ExCEEding Borders

Technology as a remedy for ageing office supply

CEE | 2023/2024

Accelerating Success.

Capital Fort and East Fort, Bulgaria, Sofia, *source: Capital Fort EAD*

Contents

Introduction

The return of the ExCEEding Borders report marks the conclusion of another year, offering valuable insights into the intricate landscape of the office sector in Central and Eastern Europe (CEE). With a profound understanding of our covered markets and armed with data, our report serves as a guiding compass through the complexities of the region.

Covering key office markets in 12 CEE countries, from Albania to Ukraine, the report delves into comparable indicators, providing benchmarks for analysis. Local Colliers' teams contribute insights, enriching the narrative with a picture of medium-term forecasts. This comprehensive overview of each market offers insights into both current and upcoming factors affecting the entire sector.

The report explores how the age of buildings influences performance, particularly in an era of growing demand for technology and environmentally friendly features due to ESG credentials. Examining the details, it reveals that newer projects up to 5 years old tend to boast higher occupancy rates and rents, aligning with corporate expectations and the emphasis on ESG principles. Energy efficiency, once overlooked, is now a crucial focus, shaped by the development of CEE markets and advancements in efficient technologies.

The increase in service charges across participating markets has a tangible impact on the business costs of companies renting office space. Factors such as high prices of utilities, inflation, tax increases, and rising minimum wages contribute to the overall cost of services based on human labor.

The report emphasizes the importance of assessing real estate sectors and opportunities within the local context, cautioning against broad-brushing based on global news. Notable points include low modern office supply per capita, low vacancy rates, and healthy demand in CEE markets. The growth in the region is attributed to a highly motivated and cost-competitive labor force, offering increasingly complex products and services.

Whether you are an investor, developer, occupier, or another interested party in the office sector, we hope you find this market research useful and an interesting read!

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source: Skanska

Key findings

The global office landscape is undergoing significant changes due to geopolitical shifts and the widespread adoption of remote work, challenging the traditional office sector.

The Central and Eastern European (CEE) region, despite being at a different stage of development, has experienced substantial growth over the last decade, with smaller office stock per capita compared to Western European cities.

The importance of assessing the real estate sector opportunities within the local context grows. It allows to highlight the advantages of each market against the global turmoil.

The evolution of hybrid work models is reshaping tenant expectations, driving a surge in demand for smart technological functionalities of the office buildings.

The Russia-Ukraine conflict, coupled with lingering pandemic effects, has influenced international investors, that are presenting a wait-and-see approach.

At ca. EUR 2 billion in H1 2023, total investment volumes for the CEE-6 (Bulgaria, Czech Republic, Hungary, Poland, Romania and Slovakia), were down ca. 65% YoY.

Key findings

The total modern office stock for the CEE-12 region capitals has reached nearly **65 million m^2,** with prime office rents ranging from **14 to 30 EUR/m^2/month.**

The office sector in real estate industry, particularly in the European market, is aligning with the Paris Agreement's energy consumption reduction targets.

The growing importance of ESG criteria influences all sector participants, with a focus on green certifications and Smart Score certifications for new and renovated buildings.

Technology holds the potential to rejuvenate ageing office buildings in mature office markets, eliminating the need for extensive renovations.

The CEE-12 office markets have recorded a service charge increase in the past year reaching 10% - 50% depending on the market. The main reasons for that were growing costs of utilities, waste disposal and wages of maintenance staff.

Technology enables extension of the lifespan and relevance of ageing office buildings in mature CEE markets, providing cost-effective solutions for building owners, improved experiences for occupants, and a more sustainable approach to real estate development.

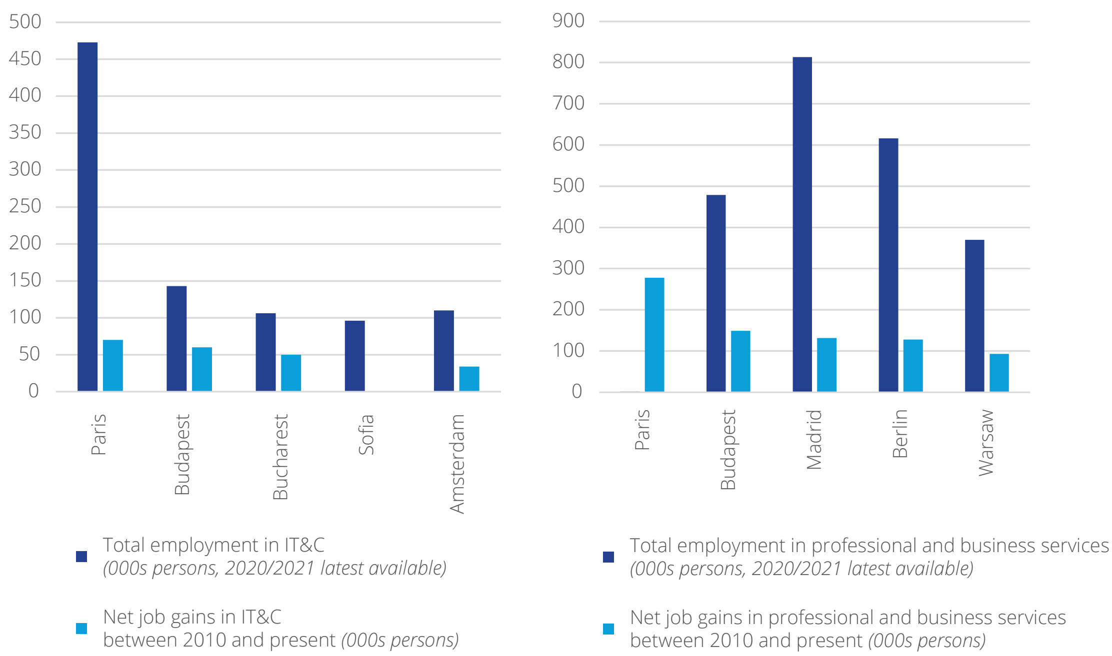
The rise of the Central and Eastern European powerhouse cities

The role and scope of the office is in question worldwide as the way people work has changed profoundly in the post-pandemic world.

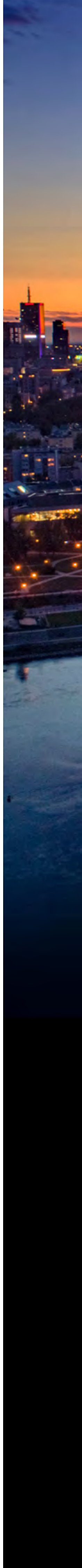
From geopolitical shifts to the rise in remote work, it is clear that there is no going back to the way things were before 2020. But while such questions lead to difficult answers for landlords in much of the mature markets, the CEE region is a very different point in its development cycle. On a per capita basis, even the most developed cities and largest office markets (like Warsaw, Budapest, Prague and Bucharest) in the region have a stock per capita 2-3 times smaller than in some Western European capital cities. Furthermore, this area of Europe is where much of the growth story has been happening over the last decade.

For instance, if we were to look at the IT&C segment, employment in this segment expanded by close to 2.3 million people between 2010 and 2022. One in four jobs (close to 0.6 million) came from CEE countries covered in this report, but just to put the figures in perspective, the percentage growth for the CEE region in this period was 63% versus 40% for the other countries. Furthermore, if we were to look closer at the biggest drivers in terms of capital cities, although the data series currently stops at 2020 or 2021, the story is quite telling: 3 of the top 5 European cities in terms of IT&C job gains over the last decade were Eastern European – Budapest, Bucharest

Fastest growing job markets among EU capital cities in select sectors



Source: Eurostat



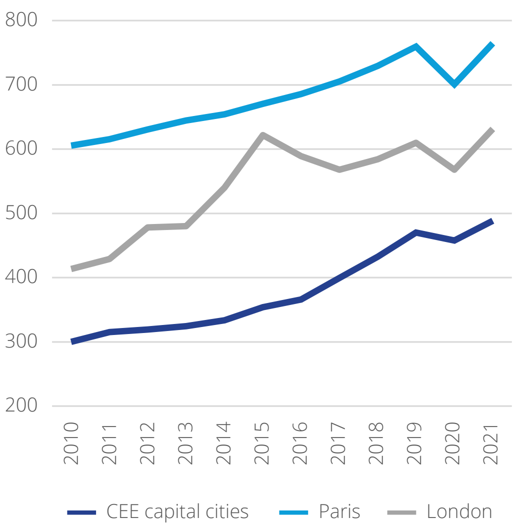
and Sofia. Similarly, looking at the wider field of professional services, financial services, support activities, 2 of the top 5 five growth drivers were from the region: Budapest and Warsaw. While it is impressive to see Eastern European cities go toe to toe in terms of nominal job creation with powerhouses like Paris, Madrid or Berlin, it is also important to emphasize again that the percentage growth rates are significantly faster in Central and Eastern Europe (CEE). This means that catching up is taking place.

The scale of the CEE economies is also worth underscoring; so is the rapid change. While take separately, they might seem somewhat small on a global scale, maybe with the notable exception of Poland, if we were to add up the roughly dozen CEE economies we included in this report, the results are quite telling. Taken together, the capital cities in this report reach a GDP of around half a trillion euros, around 35% behind Paris'. However, in 2010, the cumulated GDP of the CEE capital cities was some 50% behind the capital of France. Looking at other large cities in Europe and in other parts of the world yields a similar result: the CEE cities are catching up

2.3 mln

Employment
in the IT&C segment
by 2022

Bridging the gap: GDP (EURbn) in CEE capital cities has grown evenly over the last decade, closing in on larger Western peers



Source: Eurostat, Colliers

quite quickly, owing both to job creation and to a shift to higher value-added services. The neighbouring chart shows only data for EU member states for the sake of data consistency, however, non-EU member states included in this report display somewhat similar elements of fast growth, though the process is at somewhat incipient stages.

The follow-up questions to this quite optimistic view on the CEE region would be: what has been driving this and could we expect similar growth going into the future. The simple answer for the first question would be: a highly driven and cost-competitive labour force. It is important to note that outsourcing of low value-added operations on the basis of purely low wages is drying up as a growth driver in the region. The CEE economies offer highly (and increasingly) complex products and services as parts of the region are shifting to a different economic development stage. For instance, when looking at Harvard's Atlas of Economic Complexity, we see Czechia ranked 6th in the world, ahead of the UK, the USA and China, with many of the other countries faring quite well, like Slovenia (9th), Hungary (11th), Slovakia (12th) or Romania (19th). Even the region's laggard – Albania, ranked 76th in the world, has been improving in recent years and is at least in the middle of the pack. While the region is quite heterogenous and some countries are ahead of others, the pattern seems to hold.

Regarding the second question, as to what the future holds, we would expect that job growth will slow down. After all, the job market slack in CEE has been closed in certain sectors and surveys suggest that finding employees is now as difficult (or even more) as in other Western European countries. This will likely entail some upwards pressures on wages though fortunately, the Eastern European countries still offer a significant gap versus more developed states while at the same time, producing better returns. Overall, we consider that the good times are far from over in the CEE business services sector, as ingredients for future growth are still here, even though the near-term outlook depends greatly on what is happening elsewhere in the world.

“Outsourcing of low value -added operations on the basis of purely low wages is drying up as a growth driver in the region. The CEE economies offer highly complex products and services as parts of the region are shifting to a different economic development stage.

Silviu Pop

Director of Research | Romania & CEE
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Office Investments in CEE - H1 2023

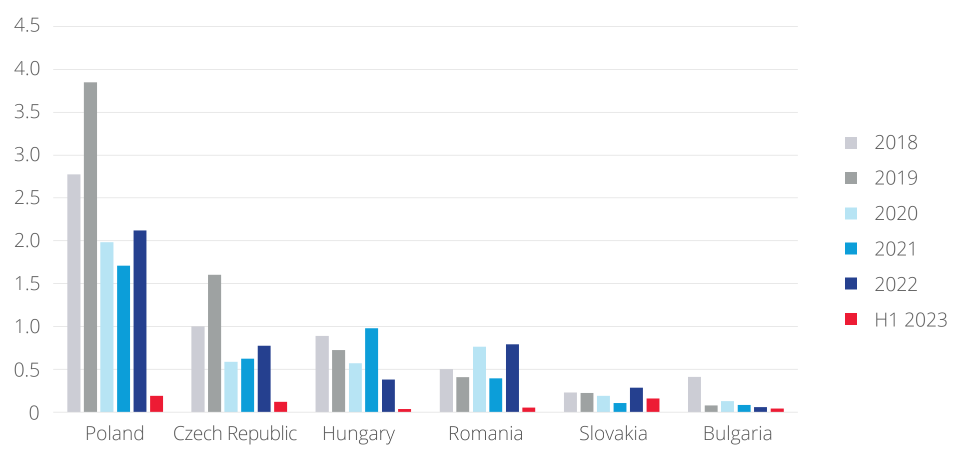
At ca. EUR 2 billion in H1 2023, total investment volumes for the CEE-6 (Bulgaria, Czech Republic, Hungary, Poland, Romania and Slovakia), were down ca. 65% YoY

While not much of a consolation, this is also in line with trends being recorded elsewhere in Europe and across the globe. Given the prevailing market conditions, cost of debt and the ongoing period of price discovery, predicting investment market activity for the year has been challenging. While we estimate it could reach anywhere in the region of €4.0 billion at the current trajectory, this would be considerably less than the 10-year regional average of €11.0 billion and one of the lowest on record since 2012.

Offices assets are historically the most transacted sector in CEE, and in the past five years have recorded an average share of total volumes of 42%. Poland, with its strong capital and regional city office markets, typically accounts for ca. 50% of that activity, amounting to EUR 12.5 billion between 2018 and 2022. We first recorded office investment volumes beginning to decline mildly during the pandemic. Nonetheless, once some level of stability or normality was reached, investors returned to the sector and this was predominantly bolstered by domestic CEE capital, notably Czech, Hungarian and Baltic investors, plus certain Western European players who were familiar with and understood the local markets.

