

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
590,000 Belgrade Retail Stock	▲	▲
€48-50 Average prime SC rent, sqm/month	▲	▲
8.00% Prime SC Yields	▼	▼

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

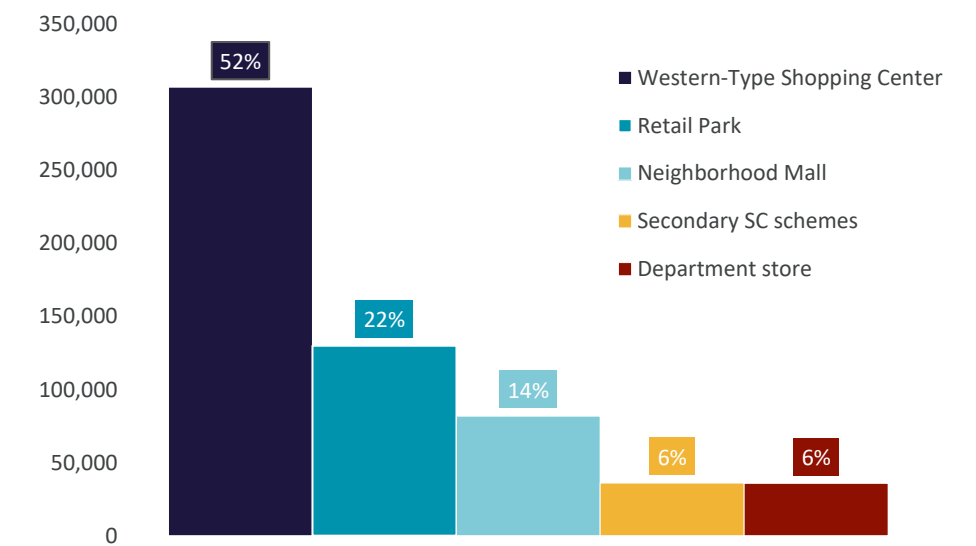
ECONOMY

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 the 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.

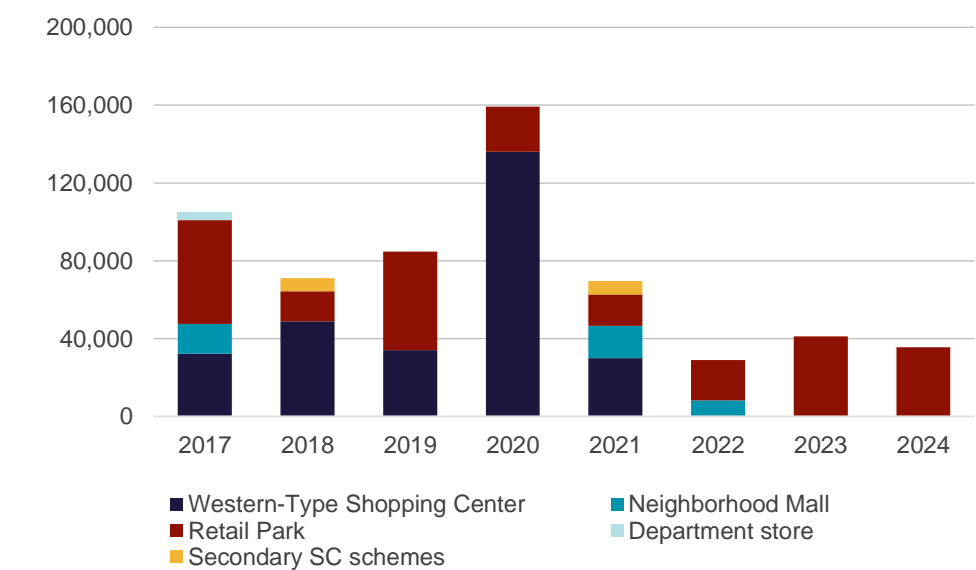
SUPPLY

With no new completions in Q3 2024, Belgrade's modern retail supply remains at the level of 590,000 sq m. In the previous 7 quarters, Belgrade's modern retail stock increased by 14,500 sq m, with the completion of the second phase of NEST Obrenovac and IKEA's AVA Shopping park, demonstrating the slower development activity. The investors' focus on the smaller Serbian cities is palpable, as an additional two Serbian cities witnessed the new openings. After the earlier completion of the Nova Retail Park in Ub municipality, the local investor Donic has completed the construction of the retail park Riva of 5,600 sq m in Velika Plana, while the 7,000 sq m large King's Retail Park was opened in the city of Valjevo. New completions have further increased the total retail stock in Serbia to 1,262,434 sq m. Looking at the structure of new completions, retail parks are the frontrunners for a while. Over the past three years, of the 16 new or expanded formats, only 2 are neighbourhood malls, with all the remaining formats being retail parks.

