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Global perspective - Local knowledge

Office market snapshot

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JULY 2023



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MORE THAN 1000
Valuations carried out

MORE THAN 500
Offices rented

MORE THAN 40
Tenant rep mandates
successfully
concluded

19
Hotels sold

MORE THAN 50
Commercial real
estate assets sold

2008
Market presence since
2008

GLOBAL
client base



CONTENTS

- Executive summary
- Slovenia country snapshot
- Office market overview
- Existing supply
- Achieved rents
- Development pipeline
- Office in development
- Office buildings in development
- Back to work
- Occupier breakdown
- Contacts



EXECUTIVE SUMMARY

- Supply of office in Ljubljana has decreased by 21% since our last market snapshot 14 months ago.
- Available space has decreased in all submarkets except Moste Polje.
- There is virtually no Class A space available anywhere in the city.
- Asking prices have increased only slightly in the past year.
- Achieved rents increased by 16% in 2022 compared to the previous year. However they dropped by 3.4% in the first half of this year.
- There is a large pipeline of office projects. Nearly 110,000m² is due to come to market between now and 2026. There are many pipeline projects in planning with an uncertain delivery date.
- Traffic data indicates that most office workers in Ljubljana have returned to the office most of the time following the pandemic. Unlike west and northern European markets, remote working has not been widely adopted.

SLOVENIA COUNTRY SNAPSHOT

Slovenia is known as the last green jewel of Europe. It has spectacular mountains, lush thick forests, crystal clear lakes and rivers, a short Adriatic coastline, and Tuscan style vineyards. It is only 20,273 km², and measures approximately 240 km east to west, and 130 km north to south. The population is a little over two million, of whom 350,000 live in the capital city of Ljubljana.

It is situated to the north of the Adriatic sea, bordered by Italy, Austria, Hungary and Croatia.

The country became part of the Federal People's Republic of Yugoslavia in 1946, before declaring independence in 1991 and moving to market capitalism.

Slovenia is the most affluent of the accession states with estimated GDP per capita at 27,975 EUR in 2022, according to SURS.

2020 saw a 4.2% drop in GDP, due to COVID-19 restriction measures adopted by the government. In 2021 GDP increased due to the elimination of restriction measurement and government help targeting different sectors. 2022 saw 5.4% GDP growth. Slower growth is predicted for the next two years.

Slovenia was the first of the 10 EU accession countries to join the Euro zone, having adopted the currency on 1st January 2007. Slovenia joined the Schengen zone on 21st December 2007, and there are now no borders with Italy, Austria, Croatia and Hungary.

Tourism is the third largest sector of the economy. In 2020 due to COVID-19 tourism experienced a sharp decline (42% less overnight stays). During the high season of 2021, foreign tourist generated 58% more overnight stays than in the high season of 2020, showing signs of recovery, which continued in 2022, when the number of overnight stays got close to prepandemic levels.

Post-pandemic recovery has been hit by strong headwinds from the war in Ukraine, higher energy prices, and supply chain bottlenecks. The strong labour market has led to historically low unemployment and widespread labour shortages. Inflation is predicted to remain high as growth slows.

Slovenia is a member of NATO and the OECD.

MACROECONOMIC DATA AND FORECASTS

	2020	2021	2022	2023F	2024F
GDP (EUR bn)	46.9	52.0	59	62	65,3
Population (mn)	2.10	2.10	2.10	2.10	2.11
GDP per capita (EUR)	22,312	24,770	27,975	29,275	30,792
Real economy change					
GDP (%)	-4,3	8,2	5,4	1,4	2,6
Private consumption (%)	-6.6	9,5	5,4	0,3	1,2
Exports (%)	-8,6	14,5	6,5	2,5	4,7
Imports (%)	-9.6	17,6	9,8	2,2	3,8
Unemployment rate (%)	8.7	7.6	5,8	5,5	5,3

Source: UMAR SURS

Tourism indicator - number of overnight stays

	2019	2020	2021	2022
Total	15.775.331	9.204.374	11.251.158	15.581.856
Domestic tourists	4.404.565	5.850.018	6.456.686	5.506.772
Foreign visitors	11.370,766	3.354,356	4.794,472	10.,75,084
High season* Domestic	1.613.922	3.496,146	3.372,575	2.245.919
High season* Foreign	5.510.558	1.689,753	2.895,896	5.427.414

*high season includes June, July and August.

Number of overnight stays from 2018 to 2021. Source: SURS

OFFICE MARKET OVERVIEW

- In Slovenia there is around 9,009,000 m² of office space, according to data from 2022. A high percentage of commercial real estate transactions are for office, representing 45% of sales and 60% of leases.

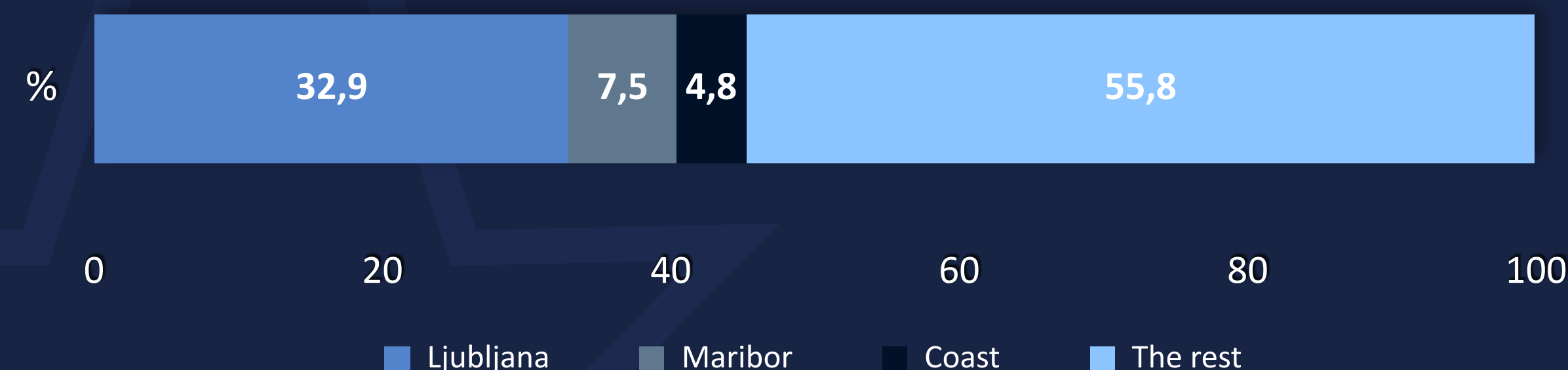
- 32.9% of office space is located in Ljubljana representing 2,871,000 m² or 10m² of office space per resident. Most of the office buildings were constructed in the Yugoslav era, before 1991. The ownership of such buildings is mostly fragmented.

