

MARKETBEAT BELGRADE

Office Q4 2023



CBS
INTERNATIONAL

YoY
Chg

12-Mo.
Forecast

1,318,784 sq m

Office Stock Q4 2023



64,000 sq m

Take-up Q4 2023



EUR 17.5

Prime rent, sq m / month



7.25%

Vacancy rate



8.25-8.75%

Prime office yields Q4 2023



ECONOMIC INDICATORS

3.6%

GDP Growth rate Q3 2023

YoY Change vs Q3 2022

YoY
Chg



12-Mo.
Forecast



6.4%

Belgrade
Unemployment Rate
Q3 2023



EUR 920

Belgrade
Average net salary
Jan-Nov 2023



Source: Statistical Office of the Republic of Serbia

ECONOMY

Serbia has positively maintained economic stability and garnered confidence from both consumers and investors. This is evident in the cumulative real GDP growth from 2020 to 2023, which reached approximately 12%. In Q3 2023, real GDP growth stood at 3.6% year-on-year, while as per the latest National Bank of Serbia's expectations for the entire year of 2023 is 2.5%. The projected GDP growth for 2024 ranges from 3% to 4%, with a medium-term expectation of returning to pre-crisis growth rates of 4% annually. Inflation, having followed a declining trajectory since April, returned to a single-digit level in October and further decelerated to 7.6% year-on-year in December 2023. Projections indicate a continued decrease in inflation throughout the forecast period, with an anticipated return to the target tolerance band by mid-2024 and an approach to the central point of the target by the end of 2024.

SUPPLY AND DEMAND

For a while, the Belgrade office market has been experiencing a notable surge in development activity. Quarter after quarter, the number of new deliveries rises, and in the final quarter of 2023, two office buildings with a total area of 25,000 sq m of GLA were finalized. Namely, following its grand opening in November, 17,000 square meters in Sava Center are now available for occupancy by office tenants, while the single-tenant office building Revolucija, developed along Kralja Aleksandra Boulevard by the investor Granit Invest, has reached its completion. In 2023, nearly 160,000 sq m of office space was built, representing the best year ever for new deliveries. By the end of 2023, Belgrade's modern office stock grew to the level of 1,318,784 sq m of GLA, with Class A office buildings making 59% and Class B projects comprising the remaining 41%.

Investors will persist in realizing new projects; nevertheless, a minor deceleration is anticipated. Nearly 60,000 square meters are projected to be finalized in 2024, followed by an additional 120,000 sq m at a later stage. The largest projects will be developed by AFI Europe, within new phases in Airport City Belgrade whereby 27,000 sq m is currently under construction, while the expansion of the AFI Zmaj business park is also announced. In addition, a business park Hyde Park City is currently under construction next to Prokop railway station, where 8 buildings of app. 4,000 sq m each is planned, with two buildings already initiated.

The city's strategic geographic position and its role as an emerging ICT hub in Southeast Europe have further fuelled the growth of the office market. As Belgrade continues attracting foreign investment and fostering a favourable business environment, companies seek high-quality office spaces. During the fourth quarter of 2023, there was a robust demand, resulting in approximately 64,000 square meters being recorded through 83 transactions. 2023-annual take-up surpasses the level of 220,000 sq m, which represents a decrease of 4% as compared to 2022-data, but still indicates a resilient demand in the market. With regard to the size, the average deal remains at around 900 square meters, indicating a stable trend without any indications of major downsizing.

RENTS AND VACANCY

Looking at the average rental levels, Class A buildings command rents between EUR 15.5-17.5/ sq m/month, while the rents for Class B premises vary between EUR 11.5-14/sq m/month. There are a few examples of prime office buildings marking the headline rent of EUR 18/ sq m/month.

In spite of new deliveries and as a result of the strong demand, the overall vacancy rate started declining, amounting to 7.25% at the yearend, with the vacancy rate for Class A reaching 6.09%.

In Q4, yields for prime office space have been adjusted to the level of 8.25-8.75%.



Hyde Park Belgrade



MARKET STATISTICS Q4 2023

SUBMARKET	STOCK (sq m GLA)	VACANCY (%)	UNDER CONSTRUCTION
New Belgrade	958,737	9.31%	27,500
City Centre	322,490	1.83%	57,230
Wider Central Area	37,557	1.33%	/
BELGRADE TOTAL	1,318,784	7.25%	84,230

Source: CBS International, part of Cushman & Wakefield Group

KEY CONSTRUCTION COMPLETIONS IN 2023

PROPERTY	SUBMARKET	DEVELOPER	SIZE SQ M GLA
B23	New Belgrade	Institucija za izgradnju i upravljanje nekretninama	35,000
AFI Tower	City Centre	AFI Europe Serbia	30,778
AFI City Zmaj West	Wider Central Area	AFI Europe Serbia	27,450
Sava Center	New Belgrade	Delta Real Estate	17,200
Exing Office Building	New Belgrade	Exing (TB 65 doo)	16,831
Airport City Belgrade 2500	New Belgrade	AFI Europe Serbia	14,800

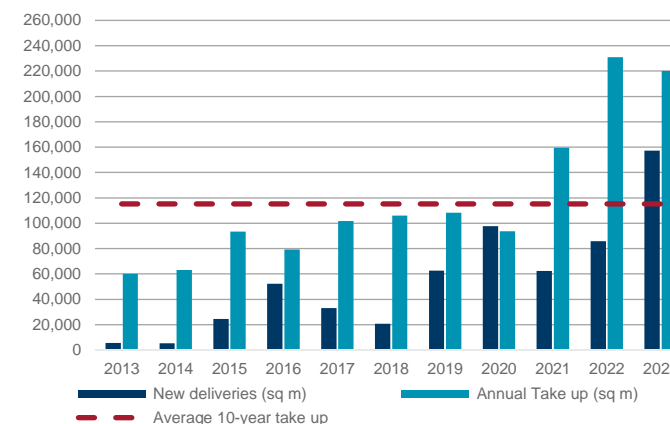
Source: CBS International, part of Cushman & Wakefield Group

SELECTED PIPELINE PROJECTS

PROPERTY	SUBMARKET	SQ M GLA	DEVELOPER	ESTIMATED COMPLETION DATE
Airport City Belgrade - Tower 1	New Belgrade	27,000	AFI Europe	2025
BIGZ	City Centre	26,000	Marera Properties	2024
Artklasa	City Centre	11,800	Aselus	2024
Prokop	City Centre	8,500 two buildings	PSP Farman	2024
Brankov BC	City Centre	8,000	Astoria Group	2024

Source: CBS International, part of Cushman & Wakefield Group

OFFICE STOCK VS. DEVELOPMENT COMPLETIONS



Source: CBS International, part of Cushman & Wakefield Group

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