

CEE Living Sector

EMERGING TRENDS AND OPPORTUNITIES
IN THE CEE LIVING MARKET

2024



The Living market in the CEE-6 region, which includes Poland, the Czech Republic, Slovakia, Hungary, Romania, and Bulgaria, is undergoing significant growth and transformation. Demand for Private Rented Sector (PRS) properties and Purpose-Built Student Accommodation (PBSA) is rising due to increased urbanization, expanding student populations, and shifting lifestyle preferences. Investors are drawn to these sectors because of their resilience and stable returns, even in times of economic fluctuations. This report explores the current trends, key players, and future outlook of the Living market in CEE-6, highlighting the dynamic nature of this sector and its growing importance in the region. We encourage you to read the report and share your insights and comments, which can enrich further analysis and discussions on this topic.

Key findings from the report

Economic Growth in CEE-6 Cities

The capital cities of the CEE-6 region have experienced substantial economic growth since the EU enlargement in the early 2000s, narrowing the gap with Western Europe in terms of GDP per capita adjusted for purchasing power. Bucharest has seen the fastest growth, with its GDP per capita increasing from 58% of the EU average in 2001 to 171% in 2021. Other cities showing significant progress include Sofia, Warsaw, Poznan, Wroclaw, Cluj-Napoca, Iasi, and Timisoara, each advancing by around 60 percentage points compared to the EU average. This economic uplift has driven demand for residential property, including PRS and PBSA developments.

Strong Demand in the Residential Sector

Purchase intentions in the CEE-6 residential market are shaped by cultural factors and housing affordability. Countries like Romania, Bulgaria, Poland, and Slovakia exhibit high levels of overcrowding, which is driving housing demand. Economic stability and relatively lower interest rates have driven this activity, with Poland's housing market seeing near all-time highs in purchase intentions. Romania, Bulgaria, and Hungary are also experiencing high demand. While affordability varies across the region, residential properties in Romania remain relatively affordable, whereas Slovakia and parts of Poland, Hungary, and Czechia are leaning towards more expensive housing markets, potentially approaching bubble territory.

Affordability Challenges Across Key Cities

Affordability in the CEE region differs significantly by city. Post-pandemic, Sofia has seen improved affordability due to rising wages, while Bucharest has recorded slight improvements despite higher interest rates. In contrast, cities like Prague, Bratislava, Warsaw, and Budapest have experienced deteriorating affordability since 2019. Prague, in particular, has faced the most significant challenges due to rising property prices and interest rates. However, households with dual incomes may find better affordability, and more favourable loan terms may be offered, allowing mortgage payments to comprise up to 40-50% of household income.

Supply Gaps and New Development Trends

Many cities in the CEE-6 region are experiencing a supply gap in the residential sector, prompting increased development activity. While traditional transactions for standing assets have slowed, there is a noticeable increase in forward funding deals and partnerships between institutional capital and developers, especially in the build-to-sell and PRS sectors. These joint ventures often involve profit-sharing or forward-funding structures, which may not always be reflected in official transaction data, potentially understating the actual level of market activity. Disparities between residential and commercial land prices are also contributing to the rise in these partnerships.



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Challenges in PRS Investment Due to High Financing Costs

PRS investments are facing challenges due to high local currency financing costs, which are compressing the spread between development yields (typically around 7-8% in Poland) and exit yields, making investment cases less viable. Many investors prefer to secure financing in local currencies to avoid exchange rate risks, but higher interest rates in local currencies, compared to Euro rates, create hurdles for investment. Market participants are closely monitoring interest rate decisions by local central banks and the European Central Bank (ECB), as potential rate cuts could significantly improve the attractiveness of PRS investments by reducing financing costs.

Key Players in the CEE Living Market

Only a few major players are active across multiple markets in the CEE-6 region, with Heimstaden Bostad, AFI Europe, Zeitgeist Asset Management, CTR Group, and Kooperativa Vienna Insurance Group among the prominent ones. These companies are driving PRS and residential development across multiple countries, contributing to the growth and professionalisation of the sector. Heimstaden's portfolio in Ostrava, Czech Republic, is notable for being the largest single-city PRS market in the region.

PRS Growth in Warsaw and Prague

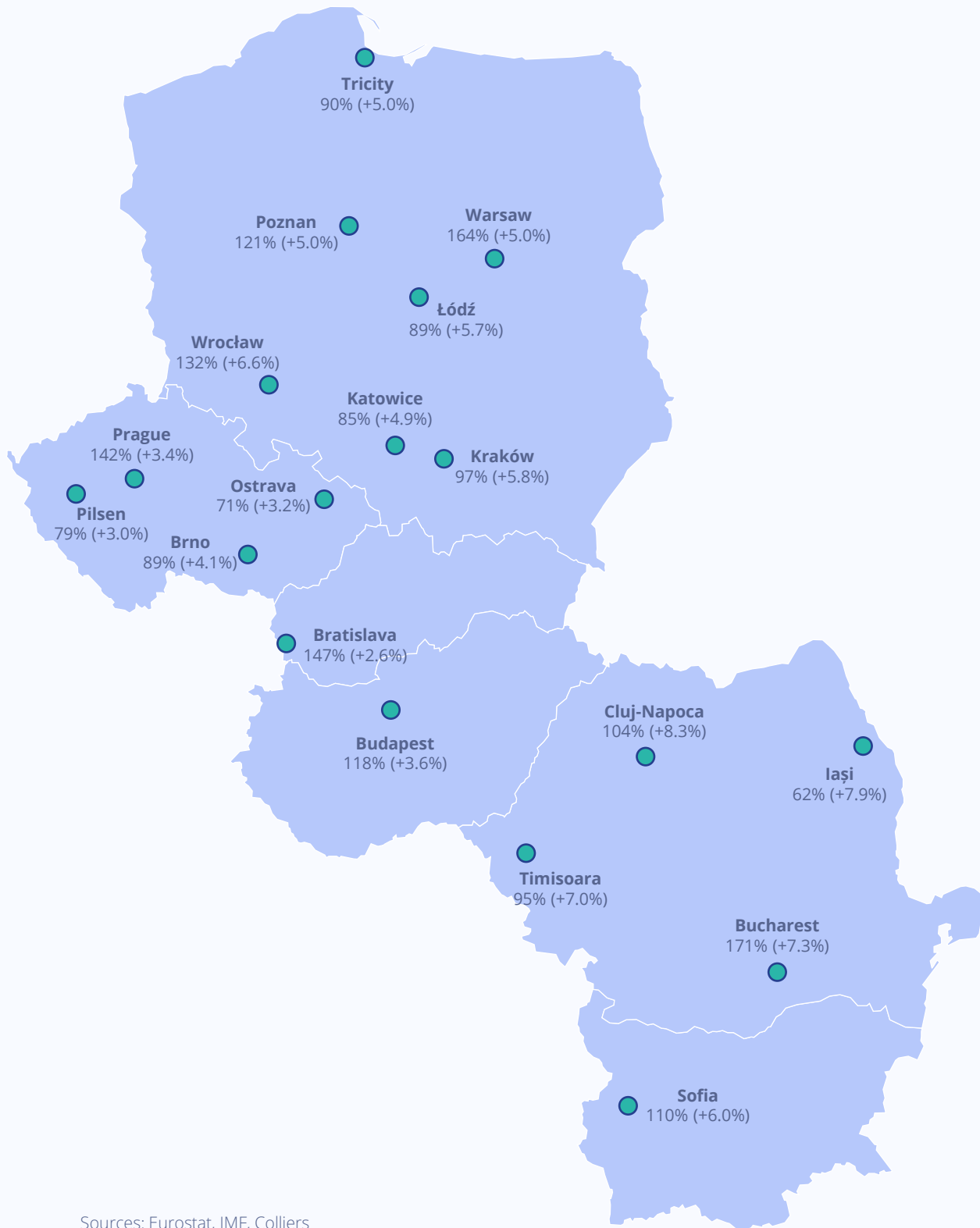
The most developed PRS markets in the CEE-6 region are Warsaw and Prague, with more than 8,000 and over 6,000 existing PRS units, respectively. Warsaw is ready for strong growth, with plans to nearly double its PRS stock in the coming years, while Prague has over 2,000 additional units in the pipeline. Other Polish cities such as Wroclaw, Krakow, Poznan, Gdansk, and Szczecin are also seeing planned expansions of their build-to-rent (BTR) stock, with 1,000 to 2,700 additional units expected in each city. In Romania, Bucharest is leading PRS growth, with the market set to exceed 3,000 units.

Expanding PBSA Sector

The PBSA market in the CEE region has grown significantly over the past two years, particularly in Poland, where the sector has seen nearly 70% year-on-year growth, and the Czech Republic, with 21% growth. New projects are also emerging in Hungary and Slovakia, though Poland leads with 5,400 units under construction and an additional 13,700 in various planning stages. Warsaw is expected to become the largest and fastest-growing PBSA market in the region, with nearly 2,400 units currently under construction. PBSA developers are increasingly targeting university cities with large student populations, such as Krakow and Prague.

CEE Cities on rapid growth trajectory

GDP/capita as a % of EU average in 2022 and average GDP/capita growth rate per year (%) over last two decades (in brackets) , PPS adjusted



Sources: Eurostat, IMF, Colliers

CEE-6 economic growth is slower than it was during the 2010's, but it is accelerating and it is still enough to close the gap on Western Europe

Country	GDP growth (2022-2024 average, %)	GDP growth (2025-2027 average, %)	GDP/capita (USD, 2024)	GDP/capita (USD, 2029)
Bulgaria	2.7	2.7	17,069	23,220
Czechia	1.3	2.2	31,366	39,436
Hungary	1.7	3.0	23,881	32,750
Poland	2.9	3.3	23,563	30,949
Romania	2.7	3.6	20,089	27,102
Slovakia	1.9	2.3	26,290	34,232

Sources: Colliers, IMF

CEE among the most dynamic cities in Europe or even the world

The CEE-6 capital and regional cities have experienced growth at breakneck speed as EU enlargement in the 2000s acted as a catalyst for private investments. All cities in the region featured in this report managed to close the gap relative to Western Europe in terms of GDP per capita adjusted to purchasing power standards, an indicator often used as a proxy for living standards.