Following Russia's invasion of Ukraine in February of 2022, on top of the multitude of lingering issues from the pandemic, a series of changes were triggered that remain with us. Whilst the fighting has been contained within Ukraine, many international investors have cited the war as a reason not to invest in the region or are waiting for discounted pricing or distressed sales before stepping back in, which is similar in many markets globally. In the CEE region, we certainly feel and see the side effects of the war

Office investment volumes in CEE-6, bn EUR



Source: Eurostat

> **Consequence of global and geopolitical events is the soaring inflation that set in during 2022 and continued into 2023.**
>
> **This has been primarily driven, by rising energy, fuel and food prices, and amongst other things, has led to an overall cost of living crisis.**

Kevin Turpin

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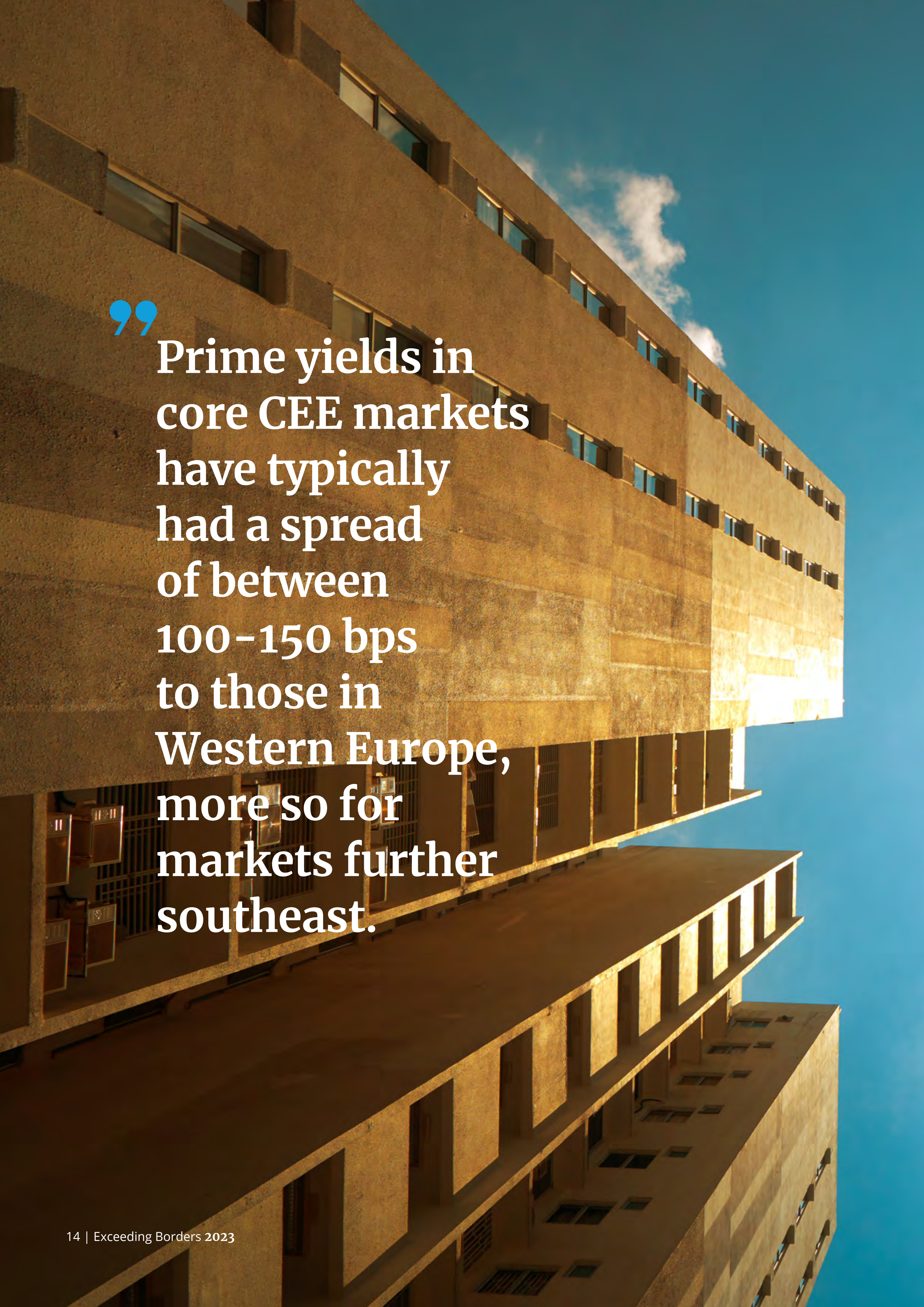


> Prime yields in core CEE markets have typically had a spread of between 100-150 bps to those in Western Europe, more so for markets further southeast.

more closely than others. However, many will also quietly agree that this has and will have a somewhat positive effect over the medium term, for example from labour pool growth, for the various property sectors.

Another consequence of these global and geopolitical events is the soaring inflation that set in during 2022 and continued into 2023. This has been primarily driven, by rising energy, fuel and food prices, and amongst other things, has led to an overall cost of living crisis. After ten years of very cheap money and an unprecedented run for the real estate sector, interest rates peaked at the end of September of 2023, at levels which had not been seen in the last two decades. While this appears to be having some effect with inflation rates gradually dropping, inflation is also proving to be quite sticky, with the added impacts of a challenging economic backdrop for corporates.

5.75 %

Interest rates
with all-in financing costs

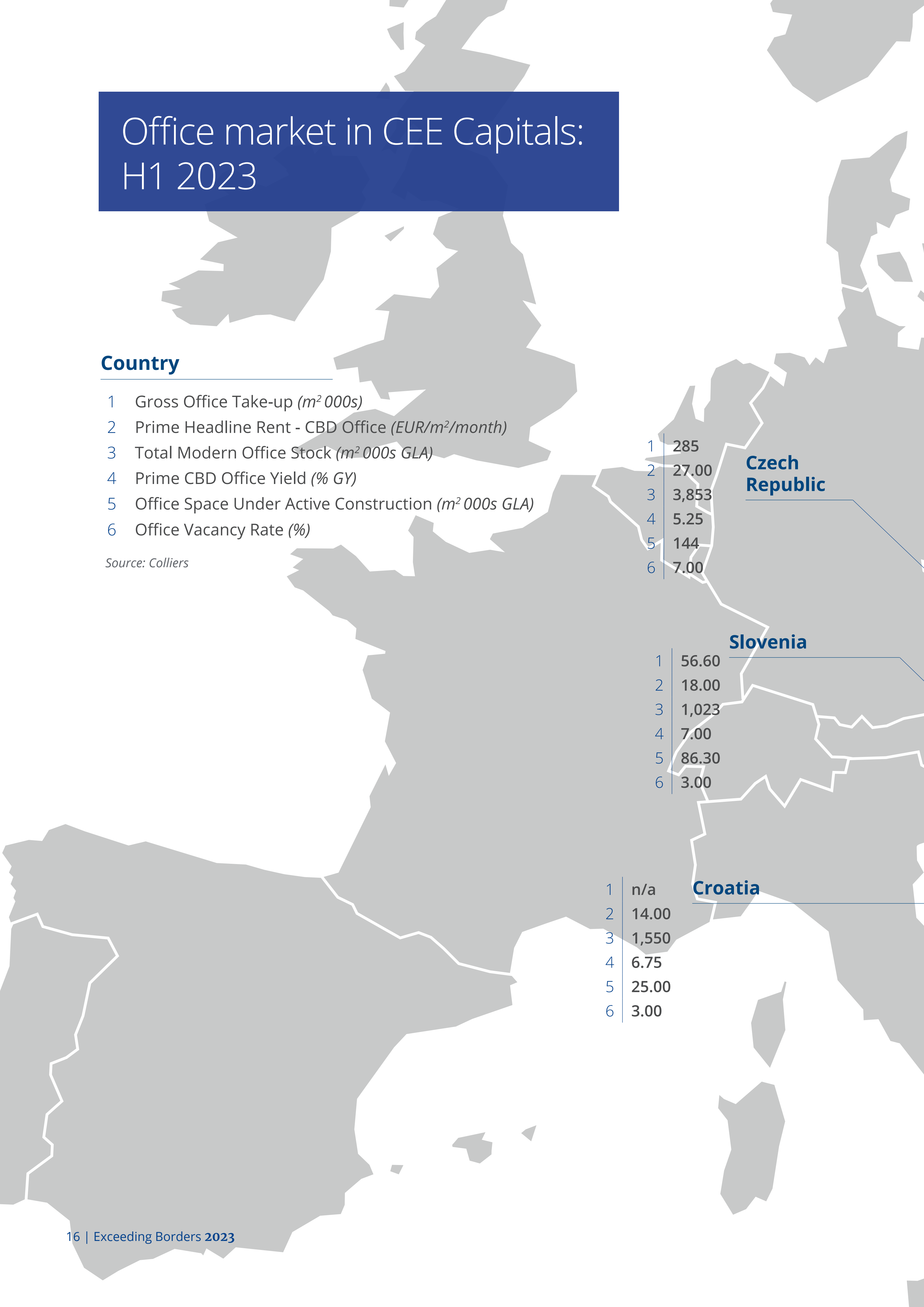
Although many expect that rates will start to come down in 2024, very few expect them to return to the same levels seen in the past decade. Major central banks are also keeping the door open to future rate hikes if inflation resurfaces. Higher interest rates naturally make borrowing more expensive (with all-in financing costs now at 5.75%) and meeting seller's current pricing expectations more challenging. It also makes the refinancing of loans very crucial to current owners' business models. In fact, instead of a 'wall of capital' that was being discussed in recent years, we are now faced with a 'wall of refinancing' which, estimates suggest, is not exactly a small number.

Furthermore, with increasing pressure being applied to the property and financing industries in terms of their compliance with European ESG regulations, there may well be further implications to pricing as a result. Despite CEE having a relatively young and largely green-certified stock, it is anticipated that for properties to avoid becoming stranded in future, as regulation and costs ramp up, buildings will require further capex to help them meet the required standards, as well as to meet the increasing ESG requirements from occupiers who also need to report their carbon footprint. This will come at a price for all parties, but the option of taking no action in this regard may prove even more costly and needs to be accounted for in business plans and underwriting.

It is therefore quite clear that the market climate is causing many investors and owners, where possible, to take a wait-and-see approach as the period of pricing discovery takes place. That said, while we have reported prime yields moving outwards in most asset classes, there remains a sufficient lack of transactional evidence to confirm these. Prime yields in core CEE markets have typically had a spread of between 100-150 bps to those in Western Europe, more so for markets further southeast. Some might argue why such a wide spread should exist when properties and tenant covenants are of similar or equal quality, plus the CEE region continues to demonstrate a diverse range of opportunities and good market and economic fundamentals. While CEE is not immune to any of the current challenges, we also need to emphasise the need to assess all real estate sectors and opportunities in the context of their local environments and not broad-brush them based on news coming from other parts of the world.

In summary, despite the many headwinds, there will also be opportunities that emerge for those who are still willing and able to invest. These opportunities may come in the form of deployment of debt funds, smaller deals that do not require immediate financing, sale & leasebacks and closed-end fund disposals, for example.

Office market in CEE Capitals: H1 2023



Country

1 Gross Office Take-up *(m² 000s)*
2 Prime Headline Rent - CBD Office *(EUR/m²/month)*
3 Total Modern Office Stock *(m² 000s GLA)*
4 Prime CBD Office Yield *(% GY)*
5 Office Space Under Active Construction *(m² 000s GLA)*
6 Office Vacancy Rate *(%)*

Source: Colliers

Czech Republic

1	285
2	27.00
3	3,853
4	5.25
5	144
6	7.00

Slovenia

1	56.60
2	18.00
3	1,023
4	7.00
5	86.30
6	3.00

Croatia

1	n/a
2	14.00
3	1,550
4	6.75
5	25.00
6	3.00


Estonia
Tallinn
1 44.00
2 22.00
3 870.00
4 6.20
5 126.00
6 9.00
Latvia
Riga
1 33.30
2 18.00
3 822.80
4 6.5.
5 133.70
6 11.80
Poland
Warsaw
1 326.00
2 27.50
3 6,253
4 5.25
5 260.00
6 11.40
Prague
Slovakia
Bratislava
1 97
2 17.50
3 2,016
4 6.00
5 63.00
6 12.00
Hungary
Budapest
1 193.00
2 25.00
3 4,335
4 6.25
5 276.50
6 12.60
Romania
Bucharest
1 166
2 19.00
3 3,378
4 7.25
5 73.50
6 15.00
Ljubljana
Zagreb
Belgrade
Bulgaria
Sofia
1 66.00
2 15.50
3 2,440
4 11.75
5 261.00
6 13.20
Albania
Tirana
1 15.00
2 27.00
3 140.00
4 9.50
5 100.00
6 12.50
Greece
Athens
1 50.00
2 30.00
3 1,700
4 6.00
5 150.00
6 10.00

PropTech Market

Year 2022 closed with a global value of PropTech market estimated at 18.2 bln USD. This amount is projected to quadruple within next 10 years. There is no question if anymore, only how.

1. Hybrid Work

As tenants adopted new models of work, they expect more flexibility in the way they can use and interact with the building. The demand for smart functionalities, such as: remote access management, conditional access to space, activity based parking, parking booking, workplace management and occupancy analytics has dramatically increased.

Today: Tenants expect landlords will provide such solutions with the building offer, some extend of tenants decide to select their own workplace solutions integrated to building systems.

Tomorrow: Tenants will take the lead and will chose tools, that can manage their portfolio of workplaces, so they can have global data and manage access to all their workplaces from one tool. The expectations towards buildings will change to provide API, so tenant can integrate

In the future: workplace insights will be generated by tenant powered AI (based on tenant data) with ability to influence building settings to save on media consumption and providing suggestions for best office configuration to serve the team engagement and satisfaction of the use of the space.

2. ESG reporting

Upcoming EU legislation is forcing business to prioritize ESG and within upcoming years to report business impact on the world. The majority of companies are currently creating strategies and trying to measure their carbon footprint. Real Estate data (eg.: energy consumption, water consumption, waste production, employees' commuting) is what every single business will have to report eventually. Therefore this data must be measured.

Today: Landlords start to implement portfolio level software that aggregates data to measure the carbon footprint. Majority of this data is input manually and in order to provide information to tenants, values are split based on the leased space, not real usage.

Tomorrow: Buildings will be getting smarter, adding IOT solutions, such as sensors and meters to capture live data.

In the future: Each tenant will have access to their individual data in real time via APIs with possibility to benchmark the performance of their office against regional and global standards. AI will support the analytics and predictions to support decarbonization path for buildings and tenants.

18.2 bln

USD

Global value of PropTech market

3. Smart Building Standardization

WiredScore, established in 2013 in New York, was a created out of a response to tenants' clear need for better connectivity. WiredScore was set out to improve New York's tele technical infrastructure, and support entrepreneurs who were driving digital advances. Today it certifies over 80 million sqm of buildings around the world.
In 2021 WiredScore has released a new certificate, called SmartScore, which was co-created with CRE industry to define, benchmark and drive the development of smart buildings.

Today: the most advanced developers and landlords certify buildings to prove the highest level of technological advancement of their assets.

Tomorrow: the standardized approach for smart buildings will be driving the implementation of technology in newly developed and retrofitted buildings.

In the future: all buildings will be connected and share data for better performance of Real Estate around the world.

4. Artificial Intelligence

In April 2023 alone over 1000 new AI tools were released to the market. That's just a drop in the ocean of how many surprising use cases people will find for AI. We predict the AI will transform the business with similar impact that Internet had on the world over last 30 years. It's time to buckle up and join the ride.

Today: new AI platforms and tools are popping up every day. Early adopters are connecting, testing and finding new ways to be more efficient with it.

