Belgrade City Report

Izveštaj o Beogradu

on.point Q2 2014 / T2 2014

Economy/Investment

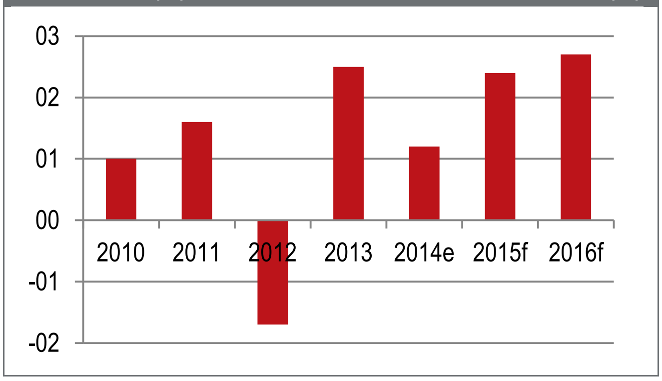
Economy/Investment

Economy

After the worst flooding for over a century, which caused wide scale infrastructure, crop damage and mass evacuations along the Sava River, this year's growth will be weaker than initially expected. The Government remains dedicated towards attracting FDI, economic growth and reduction of the unemployment rate. After FDI fell back during 2013, a strong pick up is expected since the government maintains a clear majority and is initiating serious reforms. According to the National Statistical Office, during the first quarter of 2014, real GDP growth was 0.1% in comparison to the corresponding period. The significant growth of gross value was recorded in the following sectors: information and communication (5.1%), warehousing (2.7%) and the processing industry (1.6%). A decline was recorded in the construction (7.8%), financial and insurance (3.7%) and trading (2.0%) sectors.

Despite a slowdown to 2.1% during April and May, inflation is set to rise again. Oxford Economics suggests average inflation of close to 4.5% between 2015-17.

GDP Growth (%) **Rast BDP(%)**



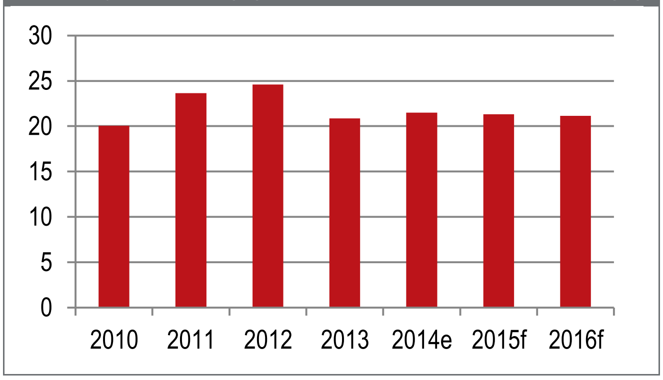
Source/Izvor: Oxford Economics, July 2014

According to the National Statistical Office, consumer price growth in June 2014 recorded a slight increase of 0.1% compared to the previous month. The highest growth was seen in the following sectors: Recreation and culture (4.2%), Clothing and footwear (0.3%), Communication (0.2%) and Transport (0.1%).The biggest price decrease was recorded in the sectors of Furniture, household equipment and household maintenance (-1.0%) and Education (-0.2%).

During May 2014, industrial production noted a 7.0% decrease in physical volume, compared to the corresponding period of last year. The sectors of electricity, gas, steam and air conditioning supply decreased by 20.3%, the mining sector by 18.7% and the processing industry by 3.0%.

According to the Labour Force Survey conducted by the National Statistical Office, the unemployment rate in Serbia increased by 0.7 percentage points during the first quarter of 2014 and stands at 20.8% in comparison to October 2013 (20.1%).

Unemployment Rate (%) **Stopa nazaposlenosti (%)**



Source/Izvor: Oxford Economics, July 2014

The average net salary in Belgrade during May 2014 amounted to RSD 55,283 or €495, which is approximately 24.7% higher than the average salary in Serbia (€397).

