



Residential Market Report

March 2009

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WARSAW

In the first quarter of the year due to the high level of CHF rate and weak Polish Zloty banks have increased the rigor on loan regulations. Developers on the other hand have intensified their promotions what has influenced the sale growth on the primary market. However most transactions were finalized either in frames of the "Family on its own" program or in form of cash purchases.

The end of March brought positive information. Polish Zloty become more stable, banks changed a little bit their policy on bank loans and thanks to the KNF intervention stopped renegotiating the already given loan agreements. A bit earlier banks have tried to introduce some additional restrictions and increase their margin. Fortunately KNF and UOKiK have countered these proposals and didn't let bank use the market situation to improve their profits at clients' expense.

Developers have improved their sale indicators on the Polish stock exchange. One can see gradual growth of sale since the beginning of the year. So one can suspect that the worst time on the residential primary market is behind us. We can see significant change in the sales numbers in comparison to the 4th quarter of 2008, where there was absolute stagnation in this market segment. The positive trend should continue.

On the secondary market, there are offers which it is difficult to compete with, such as well located and well suited tenant houses in the city center – by Mokotowska, Flory, Foksal streets. However there are also many tenant houses which become their counterparts. These houses are under revitalization or waiting for revitalization and that is why they are usually offered on the primary market. One good example is the tenant house located at Flory 3 street. It is an exclusive project, directed to demanding clients.

The activity on the secondary market is pretty high as it is a very good moment to buy on this market segment now. There is a wide range of offers from older to pretty new but unfinished apartments in developer standard. It is easier to negotiate the price now as well, especially using as argument the price reductions made by developers on the primary market.

Some of the owners who bought apartments in developer standard and now can't sell them, decided to finish them in good standard and offer on the rental market. The variety of rental flats is wide. However there is still lack of 1-2 bedrooms apartments with garage, in new buildings, well located, for the price 2,000-2,500 PLN/monthly.

We expect to see some activity on the land plots segment soon. So far interest was low. Clients are looking for multi family houses in townships and suburbs, hoping, which is right, that their prices are much lower than in Warsaw. The difference in prices may be up to couple of thousands zlotys per m2. Therefore it is worth to buy 3 rooms flat in Pruszków, Piaseczno or Grodzisk Mazowiecki instead of 2 rooms apartment in Warsaw.

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

As in other cities, also in Cracow we can observe some activity on the residential market, higher number of client's inquiries. The higher interest in apartments on the primary market is a results of the new government program "Family on its own". Also for developers it is a new possibility to sell. What they just need to do, is to adjust their prices to the program's criteria. The price indicator for Cracow, which is currently on the level of max. 4,979.90 PLN/m², will be increased soon, which is also optimistic and should have positive impact on sale.

The current situation is very suitable for buyers. There is a big choice of offers in ready investments with prices good enough so many clients want to take the advantage and buy now. Also banks started to encourage clients to apply for loans, despite they didn't change much the strict rules and loans conditions. The fact that many investments are in the last phase of construction works or already finished is favorable for all: clients, banks and developers. More and more popular are locations outside the city centre (their attractiveness depends on price) like: Opatkowice, Kliny, Ruczaj. Krowdrza, Bronowice, Wola Justowska.

Secondary market is in the shadow of the primary market. Much less clients request for flats and apartments on the secondary market and owners very unwillingly talk about price discounts. The market situation forced further price corrections on both: demand and supply site. Some of the owners who wanted to sell their properties couple of months ago, resign now, because they can't get good price. Many of them decide to wait and rent their apartments. Locations like Krowdrza, Salwator and Wola Justowska are always very attractive for both segments rentals and sale.

In March we could see also higher activity on the rentals market, new clients looking for apartments in very good standard. Part of them are representatives of big corporations. However most of the wanted apartments are 1-2 rooms flats in good standard, new buildings, furnished and fully equipped, very well located in a places with good infrastructure and communication with the city centre. Some of the clients are ready to live far from the centre (however rather not in the suburbs). The most important for them is still comfortable access to the workplace and good finishing standard in a good price. One can find such apartments in the new buildings in Ruczaj district. Clients who prefer the centre of the city can find apartments in the Old Town preferably in new and renewed buildings – perfectly with parking places. Besides they can find good offers in Wola Justowska, Bronowice, Krowdrza and more and more popular Pogórze.

The offer of family houses is wide, many locations to choose, wide price range. However the interest in houses was relatively low in March. Despite very good conditions for sellers, prices are lower than in last year and transaction rates differ from the offered prices by 10-15 %.