- Lease contracts are commonly signed for a short period of time (less than 5 years). There is little vacant space in Ljubljana, more in Maribor and other towns, with the exception of coastal towns where there is a shortage.

- When Slovenia joined the EU in 2004, two important changes had a big impact on the Ljubljana office market. First, many international companies opened branch offices, creating demand for quality office space. There were very few Class A office buildings then, and space traded at up to 22€/m²/month. Second, local banks gained greater access to interbank borrowing which made it easier for local developers to raise finance for new projects. Office buildings sprung up all over Ljubljana in response to these changes, some in quite unlikely places. Between 2008 and 2010, over 110,000m² came to market - a large amount for a small city.

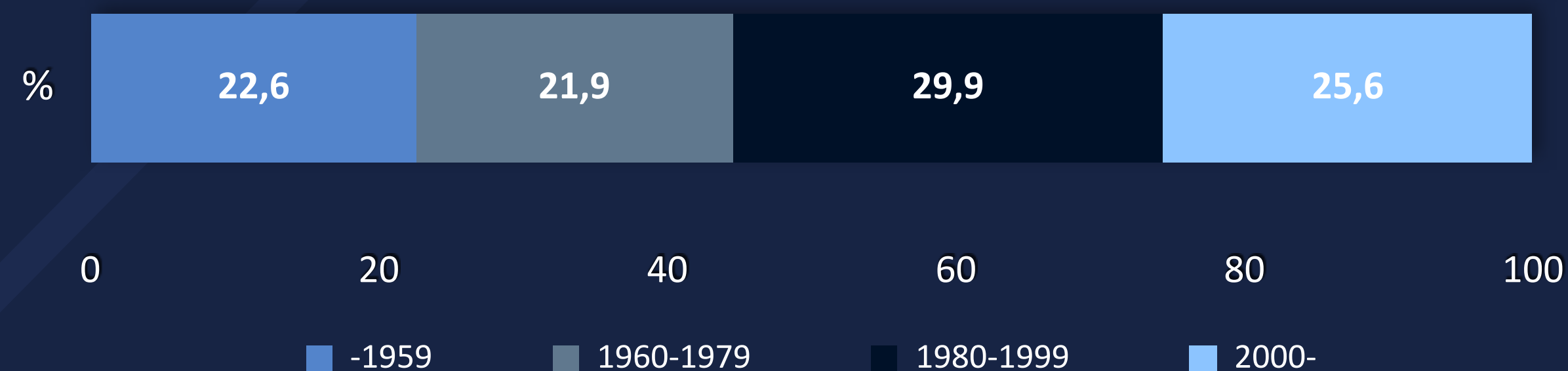
- Predictably, the oversupply of new buildings caused a crisis in the office market and rents plummeted. Office developers were forced to give generous incentives to tenants including rent free periods, discounts, and free fit outs. It has taken many years to fill up the new buildings, but now there is no Class A space left.

The share of office found in different areas



Source: Poročilo o slovenskem trgu poslovnih nepremičnin za obdobje 2020-2022

The share of office in Slovenia by year of construction



Source: Poročilo o slovenskem trgu poslovnih nepremičnin za obdobje 2020-2022

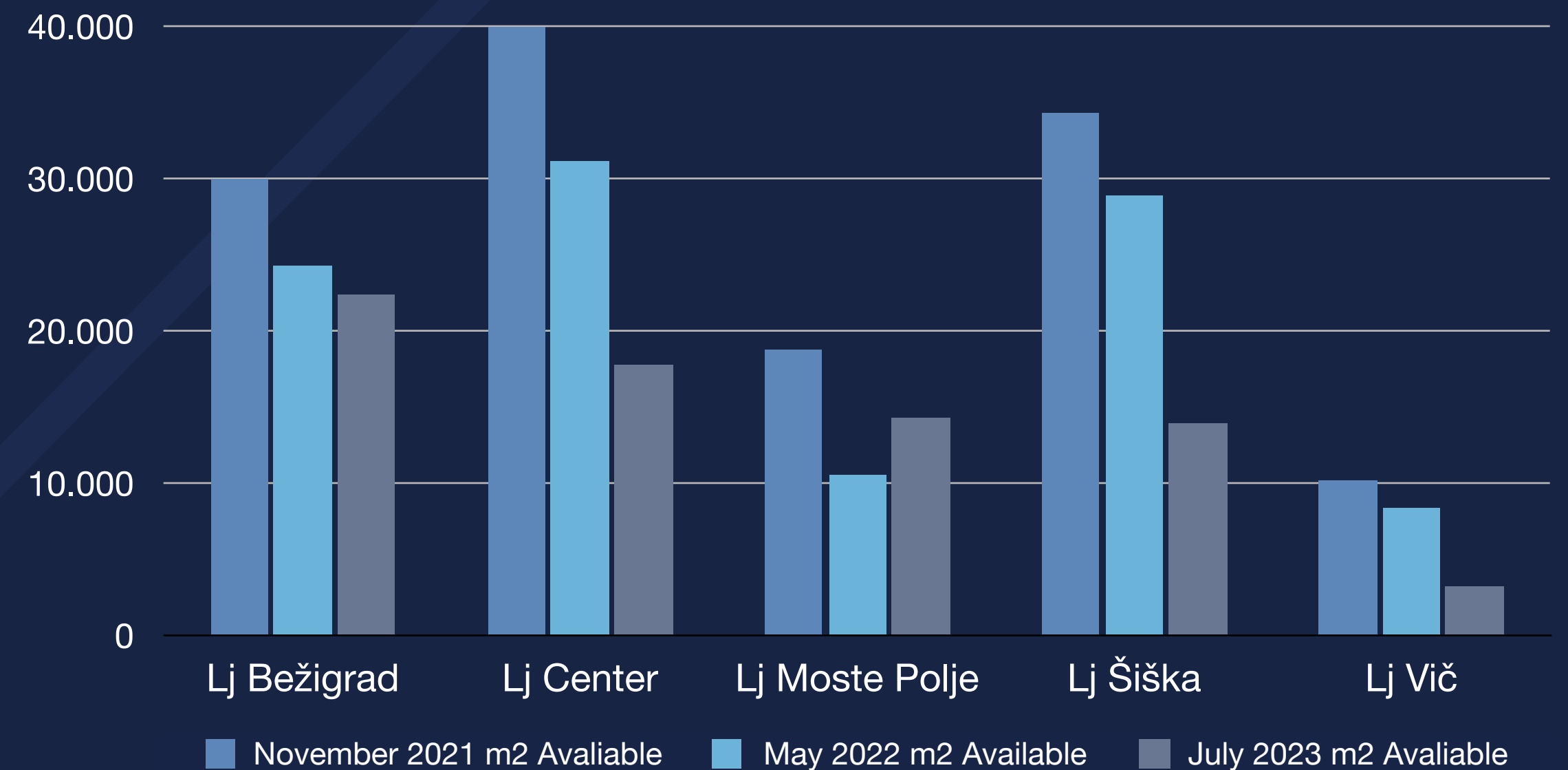
EXISTING SUPPLY

- Due to the relative immaturity of the office market, there is no historical data on the supply of office space in Ljubljana.
- The current average asking price in Ljubljana for office, according to data on nepremicnine.net, is 12.21 €/m2. This represents a slight increase in asking prices compared to May 2022.
- There is currently more than 81,000 m2 of vacant space advertised for rent in Ljubljana, representing a decrease of 21% since our last office market snapshot in May 2022.
- Available space decreased in all submarkets except Moste Polje, compared to last year's data.
- There is virtually no Class A office space available anywhere in Ljubljana

