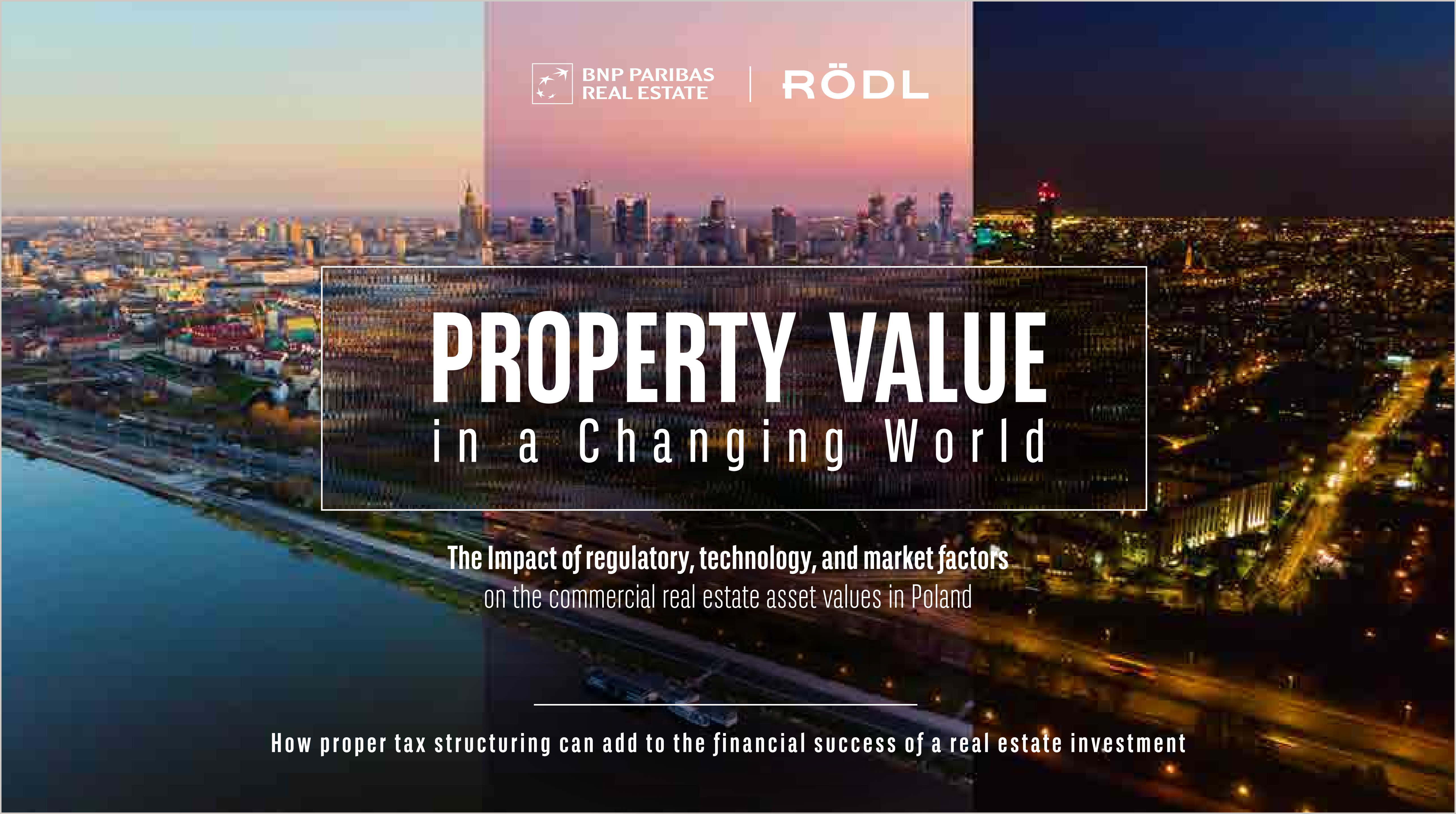


BNP PARIBAS REAL ESTATE | RÖDL

PROPERTY VALUE in a Changing World

The Impact of regulatory, technology, and market factors on the commercial real estate asset values in Poland

How proper tax structuring can add to the financial success of a real estate investment

Introduction

Poland has firmly established itself as a leading destination for commercial real estate investment within Central and Eastern Europe...

...attracting significant international capital due to its robust economic fundamentals and dynamic property market. The sector now faces a pivotal moment, as foundational drivers of property value—such as location, lease stability, and tenant demand—are being transformed by emerging factors. The integration of Environmental, Social, and Governance (ESG) principles, the accelerating adoption of Artificial Intelligence (AI), and shifting market dynamics are all redefining how assets are valued and managed.

This report provides a comprehensive analysis of these transformative forces, set against the backdrop of Poland's regulatory and market environment. It places particular emphasis on the critical importance of tax structuring for investors, especially those from abroad. The Polish tax landscape—comprising corporate income tax, VAT, and local levies—plays a decisive role in shaping investment efficiency, influencing both returns and risk exposure. Strategic planning around holding structures, financing arrangements, and exit strategies is essential for maximizing value and minimizing tax liabilities.

Given the heightened scrutiny from Polish tax authorities, transparency and compliance have become indispensable for sustainable investment success. International investors must possess a deep understanding of local regulations, enforcement practices, and the potential tax consequences throughout the lifecycle of an investment. Anticipating regulatory developments and adapting proactively is vital not only for protecting assets but also for capitalizing on opportunities in Poland's evolving real estate landscape.

Małgorzata Fibakiewicz
Chief Executive Officer,
BNP Paribas Real Estate Poland

Katarzyna Dębińska-Pietrzyk
Partner, Attorney at Law (Poland),
Head of Real Estate, RÖDL

The New Foundations of Property Value

1.1.

Beyond Location: The Modern Value Equation

While location remains a cornerstone, property value today is increasingly determined by:

1. NET OPERATING INCOME (NOI) AND LEASE STABILITY

Long-term leases and quality tenant base underpin optimal NOI, but are now influenced by sustainability and technological adaptation.

MAIN VALUE DRIVERS:

Well-Structured Lease Agreements:
Long-term, transparent, and carefully drafted lease arrangements play a crucial role in ensuring a resilient income stream.

Tenant Quality:
Reputable tenants who priortize sustainability and corporate responsibility, as these tenants are more likely to stay and pay premium rents for certified, efficient spaces.

Occupancy Rates:
High and stable occupancy is a positive value indicator.

Lease Agreement Features to Consider	
Predictive Indexation	Incorporating regular rent reviews linked to inflation or recognized market indices ensures that rental income remains aligned with rising costs and broader economic trends, safeguarding the real value of returns over time.
Low-Risk Break Options	Clearly defined and limited tenant break clauses reduce uncertainty for landlords, minimizing the risk of premature lease termination and potential vacancy periods.
Transparent Service Charges and Fully Recoverable Operating Costs	Comprehensive and clear documentation of all operating expenses allows landlords to reliably recover costs from tenants. This transparency reduces financial risk and underpins stable property valuations.
Strong covenants	Both bank guarantee or deposit payment reduce the landlord's exposure to credit risk and enhance the predictability of cash flows. Well-structured guarantees and deposit frameworks not only protect income streams but also signal prudent risk management to stakeholders and investors. This increased financial assurance can support stronger property valuations and facilitate smoother lease negotiations, contributing to long-term asset resilience.

1.2.

ESG and Energy Efficiency

Buildings with poor energy performance face tangible value reductions ("brown discount"), while those excelling in ESG standards command a "green premium."

MAIN VALUE DRIVERS:

Outstanding Energy Performance:

Buildings with superior energy ratings—such as high EPC scores—feature advanced insulation and state-of-the-art heating, cooling, and lighting systems. These properties significantly lower operational expenses, a critical factor for both tenants and owners amid rapid cost increases over the past three years. Additionally, their lower carbon footprint is essential for attracting tenants who value sustainability and for ensuring compliance with evolving regulatory standards.

Occupant Wellbeing Features:

Buildings designed for occupant health—such as those with good air quality, natural light, and flexible spaces—attract and retain high-quality tenants, contributing to tenants' satisfaction and in turn stable income streams.

Strong ESG Credentials:

Properties certified to recognized sustainability standards (e.g., BREEAM, LEED) are increasingly favoured by investors and tenants. Features such as renewable energy sources, sustainable materials, and robust waste management practices enhance value.

