



Residential Market Report

February 2009

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REAL ESTATE ADVISORS

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WARSAW

In February we observed slight increase of interest on the residential market. Clients were looking for occasions to make an attractive purchase. Despite the actual economic situation we collected quite a lot inquiries about flats and apartments. However we can see also that potential buyers still prefer to wait for prices to fall down more.

Prices on the primary market rather dropped. Depending on when the investment started and how high was the level of prices. Certainly all developers needed to correct their prices. However the earlier investment began and the land plot was purchased, the bigger is now the spread for prices correction. In Tarchomin or Bemowo clients can find properties for 6,000-7,000 PLN/m². Some of them who decide to buy have the chance to get the state surcharge in the frame of the program "Family on their own", as the main requirement in the program is the maximum price 7,100 PLN/m².

Many developers encourage clients to buy by offering special loan offers – i.e. "Loan support program" prepared especially for their investments. Dom Development for example offers flats for 500 PLN monthly. Low installments are interesting however clients have to take into consideration long repayment period and the potential risk of losing the flat in the future. In this difficult economic situation we encourage potential buyers to make preliminary agreements with developers in the form of notarial deed because in the case of developer's bankruptcy an ordinary agreement is not important.

The secondary market completes the primary market. The decline of clients confidence towards developers cause growth of interest in flats and apartments on the secondary market. Prices are slightly higher than developer's offers, but apartments are finished and ready to move in so the investment is safe. The only problem are finances. We encourage clients to not to resign of services of the advisory companies who collect and compare all banks offers on the market. It is worthy to take a loan in CHF or EUR at the moment, because rating is high. Financial advisors advise not to change loans currency now because it is not the right moment –the installment in Polish Zloty would be even much higher now. For those who have disposable financial resources it is the right time to invest in so called "always in demand" residential properties, which are 2-3 rooms apartments, 50-60m², in good locations and good finishing standard.

Apartments rentals don't fluctuate in winter months so much. Final prices are usually slightly lower then the offered price proposal and the average time of renting is not longer then 1 year. Very rarely tenants declare longer periods. Business rentals for foreign as well as local companies employees last very often much shorter. The variety of apartments to rent is still wide which is the result of the big amount of 'buy-to-let' investments made in previous years.

Interest in buying houses and land plots is small, despite experts encourage private investors to build houses especially in this year, because prices of building services dropped down slightly. Clients who want to build can pay much less than last year. It is worthy to find an attractive place for a family house, especially in green suburbs and start works.

APARTMENTS (PLN/sqm)

	1 room		2 rooms		3 rooms		4 rooms plus	
	from	to	from	to	from	to	from	to
Warsaw City Centre								
New apartments	8 500	20 000	8 500	25 000	8 500	25 000	8 000	25 000
Apartments built before 1989	7 000	20 000	8 500	25 000	8 500	25 000	8 500	25 000
Warsaw outside City Centre								
New apartments	6 500	17 000	6 500	15 000	6 500	15 000	6 500	15 000
Apartments built before 1989	6 500	15 000	7 000	12 000	7 000	12 000	7 000	15 000

DETACHED HOUSES (PLN/sqm)

	new		renewed		for renovation	
	from	to	from	to	from	to
Warsaw	5 000	15 000	4 000	12 000	4 000	9 000

RENTINGS (PLN/month)

	1 room		2 rooms		3 rooms		4 rooms		houses	
	from	to	from	to	from	to	from	to	from	to
Warsaw	1 200	2 500	2 000	4 000	2 500	10 000	3 500	12 000	6 000	30 000

Prices in PLN, 1 EUR= 4,60 PLN

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CRACOW

Crisis caused that developers started to offer apartments for lower prices. Besides price reductions, some of them came up also with other solutions. The aim is to sell so they try to facilitate clients the purchase. One of the Cracow's developers offers for example an alternative to mortgage loan, which is sale on deferred payments up to 10 years with 40% capital contribution. Clients can move in and live in the apartments however they become owners after they pay all installments, the total sum. One have to remember that even tough such solution can be helpful, it is an monthly payments obligation very similar to mortgage loan installments.

