

SERBIA

Office Market Snapshot

First Quarter | 2018

CUSHMAN & WAKEFIELD

CBS INTERNATIONAL

Overview

According to the results published by the Statistical Office of Republic of Serbia, GDP grew by 4.5% in Q1 2018 in comparison with the corresponding period of the previous year. In the last 3 years, inflation has kept marking downward trend, and further dropped to the level of 3% in Q1 2018, in accordance with the National Bank of Serbia's expectations.

Occupier focus

The first quarter of 2018 recorded a strong activity in the office market, with 26 completed transactions and the total take-up amounting to over 26,000 sq m. When we analyze demand per type of transactions, the share of lease transactions counts for 50% of the total take-up, while the remaining share mostly belongs to the sales transactions.

Investor focus

Belgrade real estate market has recently witnessed the first investment transaction in the office segment, when GTC acquired Belgrade Business Center. Positive movements in Belgrade office market have also had an effect on the yields, which compressed to the level between 8.25-8.75% for modern office space. Even though there were no new completions in the Q1 2018, the office market has witnessed a few sales transactions in the previous period, thus some office buildings, upon refurbishment, will become a part of the modern office stock. With the total supply remaining unchanged at the level of 842,000 sq m of GLA, the overall vacancy rate dropped to app. 5%.

In February 2018, MPC Properties commenced the construction of the second Usce Tower totaling 22 floors, next to the existing office tower. As planned, the building should hold app. 23,000 sq m of GLA. GTC is currently developing a large-scale Class A project Green Heart, which will total 46,000 sq m GLA upon completion. Israeli investors AFI Europe and Shikun & Binui Group are currently developing 14,000 sq m large office tower Business Garden, within their downtown residential and commercial complex Central Garden.

Prime Office Rents

The asking rents remained stable, ranging between EUR 14.5-16.5 sq m/month for Class A office buildings and between EUR 11-12/sq m/month for Class B premises.

Outlook

In comparison with other Central and South-Eastern countries, current Belgrade office stock is still very limited. However, at the moment, Belgrade office market witnesses the development of a few class A office schemes, which will increase the total supply in the next two years.

MARKET INDICATORS

Market Outlook

Prime Rents:	Stable rental levels, possible upward trend in prime office schemes.	▼
Prime Yields:	Remaining under downward pressure across prime schemes.	▲
Supply:	Development and refurbishment activity is improving, but high absorption keeps vacancy levels low.	▲
Demand:	Strengthening further, more specific in ICT sector	▼

Pipeline Office Projects

PROJECT	INVESTOR	SIZE SQ M GLA	STATUS
N House	Napred	10,700	Under construction
Ziegel House	Trgomen nekretnine	5,000	Under construction
Office building	Roaming	4,500	Under construction
Green Heart	GTC	46,000	Under construction/ renovation
Chinese cultural center	Shandong Hi Speed Group	9,000	Under construction
Business Garden	AFI Europe, Shikun&Binui	14,000	Under construction
Skyline	AFI Europe	30,000	Planned
Usce Tower 2	MPC Properties	23,000	Under construction
Navigator 2	MPC Properties	27,000	Planned

Selected deals in Q1 2018

LOCATION	TENANT	SIZE SQ M	TYPE OF DEAL
Kralja Aleksandra Blvd	Marera Properties	3,700	Sales transaction
GTC Green Heart	SKS 365	2,000	Lease transaction
Jurija Gagarina Street	Fresenius Medical Care	1,700	Lease transaction
Belgrade Office Park	Holycode	1,000	Lease transaction
Airport City Belgrade	Beko Balkans	700	Lease transaction
Sirius	UB Connect	700	Lease transaction

Source: CBS International, part of Cushman & Wakefield Group

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Tamara Kostadinovic
Head of Market Research
88b Omladinskih brigada Street,
11070 Belgrade, Serbia
Tel: +381 11 22 58 777
tamara.kostadinovic@cw-cbs.rs
www.cw-cbs.rs