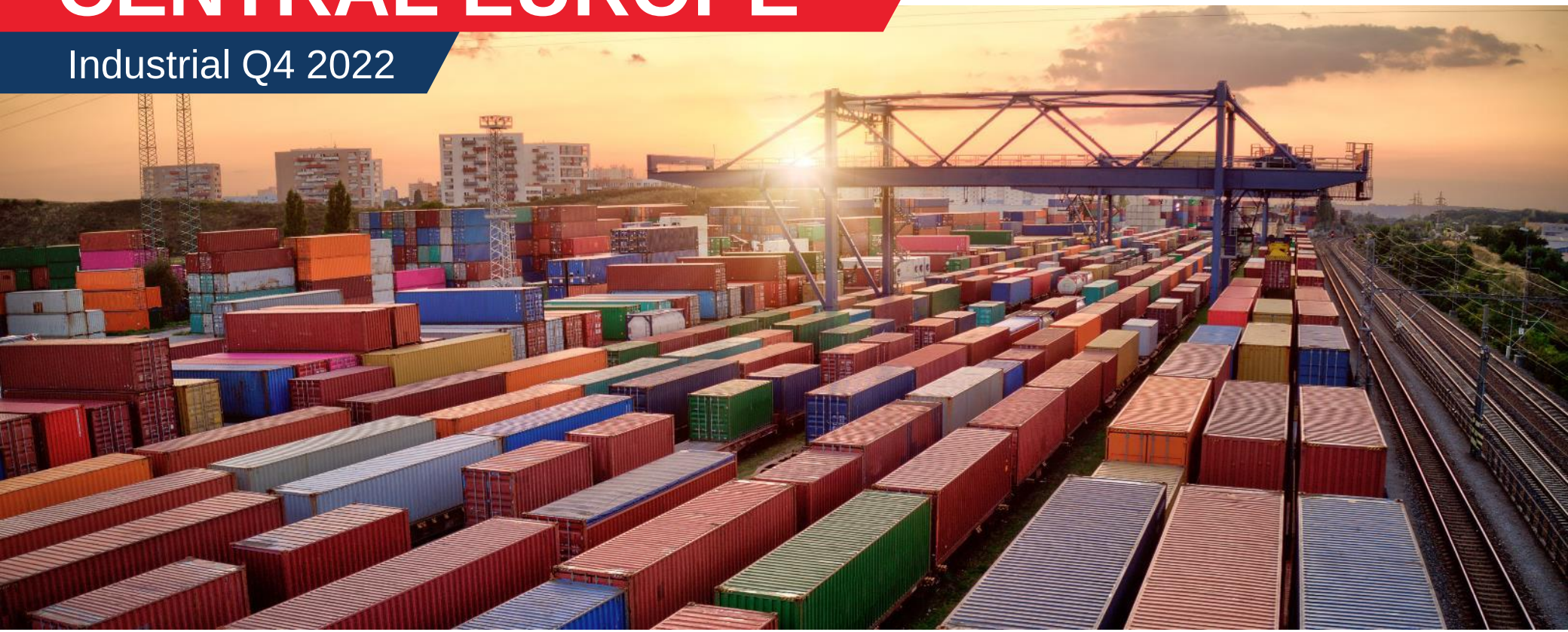
MARKETBEAT

CENTRAL EUROPE

Industrial Q4 2022



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CONTENTS

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MARKETBEAT

CENTRAL EUROPE

Economy Q4 2022

Beyond the near term, growth is projected to recover

After the solid start of 2022 and generally positive performance during its first six months, the economic growth slowed down across CEE in the second half of the year, and business confidence weakened. Supply-chain disruptions and high energy prices elevated inflation, adversely impacting households' purchasing power.

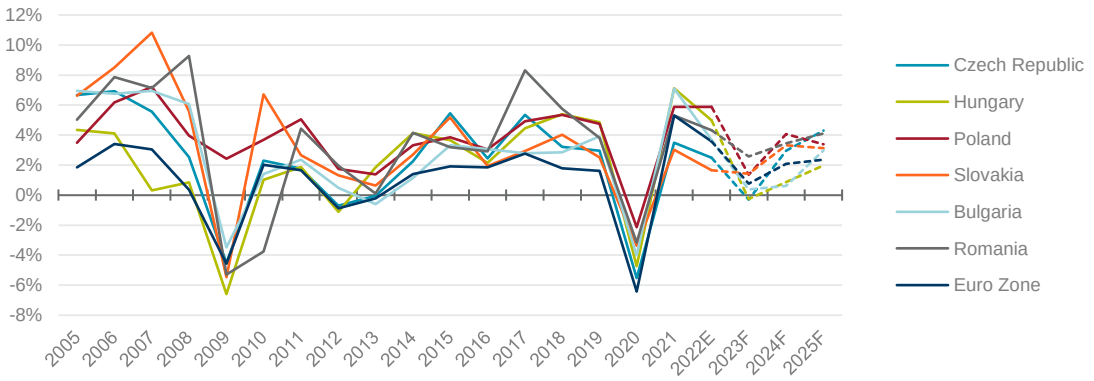
Nevertheless, consumer demand remained relatively strong in most CEE countries, boosted by the removed pandemic restrictions and supported by refugees from Ukraine buying essential goods.

In general, the recession is projected to be relatively short-lived and shallow, with economic growth, though subdued in 2023, expected to recover beyond the near term.

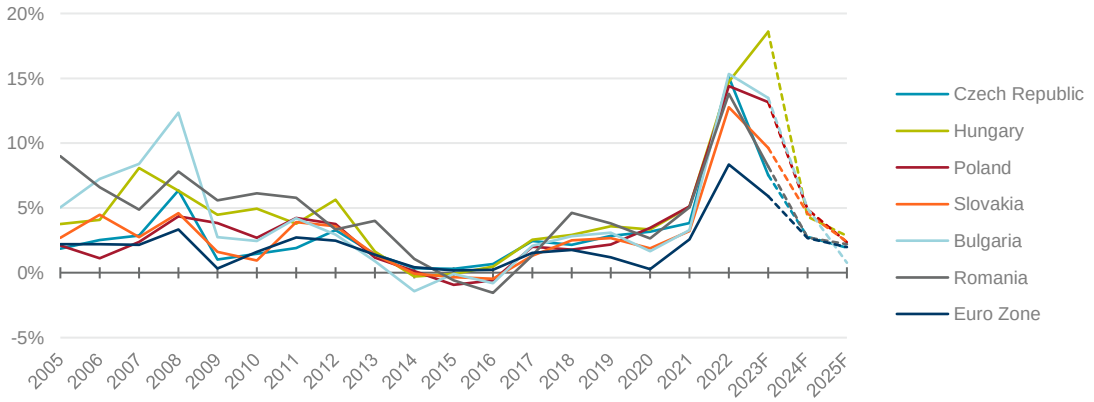
Global supply-chain disruptions are expected to abate in 2023. Also, after inflation reached new multidecade highs towards the end of 2022, it is expected to be on a downward path, though core inflation will likely remain high at around current levels until spring 2023.

Investment activity will be confined by abnormally high interest rates and weakening demand. But despite increasing yields and the ongoing price discovery process, capital values for commercial real estate are expected to stay the same in most CEE countries due to upward rental dynamics and space shortages in many sectors across the region. Notably, the value gap in the property sector will further widen between the assets, depending on their efficiency and other quality attributes.

GDP GROWTH IN CEE COUNTRIES (y/y change)



CONSUMER PRICE INDEX (y/y change)



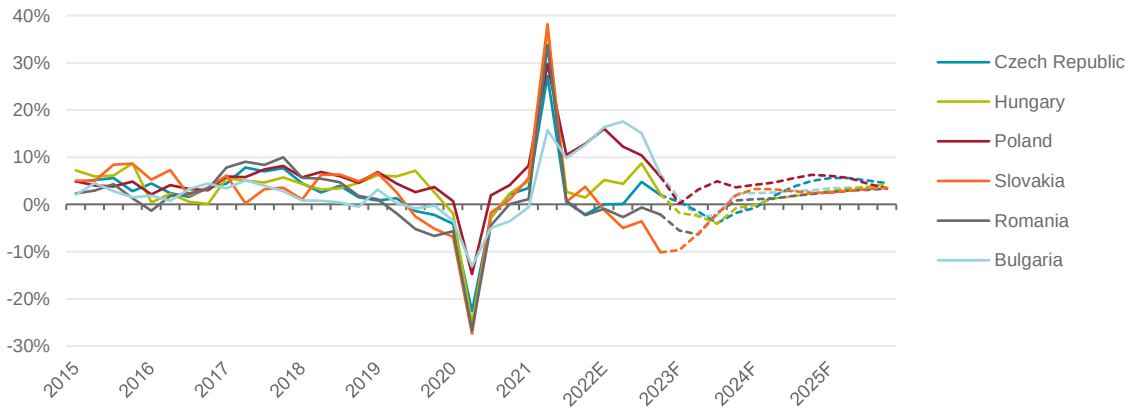
Source: Moody's Analytics (February 2023 release)

MARKETBEAT

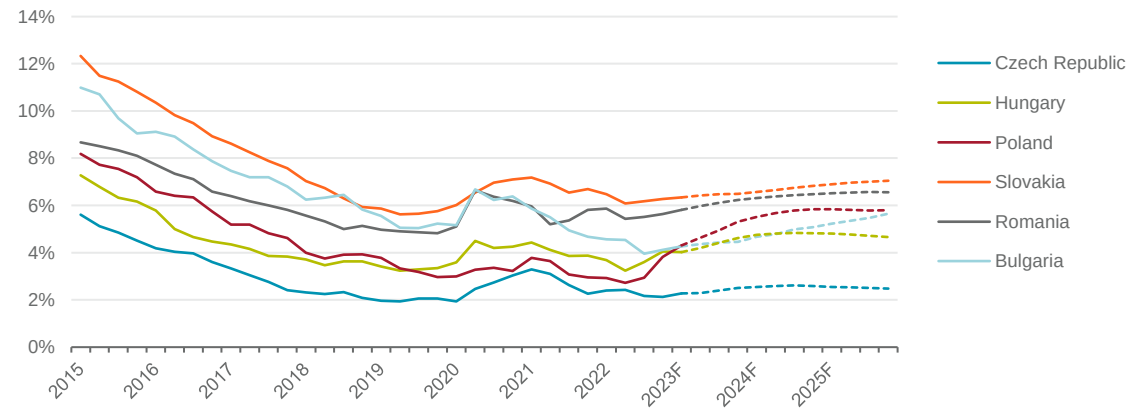
CENTRAL EUROPE

Economy Q4 2022

INDUSTRIAL PRODUCTION (y/y change)



UNEMPLOYMENT RATE (%)



Source: Moody's Analytics (February 2023 release)

Industrial Production

The supply chain issues stemming from lockdowns in China and the supply-side disruptions in energy markets, largely stemming from the Russia–Ukraine war, were the major challenges of 2022, denting global demand and strengthening inflationary pressures.