Another interesting solution for potential buyers is the government program "Family on their own". The project is directed to the chosen group of people who want to buy apartments or flats on the primary market according to very specific criteria. The criteria are defined: the maximum price may be 4,979.80 PLN/m2 and the maximum apartment size - 75m2. Only married couples or people who raise minimum one child alone and fill other basic criteria can apply for these governments funds. Ober-Haus agency sells apartments in one of such new developments (www.malinowe.pl) which is part of this government program.

Most of clients inquiries refer to the primary market offers, therefore owners of apartments on the secondary market who want to sell them, try to make their offer more attractive through price cuts and communicating the obvious advantage which is the fact that their flats are ready to move in.

Land plots and houses market in Cracow is in stagnation. Purchase of a house usually means high mortgage loan obligation so in the existing situation people prefer to wait. The only inquires refer to very exclusive and expensive residences in the suburbs. Their buyers take the advantage of the current situation and buy them

for a good prices, paying from their own funds usually. Such attractive, well located houses one can find not only in the south part of Cracow – Mogilany, Gaj, Libertów, but also in the west – Zabierzów or in the north – Korzkiew.

When it goes to rental apartments and flats, the criteria of attractiveness are still the same: location, high standard of finishing and equipment, parking place or garage and of course the price. The most wanted are apartments for students and people who wants to start a career in Cracow. Such flats must be very good located, close to high schools and universities (the city center, Krowodrza, Bronowice, Ruczaj). Businessman and managers are looking for apartments in similar locations but in higher standard. Then the most popular are 50m2 flats with living room and bedroom. Expats are the other group of clients. Till now they have been looking for the highest standard apartments and houses. However the current economic situation has affected this group of clients significantly. It is easy to notice considerable budgets restrictions for these purposes what in effect has reduced the demand for top quality rental apartments.

APARTMENTS (PLN/sqm)

	1 room		2 rooms		3 rooms		4 rooms plus	
	from	to	from	to	from	to	from	to
Cracow City Centre								
New apartments	10 000	18 520	9 780	18 000	12 000	20 900	10 950	20 950
Apartments built before 1989	7 000	21 500	7 000	22 750	5 963	22 220	6 900	22 180
Cracow outside City Centre								
New apartments	4 850	17 000	4 900	16 900	5 500	17 500	4 700	18 000
Apartments built before 1989	3 900	15 000	4 900	20 000	4 060	18 700	4 000	20 500

DETACHED HOUSES (PLN/sqm)

	new		renewed		for renovation	
	from	to	from	from	to	from
Cracow	3 000	19 000	3000	20 000	2900	13 500

RENTINGS (PLN/month)

	1 room		2 rooms		3 rooms		4 rooms		houses	
	from	to	from	to	from	from	to	from	to	from
Cracow	850	3200	1000	5200	1500	8500	2100	12 500	3000	22 000

Prices in PLN, 1 EUR= 4,60 PLN

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GDAŃSK-GDYNIA-SOPOT

After some activity on the real estate market in January, we observe slight fall down of sale. Despite regular prices reduction developers still have problems with selling their apartments. The biggest reductions in prices are offered in case of finished investments, where apartments are ready and not sold on time. In one of such projects realized in Gdańsk Wrzeszcz developer offers last apartments for the price below 5,00PLN/m2. When he started the sale of this project, the cheapest apartment was over 7,000PLN/m2.

There are many developers in similar situation in Tricity. Some of them put on hold next stages of investments and stop construction works. For example one of the developers in Gdynia started selling his project for the price of 7,900 PLN/m². At the moment he still has many not sold apartments despite the price reduction to 6,200 PLN/m² and put on hold construction works of next buildings of the planned residential complex. There are also examples of popular Tricity developers who just stopped to build. Despite attractive prices they cannot find buyers. Problems with getting bank loans on investments or even cases of rejection of earlier given loans caused that many developers didn't continue working on buildings.

Of course one of the main problems with sale slowing down are client's difficulties in getting bank loans. The stagnation in bank loans area caused problems for financial advisory companies. Some of them start to close down their branch offices (at least in Tricity). The reductions of prices made by developers influence reductions of prices on the secondary market as well. It is not a significant effect but clear one. The owners of flats and apartments prefer very often to wait for better times on the real estate market instead of reducing the price by 20-25%. Unfortunately the developers just can't do the same.

Rental prices are on the same steady level. Interest is low what is normal for this season of the year.

