

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
5.04% Overall Vacancy Rate	▼	▼
57,633 Total Leasing Activity, sqm	▲	▬
€18.00 Prime Asking Rent	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS

4% GDP Growth Rate Q2 2024	▲	▬
6.3% Belgrade Unemployment Rate Q2 2024	▲	▲
€1,047 Belgrade Average Net Salary Q2 2024	▲	▲

(Overall, All Property Classes)
Source: Statistical Office of the Republic of Serbia

ECONOMY

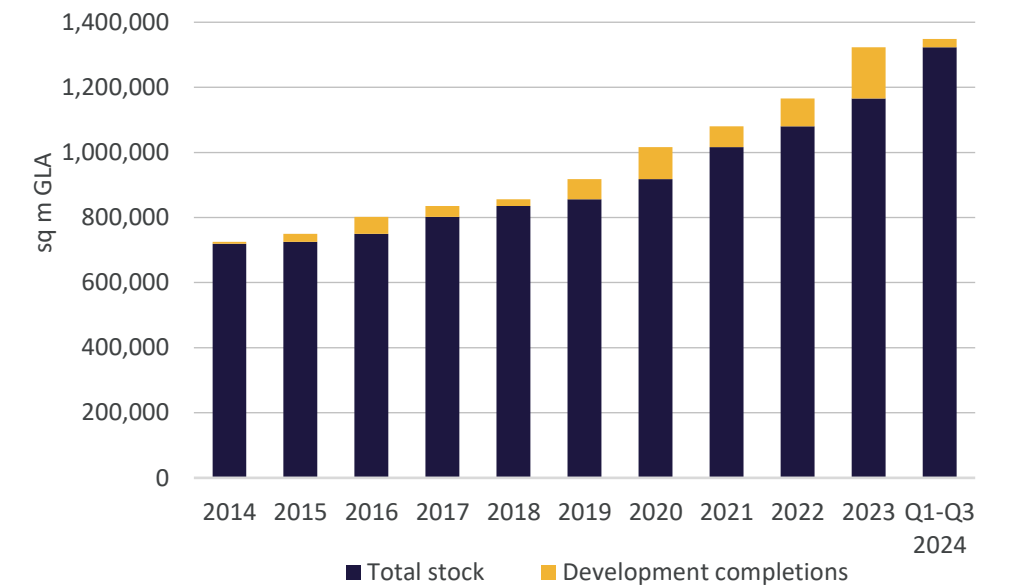
According to the National Bank of Serbia, Serbia's real GDP growth in Q2 was 4% y/y, and it was dominated by domestic demand with a significant contribution from fixed investments due to the start of the Belgrade Expo 2027 project. Although growth in the first half of the year was slightly revised downwards, the GDP growth projection for 2024 remained unchanged at 3.8%. Inflation in July and August was higher in comparison with the expectations (4.3% y/y), mostly due to an increase in the price of industrial food products and some services. The CPI is expected to average 4.6% in 2024. Taking into account that the inflation has been moving within the target tolerance band since May, in September 2024, the National Bank of Serbia decided to continue easing monetary conditions by reducing the key policy rate for the third time this year by 25 basis points, to the level of 5.75%. Overall macroeconomic and financial stability supported high FDI inflow, which amounted to EUR 2.8 billion in the first seven months of 2024, being 7.2% higher than the FDI inflow in the same period last year.

SUPPLY

Office development activity in Belgrade in Q3 has maintained the same dynamics as in the previous two quarters, demonstrating a slowdown in terms of the new supply. The third quarter saw the completion of two office buildings in the city centre - Brankov Business Centre of 8,500 sq m and St Sava House of nearly 3,000 sq m. After 2023, which was a record year with more than 150,000 sq m of new office space, so far, 2024 witnessed an increase of total stock by a modest 25,000 sq m of GLA within 4 buildings, all delivered in the city centre. The total office stock in Belgrade reached 1,344,000 sq m GLA at the end of Q3.

