

## Quick stats

	Change from H2 2010
Supply	↑
Vacancy	→
Rents	→

## S&amp;P'S LTFC Rating

BB/Stable

## Hot Topics

- Belgian Delhaize, has taken over Delta Maxi, for around EUR 900 millions
- Veropoulos opens its fourth store in Vozdovac, while Metro finishes its' third facility in Cukarica (seventh in Serbia).
- New delivery during H1 2011 was the opening of TCM in Mladenovac, totaling 8,800 sq m of GBA.

## H1 2011 From expert's point of view

Vladimir Mijatovic, Head of Retail:

"With a takeover of Delta Maxi group by Belgian Delhaize worth EUR 900 million, the door are expected to open for other large international market chains, which should increase the competitiveness and lower the prices, thus offering the consumers a choice to pick a better value for their money."

## ECONOMIC OVERVIEW

The World Bank had approved a financial guarantee to Serbia of up to EUR 300 million (\$400 million), in February, to help the country to support its budget and refinance its debts at a reduced cost.

Serbia and the EU signed bilateral protocol on the liberalization of markets for goods and services within the framework of Serbia's accession to the World Trade Organization (WTO) in January.

In accordance with the data from the Statistical Office of Republic of Serbia, the retail trade turnover in the Republic of Serbia in the period January - June 2011, compared to the same period 2010 decreased by 1.9% at current prices and by 13% at constant prices.

The industrial production in the Republic of Serbia in June 2011, when compared to June 2010, increased by 3.3% and in relation to 2010 average, it increased by 4.4%. In the period January- June 2011, relative to the same period 2010, industrial production increased by 4.8%.

The average net salaries and wages paid in the period January – June 2011 in the Republic of Serbia, compared to the average net salaries and wages paid in the period January – June 2010, rose by 10.6% in nominal terms and dropped by 2.2% in real terms.

Unemployment rate in April 2011(22.2%), increased by 3%, compared to October 2010, while in the city of Belgrade it amounted to 18.9%

## Key economic indicators - Serbia

	2008	2009	2010	2011F	2012F
Nominal GDP (EUR bn)	32.7	28.9	28.6	33.5	37.3
Per capita GDP (EUR)	4,443.5	3,942.7	3,917.1	4,607.4	5,150.4
Net FDI (EUR bn)	1.8	1.4	0.9	2.0	2.0
Real GDP, yoy (%)	3.8	-3.5	1.8	2.7	3.5
Inflation (CPI), yoy, avg. (%)	11.7	8.4	6.3	12.5	7.9
Unemployment rate (%)	13.7	16.1	20.0	19.5	18.8
Exchange rate RSD/EUR, eop.	89.8	96.2	106.1	100.0	103.0
Exchange rate RSD/EUR, avg.	81.5	94.1	103.1	101.0	101.5
Current account balance/GDP (%)	-21.6	-7.2	-7.3	-8.3	-7.8
FDI/GDP (%)	5.6	4.8	3.0	6.0	5.4
Budget balance/GDP (%)	-2.6	-4.5	-4.7	-4.5	-3.9
Total foreign debt/GDP (%)	66.7	78.9	83.3	77.7	77.8

UniCredit Group New Europe Research Network June 2011

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### BELGRADE RETAIL MARKET

In accordance with the official data published by the Statistical Office of the Republic of Serbia, retail trade turnover in Serbia in June 2011 compared with June 2010, decreased by 5.5% at current prices and by 16% at constant prices. Turnover of retail trade in period January- June 2011, compared to the same period of 2010 decreased by 1.9% at current prices and by 13% at constant prices.

In terms of turnover by type of goods for Q1 2010, food and non-alcoholic beverages accounted for the largest share of total turnover with 42.3%; followed by utilities costs (housing, water, electricity, gas and other fuels) with 16.4%. Both types have marked a share growth, as food and non-alcoholic beverages increased by 1.2%, while overhead costs rose by 1.7%, compared to their share from Q3 2010.

### SHOPPING CENTERS

Belgrade shopping center supply has been enriched with the opening of Pasino Brdo shopping centre in Vozdovac (app. 6,500 sq m of GLA), with the introduction of Roda supermarket and Mr.Bricolage "DIY store" as anchor tenants.

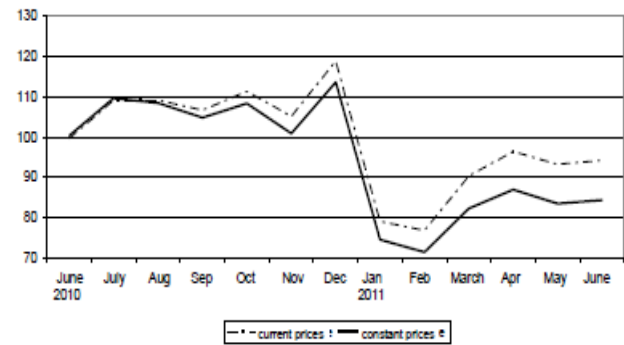
TCM shopping center, totaling 8,800 square meters, was opened in mid-April, in Mladenovac municipality. The shopping center features global and domestic brands such as New Yorker, Takko Fashion, Deichman, Sport Vision, Dexi Co kids, jewelry stores, coffee shops and restaurants.

