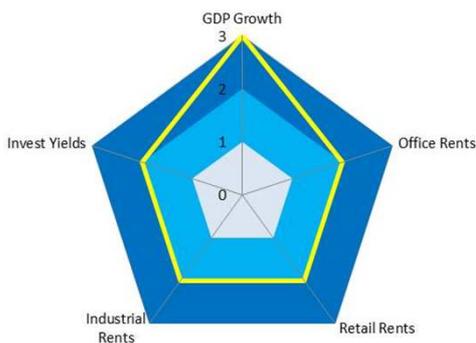


SERBIA

MID-YEAR 2013 SUMMARY



Market Prognosis [by Sector]



- ECONOMY:** The Heads of State and Government of the European Union (EU) in Brussels decided to launch negotiations regarding EU membership with Serbia and the first intergovernmental conference to be held in January 2014 year latest. This process of joining EU is a positive signal for foreign investors, who have already announced several major projects from agricultural and automotive industry. Real GDP grew by 1.9% y-o-y in Q1 2013, mainly due to significant growth of gross added value in information and communications sector. As well as fall of trade deficit by 21.7% y-o-y and exports grown of 17.8% y-o-y underpinned by the automotive sector, in which Fiat had a key role. GDP growth did not affect unemployment rate, which stands at 24.1% in April 2013, increasing by 1.7% from the October 2012.
- OFFICES:** Total take-up in H1 2013 has more than doubled comparing to the same period last year, now comprising 40.646 m², resulting with decrease in vacancy rate of 11.8%. Despite this, prime monthly rents remained stable in CBD area, ranging from €14-16,5 m²/month.
- RETAIL:** During H1 2013 an additional 46.000 m² were delivered to the Belgrade market with opening of two neighborhood shopping centers: Stadium Vozdovac with 35.000 m² of GLA and the re-opening of Shopping center Karaburma with 11.000 m² of GLA, increasing total shopping center stock to 210.000 m².
- RESIDENTIAL:** Due to the continued support from government through long-term housing loans in 2013 and growing activity from the residential developers, this part of the real estate market finally shows positive signs, after a few years of stagnation.
- INDUSTRIAL:** With central position within Balkan Peninsula, serving as a very important link in connection between West Europe and Middle East, Serbia has great potential for development of logistic and industrial sector.

MARKET PROGNOSIS

- ECONOMY:** National Bank estimates that GDP will rise by 0.7% on annual basis by the end of 2013. The Serbian economy this year will depend a lot on agricultural production and exports as well as possible opening of negotiations with EU by the end of the year.
- OFFICES:** In the absence of new projects, even announced ones, combined with decreased of vacancy rate, it is expected that some of the landlords will increase asking rental rate. Notice of this can already be seen in reduction of tenant incentives.
- RETAIL:** The Swedish brand H&M will enter the Serbian market during H2 2013, by opening two stores in Belgrade in shopping centers Delta City and Stadium Vozdovac, as well as in BIG Cee shopping center in Novi Sad in H1 2014. German discount food retailer Lidl is actively present on the Serbian market, purchasing land plots and searching for suitable locations within several cities.
- RESIDENTIAL:** Although, the market has shown positive signs, sales prices are still high for the country's standard of living. As a result, there will be demand for apartments within quality projects and a number of apartments will stay unsold until significant decrease of the prices. The future demand will heavily dependent on the mortgage rates, nevertheless supply will be satisfactory.
- INDUSTRIAL:** The demand is expected to improve in the following years in response to Serbia being awarded candidacy status for EU membership with further expected step up of economic environment in Serbia.

