



Prologis Park Bratislava

STORAGE LAND

Logistics Market Slovakia. It is one thing to write about a warehouse of 60,000 m² and something entirely different to stand inside it. I had the opportunity to do so and was most impressed. You could fit 9.5 international standard football fields in this 10-meter tall structure, or alternatively 300,000 bathtubs. What is happening on the Slovakian logistics market? An on-site report.

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„The time loss compared to Vienna is quite acceptable.“

The logistics real estate market is booming in Slovakia. The driving force behind it is the exceptionally successful automobile industry with numerous large investments combined with the well-developed infrastructure in Slovakia. Jaguar Land Rover is the fourth automobile company building a factory here. This means new suppliers and the need for more transport and storage services. There is also a demand from the retail sector that is faced with increased online business and has to enhance its own logistics.

Favourable Location

The logistics field is presently concentrated around the greater Bratislava region as well as along the D1 and the D2 motorways encompassing around three-quarters of the modern warehouse and logistics spaces. I met Sebastian Scheufele, the Managing Partner of Modesta Real Estate, in Senec at the D1 and

together we made our way to the Prologis Park Bratislava in Senec – the first stop of our short round trip. He proudly explains that, “since a 22.6 ha piece of land adjacent to the already existing logistics park has been bought in the second quarter of 2016, vigorous construction has been going on there and Modesta is once again involved in the project.”

“Construction on the new logistics hall DC15 consisting of 21,140 m² has already been completed. A further growth potential of modern logistics space of 66,000 m² is possible at the same location.”

Stable rents, good returns

In 2017, for the first time, there are over 2 million m² of modern industrial and warehouse facilities available. A further 174,000 m² are in the process of being constructed, primarily build-to-suit solutions. The 4.33% vacancy rate is very low and continuing to decline.

Depending on the location, the rent prices are between 3.40 and 4.20 Euros per m² a month. Because of the low vacancy rates and the estimated unchanged demand, the rents should remain stable until the end of the year, which is good news for developers and investors alike. Despite a decline of top yields, the returns are partly higher than those possible in Austria.

In Senec we meet with Martin Polak SVP, Regional Head CEE of Prologis, who invites us on a tour. He is visibly proud of his logistics park, which presently comprises of 13 modern halls with over 320,000 m² of production and distribution space.

Austria? Not really!

Would it also be possible to run such an operation in Austria? Having looked into it, Polak is skeptical since too many factors speak against such a commitment in Austria. "One of the drawbacks is the lack of suitable pro-

perties combined with the considerably higher land prices as well as much greater costs for construction and wages. The asking price for a square meter of designated land around Bratislava is about 45 to 60 Euros and a worker earns between 500 and 800 Euros per month. Around Vienna one has to estimate between 120 and 280 Euros per square meter depending on the location. Wages and personnel expenses are also considerably higher than in Slovakia. That is simply not profitable for us. Here in Senec the price range is at 40 to 50 Euros per square meter."

