

# MARKET COMMENTARY

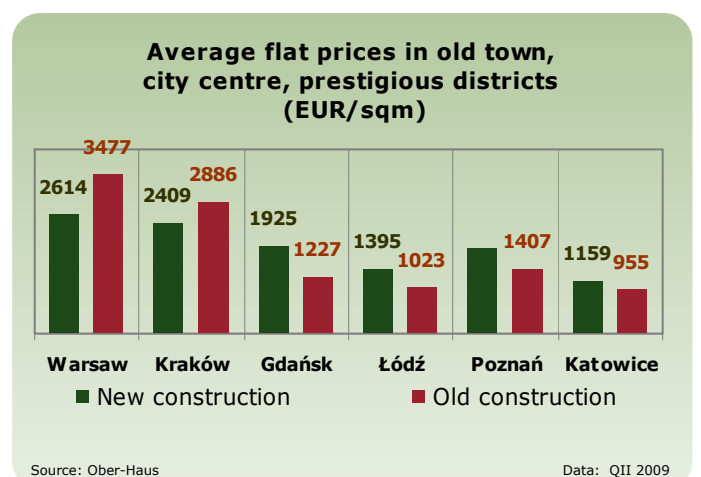
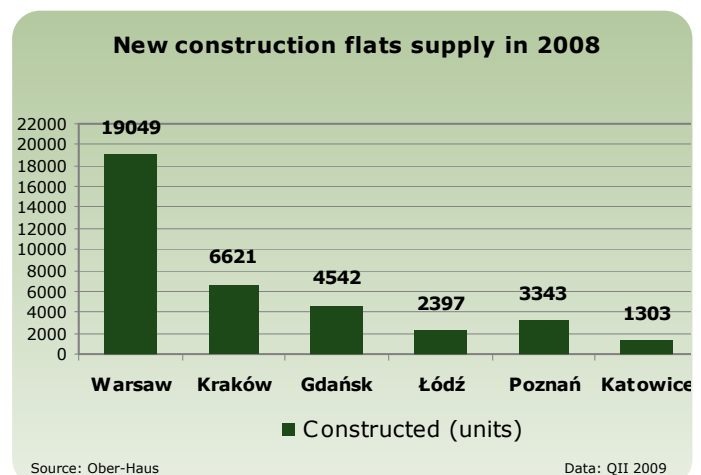
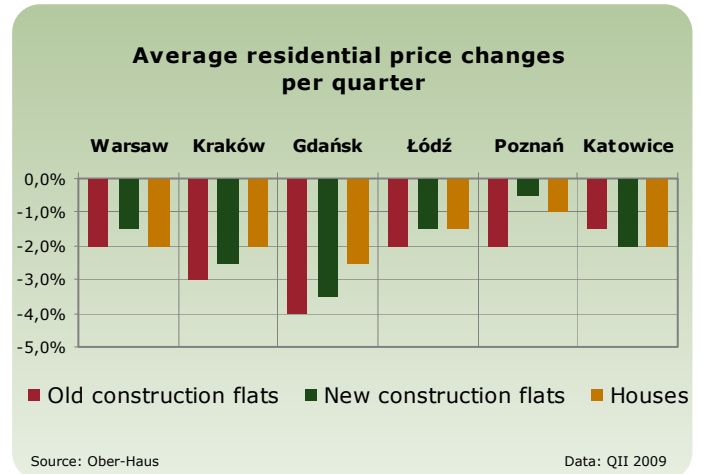
The second quarter of 2009 brought minor, but still a calmness on the residential market. In the first part of the analyzed period a traditional spring vivification was observed. Anyway not related with price increases it is better to say about downsizing the scale of decline to average 2 % during Q2 in the pointed cities: Warsaw, Kraków, Poznań, Gdańsk, Łódź and Katowice.

The average prices declines on the level of 2 % in the major Polish cities are a symptom of some stabilization. Anyway it is hard to predict what will happen after the vacation period, and there is no guarantee that another bigger correction will not come true especially on the primary market. On the secondary market we observed less transactions but it was caused by owners' postponing the sale decisions.

Both on secondary and primary market, the most sought for are flats of two or three rooms, but no more expensive than PLN 450,000 – 500,000 (EUR 102,270-113,640) in Warsaw, PLN 300,000 (EUR 68,180) in Kraków, Gdańsk, Poznań and PLN 250,000 (EUR 56,820) in Łódź and Katowice. Those apartments are in good locations, well communicated with the city centre. However the most attractive ones located in the city centre particularly in the Old Town of i.e. Kraków, Gdańsk are also of the still interest and keep value the best.

On the residential rental market the most sought for are two and three room flats in good location and price from PLN 1,800 to 2,500 (EUR 410-570) per month in Warsaw and up to PLN 2,000 (EUR 455) in Kraków. In Warsaw for the most exacting clients luxury apartments or exceptional residences are rent most often in the price up to EUR 3,000. A little less rent are reached for similar real estates in Kraków, Gdańsk and Poznań but one has to remember a scale of such transactions is minor.

The number of new units built in 2008 reached a record, with Warsaw as undoubted leader – above 19,000 units. The other pointed cities in majority not exceeded 5,000, only Kraków was wealthier by 6,621 new units. The year 2009 will reach close number or even better than the year before. However global tendency of postponing the investment for better times will cause plunge in new units supply in 2010. In a 2-3 years time it may lead to a situation when demand will be over the shorter and shorter supply again.

