



(class A stock only)

ECONOMIC INDICATORS Q3 2021



Measurement: YoY change estimates, unless indicated otherwise.
Source: Moody's, ÚPSVaR

ECONOMY: Immunization Coverage Among Biggest Hurdles in Maintaining Economic Growth

According to the National Bank of Slovakia, achieving the pre-crisis levels of gross domestic product will be postponed to the beginning of 2022, due to the effects of the third wave of COVID-19 and the supply chain disruptions affecting the industrial production. According to Statistical Office of the SR, year-on-year growth in consumer prices increased to 3.8% in the third quarter, and inflation should not return to 2% until 2023. The domestic industry was helped by the gradually declining exchange rate of the euro against the currencies of major customers, but the manufacturing sector felt supply limits, which subsequently made components and transport more expensive. The industry is benefiting from the growing supply of labour, which is also more willing to work in this sector, which has proven to be stable even in times of pandemic. The improvement in the epidemiological situation in the third quarter led to an increase in mobility, which brought about a gradual recovery of the service sector. However, this year's growth might be jeopardized by a low vaccination rate which still lags behind neighbouring countries, staying far below the threshold needed to keep the health care system in the country from being overloaded during the next wave of the pandemic.

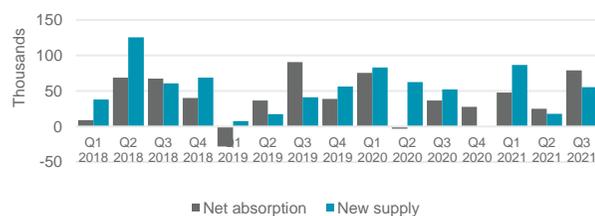
SUPPLY & DEMAND: Occupied Stock Rises as Vast New Supply Starts Entering the Market

Slovakia's industrial stock increased by 2% quarter-on-quarter after the completion of Log Center R7 by Go Asset, which is mostly let to a logistics operator for e-commerce. This is a new entry to the Slovak market by the Austrian developer, which plans to expand its development in the upcoming quarters. International investors flock to invest in the growing market as we see a record pipeline under construction, reaching 384,100 sq m, up threefold year over year. Troubling are the rising construction costs, lengthy permitting process and inadequate road infrastructure, which hinders a more even distribution of not only the industrial stock across Slovakia. We recorded the biggest quarterly change in total occupied stock in the last two years, resulting in the net absorption of 79,200 sq m. Vacancy rate decreased by one percentage point compared to last quarter. Weaker take-up in the third quarter is expected to be offset in the last quarter of this year.

PRICING: Stiff Competition Limits Rental Growth, Yield Compression Continues

The stiff competition in the industrial market in Slovakia has prevented a meaningful rental growth during the recent industrial boom, although the rising construction costs, as well as the spillover effect from the rising rents in the neighbouring markets might indicate a similar trend in Slovakia in the coming years once the immense pipeline is delivered on the market and the land for development is exhausted. However, higher headline rents can be achieved in attractive submarkets with currently limited supply, including Bratislava city logistics or Bratislava D2. Landlords are compelled to offer considerable incentives to attract large occupiers seeking to enter long-term contracts. Yield are narrowing as the international investors' appetite for competitive yields in Slovakia soars. We expect the industrial real-estate market to keep on expanding due to booming e-commerce and announced investments from the existing carmakers, securing their presence in the medium term.

SPACE DEMAND / DELIVERIES (SM)



OVERALL VACANCY & PRIME RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (\$M)	AVAILABILITY (\$M)	OVERALL VACANCY RATE	CURRENT QTR TAKE-UP	YTD OVERALL TAKE-UP(\$M)	UNDER CONSTRUCTION (\$M)
Bratislava Region	1,423,600	72,300	5.08%	36,600	234,600	167,200
Western Slovakia	1,203,100	108,700	9.04%	8,500	71,300	136,100
Central Slovakia	124,500	27,500	22.10%	6,500	23,200	25,000
Eastern Slovakia	135,900	12,200	8.97%	8,100	15,100	55,800
SLOVAKIA TOTALS	2,887,100	220,700	7.65%	59,700	344,200	384,100

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

KEY CONSTRUCTION COMPLETIONS Q3 2021

PROPERTY	REGION	AREA (\$M)	OWNER
Log Center R7 – building 02	Trnava	55,296	Go Asset

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