Market Overview

BELGRADE

OFFICE | SECOND HALF | 2009

COLLIERS INTERNATIONAL

Our *Knowledge* is your Property

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 million in the period January- April 2009. Total FDI in Serbia in 2009 will expectedly amount to EUR 1.1 billion, thus marking a 39% decrease compared to 2008 (EUR 1.8 billion).
- In the period of January-April 2009, the inflation rate marked stable 7.0%. By the end of 2009, the estimated y-o-y inflation rate will reach 9.3%.
- 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 a 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.

Office Real Estate Highlights

- In the first half of 2009, Belgrade total office space (Class A/B) increased by around 32,500 m2 (5.14%).
- At mid 2009, the total Class A and B office space in Belgrade reached approximately 626,000 m2.
- In the first half of 2009, the office space supply has exceeded the demand, causing the rising vacancy rate and decreasing net rents. Presently, the overall vacancy rate (Class A and B) marks 16%, with the highest rate in the suburban area (26%) and the lowest in the CBD (13%).
- Net rents have marked a decreasing trend in 1H 2009, coming to the average EUR 14.1 /m2/month for Class A and EUR 11.5/m2/ month for Class B office space.

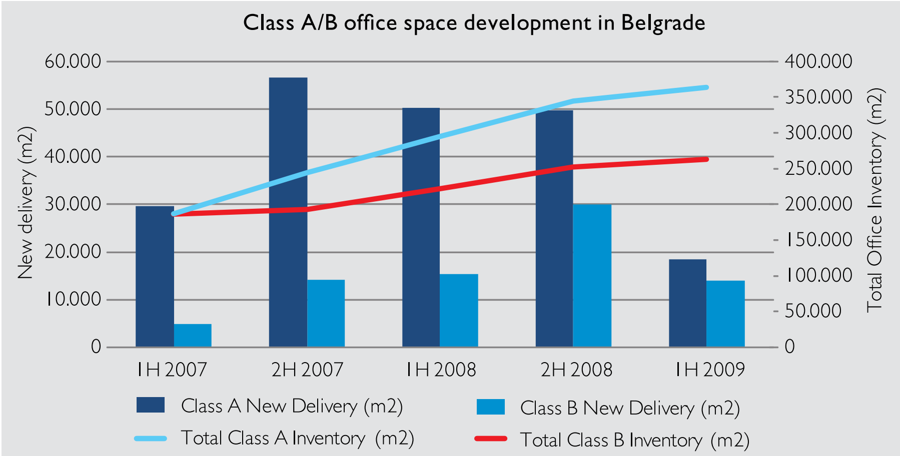
Supply

In the first half of 2009, the new supply in Belgrade amounted to the modest 32,500 m2, out of which new Class A office space makes for 18,500 m2 (57%). The largest Class A office building delivered in this period is Belgrade Office Park (2nd phase). This building is located in New Belgrade's CBD area, and comprises GBA 16,000 m2 (12,670 m2 of leasable office space).

The CBD area remains the most preferred location, with 16,000 m2 (49% out of total Class A/B new supply) delivered in 1H 2009. Broad Center recorded 14,250 m2, or 44% of the new deliveries in 1H 2009. Suburban areas remain underdeveloped, with only a 7% share.

At mid 2009, the total Class A and B office space inventory in Belgrade amounted to 626,000 m2. Class A office space makes for 58% share, amounting to little under 363,000 m2.

In the period of 2007-2008, the Belgrade office market experienced the heightened demand for office space, causing a large momentum in office development evidenced in the constant increase in the new office supply. In the period of 1H 2007- 2H 2008, 186,000 m2 of Class A and 64,500 m2 of Class B office space was delivered to the Belgrade market. The highest value in the new office delivery was recorded in 2H 2008 – 80,000 m2 (Class A – 50,000 m2; Class B – 30,000 m2).



Source: Colliers International research

Projects under construction

The office development momentum experienced in 2008 resulted in the commencement of a large number of office projects in the Belgrade market. Currently, there are 202,000 m2 of new Class A and 98,500 m2 of Class B office space under construction and set for delivery by the end of 2010.

Another reason for the accumulation of office supply under construction in Belgrade are the delays in the delivery of office projects. This traditional characteristic of the Belgrade market was heightened by the new market conditions in 1H 2009, as the developers are postponing the delivery dates in order to secure financing or prolong the pre-lease periods.