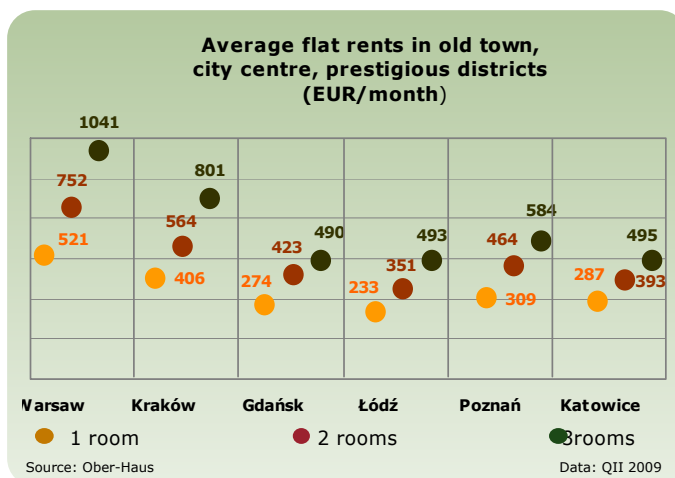
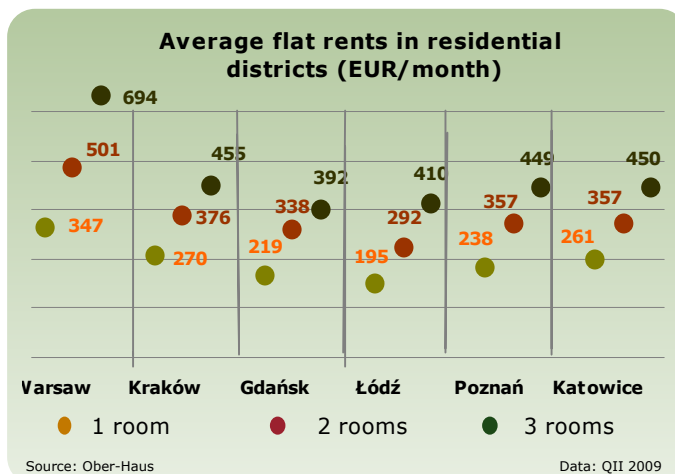
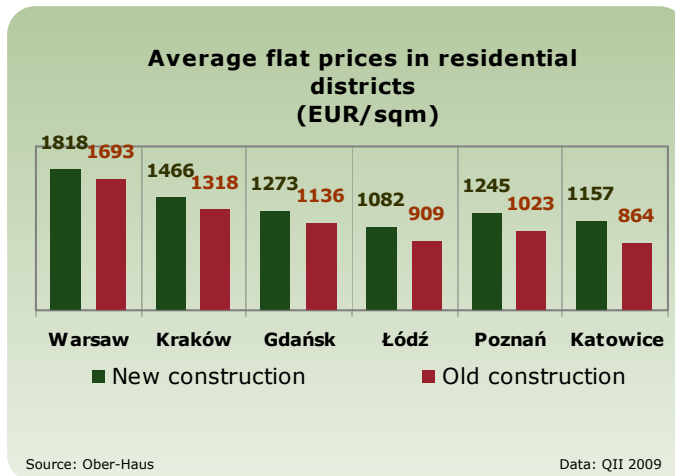


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Regarding the apartments of the higher standard, that are completed or close to the end of construction, clients are expecting considerable discounts and usually they obtain ca. 10 %. After the period of waiting there are more clients willing to buy a flat, which is connected with developers' acceptance of price negotiations and other concessions.

Banks also decided to moderate their policies regarding granting the mortgage loans and more often are willing to give 100 % of the property value. Still there is hard to obtain bank financing for purchase a very high priced real estates. The banks prefer so called safe mortgage loans, and in particular those with partial interest refund as in governmental program "Rodzina na swoim" ("The family on its own" - meaning flat or house). This program is succeeding more and more and it has got it made in all mentioned cities. That is why the most popular and having good sale progress are investments fulfilling the guidelines of the program so simply the cheapest, or those of higher standard but already completed or with a very short several months date of completion. The market is more mature now and the majority of clients are buying the properties that construction has been finished and they are let to visit and examine it precisely. The exemptions are the cheapest investments for which the clients are willing to wait about 1,5 year under the condition that they obtain refund from the government. Appearing of the program and the aggravating situation especially on the primary real estate market will force often meaning price slides by developers exactly to the level meeting the standards of "Rodzina na swoim".

In the analyzed cities the limits of the program stated in PLN, in Q2 2009 were as follows: Warsaw - 7,257, Poznań - 7,224, Łódź - 5,601, Kraków - 5,340, Gdańsk - 5,234 and Katowice - 5,133. Each following month was record braking. In April 2,288 preferential loans of the value of PLN 396 million were granted and as early as in June it was 3,107 of the value of PLN 555 million (respectively EUR 90 and over 126 million).



If you wish to receive any additional information about development of the real estate market in Poland, Latvia, Estonia and Lithuania; or you would like to order a special report on the part of the market relevant to you or the market of the project in progress, please contact Ober-Haus Real Estate Advisor market analysts:

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