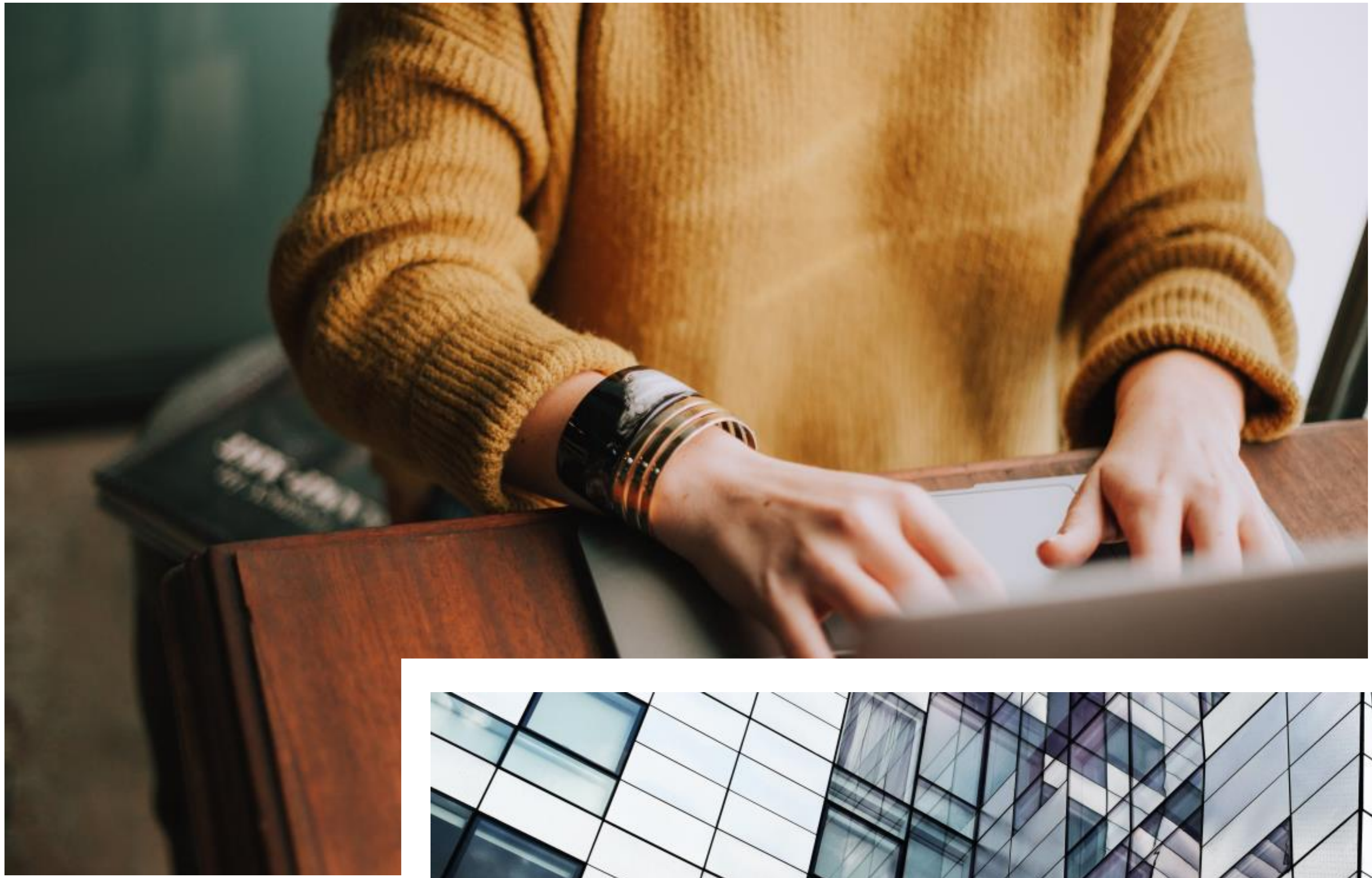


Highlights
2024
&
Predictions
2025
CEE-6
Real Estate Market

January 2025

Introduction

We are thrilled to present the **Highlights 2024 & Predictions 2025: Real Estate Market** publication, offering a comprehensive overview of the trends that shaped the commercial real estate market in the past year and the anticipated developments for the year ahead. This analysis focuses on the largest Central and Eastern European (CEE) economies: Bulgaria, the Czech Republic, Hungary, Poland, Romania, and Slovakia.

In line with regional economic activity, the CEE real estate market has been primarily driven by strong consumer demand, with the residential, retail, and tourism sectors benefiting from a vigorous recovery. Despite elevated levels of global uncertainty, investor sentiment toward the CEE region remained positive which continued to attract significant portfolio inflows.

At the same time, the industrial sector has faced headwinds due to a sluggish economic rebound in Western Europe, particularly within Germany's struggling industrial base. Geopolitical risks and the global shift toward protectionism have added to these challenges. However, these obstacles also present opportunities for the CEE region to strengthen its position in global supply chains. With its cost competitiveness, strong investment appeal, and improving economic conditions, the region is well-positioned to thrive in the evolving international landscape.

We hope you find this report both insightful and engaging!

Grzegorz Sielewicz
Head of Economic and Market Insights CEE
grzegorz.sielewicz@colliers.com
M: +48 663 990 161

Silviu Pop
Director, Research
Romania & CEE
silviu.pop@colliers.com
M: +40 21 319 77 77

Dominika Jędrak
Director, Market Insights
Poland & CEE
dominika.jedrak@colliers.com
M: +48 666 819 242

Josefína Kurfürstová
Senior Analyst
CEE Business Intelligence
josefina.kurfurstova@colliers.com
M: +420 733 738 295

Macroeconomic overview

Economic recovery amid challenges

Economic activity in CEE countries improved significantly in 2024 after a weak performance in 2023. While the regional average GDP growth rate was just 0.6% in 2023, it accelerated to 1.8% in 2024 according to Colliers' estimates. The CEE economies benefited from declining inflation, which spurred a recovery in household consumption amid rising wages. Furthermore, weaker inflationary pressures allowed regional central banks to cut interest rates, even ahead of the European Central Bank's easing of monetary policy. Additional interest rate cuts in the CEE region are expected in 2025, although the scale of each move is likely to be more modest than earlier reductions.

While inflation appears to be under control, the potential for further significant decreases is limited, particularly due to rising prices in services and, more recently, food products. As a result, central banks are expected to adopt a dual approach: supporting economies with lower financing costs while remaining cautious about the risk of strong labour markets triggering renewed inflationary pressures.

According to Colliers' forecasts, the average GDP growth in the CEE region will reach 2.8% in 2025. All countries in the region are expected to achieve at least 2% growth, with Poland's economy projected to grow the most rapidly at 3.5%. Growth will be driven by rising investments, partially co-financed by EU funds, which CEE countries have effectively utilised. These investments are set to recover after a weaker absorption period caused by the transition to the new EU budget cycle. However, external challenges remain a primary concern for the region. The struggling German industry, particularly its automotive sector, continues to limit the potential for a stronger recovery in the CEE region due to its close trade ties with the largest Eurozone economy.

