



SERBIAN

MARKET OVERVIEW

H1 2017

Economic Overview



✓ Serbia economic activity has marked continual positive trends during 2017, recording modest **GDP** growth of 1% in line with the projections at the end of first quarter of 2017 as comparing to the same period in 2016. In the upcoming period GDP growth is expected to gradually step up, reaching 3% by the end of 2017 and 3.5% in 2018, while retaining favourable growth structure.

✓ From the beginning of 2017 **inflation** has been moving within the targeted figures driven mainly by increase in energy prices. Core inflation remained low and in June amounted to 2%. According to NBS forecasts **inflation** will remain moving within the target tolerance band with the expected decline to the 3% target at the beginning of 2018.

✓ Net FDI inflow for the period January-May 2017 amounted at EUR 768 million mostly concentrated in tradable sectors. Net FDI prognosis for 2017 is expected to reach 1.7 billion.

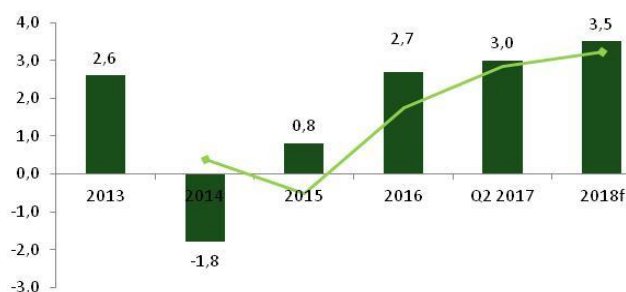
✓ Based on the Labour Force Survey in Q1 2017 unemployment rate has recorded level of 14.6% marking decrease of 4.5% compared to the same period in 2016.

✓ The average gross wage in May 2017 amounted to EUR 527, while average net wage amounted to EUR 383. When compared to the same month in 2016 average gross wages has recorded increase of 7.2% in nominal and 3.6% in real terms.

✓ Business environment improvement in Serbia underpinned by macroeconomic stabilization along with the global risk aversion has significantly pushed down country's risk premium (c.150 bp).

✓ Moody's has improved Serbia's rating outlook from 'B1' to 'Ba3' with a stable outlook. In June, S&P affirmed Serbia's 'BB-' rating with a positive outlook and Fitch affirmed its 'BB-' rating with stable outlook.

GDP



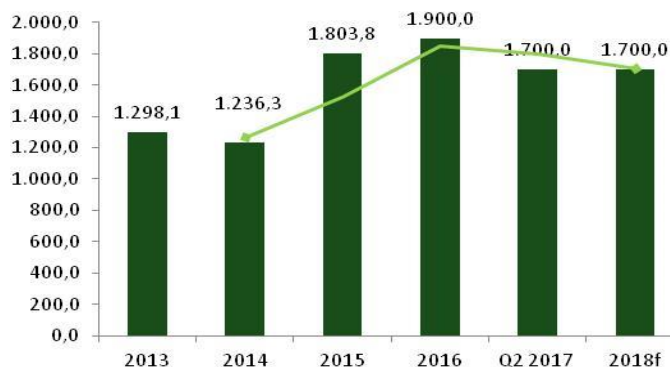
Source: NBS, Danos research

CPI



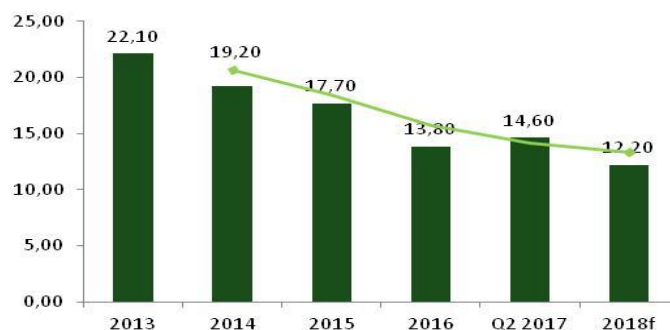
Source: Ministry of Finance of Republic of Serbia, Danos research

NET FDI



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

UNEMPLOYMENT



Source: NBS, Danos research



Supply and Pipeline

First half of 2017 has marked continual rise of the Belgrade office market with delivery of two modern office projects in New Belgrade CBD zone enlarging total office stock for nearly 24,500 sq m GLA. Office project GTC 41 has been completed with the completion of the third phase occupying approximately 10,000 sq m, while first phase of the office project Sirius spreading over 14,500 sq m GLA. Total modern office stock including Class A and B at the end of first half of 2017 amounted to 689.500 sq m GLA marking 4% increase on annual level. In line with the announced new office projects, construction activity will remain strong during H2 2017.

