

Quick stats

Change from H1 2011

Supply	↑
Vacancy	→
Rents	↓

S&P'S ITC Rating

BB/Stable

Hot Topics

- During 2011, the only two shopping centers which were completed in Belgrade were small neighborhood malls TCM shopping center and Pasino Brdo, both opened in H1 2011.
- Plaza Shopping Center in Kragujevac of 22,000 sq m of GLA is scheduled for opening in March 2012.
- Belgrade high street brand offer recorded a noticeable increase in 2011. Several international fashion names entered Serbian market, by opening stores in high street properties, such as: Guy Laroche, GAP, Marella and Sherri Hill

ECONOMIC OVERVIEW

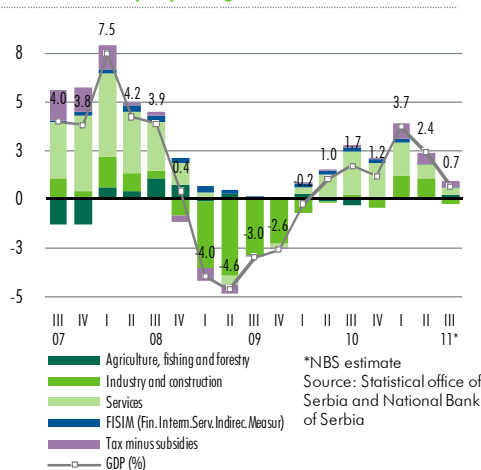
In November 2011, International Monetary Fund (IMF) and Serbia reached an agreement on the first review of the precautionary arrangement worth EUR 1.1 billion, which sets the 2012 budget deficit at 4.25% of GDP. If the first review is successful, Serbia will be able to withdraw the first tranche of EUR190 million.

Continued liberalization in accordance with the schedule provided by the Stabilization and Association Agreement (SAA), between Serbia and the European Union is creating a free trade and a duty-free access to the European market of half a billion consumers. According to the Office for European Integration of Serbia, under the provisions of the Interim Agreement on trade and trade related matters with the EU, the average tariff on imports from the EU will amount to 1.8%, while the average tariff on imports from other countries that have concluded preferential agreement is expected around 6.2%.

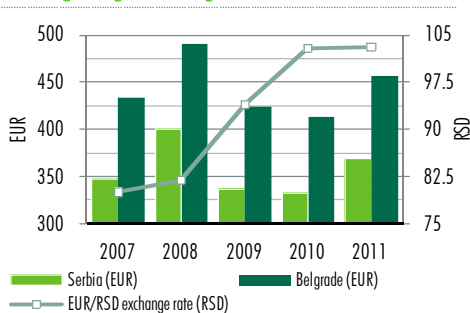
Number of employed people in Serbia dropped by nearly 3 percent in 2011, reaching about 1.76 million, which is a historical minimum for this country, reads a review of the economies of EU candidate and pre-candidate countries, published by the European Commission.

According to the Statistical Office's data, consumer prices fell by 0.7% in December 2011. Y-o-y inflation continued down, in line with the National Bank of Serbia's expectations, and settled at 7.0%. The expectations of the NBS are that by the end of Q1 2012, the inflation will be at the level of 5.7%, or around the upper limits planned for the end of next year of four plus minus 1.5%. The fall in inflation and reduction in reference rates should contribute further to the decline in interest rates in Serbia, and have a positive impact on economic activity and employment.

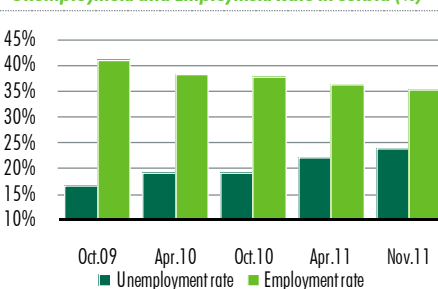
Contribution to y-o-y GDP growth



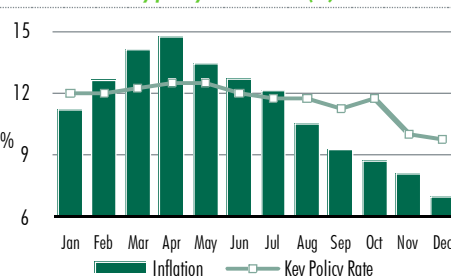
Average wages/Exchange Rate 2007-2011



Unemployment and Employment Rate in Serbia (%)



