

# ASPERMONT

REAL ESTATE

## Residential Market Report – Serbia 2020

Aspermont Research

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## 2 Economic Indicators (GDP, Unemployment Rate, Inflation Rate) – Serbia

Although pre-coronavirus data showcased a strengthening economy at the outset of 2020, the scenario has dramatically shifted due to the pandemic. The outlook for this year has deteriorated notably since February. According to latest World Bank report, gross domestic product of Serbia will decrease by 2.5% this year, which is lower than 3-6.5% decline for the rest of West Balkan counties. Serbian authorities expects below 2.0% contraction for the 2020 year.

### 2.1 Gross Domestic Product

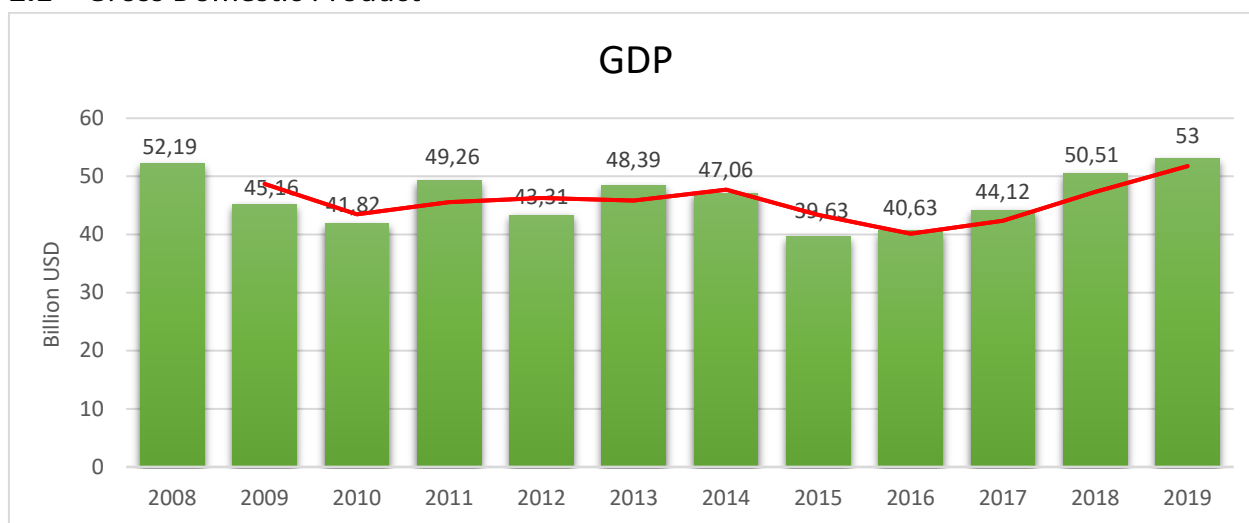


Fig. 1. GDP 2009-2019. Source: World Bank, OECD

After decrease in 2008 due to financial crisis, and excluding 2013, where unprecedented floods occurred, Serbia GDP is on constant growth path, accelerating in recent years. The major growth drivers for the past decade are foreign company investments in automotive sector (Fiat) and steel production (HBIS) coupled with increased construction activity. Comparing to basis level in 2008, ending level of dollar in terms of local currency dinar is doubled, which adversely affected GDP figures in 2015-17 when dollar was on historical high values vis-a-vis dinar, illustrated on graph below.



Fig. 2. USD/RSD 2008-2020. Source: Bloomberg

However, Serbian economy is highly dependent on trade activity with European countries, so one of National Bank of Serbia top priorities is keeping EUR/RSD currency pair stable. After depreciation in 2008-12 period due to expansive fiscal policy and accumulation of national debt, for most of the past decade dinar is hovering around 120 spot rate with almost non-existent volatility on daily level.



