



# Residential Market Report

May 2009

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## WARSAW

The real estate market currently is in the phase of supply predomination over demand, even though there are clients looking for apartments in real estate agencies. It is the most right definition of actual situation – this client is only looking, looking for a properties in attractive locations and in good prices.

In fact, currently the proportion of supply to demand favors such expectations. However one should take into account the fact that properties prices will not fall down to infinity. The phase of prices decrease has probably reached culmination. It's difficult to expect that developers will sell their apartments below the construction's costs. One cannot expect either that investors who bought apartments in the time of residential boom, will sell them now below the cost of purchase. Prices were much higher than nowadays, especially prices of projects located in attractive locations. There is a moment when further reductions have no real argument. It's a time to make a decision and buy now because it can happen that there will be not too many good offers to choose from in the future. Buying an apartment is always a good investment for the future while the prices decrease tendency on the market always ends sometime.

Developers are very cautious in making new investments. Many of them even put their investments on hold. For the key market players the most important is to survive so many of decide to cut costs and dismiss part of their employees. They don't plan further prices reductions because the current prices are already on the edge of profitability and enable them to survive. We advise therefore our clients to decide fast and buy now because after the stock of existing apartments decreases, prices will grow again according to the market rules.

The strict bank loan's policy is still an obstacle. However we can observe slowly but gradual positive tendency in banks to widen the access to loans. First of all many banks decided to give loans for 100% of the property value again (some of them offer even above that limit, for example Pekao S.A., PKO BP and Deutsche Bank offer 105-110%). One have to remember that in the beginning of this year it was impossible. All banks announced on that time that they will give loans only for max. 65-80% of the property value. It is still difficult to get bank loans in EUR and CHF, however nowadays, in the less stabile economic situation many clients prefer to have bank commitments in PLN.

We expect that all these changes will improve the situation on the real estate market and especially the sale and purchase transactions will grow in the nearest future. In the meantime sale is still on lower level then it was expected. It is lower also in comparison to the spring season from previous years, which was usually characterized by the sale growth on the real estate market.

Rental market is on the steady level if it goes to the number of transactions, however the clear tendency of price reductions appears. Even in the most attractive locations. The most popular are apartments on average price level about 2000 PLN. Houses and land plots market is in the stagnation phase. Decision about buying a house means too high costs and too long period of the loan repayment. So clients don't decide so easily. Many clients offer for sale their land plots, bought one or two years ago, because currently they can't afford building a house. Also for them it is not so easy to find a buyer.

### APARTMENTS (PLN/sqm)

	1 room		2 rooms		3 rooms		4 rooms plus	
	from	to	from	to	from	to	from	to
<b>Warsaw City Centre</b>								
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
<b>Warsaw outside City Centre</b>								
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
<b>Warsaw</b>	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
<b>Warsaw</b>	1 000	2 300	1 800	4 000	2 200	10 000	3 000	12 000	5 000	30 000

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## CRACOW

In May real estate market in Cracow was more active than in previous months of the year. We could observe significant increase of client's interest on the market. Taking into consideration the facts that in previous months clients were waiting for price reductions plus the offer of already built apartments was and is still very reach on the market, clients are currently much more determined to buy finally. They are ready to pay cash more often as well.

In Cracow developers are currently more focused on selling the existing projects or projects which are in the last phase of construction, than on starting new investments. We expect that the number of apartments built in this year will be almost on the same level as it was in the last year (about 165 000 apartments). So through the next several months clients will not have problems where to choose from. Due to the fact that developers resign of building new developments, one has to expect lower supply on the primary market.

Currently the most popular in the medium segment are apartments located in attractive locations with good communication like Krowdrza, Bronowice and apartments belonged to the popular segment located in far distance from the center and in good price that let to finance their purchase by state loan support program – like Ruczaj, Kurdwanów, Opatkowice.

Secondary market still waits for its 5 minutes. Perhaps it will fill the gap that can rise on the real estate market within 1,5-2 years as a result of withhold investments by developers. Consequently more and more clients buy apartments on the secondary market.

