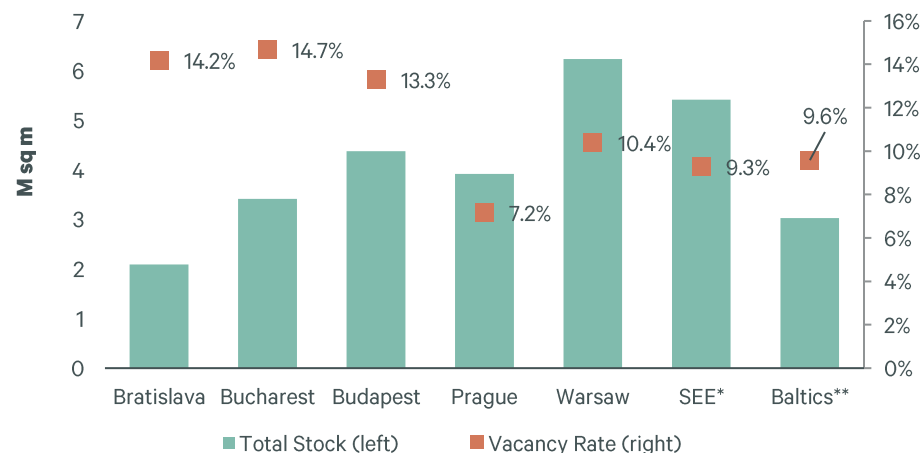
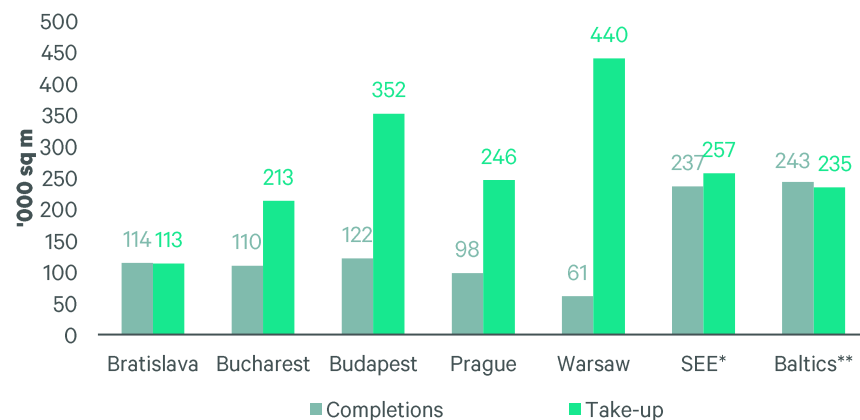


CEE Office Market Figures

OFFICE STOCK AND VACANCY RATE



OFFICE COMPLETION AND TAKE-UP IN 2023

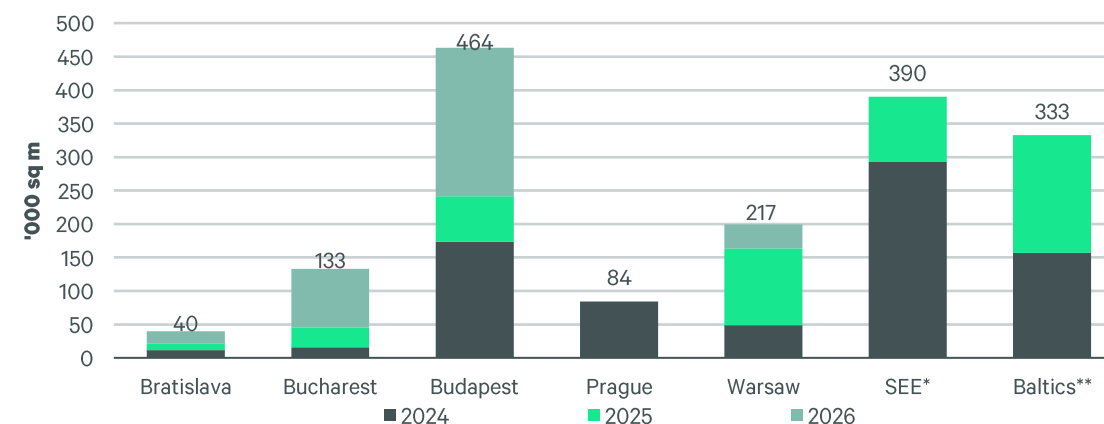


Lower activity in the office segment was already visible in the 2023 delivery figures as annual completion volume fell to 506,000 sq m in CEE-5 capitals and 986,000 sq m in total CEE region (including Baltics-3 and SEE-4). Development market is more in a retreat in core markets and was down by 30% y/y in CEE-5 capitals, whereas development activity decreased less dramatically in SEE and in Baltics (by 14% y/y). Completion exceeded 100,000 sq m in Bratislava, Bucharest and Budapest from CEE-5 capitals. Warsaw showed a remarkably weak new supply of only 61,000 sq m in 2023, drop by 74% y/y.

