



Danos

INTERNATIONAL PROPERTY
CONSULTANTS & VALUERS



BELGRADE INDUSTRIAL AND LOGISTIC MARKET 1st QUARTER 2009



BNP PARIBAS
REAL ESTATE

1. Serbia Key Facts

Located in Southeast Europe, Serbia represents central part of the Balkan Peninsula, at the intersection of Pan European Corridors N° 10 and N°7, on the way from Europe to Asia. The Republic of Serbia encompasses an area of 88,412 square kilometers. It is divided into 29 districts and the City of Belgrade. City itself is further divided into municipalities.

To the East, Serbia borders with Bulgaria, to the North East with Romania, to the North with Hungary, to the West with Croatia and Bosnia and Herzegovina, to the South East with Montenegro and to the South with Albania and FYROM.

Pan European Corridor N° 10 is one of the most important European highways passing through the country, leading from Salzburg through Belgrade and Niš and branching to Athens and Sofia. Another branch of the corridor links the Capital with Budapest.

Belgrade Airport represents the main gateway for international air transportation with JAT Airways as major national courier and with 43 direct lines.

The capital of Republic of Serbia, Belgrade, is situated on the confluence of rivers Danube and Sava, with population of 1,576,124 according to the Census 2002.

Total Surface area of 3,222 sq km is divided into 17 municipalities; among 10 of them belongs to the urban zone (Vračar, Stari Grad, Savski Venac, Novi Beograd, Čukarica, Zvezdara, Palilula, Zemun, Rakovica, Voždovac), and 7 of them are suburban area (Surčin, Sopot, Grocka, Lazarevac, Mladenovac, Obrenovac, Barajevo).

It is one of the oldest cities in Europe and has since ancient times been an important focal point for traffic, an intersection of the roads of Eastern and Western Europe. Belgrade is a large industrial, commercial, tourist, cultural, educational and political centre and an important 1.7 million-customer market.

Belgrade is investing significant resources into infrastructure and building land development with the result that there is a substantial amount of building land available for all purposes. The Belgrade local authorities support investment and enable projects to be speedily commenced and completed.



Picture: Belgrade's municipalities



Picture: Knez Mihailova Street



2. Economy Key Facts

Strong economic progress has been made since 2001, particularly in expanding private sector participation in the economy. The reform program has helped to strengthen the country's strong economic performance and reductions in poverty. Serbia signed Free Trade Agreement (FTA) in 2007:

- CEFTA, with all neighboring countries, providing market of 55 million people
- FTA exists with the Russian Federation, offering access to market of 150 M people

In 2008 Serbia signed SAA Agreement (Stabilization and Association Agreement) with EU which opens Serbia towards EU market. In particular, main economic and political focus in Serbia presents improvement of economic stability and continuing with EU Association process.

Over the past few years, Serbia has developed into a stable growing market economy. Despite difficult conditions in the past, the country's economy accomplished respectable 8.4% annual GDP growth in 2004 but dropping back to 5.5% in 2008. Still, for years, Serbia has the biggest growth in economy in the region. Because of the global financial crises, predictions for 2009 are not so bright; GDP growth expected to drop-fall to 1% (the biggest pessimist forecast even negative figure), with decrease in FDI from EUR 2.1 bn in 2008 to EUR 0.9 bn in 2009.

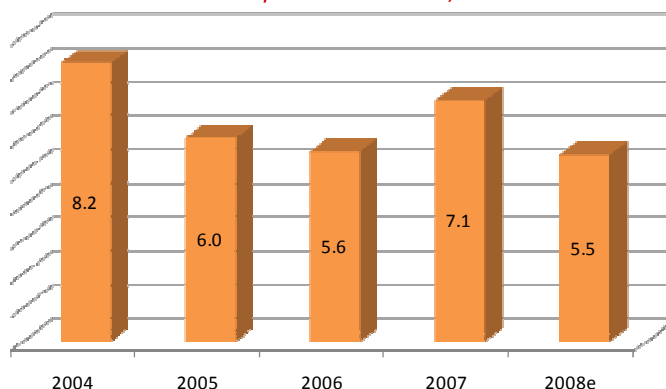
Most of foreign direct investments (FDI) comes from EU countries. The largest investment recorded so far in Serbia came from Norway, Greece, Austria and Hungary, but also from Slovenia, France, Great Britain, Italy etc. The largest portion of FDI is generated from privatization process, which is conducted in three ways: public auction, public tender and restructuring.