The CEE economies have been among the most exposed because of their proximity to the war scene and heavy reliance on gas supplies from Russia. Also, the energy-intensive automotive industry is highly important in terms of employment and value-added in many countries of the region, particularly Czechia, Slovakia, Romania, and Hungary.

Due to elevated energy and commodity prices, industrial production slowed down or even declined in some CEE countries in Q2 and Q3 2022, but the dynamics notably improved towards the year-end.

Global supply-chain disruptions are expected to abate in 2023. Nevertheless, although the risks of recession across Europe are lower, many countries in CEE are expected to experience one or two quarters of stagnant or declining output during the year.

Labour Market

The labour market remains strong in CEE, as labour shortages and a lack of qualified workforce have limited employment growth.

This is despite a significant influx of refugees from Ukraine, which in the countries like Poland and Czechia increased the total population by over 4%. According to Moody's Analytics, out of all arrivals from Ukraine registered for temporary protection in the CEE countries, between 50% and 60% are of working age, of which 70-80% are women. In contrast to earlier expectations, the evidence suggests that nearly 70% of Ukrainian refugees have entered the labour force until September 2022 because of the traditionally high participation of the female labour force in Ukraine, as well as better levels of education and qualification along with previous working experience of those arriving to Europe.

During 2022, the CEE labour markets proved capable of absorbing those new entrants, the influx of which will, however, limit further wage growth in the near term.

MARKETBEAT

CENTRAL EUROPE

Industrial Q4 2022

Across CEE, the fundamentals for the industrial property market remained particularly strong throughout 2022, as further demonstrated by positive dynamics both on the supply and demand sides, along with considerable investors' confidence in this asset class. Besides the earlier market drivers, additional demand in Q2–Q3 2022 was generated by industrial, automotive, and FMCG companies stockpiling production materials to shield themselves from expected price hikes.

At the end of 2022, the **total stock** of modern industrial and warehouse space in CEE exceeded 55.3 million sq m; 51% of that is situated in Poland. During the past 12 months, the **new supply** amounted to over 7.3 million sq m. Since early 2020, around 16.1 million sq m of modern warehousing and industrial space has been delivered in CEE, meaning the market has expanded by 49%.

Over 6.3 million sq m is presently **under construction** in the region, of which 54% is again in Poland.

Although 44% of pipeline stock in CEE is still built on a speculative basis, the developers in the sector increasingly prefer a build-to-suit (BTS) approach to new developments in the sector. The recent slowdown in price inflation for construction materials resulted in improved availability and a shortening of the construction period.

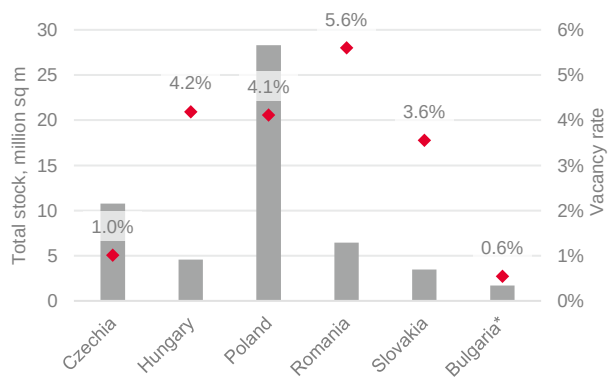
Throughout 2022, **occupiers' activity** was very healthy, with the aggregate gross take-up almost equal to the figure in 2021 but 39% and 67% higher than in 2020 and 2019, respectively. Furthermore, despite significant development activity, the **vacancy rate** did not exceed 6% in any of the markets, while in Czechia, it stood at only 1%.

On an annual basis, **prime rents** increased in all the CEE markets in Q4 2022. The steepest rental growth over the past 12 months was observed in Poland (+41%y/y), Czechia (+34% y/y), and Bulgaria (+25% y/y).

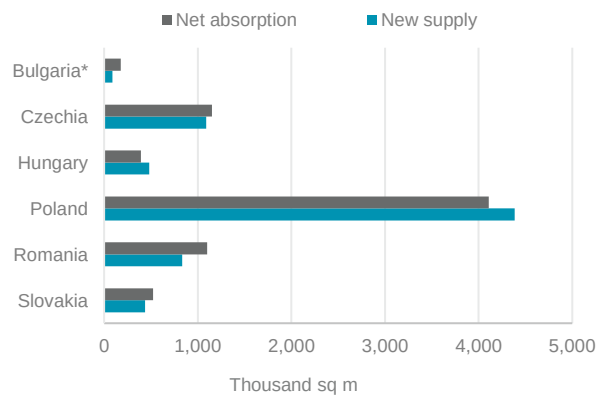
The industrial segment accounted for 27% of total **investment volumes** in CEE in 2022. Still, the figure dropped by 34% y/y as stock available for sale remained the challenge, and investment dynamics slowed down. The significant investment transactions completed during 2022 include acquisitions of Project Danica portfolio, VidaXL, Panattoni Park Gdansk Airport, 7R portfolio, Zabka Distribution Centre and Cromwell Warsaw Portfolio in Poland, CPI Industrial Portfolio in Czechia, as well as Airport City Logistics Park in Hungary.

Over Q4, **prime industrial yields** have softened in all the CEE countries. Compared to Q4 2021, prime industrial yield increased in the Czech Republic (+0.75 pp), Slovakia (+0.25 pp), and Poland (+0.4 pp) but remained stable in Hungary and Bulgaria, while being lower by 0.1 pp y/y in Romania. Further dynamics of prime industrial yields are projected to differ across CEE in the coming months. Still, rental growth and healthy vacancy in the sector will remain among the key factors attracting CEE investors.

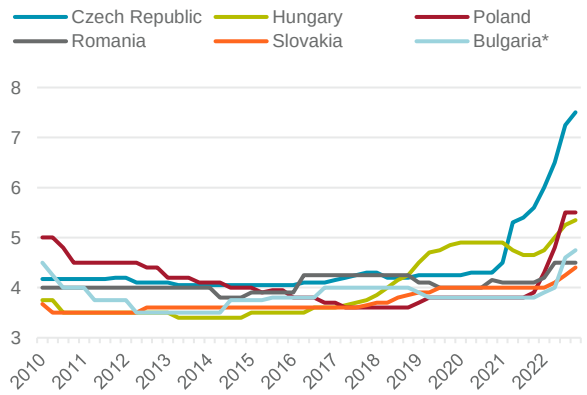
TOTAL STOCK AND VACANCY, Q4 2022



NEW SUPPLY AND DEMAND, 2022



PRIME RENTS (€/sq m/month)



** Data for Bulgaria covers Sofia only.*
*** Instead of net absorption, a net take-up figure is provided for Slovakia.*

MARKETBEAT

CENTRAL EUROPE

Industrial Q4 2022

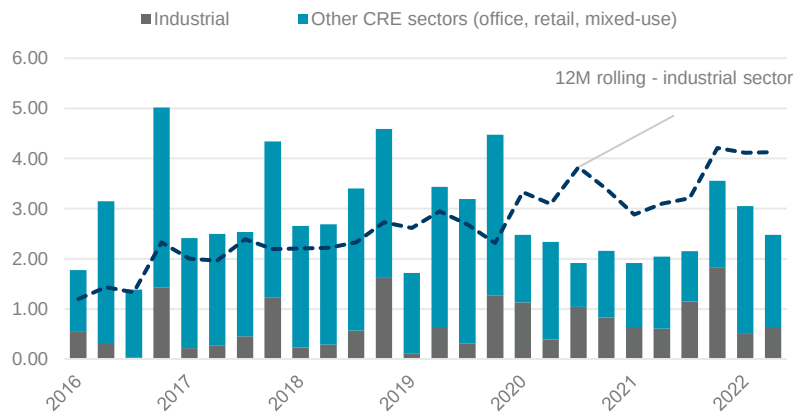
€ 2.79 B
Investment Volume Q1-Q4 2022

- 34%
Change y/y

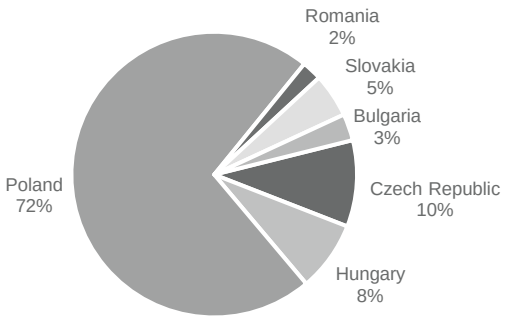
€ 4.21 B
Investment Volume Q1-Q4 2021

Data includes transactions of office properties (excluding deals of less than €1 million total value) in Czechia, Hungary, Poland, Romania, Slovakia, and Bulgaria.