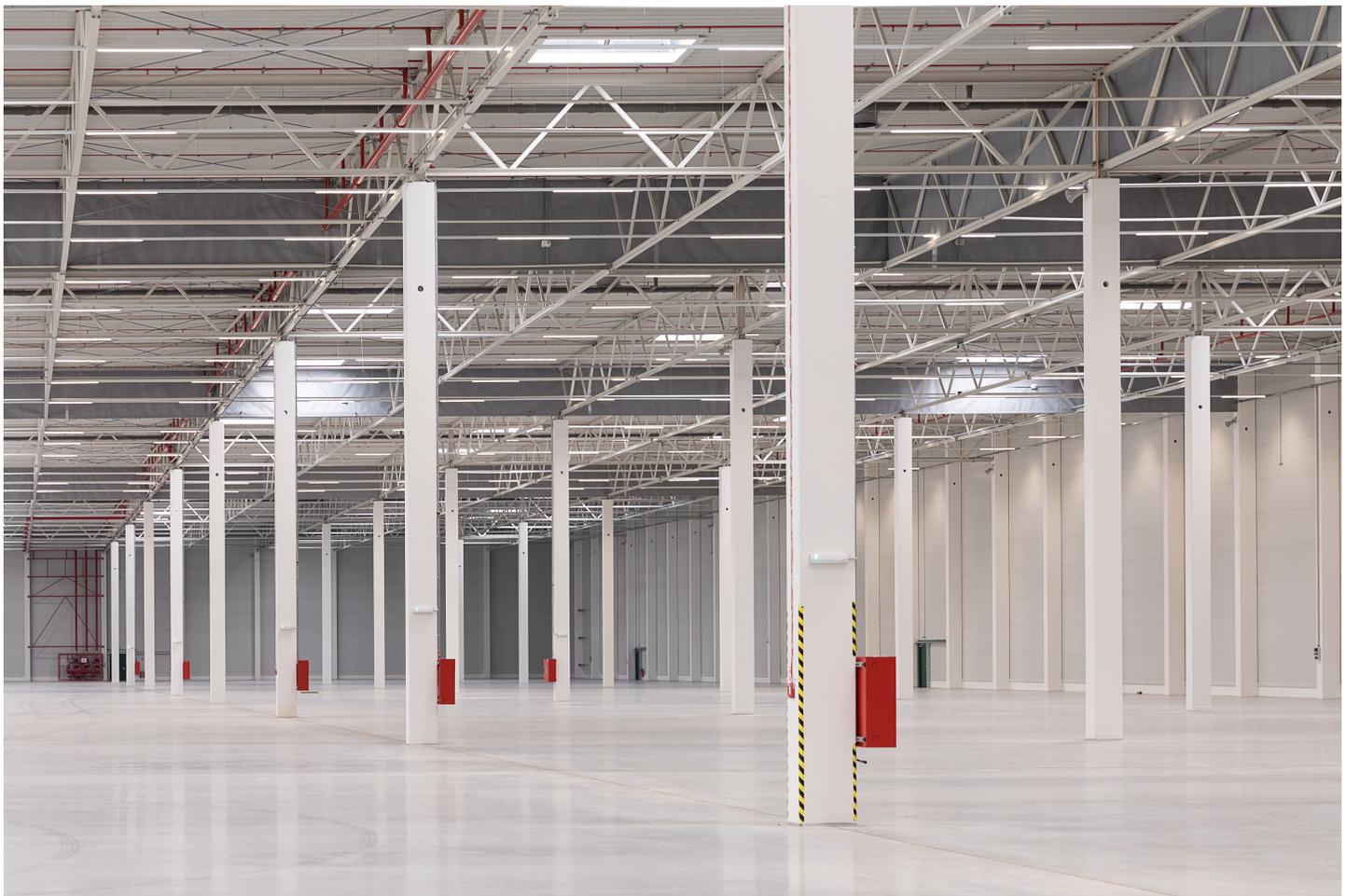
The distances are also of no consequence. "We can reach any destination in Austria within 8 to 10 hours and the time loss compared to Vienna is quite acceptable," says Polak. Furthermore, there is not as much demand from relevant tenants on the Austrian market. "As a matter of fact, most logistics halls in Austria have been constructed for domestic use and the demand from foreign concerns has not

been as high as it is in Slovakia or the Czech Republic. The Austrian market has focused on regional interests, whereby the Slovakian one has concentrated on the international demands," explains Polak.

We pause in front of a nearly completed hall and immediately notice the ample outside facilities. The warehouse was constructed speculatively and had been rented by a leading furniture house from Turkey that had looked for a storage space in Austria as well, but having found nothing appropriate, finally decided on Bratislava.

High security

Because high level of security is a matter of course, the entry controls and surveillance are included. "The park is monitored around the clock." Further security needs are provided by the tenants themselves, such as Samsung that has six additional security guards at all times.





PROLOGIS

Sqm:	63 million
Buildings:	3.322
Customer:	5.200
Employees:	1.600
Countries:	19
Continents:	4
Assets under management:	67 bn Dollar
Year of Foundation:	1983

Further expansion

We continue our tour in a SUV to an adjacent 60 ha plot of land. "This already belongs to us," explains Polak. "As a response to a high customer demand, we have recently acquired the property to ensure further expansion possibilities at this location." Active land-banking is top priority for Polak: "We do not want to be too close to the residential areas, but still near enough to the motorway. For that reason we buy land in close proximity to our logistics parks, because we do not want to risk the residential developers moving in too close." Summing up the ideal location: "As near as possible to the strategically important metropolitan areas, directly accessible to the motorway and reasonably distanced from residential areas."