Tomorrow: global software giants are going to integrate AI for daily use of us all.

In the future: AI will be able to connect and understand data of systems that could not be connected before (think: data from Access Control will inform HVAC and plan the workforce on the site). It will help manage buildings, make them perform better and provide way better experience for users (think: a building knows which temperature of the meeting room to set for you).

Technology in service of real estate

Technology has the potential to significantly impact aging office buildings in maturing office markets. With the rapid advancement of smart building technology, these older properties can be revitalized and brought up to modern standards without the need for extensive renovations.

In office markets, technology can also enhance the user experience within these ageing buildings. Building tenants can benefit from advanced access control systems, personalized climate control, and smart lighting, making the workspace more comfortable and adaptable to individual needs. Additionally, the implementation of digital platforms and apps can provide occupants with better connectivity, facilitate workspace management, and enhance communication within the building. In the context of sustainability and environmental concerns, technology can help reduce the carbon footprint of these older buildings. Smart energy management systems, efficient HVAC solutions, and green technology integration can lead to significant energy savings and contribute to a more sustainable future what is observed in Polish major office markets.

In Latvia, tenants are increasingly prioritising higher-quality properties with superior energy efficiency and currently more than 90% of office stock under construction is expected to hold BREEAM or LEED certificates. Consequently, owners of older properties face a choice: either reduce rent rates or upgrade building efficiency. In new office developments, the most notable technologies apart from BMS and HVAC systems with humidity control, there are also Smart Furniture solutions: automatically marking occupancy of working desks and meeting rooms, adjusting the height of working desk for individual employees in an open-office layout, wireless charging built into the desk, opening doors not just by card but also with a phone. Additionally, some have developed apps that track, systemize, and personalize employee benefits.

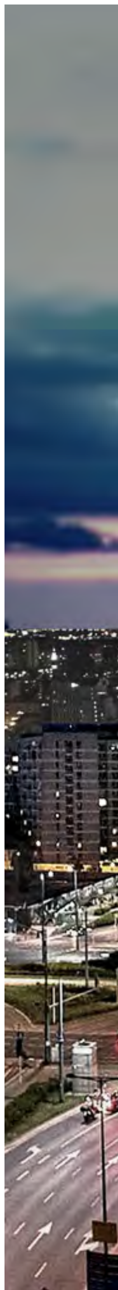
A notable shift among local and international corporate tenants towards relocating to superior, high-standard office spaces has been observed in Athens, major office market in Greece. A number of major corporates have constructed customized, top-tier Grade A+ offices. Investment interest remains robust in resilient, green-certified, sustainable and digitally advanced offices with wellness features and in strategic locations. Outdated, inflexible office spaces face long-term commercial risks.

In Czech Republic - especially in Prague office market throughout recent years, only several complete refurbishments to elevate the office building to completely new standards were completed. On most occasions, some refurbishment was carried out without ceasing operation and therefore can be focused only on a limited part of the property, such as common spaces, some stand-alone technology, or new building apps. With the current projects, the most popular technological solutions are contactless receptions and elevators, tailormade building

CO_2

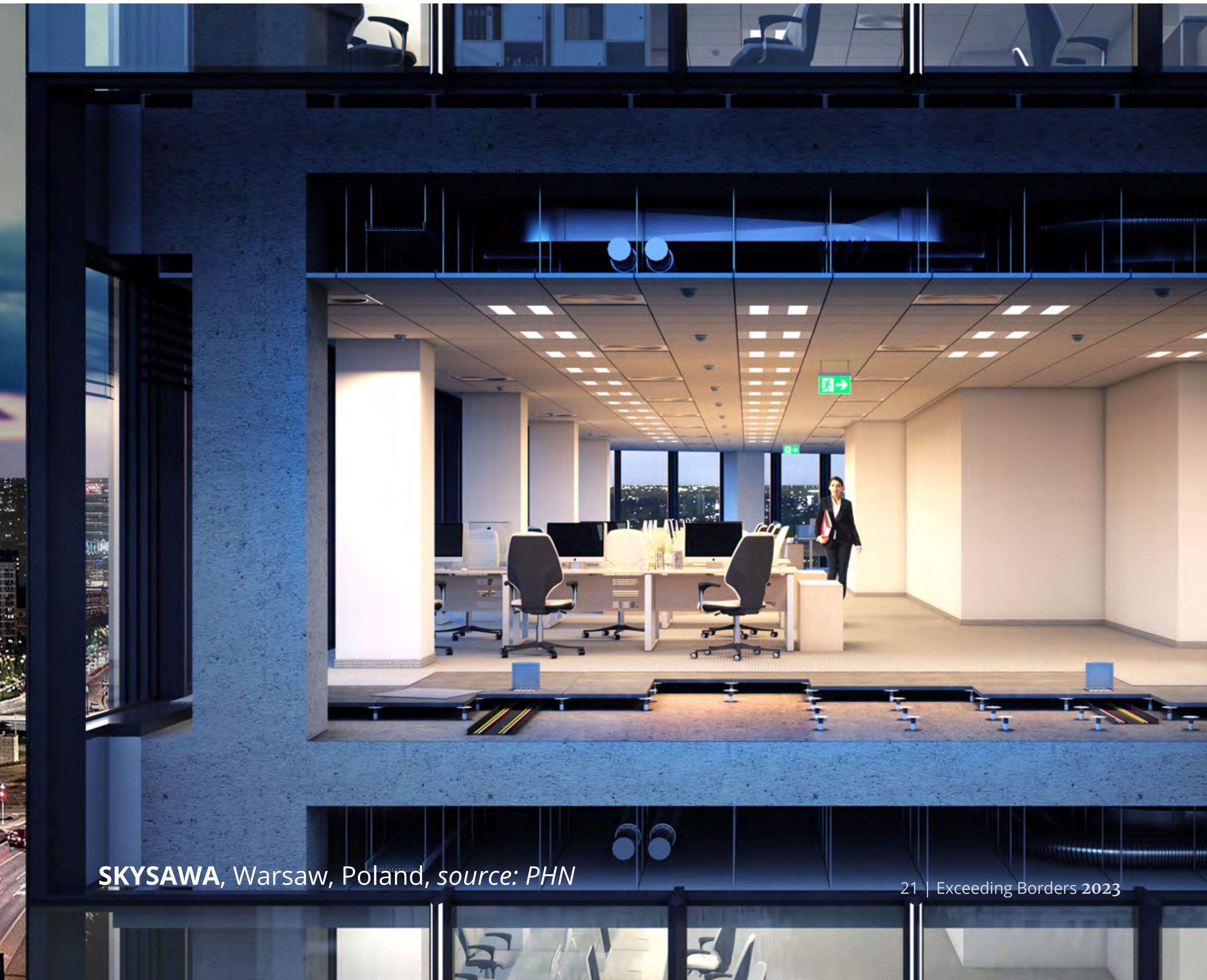
38 %

Greenhouse gas emissions from buildings



apps, focus on renewables and reusables and also focus on the project surroundings. Most of the modern buildings coming from well-known developers have been constructed using BIM for years already and things like VR and AR are common on the market, although still used scarcely.

The Polish office market has witnessed significant growth and transformation in recent years. The refurbishments have played a crucial role in revitalizing the existing office stock, especially in the capital city, when the oldest projects considered modern ones reach 20-25 years. The modern stock in Warsaw is declining as the market is in the middle of the a new supply gap phase and the investors exclude the following older office projects from lease to refurbish them, modernise the technological systems or change their functions into residential or hotel. In the past three years over 250,000 m^2 of office space was excluded from modern stock. Some older office buildings have undergone extensive renovations to meet the growing expectations of tenants for modern, energy-efficient, and sustainable workspaces. These refurbishments often involve updating BIM building systems, improving energy efficiency, enhancing interior designs, and incorporating advanced technologies assesed by SmartScore and WiredScore certificates.



SKYSAWA, Warsaw, Poland, *source: PHN*

Romanian tenants and investors however choose the overall quality of the project and its overall leasing status over the buildings' age. Repurposing is still a fairly novel idea in the local market, with some historic buildings being refurbished or modernized as office buildings. There are also a few examples of change of the building purpose as a new hospital found a home in a former office building that had been unoccupied for a while; also, an office building in an area that is off the beaten path due to its poorer infrastructure connectivity will be transformed into a residential project. Overall, given that the office stock is still fairly new in Bucharest, major reshufflings are still a novel idea, but one that has been rising in recent years.

In terms of the investment attractiveness of the office buildings of various age groups, institutional investors are mostly looking for newer core products (up to 5-7 years old) in Slovakia, whilst local players pursuing a value add strategy go for the older schemes with the potential to increase profitability through refurbishments and changes in the building management. The redevelopments of office buildings are not too common in the Slovak market due to the difficulties associated with the permitting process, as well as the specificities of the building characteristics (building depth, etc.) Changes of purpose are apparent in some of the pipeline projects, where office buildings are converted into residential. As for the use of prop-tech, BIM software usage is common for new developments. Building technology is starting to get implemented in the modern stock, however still at the early stage.

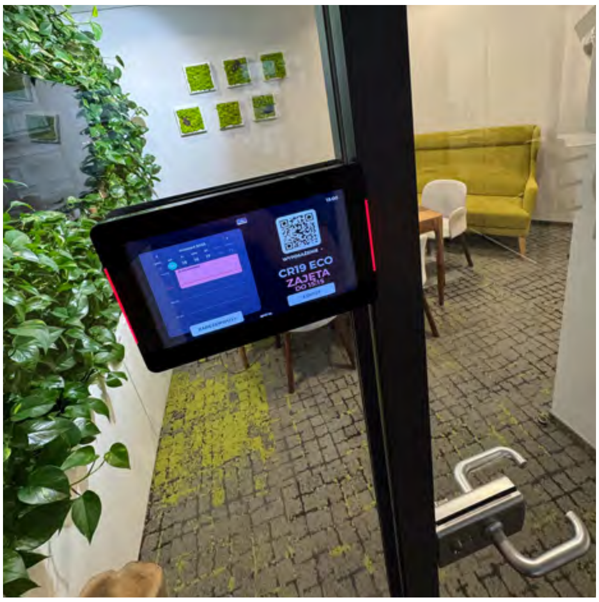
The growing importance of fulfilling Environmental, Social, and Governance (ESG) criteria is evident among investors in Hungary. This emphasis on ESG considerations is likely to be reflected in pricing decisions. For new buildings, meeting ESG requirements has become a necessity, and older premises are increasingly obtaining green certifications and even WELL certifications after undergoing renovation works. While complete redevelopment with a change in use is not a common occurrence in Budapest, building renovation with the integration of the latest technology is becoming more frequent. Building Information Modelling (BIM),

25 years

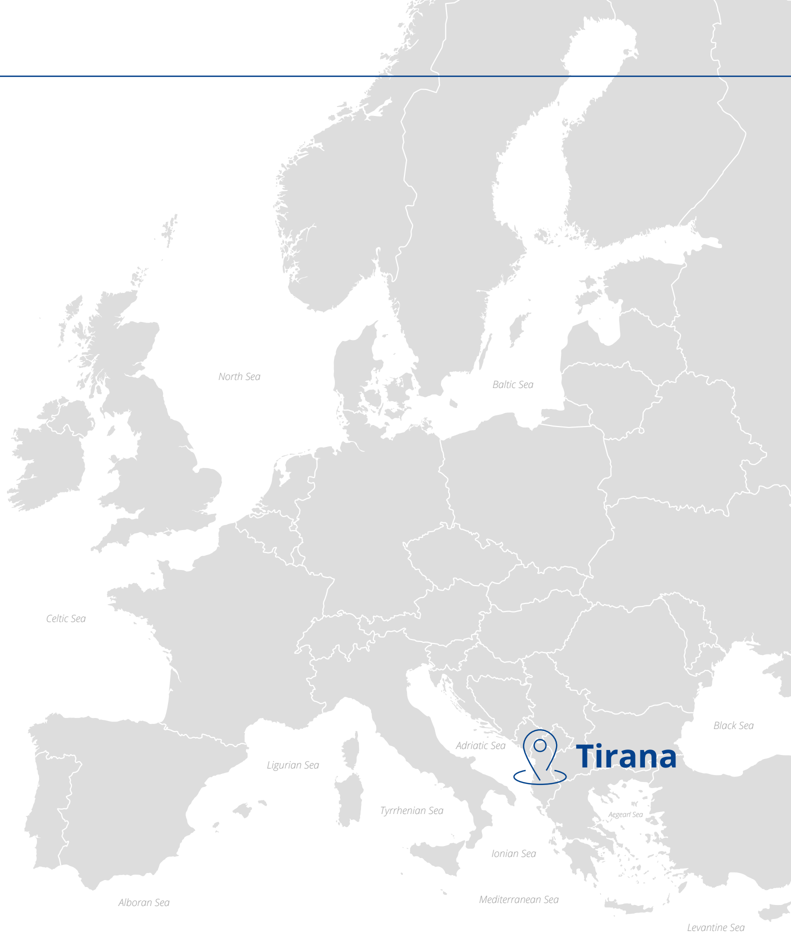
Age of the oldest projects considered modern ones

a software-based method for planning and implementing construction projects, is commonly used in larger developments. Intelligent building management systems, designed to optimize the operation of mechanical and electrical systems, are a standard feature in new, high category office buildings. Some new offices even incorporate advanced systems that utilize smart sensors placed throughout the building. These sensors regulate factors such as temperature, humidity, and lighting in each room, while also monitoring the location of colleagues and the utilization of different spaces. Additionally, at some cases intelligent systems are being employed to manage rainwater and wastewater, resulting in a reduction of drinking water consumption in facilities by up to 75% annually.

Ultimately, technology offers a pathway to extend the lifespan and relevance of ageing office buildings in mature Central and Eastern European markets, providing cost-effective solutions for building owners, improved experiences for occupants, and a more sustainable approach to real estate development.



