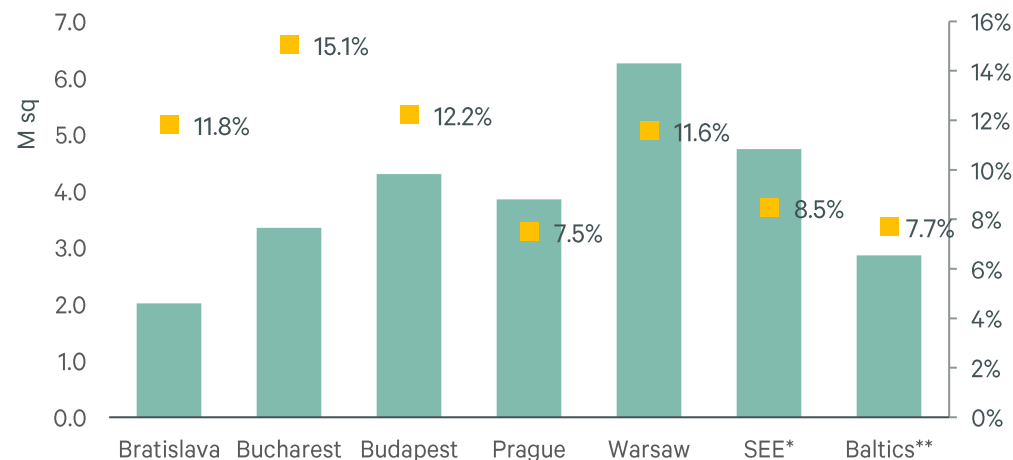


CEE Office Market Figures

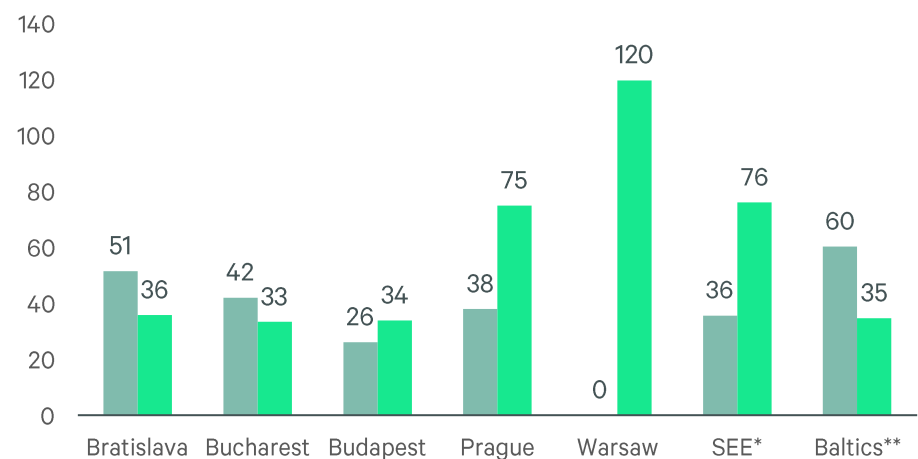
OFFICE STOCK AND VACANCY RATE

■ Total Stock (left) ■ Vacancy Rate (right)



OFFICE COMPLETION AND TAKE-UP IN Q1 2023

■ Completions ■ Take-up



New office completion volume has declined to 157,000 sq m in CEE-5 capitals, 253,000 sq m in total CEE (including Baltics-3 and SEE-4). Total new delivery is down by 44% in CEE-5, whereas development activity increased considerably both in Baltics and across SEE. There hasn't been any new completion registered for Ljubljana, Zagreb, and most notably for Warsaw in Q1.

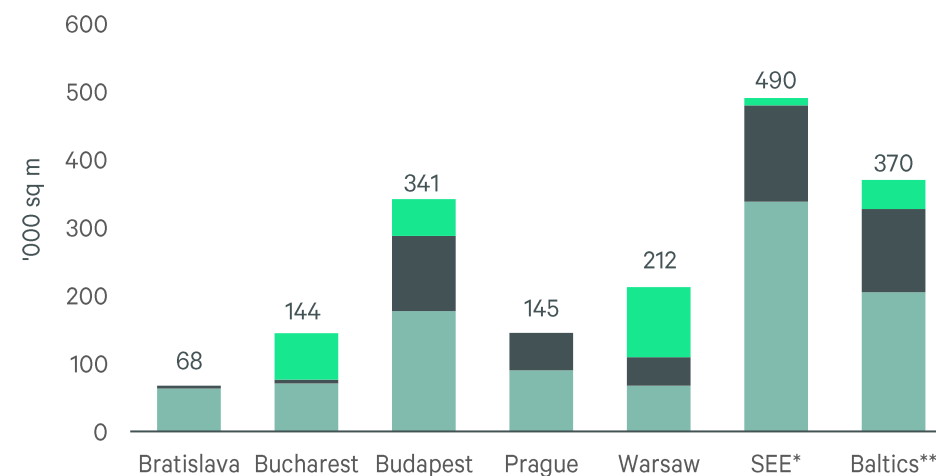
Development pipeline continues to moderate with very few commencements in Q1. There is 1.77 million sq m under construction in the region with a peculiar shift towards the smaller markets: SEE capitals have a total pipeline of 490,000 sq m and the Baltic capitals have 370,000 sq m of space under construction. This brings a pipeline-to-stock ratios in these regions to 9% and 13%, respectively. These are considerably higher figures than the 4.6% average pipeline-to-stock ratio in CEE-5. On the other hand, vacancy rates are generally higher in CEE-5 capitals than in SEE or Baltics.

