

Market Overview

SERBIA

NIS | SECOND HALF | 2009

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Economic Environment IH 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.
- FDI in Serbia amounted to EUR 745 million in the period January- April 2009.
- In period January-April 2009, the inflation rate marked stable 7.0%.
- In June 2009, the unemployment rate in Serbia was 26.7% and 14.3% in Belgrade. The average net salary marked EUR 330 in Serbia and EUR 417 in Belgrade.

Nis Market Highlights

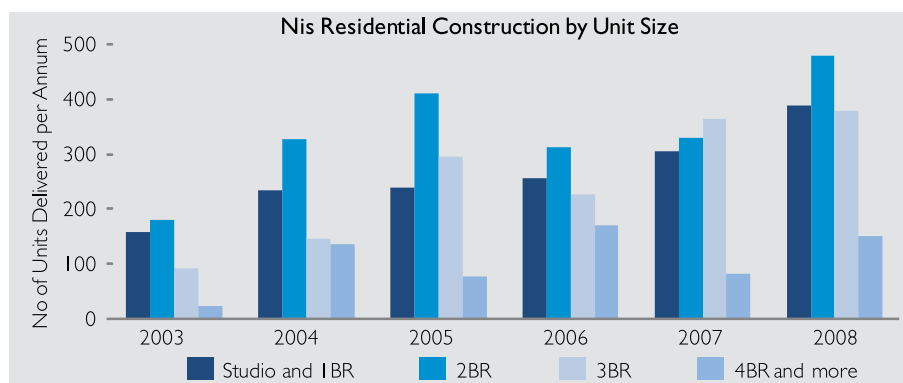
- Nis is the third largest city in Serbia and economic center of Southern Serbia region. Nis municipal area comprises the population of 250,518 people, while the inner urban area accounts for 173,724 people (Census 2002).
- Nis is Serbia's main industrial center in the sectors of tobacco, electronics equipment and textile manufacturing.
- Historically, the largest FDI deal in Nis was the acquisition of Duvanska Industrija Nis by Phillip Morris (USA) in September 2003.
- In 2009, the main source of FDI will be the development of Log Center Nis (138,500 m²) by companies Eyemaxx (Austria), Chayton Capital (Great Britain) and Nis Airport. The total investment is worth EUR 75 million.
- Nis features the only airport facility outside the capital Belgrade. Konstantin the Great is an international airport hosting airlines JAT, Deutsche BA, Lufthansa, Montenegro Airlines, Crossair and others.

RESIDENTIAL MARKET

At the end of 2008, Nis comprised the estimated total residential inventory of 94,770 apartments, or 5,667,132 square meters. In the first half of 2009, Nis residential market recorded approximately 20 residential projects under construction within the popular residential areas of Duvaniste, Medijana, Pantelej and Crveni Krst. The projects are mostly mid-quality and mid-sized (2,200- 3,500 m²). The standard amenities in Nis market are laminate or oak wood flooring, central air-conditioning system, and intercom. Additional amenities may include

on-site security, video surveillance and underground garage.

In terms of apartment size, Nis market features generally balanced construction with the mid-sized apartments (two- and three-bedroom category) taking up the largest share within the new deliveries - 55-70%. Studio and one-bedroom category is also very popular in the Nis market, (35% share), while four-plus bedroom category features smaller share (5-15%).



Source: Colliers International research

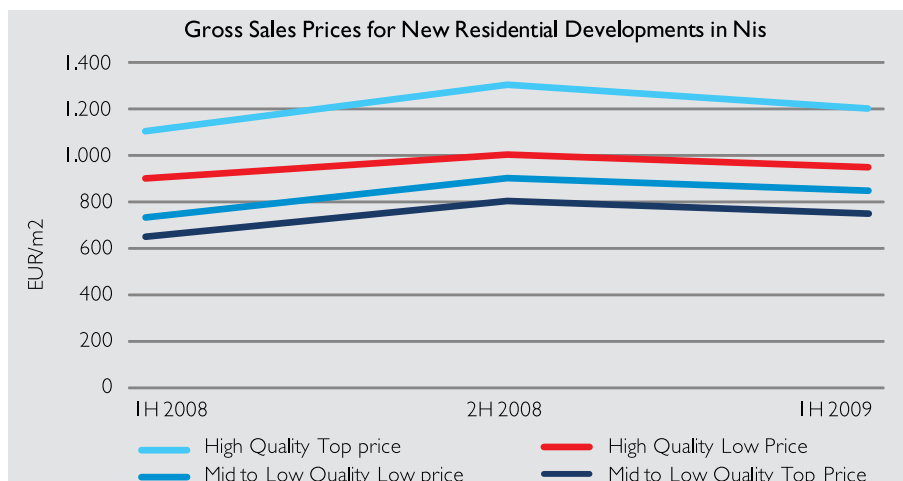
PROJECTS IN THE PIPELINE

Nis residential market still experiences undersupply - the average residential supply still does not exceed 1,000 apartment units

per annum. There are several important residential projects are in preparation phase - Mozaik, Kingdom Hill and Mani BSD.