Political Situation

Serbia's future economic development essentially depends on the approach to foreign policy. Since accession negotiations started in January 2014, all indications are positive that Serbia will successfully complete the transition to full EU membership. However, EU talks will strain the traditionally close relationship with Russia until the relationship between Brussels and Moscow are repaired following the recent events in the Ukraine. At the end of April, the Serbian Parliament approved a new government with Aleksandar Vučić as its new Prime Minister. The Progressive Party (SNS) with its leader has presented a medium term strategy for reducing the budget deficit which will include substantial public sector job losses, wage restraints and the reorganisation of state enterprise and their privatisation.

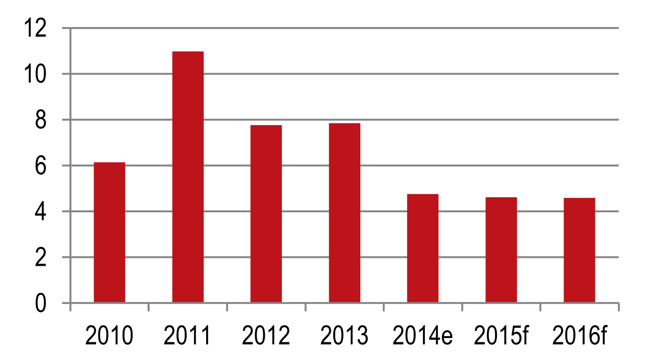
Privreda/Investicije

Privreda

Nakon nezapamćenih poplava koje su prouzrokovale veliku štetu infrastrukture i useva duž reke Save, kao i masovnu evakuaciju, ovogodišnji rast će biti manji nego očekivan. Glavni cilj Vlade ostaje privlačenje Stranih direktnih investicija (SDI), ekonomski rast, kao i smanjenje stope nezaposlenosti. Nakon pada SDI tokom 2013 godine, očekuje se nagli rast jer je vlada sa postignutom većinom najavila ozbiljne reforme. Na osnovu podataka Republičkog zavoda za statistiku, realni rast BDP tokom prvog kvartala 2014 godine je bio 0,1% u odnosu na isti period prethodne godine. Značajan rast je zabeležen u sektoru informacija i komunikacija (5,1%), skladištenja (2,7%) i preradjivačke industrije (1,6%). Najveći pad je zabeležen u sektoru gradjevine (7,8%), finansijskom i sektoru osiguranja (3,7%), i trgovine (2,0%).

Uprkos smanjenom inflaciji na 2,1% tokom aprila i maja, očekuje se njen rast. Prema podacima Oxford Economics, rast inflacije će dostići oko 4,5 % u periodu 2015-17 godine.

CPI (%) — Inflacija (%)



Source/Izvor: Oxford Economics, July 2014

Prema podacima Republičkog zavoda za statistiku Srbije, rast potrošačkih cena tokom juna 2014. godine je iznosio 0,1% u odnosu na prethodni mesec. Najveći rast je zabeležen u sektorima rekreacije i kulture (4,2%), odeće i obuće (0,3%), komunikacije (0,2%) i transporta (0,1%). Najveći pad je zabeležen u sektoru nameštaja, opreme za domaćinstvo i održavanja (-1,0%) i obrazovanja (-0,2%).

Tokom maja 2014. godine industrijska proizvodnja je zabeležila pad fizičkog obima od 7,0 % u odnosu na isti period prethodne godine. Sektori električne energije, gasa, pare i klimatizacije beleže pad od 20,3%, rudarstvo od 18,7% i preradjivačka industrija od 3,0%.

Na osnovu Ankete o radnoj snazi koju sprovodi Republički zavod za statistiku, stopa nezaposlenosti u Srbiji tokom prvog kvartala 2014 je povećana za 0,7 procentnih poena i iznosi 20,8% u odnosu na oktobar 2013. godine (20.1%).

