

S&P'S LT FC Rating

BB-/Negative

Quick stats**Change from
H2 2008**

Take-up	↓
Supply	↑
Vacancy	↑
Rents	↓

Hot Topics

- Monetary Policy Committee decided to lower the key policy rate in H1 2009, leveling it to 13%, while the foreign currency exchange rate has stabilized
- During Q1 2009 the largest shopping center, Usce Shopping Mall has been opened in Belgrade, holding 50,000 sq m of GLA

ECONOMIC OVERVIEW

The International Monetary Fund (IMF) granted a new stand-by arrangement to Serbia on May 22, 2009. The arrangement is worth EUR 2.94 billion of which EUR 799 million were already transferred and by the end of 2009 two more installments of about EUR 2.15bn will be withdrawn. The funds will be used exclusively for strengthening National Bank of Serbia (NBS) foreign exchange reserves and upkeeping macroeconomic stability.

In addition, The Board of Executive Directors of the World Bank approved the loan of USD 388m to Serbia on July 9, 2009 for highway "Corridor 10". This is the largest loan ever approved by that international finance institution to Serbia, and it will be used for financing the construction of three sections on Pan-European corridor.

Macroeconomic developments in the period January-April 2009 are characterized by unfavourable tendencies that started in the second half of 2008. A drop in economic activity primarily hit industry, export, import, transport, and domestic trade. In the 1st quarter of 2009, GDP decreased by 3.5 percent in comparison to the corresponding period of the previous year.

The main contributors of negative GDP growth rate were manufacturing, trade and construction industry. Industrial output fell sharply in 2009, in May y-o-y the decline was 19.5%. Manufacturing declined by 23.3% y-o-y, mainly as a result of US Steel's temporarily reduced production, followed by 14.4% drop in construction and 6.2% decline in trade sector. Retail prices went up by 0.4% compared to previous month and 9.8% y-o-y in June. Prices of services went up by 0.3% and goods became 0.3% more expensive in June alone. Industrial non-food products had the biggest increase of 1.3%, as opposed to agricultural products of which prices decreased by 6.4%.

Unicredit banking group has estimated that Serbia's unemployment rate will rise from 18 pct in 2008, to 21 pct at the end of this year. The average salaries and wages paid in the period January - May 2009 in the Republic of Serbia, compared to the average salaries and wages paid in the period January - May 2008, increased by 11.7% in nominal terms and by 2.4% in real terms.

The banking sector is avoiding crediting, however it met the crisis highly capitalized and at least at first sight, endured the first shocks successfully.

Key economic Indicators - Serbia

	2006	2007	2008	2009f	2010f
Nominal GDP (EUR bn)	23.5	29.1	33.5	29.5	29.4
Per capita GDP (EUR)	3,177	3,946	4,552	4,003	3,993
Net FDI (EUR bn)	3.4	1.8	1.9	1.1	1.3
Real GDP, yoy (%)	5.6	7.1	5.5	-2.5	-0.7
Inflation (CPI), yoy, avg. (%)	12.7	6.5	11.7	7.8	6.5
Unemployment rate (%)	20.9	18.1	18.0	21.0	21.5
Exchange rate RSD/EUR, eop.	79.79	78.79	89.78	102.00	105.00
Exchange rate RSD/EUR, avg.	84.42	79.98	81.49	97.58	103.50
Current account balance/GDP (%)	-10.1	-15.9	-17.8	-10.8	-9.2
FDI/GDP (%)	14.4	6.3	5.6	3.7	4.4
Budget balance/GDP (%)	1.5	1.3	-2.0	-3.0	-2.0
Total foreign debt/GDP (%)	61.3	61.0	56.5	53.2	50.6

Source: NBS, Statistical Office of the Republic of Serbia, Bank of Austria

RETAIL MARKET

According to data provided by the Statistical Office of the Republic of Serbia, in the first quarter of 2009, enterprises in the Republic of Serbia achieved a turnover of retail trade of RSD 230,882 mil., and in wholesale trade RSD 385,351 mil. Compared to the average in 2008, enterprises noted a decrease of 15.8% in retail trade turnover in current prices, and in constant prices of 19.4%. In the same period, the turnover of wholesale trade noted a decrease of 5.6% in current prices.

