# Belgrade City Report

**Izveštaj o Beogradu**

Q1 2014 / T1 2014

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# Economy/Investment

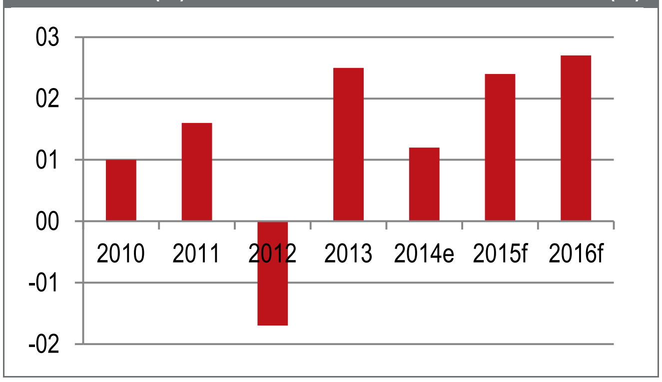
# Economy/Investment

## Economy

Economic risks remained high throughout 2013. The focus of the government remains on attracting FDI, economic growth and a reduction of the unemployment rate. Industry plays a major role for economic growth in attracting significant inflows of FDI. Serbian exporters will enter new markets due to established trade relations with the EU and regional neighbours. As a result, this should positively impact retail trade and lead to an increase in salaries and the continued expansion of retail chains. According to the National Statistical Office, the annual value of GDP recorded an increase of 2.5% compared to 2012. During the fourth quarter of 2013, real GDP growth reached 2.7%. The significant growth of gross value was recorded in sectors of: electricity, gas and water supply (6.8%), information and communication (6.4%) and transportation (4.1%). A decline was recorded in construction (17.3%) and the financial sector (3.1%).

During the second half of 2013, inflation was lowered to 7.9%. Oxford Economics forecasts GDP growth of 1.2% during 2014 and 2.5% in 2015-2016, as the investment climate improves.

GDP Growth (%) Rast BDP(%)



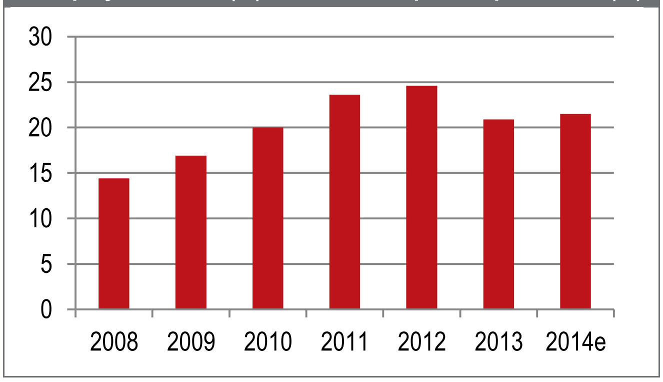

Source/Izvor: Oxford Economics, April 2014

According to the National Statistical Office, consumer price growth in February 2014 recorded a slight increase of 0.1% compared to the previous month. The highest growth was seen in the following sectors: recreation and culture (0.9%), alcohol, drinks and tobacco (0.5%), food and non-alcoholic drinks and restaurants and hotels (both 0.3%). The highest decrease was recorded in the clothing and footwear (-1.8%) and communication (-0.4%) sectors.

In February 2014, industrial production noted a 1.1% increase in physical volume, compared to the corresponding period of last year. The processing industry, electricity, gas, steam and air conditioning supply mainly influenced this increase, which recorded a growth of 1.1% and 2% respectively.

According to the Labour Force Survey, conducted by the National Statistical Office in October 2013, the unemployment rate among people of a working age (15-64) was 21%, which represents a decrease in comparison to April 2013 when it was 25%. In September 2013, the registered unemployment rate in Belgrade was 16.26%.

