

Polish residential market growing strongly



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Even with interest rates rising, the total volume of mortgage lending in Poland, at 9% of GDP, is still far behind the rest of Central Europe and so banks are eager to continue to give money to young, middle class borrowers.

In all cities demand continues to outstrip supply, and a shortage of both land with planning and construction resources is driving prices of new build flats higher, and will continue to do so.

Warsaw

Warsaw is clearly the most expensive city in Poland, where new apartment prices in the city centre range from 13,500 PLN (3,550 EUR) per sqm to even as high as 34,000 PLN (9,000 EUR) in luxury city centre towers.

The prices of older, secondary market flats in the centre are from 7,500 PLN (1,975 EUR) per sqm to 11,000 PLN (2,900 EUR) per sqm. In the outer districts such as Targówek, Ursus, Rembertów and Wawer new flats are less expensive and average price of new apartments are from 5,800 PLN (1,500 EUR) per sqm to 7,950 PLN (2,100 EUR) per sqm.

2006 saw great price gains as the average price in the capital city exceeded the level of 8,200 PLN (2,150 EUR) per sqm. Residential prices in Warsaw grew 48% last year, while the price of new flats jumped 65%. Prices have slowed somewhat this year, but with demand still outstripping supply, we estimate that by the end of 2007 the average price will reach 10,000 PLN (2,630 EUR) per sqm.

In Warsaw new apartments are sold long before completion, and in many cases before the start of construction. In the whole year 2006 approximately 13,700 apartments were newly built, and about 19,000 flats will be delivered in 2007.

We still observe over demand in every market segment. The most demanded are 2- or 3-room apartments with the space between 55 – 80 sqm. The most important group of buyers are people between 25 and 40 years of age. The clients prefer to buy flats in Mokotów, Bemowo, Ursynów, Wilanów, Wola, Bielany.

Warsaw rent market is diverse, beside popular, low standard apartments there is a big interest in elegant apartments, which are usually used by corporate

customers – companies, which rent them for their employees. The most popular districts among lessees are: City Centre, Mokotów and Ursynów, and as far as prestige is concerned, undoubtedly Wilanów.

Residential rents remain stable. Typical monthly rent for 2-room flat, 50-60 sqm in the city center ranges from 2,000 – 4,200 PLN (530 – 1,100 EUR). However on the market of exclusive apartments was observed 5-10% rent increase. Prices for such apartments have reached about 8,000 PLN (2,100 EUR). Yearly yield for exclusive apartments in the city center ranges from 4 to 6 %.

Kraków

In Krakow the average price of new apartment is currently approximately 8,290 PLN (2,180 EUR) per sqm. For the city centre average residential prices begins at 9,500 PLN (2,500 EUR) per sqm and reaches the price level of 16,160 PLN (4,250 EUR) per sqm to 20,150 PLN (5,300 EUR) per sqm, and in case of exceptionally attractive or luxury premises situated in the Main Market Square 24,700 PLN (6,500 EUR) per sqm. Last year prices of newly finished apartments increased on average by 89%, while this year we see about a 30% rise.

Supply of all newly built apartments is still unable to satisfy tremendous demand. In 2006, 3,988 apartments were newly built, and 100 % were sold. We see over 5,000 new flats built in Krakow in 2007.

Almost all new apartments are sold during their development. Most easy to sell are 50 – 60 sqm, in very good locations, not necessarily in the city centre, but with good transport services such as in Bronowice, Krowdrza. Buildings in unique locations, e.g. by the river, in direct neighbourhood to recreational areas or with fantastic view become more and more popular.

Rents have been stable over the last 12 months, and because of growth of apartment rates, yields slipped from over 5 % to 4.3 %. Good city centre flats rent for over 3,800 PLN (1,000 EUR), while the typical two-room modern suburban flats (the most popular rental type) rents for 570 PLN (150 EUR) to 1,520 PLN (400 EUR).

Poznań

Poznań is currently one of the fastest developing residential markets in Poland. Residential prices grew 20% in 2006 to an average of 4,800 PLN (1,260 EUR) – 11,000 PLN (2,890 EUR) per sqm, and new flat prices grew 60% to an average of 5,800 PLN (1,530 EUR) – 15,000 PLN (3,950 EUR) per sqm. In the suburbs prices of new flats grew 40% to 3,500 PLN (920 EUR) – 4,800 (1,260 EUR) per sqm. The segment of luxury apartments in prestigious locations grows dynamically. Prices of the best apartments reach 15,000 PLN (3,950 EUR) per sqm.

In 2006 over 2,000 apartments were completed in Poznań, and in 2007 we expect 3,500 to be finished. The largest supply of apartments in Poznań is in the suburbs, not too far away from the cite centre. There are very few plots in the centre.

Average rent of 3-room apartment in the centre of 70 sqm, is between 2,500 PLN (660 EUR) – 4,500 PLN (1,180 EUR). Yields in the city centre are estimated at an average of 6%.

