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CEE REAL ESTATE MARKET OUTLOOK 2025

Key takeaways from the most senior global investors, lenders, and operators in Central and Eastern Europe (CEE)

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INTRODUCTION

Since 1998, GRI Club's exclusive networking events have been providing unique opportunities for the industry's decision makers to exchange valuable insights and experiences, igniting deal flow and potentialising the real estate market.

GRI Club reports present the key takeaways from these events, including the most valuable insights, the most ardent discussions, and the most intriguing strategies.

This report was compiled following high-level market player insights exchanged at GRI Club's exclusive **CEE Forum - London Edition**, where we hosted global investors, lenders, developers, and asset managers active in Central and Eastern Europe for a chance to assess the outlook for 2025.

CHECK OUT ALL THE PHOTOS FROM **GRI CEE FORUM - LONDON EDITION 2025**

MARKET DYNAMICS

» Investor Appetite

Despite global economic uncertainties and growing awareness of liquidity constraints and geopolitical risks, conversations at the gathering confirmed that the overall outlook for CEE remains positive.

With capital values declining across Europe, particularly in logistics and office sectors, real estate markets in the CEE region were noted to have fared comparatively well, demonstrating remarkable resilience.

While liquidity limitations remain a challenge, foreign investors acknowledged the region's impressive yield premiums and continue to show interest in entering or remaining active in the market.

The industry is seeing strategies adapt as investor sentiment shifts away from large-scale speculative investments towards more targeted acquisitions, with discussions highlighting the importance of prioritising quality assets and stable, long-term returns while also weighing the risks of political instability against the region's long-term growth potential.

» Financing and Liquidity Trends

One often critically overlooked factor is the evolving financing environment, with market leaders reiterating that although debt financing conditions are improving, access to capital remains highly selective.

The broader outlook for funding indicates that banks and private lenders are regaining confidence, yet options for new developments are largely reserved for prime locations and well-established sponsors.

Stabilising interest rates, expected to settle around 2-2.5%, are anticipated to gradually decline, providing additional support for asset values, but a return to near-zero levels is considered to be highly unlikely.

The impact of mortgage rates on residential affordability and potential price growth was also a focal point, with market participants acknowledging that more stable borrowing conditions could drive increased activity in the housing sector.

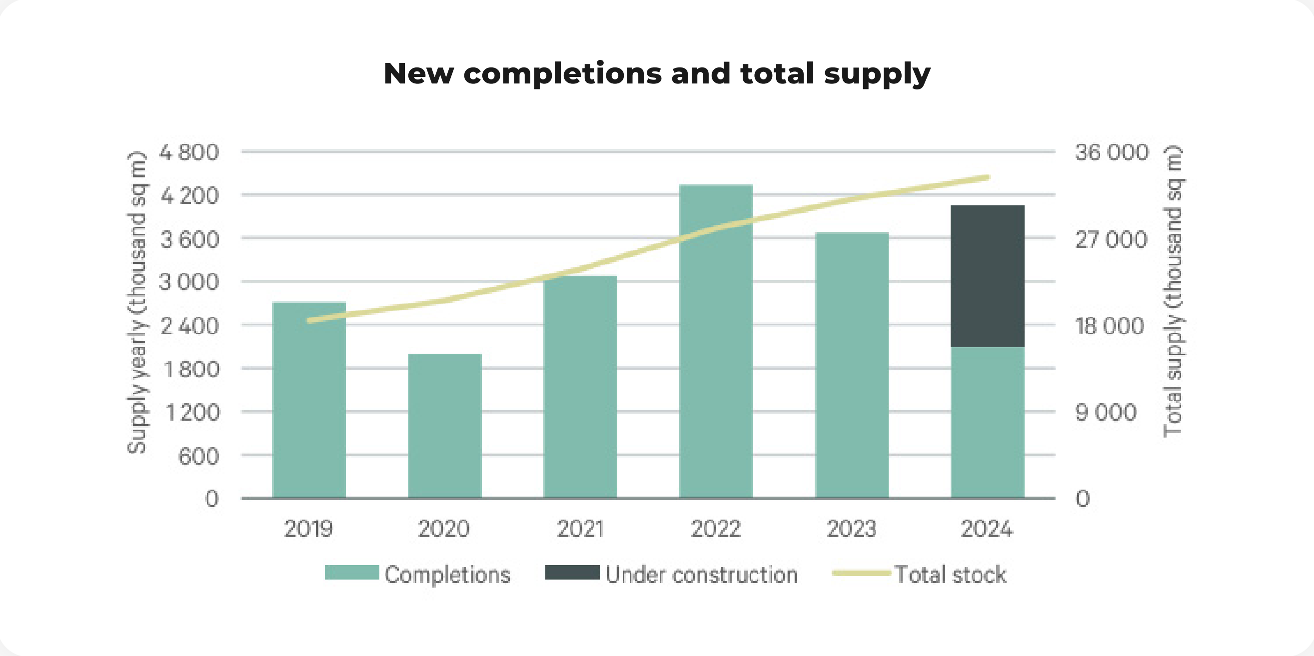
However, the ongoing absence of local institutional capital poses a significant challenge for market liquidity. Discussions suggested that the introduction of REIT structures in Poland could stimulate domestic investment, but progress remains slow.

