



*Warsaw, 4 April 2018*

## **Dom Development S.A. Consolidated Group: Trading update Q1 2018**

### **1. Sales**

In Q1 2018, the Dom Development Group sold 848 units net, including: 566 units in Warsaw, 205 in the Tri-City area, and 77 in Wrocław, giving a rise of 5% against the same period last year.

We achieved the biggest quarterly sales volumes on the following projects: Wilno (83 units), Forma (63), Premium (57), Moderna (55) in Warsaw, and Spektrum (55 units) and Idea (53) in the Tri-City.

### **2. Deliveries**

In the past quarter, 417 units were delivered, i.e. 81% more than in Q1 2017.

The result for the first quarter of 2018 has been affected predominantly by the deliveries on the following Warsaw projects: Wilno (126 units) and Saska (61).

### **3. Highlights**

In Q1 2018, Dom Development S.A. Management Board decided to diversify the way the Company develops its projects. To date, Dom Development S.A. projects have been built by external general contractors. The Company wants to take advantage of the knowledge and experience of Euro Styl S.A., the Tri-City developer it acquired in June 2017, which for years has successfully built its projects through its own general contractor. Accordingly, Dom Development S.A. will gradually commence using in-house resources to build its housing projects, which ultimately will complement the current model of construction using third-party general contractors.

### **4. Market**

In Q1 2018 demand for flats remained strong, supported by low interest rates, growing GDP and wages and practically no unemployment in major cities.

Migration to big cities and the likelihood of continuing low interest rates encourage individuals to invest in real estate – almost 40% of Dom Development S.A. sales continue to be cash purchases.

Developers faced strong difficulties in meeting demand. Strong competition on the land market and planning delays resulted in a scarcity of plots enabling fast project commencement. Moreover, we observed problems in the construction industry and growing construction costs related to labour shortages, wage growth pressure and rising material prices.

The shrinking supply and sustained demand caused upward pressure on housing prices. After a pickup in Q4 2017, prices continued to gradually rise in Q1 2018.

Challenges on the supply side are meaningful, although rising sales prices, efficiency in rebuilding supply and land banks, and stringent costs control and project development supervision may protect profitability in the coming quarters, or even provide some upside.

In the Management Board's view, Dom Development S.A. Capital Group is well prepared to take advantage of the strong demand in all three of its markets. The quality and size of the Group's land bank enables us to maintain an attractive offer – development plans for 2018 assume commencement of construction of even more units than in the previous, record-high year.

*Jarosław Szanajca – CEO*

*Janusz Zalewski – CFO*