

## Belgrade Retail Market

H2 2010

## Quick stats

	Change from H1 2010
Supply	↑
Vacancy	↑
Rents	↓

## S&amp;P'S LT FC Rating

BB-/Stable

## Hot Topics

- The average salaries and wages paid in December 2010 in the Republic of Serbia amounted to EUR 371
- Unemployment rate in October 2010 stands at 19.2%, the same level as of April 2010
- New delivery during H2 2010 was the opening of Immo's Point Center (app. 5,500 sq m of GLA) in Grocka, which brought the total stock of modern shopping centers in Belgrade to app. 155,000 sq m of GLA

## H2 2010 From expert's point of view

Vladimir Mijatovic,  
Head of Retail:

"We have noticed an increasing interest from retailers side for Retail parks in Serbia, and we expect increase in activities in this segment of retail in the future, due to lower operating costs and satisfying turnovers."

## ECONOMIC OVERVIEW

The Executive Board of the International Monetary Fund (IMF) completed the sixth review of Serbia's economic performance under a program supported by a Stand-By Arrangement (SBA). It enables the immediate release of EUR 373 million. The Serbian Government has indicated that the drawing of the full amount would bring total disbursements under the program to EUR 1.90 billion.

The Free Trade Agreement between the four EFTA States (Norway, Switzerland, Iceland, and Liechtenstein) and the Republic of Serbia was signed on 17 December 2009. Full application of the Free Trade Agreement between Serbia and the EFTA countries should commence in 2011, after it is ratified by the parliaments of Norway and Iceland, as the agreement has so far been ratified by other two member states.

According to the results published by the Statistical Office of Republic of Serbia, in Q3 2010, GDP increased by 2.7% in comparison with the corresponding period of the previous year. Observed by activities, in the third quarter, the highest growth in the gross value added was noted in the section of financial intermediation (8.7%), section of transport (7.4%) and in the section of mining and quarrying (6.2%), while the major drop was recorded in the section of construction (9.2%) and the section of electric energy production, gas and water (4.4%).

Inflation in Serbia is highly sensitive to changes of energy and food product prices

due to their major share in CPI (consumers price index) and the frequent price oscillations of these products. Although the inflation recorded year low of 3.7% in H1, central bank's end of the year target of 6% was widely overshoot. In December, the inflation reached double figure of 10.3% which as a result had the depreciation of currency during the last quarter.

The net average salaries and wages paid in the Republic of Serbia, according to the Statistical Office of Republic of Serbia, in the year 2010, compared to the average salaries and wages paid in the year 2009 increased by 7.6% in nominal terms and by 0.7% in real terms.

In accordance with the Labor Force Survey, which was conducted in October 2010, unemployment rate in Serbia amounts to 19.2%; i.e. 20.4% in Central Serbia, 20.0% in Vojvodina region and 15.8% in Belgrade. Compared to the previous survey in April, Belgrade has marked a rise in unemployment of 1.8%, but is still well below the nation average.

Current economic developments have resulted in several reviews and the National Bank of Serbia (NBS) Monetary Policy Committee raises the key policy rate. From January 2009 NBS had cut the key policy rate by a cumulative of 925 basis points, a trend that was reversed in August 2010. Lastly in December, the rate stood at 11.5%, marking a rise of 350 basis points from May 2010, when key policy rate marked its historical low of 8.0%.

## Key economic indicators - Serbia

	2008	2009	2010E	2011F	2012F
Nominal GDP (EUR bn)	33.4	29.9	29.6	30.3	32.8
Per capita GDP (EUR)	4,545	4,099	4,072	4,184	4,546
Net FDI (EUR bn)	1.8	1.4	1.0	2.2	2.0
Real GDP, yoy (%)	5.4	-3.1	1.8	2.7	3.5
Inflation (CPI), yoy, avg. (%)	11.7	8.4	6.3	9.4	6.7
Unemployment rate (%)	13.7	16.1	20.0	18.8	17.5
Exchange rate RSD/EUR, eop.	89.8	96.2	108.0	117.0	112.0
Exchange rate RSD/EUR, avg.	81.5	94.1	102.7	112.5	114.5
Current account balance/GDP (%)	-21.1	-7.0	-7.9	-8.9	-8.8
FDI/GDP (%)	5.5	4.7	3.4	7.3	6.1
Budget balance/GDP (%)	-2.0	-4.2	-4.7	-4.2	-3.7
Total foreign debt/GDP (%)	65.3	76.1	81.0	85.7	85.3

UniCredit Group New Europe Research Network December 2010

## BELGRADE RETAIL MARKET

In accordance with the official data published by the Statistical Office of the Republic of Serbia, retail trade turnover in Serbia in December 2010 compared to December 2009, increased by 18.3% at current prices and by 6.7% at constant prices. Turnover of retail trade in the entire 2010, compared to the same period 2009, increased by 7.2% at current prices and decreased by 0.9% at constant prices.

