Deloitte.

Deloitte Real Estate Confidence Survey for Central Europe 2025

January 2025

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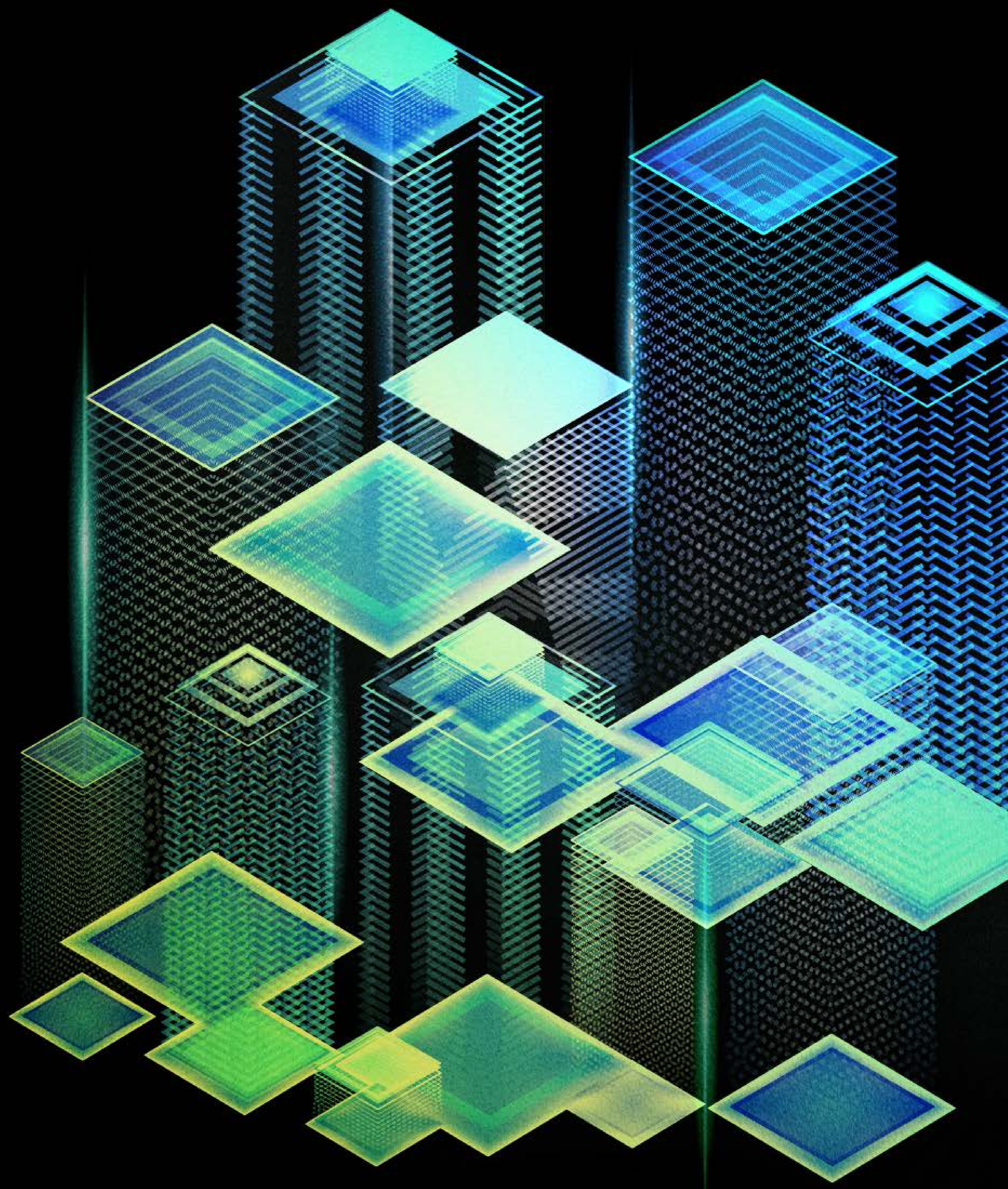


Foreword

Welcome to the seventh edition of the Deloitte Real Estate Confidence Survey for Central Europe.

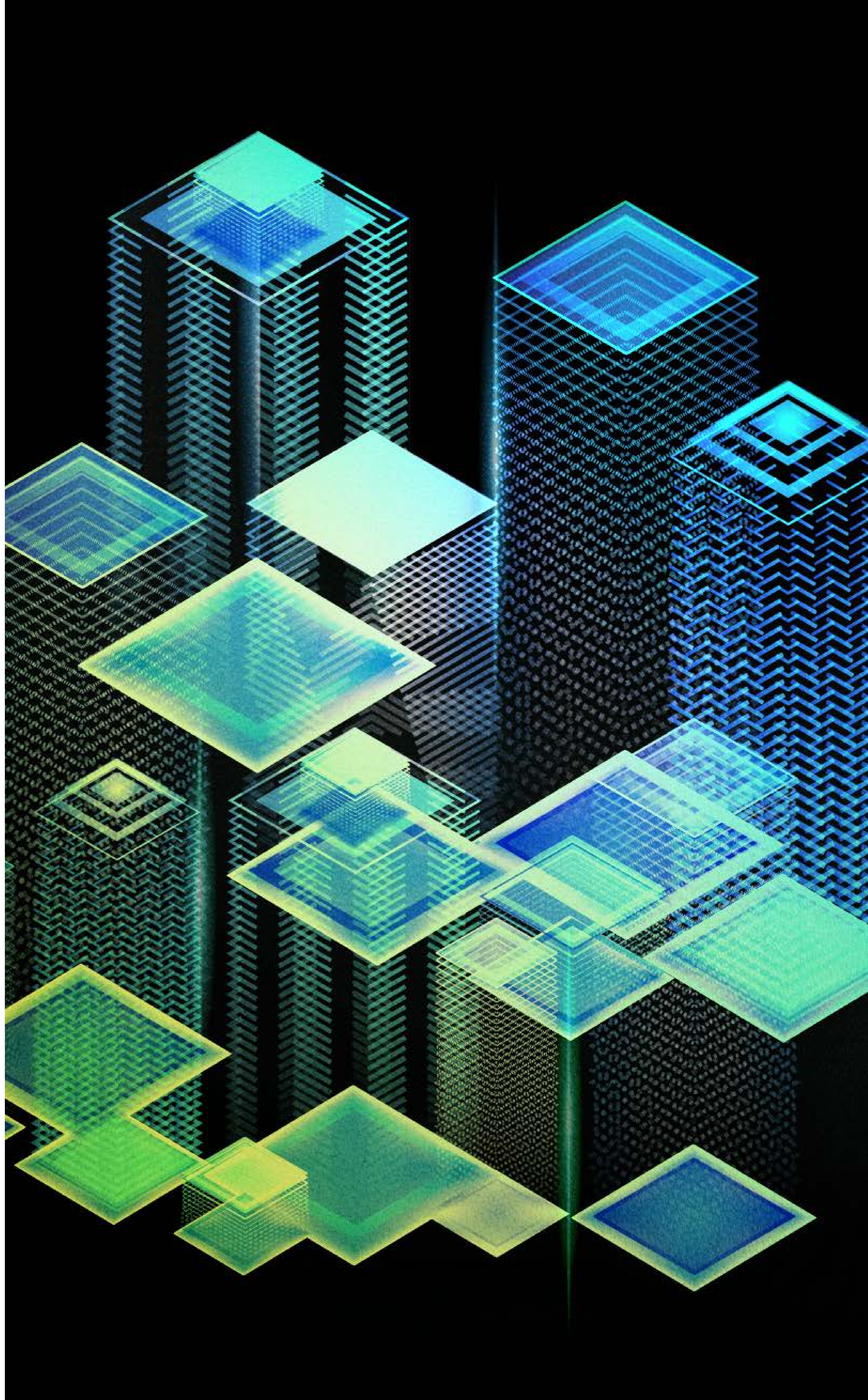
As we look ahead to 2025, our survey reveals a picture of cautious optimism amidst ongoing challenges. The real estate sector in Central Europe is demonstrating resilience and adaptability in the face of global uncertainties, geopolitical tensions, and economic fluctuations. Our findings suggest that market participants are moving beyond the wait-and-see approach of recent years, actively learning to navigate the complex global environment.

These insights reflect a market that is evolving and adapting to new realities. While challenges persist, there are also significant opportunities for those who can navigate the changing landscape effectively, particularly in emerging sectors such as new energy infrastructure, data centers and healthcare and through the integration of ESG principles.

The accuracy of predictions in our previous reports has reinforced the value of this survey as an essential voice in discussions about the prospects of the Central European real estate market. As we present this outlook for 2025, we aim to provide our readers with the insights needed to navigate this evolving environment effectively.

Thank you for your continued interest in our survey. We trust that this report will serve as a valuable tool in your strategic planning and decision-making processes for the year ahead.

Dominik Stojek
Partner | Real Estate Leader for Poland



The Deloitte Real Estate Confidence Survey for Central Europe

Deloitte's Real Estate Confidence Survey for Central Europe is released annually and aims to gauge how the region's real estate professionals perceive the market. We ask three groups of stakeholders - developers, investors, and market advisers - for their opinions across a range of issues.

Our aim is to give them the opportunity to express their beliefs and predictions. History has shown that market developments have largely aligned with the predictions made in previous editions of our surveys.

Our respondents are members of management boards, senior management, team managers, and specialists. Deloitte believes that the senior profile of our survey participants has enabled us to collect opinions from individuals with proven knowledge and experience in the real estate sector who exert significant impact on the market.

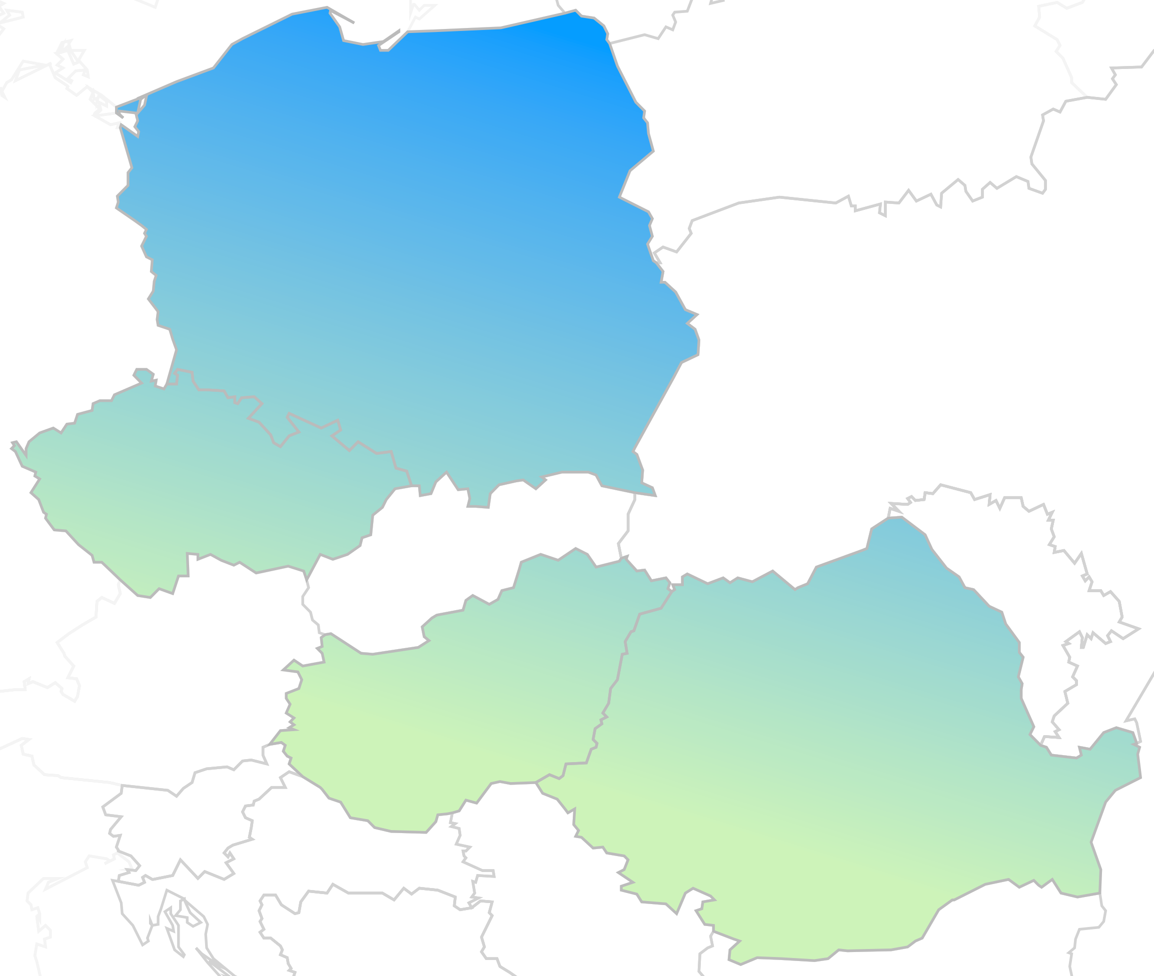
The report uniquely compares respondents' current expectations with the views we recorded in previous years and describes their predictions for the months ahead: expectations that will have at least as much influence as hard economic data on their investment decisions throughout 2025. Moreover, maintaining the same structure of the survey allows us to monitor and analyze any significant changes in sentiment and outlook from edition to edition.

The first edition of the report was published at the beginning of 2019, providing respondents' predictions for that year. Since then, it has been repeated bi-annually and annually.

This current edition of the Confidence Survey was conducted in December 2024 and reflects the newest real estate market outlook and forecasts for 2025 from participants.

The questionnaire comprised two sections. The first focused on respondents' opinions regarding the general economic conditions across CE in 2025. The second covered individual business perspectives of each participant.

We asked respondents to define their primary geographic markets. In the 2025 edition, **13%** came from Poland, **32%** from Czechia, **19%** from Romania, **4%** from Hungary, and **32%** of our respondents declared they operate across Central European markets.



Key findings

Cautious optimism prevails: Despite ongoing challenges over 80% of respondents **expect economic stabilization or improvement**. Sentiment regarding debt financing is also improving. However, **less optimistic moods** can be observed in the assessment of the **tax climate**. Although expectations for economic stabilization prevail, the number of indicators predicting deterioration are still high.

An improvement in sentiment can be seen within the investment market. More than half of the respondents expect that activity and volumes of investment transactions in CE will increase in the near future.

The greatest optimism can be seen among representatives of real estate sector in the Czech Republic, while **the worst prospects** for the coming year are from respondents relating to Romania.

For developers, **labour costs and availability related to construction** have emerged as the **primary concern**, overtaking project financing. The persistent challenge of plot acquisition remains one of key issues for **18%** of survey participants.

Investors' opinions on the efficiency of their investments in 2025 are **predominantly optimistic. 45%** of our respondents believe the efficiency of their investments to improve. Almost the same number expect stabilization while only **13%** foresee a decrease.

Advisers expect a relatively **stable year for the real estate market** and present a more moderate sentiment compared to investors both in terms of margins/investment efficiency and investment plans.

Emerging sectors, such as **new energy infrastructure, data centers and healthcare** are most often indicated as the most attractive and are expected to develop dynamically withing next five years. More than **20%** of survey participants identified them as areas they intend to focus on in 2025.

At the end of 2024, we observed a clear shift in opinion on the impact of **Russia's aggression against Ukraine**. The number of respondents who expect a long-term effect has increased from less than **30%** to **40%**.

While sustainability is increasingly important, the market is still in an adaptation phase, with varied expectations regarding the practical implications of ESG factors on investments and property valuations. **A pragmatic approach dominates**, as the majority of respondents predict that market participants will be interested not only in ESG-compliant properties, but also non-compliant assets. On the other hand, most respondents expect there will be up to a **15%** price difference between ESG-compliant and non-compliant properties.

Developers

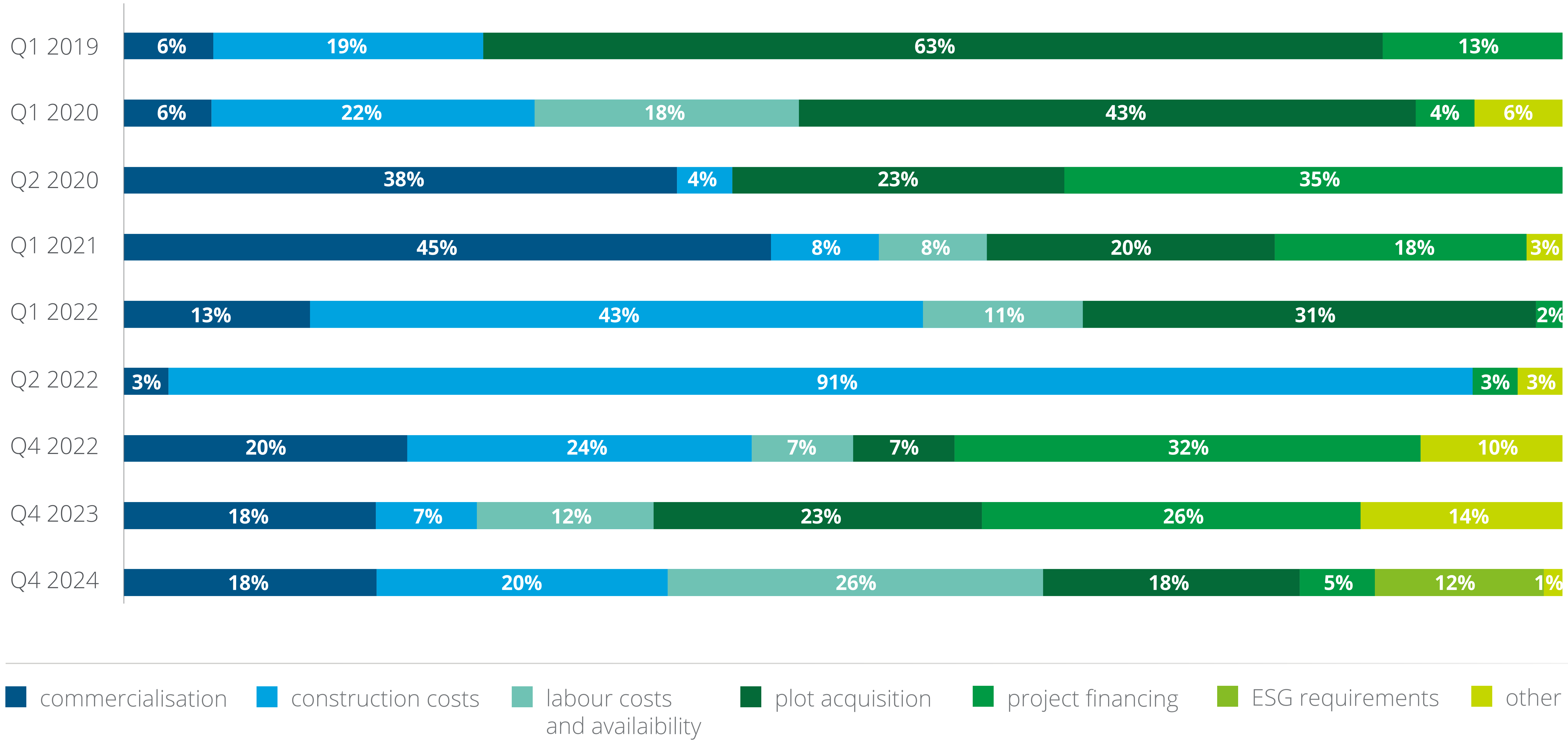
The results of the current edition of the Confidence Survey revealed a significant shift compared to previous years with nearly half of the respondents (**46%** in total) indicating construction costs and labour costs within the construction process as the main challenges.

Labour costs and availability have emerged as the primary concern for developers, overtaking project financing which had been the dominant issue in recent surveys, suggesting improved access to capital or more stable financial markets.

The persistent challenge of plot acquisition remains one of key issues for **18%** of survey participants, indicating continued competition for prime development sites in major urban locations and complexity of receiving required permits.

A notable addition to this year's survey is the inclusion of ESG (Environmental, Social, and Governance) requirements as a distinct challenge. With **12%** of developers citing this as a primary concern, sustainability and responsible development are becoming increasingly important factors in the industry.

In the months ahead, I expect biggest challenges to be:

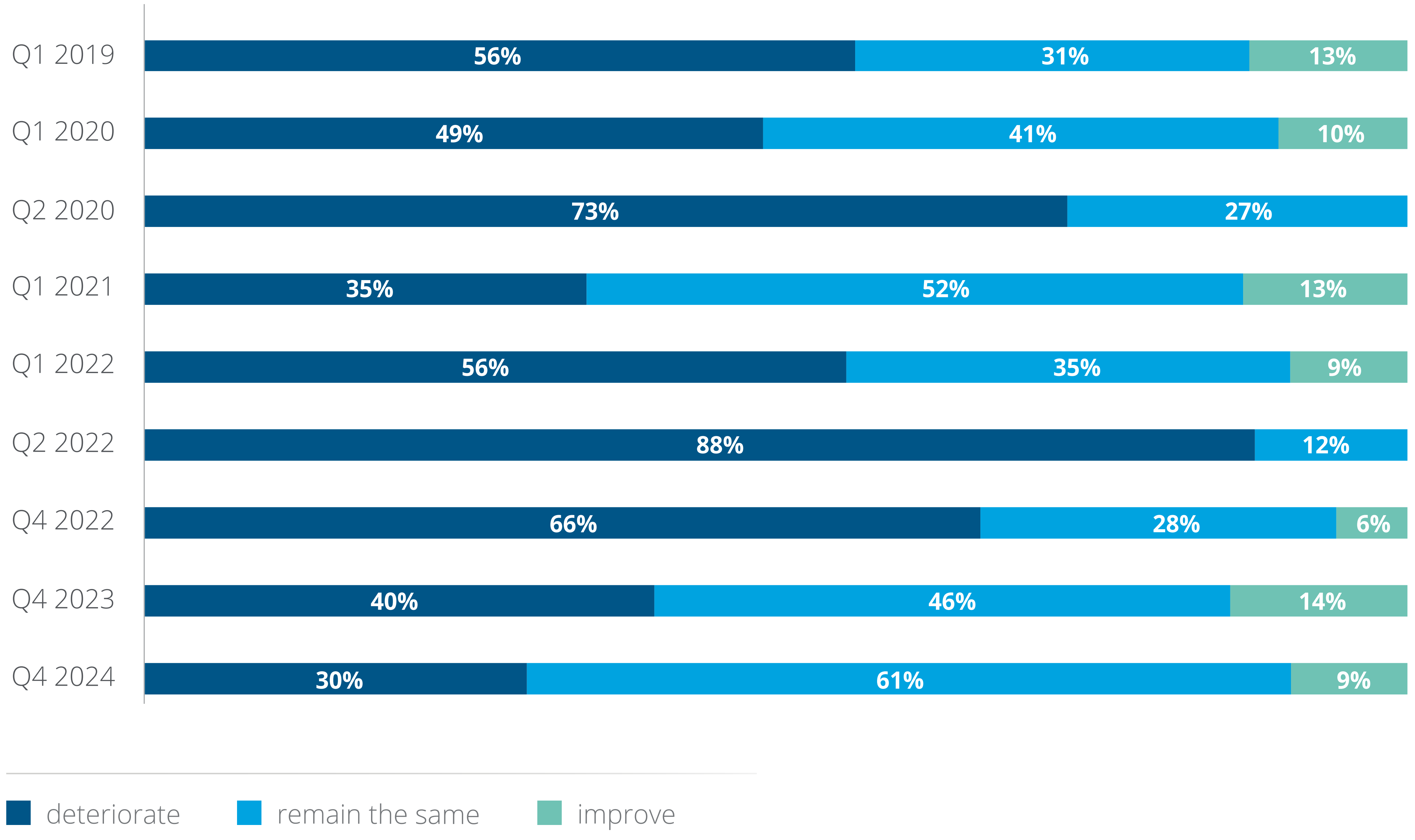


Developer margins are a key indicator of market health and profitability. The survey shows most developers are expecting margins to remain unchanged (**61%**). At the same time, the percentage of respondents who expect the situation to deteriorate was the lowest in the entire history of our survey at **30%**, despite increased uncertainty about possible cost increases.