PIPELINE OFFICE PROJECT

Project/Investor	Location	Area (sq m)	Purpose	Delivery Date	Status
Deneza	New Belgrade	2.650	Speculative	2017	Underconstruction
Atrijum 63	Block 63, New Belgrade	5.000	Speculative	2017	Underconstruction
Starine Novaka (AFI & Tidhar)	City Centre	16.000	Speculative	n/a	Announced
Usce Tower 2 (MPC)	New Belgrade	22.000	Speculative	n/a	Announced
N House	Block 21, New Belgrade	10.700	Speculative	2017	Reconstruction - ongoing
Airport City (5th phase)	Block 65, New Belgrade	75.000	Speculative	n/a	Announced
Immorent Sirius office (2nd phase)	Block 43, New Belgrade	12.500	Speculative	n/a	Announced
GTC Green Heart	Block 41, New Belgrade	46.000	Speculative	n/a	Announced
Ziegel House	Vracar	5.500	Speculative	2017	Underconstruction

Demand

New occupation and relocations were recognized as main drivers of market activity during H1 2017. When analyzing business sector, traditionally IT sector remained most active.

Rental levels

During H1 2017 rental levels remained stable compared to the second half of 2016. Prime asking rents for Class A office buildings in CBD zone vary from EUR 15 to 17 per sq m GLA monthly, while Class B rental levels are ranging between EUR 9 and 12 per sq m GLA monthly.

Vacancy rate

Even though new office projects were delivered to the market during H1 2017, high demand has pushed down vacancy rate at 6% for the Class A and B office buildings.





Supply



Modern SC
155,000 sq.m GLA

Retail Parks
54,000 sq.m GLA

Demand

During H1 2017 market still faces the lack of available leasable space within modern shopping centers and prime high streets which limitates new brand entries within Belgrade market.

When having in mind new openings, Reserved has announced the opening of its first store within Big Fashion Karaburma shopping centre in August 2017.

General indicators in Serbia are indicating that the last year has been very dynamic in retail sector. Retail market is currently gaining much importance and enjoys increasing popularity especially in fashion retail sector.

In Q1 2017 Big Fashion Centers started construction of shopping centre Vidikovac settlement, Belgrade, while Ikea postponed the opening for August 2017.



Investment

In the Q1 2017 Israeli company BIG Cee has acquired Big Fashion shopping developed by Plaza Centres.



BIG SHOPPING CENTER-BIG FASHION KARABURMA 32.000 sq.m

Tenants – HM, Inditex group, CCC, LC Waikiki, Lindex...

Rental levels in Belgrade



Location	< 50 sq.m	50-150 sq m	150-500 sq m	> 500 sq m
Knez Mihailova Street	Up to 120	80-100	60-80	40-60
Terazije Square/Kralja Milana Street	50-70	40-60	25-50	20-40
Kralja Aleksandra Blvd	70-100	50-80	30-60	20-50
Secondary street	30-50	30-40	15-30	Up to 20
Retail parks	Up to 20	15-20	Up to 15	Up to 10
Modern Shopping Centers	Up to 70	50-70	40-60	Up to 40

New entries in H1 2017

CCC - Big Fashion Karaburma and Shopping center Stadion

Fanky Buda - Big Fashion Karaburma

Tezenis - Big Fashion Karaburma

PIPELINE RETAIL PROJECT

Project/Investor	Location	Area (sq m)	Delivery Date	Status
Rajiceva Shopping Mall / Avital	Knez Mihajlova - B	15.500	H2 2017	Underconstructi
IKEA	Belgrade	30.000	H2 2017	Underconstructi
Capitol Park / Poseidon Group and Mitiska REIM	Rakovica-Belgrade	21.000	H2 2017	Underconstructi
Ada Mall / GTC	Radnicka Street - I	31.000	H2 2018	Underconstructi
BW Gallery / Eagle Hills	Belgrade	93.000	2020	Pipeline
Big Fashion Vidikovac / Big Fashion Centers	Vidikovac	70.000	2019	Pipeline
Promenada / NEPI	Novi Sad	50.000	H2 2018	Pipeline
Capitol Park Sombor / Poseidon Group and Lidl	Sombor	5.240	H2 2017	Underconstructi
Retail park Kraljevo / RC Reinvest	Kraljevo	5.000	H2 2017	Underconstructi

