MARKETBEAT

CENTRAL EUROPE

Industrial Q3 2020

CUSHMAN & WAKEFIELD

CONTENTS

CUSHMAN & WAKEFIELD

MARKETBEAT

CZECH REPUBLIC

Industrial Q3 2020

	YoY Chg.	12-Mo. Forecast
4.4% Vacancy Rate	▲	▬
€4.30 Prime Rent, Sq m/month	▲	▲
4.75% Prime Yield	▼	▬

Overall, All Property Classes

ECONOMIC INDICATORS Q3 2020

	YoY Chg.	12-Mo. Forecast
-6.7% GDP*	▼	▲
3.8% Unemployment Rate	▲	▲
-6.5% Industrial Production*	▼	▲
-4.6% Private Consumption*	▼	▲

*Annual growth forecasts

Source: Oxford Economics, Czech Ministry of Labour and Social Affairs

ECONOMY: GDP to decline 6.3% in 2020 followed by 5.7% growth in 2021

The Czech GDP is expected to contract by 6.3% in 2020 and the forecast for the following year has been moderated to 5.7%, as a second wave of Covid-19 has forced the government to re-impose strict containment measures to curb the spread of the virus. The latest economic results show that the industrial sector has increasingly been the main engine of recovery, as it benefits from the recent improvements in global trade and is less exposed to the pandemic. Yet, the reliance of industry on car manufacturing, deeply integrated into the European automotive supply chain, leaves industry vulnerable to swings in external demand. Despite the persistently low unemployment, the labour market outlook gets worse as it relies on continued support from the furlough schemes and a resurgence of new infections will mean retail sales could decline again, which can affect the currently flourishing e-commerce.

SUPPLY AND DEMAND: Market largely driven by logistics and warehousing

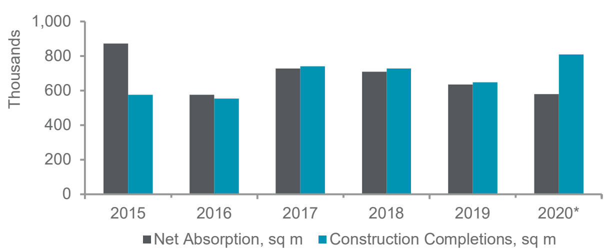
The volume of new supply decreased in the last quarter, but year-to-date comparison shows 12% increase. New parks were opened mainly in Pilsen and Moravia-Silesia regions, which account for about 41% of this year's completions. Amount of industrial space under construction was the lowest in several years at the end of September in the Czech Republic. Nevertheless, Ostrava becomes a very competitive market with number of new projects in the pipeline. A record volume of total new space is still expected to be delivered in 2020.

The demand for industrial space decreased by about 18% year-to-date in comparison with the previous year, more significantly in regions dominated by manufacturing spaces. E-commerce and logistics have been clearly driving the market. However, majority of leases came from production companies expanding their spaces in Pilsen region in 2020, which recorded the highest annual growth of take-up in the Czech Republic. Renegotiations accounted for half of the take-up this year and we expect that the higher share of renewals will continue in the following period as well.

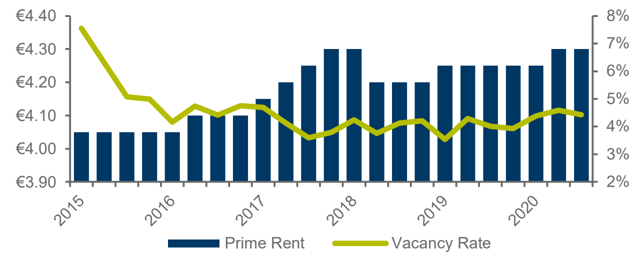
PRICING: Rental growth anticipated in Prague with record low vacancy

Prime rents keep stable in most regions. The upward pressure for rental growth can be anticipated in Greater Prague, which remains the most sought after location. In the last quarter the vacancy rate in Prague dropped below 2%.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & PRIME RENT



