



# Market Overview

BELGRADE

RETAIL | SECOND HALF | 2008

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## 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.

## Retail Real estate highlights

- Retail market continues to develop in the first half of 2008, with the increased interest of foreign developers and retailers due to the establishment of a stable government providing Serbia a positive outlook.
- Belgrade supply has been increased by a Roda Cash & Carry hypermarket and the entrance of a Tus supermarket, both having been opened in June this year.
- Nis saw the opening of a 32,000 m2 GBA Mercator shopping centre in March, and Kragujevac experienced the final legal agreements and preparation work for two future shopping centres, to be developed by Plaza Centers and Supernova.
- Demand has continued to be strong, especially on the developers' side, who have sought locations in both the capital and across Serbia.
- Rental levels have remained stable in Belgrade, but have recorded an increase in the booming cities of Novi Sad, Subotica and Kragujevac.

## SUPPLY

The first half of 2008 did not witness any shopping centre openings in Belgrade, as opposed to the opening of two food-oriented developments – Roda Cash & Carry and Tus supermarket. With regard to other cities in Serbia, Mercator opened a shopping centre in Nis, and Tus continued its expansion throughout Serbia. The high street is to witness new supply as the company Robne kuće is set to refurbish its numerous department stores and offer space to new retailers.

## Shopping Malls

### STOCK AND NEW OPENINGS

At the close of 2007, the stock of modern shopping centres in Belgrade was 115,000 m2 GLA or slightly below 242,000 m2 GBA. Delta City shopping mall has maintained its prime status ever since its successful opening last November.

Mercator opened a 32,000 m2 GBA shopping centre in the third largest city in Serbia, Nis, in March this year. Mercator is also developing shopping centres in the cities of Sabac, Kragujevac and Valjevo, all scheduled for opening in the next six months.

### UNDER CONSTRUCTION

Immocentar at Belgrade's neighbourhood of Cerak (15,000 m2 GLA), developed by MPC Holding, is scheduled for opening by the end of 2008. The opening of Usce shopping mall in New Belgrade (43,500 m2 GLA) has been re-scheduled for autumn 2009.

On the border with Macedonia, Interspeed shopping centre (13,000 m2 GLA) will open its doors to the first shoppers by the end of 2008. A mixed-use complex TQ City comprising a shopping mall plus residential and commercial facilities is being constructed in Indjija by a Belgrade company, Tradeunique. Another mixed-use project of a similar concept, Park City, is being constructed in the Liman III area in Novi Sad by Vondel Capital.

### PIPELINE

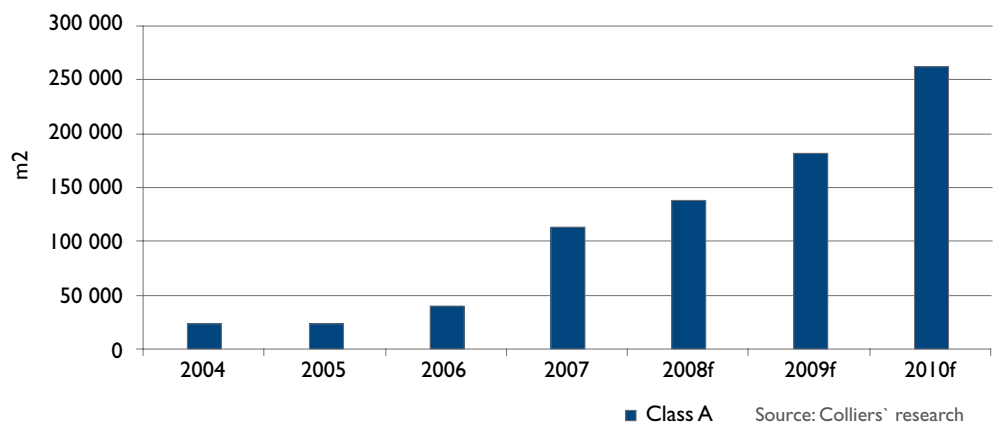
The new shopping centre developer on the Serbian market is Plaza Centers, who are planning to construct in Belgrade an 80,000 m2 GLA shopping mall in Visnjica and a mixed-use building in Kneza Milosa Street. The construction of Plaza Center in Kragujevac of 28,000 m2 GLA, as well as of a shopping centre developed by the Austrian company Supernova in the same city, is to commence this autumn.

