

LIFE IS WHAT **WE** MAKE IT

BELGRADE PROPERTY MARKET

Q3 2023



	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	▲	—

ECONOMIC INDICATORS

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

Source: Statistical Office of the Republic of Serbia



Airport City Belgrade, new phases

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).



MARKET STATISTICS Q3 2023

SUBMARKET	STOCK (sq m GLA)	VACANCY (%)	UNDER CONSTRUCTION
New Belgrade	941,465	10.06	43,500
City Centre	315,490	2.53	72,234
Wider Central Area	37,557	1.33	/
BELGRADE TOTAL	1,294,512	7.97%	115,784

Source: CBS International, part of Cushman & Wakefield Group

KEY CONSTRUCTION COMPLETIONS IN 2023

PROPERTY	SUBMARKET	OWNER / DEVELOPER	SIZE
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
Exing Office Building	New Belgrade	Exing (TB 65 doo)	16,831
Airport City Belgrade 2500	New Belgrade	AFI Europe Serbia	14,800

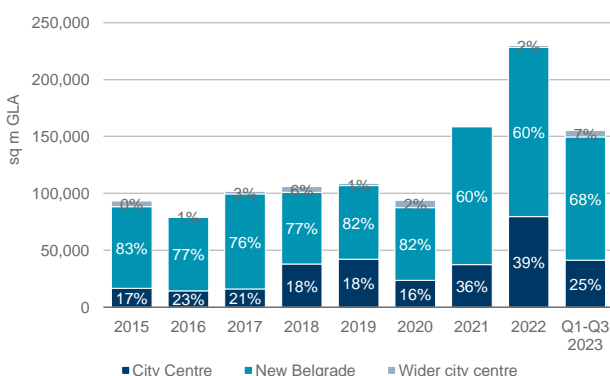
Source: CBS International, part of Cushman & Wakefield Group

SELECTED PIPELINE PROJECTS

PROPERTY	SUBMARKET	SQ M GLA	OWNER / DEVELOPER	ESTIMATED COMPLETION DATE
Airport City Belgrade - Tower 1	New Belgrade	27,000	AFI Europe	2025
BIGZ*	City Centre	26,000	Marera Properties	2023
Sava Centar*	New Belgrade	16,500	Delta Real Estate	2024
Artklasa*	City Centre	11,800	Aselus	2024
Brankov BC*	City Centre	8,000	Astoria Group	2024
Revolucija	City Centre	7,000	Granit Invest	2023

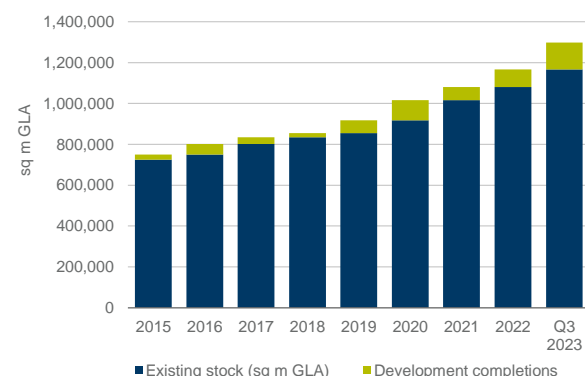
Source: CBS International, part of Cushman & Wakefield Group

OFFICE TAKE-UP PER LOCATION 2015-2023



Source: CBS International, part of Cushman & Wakefield Group

OFFICE STOCK VS. DEVELOPMENT COMPLETIONS



Source: CBS International, part of Cushman & Wakefield Group



580,000 sq m

Belgrade Retail Stock

YoY Chg



12-Mo. Forecast



EUR 48-50

Average prime SC rent, sq m/month



7.75-8.25%

Prime SC Yields



ECONOMIC INDICATORS

1.7%

GDP Growth rate Q2 2023
YoY Change vs Q2 2022

YoY Chg



12-Mo. Forecast



7.7%

Belgrade Unemployment Rate
Q2 2023



EUR 922

Belgrade Average net salary
Q2 2023



Source: Statistical Office of the Republic of Serbia

Leasing activity during the third quarter in Belgrade was strong. The total volume of new leases reached nearly 20,000 sq m, while total demand in 2023 amounted to 38,400 sq m, out of which 27% were pre-lease deals. When it comes to Serbia, demand reached 71,000 sq m so far, with over 40% of take-up provided by new developments and 20% by pipeline projects. Bearing in mind that shopping centres became preferred destination for retailers, high street is mostly occupied by F&B and service retailers, as well as more affordable brands. Decrease in investment activity is evident, however, certain activity was noted in big box segment of retail formats.

