REAL ESTATE REVIEW

SERBIA

ANNUAL REPORT: 2010

ECONOMIC OVERVIEW | OFFICES | RESIDENTIAL | INDUSTRIAL | RETAIL

COLLIERS INTERNATIONAL

Our Knowledge is your Property

The challenging market conditions in 2009 have put emphasis on the need for specialized market knowledge.

Dear friends and colleagues,

By entering the market transition process relatively late, compared to other countries in the Central and Eastern European region, Serbia did not advance far enough ahead in economic terms to suffer heavy consequences of the global economic crisis.
Being heavily dependent on foreign investment however, due to the limited development of local industry and production, Serbia suffered indirect consequences of the crisis.

The effect and consequences of the market turmoil are the most obvious if we observe the real estate market- the office market being the most directly hit segment as foreign companies postponed their decisions to enter the Serbian market or spread their activities and scope of services.

The government did support one sector, by intervening in the residential development market, offering subsidized loans for buyers of new apartments and trying to stimulate movement on the market which had ground to a halt by early 2009.

The retail sector experienced new developments and market entries, and was the most active segment in 2009. It still experienced adjustments amidst the new economic conditions, mostly in the form of decreased retail turnover and rent.

Bearing in mind that the industrial market is closely aligned to the ‘’fate’’ of the economy, particularly in terms of production levels, it is not surprising that 2009 saw several projects being postponed or cancelled.

It is highly optimistic to say that 2010 will be a year of recovery in all segments of the Serbian economy and real estate market. One of the reasons the crisis hit so hard was a lack of caution when approaching complex market phenomenon. One of the most important things, when it comes to market, and life, is the ability to watch for small clues which can give us certainty when contemplating and acting upon things to come.

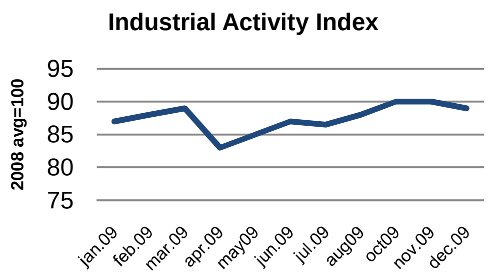
While preparing this market overview, our main goal was to watch for these small signs and to interpret them through the prism of local knowledge and global experience of our company. We firmly believe that information means nothing if local market dynamics are not put into perspective, also in terms of the experience of more advanced, but comparable economies. We hope that you would be able to use it as a guide in your future business endeavors.

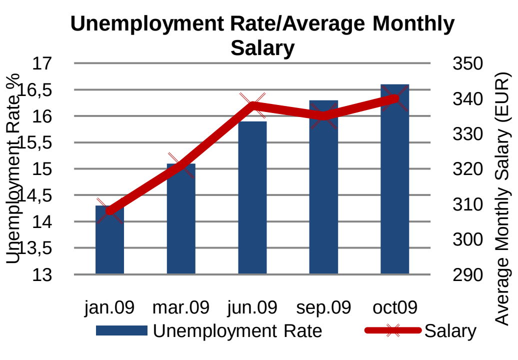
Jovica Jakovac
Managing Director
Colliers International, Serbia

ECONOMIC OVERVIEW

Serbian economy records the overall decrease rate in the second half of 2009. However, overall GDP data for 2009 show the growth in sectors of telecommunications, financial intermediation and transport.

Macroeconomic indicators	2007	2008	2009	2010F
Nominal GDP (EUR bn)	29.5	34.0	33.5	31.8
GDP (y-o-y %)	6.9	5.5	-2.9	-0.5
GDP per capita (EUR)	4.002	4.624	4.230	4.310
CPI (avg y-o-y %)	6.5	11.7	8.3	6.3
Exchange Rate (EUR y-o-y)	78.80	89.80	96.20	100.00
Current Account (% GDP)	-9.5%	-11.7%	-2.6%	-0.5%
FDI (EUR bn)	1.8	1.8	1.1	1,1





ECONOMIC HIGHLIGHTS

• During the second half 2009, Serbian economy continued to exhibit the signs of decreased activity in all segments of the economy.

•In 2009, Serbian GDP decreased by the estimated -2.9 percent, which is actually a better result than initially anticipated by the National Ministry of Finance. The biggest slow down was recorded in the construction sector (19.9%), as well as the manufacturing and food processing industry (15%).

•However, the positive growth rates were recorded in sectors of financial intermediation, telecommunication and transport.

•Inflation remained at a moderate y-o-y average rate of 8.3%, as average salaries contracted by 0.1% in real terms. In October 2009, total retail inflation (CPI) in Serbia increased by 1.5% compared to the previous month. Over the year, however, CPI recorded a decrease of 15%.

•As one of measures for keeping economy stable, the IMF contract is implemented by the government with the controlled public sector salaries and pensions during 2009/2010. The unemployment rate in Serbia increased by 2.6 percent compared to 2008, amounted to the estimated 16.6 percent at the end of 2009.

•Serbian FDI remained at satisfactory levels in 2009, due to several ongoing privatizations during the year (Fiat, NIS). One of distinguished privatizations in Serbia in 2009 was the purchase of the factory Tigar by French tire manufacturer Micheline.

•The total foreign direct investment inflow in 2009 reached the estimated EUR 1.1 billion, achieving the anticipated levels, however marking a downturn compared to the total EUR 1.8 billion as recorded in 2008. The same inflow is expected during 2010, again on the back of largest privatizations and joint venture activities.