Wrocław

Average prices last year grew 76% to 6,300 PLN (1,660 EUR) per sqm. High prices are obtained in the southern districts of Wrocław – Ołtaszyn, Partynice, Wojszyce, Krzyki, Borek and Dworek. But the highest prices, as in any big city, are in the centre, where the prices are between approximately 8,000 PLN (2,100 EUR) per sqm to 15,500 PLN (4,080 EUR) per sqm for the top class apartments in exceptional locations.

Number of newly built apartments in 2006 was 2,567, 55% more than the year before. We expect over 3,000 units per year will be built in 2007, and more each year thereafter.

Demand is fuelled by easier credit and new job creation. Most demand is for two or three room flats. Growing rental demand comes from employees coming to Wrocław, and the rent levels are now very close to the rents in Krakow. Yields are 6%. The highest rents are achieved by luxury apartments in the Old Town. Average rents in the centre begin at approximately 3,420 PLN (900 EUR) and reach the level of 6,650 PLN (1,750 EUR), and for apartments in the most prestigious districts, finished in a very high standard - up to 7,600 PLN (2,000 EUR). Rents outside the city centre are 760 PLN (200 EUR) for one-room apartment up to 2,470 PLN (650 EUR) for four-room apartments in new or renovated good standard buildings. As in the other cities, small 1 or 2-room apartments are the most popular ones.

Gdańsk

Last year saw 45% growth in prices, and today in Gdańsk new apartments cost 4,700 PLN (1,240 EUR) per sqm to 9,100 PLN (2,395 EUR) per sqm. On the secondary market the prices are 3,700 PLN (970 EUR) per sqm to 9,000 PLN (2,370 EUR) per sqm. The highest prices are obtained in Jelitkowo, Brzeźno, Wrzeszcz and Śródmieście with the Old Town (inner city and old town) districts, where they reach the values from 6,000 PLN (1,580 EUR) per sqm to 11,000 PLN (2,900 EUR) per sqm.

In nearby Lower Sopot prices are twice as high as in Gdańsk that is from 8,000 PLN (2,100 EUR) per sqm up to even 18,000 PLN (4,740 EUR) per sqm. In the remaining districts of Sopot prices of apartments reach from 6,800 PLN (1,790 EUR) per sqm, up to 11,000 PLN (2,900 EUR) per sqm.

In Gdynia the third city in the "Tricity" area the prices are on a similar level as in Gdańsk. The most expensive parts of Gdynia are Kamienna Góra and Orłowo Morskie, where 6,800 PLN (1,790 EUR) per sqm up to even 12,000 PLN (3,160 EUR) per sqm must be paid.

In 2006, in Gdańsk, Gdynia and Sopot 4,986 new apartments were built, but supply has been hindered by the lack of local spatial development plans for numerous locations in particular in Gdynia and Sopot. Even in Gdańsk still only 46% of the city has a master plan. In Gdynia and Sopot only 10% of the city has planning.

The strongest demand is for two- and three-room apartments of average space 50 - 60 sqm, with highest demand in Wrzeszcz, Śródmieście, Zaspą and Przymorze district.

Yields in the city centre are estimated at an average of 6%. High standard apartment in the city centre rents for approx. 3,000 - 4,000 PLN (790 - 1052 EUR), while the typical new two-room suburban flat rents for 800 - 1,300 PLN (210 - 342 EUR).

Katowice

Residential prices grew 15% in 2006 to 2,900 PLN (760 EUR) per sqm, while the price of new flats grew 30% to 4,200 PLN (1,100 EUR) per sqm. Katowice, can be characterized by quite significant gap between prices on primary and secondary market. In 2007 further price growth is expected as the supply-demand gap is going to be wider.

Only 440 new flats were built in Katowice in 2006 but we expect about 5 % growth in 2007. There is not much to buy and good offers are sold within few days. As the supply is very weak, there is huge potential for new developments in Katowice. The main factors which limit new investment are lack of master plan and limited supply of plots with developed infrastructure.

Łódź

Residential prices in Łódź jumped 45% to about 3,000 PLN (790 EUR) per sqm, while the price of new flats jumped 60% in 2006 to 4,500 PLN (1,180 EUR) per sqm, and have now passed 5,500 PLN. We believe price will grow another 20% by the end of 2007. Rental yields on newly built apartments are 7 %. Rents are stable.

In 2006 in Łódź, 521 of new flats were delivered, and it is estimated that about 600 to 700 will be delivered in 2007.

New projects of note include U Scheiblera, 420 loft apartments created from a historical factory building by Opal Property Developments at Tymienieckiego Street. Stage I of the investment enjoyed tremendous interest and was sold in a short period of time. The last apartments from the stage I reached the price close to 8,000 PLN (2,100 EUR) per sqm. Currently next stage of investment is in preparation, in which approximately 200 apartments are planned.