

RESEARCH REPORT

Belgrade Office Market

CBRE | Serbia

PART OF THE CBRE AFFILIATE NETWORK

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Q1 2014

HOT TOPICS

- After a period of almost no development activity on Belgrade office market, the upcoming period sees some positive tendencies in this property segment
- The strong activity on the market in the first quarter has decreased the vacancy rate to the level of 10.4% as compared to the total stock

Serbia essentials

Population (Census 2011)	7,186,862
Average salary (EUR) March 2014	375
Average Household Expenditure (EUR) Q4 2013	489
Unemployment rate (Labor Force Survey – October 2013)	20.1%
GDP 2013 (y-o-y)	2.5%
CPI March 2014 (y-o-y)	2.3%

Belgrade essentials

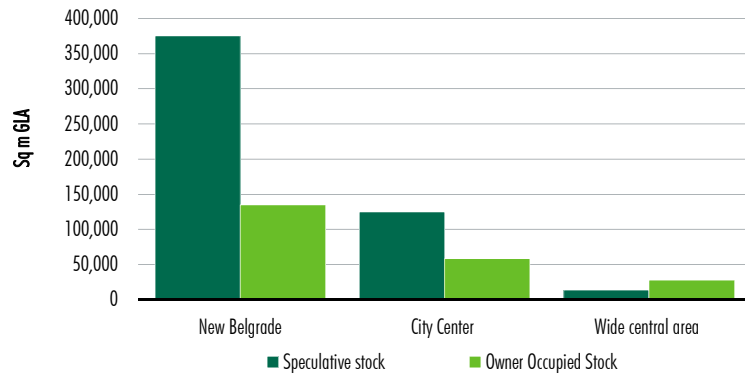
Population (Census 2011)	1,659,440
Average salary (EUR) March 2014	474
Average Household Expenditure (EUR) Q4 2013	593
Unemployment rate (Labor Force Survey – October 2013)	16.7%

Source: Statistical Office of the Republic of Serbia

BELGRADE OFFICE STOCK

At the end of Q1 2014, the total contemporary office stock remained at the level of app. 734,000 sq m of GLA, out of which 70% is speculative, i.e. 513,000 sq m and 30% owner-occupied space, or 221,000 sq m.

OFFICE STOCK PER LOCATION Q1 2014



Source: CBS International, part of the CBRE Affiliate Network

After a certain period of almost no development activity on Belgrade office market, the upcoming period sees some positive tendencies. Hence, in terms of projects currently under construction, Austrian developer Soravia Group actively works on the development of 25,000 sq m large mixed-use project New Mill, comprising 4-star hotel Radisson Blu and office scheme of 3,400 sq m. The completion of the project is expected by mid-2014. Another on-going small-scale scheme is the office building of Deneza Invest's, located in Tosin Bunar street. The building will include 3,000 sq m of GBA, on the seven levels including underground garage. As announced, the completion is scheduled for May 2015.

In terms of the prospective projects, GTC plans the construction of a large office scheme, located in New Belgrade block 41. The project Fortyone will include three office buildings with the total gross area of 27,000 sq m, comprising various office structures, ranging between 100 and 3,000 sq m. The project will be delivered into three phases, while the first phase will include 10,000 sq m.



GTC Fortyone

DEMAND (TAKE-UP)

The overall take up in Q1 2014 totals 15,503 sq m, including 30 transactions, with the average deal size being 517 sq m, showing the significantly strong activity in leasing segment. Further analyzing, the market in the first quarter absorbed 10,147 sq m of new leases and expansions which equals 65%, while 35% belongs to the renewals of the existing contracts.

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On the other side, when analyzing the distribution of lease activities by sector, IT companies are still the most dominant with the share of 55%, followed by financial and professional services with 14% and 12% share of the total take-up.

VACANCY

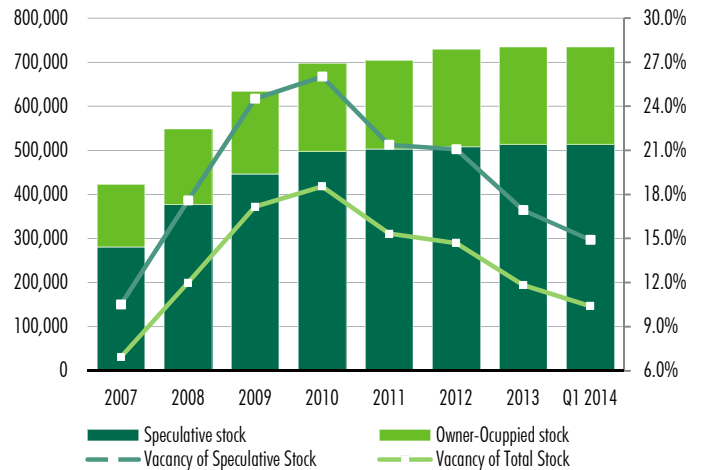
The strong activity on the market in the first quarter has lowered the vacancy rate to the level of 10.4% as compared to the total stock. Besides, the vacancy rate regarding the speculative stock has also seen a decrease to the level of 15%.

More precisely, the vacancy rate of the total stock in class A office buildings, in New Belgrade, further dropped to the level below 9%, showing that with the quality supply it is still the most attractive location for quality office space.

RENTAL LEVELS

Rental levels have remained stable throughout the whole 2013 and in the first months of 2014. 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%.

OFFICE STOCK AND VACANCY RATE



Source: CBS International, part of the CBRE Affiliate Network

SELECTED LEASE TRANSACTIONS IN Q1 2014

Tenant	Building	Size of deal (sq m)	Transaction Type
Sitel	Blue Center	3,700	Renewal
Royal Group	Blue Center	1,600	Lease
NCR	Blue Center	1,150	Lease
SKS365	Blue Center	750	Lease
Represent	Centrotexil	700	Lease
HP	Airport City Belgrade	600	Renewal
TomTom	19 Avenue	460	Lease
Hertz	Belgrade Office Park	270	Lease
Teleperformance	Airport City Belgrade	260	Lease

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

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