The total stock of modern shopping centers in Belgrade, now holds app.160,000 sq m of GLA. New entry to the Serbian market is the Portuguese brand Parfois, with stores opened in Mercator Centre and Usce Shopping Center.

At the end of March Nis retail scene was enriched with the opening of the Forum Shopping Center in downtown Nis. The center holds at around 17,000 sq m of GBA, and has welcomed tenants such as Deichmann, Replay, Miss Sixty, Kilah, Energie, Guess, Liu Jo, Fornarina, Camper, Cesare Paciotti, Scotch&Soda, and others. The completion of Forum Shopping Center has increased the stock of modern shopping centers in Nis to app 32,000 sq m of GLA.

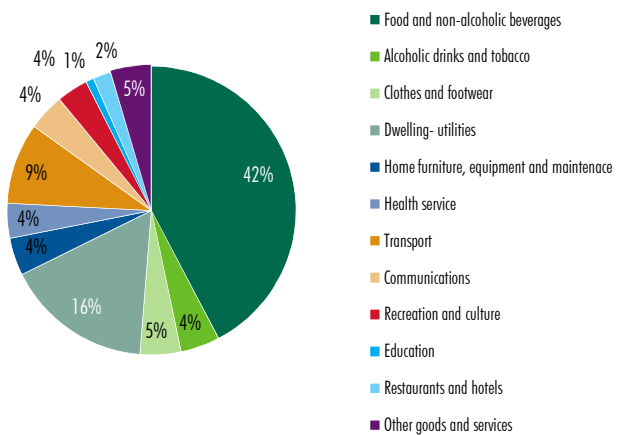
The Serbian retail park market segment is continuing its development initiative. After the first phase, Israeli investor Aviv Arlon completed the second phase of Retail Park Pancevo. The second phase includes around 6,400 sq m GLA, with the introduction brands such as Deichmann, JYSK, Takko Fashion and Peacocks. The second phase was officially opened in May, while the entire complex is planned for completion in six phases. Next phase is scheduled for completion in Q4 2011.

Retail trade turnover indices in Serbia (2010=100)



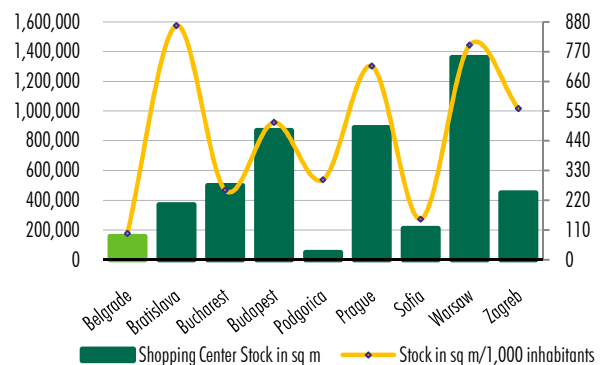
Source: Statistical Office of the Republic of Serbia

Average Serbia Household Expenditure Q1 2011



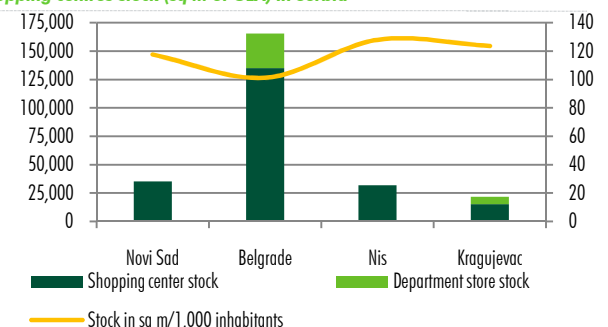
Source: Statistical Office of the Republic of Serbia, Household budget survey, Q1 2011

Stock (sq m of GLA) of modern shopping centres per 1000 inhabitants, in CEE capital cities Q1 2011



Source: CB Richard Ellis

Shopping centres stock (sq m of GLA) in Serbia



Source: CB Richard Ellis

**Selected modern shopping centres in pipeline in Belgrade and Serbia**

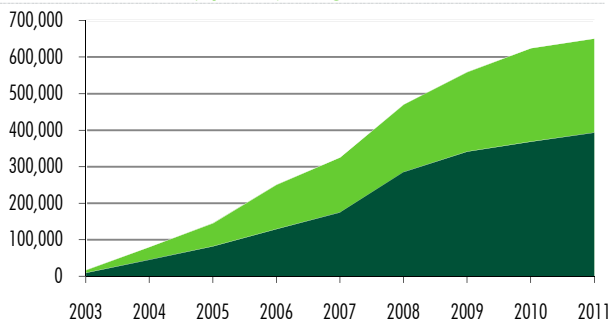
Project	Location	GBA (sq m)	Opening year planned
BIG CEE	Novi Sad	32,000	2012
Kragujevac Plaza	Kragujevac	80,000	2012
Fashion Park Outlet Center	Indjija	30,000	2012
Delta park	Kragujevac	23,000	2012
Visnjicka Plaza	Belgrade	100,000	n/a
Rajiceva	Belgrade	46,000	n/a

