

5.8%

Vacancy Rate

YoY Chg



12-Mo. Forecast



24,000 sqm

Take-up Q3 2020



EUR 15-17

Class A Rent per sq m



(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2020

-6.4%

GDP Growth rate Q2 2020

YoY Chg



12-Mo. Forecast



7.3%

Serbia Unemployment Rate



6.1%

Belgrade Unemployment Rate



Source: Statistical Office of the Republic of Serbia, YoY Change vs Q2 2019

ECONOMY

According to the official data of the Statistical Office of the Republic of Serbia, the Serbian economy rose by 5.1% in Q1 2020, while the economic activity declined by 6.4% in Q2, due to negative effect of COVID-19 pandemic and nationwide lockdown. The decline was driven mainly by the decrease in the services and industrial production, followed by the decline in net taxes.

Despite the contraction of GDP, the inflation remains low and stable, allowing the National Bank of Serbia to lower the policy rate to 1.25% in June 2020. The crisis caused by COVID-19 pandemic pushed the NBS' projection of economic growth down to -1.5% in 2020, yet a long-term GDP contraction is not projected. The decline will primarily be driven by the fall in private consumption and investment, but the positive contribution from government consumption and net exports are expected, due to larger decline in imports than exports.

SUPPLY AND DEMAND

During Q3 2020, three small-scale projects, Square 43, Kings Cross and M44 were completed, totaling 12,000 sq m. As of beginning of the year, the development completions exceeded 52,000 sq m. This has led to the increase of the total modern stock to the level of app. 970,000 sq m of GLA. Split by purpose, app. 719,000 sq m of GLA are speculative/leasable office stock, while app. 251,000 sq m are built for owner-occupation purposes.

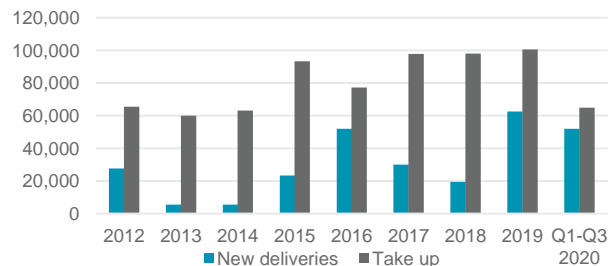
The third quarter was very active in terms of the leasing activity, marking the same take up as in Q2, i.e. 24,000 sq m. After the third quarter of 2020, the total take up amounts to app. 65,000 sq m, being by 8% only lower as compared to the same period in 2019, and 2019 was the strongest year in terms of the take up in the last 10 years. Companies are noting the decline in the productivity due to home-office mode, there is an increased sentiment for finding solutions for a new way of working/back to office. Large companies are careful in relocation or expansion, doing strategy for making a balance between work for home and office mode.

RENTS AND VACANCY

The asking rental values of Class A office buildings vary between EUR 15-17/sq m/month, while the asking rents of Class B stock amount to around EUR 11-13/sq m/month. Prime yields vary between 8.00-8.75%.

Constant increase of new supply, along with the stable demand, have caused the slight rise in vacancy level, reaching the level of app. 5.8% at the end of Q3 2020.

SPACE DEMAND / DELIVERIES (SQM)



OVERALL VACANCY (%) & ASKING RENT (€/SQM)



MARKET STATISTICS

| SUBMARKET | INVENTORY (SQ M GLA) | AVAILABILITY | OVERALL VACANCY RATE | CURRENT QTR TAKE-UP | YTD OVERALL TAKE-UP (SQ M) | UNDER CNSTR (SQ M) |
|------------------------|----------------------|---------------|----------------------|---------------------|----------------------------|--------------------|
| Center | 242,304 | 13,343 | 5.5% | 5,697 | 14,087 | 5,347 |
| New Belgrade | 689,928 | 42,731 | 6.2% | 14,238 | 43,475 | 155,755 |
| Wider Central Area | 37,557 | 500 | 1.3% | 3,950 | 5,150 | |
| BELGRADE TOTALS | 969,789 | 56,574 | 5.8% | 23,885 | 62,712 | 161,102 |

KEY LEASE TRANSACTIONS Q3 2020

| PROPERTY | SUBMARKET | TENANT | SQ M | TYPE |
|----------------------------|--------------|------------------|-------|-----------|
| BlueCenter | New Belgrade | Sitel | 4,500 | renewal |
| Airport City Belgrade | New Belgrade | Ardagh | 1,300 | expansion |
| Business Garden | Center | Prodyna/Exciting | 950 | expansion |
| GTC FortyOne | New Belgrade | Imlek | 900 | lease |
| Kalemegdan Business Centar | Center | Helbiz | 800 | lease |
| Navigator | New Belgrade | VIP | 700 | expansion |

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KEY CONSTRUCTION COMPLETIONS YTD 2020

| PROPERTY | SUBMARKET | MAJOR TENANT | SQ M GLA | OWNER / DEVELOPER |
|---------------------------------------|--------------------|--------------------|----------|-------------------|
| GTC Green Heart - N3 | New Belgrade | Schneider Electric | 5,200 | GTC |
| Airport City Belgrade - Phase IV 2300 | New Belgrade | Robert Bosch | 12,000 | AFI Group |
| Usce Tower 2 | New Belgrade | Emric | 23,000 | MPC |
| Square 43 | New Belgrade | KPMG | 2,800 | ZAP |
| Kings Cross | Wider Central Area | / | 3,700 | Grupa gradjana |
| M44 | City Center | DESK & More | 5,350 | Marera Propepties |