

RESEARCH REPORT

Belgrade Office Market

CBRE | Serbia

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Q4 2015

HOT TOPICS

- At the moment, Belgrade office stock stands at the level of 761,000 sq m of GLA
- During 2015, 23,000 square meters of new modern office space were delivered to Belgrade market
- The last quarter recorded the strongest leasing activity in 2015

Serbia essentials

Population (Census 2011)	7,186,862
Average salary (EUR) December 2015	423
Average Household Expenditure (EUR) Q3 2015	488
Unemployment rate (Labor Force Survey – Q3 2015)	16.7%
GDP Q3 2015 (y-o-y)	2.2%
CPI December 2015 (y-o-y)	1.5%

Belgrade essentials

Population (Census 2011)	1,659,440
Average salary (EUR) December 2015	546
Average Household Expenditure (EUR) Q3 2015	524
Unemployment rate (Labor Force Survey – Q3 2015)	18.7%

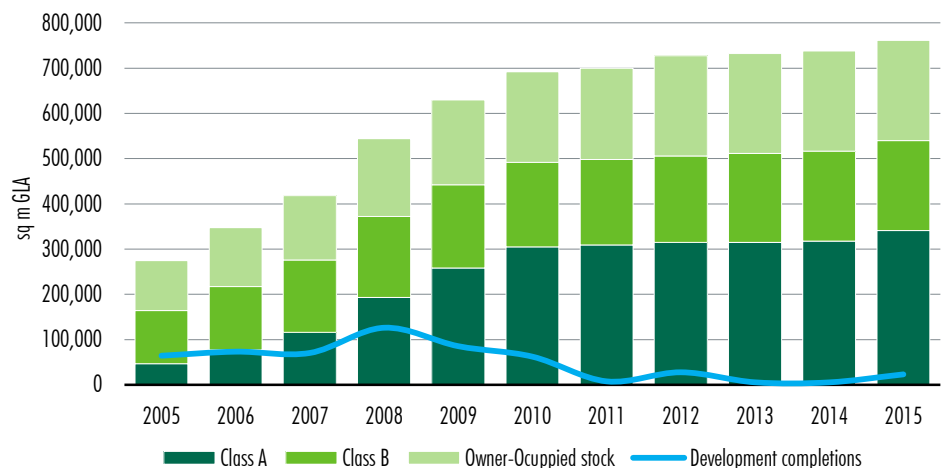
Source: Statistical Office of the Republic of Serbia

BELGRADE OFFICE STOCK

After the period characterized by limited construction activity, Belgrade office market has moved from recession to recovery phase. During 2015, contemporary office supply was enlarged by 23,000 sq m of GLA, while few office schemes are under construction, suggesting the upturn in the stock in the forthcoming period.

Following the completion of the first office building within GTC FortyOne complex of 10,000 sq m, Belgrade office market recently witnessed the completion of eight A Class office scheme within Airport City Belgrade business park, being 12,000 sq m GLA large. Therefore, at 2015-yearend, modern office stock stands at the level of 761,000 sq m of GLA, out of which speculative (leasable) office stock reaches the level of app. 540,000 sq m and owner-occupied office stock totals 221,000 sq m of GLA.

BELGRADE OFFICE STOCK (SQ M GLA)



Source: CBS International, part of the CBRE Affiliate Network

Thanks to availability of ample land lots in New Belgrade, this area hosts the majority of large-scale commercial projects. Unsurprisingly, at the moment several active construction sites can be seen in New Belgrade area, out of which three are located along Milutina Milankovica Boulevard. In block 41, GTC continues the expansion of FortyOne complex, by developing the second building of 7,600 sq m of GLA. In the block 43, MPC Properties actively works on its project named Navigator Business Center, which will hold 14,600 sq m of GLA upon completion. In the same neighborhood, the construction of project Sirius, being planned by Austrian Immorent, recently commenced. The first phase of the project will include Class A office building of 18,500 sq m, while the second phase envisages the development of additional 12,500 sq m. The well-known investors AFI Group and Tidhar have decided to pursue the construction works on the new scheme of 12,000 sq m, i.e. ninth building within their Airport City Belgrade business park. Altogether, nearly 60,000 sq m is to be delivered to the market within the next 12 months.

