



Property Lending Barometer

2025

16th edition of survey on banks' outlook
for real estate lending across CEE



16 Years of Insights: Property Lending Barometer



Analyzing real estate financing since 2010



Introduction

This year has been marked by the slow but visible recovery of the real estate financing environment in the Central and Eastern Europe (CEE). Transaction volumes remain below long-term averages, yet we are observing increased activity in selected segments, driven by more realistic pricing, stabilising inflation and signs of interest rate cuts. Banks are generally open for business, but their appetite is clearly focused on strong business, resilient cash flows and assets that meet current ESG and technical standards. However, CEE region continues to offer attractive relative value, especially compared with some more mature Western European markets.

At the same time, it would be a mistake to underestimate the challenges. The operating environment is still shaped by risk management rather than risk-taking. Refinancing continues to matter, lender attention remains firmly on cash-flow structure in time. Geopolitical risks, including the ongoing war in Ukraine, tensions in the Middle East and new US-tariffs on EU-export, remain important consideration factors, and political uncertainty in several major economies can influence investor sentiments. As we move through this phase of the cycle, the key theme for both lenders and investors is discipline - disciplined leverage and disciplined assumptions about future income.

The objective of this report is to assess the prospects and sentiment for bank financing in the real estate sector, drawing on insights from bank representatives active across the CEE region. The 2025 Property Lending Barometer builds on responses from leading financial institutions gathered through online questionnaires and in-depth interviews. Their views provide a unique perspective on the critical issues shaping property lending in CEE today. This year, we also surveyed bank representatives active in Austria, providing an additional benchmark and an interesting point of comparison with the CEE market. In total, the survey captured input from 47 banks across CEE and Austria.

The report focuses on the strategic importance of real estate lending for banks. It examines key metrics such as typical loan terms, pricing parameters and how lending criteria have evolved, while presenting the banks' views on new financing opportunities and preferred asset classes.

As in previous editions, we dedicate a section of the report to ESG considerations and their impact on real estate financing. We also continue in the monitoring of the role of technology and artificial intelligence in risk assessment, oversight and decision-making, as these tools increasingly found their way into credit processes in both the financial and real estate industries.

This year, we invited KPMG real estate experts from countries outside the CEE region to share their insights, perspectives, and expectations regarding the future development of their respective real estate markets and financing conditions. We believe that these views will not only broaden and enrich the international perspective of our report, but also provide valuable context for comparing trends in real estate market developments and financing across the CEE region and beyond.

We then distil our findings into the Property Lending Barometer, a sentiment indicator for property lending in the CEE region. This barometer provides a snapshot of prevailing market sentiment and allows us to benchmark this year's results against previous surveys.

Big thanks to all participants for contributing to this year's survey. Your time and insights are essential to the success of this publication. We trust the report will provide valuable perspectives and constitute a practical reference as the real estate finance landscape continues to evolve. Should you wish to discuss any of the findings in more detail, please do not hesitate to contact us.



Pavel Kliment

Partner, Chief Operating Officer
Head of Real Estate Practice in Czech Republic

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Methodology and sample profile



Our survey provides an analytical overview of the current approach of banks towards real estate financing in Central and Eastern Europe. The following countries are represented in the 2025 survey: Bulgaria, Croatia, Czechia, Hungary, Poland, Romania, Serbia, Slovakia, and Slovenia. In addition, Austria has been included as a reference market, even though it does not belong to the CEE region, to provide a relevant benchmark for regional comparison.

Survey data was primarily collected via online questionnaires and through in-depth interviews with bank representatives. Depending on the organisational structure of the survey participants, we interviewed the heads of real estate, project financing, or risk management departments. The selected banks represent the leading financial institutions operating in each individual country. In total, 47 banks took part in the survey, all of them active in the real estate market in Central and Eastern Europe and Austria over the last year. The results for Austria are not included in the data for the CEE region and are reported separately.

Data collection for this survey was conducted in October and November 2025. The survey also uses information obtained from public sources KPMG deems reliable. This information includes market reports and data published in 2024 and 2025 by Colliers, Cushman & Wakefield, Savills, CBRE, Eurostat, the Economist Intelligence Unit, the European Central Bank, the European Commission, the central banks of individual countries, Roland Berger, the statistical offices of individual countries and the Vienna Institute for International Economic Studies.

The following limitations should be considered:

- When the answers to specific questions were not sufficient to provide reliable information on a specific country, we either indicate this in the text or have omitted this country from that part of the analysis.
- Survey findings may be considered indicative but not representative.
- Just like in the previous years, our assessment of the residential sector does not include residential projects with construction costs under 10 million euros.

GEOGRAPHIC ABBREVIATIONS:

AUT – Austria

BUL – Bulgaria;

CRO – Croatia;

CZE – Czechia;

HUN – Hungary;

POL – Poland;

ROM – Romania;

SLO – Slovenia;

SRB – Serbia;

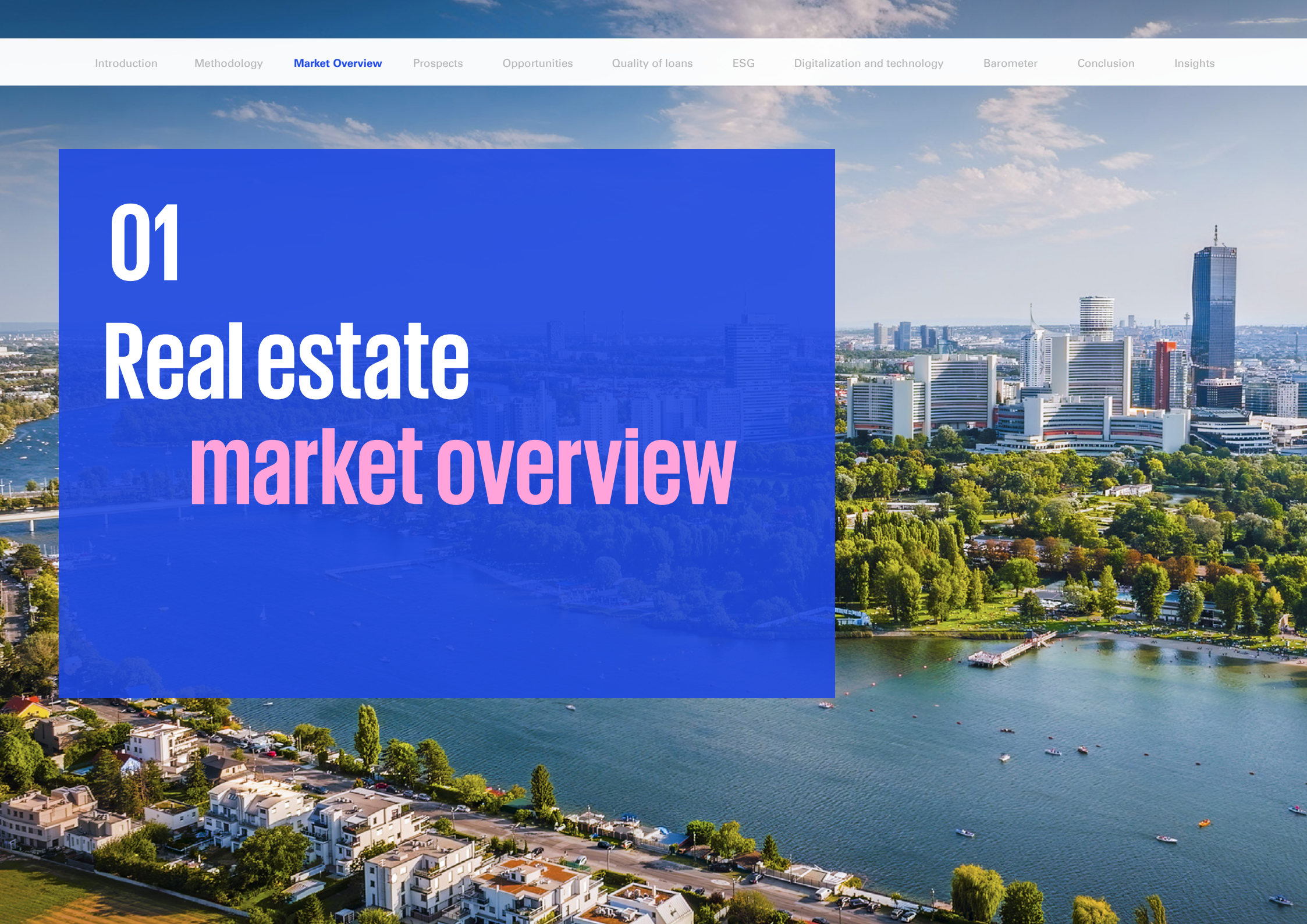
SVK – Slovakia

CEE – Central and Eastern Europe;

01

Real estate

market overview



Economic Outlook of CEE countries and Austria

The European economic landscape faces persistent headwinds from trade tensions and geopolitical uncertainty. The regional story divides sharply: Central and Eastern European (CEE) countries are demonstrating resilience, significantly outperforming the euro area.

CONTINUED GROWTH DESPITE CHALLENGING ENVIRONMENT

The European Commission's autumn forecast projects **real GDP to grow by 1.4% in the EU** in 2025 and 2026, edging up to **1.5% in 2027**.¹ The euro area is expected to mirror this trend, with real GDP projected to grow by 1.3% in 2025, 1.2% in 2026, and 1.4% in 2027. Key conditions for an expansion in economic activity remain in place, despite a challenging external environment and persistent uncertainty. Growth is supported by a resilient labour market, decreasing inflation and favourable financing conditions.

Persistently high trade policy **uncertainty continues** to burden economic activity, while the economic impact of the current tariffs and non-tariff restrictions and resulting supply chain disruptions might be greater than expected. These factors could be weighing more heavily on EU exports and productive efficiency. Meanwhile, geopolitical tensions remain high. Continuous shifts in trade policy could increase volatility in global financial markets. Globally, the **US tariffs are at their highest levels** in nearly a century.

Inflation in the euro area is forecast to continue **its decline, falling to 2.1%** in 2025, and to hover around 2% over the forecast horizon. In the EU, inflation is set to remain marginally higher, falling to 2.2% in 2027.

The **unemployment rate** is anticipated to **edge down** further from 5.9% in 2025 and 2026 to 5.8% in 2027. **Real wages have largely recovered** from the 2022 inflation shock, now above pre-pandemic levels at the EU aggregate level.

The EU general **government deficit is projected to increase** from 3.1% of GDP in 2024 to 3.3% in 2025 and 2026 and 3.4% in 2027. This increase is driven by rising defence spending in the EU (from 1.5% of GDP in 2024 to 2% in 2025) along with continued growth in interest expenditure and some revenue shortfalls.

GERMAN STAGNATION EXTENDS CEE EXPORT AND INVESTMENT SLOWDOWN

German industrial weakness continues to weigh heavily on the region. Europe's industrial engine has stalled, especially in energy-intensive sectors. German industrial production declined by about 4% year-on-year in mid-2025 and the government expects near-zero growth for the year, marking a third consecutive period of stagnation.²

This sluggish performance is reverberating across Central and Eastern Europe, where many economies remain closely tied to German supply chains and export markets. For **Czechia** and **Slovakia** in particular, Germany's industrial malaise has become a **structural drag**, as weaker German demand dampens regional trade momentum and investment confidence.

CEE STRENGTHENS ITS GROWTH AS EURO AREA RECOVERY REMAINS MUTED

Despite the German slowdown, CEE economies continue to outperform. The Vienna Institute for International Economic Studies (wiiw) forecasting average GDP expansion of 2.2% in 2025 and 2.6% in 2026 for EU member states in the region—more than double the euro area rate.³

The region's growth model is shifting. Private consumption, once the dominant driver, is giving way to investment-led growth, supported by strong EU fund absorption and rising defence spending, which alone is expected to add 0.2–0.3 percentage points to annual GDP.

¹ European Economic Forecast Autumn 2025; European Commission

² The German economy in 2025; Roland Berger

³ Autumn Forecast: Eastern Europe with robust, but slower growth; The Vienna Institute for International Economic Studies

POLICY, INFLATION AND TRADE DRIVE PERFORMANCE GAP

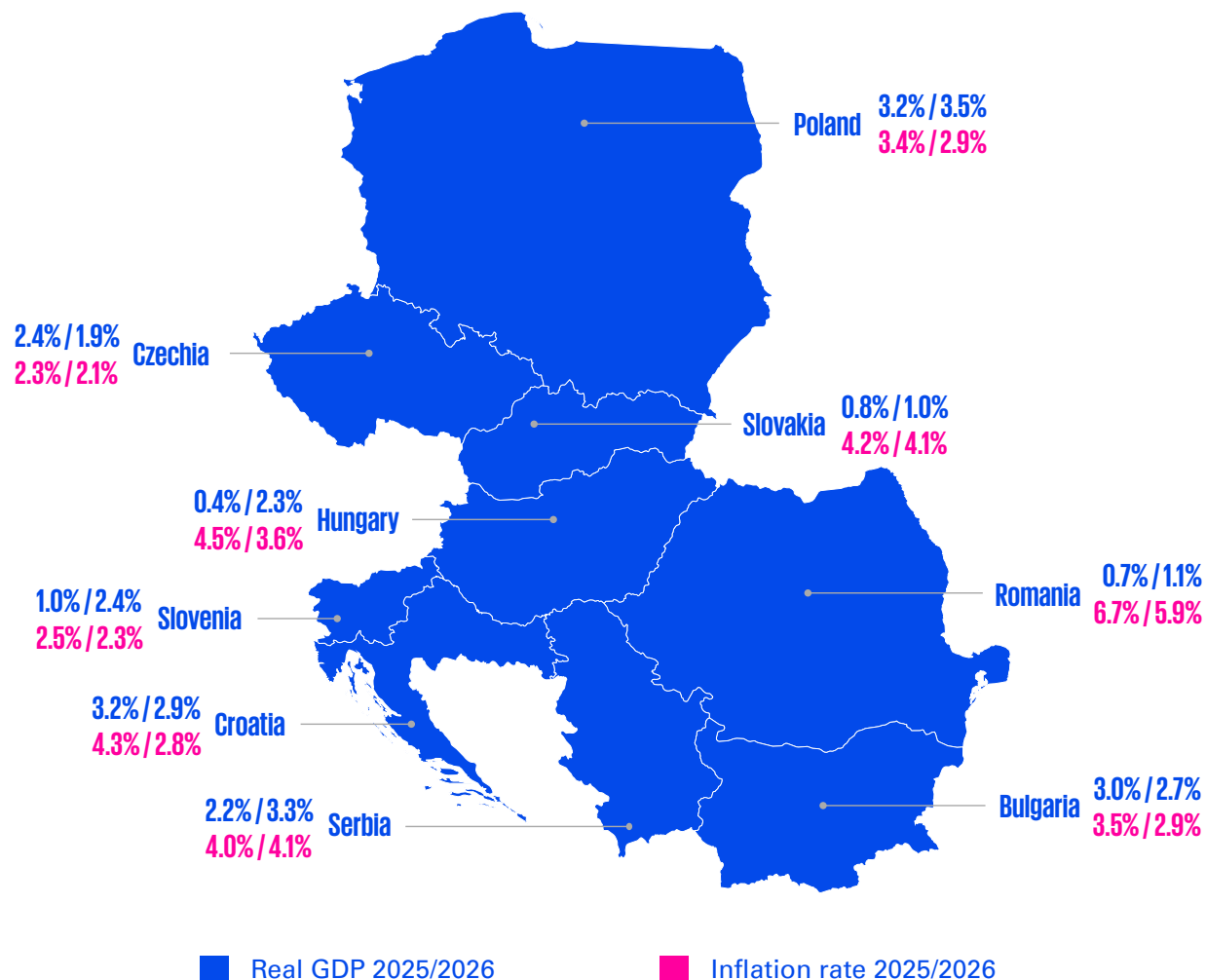
Poland remains the region’s growth leader, backed by strong labor markets and resilient consumption. **Czechia** benefits from stable domestic demand and improving confidence.⁴

In Southeastern Europe, **Bulgaria** and **Croatia** show comparative stability. Bulgaria benefits from improving investor sentiment and preparations toward euro adoption in 2026, while Croatia’s diversified economy and resilient tourism sector continue to deliver a strong growth profile.

Elsewhere, the picture darkens. **Hungary** faces persistent inflation and policy uncertainty ahead of the 2026 elections. **Slovakia’s** struggles with low private investment and dependence on German industry. **Slovenia** has seen its forecasts revised down due to export stagnation, while **Romania** faces mounting fiscal challenges, with its deficit—the highest in the Union—remaining a key vulnerability for investors and lenders alike.

Austria stands apart facing structural stagnation with minimal recovery expected through 2027 (1.2% in 2027). The Oesterreichische Nationalbank (OeNB) expects the GDP to remain close to zero in 2025 (0.3%). Industrial output and competitiveness continue to lag behind regional peers, weighed down by high costs and muted export demand. After a surge to 3.5% in 2025, inflation is projected to decline over the coming years.