FORECAST

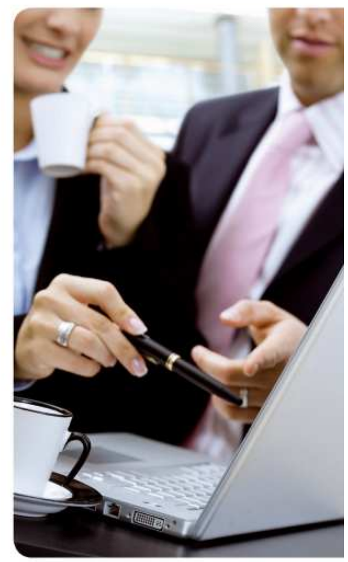
• Serbian economy is expected to remain stable during 2010, with the foreign investments inflows at satisfactory levels and national currency levels under control. The GDP is expected to decrease further however by lower rate than recorded in 2009, that is around -0.5% in 2010.

•The value of construction works will expectedly increase on the back of government activities in infrastructural improvements, however the actual construction activity will remain at similar levels as recorded in the previous year throughout the period of 2010.

•The unemployment rate should remain at present levels in the following period.

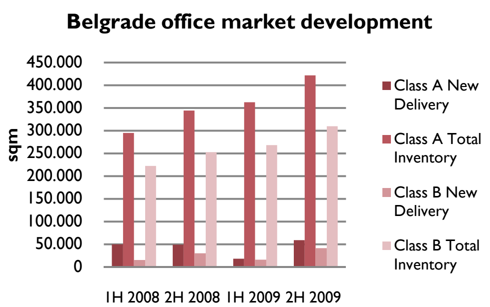
In 2009, Serbian GDP marked the estimated decrease of -2.9%.

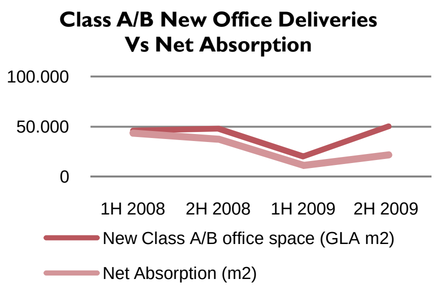
Serbian foreign direct investments inflow is expected to remain at stable levels in 2010.

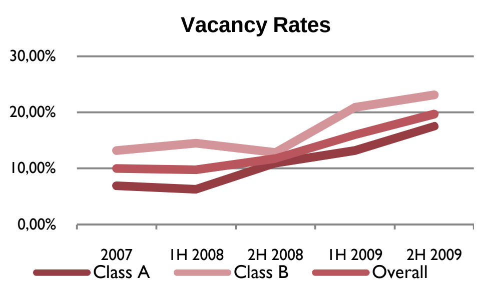


OFFICES

Due to the large office space development momentum started during 2007/2008, Belgrade office supply grew on a stable pace during the second half of 2009.







SUPPLY

• In the second half of 2009, the momentum in office space development evident in the past two years, brought additional 102,300 sqm of new Class A and B office supply to Belgrade market. Class A new supply amounted to 59,000 sqm and Class B delivery was 43,300 sqm.

• CBD area remains the most preferred development location, accounting for 66% of new supply in second half of 2009. Broad Center is the second most desirable, with 33% of the new supply. Suburban areas remain underdeveloped, however expected to experience growth in the following years.

•In 2009, the total annual delivery amounted to little under 135,000 sqm, including 77,500 sqm of Class A and 57,500 sqm of Class B office space.

• Most significant Class A office deliveries in the second half of 2009 were Airport City 1700 (CBD, New Belgrade, GBA 12,000 sqm), Sava Business Center (CBD, New Belgrade, GBA 21,000 sqm), B2 (CBD, New Belgrade, GBA 1,840 sqm) and Resavska (CBD, downtown, GBA 5,400 sqm). Most significant Class B delivery was Rad Commerce (Broad Center, New Belgrade, GBA 3,000 sqm)

• At end 2009, the total Class A/B office inventory amounted to 732,000 sqm.

DEMAND

• In the second half of 2009, the office absorption rate within newly delivered stock reached 44%. This amounts to a total absorption of 19,600 sqm in the Class A and 2,600 sqm of Class B office space.

•The new Class A buildings were 49% preleased on delivery.

• In the second half of 2009, the overall absorption rate (44%) continues on the decreasing trend from 56% recorded in the first half of the year, and 78% recorded in the second half of 2008. This is caused by the significant amount of office space under construction faced with diminished demand during the second half of 2009.

• As anticipated, the office vacancy rate for both Class A and Class B office space in Belgrade increased in the second half 2009, reaching 17.5% for Class A and 23.1% for Class B space. At end 2009, the overall vacancy rate stood at 19.7%, an increase on the 11.7% recorded at the end of 2008.

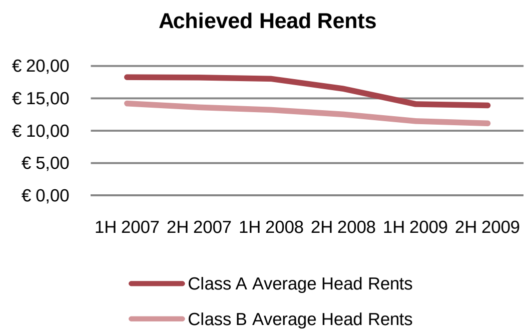
• According to Colliers research, the total amount of vacant office space at end 2009 amounted to around 48,500 sqm of Class A and 41,000 sqm of Class B office space.

