

**12.57%**  
Vacancy Rate

YoY Chg



12-Mo. Forecast



**€16.50**  
Prime Rent, PSM



**5.75%**  
Prime Yield



Source: Bratislava Research Forum (figures are based on class A+B stock only)

## ECONOMIC INDICATORS March 2021

**359K**

Bratislava Region  
Employment

QoQ Chg



**4.7%**

Bratislava Region  
Unemployment Rate



**8.0%**

Slovakia  
Unemployment Rate



Source: ÚPSVaR

## ECONOMY: Prolonged Lockdowns Weighed On the Economy, but Pent-up Demand Should Accelerate Upcoming Recovery

The prolonged restrictions introduced due to the second wave of the COVID-19 pandemic weighed on the real output of Slovakia, resulting in a 5.2% contraction of GDP in 2020. The gradual easing in the second quarter of 2021 along with the continued government support is expected to contribute to the rebound in GDP growth, mostly driven by pent-up demand and maintained low borrowing costs. Slovakia's heavy focus on manufacturing is both a blessing and a curse, as the industrial sector is proving to be shielded from the direct impacts of the pandemic. Housing market has been bolstered by lower interest rates together with buyers, whose economic situation was not negatively affected by the lockdown, looking for more living space as commuting times matter less. With the assumed reopening of the economy in the later first half of 2021, a sharp rebound in spending should prop up consumer-oriented businesses.

## SUPPLY & DEMAND: Corporate Relocations Offer Opportunity for Landlords Amid Rising Vacancy

Larger sized lease negotiations in the office sector are sparse which might indicate a drawback in the overall leasing activity for this year in Bratislava. Some tenants report efforts to renegotiate their leasing contracts or relocate and release excess space which would count in and improve the gross take-up. Nevertheless, the first quarter's figures still indicate a solid net take-up share of 78%, although it was partially driven by occupiers which already had operations in Bratislava and relocated under more competitive conditions. Total leasable area under construction reached 6-quarter low of 127-thousand square metres as Sky Park Offices opened for tenants. We record a further increase in the office vacancy rate which is expected as new supply emerges. Net absorption recorded a minor decrease of 1,000 sq m which shows that the addressable market remains roughly the same size after growing by 27-thousand square metres a year prior.

## PRICING: Growing Supply and Slowing New Demand Prompt Landlords to Revise Asking Rents

After the investment "de-risking" period, which largely benefited the industrial property sector, a partial rotation back towards other segments of real estate is anticipated in 2021. The assumed shift from unknown risks to known risks, as well as the easing of government restrictions support the ongoing negotiations which now indicate revival of investment activity across the commercial real estate landscape.

Office investment saw a solid start to the year owing to two major transactions. InTeFi announced its acquisition of a majority stake in Cassovar Business Center in Košice, which includes 13,500 sq m of leasable office areas. The strategically located BBC 1/1 Plus buildings changed hands in the first major office transaction in 2021, which further increases the office market presence of the purchaser, Wood & Company. Pending transactions will decide if the rebounding investor confidence brings the pricing back to the pre-pandemic levels, below the currently achievable prime yield of 5.75%. The two main obstacles to a sharper pricing have been weaker investment liquidity and higher costs to collect full income on properties as the competition tightens. Rental levels are being affected by a growing subleasing market and a decline in larger new deals. Adopting a more flexible approach to office leasing along with more agile office setups is the key to attracting and keeping tenants.

