

S-INVEST

Global perspective - Local knowledge
Office market snapshot

sloveniainvest.com

DECEMBER 2024





MORE THAN 1000

Valuations carried out

MORE THAN 500

Offices rented

MORE THAN 50

Tenant rep mandates
successfully
concluded

19

Hotels sold

MORE THAN 50

Commercial real
estate assets sold

2008

Market presence since
2008

GLOBAL
client base

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EXECUTIVE SUMMARY

- Availability of office space in Ljubljana has increased by 26% since our last market snapshot 15 months ago.
- Available space increased in all submarkets, except in the centre of Ljubljana, Center which remains the same as last year.
- Class A space is available in:
 - DCB Montana, units of various sizes ranging from 190m² to 10,500m², located on floors 1 to 9.;
 - Schellenburg, one available unit of 178m² located on the 3rd floor.
- Asking prices have increased in all submarkets.
- According to the Annual Slovene real estate market report published by GURS, in 2023 office rents increased by just over 8%. Due to the increasing practice of indexing office rents in line with inflation, it is expected that they will continue to rise.
- There is a large pipeline of office projects. About 123,500m² is due to come to market between in the next few years. There are some pipeline projects in planning with an uncertain delivery date.



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 GDP per capita of 30.158€ in 2023 and with predicted GDP per capita of 31.379€ in 2024 according to UMAR.

2020 saw a 4.1% 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 2.7% GDP growth, following by slower GDP growth in 2023 and 2024.

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 tourism experienced a sharp decline due to COVID-19 (42% less overnight stays). In the following years tourism showed signs of recovery, and in 2022 the number of overnight stays approached pre-pandemic levels. 2023 was the most successful year for Slovenian tourism to date, with 2% more overnight stays than in 2019, and 4% more than in 2022. Last year, 6.2 million tourists visited Slovenia. They generated just over 16.1 million overnight stays.

The post-pandemic recovery has faced challenges due to the war in Ukraine, volatile energy prices, and persistent supply chain disruptions. In 2023, inflation remained high, though it began to ease due to central banks' tight monetary policies. Energy markets are still adjusting, and growth has slowed, particularly in Europe, with high interest rates and rising costs impacting consumption and investment. While some supply chain issues have improved, sectors like manufacturing continue to struggle with rising input costs and bottlenecks. The strong labour market has led to historically low unemployment and widespread labour shortages.

Slovenia is a member of NATO and the OECD.

MACROECONOMIC DATA AND FORECASTS

	2020	2021	2022	2023	2024F	2025F	2026F
GDP (EUR bn)	46.7	52.0	56.9	64	66.8	70.9	74.8
Population (mn)	2.11	2.11	2.11	2.12	2.12	2.12	2.12
GDP per capita (EUR)	22.227	24.682	26.979	30.158	31.379	33.164	34.901
Real economy change							
GDP (%)	-4.1	8.4	2.7	2.1	1.5	2.4	2.5
Private consumption (%)	-6.1	10.5	5.3	0.1	1.6	2.5	2.4
Exports (%)	-8.5	14.5	6.8	-2.0	0.9	2.7	3.7
Imports (%)	-9.1	17.8	9.2	-4.5	3.5	3.0	4.1
Unemployment rate (%)	8.7	7.6	5.8	5.0	4.6	4.5	4.4

Source: UMAR

Tourism indicator - number of overnight stays

	2019	2020	2021	2022	2023	2024*
Total	15,775,331	9,204,374	11,251,158	15,581,856	16,125,027	Data not available yet
Domestic tourists	4,404,565	5,850,018	6,456,686	5,506,772	4,571,527	
Foreign visitors	11,370.766	3,354.356	4,794.472	10,75,084	11,553,500	
High season* Domestic	1,613,922	3,496.146	3,372.575	2,245,919	1,637,946	1,620,032
High season* Foreign	5,510,558	1,689.753	2,895.896	5,427,414	5,841,467	6,173,115

*high season includes June, July and August.

Number of overnight stays from 2019 to 2024. Source: SURS

OFFICE MARKET OVERVIEW

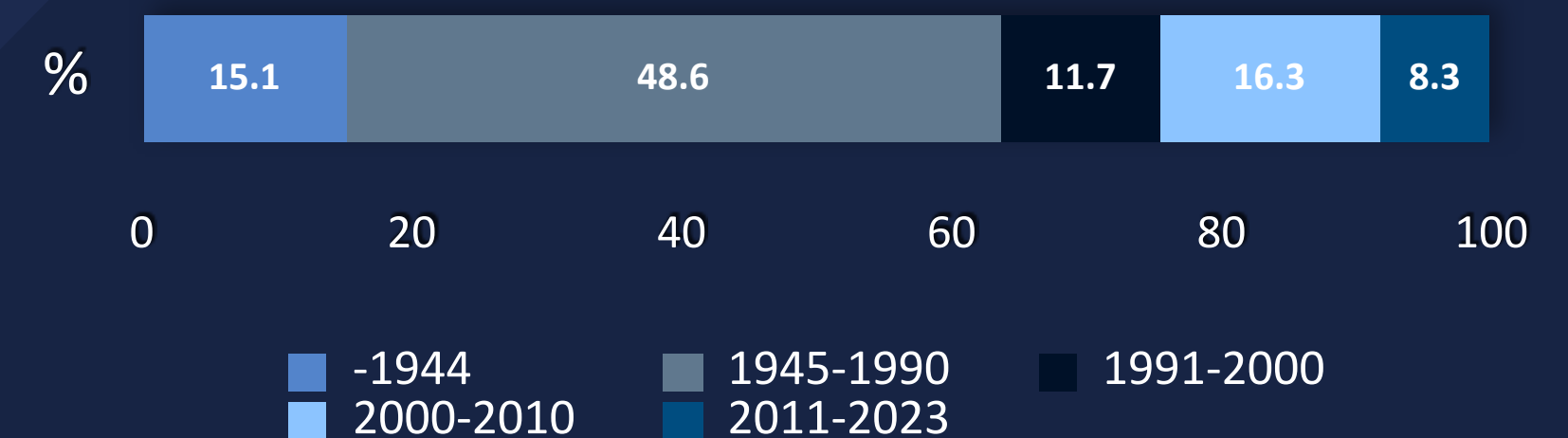
- In Slovenia there is around 9,184,000m² of office space, according to data from 2023. A high percentage of commercial real estate transactions are for office, representing 45.6% of sales and 60.6% of leases in 2023. There is little vacant space in Ljubljana, more in Maribor and other towns, with the 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.
- 31.7% of office space is located in Ljubljana representing 2,911,328m² or more than 10m² of office space per resident. Ljubljana sees the vast majority of sales and rental transactions for office spaces. In 2023, Ljubljana accounted for a significant 65% of the total leased office space in Slovenia, while its share of the total office space sold was 24%. Most of the office buildings were constructed in the Yugoslav era, before 1991. The ownership of such buildings is mostly fragmented. The vast majority of sales and rental transactions for office spaces are for areas of up to 100m². In 2023, office spaces of up to 100m² accounted for over 73% of all sales transactions, while sales of spaces larger than 1,000m² were very limited, representing less than 1%. Spaces of up to 100 m² accounted for over 84% of all rental transactions, while rentals for spaces larger than 1,000m² accounted for just over 1%.
- Lease contracts are commonly signed for less than 5 years. The majority of rental agreements in 2023 were signed for a duration of 6 to 12 months (45%), although this percentage is gradually decreasing each year. Conversely, the share of lease agreements signed for an indefinite period has been increasing, reaching 32%.
- According to the annual Slovene real estate market report published by GURS, in 2023, 64% of rental transactions for office spaces represented new lease agreements, while 36% represented lease renewals or rent increases.
- In 2023 office rents increased by just over 8%.