MARKETBEAT

CZECH REPUBLIC

Industrial Q3 2020

CUSHMAN & WAKEFIELD

MARKET STATISTICS

SUBMARKET	STOCK (SQ M)	AVAILABILITY (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	3,236,426	52,998	1.6%	102,745	368,435	72,837	55,904	4.30
Pilsen	1,327,085	100,525	7.6%	21,141	240,590	116,509	106,930	4.20
Brno (South Moravia)	1,129,068	60,929	5.4%	54,545	93,228	38,696	55,562	4.00
Ostrava (Moravia-Silesia)	747,409	65,531	8.8%	11,723	36,118	105,964	88,817	3.95
Central Bohemia	611,448	35,150	5.7%	16,500	41,928	20,868	13,995	
Ústí nad Labem	561,254	64,911	11.6%	28,941	97,761	72,339	38,042	
Liberec	308,536	0	0.0%	14,597	16,197	0	10,374	
Olomouc	267,832	16,535	6.2%	0	10,975	29,069	0	
Karlovy Vary	222,824	0	0.0%	33,199	33,199	42,926	0	
Pardubice	197,728	0	0.0%	0	0	19,000	0	
Hradec Králové	168,361	0	0.0%	0	0	13,900	0	
Vysočina	157,809	1,755	1.1%	3,000	18,195	10,624	0	
České Budějovice (South Bohemia)	34,348	0	0.0%	0	0	0	0	
Zlín	16,680	0	0.0%	3,000	15,726	4,300	3,000	
CZECH REPUBLIC TOTALS	**8,986,809**	**398,334**	**4.4%**	**289,391**	**972,352**	**547,032**	**372,624**	**4.30**

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SIZE (SQ M)	TYPE
CTPark Aš	Karlovy Vary	Petainer Czech Hodlings	33,200	renegotiation
Prologis Park Prague Úžice	Prague	Confidential	21,300	new lease
D+D Park Kosmonosy	Central Bohemia	DB Schenker	16,500	renegotiation

KEY CONSTRUCTION COMPLETIONS Q3 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQ M)	OWNER/DEVELOPER
Park Nošovice	Ostrava	Hyundai Glovis	27,900	Consens Investment
Panattoni Park Stříbro	Pilsen	Confidential	25,600	Panattoni
Logistika Park Pardubice	Pardubice	Faurecia	19,000	Demaco

Source: Industrial Research Forum

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MARKETBEAT

BUDAPEST

Industrial Q3 2020

	YoY Chg	12-Mo. Forecast
2.3% Vacancy Rate	▲	▼
€4.90 Prime Rent, Sq m/month	▲	—
6.90% Prime Yield	▼	▼

(Overall, All Property Classes, as at 30 September 2020)
Source: Cushman & Wakefield, Budapest Research Forum

ECONOMIC INDICATORS Q3 2020

	YoY Chg	12-Mo. Forecast
-6.4% GDP real, LCU (F)	▼	▲
4.0% Unemployment Rate (F)	▲	▼
-8.0% Industrial Production Index (F)	▼	▲
-2.8% Private Consumption, real LCU (F)	▼	▲

Annual growth unless otherwise indicated
Source: Oxford Economics as at 23 October 2020

ECONOMY: GDP is now forecast to fall 6.4% this year before growing 5.1% in 2021

GDP fell by 13.6% q-o-q in Q2 according to CSO, with much of the decline due to the lockdown in April. Since then activity has continued to recover strongly, with manufacturing activity nearly back to its pre-crisis peak. Industrial production has recovered strongly through the summer as key manufacturing plants, especially in the automotive sector, has early re-started production with industrial output in August being just 3.6% below its level at the start of the year. This means the industrial sector has made up nearly all of the ground lost due to the lockdown earlier in the year and as a result, GDP is expected to grow 8.2% q-o-q in Q3, according to forecast published by Oxford Economics.

Hungary is expected to significantly benefit from the recently-agreed next generation EU recovery fund which will provide a stimulus to the Hungarian economy, equal to some 6.7% of GDP in the period of 2021-2025. Recovery is expected to start in 2021, Oxford Economics forecast GDP to grow by 5.1% in 2021 and 5.0% in 2022.

SUPPLY AND DEMAND: Record high demand and apparent under-supply

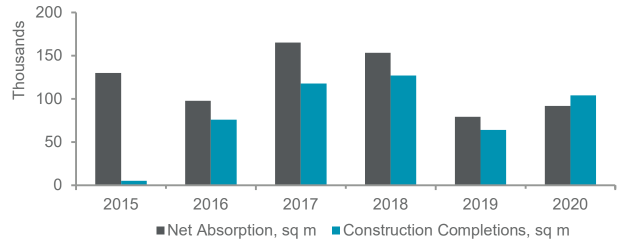
The Budapest industrial and logistics market is buoyant with record high demand levels and an apparent under-supply of modern space, pushing the vacancy rate further down. Demand equalled 176,900 sq.m, driven by net take-up amounting to 124,300 sq.m in Q3. YTD demand level reached 427,700 sq.m representing a massive 30% increase on the already strong 2019 levels. The largest transaction was a pre-lease agreement concluded with Lenovo in CTPark Budapest East.

