

# CSEE

## *Market Overview*

H1 2023

Urban Harvest





# Con- tents

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*“I would give a thousand furlongs of  
sea for an acre of barren ground.”*

**Shakespeare**

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Belgrade Office  
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Belgrade Industrial  
Market Overview

# #01

# ROMANIA

## Bucharest

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H1 2023

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*Office Market*  
*Industrial Market*

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# Bucharest Office Market

## Supply - 70,000 sq m

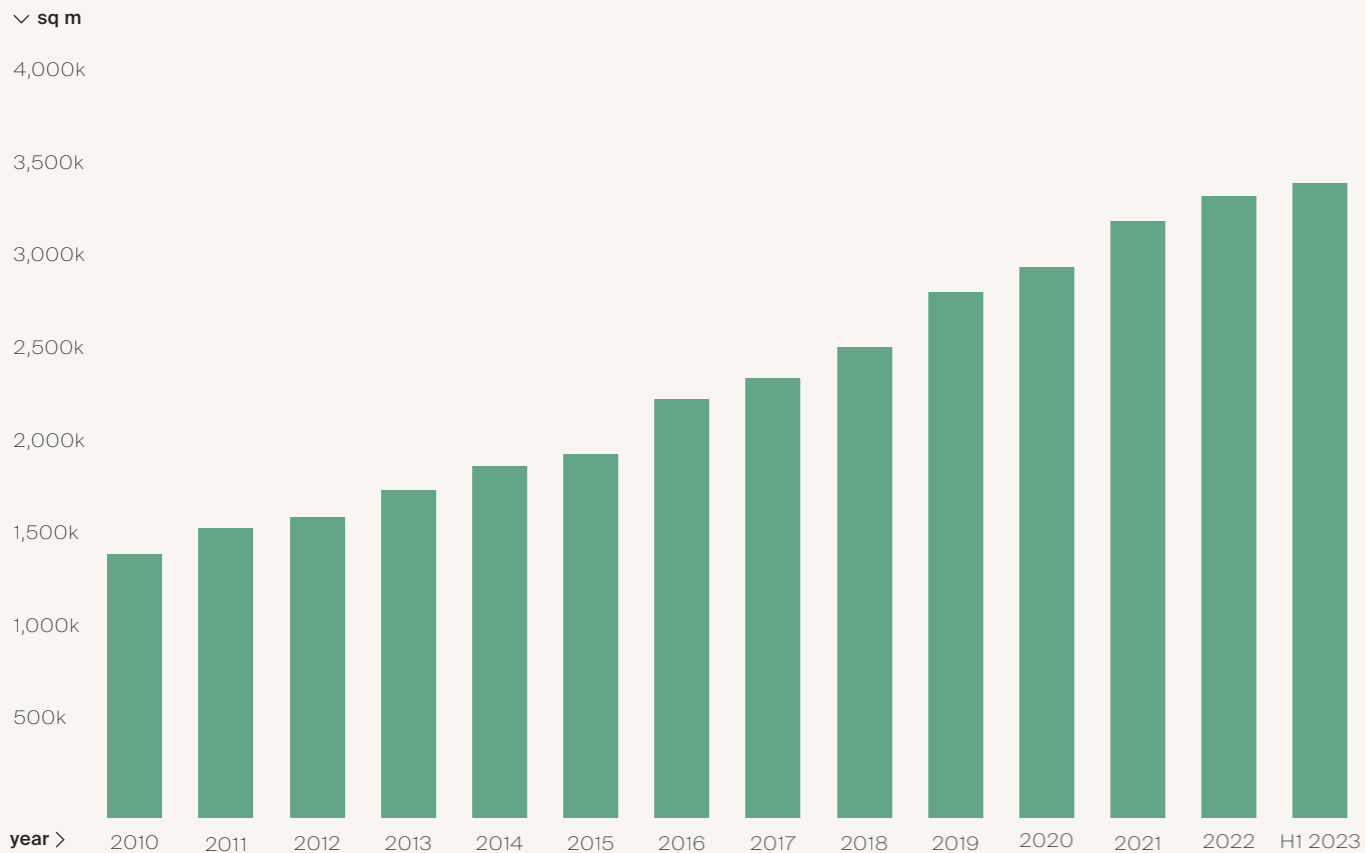
In H1 2023 the supply reach approximately 70,000 sq m, representing a 28% decrease compared to same period last year. 50% of the supply was delivered in the Center-West area, mainly in One Cotroceni Park phase II, and 50% in North-West Expozitiei area, in schemes like @Expo Tower (28,000 sq m) developed by Atenor and Muse (7,000 sq m) developed by Primavera.

## Stock - 3.39 mil sq m

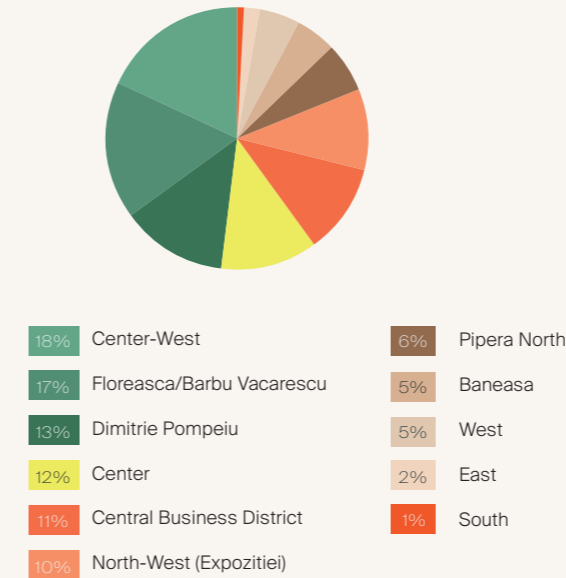
The submarket with the highest modern office stock is Center West area (621,000 sq m) followed by Calea Floreasca / Barbu Vacarescu (589,000 sq m) and Dimitrie Pompeiu (441,000 sq m).

### Modern office stock

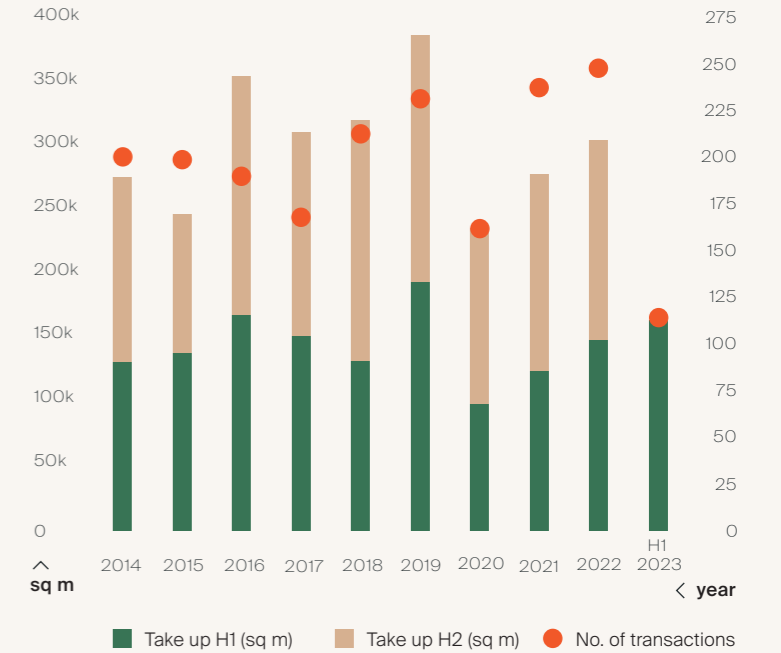
Annual evolution



### Stock by submarket



### Take up evolution



## Demand - 165,500 sq m

After a slow start to the year, Q2 saw a resurgence in activity, with 120,000 sq m of take up recorded. This is the highest quarterly take up figure since Q4 2019, and the strongest Q2 on record in the last 10 years. This brings take-up to almost 165,500 sq m for the 1st half of 2023, an increase of 10% compared to the same period of last year.

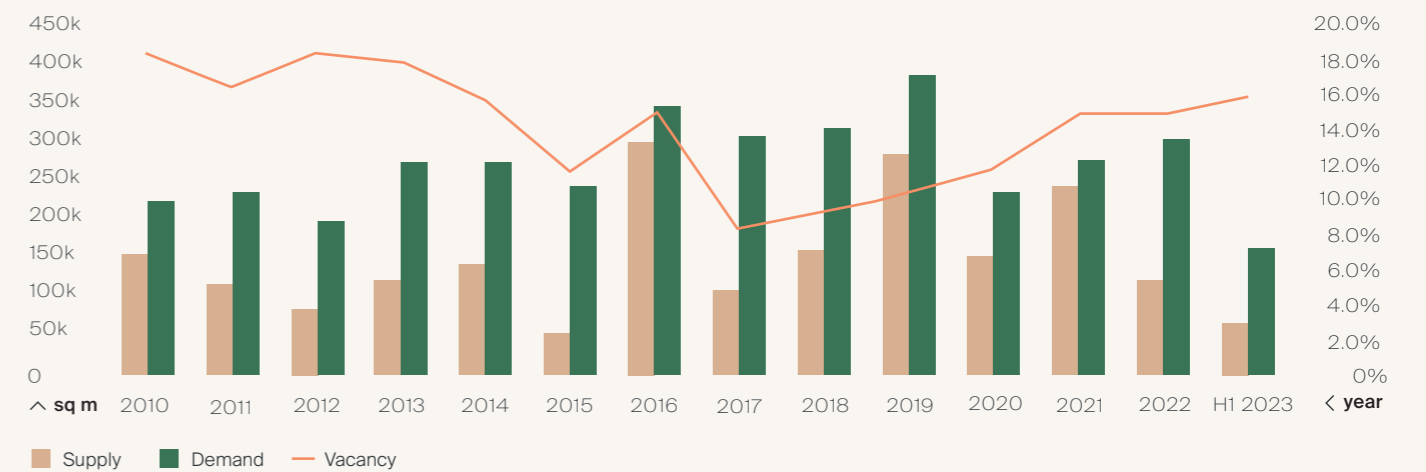
Out of 165,500 sq m, 49% were renewals and 39% relocations, while new demand was 9%.

The most sought after submarkets in H1 2023 were Dimitrie Pompeiu, which saw ~53,000 sq m of leasing activity (32% of total take up) and Floreasca/Barbu Vacarescu area, where ~39,000 sq m of space was leased (23% of total take up), followed Center-West and Center area with 12% of total take up each.

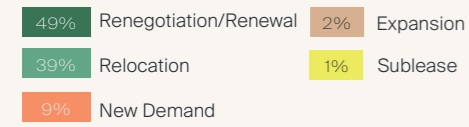
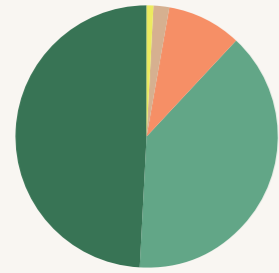
116 transactions were signed in H1 2023, compared to 130 in H1 2022, resulting an average size of leased space of ~1,400 sq m, value 27% higher than the one registered in the same period last year.

IT & Communication sector still makes up the largest share of demand, accounting for almost 45% of the total take-up, followed by Manufacturing/ Industrial/ Energy companies with 25% share.

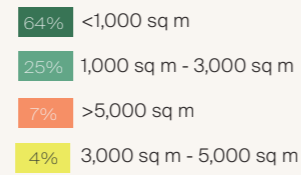
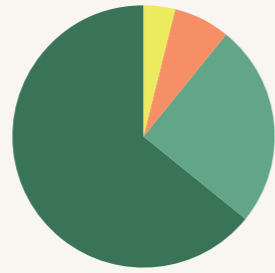
### Supply vs. Demand vs. Vacancy



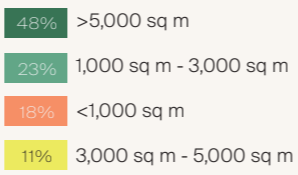
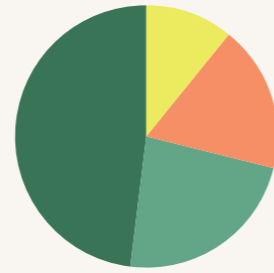
**Breakdown of take-up**  
by type of transaction



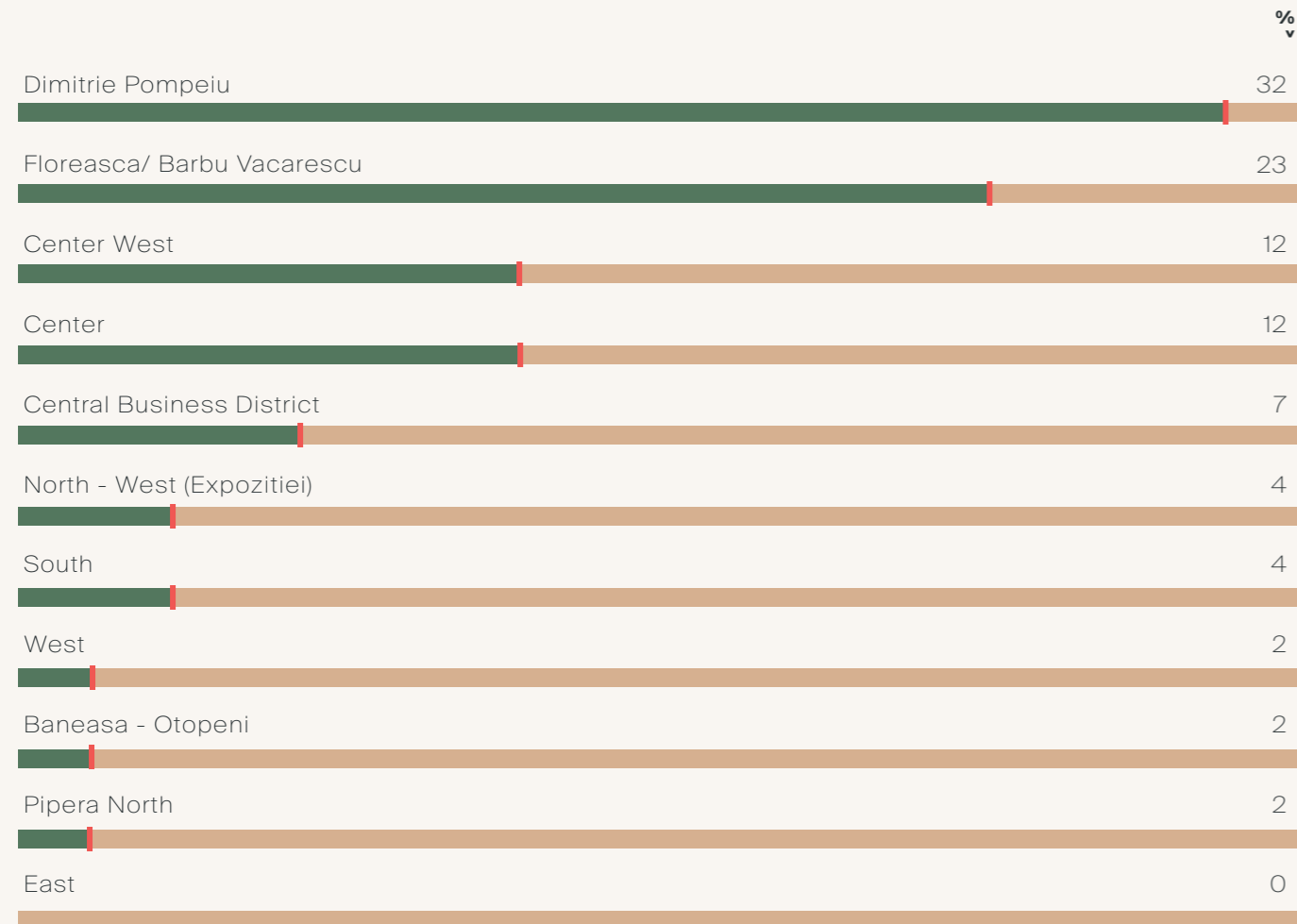
**Breakdown of take-up**  
by number of transactions



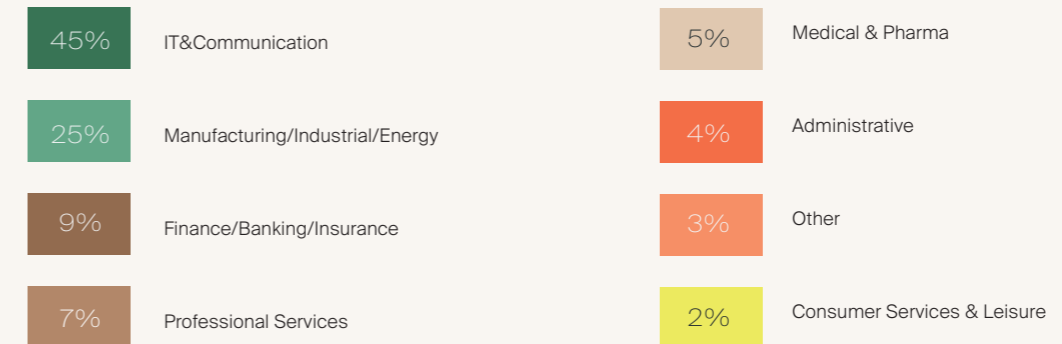
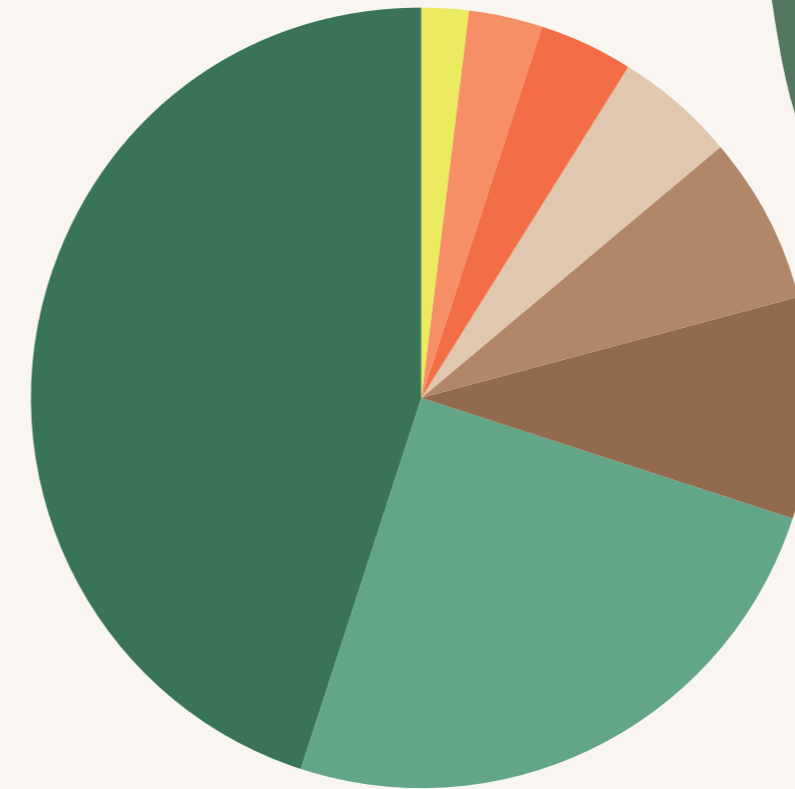
**Breakdown of take-up**  
by leased area



**Geographic breakdown**  
of take up



**Breakdown of take-up**  
by tenant activity



## Rents

Prime rents were found to climb to 20 eur / sq m, 8% higher than the same period last year.

