Market Overview

BELGRADE

OFFICE | SECOND HALF | 2008

COLLIERS INTERNATIONAL

Our *Knowledge* is your Property

Economic Environment H1 2008

- Serbian GDP marked a 8.2% growth rate compared to the same period last year, amounting to the total of EUR 34.2 billion. GDP per capita was EUR 4,532.
- Unemployment rate in Serbia continues to decrease, reaching 18.6% at mid-year 2008, whereas in Belgrade it reached around 14.1%.
- In the first half of 2008, the inflation rate reached 12% rate compared to the previous six months
- In H1 2008, the national average monthly salary amounted to EUR 382, with an average EUR 467 in the capital
- FDI amounted to a modest EUR 800 million during H1 2008. Several important greenfield investments have been announced for the second half of the year.

Office Real estate highlights

- First half of 2008 brought the increase in the total office space stock by 18.5%, adding 66,000 m2 to the Belgrade market.
- Class A deliveries made up for a 75% share within the total new supply.
- New Class A supply is traditionally driven by the CBD area, with the most active construction recorded within the emerging business districts of New Belgrade.
- Belgrade pipeline amounts to 340,760 m2 of Class A and B office space currently under construction and set for delivery by 2010.
- Rental levels have slightly decreased in the first half of 2008, coming to the average asking net value of EUR 19/m2/month.
- The overall vacancy rate slightly declined to 9.8 % at mid 2008, down from 10.0 % at the end of 2007.

Supply

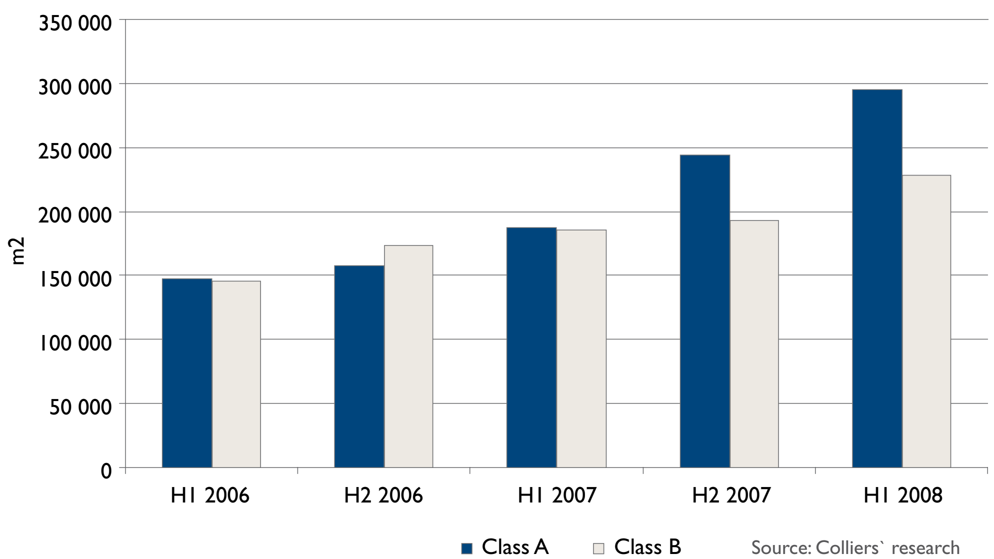
In H1 2008, Belgrade's total office inventory saw the delivery of 66,000 m2 of new office space, which is an 18.5% increase in the six-month period. Belgrade's total office inventory (including Class A and B offices) currently is slightly less than 518,000 m2.

Class A inventory marked an increase of 20% during H1 2008, amounting to 295,000 m2. Class B supply recorded a 15% increase, achieving the total supply of 223,000 m2.

In Belgrade, the building preferences continue to shift towards modern Class A developments, which accounted for 50,000 m2, or 76% of new supply in H1 2008. This number came as a result of deliveries of three contemporary office buildings – the third phase of Airport City Belgrade (two buildings) and 19th Avenue, both located in New Belgrade.