Yields % — Stope prinosa %

Sector/Sektor	Yield/ Stopa Prinosa %	Changes on previous quarter/ Promene u odnosu na prethodno tromesečje
Office/ Kancelarijski prostor	9.00	↔
Retail/ Maloprodajni prostori Shopping Centres/ Tržni centri	9.00	↔
Logistics/ Logistički objekti	10.25	↔

Source/Izvor: JLL, July 2014

Prosečna neto zarada isplaćena tokom maja 2014. godine u Beogradu iznosila je 55,283 dinara odnosno €495, sto je oko 24,7% više od prosečne plate u Srbiji (€397).

Politička situacija

Budući ekonomski razvoj Srbije veoma zavisi od pristupa spoljnoj politici. Pregovori o pristupanju su počeli u januaru 2014 godine, i svi pokazatelji ukazuju da će Srbija uspešno pristupiti Evropskoj Uniji kao punopravni član. Medjutim, pregovori sa EU će zategnuti tradicionalno bliske odnose sa Rusijom, sve dok se veza izmedju Brisela i Moskve ne popravi usled nepogodne situacije u Ukrajini. Krajem aprila, parlament je odobrio novu Vladu sa Aleksandrom Vučićem kao novim premijerom. Srpska Napredna Stranka (SNS) je sa svojim liderom predstavila strategiju za smanjenje budžetskog deficita koji će uključiti značajne gubitke radnih mesta u javnom sektoru, ograničavanje plata, reorganizaciju kao i privatizaciju državnih preduzeća.

.

Office Market

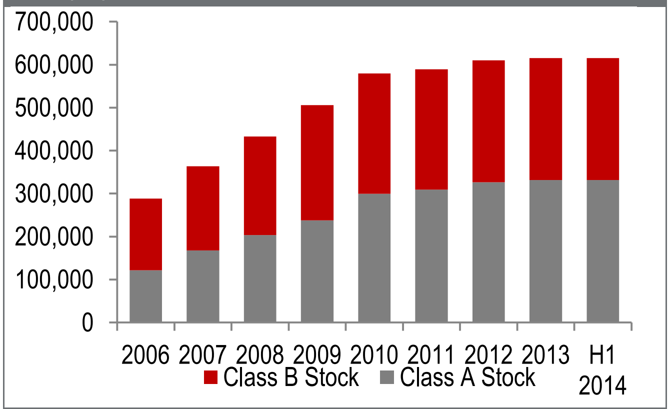
Office Market

Supply

During the previous18 months, the Belgrade office market has witnessed a low level of new supply. The only project delivered during this period was Danube Business centre (5,200 m² GLA). The office stock stands at approximately 615,000 m² GLA, including both class A and B office buildings, with the majority of the stock situated within the Central Business district – New Belgrade (81%). There is one project currently under construction, Old Mill office tower - scheduled for completion in the next quarter. This mixed use complex will include an office tower (3,870 m² GLA) and Radisson Blu Old Mill hotel, located in the vicinity of the Belgrade Fair, within the old part of the city.

We believe that the office market will become more active in terms of new developments in upcoming years. During 2015 the completion of Deneza office building in New Belgrade (2,900 m² GBA) is expected. GTC has announced another commercial complex "Fortyone" in New Belgrade, which will comprise three office buildings with 27,000 m². Societe General Bank announced its new office building (11,000 m²) in New Belgrade which will be owner occupied. Completion is expected in the first quarter of 2016.

Total Class A & B Stock (m²) / Ukupna ponuda prostora klase A i B (m²)