## Vacancy - 16%

The vacancy rate ticked upwards in H1 2023 to 16%, up from 15% in H2 2022. Many of the relocations in H1 2023 were found to be downsizing of footprint, with companies moving to smaller spaces in better locations. Some renewals were also partial disposals of space.

## Forecast / Pipeline - ~40,000 sq m until end of 2023

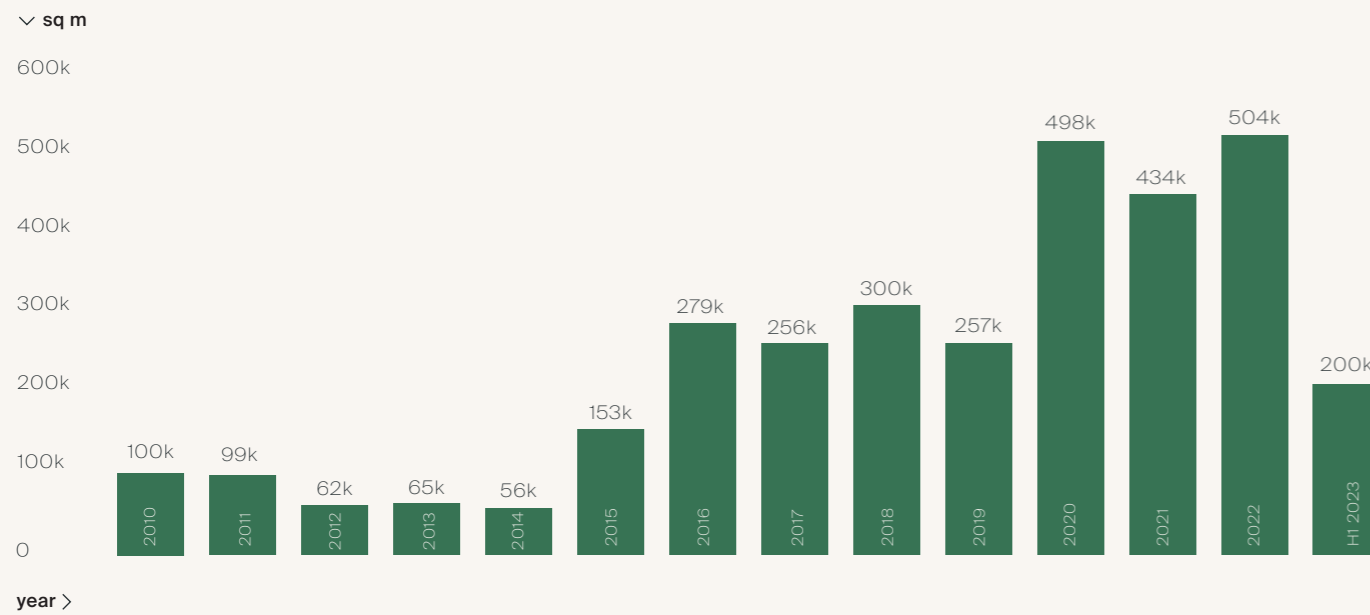
*Including schemes such as:  
U-Center II (~32,500 sq m) and  
Arghezi 4 (7,500 sq m).*

With only a few projects under construction, deliveries for the coming years are limited and uncertain until the lack of approvals for new construction is solved. This means the Bucharest office leasing market will likely turn to a landlord market, which will put further upward pressure on rents.



# Bucharest Industrial and Logistics Market

**Bucharest take-up**  
Annual evolution



## Supply

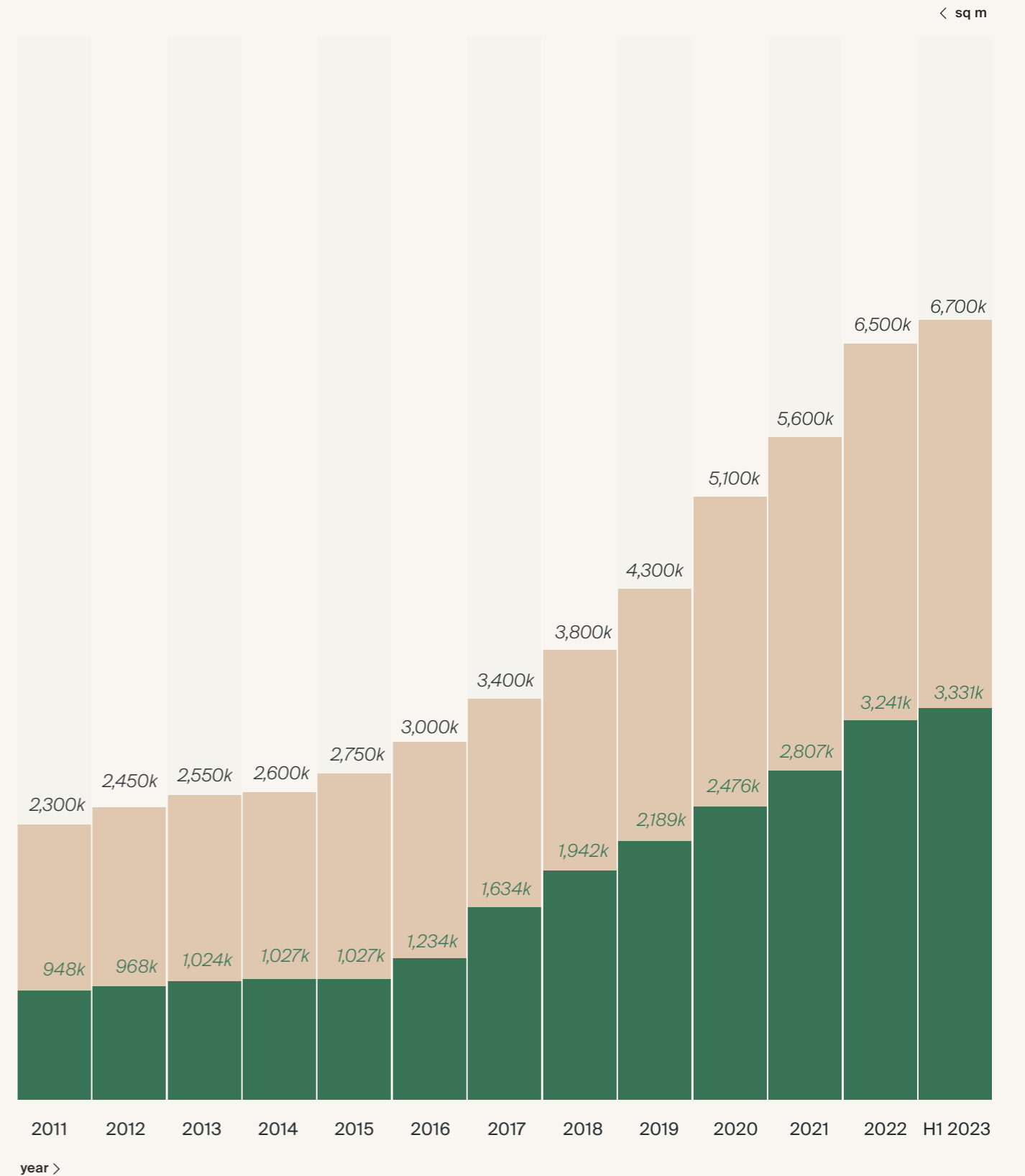
The level of deliveries in H1 2023 was around 200,000 sq m, bringing the nationwide stock to ~6.7 million sq m. Approx. 30% of the new supply was in Bucharest.

## Demand

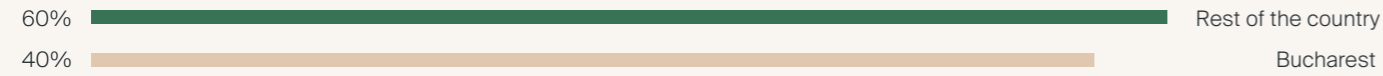
In Bucharest, total take up registered in H1 2023 was of 200,000 sq m, a similar level with the same period of last year, while nationwide the take up reached approx. 500,000 sq m of space leased, representing a 25% increase compared to H1 2022.

**Modern Industrial Stock**  
Annual evolution (sq m)

Romania - 6.7 mil sq m    Bucharest - 3.33 mil sq m



### Take-up by region



During the first half of this year, notable transactions included the pre-lease signed by Intercars in VGP Park Brasov (47,000 sq m) and the expansion signed Maersk - IB Cargo with CTPark Bucharest West (25,000 sq m).

89% of the total take-up.

Logistic companies were the most active accounting for ~160,000 sq m leased, followed by automotive sector which registered ~120,000 sq m in leasing activity.

In general, the main sources of demand were pre-leases and new demand, accounting for

### Rents

In Bucharest and in the main industrial destinations in Romania, prime rents for modern warehouses stood at a level between 4.25 - 4.5 eur / sq m / mo.

### Vacancy

The vacancy rate remains at a constant level estimated around 5% nationwide and between 5%-6% in Bucharest.



### Pipeline

New deliveries are expected to come to the market in the second half of 2023, the estimate being that it will reach last year's level. The most dynamic developers expected to contribute more to the industrial stock are CTP and Element Development.

CITY	PROJECT NAME	DEVELOPER	AREA
Brasov	VGP Park	VGP	20,000
Bucharest	Eli Park 4	Element Development	21,000
Bucharest	CTPark Bucharest	CTP	26,000
Bacau	Eli Park Bacau	Element Development	37,000
Turda	CTPark Turda	CTP	51,000



# #02

# HUNGARY

## Budapest

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H1 2023

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*Office Market*  
*Industrial Market*

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# Budapest Office Market

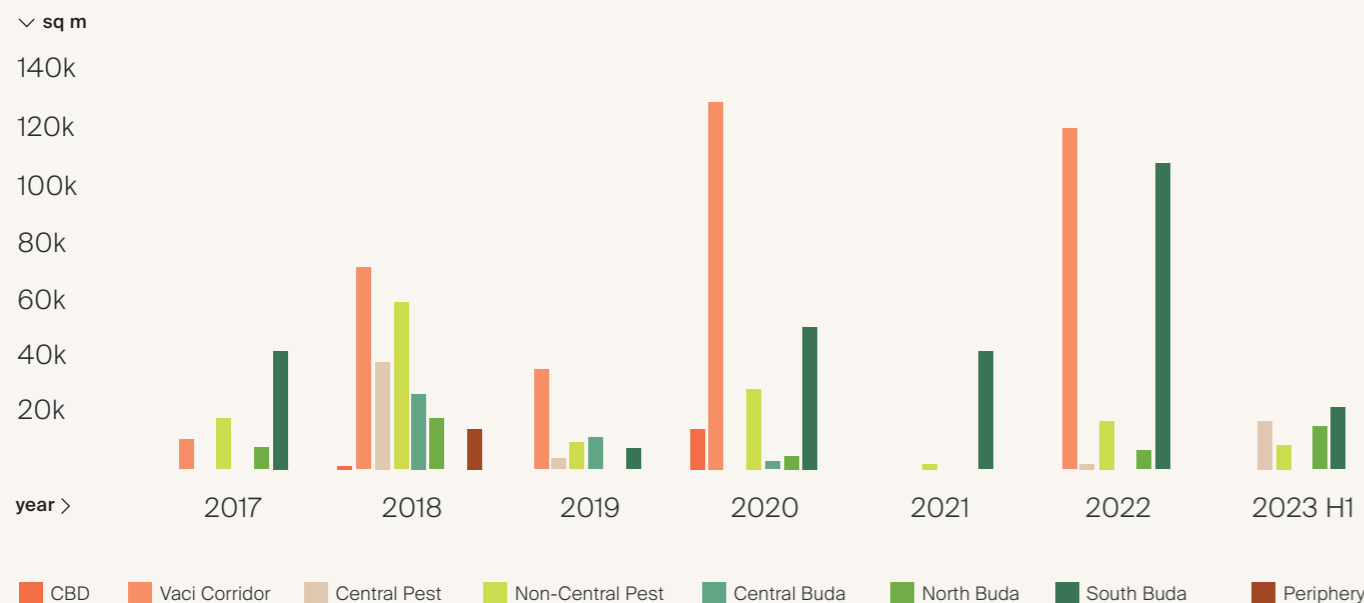
## Supply - 64,050 sq m

After a year of exceptional volume of deliveries in 2022, the first half of 2023 has started slowly with the arrival of 64,050 sq m new supply to the Budapest office market. This results in an 18% decrease year-on-year, which tendency is anticipated to improve by the end of the year. The deliveries mainly concerned the Buda side of Budapest with the hand over of F99 and Budapest Downtown in South Buda submarket (14,040 sq m and 8,420 sq m), Roseville office building in North Buda submarket (15,540 sq m). On the Pest side, BIF Tower was handed over in Non-Central Pest submarket (8,530 sq m) and Corvin Innovation Campus Phase I. in Central Pest submarket (17,520 sq m).

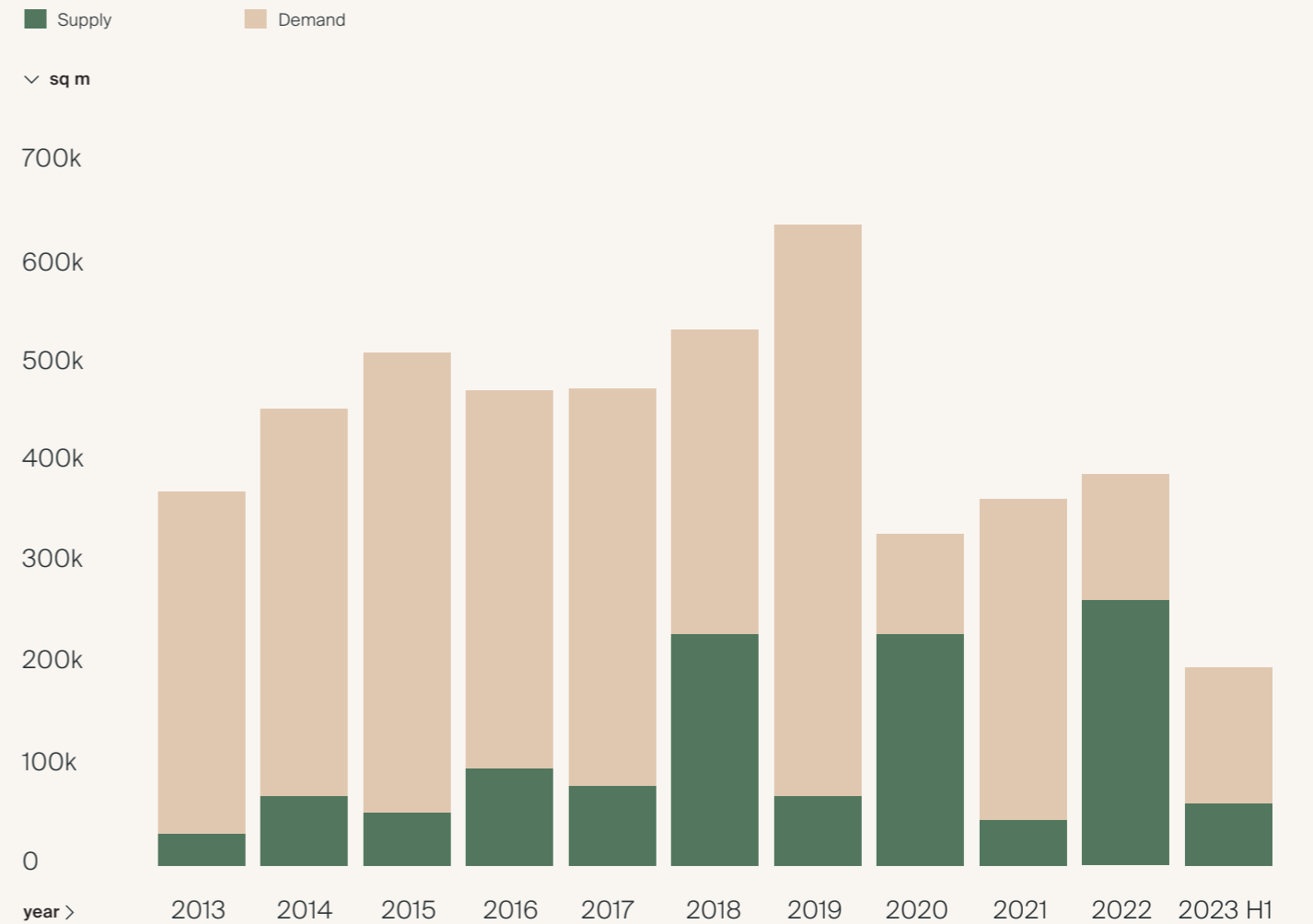
## Stock - 4,334,880 sq m

In addition to the new supply in the first half of the year, the total office stock was augmented with an extra 24,230 sq m due to the annual size correction at the beginning of 2023, resulting in a cumulative area of 4,334,880 sq m. Dissecting the Budapest office stock, 3,536,690 sq m belongs to class 'A' and 'B' speculative office space and 798,190 sq m to owner-occupied space. In the first half of the year, the latter has increased with the shift of Imperial Krisztina Plaza (16,830 sq m) and N97 office building (3,610 sq m) from speculative office stock to owner occupied space.

## Deliveries by submarket



## Supply vs. Demand



## Demand - 196,550 sq m

The progressively increasing tendency of 2022 dropped back marginally in the first half of the year, however it still presented a 4% growth compared to the same period last year.

Considering the type of transactions, renewals remained the most popular constituting 48% of the total take up, while new leases accounted for 43% in the first half of this year. Expansions amounted to 5% of the total demand, followed by pre-lease and owner-occupied transactions both by 2%.

