

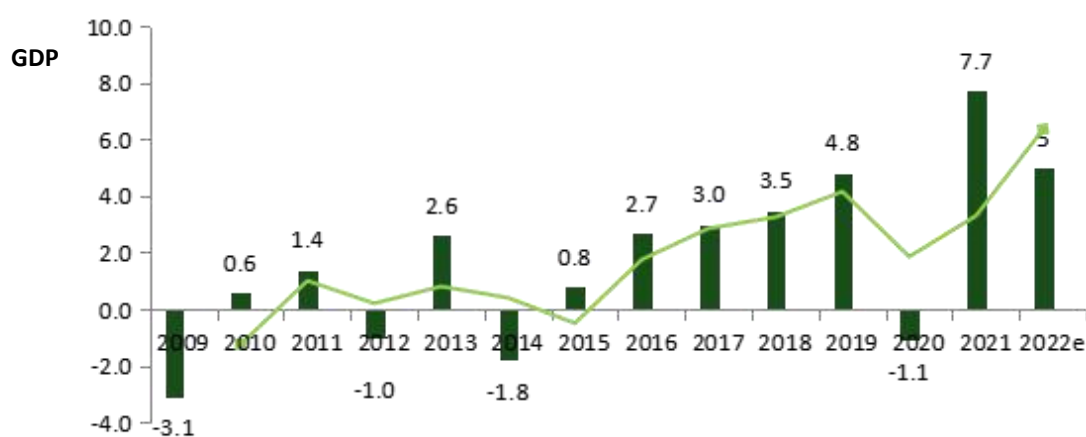
SERBIA MARKET REPORT S2 2021

The Serbian economy is expected to return to pre-pandemic growth levels

MACRO FIGURES

The Serbian economy started to show signs of recovery in the first half of 2021. In 2021, there was optimism at the global level that potentially all economic losses would be compensated in the current year.

According to previous data, as 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, Serbia sustained macroeconomic stability.



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

SERBIA ECONOMY S2 OVERVIEW

In Q1 2021 GDP recovery of pre-crisis level was accomplished. In Q2 GDP growth reached 13.7% y/y. Growth of 7.7% was achieved until the end of the year.

Economic developments in 2021, are the result of growing activity in industry, construction and the service sectors. Taking into consideration new investments with planned infrastructure projects in following years, estimations bring upward the projection of medium-term growth from 4% to range from 4%-5%.

Expectations for 2022 are new strong investment cycle.

Economy recovers to pre-crisis level

During this year, Moody's upgraded Serbia's credit rating in March 2021 ("Ba2"), while Fitch and S&P maintained their credit rating at "BB+", confirming macroeconomic stability and favorable growth prospects, as well as the adequacy of economic policy before and during the crisis.

FDI - 2021 recorded the continued high inflow of foreign direct investments, amounted in EUR 3.6 bn.

Most of foreign direct investments arrived from EU members.

The largest foreign direct investments inflow was recorded from the Netherlands, Germany, Austria, Cyprus, Slovenia, Hungary and France.

Followed by inflow of foreign direct investments from European countries outside the EU, Switzerland and the United Kingdom.

Foreign direct investments inflows from the Asian continent came mostly from China. As well as part of the inflows came from North America - United States.

The current level of inflation during Q1 2022

At the beginning of 2021 the absence of the higher inflation was the result of lower growth of food prices.

Average inflation in 2021 stood at 4.0%

Rising food and global fuels prices were followed with higher inflation outlook. Overall inflation stood at 7.9% at the end of the year. Y-o-y inflation was determined by factors that monetary policy has no influence on, the prices of energy and food.

The expectations until the end of 2022 is stabilize close to the mid-point of target tolerance band.

CPI - Prices of goods and services used for personal consumption in December 2021 in relation to November 2021 increased by 0.4% on average. Prices of other goods and services mostly remained unchanged.

The Serbian dinar remained stable against the euro since the beginning of 2021.

In 2021 productivity recorded growth again and was a main driver of growth, together with strong investments. The employment rate in 2021 was 50.0%, the highest level archived considering previous years. While the informal employment rate was 10.5%.

According to SORS, the average salary in 2021 is nominally higher by 8.9%, and real by 4.6%.

Y/Y wage growth until the end of the year was recorded in almost all sectors, private and public.