Feature	Certified Rent Property	Uncertified Rent Property
Rent Level	Generally commands a premium (higher).	Generally commands market average or a "brown discount" (lower).
Vacancy Rates	Tends to have lower vacancy rates and higher occupancy.	Tends to have higher vacancy rates.
Operational Costs	Often has lower operational and maintenance costs due to efficiency.	May have higher operational costs.
Tenant Appeal	Highly attractive to tenants with ESG goals or corporate sustainability targets.	Less attractive to sustainability-focused tenants.
Future-Proofing	Considered more "future-proofed" against evolving regulations.	Faces potential obsolescence or need for expensive retrofits to meet future standards.
Stronger Investment Appeal	Stronger Investment appeal for core investors seeking long-term income stability, willing to pay quality premium.	Potential target for opportunistic or "value-add" investors.

What Makes Tenants Feel Good?

Tenants feel best in buildings that combine:

FOOD & BEVERAGE OPTIONS

café, coffee points, or food court, vending with healthy options, nearby retail and services

OUTDOOR & BIOPHILIC SPACES

terraces, balconies, courtyards, green areas and natural materials

CORE ESG COMPLIANCE

energy efficient building systems, waste segregation and recycling, certification standards in prime markets

RESPONSIVE PROPERTY MANAGEMENT

fast response to issues, clear communication

EFFICIENT ACCESS & LOCATION FUNCTIONALITY

good public transport access, efficient elevators

COMMUNITY & EXPERIENCE SERVICES

events and networking activities, tenant wellness programs, concierge services

HEALTHY INDOOR ENVIRONMENT

ventilation, filtration, thermal & acoustic control, natural day light

HIGH QUALITY COMMON AREAS

attractive lobby and reception, informal meeting and collaboration zones, shared conference facilities

MOBILITY ENHANCEMENTS

bicycle parking and showers, EV charging stations, changing rooms and lockers

CLEANLINESS, SAFETY & SECURITY

consistent cleaning standards, professional security and access control

SMART BUILDING FEATURES

building apps, occupancy sensors, room booking systems

RELIABLE TECHNOLOGY & CONNECTIVITY

fast, resilient internet infrastructure, building systems reliability, stable power supply

MAŁGORZATA FIBAKIEWICZ, MRICS

Chief Executive Officer,
BNP Paribas Real Estate Poland

> "Tenants increasingly view building certification not as a branding or image driven feature, but as confirmation of the real quality of the workplace.

Certified buildings are associated with greater comfort, a healthier indoor environment, predictable operating costs, and a stronger focus on people. While the absence of certification does not automatically disqualify a building, it does raise a number of questions regarding technical standards, energy efficiency, and long-term attractiveness.

At the same time, key amenities today go beyond traditional common areas and include high indoor air quality, access to natural daylight, flexibility in space configuration, bicycle facilities, and efficient, intuitive technological solutions. It is this combination of certification and functional, well designed amenities that makes tenants feel comfortable in a building, which in turn translates into longer term lease commitments.

Future-Proofing and Compliance: Ensuring property is prepared for upcoming regulatory changes, such as stricter energy efficiency requirements or ESG disclosures.

1.3.

Capital Expenditure, Modernization Priorities and Technology

Outdated assets lose value unless modernized to meet new standards.

Green-labelled buildings, often require significant capital expenditure to upgrade insulation, systems, and renewable energy integration. However, these investments are typically recouped through higher rental income and increased sale prices compared to conventional properties. Modern, energy-efficient buildings also attract a broader tenant base, reducing vacancy risk and promoting longer lease terms.

Ultimately, allocating capital towards modernization not only future-proofs an asset against tightening regulations but also enhances its long-term value and competitiveness in the market.

Investing in advanced technologies and maintaining high operational functionality is crucial for preserving the value of a commercial building, as these enhancements not only drive efficiency and cost savings but also ensure continued appeal to tenants and resilience against future market and regulatory changes.

Dariusz BĄK
Technical Portfolio Manager
BNP Paribas Real Estate Poland

“

Implementing state-of-the-art insulation systems is a pivotal strategy for optimizing both operational efficiency and long-term asset value.

Enhanced insulation not only stabilizes indoor temperatures—minimizing the reliance on heating and cooling systems—but also safeguards the performance and longevity of technical infrastructure. This directly translates into reduced maintenance expenditures and fewer unplanned repairs, ensuring predictable operating costs and higher reliability for building owners.

In terms of sustainability, lowering energy consumption through advanced insulation is integral to meeting evolving environmental standards and ESG benchmarks. By curbing carbon emissions, properties become compliant with stricter regulatory frameworks and are less susceptible to future retrofitting expenses. Well-insulated buildings thus represent a proactive approach to regulatory risk management and future-proofing.

Beyond efficiency and compliance, modern insulation fundamentally elevates occupant comfort by delivering superior thermal stability, minimizing drafts, and enhancing acoustic conditions. These attributes foster a healthier, more productive environment that supports tenant satisfaction and retention—key drivers for securing long-term leases and stable revenue streams.

Moreover, energy-efficient assets consistently attract a wider pool of quality tenants, investors, and lenders. The improved marketability and liquidity of such buildings facilitate access to green and sustainability-linked financing, further reinforcing the asset's competitive edge. Ultimately, prioritizing high-performance insulation is not only a measure for reducing operating costs but also a strategic investment that underpins the enduring value, resilience, and reputation of the property in an increasingly demanding marketplace.

MAIN VALUE DRIVERS:

Modernization and CAPEX allocation:
Prioritize upgrading outdated assets to comply with the latest standards and regulatory requirements.

Modern insulation:
Significantly reduces energy consumption. This leads to lower utility bills for both property owners and tenants, enhancing the building's overall cost-efficiency.

MAIN VALUE DRIVERS:

Installing energy-generating systems:
Such as photovoltaics is a key strategy for modernizing properties. These systems significantly reduce reliance on traditional energy sources, resulting in lower utility costs for both owners and tenants.

Investing in advanced BMS technology:
Enhances operational efficiency and reduces overall costs related to the direct energy consumption and ability to effectively manage utilization of various building systems.

From a day-to-day operational perspective, advanced BMS technology:

- Reduces operational and energy costs
- Minimizes technical and financial risk
- Improves tenant comfort and retention
- Enhances ESG data quality and compliance
- Extends asset lifespan and reliability

Space features and well-being:
Integrate technologically advanced amenities tailored to tenant needs, such as smart building systems, high-speed connectivity, adaptable workspaces, and secure access controls. Consider adding EV charging stations, touchless entry points, and advanced wellness facilities equipped with indoor air quality monitoring and circadian lighting. These innovations not only enhance the property's appeal and tenant experience but also contribute to higher occupancy rates and set the asset apart in a competitive market.

Regular Maintenance and upkeep:
Consistently invest in repairs and upgrades to preserve asset value and avoid depreciation due to neglect using advance platforms that empowers your real estate portfolio with integrated technology ensuring successful facility, maintenance, and ESG operations.

1.4.

Regulatory and Market Risks

Rapidly evolving regulations (e.g., EU energy standards, Basel IV) and shifting investor sentiment introduce new layers of risk and opportunity.

MAIN VALUE DRIVERS:

Demand dynamics:
In the current market, growth in occupied space remains restrained due to subdued economic conditions. However, ongoing positive migration trends have the potential to offset this slowdown, helping to maintain demand levels despite broader economic challenges.

Work from anywhere:
Change of how tenanats work and operate.

Supply heavily influenced by higher interest rates and financing availability:
The cost and availability of debt impact investment returns and asset pricing.

By thoroughly assessing these aspects, investors can position their assets to achieve the highest possible valuation, ensuring both immediate and long-term competitiveness in a dynamic property market.

THE SHIFT FROM TRADITIONAL TO MODERN VALUE DRIVERS

PAST (traditional)

NOI - FOCUSED
- Rental income
- Vacancy levels
- Prime location

CAPEX REACTIVE
- Deferred maintenance
- Short-term cost control
- Repair after failure

LIMITED TECHNOLOGY
- Manual controls
- Periodic reporting
- Low system integration

LOW REGULATORY PRESSURE
- Basic compliance
- Little sustainability data
- Lower transparency

TENANT PRICE SENSITIVITY
- Rent-driven decisions
- Short leases
- High churn risk

TODAY (modern)

ESG-DRIVEN PERFORMANCE
- Energy efficiency & carbon impact
- Tenant wellbeing & comfort
- Certifications (BREEAM / LEED / WELL)

CAPEX STRATEGIC
- Planned lifecycle investments
- Long-term value preservation
- Predictive maintenance

SMART TECHNOLOGY
- Advanced BMS / smart metering
- Real-time data & analytics
- Integrated building systems

REGULATION-DRIVEN RISK
- EU taxonomy / EPBD requirements
- Carbon reporting & audits
- High data transparency

TENANT EXPERIENCE FOCUS
- Workplace quality & flexibility
- Longer commitments & renewals
- Retention & loyalty

MODERN PROPERTY VALUE is no longer defined solely by income today, **BUT BY RESILIENCE TOMORROW:**

EFFICIENT OPERATIONS + **ESG** ALIGNMENT + **SMART** TECHNOLOGY + **REGULATORY** READINESS

=

SUSTAINABLE NOI AND **LONG-TERM VALUE PROTECTION**

ESG: The Regulatory Revolution - The EPBD 2024 Directive and its Implications

The European Performance of Buildings Directive (EPBD 2024) sets ambitious decarbonization targets for the building sector:

01

Minimum Energy Performance Standards (MEPS):

By 2030, non-residential buildings must undergo significant renovations, with further improvements by 2033.