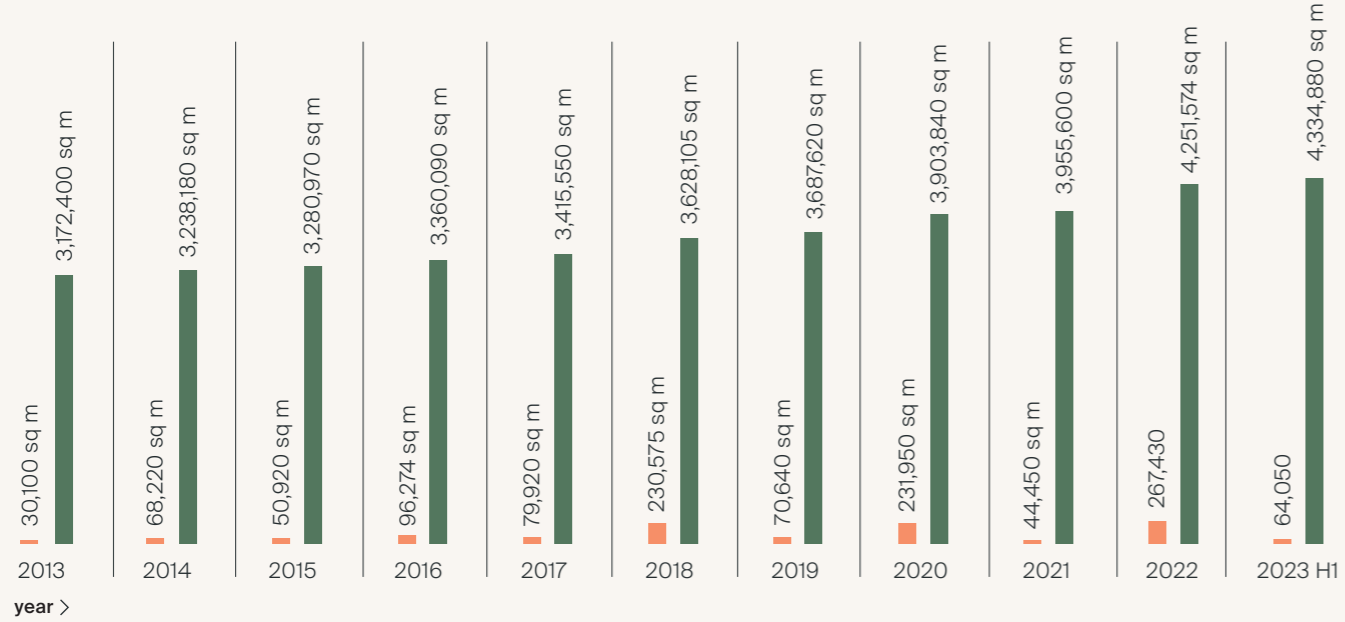
As for the occupational activity of the Budapest submarkets, Váci Corridor was still the most

popular among tenants where 32% of all office leasing activity took place. On the second place, Central Pest submarket contributed to 21% of deals, while Central Buda secured the third position with 13% followed by Non-Central Pest submarket with 7% of all the leasing activities during this period.

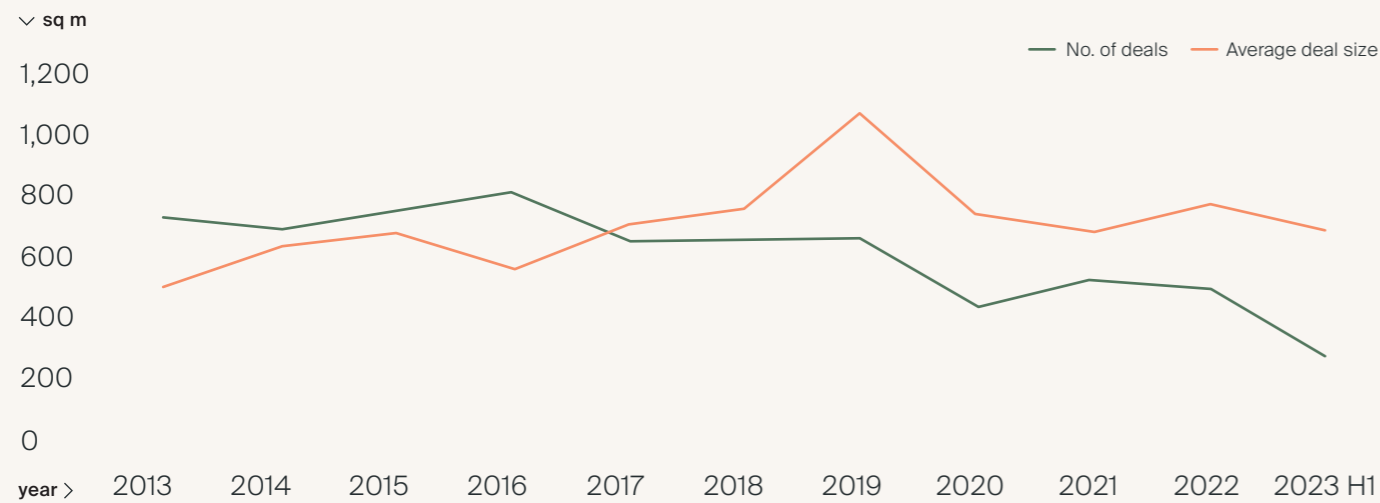
The number of lease agreements concluded on the Budapest office market more than doubled compared to the first half of 2022, amounting to 282 deals. The average deal size totalled up to 697 sq m in H1 2023, representing a 11% decrease since the end of the year 2022. 5 deals were registered above 5,000 sq m during this period of 2023.

**Deliveries vs. Total Stock**

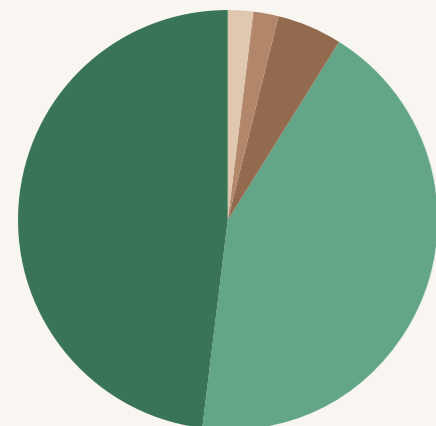
Deliveries Total Stock



**Total Deals & Average Deal Size**



**Demand by type of transaction**

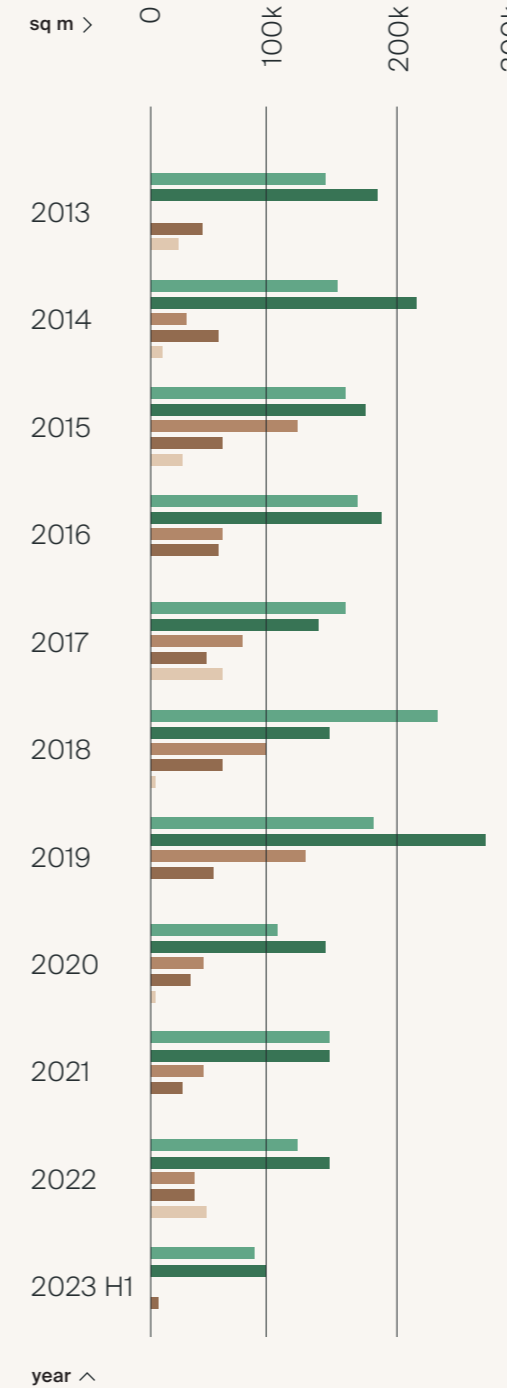


**Rents**

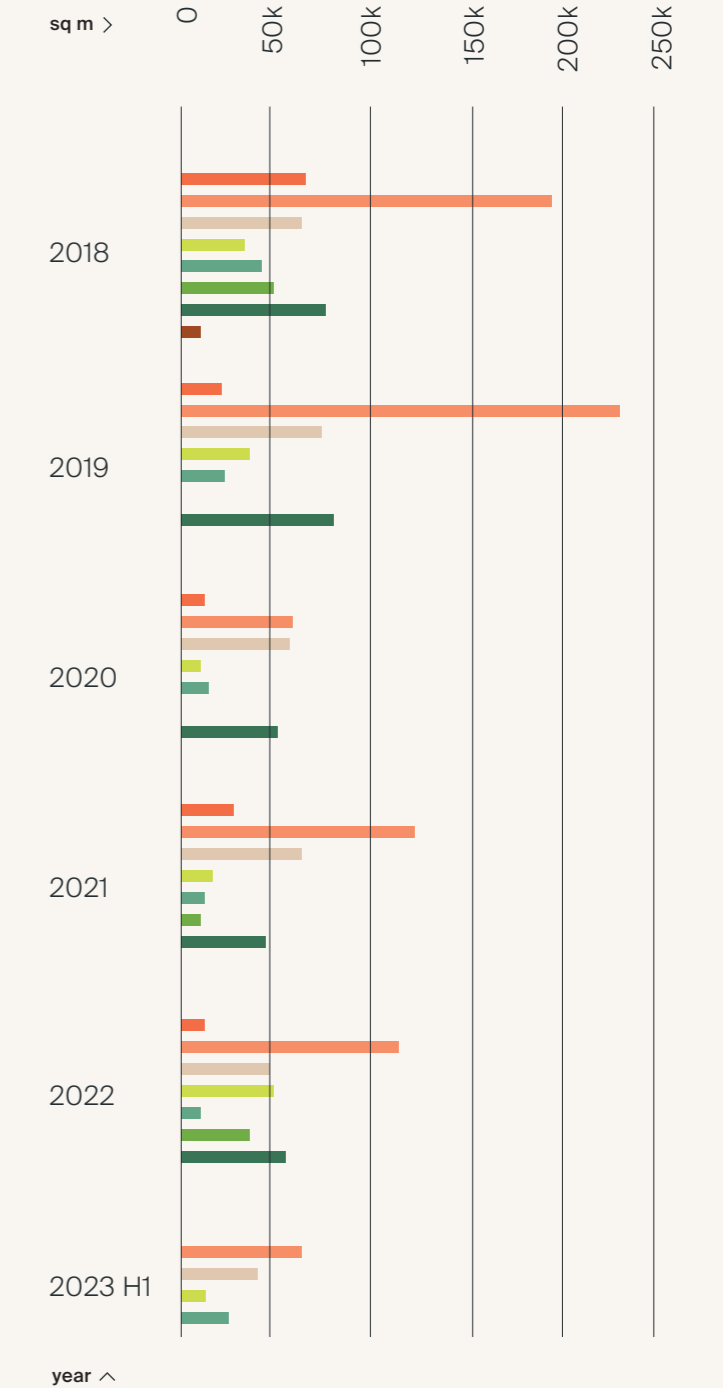
Average: 15.00-17.50 eur / sq m / mo  
Prime rent: 25.00 eur / sq m / mo

A slight increase was registered in the average headline rent prices in all submarkets resulting in a 15-17.5 eur / sq m / mo range. In contrast to this tendency the prime asking rents decreased by 11% compared to 2022.

**Demand by type of transaction**



**Demand by submarket**



**Key transactions**

SIZE (sq m)	SUBMARKET	BUILDING	TYPE OF TRANSACTION
8,110	Central Pest	Millennium Tower I	New lease
7,290	Central Pest	Rumbach Center	Renewal
7,020	Central Pest	Hungária Office Park VII	New lease
5,420	Váci Corridor	Promenade Gardens	Renewal
5,070	Váci Corridor	H2O Offices	New lease

**Vacancy - 12.6%**

Showing a 2.8 pps increase year-on-year and a 0.4 percentage point growth between the first two quarters of 2023, the office vacancy rate further increased to 12.6%. North Buda is no longer the submarket with the lowest vacancy rate, Central Buda submarket took its position, where 5% of office stock stood vacant. The submarket with the highest vacancy rate is still the Periphery, where 34.8% of offices was measured to be officially unoccupied, however a slight decrease was registered here. Given the uncertain economic circumstances, the expiry of leases with consolidated new demands, and new handovers from the pipeline, vacancy rate is anticipated to remain to be on the rise.

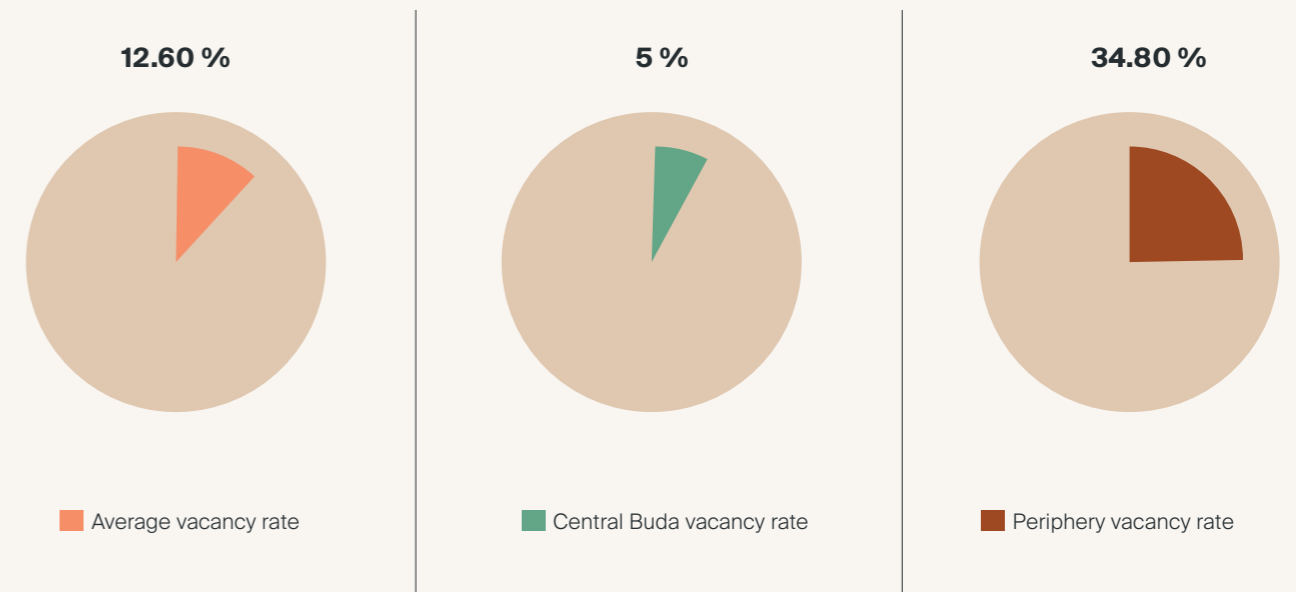
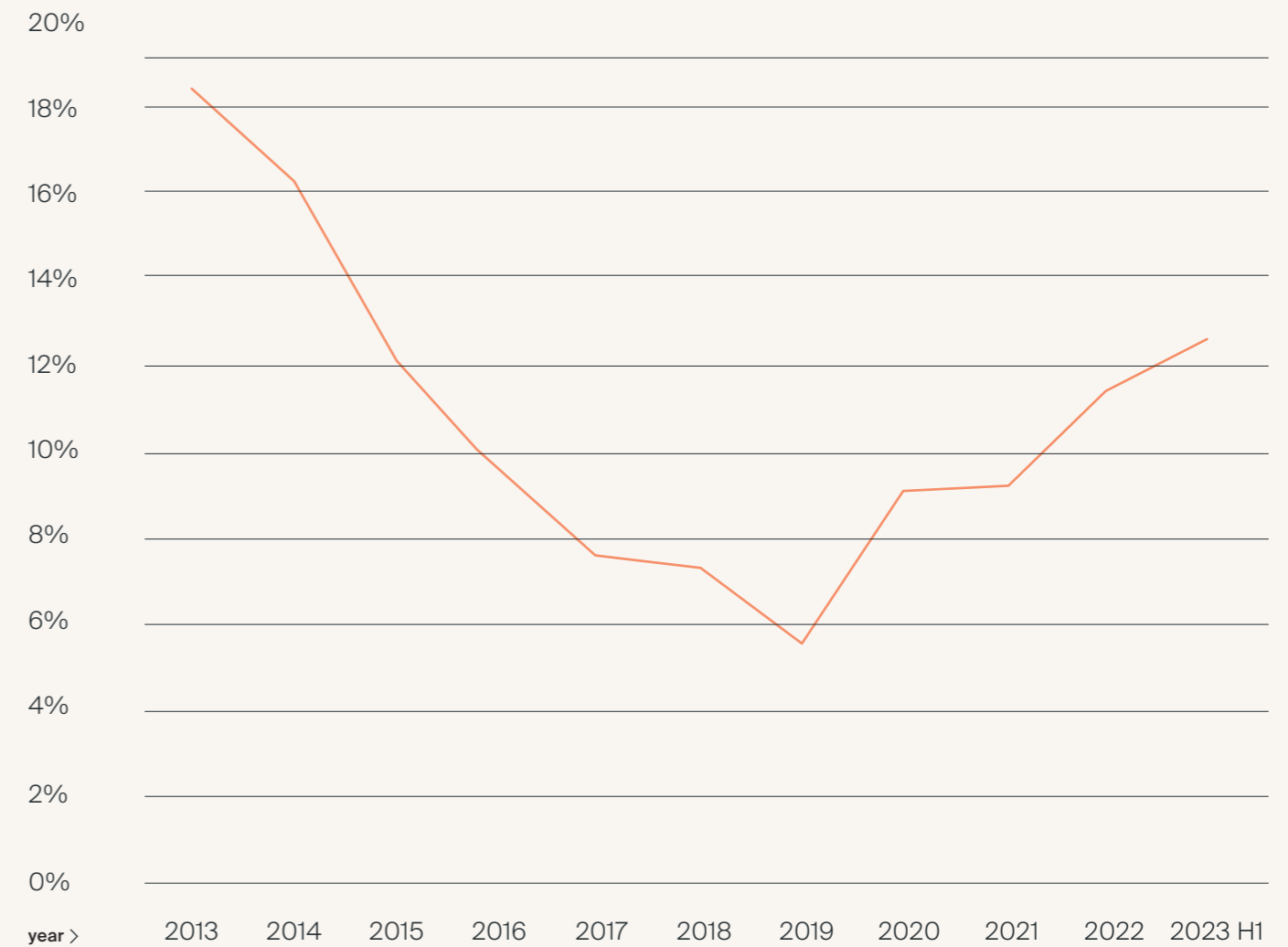
**Forecast**

*~105,000 sq m of new office space in the pipeline for 2023*

Current trends are expected to stay for the second half of 2023 together with the attraction of new, consciously built net-zero energy buildings and landlords upgrading their portfolio to deter their tenants from moving somewhere more sustainable. Service charges have become solid, less and less outliers are expected to remain on the market on short term. As a result, the market continues to be tenant favoured, good quality office premises with flexible contracts and attractive financial packages will keep determining the market sentiment. There is approximately 105,000 sq m new office completion in the pipeline until the end of the year, which means that new deliveries on the Budapest office market is expected to stay under the volume of 2022.

