MARKETBEAT

BRATISLAVA

Office Q3 2022

	YoY Chg	12-Mo. Forecast
11.74% Vacancy Rate	▼	▼
€17.00 Prime Rent, PSM	▲	▬
5.00% Prime Yield	▼	▼

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

ECONOMIC INDICATORS Q3 2022

	QoQ Chg
357K Bratislava Region Employment	▲
3.7% Bratislava Region Unemployment Rate	▲
6.1% Slovakia Unemployment Rate	▼

Source: ÚPSVaR

ECONOMY: Domestic demand once again as the driving force of the economy

Rising interest rates, conflict in Ukraine, persisting supply chain issues and high fluctuations in energy prices are challenges anyone has to navigate through these days. Rising inflation, which is expected to reach 12.4% in 2022, is no longer driven only by rising energy or oil prices but extends to most goods and services. Almost 60% of the average consumer basket has seen a year-on-year price increase of 5% or more, which should impact the purchasing power, retail spending and investment activity. Despite the inflation pressures, domestic demand remained the main driver of economic growth in past months, offsetting lower exports and decreasing investments. Although there is a significant economic slowdown, the economy should grow by 1.8% in 2022, according to the latest estimate of the National Bank of Slovakia. The performance of the economy in 2023 depends mostly on future energy prices and interest rates as well as its impact on both companies and the general public. Steps taken by the EU and the local government to address soaring energy prices might limit the negative impact on the economy. The situation in the labour market, like in other countries, remains optimistic and shows signs of overheating. In the 2nd quarter, 16,000 people found employment, almost half of which were refugees from Ukraine. Unemployment keeps on falling and reached 6%. Increasing interest rates and rising bond yields are creating pressure on yields investors are willing to pay for commercial real estate. Although we see a yield increase already taking place in more mature markets, prime yields remain stable in Slovakia. Across all segments, in the case of more risky assets, yields are rising just mildly up to 25 bps. Further yield increase is expected in 2023 and might already materialize in Q4 2022.

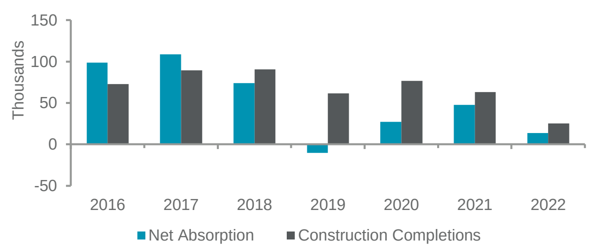
SUPPLY & DEMAND: Restored demand should hold out till the year's end

After a minor slowdown in the summer, the situation regarding leasing activity was cleared up and in many cases, we witness restored demand. Therefore, take-up reached 38,800 sq m representing a 53% quarter-on-quarter increase. In addition, net take-up figures stand at 32,400 sq m with new leases accounting for more than 26,700 sq m. We expect the increased leasing activity to persist towards year-end. However, due to the rising costs of projects, even in the case of refitouts, we noticed that the office market is moving towards longer required rental contract periods by landlords, which is more and more in contrast to the flexible requirements by tenants. A slight increase in vacant stock in all submarkets was offset by major decrease in vacancy in the South Bank submarket. As a result, the vacancy rate declined mildly to 11.74%. In favour of vacancy was the completion of Lakeside Park 02, which brought fully leased space of 14,000 sq m. Pipeline development consisting of 6 buildings with 146,700 sq m now stands at almost one-third occupancy rate. Altogether, development activity is muted this year, as only about 3,500 sq m of leasable space will be added next quarter, bringing the year's total to 28,600 sq m. On the other hand, most of the projects will come on stream in 2023 representing 48% above the five-year average, so the supply levels throughout the years will be balanced.

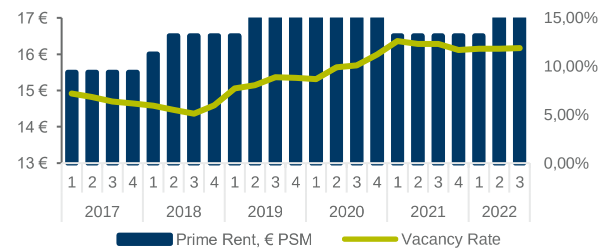
PRICING: Service CHARGES GROWTH CONTINUES

To cope with elevated energy and input costs, landlords continued in increasing service charges. Less energy-efficient buildings, mostly older B and C-class buildings, were affected the most. Therefore, the competitive advantage will go to the higher-end buildings with better energy efficiency. Still, many buildings have energy contracted only until the end of the year exposing themselves to the risk of purchasing energy at spot prices. As a result of high costs combined with popularity-gaining home offices, the trend of reducing space is ever more visible on the market. Therefore, the usage of workplace and space optimization strategies is sought after. Prime rent and prime yield remained unchanged at 17 EUR/sq m and 5.00%. However, an increase in yield is expected in 2023 and, due to indexation, we do not exclude the possibility of rent growth in 2023.