The share of office found in different areas



Source: Poročilo o slovenskem trgu poslovnih nepremičnin za leto 2023

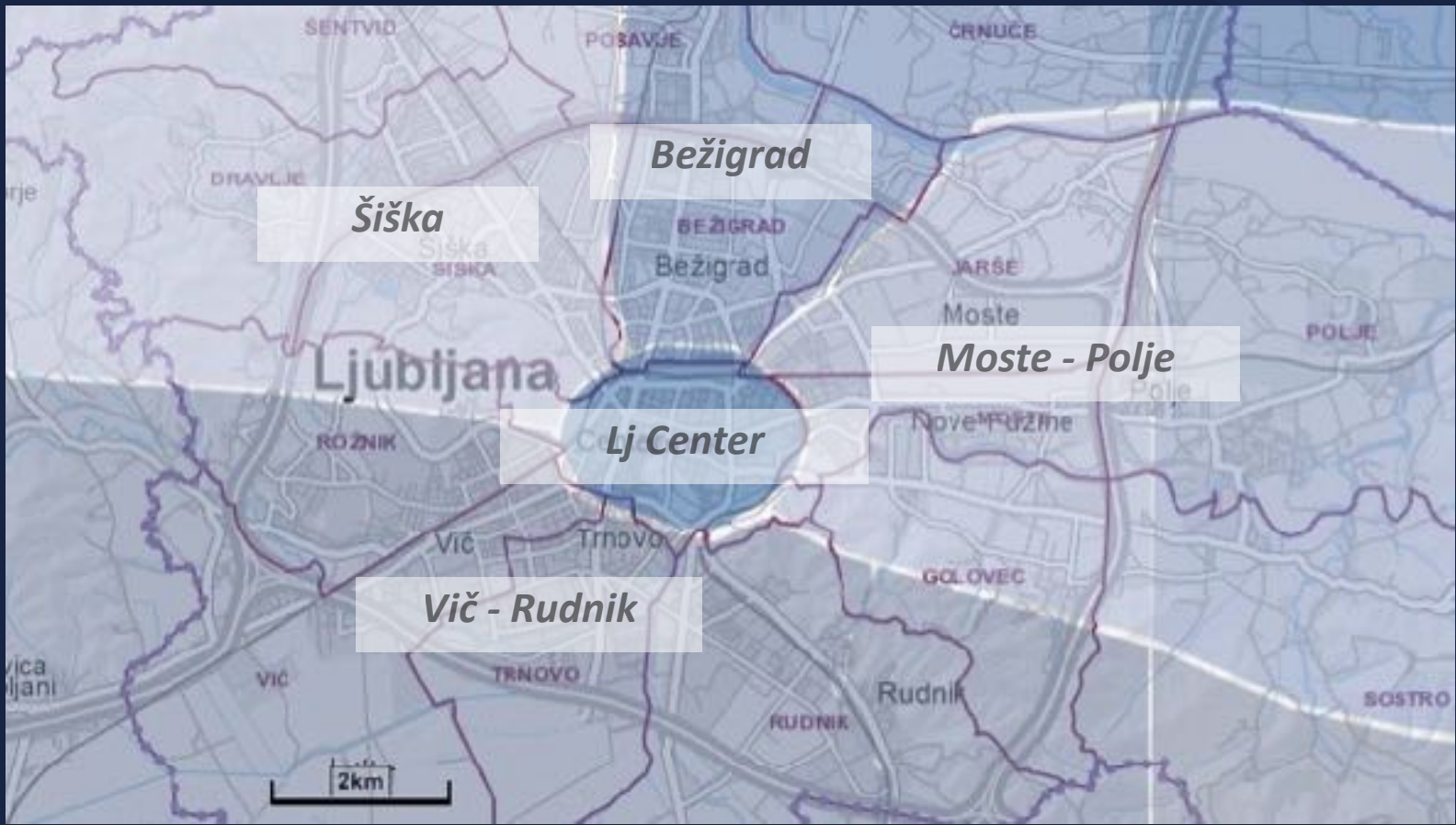
The share of office in Slovenia by year of construction