No schemes were handed over in Q3 but some 23,800 sq.m of new space is expected to be delivered in two BTS schemes in the last quarter of 2020. As a result, vacancy rate slightly decreased to 2.3% by the quarter-end and net absorption amounted to 6,850 sq.m. This has attracted some newcomers to the market intending the delivery of new stock on speculative and BTS basis alike as continued low vacancy and reasonably stable demand levels are expected going forward.

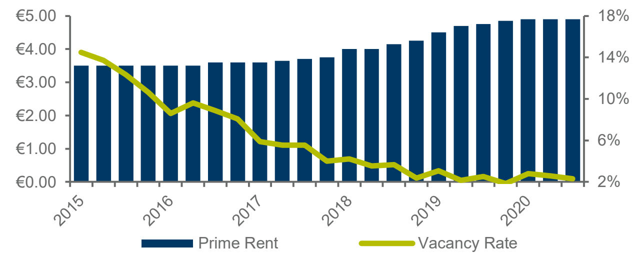
PRICING: Landlord favourable market

Rents and lease terms remained firm with the market favouring the Landlord. Headline BTS rents currently stand at Euro 4.90. We are seeing a number of lease re-gears and renewals where tenants are looking to secure stable tenancy amidst the fierce competition for existing space.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & PRIME RENT



MARKETBEAT

BUDAPEST

Industrial Q3 2020

CUSHMAN & WAKEFIELD

MARKET STATISTICS

SUBMARKET	STOCK (SQ M)	AVAILABILITY (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)
North	118 560	3 270	2.7%	1 930	3 690	0	0	€4.90
South	1 502 820	29 520	1.9%	97 420	275 240	46 360	49 240	€4.90
East	212 250	3 740	1.7%	71 030	96 960	26 480	96 105	€4.90
West	517 480	17 555	3.3%	6 490	51 790	31 315	40 935	€4.90
TOTAL BUDAPEST	**2 351 110**	**54 085**	**2.3%**	**176 870**	**427 680**	**104 155**	**186 280**	€4.90

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	TYPE	TENANT	SIZE (SQ M)	TYPE
CTPark Budapest East	LP	Lenovo	35 700	Prelease
Prologis Park Budapest - Sziget	LP	Confidential	24 800	Renewal
Prologis Park Budapest - Sziget	LP	Confidential	20 800	Expansion
Budapest East Business Park	LP	Trans-sped	14 150	Prelease
Budapest East Business Park	LP	Daniella	13 170	BTS
Prologis Park Budapest - Sziget	LP	Confidential	10 700	Renewal

KEY CONSTRUCTION COMPLETIONS 2020 YTD

PROPERTY	TYPE	MAJOR TENANT	SIZE (SQ M)	OWNER/DEVELOPER
CTPark West	LP	Confidential	31 300	CTP
CTPark South	LP	Confidential	22 800	CTP
East Gate Business Park	LP	Confidential	17 800	WING
Prologis Harbor DC11	LP	Fiege	13 500	Prologis

Source: Cushman & Wakefield Research, Budapest Research Forum

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MARKETBEAT

POLAND

Industrial Q3 2020

	YoY Chg	12-Mo. Forecast
8.5% Vacancy Rate	▲	▼
€3.80 Prime Rent, Sq m/month	▬	▬
5.50% Prime Yield	▼	▼

ECONOMIC INDICATORS Q3 2020

	YoY Chg	12-Mo. Forecast
-3.0% GDP	▼	▲
5.9% Unemployment Rate	▲	▼
-3.9% Industrial Production	▼	▲
-5.5% Private Consumption	▼	▲

Annual growth unless otherwise indicated

Source: Oxford Economics

The warehouse market in Poland is still highly resistant to the Covid-19 pandemic

The year 2020 is marked by lower activity of developers in the Polish warehouse market, but demand remains very strong. This market is currently the fastest growing commercial property sector. The very strong results recorded on the demand side were due to factors such as the need to maintain higher inventories by companies willing to secure uninterrupted supplies, as well as the further development of the e-commerce sector and the multichannel sales strategy, which is gaining in importance under the restrictions on physical retail. This is confirmed by the record volume of leases, which since the beginning of the year has reached a record 3.5 million sq m, of which new leases and expansions accounted for 71%. Poland is gaining in importance as a production and logistics hub of Western Europe. Companies, both those already present on this market but also those planning to invest in the CEE region, will secure additional space to prepare for the risks of potential disruptions in the supply chain in the future.

