

RESEARCH REPORT

Belgrade Office Market

CBRE | Serbia

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Q3 2014

HOT TOPICS

- Office stock 738,000 sq m of GLA, out of which is 516,500 sq m speculative and 221,500 sq m owner occupied.
- The reputable investor GTC recently commenced the construction works on office scheme GTC Fortyone.

Serbia essentials

Population (Census 2011)	7,186,862
Average salary (EUR) August 2014	389
Average Household Expenditure (EUR) Q2 2014	440
Unemployment rate (Labor Force Survey – Q2 2014)	20.3%
GDP Q2 2014 (y-o-y)	-1.1%
CPI September 2014 (y-o-y)	2.1%

Belgrade essentials

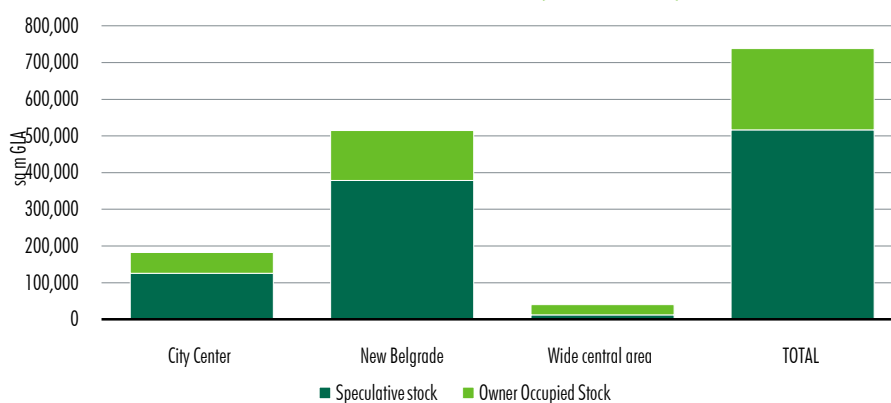
Population (Census 2011)	1,659,440
Average salary (EUR) August 2014	483
Average Household Expenditure (EUR) Q2 2014	506
Unemployment rate (Labor Force Survey – Q2 2014)	18.3%

Source: Statistical Office of the Republic of Serbia

BELGRADE OFFICE STOCK

After a certain period of limited development activity on Belgrade office market, the third quarter witnessed positive tendencies. Austrian developer Soravia Group completed its mixed-use project Old Mill, which includes 4-star hotel Radisson Blue and modern office scheme New Mill of 3,400 sq m. This investment directly affected supply of office stock in Belgrade, which at the moment exceeds 738,000 sq m of GLA, out of which 516,500 sq m is speculative and 221,500 sq m owner-occupied office stock.

BELGRADE OFFICE STOCK PER LOCATION (SQ M GLA)



Source: CBS International, part of the CBRE Affiliate Network

The reputable investor GTC recently commenced the construction works on its fourth office building GTC Fortyone, located in New Belgrade block 41, at the junction of Milutina Milankovica and Umetnosti Boulevard. This prime office scheme, with 27,400 sq m of lettable area, will be developed in three phases, while the first phase envisages the construction of the office building of 9,870 sq m.

Deneza Invest continues the construction works on its 3,000 sq m large office scheme in Tosin bunar street, while Societe Generale Bank commenced the development of its new headquarters building of 11,000 sq m, situated next to the existing corporate settings in Zorana Djindjica Boulevard.



GTC Fortyone

DEMAND (TAKE-UP)

Despite the standard market practice that summer quarters are slightly slower in tenants' activity, this year's third quarter was characterized by strong demand, noting the strongest year results. As compared to Q2 2014, the total take-up is almost doubled in Q3, standing at the level of 18,181 sq m, i.e. 32 transactions are recorded with the average deal size of 568 sq m.

The overall take up in the first three quarters of 2014 exceeded 43,000 sq m, with the average deal size being 552 sq m, showing the stable activity in the leasing segment.

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In Q3 2014, the overall demand was mostly driven by international companies counting for 79%, while, analysed by the sector of business, Manufacturing sector was the key performer, followed by Professional services, IT companies and Financial sector.

Location-wise, New Belgrade remains the most preferred location among the tenants, however its share dropped to the level of 70%, proving that city centre is also attractive for certain portion of tenants. In addition, New Belgrade area is almost undersupplied of quality office space, which makes the search more difficult.

VACANCY

Although the total office stock slightly grew in Q3 2014, due to the strong demand, the vacancy rate further dropped to the level of 9.6% 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 drop, reaching the level of 13.8% (vs. 26% in 2010%).

RENTAL LEVELS

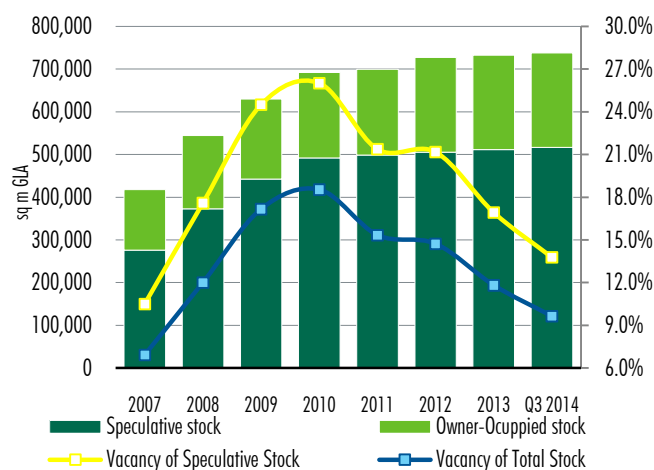
For Class A office buildings the asking rents range between EUR 14-16/sq m/month, while average asking rents of Class B stock vary between EUR 11-12/sq m/month. Due to low vacancy, the rents are noting the upward trend, yet mostly in effective levels, while the headline rents remain mostly unchanged. Prime yields vary between 9-9.5%.

SELECTED LEASE TRANSACTIONS IN Q3 2014

Tenant	Building	Size of Deal (sq m)	Transaction Type
Bosch	GTC 41	1,872	Pre-lease
Regus	GTC 41	1,350	Pre-lease
Tetra Pak	GTC 41	1,310	Pre-lease
Roaming	Oblakovska	1,250	Lease
Arabtec	Usce	900	Lease
Deploy	Terazije 41	850	Lease

Source: CBS International, part of the CBRE Affiliate Network

VACANCY LEVEL (%)



Source: CBS International, part of the CBRE Affiliate Network

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