Source: Poročilo o slovenskem trgu poslovnih nepremičnin za leto 2023

EXISTING SUPPLY

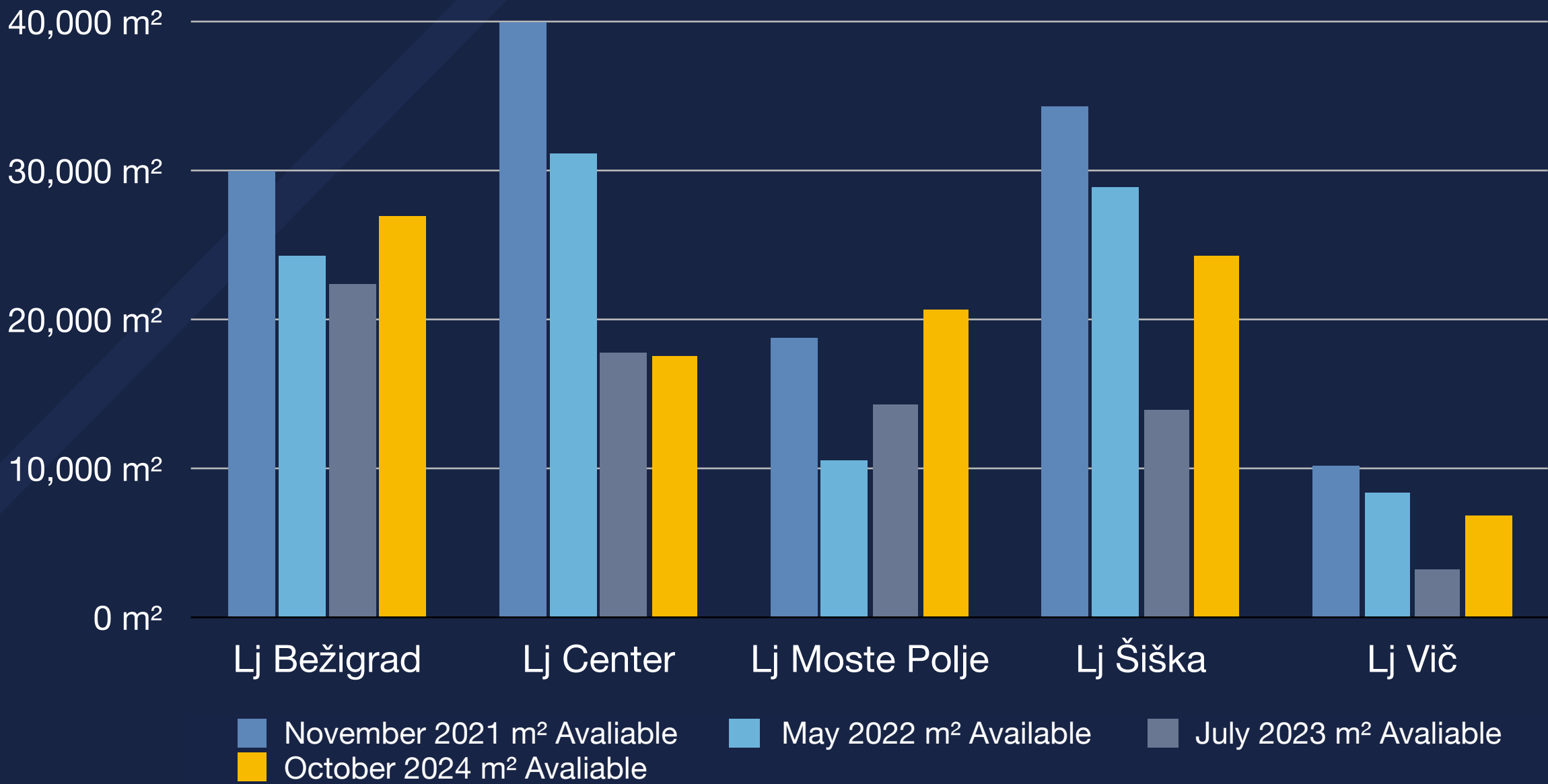
- Due to the relative immaturity of the office market, there is no historical data on the supply of office space in Ljubljana.
- The current average asking price in Ljubljana for office, according to data on nepremicnine.net, is 13.58 €/m². This represents an increase in asking prices in all submarkets compared to July of 2023.
- There is currently more than 96,000m² of vacant space advertised for rent in Ljubljana, representing an increase of 16% since our last office market snapshot in July 2023.
- Available space increased in all submarkets, except Ljubljana centre, which remains the same compared to last year's data.



Submarket in Ljubljana	March 2021 AVG asking price	May 2022 AVG asking price	July 2023 AVG asking price	October 2024 AVG asking price
Lj Bežigrad	10.73	11.33	12.68	13.40
Lj Center	12.81	13.54	13.49	14.97
Lj Moste-Polje	11.02	11.18	11.60	12.89
Lj Šiška	9.64	11.45	11.53	13.36
Lj Vič - Rudnik	10.73	11.03	11.75	13.28
Ljubljana	10.986	11.706	12.21	13.58

