MARKETBEAT

BRATISLAVA

Office Q4 2022

	YoY Chg	12-Mo. Forecast
11.21% Vacancy Rate	▼	▲
€17.00 Prime Rent, PSM	▲	▬
5.50% Prime Yield	▼	▼

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

ECONOMIC INDICATORS Q4 2022

	QoQ Chg
364K Bratislava Region Employment	▲
3.2% Bratislava Region Unemployment Rate	▼
5.9% Slovakia Unemployment Rate	▲

Source: 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.

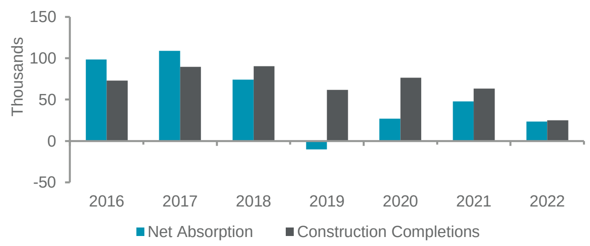
SUPPLY & DEMAND: Lack of New Supply Resulted in Lowered Vacancy

Restored demand from the previous quarter continued in Q4 as gross take-up reached 54,500 sq m and net take-up 25,500 sq m. In 2022 total gross and net take-up reached levels of 163,800 sq m and 118,900 sq m respectively. However, both figures still ended slightly below the average of the last 5 years, underlining the growing tension in the market. Completion of NIDO2 was postponed to the next quarter, therefore only 2 buildings were delivered to office market this year – Omnia BC in Q1 with an area of 11,160 sqm and Lake Side 02 in Q3 with 14,000 sqm. Despite the lower take-up in 2022, lack of new supply resulted in a mild decline in the vacancy rate in almost all submarkets, to 11.2%. However, last year's absence of new supply will be offset by 4 major projects, which should be completed in 2023 and bring 113,300 sq m of A+ office spaces. Consequently, we expect vacancy to grow gradually throughout the year, partly as a result of a lower pre-leased status of future projects followed by the downsizing of many of the existing tenants at renegotiation. On the other hand, companies which are either expanding, hiring employees or both are still visible on the market and the public sector should continue to play a major role on the demand side.

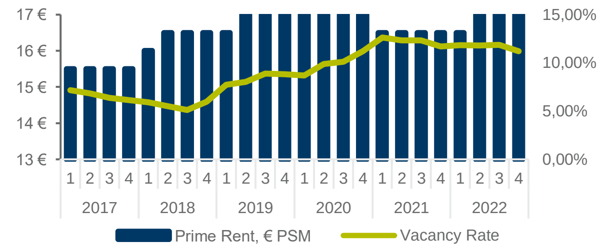
PRICING: Rent Increase Offset by Growth in Service Charges

Due to the increasing energy prices and high inflation, there is pressure on landlords to increase service charges by 30% - 50% which is offsetting any potential increase in rents that might otherwise materialize. Mild rent increase remains a domain of only the best projects on the market with high energy efficiency and high appeal for tenants. While new developments seem to be unfeasible at currently achievable market rents in less attractive locations we do not expect any rent increase unless the current vacancy is leased or at least decreased significantly. Despite an increase in service charges, asking rents remained unchanged in all submarkets. Prime rent also remained intact at 17 EUR/sq m/month and should persist in Q1 2023 as nothing indicates otherwise. However, most landlords are currently facing the decision of whether to increase headline rents while increasing fit-out contributions, or keep headline rents at current levels and struggle to cover costs due to insufficient fit-out contributions. Rising financing costs have increased prime yield by 50 bps to 5.50% and additional growth is expected in the following quarters. Rising yields are partially offset by high indexation of rents and the increase in market rents.