SHOPPING CENTERS

During H1 2009 the biggest shopping mall in Serbia, Usce Shopping Mall, was opened in New Belgrade. Total GBA of the mall is 130,000 sq m, while the GLA equals 50,000 sq m. Some of the new retailers, which were not present on the market include: J.Lo, Salsa, Glou, RoyRobson, Attrattivo, Promod, Koton Prenatal, Lolipops, Brown Shoes, Stiefelkoenig and Mandarina Duck.

With the opening of Usce shopping centre, the total stock of modern shopping centers in Belgrade has reached app.150,000 sq m, which is still far behind the trends in more developed countries of Central and Eastern Europe (CEE).

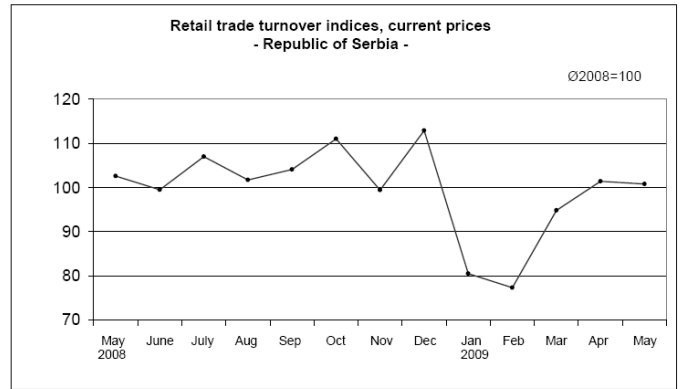
Although Belgrade has a lower stock of modern shopping centers in comparison to the region, Q2 2009 saw vacant space in Immoentar and Zira, totaling 1,200 sq m. Immoentar has started to work on tenant mix and re-positioning, announcing the opening of renewed shopping center for September 2009.

In terms of new developments in Belgrade, investor Plaza Centers has postponed the commencement of construction of Visnjicka Plaza shopping center for H2 2009. Visnjicka Plaza will consist of five-level parking lot, two-level retail and one-level leisure space, totaling 48,000 sq m of GLA.

Rajiceva Shopping mall, located in proximity of the main pedestrian zone, holding 20,000 sq m of GLA is scheduled for opening in 2010. This modern complex with total area of 46,000 sq m will comprise a shopping mall, the first five-star hotel with the capacity of 240 hotel units, and underground garages.

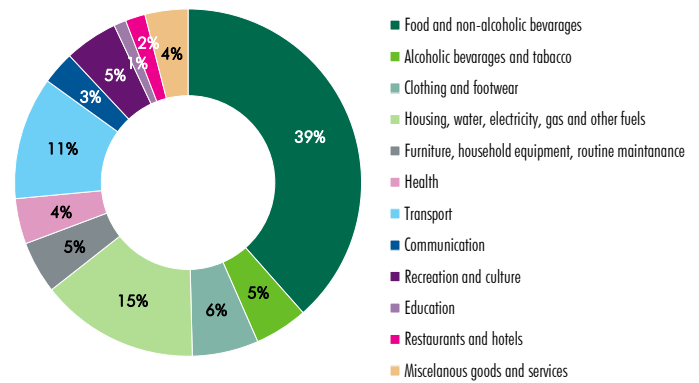
Prime rental values in modern shopping centers have kept the same levels as in H2 2008, standing at EUR 40-60/sq m/month.

