


14.20%
Vacancy Rate

 YoY
Chg

 12-Mo.
Forecast

€18.00
Prime Rent, PSM

6.25%
Prime Yield

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

ECONOMIC INDICATORS Q4 2023

492K

 Bratislava Region
Employment

 QoQ
Chg

2.4%

 Bratislava Region
Unemployment Rate

3.9%

 Slovakia
Unemployment Rate


Source: 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: Surge in Take-up but Increased Vacancy

The office market in Bratislava is showing only little signs of the anticipated cool-down, as Q4 reports a 17% increase in gross take-up from the previous quarter, reaching 46,700 sqm. This contributes to an annual total that matches the five-year average, amounting to 183,500 square meters. A notable trend this quarter is the surge in lease renegotiations, comprising 47% of transactions and contributing to lower net take-up figures, which stood at 24,600 sqm. IT remains the most active sector, claiming over a third of the demand, followed closely by professional services (29%) and pharma/medical (22%), which has shown heightened market activity recently. The new addition of The Mill, spanning 24,500 sqm with an impressive pre-lease rate of 98%, underscores a strong appetite for the latest A+ office spaces. However, the higher vacancy rates in several A+ and A projects have pushed the overall vacancy rate to 14.20%. With only two buildings under construction, totalling 27,000 sqm with pre-lease rate of 63% and planned completion at Q4 2025 earliest, there's an emerging opportunity for the market to absorb excess space, potentially reversing the uptick in vacancy rates in the coming year.

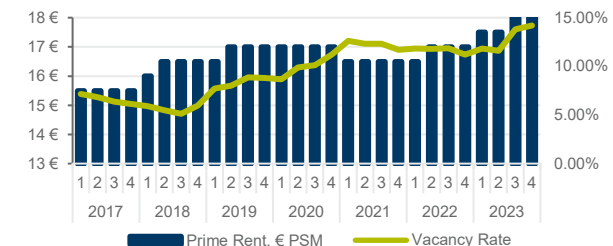
PRICING: Steady Yields and Shift Towards Green Spaces

Tenants' priorities are shifting towards ESG-compliant and carbon-neutral offices, intensifying demand for innovative workplace strategies and deepening the gap between A and B-class buildings. Therefore, this suggests a new course in the office real estate sector. Prime rent has held steady at 18€/sqm, consistent across submarkets except for a modest increase in the Southbank submarket. The fit-out costs for office spaces have stabilized with a potential for a slight increase next year. For shell & core fit-outs in A+ spaces, costs can exceed 750€/sqm, yet this remains less than half of what is considered the standard in top cities within the UK or Germany. Bratislava's office sector has kept its prime yield steady at 6.25% after general interest rates increase in 2022-2023. Any additional increase in yields will be dependent on the development of interest rates within the Euro area.

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 (SQ.M)	PRIME RENT
CBD	729,800	120,700	16.54%	15,200	84,300	17,000	€18.00
CC	451,000	38,700	8.57%	3,800	12,700	10,000	€16.00
IC	317,600	31,100	9.78%	6,500	26,900	-	€14.50
OC	441,800	89,500	20.25%	11,200	32,800	-	€12.50
SB	151,400	17,000	11.26%	10,100	26,700	-	€15.00
Grand Total	2,091,600	297,000	14.20%	46,900	183,500	27,000	€18.00

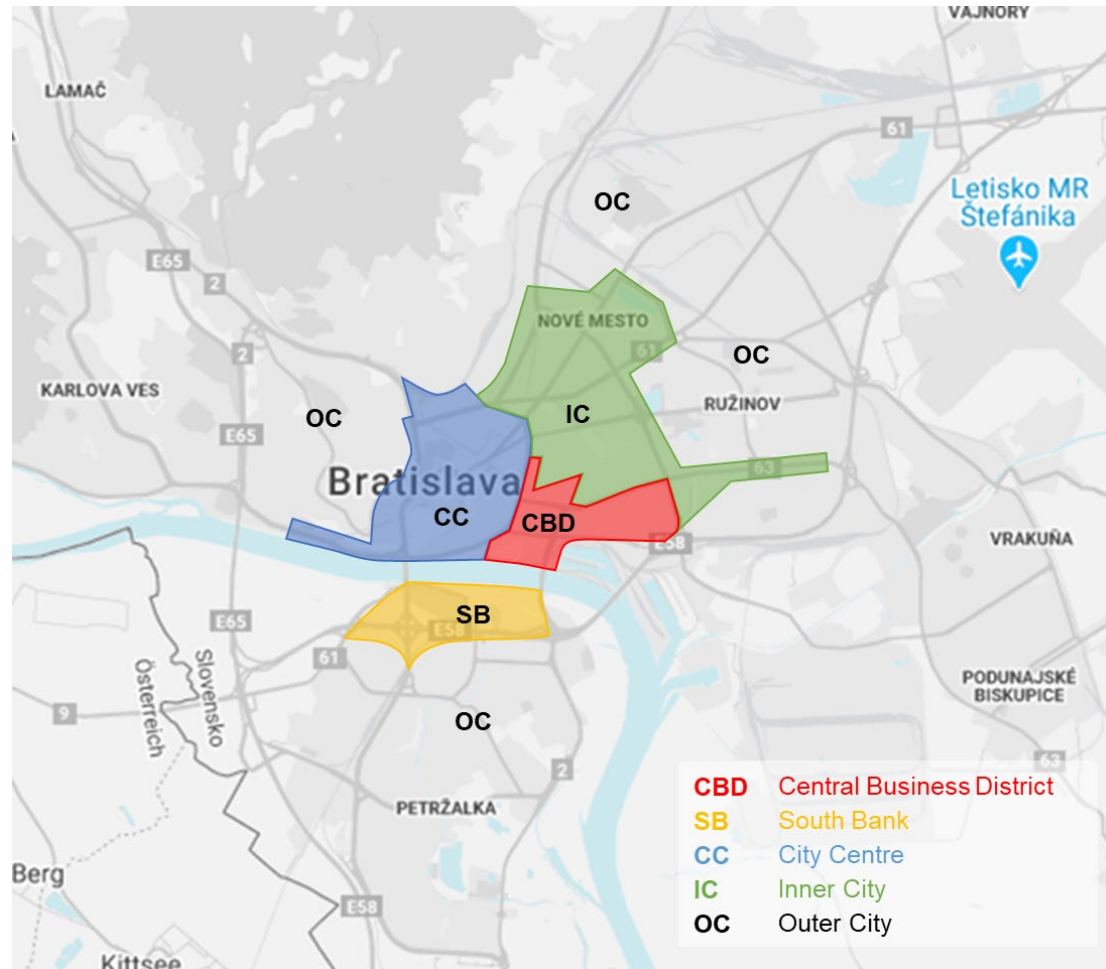
*Bratislava office submarkets are shown on the last page of this report.

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT SECTOR	SQ.M	TYPE
Aupark Tower	SB	IT	5,600	renegotiation
Lakeside Park 01	IC	Professional Services	2,100	renegotiation
Twin City C	CBD	IT	1,700	lease-expansion
Galvaniho Business Center V	OC	IT	1,500	new lease
Kolárska 6	CC	Legal	1,400	renegotiation
Digital Park II+III	SB	Pharma/Medical	1,400	renegotiation
Tower 115	CBD	Pharma/Medical	1,400	renegotiation
The Mill	CBD	IT	1,400	new lease
Westend Gate	OC	Professional Services	1,200	new lease
City Business Center I	CBD	Professional Services	1,200	new lease



OFFICE SUBMARKETS



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