Fig. 3. EUR/RSD 2008-2020. Source: Bloomberg

## 2.2 Gross Domestic Product Growth Rate

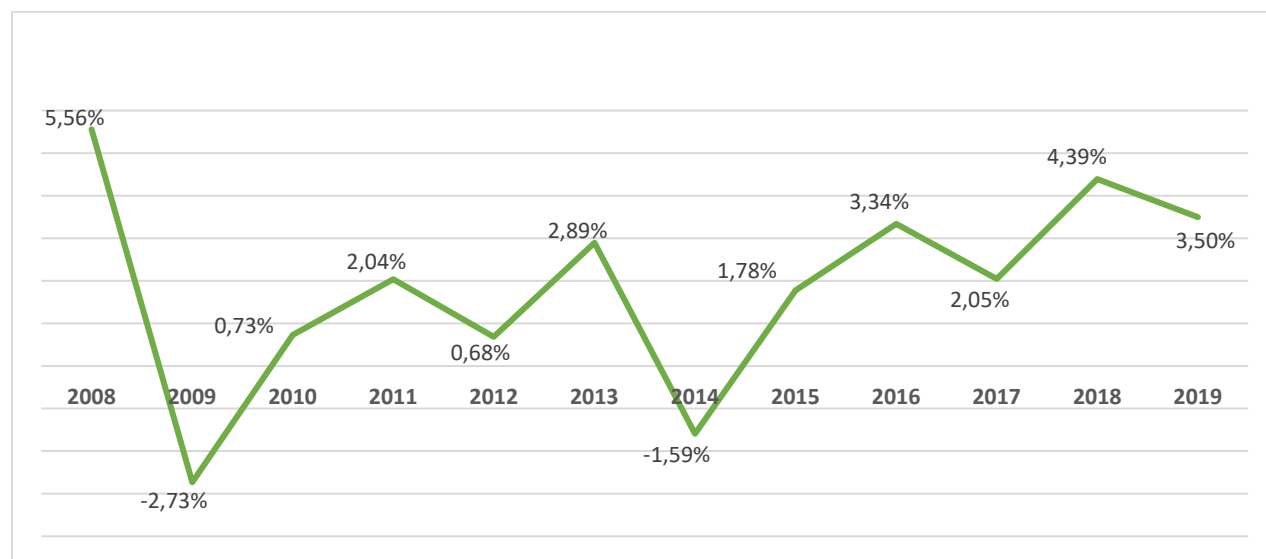


Fig. 4. GDP Growth 2009-2019. Source: World Bank, OECD

As mentioned above, floods in 2013-14 particularly negatively affected electricity and agriculture production levels, which are one of the main contributors in Serbia GDP. Other than this year, economic activity in Serbia is on uptrend movement.

## 2.3 Unemployment Rate

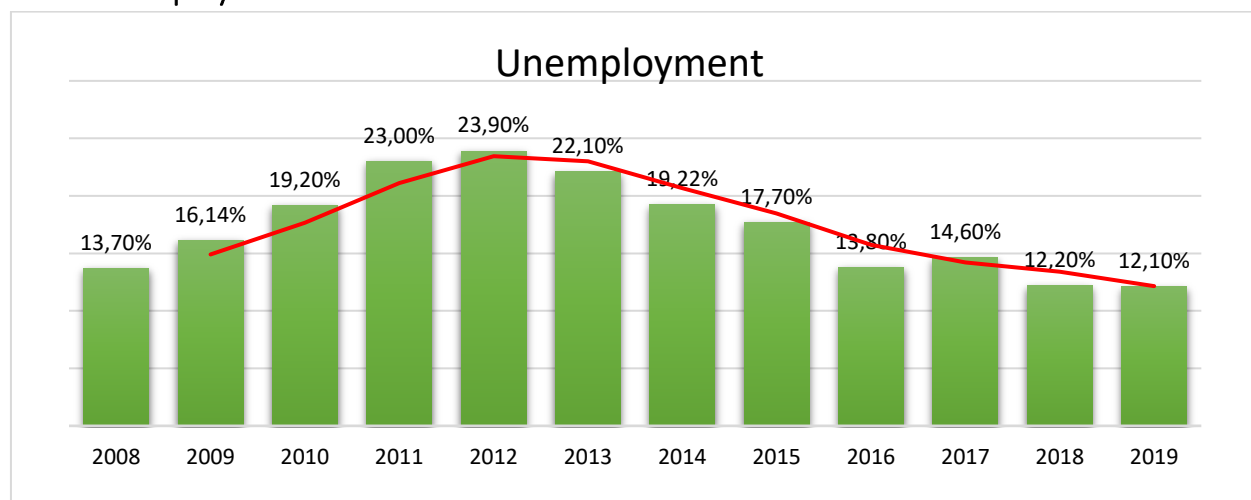


Fig. 5. Unemployment 2008-2019. Source: RZS<sup>1</sup> 2020

Financial market crisis reflected on Serbia with certain delay and lasted almost 2 years longer. After reaching peak in 2012 election year with almost ¼ unemployed working force, unemployment rate is halved to 12%. Reasons backing up this positive trend is development of IT industry in Serbia and increased number of public projects related to highway/building construction. However methodology is biased towards presenting lower than actual rate of unemployment.

