

# MARKETBEAT SLOVAKIA

Industrial Q4 2023



**3.56%**  
Vacancy Rate

YoY  
Chg



12-Mo.  
Forecast



**€5.00**  
Prime Rent, PSM



**6.25%**  
Prime Yield



(class A stock only)

## ECONOMIC INDICATORS Q4 2023

**1.7%**  
Real GDP

YoY  
Chg



12-Mo.  
Forecast



**3.9%**  
Unemployment Rate  
(December 2023)



**2.4%**  
Industrial Production  
(seasonally adjusted)



**7.1%**  
CPI



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

## ECONOMY: Resilient Slovakia's Economy, Fiscal Strategies and Automotive Sector Propel Economic Stability

As the year draws to a close, Slovakia's economy reflects resilience amidst ongoing adjustments. Consumer spending recorded a year-over-year decrease for the tenth month straight, falling by 4.5% cumulative in the first eleven months of 2023. Inflation, partially tamed by the European Central Bank's monetary policies, has been further moderated on the Slovak front by governmental energy subsidies, ending the year at 5.9% in December and averaging 10.5% for 2023. The outlook for 2024 is rather optimistic, with inflation projections ranging from 3-5%, hinging on the Slovak government's fiscal strategy. However, the overall impact of declining markets and rising costs will become apparent during 2024. Unemployment remains at bay, with the notable scarcity of workers acting as a brake on economic growth. Nevertheless, the National Bank of Slovakia projects healthier GDP growth of around 2.5% for 2024. The government's restrained fiscal consolidation, particularly energy subsidies, unintentionally stimulates GDP growth, moderates inflation and consequently supports consumer spending. However, it concurrently elevates the yield on Slovak bonds. Anticipated interest rate cuts by mid-year could boost the entire commercial real estate market. Despite broader economic headwinds, the automotive industry has successfully maintained nearly full production capacities. Additionally, nearshoring gains momentum in Central and Eastern Europe, including Slovakia.

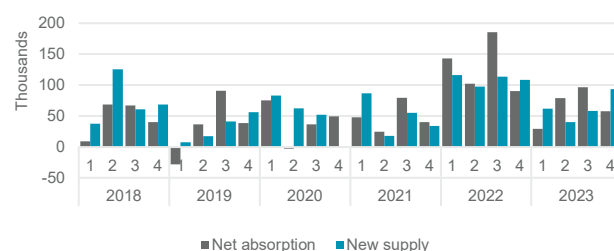
## SUPPLY & DEMAND: Strong Future Pipeline and Yearly Take-up With Automotive Dominance

In Q4, the industrial sector, regardless of economic pressures and the absence of activity at the year-end, maintained strong performance. Gross take-up in Q4 reached 159,071 sqm culminating in an impressive annual total of 632,306 sqm for 2023, marking a 22% increase over the five-year average. Net take-up followed suit with 101,017 sqm for the last quarter and an annual total of 423,269 sqm. Demand was driven mostly by the automotive and 3PL sectors, with automotive solely responsible for 60% of net take-up. Significant strides in electromobility and renewable energy technologies have undeniably impacted last year's overall numbers. Moreover, the spillover of activities from late 2023 into the new year suggests a dynamic start to 2024. The vacancy rate rose slightly to 3.56% due to a rise in unoccupied space in Western Slovakia following the delivery of new buildings with lower pre-lease rates. The new supply reached 93,141 sqm in Q4, amounting to 253,400 sqm for the entire year. Construction activity increased by 10% Q/Q, with 354,800 sqm spread over 22 buildings, two-thirds of which are in Western Slovakia. However, only 40% of space under construction is pre-leased, dropping significantly since last quarter. Nonetheless, recent quarters have seen a notably increased activity in Eastern and especially Central Slovakia.

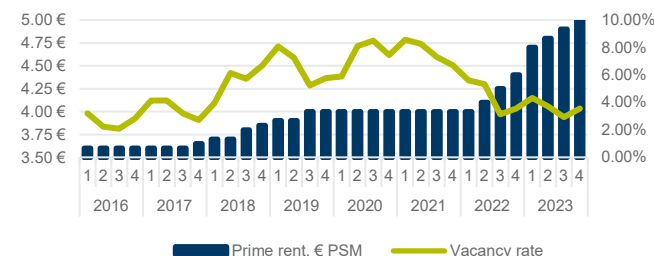
## PRICING: Slovak Industrial Rents Climb Above €5, ESG Is Gaining Importance

Reflecting on the previous quarter's momentum, Slovakia's industrial market has seen prime rental rates surpass the €5 per sqm per month mark. This upward movement is expected to persist with a gentle incline throughout the forthcoming year. This quarter's standout was the Trnava region – with a remarkable 9% hike in rental rates, leading the market's growth. Slovakia's industrial prime yield has maintained stability at 6.25% for logistics and 6.50% for manufacturing after a correction in the previous quarter reflecting a general interest rate increase in 2022-2023. Any additional increase in yields will be dependent on the development of interest rates within the Euro area. With the prime rent crossing significant thresholds and yields holding firm, the sector's outlook remains robust and poised for subtle growth. Moreover, industrial parks are ready to upgrade to meet ESG standards, which will be critical for attracting new tenants.

## SPACE DEMAND & DELIVERIES (SM)



## 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 (SM)
Bratislava Region	1,723,200	55,900	3.25%	86,600	325,700	77,000
Western Slovakia	1,582,300	54,700	3.46%	37,100	193,400	156,100
Central Slovakia	387,700	15,900	4.10%	7,300	69,800	79,600
Eastern Slovakia	305,900	15,700	5.13%	28,000	43,400	42,200
<b>SLOVAKIA TOTALS</b>	<b>3,999,100</b>	<b>142,300</b>	<b>3.56%</b>	<b>159,100</b>	<b>632,300</b>	<b>354,800</b>

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

### KEY CONSTRUCTION COMPLETIONS Q4 2023

PROPERTY	REGION	AREA (SM)	OWNER
CTPark Presov South	Presov	26,900	CTP
SIHOŤ PARK	Trencin	16,500	SISBAN HOLDING
Cromwell	Trencin	11,800	Cromwell
CTPark Zilina	Zilina	9,500	CTP
Titrans	Nitra	8,400	Titrans

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