

HOT TOPICS

- The total stock of modern logistics space in Belgrade and in the settlements in its close proximity, surpasses 600,000 sq m, while the total stock in Serbia exceeds 1,400,000 sq m
- The year 2015 was marked by new developments and investments in the distribution and manufacturing sector
- Rental prices remained stable, depending on the location, quality, and size of the property

Serbia essentials

Population (Census 2011)	7,186,862
Number of Households (Census 2011)	2,487,886
Average salary (EUR) December 2015	423
Average Household Expenditure (EUR) Q3 2015	488
Unemployment rate (Labor Force Survey – Q3 2015)	16.7%
GDP Q3 2015 (y-o-y)	2.2%
CPI December 2015 (y-o-y)	1.5%

Belgrade essentials

Population (Census 2011)	1,659,440
Number of Households (Census 2011)	606,433
Average salary (EUR) December 2015	546
Average Household Expenditure (EUR) Q3 2015	524
Unemployment rate (Labor Force Survey – Q3 2015)	18.7%

Source: Statistical Office of the Republic of Serbia

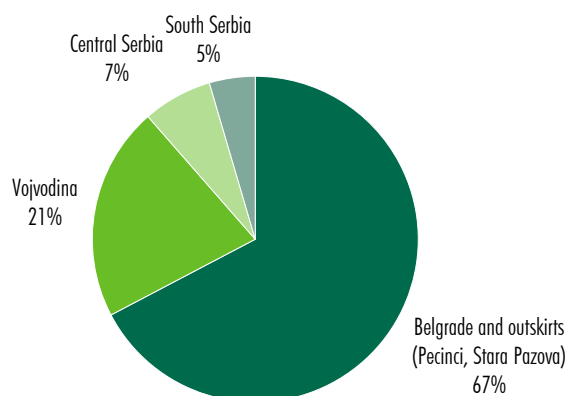
INDUSTRIAL AND LOGISTICS MARKET OVERVIEW

Pupin's Bridge on the Danube that connects Zemun and Borca settlements was officially opened in December 2014. This bridge represents one of the most important infrastructure projects in the previous few years, being the basic infrastructure precondition for further improvement of this area.

Belgrade logistics market is mainly situated around the network of major roads in the settlements on Belgrade outskirts, such as Dobanovci, Ugrinovci, Zemun and in the Port of Belgrade. Thanks to their favorable locations, the municipalities in Belgrade vicinity, such as Stara Pazova and Pecinci municipalities (including Simanovci settlement) are also very attractive, accounting for the significant share of the modern logistics stock.

The total supply of modern logistics space in Belgrade municipality, in conjunction with the total stock in the settlements in its close proximity, surpasses 600,000 sq m while the total stock in whole Serbia exceeds 1,400,000 sq m.

INDUSTRIAL STOCK – MARKET SHARE PER LOCATION



Source: CBS International, part of the CBRE Affiliate Network

As far as the distribution sector is concerned, a few notable investments have led to the increase in the total stock in the recent period. Namely, Austrian developer Eyemaxx has completed the first phase of its Logistics Center in Novi Banovci, which comprises 17,500 sq m. A well-known international transport and logistics company Gebruder Weiss has expanded its existing complex in Dobanovci by 9,000 sq m of logistics space and 1,300 sq m of office and circulation space.

Furthermore, one of the main food chains in Serbia, Belgium Delhaize group has opened its distribution center in Stara Pazova municipality. This modern distribution center which contains over 100 loading and unloading positions, occupies the area of 70,000 sq m with ability to be expanded up to 125,000 sq m. In the immediate vicinity, Delta transportation system completed the first phase of the project Delta's Distribution and Logistics center, totaling 20,370 sq m with 26,000 pallet places. The second construction phase should include the development of additional 15,000 square meters.

In addition to the greenfield investments in the distribution and logistics sector, the investments in the manufacturing sector are also intensified with numerous ongoing and announced projects for development.

Going from the north, the city of Subotica has witnessed the completion of the first factory of renowned jewelry producer Swarovski. In addition, German company Continental (ContiTech Fluid) plans to invest EUR 17 million into further expansion of its operating plant in Subotica, by developing additional 12,000 sq m. After completion of its factory in Subotica, an Italian underwear brand Calzedonia has continued the expansion by opening of a new factory of 9,000 sq m in Ruma in May 2015. Ruma has been also selected by Chinese-Danish company EverRest production which recently opened the production facility for memory foam, totaling 30,000 sq m.

German Draexlmaier group aims to develop another hall of 13,000 sq m within its operating complex in Zrenjanin's industrial zone Bagljac. Sika, Swiss producer of materials for hydro insulation, opened the factory of 4,300 sq m in the settlement Simanovci. The first Dr.Oetker factory in Serbia was also completed in Simanovci settlement, covering the area of app. 8,000 sq m.

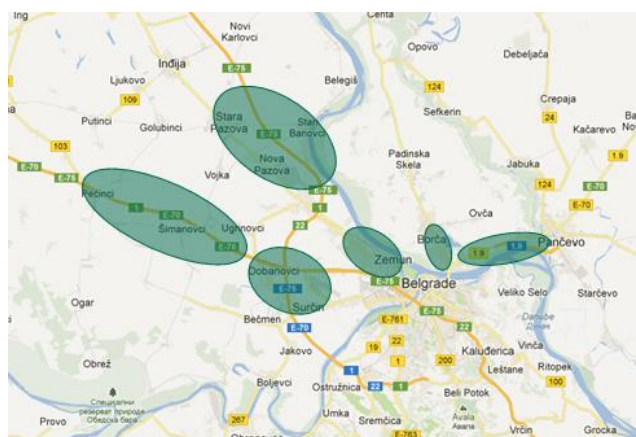
Central and south parts of Serbia were also recognized by international manufacturers, as attractive destination for their businesses. An Italian company Vibac opened the production factory of 70,000 sq m in the city of Jagodina.