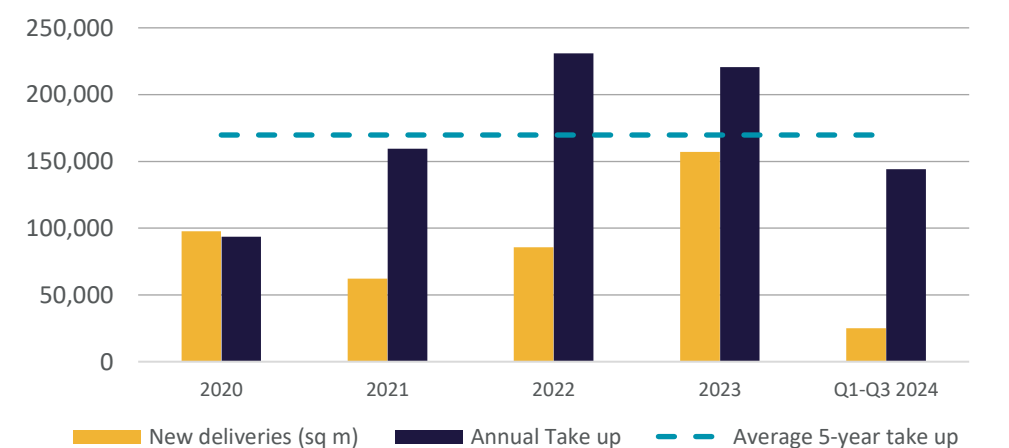
The Belgrade office development pipeline currently stands at approximately 140,000 square metres, whereas 46,000 sqm of this space is set for delivery by year-end. In the longer term, 80,000 sq m of offices is planned for completion in 2025.

TOTAL STOCK / NEW DELIVERIES



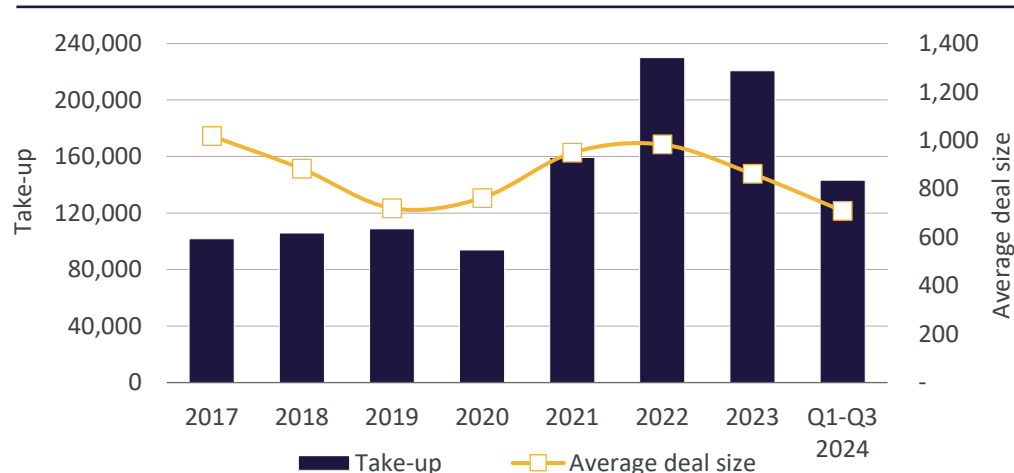
Source: CBS International, part of Cushman & Wakefield Group