Inflation and key policy rate in 2011 (%)



## BELGRADE RETAIL MARKET

In accordance with the data published by the Statistical Office of the Republic of Serbia, the turnover of retail trade in November 2011 compared to previous month declined by 6.7% at current prices and by 7.4% at constant prices. Comparing the first eleven months of 2011, with the same period in 2010, the turnover of retail trade drop by 7% at current prices and by 16.7% at constant prices.

In terms of expenditure by type of goods for Q3 2011, food and non-alcoholic beverages accounted for the largest share of total turnover with 42.1%; followed by utilities costs with 15.3%. Clothing and footwear recorded the share of 4.9%. When compared to the previous quarters, the situation was nearly the same in almost all sections, yet the share of recreation and culture and clothing and footwear in total household expenditure noted the slight increase during the year.

## SHOPPING CENTERS

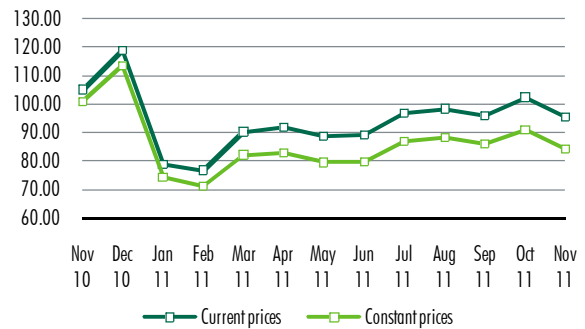
In accordance with CBRE international definition of shopping centers, secondary shopping centers schemes (stand alone objects of min. 5,000 sq m with large share of hypermarket and retail gallery), should also be included in the total shopping center stock. Consequently, the total stock in Belgrade accounts for cca 200,000 sq m of GLA (prior to broaden the definition, stock was 165,000 sq m, which was expanded by cca 35,000 sq m of secondary schemes).

During 2011, the only two shopping centers which were completed in Belgrade were TCM shopping center and Pasino Brdo, opened in H1 2011. The second half of the year lacks new developments, both in Belgrade and Serbia, however development activities were strong on several projects. Based on the current plans of investors, year 2012 will witness the completion of some shopping and outlet centers throughout Serbia.

Israeli investor Plaza has scheduled the opening of its Plaza shopping center in Kragujevac, for March 2012. The new modern shopping centre will enrich Kragujevac retail market, by cca. 22,000 sq m of GLA, which will double the total stock of the city. Apart from providing a variety of stores for shopping, Plaza center will bring new amenities for leisure, i.e. cinema and food court.

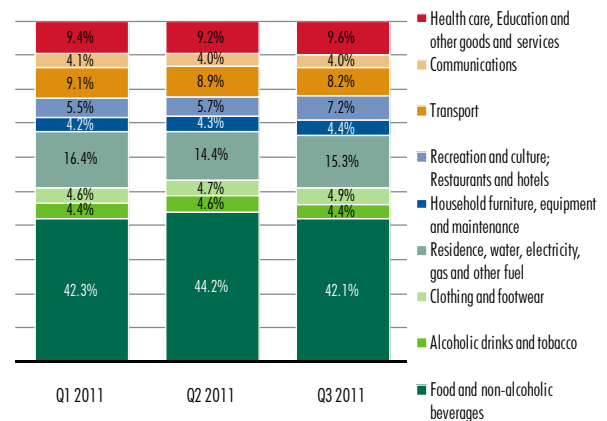
The completion of Blackoak Developments' Fashion Park Outlet Center Indjija is planned for March 2012. The entire complex will cover an area of about 30,000 sq m, while the first phase will hold 15,000 sq m. Also, Dayland Group develops Roses Designer Outlet Park, located in Stara Pazova, which will hold 24,500 sq m, i.e. 130 shops, of what cca. 55 shops will be completed in the first phase, in autumn 2012. Within the complex presently comprising Sports Center FC Vozdovac, Eurobau Connect AG is building the large mixed-use project, including commercial, sports and recreational amenities of around 75,000 sq m. The shopping center itself will embrace cca 30,000 sq m, and is scheduled for opening in September 2012.