A renowned German company Henkel invested EUR 21 million into new manufacturing plant of 5,500 sq m, which is situated in the city of Krusevac. After Prokuplje, Leoni has selected the city of Nis to develop 25,000 sq m large factory for the production of electrical cables for the automotive industry. The most recent opening was noted in the city of Vranje, where Italian shoes manufacturer Geox opened the factory of 20,000 sq m.

American Lear and British Delphi are the most recent entrants, who will both establish their businesses in the city of Novi Sad, by reconstructing and developing the facilities of 30,000 sq m and 18,000 sq m respectively.

The demand is usually coming from world-renowned companies who have recognized country's potential and decided to locate operations in Serbia. On top of the Stabilization and Association Agreement (SAA) with the EU, Serbia offers several free trade agreements in the region, therefore serves as a manufacturing hub that enables duty-free exports to the market of almost 1 billion people. Others are attracted by highly-skilled, easily-trained, English proficient workforce and generous tax and incentives environment. Even with numerous investments in this property segment, Serbia is still lagging behind the countries in the region; however, favorable factors give Serbia an advantage which is yet to be exploited.

INDUSTRIAL STOCK IN BELGRADE

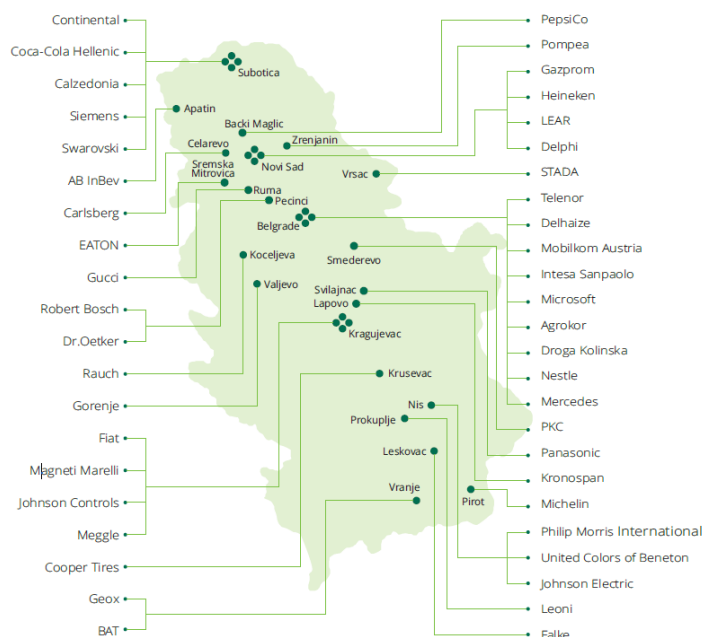


Source: CBS International, part of the CBRE Affiliate Network, locally prepared



LEAR, Novi Sad

THE LARGEST INVESTORS



RENTAL LEVELS

The rental prices were mostly stable during 2015. The prices for modern logistics spaces usually range between EUR 4-6/sq m/month, depending on the location, quality, and size of the property, while more sophisticated logistics premises may exceed this level thanks to highly advanced amenities and limited offer on the market. The rental levels for older facilities that lack modern features vary between EUR 2-3/sq m/month.

It is the common practice that rent prices are expressed per pallets, especially for modern logistics facilities and high bay warehouses (HBW) of 12 m height. High quality facilities at good locations which have flexible layout, 12-meter ceiling height, advanced HVAC and good accessibility can reach the rents of EUR 6-8/pallet/month.

LAND

Land prices for industrial land in Belgrade surrounding area and in key towns in Serbia vary between EUR 10-30/sq m, while the land suitable for commercial/retail development in Belgrade vicinity range between EUR 50-100+/sq m, depending on the location, access, infrastructural amenities and development efficiency. The prices for land suitable for commercial developments in attractive parts of Belgrade usually stand around EUR 200 per square meters of gross buildable area, while the premium locations in Belgrade can command even higher prices.

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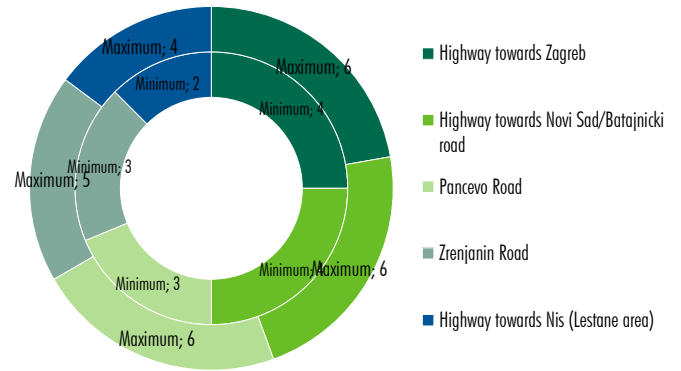
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THE RENTAL LEVELS (EUR/SQ M/MONTH)



Source: CBS International, part of the CBRE Affiliate Network

As per the land for residential development in Belgrade, the land prices may vary significantly, as they are determined by location and the positioning of the plot and development potential. In case of land lots enjoying solid residential investment potential, key city locations mark the following price ranges: prime Dedinje area EUR 800-1,000/sq m of the land lot, lower Dedinje area 400-600/sq m of the land lot, Vracar and city center area EUR 200-400/sq m of gross buildable area.