Geopolitics still impactful

The CEE region's economic openness and its integration into global supply chains make it particularly vulnerable to international developments. Factors such as the war in Ukraine, conflict in the Middle East, tensions between China and Taiwan, and the potential impact of Donald Trump's return as U.S. President all present uncertainties for the region.

Nevertheless, the CEE region has demonstrated resilience in the face of various challenges, adapting promptly to changing circumstances. As the global economy trends toward increased protectionism, the CEE region could capitalise on opportunities in a reshaped global environment, enhancing its share in world trade and attracting new investments.

Highlights 2024 in CEE Region

Office
CEE office markets in 2024 were characterised by historically low levels of new supply in all major office markets of the six states, including the six capital cities. Bucharest saw virtually no deliveries in the first three quarters, whilst cities like Warsaw, Prague and Bratislava experienced a sharp decline from the previous year. Lease renewals dominated transaction activity region-wide, with focus on quality, as prime properties achieved premium rental rates and high occupancy.

Investment
Investment markets showed varied recovery patterns across CEE in 2024. Romania nearly doubled its volumes from the previous year, whilst Poland recovered and saw strong retail portfolio sales. The Czech market remained at the volumes from 2023, but Czech investors continue being increasingly active across the region. Prime yields showed signs of bottoming out in most markets, with early recovery signs in Poland and the Czech Republic.

Industrial
The industrial sector witnessed a slowdown in 2024 across CEE. Poland saw a significant decline in new construction, as did, to a certain extent, the rest of the countries in the region, following a significant decline in demand region wide. Rental growth has stabilised across the region, particularly in the Czech Republic and Romania. Vacancy rates grew in most countries but at varying speeds and were affected by specificities of the local market.

Retail
Retail and tourism sectors demonstrated robust recovery across CEE in 2024. Retail sales rebounded strongly in Romania and Hungary, whilst shopping centres remained active with new developments. Poland attracted notable international brands. The tourism and hospitality sector paralleled this growth, with Romania reaching historic highs and Hungary and Bulgaria seeing strong increases in both domestic and international visitors.

Residential
Residential markets remained robust despite high interest rates, with Hungary seeing substantial increase in transactions and Romania reporting record-high purchase intentions. Supply constraints emerged as a common theme, with Bucharest's building permits at historic lows. Poland and the Czech Republic saw a notable shift towards the institutional rental sector.

Predictions 2025 in CEE Region

Office
We expect 2025 to bring more of the same: across the region, hybrid work is still influencing tenant demands and companies are optimizing office spaces for efficiency, employee attraction, and well-being. Demand for smart office solutions like remote access management, occupancy analytics, and well-being features is seen increasing, while ESG-compliant buildings remain in focus. Meanwhile, construction activity remains constrained as overall demand looks sluggish, but interest for high quality buildings is still decent, potentially leading to a tale of two markets across many areas of the CEE region.

Investment
Investment activity is seen picking up for the most part, with particular optimism in Poland and Slovakia. We also note the rising relevance of regional investors through 2025 amid a reduced foreign presence. We expect the lower interest rates to start feeding into more optimism, while the growing focus on ESG compliance will make the relevant prime assets more attractive. Of special relevance to the region is the potential REIT legislation in Poland, which could transform the market there and inspire other countries to follow suit.

Industrial
Stabilising construction costs are seen unlocking new industrial developments, while demand remains regionally varied. For instance, some countries are expecting to see a somewhat lower leasing demand amid a softer external picture, while others are seeing stabilisation. Prime locations and transport corridors (particularly in Hungary and Poland) will continue to attract most investments, while we also note throughout most of the region, a rising interest from Asian companies looking at logistics or manufacturing.

Retail
The landscape of new projects continues to be dominated by retail parks, partly reflecting consumers' preference for convenience/proximity, while also allowing developers to have a smaller financial footprint; meanwhile, large traditional schemes are still not too prevalent on the radar as the markets in big cities are much more saturated, though some gaps may still exist to be filled in some parts over the next years. Meanwhile, discounters and CEE brands are expanding aggressively in the region (we also need to note the increase presence of CEE brands looking at other countries in the region).

Residential
Across the region, we note the somewhat favourable momentum being carried from 2024, as the rising housing demand is seen to continue leading prices higher; furthermore, high-quality projects will continue to command premiums, while outdated properties will lose appeal. PRS schemes will continue to gain traction.

Bulgaria

Highlights 2024

Political situation remains unstable
Bulgaria's seventh parliamentary elections in four years highlight ongoing political instability, hindering long-term reforms and delaying critical policies in education, healthcare, and infrastructure. This uncertainty affects investor confidence and the country's ability to leverage EU funds. Stabilising the political landscape is crucial for sustainable development and capitalising on EU financial opportunities in the coming years.

Positive economic growth
The economy is performing well despite the ongoing political uncertainty. Real wages have continued to grow, inflation is calming, unemployment has decreased, and the forecast is for moderate growth ahead. However, the political situation still presents challenges to fully capitalising on these economic gains, as policy uncertainty delays long-term reforms that could further strengthen the economy.

Eurozone preparations on the way
Bulgaria is on its way to adopt the Euro as official currency, after being tied to it in a currency board for about 25 years. Euro adoption has been postponed due to the lack of a stable government but remains a priority for the main political parties. The preparation for the country's full membership in the Euro area is in its final phase. Support for this is shown from major countries on a European level.

Tourism recovery
Tourism in Bulgaria is experiencing a strong recovery in 2024, driven by renewed interest in the country as a leisure destination. Growth has been supported by business travellers aligning with the economic activity. Despite challenges from rising costs and scarcity of labour force, the sector shows resilience, with increased occupancy rates in hotels and higher revenues, signalling progress towards pre-pandemic levels and reinforcing tourism's role in the national economy.

Push for sustainability
ESG remains a focus for the broader market participant community - developers, owners, investors, and tenants. The cost of improving and retrofitting already obsolete buildings is significant but remains lower than the alternative of leaving them in their current state. Energy efficiency of buildings is a major focus and one of the main requirements of both occupiers and financing banks.

Banks continue to outperform
Bulgaria's commercial banks performed robustly throughout the year, remaining highly capitalised and financially stable. New loan issuance, especially in residential mortgages, continues to rise. Retail borrowers benefit from low interest rates and long-term repayment options, whilst commercial real estate loans have nearly double the interest rates and shorter terms.

Interest rates remain low
Bulgaria experienced record-low interest rates, both historically and compared to the EU, despite the European Central Bank's (ECB) rate hikes. The impact of a potential shift in this trend on the real estate market remains uncertain. Bulgarian banks have not yet adopted a direct transfer mechanism for the ECB's rate increases, continuing to link loans to near-zero indices tied to deposit rates. This disconnection keeps borrowing costs low, sustaining demand in the property market, though future adjustments could alter this dynamic.