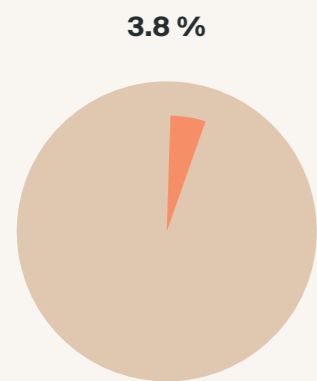


**Vacancy rate**

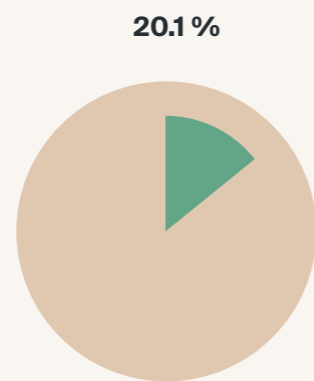


# Budapest Industrial and Logistics Market

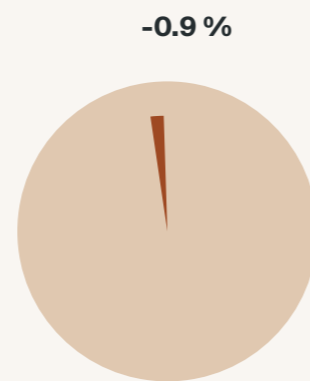
## Economic Indicators



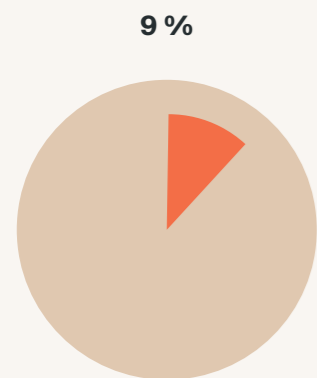
Unemployment rate



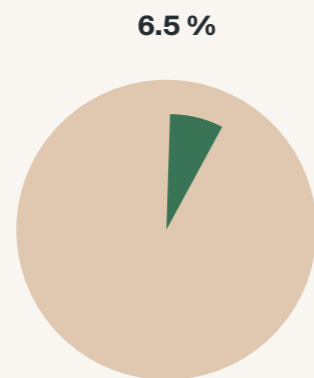
Inflation



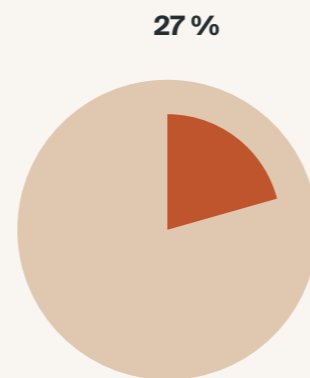
GDP Growth 2023



Corporate Tax in Hungary



Prime Yield



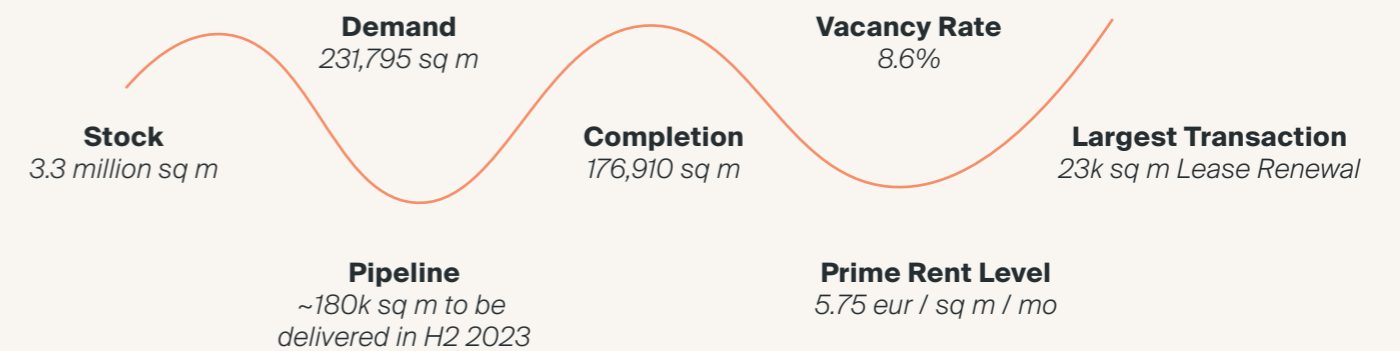
VAT

Source: ksh.hu, mnb.hu, statista.com

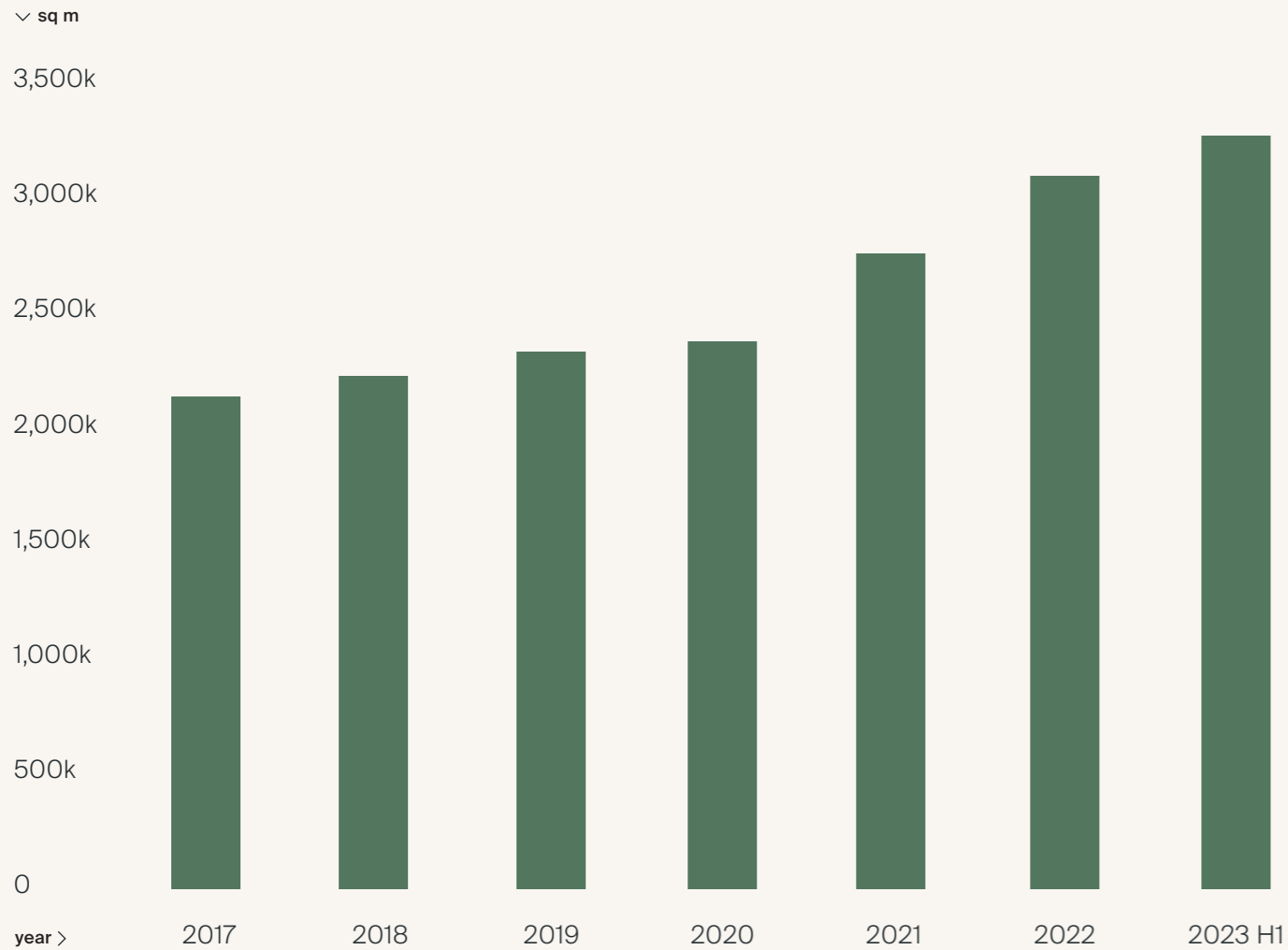
## Industrial areas around Budapest



- Hungary's industrial real estate market is Pest county centralised.
- Big box warehouses are mostly located on the South-West of Greater Budapest, roughly following the line of M0 highway, which circulates the south part of the city. (it connects M3 highway to M1-M7 highway).
- Production is more common for the countryside.
- The location of the Liszt Ferenc International Airport - also part of this ring - is dynamically developing as well as the areas close to M1-M7.



**Industrial stock evolution**

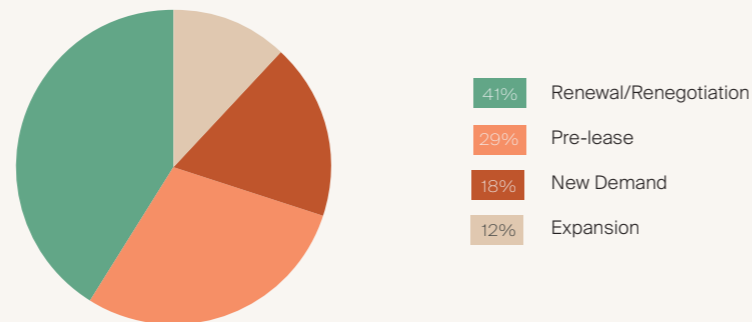


In the first half of 2023, 176,910 sq m new industrial space has been added to the Greater Budapest Area. In the first quarter of the year, five new buildings were delivered, amounting to 111,330 sq m. In the second quarter, the industrial stock increased by 65,580 sq m in the form of six new buildings.

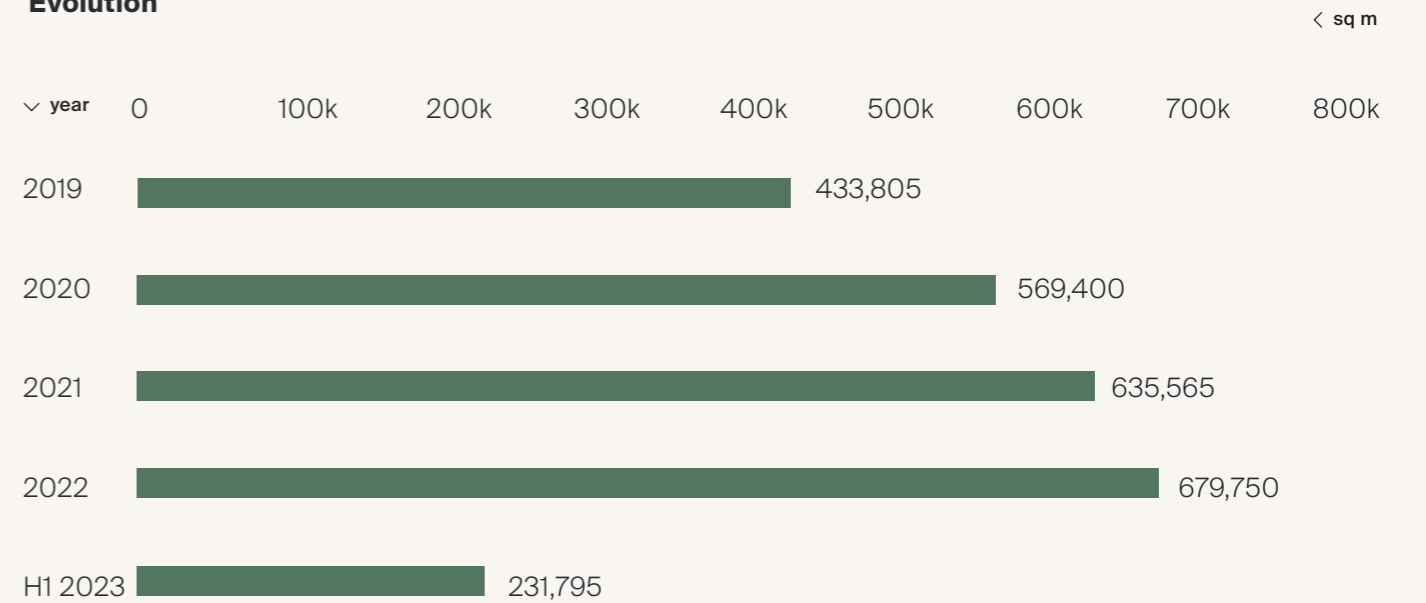
**Take-up**  
by type of transactions

A total of 46 leasing transactions have been recorded in H1 2023, out of which 6 were signed for more than 10,000 sq m.

The Total Demand in H1 2023 reached a level of 231,795 sq m, which means a slight 3% decrease compared to the same period in 2022.



**Evolution**



**Top Industrial Leasing Transactions**

TENANT	PROJECT/CITY	DEVELOPER	TYPE OF DEAL	LEASED AREA (sq m)
Confidential	Kecskemét	VPG Park Kecskemét	Pre-lease	32,000
Confidential	Győr	VPG Park Győr Beta	Pre-lease	25,000
Confidential	Gyál	Prologis Park	Renewal	23,000

**Top Industrial Completions**

MAJOR TENANT	LOCATION	DEVELOPER	SIZE (sq m)
Confidential	Maglód	HelloParks Maglód	46,275
Confidential	Ecser	CTPark Ecser (ECS1)	42,500
Confidential	Fót	HelloParks Fót	25,952

# #03

# BULGARIA

## Sofia

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H1 2023

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*Office Market*  
*Industrial Market*

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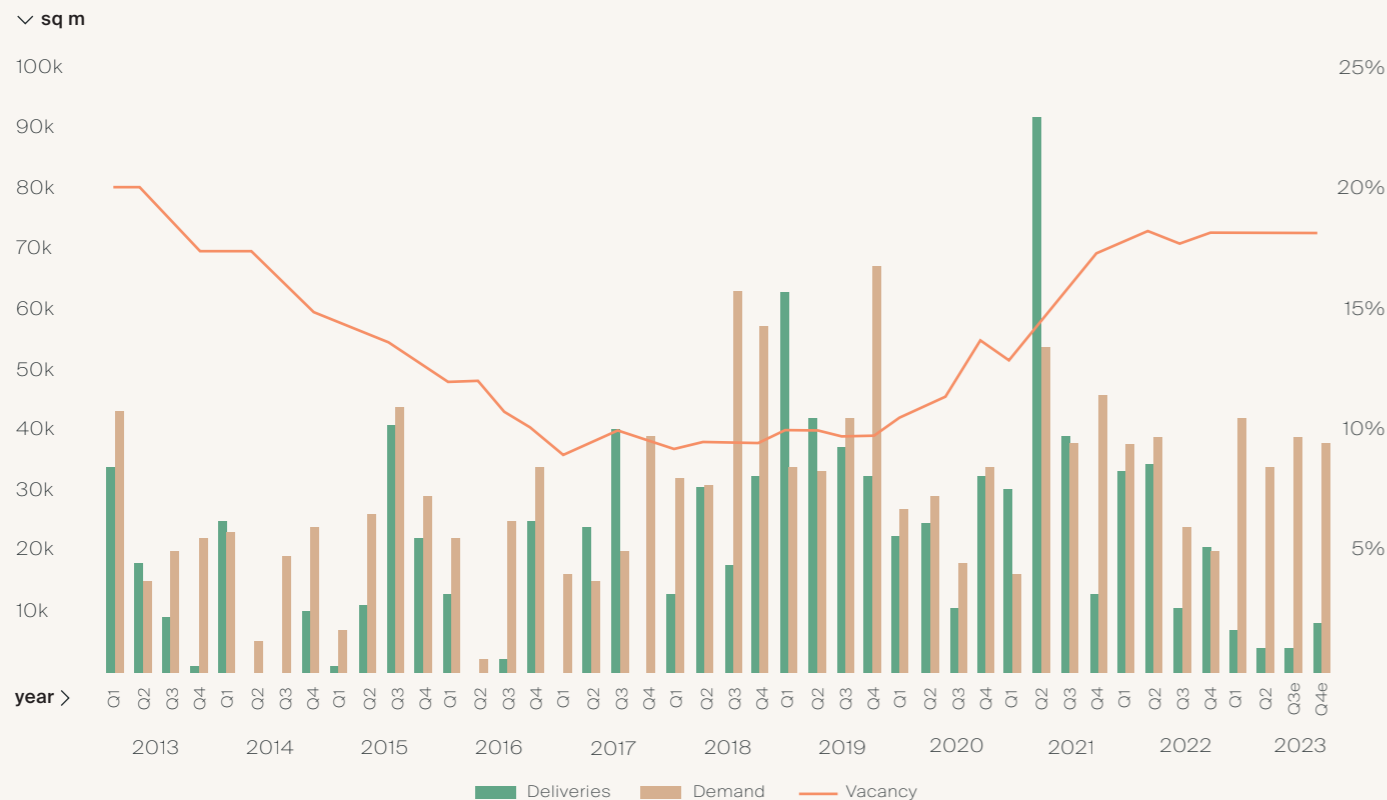
# Sofia Office Market

## Supply

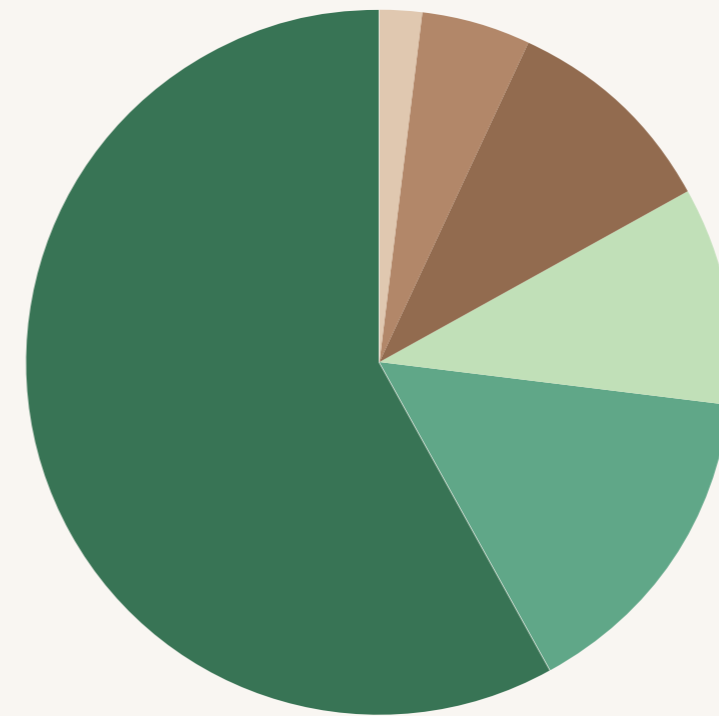
For the first half of 2023 new office deliveries amounted to just over 10,000 sq m. As a result, the total speculative stock in Sofia remains almost unchanged at approx. 2,408,000 sq m.

