Review 2024 & Outlook 2025

Knight Frank

2024/2025

Polish Commercial Real Estate Market. Analysis of Market Conditions, Macroeconomic Factors, and Key Trends Shaping the Future.

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Introduction

The Polish real estate market remains robust, as evidenced by stable occupier demand and a dynamic recovery in the investment market. With strong market fundamentals and optimistic macroeconomic forecasts, the upward trend is expected to continue through 2025.

In 2024, Poland's economy demonstrated notable growth, with real GDP increasing from 0.2% in 2023 to approximately 3%, positioning the country among the fastest-growing economies within the European Union. Projections for 2025 indicate a GDP growth rate of 3.6%, primarily driven by private consumption, which is bolstered by rising wages and record-low unemployment, the lowest in the EU.

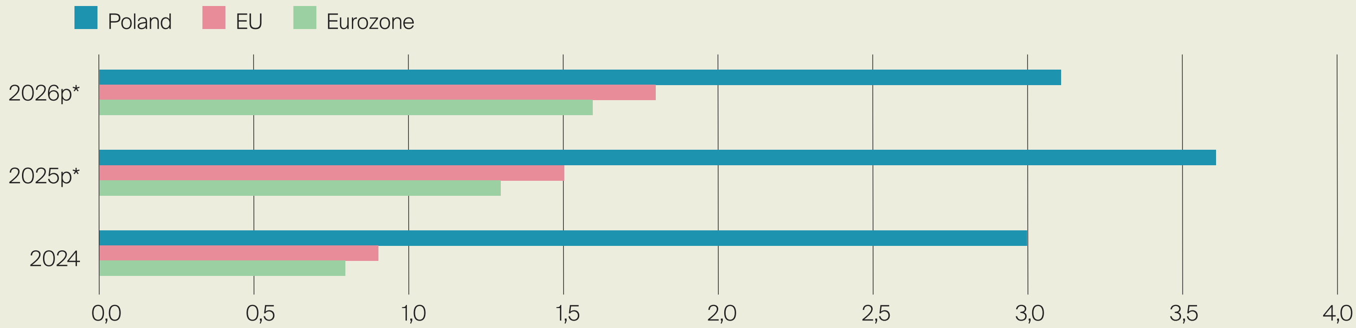
Occupier demand remains stable, driven by favorable macroeconomic factors such as strong GDP growth, a robust labor market, the expansion of e-commerce, increasing retail sales, steady industrial production, and enduring trends like nearshoring and Business Process Offshoring.

In the office sector, leased space saw a modest 3% decline compared to the previous year, while the warehouse sector grew by 4%. Developer activity remains subdued, which should help better balance supply and demand in 2025. Consequently, rents in prime locations have slightly increased and are expected to remain stable in the coming year.

This trend of reduced development activity does not extend to the Build-to-Rent (BTR) sector, where a significant housing shortage, coupled with limited purchasing power, is driving strong demand for rental properties and stimulating construction activity.

Poland's investment market is experiencing a strong recovery. In 2024, total investment volume surpassed EUR 5 billion, more than double the previous year, and slightly below the five-year average of EUR 5.3 billion. Liquidity increased as well, with over 130 transactions completed in 2024 – a nearly 60% rise from the previous year. Looking ahead, we expect continued investor activity in 2025, driven by stable rental market performance, favorable macroeconomic indicators, and the ongoing monetary easing policies of central banks.

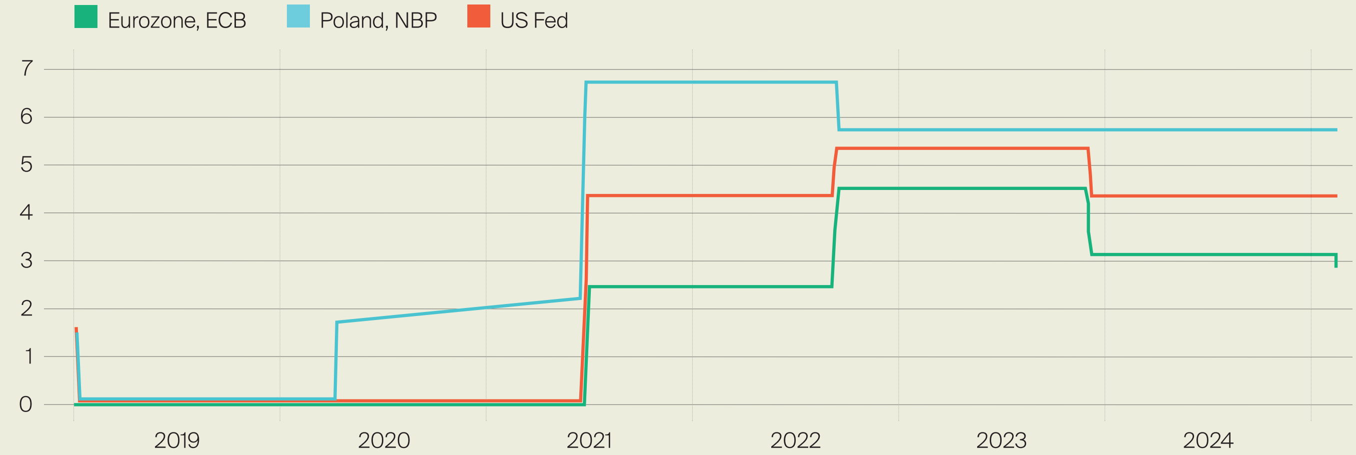
GDP growth (%)



p* - prognoza

Source: European Commission

Central banks key interest rates (%)



Source: NBP, US Fed, EBC

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Dorota Lachowska,
Head of Research

Office market

- **The demand for office space remains stable. In 2024, the total take-up reached 1.5 million sq m, representing a 6% increase over the 5-year average. Given the positive macroeconomic environment and other contributing factors, we expect this upward trend to continue into 2025.**
- **The pace of new office space additions continues to decline, with approximately 228,000 sq m delivered in 2024, marking the lowest amount since 2005. Currently, only 468,000 sq m are under construction, which is 12% less than in Q4 2023.**
- **At the end of 2024, the vacancy rate in Poland stood at 14.3%, with slight increases observed in most cities over the year, except for Kraków, Tricity, Poznań, and Lublin. Considering the anticipated decline in supply under construction and the forecasted increase in demand, the vacancy rate is expected to decrease in 2025.**
- **Asking rents have experienced slight increases in most cities, ranging from EUR 10 to 28/sq m/month in Warsaw and from EUR 9 to 18/sq m/month in regional cities. However, these increases primarily affect the upper rental rates and are strongly influenced by the new buildings entering the market.**

Market conditions

At the end of 2024, the total office stock in Poland reached approximately 13.1 million sq m, with nearly half located in Warsaw and 52% situated in the eight largest regional cities. In addition to Warsaw, the leading markets are Kraków and Wrocław, boasting office stocks of 1.83 million sq m and 1.38 million sq m, respectively.

Developer activity remains limited, and new supply has been decreasing since 2022. Many developers are postponing decisions regarding the initiation of new projects due to the significant availability of office space and the ongoing high financing and construction costs.

468k sq m

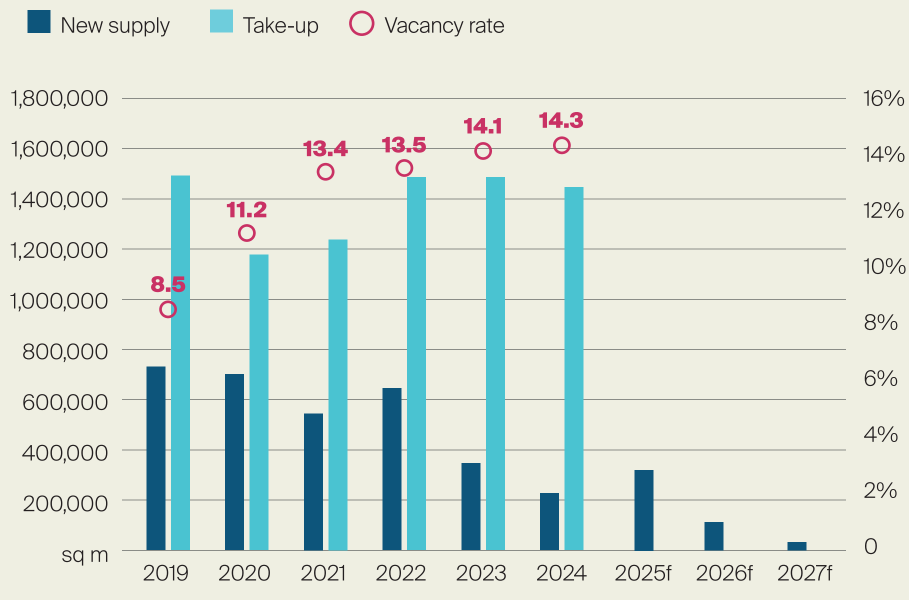
Supply under construction. A decrease by 12% compared to Q4 2023.

In 2024, over 228,000 sq m of office space was completed in Poland, reflecting a 33% decrease compared to the previous year and marking the lowest volume since 2005. This downward trend is expected to persist in the coming quarters - currently, only 468,000 sq m is under construction, which is 12% less than the same period last year. As a result, the amount of office space delivered to the market will continue to decline, projected to reach a record low of 152,000 sq m in 2026, following approximately 278,000 sq m in 2025.

Presently, 14% of the office space under construction consists of refurbishments, a trend particularly evident in Warsaw, the most mature and simultaneously the oldest office market in the country.

The vast majority of recently delivered buildings meet ESG (Environmental, Social, and Governance) standards. These buildings benefit from preferential financing conditions, are leased quickly, and exhibit higher liquidity. Consequently, the number of office buildings complying with sustainable ESG criteria continues to rise steadily. By the end of 2024, 57% of the total office stock in Poland held a green certification, marking a 2 percentage point increase compared to the previous year. Warsaw has the highest concentration of these certified buildings, with 30% of all certified office space located there. The remaining 27% is distributed across key

Annual new supply, take-up and vacancy rate



Source: Knight Frank, f - forecast

regional markets, with Kraków holding the largest share at 9% of the total certified office space.

Demand for office space rental in 2024 remained strong, with nearly 1.5 million sq m leased, a figure that is only 3% lower than the previous year and above the five-year average of just under 1.4 million sq m.

