



# Market Overview

BELGRADE

HOTEL | FIRST HALF | 2009

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### Economic Environment H2 2008

- In 2008, Serbia has achieved GDP growth rate of 6.0%, while GDP per capita amounted to EUR 4,597.
- The total industrial activity in Serbia marked 2.4% growth, compared to 2007.
- At the end of 2008, the inflation rate reached 11.2% on annual average, which is the highest rate in the last three years.
- The adjusted unemployment rate reached the average annual value of 18.0% in 2008, marking a general decrease from 18.8% in 2007.
- The average net salary (excluding tax and contributions) in Serbia marked EUR 402, while Belgrade recorded the annual average of EUR 492. The national average marked a nominal growth of 15.9%, compared to 2007. Belgrade marked a somewhat slower growth rate in the year-on-year period – 13.9%, nominally.
- The total FDI inflow amounted to EUR 1.7 billion, recording a 6.2% increase rate compared to 2007.

### Hotel Real Estate Highlights

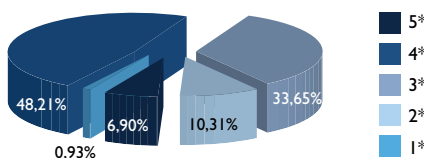
- Belgrade offers 46 hotels, comprising the total of 6,229 beds.
- Four-star hotels take up the largest share within the current supply (48.21%), followed by the three-star category (33.65%).
- There is a considerable scarcity of upscale hotels – five-star hotels take up the modest share of 6.2% within the current supply. The new concepts gaining popularity are boutique and apartment hotels.
- Five operating hotels are part of international chains, while others are locally managed.
- Demand comes mostly from international visitors (53.4% in 2008).
- Pipeline projects constitute the refurbishment of old facilities and the development of several new projects set for delivery by 2010/12.

## SUPPLY

Serbia is an attractive tourist destination offering vibrant cities, mountain resorts and spas. Serbia currently comprises 295 hotel facilities, 87 motels and 344 vacation complexes, mountain lodges and other accommodation facilities, totalling 88,598 beds (37,234 in hotels).

Belgrade offers 46 hotels with the total capacity of 6,229 beds. The four-star category takes up the largest share (48.21%), followed by the three-star category (33.65%). There is a considerable lack of five-star hotels in Belgrade, presently counting only three facilities – Hyatt (372 beds), Aleksandar Palas (9 beds) and Zlatnik (49 beds). The largest hotel is the Continental hotel, offering the capacity of around 750 beds.

Belgrade Hotel Supply in H1 2009 (No of Beds)



Source: Colliers research

The majority of the Belgrade current hotel supply presents older and outdated facilities, which have either been downgraded in categorization for lack of refurbishment and maintenance, or they have been miscategorised and charge rack rates which do not offer proper value for money. Due to the considerable market potential, several international chains have undertaken the task of privatization and reconstruction of the existing hotels. The reconstructions will produce the top quality hotel facilities operating within the international hotel chains. The hotels currently in reconstruction process are Metropol (Greek Hotels), Jugoslavija (Kempinski), Putnik (Metropol Group) and Sava Continental (Crown Plaza).

With regards to the hotel ownership, there are five hotels in Belgrade which operate within the international chains – Hyatt Regency, Holiday Inn, Best Western Mladost, Best Western Sumadija and Design Mr. President. Other hotels in Belgrade are locally managed.



Source: Colliers research

## BOUTIQUE HOTELS

A boutique hotel concept enjoys popularity in the Belgrade market due to the size of the facility, unique interior design and customized client service. Boutique hotels are smaller than the mainstream hotels (featuring 3-50 rooms) and attract both leisure and business travellers.

## APARTMENT HOTELS

An apartment hotel is an apartment complex which features hotel-style booking system and is primarily oriented on satisfying the needs of business clients. Main characteristics of this type of accommodation are prime city location with panoramic overview of the city, high quality finishing works and furniture, as well as apartment layout (integrated kitchen/bathrooms).

In 2008, Belgrade saw the opening of hotels Design Mr. President, City Code, Villa Kalemegdan and Townhouse 27.

## DEMAND

Serbia enjoys stable tourist demand recording around 2 million arrivals and 7 million overnight stays per annum. The capital Belgrade recorded 31% share in arrivals (705,574 people) and 20% share in overnight stays (1,431,328 people) in 2008.

BOUTIQUE/APARTMENT HOTEL FACILITIES IN BELGRADE							
	Aleksandar Palas	Le Petit Piaf	Admiral Klub	Design Mr. President	City Code	Villa Kalemegdan	Townhouse 27
Type	Boutique	Boutique	Boutique	Boutique	Apartment	Apartment	Apartment
Units	9	13	15	50	9	6	20
Beds	9	24	20	61	9	12	44

Source: Colliers research

In 2008, Belgrade arrivals have decreased by 8%, compared to 2007 (764,366). The overnight stays also decreased by 8.5% compared to 1,431,328 as recorded in 2007.

Belgrade tourist demand is balanced between local and foreign visitors, with international visits marking 55% out of total arrivals and 53% out of total nights in 2008. International demand comes mostly from the surrounding countries in the region - Montenegro, Croatia, and Slovenia which combined made up for 30% international nights recorded in 2008. Demand comes also from Italy (7%), Germany (6%), Austria (4%), The Russian Federation (4%), etc.

