

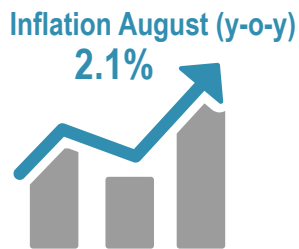
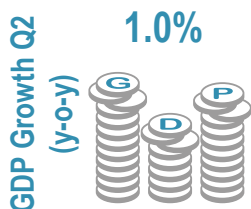
Belgrade City Report



Q3 2015



Economics



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

After a strong first half of the year, supported by higher inward investment and lower import costs, GDP growth is estimated to reach 0.5% for 2015. Revenue improvement will hold the fiscal deficit within the target limits, keeping inflation and the current deficit on a descending track. Investor confidence will be strengthened by a positive review and precautionary standby funding from the IMF.

The forecasted GDP growth for the upcoming years will be supported by export recovery, gains from privatization, sustained FDI and lower fiscal deficit. 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.

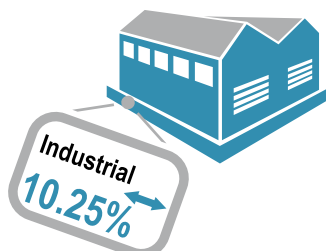
Industrial production - July (y-o-y)



Construction activity Q2 (y-o-y)



Prime yields



The sale of state owned enterprises have been speeded up to reduce public debt and cut subsidy needs to eliminate the structural budget deficit.

Serbia is noted as one of the most attractive countries for investments within the region, which will continue to increase with the continuation of reforms. Positive shifts are notable with the application of adopted laws and greater fiscal discipline. The Belgrade Waterfront project – a joint investment between the government and the United Arab Emirates real estate developer Eagle Hills has officially started. The overall project investment is estimated at €3.5 billion and will underpin the country's GDP growth.

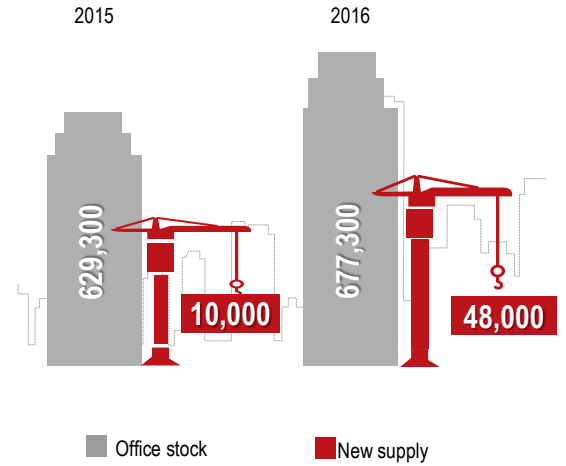
Supply

During the third quarter, the 1st phase of GTC's A class office project Fortyone was delivered to the Belgrade market. The office market has noted an increase in construction activity with several ongoing and announced projects. The majority of activity will take place in New Belgrade – CBD.

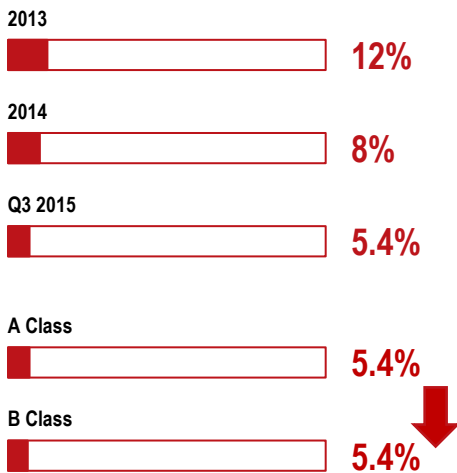
New buildings are absorbed quickly, reflecting great demand and causing a constant drop in vacancy.

Property	Submarket	Size (sq m)
GTC Fortyone – 1st phase	New Belgrade	10,000

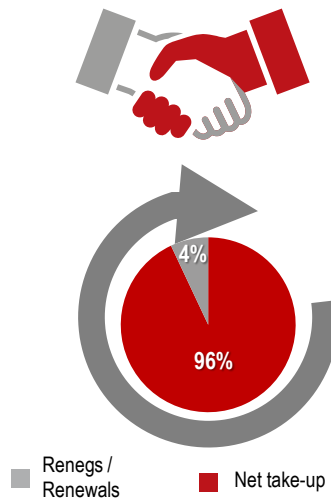
Office stock (sq m) / New supply



Vacancy rate



Demand



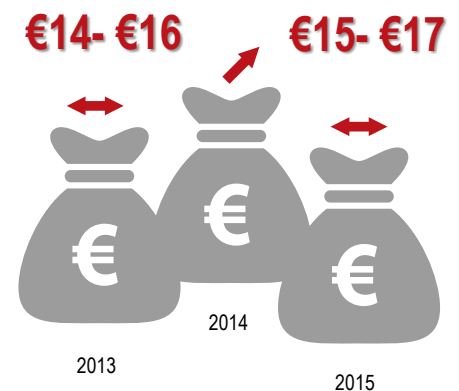
Market activity was dominated by new lease agreements (87%), followed by relocations (9%). The remainder was attributed to the renewal of contracts.