Such situation will improve the interest on both the primary and secondary market within next two years and cause finally a grow in the number of transactions in both segments. Current clients are mainly Polish people. Foreigners decide to buy occasionally and mainly due to the fact that their life partners are Polish. For clients who have their own financial means it's a good moment to make a purchase in attractive price. Clients who want to get financial support from banks, especially those clients who want to get credits for 80% of the property value, unfortunately will not feel the prices reductions due to high profit margins enforced by banks.

In May, there was no more increase of interest in the rental market comparing to February. Supply is still high thanks to apartments that were primarily meant for sale. Their owners who didn't get good sale price are forced to rent them.

However the tendency of renting apartments to expats is coming back - companies more often ask for apartments for their foreign employees. The most wanted are apartments located in the center of the city, in a good standard with parking place. Houses rentals was less popular than apartment rentals, what wasn't different from previous months, and price was not a decisive factor any more. People coming to the new place prefer living in an apartment in the centre of the city than in a house in villa suburbs.

Comparing to April there was no significant change on the house and land plots market in May. Still supply exceeds the demand.

#### APARTMENTS (PLN/sqm)

	1 room		2 rooms		3 rooms		4 rooms plus	
	from	to	from	to	from	to	from	to
<b>Cracow City Centre</b>								
New apartments	10 100	18 400	9 650	16 550	8 990	18 500	14 900	18 000
Apartments built before 1989	6 500	20 700	6 600	22 500	5 960	21 650	7 000	24 000
<b>Cracow outside City Centre</b>								
New apartments	3 230	16 900	4 850	15 500	3 400	15 550	4 500	14 900
Apartments built before 1989	4 050	12 700	4 050	16 100	3 800	14 400	3 900	12 650

#### DETACHED HOUSES (PLN/sqm)

	new		renewed		for renovation	
	from	to	from	from	to	from
<b>Cracow</b>	2 700	21 000	2590	20 500	2750	13 500

#### RENTINGS (PLN/month)

	1 room		2 rooms		3 rooms		4 rooms		houses	
	from	to	from	to	from	from	to	from	to	from
<b>Cracow</b>	700	3100	850	5500	1300	12000	1950	12 500	2850	21 000

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## GDAŃSK-GDYNIA-SOPOT

May is another month when situation is rather difficult on the residential market. The "Family on its own" program clearly made increase of interest on the market and number of transactions has grown comparing to the situation two months ago. However it still doesn't fill developers' sale expectations.

Developers still try to encourage potential clients to buy by offering price reductions, special offers, special promotions like "Offer of the week" and so on. All these marketing activities still don't make visible growth in sale. Clients clearly don't want to buy apartments which are in the initial phase of construction, fearing if the construction will be finally finished. Therefore the most popular are apartments in projects which are almost finished and final date is close.

Situation concerning residential bank loans is not improving and as a result financial advisory companies have big problems. These companies lose their clients each month and because of that some of them close their branch offices. We also notice very low interest of foreigners in apartments buying. These clients were a significant group of buyers on the market two years ago. Now they have practically disappeared. Inquiries from foreigners come very rarely. Moreover we notice that more and more foreign clients, who signed agreements with developers two years or one year ago, now try to recall them and take their money back.

Developers are still very careful with starting new investments. There are some new projects on the market in the preparation phase, but it's difficult to say when developers decide to put them on sale. One of the foreign developers is going to realize very interesting project on Wyspa Spichrzów consisting of 250 apartments and retail spaces. The developer started the pre-sale however without any advertising campaign. Therefore the interest of potential clients is very low. Moreover the developer didn't receive build permission yet so it will be really difficult for him to get serious client's interest in this project's phase.

It is worth to emphasize that price negotiations with developers have become a standard. Clients seriously interested in buying can easily get up to 10% price reduction. The most popular are apartments which fulfill the criteria of the "Family on its own" program in the respect of both aspects: space and price. More and more important are additional elements, like playgrounds, kindergarten, shops, etc. The secondary market is the much worse situation than the primary one. Private sellers are less flexible than developers and it's more difficult for clients to gain significant price reductions. It causes permanent declining in the number of transactions in this segment of the market. Interest of clients in buying apartments in older buildings from the 60's and 70's is dropping each month. Despite prices of such apartments are clearly lower than in new buildings, clients are not interested in buying. If transaction is made it means that client didn't find cheaper offer on the market and couldn't afford more expensive one.