At the end of 2009, Belgrade total office inventory amounted to 732,000 sqm.

The supply continues to outgrow demand, with Class A and Class B vacancy rates moderately increasing.

OFFICES

Belgrade office market could experience moderate saturation in the following period. With the new supply exceeding demand levels in 2010, further correction in vacancy rates is expected.



SELECTED OFFICE TRANSACTIONS IN 2009			
Tenant	**Building**	**Location**	**Size (sqm)**
Moscow Bank	B2	CBD	1000
KBC Bank	Airport City	CBD	4300
Piraeus Bank	Sava Business Center	CBD	3800
Meridian Bank	Sava Business Center	CBD	2500
Eos Matrix	Belgrade Office Park II	CBD	1000

SELECTED OFFICE PROJECTS UNDER CONSTRUCTION IN BELGRADE				
Project	**Quality**	**GBA (sqm)**	**Location**	**Expected Delivery Date**
University Village	Class A	34200	Broad Center	1H 2010
Blue Center	Class A	35000	CBD	1H 2010
Tri Lista Duvana	Class A	11700	CBD	1H 2010
B23	Class A	53000	CBD	1H 2010
VIG Plaza	Class A	16500	CBD	1H 2010
Atrium	Class A	6000	CBD	2H 2010

HEAD RENTS

• In the second half of 2009, Belgrade office headline rents continued to decrease, reaching what we consider is the bottom at this point in the local market cycle. The average achieved head rent for Class A office space marked €13.9 sqm/pcm, and Class B €11.1 sqm/pcm.

• At the end of 2009, the average asking headline rents for new office space in Belgrade were at the levels of €15.5 sqm/pcm for Class A and €12.5 sqm/pcm for Class B office space.

• Compared to the rents recorded at mid year 2009, achieved headline rents marked a 1.4% decrease for Class A and 3.5% decrease for Class B office space during the second half of 2009.

• Traditionally, the highest rents are achieved by prime quality Class A office space in the central areas of downtown and New Belgrade. The maximum headline rent achieved in second half 2009 marked €17.5 sqm/pcm.

• CBD area recorded an average achieved headline rent of € 15.1 sqm/pcm for Class A and €13.0 sqm/pcm for Class B space. Broad Center area marked the average rents of €14.5 sqm/pcm for Class A and €11.0 sqm/pcm for Class B. The average achieved rents in suburban areas marked €10 for Class A and €8.5 for Class B office space.

FORECAST

• Currently, around 178,000 sqm of Class A and Class B office space is under construction and set for delivery in the Belgrade market during 2010. Majority of these project were started in the period 2008/1st half 2009 and are presently in final stages of development.

• Most distinguished projects under construction are Blue Center (Class A, CBD, GBA 35,000 sqm) and Tri Lista Duvana (Class A, CBD, GBA 11,700 sqm).

• In the following six months period, the supply levels are expected to exceed demand, creating a moderate saturation of Belgrade office market.

• Further corrections in vacancy rates are expected, with the overall vacancy increasing from the present 19.70% to estimated 23.0% by the end of 2010.

• The achieved head rents for Class A and Class B space in Belgrade have possibly reached their bottom levels during the second half of 2009. It is expected that rents will remain at similar levels in 2010.

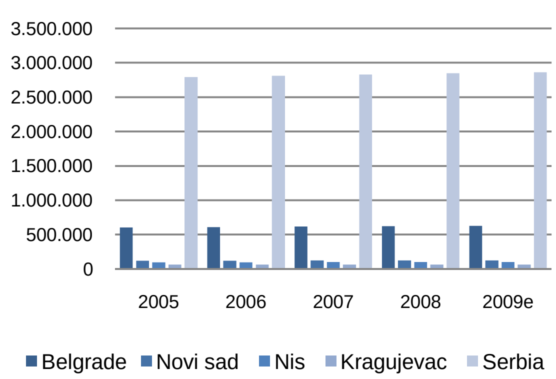
At the end of 2009, Class A head rent in Belgrade marked €13.9/sqm/month.

Another 178,000 sqm are set for delivery in 2010. Vacancy rates are to experience further corrections, while the are expected rents remain stable.

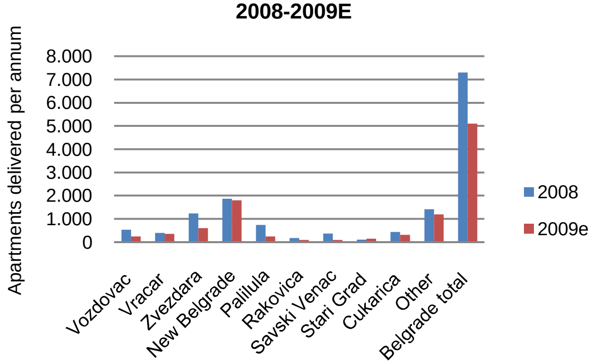
RESIDENTIAL

In 2009, residential development activity in Serbia and Belgrade records lower new supply and sales prices, while the government implements incentives plan for 2010.