The Warsaw market led in leasing activity, accounting for nearly 51% of total leasing in Poland for 2024, with over 740,000 sq m leased. Among other cities, Kraków recorded the highest tenant demand at 267,000 sq m, followed by Wrocław with 146,000 sq m and the Tricity area with 116,000 sq m.

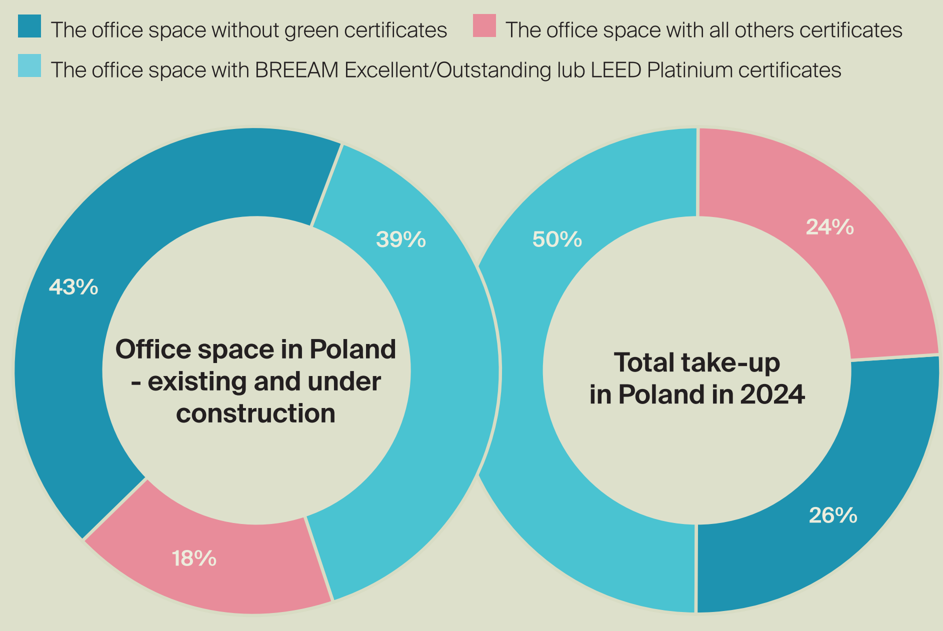
Tenants are increasingly prioritizing ecological considerations when selecting office spaces, as shown by the rising demand for buildings with green certifications. In 2024, 74% of the total leased office space was in sustainable properties, with half of the demand directed towards buildings holding the highest certifications, such as BREEAM Excellent/Outstanding or LEED Platinum. This trend aligns with broader market polarization, where top-tier buildings are experiencing heightened interest due to their superior cost-to-quality ratio.

74%

Share of total leased space with green certification

A notable feature across the four largest office markets in Poland is the increase in lease renegotiations, which now outpace new leases. In Warsaw, renegotiations accounted for 46% of the take-up, while in Kraków, Wrocław, and the Tricity, their share ranged from 50% to 58%. In other cities (excluding Szczecin, where renegotiations accounted for 53%), new leases predominated, with their share ranging from 48% in Łódź to 56% in Poznań.

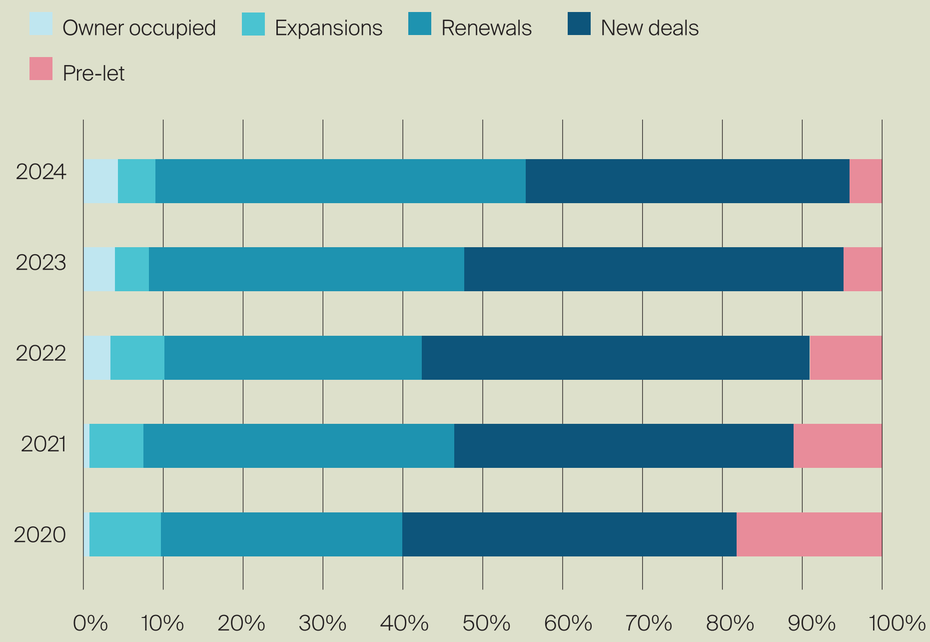
Lease renegotiations rarely involve expansions, as tenants remain cautious about moving and increasing their space.



Source: Knight Frank

Consequently, the share of expansions in the lease structure remained low at 4.9% in 2024, which is 2.3 pp lower than the five-year average of 7.2%. With the high share of renegotiations and limited new supply, the proportion of pre-leased space has decreased, standing at 4.4% in 2024, down from 5.3% in 2023. Moderate demand resulted in a slight increase in the vacancy rate, which reached an average of 14.3% at the end of 2024 (up from 14.1% in 2023). Over the past 12 months, office space availability decreased in Kraków, the Tricity, Poznań, and Lublin, while availability increased in other major cities. The highest vacancy rate was recorded in Katowice at 23.2%, while the lowest remained in Szczecin at 7.7%. In Warsaw, the vacancy rate increased by 0.2 pp year-on-year to 10.6%, primarily due to an uptick in new supply compared to the previous year. As new supply decreases, the rising trend in the vacancy rate is expected to halt.

Take-up structure



Source: Knight Frank

In 2024, we observed an increase in rent levels in both Warsaw and regional cities. However, this increase primarily affected the upper rental rates and was shaped by newly delivered buildings. The highest rents were found in Warsaw, where, at the end of December 2024, asking rents in the Central Business Area ranged from EUR 18 to 28/sq m/month, while outside the center, they ranged from EUR 10 to 17/sq m/month. In regional cities, asking rents typically fell between EUR 9 and 18/sq m/month. Service charges remained stable, ranging from PLN 18 to 38/sq m/month in Warsaw and from PLN 14 to 32/sq m/month in regional cities.

Asking rents (EUR/sq m/month)

Macroeconomic environment

The demand for office space is closely linked to GDP growth. As economic activity expands and employment rises, the need for office space increases directly. Concurrently, the structure of this demand is evolving, with companies experiencing higher profits increasingly choosing to relocate to prestigious locations.

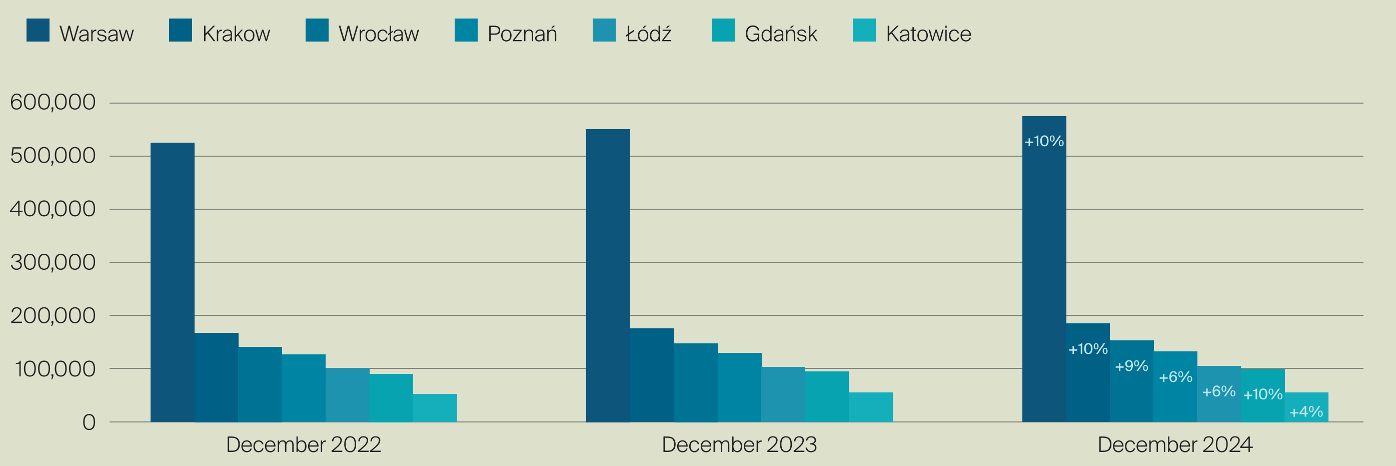
In 2025, GDP growth in Poland is projected to accelerate to 3.6%, compared to just 0.1% in 2024. This strong growth is expected to continue into 2026, with a forecasted GDP growth of 3.1%. Both figures will be well above the EU and eurozone averages, which are anticipated to be 1.5% and 1.3% in 2025, and 1.8% and 1.6% in 2026, respectively.

The positive outlook for the rental market is also reinforced by the growing number of businesses. Over the past three years, the number of firms in major cities such as Warsaw, Kraków, Wrocław, and Gdańsk has increased by 10%. With forecasted GDP growth and ongoing economic recovery, further expansion in the number of companies, along with higher revenues and employment, is expected. This, in turn, will drive increased demand for office space, including coworking spaces.

