MARKETBEAT

CENTRAL & EASTERN EUROPE

INDUSTRIAL Q2 2025

Better never settles

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MARKET FUNDAMENTALS

	YOY Chg	Outlook
7.2% Vacancy Rate	▲	▲
1.3M YTD Net Absorption	▼	▲
2.1M YTD Completions	▼	▼

(Sqm, end of period)

ECONOMIC INDICATORS

	YOY Chg	Outlook
2.1% CEE-6 Real GDP	▼	▼
-1.6% CEE-6 Industrial Production Index	▼	▲
3.5% CEE-6 Real Retail Sales Index	▼	▼

(Quarterly data, average YoY changes, seasonally adjusted)
Source: Moody's Economics

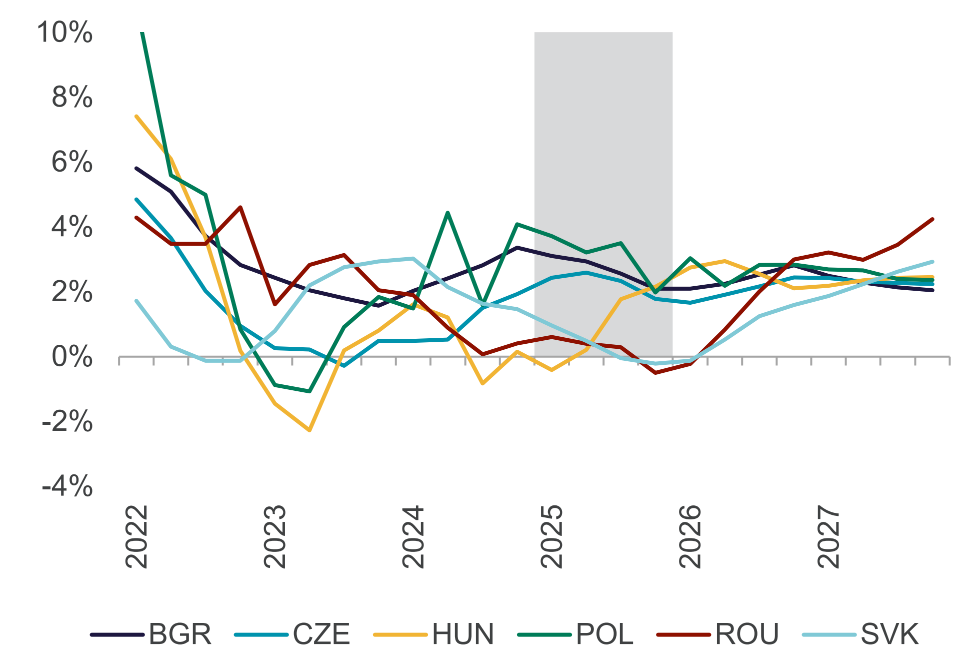
INDUSTRIAL SECTOR FACES HEADWINDS FROM PRODUCTION DECLINE DESPITE STABLE ECONOMY

The CEE-6 industrial sector faced significant headwinds in Q2 2025, with industrial production contracting by 1.6% year-over-year, and is projected to decline by 0.3% for the full year. This reflects the lingering impact of global trade tensions, particularly affecting the automotive and machinery sectors. Regional performance varied considerably, with Bulgaria experiencing a sharp 6.4% decline while Poland and Hungary posted modest gains of 1.5% and 1.6% respectively. Despite production challenges, broader economic fundamentals remained stable, with GDP growth of 2.1% in Q2 and unemployment at 4.3%. While the US-EU trade agreement resolution provided greater clarity for H2 2025, manufacturing sentiment remains cautious. The sector continues benefiting from nearshoring trends and infrastructure investments, particularly in Poland, where 45% of EU recovery and cohesion funds had been allocated by mid-2025.

