

SERBIA MARKET REPORT

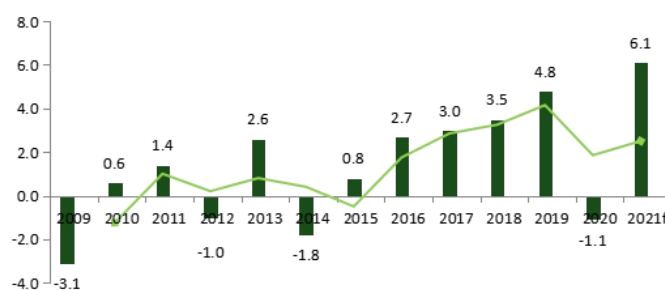
2020 has been characterised as the year of the Covid-19 pandemic. Global markets and economies have struggled throughout with Lockdowns and Restrictions that have blown away all macro economic goals and indicators. 2021 is already seen as the first step to recovery.

MACRO FIGURES

COVID-19 and global slowdown, according to available data, had a less severe impact on Serbia compared to other European countries, due to achieved macroeconomic and financial stability, growth momentum, fiscal space created in previous years, large and timely monetary and fiscal package, and structure of the economy.

According to SORS preliminary estimate, GDP declined in 2020 by 1.1%. Projection for 2021 has been kept at +6%, with symmetrical risks.

GDP



Source: Ministry of Finance of Republic of Serbia, Danos RESEARCH

Serbia Economy S2 Overview

Serbia used most of the available fiscal space early on in the pandemic, resulting in an economic contraction of 6.4 percent (year-on-year [y-o-y]) in the second quarter of 2020 that was less pronounced than in neighboring countries but still led to a small increase in unemployment and an uptick in poverty.

Following the pandemic-induced downturn this year, the economy is forecast to recover strongly next year as both domestic and external demand strengthen amid the reopening of the global economy. However, the outlook is clouded by lingering uncertainty over the pandemic; further waves of the virus could prompt renewed restrictions, weighing on activity in turn. Serbias GDP is seen expanding to 6.1% in 2021, which is unchanged from last month, and 4.1% in 2022.

EUROPEAN COMMISSION FORECAST

ECONOMIC INDICATORS	EUROPEAN COMMISSION FORECAST		
	2019	2020	2021
GDP (%)	4.2	-1.1	6.1
Inflation (%)	1.9	1.8	1.9
Unemployment (%)	10.4	9	9.6
Gvnt Balance Sheet (% GDP)	4.2		
Gross Public Debt (%GDP)	52	56.8	59.5

Source: ec.europa.eu, Ministry of Finance of Republic of Serbia,

Economy persists in pandemic crises

The Serbian economy is projected to contract only moderately in 2020, due to a relatively short duration of the most stringent containment measures and significant policy support to mitigate the crisis impact. A recovery to pre-crisis output and growth levels is foreseen for 2021, driven by investment and private consumption. The economic contraction and sizeable fiscal mitigation measures will lead to a sharp temporary increase of the general government deficit in 2020. The debt-to-GDP ratio is set to increase by around 10 percentage points in 2020 and to slowly decline thereafter



Source: Ministry of Finance of Republic of Serbia, Danos RESEARCH

FDI - During Jan-Nov 2020 FDI remained robust despite the corona virus pandemic, with gross inflow of EUR 2.3 bn (net inflow EUR 2.2 bn)

Inflation Stable Within the Target in the Medium Term

Inflation will move within the lower half of the target tolerance band, in the period ahead and will gradually approach the target midpoint, though remaining below it in 2022.

Inflation in December measured 1.3% y/y, while average y/y inflation for 2020 stood at 1.6%. Low inflationary pressures are also confirmed by the core inflation of 2.1% in December, as well as by anchored inflation expectations.

Inflation will move within lower band of target in 2021.

Inflation is kept firmly in check, moving around 2% on average in the past seven years, while in December 2020 stood at 1.3% y/y.