Albania
Overview



Tirana Office Market

Market balance: **Landlord**
▲ increase, ▼ decrease, ● stable

Total office stock	GLA (m²)
2022	140,100
H1 2023	140,100
12 mth trend forecast	▲

New supply	GLA (m²)
2022	2,600
H1 2023	0
12 mth trend forecast	▲

Vacancy rate	%
2022	13.50
H1 2023	12.50
12 mth trend forecast	▲

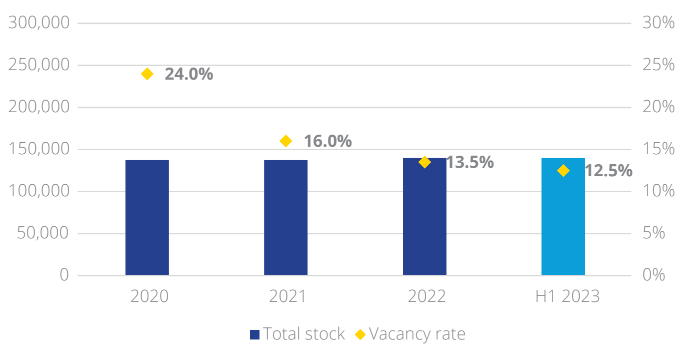
Take-up	Gross (m²)
2022	15,500
H1 2023	1,200
12 mth trend forecast	xxx

Space under construction	GLA (m²)
Under construction space H1 2023: approx. 100,000	
Major office developers: Edil-Al, Kastrati Construction, MET Invest	
Other major office markets: Durres, Shkodra, Vlores	

Projects under construction	GLA (m²)
Downtown One	32,300
Eyes of Tirana	21,000
MET Tirana Building	12,000

Lease terms, H1 2023	
Typical lease term	3 or 5 years
Rental rates: Class A in EUR/m²/month	27.00
Rental rates: Class B in EUR/m²/month	20.00
Rent indexation: HICP or local CPI; capped?	local CPI
Service charge average rate: Class A in EUR/m²/month	3.50
Service charge average rate: Class B in EUR/m²/month	2.00-3.00
% of change in service charge in past 12 months	15.00-20.00
Price trend in service charge components (past 12 months)	
Utilities	▲
Waste disposal	N/A
Wages of maintenance staff	▲
Public fees & taxes	●

Total office stock (m²) evolution and vacancy rate (%)



Market update

During 2022, Tirana office market has shown no major changes in demand compared to the previous years. The total office stock has increased with only 1.8%, mounting in total to 140,100 m². This increase consists of a 2,600 m² B+ quality office space entered into the market in 2022 and located close to the city Central Business District (CBD).

The majority of Tirana office stock is concentrated in the CBD and inner city (82%), while the remaining of 18% represents the office stock is situated in the outskirts of the capital. Following the significant peak vacancy rate in 2020 (24.3%) due to the entrance of significant new office stock in the market, the vacancy rate has continued its decreasing trend registering 13.5% in 2022 and 12.5% in H1 2023.
The new projects in the pipeline will bring to the market the needed large space and quality office space international players are looking for.

Given that the market is highly landlord driven, landlords hold most of the negotiating power.
Up to now they have not felt the need to modernize their building. We believe that with the arrival of new stock to the market, existing landlords will feel more pressure to update their buildings.

The tenants have returned back to the office fully within 2021, and employees are working 5 days per week in the office.

The increased inflation is usually reflected in the rent, based on local CPI indexation, as well as on the terms of lease agreement. The new projects in the pipeline will bring to the market the needed large space and quality office space international players are looking for

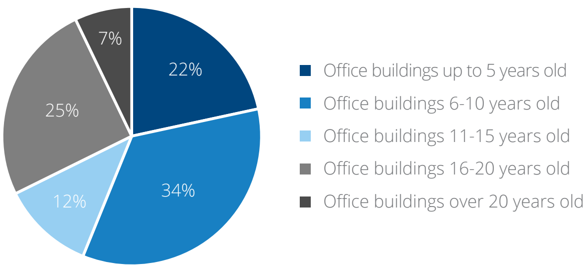
ESG landscape

Due to the significant increase of the office projects in Tirana, as well as the ESG components required by international tenants, Albanian landlords have started to show interest in certifying their office buildings with LEED/BREEAM green certifications.
In Albania there two office projects undergoing such green certification, one LEED and one BREEAM, both of which being assisted by Colliers.

Capital city office market by age, H1 2023

	Existing supply (m²)	Vacancy rate (%)	Asking rents (EUR/m²/month)	Service charges (EUR/m²/month)
Office buildings up to 5 years old	30,300	40.00	23.00-27.00	3.50
Office buildings 6-10 years old	48,400	46.00	18.00-22.00	3.20
Office buildings 11-15 years old	16,200	6.00	14.00-24.00	2.00-3.50
Office buildings 16-20 years old	35,300	5.00	16.00-18.00	1.50-2.00
Office buildings over 20 years old	10,000	4.00	15.00-17.00	1.50-2.00

Office stock by age



Source of all data on both country pages: Colliers

Bulgaria
Overview

Sofia Office Market

Market balance: **Tenant**
▲ increase, ▼ decrease, ● stable

Total office stock	GLA (m²)
2022	2,462,800
H1 2023	2,440,700
12 mth trend forecast	▼

New supply	GLA (m²)
2022	161,000
H1 2023	9,200
12 mth trend forecast	▼

Vacancy rate	%
2022	13.20
H1 2023	13.20
12 mth trend forecast	▼

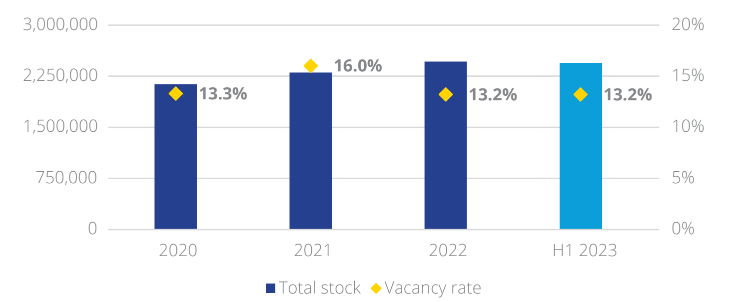
Take-up	Gross (m²)	Net (m²)
2022	197,100	82,200
H1 2023	65,600	28,500
12 mth trend forecast	●	●

Space under construction	GLA (m²)
Under construction space H1 2023: 261,400 m²	
Major office developers: Avalon Property, Capital Fort, Fairplay Properties, Mirastar, Office X	
Other major office markets: Plovdiv, Varna	

Projects under construction	GLA (m²)
Sky Fort	44,400
Borisova 3	28,000
Office X *(Buildings 3 and 4)*	25,200

Lease terms, H1 2023	
Typical lease term	3 to 5 years
Rental rates: Class A in EUR/m²/month	13.50-15.50
Rental rates: Class B in EUR/m²/month	10.00
Rent indexation: HICP or local CPI; capped?	HICP
Service charge average rate: Class A in EUR/m²/month	3.00
Service charge average rate: Class B in EUR/m²/month	2.50
% of change in service charge in past 12 months	15.00
Price trend in service charge components (past 12 months)	
Utilities	▲
Waste disposal	●
Wages of maintenance staff	▲
Public fees & taxes	●

Total office stock (m²) evolution and vacancy rate (%)



Market update

The modern office supply described as Class A and B space in Sofia amounts to 2,44 million m². The overall office stock has decreased since the beginning of the year due to the reclassification of some buildings to the lower C class. Gross take up for this period was 65,600 m². Demand for office space continues to be driven by the IT and outsourcing industry. In the first half of 2023 it accounted for 39% of the leased area, followed by companies from the professional services sector (24%). The main drivers behind demand are relocations to a higher quality of office stock, expansions followed by renewals/renegotiations/ extensions.

The vacancy rate for Class A offices is 12.8% and for Class B – 13.7%. Average rental rates remain unchanged – Class A offices they vary between EUR 13.5 and EUR 15.5 per m² per month and for Class B – between EUR 9.0 and EUR 10.0 per m² per month.

The hybrid model of working remains preferred by companies. This allows for reducing the ratio of workplaces to employees to between 50 to 70%.

At the same time the average space per employee has increased as the new role of the office as a place for collaboration and identification with the team culture implies a variety of meeting, social and entertainment areas. Another effect of the working model transformation and the provision of amenities was increased demand for flex and coworking spaces.

There is a notable trend of increasing rental levels in prime office projects under active construction. If demand levels continue, a shortage of quality space can be expected in the mid-term.

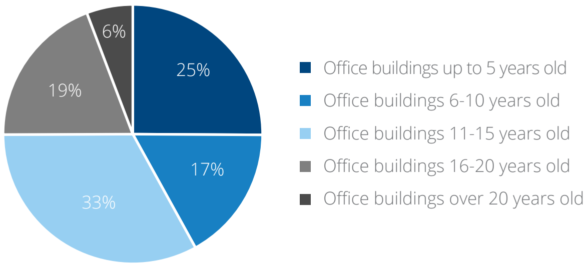
ESG landscape

Companies have a growing focus on the ESG components of the offices they use. They will become increasingly demanding in this regard. This will further incentivise investors to align their new projects with sustainability standards, and owners of older buildings to invest in refurbishing them to remain competitive.

Capital city office market by age, H1 2023

	Existing supply (m²)	Vacancy rate (%)
Office buildings up to 5 years old	596,800	14.40
Office buildings 6-10 years old	401,800	15.90
Office buildings 11-15 years old	784,300	13.90
Office buildings 16-20 years old	458,800	6.30
Office buildings over 20 years old	137,200	16.20

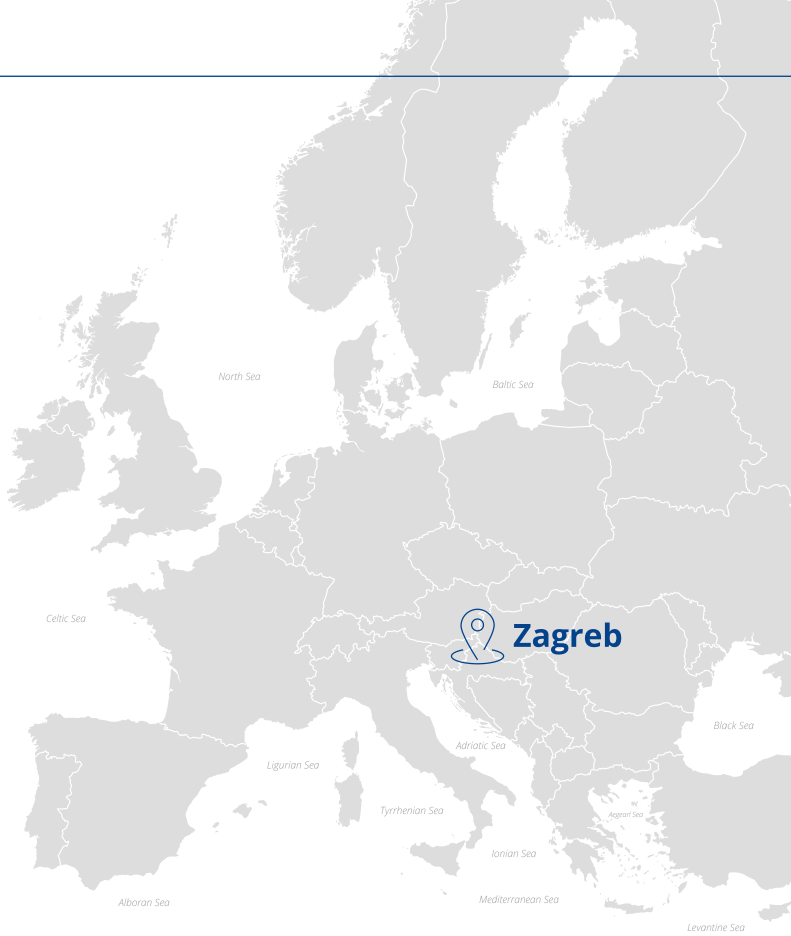
Office stock by age



Source of all data on both country pages: Colliers

Sky Fort Capital, Bulgaria, Sofia, *source: Capital Fort EAD*

Croatia
Overview



Zagreb Office Market

Market balance: **Landlord**
▲ increase, ▼ decrease, ● stable

Total office stock	GLA (m²)
2022	1,545,300
H1 2023	1,550,000
12 mth trend forecast	▲

New supply	GLA (m²)
2022	41,800
H1 2023	3,300
12 mth trend forecast	▲

Vacancy rate	%
2022	4.00
H1 2023	3.00
12 mth trend forecast	▼

Take-up	Gross (m²)
2022	28,600
H1 2023	n/a
12 mth trend forecast	●

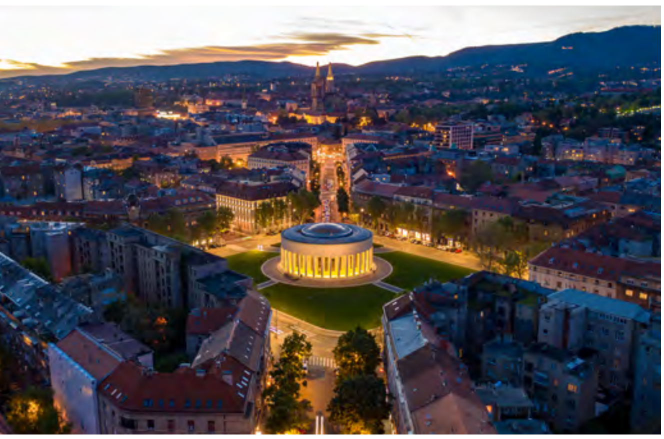
Space under construction	GLA (m²)
Under construction space H1 2023: 24,800 m²	

Major office developers: GTC, KFK

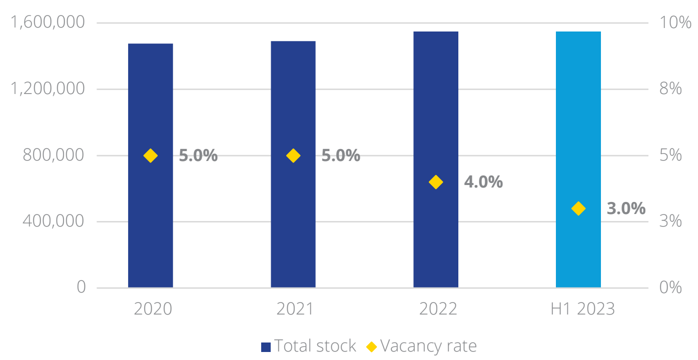
Other major office markets: Split

Projects under construction	GLA (m²)
City Island *(Phase 2)*	24,800

Lease terms, H1 2023	
Typical lease term	5 years
Rental rates: Class A in EUR/m²/month	12.00-14.00
Rental rates: Class B in EUR/m²/month	10.00-12.00
Rent indexation: HICP or local CPI; capped?	HICP
Service charge average rate: Class A in EUR/m²/month	3.50
Service charge average rate: Class B in EUR/m²/month	3.50
% of change in service charge in past 12 months	
Price trend in service charge components (past 12 months)	
Utilities	▲
Waste disposal	▲
Wages of maintenance staff	▲
Public fees & taxes	●



Total office stock (m²) evolution and vacancy rate (%)



Market update

IThe office market activity recorded in Zagreb and Split is high with occupiers' and investors' demand outstripping the supply. The existing stock is quite old but will change with pipeline projects and reconstructions. The latest notable completions include 1st phase of City Island complex by KFK and Infobip Campus in Zagreb. GTC is finishing works on Matrix C, the third building in Matrix Office Park. The construction costs and land prices grew significantly in the last two years. That highly influences the net effective rents to make the new developments feasible. The demand for flexible offices is growing.

High inflation should result in rising rents for leases with indexation clauses, however, tenants will try to negotiate. The prime rents range from 15 EUR/m²/month to 18 EUR/m²/month, while average Class A rent stands at 13 EUR/m²/month.

