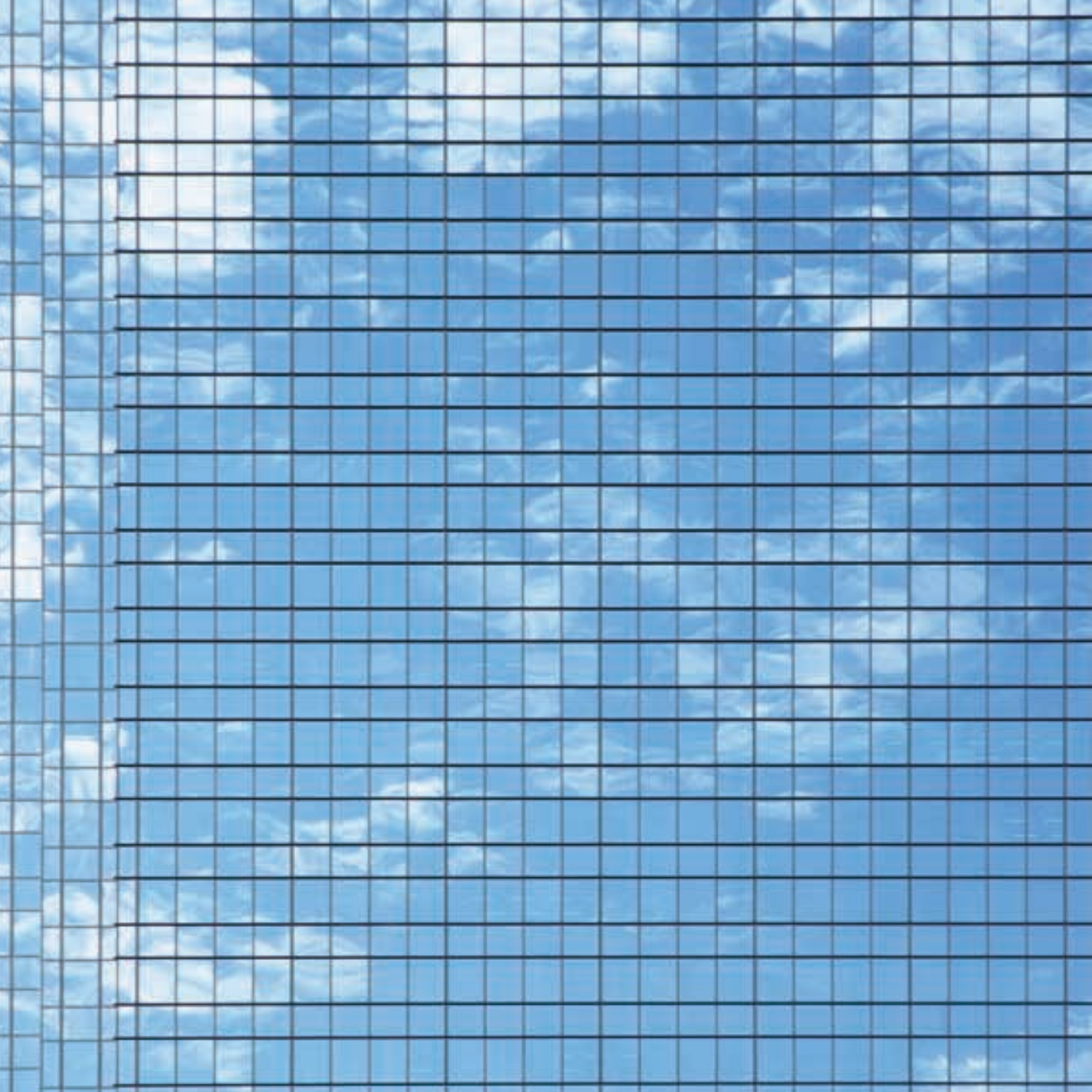




# Real Estate Industry in Serbia



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# Plaza Centers in Serbia

**Mr. Sagiv Meger,**

CEO, Plaza Centers Serbia

## **Why did you decide to start a business in Serbia?**

We feel that Serbia is in an unstoppable race to close the economic gap it has with its neighboring countries. Thanks to economic liberalization and various newly introduced reforms, GDP was steadily increasing over the past years. This is exactly where Plaza Centers comes in—our goal is to provide a new quality of life for the people of Serbia to accommodate this new growth by providing the development they deserve. This has been our strategy for the past 13 years starting in Hungary and has proven to be a winning formula for us.

## **What are your current and future projects in the country?**

Plaza Centers is focusing on Serbia as a whole and not only on the capital. Currently, we have 3 projects: one in Kragujevac ([www.kragujevacplaza.rs](http://www.kragujevacplaza.rs)) where we started building a shopping and entertainment center of 65,000 sqm GBA and two in Belgrade: Visnjicka Plaza with an approximate GBA of 90,000 sqm and our jewel project, which will be located where the former police headquarters building in Knez Milos St. used to be. Here, we plan to build a 5-star+ hotel, Class A office tower, and high-end retail shopping center.

We are busy acquiring more plots throughout various key towns, and Plaza intends to invest €500 million in Serbia within the next three to four years. Our aim is to uplift the economy as a whole, while offering the Serbian people quality accommodation, office facilities, and shopping and entertainment facilities.