3.6%

Projected GDP growth in Poland in 2025

Number of companies in major cities



Source: Knight Frank

Trends

- The office market is moving toward a significant reduction in new supply, which is likely to lead to increased competition for available spaces, particularly those of the highest standard.
- The share of certified buildings is expected to continue rising, especially in key business hubs like Warsaw and Kraków. Sustainable buildings are not only gaining value but are also becoming more competitive in the leasing market.
- With improvements in the macroeconomic environment, demand for office space rental is projected to increase, potentially approaching pre-pandemic levels in the coming years. Forecasted high GDP growth rates for 2025 and 2026 are expected to further accelerate the dynamics of demand.
- After rising in recent years, the vacancy rate is anticipated to decrease due to limited new supply and expected demand growth.
- The shift toward a hybrid work model has resulted in slower growth in demand for office space compared to the increase in employment. However, the trend of densifying office space is losing momentum, with an increasing number of companies opting for a full return to the office. This transition is expected to have a positive impact on the rental market, especially with the expected rapid economic recovery over the next two years.
- While the share of renegotiations in the lease structure will remain high, further growth in this area is unlikely, attributed to improved macroeconomic indicators and overall market sentiment.
- Rent levels are expected to stabilize but will remain highly differentiated, with the upper limits of rental rates being predominantly influenced by newly delivered buildings entering the market.

Investment market

The office investment market in Poland saw a remarkable recovery in 2024, experiencing an almost fourfold increase compared to the previous year. This surge made it the fastest-growing segment of Poland's real estate market, with investment volume soaring from EUR 430 million to EUR 1.6 billion within just one year. However, despite this dynamic rebound, the office sector's investment volume remains below the five-year average and pre-pandemic levels.

The Polish office market is underpinned by robust fundamentals, as illustrated by the sale of the Warsaw Unit office building by Ghelamco to Eastnine AB for EUR 280 million, marking the largest single office transaction in Europe in 2024. This transaction highlights the resilience and attractiveness of the Polish commercial real estate market within the broader European context.

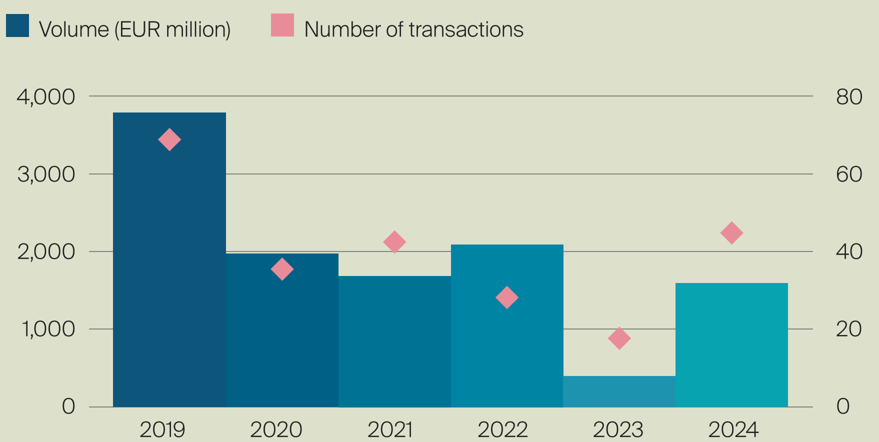
The market has also become more liquid, with 45 transactions recorded in 2024, the highest number since 2019. Notably, three of these transactions exceeded EUR 100 million. While Warsaw continues to dominate the market, accounting for over 70% of all transactions, there is growing investor interest in regional markets. In 2024, the first prime transaction outside of Warsaw since 2022 occurred, with the sale of the Nowy Rynek E building in Poznań by Skanska for over EUR 79 million.

EUR 1.6 bn

Office investment volume in 2024.

Investment activity remains robust in terms of transaction volumes and liquidity. Investor interest is expected to stay strong in 2025, with investment volumes likely to maintain similar or higher levels, contributing to the compression of prime yields, which currently sit around 6%.

Investment volume and number of transactions on the office



Source: Knight Frank

Warehouse market

- **Warehouse and logistics take-up in Poland remains strong. In 2024, over 5.8 million sq m were leased, marking the third-highest leasing volume in the history of the Polish warehouse market. This reflects a 200,000 sq m increase compared to 2023 and underscores the robust fundamentals of demand.**
- **The supply of warehouse space in Poland is steadily increasing, although the growth rate has notably slowed. Currently, 1.7 million sq m are under construction, representing a decrease of nearly 40% compared to the end of 2023.**
- **The total modern warehouse space in Poland now exceeds 34.5 million sq m, with more than 16m sq m developed over the past four years.**
- **In 2024, the vacancy rate increased to 7.5% by the end of the year. However, limited new supply and high pre-letting activity are expected to stabilize the vacancy rate and lead to a decline in the future.**
- **Rents stabilized in 2024. In the main logistics areas, rental prices ranged from 3.5 to 4.5 EUR/sq m/month, while for SBU space within major city limits, the range was 6 to 7.5 EUR/sq m/month.**

Market conditions

The warehouse market in Poland has experienced remarkable growth over the past decade. Warehouse space in the country has tripled from 10 million sq m in 2015 to 34.5 million sq m by the end of 2024. In 2024 alone, 2.6 million sq m of new logistics space were completed, marking the fifth-highest annual volume in the history of the Polish warehouse market.

Key factors driving this growth include Poland's strategic location in the heart of Europe, a rapidly developing transportation infrastructure, and a large, receptive domestic market. Additionally, the country benefits from the nearshoring trend, where companies are relocating distribution centres closer to end customers, thereby shortening supply chains and enhancing logistical efficiency.

The dynamic growth of the warehouse market accelerated significantly after the outbreak of the pandemic, with over 40% of total stock created in the last four years. This expansion was fuelled by a rebound in domestic consumption, particularly driven by the increasing penetration of e-commerce. Since 2021, industrial production has also risen, leading to heightened demand for modern warehouse, logistics, and production spaces.

34.5m sq m

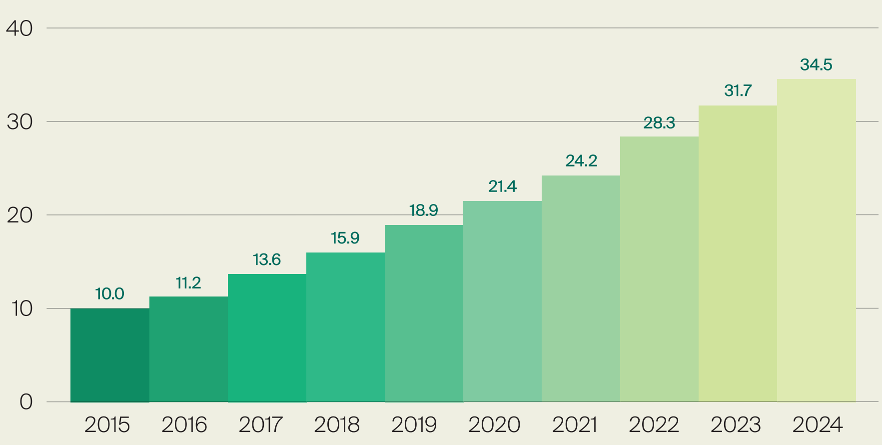
Poland's warehouse stock at the end of 2024. An impressive increase from 10m s qm at the end of 2015.

However, in the past year, the growth rate of warehouse space has slowed compared to previous years. Like other sectors in real estate, this segment faces high construction and financing costs, along with macroeconomic uncertainty. Consequently, developers are adopting more cautious investment strategies, including a limitation on speculative construction.

By the end of 2024, the amount of warehouse space under construction significantly dropped to 1.75 million sq m, reflecting a 38% decrease compared to the same period in the previous year.

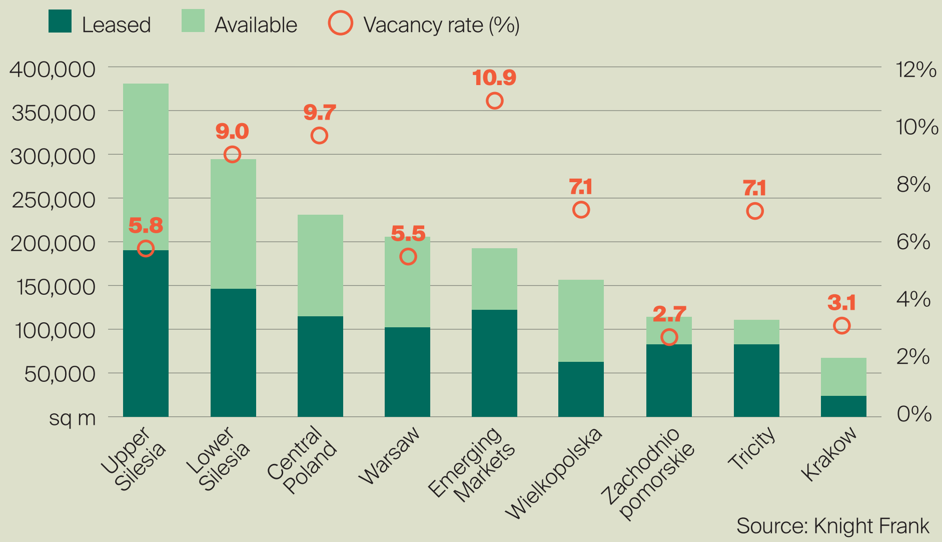
Notably, more than half (52%) of the space under development is already

The total warehouse space in Poland (m sq m)



Source: Knight Frank

Space under construction and vacancy rates (sq m, %)



Source: Knight Frank

secured by pre-lease agreements.

Demand for warehouse space in Poland remains robust, reflecting the strong fundamentals of the market.
In 2024, 5.8 million sq m of warehouse space were leased—though lower than the record levels of 7.1 million sq m in 2021 and 6.8 million sq m in 2022, this figure surpassed the 2023 result. As such, 2024 achieved the third-highest leasing volume in the history of the Polish warehouse market.

A key factor stimulating demand for warehouse and logistics space in 2024 was a revival in consumption, partly driven by a gradual decline in inflation. Consequently, the retail and logistics sectors led the leasing market, expanding their inventories and warehouse capacities to meet rising consumer demand.

The largest leasing volumes in 2024 continued to come from key Polish markets such as Warsaw, Central Poland, Lower Silesia, and Upper Silesia. These locations benefit from their strategic positioning and well-developed transportation infrastructure, ensuring easy access to both domestic and international markets.

In 2024, the most sought-after spaces were those under 10,000 sq m, with a total rental volume nearing 2 million sq m, which accounted for 34% of the total take-up. This trend was consistent with the previous year.