## 2.4 Inflation Rate

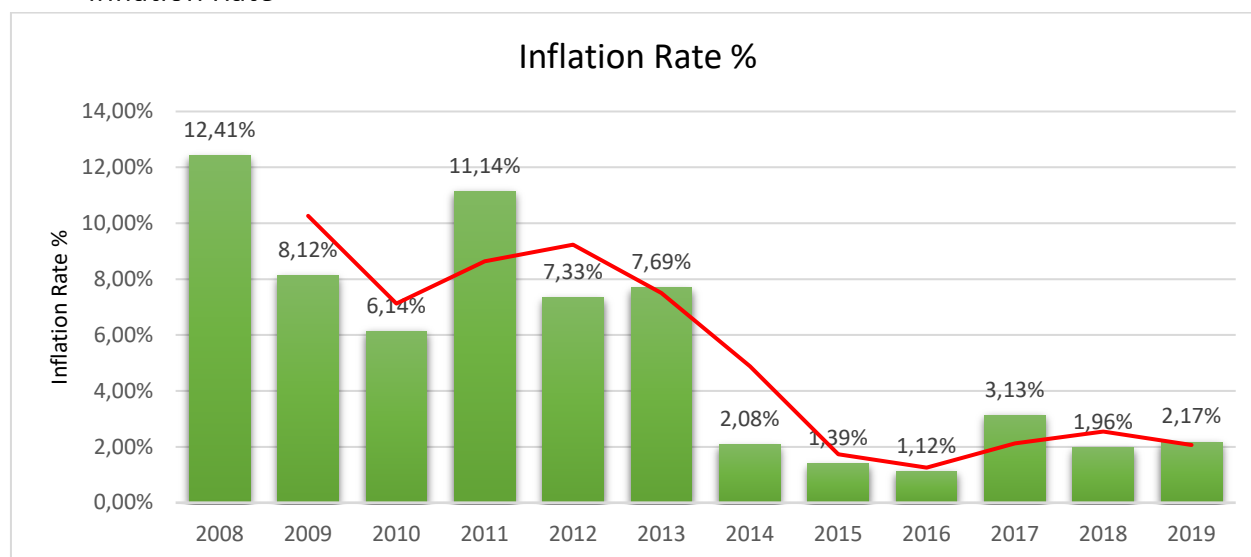


Fig. 6. Inflation rate 2008-2019. Source: RZS 2020

From the starting double digits values in start of 2010, mostly influenced by growing amount of debt and volatility on EUR/RSD currency pair, National Bank of Serbia managed to put inflation in strategic  $3 \pm 1.5\%$  corridor after 2014. In most recent periods, like other European economies, Serbia is also facing almost zero-interest environment which is reflecting on low inflation readings, currently below 2% Y-o-Y basis.

<sup>1</sup> RZS – Republički Zavod za Statistiku / Statistical Office of the Republic of Serbia

