



SERBIA MARKET REPORT S1 2023

MACRO FIGURES

Global economic events have caused the real estate market to slow down in many European countries. Our market has proven resilient to global trends in terms of transaction volume. After three years of rapid price growth during the pandemic, the real estate market looks set to stagnate. By all accounts, monthly sales are slowly falling.

Construction activity is slowing down in certain cities or parts of the city.

Uncertainty in the market and rising prices marked the real estate sector worldwide at the end of 2022. High demand, withdrawal of investors and increasingly expensive loans have completely disrupted the market and drastically raised the prices of square footage and real estate leases. In the new circumstances, turnover can be expected in our market. After a surge in the market in the last two years, real estate sales stagnated in the first quarter of 2023.

The real GDP growth in the first quarter of 2023, compared to the corresponding period of the previous year, amounted 0.7%.

According to seasonally adjusted GDP data, gross domestic product decreased by 0.2% in the first quarter of 2023, compared to the previous quarter.



Source: Ministry of Finance of Republic of Serbia, NBS, Statistical Office of Republic of Serbia, Danos RESEARCH

SERBIA ECONOMY S1 2023 OVERVIEW

Prices of goods and services used for personal consumption in April 2023 in relation to March 2023 increased by 0.7% on average.

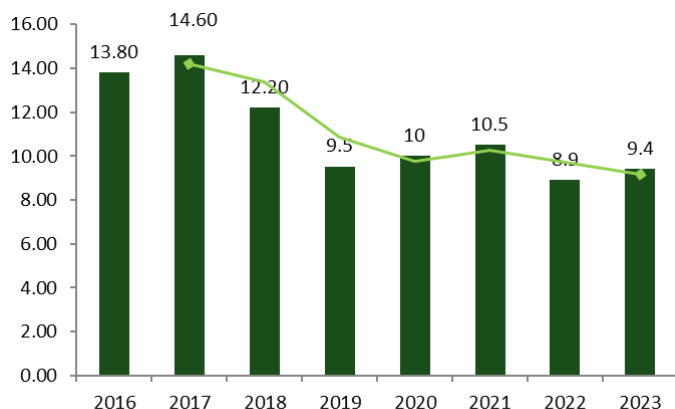
Consumer prices in April 2023 increased by 15.1% in relation to April 2022 and in April 2023 in relation to December 2022 increased by 4.4%, on average.

Forecast for Serbia economic growth in 2023 will be 1.9%, while in 2024 GDP growth will amount to 3.0%, according to the European Commission. Economic growth in Serbia will slow down in 2023 due to high inflation affecting private consumption and real incomes and will accelerate in 2024.

Economic growth will primarily be affected by the growth of consumption and a slight increase in the number of investments in the coming period. It is expected that Serbia will improve the performance of its exports in 2023, considering recent foreign direct investments in the trade sector. The inflation rate in Serbia was constantly increasing in 2022 and at the beginning of 2023, when it reached 16.2% in March compared to the same month last year.

Inflation in Serbia will peak this spring, and it is expected to stabilize by the end of the year and fall to single digits in 2024. The reduction of inflation will be favourably influenced by the tightening of monetary policy in Serbia and the world, as well as the favourable development of product prices.

