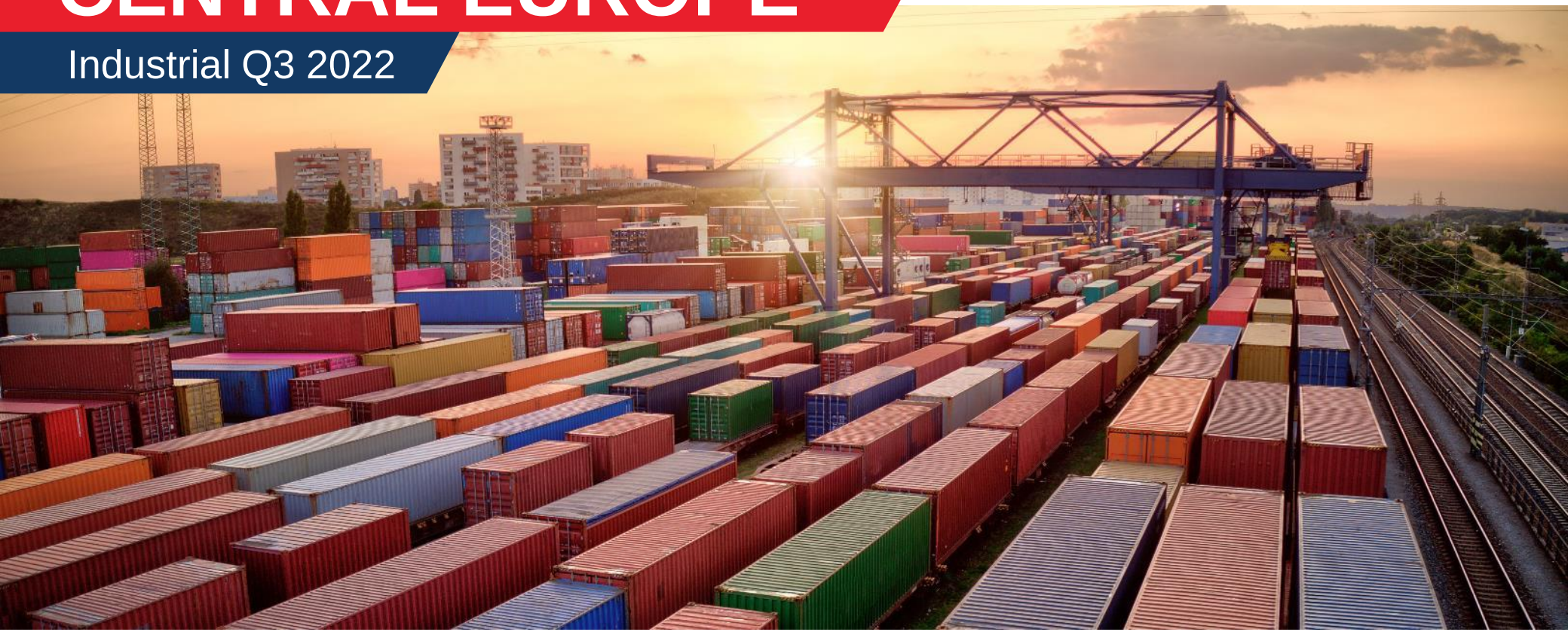
MARKETBEAT

CENTRAL EUROPE

Industrial Q3 2022



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MARKETBEAT

CENTRAL EUROPE

Economy Q3 2022

The outlook for the remainder of 2022 has darkened

After the solid start of 2022 and generally positive performance during the first six months, in Q3 2022, the economic growth slowed down across CEE, and business confidence weakened.

The automotive industry, struggling due to supply bottlenecks and soaring energy prices, has significantly impacted growth in Slovakia and Czechia.

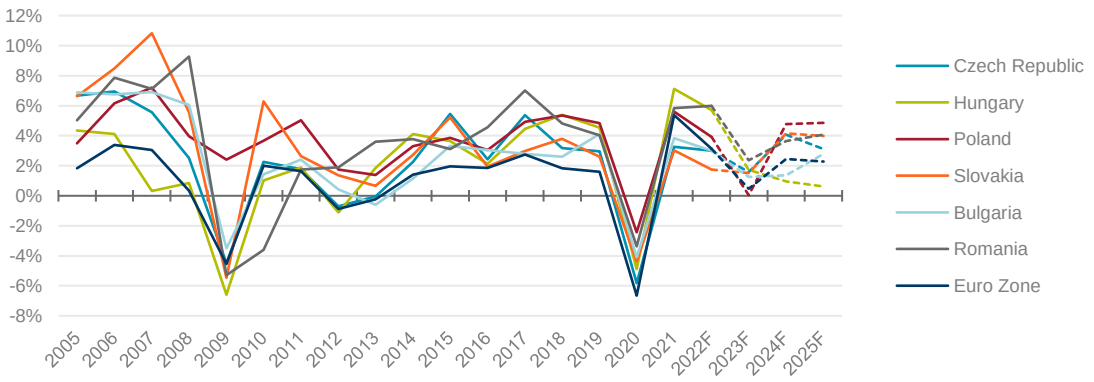
Nevertheless, consumer demand remained relatively strong in most CEE countries, boosted by the removed pandemic restrictions and spending by refugees from Ukraine buying essential goods.

Supply-chain disruptions and high energy prices will elevate inflation, adversely impacting households' purchasing power. However, after inflation reached new multidecade highs in summer, it is expected to be on a downward path from now on.

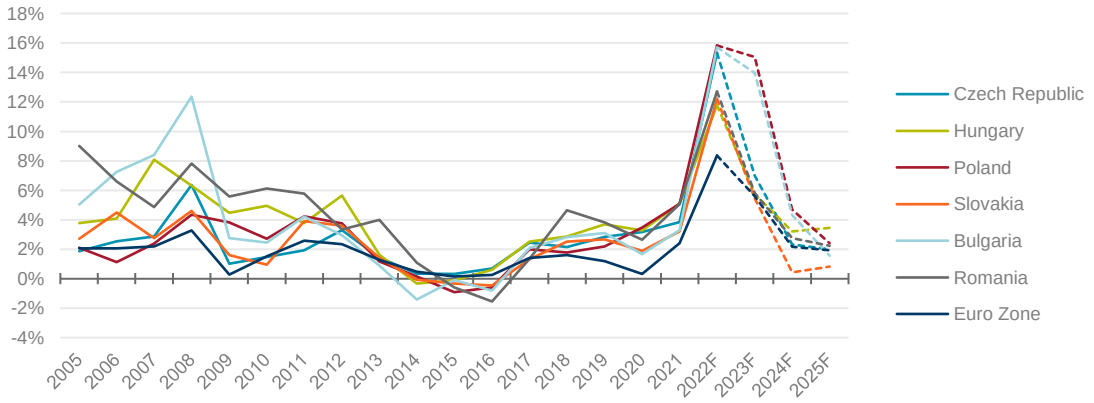
Investment activity will be confined by abnormally high interest rates and weakening demand. But despite increasing yields and the ongoing price discovery process, in most CEE countries, capital values for commercial real estate are not expected to fall due to upward rental dynamics and space shortages in many sectors. Notably, the value gap in the office property sector will further widen between the assets, depending on their efficiency and other quality attributes.

The EU's long-term budget for 2021–2027, coupled with the temporary instrument, NextGenerationEU, designed to power the post-COVID recovery, jointly totalling over €2 trillion in current prices, is expected to boost industrial production and sustainable investment across CEE markets.