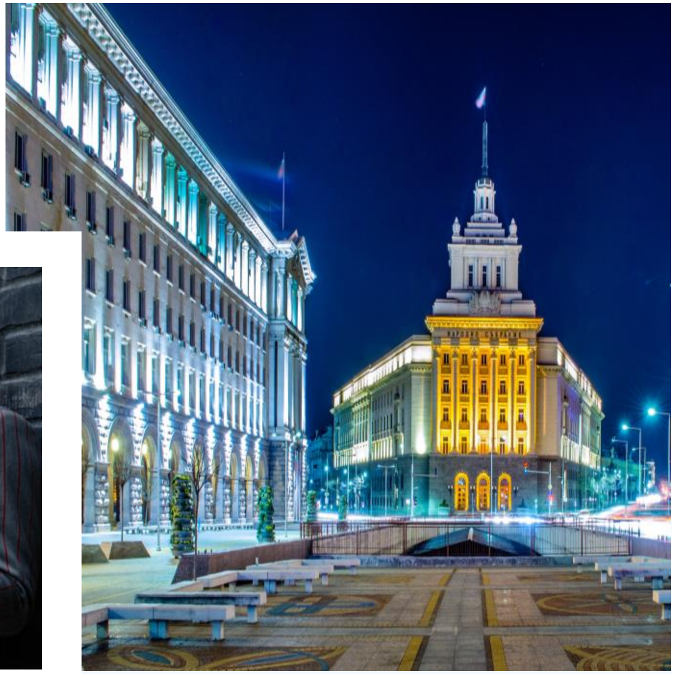
Land costs on the rise
Development land (especially in the capital) experienced a substantial price increase. Large-scale land plots are scarce or non-existent. This pushed developers of retail parks to build multi-storey concepts or big-box developers to budget for mixed-use development over their commercial area. For more cost-sensitive segments like logistics, this outright blocked investment intentions or mandated their relocation to where cheaper land was available.

Hybrid work is the norm
There was a growing focus of office tenants on the quality of the working and social environment, health and wellbeing of employees. Employers are increasingly offering more amenities, relaxation areas, sports facilities, green areas, and organising events. The adoption of the hybrid working model is transforming tenant expectations and growing demand for a high-tech and high-quality environment.

The residential market is getting stronger
The housing market remains highly active, with prices climbing at a slower pace. Major commercial banks are cautious about rising prices, and the central bank has imposed stricter regulations on credit borrowers. Strong demand from homebuyers and investors, along with rising construction and land costs, drives the upward price trend, reflecting both investment activity and genuine occupancy needs.

Bulgaria

Predictions 2025



The target date for Euro currency adoption has been delayed but remains a priority
Bulgaria's adoption of the Euro, delayed by political instability, is now set for 2026. A national plan with key milestones has been established to guide the transition. Whilst high inflation was a challenge, it is subsiding, and disruptions are unlikely due to the Lev's long peg to the Euro. The change is expected to improve Bulgaria's international standing and credit rating.

Retail parks are expected to offer a competitive advantage to remain relevant
Retail parks increasingly need to incorporate unique features like entertainment to stay competitive and sustainable. As consumer preferences change, traditional offerings alone are not enough to encourage repeat visits and longer stays.

Demand for sustainable buildings will increase
In the office sector, occupiers are raising expectations for space quality, emphasising ESG standards for healthier, more sustainable environments. This will pressure older buildings to upgrade to stay competitive.

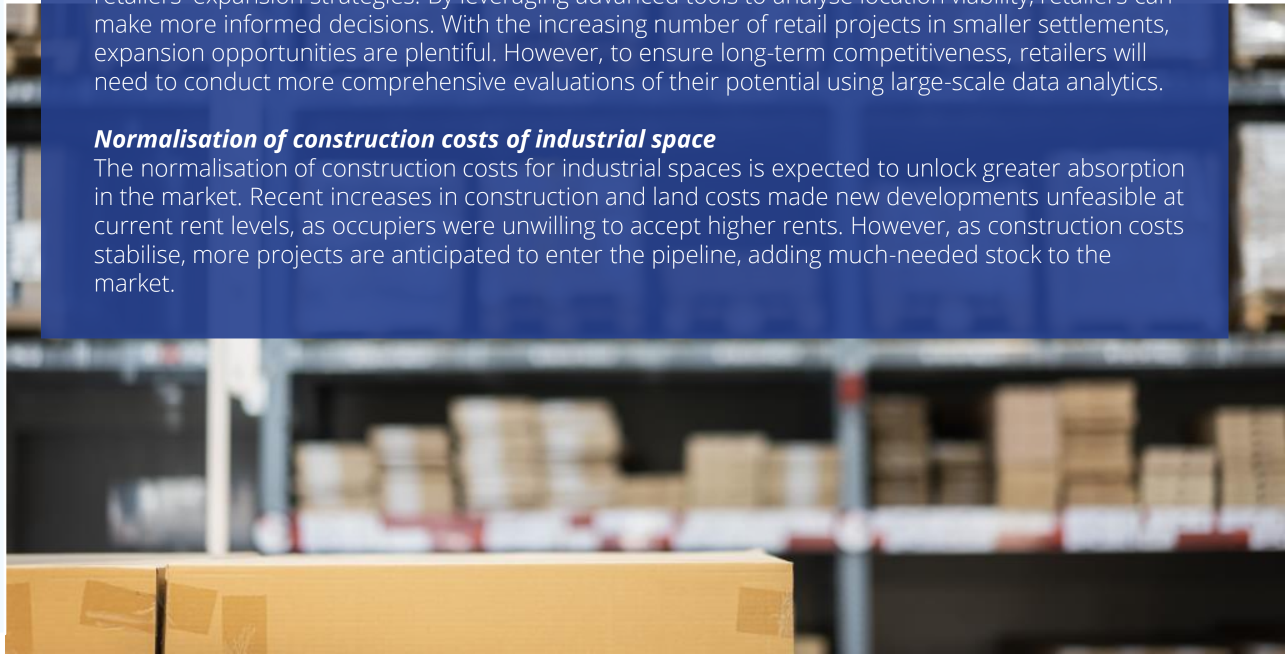
Retrofitting and repositioning of properties to be more prominent
Retrofitting properties is key for owners to avoid stranded assets. Investments will focus on enhancing amenities, adding sustainable features, and adapting designs to current market demands. This trend reflects a commitment to adaptive reuse and sustainable redevelopment.

E-commerce is increasing but brick-and-mortar shops are the standard
Online sales in Bulgaria are lagging behind the EU average but have marked a continuous increase in past years. This is expected to continue, and retailers are investing in omnichannel sales and innovative sales schemes. However, physical shops are expected to remain the main sales channel whilst some retailers will optimise their physical presence (e.g. close down locations or improve existing ones).

The residential market to become more segmented
In the light of the significant rise in property prices over recent years, the market is expected to increasingly segment based on quality. High-quality projects are likely to maintain premium pricing, whilst older properties may lose appeal due to outdated technical specifications and lack of modern sustainability practices. Additionally, there is a clear and growing demand for affordable housing, which remains an unresolved challenge in the market.

