

BELGRADE

Retail Q3 2020



440,000 sq m ▲

Retail stock in Q3

YoY Chg

12-Mo. Forecast

266 sq m ▲

Per 1,000 inhabitants

6 ▲

Western-type formats

(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2020

-6.4%

GDP Growth rate Q1 2020

YoY Chg

12-Mo. Forecast

7.3%

Serbia Unemployment Rate

6.1%

Belgrade Unemployment Rate

Source: Statistical Office of the Republic of Serbia, YoY Change vs Q1 2019

ECONOMY: Retail trade continue recovery

According to the official data of the Statistical Office of the Republic of Serbia, the Serbian economy rose by 5.1% in Q1 2020, while the economic activity declined by 6.4% in Q2, due to negative effect of COVID-19 pandemic and nationwide lockdown. The decline was driven mainly by the decrease in the services and industrial production, followed by the decline in net taxes.

Despite the contraction of GDP, the inflation remains low and stable, allowing the National Bank of Serbia to lower its policy rate to 1.25% in June 2020. The crisis caused by COVID-19 pandemic pushed the NBS' projection of economic growth down to -1.5% in 2020, yet long term GDP contraction is not projected. The decline will primarily be driven by the fall in private consumption and investment, but the positive contribution from government consumption and net exports is expected, due to larger decline in imports than exports.

SUPPLY OR DEMAND: New completions expected in Q4 2020

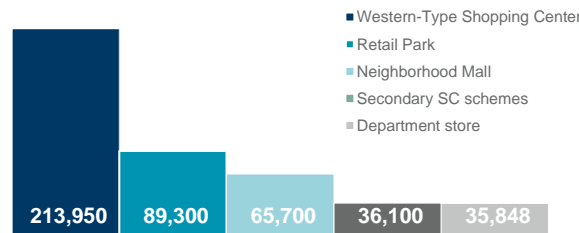
In the last several years Belgrade's retail market has been experiencing a real expansion, the latest delivery on the market was opening of BEO Shopping center in June this year, which brought Belgrade retail stock closer to the regional average. There were no new deliveries in Q3, but the market is preparing for the opening of the largest shopping centre in the region, Galerija Shopping Mall, that was announced for the 30th October. When it comes to the high-street brands Reserved and Mohito opened stores in Knez Mihailova Street, as well as a newcomer on the market, French children's brand Petit Bateau. Moreover, Stadion Shopping Center, welcomed two new tenants: Terranova and Kengur. As the Covid-19 pandemic slowed down, cinemas reopened on 1st September, in addition, two new cinemas were opened, Cineplex cinema in BEO Shopping center and CineStar Cinema in Ada Mall. In addition, DexyCo has opened its largest store so far spreading over 1,800 sq m, at the BN Bos facility in Batajnica.

Belgrade modern retail stock currently totals 440,000 sq m of GLA, or 266 sq m per 1,000 inhabitants, while the average of the capital cities of CEE region exceeds 500 sq m per 1,000 inhabitants.

PRICING: No noticeable change in rental levels

As of mid May, the retail market began recovery, however the number of infected cases slowed down the activities in the second half of June. Since the end of July, the market notes positive trend again, still it certainly takes time to understand how this situation will influence the prices and rents. At the moment rental levels remained stable. Furthermore, in the coming period, greater emphasis will be placed on the shift toward a flexible omni-channel retail model and sustainable fulfilment; strengthened partnerships between landlords and retailers will need to emerge to achieve this.

RETAIL STOCK BY PRODUCT TYPE (SQ M GLA)



PRIME RENT

HIGH-STREET	SIZE OF UNITS (SQ M)		
	<150	150-500	>500
Knez Mihailova St	Up to 100	60-80	40-60
Terazije Square/ Kralja Aleksandra Boulevard	45-60	30-45	20-30
Modern Shopping Centers	50-70	35-50	up to 35

MARKET STATISTICS

	SHOPPING CENTRE STOCK	SHOPPING CENTRE PIPELINE	PRIME YIELD
Center	40,959	93,000	7.75-8.25%
New Belgrade	138,683	11,000	7.75-8.25%
Wider Central Area	225,256		8-8.25%
Suburban area	36,000	8,500	n/a
BELGRADE TOTALS	440,898	112,500	

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SQ M	FORMAT
Stadion SC	Wider Central Area	Pepco	817	Shopping center– planned opening in Oct 2020
Knez Mihailova	Center	Reserved	2,185	High street
Knez Mihailova	Center	Mohito	537	High street
BN Bos	Wider Central Area	Dexy Co	1,800	Other
Stadion SC	Wider Central Area	Terranova	900	Shopping center
Capitol Park Rakovica	Wider Central Area	Pepco	900	Retail Park – planned opening in Oct 2020

KEY SALES TRANSACTIONS YTD 2020*

PROPERTY	SUBMARKET	SELLER / BUYER	SQ M
Aviv Park Zrenjanin	Zrenjanin	Aviv Arlon / BIG CEE	23,000

*Sales transactions, incl. investment transactions

KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M GLA	OWNER / DEVELOPER
BEO Shopping Center	Wider Central Area	Peek & Cloppenburg, Reserved, H&M	43,000	MPC

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