

## Quick Economy Stats

	Change from	
	Q4 2009	Q1 2009
GDP growth	↑	↑
Unemployment	↑	↑

- GDP in 2009 contracted by -4.7% (in current prices) according to the National Statistics Office. Current GDP prediction for 2010 published by National Bank of Slovakia is 3.2%.

- The current average inflation rate as at Q1 2010 reached 0.4%, mainly due to decreased energy and oil prices.

## Quick Stats Big Box

	Change from Q4 2009	
	Greater BA Area	Pan Slovakia
Leasing Activity	↓	↓
Vacancy	→	→
Rents	→	→
New Supply	→	→

## Hot Topics

- In terms of supply, no new projects were delivered to the market in Q1 2010.
- Total leasing activity in the first three months of 2010 dropped to 1,800 sq m, however it is expected that leasing activity will pick up in the second quarter.
- More vacant space brought the vacancy rate slightly up to 8.6%

## OVERVIEW OF WAREHOUSING AND LOGISTICS IN SLOVAKIA

Challenging economic conditions are still dictating the changes to the developer-led warehousing and logistics market in Slovakia. This was seen in low leasing activity and no new supply in the first quarter of 2010. However, the existing market evidence suggests that leasing activity will pick up during the second quarter this year.

New logistic supply in Q1 2010 decreased alongside the leasing activity. The amount of vacant space has grown, which has slightly increased the overall vacancy rate in Slovakia to 8.57%. This is an increase of 24 bps compared to the previous quarter.

There are two projects currently under construction, totaling 11,900 sq m, which reflects shorter build periods in logistics as well as continuing financing concerns and a general hesitancy in terms of real estate development currently. There were no projects brought to the market this quarter.

### Total Leasing Activity

Total leasing activity in Q1 2010 reached 1,800 sq m representing a decrease on Q4 2009 of 93%. The only transaction was signed by ProLogis in Greater Bratislava Area and it was a lease renewal. We have not recorded any leasing activity in the Pan-Regional Slovakia submarket.

### Space Under Construction

In the first quarter of 2010, space under construction remained static with only two properties being constructed. One of these projects is a smaller speculative project in the Greater Bratislava Area with 2,800 sq m. The second project, with a total area of 9,100 sq m, is a built to suit scheme in Pan-Regional Slovakia, near the city of Martin. Dates of the completion of both projects are currently unknown.

### New Supply

In Q1 2010, no new logistic space was completed in Slovakia, the second quarter in a row with no completions. Because logistic space can be brought to the market in a relatively short period of time, compared to office and retail space, new supply and pipeline can be more responsive to current market conditions. This has been evident on the industrial market in Slovakia in the two previous quarters.

## Q1 2010 Indicators

	Total	Greater Bratislava Area	Pan-Regional Slovakia
Stock (sq m)	1,020,600	880,800	139,800
Space under construction (sq m)	11,900	2,800	9,100
Total Leasing Activity (sq m)	1,800	1,800	0
Vacancy	8.6%	7.3%	16.8%
New completions (sq m)	0	0	0
Net effective rent (EUR/sq m/month)	3.00-4.50	3.00-4.50	3.80-4.50

NB: Some changes have been made to the stock to reflect new supply in Q4 2009 not noted in previous Big Box report (Maly Saris Logistic Centre II developed by HB Reavis, 5,260 sq m)

**Stock**

Total modern developer led warehouse space in Slovakia reached 1,020,600 sq m at the end of Q1 2010, reflecting the addition of a warehouse in Eastern Slovakia towards the end of 2009 developed by HB Reavis . Approximately 86% of this is located in the Greater Bratislava Area.

**Vacancy & Rents**

Low leasing activity combined with no new supply and an increase of vacant space led to a relatively stable vacancy rate which reached 8.57% (an increase of 0.24% q-o-q).

