

MARKETBEAT BELGRADE

Office Q4 2021



	YoY Chg	12-Mo. Forecast
1,080,241 sq m Office Stock Q4 2021	▲	▲
62,950 sq m Take-up Q4 2021	▲	—
237,000 sq m Under construction / refurbishment	▲	▼
6.17% Vacancy rate Q4 2021	▼	▼

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YoY Chg	12-Mo. Forecast
7.7% GDP Growth rate Q3 2021 YoY Change vs Q3 2020	▲	▼
8.8% Belgrade Unemployment Rate* Q3 2021	—	▼
687 Belgrade Average net salary Q3 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

ECONOMY

The real GDP growth in the third quarter of 2021, as compared to the corresponding period of the previous year, amounted to 7.7%. According to the projections, a similar growth rate is estimated for Q4 2021. As the result of growing activity in the industry, construction and the service sectors, supported by the new package of economic measures adopted by the National Bank of Serbia and the Government, GDP growth in 2021 will exceed expectations and real growth of 7.5% is estimated for 2021. Inflation, which has accelerated in the recent months due to rising food and global fuel prices and disruptions in supply chains, is expected to return to the National Bank of Serbia target range around mid-2022. Average inflation in 2021 stood at 4.0%. Macroeconomic and financial stability, including structural reforms, has created a favourable climate for FDI, which amounted to EUR 3.9 billion in 2021.

SUPPLY AND DEMAND

Unlike the previous quarter, the October-December period recorded a new office delivery. Specifically, a new Class A office building within the Airport City Belgrade complex was completed, encompassing 15,700 sq m of GLA and representing the eleventh building within this office park, developed by Israeli developer AFI Europe. Year-on-year increase in the volume of modern office supply in Belgrade amounted to 62,000 sq m of GLA. Therefore, at the end of 2021, the modern office stock in the capital went up to 1,080,241 sq m of GLA, whereas the share of speculative (leasable) stock reached 74%.

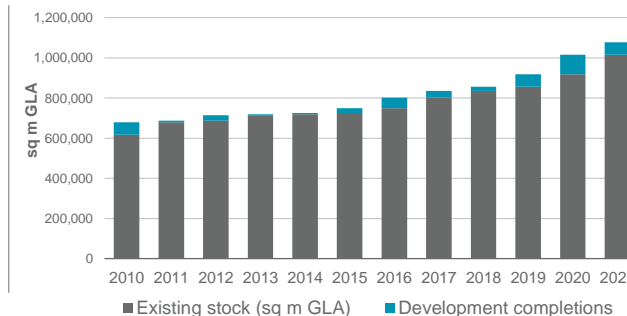
The latest figures show that the signs of total recovery of Belgrade office market continue to emerge, since the Q4 2021 recorded the strongest take-up ever. With the total of 61 closed deals, Q4 leasing activity reached 62,950 sq m, while the annual take-up surpassed the figure of 158,000 sq m. As compared to 2020-results, the take up grew by 70% in 2021, mostly thanks to a few very large transactions, e.g., NCR and Microsoft.

The new leases and pre-lease deals hold the prevailing part of the total volume in 2021. The share of new deals (49%) keeps marking the increasing trend, as well as pre-lease deals (30%), considering that significant number of ongoing projects is planned for completion during 2022. The reason for the resilience of the office market could be found in the large share of IT companies that accounted for a 55% of the total take-up figures in 2021, despite the fact that these sectors are intensively adopted a home office mode. In this regard, COVID-19 pandemic had a long-term influence on flexible business models, such as co-working spaces and increasing demand for smaller office premises, as well as hybrid model of working. After positive experiences with home office mode during the pandemic, combined work mode from home and from office is likely to remain.

RENTS AND VACANCY

The asking rental values for Class A office buildings remained at the level of EUR 15-17/sq m/month, while the asking rents for Class B office premises amount to around EUR 11-13/sq m/month. Limited changes in Belgrade office stock in Q4 2021, along with a record leasing activity, caused the further drop of vacancy rate to the level of 6.17%.

Significant investment volume in office segment, which amounted to EUR 276 million in 2021, caused the pressure on yields for prime offices in Belgrade. At the end of Q4 2021, prime yields are revised and range between 7.50-8.50%.





SELECTED LEASE TRANSACTIONS IN 2021

PROPERTY	SUBMARKET	TENANT	SQ M	TYPE
NCR Campus	New Belgrade	NCR Corporation	30,000	lease
Usce Tower II	New Belgrade	Microsoft	28,500	lease
Delta House	New Belgrade	E&Y	3,600	pre-lease
GTC FortyOne	New Belgrade	Halkbank	2,500	renewal
BlueCenter	New Belgrade	EBRD	1,450	expansion / renewal
Skyline - Annex D	City Centre	Termovent	1,200	lease
Airport City Belgrade	New Belgrade	Nites	1,100	lease

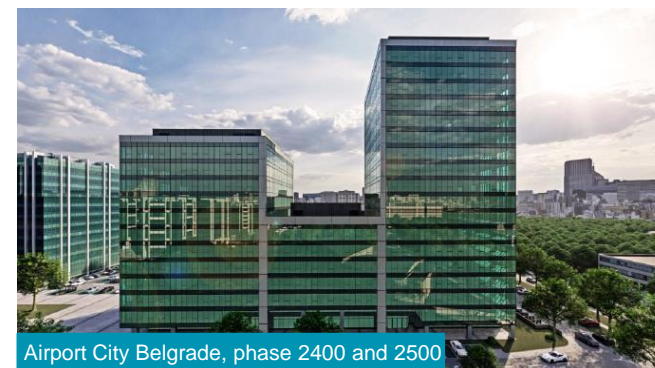
CONSTRUCTION COMPLETIONS IN 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M GLA	OWNER / DEVELOPER
NCR Campus	New Belgrade	NCR Corporation	30,508	BIG CEE
Delta House	New Belgrade	E&Y	11,514	Delta Holding
Airport City Belgrade 2400	New Belgrade	CBS International	15,770	AFI Europe

SELECTED PIPELINE PROJECTS

PROPERTY	SUBMARKET	SQ M GLA	OWNER / DEVELOPER	ESTIMATED COMPLETION DATE
Green Escape	New Belgrade	45,700	Imel	1st phase - Q2 2022
BIGZ*	Centre	38,000	Marera Properties	Q4 2022
B23	New Belgrade	35,000	Private Entity	Q2 2022
AFI Tower	Centre	30,778	AFI Europe	Q4 2022
Palata Beograd*	Centre	19,800	Marera Properties	Q1 2022
GTC X	New Belgrade	17,000	GTC	Q3 2022
Exing Block 65	New Belgrade	15,000	Exing	Q4 2022
Airport City Belgrade 2500	New Belgrade	14,800	AFI Europe	Q2 2023
Bridge Plaza	New Belgrade	10,000	Floor Art	Q4 2022
Alco Business Center	New Belgrade	13,500	Nas stan	Q2 2022
AFI ZMAJ	New Belgrade	69,000 GBA	AFI Europe	Planned in 2 phases

* Refurbishment / Renovation



Airport City Belgrade, phase 2400 and 2500

Tamara Kostadinovic

Head of Market Research

Airport City Belgrade

11 Tadije Sodermajera St., 11070 Belgrade, Serbia

Tel: +381 11 22 58 777

tamara.kostadinovic@cw-cbs.rs

www.cw-cbs.rs

cushmanwakefield.com / cw-cbs.rs

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