Source/Izvor: JLL, July 2014

Demand

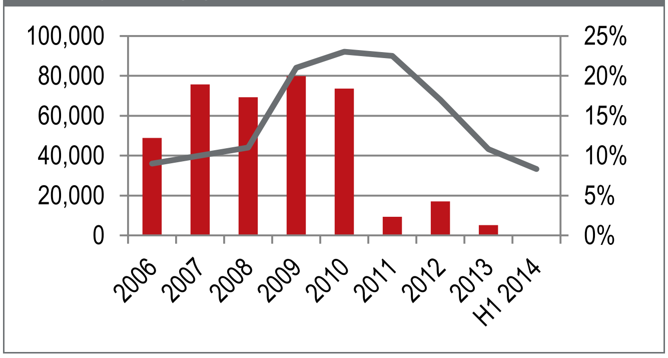
The demand for office premises surpasses the current offer on the market. In addition, the office market is in much need of new development, especially in the Old part of Belgrade which is lacking modern offices. During the second quarter of 2014, market activity has decreased by almost 40% in comparison to the previous quarter. Overall, take-up stood at 9,356 m², comprising of new lease transactions (7,272m²), followed by expansions (1,734 m²) and renewals of existing contracts (350 m²).During the second quarter, 16 transactions were realised with an average deal size of 585 m².

IT companies continued to generate highest levels of activity with 29%, followed by professional services with 27% and advertising and media with 14%. The majority of companies were seeking for smaller premises in range of 200 – 600 m².

Vacancy

Due to the lack of new supply on the office market, the vacancy rate continued its decreasing trend and currently stands at 8.3%. We assume that this trend will continue during the forthcoming period until new office developments are delivered to the market.

Office Class A Completions (m²) and Vacancy Rates (%) Class A & B / Završena izgradnja zgrada klase A (m²) i stopa nepopunjenosti (%)



Source/Izvor: JLL, July 2014

Rents and Yields

Rents for Class A office space in Belgrade remained stable at €14-16 m²/month. Class B rents in New Belgrade range from €9-11 m²/month and €10-12 m²/month in downtown areas. Rents in the wider New Belgrade area are up to €11 m²/month, while modern office rents in in the downtown do not exceed €16m²/month. Landlords continue to offer incentives such as rent free periods (usually three months), fit-out contributions and additional free parking spaces. Yields for prime offices in Belgrade remained stable at 9.00%.

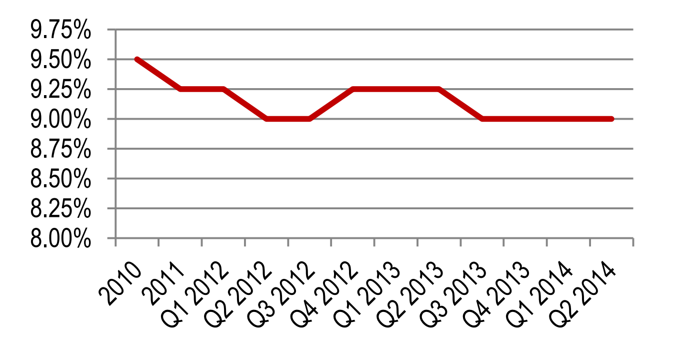
Kancelarijski prostor

Ponuda

Tokom proteklih 18 meseci, tržište kancelarijskog prostora u Beogradu je zabeležilo nizak nivo nove ponude. Jedini završeni projekat tokom ovog perioda je bio Danube Business centar (5,200m^2). Ponuda poslovnog prostora iznosi 615,000 m^2 zgrada klase A i B, i najveći deo prostora se nalazi u Poslovnom Centru Beograda - Novi Beograd (81%). Trenutno je u fazi izgradnje poslovna kula Stari Mlin,čiji je završetak predvidjen za naredni kvartal. Kompleks Stari Mlin obuhvata poslovnu zgradu (3,870 m^2) i Radisson Blu Stari Mlin Hotel koji se nalazi u blizini Beogradskog sajma u starom delu grada.

Očekujemo da će tržište kancelarijskog prostora postati aktvnije u predstojećem periodu. Tokom 2015 godine očekuje se završetak poslovne zgrade Deneza na Novom Beogradu (2,900 m^2 bruto povrsine). GTC je najavio novi komercijalni kompleks "Fortyone" na Novom Beogradu, koji će činiti 3 poslovne zgrade površine 27,000 m^2. Societe Generale banka je najavila izgradnju nove poslovne zgrade (oko 11,000m^2) na Novom Beogradu, koju će koristiti za svoje radnike. Završetak izgradnje se očekuje tokom prvog kvartala 2016 godine.

