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# REAL ESTATE MARKET OVERVIEW 2011



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## Residential market

### Demand

- After slight recovery in 2010 and during the first half of 2011, there was stronger movement on residential market in the second half of 2011.
- Demand boost in Serbia is present, and especially in cities that represent regional centres. This reaction is a result of extremely unstable situation with monetary unit of EU, as EURO started with vigorous oscillations due to public debt crises at some EU members. In accordance with potential monetary currency crash, people in Serbia started to invest their savings in real estate, as a less risky option. Modest bulk of apartments that was unsold during previous three years, was sold – but for less money than it was planned.
- National Bank of Serbia has reduced the key policy rate to 9.75% in 2011, from average 11.5% in 2010. This cut is likely to boost demand for residential properties in Serbia in the coming months.
- One of the pre elections measures of Government is decrease of necessary citizens share in financing of the subsidized loans from 10% to 5% while total funds intended for this purpose amount about EUR 12 m.

### Supply

- There is downward trend in completed apartments of 10% in 2011 and that is quite a slow down compared to the same period of 2010, where this ratio was round 26%.
- Slight increase in the number of building permits issued in 2011 of 5% compared to 2010 due to large number of requests for legalization of properties.
- The first construction phase of low-cost residential project on Stepa Stepanovic site is currently on track, and is due to completion in early Q2 2012. The first phase will incorporate 32 objects, including around 3,300 apartments. Price per sq m is between EUR 1,250 - 1,290 (VAT incl.).
- Project located at Bokeljska Street, in municipality of Vracar, is finished in H2 2011. This residential project covers an area of 7,500 sq m and comprises 32 apartments. Daneks Gradnja completed residential project of 22 apartments in total, in H2 2011 also. It is located in Cerska Street.
- Two more residential projects have been finished in 2011: residential building at Santicева Street, which is a project constructed by Nenel company and Metropolitien apartments located in Palilula municipality, by Koling.

*Picture: Aviv Arlon's residential project on Zvezdara - Gardenia*







# Residential market

## Sales and rental prices

- The Serbian legal framework recognizes two types of apartments, high-end and mid-end. With reference to the situation on the market and increasing trend of demand closing 2011 resulted in slight increase of the asking prices for mid-end apartments from EUR 1,400 to EUR 2,000 per sq m while the asking prices for high-end apartments remain steady.
- Pluto Capital, British company is the investor of Harmony apartments in Vracar area and LiveIN Dorcol project in Dorcol area. Harmony comprises of 80 apartments and the construction is about to begin Q1 2012. LiveIN Dorcol is in final stage of works and represents renovated old hotel and made into new classy business apartments.

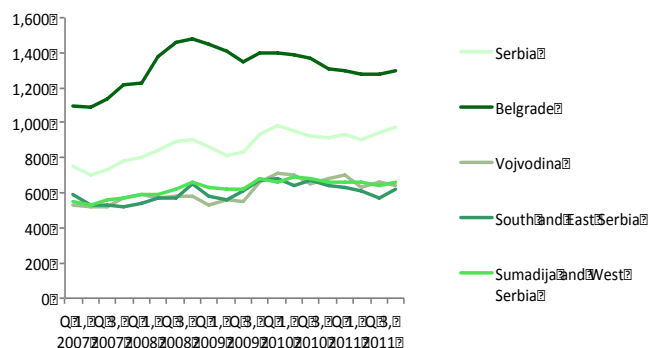
## Pipeline

- As there is still demand from existing tenants new entrants into Serbia residential market are announced. Israeli investor Aviv Arlon started with construction works on their residential and commercial complex Gardenia, with 280 housing units and built-up area of 32,000 sq m. This project is located at Zivka Davidovica Street, on Zvezdara municipality. At the near location company Alpha construction plans to build residential complex, Alpha city, which is going to comprise 290 residential units. Another project that is planned to be built in Zvezdara municipality also, at Ruzveltova Street is small project of Italian investor Edil Italiana with total of 50 apartments.