02

Solar Energy and Renovation Passports:

Greater use of renewables and structured renovation plans are mandated.

03

Energy Performance Certificates (EPC):

Harmonized, transparent EPCs across the EU will facilitate cross-border investment and access to green financing.

04

Zero-Emission Buildings (ZEB):

New buildings must meet ZEB standards by 2030 (2028 for public buildings), with a complete phase-out of fossil fuel boilers by 2040.

2.1. Minimum Energy Performance Standards (MEPS)

MEPS are minimum energy performance standards for buildings that EU Member States are required to implement for existing buildings, particularly those with the lowest energy efficiency.

The introduction of minimum energy performance standards for non-residential buildings, together with the obligation to carry out significant renovations by 2030 and further improvements by 2033, brings about a fundamental change in the management of commercial real estate portfolios.

The ambitious decarbonization targets introduced by the EPBD 2024 Directive translate into direct and measurable effects on the real estate market. Individual regulatory instruments of the directive affect the real estate sector in different ways, shaping both short-term investment decisions and long-term asset value.

Firstly, MEPS create a rigid timeframe for modernization, which eliminates the possibility of postponing investments that improve energy efficiency. In practice, this means that capital expenditure must be planned in advance, which will have a direct impact on the current profitability of the property and its valuation.

Secondly, properties that do not meet MEPS requirements are at risk of losing their market functionality, particularly in the office and retail segments. This risk results in a decline in attractiveness to tenants, pressure to reduce rents, and potential restrictions on the trading of properties with the lowest energy performance.

2.2.

Solar energy and renovation passports

EPBD 2024 establishes an obligation to provide 'suitable solar energy installations' on certain categories of buildings, provided that this is technically, economically, and functionally feasible. In this regard, the obligation will be implemented gradually, starting with new public and non-residential buildings, but extending further to existing public and non-residential buildings and, subsequently, to new residential buildings.

A renovation passport, as defined by the EPBD, is an individual, long-term plan for the modernization of a specific building, aimed at gradually improving its energy efficiency. This document describes the current technical and energy status of the building and indicates a logical sequence of renovation measures leading to the achievement of target standards.

The obligation to increase the use of renewable energy sources, including solar installations, and the introduction of renovation passports leads to the structuring of the building modernization process. Renovations are no longer ad hoc, but become part of a long-term regulatory strategy.

For owners and investors, this means greater predictability of future obligations, but at the same time formalization of energy transition costs, which may have previously been spread out over time. Renovation passports are becoming an important element of due diligence analysis, revealing not only the current condition of a building, but also its future investment path, which is directly reflected in transaction prices.

2.3.

Energy Performance Certificates (EPC)

Harmonizing and increasing the transparency of energy performance certificates across the European Union strengthens the role of EPCs as a comparative and financial tool, rather than merely an informational one.

In practice, EPCs are becoming a common language for investors operating in cross-border markets, enabling a more accurate assessment of regulatory risk and the costs of energy transition. At the same time, the standardization of EPCs promotes the integration of energy data into financing processes, increasing the importance of energy ratings in assessing the creditworthiness of real estate and the conditions for access to green financing. Properties with poor energy performance are becoming more visible on the market, which accelerates the process of price adjustment.

2.4.

Zero-Emission Buildings (ZEB)

The obligation to construct new buildings to zero-emission standards from 2030 (2028 in the case of public buildings) is leading to a permanent change in design and development standards in the real estate sector.

From the perspective of developers, this means an increase in initial investment costs and the need to use advanced construction and energy technologies. At the same time, buildings that meet the ZEB standard are characterized by lower regulatory and technological risk, which has a positive impact on their long-term value and investment attractiveness.

In addition, the planned phase-out of fossil fuel-based boilers has a significant impact on the existing building stock, accelerating decisions to replace heating systems and reducing the profitability of maintaining properties based on outdated energy infrastructure.

Maciej OGÓREK
Senior Associate, Attorney at Law (Poland), Certified Sustainability Assurance Expert (Frankfurt School of Finance & Management)
RÖDL

“The requirements introduced by EPBD 2024 should not be seen solely as another step towards tightening technical standards for buildings.

Their significance lies primarily in a permanent shift in the focus of regulation - from assessing the energy performance of a building “here and now” to assessing its ability to function in the long-term trajectory of decarbonization. In this sense, EPBD 2024 redefines the economic foundations of the real estate market, affecting not only operating costs, but also the way assets are valued, financed, and managed.

Energy efficiency is becoming a measure of a property's resilience to regulatory and technological risks. Buildings that do not meet the requirements of the directive or lack a realistic path to compliance are at risk of gradually losing their market attractiveness. On the other hand, assets capable of transformation—even if they require significant investment—gain a competitive advantage resulting from regulatory predictability and better access to capital. EPBD 2024 also accelerates the process of integrating climate regulations with market mechanisms. As a result, the real estate market is increasingly differentiating assets not by location or function, but by their compliance with the EU's long-term climate policy.

In the long-term, EPBD 2024 should be seen as an instrument of structural transformation of the real estate market, and not merely as a source of additional obligations. The directive forces a shift from a reactive property management model to a strategic approach, in which modernization planning, regulatory risk management, and the integration of ESG criteria become essential elements of asset protection and value creation. For market participants, this means redefining existing business models, but at the same time it opens up space for more stable, predictable, and resilient real estate portfolios.

The Cost of Carbon: EU ETS2 and Basel IV

3.1.

EU ETS2: Extending Carbon Pricing

The extension of the EU Emissions Trading System (EU ETS2) to buildings means:

01

Higher Operating Costs:

Obligatory purchase of emission allowances will increase fuel and heating costs, especially for buildings reliant on fossil fuels.

02

Pressure on NOI and CAPEX:

Owners must invest in energy efficiency to maintain profitability and meet future market and financing requirements.

03

Tenant and Investor Preferences:

Demand is shifting toward low-emission buildings, with non-compliant assets facing declining demand and value.

3.2.

Basel IV: Financing Under Scrutiny

Basel IV introduces stricter capital requirements for banks, raising the cost and selectivity of real estate financing. Assets with stable, long-term cash flows and strong ESG credentials are favored, while riskier, outdated properties face higher borrowing costs and liquidity risks.

IMPACT OF EU ETS2 & BASEL IV ON PROPERTY CASH FLOW, VALUE, AND FINANCING

REGULATORY DRIVERS

EU ETS (from 2027)

Carbon pricing on buildings and heating fuels

Basel IV (from 2025-2026)

Stricter bank capital rules & risk-weighted assets (RWA)

OPERATIONAL & FINACIAL IMPACT

Increased Operating Costs

Higher energy and heating expenses (carbon cost)

More detailed monitoring and reporting requirements

Increased Capital Expenditure (CapEx)

Energy efficiency upgrades

Decarbonization investments

Technical and insulation improvements

CASH FLOW EFFECTS

Net Operating Income (NOI) Pressure

Higher energy and heating expenses (carbon cost)

CapEx impacts free cash flow in the short term

Risk of partial cost leakage (tenant affordability)

VALUATION IMPACT

Property Value Adjustments

Lower NOI - downward pressure on value

Higher risk premium / yield for non-compliant assets

Risk of “brown discount” vs “green premium”

Potential obsolescence and shorter economic life

FINANCING IMPACT (BASEL IV FOCUS)

Stricter Lending Conditions

Higher risk weights for energy-inefficient asstes

Reduced loan - to - value (LTV) ratios

Higher margins and stricter covenants

Preference for ESG-aligned, future-proof buildings

STRATEGIC RESPONSE / MITIGATION

Value Protection & Upside

Energy retrofits reduce EU ETS2 exposure

Lower OPEX stabilises NOI

Improved ESG profile lowers financing costs

Better liquidity and exit pricing

SUMMARY

EU ETS2 increases operating and carbon costs

Basel IV tightens access to capital

Assets failing to adapt face lower cash flow, reduced value and more expensive financing

ESG investment becomes a financial necessity

Katarzyna DĘBIŃSKA-PIETRZYK
Partner, Attorney at Law,
Head of Real Estate
RÖDL

> Regulatory changes, especially those dictated by EU ETS2 and Basil IV, make ESG no longer just an image-building exercise, but more a crucial factor shaping the access to finance and the level of investment risk.