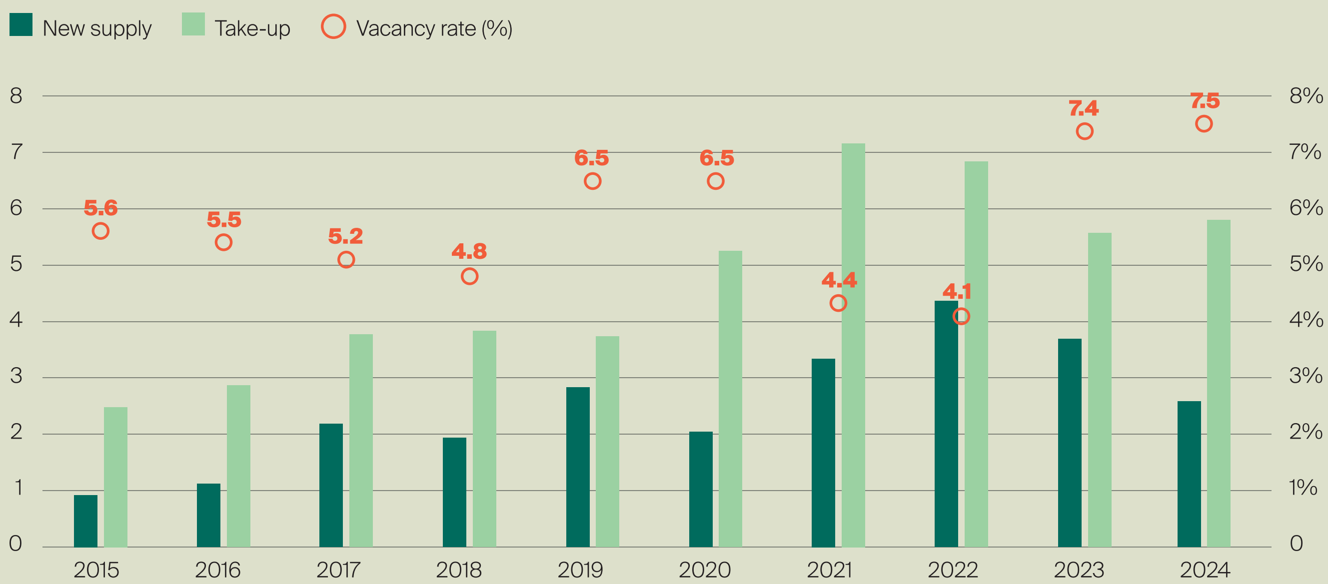
Additionally, six leases were signed for spaces exceeding 70,000 sq m, with the largest transaction of the year being a lease agreement for nearly 104,000 sq m at the Bydgoszcz Białe Błota Logistics Centre.

A lower volume of new supply, combined with increased tenant activity, contributed to the stabilization of the vacancy rate, which stood at 7.5% by the end of 2024—a slight increase from 7.4% at the end of 2023. The highest vacancy rates were recorded in emerging markets, reaching 10.9%, while the lowest was in the West Pomerania region at just 2.8%.

With a reduction in construction and strong pre-leasing activity, vacancy rates are expected to stabilize over the coming quarters.

A decrease in the amount of space under construction, along with a high level of pre-leasing, is expected to contribute to the stabilisation of vacancy rates in the upcoming quarters.

New supply, take-up and vacancy rate in Poland (m sq m, %)



Source: Knight Frank

Asking rents in the warehouse sector have remained stable, currently ranging from 3.5 to 4.5 EUR/sq m/month in key logistics areas, and from 6 to 7.5 EUR/sq m/month for SBU/City Logistics properties within the administrative boundaries of major cities. Warsaw and Kraków continue to be the most expensive locations, driven by high land prices and limited availability.

Service charges, which saw significant increases in 2022-2023, have stabilized in 2024, typically ranging from 4 to 7 PLN/sq m/month.

Asking rents (EUR/sq m/month)

Source: Knight Frank

Macroeconomic environment

The Polish warehouse market is benefiting from an improving macroeconomic environment. In 2024, inflation dropped to 3.6%, a significant slowdown from the record 11.4% increase in 2023. This decline in inflation, coupled with higher wages, has boosted consumption, driving growth in the retail and logistics sectors, and subsequently increasing demand for warehouse and logistics rentals.

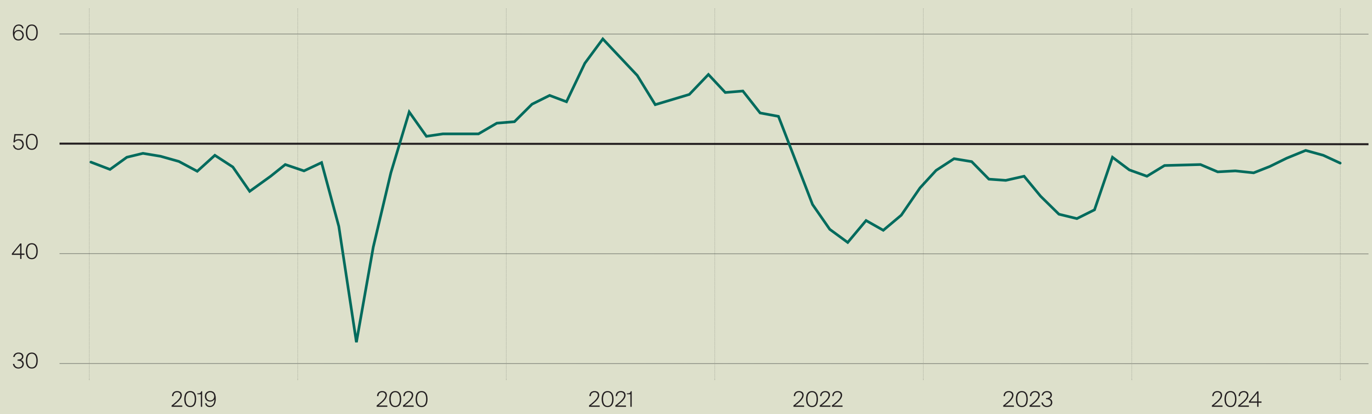
Furthermore, the improving industrial climate, increased production, and better PMI (Purchasing Managers' Index) results are driving further sector growth. The PMI, which measures the health of the industry on a scale from 1 to 100, has remained below the neutral 50-point level since April 2022. However, in 2024, the annual average reached 48.0 points, and by the end of the year, the quarterly index rose to 48.8 points, the highest since Q1 2022, providing a positive outlook for the coming year.

Additionally, Poland's industrial output has increased by 0.3% over the past 12 months, compared to a 1.7% decline in 2022. Poland's average industrial production outpaced both the European Union and Eurozone, which saw declines of 2% and 1.7%, respectively. This growth can be attributed to strong internal demand, growing exports, and the nearshoring trend.

0.3%

Growth in sold industrial production in Poland in 2024. Above the EU and Euro area averages of -2% and -1.7%, respectively.

PMI index in Poland



Source: Eurostat

Trends

- The demand for warehouse rentals is expected to remain strong, largely driven by the growing need for logistics and warehouse spaces from retail and logistics companies.
- Additionally, nearshoring is likely to boost demand in Poland, especially in light of rising global trade tensions and higher tariffs on goods from China. These increased tariffs may prompt companies to explore alternative locations closer to their target markets, encouraging the relocation of production and warehousing to Central and Eastern Europe, including Poland.
- Technical standards of new warehouse developments are undergoing significant changes with developers opting for warehouses with greater heights, exceeding the previous 9-metre standard, allowing for more storage capacity. Additionally, there is growing interest in sustainable solutions aligned with ESG (Environmental, Social, and Governance) guidelines. Also automation is being increasingly adopted in warehouses to improve efficiency, streamline operations, and reduce labour costs.
- The pace of new warehouse space development will remain limited, with the dominant trend being securing most new investments through pre-leases.
- Vacancy rates are expected to decrease due to limited planned new supply and sustained demand.
- Rental prices, after increases in previous years, are expected to remain stable in 2025, reflecting the current market situation.
- The warehouse market will increasingly expand beyond major urban agglomerations, driven by lower land prices, greater availability of skilled labour, and lower labour costs.
- Additionally, the potential end of the Russian-Ukrainian war could positively impact warehouse development in Eastern Poland due to the possible reopening of the Ukrainian market.

Investment market

Warehouses remain one of the most sought-after investment assets in Poland. In 2024, the total investment volume in this sector reached nearly 1.3 billion EUR, representing 25% of the total volume invested in Poland. Investment activity rose significantly by more than 30% compared to the previous year.

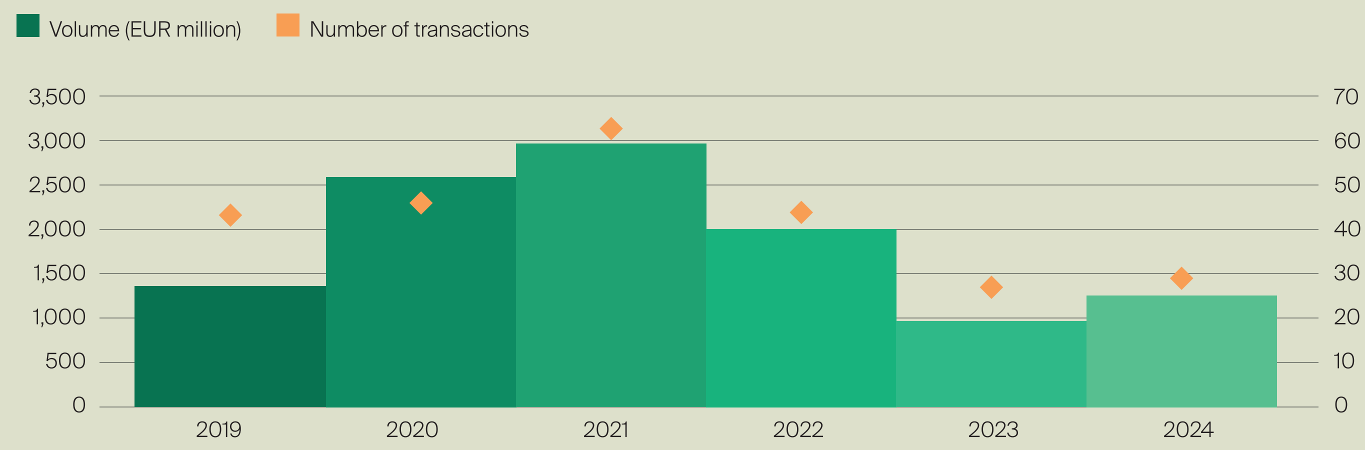
Market liquidity remained stable, with 29 transactions versus 27 in 2023. However, the number of large and portfolio transactions increased, signalling market stabilization and greater capital availability.

