

RESEARCH REPORT

Belgrade Office Market

CBRE | Serbia

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Q3 2015

HOT TOPICS

- Belgrade office market noted the opening of the first large-scale office building within the complex GTC FortyOne, encompassing app. 10,000 sq m of GLA
- At the moment, Belgrade office stock stands at the level of 749,000 sq m of GLA
- From the beginning of 2015, the office market is characterized by strong take-up and intensive leasing activity

Serbia essentials

Population (Census 2011)	7,186,862
Average salary (EUR) September 2015	365
Average Household Expenditure (EUR) Q2 2015	480
Unemployment rate (Labor Force Survey – Q2 2015)	17.9%
GDP Q2 2015 (y-o-y)	1.0%
CPI September 2015 (y-o-y)	1.4%

Belgrade essentials

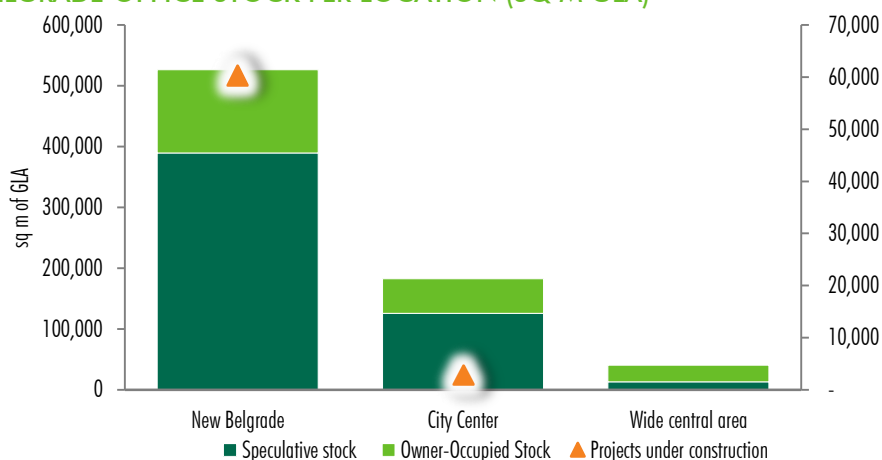
Population (Census 2011)	1,659,440
Average salary (EUR) September 2015	458
Average Household Expenditure (EUR) Q2 2015	554
Unemployment rate (Labor Force Survey – Q2 2015)	18.5%

Source: Statistical Office of the Republic of Serbia

BELGRADE OFFICE STOCK

After a three-year period with limited deliveries, Belgrade office market has recently witnessed the opening of the first A Class office building within the complex GTC FortyOne, encompassing app. 10,000 sq m of GLA and representing the fourth office building in Belgrade developed by this investor. Therefore, at the end of Q3 2015, the total office stock went up to 749,000 sq m of GLA, whereas the speculative (leasable) office stock reached the level of app. 527,500 sq m of GLA and owner-occupied office stock remained at 221,500 sq m of GLA.

BELGRADE OFFICE STOCK PER LOCATION (SQ M GLA)



Source: CBS International, part of the CBRE Affiliate Network

Further expansion of Belgrade office market is expected in the following period, with the strong focus on New Belgrade submarket. At the moment, the sum of projects in pipeline in New Belgrade tops 60,000 square meters. The first completion is anticipated within the business park Airport City Belgrade, where the building of 15,000 sq m will be completed by 2015 year-end. Moreover, the construction of Navigator Business Center of 14,600 sq m of GLA, developed by MPC Properties, continues as per schedule. This property is located in Block 43 along Milutina Milankovica Boulevard. Moreover, GTC commenced the preparatory works on its second office building of app. 10,000 sq m, within the complex GTC FortyOne. In addition to the speculative projects, New Belgrade witnesses the development of several office schemes, being built for owner-occupation purposes, such as Societe Generale Bank HQ, totaling 10,000 sq m, Electric Power Industry of Serbia of app. 8,000 sq m or office scheme developed by the local company Denezza, located in Tosin Bunar, totaling 3,000 sq m.