SHIFTING GROWTH AND INFLATION PATTERNS ARE CREATING A NEW MAP OF WINNERS, LAGGARDS, AND EMERGING RISKS FOR LENDERS ACROSS THE REGION



⁴ Autumn Forecast: Eastern Europe with robust, but slower growth; The Vienna Institute for International Economic Studies

Economic sentiment tentative improvement

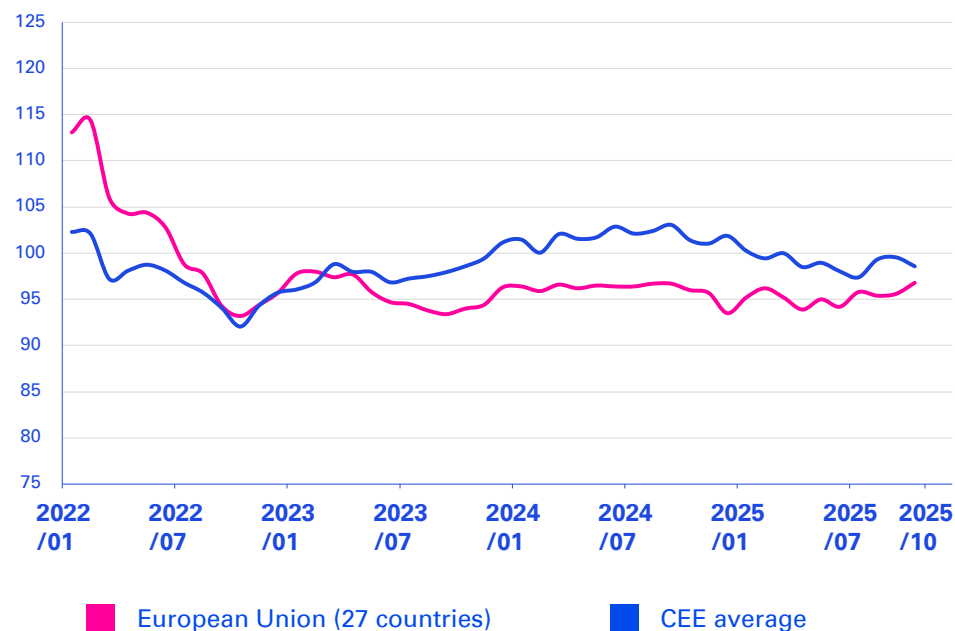
We have also focused on the Economic Sentiment Indicator (ESI) published by Eurostat, to provide additional insights into the broader economic sentiment within the European Union. ESI is a composite index that measures the overall economic confidence or sentiment in a particular region or country. It is derived from a variety of surveys that gather opinions and expectations from businesses and consumers about the state of the economy. The ESI combines indicators from different sectors, such as industry, services, retail trade, and consumer confidence, to provide a broader picture of the economic outlook.

The Economic Sentiment indicator for EU remains fragile in 2025 but is showing **tentative improvement**. This small uptick points to gradual recovery in confidence after months of stagnation, even though sentiment levels remain below the long-term average of 100.

In 2025, the **Economic Sentiment Indicator** for most of **CEE countries remained above the EU-wide average**, reflecting a more positive economic outlook for the region. Bulgaria and Croatia show the most positive sentiment in region, and Romania stands on the opposite side. The average ESI for CEE countries surpassed the neutral 100 threshold.

Despite a slight improvement in recent months, Austria is among the countries with the least positive sentiment in the EU.

ECONOMIC SENTIMENT INDICATOR



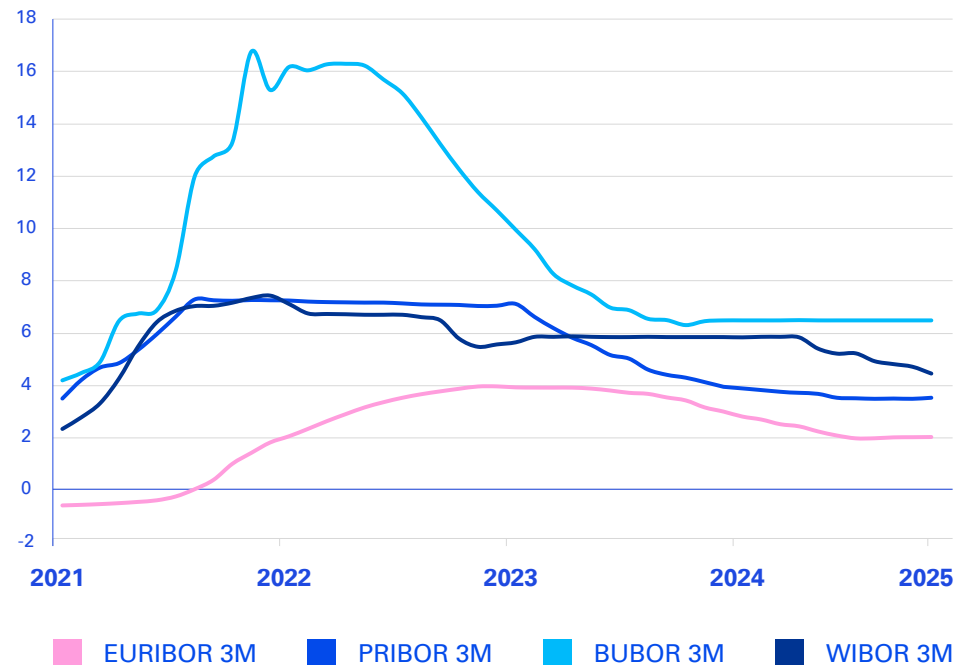
Source: Eurostat

BANK LENDING: STABILIZATION OF INTEREST RATES BY CENTRAL BANKS

In the first half of 2025, the ECB continued to **cut interest rates**, which it had started in the second half of 2024. The last reduction took place in June 2025, bringing the total rate cut since the beginning of the year to 200 basis points. The ECB subsequently left rates unchanged for the rest of the year, taking into account the current inflation trend, which remains close to the medium-term target of 2%.

We can see a similar trend in 2025 in other central banks (e.g., in Czechia) in CEE, where after a period of interest rate cuts, interest rates were subsequently stabilized. Elsewhere, such as in Poland, the rate cut trend continues in the second half of 2025. The exception is Hungary, where it has not changed its interest rates since the middle of last year, which are among the highest in the EU.

KEY INTEREST RATES



Source: Central banks, European Investment Bank

Real estate market overview

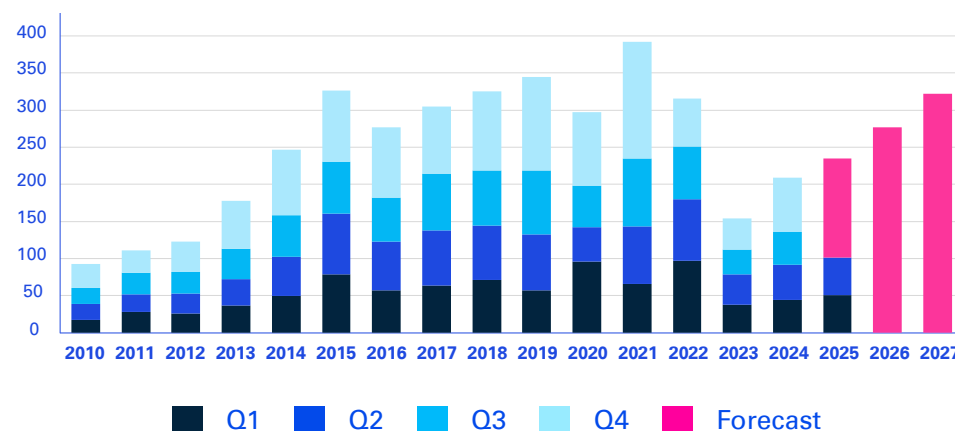
From a broader European perspective, 2025 points to a modest recovery. Inflation has eased, interest rates are steadier, and clearer pricing supports valuations. Confidence has improved, although geopolitical risks still weigh on sentiment. Financing conditions remain a key challenge. Debt is available but selective. Yet more large single assets and portfolios are coming to market and attracting interest. Activity is led by prime, energy-efficient assets in core locations, while secondary stock relies on credible business plans and targeted capex.

European real estate investment volumes in 2025 are projected to surpass those of 2024, approaching EUR 220 billion. Preliminary analyses by Savills indicate this trajectory and, in its European Investment report, the analysis further forecasts continued growth in the coming years, led mainly by the Czechia, Finland, Denmark, the Netherlands, and Belgium, while several traditional core markets set to grow at a slower pace.

REAL ESTATE MARKET IN CEE

In the CEE region the pattern is similar but more selective. Liquidity is returning gradually, and domestic capital anchors activity, while international buyers are re-entering where income is secure and capex is clearly planned. Banks are present and disciplined, with a preference for high-quality assets.

EUROPEAN INVESTMENT VOLUMES (IN BILLION. EUR)



Sources: Savills

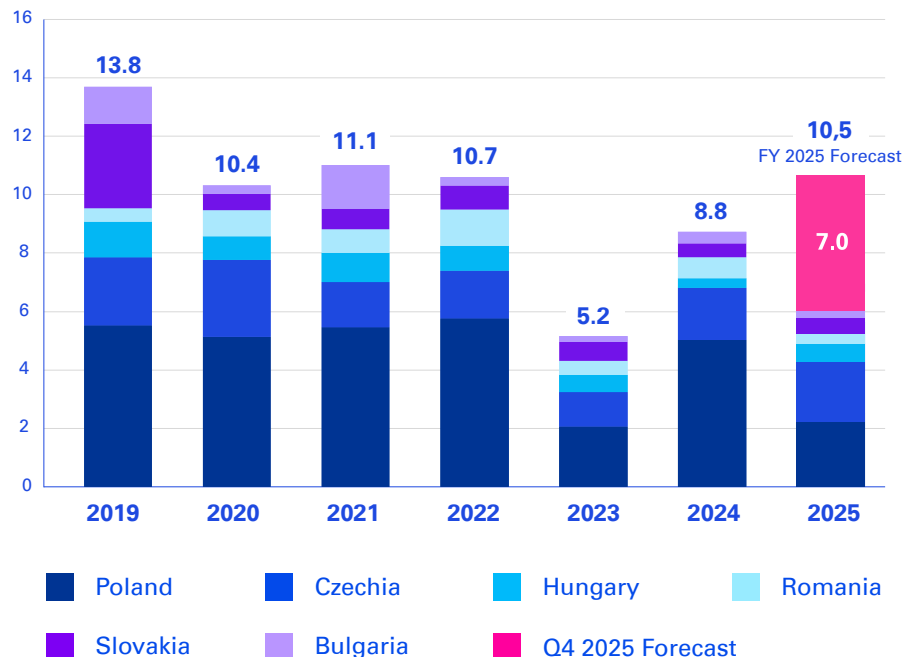
CEE INVESTMENT VOLUMES

According to reports from Colliers, CBRE, and Knight Frank, EUR 5.3 billion was invested in CEE commercial real estate in the first half of 2025, a 52% year-on-year increase. The rise reflects a gradual return of liquidity, firmer price discovery and a larger share of mid-sized deals, with investors prioritising income resilience and asset quality. By the end of Q3 2025, regional investment volumes reached about EUR 7.0 billion. This is somewhat below earlier expectations, yet full-year volumes are still projected to finish around **10% above 2024**. Year-to-date activity remains concentrated in **Czechia and Poland**, which together account for roughly two thirds of the regional total.

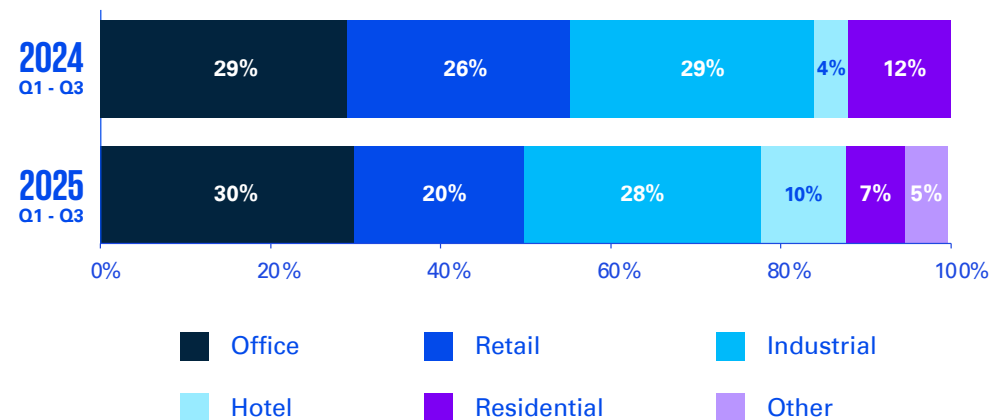
CEE INVESTMENT BY SECTOR

According to data from Colliers and Cushman&Wakefield, investment activity across all asset classes in 2025 showed a **continuing shift in investor interest**. Office properties maintained their leading position, accounting for approximately 30% of total investment volume, reflecting renewed confidence in this segment after several subdued years. Industrial and logistics properties followed with a 28% share, confirming their status as one of the most resilient and attractive sectors in the region. Retail assets accounted for approximately 20% of the total volume, while the hotel sector gained momentum and increased its share to 10% thanks to a revival in demand in the tourism and hospitality sector. Investments in residential real estate accounted for 7% and investments in mixed-use projects accounted for 5%, reflecting investors’ selective interest in diversified or specialized opportunities.

CEE INVESTMENT VOLUMES BY COUNTRY
(2019 – 2025 – IN BILLION. EUR)



CEE FLOWS BY SECTOR (%)

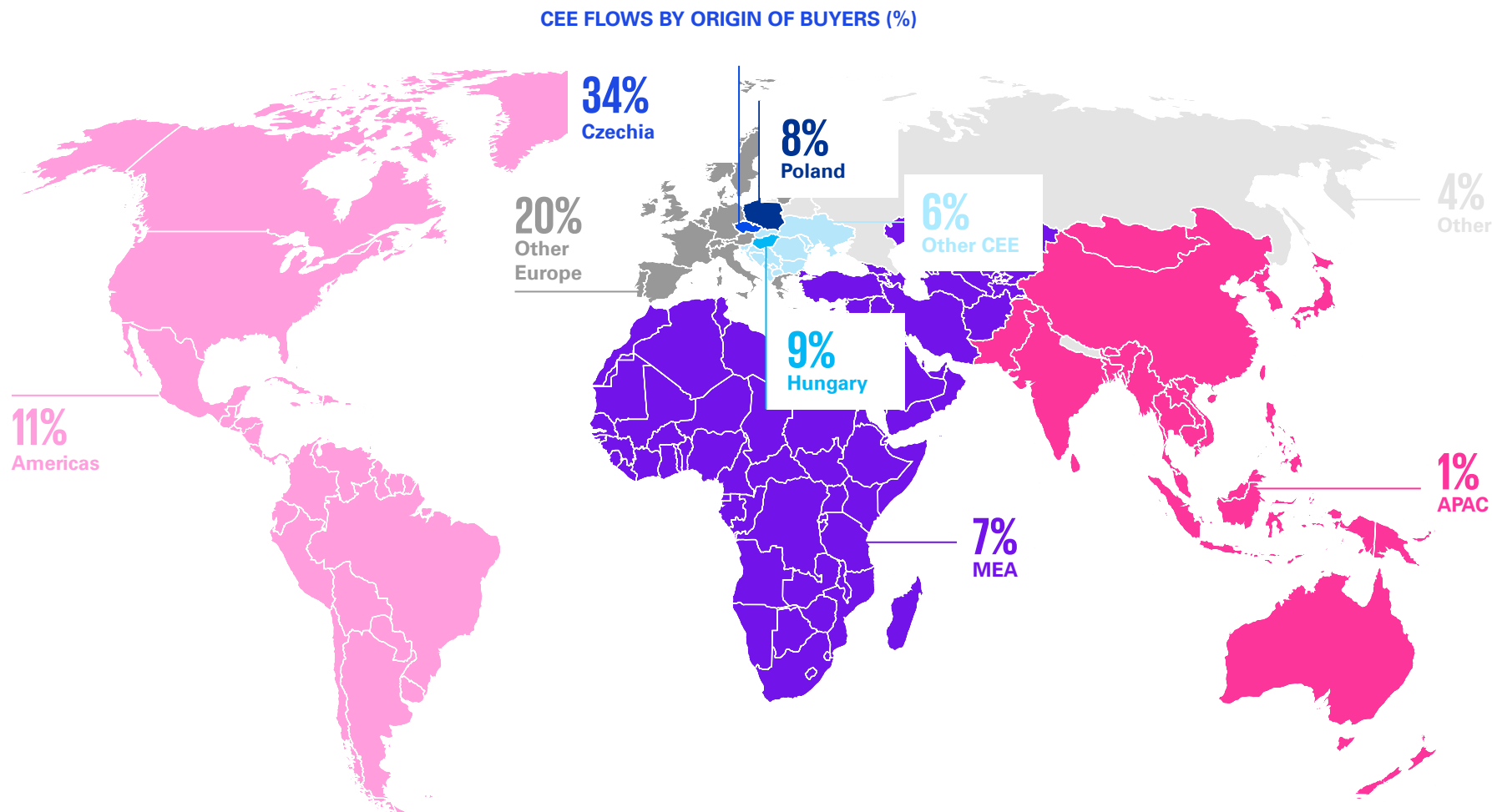


Sources: Colliers

CEE INVESTOR STRUCTURE IN Q1–Q3 2025

According to Colliers, in Q1–Q3 2025, EUR7 billion was invested in commercial real estate in Central and Eastern Europe, representing a 38% increase over the same period last year. **Czech investors claimed the largest portion**, accounting

for 34% of the overall share (in Q1-Q3 2024 – 30%). European investors followed closely behind, with significant contributions from Hungary and Poland, accounting for 9% and 8% of total regional investments, respectively.



YIELD TRENDS

In 2025, real estate markets across Central and Eastern Europe were stabilising after the previous expansion cycle of yields. **Prime yields remained stable** across the main sectors, suggesting that investors and lenders had adapted to the higher interest rate environment, and that market equilibrium had been reached. Current yield levels already reflect expectations of gradual monetary policy

easing. Moderate compression may occur in segments with strong fundamentals, particularly in the Czech office market, where limited prime supply and sustained investor demand persist. Overall, 2025 was characterised by yield stability, growing investor confidence and renewed capital inflows.