Office development pipeline continues to be moderate, with many office developments stuck in planning stage. There is 1.66 million sq m under construction in the region (total CEE) with a notable shift towards the smaller markets: SEE capitals have a total pipeline of 390,000 sq m and the Baltic capitals see also a high volume of 333,000 sq m of office space under construction. Most of these new projects is expected to arrive in 2024, notable that Baltics, SEE and Budapest will make ca. 80% of all completions in 2024. We forecast further ca. 495,000 sq m for 2025 and 364,000 sq m for 2026 of new delivery in CEE region. Pipeline-to-stock ratio is the highest in Budapest- boosted by year 2026, when a sizeable governmental development will be delivered. Czech capital has an overall pipeline of ca 190,000 sq m over the next three years; however, only 84,000 sq m of space is currently under construction.

Office take-up volume remained stable in CEE-5 capitals but individual markets differ a lot. Bratislava, Bucharest and Budapest showed improving demand profile, while other markets experienced a decline. Warsaw (-17% y/y) registered the biggest contraction in take-up – albeit from a very high base.

OFFICE PIPELINES UNDER CONSTRUCTION (UNTIL 2026) IN CEE

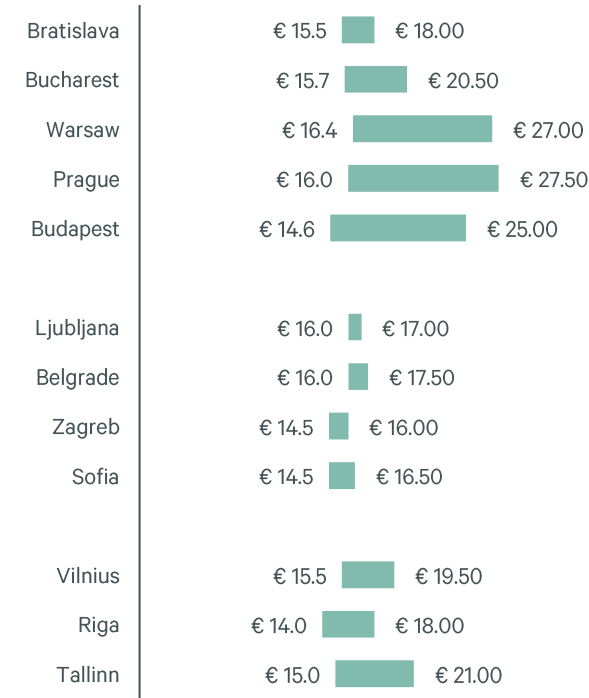


*SEE: Belgrade, Zagreb, Sofia, Ljubljana

**Baltics: Tallinn, Riga, Vilnius

Source: CBRE, 2024

OFFICE ASKING RENTS (AVERAGE – PRIME)



Average rents are quoted as the market average of asking rents quoted for the vacant space in the individual city. Prime rent refers to the highest available asking rents in the best-in-class properties available on the market for lease.

Source: CBRE, 2024

As the wave of construction recedes, vacancy stabilizes or even decreases in some cities: the vacancy rate in Prague and Warsaw decreased by the end of 2023 (y/y), while in other capitals the rate moved out. The lowest vacancy in the region is in Prague (7.2%), followed by Warsaw (10.4%), and future volume remains low in both locations. In the smaller markets of the Baltics and SEE, the vacancy rate is still below CEE-5 average (11.5%) for the time being, but increased development activity is expected to lead to potential increase in vacancy rates.

Changes in office rents indicate a widening gap between prime and secondary stock. The gap is widest in Prague, where the prime office rent is higher by 72% than the average rent for the currently available stock. The most significant increase in prime rent was shown in Bratislava (6%) and Bucharest (5%), while SEE and Baltics registered 4.7% and 6.4% growth y/y, respectively.

Office asking rents (for currently available office spaces) in the region stands between 14.0 and 16.4 EUR/sq m pm in the region, Warsaw is the leader with 16.4 EUR/sq m pm, followed by Prague with 16.0 EUR/sq m pm. SEE registered average 15.3 EUR, while Baltics 14.8 EUR/sq m pm. Going further, significant differences can emerge at local level. As pipelines are wiped out in some central submarkets, we expect sporadic rental increase in some (sub)markets despite the generally weak sentiment around office fundamentals globally.

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