Residential Inventory Growth in Serbia



Residential Development in Belgrade 2008-2009E



INTRODUCTION

• The second half of 2009 recorded slow economy in Serbia with subsequent changing conditions in the residential market, which is most evident in sales price adjustments and the decreased activity in issuing of building permits. The change of pace for new building permits was most evident in Serbian regional cities (Novi Sad, Nis, Kragujevac), while the largest and most profitable market of the capital city remained active in terms of building permits issuance and finishing of a number of projects started in period 2008/2009.

•In Belgrade, the adjustment to the new economic conditions was most evident in sales price adjustments, which achieved 5-10% as standard reduction, and even up to 20% for projects perceived previously as overpriced or less attractive.

• The government is taking necessary steps to boost the residential development and resolving housing issues in Serbia through strategies, e.g. the empowering of the new Law on Urban Planning and Development in September 2009. The new Law introduced a series of new regulations aimed at improving the investment climate in Serbia by simplifying the building permit issuance procedure (defining clear deadlines), as well as introducing the possibility of transferring building permit title and private ownership over developable land.

• The Law also allows and defines procedure of the cadastral registering of illegally developed properties.

•Resuming subsidies for the residential loans issued by commercial banks and investment in residential projects which are to be subsidized by the government and sold to the local population at non-market prices.

SALES SUPPLY

• According to the Republic Statistical Office and Colliers estimate, approximately 16,000 apartments were delivered in Serbia in 2009, out of which estimated 5,100 (32%) in Belgrade, 1,500 in Novi Sad (9%), 600 in Nis (4%), 465 in Kragujevac (3%). Serbia's regional cities (including Belgrade) traditionally make for around 50% share of the country's total residential delivery per annum (estimated 48% in 2009). Presently, the total apartment inventory amounts to 2,863,673 apartment units, out of which 628,918 (22%) is located in Belgrade.

• In Belgrade, the total residential delivery in 2009 amounted to estimated 5,100 new apartments, marking 30% decrease compared to 2008 (7,306 units delivered). For comparison, the total estimated residential delivery in Serbia decreased by around 20% (from 19,815 units delivered in 2008 to the estimated 16,000 units in 2009).

The new supply in 2009 amounted to the estimated 5,100 units in Belgrade.

The new Law on Urban Planning and Development was implemented in September 2009.

RESIDENTIAL

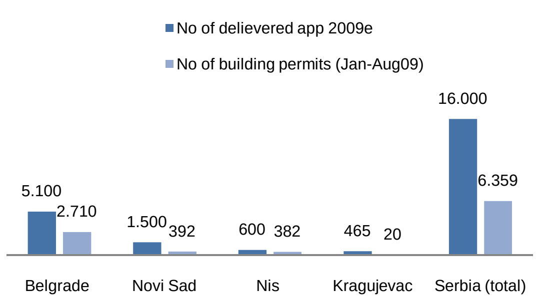
In 2009, the number of issued building permits for residential buildings has decreased by 8% in Serbia in general, while increased by 4% in Belgrade (January-August), compared to 2008.

Project/Investor	Size GBA (No of apartment units)	Location	Class	Delivery Date
Galerija Apartments/Ocean Atlantic	12000 (103)	Low Dorcol, Stari Grad	A/B	2009
Belville/Delta Real Estate	260000 (1800)	Block 67, New Belgrade	B	2009
Neznanog Junaka/Koling A.D.	12000*(15)	Senjak, Savski Venac	A	2010
Maxima Center/Imperijal Gradnja	28300 (130)	Block 11, New Belgrade	A	2010
Metropolitan Apartments/Metropolitan Project	14350 (80)	Mitropolita Petra, Streijine I Mise Vujica, Palilula, Belgrade	A	2010
Miljakovac III/Koling	7000 (73)	Miljakovac III, Rakovica municipality	B	2010
Exclusive/Ratko Mitrovic	11000 (99)	Dimitrija Tucovica, Zvezdara	B	2010
Prestige/Ratko Mitrovic	56000 (550)**	Mis Irbijeva, Zvezdara	B	2010/2011

*Total investment which is being built in phases, around 4,000 sq m (15 apartments) is set for delivery in 2010

**Total Investment which is being built in phases, some 100 apartments are set for delivery in 2010

Residential Development in Serbia (Apartments per annum)



•During 2009, the largest development activity in Belgrade was recorded in the central and traditionally most popular municipalities of Vracar, Savski Venac (areas of Senjak and Dedinje), Vozdovac, New Belgrade, and Zvezdara.

•New Belgrade recorded the largest annual supply due to the delivery of the project Belville in March 2009, which brought 1800 mid-quality apartments to Belgrade market. The investor of this project is local company Delta Real Estate. Several smaller upscale projects were delivered in the areas of Vracar and Savski Venac (Senjak, Dedinje). In Stari Grad area, a mid to high quality project by foreign investor Ocean Atlantic was delivered in November 2009. The mid-quality market recorded the most demand in economic conditions of 2009. Presently, Belgrade (and Serbian) residential investment market is almost entirely locally based (around 90%).

PIPELINE

• The government measures consisting of renewal and improved conditions in subsidies for residential loans were introduced in October 2009. Aiming to boost the mid-market demand, the subsidies offer certain security to Belgrade's investors and keep the market active. In 2010, several projects are under active construction in Belgrade, in both upscale and mid-market.

•In 2009, the new building permits issuance in Serbia has decreased by 8% in number of residential buildings (Residential buildings with three and more apartments), and by even 46% in total number of square meters of residential buildings.