Thoughts for the future

Prologis relies on internal development: "Instead of buying, we develop our logistics properties ourselves, because we know what we are doing. I am convinced that we construct better facilities than those being sold on the market by inexperienced developers and builders. We build sustainable warehouses that could be used for over 20 years while others build in order to sell them, which makes an enormous difference. We construct the facades, the truck courts and the roofs with high-quality materials, because we take the future of our logistics parks into consideration."

The proximity to the airport is of no importance to the logistics developers: "This might have been the case in the past, but it is no longer so."

The automobile industry is more important than ever in the Slovak economy and is responsible for 43% of the production and 35% of the export trade. The Slovakian car manufacturers produced over a million vehicles in 2016. This accounts for approximately 185 cars per 1000 inhabitants, which is one of the highest in the world. With the planned investment by Jaguar Land Rover Slovakia will reach the absolute production capacity of the Czech Republic.

Volkswagen Slovakia (VW Up, Skoda Citigo, Seat Mii, Audi Q7, Porsche Cayenne, VW Tuareg) with about 400,000 vehicles produced annually is the largest manufacturer. In addition to cars, they make transmissions for other models as well. VW is currently investing around 800 million Euros in the expansion of the three Slovakian production locations. Kia with a factory in Zilina produced around 340,000 cars closely followed by PSA Citroen with over 300,000. With the launching of a new model and the help of a fourth work shift, the French carmaker will increase that number.

Location, Price, Technology

Although all the Prologis properties – including the new DC15 Hall in Senec – are certified according to the BREEAM standards, the certification plays a secondary part when it comes to rentals. “The certification is much more relevant in Great Britain and Western Europe, particularly for investors. In our case here, the decisive factors are the location and the price followed by the technical standards and then BREEAM,” explains Polak. In addition to the further expansion of logistics parks in Slovakia, there are new logistics parks in the pipeline in Poland and in the Czech Republic, which, according to Polak are, “even more attractive for us than Slovakia and Hungary.”

The logistics park Prologis Bratislava is an important economic factor in the region: 25 tenants bring around 3000 employees and another 1000 additional jobs to companies in the surrounding area.

Good nose for business

The ability to succeed with logistics properties is a true art in the field of real estate development. One has to have a good nose for business and be able to take advantage of the opportunities at hand. “This is a process that could take 10 to 12 years,” especially when one has to buy areas of land of such dimension. “There are projects where we have to reach agreement with more than 100 owners.”

Logistics Centers and Parks / 60 kilometer radius around Bratislava	
	Warehouse space in m ²
Prologis Park Bratislava	322.000
P3 Park Bratislava	212.653
Prologis Galanta	185.000
Goodman Senec Logistics Centre	142.000
VGP Park Malacky	105.000
CTPark Bratislava	87.000
Logistics Center Bratislava - Raca	69.500
In Total	1.123.153

„The 60,000 m² amazon warehouse will start operations in the third quarter of 2017.“



Change of scene to Mountpark in Sered

Senec is not the only location under construction. One gets the impression of rows and rows of warehouses in the region. Our next stop is Sered, 120 km from Vienna, where Amazon will soon be opening a new center for returns.