NEW DELIVERIES / SPACE DEMAND

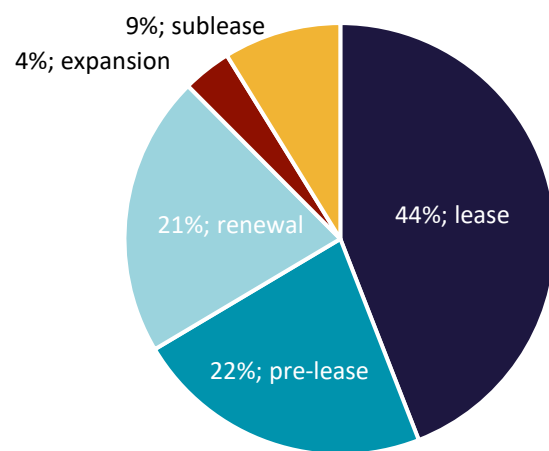


Source: CBS International, part of Cushman & Wakefield Group

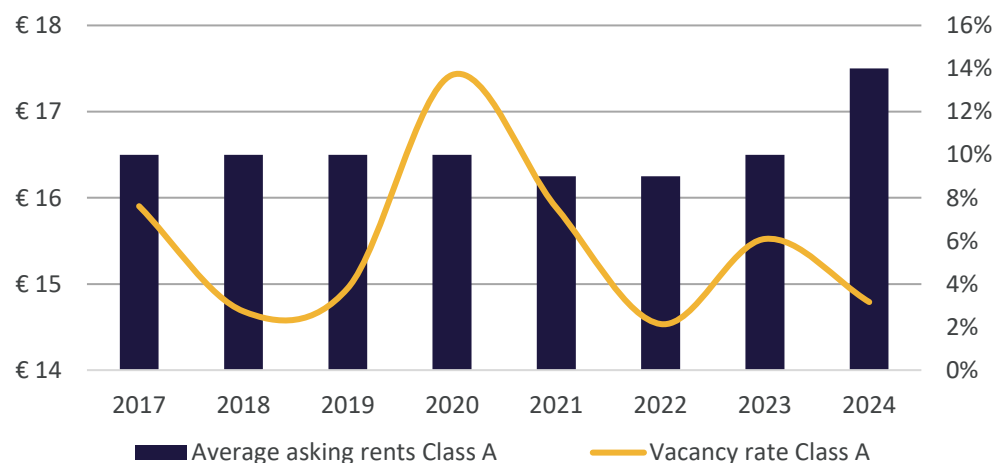
DEMAND / AVERAGE DEAL SIZE



TAKE-UP STRUCTURE Q3



VACANCY & ASKING RENT - CLASS A



DEMAND

The occupier demand demonstrated positive dynamics in Q3 2024, highlighted by a total leasing activity of 57,000 sq m, out of which subleases contributed with nearly 10%. However, the overall demand is expected to display a decline at the end of 2024. Namely, year-to-date leasing activity totals 144,000 sq m, which is 8% lower compared to the same period last year. New leases accounted for 44% of total leasing activity, being in line with the 5-year average. Even though the share of expansions is insignificant, most of the companies expanding their business within the process of relocation, due to the limited offer of available large premises. As a consequence of the pandemic-induced hybrid model of work, space optimisation remained a trend throughout the whole of 2024, leading to a decline in the average deal size. Nevertheless, Q3 noted a slight increase in average deal size, compared to the first two quarters of 2024 (486 sq m in Q1 vs 812 sq m in Q3).

PRICING

In Q3 2024, rental levels remained mostly stable compared to the preceding quarter but increased year-on-year, particularly in the segment of prime, Class A office buildings, which now amounts to EUR 18/sqm/month. When it comes to high-quality office space in most attractive office buildings, the prices can exceed these figures. The asking rent for class B stands at the level of EUR 11.5-14/sq m/month.

After a period of steady increases since the beginning of 2022, prime yields have started to stabilise. The moderation in prime yield occurred in Q3 in Belgrade office market, as well. Due to the overall market sentiment and rising demand for the purchase of quality office premises, yields for the prime assets in the third quarter of 2024 were revised and now range between 8.00-8.50%.

