

# PRESS RELEASE

## BELGRADE HOUSING MARKET YET TO GROW

CB Richard Ellis, world leading commercial real estate services firm, which advises more clients than any other property advisor worldwide collates data and market intelligence from both internal and external sources, thus providing insight into real estate trends across Serbia.

CB Richard Ellis believes that general economic recovery and tendencies in Belgrade housing market promise a turning point in Belgrade construction trends in the following years. Namely, these tendencies will bring new developments that include various amenities such as playground, pool, gym, on-site management, security gate etc. The current situation in the market will certainly attract renowned developers willing to offer condominiums and compounds; this completion will eventually result in a higher quality-price ratio of the residential product in the market.

Key demand drivers assume ever-greater expansion of housing credit options and strong investment demand. In addition, during the past five years there was a strong demand for apartments of smaller sizes on the mid-end market, which undoubtedly encouraged investors to create complexes with a high share of small, affordable apartments – mostly studios and one-bedroom apartments. However, supply of smaller apartments still remains below demand, causing scarcity in this segment and price increases of up to 30% on annual basis, depending on the location.

On the other hand, significantly low difference in price levels of old and new middle-class apartments has redirected a large share of prospective buyers towards new buildings offering quality finishes and facilities that match modern lifestyle. Furthermore, there is a notable preference for purchasing apartments in the early construction phase, which implies payment in instalments.

Similarly to neighbouring housing markets in the region, bank loans in Serbia represent the main source of financing for new residential property investment. Moreover, the new Mortgage Law has introduced some welcomed innovations, allowing the borrower to offer a wider array of collateral security, thus providing broader financing possibilities.

For several years now, the highest sales prices are recorded in Dedinje, Senjak and Vracar areas, followed by central parts of Belgrade. However, the strongest upward trend in apartment prices was recorded in the central parts of New Belgrade, in close proximity to Belgrade Arena, which is the most developing area of the capital. In contrast, presently there are no large-scale projects downtown, which features smaller buildings with proportionately lower number of apartments.

Expectation is that the current development boom phase cannot significantly alter market trends in the medium to long term. Admittedly, Belgrade has not seen significant development activity for over two decades. There are numerous households in rented premises that would like but currently cannot afford to move into the owner occupier market. They represent a pool for potential demand still waiting for their economic upturn to become effective demand. However, property values will continue to rise, underpinned by the abundant offer of housing loans and steady growth of disposable income. The growth will continue, yet at much more modest rates.