### 3 Real Estate Market in Serbia

#### 3.1 Property Sales in Serbia by Type 2019

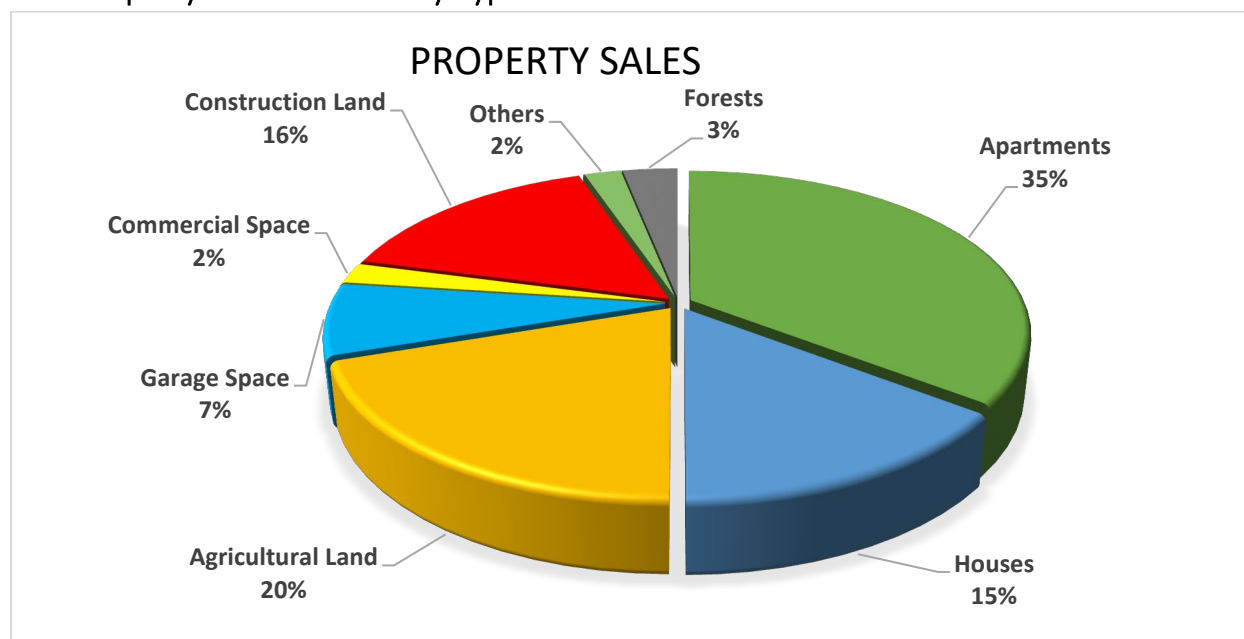


Fig. 7. Real estate market share, 2019. Source: RGZ 2019

Apartments experienced an increase of 1% compared to the previous year and continue to have the largest market share of 35%. Demand amongst sub-categories is stable across the years, with half of the sales coming from residential units. Also, 46% of total transaction values related to real estate market is derived from apartments segment.

