

Monday, 14 July 2025 | update

Real Estate Developers

Real Estate Developers, Poland

Scale and Stock Define the Future

We assign buy rating to **Dom Development (Buy, TP PLN 268.80)**, **Murapol (Buy, TP PLN 48.53)** and **Develia (Buy, TP PLN 8.29)**, we keep our buy for **Atal (Buy, TP PLN 73.99)**, yet it the least preferred developer right now.

Interest rate cuts have been implemented later than initially predicted, but earlier than the market had anticipated at the end of Q1. The situation of borrowers is improving, both in nominal terms (rising creditworthiness) and relative terms (improving affordability index). BIK credit statistics already indicate a gradual rise in mortgage applications. Based on this, we maintain that new home demand is set to rebound noticeably in Q3 and Q4'25.

Changes to spatial planning legislation, scheduled to take effect in 2026, are expected to benefit larger developers, as smaller firms may struggle to absorb the additional costs associated with, e.g., new planning requirements. Consequently, we anticipate a decline in zoning decisions, followed by a reduction in building permits. At the same time, developers with stronger balance sheets will be well-positioned to consolidate the market, acquire land lots, and effectively scale up their operations over the medium term.

In this report, our preference goes to Dom Development and Murapol, which operate in distinct market segments. Despite their differences, both companies have demonstrated resilience amid a tighter monetary policy and are well-positioned to benefit from lower interest rates going forward. Dom continues to deliver ROE exceeding 30%, supported by a strong balance sheet and growth potential. Murapol, on the other hand, achieves an ROE above 40% due to its use of leverage; however, its balance sheet is less robust, which may limit its ability to scale operations.

As for Atal, uncertainty remains regarding whether the expansion of its home offering in 2024 will yield the expected returns, placing it at the lower end of our preference list. In the case of Develia, much of the positive outlook appears to be already priced in. However, we may be underestimating the potential upside from the BIP acquisition. Additionally, the upcoming Malin project remains a potential source of further value creation.

Situation of Borrowers Improves

According to simulations provided by the Polish Bank Association, each 50bps rate cut can increase creditworthiness by approximately 5 percentage points. This implies that, assuming a total reduction of 200bps, creditworthiness could rise by around 21%. Additionally, with housing prices remaining relatively flat and real wages increasing, affordability is improving as expected. Consequently, we anticipate a pickup in demand, which is already evident in the rising number of mortgage applications and originations.

Legislation Changes will Favor Bigger Players

New spatial planning legislation may reshape the market landscape and promote consolidation. We believe that the new municipal zoning and investment plans will reduce the supply of eligible lots for zoning decisions or will require a stronger balance sheet and greater operational capacity to capitalize on the new pay-to-play regime. We expect that smaller players may seek joint ventures and share margins, or even sell their assets in response to the upcoming legislation. Developers with strong existing inventories, landbanks, and balance sheets are likely to gain higher market shares.

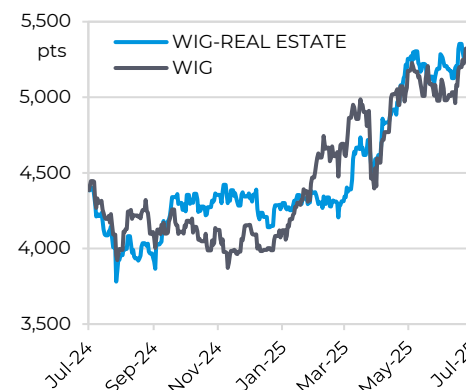
Costs Poised to Rise

Over the past two years, construction costs have not posed a significant challenge for residential developers, as prices of materials remained flat and wage growth was contained. Looking ahead, however, we identify three substantial, structural upside risks to costs: post-war reconstruction of Ukraine (despite its uncertain timing), Germany's €500bn infrastructure program, and Poland's green transformation and infrastructure spending initiatives – all three could significantly impact prices of construction materials and lead to a tightening of the construction labor market.

