

## OVERVIEW OF WAREHOUSING AND LOGISTICS IN SLOVAKIA

After the logistics development almost disappeared during the crisis, the market is starting to see new development activity picking up again. The year 2011 is already seeing an increase in project commencements and perhaps even deliveries before the end of the year.

We have not recorded any new supply to the modern warehousing space in Slovakia in Q2 2011, however; the space under construction increased to 47,800 sq m across the country. All of this is built-to-suit space mainly in regional cities. Development activity in capital city remains slow, although plenty of space is available for immediate start of construction as soon as the pre-lease is signed.

The amount of vacant space is steady, reaching low levels with country-wide vacancy rate at 4.4%. This is a decrease of 111 bps compared with Q2 2010.

In line with general increased interest for property investment in CEE, we expect at least one transaction to close within next months on industrial market in Slovakia. Based on this, prime yield is currently estimated at 8.50%, 125 bps above prime office yield.

## Total Leasing Activity

Based on geographical division of industrial market in Slovakia, 100% of total leasing activity (TLA) this quarter was recorded in Greater Bratislava Area. TLA more than doubled, including renegotiations and pre-lets compared with the previous quarter and reached 59,200 sq m. Renegotiations made up ca. 37% of TLA which is in line with most markets in Central Europe and has increasing importance given the low vacancy. Along with this short term leases are being signed more often than in the pre-crisis time, a factor of greater flexibility on landlords' side. Share of pre-lets reached 34% of TLA confirming that developers would rather wait for committed tenants before starting new project.

## New Supply and Space Under Construction

Since the start of the crisis, development activity was significantly reduced and new supply remained almost non-existent in 2010. We have not recorded any significant addition to the industrial stock in Slovakia in the past three quarters.

Construction of two new projects started in Greater Bratislava Area bringing the total space under construction to 47,800 sq m across Slovakia. This includes 21,000 sq m built-to-suit (BTS) development by Goodman Group in Kosice and 18,000 sq m BTS hall in Galanta by ProLogis.

## Q2 2011 Indicators

	Total	Greater Bratislava Area	Pan-Regional Slovakia
Stock (sq m)	1,040,400	880,800	159,600
Space Under Construction (sq m)	47,800	26,800	21,000
Total Leasing Activity (sq m)	59,200	59,200	0
Vacancy	4.4%	3.2%	11.3%
New Completions (sq m)	0	0	0
Average Headline Rent (EUR/sq m/month)	3.00-4.50	3.00-4.50	3.80-4.50

Source: CB Richard Ellis

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## Quick Economy Stats

## Q2 2011 compared to...

	Q1 2011	Q2 2010
Inflation	↑	↑
Unemployment	↓	↑
GDP	↑	↑

## Quick Stats Big Box

## Change from Q1 2011...

	Greater BA Area	Pan Slovakia
Leasing Activity	↑	↓
Vacancy	↑	→
Rents	→	→
New Supply	→	↓

## Hot Topics

- Total leasing activity in the second quarter of 2011 reached 59,200 sq m with 30% of new leases and rest equally shared between renegotiations and pre-lets.
- Vacancy rate across Slovakia remains the lowest in CEE region at 4.4%.
- Warehouse prime rents remain steady with the prime yield decreasing to 8.50%.

## Q2 2011 – the expert's point of view

Peter Jánoší, Head of Industrial Agency in Slovakia: 'With the lowest vacancy in CEE region we expect to see new projects to start and be delivered to the market with next 12-18 months, however on the pre-leased basis. No signs of speculative development, yet.'

**Stock**

CB Richard Ellis divides logistics market in Slovakia into two main sub-markets:

**Submarket 1** – Greater Bratislava Area: Warehouses and Warehouse Business Parks located within ca 40km of the centre.

**Submarket 2** – Pan-Regional Slovakia: Warehouses and Logistic Centres located in the rest of Slovakia.

Total modern developer-led warehouse space in Slovakia reached 1,040,400 sq m at the end of Q1 2011, where 85% of this is located in the Greater Bratislava Area.

**Vacancy & Rents**

Amount of vacant space in Slovak industrial market stays low with overall vacancy rate 4.4%. This is a decrease of 111 bps compared to the same period in 2010 and slight increase of 40 bps q-o-q.

Despite the lack of sufficient vacant space, asking rental levels remained steady during the first quarter of 2011. We do not expect this to change within the next months.

Average headline rents across all of Slovakia currently stand between ca. 3.30 – 4.20 €/sq m/month with landlords willing to sign short term lease contracts.

**SUBMARKET 1 – GREATER BRATISLAVA AREA**

The amount of modern developer-led warehouse stock in Bratislava has not changed since Q3 2009 and currently amounts to 880,800 sq m, most of which is located in schemes along the D1 and D2 motorways. Four schemes are currently under construction totaling 26,800 sq m. Based on a relatively short construction period, stock is expected to grow before the end of 2011.