MAIN RESIDENTIAL PROJECTS IN THE PIPELINE IN 2H 2009				
Project	Location	Gross Size (m ²)	Type of project/ No of Units	Expected Delivery Date
Mozaik	Branka Krsmanovica Street	30,000	Apartment building complex/320	2010
Kingdom Hill	Igmanska Street	8,300	Residential House Complex/18	2010/2012
Mani BSD	Nikole Tesle Blvd	87,500	Apartment building complex/1,073	2010/2012

Source: Colliers International research



Source: Colliers International research

SALES PRICES

In the first half of 2009, the Nis residential market recorded minimal decrease in the sales prices compared to the levels recorded in 2008. This is owed to the residential demand still exceeding the supply in Nis during the first half of 2009, unlike other Serbian cities which have experienced the less favorable market conditions and recorded downfall in residential prices, compared to 2008.

RETAIL MARKET

In the first half of 2009, the Nis retail market remains concentrated in the following areas: 1) Prime retail pedestrian area of Obrenoviceva Street. Shopping center Kalca is placed in Obrenoviceva Street, featuring the total area of 35.000 m². The underground passage under Obrenoviceva Street comprises large amount of retail units. 2) Secondary retail area located in Nemanjica Boulevard, featuring three shopping centers - Zona I, Zona II and Zona III, each comprising 2,770 m². 3) Retail units in location of Svetog Save Park.

The first modern shopping center in Nis - Mercator (GBA 32,000) was opened in 2007.

The start of construction of several new projects announced further development of modern retail concepts in Nis. TPC Srbija is a mixed-use project located at Obrenoviceva Street and comprising GLA 11,000 m². This project is planned for opening by the end of 2009. There are also two reconstructions in progress. The first is MPC Nis Pionir Shopping Center- upon delivery in 2010, this shopping mall will bring additional

At mid 2009, the apartments in Nis inner city center area achieve sales price up to EUR 1,200 per m², while the older apartments are being sold at EUR 1,000 per m². The new apartments in Duvaniste area feature the price range of EUR 900- 1,100 per m².

GLA 6,500 m² to the Nis market. Department store Robna Kuca Beograd in Obrenoviceva Street is also under reconstruction.

In the first half of 2009, the net retail rents in Nis have decreased by around 15-25% compared to the levels recorded in 2008. Prime net rents in Obrenoviceva Street range from EUR 30-70 per m² per month. The secondary retail areas of Nemanjica Boulevard and Svetog Save Park command the rent in the range of EUR 20- 25 per m² per month.

Retail Rents (EUR/m ² /month)	Net Rents (EUR/m ² /month)	
	2H 2008	1H 2009
Units		
Prime Retail Units	50-80	30-70
Secondary Retail Units	25-30	15-20
Mercator	30-50	30-50
Old-type shopping malls	25	20

Source: Colliers International research

OFFICE MARKET

In the first half of 2009, the Nis office market has remained undersupplied. There are two mixed- use projects presently under construction which will mark the start of modern office space development. TPC Srbija, will bring 2,600 m² of modern office space to the market by the end of 2009. The second project is MPC Pionir, a mixed-use development comprising MPC Pionir Shopping Center (GLA 6,500 m²) and adjacent office space (3,500 m²). This project is set for delivery in 2010.

The office rental levels for the existing premises in the Nis market have decreased by 15% during the first half of 2009, compared to the levels recorded in 2H 2008. Presently, the converted office space may generate achieved net rents of EUR 8-10 per m² per month. The modern office premises will expectedly feature net rents of EUR 12- 14 per m² per month.

INDUSTRIAL MARKET

Nis industrial market offers great investment potential which could eventually be the key to the city's future economic growth. The main industrial zone of Nis is called Industrial Zone North (Radna zona Sever). This zone features excellent location in the surroundings of the Nis International Airport. Industrial Zone North is fully equipped with necessary infrastructure and intended for the development of light industrial facilities, warehouses and commercial developments.

Other possible locations for the city's future industrial growth are: 1) Area along E-75 highway; 2) Medjurovo - located along the old highway to Leskovac (8 km from the city center), 3) Aleksinac old road and Mramorno Hill.