GDP GROWTH IN CEE COUNTRIES (y/y change)



CONSUMER PRICE INDEX (y/y change)



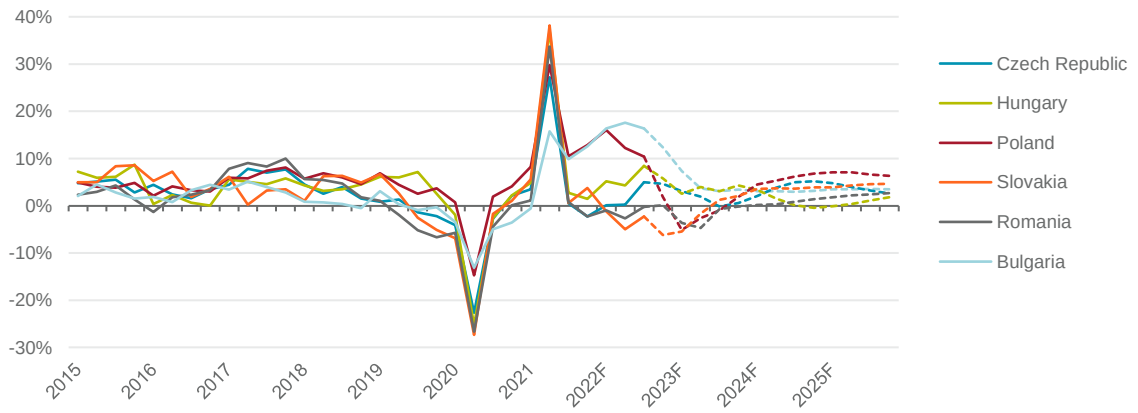
Source: Moody's Analytics (October 2022 release)

MARKETBEAT

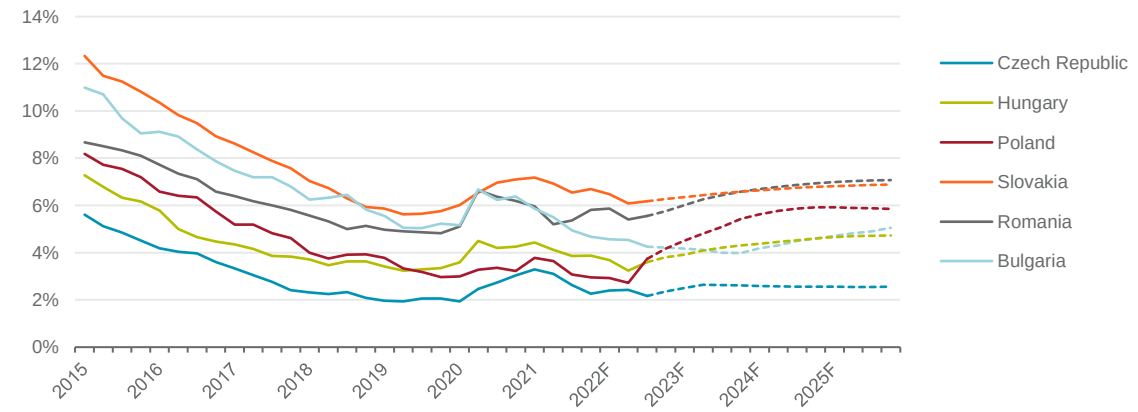
CENTRAL EUROPE

Economy Q3 2022

INDUSTRIAL PRODUCTION (y/y change)



UNEMPLOYMENT RATE (%)



Source: Moody's Analytics (October 2022 release)

Industrial Production

The supply-chain issues stemming from lockdowns in China, further exacerbated by ongoing Russia's war against Ukraine are denting global demand and strengthening inflationary pressures. The CEE economies are among the most exposed in the current situation due to their geographical proximity to the war scene and heavy reliance on gas supplies from Russia.

Due to elevated energy and commodity prices, industrial production slowed down or even declined in some CEE countries in Q2 and Q3 2022. Manufacturing has suffered from supply-side shock, particularly in energy-intensive industries, such as automotive, aerospace, metal products, chemicals, rubber, and machinery.

In Hungary, industrial production demonstrated an exceptionally positive performance, as the companies in the sector benefitted from having long-term contracts for energy costs and the country's special trade relations with Russia. However, difficulties in acquiring input materials continue to limit production capacities in the country.

Moody's Analytics project that the supply-related disruption in CEE may ease in 2023.

Labour Market

The labour market remains tight in the CEE countries. Employment trends are mixed across the region, but labour shortages and a lack of qualified workers have commonly limited employment growth.

The influx of refugees from Ukraine has not yet been tangible in the labour market in the CEE countries. The impact will, however, depend on the length of Russia's invasion and how many of the present refugees decide to settle in CEE permanently. Also, the number of Ukrainian refugees crossing the EU border has slowed, and some moves back to Ukraine have also been witnessed.

The pre-pandemic trend of emigration is expected to return in some countries in CEE as labour mobility restrictions within the EU ease, which could worsen labour shortages and increase the risk of a wage-price spiral in the countries in focus.

MARKETBEAT

CENTRAL EUROPE

Industrial Q3 2022

Across CEE, the fundamentals for the industrial property market remain strong, 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 2002 was generated by industrial, automotive, and FMCG companies stockpiling production materials to shield themselves from expected price hikes. The drawn-out lease negotiations and sales price discovery, both resulting from the ongoing economic and geopolitical uncertainty, may negatively affect the occupier and investment demand in the near future.

In Q3 2022, the **total stock** of modern industrial and warehouse space in CEE exceeded 53.7 million sq m; 51% of that is located in Poland. **New supply** reached almost 5.8 million sq m during the first 9 months of 2022, while over 14.6 million sq m of modern warehousing and industrial space was delivered in CEE since early 2020 (or +45%).

Over 7 million sq m is presently **under construction** in the region, out of which 57% is again ongoing in Poland. Though 45% of pipeline stock in CEE is still built on a speculative basis, the developers in the sector are increasingly interested in developing build-to-suit (BTS) in the sector. The recent slowdown in price inflation for construction materials resulted in improved availability and a shortening of the construction period.

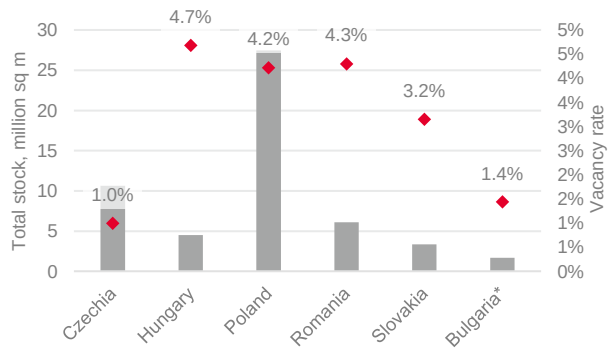
The **occupier's activity** remained robust in Q1–Q3 2022, as the aggregate gross take-up increased by 13% y/y, while the 12-month rolling average showed a clear upward trend. Furthermore, despite significant development activity, **vacancy rates** remained below 5% in all CEE markets, while in Czechia dropped below 1%.

On both quarterly and annual bases, **prime rents** increased in all the CEE markets. The steepest rental growth over the past 12 months was observed in Poland (+45%y/y), Czechia (+34% y/y), and Bulgaria (+21% y/y).

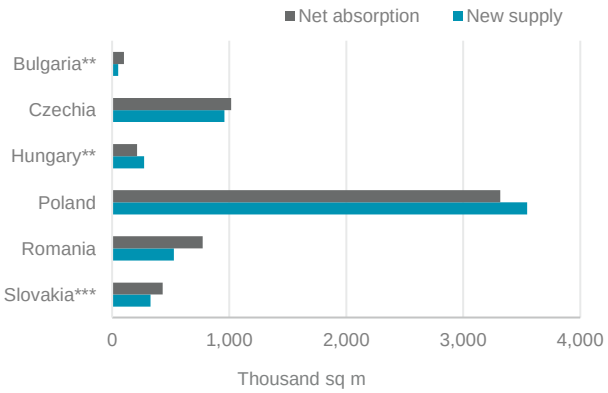
The industrial segment accounted for 28% of total **investment volumes** recorded in CEE in Q1–Q3 2022, but the figure dropped by 11% y/y as the availability of stock for sale remained the challenge. The significant investment transactions completed during the first three quarters of 2022 include acquisitions of Project Danica portfolio, Panattoni Park Gdansk Airport, 7R portfolio and Cromwell Warsaw Portfolio in Poland, CPI Industrial Portfolio in Czechia, as well as Airport City Logistics Park in Hungary.

Over Q3, **prime industrial yields** have softened in the Czech Republic (+0.5 pp) and Poland (+0.3 pp), remaining stable in other countries. Further upward correction of prime industrial yields may continue during the coming months. Still, rental growth and healthy vacancy in the sector will remain among the key factors attracting CEE investors.

