



| | YoY Chg | 12-Mo. Forecast |
|-----------------------------------------------------------|---------|-----------------|
| 580,000 sq m Belgrade Retail Stock | ▲ | ▲ |
| € 48.00-50.00 Average prime SC rent, sq m/month | ▲ | — |
| 7.75-8.25% Prime SC Yields | ▼ | — |

(Overall, All Property Classes)

ECONOMIC INDICATORS

0.7%

GDP Growth rate Q1 2023

YoY Change vs Q1 2022

7.6%

Belgrade
Unemployment Rate
Q1 2023

897

Belgrade
Average net salary
Q1 2023

Source: Statistical Office of the Republic of Serbia

ECONOMY

Real GDP growth in Q1 2023 was 0.7% and National Bank of Serbia has kept the projected growth rate of Serbia's GDP for 2023 in the range of 2.0-3.0%. Average annual inflation in 2022 was 11.9% and has peaked in Q1 2023, which is in line with earlier prognosis. The annual inflation reached 16.2% in March, led by higher food prices, as well as recent gas and electricity price increase. As of Q2, inflation is on a downward path and inflationary pressures should continue to ease more sharply in the second half of the year. To ensure that inflation returns within the target tolerance band in the projection horizon, the NBS continued to tighten monetary conditions in June by increasing the key policy rate by 25 bp, to 6.25%. In 2022, FDI inflow amounted to EUR 4.4 billion, while the FDI inflow in first three months of 2023 increased by 75% compared to the corresponding period in 2022 totalling EUR 1.3 billion with the largest share of countries from the Asia Pacific and European Union. In addition, economic stability was supported by the average net salary growth in Q1 2023 in Belgrade, amounting to EUR 897 which is YoY increase of 16%, while unemployment rate stood at the similar level as in previous few quarters and amounted to 7.6% in Belgrade.

SUPPLY AND DEMAND

Similar to other capitals in CEE region, where the development activity in retail sector is primarily focused on extensions of existing shopping centres, as well as the development of smaller retail parks and convenience schemes, Belgrade and Serbia are following the same trend. In the first two quarters of 2023, 3 retail parks and one small scheme were completed in Serbia, enlarging the stock for new 26,000 sq m of retail space whereas more than 90% of this volume was constructed out of Belgrade. Moreover, 62,000 sq m of retail park stock is currently under development, which confirms their dominance. On the other side, there were no changes in shopping centre stock and with no new openings planned in 2023.

In the first half of 2023, occupier activity across Belgrade was solid. The leasing activity was slightly over 15,000 sq m, 53% lower than H1 2022 since the focus of retailers has shifted from the capital to the secondary cities across Serbia. Namely, in H1 2023, Belgrade participated with the share of 38% in total leasing activity in the country, unlike the same period in 2022, when Belgrade had a share of 90% of the total take-up in Serbia. Most tenants are discounter retailers and affordable brands since the most preferred retail scheme for tenants was retail parks. However, despite the slowdown in the leasing activity, the strong appetite for Belgrade retail market is still present. In 2023, some new brands were introduced to the market or opened monobrand stores. Man's underwear brand Intimissimi Uomo entered the market within BW Galerija while Rajiceva Shopping Center introduced exclusive HUGO store, a streetwear line of the reputable fashion brand Hugo Boss.

Customer experience became essential and landlords in Serbia are trying to follow the global trends and improve offer by providing additional benefits to consumers. In this respect, one of the largest shopping centres in Belgrade, Usce SC and BW Galerija will improve offer with new content to the customers, especially in food & beverage and entertainment segment.

PRICING

The leading Belgrade shopping centres maintain a rather stable level of average rents during the first half of 2023, ranging between EUR 23-28/sq m/month, while the prime rents for most attractive schemes range between EUR 48-50/sq m/month. Despite low development activity in shopping centre segment, the space for rental growth is limited due to inflation, which contributed to increase in service charges and confined retail sales. Prime rents in the segment of retail parks, which witnessed upward trend in the final quarter of 2022, remained stable at the beginning of 2023 and amounted to EUR 8.5-12/sq m/month.