Submarket in Ljubljana	March 2021 AVG asking price	May 2022 AVG asking price	July 2023 AVG asking price
Lj Bežigrad	10,73	11,33	12,68
Lj Center	12,81	13,54	13,49
Lj Moste-Polje	11,02	11,18	11,60
Lj Šiška	9,64	11,45	11,53
Lj Vič - Rudnik	10,73	11,03	11,75
Ljubljana	10,986	11,706	12,21

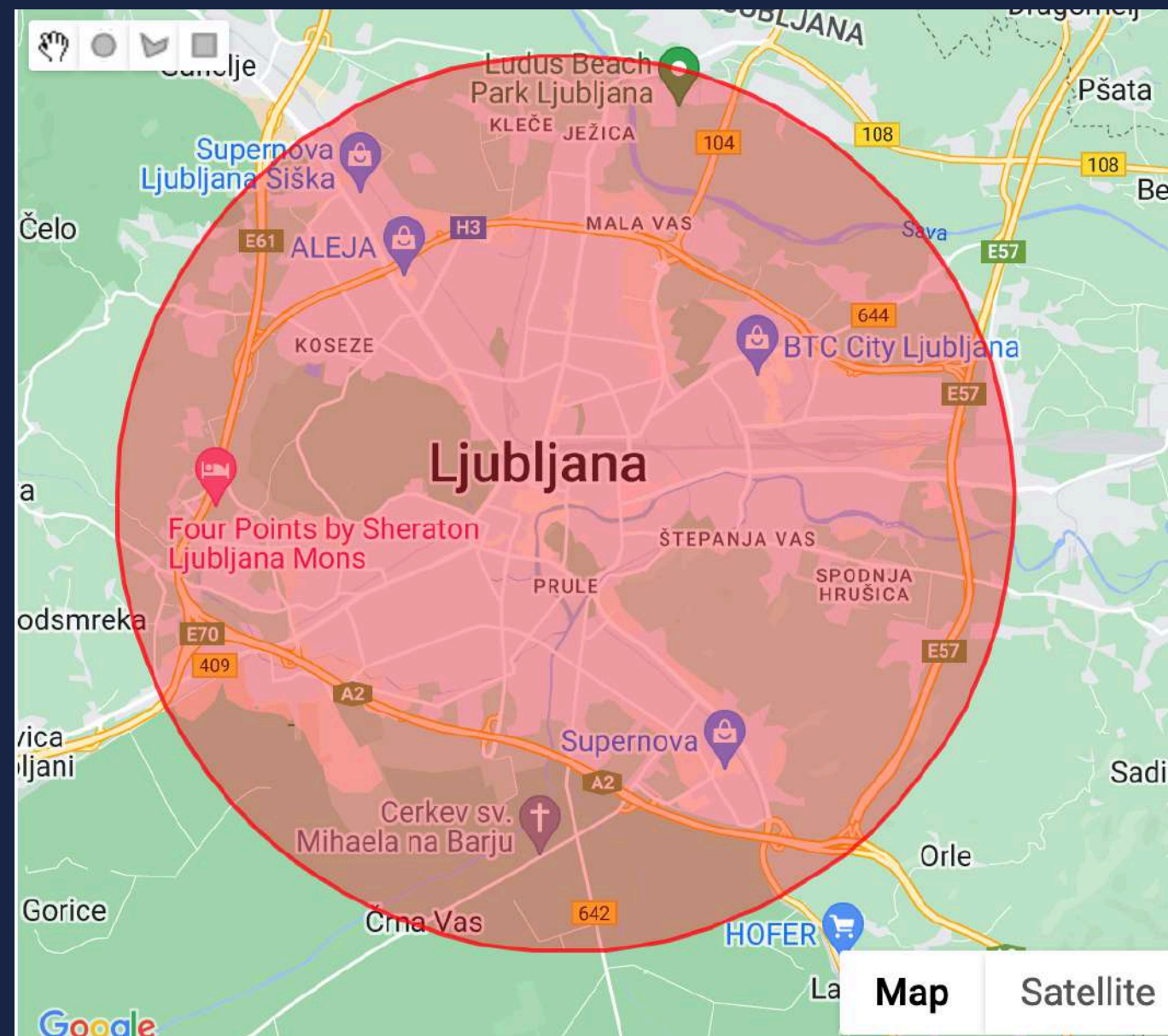
*Figures present €/m2/month

Source: nepremicnine.net, 13.7.2023



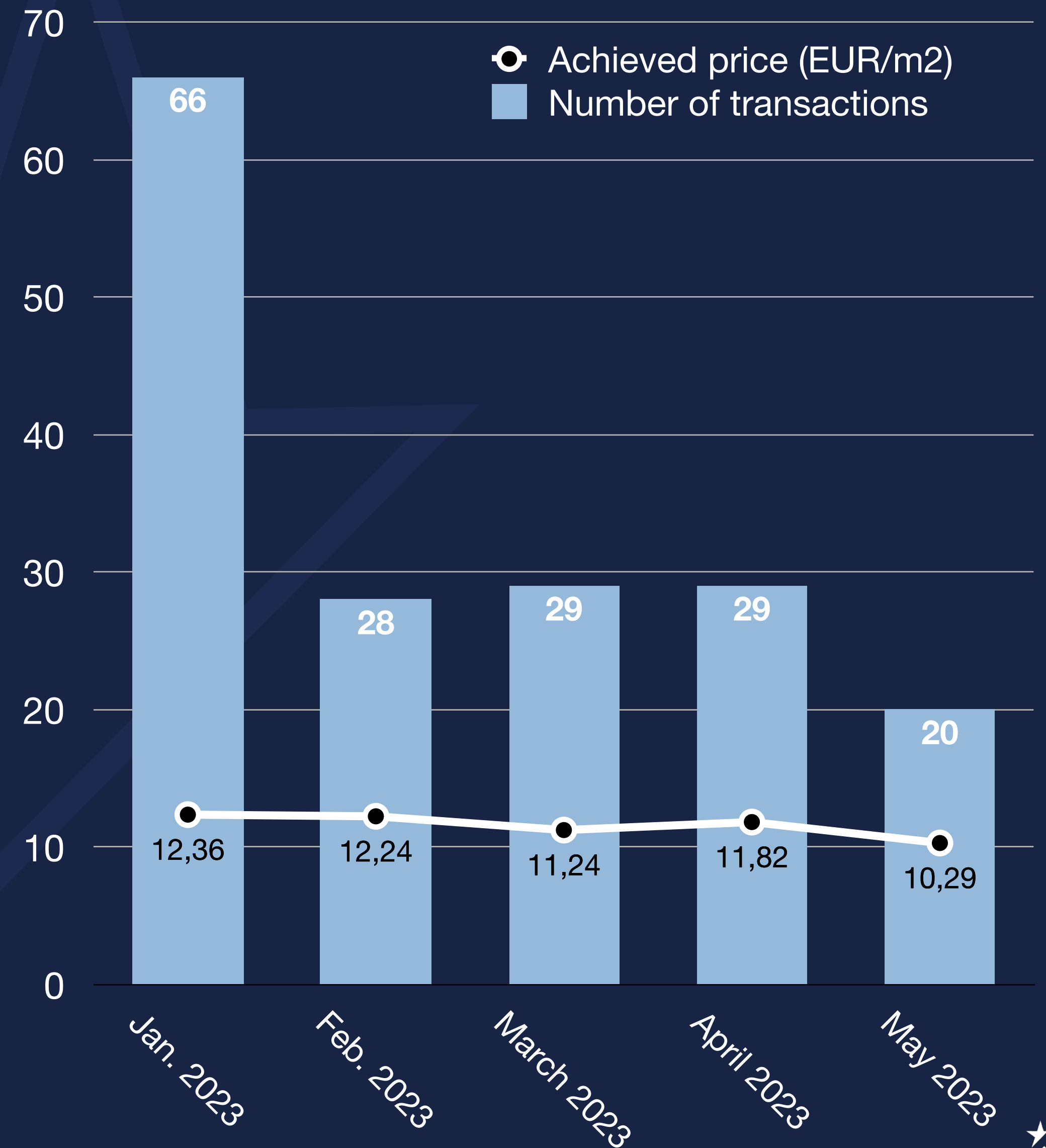
ACHIEVED RENTS

- The average achieved price in Ljubljana in 2022 was 12.00€/m², representing an increase of 15.99% compared to 2021. In 2023 the average of achieved price so far is 11.59€, which represents a 3.4% decrease on the previous year.