“EU grants Serbia date for the start of negotiations, which has already showed positive signs on the economy and office market”

SERBIA

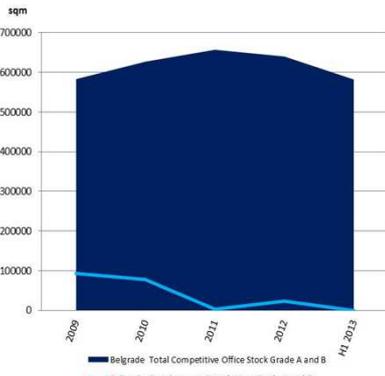
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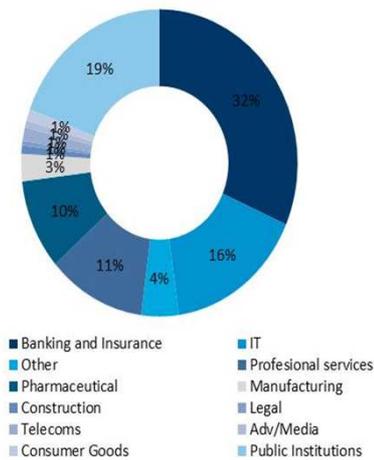
MARKET SUMMARY – BELGRADE

Office Stock vs. Completions [over time, m²]



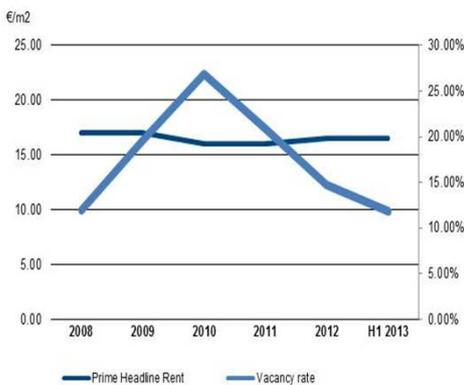
Source: Colliers International

Demand by Business Sector [H1 2013, %]



Source: Colliers International

Rent and Vacancy Market Indicators



Source: Colliers International

Colliers International Serbia revised its office data base in H1 2013 and changes in office supply data classification for Class A and B office buildings may be reflected in the report.

OFFICES:

- Total office stock in Belgrade amounted to 582.000 m² at the end of H1 2013. Out of that 353.000 m² is Class A office space and 229.000 m² represents Class B office space.
- Observing office stock by location, The Central Business District (CBD) represents approximately 81% of total Belgrade's stock, Broad Center (BC) comprises 15%, while remaining 4% of stock is located in Belgrade's suburban areas.
- Although there are no new office completions in first half, two projects are under active construction: Banca Intesa HQ with 30.000 m² of GLA and 3.000 m² of GLA office space within mixed-use project Old Mill.
- After its completion in H2 2010 and unresolved ownership issues, Bellville PO2 building with its 15.000 m² of GLA is finally on the market. Due to various legal problems two projects comprising together over 38.000 m² were put on hold.
- The Second quarter of 2013 recorded absorption of 25,087 square meters, representing a record 270% increase compared to the same period last year and 61% increase compared to Q1 2013.
- Total take-up in H1 2013 stood at 40.646 m², with traditionally strong demand from Banking, IT and Pharmaceutical sectors. With net take-up rising to 21.756 m², a positive trend is emerging in new lease transaction, comparing to H1 2012.
- Taking a closer look at the demand by business sectors, highest demand came from Banking sector 32%, IT sector holds 16% of demand, followed by Professional Services with 11% and Pharmaceutical with 10%. Strong demand was also noticed from Public Institutions, with a share of 19%.
- The set-up of the Serbian office demand, when structured by size, shows a clear trend (55%) towards offices that occupy less than 500 m² in size (200-499 m² - 31%; <199 m² -24%). Office that take up larger business spaces account for 24% (500 -999 m²) and 22% (1,000 m² to 4,999 m²).
- The vacancy rate for Grade A and B dropped by 4% y-o-y, due to increased demand, now standing at 11.8%. More precisely, Grade A vacancy rate stands at 10.7% and Grade B at 15.8%.
- In the first half of 2013, average asking rental rates for Grade A ranged from €14-16.5 m²/month and for Grade B from €11-14 m²/month. However, landlords have reduced tenant's incentives, which resulted in higher effective rental rents.
- It is expected that the take-up figure from H1 will push the operational vacancy rate down to below 10% in 2013.

