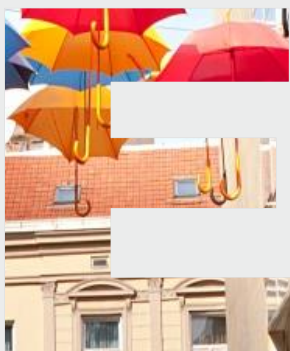


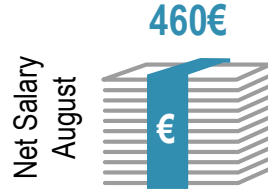
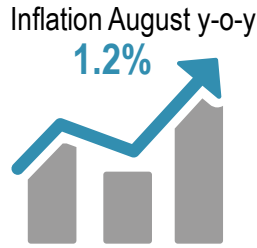
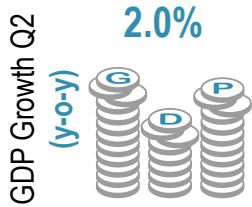
Belgrade City Report

Q3 2016



*City
Reports*

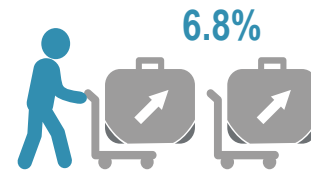
Economics



Unemployment Rate Q2



Tourist Arrivals Belgrade August y-o-y



Source: Statistical Office of the Republic of Serbia; Oxford Economics

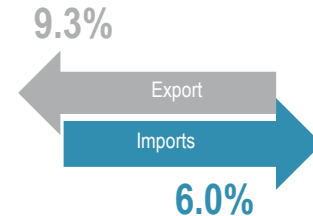
According to the Serbian Statistical Office, during the second quarter of 2016, GDP growth reached 2.0% on an annual level. The estimated growth of just below 2% for the period 2016-2017 will be export led. Furthermore, investments are increasing, underpinned by the improving credit ratings and strong FDI.

In the recently published Doing Business list of the World Bank, Serbia climbed to 47th place (previously 54th) and is among countries which have made some of the biggest progress. In addition, Belgrade has been named as the best investment destination, in this part of Europe, and has received a credit rating of B1 with a positive outlook.

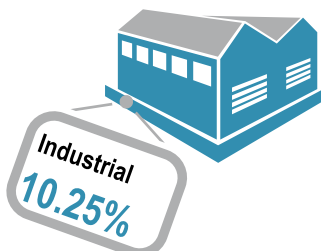
Industrial production August y-o-y



Exports/Imports Jan-August 2016 y-o-y



Prime yields



The key focus of the 6th review, under the IMF's 3 year stand by arrangement, will be the continuation of the public administration reform, the right-sizing of public sector employment, the restructuring of large companies such as power utility Elektroprivreda Srbije (EPS), natural gas company Srbijagas and railway operator Železnice Srbije. In addition. It will also include the completion process of privatizing the largest state owned companies and the agricultural sector.