The majority of the projects under construction are located in CBD – 64%, or 193,000 m2. The Broad Center makes for 31% out of the total new delivery, with 92,500 m2 of new Class A and Class B office space under construction in this area. There are modest 15,000 m2 of new office space currently under construction in the suburban area (5% out of the total new delivery).

SELECTED OFFICE PROJECTS UNDER CONSTRUCTION IN BELGRADE AT MID 2009

Project	Quality	GBA (m2)	Location	Expected Delivery Date
Savograd	Class A	35,200	CBD	2H 2009
B2	Class A	2,000*	CBD	2H 2009
University Village	Class B	34,200	Broad Center	2H 2009
Atrium	Class A	6,000	CBD	2H 2009
Resavska 23	Class A	5,400	CBD	2H 2009
Airport City 1700	Class A	12,000	CBD	2H 2009
Bluecenter Office Building	Class A	35,000	CBD	1H 2010
Tri Lista Duvana	Class A	11,700	CBD	1H 2010
B23	Class A	53,000	CBD	1H 2010
VIG Plaza	Class A	16,500	CBD	1H 2010
MPC Block 43	Class B	30,000	Broad Center	1H 2010
Meteor (Block 58)	Class A	8,000	Broad Center	2H 2010

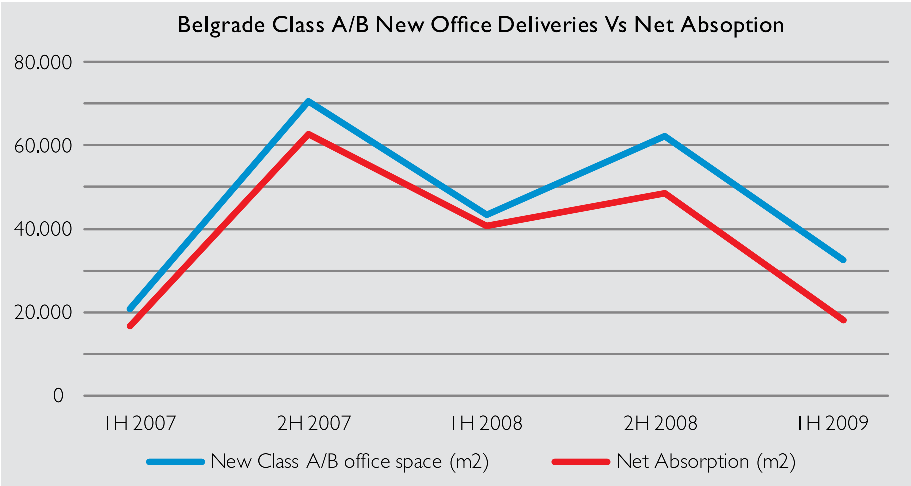
Source: Colliers International research

**Office area*

Demand

In the first half of 2009, the demand for office space in Belgrade has significantly subsided compared to the previous periods (2007-2008). The net absorption within the new projects delivered on the market has amounted to 18,200 m2, or 56% out of the total new office delivery in this period. This is a 60% decrease compared to the total net absorption recorded in the second half of 2008 (48,500 m2), and a 55% decrease compared to the first half of 2008 (40,600 m2).

In the first half of 2009, the demand for office space was driven by the few international banks and larger local companies already established in the Belgrade market which are presently aiming to expand or relocate their premises while obtaining favorable lease agreements within the new market conditions.



Source: Colliers International research

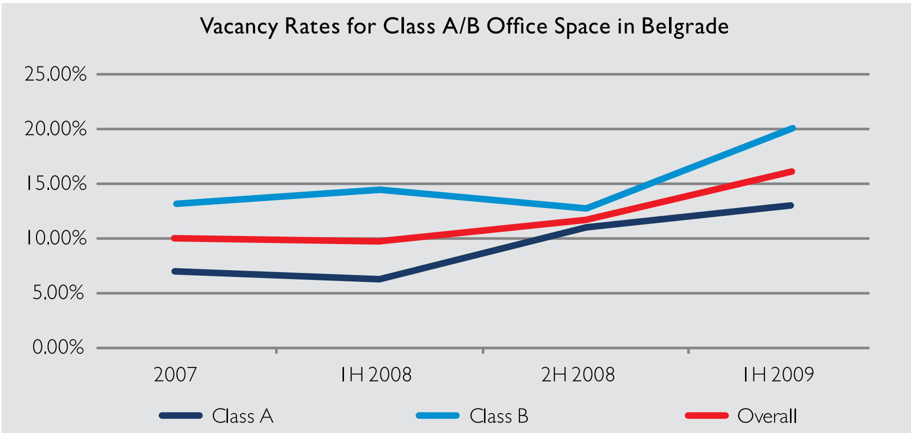
SELECTED OFFICE TRANSACTIONS IN 1H 2009			
Tenant	Building	Location	Size (m2)
KBC Group	Airport City Belgrade	CBD	4,500
Forma Ideale	GTC Square	Broad Center	1,860