#### 3.2 New Residential Construction

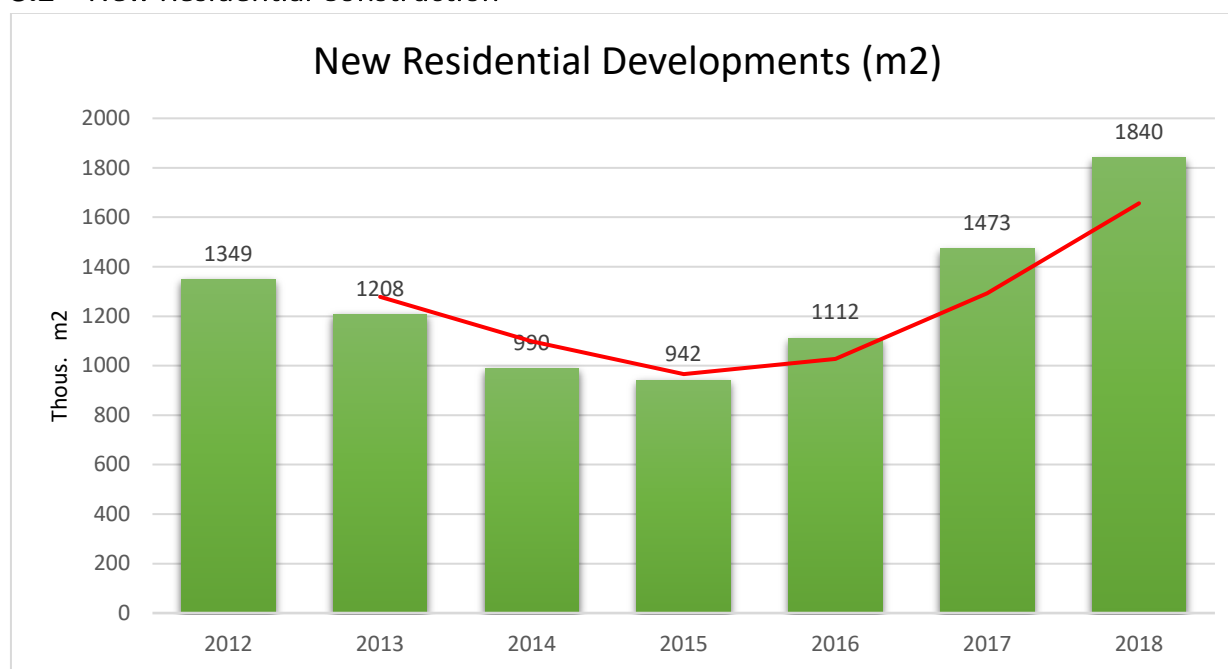


Fig. 8. New Residential Construction, 2012-2018. Source: RZS 2019

After contraction registered in mid of decade, set of simplified and quicker application process for acquiring construction permission measures initialized uptrend movement in this sector. In latest published data for 2018, new residential developments increased by more than 20%, similar growth is expecting for 2019.

### 3.3 Total Value and Number of Sales

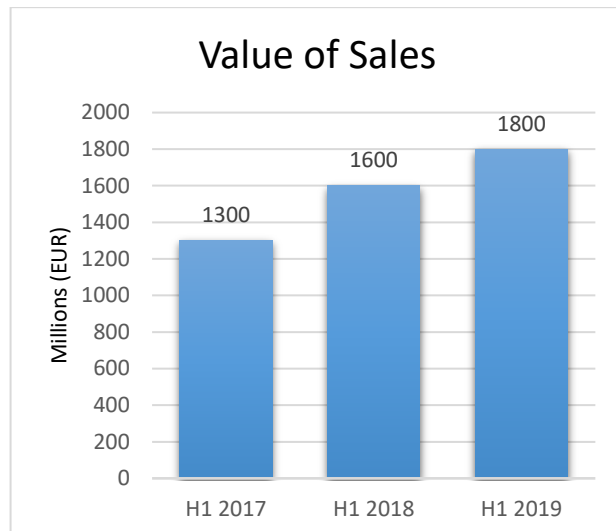


Fig. 9. Increase in value, 2017-2019. Source: RGZ<sup>2</sup> 2019



Fig. 10. Increase in sales, 2017-2019. Source: RGZ 2019

Supported by positive trends in economic activity, low interest rate environment, increasing demand from foreign citizens for real estate investment in Serbia, value of sales related to this segment is on double digit growth. Another factor which contribute to sustainable growth in this sector is limited supply and long term demographic trends of population moving to industrial centers (Belgrade and Novi Sad). Despite number of sales slightly decrease in 2019, increase in average price of transaction was more than enough to preserve growth in value of properties sold.