Where Bucharest used to be among the biggest laggard in the region in terms of wealth, it is now the region's fastest-growing capital city, increasing from a GDP per capita of just 58% of the EU average in 2001 to 171% in 2021. Other fast-growing cities include Sofia, Warsaw, Poznan, Wrocław, Cluj-Napoca, Iasi, and Timisoara, each expanding by roughly 60 percentage points (relative to the EU average) in terms of their GDP per capita numbers.

We can also compare the performance CEE cities to other European counterparts. Warsaw and Prague are comparable to or performing better than cities like Helsinki, Rotterdam, or Vienna, while regional cities like Wrocław and Poznan are doing better than some Western capital cities. In fact, from the perspective of the whole European Union, Bucharest now has the 10th highest GDP per capita among all EU metropolitan regions.

The fastest growth among cities of the region is now in Bulgaria, Poland, and Romania. Czechia, Hungary, and Slovakia saw more modest growth though still noticeably better than many Western cities over the past couple of decades. This is partly due to the fact that cities in these countries were reasonably wealthy to begin with but could also be due to some structural rigidities in their economies holding them back.

Demographic growth and decline of CEE Cities

While the economic data looks quite favourable for CEE-6 cities (in most cases, exceptional), the demographic factors present a more mixed picture and require nuanced analysis. Of the 18 cities included in this study, 8 are projected to increase their population between 2020 and 2050, according to the most recent Eurostat forecasts. These are Bratislava and Prague (both set to see between 12% and 16% increase in their present population), Pilsen, Warsaw, Budapest, Krakow, Poznan, and Gdansk. At the opposite end, Katowice, Lodz, and Ostrava are all projected to see double-digit declines in population over these three decades.

However, we must acknowledge the limitations of such forecasts. These projections are largely based on recent trends extended over a long time span. These trends could be reversed by smart administrative decisions and effective public policies aimed at attracting talent and investments to create jobs. Furthermore, the dynamic economies we see in most CEE-6 cities suggest that they may prove successful in mitigating negative demographic trends to a certain extent. In other words, such forecasts need periodic revision, and there's a good chance they may improve in the coming years.

Lastly, we note that people pursue better living standards. While CEE-6 cities (with some exceptions) may still lag behind their Western European counterparts, the gap is closing. We have already demonstrated the economic implications of this trend.

Supply gap to remain wide by 2050

To assess the supply gap in CEE-6 cities, we examined one of the few comparable indicators available in public data sources: the number of rooms per inhabitant in the

NUTS 2 regions containing the capitals. For most cities, the NUTS 2 region is broadly similar to (or slightly larger than) the metropolitan area, while for Budapest, we included the region of Pest.

We observe that most capital cities in the CEE region fall well below the EU average (1.6 rooms per inhabitant). The exception is Budapest, which approaches the EU average. For this analysis, we projected the convergence of rooms per inhabitant, assuming no population change, to a robust level of 1.6-1.8 (noting that regions containing Copenhagen or Madrid have similar levels, though Stockholm, for instance, has 1.6).

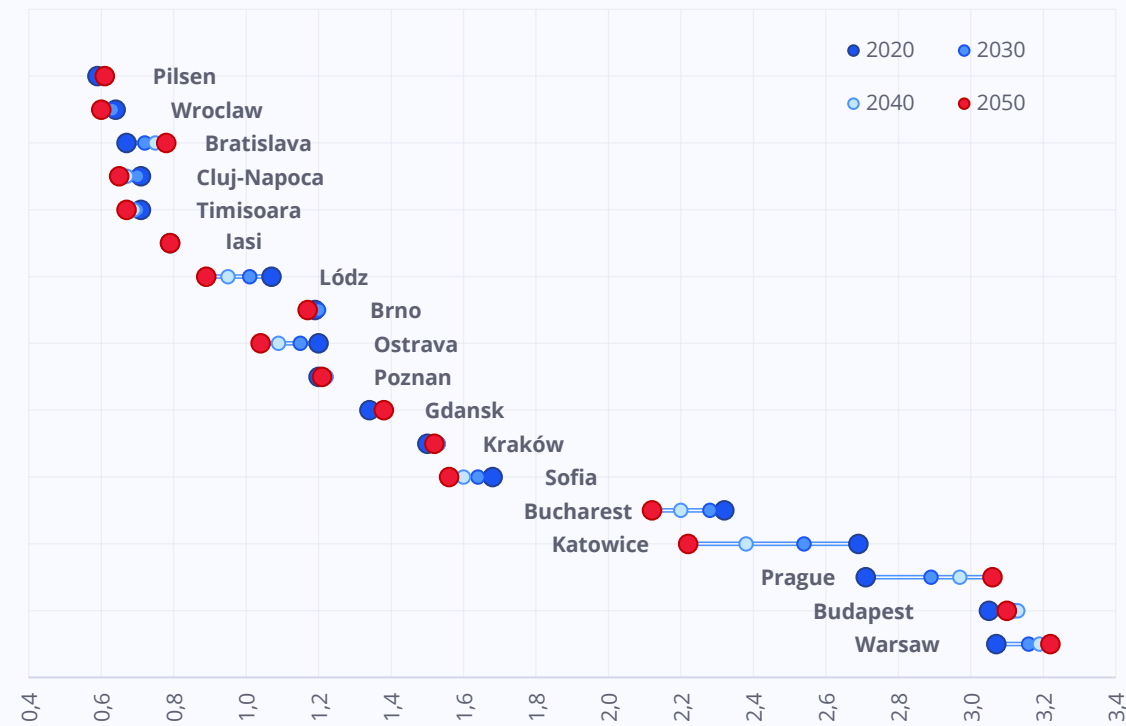
This analysis indicated an additional need for up to 6.2 million rooms across the six capital cities analysed. Assuming the average dwelling has 2 rooms, this suggests a staggering maximum requirement of 3 million new dwellings/apartments needed in the region's six capital cities to converge with Western European levels.

We perceived the largest additional requirements for Warsaw (nearly 1 million units), Bucharest (0.8 million), and Sofia (0.5 million). However, these calculations just refer to the necessary net increase in rooms/dwellings to reach Western European levels. Additionally, significant portion of the residential stock in the CEE markets is aging and not up to modern or sustainable standards, potentially requiring replacement or significant renovation on top of the additional units needed.

We should note that seasonal impacts such as tourism on residential needs are not accounted for. Furthermore, this analysis does not suggest that delivering 3 million new apartments in the CEE-6 capital cities within a few years would be advisable, as near-term demand and especially affordability are crucial factors. Rather, such high-level forecasts suggest a long-term target that cities could absorb over time.

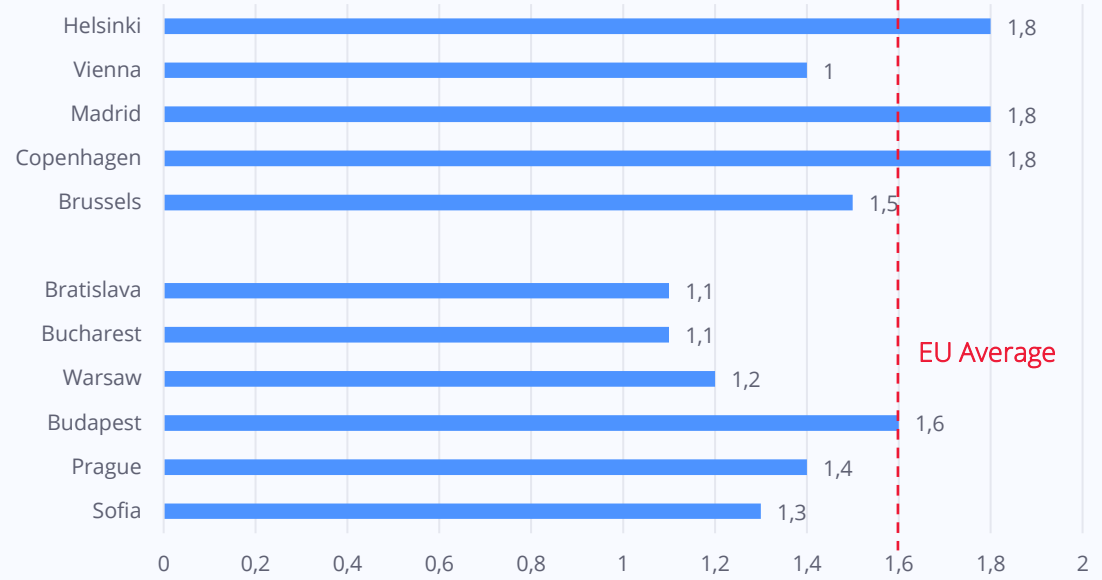
CEE-6 Cities Population Projection

(in million, metropolitan areas, 2020 - 2050)



CEE cities trail behind Western counterparts on rooms availability for growing city populations

(average number of rooms per inhabitant by NUTS region of the capital city)



CEE-6 Housing markets

Home purchase intentions in CEE-6 national markets

Home purchase intentions are driven by several factors, from cultural preferences to affordability and necessity. In the case of some CEE markets, the last is readily apparent. Romania, Bulgaria, Poland, and Slovakia have some of the highest levels of overcrowding in the European Union. Meanwhile, Czechia and Hungary fare significantly better, although they still lag behind Western European countries in this regard.

