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OFFICE SPACES IN BRATISLAVA

KANCELÁRSKE PRIESTORY V BRATISLAVE

Abstract

While there is currently a shortage of available Class A space in Bratislava, this is relatively short - term situation. Overall real estate market remains in rough equilibrium and rents are likely to remain stable for the next 12 – 24 months. However, additional 125,000 sq m of new A Class office area may occur within next 18 months.

Abstrakt

Hoci je v súčasnosti v Bratislave nedostatok kancelárskych priestorov triedy A, ide o relatívne krátkodobú situáciu. Celkovo realitný trh ostáva zhruba v rovnováhe a nájomné v najbližších 12-24 mesiacoch ostane pravdepodobne stabilné. V najbližších 18 mesiacoch pribudne okolo 125 000 m² kancelárskych plôch triedy A.

Key words

Real estate market, office spaces, classification of the office spaces, central part of the city, rents, developer companies.

Kľúčové slová

Realitný trh, kancelárske priestory, klasifikácia kancelárskych priestorov, centrálna zóna mesta, nájomné, developerské spoločnosti.

1 INTRODUCTION

Colliers experts relatively wild vacancy rate swings to continue for the next several years as the market grows to point where the delivery of one or two projects does not have a profound impact on the market in the Capital of Slovakia. In 2005, approximately 57,500 sq m of Class A office spaces was delivered in Bratislava, increasing the total Class A stock to some 395, 000 sq m. At the end of 2005 the Class A vacancy rate was 10,7 %, however this was fall to 8,2 % by the end of June 2006. During 2006 some 74,000 sq m of new supply was forecast.[1]

2 CLASSIFICATION OF THE OFFICE SPACES

Classification of the office spaces comes out from the internationally accepted regulations and it identifies three stages:

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A- high standard: modern or reconstructed building in a good location, air-condition, stylishly furnished interiors, electronic fire signaling, underground parking spaces or parking spaces in the area of the building, good connection for freeway and public transportation.

A+ top class: highest criteria of European and World standard. Between bonus services belong modern air-conditioning systems, back-up sources, EFS (electronic fire signaling), measuring and regulation of climatic conditions and lighting, double flooring, phone gateways, computer networks LAN, internet connected through optical cables etc. Mostly these are areas in so-called intelligent buildings.

B- acceptable standard: one or more evaluation factors needed for A-Class is missing.

C- low standard: out-of-date (old fashioned) building which doesn't fulfill followed evaluation factors.

3 CENTRAL PART OF THE CITY

Old Town (Staré Mesto) is both a pedestrian district and a not suitable location for most office tenants. Character and layout of the area prohibit development of large – scale new developments. Several rather small buildings were delivered in Old Town in 2006. Two large buildings were also completed on adjacent lands of SNP and Hodžovo Squares. On Štúrova Street, the Pressburg Trade Center (with approximately 12,200 sq m office and some 1,200 sq m retail space) was delivered by Austrian developer Soravia. The 4,500 sq m Astoria Palace by local developer IPR was completed on Hodžovo Square. During 2006, Urbia Holdings was finished the renovation to a Class A of two buildings (Opera Palace and Passage House) with 3,900 sq m in total on Hviezdoslavovo Square. Local developer Merius was handed over two small but very high quality buildings with a total area of 1,900 sq m on Štefanikova Street.

4 PROSPECTIVE LOCATIONS

There are four main non – central areas with a concentration of office developments and/or significant development potential. The area along and between streets Vajnorská and Trnavská in New Town (Nové Mesto) has many built – to – suit and refurbishment office projects and Slovenská sporiteľňa (Slovak Savings Bank) is constructing its new headquarters in this area. Construction of the Lakeside development was begun in 2006.

In Petržalka, Digital Park's 12,300 sq m in first phase was completed on Einsteinova Street in September. Further on, the 3,400 sq m Plus Centrum on Panónska Street was completed in the second half of the year. Linder's 11,600 sq m Business Centrum II near the Avion Shopping Center and the airport was the only major building to deliver during the second half of 2005 in Bratislava and was quickly fully leased out. On the west side of Bratislava, the 5,000 sq m IPP office building was completed in the final quarter of 2006.

The most competitive area of the Slovakia's Capital in terms of office developments is located on the riverside of Danube, just eastwards from the Old Town and the CBD. J&T was delivered the largest building of 2006 during second half of the year. Tower 115 will provide 32,100 sq m office spaces on its 28 floors. HB Reavis is constructing 38,500 sq m in the first two phases of the CBC (City Business Center) project foreseen for delivery during the first

half of 2007. The same company commenced site clearing for another building development adjacent to the Apollo buildings.