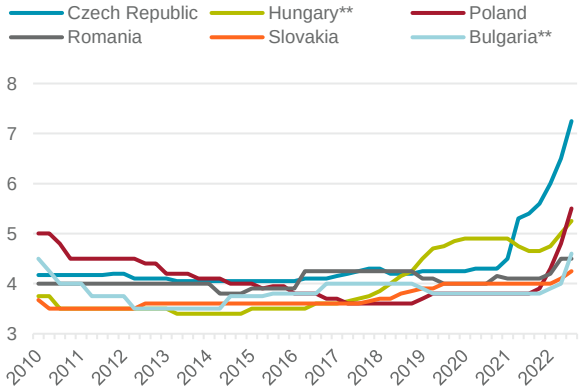
TOTAL STOCK AND VACANCY, Q3 2022



NEW SUPPLY AND DEMAND, Q1-Q3 2022



PRIME RENTS (€/sq m/month)



** Data for Bulgaria covers Sofia only.*
*** Data for Bulgaria and Hungary are provided for capital cities' greater areas only.*
**** Instead of net absorption, a net take-up figure is provided for Slovakia.*

MARKETBEAT

CENTRAL EUROPE

Industrial Q3 2022

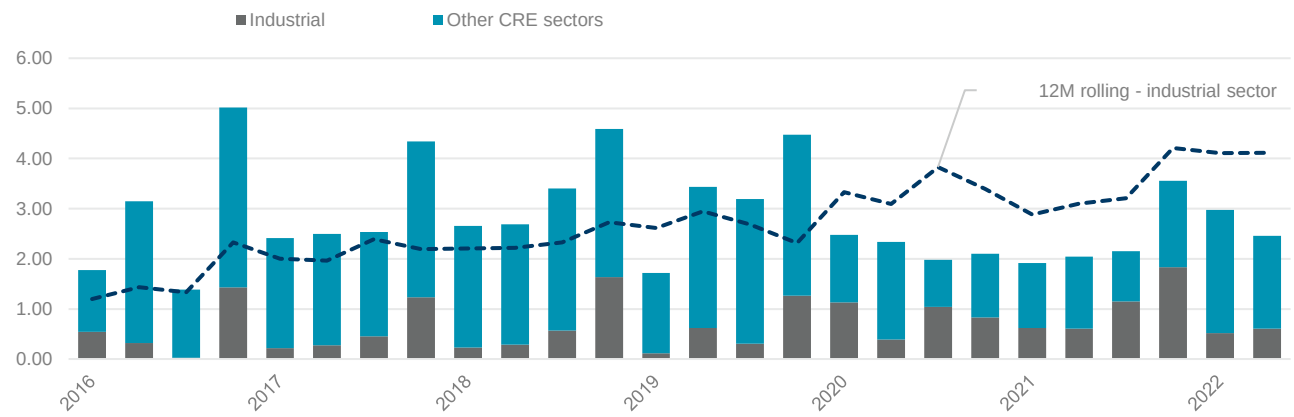
€ 2.11 B
Investment Volume Q1-Q3 2022

- 11%
Change y/y

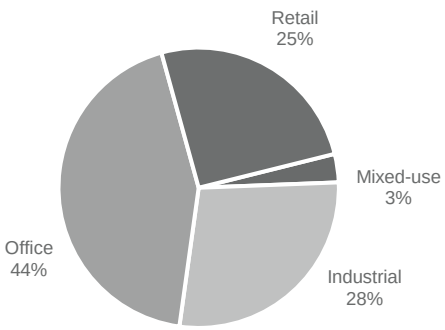
€ 2.38 B
Investment Volume Q1-Q3 2021

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

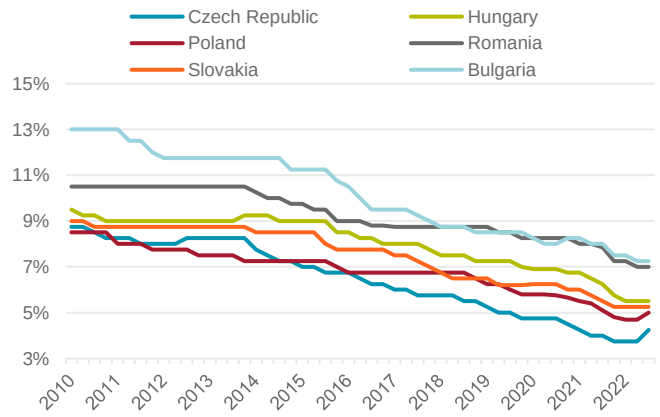
INVESTMENT VOLUMES IN CEE (€ billion)



INVESTMENT VOLUMES IN CEE, Q1-Q3 2022



PRIME INDUSTRIAL YIELD (%)



Q3 2022

City / COUNTRY	INDUSTRIAL ASSETS	
	Prime rent, €/sqm/month	Prime yield, %
Bulgaria	€4.60	7.25%
Czech Republic	€7.25	4.25%
Hungary	€5.25	5.50%
Poland	€5.50	5.00%
Romania	€4.50	7.00%
Slovakia	€4.25	5.25%

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

MARKETBEAT

CENTRAL EUROPE

Industrial Q3 2022

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	Supply	Demand	Vacancy rate	Rents
Bulgaria (Sofia)	During the first nine months of 2022, the new supply amounted to only around 50,000 sq m, out of which 79% of space was completed in Q3. Development activity remains high, with 365,240 sq m under construction. Most of this pipeline is formed by owner-occupied facilities, but several large speculative projects are also under construction.	The leasing market in Sofia remains relatively active, with gross take-up of 71,400 sq m in Q1-Q3 2022. Occupiers are primarily interested in space areas in the range of 500-2,000 sq m and locations within the ring road with good access. Countrywide, there is demand for production facilities both for rent and owner-occupation.	The lack of new speculative completions in Sofia resulted in a low vacancy rate of 1.4% in Q3 2022, with no prospects for significant growth in the coming quarters.	Prime logistics rent in Sofia continued to increase slightly in Q3, reaching €4.6 per sq m for mid-size units and €4.25 per sq m for premises over 10,000 sq m. The rental growth has been pushed by rising operating costs.
Czech Republic	Over 511,000 sq m of warehouse space was completed in 18 industrial parks in Q3 2022, bringing the total modern stock to 10.6 million sq m. In Q4 2022, an additional 340,000 sq m is scheduled for delivery, 72% already pre-leased. Approximately 1.2 million sq m of industrial space was under construction at the end of September, predominantly in the Karlovy Vary, South Moravian and Pilsen regions.	Gross take-up in Q3 2022 reached 482,400 sq m, decreasing by 27% q/q, though the Q2 figure was dominated by a single pre-lease in Cheb (over 230,000 sq m). In Q1-Q3 2022, gross take-up exceeded 1.8 million sq m, increasing by 2% y/y. Notably, pre-leases accounted for 37% of gross take-up in Q3 2022 and 39% in January-September 2022, confirming that occupier demand remains confined by limited space availability.	The vacancy rate was reported at 1.0% in Q3 2022, which is the lowest figure in the modern history of the Czech market. In most regions, the vacancy stays close to zero – the largest available space in absolute terms was recorded in the Pilsen region (39,900 sq m).	The shortage of vacant space in the existing and pipeline schemes results in continuous upward pressure on rents. In Q3 2022, prime headline rent for a standard 10,000 sq m warehouse unit further increased, reaching € 7.25/sq m/month in Prague, € 6.00/sq m/month in Brno, and € 5.50/sq m/month in Pilsen.
Hungary (Budapest)	In Q3 2022, the new supply was a record high, with 145,385 sq m of new space added in the Greater Budapest Area and 33,380 sq m in the countryside. Delivery of 186,550 sq m is planned for Q4 2022 at a country level. If all are delivered, the new annual supply in 2022 will surpass the record figure of 2021.	Gross take-up was 218,215 sq m in Q3 2022 (+52% y/y) and exceeded 457,000 sq m YTD. New leases accounted for 72% of the gross take-up. Demand for big-box schemes remains prevalent. Net absorption was particularly high in Q3, while the YTD figure reached 213,085 sq m.	In Q3 2022, the vacancy rate stood at 4.9% in Greater Budapest Area and 4.3% in the countryside. As 74% of the new supply was already pre-let, and therefore availability remained limited.	Prime rent in the Greater Budapest Area reached €5.25 per sq m (+5% q/q and +13% y/y). Due to strengthening inflationary pressures combined with a weak currency, construction costs will likely rise further, meaning that BTS & pre-lease rents will remain subject to upward pressure.

