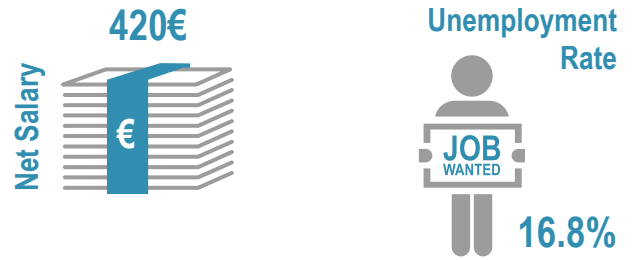
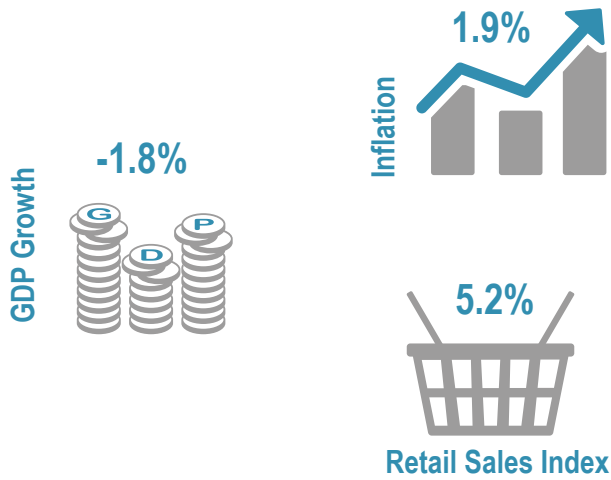


Belgrade City Report

Q1 2015





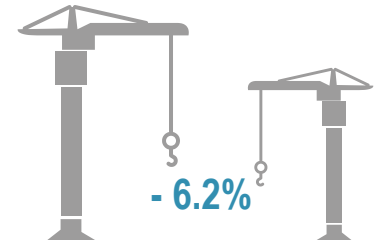
Source: Oxford Economics, National Statistical Office

Future growth will be highly influenced by weak private investments, a limited export market, subdued consumption and public debt. Serbian exporters will benefit modestly from faster growth in the Eurozone in the upcoming period. Reforms will alleviate the creation and expansion of small firms which will have improved credit access from 2016 as banks become financially stronger and less geared to SOEs. However, public wage and pension reduction, and the downfall of private sector real pay will delay improvement in household spending regardless of bank support measures. Furthermore, Serbia's strategic position between the EU and Russia will slow down FDI and accession progress during the year.

