

12.22%
Vacancy Rate

YoY Chg
12-Mo. Forecast



€16.50
Prime Rent, PSM



5.50%
Prime Yield



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

ECONOMIC INDICATORS Q2 2021

358K
Bratislava Region Employment

QoQ Chg



5.0%
Bratislava Region Unemployment Rate



7.8%
Slovakia Unemployment Rate



Source: ÚPSVaR

ECONOMY: Pent-up Demand Accelerated Recovery in the Second Quarter

The Slovak economy should reach the pre-crisis level in the second half of this year. According to the National Bank of Slovakia, the economy should grow by 4.5% this year, and the growth should accelerate to 5.9% in 2022. Foreign demand, which was driving the economy, should weaken slightly due to shortages of components. Corporate profitability jumped despite a higher wage growth and lower sales thanks to effective cost optimization. State-guaranteed loans significantly supported lending activity in the sectors most affected by the pandemic and helped small and medium-sized enterprises in particular. This year's growth might be jeopardized by a low vaccination rate which currently lags behind neighbouring countries, staying far below the 60% threshold needed for gaining herd immunity. This might lead to a possible reintroduction of anti-pandemic measures and additional lockdowns, affecting the projected growth.

SUPPLY & DEMAND: Despite Solid Demand, Stronger Absorption Is Needed to Prevent Further Vacancy Rate Increase

In the second quarter, total take-up reached 37,000 sq m which represents a year-on-year increase of 19.5%. The highest leasing activity (51% of total take-up) remains in the Central Business District. New projects in prime areas drive relocations of tenants who benefit from the competitive leasing market. Renegotiations remain low in absolute terms, which might be one of the manifestations of this sentiment. Net absorption is positive again, reaching 8,200 sq m. Tenants are recognizing the need for a professional office space planning, therefore are increasingly seeking workplace strategy advisory services.

In Q2, we saw the completion of Metropolitan Star by Archikód, delivering 2,700 sq m of office space to the City Centre. By the end of the year, office stock should grow by another 41,000 sq m, with the biggest project, Galvaniho V, adding almost 16,000 sq m to the Outer City. Higher volume of pre-leases will be needed to prevent rising vacancy rate. However, due to the postponement of some major office projects, 2022 will be somewhat calmer than expected in terms of new supply and the resulting vacancy growth, with only one project scheduled for completion.

PRICING: Prime Yield Narrowed Further While Prime Rent Remained Stable

The increase in larger leasing deals (we record 12 deals sized over 1,000 sq m) and the ongoing negotiations that target prime clients had stabilizing effect on rental levels. Prime rent remained at 16.50 EUR/sq m/month in the second quarter. The pricing on the investment market shows confidence in the sector and combined with the availability of capital, the prime yield narrowed further, reaching 5.50%. Adopting a more flexible approach to office leasing and office space planning is now key to securing long-term rental income by attracting and retaining tenants.