MARKETBEAT

CENTRAL EUROPE

Industrial Q3 2022

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	Supply	Demand	Vacancy rate	Rents
Poland	Almost 1.16 million sq m of warehouse space was delivered in Q3 2022, out of which 395,000 sq m remained vacant as of September 2022. In late Q3 2022, ca. 4 million sq m of warehouse space was under construction in Poland, 49% of which (or 1.95 million sq m) was available for lease. Construction of around 865,000 sq m was commenced in Q3 2022, which still exceeds the quarterly 5-year average of ca. 830,000 sq m.	Gross take-up reached 5.4 million sq m in Q1-Q3 2022 (+7% y/y), while net take-up was 3.8 million sq m. The five core logistics markets, which accounted for over 70% of net take-up in Poland, remain the most attractive in leasing activity. Still, the Silesian region, Mazovia and Greater Poland kept the dominant position. Though the market fundamentals remain strong, the drawn-out lease negotiations may negatively affect the occupier demand dynamics in the near future.	The overall market vacancy rate increased to 4.2% (+0.9 pp q/q), meaning that 1,158,000 sq m of warehouse space has been available for lease. Out of the five largest markets in Poland, Mazowieckie was the only one which witnessed a vacancy reduction by 25,000 sq m over Q3.	Headline rents for prime space within the leading regional markets increased by 25% y/y. At the end of Q3 2022, headline rents stood at €3.40-5.50/sq m/month for big-box warehouses and €5.00-6.50 for City Logistics & SBUs. Financial incentives offered to tenants are being scaled down, and effective rents are in the range of €2.70-4.20/sq m/month for big-box units and €4.50–5.50 for City Logistics & SBUs, depending on location.
Romania	The new supply was 230,000 sq m GLA in Q3 2022 and exceeded 525,000 sq m during the first nine months of the year, while at the national level, the total stock reached over 6.1 million sq m. Approximately 570,000 sq m of new space is presently under construction across Romania, further confirming the developers' confidence in the market.	Gross take-up was ca.374,000 sq m in Q3 2022 and exceeded 916,000 sq m in Q1-Q3 (+63% y/y). In 2022, gross take-up may outperform last year's impressive annual figure. Occupiers' activity was mainly driven by new demand. Bucharest dominated the gross take-up (68% in Q3 2022), followed by Ploiesti, Deva, and Timisoara.	Because of a significant new supply over Q3 2022, the vacancy rate increased by 1.2 ppt, reaching 4.3%.	The increasing development costs continue to pressure asking rents for new projects. In Q3 2022, the prime headline rent stood in €4.25-4.50 per sq m per month and is projected to remain generally stable in the coming months. As demand in the sector has mainly been driven by retailers, high inflation pressures may negatively impact their current expansion dynamics.
Slovakia	Around 113,500 sq m of new space was delivered within 5 properties in all the regions, with an additional 305,900 sq m in 21 schemes in the pipeline. The developers are increasingly interested in developing build-to-suit (BTS) and build-to-own (BTO) projects. Developers in the sector are searching for new opportunities for land acquisitions across the country to ensure the growth of their portfolios (for the next period).	Occupier demand remains robust in the sector, driven by 3PL and automotive companies. In Q3 2022, gross take-up amounted to 204,800 sq m (+154% over the 5-year Q3 average, out of which net take-up reached 161,900 sq m or 79%. Net absorption of 186,600 sq m represented the record-high quarterly figure for the last decade.	The vacancy rate decreased further by over 2 pp compared to Q2 2022, reaching 3.2%.	Over the quarter, headline rents substantially increased across the submarkets. Prime monthly rent reached €4.25 per sq m, while further rental growth is expected with high probability, as supported by ongoing lease transactions in relation to existing and pipeline properties.

BULGARIA (SOFIA)

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MARKETBEAT

BULGARIA (SOFIA)

Industrial Q3 2022

	YoY Chg.	12-Mo. Forecast
1.4% Vacancy Rate	▼	▲
€4.60 Prime Rent, Sq m/month	▲	▲
7.25% Prime Yield	▼	▬

ECONOMIC INDICATORS Q3 2022

	YoY Chg.	12-Mo. Forecast
2.6% GDP*	▼	▼
4.3% Unemployment Rate	▼	▼
15.5% Industrial Production*	▲	▼
17.7% CPI*	▲	▼

**Annual growth estimates*
Source: Moody's Analytics

ECONOMY: Inflationary pressure

The Bulgarian economy is facing a challenging time due to the deteriorating external environment. The real GDP growth is expected to slow to around 3% in 2022, followed by an anaemic increase of 1% in 2023 in light of the forecasted global recession. The country's economy is affected mainly by the deceleration of private consumption, reflecting the negative effect of the growing inflation of disposable household income. The latest projections of the Bulgarian Central Bank are for 14.9% annual inflation at the end of 2022 and a slowdown to 4.1% at the end of 2023. A bright spot is public investments, which are expected to increase, primarily due to European funds.

SUPPLY AND DEMAND: Development activity

The third quarter of 2022 was marked by the most significant industrial portfolio transaction in Bulgaria so far – the acquisition of two logistics projects with warehouse and office facilities totalling over 73,000 sq m by the industrial developer CTP. This deal is part of the ongoing consolidation of the logistics property market in the vital industrial zones countrywide.

In Sofia, development activity remains high, with 365,240 sq m under construction. Most of this pipeline is formed by owner-occupied facilities, although there are some large speculative projects under construction as well.

In light of increasing rents, many companies want to secure their production and warehousing operations. Countrywide, there is demand for production facilities both for rent and owner-occupation. The leasing market in Sofia remains relatively active, with gross take-up amounting to 71,400 sq m for the nine months of 2022. Occupiers are primarily interested in space areas in the range of 500-2,000 sq m. Locations within the ring road with convenient access are the most sought-after by tenants.

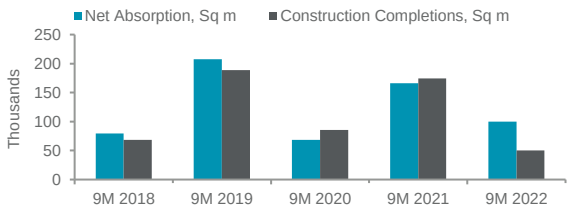
The lack of new speculative completions in Sofia resulted in a low vacancy rate of 1.4% in the third quarter, with no prospects for significant growth in the coming quarters.

PRICING: Slight increase

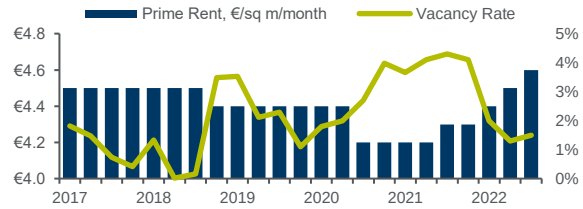
Prime logistics rent in Sofia increased slightly in the third quarter, reaching €4.6 per sq m for mid-size units and €4.25 per sq m for premises over 10,000 sq m. The rental growth has been pushed by rising operating costs.

Prime yields remained at 7.25%, with the prospect of gradually increasing over the coming quarters.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & PRIME RENT



MARKETBEAT

BULGARIA (SOFIA)

Industrial Q3 2022

MARKET STATISTICS

SUBMARKET	STOCK (SQ M)	VACANT SPACE (SQ M)	VACANCY RATE	CURRENT QTR TAKE-UP (SQ M)	YTD TAKE-UP (SQ M)	UNDER CNSTR (SQ M)	PRIME RENT (€/SQ M/MONTH)
Sofia	1,685,753	24,300	1.4%	60,700	120,952	365,240	€ 4.60
TOTAL	**1,685,753**	**24,300**	**1.4%**	**60,700**	**120,952**	**365,240**	**€ 4.60**

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

KEY CONSTRUCTION COMPLETIONS YTD 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQ M)	OWNER/DEVELOPER
AIKO Logistics Center	Sofia	AIKO	9,629	MD Immobilien
Fresh & Food Logistics	Sofia	Nestle	5,000	Froneri Bulgaria, Fresh and Frozen Storage

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CZECH REPUBLIC

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MARKETBEAT

CZECH REPUBLIC

Industrial Q3 2022

	YoY Chg.	12-Mo. Forecast
1.0% Vacancy Rate	▼	▲
€7.25 Prime Rent, Sq m/month	▲	▲
4.25% Prime Yield	▲	▲

ECONOMIC INDICATORS Q3 2022

	YoY Chg.	12-Mo. Forecast
2.3% GDP*	▼	▼
2.4% Unemployment Rate	▼	▼
5.1% Industrial Production*	▲	▼
17.3% CPI*	▲	▼

**Annual growth estimates*
Source: Moody's Analytics

ECONOMY: The gradual easing of supply chain pressures should lift production and net exports in 2023

The Czech economy recorded three consecutive quarters of solid growth, which was powered by an increase in investment and took place despite stagnant private and government consumption and weak net exports. Nevertheless, Czechia may struggle to avoid recession due to multiple external shocks, including surging energy prices. Inflation passed its peak during the summer and is expected to be on a downward path, especially once the energy price cap comes into effect. At the same time, investment activity will be confined by abnormally high interest rates. The manufacturing industry, particularly the automotive sector, was hit hard in Czechia recently. Moody's Analytics project, however, that as supply-related issues are expected to ease in 2023, the trade balance is set to improve after collapsing in 2021 and 2022.