Residential Market

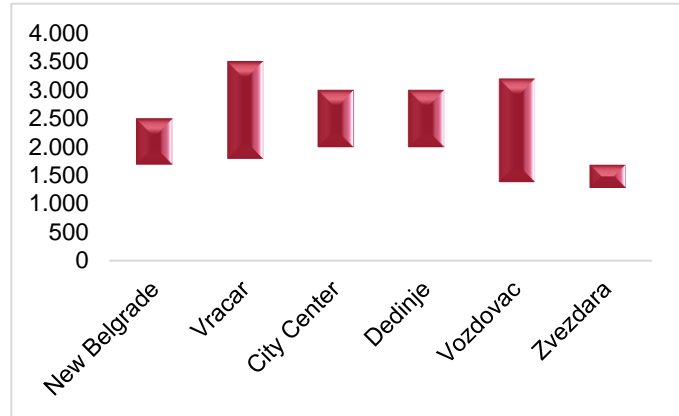
Supply

During H1 2017 Belgrade residential market has continued rising trend from H2 2016, underpinned by growing foreign capital inflow. When analysing location, New Belgrade remains most demanded, currently recording the greatest portion of ongoing larger scale residential projects. Expansion of residential block 67a has continued during the first half of the year. Within the 3rd development phase of A Block, Deka Inzenjering will deliver additional 270 units announced for September 2017. Neimar's project Savada will be completely delivered to the market in July 2017 with additional 200 units. Further enlargement of New Belgrade residential supply is supported by the development of the 3rd phase of PSP Farman's West 65 project adding new 100 units to the market. In H1 2017, West 65, along with the A Block, represent most demanded projects at New Belgrade area. As announced for the mid-2017, Energo Group will complete development of Sun City project with total of 174 units.

Rental and Sales prices

Typical average monthly rental levels in premium Belgrade areas range from EUR 6 to EUR 15 per sq m, recording same trend when comparing to the H2 2016. New Belgrade area marks rental levels for the apartments within new developments are in range from EUR 6 to EUR 10 per sq m, Vracar area in range EUR 11 to EUR 13 per sq m, downtown area in range EUR 10 to EUR 13 per sq m, while Dedinje and Senjak area records range for the prime residential properties in between EUR 12 and EUR 15 per sq m per month.

Asking sales prices for mid to high projects



Source: Danos research

Demand

First half of the year saw the larger scale ongoing residential projects A Block, Savada, Sun City, West 65, Central Garden and projects alike, has continued to record high absorption rate in the new development phases. In H1 2017 Vracar and Vozdovac are becoming even more recognized as multi-family building areas.

According to the last available official data, number of issued construction permits for the residential buildings within new developments within Belgrade region has recorded significant increase of 69% in the period Jan-May 2017 compared to the same period last year, which is indicating upward demand in H1 2017.

PIPELINE PROJECTS

Project	Location	Investor	Total size (units)/phase in progress	Status
Central Garden	Belgrade Down Town	AFI Europe, Shikun & Binui Group	500 units / 3 rd phase - 129 units	Under Construction
Vozdove kapije	Vozdovac	Shikun & Binui Group	700 units / 1 st phase - 129 units	Under Construction
A Block	New Belgrade	Deka Inzenjering	800 units / 3 rd phase - 270 units	Under Construction
Savada	New Belgrade	Neimar V	500 units / 2 nd phase - 200 units	Under Construction
Sun City	New Belgrade	Energo Group	174 units	Under Construction
West 65	New Belgrade	PSP Farman	514 units / 3 rd phase - 100 units	Under Construction
Sunnyville	Palilula	Energoprojekt	215 units	Under Construction
Vracar Gates	Vracar	Aleksandar Group	250 units	Under Construction
Panorama Vozdovac	Vozdovac	Alpos Invest	187 units	Under Construction
Green Avenue	Zemun	Montex Real Estate	236 units	Under Construction
Belgrade Waterfront	Downtown - Center	Eagle Hills	1 st phase - 296 units 2 nd phase - 228 units	Under Construction



Supply

When analysing first half of 2017, development activity within industrial sector was related to expansion of distribution centres schemes majorly within industrial-logistic zones in close proximity to Belgrade where the majority of the logistic stock is situated. Logistic supply within this area will be enlarged with the delivery of Lidl distribution centre and adjoining office building and expansion of Eyemaxx logistic complex through development of 2nd phase. In course of logistic development in secondary cities, Novi Sad saw delivery of Univerexport distribution centre. Tertiary cities remain considered as favourable locations for the development of production facilities.

Demand

During H1 2017 demand for modern industrial/logistic schemes was majorly driven by transportation, manufacturing and distribution companies.

The demand is highest for modern warehouses with adjoining office space with surfaces between 3,000 sq m and 8,000 sq m.