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

Future office projects

Property	Submarket	Size (sq m)	Status
Airport City – 4th phase (bldg 1)	New Belgrade	12,100	Under construction
Denezza office building	New Belgrade	2,700	Under construction
Green Square	City center	2,700	Under construction
Navigator Business Center	New Belgrade	22,000	Under construction
GTC Fortyone – 2nd phase	New Belgrade	8,000	Under construction
Sirius Offices – 1st phase	New Belgrade	18,500	Planned
Delta Holding HQ	New Belgrade	20,000	Planned

Prime rents





Supply

- Aviv park Zvezdara to open in November
- Extra center opened at former IDEA hypermarket location in New Belgrade
- IKEA announced start of construction at Bubanj Potok
- Rajiceva shopping center scheduled for completion in 2017
- Delta Real Estate and Plaza Centers both announce construction of shopping centers

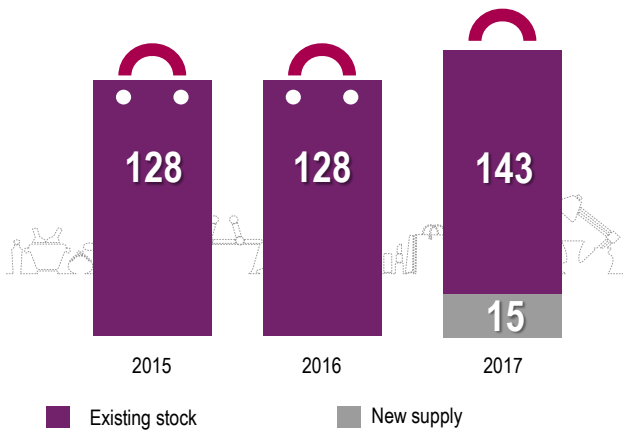
Belgrade Prime Shopping center density

78 sq m

per 1,000 inhabitants



Prime shopping center supply ('000 sq m)

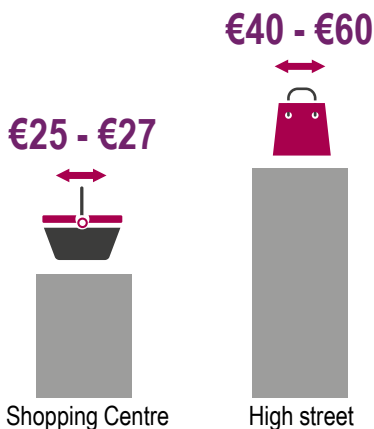


Demand

- LC Waikiki opened its first store
- Existing retail chains continue their expansion
- Two retail chains announced the closure of their operations

Market entry	Retailers
Mercator center	LC Waikiki

Rental levels



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

Future retail projects in Belgrade

Name	Type	Developer	Size (sq m)
Rajiceva	Shopping center	Ashtröm 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 Park Zvezdara*	Retail Park	Aviv Arlon	11,500
Capitol Park Rakovica	Retail Park	Poseidon Group	26,700

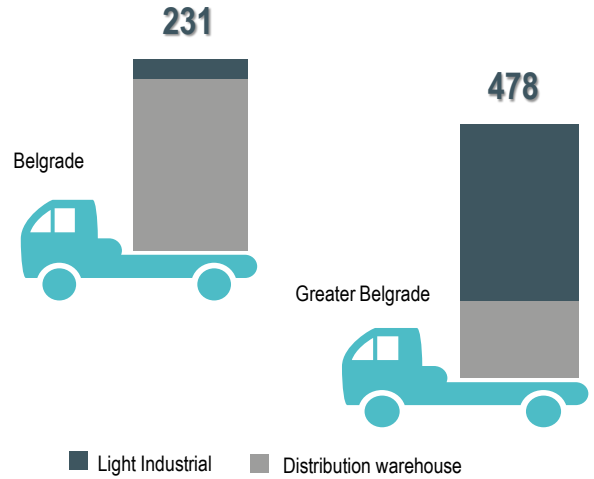
* Final stage



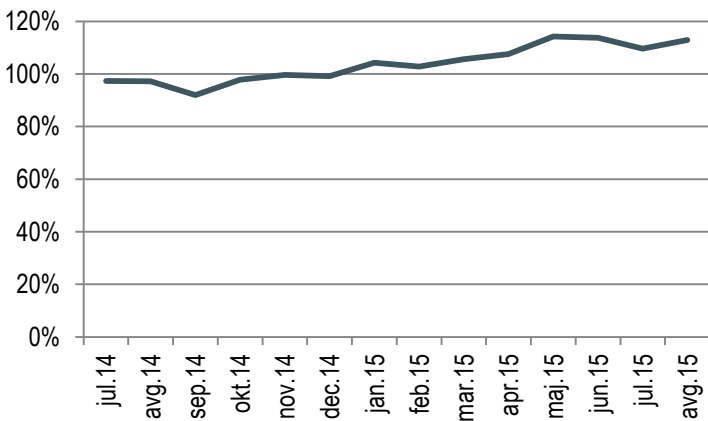
The Greater Belgrade area and the Vojvodina province both recorded growing construction activity, including industrial facilities for owner occupation.

Property	Region	Type	Size (sq m)
Gebruder Weiss	Dobanovci	Distribution center	9,000
DM Drogerie markt	Šimanovci	Distribution center	5,000
Swarovski	Subotica	Production	15,000
Johnson Electric	Niš	Production	10,000

Supply / Stock ('000 sq m)



Industrial production index



Source: Statistical office of Republic of Serbia

Demand

- Growing retail sector will further influence the development of the industrial market
- Strong demand from production and distribution companies



Future projects

The supply pipeline continues to rely on the delivery of built-to-suit properties within Greater Belgrade and secondary cities.

Investor	Location
Lidl	Nova Pazova
Indoadriatic Industry	Indjija
Camozzi	Šabac
Truck-Lite Europe	Ćuprija

Prime Rents





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