As the above analysis shows, properties that fall short of new standards will not only generate higher operating expenses but will face pressure from financing institutions in the form of more restrictive credit and higher margins.

From the legal and transactional perspective, this requires an early and more comprehensive accommodation of regulatory aspects throughout the project lifecycle – from the due diligence study to funding structure to exit strategy. Identification of regulatory risks and their allocation in transaction documentation, including through safeguards, modernization commitments or proper cash flow modelling, are gaining in importance. Our practice shows that investors and lenders favor future-proof assets, that is those that not only meet the current requirements but have a realistic plan for adaptation of future regulations. In effect, rightly planned investments in energy efficiency and ESG transparency translate into not only protection of asset value but also their better liquidity and attractiveness upon exit.

Artificial Intelligence: The New Value Driver

AI is rapidly transforming the real estate sector enabling real-time optimization of building systems, predictive maintenance, and advanced asset management, directly enhancing NOI and energy performance.

4.1.

AI Adoption

Individual AI Use and Attitudes

69% of Polish respondents use AI tools regularly (at least every few months), higher than the global average of 66%.

Only **41%** of Poles declare trust in AI, below the global average of 46%.

90% of Polish respondents are unaware of existing regulations concerning AI (e.g., the EU AI Act).

BUSINESS AND ENTERPRISE ADOPTION INCL. REAL ESTATE – KEY FACTS

More than half **(55%)** of large enterprises in the EU implemented AI technologies in 2025, underscoring robust uptake among major organizations.

EU-wide, AI adoption jumped by **6 PERCENTAGE POINTS** from 2024 to 2025, signaling accelerated growth across the continent.

In 2025, just **8%** of Polish companies with more than 10 employees used AI tools, ranking Poland second to last among EU nations and significantly trailing the EU average of 19.95%.

Over **25%** of EU companies in the real estate sector reported engaging in AI-related activities, reflecting the technology's expanding influence.

Only **30%** of Polish employees say their organizations have formal policies governing the use of AI.

Within the EU, the information and communication sector saw **THE HIGHEST RATE OF AI ADOPTION** among enterprises in 2025.

PROPTECH ECOSYSTEM IN THE WORLD:

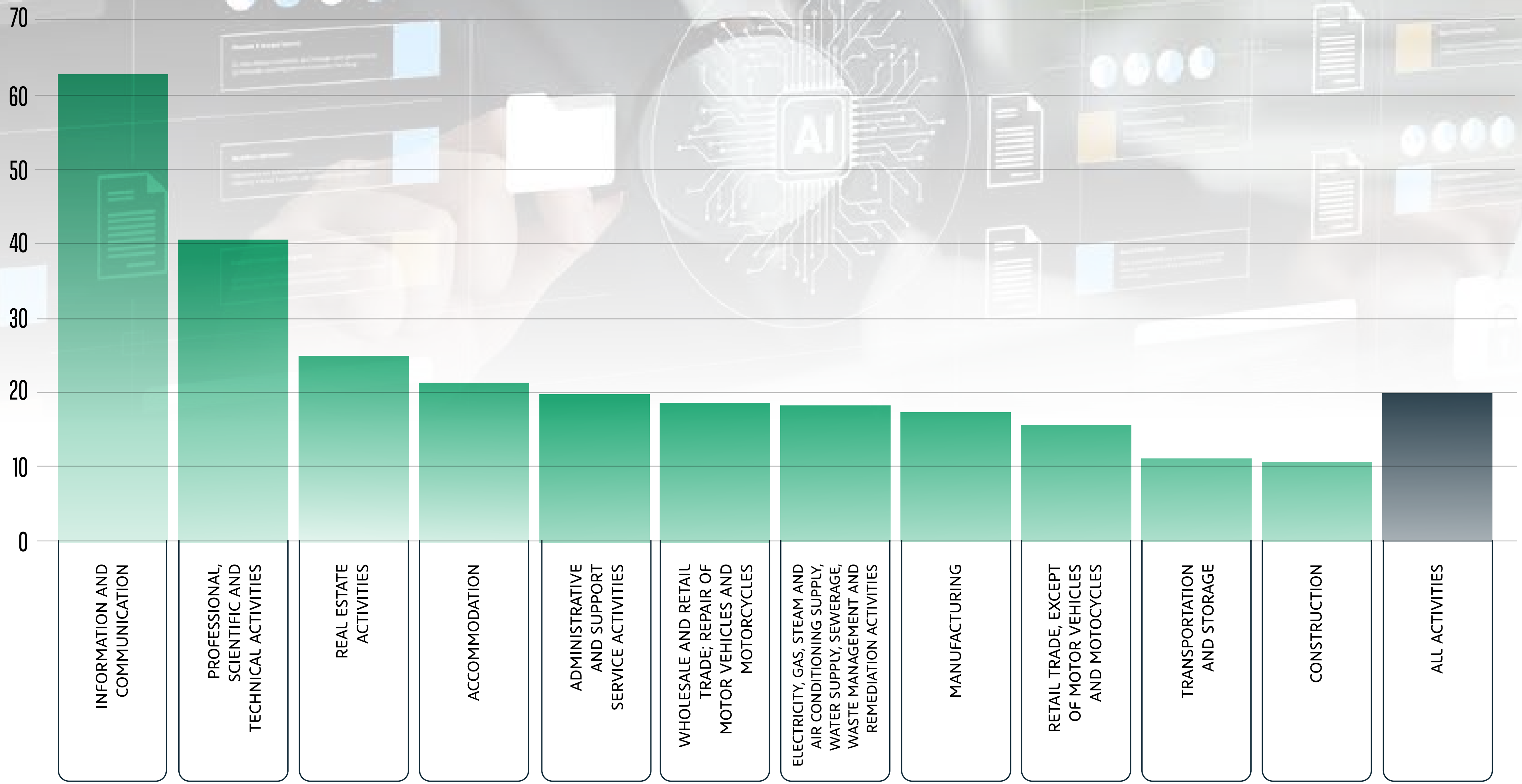
Over **700** startups and firms offer AI-driven solutions for energy management, portfolio optimization, predictive maintenance, and ESG reporting.

ENTERPRISES USING AI TECHNOLOGIES BY SIZE CLASS, EU, 2024 AND 2025

(% of enterprises)

ENTERPRISES USING AI TECHNOLOGIES BY ECONOMIC ACTIVITY, EU, 2025

(% of enterprises)



4.2.

AI's Impact on Value and Investment

Green Premium

Smart buildings with AI-driven energy and data management attract higher rents, values, and tenant demand.

Risk Reduction

AI supports compliance with climate policy, reduces operational and regulatory risks, and enhances investment decision-making.

Market Penalty for Lagging Assets

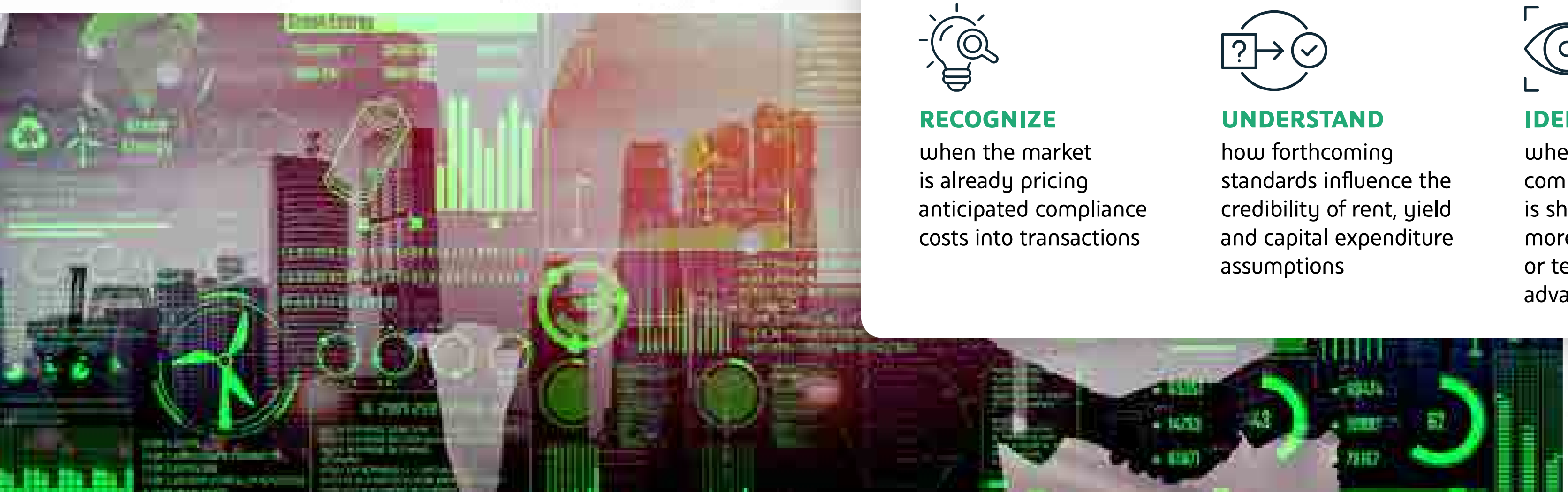
Technologically obsolete, energy-intensive properties are increasingly discounted ("brown discount").