Alongside, the owner-occupier market segment is also developing steadily, with few ongoing projects such as new Societe Generale Bank HQ of app. 10,000 sq m and Electric Power Industry of Serbia HQ of app. 8,000 sq m, both being developed in New Belgrade area.

In terms of the future offer in the city center, the only active project is Green Square of 2,800 sq m in Mutapova Street, set for completion in Q1 2016.

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DEMAND (TAKE-UP)

The last quarter recorded the strongest take-up in 2015, standing at the level of app. 30,000 sq m, with 27 transactions and average deal size of 1,000 sq m, which is twice the market average in the previous years. Looking at the entire 2015, the total leasing activity exceeded 90,000 sq m, being nearly 50% larger as compared to 2014-figures, mostly thanks to the few large pre-lease deals, renewals and few new comers. Analyzing further, the share of renewals and pre-lease deals keeps marking the increasing trend in the recent period, being 24% and 16% in 2015 respectively, while few years ago new leases completely dominated the leasing activity.

VACANCY

Even though two office buildings were completed in late 2015, causing the stock increase, strong demand has retained the vacancy at low level. At the end of 2015, the overall vacancy rate further dropped to the level of 6.5%. If we calculate the vacant space in comparison with the speculative stock only, the vacancy rate at the end of 2015 amounted to 9%.

RENTAL LEVELS

During the 2015, the asking rents for Class A office buildings ranged between EUR 15-17/sq m/month, while the asking rents for Class B office schemes varied between EUR 11-12/sq m/month. Prime yields for modern office schemes range between 8.75-9.25%.

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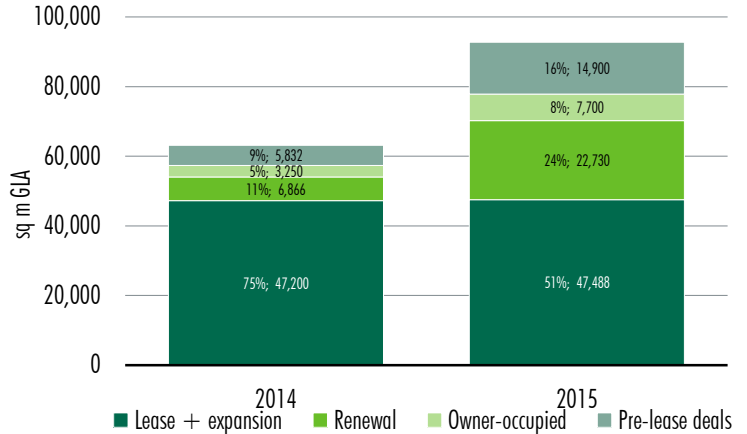
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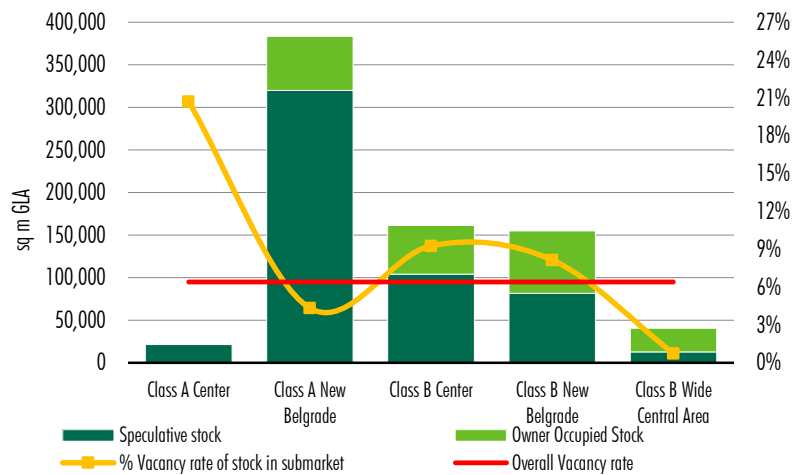


LEASING ACTIVITY STRUCTURE



Source: CBS International, part of the CBRE Affiliate Network

VACANCY LEVEL (%)



Source: CBS International, part of the CBRE Affiliate Network