### 3.4 Property Purchases (Cash vs Credit)

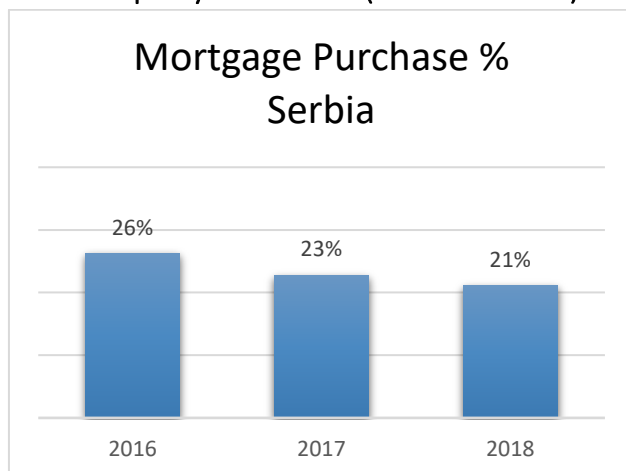


Fig. 11. Mortgage purchases Serbia, 2016-2018. Source: PKS<sup>3</sup> 2019

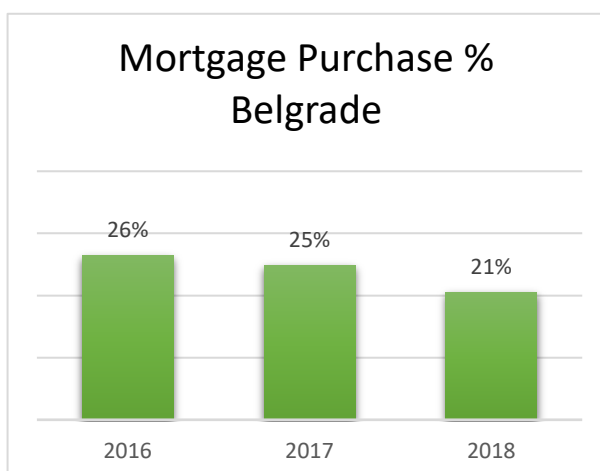


Fig. 12. Mortgage purchases Belgrade, 2016-2018. Source: PKS 2019

<sup>2</sup> RGZ – Republički Geodetski Zavod / Republic Geodetic Authority

<sup>3</sup> PKS – Privredna Komora Srbije / Serbian Chamber of Commerce

Although condition for mortgage payments are currently favorable, cash transactions are still dominant in Serbia. Comparing to more developed markets, share of mortgage purchase are still low, accounting just 20%. For instance, according to PWC study, turnover in 2018 for Italian residential units was financed 50.7% from mortgages.

## 4 Residential Market in Belgrade

Belgrade real estate market recorded in 2019 residential properties sales worth €995 million or 19.88% more than in H1 2018. Development of IT industry in Serbia, alongside with increasing demand from Serbian diaspora and foreign citizens keeps pushing price forward. Another contribution in sharp price increase is coming from launch of Belgrade Waterfront project, which offering residential units in exclusive part of Belgrade. Another IT center, Novi Sad also experiencing constant increase in price per m<sup>2</sup>, but price in the other cities of Serbia is stable or even decreasing.

### 4.1 Average Price Growth

Average Price per Sqm			
Belgrade ( 9 Urban Municipalities)			
2016	2017	2018	2019
€ 1,475	€ 1,483	€ 1,587	€ 1,689
Belgrade ( All 17 Municipalities)			
2016	2017	2018	2019
€ 1,035	€ 1,076	€ 1,158	€ 1,274
Novi Sad			
2016	2017	2018	2019
€ 846	€ 901	€ 982	€ 1,101

Fig. 13. Average Price Growth, 2016 / 2019. Source RGZ 2020

### 4.2 Average Price by Location

Average Price/m2 in Belgrade					Trend (2016-2019)
Location	2016	2017	2018	2019	
Stari Grad	€ 1,775	€ 1,850	€ 2,041	€ 2,125	20%
Vracar	€ 1,725	€ 1,700	€ 1,789	€ 1,907	11%
Savski Venac	€ 1,775	€ 2,000	€ 2,156	€ 2,303	30%
Novi Beograd	€ 1,550	€ 1,450	€ 1,679	€ 1,816	17%
Palilula	€ 1,400	€ 1,325	€ 1,321	€ 1,410	1%
Zvezdara	€ 1,225	€ 1,350	€ 1,436	€ 1,493	22%
Vozdovac	€ 1,200	€ 1,300	€ 1,342	€ 1,440	20%
Cukarica	€ 1,150	€ 1,125	€ 1,224	€ 1,275	11%
Zemun	N/A	€ 1,250	€ 1,297	€ 1,437	15%

Fig. 14. Trends in Avg. Price in Belgrade, 2016-2019. Source: RGZ 2020

Beside Belgrade Waterfront, few other luxury development projects are also taking place in Savski Venac, which resulted in highest growth rates for average price. Despite having most prestigious locations in Belgrade, Stari Grad and Vracar due to configuration of soil and presence of state protected buildings have less potential for new construction buildings, and hence more moderate growth of average price per m<sup>2</sup>.



### 4.3 Price Comparison by Location (Old Buildings vs New Developments)

Old Residential Buildings vs New Residential Developments (Price/m <sup>2</sup> )								
Year	2016		2017		2018		2019	
Location	Old Build.	New Cons.	Old Build.	New Cons.	Old Build.	New Cons.	Old Build.	New Cons.
Stari Grad	€ 1,650	€ 1,900	€ 1,750	€ 1,950	€ 1,918	€ 2,163	€ 2,009	€ 2,241
Vracar	€ 1,550	€ 1,900	€ 1,600	€ 1,800	€ 1,705	€ 1,873	€ 1,823	€ 1,991
Savski Venac	€ 1,400	€ 2,150	€ 1,400	€ 2,600	€ 1,569	€ 2,743	€ 1,669	€ 2,936
Novi Beograd	€ 1,200	€ 1,900	€ 1,200	€ 1,700	€ 1,336	€ 2,021	€ 1,510	€ 2,122
Palilula	€ 1,100	€ 1,700	€ 1,100	€ 1,550	€ 1,184	€ 1,457	€ 1,284	€ 1,535
Zvezdara	€ 1,050	€ 1,400	€ 1,200	€ 1,500	€ 1,334	€ 1,538	€ 1,419	€ 1,566
Vozdovac	€ 1,050	€ 1,350	€ 1,100	€ 1,500	€ 1,149	€ 1,535	€ 1,243	€ 1,637
Cukarica	€ 1,050	€ 1,250	€ 1,050	€ 1,200	€ 1,108	€ 1,339	€ 1,194	€ 1,355
Zemun	/	/	€ 1,100	€ 1,400	€ 1,166	€ 1,427	€ 1,272	€ 1,602

