Market Overview

SERBIA

INDUSTRIAL | SECOND HALF | 2009

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Economic Environment 1H 2009

- GDP decreased 3.5% year-on-year in Q1 2009, amounting to EUR 3,177 million. The total GDP will expectedly mark -2.0% growth rate in 2009.
- Foreign direct investments in Serbia amounted to EUR 745 millions in the period January- April 2009. Total FDI in Serbia in 2009 will expectedly amount to EUR 1.1 billion, thus marking 39% decrease compared to 2008 (EUR 1.8 billion).
- In period January-April 2009, the inflation rate marked a stable 7.0%. By end 2009, the estimated y-o-y inflation rate will reach 9.3%, lower than 11.7% recorded in 2008.
- In June 2009, the unemployment rate in Serbia marked 26.7%, marking an increase in y-o-y period (24.6% recorded in June 2008). Belgrade records only slightly rising unemployment rate, marking 14.3% at mid 2009 (14.1% at mid 2008). In June 2009, the average monthly salary marked EUR 330 in Serbia and EUR 417 in Belgrade.

Industrial Highlights 2H 2009

- According to the latest Colliers International market survey, the total inventory of modern logistic space in Belgrade amounted to approximately 400,000 m2.
- The total industrial facilities in Belgrade amount to 113,500 m2.
- In terms of new logistic supply in the first half of 2009, Belgrade was the most active zone, recording 13,000 m2 of new logistic space.
- Subsided demand caused slight decrease in rental levels in the first half of 2009.

Supply

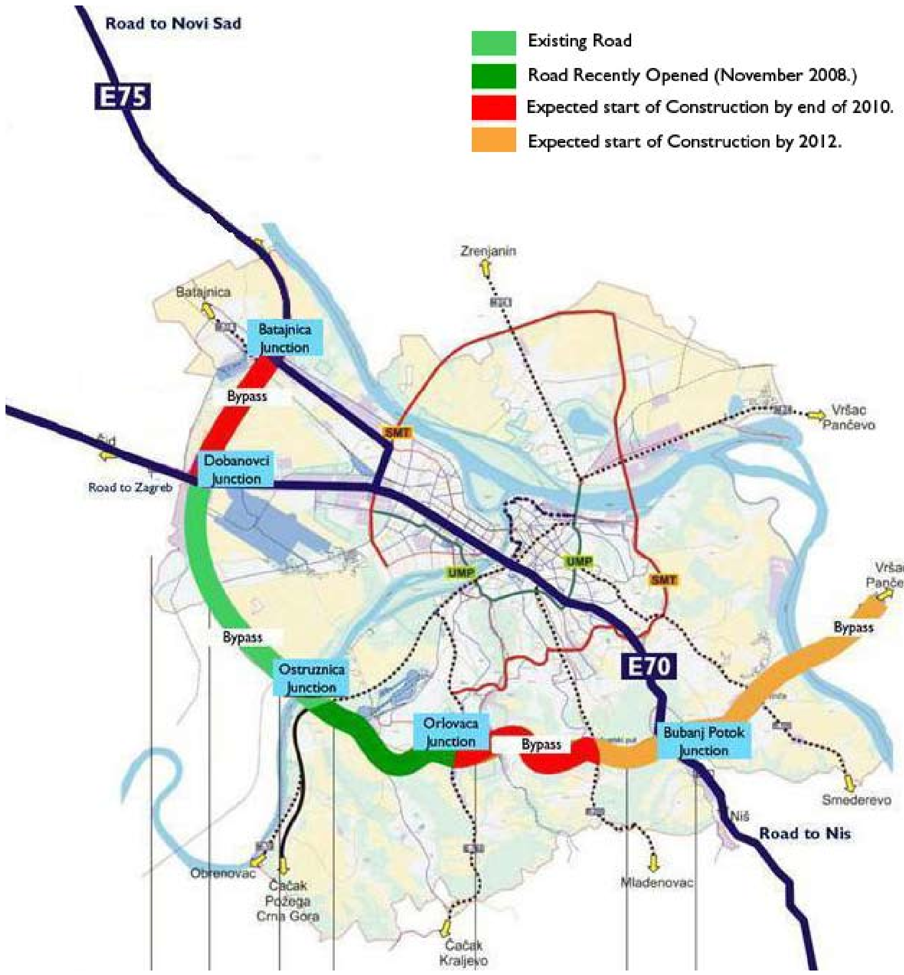
Belgrade

In the first half of 2009, the new supply of modern warehouse space in Belgrade area amounted to 13,000 m2. The new logistic facilities are delivered in the areas of Altina and Pancevacki road. The investors of the new projects are local companies.

