



# SERBIAN MARKET OVERVIEW H1 2017

# Economic Overview



✓ Serbia economic activity has marked continual positive trends during 2017, recording modest **GDP** growth of 1% in line with the projections at the end of first quarter of 2017 as comparing to the same period in 2016. In the upcoming period GDP growth is expected to gradually step up, reaching 3% by the end of 2017 and 3.5% in 2018, while retaining favourable growth structure.

✓ From the beginning of 2017 **inflation** has been moving within the targeted figures driven mainly by increase in energy prices. Core inflation remained low and in June amounted to 2%. According to NBS forecasts **inflation** will remain moving within the target tolerance band with the expected decline to the 3% target at the beginning of 2018.

✓ Net FDI inflow for the period January-May 2017 amounted at EUR 768 million mostly concentrated in tradable sectors. Net FDI prognosis for 2017 is expected to reach 1.7 billion.

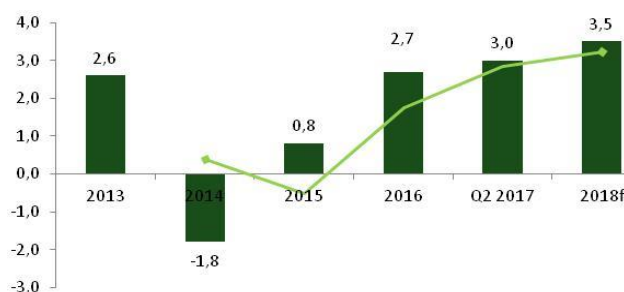
✓ Based on the Labour Force Survey in Q1 2017 unemployment rate has recorded level of 14.6% marking decrease of 4.5% compared to the same period in 2016.

✓ The average gross wage in May 2017 amounted to EUR 527, while average net wage amounted to EUR 383. When compared to the same month in 2016 average gross wages has recorded increase of 7.2% in nominal and 3.6% in real terms.

✓ Business environment improvement in Serbia underpinned by macroeconomic stabilization along with the global risk aversion has significantly pushed down country's risk premium (c.150 bp).

✓ Moody's has improved Serbia's rating outlook from 'B1' to 'Ba3' with a stable outlook. In June, S&P affirmed Serbia's 'BB-' rating with a positive outlook and Fitch affirmed its 'BB-' rating with stable outlook.

## GDP



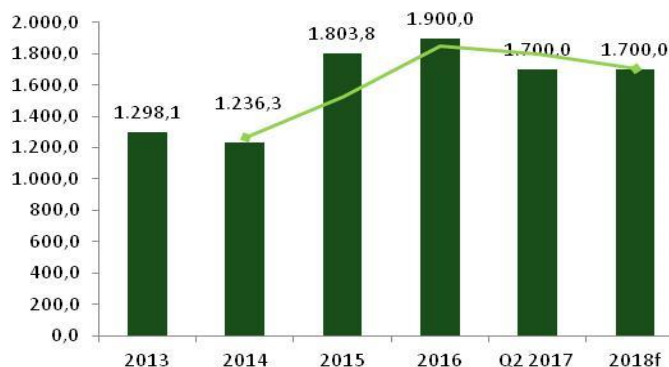
Source: NBS, Danos research

## CPI



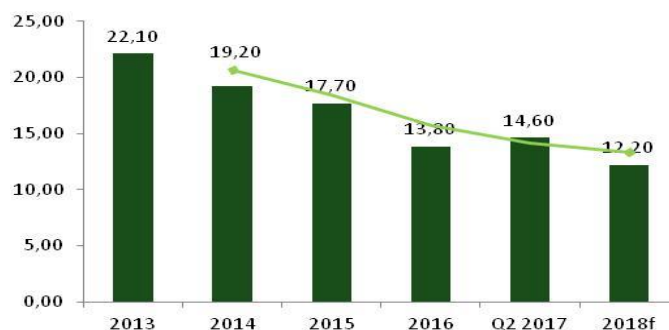
Source: Ministry of Finance of Republic of Serbia, Danos research

## NET FDI



Source: Ministry of Finance of Republic of Serbia, Danos research

## UNEMPLOYMENT



Source: NBS, Danos research



## Supply and Pipeline

First half of 2017 has marked continual rise of the Belgrade office market with delivery of two modern office projects in New Belgrade CBD zone enlarging total office stock for nearly 24,500 sq m GLA. Office project GTC 41 has been completed with the completion of the third phase occupying approximately 10,000 sq m, while first phase of the office project Sirius spreading over 14,500 sq m GLA. Total modern office stock including Class A and B at the end of first half of 2017 amounted to 689.500 sq m GLA marking 4% increase on annual level. In line with the announced new office projects, construction activity will remain strong during H2 2017.