There is no interest in houses – especially on the secondary market. Clients prefer buying houses located in Tricity suburbs, in new estates especially designed as one family houses. In such projects with modern, interesting and, what is the most important: nice architecture, clients buy houses more willingly. Although it's difficult to say about high demand in such projects.

There is slow increase of interest in properties located outside the Tricity. More and more wealthy clients are looking for interesting localizations in villages far from Tricity. It's not a common practice yet but we can notice such tendency. The distance from the Tricity, even to 70 km, is not an obstacle. However such offers have to meet really high expectations of potential clients. For example the land plot should have 3000-4000 m<sup>2</sup> and what is the most important should have a nice landscape. Ideally if it is located near a forest or a river or a lake and the area is wild. Additional advantage is an old building that can be changed for an extraordinary, rural residence. Therefore such offers located in Kaszuby reach high prices. Currently the minimum price is about 100 PLN per 1 m<sup>2</sup> but most often it is much more.

Rental market is still the same. Short term rentals have been already realized. It's not a full summer season but the long weekend in May already proved that there was a fairly high need for such offers. Owners of such apartments located in the best locations are booked for all vacation dates. There are free apartments located far from the centre or Old Town.

#### APARTMENTS (PLN/sqm)

	1 room		2 rooms		3 rooms		4 rooms plus	
	from	to	from	to	from	to	from	to
<b>Gdańsk City Centre</b>								
New apartments	5600	8700	5500	9800	5700	8600	5500	8000
Apartments built before 1989	4100	5700	4400	5600	4100	5200	3900	5500
<b>Gdańsk outside City Centre</b>								
New apartments	4300	6100	4800	6300	4600	6100	4000	5600
Apartments built before 1989	3800	4800	4000	5200	3900	5000	3800	4800

#### DETACHED HOUSES (PLN/sqm)

	new		renewed		for renovation	
	from	to	from	from	to	from
<b>Tricity</b>	3800	6200	3900	5500	2900	4100

#### RENTINGS (PLN/month)

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

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## POZNAŃ

In May the number of transactions shows finally growing tendency. We can observe positive indications on both the primary and secondary market.

One can notice clear growth of clients' interest in the new apartments segment built in attractive locations. We can see there foreign capital making use of the current situation on the currency market. Clear impulse to buy apartments appears when a developer reduces prices of a project by 15-18%. In this situation it is worthy to

buy an apartment as an investment, rent it and sell it after several years, hoping for increase of its value and revenue.

Situation on the real estate market clearly stabilizes and one can see many positive signs. Some of developers inform even about new investments plans. For the first time after many months, Frankonia Eurobau announced a start of new project. The company will build "Ludvika's Gardens" estate in the nearest are of Warta river. Construction of 139 apartments will start already this year.

On the secondary market the most popular are new apartments, not older than 10 years. Prices are slowly stabilized, reaching the same level as 1,5 year ago. More often the priority is not a location but the price. The majority of clients is waiting for good occasions and looking for cheaper apartments. There is no doubt that it's still the clients' market. Invariably the most popular in Poznań are Piątkowo, Winogrady and Rataje districts.

Growing activities on the residential market including clearance-sale of realized projects and apartments on the secondary market should stabilize prices. We should even expect small growth of prices in next months. Some developers hope to gain profits.

Situation on the bank loans market is still and obstacle for some group of clients. These clients are forced to rent a flat. The most popular are invariably 2-rooms apartments. For such a flat in a new building and in good location clients will pay between 1700-2300 PLN. For a flat far from the centre, in older building they will pay about 1500 PLN. Very popular are 1-room flats with rental price between 900-1400 PLN. Unfortunately, the demand for rental flats is slowly decreasing. Prices are still high.

We can observe slight movements on the houses and land plots market. Seasonal prices decrease of land plots were temporary. Now land plots in good locations are again expensive. Invariably the most popular are land plots far from the city centre max.15-20km away. The most popular are houses in the last phase of construction giving buyers the possibility to arrange the interior by themselves and not higher than 3000 PLN /m2.