Thanks to a period of relatively strong economic performance and declining interest rates, the CEE-6 residential property sector is experiencing a vibrant period, with buyers undeterred by price increases (sometimes quite sharp). According to European Commission surveys, housing purchase intentions in Poland are approaching all-time highs, while in Bulgaria, Romania, and Hungary, the indices are not far from their peaks. In Czechia and Slovakia, housing purchase intentions declined recently in 2024, but sentiment remains neither overtly negative nor particularly positive.

Regarding affordability, a more nuanced approach is necessary. Models from the European Central Bank show that, at a national level, residential property prices in Romania are relatively affordable, while Bulgaria, Czechia, Hungary, and Poland are fairly valued or slightly expensive (depending on the model). Slovakia is clearly trending toward expensive properties and approaching bubble territory.

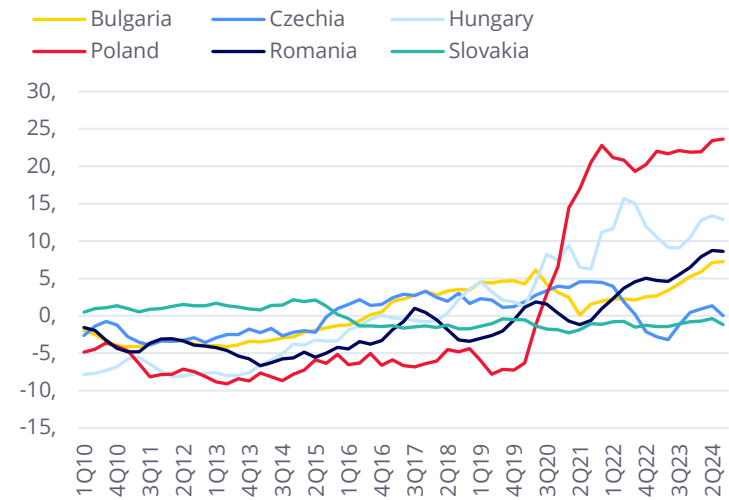
Residential prices relative to earnings

We next examined how prices and rents have moved relative to earnings in the CEE-6 countries (see charts on following page). We note that net wages have grown faster than housing prices since 2019 in just two countries at the national level: Bulgaria and Romania. Meanwhile, at the opposite end, Hungary has seen prices increase significantly faster than wages.

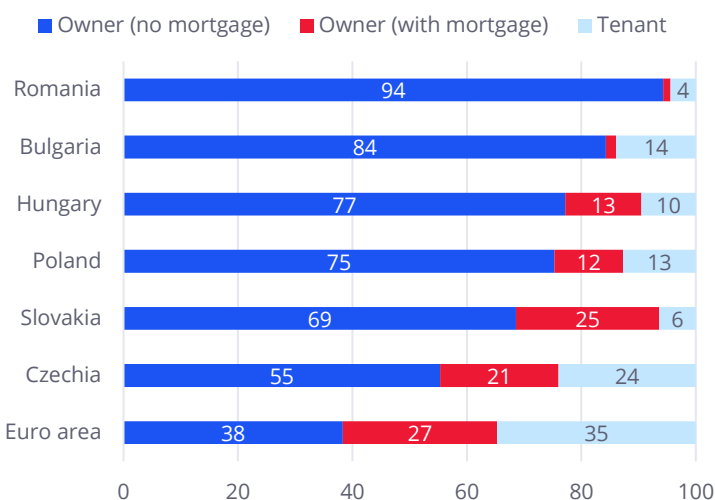
We expressed all levels relative to 2019 to assess the effects of post-pandemic behaviour, but we included data from 2010 to provide broader historical context.



Home purchase intentions within the next year (deviation from the historic average, 4Q rolling average)

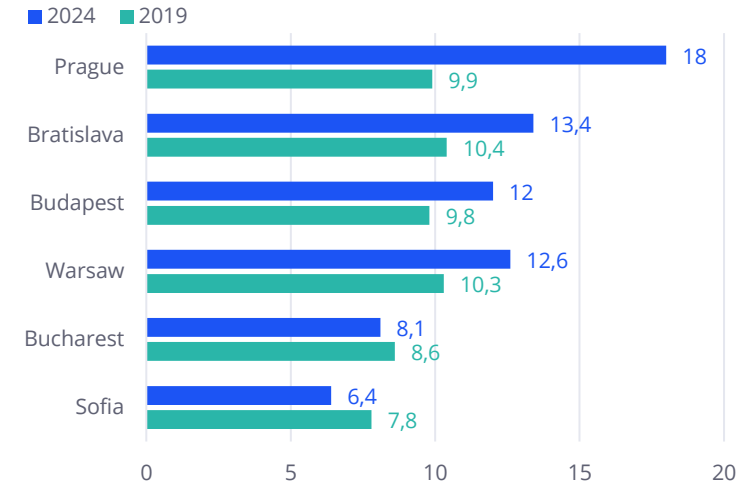


Housing structure by ownership status (%)



It is getting more difficult to buy an apartment in most CEE Capitals

(Years, average price 60sqm apartment / average yearly single net salary)

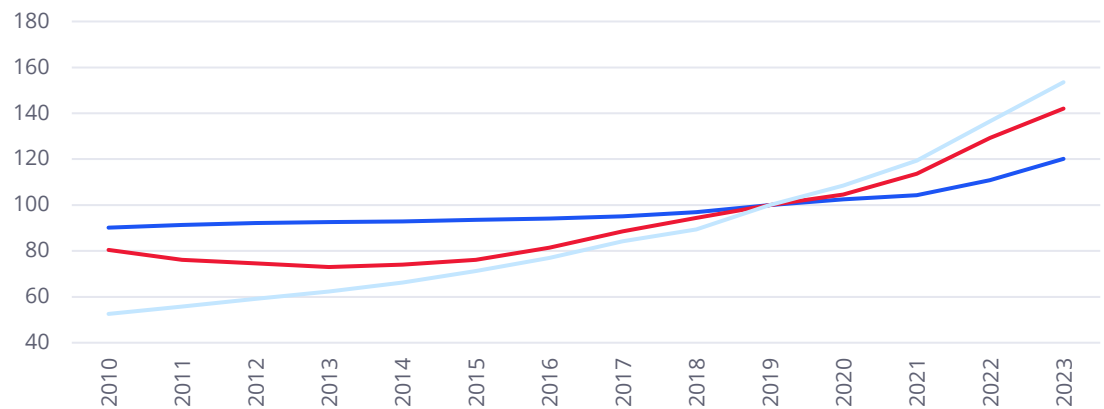


Dynamics of national markets in CEE-6

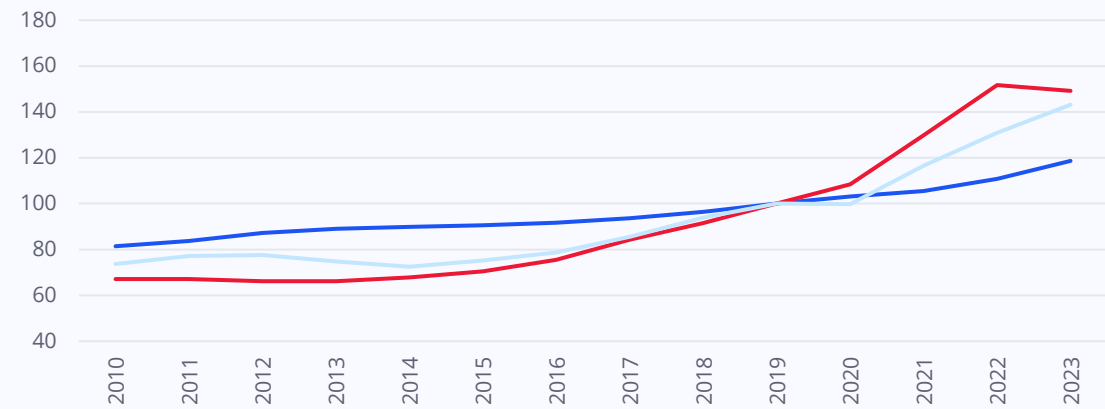
(residential prices vs earnings vs rents (2019 = 100))

Rents Net wages Housing prices

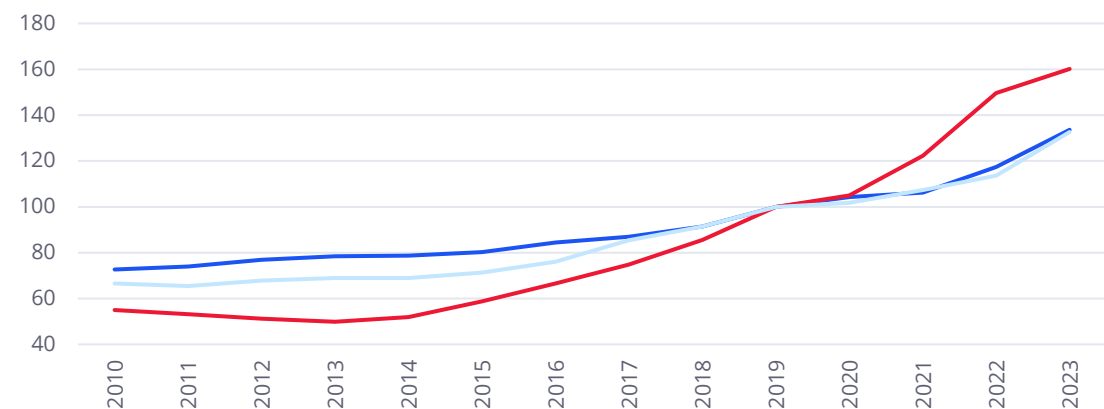
Bulgarian wages outpacing residential prices