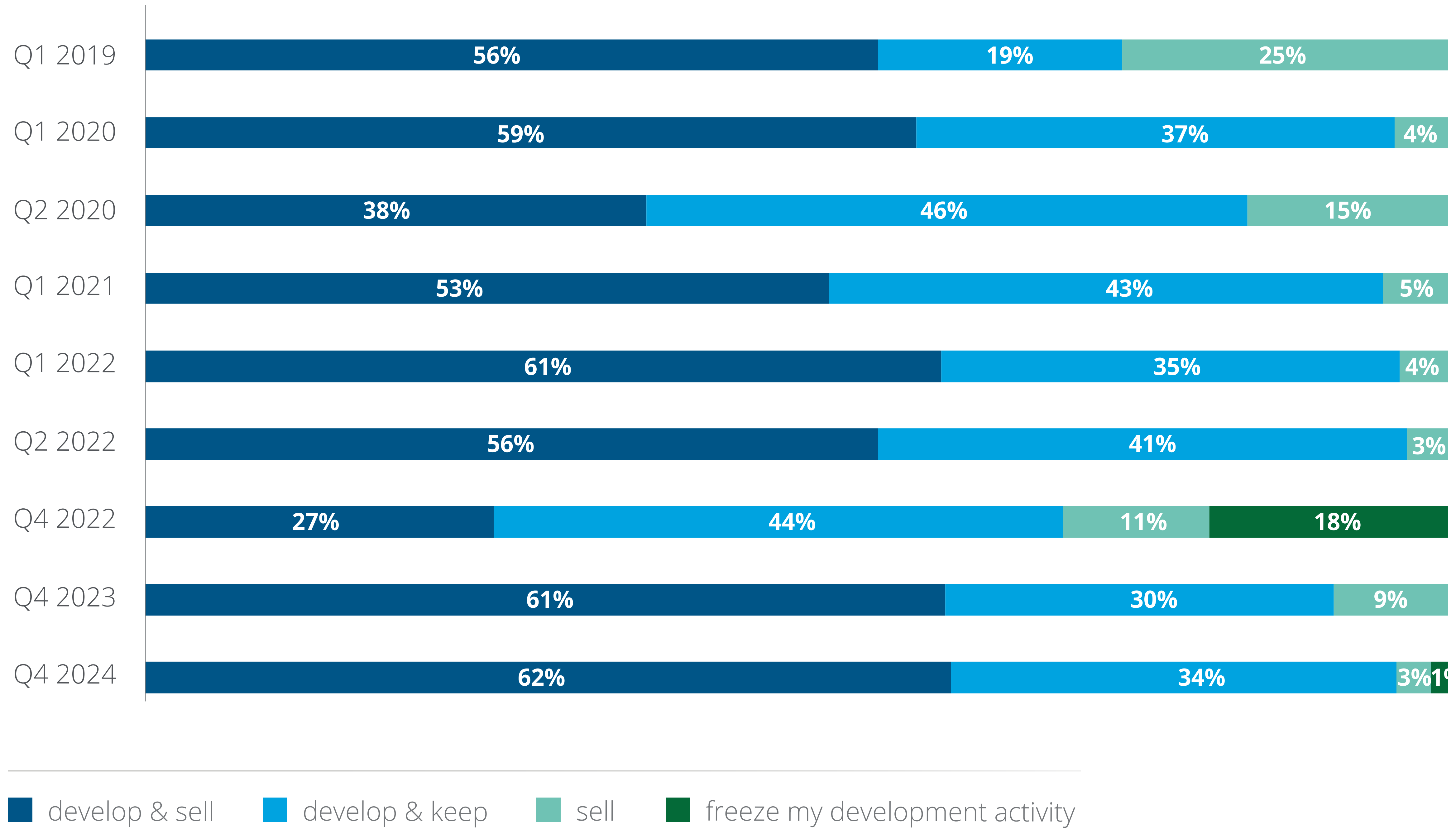
When asked about their development strategies for 2025, six out of ten developers indicated they were planning to develop and sell, and three out of ten aimed to develop and keep. The results remained almost unchanged compared to the previous year.

The strong preference for a "develop and sell" strategy suggests confidence in market demand and potentially attractive exit opportunities. The marginal percentage of developers planning to freeze their activity (**1%**) is another encouraging sign, indicating overall confidence in the market despite the challenges faced.

In the months ahead, I expect margins to:

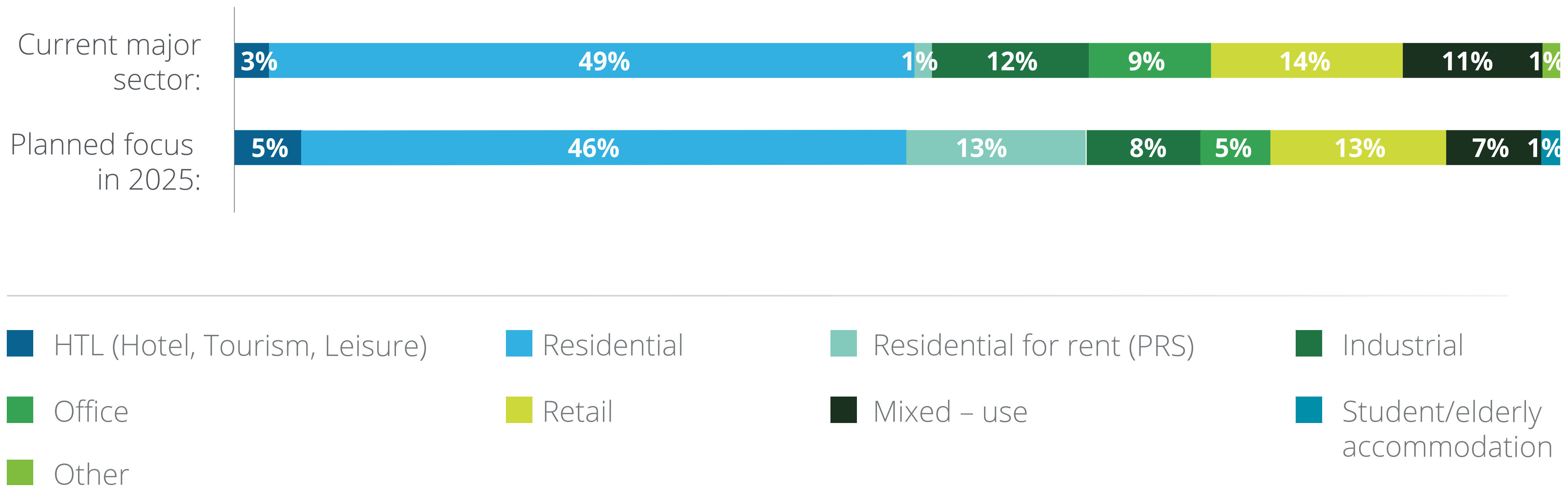


In the months ahead, I expect to:



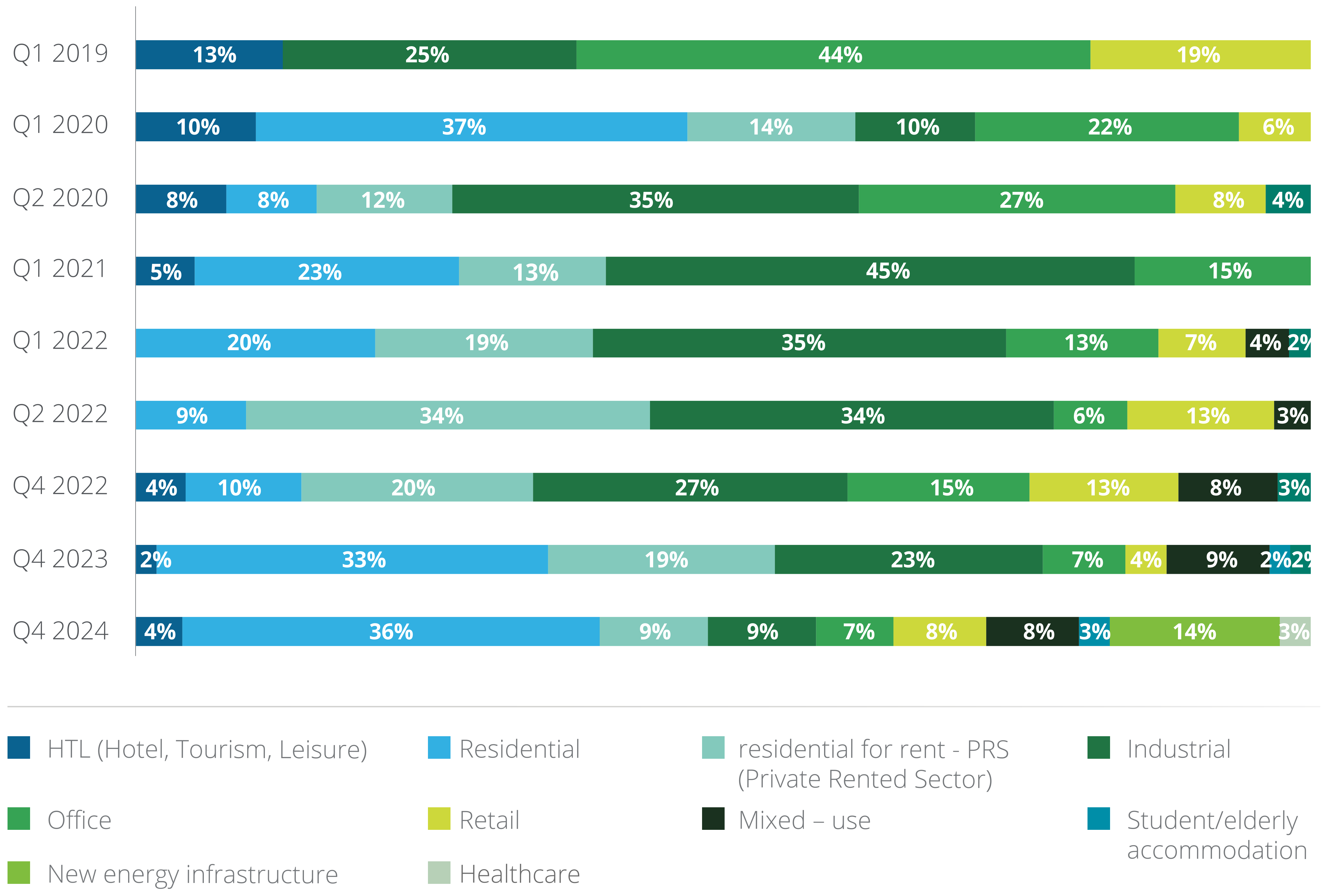
Developers were also asked about their intended focus for 2025. Approximately **63%** of respondents declared to focus on their core sector, whilst the remaining **37%** considered focusing on a new area. The biggest difference can be seen in case of PRS sector, which was indicated by 1% of respondents as their current leading sector, while as many as **13%** declared that they intend to focus on this sector within upcoming year (mainly developers already operating in residential and office sectors). This notable residential trend was illustrated by a group of respondents who specified their current focus as "mixed-use" and are going to focus mainly on residential in 2025.

Current main sector of the market vs. planned focus in 2025:



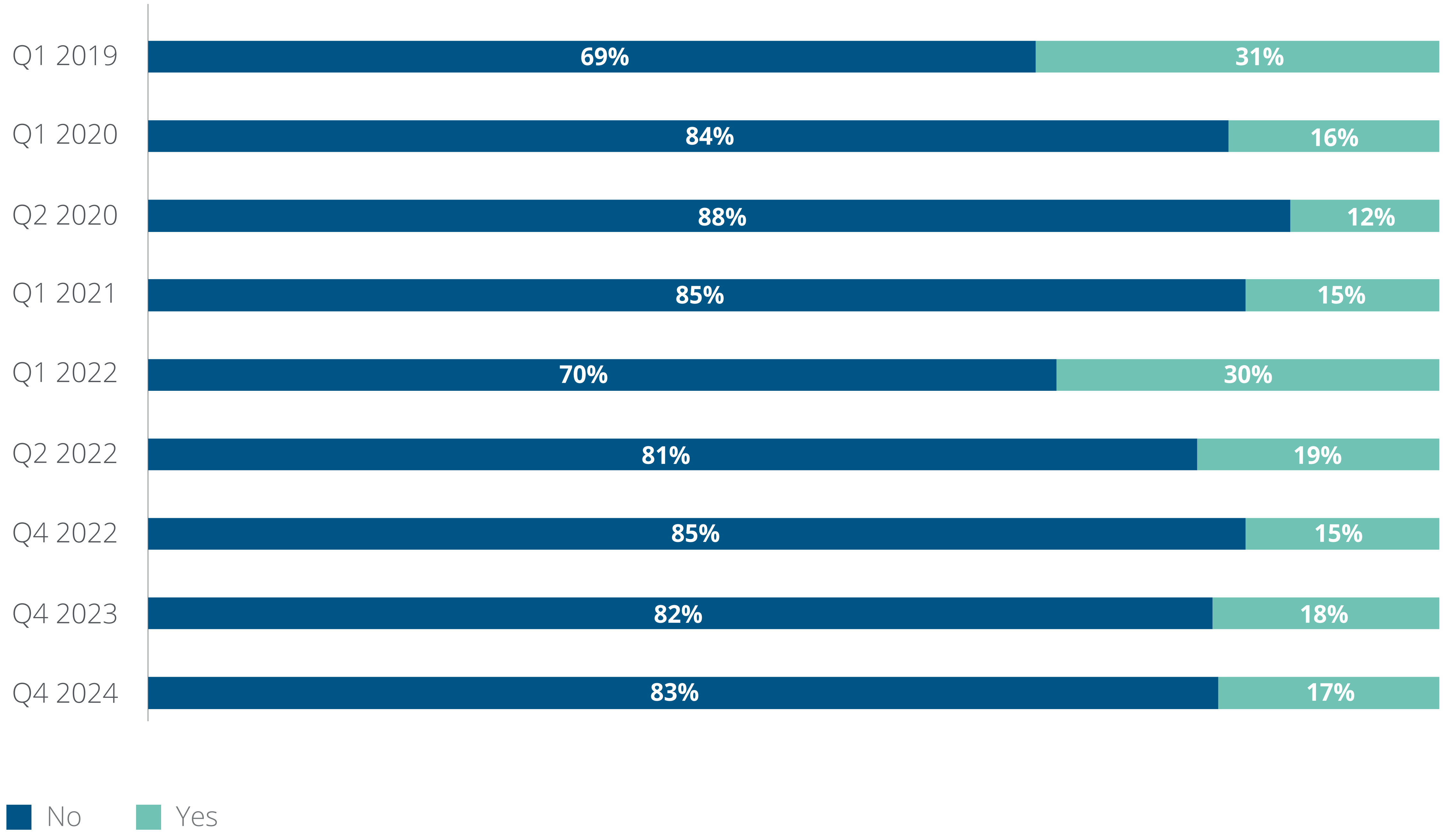
When it comes to expectations as to which market sector will be the most competitive in the coming year, the residential market was again selected by the largest number of respondents (**36%**). There was also a visible decrease in competition indications for the industrial sector, which in the last few editions of the survey was one of the most selected, and in 2025 was indicated by only **9%** of participants as the most competitive sector. In this year's survey, we have expanded the number of available responses to include emerging sectors such as data centers, healthcare, and new energy infrastructure. The latter sector is particularly noteworthy, as it was indicated by as many as **14%** of survey participants, which may suggest growing awareness of sustainable development and moving away from fossil fuels and issues of securing energy independence.

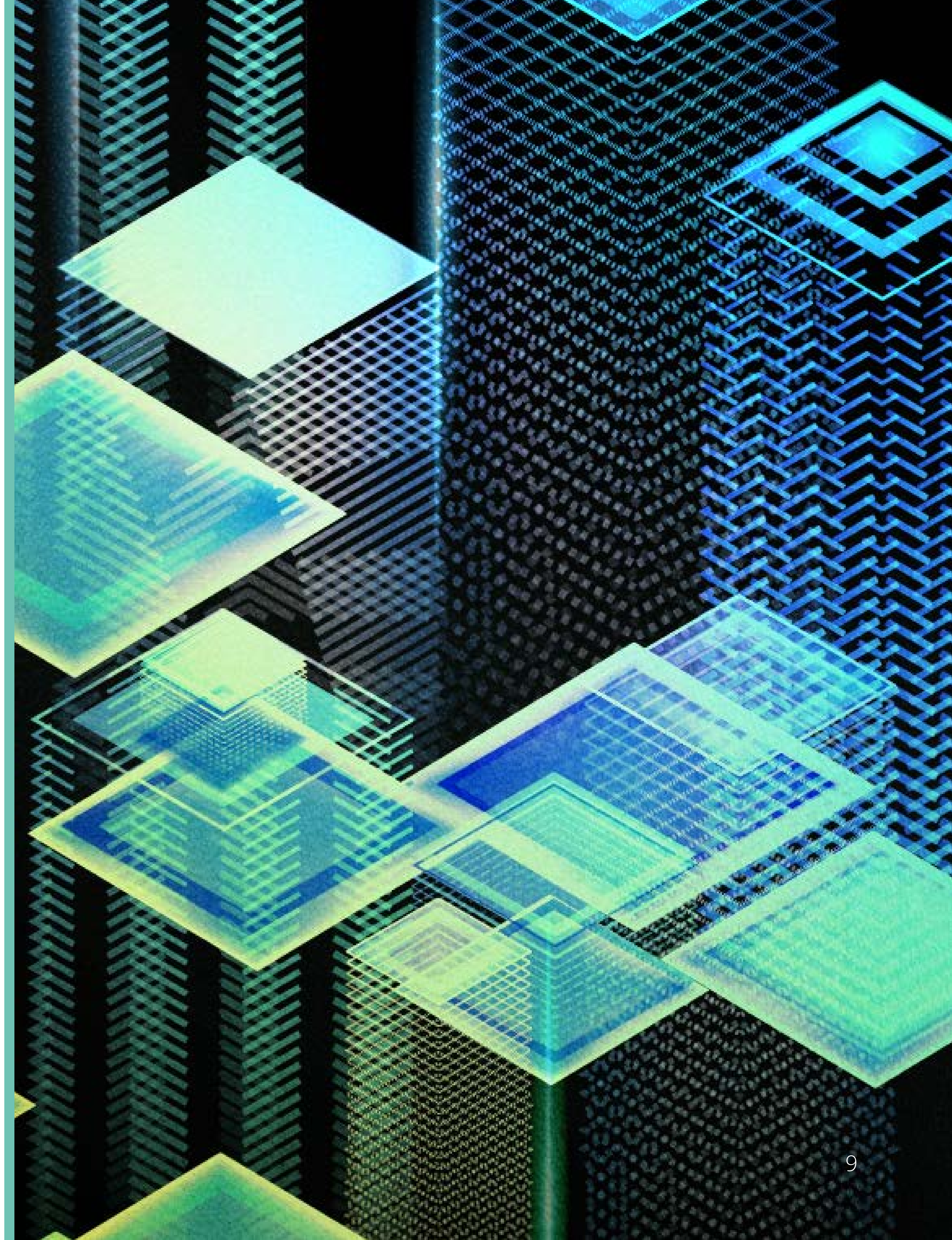
In the months ahead, I expect most competition for new investment opportunities to be in:



Looking across all the years of the survey, the share of developers planning to focus on new markets has ranged between a low of **12%** at the beginning of the Covid-19 pandemic up to **30-31%** at the beginning of 2019 and in January 2022. Currently, around 1**7%** of respondents are considering focusing on new markets, while the continued trend of focusing on core markets is represented by **83%** of responding developers, which has remained relatively stable since Q2 2022.

For the months ahead, I expect to focus on new markets:

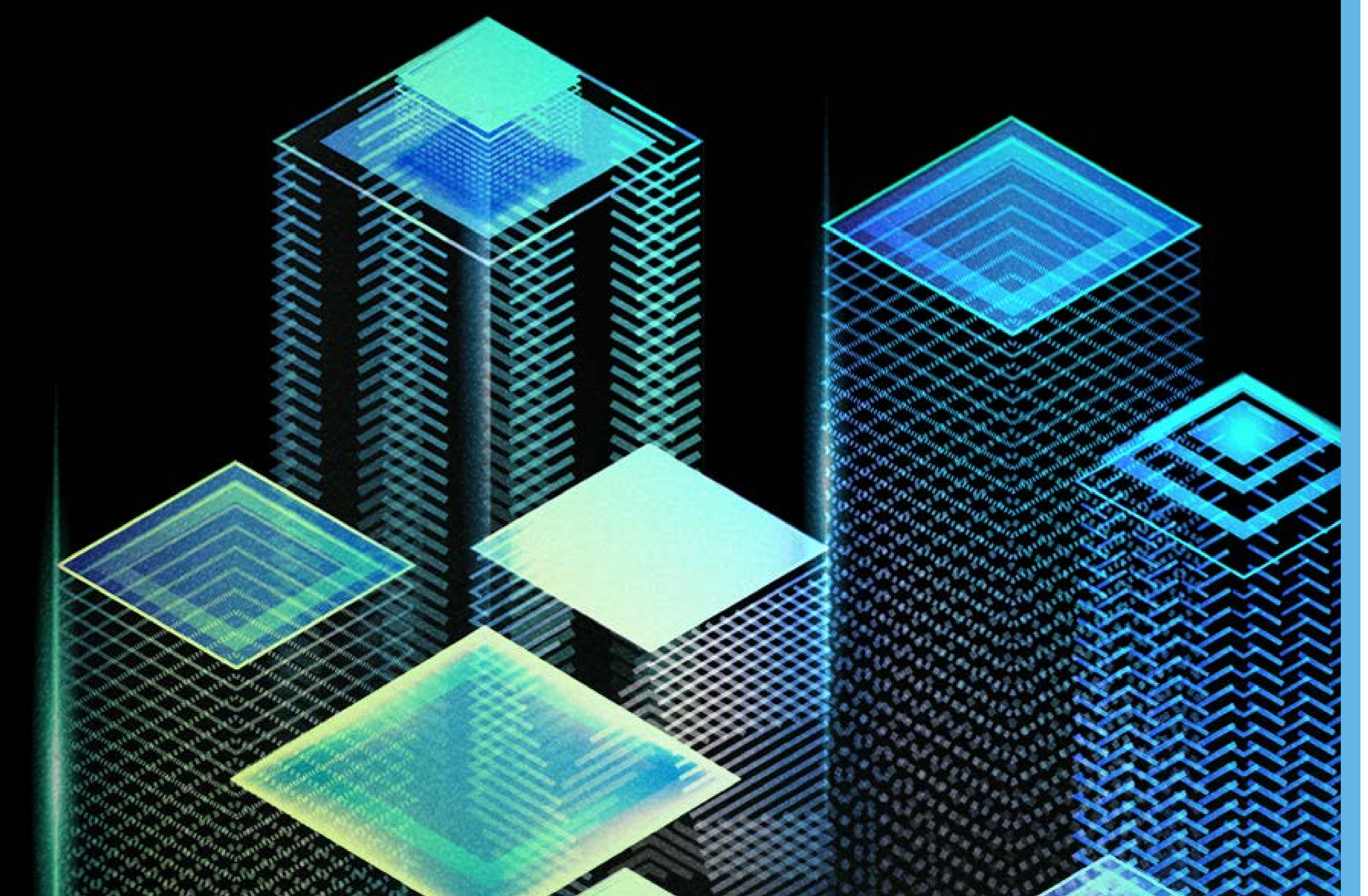




Investors

There remains a strong emphasis on effective management of existing assets and the share of investors aiming to focus mainly on raising new funds decreased y/y from **19%** to **11%**.

However, a significant increase in interest in new investments was observed, compared to previous years (increase by 17 percentage points y/y and by 33 percentage points compared with the end of 2022), which may suggest growing optimism among investors regarding market prospects.