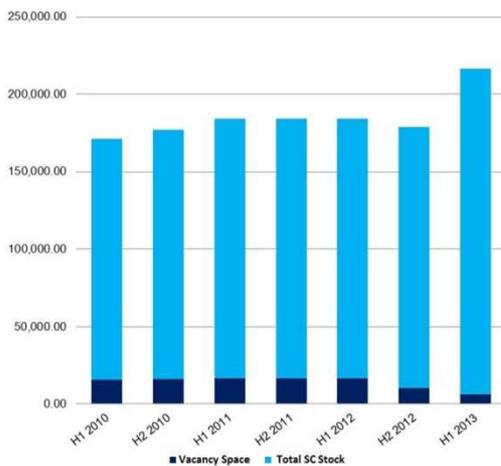
MARKET SUMMARY – BELGRADE

Key Retail Figures

Total Shopping Centre Stock	210.000 m ²
Prime Headline SC Rent	€80m ² /month
Prime Headline High Street Rent	€120m ² /month

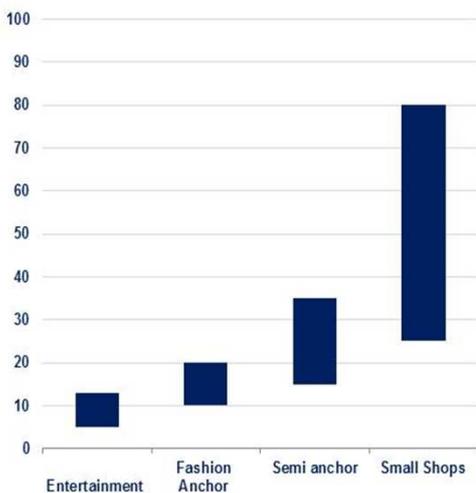
Source: Colliers International

Shopping Center Stock vs. Vacancy [over time, thousand m²]



Source: Colliers International

Shopping Center Rental Ranges [2013, €/m²/month]



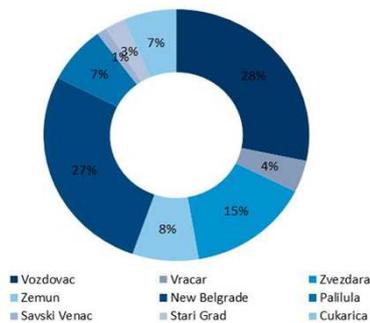
Source: Colliers International

RETAIL:

- Belgrade modern shopping centers stock in H1 2013 reaching 210.000 m² of GLA, represent in 128 m² of GLA per 1.000 inhabitants.
- Two new neighborhood shopping centers were delivered to the Belgrade market: Stadium Vozdovac with 35.000 m² of GLA and re-opened Shopping center Karaburma with 11.000 m².
- Despite new competition, two prime shopping centers Delta City and Usce keep holding vacancy rate on low levels, with just 2%, by attracting new international brands, such as Levis, Deichman and Monnalisa who entered Delta City or Tommy Hilfiger and Desigual who entered Usce. Italian shoes brand Baggat entered the Serbian market in Q2 2013 by opening it's first store within Delta City.
- The opening of two new shopping centers did not affect rental rates in two main existing ones, Usce and Delta City, retaining last year's level, due to high demand.
- Demand for high street on prime locations remained stable and strong during H1 2013, owing to deficiency of modern shopping centers.
- Rental rates for prime high street stands stable ranging between €40-120 m²/month, while secondary high streets did only asked for €20-65 m²/month.
- In June 2013 the Israeli company IBC, member of Fishman Group, started construction of a new retail park named Power Center in Belgrade's municipality of Zemun, with more than 15.300 m² in the first phase, out of 27.500 m², which is schedule for delivery in Q2 2014.
- ABD, a domestic company founded by the Israeli Ashtrom Group and Avital from Belgrade, is in final phase of preparations for construction of first modern shopping center in the city center, Rajiceva Shopping Center with 15.200 m² of GLA. This project should be delivered in H2 2015.
- Outside Belgrade, BIG Cee opened the second phase of their retail center in Novi Sad, with new 8.000 m² of GLA, and on November 2013 the third phase with additional 14.000 m² of GLA should be delivered. With these two new phases the center should comprise more than 32.000 m² of GLA.
- In the city of Jagodina, Vivo Shopping Center, with 10.000 m² of GLA, is in its final stage of preparation and is expected to be opened during 2014.
- Capitol Park in the city of Sabac got all necessary permits and it should be open in Q1 2014 with a total area of 9.600 m².