SUPPLY AND DEMAND: Occupier demand remains confined by limited space availability

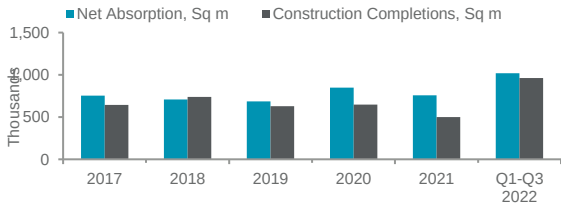
In Q3 2022, over 511,000 sq m of warehouse space was completed within 18 industrial parks. As a result, the modern industrial stock amounted to 10.6 million sq m. Additionally, developers plan to deliver 340,000 sq m by the end of this year, 72% of which is already pre-leased. A total of 1.2 million sq m of industrial space was under construction at the end of September, predominantly in the Karlovy Vary, South Moravian and Pilsen regions.

Gross take-up in Q3 2022 reached 482,400 sq m, representing a 27% decrease compared to the previous quarter, though a single pre-lease dominated the Q2 figure in Cheb (over 230,000 sq m). During the first three quarters of 2022, gross take-up exceeded 1.8 million sq m, increasing by 2% year-on-year. Notably, pre-leases accounted for 37% of gross take-up in Q3 2022 and 39% during Q1-Q3 2022, confirming that occupier demand remains confined by limited space availability.

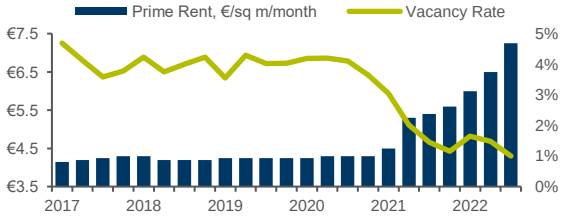
PRICING: The lowest-ever vacancy rate resulting in a continuous rental growth

The vacancy rate was reported at 1.0% end of Q3 2022, which is the lowest figure in the modern history of the Czech market. In most regions, the vacancy stays close to zero – the most extensive available space in absolute terms was recorded in the Pilsen region (39,900 sq m). The shortage of vacant space, be it in the existing projects or those under construction, results in continuous upward rental pressure. In Q3 2022, prime headline rent for a standard 10,000 sq m warehouse unit further increased, reaching € 7.25/sq m/month in Prague, € 6.00/sq m/month in Brno, and € 5.50/sq m/month in Pilsen.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & PRIME RENT



MARKETBEAT

CZECH REPUBLIC

Industrial Q3 2022

CUSHMAN & WAKEFIELD

MARKET STATISTICS

SUBMARKET	STOCK (SQ M)	VACANT SPACE (SQ M)	VACANCY RATE	CURRENT QTR TAKE-UP (SQ M)	YTD TAKE-UP (SQ M)	YTD COMPLETIONS (SQ M)	UNDER CNSTR (SQ M)	PRIME RENT (€/SQ M/MONTH)
Prague	3,433,500	19,700	0.6%	80,700	575,800	76,000	50,600	€ 7.25
Pilsen	1,639,500	39,900	2.4%	48,700	185,000	122,000	138,300	€ 5.50
Brno (South Moravia)	1,242,700	4,400	0.4%	55,500	186,100	34,700	150,800	€ 6.00
Ostrava (Moravia-Silesia)	1,035,000	31,100	3.0%	29,300	155,600	215,200	97,100	€ 5.25
Central Bohemia	742,000	200	0.0%	38,600	88,100	71,600	111,700	
Ústí nad Labem	652,900	300	0.0%	66,600	119,100	17,400	131,500	
Liberec	540,500	10,400	1.9%	84,400	104,000	242,900	52,200	
Olomouc	367,600	0	0.0%	9,800	15,100	48,000	18,000	
Karlovy Vary	292,900	0	0.0%	20,800	254,500	43,700	316,200	
Pardubice	213,200	0	0.0%	500	39,800	2,500	48,800	
Hradec Králové	194,200	0	0.0%	14,600	34,300	25,900	38,300	
Jihlava (Vysočina)	189,200	0	0.0%	19,600	54,700	26,900	6,200	
České Budějovice (South Bohemia)	74,500	0	0.0%	2,400	15,400	22,400	0	
Zlín	28,900	0	0.0%	10,900	21,400	10,500	0	
CZECH REPUBLIC TOTAL	**10,646,600**	**106,000**	**1.0%**	**482,400**	**1,848,900**	**959,700**	**1,159,700**	**€ 7.25**

KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	SIZE (SQ M)	TYPE
CTPark Hranice	Olomouc	*confidential*	36,600	Renegotiation
GLP Park Brno Holubice	Brno (South Moravia)	FAST ČR	31,400	Pre-lease
Panattoni Pilsen Park West	Pilsen	DHL Supply Chain	31,400	New Lease

KEY CONSTRUCTION COMPLETIONS Q3 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQ M)	OWNER/DEVELOPER
Panattoni Park Kojetín	Olomouc	Amazon	186,700	Panattoni
CTPark Bor	Pilsen	confidential	60,000	CTP Invest
Ostrava Airport Multimodal Park	Ostrava (Moravia-Silesia)	Česká Pošta	34,000	Concens Investments

Source: Industrial Research Forum

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HUNGARY

CUSHMAN & WAKEFIELD

MARKETBEAT

HUNGARY

Industrial Q3 2022

	YoY Chg.	12-Mo. Forecast
4.7% Vacancy Rate	▲	▲
€5.25 Prime Rent, Sq m/month	▲	▲
5.50% Prime Yield	▼	▲

ECONOMIC INDICATORS Q3 2022

	YoY Chg.	12-Mo. Forecast
5.4% GDP*	▼	▼
3.3% Unemployment Rate	▼	▲
8.4% Industrial Production*	▲	▼
14.8% CPI*	▲	▼

**Annual growth estimates*
Source: Moody's Analytics

ECONOMY: Fast real GDP growth in H1, but the energy crisis and war began to weigh on activity

Hungary's real GDP growth was 6.5% in Q2 2022, exceeding most EU countries. According to the Hungarian Central Statistical Office, during the first eight months of 2022, industrial production increased by 6.1% y/y. Industrial production is likely to remain generally resilient because the companies in the sector have long-term contracts for energy supply at fixed costs. Most industries contributed to the growth, and the production expanded significantly for such goods as vehicles, computers, electronic and optical products, food, beverages, and tobacco.

No investment transactions in the industrial and logistics property sector were completed in Q3 2022, but several deals are ongoing. During the first three quarters of 2022, total investment volume in the sector exceeded €200 million, the highest figure ever registered.

SUPPLY AND DEMAND: Record high leasing activity, strong market fundamentals

In Q3 2022, gross take-up in the Greater Budapest Area reached 218,215 sq m, representing an increase of 52% y/y. During the first three quarters of the year, gross take-up exceeded 457,000 sq m, which is 15% higher than the exceptionally strong performance recorded in 2021 and the highest volume ever registered on the local market. Demand for big-box schemes remains prevalent. New leases accounted for 72% of the gross take-up, lease renewals for 22%, while the share of expansion and pre-lease agreements was only 3%.

In Q3 2022, the new supply set a new record: 145,385 sq m of new space was added to the total stock in the Greater Budapest Area, while in the countryside, around 33,380 sq m were delivered to the market. About 186,550 sq m of new space is scheduled for commissioning in Q4 2022 at a country level; if all are delivered, new supply in 2022 could surpass the record figure of 2021.

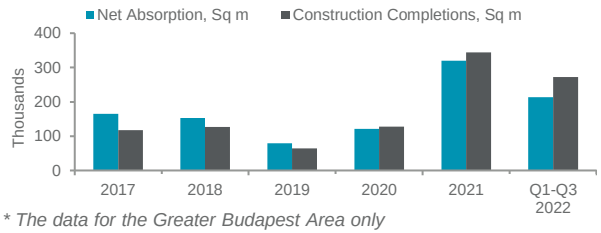
Net absorption was particularly high in Q3, while the YTD figure reached 213,085 sq m. Notably, 74% of the new supply was already pre-let, so availability remained limited. The vacancy rate stood at 4.9% in Greater Budapest Area and 4.3% in the countryside.

PRICING: Further rental growth is expected going forward

Prime rent in the Greater Budapest Area reached €5.25 per sq m, increasing by 5% q/q and 13% y/y.

Due to strengthening inflationary pressures combined with a weak currency, construction costs will likely rise further, meaning that BTS & pre-lease rents will remain subject to upward pressure.