Unemployment Rate (%) Stopa nazaposlenosti (%)




Source/Izvor: Oxford Economics, April 2014

The average net salary in Belgrade for February 2014 amounted to RSD 54,311 or, €468, which is approximately 23.2% higher than the average salary in Serbia (€380).

## Political Situation

Serbia completed the necessary EU criteria and accession negotiations that started in January 2014. The market positively prized the victory of the Serbian Progressive Party (SNS) at the early Republic and Belgrade parliamentary elections (16th March). Besides FDI attraction, the key tasks of the new government include: Budget Law 2014 revision, with tax revenue downsizing, privatization or, closure of public companies, as well as simplifying the business licence and construction permit issuance.

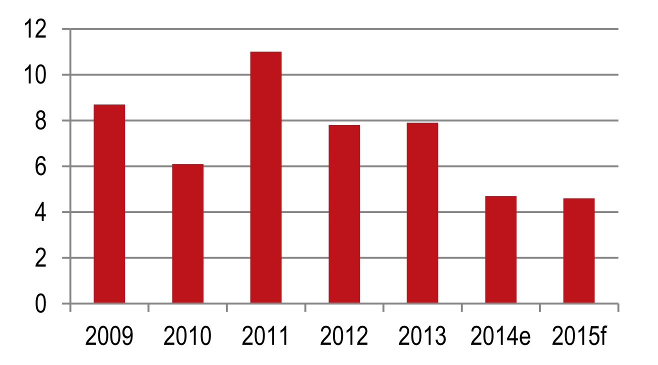
# Privreda/Investicije

## Privreda

Tokom čitave 2013 godine ekonomski rizik je ostao na visokom nivou. Glavni cilj Vlade je privlačenje Stranih direktnih investicija (SDI), ekonomski rast, kao i smanjenje stope nezaposlenosti. Industrija ima značajnu ulogu za ekonomski rast u privlačenju SDI. Usled uspostavljenih trgovinskih odnosa sa EU i regionalnim susedima, izvoznici Srbije će ući na nova tržišta, što će pozitivno uticati na maloprodaju i dovešće do rasta plata i širenja maloprodajnih lanaca. Na osnovu podataka Zavoda za statistiku, realni godišnji rast BDP-a iznosi 2,5% u odnosu na 2012. godinu. Tokom četvrtog kvartala 2013 godine, realni rast BDP je bio 2,7% u odnosu na isti period prethodne godine. Značajan rast je zabeležen u sektoru električne energije, gasa i pare (6,8%), informacija i komunikacija (6,4%), i transporta (4,1%). Najveći pad je zabeležen u sektoru građevine (-17,3%), i finansijskom sektoru (-3,1%).

Tokom druge polovine 2013 godine, inflacija je smanjena na 7,9%. Oxford Economics predviđa stopu rasta BDP od 1,2% tokom 2014 godine, i 2,5% tokom 2015-16 zbog poboljšanja investicione klime.

**CPI (%)** **Inflacija (%)**




Source/Izvor: Oxford Economics, April 2014

Prema podacima Republičkog zavoda za statistiku Srbije, rast potrošačkih cena u februaru 2014. godine je iznosio 0,1% u odnosu na prethodni mesec. Najveći rast je zabeležen u sektoru rekreacije i kulture (0,9%), alkoholna pića i duvan (0,5%), hrana i bezalkoholna pića i restorani i hoteli (oba 0,3%). Najveći pad je zabeležen u sektoru odeća i obuća (-1,8%) i komunikacija (- 0,4%).

Tokom februara 2014. godine industrijska proizvodnja beleži rast fizičkog obima od 1,1% u odnosu na isti period prethodne godine. Prerađivačka industrija, električna energija, gas, para i klimatizacija. su imale najveći uticaj na ovo povećanje, i beleže redom rast od 1,1% i 2%.

Na osnovu Ankete o radnoj snazi koju sprovodi Republički zavod za statistiku, stopa nezaposlenosti populacije radnog uzrasta (15-64) u oktobru 2013. godine je bila 21%, što predstavlja pad u odnosu na april 2013. godine kada je iznosila 25%. Tokom septembra 2013 godine registrovana stopa nezaposlenosti u Beogradu je bila 16,26%.

