

LIFE IS WHAT **WE** MAKE IT



**BELGRADE
PROPERTY
MARKET**

Q4 2023



	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, sqm / month	▲	—
7.25% Vacancy rate Q4 2023	▲	▼
8.25-8.75% Prime office yields Q4 2023	▲	—

ECONOMIC INDICATORS

	YoY Chg	12-Mo. Forecast
3.6% GDP Growth rate Q3 2023 <i>YoY Change vs Q3 2022</i>	▲	▲
6.4% Belgrade Unemployment Rate Q3 2023	▼	▼
EUR 920 Belgrade Average net salary Jan-Nov 2023	▲	▲

Source: Statistical Office of the Republic of Serbia



Hyde Park Belgrade

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, 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%.



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

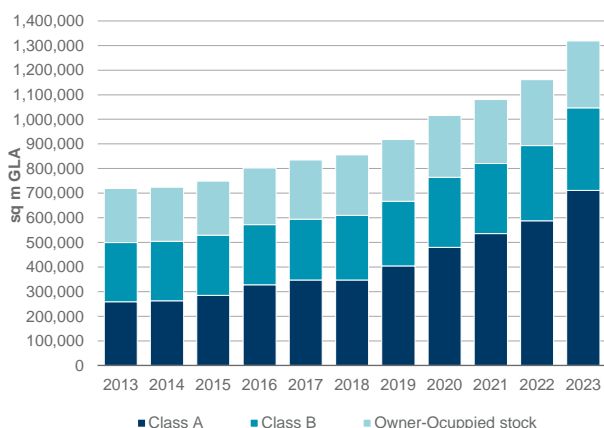
Source: CBS International, part of Cushman & Wakefield Group

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 / Hyde Park Belgrade	City Centre	8,500 two buildings	PSP Farman	2024
Brankov BC	City Centre	8,000	Astoria Group	2024

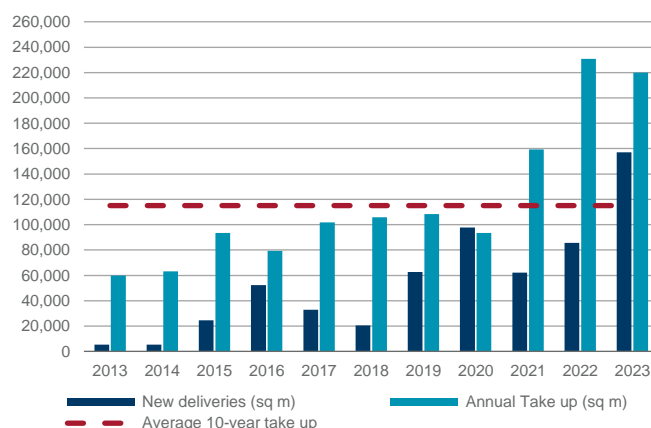
Source: CBS International, part of Cushman & Wakefield Group

OFFICE MARKET EVOLUTION



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



8.00-8.50%

Prime SC Yields



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

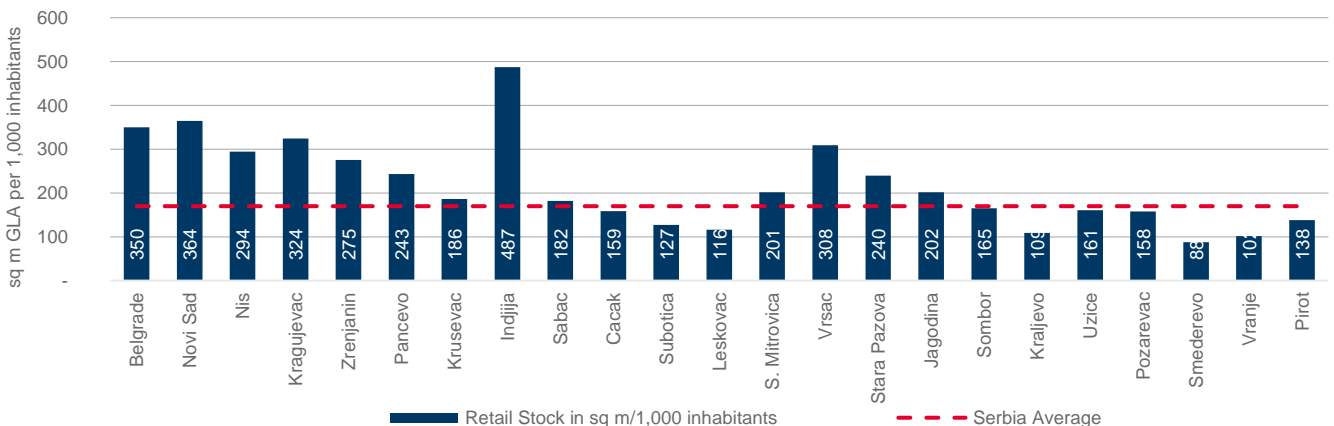
Serbia has successfully maintained economic stability and garnered confidence from both consumers and investors. This is evident in the cumulative real GDP growth from 2020 to 2023, which reached approximately 12%. In Q3 2023, real GDP growth stood at 3.6% year-on-year, and expectations for the entire 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. 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 that year.