UNEMPLOYMENT



CPI



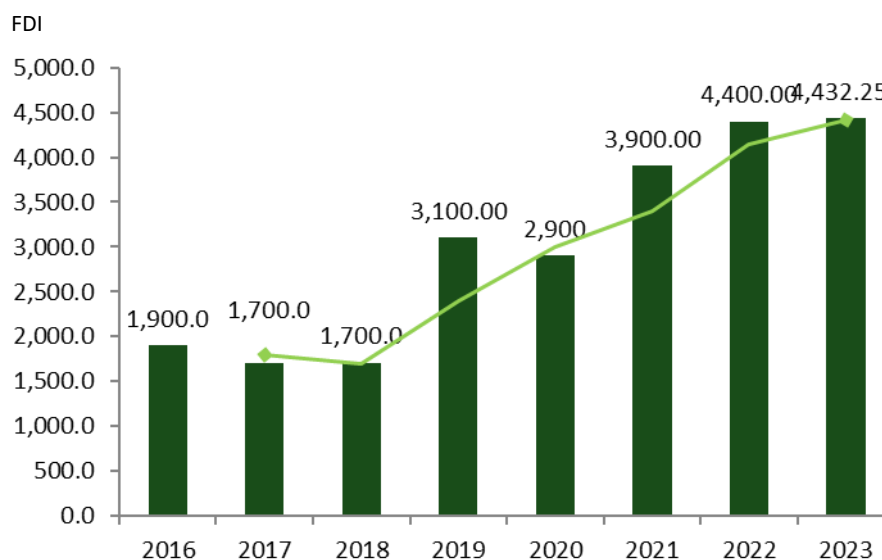
Average gross salaries and wages calculated for March 2023 amounted to 117 669 RSD, while average net salaries and wages amounted to 85 485 RSD.

Gross salaries and wages and net salaries and wages in the period January–March 2023, relative to the same period last year increased by 15.5% in nominal terms and decreased by 0.4% in real terms.

Compared with the same month last year, average gross salaries and wages and net salaries and wages for March 2023 increased by 14.5% in nominal terms and decreased by 1.5% in real terms.

Median net salaries and wages for March 2023 amounted to 64 363 RSD, meaning that 50% of employees realized wages and salaries up to the mentioned amount.

Serbia Foreign Direct Investment (FDI) increased by 443.2 USD mn in Mar 2023, compared with an increase of 256.7 USD mn in the previous month.



REAL ESTATE MARKET

Serbia's real estate market experienced record demand for office, logistics and residential space this year and this growth trend will continue in 2023. Banks will be somewhat stricter in terms of granting loans and financing conditions will tighten but the overall outlook is still positive.

Strong demand for logistics and office space

According to the results of the first quarter of 2023, the Republican Surveyor Institute has recorded positive trends for investors in the Serbian real estate market. Prices and the number of concluded contracts continue to grow.

The logistics market is also crisis-resistant, proven by the fact that developer CTP Serbia plans to double its Serbian portfolio next year and build an additional 250,000 sqm. The ongoing nearshoring trend – where companies are changing their strategies due to the collapse of supply chains, therefore relocating production facilities from the Far East to Western Europe – presents an opportunity for the region and Serbia.

Serbia has a lack of Class A logistics space, which coupled with nearshoring trends and ongoing infrastructure projects that create new opportunities, makes a compelling case for investors and banks. Demand for office space has doubled this year, so it's no surprise that developers are currently building around 200,000 sqm of new office space in Belgrade. 20% of the entire office stock is being newly built or refurbished which presents a good opportunity for equity investors. The banking sector will continue to support the economy and the real estate sector, with constant monitoring of market changes and taking the necessary precautions in order to preserve the quality of existing loans in the real estate segment, as well as structuring new loans in a way that protects both clients and the bank.

OFFICE MARKET REPORT S1 2023

A positive trend on the real estate market in Serbia continues, and with the constant growth in demand, we expect that it will continue in the coming period.

OFFICE PROJECT			
Project/Investor	Location	Area (sqm)	Status
AFI CITY ZMAJ	Zemun	70.000	Open
GTC X	New Belgrade	17.000	Open
West 65 Tower	New Belgrade	70.000	Open
Bridge Plaza	New Belgrade	15.000	Open
Alco Bussines Center	New Belgrade	13.500	Open
Green Escape/Imel Group	New Belgrade	69.000	Open
TLD	Belgrade - center	8.300	Open

Source: Danos RESEARCH

MARKET TRENDS

Demand	↗
Vacancy	↘
Rents/Sale	↗
Short term outlook	↗

Class A office buildings in CBD €/sqm
17

Class B office buildings €/sqm
10 - 15

prime
yields 8 %



**TOTAL
A AND B
OFFICE STOCK BELGRADE**

**Over 1.245
million sqm**

In the last two years, the Serbian office space market had a huge expansion. A modern models of business premises, which meet technological and energy standards and increasingly take care of employees, have become the most sought after.