Since 2022, a noticeable trend has emerged in seeking shorter-term office leases for greater flexibility and risk management. Tenants request leases with a maximum fixed term of 3 years and prefer termination options with shorter notice periods. The new policy of the Government of the Republic of Croatia has, in some way, restricted and regulated remote work, leading to increased office occupancy. The most common approach observed is a hybrid work model, with 3 days in the office and 2 days remote. Rents have risen within expected ranges due to prevailing inflation.

In 2022, the dominant feature in the lease structure is relocation. Despite rising construction costs, projects in the pipeline have not been cancelled or postponed. There is a strong demand for new and high-quality spaces. The pipeline is robust, with significant anticipated completions including Matrix C in 2023 by GTC and Buzin City Island phase II in 2024 by KFK.

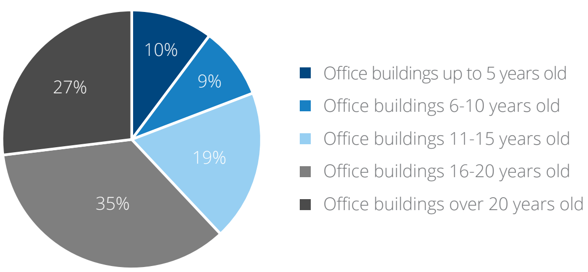
ESG landscape

Croatia is experiencing a growing interest in ESG principles across various industries, and the office market is no exception. As the government, businesses, and investors understand the importance of sustainable and responsible practices. Also, green certificates become more popular, especially among office stock delivered in the past 5-10 years. The most recognized ones are LEED, DGNB and BREEAM. Green Building Standards: The introduction of ESG regulations is expected to accelerate the adoption of green building standards in the office market. Developers and landlords are increasingly incorporating energy-efficient technologies, eco-friendly materials, and sustainable design practices into their office buildings.

Capital city office market by age, H1 2023

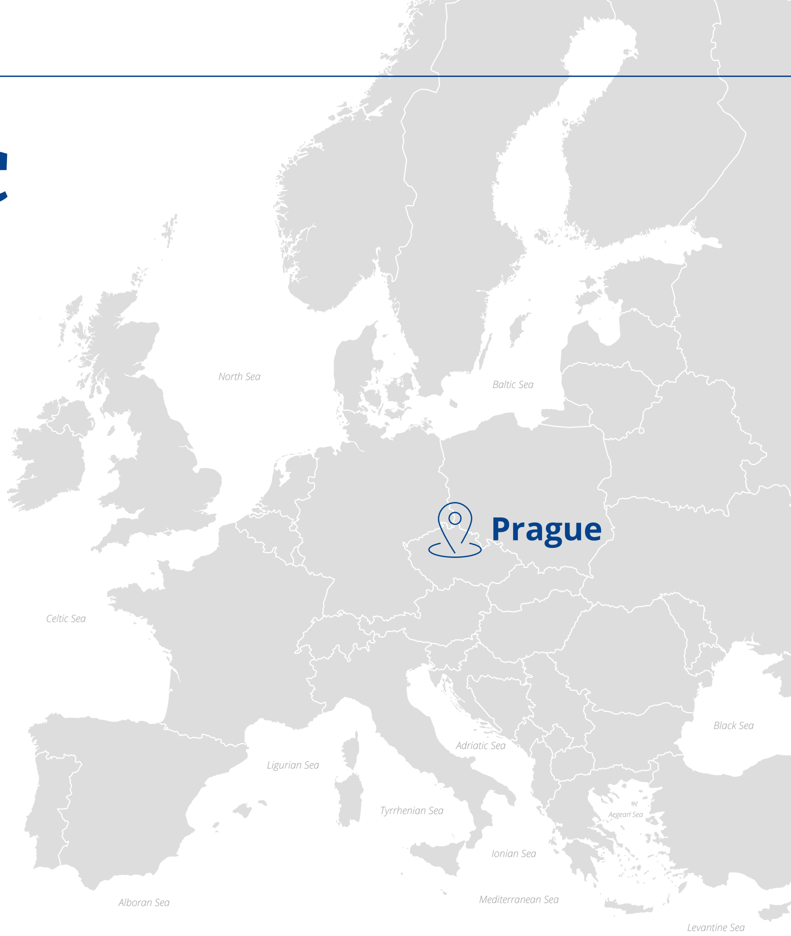
	Existing supply (m²)	Vacancy rate	Asking rents (EUR/m²/month)	Service charges (EUR/m²/month)
Office buildings up to 5 years old	158,000	n/a	13.00-17.00	3.50
Office buildings 6-10 years old	138,900	n/a	12.00-17.00	3.50
Office buildings 11-15 years old	291,800	n/a	10.00-17.00	3.50
Office buildings 16-20 years old	542,900	n/a	10.00-15.00	3.50
Office buildings over 20 years old	416,900	n/a	8.00-14.00	3.50

Office stock by age



Source of all data on both country pages: Colliers

Czech Republic
Overview



Prague Office Market

Market balance: **Neutral**
▲ increase, ▼ decrease, ● stable

Total office stock	GLA (m²)
2022	3,804,700
H1 2023	3,853,200
12 mth trend forecast	▲

New supply	GLA (m²)
2022	77,400
H1 2023	38,000
12 mth trend forecast	▼

Vacancy rate	%
2022	7.80
H1 2023	7.00
12 mth trend forecast	●

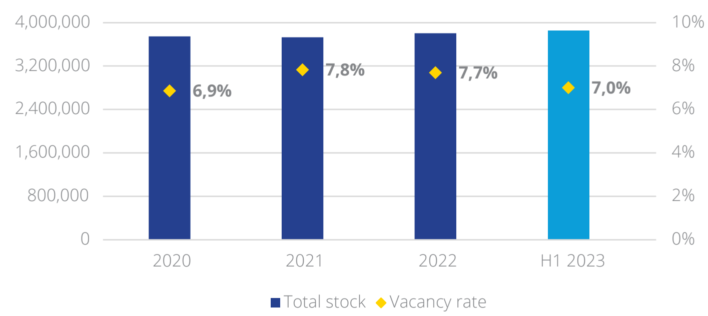
Take-up	Gross (m²)	Net (m²)
2022	540,700	291,800
H1 2023	284,700	141,200
12 mth trend forecast	●	▼

Space under construction	GLA (m²)
Under construction space H1 2023: 143,600 m²	
Major office developers: Crestyl, Passerinvest Group, Penta Real Estate, Sekyra Group, Skanska	
Other major office markets: Brno, Ostrava	

Projects under construction	GLA (m²)
Roztyly Plaza	21,700
HGBR 02	15,800
HGBR 01	13.100

Lease terms, H1 2023	
Typical lease term	5 years
Rental rates: Class A in EUR/m²/month	15.00-27.00
Rental rates: Class B in EUR/m²/month	10.00-16.00
Rent indexation: HICP or local CPI; capped?	both, individual
Service charge average rate: Class A in EUR/m²/month	4.75
Service charge average rate: Class B in EUR/m²/month	6.00
% of change in service charge in past 12 months	20.00
Price trend in service charge components (past 12 months)	
Utilities	▲
Waste disposal	▲
Wages of maintenance staff	▲
Public fees & taxes	●

Total office stock (m²) evolution and vacancy rate (%)



Market update

The exciting feature of the market is surely the stability and resilience of the Prague market. Since Q1 2022 we have seen a constant decrease in the vacancy rate from 8.3 % to the current 7.0 %. Also, due to the fact no new construction commenced for 12 months (the last commencement was in Q2 2022), we are expecting a significant supply gap – mainly throughout 2025. We see development activity mainly among the strong and well-known developers, as these are strong enough to deliver amidst current increased prices and rates. This helps the stability and mid-term predictability. The take-up is at a surprisingly high level, competing with the last year's almost record-breaking volume. The share of renegotiations is high as was expected, yet it is not overwhelming compared to newly acquired space.

The trend of working from home is still alive on the market and the system of 3 days in the office and 2 working from home became sort of a market standard with attendance at approximately 50 %, especially across larger companies. Some of them are therefore considering or performing the downsizing and such excess space is being absorbed with relative ease, especially if furnished.

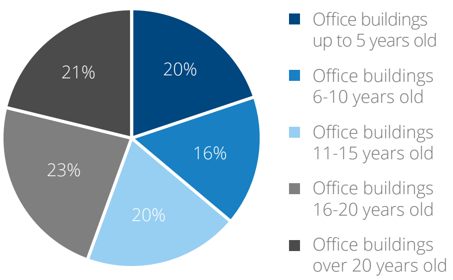
ESG landscape

At this moment, we can see the aim of current landlords (and developers) to future-proof their projects, make them attractive for investors (and tenants) and tick all the possible boxes regarding sustainability, energy efficiency and effective building management. At this point, every age category of the office stock has its buyer, but the demand is in excess of supply. Throughout recent years, we were witnesses to only several complete refurbishments to elevate the office building to completely new standards. On most occasions, some refurbishment is carried out without ceasing operation and therefore can be focused only on a limited part of the property, such as common spaces, some stand-alone technology, or new building apps. With the current projects, we most often see contactless receptions and elevators, tailormade building apps, focus on renewables and reusables and also focus on the project surroundings. Most of the modern buildings coming from well-known developers have been constructed using BIM for years already and things like VR and AR are nothing new on the market, although still used scarcely.

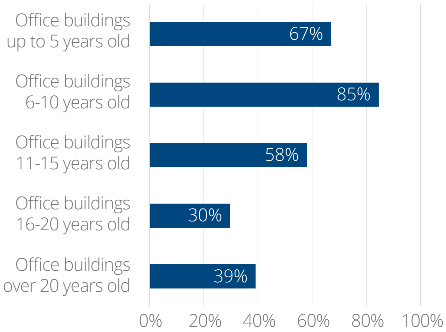
Capital city office market by age, H1 2023

	Existing supply (m^2)	Vacancy rate (%)	Asking rents (EUR/m^2/month)	Service charges (EUR/m^2/month)
Office buildings up to 5 years old	764,400	12.40	15.00-27.00	4.75
Office buildings 6-10 years old	627,900	4.50	13.00-20.00	5.00
Office buildings 11-15 years old	748,100	5.30	12.00-16.00	5.00-6.00
Office buildings 16-20 years old	896,500	6.20	12.00-16.00	5.00-6.00
Office buildings over 20 years old	816,300	7.60	10.00-15.00	5.00-6.00

Office stock by age



Frequency of green certificates



Source of all data on both country pages: Colliers

Mercury, Czech Republic, Prague, *source: Skanska*

Estonia
Overview

Tallinn Office Market

Market balance: **Tenant**

▲ increase, ▼ decrease, ● stable

Total office stock	GLA (m²)
2022	856,100
H1 2023	870,000
12 mth trend forecast	▲

New supply	GLA (m²)
2022	59,200
H1 2023	13,900
12 mth trend forecast	▲

Vacancy rate	%
2022	8.50
H1 2023	9.00
12 mth trend forecast	▲

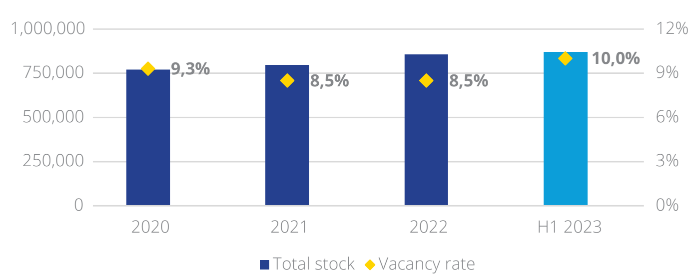
Take-up	Net (m²)
2022	82,000
H1 2023	44,000
12 mth trend forecast	▼

Space under construction	GLA (m²)
Under construction space H1 2023: 126,000	
Major office developers: Fausto , Kapitel, Mainor Ülemiste, US Real Estate	
Other major office markets: Tartu	

Projects under construction	GLA (m²)
Arter Quarter	35,000
Volta_1 Quarter	27,000
Tule Maja	16,000

Lease terms, H1 2023	
Typical lease term	3 or 5 years
Rental rates: Class A in EUR/m²/month	17.00-22.00
Rental rates: Class B in EUR/m²/month	12.00-16.50
Rent indexation: HICP or local CPI; capped?	CPI
Service charge average rate: Class A in EUR/m²/month	4.00-6.50
Service charge average rate: Class B in EUR/m²/month	3.50-6.50
% of change in service charge in past 12 months	15.00
Price trend in service charge components (past 12 months)	
Utilities	▲
Waste disposal	▲
Wages of maintenance staff	▲
Public fees & taxes	●

Total office stock (m²) evolution and vacancy rate (%)



Market update

Development in the Tallinn office market remains constantly active with total GLA almost reaching 126,000 m^2 (11% of total stock; 14 projects) under construction in June 2023. Older and lower quality office space starts to underperform, as a result there is a growing number of refurbishment projects in Tallinn. Decreased number of enquiries reflects that tenants prefer lease renewal rather than relocation to new premises. Tenants continue to (re)evaluate their workspace needs and seek for flexibility as well as shorter lease terms or various incentives in case of longer lease terms. Total vacancy slightly increased, fluctuating around 9% and seeing some increase above the 7% level in Class A buildings. More distress for older Class B office properties could be further anticipated, unless asking rental level in this type of buildings will decrease by 1-2 EUR/m^2/month.

ESG landscape

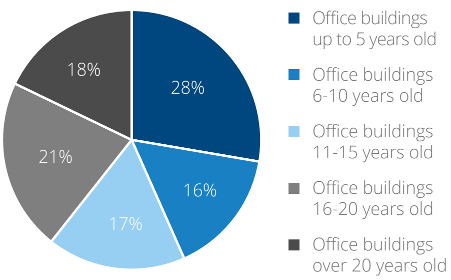
Investors continue to focus on properties located in CBD and largely target up to 15-year-old office buildings in Tallinn. Many of the office buildings constructed in Tallinn during the first commercial real estate development wave 15-17 years ago started to underperform and require some modernization to stay in the competition and retain their position on the market. The topic is relevant especially in the case of CBD-area and City Centre buildings as premises with lower quality started to lose their importance and attractiveness for tenants. As a result, there is a growing number of refurbishment projects in Tallinn CBD (e.g., Kawe Plaza, Maakri HUB, Narva Rd 7a). Still, changes in the purpose/function of the buildings have not yet become common. There are only a few examples of when an office building was redeveloped into a hotel or residential building.

In Tallinn, interest in ESG, green and energy-efficient technology becomes more evident, seeing an increase in the share of green offices of total office stock. By mid-2023, ca 14% of the total number and one-fourth (24%) of total office stock is BREEAM/LEED certified. Both Class A and Class B office buildings with sustainability certifications command ca 4% rental premium in Tallinn and enjoy historically a better occupancy rate. Landlords are actively looking for options to improve the energy efficiency of their existing and planned developments in order to reduce costs for their tenants. However, upgrading space is a tough ask for owners.