Graph: Key Economy Indicators

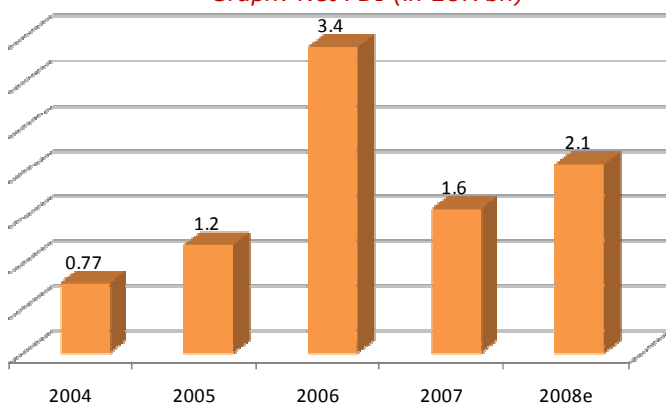
Macroeconomic Indicators	2006	2007	2008e
GDP (EUR bn)	24.3	29.1	33.2
GDP per capita (in EUR)	3,278	3,948	4,513
GDP growth (y-o-y %)	5.6	7.1	5.5
CPI (y-o-y %)	6.6	10.1	6.8
Central Bank reference rate	14.0	10.0	17.8
Exports of goods (in mil. EUR)	5,103	6,432	4,383
Imports of goods (in mil. EUR)	10,463	13,507	9,201
Gross foreign debt (% of GDP)	61.3	61.0	67.0
Gross foreign debt (EUR bn)	14.9	17.8	22.3
Net FDI	3.4	1.6	2.1
FDI (as a % of GDP)	14.0	5.5	6.2
Population (in mil)	7.4	7.5	7.5
Unemployment rate (%)	20.9	18.1	13.3
Exchange rate to EUR	79.8	78.8	89.8
Inflation rate (%)	5.9	5.4	10.6
Average net salary (in EUR)	258	347	433

Source: NBS, Ministry of Finance

Graph: GDP Growth, in %



Graph: Net FDI (in EUR bn)



Source: NBS

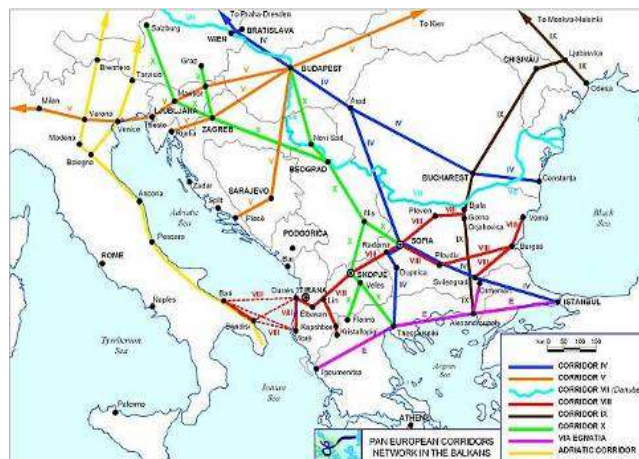
3. Serbian Industrial and Logistic Market

With favorable geo-strategic position offering the possibility to access EU market easily, but also providing transit to the East, Serbia provides remarkable opportunities for industrial and logistics developments in the future. Via strategic transportation corridors 10 and corridor 7 the country links Western Europe and the Middle East, representing excellent location for future regional logistics centers which may effectively serve West Balkan Region. Due to the political and economic instability over the past few years, Serbia has lost an opportunity to become one of the most important regional logistics centre. Regarding future development and expansion of this sector, the Serbian National Investment Plan identifies 49 industrial development zones, from which 17 are located in Belgrade, 20 in Vojvodina and the remaining in central and southern Serbia.