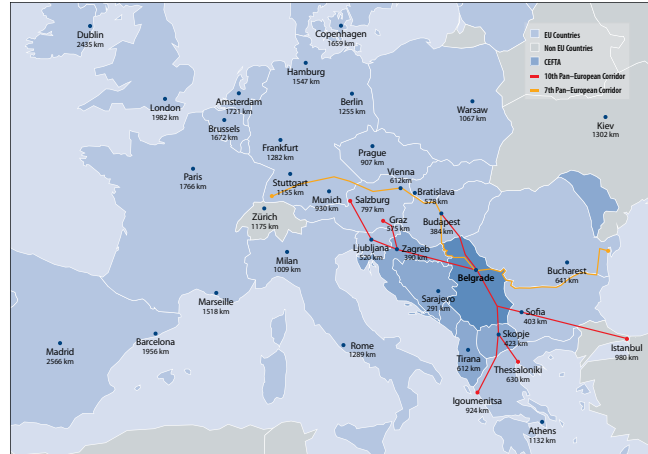
## **How do you perceive business climate in Serbia?**

We feel that the people, as well as the Serbian Government are ready for a positive change. Naturally, before the last elections, we were little concerned and we are still keeping a close eye on the political climate of Serbia. But, at the moment, we are very optimistic about the general climate in Serbia.





## Key Information on Serbia



<b>Official Name</b>	Republic of Serbia
<b>Form of State</b>	Democratic Republic
<b>Political Structure</b>	President, Unicameral Assembly with 250 seats
<b>Area</b>	88,361 km <sup>2</sup>
<b>Population</b>	9.5 million
<b>Geographic Position</b>	South East Europe, central part of the Balkan Peninsula, at the intersection of Pan European Corridors N <sup>o</sup> . 10 and N <sup>o</sup> . 7
<b>Border</b>	In the east, Serbia borders Bulgaria, in the northeast–Romania, in the north–Hungary, in the west–Croatia and Bosnia and Herzegovina, in the southwest–Montenegro, and in the south–Albania and Macedonia
<b>Climate</b>	Temperate continental, with monthly average temperatures ranging between 0.7°C in January and 17.5°C in July
<b>Official Language</b>	Serbian
<b>Main Religion</b>	Christian Orthodox
<b>Other Religions</b>	Roman Catholic, Islamic, Jewish, Protestant
<b>Largest Cities</b>	Belgrade: 1,630,000; Novi Sad: 286,000; Nis: 255,000
<b>Currency</b>	Dinar (RSD)
<b>GDP (2009)</b>	€31.51 billion
<b>GDP pc (2009)</b>	€4,304
<b>Time Zone</b>	Central European Time (GMT + 01:00)
<b>Internet Domain</b>	.rs

# Why Invest in the Real Estate Industry in Serbia

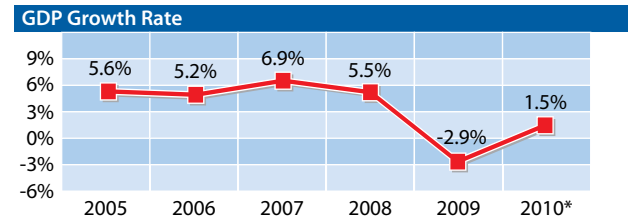
## COMPETITIVE TAX SYSTEM

Serbia's tax regime is highly conducive to doing business. Corporate Income Tax is the second lowest in Europe, while VAT is among the most competitive in Central and Eastern Europe. In addition, businesses in the country can take advantage of a broad range of tax incentives.

Principal Tax Rates and Tax Incentives	
VAT	Standard rate – 18% Lower rate – 8%
Corporate Income Tax	Uniform rate – 10%
Withholding Tax	10% (for dividends, shares in profits, royalties, interest income, capital gains, lease payments for real estate, and other assets)
Personal Income Tax	Salaries – 12%
Annual Income Tax	10% (for annual income above 3 average annual salaries)
Social Insurance Contributions	Pension and disability insurance – 11% Health insurance – 6.15% Unemployment insurance – 0.75%
Tax Incentives	A 10-year Corporate Income Tax holiday for investments of over €8 million that create at least 100 new jobs
	A Corporate Income Tax credit of 20% of the fixed assets investment
	Carrying forward of losses over a period of up to 5 years
	Salary Tax base deduction in the fixed amount of RSD 6,554 (app. €60)
	Salary Tax exemptions for employees below 30 and above 45 years
	Social insurance contributions exemptions for employees below 30 and above 45 years
	Annual Income Tax deductions of up to 50% of the taxable income
Customs-free imports of equipment and certain raw materials based on foreign investment	

## ROBUST RECENT GROWTH

For years, Serbia was among Europe's fastest growing economies. Between 2004 and 2008, economic growth averaged 6.3%, while GDP per capita almost doubled. Strong GDP performance was largely driven by service sectors such as telecommunications, retail, and banking. In 2009, Serbia's economic output contracted 2.9% and less than that of most other CEE countries, as a result of a comprehensive set of state measures.



\*Estimation, Source: Statistical Office of the Republic of Serbia



## STRONG FDI PERFORMANCE

Since the onset of economic reforms in 2001, Serbia has grown into one of the premier investment locations in Central and Eastern Europe. In the past five years alone, the country attracted over €12 billion of inward foreign direct investment. The list of leading foreign investors is topped by world-class companies and banks such as Telenor, Fiat, Philip Morris, Mobikom, Intesa Sanpaolo, AB InBev, and many others.

According to PricewaterhouseCoopers, Serbia is the 3<sup>rd</sup> most attractive manufacturing and 7<sup>th</sup> most attractive services destination among emerging economies. Additionally, Ernst & Young recorded over 130 inward investment projects in Serbia between 2007 and 2009—the 2<sup>nd</sup> best performance in the South East Europe region.

