

MARKETBEAT BELGRADE

Office Q1 2022



CBS
INTERNATIONAL

	YoY Chg	12-Mo. Forecast
1,103,041 sq m Office Stock Q1 2022	▲	▲
35,200 sq m Take-up Q1 2022	▲	—
215,000 sq m Under construction / refurbishment	▲	▼
5.46% Vacancy rate Q1 2022	▼	—

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YoY Chg	12-Mo. Forecast
7.0% GDP Growth rate Q4 2021 YoY Change vs Q4 2020	▲	▼
8.0% Belgrade Unemployment Rate* Q4 2021	—	▼
EUR 751 Belgrade Average net salary Q4 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 fourth quarter of 2021, compared to the corresponding period of the previous year, amounted to 7.0%. As a result of the growing activity in industry, construction and service sectors, the real GDP growth in 2021 stood at 7.4%, compared to the previous year, while medium term growth projection for 2022 has been between 4%-5%. In the past eight years inflation was at a level of around 2% on average, however, as of September 2021, the inflation has been moving above the target band. Consequently, in 2021, the total consumer prices saw an average year-on-year growth of 4%, predominantly influenced by the increase in the prices of food and non-alcoholic beverages, prices of housing, water, electricity, gas and other fuels, transport and tobacco prices. Due to the ongoing Russia-Ukraine conflict additional global inflationary pressures can be expected in the near term. According to NBS projections, after it reaches its peak in Q1 2022, the inflation rate should gradually decline as of Q2 2022.

SUPPLY AND DEMAND

After two years of living under aggravating circumstances due to COVID-19 pandemic, Belgrade office market experienced a total recovery by the end of 2021 in terms of both, supply and demand, while great number of companies returned to offices and even expanded their size.

In the opening three months of 2022, modern office stock reached 1,103,041 sq m of GLA, following the refurbishment of nearly 23,000 sq m of office space in the city centre. Beogradjanka, one of the symbols of the capital, was renovated into class A high-rise office building of nearly 20,000 sq m and renamed into Palata Beograd. In addition, in Nusiceva Street, a local investor redeveloped 3,000 sq m-large office building. A further 215,000 sq m of modern office space is currently under construction / refurbishment, out of which 51% is being developed in CBD, while 44% of pipeline projects will be located in Belgrade downtown. This confirms an ongoing trend of rising demand for office space options in the city centre. On the demand side, a take-up of over 35,000 sq m has been recorded in Q1 2022, representing an impressive year-on-year growth of 89%. There was a significant increase in the volume of pre-lease deals, which stood at 44% out of total leased office space in Q1. The highest leasing activity (70% of total take-up) remains in the Central Business District in New Belgrade area.

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.

With absorption surpassing new supply for several consecutive quarters, availability of office space continues to drop and the overall market recorded a vacancy rate of 5.46% at the end of Q1 2022. However, the figures are even lower, since the significant portion of vacant space is currently under reservation. Despite the increase in pre-let and reserved space, a substantial amount of office space is due to be delivered to the mark in the following quarters and the vacancy rate is expected to rise slightly in the second half of 2022.

At the end of Q1, prime yields for modern office premises remained between 7.50-8.50%.

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