#### APARTMENTS (PLN/sqm)

	1 room		2 rooms		3 rooms		4 rooms plus	
	from	to	from	to	from	to	from	to
<b>Poznań City Centre</b>								
New apartments	6100	10500	5900	10300	5700	10000	5500	9800
Apartments built before 1989	6800	7200	5300	7000	4800	6900	4500	8750
<b>Poznań outside City Centre</b>								
New apartments	4300	7200	4200	6500	4100	6700	4000	6900
Apartments built before 1989	3700	5600	3500	6500	3300	6300	3100	5700

#### DETACHED HOUSES (PLN/sqm)

	new		renewed		for renovation	
	from	to	from	from	to	from
<b>Poznań</b>	4500	5200	3000	6000	2500	3500

### RENTINGS (PLN/month)

	1 room		2 rooms		3 rooms		4 rooms		houses	
	from	to	from	to	from	from	to	from	to	from
<b>Poznań</b>	800	1 600	1 200	3 000	1800	5000	2500	5500	2500	10 000

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## ŁÓDŹ

Another Real Estate Fairs were held in Łódź on the 16-17th of May. There were less exhibitors than in September's edition last year, but the number of visitors was quite big – about 7000 people. Fairs are a great chance to get to know the various developers' offers in Łódź and the region. Financial advisors from Dom Kredytowy Notus advised clients on how to find a proper apartment which one can buy using financing from the program "The family on its own". Thanks to price reductions in previous months there were many developers which offers fulfilled the program's price criteria.

Comparing the May fairs to the fairs held in September 2008, one can say that the last ones were more modest but much more effective. In September 2008 finding an offer with the price below 5000 PLN/m<sup>2</sup> on the primary market was practically impossible, this time one could find offers for the price starting from 4 100/m<sup>2</sup>. Developers have considerably changed their prices. As a result of problems with new apartments sale we can see the restraint by developers from starting new investments. As GUS indicates, in the first quarter there were released 19% less build permissions. Despite the current situation on the real estate market in Łódź region there are companies which cope with crisis very well and are starting new investments just now. Such a company is for example SCI Baltis which starts construction works in Łódź at Świtezianki street (Barciński Park estate).

According to the Łódź town authorities there is a huge investment planned in Łódź connected with the reconstruction works of Łódź - Fabryczna railway terminal and revitalization of the historical power station EC1. This investment is called "The new centre of the Łódź" – it will be a kind of revolution for the city. In the future there will be museums, art galleries, cultural and science posts on the EC1 area. In the place of neglected terminal it is planned a new modern, underground terminal connected with network of underground streets. The author of the project of 90 ha EC1 and Łódź-Fabryczna Terminal reconstruction is experienced in revitalization of cities [Luxembourgian](#) architect Rob Krier.

We observe a slowdown on the commercial market in Łódź. Situation of the commercial owners, where most of space is empty, is very difficult. They encourage clients by offering good rental possibilities, which are especially interesting for companies who plan to locate their businesses in Łódź. However there are not many investors coming into Łódź. The major transactions are rather an migration effect of local companies. Current situation caused that construction works of Aurus Echo Investment have been put on hold and as well as the University Business Park development, realized by GTC has slowdown. Despite less positive information on commercial market, there is one good information – Cross Point –

office building arising in the building of old wear factory "Próchnik", realized by Mermaid Properties, plans to finish its revitalization in third quarter of 2009. All shows that revitalization will come to the end according to plan.

#### APARTMENTS (PLN/sqm)

	1 room		2 rooms		3 rooms		4 rooms plus	
	from	to	from	to	from	to	from	to
<b>Łódź City Centre</b>								
New apartments	4600	8000	4300	10000	4900	9000	4900	10000
Apartments built before 1989	3200	7000	3500	6000	3600	6000	4000	7000
<b>Łódź outside City Centre</b>								
New apartments	4500	5900	4500	5800	4500	6000	4500	8300
Apartments built before 1989	3500	5500	3500	6000	3600	6000	3800	5800

#### DETACHED HOUSES (PLN/sqm)

	new		renewed		for renovation	
	from	to	from	from	to	from
<b>Łódź</b>	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
<b>Łódź</b>	450	1400	650	2500	1000	3500	2000	5000	2500	10000

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