

SERBIA

Retail Market Snapshot

Second Quarter | 2018



Overview

According to the Statistical Office of the Republic of Serbia, GDP grew by 4.6% in the first quarter of 2018, in comparison with the corresponding period in 2017. In terms of the household expenditure in Serbia, it amounted to EUR 537 in Q1 2018, marking an increase of 3.7% as compared to Q1 2017.

Occupier focus

The demand for high street destinations remains high, since many brands, already present in the market, have decided to expand their retail network by opening new stores in the main pedestrian zone. New Calzedonia and Intimissimi store will be opened in Knez Mihailova Street during the summer, as well as new LPP's Reserved and Mohito store. IKEA's showroom of 900 sq m was opened in May 2018 in Knez Mihailova Street.

Japanese furniture and household goods chain Miniso entered Serbian market, by opening its first store in Stadion Shopping Center, while new locations in several cities across Serbia are announced for opening. Swedish H&M has opened its thirteen store in Serbia, in Capitol Park Sabac. Moreover, one of the most recognized coffee companies and coffeehouse chains, American Starbucks has announced its entrance to Serbian market, as well as one of the world's largest sports chain Decathlon.

The expansion of several existing schemes is planned, i.e. British investor Poseidon Group is aiming to expand its Capitol Park Rakovica by additional 2,300 sq m. Also, South-African NEPI Rockcastle announced its plans to enlarge Kragujevac Plaza shopping center by additional 10,000 sq m.

Developer focus

In Q1 2018, Serbian modern retail stock remained unchanged, standing at the level of app. 732,000 sq m of GLA. Belgrade retail stock comprises 345,000 sq m of GLA, out of which only four formats are considered to be modern western-style shopping centers, totaling app. 137,000 sq m GLA. With two large-scale projects currently in the construction phase, GTC's Ada Mall and BW Galerija shopping center, Belgrade retail offer will be enlarged by additional 127,000 sq m GLA in the next two years.

After the opening of two retail parks in Q1 2018, Poseidon Group has commenced the preparation works on its fourth retail park in Serbia, in the city of Leskovac, intending to open ten retail parks by the end of 2020. Austrian Immofinanz, Czech RC Reinvest and South-African NEPI Rockcastle also announced new projects, proving that the retail parks segment will continue to experience intensive development in the forthcoming period.

Outlook

Due to the low vacancy in the existing shopping centers and almost zero vacant space at prime locations, retailers are looking for new locations, targeting new retail schemes planned to be delivered in the upcoming period.

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MARKET INDICATORS

Prime Rents: Stable but growth possible in prime locations.

Prime Yields: No significant change in prime yields is expected.

Supply: Serbian market keeps attracting the investors, as the numerous projects are announced for development

Demand: High demand both in prime and secondary locations

Prime Retail Rents (EUR/sq m) - June 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 |

Retail Projects – under construction and planned

| LOCATION | PROJECT | SIZE GLA SQM | STATUS |
|------------------------|-------------------------|--------------|--------------------|
| Belgrade, Cukarica | Ada Mall | 34,000 | under construction |
| Belgrade, City Center | BW Galerija | 93,000 | under construction |
| Krusevac | NEPI Retail park | 10,000 | under construction |
| Novi Sad | NEPI Promenada | 47,000 | under construction |
| Sabac | NEPI Retail park | 8,000 | under construction |
| Sremska Mitrovica | Stop.Shop | 7,000 | under construction |
| Leskovac | Capitol Park | 8,300 | preparation phase |
| Belgrade, New Belgrade | West 65 | 17,000 | planned |
| Belgrade, Obrenovac | RC Reinvest Retail park | 10,000 | planned |
| Belgrade, Vidikovac | BIG Fashion Vidikovac | 65,000 | planned |
| Belgrade, Zvezdara | MPC IPM | 44,000 | planned |
| Nis | Delta Planet | 40,000 | planned |



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