MARKETBEAT

BELGRADE

Residential Q1 2024

CUSHMAN & WAKEFIELD | CBS INTERNATIONAL

	YoY Chg	12-Mo. Forecast
2,567 Issued building permits for residential buildings in Belgrade in 2023	▲	▲
2,720 No.of sold residential units in Belgrade in Q1 2024	▼	▲
2,661 Average sales price of newly-built apartments in Belgrade in 2023	▲	—

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YoY Chg	12-Mo. Forecast
3.8% GDP Growth rate Q4 2023 *YoY Change vs Q4 2022*	▲	▲
6.7% Belgrade Unemployment Rate *Q4 2023*	▲	▼
EUR 933 Belgrade Average net salary *Q4 2023*	▲	▲

Source: Statistical Office of the Republic of Serbia

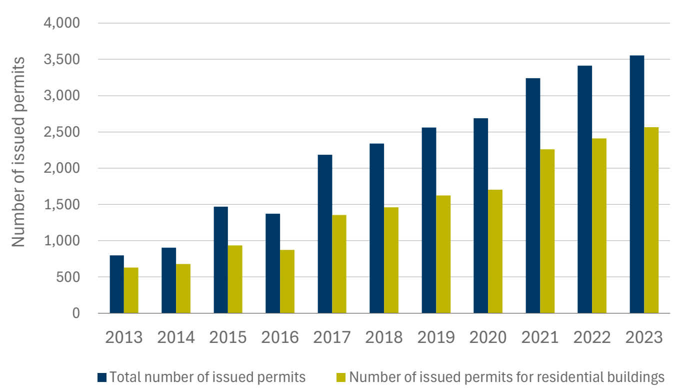
ECONOMY

According to the official statistics, real GDP growth in Q4 2023 was 3.8% y/y, making real growth on an annual level equal to 2.5%. Projected GDP growth for 2024 is in the range of 3-4%, while the projection of growth in 2025 and 2026 is in the range of 4-5%, considering the realization of the investments planned for organizing the EXPO 2027 exhibition. Inflation has been decreasing since April 2023 and the slowdown intensified in the second half of 2023 due to reduced growth in the prices of food and products and services within core inflation. In March 2024, the key policy rate remained unchanged at 6.5%. Serbia registered a record-high EUR 4.5 billion FDI inflow in 2023, equivalent to around 6.1% of GDP. Foreign direct investments are expected to continue to play a key financing role in the following period, as Serbia has a good business climate driven by macroeconomic reforms, financial stability and fiscal discipline, as well as numerous incentives disposable to foreign investors.

SUPPLY AND DEMAND

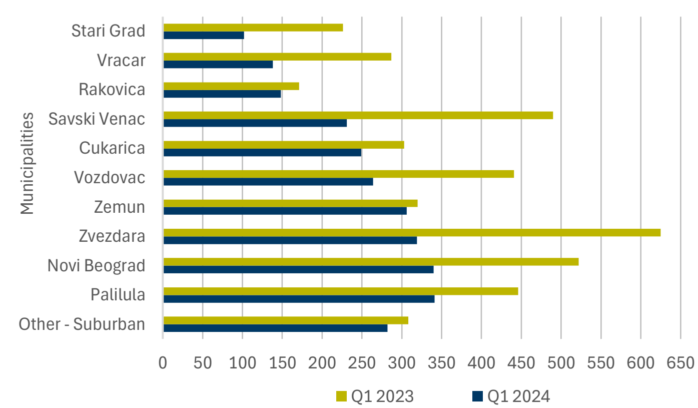
In 2023, the number of issued construction permits for residential buildings in Belgrade rose by 6% on an annual level, as compared to 2022 and amounted to 2,567 permits. At the end of the year, the share of permits for residential buildings was 72% of the total building permits issued in Belgrade, which is at a similar level as in the previous two years. Even though the residential market performed well on the supply side during the 2023, demand for apartments declined, since the number of sold units dropped by 25% in comparison with 2022. The same trend continued in 2024 when Q1 marked a further weakening in the number of transactions, i.e., 2,720 apartments were sold. The overall decline was 34% as compared to Q1 2023, while the most significant slowdown was noted within the municipalities which command the highest sales prices - Stari Grad (-55%), Savski Venac (-53%) and Vracar (-53%). On the other side, several suburban municipalities recorded positive figures in terms of the demand in the opening quarter of the year, i.e., the number of sold units increased by 41% in Lazarevac municipality, followed by Obrenovac (+24%) and Grocka (+10%). However, it should be noted that the decline in transactions is partially caused by a large share of Pre-Sale Agreements concluded on the market due to the prolongation of the process of issuing building permits, which are not included in the official data on the total number of sold apartments.