The average wage in the period January - October 2020 amounted 511 euros and is higher by 9.4% y/y.

Wages increased in both the private (8.8% y/y) and public sectors (11.2% y/y) in the same period.

Wage growth continued at a relatively high growth rate despite a slowdown in economic activity, owing to comprehensive economic measures.

The largest growth of wages since the beginning of 2020 was recorded in the ICT sector and health care sector.



Source: Ministry of Finance of Republic of Serbia, Danos RESEARCH

Unemployment rate at single digit level in Q3 2020 (9.0%), with significant growth in activity rate and employment levels. Resilience Plan as it is still at an early stage of development. The employment rate in Q3 was at the level of 49.9% (y/y growth of 0.3 pp), and the growth was driven by employment growth in the formal segment of the labour market.

S2 2020 MARKET INSIDER REPORT



OFFICE MARKET REPORT S2 2020

The result of global crisis caused by the pandemic in Belgrade was decreasing in the demand for business premises, their reduction or relocation. Clients showed greater interest in smaller business spaces and more flexible lease contracts. On the other hand, there was no significant decline in the prime rents which remained the same as in 2019.

PIPELINE OFFICE PROJECT			
Project/Investor	Location	Area (sq m)	Status
NCR	New Belgrade	30.000	Under construction
N House	Block 21/New Belgrade	10.700	Under construction
Green Heart / GTC	New Belgrade	46.000	Under construction
BIG CEE office project	New Belgrade	90.000	Announced
Airport City 5th phase	Block 65/New Belgrade	15.000	Announced
Skyline / AFI	Belgrade	30.000	Under construction
West 65 Tower	New Belgrade	70.000	Under construction
Navigator 2 / MPC	New Belgrade	27.000	Under construction
Delta Holding	New Belgrade	23.000	Announced
Green Escape/Imel Group	New Belgrade	65.000	Announced



**Class A office buildings in CBD €/sqm
15-16.5**

**Class B office buildings €/sqm
10-12**



BELGRADE OFFICE MARKET

There is a strong construction activity mostly in the New Belgrade business district. Despite the difficult epidemiological situation caused by COVID-19 in the last months of 2020, two big office projects have been completed the office building Navigator 2 and office building Sirius 2. Completion of this office projects and several smaller in 2020 increase office stock at the level of almost 1 million sq m.

Company Marera Properties has bought office space in Belgrade famous landmark Beogradjanka with the plan of complete refurbish.

IT sector followed by pharmaceutical companies were recognized as main drivers of market activity during H2 2020.



Vacancy rate
6 %



Marera Properties has acquired office buildingg Beogradjanka size 20.000 sq m in Belgrade down town for 16.500.000 €

MARKET TRENDS GRADE A OFFICES

Demand	
Vacancy	
Rents/Sale	
Short term outlook	



TOTAL A AND B OFFICE STOCK BELGRADE

940.000 sq m

S2 2020 MARKET INSIDER REPORT



RETAIL MARKET REPORT S2 2020

If we need to point the sector in real estate most affected by pandemic it is without doubt retail sector.

MARKET TRENDS

Overview

As entire countries come under quarantine, shopping malls and stores were the first to close both around the world and in Belgrade. As the largest number of employees switched to work from home and children to online classes, clothing stores suffered the most.

Demand	➔
Vacancy	➔
Rents/Sale	➡
Short term outlook	➔



**PRIME SHOPPING
CENTER STOCK-Belgrade**

510.000 sq m GLA



BELGRADE RETAIL MARKET

In addition to all the above, the construction and completion of the announced projects were not questioned, so the new openings in the second half of the year fulfilled the plans for 2020. Announced as the biggest shopping center in Balkan, BW Galerija was open its doors in October 2020. Also, the focus of developers is on secondary cities and the construction of retail parks in them.

The company BIG CEE continues to add new centers to their portfolio by purchasing the Fashion Park in Indjija.