### PIPELINE OFFICE PROJECT

| Project/Investor                   | Location               | Area (sq m) | Purpose     | Delivery Date | Status                   |
|------------------------------------|------------------------|-------------|-------------|---------------|--------------------------|
| Deneza                             | New Belgrade           | 2.650       | Speculative | 2017          | Underconstruction        |
| Atrijum 63                         | Block 63, New Belgrade | 5.000       | Speculative | 2017          | Underconstruction        |
| Starine Novaka (AFI & Tidhar)      | City Centre            | 16.000      | Speculative | n/a           | Announced                |
| Usce Tower 2 (MPC)                 | New Belgrade           | 22.000      | Speculative | n/a           | Announced                |
| N House                            | Block 21, New Belgrade | 10.700      | Speculative | 2017          | Reconstruction - ongoing |
| Airport City (5th phase)           | Block 65, New Belgrade | 75.000      | Speculative | n/a           | Announced                |
| Immorent Sirius office (2nd phase) | Block 43, New Belgrade | 12.500      | Speculative | n/a           | Announced                |
| GTC Green Heart                    | Block 41, New Belgrade | 46.000      | Speculative | n/a           | Announced                |
| Ziegel House                       | Vracar                 | 5.500       | Speculative | 2017          | Underconstruction        |

## Demand

New occupation and relocations were recognized as main drivers of market activity during H1 2017. When analyzing business sector, traditionally IT sector remained most active.

## Rental levels

During H1 2017 rental levels remained stable compared to the second half of 2016. Prime asking rents for Class A office buildings in CBD zone vary from EUR 15 to 17 per sq m GLA monthly, while Class B rental levels are ranging between EUR 9 and 12 per sq m GLA monthly.

## Vacancy rate

Even though new office projects were delivered to the market during H1 2017, high demand has pushed down vacancy rate at 6% for the Class A and B office buildings.



# Retail Market



## Supply



**Modern SC**  
155,000 sq.m GLA

**Retail Parks**  
54,000 sq.m GLA

## Demand

During H1 2017 market still faces the lack of available leasable space within modern shopping centers and prime high streets which limitates new brand entries within Belgrade market.

When having in mind new openings, Reserved has announced the opening of its first store within Big Fashion Karaburma shopping centre in August 2017.

General indicators in Serbia are indicating that the last year has been very dynamic in retail sector. Retail market is currently gaining much importance and enjoys increasing popularity especially in fashion retail sector.

In Q1 2017 Big Fashion Centers started construction of shopping centre Vidikovac settlement, Belgrade, while Ikea postponed the opening for August 2017.



## Investment

In the Q1 2017 Israeli company BIG Cee has acquired Big Fashion shopping developed by Plaza Centres.



## BIG SHOPPING CENTER-BIG FASHION KARABURMA 32.000 sq.m

Tenants – HM, Inditex group, CCC, LC Waikiki, Lindex...

## Rental levels in Belgrade



| Location                             | < 50 sq.m | 50-150 sq m | 150-500 sq m | > 500 sq m |
|--------------------------------------|-----------|-------------|--------------|------------|
| Knez Mihailova Street                | Up to 120 | 80-100      | 60-80        | 40-60      |
| Terazije Square/Kralja Milana Street | 50-70     | 40-60       | 25-50        | 20-40      |
| Kralja Aleksandra Blvd               | 70-100    | 50-80       | 30-60        | 20-50      |
| Secondary street                     | 30-50     | 30-40       | 15-30        | Up to 20   |
| Retail parks                         | Up to 20  | 15-20       | Up to 15     | Up to 10   |
| Modern Shopping Centers              | Up to 70  | 50-70       | 40-60        | Up to 40   |

