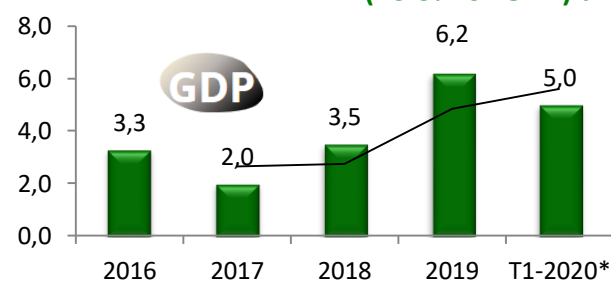


### ECONOMY OVERVIEW

The Serbian economy follows a modern model of the free market. The largest sector of the Serbian economy is the services / tertiary sector, which accounts for a total of 63.8% of GDP. It is followed by the industrial sector (23.5% of GDP) and the agricultural sector (12.7% of GDP).



#### PREDICTION:

A minimal decline in GDP of 1.5% in 2020 followed by strong growth of about 6% in 2021.

GDP continued to grow strongly in 2019 as a result of faster investment growth. The growth trend continued in **T1 2020** with an estimated growth of **5%**, despite the first negative effects of the pandemic. The effects of the pandemic will be greatest in T2, with a full recovery expected by the end of the year.

The adopted fiscal policy measures (5.1 billion euros, about 11% of GDP) will enable the return of GDP to the pre-crisis level by the end of the year and sustainable growth of about 4% in the medium term. We expect a reduction in the current account deficit to 5% of GDP in 2020.

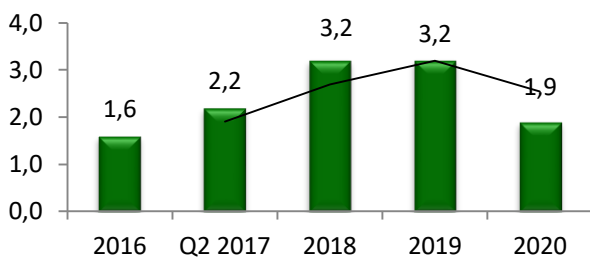
Macroeconomic stabilization and the improvement of the business environment have contributed to a high FDI inflow of € 7.3 billion in 2018-2019. Strong FDI inflows continued in T1 2020 (7.4% of GDP). Unemployment rate at the lowest level in 2019, while the employment rate is at the highest comparable level.

Prior to the coronavirus pandemic, growth in 2020 was projected at around 4%. However, the spread of coronavirus and the necessary health measures will reflect a slowdown in economic activity in T2, especially in the services sector during T2. Given the comprehensive, and timely package of monetary and fiscal measures, we expect a rapid recovery (V shape) to follow T2. According to our projections, the economy will record the smallest decline in Europe of about 1.5% in 2020, after which it should record growth of about 6% in 2021. In the medium term, we expect a return to a stable growth path of around 4%.

**Minimal effects of COVID-19 virus on growth in T1.**

**As in most other countries, the biggest negative effects of the pandemic on the economy are expected in T2, followed by a rapid recovery.**

## CPI



With the gradual relaxation of containment measures, signs of economic recovery started cropping up globally as of May, also supported by accommodative fiscal and monetary policy measures of a large number of countries. However, due to the renewed spread of the virus, the global recovery prospects for the period ahead were revised downward.

**Consistent with our expectations, due to the coronavirus-induced crisis, Q2 saw a contraction in the current account deficit.**

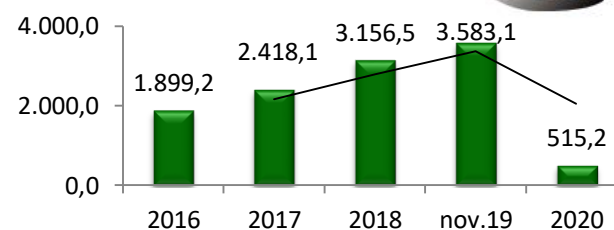
Serbia felt the strongest negative effects of the pandemic in April, while May ushered in a recovery which was supported by undertaken monetary and fiscal policy measures and which turned out faster than expected in the majority of production and service sectors.