In addition to all problems caused with COVID-19 pandemic, the retail market was facing new entries into the Serbian market as well as the expansion of existing ones.

Dechatlon opened its second store in Belgrade, in New Belgrade with an area of 4,000 m² and the retail chain MERE entered the market with the first store and the plan to open 100 stores in next years.

PIPELINE RETAIL PROJECT

Project/Investor	Location	Area (sq m)	Delivery data	Status
Big Fashion Vidikovac/BFC	Belgrade	70.000	2019	Under construction
IKEA Retail Park	Belgrade	n/a	n/a	Announced
Capitol Park/Poseidon Group	Surcin	16.000	H2 2020	Announced
Delta Planet Nis/Delta	Nis	30.000	n/a	Announced
West 65 Mall/PSP Farman	Belgrade	15.300	2020	Under construction
Retail Park/RC Europe	Vrsac	3.000	H12020	Announced
Retail Park/Raj Park	Kragujevac	16.000	2020	Announced



Rental levels in Belgrade

New opennings

Terranova – Stadion Shopping Mall
IKengur – Stadion Shopping Mall
Yves Rocher – Stadion Shopping Mall
Cineplexx – Beo Shopping Mall



Shopping centers
€ 20 - € 30



High streets
€ 25 - € 70

New entries

	Stadion Shopping Mall
Pepco	Big Rakovica
Cinestar	Ada Mall
Kiko	BW Galerija



LOGISTIC MARKET REPORT

The logistics and industrial market has become one of the most progressive and fastest-growing sectors in the real estate industry, showing the most resilience during these difficult times caused by the pandemic of Covid-19

OVERVIEW

Nearly all market indicators point to positive developments on the Serbian market with further growth expected in all segments.

Transactions on the logistics and industrial market have proven once more that Serbia is an attractive destination for international investors, with attractive yields in logistics markets.

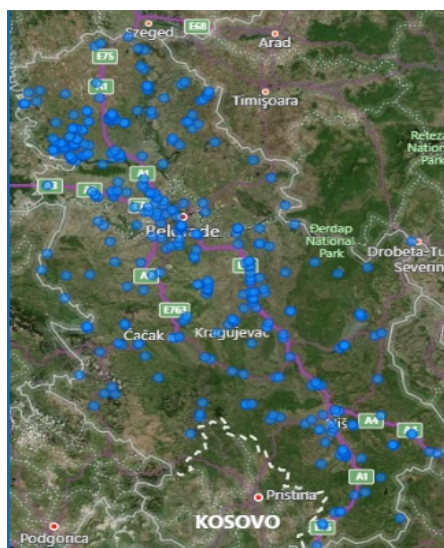


LOGISTICS REAL ESTATE MARKET

Logistics market is increasing its figures and gathers the attention of investors.

Requirements for logistics service providers in Serbia are increasing powerfully, not only the demand for cross-docking, but also local warehousing shows a dynamic development.

Serbian market was easily adopted to developments and requirements of the international as well as local customers.



Considering the importance of industrial zones for attracting foreign investments and development of economic activities in the Republic of Serbia, a lot of activities.

have been noticed in this field.

The Republic Bureau of Statistics published a map with a total of 374 registered industrial zones.

Growing trend in supply continues.

- During the year demand on the market remained stable, as the industrial sector remained segment of commercial real estate the least affected by the Covid-19 pandemic.
- Demand remained stable with continued activity
- Industrial production index - 1.4% yony
- Prime rents remained on a stable level.
- Distribution warehouse stock increases to 940,000 sqm.









PIPELINE PROJECTS		
Project	Type	Location
Log Max Beta	Distribution warehouse	Stara Pazova
IPB 6	Distribution warehouse	Simanovci
KLP 3	Distribution warehouse	Simanovci
CTPark North - II phase	Distribution warehouse	Novi Banovci
MILSPED	Terminal	Nis
BERI KALBO	Production	Novi Sad

Despite the crisis favourable climate for logistic and industrial development continues although in 2020 was slightly slower then in year before.