## New entries in H1 2017

CCC - Big Fashion Karaburma and Shopping center Stadion

Fanky Buda - Big Fashion Karaburma

Tezenis - Big Fashion Karaburma

## PIPELINE RETAIL PROJECT

| Project/Investor                               | Location            | Area (sq m) | Delivery Date | Status          |
|--|---------------------|-------------|---------------|-----------------|
| Rajiceva Shopping Mall / Avital                | Knez Mihajlova - B  | 15.500      | H2 2017       | Underconstructi |
| IKEA   | Belgrade            | 30.000      | H2 2017       | Underconstructi |
| Capitol Park / Poseidon Group and Mitiska REIM | Rakovica-Belgrade   | 21.000      | H2 2017       | Underconstructi |
| Ada Mall / GTC                                 | Radnicka Street - I | 31.000      | H2 2018       | Underconstructi |
| BW Gallery / Eagle Hills                       | Belgrade            | 93.000      | 2020          | Pipeline        |
| Big Fashion Vidikovac / Big Fashion Centers    | Vidikovac           | 70.000      | 2019          | Pipeline        |
| Promenada / NEPI                               | Novi Sad            | 50.000      | H2 2018       | Pipeline        |
| Capitol Park Sombor / Poseidon Group and Lidl  | Sombor              | 5.240       | H2 2017       | Underconstructi |
| Retail park Kraljevo / RC Reinvest             | Kraljevo            | 5.000       | H2 2017       | Underconstructi |

# Residential Market

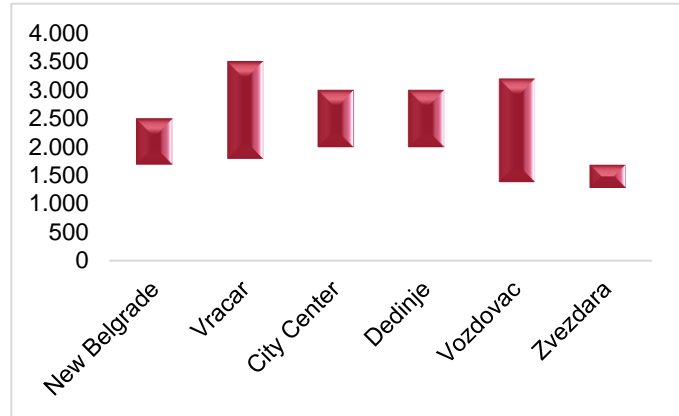
## Supply

During H1 2017 Belgrade residential market has continued rising trend from H2 2016, underpinned by growing foreign capital inflow. When analysing location, New Belgrade remains most demanded, currently recording the greatest portion of ongoing larger scale residential projects. Expansion of residential block 67a has continued during the first half of the year. Within the 3rd development phase of A Block, Deka Inzenjering will deliver additional 270 units announced for September 2017. Neimar's project Savada will be completely delivered to the market in July 2017 with additional 200 units. Further enlargement of New Belgrade residential supply is supported by the development of the 3rd phase of PSP Farman's West 65 project adding new 100 units to the market. In H1 2017, West 65, along with the A Block, represent most demanded projects at New Belgrade area. As announced for the mid-2017, Energo Group will complete development of Sun City project with total of 174 units.

## Rental and Sales prices

Typical average monthly rental levels in premium Belgrade areas range from EUR 6 to EUR 15 per sq m, recording same trend when comparing to the H2 2016. New Belgrade area marks rental levels for the apartments within new developments are in range from EUR 6 to EUR 10 per sq m, Vracar area in range EUR 11 to EUR 13 per sq m, downtown area in range EUR 10 to EUR 13 per sq m, while Dedinje and Senjak area records range for the prime residential properties in between EUR 12 and EUR 15 per sq m per month.

### Asking sales prices for mid to high projects



Source: Danos research

## Demand

First half of the year saw the larger scale ongoing residential projects A Block, Savada, Sun City, West 65, Central Garden and projects alike, has continued to record high absorption rate in the new development phases. In H1 2017 Vracar and Vozdovac are becoming even more recognized as multi-family building areas.