Data-driven decisions will support expansion decisions even more
Technology integration and data-driven approaches are expected to play a key role in guiding retailers' expansion strategies. By leveraging advanced tools to analyse location viability, retailers can make more informed decisions. With the increasing number of retail projects in smaller settlements, expansion opportunities are plentiful. However, to ensure long-term competitiveness, retailers will need to conduct more comprehensive evaluations of their potential using large-scale data analytics.

Normalisation of construction costs of industrial space
The normalisation of construction costs for industrial spaces is expected to unlock greater absorption in the market. Recent increases in construction and land costs made new developments unfeasible at current rent levels, as occupiers were unwilling to accept higher rents. However, as construction costs stabilise, more projects are anticipated to enter the pipeline, adding much-needed stock to the market.



Czech Republic

Highlights 2024

Economy - digital struggles, back to start
Efforts regarding the digitalisation of the permitting process failed mid-2024. Since then, developers face continued uncertainty. The current government offered no immediate fix but at least allowed the use of old systems to keep the continuity in issuing permits this year. However, we may need to find out if next year's election result will again affect the relevant legislative for construction and the deployment of any new digital systems.

Office development plans revised
In 2024, the delivered volume was below average, but the market maintained its activity. Office developers faced significant changes, from delaying projects due to preleasing or financing issues to shifting toward residential usage. Despite challenges, some projects moved forward, either speculatively or via forward acquisitions. Over 120,000 sq.m.is being built for owner occupation in Prague.

Industrial shell & core development trends
Speculative construction was limited in the Czech market. However, we observed another massive inflow of warehouses, which are partially finished and ready to be delivered within a few months according to tenant requirements. The market vacancy rates are partially distorted by this practice, and therefore, the Czech market's vacancy rates may appear artificially maintained. In reality, the Czech industrial market offers similar availability to competing countries.

Residential sale prices continue to increase
Although there was a slight pause in price increases, the rise has resumed. As no improvements were made to zoning, permitting, or financing that could help increase construction volume, this price trend is unsurprising. The institutional rental market, where rents follow the sales market, is maturing slowly. Some developers are creating opportunities for investors keen to build.

Positive developments in retail
After reaching its lowest point in 2023, retail sales continue to increase. This positively impacts the entire retail sector from all angles. The return of tourism and customer confidence in spending supported some new projects, centre redevelopments, and continuously growing retail parks. Interest was renewed among investors in 2024, and local investors made several significant acquisitions. Activity is also visible in the leasing market as many brands and operators continue to expand and are keen to fill some vacant units accumulated during the challenging period.

Local money dominates the market
Following 2023, Czech investors dominated the Czech investment market as well as expanded further across the CEE. With international capital still primarily absent from the Czech market, local investors who could raise sufficient capital have the unique opportunity to acquire interesting assets put on the market.

Traditional vs new asset classes
Despite the total investment volume being expected to be lower compared to historical figures, some asset classes performed well. Shopping centres were present in investors' portfolios this year and followed the strong retail volume of the previous year. Residential Build-to-Rent projects, mainly acquired through forward purchase, were consistently on the completed deals list throughout the year, and many established investors took their first step into this asset class in 2024.

Czech Republic

Predictions 2025

The continuing prevalence of renegotiations in office sector
As the office market struggles with expansion, many tenants have a limited number of options when considering relocation. In some office locations, the vacancy rate reached only around 3%.
If the requirement for relocation is location-sensitive, such a project may be put on hold until more options become available. We expect that the annual volume of renegotiations will again exceed the volume of net take-up (sum of new leases, pre-leases and expansions). The sustainability requirements and goals may catalyse the urge to move into new offices; however, if there are none available, relocation is not possible.

Vibrant office
As the hybrid working model has become fairly standard in many companies, occupiers are trying to find the optimal balance in adjusting their offices for maximum efficiency, making the office attractive for employees and supporting the return to the office. We expect that many occupiers will continue to adjust their policies and office space in search of the best efficiency possible. The hybrid working model will persist despite some large office occupiers' differing views and claims.

Rents will decrease only marginally
Last year, a price gap opened between the Czech industrial market and other competing countries. As we learned through experience, many location-flexible international occupiers will choose a different country or put their project on hold. It is not only about rents and terms but also a mixture of labour costs, the development process, and government incentives that places Czechia at a disadvantage. We expect that rents will decrease only marginally. However, this will be supported by larger incentives like rent-free periods or fit-out contributions and more flexible contracts. Unfortunately, competition from surrounding countries will remain significant and such benefits will only slightly offset the disadvantages.

Industrial take-up will bottom out in 2025
As mentioned, the Czech Republic may struggle to attract investors seeking warehouses and manufacturing plants. Despite the considerable pipeline potential of the market, increasing existing stock and opportunities in the form of subleases and shell-core projects, the offer exceeded the current demand. We expect the industrial take-up will have challenging times during H1, but we believe it will pick up in H2. The total gross volume will be lower than in 2024, which will mark the fourth year of market slowdown.

Discount retailers will be hungry for expansions
In recent years, we have not seen many expansions, market entries, or grand openings. There were exceptions, of course, in the form of Popeyes, Ralph Lauren, or the upcoming Five Guys. However, consumers are still hesitant with their spending and have become price-sensitive. We expect to see expansions mainly from discounters and chains targeting the mass market, eventually going to places where they were previously not present. Renowned brands will test the market with temporary popup stores.

No groundbreaking of large retail projects
The Czech retail market is saturated, particularly in the capital and regional cities. Landmark projects like Pilsen's Ameside and Brno's Dornych may begin, but they are mixed-use developments. No new traditional shopping centres are expected in 2025, though existing ones may expand. Smaller retail parks will continue to emerge across the country.

Domestic investors and the rest
Czech market for Czech buyers remains the story from last year. Economic turbulence and property value adjustments across many European markets led international investors to withdraw or shift their focus to other opportunities. This created space for Czech investors, who primarily targeted value-add opportunities, with the occasional core purchase. We expect Czech investors to again be the dominant source of equity capital whilst international investors are more likely to consider larger tickets or where they feel a specific opportunity aligns with their business strategy.

Offices are beginning to rebound, retail to stay
In 2024, investment transactions covered various asset types. In 2025, the deal pipeline includes major retail, industrial, and office assets, with more owners exploring buyer interest in office buildings. The focus may shift to office and retail sectors, as lower debt finance costs make core or prime assets more attractive. Sustainability will remain a key market influence, with investors and banks prioritising ESG compliance.

Hungary
Highlights 2024

Following substantial FDI inflow, growing emphasis on industrial pipeline in countryside regions
By 2023, FDI in Hungary surged to EUR 13 billion, doubling the figure from 2022. This impressive growth was driven primarily by Asian investments, which account for nearly 82% of the total. In the industrial property sector, countryside regions have gained prominence due to significant FDI inflows from companies like BYD, CATL, and BMW, as well as promising future investments. By the end of Q3 2024, 47% of the industrial property stock under development was located in countryside areas, highlighting their growing importance.