SUPPLY PER TYPE OF SCHEME IN BELGRADE

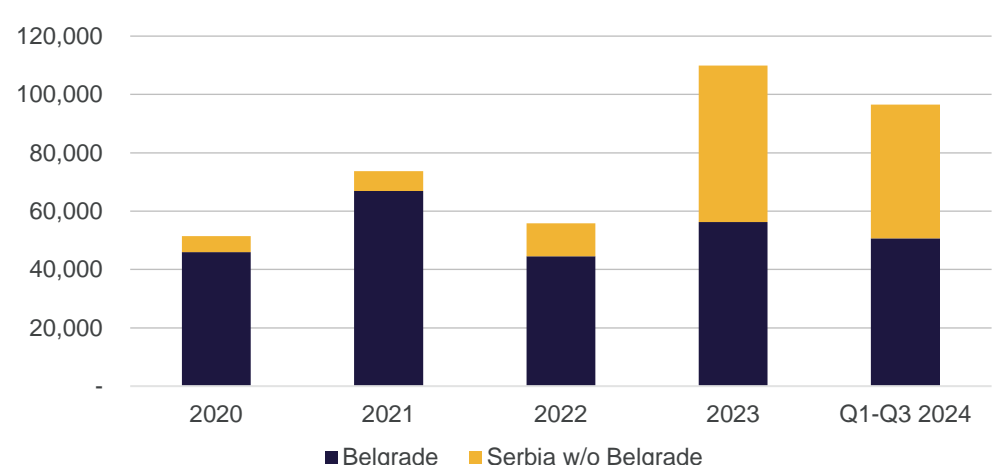


NEW SUPPLY PER TYPE OF SCHEME IN SERBIA

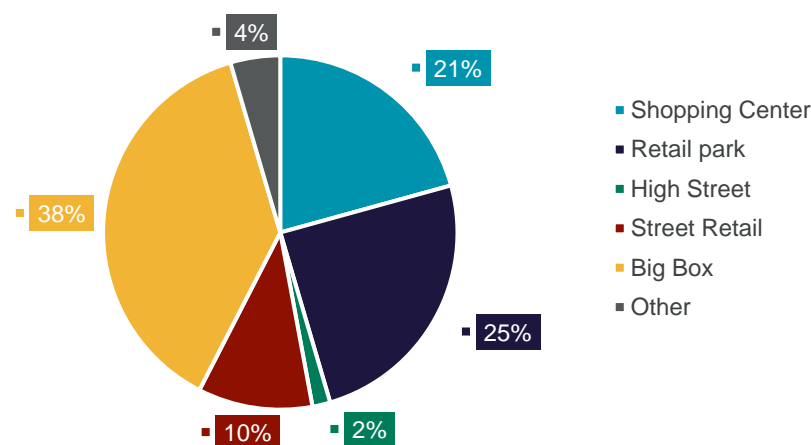


Source: CBS International

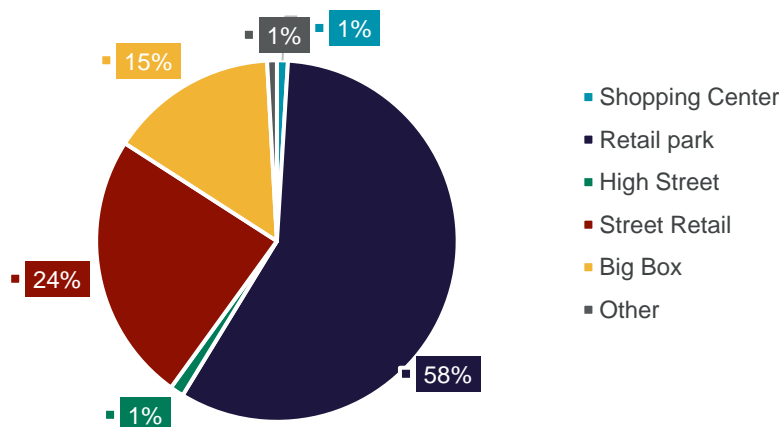
ANNUAL RETAIL TAKE UP (SQ M)



TAKE UP PER TYPE OF SCHEME / BELGRADE



TAKE UP / SERBIA WITHOUT BELGRADE



Source: CBS International

DEMAND

Following the strong leasing activity recorded in Belgrade during the 2023, when app. 57,000 sq m were leased, the first three quarters of 2024 achieved similar positive results. Namely, the total demand in Belgrade amounted to 11,000 sq m in Q3, which led to a total take-up of 50,700 sq m in this year's Q1-Q3 period.

Looking at the country level, the total take-up was 27,000 sq m in Q3 2024 alone, together with the deals signed in Belgrade. In the first nine months of 2024, the total demand in Serbia amounts to 96,600 sq m. Analysing demand as per the most attractive retail formats, in Belgrade big-boxes, retail parks as well as shopping centres mark a significant share, while in other Serbian cities retail parks are dominating with a share of nearly 60%.