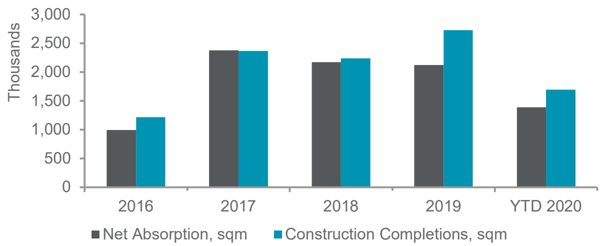
Quarterly take-up exceeded 1.25 million sq m for the second time in a row

In the period July-September, the total volume of leases amounted to 1.28 million sq m, which is the second highest quarterly take-up ever. The largest amount of space was leased by logistics operators with 29% of all transactions and shop chains (23%), of which the most active were grocery and discount retailer. Companies from light production (7%), automotive (7%), food industry (7%) and online shops (7%) were also active, including companies offering products in the following categories: furniture, household appliances, clothing, electronics, cosmetics, but also "second-hand" products, which is in line with the development of the "zero waste" trend. In regional terms, approx. 46% of the total demand was accounted for by contracts concluded in Upper Silesia, where the market recorded a record volume of 387,000 sq m and in the vicinity of Warsaw (221,000 sq.m). High demand was also observed in Wrocław, Central Poland, Poznań and Tricity. in each of these markets leases were made at the level of over 100,000 sq.m and their total share in the total demand was 40%.

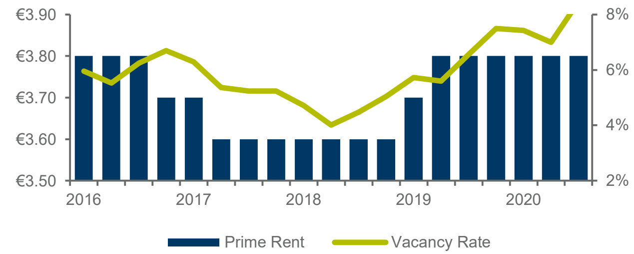
Rents are stable, but may decrease slightly in the short-term

We have not observed any substantial change in the level of warehouse rents during the last quarter. Headline rents range from €2.50-3.80/sq m/month in the case of BIG-BOX units to €4.00-5.25/sq m/month for SBU (Small Business Units) in urban areas of key agglomerations. Effective rents range €2.00-3.20/sq m/month for BIG-BOX units and €3.00-4.50/sq m/month for SBU. It is likely that the scale of financial incentives offered to tenants may increase slightly in the following months due to higher volume of vacant space in some markets such as Upper Silesia, Central Poland or Tricity.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKETBEAT

POLAND

Industrial Q3 2020

CUSHMAN & WAKEFIELD

Development activity is lower by 18% compared to September 2019

In the third quarter developers delivered 676,000 sq m and nearly 1.7 million sq m since the beginning of the year. At the end of September 2020 the total modern warehouse space stock in Poland amounted to 20.4 million sq m. The largest supply volumes were recorded in: Warsaw Suburbs, Upper Silesia and Wrocław, where a total of nearly 1.14 million sq m in Q3 2020. There was also a significant increase in warehouse space stock in the Tricity, which rapidly became the 6th largest warehouse market in Poland. The temporary weaker development activity concerns the Central Poland region, which is related to the very strong supply observed in recent years and the relocation of some major tenants to larger BTS schemes, which together led to an increase in vacancy in the region.

At the end of Q3, nearly 1.54m sq m of warehouse space was under construction (-18% y/y). This, albeit high investment volume, means a further decline in development activity, which in our opinion is temporary and is due to an increase in vacancy rates and a more restrictive policy on pre-let agreements, which translates into a reduction in speculative investments. Large agglomerations continue to enjoy the greatest interest, which is due, among other things, to their strong position and the continued development of 'last mile' logistics. Smaller regional markets are also active, thanks to investments in transport infrastructure and an appropriate location to shorten supply chains to foreign markets. This is confirmed by new projects started in Eastern Poland or Bydgoszcz, as well as in Western Poland, where a large project for an international e-commerce company is being developed.

