Investment market in Poland

Knight Frank

Q1 2025

Overview of the commercial property investment market in Poland, review and outlook.

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The Polish investment market is currently in the recovery phase of the cycle, as reflected by increasing transaction volumes and a substantial number of deals in advanced stages of negotiation. The market is benefiting from the growing involvement of institutional investors alongside local capital, which supports a highly positive outlook for the coming quarters.

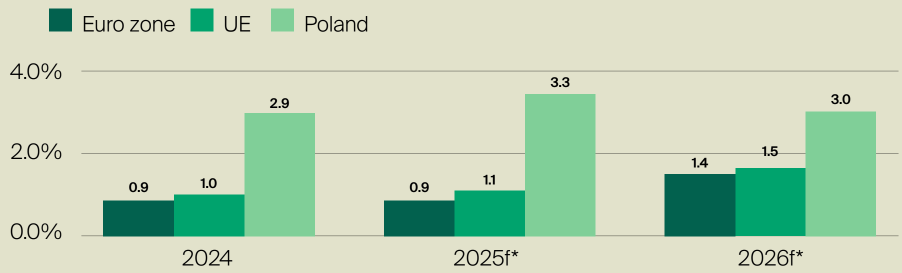
INVESTMENT MARKET IN POLAND – Q1 2025

In the first quarter of 2025, the Polish investment market maintained the upward trend that began in 2024. The total investment volume surpassed EUR 686 million, marking a 64% increase compared to the same period last year. Concurrently, market liquidity improved, with the number of transactions reaching its highest level in the past five years.

This market revival is well-balanced and encompasses almost all sectors, reflecting the strong fundamentals of the Polish real estate market alongside favourable macroeconomic indicators.

While an anticipated economic slowdown in the European Union - caused by trade tensions and tariff barriers - is expected to have a limited impact on Poland, GDP growth forecasts for the coming years are around 3%, positioning the country among the leaders in the EU. Additionally, in the long term, Poland may benefit from changes in trade tariffs, driven by the increasing significance of nearshoring and the relocation of production and logistics to Central Europe. This trend is likely to enhance demand for modern warehouse space in Poland.

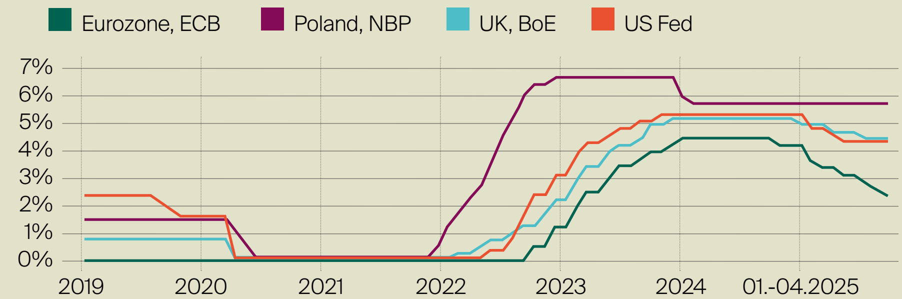
GDP growth rate



*f - forecast

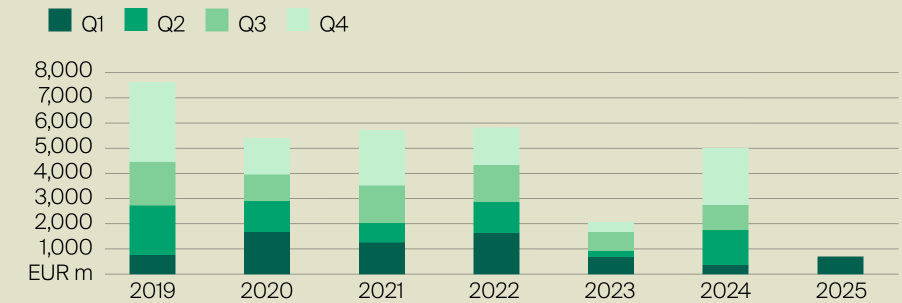
Source: Knight Frank

Central banks key interest rates



Source: NBP, BoE, US Fed, ECB

Investment volume by quarter



Source: Knight Frank

Moreover, the ongoing monetary easing by major central banks is also positively impacting the investment market by increasing capital availability and reducing financing costs. As a result, investor activity is on the rise, with institutional investors increasingly allocating capital to prime assets with substantial volumes.

Additionally, the investment market is expanding due to the increased involvement of domestic capital. In Q1 2025, Polish capital accounted for EUR 116 million, representing a record 17% share of the total investment volume in Poland. Other notable sources of capital during this quarter include Israel (17% share), the USA (13%), Ukraine (10%), and the United Kingdom (9%).

3.4%

Projected GDP growth in Poland in 2025 - one of the highest in UE.