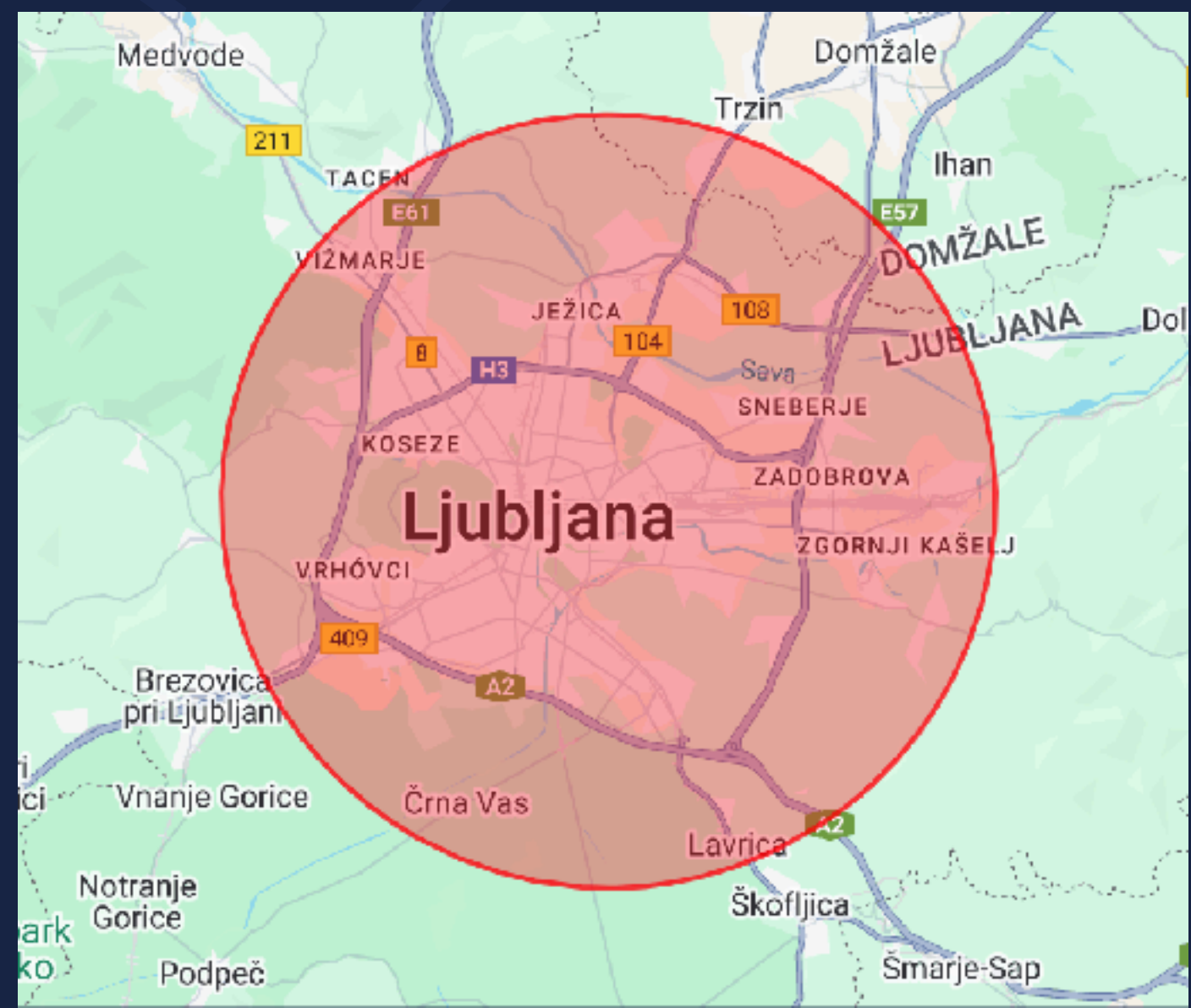
*Figures present €/m²/month

Source: nepremicnine.net, 13.10.2024

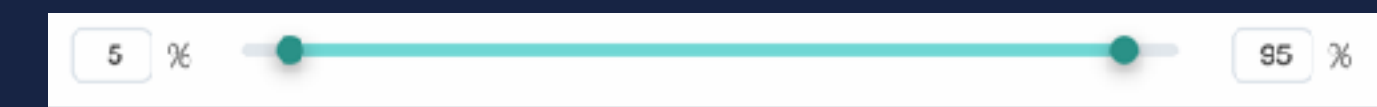


ACHIEVED RENTS

- The average achieved office rent in Ljubljana in 2022 was 12.00€/m², representing an increase of 15.99% compared to 2021. In 2023 the average achieved rent was 12.99€/m², which represents a 8% increase on the previous year.

