

Belgrade Office, Q1 2016

Strong development activity continues

 Total Stock
771,000 sq m

 Take up
15,000 sq m

 Vacancy rate
6.5%

*Arrows indicate change from the corresponding quarter in the previous year.

Figure 1 – Belgrade Office Stock



771,000 sq m GLA
Belgrade Existing Modern Office Stock

541,000 sq m GLA
Speculative/leasable office stock, including Class A and Class B office schemes

230,000 sq m GLA
Owner – occupied office stock, including Class A and Class B owner-occupied schemes

Source: CBS International, part of the CBRE Affiliate Network

Q1 2016 SUMMARY

- The Belgrade modern office stock currently stands at the level of 771,000 sq m
- During the first quarter of 2016, two small-scale office schemes were completed predominately in the owner-occupied segment
- The total amount of the space currently under construction exceeds 60,000 sq m of GLA, representing the significant increase y-o-y
- In Q1 2016, total leasing activity exceeds 15,000 sq m, while vacancy rate remained stable

OFFICE SUPPLY

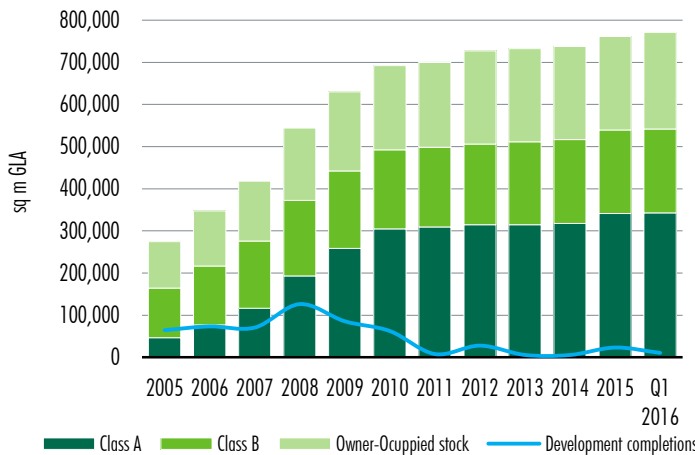
After the growth in the office supply in 2015, Belgrade office market has witnessed further supply increase in Q1 2016, yet predominantly in the owner-occupied segment, i.e. the completion of a small-scale property in Tosin bunar street, of app. 3,000 sq m. Besides, IMEL has developed the project on behalf of Societe Generale Bank, totaling 7,700 sq m of GLA, out of which only 1,800 square meters enlarged the speculative stock.

In terms of the new deliveries, several projects are under construction, indicating the growth of the stock by 60,000 sq m. In the light of stronger demand in 2015, Austrian developer CA Immo commenced the expansion of its existing complex Belgrade Office Park, by developing additional 5,000 sq m at the rooftop of the complex.

The construction of 14,600 sq m GLA-large MPC’s Navigator Business Center, in New Belgrade block 43, enters the final construction phase. The same location also witnesses the development of the first phase of Austrian Immorent’s complex named Sirius, totalling 18,500 sq m, while the second phase envisages the development of 12,500 sq m.

Moreover, GTC continues the expansion of FortyOne complex in New Belgrade block 41, by constructing the second building of 7,600 sq m of GLA. Upon completion of all three buildings, the complex will comprise 27,000 sq m GLA. The investors AFI Group and Tidhar work actively on the new office scheme of 12,000 sq m, i.e. the ninth building within their Airport City Belgrade Class A Business Park.

Chart 1 – Belgrade Office Stock



Source: CBS International, part of the CBRE Affiliate Network

OFFICE DEMAND

The first quarter recorded the stable demand, standing at the usual market average of 15,000 sq m, with 22 recorded transactions and average deal size of 691 sq m.

Analyzing further, the share of renewals preserved the stable share of nearly 30% in Q1 2016, pre-lease deals participated with the share of 13%, while new leases still dominate the leasing activity.

If summarizing new leases and expansions only, the market absorbed nearly 10,000 sq m of the space.

When comparing q-o-q, the leasing activity in 2016 is by 30% lower, due to the strong results achieved in 2015, mostly thanks to the few large pre-lease deals and renewals.

VACANCY

The strong demand combined with the lack of new deliveries in the previous period, resulted in constant decline of the vacancy rate across the market in 2015.

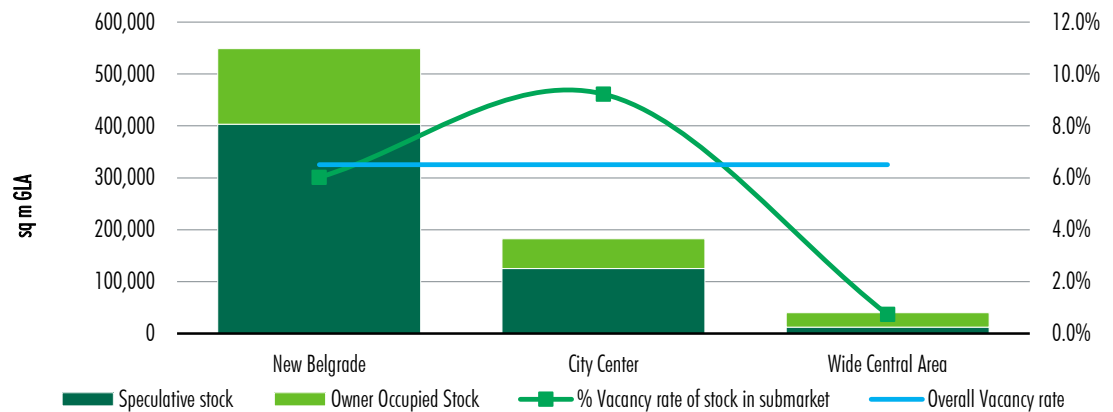
Stable net absorption alongside with the limited completions in the speculative segment in Q1 2016 have retained the overall vacancy rate at the level of app. 6.5%, whereas New Belgrade submarket still registers the lowest vacancy rate in the city.

RENTAL LEVELS

During Q1 2016, the asking rents for Class A office buildings ranged between EUR 15-17/sq m/month, while the asking rents for Class B office schemes varied between EUR 11-12/sq m/month.

Prime yields for modern office schemes range between 8.75-9.25%.

Chart 2 – Vacancy rate per location



Source: CBS International, part of the CBRE Affiliate Network

Figure 2. Belgrade office zones – selected data



Source: CBS International, part of the CBRE Affiliate Network

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Definitions

Total Stock – the sum of speculative modern Class A and Class B office stock and owner-occupied stock.

Speculative/leasable office stock is the stock developed and dedicated to be offered to the market.

Class A: Best space available – i.e. new or high-quality secondhand space at good location, with top specification and prominent market image.

Class B: Good-quality second-hand space - i.e. no longer prime because of factors such as age or location.

Pipeline developments – office space currently being developed/under construction

Vacancy Rate – the ratio of vacant office space to total stock

Prime Rent – typical ‘achievable’ open market headline rent (can be hypothetical) for a unit of standard size of the highest quality and specification and in the best location in the market, at the survey date. It does not need to be identical to any of the transactions, particularly if the deal flow is limited or made up of unusual one-off deals

Total Leasing Activity – office space known to have been let or pre-let, sold or pre-sold to tenants or owner-occupiers during the survey period, including renewals.