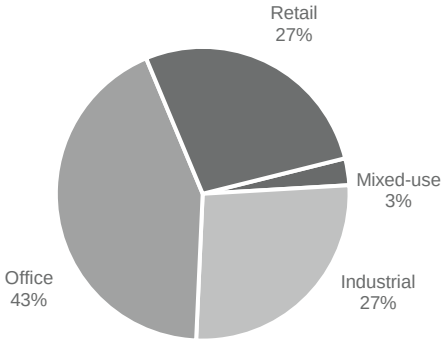
INVESTMENT VOLUMES IN CEE (€ billion)



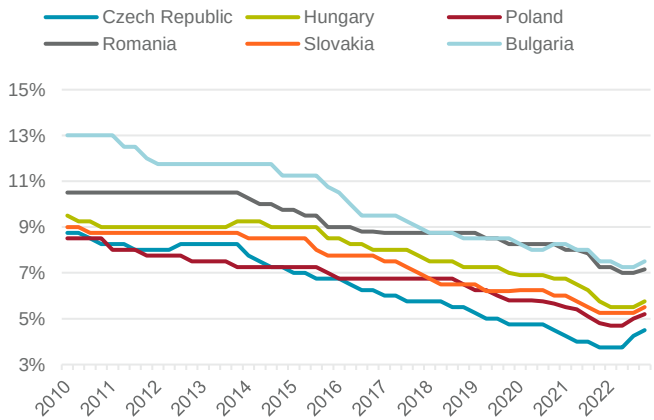
INDUSTRIAL INVESTMENT VOLUMES, 2022



INVESTMENT VOLUMES IN CEE, 2022



PRIME INDUSTRIAL YIELD (%)



Q4 2022

City / Country	INDUSTRIAL ASSETS	
	Prime rent, €/sqm/month	Prime yield, %
Bulgaria	€4.75	7.50%
Czech Republic	€7.50	4.50%
Hungary	€5.35	5.75%
Poland	€5.50	5.20%
Romania	€4.50	7.15%
Slovakia	€4.40	5.50%

Shade showing y-o-y trend: red – negative, green – positive, white – no change.

MARKETBEAT

CENTRAL EUROPE

Industrial Q4 2022

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	Supply	Demand	Vacancy rate	Rents
Bulgaria (Sofia)	In 2022, the new supply amounted to around 101,900 sq m. At the year-end, the pipeline industrial and logistics stock under construction amounted to almost 320,000 sq m, of which over 60% is for owner-occupation.	Q4 2022 was marked by an acceleration of the occupiers' activity and increased take-up in the sector, which exceeded 104,000 sq m in Q4 2022, this being the highest quarterly figure on record in Sofia. In 2022, gross and net take-up reached around 225,000 sq m and 176,000 sq m respectively, like in 2021.	In Q4 2022, the vacancy rate dropped significantly and was only 0.6%.	Due to rising construction costs and operating expenses, Q4 2022 witnessed a continuing rental increase. Prime logistics space in Sofia was rented at €4.75 per sq m per month for units of over 10,000 sq m, while small to mid-size units were marketed at €5 per sq m compared to €4.6 per sq m in Q3. The rents in the sector are expected to continue in 2023.
Czech Republic	Around 149,300 sq m of modern industrial space were delivered in Q4 2022, while the annual new supply amounted to over 1,080,000 sq m (+117% y/y). Developers intend to deliver another 1,000,000 sq m of industrial space in Czechia in 2023. As of Q4 2022, the total industrial stock under construction was estimated at 1,237,000 sq m, 60% of which was already pre-leased.	In 2022, gross take-up was around 2,209,700 sq m, representing a decrease of 10% y/y, which has largely been attributable to confined space availability on the market. In Q4 2022, net demand amounted to 231,300 sq m with pre-leases accounting for 71%, while new leases. During the past year, the occupier demand in the sector was mainly driven by logistics companies, distribution firms, and producers.	In Q4 2022, the vacancy rate in Czechia increased by 9 bps compared to Q3, remaining very low at 1.0%. In Prague, the vacancy rate reached only 0.6%, mostly formed by ancillary offices within industrial and logistics schemes.	Due to very scarce space availability, by the end of 2022, prime rent increased by 34% compared to Q4 2021. The prime monthly headline rent for a 10,000 sq m ambient warehouse unit reached €7.50 per sq m in Prague, €6.25 per sq m in Brno, and €5.75 per sq m in Pilsen. Further rental growth is expected to continue in 2023, though with decelerating dynamics.
Hungary (Budapest)	The development market remains active. In 2022, the new supply in Hungary amounted to a record-high 472,000 sq m, increasing by 12% compared to 2021. The pipeline stock planned for delivery in 2023 and 2024 is significant, exceeding 612,000 sq m, of which 33% is already pre-let.	In Q4 2022, gross take-up in the sector reached 223,000 sq m in Greater Budapest, and the largest in the market history transaction was also completed (a pre-lease of over 118,000 sq m in CTPark Sziget). The gross take-up in 2022 was nearly 680,000 sq m in Greater Budapest (+7% y/y). Net absorption was particularly high, exceeding 303,000 sq m in Greater Budapest.	In Q4 2022, the vacancy rate dropped significantly, and by the year-end stood at 3.8% in Greater Budapest Area and 5% in the countryside.	In Q4 2022, in Greater Budapest Area, prime rent stood at €5.35 per sq m per month (+1.9% q/q and +15.1% y/y). Due to strengthening inflationary pressures combined with a weak currency, construction costs will likely rise further, meaning that BTS rents will remain subject to upward pressure.

CENTRAL EUROPE

Industrial Q4 2022

CUSHMAN & WAKEFIELD

	Supply	Demand	Vacancy rate	Rents
Poland	Around 820,000 sq m of warehousing space was delivered in Q4 2022 within 27 projects, bringing the annual supply to 4.4 million sq m (+40% y/y). Around 3.4 million sq m of warehouse space was under construction at the end of 2022, of which 1.6 million sq m was proposed for lease. However, space availability in the sector will likely shrink considerably by the end of 2023 due to a slowdown in construction activity. In Q4 2022, developers started constructing around 300,000 sq m, lower by 80% y/y.	In 2022, gross take-up was 6.7 million sq m (-10% y/y), the second strongest on record for the Polish warehouse property market. Net take-up fell by 22% y/y and reached 4.5 million sq m. Renewals accounted for 30% of gross take-up, while the share of single sale & leaseback transactions was 3%. In 2022, many occupier companies navigated a challenging and volatile macroeconomic environment, but the outlook for 2023 remains positive.	Despite the highest new annual supply on record, the vacancy rate remained low at 4.1% at the end of 2022. Most regional markets are experiencing a shortage of warehouse space. By contrast, healthy supply levels in 2022 improved warehouse availability in Łódzkie, Western Pomerania, Lower Silesia, and Lubelskie.	Headline monthly rents in big box projects increased by 20-30% over 2022 to € 3.70-5.00 per sq m, depending on location. In the segment of City Logistics & SBUs, monthly rents are at €5.00-7.50 per sq m. With financial incentives, which are offered to tenants, now scaled down, effective rents are lower than headline rents by a maximum of 15-20%.
Romania	The new supply exceeded 337,000 sq m GLA in Q4 2022 and amounted to around 834,000 sq m during the whole year, while at the national level, the total stock reached over 6.4 million sq m. More than 450,000 sq m of new space is presently scheduled for completion by the end of 2023.	Gross take-up was ca. 370,000 sq m in Q4 2022 and amounted to almost 1.3 million sq m in 2022 (+28% y/y). In 2022, the leasing activity was mainly driven by new demand, with a robust share of 85% of gross take-up (or 1.1 million sq m). Bucharest dominated the gross take-up (60% in 2022), while Ploiesti was the only other location outside the capital city with transacted demand exceeding 100,000 sq m.	Because of a significant new supply over Q4 2022, the vacancy rate further increased by 1.3 ppt, reaching 5.6%.	The increasing development costs along with the elevated energy and land prices continued to put pressure on asking rents for new projects. Nevertheless, in Q4 2022, the prime headline rent remained at €4.25-4.50 per sq m per month but is expected to increase slightly in the coming months. The occupier market remains competitive while the interest in new manufacturing facilities strengthens.
Slovakia	In Q4 2022, around 108,500 sq m of new space was delivered within nine properties, already pre-leased at 85%. The annual new supply during the past year reached a record-high figure of 435,800 sq m, with 80% under pre-leases when completed. Total stock under construction shrank to 261,400 sq m, with only 1/3 of this space pre-leased. BTS projects offset limited speculative development.	In Q4, gross and net take-up reached 156,000 sq m and 102,600 sq m, respectively. For the whole of 2022, the demand was record-high with gross take-up of 792,200 sq m (+84% to the 5-year average) and net take-up of 643,500 sq m, almost double the 5-year average. Occupier demand was mainly driven by automotive, 3PL, and e-commerce, though e-commerce started cooling off in H2.	The vacancy rate remained low at 3.6% in Q4 2022, or 123,900 sq m of vacant warehouse space. Half of the vacant stock is in the Bratislava region, while in Western Slovakia, space availability shrank from 103,000 sq m in Q4 2021 to only 11,000 sq m at the end of 2022.	Rents remained subject to upward pressure due to elevated inflation, input, and energy costs. Headline monthly rents in all submarkets increased by at least 20-30 cents/sq m, while prime monthly rent hit €4.40 per sq m, with further progressive growth expected in H1 2023.

MARKETBEAT

CENTRAL EUROPE

Industrial Q4 2022

CUSHMAN & WAKEFIELD

KEY MARKET TRENDS

The performance of the industrial property markets across CEE was particularly positive in 2022, with record-high rental growth and development activity supported by the consistently robust occupier demand. Development in the sector has been driven by the growth in e-commerce and the ongoing transformation of global supply chains, with CEE providing numerous advantages for reshoring and nearshoring. Persistently low space availability and a tight labour market can limit such potential in some countries.

