

RESEARCH REPORT

Skopje Property Market

CBRE | Macedonia

PART OF THE CBRE AFFILIATE NETWORK

www.cbre.mk

Q3 2014

HOT TOPICS

- Demand for parking near office property is more and more becoming a standard
- Retailers are moving into modern-style shopping malls
- New shopping malls have been announced

Macedonia essentials

Area (square kilometers)	25,713
Population, 2013 estimate	2,065,769
Average Monthly Net Salary (EUR) August 2014	345
Average monthly household expenditure (EUR), 2013	423
Unemployment rate Q2 2014	28.2%
GDP change Q2 2014 (Y-o-Y)	4.3%
CPI change January-September 2014 (Y-o-Y)	-0.2%

Skopje essentials

Area (square kilometers)	87.90
Population, 2013 estimate	612,514
Average monthly net salary (EUR) 2013	401

Source: State Statistical Office, National Bank of the Republic of Macedonia, City of Skopje

ECONOMIC OVERVIEW

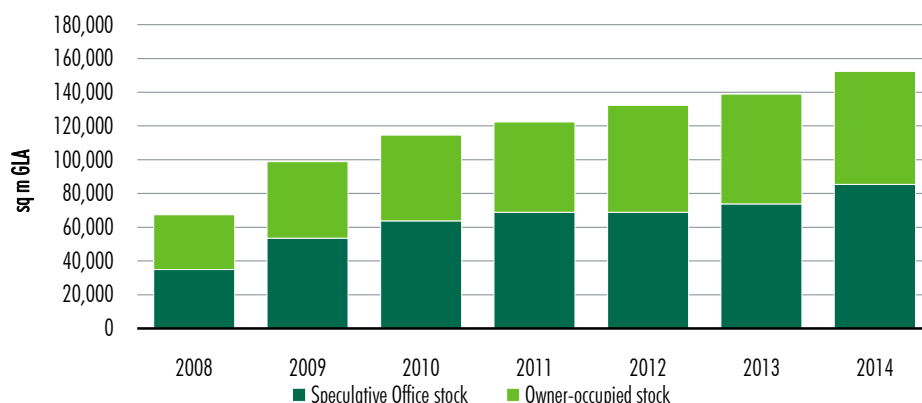
The Macedonian economy in Q2 2014 grew by 4.3%, which is more than the long term average. The industrial production during the first 9 months has increased by 4.8% in comparison with the first 9 months of 2013. The growth was affected by moderate deflation of -0.2% for the first 9 months of the year, largely below the long term average and the target of the National Bank of the Republic of Macedonia of 1% for 2014, which is a reflection that the economy has a positive economic outlook.

Unemployment figures have continued to decrease, currently reaching the threshold of 28.2% of the population between the age of 15 to 64 being unemployed in Q2 2014, significantly below the long term average numbers. Macedonia has been geared towards attracting Foreign Direct Investments, with EUR 132,49 million FDI during the first two quarters of 2014 with large multinational companies having invested or having announced to be investing in the technological-industrial-research zones. With an expected GDP growth for 2015 of 3.6% (source: IMF), the country is mainly focused towards attracting foreign direct investments that will help its growth. Inflation is expected to remain at the level of 2% (source: NBRM) for 2015 as a moderate increase in the consumption is expected.

SKOPJE OFFICE MARKET

Skopje's office market is mainly located downtown and in the central city area. In the past, there was a period when residential buildings and flats were refurbished into business facilities, but with the opening of the country and the development of the economy, demand for modern office building space was created. At this moment, the market can be characterized as underdeveloped, due to a limited number of modern, class A office buildings. Notwithstanding that in recent years several new office buildings were erected, the majority of them is owner occupied, and effectively does not represent current, but prospective supply of lettable office space.

During 2014, a new delivery of app. 13,500 square meters of GLA of office supply was completed, thereby increasing the total office stock of high quality class A and B office space to app. 152,000 square meters of GLA, out of which app. 85,000 sq m is speculative stock and app. 67,000 sq m is owner-occupied office stock.



Source: CBS International, part of the CBRE Affiliate Network

PART OF THE CBRE AFFILIATE NETWORK

CBRE

In addition, there are app. 56,000 square meters of GLA of Class C office supply that is located at prime locations and that has been delivered on the market approximately 20 years ago which stands good potential to be refurbished into Class A or B office space.