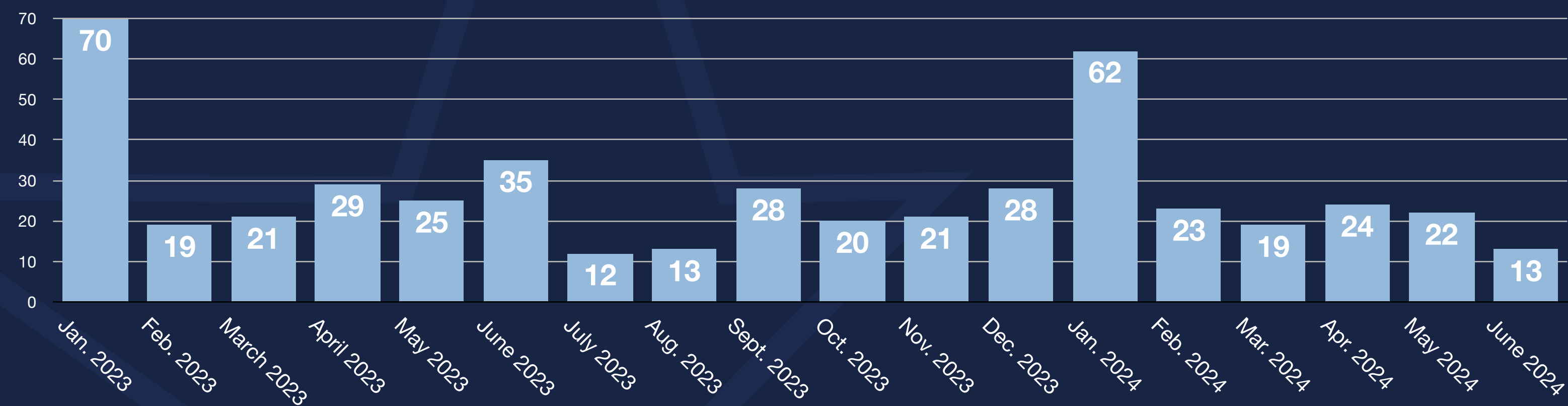


Source: valuer.si

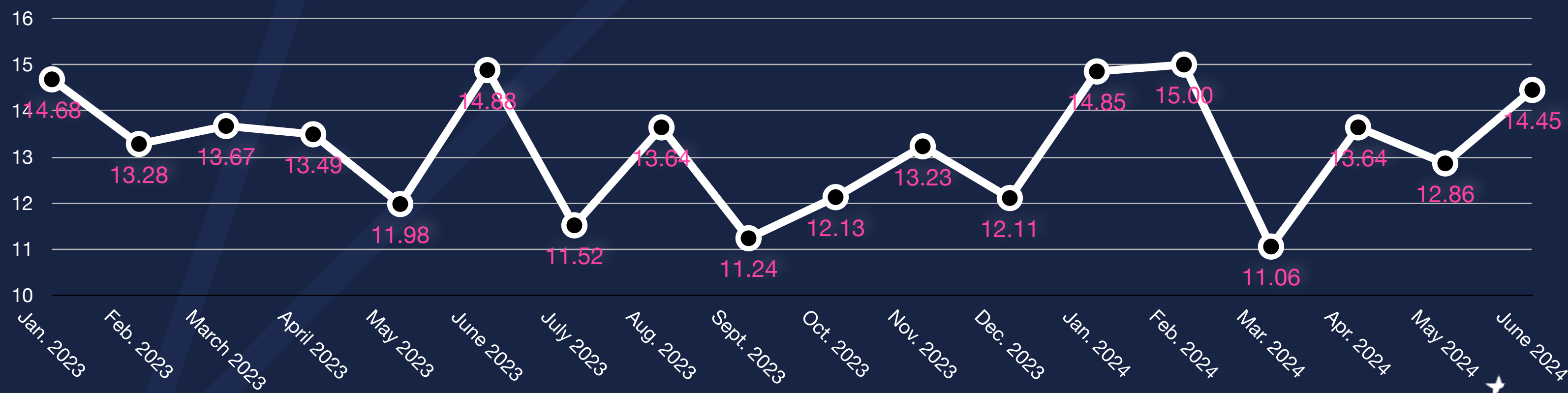


Threshold of excluded extreme values (%) is 5

Number of rental transactions of office space in Ljubljana



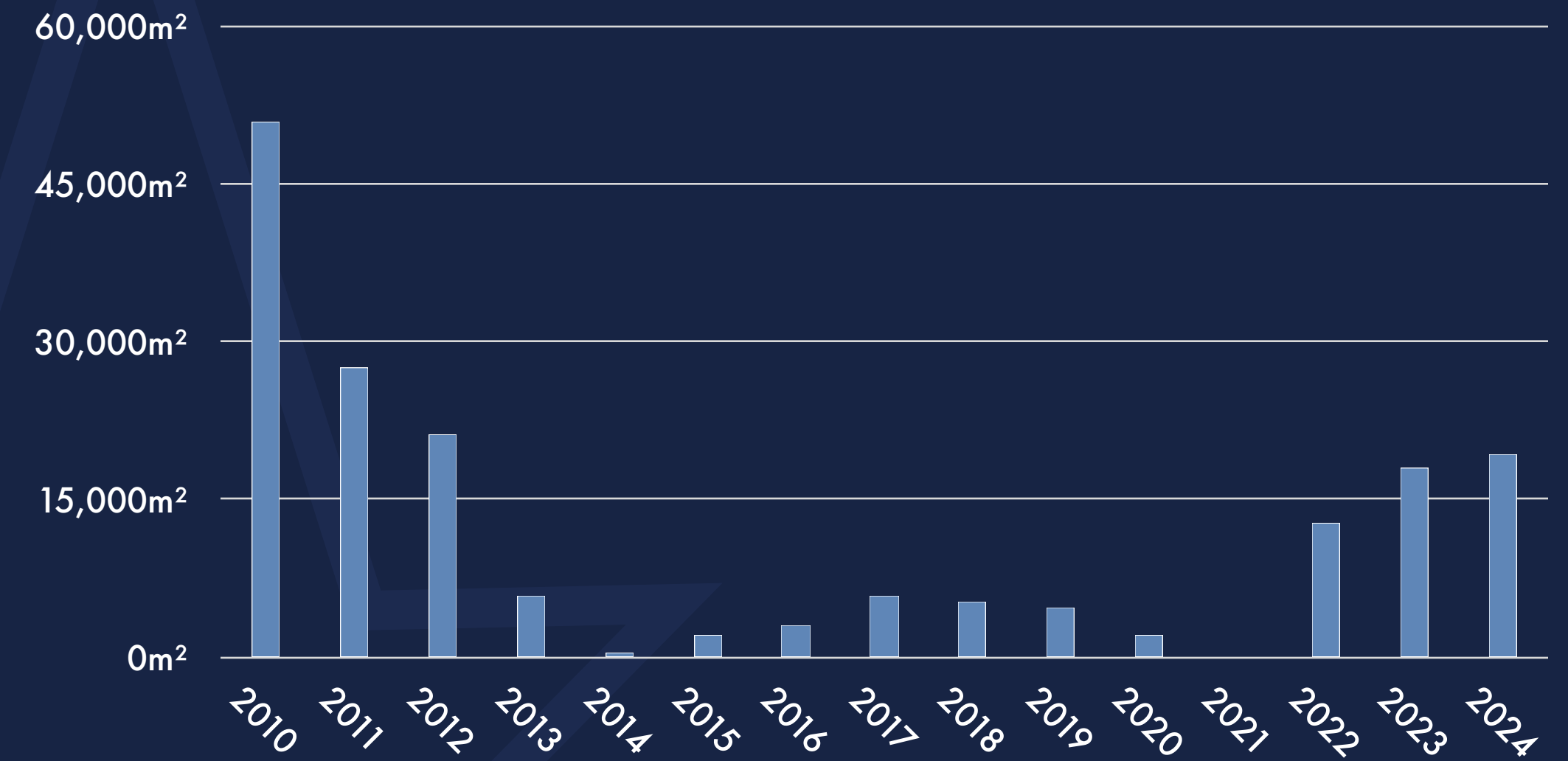
Achieved price of office space in Ljubljana



DEVELOPMENT PIPELINE

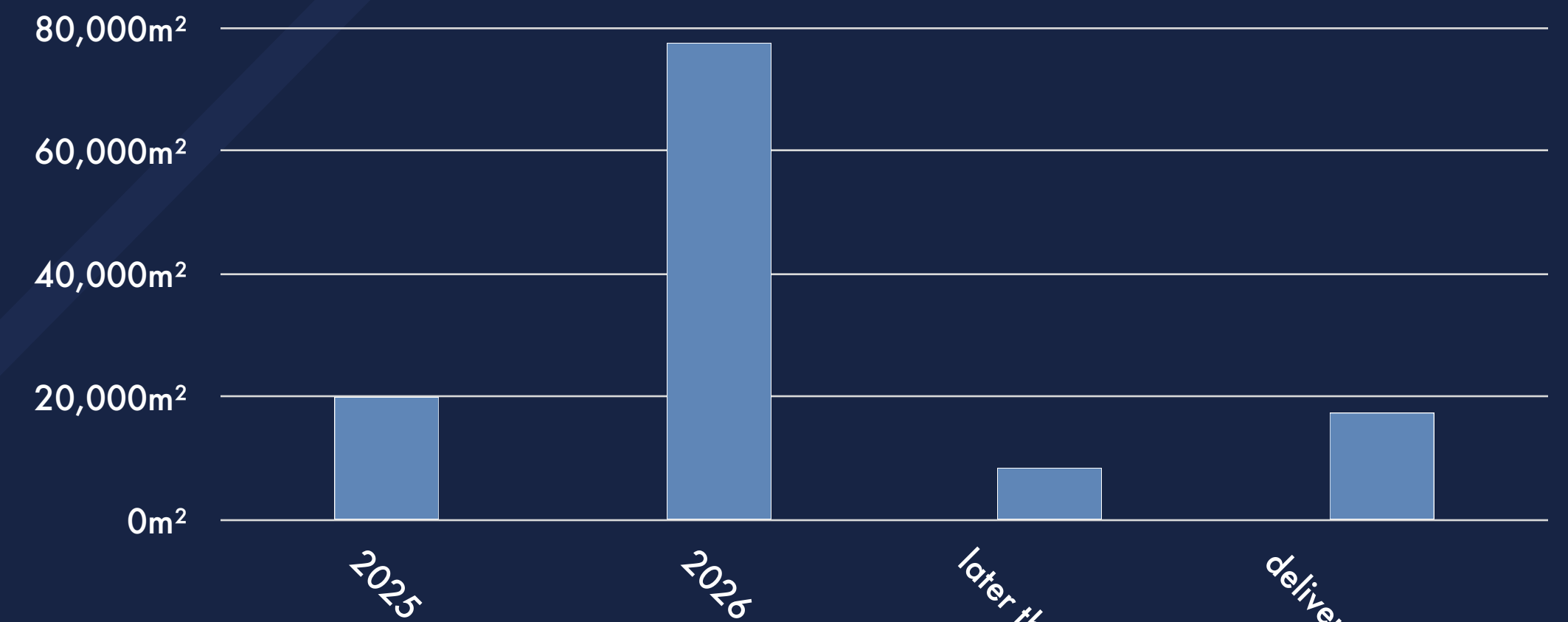
- Strabag developed an 8,000m² office project at the north end of Dunajska Street in 2022, which was sold to a local fund. They occupy half and the other half is rented to other tenants.
- Poslovni center Bežigrad or so called PC Tiskarna is the result of a renovation, with an additional 4,700m² of office space, finished in 2022. It was sold by Zetland Capital and bought by Joc Pečičnik's company Elektronček Group for 16m€ in 2023. It comprises 6,600m² of office space. In the basement of the building there are 133 parking spaces for cars and 104 parking spaces for bikes. On the elevated ground floor, a combination of a fitness center and office space extends to 4,909 m². These spaces include galleries that enable office work on mezzanine levels. The building is protected by cultural heritage.
- Quadro business centre in Litostrojska, comprising more than 18,000m², was delivered in 2023. It was sold to ALFI RE and CBE Invest and is rented on a long term lease to Sportradar.
- Mixed-use project Palais Schellenburg brought 8,000m² of office space to market at the beginning of 2024. There is only 178 m² left available for rent.
- DimnikCobau developed the Montana office project in BTC in 2024. It comprises approximately 10,500m² of office space.
- An extension of 3,500m² to the existing Rotonda office building is planned, but the delivery date is uncertain.