## Rents

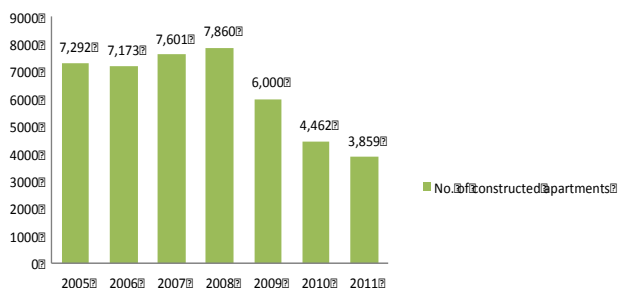
- Rents remain steady, becoming more tenant driven and the rental prices are standing between EUR 5 -14/sq m, depending on the location, size and year of construction.

Average sale prices of apartments by regions



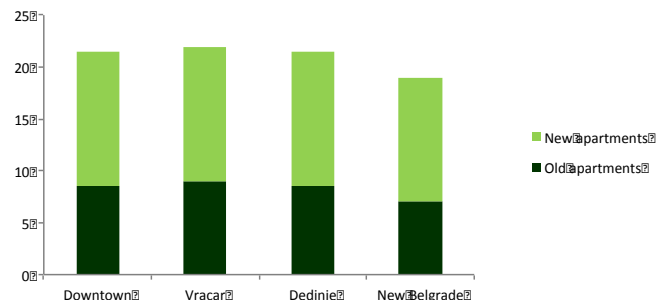
Source: National Corporation for Insurance of Residential Loans

Number of constructed apartments



Source: Statistical Office of Republic of Serbia, Danos RESEARCH

Average rental prices of apartments



Source: Danos RESEARCH



## Office market

- The Serbian office market is still concentrated mostly on Belgrade city area, which is further divided into three parts – Central Business District, Broad Center and Suburban area.

### Supply

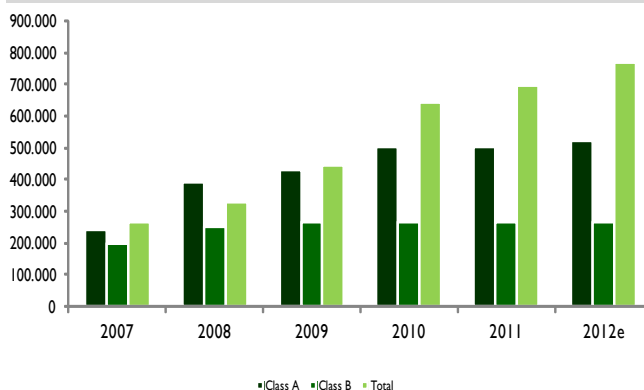
- Total stock of office premises in Belgrade in 2H 2011 is approximately at the same level as in 1H 2011 and amounts about 800,000 sq m of GBA – class A office premises recorded stock of 530,000 sq m while class B office premises recorded stock of 270,000 sq m. In comparison to other cities in region, like Sophia, Budapest, Bucharest and Zagreb, Belgrade recorded the slowest growth of total office stock.

### Pipeline

- The most important news which marked this year and office segment of real estate market are announcements of Raiffeisen Bank and Banca Intesa that started to develop their headquarters.
- Banca Intesa started construction of its HQ building in Block 11, close to the Vig Plaza (GLA 30,000 sq m) and the completion is planned for end of 2013.
- Raiffeisen Bank started construction of HQ building in Block 66. According to the plans, this building is supposed to be finished in the beginning of 2012. The estimated value of the project is EUR 30 m (GLA 21,000 sq m).

- Project Block 23, 50,000 sq m of office space, is still under construction by Verano invest and finishing deadline for this project is still unknown.
- Downtown area of Belgrade did not see any office developments in 2011 except of MPC Properties development, office building Tri lista duvana, which is also on hold.
- In Block 65, PSP Farman company planned construction of large residential and office complex. The space in the buildings will be organized in 514 residential units and 100 commercial units, where entire office and business apartment segment will hold 37,000 sq m.
- Another project that is going to increase office stock in New Belgrade is Falkensteiner Hotel which will be located in Block 11 and after completion will cover about 6,000 sq m. Completion of this project is planned for H2 2012.