Source: veluer.si

Achieved price of office space in Ljubljana



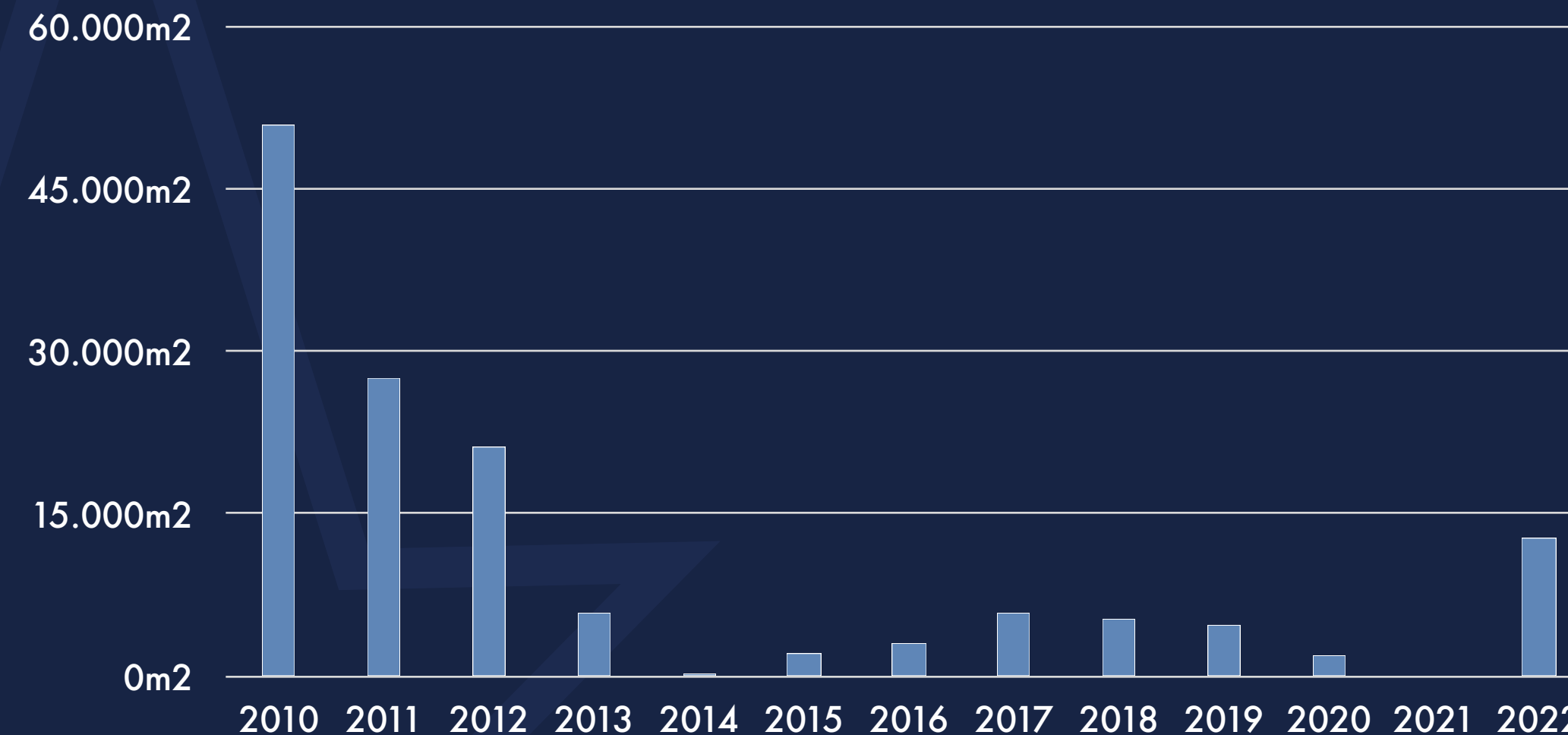
Source: valuer.si

DEVELOPMENT PIPELINE

- The only major new office building in 2019 was the 4,658m² Golden Palace in Stegne. A 2,000m² extension to Dunajska Residencja on Dunajska Street was available from September 2020.
- Strabag developed an 8,000m² office project at the north end of Dunajska Street in 2022, which was sold to a local fund. They occupy half and the other half is rented to other tenants.
- Poslovni center Bežigrad or so called PC Tiskarna is the result of a renovation, with an additional 4,700m² of office space, finished in 2022. It was recently bought by Joc Pečečnik's gaming company for 16m€, and comprises 6,600 m² of office space.
- Quadro business centre in Litostrojska, comprising more than 18,000m², is also expected this year. It was recently sold to ALFI RE and CBE Invest and will be rented on a long term lease to tenant Sportradar.
- Mixed-use project Palais Schellenburg is currently under development in the city centre and will bring 6,000m² of office space to market early next year.
- DimnikCobau is developing the Montana office project in BTC of approximately 14,000m², with delivery due in 2024.
- An extension to existing office building Rotonda at the end of Dunajska street near Ljubljana ring road is in the planning phase. It will bring 3,500m² of office space on four additional floors.

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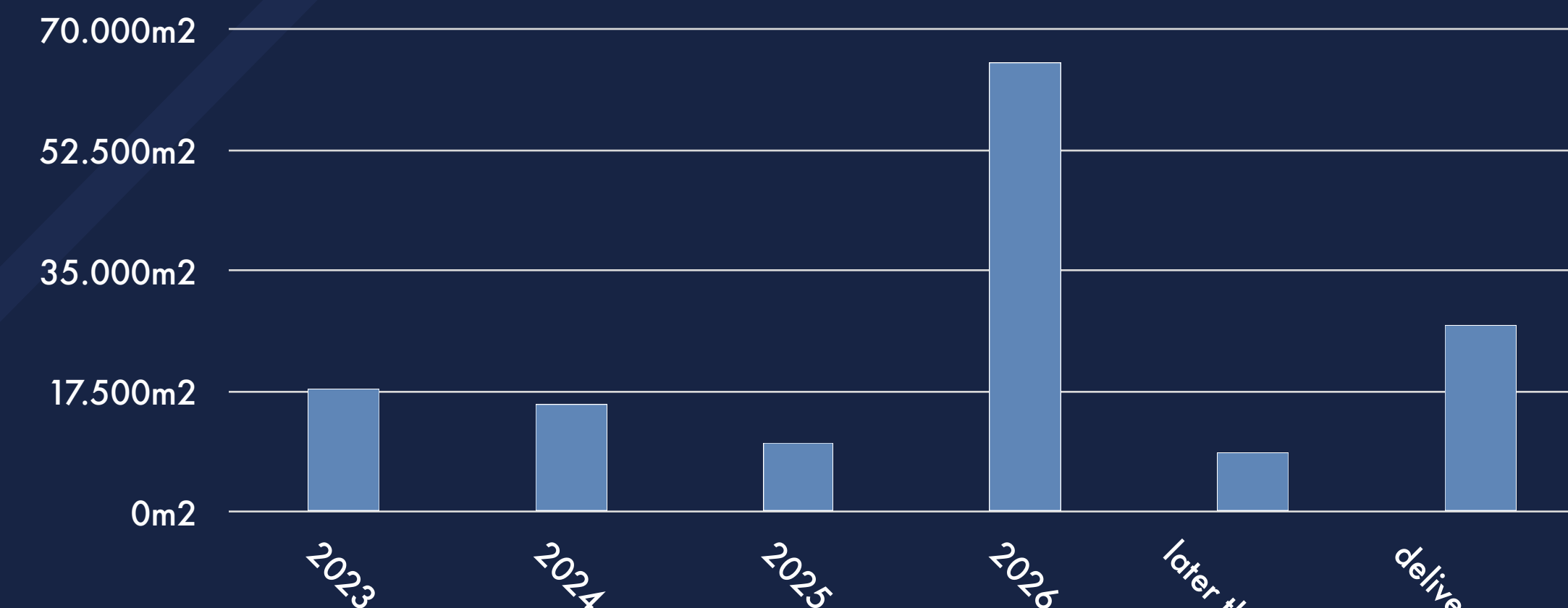
New office completions 2010-2022