Prime Office Yields %
Stopa prinosa prvoklasnog prostora %



Source/Izvor: JLL, July 2014

Potražnja

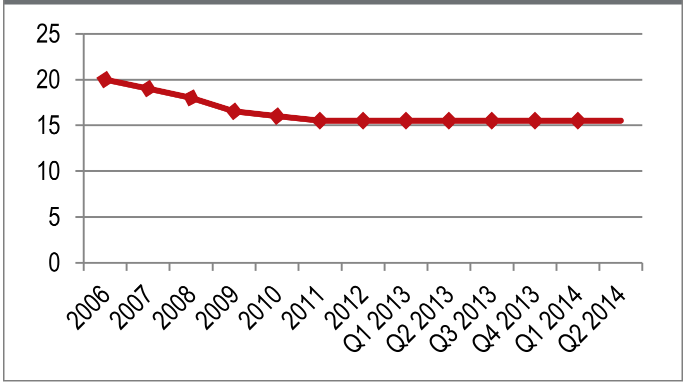
Tražnja za kancelarijskim prostorom je nadmašila nivo trenutne ponudu na tržištu. Tržištu su neophodni novi projekti, naročito u starom delu grada koji je u nedostatku modernog prostora. Tokom drugog kvartala 2014 aktivnost na tržištu je smanjena za oko 40% u odnosu na prethodni kvartal. Ukupna bruto aktivnost je 9,356m^2, sa najvećim udelom novih transakcija (7,272m^2), zatim proširenjem prostora (1,734m^2) i obnovom postojećih ugovora (350m^2). Tokom drugog kvartala realizovano je 16 transakcija sa prosečnom veličinom izdatog poslovnog prostora od 585 m^2.

IT kompanije su tradicionalno ostale sektor sa najvećim ucešćem u aktivnosti od 29%, zatim sektor profesionalnih usluga sa 27%, medijski sektor sa 14%. Većina zakupaca je tražila prostor veličine od 200-600m^2.

Raspoloživi prostor

Usled nedostatka nove ponude poslovnih objekata, stopa raspoloživog prostora nastavlja sa padom i trenutno iznosi 8,3%. Ovakav trend će se nastaviti i u narednom periodu, dok se novi objekti na tržištu ne izgrade.

Prime Rents €/m^2/month
Cene zakupa prvoklasnog prostora €/m^2/mesečno



Source/Izvor: JLL, July 2014

Visine zakupa i stope prinosa

Zakup kancelarijskog prostora klase A u Beogradu je stabilan u rasponu je od €14-16 m^2/mesečno. Zakup kancelarijskog prostora klase B na Novom Beogradu je u rasponu €9-11 m^2/mesečno, dok je u starom delu grada €10-12 m^2/mesečno. U širem području Novog Beograda, zakup modernog prostora je u visini do €11m^2/mesečno, dok u centru grada ne prelazi €16m^2/mesečno. Zakupodavci nastavljaju da nude podsticaje poput rent-free perioda (uglavnom tri meseca), dodatnih parking mesta bez naknade i učešća u troškovima završnih radova. Stopa prinosa za prvoklasne kancelarijske prostore u Beogradu je 9,00%.