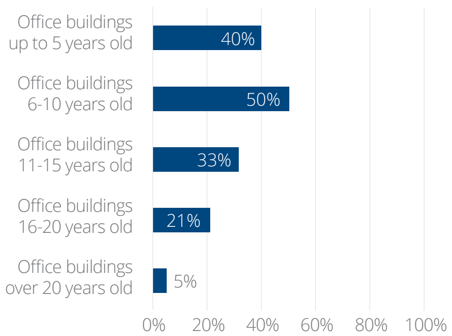
Capital city office market by age, H1 2023

	Existing supply (m^2)	Vacancy rate (%)	Asking rents (EUR/m^2/month)	Service charges (EUR/m^2/month)
Office buildings up to 5 years old	240,900	7.20	14.00-22.00	3.00-6.50
Office buildings 6-10 years old	136,300	6.90	12.00-17.00	3.00-6.50
Office buildings 11-15 years old	150,600	9.60	9.00-15.50	4.50-7.20
Office buildings 16-20 years old	186,900	12.20	9.00-15.00	4.50-8.00
Office buildings over 20 years old	155,400	10.00	8.80-15.00	4.50-8.00

Office stock by age



Frequency of green certificates

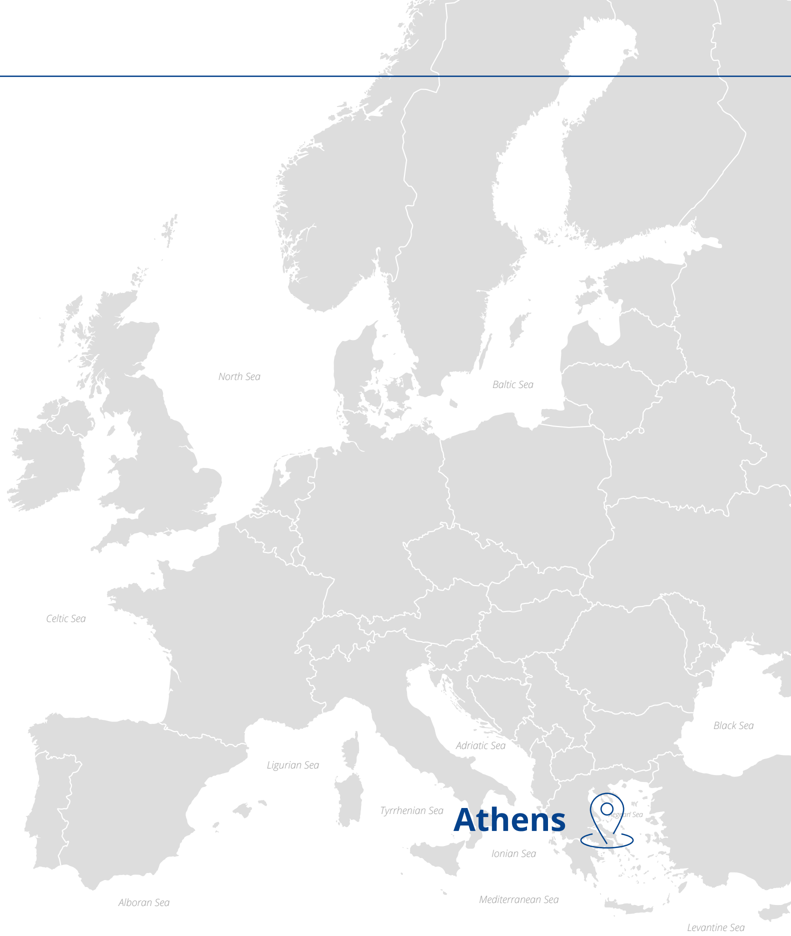


Source of all data on both country pages: Colliers

Roseni Maja, Estonia, Tallinn, *source: NG Investeeringud*

Ellex Raidla
KPMG
"AUTO"MOTO"
color
Quality

Greece
Overview



Athens Office Market

Market balance: **Tenant**
▲ increase, ▼ decrease, ● stable

Total office stock	GLA (m²)
2022	2,600,000
H1 2023	2,700,000
12 mth trend forecast	▲

New supply	GLA (m²)
2022	40,000
H1 2023	45,000
12 mth trend forecast	▲

Vacancy rate	%
2022	11.00 <7.00 for prime CBD and North
H1 2023	10.00 <7.00 for prime CBD and North
12 mth trend forecast	▼

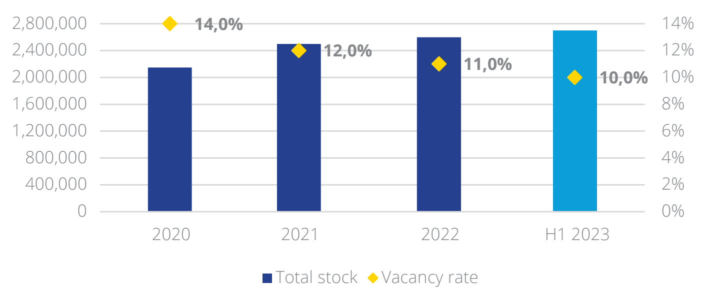
Take-up	Net (m²)
2022	110,000
H1 2023	50,000
12 mth trend forecast	▲

Space under construction	GLA (m²)
Under construction space H1 2023	150,000
Major office developers: Dimand, Lamda Development	
Other major office markets: Thessaloniki	

Projects under construction	GLA (m²)
Hellenikon office district	262,000
Piraeus Tower	29,200
The Grid Office Park	22,000

Lease terms, H1 2023	
Typical lease term	6 years
Rental rates: Class A in EUR/m²/month	23.00-30.00
Rental rates: Class B in EUR/m²/month	17.00-22.00
Rent indexation: HICP or local CPI; capped?	CPI+1, 3-5% cap
Service charge average rate: Class A in EUR/m²/month	1.50-3.00
Service charge average rate: Class B in EUR/m²/month	3.50-4.00
% of change in service charge in past 12 months	ca. 5.00-10.00
Price trend in service charge components (past 12 months)	
Utilities	▲
Waste disposal	▲
Wages of maintenance staff	▲
Public fees & taxes	▲

Total office stock (m²) evolution and vacancy rate (%)



Market update

In Athens, there is a notable shift among local and international corporate tenants towards relocating to superior, high-standards office spaces, while a number of major corporates have constructed customized, top-tier Class A+ offices. Construction activity, which experienced a slowdown in the first half of 2022, appeared to regain momentum. Despite inflation and rising interest rates impacting projects, development pipeline and prices, yields remain attractive for highly marketable properties that continue to drive both domestic and international investment interest.

A trend of renegotiations and relocations to contemporary office spaces is visible, particularly in secondary locations. This shift is driven by the limited availability of quality office spaces at competitive rates in prime locations. The preferred secondary areas are typically situated near public transportation hubs or major roads. A market practice applied in some cases of renegotiations or relocations is to share the part of the renovation expenses with the landlord in exchange for equivalent periods of rent exemption. This arrangement has arisen due to financial constraints faced by some local landlords.

Hybrid-working model arrangements vary based on job nature and company policy. When applicable, the prevalent model is 1-3 days of remote work per week. Remote workers expect to continue teleworking in the future, although not as extensively.

ESG landscape

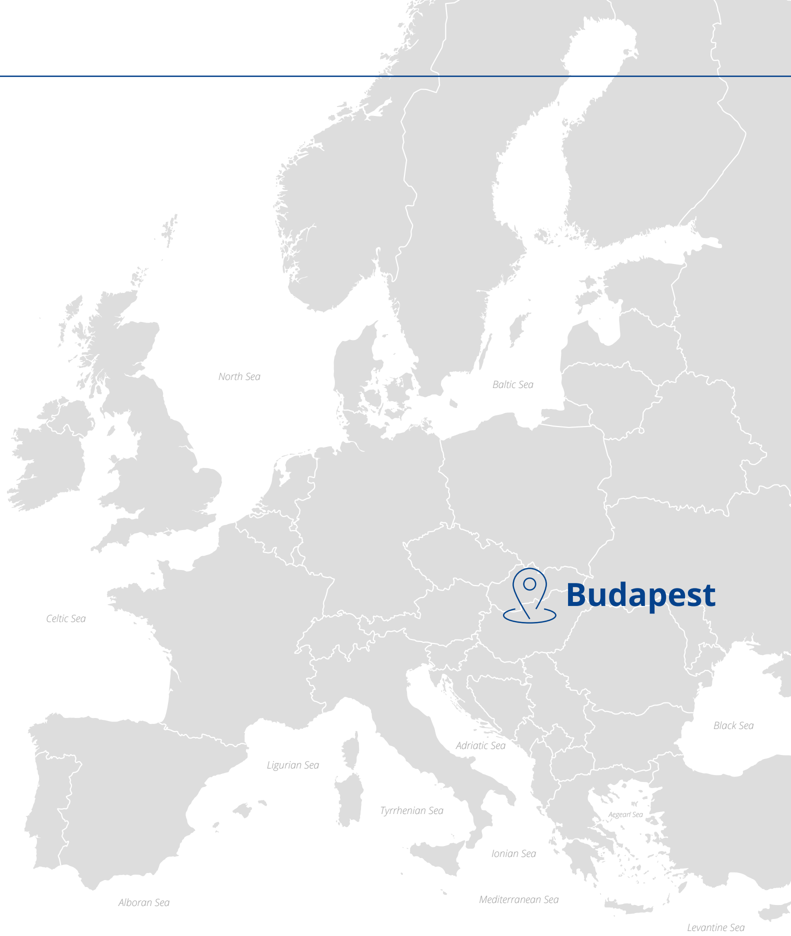
Investment interest remains robust in resilient, green-certified, sustainable and digitally advanced offices with wellness features and in strategic locations. Retrofitting and repurposing existing assets to meet new standards is driven mainly by ageing stock and land scarcity. It is to be noted that 74% of new developments represent new buildings and 26% redevelopments. As there is a general trend towards greater flexibility of use, repurposing towards more high-quality mixed-use facilities is becoming more common. ESG alignment is crucial with investors targeting international certification for sustaining value and social returns. Investors are willing to consult external rating parties and pay a slight premium for ESG-friendly assets.

Capital city office market by age, H1 2023

	Existing supply (m^2)	Vacancy rate (%)	Asking rents (EUR/m^2/month)	Service charges (EUR/m^2/month)
Office buildings up to 5 years old	200,000	<5.00	25.00-30.00	1.50-3.00
Office buildings 6-20 years old	900,000	5.00-15.00	16.00-24.00	1.50-3.00
Office buildings above 20 years old	1,500,000	10.00-20.00	9.00-15.00	3.50-5.00

Element Office, Greece, Athens, *source: Colliers Greece*

Hungary
Overview



Budapest Office Market

Market balance: **Tenant**
▲ increase, ▼ decrease, ● stable

Total office stock	GLA (m²)
2022	4,251,600
H1 2023	4,334,900
12 mth trend forecast	▲

New supply	GLA (m²)
2022	267,400
H1 2023	64,100
12 mth trend forecast	▲

Vacancy rate	%
2022	11.30
H1 2023	12.60
12 mth trend forecast	▲

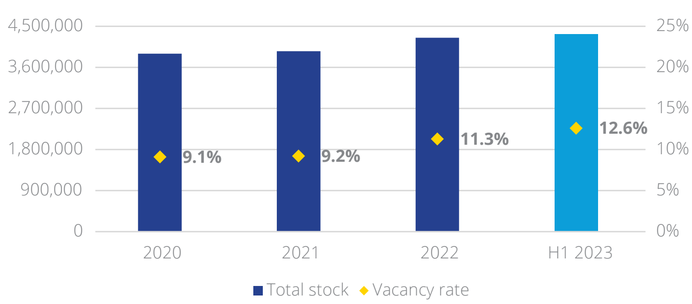
Take-up	Gross (m²)	Net (m²)
2022	342,200	197,500
H1 2023	192,900	99,200
12 mth trend forecast	●	●

Space under construction	GLA (m²)
Under construction space H1 2023: 276,490	
Major office developers: Atenor, GTC, Proform, Property Market, TriGranit, Wing	
Other major office markets: Debrecen	

Projects under construction	GLA (m²)
Dürer Park Phase I-II	50,000
Centerpoint III	35,000
BEM Center	23,900

Lease terms, H1 2023	
Typical lease term	5 years
Rental rates: Class A in EUR/m²/month	16.00
Rental rates: Class B in EUR/m²/month	12.40
Rent indexation: HICP or local CPI; capped?	HICP
Service charge average rate: Class A in EUR/m²/month	6.40
Service charge average rate: Class B in EUR/m²/month	5.90
% of change in service charge in past 12 months	12.80
Price trend in service charge components (past 12 months)	
Utilities	▲
Waste disposal	▲
Wages of maintenance staff	▲
Public fees & taxes	▲

Total office stock (m²) evolution and vacancy rate (%)



Market update

In H1 2023, total demand volume and net take-up in Budapest demonstrated a 4% and 7% rise respectively, when compared to the corresponding period of 2022. This signifies that the market has not come to a complete standstill; there is still discernible demand, which is undoubtedly encouraging news for landlords. In H1 2023 newly delivered properties represented a modest pre-lease rate on average at the level of 37%.

The share of lease renewals was 48% of the total demand in H1 2023. Due to the high vacancy rate of new handovers total market the vacancy rate continued to grow, reaching 12.6%

Companies, which introduced hybrid office work mode are spending 2-3 days in the office in average, but there are exceptions to both full office / only 1 day per week. Due to various uncertainties around price fluctuations, tenants persist in seeking energy-efficient buildings. This inclination is also mirrored in vacancy rates across different submarkets. Higher financing costs and increasing inflation are reflected in rents. Average rent for Class A buildings was 16 EUR/m²/month while for Class B 12.4 EUR/m²/month, which practically means an annual increase of 7.5% and 3.3% respectively.

Lower EUR/HUF average exchange rate and reduced potential for construction demand in 2023 may contribute to a consolidation in the growth of prices within construction industry. This, in turn, could positively impact the real estate development sector.

ESG landscape

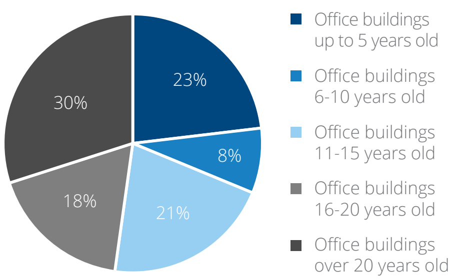
The demand for prime locations and modern, green, energy efficient and ESG-compliant office buildings will be stable. In addition, the office market will remain tenant-driven during the year 2023, and flexibility in contracts will continue to be of fundamental importance.