In terms of turnover by type of goods for Q3 2010, food and non-alcoholic beverages accounted for the largest share of total turnover with 41.1%; followed by housing, water, electricity, gas and other fuels with 14.7%.

### SHOPPING CENTERS

New deliveries during H2 2010 were the opening of Immo's Point Center (app. 5,500 sq m of GLA) in Grocka, which brought the total stock of modern shopping centers in Belgrade to app. 155,000 sq m of GLA.

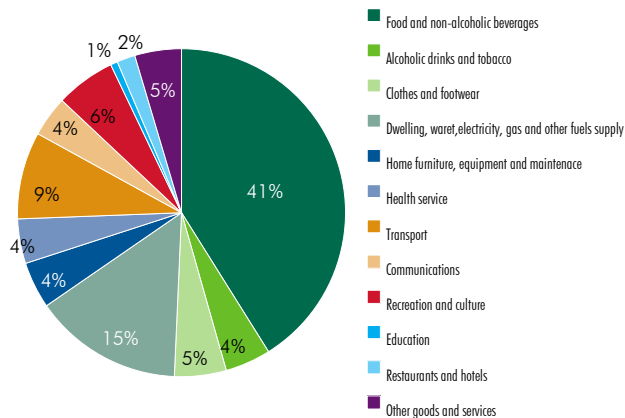
In comparison with the capital cities in SEE region, Belgrade is still lagging behind the available stock space and the number of modern shopping centers. With only two modern centers of more than 20,000 sq m of GLA, Belgrade with its population and size shows a huge disproportion. As a point of comparison, Zagreb is almost half the size and has four times as many modern SC as Belgrade. Zagreb's stock is almost three times larger than that of Belgrade.

With regard to new deliveries, PSP Farman's mixed-use project, West 65, located in New Belgrade's block 65, is expected to commence the construction in spring 2011, and will include 100 retail units within residential and office complex. Other than this, further increase in modern shopping center stock is uncertain, as pipeline developments, such as: Plaza Centers's project Visnjicka Plaza (48,000 sq m of GLA); Asstrom International's center in Rajiceva Street (20,000 sq m of GLA) and Verano Group's large shopping centre called Trosarina (32,500 sq m of GLA), are still pending.

Serbian retail market has witnessed the opening of first retail park in Pancevo, the investor being Aviv Arlon. The first phase has been entirely occupied by Dis hypermarket, totalling 4,500 sq m of GBA. The second phase, scheduled for June 2011, will include construction of app. 8,000 sq m of GBA, while the whole complex is planned for completion in six phases and will total 28,000 sq m of GBA.

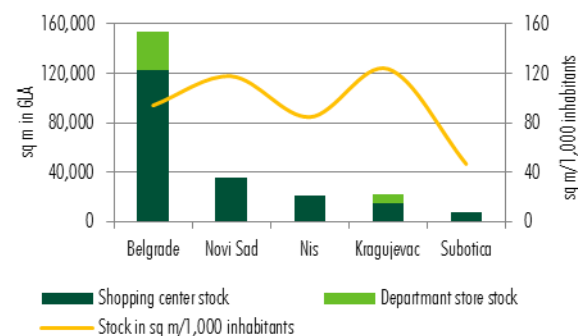
From November 2010, Cumicevo Sokace Street is, once again, a gathering place of designers, buyers and fashion lovers. In an attempt to revive the famous shopping mall of the 1990's, various designers have teamed up to create Choomich design district, offering a place where the citizens and guests of Belgrade can find domestic designer clothes and footwear and broad assortment of accessories.

### Average Serbia Household Expenditure Q3 2010



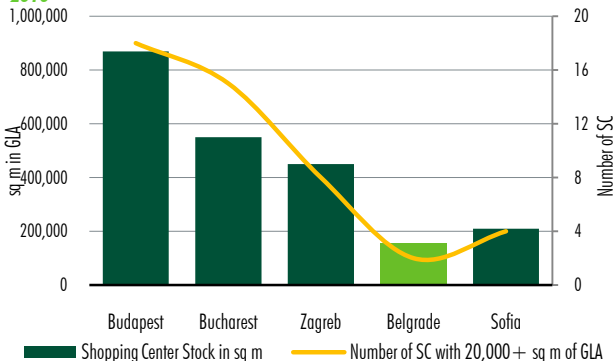
Source: Statistical Office of the Republic of Serbia, Household budget survey, Q3 2010

