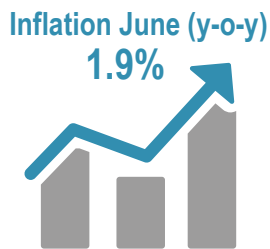


Belgrade City Report

Q2 2015



Economics



Source: Statistical office of Republic of Serbia; Oxford Economics

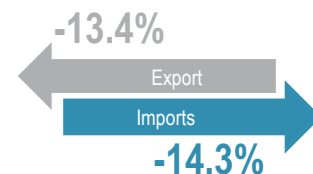
After an annual drop of 1.8%, GDP remained at the same level during the first quarter of 2015, supported by the growth of exports, imports and investment. However, the key industries have noted a slowdown, mainly in manufacturing, mining, electricity and water supply.

Lower energy prices and stronger external demand, coming from economic recovery in the EU, have caused a change of GDP growth estimates to 0% y-o-y in 2015. Although public sector reforms are the key constraint factors, the local economy will benefit from the ongoing monetary policy easing, low energy prices and the recovery in the Eurozone, which is a key foreign trade partner of Serbia.

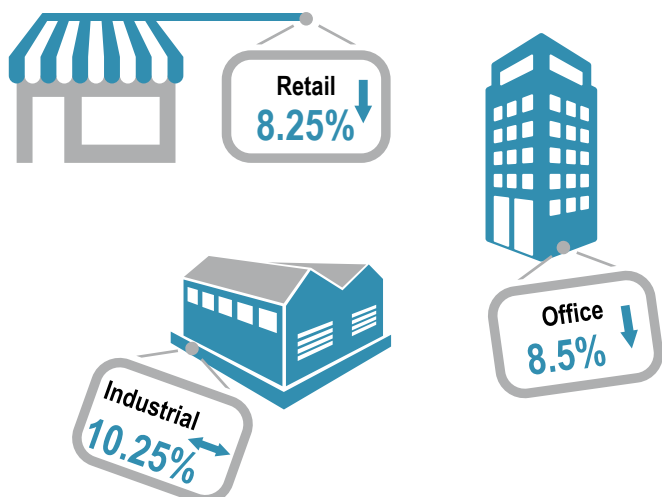
Industrial production May (y-o-y)



Exports/Imports Q1



Prime yields



While having falling only gradually, the fiscal deficit is being redirected from consumption towards investment. State financed relief from bad loans will enable banks to step up lending when GDP growth resumes, while restructuring and a release from price controls will allow SOEs to curb their losses, and start addressing the large infrastructure deficit.

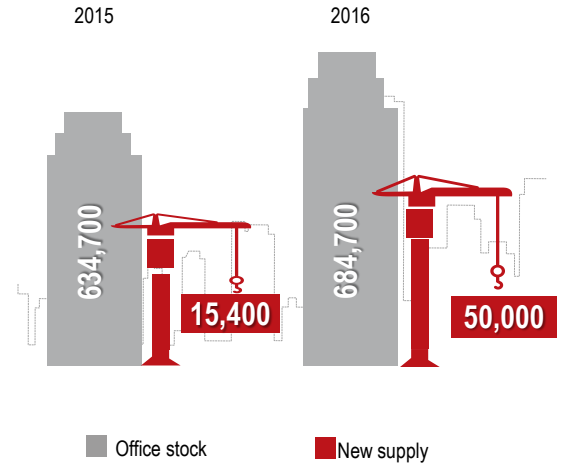
The recently signed agreement on the joint investment between the government and the United Arab Emirates real estate developer Eagle Hills on the Belgrade on the Waterfront development project, worth €3.5 billion, will underpin the country's GDP growth.