Tourism and hospitality sector recovery
Hungary's tourism sector, especially in Budapest, has experienced a strong recovery, fuelled by the easing of pandemic restrictions and a surge in international travel. Between January and September 2024, domestic guests recorded a 1.7% increase in tourism nights at accommodation establishments compared to the same period in 2023, whilst international guests contributed to an 8.7% rise.

Renewals still dominating the office market
In the first three quarters of 2024, lease renewals accounted for 47% of total office market demand, a trend likely to persist through the end of the year. Two of the year's largest office transactions were completed with advisory support from Colliers. In November 2024, Ericsson Hungary renewed its lease for 20,000 sq.m., whilst in October, SAP extended its office lease for 18,000 sq.m. -both significant milestones in the market.

Retail sector recovery
After experiencing an almost 8% drop in retail volume dynamics in 2023 amid high inflation, the sector has begun to recover. In the first nine months of 2024, sales volumes increased by 2.7% year-on-year, and further growth is anticipated in 2025 as real incomes continue to rise.

Residential sales increase
Hungary's residential market is experiencing significant growth, with sales projected to reach approximately 130,000 transactions by year-end - a 30% rise compared to 2023. Key growth drivers include improved access to savings for home purchases, stabilising interest rates, and government incentives like renovation grants and new home subsidies, expected to further increase transaction volumes and housing affordability.

Significant investment transaction facilitated by Colliers
In the industrial segment, the sale of the 16,600 sq.m. Faedra22 logistics park, facilitated by Colliers' investment advisory division, highlights continued international investor interest in modern, ESG-compliant properties in prime locations with full occupancy. The property has achieved a BREEAM Very Good certification and an A+ energy rating, making it one of Budapest's newest and most sustainable logistics developments.

Hungary

Predictions 2025

Projected economic growth driven by rising real wages and industrial expansion
In 2025, rising real wages and sustained household consumption growth are expected to support the expansion of the domestic economy. Industrial production volumes may also increase, driven in part by new manufacturing capacities becoming operational following significant FDI inflows in recent years (e.g. BMW, CATL, BYD). Overall, a more dynamic annual GDP growth rate of 2-3% is projected for 2025.

Low speculative pipeline, rising vacancies, and ESG-driven demand
In the office market, the supply side has started to adapt to demand trends, and the amount of office space under construction is currently at a historically low level. Vacancy rates continue to rise and are expected to increase further. However, properties located in prime areas and modernised to become ESG-compliant may still attract demand, and repurposing buildings could also be considered.

Modernisation and ESG compliance as key competitive factors
The office market will continue to be tenant-driven in 2025. To stay competitive in the current market conditions, it is essential to continuously modernise office buildings to comply with decarbonisation regulations and meet ESG expectations. A growing number of large international tenants have adopted ESG policies that prevent them from leasing space in buildings that do not adhere to modern standards.

2025 FDI surge spurs countryside development opportunities
In 2025, significant FDI inflow is expected mainly from Asia, partly thanks to the attraction effect of governmental support in the countryside markets. This opens up space for speculative developments in some countryside regions, albeit still in limited volumes. The dynamics of development is still determined by the available infrastructure (e.g., electricity and water supply). High FDI primarily appears in owner-occupied developments, but it also results in increased market activity in the countryside.

Growth in turnover and focus on retail parks
Starting in 2025, real wage growth and government bond fund releases are expected to boost retail turnover, with retail parks maintaining a strong role, especially for targeted shopping, whilst investment shifts towards mixed-use projects and retail parks.

Investor activity hinges on ECB rates and inflation
The "wait and see" approach remains dominant. However, the trajectory for next year will largely depend on the ECB's interest rate policy and related inflation expectations. Whilst some risks persist, overall, interest rates may decline compared to 2024, which could boost investor activity on Hungarian market by 2025. Meanwhile, for the domestic market to stay competitive against Western Europe and other CEE countries, significant changes in current yield levels are not anticipated in 2025.

ESG-driven investment focus on energy-efficient industrial and retail properties
Investor interest is primarily driven by the demand for energy-efficient and sustainable properties in prime locations, reflecting the growing influence of ESG mandates. This trend is particularly focused on industrial and logistics buildings. For industrial properties, logistics and warehousing facilities near Budapest and along major transport corridors are of special interest.

Lending, subsidies, and rising demand in the residential market
In the residential market, the recovery may be driven not only by improved lending conditions but also by subsidies for renovations and new home construction. Additionally, substantial funds might become available from government bonds and pension savings in 2025. The implementation of a voluntary 5% interest rate cap could further stimulate demand, potentially spurring development. However, this is likely to coincide with price increases, reflecting the anticipated rise in demand.

Poland

Highlights 2024

Office market - Record-low supply and stabilising vacancy rates
In 2024, the modern office market in Poland's regional cities experienced its lowest-ever supply, with only around 122,800 sq.m. of new space delivered - a 56% drop compared to 2023. This trend reflects a sharp reduction in development activity. Meanwhile, Warsaw saw an increase in new office completions compared to 2023, though the volume remains well below the five-year average. The slowdown in new construction has contributed to stabilising vacancy rates after years of growth across most markets. The limited supply has allowed for greater absorption of existing office spaces, easing pressure on vacancy levels and supporting market equilibrium.

The largest office lease transaction since 2022
Santander Bank Polska has become a strategic tenant of The Bridge, currently under construction in Centre West zone and planned for delivery in Q4 2024. The bank has leased 24,500 sq.m., occupying half of the skyscraper (nine floors).

Declining construction, stable vacancy, and regional growth
In 2024, the industrial market saw a 50% decline in new construction activity compared to 2023, with just 1.2 million sq. m. of new projects launched in Q1-Q3. Despite this, the total space under construction remains significant at 1.9 million sq.m., supporting continued market growth. Vacancy rates stabilised around 8%, and subleasing activity has risen, increasing competition. Additionally, regional markets, particularly Lower Silesia, have seen strong development, with new projects expected to commence in previously underserved areas.

Stabilisation of rent and strong tenant demand in industrial and logistics space
After significant rent increases due to rising costs and financing challenges, industrial and logistics rents stabilised in 2024, with some regions seeing slight decreases for larger, older properties. Demand remained strong, with 5 million sq.m. expected by year-end, slightly lower than in 2023. New leases and expansions made up over 60% of demand, mainly driven by 3PL, retail, and e-commerce sectors.

Warsaw's investment potential and office market activity
Poland's strong economic outlook has mitigated investor concerns related to the war in Ukraine, with investment activity concentrated in Warsaw, ranked 12th in Europe (1st in CEE) for investment potential. In 2024, the office market in Warsaw saw significant transactions, including sales of stakes in the CPI portfolio, Warsaw UNIT and Studio B office buildings. There is also an increase in purchasing older buildings for modernisation or repurposing. Average yields remain around 7-8%, with prime transactions yielding below 6%.