*m² of office space in Ljubljana, REN metadata

Source: Proval

Office spaces in development

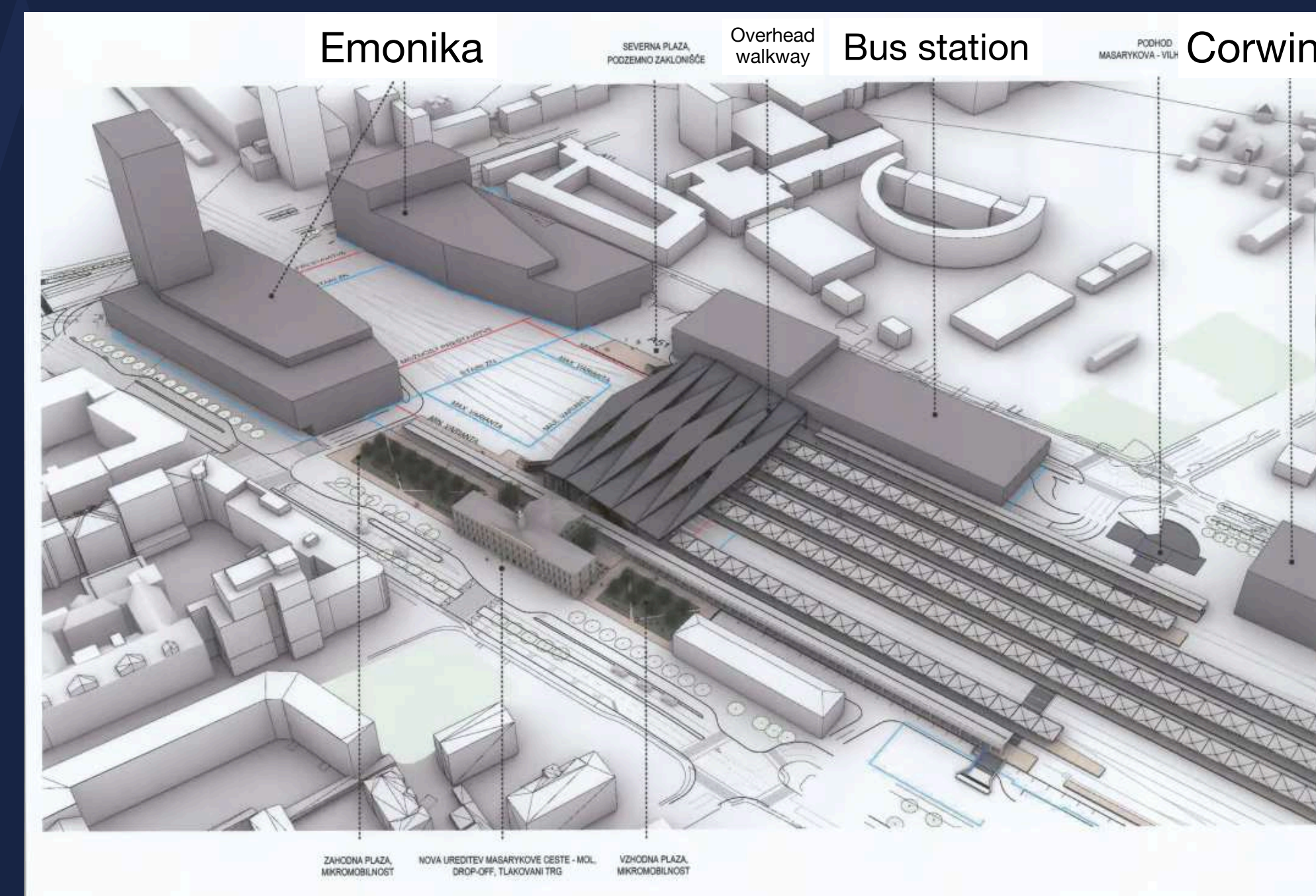


*m² of office space in Ljubljana; these represent current estimated areas for various projects with confirmed years of completion

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- The construction of Poslovni Center Šiška, which lies on the ring road near the north junction with Celovška cesta and comprises 9,500m² of office space, is also in the planning phase with an uncertain delivery date.
- The largest redevelopment project in Ljubljana is the construction of a new passenger centre to replace the existing bus and train station. The project comprises 3 separate parts with different investors:
 - An upgrade of public train station and railway infrastructure (DRSI)
 - A new bus station and commercial building with garage that will comprise about 10,000 m² of office space and 3,000 m² of retail, will be occupied by Slovenian Railways employees (SŽ d.o.o.).
 - The city centre Emonika mixed-use scheme that will deliver approximately 32,000m² of office space, plus retail, residential and hotels in 2026. (Mendota Invest d.o.o.)
- Another pipeline project is Stolp Severnica, at the south junction of Celovška Street and the ring-road. It will comprise 14,000m² above ground, in a 24-storey tower. It is currently in the planning phase.
- Slovakian Corwin will deliver approximately 35,000m² on Vilharjeva, in their Vilharia scheme, on the periphery of the city centre, at the beginning of of 2026.
- Linhartov Kvart is another project by Corwin, currently in early planning stage. It is located directly behind the Triglav office building, surrounded by Linhartova, Železna, Dunajska and Vilharjeva Streets. It is intended that there will be a total of 8,535m² GLA of office, plus retail, terraces and storage. The intention is to deliver the project in 2028.



New passenger centre



Linhartov Kvart property

OFFICE IN DEVELOPMENT

Name of the building	Short description	Date of usage permit is expected	Space available	Distance from city centre	Green certified
Quadro	6-storey office building	2023	Up to 18,000m2	3.8 km	
DCB MONTANA	9-storey office building	2nd half of 2024	10,500 m2	5 km	DGNB Gold
Palais Schellenburg	6 - storey office building in the city centre	2024	5,170 m2	300 m	BREEAM sustainability assessment method
New Ljubljana main station	Business building inside the complex of Ljubljana bus station	2025	10.000	1 km	
Vilharja	5-storey office building	Beginning of 2026	33.392 m2	2 km	LEED Platinum Certificate, 1st carbon neutral building in Slovenia
Emonika in 2 separated towers	North HQ demise (9-storey)	2026	16.573 m2	500 m	BREEAM sustainability assessment method
	South tower (22-storey)		15.138 m2		
Linhartov Kwart	Mixed use scheme	2027/2028	Total of 8,535m2 GLA of office	1 km	LEED certified green building
Rotonda extension	4 additional floors planned	Uncertain	3500 m2	3.5 km	LEED Platinum Certificate
Polaris tower (Stolp Severnica)	25 storeys planned	Uncertain	up to 14.000 m2	3.4 km	Leed platinum
Poslovni center Šiška	3-storey commercial building	Uncertain	9,500 m2	3.7	B1 or higher energy class

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Completed in: 2023 2024 2025 2026 or later/delivery date uncertain

