

MARKETBEAT BELGRADE

Office Q3 2023



CBS
INTERNATIONAL

	YoY Chg	12-Mo. Forecast
1,294,512 sq m Office Stock Q3 2023	▲	▲
49,018 sq m Take-up Q3 2023	▼	—
EUR 17.5 Prime rent, sqm / month	▲	—
7.97% Vacancy rate	▲	▼
7.75-8.25% Prime office yields Q3 2023	▲	—

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YoY Chg	12-Mo. Forecast
1.7% GDP Growth rate Q2 2023 YoY Change vs Q2 2022	▼	▲
7.7% Belgrade Unemployment Rate Q2 2023	▲	▼
EUR 922 Belgrade Average net salary Q2 2023	▲	▲

Source: Statistical Office of the Republic of Serbia

ECONOMY

According to the NBS, Serbia's GDP recorded real growth of 1.7% y/y in Q2 2023, while NBS continues to expect GDP growth to be in the range of 2.0% to 3.0% on an annual basis. The major challenge for the Serbian economy in the forthcoming period will be the energy situation, high inflation and tightening of the monetary conditions by central banks worldwide, although the inflationary pressures weakened. Even though decline will intensify in the second half of the year, a return to the target range will be long and slow and is expected not before Q2 2024, according to NBS. The economic stagnation and lower performance of the production sector of our most important trading partner Germany can slowdown the economic growth, as well. In September 2023, the key policy rate remained unchanged at 6.5%. The labour market remains relatively resilient, and the unemployment rate stood at 7.7% at the end of Q2, while the employment rate amounted to 55.4% in Belgrade Region. During Q2, double-digit y/y growth of average net salary in Belgrade was noted, being higher by 16%.

SUPPLY AND DEMAND

In the third quarter, one office building with the total area of 35,000 sq m of GLA was completed. Namely, B23 office building is located in CBD and it was developed by local investor. The new supply in Belgrade office market noted impressive growth in 2023, considering that year to date deliveries already reached 133,000 sq m of GLA, which is the largest annual delivery ever.

The development activity is still strong, pushed by the strongest take-up figures recorded in the previous year. Construction and refurbishment of more than 50,000 sq m of office space will be completed in the remaining quarter of the year, and the most prominent ongoing projects are BIGZ, Revolucija and Sava Centar. Taking into consideration announced projects, future office supply looks promising.

Recently, Belgrade office market saw the trend of domestic capital replacing investments coming from international investors which is expected to continue in the following period, as some international investors are more cautious as Serbia is not yet EU country. The local buyers have more confidence in the local market and in the positive economic outlook in the medium and long term.

Approximately 49,000 sq m of offices were transacted in Q3 2023. The first 9 months of the year recorded take-up of 156,000 sq m, representing a decrease of 9% y/y. Since the start of the year, share of sales transactions rose and amounts to 24%, as compared to same period in 2022, when the share of sales of office space was 2%. The increasing interest in purchase of office premises was recognised by developers, who recently developed office projects for sales, such as Bridge Plaza, MaxBet office building and Kennedy Offices, while there are numerous examples of residential projects offering office buildings, developed for both, sales and lease. The most prominent projects are TheOne, Elixir Garden, New Minel, Pupin's Palace, etc.

RENTS AND VACANCY

The average asking rental values for Class A buildings remained 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 7.97%, while the vacancy rate for class A amounts to 6.75%. 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-lettings. In Q3, prime office yields were subjected to upward pressure and now range between 7.75-8.25% (+0.25 pp).

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