The RICS Valuation – Global Standards (Red Book 2025), which took effect on January 31, 2025, introduces substantial updates that are transforming valuation practices worldwide. Notably, the Red Book advocates for the integration of AI technologies and automated valuation models (AVMs) into valuation processes, as long as their application is guided and supervised by qualified professionals to ensure accuracy and reliability.

Market Impact | Valuer Perspective

For valuers, the accelerating shift toward sustainability compliance, digitalization and regulatory tightening is transforming not only the outcomes of valuation analyses but also the way professional judgment is formed.

Rather than simply adjusting inputs, valuers today must interpret a fast evolving environment in which energy standards, technological capability and investor expectations directly influence evidence, assumptions and the transparency of reporting.



5.1.

A New Evidence Landscape

From the valuer's viewpoint, the market is increasingly shaped by the pace of regulatory change.

Requirements linked to Zero Emission Buildings and high Energy Performance Certificate ratings are no longer abstract policy goals—they are now observable in leasing behavior, due diligence processes and lender scrutiny. This means the valuer must:

RECOGNIZE
when the market is already pricing anticipated compliance costs into transactions

UNDERSTAND
how forthcoming standards influence the credibility of rent, yield and capital expenditure assumptions

IDENTIFY
when a property's competitive position is shifting relative to more energy efficient or technologically advanced comparables

The key challenge is not simply interpreting energy performance data, but assessing where market participants see the asset on its transition pathway and how this affects risk perception.

5.2.

Interpreting Operational and Technical Readiness

As buildings face higher expectations for performance monitoring, renewable energy integration and digital building systems, valuers increasingly evaluate operational competence alongside physical specification. The valuer's task is to discern:

- whether the asset demonstrates the organizational and technical readiness needed to maintain or improve compliance,
- how effectively management practices support building performance, and
- whether technological shortcomings (or strengths) materially influence its competitive positioning.

These questions matter because a property lacking credible operational readiness may face future

INCOME INSTABILITY, UNBUDGETED CAPITAL EXPENDITURE OR LIMITED INTEREST FROM INSTITUTIONAL BUYERS

—all of which shape the valuer's professional judgment.

5.3.

Understanding Market Segmentation and Pricing Discipline

The market continues to separate into future-ready, transitional and non-transitioning assets. From the valuer's perspective, this segmentation requires careful assessment of comparables, ensuring that:

- evidence reflects differences in energy performance and technological maturity even when headline rents appear similar,
- adjustments capture the impact of planned versus unplanned capital expenditure; and
- the weight placed on each comparable aligns with how the market differentiates between compliant and non-compliant buildings.

The practical implication is that two assets of similar age, location and size may exhibit materially different risk profiles solely due to their readiness for regulatory and technological shifts. Such differences must be reflected consistently in the valuer's rationale, assumptions and commentary.

ARTIFICIAL INTELLIGENCE AS PART OF THE SPECIFICATION AND DATA ECOSYSTEM

Artificial Intelligence now influences valuation from two angles:

ASSET PERFORMANCE

AI-enabled systems improve efficiency, enhance user comfort and produce more reliable ESG related data. For the valuer, these capabilities form part of the property's functional specification, demonstrating resilience and lowering operational risk.

QUALITY OF INFORMATION

As Red Book 2025 emphasizes data quality and transparency, AI supported monitoring and reporting infrastructure can strengthen the reliability of the information on which the valuer relies.

Conversely, buildings lacking digital traceability may create higher uncertainty, requiring more conservative assumptions and clearer explanation of limitations.

5.3.

Professional Judgement in a Transitioning Market

The evolving regulatory environment heightens the importance of professional scepticism. Valuers must evaluate:

- the credibility of transition plans presented by owners,
- the realism of cost estimates linked to future compliance,
- the adequacy of available data and documentation, and
- whether stated sustainability ambitions align with observable asset condition and market evidence.

This blend of qualitative and quantitative assessment is central to delivering valuations that meet Red Book expectations and remain defensible in the face of rapid market change.

5.4.

The Valuer's Role in a Forward Looking Market

Ultimately, the valuer's perspective is shaped by the need to integrate diverse signals—regulatory, technical, environmental and behavioural—into a coherent professional opinion of value.
In today's environment, this requires the valuer to:

- assess not only what the asset is, but its capacity to evolve,
- interpret how the market prices compliance risk and technological relevance,
- evaluate the consistency and reliability of ESG and operational data, and
- articulate clearly how these factors influence assumptions, risk commentary and conclusions.

This marks a shift from a retrospective, evidence-anchored approach to one that remains grounded in market data but is responsive to the accelerating pace of change affecting commercial real estate.

RICS Red Book 2025 - Executive Summary of Valuation Standards

Professional and Ethical Standards (PS)	✓ Integrity and objectivity ✓ Independence ✓ Competence ✓ Confidentiality ✓ Professional behaviour
Valuation Practice Standards (VPS)	✓ Terms of Engagement ✓ Bases of Value ✓ Valuation Approaches and Methods ✓ Data Quality and Analysis
Valuation Uncertainty and Transparency	✓ Market volatility ✓ Limited transactional evidence ✓ High reliance on assumptions
ESG and Sustainability Considerations	✓ Rental income and demand ✓ Operating costs ✓ Capital expenditure requirements ✓ Asset liquidity and obsolescence risk
Reporting Requirements	✓ Identification of the client and intended users ✓ Purpose and basis of valuation ✓ Valuation date ✓ Description of the asset and market context ✓ Methodology and key assumptions ✓ Statement of compliance with RICS Red Book ✓ Valuer's declaration and signature
Auditability and Record Keeping	✓ Maintain proper records and working papers ✓ Ensure audit trail and traceability of assumptions ✓ Retain documentation in line with RICS requirements

"Valuing real estate in this new era goes beyond just analyzing location and rental rates—it's fundamentally about assessing how well an asset can adapt to ESG and technological demands. Buildings that fail to keep up with these changes lose value faster than ever.

Arkadiusz BIELECKI, MRICS
Head of Valuation,
BNP Paribas Real Estate Poland

Commercial Real Estate Investment Market: Polish Examples

Since embarking on its journey toward a market economy in 1989, Poland has evolved into one of Europe's premier destinations for commercial real estate investment. The nation's swift economic growth and the modernization of its property stock have drawn substantial international capital, solidifying Poland's reputation as a vibrant and resilient market within the region.