**Yields %** **Stope prinosa %**

| Sector/Sektor | Yield/ Stopa Prinosa % | Changes on previous quarter/ Promene u odnosu na prethodno tromesečje |
|---|---|---|
| Office/ Kancelarijski prostor | 9.00 | ↔ |
| Retail/ Maloprodajmi prostori Shopping Centres/ Tržni centri | 9.00 | ↔ |
| Logistics/ Logistički objekti | 10.25 | ↔ |

Source/Izvor: JLL, April 2014

Prosečna neto zarada isplaćena tokom februara 2014 u Beogradu iznosila je 54.311 dinara odnosno €468, što je oko 23,2% više od prosečne plate u Srbiji (€380).

## Politička situacija

Srbija je ispunila neophodne kriterijume i pregovori o pristupanju EU su počeli u Januaru 2014 godine. Prevremeni martovski izbori su obeleženi postavkom snažnog mandata za strukturne reforme i pregovore sa EU. Tržište je pozitivno reagovalo usled pobede Srpske Napredne stranke (SNS) na ranim republičkim I parlamentarnim izborima Beograda (16. mart). Osim privlačenja stranih direktnih investicija, ključni zadaci nove Vlade uključuju i reviziju budžetskog zakona 2014. godine uz smanjenje poreskih prihoda, privatizaciju ili zatvaranje javnih preduzeća kao i pojednostavljenje dobijanje poslovnih i građevinskih dozvola.

# Office Market

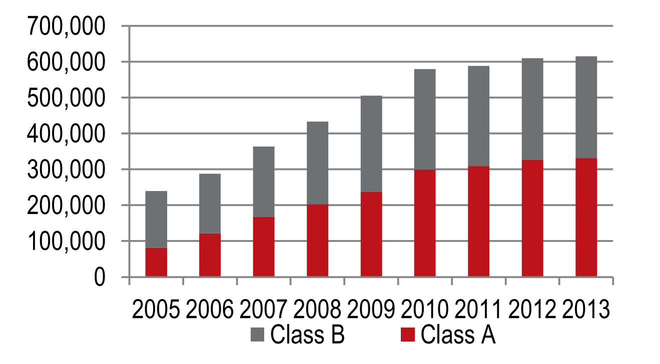
# Office Market

### Supply

The Belgrade office market stock totals approximately 615,000 m² of class A and class B buildings. Class A office buildings account for 54% of the market supply, while class B stands at 46%. Approximately 91% of class A office buildings are situated in New Belgrade which make this part of the city the Central Business District (CBD). During 2013, there was one Class A office completion, namely Danube Business Centre (5,200 m²) located in New Belgrade.

There are two office projects which are currently under construction, namely Old Mill office tower and Deneza Office building. The Old mill office tower is a mixed use complex which will include an office tower (3,870 m²) and Radisson Blu Old Mill hotel situated near the Belgrade Fair in the old part of the city. This project is scheduled for delivery in the third quarter of 2014, while Deneza office building (2,900 m²) is scheduled for 2015.

**Total Class A & B Stock (m²) / Ukupna ponuda prostora klase A i B (m²)**




Source/Izvor: JLL, April 2014

### Demand

Since New Belgrade was established as a CBD with numerous class A office buildings, the demand of international companies has been directed towards New Belgrade and its high quality accommodation. During the first quarter of 2014, gross take-up stood at 15,503 m², presenting a slight drop from the corresponding period of the previous year (15,559 m²). Market activity was mainly dominated by new lease agreements (9,647 m²), followed by renewals deals (4,506 m²) and expansion deals (1,350 m²).