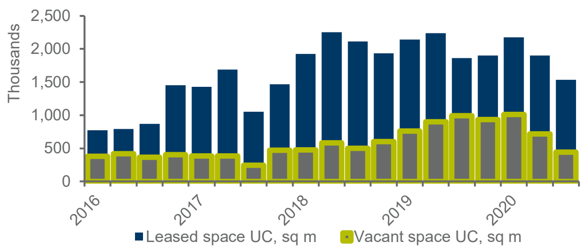
Strong supply and relocations caused vacancy growth up to 8.5%

At the end of Q3, nearly 1.7m sq m of warehouse space remained vacant, representing 8.5% of Poland's total stock. The vacancy rate increased by 1.5 pp. compared to the previous quarter and by 1.9 pp. annually. Among the main regional markets, the highest increase in the vacancy rate in the third quarter was recorded in Upper Silesia (from 6.7% to 10.8%) and Warsaw-North (from 6.8% to 8.8%), in both cases mainly due to new supply, and in Central Poland (from 6.8% to 9.6%), where the key factor in increasing availability were the layoffs of space by tenants who decided to relocate to new developments. Decreases in vacancy rates were recorded in Wrocław (from 10.4% to 8.4%) and Poznań (from 8.0% to 7.1%).

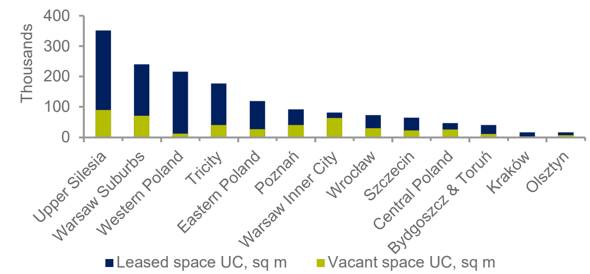
Outlook

Despite the second wave of the Covid-19 pandemic, we are still observing high tenant activity, which proves the good condition of the warehouse market. Increased availability of warehouse space is beneficial in the market conditions of high demand and especially for those tenants who are looking for warehouse space available for rent within a short period. Moreover, companies looking for new projects and BTS investments tailored to individual needs remain active on the market, which will have a positive impact on further development of the Logistics and industrial sector in Poland.

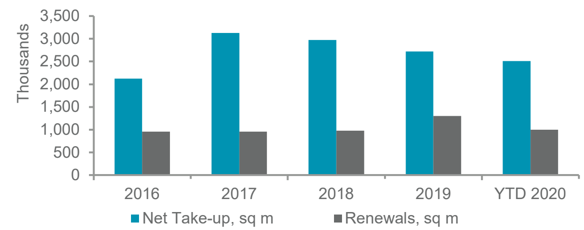
DEVELOPMENT ACTIVITY



SPACE UNDER CONSTRUCTION IN REGIONS SEPTEMBER 2020



TAKE-UP



Source: Cushman & Wakefield

MARKETBEAT

POLAND

Industrial Q3 2020

CUSHMAN & WAKEFIELD

MARKET STATISTICS

REGION	STOCK (SQ M)	AVAILABILITY (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)
Warsaw Suburbs	3,895,069	341,607	8.8%	221,291	592,005	419,729	240,121	3.80
Upper Silesia	3,654,418	394,520	10.8%	364,806	751,309	412,053	351,662	3.60
Central Poland	3,237,243	309,895	9.6%	135,534	512,632	72,215	46,691	3.60
Wrocław	2,297,319	194,026	8.4%	146,935	332,617	304,824	73,274	3.60
Poznań	2,222,581	157,332	7.1%	107,976	336,304	88,880	91,856	3.60
Tricity	813,941	78,783	9.7%	101,524	285,602	133,245	176,831	3.60
Warsaw Inner City	805,862	117,587	14.6%	18,194	104,934	12,266	81,656	5.25
Szczecin	756,983	4,981	0.7%	50,103	87,241	36,143	64,494	3.60
Eastern Poland	754,120	23,905	3.2%	48,528	111,871	28,687	119,757	3.50
Western Poland	733,580	28,687	3.9%	15,245	222,417	73,290	216,002	3.60
Kraków	542,133	25,064	4.6%	24,104	69,219	25,841	16,460	3,70
Bydgoszcz & Toruń	384,813	30,283	7.9%	25,474	39,924	52,907	40,780	3.60
Other	277,732	17,435	6.3%	19,400	59,400	31,900	16,000	3.60
POLAND TOTALS	**20,375,794**	**1,724,105**	**8.5%**	**1,279,114**	**3,505,476**	**1,691,980**	**1,535,584**	**3.80/ BIG-BOX 5.25/ SBU**