Fig. 15. Avg. prices by location in Belgrade, 2016-2019. Source: RGZ 2020

Continuing to previous explanation, luxury complex in Savski Venac and New Belgrade are making significant difference between prices of old/new buildings. However, central municipalities like Vracar and Stari Grad offering more convenient locations, coupled with demand due to status symbols results with high average prices per m<sup>2</sup> even for old complexes.

### 4.4 Price Change in Percentage (2016-2019)

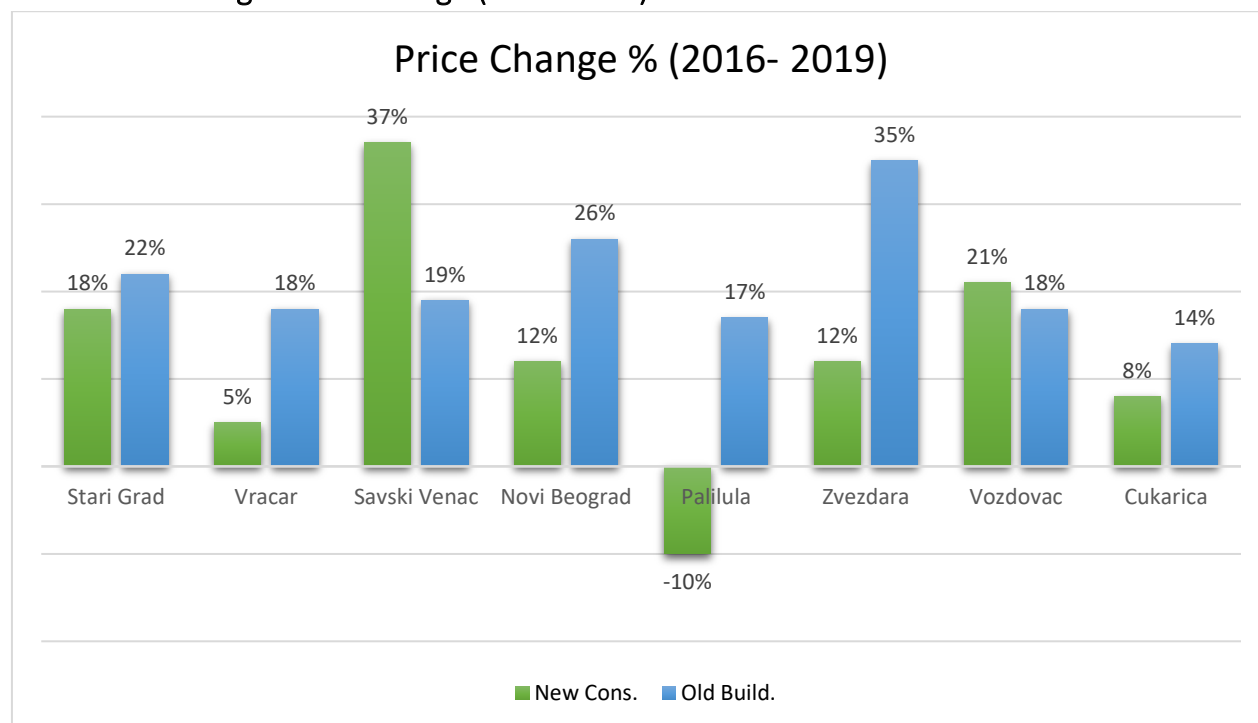


Fig. 16. Price change in percentage in Belgrade, 2016-2019. Source: RGZ 2020

#### 4.5 Average Apartment Size in Belgrade

Year / Size (Sqm)					
2013	2014	2015	2016	2017	2018
58.5	58	60	66	60	60

Fig. 17. Average Apartment size in Belgrade, 2013-2018. Source: RZS

Average Apartment Size in Belgrade 2019	
Location	Size (Sqm)
Stari Grad	72
Vracar	70
Savski Venac	61
Zvezdara	46
Palilula	53
Vozdovac	51
Cukarica	56
New Belgrade	60.5
Zemun	51
Rakovica	45.5