According to the last available official data, number of issued construction permits for the residential buildings within new developments within Belgrade region has recorded significant increase of 69% in the period Jan-May 2017 compared to the same period last year, which is indicating upward demand in H1 2017.

### PIPELINE PROJECTS

| Project             | Location           | Investor                         | Total size (units)/phase in progress                                   | Status             |
|---------------------|--------------------|----------------------------------|--|--------------------|
| Central Garden      | Belgrade Down Town | AFI Europe, Shikun & Binui Group | 500 units / 3 <sup>rd</sup> phase - 129 units                          | Under Construction |
| Vozdove kapije      | Vozdovac           | Shikun & Binui Group             | 700 units / 1 <sup>st</sup> phase - 129 units                          | Under Construction |
| A Block             | New Belgrade       | Deka Inzenjering                 | 800 units / 3 <sup>rd</sup> phase - 270 units                          | Under Construction |
| Savada              | New Belgrade       | Neimar V                         | 500 units / 2 <sup>nd</sup> phase - 200 units                          | Under Construction |
| Sun City            | New Belgrade       | Energo Group                     | 174 units  | Under Construction |
| West 65             | New Belgrade       | PSP Farman                       | 514 units / 3 <sup>rd</sup> phase - 100 units                          | Under Construction |
| Sunnyville          | Palilula           | Energoprojekt                    | 215 units  | Under Construction |
| Vracar Gates        | Vracar             | Aleksandar Group                 | 250 units  | Under Construction |
| Panorama Vozdovac   | Vozdovac           | Alpos Invest                     | 187 units  | Under Construction |
| Green Avenue        | Zemun              | Montex Real Estate               | 236 units  | Under Construction |
| Belgrade Waterfront | Downtown - Center  | Eagle Hills                      | 1 <sup>st</sup> phase - 296 units<br>2 <sup>nd</sup> phase - 228 units | Under Construction |



## Supply

When analysing first half of 2017, development activity within industrial sector was related to expansion of distribution centres schemes majorly within industrial-logistic zones in close proximity to Belgrade where the majority of the logistic stock is situated. Logistic supply within this area will be enlarged with the delivery of Lidl distribution centre and adjoining office building and expansion of Eyemaxx logistic complex through development of 2nd phase. In course of logistic development in secondary cities, Novi Sad saw delivery of Univerexport distribution centre. Tertiary cities remain considered as favourable locations for the development of production facilities.

## Demand

During H1 2017 demand for modern industrial/logistic schemes was majorly driven by transportation, manufacturing and distribution companies.

The demand is highest for modern warehouses with adjoining office space with surfaces between 3,000 sq m and 8,000 sq m.

### RECENT NEW SUPPLY

| Project                | Type                | Location  | Size (sqm) |
|------------------------|---------------------|-----------|------------|
| Phoenix                | Distribution centre | Simanovci | 7,000sqm   |
| Knott Autoflex         | Light industrial    | Becej     | 6,000sqm   |
| Ametek Business Campus | Light industrial    | Subotica  | 10,000sqm  |
| Univerexport           | Distribution centre | Novi Sad  | 30,000sqm  |
| Lear                   | Light industrial    | Novi Sad  | 29.000sqm  |

### PIPELINE PROJECTS

| Project                       | Type                                   | Location     | Size (sqm) |
|-------------------------------|--|--------------|------------|
| LIDL                          | Distribution warehouse/office building | Nova Pazova  | 78,500sqm  |
| Eyemaxx/2 <sup>nd</sup> phase | Distribution warehouse                 | Stara Pazova | 30,000sqm  |
| Industrial Park Belgrade 3    | Distribution warehouse                 | Simanovci    | 7,244sqm   |
| Yazaki                        | Light industrial/Training center       | Sabac        | 30,000sqm  |
| Quass                         | Light industrial                       | Indjija      | 5,000sqm   |