Inward FDI (EUR mn)	
2009	1,810
2008	2,255
2007	2,601
2006	4,279
2005	1,329

Source: National Bank of Serbia



## BOOMING MARKET POTENTIAL

In Serbia, there is strong demand in the real estate sector, particularly in the residential and retail markets. The residential market is forecast to experience an upward trend due to presently low supply and the wide availability of mortgage loans. In the retail segment, the country is yet to narrow the gap with the Eastern European average in terms of the shopping center stock. Furthermore, yields in the office market tend to be higher than in other CEE countries, amounting to 10% in Q1 2010.

Prime Office Yields (Q1 2010)	
City	Office Space Yields
Belgrade	10.00%
Sofia	10.00%
Bucharest	9.50%
Zagreb	8.30%
Budapest	8.00%
Bratislava	7.50%
Prague	7.00%
Warsaw	6.75%

Source: CB Richard Ellis

## LOW OVERHEAD COSTS

One of the key advantages of doing business in Serbia compared to other CEE countries are lower operating costs. Labor costs in Serbia are comparable to those in South East European countries, while standing at 60% of their level in Eastern European EU member states.

Gross Monthly Wages in 2009 (EUR)	
Bulgaria	303
Romania	445
Serbia	469
Hungary	713
Poland	717
Slovakia	745
Czech Republic	893
Croatia	1,051

Source: The Vienna Institute for International Economic Studies

# Overview of the Real Estate Industry

## BASIC INDUSTRY INDICATORS

### GDP

According to the latest data available, 2008 GDP in the industry gained 19.24% in nominal terms against the previous year. With GDP of around €3.17 billion, the industry accounted for over 9.5% of the total economic output.

GDP in the Real Estate Industry				
	2005	2006	2007	2008
GDP (EUR billion)	2.09	2.35	2.72	3.17
Share in Total Economy (%)	10.3	10.0	9.2	9.5

Source: Statistical Office of the Republic of Serbia



### Companies

At the end of April 2010, there were 1,579 companies, as well as 1,043 entrepreneurs in the following sectors of the real estate industry:

- Real Estate Development,
- Real Estate Trade,
- Real Estate Renting,
- Real Estate Agencies,
- Real Estate Management.

Number of Companies and Entrepreneurs (April 2010)		
	Companies	Entrepreneurs
Real Estate Development	809	20
Real Estate Trade	215	17
Real Estate Renting	223	62
Real Estate Agencies	287	941
Real Estate Management	45	3

Source: Serbian Business Registers Agency

### Employment and Salaries

On average, the industry employed nearly 3,000 employees in 2009.

In the course of 2009, the average monthly net salary in the real estate sector amounted to €457. The average monthly net pay dropped by 14.3% against 2008 in RSD terms or by 25.8% calculated in EUR.

Number of Employees in the Real Estate Industry					
	2005	2006	2007	2008	2009
Number of Employees (yearly average)	1,000	1,602	1,852	2,665	2,967

Source: Statistical Office of the Republic of Serbia

Average Net Monthly Salary (EUR)					
	2005	2006	2007	2008	2009
Net salary	423	493	602	616	457

Source: Statistical Office of the Republic of Serbia

## OFFICE MARKET TRENDS

The following office market report is based on the data provided by CB Richard Ellis and Colliers Serbia.

### Supply

By the end of H1 2010, the total inventory of Class A and Class B office space in Belgrade amounted to 627,000 sqm according to the Colliers Serbia report, while the CB Richard Ellis office estimated the total Belgrade office stock was approximately 490,000 sqm of GLA. In the first half of 2010, Belgrade saw the delivery GLA 44000 sqm of class A office space. International developers were oriented towards the construction of modern buildings, which influenced the offer of high-quality office space.

In next two largest Serbian cities, Nis and Novi Sad, the total office stock reached approximately 12,000 sqm and 50,000 sqm respectively by the end of last year.

### Demand

The Belgrade office market continued to record renewed demand starting in the second half of year 2009. The total



### Highlights of the Serbian Office Market (H1 2010)

Category	Belgrade	Nis	Novi Sad
Total office stock			
Class A	382,000 sqm	12,000 sqm	40,000 sqm
Class B	245,000 sqm	n/a	10,000 sqm
Average vacancy rate			
Class A	20.3%	25.0%	30.0%
Class B	19.4%	n/a	25.0%
Average achieved head rents			
Class A	€13.5-13.9/sqm/month	€11.0-14.0/sqm/month	€10.0-12.0/sqm/month
Class B	€10.0-11.1/sqm/month	€6.0-9.0/sqm/month	€7.0-9.0/sqm/month

Source: CB Richard Ellis, Colliers Serbia

take-up in the first two quarters of 2010 was nearly 17,000 sqm of GLA. As compared to the same period the previous year, take-up in H1 2010 increased by roughly 19%.

The total amount of vacant office space at mid 2010 was around GLA 77,380 sqm of Class A and 47,600 sqm of Class B office space.

### Rental Levels

Compared to rents recorded at end 2009, achieved net rents marked a 0.7% decrease for Class A and 0.9% decrease for Class B office space during the first half of 2010.

CBD area recorded an average achieved net rent of €13.5 sqm/pcm for Class A and €11 sqm/pcm for Class B space. Broad Center area recorded the average rents of €13.0 sqm/pcm for Class A and €10.0 sqm/pcm for Class B. The average achieved rents in suburban areas marked €9.0 per sqm/pcm for Class A and €8.0 per sqm/pcm for Class B office space.