With the completion of several governmental buildings from Skopje 2014 Project, additional space at prime locations has become available. However, parking space, especially in the city center remains a challenge whereas several public parking areas have been opened near office buildings or have been announced for construction.

Skopje's city center still remains the most attractive location for office space development with several projects currently being planned and developed. International large-scale projects outside the city center that have been announced during the previous periods have shown little to no significant progress in the past quarter.

In terms of new supply, the completion of the final stages of the mixed-used property in Partizanska street is planned to enrich the office market by 2,240 square meters of mixed-use space. However, the market remains constrained, as there are no significant projects in the pipeline for the delivery of class A office space in the near future. In the next period, as new infrastructural facilities are completed, the market is expected to be increasingly dominated by the clients that are looking for office space that includes parking facilities in the near vicinity.

RENTAL LEVELS

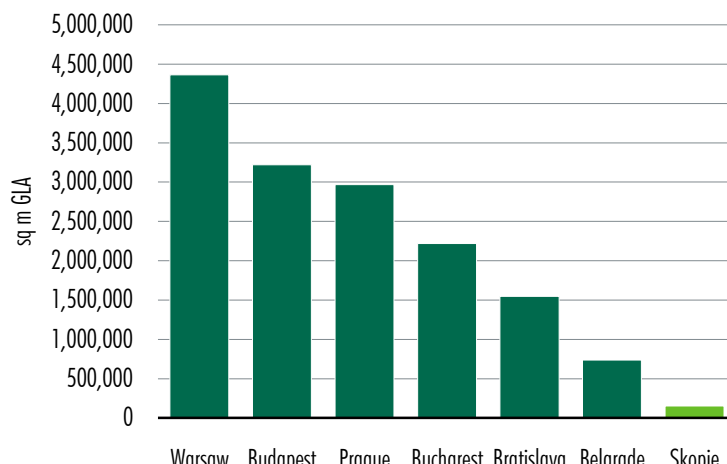
As per the rental movement trends, Skopje office market is positioned at the point where the rental rates considerably vary over the particular submarkets. Headline asking rents for Class A office space in Skopje range between EUR 9 and EUR 16 per square meter per month. Asking rents for Class B office space vary in the range between EUR 8 and EUR 14 per square meter per month.

SKOPJE RETAIL MARKET

With 140 square meters of modern retail space per 1,000 inhabitants, the retail market in Skopje has significant room for growth. Looking into the retail market segmentation, the modern shopping malls, being the single biggest retail type by Gross Leasable Area, are dispersed throughout the city, while the city center is still the dominant location for high street retailers.

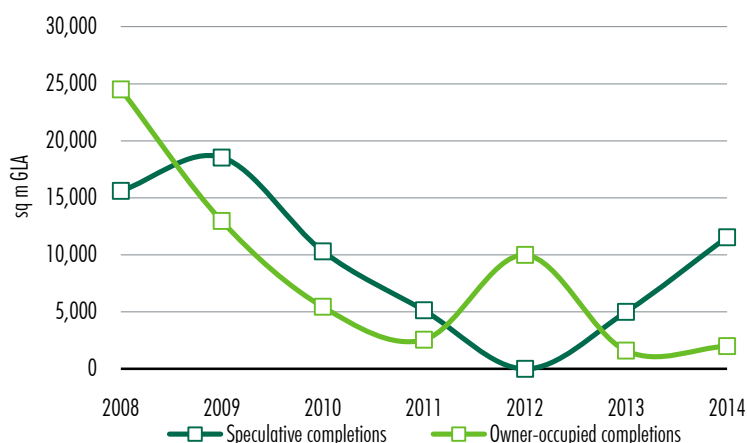
Older types of retail formats are dispersed throughout the city, with various Big-Box formats being present mainly outside the city center. Currently only several retail locations in Skopje can accommodate for client's requests of more than 1,000 square meters.

OFFICE STOCK (SQ M GLA)



Source: CBS International, part of the CBRE Affiliate Network

ANNUAL COMPLETIONS SQ M GLA



Source: CBS International, part of the CBRE Affiliate Network

SKOPJE RETAIL STOCK

Although Skopje's retail market consists of various retail schemes, as per the International ICSC standard, only several schemes can be considered to be modern retail formats. These formats are also the main drivers behind the new entry of brands on the market.

Having applied these standards, whereas the scheme should comprise more than 5,000 sq m of GLA in order to be included into the modern retail stock, Skopje's modern shopping centers stock equals 86,000 sq m, i.e. 140 sq m per 1,000 inhabitants.