OFFICE PROJECT - PIPELINE			
Project/Investor	Location	Area (sqm)	Status
B23 OFFICE PARK	New Belgrade	57.000	Under construction
BIG CEE office project	New Belgrade	90.000	Announced
Airport City 5th phase	Block 65/New Belgrade	15.000	Under construction
Skyline / AFI	Belgrade	30.000	Under construction
GTC	New Belgrade	72.000	Planned
Revolucija office building	Belgrade - center	10.000	Under construction
TB 65 Office building	New Belgrade	14.400	Open
BIGZ	Belgrade - center	40.000	Reconstruction
Brankov Business Centre	Belgrade - center	10.500	Under construction

The total supply of modern office space in Belgrade has reached more than 1,245,000 sqm, with a "prime yield" of 8% in 2023, representing a year-on-year growth of 45%. Availability remains low with the vacancy rate standing at 2.10% for Class A. Prime rents remained stable in a range between 15-17/ sqm/month. Premises in New Belgrade remain the most interesting, but an increase in demand and construction development has been noted in Belgrade center.

Expectations for Belgrade office market is to deliver additional sq m of new office space by the end of 2023.

High-quality office buildings, class A+, which address the needs of major international companies that think on long-term basis and can recognize the importance of higher initial investments and the advantages that brings to their employees and their actual business.

In 2023, an increase in operating costs is expected, due to the expected increase in energy prices and the increasing rate of inflation.

RETAIL MARKET REPORT S1 2023

The retail real estate market in Serbia has slightly slowed down at the end of 2022.

Still new pipeline projects and new retail parks deliveries all over Serbia shows that this slow down can be only temporary. In addition to the expansion of existing spaces, especially when it comes to retail parks, new projects have also been announced.

Since in 2022, the increase in the turnover of tenants is also evident, the retail sector has also recorded an increase in rental prices of up to 15%.

The most preferred retail scheme for tenants were retail parks, followed by shopping centres. The total retail stock in Belgrade remains at the level of around 500,000 sqm of GLA. Belgrade shopping centres maintain a stable level of rents, between EUR 20-29/sqm/month, while the base rents for retail parks in Belgrade amount to EUR 8.5-12/sqm/month.

**PRIME SHOPPING
CENTER STOCK-Belgrade**

500.000 sqm GLA

Rental levels in Belgrade – shopping centers

26 eur/sqm – 29 eur/sqm

**prime
yields**

8.28 %



Rental levels – retail parks

8.5 eur/sqm – 12 eur/sqm

**prime
yields**

8.28 %



RETAIL MARKET REPORT S1 2023



New openings

BIG PAZOVA – Nova Pazova
 DIVAO P RETAIL PARK – Obrenovac
 NEST OBRENOVAC – II phase

OVERVIEW

Belgrade with his surroundings noted the opening of the BIG PAZOVA in Nova Pazova and two retail parks in Obrenovac – Divao Properties Retail Park and Nest – second phase.

At the beginning of 2023, Belgrade retail supply reached the level of around 500,000 sqm.

Pipeline projects

The next BIG shopping center is planned in Čačak - Six buildings on more than 20,000 sqm. Company BIG CEE announced several new projects in Krusevac, Kragujevac, Zrenjanin and Indjija.

The new retail parks in Loznica and Arandjelovac are planned to open during the last quarter of next year by Shop Parks.

Two Retail parks are currently under construction – Vrbas and Ruma, as well as Retail park Surcin – final phase.

The Eurasia Trade Center investor in New Belgrade between Nova 15, Nova 16 and Juriša Gagarina streets plans to build a new Chinese shopping center.

Marera properties announced expansion of Zemun Retail Park for additional 8,000 sqm.

The overall vacancy remains stable in shopping centers as well as in retail parks.

Expectations for 2023 are significant changes in the retail market. The current climate and sales are directly influencing retail brands operating decisions and how they gain customers.

MARKET TRENDS

Demand	
Vacancy	
Rents/Sale	
Short term outlook	

LOGISTIC MARKET REPORT

Growth in demand in Serbian logistics market. Total capacities in Serbia increased

OVERVIEW

Comparing the countries in the region, Serbia is very much ahead of the curve considering a numerous foreign direct investments. The logistics and transport market is constantly growing in Serbia.