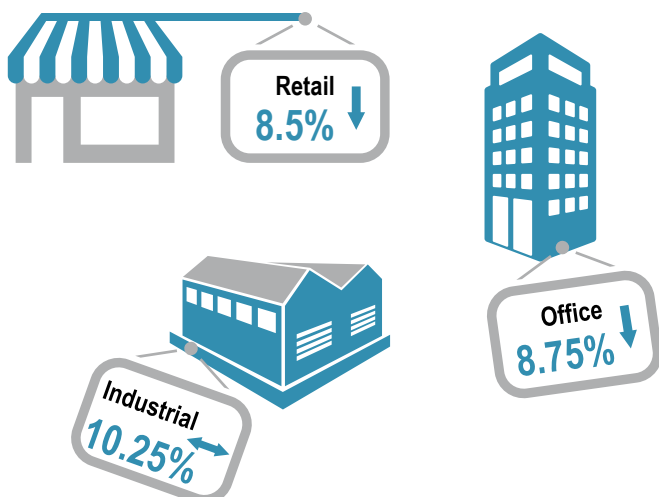
Industrial production



Construction activity



Prime yields



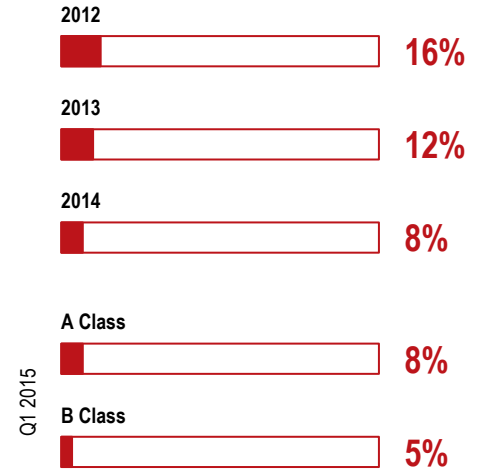
With the completion of the necessary EU criteria and start of accession negotiations in January 2014, indicators are positive that Serbia will successfully complete the transition to full EU membership. Although the IMF has created the reform package that has been implemented so far, there is a great deal of work yet to be done to prevent public debt growth. The weakest points are the inefficient and costly public administration; and state owned enterprises requiring reform packages as they are pushing debt upwards. In this respect, the government has pledged to focus on the four largest, namely: Elektroprivreda Srbija (EPS), Srbijagas, Serbian Railways and Roads of Serbia. The key role in reducing the pressure will be via expenditure cuts and improving revenue collection.

Supply

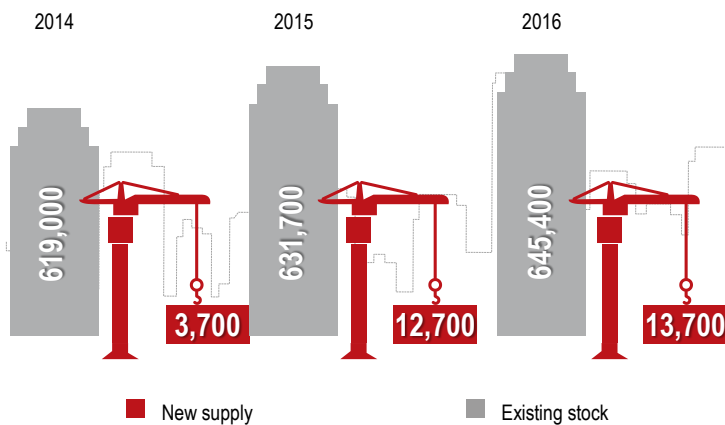
After the delivery of New Mill office tower (3,665 sq m) in late 2014, there were no new office developments delivered since the beginning of 2015. New Mill office tower is a mixed use complex which includes a Radisson Blu Old Mill hotel located in the vicinity of Belgrade Fair, approximately 10 minutes from downtown. It is one of a very small number of office developments in the hugely under-supplied area of Old Belgrade.

In the upcoming period, speculative office stock is expected to increase due to several ongoing and announced projects, mainly in New Belgrade. With the office market lacking available modern office premises, potential occupiers remained very eager for new schemes. Consequently, over recent years, the vacancy rate has been continuously decreasing.

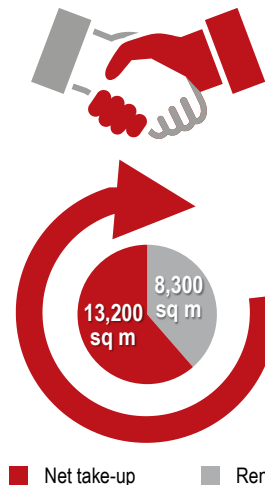
Vacancy rate



Existing stock (sq m) / New supply



Demand (Take up)



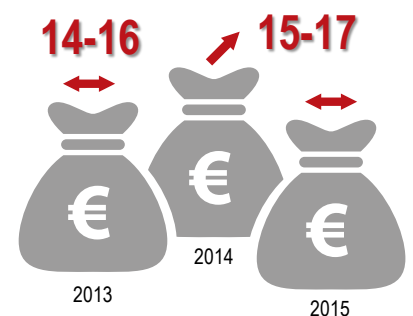
Market activity was dominated by the renewals of existing contracts (38%), followed by new lease and pre-lease requirements, 29% and 28% respectively, while the remainder was attributed to expansions. The most active sectors were insurance and telecom, followed by the traditionally strong IT sector.