OFFICE BUILDINGS IN DEVELOPMENT



Palais Schellenburg



Vilharia

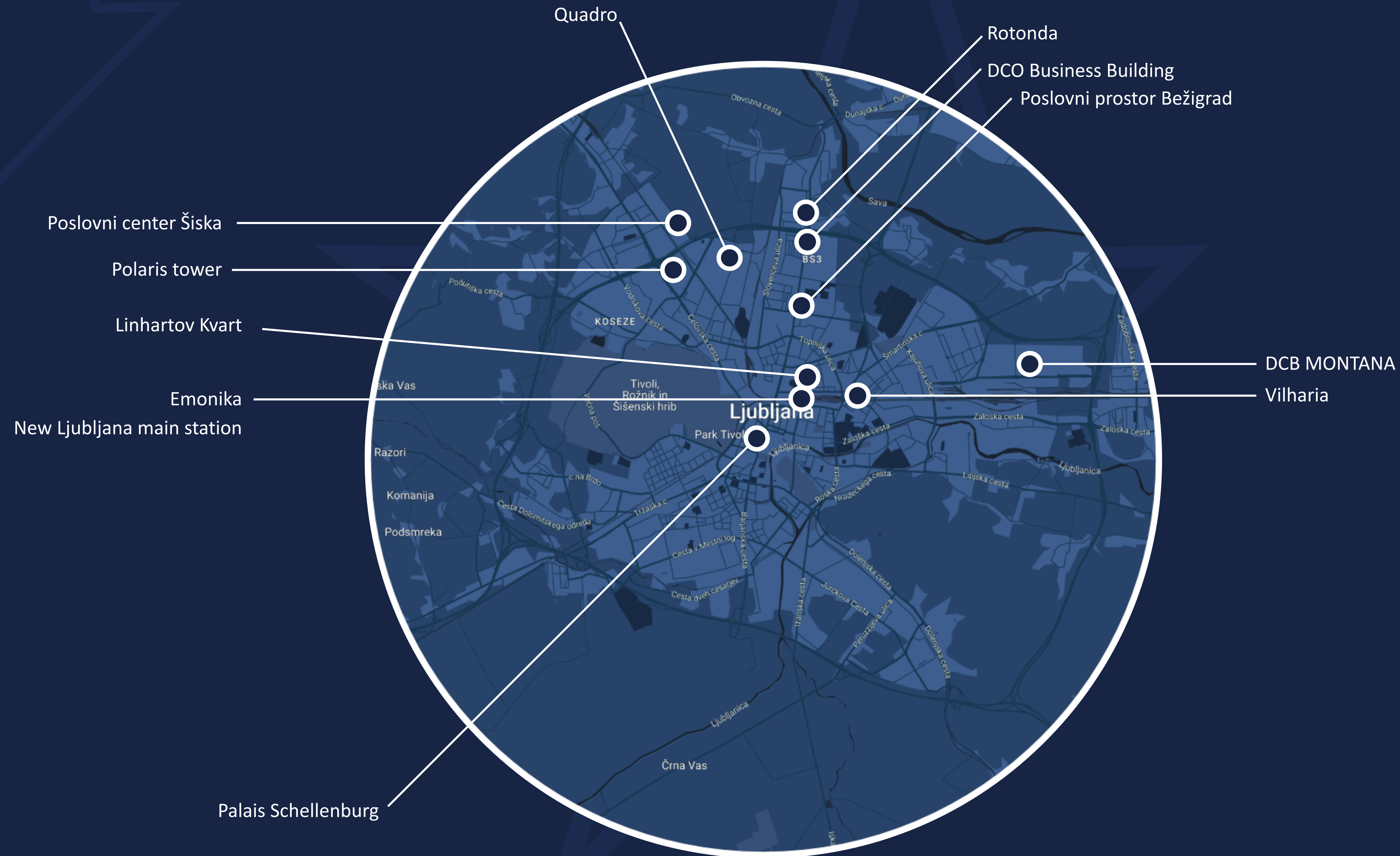


Emonika



Rotonda

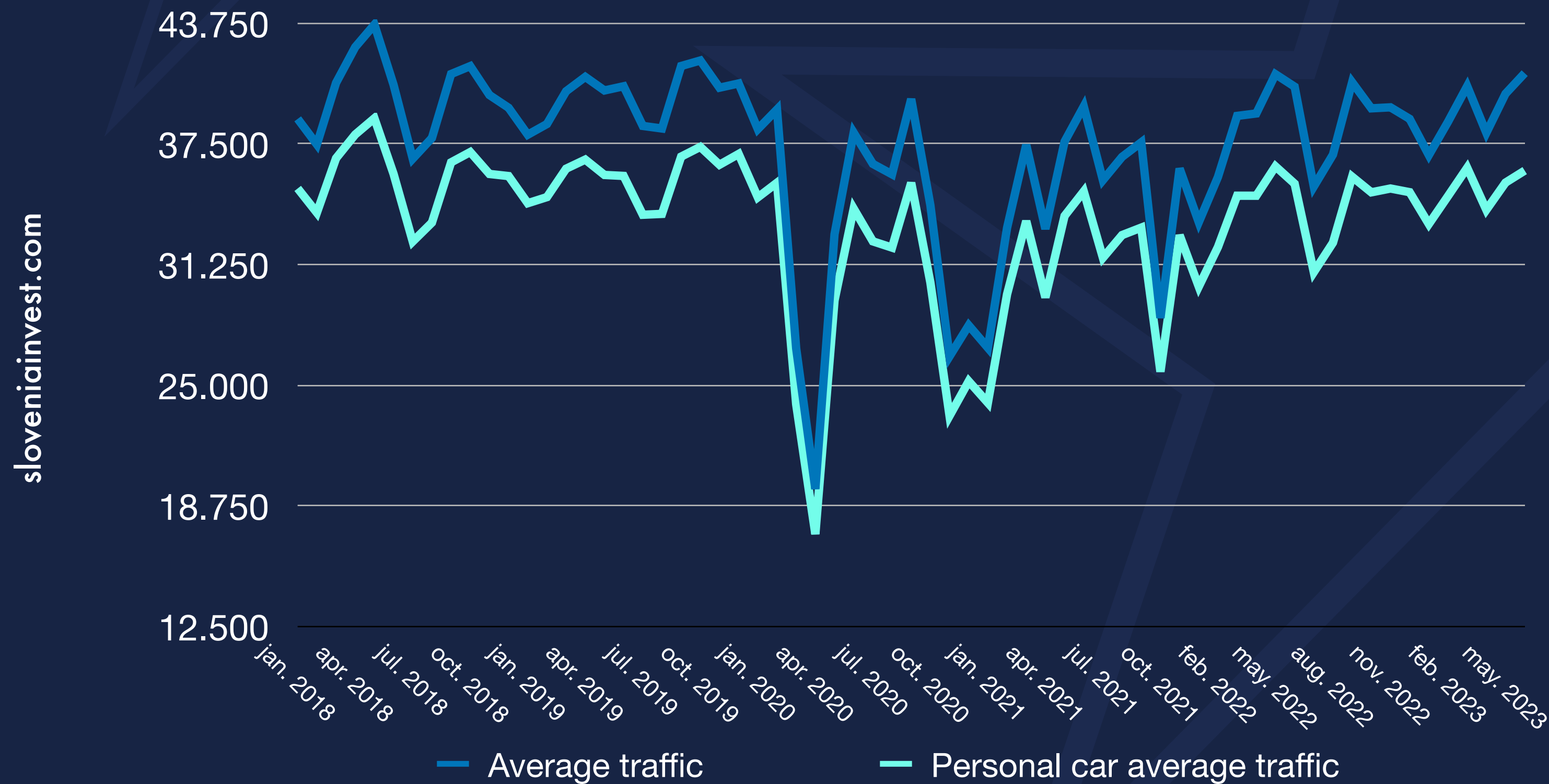
OFFICE BUILDINGS IN DEVELOPMENT



BACK TO WORK

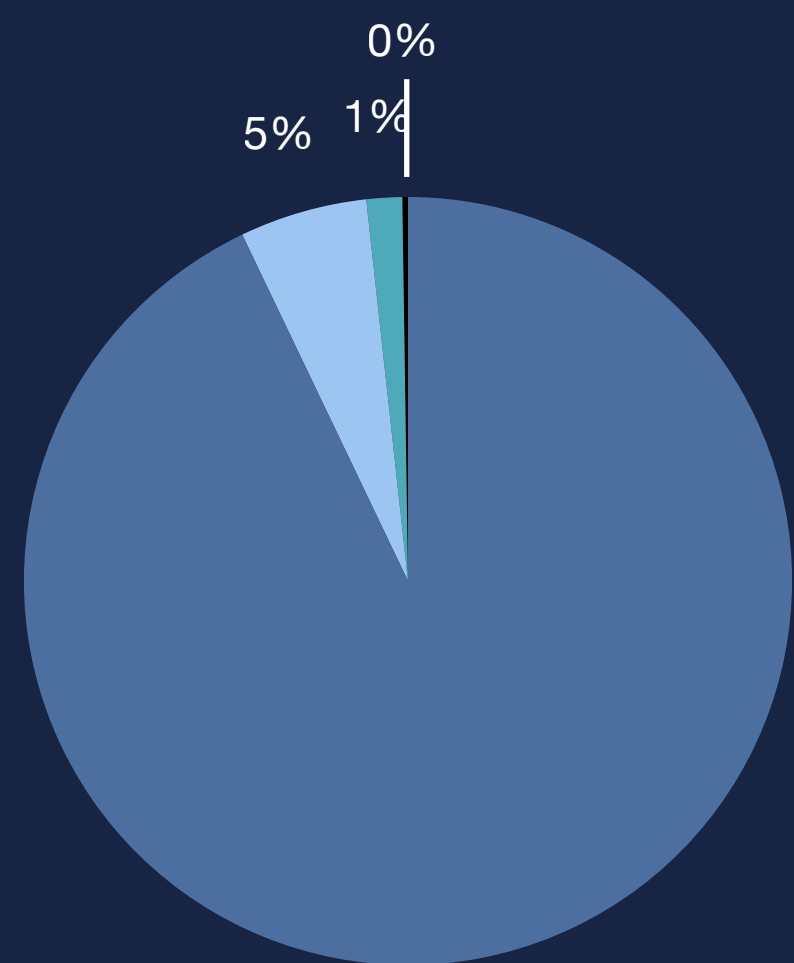
- There is no available data in Ljubljana for office occupancy, but anecdotal evidence shows that most employees are now back in the office, most days of the week. The light blue line on the chart below shows private cars driving into Ljubljana. It seems that office occupancy in Ljubljana is higher