

Serbia: real estate and construction – Real Estate Committee, June 2018

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There is real development to be seen in the Serbian real estate and construction sector. The latest changes to the Serbian Planning and Construction Act have made the procedures for acquiring building permits much faster and more efficient. A recently introduced electronic system for issuing building permits represents one of the most important reform challenges faced by Serbia. And a new 'integrated procedure' has effectively enabled real estate investors to electronically obtain all necessary documentation for construction on a 'one-stop shop' basis.

A snapshot of the real estate market

The Serbian real estate market traditionally revolves around five primary areas: office space, the residential market, the retail segment, the industrial segment and the hotel market.

A string of new regulations and several updates to existing legislations, coupled with the announcement of several significant projects, indicate that an interesting period is ahead.

Office space

The Serbian capital city, Belgrade, dominates the country's office space market. The main investors in the office space segment are Africa Israel and Tidhar Group, GTC, Delta Holding, MPC Properties, AFI Europe and Shikun & Binui Group, which have a handful of projects across Belgrade and whose tenants are primarily large multi-national companies.

The average rent for class A office premises in Belgrade ranges from €14.50 to €16.50 per square metre, and for class B office premises from €11 to €12 per square metre.

Residential market

The residential market shows continued growth with several residential projects under active construction. In Belgrade, the asking price for high-quality residential projects starts at €2,200 per square metre, while mid-end projects usually cost between €1,500 and €2,100 per square metre. Mixed-use properties have gained popularity recently, which is illustrated by the largest real estate project in Serbia at the moment –

the Belgrade Waterfront, developed by United Arab Emirates developer Eagle Hills. The project will include both commercial and residential buildings while simultaneously remodelling the river banks and rejuvenating the entire neighbourhood.

Given that Belgrade has lifted its ban on the development of buildings higher than 50, 100 or 150 metres depending on the location, AFI Europe is set to invest €200m in the project 'Skyline Belgrade', which will have a total of 64,000 square metres of housing and office space with an office tower 28 storeys high and residential towers of 16 to 17 floors and 22 floors.

Retail segment

This type of development has not been historically widespread across Serbia; however, it has picked up recently with the arrival of developers including:

Atterbury Europe, which has entered into a joint-venture agreement with MPC Properties, one of Serbia's largest real estate development companies;

Hyprop Investments Limited and Homestead Group Holdings Limited, which have co-invested in Delta Holding's Delta City Shopping Malls; and

New Europe Property Investments (NEPI), which acquired a shopping mall in Kragujevac from Israeli Plaza Centers and has other retail properties under development. These include the country's largest shopping centre with nearly 48,000 square metres of gross leasable area, Promenadea in Novi Sad, the opening of which has been announced for the fourth quarter of 2018, and several retail parks.

Rajiceva shopping centre on Knez Mihailova Street, the central pedestrian zone of Belgrade, was completed in 2017 with a total area of 15,300 square meters. GTC is actively working on the development of its first shopping centre in Belgrade, Ada Mall, which should comprise 34,000 square metres of gross leasable area and be opened this year.

The development of retail parks has become very popular, primarily due to their lower initial investment, shorter construction period and option to be developed in phases. Key investors developing these types of developments are Aviv, Poseidon Group, Immofinanz and MPC Properties.

Industrial segment

Although still rather underdeveloped, the demand for modern logistics facilities in Serbia is increasing. This market has historically served only the needs of local companies, which constructed facilities under their own ownership for their own personal use. However, as this market segment gains sophistication and new investors enter the market, the development of rental facilities is planned for construction. One example is the German discounter Lidl, which plans to open a distribution centre for the 20 supermarkets it plans to open during 2018.

Additional growth drivers in this sector are expected with the entrance of CTP, which is looking for opportunities to expand its business model. Serbia has established free trade agreements with EFTA and CEFTA, a preferential trade regime with the European Union, a Generalised System of Preferences with the United States, and individual free trade agreements with Belarus, Kazakhstan, Russia and Turkey, providing access to markets of about one billion people.

Hotel market

The market currently boasts only a handful of well-known international hotel chains, including the Hyatt Regency, Crown Plaza, Holiday Inn and Radisson Blu, among others. In 2018 Hilton and Mama Shelter hotels were opened for business in the very centre of Belgrade and Hotel Sheraton was opened in Novi Sad. However, the hotel market still lacks a significant presence of high-end hotels and hotel chains.

Construction market growth

Pioneering development

The recently introduced 'integrated procedure' has simplified the process for obtaining the required documentation for construction projects, such as licences and other consents. The procedure covers all steps, from the issuance of location conditions to the issuance of construction and use permits and the registration of ownership over the newly constructed facility with the real estate cadastre.

The integrated procedure ensures that the exchange between public authorities of all relevant documents takes place without any further involvement by the investor. Instead of having to collect the requisite documentation from multiple institutions and public utilities providers, the investor is now only required to produce those documents that the competent authority cannot obtain ex officio.

Public infrastructure

Serbia has a growing need to build new public infrastructure and to rejuvenate existing facilities, which has instigated the creation of a legal and institutional framework for attracting private investments.

With the enactment of the Law of Public–Private Partnership and Concessions, there has been an increasing tendency by both state and local authorities to undertake public infrastructure projects through public–private partnerships.

One of the most important projects currently underway is the Vinca landfill project, which will rehabilitate the Vinca landfill and construct a waste management facility for the generation of heat and power as part of a public–private partnership. Also, Belgrade Nikola Tesla Airport will be further operated as a concession by Vinci Airports for a period of 25 years.

Fast facts

Serbia is continuing its path towards EU membership: the EU negotiation process has officially started and it should be ready for accession by 2025.

According to the World Bank's Doing Business 2018 index, Serbia is ranked tenth in terms of obtaining construction permits, which represents an exceptional leap compared to its 152nd ranking of two years ago.

Belgrade was named the City of the Future in Southern Europe by the Financial Times.

Due to macroeconomic stabilisation, in 2017 a strong FDI growth of 27.1 per cent was recorded and favourable trends have been continuing from the beginning of 2018.

The largest real estate project in Serbia currently is the Belgrade Waterfront, with an estimated worth of €3.5bn, headed by the Serbian government with the support of UAE investors.

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