

RESEARCH REPORT

Belgrade Office Market

CBRE | Serbia

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Q2 2015

HOT TOPICS

- During 2015, Belgrade office stock remains at the same level, exceeding 738,000 sq m of GLA
- At the moment, New Belgrade submarket witnesses the strong development
- Intensive leasing activity continued in Q2 2015, while the total take up exceeded the level of 30,000 sq m

Serbia essentials

Population (Census 2011)	7,186,862
Average salary (EUR) May 2015	428
Average Household Expenditure (EUR) Q1 2015	496
Unemployment rate (Labor Force Survey – Q1 2015)	19.2%
GDP Q1 2015 (y-o-y)	-1.8%
CPI June 2015 (y-o-y)	1.9%

Belgrade essentials

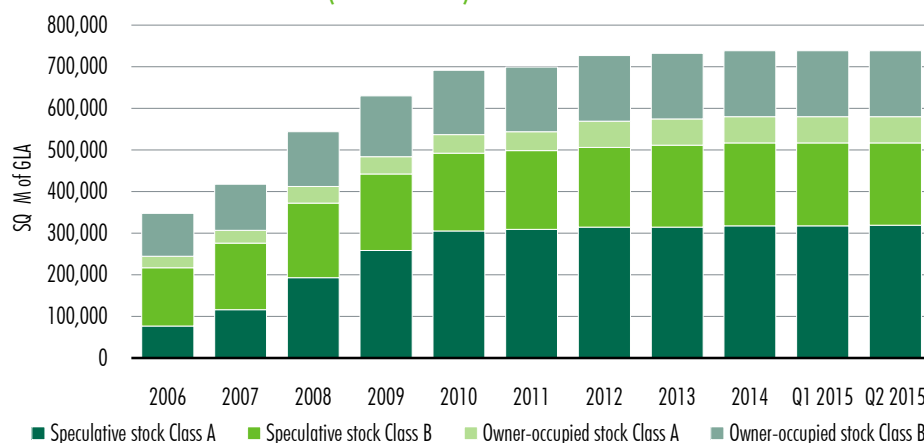
Population (Census 2011)	1,659,440
Average salary (EUR) May 2015	541
Average Household Expenditure (EUR) Q1 2015	549
Unemployment rate (Labor Force Survey – Q1 2015)	20.7%

Source: Statistical Office of the Republic of Serbia

BELGRADE OFFICE STOCK

As of the beginning of 2015, Belgrade contemporary office stock has remained unchanged, exceeding the level of 738,000 sq m of GLA. Furthermore, the speculative (leasable) office stock reached the level of 516,000 sq m, while the owner-occupied supply stands at the level of 221,000 sq m. In the following period, the construction activity, which commenced in the late 2014, will have a positive impact on the overall office supply.

BELGRADE OFFICE STOCK (SQ M GLA)



Source: CBS International, part of the CBRE Affiliate Network

After a certain period with no new deliveries, New Belgrade submarket is currently witnessing the solid activity in the office market segment. The first larger-scale property that will be delivered to the market is the first building of GTC's complex FortyOne, holding app. 10,000 sq m, which will welcome the first tenants in August 2015. The investors AFI Europe and Tidhar continue further expansion of their Class A Business Park Airport City Belgrade, by developing the eight building of 15,000 sq m, within the complex, whose completion is set for 2016. Furthermore, IMEL company is actively working on Societe Generale Bank HQ in Zorana Djindjica Boulevard, totaling 10,000 sq m.

The Balkans Real Estate, the part of MPC Properties, recently commenced the preparatory works on its Class A office building Navigator Business Center, which will comprise 14,600 sq m of GLA. The project will be located in New Belgrade's Block 43, along Milutina Milankovica Boulevard. In the same neighborhood, the Austrian company Immorent aims to develop the office scheme named Sirius. As per the latest information, the construction process should commence in Q3 2015.



Navigator Business Center

In terms of the new developments in the city center, the only ongoing project is Green Square, located in Mutapova Street. Green Square will cover the area of around 5,000 sq m with more than 2,500 sq m of GLA of modern office space. The project should be completed in 2016. In the prospective period, Delta Holding is planning to develop a new office scheme in New Belgrade's Block 20, of app. 20,000 sq m.

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DEMAND (TAKE-UP)

The intensive leasing activity continued in Q2 2015, when the total take-up exceeded the level of 30,000 sq m. The average deal equalled 1,400 sq m, mostly thanks to the few larger pre-lease deals and renewals. As far as the H1 2015 is concerned, the total take up exceeded 50,000 sq m.

VACANCY

Although the strong leasing activity was recorded in the first months of 2015, the vacancy rate dropped marginally, as the net absorption of the space was moderate. Still, the vacancy rate has kept downward trend, resulting in the overall market vacancy rate below 8%, i.e. below 11% as compared to the speculative stock only.

When considering Class A office buildings in New Belgrade area only, the vacancy rate is even lower, below 6%, due to greater demand in this specific submarket.

RENTAL LEVELS

Class A office buildings imply asking rents, ranging between EUR 15-17/sq m/month, while the average asking rents of Class B stock amount to EUR 12/sq m/month. Due to the lower vacancy rate, as of the beginning of the year, rents have noted the upward trend, yet mostly in effective levels. Prime yields vary between 9-9.5%.

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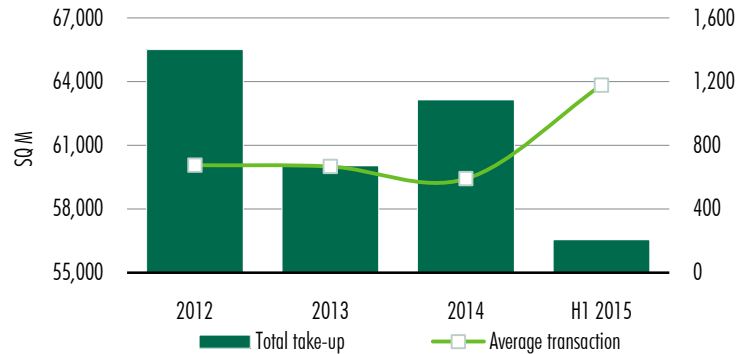
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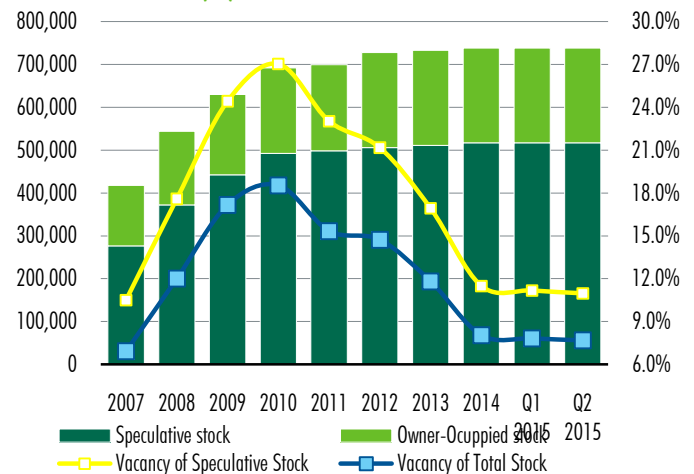


TAKE-UP AND AVERAGE TRANSACTION (SQ M)



*Including owner-occupied deals
Source: CBS International, part of the CBRE Affiliate Network, Belgrade Research Forum

VACANCY LEVEL (%)



Source: CBS International, part of the CBRE Affiliate Network