New office completions 2010-2024



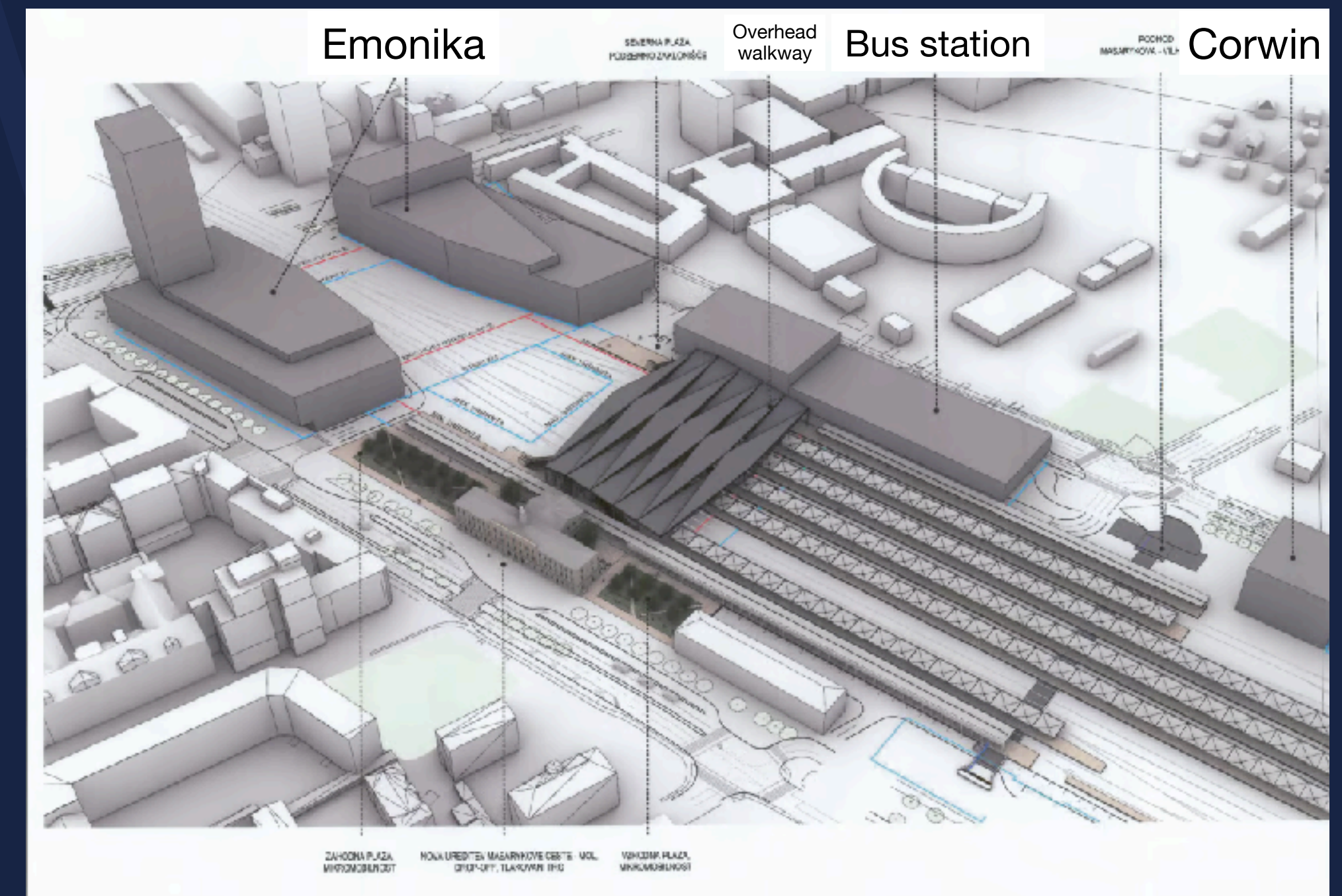
*m2 of office space in Ljubljana, REN metadata
Source: Proval

Office spaces in development



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

- 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 developed by different investors:
 - An upgrade of the public train station and railway infrastructure (DRSI)
 - A new bus station and commercial building with garage that will comprise about 10,000m² of office space and 3,000m² of retail, that will be occupied by the 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 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.
- A new office building, L33, is under construction on Letališka in Ljubljana. The building will have two underground levels, a ground floor, plus five stories. The total rentable area amounts to 9,990m². There will be 151 parking spaces available in the two underground levels, with additional parking spaces outside. The real estate fund ALFI RE will take over the building in 2025 and hand over the premises to tenants at the beginning of 2026.
- A new commercial building called WestLink Campus is rising in the degraded industrial area in Šiška, expected to be completed in two years. The investment, worth around 45m€, will offer 12,500m² of office space for rent. Investors (Austrian company ATL and the Slovenian company RP Naložbe) aim to further develop the area into a new business district in the coming years. The first phase of construction along the northern Ljubljana ring road and Celovška Street includes three basement levels with 600 parking spaces, an upper ground floor, a partial mezzanine, and two floors dedicated to business activities. 80% of the space will be designated for office, while 20%, primarily on the ground floor, will be designated for complementary activities, including hospitality, fitness, co-working platforms, and other service-oriented businesses.



New passenger centre



Linhartov Kvart property

NOTABLE TRANSACTIONS

- Serbian company Agromarket Logistic acquired VB Nepremičnine and Stekleni dvor at the end of 2024. VB Nepremičnine owns the Tivoli Center office building, while Stekleni dvor owns the Stekleni dvor south office building that is home to Addiko Bank's headquarters. Agromarket previously acquired the Austria Trend Hotel from Generali.
- A 100% stake in the company Reitenburg Objekt, which owns the commercial premises of mixed-use project Palais Schellenburg, is up for sale. The company is 66% owned by Jože Anderlič, while the remaining 34% is held by his Austrian company, Reitenburg GmbH. A total of 7,860 m² of commercial space is for sale, nearly fully occupied. The company Reitenburg Objekt has signed long-term 10-year leases with 11 tenants, and approximately 94% of all leasable space is currently occupied.