LOGISTICS

» Still the darling of CEE?

At the session analysing the logistics sector, widely regarded as a prime driver of CEE's real estate growth, Poland was noted to continue standing out as a key hub, ranking third in take-up after the UK and Germany, with a total stock of 34.5 million square metres.

However, it was observed that supply constraints are tightening, leading developers to focus on prime locations to mitigate risks of oversaturation. Rising lease renewals and increased investor selectivity are shaping the sector's future, with a clear shift towards long-term tenant quality.



Poland, the 5th largest industrial market in Europe, is one of the fastest-growing logistics and industrial markets in the European region. (Source: CBRE)

» Contrasting Countries

Topics also covered regional comparisons, with discussions highlighting the unique dynamics within different CEE markets, such as Romania - where one player holds over 50% of the market share - and Bulgaria, which present smaller, more constrained logistics markets with limited permits and dominant players controlling supply.

Hungary, while an active logistics market, remains limited due to infrastructure bottlenecks and electricity connection constraints. Poland, though the strongest in scale, faces growing development risks, particularly due to challenges in securing pre-agreed permits and utilities.

» Strategic Shifts

Most importantly, investment strategies are evolving. The shift from large-scale portfolio acquisitions to selective asset purchases was a recurring topic across the day's panels.

Discussions also highlighted the impact of nearshoring, which has yet to fully materialise in Poland, given competition from Hungary and Slovakia in attracting new production facilities.

Investors also pointed to the increasing presence of Asian, particularly Chinese, tenants in the region, linked to e-commerce growth and potential electric vehicle (EV) production.

With around 15 new build-to-suit (BTS) projects in the pipeline, the sector is expected to maintain its growth momentum, particularly in Poland, where demand for high-quality logistics infrastructure remains strong.

Market participants stressed the importance of government involvement in securing large-scale industrial investments to sustain long-term expansion.