Total area of A and B class, in sq m



Source: Danos RESEARCH



# Office market

## Demand

- Demand for quality office premises has not shown any positive sign during 2011. The highest demand (above 55%) is still for small offices (lower than 300 sq m) and less than 25% of total demand is for larger space (more than 600 sq m). If we compare quarters of 2011, we can conclude that the highest demand is recorded in Q4.
- The most of all lease activities are still concentrated on territory of New Belgrade, thanks to the bigger supply of modern office buildings and more parking spaces, and due to lack of new office buildings and parking spaces in downtown.

## Rents

- When compared to the end of 2010 rents of A class and B class of office space stayed approximately at the same level. In the central business district the average rents for A class premises are in range EUR 13-15/sq m/month while average rents of B class office space are in range EUR 11-12/sq m/month.
- In the wider centre area rents of A class vary between EUR 8/sq m/month and 10 EUR/sq m/month and of B class varied between EUR 7/sq m/month and EUR 9/sq m/month.
- It is important to mention that in comparison to the other cities, rents are at the lowest level in the region. Because of low level of lease activities, owners and landlords currently provide different types of benefits such as rent free period or free parking places.



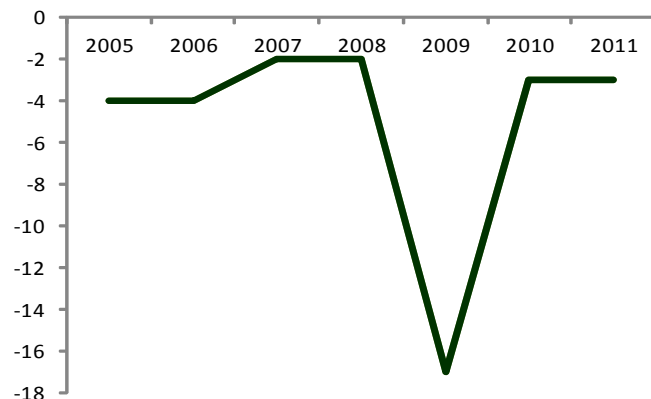
Picture: Bluecenter office building

- Additionally, it is important to mention that yields of office space stayed at the same level as at the end of previous year – yields of A class amount about 9% while yields of B class amount about 10%.

## Vacancy

- Vacancy level of Belgrade office space is about 23% and is on the lowest level when compared to last few years. This is a consequence of low level in changes of supply of total office space stock.

Change of prime rents in %



Source: Danos RESERACH

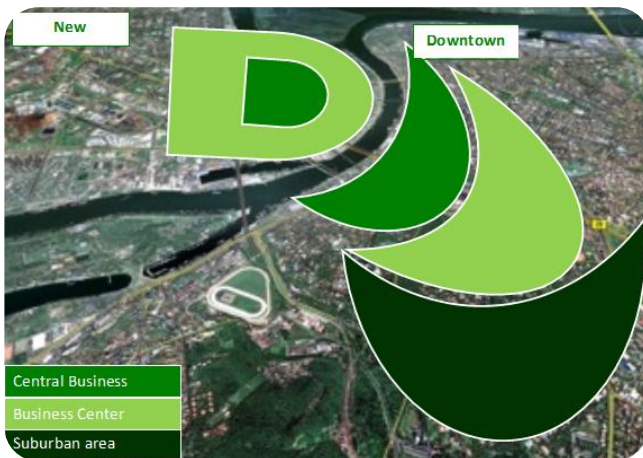




## Office market

*Some of lease transactions in 2011*

Sector	Tenant	Building	Size, in sq m
IT sector	Microsoft	Bluehouse	2,500
	NCR	Savograd	2,600
Medical services	Medtronic	GTC House	300
Legal advices	Jankovic Popovic Mitic	Genex apartments	1,000
Manufacturing industry	Imperial Tobbaco	Usce	500
	Nissan renault	Airport city	400
Retail	Delhaize	Belville	4,000