APARTMENTS (PLN/sqm)

	1 room		2 rooms		3 rooms		4 rooms plus	
	from	to	from	to	from	to	from	to
Gdańsk City Centre								
New apartments	6200	9000	6300	10000	6100	9500	5900	8700
Apartments built before 1989	4100	6400	4800	6400	4400	6200	4000	5700
Gdańsk outside City Centre								
New apartments	4900	6500	5200	6600	5000	6600	4500	6000
Apartments built before 1989	4000	5100	4100	5600	3900	5800	3800	5500

DETACHED HOUSES (PLN/sqm)

	new		renewed		for renovation	
	from	to	from	from	to	from
Tricity	4200	6800	4000	6500	3200	4500

RENTINGS (PLN/month)

	1 room		2 rooms		3 rooms		4 rooms		houses	
	from	to	from	to	from	from	to	from	to	from
Tricity	800	1200	850	1500	1100	1800	1500	4500	2500	8 000

Prices in PLN, 1 EUR= 4,60 PLN

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POZNAŃ

February is the first month for a long time, when we noticed slight growth in clients interest on the real estate market. Price cuts in previous months caused investors inflow onto the Poznań market. People can see good occasions right now to invest. Properties have been always considered as a safe investment. The current situation

is especially good for potential buyers. They can buy now 10-15% cheaper than couple of months ago. Some of them decided to withdraw their money from other, less safe forms of investments and now are willing to buy properties for cash, which is very good for owners, who can finalize transactions fast. For people who bought apartments 2-3 years ago and need to sell, now is the right moment, even despite latest price cuts.

On the secondary market there are more and more offers of apartments in new buildings, in attractive locations. Their owners sell them now with high profits, after many years of renting. The most popular are flats up to 60m². Prices of such flats dropped a few percents only. About 8-10% dropped prices of flats in old brick buildings. The most significant prices decrease (even up to 20%) affected flats in older buildings from 60th-80th in Piątkowo, Winogrady and Rataje districts.

Prices fall down also on the secondary market. Developers offer various kinds of promotions starting from simple price cuts up to interior designers and architects services or bathrooms and kitchens finishing. Thanks to these price corrections we can see some activity on the real estate market in Poznań, which will bring in the future new rental offers onto the market.

Due to the strict bank regulations on the mortgage loans many people are forced to rent instead of buying. The most popular are 2-rooms flats, in new buildings, good locations with prices between 1,700-2,300 PLN. Outside the city center in older building rents are cheaper, about 1,500 PLN. In demand are also 1 room flats which cost about 900-1,400 PLN.

Prices of land plots and houses dropped down a little bit, however it didn't affect clients interest much. The most wanted are properties in good locations with a good access to the city center.

APARTMENTS (PLN/sqm)

	1 room		2 rooms		3 rooms		4 rooms plus	
	from	to	from	to	from	to	from	to
Poznań City Centre								
New apartments	6 230	12 000	4500	11000	4200	12000	6500	14 000
Apartments built before 1989	4000	7 300	3000	8300	3190	9300	4 200	10 000
Poznań outside City Centre								
New apartments	6 100	11 000	4500	10 000	4000	10 000	4500	13000
Apartments built before 1989	3800	6900	2500	7700	3200	7 000	3900	9 000

DETACHED HOUSES (PLN/sqm)

	new		renewed		for renovation	
	from	to	from	from	to	from
Poznań	2600	8300	2400	7800	1900	4500

RENTINGS (PLN/month)

	1 room		2 rooms		3 rooms		4 rooms		houses	
	from	to	from	to	from	from	to	from	to	from
Poznań	800	1 600	1 200	3 000	1700	5000	2500	12000	3 500	8 000

Prices in PLN, 1 EUR= 4,60 PLN

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KATOWICE

February didn't bring changes on the real estate market. Prices didn't slow down so much as some analytics forecasted.

On the primary market in Silesia there are not so many new and big investments which could satisfy the needs of potential clients. The biggest investment is Dębowe Tarasy with 500 apartments which are a half of the whole four stages project. It's worthy to mention also projects of Activ Investment, Atal, Murapol or Bryksy. However these projects are also not enough to match the local demand. Variety of prices from 4,700 to over 7,000 are quite satisfactory for clients. Prices depend of course on localization and project standard. Price negotiations are an ordinary procedure at the moment as well. However of course developers can't sell below their costs. So anyway we can't expect many new investments in the nearest future. Clients expectations for radical prices decrease cause stagnation and are not good for the market. It is difficult to say, if this situation may be changed due to weak Polish Zloty rate. For the time being we don't see new foreign investors. The majority of them has made investments on real estate market in previous years. Those who have bought properties based on the rule 10/90 and now have to pay the second tranche, are not in a bad situation if it is a long-term investment for them. This group of investors is not so big in Katowice as in other cities.

