

SERBIA

Novi Sad Property Market Snapshot

H1 | 2018



Office Market Overview

The modern office market in Novi Sad could be considered as undeveloped, with several owner-occupied small-scale office buildings and a few projects along Oslobođenja Boulevard, where the large number of international companies are situated. With no new deliveries during the first half of 2018, Novi Sad modern office stock currently stands at the level of app. 85,000 sq m of GLA, including both speculative and owner-occupied office space. Total office stock should be enlarged by completion of first modern Class A office building Pupin's Palace, which will be developed within mixed-use complex and it will comprise app. 13,500 sq m of GLA of modern office space. The completion is scheduled for March 2019. The Science-Technological Park in Novi Sad is currently under construction, totaling 29,000 sq m, whereas the office space will occupy app. 19,000 sq m. Modern office developments of speculative character are still a part of larger mixed use complexes with predominantly residential use. ICT sector is still the most active. Special efforts are directed towards increasing international competitiveness of high education by adapting the educational system to new market needs.

The rental levels have not changed significantly in first half of 2018, ranging between EUR 8-10/sq m for office space in central city areas, while very attractive premises in the city center can go up to EUR 12/sq m. The office space at less attractive areas usually range between EUR 4-7/sq m.

Retail Market Overview

With no new openings in H1 2018, the total modern retail stock in Novi Sad stands at the level of 66,300 sq m of GLA. With app. 350,000 inhabitants, Novi Sad has 194 sq m of modern shopping centers per 1,000 inhabitants. In terms of future supply, development of NEPI's shopping center Promenada goes as per investor's plans, the completion is expected in November 2018. The project will occupy 47,000 sq m of GLA and it will be the first modern western-style shopping center in Novi Sad. When it comes to the rental levels in shopping centers, they remained stable and range between EUR 10-15/sq m/month. With the opening of NEPI shopping center, the downward trend in the rental levels in other formats could be expected, as the tenants will prefer the new format.

Residential Market Overview

Similarly to majority of cities in Serbia, residential market pipeline is strong in the following period. The first modern high-rise project in Novi Sad, in Brace Ribnikar Street, will have 12 floors and 126 residential units. The completion of this project, developed by City Gradnja, is scheduled for mid-2018. One of the most active investors on residential market is local company Galens. Large-scale residential complex Kraljev Park is currently under construction, located along Kraljeva Marka Street. The project will delivered 583 new residential units to the

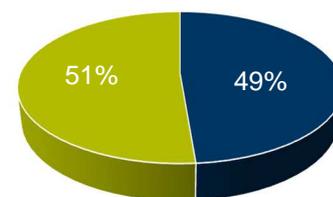
MARKET INDICATORS

Office Market Outlook

| | | |
|---------------|--|---|
| Prime Rents: | Prime rents could experience changes, since the new quality offer could command the prices above the average rental levels | ▼ |
| Prime Yields: | Prime yields are stable | ▶ |
| Supply: | Development activity is improving, new project will be delivered to the market in forthcoming period | ▼ |
| Demand: | Companies continue to show high interest in office space, especially in ICT sector | ▼ |

Prime retail rents

| NOVI SAD HIGH STREET ZONE | SIZE OF UNITS (SQ M) | | |
|--|----------------------|---------|-------|
| | 50-100 | 100-150 | >250 |
| Zmaj Jovina/Modena/ Kralja Aleksandra | 35-60 | 30-40 | 20-30 |
| Dunavska | 30-40 | 25-35 | 18-25 |
| Mihajla Pupina Boulevard | 20-22 | 18-20 | 15-18 |
| Oslobođenja Boulevard | 17-20 | 15-18 | 10-15 |



- Traditional shopping centers (western-style, neighborhood malls, department stores)
- Specialized formats (Retail parks)

Source: CBS International, part of Cushman & Wakefield Group

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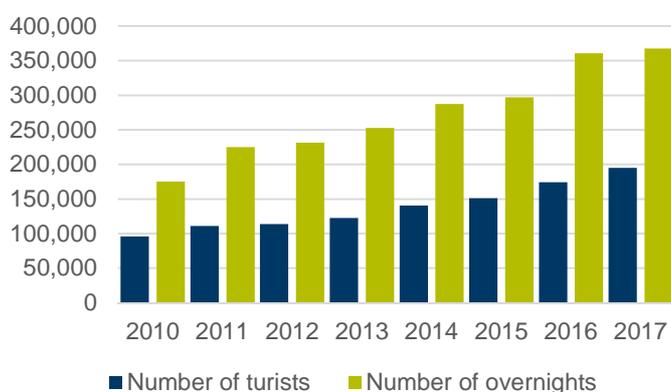


market, upon completion. The same investor is developing a mixed-use complex Pupin's Palace, whereas the residential part of the project will feature around 200 apartments. As per future deliveries, Galens announced development of the new project, named Kej Garden Residence, which will feature 300 apartments in 6 lamellas. The project will be located at the corner of Filipa Visnjica and Pavla Stamatovica Streets and the commencement is scheduled for August 2018. The number of completed apartments grew by 44% in 2016, in comparison with 2015-figures. In addition, the number of sold units also marked an upward trend, being larger by 30% in 2017, as compared to 2016. According to the Statistical Office of the Republic of Serbia, significant increase in the number of constructed units was recorded in 2017, when 2,440 units were completed.

Hotel Market Overview

In March 2018, Novi Sad has witnessed the opening of first international hotel brand, four-star Hotel Sheraton, located in the vicinity of Novi Sad Fair. The hotel is investment of MK Group and it will operate under the franchise of Marriot International brand. Hotel has capacity of 150 rooms, including six conference rooms with capacity of 800 seats, as well as wellness and spa center. When it comes to the number of tourists, number of tourists grew by 15% in 2016, compared to figures in 2015. Both, domestic and foreign guests made over 360,000 overnight stays in 2016, comprising an increase of 21%, in comparison with 2015. The trend of growth in tourism industry is noted for several years in a row, both in the number of tourists and in the number of overnights. According to the latest published data, in 2017, the number of tourists grew by 12%, compared to 2016, while domestic and foreign guests made over 367,000 overnight stays in 2017.

Novi Sad Hotel Market demand



Source: Statistical Office of the Republic of Serbia

Residential Pipeline Projects – Mid-2018

| INVESTOR | PROJECT | LOCATION | SIZE | STATUS |
|--------------|-----------------------|---|-----------|--------------------|
| City Gradnja | Brace Ribnikar | Brace Ribnikar 2 | 126 units | Under construction |
| Galens | Kraljev Park | Kraljevica Marka | 583 units | Under construction |
| Galens | Pupin's Palace | Mihajla Pupina Boulevard | 200 units | Under construction |
| Galens | Kej Garden Residences | Corner of Filipa Visnjica and Pavla Stamatovica | 300 units | Planned |

Source: CBS International, part of Cushman & Wakefield Group

Residential supply vs. demand



Source: Republic Geodetic Agency, Total number of registered S&P agreements
Statistical Office of the Republic of Serbia, Number of constructed units

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