Retail trade turnover in Serbia



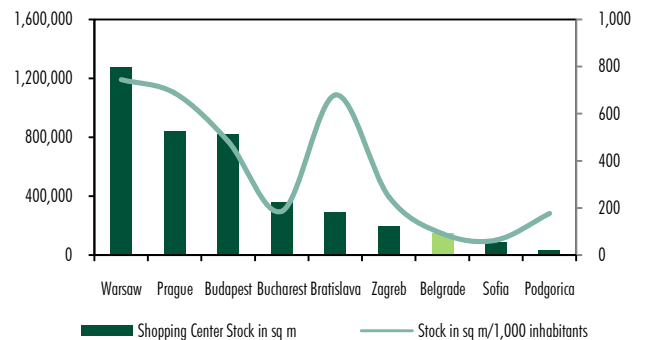
Source: Statistical Office of the Republic of Serbia

Turnover by type of goods, H1 2009 (in %)



Source: Statistical Office of the Republic of Serbia - Republic Consumer price index by COICOP

Shopping center stock and stock per capita, Q1 2009



Source: CB Richard Ellis

Shopping centers opened in H1 2009

Project	Location	GLA (sq m)*
Usce Shopping Mall	Belgrade	50,000
Mercator	Sabac	11,400
Ivanijum	Belgrade	3,500

* GLA: Gross Leasable Area
Source: CB Richard Ellis

Selected modern shopping centres in pipeline in Belgrade and Serbia due for completion in 2009 and 2010

Project	Location	GBA (sq m)*	Opening year planned
Roda	Krusevac	20,000	2009
Tradeunique	Indjija	8,100	2009
New Sirmijum	Sremska Mitrovica	26,000	2009
Rajiceva Mall	Belgrade	35,000	2010
Visnjicka Plaza	Belgrade	48,000	2010
Plaza	Kragujevac	65,000	2010
Pluto	Leskovac	11,400	2010
Park City	Novi Sad	12,000	2010

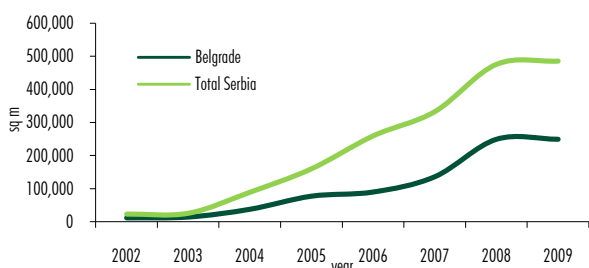
* GBA: Gross Building Area
Source: CB Richard Ellis

Prime retail rents

Location	Prime rents (EUR/sq m/month)
Knez Mihailova Street	Above 120
Terazije Square/Kralja Milana Street/Kralja Aleksandra Boulevard	60-120
Modern shopping centers	40-60

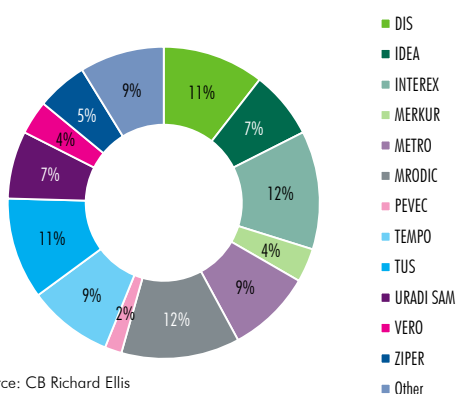
Source: CB Richard Ellis

Warehouse retail stock in Belgrade and Serbia



Source: CB Richard Ellis

Big box presence of selected retail operators in Belgrade and Serbia



Source: CB Richard Ellis

The interest in Serbian retail market is increasing and beside Novi Sad and Nis, other Serbian cities such as Kragujevac, Leskovac, Krusevac and Sremska Mitrovica will see new developments in the next few years.

Israeli company "BIG CEE" has announced the commencement of construction of large trade center in Novi Sad, amounting to 30,000 sq m GBA, during Q4 2009, of which completion is expected in 2010.

HIGH STREET

Belgrade high-street zone, along with modern shopping centers, still represents the crucial point for retailers, especially the ones that are entering the market for the first time.