•In period January- August 2009 (most recent available data) in Belgrade, the issued building permits for residential development amounted to 207 buildings which comprise of 237,437 sq m, which is an increase 4% in number of buildings and 16% in total area (sq m), compared to the same period in 2008.

•The local company Koling A.D. is developing two projects in Belgrade, one is a mid-quality project Miljakovac III (73 apartments) in Rakovica municipality, and one high-end exclusive development consisting of 15 apartments in Neznanog Junaka Street, Senjak (Savski Venac).

•In Palilula municipality, the company Metropolitan project is building a 14,350 sq m modern residential project, which includes additional commercial space (retail units) in Gf+1 floors.

•Metropolitan Apartments project will be a modern residential development offering mid to high quality apartments at attractive location- Mitropolita Petra Street, Palilula municipality. The project consists of 80 apartment units and is set for delivery in December 2010.

In Jan-August 2009, 207 new building permits were issued in Belgrade.

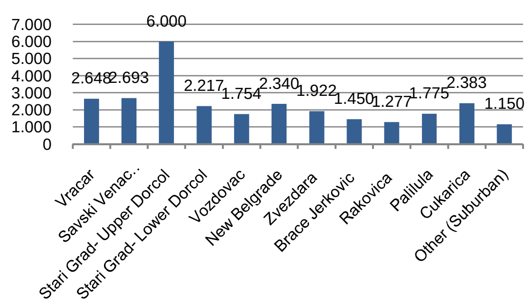
In 2009, the largest volume of new residential supply was in New Belgrade, with delivery of Belville project (1800 units).

RESIDENTIAL

In 2009,the adjustment in residential sales prices in Belgrade marked the decrease of 5-10%, even up to 20% for projects perceived as initially overpriced or unattractive.

Area	Minimum Price (EUR/sq m)	Maximum Price (EUR/sq m)	Average Price (EUR/sq m)
Vracar	1.800	3.500	**2.648**
Savski Venac (Dedinje, Senjak)	1.777	4.500	**2.693**
Stari Grad- Upper Dorcol	6.000	6.000	**6.000**
Stari Grad- Lower Dorcol	2.000	2.700	**2.217**
Vozdovac	1.225	2.118	**1.754**
New Belgrade	2.050	3.400	**2.340**
Zvezdara	1.500	2.350	**1.922**
Brace Jerkovic	1.400	1.500	**1.450**
Rakovica	1.100	1.458	**1.277**
Palilula	1.296	2.200	**1.775**
Cukarica	2.000	3.000	**2.383**
Other (Suburban)	980	1.350	**1.150**

Average Residential Sales Prices* in Belgrade (EUR/sq m)



DEMAND AND SALES PRICES

• In 2009, the main effect of the economic slowdown in residential market was the increased cost of borrowing for both project and buyer's financing from commercial banks, resulting in decreased confidence in security of investments and residential demand (buyer's perspective).

•The government subsidies were suspended in April 2009, but resumed with somewhat improved conditions (with implementation of favorable grace periods) in November 2009. The government is advancing further with strategies aimed to keep the residential construction in Serbia active- the new Law on Urban Planning and Development stipulates simpler strategy in obtaining building permits, as well as the novelty of transferring the permit ownership, in order to make the procedure more flexible and efficient.The strategy of building government financed residential projects anticipates the development of 500,000 sq m throughout Serbia, starting with the main regional cities Belgrade, Novi Sad, Kragujevac and Nis. The apartments will be sold at non market prices, which are expected to range from 695 to 1,595 EUR per sq m in Belgrade.

•In Belgrade, the projects marketed in 2009 recorded satisfying although decreased absorption dynamics than recorded in 2008.

•The full absorption period is extended by 2-6 months, and projects of around 30 apartments now take around 17 months to be fully sold out. The more exclusive projects in downtown area recorded low number of apartments sold in the first 5 months of pre-sale period in 2009, which resulted in price adjustments of up to 20%.

•The small mid-quality projects at prices of up to EUR 2,500 per sq m in attractive locations of wider city center area are generally being sold out quickly, within 10-12 months. The large mid-quality projects in Zvezdara (around 100 apartment units) record absorption period of around 2 years.

RENTAL DEMAND/LEVELS

•In the second half of 2009, the rental levels for quality apartments in Belgrade remained at same levels as recorded at beginning of the year, with the highest values of EUR 10-12 per square meter achieved in the Belgrade's city center area (Upper Dorcol). The areas of Dedinje and Senjak (Savski Venac) are traditionally the most popular among the expatriates, with New Belgrade successfully competing in the recent years due to the development of office districts.

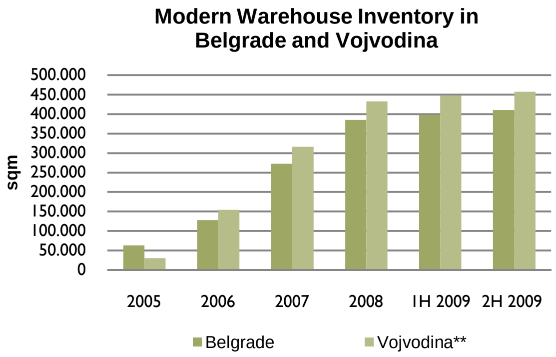
•Dedinje and Senjak presently command the rental range of 9-12 EUR/sq m, and New Belgrade offers the wider range of EUR 7-11 per sq m per month, depending on the apartment micro-location.