Major class A office developments in Bratislava in 2006 [3]

<i>Name</i>	<i>Location</i>	<i>Size (sq m)</i>	<i>Delivery</i>
Passage House	Hviezdoslavovo sq., BA I	1,600	1.Q 2006
Opera Palace	Hviezdoslavovo sq., BA I	2,300	1.Q 2006
Palace II	Štefánikova street, BA I	600	1.Q 2006
Tower 115	Pribinova street, BA I	32,100	4.Q 2006
Pressburg T. Center	Štúrova street, BA I	12,200	3.Q 2006
Digital Park	Eisteinova street, BA V	12,300	3.Q 2006
Astoria Palace	Hodžova sq., BA I	4,500	4.Q 2006
Plus Centrum	Panónska street, BA V	3,400	3.Q 2006
IPP building	Slávičie údolie, BA I	5,000	4.Q 2006

The ground breaking of Park One, the most prominent office and retail project in Bratislava of 2006/2007 took place in November 2005. The new development is being erected at one of the most prestigious capital city locations, on the edge of the Old Town at Kollar Square, just 200 m away from the Presidential Palace and 100 m from the prime downtown shopping area. Park One will total of 12,800 sq m and is due to be completed in Q2 2007. It offers seven office floors with floor plates of up to 1,465 sq m.

5 RENTS

Rents for office spaces range from EUR 10 to 16/sq m/month for Class A buildings and from EUR 8 to 12/sq m/month for Class B buildings. Top asking rents are currently EUR 18 – 20/sq m /month for well located, top quality offices – in particular in CBD.

According to this year's edition of Office Spaces Across the Word, annually published by the real estate consultancy Cushman & Wakefield, prices of office still growing worldwide. Compared to this in Prague they remain stable. Discontinuous innovation brought Asia with the second place. Within the frame of Central European metropolises Prague's and Bratislava's competitiveness is growing because of relatively cheap office space.

World's most expensive office space locations [4]

*EUR per sq m per year

2005	2004	Country	City	Total occupancy costs *
1	1	United Kingdom	London	1,636
2	4	China	Hong Kong	1,200
3	3	Japan	Tokyo	1,170
4	2	France	Paris	1,009
5	5	Russia	Moscow	748
6	6	Italy	Milan	663
7	11	United States	New York	584
8	8	Switzerland	Geneva	570
9	13	South Korea	Seoul	568
10	7	Sweden	Stockholm	568
11	18	India	Mumbai	562
12	9	Ireland	Dublin	531
13	19	Kuwait	Kuwait City	500
14	17	Australia	Sydney	487
15	12	Germany	Frankfurt	471
16	21	Brazil	Sao Paulo	467
17	14	Spain	Madrid	459
18	16	Netherlands	Amsterdam	447
19	23	China	Shanghai	421
20	10	Greece	Athens	404
31	31	Hungary	Budapest	314
32	35	Israel	Tel Aviv	313
33	24	Poland	Warsaw	311
34	29	Finland	Helsinki	300
35	36	Romania	Bucharest	298
36	40	Venezuela	Caracas	274
37	34	Czech Republic	Prague	270
38	38	New Zealand	Auckland	268
39	49	Argentina	Buenos Aires	263
40	43	Slovakia	Bratislava	240
41	37	Croatia	Zagreb	240
42	44	Turkey	Istanbul	238

Nearly EUR 1,640 per year is the cost of occupying one square meter of office space in London's prestigious Mayfair district. The second most expensive office location in the world is Hong Kong, where rents have almost doubled since last year. Asian business centers space have been growing – they now occupy two out of the top three places, pushing Paris into fourth. Asia is undergoing a period of colossal boom. Whereas in Europe rental rises have been in the order of a few per cent, in Asian metropolises they have gone up by tens of per cent. In Hong Kong, for instance, rents have nearly doubled, from EUR 637 per sq m per year in 2004 to EUR 1,200 in 2005. Price growth has been underpinned by the immense shift of business activities to Asia, mainly in the service sector.

6 CONCLUSION

Rents in the centre of Prague remained unchanged in comparison with the year 2004, at EUR 270 per sq m per year, in Bratislava is EUR 240 per sq m per year. Relatively cheap office space means a competitive advantage for the Czech Republic and Slovakia. This applies on both the global and Central European scale. Poland, Hungary, and even Romania, are today more expensive destinations than Czech Republic or Slovakia. As a result, we can be successful in attracting leading global companies with requirements for office spaces lease.

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