Higher funding costs due to interest rate hikes and an increase in prices of building materials are leading to a slowdown in investment in the office segment. In addition, with remote work policies remaining a strong trend, many occupiers continue to optimize their office space when renewing their contracts, leading to investors assuming a wait-and-see approach. Current projects are being completed while new projects are being put on hold. The city's construction pipeline is currently below 200,000 sq m.

## Net absorption and New Deliveries (sq m)



## Office Demand by Sector



## Stock - 2.4 mln sq m

Leader in office stock remains the Suburban market with around 68% of the total office stock or around 1,6 mln sq m, followed by the Broad Center with about 21%, or around 500k sq m, and 12%, or 285k sq m, in CBD.



## Demand

The leasing market in Sofia slowed down in the first half of 2023, with transactions amounting to around 76,000 sq m, a 10.5% decrease on a y-o-y basis. Especially the second quarter saw a significant decline in leasing activity compared to the first one, with only 34,000 sq m of office space being transacted in Q2 2023.

Unsurprisingly, locations with the newest buildings are attracting the highest demand. Modern workplace solutions, safe and sustainable work environments in line with the latest ESG standards and an abundance of amenities continue to have substantial effect on tenants' choices. As a result, relocations to newly constructed buildings were one of the main drivers of office transactions in the first half of this year.

Demand was mainly driven by companies from the IT and communications industry,

responsible for around 58% of the transactions. The leasing market was dominated by relocations and renewals of existing contracts, with expansions and new entries accounting for just a small share of the registered transactions.

Since hybrid work remains a strong trend, many occupiers continue to optimize their office spaces when renewing their contracts, resulting in renting less conventional office space. Additionally, the rise of co-working and flex office structures affected new leases and expansions. An increasing number of office projects incorporate co-working spaces in their mix, in an attempt to attract growing businesses and to offer more flexible solutions to existing tenants. The supply of co-working space in Sofia reached approximately 60,000 sq m, with another 10,000 sq m in the pipeline.



## Prime headline rent 16 eur / sq m / mo

Average asking rental levels remained stable in H1 2023: for class A offices with a high occupancy, we observed 16 eur / sq m in the Central Business District (CBD), 13.75 eur / sq m in the broad centre and 13 eur / sq m - for suburban areas.

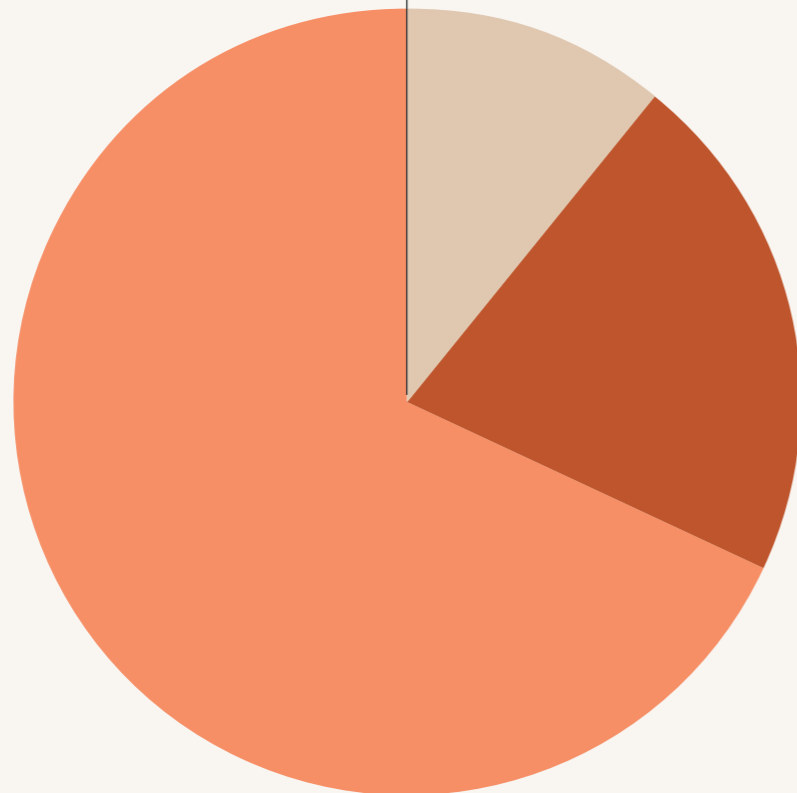
For class B offices asking rents remained almost unchanged in the range 9.00 - 12.50 eur / sq m in CBD and gradually decrease, reaching 6.00 - 11.00 eur / sq m in the more peripheral areas.

Increasing operating costs put landlords under pressure, leading to an increase of service charges, with prime rates in Sofia in the range 2.5 - 4 eur / sq m.

While the most premium locations still retain higher rent levels, the gap between newly delivered buildings and class B office is increasing.

### Total Stock by Submarkets

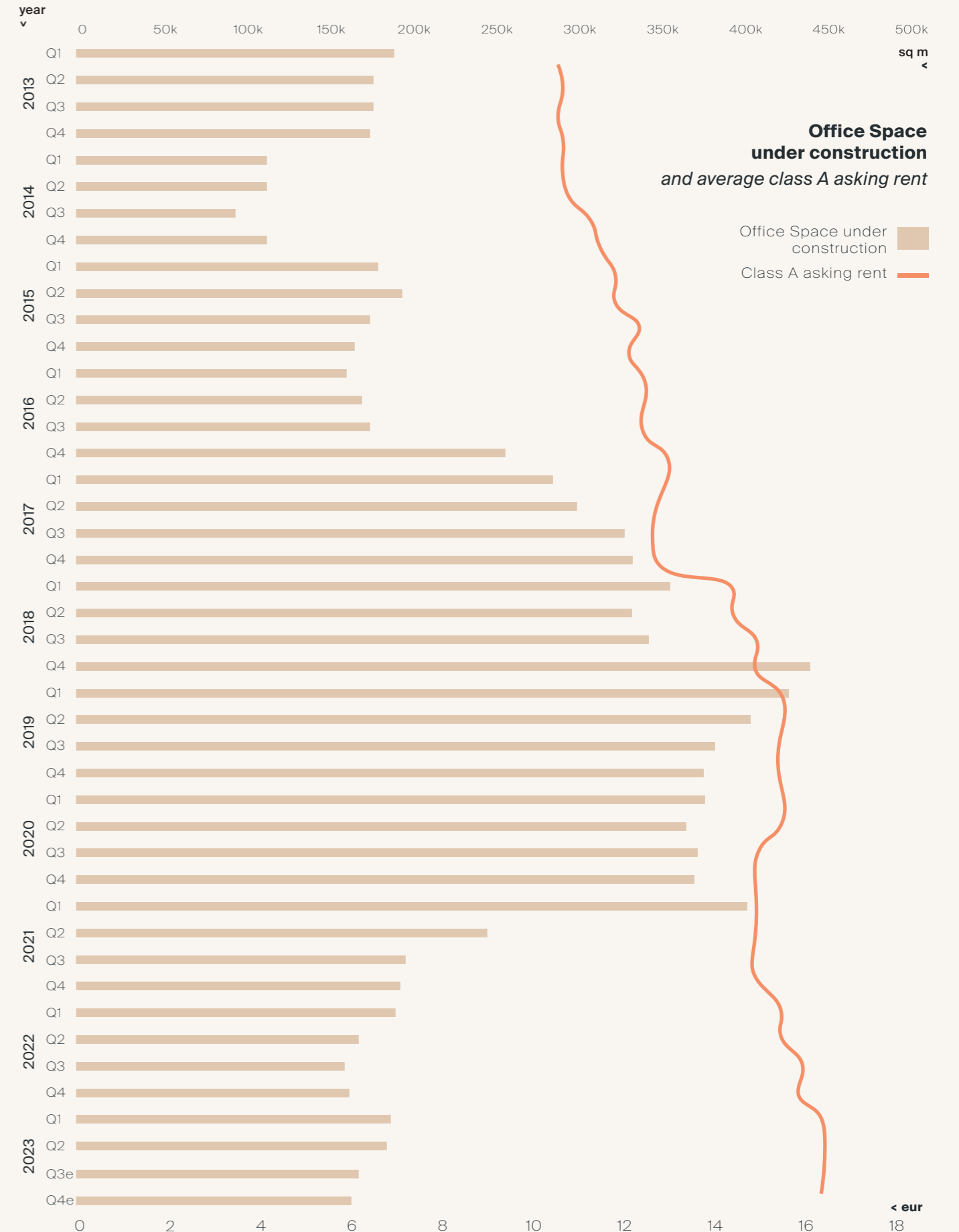
- 68% Suburban
- 21% Broad Center
- 11% CBD



## Vacancy 18.3% or 440,000 sq m

The vacancy rate towards the end of the second quarter of 2023 reached approx. 18% of the total stock. This figure is equivalent to a total of 440,000 sq m available for immediate occupation. Most of the other available office spaces remains in class B projects.

The existing oversupply of office stock as well as companies aiming to optimize their office space were the main causes for this vacancy level. For the rest of 2023 we don't expect availability to increase considerably, given the slow pace of office completions as well as the gradual return of major occupiers to standard office use.

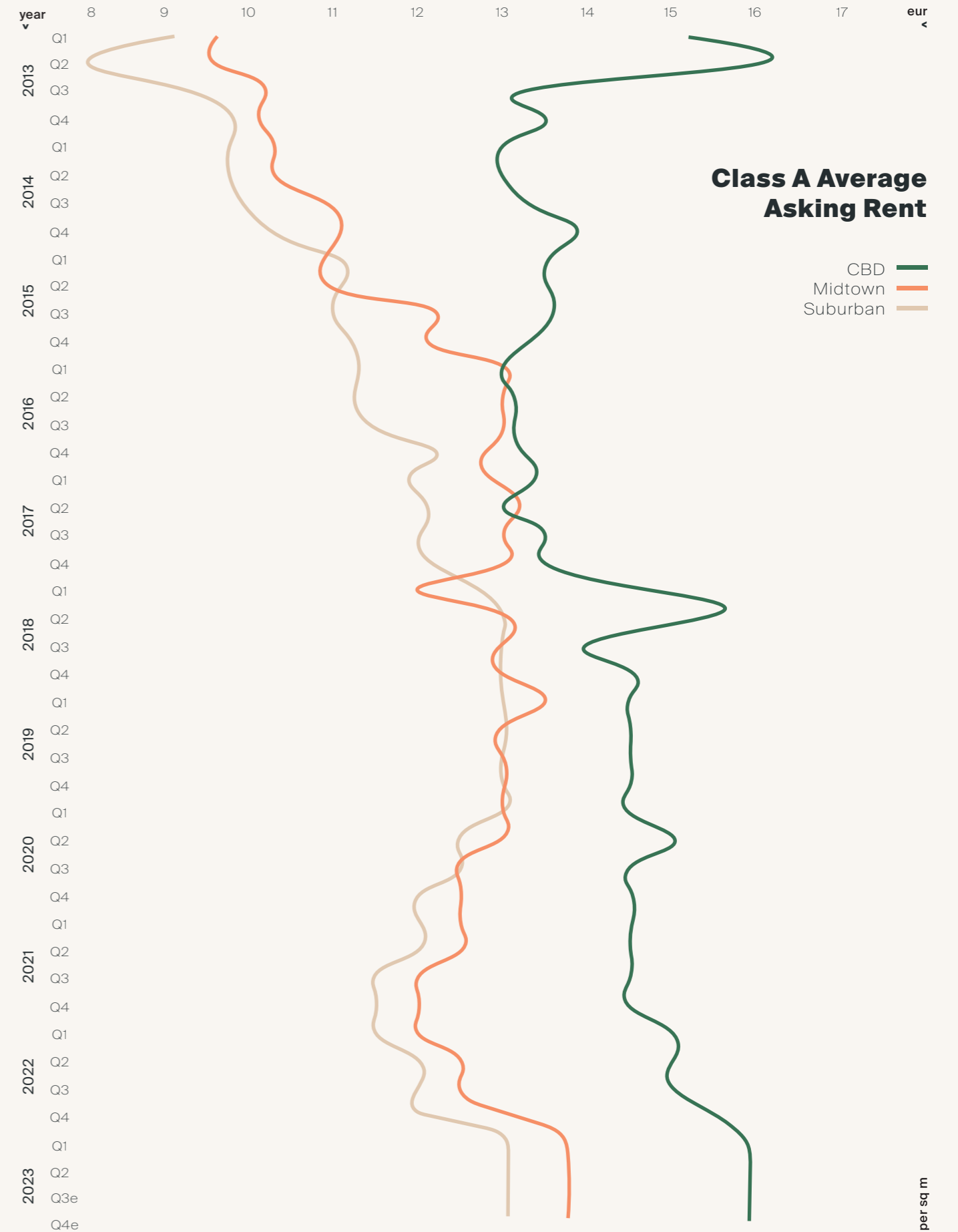


## Forecast

The hybrid work model established itself among occupiers, resulting in less space being rented and existing or unused space being subleased. An increasing number of companies are looking for flexible or co-working office space, providing their business with quick and convenient expansion solutions. As of the first half of 2023 the overall supply in this segment in Sofia is approximately 60,000 sq m, operated by as many as 40 companies, offering a total of approximately 6,000 flexible workspaces.

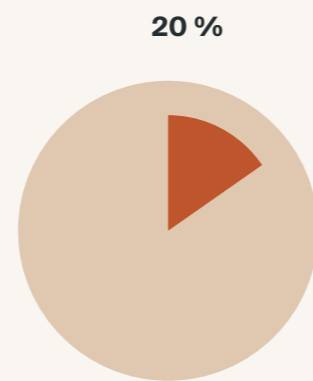
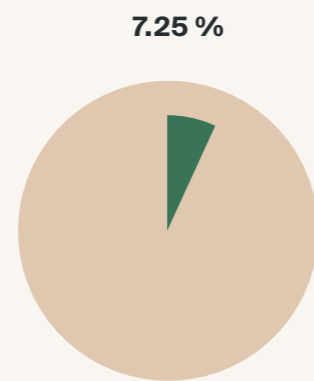
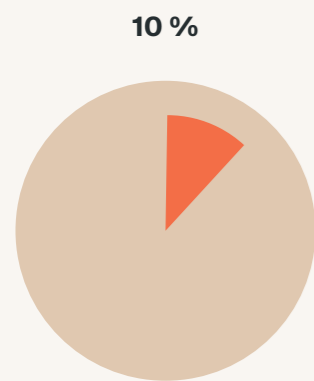
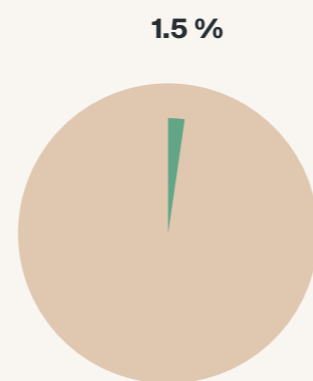
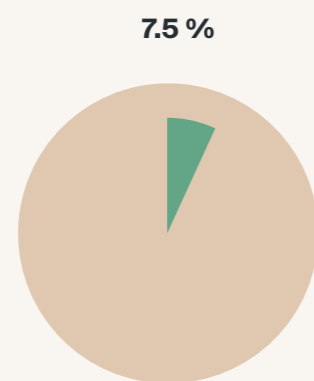
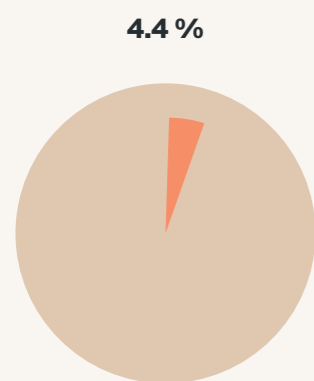
High inflation and interest rates have brought significant challenges for the real estate industry from an investment standpoint. Firstly, inflation erodes the purchasing power of investors, reducing the overall return on investment. As prices of goods and services rise, the value of rental income and property appreciation decline, impacting the profitability of real estate investment, and thus negatively impacting office developments.

As such, vacancies are expected to decline for high-quality and well-located properties, leading to increased competition between prospective tenants in these preferred parts of the city. As a result of the reduced availability of high-quality space alongside a significant increase in the construction and management costs of the facilities, we expect an increase in rents for high-quality projects in the medium-long term, indicating a shift towards the landlord's market for class A office space. Vacancy could however become more structural for class B offices and offices located in secondary submarkets, creating a downward pressure for rents for this segment.



# Sofia Industrial and Logistics Market

## Economic Indicators



Source: nsi.bg, worldbank.org, statista.com

## Industrial areas around Sofia



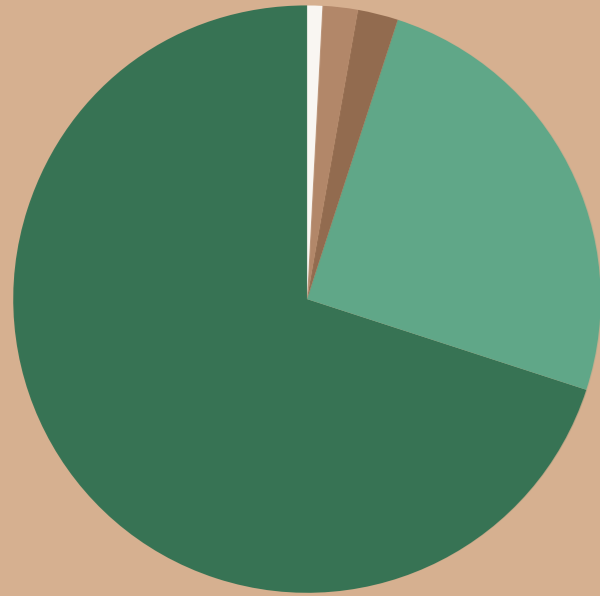
- Bulgaria's industrial real estate market is concentrated around the capital Sofia and its outskirts.
- Demand for logistics space is expected to remain concentrated along Sofia ring road and in the newly developed industrial zones in Elin Pelin area (Ravno Pole village) and Bozhurishte.
- There is huge potential for further development due to "nearshoring" tendencies - transferring of business operations from abroad to a nearby country in Europe. Companies are looking to stockpile production materials to shield themselves from unexpected price hikes. In the context of this trend, the country's geostrategic position and favorable tax rates, have a chance to attract more investment in this segment.

