



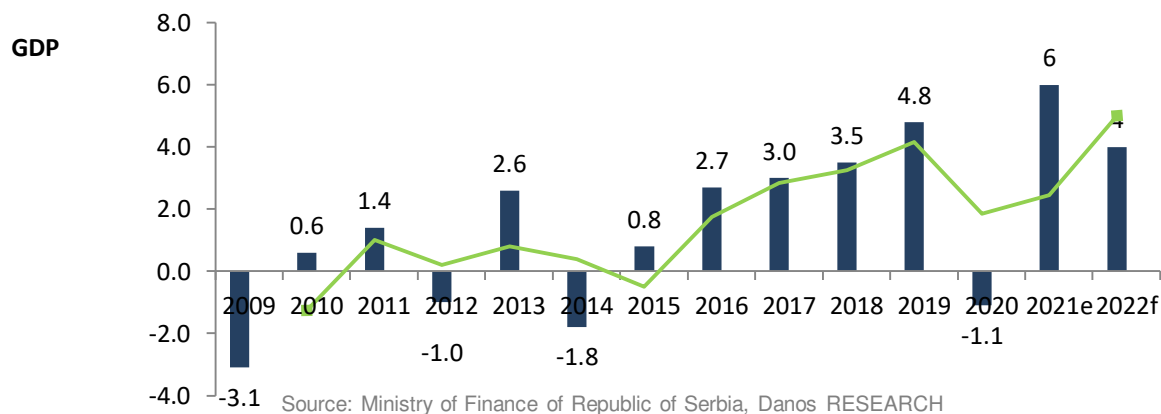
SERBIA MARKET REPORT S1 2021

First half of 2021 is seen as the first step to recovery of domestic economic activity

MACRO FIGURES

Economic recovery in 2021 was driven by domestic and external demand.

According to previous data, COVID-19 and the global slowdown have had smaller consequences for Serbia compared to most European countries due to the structure of the economy, achieved macroeconomic and financial stability, previous growth dynamics, created fiscal space and package of measures.



Serbia Economy S2 Overview

According to the SBS, in the first part of the year, GDP growth of 1,7% mg (+ 2,7% VAT) was achieved, which reached the pre-crisis level earlier than expected.

Growth was driven by construction and industry, which grew faster than expected. The service sector also made a positive contribution, despite the negative effect of the pandemic.

Economic policy measures have minimized the decline in GDP in 2020, while the additional package in 2021 will contribute to further GDP growth and return to the path of sustainable growth of about 4% in the medium term.

For 2021, forecasts are that it will amount to about 6%, while in the coming years the growth rate should stabilize at around 4,0%.

Economy persists in pandemic crises

In 2020, S&P and Fitch reaffirmed Serbia's rating at BB +, despite the global crisis caused by the pandemic. During this year, Moody's upgraded Serbia's credit rating to Ba2 in March 2021 with a stable outlook, and Fitch reaffirmed its rating at BB + as well as S&P in June, noting Serbia's increased resilience to the global crisis caused by the pandemic.

A recovery to pre-crisis output and growth levels in 2021 was driven by investment and private consumption.

FDI - The inflow of foreign direct investment reached record levels of about 8% of GDP. FDI inflows in the first five months of 2021 amounted to 1.4 billion euros.

In the period 2018-2020. Most FDI inflows continued to come from EU countries (78%), but with a growing share of Asian countries (18%), primarily China / Hong Kong and the UAE, as well as from the US and non-EU European countries such as Russia, Turkey and Switzerland.

Inflation Rate Slows Less than Expected to 3,3%

The annual inflation rate slowed to 3,3 percent in June of 2021 from 3,6 percent in the previous month, which was the highest in nearly four years, but above market expectations of 3,1 percent.

Inflation expectations of the financial sector for the year ahead according to the Bloomberg survey in July amounted to 2,8%. Short-term and medium-term expectations according to the Ipsos survey amount to 3,0%.

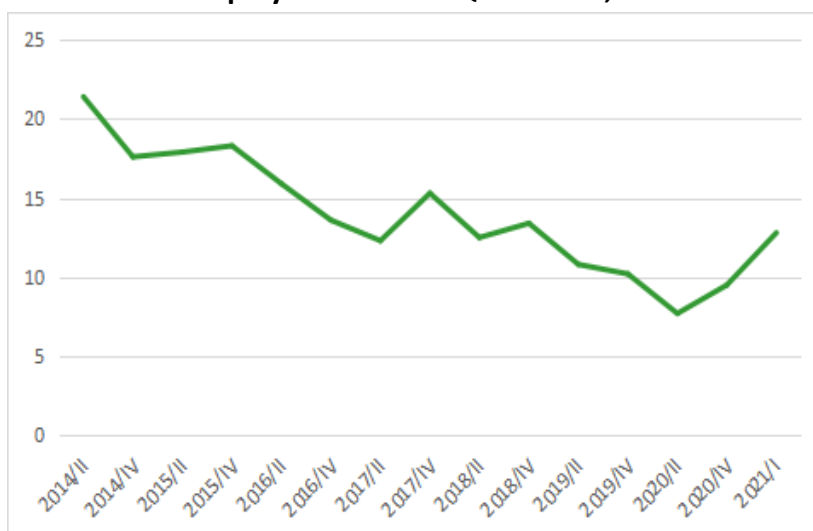
Consumer prices in June 2021, increased by 3,3% in relation to June 2020.