Occupier demand in the warehousing property sector is sustainable

In 2022, the aggregate gross take-up in the industrial property sector in CEE was close to the figure recorded in 2021 but 39% and 67% higher than in 2020 and 2019, respectively. Besides the earlier market drivers, additional demand during the year was generated by industrial, automotive, and FMCG companies stockpiling production materials to shield themselves from commonly expected price hikes and shortages of commodities in demand.

The growth of e-commerce will continue to be the primary driver of demand for logistics space in CEE, not only sustained by domestic purchasing capacity but also due to the region‘s increasing importance as a logistics hub.

The restructuring of global supply chains brings additional opportunities

The COVID-19 pandemic has significantly impacted global supply chains. From the real estate perspective, it caused a significant shift in retail towards e-commerce and highlighted the risk of reliance on a single supply source, pushing companies towards reshoring and nearshoring to diversify supply chains.

Reshoring could present a significant opportunity for CEE due to the strategic location of the region within the EU, its developed transportation infrastructure, skilled workforce, stable regulatory framework, and some cost benefits. However, a tight labour market and scarce availability of industrial space may potentially confine the scale to which CEE will take advantage of the ongoing transformation.

Development activity is booming, but speculative space offer remains limited

Over 7.3 million sq m of new industrial and warehousing space were delivered in CEE in 2022, the highest new annual supply on record, with an additional 6.3 million sq m under construction.

The positive development dynamics in the industrial and warehousing sector will continue. Still, high construction costs, as well as more expensive and difficult-to-obtain project financing, have forced developers to seek optimal ways to minimise their risks, making built-to-suit (BTS) development projects increasingly preferred in the sector.

The Russia-Ukraine war has impacted the availability and cost of energy and construction inputs. Also, the issue of climate change and natural disaster risks are now more pronounced, along with increased concerns over the operational cost efficiency of the properties.

All this, combined with regulatory changes, puts ESG aspects at the forefront of the decisions made by developers, occupiers, and investors in the industrial and warehousing property sector.

The price elasticity of occupier demand decreased

Inflated construction costs combined with persistently low vacancy rates resulted in upward dynamics of prime rents during 2022 in all the CEE markets, particularly sharp in Poland and Czechia. The outstanding indexation of leases will further contribute to continuing the trend in 2023. Still, occupier demand remains strong.

Labour availability and cost are among the critical considerations for businesses in the industrial and warehousing sector

The labour market dynamics, particularly the availability and cost of appropriate staff, remain a key consideration for businesses when locating and operating their facilities in different jurisdictions. In the case of 3PL companies, a scarcity of skilled blue-collar workers, including truck drivers and warehouse staff, can complicate operations and increase costs.

The Cushman & Wakefield Manufacturing Risk Index (MRI) 2022 brings together a range of important indicators to assess the relative attractiveness among 45 countries as locations for manufacturing and production facilities. In the baseline scenario, which gives equal importance to a country’s operating conditions and cost competitiveness, Poland, Czechia, Hungary, and Slovakia belong to the top quartile, while Romania and Bulgaria are in the second quartile.

BULGARIA (SOFIA)

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MARKETBEAT

BULGARIA (SOFIA)

Industrial Q4 2022

	YoY Chg.	12-Mo. Forecast
0.6% Vacancy Rate	▼	▬
€4.75 Prime Rent, Sq m/month	▲	▲
7.50% Prime Yield	▼	▬

ECONOMIC INDICATORS Q4 2022

	YoY Chg.	12-Mo. Forecast
1.8% GDP*	▼	▼
4.1% Unemployment Rate	▼	▲
6.4% Industrial Production*	▼	▼
17.1% CPI	▲	▼

**Annual growth estimates*
Source: Moody's Analytics (February 2023 release)

ECONOMY: GDP growth is slowing down

The Bulgarian economy is forecasted to lose speed in 2023, reflecting the lower domestic demand and worsening external environment. According to Moody's Analytics, Bulgaria's GDP is expected to increase by only 0.2% in 2023 due to the looming global recession. Private consumption, one of the main economic growth factors, has been negatively affected by price increases, tightening labour market, and higher borrowing costs. The latest projections of the Bulgarian Central Bank are for 14.9% annual inflation at the end of 2022, gradually slowing down to 4.1% at the end of 2023. Although remaining volatile, food and energy prices are expected to decelerate gradually, especially in the second half of 2023.

SUPPLY AND DEMAND: Drop in the vacancy

On the industrial and logistics property market in Sofia, Q4 2022 was marked by a significant reduction in the vacancy rate, which is now below 1%.

On the one hand, the drop in space availability resulted from the active occupier demand from retail and logistics companies. The last quarter of 2022 was marked by an acceleration of the occupiers' activity and increased take-up in the sector. The cumulative area of leased space and completed owner-occupied premises in Sofia amounted to roughly 104,000 sq m in Q4 2022, an unprecedented quarterly figure. On the other hand, rapidly increasing construction costs limited development activity, especially in the segment of speculative projects. Many occupiers in the industrial and logistics sector count on built-to-suit projects that are planned and developed to meet their specific requirements. In 2022, gross take-up amounted to 224,971 sq m, similar to 2021.

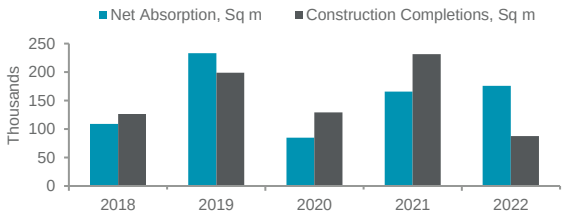
At the end of 2022, the pipeline industrial and logistics stock under construction amounted to 319,898 sq m, of which more than 60% is for owner-occupation. Major development locations include the state industrial zone to the west and Sofia's ring road area to the east. The projects within the city's ring road are in high demand for e-commerce operations.

PRICING: Slight increase

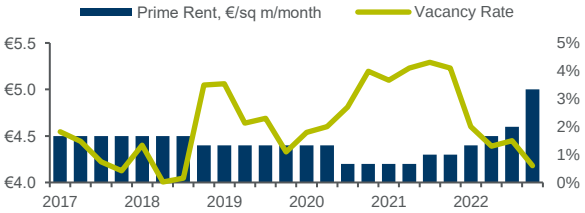
The autumn of 2022 witnessed a continuing rental increase, with prime logistics space in Sofia being rented at €4.75 per sq m for units of over 10,000 sq m. The rents for small to mid-size units increased to €5 per sq m in Q4 2022 from €4.6 per sq m in Q3. Such rental increases result from rising construction costs and operating expenses and are expected to continue.

In Q4 2022, prime yields slightly increased, reaching 7.5% or 25 bps more than in the previous quarter.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & PRIME RENT



MARKETBEAT

BULGARIA (SOFIA)

Industrial Q4 2022

MARKET STATISTICS

SUBMARKET	STOCK (SQ M)	VACANT SPACE (SQ M)	VACANCY RATE	CURRENT QTR TAKE-UP (SQ M)	2022 TAKE-UP (SQ M)	UNDER CNSTR (SQ M)	PRIME RENT (€/SQ M/MONTH)
Sofia	1,723,372	9,600	0.6%	104,019	224,971	319,898	€ 4.75
TOTAL	**1,723,372**	**9,600**	**0.6%**	**104,019**	**224,971**	**319,898**	**€ 4.75**

**Rental rates reflect weighted net asking in EUR per sq m per month*

KEY CONSTRUCTION COMPLETIONS Q4 2022

PROPERTY	SUBMARKET	MAJOR OCCUPIER	SIZE (SQ M)	OWNER/DEVELOPER
Transpress (new facility)	Sofia	Owner-occupied	8,000	Transpress
Smart Organic warehouse (new phase)	Sofia	Owner-occupied	5,054	Smart Organic

LOCAL MARKET RESEARCH LEAD

Radostina Markova

Direct: +359 (2) 805 90 12
Mobile: +359 883 260 333
radostina.markova@cwforton.com

cushmanwakefield.com

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CZECH REPUBLIC

CUSHMAN & WAKEFIELD

MARKETBEAT

CZECH REPUBLIC

Industrial Q4 2022

	YoY Chg.	12-Mo. Forecast
1.0% Vacancy Rate	▼	▲
€7.50 Prime Rent, Sq m/month	▲	▲
4.50% Prime Yield	▲	▲

ECONOMIC INDICATORS Q4 2022

	YoY Chg.	12-Mo. Forecast
0.4% GDP*	▼	▲
2.1% Unemployment Rate	▼	▲
2.0% Industrial Production*	▲	▼
15.7% CPI	▲	▼

**Annual growth estimates*
Source: Moody's Analytics (February 2023 release)

ECONOMY: Industrial production growth picked up sharply in recent months and will support the economy

After the pandemic-induced contraction, Czechia's economy recorded several quarters of solid growth, which was powered by an increase in investment expenditures, offsetting a stagnation in consumption and net exports. Industrial production and export sharply increased in recent months mainly due to the easing of supply bottlenecks; the latter had particularly affected the country's sizeable manufacturing and automotive sectors. Continued improvement in these sectors will counterbalance the weakening of the rest of the economy, driven by high energy costs and softening external demand. Moody's Analytics project, however, that Czechia's economy is likely to head into a mild recession in the winter in line with the developments in the wider Eurozone. Consumer price inflation passed its multi-decade peak during the summer and is projected to ease off soon. At the same time, investment activity will be confined by interest rates expected to remain at elevated levels but with no further hikes expected.