Apart from Industrial zones, city authorities across Serbia have also recognized concept of Free Industrial Zone potentials, as investment initiative to attract foreign industrial and logistic operators. Importers who are users of a free zone aren't liable for VAT on imported goods, they have unlimited imports and exports of goods and services into and out of a zone, users can lease, buy, or build manufacturing facilities, warehouses, or commercial buildings with no fees, all of this as some of the benefits of free zones.

Most attractive Serbian industrial and logistic zones at the moment are in Belgrade wide area, such as Simanovci, Stara and Nova Pazova, Indjija, Ruma, but also within Belgrade boundaries, such as Belgrade Free Industrial Zone in Palilula municipality, Dobanovci, Surcin, Krnjaca, Zemun, Grocka. Other major cities are also becoming more and more interesting for investors, such as Kragujevac, Sabac, Subotica, Nis, Novi Sad.

Picture: Serbian road network

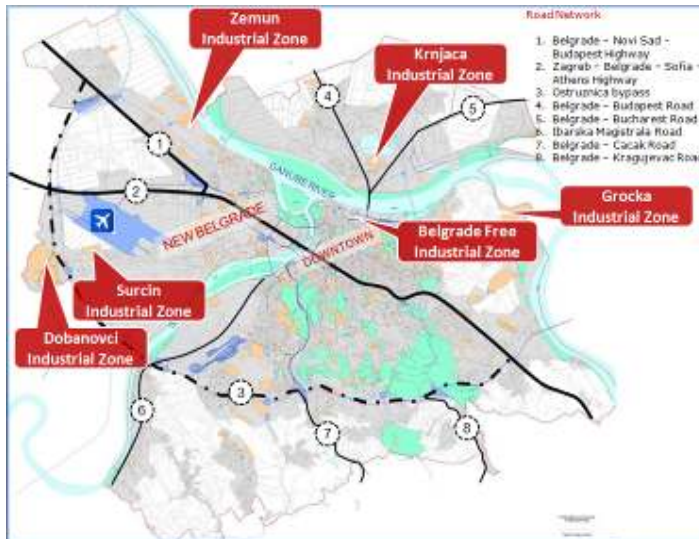


Picture: Major industrial and logistic centers in Serbia



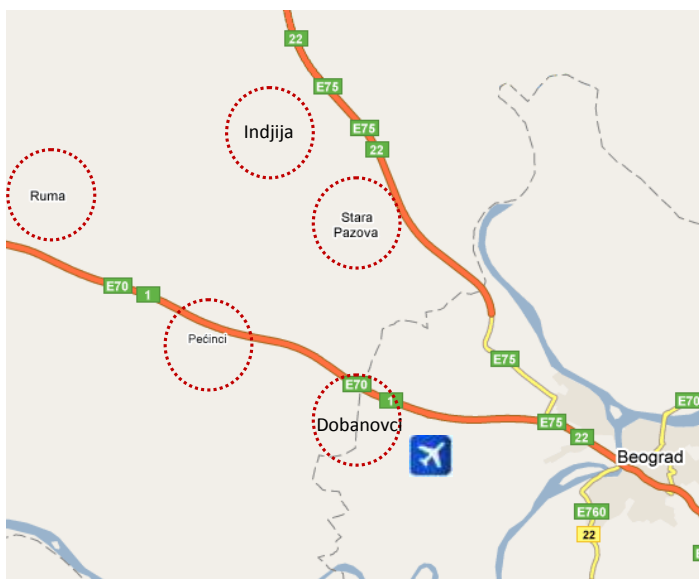
4. Belgrade Area Industrial and Logistic Zones