At the moment, Belgrade downtown lacks any new office schemes. The only project which is currently in the final construction stage is Green Square, located in Mutapova Street, being developed by the local company Granit Invest. The completion date is set for Q1 2016 while the office premises will hold app. 2,800 sq m of GLA.



In terms the planned developments, Austrian company Immorent targets Block 43 as the location for developing new office scheme of 30,000 sq m of GBA.

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DEMAND (TAKE-UP)

From the beginning of 2015, the office market was characterized by strong take-up and intensive leasing activity among the tenants. After the first half of the year, the total take-up has nearly matched the results achieved in the previous entire year, standing at the level of app. 56,000 sq m.

As per our market intelligence, the total take-up in Q3 equaled 15,000 sq m, with the average deal size of 565 sq m. Besides the strong portion of pre-lease deals and renewals, 2015 was also characterized by the rising trend of new market entrants. Analysing the share of sectors, Professional services, IT and Banking/Financial sector were the key performers.

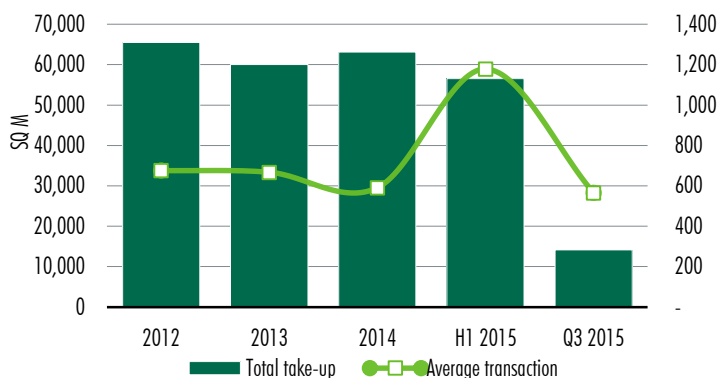
VACANCY

Regardless of the office stock increase, the vacancy rate has been showing a constant decline. Having in mind the strong absorption of the modern office space, the overall vacancy rate further dropped to the level of 7.5%. If we compare the vacant space only with a speculative stock only, vacancy rate reaches the level of 10.5%.

RENTAL LEVELS

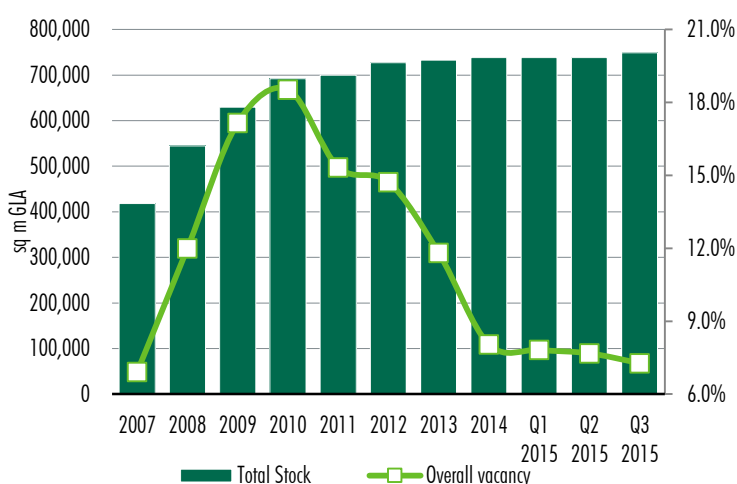
Currently, asking rents for Class A office buildings range between EUR 15-17/sq m/month, while the average asking rents of Class B stock amount to EUR 12/sq m/month. Prime yields for modern office space slightly dropped to the level of 8.75-9.25%.

TAKE-UP AND AVERAGE TRANSACTION (SQ M)



Source: CBS International, part of the CBRE Affiliate Network

VACANCY LEVEL (%)



Source: CBS International, part of the CBRE Affiliate Network

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