

Real Estate Strategic Outlook: Poland

Tailwind for Poland's Economy and RE markets

Long-term economic outperformer

While the weak external environment still weighs on the Polish economy, leading to expected GDP growth of 0.3% in 2023, the outlook for 2024 is much brighter. A significant drop in inflation from double-digit levels in 2023, falling unemployment and a rebound in domestic demand would lead to economic outperformance in a European context in 2024 and beyond.¹

EU funding seen as catalyst for further economic growth

The latest election results might help overcome the deadlock over EU funding, which in turn could prove to be an additional push for the Polish economy. A total of over €150bn (or more than 20% of GDP) in loans and grants from various EU programs are becoming available in the coming years, also boosting infrastructure projects and a green transformation.² The first €5bn from the EU's post-pandemic recovery funds are already being released at year-end 2023.

Real Estate sector strategy: what and where?

Logistics: Beneficiary from EU funding and transformation

The Polish logistics sector is likely to profit directly from EU inflows into infrastructure investments, which will be in addition to strong market fundamentals and positive effects from long-term trends, like nearshoring or the regionalisation of supply chains. Together with advantages like high productivity rates, skilled but cheap labour, but also close proximity to the German market make the case for Polish logistics. These trends are not focused on Warsaw alone, but regional markets are seen to profit as well.

Office: economic convergence creating tenant demand

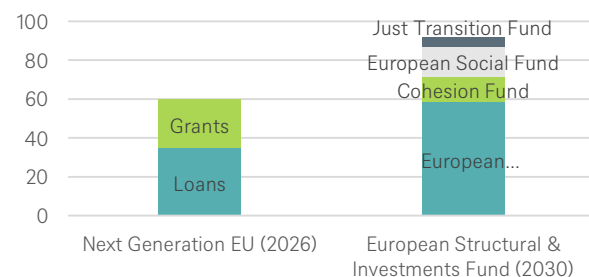
Polarisation and a growing supply gap at the prime end of the market remain key drivers in the Polish office market. While vacancy rates still stand in double-digit territory and are only slowly melting away, demand for prime assets is

increasing, which in turn is leading to elevated rent growth. Going forward we expect this trend to continue, as Poland's economic power is further converging with its European peers, making Warsaw an increasingly important office hub. In addition, the easing interest rate environment is expected to lead to renewed yield compression in the medium term, pushing the Warsaw office market into the top ranks in Europe for market performance.

Residential: Focus on operational residential

While the homeowner market is gaining traction again, the rental sector still continues to offer opportunities, not least due to price increases of private dwellings, which work in favour of rental accommodation. Net migration from Ukraine is fading, easing pressure on rental markets and rent growth for standard residential dwellings. Nonetheless, established ties could lead to a long lasting influx of much-needed workers and students from neighboring countries. Moreover, in light of the increasing attractiveness of Poland as a business destination, demand for operational residential solutions, namely co-living and student housing is likely to increase as well. Warsaw and major regional markets will remain key destinations in this regard.

Available EU Funding to Poland (€ bn)



Source: European Commission, Oxford Economics, December 2023

¹ Oxford Economics, December 2023

² European Commission, Oxford Economics, December 2023

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