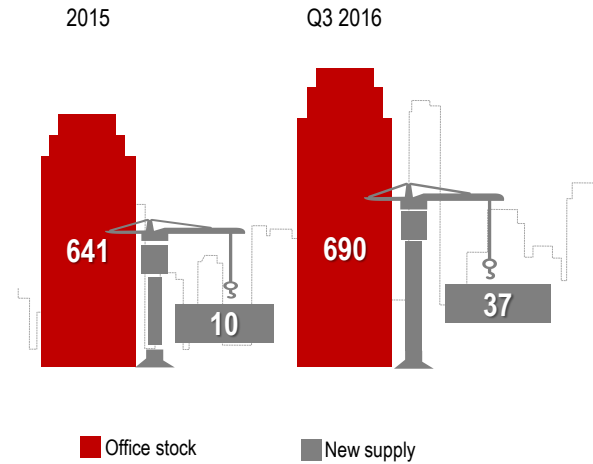


Supply

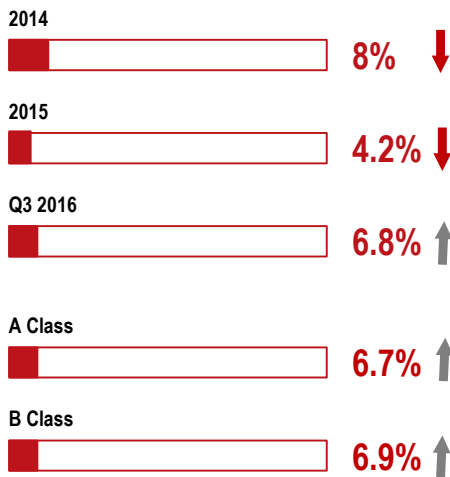
- In the second half of the year, several new projects were delivered to the market:

| Property | Submarket | Size (sq m) |
|--------------------------------|--------------|-------------|
| Airport City IV phase (Bldg 2) | New Belgrade | 12,000 |
| GTC Fortyone bldg 2 | New Belgrade | 7,600 |
| Navigator Business centre | New Belgrade | 14,600 |
| Green square | Vracar | 2,700 |
| Societe Generale bank | New Belgrade | 10,000 |

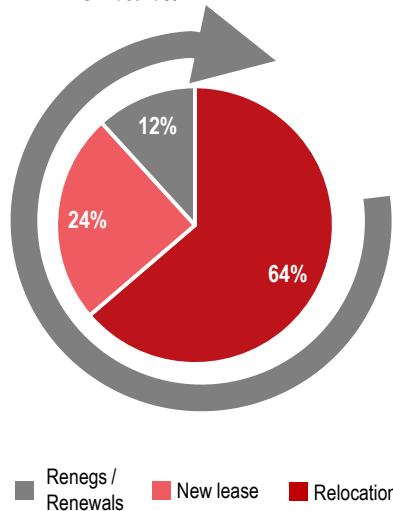
Office stock / New supply ('000 sq m)



Vacancy rate



Demand



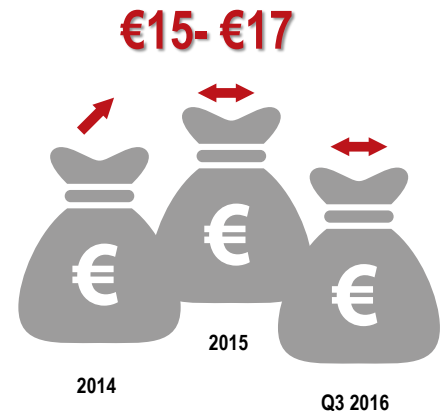
- Market activity was dominated by net take-up, underpinned by relocations and new leases.
- The most active sector was IT followed by professional services and pharmaceuticals



Future office projects

| Property | Submarket | Size (sq m) | Status |
|----------------------------|--------------|-------------|--------------------|
| Deneza office building | New Belgrade | 2,700 | Under construction |
| GTC Fortyone – 3rd phase | New Belgrade | 10,000 | Under construction |
| Sirius Offices – 1st phase | New Belgrade | 18,500 | Under construction |
| Atrijum 63 | New Belgrade | 5,000 | Under construction |

Prime rents (sq m/monthly)



Supply

- Increase of shopping centre construction in Belgrade
- Number of retail parks in the country grows

Recent completions

| Name | Type | Developer | City | Size (sq m) |
|-----------|-------------|----------------|----------|-------------|
| Shoppi | Retail Park | MPC Properties | Belgrade | 12,000 |
| Stop Shop | Retail Park | Immofinanz | Valjevo | 6,100 |

Prime shopping center supply ('000 sq m)



Belgrade Prime Shopping center density

78 sq m
per 1,000 inhabitants



Demand

- Expansion of existing retailers
- CineStar opens in BIG CEE
- Polish footwear retailer to enter the market

| Location | Retailers' activity |
|----------------------------|---------------------|
| Delta City | Calvin Klein |
| Fashion Park Outlet Center | Nine West |
| Stadion Voždovac | Novo Lux |