RECENT NEW SUPPLY

Project	Type	Location	Size (sqm)
Phoenix	Distribution centre	Simanovci	7,000sqm
Knott Autoflex	Light industrial	Becej	6,000sqm
Ametek Business Campus	Light industrial	Subotica	10,000sqm
Univerexport	Distribution centre	Novi Sad	30,000sqm
Lear	Light industrial	Novi Sad	29.000sqm

PIPELINE PROJECTS

Project	Type	Location	Size (sqm)
LIDL	Distribution warehouse/office building	Nova Pazova	78,500sqm
Eyemaxx/2 nd phase	Distribution warehouse	Stara Pazova	30,000sqm
Industrial Park Belgrade 3	Distribution warehouse	Simanovci	7,244sqm
Yazaki	Light industrial/Training center	Sabac	30,000sqm
Quass	Light industrial	Indjija	5,000sqm

Rental levels

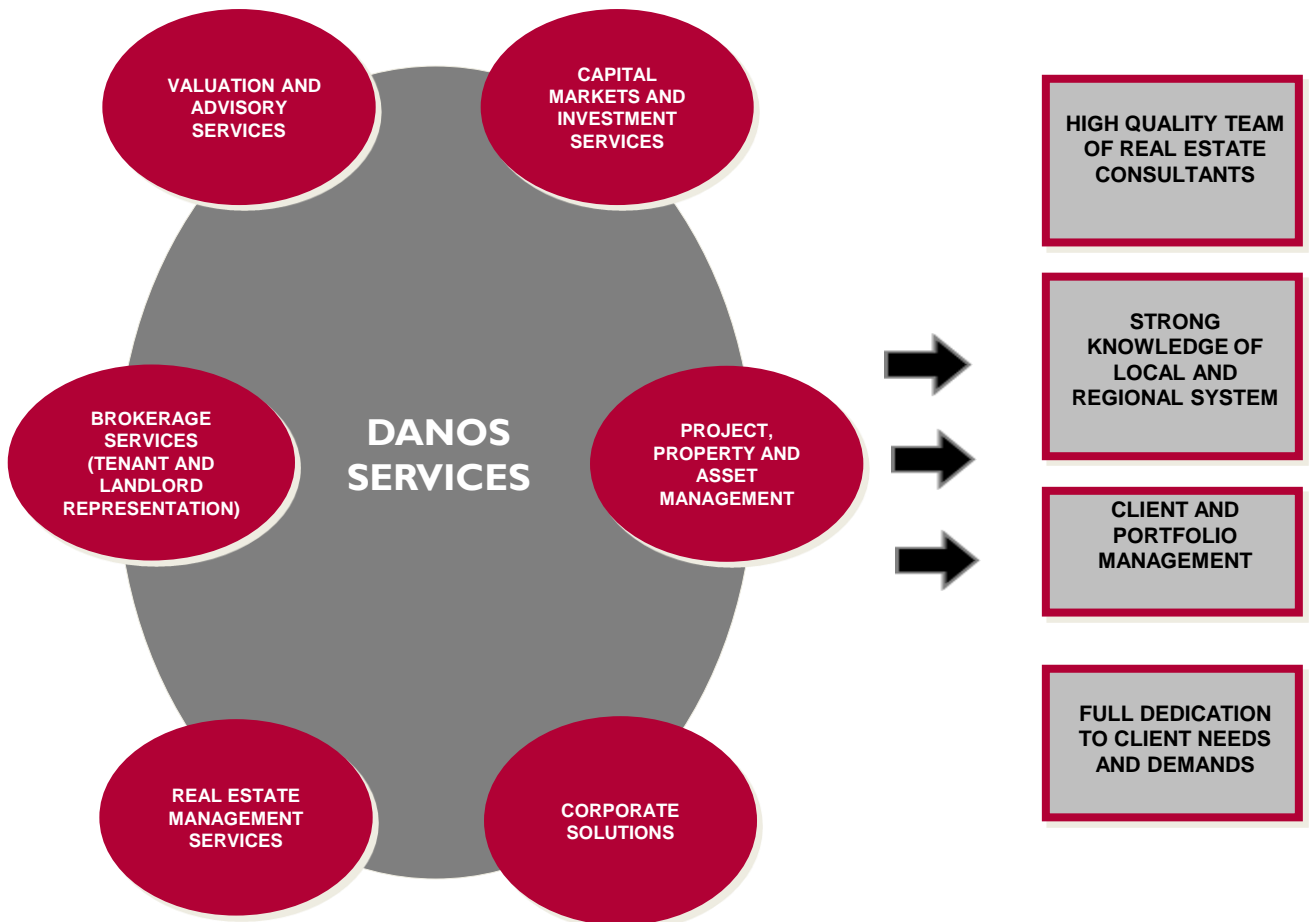
Prime headline rents for modern logistic premises in H1 2017 range between EUR 4/sq m/month and EUR 5/sq m/month, while average rental levels for older and refurbished industrial premises is ranging from EUR 3 to EUR 4/sq m/month.

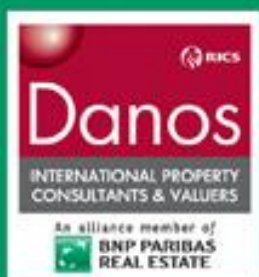
Prime headline rents

EUR 4 – 5 per sqm monthly



Our Services





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