Sebastian Scheufele facilitated the sale of a 28.5 ha logistics site to Mountpark Logistics EU. In the first construction phase, 125,000 m² of ultra-modern logistics area should be built, whereby 60,000 m² have already been pre-

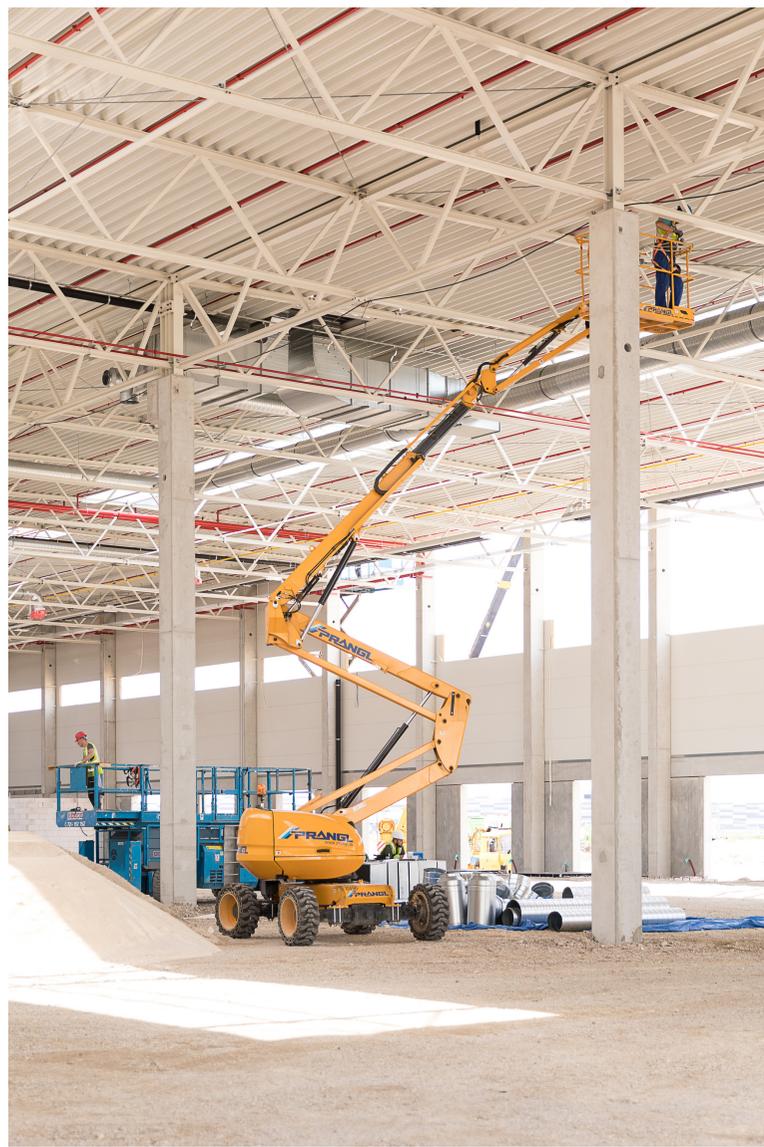
let to Amazon. Because of growing demand, Mountpark is in the final stages of acquiring the adjoining land of nearly 22 ha, which could be developed into 88,000 m² of storage space in the second phase of construction.

This transaction is also being supported by Scheufele, who points out a significant detail: "In the future the park could accommodate giganliner trucks." The so-called "big boxes" are specifically aimed at major tenants. "The logistics center of Sered together with the

MODESTA REAL ESTATE in Bratislava was launched in 2005 as a subsidiary company of the Vienna based MG Real Estate GmbH. From both locations in Vienna and Bratislava, Modesta Real Estate offers the full range of commercial real estate services – not only for Austria and Slovakia, but throughout adjacent countries and the rest of Europe. Since 2005, Modesta Real Estate in Slovakia has advised notable clients such as Prologis, P3, Mountpark, Gebrüder Weiss, Goldbeck, DHL, Carcoustics, Rolls Royce and AXA Real Estate.



Martin Polak SVP, Regional Head CEE of Prologis, and Sebastian Scheufele, Managing Partner at Modesta Real Estate





Mountpark Sered

entire area around Bratislava is characterized by the ideal transport connections and its strategic position in one of most productive areas in Central Europe,” says Scheufele. Amazon has recognized this potential and “the 60,000 m² Amazon warehouse will start operations in the third quarter of 2017,” explains Scheufele as we look around the busy construction site. “After completion, there will be 1000 people employed here and at peak times up to 3000.” ■

„The logistics center of Sered together with the entire area around Bratislava is characterized by the ideal transport connections and its strategic position in one of the most productive areas in Central Europe.“