Owners of older properties are likely to invest more in asset management initiatives (such as facelifts, ESG compliance, and energy-efficient upgrades) to enhance the appeal of their offices to potential tenants.

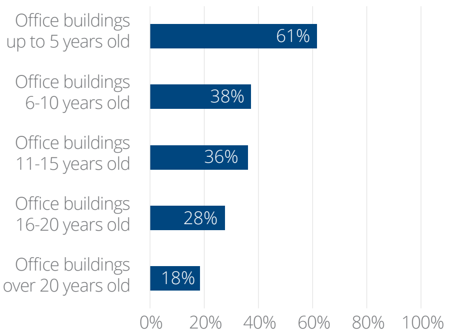
Capital city office market by age, H1 2023

	Existing supply (m²)	Vacancy rate (%)	Asking rents (EUR/m²/month)	Service charges (EUR/m²/month)
Office buildings up to 5 years old	817,200	17.20	17.10	5.70
Office buildings 6-10 years old	287,500	11.30	16.40	6.60
Office buildings 11-15 years old	742,000	11.60	14.80	6.40
Office buildings 16-20 years old	630,700	14.30	14.00	6.00
Office buildings over 20 years old	1,059,200	18.70	12.90	6.20

Office stock by age



Frequency of green certificates



Source of all data on both country pages: Colliers

Millenium Gardens, Hungary, Budapest, *source: TriGranit*


GRANIT

Latvia
Overview

Riga Office Market

Market balance: **Tenant**
▲ increase, ▼ decrease, ● stable

Total office stock	GLA (m²)
2022	798,800
H1 2023	822,800
12 mth trend forecast	▲

New supply	GLA (m²)
2022	16,200
H1 2023	24,000
12 mth trend forecast	▼

Vacancy rate	%
2022	11.30
H1 2023	11.80
12 mth trend forecast	▲

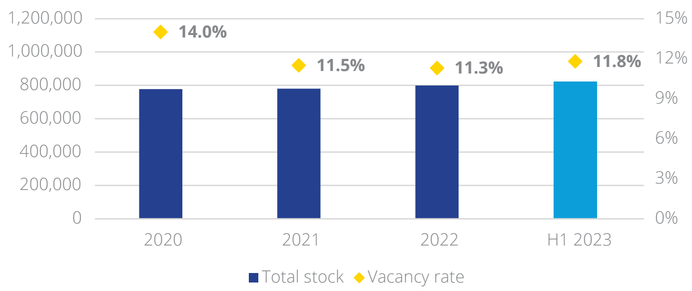
Take-up	Gross (m²)	Net (m²)
2022	38,600	38,600
H1 2023	33,300	32,800
12 mth trend forecast	▲	●

Space under construction	GLA (m²)
Under construction space H1 2023: 133,700	
Major office developers: Capitalica, Kapitel, Lords LB, Novira, Vastint	
Other major office markets: N/A	

Projects under construction	GLA (m²)
Novira Plaza	25,900
Preses Nama Kvartāls	23,200
Elemental Business Centre	20,200

Lease terms, H1 2023	
Typical lease term	5 years
Rental rates: Class A in EUR/m²/month	15.50-18.00
Rental rates: Class B in EUR/m²/month	9.00-15.00
Rent indexation: HICP or local CPI; capped?	Local CPI or HICP (based on tenant), capped at 5-7%
Service charge average rate: Class A in EUR/m²/month	2.70
Service charge average rate: Class B in EUR/m²/month	2,20
% of change in service charge in past 12 months	15.00
Price trend in service charge components (past 12 months)	
Utilities	▲
Waste disposal	▲
Wages of maintenance staff	▲
Public fees & taxes	●

Total office stock (m²) evolution and vacancy rate (%)



Market update

Riga office market is currently experiencing one of the largest amounts of office stock under construction, there are more than 134,000 m^2 of office area under construction. Developers are reluctant to start new construction due to high expected supply, low take-up activity, high construction costs vs potential achievable rent and increasing financing costs, thus no large-scale speculative projects have been started during last 12 months.

Even though pre-lease activity in Riga market has improved and some offices are put into operation with 70% occupancy, still the momentum is reached only once the building is finished. Most of the demand comes from local companies that want to improve their office energy efficiency and working conditions of their employees, there is lack of newcomers in the market apart from coworking operators that have now secured locations in almost all notable large-scale office projects. As most companies have kept hybrid work regime, companies once relocating can afford to lease better premises (mostly in new developments) for the same cost by reducing area by around 20% which compensates rent rate increase. For existing offices to remain competitive it is necessary to invest into energy efficiency and to acquire certification, landlords that do these improvements manage to renew agreements, while those that do not, either must reduce rental rates or they might lose tenants to new developments. It is expected that due to notable stock increase and lack of newcomers, office market vacancy will increase for the foreseeable future.

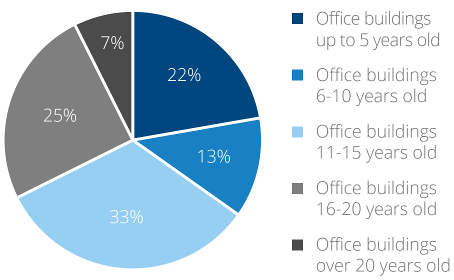
ESG landscape

Tenants are increasingly prioritizing higher-quality properties with superior energy efficiency and currently more than 90% of office stock under construction are expected to hold BREEAM or LEED certificates. Consequently, owners of older properties face a choice: either reduce rent rates or upgrade building efficiency. While repurposing function of building is still uncommon in Riga, many older developments are being redeveloped with greater energy efficiency to stay competitive amidst a large influx of new supply. Investors are focused on recently commissioned office projects located in established business districts or properties between 11 and 15 years with the potential to be refurbished. by card but also with a phone. Additionally, some have developed apps that track, systemize, and personalize employee benefits.

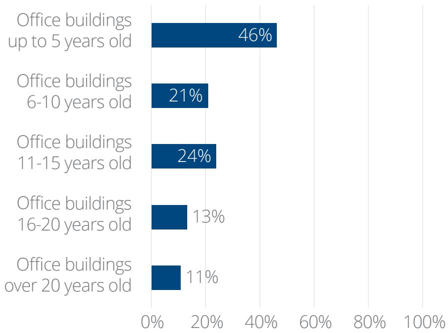
Capital city office market by age, H1 2023

	Existing supply (m^2)	Vacancy rate (%)	Asking rents (EUR/m^2/month)	Service charges (EUR/m^2/month)
Office buildings up to 5 years old	183,100	24.00	14.50-16.50	2.00-3.00
Office buildings 6-10 years old	103,200	3.00	12.00-14.00	2.00-2.50
Office buildings 11-15 years old	270,400	10.00	12.00-14.00	2.00-2.50
Office buildings 16-20 years old	205,200	9.00	10.00-12.00	2.00-3.50
Office buildings over 20 years old	60,900	6.00	9.00-12.00	2.00-3.00

Office stock by age



Frequency of green certificates



Source of all data on both country pages: Colliers

Preses Nama Kvartals, Latvia, Riga, *source: Lords LB Asset Management*

Poland
Overview

Warsaw Office Market

Market balance: **Tenant**
▲ increase, ▼ decrease, ● stable

Total office stock	GLA (m²)
2022	6,268,800
H1 2023	6,253,800
12 mth trend forecast	▲

New supply	GLA (m²)
2022	236,800
H1 2023	18,700
12 mth trend forecast	▲

Vacancy rate	%
2022	11.60
H1 2023	11.40
12 mth trend forecast	▼

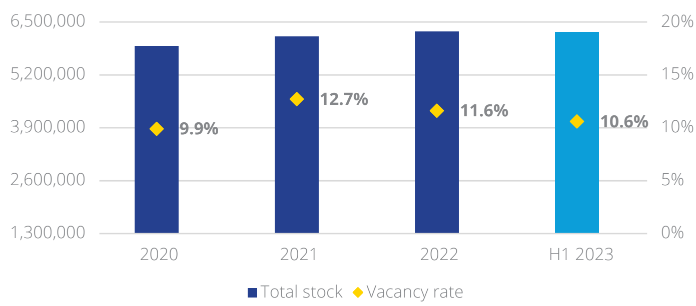
Take-up	Gross (m²)	Net (m²)
2022	860,100	523,000
H1 2023	325,700	211,000
12 mth trend forecast	●	●

Space under construction	GLA (m²)
Under construction space H1 2023	260,000
Major office developers: Cavatina, Echo Investment, Ghelamco, HB Reavis, Skanska	
Other major office markets: Cracow, Katowice, Lodz, Poznan, Tricity, Wroclaw	

Projects under construction	GLA (m²)
The Bridge	47,000
Upper One	35,500
Towarowa 22, budynek I	31,100

Lease terms, H1 2023	
Typical lease term	5 or 7 years
Rental rates: Class A in EUR/m²/month	19.00-27.50
Rental rates: Class B in EUR/m²/month	15.00-18.00
Rent indexation: HICP or local CPI; capped?	HICP or CPI
Service charge average rate: Class A in EUR/m²/month	6.00-7.00
Service charge average rate: Class B in EUR/m²/month	6.00-7.00
% of change in service charge in past 12 months	40.00
Price trend in service charge components (past 12 months)	
Utilities	▲
Waste disposal	▲
Wages of maintenance staff	▲
Public fees & taxes	▲

Total office stock (m²) evolution and vacancy rate (%)



Market update

With a robust economy and a rising demand for modern office spaces, Warsaw has expanded considerably, becoming one of the key players in the CEE region. The market dynamics in Warsaw are characterised by a mix of newly constructed high-rise buildings and refurbished properties, catering to diverse business needs. Being the largest office market in Poland capital city offers over 6.25 million m² of office space. Approximately 900,000 m² was delivered to the market in the past four years with 80% of it concentrating within City Centre and CBD. In 2023 the market started to register a new supply gap. The increase in the prices of building materials, land, utilities and wages influence negatively development activity.

Available office space secures flexibility for tenants. At the end of H1 2023 the Warsaw vacancy rate remained at 11.4%. The availability of office space was 714,000 m² with majority of the vacant stock concentrated in Służewiec and two central zones – CBD and City Centre. In H1 2023, demand for Warsaw modern office space reached 325,700 m² what is a decrease of 32% compared to H1 2022.

The most popular areas of tenant's interest were the City Centre and CBD zones. The highest share in total take-up volume recorded new deal– 58% (including pre-lets transactions) followed by renewals – 35%.

The need to search for savings due to increasing operating costs will be one of the main challenges facing the office real estate market in the coming quarters. Tenants are increasingly aware of services related to the definition of functions, concepts, and strategies of real estate to best suit the needs of users and businesses, space design, and the performance of arrangements.

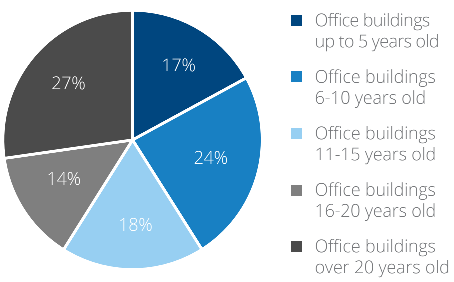
ESG landscape

The growing role of ESG and sustainability issues are one of the strongest trends in the real estate market. The pro-environmental nature of buildings and their user-friendliness have been confirmed for many years by certificates such as BREEAM, LEED, Fitwel and WELL. The technological advancement of real estate can be assessed thanks to a transparent user experience verification system and digital solutions in the office building through SmartScore certificates. In Warsaw, approximately 93% of the total area of modern office buildings are certified.

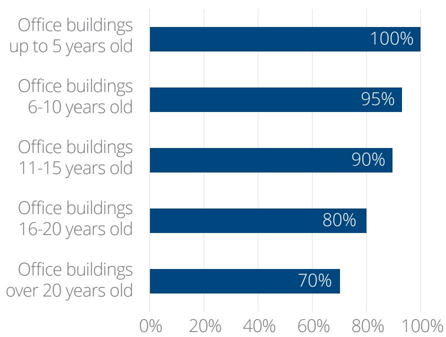
Capital city office market by age, H1 2023

	Existing supply (m²)	Vacancy rate (%)	Asking rents (EUR/m²/month)	Service charges (EUR/m²/month)
Office buildings up to 5 years old	1,058,300	6.30	14.00-22.00	3.00-6.50
Office buildings 6-10 years old	1,486,300	5.00	12.00-17.00	3.00-6.50
Office buildings 11-15 years old	1,112,000	11.80	9.00-15.50	4.50-7.20
Office buildings 16-20 years old	856,000	18.20	9.00-15.00	4.50-8.00
Office buildings over 20 years old	1,691,500	13.40	8.80-15.00	4.50-8.00

Office stock by age



Frequency of green certificates



Source of all data on both country pages: Colliers

SKYSAWA, Poland, Warsaw, *source: PHN*

Romania
Overview

Bucharest Office Market

Market balance: **Neutral**
▲ increase, ▼ decrease, ● stable

Total office stock	GLA (m²)
2022	3,308,000
H1 2023	3,378,000
12 mth trend forecast	xx

New supply	GLA (m²)
2022	125,200
H1 2023	70,000
12 mth trend forecast	▼

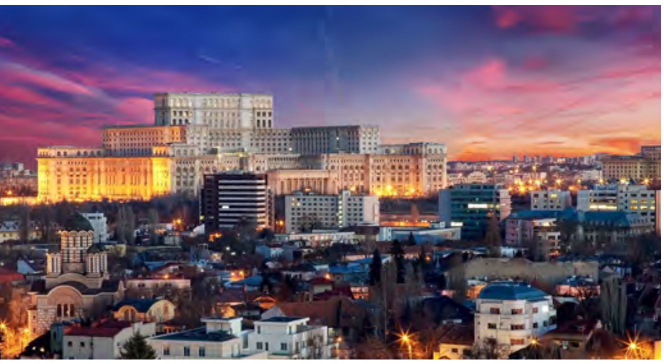
Vacancy rate	%
2022	15.25
H1 2023	15.00
12 mth trend forecast	▼

Take-up	Gross (m²)	Net (m²)
2022	279,200	122,100
H1 2023	166,000	59,900
12 mth trend forecast	●	●

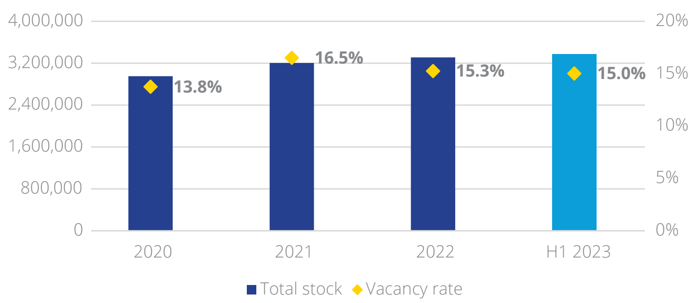
Space under construction	GLA (m²)
Under construction space H1 2023: 73,500	
Major office developers: AFI Europe, Atenor, Forte Partners, Globalworth, One United, Portland Trust, River Development, Skanska, Vastint	
Other major office markets: Brasov, Cluj-Napoca, Iasi, Timisoara	

Projects under construction	GLA (m²)
Promenada Mall Office	27,500
Arghezi 4 - Strabag	8,000

Lease terms, H1 2023	
Typical lease term	5 years
Rental rates: Class A in EUR/m²/month	19.00
Rental rates: Class B in EUR/m²/month	14.00
Rent indexation: HICP or local CPI; capped?	HICP
Service charge average rate: Class A in EUR/m²/month	3.80
Service charge average rate: Class B in EUR/m²/month	3.80
% of change in service charge in past 12 months	10.00
Price trend in service charge components (past 12 months)	
Utilities	▼
Waste disposal	▲
Wages of maintenance staff	▲
Public fees & taxes	●



Total office stock (m²) evolution and vacancy rate (%)



Market update

The near-term outlook for Bucharest offices and take-up remains quite uncertain, with multiple factors pointing in various directions. While remote work is here to stay, companies also understand that they need to accommodate at least a couple of office workdays a week for the employees (around 2-3 per week in general), hence average office footfall is closing in on half of "normal" levels after increasing steadily over the last year. While the vast majority of companies have remote work in one fashion or another and some tenants have scaled back their office space, others have increased it quite substantially having grown in size over the last years, so there is no "one size fits all" approach. Otherwise, amid the cautious backdrop, the bulk of the market (over half of total leasing demand) is made up of renewals, with new demand decreasing over the last year.