Czech residential prices rose rapidly since 2020



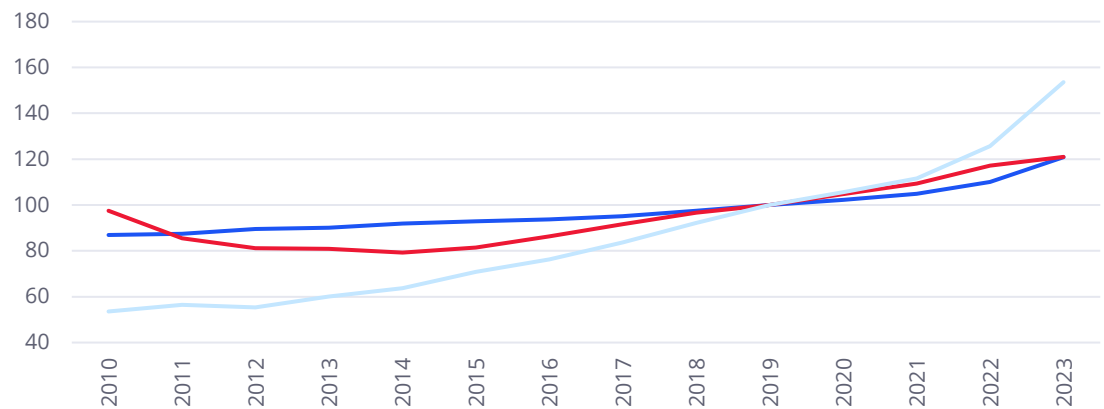
Hungary seeing biggest deterioration of affordability among CEE-6 economies



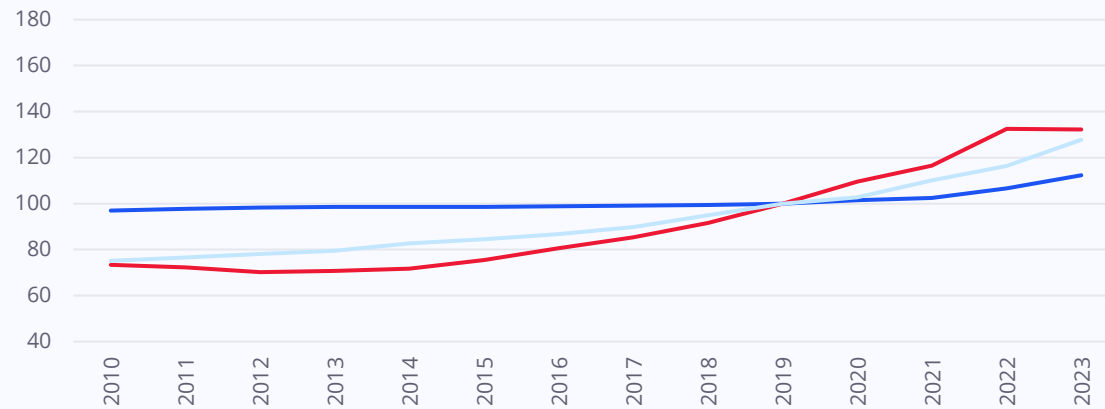
Poland's wages and residential prices seeing similar dynamics



Romania seeing biggest improvement of affordability in CEE-6 as wages shot up



Slovakia - residential prices slightly outpacing wages



Changing Affordability in CEE Cities

Rates pushing buyers away, yet prices keep moving north

We gauged affordability (and how it changed since 2019) from a buyer's perspective in the six capital cities from two standpoints. First, we examined how large a loan (in local currency) a buyer with an average wage can obtain from a bank, with monthly instalments of 30% of the salary. Then we analysed the simple ratio between the average price of an apartment and the yearly income at that moment to determine whether prices align with the purchasing power story.

Affordability has mostly decreased across CEE since 2019

We see two distinct patterns across the CEE cities: On one hand, we have Sofia, where affordability has actually improved in the post-pandemic period. The steep increase in salaries (almost double in 2024 versus 2019) in Sofia is at the heart of this positive change for consumers, as the average percentage point increase of net earnings in the other five capital cities was approximately 45%. Bucharest sits partly alongside Sofia, as the higher interest rates mean that borrowers cannot obtain such favourable lending terms

now, but the price-to-earnings ratio has improved slightly.

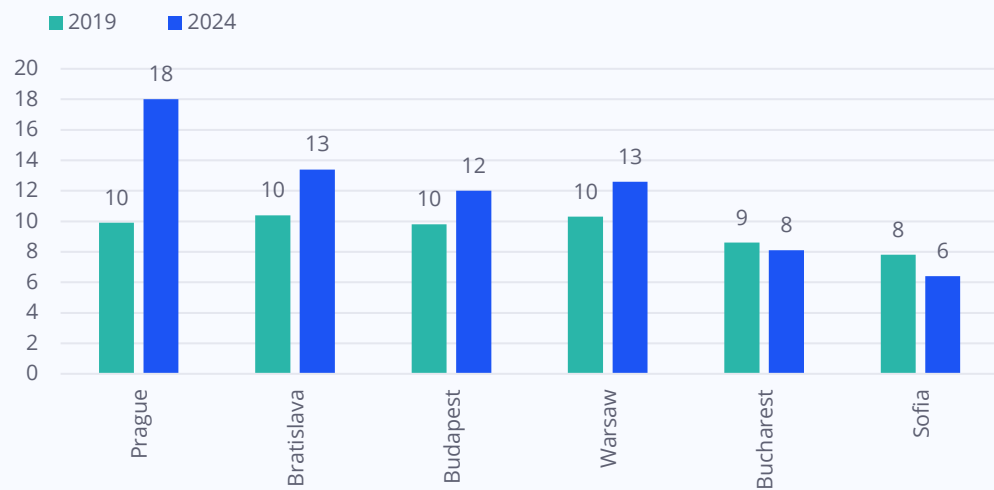
Meanwhile, in the other four capital cities, affordability has deteriorated significantly, with Prague seeing the most substantial deterioration. Simply put, the higher interest rates and substantial jump in residential property prices greatly outweighed the improved household finances in most cases.

It is important to note that in many cases, the buyer is actually a household with two wage earners, which means that affordability is considerably better than for an individual. Also, for higher monthly earnings, banks may be inclined to be more generous regarding the loan service-to-income ratio, potentially allowing 40% or 50% of the household's income.

Nevertheless, our analysis demonstrates one clear point: buying a house is now much more expensive than in 2019 in four capital cities across the CEE: Prague, Bratislava, Warsaw, and Budapest. Bucharest is marginally worse given the lending terms, with Sofia being the region's outlier and actually seeing material improvements.

Rent affordability has progressed differently across the region

(average rent as % of average wage)



Changes in rent and sale prices in CEE Cities 2019 - 2024

(€/sqm)

Country	City	Average rents (€/sqm, 2024)	Average rents (change since 2019, %)	Average sale price (€/sqm, 2024)	Average sale prices (change since 2019, %)
Bulgaria	Sofia	7.00	+40%	1,600	+60%
	Prague	18.79	+60%	6,295	+69%
Czechia	Brno	16.15	+71%	5,329	+80%
	Ostrava	8.81	+22%	3,630	+107%
Hungary	Budapest	12.50	+47%	3,100	+82%
	Warsaw	19.60	+37%*	4,140	+85%
Poland	Kraków	16.40	+46%*	3,789	+98%
	Poznań	14.00	+26%*	3,064	+84%
	Tricity	16.20	+34%*	3,635	+89%
	Wrocław	15.70	+26%*	3,344	+81%
	Katowice	13.70	+27%*	2,942	+100%
	Łódź	11.90	+18%*	2,667	+95%
Romania	Bucharest	10.00	+38%	2,150	+48%
	Timisoara	9.00	+71%	1,800	+71%
	Iasi	8.00	+60%	1,600	+60%
	Cluj-Napoca	14.50	+81%	2,900	+81%
Slovakia	Bratislava	15.00	+40%	3,464	+65%

Sources: National Statistical Institutes, CEE Commercial Banks, Colliers

* Data on rental prices in Poland only available since 2021, % change in Polish rents represents change since 2021

CEE-6 Key Market Drivers

The residential market in the CEE-6 region is experiencing dynamic growth, driven by several key factors across various segments like Private Rented Sector (PRS), Student Housing, Co-living, or Build-to-Rent (BTR).



Urbanization and Population Growth:

Rapid urbanization in CEE cities is driving demand for rental housing, especially in major urban areas.



Rising Demand for Student Housing:

The increasing number of domestic and international students in CEE-6 countries is busting demand for purpose-built student accommodation (PBSA).



Sustainability and Green Building Trends:

With a growing emphasis on environmental responsibility, there is increasing demand for energy-efficient and sustainable residential properties. Developers are incorporating eco-friendly designs and materials, making green certifications a selling point for investors and tenants alike.



Affordability Challenges:

Rising property prices make renting a more viable option for young professionals and middle-income earners, increasing the appeal of the Private Rented Sector (PRS).



Co-living and Flexible Living Preferences:

Younger generations, increased mobility, and remote work trends are driving demand for co-living spaces that offer affordability, flexibility, and a sense of community.



Shared Services:

The CEE region remains a leading destination for BPO, SSC, IT, and R&D sectors, which continue to expand in terms of investment and job creation. This growth is driven by lower operating costs and access to a highly educated talent pool. Employees in these sectors are an ideal target group for institutional rentals due to their mobility across cities and countries, preference for high-quality, professionally managed rentals, brand loyalty across different locations, and ability to afford institutional housing.