DEMAND

In the first half of 2009, Colliers inquiries recorded the demand for approximately 20,000 m² of industrial and warehouse space in the Nis

market. The demand came from both local and international companies looking to relocate to higher quality premises.

LAND PRICES

The asking sales prices remain at similar levels as recorded in 2008.

Area	Asking Sales Price (EUR/m ²)
Aleksinac Road, E-75, E-80 (Agricultural land)	EUR 10-20/m ²
Industrial Zone North	EUR 50-60 per m ²
Dimitrija Tucovica Boulevard	EUR 50-80 per m ²
Nikole Tesle Boulevard	EUR 60-90 per m ²
Around Tempo Cash & Carry	EUR 90-100 per m ²

Source: Colliers International research

PROJECTS IN THE PIPELINE

In the first half of 2009, the Nis market has announced the development of the most up to date industrial/ warehouse facility in Serbia - Log Center Nis. This modern industrial complex will be located in the Industrial Zone North.

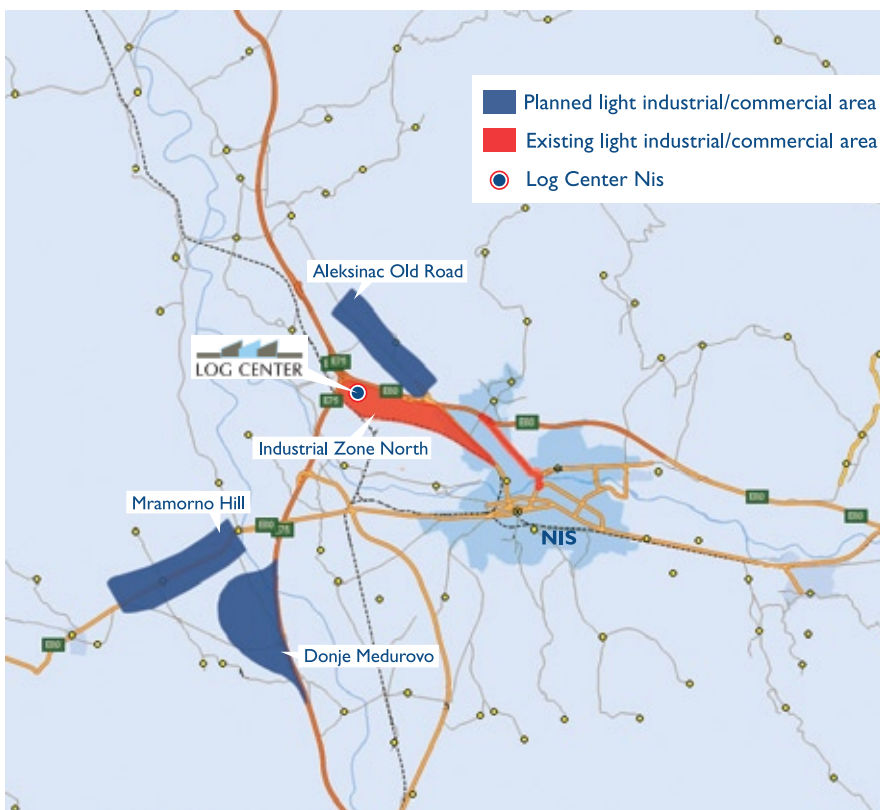
Log Center Nis will be developed according to the contemporary European quality standards and also offer possibility of customizing space according to tenants' request. The center will offer adjacent office area featuring air-conditioning, suspended ceilings, IT and phone connections as well as conference rooms.

This investment represents the joint venture between the international companies Eyemaxx (Austria), Chayton Capital (Great Britain), and Airport Constantine the Great (Serbia). This investment is worth approximately EUR 75 million.

Log Center Nis is set for delivery in six development phases (A, B, C, D, E, F) by the year 2011. It will comprise the total area of 138,500 m².

Log Center Nis Development Phases	Phase A	Phase B	Phase C	Phase D	Phase E*	Phase F
Warehouse (m ²)	27,000	20,500	12,000	21,000	6,000	21,000
Office (m ²)	10,000	5,500	4,500	5,500	0	5,500
Total (m ²)	37,000	26,000	16,500	26,500	6,000	26,500

*Built to suit industrial facility
Source: Colliers International research



294 OFFICES IN 61 COUNTRIES ON
6 CONTINENTS

Americas 133
Asia Pacific 64
EMEA 97

Over 102 million m² under management

Over 12,700 Professionals

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