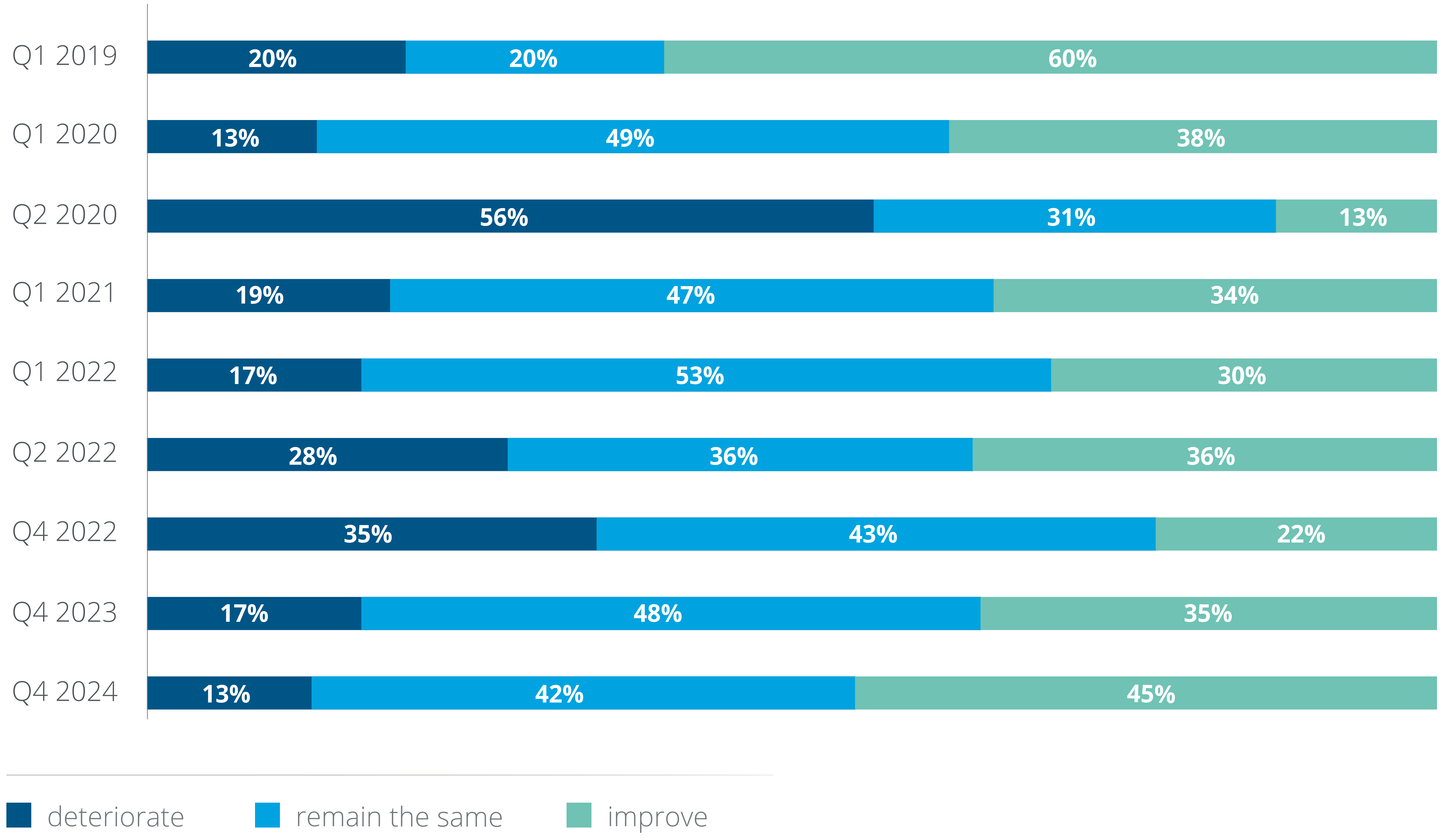
In the months ahead, I expect to spend the majority of my time focusing on:

Investors' opinions on the efficiency of their investments in 2025 are predominantly optimistic and improving. **45%** of our respondents believed the efficiency of their investments will improve. Almost the same number expected stabilization while only **13%** predicted a decrease. This means that the share of pessimists is the lowest since the beginning of 2020.

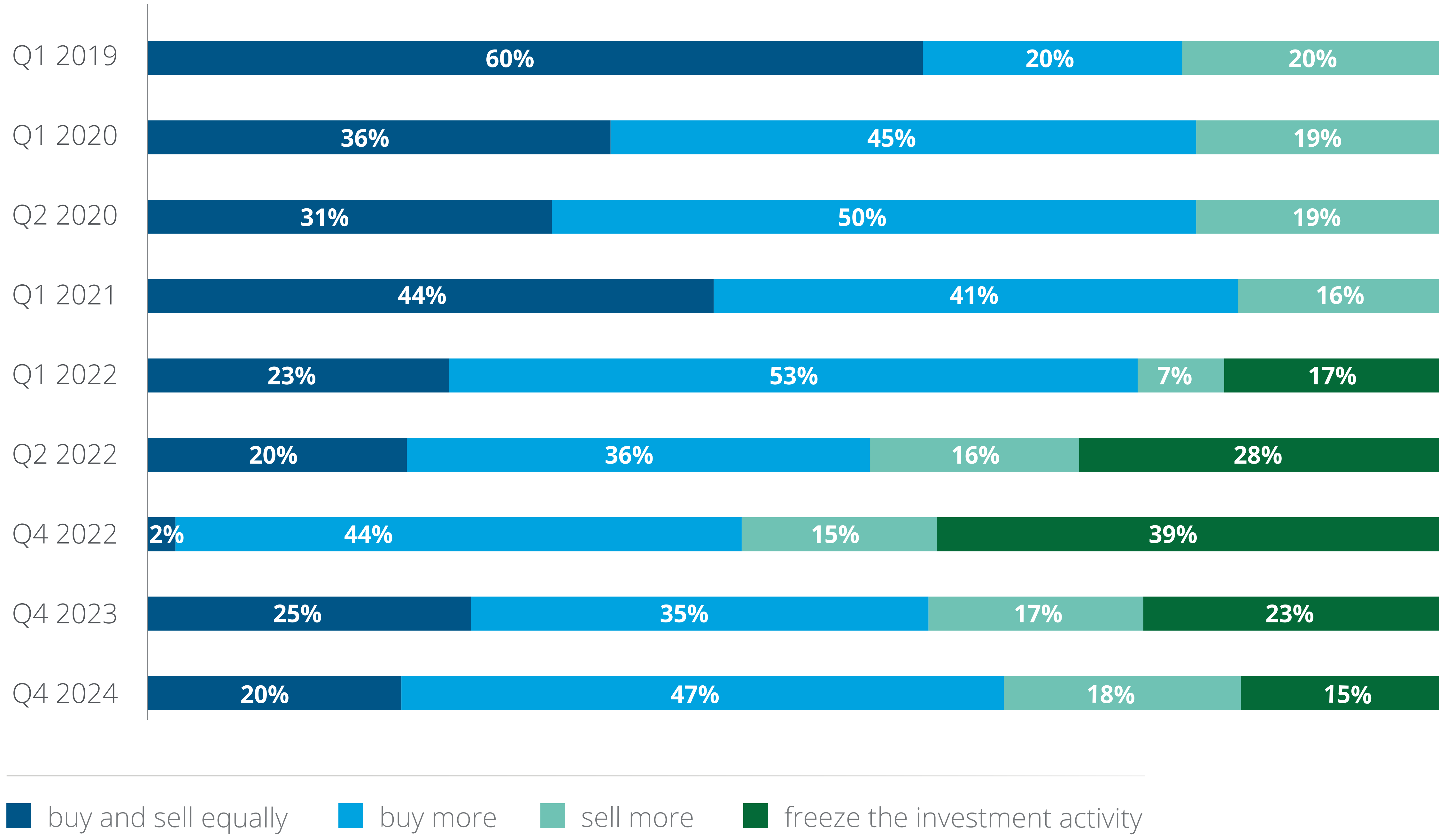
When asked about their investment plans for 2025, an increase was noted with almost half of investors intending to buy more assets. The clear preference for buying plans over selling indicates a strong belief among investors in the potential for asset value growth in the region and may also reflect the search for investment opportunities in the face of changing market conditions.

Only **15%** of respondents considered suspending investment activity, being a clear decrease over the last 2 years, which suggests an improvement in market sentiment and a change in risk perception.

In the months ahead, I expect the efficiency of my investments to:



In the months ahead, I expect to:

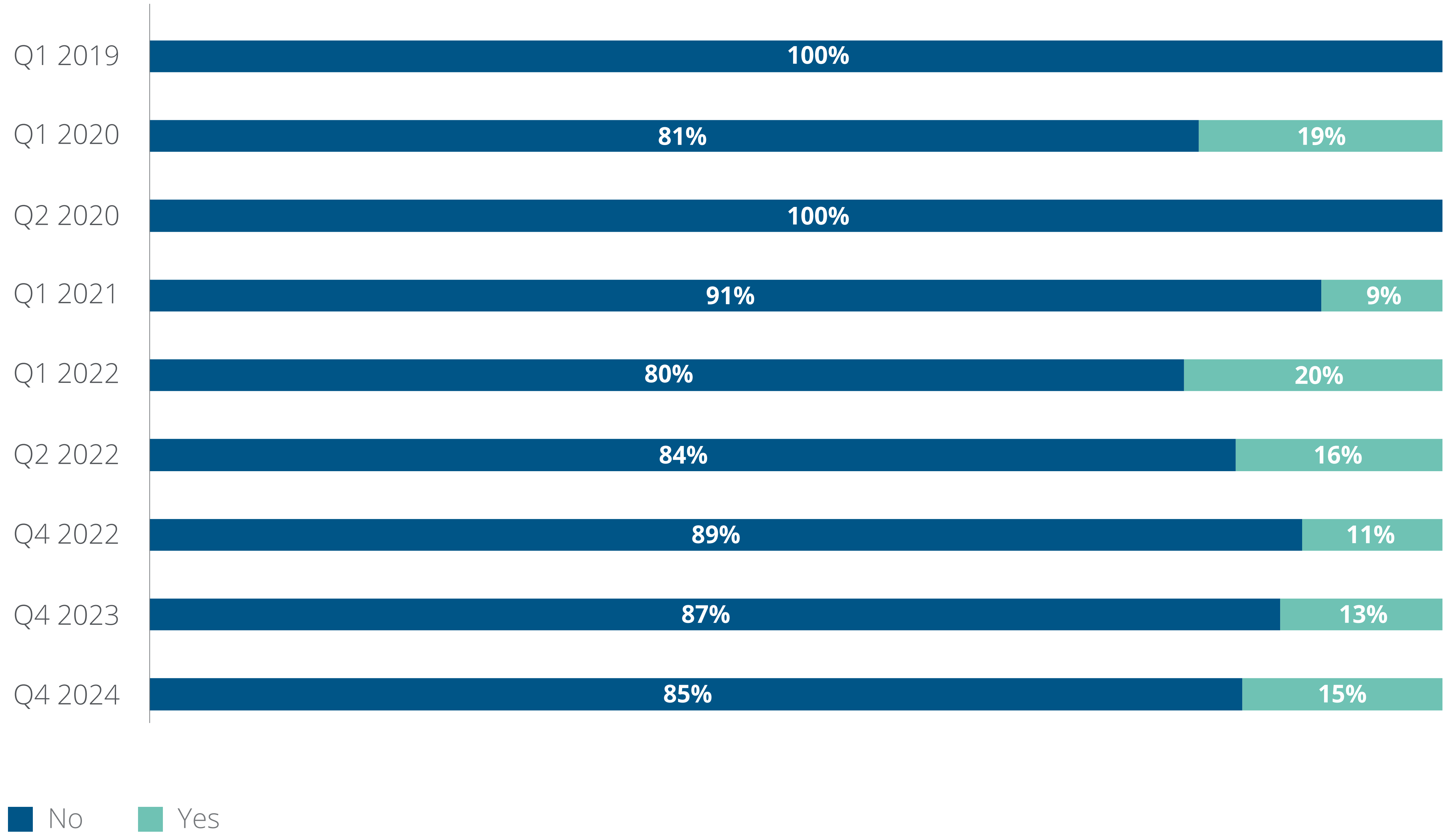


There was also a slight increase in interest in expanding operations into new markets. About **15%** of respondents declared such plans, whilst the remaining **85%** preferred to concentrate on their existing markets.

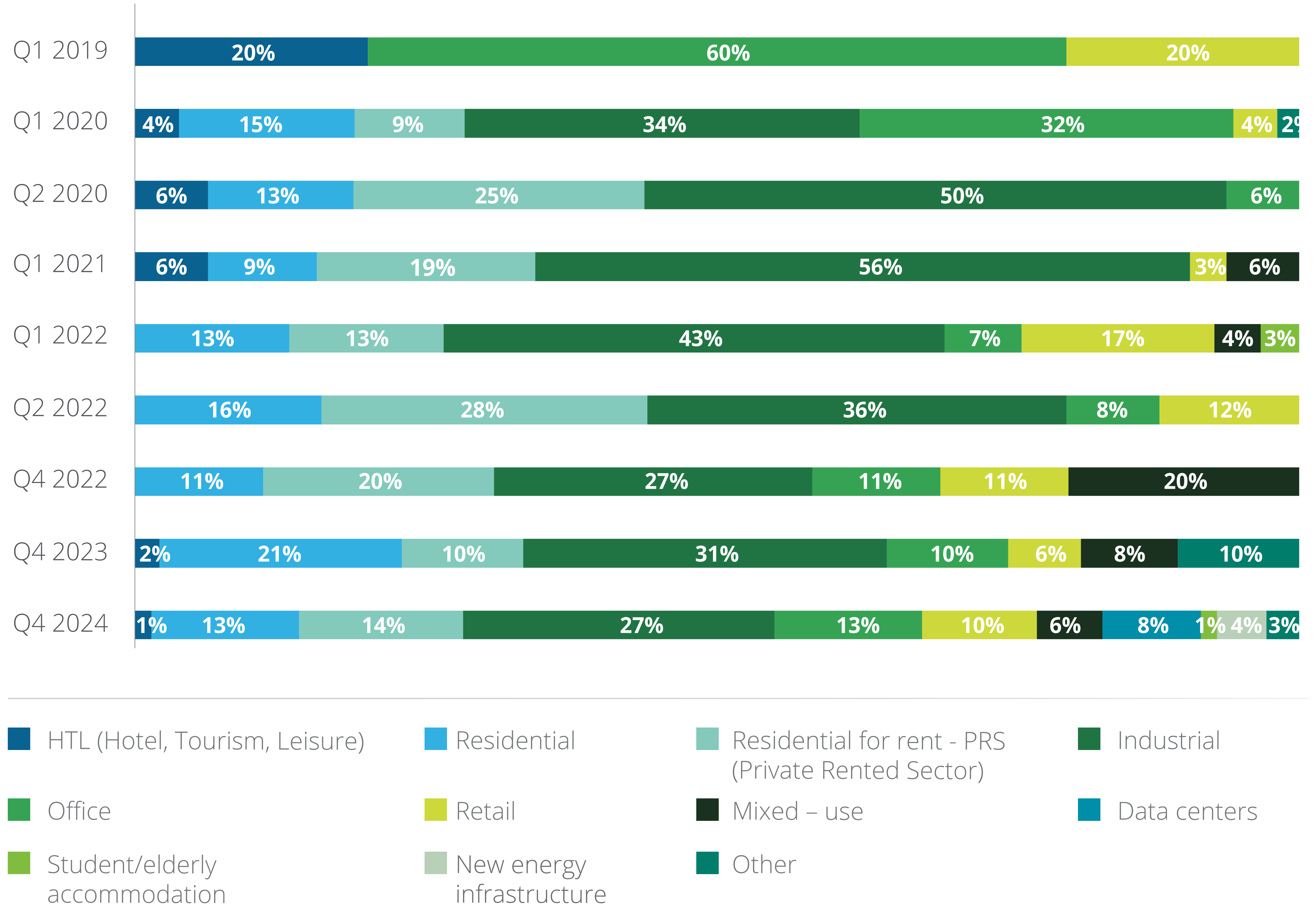
Investors once again identified the industrial sector as the most attractive for 2025. This option was selected by **27%** of respondents. Compared to the previous year, the perception of the residential sector deteriorated (a drop from **21%** to **13%**), but offices (**13%**; +3 percentage points y/y) and retail (**10%**; +4 percentage points y/y) gained some votes.

Approximately **30%** of investors indicated sectors considered to be at an early stage of development as the most attractive for 2025. PRS was at the top of the list with **14%** of responses and other emerging sectors such as data centers, new energy infrastructure, healthcare, student/elderly accommodation, parking accounted for another **17%** in total.

In the months ahead, I expect to focus on new markets:

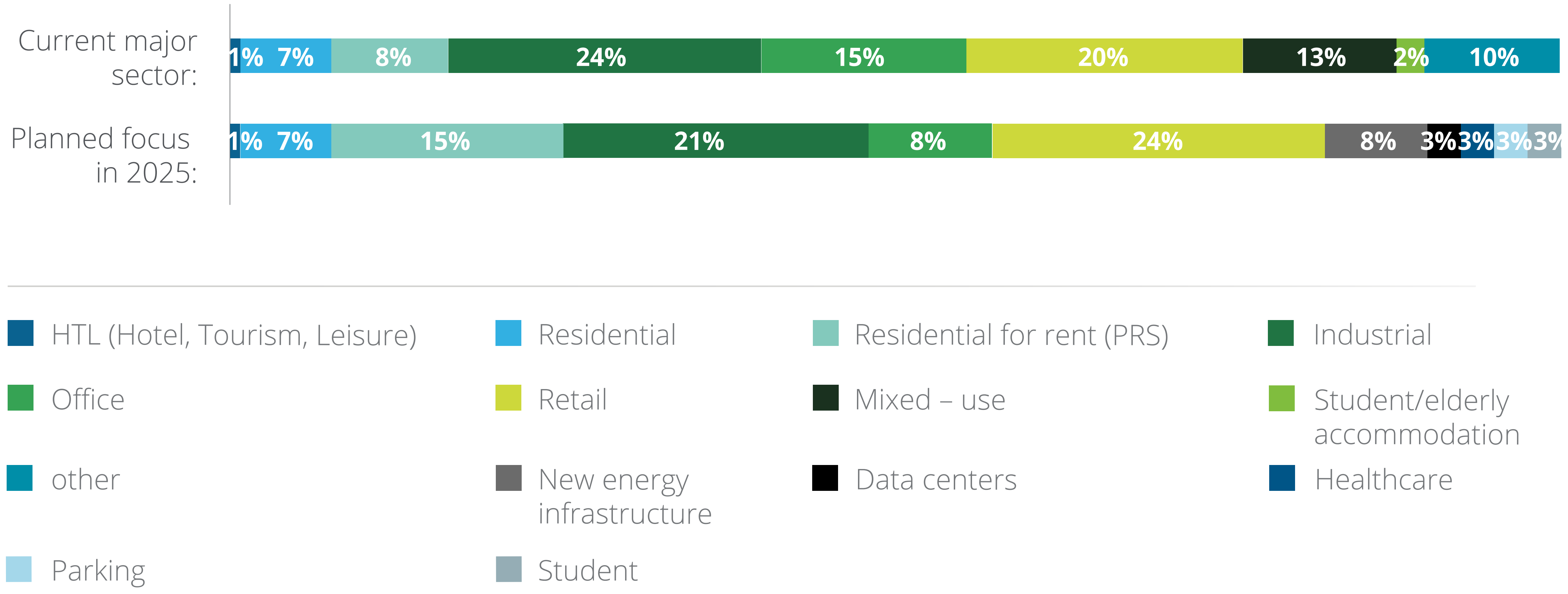


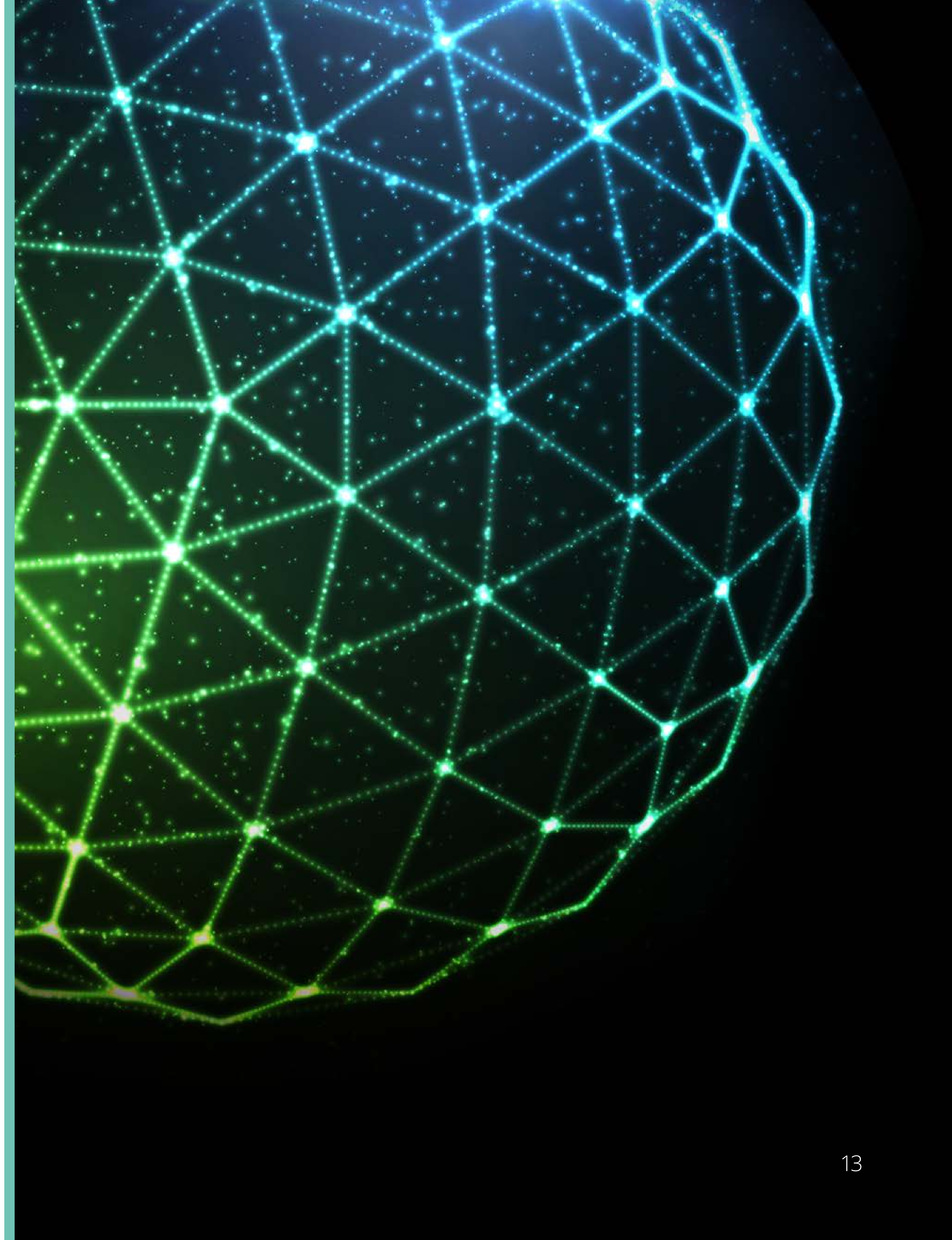
In the months ahead, I expect most competition for new investment opportunities to be in:



Investors were also asked what the main sector in which they operate is and what areas they want to focus on in the coming months. In approximately half of all responses, the answers to these questions were the same which means they are not going to change their focus. Some of respondents anticipated to focus more on their core businesses. However, it can be seen that some investors are willing to take an interest in sectors outside their core operations. The major shift that can be observed between office and PRS sectors. Approximately **20%** of answers accounted for emerging sectors such as new energy infrastructure, data centers, healthcare, parking or student accommodation.