## Retail trade turnover indices in Serbia (Ø2010=100)



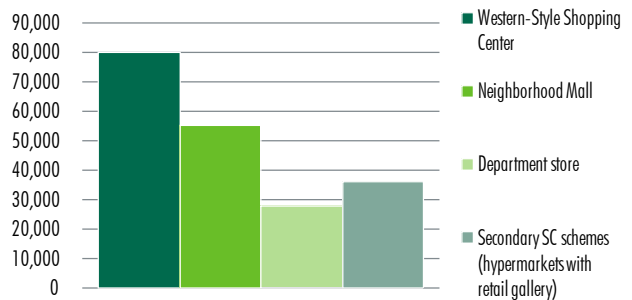
Source: Statistical Office of the Republic of Serbia

## Average Serbia Household Expenditure Q1-Q3 2011



Source: Statistical Office of the Republic of Serbia, Household budget survey, Q1-Q3 2011

## Total shopping centres stock per type of schemes (sq m of GLA) in Belgrade



Source: CBRE

## Selected modern shopping centres planned in Belgrade and Serbia

Projekat	Location	GBA (sq m)	Status**
Plaza Centers Kragujevac Plaza	Kragujevac	60,000	UC/Opening 2012
Delta Park	Kragujevac	23,000	UC/Opening 2012
Aviv Park 4 <sup>th</sup> & 5 <sup>th</sup> ph.	Pancevo	5,300 + 5,800	UC/Opening 2012-2013
Visnjicka Plaza, Plaza Centers	Belgrade	100,000	Planned
Ashtram Rajiceva	Belgrade	46,000	Planned

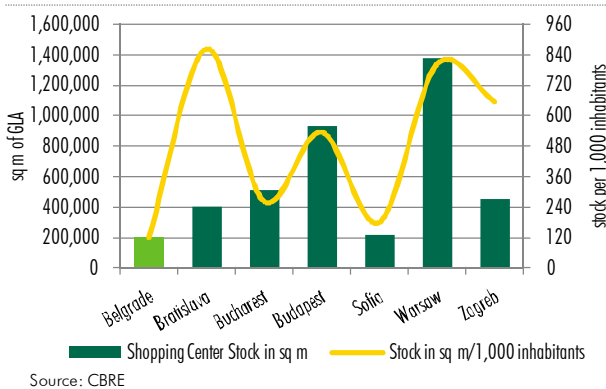
\*GBA: Gross Building Area

\*\*UC – under construction

Source: CBRE

**CBRE**

Stock (sq m of GLA) of modern shopping centres per 1000 inhabitants, in CEE capital cities Q4 2011



Source: CBRE

Belgrade prime retail rents (EUR/sq m/month)

Location	Prime rents
Top- Knez Mihailova Street	Above 60 EUR/sq m
Prime- Terazije Square/Kralja Milana Street	40-90 EUR/sq m
Secondary- Kralja Aleksandra Boulevard/Pozeska	20-50 EUR/sq m
Modern Shopping Centres	20-50 EUR/sq m

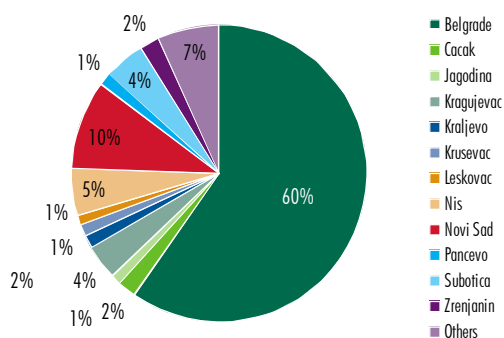
Source: CBRE

Belgrade Prime Yield (%)