COUNTRY /REGION	OFFICE YIELD 3Q/2025	YEAR ON YEAR CHANGE (BP)	INDUSTRIAL YIELDS 3Q/2025	YEAR ON YEAR CHANGE (BP)	HIGH STREET RETAIL YIELDS 3Q/2025	YEAR ON YEAR /CHANGE (BP)
Czechia	5.00%	-75	5.00%	-15	4.25%	-25
Poland	5.75%	0	6.40%	-10	6.55%	0
Slovakia	6.25%	0	6.00%	-25	5.50%	0
Hungary	6.25%	-25	6.75%	-25	6.75%	-25
Romania	7.25%	0	7.50%	0	7.00%	-25
Bulgaria	7.25%	-50	7.25%	-25	5.25%	0
CEE	6.10%	-20	6.33%	-15	6.01%	-15
Europe Overall	5.39%	-10	5.23%	-8	4.78%	-10
Germany	4.84%	-2	4.50%	0	4.39%	0
UK	6.31%	-10	5.34%	9	4.83%	-25

Sources: Cushman&Wakefield – DNA of Real Estate Q3 2025

02

Prospects for real estate loan portfolios



FOCUS ON REAL ESTATE FINANCING

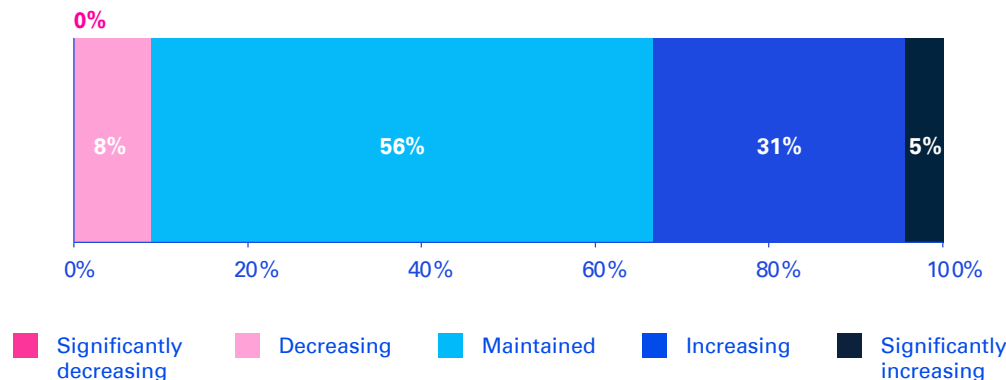
In 2025, survey data indicate a modest but discernible increase in the focus on real estate financing among major banks in CEE region. 36% of respondents report an increased focus on this sector, compared to 25% in 2024. The proportion of banks maintaining an unchanged approach remains broadly at stable 56%, while only 8% indicate a reduced focus on real estate loans.

Country-level differences in strategic importance real estate financing have narrowed over the past year. In most countries, banks now regard real estate financing as a strategic business sector. (On a scale from 1 to 5, where 5 means an extremely strategically important sector, all participating countries are in the range of 3.75 to 4.25).

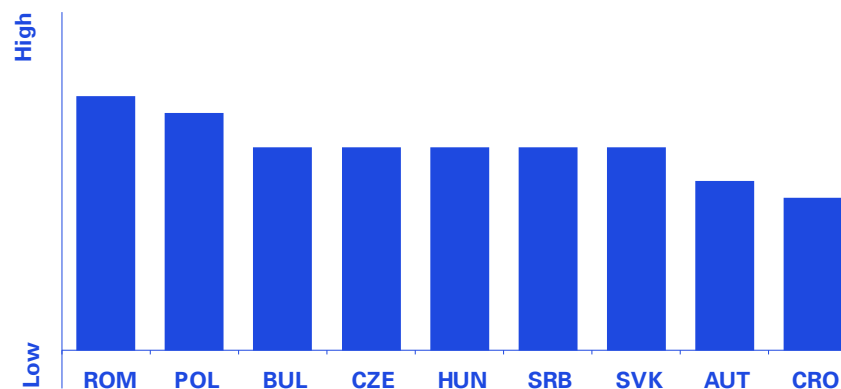
Poland maintains a high strategic rating for the sector, now holding the second position, while Romania has taken the lead. Across other countries in the region, the perceived strategic importance of real estate financing remains stable or has increased slightly year-on-year.

A similar trend as in CEE can be observed among respondents in Austria, where 65% confirmed that their focus on real estate financing has remained unchanged compared to last year, and this sector remains very strategic for them.

FOCUS ON REAL ESTATE FINANCING WITH THE BANK'S LENDING ACTIVITY COMPARED TO ONE YEAR AGO



STRATEGIC IMPORTANCE OF REAL ESTATE FINANCING FOR BANKS IN 2025



KEY FACTORS

Bank representatives in our survey identified the key drivers affecting their real estate portfolios. At present, well as in the past, macroeconomic conditions in local markets have had the most significant impact on banks and their approach to financing commercial real estate, following by broader European macroeconomic conditions.

With inflation lower and policy rates more stable than a year ago, the financing cost and central bank activities are cited less frequently as key constraints. Rising property values are also mentioned less often than in 2024.

Instead, attention has shifted toward the depth of the investable market and the availability of capital. Respondents highlight a lack of prime properties, a lack of active investors in certain segments, and a lack of equity on the developer and investor side as prevailing challenges. Several banks also note that exposure limits are being reached more frequently, restricting further exposure to individual investors, developers, or the real estate sector overall.

While construction costs remain elevated, they are generally considered stable rather than rising. ESG requirements are now described as a standardised component of lending processes, serving as a routine threshold rather than a distinct driver of lending appetite.

Geopolitical risk and situation, including the war in Ukraine or newly imposed US tariffs on EU export, are monitored but are typically reported as having limited direct influence on their banks' real estate portfolio.

Compared to other countries, bankers in Austria place much greater emphasis on the lack of equity as one of the key drivers affecting their real estate portfolios.

KEY FACTORS AFFECTING REAL ESTATE LOAN PORTFOLIOS

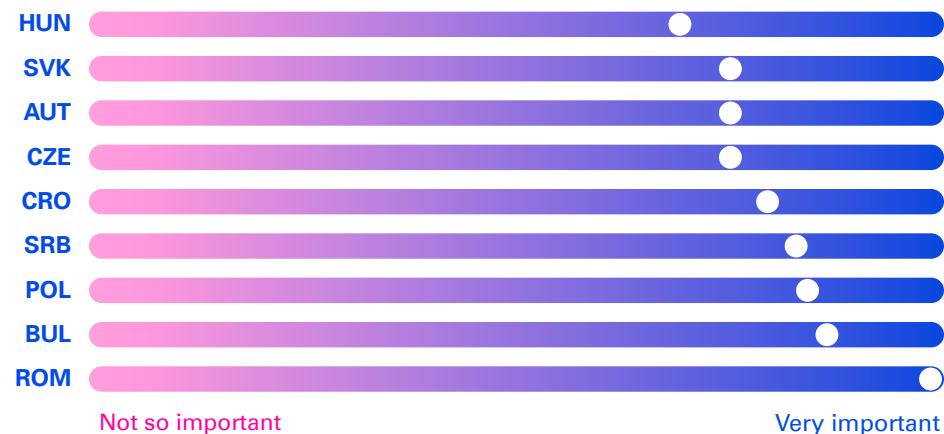


Source: KPMG Property Lending Barometer 2025

IMPORTANCE OF TECHNICAL DUE DILIGENCE

Majority respondents (83%) across CEE describe technical due diligence in their evaluation process for financing as “highly important” or as “very important”. They speak mainly about own verification of asset condition, performance, and ESG/operational/other data beyond external certificates and client reports. For borrowers, this means preparing well-structured data, providing transparent methodologies behind metrics, and setting out clear improvement plans with measurable milestones (if relevant).

IMPORTANCE OF IN-HOUSE TECHNICAL DUE DILIGENCE (Beyond external certificates & client reports)



Source: KPMG Property Lending Barometer 2025

ALTERNATIVE FINANCING

Banks still prefer senior loans. This year, 85% of respondents say they are not willing to provide non-senior debt such as junior or mezzanine. That is a small improvement from about 93% last year, but the tilt toward traditional senior lending remains clear. The lowest willingness to use junior or mezzanine debt is reported by banks from Czechia, Romania, Croatia, and Bulgaria. In Hungary, views were strongly negative last year; in 2025 they are less strict, though the overall stance is still mostly negative. Where banks would consider alternative debt, they emphasize the need for sound structuring, strong covenants, and a careful overall setup.

Interest in syndicated lending has moved the other way. About 77% of respondents are ready to join a syndicate, up from 69% in 2024. The weakest appetite for syndications is reported in Bulgaria, while most other markets show a steady increase in participation.

Compared to other countries, the Austrian bankers are more willing to participate in club financing (over 80%) and to provide non-senior financing (over 30%).

03

Opportunities for financing new real estate projects



FINANCING OF NEW DEVELOPMENT

On average in CEE region, the **proportion of financing new development and income generating project remain broadly balanced and stable compared to the previous year**. The majority of respondents expressed stable views regarding the financing of new developments, indicating that most banks maintain a positive stance on this issue. The size and maturity of the real estate market in each country play an important role.

An increase in portion of new development can be observed in countries such as Bulgaria and Slovakia, which continues this trend from last year. On the other hand, there are Polish and Hungarian banks, where the share of these loans in the total portfolio continues to decline. **Czechia remains a country in CEE region with the lowest volume of new development financing** even though a slight increase (+4%).

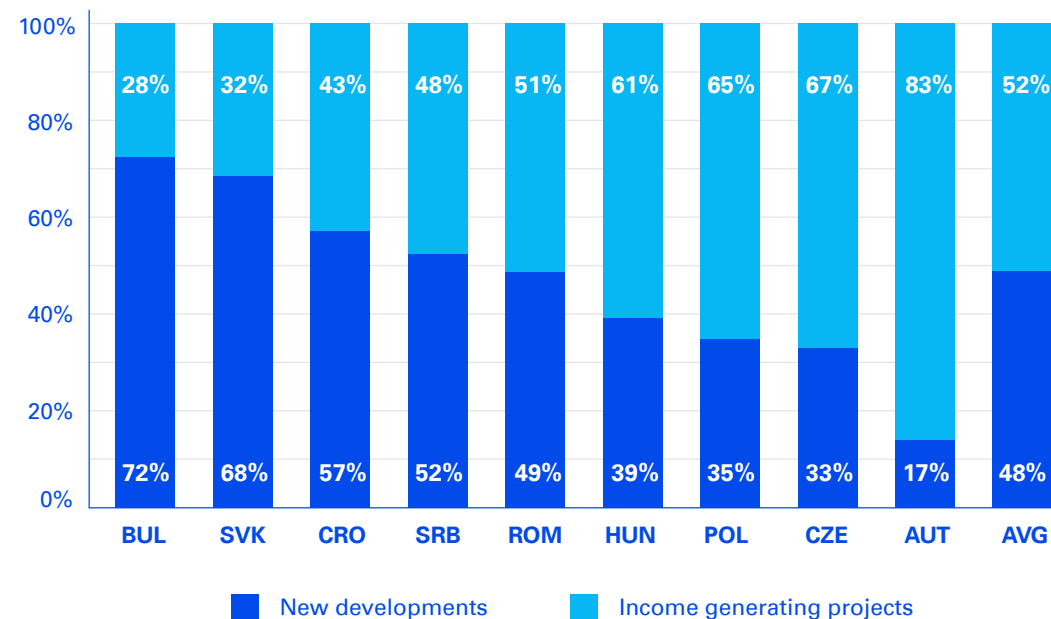
The share of loans for new development is lower in Austria than in the Czechia, where, according to the bankers surveyed, only every fifth loan is for this purpose.

AVERAGE LOAN SIZE

Across the region, 59% of banks report that their **average loan size is higher** than last year, 32% indicate that it has remained approximately the same, and 10% report a lower average size. Notably, no respondents cited extreme increases or decreases, suggesting a steady adjustment rather than pronounced fluctuations. Compared to the previous year, there is evidence of a natural, incremental rise in loan volumes throughout the CEE region.

Compared to the CEE average, only 30% of respondents from Austria confirmed an increase in the average loan size compared to last year, while the majority report that the average loan size has remained similar to that of the previous year.

TOTAL VOLUME OF REAL ESTATE BANK LOANS



Source: KPMG Property Lending Barometer 2025

PORTFOLIO SIZE FORECAST

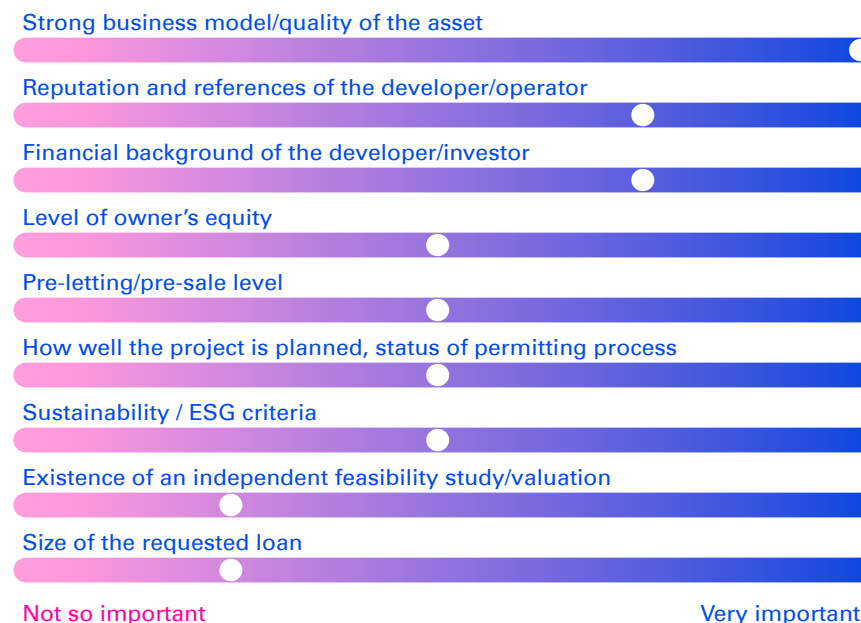
Over 66% of surveyed bankers are confident that their real estate portfolios will expand over the next 12 to 18 months. **This outlook is more optimistic** than last year, when 58% of surveyed bankers held this view. The most optimistic outlook comes from bankers in Czechia, Poland, Slovakia, where over 75% of surveyed bankers anticipate growth in their portfolio. In contrast, bankers in Romania and Serbia are more pragmatic, with some bankers expecting a slight decline in their portfolio.

Approximately half of surveyed bankers in Austria plan to grow next year, which is less than the average for the CEE region.

CRITERIA FOR FINANCING

Bank representatives participating in the survey outlined the most important criteria for selecting real estate projects for financing. **Consistent with previous years**, the findings confirm that in most countries, the two most critical factors for securing real estate financing are **a robust business model and the high quality of the underlying assets**. These criteria underscore banks' continued focus on mitigating risk and ensuring long-term project viability when evaluating financing opportunities. Compared to previous years, the significance of criteria pertaining to the status of the permitting process has increased markedly.

BANKS MOST IMPORTANT CRITERIA WHEN CONSIDERING REAL ESTATE FINANCING



Source: KPMG Property Lending Barometer 2025

BANKS LOANS IN OTHER THAN DOMESTIC CURRENCY

None of the surveyed banks operating with a domestic currency other than the Euro reported providing a higher volume of loans in their domestic currency compared to foreign currency. In a year-on-year comparison, 78% of respondents indicated **no change in the percentage of loans issued in domestic currency**.

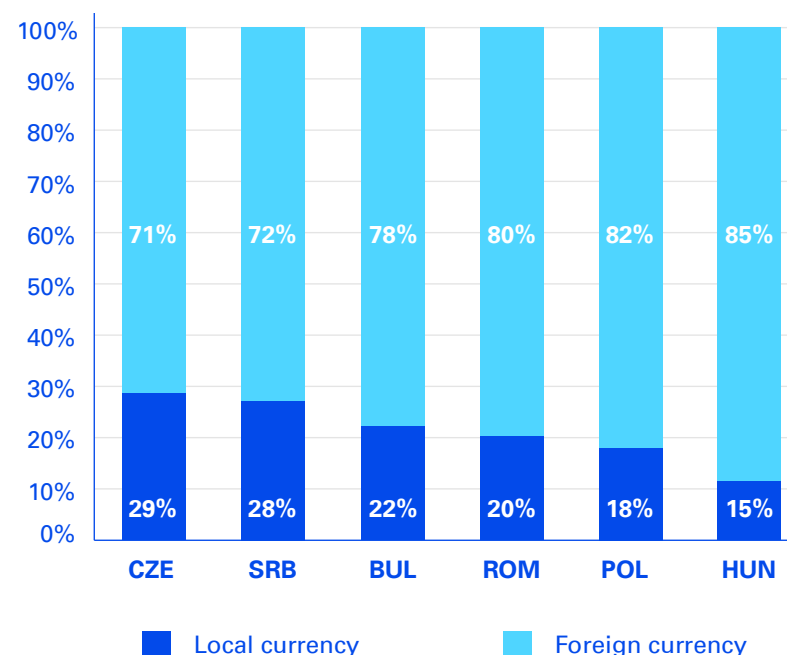
A significant increase in the share of loans in euros in Bulgaria has been influenced by the country’s entry into the Euro-zone. Despite the gradual reduction of benchmark interest rates in many countries, there remains a substantial difference between these rates and the EURIBOR, with countries, some such as Hungary, even seeing this gap widen year-on-year. The exception is the Czechia, where the share of loans in Czech koruna is also affected by the growth of loans for residential projects, which are denominated in the local currency. The relative stability of local currencies against the euro compared to the past also plays a role.