SPACE DEMAND & DELIVERIES (SM)



OVERALL VACANCY & PRIME RENT



BRATISLAVA

Office Q3 2022

CUSHMAN & WAKEFIELD

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	454,300	41,900	9.22%	2,800	9,300	0	€16.50
IC	325,100	31,300	9.63%	7,400	26,800	3,400	€14.00
OC	415,900	66,300	15.95%	5,000	13,500	0	€12.50
CBD	618,800	81,500	13.17%	17,400	42,700	143,300	€17.00
SB	154,000	10,000	6.51%	6,100	16,900	0	€15.00
Grand Total	**1,968,100**	**231,100**	**11.74%**	**38,800**	**109,200**	**146,700**	**€17.00**

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

KEY LEASE TRANSACTIONS Q3 2022

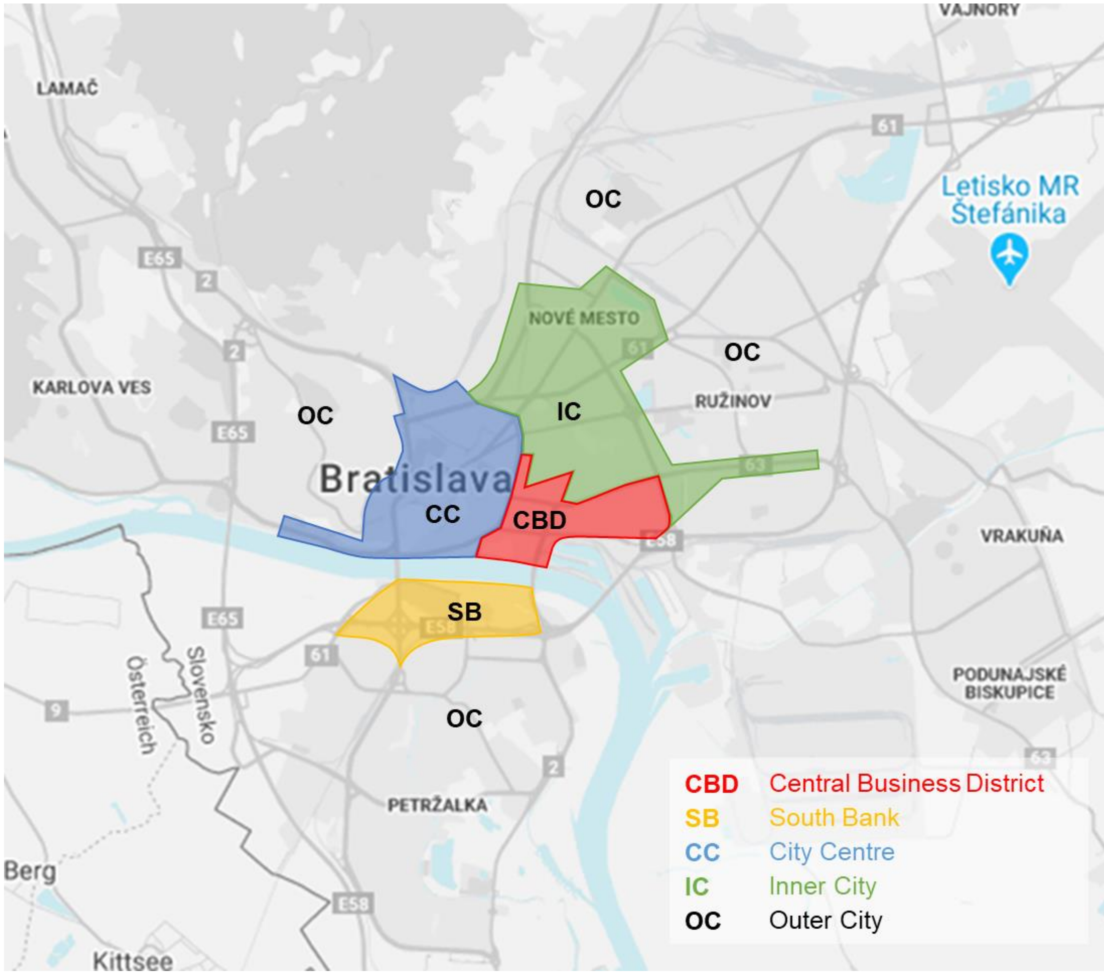
PROPERTY	SUBMARKET	TENANT SECTOR	RSM	TYPE
Lakeside Park II	IC	Public	3,500	new lease
Aupark Tower I	SB	Finance	1,800	new lease
Central (phase I)	IC	Medical	1,800	lease-expansion
BA Business Center V	CBD	Other	1,600	new lease
Tatra City	SB	IT	1,400	new lease
Eurovea Central	CBD	Prof. services	1,200	new lease

MARKETBEAT

BRATISLAVA

Office Q3 2022

OFFICE SUBMARKETS



LUKÁŠ BRATH

Research Analyst

+421 (0) 904 325 358

lukas.brath@cushwake.com

cushmanwakefield.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in 400 offices and 60 countries. In 2021, the firm had revenue of $9.4 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2022 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.