

1,064,471

Office Stock Q3 2021

YoY
Chg12-Mo.
Forecast

33,556

Take-up Q3 2021



EUR 15-17

Class A Rent per sq m



7.76%

Vacancy rate Q3 2021



(Overall, All Property Classes)

ECONOMY

As a result of macroeconomic and financial stability, growth momentum, and economic measures taken, a greater GDP decline in 2020 has been prevented, and favourable outlook has been preserved. The pre-crisis level was accomplished already in Q1 2021, while in Q2 2021 GDP growth reached 13.7% y/y, i.e., 1.3% in comparison with the previous quarter. Growth was driven by strong growth in industry and construction, as well as recovery in service sectors. Due to the positive outcome in the first six months of 2021, NBS revised its GDP growth projection for 2021 from 6.0% to 6.5%. Average core inflation in the previous years stood at 1.6%, however, during the Q3 2021, the global supply chain obstructions and growth in the energy and agricultural products prices caused temporary higher inflation, which was above the target tolerance band in September, when overall inflation stood at 5.7%. Since the higher inflation is a result of temporary factors, the higher rate should remain until the end of Q1 2022, while the gradual decline is forecasted as of Q2 2022.

SUPPLY AND DEMAND

The third quarter of 2021 lacks any new developments, meaning that the stock remains at the level of 1,064,471 sq m of GLA, whereas the speculative office stock of Class A and Class B buildings equals 805,000 sq m (76%), while the largest share of modern office supply is situated in New Belgrade's CBD (74%). The office stock in Belgrade is on a continuous rise and further development will continue in the following period. In line with the above-mentioned, more than 160,000 sq m of office space is currently under construction, while an additional 70,000 sq m is under refurbishment, ready to become a part of modern office stock.

Strong pipeline shows that developers are confident of a strong revival in office leasing activity, which is evident in the previous two quarters. Namely, the office leasing momentum has returned to pre-pandemic levels, as the Belgrade's office absorption stood at 33,500 in the period July-September 2021, up by 40% YoY. New leases accounted for nearly 55% of all transactions in Q3, while the total amount of pre-lets was on a high level of 35%, considering the number of ongoing projects. The overall demand in the first three quarters of 2021 amounts to 93,850 sq m.

Since the economic recovery significantly dependent on a vaccination process, the increasing rate of immunized employees along with less restrictions on mobility made significant steps toward restarting work from office and overall improved the business environment.

RENTS AND VACANCY

The asking rental values remained at the same level as in the previous period, for Class A office buildings varying between EUR 15-17/sq m/month, while the asking rents for Class B office stock amount to around EUR 11-13/sq m/month. Prime yields vary between 8.00-8.75%.

Amid strong occupier activity and lack of new deliveries, the vacancy rate has continued its downward trend since the second quarter of 2021 and decreased from 8.54% to 7.76% at the end of Q3 2021. Further decrease of vacancy rate is expected by the end of 2021, having in mind that majority of pipeline projects are set for completion during 2022.

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ECONOMIC INDICATORS

13.7%

GDP Growth rate Q2 2021
YoY Change vs Q2 2020YoY
Chg12-Mo.
Forecast

9.0%

Belgrade
Unemployment Rate*
Q2 2021

685

Belgrade
Average net salary
Q2 2021

Source: Statistical Office of the Republic of Serbia
*due to the changes in the methodology, the 2021-figures could not be compared to the data published prior to 2021