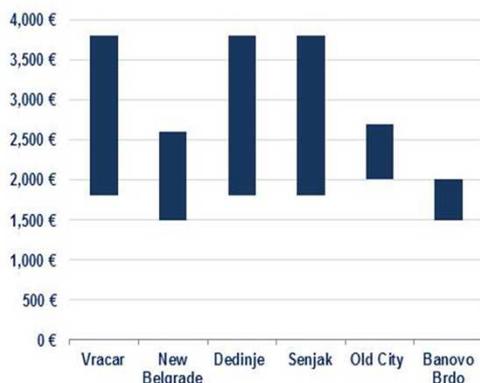
MARKET SUMMARY – BELGRADE

Number of Loan Backed Purchased Apartments Within Belgrade Municipalities H12013



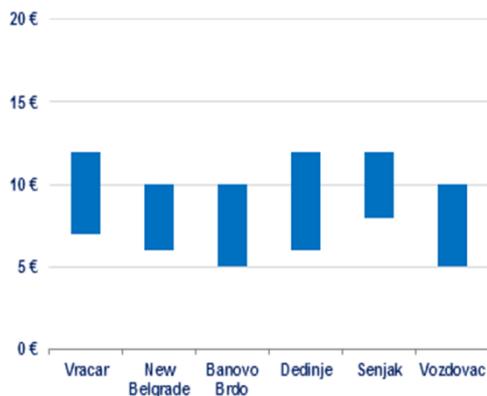
Source: NMIC, Colliers International

Residential Sales Prices Within Belgrade Municipalities (€/m²)



Source: Colliers International

Rental Levels Within Belgrade Municipalities (€/m²)



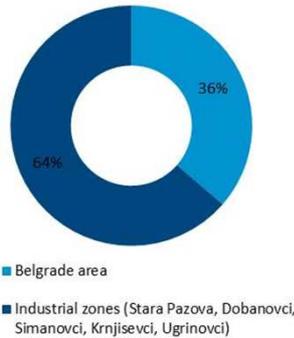
Source: Colliers International

RESIDENTIAL:

- National Mortgage Insurance Corporation (NMIC) data showed that total number of loan backed purchased apartments in Belgrade amounted to 1,661 in H1 2013, slightly decreased in comparison to H2 2012 by 5% but significantly improved by 20% as compared to H1 2012 period.
- According to the NMIC data, in H1 2013 buyers were most interested in Vozdovac municipality, with 414 bank credited apartments, closely followed by New Belgrade with 397 apartments and Zvezdara municipality with 218 apartments.
- Belgrade market is showing signs of balanced development, with several major projects in the city. New Belgrade remained to be one of the most interesting areas for new developments. Obelisk Gradnja started the construction of 108 apartments divided into 3 lamellas with total area of 18.000 sq m and a scheduled date for completion some when in H2 2014. After the successful finish of the first phase with 150 apartments, PSP Farman announced the start of construction of the second phase of their project West 65, with another 100 apartments.
- At the moment two large-scale projects, in the municipality of Vracar two large-scale projects are in the construction process. Marmil Inzenjering entered the final stage of construction of their Marmil Land project comprising 18.000 m² with 159 apartments and delivery date is set for October 2013. British Pluto Capital is developing the project Harmony Apartments, with 80 apartments and the deadline for completion is set by the end of 2013.
- Cukarica municipality was also interesting for developers, as several projects are under construction. After finishing the first phase with 50 out of total 153 residential units in the Golf 8 project in Banovo Brdo area, Peteg continues to develop the second phase consisting of two new lamellas and 35 apartments. In the same neighborhood two more projects are in the construction process, 3 lamellas with 86 residential units developed by Gramis Invest with scheduled delivery date in April 2014 and BG Invest with their second project in this area, comprised of 30 residential units with delivery date set for December 2013.
- International Alpha Construction makes final preparation to finalize their Alpha City in September 2013, located at municipality of Zvezdara. The residential complex consists of 299 units. Project Danube Terraces in Palilula municipality is ready to be finished by the end of 2013, with a total of 486 of residential and 83 retail units, developed by the local company Aramont.
- Finally, in Vozdovac municipality, a major project named Paunov Breg, with 107 residential units and retail part is in its construction phase by the CPI Group, with a completion scheduled for April 2014.
- Another project was announced by the domestic company Deka Inzenjering in New Belgrade's block 67a, with 841 residential units built in three phases, with 296 units planned for completion in the first phase.
- Moreover, the construction company Napred plans to start construction of complex with two residential towers and retail center during H2 2013.
- Greek investor Lambda Development announced the start of construction of their luxury mixed-use project, consisting of residential, commercial part and five-star hotel, with area of 94.000 m², on the site of the former factory Beko, during Q1 2014 and completion is expected during 2016.
- Although supply increased throughout the last year, that did not affect the level of sales prices, which remained stable. Dedinje and Senjak are the exclusive parts of the city and hold upper sales prices, followed by Vracar and New Belgrade.