Some of the largest warehouse transactions in 2024 included the acquisition of the 7R portfolio by the Czech Investika Real Estate Fund and BUD Holdings for over 140 million EUR, and the purchase of the Diamond Business Park portfolio by the American company Greykite for 132 million EUR. With improved market sentiment and strong leasing performance, the upcoming quarters are expected to see an increase in large transactions and compression in capitalization rates, currently hovering around 6.5%.

EUR 1.3 bn

warehouse investment volume in 2024 (a 30% increase compared to 2023).

Investment volume and number of transactions on the warehouse market



Source: Knight Frank

BTR market

- The Build-to-Rent (BTR) market continues its dynamic growth. By the end of 2024, the total stock in Poland reached 21,300 units, marking a 23.7% increase in new supply compared to the previous year.
- Development activity remains at a high level, with developers planning to deliver a record 9,500 apartments for institutional rental in 2025. This represents an impressive 50% of the current existing stock.
- Demand for BTR properties remains strong, driven by a significant housing deficit in Poland, favourable macroeconomic conditions, and the evolving preferences of younger generations.
- This strong demand ensures that even substantial new supply is quickly absorbed by the market, maintaining vacancy rates at a low level of approximately 4%.
- Moreover, rents are showing an upward trend in both Warsaw and other regional cities, reflecting the ongoing vitality of the BTR market.

Market conditions

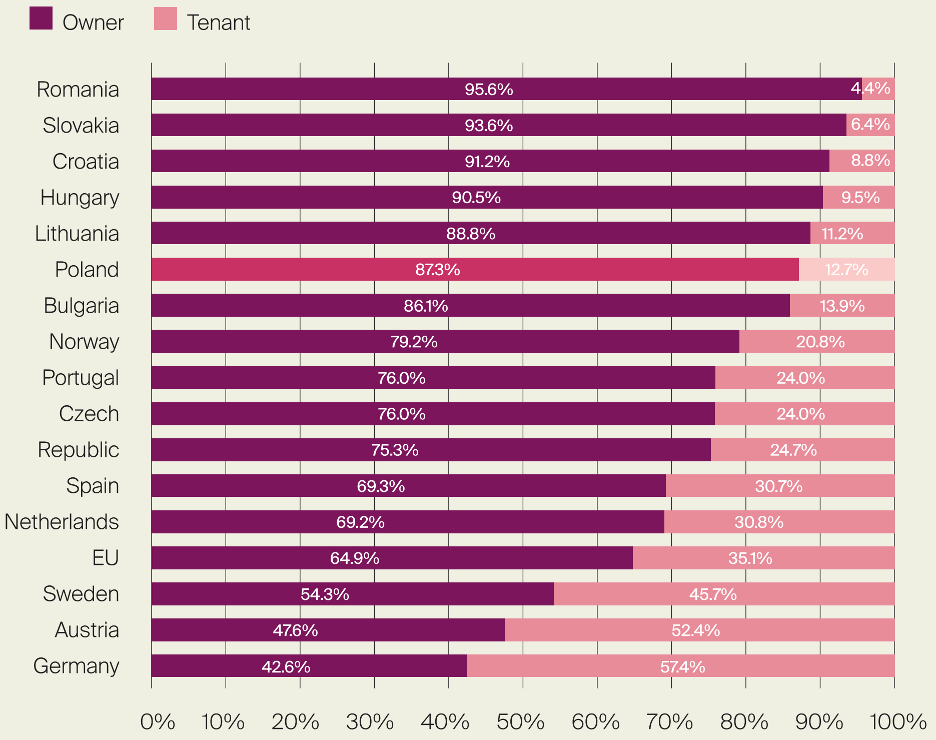
The Build-to-Rent (BTR) market in Poland is still in its early stages of development and currently constitutes approximately 1.8% of the entire rental sector, which is largely dominated by individual landlords. However, the institutional rental segment is experiencing dynamic growth. In 2024, the number of new apartments delivered to the market by institutional investors reached a record 5,800 units, with the growth rate clearly accelerating. This trend indicates the solid foundations and significant potential for further expansion in the BTR market.

The record supply of new apartments is a direct response to persistently high demand. Despite a strong preference for homeownership in Polish society, interest in renting is steadily increasing, benefiting the BTR sector. This shift is driven by socio-demographic changes, including the evolving preferences of younger generations, as well as macroeconomic conditions such as declining purchasing power and rising property prices. A significant factor favouring the development of the BTR sector is the ongoing housing deficit in Poland. Furthermore, investments in this segment are often conducted on service-designated land, contributing to increased housing stock and introducing new housing forms. Strong demand for BTR apartments is also fuelled by the presence of many Ukrainian citizens, who often represent a significant portion of tenants in BTR facilities in major cities.

The BTR market in Poland is evolving rapidly, as demonstrated by the steadily increasing new supply. Over the past five years, the annual number of institutional rental apartments has more than quintupled, rising from 1,100 units in 2019 to nearly 5,800 units in 2024. The new supply delivered in 2024 was, therefore, the highest in the history of the Polish market, representing a remarkable 24% increase compared to the previous record year.

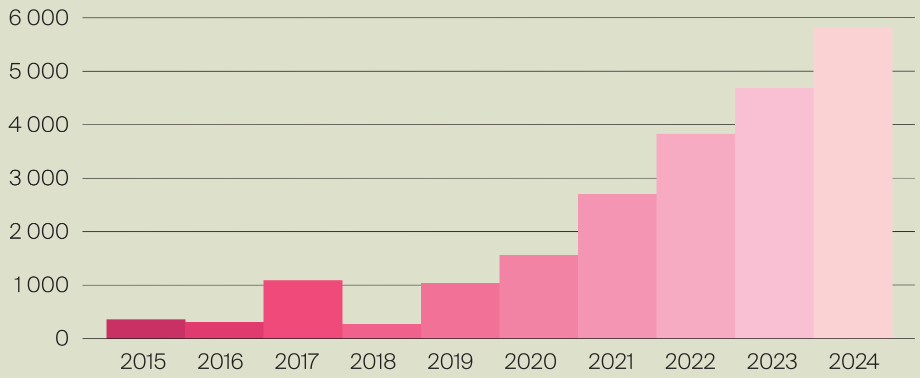
Key projects commissioned in 2024 include Tag Immobilien AG's facility with 420 apartments on Braniborska Street in Wrocław, Resi4Rent's facility with 410 apartments on Brneńska Street in Poznań, and Heimstaden AB's Osiedle Wschodu Słońca with 400 apartments in Warsaw.

Share of people living in households owning or renting their home (2023)



Source: Eurostat

Annual supply of BTR apartments in Poland (2015-2024)



Source: Knight Frank

Currently, Warsaw hosts the largest BTR market in Poland, with the number of institutional rental apartments exceeding 8,000 at the end of the previous year, representing 38% of the country's total stock. Wrocław ranks second with 4,000 rental apartments, while Kraków follows in third with approximately 3,400 units. However, the market is expanding in all major Polish cities, including Poznań, Tricity, Łódź, and Katowice. These cities boast significant populations and are important economic and academic centres, stimulating population inflow and driving demand for rental apartments.

In contrast to other real estate sectors, development activity in the BTR segment remains strong. Despite high construction and financing costs, ongoing demand and rising rental prices favour the initiation of new projects. Currently, 12,000 apartments are in various stages of planning. If developers meet announced deadlines, as many as 9,500 institutional rental apartments will be completed in 2025, meaning that the new supply will once again exceed the previous year's record level. This planned new supply for 2025 will constitute nearly 50% of the current BTR stock.

At the end of 2024, the largest project under construction was Resi4Rent's development on Romanowicza Street in Kraków, which, upon completion, will add approximately 860 apartments to the city's BTR stock. In the coming years, resources in Poznań and the Tricity are also expected to grow, with approximately 4,400 new apartments currently under construction.

The expansion of the BTR sector is not limited to the largest cities in Poland. Projects are currently in preliminary planning and implementation stages in the suburbs of major agglomerations, such as Mysiadło near Warsaw, as well as in smaller cities, including Szczecin and Gorzów Wielkopolski. Factors such as lower land prices and the continuing trend of suburbanization contribute to the attractiveness of BTR investments in peripheral areas, leading to an increase in resident populations. Tenants often choose these facilities for more competitive rental rates and a higher quality of life, thanks to the quieter environments they offer.

The largest investor in the Polish BTR market is Echo Investment, which, at the end of 2024, offered nearly 5,000 apartments (23% of total stock) across 16 facilities available on the Resi4Rent platform. The second-largest player is TAG Immobilien, with over 3,300 rental apartments throughout Poland. Other operators with more than 2,000 units include the Fundusz Mieszkań na Wynajem, Heimstaden AB, and LifeSpot.

12,000

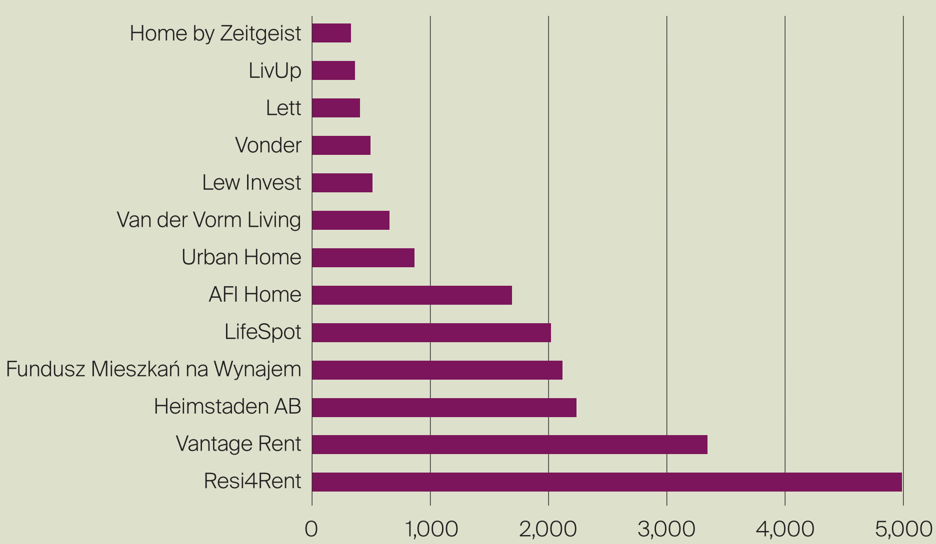
a record number of BTR apartments under construction (Q4 2024)

The institutional rental market is characterized by a rapid pace of commercialization and high occupancy rates. By the end of Q4 2024, the vacancy rate in Poland averaged 4.1%. Due to the large increase in new supply in 2024, this vacancy rate rose compared to the previous year, when it stood at 1.6%. However, this rate remains low, and the ongoing high demand suggests it will remain stable even amid further market expansion.