According to the latest market survey performed by Colliers International, at mid year 2009 the total modern warehouse supply in Belgrade amounted to around 400,000 m2, including both owner-occupied and speculative warehouse facilities. Large majority of the modern warehouse space (around 85%) is located along the major traffic routes in Belgrade: 1) E-75 highway towards Nis (Bubanj potok and Vrcin areas), 2) E-75 highway towards Zagreb, Batajnicki road and Surcinski road (the areas of Zemun, Altina, Batajnica, Ledine), 3) Pancevacki road, 4) Zrenjaninski road, etc.

The total modern industrial stock in Belgrade currently amounts to 113,500 m2. These are exclusively owner-occupied facilities built in the decade 2000's. Majority of these facilities are located along E-70 highway and Batajnica road. The investors are Farmasvis, Polimark, Ball Packaging, Europolis, etc.

General Urban Plan for Belgrade anticipates the establishment of four new industrial zones in Belgrade's wider area- Surcin (11 hectares), Mladenovac (270 hectares), Obrenovac (255 hectares and Grocka (100 hectares). Surcin area is the most important and offering the best potential of being developed in full capacity within the following mid-term period. The industrial zones will be connected through the new Belgrade Bypass Road, which is being currently developed. The road section Ostruznica- Orlovaca (7.7km) was opened for traffic in November 2008, while the section Orlovaca- Avalski road (5.4km) is currently under construction. The Belgrade bypass road is expected to be fully completed by the year 2013, comprising the total length of 69 kilometers.



Source: Colliers International research

Vojvodina

Several settlements in the Vojvodina region have seen heightened development in warehouse and industrial facilities in the decade 2000's, mostly owed to the proximity to the major international highways (E-75, E-70)and the capital Belgrade - Stara Pazova, Krnjesevci, Simanovci, Novi Banovci, Ugrinovci and Indjija.

At mid 2009, the total modern warehouse inventory in this area amounted to approximately 447,500 m2, while the total modern industrial space inventory amounted to 395,000 m2. The industrial space presents almost exclusively owner-occupied facilities, while the warehouse supply includes both owner-occupied and speculative space.

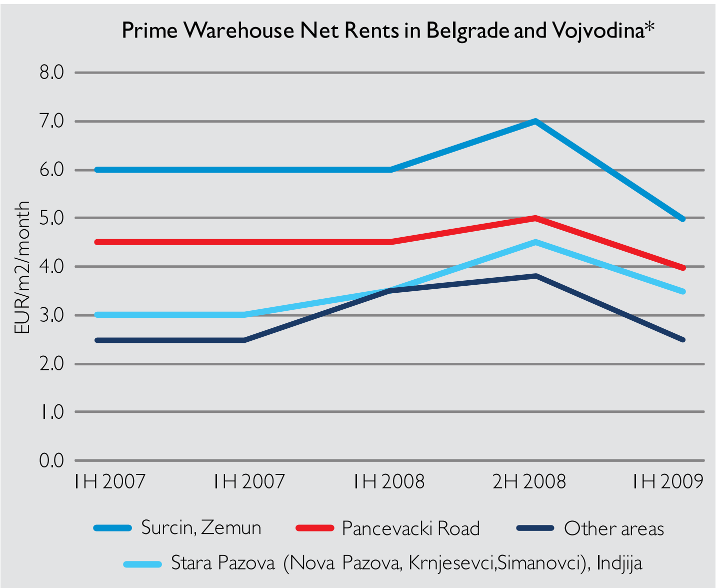
Demand

The industrial demand in Belgrade and Serbia has subsided during the first half of 2009, due to the lack of companies entering the market and the reluctance of the existing ones to further expand on the market. The demand for modern warehouse premises in Belgrade and adjacent areas of Vojvodina region is still largely driven by the pharmaceutical companies, logistic operators and distributors.