Vacancy Rate

The multitude of new Class A/ B office projects under construction that are marketed in the pre-lease period and the subsided office demand kept the vacancy rates on the upward trend in the first half of 2009. The overall vacancy rate for both Class A and B office space marked 16.0% in 1H 2009. Class A vacancy rate increased from 11.0% in 2H 2008 to 13.2% in 1H 2009. Class B office space marked a more significant increase in vacancy rate, coming from 13.0% in 2H 2008 to 20.9% in 1H 2009.

According to Colliers research, the total vacant office space in Belgrade market presently amounts to 31,600 m2 of Class A and 33,500 m2 of Class B space.

With large quantity of office space coming on line for delivery in 2009/2010 period, the vacancy rates will expectedly increase further in the following period.



Source: Colliers International research

Rents

In the first half of 2009, the achieved net rents for both Class A and Class B office space in the Belgrade market continued to decrease, coming to the average EUR 14.1/ m2/ month for Class A and EUR 11.5/ m2/ month for Class B office space.

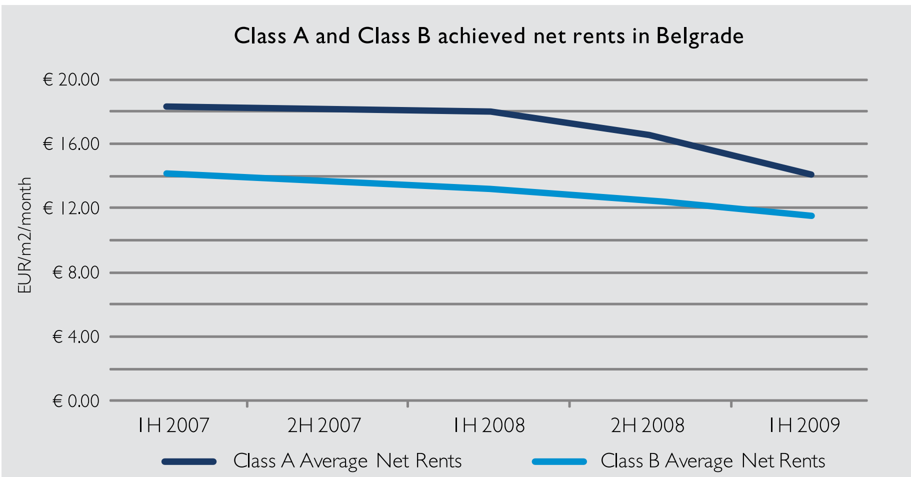
In the first half of 2009, net rents in Belgrade recorded the highest decrease rate since the start of modern office space development in 2002/ 2003 period. Compared to the levels recorded at the end of 2008, the achieved net rents marked a 15% decrease for Class A and an 8% decrease for Class B office space.

The average asking rents mark around EUR 15.5/ m2/ month for Class A and EUR 12.8/ m2/ month for Class B developments.

The CBD area traditionally features the highest net rents, recording the average achieved rents of EUR 15.5/ m2/ month for Class A and EUR 13.5/ m2/ month for Class B office space.

The Broad Center area marked the average EUR 14.5/ m2/ month for Class A and EUR 11.0/ m2/ month for Class B office space.

The suburban area traditionally marks the lowest office rental levels in the Belgrade market. At mid 2009, the suburban rents marked EUR 11.5/ m2/ month for Class A and EUR 10/ m2/ month for Class B office space.



Source: Colliers International research

Forecast

- Approximately 300,500 m2 are set for delivery by the end of 2010. Delays in delivery dates are possible in light of the current market conditions.
- The most distinguished projects under construction are Bluecenter Office Building (Class A, CBD, GBA 35,000 m2), Tri Lista Duvana (Class A, CBD, GBA 11,700 m2), Airport City 1700 (Class A, CBD, GBA 12,000 m2), etc.
- The office supply will further exceed demand levels by the end of 2009.
- With the delivery of projects under construction, vacancy rates are expected to further increase in the following period (2009/ 2010).
- Net rents are expected to further decrease by the end of 2009.

VISIT OUR NEW WEBSITE AT WWW.COLLIERS.RS

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

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

COLLIERS INTERNATIONAL