ISSUED PERMITS FOR RESIDENTIAL BUILDINGS IN BELGRADE



Source: Statistical Office of the Republic of Serbia

NUMBER OF SOLD UNITS IN BELGRADE MUNICIPALITIES



Source: Republic Geodetic Authority

The reason for reduced demand is the overall economic slowdown in Serbia and globally, whereas the inflator pressures in the previous two years had an impact on the purchasing power of the buyers. The significant increase in the prices was not followed by the growth in household income, therefore, buyers who were aiming to buy the apartment for their own needs postponed the decision to buy. Also, due to the high interest rates of housing loans, the number of credit buyers dropped from 26% in 2022 to only 17% in 2023. Therefore, buyer sentiment was more cautious, especially among housing-loan-dependent buyers, and the same trend will continue in 2024 until the situation with the interest rates improves.

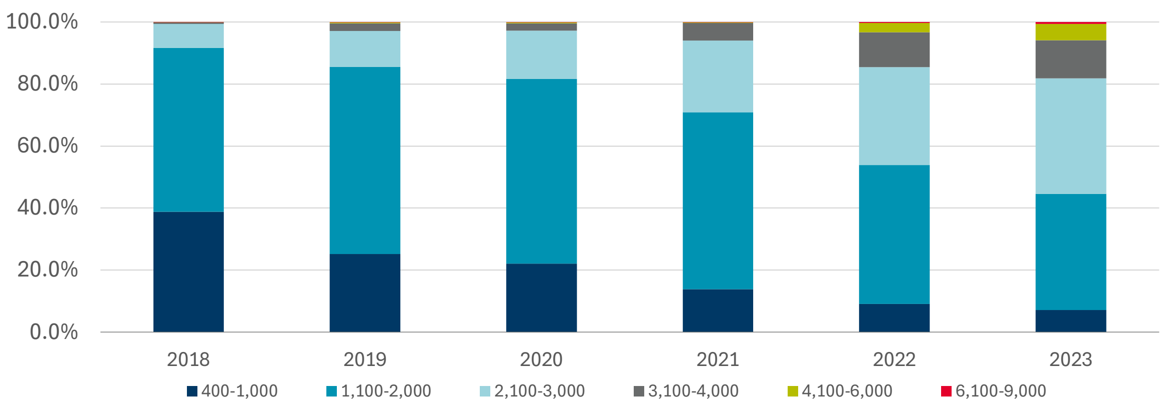
PRICING

According to the Statistical Office of the Republic of Serbia, the average sales price of newly built apartments in Belgrade amounted to EUR 2,661/sq m at the end of 2023, which is a slight decline as compared to the first half of the year. In 2023, the Belgrade residential market saw a stabilisation of the prices, i.e., slight growth was noted, however, it remained to be a single-digit for most of the year (3%). Within Belgrade's urban municipalities, Savski Venac (EUR 4,193/sq m), Stari Grad (EUR 3,535/sq m) and Vracar (EUR 2,977/sq m) achieved the highest average sales prices during 2023, while the most significant growth in sales prices was noted in Rakovica (20%) and Vracar (16%) municipalities.

According to the Republic Geodetic Authority's data on registered S&P agreements, demand for apartments within the higher price ranges has been on the rise, particularly in the range between EUR 3,100-4,000/sq m. Also, the number of transactions in the highest price range between EUR 6,100-9,000/sq m amounted to 91 sold units, while two years earlier, only 16 transactions were recorded. The largest share in total demand represents apartments purchased at the price range between 2,100-3,000/sq m, i.e., 38%, followed by the price range of EUR 3,100-4,000/sq m which participated with a share of 37%.

It is expected that the signs of the stabilization of the residential market will become more evident in H2 2024, due to the forecasted further slowdown in the demand. Even though the Serbian market has a large share of speculative buyers from the diaspora, who mostly buy apartments in higher price ranges, foreign demand may also be affected by the economic slowdown in their countries. However, a sharp decline in the sales prices is not expected, considering that Serbia is still undersupplied in terms of residential units and the fact that demand strongly overcomes new supply for several years in a row. Furthermore, the residential market in Serbia is still the main investment opportunity and the share of investment buyers is still significant.

SHARE OF TRANSACTED RESIDENTIAL UNITS ANALYSED PER PRICE RANGES 2018-2023



Source: Republic Geodetic Authority, Total number of registered S&P agreements, compiled by CBS International

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