

INFORMATION:

Trends in the Polish residential real estate market (February 2008)

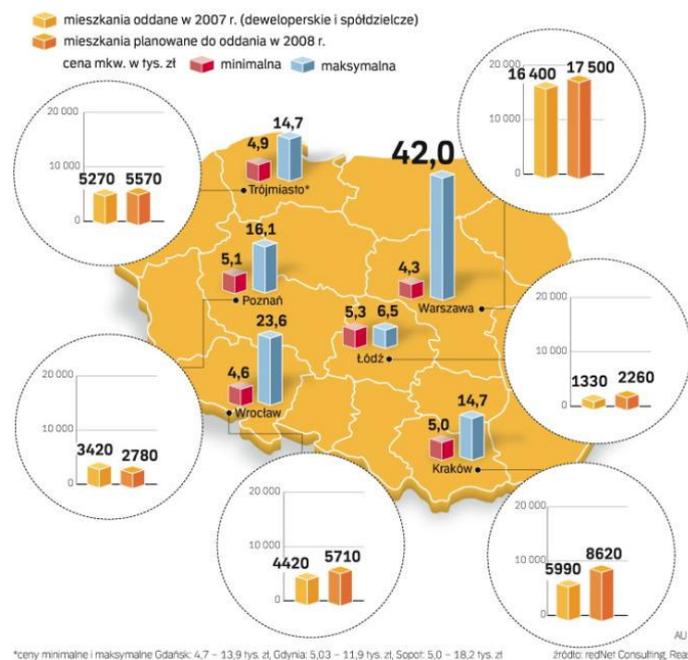
INTRODUCTION

According to the Polish nationwide daily Rzeczpospolita (www.rp.pl), in 2008, Poland may expect a shift in its market for newly built apartments from a sellers' market to a buyers' market.

Based on information from two renowned real estate consulting firms (REAS (www.reas.pl) and Rednet Consulting (www.rednetinvestment.com)) the paper predicts price changes in the course of 2008.

SUPPLY AND PRICES

In an article on February 28, 2008 („Domy czekają na ludzi“) the paper describes the following price and supply situation:



The graphic shows:

- the minimum prices (PLN)
- the maximum prices (PLN)
- new apartments handed over in 2007
- new apartments planned for hand over in 2008

in the following Polish major cities:

- Warsaw (Warszawa),
- Łódź,
- Cracov (Kraków),
- Poznań,
- Wrocław
- TriCity (Trójmiasto), (=Gdańsk, Sopot and Gdingen (Gdynia))

FALLING PRICES?

According to the paper, rising financing costs and a significantly larger supply will lead to falling apartment prices in 2008. This trend is anticipated in some major Polish cities (e.g. Poznan)

Real estate counselling firms expect a “price adjustment” of up to 10 % by autumn 2008. However, it is also expected that developers will not easily concede to lower prices, as they do not see that this will increase the take up. Developers could be forced to this concession by significantly rising construction prices that will squeeze their margins, in any case.

Market observers also expect that rising financing costs will reduce significantly speculative investment and its impact on the formerly skyrocketing prices.

LIKE IN SPAIN?

Some foresee a market situation like that in Spain today. In Spain a huge amount of ready built residences wait for buyers, but developers are not willing to lower their sales prices.

In Poland, developers are preparing themselves for a longer distribution period. Whereas in the beginning of 2007 an apartment had to wait only 69 days on average for a buyer, in the end of 2007 this already had risen to 107 days.

SUMMARY

Please note that there are enormous differences in prices for new apartments in the various major Polish cities.

Apartments which are selling at over 10.000 EUR/sqm, such as can be found in Warsaw, will not easily find a Polish buyer. You can already hear comments that housing in Warsaw is no longer affordable for average or even well-off Poles.

One has to wait and see if the present changes in the residential market will lead to a new “developer-crisis” like the one Warsaw had some years ago.