## High Streets

Primary high-street area in Belgrade led by Kneza Mihaila has retained its full occupancy over the last half-year period. Retailers have generally not changed in this zone, but some have expanded to the secondary zones, which have recorded an increasing interest from both local and international retailers. A new addition to this street is an elegantly designed local Jasmin perfumery.

A major step forward in new supply has been made by the company Robne kuće, who are planning to refurbish their several central locations and offer them for lease.

Shopping Centers Development in Belgrade



Three of these centres are located in the primary zone of Belgrade – in Kneza Mihaila, Terazije and Kralja Milana streets.

## Retail Warehousing

In 2008, the total supply of big-box facilities in Belgrade amounted to 115,667 m<sup>2</sup>. The major players are still Tempo, Metro, Rodic, Vero and Interex. In June this year Rodic opened its Cash & Carry facility in the vicinity of the intersection of E-70 and Novi Sad highways, featuring 13,700 m<sup>2</sup> of gross built-up area.

A new player in the supermarket segment is the Slovenian company Tus, which opened its first store in New Belgrade. In regards to other cities, Tus has also been active, having opened two supermarkets this year – in Novi Sad and Subotica, with the plans to open facilities also in Sremska Mitrovica and Jagodina.

The first retail park under construction in Belgrade will be mainly owner-occupied and is being constructed by the Croatian company Pevec. This complex featuring a hypermarket, a DIY store and a store with gardening and agriculture equipment and is scheduled for opening by the end of 2008.

## DEMAND

The recent years have marked a high number of new entries to the Serbian market in all segments of retail due to the growing economy and levels of purchasing power, and moreover, owing to the first modern high-quality retail schemes opened or in the construction/planning phase.

With a few exceptions of hypermarket/supermarket operators, retailers have continued to choose the capital city as the first-entry location, afterwards expanding to other major cities, such as Novi Sad, Nis, Kragujevac and Subotica.

The retail schemes investors have shown an intense interest in are in the booming cities of Novi Sad, Kragujevac and Subotica, as well as the town of Indjija, which was placed among the 20 most desired cities

SELECTED RETAIL WAREHOUSE DEVELOPMENTS IN SERBIA 2008

	Market Entry	Total No of Outlets	No of Outlets in Belgrade
MB Rodic/Mercator	1998	9	4
SuperVero	2002	2	2
Tehnomarket	2002	8	1
Uradi Sam	2003	3	1
Tempo Cash & Carry	2004	4	2
Interex	2004	5	1
Metro Cash & Carry	2005	5	2
Merkur	2005	2	1
Agrokor (IDEA)	2006	4	1
Tehnomax	2007	1	1
Megastores Electronica	2007	1	1
Tus	2007	4	1

Source: Colliers' research



for investment in Europe according to the Financial Times. In the following two-three years, these towns will witness the opening of several shopping centres and multiple food formats.

## RENTAL RATES

Rental levels have been stable over the last six months, the high street rates ranging from EUR 70-200/m<sup>2</sup> in the primary shopping zone, the highest rents being recorded at top locations, such as Kneza Mihaila Street in Belgrade. The secondary retail zones featured rental levels of EUR 40-100/m<sup>2</sup>, the top rents in this category being recorded in Kralja Aleksandra Boulevard.

With limited modern shopping centre supply in Belgrade, the rents are landlord driven and start at high initial values. At the moment, the top rents are recorded in Delta City shopping mall, ranging from EUR 30-80/m<sup>2</sup> depending on the retail category, size and position within the mall.

Regarding other cities, rental levels are tending to increase in the high streets. The prime zone of Novi Sad recorded rents of up to EUR 100/m<sup>2</sup>, top high-street rents in Subotica reached EUR 70/m<sup>2</sup> and in Kragujevac prime rents reached EUR 50-60/m<sup>2</sup>.

## FORECAST

- The retail market will continue its steady growth in the following years, with numerous retail schemes proposed or in the preparatory phase.
- MPC Holding is planning to open another Immocentar in Belgrade by the end of 2008, in the Cerak area, Cukarica municipality, while the largest retail project, Usce, is set for 2009.
- Mercator in Kragujevac is scheduled for opening in September 2008, and other Mercator centres to be completed in the next six months have been announced for Valjevo and Sabac.
- TQ shopping centre in Indjija is set for opening in spring 2009 while Park City in Novi Sad will be opened in winter 2009.
- Subotica has also become a focus of the foreign developers, with a large retail scheme planned for development.
- Rental rates are expected to remain stable in Belgrade, and to continue slightly increasing in other cities that are attracting the intention of both foreign and local investors and retailers.



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