SPACE DEMAND / DELIVERIES*



** The data for the Greater Budapest Area only*

OVERALL VACANCY & PRIME RENT *

MARKETBEAT

HUNGARY

Industrial Q3 2022

MARKET STATISTICS

SUBMARKET	STOCK (SQ M)	VACANT SPACE (SQ M)	VACANCY RATE	CURRENT QTR TAKE-UP (SQ M)	YTD TAKE-UP (SQ M)	YTD COMPLETIONS (SQ M)	UNDER CNSTR (SQ M)	PRIME RENT (€/SQ M/MONTH)
Budapest North	338,025	43,815	13.0%	23,605	49,750	75,185	81,770	€ 5.25
Budapest South	1,348,655	30,355	2.3%	98,780	219,175	75,010	34,475	€ 5.25
Budapest East	722,560	44,895	6.2%	27,395	85,000	72,480	168,055	€ 5.25
Budapest West	667,535	30,335	4.5%	68,435	103,080	49,560	149,495	€ 5.25
BUDAPEST TOTAL	**3,076,770**	**149,400**	**4.9%**	**218,215**	**457,005**	**272,235**	**433,795**	€ 5.25
Central Hungary	32,800	1,600	4.9%	-	380	-	-	€ 5.25
Central Transdanubia	379,940	11,010	2.9%	2,160	15,835	32,155	85,650	€ 4.75
Northern Great Plain	239,375	11,650	4.9%	-	2,990	10,770	-	€ 5.25
Northern Hungary	165,335	10,950	6.6%	23,640	45,085	-	38,500	€ 5.25
Southern Great Plain	157,590	800	0.5%	13,700	15,930	27,865	48,000	€ 4.90
Southern Transdanubia	61,950	2,590	4.2%	-	-	-	-	€ 4.80
Western Transdanubia	376,440	22,060	5.9%	21 835	31,320	19,635	24,990	€ 5.05
COUNTRYSIDE TOTAL	**1,413,430**	**60,660**	**4.3%**	**61,335**	**111,540**	**90,425**	**197,140**	**€ 5.25**
TOTAL HUNGARY	**4,490,200**	**210,060**	**4.7%**	**279,550**	**568,545**	**375,560**	**630,935**	**€ 5.25**

KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	PROPERTY TYPE	TENANT	SIZE (SQ M)	TYPE
CTPark Budapest West-BIA4	Logistics park	Confidential	28,325	New lease
Prologis Park Budapest – Sziget	Logistics park	Ennoconn Hungary	20,800	New lease
CTP Mosonmagyaróvár MOS1	Logistics park	GYSEV Cargo Zrt	18,340	New lease

KEY CONSTRUCTION COMPLETIONS Q3 2022

PROPERTY	Location	PROPERTY TYPE	MAJOR TENANT	SIZE (SQ M)	OWNER/ DEVELOPER
CTPark Vecsés –VCS3	Vecsés	Logistics park	JV Europe	32,685	CTPark
CTPark Budapest West – BIA4	Biatorbágy	Logistics park	Confidential	27,930	CTPark
GLP Sziget Logistics Centre	Szigetszentmiklós	Logistics park	Confidential	22,980	GLP
East Gate PRO	Fót	Logistics park	-	20,760	WING

Source: Cushman & Wakefield Research, Budapest Research Forum

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POLAND

CUSHMAN & WAKEFIELD

MARKETBEAT

POLAND

Industrial Q3 2022

	YoY Chg.	12-Mo. Forecast
4.2% Vacancy Rate	▼	▬
€5.50 Prime Rent*, Sq m/month	▲	▲
5.00% Prime Yield	▼	▲

** Indicated for big box format*

ECONOMIC INDICATORS Q3 2022

	YoY Chg.	12-Mo. Forecast
2.2% GDP*	▼	▼
3.7% Unemployment Rate	▲	▲
10.1% Industrial Production*	▬	▼
18.4% CPI*	▲	▼

**Annual growth estimates*
Source: Moody's Analytics

ECONOMY: Poland faces a slowdown in economic activity

After a solid start to the year, Poland's economic performance has weakened due to elevated energy prices, supply-chain shortages, and side effects of continuing Russia's invasion of Ukraine. Moody's Analytics projects that real GDP growth will reach 3.7% in 2022 and 0.9% in 2023. Poland's labour market remains tight, with an unemployment rate of 5.1% reported in September 2022 by the Central Statistical Office (GUS), while demand for qualified workers is high. Inflation has surged past the Polish central bank's target, compelling it to hike its key policy rate multiple times over the year. Poland is not as export-reliant as some of its peers in CEE, including Hungary, Slovakia and Czechia. Supply-chain issues arising from Russia's invasion and COVID-19 cases in China will drag on export growth, especially as manufacturers struggle with elevated energy prices. Inflation pressures are projected to begin decelerating in late 2023.

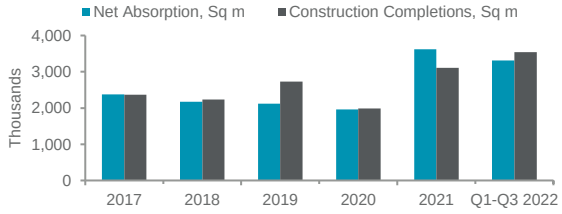
Demand: Like in 2021, gross take-up exceeded 5 million sq m during three quarters of the year

Gross take-up amounted to 5.4 million sq m in the first three quarters of 2022, increasing by 7% y/y. Net take-up remained robust, with 3.8 million sq m leased by occupiers, but the 1 million sq m mark was not surpassed in Q3 2022.

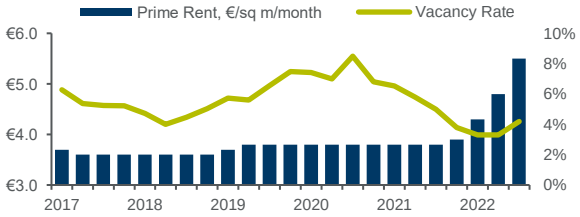
The core five logistics markets, which accounted for over 70% of net take-up in Poland, remain the most attractive in terms of leasing activity in Poland. In January-September, the majority of new leases were completed in the Silesian region (17% of net take-up), Mazovia (16%) and Greater Poland (14%). The markets of Łódź and Lower Silesia also recorded a significant leasing activity in the sector (12% of net take-up), as well as we are observing a strengthening occupier demand in Lubuskie region (10%) and Pomerania (8%). Significant transactions in Q3 2022 include the 130,000 sq m sale-leaseback of VidaXL's logistics centre in Wrześni, a BTS project of 82,000 sq m secured by a global apparel company in the Poznań submarket, and the pre-lease of 75,300 sq m signed by DSV in the Panattoni Wrocław Logistics South Hub.

Though the fundamentals for the warehousing property market in Poland remain strong, the drawn-out lease negotiations resulting from the ongoing economic and geopolitical uncertainty may negatively affect the occupier demand dynamics in the near future. Nevertheless, Poland remains one of the most attractive industrial and logistics destinations to invest in, as the cumulative costs comprised of expenditures for leasing warehouse space, energy consumption and labour are still among the lowest in Europe, with possible savings of up to 34% achievable compared to the Czech Republic and 62% compared to Germany.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & PRIME RENT



MARKETBEAT

POLAND

Industrial Q3 2022

SUPPLY: The total industrial stock in Poland rose 18% year-on-year to 27.4 million sq m

Almost 1.16 million sq m of warehouse space was delivered in Q3 2022, out of which 395,000 sq m remained vacant as of September 2022.

The overall market vacancy rate increased to 4.2% (+0.9 pp q/q), meaning that 1,158,000 sq m of warehouse space has been available for lease. The most significant increase in vacancy by 143,000 sq m was recorded in the Lower Silesian market. Still, it was also noticeable in Greater Poland (by 62,000 sq m), Łódzkie region (by 37,000 sq m), Pomerania (by 30,000 sq m) and Lesser Poland (by 16,000 sq m). Out of the five largest markets in Poland, Mazowieckie was the only one which witnessed a vacancy reduction by 25,000 sq m over Q3.

At the end of Q3 2022, approximately 4 million sq m of warehouse space was under construction in Poland, 49% of which (or 1.95 million sq m) was available for lease. Some developers are cutting back their speculative supply in the sector because of tighter project financing and investment policies, while others, such as CTP and Hillwood, are maintaining or increasing the volume of speculative investments in the sector considering robust occupier demand and still low vacancy.

In Q3 2022, construction of around 865,000 sq m was commenced in Poland, which indicates the slowdown in development dynamics witnessed before Russia invaded Ukraine in February 2022, but still exceeds the quarterly 5-year average of ca. 830,000 sq m.