PRICING

BELGRADE PRIME RETAIL RENTS (EUR/SQ M/MONTH)			
HIGH STREET ZONE	SIZE OF UNITS (SQ M)		
	UP TO 100	100-250	>250
Knez Mihailova Street	80-100	55-80	40-60
Terazije Square	45-80	35-50	30-40
Kralja Aleksandra Blvd (up to Vukov spomenik)	40-60	30-50	25-35
Secondary High Street (Glavna, Pozeska St.)	35-50	25-35	10-20

*Smaller retail units (<100 sq m) in Knez Mihailova Street could command the rental levels more than EUR 100/sq m

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

On the supply side, the market is driven by retail parks and their expansion. The third quarter of 2023 brought the opening of retail park in Bor, developed by local property company, while STOP SHOP in Sremska Mitrovica and NEST retail park in Vrsac experienced expansions. With no new deliveries in Belgrade, modern retail stock remained at the level of app. 580,000 sq m of GLA. Looking at a whole year, Serbia and Belgrade retail park supply grew for app. 35,000 sq m, while the shopping center segment did not see any new completions over the past two years, mostly due to growing construction costs and prolongation of completion periods. The undergoing transformation of the retail industry forced developers to prioritise extensions and refurbishments of existing retail formats in order to improve retail offer.

When it comes to future supply, the development pipeline countrywide consists of several active retail park projects, indicating a solid increase of the stock in the forthcoming period. Approximately 85,000 sq m of retail parks are currently under construction, out of which 49% of pipeline projects are located in Belgrade. At the end of Q3 2023, the share of the retail parks equals 36% of the total stock of 1,2 million sq m in Serbia, as compared to the share of 13% recorded ten years ago.

The leading Belgrade shopping centres maintain a stable level of average rents during the first three quarters of 2023, ranging between EUR 23-28/sq m/month, while the prime rents for most attractive schemes range between EUR 48-50/sq m/month. Prime rents in the segment of retail parks, which witnessed upward trend in the final quarter of 2022, remained stable during 2023 and amounted to EUR 8.5-12/sq m/month.

The asking rental levels at the prime pedestrian locations are traditionally high and remained mostly stable in Q3 2023. However, considering the fact that shopping centres and retail parks became prime shopping destinations during the previous two years, certain exception in the form of rent reduction is notable for retail units at the less attractive locations.

The lack of new supply of shopping centres results in low vacancy rate, which is around 5% in Belgrade, while retail parks are almost fully occupied.



MARKET STATISTICS Q3 2023

CITY	RETAIL STOCK (SQ M GLA)	DENSITY (RETAIL STOCK PER 1,000 INH.)	RETAIL PIPELINE (SQ M GLA)	AVERAGE PRIME RENT (€/sqm/month)
Belgrade	580,000	350	40,000	48-50*
Novi Sad	124,400	364	-	20-35
Nis	76,600	294	8,000**	18-30
Kragujevac	58,200	324	8,000	15-30
SERBIA TOTAL	1,215,200	169	62,300	

*For units up to 150 sq m on the ground floor

** Planned expansion

Source: CBS International, part of Cushman & Wakefield Group

CONSTRUCTION COMPLETIONS IN BELGRADE AND SERBIA 2023

PROPERTY	SUBMARKET	TYPE OF SCHEME	SQ M GLA	DEVELOPER
STOP SHOP Sremska Mitrovica - 2nd phase	Sremska Mitrovica	Retail park	2,300	CPI Property Group
NEST Vrsac - 2nd phase	Vrsac	Retail Park	2,800	RC Europe RSB
NEST Obrenovac - 2nd phase	Belgrade, Obrenovac	Retail Park	2,848	RC Europe RSB
Bor Retail Park	Bor	Retail Park	4,400	Bor Properties DOO
Retail Park Vrbas	Vrbas	Retail Park	5,000	VS Retail 2023
BIG Pazova - 1st phase	Stara Pazova	Retail Park	18,000	BIG CEE

Source: CBS International, part of Cushman & Wakefield Group

KEY ONGOING PROJECTS IN BELGRADE AND SERBIA

PROPERTY	SUBMARKET	TYPE OF SCHEME	DEVELOPER	SQ M GLA	DELIVERY YEAR
NOVA Retail Park	Kula	Retail Park	GO SHOP Retail Park	15,800	2024
NOVA Retail Park	Ub	Retail Park	GO SHOP Retail Park	11,500	2024
NOVA Retail Park	Ruma	Retail Park	GO SHOP Retail Park	12,200	2024
AVA Shopping Park - 2nd phase	Belgrade, Bujanj potok	Retail Park	IKEA	10,000	2024
BIG Kragujevac - expansion	Kragujevac	Retail Park	BIG CEE	7,000	2024

Source: CBS International, part of Cushman & Wakefield Group



	YoY Chg	12-Mo. Forecast
2,733,311 sq m Total stock*	▲	▲
105,000 sq m Take-up	▲	▲
EUR 4.0-5.5 Rental prices	▬	▬
8.0-9.0% Yields for modern logistics	▬	▬

