

MARKETBEAT BELGRADE

Office Q2 2023



	YoY Chg	12-Mo. Forecast
1,260,000 sq m Office Stock Q2 2023	▲	▲
43,800 sq m Take-up Q2 2023	▼	—
€17.5 Prime rent, sqm / month	▲	—
3.53% Vacancy rate class A	▲	▼
7.50-8.00% Prime office yields Q2 2023	▼	—

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YoY Chg	12-Mo. Forecast
0.7% GDP Growth rate Q1 2023 YoY Change vs Q1 2022	▼	▲
7.6% Belgrade Unemployment Rate Q1 2023	▼	▼
€ 897 Belgrade Average net salary Q1 2023	▲	▲

Source: Statistical Office of the Republic of Serbia

ECONOMY

Real GDP growth in Q1 2023 was 0.7% and National Bank of Serbia has kept the projected growth rate of Serbia's GDP for 2023 in the range of 2.0-3.0%. Average annual inflation in 2022 was 11.9% and has peaked in Q1 2023, which is in line with earlier prognosis. As of Q2, inflation is on a downward path and inflationary pressures should continue to ease more sharply in the second half of the year. To ensure that inflation returns within the target tolerance band in the projection horizon, the NBS continued to tighten monetary conditions in June by increasing the key policy rate by 25 bp, to 6.25%. In 2022, FDI inflow amounted to EUR 4.4 billion, while the FDI inflow in first three months of 2023 increased by 75% compared to corresponding period of 2022, totalling EUR 1.3 billion with the largest share of countries from the Asia Pacific and European Union. In addition, economic stability was supported by the average net salary growth in Q1 2023 in Belgrade, amounting to EUR 897 which is YoY increase of 16%, while unemployment rate stood at the similar level as in previous few quarters and amounted to 7.6% in Belgrade.

SUPPLY AND DEMAND

Over 40,000 sq m of modern office space was delivered to Belgrade market in the second quarter of 2023, bringing Belgrade's total office stock to 1,260,000 sq m of GLA. The new supply comprised two office projects, both developed by Israeli investor AFI Europe. First Belgrade's business park Airport City Belgrade enriched the office market with an additional office building within the park, totalling 14,800 sq m. In addition, the first phase of AFI City Zmaj complex delivered nearly 28,000 sq m of GLA to the market. Namely, the investor aims to develop new business park, well-connected, strategically positioned along international highway E-75 and within 10-minute drive from Airport City Belgrade business complex and just a 13-minute drive from the Nikola Tesla Airport. Thus, year to date deliveries already reached nearly 100,000 sq m of GLA. The development activity is still very healthy, pushed by strongest take-up figures in the previous year. Currently, around 150,000 sq m of office space is under construction or refurbishment, while CBD remains most active location with the share of 70% of pipeline projects being located in New Belgrade area.

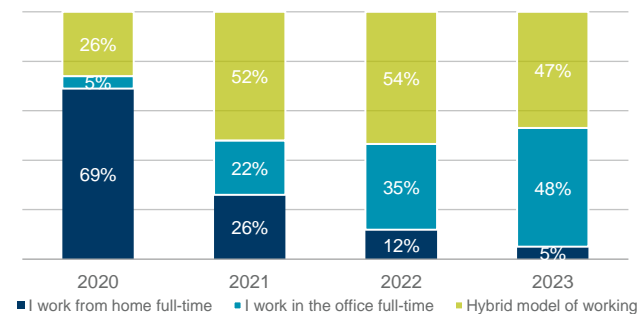
The second quarter's figures indicate a solid demand, i.e., take-up amounted to 44,000 sq m. In H1 2023, leasing activity reached 105,000 sq m, which is a slight decrease of 9% in comparison with the same period in 2022. Even though the second quarter saw the trend of downsizing the office premises, an average size of deal remained around 1,000 sq m in H1, similarly to the corresponding period of the previous year. After slowdown in investment activity during the 2022, Q2 recorded acquisition of Belgrade Office Park by a local property company. The office complex is located in Belgrade's CBD and comprises 24,000 sq m of GLA.

Three years since the start of the pandemic, most of the world has returned to pre-pandemic employment levels and a significant number of companies have returned to the offices. According to CBS International's Survey, in 2023, the share of the companies that do not use the office space in Belgrade dropped to 5%, while 95% of companies regularly go to the office (either fully 48% or in the hybrid mode of working 47%).

RENTS AND VACANCY

The rents demonstrated stable performance in Q2. The average asking rental values for Class A buildings stood between EUR 15.5-17.5/ sq m/month, while rents for Class B premises amount to EUR 11.5-14/sq m/month. The arrival of new supply increased the overall vacancy rate to the level of 6.47%, while the vacancy rate for class A amounts to 3.53%. Although significant number of office buildings are announced for completion by the end of 2023, the vacancy rate is likely to remain a single digit due to large share of pre-lease deals in the total leasing activity.

CHANGES IN THE TENANT'S REQUIREMENTS FOR OPTIMAL WORK EFFICIENCY



Source: CBS International, part of Cushman & Wakefield Group



SELECTED LEASE TRANSACTIONS IN H1 2023

PROPERTY	SUBMARKET	TENANT / SECTOR OF BUSINESS	SQ M*	TYPE
AFI Tower	City Centre	IT company	10,000	lease
B23	New Belgrade	Financial services	9,000	sales
19Avenue	New Belgrade	Public sector	3,937	renewal
FortyOne	New Belgrade	Software company	3,659	renewal
Sava Business Center	New Belgrade	IT company	1,300	lease
BlueCenter	New Belgrade	Financial services	1,100	renewal
Usce Tower 1	New Belgrade	Legal services	800	renewal
Green Escape K3	New Belgrade	IT company	500	lease

* Size of the gross leasable area - office space

KEY SALES TRANSACTIONS IN H1 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SQ M GLA
Belgrade Office Park	New Belgrade	CA IMMO / B Devet	24,000

CONSTRUCTION COMPLETIONS IN H1 2023

PROPERTY	SUBMARKET	OWNER / DEVELOPER	SQ M GLA
AFI Tower	City Centre	AFI Europe Serbia	30,000
AFI City Zmaj	Wider Central Area	AFI Europe Serbia	27,450
Exing Office Building	New Belgrade	Exing (TB 65 doo)	17,000
Airport City Belgrade 2500	New Belgrade	AFI Europe Serbia	14,800
K-District	City Centre	Aleksandar Group, Levi9, Pinnacle	8,000

SELECTED PIPELINE PROJECTS

PROPERTY	SUBMARKET	SQ M GLA	OWNER / DEVELOPER	ESTIMATED COMPLETION DATE
B23	New Belgrade	35,000	Private entity	2023
Airport City Belgrade - Tower 1	New Belgrade	27,000	AFI Europe	2025
BIGZ*	City Centre	26,000	Marera Properties	2023
ARTKLASA*	City Centre	11,800	Beko	2024
Brankov BC*	City Centre	8,000	Astoria Group	2024

* Refurbishment / Renovation

Source: CBS International, part of Cushman & Wakefield Group



AFI CITY ZMAJ, 27,450 sq m GLA, LEED Gold

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