Future office projects

Property	Submarket	Size (sq m)	Status
GTC Fortyone – 1st phase	New Belgrade	10,000	Under construction
Deneza office building	New Belgrade	2,670	Under construction
Societe Generale*	New Belgrade	11,000	Under construction
EDB*	New Belgrade	5,000	Under construction
Granit Invest office building	City center	2,700	Under construction
MPC Propties – Blok 43	New Belgrade	20,000	Pipeline
Delta Holding HQ	New Belgrade	20,000	Pipeline
Sirius Offices - Immorent	New Belgrade	30,000	Pipeline

*Owner Occupation purposes

Prime office rents





Supply

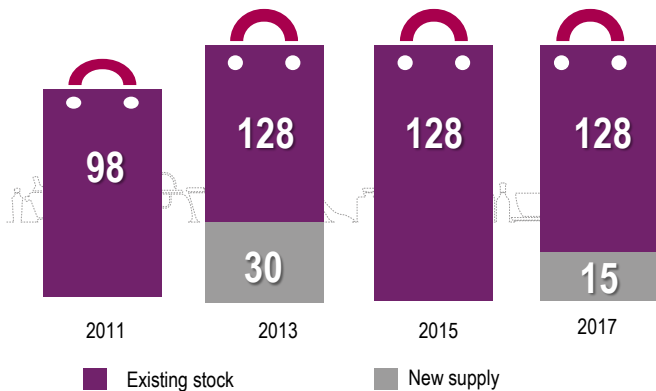
Since the last shopping centre completion - Stadion Voždovac in 2013, market activity has been shifted to construction of retail parks predominantly within secondary cities. The first retail park in Belgrade – Zemun Park (16,000 sq m) is in its final stage of construction. Project has already been 98% leased to various local and international brands, and its investor IBC has announced further expansion which will include 5,000 sq m intended for the cinema and new retail units. Aviv Arlon commenced construction of a retail park in Zvezdara, Belgrade (10,500 sq m), with planned completion in 2016. Future shopping center supply remains uncertain, with one ongoing and one announced project namely Rajičeva and Delta Planet.

Prime Shopping center density

78 sq m
per 1,000 inhabitants



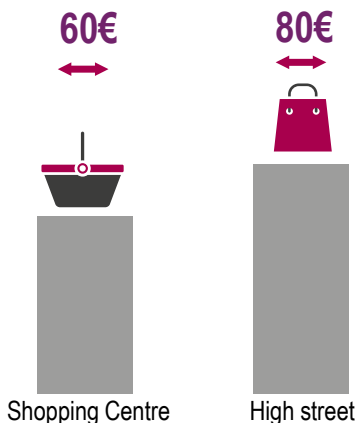
Prime shopping center supply in '000 sq m



Demand

Modern shopping centres maintained excellent occupancy levels, with vacancy close to zero. There were no new brands entries since the beginning of the year and the expansion of existing retailers is still focused on prime assets and newly built retail parks. Existing brands such as Deichmann and Tudors announced their expansion plans within Belgrade and secondary cities. Swedish retail chain Ikea has announced the planned opening of its first store in Belgrade – Bubanj potok, by the end of 2016. Furthermore, German supermarket chain – Lidl, has purchased dozens of land plots across the country, with plans to commence construction of new stores by the end of 2015.

