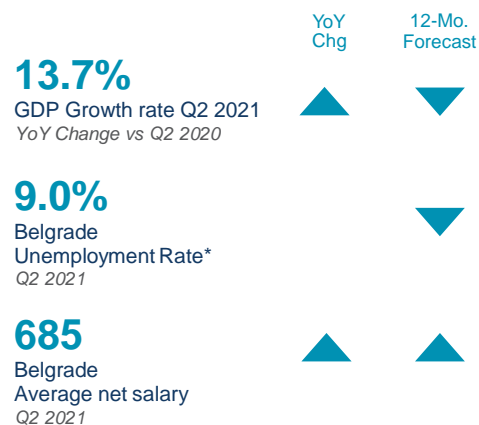


ECONOMIC INDICATORS



Source: Statistical Office of the Republic of Serbia
*due to the changes in the methodology, the 2021-figures could not be compared to the data published prior to 2021

ECONOMY

As a result of macroeconomic and financial stability, growth momentum, and economic measures taken, a greater GDP decline in 2020 has been prevented, and favourable outlook has been preserved. The pre-crisis level was accomplished already in Q1 2021, while in Q2 2021 GDP growth reached 13.7% y/y, i.e., 1.3% in comparison with the previous quarter. Growth was driven by strong growth in industry and construction, as well as recovery in service sectors. Due to the positive outcome in the first six months of 2021, NBS revised its GDP growth projection for 2021 from 6.0% to 6.5%. Average core inflation in the previous years stood at 1.6%, however, during the Q3 2021, the global supply chain obstructions and growth in the energy and agricultural products prices caused temporary higher inflation, which was above the target tolerance band in September, when overall inflation stood at 5.7%. Since the higher inflation is a result of temporary factors, the higher rate should remain until the end of Q1 2022, while the gradual decline is forecasted as of Q2 2022.

SUPPLY AND DEMAND

After a strong development cycle in retail segment in the previous period, development activity has slowed down in Q3 2021, with no new completions. In the period 2017-2021, app. 275,000 sq m of modern retail space was delivered to the Belgrade retail market, including 4 western-type shopping centres, 4 retail parks and 1 neighbourhood mall. Currently, two schemes are under construction which will enlarge retail supply in the capital for additional 40,000 sq m. Namely, West 65 Mall is ready for the opening by the end of November 2021, while the extension of Swedish IKEA, Retail Park Ava, is planned for 2022. Strong take-up in retail segment was recorded in Q3, amounting to nearly 22,000 sq m, mostly thanks to pre-leases within West65 Mall.

After being hit hard during 2020, retail market in Serbia and across the globe has evolved and embraced new trends. Due to quarantine measures, customers have been opting for minimal contact and moving towards online consumption patterns. Therefore, e-commerce has boomed during the pandemic, since the consumers shifted from store visits to ordering from home. Online food delivery was making small improvements for years, but COVID-19 pandemic accelerated the growth of these services, provided by operators such as Wolt and Glovo. As the buyers now prefer touchless interaction in a store to complete their buying process, increasing number of retailers are introducing online shops through mobile apps and allow customers to order products online and pick them up from the store. However, real-world experience and traditional in-store shopping is still very present in Belgrade and Serbia and stores continue to recover to pre-pandemic levels, especially as the Covid-19 vaccine becomes available. Moreover, in-store experience is facing transformation as well, since the shopping centres are focusing on expanding their entertainment offer. An importance of physical stores, which provide an intimate and personalised aspect of shopping experience, is confirmed by the increased footfall in Belgrade shopping centres during 2021.

PRICING

Even though retail was affected the most by ongoing health crisis, which caused decrease of footfall and income difficulties, as well as risk of new lockdown, strong appetite for retail properties continued and new transactions occurred in second half of 2021. During summer 2021, BIG Shopping centres continued its expansion on Serbian retail market by acquiring two retail formats, Plaza Kragujevac shopping centre of 22,000 sq m and Krusevac retail park of nearly 9,000 sq m. The total value of acquisition is EUR 61 million. In addition, Delta City, one of the most popular shopping centres in Belgrade, was sold to Athos Group in September 2021. The fully occupied scheme of 30,000 sq m of GLA was acquired for EUR 115 million from Hyprop Investments Limited and Homestead Group. The total investment volume in retail segment in 2021 reached EUR 186 million.

After period of lockdown and tailor-made solutions prepared for retailers, which included several incentive packages, relaxation of the measures was marked by return of customers in the shopping malls, as well as recovery of demand and turnover. The tenants continued with the network expansion and rental levels remained stable in both, shopping centres and high-street zones during Q3 2021.

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