SPACE DEMAND & DELIVERIES



OVERALL VACANCY & PRIME RENT



MARKET STATISTICS

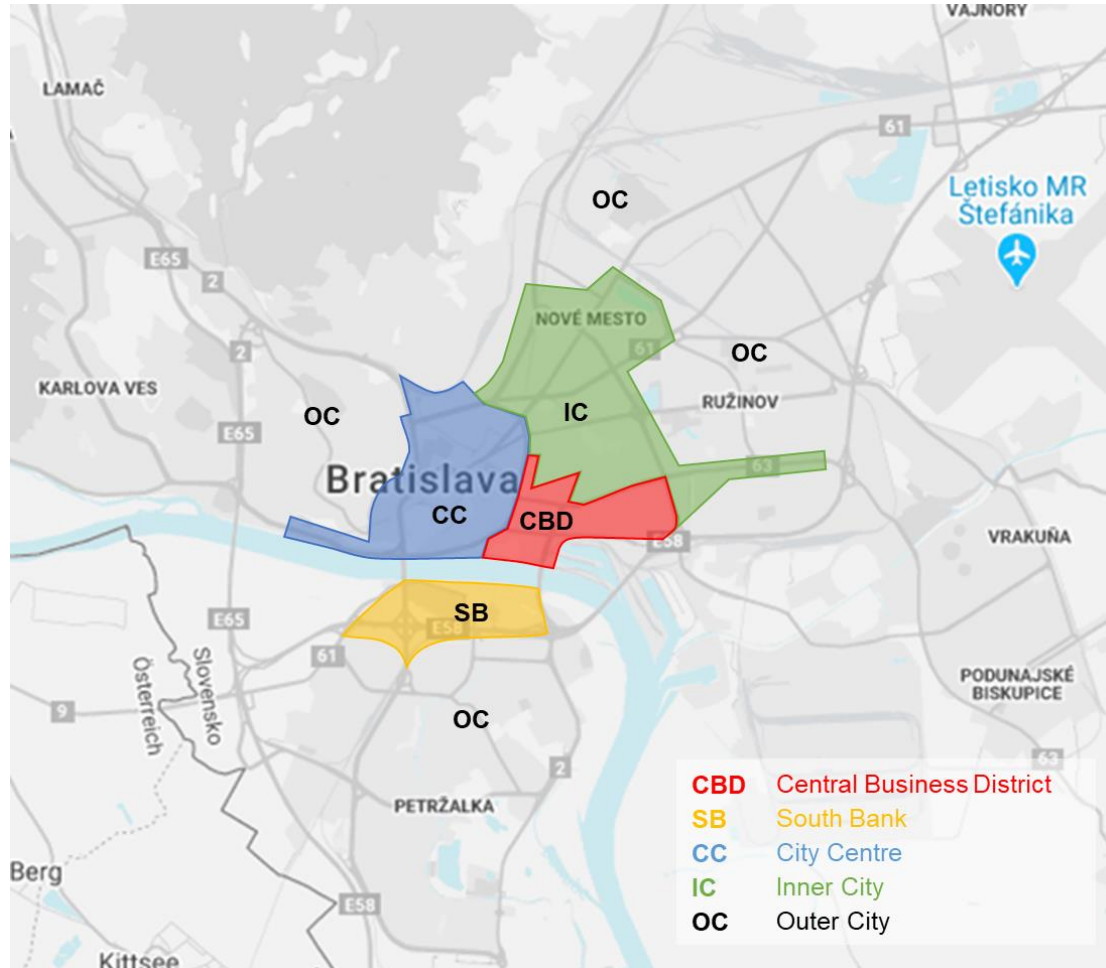
SUBMARKET*	INVENTORY (SM)	AVAILABILITY (SM)	OVERALL VACANCY RATE	CURRENT QTR TAKE-UP	YTD OVERALL TAKE-UP(SM)	UNDER CONSTRUCTION (SQ.M)	PRIME RENT
CC	490,700	33,200	6.8%	6,000	10,700	0	€16.50
IC	286,100	30,300	10.6%	4,200	7,800	24,700	€14.00
OC	414,900	59,800	14.4%	4,400	10,600	15,900	€11.50
CBD	605,800	87,700	14.5%	18,800	62,800	84,800	€16.50
SB	162,400	28,600	17.6%	3,700	3,900	0	€15.00
Grand Total	1,959,900	239,600	12.2%	37,000	95,800	125,300	€16.50

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

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT SECTOR	RSM	TYPE
Pradiareň 1900	CBD	Pharmaceutical	4,200	new lease
Twin City C	CBD	Manufacturing	2,600	renegotiation
Ein Park Offices	SB	Manufacturing	2,000	new lease
AB Skoda	OC	Manufacturing	1,700	renegotiation
Park One	CC	Public sector	1,500	lease-expansion

OFFICE SUBMARKETS



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