SUPPLY AND DEMAND

The absence of new completions in Q4 2023 has kept the modern retail stock in Belgrade at the same level, maintaining a total of 580,000 sq m of GLA, encompassing 30 modern retail formats. Investigating the overall retail offer in Belgrade highlights a predominant prevalence of Western-style formats, comprising 7 schemes and 53% of the total stock, which is largely attributed to the considerable sizes of these properties. Alongside, the retail park segment has experienced the most significant expansion in recent years in terms of the number of formats i.e. 8 schemes and 20% of the total Belgrade retail stock. After substantial development up to early 2022, the retail market in Belgrade is currently undergoing rather limited development activity, marked by the construction of only two retail parks. This construction will result in a 40,000-square-meter increase in the retail supply in 2024.

With 1,226,168 sq m of modern retail stock at the end of 2023, Serbia has app. 170 sq m per 1,000 inhabitants. In many developed European countries, retail density varies between 250-500 sq m, therefore Serbia could be considered less developed than the rest of the region. Looking at the retail density across the 22 cities in Serbia, the most developed market is Indjija, but still in line with the average numbers, while on the contrary, Smederevo stands out as the least developed city in Serbia in terms of retail density. The potential for new developments exists in the majority of Serbian cities.

MODERN RETAIL STOCK PER 1,000 INHABITANTS IN KEY SERBIAN CITIES



Leasing activity in Belgrade remained stable in Q4 2023. The leased area approached 18,000 sq m during this period, contributing to a total demand of 57,000 square meters in 2023. On a broader scale in Serbia, the demand exceeded 110,000 square meters. Notably, shopping centres and retail parks have emerged as the preferred choice for retailers, while the high street is predominantly occupied by food and beverage operators, service providers, and more budget-friendly brands.



PRICING

The prominent shopping centres in Belgrade have maintained stable average rent levels throughout 2023, ranging from EUR 23-28/sq m/month. Simultaneously, the prime rents for the most appealing schemes have remained in the range of EUR 48-50/sq m/month. In the retail parks segment, prime rents have remained steady in 2023, ranging from EUR 8.5-12/sq m/month. Prime pedestrian locations traditionally command high asking rental levels, and these levels generally remained stable in Q4 2023.

A decline in investment activity was noticeable during the 2023, although a few transactions have been noted in certain retail formats, particularly in the big box and retail park segment. The most significant transaction in 2023 is the acquisition of the two retail parks, NEST Obrenovac and NEST Kraljevo of app. 20,000 sq m by Israeli BIG CEE. Yields for premium shopping centres have contracted to the range of 8.00-8.50%. Retail parks mark yields in the range of 8.25-9.00%, while Retail Warehouse/Big Box formats indicate yields in the range of 8.50-9.00%.

MARKET STATISTICS Q4 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	42,000	48-50*
Novi Sad	124,400	364	-	20-35
Nis	76,600	294	8,000**	18-30
Kragujevac	65,216	363	-	15-30
SERBIA TOTAL	1,226,168	171	93,000	

*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 S. 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
BIG Kragujevac	Kragujevac	Retail Park	7,000	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

Source: CBS International, part of Cushman & Wakefield Group



2,778,682 sq m
Total stock*

YoY Chg



12-Mo. Forecast



200,000 sq m
Take-up 2023



EUR 4.0-5.5
Rental prices



8.25-9.00%
Yields for modern logistics



* Belgrade wider industrial area (incl. Pecinci and Stara Pazova)

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



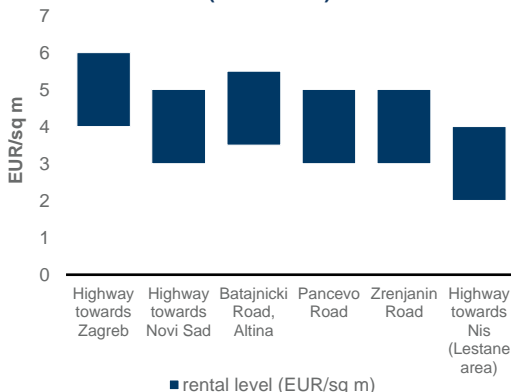
EUR 920

Belgrade Average net salary
Jan-Nov 2023



Source: Statistical Office of the Republic of Serbia

RENTAL LEVELS (EUR/SQ M)



■ rental level (EUR/sq m)

Source: CBS International, part of Cushman & Wakefield Group

ECONOMY

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SUPPLY AND DEMAND

While there has been a progress in Serbia's industrial sector, the market still lags in terms of the modern offer designed for speculative purposes. Most existing facilities are constructed either to suit the preferences of the property owner or are built to cater to specific tenant needs.