Image: Visual Electric / GRI Club

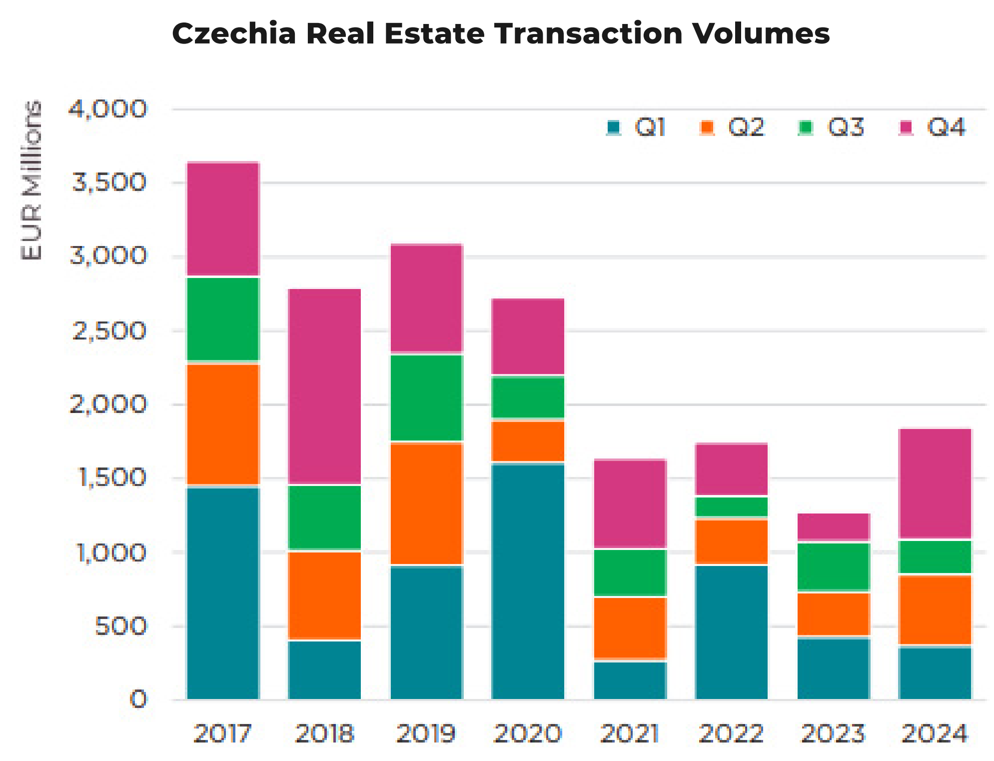
PORTFOLIO DIVERSIFICATION

» Diversification vs Specialisation

The panel discussed the ongoing debate between diversification and specialisation in investment strategies, noting that large institutional investors often favour diversification, spreading risk across multiple asset classes to provide stability.

In contrast, smaller players tend to specialise within a single sector, leveraging deep expertise to maximise returns and navigate market fluctuations.

Ultimately, the question that must be asked is whether the stability offered by diversification outweighs the potential for the higher, more focused returns that specialisation has the potential to bring, with participants largely concurring that the answer lies in finding the correct balance between the two.



Czechia's real estate investment market saw a significant increase in 2024, with investments reaching EUR 1.85 billion. This represents a 45% growth compared to the previous year and the strongest performance since 2020. However, it is still 12% below the five-year annual average. (Source: Savills)

» Asset Assessments

Discussions also highlighted the evolving role of different asset classes within CEE. The Warsaw office market, for instance, faces a supply shortage, which could drive rental growth in the coming years, although a precise, selective investment approach will be essential.

Residential real estate, particularly in the private rented sector (PRS), continues to attract interest, though scalability remains a challenge due to regulatory constraints and a lack of suitable stock. Student housing was highlighted as a resilient and stable asset class, though it requires specialised management expertise.

Meanwhile, the retail sector, paradoxically, has demonstrated a strong post-pandemic recovery, with food-anchored formats emerging as a preferred investment option.

» Diversification within CEE

Within the context of geographic diversification, each nation in the CEE region requires tailored strategies. Poland remains the most attractive market due to its growing economy, infrastructure development, and relatively higher liquidity compared to its neighbours.

Conversely, while Czechia remains attractive and is often compared to Western Europe in terms of maturity, it has a smaller market and less liquidity, leading some investors to view it as a more niche destination for capital.

Romania and Hungary, on the other hand, present more challenges due to regulatory hurdles and limited liquidity, with the potential for long-term growth constrained by smaller market sizes.

Image: Visual Electric / GRI Club

2025 MARKET OUTLOOK

» Key Concerns

The impact of declining capital values, estimated at around 20% across European markets, was a major discussion point. However, as reported by one attendee, CEE markets have been notably resilient in comparison.

