

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
8,506 Number of issued building permits for residential buildings H1 2024	▲	▲
12,361 Number of sold apartments Q1-Q3 2024	▬	▬
€2,623 Average sales price of newly-built apartments in H1 2024	▼	▬

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
4% GDP Growth rate Q2 2024	▼	▲
6.3% Belgrade Unemployment Rate Q2 2024	▲	▲
€1,047 Belgrade Average net salary Q2 2024	▲	▲

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

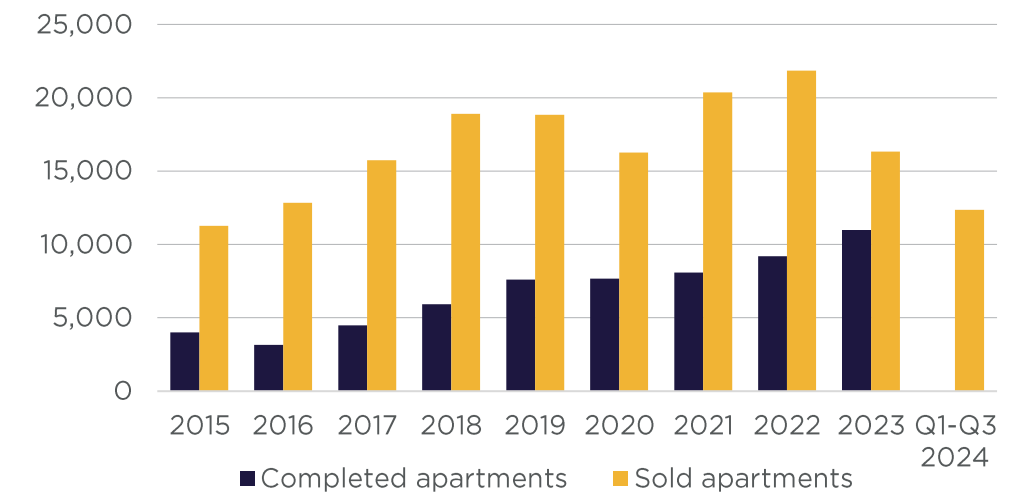
ECONOMY

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

SUPPLY

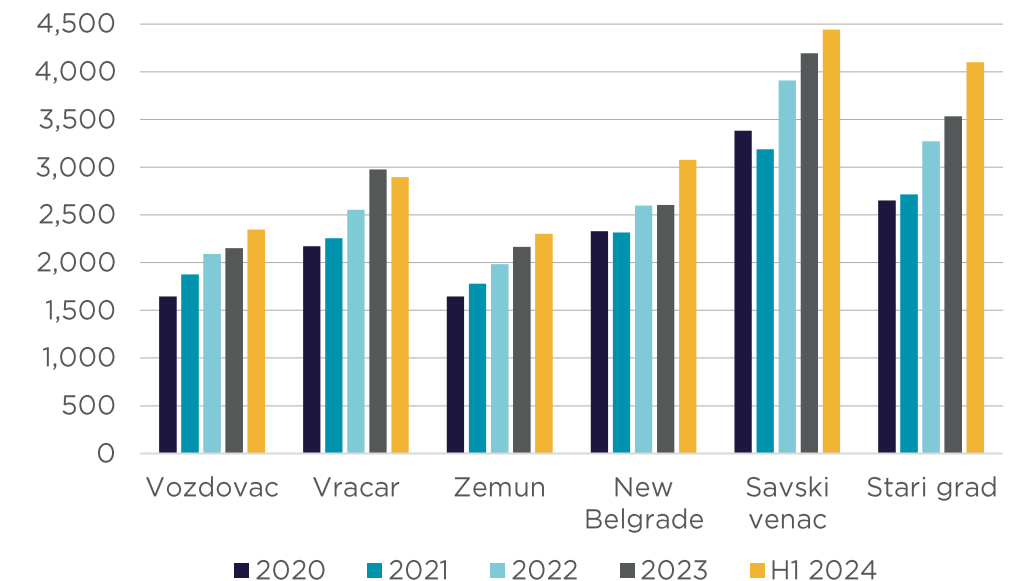
Analysing the first six months of 2024, the number of issued building permits for residential buildings in Serbia amounted to 8,506, which is a growth of 6% compared to H1 2023. Also, the residential segment achieved the largest share in the total number of issued permits in the mentioned period, i.e., 64%. After a slowdown in the construction activity in the first half of 2023, the first two quarters of 2024 noticed strong activity on the supply side, marked by the commencement of several large projects and new phases of existing residential developments. New Belgrade remained the most active area, with 14 large-scale projects under construction. Israeli developer Shikun & Binui Europe have two projects under construction in Block 65, i.e., the fourth phase of the already established condominium Wellport, as well as the newest project named Newport, both planned to deliver around 500 apartments.

SUPPLY VS DEMAND IN BELGRADE



Source: Statistical Office of the Republic of Serbia; Republic Geodetic Authority

SALES PRICES



Source: Statistical Office of the Republic of Serbia

In the neighbouring block 64, the second phase of another large project Soul 64 started, as well as a 20-storey tower within the second phase of The One project. Another active developer in the same area is Galens Invest whose large project New Minel, has entered the second phase, while Pupin's Palace is in the preparation phase. Additional projects in this area include Terminal 10 Residences, Kwart 64, Airport Garden, Bel Mondo, Lastavice, Panorama 26, etc. Among the largest planned projects are Delta Land and UDI Duga in Palilula Municipality, Jakub Kuburovic in Zemun, Starry Hill in Zvezdara Municipality, former Hotel Jugoslavija in New Belgrade Municipality, etc.

DEMAND

After a decline in demand for the residential market during the 2023 (-25%), the situation moderately improved in 2024. In the period Q1-Q3, slightly above 12,000 units were sold in Belgrade (including newly built units and secondary market), similar to the same period last year, and the market entered a stagnation phase. Analysing Q3 only, demand in Belgrade residential market grew 11% year-on-year, when 4,000 apartments were sold. Between Belgrade's central municipalities, the strongest demand in the third quarter was noted in Zvezdara, which participated with a share of 16% in the total number of sold units, followed by New Belgrade (14%) and Vozdovac (12%). Overall, all Belgrade municipalities performed well, except for Savski Venac and Stari Grad, where the volume of transactions decreased by 40% and 12%, respectively.

PRICES

According to official statistics, the sales prices in Belgrade were at a similar level as in 2023 and amounted to EUR 2,623/sqm in H1 2024 in the segment of newly-built apartments, with a minor y-o-y decline of 2%. Having in mind a stagnation in demand and a decline of 8% in the total turnover in the segment of residential properties in Belgrade in the first half of 2024 compared to the same period last year (1 billion euros), significant growth in the sales prices in the Serbian capital is not expected in the following period.

MARKET OUTLOOK

- Construction activity will remain strong, numerous projects announced for development
- Positive momentum in Q3 indicates renewed demand in the second half of the year. It will be additionally supported by easing credit conditions
- Further easing of monetary policy, which already increased the number of credit buyers of apartments from 16.5% in Q2 2023 to 22.6% in Q2 2024
- Sales prices will remain stable in Belgrade, with possible increases in certain municipalities with limited offer
- In the following period, factors such as credit conditions, inflation movements and the situation in the construction sector will be decisive factors in market movements.

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