ECONOMIC INDICATORS

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1.7% GDP Growth rate Q2 2023 <i>YoY Change vs Q2 2022</i>	▼	▲
7.7% Belgrade Unemployment Rate Q2 2023	▲	▼
EUR 922 Belgrade Average net salary Q2 2023	▲	▲

Source: Statistical Office of the Republic of Serbia

DEVELOPMENT COMPLETIONS IN BELGRADE



Source: CBS International, part of Cushman & Wakefield Group

ECONOMY

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SUPPLY AND DEMAND

In the first half of 2023, Belgrade wider industrial area was boosted by new 73,000 sq m of industrial space, whereas the percentage of logistics space within new deliveries accounts for 95%. At the end of the first semester, Belgrade industrial stock, along with the municipalities in its vicinity (Stara Pazova and Pecinci) reached 2.7 million sq m, while Belgrade alone features 1.2 million sq m of modern industrial supply. E-commerce in Serbia has been growing constantly in recent years and its share in total trade is around 20%. Consequently, it led to an increase in demand for logistics and distribution facilities and the number of projects currently under construction confirms that logistics market is the main driver of the development of industrial market in the past 2 years. Namely, almost 200,000 sq m of new warehouse and logistics space will be added to the market by the end of this year in Belgrade wider industrial area, out of which over 90% is speculative stock.

In terms of the demand, new lettings (excluding owner-occupation deals) concluded in the H1 2023 in Belgrade industrial zones amount to 105,000 sq m of warehouse and logistics space, which is an increase of 50% as compared to the same period in 2022. The share of pre-lease deals is 65% which is at the similar level as in the first two quarters of 2022. The largest deals recorded in the mentioned period are Delhaize, which contributed with 40,000 sq m in the VGP's first facility in Ugrinovci industrial zone, Mercata pre-leased 20,000 sq m in CTP's industrial park in Kvantas area, while TLS Slovenia occupied 14,000 sq m in Industrial Park Belgrade's seventh phase.

PRICING

The rents of modern logistics space in Belgrade and industrial zones in its close proximity slightly rose during the 2022 to the range of EUR 4.0-5.5/sq m/month, as the result of stronger demand, increased construction costs and higher energy prices, while during the H1 2023 they remained stable. The vacancy rate for modern logistics in Belgrade wider industrial area stands below 5%.



9,819

No. of completed residential units in Belgrade in 2022

YoY Chg



12-Mo. Forecast



12,212

No. of sold residential units in Belgrade in Q1-Q3 2023



2,685

Average sales price of newly-built apartments in Belgrade H1 2023



(Overall, All Property Classes)

ECONOMY

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ECONOMIC INDICATORS

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Source: Statistical Office of the Republic of Serbia

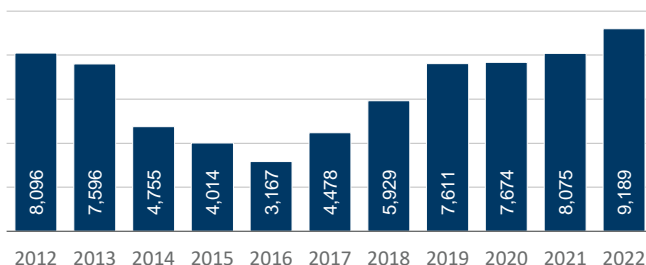
SUPPLY AND DEMAND

In accordance with the most recent official data, the number of completed apartments in Belgrade during the 2022 increased by 14%, compared to 2021, totalling 9,189 apartments, which represents the largest number of constructed apartments as of 2001, since the statistics were published for the first time. The largest share of completed apartments was recorded in the municipalities of New Belgrade (23%), Zvezdara (14%) and Palilula (12%). The largest increase in the number of newly built units was noted in the municipalities of Palilula, New Belgrade and Zemun. Stable construction activity in Belgrade is expected in 2023, as well, which has been already proved by an increase in the number of issued building permits for residential buildings, which grew by 5% in H1 2023 as compared to the same period last year. Additionally, the largest share of issued permits among all type of buildings accounts for residential buildings, i.e., 67%, which is at the same level as in the same period of 2022.

According to preliminary data of the 2022 Census, the total residential fund in Serbia rose by 11% as compared to the previous Census and amounts to 3,613,352 apartments. When it comes to Serbian capital, the total number of residential units in Belgrade increased by 18% (868,752 apartments), whereas the largest growth in residential fund was recorded in the municipalities of Zvezdara (34%), Zemun (28%) and Vozdovac (26%).

