

BRF: “Historically“ first zero increase in Bratislava office market!



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Slovakia passed by investors' main interest

The scope of attention given to individual locations in Central and Eastern Europe varies. The most desired destination, especially for office space, continues to be Warsaw. Others are Kiev, Prague, Moscow and Bucharest, there is ongoing interest in the Baltic capitals (Riga, Tallin, Vilnius). As regards the south, Sofia, Ljubljana, Belgrade and Athens remain popular among investors, but mostly only as a secondary option.

According to the survey conducted between 15th Aug. and 7th Sept. 2010 with 200 major institutional and private investors with assets worth USD 710 billion, Slovakia is outside their main interest. As Colliers International - member of Bratislava Research Forum (BRF) - adds the primary aim of the survey was to understand better the position of multinational investors at the global and regional levels, including their prospects for the coming 12 months.

Bratislava: total supply remains unchanged

The office space market in terms of quarterly statistics also dominated the recently published results of BRF (Cushman & Wakefield, CB Richard Ellis, Colliers International) for Q3 2010. According to them, the total supply (Office Stock) in Bratislava at the end of third quarter hasn't changed since the previous quarter, ie. remained at 1,369 million sqm. The ratio of A-class offices to B-class hasn't changed either (over 60 % to just below 40 %).

The reason is simple: BRF didn't record completion of any new office space (Office Supply) in the monitored period. Since the association has monitored the office market in Bratislava, this is “historically“ the first zero increase in the total supply of modern office space. Nevertheless, the balance sounds quite encouraging, in retrospect of the first half of 2010, when approximately 58 thousand sqm of new office space were marketed.

Transaction and construction slowdown reduced vacancy rate

As for transactions (Office Take-up) concluded during Q3 2010, they reached 29,800 sqm which is a double of average quarterly floor space in 2009, this is a 36 % decrease compared to the stronger preceding

quarter. Total area of transactions concluded in the first three quarters of 2010 reached 100,315 sqm.

As in every quarterly analysis, also in this one BRF deals with ranking in terms of demand structure. The first place was taken by IT companies in Q3 (11,000 sqm) followed by telecommunications sector (5,500 sqm) and finance and banking (5,400 sqm). The dominance of the three sectors in transactions on the office market has in fact been visible since the beginning of 2010.

Among the major office transactions were IBM - Apollo BC II (8,500 sqm), AT&T - Lakeside Park (5,000 sqm) and Heineken - Apollo BC II (1,400 sqm). These - together with lack of new construction - have helped to reduce the vacancy rate (Office Vacancy) from the original 13,6 % in the previous quarter to the current 11,2 %. The lowest vacancy rate (7,4 %) was in the fifth Bratislava district while the highest (15,1 %) was in the first district, this was caused especially by the recently completed project in the city centre.

Košice: remarkable EcoPoint Office Center

The second largest city in Slovakia, Košice doesn't want to come to a standstill in this segment either. The German property development and investment company Bischoff & Compagnons Property Networks GmbH has announced construction of an office complex EcoPoint Office Center in the eastern capital. It will be comprised of three six-storey buildings with a total capacity of 16 thousand sqm of leasable area. The building will be located in the northern city zone at Magnezitárska street, in the area defined by motorway to Prešov, a planned tramway track and a department store. The total investment is estimated at 25 million EUR.

What makes this project unique not only in our conditions? Firstly, its ecological and economic concept, says EcoPoint - subsidiary of the above German company. As the first project in Central Europe, it passed more than 60 criteria relating to ecology, economy, socio-cultural and functional aspects of technology, processes and location and it thus obtained the pre-certificate Seal Sustainable Construction DGNB (Das Gütesiegel Nachhaltiges Bauen).

Administration centre EcoPoint Office Center is unique in the Slovak context also in its construction concept. Used materials and technologies will enable to reduce operational costs by nearly 30 % compared to the office market standard. The project designer promises that thanks to the active concrete, the costs of heating and cooling compared to conventional „A“ buildings will be reduced by nearly 70 %.

“The complex construction will be in two stages. Its first stage - building A - with 5,200 sqm of office space net area is scheduled to start in spring 2011. Although the final date depends on how much the building is pre-leased, we believe it is realistic. Several discussions with the potential tenants and their interest made us think this,“ expects Rastislav Badalík, managing director of investment company EcoPoint, s.r.o. According to him, the project already has a valid zoning permission and the building permit is expected within the next quarter.

Bischoff & Compagnons Property Networks GmbH is primarily focused on office and hotel segments. The total volume of their completed and prepared projects exceeds 1 billion EUR and floor area of 500 thousand sqm. Currently they have offices in Berlin, Vienna, Budapest and Bratislava.

Source and images - Colliers International, Kharisma, Key2B

Visualisation (1, 2) - EcoPoint Office Center in Košice

Graph 1 - Total office supply in Bratislava's districts

Graf 2 - Total office supply according to a BRF - centre, inner and outer parts of Bratislava

Graf 3 - Rent of office space by sector in Q1 - Q3 2010.