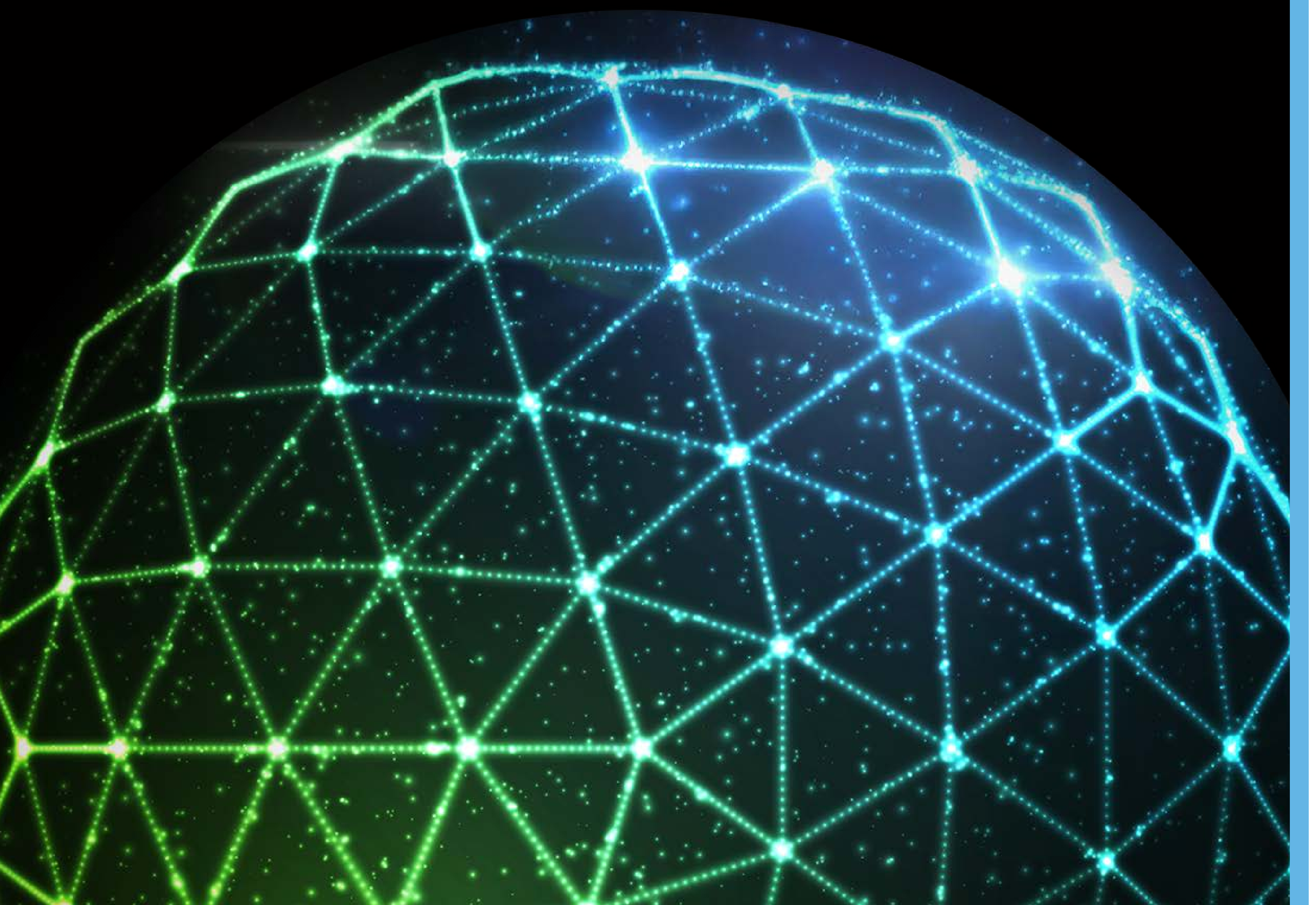
Current major sector of the investments vs. planned focus in 2025:



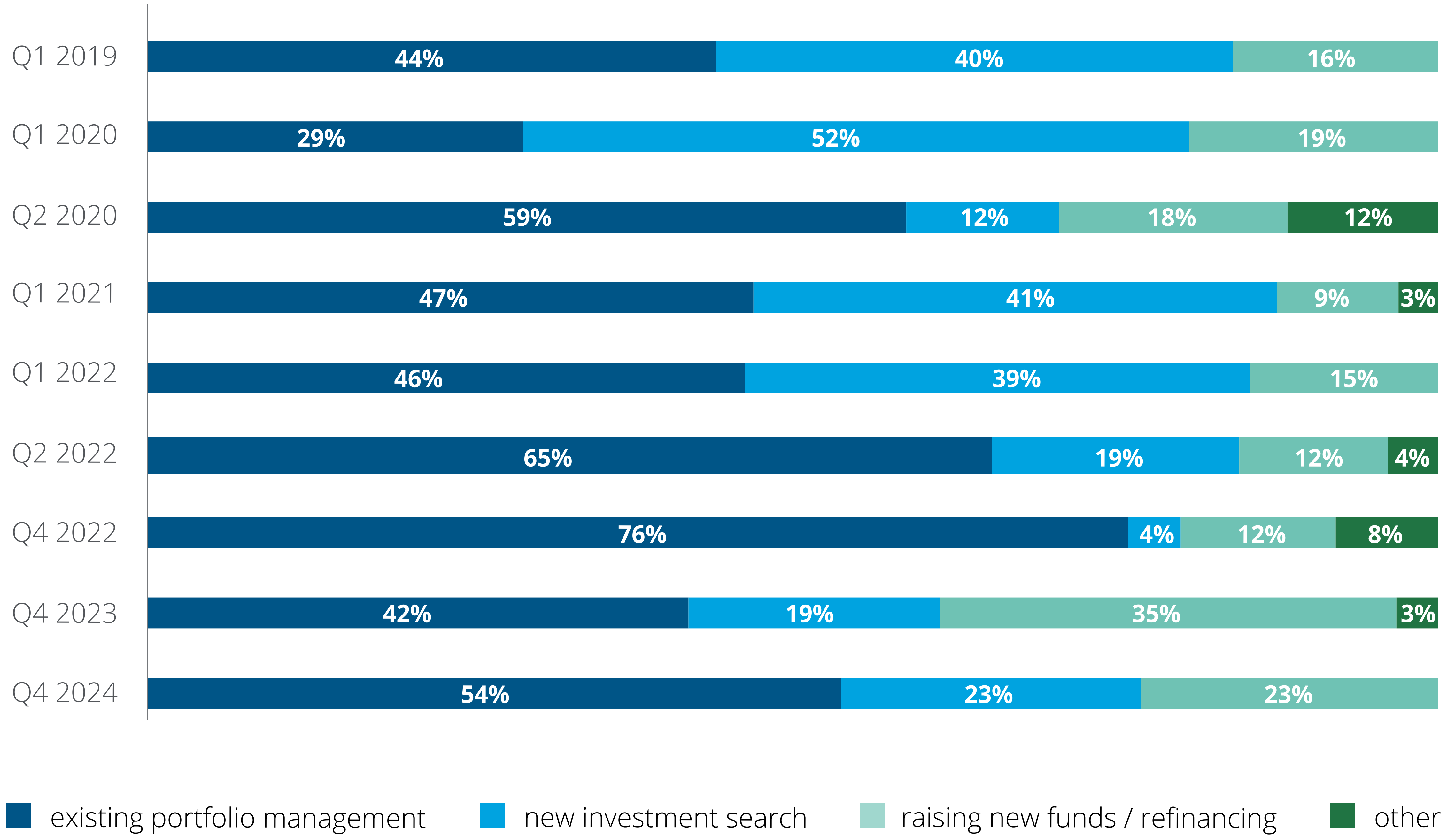


Advisers

According to advisers, in 2025 their clients will focus mainly on existing portfolio management, which was indicated by more than **50%** of respondents. The share of "raising new funds" decreased from **35%** in 2023 to **23%** in the survey, which may be a sign of improving availability of debt financing.



In the months ahead, I expect my clients to spend most time focusing on:



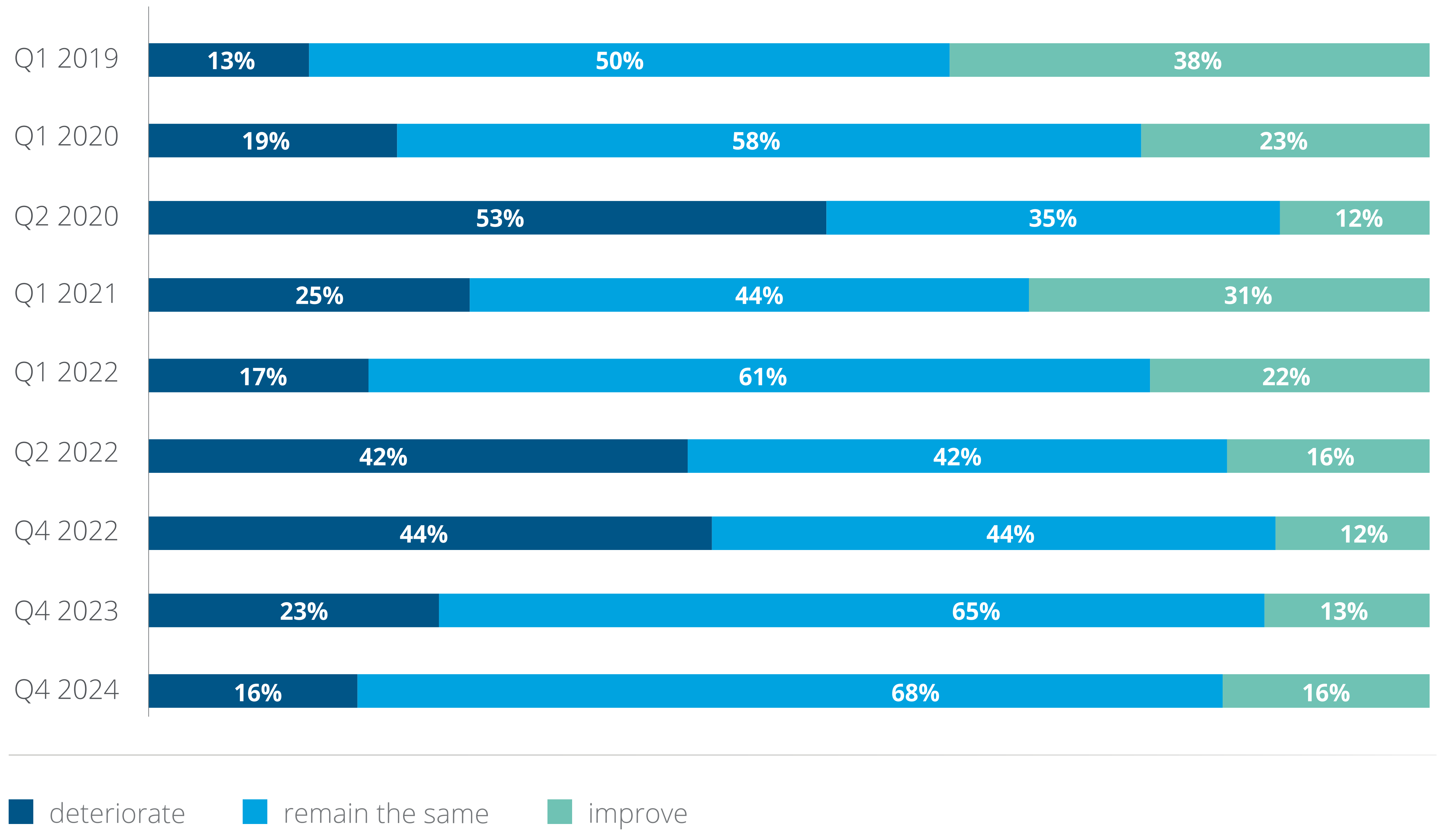
Two out of three advisers expect that efficiency of their clients' investments in 2025 remain unchanged. The dominant forecast of investment efficiency stabilization suggests that advisers expect a relatively stable year for the real estate market.

Two groups of ca **16%** expect efficiency of investments to deteriorate or to improve. This group presents a more moderate sentiment compared to investors, among whom the opinion regarding the increase in efficiency was definitely predominant.

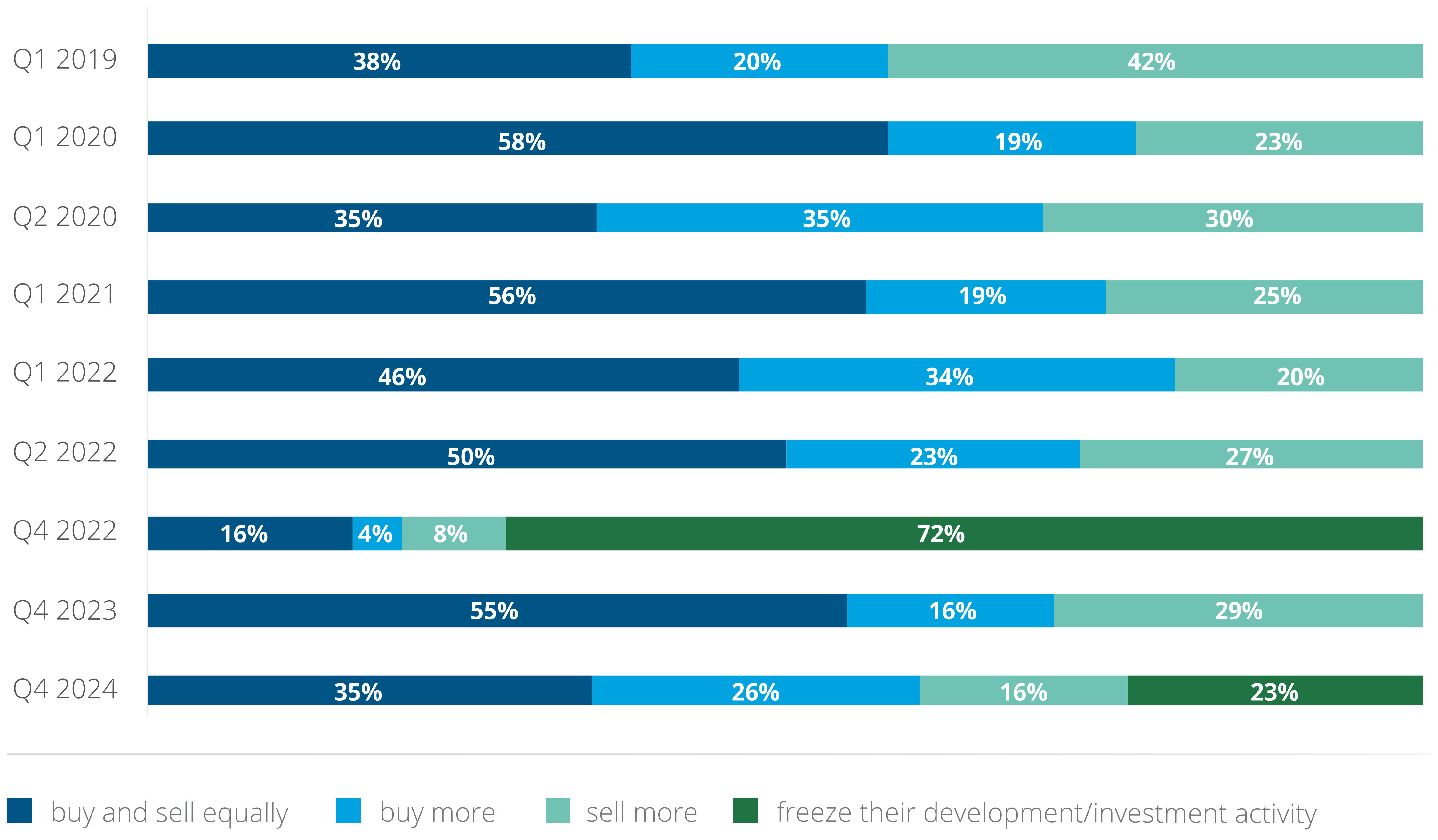
35% of advisers predict a balance between buying and selling in case of their clients and **25%** anticipate more buying activity, which may suggest that advisers generally view 2025 as a time of potential investment opportunities.

On the other hand, **16%** believe their clients will mainly sell and as many as **23%** of respondents forecasted a freeze in investment/development activity, which may indicate persisting market uncertainty.

In the months ahead, I expect the efficiency of my clients' investments to:



In the months ahead, I expect my clients to:

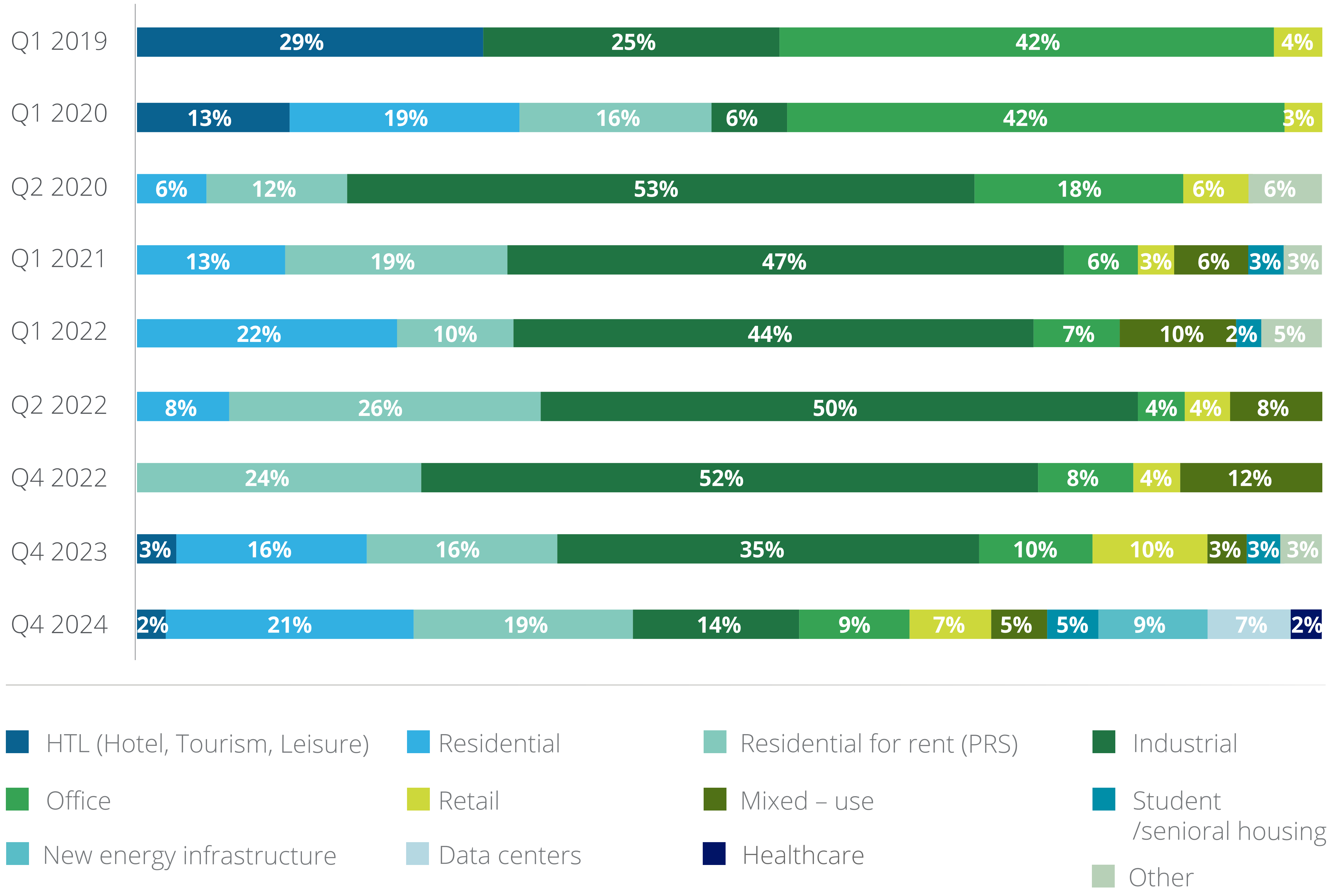


This year's edition of the survey shows a big change among advisers when it comes to the perception of the attractiveness of individual real estate sectors. For the last 4 years, the undisputed leader has been the industrial sector, which is currently indicated by only **14%** of respondents.

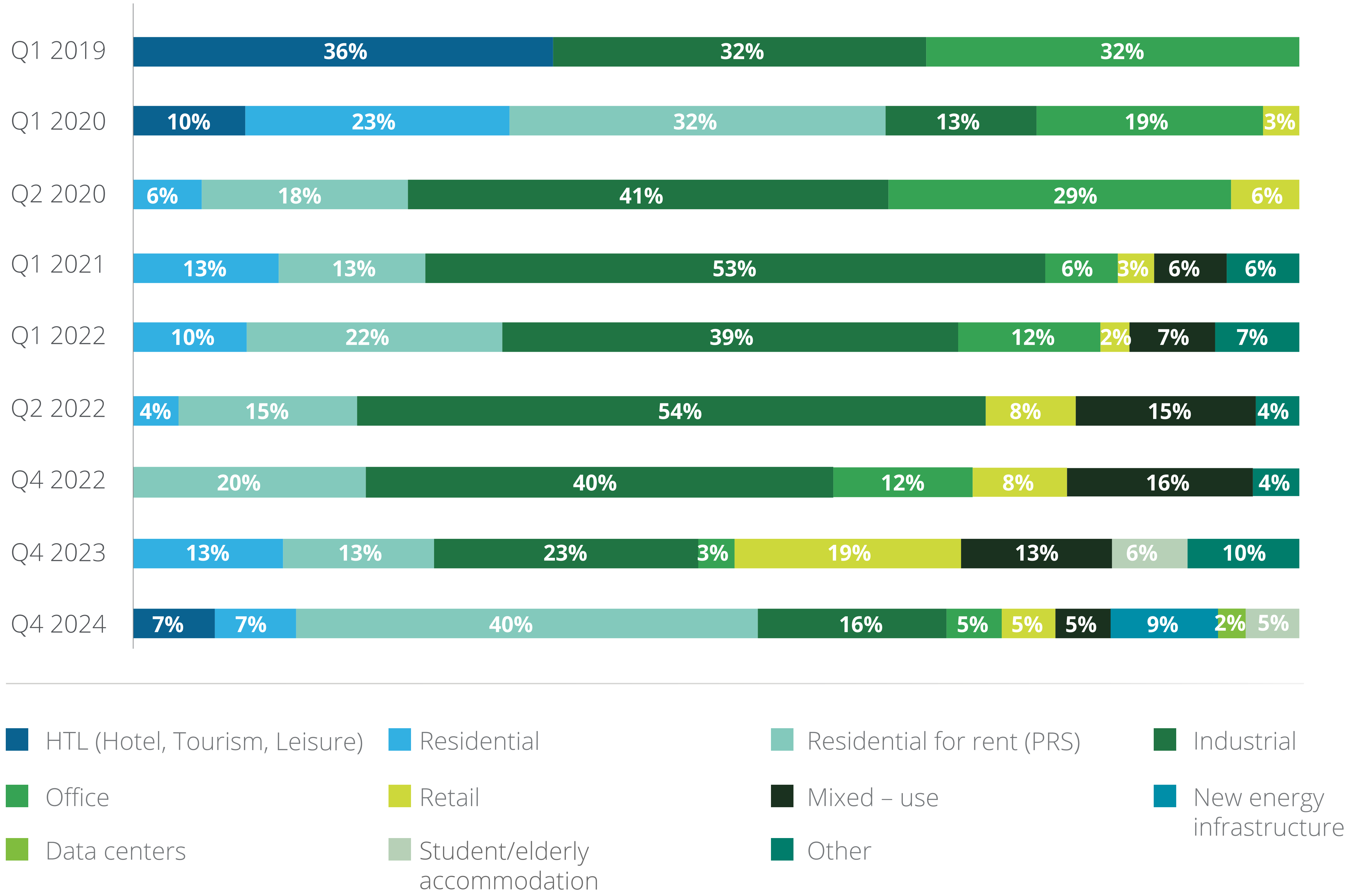
Strong positions (with a slight upward trend) was maintained by the residential and PRS sectors (**21%** and **19%** of responses, respectively). In addition, as many as **23%** of respondents see the greatest potential in emerging sectors: new energy infrastructure (**9%**), data centers (**7%**), as well as student accommodation (**5%**) or healthcare (**2%**).