SPACE DEMAND & DELIVERIES (SM)



OVERALL VACANCY & PRIME RENT



MARKETBEAT

BRATISLAVA

Office Q4 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
CBD	618,800	78,600	12.70%	17,800	60,400	143,300	€17.00
CC	431,800	39,800	8.77%	7,200	16,500	0	€16.50
IC	309,200	27,800	9.00%	3,200	30,000	3,400	€14.00
OC	415,900	64,600	14.97%	18,300	31,800	0	€12.50
SB	154,000	9,700	6.32%	8,000	25,000	0	€15.00
Grand Total	**1,968,100**	**220,600**	**11.21%**	**54,500**	**163,800**	**146,700**	**€17.00**

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

KEY LEASE TRANSACTIONS Q4 2022

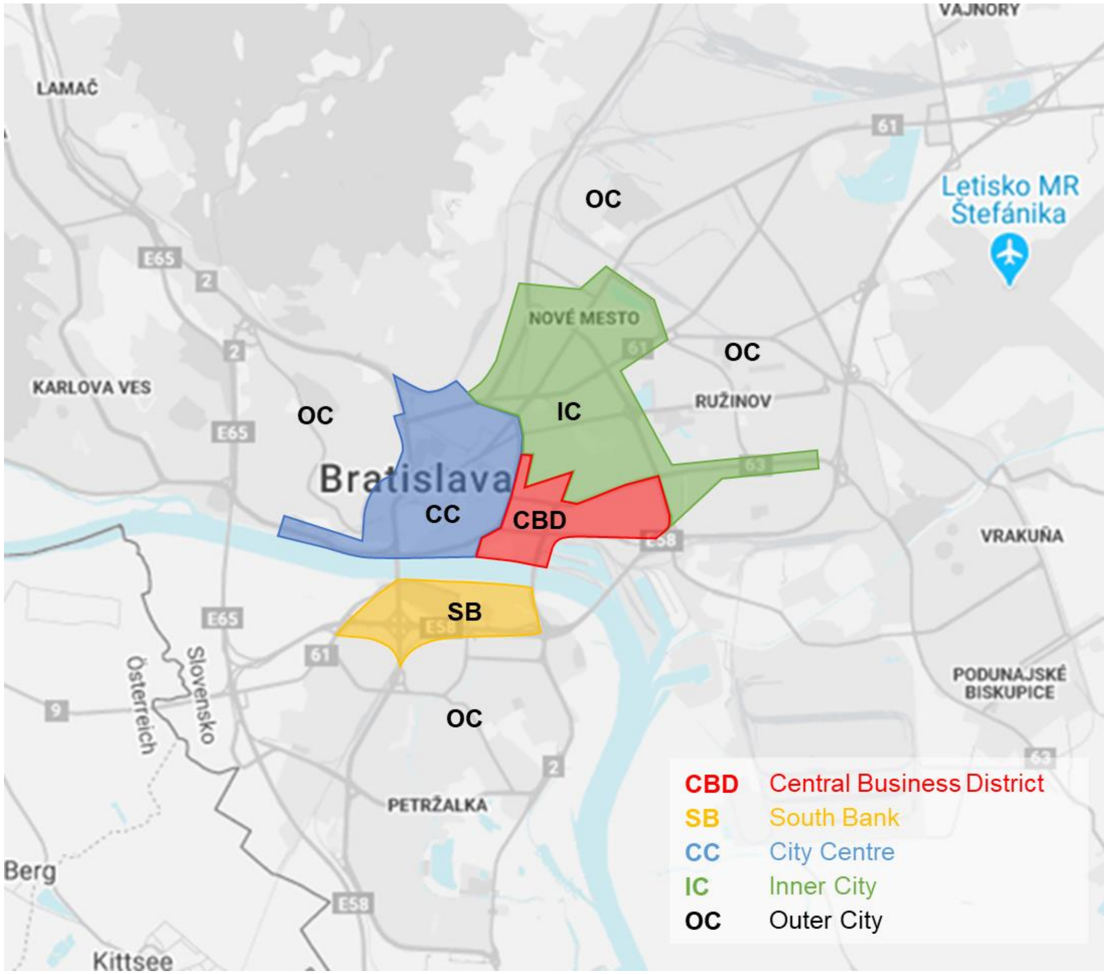
PROPERTY	SUBMARKET	TENANT SECTOR	SQ.M	TYPE
Landererova 12	CBD	IT	6,700	renegotiation
Blumenau	OC	Public	6,000	new lease
Einsteinova Business Center	SB	Finance/Banking/Insurance	4,400	renegotiation
Blumental Offices – Phase 2	CC	Finance/Banking/Insurance	2,400	renegotiation
Aruba Business Center	OC	Prof. services	1,600	renegotiation
City Business Center I	CBD	IT	1,500	new lease
Galvaniho Business Center V	OC	Prof. services	1,500	new lease

MARKETBEAT

BRATISLAVA

Office Q4 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.