The stable movement of the dinar against the euro has continued since the beginning of 2021

The employment rate in 2021 was 46,3%, while the informal employment rate was 10,9%.

Salary growth in April was recorded in almost all activities of the economy, with a significant acceleration of growth compared to March was driven by faster wage growth in the private sector and present in the ICT sector, financial sector and manufacturing. In the period January-April 2021, the average net salary amounted to 63,912 dinars and was higher by 8,0% year-on-year, with growth accelerating in almost all activities. Particular emphasis is placed on growth in the sectors of manufacturing, trade, ICT, professional and scientific activities and construction.

Unemployment rate in Q1 2021 12,80%.



Source: Ministry of Finance of Republic of Serbia, Danos RESEARCH

OFFICE MARKET REPORT S1 2021

During 2020, construction activity was high in all segments of the market in Belgrade and wide Serbia as well. The end of 2020 seen delivery of nearly 100,000 sqm of office space in Belgrade, and the trend continue in 2021. Over 100,000 sqm of office space is expected to be completed by the end of the year by current investors plans.

PIPELINE OFFICE PROJECT			
Project/Investor	Location	Area (sqm)	Status
NCR	New Belgrade	30.000	Under construction
N House	Block 21/New Belgrade	10.700	Under construction
Green Heart / GTC	New Belgrade	46.000	Under construction
BIG CEE office project	New Belgrade	90.000	Announced
Airport City 5th phase	Block 65/New Belgrade	15.000	Announced
Skyline / AFI	Belgrade	30.000	Under construction
West 65 Tower	New Belgrade	70.000	Under construction
Navigator 2 / MPC	New Belgrade	27.000	Under construction
Delta Holding	New Belgrade	23.000	Announced
Green Escape/Imel Group	New Belgrade	69.000	Announced

Source: Danos RESEARCH

prime
yields

8,5%

Class A office buildings in CBD €/sqm
15-16,5

Class B office buildings €/sqm
10-12



BELGRADE OFFICE MARKET

The year 2021 is going with no new completions noted across Belgrade but the construction activity remained stable with several developments entering their final stage.

The total stock was brought up to almost 1 million sqm.

The new office development pipeline scheduled for completion in the next two years is 240,000 sqm, out of which over 120,000 sqm is expected to be completed by the end of 2021. Out of this new stock, the most developments are concentrated in district New Belgrade.

The demand still did not reach the pre-COVID-19 levels, which affected a slight increase in the vacancy rate. The overall vacancy has reached a level of 8,5%. This increase had no effect on rental prices which continued their stable trend.

Due to the pandemic, an increasing number of co-working spaces appear on the market, which enable a working atmosphere, the possibility of establishing business contacts and the possibility of access to offices 24/7.



Vacancy rate
8,5 %

MARKET TRENDS GRADE A OFFICES

TOTAL A AND B OFFICE STOCK BELGRADE	940.000 sqm
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Demand	
Vacancy	
Rents/Sale	
Short term outlook	

Source: Danos RESEARCH





RETAIL MARKET REPORT S1 2021

INVESTMENTS IN RETAIL HAVE CONTINUED

OVERVIEW

After the opening of the largest shopping center in the region BW Galerija in Q4 2020, there were no new deliveries recorded in the capital since the beginning of the year. Due to the pandemic situation in Serbia, the measures in force were changing over the quarter and resulted with implementation of complete shopping centers' closure in mid-March which was extended to April.

The shopping center West 65 Mall is under construction and scheduled to be opened in fall. Besides this shopping center, there are multiple retail schemes constructions in the capital outskirts.

Capitol Surčin and the largest retail park Ava Shopping Park are being developed at this moment, expecting to be opened by the end of this year or in the first quarter of 2022. Additionally, upon acquisition of 15,000 sqm Zemun Retail Park, Marera Properties has announced an new development of an existing retail park for around 8,000 sqm.

MARKET TRENDS

Demand	➔
Vacancy	➔
Rents/Sale	➔
Short term outlook	➔

**PRIME SHOPPING
CENTER STOCK-Belgrade**

430.000 sq m GLA

Source: Danos RESEARCH

**prime
yields**



Rents - 26eur/sqm - 28eur/sqm

Shopping centers – 8,20%
Retail Parks – 8,7%



LOGISTIC MARKET REPORT

The logistics and industrial market has become one of the most progressive and fastest-growing sectors in the real estate industry, showing the most resilience during these difficult times caused by the pandemic of COVID-19

OVERVIEW

Demand on the market remains stabile.

Transactions on the logistics and industrial market have proven once more that Serbia is an attractive destination for international investors, with attractive yields in logistics markets.

LOGISTICS REAL ESTATE MARKET

City of Belgrade with its surrounding area remains the wealthiest region equipped with efficient infrastructure, representing the main logistics spot. The most dominant companies on the industrial and logistics market, CTP, Konstruktor and IPB, continue to invest in the development of new facilities in the prime industrial zone.