We asked advisers about which sectors they think their clients will want to focus on. In this case, the expectation that new investment opportunities may arise in emerging sectors is even clearer. As many as **40%** of respondents indicated the PRS sector, **9%** believe that their clients will be focused on new energy infrastructure, while traditional commercial sectors such as offices or retail were indicated only by 1 out of 20 respondents.

During the months ahead, I expect the highest competition for new investment opportunities in:

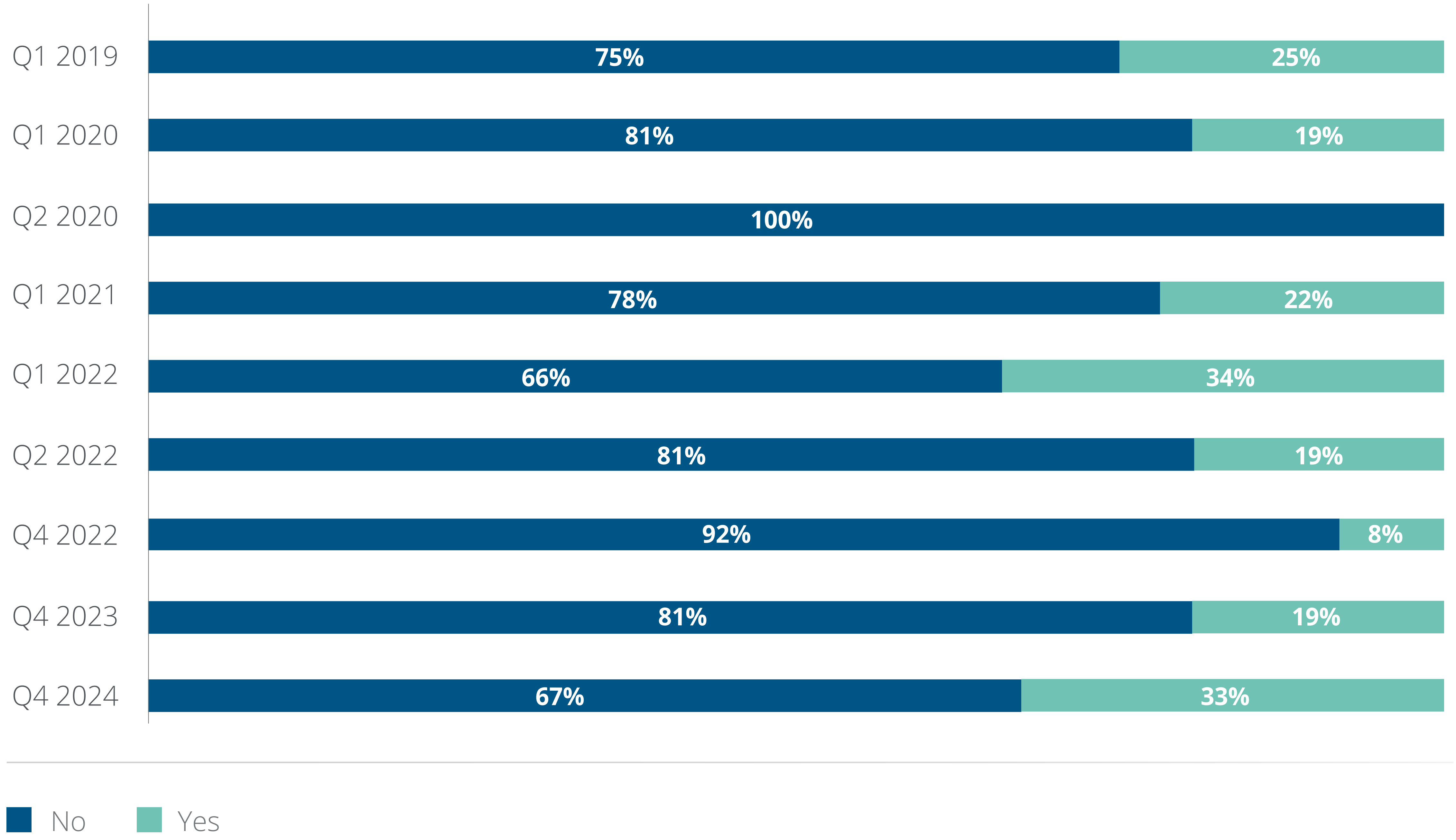


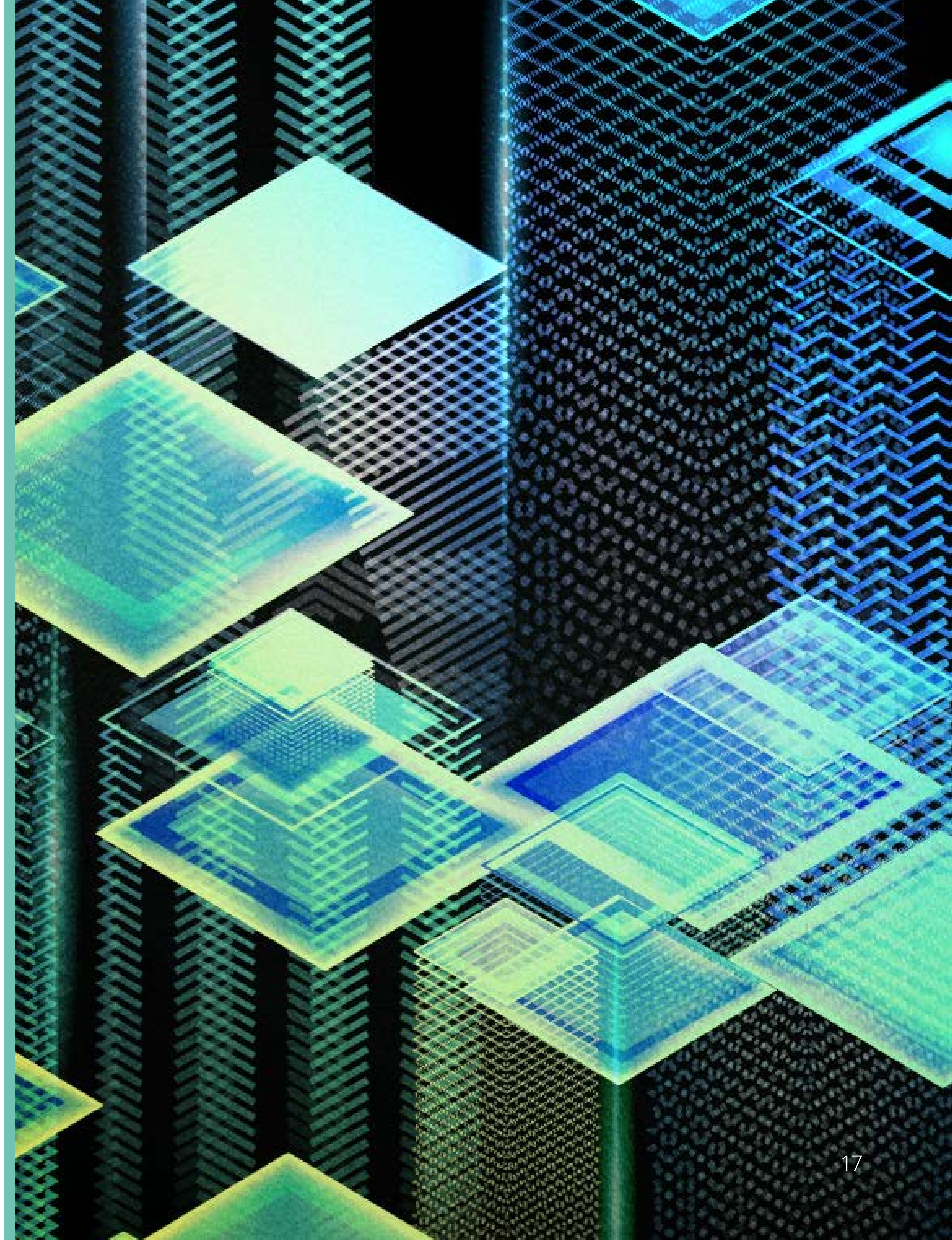
In the months ahead, I expect my clients to focus more on:



The fact that, according to advisers, 2025 will be marked by the search for new investment opportunities can also be evidenced by the high percentage (as much as **33%**) of responses indicating the expectation that market participants will want to focus on new markets.

In the months ahead, I expect my clients to focus on new markets:





The Investment market

Overall market activity

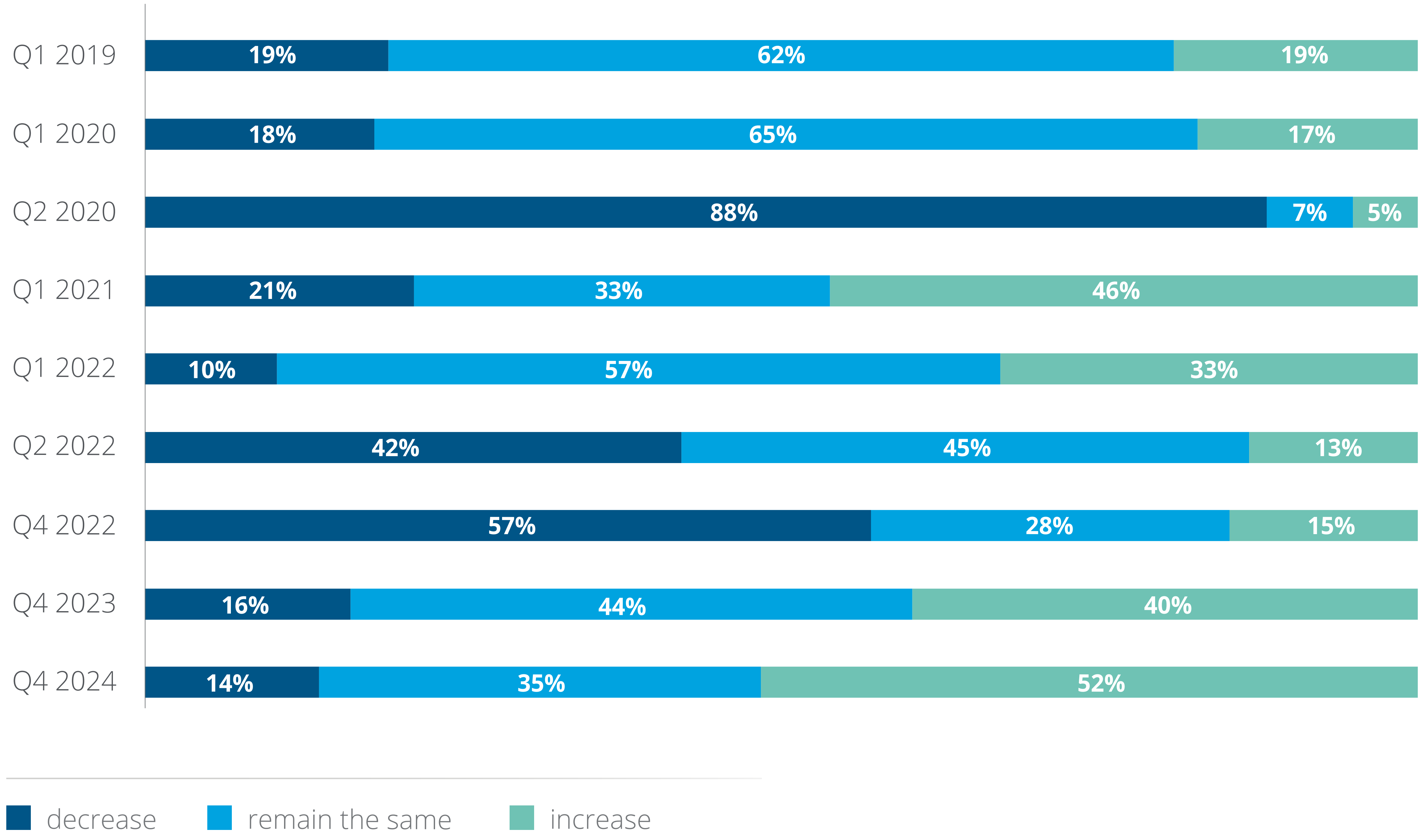
In December 2022, market sentiment was at its worst since the outbreak of the Covid-19 pandemic. More than half of respondents expected a decrease in overall market activity across the region in the year ahead and in 2023 the market recorded the weakest transaction results in many years.

The December 2023 results showed a modest improvement of the outlook on the real estate, which was reflected by growing number of transactions concluded during 2024. Positive outlook continues in current edition of the survey, with above **50%** of respondents anticipating increase of market activity and only **14%** expecting the market to deteriorate.

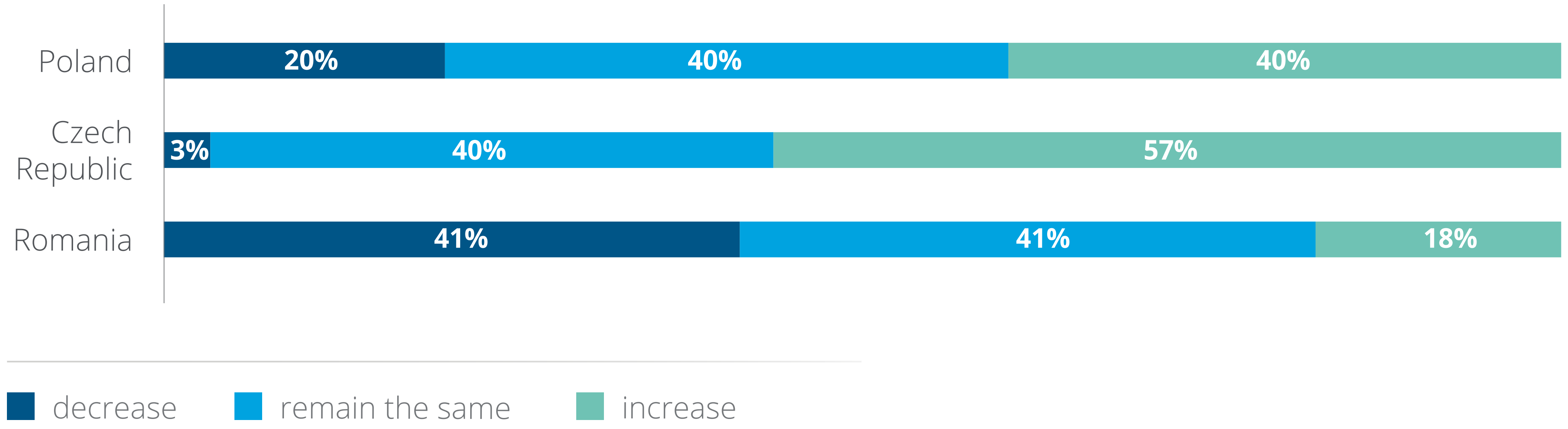
The results across Central Europe are generally in line with expectations on the country level presented by respondents from Poland and Czech Republic.

However, in Romania the outlook is much more negative, with as much as **41%** of respondents predicting deterioration and only **18%** believing that market activity might increase.

In the months ahead, I expect the overall market activity across CE to:



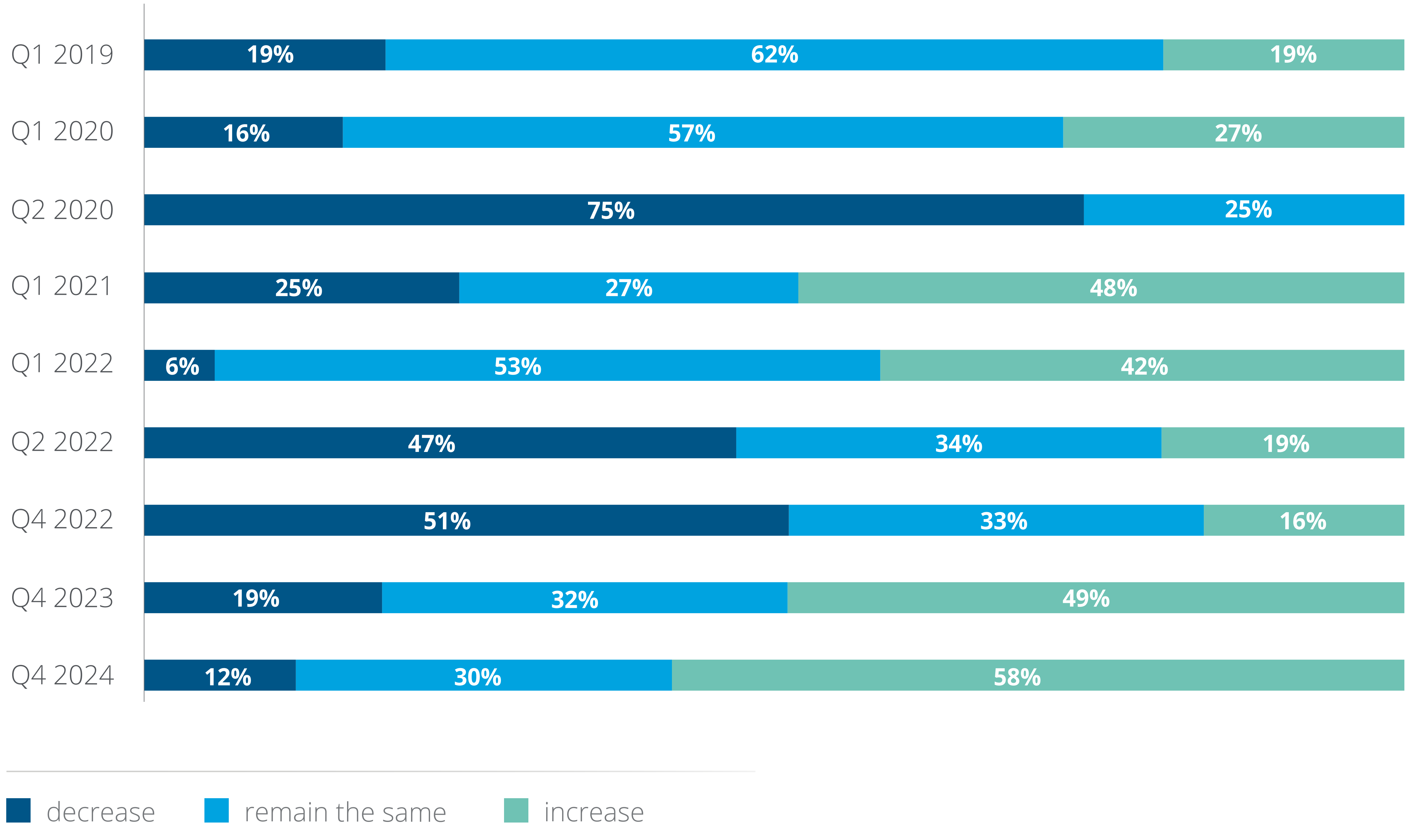
In 2025, I expect the overall market activity in my country to:



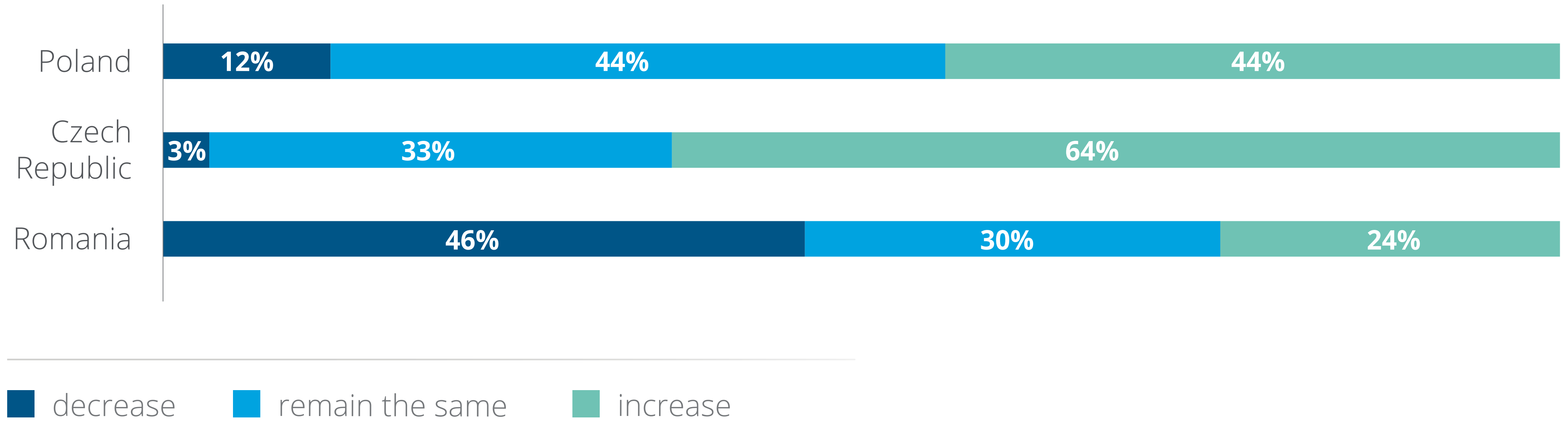
Similar conclusions can be drawn from the analysis of the answers to the question about the expected changes in the volume of investments in the coming year. As many as **58%** of respondents expect the total value of transactions in CE to increase.
In the Czech Republic, the number of optimists is the highest with as many as **64%** of respondents expecting an increase in the volume of transactions on the local market, and only **3%** believing that it will be lower.
In Poland, an equal number of representatives of the real estate sector believe that the volume will increase or remain unchanged (**44%** of responses to each of these variants).

The most pessimistic expectations are those of respondents from Romania, where nearly half of the responses referred to an expected decline in transaction volumes, and only one out of four respondents believed that the value of investments will increase.

In the months ahead, I expect the investment volume in CE to:



In 2025, I expect the average volume of transactions in my country to:



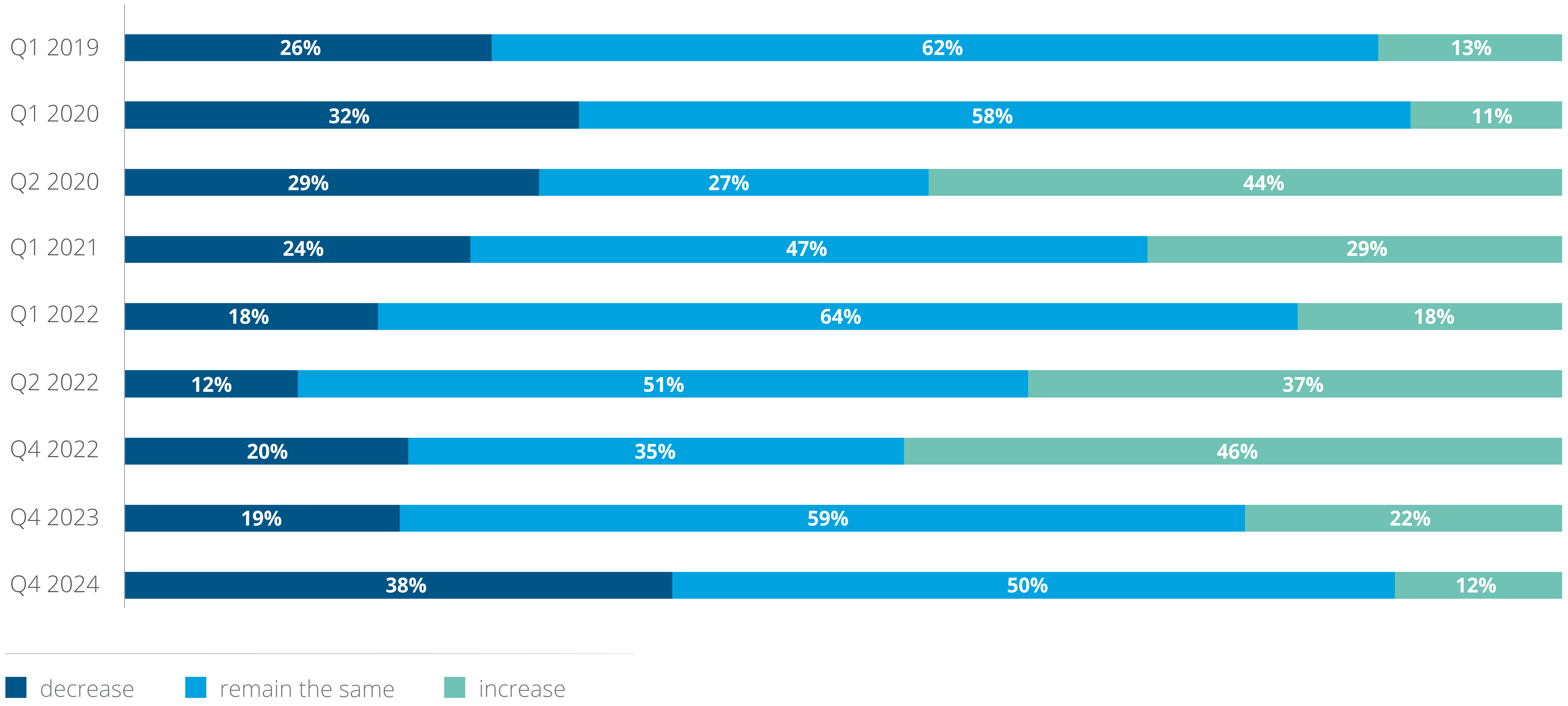
Yields

In Q4 2024, exactly half of the respondents believed that average yields in CE will remain unchanged in the coming months. The number of respondents who believe that there will be rate compression has doubled compared with previous year.