BENCHMARK INTEREST RATE

CURRENCY AREA	BENCHMARK RATE	DEC., 2024	VARIANCE TO EURIBOR	OCT., 2025	VARIANCE TO EURIBOR 2
Eurozone	3M EURIBOR	2.82%		2.03%	
Czechia	3M PRIBOR	4.98%	2.16%	3.53%	1.50%
Romania	3M ROBOR	5.92%	3.10%	6.05%	4.02%
Poland	3M WIBOR	5.84%	3.02%	4.46%	2.43%
Hungary	3M BUBOR	6.50%	3.68%	6.50%	4.47%
Serbia	3M BELIBOR	4.70%	1.88%	4.68%	2.65%

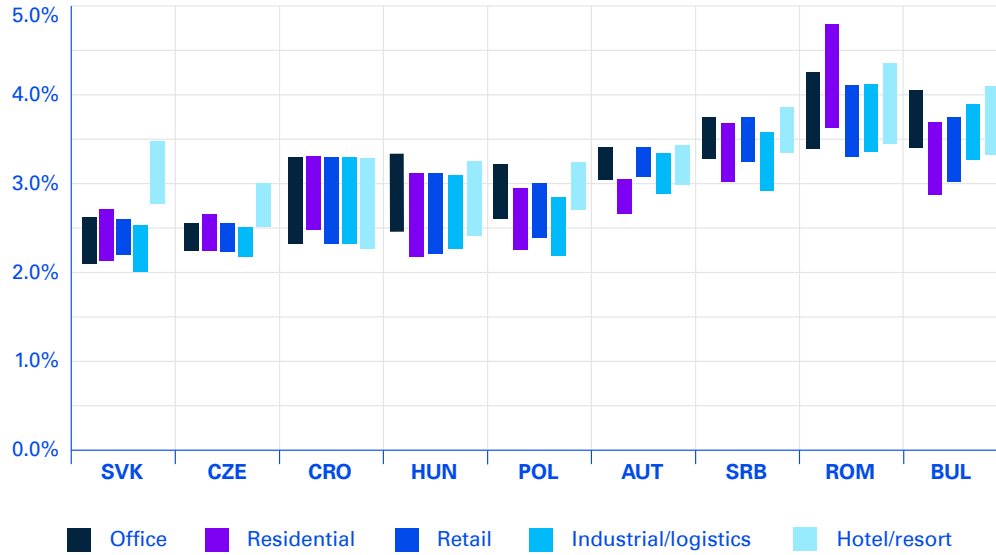
Source: ECB, central banks

PROPORTION OF FOREIGN AND LOCAL CURRENCY REAL ESTATE LOANS PROVIDED DURING THE LAST 12–18 MONTHS



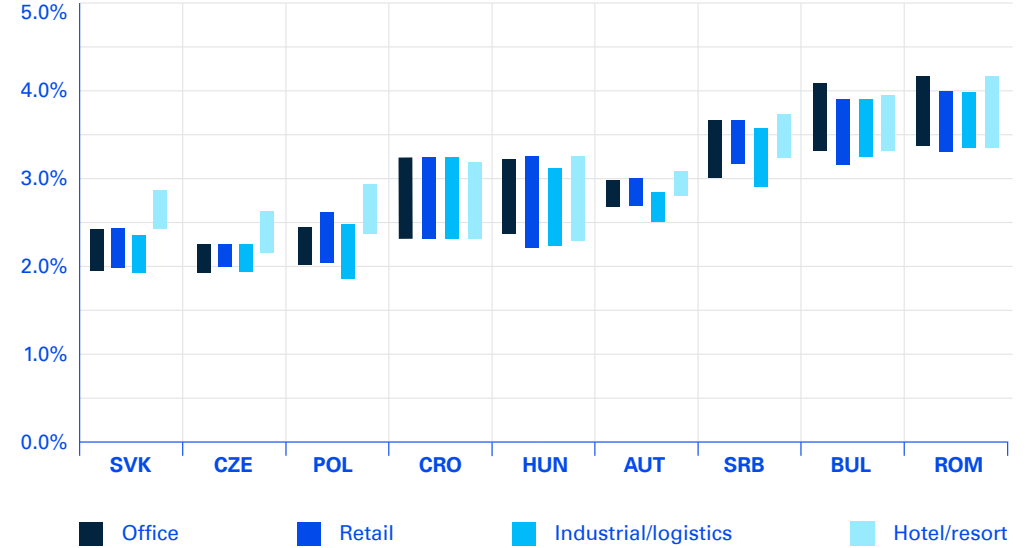
Source: KPMG Property Lending Barometer 2025

LOAN INTEREST PREMIUMS APPLIED BY BANKS FOR HIGHLY RATED REAL ESTATE DEVELOPMENT PROJECTS



Source: KPMG Property Lending Barometer 2025

LOAN INTEREST PREMIUM APPLIED BY BANKS FOR HIGHLY RATED INCOME GENERATING PROJECT



Source: KPMG Property Lending Barometer 2025

INTEREST PREMIUMS (MARGINS)

Banks were asked to indicate the range of interest premiums they would apply over a 3-month EURIBOR if approached by a developer or investor with an exceptional reputation and a strong business plan. The responses revealed notable regional differences. Czech and Slovak banks, similar to the previous year, reported applying the lowest interest premiums, reflecting a more favourable lending environment in these economies. In contrast, the highest premiums were observed in Serbia and Romania.

When comparing responses year-on-year, above 50% of banks stated that their interest premiums remained unchanged and above 40% of respondents reported a slight decrease (compression) in premiums.

Consistent with last year's findings, most banks require higher interest premiums for development projects compared to projects generating stable income streams.

A notable trend this year has been the continued convergence of required interest premiums across different asset types. However, an exception to this trend is the hotel sector, where premiums remain distinctly higher, reflecting the sector's unique risks and challenges.

INTEREST RATE HEDGING

We conducted a survey among individual banks to assess their requirements for clients to hedge interest rate risks associated with variable interest rates. A substantial majority of banks mandate that the relevant derivative instruments – primarily interest rate swaps – cover more than 50% of the loan volume. This applies to approximately 79% of all respondents, a figure that is broadly consistent with last year's results. The proportion of respondents requiring coverage of more than 80% of the loan value stands at approximately 15% this year, indicating a slight increase compared to the previous year. Most banks now accept coverage within the range of 50–80%.

Bulgaria and Romania are notable for having the highest proportion of respondents indicating that no derivative coverage is required, with around half of banks reporting this stance. Nevertheless, many institutions in these countries still require at least partial hedging.

In contrast to the CEE region, all surveyed bankers in Austria require the use of derivatives for hedging interest rate risk. More than 50% of Austrian respondents require hedging for over 80% of the loan value, a practice that is also prevalent among Polish bankers. One contributing factor is the significantly longer average loan maturities in these markets compared to other countries in the region.

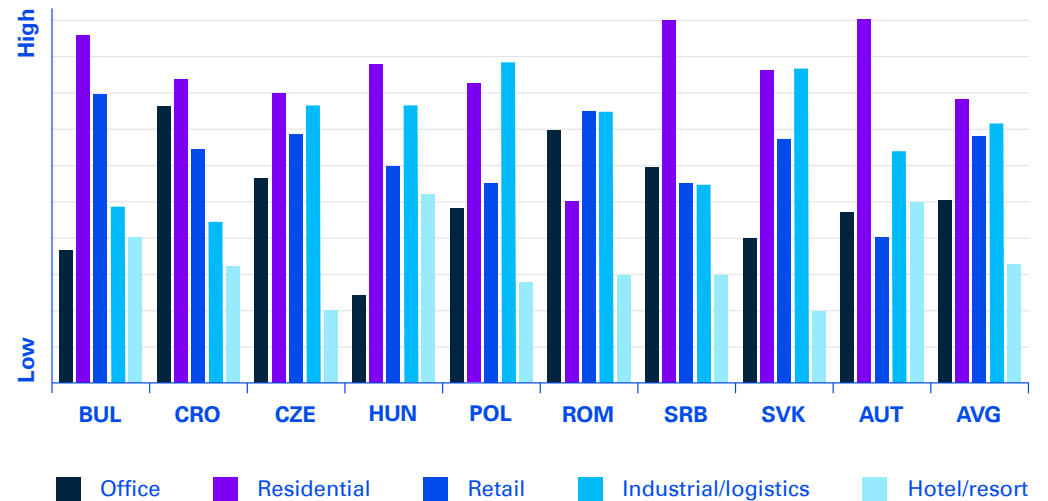
ASSET CLASS PREFERENCE

Banks were also asked about their preferred asset classes for development financing. The most preferred asset in CEE region is residential, reflecting ongoing demand in this sector. This can be considered a shift from last years, where industrial and logistics properties were the most preferred asset class for development financing. When financing the development of retail projects, banks typically demonstrate a preference for supporting the construction of retail parks over large shopping centres. Across the CEE region, hotels and resorts remain the least favoured category and there are many banks that would not finance the development of this type of asset.

Last year, surveyed banks emphasized their efforts to diversify portfolios by including a variety of asset classes (with the exception of hotels and resorts). This year, the responses indicate a continuation of that diversification strategy.

According to our survey, the preferences of Austrian bankers are similar to those in other countries, i.e. residential projects come first, followed by industrial and logistics projects.

BANKS SECTOR PREFERENCES IN PROVIDING DEVELOPMENT FINANCING BY ASSET CLASS



Source: KPMG Property Lending Barometer 2025

LOAN TO COST RATIO

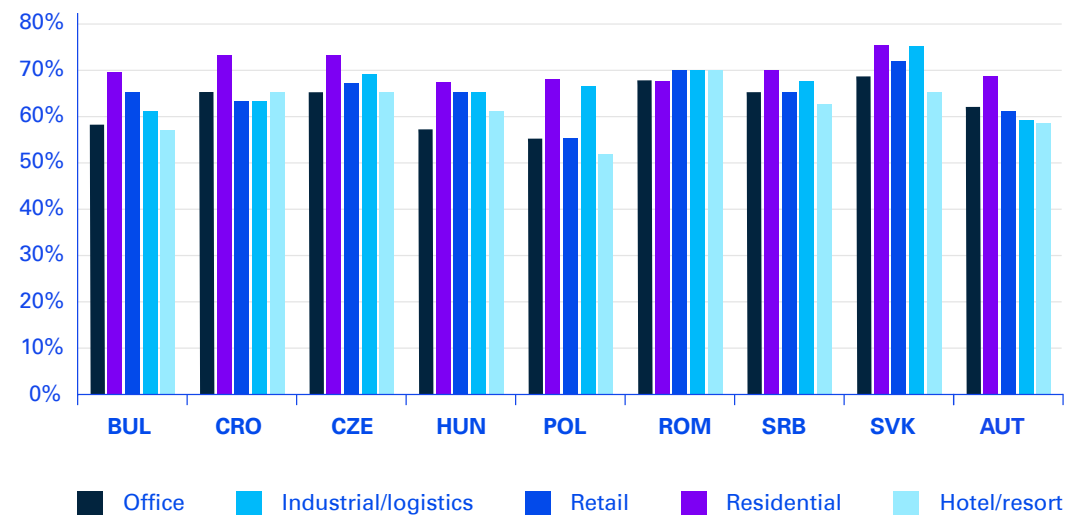
We asked bank representatives about their technical criteria for financing, focusing on loan-to-cost (LTC) ratios, which varied by country and asset type. Survey respondents in the CEE region provided LTC ratios for office, residential, retail, industrial/logistics, and hotel sectors ranging from 0.4 to 0.8, indicating capital structures where debt accounts for 40–80% and equity makes up 20–60%. **The average LTC across all sectors remained roughly the same as last year.** An exception can be observed in Czechia and Poland, where there is a modest relaxation of LTC ratio.

On average, the residential sector was found to have the highest LTC ratio at 0.68, suggesting a greater willingness to provide higher levels of debt financing for residential projects. In contrast, hotels and resorts typically require the highest equity contributions, reflecting a higher perceived risk associated with hotel developments.

The surveyed bankers in Austria generally have more stringent equity capital requirements for development projects compared to their counterparts in most other countries in the CEE region.

Based on our survey, we also observed that surveyed bankers also take into account the future value of the loan to value of the given development projects.

LOAN-TO-COST (LTC) RATIO EXPECTATION FOR FINANCING HIGHLY RATED REAL ESTATE DEVELOPMENT PROJECTS



Source: KPMG Property Lending Barometer 2025

LOAN TO VALUE RATIO

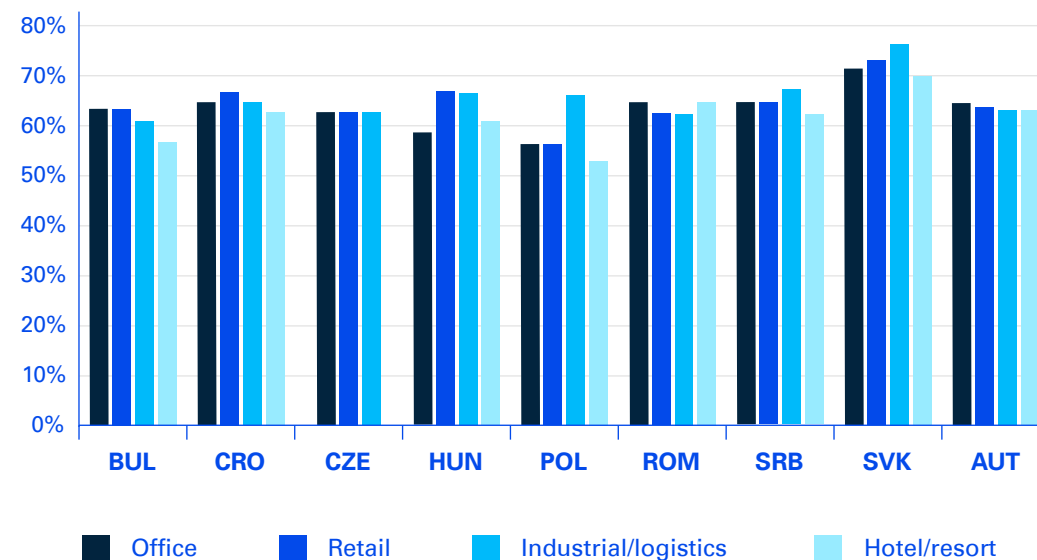
Across the CEE countries surveyed, loan-to-value (LTV) ratios for office, retail and industrial/logistics assets typically fall between roughly 0.53 and 0.77. This implies capital structures where debt finances about 53–77 % of the asset value and equity accounts for the remaining 23–47 %.

Consistent with the previous year, there was a continued trend towards aligning LTV ratios across individual asset classes, with the exception of hotels. The average LTV for residential, retail, and industrial and logistics properties across the region stood at 0.65, which is nearly identical to last year's survey results (0.62). Similar to the trend observed with the loan-to-cost (LTC) ratio, a modest relaxation of the loan-to-value (LTV) ratio can also be seen in Czechia and Poland.

On average, hotels and resorts require the highest equity ratios, with slight improvement compared to previous year.

In Austria we see aligning LTV ratios across individual asset classes and ratios are broadly in line with range observed in CEE region.

LOAN-TO-VALUE (LTV) RATIO EXPECTATION FOR FINANCING HIGHLY RATED INCOME GENERATING PROJECTS



Source: KPMG Property Lending Barometer 2025

PRE-LET / PRE-SALES RATIOS

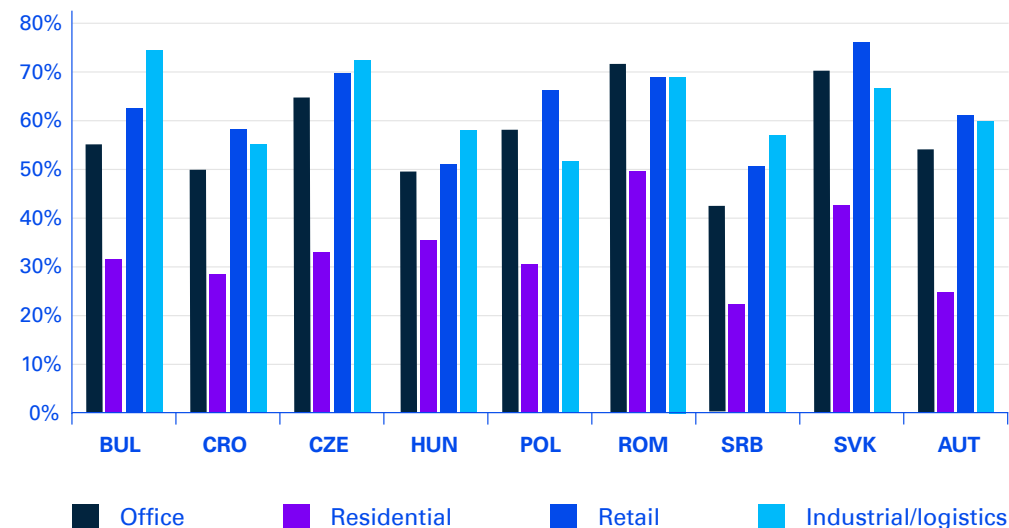
In the most CEE countries, banks are prepared to finance residential developments with pre-sale levels typically in 25% to 35 % range, with Serbia appearing among the most flexible.

The **low pre-sales requirement for residential projects is significantly influenced by the strong demand and liquidity of the residential market in the CEE region**. Based on our discussions with banks, we understand that, in selected cases, they are able to provide financing with only a minimal pre-sales requirement, or in some instances, without requiring pre-sales at all. In contrast, for non-residential projects, banks are less willing to accept the risks associated with speculative development and therefore require a higher level of pre-leasing. This is particularly true in cases where it is more common to develop properties according to a “build-to-suit” concept, meaning that the property is tailored to meet the specific needs and requirements of a (dominant) tenant.

The level of risk tolerance and market conditions for different property types influenced the differences in requested pre-let ratios across the region.

Austria exhibits pre-let ratio in line with average for CEE region, with slightly lower pre-pre-sales ratio for residential projects.

