

## Real Estate Strategic Outlook: Poland

### Back on track for medium-term outperformance

#### Strong economic rebound

Economic activity in Poland rebounded in mid-2024, with expectations of a continued recovery into next year. At a projected 3.6% in 2025, GDP appears well on track to outperform the rest of continental Europe again. As a result, GDP per head has nearly doubled over the past decade, outpacing the Eurozone.<sup>1</sup>

#### Polish REITs a game changer?

Earlier this year, the EU paved the way for €137bn in loans and grants, which are now beginning to flow. The latest approval of €9.4bn is the largest single transfer ever received by Poland, equating to more than 1% of GDP. This substantial influx of funds is a welcome push to the economy and real estate market.<sup>2</sup>

In addition, the potential introduction of Polish REITs could give another boost to the real estate sector by tapping into domestic capital sources. With an estimated long-term investment volume of PLN 20bn, local REITs could have a significant impact.<sup>3</sup>

### Real estate sector strategy: what and where?

#### Logistics: consumer play & reshoring

In our view the prospect for the Polish logistics market is increasingly bright. Urban locations should benefit from a growing economy and domestic consumer base, ready to spend. Meanwhile, manufacturing hubs, such as in Silesia, should gain from re-shoring trends, triggered by global supply chain adjustments. The combination of inexpensive, yet skilled labour and an expanding infrastructure network make the case for Poland.

On the supply side, a moderation is under way. Development starts have eased, which should allow vacancy rates to fall and put renewed pressure on rents. For last mile assets, we forecast rent growth to approach 4% p.a. in the coming years. In line with the improving investment case, yields are expected to compress by c.100bps, bringing Poland closer to its European peers.

#### Office: market bifurcation continues

The upward trend for Warsaw prime rents remains intact. While take-up is aligned with the five-year average, the supply picture remains muted and well below pre-pandemic highs. Moreover, the prime end of the market is pulling ahead. We estimate prime rent growth to exceed 3% p.a. over the next five years, with a clear tendency for “flight to quality”. Vacancy rates for prime stock are trending down, being sub 4% for newly built assets in central locations, while overall vacancy remains in double digits.

At the same time, investor sentiment is still subdued. Transaction volumes are well below their peak, with no yield compression materialising so far. Here we expect the Polish market to follow European gateway cities with a time lag. Regardless, we firmly believe in the strong medium-term outlook for Warsaw, positioning the city among the top performers in a European context.<sup>4</sup>

#### Residential: operational residential as initial tenant solution

Poland is becoming an increasingly attractive business destination, leading to a rise in demand for rental accommodation. At the same time, affordability constraints and the discontinuation of government support programs are limiting opportunities for first-time buyers. As a result, flexible operational residential solutions are emerging as a natural choice for new market entrants in key markets like Warsaw.

GDP Per Head (USD lhs, Index 2016 = 100, rhs)



Source: IMF, November 2024

<sup>1</sup> Oxford Economics, November 2024

<sup>2</sup> European Commission, Q1 2024, Reuters, November 2024

<sup>3</sup> JLL, Q3 2024

<sup>4</sup> PMA, JLL, DWS Q3 2024

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