

# MARKETBEAT BELGRADE

Office Q4 2022



	YoY Chg	12-Mo. Forecast
<b>1,161,653 sq m</b> Office Stock Q4 2022	▲	▲
<b>58,866 sq m</b> Take-up Q4 2022	▲	■
<b>195,000 sq m</b> Under construction / refurbishment	▲	▼
<b>3.80%</b> Vacancy rate Q4 2022	▼	▲
<b>7.50-8.50%</b> Prime office yields Q4 2022	■	▼

(Overall, All Property Classes)

## ECONOMIC INDICATORS

	YoY Chg	12-Mo. Forecast
<b>1.0%</b> GDP Growth rate Q3 2022 YoY Change vs Q3 2021	▼	▲
<b>7.5%</b> Belgrade Unemployment Rate Q3 2022	▼	▼
<b>EUR 801</b> Belgrade Average net salary Q3 2022	▲	▲

Source: Statistical Office of the Republic of Serbia

## ECONOMY

According to Statistical Office of the Republic of Serbia, Serbian economy slowed down significantly in the third quarter of 2022 when the real GDP grew by only 1% y/y. Due to the factors from the international environment, the GDP growth projection for 2022 have been corrected downward and estimated to make the growth of 2.3%. In line with the expected slowdown in economic activity in Q4 and at the beginning of 2023, NBS have also corrected the growth for 2023, to the range of 2.0-3.0%. During 2022, inflation was driven by food and energy prices and reached the 15.1% y/y in November. The inflation is expected to have a peak in Q1 2023, supported by announced increase of electricity and gas in January. According to the NBS estimation, the average inflation in 2023 will be at the level of 12.5% and it will return to the target tolerance band in H2 2024. Given that the inflation targets exceeded previous estimations, the NBS continued to tighten monetary conditions in December by increasing the key policy rate by 0.5 pp, to 5%.

## SUPPLY AND DEMAND

In Q4 2022, office property market kept growing at a rapid pace. Additional three office buildings were added to the Belgrade modern office stock, all situated in CBD. The final quarter of the year was marked by completion of GTC's new office scheme GTC X, being 17,000 sq m of GLA large, while Floor Art company developed Bridge Plaza office complex, totalling 8,000 sq m of GLA. Moreover, Alco Business Centre contributed with 13,000 sq m of GLA. During 2022, 85,772 sq m of quality office space has been added to the market. Another 195,000 sq m of modern office space is underway, planned for completion in 2023 and 2024.

The Belgrade office market registered 61 office deals in a total take-up volume of app. 59,000 sq m in Q4 2022. Summarizing the whole year, 2022 annual take-up amounted to a record 230,000 sq m representing a year-on-year growth of 45%. Out of annual demand, 86% is recorded in Class A office buildings. The average deal size rose close to 1,000 sq m, mostly due to increased demand for larger premises. Namely, after the easing of COVID-19 related restrictions during 2021, when some occupiers downsized their offices, 2022 saw increased activity in larger deals, recording 69 transactions of 1,000 sq m and more, as compared to 31 large transactions during 2021.

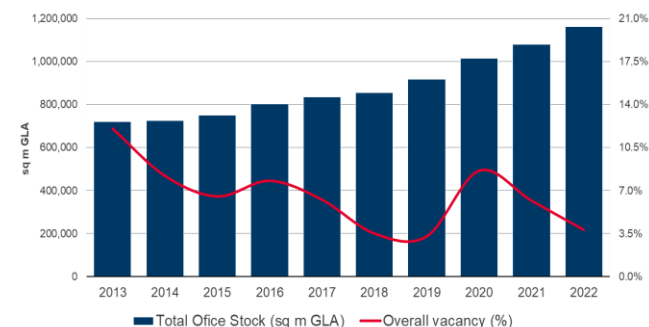
The year 2022 was marked by successful return of the companies to the offices, even though flexible and hybrid working patterns are likely to remain. Increasing interest for co-working concept of offices was also noted. Currently, Belgrade totals 48,000 sq m of co-working space, operated by 15 co-working companies. As the market becomes more mature, the purchase of office premises has become a more common trend. The most prominent office projects developed for sales are Bridge Plaza, Exing office building and Kennedy Offices.

## RENTS AND VACANCY

Although the asking rents were under upward pressure, they remained at a similar level of EUR 15-17/sq m/month for Class A and EUR 11-13/sq m/month for Class B. With absorption surpassing new supply for several consecutive quarters, the availability of office space continues to drop. The market recorded an overall vacancy rate of 3.80% at the end of Q4 2022, while the vacancy rate for class A offices dropped to the level of 2.14%. However, the figures are even lower, since the certain portion of vacant space is currently under reservation. As substantial amount of office space is due to be delivered to the market in the following quarters, the slight increase of the vacancy rate could be expected in the first half of 2023.

The investment in the office sector is starting to see the impact of inflation and recorded a slowdown in 2022. However, on a positive note, yields for all office asset classes remain stable.

## TOTAL STOCK AND VACANCY RATE





## SELECTED LEASE TRANSACTIONS IN 2022

PROPERTY	SUBMARKET	TENANT	SQ M*	TYPE
Airport City Belgrade 2400	New Belgrade	Kuehne Nagel	9,000	lease
GTC X	New Belgrade	Htech	9,000	pre-lease
K-District	City Centre	Yandex	8,000	pre-lease
Poslovni centar Revolucija	City Centre	JetBrains	6,000	pre-lease
AFI Tower	City Centre	Black Rock	5,600	pre-lease
Green Escape K3	New Belgrade	dm drogerie market	3,800	pre-lease
Green Heart	New Belgrade	Data Driven Lab	3,600	lease
AFI Tower	City Centre	Hemofarm	3,000	pre-lease

\* Size of the gross leasable area - office space

## KEY CONSTRUCTION COMPLETIONS IN 2022

PROPERTY	SUBMARKET	SQ M GLA	OWNER / DEVELOPER
Palata Beograd / Beogradjanka	City Centre	19,800	Marera Properties
GTC X	New Belgrade	17,000	GTC
Alco Business Center	New Belgrade	13,581	Alco Group
Green Escape K3	New Belgrade	8,700	Imel Group
Tri Lista Duvana	City Centre	8,500	MPC Properties
Bridge Plaza	New Belgrade	8,000	Floor Art

## SELECTED PIPELINE PROJECTS

PROPERTY	SUBMARKET	SQ M GLA	OWNER / DEVELOPER	ESTIMATED COMPLETION DATE
B23	New Belgrade	35,000	Private entity	H1 2023
AFI Tower	City Centre	30,000	AFI Europe	H1 2023
AFI City Zmaj West	Wider Centre	27,000	AFI Europe	H1 2023
BIGZ*	City Centre	26,000	Marera Properties	H2 2023
Exing Office Building	New Belgrade	15,600	EXING B&P	H1 2023
Airport City 2500	New Belgrade	14,800	AFI Europe	H2 2023
ARTKLASA	City Centre	11,800	Beko	H1 2024

\* Refurbishment / Renovation

Source: CBS International, part of Cushman & Wakefield Group



GTC X, 17,000 sq m GLA, New Belgrade

## Tamara Kostadinovic

Head of Market Research

Airport City Belgrade

11 Tadije Sondermajera St., 11070 Belgrade, Serbia

Tel: +381 11 22 58 777

tamara.kostadinovic@cw-cbs.rs

[cushmanwakefield.com / cw-cbs.rs](https://cushmanwakefield.com/cw-cbs.rs)

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