PRE-LET / PRE-SALE RATIO EXPECTATIONS FOR FINANCING HIGHLY RATED REAL ESTATE DEVELOPMENT PROJECTS



Source: KPMG Property Lending Barometer 2025

DSCR RATIOS

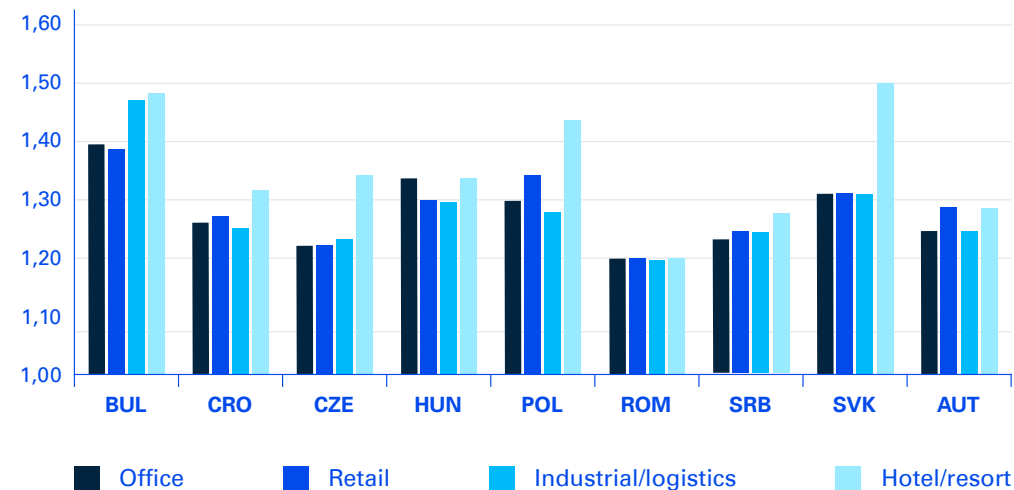
Banks were also asked about the debt service coverage ratios (DSCR) they expect for income-generating projects, particularly for investors with an excellent reputation and sound business plans. Like previous years, the highest requested DSCR is observed for the hotel and resort sector across in the CEE region. In comparison with other countries, bankers in Austria do not require significantly higher DSCRs for hotels and resorts compared to other property types.

In many countries, we are also observing a narrowing of the differences in required DSCR by individual asset type, with the exception of hotels.

It is necessary to mention that, based on our survey, we also observed variations in the methodology used to calculate the DSCR across different banks.

DSCR and LTV are the two most common covenants, and it is precisely in the event that the investor does not comply with the covenant that it is primarily a non-fulfilment of DSCR.

AVERAGE ACCEPTABLE DSCR PER COUNTRY PER SECTOR

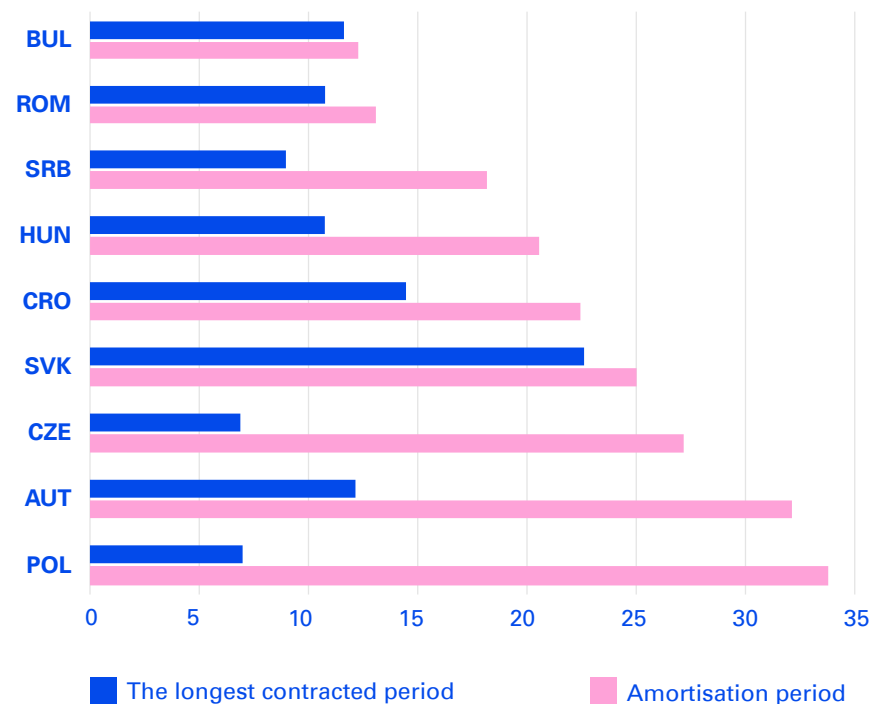


Source: KPMG Property Lending Barometer 2025

LENGTH OF THE LOAN

Bank representatives were asked about the minimum required average annual loan amortization rate that would be applied at the required LTV level for highly rated real estate projects, as well as the criteria for financing prime investment and income-generating properties. To gain a deeper understanding, we calculated the implied maximum amortization period based on the minimum amortization rate and cross-checked this with the longest loan term typically applied by banks. The disparity between these figures provides valuable insights into the market conditions and lending practices in different economies. The largest disparity between the amortization period and the term of the loan agreement is commonly observed in many Western European countries. This fact was also confirmed by the responses from Austrian respondents, where the amortization period is significantly longer than in CEE countries.

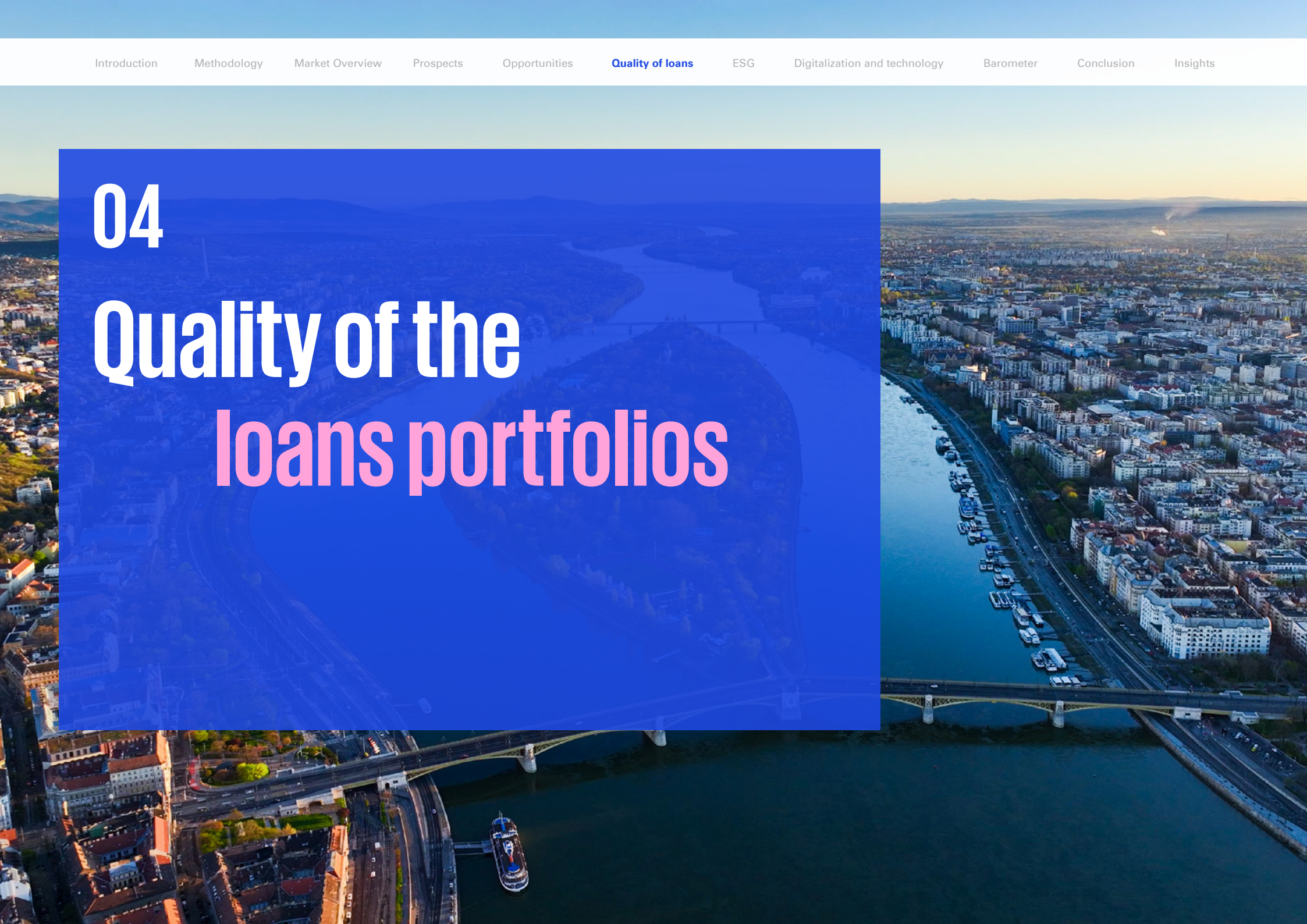
MAXIMUM AMORTIZATION PERIOD AND LONGEST CONTRACTED TERM AVAILABLE (IN YEARS)



Source: KPMG Property Lending Barometer 2025

04

Quality of the loans portfolios



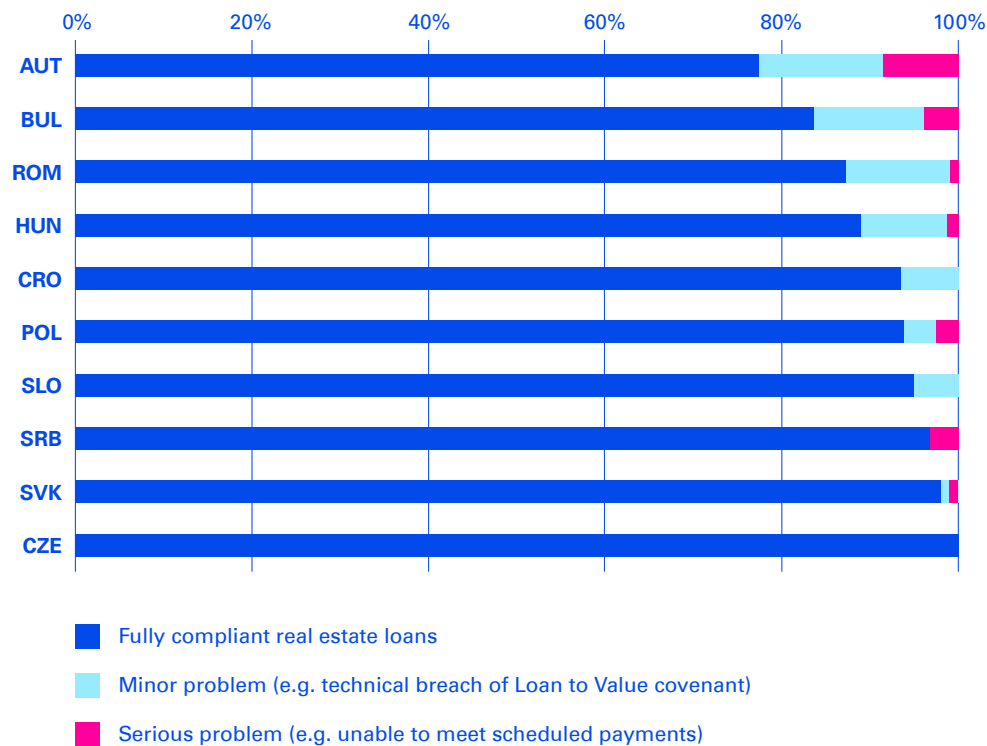
Our survey confirms that real estate loan portfolios in CEE region **remain of generally high quality**. The average share of fully compliant real estate loans has risen from 91% to 93%, indicating a **strong risk profile**. The average proportion of loans with minor issues (such as technical breaches of the loan-to-value covenant) has declined from 8% to 6%. Loans experiencing serious repayment difficulties typically represent only a small percentage of total real estate lending in CEE.

Czechia stands out with approx. **100% of reported loans classified as fully compliant**, while Slovakia, Serbia, Slovenia, Poland and Croatia also report very robust portfolios, each with over 90% of fully compliant loans and only marginal shares of impaired exposures. **Bulgaria continues to successfully reduce** the number of problematic loans, decreasing the percentage the percentage from 18% to 16% but it still maintains its position as the country with the highest value of these loans in the CEE region.

The majority of surveyed bankers (75%) believe that the volume of problematic loans within their total real estate lending portfolios will remain stable in the coming months, which aligns closely with their expectations from the previous year. This suggests that most banks **expect the current situation to persist, without significant shifts in loan quality**.

Austria, compared to other countries, shows the lowest share of fully compliant real estate loans, and only 33% surveyed bankers expect that this share will remain unchanged and 17% expect a slight improvement in the coming months.

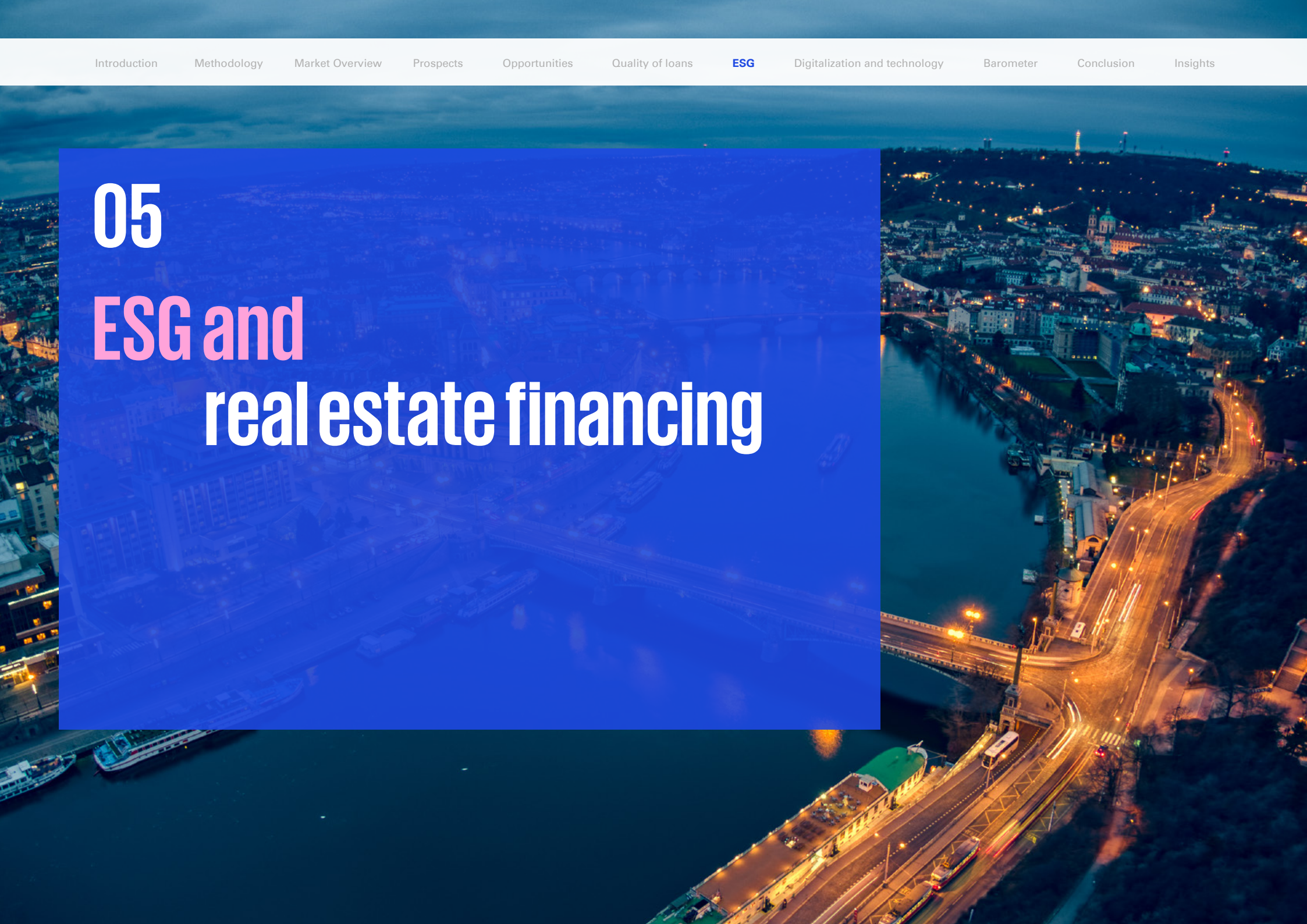
PROPORTION OF IMPAIRED REAL ESTATE LOANS PER COUNTRY



Source: KPMG Property Lending Barometer 2025

05

ESG and real estate financing



Author of the



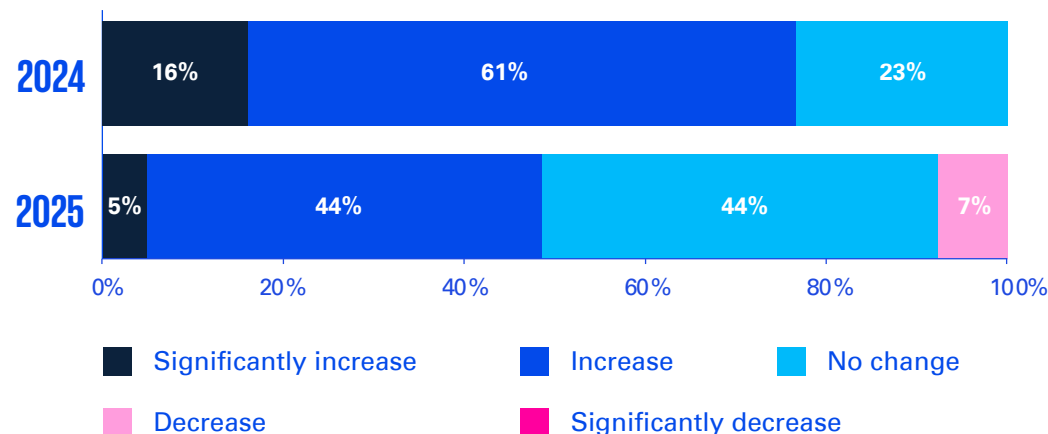
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New and upcoming legal regulations are a key catalyst for change in real estate financing. The implementation of Basel IV requirements within the banking system, alongside the forthcoming transposition of the EPBD IV directive into national law across EU countries, has reinforced the prioritization of ESG aspects in real estate financing. Conversely, delays of certain obligations under the EU Sustainability Omnibus has led some institutions to adopt a more relaxed approach.