• GBA: Gross Building Area  
Source: CB Richard Ellis

**Belgrade prime retail rents (EUR/sq m/month)**

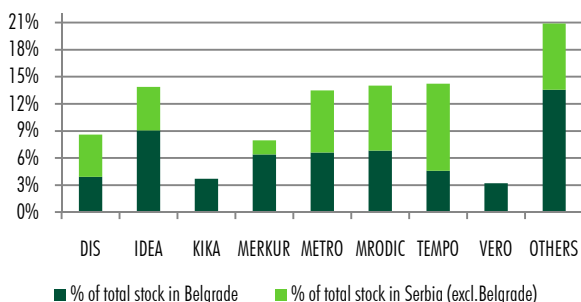
Location	Prime rents
Top- Knez Mihailova Street	Above 100
Prime- Terazije Square/Kralja Milana Street	50-100
Secondary- Kralja Aleksandra Boulevard	20-40
Modern Shopping Centres	25-50

**Warehouse retail stock (sq m GBA) in Belgrade and Serbia –H1 2011**



Source: CB Richard Ellis

**Big box size of selected retail operators in Belgrade and Serbia**



Source: CB Richard Ellis

With the obtainment of construction notice during May, Israeli company BIG commenced the construction of a shopping center, in Novi Sad industrial zone, incorporating 30,000 square meters of office and retail space and about 1,500 parking places. The cornerstone was laid in the first week of June and the construction should be completed within a 12-month period.

The construction of Fashion Park Outlet Center Indjija began in May 2011. The entire complex of Fashion Park will cover an area of about 30,000 m<sup>2</sup> under the building. The first phase of this outlet center will hold 15,000 m<sup>2</sup> and its delivery is planned for March 2012. Phases two and three are planned to be delivered in 2014 and 2015, and will encompass 5,000 and 10,000 sq m respectively.

**HIGH STREET RETAIL**

During the first year half, demand has recorded a stable trend for high street properties. Vacancy rates have decreased primarily in Knez Mihaila Street with the entrance of GAP, Sephora and Euro-Giunti. GAP and Sephora have picked locations in Knez Mihaila Street, while Euro-Giunti will be located close to Delijska cesma. Vacancy levels in other areas have mostly remained unchanged as of the year beginning.

The prime retail levels at top locations, in particular high street zone, have remained mostly stable, standing between EUR 50 and 100/sq m/month at prime locations, such as: Terazije Square and Kralja Milana Street, with top rents in Knez Mihaila Street. Secondary locations along Kralja Aleksandra Blvd., are retaining low vacancy levels, with rents stabilizing and ranging between EUR 20 and 40 per sq m.

**RETAIL WAREHOUSE**

Belgian Delhaize, has taken over Delta Maxi, for around EUR 900 millions, and has also opened the door for other large international market chains, which should increase the competitiveness and lower prices.

During April, IDEA company completed the takeover of six TUS's facilities in Serbia, totaling around 20,000 sq m of GBA. Metro C&C officially opened its' seventh store in Serbia, third in Belgrade located in Cukarica municipality on June 15th. This facility comprises 13,500 sq m of GBA, a parking lot for 400 vehicles and offers around 25,000 products.

After several delays, the fourth Veropoulos market in Belgrade, in Vojvode Stepe Street opened in April. The new shopping center totals around 7,000 square meters, out of which 2,000 square meters are occupied by a hypermarket offering around 16,000 products.

## FUTURE SUPPLY

Warehouse retail segment is expected to mark a notable expansion during 2011. After several indices, French market chain Carrefour and German market chain Lidl are yet to make their move into the market. Mercator Group has also announced its plans to expand its network with the opening of three more Roda Centers in Serbia by the year end.

Serbian shopping center market is to be enriched with a modern shopping center during the first quarter of 2012. The construction activity of Plaza SC in Kragujevac is showing that the development is currently on track.

In March, German Bauhaus signed an agreement with Delta Real Estate for the construction of the first Bauhaus retail store in Serbia, which will be situated in Block 53 in New Belgrade. This retail store will be a do-it-yourself store, holding over 20,000 square meters, and the construction works are planned to begin in early 2012.

## EXTERNAL TRADE AND TRADE AGREEMENTS

MARKET	TRADE REGIME
European Union	Preferential Trade Regime
United States	Generalized System of Preferences
Russia, Turkey, Belarus	Free Trade Agreement
South East Europe	CEFTA
Norway, Switzerland, Iceland, and Liechtenstein	EFTA

Source: SIEPA

## SERBIA MAP



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