Headline rents across all of Slovakia remained relatively stable and currently stand between ca. 3.00 – 4.50 €/sq m/month, although there is some evidence that incentives have been increasing and tenants are signing shorter lease terms.

**SUBMARKET 1 – GREATER BRATISLAVA AREA**

The amount of modern developer-led warehouse stock in Bratislava remained at the same level as last quarter and amounted to 880,800 sq m, most of which is located in schemes along the D1 and D2 motorways. There remains currently only one scheme under construction of 2,800 sq m, representing a significant decrease of ca. 82% compared with the same period last year. The unit under construction is the Logistic Center Bratislava-Ivanka which is being developed by Profinal, although the completion date for this is not known at the moment.

Construction activity is very weak at the moment compared to the same period last year. There are currently a number of projects which have been postponed, but which could be constructed if a tenant(s) signed the right pre-lease(s).

In Q1 2010, we recorded one lease renewal in the Greater Bratislava Area of 1,800 sq m. This is approximately a 93% decrease in total leasing activity compared to the same period of last year.

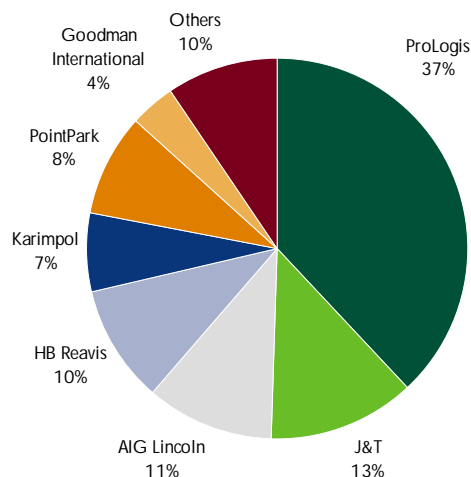
With no new projects being completed in the first quarter and increased vacant space the vacancy rate increased slightly q-o-q reaching 7.26% (32 bps increase). This is a decrease of 274 bps over the same time 2009; the vacancy rate in Q1 2009 was 10.00%. Headline industrial rents in the Greater Bratislava Area remained relatively stable and now range from 3.00 – 4.50€/sq m/month (depending on location, lease length and competition in the area).

**SUBMARKET 2 – PAN-REGIONAL SLOVAKIA**

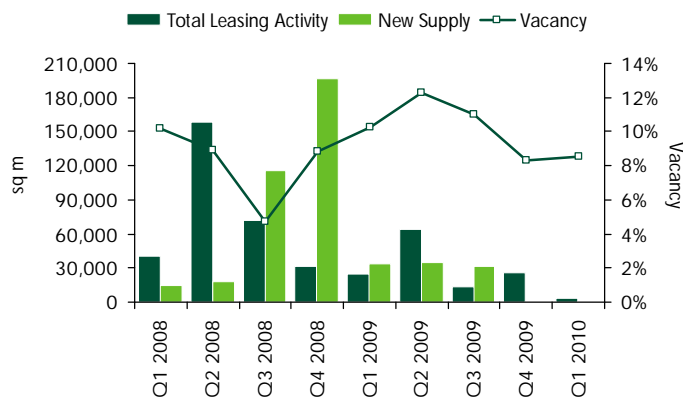
By the end of Q1 2010, the amount of modern developer-led warehouse stock outside of the Greater Bratislava Area reached approximately 140,000 sq m. There were no new completions in the Pan-Regional Slovakia Area this quarter.

No lease transactions were signed in the Pan-Regional Slovakia submarket in the first quarter of 2010. This corresponds with the same period in 2009, when we have not recorded any leasing activity.