MARKET SUMMARY – BELGRADE

Industrial Stock in Belgrade and Close Proximity

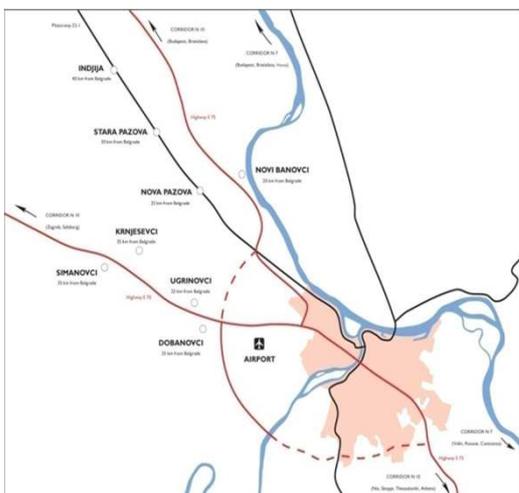


Source: Colliers International

Major Pipeline Industrial Projects		
Developer	Location	Size (m ²)
Eyemaxx	Novi Banovci	28,000
Eyemaxx	Nis	135,000
Milsped	Krnjesevci	16,000
Delhaize	Stara Pazova	70,000

Source: Colliers International

Industrial Zones in Close Proximity to Belgrade



Source: Colliers International

INDUSTRIAL:

- With central position on the Balkan Peninsula, representing a very important link between West Europe and the Middle East, Serbia has great potential for further development of its logistic and industrial sector. At the moment, Serbian industrial market can be characterized as still immature and undersupplied in terms of modern stock.
- According to the latest Colliers research, total stock of modern logistic/warehouse facilities within Belgrade area is estimated at about 80.000 m² including supply built to the highest international standards as of 2005 and positioned along the E-70 and E-75 Highway. Both areas are very attractive for prospective investors, due to close proximity to the city center and the facts that building permits can be obtained rather easily.
- Industrial/logistic zones in close proximity to Belgrade (Stara Pazova, Dobanovci, Simanovci, Krnjesevci, Ugrinovci), enjoying excellent geographical position and transportation network dispose about 140.000 m² of modern logistic/warehouse supply majorly built after 2005.
- Currently, there are several projects with announced expansion of existing premises and new developments including Eyemaxx logistic center in Novi Banovci area (app.28.000 m²) announced for delivery in several phases, expansion of Milsped logistic center in Krnjesevci area (app.16.000 m²) and construction of Delhaize distribution center in Stara Pazova which will complete its first phase adding about 70.000 m² of warehouse space to the market.
- Beside Belgrade, the city of Nis is considered a favorable location for development of modern logistic stock with announced Eyemaxx Logistic and Cargo Centre (app.135.000 m²).
- Demand for industrial/warehouse facilities comes from retailers, mostly by distribution and transportation companies. It is expected that the demand will move upward in the following years as a response to Serbia awarded candidacy status for EU membership.
- As the supply of modern industrial stock for leasing in Serbia is limited, presently the only alternative for companies is to buy development land and build a new industrial facility, or enter into partnerships with investors willing to share the risk and build the capacity required by the principle of construction according to the measure (built-to suit facilities.)
- Rental levels for limited modern high-quality warehouse premises located within the industrial zones in the city area of Belgrade and in close proximity to Belgrade remained stable in past two years in the range of € 4-6 m²/month.