

Belgrade Office, Q2 2016

Strong take-up is supported by booming volume of pre-leases

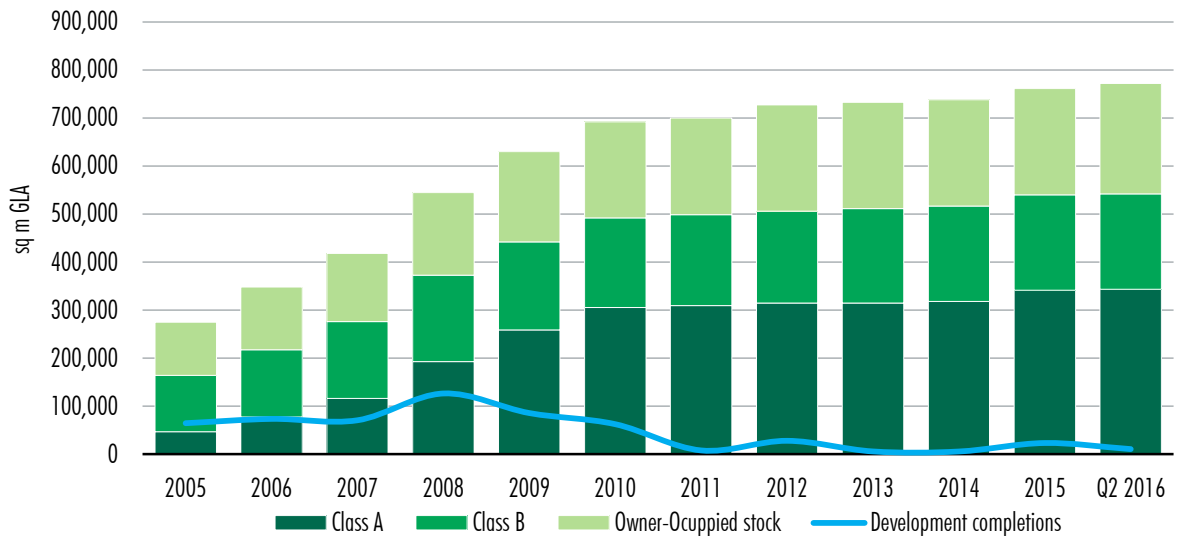
▲ Total Stock
771,000 sq m

▼ Take up
19,000 sq m

▼ Vacancy rate
6.5%

*Arrows indicate change from the corresponding quarter in the previous year.

Figure 1 – Belgrade Office Stock



Source: CBS International, part of the CBRE Affiliate Network

Q2 2016 SUMMARY

- The Belgrade modern office stock currently stands at the level of 771,000 sq m, with no completions during the second quarter of 2016
- The total amount of the space currently under construction exceeds 60,000 sq m of GLA, representing the significant increase y-o-y
- The demand has grown by 30%, as compared to the previous quarter, standing at the level of 19,462 sq m
- Serbia has become attractive for the companies interested in establishing shared service centers and business process outsourcing, which makes the demand from newcomers notable

OFFICE SUPPLY

Belgrade modern total office stock, including both Class A and Class B speculative stock of 541,000 sq m and owner-occupied stock, reached the level of app. 771,000 sq m of GLA.

In terms of the new deliveries, several projects are under construction, indicating the growth of the stock in the forthcoming period by 60,000 sq m.

VACANCY

Since Belgrade office stock has seen minimal changes in the new supply throughout the previous period, the vacancy rate has been showing a constant decline.

Due to the strong absorption of new space from the beginning of 2015, the overall vacancy rate keeps marking downward trend, amounting to 6.45%, at the end of Q2 2016. Vacancy in Class A office buildings in New Belgrade submarket remains below 5%.

RENTAL LEVELS

During Q2 2016, the asking rents for Class A office buildings remained 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%.

Table 1 – Ongoing office projects

Location	Project	Investor	Size sq m GLA
New Belgrade	Belgrade Office Park	CA Immo	5,000
New Belgrade	FortyOne	GTC	2 nd phase / 7,600
New Belgrade	Navigator	MPC	14,600
New Belgrade	Sirius	Immorent	1 st phase / 18,500
New Belgrade	Airport City Belgrade, Complex 2000	AFI & Tidhar	2 nd phase/ 12,000
City Center	Mutapova	Granit Invest	2,500

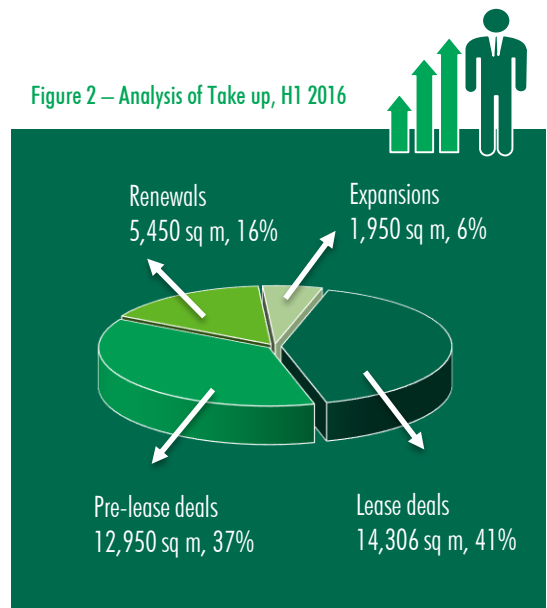
OFFICE DEMAND

During Q2 2016, the demand has grew by 30%, as compared to the previous quarter, standing at the level of 19,462 sq m.

As of the beginning of 2016, the total take up equaled 34,656 sq m, whereas the new transactions participated with the highest share of 41%. Much stronger share of the pre-lease deals was noted in the recent period, as it has become one of the pre-conditions prior to the construction commencement.

The demand is primarily driven by IT, telecommunication, high-tech and business process outsourcing services companies, followed by banks, pharmaceuticals companies and professional services

Figure 2 – Analysis of Take up, H1 2016



Source: CBS International, part of the CBRE Affiliate Network

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Definitions

Total Stock – the sum of speculative modern Class A and Class B office stock and owner-occupied stock.

Speculative/leasable office stock is the stock developed and dedicated to be offered to the market.

Class A: Best space available – i.e. new or high-quality secondhand space at good location, with top specification and prominent market image.

Class B: Good-quality second-hand space - i.e. no longer prime because of factors such as age or location.

Pipeline developments – office space currently being developed/under construction

Vacancy Rate – the ratio of vacant office space to total stock

Prime Rent – typical ‘achievable’ open market headline rent (can be hypothetical) for a unit of standard size of the highest quality and specification and in the best location in the market, at the survey date. It does not need to be identical to any of the transactions, particularly if the deal flow is limited or made up of unusual one-off deals

Total Leasing Activity – office space known to have been let or pre-let, sold or pre-sold to tenants or owner-occupiers during the survey period, including renewals.