Supply

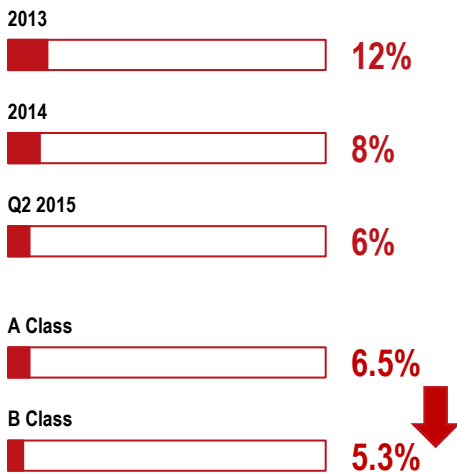
Following a period with limited levels of new office projects, the Belgrade market will witness more development in the near to mid-term with various ongoing and announced projects, mainly located in CBD. The first phase of GTC Fortyone is close to completion.

The market is in significant need of modern office schemes, as the limited new supply continues to cause a decline of the vacancy level. Therefore, potential occupiers remain eager for new developments that will meet with their requirements.

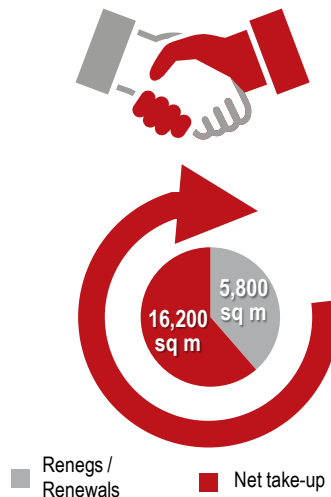
Office stock (sq m) / New supply



Vacancy rate



Demand



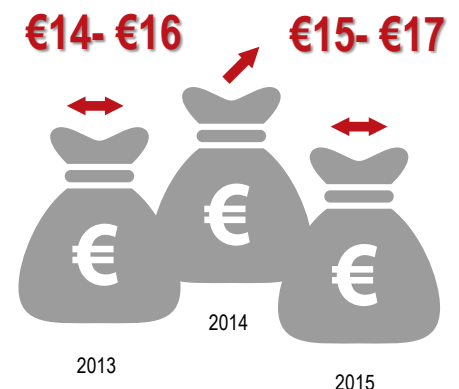
Market activity was dominated by the renewals of existing contracts (73%), followed by new lease requirements (21%) while the remainder was attributed to expansions.

The most active sectors were banking, followed by IT and the professional services sector.

Future office projects

Property	Submarket	Size (sq m)	Status
GTC Fortyone – 1st phase	New Belgrade	10,000	Final construction phase
Airport City – 1st phase	New Belgrade	12,100	Under construction
Deneza office building	New Belgrade	2,700	Under construction
Granit Invest office building	City center	2,700	Under construction
Navigator Business Center - MPC	New Belgrade	22,000	Under construction
Delta Holding HQ	New Belgrade	20,000	Planned
Sirius Offices – 1st phase	New Belgrade	18,600	Planned

Prime rents

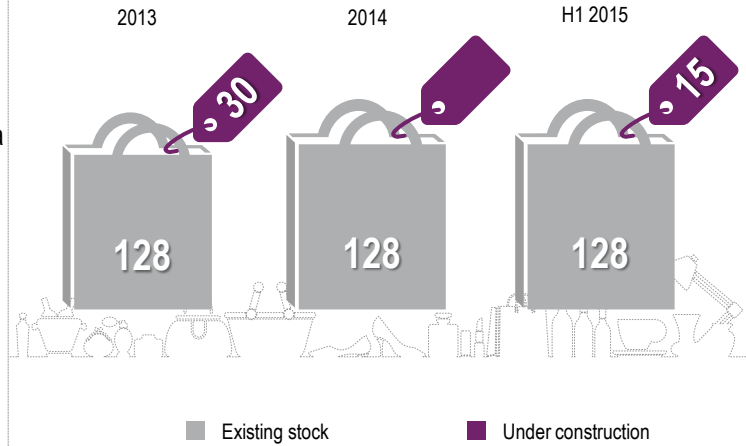




Supply

- The first retail park opened in Belgrade – Zemun Park (16,000 sq m).
- Ikea to start construction of its first store in the autumn.
- Emmezeta by Steinhoff International, opened a store in the former Kika location.
- Delta Planet and Belgrade Plaza shopping centers announced the commencement of construction.
- Rajiceva shopping center scheduled for completion in 2017

Prime shopping center supply ('000 sq m)



Belgrade Prime Shopping center density

78 sq m
per 1,000 inhabitants



Demand

Demand remained strong for prime assets and due to a lack of available space, retailers shifted towards the recently opened retail parks.