Business building Center Tivoli

OFFICE BUILDINGS IN DEVELOPMENT

Name of the building	Short description	Date of usage permit is expected	Space available	Distance from city centre	Green certified
New Ljubljana main station	Business building inside the complex of Ljubljana bus station	2025	10,000 m²	1 km	
L33	Business building on Letališka	2025/2026	9,900 m²	5.7 km	DGNB Gold
WestLink Campus	Business building on brownfield site in Šiška	2026	12,500 m²	3.7 km	DGNB Platinum
Vilharia	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 8,535 m² GLA of office	1 km	LEED certified green building
Rotonda extension	4 additional floors	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

Completed in: 2025 2026 Later delivery date uncertain

OFFICE BUILDINGS IN DEVELOPMENT



L33



Vilharia

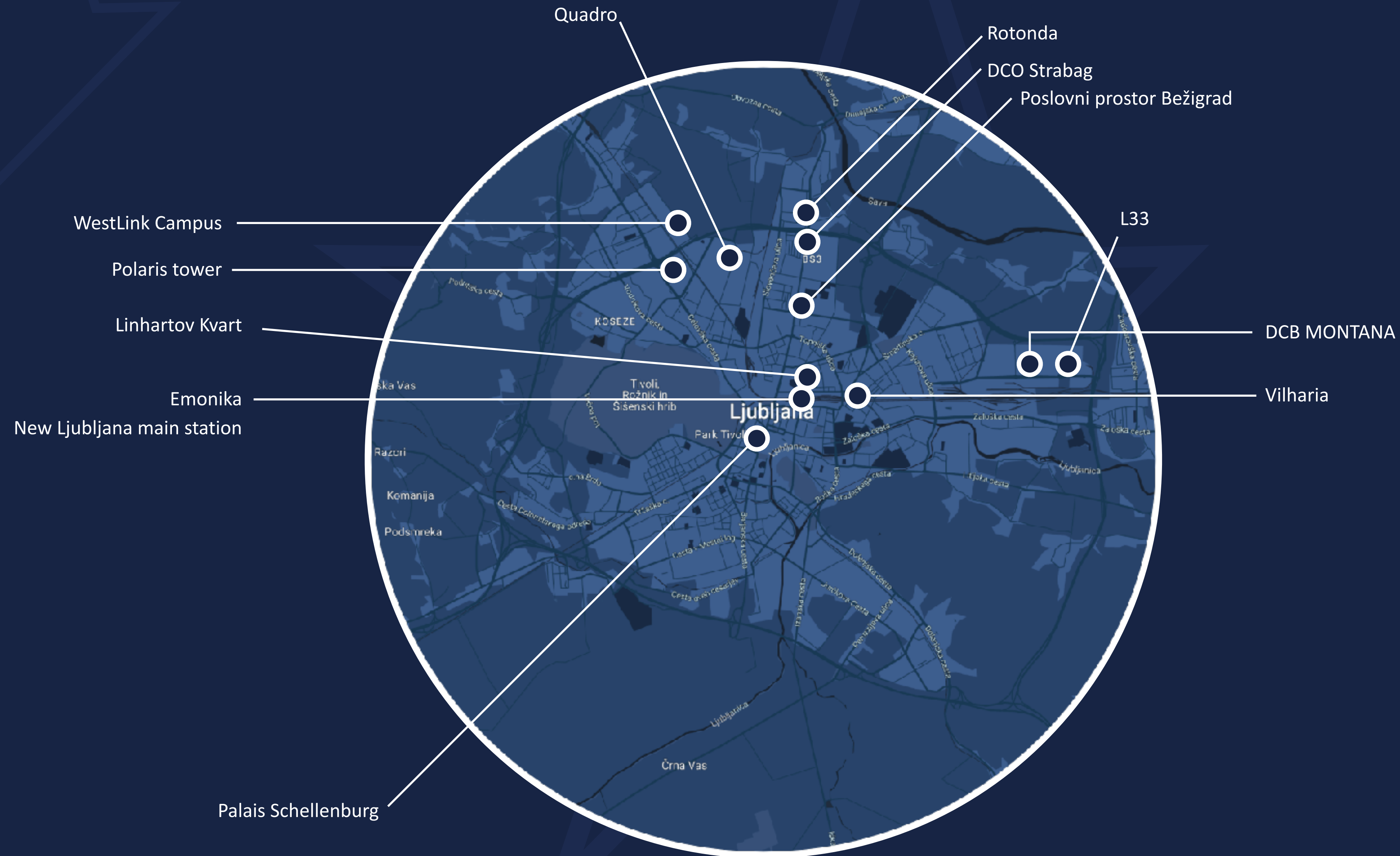


Emonika



WestLink Campus

OFFICE BUILDINGS IN LJUBLJANA



OFFICE MARKET TRENDS

OFFICE CONVERSION TO RESIDENTIAL

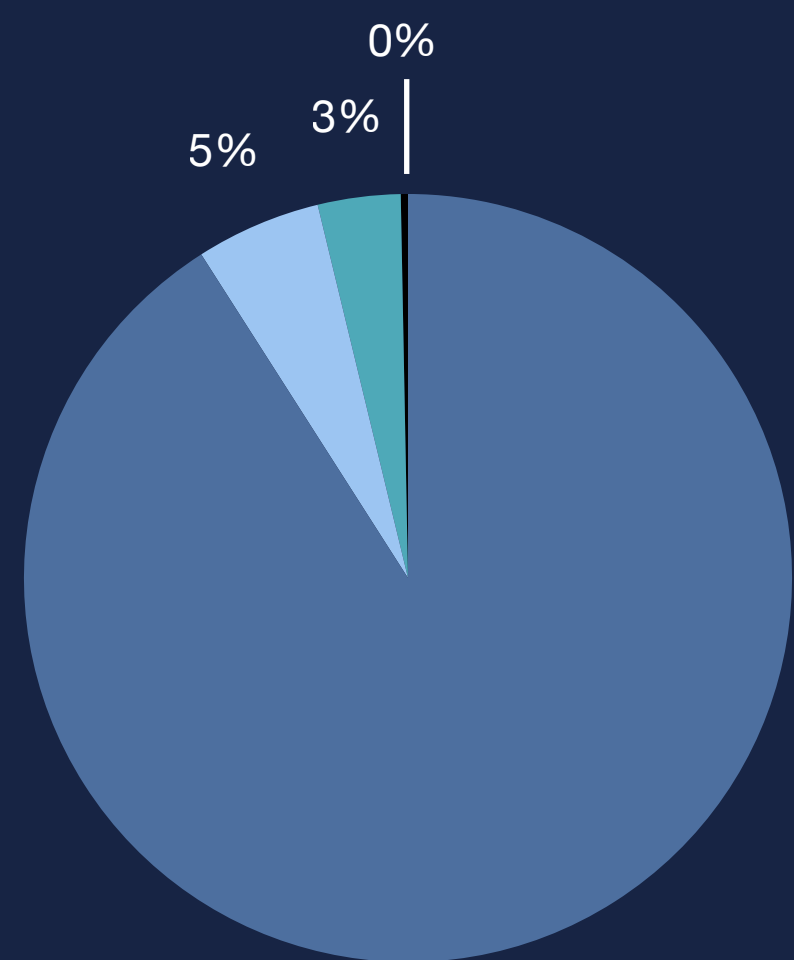
- In Slovenia there is still sufficient demand for office and the trend of converting office to residential is not yet widespread. However, Equinox is finalising the conversion of 1,100m² of office space on the second floor of the Delo tower, which will provide 30 apartments available for rent.
- In the case of Equinox, the conversion will be completed two and a half months after obtaining the building permit. However, bureaucracy presents a significant obstacle before construction begins. It took over two years to obtain the change of use permit.
- Two significant banking buildings in Ljubljana may soon become vacant.