### Retail stock in Serbia (sq m of GLA)



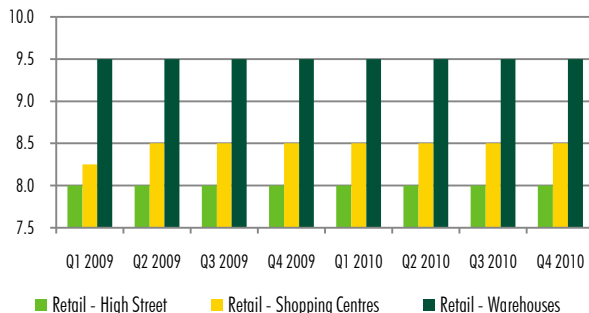
Source: CB Richard Ellis

### Shopping centre stock and number of modern SC in the SEE region, after Q4 2010



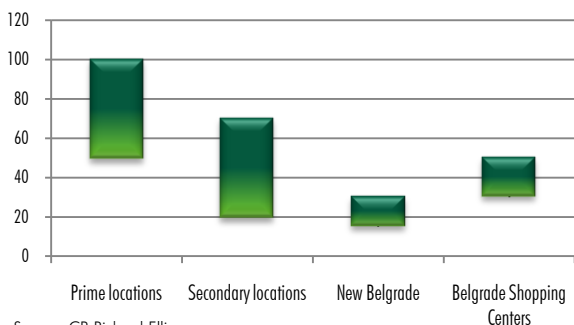
Source: CB Richard Ellis

### Belgrade prime yields (%)



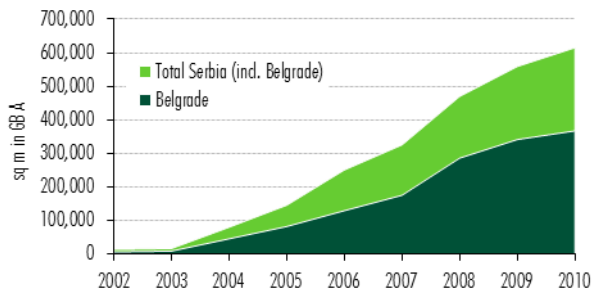
Source: CB Richard Ellis

Prime retail rents (EUR/sq m/month)



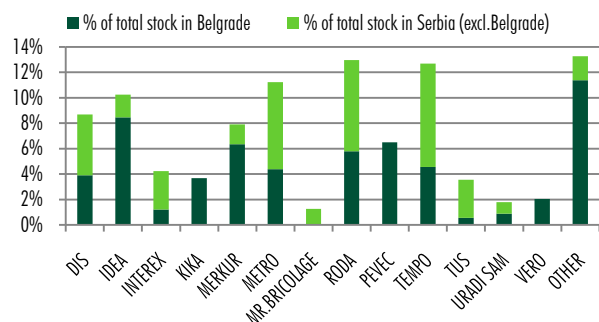
Source: CB Richard Ellis

Warehouse retail stock in Belgrade and Serbia – end of 2010



Source: CB Richard Ellis

Big box size of selected retail operators in Belgrade and Serbia



Source: CB Richard Ellis

Selected modern shopping centres in pipeline in Belgrade and Serbia

Project	Location	GBA (sq m)*	Opening year planned
MPC	Nis	15,000	2011
BIG CEE	Novi Sad	32,000	2011
Park City	Novi Sad	12,000	2011
Delta park	Kragujevac	23,000	2011
Pluto	Leskovac	11,400	n/a
Rajiceva	Belgrade	46,000	n/a
Plaza Center	Belgrade	100,000	n/a
Trosarina	Belgrade	71,000	n/a

\* GBA: Gross Building Area  
Source: CB Richard Ellis

HIGH STREET RETAIL

During H2 2010, demand has slightly fallen for high street properties due to the significantly high rental levels. Vacancy rates have increased in all segments (even in prime central streets), while secondary areas were most affected. In addition, certain number of units experienced tenant change over the past few months, as the rent levels are somewhat higher as compared to the achieved income.

The prime retail levels at top locations, in particular high street zone, have remained mostly stable with slightly downward corrections, standing between EUR 50 and 100/sq m/month at prime locations, such as: Terazije Square and Kralja Milana Street, with top rents in Knez Mihailova Street. While top locations still resist financial instability due to a limited supply of prime units, secondary or tertiary locations are witnessing increased pressure on rents.

Belgrade high street retail zone remains very important retail environment, attracting well-known international brands. Because of strong footfall it still represents a vital retail spot in the consumers' mindset, with new market entrants initially aiming to build brand awareness through high street presence, like Burberry and Armani, which entered the market in 2010.