SUPPLY AND DEMAND: A record high new supply in 2022 combined with the robust occupier demand

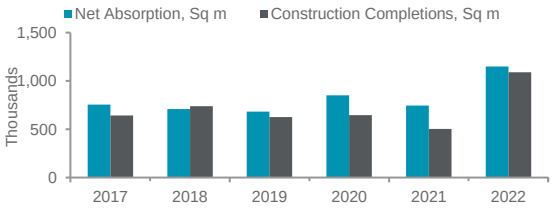
Around 149,300 sq m of modern industrial space were delivered to the market in Q4 2022, while the annual new supply amounted to more than 1,080,000 sq m, representing a 117% increase compared to 2021. In 2023, developers intend to complete the construction of another 1,000,000 sq m in the Czech Republic. As of Q4 2022, the total industrial stock under construction was estimated at 1,237,000 sq m, 60% of which was already pre-leased.

Gross take-up reached 2,209,700 sq m in 2022, representing a decrease of 10% y/y, which has largely been attributable to confined space availability on the market. In Q4 2022, the vacancy rate in Czechia increased by 9 bps compared to Q3, remaining very low at 1.0%. In Prague, the vacancy rate reached only 0.6%, mostly formed by ancillary offices within industrial and logistics schemes. During the past year, the occupier demand in the sector was mainly driven by logistics companies (34% of gross take-up), distributors, and producers (28% each). In Q4 2022, net demand amounted to 231,300 sq m, with pre-leases accounting for 71%, while new leases and expansions for 24% and 5%, respectively.

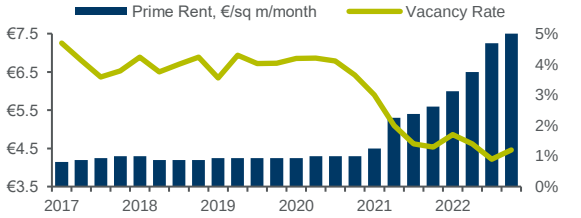
PRICING: After a rapid rent increase in 2022, further rental growth is expected to slow down

Due to very scarce space availability, by the end of 2022, prime rent increased by 34% compared to Q4 2021. As such, the prime monthly headline rent for a 10,000 sq m ambient warehouse unit reached €7.50/sq m in Prague, €6.25/sq m in Brno, and €5.75/sq m in Pilsen. Looking ahead, further rental growth is expected to continue in 2023, though with decelerating dynamics.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & PRIME RENT



MARKETBEAT

CZECH REPUBLIC

Industrial Q4 2022

MARKET STATISTICS

SUBMARKET	STOCK (SQ M)	VACANT SPACE (SQ M)	VACANCY RATE	CURRENT QTR TAKE-UP (SQ M)	2022 TAKE-UP (SQ M)	2022 COMPLETIONS (SQ M)	UNDER CNSTR (SQ M)	PRIME RENT (€/SQ M/MONTH)
Prague	3,433,500	21,300	0.6%	47,700	623,500	76,000	50,600	€ 7.50
Pilsen	1,632,400	32,900	2.0%	52,600	237,600	115,100	186,800	€ 5.75
Brno (South Moravia)	1,284,600	4,800	0.4%	38,100	224,800	76,500	147,200	€ 6.25
Ostrava (Moravia-Silesia)	1,043,300	27,100	2.6%	23,700	179,300	223,500	124,900	€ 5.50
Central Bohemia	767,100	200	0.0%	4,100	92,200	100,900	95,600	
Ústí nad Labem	660,600	9,300	1.4%	78,700	197,700	25,100	126,700	
Olomouc	579,700	13,500	2.3%	0	104,000	282,100	33,100	
Liberec	367,600	0	0.0%	0	15,100	48,000	18,000	
Karlovy Vary	292,900	0	0.0%	60,600	315,200	43,700	316,200	
Pardubice	213,200	0	0.0%	26,500	66,300	2,500	50,300	
Hradec Králové	204,100	0	0.0%	0	34,300	35,700	28,500	
Jihlava (Vysočina)	189,200	0	0.0%	0	60,900	27,000	6,200	
České Budějovice (South Bohemia)	74,500	0	0.0%	10,500	25,900	22,400	20,000	
Zlín	29,100	0	0.0%	11,500	32,900	10,500	32,900	
CZECH REPUBLIC TOTAL	**10,771,800**	**109,100**	**1.0%**	**354,000**	**2,209,700**	**1,089,000**	**1,237,000**	**€ 7.50**

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	SIZE (SQ M)	TYPE
Panattoni Park Cheb East	Karlovy Vary	Confidential	60,600	Pre-lease
P3 Lovosice	Ústí nad Labem	FM Logistic	60,600	Renegotiation
Industrial Park Pardubice - Rosice	Pardubice	Confidential	17,000	New lease

KEY CONSTRUCTION COMPLETIONS Q4 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQ M)	OWNER/DEVELOPER
VGP Park Olomouc	Olomouc	Confidential	39,200	VGP
D2 Logistics	Brno (South Moravia)	Confidential	22,000	White Star Real Estate
P3 Prague D6	Central Bohemia	Euromedia Group	17,900	P3

Source: Industrial Research Forum

MARIE BALÁČOVÁ
Head of Research
+420 234 603 740 / marie.balacova@cushwake.com

JIŘÍ KRISTEK
Head of Industrial and Retail Warehousing
+420 602 248 930 / jiri.kristek@cushwake.com

cushmanwakefield.com

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HUNGARY

CUSHMAN & WAKEFIELD

MARKETBEAT

HUNGARY

Industrial Q4 2022

	YoY Chg.	12-Mo. Forecast
4.2% Vacancy Rate	▲	▲
€5.35 Prime Rent, Sq m/month	▲	▲
5.75% Prime Yield	▬	▲

ECONOMIC INDICATORS Q4 2022

	YoY Chg.	12-Mo. Forecast
1.8% GDP*	▼	▼
4.0% Unemployment Rate	▲	▲
2.2% Industrial Production*	▲	▼
22.8% CPI	▲	▼

**Annual growth estimates*
Source: Moody's Analytics (February 2023 release)

ECONOMY: Slowing performance in 2023

Hungary's economy outperformed most EU countries in H1 2022, but by the summer, Russia's invasion of Ukraine had caught up. The country's GDP contracted to 4.1% in Q3 2022, still one of the highest in the region. The experts of Moody's Analytics project a slight slowdown in economic growth until mid-2023, with a gradual improvement from 2024. Still, sentiment surveys show that businesses are more optimistic than they were at the nadir of the 2020 COVID pandemic. As a result of supply chain disruptions and high energy prices, industrial output declined in October following a largely resilient spring. Inflationary pressures are expected to remain high in the coming months but are close to their peak levels.

Only one small investment transaction was completed in the industrial property sector in Q4. For the whole of 2022, the total investments in the sector exceeded €220 million, which is the fourth-highest figure ever recorded, while most transactions were registered in the first half of the year. In 2022, the industrial sector accounted for 22% of total real estate investments in Hungary.

SUPPLY AND DEMAND: The highest in market history leasing activity, new completions, and net absorption

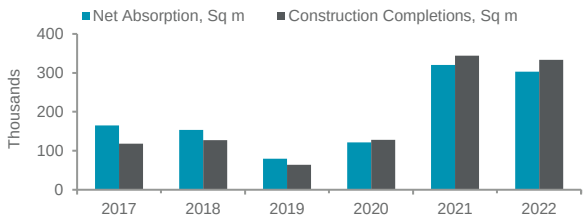
The development market remains active. In 2022, the new supply in Hungary amounted to a record-high 472,000 sq m, increasing by 12% compared to 2021. The pipeline stock planned for delivery in 2023 and 2024 is significant, exceeding 612,000 sq m, of which 33% is already pre-let.

In Q4 2022, leasing activity in the sector reached 223,000 sq m in Greater Budapest. The largest transaction in the market history was also completed during the quarter, namely a pre-lease in CTPark Sziget, an area of over 118,000 sq m. The gross take-up in 2022 was nearly 680,000 sq m in Greater Budapest, beating the previous year's record by 7%. New leases accounted for 44% of annual gross take-up, followed by pre-leases and renewals with shares of 30% and 22%, respectively, and extensions accounting for only 3%. Net absorption was particularly high as its annual figure exceeded 303,000 sq m in Greater Budapest. Stemming from such positive performance, in 2022, the vacancy rate decreased significantly and, by the year-end, stood at 3.8% in Greater Budapest and at 5% in the countryside.

PRICING: Further rental growth is still to come

In Q4 2022, in Greater Budapest, prime rent stood at €5.35 per sq m per month, increasing by 1.9% compared to Q3 and by 15.1% y/y. Continuing inflationary pressures combined with a weak currency are likely to result in further increases in construction costs, which could, in turn, lead to upward pressure on prime rents in the BTS projects.

