Polish real estate market in 2024

Knight Frank

2024

Overview of the commercial real estate market in Poland in 2024 with an outlook for the coming year.

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The Polish real estate market remains strong. Steady performance in the occupier market and a remarkable surge in investment volumes in 2024 indicate that the market enters an upward phase of the cycle.

MACROECONOMIC ENVIRONMENT

The macroeconomic situation in Poland improved significantly in 2024. The real GDP growth rate rose from 0.2% in 2023 to an estimated 3% in 2024, positioning the Polish economy as one of the fastest-growing in the EU. Domestic consumption remains the primary driver of this growth, bolstered by steadily increasing wages and one of the lowest unemployment rates in Europe.

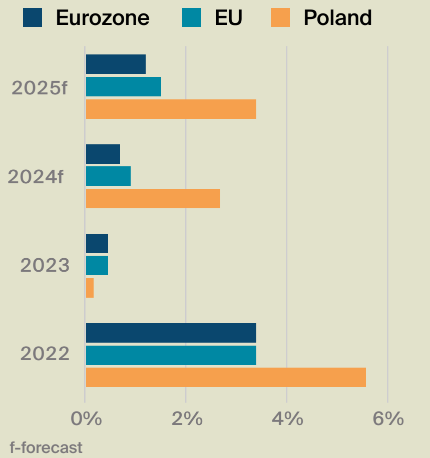
Poland's GDP growth is expected to continue its upward trajectory in 2025, with a real growth forecast of 3.4%, thereby maintaining one of the highest rates in the EU. Private consumption will continue to be the main engine of growth, supported by investments, including public projects financed by EU funds.

However, the Polish economy faces several challenges, including weakened domestic demand and a restrictive monetary policy, with interest rates remaining unchanged at 5.75% for over a year. Additionally, external factors, such as stagnation in Germany - the main trading partner - are negatively impacting the Polish economy.

3.4%

The projected GDP growth rate in Poland for 2025 - one of the highest in the EU

GDP growth (%)

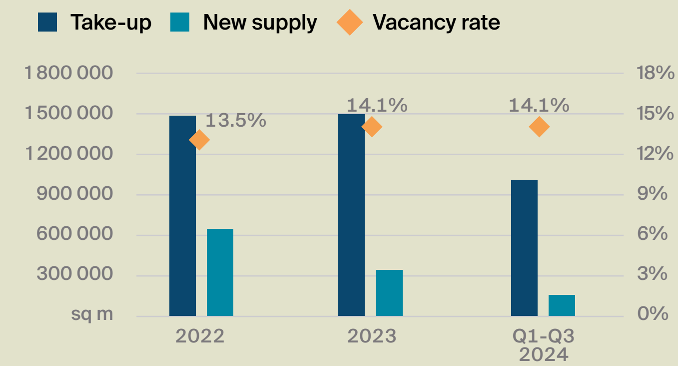


OCCUPIER MARKET

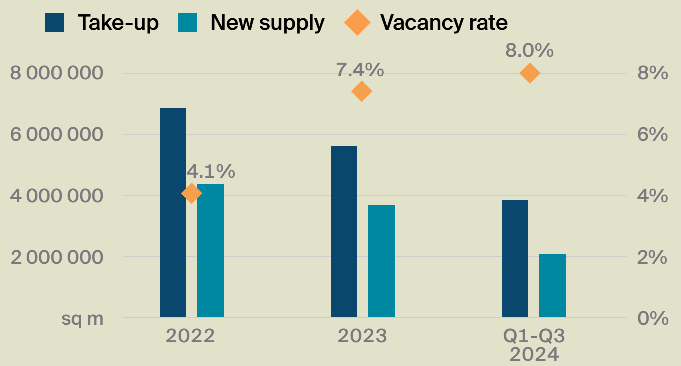
Occupier demand remains stable, underpinned by both macroeconomic factors - such as rising GDP, a robust labour market, growing e-commerce, increasing retail sales, and stable industrial production - and long-term trends like nearshoring and business process offshoring. In the first three quarters of 2024, warehouse take-up increased by 4%, while office take-up declined by 2%.

However, despite this stable demand, the market has yet to absorb the significant amount of space delivered in previous years. This situation, combined with persistently high financing and construction costs, has slowed developer activity. In the office market, 500,000 sq m is currently under construction, with 290,000 sq m expected to be completed in 2025, marking the lowest annual total in over two decades. In the warehouse market, only 1.9 million sq m is under construction, representing the lowest level in three and a half years.

