



Macedonia - Skopje Real Estate Digest

A FORTON-MKA
RESEARCH PUBLICATION

MACEDONIA - SKOPJE

HI 2011

OVERVIEW

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MACEDONIAN ECONOMY OVERVIEW

In 2011, Macedonian economy develops slow and steady, still recovering from the world financial crisis. The real GDP growth was 0,7% in 2010, mainly influenced by the 14,9% rise in construction and 13,8% increase of industrial production.

At the end of March 2011, external sector is characterized by 40,4% increase in exports and 44,3% increase in imports compared to the first three months of 2010. FDI account for 1,4% of the GDP projected to reach 3,4% by the end of the year.

The monetary sector remains stable, successfully managing the value of the denar. On a yearly basis credit activity rate increased by 8% while deposits are up by 12,4%.

The inflation rate was 4,1% in Q1 2011, projected to reach 3% on annual level (by Ministry of Finance and IMF).

REAL ESTATE OVERVIEW

2011 will be a year of transition. The market needs to digest the huge Class A office delivery of 2010 and the effects of the crisis. Is optimism back? For sure in the residential sector where several large projects have started recently (> 300 apartments), a sign that this sector was never deeply impacted by the crisis.

2012 and 2013 offer encouraging perspectives with several office moves, new kind of residential products to be put on the market and some hotel development projects (new business hotel is a must for Skopje).

Market transparency

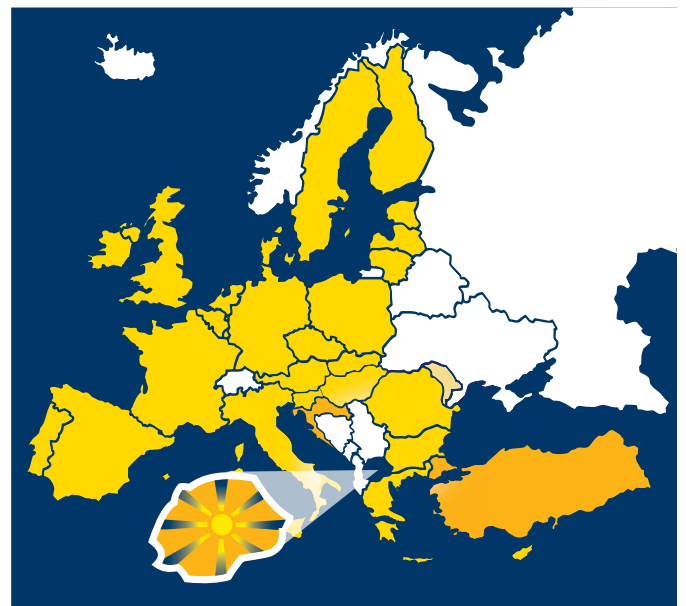
Economical indicators	2010	2011E	2012F
GDP Growth (% Y-I)	0,70%	3,00%	4,50%
Inflation	1,60%	3,00%	3,00%
Unemployment	30,90%	30,00%	29,00%
Account Balance (% GDP)	-3,90%	-4,40%	-3,70%
FDI (% GDP)	3,20%	3,40%	4,80%

Source: Ministry of finance and State statistical office

Facts and figures

Population	2.052.722
Country size	25.700 km ²
Capital	Skopje
GDP/capita	3.568 €
HDI ranking 2009	71 st place
Currency	Denar (MKD)
Average gross salary (March 2011)	491 €

Source: IMF and Ministry of Finance (Basic Macroeconomic Indicators)



OFFICE MARKET

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Stabilisation of the office stock (+1,17% for H1/2011 y-to-y)

After the massive delivery of Grade A and B office space in 2010, Skopje's office market is stabilising. The Class A and Class B office stock is 249.000 sqm. Annual expected growth for 2011 is 5,3 % and 5,8 % for 2012.

The last projects put on the market are Dilajla (1.000 sqm, Grade B, local development) and Impeksel II (900 sqm, Grade B, local development).

Take-Up - again falling (-12% for 2011, y-to-y)

Expected take-up for 2011 will go down by 12% compared to last year (from 18.400 sqm to 16.360 sqm). Except for T-Mobile (first operator in Macedonia), no large move to expect as many foreign companies are delaying their decisions. Planned take-up for 2012 is 28.000 sqm (incl. T-Mobile).

Despite the lower take-up, Hyperium project (7.100 GLA) succeed to nearly fill the whole space (Triglav, OSCE, PWC).

Vacancy, 37.000 sqm GLA are free

The reduced delivery of new office projects stabilised the vacancy ratio for Grade A and B office buildings.

Grade A: 7,5% vacancy (1,8% decrease from H2 2010).