Institutional Investment:

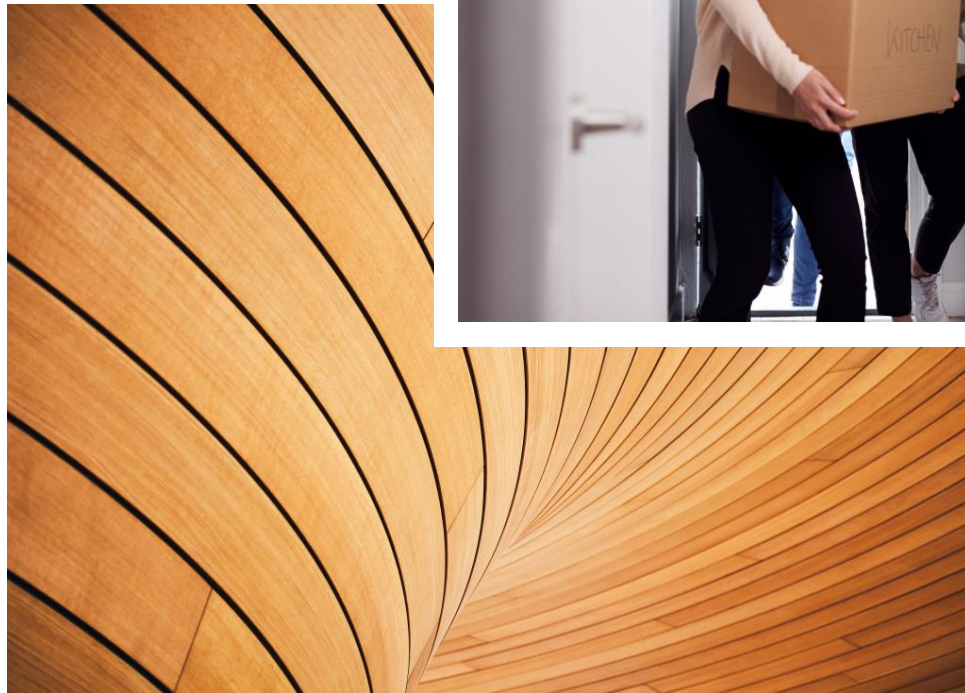
Growing interest from institutional investors in sectors like PRS and Build-to-Rent (BTR) is boosting the development of high-quality, professionally managed rental properties.



Changing Attitudes Toward Renting:

Cultural shifts, particularly among younger generations, are making renting a more accepted and flexible lifestyle choice.

Living market in CEE-6



The Central and Eastern European (CEE) living market is currently in a state of development and transition, with varying characteristics across different countries. There is an underlying positive sentiment regarding the market's long-term development potential and urban growth. While transactional evidence reveals less activity in other European markets, this alone doesn't tell the full story. The CEE living market is experiencing true growing activity and is still in a phase of growth. Markets such as Poland and Czechia have established positions for development. Over 2023 and 2024, more activity was also recorded in Hungary, Romania, Slovakia and Bulgaria with initial key projects and new players on the market.

Market in development - Pricing realities and financial innovation

Most city markets in the CEE are currently experiencing a supply gap. As a result, there appears to be a notable effort to increase development activity where possible. While traditional standing asset transactions have slowed, there's an increase in forward funding deals and joint ventures between developers and institutional capital. This trend is particularly evident in the build-to-sell residential sector and is starting to emerge in the PRS and PBSA sectors as well.

A significant factor influencing market dynamics is the notable disparity between residential and commercial land prices. This price differential has led to an increase in joint ventures between institutional capital and developers, particularly in build-to-sell projects. These arrangements often involve profit-sharing or forward-funding structures, which are not typically captured in official transaction statistics. As a result, the true level of market activity may be understated in conventional market reports.

For PRS investments, the spread between development yields (e.g. in Poland typically around 7-8%) and exit yields is crucial. However, high financing costs are currently compressing this spread, making it challenging to create viable investment cases. Market participants anticipate that a reduction in local currency interest rates will be key to unlocking more investment in this sector.

Local and ECB interest rate decisions drive further growth

A key factor that could stimulate further activity on the CEE market is the anticipated lowering of interest rates in local currencies. The Private Rented Sector (PRS) faces particular challenges due to local currency dynamics. With income streams typically in local currency, many investors prefer to secure financing in the same currency to avoid exchange rate risks. However, the high interest rates in local currencies, particularly when compared to Euro rates, create a significant hurdle for investment. The current situation often results in financing costs exceeding achievable yields, making it difficult to create attractive investment propositions. Market participants are closely watching central bank decisions, with expectations that rate cuts could significantly improve the viability of investment underwriting.

For instance, while the EURIBOR (Euro Interbank Offered Rate) has been decreasing, the WIBOR (Warsaw Interbank Offered Rate) or even the PRIBOR (Prague Interbank Offered Rate), still remain significantly higher. This disparity is creating a mismatch between financing costs and expected yields, hindering investment in the PRS sector. Some investors are exploring euro-denominated loans, but these often come with recourse conditions, adding complexity to the investment structure.

Private Rented Sector (PRS) in CEE-6

The Private Rented Sector (PRS) continues on a growth trajectory in the CEE countries. Over the past year, we observed significant growth in the region, especially in the Polish and Czech markets. Similarly, Slovakia and Romania increased the pace of establishing their position in the PRS and BTR asset class in the past year, with notable new development and investment transaction activity.

The total market in the CEE grew by 21% in the past year. While smaller markets, such as Slovakia, reached more than 225% growth year-over-year, mainly due to the continuing establishment of the small market, larger, more established markets, such as Poland or Czechia, added many more units to an already established market. During the past year, 11,000 new units were added to the total Polish stock (112% year-over-year growth). The second-largest addition to stock was in the Czech market, adding over 3,000 new units (representing 5% year-over-year growth due to the larger size of PRS portfolios across the country). Romania grew by 42% year-over-year, increasing market size by 300 units, all in Bucharest. The Hungarian market grew by 29%, adding more than 200 units.

Main actors on the CEE & local markets

When we look at the CEE market, only 5 actors are present across multiple markets in the region - Heimstaden Bostad, AFI Europe, Zeitgeist Asset Management, CTR Group and Kooperativa Vienna Insurance Group.

In Poland, the most prominent groups are active in multiple important regional city hubs and the capital city. These are Resi4Rent, TAG Immobilien (Vantage Rent), the aforementioned Heimstaden Bostad, Fundusz Mieszkan na Wynajem (PFR Nieruchomosci), with other include Murapol/Ares (LifeSpot), Heimstaden Bostad, Atrium (Urban Home) and AFI Europe. It is also likely that with large volume of planned construction in Poland, there will be new entrances to the most dominant players on the market.

The Czech market is dominated by large portfolios such as Heimstaden, CPI Group, Czech Home Capital, and CIB. They are spread across the country's most important cities as well as presence in more regional cities. From newer entrances to the PRS market, we can point to the activity of AFI Europe, Mint Investments, Erste Bank (Dostupné bydlení České Spořitelny) and Archdiocese of Prague (XPlace) who are gaining more presence.

The rest of the markets usually have less projects on offer and planned, with more presence from local developers and investors. In Romania it is Tiriac Imoboliare (Stejarii), We Rent Communities and AFI Europe but this situation will likely change in the near-term future, as more planned projects come to realization and with new entrances to and development of the local BTR market. Kooperativa Vienna Insurance currently operates or plans to operate projects across multiple Slovakian cities, as the strongest player. Other players locally include Synapsis Property Ventures and CTR Group. In Hungary, the most dominant are locals, Metrodom-Flatco Real Estate and Divinus-Rent4U with projects in Budapest. In Bulgaria, BLD, Sofia Business Camp and San Stefano Property Development are the only operators of BTR projects.

Serviced & premium market

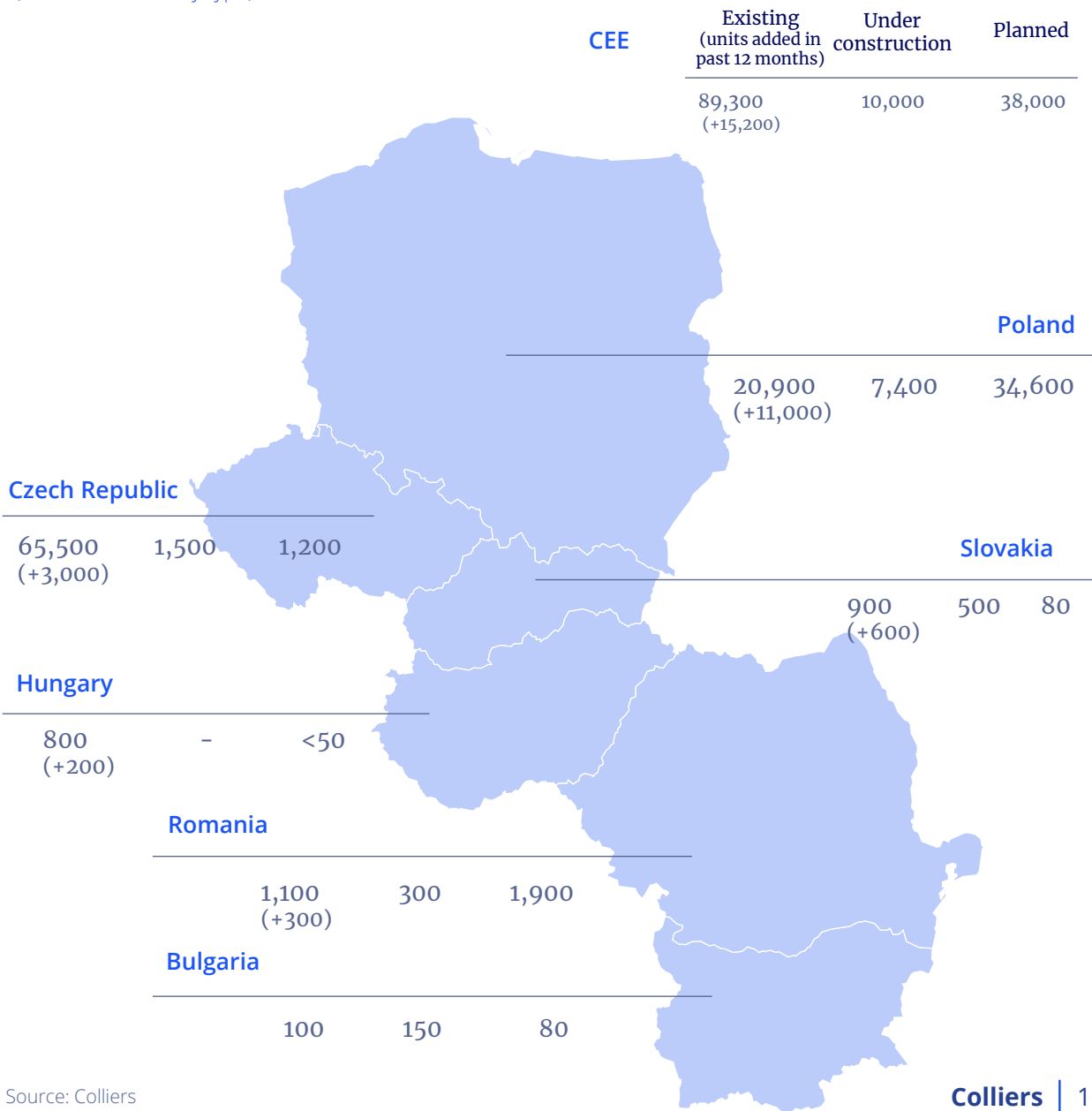
Besides offer of regular rented apartments, there is a new development in the CEE market; an increasing presence of projects which are serviced or offer more premium offer to the renters. This varies project to project and includes a different number of in-building added common facilities, exclusive to the renters use (charged in the rent or at an additional fee). Some examples are reception, concierge, gym, pool, sauna, bar, building security. Often, these projects are priced at a premium, marketed as luxury or premium and target a specific group of tenants.

