MARKETBEAT

SLOVAKIA

Industrial Q2 2022

	YoY Chg	12-Mo. Forecast
5.18% Vacancy Rate	▼	▼
€4.10 Prime Rent, PSM	▲	▲
5.25% Prime Yield	▼	▬

(class A stock only)

ECONOMIC INDICATORS Q2 2022

	YoY Chg	12-Mo. Forecast
1.4% Real GDP	▲	▲
6.4% Unemployment Rate *(June 2022)*	▼	▼
-8.2% Industrial Production *(seasonally adjusted)*	▼	▲
12 % CPI	▲	▼

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

ECONOMY: Flaming Inflation Puts Raw Materials Costs to New Heights, Unemployment Decreases

The spotlight has been set firmly on inflation since the beginning of the year. Initial opinions that the primary cause of inflation is due to supply chain bottlenecks have given way to even greater pressures emanating from the devastating Russia-Ukraine war. The resulting resurgence of supply chain stress has further compounded the situation. On the commodity markets, the price level of gas, electricity and food often reaches multiples of the levels from two years ago, mainly due to the uncertainty associated with their availability, thus further accelerating the growth of inflation. Consequently, Slovakia is encountering an inflationary environment that has not been experienced for more than two decades, as the inflation rose to 13.2% in June. According to the National Bank of Slovakia, the growth of Slovakia's economy will slow down this year to 1.4%, and domestic demand compounded mostly by household consumption will contribute almost exclusively to its growth. Unemployment fell by more than 1.5 pp year-on-year and reached the level of 6.35%, the lowest value since the start of the pandemic. The industry recovered from a four-month slump caused by the ongoing war and China's zero-COVID policy and saw output year-on-year increase in May. This was mainly because of the automotive industry, which, despite ongoing problems that impaired the functioning of the supply chain, continues to maintain its reputation as the driving force of Slovakia's economy.

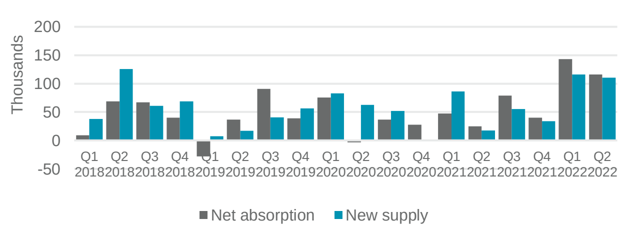
SUPPLY & DEMAND: Yet Another Strong Quarter Regarding Take-up and New Supply, Vacancy Rate Nearing 5% Threshold

The industrial sector is thriving, as evidenced by an increase in the total stock of 7.5% since the beginning of the year. In this quarter, five industrial buildings with a total leasable area of 97,700 were completed, ¾ of which are located in Western Slovakia, including the Bratislava Region. Although the vast majority of stock is situated in Western Slovakia, we see increased interest in industrial buildings in Eastern parts of the country as a significant amount of the total stock under construction is there. In total, the development consists of 23 buildings and represents 332,000 sq m, confirming the continuous construction boom. In addition, more than half of it is already pre-leased, thus indicating unceasing demand and also contributing to a possible decline in future vacancy rates. This fell again to 5.18%. As in the previous quarter, this decline is mainly due to the large take-up, which reached 189,000 and thus became the strongest second quarter regarding both net and gross take-up. In terms of net take-up, it makes up more than 90%. Nevertheless, we see an enlarging demand for short-term leases, which reached an amount of 30,000 sq m. Together with the first quarter, take-up exceeded the 400,000 threshold. Concerning the representation of the occupiers, the automotive sector replaced the e-commerce sector and, together with 3PL, accounted for more than half of take-up. The high demand figures, therefore, led to a positive net absorption which, despite strong new supply, once again exceeded the hundred thousand level – precisely 105,900 sq m. Record-breaking take-ups, above-average pipeline, elevated new supply, and declining vacancy rate indicates, that the industrial market is prosperous, healthy, and well-balanced in supply and demand, and therefore developers have the desire to expand.

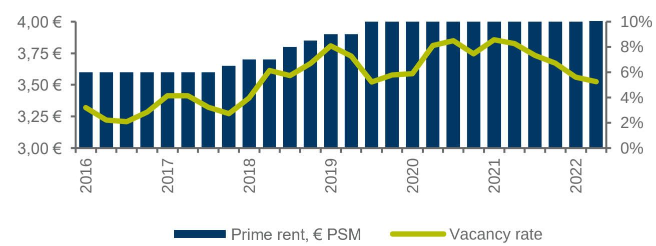
PRICING: Submarket Headline Rents Rose, Increase in Prime Rent Will Continue

The conflict in Ukraine and the resulting sanctions against Russia are significantly increasing input prices and the availability of raw materials. Lack of construction materials prolongs the delivery time of individual industrial buildings, which results in the postponement of their delivery deadlines from 6-12 months to 12-15 depending on the size and the required materials. As a result of all this, associated with the still above-average pipeline and unceasing interest in industrial spaces, mainly from the automotive and logistics sectors, the prime rent increased after three years from 4 EUR/sq m/month to 4.10. Headline rents in some submarkets also rose, mainly in Western and Eastern Slovakia, whilst the highest achievable rents remained in Bratislava city logistics. Due to rising inflation and increasing interest rates, there is very limited room for yet another compression of prime yield. Therefore, yields stabilized at 5.25%, which is expected to be the lower bound for the rest of the year.

SPACE DEMAND / DELIVERIES (SM)



OVERALL VACANCY & PRIME RENT



MARKETBEAT

SLOVAKIA

Industrial Q2 2022

MARKET STATISTICS

SUBMARKET	INVENTORY (SM)	AVAILABILITY (SM)	OVERALL VACANCY RATE	CURRENT QTR TAKE-UP	YTD OVERALL TAKE-UP(SM)	UNDER CONSTRUCTION (SM)
Bratislava Region	1,542,200	77,900	5.05%	110,700	212,600	144,600
Western Slovakia	1,285,700	54,000	4.20%	68,200	146,500	92,800
Central Slovakia	268,400	28,600	10.65%	4,700	13,600	35,600
Eastern Slovakia	155,400	8,100	5.19%	5,800	28,200	59,500
SLOVAKIA TOTALS	3,251,700	168,500	5.18%	189,400	400,900	332,600

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

KEY CONSTRUCTION COMPLETIONS Q2 2022

PROPERTY	REGION	AREA (SM)	OWNER
SLI Park Sereď DC33.2	Trnava	44,300	SLI Park
P3 Bratislava D2	Bratislava	20,300	P3
CTPark Zilina ZG3	Zilina	16,900	CTP Invest
Squarebizz Bory Hall 1	Bratislava	15,000	Karimpol

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