Location	Retailers
Prime shopping centers	DM, Calzedonia, Manual Co, Pro piu grande
High street zone	Martini Vesto, Nine West, Shoestar

Future retail projects in Belgrade

Name	Type	Developer	Size (sq m)
Rajićeva	Shopping center	Ashtrom group	15,300
Delta Planet	Shopping center	Delta Real Estate	80,000
Belgrade Plaza	Shopping center	Plaza Centers	32,300
Ikea	Big box	Ikea	38,900
Aviv Arlon Zvezdara	Retail Park	Aviv Arlon	10,500
Capitol Park Rakovica	Retail Park	Poseidon Group	20,700

Rental levels



* prime rents for retail units sized from 100 – 200 sq m

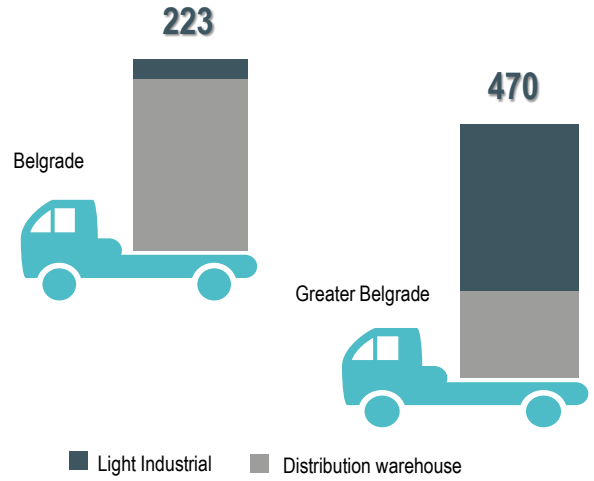


In the first half of 2015, the Greater Belgrade area noted growth of development activity. The existing stock remains mainly owner occupied, as developers prefer to develop built to suit schemes.

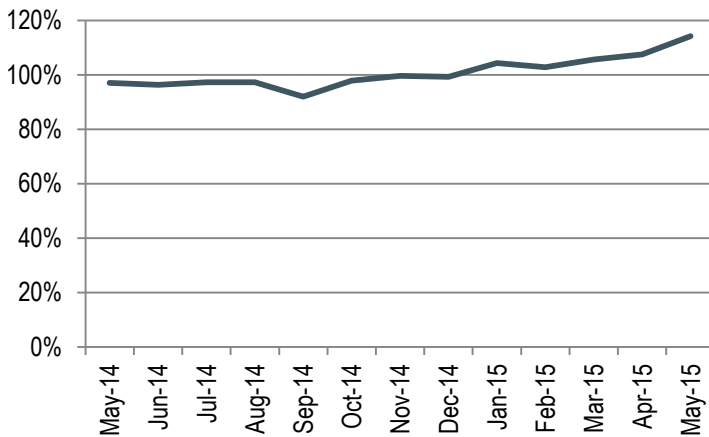
Property	Region	Size (sq m)	Completion
Log center Eyemaxx	Simanovci	16,000	2015
IPB distribution center	Simanovci	11,500	2015
Delta Transportni sistemi*	Stara Pazova	20,000	2014

* Owner occupied

Supply / Stock ('000 sq m)



Industrial production index



Source: Statistical office of Republic of Serbia

Demand

- Strong demand from distribution and manufacturing companies.
- Expansion of retail sector will further impact the growth of the industrial market.



Future projects

Future supply mainly relies on production schemes located within secondary cities.

Investor	Location
Lidl	Nova Pazova
Swarovski	Subotica
Indoadriatic Industry	Indjija
Camozzi	Šabac

Prime Rents





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