The final quarter noted completion of CTPark in Novi Banovci, who delivered and fully rented 20.000sqm of logistics park CTPark Belgrade North.

Plans for further development of logistics centers have continued to raise in Belgrade and its wider surroundings, while light industrial and production development has continued in the secondary cities.

Further expansion of developers CTP, KLP and IPB are expected to continue.

MARKET TRENDS LOGISTICS				
	RENTS	YIELDS	DEMAND	SUPPLY
GRADE A				
GRADE B				

KEY FIGURES S2-2020



960.000 SQM
STOCK



€ 3.9 -
4.3 / SQM
PRIMARY
LOCATION
RENTS



5 % AVRG
VACANCY
RATE



9 % PRIME
YIELD

RESIDENTIAL MARKET REPORT

The increase of Residential Market performance continued to rise in 2020.

2020 was marked by the stabilization of real estate prices, increased demand, easier obtaining of housing loans and a large number of new housing projects, both built and started.

OVERVIEW

The stagnation that hit the real estate market in the second quarter of last year was compensated in the next two quarters, the most in the last when notaries and basic courts certified 44,742 purchase contracts, or 9.6 percent more than in the same period in 2019.

SERBIA RESIDENTIAL MARKET

Investing in apartments has proven to be the safest way to invest and protect capital. Slightly, this growth in the last quarter was also affected by quite favorable loans for the purchase of real estate, but cash payments still predominate in that market.

Based on the registered contracts, the total volume of funds on the real estate market in the fourth quarter of 2020 was higher than 1.3 billion euros, and the largest share in the total funds referred to the turnover of apartments - 54 percent. On average for the fourth quarter, almost 2,000 apartments were sold per month, which is 21.7 percent more than in the same period last year.

Observed by municipalities, the highest prices of newly built apartments were recorded in Belgrade municipalities. In addition to Belgrade municipalities, Cajetina, Novi Sad, Vrnjacka Banja, Uzice, Kragujevac and Nis stood out at high prices.

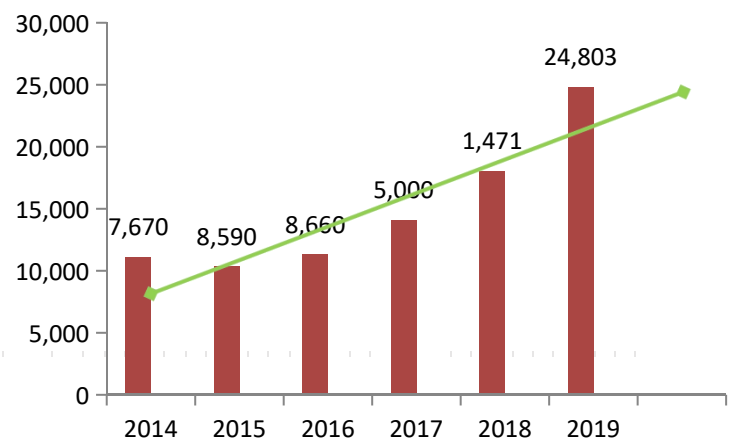
The area of newly built apartments sold averaged 54 m².

Number of building permits issued was in IV quartal 2020 - +50% yony.

The coronum virus pandemic has increased interest in buying houses or cottages, and their growing demand in the real estate market testifies to this trend.