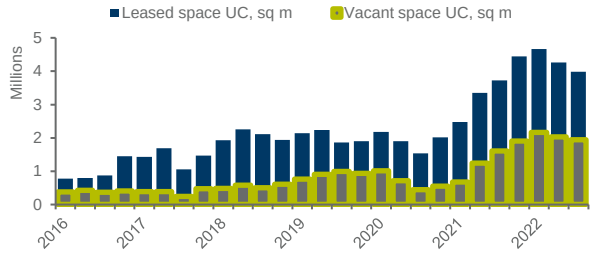
RENTS: Headline rents for prime logistics properties have risen 25% over the year

Surging inflation and elevated development costs are the main factors behind the acceleration of rental growth in Poland's logistics and warehousing property market. Headline rents for prime space within the leading regional markets increased by 25% y/y.

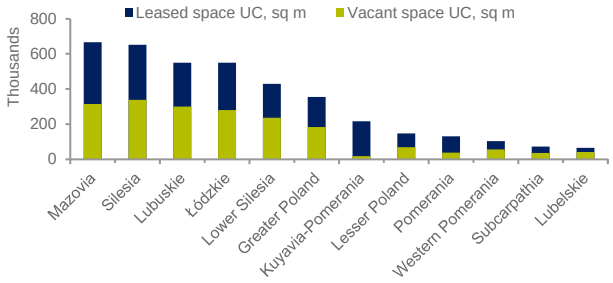
The last several months have seen a slowdown in rental growth in the sector because of the relative stabilisation of construction costs. In some markets, however, the rents remain subject to upward pressure due to the limited space availability.

At the end of September 2022, headline monthly rents were in the range of EUR 3.40-5.50 per sq m in big box warehouses and EUR 5.00-6.50 per sq m in City Logistics & SBU schemes. Also, the effective rents are increasing as the landlords offer fewer financial incentives to tenants in the current market conditions. Depending on the location, effective monthly rents vary from EUR 2.70-4.20 per sq m in big box projects to EUR 4.50-5.50 per sq m in City Logistics & SBU.

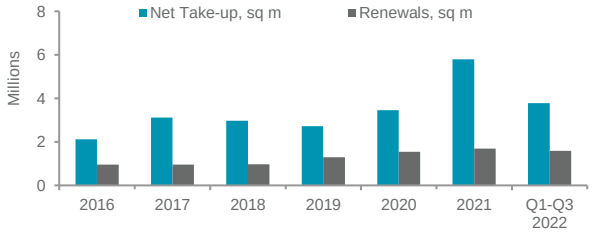
CONSTRUCTION ACTIVITY IN POLAND



CONSTRUCTION ACTIVITY BY REGIONS, SEPTEMBER 2022



GROSS TAKE-UP STRUCTURE



MARKETBEAT

POLAND

Industrial Q3 2022

MARKET STATISTICS

SUBMARKET	STOCK (SQ M)	VACANT SPACE (SQ M)	VACANCY RATE	TAKE-UP YTD (SQ M)	NEW SUPPLY YTD (SQ M)	UNDER CNSTR (SQ M)	PRIME RENT (€/SQ M/MONTH)
Mazovia	5,751,759	194,778	3.4%	981,911	446,374	667,105	€ 4.50 / € 6.50
Silesia	4,733,498	174,998	3.7%	981,922	445,117	651,749	€ 4.50
Łódzkie	3,899,268	204,881	5.3%	684,574	422,604	549,530	€ 4.50
Lower Silesia	3,621,535	271,061	7.5%	648,749	694,758	430,122	€ 4.10
Greater Poland	3,238,631	92,598	2.9%	808,099	477,926	355,296	€ 4.20
Pomerania	1,289,808	36,999	2.9%	359,441	212,214	131,452	€ 4.80
Western Pomerania	1,140,330	86,440	7.6%	74,997	271,191	103,165	€ 4.10
Lesser Poland	917,411	25,294	2.8%	186,050	94,235	147,205	€ 5.50
Lubuskie	901,255	15,225	1.7%	405,343	70,526	550,008	€ 4.10
Kuyavia-Pomerania	616,230	25,597	4.2%	113,491	201,053	215,546	€ 4.10
Subcarpathia	411,093	14,754	3.6%	56,463	118,447	72,420	€ 4.00
Lubelskie	324,050	8,993	2.8%	49,315	-	65,470	€ 4.20
Other markets	602,695	7,000	1.2%	26,634	90,929	44,548	€ 4.00-4.30
POLAND TOTAL	**27,447,563**	**1,158,618**	**4.3%**	**5,376,989**	**3,545,374**	**3,983,616**	**€ 5.50 / BIG-BOX € 6.50 /SBU**

SELECTED LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	SIZE (SQ M)	TYPE
GLP Wrocław V Logistics Centre	Lower Silesia	Shein	40,000	New lease
SEGRO Logistics Park Wrocław	Lower Silesia	Confidential (production / automotive)	34,000	New lease
Panattoni Park Nadarzyn II	Mazovia	Confidential (logistics / home & living)	25,800	New lease
Prologis Park Łódź	Łódzkie	Ziehl-Abegg	17,000	New lease

SELECTED INVESTMENT SALE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	SELLER	BUYER	SIZE (SQ M)
Panattoni Park Tricity North	Trójmiasto	Panattoni	Trigea	45,000
Advanced Power Solutions Poland (Battery Manufacturing Facility)	Gniezno	Advanced Power Solutions Poland	REICO	24,000

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ROMANIA

CUSHMAN & WAKEFIELD | Echinox

MARKETBEAT

ROMANIA

Industrial Q3 2022

	YoY Chg.	12-Mo. Forecast
4.3% Vacancy Rate	▼	▼
€4.50 Prime Rent, Sq m/month	▲	▲
7.00% Prime Yield	▼	▲

ECONOMIC INDICATORS Q3 2022

	YoY Chg.	12-Mo. Forecast
7.1% GDP*	▲	▼
5.6% Unemployment Rate	▲	▲
0.7% Industrial Production*	▬	▼
14.8% CPI*	▲	▼

**Annual growth estimates*
Source: Moody's Analytics

ECONOMY: Inflation pressures continue to prevail

In September, the y/y inflation rate in Romania reached 14.8%, one of the highest levels in the European Union. Although expected to stabilise in Q4, CPI will likely remain in double digits until late H1 2023. The National Bank of Romania has also increased the monetary policy rate to a most recent level of 6.25%, with further increases expected in the following months. The Q3 2022 economic growth has been solid at 7.1% y/y, but a slowdown may be observed already in Q4. Most agencies and analysts forecast GDP growth in the range of 4-5% for the whole year, which remains a robust level considering the overall impact of the inflationary pressures along with the side effects caused by Russia's invasion of Ukraine.

SUPPLY & DEMAND: Total modern industrial & logistics stock exceeds the 6 million sq m threshold

With a gross take-up of over 374,000 sq m in Q3, during the first nine months of 2022, gross take-up exceeded 916,000 sq m, representing a 63% y/y increase. Therefore, we expect that 2022 will see a new record-high gross take-up, even though the annual figure in 2021 was estimated at around 1,003,000 sq m. The leasing activity was mainly driven by new demand, which accounted for 82% and 84% of gross take-up in Q3 2022 and Q1–Q3 2022, respectively, thus confirming that the industrial and logistics property market in Romania has strong potential for further expansion. The 52,300 sq m new lease by Kuehne+Nagel in CTPark Bucharest West was the most significant transaction reported in Q3 2022. Regarding leasing activity, Bucharest, with a share of 68% of gross take-up in Q3 2022, was followed by Ploiesti, Deva, and Timisoara.

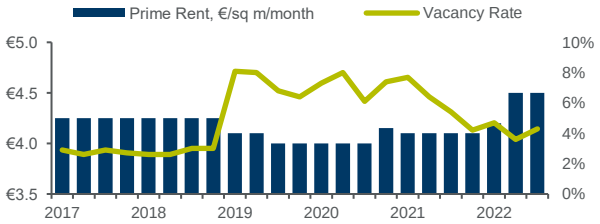
The new supply amounted to 230,000 sq m GLA in Q3 2022 and reached over 525,000 sq m during the first nine months of the year, while at the national level, the total stock exceeded 6.1 million sq m. Approximately 570,000 sq m of new industrial and warehousing space is presently under construction across Romania, further confirming the developers' confidence in the market.

PRICING: Rents remain under pressure

Although the vacancy rate slightly elevated in Q3 2022, the increasing development costs continue to put upward pressure on asking rents in the new projects. The prime headline rent stood at €4.25-4.50 per sq m per month and is projected to remain generally stable in the coming months. However, it should be noted that the industrial and logistics property market in Romania has been driven by retailers, which are dependent on the consumption dynamics, presently threatened by high inflation.