The largest absolute completion volumes this year should be registered in Budapest (177,000 sq m), Belgrade (147,000 sq m) and Sofia (110,000 sq m). In total, new supply might be ca. 1 million sq m across the entire region in 2023 – before falling under 500,000 sq m in 2024. A remarkably dry pipeline is foreseen for Bucharest, Bratislava, Prague and Warsaw for next year – before new deliveries can pick up again from 2025.

Low new supply in most cities can help moderate vacancy rates. Recently Bucharest and Budapest posted an increase in vacancy rates to 15.1% and 12.2%, respectively; while vacancy seems to stabilize in other core markets. Prague continue to register the lowest rate in CEE-5 at 7.5%. SEE and Baltic markets register lower vacancy rates in general - with the exception of Sofia at 13.6%; however, the strong relative pipeline can push up these rates in the near future.

OFFICE PIPELINES UNDER CONSTRUCTION IN CEE

■ 2023 ■ 2024 ■ 2025

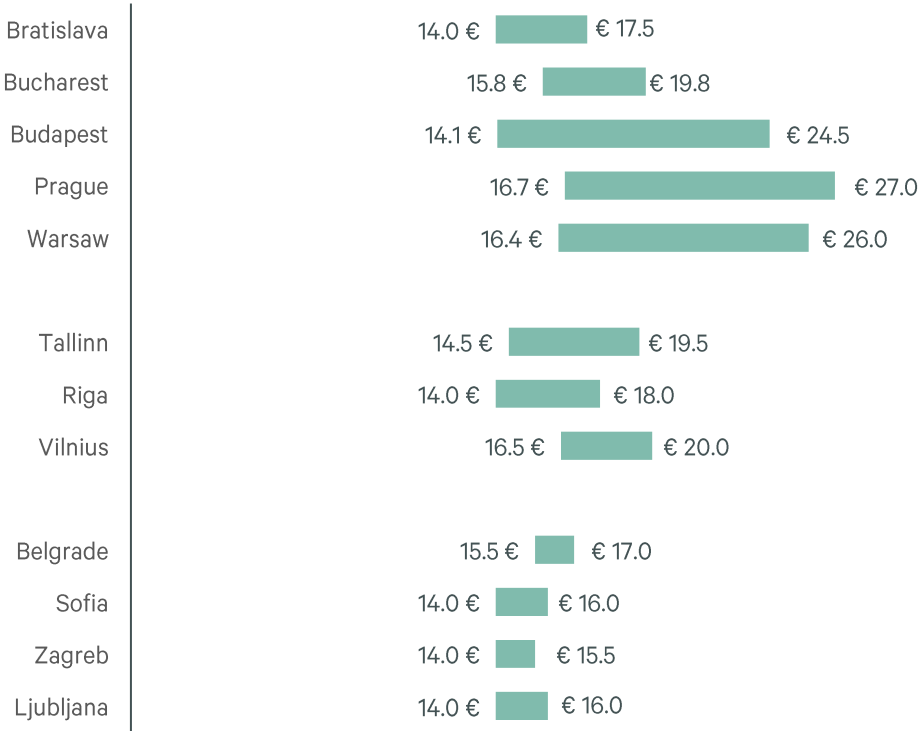


*SEE: Belgrade, Zagreb, Sofia, Ljubljana

**Baltics: Tallinn, Riga, Vilnius

Source CBRE, 2023

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, 2023

Demand for office space declined in CEE by 17% (y/y) but the difference between individual markets is considerable. Warsaw registered the biggest contraction in take-up (-40%) whereas SEE capitals have seen the biggest growth (+38%) – in both cases the base played an important role in the change. Total take-up amounted to 300,000 sq m in CEE-5 (-25% y/y) and to 110,000 sq m in SE and Baltics combined (+22%).

While office occupational costs still account for a fraction of occupiers' total operational costs, weaker economy and high inflation make companies more cautious in their expansion plans – bringing the rate of renewals up across the region. Companies continue to optimize their portfolios which puts the efficiency of the office space to the spotlight. Besides traditional leases, there is a growing focus on flexible solution – justifying the increased lease activity of such operators in the region.

Office rents continued to move up, more for the prime-end of the market than for the average. Prime office rents increased the most in Prague (+10% y/y), Vilnius (+14%) and Tallinn (+22%). Central areas in the largest CEE markets (Prague, Warsaw, Budapest) register the most expensive office offerings (24.5-27.0 EUR/sq m pm), while asking prime rents range from 15.5 to 20.0 EUR/sq m pm in other capitals in the region, presenting Ljubljana and Zagreb as the most affordable markets in the Eurozone. Average asking rents don't show such high differences and remain between 14.0-16.0 EUR/sq m pm across the entire region – with significant local differences as usual.

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