish residential real estate market is currently going through a period of noticeable revival. With good adjustment of supply, demand and clients' purchase capacity, real-estate developers keep positive selling results. Naturally, during the summer months it should be traditionally taken into account that clients' activity will be lower. Currently, the average price of flats sold has become stable in the seven main agglomerations at about PLN 6,700 to 6,750 per sq m. The fall in this rate from PLN 7,000 per sq m recorded in the last two years results from a huge inflow of cheap flats which are better adjusted to buyers' needs and expectations. Despite a high number of planned projects in the economy segment (C), the price of flats should remain on a level close to the present one.

A few words about DISTRICTS

The Warsaw residential market is subject to constant transformation. As a result of the expansion of road, commercial and educational infrastructure, some areas are becoming more attractive to real-estate developers than they use to be. This is the case especially when this process is accompanied by adequate availability of land allotted to multi-family construction. We have examined five districts which were the most popular in terms of supply in this year's June and we have checked what their share was in supply of flats in each period.

As the table presented above shows, Białołęka with over 14% share in Warsaw supply is the market leader. Starting a lot of new projects in this region in the last few months is connected with both generally advantageous situation on the market and the improvement in the road infrastructure, especially the

nearly-finished construction of Most Północny (the Northern Bridge over the Vistula). This will result in Białołęka, known for its cheap offer of flats, coming back to the leading position in terms of supply in Warsaw. Located very close to the city centre, Wola has also got a very strong position on the market. It can be said that this is an area of great importance in respect of long-term changes. In the last two periods the market share of Wola was nearly 12.5%. This is still an area with great perspectives due to the possibility of developing former industrial land. Very well perceived, prestigious and well located Mokotów is also among the leaders, even despite higher offer prices than in the majority of Warsaw districts. Currently, its market share is 11.9% in Warsaw supply. Together with the market sell-out of a vast part of its offer, the significance of Wilanów has been falling (now its market share is only 10.1%). A lack of a large number of investments planned in the next few months lets us assume that in a middle-term perspective this will be a district with a falling market share. An interesting example is Praga Południe, the district placed second in the list located in the right-bank Warsaw. Due to its convenient communications connection with the city centre and the planned section of the second underground line, it is an area very well perceived by real-estate developers and clients.

Worth noticing is the fact that three left-bank districts and two right-bank districts are on the list. Three of the said districts: Mokotów, Wola and Praga Południe are districts located close to Śródmieście (the city centre) with convenient access to this district. On the other hand, Wilanów and Białołęka are districts located further – their attractiveness largely depends on the development of road, commercial and educational infrastructure. In a long run investments realised there in the form of constructing new roads, shopping centres or kindergartens will positively influence the development of the real-estate development market in these areas.

District	June 2011	1st Q 2011	3rd Q 2010	1st Q 2010	3rd Q 2009
Białołęka	14.1%	11.2%	10.8%	11.3%	15.1%
Wola	12.3%	12.4%	15.3%	9.7%	8.0%
Mokotów	11.9%	12.6%	12.7%	13.6%	9.1%
Wilanów	10.1%	11.3%	12.4%	15.4%	14.3%
Praga Południe	7.2%	8.1%	7.7%	6.4%	4.7%
Average	11.1%	11.1%	11.8%	11.3%	10.2%

SHARE OF BIAŁOŁĘKA, WOLA, MOKOTÓW, WILANÓW AND PRAGA POŁUDNIE IN THE OFFER AT THE END OF EACH PERIOD IN WARSAW, TOGETHER WITH THE AVERAGE SHARE IN THE OFFER (AVERAGE);

SOURCE: redNet Consulting

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.

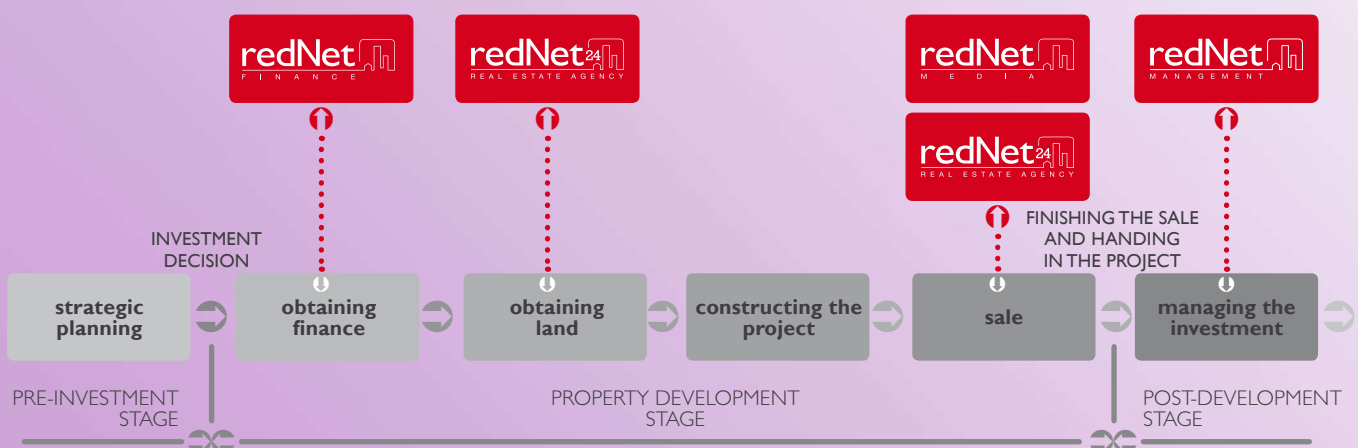
Cooperation with architects

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		