 - The first is Ravnikar's Tower at Trg republike, which is currently occupied by NLB. The bank plans to move its headquarters to Šmartinska cesta, with the relocation expected to take place by the end of next year. The future of the tower remains uncertain, with various options being considered, including selling the building or leasing it to other tenants.
 - The second building is the tower that houses SKB bank. Following the merger of SKB and Nova KBM under OTP Group, the bank's headquarters are currently in Ljubljana. However, in the long term, it is likely that the bank will move to Emonika. OTP has indicated that once Emonika is completed, a decision will be made regarding the future headquarters of the newly merged bank.

COWORKING

- The COVID-19 pandemic has accelerated the shift towards remote work, increasing the popularity of coworking spaces as professionals seek flexible work environments that provide both resources and social interaction.
- The demand for coworking spaces is on the rise as more individuals and companies embrace flexible working arrangements.
- Some of the most popular coworking spaces are Poligon Creative Centre, ABC Hub, Kreativna cona Šiška (Kreativni Center Šiška), Regus - Ljubljana City Centre, Novi SPACES, Impact Hub Ljubljana, The Office, Smart Com, COWORK Ljubljana, Tribes Coworking etc.

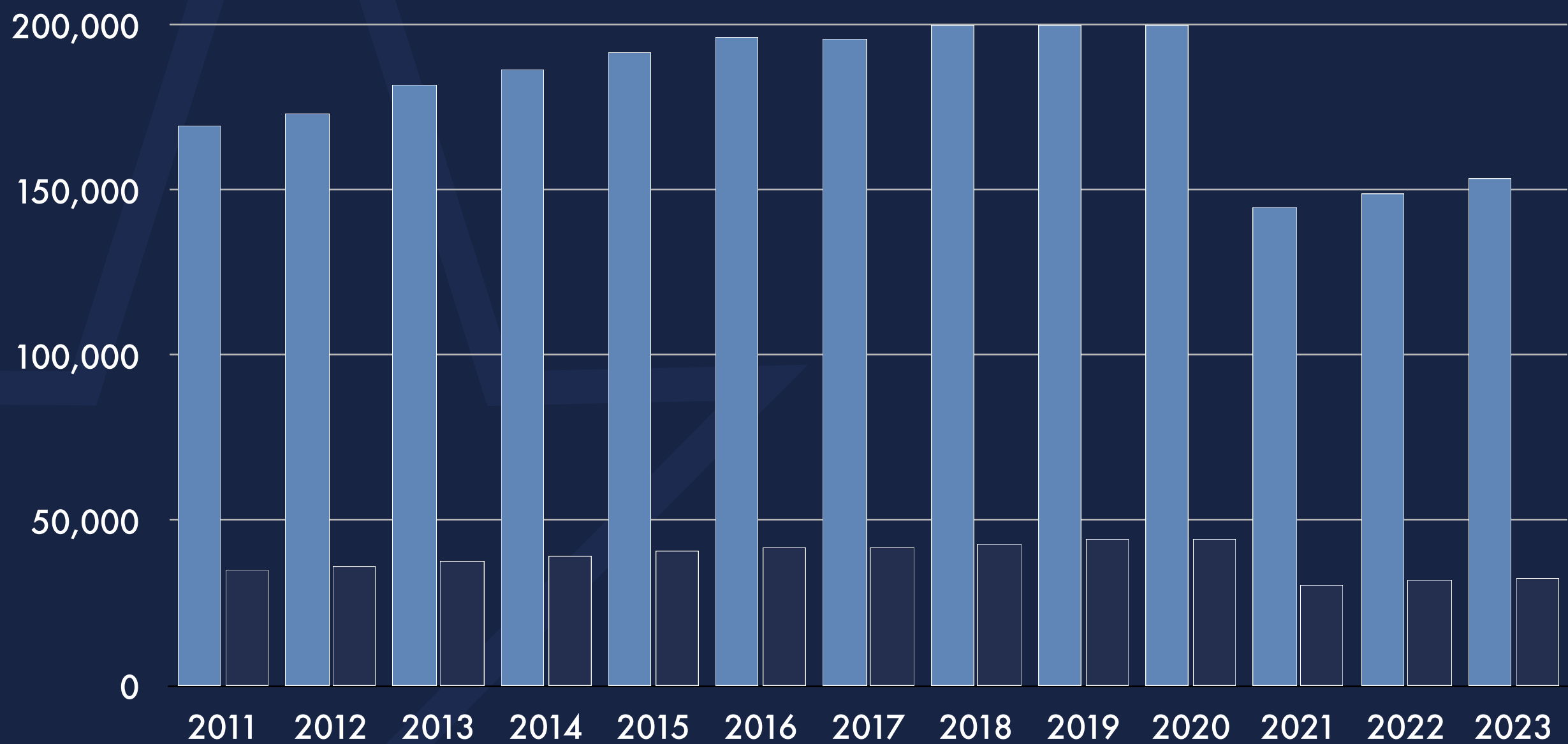
OCCUPIER BREAKDOWN

- Slovenia is a nation of small business, with 91% 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 2011-2023



SLOVENIA	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
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	139,638
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	8,089
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	5,344
Large enterprise (250-)	342	344	330	330	326	339	346	363	368	365	437	353	462

Source: bizi.si

S-INVEST



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