



Warsaw, 3 October 2018

Dom Development S.A. Consolidated Group: Trading update Q3 2018

1. Sales

In Q3 2018, the Dom Development Group sold 946 units net, including: 706 units in Warsaw, 180 in the Tri-City area, and 60 in Wrocław, giving a total of 2 596 for the first 9 months of 2018.

We achieved the biggest quarterly sales volumes on the following projects: Marina Mokotów (103 units), Żoliborz Artystyczny (93) and Osiedle Forma (85) in Warsaw.

2. Deliveries

In the past quarter, 587 units were delivered, i.e. 6% more than in Q3 2017.

The result for the third quarter of 2018 was predominantly affected by deliveries on the following projects: Spektrum (161 units) in the Tri-City and Forma (77 units) and Premium (54) in Warsaw.

3. Market

The residential sales market in Q3 saw strong demand supported by high employment levels, increasing salaries and low interest rates. Supply was restricted by a scarcity of marketable land, administrative bottlenecks and problems in the construction industry.

Demand for new housing remains very strong, both from occupiers and individual investors. After the significant sales price increases in H1 2018, price inflation in Q3 slowed down. The market has accepted the new price levels. Given the limited supply, it is the offer size that determines the sales volume.

The mortgage market remained stable. The share of cash buyers increased to over 45% of sales at Dom Development S.A., caused mainly by a significant proportion of upper segment flats in the Company's offer, namely on the Marina Mokotów and Apartamenty Dolny Mokotów projects. Moreover, the volume and value of mortgage-assisted sales increased significantly over previous quarters.

On the supply side, in Q3 land availability was the most acute problem. The Warsaw market is worst hit among the major Polish cities, seeing a significant drop in the volume of transactions – exorbitant asking prices and legal issues on many plots are hindering replenishment of developers' land banks.

Problems with obtaining administrative permissions were also most severe for Warsaw developers. Compared to its competitors, and thanks to its significant land bank, Dom Development S.A. did very well in the past quarter in maintaining its projects pipeline in Warsaw.

Notably, the strong growth of our land banks in respectively Wrocław and the Tri-City in 2018 has more than made up for the difficulties encountered in Warsaw, both in volume and margin terms.

The general contractors' market is slowly normalizing. Construction costs are stabilizing at a new, higher level and subcontractors' availability is higher, particularly for financially strong and trusted developers. The slowdown in new project launches led to spare capacity among subcontractors specialised in early-stage construction. We expect that the availability of subcontractors specialised in later-stage construction will similarly increase in the forthcoming quarters.

All in all, market conditions are favourable for residential developers. In the Management Board's opinion, Dom Development S.A. Capital Group, with its diversified operations in three major conurbations, is very well placed to exploit the opportunities provided by the current strong demand, which we expect to continue.

Jarosław Szanajca – CEO

Janusz Zalewski – CFO