CTPark North delivered new logistics facilities, phase I and distribution center of Delhaize, in the beginning of 2021. The first quarter remained stable, and no new projects were opened in this period. However, light industrial projects continue to develop across the country.

During the first quarter, the largest completion was the opening of the Continental factory in Novi Sad. This is the first part of a €140 million investment this German automotive electronic producer has announced in Serbia. This opening was followed with several other smaller investments around the country.

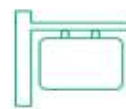
Construction of Lidl logistic center, one of the largest in the region started in municipality Lapovo. In area of 60,000 sq. m distribution center will be located in industrial zone, next to the highway E-75.



960.000 SQM
STOCK



€4.25/SQM · PRIMARY
LOCATION RENTS



5% · AVRG
VACANCY
RATE



9 % PRIME YIELD

Source: Danos RESEARCH



RESIDENTIAL MARKET REPORT

Real estate sales have returned in the direction of growth, and the pandemic has not brought down the price per square meter so far.

OVERVIEW

During 2021, the trend of building a large number of residential and business premises throughout the country continued.

Demand for apartments and houses continues to grow, and with it, prices have maintained their level and even increased in a pandemic.

SERBIA RESIDENTIAL MARKET

Investing in apartments has proven to be the safest way to invest and protect capital. Slightly, this growth in the last quarter was also affected by quite favorable loans for the purchase of real estate, but cash payments still predominate in that market.

The real estate market in Belgrade is the largest market in Serbia. Old buildings are mostly found in the center of the city, but in other parts, apartments for sale in newly built complexes are also attractive. The value of a square meter in the center of Belgrade remained at an average of 2,500 euros, and the most expensive square meter was sold for over 9,000 euros per square meter. The price of old buildings is higher than anywhere else in Serbia and amounts to about 1,700 € / m².

In addition, the current trend in Serbia is followed by other large cities such as Nis (growth between 5 and 15 percent) and Novi Sad.

New developments

Looking at market flows in general, there is a period of growth, stagnation and decline in every economy. Specifically, until last year, there was a high growth in the value of real estate, after that, during 2020 and so far in 2021, there was stagnation and a slight increase, while for the very end of the current and beginning of next year, a decline is expected.

RESIDENTIAL PROJECTS			
Project	Location	Total size sqm / Units	Status
WEST 65 TOWER	Novi Beograd	40346 / 294	Under Construction
WELLPORT	Novi Beograd	50000 / 500 in phases	Under Construction
SAVADA 3	Novi Beograd	26302 / 195+48	Under Construction
PARK 11	Novi Beograd	29000 / 134	Finished
SAKURA PARK	Novi Beograd	37500 / 228	Under Construction
ZEPTERRA	Novi Beograd	75000 / 227	Under Construction
THE ONE	Novi Beograd	91000 / 230	Under Construction
NEW MINEL	Novi Beograd	61000 / 328 in phases	Under Construction
KENNEDY RESIDENCE	Novi Beograd	38000 / 170	Under Construction
PETICA	Novi Beograd	60000 / 308	Under Construction
TAURUNUM XXL	Zemun	Na / 75	Under Construction
ZELENA AVENIJA	Zemun	35000 / 400 (a+cs)	Under Construction
TRI NOVE	Zemun	22740 / 254+5	Under Construction
K.DISTRICT	Stari Grad	N/a / 399	Under Construction
ELIKSIR GARDEN	Novi Beograd	50900/237+20	Under Construction

Source: Danos RESEARCH



TOURISM & HOTEL MARKET REPORT S1 2021

Hotel and Tourism Industry has been one of the worst affected industries from the pandemic COVID-19. Serbian Government has provided measures in order to help tourist sector but many of the companies were closed down not being able to weather the crises. Also, hotels move from working on the minimum capacities while covering mostly needs of the local market and welcoming new tourists.

OVERVIEW

Since the beginning of the COVID-19 pandemic, global economic development and growth have dramatically changed. Several economic sectors faced extreme financial losses immediately, and it is difficult to tell at this time if they will and at what time recover. The sector of tourism is among those that has been affected the most.

Although Serbia has a favorable geographical position and beautiful landscape, the market possibilities of the tourism sector within it never were fully realized.

The order of events in this sector in Serbia due to a pandemic was the same as the rest of the world.

Monthly survey on arrivals and guests' overnight stays covers all types of accommodation establishments (hotels, boarding houses, motels, apartments, camp sites), thus providing complete coverage. However, certain number of tourists accommodated in establishments owned by physical persons (private rooms, houses and dwellings) is not included as the guests are not registered. Statistical survey on tourist agencies covers agencies with head offices in the Republic of Serbia, which possess the license to mediate in tourism operations.

In the Republic of Serbia, in May 2021, compared to May 2020, number of tourist arrivals was by 307.5% greater, while number of tourist overnight stays was by 243.2% greater.

In May 2021, compared to May 2020, number of overnight stays of domestic tourists was by 188.1% greater, while number of overnight stays of foreign tourists was by 689.4% greater.

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