Rental rates in BTR projects show a stable upward trend, consistent with overall trends in the rental and real estate sales markets.

At the end of 2024, average rental rates in Warsaw ranged from PLN 2,230 to PLN 7,510 per month for a 1-room apartment and from PLN 2,650 to PLN 9,040 per month for a 2-room apartment. Rental

Number of BTR apartments by operator in Poland (Q4 2024)



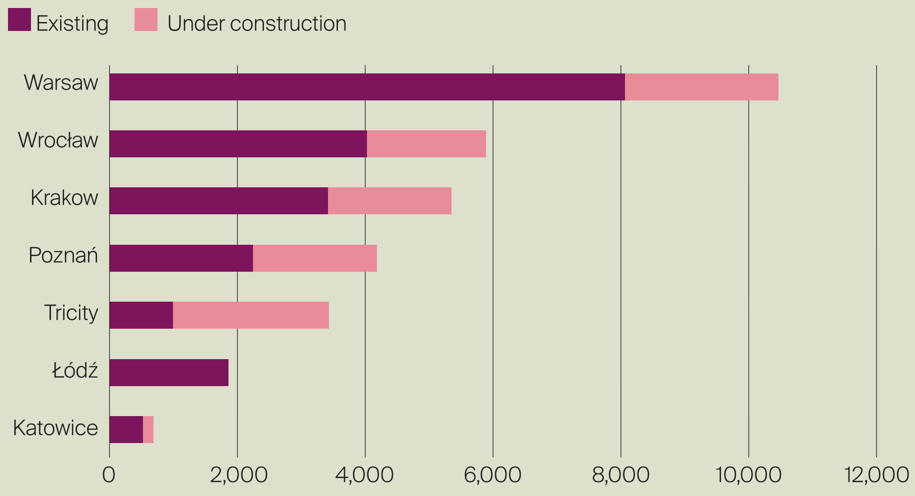
Source: Knight Frank

prices for 3-room apartments in Warsaw averaged PLN 6,820 per month.

In other regional cities, the lowest priced 1-room apartments were found in Poznań, starting at PLN 1,160 per month, while the most expensive are in Kraków, reaching PLN 2,760 per month. For 2-room apartments, tenants paid the least in Łódź and the most in Gdańsk—PLN 1,860 and PLN 3,780 per month, respectively. Prices for 3-room apartments across all regional cities ranged from PLN 3,040 to PLN 6,260 per month.

Ultimately, rental prices depend on the standard of the apartment, its location, and the degree of furnishing. All projects incur additional service and utility fees.

BTR stock by location (Q4 2024)



Source: Knight Frank

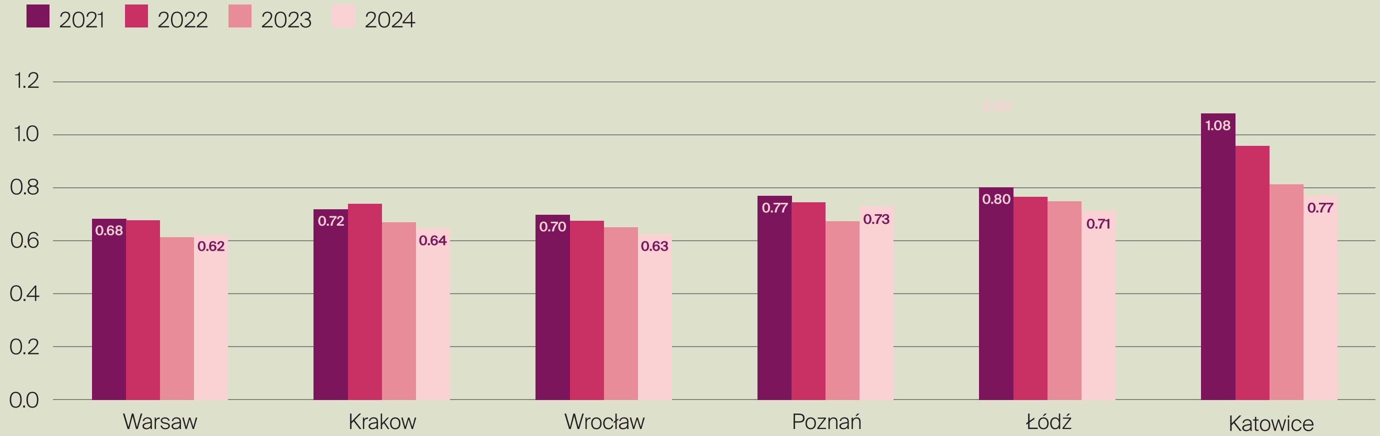
Macroeconomic environment

The Build-to-Rent (BTR) market in Poland is developing dynamically in response to a high housing deficit, declining purchasing power, and socio-demographic changes, including increased mobility among the younger generation and a reluctance to commit to long-term housing solutions. Consequently, housing needs in large cities are increasingly being met through renting.

The dynamics of this trend have been further accelerated by the rapid pace of real estate price growth in the sales market, which has significantly limited opportunities for housing purchases. Over the past four years, during which the BTR sector has experienced substantial growth, real estate purchase prices in the largest cities have nearly doubled. The most significant increases in average asking prices in the primary market were recorded in Wrocław, at 74.3%, while the largest increases in the secondary market were noted in Kraków, at 71.9%.

The rate of housing price growth has outpaced the dynamics of average wage growth, thereby limiting purchase opportunities. In Warsaw, the average monthly salary allows for the purchase of only 0.62 sq m of an apartment on the primary market. This figure has slightly increased compared to the previous year, when it was 0.61 sq m, but it remains significantly lower than in 2021, when it stood at 0.68 sq m. A similar trend is observed in most Polish cities, which is one of the primary reasons for the increase in rental demand and supports the development of the BTR sector.

Average apartment affordability - ratio of average salary to average asking prices (PLN/gross on the primary market in Q4 2024)



Source: Knight Frank based on the Statistics Poland

Trends

- New supply in the Build-to-Rent (BTR) market will continue to increase dynamically, driven by strong demand stemming from the housing deficit in Poland and the growing interest in renting as an alternative to purchasing property.
- Rental prices are expected to remain stable, with a slight upward trend, particularly in prestigious locations.
- Despite the expected growth in new supply, stable demand will positively influence the occupancy rates of BTR projects, helping to keep the national vacancy rate at a low level.
- Development activity in the BTR sector will maintain its focus on the largest cities in Poland. However, lower investment costs and the rising trend of suburbanization will also encourage the implementation of such projects in suburban areas.
- The high dynamics of sales prices in the housing market may prompt investors to redirect some of their resources from the BTR sector to the sales market, especially in instances where projects are built on plots designated for residential development. This shift is indicative of the increasing profitability of apartment sales amid the rapid growth of real estate prices.

Investment market

The total value of investment transactions in the living sector in 2024 amounted to EUR 373 million, demonstrating a steady upward trend. Compared to the previous year, investment volume in this market segment more than doubled, reaching the highest level in the history of the Polish real estate market.

Of the EUR 373 million invested in 2024, the majority—EUR 344 million—was directed towards institutional rental apartments (BTR – Build-to-Rent), while the remaining EUR 29 million was invested in private student housing.

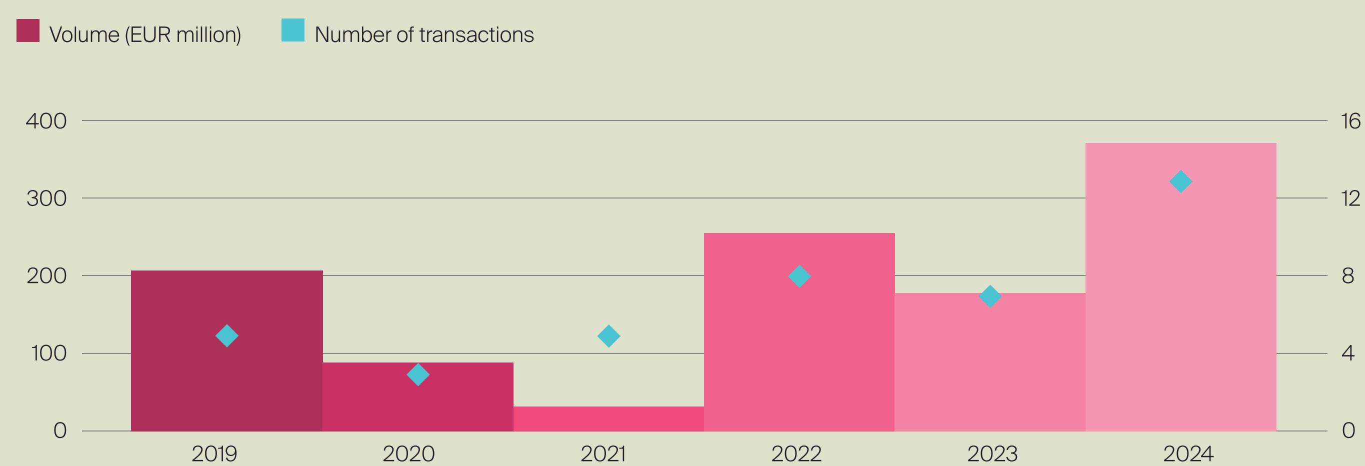
Despite the growing investment activity, the share of the living sector in the total transaction volume remains relatively small, not exceeding 10%. However, the potential for this segment is significant, and further dynamic development is expected due to various demographic and market factors.

Prime yields remain stable, standing at 5.5% for the BTR sector and 6% for the Purpose-Built Student Accommodation (PBSA) sector. These yields are also higher than in Western Europe, which further stimulates capital inflow.