In Nis, office space achieved rents of €11.0-14.0/sqm/month and €6.0-9.0/sqm/month in Class A and Class B segments, and in Novi Sad, the respective figures were €10.0-12.0 and €7.0-9.0/sqm/month.

### Forecast

In the following six months period, the supply levels are expected to continue to exceed demand, creating a moderate saturation of Belgrade office market.

The rents are expected to remain at present values by the end of 2010. This could mark the beginning of rising market activity in 2011, since the market is more tenant driven, and lease terms favorable and attractive for prospective tenants.

### RESIDENTIAL MARKET TRENDS

*The following office market report is based on the data provided by CB Richard Ellis and Colliers Serbia.*

#### Supply

According to the Republic Statistical Office and Colliers estimations, approximately 16,000 apartments were delivered in Serbia in 2009, of which around 5,100 in Belgrade (32%), 1,500 in Novi Sad (9%), 600 in Nis (4%), 465 in Kragujevac (3%), and 8,335 in other cities. Presently, the total apartment inventory is 2,863,673 units, with Belgrade accounting for 22% or 618,918 apartments. In 2009, the Belgrade market recorded the delivery

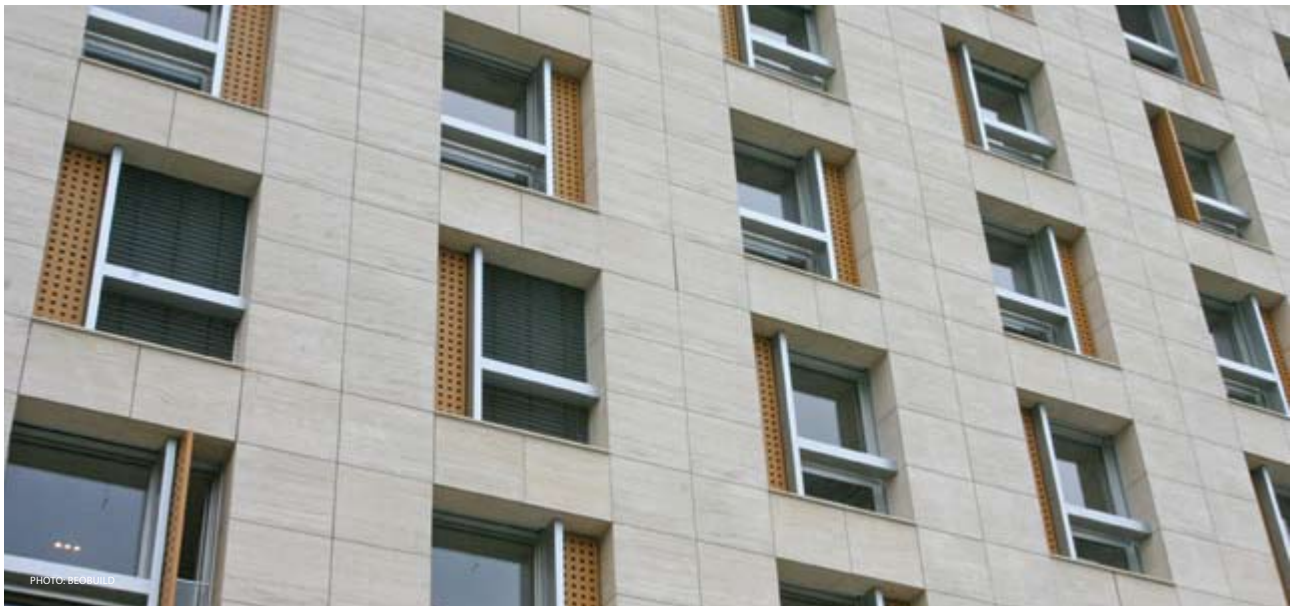




PHOTO: BEOBUILD

of 5,759 residential apartments, marking a decrease in annual supply of 21.1%, compared to 2008.

In January 2010 Serbian government adopted the Decree on financing the construction of low-cost apartments in Serbia and the regulation on conversion of land usage rights into ownership rights. According to current plans, 10,000 low-cost apartments will be constructed in Belgrade, Novi Sad, Nis, and Kragujevac. The state will subsidize the interest rate of up to 7%, so that investors will be

obliged to pay an interest rate of 2% on these loans. This year's state budget has allocated RSD 2 billion (approximately EUR 20 million) for this purpose. The maximum prices of apartments per zones have been established by this Decree and will range from EUR 695 to EUR 1,595/sqm depending on the city and the zone.

#### **Demand**

According to CB Richard Ellis report and the Association of Serbian banks, the number of housing loans taken out by

Serbian citizens constantly increases, and grew by 60% in H1 2010 as compared to the same period of the previous year. Between January and May 2010, the total number of housing loans granted to citizens was 65,000, 70% of which were insured by the NMIC (National Mortgage Insurance Corporation).

#### **Sales Prices**

According to Colliers research, in the first half of 2010, the average sales price for new apartments in Belgrade was EUR 1,850 per sqm, recording around a 5% decrease compared to the average of EUR 1,968 per sqm, recorded in the second half of 2009.

#### **Rental Levels**

In the first half of 2010, the rental levels for quality apartments in Belgrade commanded a rental range of €7-12/sqm/month.

#### **Highlights of the Belgrade Residential Market (H1 2010)**

Total apartment inventory	618,918
Average sales prices (mid to high-quality apartments)	€2,000-3,500 sqm
Average achieved rents	€7-12/sqm/month

Source: CB Richard Ellis, Colliers Serbia

## RETAIL MARKET TRENDS

The following office market report is based on the data provided by CB Richard Ellis and Colliers Serbia.