Findings from the 2025 survey suggest that the banking sector in Central and Eastern Europe is approaching a turning point in its attitude towards ESG. The growth in ESG engagement observed in previous years is gradually transitioning into a stabilization phase as many institutions implement established practices. While half of the banks still report an increasing focus on ESG, the proportion of responses indicating 'no change' has doubled. This suggests a consolidation of existing practices rather than the introduction of new ones. Notably, for the first time since ESG-related research began, a decline in interest in ESG aspects was reported by some banks in Hungary and, Czechia. This may be due to the temporary relaxation of requirements resulting from the EU Sustainability Omnibus, which delays the CSRD reporting obligation for large companies in the ESG area by two years. While 72% of CEE respondents declared 'no change' to their real estate financing strategy when asked about the impact of the EU Sustainability Omnibus on their ESG strategy and real estate financing, nearly one-third of surveyed institutions identified Omnibus as an opportunity to reduce data collection and reporting requirements, coverage, and additional time to prepare internal systems.

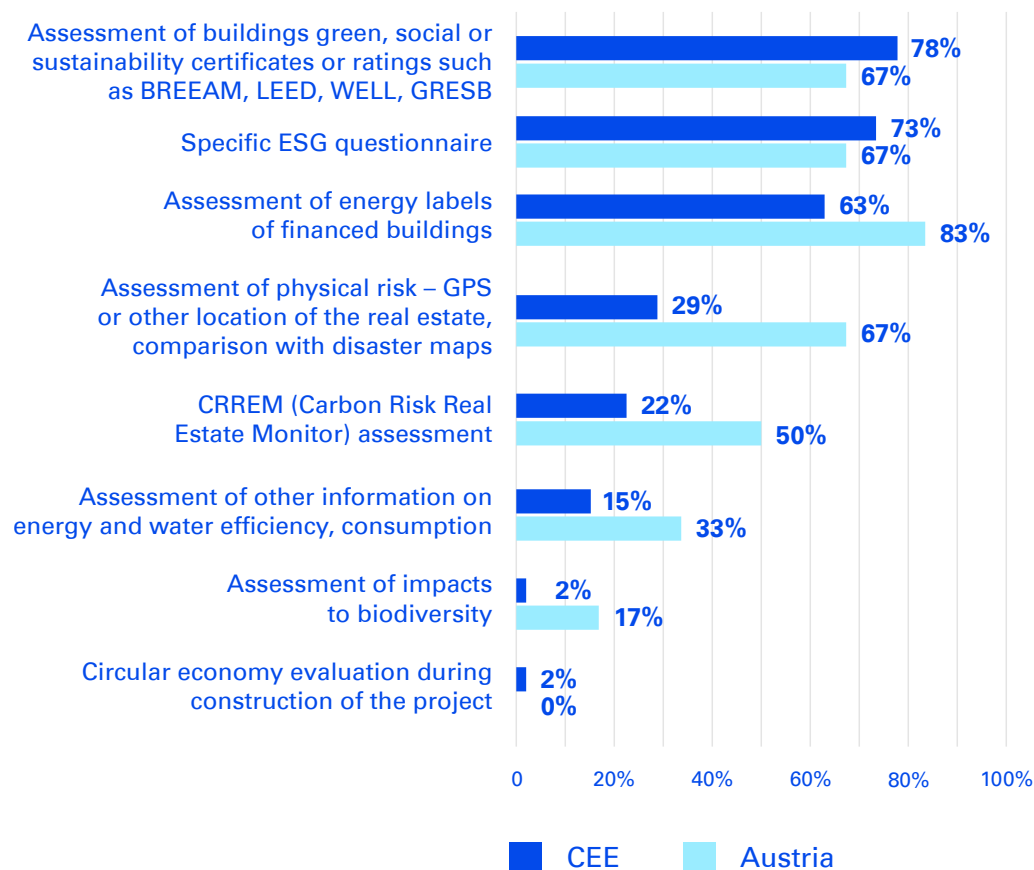
FOCUS ON ESG WITH THE BANK'S LENDING ACTIVITY COMPARED TO ONE YEAR AGO



Banks focus on key multi-criteria certifications (primarily LEED, BREEAM, WELL Building Standard and other certifications in accordance with legislation requirements; only around 13% of banks do not assess certifications) and on the energy efficiency of the financed buildings. Meanwhile, the collection of additional ESG-related information is decreasing, which may indicate a shift toward more targeted data.

In this respect, there is a striking difference between the approach in the CEE region and in Austria, where the energy efficiency of buildings is an absolutely key benchmark, but significant importance is also attached to CRREM analyses and indicators related to the consumption of water and energy.

ASSESSMENT CRITERIA FOR REAL ESTATE LOANS INCORPORATING SUSTAINABILITY AND ESG



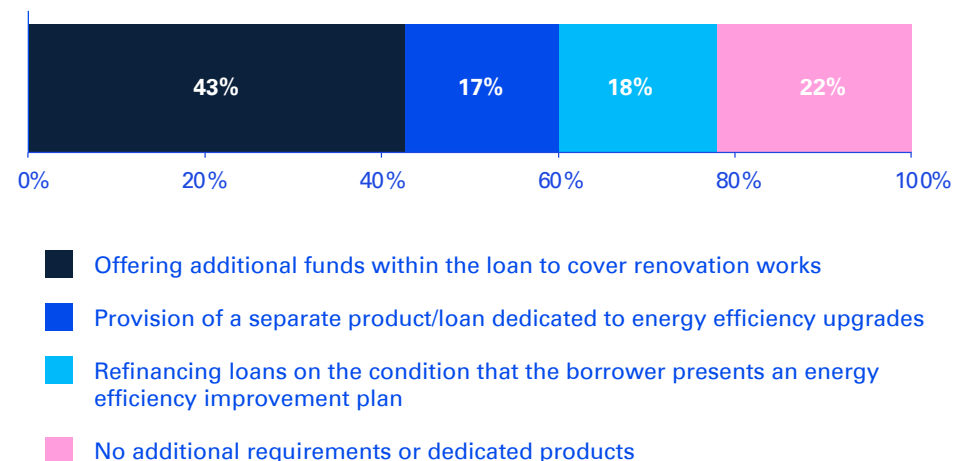
Similar to the previous year, most banks (over 70%) use specific ESG questionnaires when assessing financed assets, but the number of banks that identify, alongside questionnaires, multi-criteria building certifications, energy efficiency assessments of buildings, and climate risk assessments as key evaluation criteria has increased. Banks’ focus on these aspects stems from the pressure of the European banking supervisory authorities to ensure that climate risks are considered when real estate financing is arranged. In addition to the credit criteria, banks are improving their risk assessment and collateral valuation methods, as required by the regulations under Basel IV.

Another driver of change is the gradual preparation for compliance with the EPBD (Energy Performance of Buildings Directive). The EPBD will be implemented into local law in all EU countries in May 2026, which is why nearly half of banks already declare readiness or partial readiness to comply with its criteria. At this stage, 30% of banks plan to adopt a policy that foresees refusing financing if a building does not meet specified energy performance standards.

In light of the EPBD guidelines, providing finance for the renovation of inefficient buildings will certainly be no less important than financing new, environmentally friendly investments. Consequently, banks were also asked about their approach to financing properties that require upgrades in terms of energy efficiency. More than 40% of banks offer additional funds within the loan, 17% propose the provision of a separate product/loan dedicated to energy efficiency upgrades, 18% refinance existing loans based on property improvement plans, and 22% of CEE banks report no additional requirements or dedicated products.

It is encouraging that none of the surveyed banks would refuse to finance buildings that require renovation; however, expanding the range of financial instruments for such properties is becoming essential. According to the European Commission data, 75% of buildings in the EU have low energy performance, and estimates for the CEE region are broadly aligned with this figure.

BANK APPROACHES TO FINANCING PROPERTIES REQUIRING ENERGY EFFICIENCY UPGRADES



Banks are also preparing to assess the alignment with the environmental objectives defined in the EU Taxonomy. The introduction of mandatory disclosure requirements under the EU Taxonomy has made sustainability verification clearly visible, and almost half of the banks now apply it comprehensively. The survey shows that 44% of banks assess the eligibility and alignment of real estate loans with the EU Taxonomy for regulatory reporting purposes (e.g., the Green Asset Ratio) or for designing green financing products, while an additional 20% perform such assessments solely for reporting purposes. A lack of EU Taxonomy compliance assessment for real estate loans was indicated by 17% of surveyed banks from the CEE region, primarily from Serbia and Romania.

Banks are also adjusting their range of ESG-focused financial products. Compared to standard products, in 2025 banks most frequently offered lower interest rates under their green financing schemes (46%). In addition, some products provide higher LTV/LTC ratios (20%), step-down interest rates depending on the project's performance (17%), as well as sustainability-linked loan features for commercial real estate. Despite increasingly stringent sustainability regulations, the number of respondents developing dedicated ESG-related financial products has remained at a stable level compared to the previous year.

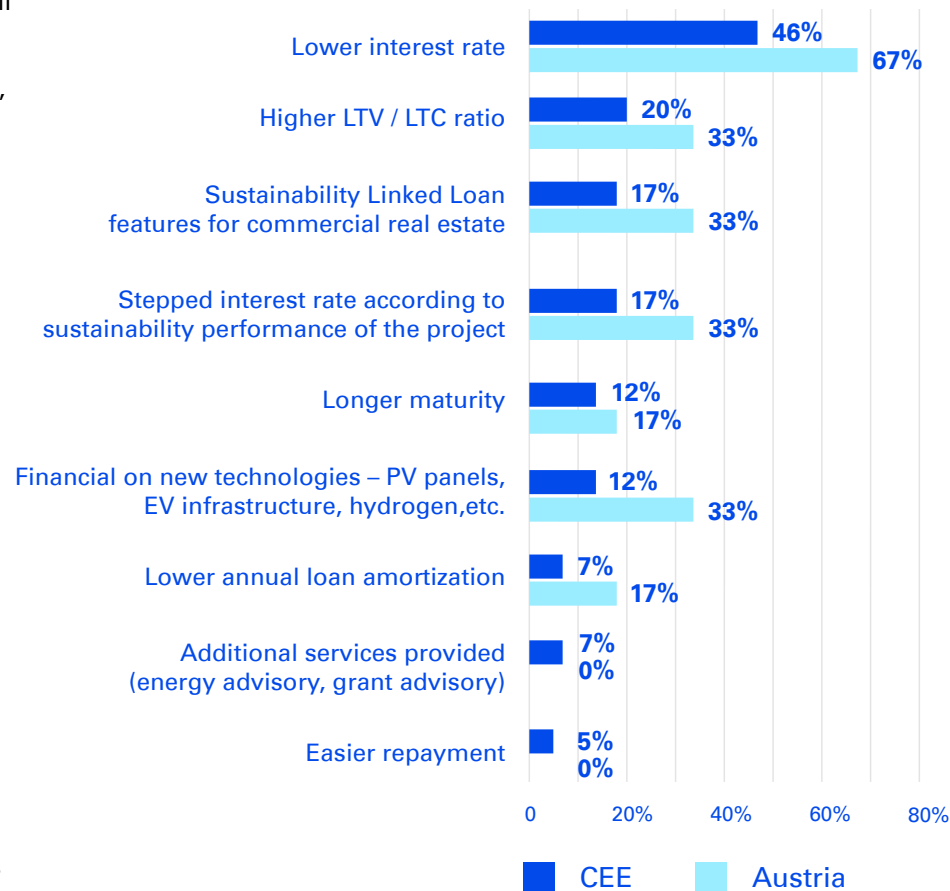
A much greater differentiation between standard financing conditions and green financing products is visible in Austria, which is consistent with the approach of the financial sector in many Western European countries. Green financing issues are strongly emphasized by European banking supervisory authorities, so similar changes should also be expected in the CEE region in the near future.

Sustainable development is having an increasingly significant impact on the cost of capital, but does it also affect access to capital? This year, just over 40% of banks reported refusing to finance real estate projects due to ESG-related reasons. However, nearly 60% of institutions in the CEE region do not refuse financing on ESG grounds. The result is broadly consistent with last year's findings.

Regulations such as the EU Taxonomy, EPBD IV and Basel IV are accelerating ESG integration in real estate financing across the CEE region. Nevertheless, while some banks are showing a growing readiness to meet new requirements, others are maintaining an unchanged approach, and the impact of ESG on capital access remains moderate.

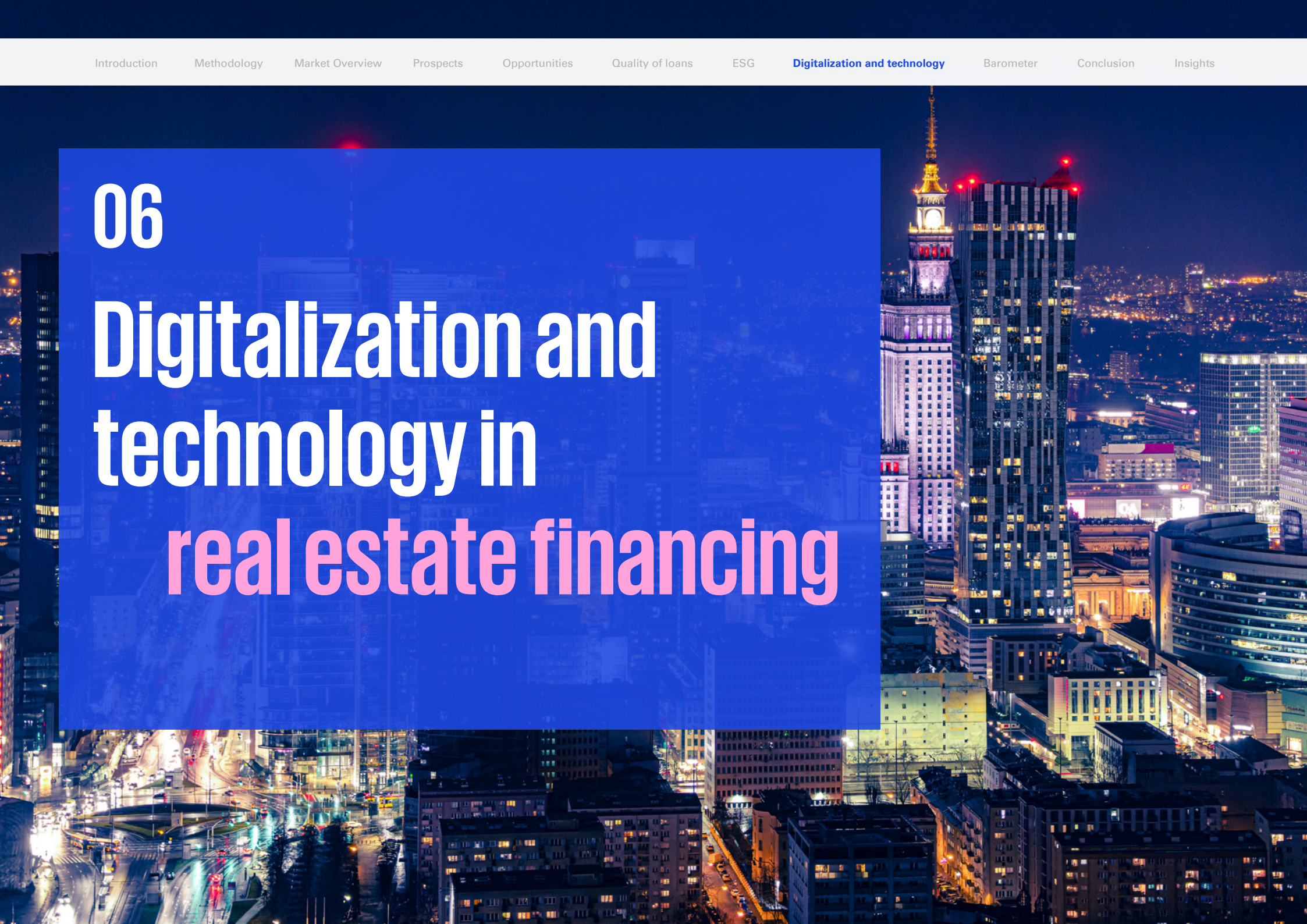
Compared to CEE region, Austrian banks demonstrate a stronger focus on energy and water efficiency data, physical risk, CRREM, biodiversity impacts, and routinely conduct carbon footprint assessments. Austria also stands out for significantly stricter ESG enforcement, with more than 80 % of respondents having declined financing in the past 12 months due to ESG non-compliance, compared with just over 40 % among CEE respondents.

KEY FEATURES OF ESG (GREEN) FINANCING PRODUCTS



06

Digitalization and technology in real estate financing



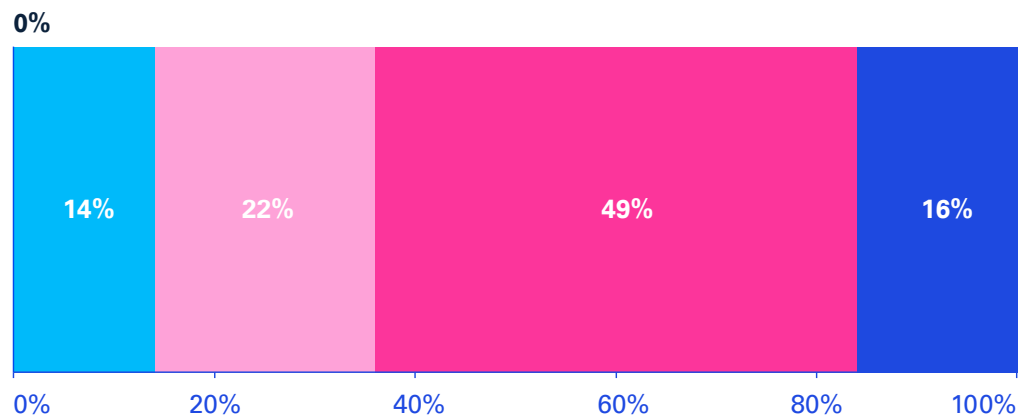
AI IN REAL ESTATE LENDING PROCESS

Bank representatives were asked about utilisation of AI (artificial intelligence) in financing large-scale real estate projects.

