

Belgrade Office Market Pulse

Q4 2016



Stock and Supply

During 2016, there has been an increase of construction activity with several new buildings delivered to the market, particularly in New Belgrade. With new office supply, the overall stock increased y-o-y by 10%, while A Class stock increased by 16% for the same period. In the last quarter of the year, MPC Properties completed Navigator Business centre, totalling over 14,600 sq m.

Prior to this, several new office buildings were completed in New Belgrade and the wider central area. Since the beginning of the year Africa Israel and Tidhar Construction have completed the first two buildings within Airport city phase IV. The company has also announced a fifth phase with plans to build two office towers. GTC completed the second building within the Fortyone complex (7,600 sq m) and construction of the third is progressing. After completion, the entire complex will have 27,000 sq m. In addition, Imel group finished a new office building for Societe General with 70% for owner occupation purposes and the remainder being speculative.

Recently completed schemes

Property	Status	Size (sq m)
Navigator Business centre	Completed	14,600
Airport City phase IV bldg. 2	Completed	12,000
Societe Generale bank	Completed	10,000
GTC Fortyone phase 2	Completed	7,600
Green square	Completed	2,700

Outside of the CBD area, one smaller scale building was completed, namely Green Square in the Vracar municipality, totalling 2,700 sq m.

Overall Statistics

Q4 2016 completion

14,600 sq m

Future supply

50,000 sq m (excluding owner occupied buildings)

Take up 2016

Dominated by net take up

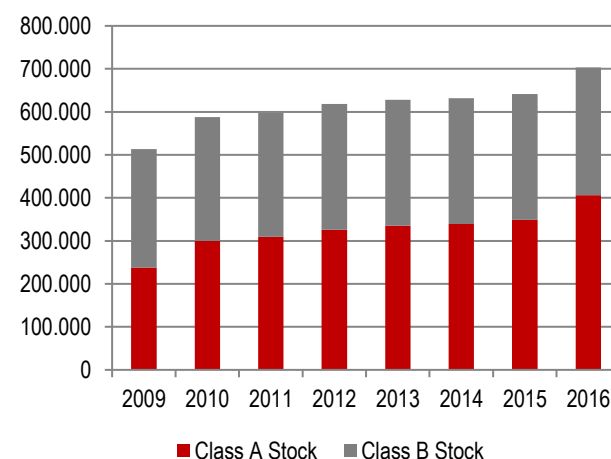
6.7 %

Vacancy rate in A&B Class office buildings as of Q4 2016

7 % / 6.2 %

Class A / Class B vacancy rate as of Q4 2016

Office stock



Source: JLL, January 2017

Following the increase in construction activity in recent months, the upcoming period will also witness more modern office stock being delivered to the market. The majority of projects will take place in New Belgrade, leaving the downtown area with limited modern stock. One of the most notable projects is Sirius Offices by Immorent Sinidunum which will have around 25,000 sq m of office space. The project is being developed in two phases, with the first

phase scheduled to open in 2017. MPC Properties have announced their plans for the construction of Ušće Tower 2 with 22,000 sq m of office space. The project will include the construction of underground parking as well.

During 2016, Napred started the reconstruction of its existing building in Blok 21. After reconstruction, the scheme will have around 13,000 sq m of office space and is scheduled to open in the second half of 2017.

Future office projects

Property	Status	Size (sq m)
Deneza	Under construction	2,700
GTC Fortyone phase 3	Under construction	10,000
Sirius Offices 1st phase	Under construction	14,500
Atrijum 63	Under construction	5,000
Napred blok 21	Under construction	13,000
Usce Tower 2	Planned	22,000

Furthermore, one smaller sized project, Deneza in New Belgrade, will add 2,700 sq m to the existing modern stock in the upcoming period.

Demand

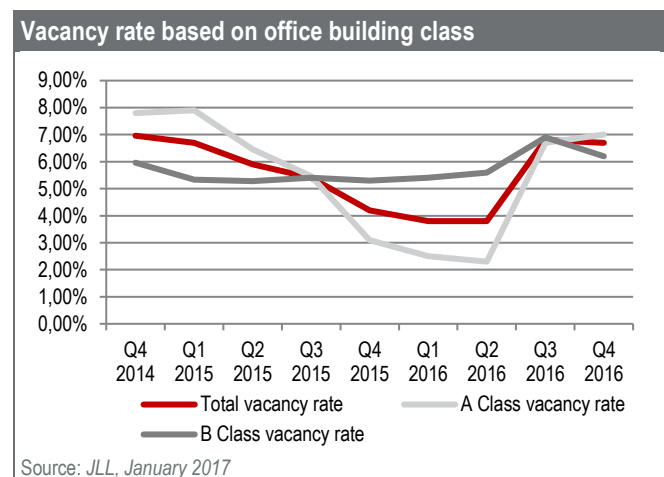
During 2016, market activity was driven by net take-up, underpinned by relocations and new leases which accounted for 43% and 40% of transactions, respectively. The remainder was attributed to the renewal of existing contracts and expansions.

The majority of activity occurred in New Belgrade, which is the Central Business District of the city, with more than 80% of transactions. The most active sectors were IT, followed by professional services. Other active sectors included pharmaceuticals and consumer goods. The average deal size in 2016 was slightly above 800 sq m.

Vacancy

In recent years, the vacancy rate had witnessed a downward trend underpinned by the low annual completions. In addition, strong demand has caused higher levels of occupancy in new, modern buildings, even prior to their construction start.

However, due to an increase in completions an upward trend returned in the second half of 2016, and the vacancy rate now stands at 6.7%. Over the last quarter, the vacancy rate in A Class offices stood at 7%, while in B Class buildings it dropped slightly to 6.2%.



Rental levels

Throughout 2016, headline rents remained stable, ranging from €15 to €17 sq m/month. Rental levels for B Class office premises in New Belgrade were also stable, ranging from €9 to €11 sq m/month and €10 to €12 sq m/month in the downtown area. Rental levels for office premises in the wider New Belgrade area were up to €11 sq m/month, while modern office premises in the downtown area did not exceed €16 sq m/month. Landlords continue to offer incentives including rent free periods, fit-out contributions and additional free parking spaces.



Contacts

Andrew Peirson

Managing Director
SEE Region & Romania
JLL
+381 11 785 0579
andrew.peirson@eu.jll.com

Jana Golubović

Senior Research Analyst
SEE Region
JLL
+381 11 785 0589
jana.golubovic@eu.jll.com

officefinder.rs

jll.rs