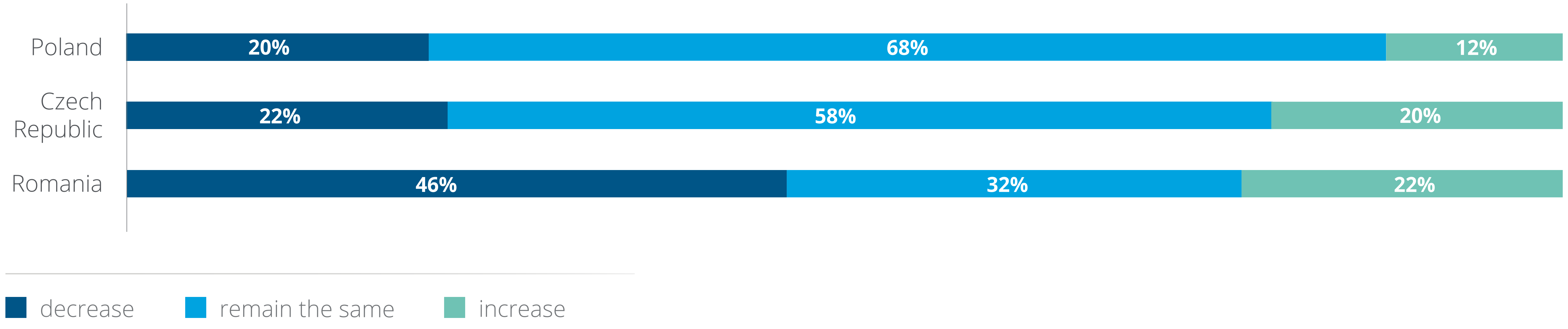
The most diverse answers were given by respondents from Romania: **46%** expect rate compression, about 1/3 believe that they will remain unchanged, while one out of five expects them to increase.

In the case of Polish and the Czech Republic, the expectations of stabilization dominate with **68%** and **58%** of responses respectively.

In the months ahead, I expect average yields in the CE region to:

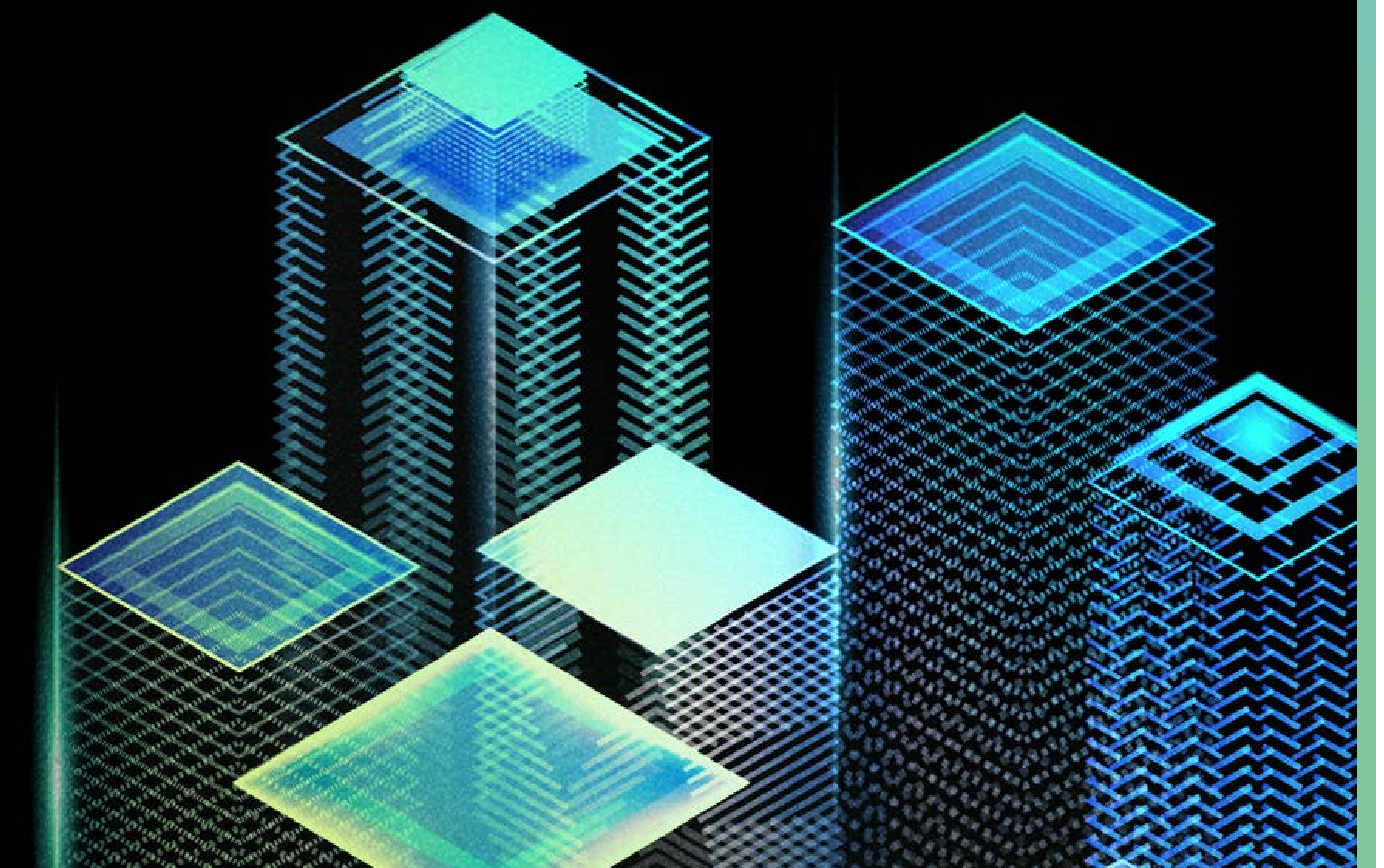


In 2025, I expect average yields in my country to:

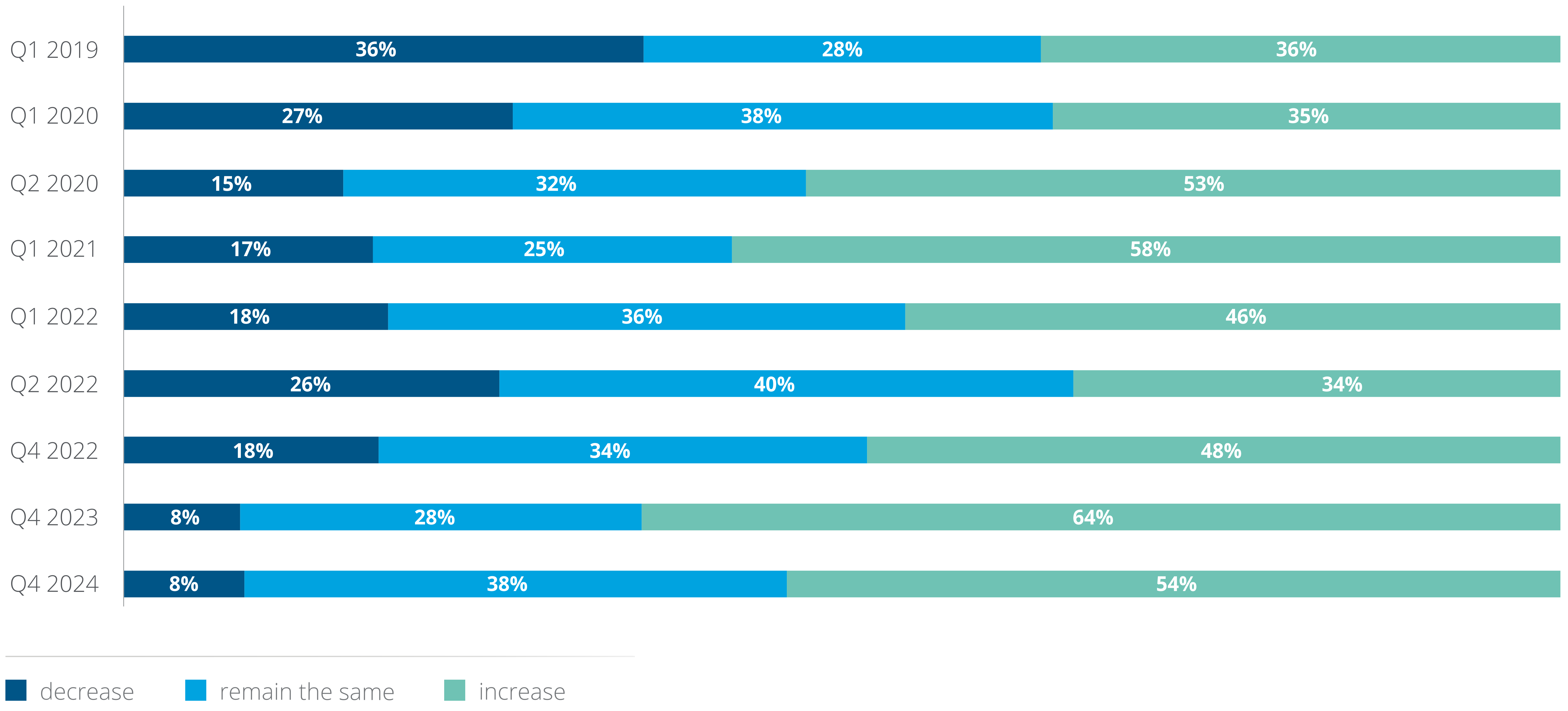


Investment opportunities

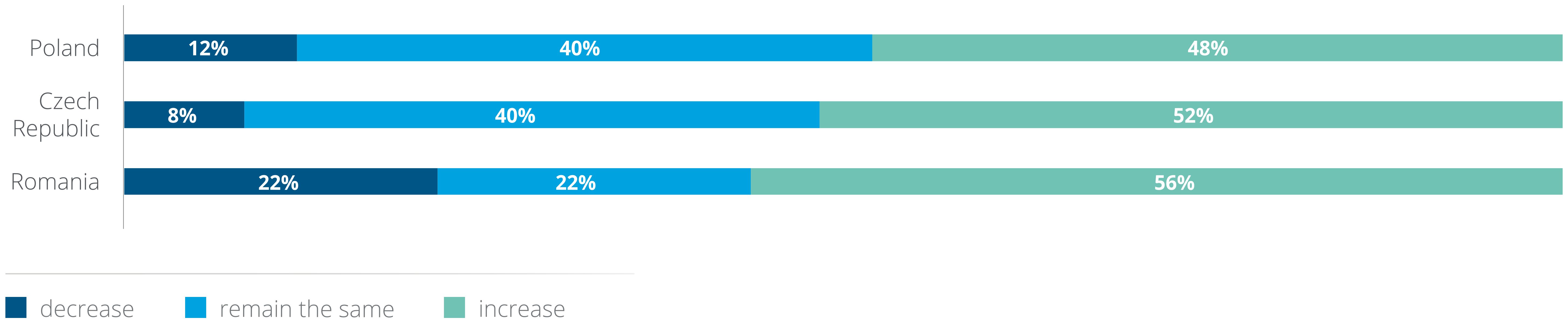
Despite an unstable environment, above **50%** of respondents expect the number of available assets in CE to increase. The results for Poland and Czechia are close to those recorded for the whole CE region. In Romania opinions are more polarized with **56%** of respondents expressing an opinion that the availability of investment products will increase and **22%** of respondents expecting a decrease.



In the next three years, I expect the availability of investment products in CE to:



In 2025, I expect availability of investment products in my country to:



Impact of ESG on real estate market

The results of the survey indicate that while sustainability is increasingly important, the market is still in an adaptation phase, with varied expectations regarding the practical implications of ESG factors on investments and property valuations.

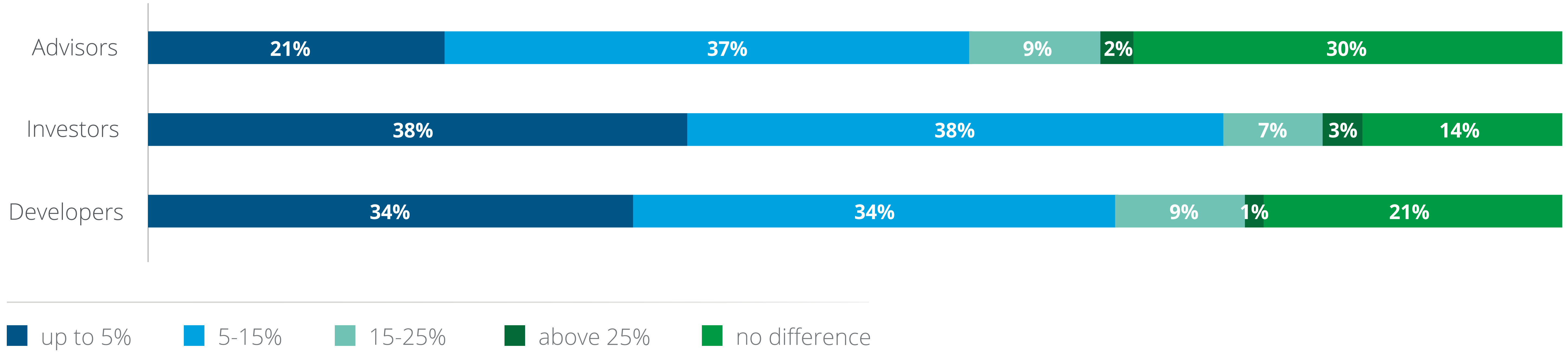
Investors show the greatest tendency to concentrate only on ESG-compliant assets (**32%** of responses), while Advisers are taking a more pragmatic approach and predict the smallest percentage of clients focusing solely on ESG-compliant assets at **14%**.

As much as **84%** of Advisers expect that investors will purchase both types of assets. Only a small number of respondents declared to focus exclusively on non-ESG compliant assets.

Deloitte also asked participants of the survey to assess expected price reduction of ESG non-compliant properties against ESG compliant assets. Most respondents across all groups expect there will be a price difference of up to **15%**.

Investors seem most aware of the potential impact of ESG on asset value, most frequently expecting some price difference (**86%**). On the other hand, this group most frequently (**38%**) expect a minimal difference i.e. up to **5%** reduction.

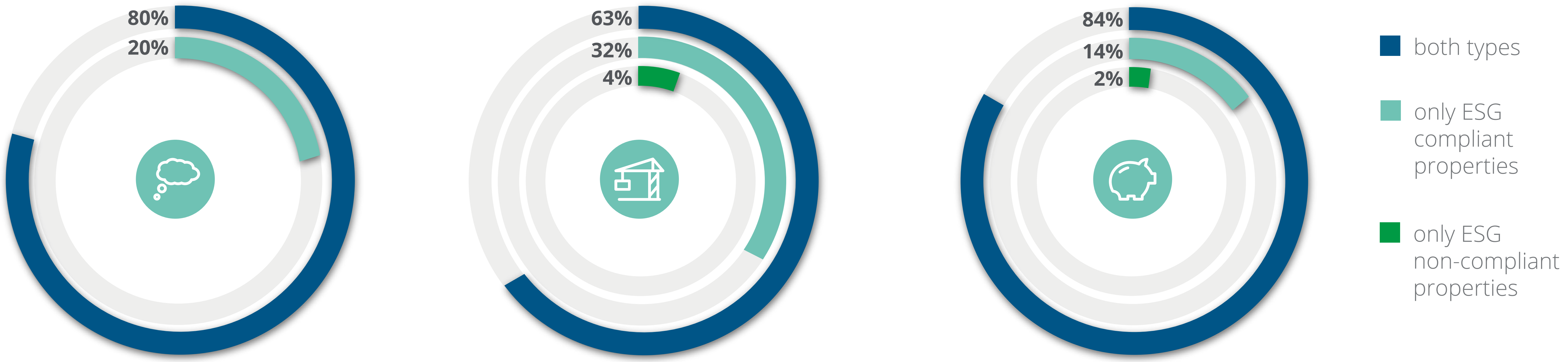
In 2025 I expect the percentage price reduction of ESG non-compliant properties against ESG compliant properties to be:



As a developer, I expect in 2025 investors will buy:

As an investor, in 2025 I intend to buy:

As an adivsor/banker, I expect in 2025 investors will buy:

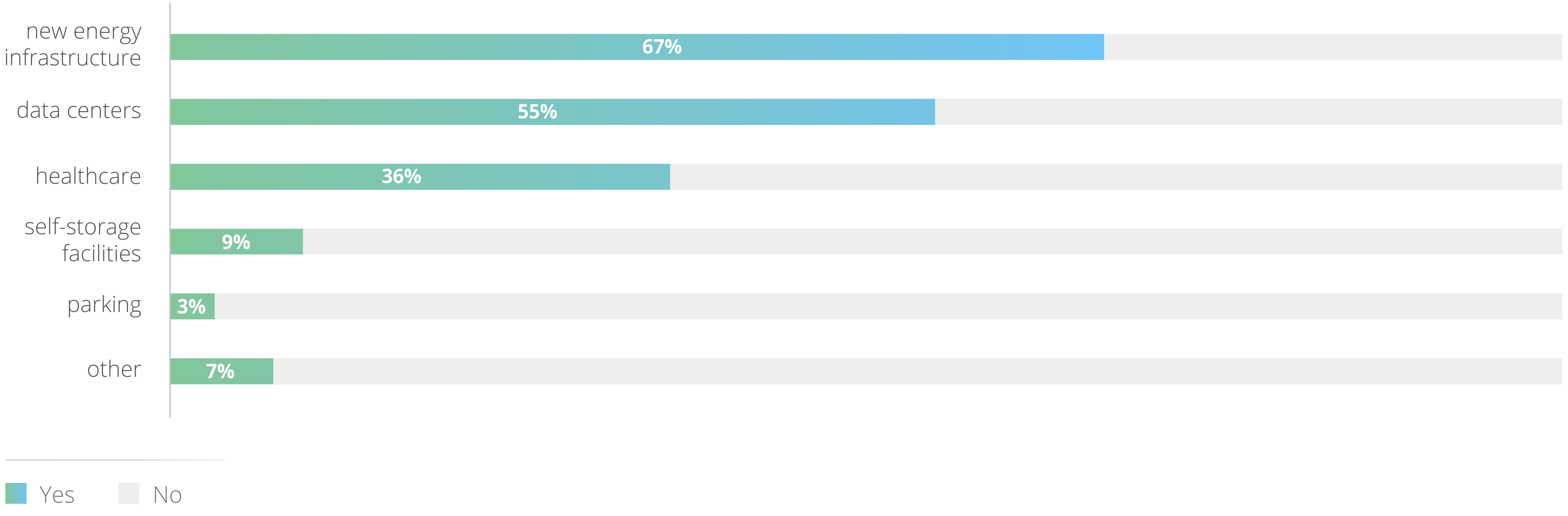


Emerging sectors

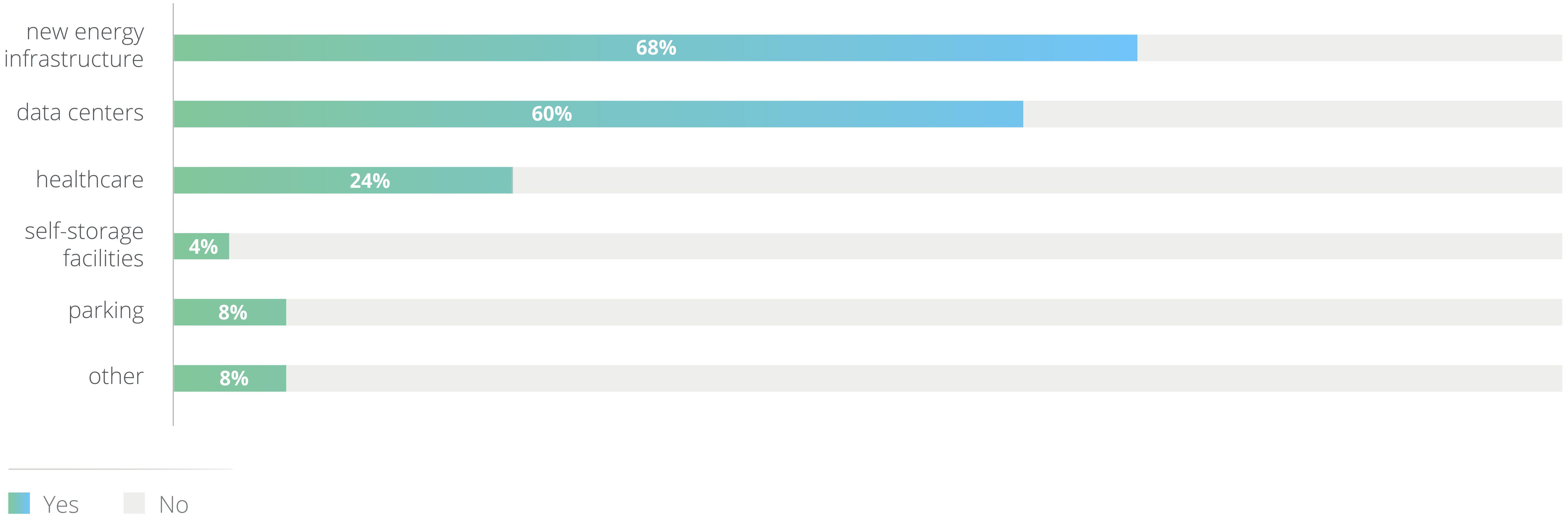
Survey participants were asked to indicate which of the sectors they thought would grow most dynamically over the next five years. Both at the CE and individual country levels, the largest number of responses indicated new energy infrastructure from **67%** to **78%**, data centers from **47%** to **60%** and healthcare from **24%** to **40%**.

This corresponds to current trends within the market of green energy, energy independence, development of artificial intelligence and the ageing population.