The growth projection for the Serbian economy in 2020 was kept at -1.5%. Given the timely and adequate response of economic policy makers and the maintained favorable medium-term outlook for Serbia, in the next year the country is expected to more than fully recover and post an economic growth rate of around 6%.

In six years, Serbia has transformed into a growing economy with low inflation, a balanced fiscal position, declining public debt, lower external imbalances and a recovery in the labor market, which has helped our economy respond readily to current challenges.

COVID-19 and the global recession will have smaller consequences for Serbia compared to other European countries due to strong fundamentals (macroeconomic stability, previous growth dynamics and fiscal space), favorable economic structure, as well as timely introduction of protective measures that later enabled their faster relaxation.

## FDI



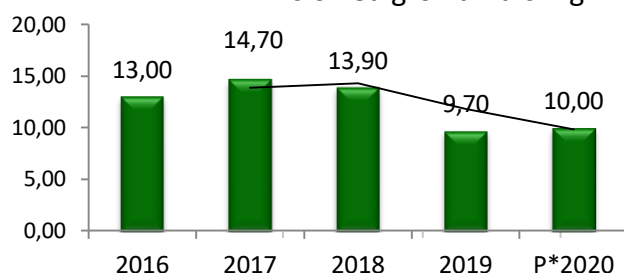
## UNEMPLOYMENT

AVERAGE SALARY  
2020

**493 EUR**

Favourable labor market trends and productivity records the level of growth growth. Highest level of wages at the beginning of 2020 Dominant contribution of industry to the growth of formal employment. Average nominal net wages in January-February 2020 amounted to 59,037 dinars (502 euros), which is its highest level so far, and it was 10.4% higher compared to the same period in 2019.

Observed by sectors, the largest growth in the first two months of 2020 was recorded in manufacturing and construction, as well as in private sector services. Wage growth in the private sector (10.7%) since the beginning of the year has been accompanied by growth in wages in the public sector (10.5%). highest growth of wages. Although total formal employment in T1 has slowed growth it is mg. increased by 1.8% (ie 39 thousand persons).



Favourable trends in the formal labor market come from the private sector, where employment was recorded in mg. growth of 2.4%, ie. 37 thousand people. At the same time, in the public sector, the number of employees in T1 has increased for the first time since the beginning of the rationalization of the number of employees since 2015 (growth by about 2 thousand persons, ie 0.4%). The social distancing measures introduced in March hit employment in the service sectors the hardest.

## S1 2020 MARKET INSIDER REPORT



### OFFICE MARKET REPORT S1 2020

2020 started of with a great momentum, high occupancy demand, low vacancy levels, strong development activity and overall solid market fundamentals.

The impact of the global pandemic has been felt in the office market as well with a result of a low demand for office space – and with people remote working. This could also impact the demand for the office space in the future

PIPELINE OFFICE PROJECT			
Project/Investor	Location	Area (sq m)	Status
NCR	New Belgrade	30.000	Under construction
Usce Tower 2 / MPC	New Belgrade	22.000	Completed
N House	Block 21/New Belgrade	10.700	Completed
Green Heart / GTC	New Belgrade	46.000	Completed
BIG CEE office project	New Belgrade	90.000	Announced
Airport City 5th phase	Block 65/New Belgrade	15.000	Under construction
Skyline / AFI	Belgrade	30.000	Under construction
Immortent Sirius office (2nd phase)	Block 43/New Belgrade	12.500	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	Under construction
Green Escape/Imel Group	New Belgrade	65.000	Announced

#### Office building that are for sale:

- Office Building Beogradjanka
- Sava Centar
- BlueCenter

#### New strategy of the landlords include

- Longer rent free periods

**TOTAL OFFICE STOCK BELGRADE**

**890.000 sq m**

**Vacancy rate** 3,5 %

**Vacancy rate New Belgrade** 2,9 %

#### Rents

**Class A office buildings in CBS**  
€/sqm

**15-16.5**





## S1 2020 MARKET INSIDER REPORT



### RETAIL MARKET REPORT S1 2020

At the beginning of 2020 the Retail Sector has been solid and it had strong development. During the Covid-19, all shopping centers were closed and during that time it has received the biggest impact which led to more flexible negotiations between landlords and tenants.