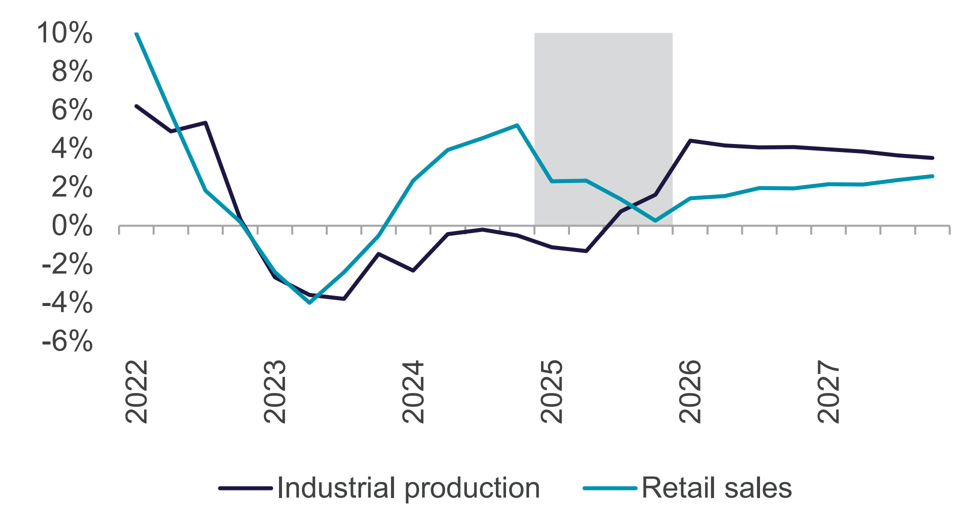
NEARSHORING AND SUSTAINABILITY DRIVE LOGISTICS REAL ESTATE STRATEGY

The European logistics sector in H1 2025 is being reshaped by powerful structural trends transcending short-term economic fluctuations. Nearshoring continues to gain momentum as companies prioritize supply chain resilience, relocating manufacturing and distribution operations closer to consumption markets. This produces sustained demand for modern logistics facilities with strong ESG credentials, as tenants seek buildings that lower operating costs through energy efficiency while meeting sustainability targets. The sector is experiencing a marked shift toward built-to-suit developments and pre-lease arrangements, reflecting focus on de-risked, location-driven opportunities. Logistics rents across prime locations remain on a positive trajectory, supported by the limited availability of high-quality facilities. The investment market demonstrates a robust appetite for single assets and smaller portfolios, as core investors' interest grows in tandem with improving fundamentals.

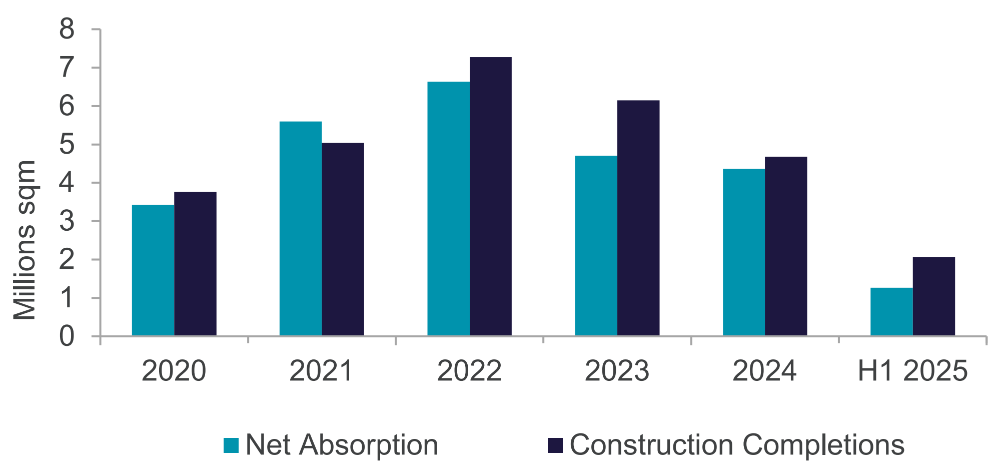
REAL GDP GROWTH (PPP)



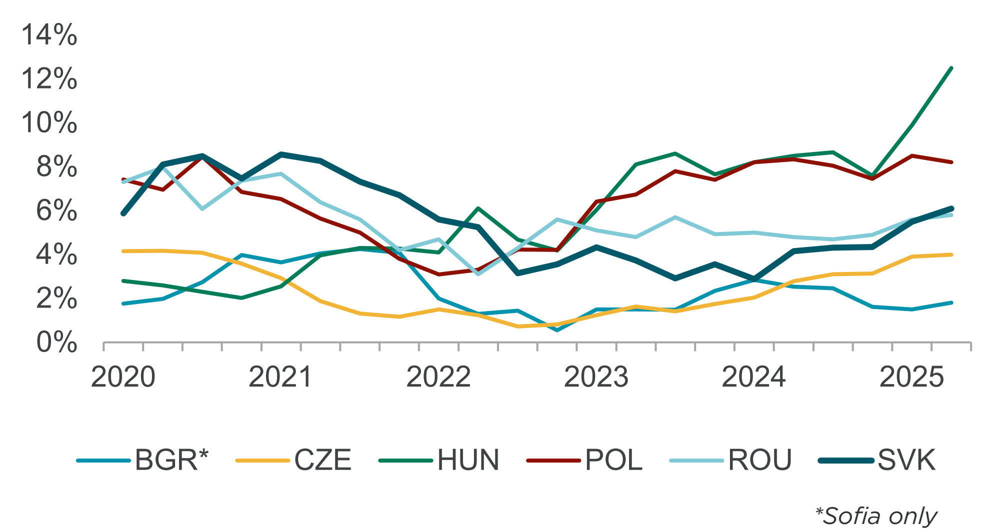
CEE-6 INDUSTRIAL PRODUCTION & RETAIL SALES