In addition, few small-scale projects are also successfully trading, however, due to their size, they cannot be considered into the modern shopping centers stock. The stock of these modern small-scale schemes amounts to 13,000 sq m.

RESEARCH REPORT

Skopje Property Market

CBRE | Macedonia

PART OF THE CBRE AFFILIATE NETWORK

www.cbre.mk

Q3 2014

However, with the opening of Skopje City Mall and Capitol Mall, a large number of high-street retailers have extended their operations in the modern shopping centres thereby pushing the vacancy rates further down to as low as 1%. The opposite trend has been true for small-scale shopping malls, where vacancy rates float around 36% thus causing the average vacancy rate on the market to be 7.2%.

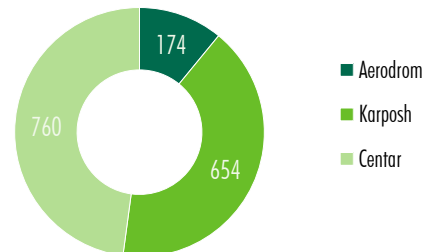
These trends are further supported by plans to increase the present capacities of the shopping malls thereby creating an opportunity for the entrance of new brands and international retailers. As more end-consumers see the benefits from larger international retailers, more consumers are willing to travel to other areas outside the city centre.

Ramstore Mall announced its plans for upgrading the shopping centre located in the city center of Skopje. The modernization of the shopping mall with 25,000 square meters of Gross Buildable Area, is planned to give a more modern touch to the mall as well as to offer additional amenities.

In terms of new supply, the announcement of Emporio Mall in Gjorce Petrov municipality should increase the presence of modern brands as well as modern facilities in the area thereby adding app. 6,500 square meters of retail space.

In addition, one of the largest residential projects, currently under construction in Skopje, SkyCity will also encompass a shopping centre of 32,000 square meters which will spread on the ground and three upper floors, within the complex.

SQ M OF MODERN SHOPPING MALL PER 1,000 INHABITANTS



Source: CBS International, part of the CBRE Affiliate Network

SHOPPING MALL ANNOUNCEMENTS

Project	Location	Investor	Planned area (sq m)
SkyCity	Aerodrom	Cevahir Holding	32,000
Emporio Business Center	Gjorce Petrov	Transmet & Gjorce Petrov Municipality	6,500
Luxury Balkan Mall	Petrovec	ISA 2000	200,000
Era City	Gazi Baba	Era Group	120,000

Source: CBS International, part of the CBRE Affiliate Network

RENTAL LEVELS

Prime asking rents for high-street retail units in the city center varied in the range from EUR 27 to EUR 40 per square meter per month, depending on the location and the type of the retail unit. Asking rents for units in shopping centers varied between EUR 12 and EUR 40 per square meter depending on the type and format of the shopping center.

Goran Zivkovic
Managing Director
CBS International dooel Skopje
Part of the CBRE Affiliate Network
2/4 Nikola Vapcarov Street
1000 Skopje, Macedonia
t: +389 23 222 785
e: goran.zivkovic@cbre.mk

Aleksandar Narashanov
Head of Brokerage
CBS International dooel Skopje
Part of the CBRE Affiliate Network
2/4 Nikola Vapcarov Street
1000 Skopje, Macedonia
t: +389 23 222 785
e: aleksandar.narashanov@cbre.mk

Aleksandar Bozhinovski
Consultant Market Research
CBS International dooel Skopje
Part of the CBRE Affiliate Network
2/4 Nikola Vapcarov Street
1000 Skopje, Macedonia
t: +389 23 222 785
e: aleksandar.bozhinovski@cbre.mk

Tamara Kostadinovic
Regional Market Research Manager
CBS International doo Beograd
Part of the CBRE Affiliate Network
88b Omladinskih Brigada Street
11070 Belgrade, Serbia
t: +381 11 22 58 777
e: tamara.kostadinovic@cbre.rs

DISCLAIMER

CBS International (part of the CBRE Affiliate Network) confirms that information contained herein, including projections, has been obtained from sources believed to be reliable. While we do not doubt their accuracy, we have not verified them and make no guarantee, warranty or representation about them. It is your responsibility to confirm independently their accuracy and completeness. This information is presented exclusively for use by CBS International clients and professionals and all rights to the material are reserved and cannot be reproduced without prior written permission of CBS International.

PART OF THE CBRE AFFILIATE NETWORK

CBRE