

## Hospitality Investment Opportunities Zrenjanin, Serbia

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### Overview

Setup as a flagship economic free zone/industrial park, Zrenjanin attracted \$560 M of Greenfield investment from 15 countries in 2006, but has only one hotel in the town. Per capita income grew 70% in 2003. RevPAR is comparable with those of regional capitals that received significantly more investment in the past few years. In addition to **business travel growth**, Zrenjanin, known as “the Little Switzerland in Serbia,” possesses scenic assets whose recent renovation is expected to **increase domestic tourism** inflow, particularly from nearby city of Belgrade, especially if targeted marketing is undertaken. There is a historic downtown area and nearby castle with a new hotel on the estate, all protected as cultural heritage; Tsar pond with numerous bird species protected by UNESCO; Rusanda spa with geothermal energy and balneotherapy; Melentsi Spa, etc. The municipal authorities would be open to a PPP and could provide incentives in terms of lower communal charges.

There is only one hotel in the town that is expected to reach full capacity following renovation into a 4\*hotel oriented to business tourism (Sept 07). Additional FDI inflow and increase in predominantly domestic tourism is expected, further enhancing the hotel demand. Due to insufficient hotel space in Zrenjanin at present, many businesspeople instead stay in Novi Sad or Belgrade and domestic tourism potential is undervalued (e.g. no marketing initiatives undertaken thus far to attract Belgraders).

Serbia’s inbound tourism receipts quadrupled between 2002 and 2006 to \$398 million, but are still in the early stages of a rebound toward pre-1990s levels. Underpinning this growth is one of the region’s friendliest business environments, lowest human capital costs, fastest economic growth rates, and a number of desirable leisure attractions. These factors are expected to continue to drive double-digit growth in both business and leisure tourism. While Belgrade has attracted the bulk of attention, several surrounding municipalities, including Zrenjanin, are severely lacking in accommodations relative to capacity and growth rates, representing good potential value in investment opportunities. This is especially the case in the mid-scale accommodation segment. Due to its economic free zone provisions and proximity to Romania and Hungary, Zrenjanin possesses tremendous business travel potential in the 2-10 years term, and untapped domestic tourism potential. The performance of its sole hotel rivals those of major Central and Eastern European capitals.

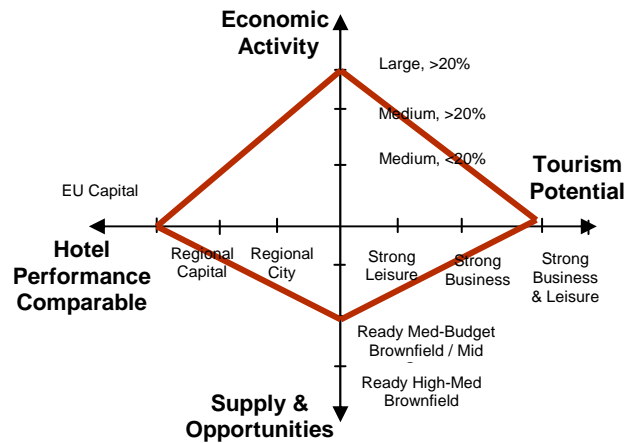
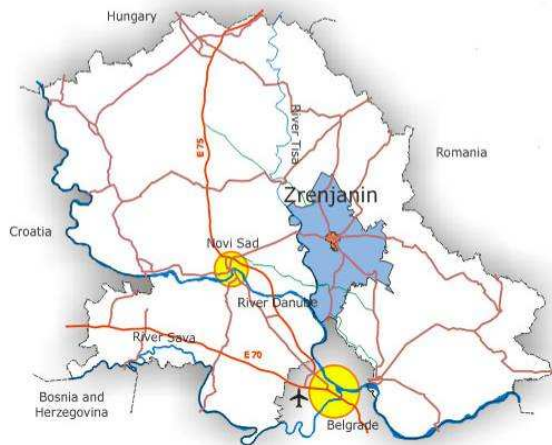
“The major city of the Serbian side of the Banat, Zrenjanin, is going a more typical route to attract investment: offering infrastructure, land, and labor. As a result, Zrenjanin has recently won some of the largest greenfield foreign investments in southeastern Europe.”

*The Business Week*, 28 March 2007

“Mr Vermeulen came to Zrenjanin because investment conditions were right.”

*The Financial Times*, 2 March 2007, commenting on the move of the Dutch company Pecocar from Holland to Serbia

### Excellent transport hub via Corridor X



### Actual and Comparative Performance

<b>Zrenjanin</b>	Average Occupancy:	80.0% - full occupancy expected by Sept '07
	Average Daily Room Rate:	€51.46 / \$66.90
	Average RevPAR:	<b>€41.17 / \$53.52</b>
	Tourist nights (2004):	34,400 (likely understated)
<b>Comparable: Warsaw, Poland</b>	<u>Average RevPAR:</u> €35.83	<u>Recent Investments:</u> 29-story Hilton Hotel and Convention Centre in 2007 and \$103M into 361-room Westin in 2004
<b>Comparable: Zagreb, Croatia</b>	<u>Average RevPAR:</u> €45.29	<u>Recent Investments:</u> 369-room Westin and 228-room Four Points (Sheraton) in 2004
<b>Comparable: Constanza, Romania</b>	<u>Average RevPAR:</u> €28.04	<u>Hotel Inventory:</u> Ibis and several other three to four stars hotels are in Constanza despite its high seasonality

### Occupancy Drivers

#### Locational Drivers

Distance to Belgrade & Airport: 72 km / 1.5 hours drive  
Distance to Timisoara, Romania: 51 km / 1 hour drive  
Distance to Highway: 40 km / 30 min from Corridor X (E-75 highway)

#### Major Business Attractors



- 1) Free Zone Zrenjanin offers land fully equipped with infrastructure at low cost (**€6/m<sup>2</sup>**), one-stop shop, reduced cost of engineering and other set-up to industrial investors by up to 40% and skilled inexpensive labor, leading to tremendous FDI inflow (**\$560M in 2006**).
- 2) Business Incubator Center Zrenjanin gives **25% of its office space free** of charge to new investors.