### Supply

In the second half of 2009, the Serbian retail market recorded significant activity. The total shopping center stock in Belgrade amounted to 147,870 sqm of GLA at the end of last year.

After the openings of Usce Center (43,500 sqm of GLA) and refurbishment of Robne Kuće Beograd (12,000 sqm of GLA), Belgrade retail market development activity shifted from shopping malls to various forms of big-box developments. The Slovenian consumer electronics and home equipment retailer Merkur opened their second facility, comprising the gross



built up area of around 29,500 sqm, while Austrian furniture retailer Kika made their first entry at the Serbian market by opening a store in Belgrade. Together, the new developments marked a GLA 22,200 sqm addition to the Belgrade total big-box inventory, which is currently 171,000 sqm of GLA.

Serbian regional cities also recorded significant retail growth throughout 2009. Slovenian company Mercator opened shopping malls in Sabac, Sombor, and Senta in the first half of 2009. Serbian company Delta Maxi expanded its retail network by opening hypermarkets in Cacak, Kraljevo, and Uzice, while the French retailer Interex opened its third hypermarket facility in Serbia, in Cacak. In the second half of 2009, Novi Sad and Nis, the largest retail markets after Belgrade, saw a new market entry—the French retailer Mr. Bricolage. The French company first opened a DIY store in Novi Sad, and then another facility of this type in Nis.

Apart from shopping centers, the high street retail remains an important retail environment in Belgrade. Often, new market entrants initially aim to build brand awareness through high street presence.

### Demand

Rental demand for shopping centers comes mostly from international retailers with established regional presence, however domestic brands and retailers also show significant interest. International retailers are mostly present in the form

#### Highlights of the Belgrade Retail Market (H1 2010)

Category	
Total shopping center stock	147,870 sqm
<b>Average achieved rents</b>	
Shopping centers	€35-80/sqm/month
Primary high streets	€50-110/sqm/month
Secondary high streets	€30-50/sqm/month
Tertiary high streets	€15-25/sqm/month
<b>Average vacancy rate</b>	
Primary high streets	3-8%
Secondary high streets	3-6%

Source: CB Richard Ellis, Colliers Serbia

of direct entrance. The two Belgrade shopping centers (Delta City and Usce Shopping Center) provided suitable retail accommodation for an influx of international retailers to gain a foothold in the market.

A more significant pipeline of retail development is pending—the Israeli investor Plaza Centers has plans for a shopping mall in Belgrade, while starting construction of their facility in Kragujevac. Ashtrom International’s shopping mall in Belgrade is under construction, while the Black Oak Developments from the United States is developing an outlet center in Indjija. In Novi Sad, pipeline projects include Vondel Capital’s and Big CEE’s shopping malls in Kragujevac, while Serbian company Delta Holding started the construction of Serbia’s first retail park.

### Rental Levels

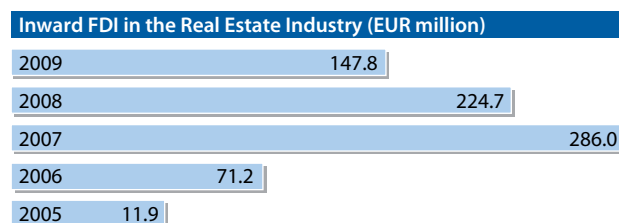
In 2010, Belgrade modern shopping centers operate rental levels at €35-80 sqm/month for non-anchor tenants. At the end of 2010, Belgrade prime high streets operated at the range of €50-110 sqm/month, secondary areas recorded the rents of €30-50 sqm/month, and tertiary high street areas operated at the range of €15-25 sqm/month.

The vacancy levels in Belgrade prime high streets were maintained at 3-8% during H1 2010, while dropping slightly in secondary areas to 3-6%.

## FDI IN THE REAL ESTATE INDUSTRY

Growing investment opportunities for international real estate developers in Serbia are reflected in recent FDI figures. In the period 2005-2009, inward foreign direct investment in this sector totaled €741.6 million, with best performances recorded in 2007 and 2008. In 2009, the total value of international real estate projects was €147.8 million.

The figures presented in the below table include both completed and announced investment. Given the lack of official statistics, the data is based on SIEPA research. While the Agency is making every effort to provide as comprehensive and accurate information as possible, we cannot accept responsibility for any errors or omissions therein.



Source: National Bank of Serbia

Selected Investors in the Real Estate Industry (2002-2010)			
Company	Country	Investment Type	Investment Amount (EUR million)
Airport City Belgrade	Israel	Greenfield	200
Blok 67 Associates	Austria & Serbia	Greenfield	180
BIG CEE	Israel	Greenfield	70
Bluehouse & Energoprojekt	Greece & Serbia	Greenfield	70
Greotel	Greece	Privatization	60
Plaza Centers	Israel	Greenfield	60
Vienna Insurance Group	Austria	Greenfield	50
Vondel Capital	Netherlands	Greenfield	45
Embassy Group	India	Greenfield	40
InterContinental Hotels Group	Great Britain	Greenfield	30

Source: SIEPA



## Africa-Israel Corporation & Tidhar Group in Serbia

**Mr. Gili Dekel**

CEO, Airport City Belgrade

### **Why did you decide to start a business in Serbia?**

Airport City Belgrade (ACB) is owned by Africa-Israel Corporation and Tidhar Group, one of Israel's most successful construction companies. I came to Serbia around 8 years ago to explore real estate business opportunities, already having in mind the introduction of something different from the standard office building. Developers normally identify a piece of land, acquire it, build on it, and then lease or sell the property. However, our approach is to build a complete modern business and residential complex beyond the boundaries of the city center. Upon completion, Airport City Belgrade will cover more than 186,000 sqm of office and tenant-friendly retail space with twelve all glass buildings and Crown Plaza Hotel.