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	REGION	TENANT	SIZE (SQ M)	TYPE
7R BTS Radzymin	Warsaw Suburbs	Confidential / Retail	67,500	Pre-let
Panattoni BTS Tychy	Upper Silesia	Confidential / Retail	60,800	Pre-let
Prologis Park Gliwce	Upper Silesia	Confidential / Retail	56,700	Renewal

SELECTED SALE TRANSACTIONS Q3 2020

PROPERTY	REGION	SELLER	BUYER	SIZE (SQ M)
Goodman Industrial Portfolio	Various	Goodman	GLP	900,000
Central European Logistics Hub	Central Poland	Panattoni	Savills IM	145,000
P3 Mszczonów - Pepsico	Warsaw Suburbs	P3 Logistic Parks	Elite Partners Capital	58,500

Source: Cushman & Wakefield

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MARKETBEAT
ROMANIA
Industrial Q3 2020

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	YoY Chg	12-Mo. Forecast
6.1% Bucharest Vacancy Rate	▼	▬
€4.0 Prime Rent, PSQM	▼	▬
8.25% Prime Yield	▼	▼

ECONOMIC INDICATORS
Q3 2020

	YoY Chg	12-Mo. Forecast
-5.5% GDP (est.)	▼	▲
4.2% Unemployment Rate	▲	▼
5.5% Industrial Production	▼	▲
1.6% Private Consumption	▼	▲

Source: Oxford Economics, National Institute of Statistics

Logistics demand hits new records

The demand for Logistics space reached a new quarterly record in Q3 2020, with a total leasing activity of almost 285,000 sq. m, up 42% when compared to Q2 2020 and four-times higher compared to the same period last year. The transactional volume for the first nine months (January – September) reached 581,000 sq. m, reflecting a 94% y-o-y growth. Renewals represent only 12.2% out of the total volume in Q3 2020 and 12.7% of the transactions recorded in Q1-Q3 2020, an evidence that the activity was mainly driven by new demand. The most significant deal was signed by Maersk and IB Cargo, as the two logistics providers partnered for the operation of a 75,000 sq. m regional distribution center for IKEA within a new facility to be completed within CTPark Bucharest West. Moreover, Bucharest attracted almost 90% of the total take-up in Q3 2020, as the Capital city is becoming the preferred location for developing regional hubs by several retailers, another example being represented by the fashion group LPP, which decided to double the size of their logistics center within WDP Park Stefanesti, by signing a 22,000 sq. m extension.

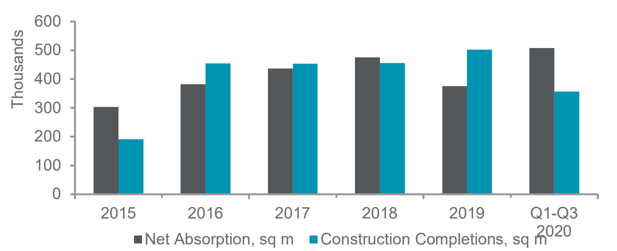
Developers regain confidence

During Q3 2020, developers delivered new spaces of 155,000 sq. m on the market, thus lifting the Q1-Q3 2020 new supply at 356,000 sq. m. The most significant new developments were represented by Profi's 57,000 sq. m distribution center from CTPark Bucharest West, as well as the first units of the Constanta Business Park and Chitila Logistic Hub projects built by Global Vision and Globalworth. The vacancy rate decreased in Bucharest, reaching 6.1%, while the national level is of approximately 4.75%.