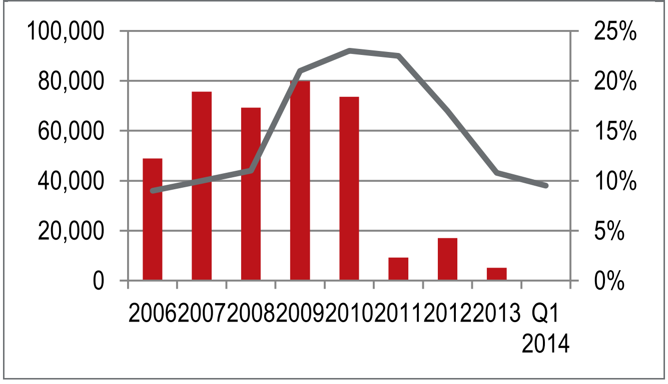
There were 30 transactions in the first quarter of 2014 and the majority of them occurred in New Belgrade. The average deal size was 517 m².

The highest share in leasing activity (60%) was held by the IT and Professional services sectors, followed by advertising/media, banking and consumer services sector. The majority of tenants were seeking floor sizes in range of 100-700 m². Three transactions exceeded the size of 1,000 m².

### Vacancy

Due to the stagnation in office development, vacant space has gradually been absorbed and the vacancy rate is constantly decreasing. At the end of the first quarter of 2014, the vacancy rate stood at 9.5%, indicating the need for new office development. The vacancy rate in class A office buildings stands at 9.3% and at 9.7% in class B space.

**Office Class A Completions (m²) and Vacancy Rates (%) Class A & B / Završena izgradnja zgrada klase A (m²) i stopa nepopunjenosti (%)**




Source/Izvor: JLL, January 2014

### Rents and Yields

Rents for prime office space in Belgrade remained stable at €14-16 m²/month. In the wider New Belgrade area, rents are up to €11 m²/month and within modern office space in downtown areas, rents do not surpass 16 m²/month. Landlords offer incentives such as rent-free periods (usually three months), fit-out contributions and additional free parking spaces. Class B rents in New Belgrade are at €9-11 m²/month and €10-12 m²/month in downtown areas. The prime office yield in Belgrade remained at 9.00%.

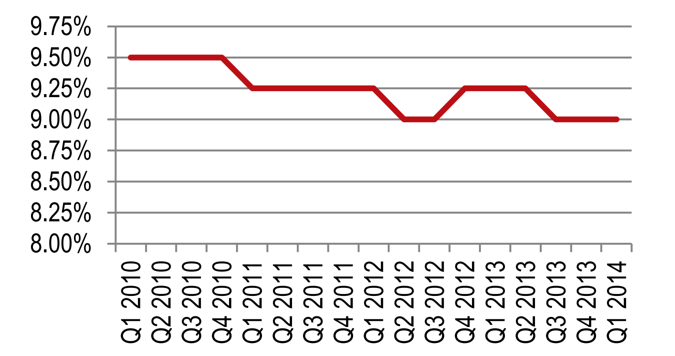
# Kancelarijski prostor

## Ponuda

Tržište kancelarijskog prostora u Beogradu raspolaže sa oko 615,000m² prostora klase A i klase B. Poslovne zgrade klase A čine oko 54% tržišne ponude dok zgrade klase B čine oko 46%. Oko 91% poslovnog prostora klase A se nalazi na Novom Beogradu što čini ovaj deo grada poslovnim centrom Beograda. Tokom 2013 godine, jedna poslovna zgrada klase A je izgrađena, Danube Business centar (5.200m² ) koja se nalazi na Novom Beogradu.

Trenutno su dva projekta u fazi izgradnje, odnosno Stari Mlin poslovna kula i Deneza poslovna zgrada. Stari Mlin je deo kompleksa koji uključuje poslovnu zgradu (3.870m² ) i Radisson Blu Stari Mlin hotel koji se nalazi u blizini beogradskog sajma u starom delu grada. Završetak projekta je zakazan za treći kvartal 2014 godine, dok je završetak poslovne zgrade Deneza (2.900m² bruto površine) planiran za 2015. godinu.