Key findings

- Total stock in the CEE-6 grew by 21% y/y.
- The BTR sector is growing and in the past year expanded in previously untapped CEE markets.
- Most investors are active in only one of the CEE markets, there is only four which are active cross borders in CEE.
- The most active market is in Poland, with 112% growth since our last survey, more than 7,000 units under construction and further large expansion plans across multiple cities
- Most active submarkets are capital cities, followed by regional cities. In more established country markets (Poland, Czechia), there is PRS activity across board.

PRS stock – existing, under construction and planned

(number of units by type)



Source: Colliers

PRS in CEE-6 Cities

While some are also located at premium locations in the cities, others are in CBD districts outside of a premium location perimeter. Out of the total, the serviced and upscale assets in the CEE countries now total around 3,500 units and additional 600 is under construction (around 4% of total stock).

PRS City markets across CEE-6

The CEE Capital and Regional City markets are the target spaces for developers and investors of PRS projects. They are locations with local economies and job opportunities, often also including an established office market and a higher education establishment. We touched the migration of CEE citizens towards cities in the previous edition of this report. By 2050, urban populations will increase significantly in CEE. As more and more people come live and search for jobs and livelihood in one of the cities of the region, it is no surprise that the most important city hubs in terms of economic development are already the target locations of the most PRS projects. We focus on the new BTR developments in cities specifically, as they represent the most recent growth in area and indicate which cities are growing the most in this direction.

Key Capital and Regional Cities are also the main sources of activity in terms of investment transactions. Most activity seen in the past 5 years was in the Czech and Polish main cities. However, single transactions appeared in the past few years in the Slovak and Romanian markets as well.

Stock growth in CEE Cities

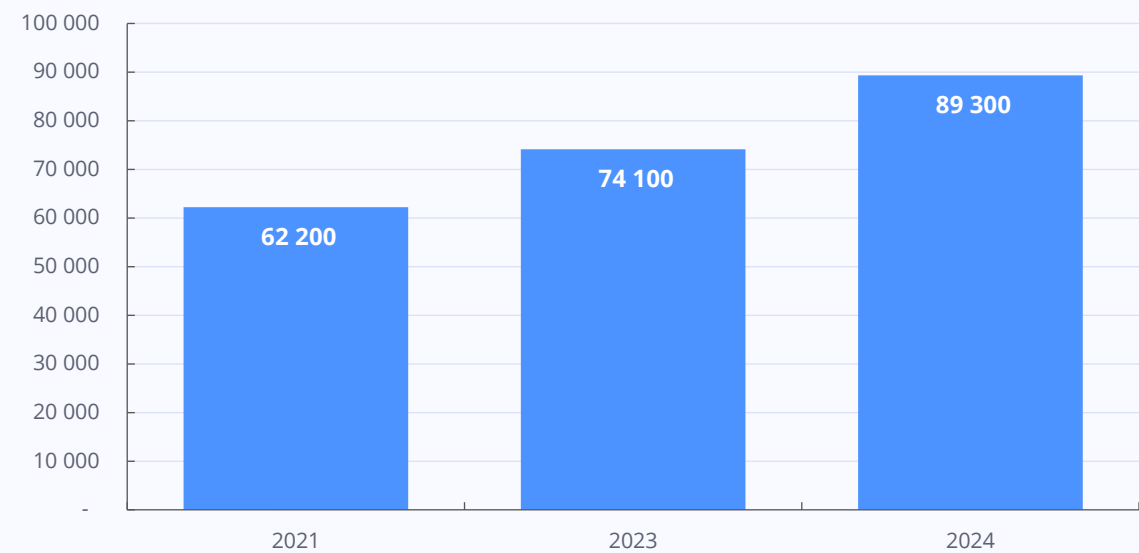
A different picture of growth appears in the CEE cities when analysed in this context rather than on the country level. The largest single City market for PRS is in the Czech city of Ostrava, albeit this is all owing to one single portfolio of flats owned and operated by Heimstaden since 2020. With no other

plans announced in the city, growth in the CEE region is situated elsewhere. Not surprisingly, the capital cities of Poland and Czechia – Warsaw and Prague – are on the top spots, with existing stock with almost 7,000 and just over 6,000 units respectively. Warsaw is also on a strong growth track, with investors and developers aiming to add nearly double this number in the next few years. About a third of this is in comparison currently in the pipeline for Prague (over 2,000 additional units).

Overall, it looks like the planned growth in CEE city hubs in the near-term will be focused on Polish cities – Wrocław, Krakow, Poznan, Tricity and Szczecin all feature plans for adding up 1,000 to 2,000 additional units to their BTR city stock. Similarly, the Bucharest market is undergoing development, leading the activity in Romania. With current entrance of both local and international investors on the market and assessing their plans, we are expecting the local city stock to reach more than 3,000 units.

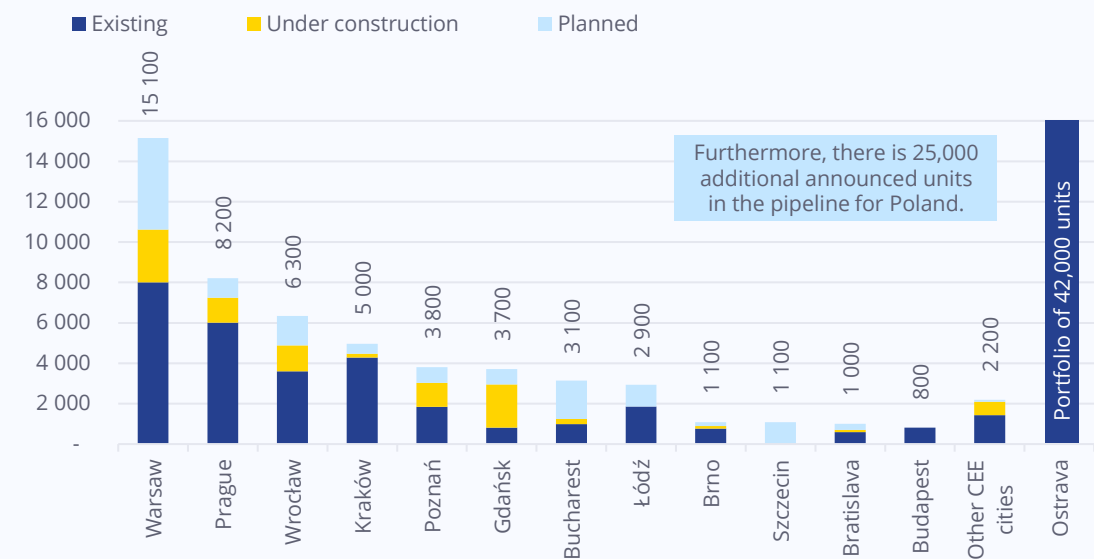
Growth of CEE-6 PRS market

(units, 2021-2024)



PRS Stock in Key Cities*

(number of units by current status, 2024)



Source: Colliers

*Ostrava stock is largest existing city stock, consisting of a single portfolio of 42,000 from Heimstaden.

Purpose-Built Student Accommodation (PBSA) & Co-Living

- The market is on a growth trajectory with strong demographic fundamentals, and increasing international appeal, which are driving the PBSA development in the region.
- Poland is leading the CEE PBSA expansion with more than a 70% year-over-year growth, followed by Czech Republic at 21% growth.
- Foreign student numbers in CEE-6 have nearly doubled in the last decade to 260,000, driven by improving university rankings and relative affordability. Poland saw the most dramatic increase with a more than 3-fold jump in international students.

PBSA is growing as number of local and international students increase in CEE

The PBSA assets in CEE became more established as an asset class in the past two years. The Polish market has grown by nearly 70% y/y, the Czech market by 21% and new projects were opened in both Hungary and Slovakia. As we indicated in our last report, considering the number of students in CEE-6 and the number of international students arriving to the CEE-6 universities, there is still much potential for growth in this market segment in the CEE-6.