than other European countries, perhaps because there was no widespread home working culture in Slovenia before the pandemic.

Traffic passing the registration point Ljubljana Celovška - Dravlje



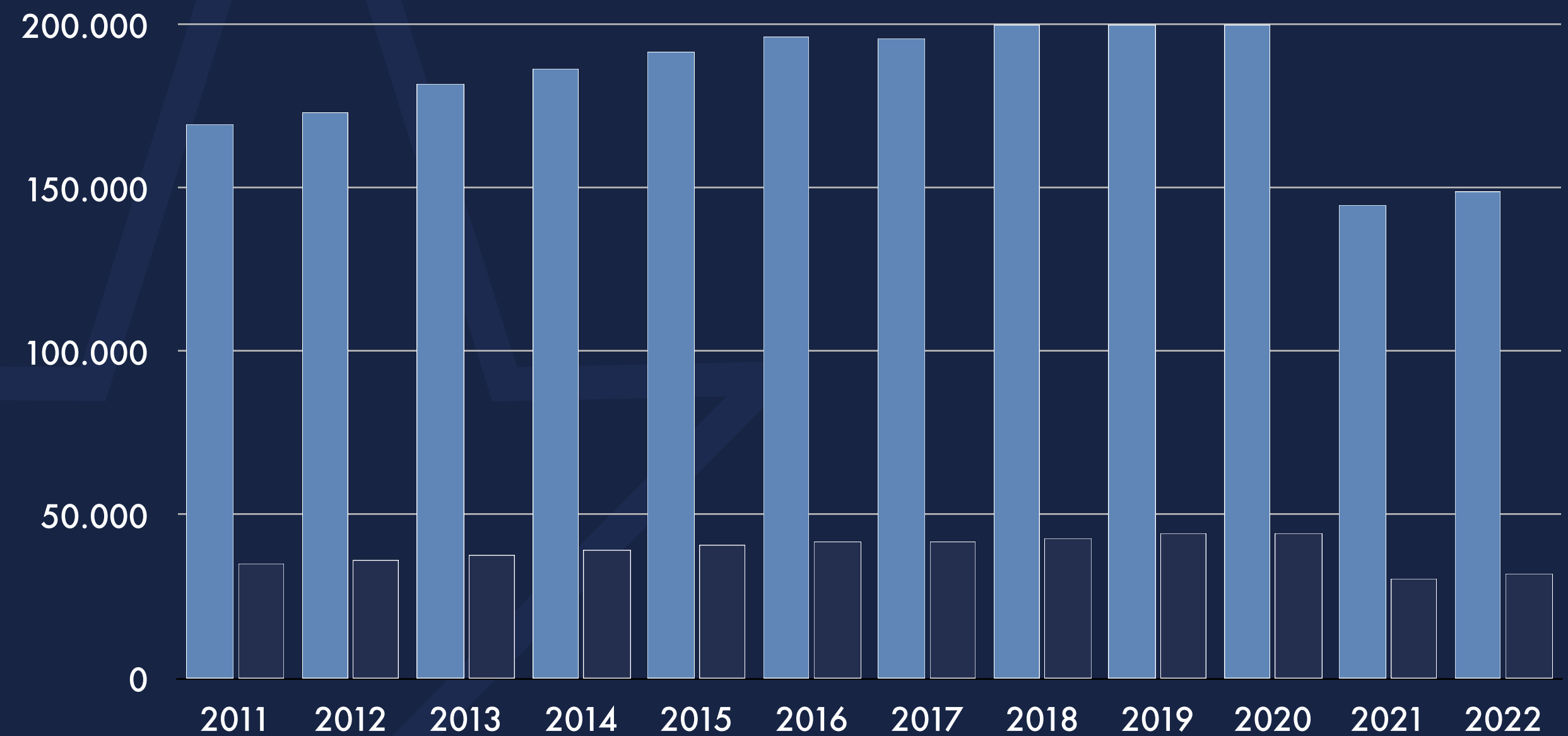
OCCUPIER BREAKDOWN

- Slovenia is a nation of small business, with 93% of companies having from 0 to 9 employees.
- The number of companies in Slovenia dropped significantly during the pandemic, and is slowly recovering.



● Micro enterprise (0-9) ● Small enterprise (10-49)
● Medium enterprise (50-249) ● Large enterprise (250-)

Total number of companies 2011-2022



SLOVENIA	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Micro enterprise (0-9)	159,986	164,115	172,983	177,235	182,454	186,438	185,997	189,995	194,425	195,629	134,959	138,123
Small enterprise (10-49)	6,950	6,815	6,788	6,897	7,081	7,268	7,329	7,653	8,126	8,015	7,383	7,983
Medium enterprise (50-249)	2,082	2,031	1,988	1,971	2,002	2,027	2,084	2,163	2,220	2,211	2,120	2,230
Large enterprise (250-)	342	344	330	330	326	339	346	363	368	365	437	353

Source: bizi.si

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