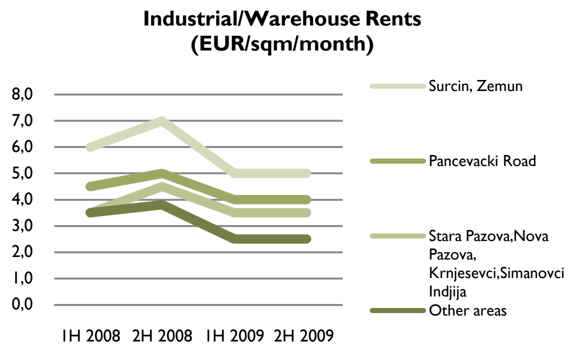
The absorption period for new projects is extended by several months.

The rental levels however remain stable in 2009, with Senjak and Dedinje still the most appealing for expatriates.

INDUSTRIAL

In the second half of 2009, there was a modest industrial/ warehouse development activity in Belgrade. There are many secured land lots for future development in industrial zones of Belgrade and Vojvodina.





SUPPLY AND VACANCY

•According to Colliers research, the total new warehouse supply in Belgrade in the second half of 2009 amounted to around 10,000 sqm. Total modern warehouse supply in Belgrade amounted 409,000 sqm at the end of 2009. The total modern warehouse inventory in the surrounding Vojvodina areas (Stara Pazova Krnjesevci, Simanovci, Novi Banovci, Ugrinovci, Indjija) amounts to estimated 447,000 sqm. Warehouse inventory includes both owner occupied and speculative inventory for renting purposes.

•No new industrial developments were delivered in this period in Belgrade and surrounding areas. According to Colliers research, there are presently around 113,500 sqm of industrial space in Belgrade.

•The modern industrial inventory in adjacent Vojvodina areas in proximity to Belgrade presently amounts to around 457,500 sqm. The modern industrial premises in Belgrade and adjacent areas are developed for owner occupancy.

• The estimated current vacancy rate for of modern warehouse space in Belgrade and surrounding is around 10-12%.

RENTAL LEVELS

• The moderate supply has coincided with the decreased demand for warehouse space in Belgrade and surroundings, which has subsequently kept the rental levels stable in the second half of 2009. Rental range for the modern warehouses in Belgrade and surroundings is €2.5-5 sqm/pcm.

• Headline rents for the prime modern industrial/ warehouse space in Belgrade's most demanded areas of Zemun and Surcin are at around €5 sqm/pcm. The areas of Pancevo road currently are around €4 sqm/pcm. The industrial zones in adjacent Vojvodina areas feature the prime warehouse rents of around €3.5 sqm/pcm.

PIPELINE

• There are currently around 35,000sqm of various projects under construction in Belgrade and surrounding industrial zones in Vojvodina, as well as the additional 50,000 sqm of projects in different phases of preparation. Under current economic conditions, new supply is expected to lead to an increase in the vacancy rate followed by a possible decrease in current rents by the end of 2010.

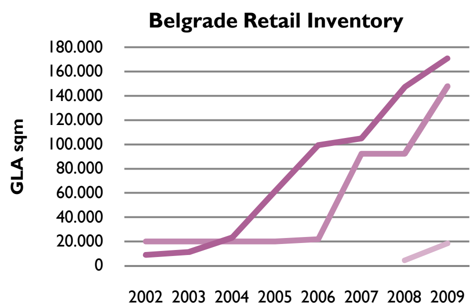
• Many investors have secured the land lots, and are expected to start constructions in the following period of 2010/2011.

The total warehouse space in Belgrade currently amounts to 409,000 sqm.

Headline rents for modern warehouse space remain stable in the second half of 2009, toping at €5/ sqm/ month.

RETAIL

In the first half of 2009, Serbian retail market records significant development activity while new market expansions begun by Austrian retailer Kika and French retailer Mr. Bricolage.



New Retail Openings in Serbia 2009				
Facility/ Developer	Type	City	Area (GLA sqm)	Date of Opening
Usce/MPC Holding	Shopping Center	Belgrade	43.500	March 09
Immo Outlet Center/MPC Holding	Outlet Center	Belgrade	8.000	Sept 09
Piazza Roma/Italtes	Outlet Center	Belgrade	10.500	May 09
Merkur	Consumer Electronics, Home equipment	Belgrade	11.200	Oct 09
Kika	Furniture	Belgrade	11.000	Dec 09
Roda Centar	Shopping Center	Sabac	14.000	Feb 09
Roda Centar	Shopping Center	Sombor	7.000	Dec 09
Roda Centar	Shopping Center	Senta	8.000	Dec 09
Interex	Hypermarket	Cacak	1.000	April 09
Tempo/Delta Maxi	Hypermarket	Cacak	6.500	June 09
Tempo/Delta Maxi	Hypermarket	Kraljevo	8.000	Dec 09
Tempo/Delta Maxi	Hypermarket	Uzice	4.700	Dec 09
Mr. Bricolage	DIY	Novi Sad	2.400	Nov 09
Mr. Bricolage	DIY	Nis	5.000	Dec 09

SUPPLY

• In the second half of 2009, Serbian retail market has recorded significant activity in the light of current economic conditions- the existing retailers have expanded in Belgrade and other regional cities in Serbia, while Austrian retailer Kika opened first furniture store in Belgrade (and Serbian) market.