The average net salary in the period January - October 2021 was 64,645 dinars and y/y is higher by 8.9% and it is led by faster private sector growth salaries and also influenced by labour shortage.

Unemployment rate in 2021 10.5%.



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

OFFICE MARKET REPORT S2 2021

In 2021 Serbian Office market remains among the most attractive market segments, followed by retail, industrial and logistics. The largest investment transaction in Belgrade's office market were recorded in this year

PIPELINE OFFICE PROJECT			
Project/Investor	Location	Area (sq m)	Status
AFY CITY ZMAJ	Belgrade	70.000	Announced
B23 OFFICE PARK	New Belgrade	57.000	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	Under construction
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	Under construction

Source: Danos RESEARCH

prime
yields

8 %

Class A office buildings in CBD €/sqm
15-16.5

Class B office buildings €/sqm
10-12



BELGRADE OFFICE MARKET

The Belgrade Office market was very dynamic in 2021, driven by large portfolio deals.

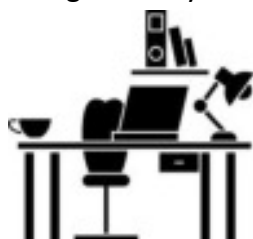
The total stock was brought up to over 1 million sqm.

The office market continues to be the main focus of the investors primarily due to its healthy fundamentals. Demand remained strong, despite the overall situation, with the IT sector as the key demand driver and an above-all favourable vacancy rate.

The office leasing expansion has returned to pre-pandemic levels. New pipeline projects and developments shows that investors recognized a strong movement in office leasing activity, which persists in whole 2021.

Investment yields in the Balkans region are still considerably higher compared to other parts of Central and Eastern Europe. The yields for prime offices in Belgrade staid in range between 8.00-8.75%. The asking rental values remained at the same level as in the previous period. The vacancy rate has continued its downward trend and decreased from 8.5% to 7.7% at the end of 2021. Further decrease of vacancy rate is expected having in mind that majority of pipeline projects are set for completion during 2022.

During 2021, a numerous projects of reconstruction of existing premises into modern business premises of the new generation was noticed. The trend of co-working spaces as well as the work of employees from home has grown significantly in 2021.



Vacancy rate
7.7 %

MARKET TRENDS GRADE A OFFICES

TOTAL A AND B OFFICE STOCK BELGRADE	Over 1.million sq m
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Demand	
Vacancy	
Rents/Sale	
Short term outlook	





RETAIL MARKET REPORT S2 2021

SLOW DOWN IN RETAIL DEVELOPMENT ACTIVITIES

Overview

After a strong development cycle in retail segment in the previous period, development activity has slowed down in 2021.

Until 2021, 4. modern type shopping centers, 4. retail parks and 1. neighbourhood mall were delivered to the Belgrade retail market.

Take up in retail segment was recorded at the mid year with Retail park Obrenovac with nearly 15,000 sqm and at end of the year mostly thanks to pre leases within West 65 Mall amounting to nearly 10.000 sqm.

Currently, Swedish IKEA is under construction with Retail Park Ava, which is planned for 2022. Construction is next to the existing IKEA and it will enlarge retail supply in the capital for additional 30,000 sqm.

Marera properties announced expansion of Zemun Retail Park for additional 8,000 sqm.

MARKET TRENDS

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

**PRIME SHOPPING
CENTER STOCK-Belgrade**

445.000 sq m GLA



New opennings

West 65 Mall
Retail Park Obrenovac



8 %

Rental levels in Belgrade

26eur/sqm - 28eur/sqm





LOGISTIC MARKET REPORT

The logistics and industrial market has become one of the most attractive segments on the real estate market, showing the most resilience during these difficult times caused by the pandemic of Covid-19

OVERVIEW

During 2021 demand on the market increased.

Transactions on the logistics and industrial market have proven once more that Serbia is an attractive destination for international investors. Investment yields are still considerably higher compared to other parts of CEE.

LOGISTICS REAL ESTATE MARKET

The industrial and logistics sector in Serbia notes an increase in the number of domestic and foreign investors developing logistics and industrial facilities for speculative purposes, but also for their own needs. The total supply of modern industrial space in Belgrade and its vicinity exceeds 2.2 million sq m at the end of H1 2021.