EUR 373m

A record investment volume in Poland's living sector in 2024.

Investment volume and number of transactions in the living sector



Source: Knight Frank

Retail market

- The retail sector remains robust, as demonstrated by the increase in footfall and turnover at shopping centres in 2024, which rose by 0.2% and 4.3%, respectively, compared to 2023.
- The vacancy rate in shopping centres remains low. In Q3 2024, the vacancy rate in the eight largest agglomerations was 3.3%, a decrease from 3.6% recorded in the same period of 2023.
- The growth in turnover reflects the positive dynamics of retail sales in Poland, which saw an increase of 2.7% in 2024 compared to 2023. Consumption continues its upward trajectory, supported by declining inflation and rising wages, which have contributed to an improvement in the purchasing power of Polish consumers.
- The total stock of modern retail space in Poland at the end of 2024 reached nearly 13.5 million sq m. Just over half is located in the eight largest agglomerations, 23% in medium-sized cities (with populations between 100,000 and 400,000), and 26% in smaller urban centres (with less than 100,000 residents).
- The improvement in the sector's performance has driven a surge in developer activity, with 480,000 sq m of new retail space delivered in 2024, the highest volume since 2015.
- Developers are focusing their activity primarily on small cities (with populations under 100,000). These locations accounted for over 40% of new supply, and as much as 75% of the total retail space still under construction.
- Most of the new supply (nearly 70%) consists of small-scale properties with areas not exceeding 20,000 sq m. Medium-sized properties, ranging from 20,000 sq m to 40,000 sq m, made up 23% of the new supply, while large-scale developments are rare, with only one such property completed in 2024 – Nowa Sukcesja in Łódź, the first property of this size since 2019.
- Rents in retail properties are showing an upward trend. The largest increases, exceeding 10%, are seen in the most attractive spaces in retail parks.

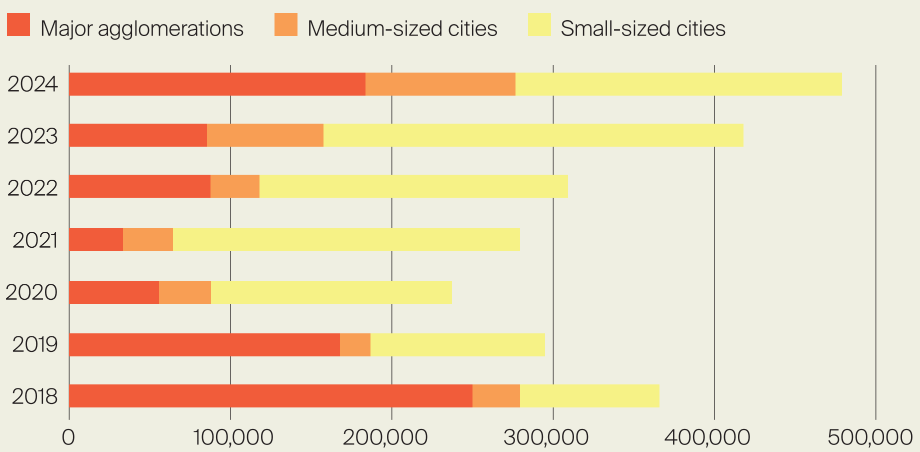
Market conditions

For the past two years, there has been a resurgence in developer activity following a period of stagnation caused by the pandemic and challenging macroeconomic conditions. Improved market sentiment has stimulated this activity, resulting in the delivery of over 480,000 sq m of new retail space in 2024—the highest figure since 2015 and a remarkable 15% increase compared to the previous year.

The majority of new supply continues to be developed in smaller cities with populations under 100,000. In 2024, 200,000 sq m of retail space were delivered in these cities, accounting for 42% of the total new supply. Smaller cities remain a focal point for developers due to lower market saturation, greater land availability, and more affordable land prices. Consequently, over the past four years (2020-2024), retail space in smaller cities has increased by 34%, while the largest metropolitan areas have seen only a 4% growth.

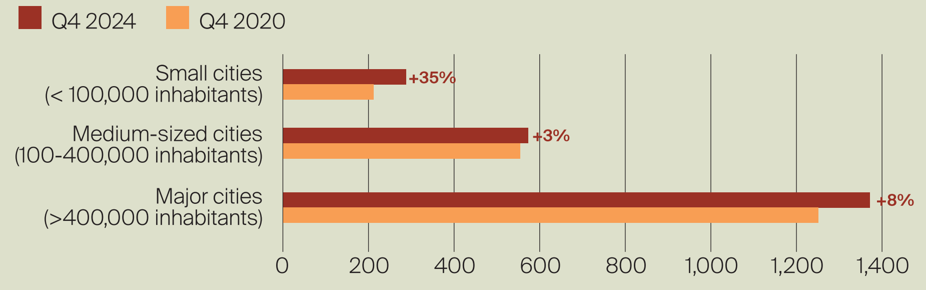
In 2024, there was also a significant increase in developer activity within the eight largest metropolitan areas, where over 180,000 sq m of new retail space were delivered, accounting for 38% of the total new supply. Notably, most of this new space consists of smaller properties, each under 20,000 sq m, reflecting the saturation of large shopping centres and retail parks in these cities. The largest completed project in these major agglomerations was the reopening of the renovated and re-commercialized Nowa Sukcesja shopping centre in Łódź, spanning 42,000 sq m. This marks the first project over 40,000 sq m delivered to the market since 2019, highlighting a potential shift towards the renovation and re-commercialization of existing

Annual supply of retail space by city size (sq m)



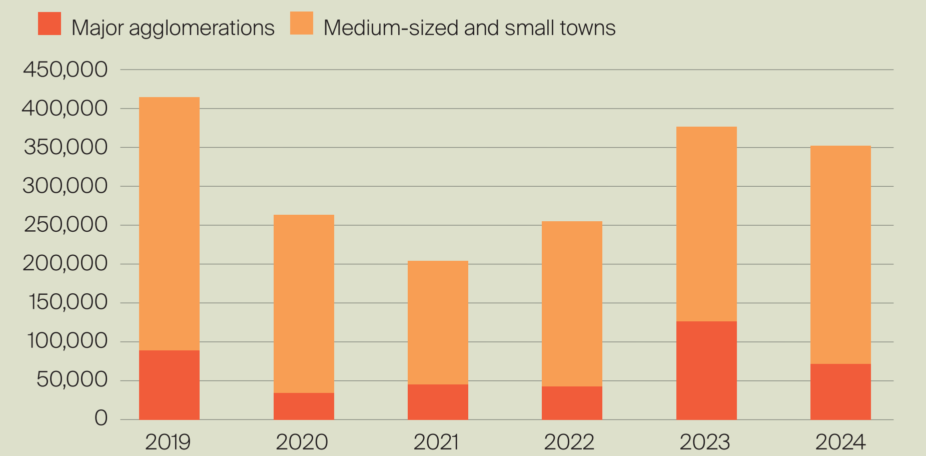
Source: Knight Frank

Retail space saturation by city size (sq m/1,000 inhabitants)



Source: Knight Frank

Retail space under constructions by city size (sq m)



Source: Knight Frank

properties in response to market saturation.

Despite the significant growth in retail space in smaller cities, their level of saturation remains much lower than in the largest metropolitan areas. In smaller cities, the retail space saturation is approximately 300 sq m per 1,000 inhabitants, compared to nearly 1,400 sq m per 1,000 inhabitants in the eight largest metropolitan areas. As a result, the potential of the retail market continues to be concentrated in smaller cities, a trend further reflected in the geographic distribution of retail space currently under construction.

In 2024, retail parks emerged as the dominant format for new retail developments, accounting for 80% of the new supply. They also lead among ongoing projects, representing 64% of the space under construction. The lower construction and operating costs of retail parks enable more competitive rental rates, making them the preferred choice for mid-range and lower-tier retail brands seeking to expand.

Additionally, 10% of the new supply in 2024 came from the expansion of existing properties. With limited land availability and positive sector prospects, property owners are increasingly modernizing and expanding their facilities to maintain a competitive edge. This trend is expected to intensify as market sentiment continues to improve.

Despite the substantial addition of new retail space, the volume of space under construction experienced only a slight decline, further reinforcing the positive outlook for the market. By the end of 2024, 350,000 sq m of modern retail space was under construction, a decrease of just 7% compared to the end of 2023.

The majority of the space under construction (over 80%) is concentrated in smaller and medium-sized cities, where smaller properties, typically under 20,000 sq m, are being developed. Currently, the largest retail project under construction is the Przystanek Karkonosze retail park in Karpacz, which, once completed, will offer 17,000 sq m of retail space.

The retail market in 2024 experienced continued improvement and stabilization, as evidenced by the declining vacancy rates in shopping centres across the largest metropolitan areas. An annual vacancy survey conducted in late July and early August 2024 revealed that the vacancy rate in the eight largest agglomerations decreased to 3.3%, down from 3.6% in the same period the previous year. Most cities saw a decline in vacancy rates, with the most significant changes occurring in the Warsaw (from 4.0% to 3.1%), Tricity (from 4.3% to 3.5%), and Łódź (from 1.8% to 1.2%) agglomerations. However, three metropolitan areas experienced an increase in vacancy rates: Wrocław (from 4.3% to 5.4%), Kraków (from 1.7% to 2.1%), and Poznań (from 4.4% to 4.6%).

Demand for retail space is gradually returning to pre-pandemic levels. In 2024, over 20 new brands debuted on the Polish market, a number comparable to the previous year. Among these new entrants were MR. DIY, Atac Hiper Discount by Auchan, Andre Tan, Santoni, and Isei.