VACANCY

The limited addition of new space in 2024 and stable demand led to a further decline in the overall vacancy rate for the third quarter in a row. In Q3, the office availability reached 68,000 sq m with a vacancy rate of 5.04%. The strong demand for prime offices pushed down the vacancy rate of Class A office space to the level of 3.16%. In the following period, vacancy rates will strongly vary by location and the quality of the building. Class A buildings in prime locations are expected to be fully leased, while older Class A, as well as Class B buildings at less attractive locations, may experience a longer period to reach full occupancy.

OUTLOOK

- RTO (Return to Office) trend is in focus. Despite a decline in demand and overall leasing activity, the market sentiment remains positive as employers are exploring ways to attract employees back to the office
- By adopting remote work policies, major tech companies made surplus office space available for subleasing. A significant increase in subleased space, mostly by coworking companies is a trend that will remain in the forthcoming period
- Limited new supply expected by the end of 2024 and the first half of 2025 will drive further vacancy rate decline, helping absorb remaining space from previous years
- The upward pressure on rents in the last 12 months could be prolonged considering limited pipeline projects and low vacancy rates. Stabilization of the rents could be expected in H2 2025
- Having in mind the ongoing negotiations regarding certain assets, it is expected that investment volume in this property segment will improve in the following months

MARKET STATISTICS

SUBMARKET	TOTAL STOCK (SQM)	OVERALL VACANCY RATE (%)	CURRENT QTR TOTAL LEASING ACTIVITY (SQM)	UNDER CONSTRUCTION (SQM)	YTD CONSTRUCTION COMPLETIONS (SQM)	ASKING RENT CLASS A (EUR/SQM)*
New Belgrade	958,737	4.7%	29,553	61,500	/	16.5-19
City Centre	347,663	5.3%	18,193	67,000	25,000	16-19
Wider Central Area	37,557	1.3%	9,887	13,600	/	/
BELGRADE TOTAL	1,343,957	5.04%	57,633	142,100	25,000	/

*Asking rental levels presuming standard fit-out contribution

KEY LEASE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
Forum 26	New Belgrade / CBD	IT company	4,000	lease
Business Garden	City Centre	Pharmaceutical company	3,870	renewal
Airport City Belgrade	New Belgrade / CBD	IT company	3,850	renewal
Usce Tower 2	New Belgrade / CBD	IT company	3,050	sublease
Green Heart	New Belgrade / CBD	Financial consulting	1,186	lease
Artklasa	City Centre	Pharmaceutical consulting	1,180	lease
Brankov BC	City Centre	IT company	1,000	pre-lease

KEY CONSTRUCTION COMPLETIONS Q3 2024

PROPERTY	SUBMARKET	MAJOR TENANT	BUILDING SIZE (SQM GLA)	OWNER/DEVELOPER
Brankov BC	City Centre	RHO	8,500	Astoria Group
St Sava House*	City Centre	Advertising Company	2,800	Private entity

