

MARKETBEAT BELGRADE

Office Q1 2023



	YoY Chg	12-Mo. Forecast
1,217,600 sq m Office Stock Q1 2023	▲	▲
61,000 sq m Take-up Q1 2023	▲	■
175,000 sq m Under construction / refurbishment	▲	▼
4.15% Vacancy rate Q1 2023	▼	▲
7.50-8.00% Prime office yields Q1 2023	■	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YoY Chg	12-Mo. Forecast
2.3% GDP Growth rate 2022 YoY Change vs 2021	▼	▲
7.7% Belgrade Unemployment Rate Q4 2022	▼	▼
EUR 807 Belgrade Average net salary 2022	▲	▲

Source: Statistical Office of the Republic of Serbia

ECONOMY

The real GDP growth in the fourth quarter of 2022, compared to the corresponding period of the previous year, amounted to 0.4%, while the real GDP growth in 2022 stood at 2.3%, compared to 2021 figures. Growth in Q4 2022 was mainly driven by net export, as export (12.9%) as the over paced imports growth (6.6%). In its February Inflation Report, NBS kept GDP forecast for 2023 in the 2.0% - 3.0% range, economic growth will primarily be driven by the service sectors and net taxes. Also, NBS expects a positive contribution to growth to come from construction and agriculture. Headline inflation in February reached 16.1% y/y and which represents rise for the 19th month in a row. Food prices remained the main driver of inflation, compared to January 2023 consumer prices increased by 1.4% led by higher food prices, as well as gas and electricity price increased as well. Core inflation stayed considerably lower than headline inflation and amounted to 11.1% in February 2023. According to NBS projections, after it reaches its peak in Q1 2023, the inflation rate should gradually decline in Q2 2023, with more visible drop expected after the summer.

SUPPLY AND DEMAND

In the opening three months of 2023, modern office stock reached 1,217,618 sq m of GLA, following the completion of nearly 56,000 sq m of office space, out of which nearly 73% has been developed in the city centre. Namely, Skyline AFI Tower, part of Skyline Belgrade mixed-use complex, totalling nearly 31,000 sq m of prime office space, has been nearly fully leased out by the time of its completion in Q1 this year. Additionally, office building within K-District mixed-use complex was also completed in the Q1 2023. In New Belgrade's CBD, local developer EX ING B&P, completed its first office building totalling 17,185 sq m of GLA, out of which nearly 9,000 was sold during the construction, whereas over 8,000 sq m is offered for lease. Looking ahead, a further 175,000 sq m of modern office space is currently under construction / refurbishment, out of which 53% is being developed in CBD, 25% in Belgrade downtown, while 22% of pipeline projects will be located in wider central area, indicating the rising interest of investors for wider central locations of Belgrade.

On the demand side, in the first three months of 2023, occupier's activity was very healthy, with the take-up reaching 61,135 sq m of modern office space, representing an impressive growth of 69% in comparison with Q1 2022 figures. The highest leasing activity (62% of total take-up) remains in New Belgrade area, however if we observe the amount of sq m leased in the city centre only, it almost doubled in comparison with Q1 2022, indicating strong interest of companies for the modern office space in central city locations. In addition, the office market has witnessed several sales transactions in the previous period, as more than before, companies opt for the purchase of office space for their own needs instead of leasing.

RENTS AND VACANCY

In the first quarter of 2023, a slight increase in asking rents for Class A office buildings has been noted on the Belgrade's office market. The average asking rental values for Class A office buildings now stands between EUR 15.5-17.5/sq m/month. However, in certain cases, when it comes to the prime office space at the most attractive locations, asking prices can even exceed this range. The asking rents for Class B office premises amount to around EUR 11.5-14/sq m/month.

Despite the substantial stock increase in Q1 2023, the strong absorption, combined with a certain portion of vacant space that was pre-leased in the previous quarters, has retained the vacancy at the similar level, being marginally increased to the level of 4.15% at the end of Q1 2023. Due to the higher interest on the market for Class A office buildings the vacancy rate for this category is even lower being at the level of 2.91%.

At the end of Q1, prime yields for modern office premises remained between 7.50-8.00%.

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