



# Market Overview

BELGRADE

RESIDENTIAL | FIRST HALF | 2009

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## Economic Environment H2 2008

- In 2008, Serbia has achieved GDP growth rate of 6.0%, while GDP per capita amounted to EUR 4.597.
- The total industrial activity in Serbia marked 2.4% growth, compared to 2007.
- At the end of 2008, the inflation rate reached 11.2% on annual average, which is the highest rate in the last three years.
- The adjusted unemployment rate reached the average annual value of 18.0% in 2008, marking a general decrease from 18.8% in 2007.
- The average net salary (excluding tax and contributions) in Serbia reached EUR 402/month, while Belgrade recorded the annual average of EUR 492.
- The total FDI inflow amounted to EUR 1.7 billion, recording a 6.2% increase rate compared to 2007.

## Residential Real Estate highlights

- Residential market of Serbia has demonstrated signs of slowing down in the last quarter of 2008 as a result of the world economy's downturn.
- The number of issued building permits in Belgrade was only 2.7% higher than in 2007, whereas this number increased by 15.2% in the period 2006/2007, showing caution on the side of investors in 2008.
- Residential demand has decreased due to higher interest rates, the lack of subsidised loans and an expectation of a decrease of sales prices.
- A decrease of sales prices by 10-15% was marked among numerous investors trying to boost interest and complete the sale process in the expected time line.
- The top asking prices in Belgrade in the second half of 2008 were recorded in Stari grad, Vracar and New Belgrade, generally ranging from EUR 2,000-3,500 per m<sup>2</sup>.

## SALES SUPPLY

A stable domestic economy dominated Serbia in the second half of 2008 but due to the prevailing impact from the ongoing crisis in the world financial markets, residential market in Serbia has begun showing signs of slowing down. This impact was particularly noticed in the last quarter of 2008 and will prolong throughout 2009.

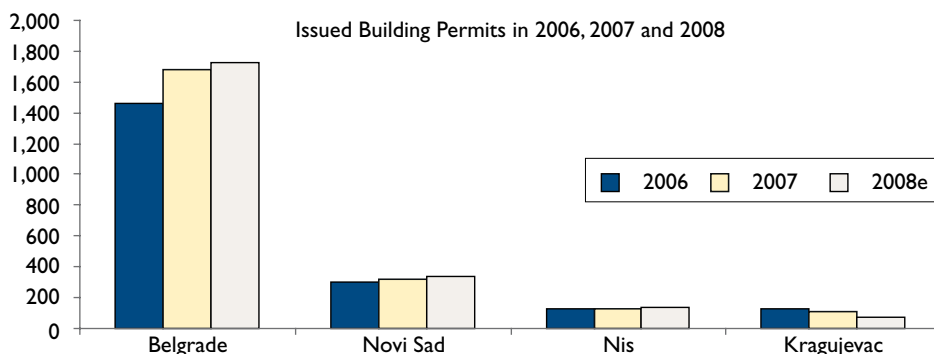
The major consequences of the crises were the following: a decrease in residential demand in the Belgrade market, subsided real estate investment, a slow-down in the new construction and a decreasing number of new or announced projects in the pipeline, indicating a general hesitation of the investors to further place finance in new projects.

The evidence to support this can be found in the statistical data on the number of issued building permits in the period of 2006-2008. The decreased construction and development plans were the most evident in the capital. The increase in issued permits in Belgrade in 2007 was

15.23% compared to 2006, whereas the increase in the period of 2007/2008 reached only 2.68%, which is significantly lower than what was expected at the beginning of the year. In regards to other cities in Serbia, the increase of issued building permits has been stable, except in Kragujevac, which marked a negative trend over the period of 2006-2008.

In regards to the location of developments under construction in Belgrade, the main activity was noticed in the municipalities of Vracar and Zvezdara, with numerous projects of between 10-20 apartments in Vracar, and larger projects of between 25-55 apartments in Zvezdara.

There are several larger projects across the capital, such as Belville, Savograd and Maxima in New Belgrade, Galerija Apartments in Stari grad, all under construction, and two projects to be developed in Zvezdara by Ratko Mitrovic company, named Exclusive and Prestige.