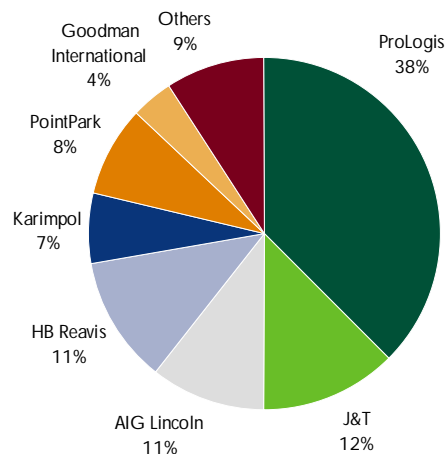
Total leasing activity in the second quarter of 2011 reached 59,200 sq m reflecting more than triple increase on the previous quarter. The structure of this figure is described in more detail on the previous page.

The net absorption was negative, a fact reflected in the low development activity and high proportion of renegotiations, pre-lets and short term leases out of total leasing activity. The vacancy rate increased slightly q-o-q to 3.16%. This is 148 bps lower compared with the same period last year.

**SUBMARKET 2 – PAN-REGIONAL SLOVAKIA**

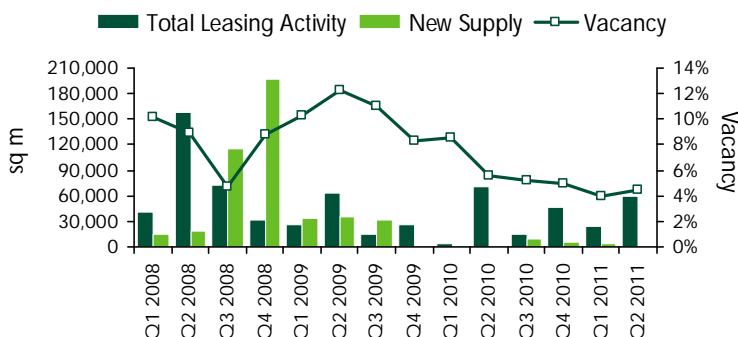
We have not recorded any new addition to the stock this quarter, meaning it remained on ca. 154,600 sq m. New development (21,000 sq m) by Goodman Group is still under active construction in Kosice in Eastern Slovakia.

**Developer Market Share in Slovakia by Stock – Q2 2011**



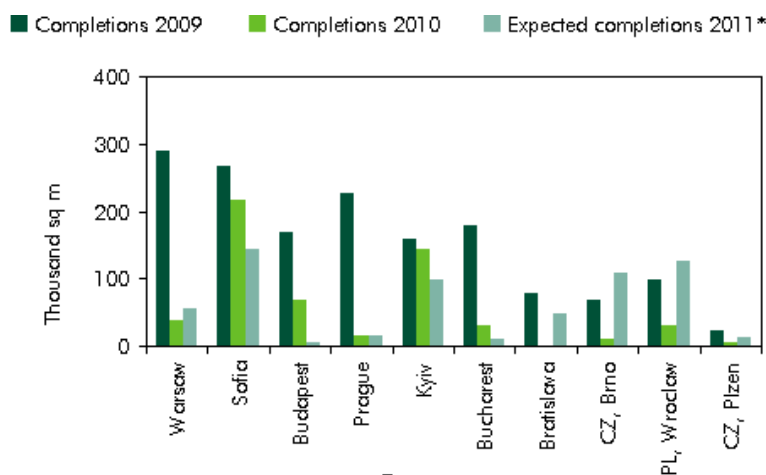
Source: CB Richard Ellis

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



Source: CB Richard Ellis

**Industrial Market Development in Slovakia and CEE**



\* Deliveries of Q1 also included

Source: CB Richard Ellis

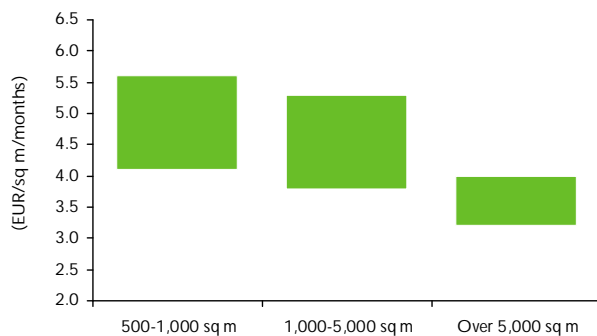
## OUTLOOK

External demand is remaining the key driver of economic growth and based on Germany's strong performance we expect the industrial and logistics development to pick up in the near future. This is supported by increased activity on neighboring markets and expected delivery of new projects in Slovakia after several quarters of no or very low completions.

### Selected Industrial Transactions in Q2 2011

Tenant name	Project name	Total Leasing Activity (sq m)
DSN	Bratislava Logistic Park II	3,800
Confidential	ProLogis Park Galanta	18,000
DHL	Goodman Industrial Park Senec	9,000

### Average Rental Levels in Slovakia in Q2 2011



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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