MARKETBEAT

# SLOVAKIA

Industrial Q4 2022

| | YoY Chg | 12-Mo. Forecast |
|---|---|---|
| **3.56%** Vacancy Rate | ▼ | ▼ |
| **€4.40** Prime Rent, PSM | ▲ | ▲ |
| **5.50%** Prime Yield | ▲ | ▲ |

*(class A stock only)*

**ECONOMIC INDICATORS Q4 2022**

| | YoY Chg | 12-Mo. Forecast |
|---|---|---|
| **1.0%** Real GDP | ▼ | ▲ |
| **5.9%** Unemployment Rate *(August 2022)* | ▼ | ▲ |
| **-8.9%** Industrial Production *(seasonally adjusted)* | ▼ | ▲ |
| **15.4 %** CPI | ▲ | ▼ |

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

## ECONOMY: Stabilized Energy Prices, Peaked Inflation and Increase in Yields

A solid rebound of the local economy after the elimination of pandemic restrictions in 2022 was slowed down by an increase in energy prices connected with the conflict in Ukraine. Despite many negative factors, the last quarter showed that the economy is more resilient than predicted and the economy should grow by 1.8% in 2022. Energy prices have stabilized, and the sales of firms continue to rise although increasing costs are impacting many tenants, especially from retail sector who have already struggled before. Furthermore, rising input costs and weakening global demand are behind pessimism in the corporate sector. Although inflation reached a record high level of 12.8% in 2022, its growth has already peaked in both the Eurozone and Slovakia, indicating a progressive decline in 2023. To further tame inflation, European Central Bank hiked interest rates to 2.5% in December. Additionally, the Slovak government's measures to cap energy prices for businesses and households should also contribute to reducing inflation and positively impacting purchasing power that would be otherwise impacted heavily by rising costs. Nonetheless, labour market remains resilient and unemployment keeps falling to 5.9% as of December.

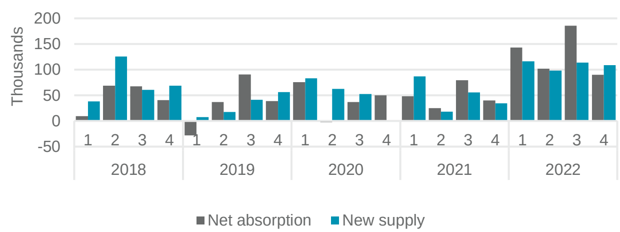
## SUPPLY & DEMAND: Record-Breaking Take-up and New Supply Levels in 2022

The Slovak industrial sector remained the most resilient real estate segment and experienced very solid performance in 2022. Its rapid growth continued in Q4 as 9 new buildings together with 108,500 sq m hit the completed status whilst 85 % of that area was already pre-leased. 2022's new supply figures stand at a record-breaking 435,800 sq m with pre-leased space at the time of completion at 80 %. Healthy supply levels go side by side with unceasing demand which also persisted in Q4. Gross take-up represented 156,000 sq m and net take-up 102,600 sq m. Nevertheless, vacancy rate remains low at 3.6% and while the market remains landlord orientated for now, we expect some sort of alignment between landlords and tenants to come in 2023. Partly as a result of solid take-up in the last quarter, we witnessed the highest both gross (792,200 sq m) and net (643,500 sq m) yearly take-up. In comparison to the last five year's averages, gross take-up reached a substantial 84% increase whereas net take-up almost doubled its size. This year's demand was driven, as in previous years, predominately by automotive, 3PL and e-commerce (although e-commerce started cooling off in the second half of the year). On the other hand, speculative development is offset by built-to-suit projects rendered by tight project financing conditions, high inflation, and the uncertainty surrounding the economy in the upcoming year. Consequently, industrial space under construction in Q4 shrinks to 261,400 with only one-third pre-leased.

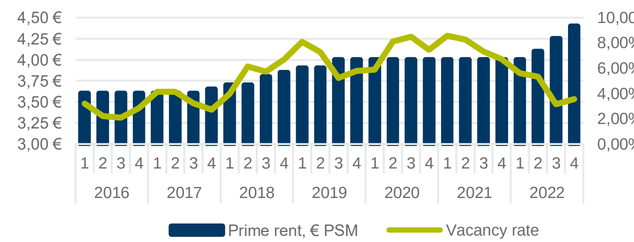
## PRICING: Significant Increase in Headline Rents and Landbank Transactions

Rents remained under upward pressure caused by persisting elevated inflation, input and energy costs. Accordingly, headline rents in all submarkets rose by at least 20-30 cents/sq m notably in Trenčin and East Slovakia, as well as prime rent, which hit 4.40 EUR/sq m/month and we expect its progressive growth in H1 2023. With regard to financing and other factors, we saw an increase in prime yield by 25 bps to 5.50% reflecting the overall shift of the cycle in 2022. Although further growth will go side by side with other real estate segments, rising yields are partially offset by high indexation of rents and the increase in market rents, especially in the industrial sector. Therefore, landlords prefer longer rental contracts. In 2022 we saw an increased amount of landbanks transactions by industrial developers, especially in Bratislava region, as a preparation for the future development cycle.

**SPACE DEMAND & DELIVERIES (SM)**




**OVERALL VACANCY & PRIME RENT**



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## Industrial Q4 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 | 1,666,300 | 65,000 | 3.90% | 33,400 | 391,700 | 47,300 |
| Western Slovakia | 1,339,400 | 11,000 | 0.83% | 67,300 | 291,700 | 108,400 |
| Central Slovakia | 281,600 | 29,600 | 10.50% | 25,200 | 48,300 | 40,800 |
| Eastern Slovakia | 192,000 | 18,200 | 9.51% | 29,600 | 60,400 | 64,900 |
| **SLOVAKIA TOTALS** | 3,479,300 | 123,900 | 3.56% | 204,800 | 792,200 | 261,400 |

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

### KEY CONSTRUCTION COMPLETIONS Q4 2022

| PROPERTY | REGION | AREA (SM) | OWNER |
|---|---|---|---|
| Prologis Park Bratislava DC22 | Bratislava | 40,900 | Prologis |
| Sihoť Park S03 | Trencin | 17,000 | SISBAN HOLDING |
| CTPark Kosice 13 B,C,D | Kosice | 12,200 | CTP Invest |
| Panattoni Park Plavecký Štvrtok EH303 | Bratislava | 12,000 | Panattoni |

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