By the close of the year 2023, the cumulative modern warehouse and production supply in Serbia has surpassed 6 million square meters. The primary industrial hub is centred around Belgrade, along with its neighbouring municipalities Stara Pazova and Pecinci, constituting approximately 50% of the total contemporary industrial supply in Serbia. In the wider Belgrade industrial zone, the total supply of modern industrial space stands at 2,778,682 sq m, showing an upward trend expected to continue in the forthcoming years. Highly attractive locations for the expansion of the industrial and logistical market in the vicinity of Belgrade include the highways to Zagreb, Novi Sad/Batajnicket Drum, Pancevo Road, Zrenjanin Road and the highway to Nis (Lestane).

The modern logistics space within Belgrade only, excluding industrial zones in Pecinci and Stara Pazova, amounts to 1,265,000 square meters, out of which 870,000 sq m are modern logistics facilities and 395,000 sq m are production space.

At the moment, the largest projects are being developed by international logistics operators, i.e. Czech CTP which is currently expanding the projects in Belgrade, Novi Sad, Pecinci and Stara Pazova and has started working on a new project in Jagodina totalling 35,000 sq m, Slovak Besico which plans the complex of 46,000 sq m in Nova Pazova and Belgium VGP that started the construction of the first phase of 40,000 sq m of its large-scale logistics park in Dobanovci.

In terms of the demand, new leases (excluding owner-occupation deals) in 2023 in Belgrade industrial zones amount to 200,000 sq m, representing a decrease of 7% as compared to 2022 annual demand.

PRICING

After the slight increase in 2022, the rents of modern logistics space in Belgrade and industrial zones in its proximity remained stable in 2023 in the range of EUR 4.0-5.5/sq m/month. The vacancy rate for modern logistics in the wider Belgrade industrial area stands below 5%.

Prime yields for modern logistics facilities (prime assets with blue chip tenants) in the Belgrade industrial zone stand at 8.25-9.00%, while modern production complexes command yields of 8.50-9.50%.



14,184

Issued building permits for residential buildings Q1-Q3 2023



16,340

No. of sold residential units in Belgrade in 2023



2,685

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



(Overall, All Property Classes)

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Source: Statistical Office of the Republic of Serbia

SUPPLY AND DEMAND

In the opening quarters of 2023, construction activity slowed down, mainly due to the prolongation of the process of issuing the building permits. However, in H2 situation on the market improved and Belgrade residential market keeps marking positive trends on the supply side. Several large projects were initiated during the year within central Belgrade's municipalities, while 17 ongoing projects with 400+ units are currently in the construction phase in Belgrade.

According to the 2022-Census, New Belgrade municipality holds the largest share in Belgrade's residential stock with more than 100,000 residential units, while nearly 3,000 new apartments are currently under development, set for completion in the next two years.

In addition to already established projects in New Belgrade, such as Wellport, New Minel and Airport Garden, which are experiencing new phases, 2023 saw the commencement of a new mixed-use project named Soul 64 with 906 residential units planned for development, as well as project Belmondo, which should bring another 244 apartments to the market. In the same area, a group of local investors launched a new project of 156 apartments, named Terminal 10 Residences. Also, Lastavice project in Blok 58 and The One residential project situated in block 64 announced the commencement of new phases in 2024.

After a period of limited construction activity, two major developments were initiated in Cukarica municipality in 2023, i.e., Banovo Brdo Residences which will consist of an app. 900 apartments upon completion, and Victory Gardens with more than 1,200 units. In terms of large-scale projects, Savski Venac is the most active municipality. Specifically, 20 skyscrapers within the Belgrade Waterfront project are currently under construction, while Belgrade's city centre will be enriched by the latest project King's Circle Residence, at the most attractive location on a Slavija Square.



Terminal 10 Residences, Block 64, New Belgrade



Inobacka Dedinje, Omladinska, Savski Venac

Also, Lisicji potok settlement along Omladinska Street is a very active area lately within this municipality, with several small-scale, high-end projects in the construction phase, e.g., D'HOME, Merin Dedinje, Elysian Lux Gardens, Fox Creek Residence, while Inobacka company, based in Novi Sad, aims to develop project named Inobacka Dedinje, totalling 16 luxury apartments.

