

Belgrade Office, Q4 2016

Over the course of the last five years, 2016 is the most active year

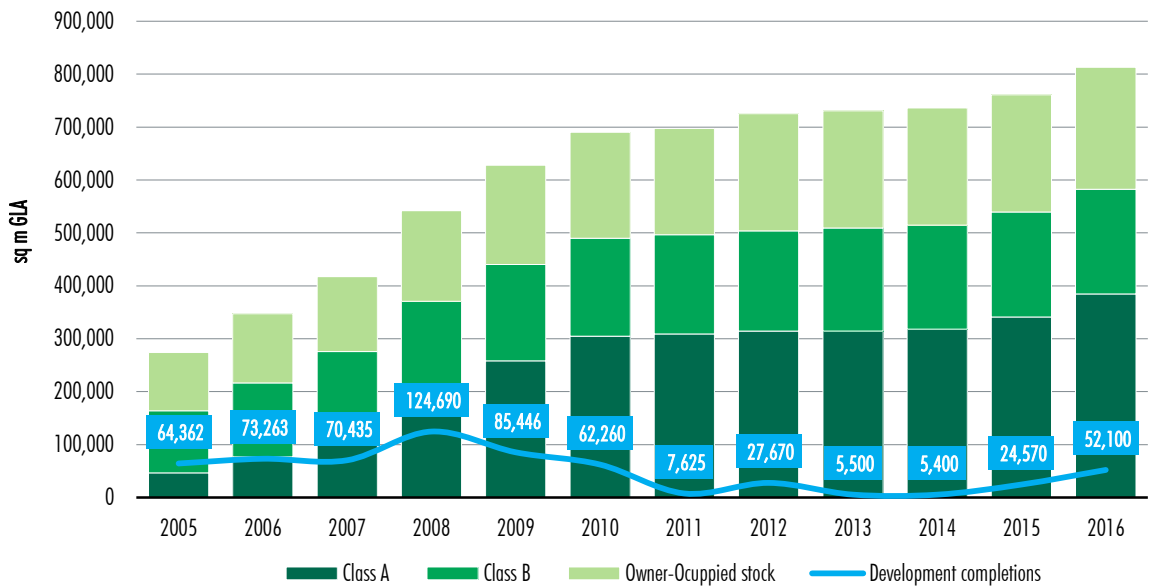
▲ Total Stock
812,000 sq m

▼ Take up
19,375 sq m

▲ Vacancy rate
7.7%

*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

Q4 2016 SUMMARY

- The increase of the Belgrade office supply has been recorded for the third quarter in a row – in total, 50,000 sq m of the new office stock has been delivered to the market during 2016, being the most active year as of 2010
- New completions have triggered the enlargement of modern office stock to the level of app. 812,000 sq m GLA
- Along with new deliveries, the strong figures in the leasing activity have also highlighted the year 2016, with the take up of nearly 80,000 sq m
- New deliveries have affected the slight increase of the vacancy rate, equaling nearly 7.7% at the end of the year

OFFICE SUPPLY

After the new construction cycle being initiated in 2015, Belgrade office market has kept booming during 2016, with both strong development activity and the strong leasing activity.

The finalization of the ninth office building within the Airport City Belgrade complex of 12,000 sq m of GLA has pushed the volume of modern office stock to the level of 812,000 sq m of GLA, out of which 582,000 is leasable speculative stock and 230,000 is owner-occupied stock. Summarizing the whole year, Belgrade office stock grew for more than 50,000 sq m of GLA.



Further development of Belgrade office market is expected, having in mind the office stock will be enriched by 35,000 sq m of GLA during 2017. GTC will continue working on the expansion of the complex FortyOne by finalizing the third building of 10,000 sq m. The completion of the first phase in Sirius complex is expected in the first half of 2017, while Afi Europe and Shikun & Binui are aiming to enrich its residential complex Central Garden with the office building of 16,000 sq m.

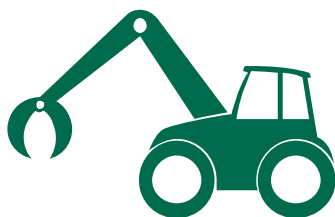


Table 1 – Ongoing and planned office projects

<i>Project</i>	<i>Investor</i>	<i>Size sq m GLA</i>	<i>Status</i>
Airport City Belgrade, Building 2200	AFI & Tidhar	2 nd phase/ 12,000	completed
Sirius	Immorent	1 st phase / 18,500	2017
FortyOne	GTC	3 rd phase / 10,000	2017
Atrium	Basal	5,000	2017
Starine Novaka	AFI & Shikun&Binui Group	16,000	planned
Ablok	Deka	25,000	planned

OFFICE DEMAND

After the topmost results achieved in 2015, the highlight of the year 2016 was also the strong leasing activity, being significantly above the average figures marked in Belgrade few years ago.

Taking into account the whole 2016, the gross take-up exceeded 77,000 sq m, while the total number of recorded transactions is 85. More specific, net absorption (new leases, expansions, pre-leases) equaled app. 61,500 sq m, or 80% of the total demand. Analyzing the demand by sector of business, IT, telecommunication and Hi-Tech companies are by far the most active, making 35% of the total demand. In the fourth quarter of 2016, the total take up amounted to 19,500 sq m.

VACANCY

The extensive development of the office market has affected the slight increase in the vacancy rate, amounting to nearly 7.7% at the end of the year. Two-digit vacancy rate is not expected, having in mind the strong and stable demand expected in the period to come.

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 between EUR 11- 12/sq m/month. Prime yields for modern office schemes range between 8.75-9.25%.

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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 the prime 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.