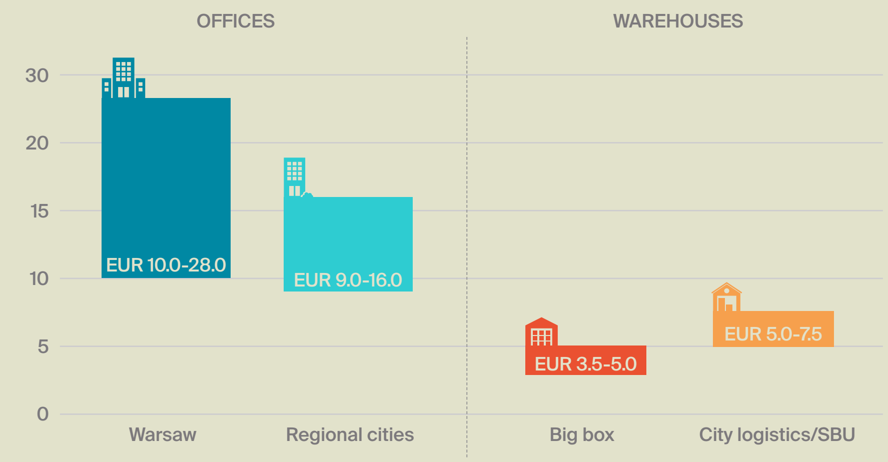
Office market in Poland



Warehouse market in Poland



Rental levels (EUR/sq m/month)



Top destinations for living sector in Poland

	BTR Number of units	PBSA Number of beds
1	Warsaw (8 500)	Krakow (3 700)
2	Wrocław (4 000)	Wrocław (2 800)
3	Krakow (3 400)	Łódź (2 500)
4	Poznań (2 200)	Warsaw (1 700)
5	Łódź (1 900)	Tricity (1 200)
6	Tricity (1 000)	Poznań (1 000)

Similarly, the amount of retail space under construction has decreased by 30% compared to 2023, with the most developer activity still seen in smaller towns. The retail market remains stable, bolstered by a growing momentum in retail sales - a 2.6% increase in Q1-Q3 2024 - which has translated into higher footfall and turnover in shopping centres.

Limited developer activity is likely to mitigate the growth of vacancy rates, which currently exceed the five-year averages. In Q3 2024, vacancy rates in both the office and warehouse markets declined compared to the previous quarter, while retail market vacancies in the eight largest agglomerations decreased over the year from 3.6% to 3.3%.

96%

Occupancy rate in PBSA sector in Poland

The trend of reduced developer activity does not extend to the Build-to-Rent (BTR) sector, where a significant housing deficit, combined with limited purchasing power, fuels strong demand for rental housing and, consequently, increased construction activity. The private student housing market is also steadily expanding, responding to the market's low saturation—currently, the provision rate of dormitory beds is approximately 9%.

High financing and construction costs mean that newly delivered properties set the upper boundaries for rental prices. However, rent stabilisation is expected to be the dominant trend in 2025.

The market is becoming increasingly polarised, with a growing emphasis on high-standard, ESG-compliant properties. These top-tier assets, equipped with modern solutions and environmental certifications, are attracting more tenants, resulting in below-average vacancy rates in such buildings.

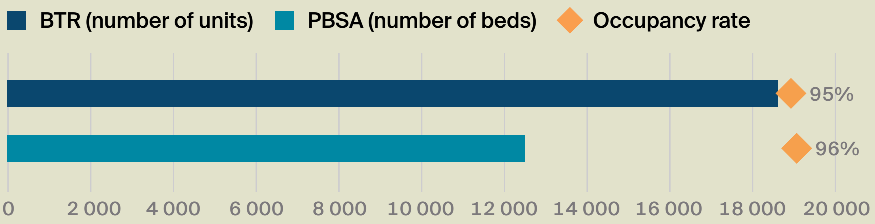
4.0%

Warehouse take-up growth (Q1-Q3 2024 compared to Q1-Q3 2023)

