

Belgrade Office, Q3 2016

Completions pushed the total supply, strong absorption keeps vacancy down

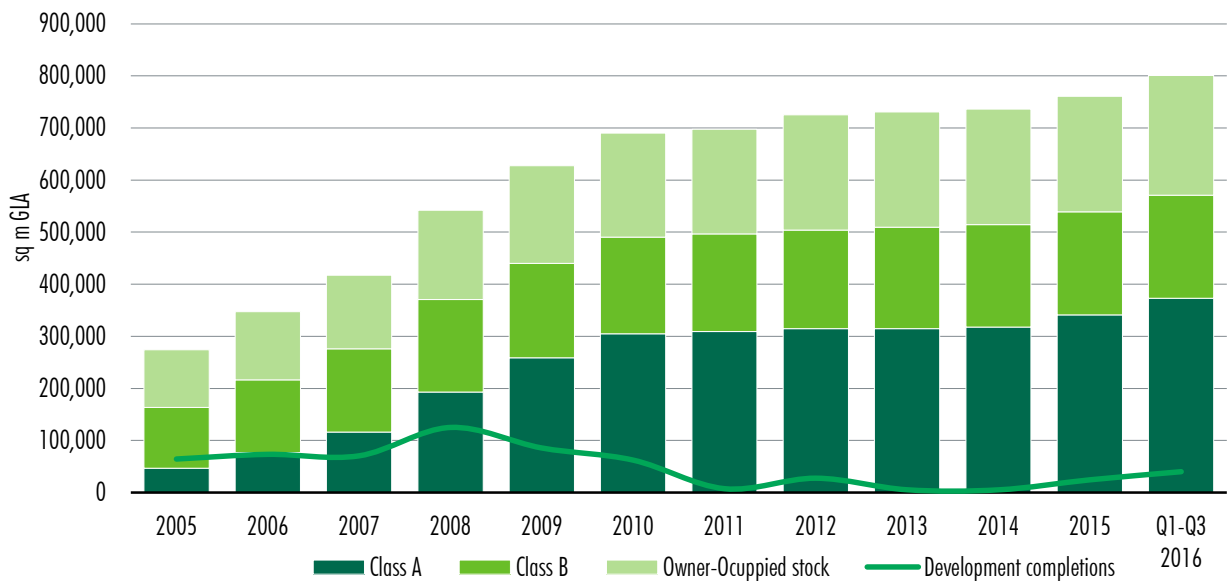
▲ Total Stock
800,000 sq m

▲ Take up
22,225 sq m

▲ Vacancy rate
7.2%

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

Figure 1 – Belgrade Office Stock



Source: CBS International, part of the CBRE Affiliate Network

Q3 2016 SUMMARY

- During Q3 2016, Belgrade has witnessed the completion of nearly 30,000 sq m of GLA of quality office space, which brought the modern stock to the level of 800,000 sq m
- Year-to-date completions exceed 40,000 sq m of GLA, comprising the second phase of GTC FortyOne complex, MPC’s Navigator and a small-scale scheme in the city center
- For the second quarter in a row, the demand has been on rise, being for app. 14% larger, as compared to Q2 data. Looking at the first three quarters in 2016, the total take-up exceeded 56,800 sq m
- The stock upturn during 2016 have caused the slight increase of the vacancy level totaling 7.2% at the end of Q3 2016

OFFICE SUPPLY

The finalization of the new office buildings in the third quarter of 2016 has pushed the volume of modern office stock to the level of 800,000 sq m. In comparison with 2015-yearend, Belgrade office stock has been enriched by app. 40,000 sq m y-t-d of new space, with predominantly Class A office buildings.

GTC has completed the second 7,600 sq m-large building within its forth New Belgrade complex FortyOne. MPC has welcomed the first tenants in its office scheme Navigator, which totals 14,600 sq m of GLA. Austrian CA IMMO has completed the construction of additional 5,000 sq m at the rooftop of its Belgrade Office Park complex.

As per the offer in the city center, it has been enriched with the opening of a small-scale Class A office building Green Square, developed by Granit Invest.

VACANCY

The stable demand along with lack of new deliveries in the previous period have resulted in constant decline of the vacancy rate across the market in 2015 and in the first months of 2016.

Despite the stock increase in Q3 2016, the strong absorption has retained the vacancy at the similar level, being only marginally increased to the level of 7.2%. The Class A office schemes in New Belgrade record the vacancy of 6.8%.

Table 1 – Ongoing and planned office projects

| Location | Project | Investor | Size sq m GLA | Status |
|--------------|-----------------------------|---------------|--------------------------------|-----------|
| New Belgrade | Belgrade Office Park | CA Immo | 5,000 | completed |
| New Belgrade | FortyOne | GTC | 2 nd phase / 7,600 | completed |
| New Belgrade | Navigator | MPC | 14,600 | completed |
| City Center | Green Square | Granit Invest | 2,500 | completed |
| New Belgrade | Airport City Belgrade, 2000 | AFI & Tidhar | 2 nd phase/ 12,000 | Q4 2016 |
| New Belgrade | Sirius | Immorent | 1 st phase / 18,500 | 2017 |
| City Center | Starine Novaka | AFI & Tidhar | 16,000 | announced |
| New Belgrade | Usce Tower 2 | MPC | 20,000 | announced |

OFFICE DEMAND

During Q3 2016, the demand continued to grow, being by 14% larger as compared to the previous quarter, standing at the level of 22,225 sq m.

As of the beginning of 2016, the total take up surpassed the level of 56,800 sq m, whereas the new transactions participated with the highest share of 52%.



RENTAL LEVELS

Currently, Class A office buildings imply asking rents, ranging between EUR 14.5-16.5/sq m/month. When it comes to the Class B office schemes, the average asking rents usually vary around EUR 11- 12/sq m/month.

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

CONTACTS

Dragan Radulovic
Managing Director
Serbia
dragan.radulovic@cbre.rs

Milica Nikolic
Head of Office Agency
Serbia
milica.nikolic@cbre.rs

Tamara Kostadinovic
Head of Market Research
Serbia
tamara.kostadinovic@cbre.rs

CBRE SERBIA OFFICE

CBS International doo
Part of the CBRE Affiliate Network
88b, Omladinskih brigada Str.
11070 Belgrade, Serbia
+381 11 22 58 777

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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.