• The total shopping center stock in Belgrade currently amounts to 147,870 sqm. A reduction in stock has been made after the redevelopment of Immo Center New Belgrade from shopping mall to Immo Outlet Center, which was reopened in September 2009.

•After the opening s of Usce center (GLA 43,500sqm) in New Belgrade in March 2009, and refurbishment of Robne Kuce Beograd (GLA 12,000 sqm) in Old City area, Belgrade market retail development activity shifted from shopping mall to various forms of big-box developments. In October 2009, Slovenian consumer electronics and home equipment retailer Merkur opened their second facility in Belgrade market, comprising the gross built up area of around 29,500 sqm. Austrian furniture retailer Kika made their first entry to Serbian market by opening their first store in Belgrade in December 2009. Together, the new developments marked an GLA 22,200 sqm addition to Belgrade total big-box inventory, which currently amounts to GLA 171,000 sqm.

•Serbian regional cities have also recorded significant retail growth throughout 2009. Slovenian company Mercator, which had purchased 100% shares of the local retailer Rodic MB in 2008, successfully opened shopping malls Roda Centers in Sabac, Sombor and Senta in the first half of 2009. Serbian company Delta Maxi expanded their retail network by opening Tempo hypermarkets in Cacak (GLA 7,000sqm), Kraljevo (GLA 10,000sqm), and Uzice (GLA 4,700sqm). In April 2009, French company Interex opened their third hypermarket facility in Serbia, this time in Cacak (GLA 1,500 sqm).

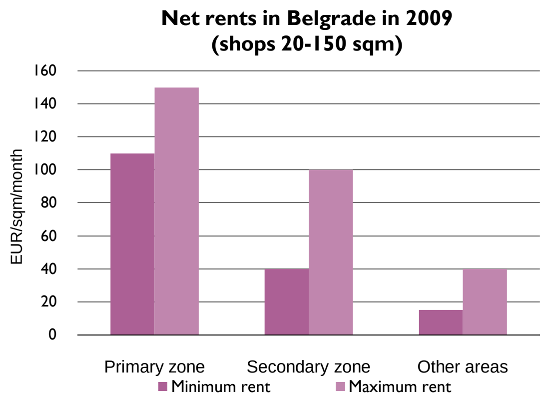
• In the second half of 2009, Novi Sad and Nis, the largest retail markets after Belgrade, recorded a new market entry - French retailer Mr. Bricolage. In November 2009, Mr. Bricolage opened a DIY store in Novi Sad, comprising GLA 2,400 sqm. Shortly after, in December 2009, Mr. Bricolage followed with opening of facility in Nis comprising GLA 5,800 sqm.

Belgrade big-box market records an addition of 22,200 sqm in 2H 2009

Shopping center supply in Belgrade currently amounts to GLA 147,870 sqm. The first outlet center formats appeared on the market.

RETAIL

Serbian market recorded significant number of new retail entries in 2009. Usce shopping mall introduced several new brands to Belgrade market.



Selected retail developments under construction in Serbia 2010			
Facility/ Developer	**Type**	**City**	**Area (GLA sqm)**
Rajiceva mall/Ashtrom	Shopping Center	Belgrade	19.000
Park City/Vondel Capital	Shopping Center	Novi Sad	12.000
TQ City/Tradeunique	Shopping Center	Indjija	11.000
Belgrade Outlet Shopping Center/BlackOak Developments	Outlet Center	Indjija	30.000
Big CEE	Shopping Center	Novi Sad	32.000
Delta Park/ Delta Holidng	Retail Park	Kragujevac	23.000

DEMAND

• With the momentum of retail expansion which was started in period 2007/2008, the prime retail formats continued to be delivered on the market in 2009, despite the moderately decreasing purchase power in the country, which was evident in 2009. There was a significant number of new openings and market entries recorded during 2009 throughout the country. In March 2009, Usce shopping center (GLA 43,500 sqm) introduced several new brands to the market.

•The new market entries introduced by Usce shopping center are Glou, Koton, Nursace, Salsa, Brown shoes, Stiefelkoning, Big Bang, Vapiano, Prenatal, Attrativo, Garinello, Roy Robson.

• In 2009, development activity was equally maintained in big-box segment. Kika and Mr. Brikolage were the new market entries, with as much as three stores opened in 2009. Merkur expanded with the second store in Belgrade, as well as the local retailer Delta Maxi with three new openings in Serbian regional cities.

RENTS AND VACANCY

• In 2009, Belgrade prime high street rents marked a decrease compared to 2008, with the top rent at around €150 sqm/ month. In the second half 2009, the secondary high streets recorded a moderate rent decrease of 5% compared to 2008 and rising vacancy.

• At end of 2009, primary high streets were operating at a range of €110-150 sqm/pcm.

•Secondary areas were operating at a range of €40-100 sqm/pcm and tertiary high street areas at a range of €15-40 sqm/pcm. Belgrade modern shopping centers (Delta City, Usce) maintained the same rental levels, operating at €35-80 sqm/pcm for non-anchor tenants. The vacancy levels in Belgrade prime high streets were maintained at 3-8% during 2009. In secondary areas the vacancy rate stayed at around 4-7%.