SPACE DEMAND / DELIVERIES

OVERALL VACANCY & PRIME RENT



MARKETBEAT

ROMANIA

Industrial Q3 2022

MARKET STATISTICS

SUBMARKET	STOCK (SQ M)	VACANT SPACE (SQ M)	VACANCY RATE	CURRENT QTR TAKE-UP (SQ M)	YTD TAKE-UP (SQ M)	YTD COMPLETIONS (SQ M)	UNDER CNSTR (SQ M)	PRIME RENT (€/SQ M/MONTH)
Bucharest	3,099,300	137,800	4.4%	256,200	547,200	293,400	275,000	€ 4.50
Timisoara	583,300	64,100	11.0%	13,300	45,300	41,800	107,400	€ 4.00
Ploiesti	386,600	4,500	1.2%	51,800	139,400	17,000	-	€ 4.00
Cluj - Napoca	431,700	6,500	1.5%	-	17,100	30,900	-	€ 4.50
Brasov	344,000	17,200	5.0%	-	6,700	50,000	38,000	€ 4.00
Pitesti	245,700	0	0%	6,300	6,300	6,700	-	€ 4.00
Sibiu	160,800	6,400	4.0%	2,500	8,100	-	-	€ 4.00
Other cities	853,200	24,200	2.8%	44,000	146,000	85,500	152,000	€ 4.00
ROMANIA TOTAL	**6,104,600**	**260,700**	**4.3%**	**374,100**	**916,100**	**525,300**	**572,400**	**€ 4.50**

KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	SIZE (SQ M)	TYPE
CTPark Bucharest West	Bucharest	Kuehne+Nagel (3PLs for Pepco)	52,300	New lease
Logicor Ploiesti	Ploiesti	Profi	51,800	Renegotiation
Lazar Real Estate	Bucharest	Corteva Agriscience Romania	15,000	Pre-lease

KEY CONSTRUCTION COMPLETIONS Q3 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQ M)	OWNER/DEVELOPER
Chitila Logistic Hub phase 3	Bucharest	-	37,000	Globalworth - Global Vision
VGP Brasov Building A	Brasov	-	28,000	VGP
Lazar Real Estate	Bucharest	Corteva Agriscience	23,100	Lazar Company
LogCenter Mogosoaia	Bucharest	-	23,100	Logicor

PIPELINE PROJECTS SCHEDULED FOR COMPLETION IN 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQ M)	OWNER/DEVELOPER
CTPark Oradea (Cargo)	Oradea	-	60,500	CTP
WDP Park Timisoara	Timisoara	Profi	57,000	WDP
CTPark Bucharest North 3	Bucharest	-	34,100	CTP
ELI Park 3 – Phase II	Bucharest	Homelux	30,000	Element Development

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SLOVAKIA

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MARKETBEAT

SLOVAKIA

Industrial Q3 2022

	YoY Chg.	12-Mo. Forecast
3.2% Vacancy Rate	▼	▼
€4.25 Prime Rent, Sq m/month	▲	▲
5.25% Prime Yield	▼	▲

(Class A stock only)

ECONOMIC INDICATORS Q3 2022

	YoY Chg.	12-Mo. Forecast
1.4% GDP*	▲	▲
7.6% Unemployment Rate	▲	▲
-1.1% Industrial Production*	▼	▲
13.8% CPI*	▲	▼

**Annual growth estimates*
Source: Moody's Analytics

ECONOMY: Domestic demand is once again the driving force of the economy

Rising inflation, expected to reach 12.4% in 2022, is no longer driven only by increasing energy or oil prices but extends to most goods and services. Almost 60% of the average consumer basket has seen a price increase of 5% y/y or more, which should impact purchasing power, retail spending, and investment activity. Despite the inflation pressures, domestic demand remained the main driver of economic growth in past months, offsetting lower exports and decreasing investments. Despite a significant slowdown, the National Bank of Slovakia expects the economy to grow by 1.8% in 2022. The economic performance in 2023 depends mostly on future energy prices and interest rates and their impact on companies and the population. The measures taken by the EU and the local government might limit the adverse effects of soaring energy prices on the economy. The labour market continues to perform well. Increasing interest rates and rising bond yields create pressure on yields investors are willing to pay for commercial real estate. Though prime yields so far have remained stable in the real estate market in Slovakia, a yield increase is expected in 2023 and is possible already in Q4 2022.

SUPPLY & DEMAND: Industrial sector is powering ahead, shifting from a tenant's to a landlord's market

The industrial property sector exceeded expectations and kept growing at a rapid pace. Around 113,500 sq m of new space was delivered within five properties across all the regions. Additional 21 schemes of 305,900 sq m are in the pipeline, out of which the share of speculative projects is 45%. The developers are increasingly interested in developing build-to-suit (BTS) and build-to-own projects. The slowdown of the price inflation for construction materials has resulted in improved availability, allowing developers to deliver new projects within 12 months.

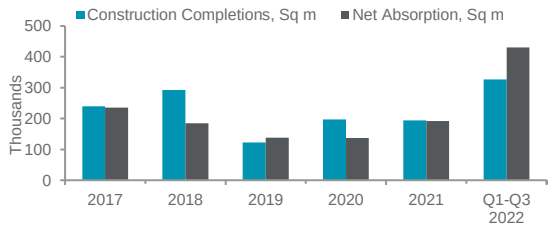
Notably, developers in the sector are searching for new opportunities for land acquisitions to ensure the growth of their portfolios (for the next period). Accordingly, we see increased interest in land plots in Eastern Slovakia and previously unattractive locations.

Occupier demand remains robust in the sector, mainly driven by 3PL and automotive companies. In Q3 2022, gross take-up amounted to 204,800 sq m (+154% over the 5-year Q3 average, out of which net take-up reached 161,900 sq m or 79%. Net absorption of 186,600 sq m represented the record-high quarterly figure for the last decade, and the vacancy reached 3.2%.

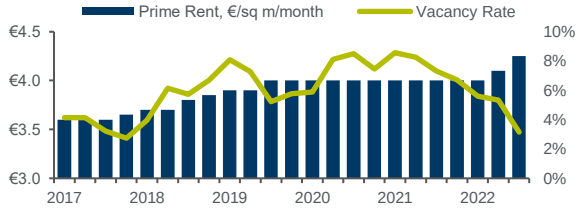
PRICING: Short-term upward movement of rents and yields

Headline rents substantially increased across the submarkets. Prime monthly rent reached €4.25 per sq m, while further rental growth is expected with high probability, as supported by ongoing lease transactions in relation to existing and pipeline properties.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & PRIME RENT



MARKETBEAT

SLOVAKIA

Industrial Q3 2022

MARKET STATISTICS

SUBMARKET	STOCK (SQ M)	VACANT SPACE (SQ M)	VACANCY RATE	CURRENT QTR TAKE-UP (SQ M)	YTD TAKE-UP (SQ M)	UNDER CNSTR (SQ M)	PRIME RENT (€/SQ M/MONTH)
Bratislava Region	1,598,000	35,900	2.24%	122,600	330,600	134,900	€ 4.25
Western Slovakia	1,314,900	24,600	1.87%	70,000	216,500	81,400	€ 4.25
Central Slovakia	278,600	29,200	10.48%	9,600	23,100	39,000	€ 4.25
Eastern Slovakia	179,800	16,400	9.12%	2,600	30,800	51,000	€ 4.20
SLOVAKIA TOTAL	**3,371,300**	**106,000**	**3.15%**	**204,800**	**601,000**	**305,900**	**€ 4.25**

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

KEY CONSTRUCTION COMPLETIONS Q3 2022

PROPERTY	REGION	AREA (SM)	OWNER
VGP Park Bratislava A	Bratislava	43,300	VGP
Log Center R7 1	Trnava	30,200	Go Asset
CTP Park Presov PRP1	Presov	24,400	CTP Invest
VGP Park Bratislava H2	Bratislava	10,600	VGP

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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 ancillary office and mezzanine space.

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

Under construction: Total amount of logistics / industrial space that is current 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 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, as well as lease renewals. Space is deemed to be '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: Net change in physically occupied space over a given period of time, taking into consideration vacated and newly constructed space during definite time period.

Vacant space (Vacancy): Vacancy is deemed to be total Gross Lettable Area in an existing property, that is included in stock, which is actually vacant and being actively marketed at the time. Space available for future occupation is not included, as well as sub-lease space opportunities.

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

Prime rent: Consistently achievable headline rental rate that relates to a modern warehousing space unit of a minimum size of 1,000 sq m in a modern logistics scheme, which is 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 not included.

The prime rent reflects the tone of the market 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 estimated to be consistently achievable as annual percentage income return for a property of 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 tone in the market and the associated level of risk attached to that investment.

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