Picture: Map of business districts in Belgrade



Picture: Atrium Business Offices, New Belgrade



Picture: Savograd office building, New Belgrade



Picture: GTC House building, New Belgrade



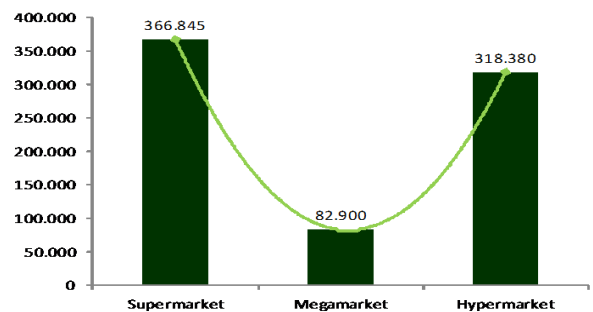
## Retail market

### Supply

- Year 2011 did not bring any rise in the total stock of modern shopping centres in Belgrade area. Shopping center Usce and Delta City still stay the most prominent shopping malls with the highest foot fall figures. Total stock of Belgrade shopping centres (that includes other shopping centres as well) amount about 200,000 sq m of GLA.
- At the beginning of 2011 Forum Shopping Center was opened in city of Nis. Located in the center of the city Forum comprises 45 outlet stores, 80 fashion, footwear and technology brands, fast food court, news stand, office space and garage. The owner of Forum Shopping Center is Fashion company, one of the biggest domestic fashion companies, with over 30 premises across Serbia and Macedonia.
- The development of retail warehouse was more intensive compared to H1 2011. Delhaize company that entered Serbian market at the beginning of 2011 has continued with further development of its network. At the end of 2011 Delhaize has opened one more Tempo hypermarket in Belgrade which is located in the southern part of the city in Cukarica municipality and this object has total area of 11,000 sq m.
- The Israel company Aviv Arlon has finished third phase of retail park Pancevo in October and this phase has resulted with new area of 3,000 sq m. Completion of fourth phase (about 5,000 sq m) is planned for May 2012.

- During second half of 2011 Mercator has continued with developing of its network. In H2 2011 Mercator has opened Roda shopping centre in Jagodina with total area of 7,500 sq m. French DIY chain Mr. Brickolage also has opened their first object in Belgrade, with total area of 3,100 sq m.

Super/Mega/Hypermart stock Serbia (in sq m)



Source: Danos RESEARCH

- At the side of high street retail offer is recorded significant increase in 2011 because several famous retail chains have opened their stores in high street retail zone.
- Amongst the new brands on the market are: GAP, Takko fashion, Deichmann, Fox Fashion, H&O, Yves Rocher, Guy Laroche, Parfois etc.

### Rents

- Rents for prime locations approximately are at the same level as at the end of 2010 and vary between EUR 30/sq m/month and EUR 90/sq m/month. The same situation is with rents of secondary location and these rents vary between EUR 20/sq m/ month and EUR 50/sq m/month. Yields for prime locations are about 9.5 %, yields for shopping malls are between 6% and 7.5% and yields for prime street locations amount about 7%.

