

MARKET INDICATORS

Market Outlook

Prime Rents:	Mild rental growth is likely to continue in 2019 and 2020.	▶
Prime Yields:	Bratislava follows suit in the CE region with further yield compression.	▶
Supply:	Several larger projects will be delivered to the office market in 2019.	▶
Demand:	Solid economic fundamentals contribute to the market activity and keep the office demand strong.	▶

Prime Office rents – December 2018

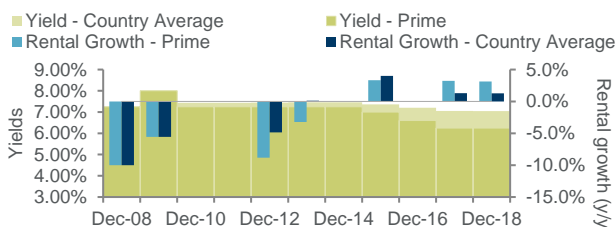
LOCATION	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Bratislava – City Centre	16.50	198	21.0	3.1	1.9
Bratislava – Inner City	13.00	156	16.5	0.0	0.8
Bratislava – Outer City	11.00	132	14.0	0.0	0.9

Prime Office yields – December 2018

LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10-YEAR	
	Q	Q	Y	HIGH	LOW
Bratislava	6.25	6.25	6.25	8.00	6.25

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

Demand for office space in Bratislava is stable: since 2014, the yearly take-up excluding renegotiations have exceeded 100,000 sq m continuously. About 70% of new leases in 2018 was created by professional and IT companies who are also the demand driver.

New supply has been increasing, reaching 90,500 sq m in 2018. Net absorption stayed positive and the vacancy rate stayed below 6% at the end of the year. In 2019, a record amount of new office spaces is about to be completed (more than 120,000 sq m), which will leave a negative impact on vacancy. A mild rental growth is anticipated throughout 2019 and 2020.

Investment focus

The total volume of transacted office properties reached €173m in 2018, representing more than 50% growth y-y. After several years of active participation by local and Czech investors, the Slovak office market is expected to witness an influx of international investors in 2019.

Outlook

The Slovak economy is expected to continue as one of the fastest growing economies in the eurozone with healthy domestic and international demand. Supportive financial conditions together with an advantageous labour market will drive further demand for office spaces; nevertheless, an increase in vacancy is likely to be seen owing to growing new supply.

SLOVAKIA Office Market Snapshot

Fourth Quarter | 2018



LOCATION	BUILT STOCK (SQ.M)	AVAILABILITY (SQ.M)	VACANCY RATE (%)	TAKE-UP (SQ.M)	TAKE-UP YTD (SQ.M)	UNDER CONSTRUCTION (SQ.M)
Bratislava (CC)	627,700	37,400	6.0%	9,500	72,400	40,800
Bratislava (IC)	750,700	37,500	5.0%	34,100	60,000	61,000
Bratislava (OC)	417,500	32,700	7.8%	17,400	37,700	33,000
Bratislava (Overall)	1,795,900	107,600	6.0%	61,000	170,100	134,800

Source: Bratislava Research Forum, Cushman & Wakefield, Q4 2018

Key Occupier Transactions

PROPERTY	SUBMARKET	BUSINESS SECTOR	SIZE (SQ.M)	TYPE OF LEASE
BA Business Center I Plus	Inner City	Consumer goods	10,100	Renegotiation
BA Business Center V	Inner City	Finance/Banking	5,400	Renegotiation
Galvaniho Business Center II	Outer City	IT	5,200	Renegotiation
City Business Center I	Inner City	IT	4,600	Renegotiation
Galvaniho Business Center I	Outer City	IT	3,800	Renegotiation

Source: Bratislava Research Forum, Cushman & Wakefield, Q4 2018

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