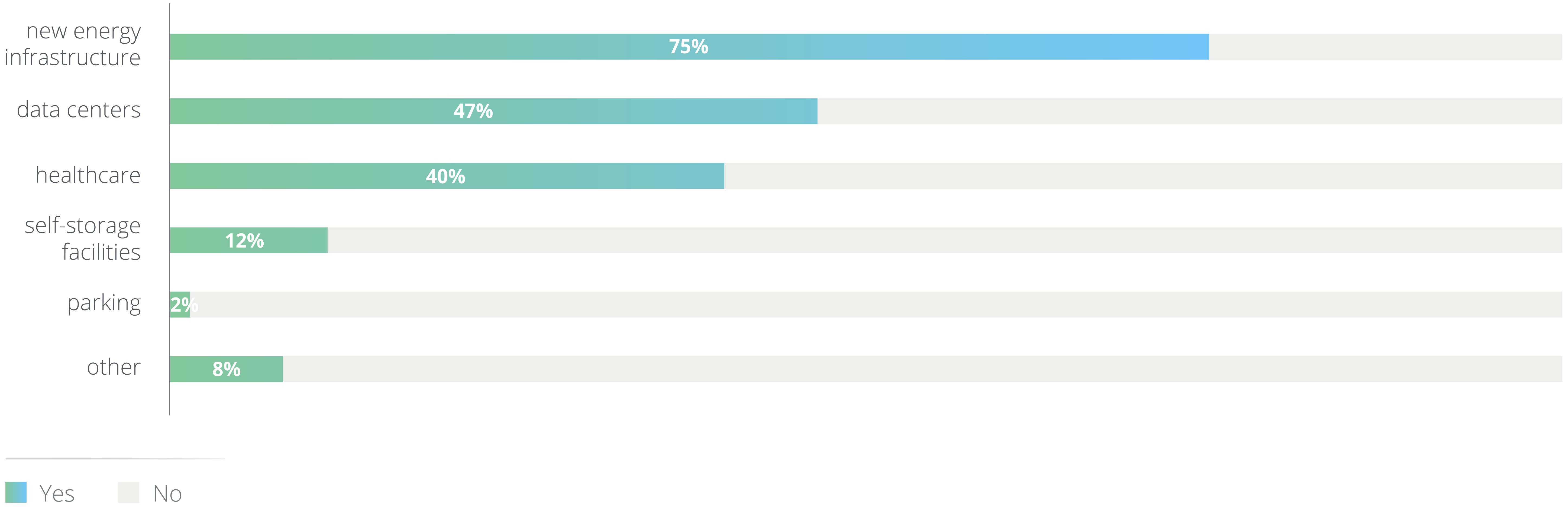
In the next five years, I expect the most dynamically emerging sectors in CE will be:



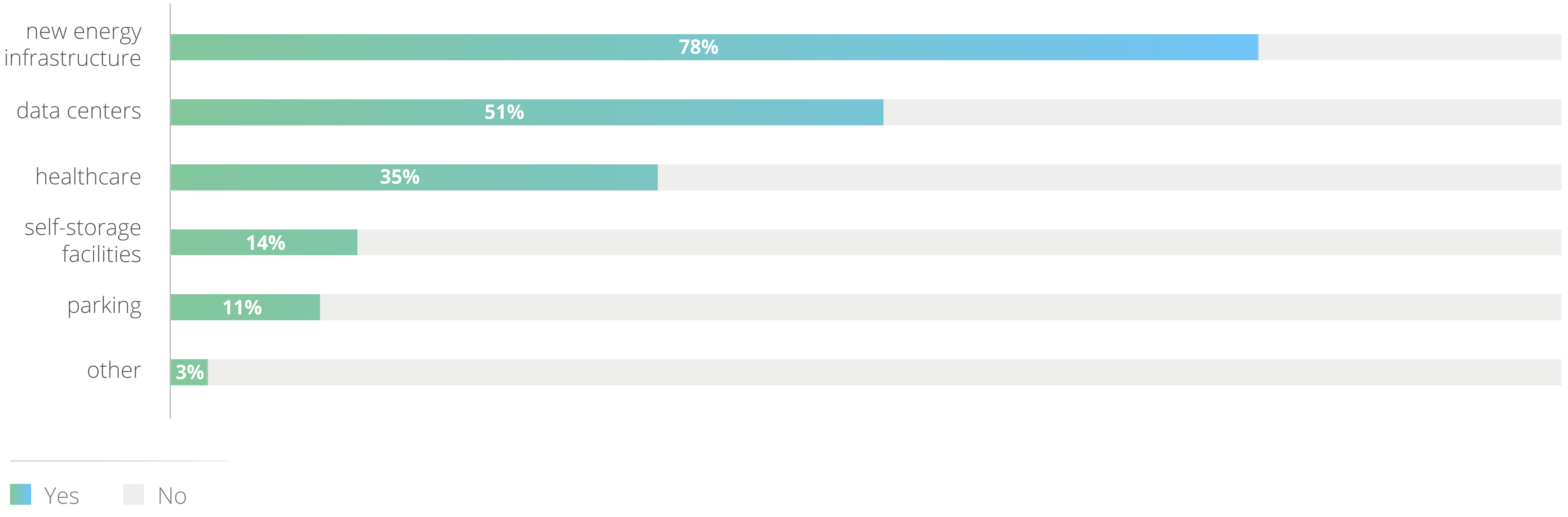
In the next five years, I expect the most dynamically emerging sectors in Poland will be:



In the next five years, I expect the most dynamically emerging sectors in Czech Republic will be:



In the next five years, I expect the most dynamically emerging sectors in Romania will be:



Economic environment

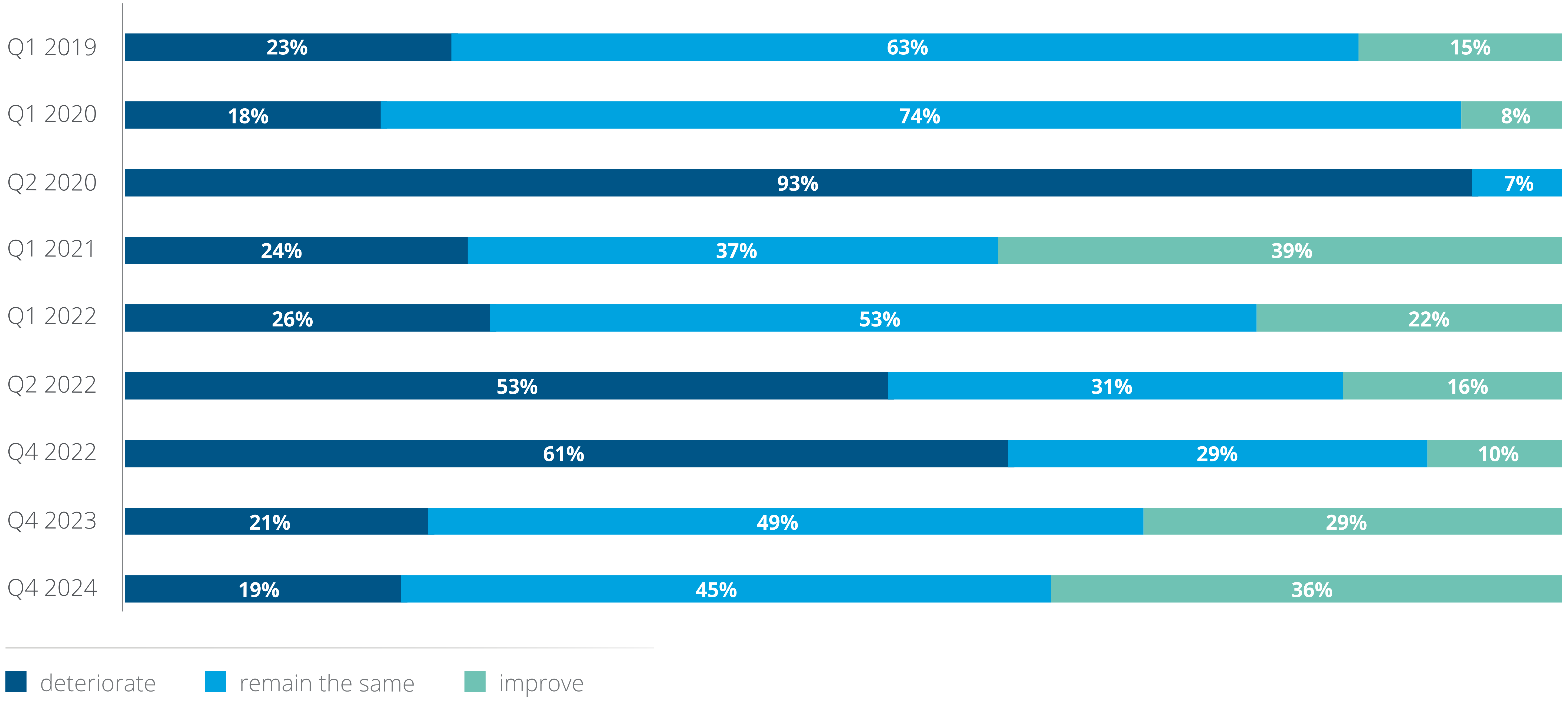
Relating to the sentiment of market participants for the year 2024 a shift in the overall perception of economic climate was observed with a more optimistic change in sentiment compared to previous years. This outlook was maintained and even slightly improved in 2025.

Only **19%** anticipate a decline, which is second best result within last five years. Moreover, a notable change in confidence is recorded, with above one-third of participants expressing an optimistic prediction in market improvement.
Nearly half of respondents hold the view that the economic climate will stay similar to how it currently is.

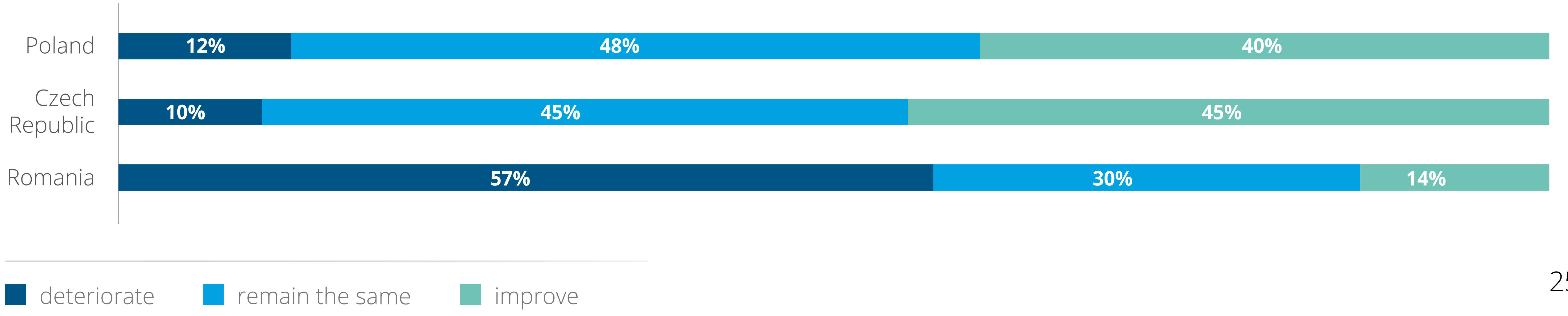
The economic predictions of respondents from the countries that Deloitte analysed in detail vary between countries. In Poland and Czech Republic they are less pessimistic than those for Central Europe as a whole.

For Poland **40%** of votes reflected a general expectation of improvement, however still nearly **50%** forecasts a continued course of current economic climate. In respect of Czechia, **45%** of respondents expected an improvement, the same as those who assume continued market conditions. In Romania predictions are opposite to Poland and the Czech Republic with nearly **60%** of respondents anticipating deterioration of economic climate in the country and only **14%** believing it will improve.

In the months ahead, I expect overall economic climate in CE to:



Over the next year, I expect overall economic climate in my country to:



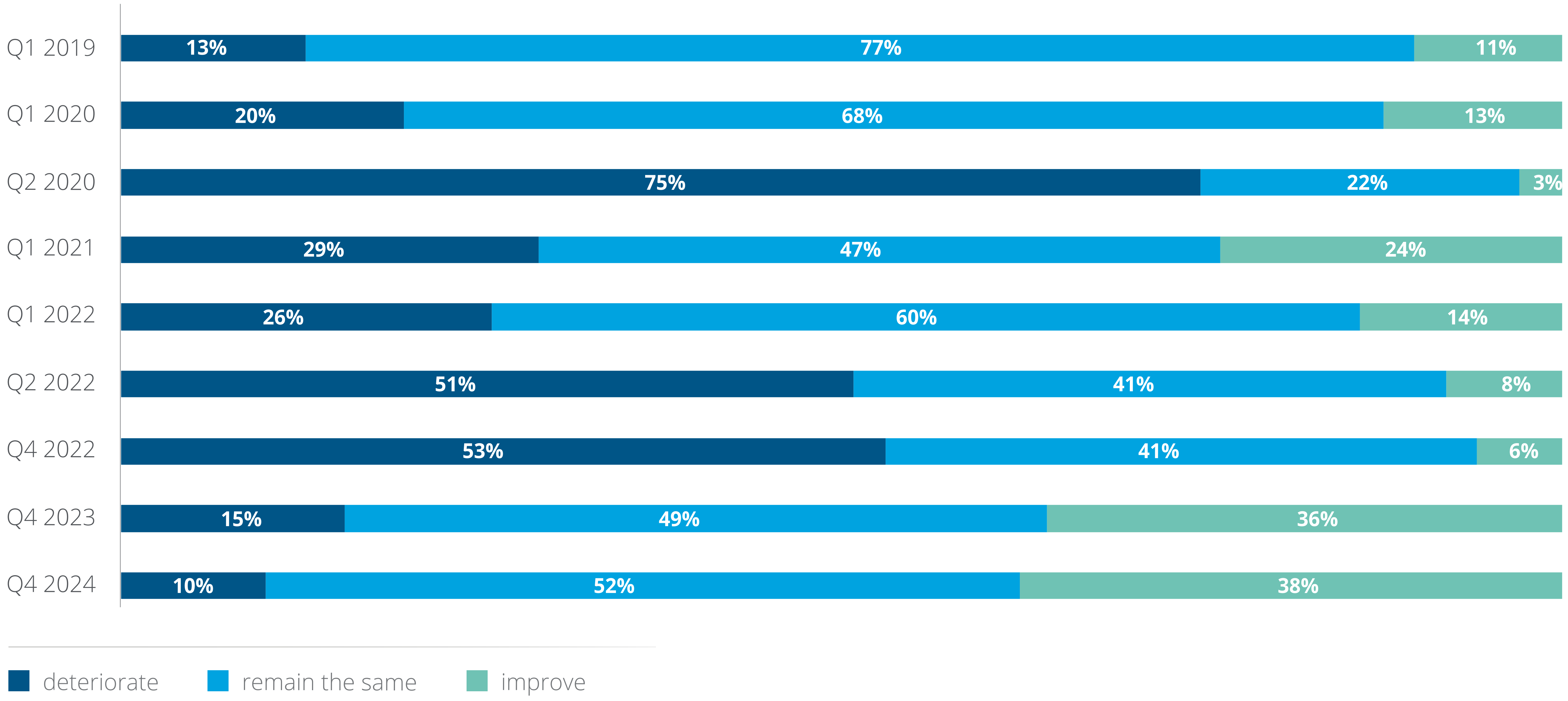
Debt finance

The expected outlook for debt finance for the year 2025 shows a similar view to that recorded in previous edition of the survey. Approximately 6**2%** of respondents expect that debt finance availability will not increase and in the upcoming months will remain at the same level (**52%**) or even deteriorate (**10%**). **38%** of respondents expect higher availability of financial funds. The expectations of respondents from Czechia and are more optimistic to those from across Central Europe as a whole.

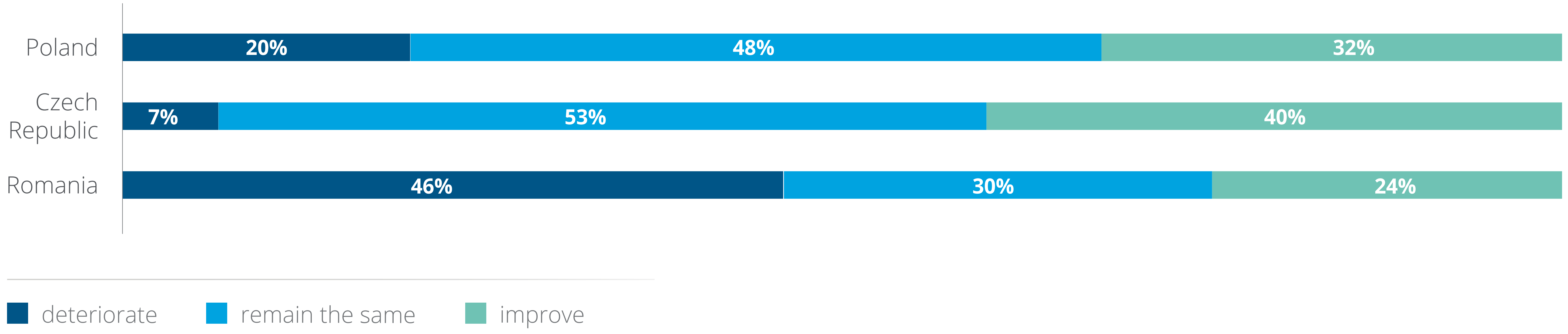
In case of Poland, **32%** claim to foresee an increase of debt finance availability, but as much as **20%** express an opinion that it can deteriorate.

Once again respondents from Romania present a less optimistic view, with **46%** respondents anticipating deterioration of availability of debt finance.

In the months ahead, I expect the availability of debt finance in CE to:



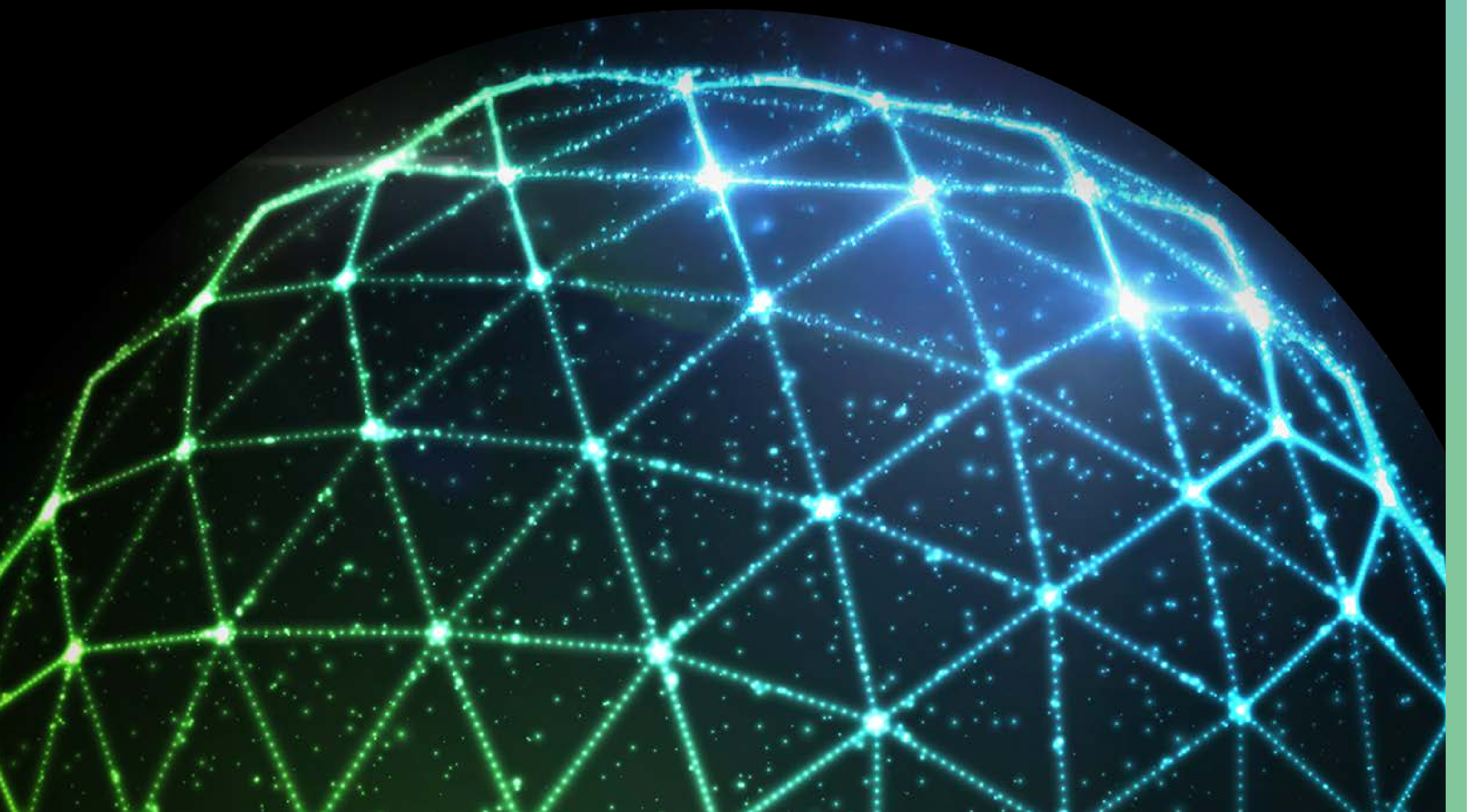
Over the next year, I expect the availability of debt finance in my country to:



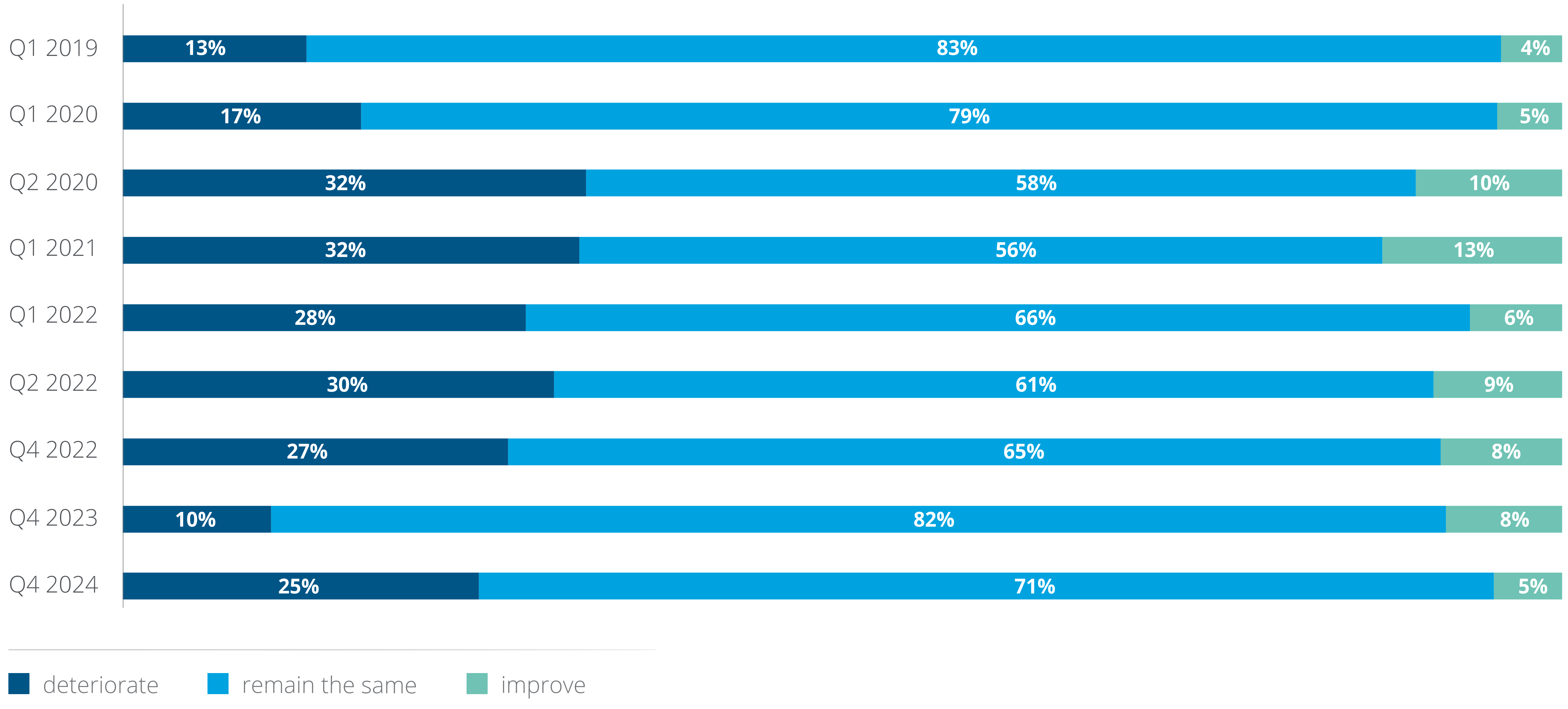
Tax climate

For the year 2024, the majority of answers regarding the tax climate in Central Europe pointed to the "remain the same" option. The number of negative sentiments increased by 15 percentage points compared with the record low level of **10%** recorded previous year. Only **5%** of respondents anticipated improvement.