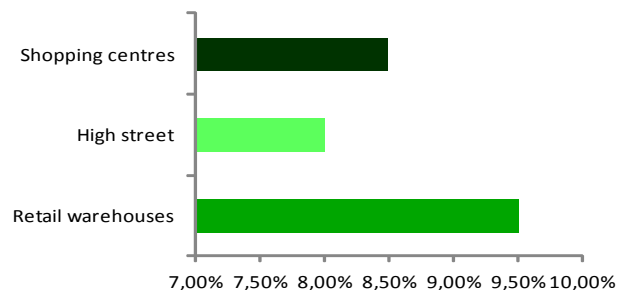




## Retail market

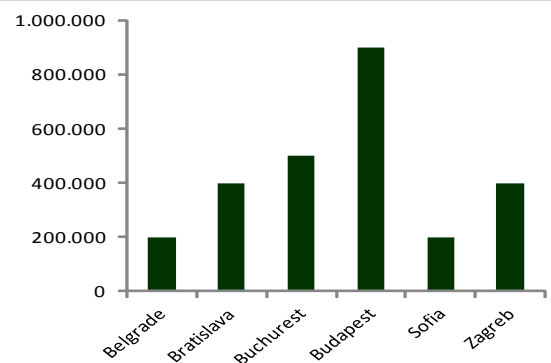
- In June 2011 Israeli company BIG CEE started construction of retail park in Novi Sad. This project is going to be a mix of shopping center and retail park which will cover over 28,500 sq m. Additionally, BIG CEE plans to open new facilities in Sabac (GLA 20,000 sq m) and Ibarska magistrala.
- Slovenian company YU Capital is developing first retail park in Sabac called Capital Park, which will comprise 10,000 sq m of GLA.
- Israeli investor Plaza Centers scheduled grand opening of their modern shopping center - Kragujevac Plaza for March 2012. This shopping center located in city of Kragujevac will cover about 22,000 sq m of GLA.
- Dayland group work on developing of Roses Designer Outlet park which will be located in Stara Pazova and will consist of 24,500 sq m and first phase of this project will be finished in Q3 2012. It is also important to mention that Blackoak Developments Fashion Park Indjija will be finished in Q1 2012.
- Development of Vivo Shopping Park in Jagodina is in process and finishing of this completion is planned for Q4 2012. Total area of this project will be about 9,000 sq m and this object will comprise 27 retail units and 350 parking places.
- There are also few announcements of Delta Holding about development of two projects in Belgrade – large shopping mall at Autokomada and shopping mall at Blvd. Despota Stefana.

Yields, by shopping zones



Source: Danos RESEARCH

Total retail stock, by cities in SEE



Source: Danos RESEARCH



Picture: Kragujevac Plaza, construction works



## Industrial and logistics market

- During 2011 the first effects in completion of Free Trade Agreement between Serbia and the European Free Trade Association (EFTA) were noted, as Serbia started with duty free trade with Iceland.
- New bridge over the Danube river in Beska, on the Corridor X Highway, is opened for traffic during October 2011. It is positioned on the Belgrade – Horgos Highway near Novi Sad, and it is the longest bridge over the Danube river with the length of 2.2 km.
- Logistics and Intermodal Conference in Belgrade took place in June 2011, presented by the Ministry of Infrastructure, with a financial support from the European Union. The aim of this conference is to define position of Serbia in the regional market, as well as to deal with current logistics issues. One of the most important aspects of this conference is to contribute to the reinforcement and better use of transport links, opening the door to new and more stable economic and trade opportunities.

### Supply

- Logistic market recorded slowdown of activities in 2011. Number of new build industrial / logistics objects decreased in 2011 by 18%, compared to 2010, but slight recovery is expected in 2012 with increase of 6%. Major transaction took place in the settlement Šimanovci, where the company Grand Prom leased from private investor over 16,000 sq m and announced capacities expanding. Also, Italian Benetton bought Niteks and plans to expand capacities with new factory (GLA of 25,000 sq m).

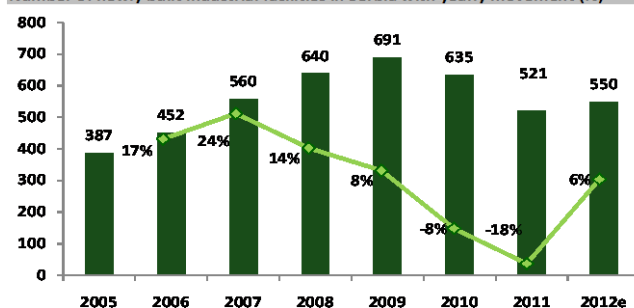
### Rents

- Rents of industrial / logistic premises remain steady compared to 2010. Rents for units out of regional centers, have average range of EUR 2 – 3.5 per sq m/month, while rental prices for modern and equipped facilities range from EUR 3 - 4 per sq m/month. Higher average rental levels from EUR 4 – 6 per sq m/month, have reached light industrial units in Belgrade, Novi Sad and Nis.

### Pipeline

- In the line with improving investment situation in Serbia, there are some announcements related to this market.
- Lidl came to Serbian retail market, and they are looking for land area of 15 Ha to construct their logistic center. Also, Robert Bosch Serbia is going to build factory in Pecinci (GLA of 22,000 sq m), Italian Calzedonia is going to build factory in Subotica (GLA of 18,000 sq m), company Yura is going build factory in Leskovac (GLA of 20,000 sq m), as well as Japanese company Panasonic in Leskovac and Gorenje is going to build another factory in Valjevo.

Number of newly built industrial facilities in Serbia with yearly movement (%)



Source: Serbian Statistic Office; DANOS RESEARCH



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