Clients who decide to buy now, can win, because the current residential market offer is really interesting. Buying apartments or flats is always a good investment, no matter if we one buy for living or rental purposes.

APARTMENTS (PLN/sqm)

	1 room		2 rooms		3 rooms		4 rooms plus	
	from	to	from	to	from	to	from	to
Katowice City Centre								
New apartments	6 500	7 000	6 300	8 300	6 100	8 400	6 400	8 100
Apartments built before 1989	5 100	6 150	4 150	5 150	4 150	5 150	4 200	5 250
Katowice outside City Centre								
New apartments	5 600	7 500	5 400	7 400	4 800	7 400	5 300	6 350
Apartments built before 1989	3 600	4 100	3 100	4 100	3 000	4 100	2 900	4 100

DETACHED HOUSES (PLN/sqm)

	new		renewed		for renovation	
	from	to	from	from	to	from
Katowice	3 300	5 000	4 600	8 100	3 000	4 000

RENTINGS (PLN/month)

	1 room		2 rooms		3 rooms		4 rooms		houses	
	from	to	from	to	from	from	to	from	to	
Katowice	900	1 300	1 000	1 800	1 200	2 500	1 550	3 600	2 500	10 500

Prices in PLN, 1 EUR= 4,60 PLN

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ŁÓDŹ

February wasn't a good month for developers who expected a some growth of sale after the significant price reductions they made. Prices on the primary market in Łódź dropped down however clients didn't really intend to buy yet. There is no interest of foreign investors neither. Most probably the situation will change in the nearest future because prices are reduced very much and it is really very suitable moment for clients who are decided to buy an apartment.

On the secondary market prices dropped as well however not so much as on the primary market. Most inquiries of clients refer to the 2-3 rooms flats, 50-65m² outside the city center. Here the prices are: 3,500-4,800PLN/m² depending on finishing standard. Despite lower prices, sale is still on the low level. Daily media information about economical crisis cause uncertainty in people's minds and many of them prefer to put on hold their investment decisions.

Łódź is one of few Polish cities where the industry still develops and there is no fear about the future. There is for example the Cosmetics Factory OLAY of Procter & Gamble under construction in Aleksandrów Łódzki. New companies, such as this one, will offer new workplaces in Łódź in the nearest future. Fast development of the region guarantees new investors inflow. The coming prosperity of the region will improve also the situation on the real estate market.

When it goes to renting apartments, unfortunately less and less companies rent for their employees. However still employees on contracts looking for apartments prefer to use services of real estate agencies. It guarantees them the best choice of apartment and secure contract. Prices range between 1,800 – 3,000 PLN. The most popular and in demand are flats in new developments, in the city center, furnished and full equipped.

The demand for houses is rather weak. People who intend to sell their houses now can't expect good sale prices. The preferences of clients in a good financial situation are mainly houses with small land plots between 120-150m². Very popular is Górna district, where the new shopping mall "Port Łódź" with IKEA will be constructed in the nearest future.

APARTMENTS (PLN/sqm)

	1 room		2 rooms		3 rooms		4 rooms plus	
	from	to	from	to	from	to	from	to
Łódź City Centre								
New apartments	4600	8000	4300	10000	4900	9000	4900	10000
Apartments built before 1989	3200	7000	3500	6000	3600	6000	4000	7000
Łódź outside City Centre								
New apartments	4500	5900	4500	5800	4500	6000	4500	8300
Apartments built before 1989	3500	5000	3500	6000	3600	6000	3800	5800

DETACHED HOUSES (PLN/sqm)

	new		renewed		for renovation	
	from	to	from	from	to	from
Łódź	4100	10000	3000	6000	2400	3500

RENTINGS (PLN/month)

	1 room		2 rooms		3 rooms		4 rooms		houses	
	from	to	from	to	from	from	to	from	to	from
Łódź	450	1400	650	2500	1000	4000	2000	5000	2500	10000

Prices in PLN, 1 EUR= 4,60 PLN

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