

Real Estate Strategic Outlook: Poland

Increasing importance of Poland

Weak H2/2024, but long-term economic outperformer

Mixed near-term outlook on the economy as industrial production and consumer demand remain muted. However, sentiment keeps improving and steadily fading inflationary pressure supports real wages and consumption. Strong long-term GDP outlook with outperformance over European peers. Continuously growing share of overall European GDP.¹

Emerging Investment location: Bridge into Eastern Europe

Growing importance of Poland as investment destination, with the volume of Foreign Direct Investments outpacing the Eurozone or the US for the 5th consecutive year. 2022 alone saw an increase of 23% in the number of investment projects, propelling Poland into Europe's top 10 host countries, being on par with Spain or Italy in 2022.² However, political controversies e.g. about the rule of law, remain points of contention on a European level, though.

Real Estate sector strategy: what and where?

Logistics: EU transformation lending to outperformance

Strong market fundamentals, but also positive effects from long-term trends should make Poland a key beneficiary of changes in the logistics sector. Nearshoring, regionalisation of supply chains, but also the close proximity to Germany, high productivity rates, strong infrastructure and skilled but cheaper labor are clear advantages.

Regional markets like Wroclaw, Poznan or Krakow are likely catching up with Warsaw and play a crucial role in transformation processes. The war in Ukraine is increasing Poland's importance as logistics hub and trade route further.

Office: strong prospects on the back of rent growth and yield convergence

The slowdown in office supply is materialising and together with healthy demand for prime stock likely leading to a supply gap and above historic rent growth at the prime end of the market. The

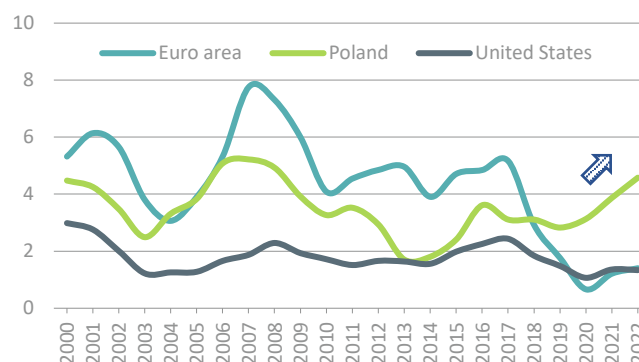
polarisation in tenant and investor demand continues, while persistently weak transaction activity limits competition among investors. Expected yield compression after interest rate stabilisation and convergence towards Western European levels in combination with rent growth, we believe will make the Warsaw office market a European top performer over the next decade.

Residential: ongoing maturation

Net migration from Ukraine is slowing significantly, easing the pressure on residential rental markets across the country. At the same time, government initiatives temporarily shift tenant demand into the occupier market again, limiting domestic rental requirements. After excessive double digit growth rates in 2022, rents are likely trending sideways in the short-term. Nonetheless, the rental market is maturing further, being boosted by one-off effects from migration in 2022. Warsaw and key regional markets remain preferred targets, also for opportunities in the operational residential subsegment.

Growing Importance: Foreign Direct Investments

% GDP, 3-yr rolling average



Source: Worldbank, June 2023

¹ Oxford Economics, June 2023

² Worldbank, EY, June 2023

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