WAREHOUSE MARKET

In Q1 2025, the investment volume in warehouse properties exceeded EUR 202 million, representing 29% of the total investment volume. This figure surpassed both the office and retail sectors, underscoring the robust interest from investors in the warehouse market and affirming Poland's strong position in Europe.

Several factors are contributing to the ongoing development of this sector, including substantial infrastructure investments and the rapid growth of the e-commerce sector. Notably, demand in Q1 2025 reached 1.1 million sq m, approximately 16% higher than in the same period the previous year.

The investment volume in warehouse properties rose by 47% compared to the previous year, with almost the same number of transactions being recorded. All agreements involved high-quality assets situated in key hubs like Warsaw and the Tricity. Predominantly, large institutional investors made up the buyer demographic, and their increasing activity indicates a positive trend for the market, suggesting further growth in investment volume in the upcoming quarters.

Prime yields in Q1 2025 remained stable at 6.5–6.75%, much above yields achieved in Western Europe.

RETAIL MARKET

The total transaction value in retail properties for Q1 2025 exceeded EUR 189 million, representing a threefold increase compared to the same period last year. Simultaneously, the number of transactions doubled, rising from 7 in Q1 2024 to 14 in Q1 2025. The retail sector's share of the total investment volume remained significant at 27%, second only to the warehouse sector.

Most transactions continue to involve small retail properties located in smaller towns, with values not exceeding EUR 20 million. In the first quarter, only four transactions with larger volumes were recorded, none surpassing EUR 35 million.
In the retail market for Q1 2025, local capital is highly prominent, with Polish entities participating in half of all transactions.

Prime yields are estimated to remain at the same level as in the previous quarter, with the best shopping centres in major agglomerations yielding above 6%.

OFFICE MARKET

The total value of investment transactions in office properties for Q1 2025 reached EUR 176 million, reflecting a 64% increase compared to the same period last year. The number of transactions also rose from 8 in Q1 2024 to 11 in Q1 2025. The office sector maintains a significant share in the market structure, accounting for 26% of the total investment volume in Q1 2025.

Prime yields in Poland

6.5% WAREHOUSES

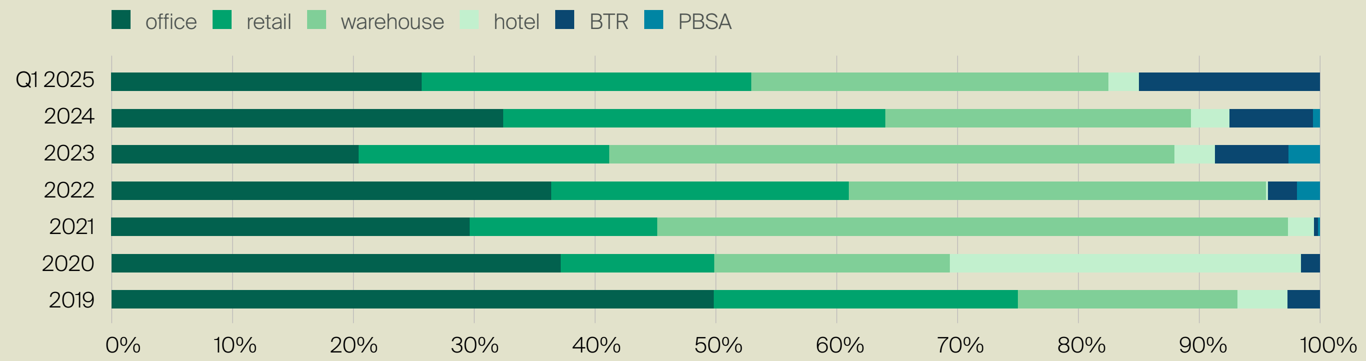
6.0% OFFICES

6.0% SHOPPING CENTRES

5.5% BTR

6.0% PBSA

Investment volume by sector



Source: Knight Frank

Unlike the previous year, most transactions involved assets located outside of Warsaw and acquired by local or regional capital. These transactions were largely opportunistic, offering yields exceeding 10% and with values ranging from EUR 600 to 1,500 per sq m. Warsaw saw three transactions recorded in Q1 2025, however accounting for more than half of the investment volume in office properties.

The sector shows promising prospects due to several factors, including a revival in economic activity within Poland and the country's stable position as a key outsourcing market globally. This stability has resulted in increasingly positive outcomes in the leasing market, with demand for leasing in Q1 2025 rising by above 20% compared to Q1 2024. Such developments further enhance investor confidence in the market.

The prime yields in the sector are estimated to remain consistent with those in Q4 2024, slightly exceeding 6%.