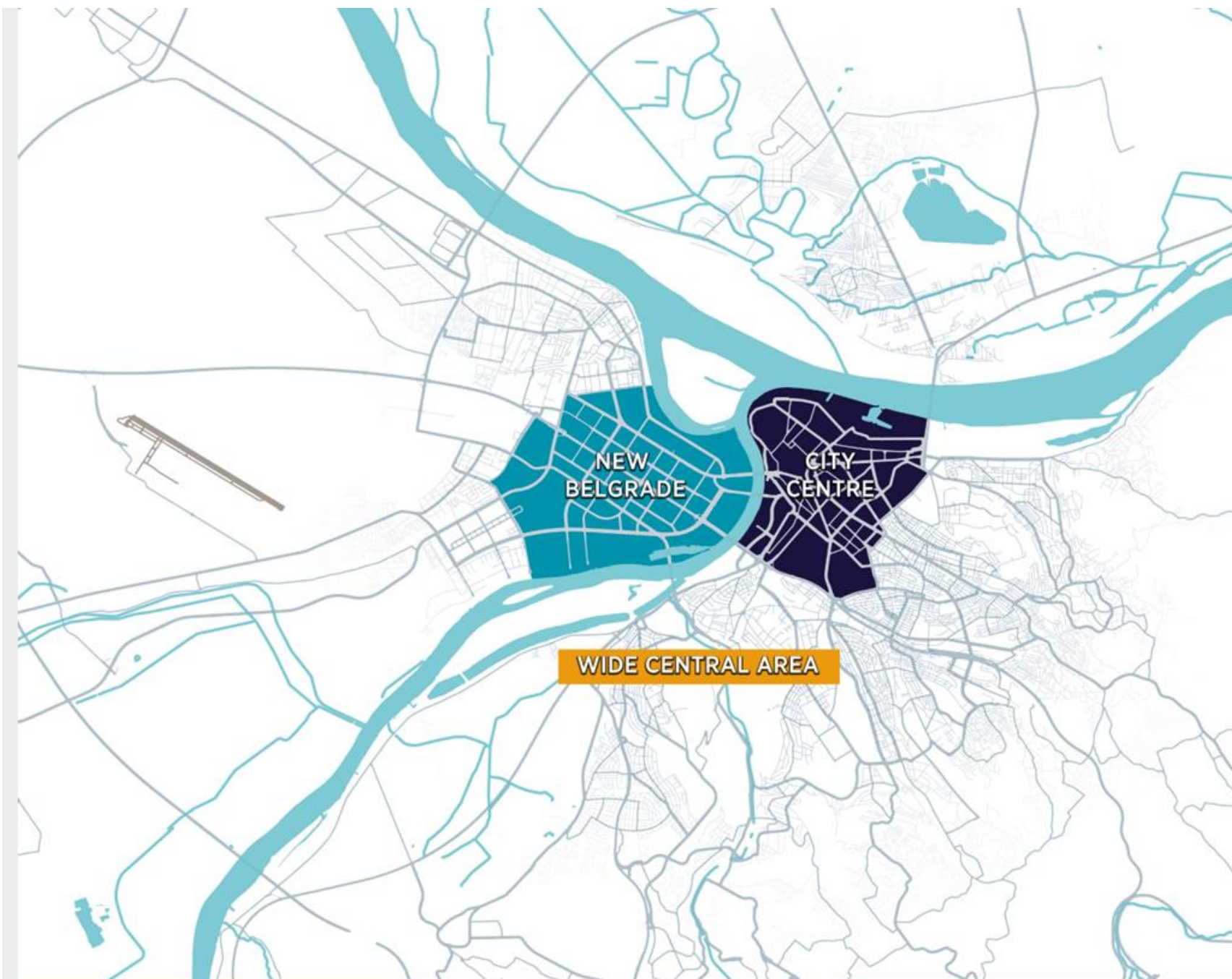
*Refurbishment

SELECTED PIPELINE PROJECTS

PROPERTY	LOCATION	SQM (GLA)	DEVELOPER	ESTIMATED COMPLETION DATE
Tehnohemija	Palilula / City Area	13,600	Tehnohemija	Q4 2024
BIGZ	Savski Venac / Sajam	24,000	Marera Properties, Aleksadar Group	Q4 2024
Hyde Park City	Savski Venac / Prokop	43,000	PSP Farman	2024/2025
Airport City Belgrade	New Belgrade	27,000	AFI Europe	Q1 2025
Panorama 26	New Belgrade	11,000	GP Napred	Q4 2025
Bel Mondo	New Belgrade	7,500	PSP Farman	2025
Delta District	New Belgrade	16,000	Delta Real Estate	2026/2027

Source: CBS International, part of Cushman & Wakefield Group

OFFICE SUBMARKETS



NEW BELGRADE

- Stock: 958,000 sq m
- 71% of the stock

CITY CENTRE

- Stock: 347,000 sq m
- 26% of the stock

WIDE CENTRAL AREA

- Stock: 38,000 sq m
- 3% of the stock

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