The favorable geographical location of Serbia has had a beneficial effect on our becoming a leading regional center. Still it seems that Serbia has not yet utilized all its potential, but it is on the right track.



1.130.000 SQM
STOCK



€4.8/SQM PRIMARY
LOCATION RENTS



5% AVRG
VACANCY RATE



7.8 % PRIME YIELD

Warehouse rental prices were stable during S1 2023, remaining at the level of 4.8 euros per square meter per month (prime rents). Rent prices for lower-quality facilities are also stable and range from 2 to 4.50 euros per square meter per month. Total capacities reached 1,130 thousand square meters.

Although the development of the logistics sector has been evident in the last few years, this segment of the real estate market was seen as an opportunity for development and attracting new investments.

Throughout Serbia, in the vicinity of large cities, the development of significant logistics projects is noticeable. Locations with good transit accessibility and low business costs are particularly interesting. In 2022, the total stock of logistics space increased by 16%, and vacancy is at an extremely low level for newly built and existing facilities. The rent level remained stable. In this sector, there is a pronounced trend of signing new contracts for the lease of buildings for which construction is still being planned.

The logistic market in Belgrade and the neighbouring municipalities Stara Pazova and Pecinci continued to perform strongly. There is a noticeable trend of building industrial parks with large capacities for both storage space and light production.

Numerous facilities were delivered in 2023 – Continental Tobacco in Simanovci, Milsped in Krnjesevci, II phase of distribution warehouse of Delta Real Estate in Nova Pazova. In secondary cities Continental in Kac and Etampa in Krusevac.

Announced projects for the Belgrade and the wider Belgrade area – IPB-7 phase in Krnjesevci, Besico in Nova Pazova, VGP park in Dobanovci, Palfinger in Nis, Haitian machinery in Ruma, Roloplast Mosaic, Lidl II phase in Lapovo, Minth in Loznica and Sabac.

CTP staid one of the most active in this sector with current construction of CTPark Belgrade Center 1, planed CTPark Belgrade Center 2 and phases of CTPark West. In addition CTPark North 5 – under construction and planned CTPark North 6 and 7, CTPark Novi Sad.

RESIDENTIAL MARKET REPORT

Positive trends for investors in the Serbian real estate market. Prices and the number of concluded contracts continue to grow

OVERVIEW

The real estate market in Serbia is reaching its peak when it comes to prices. According to estimates, slight stagnation is expected, but not a significant drop in prices.

Belgrade continues to increase the number of concluded transactions in the real estate market. The price increase did not adversely impact the number of sold apartments.

SERBIA RESIDENTIAL MARKET

At the beginning of 2023 a few projects were completed. Palata Cvijiceva, and Elixir Garden.

Notable pipeline brings planned or projects under construction. Marina Dorcol, Park Vila Residence, Kosa Kwart, Novi Dorcol, Lastavice, Airport Garden, BIG Residence, Vojvoda Residence, Banovo Brdo Residence, Landmark Residence. Belgrade Waterfront is under construction with multiple projects

New square footage is being prepared in New Belgrade - The Newport residential and business complex announced construction in the immediate vicinity of the West 65 and Wellport complexes, as well as Airport City in New Belgrade.

At the corner of Milutin Milanković and Omladinskih brigada, the construction of a residential and business complex is starting-Railway City from Belgrade.

Alta Holding plans to build a residential and commercial complex and a religious building (Church of the Annunciation) in the block between Jurija Gagarina, Uroš Martinović and Red Army Boulevard in New Belgrade.

The company DB Set Up Solutions is planning the construction of residential and business complex "Pupinova palata - New Belgrade", in New Belgrade.

Soul 64 will be constructed in New Belgrade, as well as The One second phase.