2020 noted increased interest in buying houses and cottages in the suburban municipalities of Belgrade, such as Grocka, the giving part of the municipality of Voždovac, Sopot, but also on Fruška Gora and in the vicinity of Novi Sad

No. of finished apartments in Serbia



Source: Republic Statistic Office and Belgrade Statistic office, Danos RESEARCH

No. of sold apartments in Belgrade / Serbia

BELGRADE DIST	2019	2020	Change %
VOZDOVAC	1560	1642	5.3
VRACAR	2011	2165	7.7
ZVEZDARA	1384	1459	5.4
ZEMUN	1558	1679	7.8
NOVI BEOGRAD	2311	2375	2.8
PALILULA	1300	1291	-0.7
SAVSKI VENAC	2928	3353	14.5
STARI GRAD	2306	2490	8.0
ČUKARICA	1279	1636	27.9
SERBIA	166764	179391	7.6

Source: Republic Statistic Office and Belgrade Statistic office, Danos RESEARCH

It has been recently observed that the supply of properties for Rent has increased substantially since many units available for short term rentals (Airbnb etc.) are now being marketed for long term rentals since the Tourism sector has been witnessing a downturn because of Covid-19.

New Belgrade is a very popular location, and lately the prices per square meter have been rising in the municipality of Čukarica as well. The municipality of Vracar is especially interesting to buyers.

New developments

RESIDENTIAL PROJECTS				
Project	Location	Investor	Total size (units)/phase in	Status
Kneza Milosa Residences	Savski Venac	Yossi Avrahami Ltd., Almogim Holdings Ltd. and Energogroup d.o.o.	226 units	Under Construction
Savada	New Belgrade	Neimar V	500 units - 3rd phase * 200 units	Under Construction
SunCity	New Belgrade	Energo Group	174 units	Completed
West 65	New Belgrade	PSP Farman	294 units	Completed
Wellport	New Belgrade	Shikun & Binui Group	2st phase	Under Construction
Blok 32	New Belgrade	PMC Inzenjering	127 units	Under Construction
Exing Home 65	New Belgrade	Zepter group and Exing B&P	147 units	Under Construction
Park 11	New Belgrade	Energoprojekt	134 units	Under Construction
Sakura Park	New Belgrade	Goldberg Real Estate	228 units	Under Construction
Central Garden	Stari Grad	AFI Europe, Shikun & Binui Group	500 units / 4th phase * 67 units	Under Construction
K. District	Stari Grad	AGNS INVEST I Pinnacle	N/A	Under Construction
Skyline	Savski Venac	AFI Europe	2st phase	Under Construction
Belgrade Waterfront : "BW Magnolia" i "BW Kula"	Savski Venac	Eagle Hills	Kula - 220 units 3Magnolia-110 units	Under Construction
Kenedy Residences	New Belgrade	Merin Asset managment	170 units	Under Construction
Vozdove Gates	Vozdovac	Shikun & Binui Group	4th phase	Planned
Panorama Vozdovac	Vozdovac	CEP	187 units / 3rd phase	Under Construction
Paunov breg	Vozdovac	CPI Group	107 units / 4th phase	Completed
Stepin Breg	Vozdovac	Nobnek doo	76 units	Completed
Green Avenue	Zemun	Montex real Estate	400 units / 3rd phase * 90 units	Under Construction
Gornji Zemun	Zemun	World Trade Capital	184 units	Under Construction
Zemunske kapije	Zemun	The Building Directorate of Serbia	1700 units / 2nd phase *323 units	Under Construction
Sunnyville	Palilula	Constantine the Great	252 units / 3rd phase * 94 units	Under Construction
Vracar Gates	Vracar	Aleksandar Group	250 units	Completed
East Side	Zvezdara	East Side Development d.o.o.	347 units	Under Construction
New Minel	New Belgrade	Galens Invest	328 units/1st phase	Under Construction
The One	New Belgrade	Aleksandar Group	230 units/1st phase	Under Construction
Dorcol centar	Stari Grad	Krug investicija	N/a	Under Construction
Novi Dorcol	Stari Grad	Deka inzenjering	500 units	Under Construction
Green Hill	Savski Venac	BPF002 Beograd	N/a	Under Construction
Merin Hill	Vozdovac	Merin holdings	184 units	Under Construction
Cvijiceva palata	Palilula	ECSTATIKA	N/a	Under Construction

S2 2020 MARKET INSIDER REPORT

TOURISM & HOTEL MARKET REPORT S2 2020

Hotel and Tourism Industry has been one of the worst affected industries from the pandemic Covid-19. Serbian Government has provided measures in order to help tourist sector but many of the companies were closed down not being able to weather the crises. Also, hotels are working on the minimum capacities covering mostly needs of the local market.