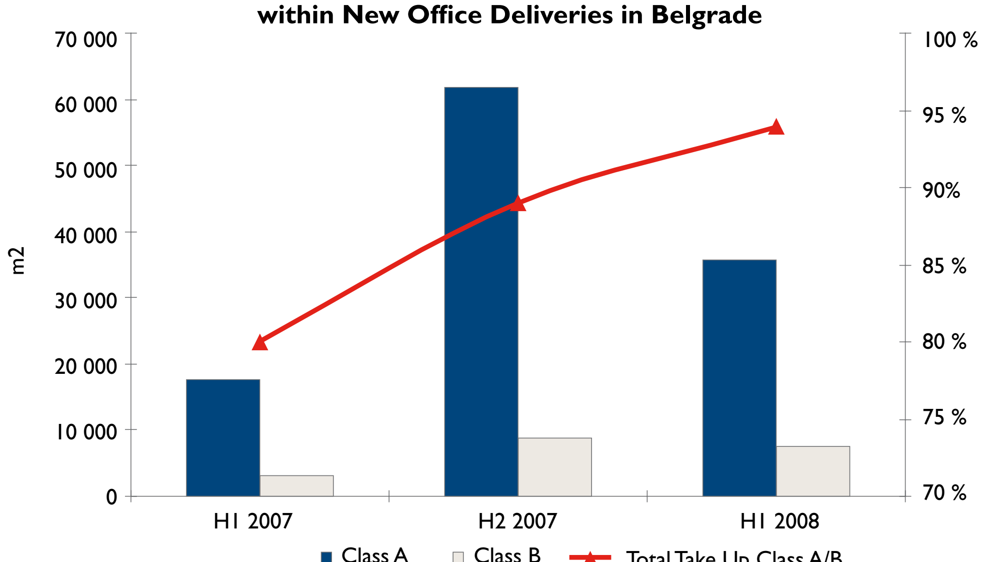
Total CBD inventory currently comprises 415,000 m2. However, Wide Center areas have begun to gain appeal due to the natural expansion of the city, more affordable rents and availability of parking spaces. The total new supply in the Wide Center was 18,000 m2, amounting to a total inventory of 73,000 m2 at mid-2008.

Total Class A/B Inventory in Belgrade in HI 2008



Source: Colliers` research

Net Absorption (Take up) within New Office Deliveries in Belgrade



Source: Colliers` research

DEMAND

The overall vacancy rate in Belgrade decreased slightly in H1 2008, decreasing from 10% at the end of 2007 to 9.8% at mid-2008. Despite recording fluctuations due to increasing office supply, the vacancy rate has followed a generally decreasing trend since H2 2006. The overall vacancy rate is likely to increase again within the following months, reaching 10-11% by the end of 2008, due to increasing volumes of new office supply in the Belgrade market.

VACANCY RATE

Total net absorption within the newly delivered Class A office space in Belgrade in H1 2008 is 99%, and 75% among Class B deliveries. The largest take-up was recorded in the CBD area, due to the fact that most of the office deliveries and existing buildings are located there.

RENTAL RATES

Rental rates for contemporary Class A office space in Belgrade have continued with a slight decline in H1 2008, with CBD prime net rents averaging EUR 18/m2/month. Larger office spaces (1,000-1,500 m2), achieve net rents of slightly under EUR 18/m2/month. Asking net rents for smaller spaces (100-500 m2) recorded EUR 21/m2.

Class A rents in Wide Center average EUR 17/m2/month, while rents in the suburban areas marked EUR 12/m2/month, with the rent decreasing to EUR 10/m2/month for longer leases.

Net rents for Class B buildings in Belgrade were in the range of EUR 11-14/m2/month, with Class B developments in prime CBD locations achieving the higher end of this range.