| Company | P/E | | | P/B | | | ROE% | | |
|---------|------|-----|-----|-----|-----|-----|------|------|------|
| | 25E | 26E | 27E | 25E | 26E | 27E | 25E | 26E | 27E |
| Atal | 11.2 | 5.7 | 7.0 | 1.6 | 1.4 | 1.3 | 14.4 | 25.9 | 18.9 |
| Develia | 9.1 | 7.4 | 8.0 | 1.9 | 1.7 | 1.6 | 21.3 | 24.0 | 20.8 |
| Dom | 9.0 | 8.8 | 7.9 | 3.0 | 2.8 | 2.5 | 36.3 | 33.0 | 33.1 |
| Murapol | 7.1 | 5.0 | 4.8 | 2.6 | 2.2 | 1.9 | 36.7 | 47.2 | 42.8 |

| | |
|-----------------|---------|
| WIG_REAL ESTATE | 5,248 |
| WIG | 104,837 |
| 2025E P/E | 13.0x |
| 2025 P/BV | 0.7x |

WIG-REAL ESTATE vs. WIG



| Name | Target Price | | Recommendation | |
|---------|--------------|--------|----------------|------|
| | New | Old | New | Old |
| Atal | 73.99 | 73.59 | buy | buy |
| Develia | 8.29 | 7.12 | buy | buy |
| Dom | 268.80 | 210.20 | buy | hold |
| Murapol | 48.53 | 46.17 | buy | buy |

| Name | Current* Price | Target Price | Upside |
|---------|----------------|--------------|--------|
| Atal | 65.00 | 73.99 | +13.8% |
| Develia | 7.45 | 8.29 | +11.3% |
| Dom | 234.50 | 268.80 | +14.6% |
| Murapol | 39.00 | 48.53 | +24.4% |

*Price as of July 11, 2025, 5:00 PM

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List of abbreviations and ratios used by mBank:

EV (Enterprise Value) – Equity Value + Net Debt; **EBIT** – Earnings Before Interest and Taxes; **EBITDA** – EBIT + Depreciation & Amortisation; **Net Debt** – Borrowings + Debt Securities + Interest-Bearing Loans - Cash and Cash Equivalents; **P/E** (Price/Earnings) – Price Per Share Divided by Earnings Per Share; **P/CE** (Price to Cash Earnings) – Price Per Share Divided by Earnings + Depreciation & Amortisation; **P/B** (Price to Book Value) – Price Per Share Divided by Book Value Per Share; **P/CF** (Price to Cash Flow) – Price Divided by Cash Flow from Operations; **ROE** (Return on Equity) – Earnings Divided by Shareholders' Equity; **ROCE** (Return on Capital Employed) – EBIT x (Average Assets - Current Liabilities); **ROIC** (Return on Invested Capital) – EBIT x (1-Tax Rate) / (Average Equity + Minority Interest + Net Debt); **FCFF** (Free Cash Flow to Firm) – Cash Flow from Operations - CAPEX - Lease Payments; **FCFE** (Free Cash Flow to Equity) – Free Cash Flow to Firm - Net Interest Expense (incl. Debt + Leases); **EBITDA margin** – EBITDA/Sales

OVERWEIGHT (OW) – a rating which indicates that we expect a stock to outperform the broad market
NEUTRAL (N) – a rating which indicates that we expect the stock to perform in line with the broad market
UNDERWEIGHT (UW) – a rating which indicates that we expect the stock to underperform the broad market

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The author of this recommendation or another individual who belongs to the same group as the author of this recommendation in the last 12 months has been in charge of managing or co-managing a public offering of Develia, Dom Development.

The production of this recommendation was completed on July 14, 2025, 8:14 AM.

This recommendation was first disseminated on July 14, 2025, 8:25 AM.

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Atal (Mikołaj Lemańczyk)

| | |
|---------------------|------------|
| Rating | buy |
| Rating date | 2024-11-26 |
| Target price (PLN) | 73.59 |
| Price on rating day | 55.20 |

Develia (Mikołaj Lemańczyk)

| | |
|---------------------|------------|
| Rating | buy |
| Rating date | 2024-11-26 |
| Target price (PLN) | 7.12 |
| Price on rating day | 5.97 |

Dom Development (Mikołaj Lemańczyk)

| | |
|---------------------|-------------|
| Rating | hold |
| Rating date | 2024-11-26 |
| Target price (PLN) | 210.20 |
| Price on rating day | 196.20 |

Murapol (Mikołaj Lemańczyk)

| | |
|---------------------|------------|
| Rating | buy |
| Rating date | 2024-11-26 |
| Target price (PLN) | 46.17 |
| Price on rating day | 33.32 |

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