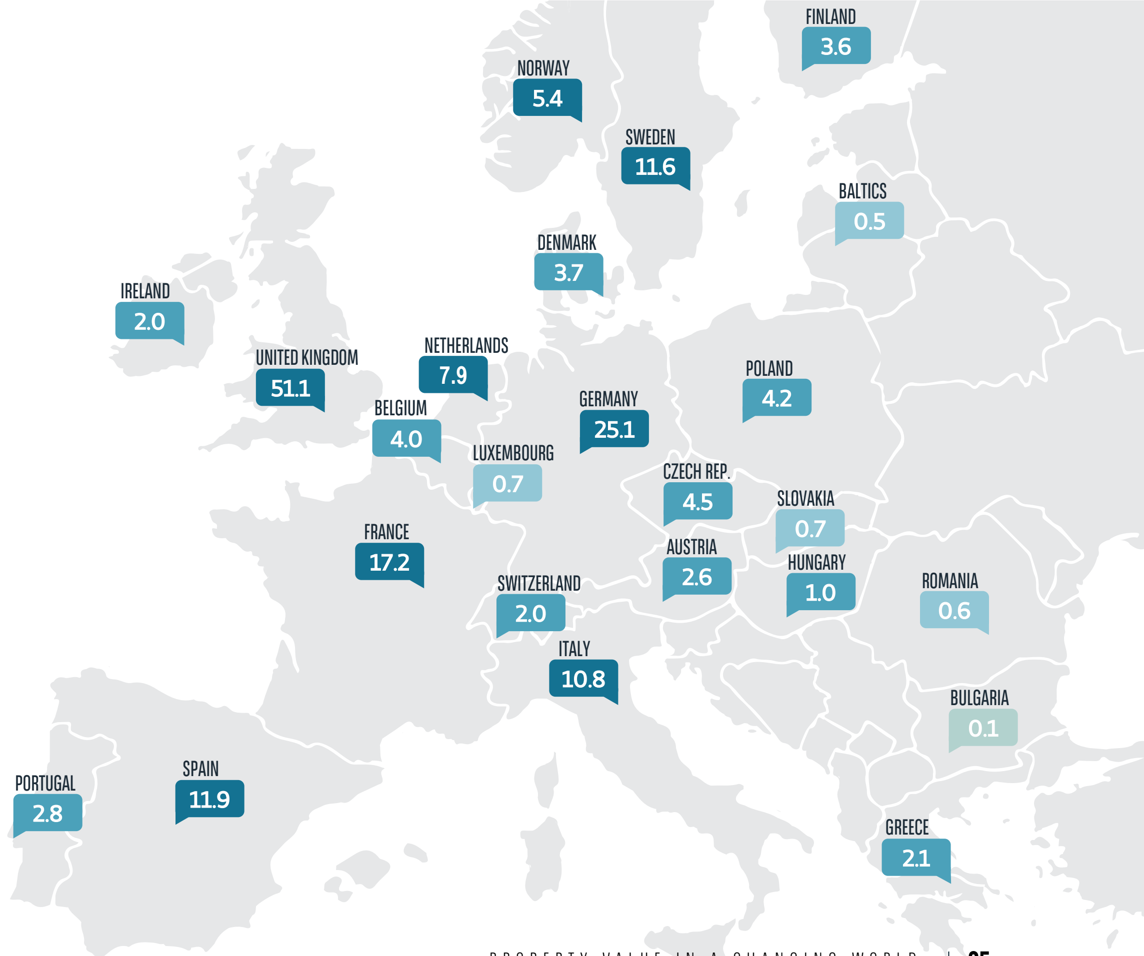
Even in the face of macroeconomic and geopolitical headwinds, Poland's commercial real estate sector continues to demonstrate strong investor appeal, especially in value-add and opportunistic segments. Office, retail, and logistics assets remain highly sought-after, although the scarcity of large-scale "core" transactions points to a more selective and cautious stance among investors. In 2025, the market's resilience was evident, with transaction volumes reaching 4 billion EUR—almost double the amount recorded in 2023. This impressive momentum was fueled by robust domestic capital activity and a steady stream of smaller deals, which helped sustain market liquidity despite a slowdown in major transactions. Across all asset classes, rental rates increased and yields remained steady, reflecting a healthy and balanced investment landscape.

2025 vs 2024

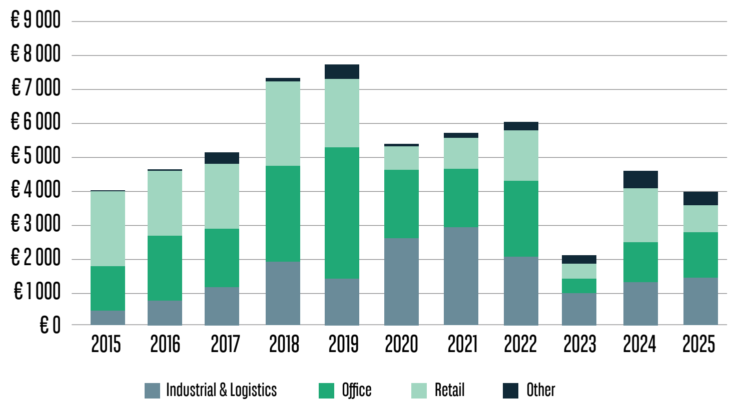
UNITED KINGDOM	+4%
GERMANY	-3%
FRANCE	+8%
SWEDEN	+30%
NETHERLANDS	+6%
SPAIN	+40%
ITALY	+10%
NORWAY	-17%
POLAND	-10%
BELGIUM	+52%
DENMARK	+16%
FINLAND	+129%
IRELAND	-2%
AUSTRIA	+33%
LUXEMBOURG	+221%

Investment volume

- ≥ €5bn
- €1 - 5bn
- €400 - 1bn
- < €400m



INVESTMENT VOLUME BY ASSET CLASS (M EUR)



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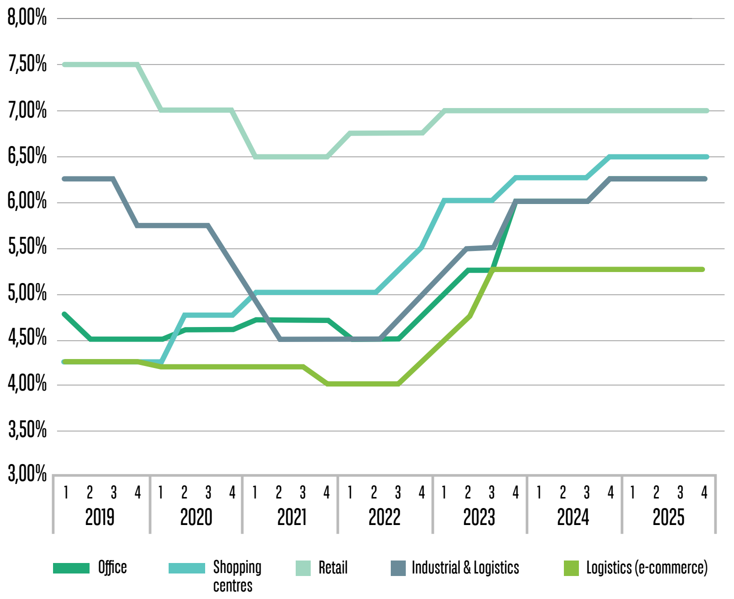

Building on this momentum, another key factor shaping Poland's commercial real estate market is the rising prominence of ESG criteria, which increasingly influence both asset selection and portfolio strategies. The relative modernity of Poland's property stock—developed largely since 1989—means that many assets are well-equipped to meet contemporary sustainability and technological standards. However, with some older properties beginning to lag behind, value-add and opportunistic investors are finding opportunities to boost returns through upgrades, repositioning, or full-scale transformations. This dynamic is especially evident in 2025, as higher interest rates have made core assets less liquid, prompting investors to seek out transitional and redevelopment projects that offer the potential for enhanced returns.

Additionally, Poland's favorable macroeconomic backdrop continues to support the market's strength. GDP growth of 3.5–3.6% in 2025, with forecasts rising to 3.7% in 2026, coupled with historic inflows of EU funds, have spurred investment and accelerated infrastructure development. These positive fundamentals—alongside rising rental incomes and stable access to financing—are giving investors greater confidence in the predictability of returns and driving strategic shifts in portfolio allocations.

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MRICS
Senior Director
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"In today's capital markets, liquidity and investor appetite increasingly favor assets that are green, smart, and future-proof. The Polish market is no exception—those who invest in sustainability and technology are best positioned for long-term value creation.

Conclusion: Building Value for the Future

The global and Polish real estate market is entering a new era, where value is defined by adaptability, sustainability, and technological sophistication. Investors and owners who proactively embrace ESG, leverage AI, and anticipate regulatory shifts will secure a competitive edge and resilient asset growth. Those who lag risk rapid value erosion in an unforgiving, fast-evolving landscape.