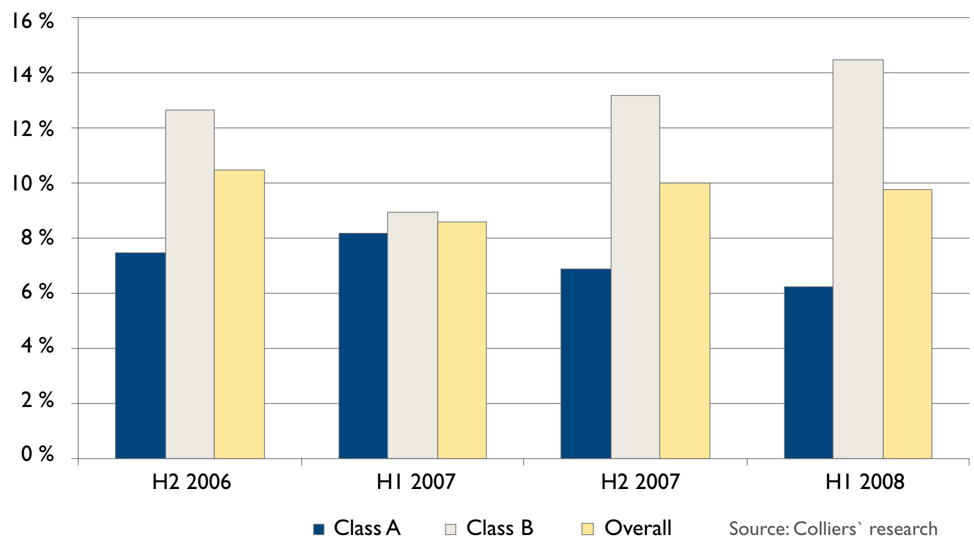
YIELDS

At mid-2008, the yields for Class A investments in Belgrade's CBD area still remain high - at levels around 8.5%. For Class A developments in Wide Center, the estimated yield is around 9%.

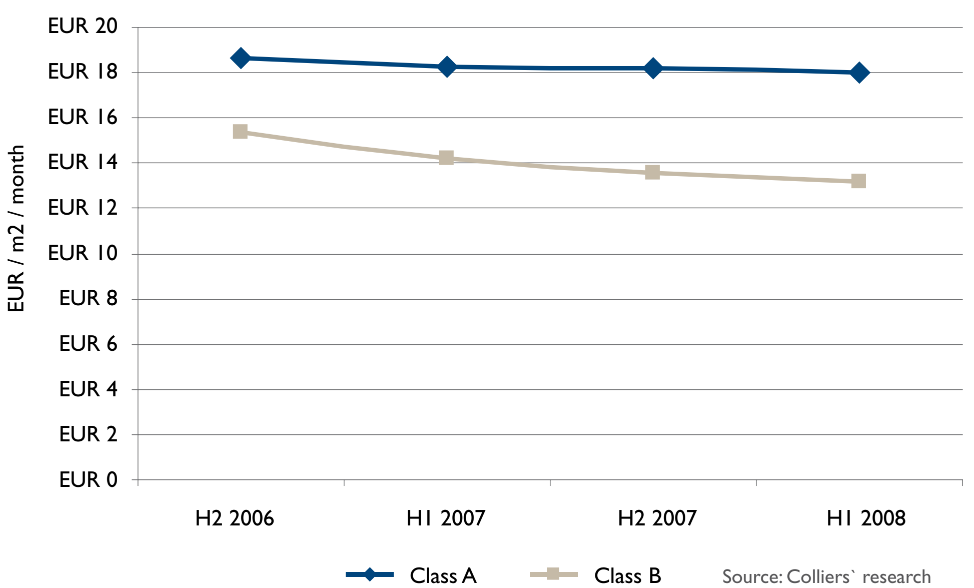
SELECTED OFFICE LEASE TRANSACTIONS IN H1 2008

PROJECT/CLASS	TENANT	LOCATION	AREA (M2)
Airport City Belgrade/A	Bayer	CBD	1,500
Airport City Belgrade/A	Elsys System	CBD	1,500
Airport City Belgrade/A	Johnson & Johnson	CBD	1,350
19th Avenue/A	European Commission	CBD	1,000
Airport City Belgrade/A	Heineken	CBD	680
Societe Generale	GRAWE Office building	CBD	500

Vacancy Rate for Class A/B Office Space in Belgrade



Average Achieved Rents for Class A/B Office Space in Belgrade



Forecast

- Due to delays in deliveries in the past year and emergence of new projects, total office space under construction amounts to 340,760 m2 at mid-2008.
- The total office space which is currently in final stage of construction and leasing process amounts to 107,300 m2. The expected delivery of these projects is 2H 2008.
- New deliveries planned for completion in H2 2008 include 90,295 m2 of Class A office space, while Class B will account for 16,948 m2.
- Class A projects which will first arrive on the market are Savograd (21,000 m2) and GTC Square (25,000 m2).

293 OFFICES IN 61 COUNTRIES ON 6 CONTINENTS

Americas 136
Asia Pacific 62
EMEA 95

80.6 million m2 under management

11,000 Professionals

CONTACT INFORMATION

Colliers International, Serbia
Bulevar Mihajla Pupina 115 D
11070 New Belgrade, Serbia
Tel: +381 11 3139955
Fax: +381 11 3139958
serbia@colliers.com
www.colliers.com

COLLIERS INTERNATIONAL