The asking rental levels at the prime pedestrian locations are traditionally high and remained mostly stable in H1 2023. However, considering the fact that shopping centres and retail parks became prime shopping destinations during the 2022, certain exception in the form of rent reduction is notable for retail units at the less attractive locations.



MARKET STATISTICS

| SUBMARKET | RETAIL STOCK (SQ M GLA) | DENSITY (RETAIL STOCK PER 1,000 INH.) | RETAIL PIPELINE (SQ M GLA) | AVERAGE PRIME RENT (€/sqm/month) |
|---------------------|-------------------------|---------------------------------------|----------------------------|----------------------------------|
| Belgrade | 580,000 | 350 | 40,000 | 48-50 |
| Novi Sad | 124,400 | 364 | - | 20-35 |
| Nis | 76,600 | 294 | 8,000* | 18-30 |
| Kragujevac | 58,200 | 324 | 8,000 | 15-30 |
| SERBIA TOTAL | 1,202,200 | 167 | 62,300 | |

* Planned expansion

CONSTRUCTION COMPLETIONS IN BELGRADE AND SERBIA 2023

| PROPERTY | SUBMARKET | TYPE OF SCHEME | SQ M GLA | DEVELOPER |
|----------------------------|---------------------|----------------|----------|-----------------|
| Park Surcin* | Belgrade, Surcin | Retail Park | 2,715 | Nid Projekt doo |
| NEST Obrenovac - 2nd phase | Belgrade, Obrenovac | Retail Park | 2,848 | RC Europe RSB |
| Retail Park Vrbas | Vrbas | Retail Park | 5,000 | VS Retail 2023 |
| BIG Pazova - 1st phase | Stara Pazova | Retail Park | 18,000 | BIG CEE |

* The scheme is not part of modern retail stock due to its size

KEY ONGOING PROJECTS IN BELGRADE AND SERBIA

| PROPERTY | SUBMARKET | TYPE OF SCHEME | DEVELOPER | SQ M GLA | DELIVERY YEAR |
|-------------------------------|-------------------------|----------------|---------------------|----------|---------------|
| Retail Park Belgrade | Belgrade, suburban area | Retail Park | RE Company | 30,000 | 2024 |
| NOVA Retail Park Ub | Ub | Retail Park | GO SHOP Retail Park | 11,500 | 2023 |
| AVA Shopping Park - 2nd phase | Belgrade, Bubanj potok | Retail Park | IKEA | 10,000 | 2024 |
| BIG Kragujevac | Kragujevac | Retail Park | BIG CEE | 8,000 | 2024 |
| NEST Vrsac - 2nd phase | Vrsac | Retail Park | RC Europe RSB | 2,800 | 2023 |

BELGRADE PRIME RETAIL RENTS (EUR/SQ M/MONTH)

| HIGH STREET ZONE | SIZE OF UNITS (SQ M) | | |
|------------------------------------------------|----------------------|---------|-------|
| | UP TO 100 | 100-250 | >250 |
| Knez Mihailova Street | 80-100 | 55-80 | 40-60 |
| Terazije Square | 45-80 | 35-50 | 30-40 |
| Kralja Aleksandra Blvd (up to Vukov spomenik) | 40-60 | 30-50 | 25-35 |
| Secondary High Street (Glavna, Pozeska Street) | 35-50 | 25-35 | 10-20 |

*Smaller retail units (<100 sq m) in Knez Mihailova Street could command the rental levels more than EUR 100/sq m

Tamara Kostadinovic

Head of Market Research

Airport City Belgrade

11 Tadije Sodermajera St., 11070 Belgrade, Serbia

Tel: +381 11 22 58 777

tamara.kostadinovic@cw-cbs.rs

[cushmanwakefield.com / cw-cbs.rs](https://cushmanwakefield.com/cw-cbs.rs)

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