Picture: Belgrade Industrial Zones



According to the Belgrade Statistical office, in the last few years new logistic developments came to the market at the average of 20,000 sq m per annum. The majority of these developments ranges in size between 2,000 - 15,000 sq m (90%), while very few range from 15,000 sq m and above. Belgrade's logistics stock is largely concentrated in the popular areas of Zemun and Krnjaca, but also along the highway E-70, towards Zagreb, with most developed areas such as Simanovci, Dobanovci, Surcin. The total logistic inventory in Belgrade area increased to around 150,000 sq m till end of 2008. Over the medium-term, Belgrade's authorities will establish four main industrial / logistics zones within the city territory - Surcin, Grocka (100 Ha), Mladenovac (270 Ha) and Obrenovac (255 Ha).

Picture: Belgrade wide area Industrial Zones



Belgrade's Free Industrial Zone is located in nearest vicinity of downtown, between Pancevacki Bridge and Belgrade's Port, with area of 8.15 Ha of land. Many logistic warehouses are located in this area, such as Central Belgrade warehouse, Jeep Commerce, Tempo retail center, Tehnohemija, Duga a.d. etc.

Most interesting areas for investors in this moment are in Belgrade's wide area towards Vojvodina, such as Dobanovci with 3,118 Ha of total land, Simanovci area of 250 Ha, Stara and Nova Pazova with Krnjesevci area of 800 Ha, Indjija with 382 Ha of land.

Most prominent tenants in these zones are Coca Cola, Ball Packaging, Japan Tobacco Int., Knauf, ITM Group, Henkel, Husquarna, OMV, Pink Int. Movie Studios, DonCafe, Nelt, Pepsi etc.

5. Rental Levels and Land Prices

Rental levels of industrial and warehouse facilities were stable during the 2008, and they haven't made changes since 2007. Industrial premises recorded rental levels from EUR 1.5 – 2.5 per sq m/month for less attractive locations, while locations in close Belgrade areas recorded higher rental levels from EUR 2 – 4 per sq m/month.

Logistic facilities recorded rental levels as from EUR 3 – 5 per sq m/month at less attractive locations, and from EUR 4 – 7 per sq m/month for modern high quality spaces in Belgrade.

Price depends on many factors, as many tenants are seeking for modern and flexible warehouse space with built up transportation infrastructure at attractive locations, with ceiling heights 9-12 meters, independent power supply, temperature control, loading docks etc.

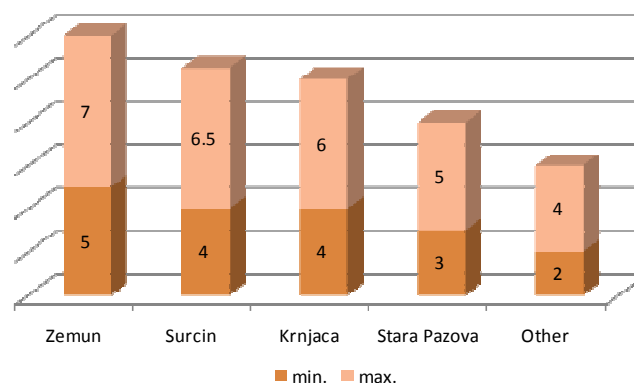
Main characteristic of the industrial / logistics investment market is still constrained by a lack of facilities and limited speculative construction. Most of the facilities are under owner occupancy, so very few transactions have been recorded in the open market. The estimated yield ranges from 9 - 11%.

Graph: Average land prices

Location	Average Land Price, EUR / sq m	
	min.	max.
Simanovci	20	50
Krnjasevci		
Indjija		
Ruma		
Stara / NovaPazova		
Grocka	40	80
Dobanovci		
Surcin		
Krnjaca	80	130
Pancevo		
Zemun	140	180

Source: Danos Serbia

Graph: Rental levels at major locations



Picture: Eurocargo, Dobanovci





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