MARKETBEAT

SLOVAKIA

Industrial Q2 2024

	YoY Chg	12-Mo. Forecast
4.15% Vacancy Rate	▼	▬
€5.15 Prime Rent, PSM	▲	▲
6.25% Prime Yield	▲	▼

(class A stock only)

ECONOMIC INDICATORS
Q2 2024

	YoY Chg	12-Mo. Forecast
2.7% Real GDP	▲	▲
3.8% Unemployment Rate *(June 2024)*	▼	▬
6.6% Industrial Production *(seasonally adjusted)*	▲	▲
2.4% CPI	▼	▼

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

ECONOMY: Consumer Spending Rebound, Low Unemployment

In Q2 2024, the European Central Bank reduced the main interest rate by 25 basis points, with further cuts depending on inflation, remaining above the 2% target. The construction industry and industrial production show signs of stagnation, with industrial output rising only 0.3% from January to May. The government aims to revitalise these sectors through strategic infrastructure projects, significant investments and subsidies are thusly anticipated in the industry. There is also growing interest from foreign companies entering the Slovak market, particularly from China, which might further aid industrial activity. Unemployment remains at a record low of 3.8% as of June, slowly starting to cause problems due to a worker shortage, especially in Western Slovakia where the rate is around 2.5%. In contrast, some Eastern and Central Slovakia districts continue to experience double-digit unemployment rates mainly due to a lack of infrastructure. Inflation fell to a three-year low of 2.1% in June, and the National Bank of Slovakia projects it will reach 2.5% for the whole year 2024. This decline in inflation has positively influenced consumer spending, which grew by 4.4% in the first five months of the year, reflecting rising real wages and accumulated household savings. Property prices have stabilised since last summer, leading to a gradual recovery in housing availability, though it remains constrained. Rating agencies continue to express confidence in the Slovak government's stability, maintaining their ratings with a stable outlook.

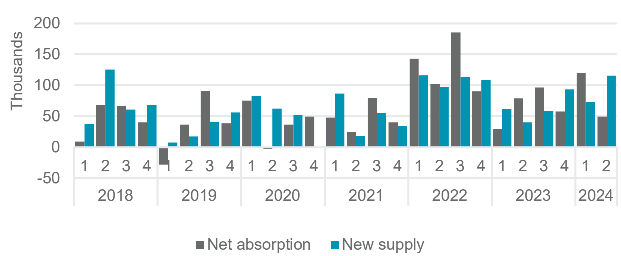
SUPPLY & DEMAND: Market Cool-Down Despite Robust New Supply

The Slovak industrial sector is experiencing an anticipated market cool-down spreading from the West across Europe. In Q2 2024, gross take-up reached 134,400 sqm, recording a substantial 28% year-on-year decline, and resulting in a decline of over 20% for the first half of the year. Net take-up also fell significantly to 63,300 sqm in Q2, marking a 50% decrease compared to the previous year. This trend is expected to persist into latter half of the year. New supply on the other hand surged to 115,000 sqm in Q2, nearly triple the amount of the same period in the last year. Most of the new development is speculative stock, initiated during the post-COVID boom, and many of these spaces have yet to secure tenants due to the current leasing market slowdown. The combination of weaker demand with new speculative development has driven the vacancy rate up to 4.15%, balancing the dynamics between tenants and landlords. Nonetheless, prime locations around Bratislava and areas around regional cities in northern and eastern Slovakia, continue to maintain vacancy rates below 1%. Currently, there are 257,100 sqm under construction, which is approximately 20 % below the average of 322,000 sqm in 2023. About, only 45% of this stock, expected to be delivered onto the market by the end of 2024, is pre-leased, potentially creating additional pressure on vacancy rate. The driving segment of demand remains 3PL, closely followed by manufacturing, with the automotive sector surprisingly ranking third.

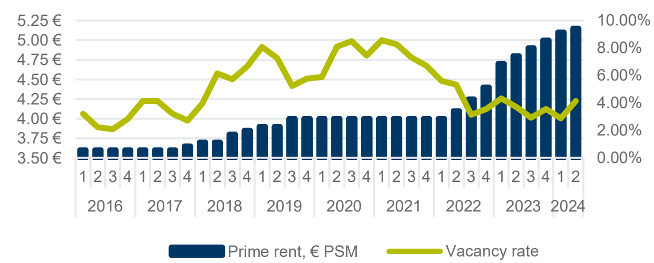
PRICING: Increased Investment Activity

Prime rent increased to €5.15/sqm, in Q2 2024, reflecting prevailing demand for new premises not only in Bratislava and its surroundings, but also in other regional cities such as Trnava, Prešov, Trenčín, and Žilina where the vacancy remains low and supply of new industrial premises is limited. Prime yield has remained unchanged for over a year at 6.25% for logistics and 6.50% for manufacturing. In the second quarter, the transaction of Garbe Green Park Piešťany was completed, which was purchased by the Czech fund ČSOB Patria. Additionally, several industrial parks across Slovakia are in various stages of the transactional process

SPACE DEMAND & DELIVERIES (SM)



OVERALL VACANCY & PRIME RENT



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MARKET STATISTICS

SUBMARKET	INVENTORY (SQM)	AVAILABILITY (SQM)	OVERALL VACANCY RATE	CURRENT QTR TAKE-UP (SQM)	YTD OVERALL TAKE-UP (SQM)	UNDER CONSTRUCTION (SQM)
Bratislava Region	1,735,900	63,100	3.63%	53,800	95,700	101,600
Western Slovakia	1,698,200	99,600	5.86%	41,600	87,900	62,200
Central Slovakia	426,900	10,600	2.48%	19,600	36,300	40,000
Eastern Slovakia	312,600	0	0.00%	19,600	22,100	53,300
SLOVAKIA TOTALS	4,173,700	173,200	4.15%	134,400	242,100	257,100

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

KEY CONSTRUCTION COMPLETIONS Q2 2024

PROPERTY	REGION	AREA (SM)	OWNER
SLI Park Sereď	Trnava	43,200	SLI
Prologis Park Bratislava	Trnava	23,300	Prologis
CTPark Trnava	Bratislava	14,000	CTP
CTPark Voderady	Zilina	13,400	CTP
CTPark Žilina Airport	Nitra	9,600	CTP

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