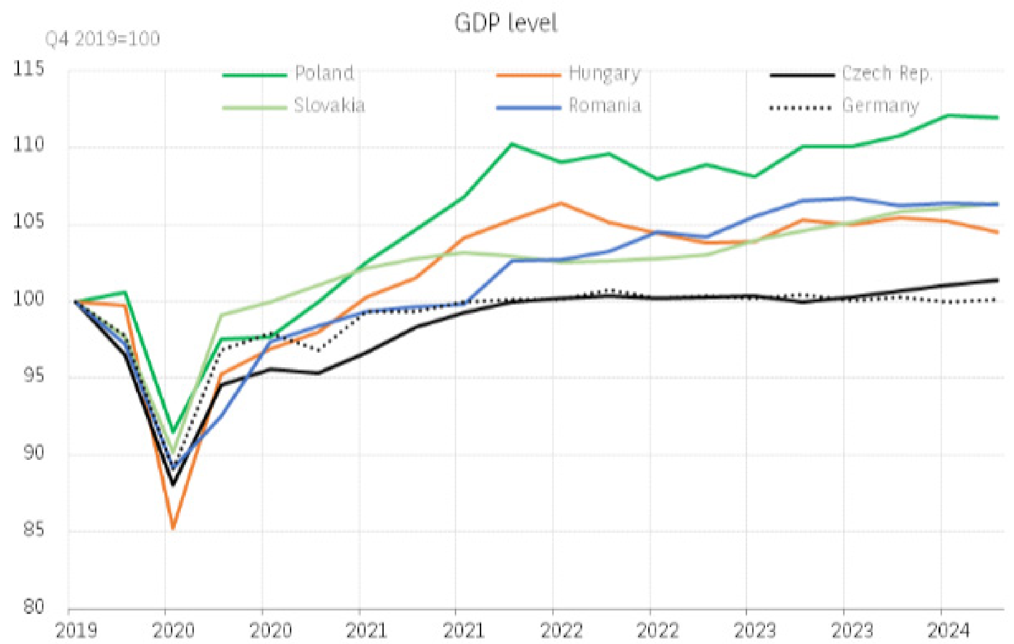
The question of whether geopolitical concerns will continue to deter international investors remains open. Stability in the region was identified as a critical enabler of future capital inflows, with Poland seen as the most investable market.

At the same time, regulatory challenges persist, particularly concerning the conversion of obsolete office assets into residential or mixed-use developments.

Despite widespread concerns, the outlook for retail and residential assets remains positive. The industry is seeing a renewed interest in these sectors, driven by strong consumer fundamentals and evolving urbanisation trends.

The shift from pure-play development to adaptive reuse and repositioning strategies was another future focus brought to the table during the meeting.

Across CE economies, diverging growth paths



The CEE region continues to show promise, but investors remain cautious due to ongoing liquidity challenges and geopolitical uncertainties. (Source: Eurostat, BNP Paribas)

» Strategic Recommendations

The discussions at the GRI CEE Forum - London Edition underscored the region's enduring appeal as an investment destination. Attendees agreed that, despite financing and regulatory challenges, opportunities exist for those willing to take a strategic, long-term approach.

The key question that remains is: how can investors best navigate the complexities of CEE's evolving landscape going forward?

In response, market leaders emphasised three critical factors for success.

- First, investors must focus on high-growth sectors such as logistics, residential, and selective retail assets.
- Second, given the region's ongoing geopolitical and macroeconomic fluctuations, comprehensive risk assessments will be essential in guiding investment decisions.
- Finally, regulatory adaptability will play a crucial role, as shifting policies continue to shape market dynamics.

At the end of the day, the overall sentiment from investors reflected a cautious but optimistic outlook, with participants recognising that the CEE market presents both potential and challenges in equal measure.

For now, the ideal strategy will be one that balances diversification with deep sector expertise, ensuring a resilient and adaptable approach to investment in the region.

Image: Visual Electric / GRI Club

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GRI Club's innovative discussion model allows free participation of all executives, encouraging the exchange of experiences and knowledge, networking and business generation.

GRI Club Members also have access to our exclusive online platform to learn more about other members and their companies, correspond and schedule meetings, and receive unrestricted access to all GRI Club content.

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