Prior to arrival in Serbia, our company had completed developments in Russia, Ukraine, Czech Republic, Poland, and Hungary. We chose Belgrade after a thorough research of all other major sites in the region. Apart from Ljubljana, which is already well-developed, our research included cities such as Skopje, Zagreb, and Sarajevo. Among those cities, Belgrade seemed an apparent priority, with its 1.6 million population, strong economic growth, rapid internationalization of business activities, and a highly developed construction industry.

I would also like to emphasize that Serbia boasts skilled and capable

people and we are very satisfied with our Serbian staff performance and cooperation with local construction companies.

**What are your current and future projects in the country?**

Our development is situated in the part of the city called New Belgrade, in close proximity to the international E-75 highway. Due to the lack of parking space and traffic congestion, an increasing number of local companies is now shifting its headquarters from the old part of the city to New Belgrade. I am confident that our company will be strong enough to face the rising competition in New Belgrade and erect a competitive real estate development, not only in terms of standards, but also in terms of pricing. One of the advantages of the Airport City Belgrade development is its largest ratio of parking space in Belgrade.

We believe that in the future the Serbian economy will experience steady growth and the number of cars per 1,000 people will increase significantly. Our customers are mostly foreign companies that appreciate Class A office space, the right environment for their employees, and know the advantages of being located out of the city center. We are very optimistic about the future growth prospects, otherwise we would not be ready to invest €200 million in Serbia.

**How do you perceive the business climate in Serbia?**

Investors look for performance enhancement possibilities, and I see Serbia in terms of the future profit. At the moment, one can get better deals than those available in Serbia, but conditions will certainly get better. Therefore, investors with long-term orientation could benefit well from great opportunities in this market.



**Airport City Belgrade**



# Construction Process

## BUSINESS REGISTRATION

Business registration is done with the Business Registers Agency, and takes around 5 days and additional several days for the procedures in the Tax Administration.

One can incorporate its business as a Joint Stock Company, Limited Liability Company, General Partnership or Limited Partnership. The minimum capital required is €10,000 or €25,000 for a Joint Stock Company, and €500 for a Limited Liability Company.

## ACQUIRING CONSTRUCTION LAND

According to the new Law on Planning and Construction, private ownership over construction land and its further transfer is allowed. At the moment, construction land under state ownership may be leased from a municipality through either:

1. public bidding or
2. public tender.

Land is leased to the highest bidder but, in exceptional cases, it can be leased at a fee lower than the market value of land or free-of-charge with the prior consent of the government.

Additionally, a plot of agricultural land may be converted into construction land with approval from the competent bodies and payment of the land conversion fee.

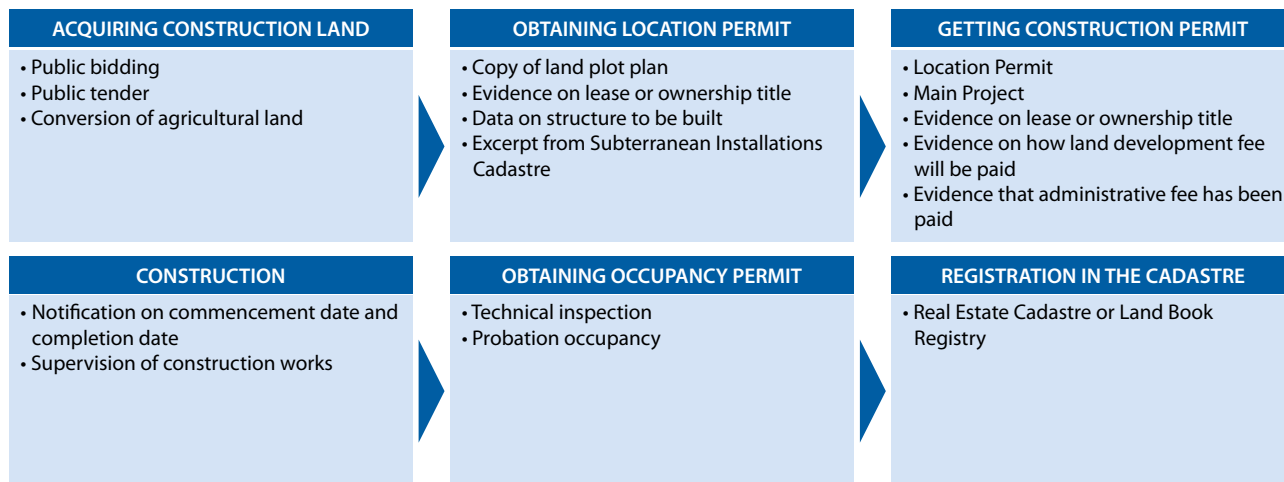
## OBTAINING LOCATION PERMIT

The Location Permit is required for drafting of technical documentation, including the development of the Main Project. The Permit is issued by the municipal authority within 15 days from the date of submission of the request. It is valid in a period of 2 years, within which an investor has to apply for the Construction Permit.