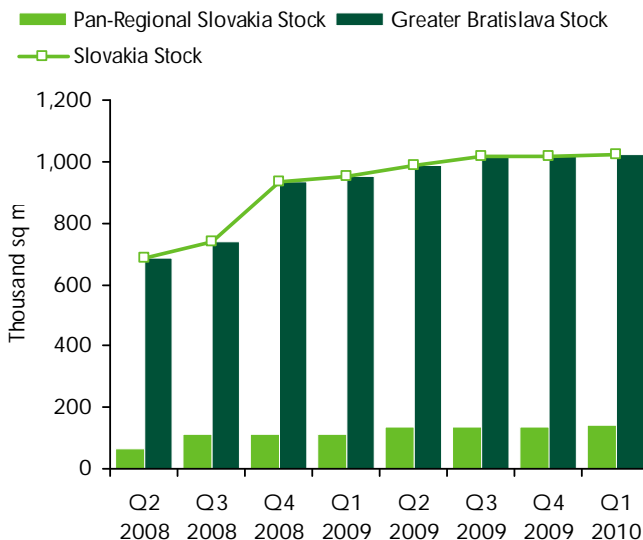
**Developer Market Share in Slovakia by Stock – Q1 2010**



**Industrial Total Leasing Activity, Supply and Vacancy**



**Industrial Market Development in Slovakia**



There is one built-to-suit scheme under construction currently in the Pan Slovakian submarket. The unit (9,100 sq m) is being built by the construction company that took over the project near Martin from developer IIG and this is expected to be finished this year.

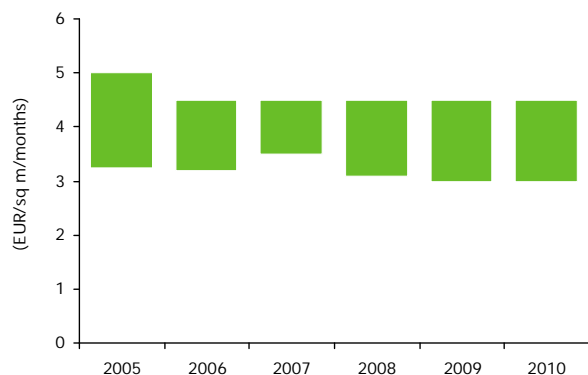
## OUTLOOK

The economic outlook in Slovakia, based on GDP forecasts, is more positive than in most of CEE countries. This is expected to have positive effects on the logistics market. We expect that speculative development will remain limited and construction will start in projects with specific leases in place. In most cases developers will continue to prefer built-to-suit schemes until rents increase sufficiently to justify speculative construction.

### Selected Industrial Transactions in Q1 2010

Tenant name	Project name	Total Leasing Activity (sq m)
Spandex	ProLogis Park Senec	1,800

### Average Rental Levels in Slovakia



Source: CB Richard Ellis

## Definitions

**STOCK** – warehousing space in modern, Class-A, developer-led schemes

**VACANCY RATE** – a ratio of vacant warehouse space to total stock

**TOTAL LEASING ACTIVITY** – net warehouse space that has been leased in a given period (does not include temporary deals which are shorter than one year).

**NET TAKE-UP** – total leasing activity in a given period minus leases signed in which tenant stayed in the same warehouse (i.e. lease renewals, lease renegotiations, lease extensions)

**UNDER CONSTRUCTION** – developer-led warehouse space currently being developed.

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For more information regarding the BigBox, please contact:

Jörg Kreindl

Managing Director

CB Richard Ellis

Park One,

Nám. 1 Mája

Bratislava

t: + 421 2 3255 3302

e: [joerg.kreindl@cbre.com](mailto:joerg.kreindl@cbre.com)

Peter Janosi

Head of Industrial

CB Richard Ellis

Park One,

Nám. 1 Mája

Bratislava

T: + 421 2 32 55 3 311

e: [peter.janos@cbre.com](mailto:peter.janos@cbre.com)

Jana Kovačová

Research

CB Richard Ellis

Park One

Nám. 1 Mája

Bratislava

T: + 421 2 32 55 3 329

e: [jana.kovacova@cbre.com](mailto:jana.kovacova@cbre.com)