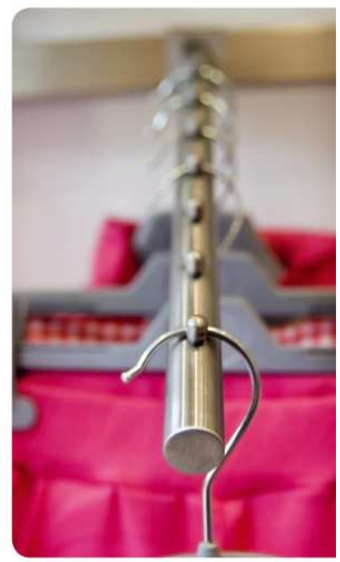
FORECAST

• In Belgrade, a shopping mall in Rajiceva Street (GLA 19,000 sqm) is presently under construction, with the opening date expected for 2011. TQ City in Indjija is expected to open in 2010. The company BlackOak Developments (USA) is developing GLA 30,000 sqm outlet center in Indjija, which is set for delivery in November 2010. This modern outlet center will comprise around 125 retail units. In Novi Sad, pipeline includes Park City and Big CEE shopping malls, expected for delivery in 2010/2011 period. In December 2009, Serbian company Delta Holding started the construction of a retail center Delta Park (GLA 23,000 sqm) in Kragujevac. Upon development by 2010/2012 period, this will be the first retail park in Serbia.

• In 2010, vacancy levels in Belgrade high streets are expected to increase by 10% on average, while existing shopping malls should keep vacancy at 0%, but with possible rent reviews.

In 2009, retail rental levels in Belgrade marked a decrease compared to 2008.

The project Delta Park (GLA 23,000 sqm) started construction in December 2009. This is the first retail park in Serbian market.



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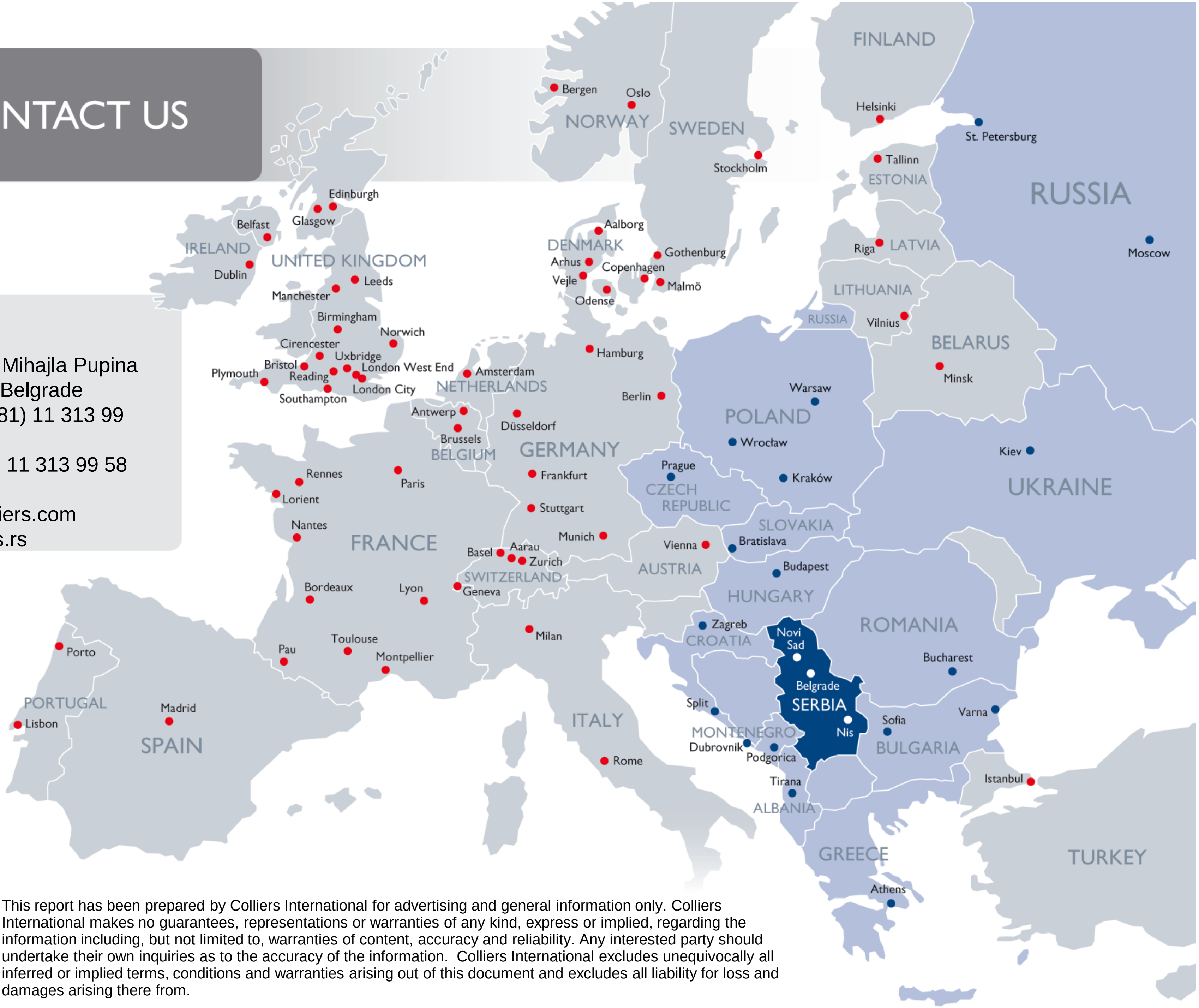

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