SPACE DEMAND / DELIVERIES*



OVERALL VACANCY & PRIME RENT*

** The data for the Greater Budapest Area only*

MARKETBEAT

HUNGARY

Industrial Q4 2022

CUSHMAN & WAKEFIELD

MARKET STATISTICS

SUBMARKET	STOCK (SQ M)	VACANT SPACE (SQ M)	VACANCY RATE	CURRENT QTR TAKE-UP (SQ M)	2022 TAKE-UP (SQ M)	2022 COMPLETIONS (SQ M)	UNDER CNSTR (SQ M)	PRIME RENT (€/SQ M/MONTH)
Budapest North	342,740	20,630	6.0%	32,365	82,115	79,900	84,770	€ 5.35
Budapest South	1,348,655	22,375	1.7%	164,645	383,820	75,010	152,875	€ 5.35
Budapest East	725,405	22,450	3.1%	21,750	106,750	75,320	145,170	€ 5.35
Budapest West	720,950	54,685	7.6%	3,960	107,040	102,980	93,595	€ 5.35
BUDAPEST TOTAL	**3,137,750**	**120,140**	**3.8%**	**222 720**	**679 725**	**333,210**	**476 410**	€ 5.35
Central Hungary	32,800	1,025	4.9%	-	380	-	-	€ 5.35
Central Transdanubia	416,650	42,390	2.9%	18,290	34,125	68,090	33,590	€ 4.50
Northern Great Plain	248,375	9,770	4.9%	1,700	4,690	10,770	-	€ 5.35
Northern Hungary	170,745	10,950	6.6%	-	45,085	-	38,500	€ 5.35
Southern Great Plain	146,955	600	0.5%	18,000	33,930	40,225	38,000	€ 4.80
Southern Transdanubia	52,950	2,010	4.2%	-	-	-	-	€ 4.50
Western Transdanubia	376,440	5,160	5.9%	19,660	50,980	19,635	25,925	€ 4.80
COUNTRYSIDE TOTAL	**1,444,915**	**71,905**	**5.0%**	**57,650**	**169,190**	**138,720**	**136,015**	**€ 5.35**
TOTAL HUNGARY	**4,582,665**	**192,045**	**4.2%**	**280,370**	**848,915**	**471,930**	**612,425**	**€ 5.35**

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	PROPERTY TYPE	TENANT	SIZE (SQ M)	TYPE
CTPark Sziget	Logistics park	Confidential	118,400	Pre-lease
East Gate PRO	Logistics park	Confidential	14,260	New lease
CTPark Budapest East - ULL7	Logistics park	Confidential	13,910	New lease

KEY CONSTRUCTION COMPLETIONS Q4 2022

PROPERTY	Location	PROPERTY TYPE	MAJOR TENANT	SIZE (SQ M)	OWNER/ DEVELOPER
INPARK Páty	Páty	Logistics park	Országos Kórházi Főigazgatóság	32,100	NIPÜF
CTPark Komárom – KMR5	Komárom	Logistics park	Confidential	18,300	CTPark
CTPark Budapest West – BIA9	Biatorbágy	Logistics park	Confidential	18,200	CTPark
INPARK Veszprém	Veszprém	Logistics park	Magyar Posta Zrt.	10,500	NIPÜF

Source: Cushman & Wakefield Research, Budapest Research Forum

Orsolya Hegedűs MRICS
Partner, Head of Research & Consultancy Budapest
Mobile: +36 30 399 5106 / orsolya.hegedus@cushwake.com

Edit Jakab
Senior Research Analyst
Mobile: +36 70 373 7482 / edit.jakab@cushwake.com

cushmanwakefield.com

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POLAND

CUSHMAN & WAKEFIELD

MARKETBEAT

POLAND

Industrial Q4 2022

	YoY Chg.	12-Mo. Forecast
4.1% Vacancy Rate	▲	▼
€5.50 Prime Rent*, Sq m/month	▲	▲
5.20% Prime Yield	▲	▲

** Indicated for big box format*

ECONOMIC INDICATORS Q4 2022

	YoY Chg.	12-Mo. Forecast
2.9% GDP*	▼	▼
3.8% Unemployment Rate	▲	▲
5.8% Industrial Production*	▼	▼
17.5% CPI	▲	▼

**Annual growth estimates*
Source: Moody's Analytics (February 2023 release)

ECONOMY: Poland will avoid recession with modest GDP growth in 2023

The Polish economy will continue to face headwinds from rising energy prices, supply chain shortages, and the effects of Russia's ongoing invasion of Ukraine. According to estimates from Statistics Poland (GUS), Poland's average annual GDP growth reached 4.9% in 2022 but is projected to fall to around 1% this year before bouncing back to around 4% in 2024.

The unemployment rate remained at a low of 5.2% in December 2022, and it is expected to rise to around 6% in 2023. The average annual inflation rate for 2022 peaked at 14.4%, its highest rate since 1997. For 2023, inflation is anticipated to edge down to around 13-14%.

Demand: Strong occupier activity despite market challenges

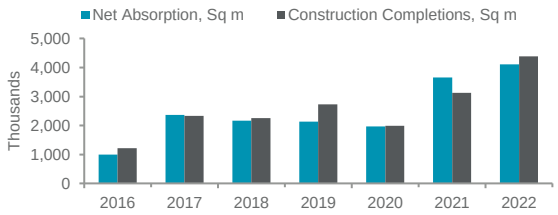
Gross take-up in 2022 was 6.7 million sq m (-10% y/y), the second strongest on record for the Polish warehouse market. Net take-up, including only new leases and expansions, decreased to 4.5 million sq m, down by 22% y/y. The remaining 33% of the total take-up came from renewals (30%, +6 pp y/y) and single sale & leaseback transactions (3%).

In 2022, many companies navigated a challenging and volatile macroeconomic environment. Investment processes became longer, and some transactions were put on hold until market conditions stabilise.

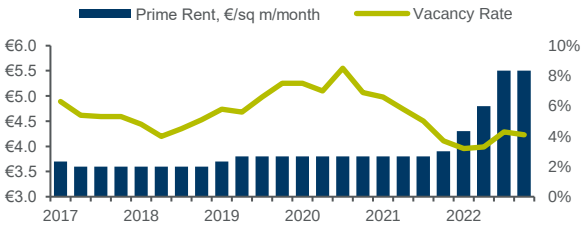
Despite this, many companies continue to develop modern warehouse infrastructure throughout Poland. These include logistics operators, e-commerce and courier firms (Shein, Hermes Group, BestSecret, Poczta Polska, and InPost), retailers (Lidl, Dealz, Jeronimo Martins, and Stokrotka), and manufacturers (Flex, Robert Bosch GmbH, TRUMPF Huettinger, Saint Gobain Sekurit).

The outlook for 2023 remains positive despite significant geopolitical and economic risks associated with the war in Ukraine, high inflation, and the energy crisis. The market's long-term growth is, however, expected to be driven by the continued expansion of e-commerce and nearshoring or shortening supply chains globally and locally through the development of last-mile logistics.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & PRIME RENT



MARKETBEAT

POLAND

Industrial Q4 2022

SUPPLY: New completions hit an all-time high in 2022 as construction activity slows

Around 820,000 sq m of warehouse space was delivered in Q4 2022 across 27 projects, bringing the total annual supply to 4.4 million sq m (+40% y/y).

Despite the highest new supply on record, Poland's overall vacancy rate remained largely unchanged at a low of 4.1% at the end of 2022 (+0.4 pp y/y).

Most regional markets are experiencing a shortage of warehouse space, with the lowest vacancy rates reported for Pomerania (0.9%, -1.6 pp y/y) and Lesser Poland (1.2%, +1.1 pp y/y). Slightly higher vacancy rates were in Kuyavia-Pomerania (2.8%, -1.5 pp y/y), Greater Poland (2.9%, +2.2 pp y/y), Mazovia (3.0%, -1.7 pp y/y), and Silesia (4.2%, -3.7 pp y/y). By contrast, healthy supply levels in 2022 improved the warehouse space availability in Łódzkie (5.5%, +2.6 pp y/y), Western Pomerania (6.4%, +5.5 pp y/y), Lower Silesia (7.0%, +4.2 pp y/y), and Lubelskie (9.1%, +3.1 pp y/y).

At the end of 2022, around 3.4 million sq m of warehouse space was under construction, of which approximately 1.6 million sq m was available for lease.

Speculative construction is expected to help meet the demand declared by the companies, which are planning to launch new operations in the next three to nine months. However, warehouse space availability is likely to shrink considerably by the end of 2023 due to weakening construction activity. In Q4 2022, developers started construction of around 300,000 sq m, marking a decrease of over 80% on the same time in 2021.

RENTS: Poland also sees significant rental growth in the industrial sector

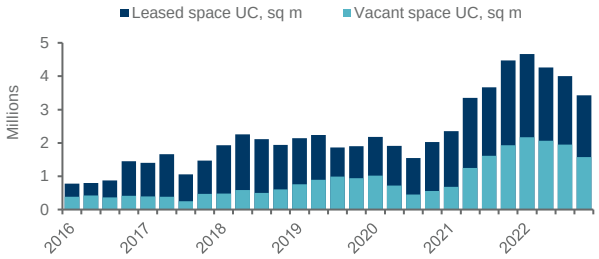
The rents for warehousing space increased in many European markets in 2022, driven by several factors, including high inflation, interest rate hikes, elevated construction costs, low warehouse space availability, and rising development financing costs.

The rental growth was particularly pronounced in the Polish industrial property market, which had, for many years, enjoyed relatively stable and significantly lower rental rates compared to other European countries.

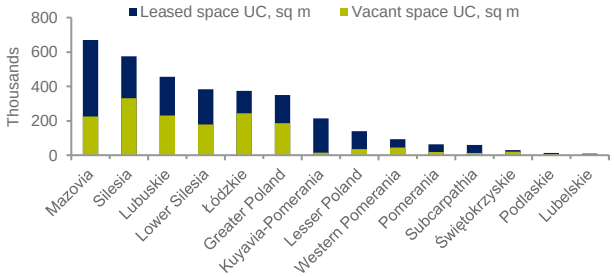
Headline monthly rents in big-box projects increased by 20─30% over the last year to € 3.70─5.00 per sq m, depending on the location. Rents for space in small business units (SBU)/City Logistics are higher, standing at € 5.00─7.50 per sq m.

With financial incentives, which are offered to tenants, now scaled down, effective rents are lower by a maximum of 15─20% compared to headline rental rates.