**Prime Office Yields %**
**Stopa prinosa prvoklasnog prostora %**




Source/Izvor: JLL, April 2014

## Potražnja

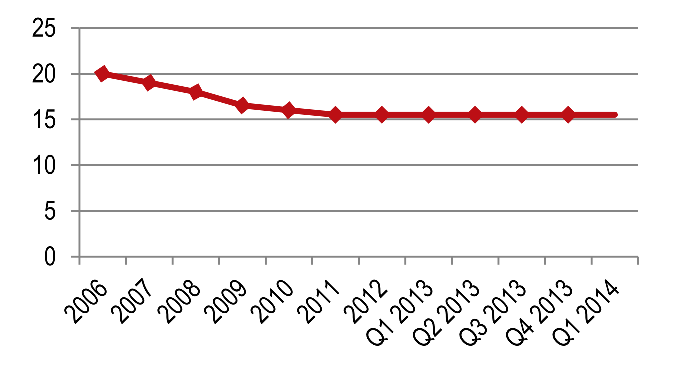
S obzirom da je Novi Beograd glavna poslovna zona sa brojnim poslovnim zgradama klase A, tražnja od strane internacionalnih kompanija je usmerena ka Novom Beogradu i njegovoj visoko kvalitetnoj ponudi prostora. Tokom prvog kvartala 2014 godine, ukupna bruto aktivnost je iznosila 15.503 m², predstavljajući mali pad u odnosu na isti period prethodne godine (15.559m² ). Najveći udeo na tržištu sui male nove transakcije 9.647 m², zatim obnova postojećih ugovora 4.506 m² i proširenje 1.350 m². Tokom prvog kvartala 2014 godine je bilo je 30 transakcija i većina se dogodila na Novom Beogradu. Prosečna veličina izdatog prostora je 517m².

Najveće učešće na tržištu su imali sektor IT i profesionalnih usluga (60%), zatim medijski, bankarski i potrošačko-uslužni sektor. Većina zakupaca je tražila prostor veličine 100-700m2. Dogodile su se tri transakcije koje su obuhvatile prostor preko 1.000m².

## Raspoloživi prostor

Zbog stagnacije u izgradnji poslovnih objekata, stopa raspoloživog prostora je u konstantnom padu. Stopa raspoloživog prostora tokom prvog kvartala iznosi 9,5%, ukazujući na potrebu za izgradnjom novog poslovnog prostora. Stopa nepopunjenosti u prvoklasnim poslovnim zgradama je oko 9,3%, dok je u zgradama klase B oko 9,7%.

**Prime Rents €/m²/month**
**Cene zakupa prvoklasnog prostora €/m²/mesečno**




Source/Izvor: JLL, April 2014

## Visine zakupa i stope prinosa

Zakup prvoklasnog prostora u Beogradu je stabilan u rasponu od €14-16 m²/mesečno. U širem području Novog Beograda, zakupnine su do €11 m²/mesečno, a u okviru modernog poslovnog prostora u centru grada ne prelaze €16 m²/mesečno. Zakupodavci nude podsticaje poput rent-free perioda (uglavnom tri meseca), dodatnih parking mesta bez naknade i učešće u troškovima završnih radova. Zakupnine u kancelarijskom prostoru klase B na Novom Beogradu su u rasponu od €9-11 m²/mesečno, odnosno od €10-12 m²/mesečno u centru grada. Stopa prinosa za prvoklasne kancelarijske prostore u Beogradu je 9,00%

