

SERBIA

# Retail Market Snapshot

First Quarter | 2018



## Overview

Serbia's GDP growth amounted to 1.9% in 2017, which was below the projections. Still, GDP grew by 4.5% in Q1 2018 in comparison with the corresponding period of the previous year. In 2018 and over the medium term, the growth is expected to pick up, thus helping the labor market recovery and poverty reduction. The growth is expected to be driven by increased investment, stimulated by reforms to improve the business climate, and by the recovery of consumption. The growth is projected to be around 3–4% over the medium term. The average salaries were increased by 3.9% in nominal terms in 2017 as compared to 2016, mainly driven by 4.5% growth in wages in the private sector.

## Occupier focus

Since the Serbian retail market was enriched with 7 new schemes during 2017, totaling over 98,000 sq m of GLA, numerous new retailers entered Serbian retail market, such as Reserved, Sinsay, Tezenis, WYCON Cosmetics, NYX Cosmetics, Lego, Under Armour, Armani Exchange, Dune London, SuperDry etc. The number of international brands looking to enter Serbian market is also growing, yet at this moment, there is still a lack of modern shopping destinations. With 208 sq m of shopping space per 1,000 inhabitants only and the total retail stock of 345,000 sq m of GLA, Belgrade is one of the least supplied capitals in the region.

## Developer focus

Retail parks lead development sector in Serbia, marking huge expansion in the previous few years. In Q1 2018, two new retail parks were delivered to the market, Stop.Shop. formats in the cities of Pozarevac and Vrsac, developed by Austrian Immofinanz Group, totaling 15,450 sq m of GLA. New completions led to the increase in the Serbian retail stock to the level of app. 732,000 sq m of GLA, while the share of the retail park formats equals 38% of the total stock. Furniture retailer Emmezeta opened its third store in Nis, which has brought the total Retail Warehouse stock to the level of app. 760,000 sq m.

## Outlook

The demand for secondary locations remains strong, as the several cities across Serbia should witness the development of retail park formats. In terms of shopping centers development, several active projects indicate a further increase in the stock. Belgrade is witnessing the construction of two large-scale shopping centers, GTC's Ada Mall of 34,000 sq m of GLA, and Galerija shopping center of 93,000 sq m of GLA, which will be developed within the mixed-use project Belgrade Waterfront. The city of Novi Sad will witness the development of the first western-type center, as NEPI-Rockcastle is developing 47,000 sq m large scheme Promenada.

## MARKET INDICATORS

### Market Outlook

Prime Rents:	Stable, rental growth possible for the best retail assets and locations.	▼
Prime Yields:	Steady with some further downward pressure in certain types of retail schemes.	▲
Supply:	Development pipeline indicates further growth in forthcoming period	▲
Demand:	Many international brands looking to enter the Serbian market, retailers aim to expand their network	▲

### Prime Retail Rents (EUR/sq m) - March 2018

BELGRADE HIGH STREET ZONE	SIZE OF UNITS (SQ M)		
	<150	150-500	>500
Knez Mihailova Street	Up to 100	60-80	40-60
Terazije Square/ Kralja Milana Street/ Kralja Aleksandra Boulevard	45-60	30-45	20-30
Secondary High Street (Pozeska, Gospodska)	35-45	25-35	Up to 25
MODERN SHOPPING CENTERS	50-70	35-50	Up to 35

### Prime Retail Yields - March 2018

HIGH STREET SHOPS (FIGURES ARE NET, %)	CURRENT Q	LAST Q	LAST Y
Prime	7.00	7.00	7.25
Secondary	8.00	8.00	8.00
RETAIL PARKS (FIGURES ARE NET, %)	CURRENT Q	LAST Q	LAST Y
Park	9.50	9.50	10.00
SHOPPING CENTRES (FIGURES ARE NET, %)	CURRENT Q	LAST Q	LAST Y
Prime	8.00	8.00	8.00
Secondary	9.00	9.00	9.00

With respect to the yield data provided, in light of the lack of recent comparable market evidence in many areas of Europe and the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

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