The banks from **Hungary and Poland** are the clear frontrunners, with a visibly higher share of banks already using AI at least at a minimal level in lending process. The figures stand at 75% and 57% respectively, well above the CEE average. For context, compared to our Austria respondents, around 67% report at least minimal AI use. Romania is likewise at an early stage, while Czechia, Croatia and Slovenia show gradual, pragmatic adoption. Several markets, indicate an intention to move forward. For now, the region remains divided between **early adopters using AI** for practical support tasks and countries **still in preparatory mode**.

At the regional level, these country patterns sit within **a steady shift from no use toward early adoption**. On a CEE-average basis, the share of banks reporting no AI use fell from 69% in 2024 to 49% in 2025. Minimal use increased from 14% to 22%, and a moderate use category appeared at 14%. The share planning to implement is broadly unchanged at 16%, and extensive use is still 0%.

AI ADOPTION IN CEE PROPERTY LENDING 2025



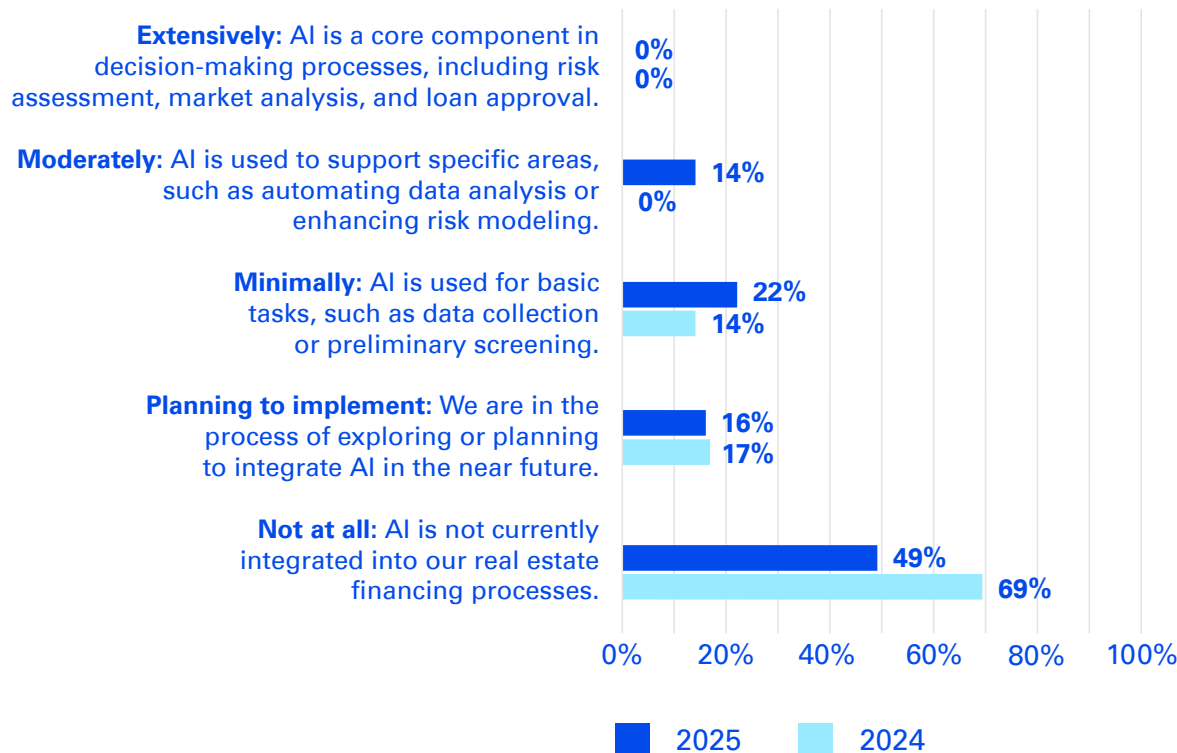
- Extensively:** AI is a core component in decision-making processes, including risk assessment, market analysis, and loan approval.
- Moderately:** AI is used to support specific areas, such as automating data analysis or enhancing risk modeling.
- Minimally:** AI is used for basic tasks, such as data collection or preliminary screening.
- Not at all:** AI is not currently integrated into our real estate financing processes.
- Planning to implement:** We are in the process of exploring or planning to integrate AI in the near future.

Source: KPMG Property Lending Barometer 2025

By minimal use, respondents typically mean general productivity aids rather than tools embedded in the lending workflow. Staff may draw on AI to speed up routine work, for example quick formula help in Excel, first drafts of notes, or brief document summaries. However, these tools are not built into policy, screening, underwriting, or approval steps. Where banks report moderate use, AI usually supports back-office and analytical tasks such as extracting information from documents, running basic automated checks, or assisting risk analysis, with human review remaining in place.

Beyond possible structural differences between banks and cultural factors in individual markets, the timing of regulatory implementation may also play a role: **DORA (Digital Operational Resilience Act) entered into force in January 2025, and banks are currently in the midst of full implementation alongside NIS2 requirements.** These cybersecurity and IT resilience regulations demand significant IT resources for ongoing compliance activities. This parallel regulatory workload could theoretically divert IT capacity and budget away from AI experimentation, though the extent of this effect likely varies by institution.

AI ADOPTION IN CEE PROPERTY LENDING: 2024 vs. 2025



Source: KPMG Property Lending Barometer 2025

07

KPMG Property Lending Barometer



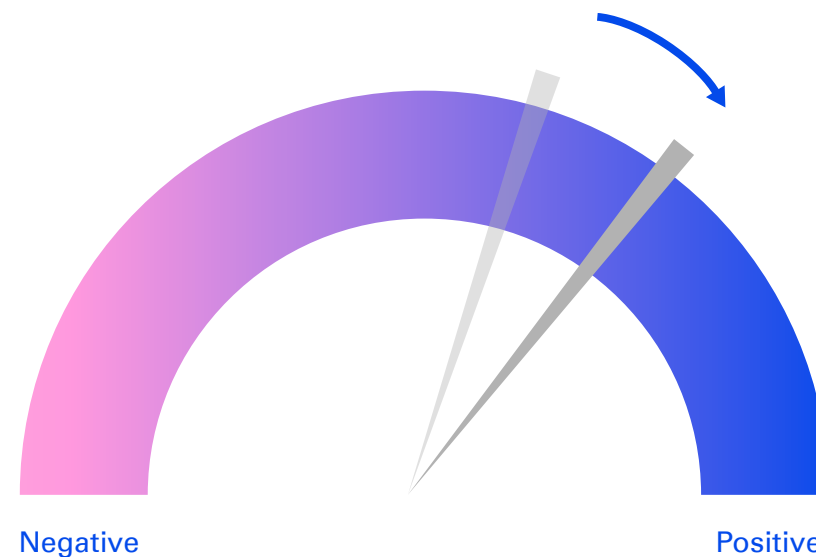
The Property Lending Barometer is a specialized indicator designed to assess and capture the sentiment of banks in the CEE region toward real estate financing. It serves as a tool to understand the priorities and perspectives of financial institutions regarding their engagement with the real estate property market.

By analysing key aspects of banks' approaches, this barometer offers a nuanced perspective on how the banking sector views real estate financing. It highlights trends in risk appetite, growth potential, and strategic focus, providing insights into the dynamics of property lending in the CEE region. Through its detailed evaluation, the Property Lending Barometer reflects the confidence and challenges banks face in navigating the evolving real estate landscape. The KPMG Property Lending Barometer evaluates:

- The strategic importance of real estate for banks operating in the CEE region.
- Banks' focus on real estate financing within their portfolios.
- Projected growth in average loan sizes and overall portfolio sizes.
- Changes in LTV (loan-to-value) and LTC (loan-to-cost) ratios compared to the previous year, reflecting shifts in risk appetite and lending criteria.
- Interest rate premium trends.
- The expected development of portfolio quality.

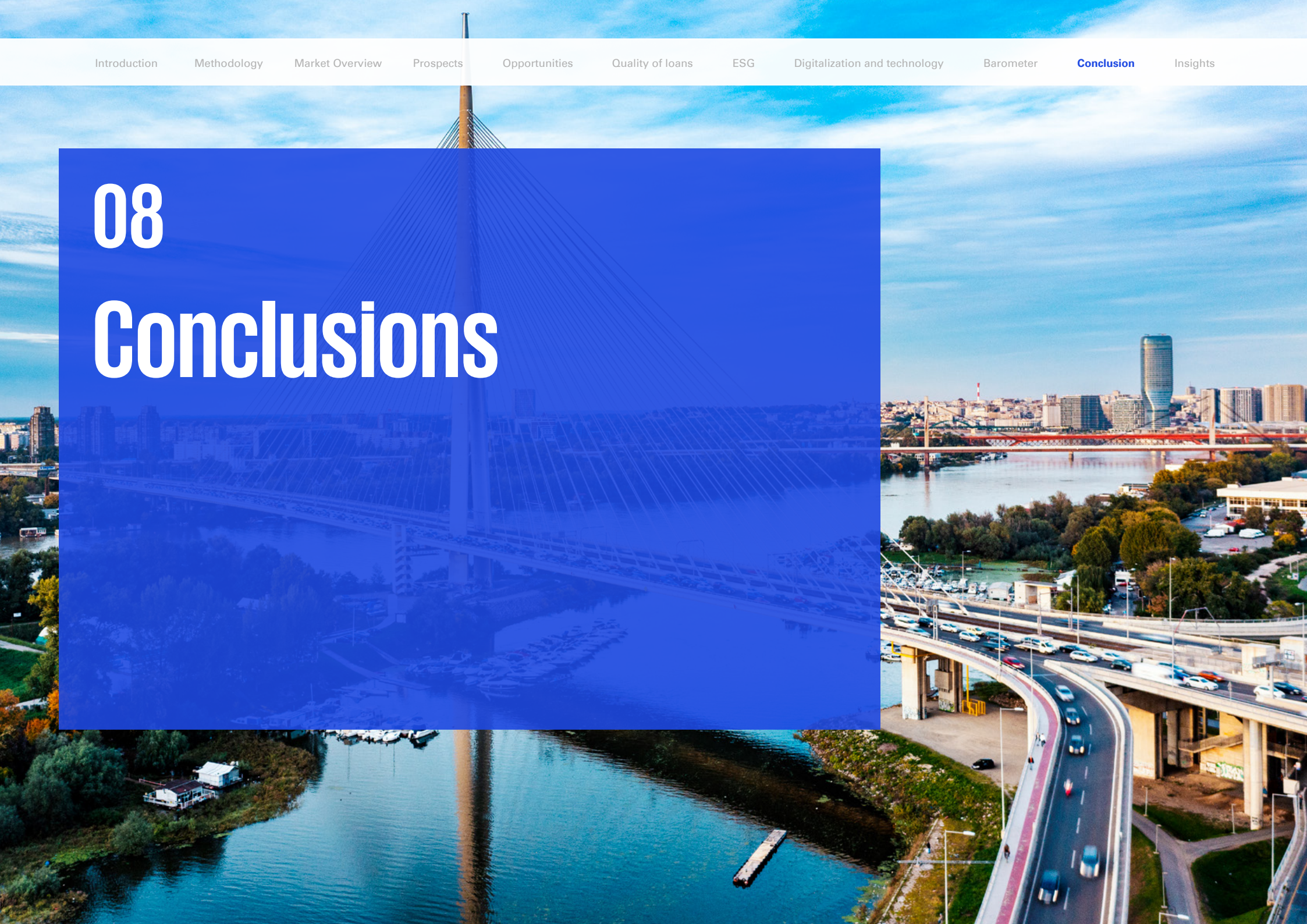
The trend of **growing positive sentiment continues this year as well**, although the change compared to the previous year is significantly smaller.

KPMG PROPERTY LENDING BAROMETER 2025



08

Conclusions



- For the EU, the EU Commission expects a **modest recovery with** real GDP growth of 1.4% in 2025–2026 and 1.5% in 2027, supported by a resilient labour market, easing inflation (around 2%), and improving financing conditions.
- In 2025, European real estate investment volumes are expected to finish above 2024 levels and approach EUR 220 billion. And the experts suggest this recovery should continue, with further growth projected in the coming years.
- By end-Q3 2025, CEE investment volumes reached around EUR 7 billion and are still expected to end the year about 10% above 2024, driven mainly by Czechia and Poland.
- The overall strategic importance of real estate remains high. 36% of respondents indicated that real estate financing has become more important than in the previous year. Most bankers report an increase in average loan size over the past year and plan to grow their portfolio next year.
- Limited shift in key factors influencing bank's real estate portfolios was reported compared to the previous year. Macroeconomic conditions in local markets are the main factor influencing lending, followed by European macroeconomic trends. Key factors that are mentioned more frequently than in the previous year were a lack of prime properties, a shortage of active investors in certain segments, and insufficient equity among developers and investors.
- On average in CEE region, the proportion of financing new development and income generating project remain broadly balanced and stable compared to the previous year. In countries as Bulgaria and Slovakia, new development financing is at the forefront, while in the Czechia, the volume of new development financing remains low, despite a recent uptick. For comparison, in Austria the share of these loans is even lower than in Czechia.
- The observed trend of a slight decrease in interest rate premiums persists. Similarly, the convergence of required interest rate premiums across different asset types remains apparent (with the exception of the hotel sector). As was the case last year, development projects, on average, still demand higher premiums compared to income generating projects. Czechia and Slovakia have lowest margins for both development and income-generating loans. Serbia, Bulgaria and Romania have highest margins. For comparison, Austria's margin levels align with CEE regional midpoint. factor in 2023.
- The ongoing trend of banks requiring variable interest rates to be hedged with financial derivatives (e.g. interest swaps) continues to persist and remains a standard practice. Majority of respondents (79%) require hedging for more than 50 % of loan volume.
- Most bankers from non-EUR countries reported an average of 75% of loans provided in foreign currency (EUR), which is similar to prior year. A significant increase in the share of loans in euros in Bulgaria has been influenced by the country's entry into the Euro-zone.
- More than three-quarters of banks are willing to participate in club financing or to provide syndicated loans, and this willingness has been increasing for the second consecutive year. Despite a slight year-on-year improvement, only 15% of banks are willing to provide junior or mezzanine financing.
- Limited shift in the most important criteria for selecting real estate projects for financing can be observed compared to the previous year. The most significant change was the increased impact of the status of the permitting process for development projects.
- The most preferred asset is residential in CEE region, reflecting ongoing demand in this segment. This can be considered a shift from last years, where industrial and logistics properties were the most preferred asset class for development financing.
- The average Loan-to-cost (LTC) and Loan-to-value (LTV) across all sectors remained roughly the same as last year. An exception can be observed in Czechia and Poland, where there is a modest relaxation of LTC ratio.
- Overall, the average Debt service coverage ratio (DSCR) in the region has remained relatively consistent compared to the previous year. Highest DSCR is required for hotel and resort sector across each surveyed country.

- The real estate loan portfolios remain of generally high quality. The average share of fully compliant real estate loans has risen from 91% to 93%. Loans experiencing serious repayment difficulties typically represent only a small percentage of total real estate lending. The majority of respondents anticipates that the proportion of non-performing loans in their real estate lending portfolios will remain unchanged or slightly improve.
- The implementation of Basel IV requirements within the banking system, alongside the forthcoming transposition of the EPBD IV directive into national law across EU countries, has reinforced the prioritisation of ESG aspects in real estate financing. Conversely, delays of certain obligations under the EU Sustainability (Omnibus) has led some institutions to adopt a more relaxed approach.
- Banks in CEE region are increasingly integrating ESG criteria into real estate lending, influenced by regulations such as Basel IV, the EU Taxonomy, EPBD IV. While half of banks report a stronger focus on ESG, the sector is stabilizing, with many consolidating current practices. ESG assessments commonly use questionnaires, multi-criteria

certifications (LEED, BREEAM, WELL), and require data on the energy efficiency of buildings. Stricter enforcement is notable in Austria, where over 80% of banks refused financing due to ESG non-compliance, compared to just over 40% in CEE.

- Sustainable development is affecting the cost of capital, but its impact on access to capital remains moderate. Green financing products often feature incentives such as lower interest rates and higher LTV/LTC ratios, particularly in Austria, Poland and Croatia.
- Banks are expanding financial instruments for renovations—over half offer additional funds for energy upgrades, and none refuse financing for properties needing renovation, although more products are needed.
- Banks are expanding financial instruments for renovations - over half offer additional funds for energy upgrades, and none refuse financing for properties needing renovation. Nevertheless, expanding the range of financial instruments for such properties is becoming essential.



09

Country insights & contacts



Austria

The Austrian real estate market remains under pressure from high interest rates and cautious investor sentiment. Transaction volumes have stabilized at low levels, and price corrections in some segments appear to be largely complete. Demand is shifting toward high-quality, energy-efficient assets with solid tenant structures, while secondary properties continue to face liquidity challenges. Residential remains resilient, whereas office and retail assets must adapt to structural change.

Banks remain selective and disciplined. Lending volumes are mostly stable but focused on low-risk segments and experienced sponsors. ESG requirements are now embedded in the financing process, and projects lacking sustainability credentials face tighter scrutiny or higher margins. Regional banks continue to support smaller developments, while large-scale investments require robust pre-letting and conservative leverage.

The lending environment is expected to remain cautious throughout 2025, with moderate recovery potential toward 2026 if inflation and rates ease. Banks foresee stable or slightly improving portfolio quality, supported by strong underwriting standards. ESG alignment and the digitalization of financing processes will remain key differentiators in the coming cycle.



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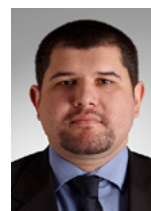
Bulgaria

The Bulgarian real estate market showed resilience, supported by solid macroeconomic fundamentals, GDP growth, and a low unemployment rate. Investor activity remained strong, particularly in the office and logistics segments. Demand for modern, ESG-compliant buildings continued to rise, with sustainable projects achieving higher rents and occupancy rates. Retail parks remained among the most dynamic asset classes, expanding in both major and secondary cities. Industrial demand is being driven by nearshoring trends, while political uncertainty only moderately affected market sentiment thanks to stable liquidity and cautious fiscal policy. However, foreign direct investment flows into real estate have been relatively modest. While the local market is open, capital is still selective.