# *Retail Market*

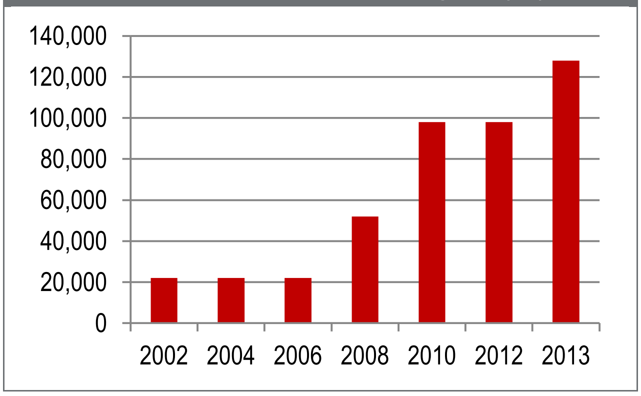
# Retail Market

### Supply

Over the past few years, Serbia has witnessed the opening of modern retail formats such as shopping centres, big box retail and a relatively new concept - Retail Parks, which have only been present for a while outside Belgrade in a few secondary cities. During the first quarter of 2014, no new supply was added to the market. The last retail development completion in Belgrade was seen in April 2013, when shopping centre Stadion Voždovac (30,000 m² GLA) was opened. The overall shopping centre stock stands at approximately 201,000 m² GLA, while prime shopping centres account for 128,000 m² GLA.

Since the existing modern retail schemes do not provide sufficient space to satisfy growing demand from international retailers, many new brands became more interested in signing for premises in expanding retail parks. The first retail park in Belgrade, One Zemun (15,000 m² GLA) is scheduled for completion at the end of the second quarter of 2014. Another retail park in Belgrade, scheduled to commence construction, is Aviv Park Zvezdara, which will add 11,500 m² GLA. Its opening is expected in autumn 2015.

**Prime Shopping Centre Stock in Belgrade (m²)**
**Ponuda prvoklasnih tržnih centara u Beogradu (m²)**



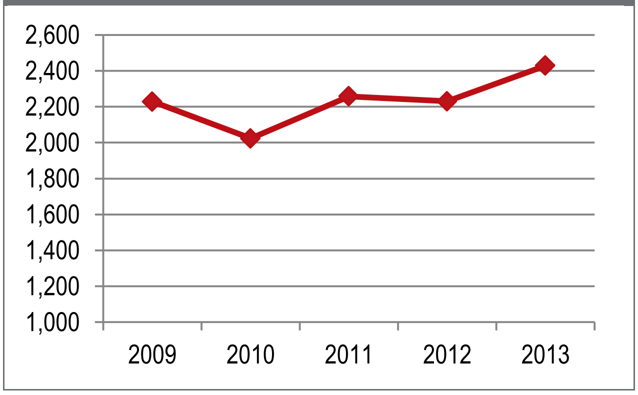

Source/Izvor: JLL, April 2014

At the beginning of April 2014, retail park Capitol park in Šabac was opened, which added 9,500 m² GLA to the market. Currently, there is one retail park outside of Belgrade under construction, namely Shopping Park in Jagodina (10,000 m² GLA). Other large projects announced for construction commencement are Višnjička Plaza Shopping centre (40,000 m² GLA) and Napred Blok 41 (34,000 m² GLA), both without scheduled delivery dates.

### Demand

Retailer demand directed towards modern retail premises remained quite stable. Since vacancy rates in prime shopping centres is close to zero, many retailers are refocusing their interests to the newly developed retail parks. In February 2014, H&M opened its third store in BIG CEE Retail Park in Novi Sad.

**Total Annual Spend in € per Capita in Belgrade**
**Godišnja potrošnja po stanovniku u Beogradu**




Source/Izvor: Statistical Office of the Republic of Serbia

Since retailers have been more interested for space in modern shopping schemes, demand for retail units in high street area has recorded a minor decrease. However, during March 2014, Gagliardi opened its first high street store on Čika Ljubina Street in Belgrade.

### Rents and Yields

Average rents in prime shopping centres in Belgrade recorded a slight drop and stand between €25 and €27 m²/month. Prime shopping centre rents for 100 to 200 m² retail units remained stable at €60 m²/month, while rent for such a unit on Knez Mihajlova Street remained at €80 m²/month. Prime shopping centre yields remained stable at 9.00%.

