

RESEARCH REPORT

Belgrade Office Market

CBRE | Serbia

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Q4 2014

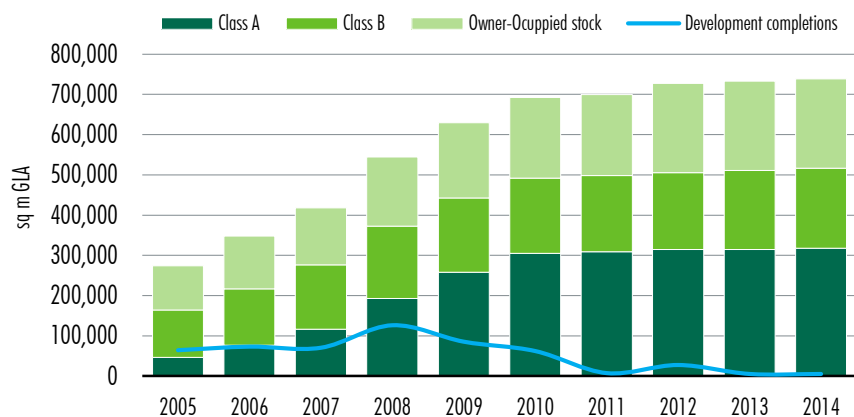
HOT TOPICS

- At the end of 2014, office stock remained unchanged, standing at the level of 738,000 sq m of GLA
- Q4 2014 marked the strongest results in 2014
- Due to the strong demand, the overall vacancy rate on the market further dropped to nearly 8%.

BELGRADE OFFICE STOCK

At the end of 2014, the total Class A and Class B office stock in Belgrade remained at the same level, exceeding 738,000 of GLA, out of which 70% is speculative, i.e. 516,000 sq m and 30% owner occupied space, or 221,000 sq m. During 2014, only two small-scale projects were completed, generating the increase of the total stock of 5,000 sq m in total.

BELGRADE OFFICE STOCK (SQ M GLA)



Source: CBS International, part of the CBRE Affiliate Network

Serbia essentials

Population (Census 2011)	7,186,862
Average salary (EUR) December 2014	411
Average Household Expenditure (EUR) Q3 2014	446
Unemployment rate (Labor Force Survey – Q3 2014)	17.6%
GDP Q3 2014 (y-o-y)	-3.6%
CPI December 2014 (y-o-y)	1.7%

Belgrade essentials

Population (Census 2011)	1,659,440
Average salary (EUR) December 2014	517
Average Household Expenditure (EUR) Q3 2014	498
Unemployment rate (Labor Force Survey – Q3 2014)	17.3%

Source: Statistical Office of the Republic of Serbia

After a certain period of limited development activity on Belgrade office market, late 2014 witnessed more positive tendencies, with a few projects being in early construction process.

The reputable developer GTC intensively continued the construction works on its project GTC 41, located in New Belgrade, totalling 9,870 sq m of GLA. The completion of this phase of the project, which will encompass 27,000 sq m, is expected in Q3 2015.



Societe Generale Bank commenced the construction works on its new headquarters building of 10,000 sq m, located in Zorana Djindjica Boulevard, New Belgrade.

Several other smaller-scale projects are also in various construction phases, proving that the market is in demand of new office space. The local investor Granit Invest, started preparation works for new office scheme, located in city center, municipality Vracar. This small-scale office building will have 5,000 of GBA and about 2,000 sq m GLA of modern office space. This project will enlarge supply in the city center in 2015.

The further development of New Belgrade will be supported by planned expansion of the first Belgrade Business Park of 70,000 sq m of GLA, Airport City Belgrade. Israeli AFI Group and Tidhar aim to expand the complex, with 4 new office buildings, while the first building should comprise 12,000 sq m.

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DEMAND (TAKE-UP)

The last quarter recorded the strongest take-up in 2014, being more than doubled as compared to the corresponding quarter of the previous year, standing at the level of 20,108 sq m, i.e. 29 transactions with average deal size of 693 sq m. Analysing by the sector of the business, IT companies were the key performer, followed by Public companies, Consumer Goods sector and Manufacturing sector.

The total leasing activity in 2014 exceeded 63,000 sq m, recording an increase of app. 5%, as compared to 2013-results.

VACANCY

Due to the strong absorption on new space in Q4 2014, the overall vacancy rate on the market further dropped to nearly 8%. Compared only to the speculative (leasable) stock, vacancy rate also noted a decline, reaching the level of 11.5%.

RENTAL LEVELS

The constant downward trend in the vacancy levels along with the stable demand shifted the market, becoming more landlord-oriented, allowing landlords to reconsider the upward corrections in the rental levels.

At the moment, the headline rental levels for Class A office buildings slightly rose to the level of EUR 15-17/sq m/month, while the average rents of Class B premises range between EUR 11-12/sq m/month. Prime yields vary between 9-9.5%.

Dragan Radulovic
Managing Director
CBS International doo Beograd
Part of the CBRE Affiliate Network
Airport City Belgrade
88b Omladinskih Brigada Street
11070 Belgrade, Serbia
t: +381 11 22 58 777
e: dragan.radulovic@cbre.rs

Milica Nikolic
Head of Office Agency
CBS International doo Beograd
Part of the CBRE Affiliate Network
Airport City Belgrade
88b Omladinskih Brigada Street
11070 Belgrade, Serbia
t: +381 11 22 58 777
e: milica.nikolic@cbre.rs

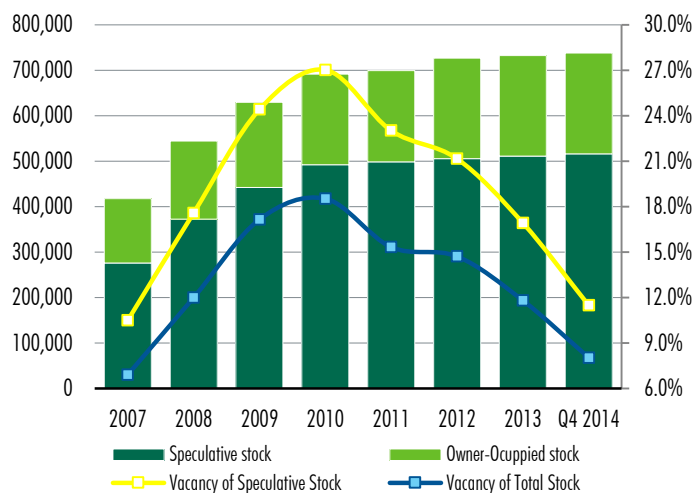
Tamara Kostadinovic
Head of Market Research
CBS International doo Beograd
Part of the CBRE Affiliate Network
Airport City Belgrade
88b Omladinskih Brigada Street
11070 Belgrade, Serbia
t: +381 11 22 58 777
e: tamara.kostadinovic@cbre.rs

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VACANCY LEVEL (%)



Source: CBS International, part of the CBRE Affiliate Network

SELECTED LEASE TRANSACTIONS IN Q4 2014

Tenant	Building	Size of Deal (sq m)	Transaction Type
Air Serbia	Belville PO2	5,500	Lease
Gtech	Usce	2,700	Lease
Enel PS	Zelengorska	1,310	Lease
Shiftplanning	Zora	1,200	Lease
HP	Airport City Belgrade	1,000	Lease
Actavis	BOP	900	Renewal
Eli Lilly	19Avenue	150	Lease

Source: CBS International, part of the CBRE Affiliate Network