Future retail projects in Belgrade

| Name | Type | Developer | Size (sq m) | Opening year |
|-----------------------|------|----------------|-------------|--------------|
| Rajićeva | SC | Ashtrom group | 15,300 | 2017 |
| Belgrade Plaza | SC | Plaza Centers | 32,300 | 2017 |
| Ikea | BB | Ikea | 30,000 | 2017 |
| Ada Mall | SC | GTC | 33,000 | 2018 |
| Capitol Park Rakovica | RP | Poseidon group | 21,000 | 2017 |

SC = Shopping centre, RP = Retail Park, BB = Big Box

Rental levels (sq m/monthly)

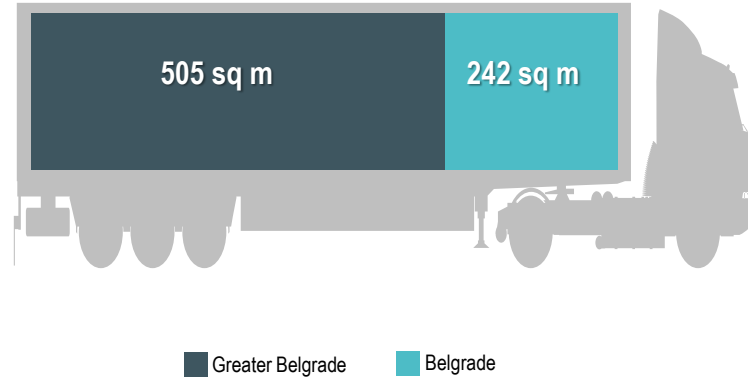




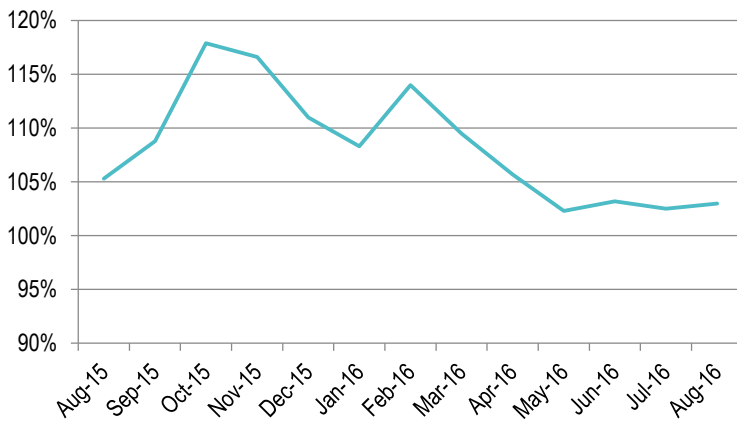
- Greater Belgrade and the Vojvodina province remain the most active areas in the country.
- Industrial Park Belgrade opened a new logistic and distribution centre in Šimanovci
- Indofood opened a production facility in Indjija

| Property | Location | Type |
|--------------------------|-----------|------------------------|
| Industrial Park Belgrade | Šimanovci | Distribution warehouse |
| Indofood | Indjija | Light industrial |

Supply / Stock ('000 sq m)



Industrial production index



Source: Statistical office of Republic of Serbia

Demand



- Strong demand from manufacturing and distribution companies
- Expanding retail sector will influence further expansion of logistics companies and therefore the development industrial market

Future projects

Further construction activity will remain reliant on owner occupied schemes, mainly taking place in Greater Belgrade and secondary cities.

| Investor | Location | Type |
|----------------|--------------|------------------------|
| Eyemaxx bldg 2 | Stara Pazova | Distribution warehouse |
| Ditre Italia | Vranje | Light industrial |
| Lidl | Nova Pazova | Distribution warehouse |
| Univerexport | Novi Sad | Distribution warehouse |
| Mei Ta | Obrenovac | Light industrial |

Prime Rents (sq m/monthly)





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