Source: CBRE

The share of warehouse retail stock (sq m GBA) in Serbian cities—end of 2011



Source: CBRE

In terms of prospective offer, Israeli company BIG plans to finish its 32,000 sq m large outlet center, in Novi Sad industrial zone, during Q3 2012, while Yu Capital is developing the first retail park in Sabac, called Capitol Park, of 10,000 sq m of GLA. Delta holding announced the development of two retail projects in Belgrade in the next few years; the development of Delta Planet, a large shopping mall at Autokomanda plot of cca 70,00 sq m of GLA, whereas the other project will be the construction of shopping center Delta Land in Despota Stefana Boulevard.

Having in mind all announced projects in Belgrade and Serbia, next several years will greatly affect the retail scene in Serbia and significantly increase the retail offer and stock of shopping centres per 1,000 inhabitants in Belgrade.

### HIGH STREET RETAIL

Belgrade high street brand offer recorded a noticeable increase in 2011. Namely, several international fashion names entered Serbian market, by opening stores in high street properties, such as Guy Laroche, GAP, Marella and Sherri Hill. Also, Takko Fashion, Deichmann, Napapijri, Quiz and Parfois enriched the brand offer in Belgrade and Serbia.

As a consequence of the global economic crisis, the rental levels for high street properties have faced a downward trend over the year. In order to attract potential tenants, the landlords are willing to enter negotiations and offer more attractive incentive packages. Depending on the position and size of the units, the prime rents vary between EUR 40 and 90/sq m, at locations of Terazije Square and Kralja Milana Street, while top rents are recorded in Knez Mihailova Street. Secondary locations along Kralja Aleksandra Blvd., kept low vacancy levels, with rents stabilizing and ranging between EUR 20 and 50 per sq m.

### RETAIL WAREHOUSE

During H2 2011, Mercator continued to spread out its network, by opening the ninth Roda Center, situated in Jagodina. Roda Center Jagodina spreads over 7,500 sq m, incorporating a supermarket and technical goods shop with around 2,000 sq m each. After opening the stores in Novi Sad and Nis, French DIY chain Mr.Brickolage has completed its first object in Belgrade, of 3,100 sq m.

In December 2011, the third Tempo store was opened in Cukarica municipality, of close to 11,000 sq m and supply of 27,000 products. This is the first property that was opened by Delhaize group, after entering the market and taking over Maxi.

According to recent information, Swedish IKEA will commence the construction of shopping center during 2012, at the site situated near Belgrade-Zagreb highway, while German Lidl is looking for appropriate locations for their positioning in the market.

**Key economic indicators - Serbia**

	2009	2010	2011E	2012F	2013F
Nominal GDP (EUR bn)	28.9	28.6	32.5	34.5	37.2
Per capita GDP (EUR)	3,942.7	3,917.1	4,471	4,741	5,141
Net FDI (EUR bn)	1.4	0.9	1.5	1.0	1.5
Real GDP, yoy (%)	-3.5	1.8	1.7	1.0	3.0
Inflation (CPI), yoy, avg. (%)	8.4	6.3	11.2	5.4	6.8
Unemployment rate (%)	16.1	20.0	23.0	22.5	21.5
Exchange rate RSD/EUR, eop.	96.0	105.5	104.0	103.0	105.0
Exchange rate RSD/EUR, avg.	94.0	103.0	102.0	103.0	104.0
Current account balance/GDP (%)	-7.2	-7.3	-7.2	-7.5	-7.9
FDI/GDP (%)	4.8	3.0	4.6	2.9	4.0
Budget balance/GDP (%)	-4.5	-4.7	-4.6	-4.5	-4.3
Total foreign debt/GDP (%)	78.9	83.3	75.5	74.3	75.3

UniCredit Group New Europe Research Network December 2011

**SERBIA MAP**

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