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 | 18 690 | 9 450 | 17 010 | 8 990 | 20 000 | 15 320 | 18 000 |
| Apartments built before 1989 | 7 000 | 21 500 | 7 024 | 22 750 | 5 960 | 21 750 | 7 000 | 24 100 |
| Cracow outside City Centre | | | | | | | | |
| New apartments | 3 230 | 17 000 | 4 900 | 15 480 | 3 440 | 15 550 | 4 530 | 15 060 |
| Apartments built before 1989 | 3 900 | 12 900 | 4 100 | 16 100 | 3 850 | 14 700 | 4 000 | 13 500 |

DETACHED HOUSES (PLN/sqm)

| | new | | renewed | | for renovation | |
|---------------|-------|--------|---------|--------|----------------|--------|
| | from | to | from | from | to | from |
| Cracow | 2 630 | 21 000 | 2620 | 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 | 700 | 3200 | 850 | 5000 | 1500 | 12000 | 2100 | 12 500 | 3000 | 21 000 |

Prices in PLN, 1 EUR= 4,60 PLN

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GDAŃSK-GDYNIA-SOPOT

In Tricity we still can observe very low interest in apartments for sale what is caused by the still perceptible economic crisis situation. Developers lowered the prices to attract potentials clients to buy and benefit from the governmental program "Family on its own". This government program has really encourage many developers to reduce their prices. However there is lack of information about the program on the market. People get lost in the big amount of complicated

requirements and regulations so the realization of the program proceed really slowly.

Developers encourage clients to buy by offering special loans in cooperation with banks. On their internet pages one can find basic information as well as particular offers included in the program. Some of the developers offer temporary price reductions, for example 25-30 % for 3 or 4 months to increase sale, fulfill bank obligations and make impression that their project is being sold.

One can observe also different approach of some developers. Some of them, for example Eurostyl company, started to sell projects in the last phase of construction works or even after construction works are finished not before how it was till now. Eurostyl developer constructs also additional infrastructure: shops, kindergarten, tennis court and green areas in the project "Nowy Horyzont". This is a new approach when it goes to residential projects directed to not the upper but middle class clients. Till now only exclusive and expensive projects were equipped with that kind of wide variety of infrastructure.

Houses sale stays still on a very low level, especially on the secondary market. The same situation keeps on the rentals market. Rental prices stay on the same level.

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 | 5800 | 9000 | 6000 | 10000 | 6100 | 8600 | 5700 | 8300 |
| Apartments built before 1989 | 4100 | 5900 | 4600 | 5800 | 4400 | 5600 | 4000 | 5600 |
| Gdańsk outside City Centre | | | | | | | | |
| New apartments | 4700 | 6500 | 5200 | 6500 | 5000 | 6300 | 4500 | 5900 |
| Apartments built before 1989 | 4000 | 4800 | 4100 | 5300 | 3900 | 5200 | 3800 | 5000 |

DETACHED HOUSES (PLN/sqm)

| | new | | renewed | | for renovation | |
|----------------|------|------|---------|------|----------------|------|
| | from | to | from | from | to | from |
| Tricity | 4200 | 6400 | 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

The number of transactions has increased on the real estate market in Poznań. We can observe symptoms of improvements on both the primary and the secondary market.

Pretty big growth has been noticed in the segment of new apartments in attractive locations. Foreign investors try to take advantage of the current situation on the currency market. The significant impulse to buy appears at the moment when developers decrease prices by 15-18 %. Then it is worth to buy an apartment as an investment for rental purposes or to resell it later, counting on price increase and good earning.

Apartments and flats included in the "Family on its own" program are on big interest by clients in Poznań, as the maximum price in the program for Poznań is 6,350 PLN/m² and the program gives a possibility to deduct major amount of loan interests through the period of 8 years.

Within the next 6 months it should be clear how many from the planned new projects will be build and how many developers will decide to start new investments. It will affect the situation on the Poznań real estate market.

On the secondary market popular are rather new flats and apartments, not older then 10 years. The priority for buyers is price, not a location as it was before. Clients are looking for good occasions - apartments with discounted prices. There is no doubt that it is still a client's market. It happens sometimes even that flats with really low price are sold on auction and clients have to bid to buy it. The most attractive are invariably Piatkowo, Winogrady and Rataje districts.

However the difficult situation with bank loans is still forcing many clients to rent instead of buying. The most popular are 2 rooms flats. The rental price for such a 2 rooms flat, in new building, good location is between 1,700-2,300 PLN. In older buildings and, less attractive locations one has to pay 1,500 PLN. 1 room flat is also popular and its rental price is between 900-1,400 PLN. Slowly the demand for rental flats is decreasing as prices are still kept on the too high level.