RETAIL WAREHOUSE

The warehouse retail segment continued to record intensive development and transfers during second yearhalf. German company Metro Cash&Carry has finished the construction of its seventh store in Serbia, situated in Subotica, holding 10,500 sq m of GBA. They have also introduced a new concept store called "Metro po meri" (Tailor-made Metro), which implies smaller size stores of app. 1,500-2,000 sq m. The first such facility was opened in Sabac, in October 2010. They have also announced the construction of their third store in Belgrade, located in Cukarica Municipality.

In December 2010 DIS company completed its takeover of HiperCort premises, situated next to Belgrade-Zagreb highway which occupies the surface of 22,000 sq m of GBA thus establishing its presence in Belgrade.

The first phase of Delta Retail Park in Kragujevac was completed in late November 2010 with the opening of new Tempo Center of 9,500 sq m of GBA. In the second phase, in spring 2011, a Do-it-yourself store will be finished, as well as electronics, footwear, sports gear, toys, fashion and other stores.

FUTURE SUPPLY

Warehouse retail segment is expected to mark a notable expansion during 2011 with the announcements of new entries, such as French chain Carrefour, one of the leading distribution groups and well-known German "Do It Yourself" concept store OBI, along with German retail chain Lidl. Many retailers have plans to continue expanding their store networks, such as: Veropolus, Delta, Interex, Metro C&C and IDEA.

## EXTERNAL TRADE AND TRADE AGREEMENTS

According to Statistical Office of Republic of Serbia, the overall external trade in the Republic of Serbia for the period January – December 2010 amounted to EUR 20,015.3 million, which represents a 14.6% increase compared to the same period 2009. The export - import ratio equaled 58.5% and was higher if compared to the same period last year when it was 52.0%.

In the period January - December this year, significant export increase rate was noted. First of all, it is the result of increased export of iron and steel industry products and agricultural products. The results of exports and imports over this period were somehow influenced by dinar depreciation and increased economy activities over the world. The external trade in the reference period noted the highest level with the countries with which we have signed agreements on free trade. European Union member countries account for more than 50% of the total external trade. Our second major partner refers to the CEFTA countries, since our gained surplus in external trade amounted to USD 1,361.5 million, resulting mainly from the exports of agricultural products (cereals and produces thereof and various sorts of drinks), as well as exports of iron and steel.

MARKET	TRADE REGIME
European Union	Preferential Trade Regime
United States	Generalized System of Preferences
Russia, Turkey, Belarus	Free Trade Agreement
South East Europe	CEFTA
Norway, Switzerland, Iceland, and Liechtenstein	EFTA

Source: SIEPA

## SERBIA MAP



### Disclaimer 2011 CB Richard Ellis

Information herein has been obtained from sources believed to be reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy and completeness. Any projections, opinions, assumptions or estimates used are for example only and do not represent the current or future performance of the market. This information is designed exclusively for use by CB Richard Ellis clients, and cannot be reproduced without prior written permission of CB Richard Ellis. © Copyright 2011 CB Richard Ellis

CB Richard Ellis Group, Inc. (NYSE:CBG), a Fortune 500 and S&P 500 company headquartered in Los Angeles, is the world's largest commercial real estate services firm (in terms of 2010 revenue). The Company has approximately 31,000 employees (excluding affiliates), and serves real estate owners, investors and occupiers through more than 300 offices (excluding affiliates) worldwide. CB Richard Ellis offers strategic advice and execution for property sales and leasing; corporate services; property, facilities and project management; mortgage banking; appraisal and valuation; development services; investment management; and research and consulting. Please visit our website at [www.cbre.com](http://www.cbre.com).

For More information regarding the MarketView, please contact:

**CB Richard Ellis d.o.o.**

Dragan Radulovic

Managing Director

t: +381 11 22 58 777

e: [dragan.radulovic@cbre.rs](mailto:dragan.radulovic@cbre.rs)

Vladimir Mijatovic

Head of Retail

t: +381 11 22 58 777

e: [vladimir.mijatovic@cbre.rs](mailto:vladimir.mijatovic@cbre.rs)

Tamara Kostadinovic

Head of Market Research

11070 Belgrade, Serbia

t: +381 11 22 58 777

e: [tamara.kostadinovic@cbre.rs](mailto:tamara.kostadinovic@cbre.rs)

CB Richard Ellis d.o.o.

Airport City Belgrade

88b Omladinskih Brigada Street

11070 Belgrade, Serbia

t: +381 11 22 58 777

e: [office@cbre.rs](mailto:office@cbre.rs)