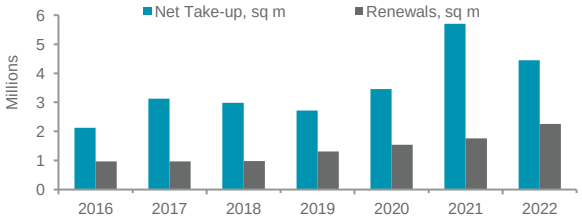
CONSTRUCTION ACTIVITY IN POLAND



IINDUSTRIAL SPACE UNDER CONSTRUCTION, END OF 2022



GROSS TAKE-UP STRUCTURE



MARKETBEAT

POLAND

Industrial Q4 2022

MARKET STATISTICS

SUBMARKET	STOCK (SQ M)	VACANT SPACE (SQ M)	VACANCY RATE	2022 TAKE-UP (SQ M)	2022 NEW SUPPLY (SQ M)	UNDER CNSTR (SQ M)	PRIME RENT (€/SQ M/MONTH)
Mazovia	5,800,775	175,428	3.0%	1,330,333	502,203	671,228	€ 5.00-7.50
Silesia	4,824,190	202,179	4.2%	1,207,867	539,601	575,268	€ 4.90
Łódzkie	4,092,005	223,519	5.5%	926,970	624,030	374,654	€ 4.50
Lower Silesia	3,734,885	262,405	7.0%	834,442	787,002	384,692	€ 4.30
Greater Poland	3,335,941	96,252	2.9%	845,667	539,115	349,802	€ 4.40
Pomerania	1,357,286	12,720	0.9%	332,717	268,814	64,852	€ 4.80
Western Pomerania	1,145,875	73,000	6.4%	148,234	274,291	93,752	€ 4.40
Lubuskie	1,082,729	33,425	3.1%	445,783	259,451	455,920	€ 4.20
Małopolskie	917,411	11,016	1.2%	226,970	94,235	139,460	€ 5.50
Kuyavia-Pomerania	636,009	17,912	2.8%	167,571	220,964	214,635	€ 4.20
Subcarpathia	426,693	13,000	3.0%	80,317	142,247	61,120	€ 4.30
Lubelskie	367,940	33,663	9.1%	72,926	41,670	10,720	€ 4.20
Opolskie	245,961	7,000	2.8%	34,684	56,500	0	€ 4.10
Other markets	357,654	4,011	1.1%	39,502	34,429	44,548	€ 4.00-4.30
POLAND TOTAL	**28,325,354**	**1,165,530**	**4.1%**	**6,693,982**	**4,384,552**	**3,440,651**	**€ 5.50 / BIG-BOX € 7.50 / SBU**

SELECTED LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	SIZE (SQ M)	TYPE
Mountpark Wrocław	Lower Silesia	Confidential (e-commerce)	83,000	New lease
Panattoni Park Bydgoszcz IV	Kuyavia-Pomerania	Nissin Logistics	42,000	New lease
Hillwood Syców	Lower Silesia	Confidential (construction)	24,000	New lease
CTPark Iłowa	Lubuskie	Saint-Gobain Sekurit	21,000	New lease

KEY INVESTMENT TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	SELLER	BUYER	SIZE (SQ M)
VidaXL Warehouse	Greater Poland	VidaXL	Union Investment / Garbe	138,000
Żabka Distribution Centre	Mazovia	7R Logistics	Macquarie	60,000
City Park Poznań	Greater Poland	7R Logistics	DWS	51,000

KATARZYNA LIPKA
Head of Consulting & Research
+48 606 993 860 / katarzyna.lipka@cushwake.com

ADRIAN SEMAAN
Senior Research Consultant
+48 722 202 894 / adrian.semaan@cushwake.com

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ROMANIA

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MARKETBEAT

ROMANIA

Industrial Q4 2022

	YoY Chg.	12-Mo. Forecast
5.6% Vacancy Rate	▲	▼
€4.50 Prime Rent, Sq m/month	▲	▲
7.15% Prime Yield	▼	▲

ECONOMIC INDICATORS Q4 2022

	YoY Chg.	12-Mo. Forecast
4.3% GDP*	▼	▼
5.6% Unemployment Rate	▼	▲
-2.2% Industrial Production*	▲	▲
16.2% CPI	▲	▼

**Annual growth estimates*
Source: Moody's Analytics (February 2023 release)

ECONOMY: Robust economic growth despite inflation

The y/y inflation rate reached 16.2% in Q4 2022 in Romania, one of the highest levels in the European Union. Although expected to stabilise in Q1 2023, it will likely remain in double digits throughout the year. The monetary policy rate has also been increased by the National Bank of Romania, up to a most recent level of 7.00%. In 2022, economic growth was solid at 4.3%, mainly driven by household consumption and reflecting the high resilience of the local economy, given the inflationary pressures and the side effects caused by the Russian invasion of Ukraine. Furthermore, in January–November 2022, Romania's foreign direct investment (FDI) recorded €10.3 billion, increasing by 29% y/y. For the next two years, the GDP growth is forecast to slow to around 2-3%, mainly due to inflation and the increased financing cost.

SUPPLY & DEMAND: The vacancy rate remains low, encouraging new developments

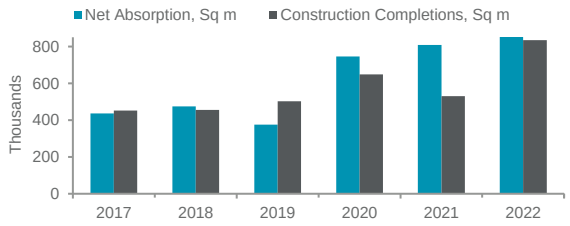
The fundamentals of the industrial and logistics property market remain strong, as the year 2022 registered new record-high indicators both in terms of supply and demand. Gross take-up amounted to almost 1.3 million sq m (+28% y/y) in 2022, out of which 370,000 sq m were leased in Q4. The overall leasing activity in the sector during the year was mainly driven by the new demand, accounting for a robust 85% of gross take-up (or 1.1 million sq m). In 2022, Bucharest attracted 60% of gross take-up, and Ploiesti was the only other location in Romania where transactional activity exceeded 100,000 sq m. The occupier market remains competitive, with a strengthening interest in new manufacturing facilities across Romania.

Over 337,000 sq m of warehousing space was delivered in Romania in Q4 2022, while during the whole year, the new supply reached 834,000 sq m. Nationwide, the total stock of modern industrial and warehousing space exceeded 6.4 million sq m, with an additional 450,000 sq m scheduled for delivery in 2023.

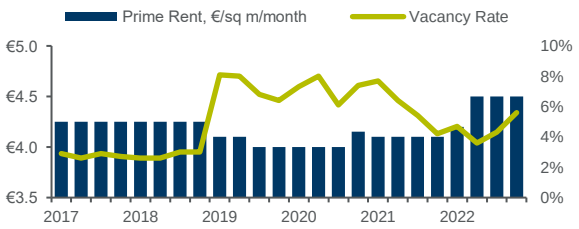
PRICING: Rents remain under pressure

Although the rising development costs and increasing energy and land prices continued to pressure asking rents in the new projects, the prime headline rents remained in the range of €4.25–4.50 per sq m per month in Q4 2022. Further marginal rental increases are expected in the coming months because developers now increasingly prefer the BTS projects as opposed to a speculative development approach combined with a consistently high occupier demand.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & PRIME RENT



MARKETBEAT

ROMANIA

Industrial Q4 2022

MARKET STATISTICS

SUBMARKET	STOCK (SQ M)	VACANT SPACE (SQ M)	VACANCY RATE	CURRENT QTR TAKE-UP (SQ M)	2022 TAKE-UP (SQ M)	2022 COMPLETIONS (SQ M)	UNDER CNSTR (SQ M)	PRIME RENT (€/SQ M/MONTH)
Bucharest	3,241,000	190,100	5.9%	217,200	764,300	428,200	164,900	€ 4.50
Timisoara	680,700	80,100	11.8%	17,900	63,200	139,200	43,000	€ 4.00
Ploiesti	386,600	4,500	1.2%	11,500	150,900	17,000	2,500	€ 4.00
Cluj - Napoca	420,100	17,900	4.3%	-	6,700	19,200	-	€ 4.50
Brasov	354,000	15,500	4.4%	40,600	47,200	60,000	68,000	€ 4.00
Pitesti	253,800	0	0%	4,500	10,800	14,800	-	€ 4.00
Sibiu	160,800	7,700	4.8%	5,000	13,100	-	-	€ 4.00
Other cities	949,200	44,600	4.7%	73,700	230,200	155,800	174,200	€ 4.00
ROMANIA TOTAL	**6,446,200**	**360,400**	**5.6%**	**370,400**	**1,286,400**	**834,200**	**452,600**	**€ 4.50**

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	SIZE (SQ M)	TYPE
CTPark Bucharest West	Bucharest	LPP	65,000	Pre-lease
CTPark Brasov	Brasov	Diehl Controls	18,000	New lease
P3 Bucharest A1	Bucharest	Logistic E Van Wijk	14,500	Renegotiation + Expansion

KEY CONSTRUCTION COMPLETIONS Q4 2022

PROPERTY	SUBMARKET	SIZE (SQ M)	OWNER/DEVELOPER
WDP Park Timisoara	Timisoara	57,000	WDP
CTPark Timisoara	Timisoara	40,400	CTP
CTPark Bucharest BUN 3	Bucharest	34,000	CTP
ELI Park 3 – Phase II	Bucharest	30,000	Element Industrial

PIPELINE PROJECTS SCHEDULED FOR COMPLETION IN 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQ M)	OWNER/DEVELOPER
WDP Park Stefanesti	Bucharest	Modivo	47,300	WDP
CTPark Oradea (Cargo)	Oradea	-	39,300	CTP
WDP Park Slatina	Slatina	Pirelli	37,000	WDP
ELI Park 3 phase III	Bucharest	-	21,500	Element Development

VLAD SAFTOIU *Head of Research*
+40 21 310 3100 / vlad.saftoiu@cwechinox.com

CRISTINA LUPASCU *Director PR & Research*
+40 21 310 3100 / cristina.lupascu@cwechinox.com

cwechinox.com
cushmanwakefield.com

SLOVAKIA

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MARKETBEAT

SLOVAKIA

Industrial Q4 2022

	YoY Chg.	12-Mo. Forecast
3.6% Vacancy Rate	▼	▼
€4.40 Prime Rent, Sq m/month	▲	▲
5.50% Prime Yield	▲	▲

(Class A stock only)

ECONOMIC INDICATORS Q4 2022

	YoY Chg.	12-Mo. Forecast
1.0% GDP*	▼	▲
6.3% Unemployment Rate	▼	▲
-10.2% Industrial Production*	▼	▲
15.2% CPI*	▲	▼

**Annual growth estimates*
Source: Moody's Analytics (February 2023 release)

ECONOMY: Stabilized energy prices, peaked inflation, and increase in yields

A solid rebound, which the Slovak economy experienced after the pandemic restrictions were lifted in 2022, slowed down due to the high energy prices. Despite many negative factors, Q4 showed that the Slovak economy has been more resilient than predicted and is projected to grow by almost 2% in 2022. Energy prices have stabilised, and firms' sales continue growing, though increasing costs have impacted many businesses, especially in the retail sector, which already struggled before. Although inflation reached a record high level of 12.8% in 2022, it peaked in both the Eurozone and Slovakia and is expected to decrease during 2023. The labour market remains generally resilient and continues to perform well.