## SALES DEMAND

The period between January-August of 2008 witnessed an intense demand for residential apartments within all types of developments, including both newly-constructed buildings and those under construction, as well as existing buildings of different age. However, as the world economy's downturn reached Central Eastern and South Eastern Europe, the effect of the crisis was manifested in the Serbian market in the decrease of residential demand.

Housing loans have started subsidising in December, marking an overall decrease of around 3%, compared to November 2008.

This is the first time that a decreasing trend in housing loans was recorded since their implementation by the Serbian banks in the 2004/5 period.

Since September, prospective buyers have shown caution in home purchase for two reasons – firstly, due to the increased interest rates, an unfavourable exchange rate trend (weakening RSD) and the lack of loans subsidised by government and the National Corporation for Housing Loans; secondly, a decrease of sale prices is expected by the general public and prospective buyers are postponing the purchase in order to achieve higher-value transactions.

## SALES PRICES

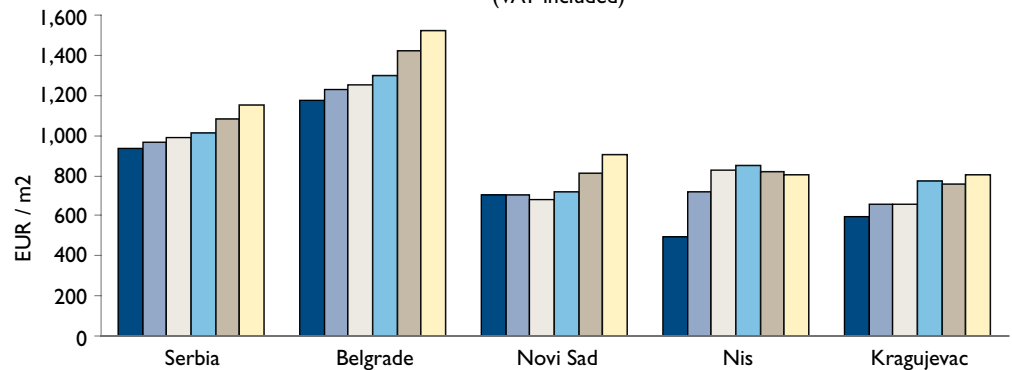
Due to the decrease of demand and a significant slowing down of the sales dynamics, prices of new residential apartments have either been stable or have slightly decreased. The developers report adjusting the asking sales prices by 10-15% in order to boost interest and accomplish the sale of the project in the expected time line. Nonetheless, residential sale has substantially abated in the final quarter of 2008 and the beginning of 2009.

Over a period of 2003-2008, sales prices have marked a steady growth across the country. Belgrade prices have been increasing steeply, outreaching the levels of regional capitals. However, the decrease of prices was recorded in the last quarter of 2008. This decrease was the strongest in the capital, whereas other cities have witnessed no or limited decrease due to the fact that the prices were set at a level not much higher than the construction cost.

The highest asking prices at the beginning of 2009 were recorded within high-end projects under construction or in the pipeline in the municipalities of Vracar, Stari grad and New Belgrade, exceeding EUR 4,000/m<sup>2</sup>. The recorded prices in New Belgrade, Stari grad and Vozdovac represent between 8-13% lower values than at mid 2008. Top asking prices in Dedinje and Vracar have increased due to the sale commencement of several high-end projects to be constructed. The minimum asking sales prices were recorded in the areas of Mirijevo, Palilula, Rakovica and Visnjicka Banja, with the gross sales price ranging from EUR 1,150-1,500/m<sup>2</sup>.