## GETTING CONSTRUCTION PERMIT

Once the Location Permit is obtained and technical documentation (General Project, Conceptual Project, Main Project, Executive Project, and As Built Project) is elaborated by a licensed consultant, an investor can apply for the Construction Permit. The documents to be submitted include: 1) the Location Permit, 2) the Main Project, with the attached report on technical inspection, 3) evidence on ownership/lease title,





4) evidence on arrangement for payment of the land development fee, 5) evidence on the paid administrative fee.

The Permit is issued within 8 days from the date of submission of the application. It is also valid for 2 years, which is the deadline for the investor to start construction.

## CONSTRUCTION

No later than 8 days before the construction starts, the investor provides the municipal body, which issues the Construction Permit, with the information on a construction commencement date and completion target date. Prior to construction, the investor should also set out the building site and publish mandatory data on a building site.

Throughout the construction stage, the investor also provides supervision of the construction works.

## OBTAINING OCCUPANCY PERMIT

The Occupancy Permit is issued within 7 days from the date of receiving the findings of the Commission in charge of technical inspection, which have established that the erected object to be suitable for use.

Technical inspection of a structure is done upon the completion of construction, or the completion of all the works specified in the Construction Permit and the Main Project.

Inspection may also be carried out simultaneously with the construction process, if the verification of the actual condition of certain parts of the structure is not possible after its completion.

To ensure the suitability for the use of a structure or if envisaged by technical documentation, an assessment and verification of installations, devices, machinery, stability or safety of structure, devices, and equipment for environmental protection may take place. The Commission may propose to the competent authority to approve the probation occupancy, provided the conditions are met. The probation period cannot last longer than 1 year.

## REGISTRATION IN THE CADASTRE

The final stage in the construction process is the registration of an erected structure in the Real Estate Cadastre or in the Land Book Registry kept by a Municipal Court. The process of establishing the Real Estate Cadastre for the entire territory of Serbia is to be completed by the end of 2010 with the aim to replace the existing dual records on real estate—the Land Cadastre and Land Books kept by the Court.

## ACQUIRING PROPERTY

Foreign physical and legal entities may acquire a title to business facilities, flats and residential buildings, as well as to agricultural land. For physical entities a permanent residence

in Serbia is mandatory, while conducting business activity is not a precondition for the acquisition of immovable property.

Legal entities may acquire a title to immovable property if:

1. they conduct activity as entrepreneurs in Serbia and the immovable property is necessary for conducting that activity, and
2. there is a reciprocity agreement on the acquisition of a title to immovable property between Serbia and the country where its headquarters is located. The existence of reciprocity has to be confirmed by the Serbian Ministry of Justice.

## CORPORATE TAXES

Apart from the 8% Value Added Tax for the sale of newly built structures and 18% for other structures, real estate property in Serbia is subject to three basic taxes:

- Property Tax,
- Tax on Transfer of Title, and
- Capital Gain Tax.

**Property Tax** is payable by all legal entities and individuals who own or have rights over real estate located in Serbia. For a taxpayer who keeps books, property tax on the rights to real estate is 0.4% of the property's book value, while for individuals and entrepreneurs the rates are progressive.

**Tax on Transfer of Title** over property is payable by all legal entities and individuals who sell rights in relation to real estate. The taxable base is the price stated in the contract or the market value of the property, with the current tax rate set at 2.5%. This tax is not payable on the sale of real estate property rights to physical entities, purchasing the first apartment under the 40 sqm area, as well as up to 15 sqm for each member of their households.

**Capital gain** is determined as the difference between the sale price and purchase price of the real estate. The applicable rate is 10% for both physical and legal entities. Capital gains can be offset against capital losses, occurring in the same period. A capital loss can be carried forward for a period of 5 years.

# GTC International in Serbia



**Mr. Robert Snow**

Managing Director, GTC Serbia

## Why did you decide to start a business in Serbia?

There are, of course, many reasons for entering a new market. Serbia presented both a challenge and an opportunity for GTC. Firstly, as it is an emerging market, one of the principle reasons is that we perceived a large gap in the real estate sector and a need for more offices, hotels, shopping malls, and quality mid-to-upper level residential buildings. Choosing to come here also reflected our confidence that Serbia is full of promise—everything exists here in terms of opportunity, resources, and skilled workers for the country to catch up with its more developed neighbors in a short time.

The world of business buildings is one which has a very long-term vision of the future. The needs of today are of critical importance, but those of tomorrow are paramount. GTC has seen in Belgrade a vision of a major European center of commerce, business, industry, and transport. Belgrade is in the very heart of the Balkans and at the epicenter of all movement throughout South East Europe. As the importance of Belgrade grows, so too will its requirements for office space and business parks.

## What are your current and future projects in the country?

GTC HOUSE is the first of GTC International's investment in Serbia. The building—completed in April 2005—appeared as the long anticipated building, offering Class A office facilities for leasing to the leading international companies in Belgrade. The modern building is fully equipped with all high-tech facilities, sophisticated telecommunications, and elegant double height entrance lobby, leading into a covered central atrium.

Another of our office projects, 19Avenue consists of two 1st class office buildings with a unique design of 20,000 sqm. The 19Avenue is completely equipped with high-tech telecommunication devices, offering not only exceptional working environment, but also facilities such as a restaurant, bar, storage, and underground garage.

Other GTC International's projects include GTC Square and Park Apartments. GTC Square is the newest innovative office project located in New Belgrade, with ample parking space, an open interior courtyard overarched by translucent catwalks, and an expansive and majestic atrium. Park Apartments is a top of the range residential building, introducing a new concept of living, with 200 apartments, 2-level underground parking, retail stores, fitness center, 24-hour reception desk, security services, maintenance services on the spot, and a video interphone.