Retail Market

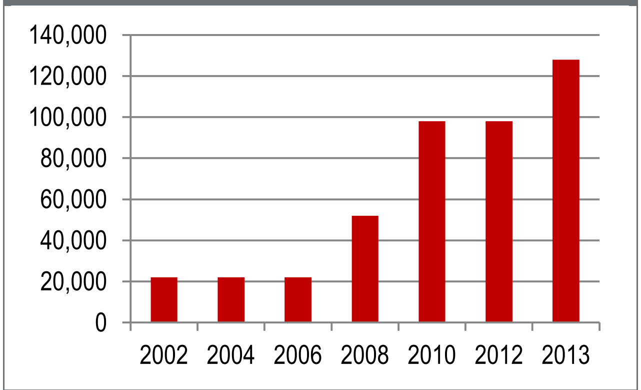
Retail Market

Supply

The last shopping centre completion in Belgrade was recorded in April 2013, with the opening of Stadium Voždovac (30,000 m² GLA). Therefore, the prime shopping centre stock remained at the same level of 128,000 m² GLA, indicating the need for new development. As the existing modern shopping centres do not provide sufficient space to satisfy rising demand from international brands, many retailers have become more interested in signing for premises in expanding retail parks. The existing retail parks are located outside of the capital, in Pančevo, Šabac, Kragujevac and Novi Sad. The latest retail park completion was Capitol Park in Šabac (9,800m² GLA), developed by the Poseidon Group.

Future shopping centre supply in Belgrade remains uncertain. However, there were announcements, although without scheduled delivery dates, such as Višnjička Plaza (40,000m² GLA) and Napred Blok 41 (34,000 m² GLA).

Prime Shopping Centre Stock in Belgrade (m²)
Ponuda prvoklasnih tržnih centara u Beogradu (m²)



Source/Izvor: JLL, July 2014

The biggest ongoing project is Retail Park One Zemun – expected to open its first phase (15,000 m² GLA) in Q3 2014. Aviv Arlon announced plans for retail Park in Zvezdara (11,500 m² GLA) scheduled to commence construction in autumn 2015. Furthermore, Vivo Shopping park (10,000m² GLA) in Jagodina is under construction. Poseidon group announced plans to build another retail park in Rakovica, with construction due to commence in Q3 2015.

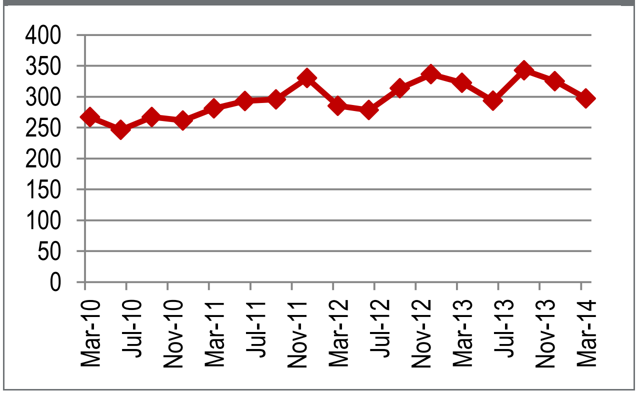
Hypermarket retail chains continued their expansion. Idea opened a new object (2,400m² GLA) in Borča and Univerexport (2,000 m²) in Dorćol.

Demand

Retail demand remained strong and is mainly directed towards modern retail schemes. Due to a lack of modern supply, vacancy rates in modern shopping centres are close to zero.

During Q2, numerous new tenants entered Ušće shopping centre such as: Cineplexx, Original Marines, Novolux, Manual and Co. Samsung, Dsquared2 (within XYZ store). Some occupiers have entered the market for the first time, such as: BlueKid (within Dexy Co Kids store), Casa Bianca and MAC cosmetics. Swedish retailer, H&M, announced the opening of its first high street store on Knez Mihajlova Street, and will occupy stores where Sephora, GAP and Time out were situated. Turkish menswear fashion brand Tudors, also opened its first store on Knez Mihajlova Street.

Retail Spending in € per Capita in Belgrade
Maloprodajna potrošnja u € po stanovniku u Beogradu



Source/Izvor: Statistical Office of the Republic of Serbia

Rents and Yields

Average rents in prime shopping centres in Belgrade remained stable ranging from €25- €27 m²/month. Prime shopping centre rents for 100 to 200 m² retail units are €60 m²/month, while rent for such a unit on Knez Mihajlova Street remained at €80 m²/month. Prime shopping centre yields are stable at 9.00%.