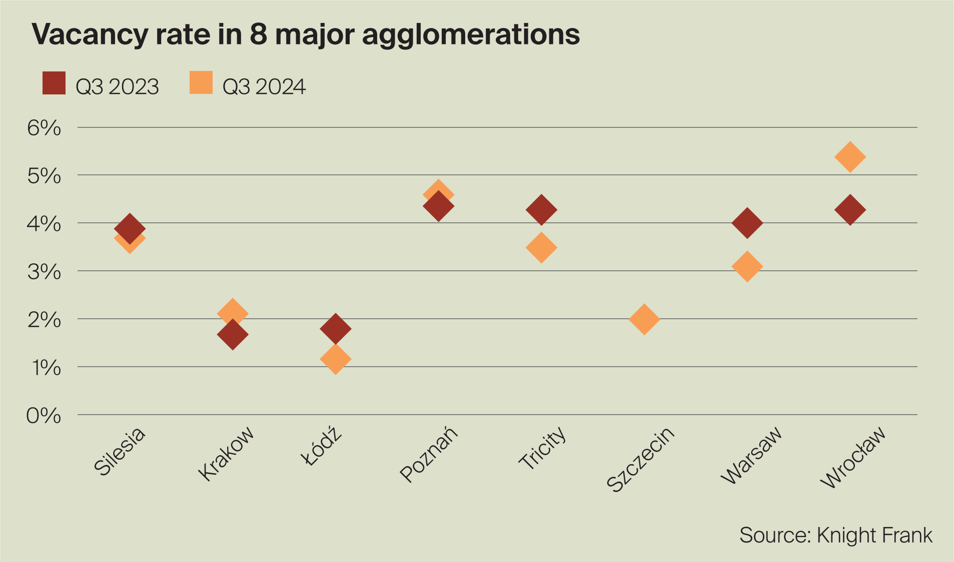
3.3%

Vacancy rates in major agglomerations in August 2024. Down from 3.6% a year earlier.

Footfall in shopping centres, according to the PRCH Footfall Density Index (number of customers per square metre of GLA), was 0.2% higher in 2024 compared to the previous year. Along with the increase in footfall, the turnover for shopping centres also grew at current prices. The best-performing shopping centres in 2024 were medium-sized properties (20,000 - 40,000 sq m), which saw a 4.5% increase in turnover compared to the previous year. Similar growth of 4.2% was recorded in the largest shopping centres (over 60,000 sq m). Large facilities (40,000 - 60,000 sq m) experienced a 4.0% increase, while the smallest shopping centres (5,000 - 20,000 sq m) saw a 2.4% increase.

Rental rates are showing an upward trend, driven by both high demand and low vacancy levels, along with improved consumer sentiment that has contributed to increased turnover in retail schemes. However, rental rates remain varied, depending on the type of property, location, and unit size.

The highest rents are observed in Warsaw, where prime units (around 100 sq m) exceed 125 EUR/sq m/month, while in regional cities, rents are lower, with the highest rates reaching 85 EUR/sq m/month.



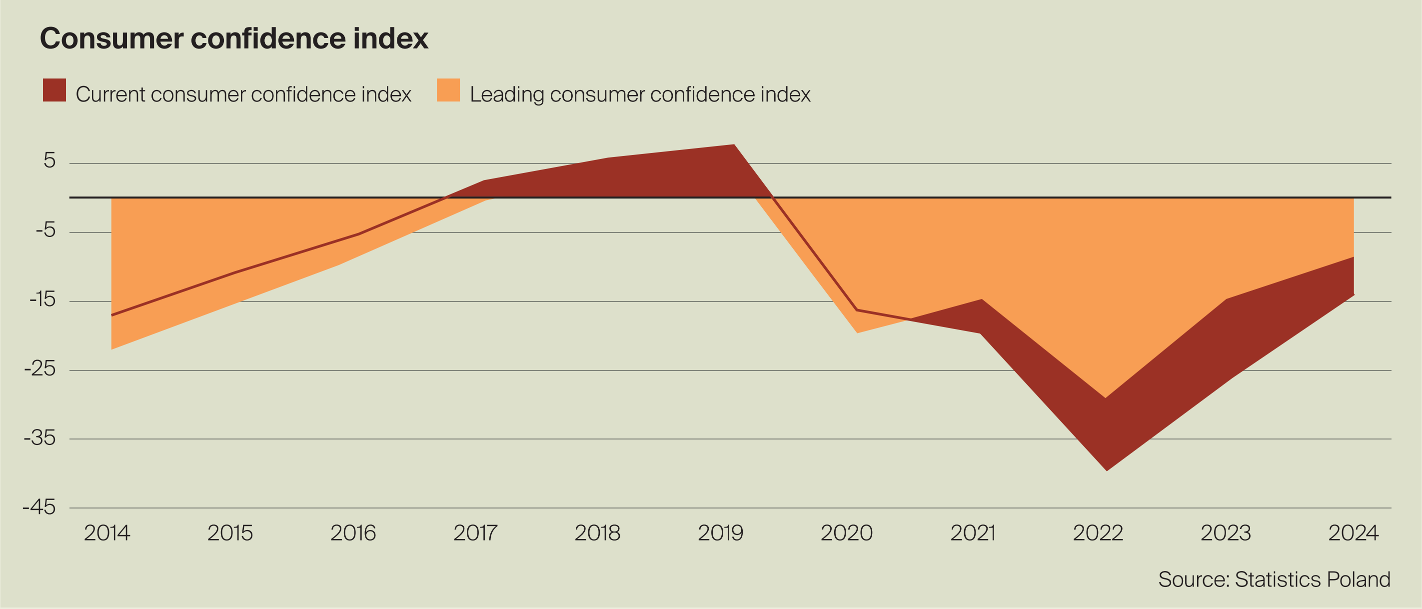
Macroeconomic environment

The retail market remains in good condition. Increased consumer spending and improved retail sales growth in the country have positively impacted shopping centres, which in 2024 experienced higher turnover and footfall compared to the previous year. Additionally, the retail market benefits from a favourable labour market situation, as wages are growing faster than inflation, and Poland boasts one of the lowest unemployment rates in the EU.

Retail sales dynamics in Poland continue their upward trend, with a 2.7% increase in constant prices compared to the previous year, alongside a 3.3% increase in current prices. In 2025, greater consumer spending is anticipated due to declining inflation and wage growth, which will contribute to a more dynamic growth in retail sales.

The positive outlook for the retail market is further confirmed by growing consumer optimism. In 2024, the current consumer confidence index, which reflects current consumption trends, reached a value of -14.0, marking the highest level since the beginning of the pandemic in 2020.

Simultaneously, the leading consumer confidence index, which predicts changes in consumption over the next 12 months, increased by 6.1 points compared to 2023, reaching a level of -8.7. The rise in both consumer confidence indices suggests a gradual recovery in the willingness to spend, which may support the continued development of the retail market in the coming year.



Trends

- Declining inflation and a stable labour market are contributing to further improvements in consumer confidence, which will likely translate into increased retail sales.
- The limited availability of suitable plots, high land prices, and intense competition in major agglomerations are expected to accelerate the expansion and renovation of existing properties in the coming years.
- Given the high saturation of retail space in the largest agglomerations and the growing demand for small-format retail schemes, the future growth of retail space in Poland will primarily focus on smaller cities.
- Stable tenant demand, rising turnover, and increasing footfall will support further growth in rental rates, especially in attractive locations.
- Additionally, improving market conditions are stimulating demand for leasing, which will contribute to a continued decline in vacancy rates. This trend will particularly benefit prime properties due to ongoing market polarization.
- Improvements in macroeconomic conditions are expected to lead to continued growth in both footfall and turnover in shopping centres, reinforcing the positive trend observed in 2024.

Investment market

The total retail investment volume significantly increased in 2024, reaching over EUR 1.6 billion, marking the highest result since 2019. This represents a remarkable growth of more than 270% compared to the previous year and exceeds the average of the last five years.

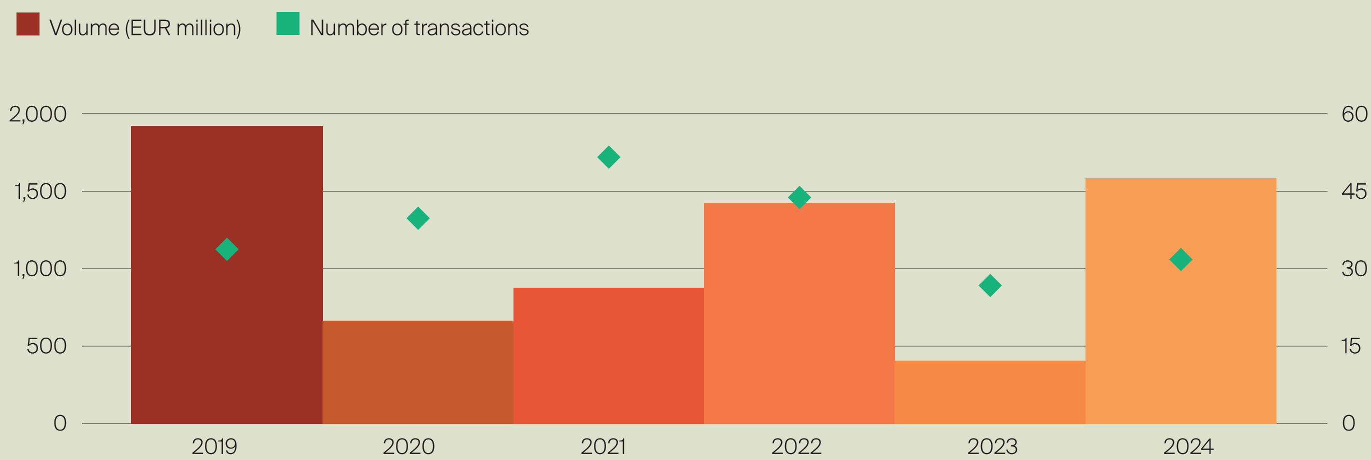
However, this sharp increase was primarily driven by three major transactions, which accounted for 66% of the investment volume. Notable transactions include the sale of Galeria Magnolia in Wrocław for EUR 373 million and Silesia City Centre in Katowice for EUR 405 million. These sales are the first prime shopping centre transactions since 2022. Additionally, in 2024, a portfolio transaction involving Cromwell properties, totalling 220,000 sq m, was completed, with the Czech firm Star Capital Finance purchasing it for EUR 285 million.

These transactions reflect improved market sentiment, increased capital availability, and the strong performance of leading shopping centres, where footfall and turnover have returned to pre-pandemic levels.

Other transactions primarily involved smaller retail parks in lesser towns, highlighting their growing appeal as an investment product.

The retail real estate market remains liquid, with the number of transactions in 2024 slightly exceeding that of the previous year. Prime yields in the shopping centre segment currently stand at 6.25%.

Investment volume and number of transactions in the retail market



Source: Knight Frank

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