Strong retail activity versus declining industrial turnover
In 2024, the retail market saw strong investment, with transactions such as the sale of stakes in the Cromwell and CPI portfolios and Magnolia Park in Wrocław, totalling around EUR 1.6 billion. Meanwhile, the industrial sector faced a decline in turnover after record years (2020-2022), due to a shortage of ready-to-sell properties. Investors turned to early-stage assets through joint ventures or forward funding, with Western Europe, CEE, the USA, and South Africa being the most active regions. The alternative assets market grew steadily, fuelled by the housing market and the repurposing of older office buildings, with notable transactions like the sale of the PRS Noli Warsaw Mokotów project. It is worth mentioning that the transaction volume for this year is expected to reach around EUR 5 billion, compared to EUR 1.8 billion in 2023. Interestingly, there is a noticeable increase in transactions involving Polish and CEE capital.

Growth in gastronomy, retail expansion, and mixed-use developments
In 2024, the Polish market saw significant growth in the gastronomy sector, with fast food chains and major restaurateurs returning to pre-pandemic activity levels. New openings in shopping centres included Popeyes, Pasibus, bubble tea outlets, and PhoME! in Browary Warszawskie. The year also saw the entry of luxury and premium brands such as House of Diamonds, Jack & Jones, and Uniqlo, along with Ukrainian brands like Greek House and Rebernia expanding steadily. Meanwhile, mixed-use projects adapted to market needs, increasing focus on residential, gastronomy, health, and entertainment components. Retail parks also played a key role in the expansion, with nearly 30 acquired by investors, particularly from CEE and the Baltics.

Poland

Predictions 2025

Further stabilisation in the industrial and logistics market
Continued growth in the industrial and logistics space market is expected in 2025, but it is likely to be at or around the lower level of 2024 and significantly lower than in 2023. This may result in a further slight compression of the vacancy rate towards 7% or 6% in the first half of the year. Additionally, assuming stable demand, we can expect developers to be more willing to negotiate rents for vacant space in large, older buildings.

Potential slight increase in manufacturing
Despite a slight decline in the November 2024 manufacturing PMI from 49.2 to 48.9, it is worth noting that this was the second-highest result since April 2022. Additionally, the Focus Economics forecast consensus indicates that Poland's manufacturing growth rate will increase from 1.7% to 4.9% in 2025. Thus, it is likely that the PMI may slightly exceed the 50% threshold in the coming months.

Asymmetry in office market development
Development activity in Warsaw is set to increase, with 230,000 sq.m. of office space expected between 2025 and 2026. Regional markets will see limited new supply until after 2026. Major projects in regional markets are focusing on central city locations and larger sizes, with notable examples being AND2 in Poznań (47,000 sq.m.), Centrum Południe 4 in Wrocław (22,400 sq.m.), Grundmanna Office Park A in Katowice (20,700 sq.m.), and Palio C in Gdańsk (13,000 sq.m.).

Stabilisation of availability volumes and rental rates
In the coming quarters, due to limited developer activity and the growing trend of withdrawing office spaces from the market for modernisation, we forecast a stabilisation and subsequent gradual decline in vacancy rates. High-standard buildings in attractive central locations are expected to attract the greatest tenant interest. Tenant activity will remain stable, with a growing share of lease renegotiations, particularly for larger contracts exceeding 2,500 sq.m. In 2025, rental rates in major markets like Warsaw, Kraków, and Wrocław may see slight upward pressure but are expected to stabilise due to available office space. Prices will vary based on the quality and location of the office space.

Focus on smart office solutions and wellbeing
The evolution of hybrid work models shapes tenant expectations, driving increased demand for smart technological functionalities in office buildings, such as remote access management, conditional access to spaces, activity-based parking systems, parking reservations, workspace management, and occupancy analytics. Technologies enhancing productivity, collaboration, health, and wellbeing in the workplace will continue to gain popularity.

Space optimisations, renegotiations, extensions and relocations in the retail market
Due to the lack of large format retail projects and market saturation, space availability will be crucial for attracting major tenants. Competition for prime locations in shopping centres is intensifying, with new supply dominated by retail park formats. In 2024, Kontigo, ESPRIT, and Eastend closed all their shops. Increased operational costs will influence sales network optimisations, and rents and service charges may rise with inflation.

Expansion of Poland-based retail brands will continue
Retail chains from Poland will continue expanding into foreign markets. In 2024, the Wittchen Group opened stores in Austria and Romania, Ochnik opened stores in Slovakia, and the CCC Group opened HalfPrice stores in Lithuania and Spain. We forecast further openings and debuts of Poland-based stores across Europe next year.

Investment activity is expected to increase
By 2025, industrial and logistics assets in Poland and regional office markets are expected to see increased investor interest. Alternative strategies like private debt and mezzanine finance will continue to thrive, whilst lending criteria for non-prime assets are expected to ease slowly. Poland's private wealth sector is shifting toward core+ investments, and upcoming REIT legislation may transform the market by boosting liquidity and investor diversity, with a launch anticipated in 2026.

Romania

Highlights 2024

Romanian economy below expectations
Following a relatively strong outlook in 2023 and promising forward-looking indicators (including job creation), GDP growth expectations at the start of 2024 were around 3%. Now, Romania is looking at barely above 1% as robust consumer spending was not enough to compensate entirely for the deteriorating investment growth and soft external demand. Job creation has remained in positive territory, but the growth rate has been declining and could signal challenges for 2025.

Record year for highway construction and infrastructure breakthroughs
2024 marks an inflection point for infrastructure developments: it has been a record year for fresh completions (nearly 200 km of new high-speed roads completed), with an additional nearly 1,500 km of highways and express roads being worked on or in various stages of preparation. Furthermore, Romania joined the Schengen zone for air travel, with encouraging news published towards the year's end regarding a potential 2025 entry for land borders as well.

Elections period is over, fiscal correction ahead
Romania’s late 2024 elections yielded some surprises (the cancelation of the presidential ballot) and some expected results (the social democrats' victory amid the rise of Eurosceptic parties); while the political scene is far from stable, some things are certain. Romania’s bloated budget spending needs to be reduced, with the fiscal fixes to include some tax hikes as well. While recipe may vary over the medium term, we can assume that the winners of the ballot - the social democrats - would likely prefer tax hikes to spending cuts, though a combination of the two is likely. Watch out for the further rise of Eurosceptic parties, as these are likely to matter more over the medium term as cemented by 2024’s elections.

Almost no office deliveries in Bucharest, subdued leasing activity
The first three quarters of the year saw no new office buildings delivered in Bucharest, marking the longest period without deliveries since at least 2004. A single project with a GLA of 16,000 sq.m. might be finalised by year-end. While gross take-up was solid due to renewals and relocations, new demand remained closer to post-pandemic lows than pre-pandemic highs. There is ongoing demand for green office buildings in prime locations, but a widening gap exists between well-performing buildings and those lacking in key areas.

Record year for retail sales, deliveries remaining robust
Data up until autumn 2024 saw retail sales climb by almost 14% on a volume basis (adjusted for inflation), reaching a fresh all-time high in terms of the index. Meanwhile, Romania's actual individual consumption—a metric which tracks consumption by how much goods people consume, not how much they spend—reached 89% of the EU average in Romania, placing the country around the middle of the ranking, just ahead of Spain and most regional countries (including Poland). Given the large supply gaps in many parts of the country and the substantial margins that local retailers operate with, as well as the favourable momentum for consumption, deliveries remained solid in 2024, staying above the recent trend line (the post-2010 annual average).