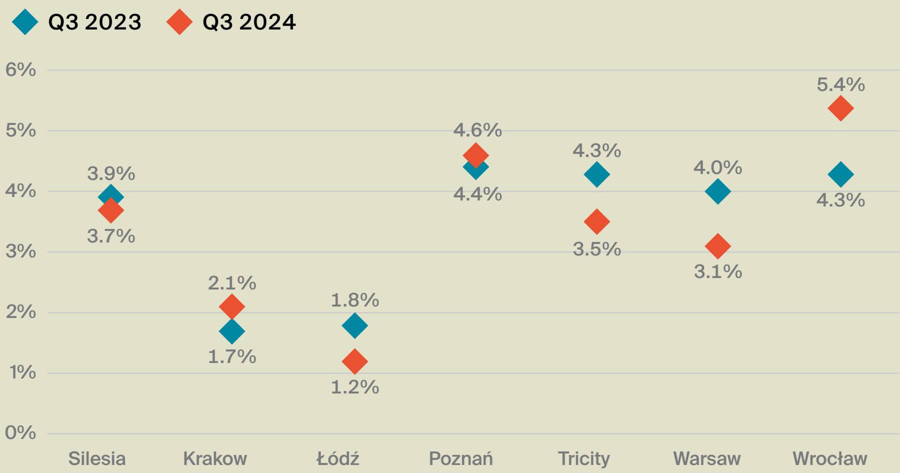
1m sq m

Office take-up in Poland (Q1-Q3 2024)

Living sector in Poland



Vacancy rate in retail market



Prime yields in Poland

6.5%
WAREHOUSES

6.0%
OFFICES

6.0%
SHOPPING CENTRES

5.5%
BTR

6.0%
PBSA

INVESTMENT MARKET

Poland's investment market witnessed a significant recovery in 2024. The total volume of investment transactions in the first three quarters surpassed EUR 2.7 billion, reflecting a remarkable 60% increase compared to the same period in the previous year. Liquidity in the market has also improved, with over 85 transactions completed during Q1-Q3 2024 - nearly 25 more than in the corresponding period last year. This upward trend is anticipated to continue in the upcoming quarters, driven by enhanced market sentiment resulting from interest rate cuts by the ECB and the Fed, alongside stable performance in the occupier market.

Annual transaction values in the office market are projected to rise further, bolstered by the record-breaking sale of Warsaw Unit for EUR 280 million—the largest single office transaction in Europe this year.

Investor interest is also growing in the living sector, which achieved a landmark 12% share of the total investment volume in Q1-Q3 2024, a substantial increase from just 2% in 2020. This growth underscores the strong fundamentals and rising potential of this segment of commercial real estate in Poland.

The retail investment sector is similarly getting back on track, as evidenced by the first prime-sector transactions in two years. Noteworthy deals include the sale of Galeria Magnolia in Wrocław for EUR 373 million and Silesia City Centre in Katowice for EUR 405 million. With private consumption on the rise, Poland's top-performing shopping centres are expected to deliver increasingly robust results in the coming years.

Additionally, investor interest in the warehouse sector remains strong, reaffirming Poland's leading position in the European warehouse market.

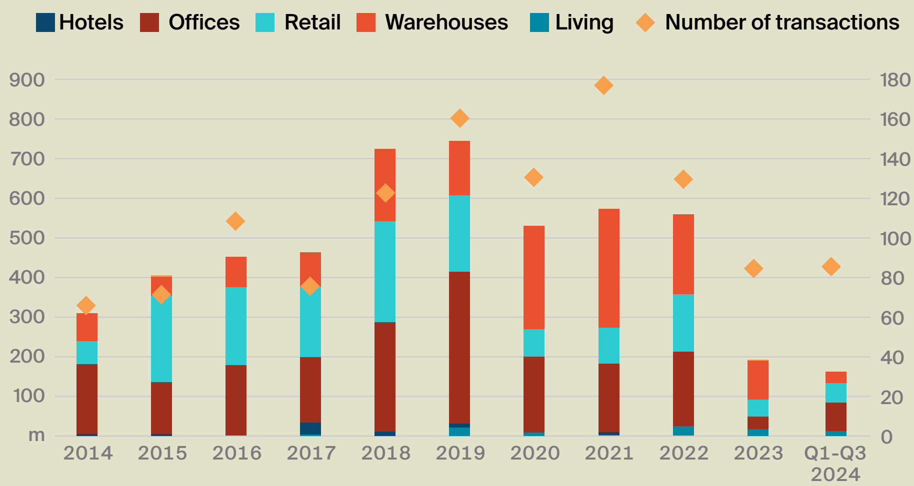
Overall, improved sentiment across the market has led to the stabilisation of yields, with yield compression expected across all sectors in the upcoming quarters.

60%

Investment volume growth in Poland in Q1-Q3 2024 compared to Q1-Q3 2023

Institutional investors are beginning to return to Poland's investment landscape, resulting in an uptick in high-profile transactions with significantly larger volumes expected in the coming quarters. The recovery is particularly pronounced in the office sector, where transaction volumes by the end of Q3 2024 nearly quadrupled compared to 2023.

Investment volume in Poland (EUR million)



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