Main industrial zones (existing and developing)

Sofia International Airport



**Take-up**  
by type of industry



FMCG & e-Commerce	70%
Logistics Operators	25%
Professional Services	2%
Pharmaceutical	2%
Manufacturing	1%

A total take-up of approx. 140,000 sq m has been recorded for the first half of 2023, a significant increase in demand compared to the previous year's value.

Industrial and logistics space under construction in Sofia and its nearby outskirts currently stands at 300,000 sq m.

Demand was mainly driven FMCG and e-commerce companies (70%), followed by logistics operators (25%), professional services companies (2%), pharmaceuticals (2%) and manufacturing (1%)



# #04

# GREECE

## Athens

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H1 2023

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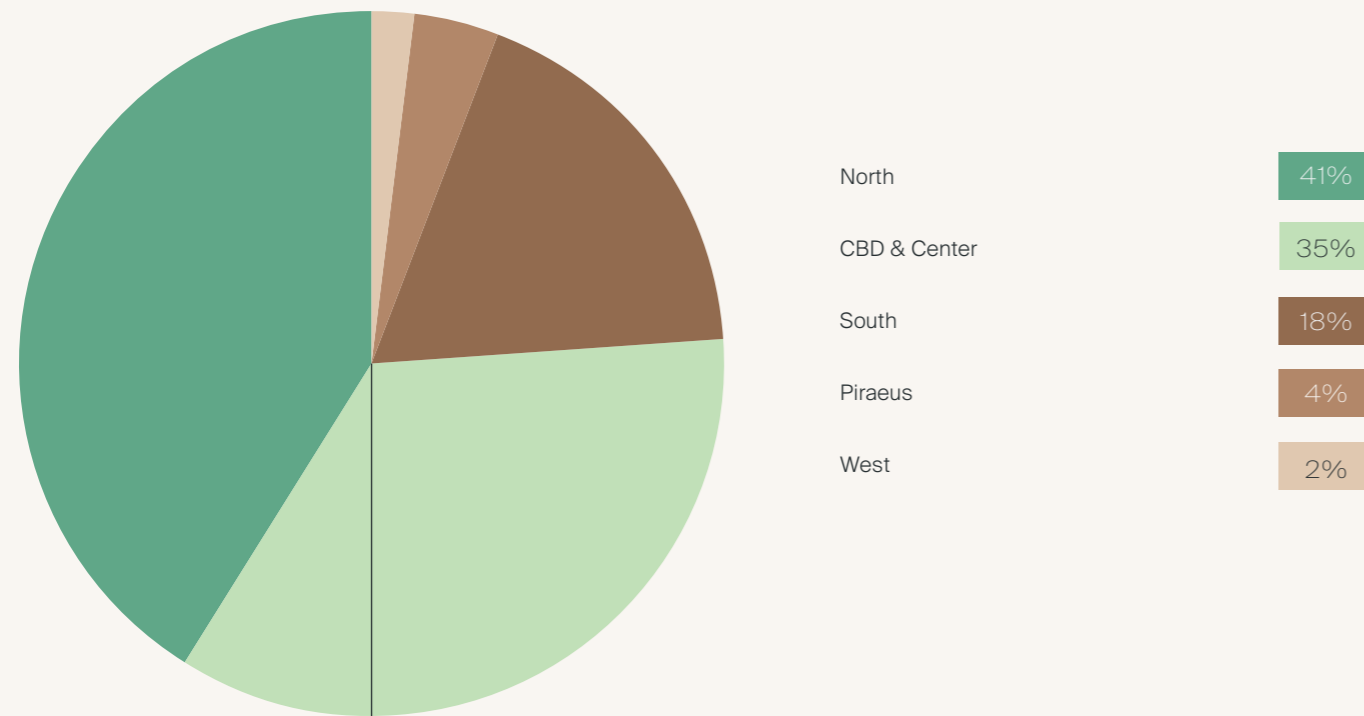
*Office Market*  
*Industrial Market*

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# Athens Office Market

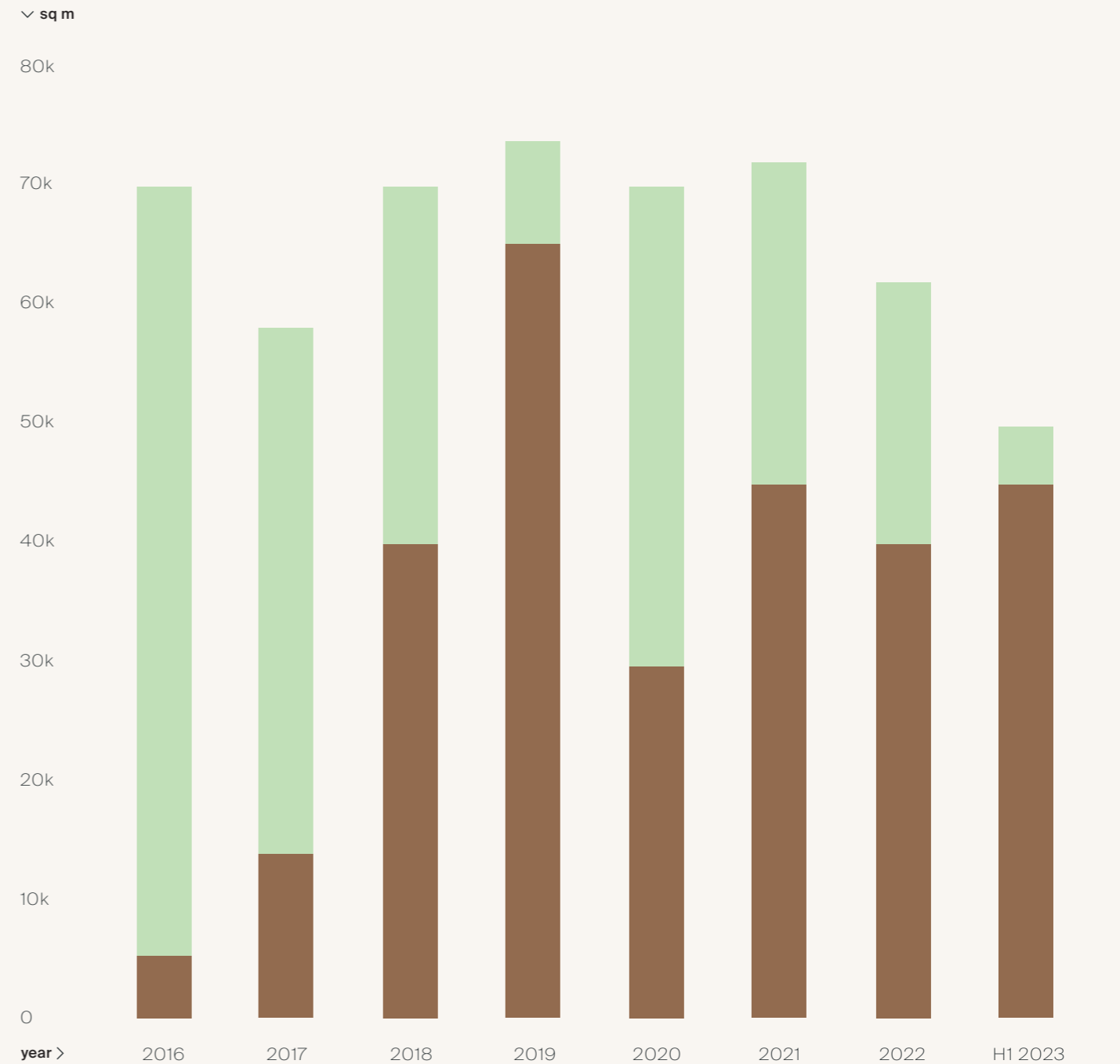
Stock by Submarket



## Stock - 2.75 million sq m

The office market in Athens appears to be sustaining positive growth witnessing an ongoing interest from investors for newly constructed office spaces. Approximately 45,000 sq m of new office space were added to the stock, increasing the total inventory to around 2.75 million sq m. The North submarket retains the highest stock, closely trailed by CBD. The Class A stock remains limited, while there is a surplus of older, Class B properties.

Take up vs Supply



## Demand

According to the recent transactions, the occupiers have a strong desire for Class A offices. Occupiers, especially large corporations, have a great demand for Class A office buildings with ESG and wellness features that the market cannot fully satisfy at the moment. On the contrary, the demand for Class B offices is low and continuously decreasing and only

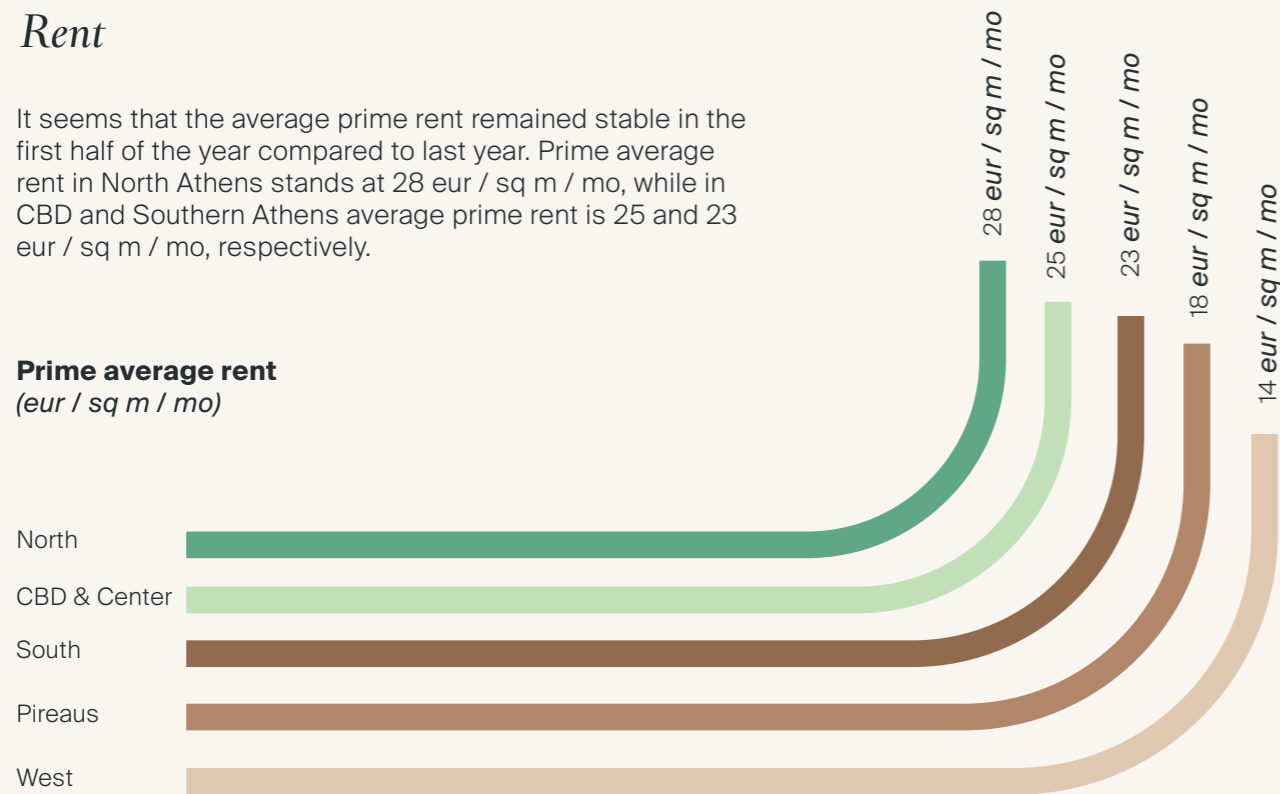
older, strategically located properties still manage to attract tenants and absorb the excess Class A demand. During the first half of 2023, there was a net demand of 50,000\* sq m for new office space, with North Athens remaining the most sought-after area, particularly for buildings along Kifissias Avenue.

\*This figure does not include renewals and renegotiations.

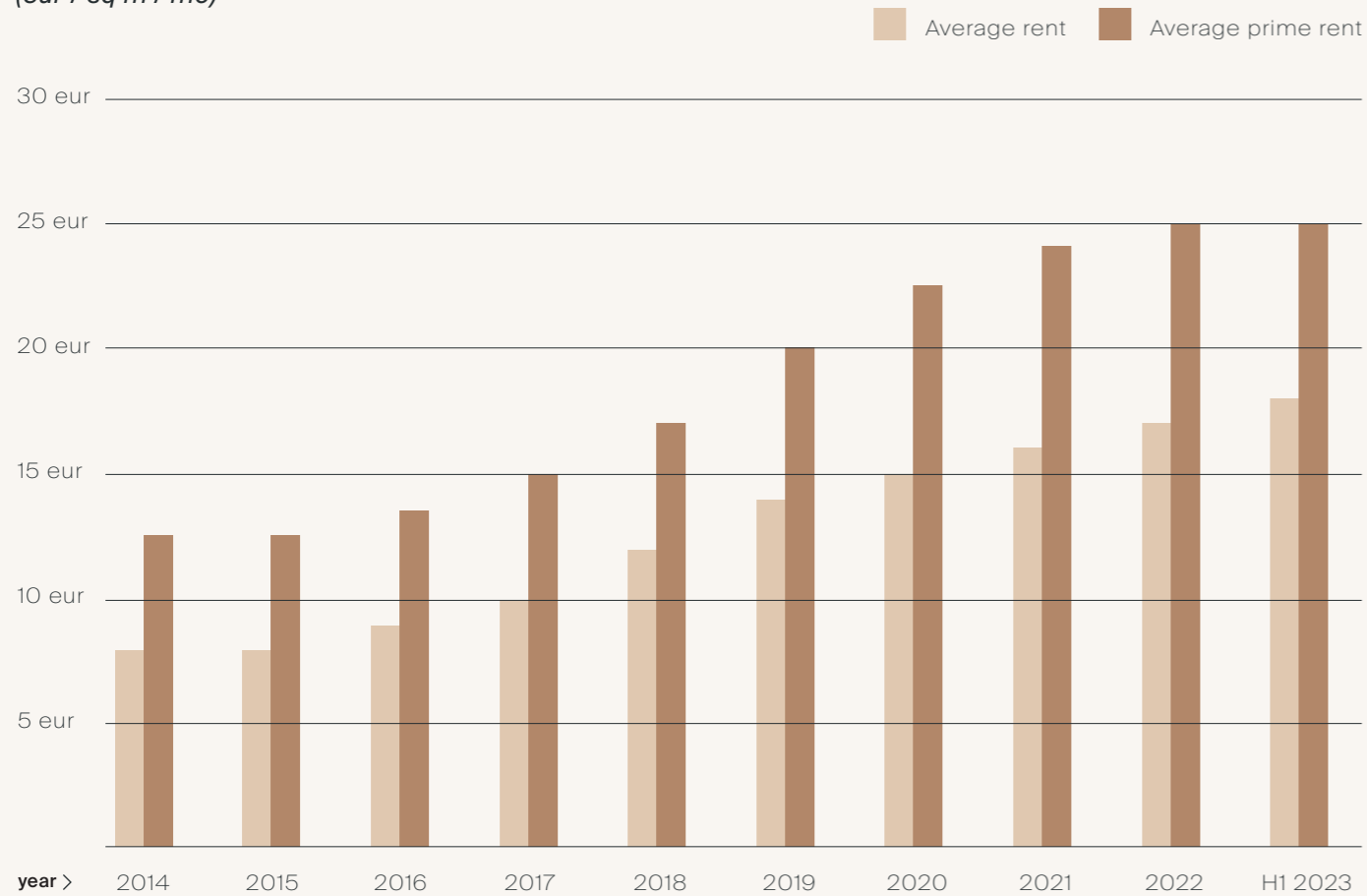
## Rent

It seems that the average prime rent remained stable in the first half of the year compared to last year. Prime average rent in North Athens stands at 28 eur / sq m / mo, while in CBD and Southern Athens average prime rent is 25 and 23 eur / sq m / mo, respectively.

**Prime average rent**  
(eur / sq m / mo)



**Average rent vs. Average prime rent**  
(eur / sq m / mo)



After the last long economic crisis in Greece, during which the real estate sector remained quite stagnant, big and bold moves have been made in recent years to keep up with today's needs. The built environment, the facilities and the amenities that a city has to offer affect people's life. The main real estate players have started shaping and bettering the market through the delivery of new real estate projects, the renovation of existing properties, the implementation of ESG standards and technological features to their assets. The first steps in this process were taken by local REICs and developers that grasped the absolute necessity for the market's growth in that regards. The increasing demand from tenants and the continuously growing interest from foreign investors have vindicated their decision. Greek REICs during the last 5 years have more than doubled the appraised value of real estate assets and revenues.