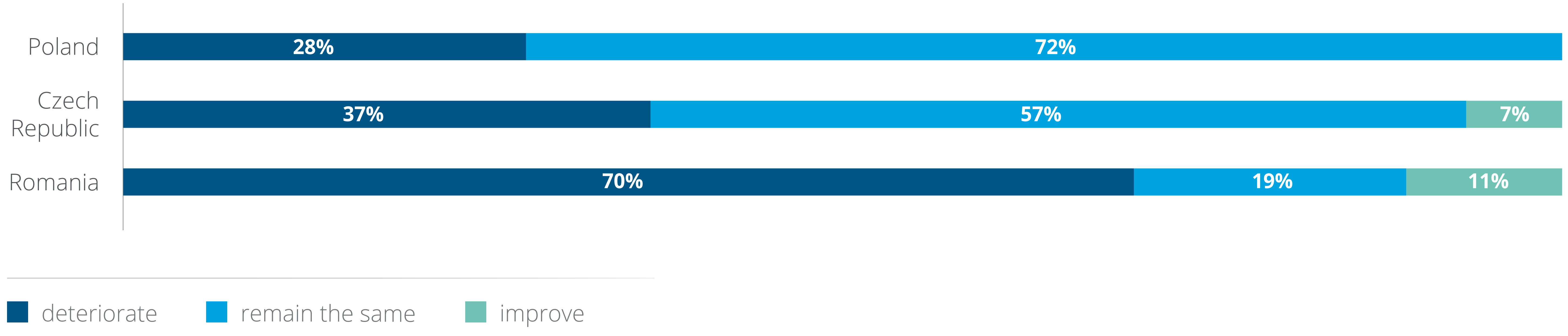
More polarized expectations can be observed on a country level. In Poland and Czechia the majority of market participants expect improvement or at least stable conditions, while in Romania as much as **70%** of respondents have negative expectations.



In the months ahead, I expect the tax climate in CE to:



In the months ahead, I expect the tax climate in my country to:



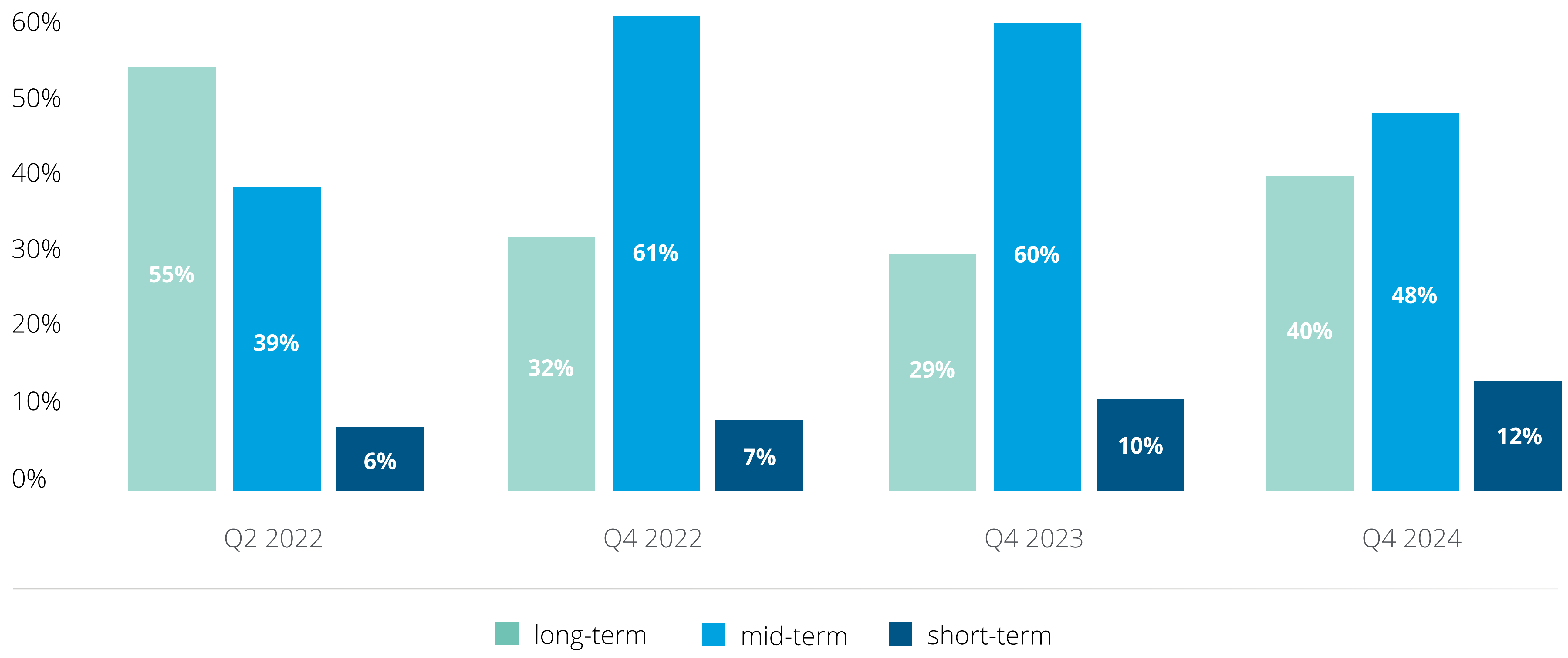
Russian aggression against Ukraine

The number of respondents who expect a long-term effect of the Russian military aggression against Ukraine has increased from less than **30%** in Q4 2023 to **40%** in Q4 2024. This is the second highest percentage expecting a long-term influence since **55%** in Q2 2022.

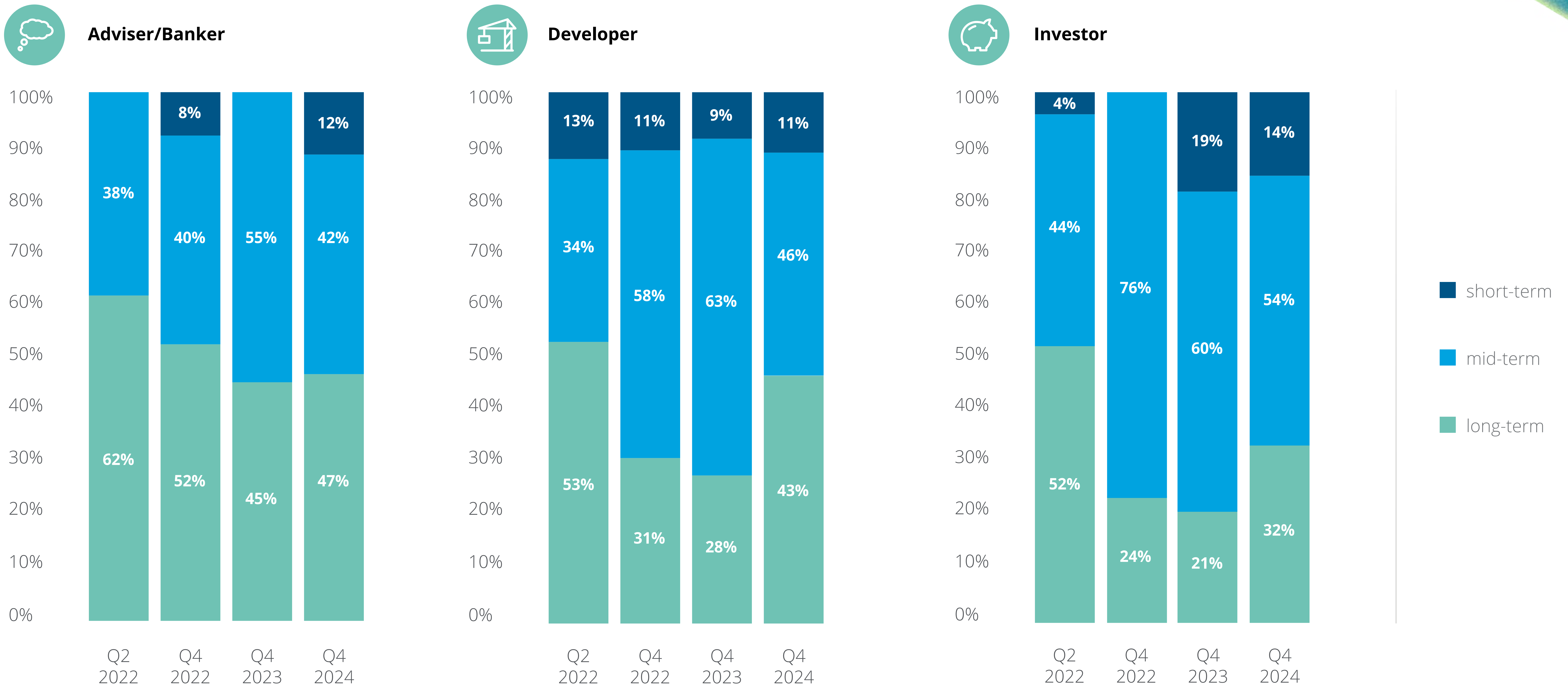
The number of respondents expecting a mid-term effect decreased from **60%** in Q4 2023 to **48%** in Q4 2024 with weighting shifting to a long-term influence.

The number of participants anticipating that the impact will be short-term remains very much the same as in Q4 2024 at **12%** compared to **10%** in Q4 2023.

How do you assess the effects of the Russian military aggression againts Ukraine?



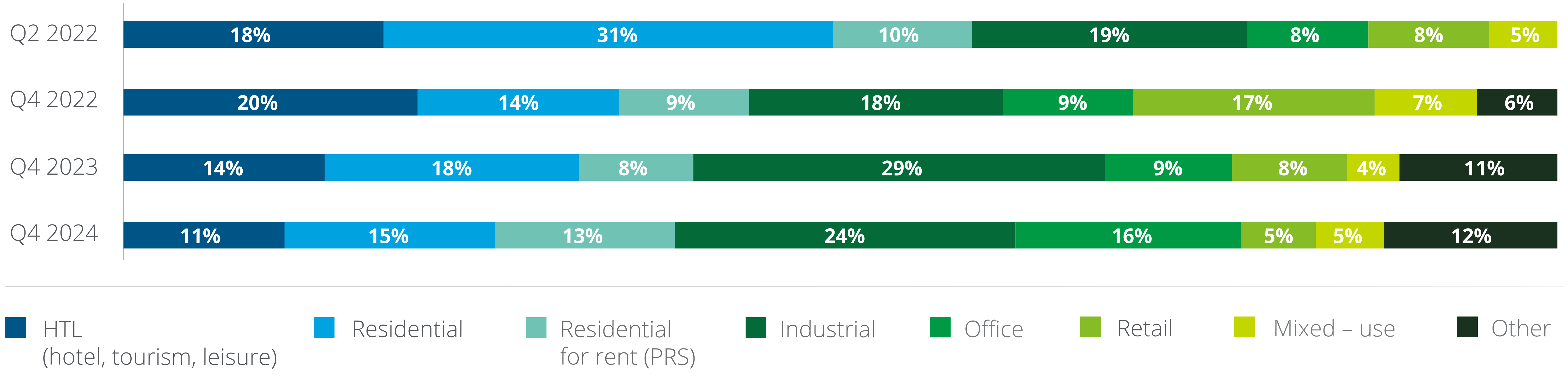
In case of developers and advisers the number of those believing that Russian aggression impact will be medium-term or long-term was nearly equal, fluctuating around **45%**. Among investors more than **50%** expected the impact will be medium-term.

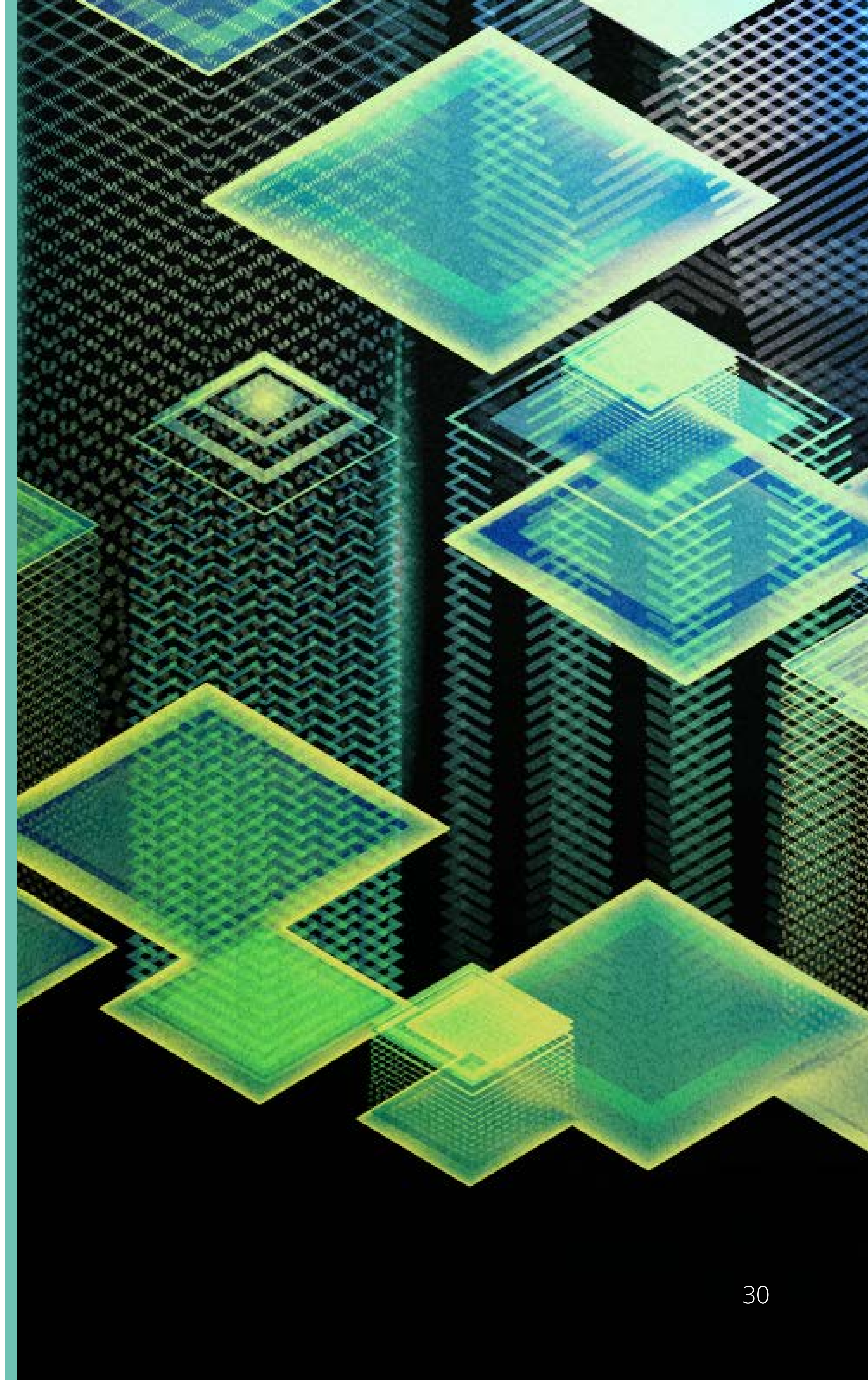


Since the outbreak of Russia's aggression against Ukraine, in our survey we have been asking respondents which sector of the real estate market in CE may be most affected by this conflict. In the initial survey, the residential, hotel and PRS sectors received the most indications. Over time, however, these proposals began to change. Currently, the largest number of respondents (**24%**) indicate the industrial sector.

The percentage of responses indicating offices also increased. On the other hand, more and more market representatives believe that it is difficult to point to just one sector, because all of them have been or continue to feel the effects of the war to some extent, although in different dimensions and intensity.

In the monts ahead, I expect the following sector to be the most impacted by the Russian military agression against Ukraine:





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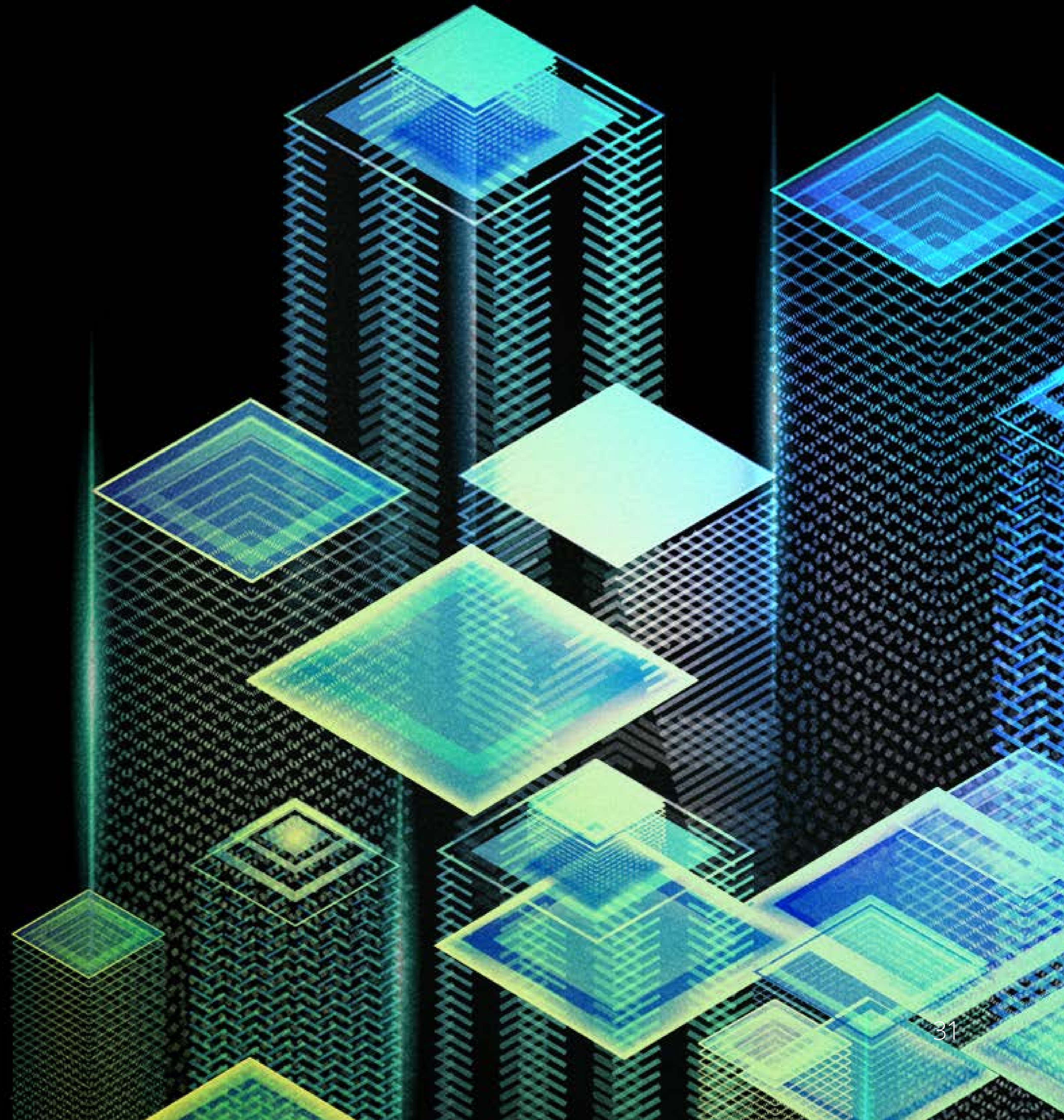

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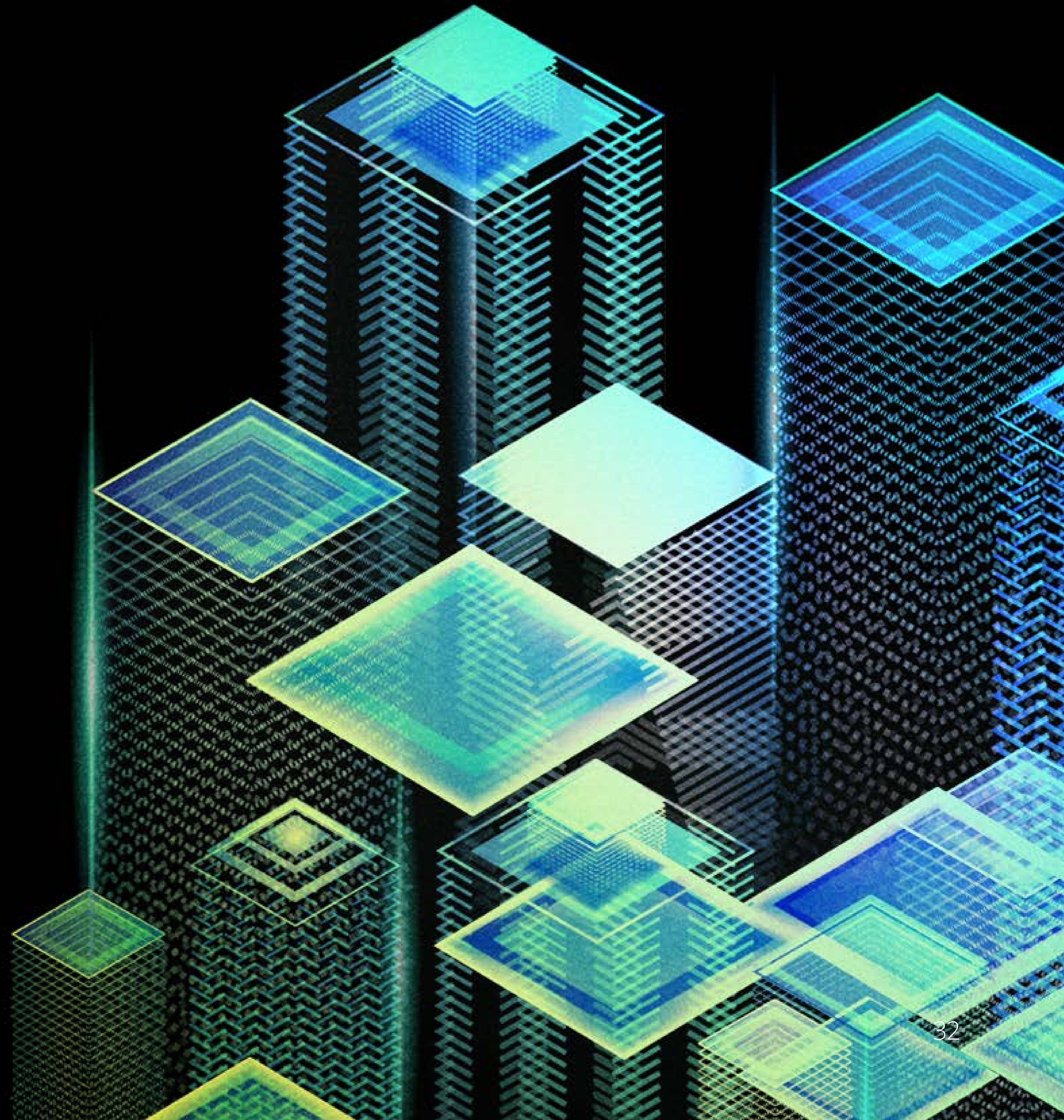

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