Robne kuće Beograd continued opening their department stores and during H1 2009 Beogradjanka and Miljakovac have welcomed the first buyers. With five completed stores in Belgrade, the total selling area of RKB reached the level of 30,000 sq m.

Due to increased supply and lower demand caused by economic downturn, Q2 2009 witnessed 6,000 sq m of vacant high street retail space. In addition, significant number of units has experienced tenant change over the past quarter, as the rent levels are rather high compared to the achieved turnover.

The prevailing trend on high street retail market will further burden the rental levels, by putting an upward pressure on vacancy and downward pressure on prime rental levels. However, prime rents at the most attractive locations remained unchanged compared to H2 2008.

The most elite high street locations shall certainly be the last to experience effects of global financial crisis and first to feel the benefits of economic recovery.

RETAIL WAREHOUSE

Retail Warehouse segment marks an intense development activity in a large number of Serbian cities.

During H1 2009, local retail operator Tempo continued spreading its retail network by opening its stores in Cacak and Vrnjacka Banja.

The company Interex, a part of French food market chain Interemarche, opened the second facility in Cacak and the seventh facility in Serbia. They announced very dynamic development in Serbia, which anticipates the opening of Sremska Mitrovica and Obrenovac stores during summer.

FUTURE SUPPLY

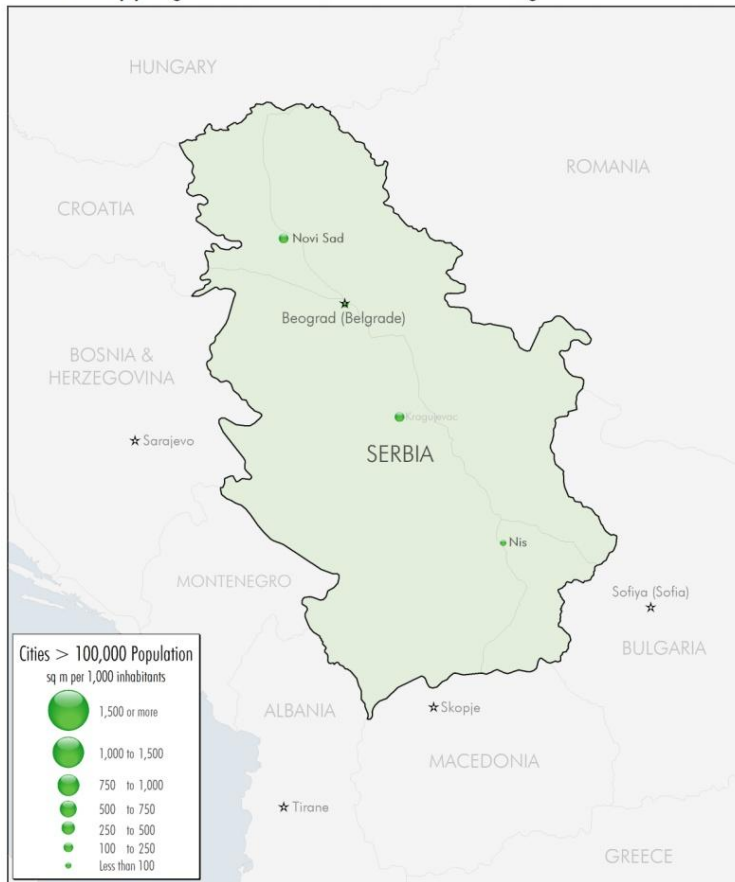
Slovenian company Merkur has announced the opening of its largest store in Belgrade for Q4 2009, totaling 20,000 sq m of GBA.

French hypermarket chain "Mr. Bricolage" which sells "do-it-yourself" articles, has started the construction of the first facility in Serbia in Nis. According to their plans, the facility of 5,800 sq m should be completed prior to November 2009.

Ikea, a Swedish furniture company, announced plans for development of few shopping centers in Serbia, as well as a potential production line in Belgrade.

SERBIA MAP

Total Shopping Centre Provision Rates Through 2010 Serbia



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