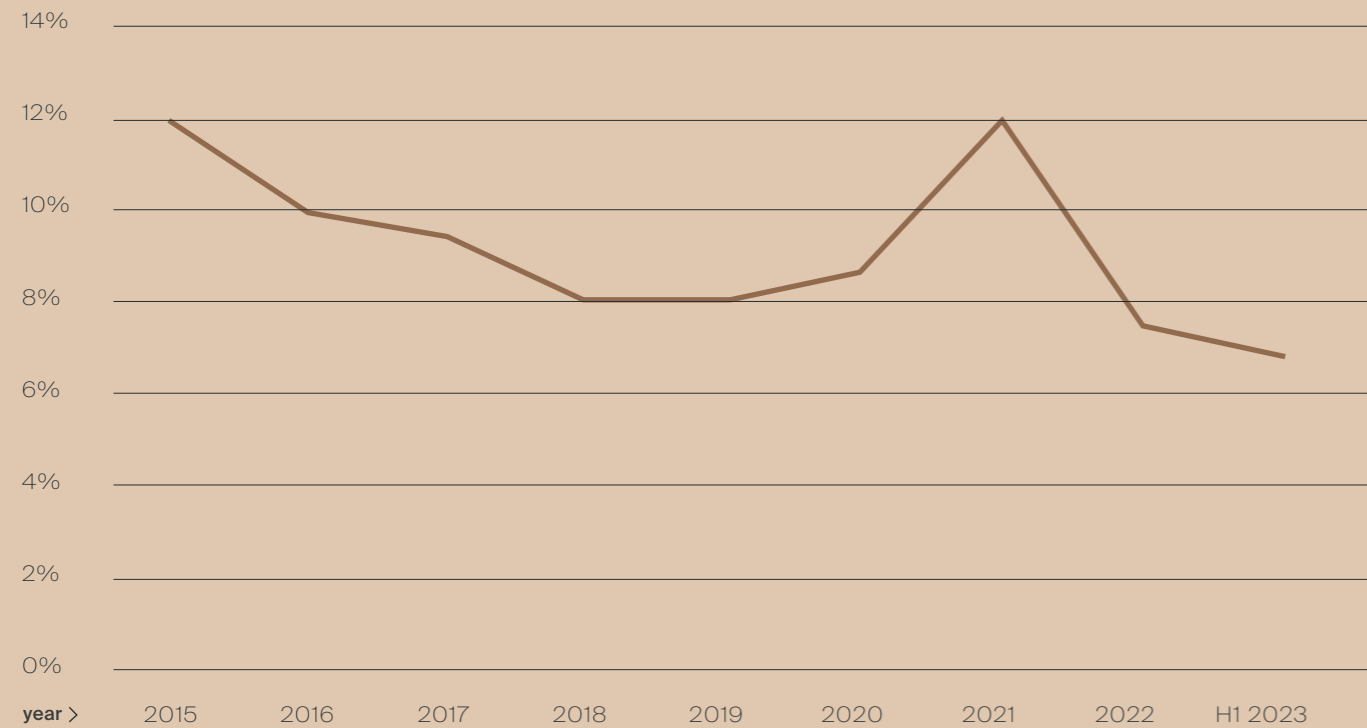
## Main real estate players

REICs	Developers	Real Estate Funds
Trastor	Lamda Development	Brook Lane Capital
Prodea	Dimand	Dolphin Capital Investors
Noval Property	REDS	Dromeus Capital
Premia	Temes	Henderson Park / Hines
Briq Properties	Ten Brinke	HIG Capital
Ble Kedros	Green Properties	HIP
Orilina Properties	Zoia	Grivalia Hospitality
ICI	-	Goldman Sachs Asset Management
Trade Estates	-	-



## Vacancy

The overall vacancy rate recorded a decrease from 7.5% in 2022 to 6.8% in H1 2023. The decrease in the vacancy rate reflects the desire and willingness of the occupiers to return back to the office



## Pipeline

Local REICs are investing in refurbishing Class B offices to bring them up to Class A standards with estimated completion by the end of 2024, focusing mostly in the North Athens submarket. Among others, examples of the aforementioned are: Noval Property that acquired a 6,600 sq m building on Kifissias Avenue with the aim of transforming it into a green office building, expected to be completed in Q1 2024, Brooklane Capital, with the building on Kifissias Avenue previously occupied by PwC, has refurbishment plans that include turning it into a green, sustainable building with reduced carbon footprint and energy consumption, targeting LEED Gold certificate, with estimated delivery by the end of 2023 etc.

## Forecast

The Athens office market is in the process of evolving, determining its pace, identifying its most preferred assets and still has a way to go to reach a level of maturity comparable to other markets across the continent. As ESG standards continue to grow in importance for companies seeking to appeal to investors, customers, and stakeholders, there is an anticipated surge in demand for sustainable office spaces in the near future, a trend observed in recent years. The need for technology, innovation, sustainability and transparency constitute the main factors that will shape and change the local market and will continue to be the focal points for developers and investors. The strong Class A demand has dictated the absolute need for modernization of the Class B and C overstock that needs to be transformed and meet the contemporary needs in a sustainable way.





# Athens Industrial and Logistics Market

**Average rent**  
Class A+B per Sub-market



## Attica Overview

Greece's strategic location in the southern sector of the European transport zone positions it as a pivotal gateway to the continent. Additionally, it is positioned along the global maritime transport corridor connecting Asia and Europe.

Given this advantageous geographical placement, Greece emerges as an enticing destination for investments in the supply and transport industries, capitalizing on the escalating trade volumes.

### Attica West

4.0-5.0 eur / sq m / mo

- Mandra
- Magoula
- Elefsina
- Aspropyrgos

### Viotia

2.0-3.5 eur / sq m / mo

- Schimatari
- Oinofita
- Avlona

### Attica North

3.5-5.0 eur / sq m / mo

- Krioneri
- Agios Stefanos
- Kato Kifisia
- Likovrisi
- Metamorfosi

### Piraeus

3.0-4.0 eur / sq m / mo

- Piraeus port
- Perama
- Drapetsona
- Aghios Ioannis Rentis

### Attica East

3.0-4.5 eur / sq m / mo

- Peania
- Spata
- Koropi
- Markopoulo

**Stock**  
~8 million sq m

**Demand**  
~ 300,000 sq m

**Prime Yield**  
7%

**Vacancy Rate**  
5%

**Pipeline**  
~95,000 sq m

**Average Rent Level**  
Prime - 5 eur  
Secondary - 3 eur

## Total Stock

According to recent research, the total stock of warehouse/ logistics in greater Attica is more than 8 mil sq m. The submarket with the highest stock is West Attica, especially the Aspropyrgos area, closely trailed by the North and East Attica submarkets, which are located in the entrance points to the city center.

## Rent

Due to the increased demand for logistics services and the demand for efficient storage spaces, there is also high interest from investors, mainly from the local REICs. The average prime rent depends on the submarket:

- West Attica: 4.0-5.0 eur / sq m
- North Attica: 3.5-5.0 eur / sq m
- East Attica: 3.0-4.5 eur / sq m
- Piraeus: 3.0-4.0 eur / sq m
- Viotia: 2.0-3.5 eur / sq m

## Pipeline

The constant demand for modern and efficient storage spaces and the fact that the existing warehouses are old, small-scaled and outdated, seems to attract the local REICs to invest more and more in new logistics developments and expand their industrial portfolio. More than half of the new warehouses that will be completed in the next years have already been pre-leased.



## Top Transactions 2022

BUYER	SUBMARKET	TYPE OF DEAL	AREA (sq m)	PRICE
Confidential	Various	Acquisition of logistics center	~110,000	74 mn
Confidential	East Attica	Acquisition of logistics center	12,400	5.8 mn
Confidential	Piraeus	Acquisition of logistics center	~10,000	5.7 mn
Confidential	West Attica	Acquisition of logistics center	13,000	4.35 mn
Trastor REIC	West Attica	Acquisition of logistics center	17,700	12.95 mn

## Major Pipeline Projects

SUBMARKET	LAND PLOT (sq m)	WAREHOUSE TO BE DEVELOPED (sq m)
West Attica	280,000	100,000
West Attica	103,000	60,000
West Attica	78,700	31,300
West Attica	110,000	~40,000
West Attica	62,000	55,000

# #05

## SERBIA

### Belgrade

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H1 2023

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*Office Market*  
*Industrial Market*

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# Belgrade Office Market

## General Market Overview

The Belgrade office market has witnessed a complex interplay of factors, including geopolitical challenges and economic uncertainties in the first half of the year. Despite these challenges, long-term predictions for the market are remarkably positive, with notable developments across various aspects such as demand, supply, and rental rates.

Demand for office space has remained robust, supported by factors such as company relocations and a stable IT sector. It is essential to delve into how geopolitical factors and economic instability have specifically influenced this demand. Additionally, exploring the growth drivers behind the IT sector and assessing the impact of new entrants into the market can provide a comprehensive understanding of demand dynamics.

Construction activity has mirrored this strong demand, with approximately 70,000 sq m of office space delivered in the first half of 2023. Several ongoing projects scheduled for completion by 2024 indicate a continuous trend of expansion in the market.

In terms of location preferences, the city center has gained popularity as a prime choice for office space, with significant projects underway. However, New Belgrade (CBD) remains the preferred destination for office occupiers, boasting the largest inventory of class A office buildings. Looking ahead, the market anticipates further

revitalization with approximately 130,000 sq m of office space currently under development in Belgrade. These projects are poised to invigorate the market, potentially increasing the total office stock to over 1.2 million sq m.

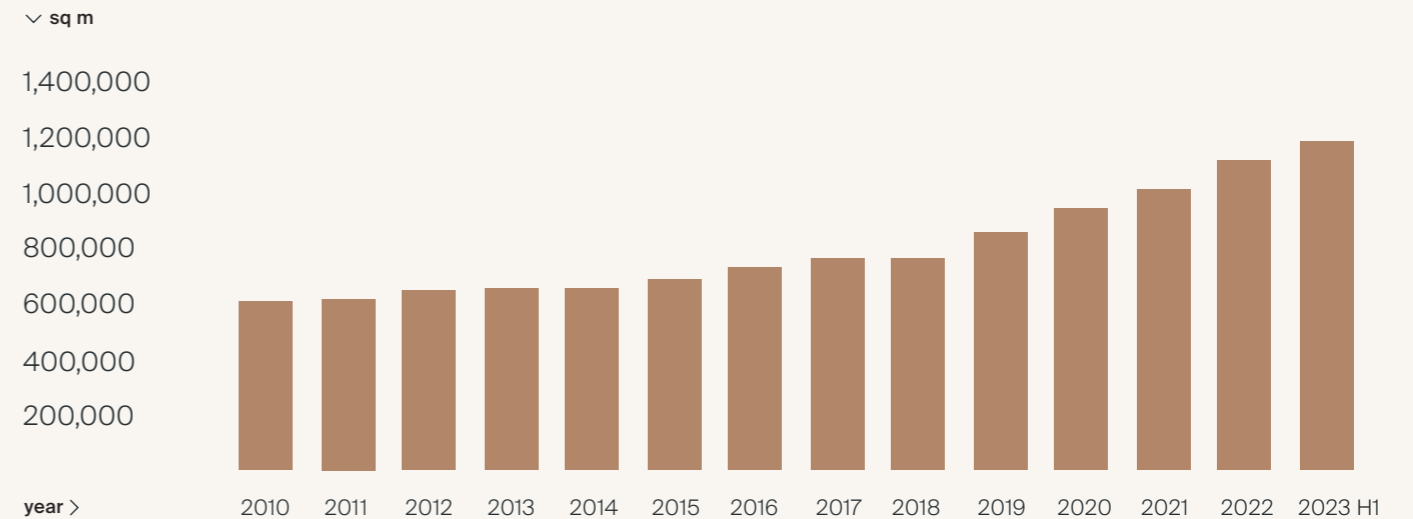
### Demand and Construction Activity:

Despite the challenges posed by external factors, the demand for office space in Belgrade has remained robust. This consistent demand has been met with a corresponding increase in construction activity. In the first half of 2023 alone, approximately 70,000 sq m of office space were delivered, with several additional projects in progress and scheduled for completion by 2024. This surge in construction activity reflects the confidence in the market's future prospects.

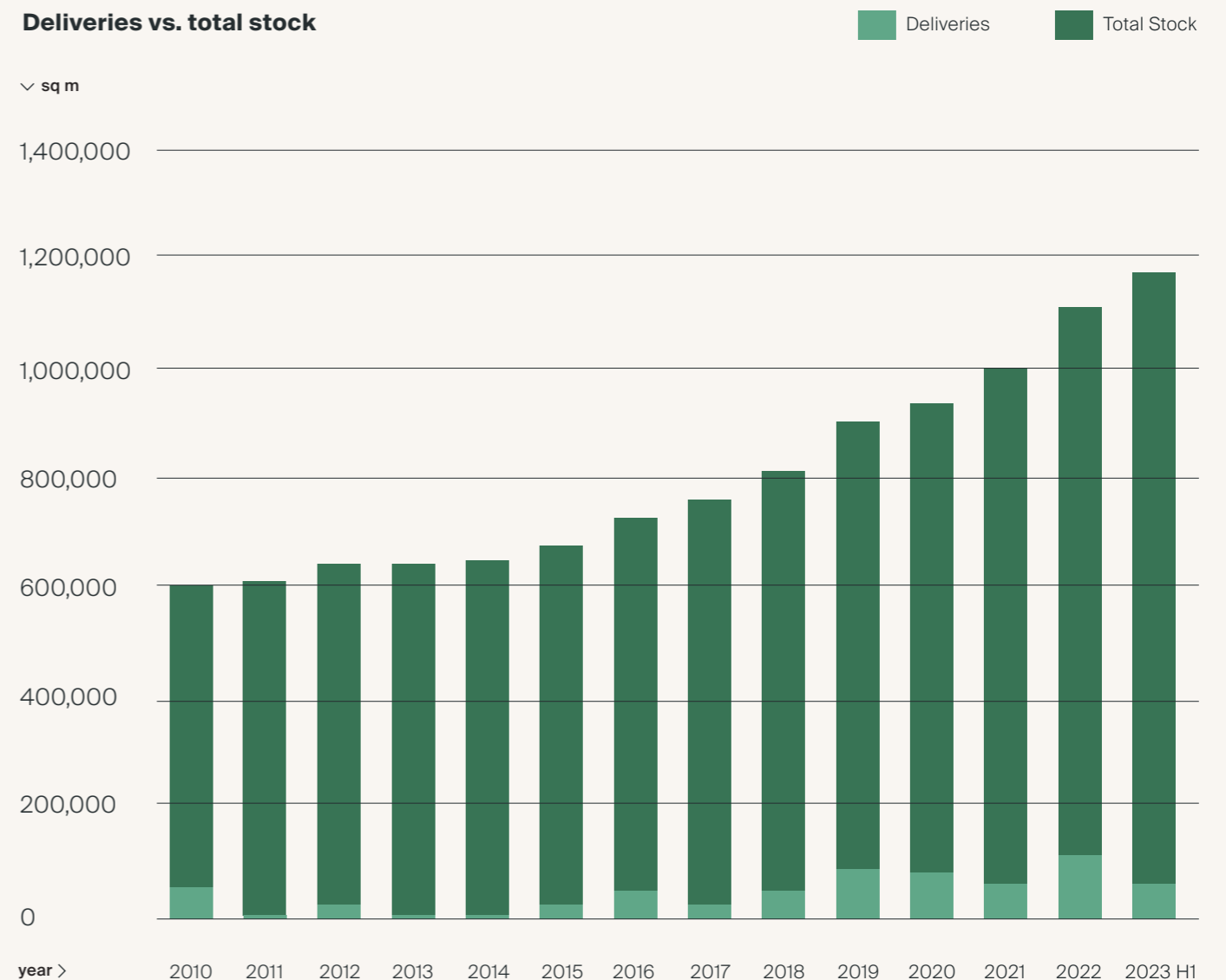
### Stock - 1,185,900 sq m

The combined class A and B office stock in Belgrade experienced a notable increase of approximately 7% during the first half of 2023 compared to the previous year. As a result, the total office stock in the city now stands at an impressive 1,185,900 sq m. This growth underscores the resilience and adaptability of the Belgrade office market, positioning it for further expansion in the coming years.

**Modern office stock**  
Annual evolution



**Deliveries vs. total stock**



## Supply

During the first half of the year, the Belgrade office market witnessed the introduction of four new projects, contributing a cumulative area of 67,900 sq m to the city's overall office stock. These projects include a newly constructed building within Airport City, encompassing 17,000 sq m; an office building situated within the K District residential development, spanning 9,000 sq m; the TB 65 building in New Belgrade, developed by Exing Group, with a total area exceeding 14,000 sq m; and the initial phase of the AFI Zmaj Business Park.

AFI has significantly expanded the office market through the first phase of the AFI Zmaj Business Park, which has added an impressive 27,500 sq m of office space. This project is strategically located along the E 75 highway. Furthermore, it's important to note that the BIGZ building is nearing the final stages of its reconstruction, with completion expected in the last quarter of 2023. This anticipated project will encompass an extensive 40,000 sq m of Gross Leasable Area (GLA).

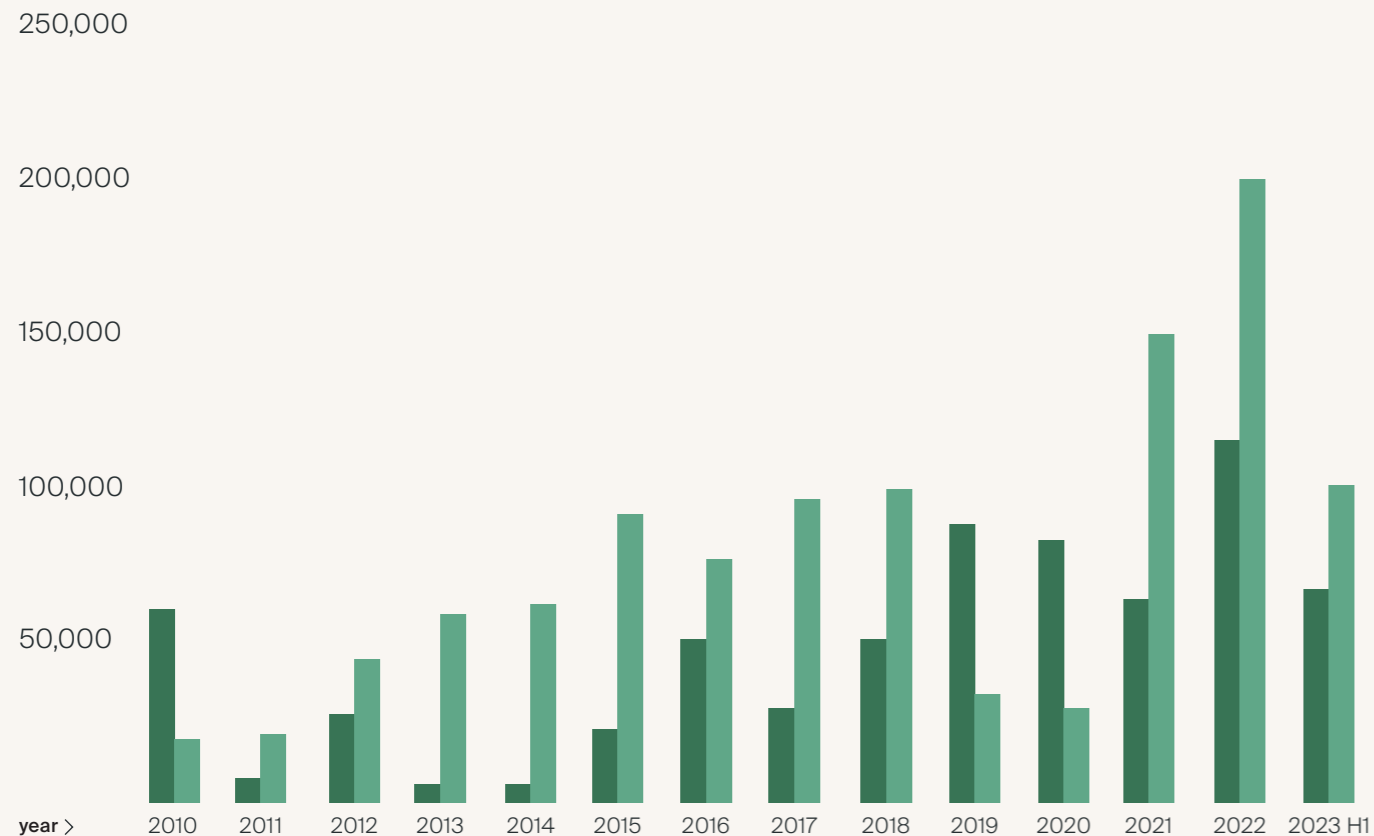
Several other noteworthy projects are currently under construction, including an additional building within Airport City, the B23 project, and buildings 2 and 3 of the Alco business center project. Airport City is set to contribute an additional 28,000 sq m, with completion slated for the first quarter of 2025.