When it comes to demand for residential units, the reduced offer in the first half of 2023 had an impact on the number of transactions, as well, which went down by 25% in comparison with the previous year. Even though the number of issued building permits in the residential segment improved in H2 2023, it is clear that demand is on a declining path. Belgrade's municipalities with the largest share in the total number of sold apartments during 2023 are Zvezdara (15%), New Belgrade (13%) and Vozdovac (12%), while in the observed period, all central municipalities experienced a drop in the number of sold units. The largest decline in sales transactions was marked in New Belgrade (-38%), Stari Grad (-33%), Savski Venac (32%) and Vracar (32%), i.e., in the municipalities which dictate the highest price ranges in Belgrade residential market.

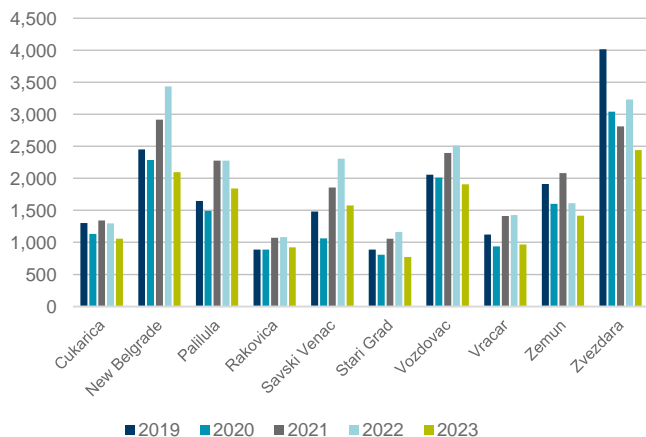
Nevertheless, it is expected that demand will remain strong and stable in the following period, i.e., in the range between 16,000 and 18,000 sold units on an annual level, which is still several times more than number of completed units. Due to a lack of alternative investment options, the residential market became the main investment opportunity in Serbia. At the same time, the rental market is still undeveloped, as compared to more developed European markets, whereas the built-to-rent projects are in the initial phase with only one large-scale project developed for rental purposes. Therefore, the typical Serbian citizen aims to buy an apartment for their own purposes and this is one of the reasons why the demand for residential units will always be strong. Since the supply of residential projects improved in the previous 5 years, thanks to the arrival of foreign investors, who develop large mixed-use complexes with numerous additional amenities, the interest of the diaspora also increased and represents a significant share in buyers' profile, which is expected to continue in the future.

PRICING

Even though the slight increase in prices of newly-built units in Belgrade was noted in the first half of 2023, mostly due to high inflation that peaked in Q1 2023, the market stabilized in the second half of the year. During 2023, the investors offered certain discounts on sales prices up to 5% for all types of buyers which was not the case in 2022.

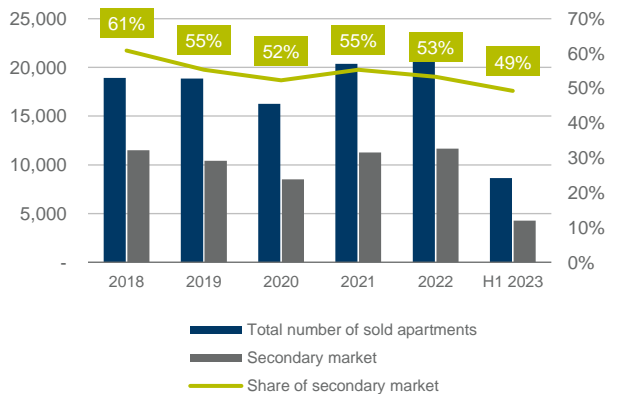
In 2024, the stagnation of the residential market could be anticipated, and prices are likely to moderate after years of sharp growth. However, a significant fall in the sales prices is not foreseeable, especially within the large-scale projects, carefully planned and developed in phases by renowned investors, which record high absorption rates and mark gradual increases in the sales prices, even within the same development phase. It is expected that the situation with credit buyers will improve in the second half of 2024, due to the forecasted decrease of interest rates for housing loans. In general, the number of credit buyers is larger within the secondary market, as well as lower to mid-end residential projects, who are aiming to buy an apartment for their own needs, while their share is smaller in upscale residential projects. Therefore, a slight correction in the prices is expected in case of less attractive smaller residential projects of local developers and within the secondary market.

SOLD APARTMENTS IN CENTRAL BELGRADE'S MUNICIPALITIES 2019 - 2023



Source: Republic Geodetic Authority

SHARE OF SECONDARY MARKET IN SOLD APARTMENTS



Source: Republic Geodetic Authority

WE MAKE AN IMPACT

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