With a very low new supply over the next few years (virtually no major project is due in 2024), there is a real possibility that if leasing demand picks up a bit, the market will see a significant supply gap. If anything else, the relatively low office stock per capita in Bucharest (compared to other regional peers) and low supply in forthcoming years should insulate the market to a certain extent in case of a negative economic scenario.

ESG landscape

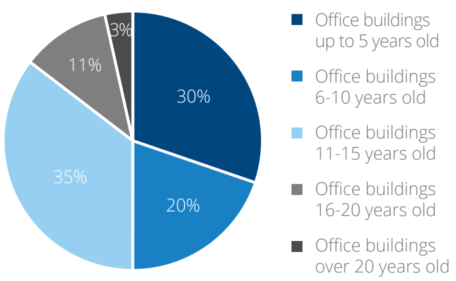
The analysis of the buildings with in excess of 5,000 m² of leasable area states that the percentage of buildings with a green certification is also in similar within Romanian office markets, in Bucharest, it reaches 59%. A somewhat interesting trend is the fact that Cluj-Napoca's percentage is quite higher, at 68%; this likely has to do with the fact that the local authorities have been offering tax incentives to developers of green projects starting in 2014 which likely helped prop up the qualitative aspect of things. Other cities (notably Timisoara and Iasi) adopted similar tax incentives, albeit at a later date.

The developers are keenly looking at other aspects, particularly as the WELL Health and Safety Ratings have been quite popular amid the pandemic. On top of this, last year saw the first Acces4you certifications in Romania, which attest to the fact that a building has good accessibility for wheelchair users, the elderly, people with limited mobility.

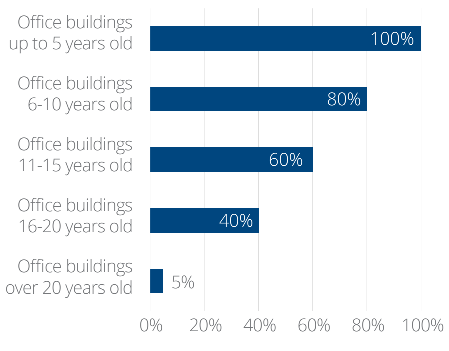
Capital city office market by age, H1 2023

	Existing supply (m²)	Vacancy rate (%)	Asking rents (EUR/m²/month)	Service charges (EUR/m²/month)
Office buildings up to 5 years old	1,021,900	18.25	15.75	3.00-4.50
Office buildings 6-10 years old	667,300	8.75	15.25	3.00-4.50
Office buildings 11-15 years old	1,195,700	14.75	13.00	3.50-5.00
Office buildings 16-20 years old	375,500	15.50	13.50	3.50-6.00
Office buildings over 20 years old	117,400	19.75	12.00	3.50-6.00

Office stock by age



Frequency of green certificates



Source of all data on both country pages: Colliers

Slovakia
Overview

Bratislava Office Market

Market balance: **Neutral**
▲ increase, ▼ decrease, ● stable

Total office stock	GLA (m²)
2022	1,968,100
H1 2023	2,016,500
12 mth trend forecast	●

New supply	GLA (m²)
2022	17,400
H1 2023	48,000
12 mth trend forecast	▼

Vacancy rate	%
2022	11.00
H1 2023	12.00
12 mth trend forecast	▼

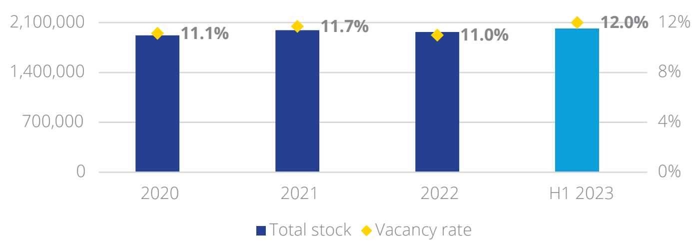
Take-up	Gross (m²)	Net (m²)
2022	164,300	112,400
H1 2023	96,900	63,800
12 mth trend forecast	●	●

Space under construction	GLA (m²)
Under construction space H1 2023: 63,000	
Major office developers: Immocap, J&T Real Estate	
Other major office markets: Kosice	

Projects under construction	GLA (m²)
The Mill *(BBC 6)*	24,500
Pribinova 40	21,000
Pribinova 34	17,500

Lease terms, H1 2023	
Typical lease term	5 or7 years
Rental rates: Class A in EUR/m²/month	17.50
Rental rates: Class B in EUR/m²/month	14.50
Rent indexation: HICP or local CPI; capped?	HICP, cap limited
Service charge average rate: Class A in EUR/m²/month	5.00
Service charge average rate: Class B in EUR/m²/month	7.00
% of change in service charge in past 12 months	30.00
Price trend in service charge components (past 12 months)	
Utilities	▲
Waste disposal	▲
Wages of maintenance staff	▲
Public fees & taxes	●

Total office stock (m²) evolution and vacancy rate (%)



Market update

In H1 2023 the total stock of modern office premises in Bratislava was recorded at the level of around 2 million m². Apporximately 17% of the office spaces are classified as grade A+, 38% as grade A and 45% as grade B. Most of the office spaces are located in the CBD and City Centre areas of the city (33%and 22% accordingly).

Take-up activity remains strong. Unlike in previous years, the demand dynamics are not fully backed up by the incoming supply. Despite the general trend towards the decrease of the tenants' footprint, with only three major office projects waiting to be delivered in 2023 and a 60% share of pre-leases in the buildings under construction, a shift in market position towards landlords in the segment of high-quality office premises is expected. In addition, no developments in the active construction stage are expected in 2024 and 2025. Decreases in vacancy are anticipated for projects classified as A+, specifically, those compliant with ESG requirements and located in the CBD area. Older Class A and B office premises, on the other hand, are seen to be in a more challenging position mostly related to being unfit for the corporate standards of the largest tenants and significantly higher service charges compared to newer sustainable developments. Some of the least efficient projects are seen to be forced to either undergo substantial refurbishments or change their current uses.

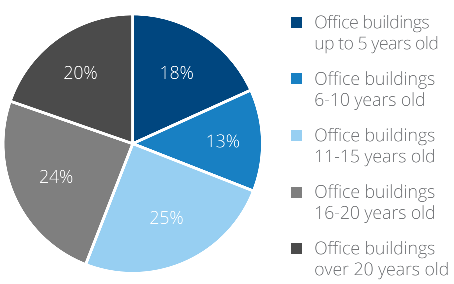
ESG landscape

In terms of the investment attractiveness of the office buildings of various age groups, institutional investors are mostly looking for newer core products (up to 5-7 years old), whilst local players pursuing a value add strategy go for the older schemes with the potential to increase profitability through refurbishments and changes in the building management. It is estimated that 40 buildings with an area of around 723,300 m² are certified with either LEED, BREEAM or WELL. Out of those, 17 buildings with a total area of over 300,000 m² are classified as A+. BREEAM Outstanding certification is granted to Twin City Tower and Pribinova 40, whilst Ein Park Offices is LEED Platinum holder.

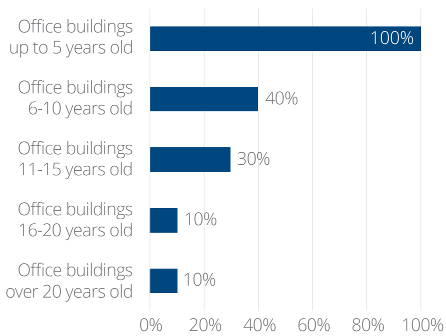
Capital city office market by age, H1 2023

	Existing supply (m²)	Vacancy rate (%)	Asking rents (EUR/m²/month)	Service charges (EUR/m²/month)
Office buildings up to 5 years old	367,600	21.00	15.00-17.50	5.00
Office buildings 6-10 years old	256,400	6.00	13.00-15.00	6.00
Office buildings 11-15 years old	503,600	13.00	10.00-13.00	7.00
Office buildings 16-20 years old	492,000	9.00	8.00-10.00	7.00
Office buildings over 20 years old	396,900	7.00	8.00-10.00	5.00

Office stock by age



Frequency of green certificates



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Slovenia
Overview

Ljubljana Office Market

Market balance: **Neutral**
▲ increase, ▼ decrease, ● stable

Total office stock	GLA (m²)
2022	1,010,600
H1 2023	1,022,900
12 mth trend forecast	●

New supply	GLA (m²)
2022	7,400
H1 2023	37,200
12 mth trend forecast	●

Vacancy rate	%
2022	3.00
H1 2023	3.00
12 mth trend forecast	●

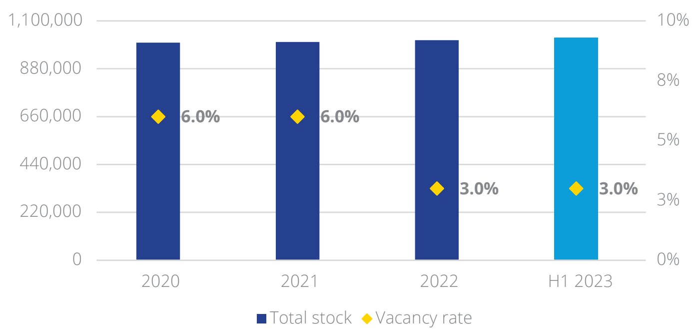
Take-up	Gross (m²)	Net (m²)
2022	36,200	31,200
H1 2023	56,600	49,000
12 mth trend forecast	●	▲

Space under construction	GLA (m²)
Under construction space H1 2023: 86,300	
Major office developers: Corwin, Hram naložbe , OTP Emonika,	
Other major office markets: Koper, Maribor	

Projects under construction	GLA (m²)
Vilharia	40,000

Lease terms, H1 2023	
Typical lease term	5 or 7 years
Rental rates: Class A in EUR/m²/month	18.00
Rental rates: Class B in EUR/m²/month	13.00
Rent indexation: HICP or local CPI; capped?	HICP
Service charge average rate: Class A in EUR/m²/month	4.50
Service charge average rate: Class B in EUR/m²/month	5.50
% of change in service charge in past 12 months	50.00
Price trend in service charge components (past 12 months)	
Utilities	▲
Waste disposal	▲
Wages of maintenance staff	▲
Public fees & taxes	▲

Total office stock (m²) evolution and vacancy rate (%)



Market update

Since the beginning of 2022, there has been a significant interest in office space, marking the most substantial growth in this sector over the past two decades. It is however also the time, when the market had experienced a new supply gap. Main reasons include lack of availability of good located land plots for development, high land prices, high communal charges and stagnant rental levels. All of the factors combined are challenging to prove office building to be a feasible investment. The current landscape is witnessing the commencement of several major projects, with more in the pipeline. One of the main challenges for office landlords includes offering appropriate expansion opportunities for the tenants that are in need for a larger premises – which in some cases forces such tenants to build-to-suit projects.

Projections indicate an anticipated increase in development activities over the next 2-3 years. This is primarily attributed to the growing demand for modern A-class office space equipped with certification, driven by the prevailing scarcity of such properties in the market. Notably, the vacancy rate within A-class buildings stands at a 3%, largely due to the preference of many employees for working in an office environment.

A visible trend is emerging where numerous global tenants are downsizing their office premises.

ESG landscape

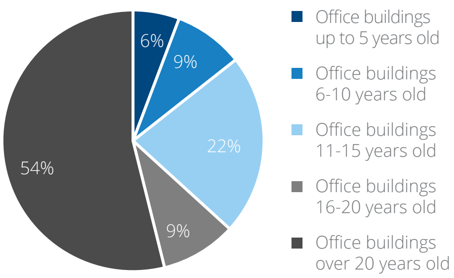
Ljubljana market is characterized by a significant share of older office buildings that are struggling to meet the new demand and technical requirements from office tenants. Low vacancy is present on both markets making these market segments more landlord favorable.

New sustainable and ESG compliant policies and directives are enforcing (international) companies to re-evaluate their offices and how current buildings are responding to those new directives. Other than that, new ways of working typically require concept and layout redesign, which existing buildings sometimes cannot meet. In contrast, the new developments can accommodate the needs of tenants and occupiers to their fullest and in accordance with their tailor-made requirements.

Capital city office market by age, H1 2023

	Existing supply (m²)	Vacancy rate (%)	Asking rents (EUR/m²/month)	Service charges (EUR/m²/month)
Office buildings up to 5 years old	60,100	n/a	15.00-18.00	4.00
Office buildings 6-10 years old	90,300	n/a	13.00-14.00	4.50
Office buildings 11-15 years old	234,900	n/a	12.00-13.00	4.50
Office buildings 16-20 years old	97,900	n/a	11.00-12.00	5.00
Office buildings over 20 years old	564,500	n/a	9.00-10.00	5.50

Office stock by age



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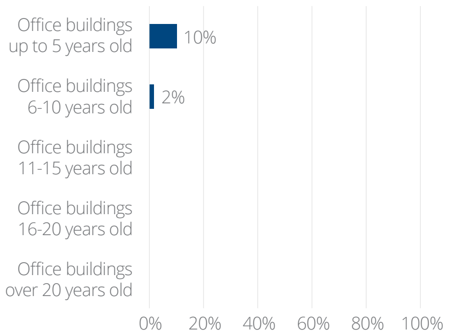

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CEE | 2023/2024

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