Overview

Considering Serbia, total number of **tourist arrivals** in 2019 amounted to 3.7 million (+7.6% y-o-y) while the total number of **tourist overnights** was 10.1 million (+ 8% y-o-y). Tourism sector last years has been developing rapidly but was strongly affected by the pandemic of Covid 19.

Although Serbia is not a typical tourist destination with development of the city tourism, mountain and spa tourism it has become very popular destination for foreign tour. Serbia has an excellent hotel sector and provides value-for-money experience for all the travelers..

	Total 2020				Domestic 2020				International			
	Arrivals	2020/2019	Overnights	2020/2019	Arrivals	2020/2019	Overnights	2020/2019	Arrivals	2020/2019	Overnights	2020/2019
end I Q 2020	556,351	-8.3	1,763,909	-1.7	319,862	-3.5	1,124,168	1.5	236,489	-14.2	639,741	-6.8
end II Q 2021	780,785	-52.7	2,536,432	-44.1	515,164	-52.5	1,807,734	-36.5	265,621	-64.8	728,698	-56.9
end III Q 2022	1,464,664	-48.3	5,052,614	-36	1,110,656	-22.4	4,082,351	-16	354,008	-74.8	970,263	-68
2020	1,820,021	-50.7	6,201,290	-38.4	1,374,310	-25.4	4,936,732	-46.7	445,711	-75.9	1,264,558	-68.5

Source: National Statistical Office, Serbia

Belgrade Hotel & Tourism Market

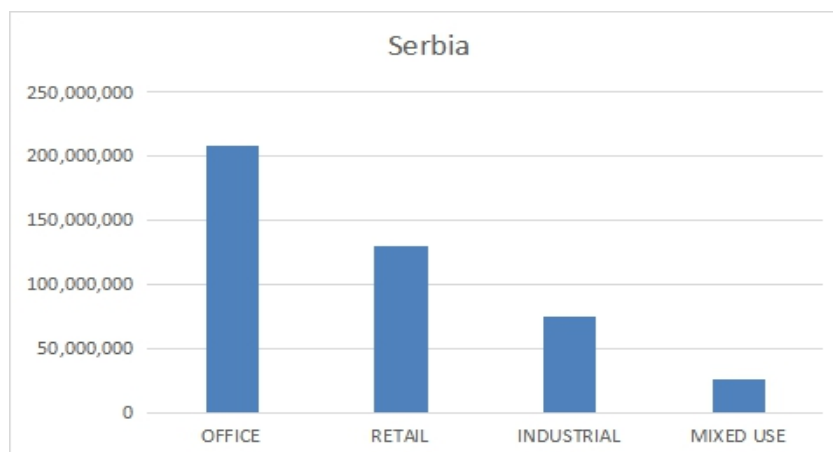
The city tourism in Belgrade has been affected substantially since the outbreak of pandemic in March 2020 and it has not recovered since. Although the domestic tourism was on the high level despite the crises it seems that only spas and mountain resorts in Serbia are recording good numbers while city hotels are working on 10-15% capacity. Belgrade covers 32,7% of the tourist arrivals and provides 24,7% of overnights in Serbia. Official data for 2019 show that there were 1,022,00 foreign arrivals and 183,000 domestic arrivals to Belgrade creating 2,110,000 overnights for international and 378.000 for domestic tourist. Overall arrivals were 1,205,000 (increase of 8.4% in comparison to 2018) while overall overnights were 2,488,000 (increase of 8.7% in comparison to 2018).

