

SERBIA

# Office Market Snapshot

Second Quarter | 2018

CUSHMAN & WAKEFIELD

CBS INTERNATIONAL

## Overview

Increased activity in the construction and most of the service sectors was encouraging factor, influencing GDP growth and resulting in the ongoing implementation of infrastructure projects and recovery of domestic demand. According to the preliminary estimate of the Statistical Office, GDP growth in Q1 accelerated to 4.5% y-o-y. According to National bank of Serbia's estimation, GDP growth is expected to rise to around 3.5% in 2018.

## Occupier focus

After strong results recorded in 2017, a positive momentum continued in 2018, with the demand for modern office space reaching the level of 45,500 sq m in Q2 2018 only, noting an increase of 70% in comparison with the figures recorded in the first quarter of 2018.

When we analyze the demand per type of transactions, Q2 was characterized by the largest share of sales transactions (37%), followed by new lease acquisitions, accounting for 34% of the total take-up. Pre-lease deals participated with the share of 11%, while the expansions and renewals achieved the share of 18%. Analysing further, the overall demand was mostly driven by the international companies, while the key performers were Business services sector and Computers & Hi-Tech sector.

45,500 sq m of office leasing transactions were signed in Belgrade market in Q2 2018, bringing the total take-up to an amazing 71,000 sq m in the first half of 2018, close to the figures achieved in the whole 2016. With occupiers previously primarily focused on securing premises in New Belgrade, this year has witnessed a new trend. Namely, the city center area has started to regain tenants' attention, with the increased number of deals, being signed in this area.

## Investor focus

Due to the completion of Roaming's office building, Belgrade contemporary office stock grew by 4,500 sq m and currently stands at the level of 847,000 sq m of GLA. Furthermore, the speculative (leasable) office stock remains at the level of 602,000 sq m, while the owner-occupied supply reached the level of 245,000 sq m.

The construction activity is high, with nearly 100,000 sq m of office space expected to be completed by the end of 2019, as per the current plans.

The lack of new deliveries on the market, which would increase the total office stock, along with the strong demand, kept the vacancy levels down. The overall vacancy rate on the market dropped to the lowest level, close to 4%.

## MARKET INDICATORS

### Market Outlook

Prime Rents:	A stable trend in rental levels is expected in the coming period	▶
Prime Yields:	Current yield level is stable, however, in prime office locations further yield decompression is possible.	▲
Supply:	Several developments are in the pipeline for 2018 and 2019	▼
Demand:	Leasing activity is expected to remain strong	▼

### 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
Green Heart	GTC	46,000	Under construction/renovation
Airport City Belgrade	AFI Europe, Tidhar Group	12,000	Under construction
Business Garden	AFI Europe, Shikun & Binui Group	14,000	Under construction
Usce Tower 2	MPC Properties	23,000	Under construction
Navigator 2	MPC Properties	27,000	Under construction
Sirius 2	Immorent	8,700	Planned

### Selected deals in Q2 2018

LOCATION	TENANT	SIZE SQ M	TYPE OF DEAL
Beko - Vojvode Bojovica Blvd.	Marera Properties	17,000	Sales transaction
19 Avenue	EU Delegation	3,900	Renewal
Navigator 2	Zulhke	3,000	Pre-lease acquisition
Airport City Belgrade	Huawei	1,700	Lease acquisition
19 Avenue	Australian Embassy	1,600	Renewal
Marera Properties	Nortal	1,000	Lease acquisition

Source: CBS International, part of Cushman & Wakefield Group

This report has been produced by CBS International, part of Cushman & Wakefield Group for use by those with an interest in commercial property solely for information purposes. It is not intended to be a complete description of the markets or developments to which it refers. The report uses information obtained from public sources which CBS International, part of Cushman & Wakefield Group believe to be reliable, but we have not verified such information and cannot guarantee that it is accurate and complete. No warranty or representation, express or implied, is made as to the accuracy or completeness of any of the information contained herein and CBS International, part of Cushman & Wakefield Group shall not be liable to any reader of this report or any third party in any way whatsoever. All expressions of opinion are subject to change. Our prior written consent is required before this report can be reproduced in whole or in part. ©2018 CBS International, part of Cushman & Wakefield Group. All rights reserved.

**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

# SERBIA

## Office Market Snapshot

Second Quarter | 2018



### Prime Office Rents

During Q2 2018, the asking rents for Class A office buildings remained stable, ranging between EUR 14.5-16.5/sq m/month, while the asking rents for Class B office schemes varied between EUR 11-12/sq m/month.

Prime yields in the office segment remained stable, ranging between 8.25-8.75% for modern office space.

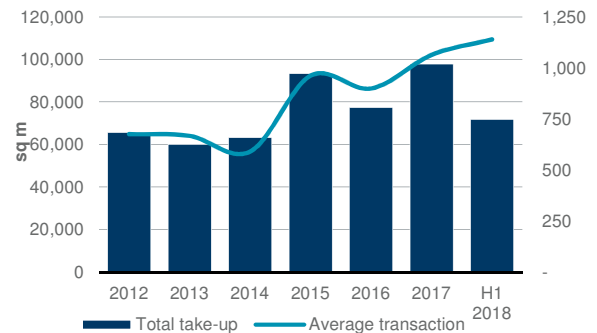
### Outlook

Israeli investors AFI Europe and Tidhar Group are targeting to expand their business complex Airport City Belgrade, which currently comprises 9 office buildings, totaling 87,000 sq m. The preparation works on the class A office building of 12,000 sq m of GLA recently commenced.

MPC Properties intends to develop an office scheme of 27,000 sq m of GLA in New Belgrade's block 43 named Navigator 2, while the same neighborhood should witness the development of the second phase of Immorent's office scheme Sirius, totaling nearly 9,000 sq m of GLA.

In terms of the new developments in the city center, the only ongoing project is Business Garden, being developed within a mixed-use complex Central Garden, by Israeli investors Shikun & Binui Group and AFI Europe. Business Garden will be 14,000 sq m – large class A office building, one of the few LEED-certified buildings in Serbia, set for completion in Q1 2019.

Leasing activity 2012 - H1 2018



Source: CBS International, part of Cushman & Wakefield Group



This report has been produced by CBS International, part of Cushman & Wakefield Group for use by those with an interest in commercial property solely for information purposes. It is not intended to be a complete description of the markets or developments to which it refers. The report uses information obtained from public sources which CBS International, part of Cushman & Wakefield Group believe to be reliable, but we have not verified such information and cannot guarantee that it is accurate and complete. No warranty or representation, express or implied, is made as to the accuracy or completeness of any of the information contained herein and CBS International, part of Cushman & Wakefield Group shall not be liable to any reader of this report or any third party in any way whatsoever. All expressions of opinion are subject to change. Our prior written consent is required before this report can be reproduced in whole or in part. ©2018 CBS International, part of Cushman & Wakefield Group. All rights reserved.

**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