## Rental levels

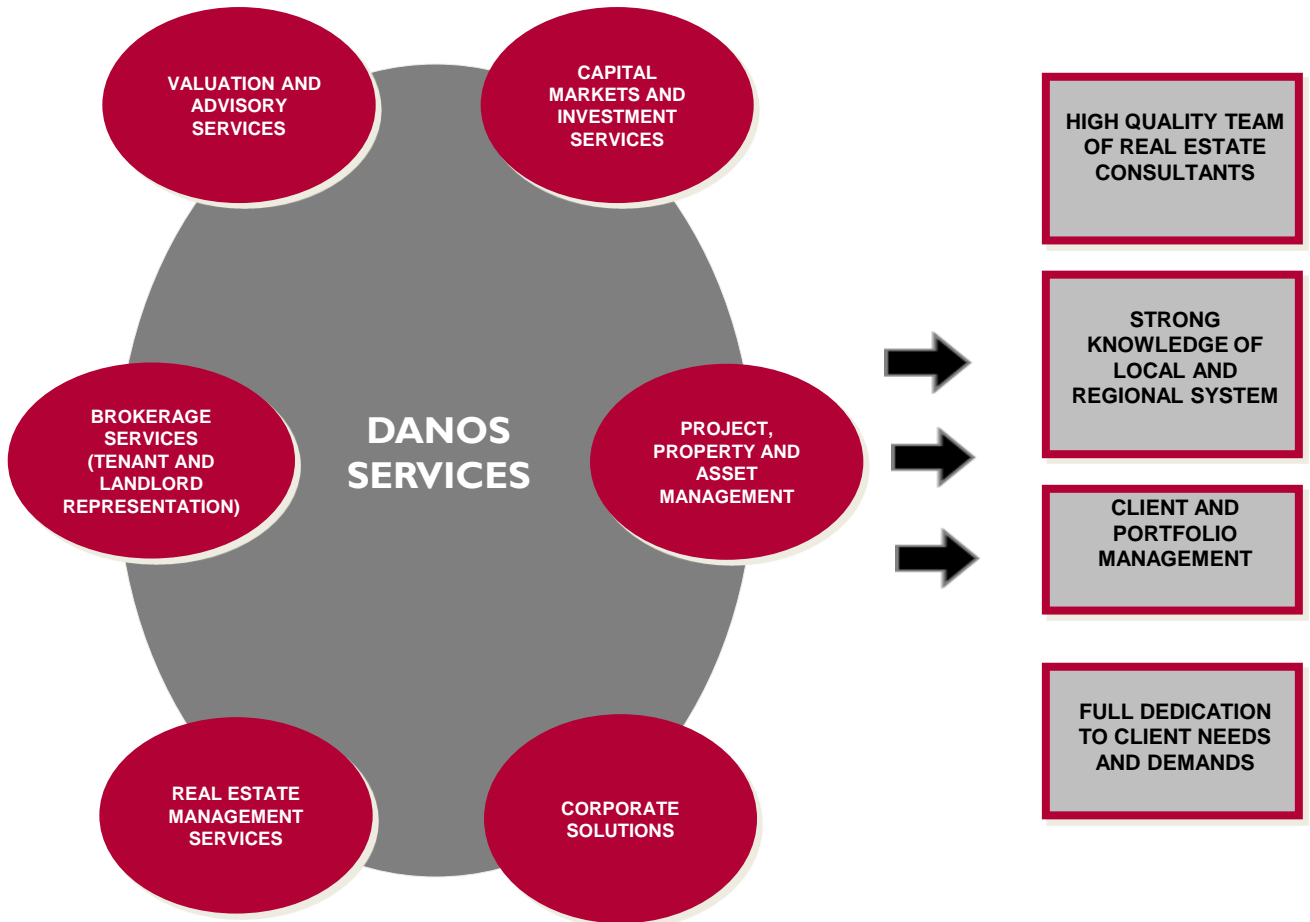
Prime headline rents for modern logistic premises in H1 2017 range between EUR 4/sq m/month and EUR 5/sq m/month, while average rental levels for older and refurbished industrial premises is ranging from EUR 3 to EUR 4/sq m/month.

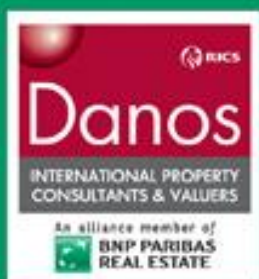
## Prime headline rents

EUR 4 – 5 per sqm monthly



# Our Services





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