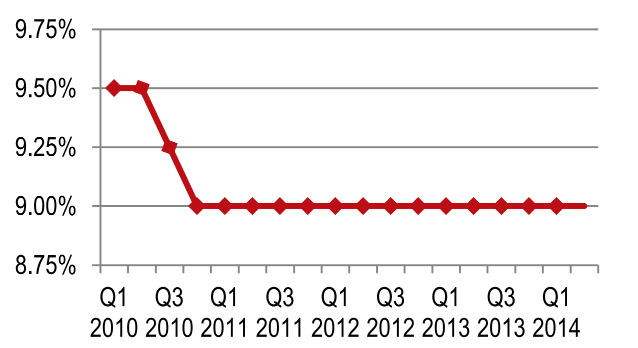
# Maloprodajni prostori

## Ponuda

Tokom poslednjih nekoliko godina na tržištu Srbije su otvoreni mnogi moderni maloprodajni objekti poput tržnih centara, big box objekata; kao i maloprodajni parkovi koji su prisutni već neko vreme van Beograda, u drugim gradovima. Tokom prvog kvartala 2014 godine, ponuda maloprodajnih objekata je ostala na istom nivou. Poslednji izgrađen objekat u Beogradu je otvoren u aprilu 2013 godine, Stadion Centar Voždovac (30.000m$^2$). Ukupna ponuda tržnih centara iznosi oko 201.000m$^2$, dok prvoklasni tržni centri čine 128.000m$^2$.

Postojeća ponuda modernih maloprodajnih objekata ne pruža dovoljno prostora koji može da zadovolji rastuću tražnju stranih maloprodajnih lanaca, zbog čega se veliki broj njih se odlučuje za koncept maloprodajnih parkova. Završetak prvog maloprodajnog parka u Beogradu, "One Zemun" (15.000 m$^2$) je planiran u drugom kvartalu 2014 godine. Još jedan maloprodajni park koji će početi izgradnju je Aviv Park Zvezdara koji će dodati tržištu 11.500m$^2$ prodajnog prostora. Njegovo otvaranje se očekuje na jesen 2015 godine.

**Prime Shopping Center Yields**
**Stopa prinosa prvoklasnih tržnih centara**



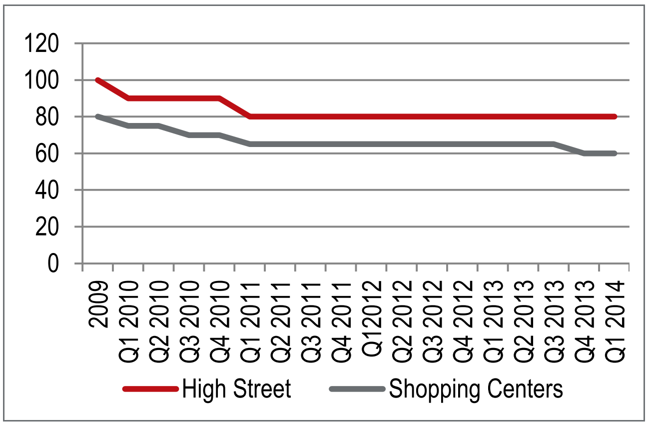

Source/Izvor: JLL, April 2014

Tokom početka aprila 2014 godine, maloprodajni park Capitol park u Šapcu je otvoren i doprineo je 9.500m$^2$ prostora tržištu. Trenutno je jedan maloprodajni park u fazi izgradnje u Jagodini (10.000m$^2$). Veći najavljeni projekti za početak izgradnje su Višnjička Plaza (40.000 m$^2$) i Napred Blok 41 (34.000 m$^2$), oba bez poznatog datuma završetka.

