

11.83%
Vacancy Rate

YoY Chg

12-Mo. Forecast

€16.50
Prime Rent, PSM

5.25%
Prime Yield

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

ECONOMIC INDICATORS Q1 2022

351K
Bratislava Region Employment

QoQ Chg

3.9%
Bratislava Region Unemployment Rate

6.7%
Slovakia Unemployment Rate

Source: ÚPSVaR

ECONOMY: Russo-Ukrainian War Further Aggravates Inflation and Supply Chain Continuity

The beginning of the year was marked by the Russian invasion of Ukraine which caused various obstacles to the Slovak economy. Not only did it push inflation up to double digits to 10.4% during March (ŠÚSR), the highest in 17 years, but also the prices of the three most important items for Slovak households - food, housing, and energy - rose at a double-digit rate. It is mainly because Russia is the main exporter of gas to Slovakia, and together with Ukraine they account for nearly 30% of the global wheat trade. As Russia is also the main exporter of various types of metals essential for construction, the prices of new development projects are predicted to rise. The situation is also aggravated by the shortage of skilled workers. But with the arrival of over 340,000 refugees from Ukraine, this brings a significant amount of workforce suitable for the service sector or manufacturing as well as new potential customers mostly in the retail sector. According to ŠÚSR, retail sales in Slovakia recorded 14.5% year-on-year growth in March, maintaining double-digit growth for the third month in a row. With the sanctions imposed on Russia and the outflow of companies from its territory, there are opportunities for companies to relocate to Central Europe, which would have a positive impact on the economy – lower unemployment associated with new jobs and therefore possible positive impact on GDP. According to the National Bank of Slovakia, GDP is predicted to grow in the range of 2-3% in the optimistic war scenario. This is assuming that the conflict will be resolved in the coming weeks. In a worse case, in which the war would last for a longer period, there is a risk that the growth of the Slovak economy will stop temporarily.

SUPPLY & DEMAND: New Leases Surpassed Renegotiations Sixth Quarter in a Row

The total stock surpassed 2 million for the first time this quarter as Omnia BC was completed in the Inner City submarket, adding 11,200 sq m of fully leased space. In addition, 4 out of 5 Bratislava districts saw a decrease in vacancy rates. Despite this, we recorded a slight increase in overall vacancy. In the first quarter, total take-up reached 42,900 sq m representing a 27% year-on-year decrease. Nevertheless, the first quarter's figures indicate a solid net take-up share of 83% as new leases surpassed renegotiations sixth quarter in a row. Together with an 84% share of class A buildings in take-up, we can see a confirmed ongoing trend of tenants relocating to newer offices. Net absorption is positive fourth quarter in a row, reaching 7,100 sq m. Tenants are recognizing the need for professional office space planning, and therefore are increasingly seeking workplace strategy advisory services. This year will be calmer in terms of new supply as we will only see the completion of partially pre-leased Lake Side II scheduled for the next quarter.

PRICING: Prime Rent Remains Stable but Rising Energy Prices Affect Service Charges

In the shadow of uncertainty regarding the war in Ukraine associated with a large number of the world's biggest companies abandoning or scaling back their operations in Russia, investment activity has decelerated in all sectors, not excluding the office sector. Nevertheless, we expect leasing activity to pick up, with several transactions in progress confirming a recovery in the next quarters. Combined with the growing attractiveness of the sector and availability of capital, we expect prime yield compression in the upcoming quarter with the current value at 5.25%. Although prime headline rent at 16.50 EUR / sq m has not changed since the beginning of 2021, the pressure on landlords associated with rising energy prices and costs may translate into rental prices and therefore push prime rent upwards.