Meanwhile, the B23 project aims to deliver 50,000 sq m of commercial space to the market by the end of 2023. The Alco business center, comprising three office buildings, is in its final stages and will collectively offer more than 13,000 sq m.

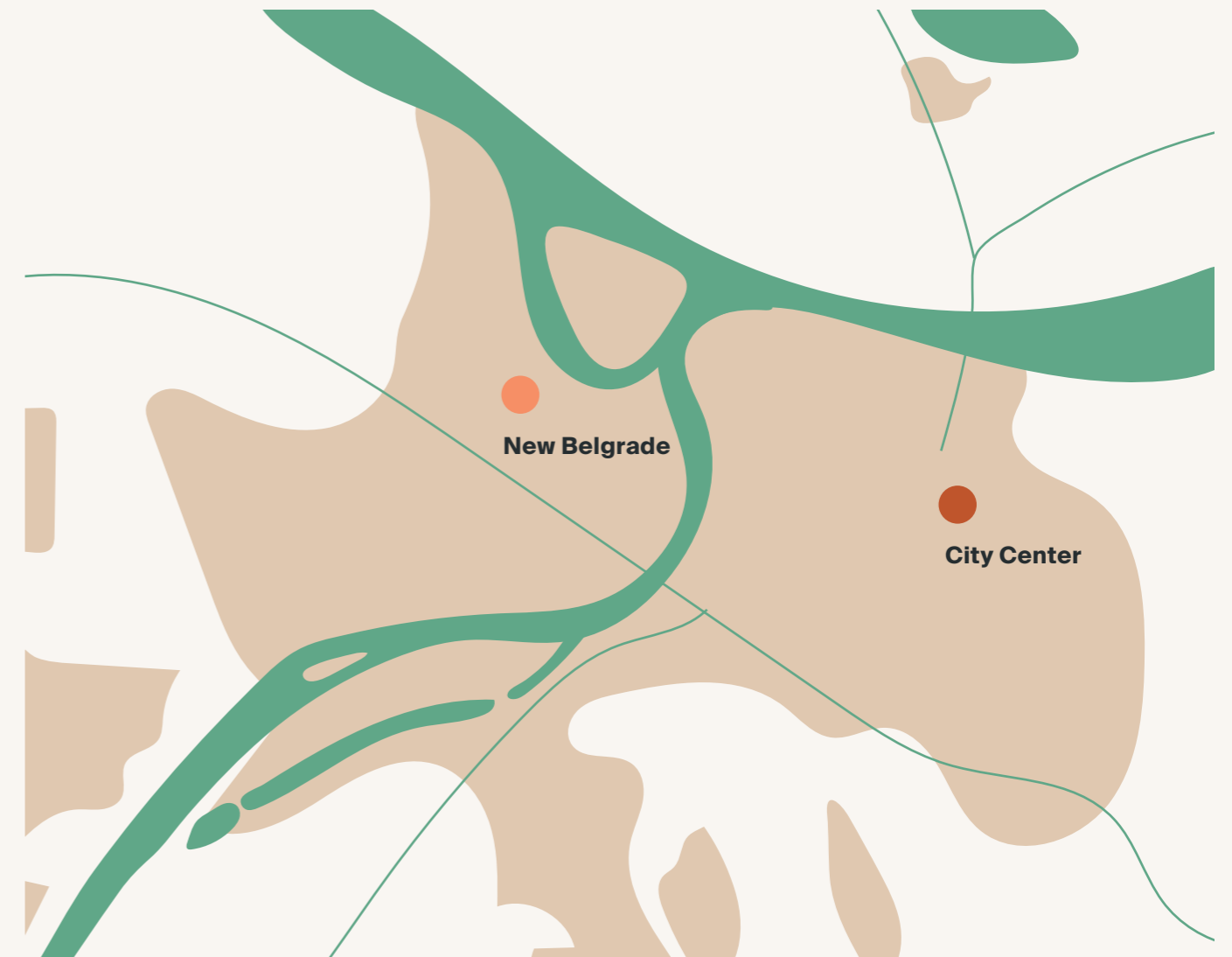
In the city center, one prominent office project is the Revolucija Office Building, boasting approximately 10,000 sq m of space. This building is approaching completion and will be ready for occupancy in the near future.

### Supply vs. Demand

sq m



Supply Demand



Area	Office Stock (sq m)	Rent Range (eur / sq m)
New Belgrade	886,900	15.5 - 17.5
City Center	299,000	13 - 15

## Demand

During the first half of the year, demand for office space continued to experience growth. This uptick in demand can be attributed to the rapid relocation of companies, particularly within the IT sector, which has demonstrated stability. It is important to explore whether the presence of Russian companies influenced this demand and if the IT sector expanded further, despite the prevalence of hybrid work arrangements and remote work. Additionally, new entrants into the market have also contributed to the growing demand.

## Rents

Rents remained stable with a slight increase, primarily for the city center area. This stability is noteworthy, especially in the face of high inflation, which has persisted at a semi-annual rate of 13.7%, as reported by the Statistical Office of the Republic of Serbia. Headline rents for class A office buildings fall within the range of 15.5 - 17.5 eur / sq m, while rental rates for class B office spaces range from 13 - 15 eur / sq m. These pricing levels underscore the market's resilience in maintaining stable rental rates amidst economic challenges.

## Vacancy

Belgrade's office market vacancy rate slightly increased in H1 2023 due to the completion of new offices, so now the total vacancy rate stands at 5.5%.

## Pipeline - 186,288 sq m

In addition to the new projects discussed in the General Market Overview section, there is a significant pipeline of upcoming developments set to shape the Belgrade office market.

One highly anticipated project in the pipeline is the Brankov Business Center, spanning an area of 10,500 sq m. Its scheduled completion date is set for the third quarter of 2024.

Furthermore, several other noteworthy projects have been announced. These include a new building in Blok 41, which is poised to contribute over 8,000 sq m of office space. Additionally, there's the Blok 40 office building, Napred Blok 26, and the second phase of the AFI Zmaj Business Park. Each of these developments represents a significant addition to the office market in Belgrade, further underlining the city's growth potential in the coming years.

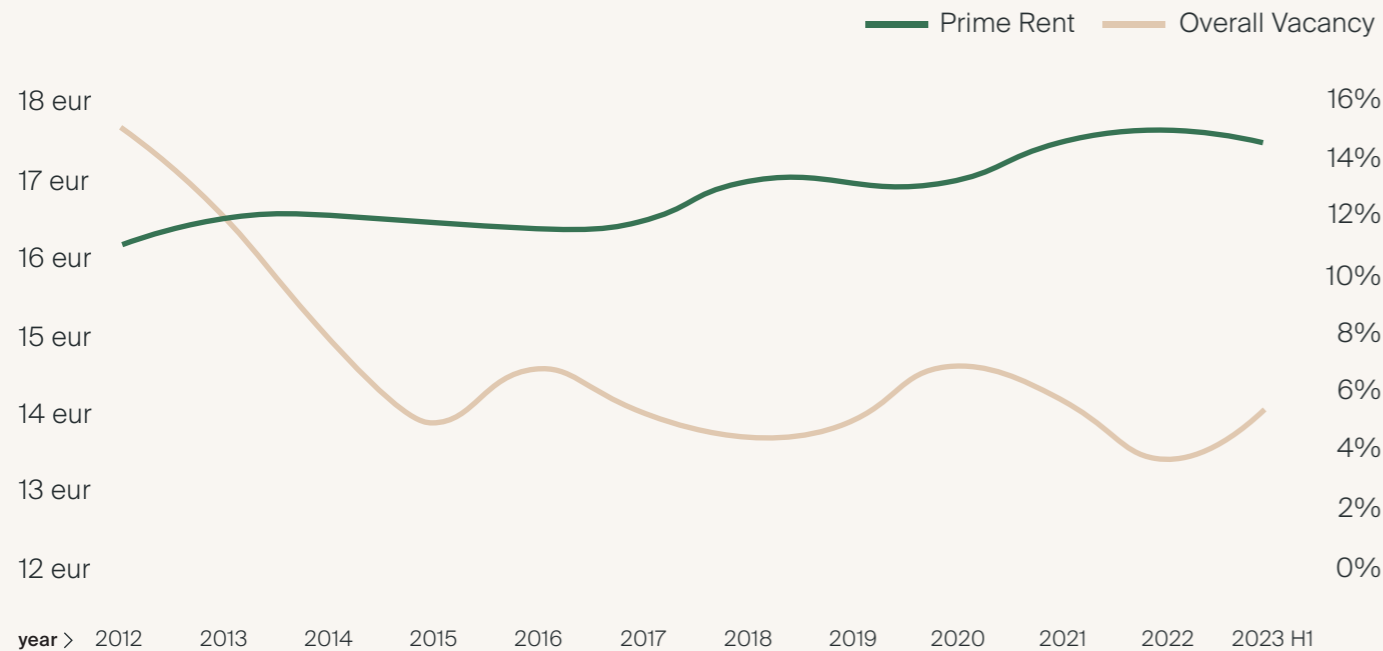
## Forecast

The Belgrade office market in the upcoming years is cautiously optimistic, with several promising trends on the horizon. Firstly, the sustained demand for office space, driven by both domestic and international companies, suggests a positive outlook. This strong demand, especially in prime locations like the city center, is likely to result in gradual increases in rental rates. Additionally, the ongoing construction projects and the potential for further developments indicate a growing supply to meet this demand.

However, it is essential to remain vigilant about factors such as geopolitical shifts and evolving work trends, including hybrid work models. These dynamics may influence tenant preferences and space requirements. Sustainability considerations and energy-efficient office designs are also gaining importance, reflecting a broader global trend.

In conclusion, while challenges exist, the Belgrade office market appears poised for growth. Stakeholders who adapt to changing circumstances and leverage the city's strategic advantages can anticipate increasing rents and a positive trajectory in the years to come.

### Prime Rent and Overall Vacancy



Project	Developer	Leasable Area	Target Delivery date
Revolucija Office Building	Granit Invest	9,870 sq m	2023
BIGZ	Marera Properties	40,000 sq m	2023
B23	Verano Group	44,000 sq m	2023
Sava Centar	Delta	24,000 sq m	2023
Politika	Severna Morava	3,388 sq m	2023
Alco Business Center (last phase)	Alco Group	5,500 sq m	2023
Blok 41	Auto Cacak	8,230 sq m	2024
BLOK 26	NAPRED AD	15,000 sq m	2024
Brankov Business Center	SF1 GROUP	8,300 sq m	2024
AIRPORT CITY 1000 Building	AFI EUROPE	28,000 sq m	2025



# Belgrade Industrial and Logistics Market

In the first half of 2023, we note an increase in demand in the industrial sector, and if we calculate the increase in the cost of construction, this is all reflected in the level of the rental price. Belgrade remains the main industrial hub of the region for multiple reasons. The main one is due to its location and connection, both with other cities in Serbia and with the region as well. The main industrial triangle in the roads consists of Budapest, Zagreb, and Belgrade. Due to their good connections with Belgrade with highways and railway traffic, they also have a very good connection with the ports of Thessaloniki and Koper Slovenia.

The main industrial zones of Belgrade remain in its surroundings, Dobanovci, Simanovci, as well as Stara and Nova Pazova. They stand out because of their connection and proximity to the capital, as well as their proximity to the borders with Croatia and Hungary.

In the first half of 2023, distribution warehouse stocks reached almost 1.2 million m2 around Belgrade and the wider part of the city.

When it comes to the main industrial zones of Belgrade that we mentioned, the Continental Tobacco company opened its facility in Simanovci on 13,500 m2. Also, the investor

Delta Real Estate opened the second phase of the distribution warehouse in Nova Pazova on 16,000 sq m. In addition, Besico plans to build a 46,000 m2 large logistics park in Nova Pazova.

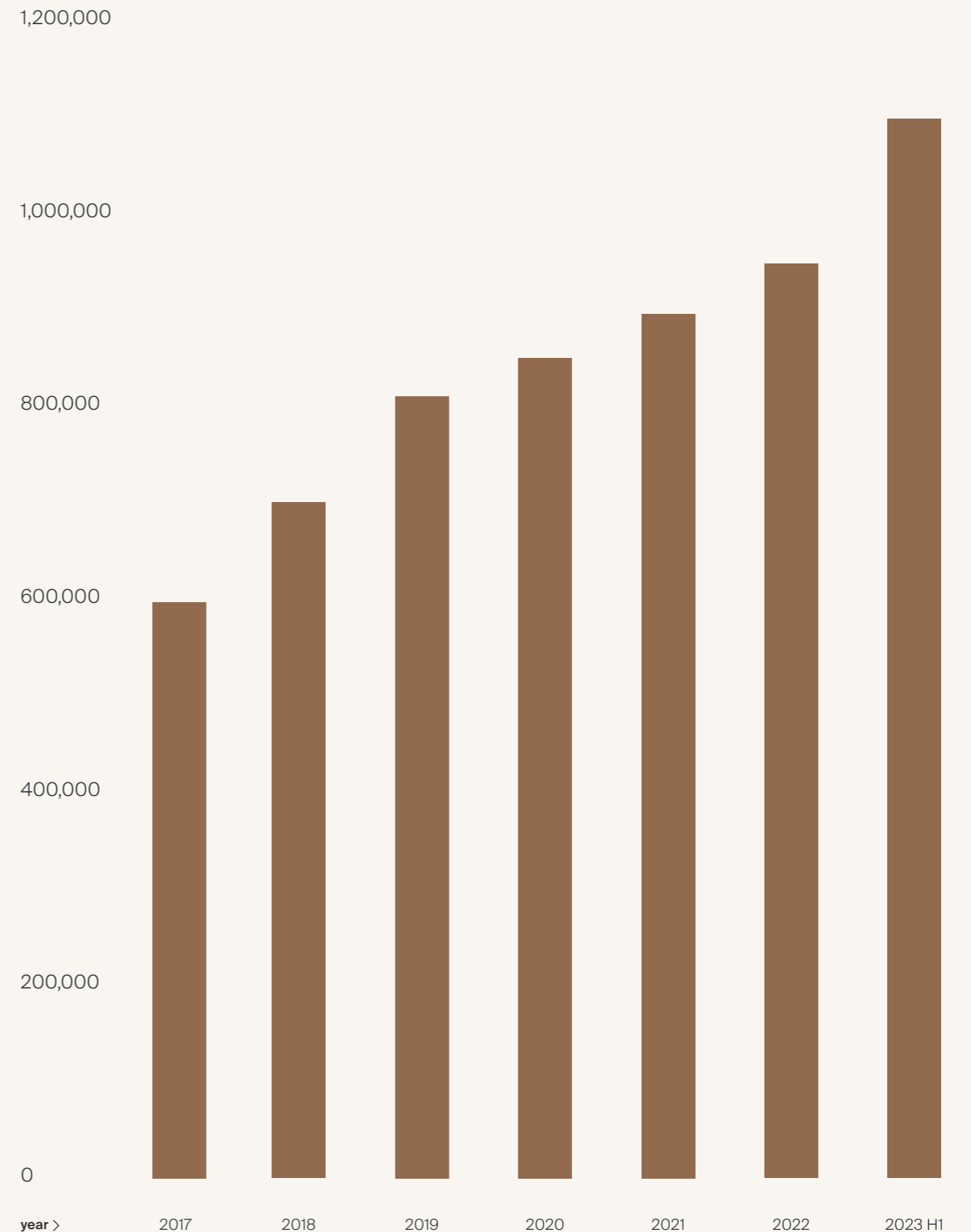
One of the most active and largest investors in the industrial sector, CTP, is currently building CTPark Belgrade center 1, which will add about 100,000m2 to the stock. On the other hand, CTPark Belgrade Center 2 is in the planning phase and will cover around 20,000 m2 logistics space alongside CTPark North 5 with 18,700 sq m under construction and CTPark North 6 and 7 in the planning stages.

Belgrade continues its growth when it comes to the industrial sector, and the secondary cities of Serbia are also showing the same fact, we are primarily referring to Novi Sad, Kragujevac, Nis and Cacak. In addition to the international developers which we mentioned above, we also note the increase in the number of local investors. Evidence of this is the recently completed Sport Vision logistics center in Simanovci, of over 50,000 m2, partly for its own needs, and partly as an investment.

Rents witnessed a slight increase in the first half of 2023 averaging around 5 eur / m2.

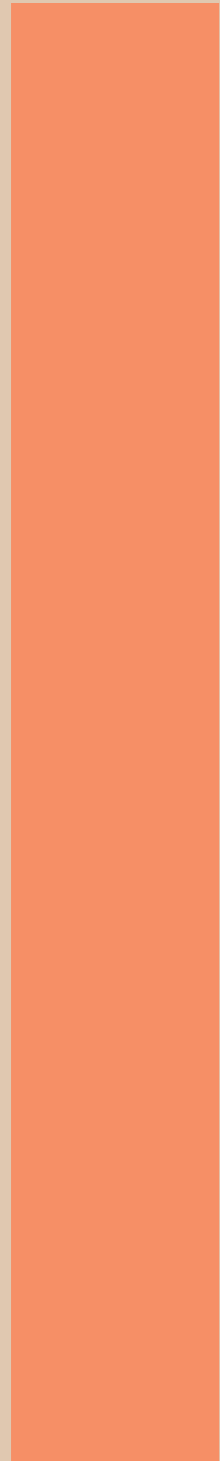
**Distribution warehouses stock**

∨ sq m



**Stock**  
by submarket

900,000 sq m



Belgrade and surroundings

250,000 sq m



Other cities





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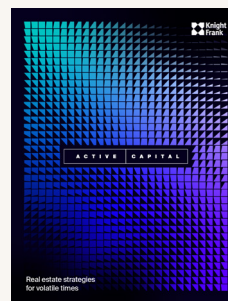
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