## Potražnja

Tražnja usmerena ka modernim maloprodajnim objektima je ostala stabilna. S obzirom da je stopa slobodnog prostora u prvoklasnim tržnim centrima oko 0%, mnogo prodajni lanci se usmeravaju ka maloprodajnim parkovima koji se šire. Tokom februara 2014 godine, H&M je otvorio svoje treću prodavnicu u okviru BIG CEE maloprodajnog parka u Novom Sadu. Tokom marta 2014 godine Gagliardi je otvorio prvu prodavnicu u delu glavne pešačke zone – u Čika Ljubinoj ulici u Beogradu.

**Prime rents €/m$^2$/month**
**Cene zakupa prvoklasnog prostora €/m$^2$/mesečno**




Source/Izvor: JLL, April 2014

S obzirom da su prodavci prvenstveno zainteresovani za prostor u modernim tržnim centrima, tražnja sa maloprodajnim jedinicama u glavnim ulicama je zabeležila manji pad.

## Visine zakupa i stope prinosa

Prosečne cene zakupa u prvoklasnim tržnim centrima su zabeležile mali pad i u rasponu su od €25 do €27 m$^2$/mesečno. Cena zakupa maloprodajnih jedinica u prvoklasnim tržnim centrima površine 100-200m$^2$ su ostale €60/m$^2$/mesečno, dok su za isti prostor u Knez Mihajlovoj ulici ostale na nivou od €80 m$^2$/mesečno. Stopa prinosa za prvoklasne tržne centre je ostala na nivou od 9,00%.


# *Market Practice*

# Market Practice

## Leasing Market Practice

### Lease length

- Average lease length is 5 years, 3 – 5 years are common in the city centre and 5 (rarely 7) years on the outskirts
- In a few cases longer leases can be agreed
- 3 year break options are becoming more common

### Payment Terms

- Rents are quoted in € and paid monthly in advance in either € or RSD according to the exchange rate on the day of the payment

### Rental Deposit

- It is common to agree on a cash deposit or bank guarantee equal to 3 months' rent for all types of premises (office, retail and industrial)
- Indexation is annually in line with European CPI

### Other Charges

- Service and energy charges (Utilities and direct consumption are paid separately)(offices and industrial)
- Service charges and marketing costs (retail)

### Insurance

- The landlord covers costs of building insurance (recovered by service charges). The tenant covers insurance of own premises, contents and civil liabilities

### Incentives

- Offered by the landlords in form of 3 month rent free period, fit-out contributions and free of charge additional parking space

## Tržišna praksa zakupa prostora

### Dužina zakupa

- Prosečna dužina zakupa je 5 godina - uglavnom se prostori u centru grada zakupljuju na 3 – 5 godina, a na periferiji na 5 (retko 7 godina)
- U malom broju slučajeva se vrši zakup prostora na duži period
- Sve su češće mogućnosti raskida ugovora nakon 3 godine

### Uslovi plaćanja

- Cene zakupa se navode u € a plaćaju se mesečno unapred ili u € ili u RSD prema valutnom kursu na dan plaćanja

### Depozit

- Praksa je da se depozit plaća u kešu ili bankarskom garancijom u iznosu od tri mesečne rente za sve vrste prostora (kancelarijski, maloprodajni i industrijski)
- Indeksacija se vrši godišnje i usklađena je sa evropskim rastom potrošačkih cena

### Ostali troškovi

- Troškovi usluga i potrošnje električne energije (troškovi održavanja i direktne potrošnje plaćaju se posebno) (kancelarijski i industrijski prostori)
- Troškovi usluga i marketinga (maloprodajni prostori)

### Osiguranje

- Vlasnik prostora pokriva troškove osiguranja zgrade (naplaćuje se od naknade za troškove usluga). Zakupac plaća osiguranje za sopstvene prostorije, pokretnu imovinu i civilna lica

### Podsticaji

- Vlasnici prostora prilikom izdavanja mogu davati i podsticaje u vidu izdavanja prostora na period od 3 meseca bez naknade, uređenja prostora o sopstvenom trošku ili dodatna parking mesta gratis

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