Investment market recovery, yields bottoming
2024 saw a significant recovery in investments, with market volumes estimated to have surpassed 700 million Euros, a hefty increase from the sub 500 million level in 2023. The year was dominated by industrial and retail transactions, with office demand also improving. Yields appeared to have bottomed out, indicating potential lower yields in 2025 should the external backdrop remain constructive and Euro interest rates move lower. Debt refinancing is also quite positive, notably, NEPI Rockcastle secured over 600 million Euros for debt rollover and new activities since late 2023.

Robust residential market sales, but a challenging outlook
Residential transaction activity maintained its momentum despite elevated interest rates. Home purchase intentions have remained close to record highs (including compared to 2006-2008 levels); this should not come as a surprise as Romania faces one of the highest overcrowding rates in the European Union. Building permit issuance in the biggest market in Romania — Bucharest — have plunged in recent quarters, reaching 2014 lows, suggesting that upcoming supply will suffer and may lead to significant price pressures if demand remains robust.

The industrial market appears to have peaked in 2021-2023
2024 industrial leasing activity has been robust, with new entries like German developer Garbe. However, after several record-setting years, 2024 may come in lower based on the final data. Rental growth pressures have subsided, with rents settling in the 4.5 - 5 EUR/sq.m. range for prime BTS schemes. Market activity remains above pre-pandemic levels, and given infrastructure developments and Romania's historic undersupply, 2024 is seen as a transitional year rather than the start of a new trend of reduced activity.

Romania

Predictions 2025

Sluggish office leasing demand, the tale of two markets

Weak growth in partner countries, internal uncertainties, and unfavourable momentum from 2024 are expected to continue in 2025. New leasing demand may be low, but no major office buildings are due in 2025, which should keep vacancy rates for good office buildings at low levels. This creates a tale of two markets: one performing adequately and one struggling to attract or maintain tenants.

Industrial market softening amid external demand

Romania's long-term expansion of its industrial and logistics scene remains well supported, but news from the German industrial scene is not encouraging. A mild softening of leasing demand should be expected, but results should still be better than in 2017-2019. Rents will likely remain broadly unchanged, with competition on the supply side intensifying as new players join the market. We are also awaiting completed and upcoming infrastructure works to open or accelerate development in certain cities.

Retail expansion picking up pace

After a decrease in completions in 2024 (although still reaching a decent level), retail expansion is accelerating with over 200,000 m² of new modern retail schemes set to be delivered in 2025. Major investments over the next years are coming from companies like NEPI Rockcastle and the Prime Kapital/MAS REI JV, but local developers and newcomer M Core are also contributing. We are also seeing the return of large projects in major cities over the next years, as the market is no longer dominated by small/medium-sized retail parks in tertiary towns.

Investment recovery likely to continue

We see quite a few major investment themes acting in opposite directions for 2025. We believe that the recovery in European real estate, decreasing interest rates and momentum from a successful 2024 are positive, but the soft economic growth and internal risks are negative. Romania's long-term potential is likely to outweigh short-term risks, but the market will still face difficulties in closing deals amid heightened uncertainties. Yields have stabilised and if a positive scenario unfolds, we could see some hints or even potential yield compression towards the end of the year.

Looking for residential prices to gain momentum

The residential scene is at a crossroads. If the labour market deteriorates significantly, residential prices could pull back and sales decrease steadily. However, assuming no major negative scenario for the economy (which we are not forecasting), another fairly strong year could follow with prices accelerating over the medium term as supply has been dwindling for some time now even as demand-side indicators have remained solid. Furthermore, we are entering 2025 with some of the strongest home purchase intentions (as measured by Eurostat surveys) on record, nearly on par with 2007-2008 record highs.

Economy still dealing with headwinds

After underperforming in 2024, expectations are modest for 2025, with many headwinds remaining, including weaker external demand and heightened internal risks due to an expanded fiscal deficit and a problematic current account deficit. These factors elevate the sovereign risk and place Romania in a difficult position should the external economic backdrop deteriorate sharply. With some investment and a resilient consumer sector, growth in 2025 is expected to be slightly above 2%, but risks remain skewed to the downside.

Mind the political uncertainty

As of late 2024, the Constitutional Court cancelled the presidential elections and ordered a rerun, likely to take place in the spring of this year, but no calendar has been fixed as of early 2025. An unstable governing coalition (made up of many parties with sometimes opposing interests) and a strong opposition are expected to keep political uncertainty elevated. The new government will have to address the largest structural fiscal deficit in the EU, making Romania vulnerable to sudden external shifts. This is also a less than encouraging backdrop to enact reforms, some of which are necessary to attract EU funds vital to keep the economy running.

Geopolitics remain in focus

The global geopolitical scene remains challenging with the new Trump presidency, fresh trade tensions, a softening economic backdrop in China, the ongoing war in Ukraine, and uncertainties in the Middle East and South-East Asia. Romania, being a small open economy, has limited influence over the course of these events.

Infrastructure works, finally picking up speed

Romania is set to join the Schengen terrestrial borders in 2025 and the US visa waiver programme, further improving the country's external positioning. After a record-setting 2024 in terms of inaugurations, the country has almost reached 1,200 kilometres of high-speed roads, with more under construction (approximately 700 km being worked on and an additional 700 km under bidding/planning); rail works are also underway thanks to EU funding. These developments are key to underpinning long-term optimism about the Romanian economy and alleviating regional disparities.

The return migration trend

More Romanians are starting to return to their native country, contributing to a slight net increase in the country's population in 2023 (the first in decades). This could be a major source of further economic growth if the trend accelerates. The returning population brings skills, experience, and potentially capital that could be invested back into the Romanian economy. Additionally, this trend could help alleviate some of the demographic challenges that Romania has been facing, such as an ageing population and a shrinking workforce.

Slovakia

Highlights 2024

Economy: Tight labour market and regulatory changes
The Slovak labour market remains constrained due to robust demand and a surge in early retirements. Despite an uptick in the participation rate from previously inactive workers and an influx of foreign labour, the overall workforce continues to shrink. On 15 July, significant amendments to regulations governing the residence and employment of foreigners came into force. These are the most substantial changes since 2011, aimed at simplifying employment rules for non-EU workers to mitigate labour shortages.

Investment: Gradual pickup in activity
Investment activity in Slovakia is gradually recovering, mirroring trends across Europe. Industrial and logistics assets attract the most investor interest, comprising the largest portion of total investment volume. Office investments, on the other hand, remain uncertain, with a preference for redevelopment and change-of-use projects. Deals are closing at a slower pace, as investors remain cautious and seek clearer direction on future opportunities.