We didn't observe any growth of interest in houses and land plots. However spring should as usually bring some changes in this sector. The most attractive will be land plots located 15-20 km away from the city centre. Clients are very often interested in houses which are in the last phase of construction works, because it gives them possibility to arrange the inside of the house by themselves for a average price 3,000 PLN/m².

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 | 6100 | 10500 | 5900 | 10300 | 5700 | 10000 | 5500 | 9800 |
| Apartments built before 1989 | 6800 | 7200 | 5300 | 7000 | 4800 | 6900 | 4500 | 8750 |
| Poznań outside City Centre | | | | | | | | |
| 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 |
| Poznań | 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 |
| Poznań | 800 | 1 600 | 1 200 | 3 000 | 1800 | 5000 | 2500 | 5500 | 2500 | 10 000 |

Prices in PLN, 1 EUR= 4,60 PLN

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KATOWICE

The migration tendency from the city centers can be observed in big Polish cities since many years. Katowice joined the group of such cities relatively late. There are some reasons of that situation, mainly it is a trend caused by many interesting residential projects which appeared on the market. Logota, Zarzecze, Brynów or Piotrowice districts are places where not only young couples with children want to live, but also people who are tired of living in the centre of the city.

Communication and transportation between such places and the city centre becomes each year better and better. So the distance 10-12 km is not a problem any more and it is easier for people to decide and move to a new place. Additional advantage is also the price. In many cases one can buy a house outside the city center for the same price as an apartment in the city. Some of the developers offer projects for a very good so clients can buy them using the government financing from the "Family on its own" program. Katowice region is one of the richest regions in Poland and people with good financial situation who live here very often decide to buy a house or a land plot in the suburbs.

One can't forget that Silesia region does not mean only Katowice. Silesia is strongly urbanized area with many towns which expand and create a kind of specific and unique structure. Inhabitants of the towns located in the close neighborhood of Katowice decide very often to live in Katowice district's such as Zarzecze or Piotrowice because, in their own towns there is lack of residential projects which could satisfy their needs. Development of these districts means not only new apartments and houses, but also infrastructure development like kindergartens, schools, shops, etc. It doesn't mean that centers of cities will be depopulated. In the current situation it is easier for investor to build smaller projects and such projects mostly come into being in Katowice suburbs. However one can expect that in the nearest future interesting projects will arise also in city centers and will find clients, when the real estate market will be stable.

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 | from |
| 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

After prices reductions at the beginning of this year, in March we are beginning to see some activity on the residential primary market. The situation is very comfortable for buyers – prices are reduced and supply is high. The only problem may be getting attractive bank loan because of the strict criteria kept still by banks. Again there are foreign investors coming into the market, attracted by prices and weak Polish currency.

On the secondary market the most popular are 2-3 rooms apartments, 50m2 - 65m2 size in Retkinia, Widzew, Radogoszcz districts. Here the price is 3,600 – 5,000 PLN depending on apartment's standard. One can see that Łódź inhabitants are now much less afraid of the economic crisis. Łódź is industrial city, developing very fast so people are less afraid about the future. New companies and factories should offer hundreds of new jobs in the nearest time in Łódź.

"Family on its own" program is very popular in Łódź. People have heard about this program and very often ask about details and bank loans conditions. Unfortunately, there are still difficulties in getting bank loans. There is a possibility to include parents into the loan agreement. However the old age of parents shortens the period of time when the loan must be paid back to the bank and on the same time increase monthly installments level. The obvious advantage is the low price per m2 defined for Łódź in the program regulations (for example: an apartment on the secondary market, 50m2 size, price 150, 000 PLN, period of bank loan: 30 years, interests return in 8 years : 47,000PLN).

There is still a high interest in rental flats and apartments. Owners prefer to rent them out to business people. Unfortunately many companies resign nowadays of renting flats for their employees due to savings. Prices didn't change much, monthly rent for 1 room flat, in good standard is about 1,000 PLN, 2 rooms flat: 1,200-2,000 PLN and 3 rooms flat: 1,800-2,500 PLN. Apartments in good standard, in attractive locations cost 3,000-4,000 PLN/monthly. The most popular are apartments in new buildings, located in the city center, finished and fully equipped. In March we could see also some activity on the houses market segment. Clients, aware of the current situation on the real estate market, are looking for occasions without hurry. They observe the market attentively to find the best offer. The most popular locations are Żłotno, Julianów and Górna in neighborhood of the planned new shopping centre "Port Łódź".

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 | 3500 | 2000 | 5000 | 2500 | 10000 |

Prices in PLN, 1 EUR= 4,60 PLN

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