PRICING

Due to the strong demand for the retail park segment, the rental levels slightly increased to EUR 9-13/sq m/month on average. As per the rental levels in shopping formats, Belgrade's major shopping centres have kept the average rent levels stable, with rates between EUR 22-28/sq m/month, with prime units ranging from EUR 45-50 per square meter per month.

High street locations are increasingly becoming attractive primarily for service-oriented businesses and the food and beverage (F&B) sector. Traditional retail stores, especially in sectors like fashion or home goods, have gradually moved away from these locations to retail formats. Although in the most attractive locations, the headline rents for premises on the main pedestrian streets are still traditionally high and mostly stable, there are rent reductions, especially visible for premises at less attractive locations, where the asking rent price is being reduced by 10 to 15%.

The largest investment transaction in the retail segment was noted recently when Promenada SC in Novi Sad was sold for EUR 177 mln to Israeli BIG CEE. The yields for premium shopping centres in Belgrade range between 8.00-8.50%. Retail parks mark yields of 8.25-9.00%, while big-box formats indicate yields between 8.50-9.00%.

BIG-BOX FORMATS

The market share of hypermarkets and retail chains in Serbia has been constantly growing during the past years. In more developed regions of the country, such as Belgrade, there is a larger participation of hypermarkets and supermarkets, while in Eastern Serbia the participation of classic shops and self-service groceries/small groceries is larger. At the end of Q3 2024, the total stock of retail warehouse (Big-Box) stands at 993,750 sq m, while Belgrade counts for 451,300 sq m GBA.

OUTLOOK

- Retail parks are leading the way, showing strong resilience, as they typically attract both cost-conscious shoppers and retailers due to their affordability and adaptability. By the end of 2025, 14 new retail parks, totalling 140,000 sq m will be delivered to the Serbian market
- The push for sustainable practices is bringing ESG to the forefront of shopping centre operations as well. At the moment, out of the 1.2 million sq m that makes Serbian modern retail stock, 23% are retail schemes that have LEED or BREEAM certificates. The most recent format that obtained LEED Gold certification in 2024, is BEO Shopping Centre
- Western-style shopping centres will remain prime locations for retailers, especially upscale brands, as no new retail formats are on the horizon. In the medium term, rents in top-tier centres may see a slight increase, with retail parks also expected to experience rent growth. High street zones, however, are unlikely to see rent increases.

MARKET STATISTICS

CITY	RETAIL STOCK (SQ M GLA)	DENSITY (RETAIL STOCK PER 1,000 INH.)*	RETAIL PIPELINE (SQ M GLA)	AVERAGE PRIME RENT IN SHOPPING CENTRES (€/ sqm/ month)
Belgrade	590,845	351	32,000	45-50**
Novi Sad	124,399	337	-	20-35
Nis	76,617	307	-	18-30
Kragujevac	65,216	381	-	15-30
SERBIA TOTAL	1,262,434	190	140,000	

* Census 2022

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

CONSTRUCTION COMPLETIONS IN BELGRADE AND SERBIA Q3 2024

PROPERTY	SUBMARKET	TYPE OF SCHEME	SIZE (sqm GLA)	DEVELOPER
King's Retail Park	Valjevo	Retail Park	7,000	King Komerc Valjevo
RIVA Shopping Centar	Velika Plana	Retail Park	5,600	Donic doo Velika Plana

KEY ONGOING PROJECTS IN SERBIA

PROPERTY	SUBMARKET	TYPE OF SCHEME	DEVELOPER	SIZE (SQM GLA)	DELIVERY YEAR
BIG Cacak - 1st phase	Cacak	Retail Park	BIG CEE	16,000	2025
Smederevo Retail Park	Smederevo	Retail Park	Coka Smederevo	15,000	2025
NOVA Retail Park	Sid	Retail Park	Go Shop Retail Park	12,000	2025
SHOP PARK	Arandjelovac	Retail Park	Niksen Ltd.	9,745	2024
STOP SHOP	Prokuplje	Retail Park	CPI Property Group	9,000	2024
Shopping Park	Ruma	Retail Park	Local developer	7,000	2024
SUper Shop	Subotica	Retail Park	MD Inzenjering	5,100	2024
NEST Kikinda	Kikinda	Retail Park	RC Europe	5,000	2024

SELECTED NEWCOMERS 2024

PROPERTY	SUBMARKET	TENANT	TYPE OF SCHEME	SIZE (SQM GLA)
BW Galerija	Belgrade, City Centre	Il Gufo	Shopping centre	120
BW Galerija	Belgrade, City Centre	Jamie's Italian	Shopping centre	650
Street location	Belgrade, Kvantas	Mömax	Big Box	4,700
BW Galerija	Belgrade, City Centre	Hogan	Shopping centre	150

KEY SALES TRANSACTIONS 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SIZE	SELLER / BUYER
Promenada SC	Novi Sad	Univerexport	49,000	NEPI RockCastle / BIG CEE

Source: CBS International, part of Cushman & Wakefield Group

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