Over the last decade, the numbers of arriving international students into CEE Cities has steadily increased, as the CEE region got thoroughly integrated in the EU Erasmus scheme. The CEE Cities are an attractive location for students and young professionals from around the globe, owing to the relative affordability and quality of education offered in the local universities. The students are looking for simple, comprehensive and affordable solutions to their living arrangements in the target student destination cities and PBSA projects are often an ideal solution to their needs.

PBSA market dynamics in CEE-6

Most plans on the CEE PBSA market are currently being developed in Poland. 5,400 units is currently under construction across Polish cities with additional 14,200 units in planning stages. Outside of Poland, only 3 projects are planned in Hungary, and one in each Bucharest (Romania) and Bratislava (Slovakia). The most active actors on the PBSA market are Kajima, Xior, Lager Box Group, Bain Capital and Silver Rock in Poland; in Romania Campus Facilities and in the Czech

Republic International Campus, Bro-coli, DOMINO Centrum and Zeitgeist Asset Management.

Despite the current challenging investment environment, the activity on the market is constantly seeing the entry of new players, especially in Poland. For example, a new joint venture between Echo Investment, Signal Capital Partners and Griffin Capital Partners was announced in 2024, aiming to develop a new PBSA platform in Poland. This move signals confidence in the long-term prospects of the student housing sector in the country.

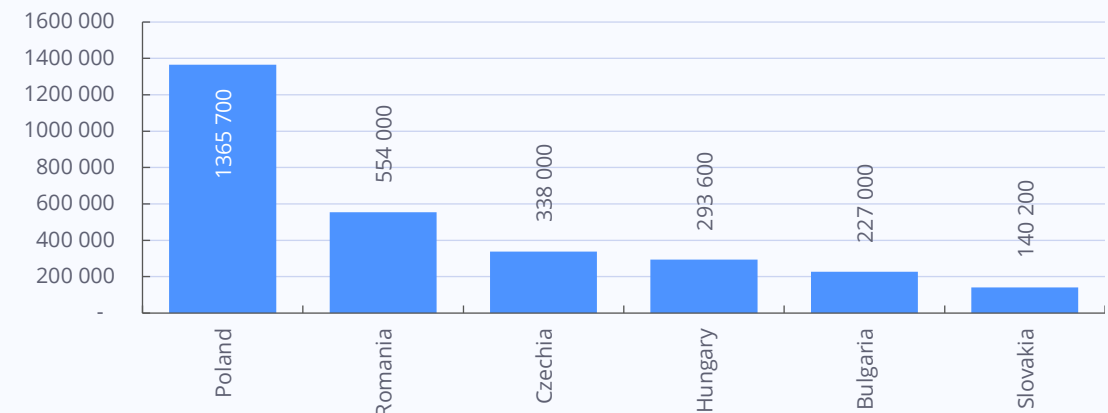
Co-Living, Flexliving as an opportunity overlapping with the PBSA market

The student housing and co-living sectors are evolving rapidly, but we also increasingly perceive overlaps between the two concepts. There are now properties catering to both students and young professionals, offering flexibility in terms of lease length and a wide range of amenities.

In Poland, the first dedicated co-living project, Noli Mokotów, part of the NREP portfolio, celebrated its first anniversary in November 2024. The project has shown strong demand, achieving full occupancy and demonstrating the appeal of flexible living solutions with extensive amenities for young urban professionals. The success of this project has encouraged other developers and investors to explore similar concepts in major Polish cities. Moreover, there's growing interest from international operators in the co-living sector. Companies like The Collective are actively seeking opportunities to enter the Polish market, indicating a belief in the potential for this relatively new concept in the region.

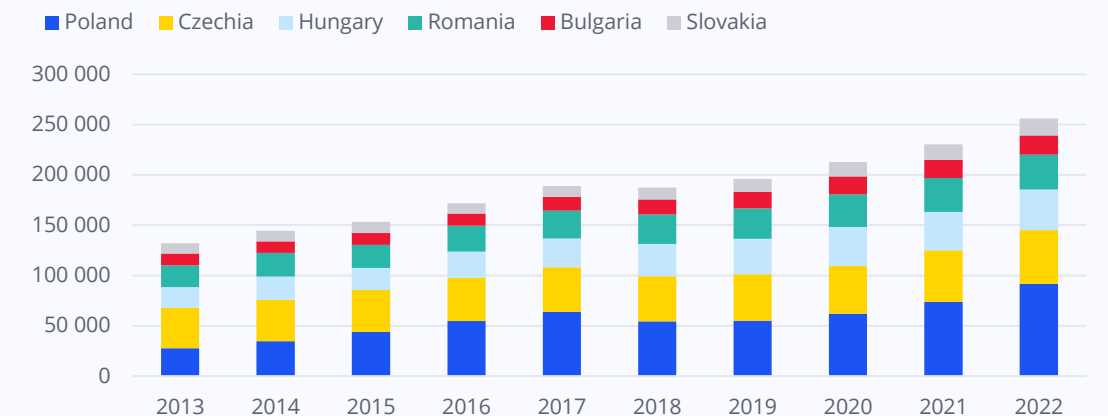
Students by country

(total number of students, 2022)



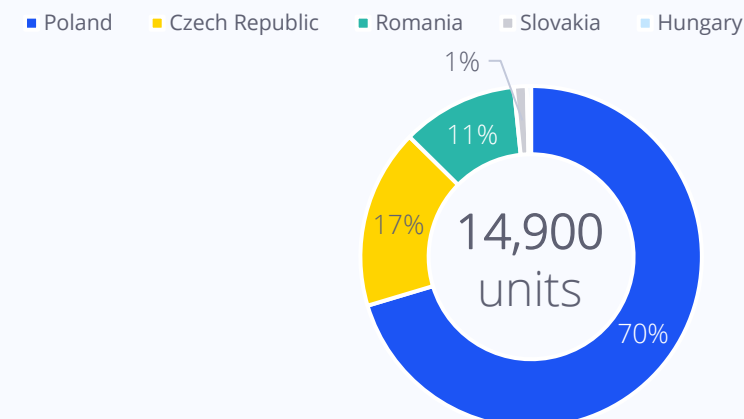
Foreign students at a national level

(number of students, 2013-2022)



PBSA market in CEE-6 Countries

(% share, existing units*)



Sources: Colliers, Eurostat

*Estimated number of units, actual number of beds is much higher

Largest Student Cities in CEE

CEE regional cities as student hubs

The CEE-6 is host to a significant student population of c. 3 million out of the EU's total of around 18 million students. The biggest chunk of these is located in the capital cities (nearly one third of the CEE-6's total). Nevertheless, when we compared the city distribution in the CEE cities, we noticed quite a big discrepancy when it comes to student density.

The capital cities range between 73 students per 1,000 inhabitants of the city (not the metropolitan area) in the case of Ostrava to very broadly around 100 students per 1,000 inhabitants in the case of Budapest, Bucharest and Prague to 120 and 132 students/1,000 inhabitants in the case of Bratislava and Warsaw respectively. It is worth noting that other capital cities in Western Europe. For instance, Berlin, Madrid or Helsinki range from 54 to 91 students/1,000 inhabitants.

Meanwhile, regional cities in Poland and Romania see a larger share of student populations than the capital cities. This is somewhat natural, as capitals tend to be a hub for companies HQ, for government administration and hence, attract a much bigger population to begin with.

Some cities of the CEE are clearly in a different league, an represent university hubs. With well over 200 students per 1,000 inhabitants in Cluj-Napoca, Iasi and Poznan, these cities are ranked in the top 5% in the EU in terms of student density. Brno, Timisoara, Krakow, Katowice and Wroclaw are also worthy of a mention, as their student density of around 160-170 is on par with that of towns like Toulouse or Bologna.

Increasing quality of education attracts more students to CEE Cities

As the region grows, so does the quality of education at many local universities, which is bound to attract an increasing number of foreign students, alongside a good quality

of life and “hip” cities. Charles University in Prague is now ranked 246 in the world in QS Top Universities, up from 317 just before the pandemic, while the University of Warsaw is on the 258th position, up from the 394th spot in 2019. Overall, 31 universities from the CEE-6 are present in the top 1,000 in the world.

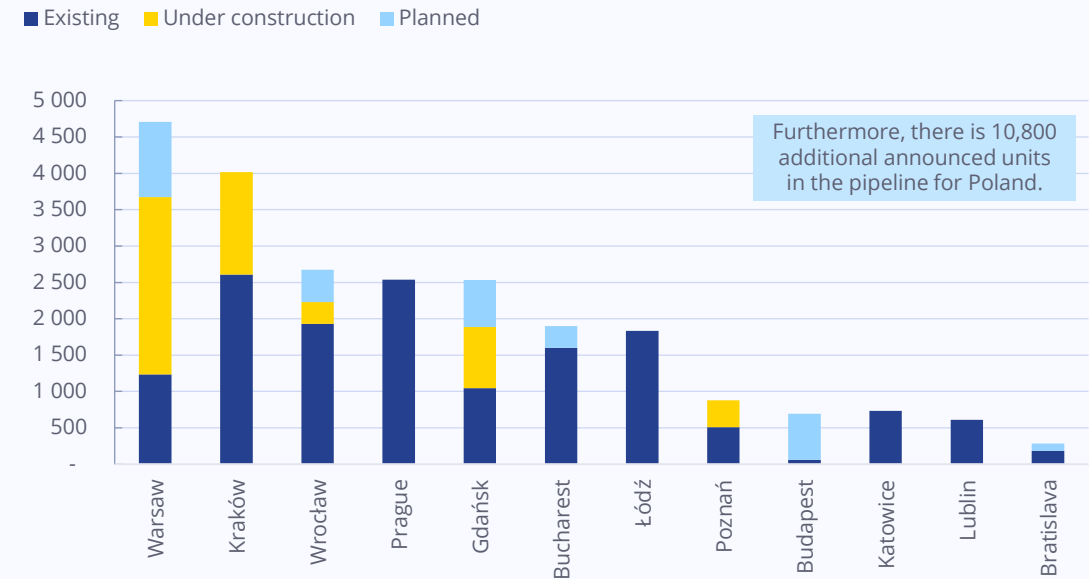
Consequently, over the past decade, the number of foreign students in the CEE-6 has almost doubled, reaching close to 260,000 in 2022 or a bit under 10% of the overall student population. Poland saw the biggest jump, increasing more than 3-fold over this timespan.