### **How do you perceive the business climate in Serbia?**

This is a very exciting time to be doing business in Serbia. In the context of its transition, Serbia has launched itself resolutely onto the path of joining the rest of Europe in terms of its economy and business. Foreign investment continues to come into Serbia from across the spectrum of industry sectors: banking, telecommunications, and, naturally, construction. Investors continue to view Serbia not only as an important investment destination in itself, but as a gateway to the region, as well. We at GTC are committed to open and transparent business practices, and have been very encouraged by the country's efforts to align itself with the best practices for business development, as witnessed in the EU and neighboring countries.

In short, we are very optimistic about the business climate in Serbia and have already experienced many of the benefits of investing here.



# Related Contacts

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SIEPA

To be able to set up or expand your business at a low cost and in the minimum amount of time, you can rely on the services offered by the country's central investment institution – Serbia Investment and Export Promotion Agency (SIEPA).

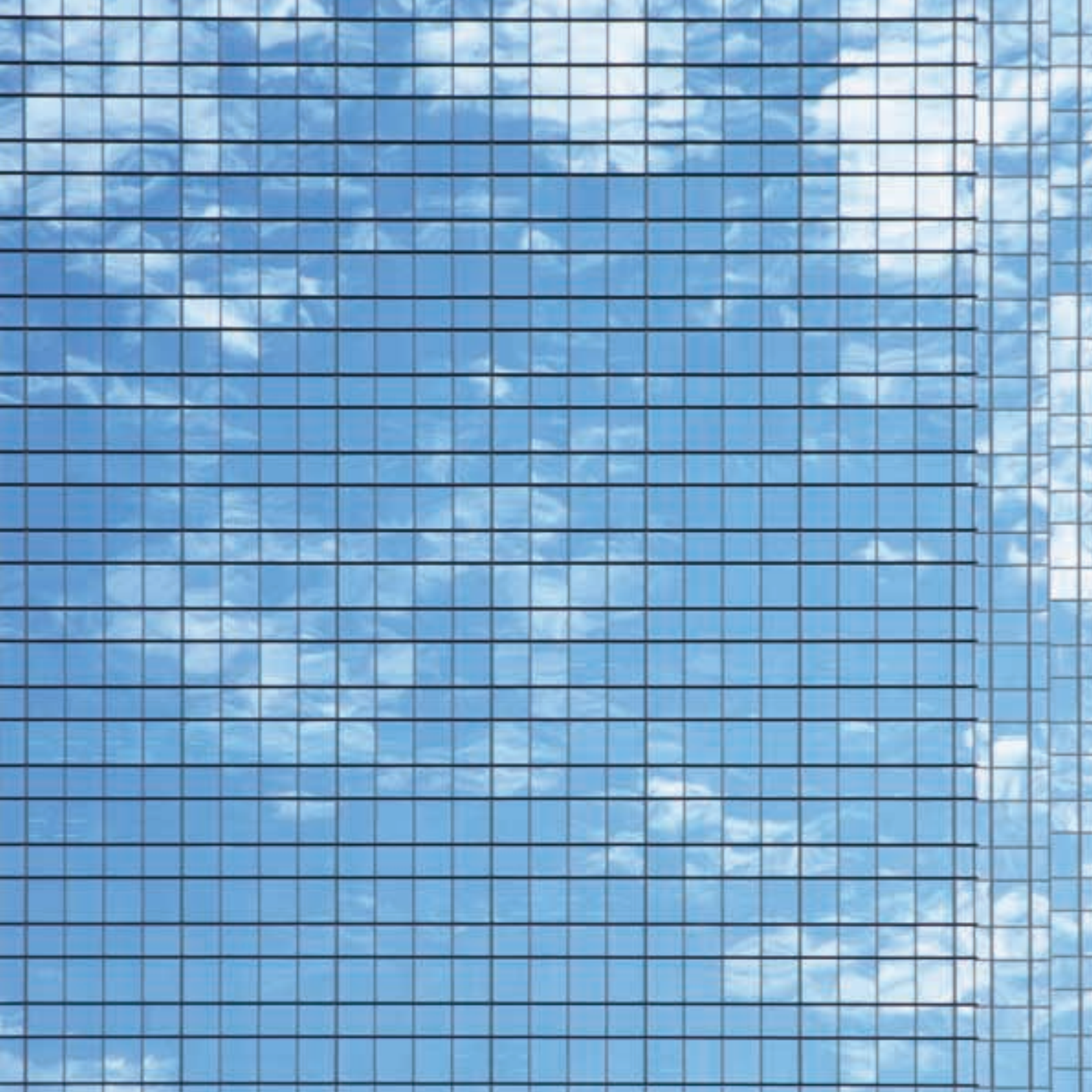
We are proud to offer our reference list that includes some of the biggest multinational companies, namely FIAT, Coca-Cola, Ball Corporation, Grundfos, Knauf, and many others.

SIEPA puts a special focus on the real estate industry, reflecting the importance of its development to the Serbian economy by providing the following:

- Promotion of cities and developers at renowned international fairs;
- The database of investment locations in Serbia;
- Regular surveys and detailed analyses of the sector;
- Working with investors in finding the right location and assisting them in the legal processes;
- Information on business service providers in the real estate industry.

Please join us at our national stands at Expo Real Munich and other world's leading fairs, where selected Serbian cities and developers are exhibiting and offering their ready-to-invest locations and projects.

Thus, we would like to invite you to contact our specialized staff ready to assist you and your business interests. Working with us is simply effective.





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