Fig. 18. Average size by location in Belgrade, 2013-2018. Source: RZS

Average apartment size can be categorized in 2 groups. In first group, city core Stari Grad and Vracar area is smaller comparing to other regions and has more share of buildings constructed before World War II when the average apartment size was more than 100m<sup>2</sup> in vast majority. Other segments consists of post-World War II projects (especially New Belgrade), when the average apartment size was much smaller. Also, due to commercial needs, most of newly launched residential constructions has target size of apartment around 60m<sup>2</sup>.

#### 4.6 Highest Price per Apartment (Old Buildings/New Developments)

Location		Total Price	Area(m2)	Price/m2
<b>Old Build.</b>	<b>Savski Venac</b> (Brzakova)	€ 900,000	339	€ 2,655
	<b>N. Belgrade</b> (Tresnjin Cvet)	€ 870,000	272	€ 3,199
	<b>Stari Grad</b> (Obilicev Venac)	€ 700,000	115	€ 6,087
	<b>Vracar</b> (Patrijarha Varnave)	€ 625,000	277	€ 2,256
<b>New Cons.</b>	<b>Savski Venac</b> (BW Tower)	€ 1,319,888	152	€ 8,683
	<b>N.Belgrade</b> (West 65)	€ 1,240,522	405	€ 3,063
	<b>Vracar</b> (Kursulina)	€ 878,000	272	€ 3,228

Fig. 19. Highest price per apartment. Source: RGZ 2020

#### 4.7 Highest Price per Square Meter (Old Buildings/New Developments)

Highest Price per square meter (New/Old)				
2017				
Location		Total Price	Area(m2)	Price/m2
<b>Old Build.</b>	Stari Grad	€ 515,000	173	€ 2,977
<b>New Cons.</b>	Savski Venac	€ 696,888	98	€ 7,111
2018				
Location		Total Price	Area(m2)	Price/m2
<b>Old Build.</b>	Stari Grad	€ 475,000	109	€ 4,358
<b>New Cons.</b>	Savski Venac	€ 1,124,888	143	€ 7,866
2019				
Location		Total Price	Area(m2)	Price/m2
<b>Old Build.</b>	Stari Grad	€ 700,000	115	€ 6,087
	Palilua	€ 130,000	29	€ 4,483
	Stari Grad	€ 103,000	27	€ 3,815
<b>New Cons.</b>	Savski Venac	€ 1,319,888	152	€ 8,683
	Vracar	€ 330,000	76	€ 4,342
	New Belgrade	€ 217,109	58	€ 3,743

Fig. 20. Highest price in Belgrade, 2017-2019. Source: RGZ 2020

#### 4.8 Notable Larger Scale Projects Under Construction

Upcoming Residential Projects					
Project Name	Location	Total Units	Avg Price/m2	Price Range	
				Min	Max
BW Waterfront	Savski Venac	878	€ 3,075	€ 2,205	€ 8,683
Skyline		134	€ 2,776	€ 2,407	€ 3,480
Kneza Milosa Residence		226	€ 2,996	€ 2,482	€ 3,654
Kapije Vracara	Vracar	250	€ 1,968	€ 1,221	€ 2,317
K District	Stari Grad	N/A	€ 2,335	€ 1,804	€ 2,707
West 65 Tower	New Belgrade	294	€ 3,008	€ 1,530	€ 3,743
Blok 32		127	€ 2,587	€ 2,450	€ 2,696
Sakura Park		228	€ 2,550	€ 2,079	€ 2,783
Park 11		134	€ 2,640	€ 2,536	€ 2,734
Well Port		500	€ 2,475	€ 1,807	€ 2,786

Fig. 21. Upcoming residential projects in Belgrade. Source: Aspermont Research, RGZ 2019, NBS<sup>4</sup>

<sup>4</sup> NBS – Narodna Banka Srbije / National Bank of Serbia