PBSA markets most active in Capital Cities and chosen University cities

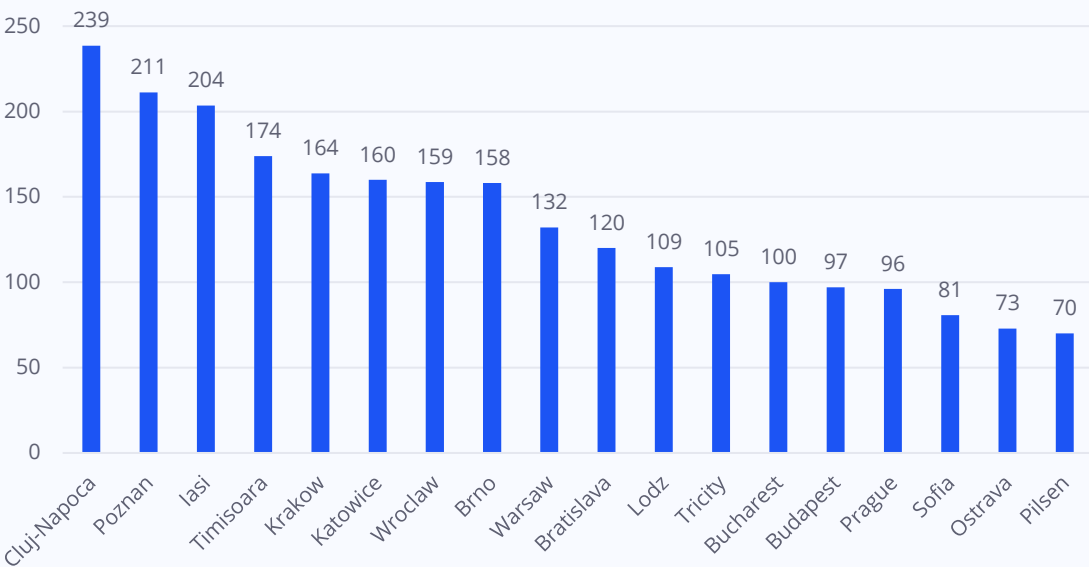
Similarly to rental projects, PBSA players target key cities across CEE region for entrance to the market or expansion. Unsurprisingly, the key cities revolve around student populations and key universities in the region, which are attracting local as well as foreign students to come and live in the city for various amounts of time.

The largest existing stock of units is in Krakow and Prague markets, followed by Wroclaw and Lodz, all university cities. All of these markets grew significantly in the past year but have different plans for the future in terms of PBSA. The market in Prague grew by 36% y/y but there are now no further plans for PBSA development. The Krakow market grew by 17% and there is further projects currently under construction. While the Warsaw market is not currently the largest, we are expecting large expansion of the existing stock in the next few years. Already, there is almost 2,400 additional units under construction. When these are finished, the Warsaw PBSA market will be the largest and fastest growing in the CEE. The PBSA markets in the Polish cities is currently more dynamic than elsewhere in the region.

Cities with most PBSA projects (number of units)



Student density by city (students/1,000 inhabitants)



Sources: Eurostat, National Statistical Institutes, Colliers

ESG & Living Sector

Upcoming regulations affecting the Living sector

In 2023, the discussions concerning ESG strategy development among investors and developers experienced significant momentum. The European Union has implemented requirements for the real estate sector under the Taxonomy, a framework designed to assess the sustainability of investments, renovations, and new construction projects. Financial institutions and funds adopted taxonomy extensively; companies also look closely at taxonomy in their operations due to new sustainability reporting requirements, including taxonomy analysis. One critical aspect of these requirements is energy efficiency, guided by new EU regulations on minimum energy performance standards as outlined in the Energy Performance in Buildings Directive (EPBD).

Depending on the local application of this directive, buildings not meeting the standards may be ineligible for leasing or sale. EPBD specifies additional technical requirements, carbon calculations, energy class methods, and onsite renewable energy (2030 solar mandate

for all new residential buildings). From 2030, all new buildings must be Zero Emission. Member States are tasked with reducing the average primary energy use of residential stock by 16% from 2020 to 2030, and by 20-22% from 2020 to 2035. They must also ensure that 26% of the lowest-performing non-residential buildings improve: by 16% by 2030, and an additional 10% by 2033.

EU directive (EPBD) provided new guidelines for new minimum technical requirements, calculations for embodied carbon, energy classes methodology and onsite renewable energy requirements (2030 solar mandate for all new residential buildings). From 2030 all new buildings need to be Zero Emission Buildings.

Apart from upcoming mandatory regulations, the market still utilizes voluntary sustainability assessments and ratings. Currently, the most prevalent certifications in the residential sector focus on sustainability, emphasising environmentally friendly development. BREEAM and LEED certifications are utilized by residential developers, although outside of Poland they are often seen as novelties with relatively low market interest.

Certifications on the CEE market

This trend correlates with the commercial residential market, which includes investor-friendly products such as PRS, senior housing, or student housing. In markets where residential projects are built for sale to individuals, certifications are less common —with Poland being an exception where several key developers certify projects under BREEAM.

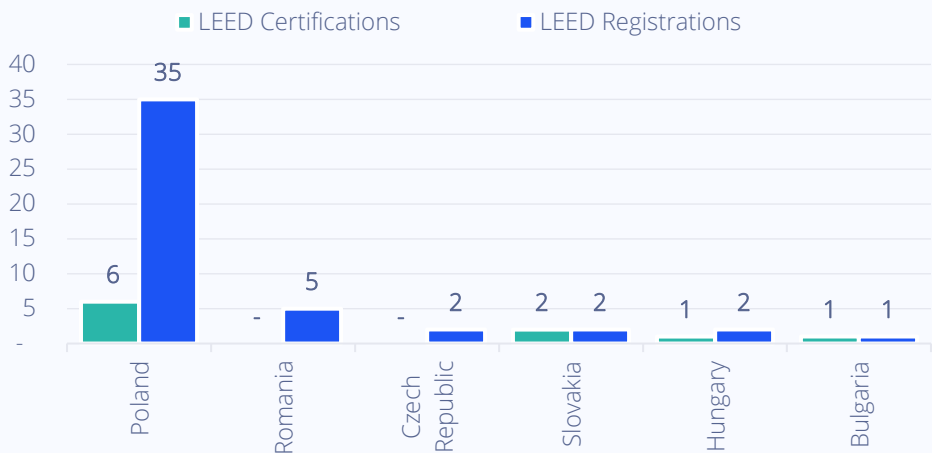
Several CEE countries have also introduced local Green Building Standards certification tailored to the residential sector. These local certifications tend to be more cost-effective and adapted to local conditions but are less internationally recognised. Like BREEAM and LEED, banks may acknowledge these certifications, giving buyers more favourable loans and reduced interest rates. Such initiatives further build sustainable building momentum. Also, other ESG-related aspects started to be acknowledged in the residential sector: social value, accessibility, and comfort; such qualities become more important for end users, initiating the development of new certifications to cover such aspects (planned WELL for Residential well-being and comfort in the housing sector).

Increasing interest from buyers and sellers in ESG

ESG is driving a new wave of green building practices, influenced by evolving regulations, increasing demand for operational efficiency, and changes in energy infrastructures. Moreover, climate risks, such as heat waves, flooding, and rainwater retention, pose real threats to residential buildings. This trend, combined with the Green Claims Directive that prohibits vague and unverified marketing claims regarding sustainability, promotes independent environmental validation of buildings. Buyers—both individual and corporate—and stakeholders are increasingly scrutinizing environmental risks and associated potential costs related to energy, water, and waste management, as well as considerations of accessibility, comfort, and safety. Because of those factors, green, passive and resilient residential buildings are expected to gain momentum as they reduce risks for developers and are more attractive to final users.

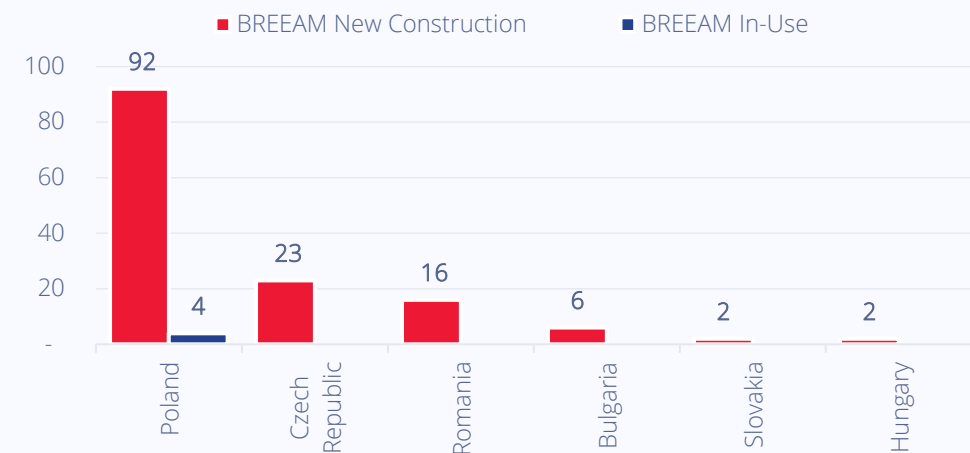
LEED Certificates in CEE

(number per country)



BREEAM Certifications in CEE

(number per country)



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