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. In 2021, CTP acquired 27.5 hectares of land to develop CTPark Belgrade City, a 130,000 sqm logistics and technology facility, which will become Serbia's largest logistics and technology facility to date.

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 opening was followed with several other smaller investments around the country.

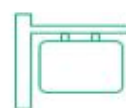
Lidl logistic center, one of the largest in the region is in construction in municipality Lapovo. In area of 60,000 sq. m distribution center is located in industrial zone, next to the highway E-75.



960.000 SQM
STOCK



€ 4.25/SQM PRIMARY
LOCATION RENTS



5 % A V R G
VACANCY RATE



8 % PRIME YIELD

RESIDENTIAL MARKET REPORT

Residential market remained the strongest real estate segment. Real estate sales have returned in the direction of growth, and the pandemic has no influence on 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 2021, newly built as well as old built.

SERBIA RESIDENTIAL MARKET

Investing in apartments has proven to be the safest way to invest and protect capital. Slightly, this growth in the 2021 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 remains the largest market in Serbia. New developments expanded across all Belgrade areas bringing positive outlook in residential market. Announced project Dunavgrad will bring mixed-use development in area of 293ha. The construction activity remained high in cities around Serbia. Every city has at least one project under construction or announced.

In 2021, the prices of apartments in Belgrade in the old building increased by 16 percent, and in the new building by 11 percent. The price of old apartments in Belgrade remains higher than anywhere else in Serbia. The average realized price for old build was 1.550 eur per sqm and for newly built 2.145 eur per sqm. The current trend growth between is between 15 and 20 percent. The RGZ report states that the same trend of increasing the price of old apartments is recorded in other large cities in Serbia - Novi Sad, Nis and Kragujevac. In these cities, the square in the old building in the last three months of 2021 was from 9 to 16 percent more expensive compared to the end of 2020. In the same period, new prices rise by 7 to 9 percent.

New developments

Each year the number of new apartments is limited. Most are sold during construction and their price can rise while they are on the market. In Belgrade, it is up to 10,000 per year. There are about 600,000 old apartments. The huge offer and the existing demand are the reason for the higher growth of the price of the old compared to the new apartments in the last quarter.

Apartments between 50 sqm and 70 sqm are the most interesting for buyers.

RESIDENTIAL PROJECTS			
Project	Location	Total size sqm / Units	Status
BW WATERFRONT	Belgrade	By phases	Under Construction
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
SAKURA PARK	Novi Beograd	37500 / 328	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
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
ELIXIR GARDEN	Novi Beograd	50900/237+20	Under Construction



TOURISM & HOTEL MARKET REPORT S2 2021

Hotel and Tourism Industry has been one of the worst affected industries from the pandemic Covid-19. Pre-Covid levels are expected to return in 2023

Overview

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

The tourism sector in Serbia has been gaining growing importance for the economy in the past years.

However, these pandemic conditions influenced the current growth, and a slowdown is evident.

The varieties in demand imply that more diversified tourism offer is the goal per see in the following period, and more efficient brand positioning is needed. Foreign tourists are more interested in city breaks, while domestic ones prefer mountain and spa tourism. Domestic leisure demand was the key driver of hotel performance while provincial markets performed better than gateway and capital cities which typically rely more on international and business-related demand.

In November 2021, compared to November 2020, the number of tourist arrivals was by 86.4% greater, while the number of tourist overnight stays was by 51.9% greater. In November 2021, compared to November 2020, the number of overnight stays of domestic tourists was by 29.3% greater, while the number of overnight stays of foreign tourists was by 114.2% greater.

The corona virus pandemic in the tourism sector has mostly affected the decline in demand for international travel. Domestic tourism has become more popular than travel abroad, which is in line with predictions from the beginning of the pandemic. This interest also influenced the increase in prices in domestic tourism. Despite the epidemic and all the restrictions it brought, 2021 was a successful year for Serbian tourism. Domestic tourists were especially interested in the mountains and spa. The year was also marked by investments in tourism. The Gold Gondola on Zlatibor attracted special attention. This year Kopaonik was marked by luxury hotels with the reconstruction of the Grand Hotel and the opening of the new Viceroy Hotel. Belgrade enlarge offer with new Hotel Indigo.

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