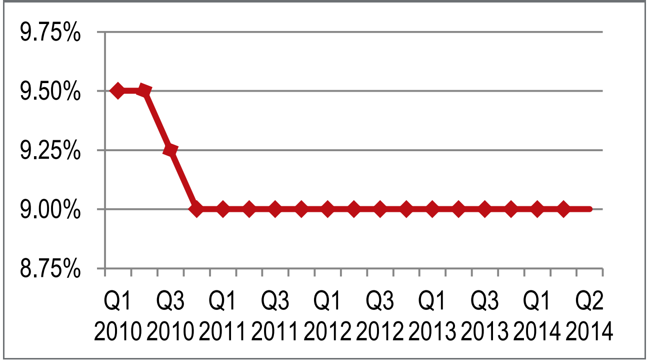
Maloprodajni prostori

Ponuda

Tokom aprila 2013. godine, otvoren je poslednji tržni centar u Beogradu, Stadion Voždovac (30,000 m^2). Shodno tome, ponuda prvoklasnih tržnih centra je ostala 128,000 m^2, ukazujući na potrebu za izgradnjom novih projekata. Moderni maloprodajni objekti ne pružaju dovoljno prostora za rastuću tražnju stranih maloprodajnih lanaca, zbog čega se veliki broj njih odlučuje za koncept maloprodajnih parkova. Postojeći maloprodajni parkovi se nalaze izvan glavnog grada, u Pančevu, Šapcu, Kragujevcu i Novom Sadu. Poslednji otvoreni maloprodajni park je Capitol Šabac (9,800 m^2), izgradjen od strane Poseidon Group.

Buduća ponuda tržnih centara u Beogradu ostaje neizvesna. Medjutim, najavljeni su projekti Višnjička Plaza (40,000 m^2) i Napred Blok 41 (34,000 m^2), bez odredjenog datuma završetka.

Prime Shopping Center Yields
Stopa prinosa prvoklasnih tržnih centara



Source/Izvor: JLL, July 2014

Najveći projekat u toku je maloprodajni park ”One Zemun” čije se otvaranje prve faze (15,000 m^2) očekuje tokom trećeg kvartala 2014. godine. Aviv Arlon je najavio izgradnju maloprodajnog parka na Zvezdari (11,500 m^2), sa početkom izgradnje u jesen 2015. Takodje, Vivo Shopping park (10,000 m^2) u Jagodini je u fazi izgradnje. Kompanija Poseidon group je najavila planove za izgradnju još jednog maloprodajnog parka u Rakovici, sa početkom izgradnje u trećem kvartalu 2015 godine.

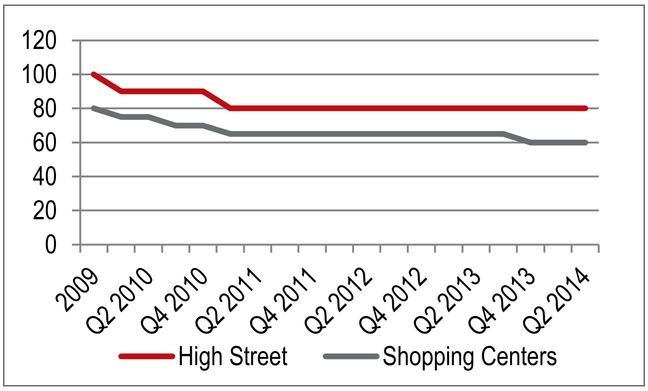
Lanci hipermarketi su nastavili širenje. Idea je otvorila novi objekat (2,400m^2) u Borči i Univerexport (2,000 m^2) na Dorćolu.

Potražnja

Tražnja za maloprodajnim objektima je ostala snažna i usmerena ka modernim maloprodajnim objektima. Zbog manjka ponude modernih objekata, stopa slobodnog postora u prvoklasnim tržšinim centrima je oko nule.

Tokom drugog kvartala, brojni novi zakupci su ušli u Ušće Tržni Centar: Cineplexx, Original Marines, Novolux, Manual and Co, Samsung, Dsquared2 (u okviru XYZ prodavnice). Neki zakupci su ušli na tržište prvi put – BlueKid (u okviru Dexy Co Kids prodavnice), Casa Bianca i MAC cosmetics. Švedski maloprodajni lanac H&M je najavio otvaranje prve prodavnice u pešačkoj zoni-Knez Mihajlova ulica i zauzeće prostor u kojem su zakupci bili Sephora, GAP i Time Out. Turski muški modni brend Tudors je otvorio svoju prvu prodavnicu u Knez Mihajlovoj ulici.

