RESEARCH REPORT
Belgrade Office Market

CBRE | Serbia

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Q2 2014

HOT TOPICS

- In Q2 2014, the vacancy rate further dropped below 10% (as compared to the total stock)
- Due to the lack of new supply, the market becomes undersupplied of quality office spaces as at the moment only few office buildings may accommodate requests of over 500 sq m as a compound unit

Serbia essentials

Population (Census 2011)	7,186,862
Average salary (EUR) June 2014	388
Average Household Expenditure (EUR) Q1 2014	477
Unemployment rate (Labor Force Survey – Q2 2014)	20.3%
GDP Q2 2014 (y-o-y)	-1.1%
CPI July 2014 (y-o-y)	2.1%

Belgrade essentials

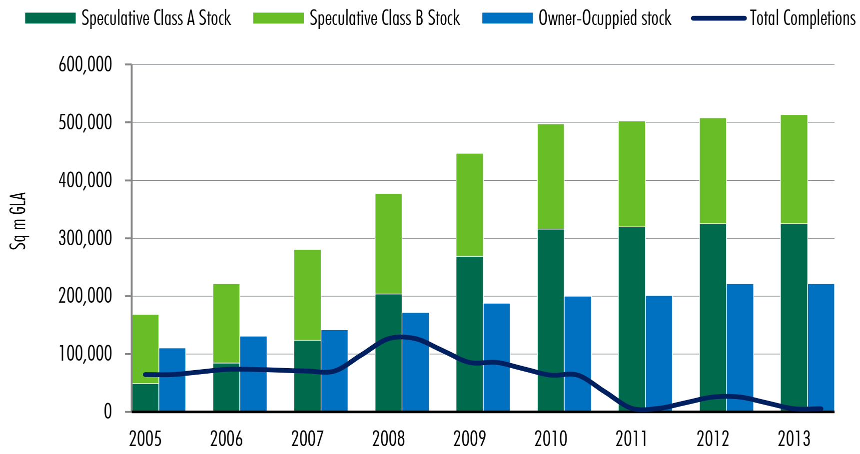
Population (Census 2011)	1,659,440
Average salary (EUR) June 2014	482
Average Household Expenditure (EUR) Q1 2014	571
Unemployment rate (Labor Force Survey – Q2 2014)	18.3%

Source: Statistical Office of the Republic of Serbia

BELGRADE OFFICE STOCK

The speculative office stock of half a million sq m of GLA remained unchanged during H1 2014. At the moment, Belgrade contemporary supply exceeds 734,000 sq m of GLA, out of which 70% is speculative, i.e. 513,000 sq m and 28% owner occupied space, or 221,000 sq m.

BELGRADE OFFICE STOCK (SQ M GLA)



Total completions include Speculative Completions and Owner-Occupied Completions
Source: CBS International, part of the CBRE Affiliate Network, locally prepared

At the moment, the office market faces the lack of new supply and no large projects have commenced construction. Only small-scale projects are either under construction, either being done in shall and core condition, waiting for the future tenants for the final completion. Still, the list of announced projects is much longer, proving that the office segment remains attractive segment for the investors.

Project	Location	Developer	GBA (sq m)	Status
Old Mill (office part)	City Center	Soravia	3,400	Under construction
Deneza	New Belgrade	Deneza	3,000	Under construction
Atlas Business Center	Downtown	Atlas Group	3,600	Shall and core completed
B23	New Belgrade	Verano Group	53,000	On hold
Tri Lista Duvana	Downtown	MPC Holding	17,000	On hold
Airport City 5th phase	New Belgrade	Africa Israel	15,000	Planned
GTC FortyOne	New Belgrade	GTC	27,000	Planned
Sirius	New Belgrade	Immorent	30,000	Planned

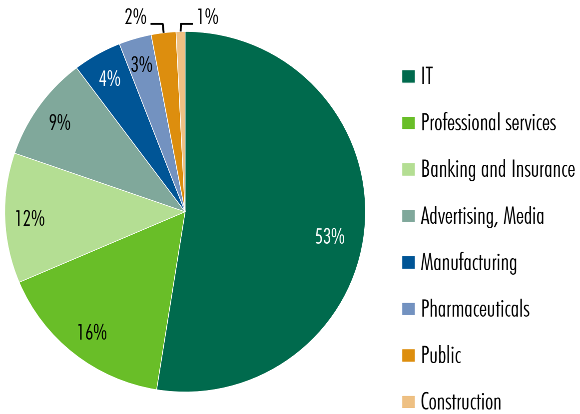
Source: CBS International, part of the CBRE Affiliate Network

DEMAND (TAKE-UP)

The second quarter of 2014 recorded slower activity with total take up of 9,356 sq m, while the overall number of transactions was 16 and the average deal size was 585 sq m. As of the beginning of 2014, the total take-up amounted around 25,000 square meters.

When analyzing the distribution of lease activities by sector in the first two quarters of 2014, IT companies are still the most dominant with the share of 53%, followed by professional and financial services.

DEMAND BY SECTOR OF BUSINESS, H1 2014



Source: CBS International, part of the CBRE Affiliate Network

VACANCY

Since Belgrade office stock has seen minimal changes throughout the previous period, the vacancy rate has been showing a constant decline, hitting a four-year minimum of 9.95% at the end of Q2 2014, based on the ratio of the overall office stock, including the owner-occupied buildings.

The vacancy rate as compared only to the speculative (leasable) stock also noted a significant drop, reaching the level of 14.2% (vs. 26% in 2010). When taking into consideration Class A office buildings only in New Belgrade, the vacancy rate went below 9%, which leads to a conclusion that the market is currently undersupplied of quality office space. Namely, at the moment only few office buildings may accommodate clients' requests of over 500 sq m as a whole.

RENTAL LEVELS

Class A office buildings recorded the asking rents, ranging between EUR 14-16/sq m/month, while average asking rents of Class B stock vary between EUR 11-12/sq m/month. Prime yields range between 9-9.5%.

SELECTED LEASE TRANSACTIONS IN Q2 2014

Tenant	Building	Size of deal (sq m)	Transaction Type
Seven Bridges Genomics	Becad	2,000	Lease
Microsoft	Blue Center	1,284	Expansion
Embassy of UAE	Savograd	550	Lease
Impact HUB	Makedonska	500	Lease
Bassilichi CEE	LukOil	412	Lease
British Council	Terazije	350	Renewal
Kanal 3	Republic Square	270	Lease
Andric Law	Centrotextil	250	Lease

Source: CBS International, part of the CBRE Affiliate Network, Belgrade Research Forum

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