

## SLOVAKIA

# Industrial Market Snapshot

Fourth Quarter | 2018



### MARKET INDICATORS

#### Market Outlook

Prime Rents:	Slow growth of prime rents will continue in the short term.	▼
Prime Yields:	Prime yields are stable and are expected to remain at their current levels in the short term.	►
Supply:	New developer entered the market in Trenčín area outside traditionally attractive locations.	▼
Demand:	High demand especially in automotive and e-commerce sectors, small units from logistics providers.	►

#### Prime Industrial Rents – December 2018

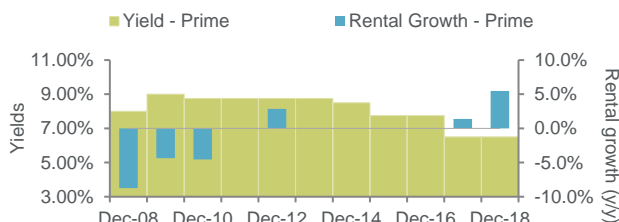
LOGISTICS LOCATIONS	€	€	US\$	GROWTH %	
	SQ.M	SQ.M	SQ.FT	1YR	5YR
	MTH	YR	YR		CAGR
Bratislava	3.85	46.2	4.89	5.5	1.4

#### Prime Industrial Yields – December 2018

LOGISTICS LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Bratislava	6.50	6.50	6.50	9.00	6.50

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

#### Recent performance



### Overview

With GDP growth averaging 4.1% in 2018, Slovakia achieved the second highest performance in the eurozone. Global trade has lost momentum and the risk of US tariff hikes on European cars has increased, yet Slovakia's improved production capacity and healthy domestic demand prospects are expected to sustain its economy's upward trend. Its GDP growth is envisaged to tone down to around 3.6% in 2019.

### Occupier focus

Thanks to several new developers entering the Slovak industrial market, construction of new projects expands further from traditionally attractive locations in Bratislava region to central and eastern parts of Slovakia. Brownfield projects have become attractive whilst speculative construction is also more frequent. The vacancy rate is thus relatively high (9.9%) which hinders rental growth.

Logistics operators and automotive producers remain the main drivers of demand for industrial spaces in Slovakia. The Nitra region's development has been finalised; especially the Jaguar Land Rover plant started its operation on 25<sup>th</sup> October 2018. These successes create further demand on the market. Urban logistic sites near Bratislava airport have been subject to extensive development which will continue in 2019.

### Investment focus

Investment volume of the industrial market totalled €129m in 2018, accounting for less than half of that in the previous year. Investors' interest expanded from Bratislava to Žilina region then further to Nitra region given the newly opened Jaguar Land Rover plant. The East of Slovakia is still waiting for new impulses.

### Outlook

The economy is anticipated to expand by 2.5% each year throughout the next decade. Although declining labour supply might have a negative impact, productivity and capital accumulation would rise. Regarding changes in the automotive sector, particularly the focus on alternative energy sources, electromobility will be the important factor in future orientation of automotive production.

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