Offices - Limited supply drives rising rents
Bratislava's office market experienced a stark contrast between 2023 and 2024. After a surge of nearly 115,000 sq.m. of new supply in 2023, only two office buildings totalling just over 7,600 sq.m. were completed in 2024. This significant drop in new supply led to increased absorption in existing buildings, pushing vacancy rates downward.
As demand for well-located, premium office spaces surged, prime CBD rents rose sharply, reaching 19 EUR/sq.m./month by the end of 2024 - a 9% increase compared to early 2023. Some Grade A and A+ properties in prime locations even quoted higher rents. This upward trend is expected to persist, driven by strong demand and the scarcity of high-quality office space, particularly in central locations.

Sector challenges amid strong construction activity in the industrial market
Slovakia's industrial market in 2024 faced challenges due to its reliance on the automotive sector, with a slowdown in activity driven by EU-wide issues and slower EV adoption. Tenants focused on renegotiating leases amid softer market conditions.
Despite this, industrial construction remains strong, with speculative developments comprising over 60% of the pipeline. Key projects are concentrated in Trnava, Bratislava, and Prešov. The market is increasingly dominated by five developers - CTP, P3, Prologis, CNIC Corporation, and Reico—who control over 60% of the market, a share expected to grow as new projects are completed.

Growth in spending and shopping centre expansion
Slovakia's retail sector thrived in 2024, supported by rising household consumption fuelled by wage growth and a strong labour market. Higher disposable incomes boosted spending, with minimal impact from savings-focused behaviour.
Bratislava's leading shopping centres expanded to meet demand. Aupark added 9,999 sq.m., including major tenants RESERVED (2,400 sq.m.) and Zara (3,860 sq.m.), along with a 600 sq.m. green façade featuring 35,000 plants. Bory Mall is set to grow by 2,400 sq.m., mainly for retail and dining, reflecting confidence in the sector and sustained economic strength.

Recovery linked to mortgage rate trends
The Slovak residential market is recovering from last year's slowdown caused by high mortgage rates. House prices have shown consistent quarter-on-quarter growth in 2024, driven by a revival in demand fuelled by interest rate easing and reduced residential construction. Regional disparities persist, with Bratislava remaining the most expensive market, underlining ongoing price imbalances across the country.

ESG: Focus on sustainability
The influence of ESG and green certifications is increasingly pronounced as tenant demand shifts towards environmentally certified spaces. Buildings with LEED or BREEAM certifications align with corporate ESG priorities, achieving higher rents and lower vacancy rates. Older, non-certified properties face growing challenges, often requiring significant investment to remain attractive. Institutional investors are prioritising ESG metrics, bolstering demand for sustainable properties and driving higher valuations for certified assets.

Slovakia

Predictions 2025

Investment: Robust start to 2025 as pending deals finalise
Investment activity in Slovakia is gradually picking up, though investors remain cautious, leading to slower deal closures. As a result, a strong start to 2025 is expected, with some deal volumes initiated in 2024 likely to shift to the early months of the new year. The overall outlook for 2025 remains cautiously optimistic, with investment activity projected to maintain healthy levels, reflecting positive sentiment.

Regional players set to lead the way
As buyer and seller price expectations continue to align, transaction volumes are expected to rise throughout 2025. Core capital from Western Europe is not anticipated to fully return in the near term, as investors remain focused on their domestic markets. This environment presents a strategic opportunity for regional investors to take the lead, leveraging the reduced competition from traditional market players to expand their market presence and drive growth in the coming year.

New office construction to stay slow
New construction activity in the office segment is expected to see a modest increase from the record low delivery of just 7,600 sq.m. in 2024. However, it will remain significantly below both the pre-pandemic average and the peak levels seen in 2023. In the upcoming year, three smaller-scale projects, adding a total of approximately 18,500 sq.m. of office space, are scheduled for completion. Larger office developments, projected to bring nearly 132,000 sq.m. of new space, are expected in 2026-2027.

Older office properties transition to redevelopment
Vacancy rates in high-quality ESG-certified buildings are expected to decline further as limited new supply and strong pre-leasing push rental rates higher. Older buildings that no longer meet international tenants' standards may struggle to maintain occupancy and are likely candidates for redevelopment, often into residential properties. For example, Immocap is converting the Záhradnícka office building into residential units, targeting completion in 2025-2026, whilst Pressburg Tower plans include adding residential units and repurposing the tower for housing.

Banks continue to outperform
Slovakia's commercial banks remain robust, maintaining high capitalisation and financial stability. New loan issuance, particularly in residential mortgages, continues to rise. Retail borrowers benefit from low interest rates and long-term repayment options, whilst commercial real estate loans have nearly double the interest rates and shorter terms.

Industrial: Subdued demand amidst external pressures
Industrial demand in Slovakia is expected to remain subdued into 2025 due to external pressures like trade tensions between Europe and China, potential US tariffs on EU imports, and Germany's recession. Prime locations like Bratislava and Košice will still see high rents, whilst regions with higher vacancy rates will offer greater tenant leverage. Demand for less sought-after areas and new developments is expected to stay limited.

Industrial: Geopolitical shifts strengthening position for Chinese automotive expansion
Despite broader geopolitical uncertainties, Slovakia's favourable stance on Chinese investment and its decision not to support higher tariffs on Chinese vehicle imports make it an attractive partner for Chinese automotive companies, especially as electric vehicle production grows.

Retail: New development focused on retail parks
With the completion of the Aupark Bratislava expansion, no further significant expansions or major additions to Slovakia's shopping centre stock are planned for the coming year. Instead, growth will focus on the retail parks segment, with over 70,000 sq.m. of new stock anticipated across the country. The majority of this development is expected to be delivered by KLM Real Estate through its KLOKAN-branded retail park chain, marking a continued emphasis on localised retail infrastructure.

Housing prices to increase, stimulated by rebounding demand and upcoming VAT increase
The Slovak housing market is set for price growth due to increased demand, easing mortgage conditions, and limited construction. Buyers may accelerate purchases by the end of 2024 to avoid a VAT increase to 23% in 2025, impacting affordability. Price increases are expected to be highest in Bratislava, where the rental market is already tight due to student dormitory renovations and a shortage of public rental housing.

Contacts CEE

Grzegorz Sielewicz
Head of Economic & Market Insights CEE
grzegorz.sielewicz@colliers.com
M: +48 663 990 161

Dominika Jędrak
Director, Market Insights
Poland & CEE
dominika.jedrak@colliers.com
M: +48 666 819 242

Josefína Kurfürstová
Senior Analyst
CEE Business Intelligence
josefina.kurfurstova@colliers.com
M: +420 733 738 295

Silviu Pop
Director, Research
Romania & CEE
silviu.pop@colliers.com
M: +40 21 319 77 77

Nikolay Georgiew
Manager | Bulgaria
Valuation & Advisory Services
nikolay.georgiev@colliers.com
M: +359 896 777 673

Josef Stanko
Head of Research | Czech Republic
Market Reserach & Consultancy
josef.stanko@colliers.com
M: +420 728 175 024

Kristof Toth
Associate Director
Head of Research | Hungary
kristof,toth@colliers.com
M: +36 20 859 0214

Tamila Nussupbekova
Research Associate
Slovakia
tamila.nussupbekova@colliers.com
M: +421 911 556 899