

RESEARCH REPORT

Belgrade Office Market

CBRE | Serbia

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Q1 2015

HOT TOPICS

- During the first quarter of 2015, Belgrade modern office stock remained unchanged, exceeding 738,000 sq m of GLA
- After a three-year period of limited development activity, the late 2014 brought some positive tendencies, with a few office schemes being initiated
- In terms of the overall demand, the first quarter of 2015 was much stronger as compared to the same period of the previous year

Serbia essentials

Population (Census 2011)	7,186,862
Average salary (EUR) March 2015	358
Average Household Expenditure (EUR) 2014	464
Unemployment rate (Labor Force Survey – Q4 2014)	16.8%
GDP Q4 2014 (y-o-y)	-1.8%
CPI March 2015 (y-o-y)	1.9%

Belgrade essentials

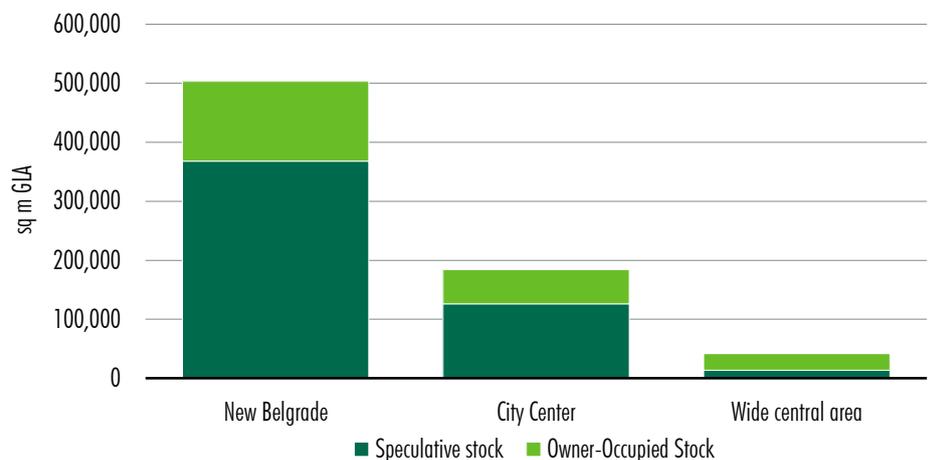
Population (Census 2011)	1,659,440
Average salary (EUR) March 2015	453
Average Household Expenditure (EUR) 2014	533
Unemployment rate (Labor Force Survey – Q4 2014)	15.9%

Source: Statistical Office of the Republic of Serbia

BELGRADE OFFICE STOCK

During Q1 2015, Belgrade contemporary office stock of class A and class B office buildings remained unchanged, exceeding 738,000 sq m of GLA, out of which is 516,000 sq m is speculative and 221,000 sq m is owner-occupied space.

Location-wise, New Belgrade has over the years established itself as a major business district, due to the adequate infrastructure system, land availability and convenient parking ratios, comprising 515,000 sq m, i.e. 70% of the total office stock. From the other hand, due to the construction density and available land, City Centre has seen very few new developments in the previous years. Several refurbishments increased the availability of modern office space, standing at 184,000 sq m of GLA, while Wide Central Area accounts for 6% of the total office stock and is dominated by owner-occupied buildings.



Source: CBS International, part of the CBRE Affiliate Network

After a three-year period of limited development activity when only 15,000 sq m of speculative office space was delivered to the market, the late 2014 brought some positive tendencies, with a few projects being initiated. Israeli investors AFI Group and Tidhar are targeting to expand their business complex Airport City Belgrade of 70,000 sq m of GLA. The construction works on the class A office building of 12,000 sq m of GLA recently commenced.



Airport City Complex Belgrade

The further development of New Belgrade area will be supported by development of GTC's office building FortyOne totalling 9,870 sq m. The delivery date of this project is scheduled for Q3 2015.

As far as the planned projects concerned, MPC Properties intends to develop 25,500 sq m of GBA large office scheme in New Belgrade's block 43, while the same neighbourhood should witness the development of Immorent's office scheme Sirius. Delta Holding aims to develop the office project in New Belgrade Block 20, in the immediate vicinity of hotel Crowne Plaza. This modern office building will comprise app. 20,000 square meters.

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DEMAND (TAKE-UP)

In terms of the new transactions, the first quarter of 2015 was very intensive, in comparison with the corresponding period of the previous year, recording an increase of 40%. The total take up stood at the level of 21,566 sq m, i.e. 23 recorded transactions with average deal size of 938 sq m.

Analysing per location, New Belgrade remained the most preferred part of the city with the share of app. 80%. In Q1 2015, the overall demand was mostly driven by international companies, while the most active sectors were Insurance sector, Telecoms and IT companies.

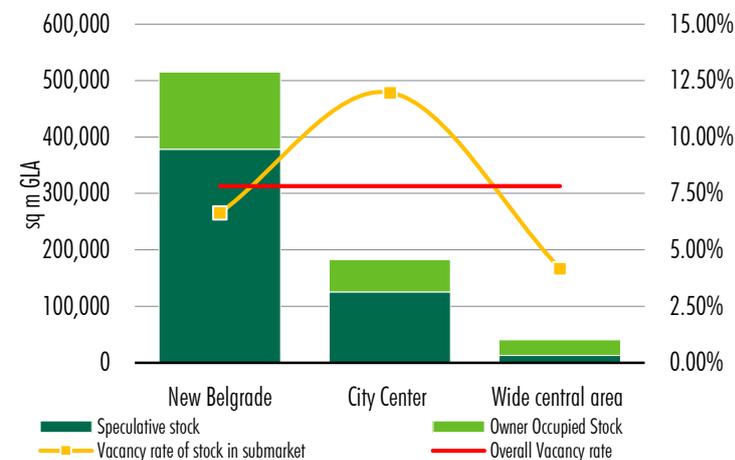
VACANCY

The lack of new deliveries on the market, which would increase the total office stock, along with the stable demand, kept the vacancy levels further down, reaching the level of 11%, as compared to the speculative stock only. The overall vacancy rate on the market dropped below 8%.

RENTAL LEVELS

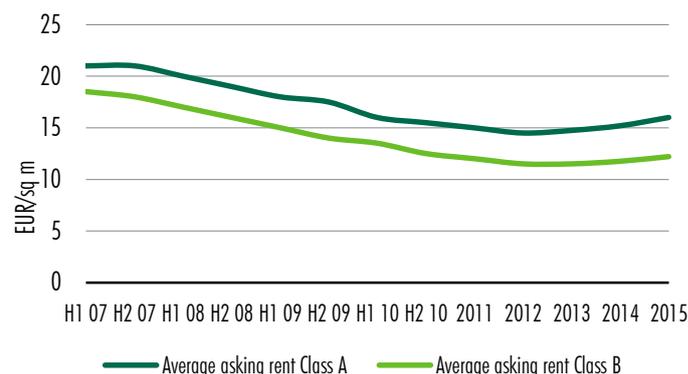
The constant downward trend in the vacancy levels shifted the market, becoming more landlord-oriented, allowing landlords to reconsider the upward corrections in the rental levels. During Q1 2015, the asking headline rental levels ranged between EUR 15-17/sq m/month for Class A office buildings, while the average rental levels for Class B office buildings vary between EUR 11-12/sq m/month. Prime office yield range between 9-9.5%.

VACANCY LEVEL PER SUBMARKETS (%)



Source: CBS International, part of the CBRE Affiliate Network

AVERAGE RENTAL LEVELS



Source: CBS International, part of the CBRE Affiliate Network

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