#### Major Leisure Attractors

- 1) **Historic downtown area**  
Contains a museum, a gallery, the oldest theatre in Serbia, Christian Orthodox, Roman Catholic and Evangelist churches, and City Hall.
- 2) **Small Castle in the nearby multinational village of Ecka**



**Description:** fully restored, former home of Austro-Hungarian duke; it used to be a 2\* hotel with 60 beds and is being reconstructed at the moment. The castle is on a medium-sized estate protected as cultural heritage site that includes an 'art colony'.

**Estimated visits:** up to now about 5,000 visits per year, estimated increase to 10,000 visits per year

**Distance:** 6 km from Zrenjanin on the way to Belgrade

**Seasonality:** all season but more visitors expected from May to September



3) **River Begej**

**Description:** it runs through the town, flows 9 km into the Tisa, which flows into the Danube. It is navigable throughout through a highly developed Serbia Canal network.

4) **The Imperial Pond**

**Description:** Under UNESCO protection, it includes 240 different bird species, fish pond, boat tours

**Estimated visits:** about 10,000 visits in top season per year

**Distance:** 10 km from Ecka village

**Seasonality:** more guests during hunting season; top season May – September



**Major MICE Assets**

Hotel Voivodina in downtown Zrenjanin provides facilities for medium-size conferences (500 people), including two large halls and meeting rooms.

**Municipal Economy**

**Business Activity**

**GDP per Capita 2004:**

€1732.5 / \$ 2310

**Population**

140,000

**Employment**

**2005 Total Employment:**

33,100

**Net Average Income in Hotel & Restaurants:** € 129.75 (\$173/10,342 dinars) / month

**Recent Privatization and Investments**

25 privatization occurred in the past 5 years and 15 investments were announced in 2006 (\$560 mil value)

**Investment Environment**

**Business Environment Facilitation**

Local Economic Development Office (LED) was established in September 2006, providing information and support to investors in cooperation with organizations supporting investments in Serbia; e.g. VIP Fund, SIEPA, Regional Chamber of Commerce.

**Permitting**

**Average Total Construction Approval Time:** 33 days (could be expedited)

**Permits issued in 2005-2006:** 835

## Current capacities

### Total Existing Hotel Capacity:

- Hotel Voivodina: 118 beds / close to 4 stars (only hotel in town)
- Hotel Sibila: 45 beds
- A small hotel close to Tsar Pond and one castle hotel attract mostly eco-tourists and hunters

### Recent Hotel Investment:

- Sole Hotel Voivodina will be renovated by Sept '07 into a 4\* class
- One small castle being renovated and converted into a hotel

## Highlighted Investment Opportunities

### Brownfield:



**Description:** Main construction is completed, but interior is incomplete. 2-3 floors. Legal proceedings initiated as a result of debt to municipality of ~ €50,000 – site to be sold to another investor due to financial difficulties of current, local investor. The municipal authorities are interested in facilitating hotel development by sale of this Brownfield or one of the Greenfield locations.

### Greenfield - Location I



**Purpose of land use:** According to the 2020 Zrenjanin Master Plan, the land can be used for public functions, including hotel operation

**Number of floors that may be constructed:** Ground floor + 3

**Owner of the land:** State of Serbia/Municipality of Zrenjanin

**User of the land:** Public Enterprise "Republic Directorate for Roads"

**Size:** 1,245 m<sup>2</sup>

**Infrastructure:** Water, sewage, low voltage power network, access road from Cehoslovacka street, telephone line, district heating system and gas

**Advantages of the site:** Fully equipped with infrastructure, without any onsite buildings to remove; 7 min walking to downtown

**Price of land:** Land to be given free of charge in framework of PPP or sold at a public auction (listed price: €141/m<sup>2</sup>+ €6/m<sup>2</sup> communal charges)

**Potential:** This can cater to the upcoming 3-4\* business travelers and regional tourists.

## Greenfield - Location II



### Location II

**Purpose of land use:** residential buildings or hotel

**Number of floors that may be constructed:** Ground floor + 4

**Owner of the land:** State of Serbia/Municipality of Zrenjanin

**User of the land:** Municipality of Zrenjanin

**Size:** Approximately 8000 m<sup>2</sup>

**Infrastructure:** Water, sewage, low voltage power network, access road – 29<sup>th</sup> November street, telephone line, district heating system and gas

**Advantages of the site:** Fully equipped with infrastructure, without any onsite buildings to remove; 10 min walking to downtown

**Price of land:** Land to be given free of charge in framework of PPP or sold at a public auction (listed price: €141/m<sup>2</sup>+ €6/m<sup>2</sup> communal charges)

## Greenfield - Location III



**Purpose of land use:** According to the Detailed Zoning Plan of Zrenjanin Centre – residential and commercial purpose, incl. hotels

**Number of floors that may be constructed:** Ground floor + 2

**Owner of the land:** State of Serbia/Municipality of Zrenjanin

**Size:** 335 m<sup>2</sup>

**Infrastructure:** Water, sewage, low voltage power network, telephone line, district heating system and gas

**Advantages of the site:** Fully equipped with infrastructure; located in the main street in downtown Zrenjanin

**Price of land:** Land to be sold at a public auction (listed price: €141/m<sup>2</sup> + 121.5 €/m<sup>2</sup> communal charges)