Prime rents €/m^2/month
Cene zakupa prvoklasnog prostora €/m^2/mesečno



Source/Izvor: JLL, July 2014

Visine zakupa i stope prinosa

Prosečne cene zakupa u prvoklasnim tržnim centrima su ostale stabilne u rasponu od €25- €27 m^2/mesečno. Cene zakupa maloprodajnih jedinica u prvoklasnim tržnim centrima površine 100-200 m^2 su €60 m^2/mesečno, dok su za isti prostor u Knez Mihajlovoj ulici ostale €80 m^2/mesečno. Stopa prinosa za prvoklasne tržne centre je stabilna na nivou od 9,00%.

JLL

Market Practice

Market Practice

Leasing Market Practice

Lease length

- Average lease length is 5 years, 3 – 5 years are common in the city centre and 5 (rarely 7) years on the outskirts
- In a few cases longer leases can be agreed
- 3 year break options are becoming more common

Payment Terms

- Rents are quoted in € and paid monthly in advance in either € or RSD according to the exchange rate on the day of the payment

Rental Deposit

- It is common to agree on a cash deposit or bank guarantee equal to 3 months' rent for all types of premises (office, retail and industrial)
- Indexation is annually in line with European CPI

Other Charges

- Service and energy charges (Utilities and direct consumption are paid separately)(offices and industrial)
- Service charges and marketing costs (retail)

Insurance

- The landlord covers costs of building insurance (recovered by service charges). The tenant covers insurance of own premises, contents and civil liabilities

Incentives

- Offered by the landlords in form of 3 month rent free period, fit-out contributions and free of charge additional parking space

Tržišna praksa zakupa prostora

Dužina zakupa

- Prosečna dužina zakupa je 5 godina - uglavnom se prostori u centru grada zakupljuju na 3 – 5 godina, a na periferiji na 5 (retko 7 godina)
- U malom broju slučajeva se vrši zakup prostora na duži period
- Sve su češće mogućnosti raskida ugovora nakon 3 godine

Uslovi plaćanja

- Cene zakupa se navode u € a plaćaju se mesečno unapred ili u € ili u RSD prema valutnom kursu na dan plaćanja

Depozit

- Praksa je da se depozit plaća u kešu ili bankarskom garancijom u iznosu od tri mesečne rente za sve vrste prostora (kancelarijski, maloprodajni i industrijski)
- Indeksacija se vrši godišnje i usklađena je sa evropskim rastom potrošačkih cena

Ostali troškovi

- Troškovi usluga i potrošnje električne energije (troškovi održavanja i direktne potrošnje plaćaju se posebno) (kancelarijski i industrijski prostori)
- Troškovi usluga i marketinga (maloprodajni prostori)

Osiguranje

- Vlasnik prostora pokriva troškove osiguranja zgrade (naplaćuje se od naknade za troškove usluga). Zakupac plaća osiguranje za sopstvene prostorije, pokretnu imovinu i civilna lica

Podsticaji

- Vlasnici prostora prilikom izdavanja mogu davati i podsticaje u vidu izdavanja prostora na period od 3 meseca bez naknade, uređenja prostora o sopstvenom trošku ili dodatna parking mesta gratis

JLL Office

Mihajla Pupina Boulevard 10L
Belgrade
Serbia
Phone number +381 11 785 0600
Fax number +381 11 785 0597

Contacts

Andrew Peirson
Managing Director
Serbia
+381 11 785 0579
andrew.peirson@jll.com

Jana Golubović
Research Analyst
Serbia
+381 11 785 0589
jana.golubovic@jll.com

Belgrade City Report – Q2 2014

www.jll.rs