Prime rents



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

Future retail completions in Belgrade

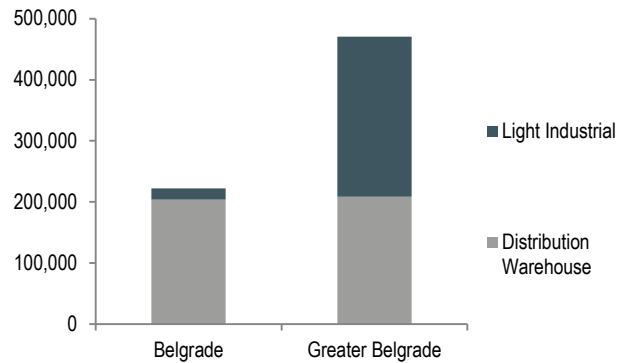
Name	Type	Developer	Size (sq m)
Rajičeva	Shopping center	Ashtrom group	15,300
Delta Planet	Shopping center	Delta Real Estate	80,000
Ikea	Big box	Ikea	38,600
Zemun Park	Retail Park	IBC	16,000
Aviv Arlon Zvezdara	Retail Park	Aviv Arlon	10,500



Modern distribution warehouses are predominantly located in Belgrade and its surrounding areas. The Greater Belgrade area includes surrounding towns and locations up to 50 km from the city, geographically located in the Vojvodina province such as Pećinci, Stara Pazova and Indjija. This area has high potential and has attracted various investors over the past decade. Belgrade's warehouse stock mainly consists of obsolete and older premises within Belgrade Port, while light industrial facilities are mainly situated in peripheral areas, within the Vojvodina province and other regions.

The existing stock is predominantly owner occupied and with the uncertain market conditions, developers mainly choose to develop built-to-suit properties or, to be secured with future tenants.

Supply / Stock (sq m)



Recent transactions

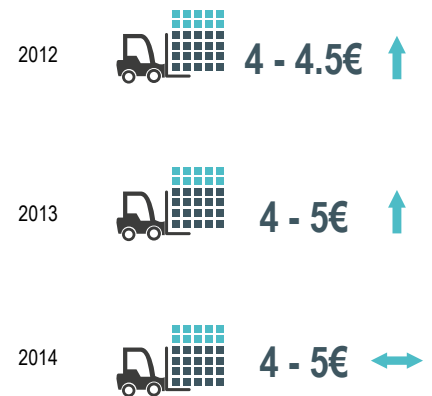


Tenant	Property	Size (sq m)
Schenker	Eyemaxx Log center	2,600
Iron Mountain	Eyemaxx Log center	Confidential
Milšped	IPB	11,500

Demand

Recent demand for industrial facilities has come mainly from logistic operators, distribution companies, manufacturing and pharmaceutical firms. With the expansion and market entry of retail chains, the industrial market is expected to grow, while increasing its attractiveness

Prime Rents (€/sq m/month)

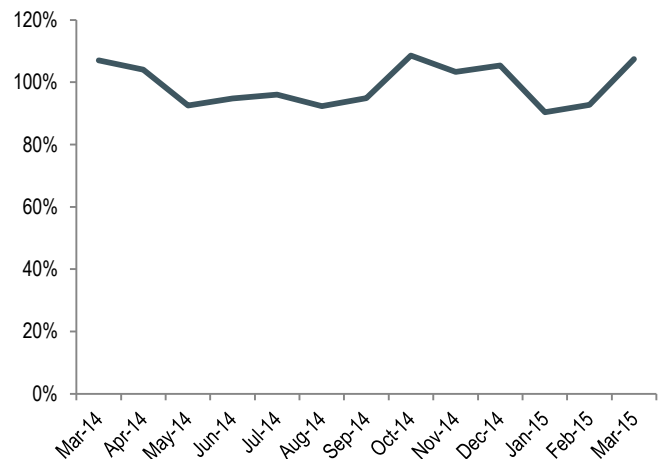


New buildings

Property	Region	Size (sq m)
Log center Eyemaxx	Simanovci	16,000
IPB distribution center	Simanovci	11,500
Delta Transportni sistemi*	Stara Pazova	20,000
Delhaize distribution center*	Stara Pazova	70,000

* Owner occupied

Industrial production index





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One Region: SEE the Opportunities



Belgrade Office Pulse Q1 2015



Belgrade Retail Pulse Q1 2015



Belgrade Industrial Pulse Q1 2015

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