There were 2,8 million international flights to Belgrade and Nis airports in 2019 (10,1% increase 2019/2018). : Belgrade has close to 120 categorized hotels of different categories. It is noted that Belgrade still lacks sufficient hotel capacities as well as the presence of renown international hotel operators.

The hotel sector in Belgrade was booming before the pandemic and there were many new hotels opened and several of very big hotels have changed their owners in 2019 and 2019. Development of the hotel sector has continued but mostly for the hotels located in the spa and mountain resort that are currently oriented mostly to local tourists. The construction of these hotels has started before the crises and there are no announcements of the new projects in the market.

YEAR	PROPERTY NAME	LOCATION	STARS	KEYS	PRICE/ INVESTMENT	PRICE / KEY	BUYER/ INVESTOR	SELLER
2020	Mona Plaza	Belgrade	4	170	€30,000,000	€176,470	Local (Mona Group)	-
2019	Hotel Park	Belgrade	3	125	n/a	n/a	Local (B 9)	Private Seller (Delta RE)
2019	88 Rooms	Belgrade	4	84	€6,300,000	€75,000	Regional (Arena Hotel Group)	Private Seller (MK Group)
2018	Hilton	Belgrade	4	242	€70,000,000	€289,200	Local	-
2018	Mama's Shelter	Belgrade	4	125	n/a	n/a	Leased from Israeli owner of property	-
2016	Holiday Inn	Belgrade	4	140	n/a	n/a	Local investor	IHG Belgrade (Delta RE)

COMMERCIAL INVESTMENT VOLUMES S2-2020



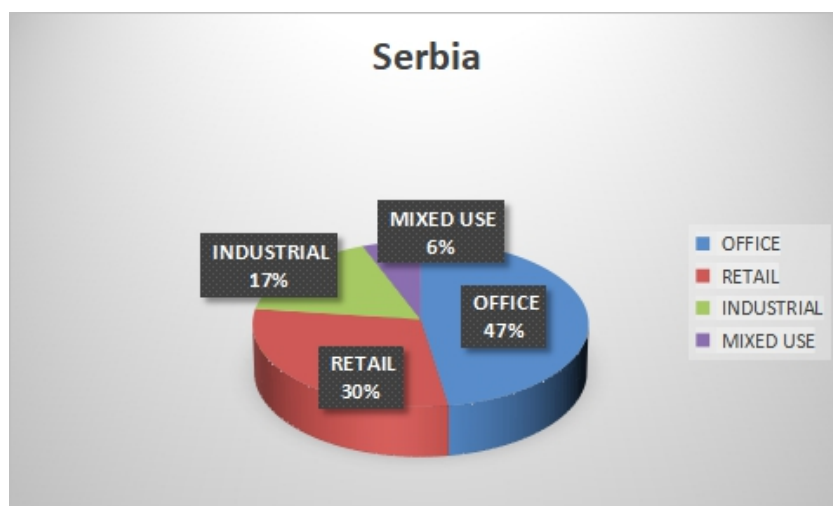
Nearly all market indicators point to positive developments on the Serbian market with further growth expected in all segments.

All sectors are making fast-paced strides — residential and office as well as retail and logistics.

The second half of 2020 shows slower in terms of the volume of realized transactions.

The total investment volume achieved in 2020 in Serbia amounted to €370 million.

In the overall investment volume the Office properties remained the most popular followed by retail and industrial properties.



The only real estate sector which recorded an increase in investment volumes during the year was industrial.

During the second half of the 2020, investor interest shifted towards to this segment, which has been most resilient to the recent pandemic.

The past two years saw the opening of two large shopping malls — Promenada in Novi Sad, in area of 50,000 sqm, and Ada Mall in Belgrade, covering 34,000 sqm. In 2020 the Eagle Hills's BW Galleria and MPC's Beo Shopping Center opened.

In Belgrade the supply of modern Class A office space is around 800,000 sqm. The vacancy rate is below 5%. Expectations are that supply growth in the coming period will bump the rate to 6–9% and decrease rents in top-tier developments.

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