The Bulgarian banking system remains highly liquid and well-capitalized, maintaining historically low levels of interest rates and non-performing loans. Corporate lending and mortgage volumes expanded by double digits. The forthcoming adoption of the euro on 1 January 2026 is expected to free significant capital reserves within Bulgarian banks enhancing liquidity and supporting more competitive financing conditions. Banks remain selective, prioritising sustainable and energy-efficient projects in line with EU taxonomy.

Looking ahead, the market is expected to remain stable with moderate acceleration ahead of euro adoption in 2026 and full Schengen entry in 2025. The transition to the euro will strengthen investor confidence, reduce currency risk, and anchor interest rate stability. That said, the actual impact will likely unfold gradually.

Improved liquidity and a stronger macro framework are likely to attract new international capital, particularly into offices and logistics. Over the next years, sustainable and ESG-driven developments will remain key investment priorities, supporting the continued maturing of Bulgaria's real estate market.



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Croatia

Residential activity is moderating: building-permit growth has slowed, and transactions have declined, especially along the Adriatic coast, while Zagreb remains resilient. Prices continue to rise at a slower pace amid limited supply and diverging buyer–seller expectations. The new property tax and tighter central bank credit measures have further dampened transactions. Developers remain cautious, approaching new projects one at a time.

The office sector centers on modern, well-located assets in Zagreb, where high occupancy keeps demand above supply. Rental growth is stabilizing, while secondary offices require upgrades. Regional cities see only modest, small-scale, or mixed-use office development. Retail-park supply is expected to grow by 10–12 % by year-end, while large shopping-center launches remain limited, focused on regional and suburban locations and convenience formats. Hospitality assets attract investment, with brownfield projects preferred as greenfield development is constrained by rising construction costs. High-end coastal resorts and mixed-use projects remain central, alongside growing international brand presence. Rising operational costs and labour shortages pressure yields. Industrial and logistics assets remain the strongest performers, driven by e-commerce, supply-chain reshoring, and improved transport infrastructure.

Financial institutions are selective but open to well-structured projects, with ESG compliance now a requirement for financing and investment decisions.



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Czechia

The Czech market in 2025 has moved into an early recovery phase. Recent data confirms a clear year-on-year increase in investment activity with domestic investors driving the majority of volume, while selected international capital is gradually returning. Demand is strongest for logistics, rental housing and retail parks. The office sector remains distinctly two-tier. Modern, energy efficient space in prime locations is liquid and records stable or slightly improving pricing, whereas older buildings with unresolved capex and ESG issues face weak demand and deeper repricing.

Banks in Czechia are actively lending but remain disciplined. Financing is available for well structured, well leased and energy efficient assets and for development backed by realistic leasing assumptions and robust contingency reserves. Transactions are tested more rigorously on business plans, debt service capacity and interest rate hedging. Requirements linked to sustainability and technical quality are now standard elements of credit assessment.

Assuming interest rates stay broadly stable, and pricing transparency continues to improve, market activity is expected to strengthen gradually. Refinancing will remain a central theme and will accelerate the sorting of assets between future proof and stranded. Investment and lending appetite should continue to focus on resilient segments such as logistics, rental living and convenience led retail, while the office market is likely to stay polarised by location, specification and energy performance. Sustainability is no longer treated as a marketing extra but as a practical precondition that shapes structures, covenants and ultimately pricing.



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Hungary

The Hungarian commercial real estate market showed moderate improvement in 2025, with investment volume marking the first increase after three years of decline. While economic activity remains subdued, investor confidence strengthened, supported by several high-value transactions and a more balanced mix of domestic and international buyers. Vacancy rates in the office and industrial-logistics segments remain elevated, reflecting structural challenges and potential oversupply risks. ESG compliance and flexible-use concepts continue to shape investor and occupier strategies across all asset classes. The residential sector gained momentum once again after the introduction of a state-subsidized fixed-rate loan of 3% available for first-home buyers. However, affordable housing remains a challenge to be solved.

Financing activity gained momentum in the first half of 2025. Lending conditions slightly eased across most segments except for offices, where risk perceptions remain higher. Overall exposure to commercial property loans remains conservative, supported by prudent LTV levels and stable capital positions. Competition among lenders is gradually increasing, yet institutions remain selective, maintaining a conservative approach toward riskier segments.

Looking ahead, a slow and uneven recovery is expected in the Hungarian commercial property market. While logistics and hospitality sectors show resilience, office and secondary assets may face further adjustments. The upcoming 2026 parliamentary elections could temporarily increase investor caution, but financing activity should remain steady, focused on sustainable, high-quality developments.



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Supported by solid economic fundamentals and overall market stability, the Polish investment market continues to demonstrate steady performance. Domestic and broader CEE private capital increased its presence, while global core investors maintained a selective approach. 2025 confirmed a 'mid cap led' market structure: a high count of EUR 50 – 80 m transactions, concentrated in logistics and value add/core+ office strategies. Pricing gaps between buyers and sellers narrowed versus 2024 but remained most evident for true core assets.

Banking institutions maintain a prudent stance on financing new projects, with growing importance placed on assessing investments in terms of sustainability and ESG compliance. At the same time, they are revising credit risk models to meet Basel IV standards and adapt to the evolving European regulatory framework.

With monetary policy easing, following NBP rate cuts in Q3 and ECB reductions in the first half of the year, financing costs are declining, which should support market liquidity, bid – ask spreads to narrow and the gradual re-engagement of core capital. The industrial sector is likely to maintain its leading position. Office market liquidity will continue to display a two-speed dynamic: prime, well-leased assets in Warsaw's CBD and major regional hubs will attract core capital, whereas transitional assets will remain the focus of value-add investors implementing ESG-driven capex strategies. In the retail sector, investor interest should remain strongest for retail park assets, while selective capital is likely to target dominant centres with value add potential. Overall, market liquidity is anticipated to improve gradually as financing conditions stabilise.

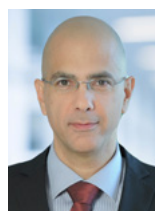


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The Romanian real estate market began 2025 with solid growth, especially in the retail and industrial sectors, driven by strong leasing demand and active development. Rents remain stable or are slightly rising, while infrastructure improvements support regional logistics and storage expansion. In the office segment, moderate demand and limited supply maintain balance and stable rents. Interest in land is increasing for residential and commercial projects, and investment activity remains robust, attracting new investors with steady yields.

The residential market shows mixed trends: apartment transactions dropped about 10% in Bucharest and 3% nationally, while new housing supply is under pressure due to fewer authorized projects in recent years. Developers act cautiously amid macroeconomic and fiscal uncertainty, leading to a phase of adjustment and market differentiation. Despite short-term prudence, long-term prospects remain favourable. Romania's strong productivity, strategic position, and affordability support sustainable growth, signalling stability and opportunities in the 2025–2026 real estate market.



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In 2025, the Serbian real estate market demonstrated resilience in value growth despite moderate transaction volumes. While geopolitical tensions and local uncertainties led to a slight stagnation, investment appetite, particularly in commercial and residential areas, remained cautious. Retail continued its upward trajectory, with new retail parks and shopping centre renovations shaping consumer trends. The logistics sector maintained its expansion, notably in secondary cities, positioning itself as an increasingly attractive segment for foreign investors seeking growth. The office market preserved solid activity with slowdown expectation in the following years, while the residential sector stabilized with Belgrade maintaining its role as the country's key investment options.

Financing conditions remained selective yet stable. Banks continue to favour prime assets and experienced developers, with a growing focus on ESG-aligned and green financing instruments. Green loans and bonds are becoming increasingly significant as sustainability evolves into a central factor in project financing. While lending for large-scale commercial projects is cautiously optimistic, lenders perform risk assessment carefully in light of macroeconomic and geopolitical pressures.

Over the next 12–24 months, the Serbian real estate market is expected to sustain steady performance, driven by logistics and mixed-use developments, particularly around the EXPO 2027. The demand for quality and sustainable projects will remain strong, while regional diversification beyond Belgrade may gradually reshape investment dynamics.



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Slovenia's real estate market has regained balance in 2025. Activity is picking up but caution still shapes investor behaviour. Domestic capital remains the backbone of transactions. Logistics and rental housing are the most active segments, while retail parks benefit from consistent consumer demand. The office market is split – modern, energy-efficient buildings in prime locations attract interest, whereas outdated stock struggles without clear renovation and ESG strategies.

Banks are lending selectively, favouring projects with solid fundamentals. Pre-leases, realistic financial plans, and interest rate hedging are increasingly required. Development is approached conservatively due to construction costs and tenant uncertainty. Income-generating assets with stable cash flow are preferred, and ESG criteria are now standard in credit evaluations.

If interest rates stabilize and pricing becomes more transparent, a gradual increase in activity is expected. Refinancing will remain a key theme, with more scrutiny on reserves and sustainability upgrades. Investment will likely concentrate on resilient sectors – logistics, rental living, and convenience retail – while office demand continues to diverge based on quality and location.



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Slovakia's real estate market in 2025 demonstrates resilience amid selective investor sentiment. Office prime rents have risen to €20.5/m², with yields stable at 6%. Vacancy rates hover between 12.5–14.5%, though top projects see rates below 9%. Only one major office project will be completed this year, with further developments planned for 2026–2027. Retail faces inflationary pressure and subdued consumer spending, yet retail parks outside Bratislava drive new development, maintaining strong demand. Prime retail park rents range between €12–16/m², with yields at 6.75%. Residential sales are led by large developers, with growing interest in larger units and stable prime yields at 5.3%. Prime rents in Bratislava's city centre reach €19/m². Logistics remains robust, with stable yields (6.25%) and significant new space delivered, most of it pre-leased.

Financing is evolving: some non-bank institutions enable investors to co-finance development or acquisition, and new instruments such as mini-bonds for SMEs are emerging. Foreign private credit players are also eyeing Slovak projects.

The outlook for residential is that with lower interest rates the sales will likely stabilize, and prices will continue to grow. Prime office rents will likely rise further. Retail parks outside Bratislava will continue to lead new development, while logistics and industrial sectors face uncertainty tied to broader industry trends.



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Western European Market Insights

To provide a broader perspective and deeper context for our survey, we have included insights and perspectives from our KPMG real estate experts in selected Western European countries. Their contributions offer valuable comparative viewpoints that enhance the overall understanding of market developments discussed in this publication.

Luxembourg

The Luxembourg real estate market showed renewed momentum in 2025 following two years of slowdown. In Q2 2025, 1,575 existing-flat transactions were recorded — the highest since 2007 — with deal value rising approx. 85% year-over-year to €1.26 billion. Prime office prices in Luxembourg City averaged €12,300/m², with Belair exceeding €14,500/m². Residential prices rose 3.7% year-over-year to €8,094/m² in Q1 2025, with asking prices peaking at €10,493/m² in central areas.

Despite elevated financing costs, sentiment remains supported by strong employment levels, investor confidence and approximately 1.5% population growth. These factors reinforce medium-term supply constraints and support continued market resilience.

Luxembourg's domestic real estate lending is currently at historical lows, particularly in the commercial segment, as banks remain cautious due to both market conditions and regulatory pressures. Variable-rate mortgage lending declined significantly in mid-2025, with monthly volumes contracting by over €160 million. Long-term fixed-rate loans also saw a sharp drop, reflecting subdued demand and tighter credit conditions. Even with slight improvements in interest rates, overall lending volumes remain well below pre-2022 levels. This environment reflects a broader reluctance among domestic banks to finance commercial real estate projects, contributing to a constrained lending landscape.

Looking ahead to 2025–26, Luxembourg's role as a European capital markets hub for real estate finance is expected to remain strong, even as domestic lending stays muted.

Key trends include:

- Continued use of flexible fund structures (e.g., SCSp, RAIF) for cross-border real estate financing
- Growing importance of ESG-aligned investment frameworks under SFDR
- Stabilising interest rates potentially supporting selective real asset strategies

While local lending remains subdued, Luxembourg's cross-border fund ecosystem will continue to play a central role in financing Europe's next commercial property cycle.



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Investment activity shows a modest rebound: approx. €8.9 billion year-to-date (+7% YoY), still far below historical averages. The market remains highly selective, dominated by sub-€100 million deals and driven by domestic investors. Prime yields have stabilized (offices ~4.25–4.50%; logistics ~4.75–5.00%). Residential block investment reached €2.5 billion year-to-date (+4%), though Q3 dipped (–18%). Strong polarization persists student housing hit a record (~€1.0 billion year-to-date), while traditional residential slowed.

Lenders remain highly selective, focusing on best-in-class assets (central locations, strong ESG, secure cash flows). Survey data show 71% will not lend to assets that fail ESG criteria or lack a credible plan; prime senior LTVs approx. 55–60% and margins have compressed by 25–50 bps year-over-year. In France, refinancing needs are acute: about 20% of 2017–24 loans face a shortfall in 2026–2028 (+2pp vs 2024–26). Private debt should cover part of the gap, while crowdfunding platforms are under stress, limiting access for smaller sponsors.

We expect a gradually improving but still selective market. Policy and tax debates tied to the 2026 Budget and the new private landlord regime keep households and some investors cautious. Mortgage rates have ticked higher (approx. 3.30% on 20-year loans and potentially approx. 3.45%), tempering the residential rebound. In logistics, demand remains soft with a rotation toward second hand space; newbuild take-up is sharply lower and French volumes are likely to stay subdued over the next 12 months. Counterbalancing this, foreign investment into French logistics is picking up, with Asian groups active. Refinancing should remain a key driver of loan demand.



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The Dutch real estate market remains resilient, supported by both domestic and international investors. While transaction volumes have softened compared to previous years, activity continues across logistics, residential, and convenience-led retail segments. Offices show a clear split: prime, energy-efficient assets continue to attract capital, while secondary stock faces pressure and requires credible ESG and capex strategies to remain competitive. Bid–ask spreads have narrowed versus 2024, but investor’s selectivity remains high. The market benefits from a mature institutional base and transparent data infrastructure, which supports investor confidence.

Bank financing continues to dominate the Dutch commercial real estate market. Major lenders remain active, although underwriting standards have tightened in response to macroeconomic uncertainty. Development financing is approached with caution due to elevated construction costs, regulatory complexity, and tenant risk. ESG criteria are now mainstream across institutions, with sustainability increasingly embedded in credit assessments. While dedicated ESG-linked products exist, they are not yet widespread. Financing terms such as margins, LTVs, and DSCRs have remained broadly stable year-on-year. Lenders are placing greater emphasis on asset quality, long-term viability, and alignment with ESG objectives.

Assuming interest rates stabilize and pricing visibility improves, market activity is expected to gradually recover without triggering widespread distress. Capital is likely to concentrate on logistics, residential, and convenience retail, which continue to show strong fundamentals. Offices will be assessed case-by-case, with ESG compliance increasingly functioning as a prerequisite for financing and transaction approval. Regulatory developments, such as planning constraints, may impact housing development timelines. Overall, the Dutch market is expected to remain attractive for long-term investors, particularly those focused on sustainable and future-proof assets.

United Kingdom

The UK M&A market is slowly gaining confidence and momentum following historically low volumes in 2023/24 as the market adjusted to higher interest rates & inflation across the UK markets. We have seen property yields start to stabilize and while a number of publicly traded businesses are still frequently trading at material discounts to NAV, the private markets are driving considerable investment across the market. The core markets are generally stabilizing, with retail and office products starting to return to the market, as occupancy and rates have turned positive. Operating real estate remains attractive, with hotels in particular generating considerable investment. Development/construction is challenging due to underlying cost inflation & high regulatory requirements, particularly across residential development

The market remains competitive across several financing markets. We're seeing clearing banks come back into the market and seek to regain market share, but they face stiff competition from credit funds which are increasingly pricing within bank territory. The challenger bank markets are taking on larger ticket sizes and we are seeing significant activity from investment banks leading large securitizations. It is worth noting that the long income market is growing and increasingly seeking opportunities across Europe as well as within the UK. ESG requirements remain relevant, but demand is somewhat muted (particularly from US backed investors) compared to previous years, and underlying cashflows remain king – in the current interest rates, we're generally seeing EBITDA multiples & ICR ratios dictating loan size, not LTV.

We are seeing limited distress as banks remain supportive across most sectors, meaning that refinancing, growth financing and acquisition financing are the primary business drivers across the credit space. Secondary/tertiary UK locations remain challenging, but prime UK cities & strong European locations continue to attract interest, although the bar remains high for scale and counterparty quality, particularly in challenging sectors. As we go into 2026, we expect to see London based lenders explore new geographies as well as compete in the current market.



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Germany

The German real estate market is stabilizing after a period of correction. So far transaction volumes in 2025 are flat compared to 2024, with annual volumes expected around €35–40 billion. Residential assets remain the largest segment, supported by strong demand and limited supply, especially in urban centres. Prices and rents for residential properties are rising again. Office and retail segments face structural challenges, with office vacancies increasing and retail adapting to new consumer trends. The hotels segment saw a clear improvement in transaction volume in 2025.

Financing conditions have tightened, with higher margins and stricter lending standards. Margins for existing properties are now between 220–240 bps, and project financing margins have risen to 337 bps. Developers are actively seeking alternative financing options, such as debt funds and joint ventures, as traditional bank financing is more expensive and selective, but price expectations between lenders and borrowers often diverge. Banks require relatively high shares of equity, in particular for developments.

Most market participants expect 2025 to be a year of stabilization, with optimism postponed to 2026 or even 2027. Prime yields are expected to be rather flat in 2025 and may see some compression in 2026. The new German government's fiscal stimulus and infrastructure investment may provide momentum, but risks remain from global trade tensions and refinancing challenges ("maturity wall"). Residential, logistics, hotels, and niche sectors (e.g., serviced apartments, defence) are attracting more interest. Alternative financing and digital transformation are key themes for the industry's future.



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Published in December 2025

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