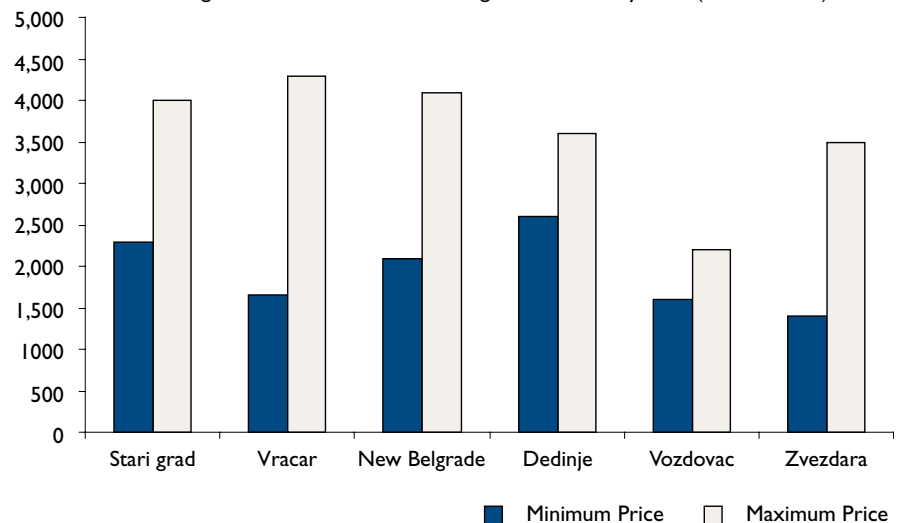


Average prices of newly-built residential apartments in Serbia in 2003-2008\* (VAT included)



Year	Serbia	Belgrade	Novi Sad	Nis	Kragujevac
2003	934,79	1 176,63	704,37	495,83	596,86
2004	967,27	1 231,98	704,41	721,82	654,98
2005	992,33	1 255,80	680,17	829,09	658,62
2006	1 014,41	1 302,04	717,68	849,22	770,95
2007	1 082,23	1 421,12	811,08	819,85	760,64
2008e	1 154,44	1 520,57	903,04	806,97	804,12

Asking Residential Sales Prices in Belgrade in February 2009 (VAT included)



## RENTAL DEMAND/PRICES

The rental demand in 2008 marked a continuous interest in New Belgrade, particularly the area around the Belgrade Arena which is part of the Central Business District, as well as the areas of Vracar and Dorcol, which abound in luxurious apartments.

In the second half of 2008, rental rates for more upscale apartments (either new or

completely renovated) remained stable or showed a slight downward trend compared to the first half of the year, the top net rents having been recorded in the city centre and Vracar – EUR 12-15 per m<sup>2</sup>. High rental levels were also reported in Dedinje and Senjak – EUR 12-14.5 per m<sup>2</sup>. New Belgrade and the affluent neighbourhoods of Vozdovac and Banovo Brdo recorded rents between EUR 10-12 per m<sup>2</sup>.

## FORECAST

- In addition to numerous small-scale projects across Belgrade, several larger residential projects are in the pipeline for 2009 and 2010. The largest by far is Belville with 1,858 apartments. After a six-month sale period, 1,000 apartments have been sold and another 450 reserved. Savograd is approaching the completion of the sale process with only a few available apartments out of the total of 55.
- Four other larger projects that are under construction – the exclusive Maxima Center in Block 11a, upper-mid level Galerija Apartments in Francuska Street in lower part of Dorcol, and two mid-end projects in Dimitrija Tucovica and Uciteljsko naselje (both in Zvezdara) – have commenced the sale process which will continue throughout 2009.
- A further limited decrease of sales prices and rental levels is anticipated in the first half of 2009.

Project	Class	Location	Gross Size	Timeline	No of Units	Asking Gross Sales Price (EUR/m <sup>2</sup> )
Belville/ Block 67 Associates	B	New Belgrade	260,000	2009	1,856	2,100
Savograd/ Neimar V	A	New Belgrade	12,000	2009	55	4,100
Maxima Center/ Imperijal gradnja	A	New Belgrade	28,300	2009/10	130	3,600-4,000
Galerija Apartments/ Ocean Atlantic	B	Stari grad	12,000	2009/10	103	2,400-2,900
Exclusive/ Ratko Mitrovic	B	Zvezdara	11,000	2010	99	2,100-2,180
Prestige/ Ratko Mitrovic	B	Zvezdara	56,000	2009/10	550	2,000-2,150



293 OFFICES IN 61 COUNTRIES ON 6 CONTINENTS

Americas 136  
Asia Pacific 62  
EMEA 95

80.6 million m<sup>2</sup> under management

11,000 Professionals

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