Taxation of Real Estate Investments in Poland

HOW PROPER TAX STRUCTURING CAN ADD TO THE FINANCIAL SUCCESS OF A REAL ESTATE INVESTMENT

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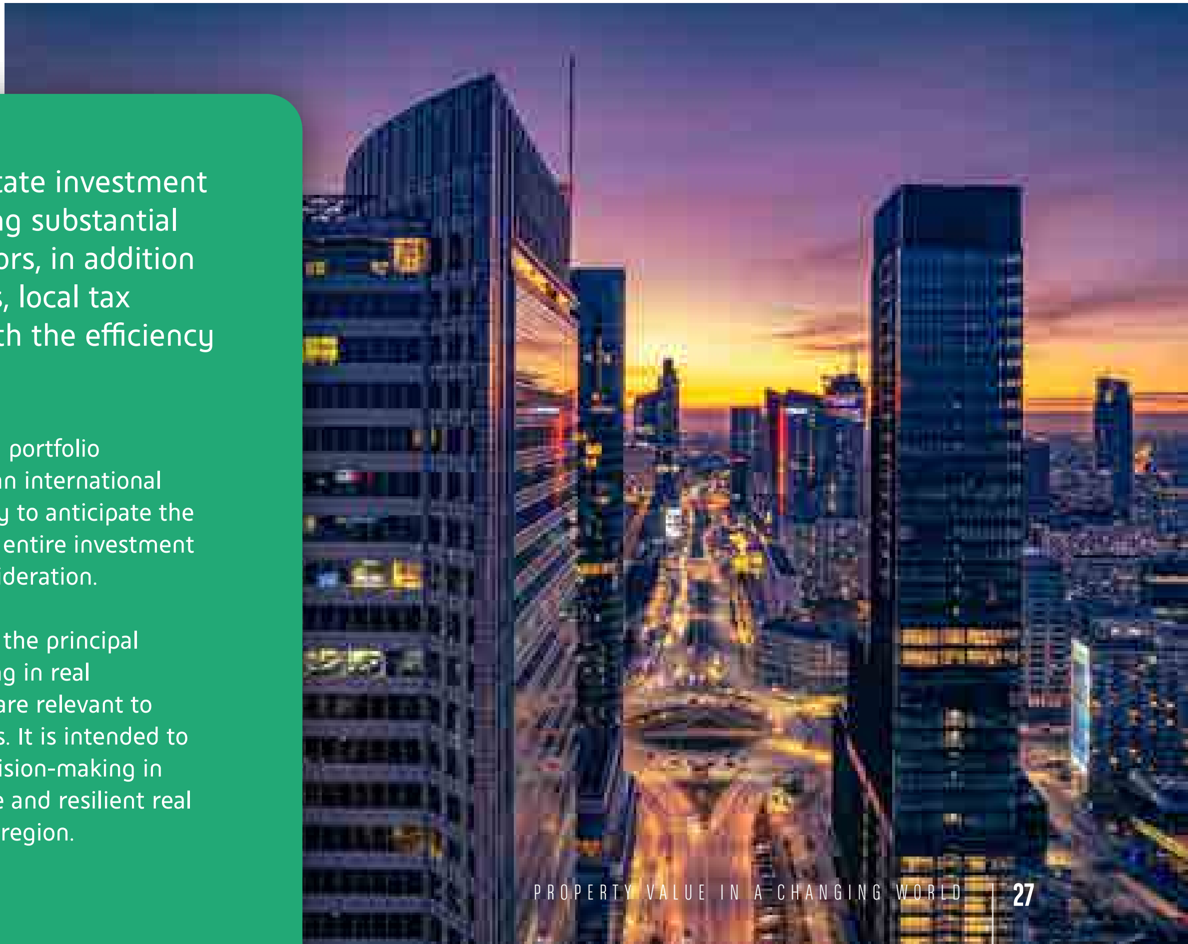


> Poland continues to rank among the leading real estate investment destinations in Central and Eastern Europe, attracting substantial volumes of international capital. For overseas investors, in addition to market fundamentals and macroeconomic factors, local tax considerations play a pivotal role in determining both the efficiency and the risk profile of real estate investments.

The Polish tax framework comprises a number of regulations directly relevant to property transactions, including corporate income tax, VAT and local taxes, all of which should be carefully evaluated at an early stage of the investment process. Well-structured holding arrangements, financing models and exit strategies can significantly enhance overall investment performance.

At the same time, international investors should be mindful of the increasing scrutiny applied by the Polish tax authorities to real estate transactions. As a result, transparency, substance and full compliance with local requirements have become essential elements of market practice. While Poland offers a relatively stable and predictable legal and tax environment, its effective navigation requires a sound understanding of local regulations as well as current interpretative and enforcement trends. Particular attention should be given to issues related to debt financing, profit repatriation and portfolio restructurings. From an international perspective, the ability to anticipate the tax burden across the entire investment lifecycle is a key consideration.

This report highlights the principal tax aspects of investing in real estate in Poland that are relevant to international investors. It is intended to support informed decision-making in one of the most active and resilient real estate markets in the region.

Real estate transactions in Poland are structured either as asset deals (separate assets or entire enterprise/organized part of an enterprise - OPE) or share deals, depending on the commercial objectives of the parties and the applicable legal and tax considerations.

7.1.

GENERAL CONSIDERATIONS

Aspect	Asset deal (separate assets)	Asset deal (enterprise/OPE)	Share deal
Subject of transaction	Individual assets	Enterprise or organized part of an enterprise	Shares in a Polish company owning real estate
Legal ownership of real estate	Transferred directly to buyer	Transferred directly to buyer	Remains with the company
Complexity	Higher (multiple agreements, consents)	Higher (multiple agreements, consents)	Lower (share purchase agreement)
Scope of liabilities	Only contractually assumed	Only contractually assumed	All existing liabilities
Tax risk exposure	Limited	Limited	Full historical exposure
Due diligence	Limited, asset-focused	Limited, asset-focused	Full tax and corporate

Both structures are well established in market practice and are commonly used across different segments of the Polish real estate market, including office, retail, logistics, hotel and residential assets.

The choice of transaction structure is influenced by a number of factors, in particular tax efficiency, risk allocation, financing requirements and timing. From a tax perspective, the key considerations include the applicability of Value Added Tax (VAT) or the tax on civil law transactions (TCLT), the availability of tax depreciation, and the overall direct tax burden. Poland does not impose a separate real estate transfer tax, which makes share deals especially attractive for larger commercial transactions, while asset deals are often preferred where buyers seek a step-up in tax basis and clearer separation of liabilities.

In addition, transaction structuring is affected by regulatory requirements, the scope of assets and liabilities to be transferred, the intended post-closing business model, as well as the expectations of lenders and investors. As a result, real estate transactions in Poland are typically structured on a case-by-case basis, balancing tax, legal and commercial considerations to achieve an efficient and market-standard outcome.

On the left we briefly summarize key tax considerations depending on different structures of the transaction.

7.2.

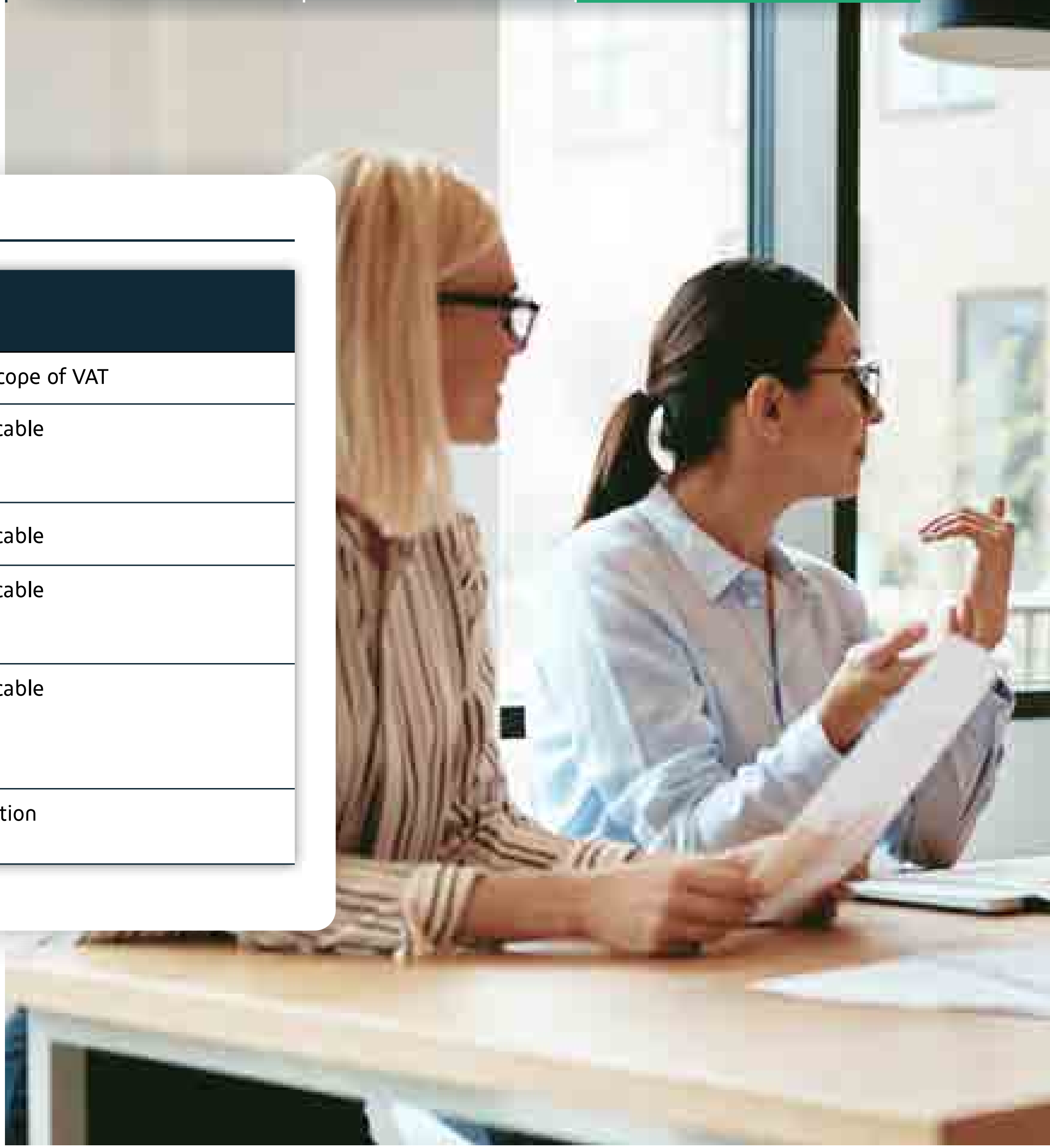
CIT (CORPORATE INCOME TAX)