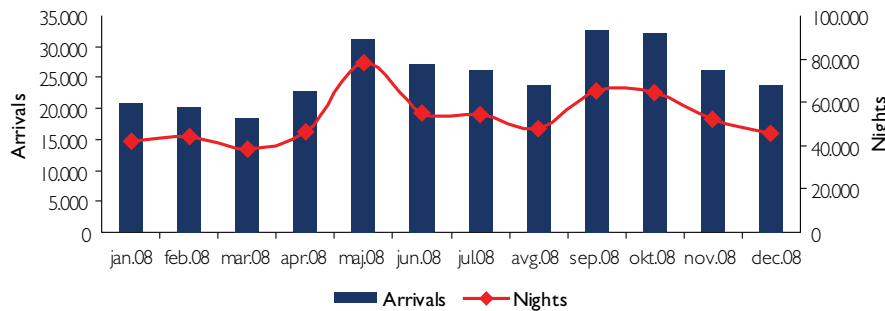
Belgrade hotels record the highest demand in May and September-October period. In

May 2008, the total arrivals amounted to 42,826 (11,559 local and 31,267 foreign), with 101,584 overnight stays (23,282 local and 78,292 foreign).

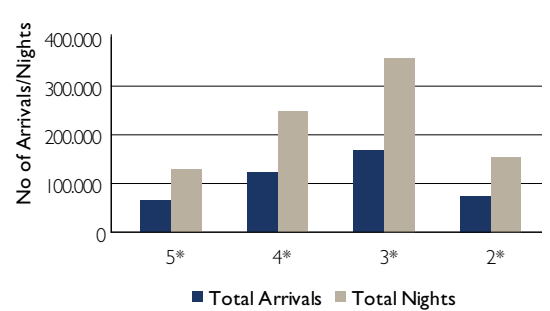
The three-star category hotels seem to attract the highest demand, representing 39% of the total arrivals (169,309), and 40% out of the total overnight stays (357,212) in 2008.

In 2009, Belgrade will host the 25th World University Summer Games. For this event, the city of Belgrade has developed University Village, a large mixed-use complex which will accommodate the contestants of the University Games 2009. This event is estimated to attract 10,000-15,000 visitors.

Foreign Arrivals/Nights in Belgrade Hotels in 2008



Tourist demand by hotel category in 2008



## OCCUPANCY RATE

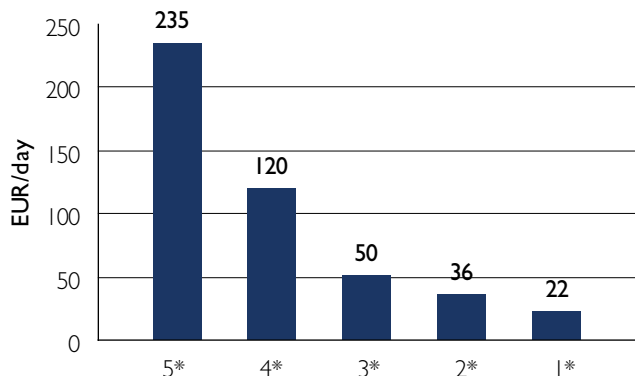
The overall occupancy rate for accommodation facilities in Belgrade marked the average rate of 34.4% in 2008. The hotels marked the average yearly occupancy rate of 36.0% in 2008, recording a slight decrease compared to 41.6% in 2007.

AVERAGE YEARLY OCCUPANCY RATE IN BELGRADE ACCOMMODATION FACILITIES 2007-2008									
		Hotels	Motels	Hostels	Camps	Spas	Other	Trailers	Overall
Occupancy	2007	41.6%	8.7%	38.4%	6.0%	80.7%	7.0%	26.1%	38.9%
Rate (%)	2008	36.0%	4.5%	32.2%	3.8%	84.4%	1.5%	26.4%	34.4%

## RACK RATES

Due to limited supply of upscale hotels, Belgrade hotels feature high rack rates. In 2009, the average rack rate for a single room (Bed & Breakfast arrangement) in five-star hotels marked EUR 235 per person/day. The Hyatt hotel features the highest single rack rate in Belgrade - EUR 325 per person per day. Four-star hotels feature the average single rack rate of EUR 120 per person/daily, while the three-star category records EUR 50 average daily rate.

Average Single Room Rack Rate by Hotel Category (EUR/person/day)



Source: Colliers research

## FORECAST

With several capital projects under construction, the pipeline projects remain the strong focus of the Belgrade hotel market. These projects include privatized landmark hotels currently in process of refurbishment, as well as several brand new projects being developed according to the highest international standards. The foreign investments will ensure that the Belgrade's current hotel ownership/management ratio changes in favour of international hotel chains, as well as significantly upgrade Belgrade hotel supply - all these projects will receive 4\* and 5\* categorization.

PIPELINE HOTEL PROJECTS IN BELGRADE 2010-2012				
Hotel	No of Rooms	Investor	Delivery Date	Category
Metropol*	170	Greek Hotels (Greece)	2010	5*
Continental*	750	Delta Invest (Serbia)	2010	5*
Rajiceva (I phase)	200	Ashtröm (Israel)	2011	5*
Jugoslavija*	300	Kempinski	2012	5*
Putnik*	150	Metropol Group (Russian Federation)	2010	4*
Nobel	n/a	Design Hotels	2010	4*
Block 11a	185	Michaeler & Partners	2011	4*
Airport City Hotel	200	AFI Europe/Israel	2012	4*

Source: Colliers research

\*Refurbishments



293 OFFICES IN 61 COUNTRIES ON 6 CONTINENTS

Americas 136

Asia Pacific 62

EMEA 95

80,6 million m2 under management

11,000 Professionals

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