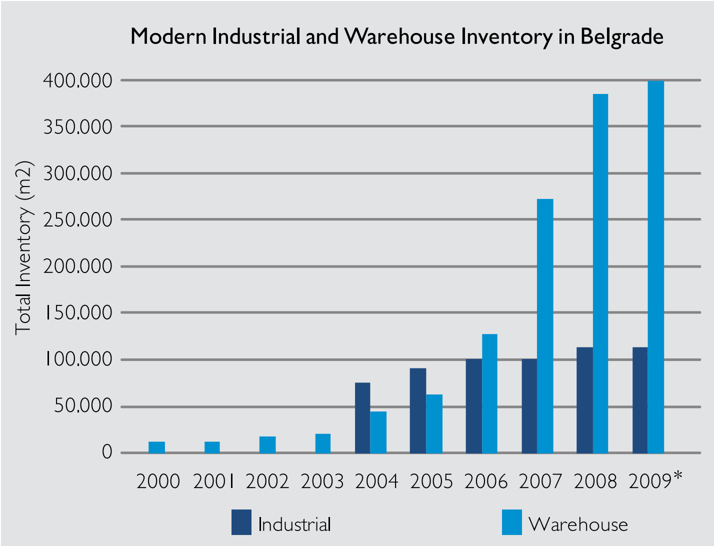
Demand is primarily focused on the areas of Batajnicki road, Zemun and Altina, due to their proximity to both E-75 and E-70 highways and good connection with the Belgrade city center. The adjacent areas in the Vojvodina region record demand in Novi Banovci and Ugrinovci.

Rental Levels

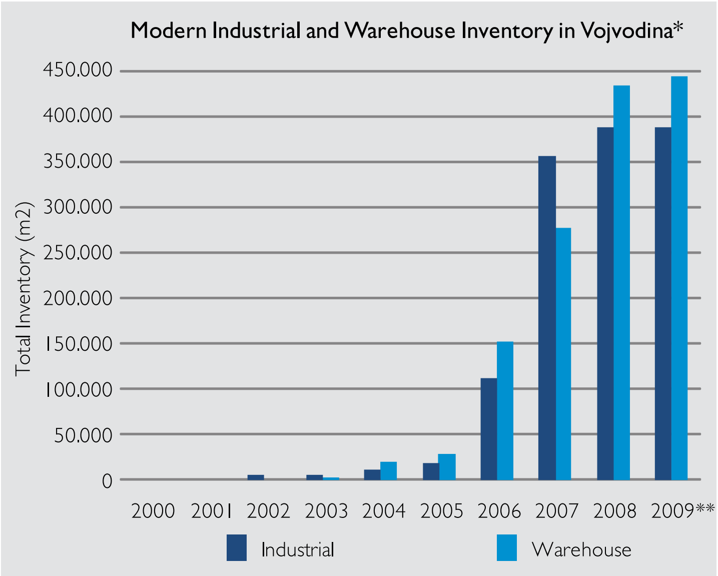
The net rental levels have marked a slightly decreasing trend in the first half 2009, compared to the levels recorded at the end of 2008. This is mostly owed to the decreased demand levels in this period, since there are still no signs of oversupply in the Belgrade's modern warehouse facilities market. Presently, the net achieved rents for high quality space sized up to 5,000 m2 in Belgrade and surrounding markets mark general range of EUR 2.5- 5 per m2 per month.



Source: Colliers International research



**Mid-Year 2009*
Source: Colliers International



** Stara Pazova, Krnjesevci, Simanovci, Novi Banovci, Ugrinovci and Indjija*
***Mid-Year 2009*
Please note: the industrial/warehouse development data indicated in the graphs above is cronologically organized as recorded by Colliers Serbia survey team

Yields

Traditionally, Belgrade industrial / warehouse investment market have experienced the lack of recorded sales transactions and consequent high investment yields in the previous years due to the lack of high quality supply and relative immaturity of the market.

The new economic conditions have caused the absence of the sales transactions in the open market during the first half of 2009. The estimated yield in the industrial/warehouse investment market has increased compared to the levels recorded in 2008 (9.5- 10%) and presently marks the range of 10- 12%.

Forecast

- There are approximately 17,000 m2 of modern warehouse space under construction in Belgrade and 29,000 m2 in the adjacent Vojvodina areas of Novi Banovci, Ugrinovci and Indjija.
- There are no industrial facilities under construction at this moment.
- Warehouse net rents are expected to remain at present levels by the end of 2009.
- Further growth of Belgrade industrial market is expected in the following period.

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CONTACT INFORMATION

Colliers International, Serbia
Market Research Department
115 D, Blvd Mihajla Pupina
11070 New Belgrade, Serbia
Tel: + (381) 11 313 99 55
serbia@colliers.com
www.colliers.rs

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