Aspect	Asset deal (separate assets)	Asset deal (enterprise/OPE)	Share deal
Seller taxation	Taxable income on sale of assets	Taxable income on sale of enterprise/OPE	Taxable income on capital gains from the sale of shares
Foreign seller taxation	Income derived from the sale of real estate generally subject to CIT in Poland	Income derived from the sale of real estate generally subject to CIT in Poland	Capital gains derived from the sale of shares potentially subject to CIT in Poland, depending on the provisions of a relevant double taxation treaty
Applicable tax rate	19% CIT	19% CIT	19% CIT
Participation exemption	Not applicable	Not applicable	Possible (subject to conditions)
Step-up possibility on the buyer side	Step-up in tax value of the property possible – tax depreciation made on the purchase price	Step-up in tax value of the property possible - tax depreciation made on the purchase price	Step-up not possible, the acquired company continues tax depreciation on the original value of the property
Seller tax-deductible cost upon disposal	Undepreciated tax value of the asset, subject to limitations under the Polish CIT Act	Undepreciated tax value of the asset, subject to limitations under the Polish CIT Act	Acquisition cost of shares (historical purchase price and contributions to the company) can be deducted upon the sale of shares
Debt financing costs	Limits on deductibility of debt financing costs (30% EBITDA or PLN 3m threshold, whichever is higher) incurred to finance the transaction Interest payable to a non-Polish tax resident lender generally subject to 20% WHT, with the possibility of applying lower treaty rates or exemptions	Limits on deductibility of debt financing costs (30% EBITDA or PLN 3m threshold, whichever is higher) incurred to finance the transaction Interest payable to a non-Polish tax resident lender generally subject to 20% WHT, with the possibility of applying lower treaty rates or exemptions	Limits on deductibility of debt financing costs (30% EBITDA or PLN 3m threshold, whichever is higher) incurred to finance the transaction Interest payable to a non-Polish tax resident lender generally subject to 20% WHT, with the possibility of applying lower treaty rates or exemptions

7.3.

VAT

Aspect	Asset deal (separate assets)	Asset deal (enterprise/OPE)	Share deal
VAT treatment	Generally, subject to VAT	Outside scope of VAT	Outside scope of VAT
Typical VAT rate	23% (unless exempt), 8% on residential properties (under certain conditions)	Not applicable	Not applicable
VAT exemption for real estate	Possible	Not applicable	Not applicable
Option to tax	Possible upon joint election in case of transactions conditionally exempt from VAT	Not applicable	Not applicable
Deductibility of input VAT charged on the transaction	Possible assuming the property is used by the buyer for VAT-able supplies (i.e. not exempt from VAT)	Not applicable	Not applicable
Input VAT adjustment	Yes (10-year correction for real estate)	No correction	No correction



7.4.

TCLT

Aspect	Asset deal (separate assets)	Asset deal (enterprise/OPE)	Share deal
TCLT applicability	Yes, if VAT exempt	Yes	Yes
TCLT rate	2%	2% (1% for the sale of intangible property rights)	1%
Tax base	Market value of asset	Market value of asset	Market value of shares
Taxpayer	Buyer	Buyer	Buyer
Tax recoverability	Not recoverable, can be included in initial value of the property for tax depreciation	Not recoverable, can be included in initial value of the property for tax depreciation	Not recoverable, can be deducted upon subsequent disposal of shares by the buyer

7.5.

REAL ESTATE TAX (RET)

Aspect	Summary
Taxpayer	Owners (and perpetual usufructuaries)
Subject of taxation	Land, buildings, and business-related structures
Tax base	Area (land/buildings) or value (structures)
Tax rate	Set by municipalities within statutory caps
Rate driver	Purpose of use (business vs residential)
Deductibility	Generally tax deductible
Tax recoverability	Not recoverable, can be included in service charges paid by tenants

7.6.

Taxation of rent from commercial real estate

Rental income derived from commercial real estates located in Poland is generally subject to Polish corporate income tax at the standard rate of 19%, regardless of whether the landlord is a Polish or a foreign entity (decreased rate of 9% CIT applies to companies with turnover not exceeding EUR 2 million annually including VAT). Rental income is typically taxed on a net basis, allowing the deduction of operating expenses, depreciation and financing costs, subject to statutory limitations.

Where the landlord is a foreign company, Polish tax treatment depends on the structure of the investment. If the foreign entity operates in Poland through a Polish subsidiary, rental income is taxed at the level of that subsidiary under standard CIT rules. Alternatively, if the foreign company derives rental income directly from Polish real estate, such income is generally taxable in Poland as income sourced from Polish territory, in line with domestic tax law and applicable double taxation treaties.

In addition, Poland applies specific rules relevant to real estate investments, including depreciation limits for certain types of property and restrictions on the deductibility of debt financing costs. These rules should be taken into account when structuring real estate holding and financing arrangements.

7.7.

Dividend distribution to foreign shareholders

Dividends distributed by Polish companies to their foreign shareholders are, as a rule, subject to withholding tax in Poland at the standard rate of 19%. However, this rate may be reduced or eliminated under an applicable double taxation treaty, provided that the shareholder meets the relevant conditions, including beneficial ownership requirements.

Furthermore, under EU law, dividend distributions may qualify for a full withholding tax exemption pursuant to the EU Parent-Subsidiary Directive, as implemented into Polish tax law, if the foreign shareholder holds the required minimum 10% participation in the Polish company and satisfies economic substance and holding period requirements (at least 2 years of shareholding).

As a result, Poland offers a competitive and treaty-friendly framework for the taxation of rental income and profit distributions in commercial real estate structures, allowing investors to efficiently align tax outcomes with their chosen investment model.

7.8.

Real estate companies reporting obligations in Poland

Under Polish tax law, a real estate company is broadly defined as an entity whose value is primarily derived from real estate located in Poland. As a rule, a company qualifies as a real estate company if, at the relevant reporting date, at least 50% of the market value of its assets consists of Polish real estate, and the value of such real estate exceeds a statutory threshold. The definition applies both to Polish companies and to foreign entities holding Polish real estate, directly or indirectly.

The real estate company regime was introduced to increase tax transparency in transactions involving Polish real estate, in particular in the context of indirect disposals carried out through share deals.

Real estate companies are subject to specific annual reporting obligations related to their ownership structure. In particular, they are required to disclose information on entities holding, directly or indirectly, shares or rights representing at least 5% of voting rights, share capital, or profit participation in the company. This information is reported to the Polish tax authorities and covers both direct and indirect shareholders.

In parallel, shareholders of real estate companies holding at least 5% of the relevant rights are also subject to separate reporting obligations. Such shareholders must independently report their holdings in the real estate company, including indirect ownership interests, even if the company itself is based outside Poland.

The reporting obligations are generally annual and apply regardless of whether any transaction occurred during the year. Failure to comply may result in financial penalties and increased scrutiny from the tax authorities.

Overall, the real estate company reporting framework constitutes an important compliance element for investors involved in Polish real estate structures. It should be taken into account not only at the transaction stage but also throughout the holding period, particularly in complex or multi-tier ownership structures.

7.9.

Disposal of shares in a Polish real estate company

Polish tax law imposes specific obligations on real estate companies in connection with the disposal of shares or similar rights in such entities.

Where shares in a real estate company are disposed of, the company may be required to act as a tax remitter for Polish corporate or personal income tax due on the transaction. This mechanism applies to situations where the seller is a non-Polish tax resident.

As part of these obligations, the real estate company may be required to withhold and remit the applicable tax to the Polish tax authorities, based on information available to the company or provided by the seller. In practice, this often necessitates close cooperation between the company and the selling shareholder to ensure correct tax settlement.

These rules are intended to ensure effective taxation of gains derived from Polish real estate in indirect transactions and represent an important compliance consideration for both investors and target companies involved in share deals.

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