PRIME SHOPPING CENTER STOCK-Belgrade

380.000 sq m GLA



New entries	
Peek & Cloppenburg	Beo Shopping Center
Jacadi	Street Retail, Stari Grad
Lesnina XXXL	Novi Sad
Okov	Street Retail, Bezanija
Pepco	Announced 30 new stores
Momax	Announced



## New trends in Shopping center management



- Selling experience
- More natural light, fresh air and natural environment in the shopping centers
- "order and pick-up"
- E-commerce for shopping centers (platform where they can promote their tenants)

The popularity of retail parks is growing in smaller communities.

Serbia has not yet reached its maximum for the construction of shopping centers

PIPELINE RETAIL PROJECT				
Project/Investor	Location	Area (sq m)	Delivery date	Status
BW Gallery/Eagle Hills	Belgrade	93.000	2020	Under construction
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



- **Beo Shopping Center, MPC Holding**
- **Shopping Park Krusevac, NePi**
- **Shopping Park Uzice, RC Nest**
- **StopShop Sremska Mitrovica, IMMOFINANZ**

Soon, consumers will be able to pay for products in stores by scanning the QR code from the product. The National Bank of Serbia says that the whole process of 'installing' this type of payment is nearing completion, as part of the national strategy for small payments 2019-2024, which envisages twice the growth of electronic and mobile banking.

### Rental levels in Belgrade



**Shopping centers**  
€ 20 - € 40



**High streets**  
€ 30 - € 80

Due to the COVID-19 pandemic, the trend of online shopping is developing in America. reflected so that many chains have closed their stores - in Serbia this trend is also expected, but not in the near future, the growth of online shopping will grow materially.





## LOGISTIC MARKET REPORT S1 2020

The industrial market remained strong through 2020 even after facing the negative impact due to the world pandemic, with strong development activity.



The expansion of their capacities was realized by the following companies:

- HENKEL, in Kragujevac
- BOSCH, in Pecinci, 16.000sqm (Total area of the current use is: 60.000sqm)
- GEBRUEDER WEISS, in Nis, 910sqm (Total area of the current use is: 1,625sqm)
- MILSPED, in Stara Pazova, 1.500 sqm

PIPELINE PROJECTS			
Project/Investor	Type	Location	Size
IPB 5	Distribution Warehouse	Simanovci	15.670sqm
Gresto Ltd.	Logistics	Ruma	N/A
Milsped	Distribution Center	Nis	N/A
Leoni	Light Industrial	Kraljevo	60.000sqm
Vorwerk Autotec	Light Industrial	Cacak	40.000sqm
Health Care Europe – with phases 3 and 4	Light Industrial	Ruma	Up to 70.000sqm



”  
Class B  
1.3€  
”



”  
Class A  
3 - 5€  
”

RECENT NEW SUPPLY			
Project/Investor	Type	Location	Size
A MM Manufacturing	Light Industrial	Kragujevac	17.000sqm
Aptiv / Delphi	Production	Leskovac	> 27.000sqm
Simens	Light Industrial	Kragujevac	40.000sqm
Essex Europe	Light Industrial	Zrenjanin	15.000sqm
Kromberg&Schubeit	Light Industrial	Krusevac	23.000sqm
Zumtobel	Light Industrial	Nis	40.000sqm
IMI	Light Industrial	Nis	14.000sqm
Log Max Beta	Distribution Warehouse	Stara Pazova	30.000sqm
Melm Ta	Light Industrial	Obrenovac	55.000sqm
ZF Friedrichafen	Light Industrial	Pancevo	25.000sqm
KLP	Logistics	Simanovci	20.000sqm
IPB 4	Distribution Warehouse	Simanovci	15.670sqm
CTP Park Belgrade North	Industrial park	Belgrade	15.660sqm
CTP Park Novi Sad	Industrial park	Novi Sad	24.340sqm
CTP Park Kragujevac	Industrial Park	Kragujevac	24.525sqm
Sopharma Trading	Logistics	Nova Pazova	N/A
Pure Logistics	Distribution Warehouse	Belgrade	N/A
Progetti	Industrial Complex	Sombor	N-A
Thermowool	Distribution Warehouse	Adasevci	N/A
Quehenberger	Logistics	Simanovci	N/A