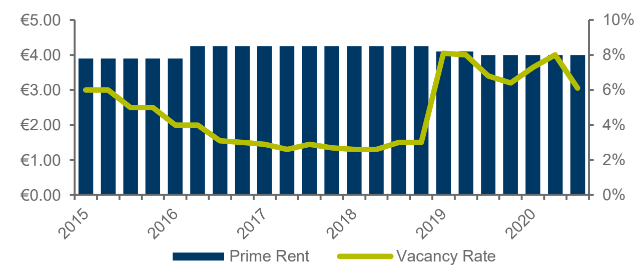
Positive perspectives

The pipeline for Q4 2020 remains solid, the new supply being estimated at around 220,000 sq. m. consisting mainly of built-to-suit or largely pre-leased projects. Despite the fact that, on the short term, global and local economies are shrinking, Romania has very positive medium and long term perspectives due to the European Union's recovery plan, an agreement which allocated almost €80 billion for economic recovery and infrastructure development in Romania, whilst the Via Carpatia and Rail2Sea projects recently received US support in terms of financing and executing these major connections between the Black, Baltic and Adriatic Seas.

SPACE DEMAND / DELIVERIES



BUCHAREST OVERALL VACANCY & PRIME RENT



MARKETBEAT

ROMANIA

Industrial Q3 2020

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MARKET STATISTICS

SUBMARKET	STOCK (SQM)	AVAILABILITY (SQ. M)	VACANCY RATE	CURRENT QTR TAKE-UP (SQ. M)	YTD TAKE-UP (SQM)	YTD COMPLETIONS (SQ. M)	UNDER CNSTR (SQ. M)	PRIME RENT (€/SQ M/MONTH)
Bucharest	2,150,200	130,600	6.1%	252,800	379,520	268,700	151,500	4.00
Timisoara	503,100	14,600	2.9%	3,100	73,250	-	47,200	3.75
Ploiesti	370,000	2,800	0.8%	-	13,000	-	11,000	3.75
Cluj	308,400	6,000	2.5%	11,400	16,900	16,500	26,300	4.00
Pitesti	233,900	0	0%	-	-	-	-	3.75
Brasov	218,500	2,500	1.1%	-	-	-	-	3.75
Other Cities	497,700	46,300	9.3%	15,100	98,640	61,900	66,000	3.75
ROMANIA	**4,271,800**	**202,800**	**4.75%**	**284,400**	**581,310**	**347,100**	**302,000**	**4.00**

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SIZE (SQ. M)	TYPE
CTPark Bucharest West	Bucharest	Maersk – IB Cargo	75,000	Pre-lease
P3 Bucharest A1	Bucharest	Interbrands	24,800	Extension
WDP Park Stefanesti	Bucharest	LPP	21,800	Pre-lease / extension
P3 Bucharest A1	Bucharest	SLS Cargo	15,500	New lease

KEY CONSTRUCTION COMPLETIONS Q3 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQ. M)	OWNER/DEVELOPER
CTPark Bucharest West	Bucharest	Profi	57,000	CTP
WDP Park Slatina	Slatina	Pirelli	31,000	WDP
Constanta Business Park	Constanta	PepsiCo	20,400	Global Vision - Globalworth

PIPELINE PROJECTS 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQ. M)	OWNER/DEVELOPER
CTPark Bucharest West	Bucharest	Maersk – IB Cargo	100,000	CTP
WDP Park Buzau	Buzau	Ursus	21,000	WDP
CTPark Bucharest North	Bucharest	DSV	20,000	CTP

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MARKETBEAT

SLOVAKIA

Industrial Q3 2020

CUSHMAN & WAKEFIELD

	YoY Chg	12-Mo. Forecast
8.82% Vacancy Rate		
€4.00 Prime Rent, PSM		
6.25% Prime Yield		

(class A stock only)

ECONOMIC INDICATORS
Q3 2020

	YoY Chg	12-Mo. Forecast
-6.4% Real GDP		
7.4% Unemployment Rate *(September 2020)*		
-9.7% Industrial Production *(seasonally adjusted)*		
-3.1% Private Consumption *(real)*		

Measurement: Annual growth, unless indicated otherwise.
Source: Oxford Economics, ÚSVaR
Note: Figures are estimates except for unemployment rate.