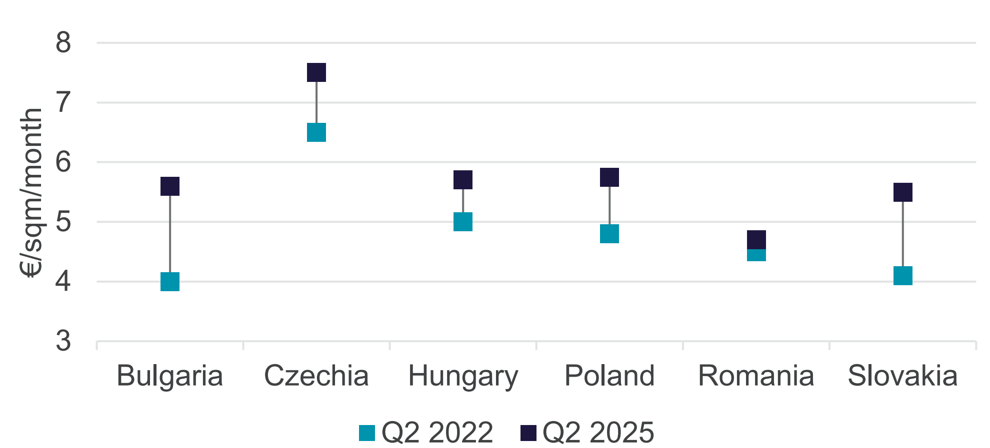
NET ABSORPTION / NEW SUPPLY



VACANCY RATE



PRIME RENT



LEASING ACTIVITY REBOUNDS DESPITE CAUTIOUS TENANT SENTIMENT

Gross take-up across CEE-6 markets reached 4.94 million sq m in H1 2025, an 11.3% year-on-year increase signalling recovering occupier confidence. However, renegotiations dominated activity—54% in Poland, 44% in Czech Republic, and 57% in Slovakia—while net absorption remained notably weak, indicating tenants prioritize lease optimization over expansion. Poland led the way with 2.96 million sq m transacted, while Romania posted the strongest year-on-year growth at 25%.

Manufacturing, retail, and wholesale sectors continued driving demand as businesses focus on supply chain resilience and nearshoring, though investment decisions remain tempered by geopolitical and macroeconomic uncertainty.

PIPELINE CONTRACTION REACHES NEW LOWS

Development activity has decelerated sharply, with Q2 2025 completions totalling just 842,000 sq m—the lowest since Q4 2020—bringing H1 2025 supply to 2.06 million sq m, down 10.5% year-on-year. Regional stock now stands at 69.26 million sq m, representing 8% annual growth—significantly below the 19.7% peak in Q2 2022.

Developers have shifted to built-to-suit and pre-leased projects, with Poland's pipeline down 26% year-on-year. Pre-leasing rates have improved—by 47% in Hungary and 60% in Slovakia—as developers secure tenants before construction begins. The Czech Republic maintains the tightest market, with a vacancy rate of 4.0%.

RENTS: UPWARD PRESSURE PERSISTS IN PRIME MARKETS DESPITE REGIONAL DIVERGENCE

Prime headline rents continued their positive trajectory through H1 2025, supported by limited high-quality supply and strong demand for ESG-compliant facilities, although growth has moderated from the peaks of 2022-2023. Poland maintained strong momentum at EUR 3.60-5.75/sq m, while Prague held steady at EUR 7.50/sq m.

Regional divergence intensified: Hungary's Greater Budapest declined 5.2% year-on-year to EUR 5.50/sq m, while supply-constrained Bulgaria rose to EUR 5.6/sq m. Romania's Timișoara and Brașov recorded notable spikes. Rental growth is expected to persist in low-vacancy markets for prime assets, while secondary locations may face pressure as landlords increase incentives.