## News on the logistics market in Serbia

- DB SHCHENKER has introduced smart glasses for warehousing logistics
- Novi Pazar is building an industrial zone near Djurdjevi Stupovi and Petrova Crkva, the construction of modern economic complexes is planned
- CTP Park West has fully leased all its capacity. The tenants are EMMEZETA, PHOENIX PHARM and SIKA
- MERIDIAN SPED opened a new logistics center in Kanesevci (4000sqm)



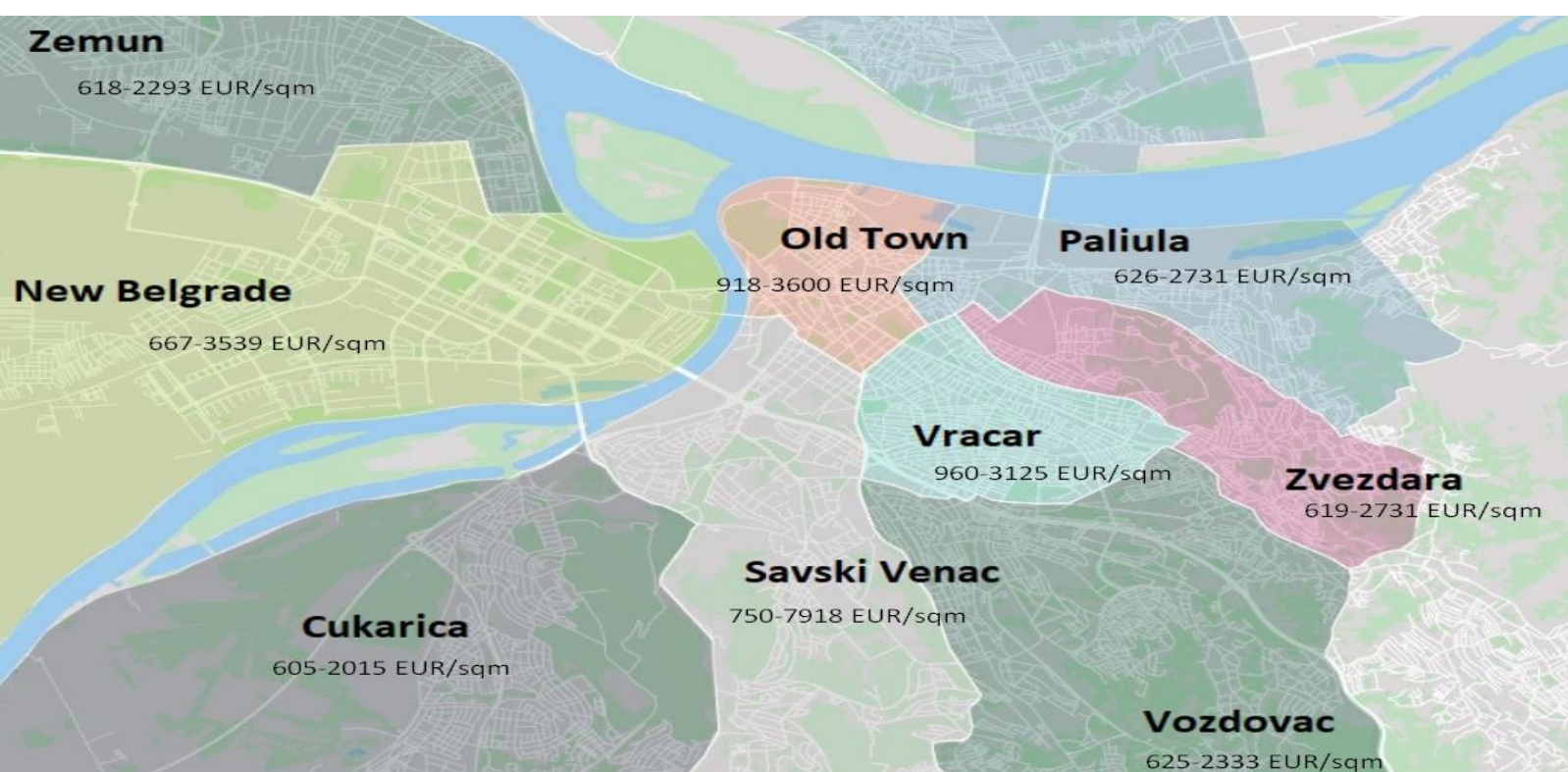
## S1 2020 MARKET REPORT



## RESIDENTIAL MARKET REPORT S1 2020

**At the beginning of the year, experts forecast stagnation of real estate prices in 2020**

The value of construction works that contractors from the Republic of Serbia carried out in the period January – March 2020 increased by 21.1% at current prices in relation to the same period 2019. Regarding by type of constructions, in the period observed the value of works done on buildings increased by 9.1%, and the value of works done on other constructions increased by 30.2%, at current prices. The value of new contracts with contractors from the Republic of Serbia for the period January – March 2020 decreased by 80.4% at current prices when compared to the same period 2019.



Prices of apartments per municipality in Belgrade



The total number of building permits issued for the period January – May 2020 decreased by 3.8% in relation to the corresponding period 2019. The number of permits issued for buildings decreased by 6.4%, and the number of permits issued for other constructions increased by 4.5%. According to the issued building permits and when the period January – May 2020 is compared to the corresponding period 2019, the number of dwellings increased by 38.7%, while the useful floor space of dwellings increased by 30.5%.

RESIDENTIAL PROJECTS					
Project	Location	Investor	Total Units / Phases	Status	Finish Date
Savada	New Belgrade	Neimar V	550 Units / 3rd phase	Planned	N/A
Wellport	New Belgrade	Shikun & Binui Group	2nd phase	Planned	N/A