## SPACE DEMAND & DELIVERIES



## OVERALL VACANCY & PRIME RENT



## MARKET STATISTICS

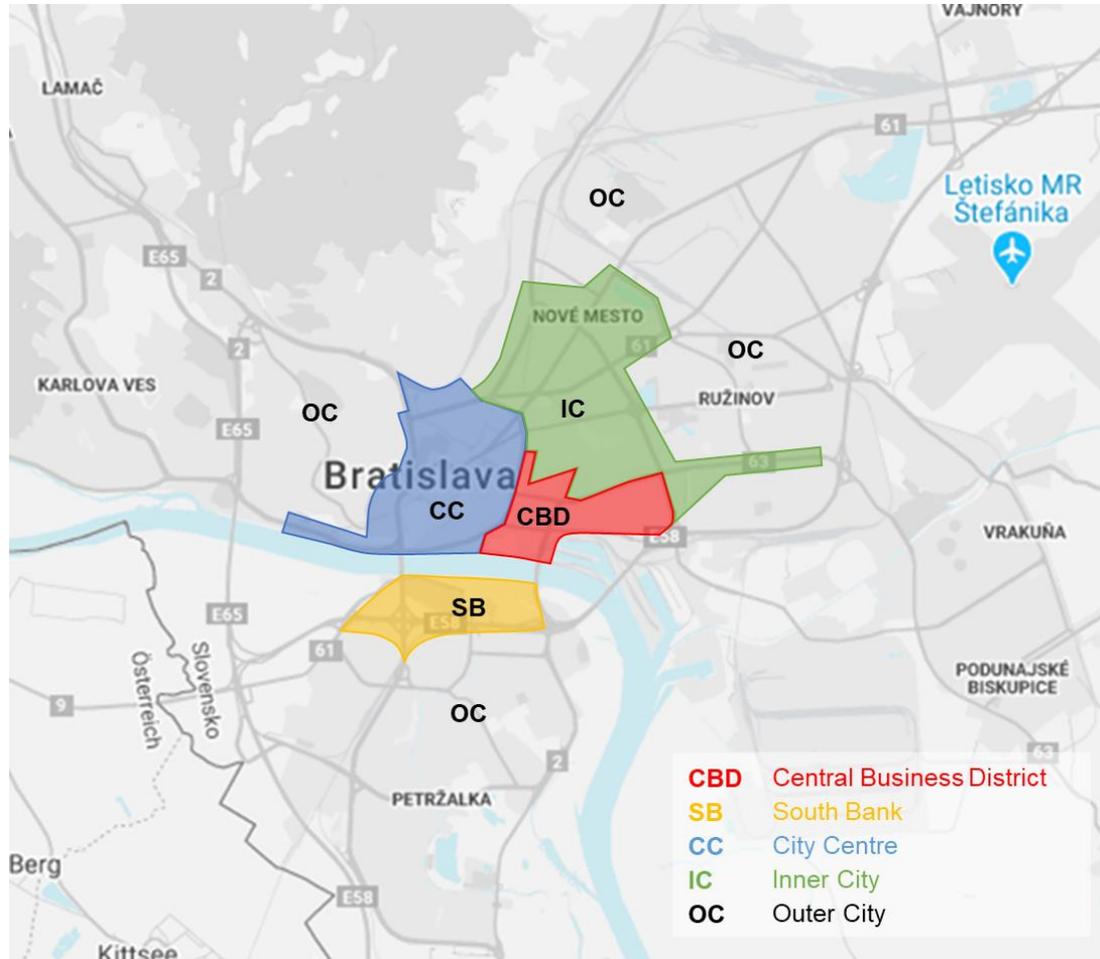
SUBMARKET*	INVENTORY (SM)	AVAILABILITY (SM)	OVERALL VACANCY RATE	CURRENT QTR TAKE-UP	YTD OVERALL TAKE-UP(SM)	UNDER CONSTRUCTION (SQ.M)	PRIME RENT
CC	488 000	31 600	6.5%	4 800	4 800	1 200	€16.50
IC	278 100	28 300	10.2%	3 600	3 600	24 700	€14.00
OC	414 900	61 600	14.8%	6 200	6 200	15 900	€11.50
CBD	605 800	96 000	15.9%	44 000	44 000	84 800	€16.50
SB	162 400	27 600	17.0%	200	200	0	€15.00
<b>Grand Total</b>	<b>1 949 200</b>	<b>245 100</b>	<b>12.6%</b>	<b>58 700</b>	<b>58 700</b>	<b>126 500</b>	<b>€16.50</b>

\*Bratislava office submarkets are shown on the last page of this report.

## KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT SECTOR	RSM	TYPE
Landererova 12 PC III	CBD	Public sector	5,000	new lease
Westend Gate	OC	Public sector	2,350	renegotiation
City Business Center I	CBD	Media	1,570	renegotiation
Apollo Business Center II	CBD	Manufacturing	1,540	renegotiation
City Business Center I	CBD	Consumer Goods	1,280	new lease

OFFICE SUBMARKETS



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