OUTLOOK

- **Vacancy stabilization expected**: With development pipelines at multi-year lows, regional vacancy—currently 7.17%—should stabilize or decline modestly in H2 2025, while supply-constrained will see continued compression.
- **Nearshoring driving demand**: EU/UK investment in defense, food security, and critical sectors will boost medium-term demand, particularly benefiting Poland and the Czech Republic's established manufacturing ecosystems.
- **Two-tier rental market**: Prime, ESG-compliant assets in supply-constrained locations will command premium growth, while older stock in high-vacancy markets faces downward pressure and increased landlord incentives.
- **Selective development continues**: Speculative construction stays constrained through 2025-2026, with new starts contingent on pre-leasing or build-to-suit commitments, especially in regional cities facing elevated financing costs

MARKET STATISTICS

MARKET	STOCK (SQM)	AVAILABILITY (SQM)	VACANCY RATE	CURRENT QTR TAKE-UP (SQM)	YTD TAKE-UP (SQM)	YTD COMPLETIONS (SQM)	UNDER CONSTRUCTION (SQM)	PRIME RENT (SQM/MONTH)
Bulgaria (Sofia)	2,312,800	40,700	1.8%	24,200	47,500	79,000	342,700	€5.60
Czech Republic	12,680,700	511,800	4.0%	304,900	817,300	344,700	1,178,800	€7.50
Hungary	5,844,800	730,000	12.5%	319,900	439,800	191,600	505,800	€5.70
Poland	36,031,800	2,948,900	8.2%	1,842,500	2,955,500	1,148,100	1,467,600	€5.75
Romania	7,752,700	449,700	5.8%	255,700	514,000	184,100	367,100	€4.70
Slovakia	4,635,300	284,900	6.1%	109,100	165,900	117,300	318,600	€5.50
CEE-6 TOTALS	**69,258,000**	**4,965,800**	**7.2%**	**2,850,300**	**4,940,400**	**2,064,800**	**4,180,500**	

KEY LEASE TRANSACTIONS, Q2 2025

MARKET	PROPERTY	SUBMARKET	TENANT (SECTOR)	SIZE (SQM)	TYPE
Poland	ECE Kąty Wrocławskie	Lower Silesia	SHEIN	79,200	New lease
Poland	Prologis Park Ujazd	Opolskie	Schaeffler	63,400	New lease
Czechia	P3 Lovosice Cargo	Usti nad Labem region	Yusen Logistics	43,500	New lease
Poland	Prologis Park Stryków	Łódzkie	Confidential (3PL)	40,400	Renewal
Poland	Eurocash Konin	Greater Poland	Eurocash	39,700	Renewal
Hungary	Prologis Park Budapest - Sziget	Budapest South	Ennoconn Hungary Kft.	39,200	Renewal
Hungary	CTPark Tatabánya	Central Transdanubia	(Confidential)	33,700	Renewal+Expansion
Czechia	CTPark Prague North	Greater Prague region	(Confidential)	31,100	Pre-lease
Czechia	CTPark Modřice	South Moravia region	IFE-CR	25,900	Renewal
Slovakia	Exeter Park Senec	Bratislava	(3PL)	79,200	New lease

KEY COMPLETIONS, Q2 2025

MARKET	PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQM)	OWNER/DEVELOPER
Hungary	HelloParks Alsónémedi – AN1	Budapest South	Retro Jeans	59,300	HelloParks
Poland	Park Szczecin VI (Dunikowo)	Szczecin East		54,400	Panattoni
Poland	Hillwood Grodzisk Mazowiecki	Grodzisk Mazowiecki		51,400	Hillwood
Poland	Panattoni Park Sosnowiec Expo	Sosnowiec		47,700	Panattoni
Czechia	Logistics Centre Jihlava II	Vysocina region	Bosch Powertrain	43,600	LCJ Development
Slovakia	SLI Park Sereď	Trnava		43,200	SLI Park
Czechia	Panattoni Park Chomutov North	Usti nad Labem region	HOPI	41,100	RSJ
Hungary	IG Park Debrecen	Northern Great Plain	Duvenbeck Logistics	21,830	Innovinia
Romania	ProInvest Park Miroslava Iasi	Iasi		20,000	ProInvest
Czechia	VGP Park Usti nad Labem City	Usti nad Labem region	Mailstep	18,800	VGP/ AREIM

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WE DIDN'T COME THIS FAR JUST TO COME THIS FAR.

Better never settles