Blok 32	New Belgrade	PMC Inzenjering	127 Units	Under Construction	01.05.2020
Exing Home 65	New Belgrade	Zepter Group	147 Units	Under Construction	2020
Park 11	New Belgrade	Energoprojekt	134 Units	Under Construction	1.05.2020
Sakura park	New Belgrade	Goldberg Real Estate	228 Units	Under Construction	Jun 2021
Kennedy Residence	New Belgrade	Merin Asset management	170	Under Construction	Summer 2022
West 65	New Belgrade	PSP Farman	294 Units	Under Construction	H2 2019
New Minel	New Belgrade	Galens Invest	328 Units / 1st phase	Under Construction	H2 2021
The One	New Belgrade	Aleksandar Group	230 Units / 1st phase	Under Construction	N/A
K. District	Stari Grad	AGNS INVEST	500 Units	Under Construction	N/A
Dorcol centar	Stari Grad	Krug investicija	N/A	Under Construction	Q4 2021
Novi Dorcol	Stari Grad	DEKA Inzenjering	500 units	Under Construction	1 <sup>st</sup> ph 2021
Skyline	Savski Venac	AFI Europe	2nd phase	Under Construction	N/A
BW Magnolia and Kula	Savski Venac	Eagle Hills	Kula - 220 Units Magnolia – 110 Units	Under Construction	2021
Green Hill	Savski Venac	BPF002 Beograd	N/A	Under Construction	N/A
Kneza Milosa Residence	Savski Venac	Energogroup	226 Units	Under Construction	31.10.2020
Vozdove kapije	Vozdovac	Shikun & Binui Group	4th phase	Planned	N/A
Merin Hill	Vozdovac	Merin Holdings	184	Under Construction	Nov 2020
East Side	Zvezdara	East Side Development	347 Units	Under Construction	Jun 2020
Cvijiceva Palata	Palilula	ECSTATIKA	N/A	Under Construction	Feb 2022

The biggest demand for apartments is in New Belgrade, where the biggest construction is expected in the coming period.

Instead of keeping money in banks, a large number of citizens and businessmen are increasingly investing in apartments. About 70% of real estate is paid in cash.

**The construction of large new settlements is planned in Belgrade**



**Makisko Polje, Area of the former IMT factory,  
Blocks (18, 18a, 69) , Ada Huja.**

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