64%

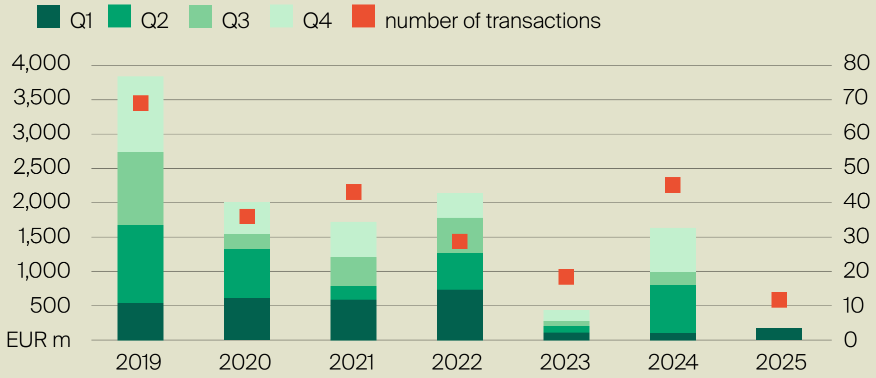
Increase in investment volume in Poland in Q1 2025 relative to Q1 2024.

LIVING SECTOR

In Q1 2025, the investment volume in the Build-to-Rent (BTR) sector reached approximately EUR 100 million, accounting for a 15% share of the total investment volume. This sector continues to attract investors, partly due to prime yields that are higher than those in Western Europe, currently standing at 5.5% for BTR and 6% for Purpose-Built Student Accommodation (PBSA).

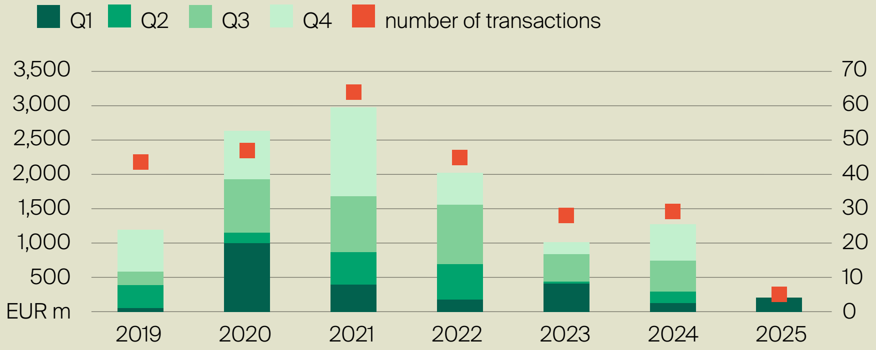
The living sector in Poland remains particularly promising due to a significant housing deficit, a positive migration balance, and an increasing number of students. These factors contribute to robust performance in the leasing market and bolster investor confidence in the sector.

Office investment volume in Poland



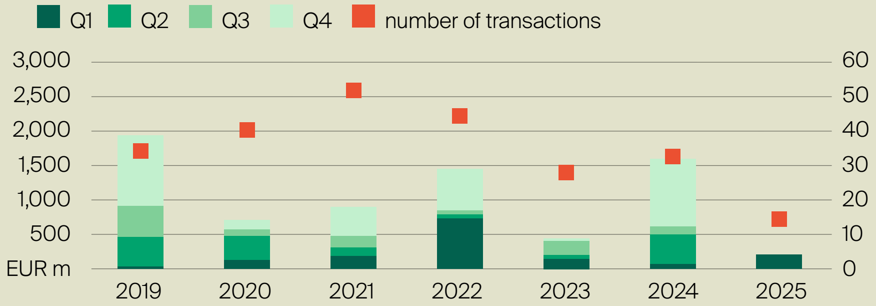
Source: Knight Frank

Warehouse investment volume in Poland



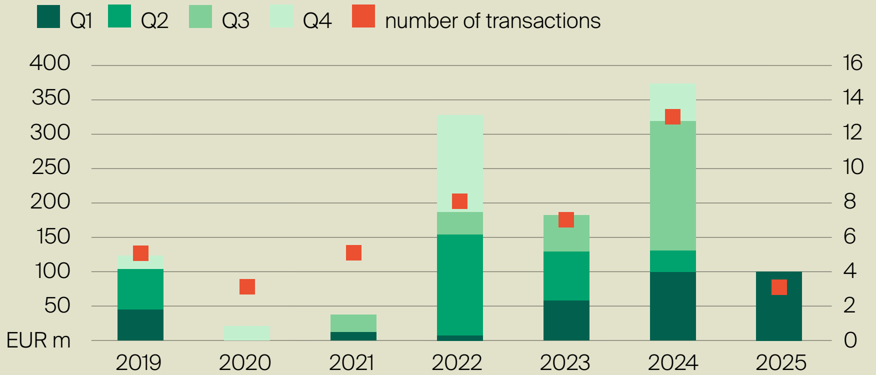
Source: Knight Frank

Retail investment volume in Poland



Source: Knight Frank

Living sector investment volume in Poland



Source: Knight Frank

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