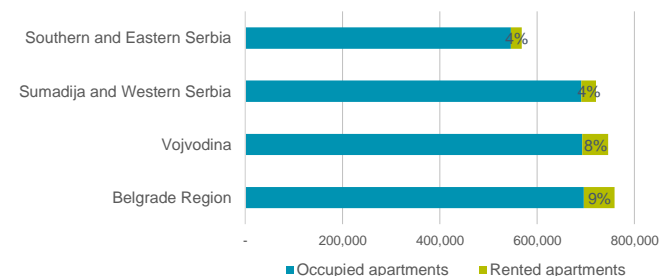
Among the occupied apartments in Belgrade, 9% of units are rented. Due to the rapid growth in the number of Russian companies entered Serbian market in 2022, rental levels grew significantly, even 30-50% for the most attractive, newly built residential complexes. However, with no newcomers to the market, demand and rental prices stabilized in 2023. By the end of the year, newly built residential projects offering various amenities or luxury houses as the most attractive choice for international companies' representatives and diplomats will achieve the highest rental levels. As far as other properties are concerned, rental levels will return to the rental levels recorded in 2021.

COMPLETED RESIDENTIAL UNITS IN BELGRADE 2012 - 2022



Source: Statistical Office of the Republic of Serbia

THE SHARE OF OCCUPIED APARTMENTS IN SERBIA



Source: 2022 Census, Statistical Office of the Republic of Serbia

On the demand side, the number of sold apartments in Belgrade, including new and old units, declined the third quarter in a row, making an overall decrease of 22% in the period Q1-Q3 2023, in comparison with the same period of the previous year. A drop in demand can be explained by lower offer of new projects in the first two quarters, as a consequence of longer process of issuing building permits. Also, due to high interest rates of housing loans, the number of credit buyers dropped from 28% in H1 2022 to only 18% in H1 2023. The demand for old units is growing, since the number of sold units from the secondary market overcomes the number of sold newly built apartments. Considering that new flats achieved historically highest sales prices in 2022, buyers were focused on more affordable properties within secondary market in the first six months of 2023.

The expected downward trend in the number of sold apartments will also have an impact on the total value of real estate transactions, since the flat transactions hold the largest share in the total number of transactions in the previous few years. However, the significant downturn is not expected since the sales prices should remain at the similar level by the end of 2023, especially in newly built large-scale projects with numerous amenities.



Vozdov Kwart, Peka Dapcevic Blvd., 624 units

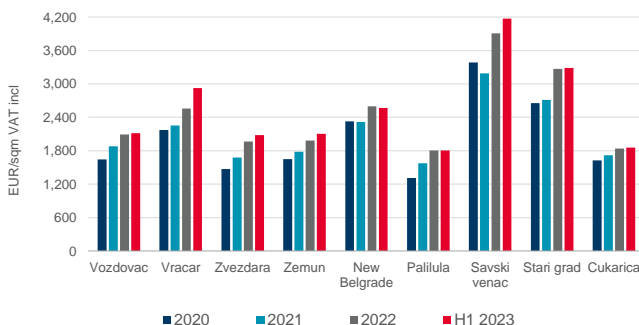


Wellport, Tadije Sondermajera, 489 units

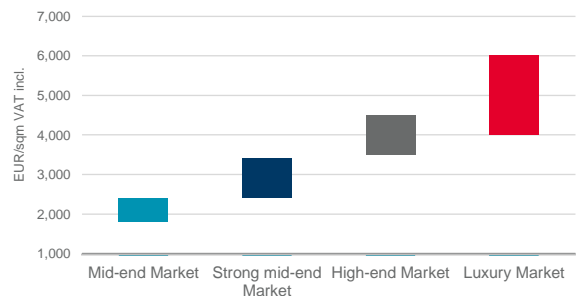
PRICING

The average sales price of newly built apartments in H1 2023 in Belgrade amounted to EUR 2,685/sq m, according to official statistics, which is the growth of 9% in comparison with corresponding period of 2022. The highest average prices were registered in the municipalities Savski Venac (EUR 4,174/sq m) and Stari grad (EUR 3,287/sq m), while Vracar and Savski Venac municipalities achieved the highest annual growth in sales prices, i.e., 23% and 17%, respectively. Even though the demand for residential units is expected to decline by 20-25% on annual level, the significant downfall in the sales prices is not projected by the end of 2023, especially within carefully planned large-scale projects, developed by well-known investors and with the project financing by the bank. However, the buyer sentiment is expected to be more cautious especially housing-loan dependent buyers who are aiming to buy an apartment for their own needs. Also, the decline in the prices is expected in case of less attractive smaller residential projects of local developers, situated in the wider city area.

PRICES OF NEWLY-BUILT APARTMENTS 2020-H1 2023



AVERAGE ASKING PRICES OF MID-END AND HIGH-END PROJECTS IN BELGRADE



Source: CBS International, part of Cushman Wakefield
* Branded residences excluded from the analysis

Source: Statistical Office of the Republic of Serbia

WE MAKE AN IMPACT

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