SPACE DEMAND & DELIVERIES



OVERALL VACANCY & PRIME RENT



MARKET STATISTICS

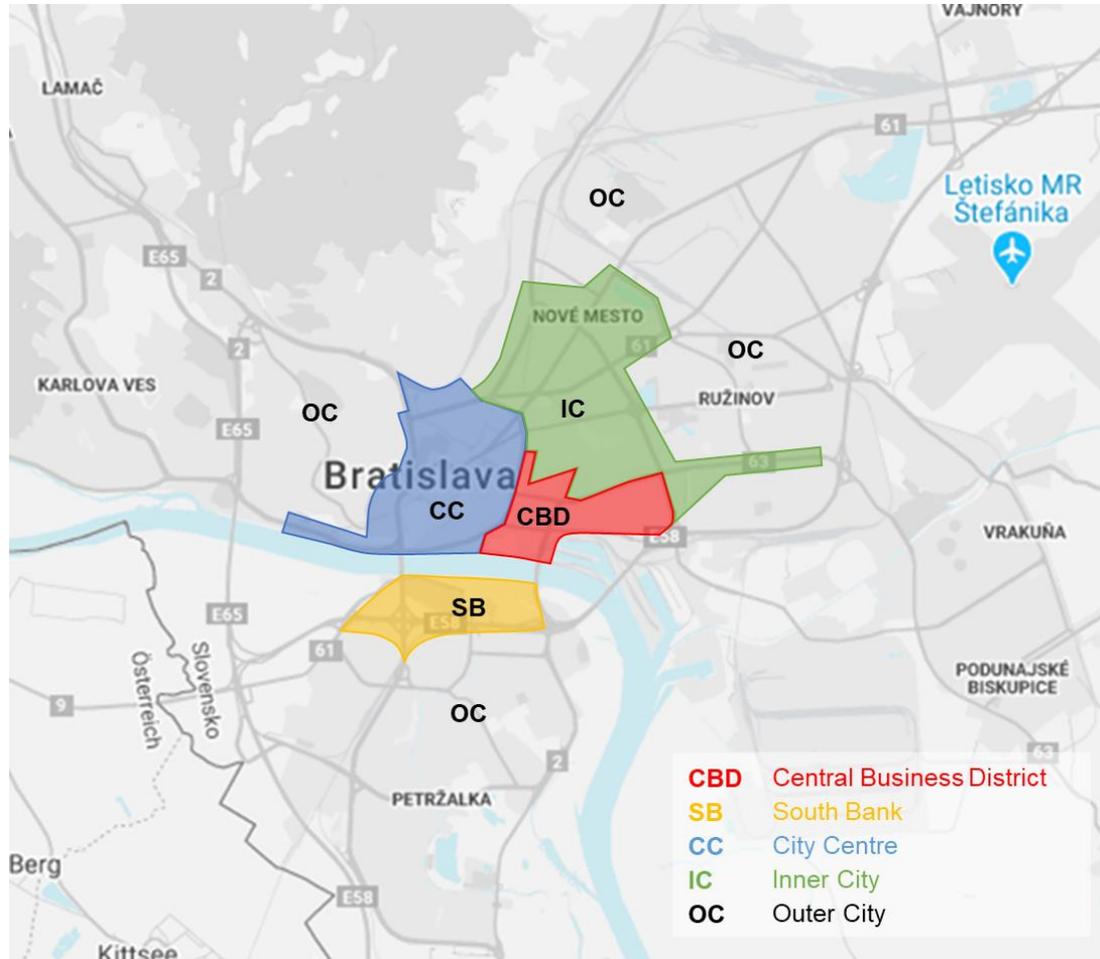
SUBMARKET*	INVENTORY (SM)	AVAILABILITY (SM)	OVERALL VACANCY RATE	CURRENT QTR TAKE-UP	YTD OVERALL TAKE-UP (SM)	UNDER CONSTRUCTION (SQ.M)	PRIME RENT
CC	493,700	34,900	7.1%	3,600	3,600	0	€16.50
IC	313,100	29,700	9.5%	12,900	12,900	13,500	€14.00
OC	415,600	60,800	14.6%	2,800	2,800	0	€12.50
CBD	620,600	86,000	13.9%	16,900	16,900	122,800	€16.50
SB	162,400	25,800	15.9%	6,700	6,700	0	€15.00
Grand Total	2,005,400	237,300	11.8%	42,900	42,900	136,300	€16.50

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

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT SECTOR	RSM	TYPE
Omnia BC	IC	Public sector	5,000	new lease
Panorama Business 2	CBD	Finance	4,800	new lease
Digital Park II+III	SB	IT	2,300	lease-expansion
Ein Park Offices	SB	IT	1,700	new lease
Pradiareň 1900	CBD	Other	1,400	new lease

OFFICE SUBMARKETS



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