ECONOMY: Slovakia's Economy in Recovery Phase Although Growing COVID-19 Cases Cause Uncertainty

The third quarter has seen a rise in active cases and test positivity rate for COVID-19. Despite this, most of the main economic indicators showed continuous month-on-month improvements. According to the Statistical Office of the Slovak Republic, the manufacturing and industrial production returned roughly to the levels from previous year in August. Economic sentiment indicator showed three consecutive monthly increases during the third quarter. Price growth continued to slow down, reaching 1.4% in August and totalling 2.2% in the first eight months of 2020. Prices in restaurants and hotels grow at a smaller rate than last year, however, they improve on a monthly basis. Seasonally adjusted confidence indicator in services increased in September. In terms of outlook, Oxford Economics estimates that the positive real GDP growth will return in Q1 2021 and the pre-COVID-19 private consumption levels should return by Q2 2021.

SUPPLY & DEMAND: Continuous Growth of Net Absorption Shows Healthy Industrial Market

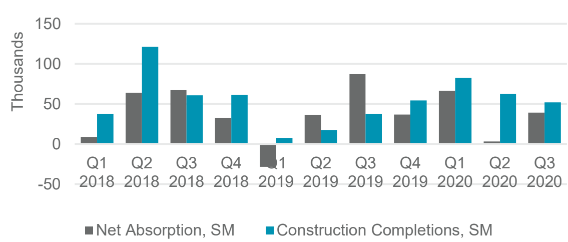
Industrial real estate sector remains the least affected branch of commercial real estate in Slovakia. Rent forgiveness is rather the exception, especially in the sectors of logistics and distribution. In the third quarter, we record continued strong leasing activity reaching almost 85,000 sq m of industrial space. The majority of gross take-up occurred in Bratislava Region and the most demand came from distribution, which proves increasing role of e-commerce in the economy. We also see increasing demand in the newly developed industrial hubs in Eastern Slovakia. Net absorption was positive for the sixth consecutive quarter, reaching more than 39,000 sq m of occupied industrial space. In other words, total stock growth continuously exceeds vacant stock growth.

Approximately 89,000 sq m of class A industrial stock is to be delivered by the end of 2020, most of which has already been pre-leased. Nevertheless, speculative construction and land acquisitions proceed as the sector positions for the expected rise in demand. Approximately half of vacant stock is in buildings built in 2019 or later.

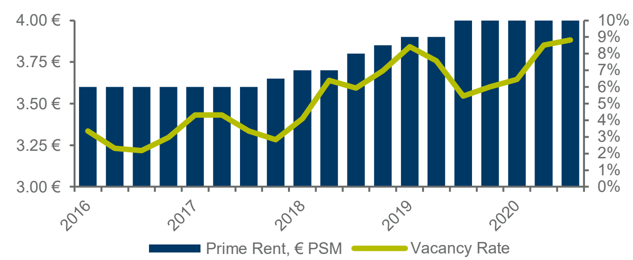
PRICING: Asking Rents Remain Mostly Unaffected

Industrial sector remains unaffected by current economic downturn with high liquidity on both leasing and investment market. We expect the prime industrial yield to remain unchanged with potential for further contraction down to 6.00% for best locations. Prime rent currently remains at 4 EUR/sq m/month with a positive mid-term outlook. Vast stock, newly emerging industrial zones, strong investment demand and positive leasing development in the industrial real estate cause a convergence of prime industrial yield with the prime shopping centre yield.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & PRIME RENT



MARKETBEAT
SLOVAKIA
Industrial Q3 2020

MARKET STATISTICS

SUBMARKET	INVENTORY (SM)	AVAILABILITY (SM)	OVERALL VACANCY RATE	CURRENT QTR TAKE-UP	YTD OVERALL TAKE-UP(SM)	UNDER CONSTRUCTION (SM)
Bratislava Region	1,375,400	95,300	6.9%	70,400	204,300	69,900
Western Slovakia	1,092,900	105,100	9.6%	3,600	82,100	32,100
Central Slovakia	130,700	33,600	25.7%	0	1,900	0
Eastern Slovakia	126,600	6,400	5.0%	11,800	50,800	11,200
SLOVAKIA TOTALS	2,725,700	240,500	8.8%	85,800	339,100	113,100

The data is based on class A, non-owner occupied leasable stock.

KEY CONSTRUCTION COMPLETIONS Q3 2020

PROPERTY	REGION	AREA (SM)	OWNER
IMMOPARK Zilina - Z2	Zilina region	12,100	Erste Group Immorent
ARETE park Veľká Ida	Kosice region	10,300	ARETE Invest
Goodman Senec Logistics Centre - E	Bratislava region	29,800	GLP

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