SUPPLY & DEMAND: Record-breaking annual take-up and new supply in 2022

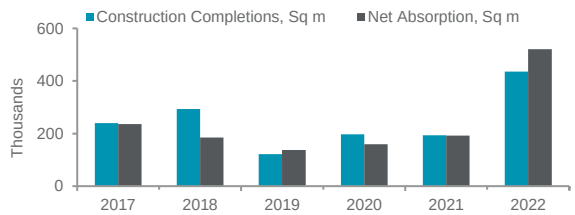
The industrial market remained the most resilient real estate sector, with a solid performance in 2022. During the year, new annual supply amounted to a record-breaking 435,800 sq m, with 80% pre-leased at completion. In Q4 2022, nine new buildings were delivered, totalling 108,500 sq m already pre-leased by 85%. Limited speculative development is offset by BTS projects, which are still confined by tight financing terms, high inflation, and economic uncertainty. Total industrial stock under construction shrank to 261,400 sq m, with only one-third of that pre-leased.

In Q4 2022, occupier demand was robust, with gross and net take-up reaching 156,000 sq m and 102,600 sq m, respectively. Partly attributable to solid demand in Q4, in 2022, the annual gross take-up reached 792,200 sq m, while net take-up was 643,500 sq m, the highest historical figures for the Slovak industrial property market. In 2022, gross take-up increased by 84% compared to the 5-year average, while net take-up almost doubled. During the past year, occupier demand was mainly driven by automotive, 3PL, and e-commerce, though e-commerce started cooling off in H2. The vacancy rate remained low at 3.6%. The landlord's market prevails for now, but we expect some alignment between landlords and tenants in 2023.

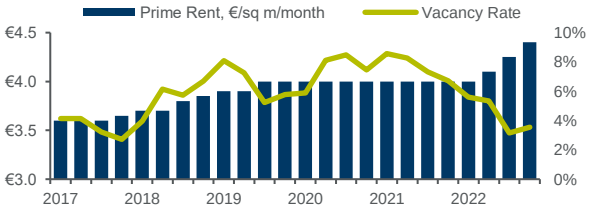
PRICING: Significant increase in headline rents and land banking transactions

Rents remained under upward pressure due to elevated inflation, input, and energy costs. Headline monthly rents in all submarkets increased by at least 20-30 cents/sq m, while prime rent hit €4.40 per sq m per month, with further progressive growth expected in H1 2023. In line with the trend in other commercial property sectors, prime industrial yield increased to 5.50%, partially offset by rental growth and rent indexation. In 2022, industrial developers demonstrated increased activity in land banking transactions, especially in the Bratislava region.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & PRIME RENT



MARKETBEAT

SLOVAKIA

Industrial Q4 2022

MARKET STATISTICS

SUBMARKET	STOCK (SQ M)	VACANT SPACE (SQ M)	VACANCY RATE	CURRENT QTR TAKE-UP (SQ M)	2022 TAKE-UP (SQ M)	UNDER CNSTR (SQ M)	PRIME RENT (€/SQ M/MONTH)
Bratislava Region	1,666,300	65,000	3.9%	33,400	391,700	47,300	€ 4.50
Western Slovakia	1,339,400	11,000	0.8%	67,300	291,700	108,400	€ 4.35
Central Slovakia	281,600	29,600	10.5%	25,200	48,300	40,800	€ 4.40
Eastern Slovakia	192,000	18,200	9.5%	29,600	60,400	64,900	€ 4.30
SLOVAKIA TOTAL	**3,479,300**	**123,900**	**3.6%**	**155,500**	**792,200**	**261,400**	**€ 4.40**

The data is based on class A, speculatively delivered and leasable stock

KEY CONSTRUCTION COMPLETIONS Q4 2022

PROPERTY	REGION	AREA (SM)	OWNER
Prologis Park Bratislava DC22	Bratislava	40,900	Prologis
Sihoť Park S03	Trencin	17,000	SISBAN HOLDING
CTPark Kosice 13 B,C,D	Kosice	12,200	CTP Invest
Panattoni Park Plavecký Štvrtok EH303	Bratislava	12,000	Panattoni

LUKÁŠ BRATH
Research Analyst
+421 (0) 904 325 358
lukas.brath@cushwake.com

cushmanwakefield.com

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INDUSTRIAL MARKET DEFINITIONS

Stock (Total stock): Total Gross Lettable Area of completed space (occupied and vacant) in all types of buildings regardless of quality and age, excluding owner-occupied properties. The figure includes an ancillary office and mezzanine space.

Note: In the Czech Republic, Poland and Slovakia, only class A logistics and industrial schemes are included.

Under construction: The total amount of logistics/industrial space currently under construction at the end of a specified period. It includes new development, expansion of an existing scheme and comprehensive refurbishment.

(a) Speculative – space under construction that is available (or will be available upon completion) for lease on the open market.

(b) Pre-let – space under construction that has already been pre-committed with the lease agreement and is not marketed as available on the open market.

Gross take-up: A figure representing the total floorspace known to have been let or pre-let (for pipeline properties), sold or pre-sold (for pipeline properties) to tenants or owner-occupiers in existing buildings and pipeline schemes to be included in 'Stock'. Data includes new leases, pre-leases, sub-leases, owner occupation and expansions, and lease renewals. Space is considered 'taken up' only when contracts are signed.

Note: Sub-leases are excluded from gross take-up in Hungary and Poland.

Net take-up: A figure is distinct from gross take-up, as lease renewals and sub-leases are excluded.

Net absorption: The net change in physically occupied space over a given period, considering vacated and newly constructed space during a definite time.

Vacant space (Vacancy): The vacancy is deemed the total Gross Lettable Area in an existing property included in stock, which is vacant and actively marketed at the time. Space available for future occupation and sub-lease space opportunities are not included.

Vacancy rate: The amount of vacant space as a proportion of stock.

Prime rent: Consistently achievable headline rental rate related to a modern warehousing space unit of a minimum size of 1,000 sq m in a modern logistics scheme located in a prime out-of-city location close to communication links. If not indicated otherwise, prime rent is given as a base rent, i.e. no service charge, utilities and tax is included. It is quoted for warehousing space within the scheme, i.e. it is not a 'blended rent', and rents for office and mezzanine components of the property are not included.

The prime rent reflects the market's tone at the top end, even if no new leases have been signed within the survey period. One-off deals that do not represent the market are disregarded.

Prime yield: The initial yield is estimated to be consistently achievable as an annual percentage income return for a property of the highest quality and specification, in the best location, fully let long term to a strong covenant/s, and immediately income-producing on present market terms at the survey date.

It is an indicator of the tone in the market and the associated level of risk attached to that investment.

CZECH REPUBLIC

Jiří KRISTEK

Partner, Head of Industrial & Retail Warehousing | Czechia

+420 234 603 603
jiri.kristek@cushwake.com

Marie BALAČOVÁ

Associate Director, Head of Data & Analytics | CEE

+420 605 440 693
marie.balacova@cushwake.com

HUNGARY

Gábor HALÁSZ-CSATÁRI

Partner, Head of Industrial & Logistics Agency | Hungary

+36 (30) 822 5458
gabor.halaszcsatari@cushwake.com

Orsolya HEGEDŰS

Partner, Head of Research & Consultancy | Hungary

+36 (30) 399 5106
orsolya.hegedus@cushwake.com

POLAND

Damian KOŁATA

Partner, Head of Industrial & Logistics Agency | Poland
Head of E-Commerce | CEE
+48 515 117 114
damian.kolata@cushwake.com

Katarzyna LIPKA

Head of Consulting & Research | Poland

+48 606 993 860
katarzyna.lipka@cushwake.com

SLOVAKIA

Patrik JANSCO

Head of Industrial Agency | Slovakia

+421 903 486 379
patrik.jansco@cushwake.com

Lukáš BRATH

Research Analyst | Slovakia

+421 904 325 358
lukas.brath@cushwake.com

ROMANIA

Andrei-Marius BRINZEA

Partner, Industrial, Logistics & Land Agency | Romania

+40 (21) 310 3100
andrei.brinzea@cwechinox.com

Vlad SAFTOIU

Head of Research | Romania

+40 (72) 882 5299
vlad.saftoiu@cwechinox.com

BULGARIA

Zhoro ANGELOV

Head of Industrial Space and Land Development | Bulgaria

+359 (882) 299 311
zhoro.angelov@cwforton.com

Radostina MARKOVA

Head of Research and Marketing | Bulgaria

+359 (883) 260 333
radostina.markova@cwforton.com

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