Average realised price of apartments - New build

2560eur/sqm

Average realised price of apartments - Old build

2015eur/sqm

Source: Ministry of Finance of Republic of Serbia, NBS, Statistical Office of Republic of Serbia, Danos RESEARCH

RESIDENTIAL MARKET REPORT

RESIDENTIAL PROJECTS			
Project	Location	Total size sqm / Units	Status
LANDMARK RESIDENCE	Belgrade	121/13	Announced
CENTRAL PLAZA	Belgrade	63	Under Construction
SOUL 64	New Belgrade	9 buildings	Announced
ALTA HOLDING - Blok 67a	New Belgrade	358/28/52	Announced
RAILWAY CITY	New Belgrade	244/52	Announced
NEWPORT	New Belgrade	50.000sqm 104/14/4	Announced
VICTORY GARDENS	Belgrade	210.000 sqm	Announced
ELIXIR VOZDOVAC	Belgrade	125.000sqm	Announced
BEZANIJSKA KOSA	Belgrade	13.500sqm / 126/32	Announced
BW WATERFRONT	Belgrade	By phases	Under Construction
KULA BELGRADE	Belgrade	65.000 sqm	Under Construction
LUX 51	Belgrade	280/48	Under Construction
ZEMUN VISTA	Zemun	100	Under Construction
WEST 65 TOWER	Novi Beograd	40346 / 294	Under Construction
WELLPORT	Novi Beograd	50000 / 500 in phases	Under Construction
PARK VILA RESIDENCE	Vozdovac	Na / 330	Under Construction
SAKURA PARK	Novi Beograd	37500 / 228	Under Construction
ZEPTERRA	Novi Beograd	75000 / 227	Delivered
THE ONE	Novi Beograd	91000 / 230	Delivered
NEW MINEL	Novi Beograd	61000 / 328 in phases	Under Construction
KENNEDY RESIDENCE	Novi Beograd	38000 / 170	Delivered
PETICA	Novi Beograd	60000 / 308	Delivered
ZELENA AVENIJA	Zemun	233/36/35000	Under Construction
LASTAVICE	Zemun	69100 / Na	Under Construction
VOJVODA RESIDENCE	Vozdovac	Na / 127+	Under Construction
ELIKSIR GARDEN	Novi Beograd	50900/237+20	Delivered
PUPINOVA PALATA	Novi Beograd	116.291sqm 691/45/20	Announced

The increased inflow of foreigners as a consequence of the Russian Ukrainian crisis, have led to an additional pressure on the growth of prices of apartments.

Although the market slowdown was felt at the end of 2022 and the beginning of 2023, it did not have much of an impact on the drop in prices, which remained at a high level.



TOURISM & HOTEL MARKET REPORT S1 2023

Recovery of tourism in Serbia

OVERVIEW

In the Republic of Serbia, in May 2023, compared to May 2022, the number of tourist arrivals was by 8.0 % greater, while the number of tourist overnight stays was by 3.8 % greater.

In May 2023, compared to May 2022, the number of overnight stays of domestic tourists was by 1.2 % greater, while the number of overnight stays of foreign tourists was by 7.5 % greater.

The Republic of Serbia has won the acknowledgement “10 Destinations Worth Waiting For” for 2023, awarded by the association National Tourism of China.

Serbia is becoming an increasingly popular tourist destination.

Noting a significant increase in the number of tourists in the first five months of this year, when 1,477,194 visits were registered, which is an increase of 16.5% compared to the same period last year, the latest results of the Republic Institute of Statistics show.

Domestic tourism, regardless of worse weather conditions, recorded a growth of 4.9 %, which indicates a trend of increased interest in travel and visits to attractive destinations in Serbia.

At the same time, the number of foreign tourists increased by a third, which confirms that Serbia is successfully returning to the international tourist scene.

The largest number of tourist arrivals was recorded in Belgrade - with an increase of 29%, followed by Zlatibor and Vrnjačka Banja, while domestic tourists also opt for Soko Banja.

The largest increase in foreign guests was registered from the Russian Federation, Bosnia and Herzegovina, North Macedonia, Turkey, Croatia, Bulgaria, Montenegro, Germany, Slovenia, Romania, China, Greece, Hungary, Italy and Austria.

Zlatibor is getting a new 5-star hotel - Bor Squared, By Karisma will open by the end of 2023.

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