

## Real Estate Strategic Outlook: Poland

### Economic outlook positively impacting RE markets

#### Back on track for economic outperformance

Economic activity in Poland returned to growth in early 2024, boding well for the rest of the year. With an expected GDP growth rate of around 2.4% in 2024 and 3.4% in 2025, the Polish economy is set to outperform in an European context again. As inflation continues to fall, a rebound in real incomes and recovering consumer spending should be significant drivers of the recovery.<sup>1</sup>

#### Economic growth further facilitated by EU funding

Another driver for economic outperformance is the availability of EU funding, that Poland finally seems to be able to tap into. The European Commission unblocked another €6.3bn in late February, paving the way for a total of €137bn in EU loans and grants.<sup>2</sup>

Together with strong growth prospects, this is positively impacting foreign investments, as the record number of newly established companies with foreign capital indicates.<sup>3</sup> Real estate markets are likely to benefit as well, since Poland continues to devote sizeable resources into the development of its infrastructure network.<sup>4</sup>

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

#### Logistics: rebound ahead

After a very strong Covid-induced performance in 2022, the Polish logistics sector slowed last year due to increasing supply and normalising tenant demand. Going forward, this trend is likely to reverse, given the moderation in stock under construction and an expected rebound in tenant demand, not least due to EU funding and infrastructure investments.

Poland, alongside other CEE markets, is also set to benefit from positive longer-term trends in the logistics sector. The country benefits from cheap skilled labour, as well as close proximity and growing economic ties to Germany. As such, the sector is bound for growth in the years ahead, including in key regional markets.

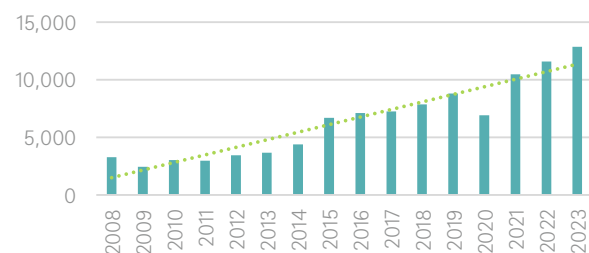
#### Office: two speed market due to polarisation and flight to quality

Supply remains limited and net additions have fallen sharply as weaker assets are converted or withdrawn from the market. Tenant demand is expected to rebound in line with the strong office employment growth, leading to falling vacancy rates and accelerated rent growth in prime locations. Investment sentiment is expected to return gradually, leading to renewed yield compression. This makes the case for a strong medium-to-long-term outlook in Warsaw, placing the city among the top ranks in Europe.

#### Residential: operational residential set to grow

Although the Polish residential market remains heavily skewed towards owner occupation, not least due to strong government support of late, the rental market is maturing further. Going forward, the rental sector is likely to grow, given rising affordability constraints for first-time-buyers, but also the increasing attractiveness of Poland as a business destination, which limits outmigration, but also triggers immigration of much-needed workers and students. Warsaw and major regional markets will remain key destinations in this regard, also pushing demand for operational residential solutions, which are natural initial choices for many newcomers due to their flexible offerings.

#### Newly Established Companies with Foreign Capital



Source: Centralny Ośrodek Informacji Gospodarczej, May 2024

<sup>1</sup> DWS, May 2024

<sup>2</sup> European Commission, February 2024

<sup>3</sup> Centralny Ośrodek Informacji Gospodarczej, May 2024

<sup>4</sup> International trade administration, January 2024

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# Real Estate Research Team

## Office Locations

### Frankfurt

Mainzer Landstrasse 11-17  
60329 Frankfurt am Main  
Germany  
Tel: +49 69 71909 0

### London

45 Cannon Street  
London, EC4m 5SB  
United Kingdom  
Tel: +44 20 754 58000

### New York

875 Third Avenue  
26<sup>th</sup> Floor  
New York  
NY 10022-6225  
United States  
Tel: +1 212 454 3414

### San Francisco

101 California Street  
24<sup>th</sup> Floor  
San Francisco  
CA 94111  
United States  
Tel: +1 415 781 3300

### Singapore

One Raffles Quay  
South Tower  
15<sup>th</sup> Floor  
Singapore 048583  
Tel: +65 6538 7011

### Tokyo

Sanno Park Tower  
2-11-1 Nagata-cho  
Chiyoda-Ku  
18<sup>th</sup> Floor  
Tokyo  
Japan  
Tel: +81 3 5156 6000

### Sydney

Level 16, Deutsche Bank Place  
Corner of Hunter and Phillip Streets  
Sydney NSW 2000  
Australia  
Tel: +61 2 8258 1234

## Teams

### Global

#### Kevin White, CFA

Global Co-Head of Real Estate Research

#### Simon Wallace

Global Co-Head of Real Estate Research

### Americas

#### Brooks Wells

Head of Research, Americas

#### Liliana Diaconu, CFA

Office & Retail Research

#### Ross Adams

Industrial Research

#### Sharim Sohail

Self-Storage Research

### Europe

#### Ruben Bos, CFA

Head of Real Estate Investment Strategy, Europe

#### Tom Francis

Property Market Research

#### Siena Golan

Property Market Research

#### Rosie Hunt

Property Market Research

#### Carsten Lieser

Property Market Research

#### Martin Lippmann

Head of Real Estate Research, Europe

### Asia Pacific

#### Koichiro Obu

Head of Real Estate Research, Asia Pacific

#### Seng-Hong Teng

Property Market Research

#### Hyunwoo Kim

Property Market Research

#### Matthew Persson

Property Market Research

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**Author**



**Martin Lippmann**  
Head of Real Estate Research, Europe

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