Grade B: 7,7% vacancy (0,5% increase from H2 2010).

Rent levels reaching the bottom?

Prime office rents fell by 9% reaching 15,5€/sqm. New tenants of other Grade A offices will be able to find suitable space between 10€ to 15€/sqm.

Class B offices downtown Skopje are negotiated between 7 and 12€/sqm.

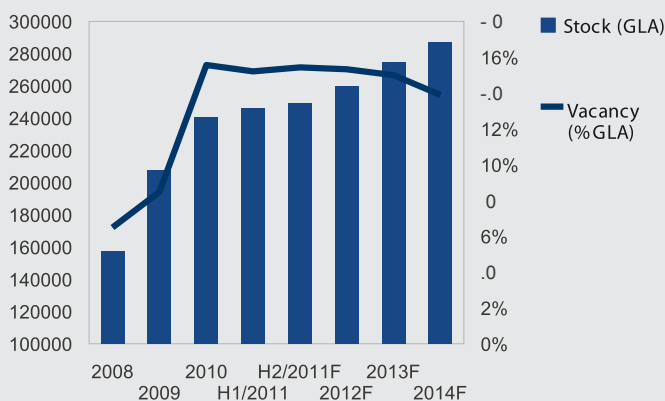
Conclusion: good time for action

The recently delivered office buildings have been occupied by international (Triglav, Grawe Insurance, PWC, Roche) and domestic companies.

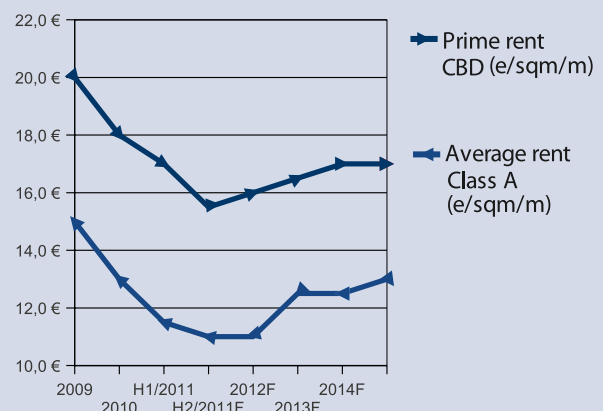
More SMEs tend to move from apartment to adequate offices. Still the decision to move to prime office space is slow.

The market also registered increased activity in the public sector with the construction of new public office buildings that will accommodate several State's ministries and organs (Ministry of Finance, Ministry of Agriculture, Ministry of Foreign Affairs).

Skopje Office Market
Stock and vacancy, Grade A/B



Skopje Office Market
Evolution of rent prices



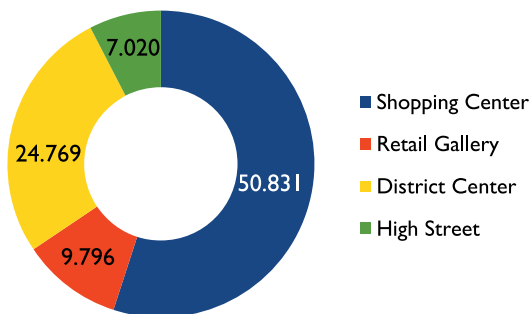
RETAIL MARKET

MACEDONIA - SKOPJE H1 2011

Project and retail stock - OVS entry and reopening of Terranova on Square Macedonia

The total retail stock of Skopje is 92.400 sqm for the 4 segments: shopping center, retail galleries, district centers and high street.

Total retail stock
SQM/Retail segment



After New Yorker in H2/2010 joining Vero Center, the Italian fashion brand OVS (Oviessa) entered Macedonia in May 2011 in Lumiks project and Peacocks in Terra Nova.

Vacancy stable (-3% for H1/2011 y-to-y)

The retail vacancy for H1 2011 is 16% with important variation between retail concepts: shopping centres with 9%, retail gallery with 37%, high street with 14% and district centres with 22%.

Rent levels remain high

The prime locations in Skopje maintains high rents with average rent price from 20 € to 40 €. Prime rents are expected to remain stable for the whole year until the delivery of new retail projects in 2012.

City-Mall under construction

The investment activity in the retail sector in Skopje have slowed down. One of the large retail projects G-Mall (29.000 sqm GLA), has still not received permit. City Mall (39.000 sqm GLA), following a financing by EBRD, started its construction this year and is expected to be delivered in H2/2012.

A Turkish project for development of Scyscraper with 40.000 sqm retail space is also planned for 2011 in Aerodrom municipality.

Mr. Bricolage, the French DIY chain, plans to open 4.500 sqm for 2012, in collaboration with Skopski Pazar.

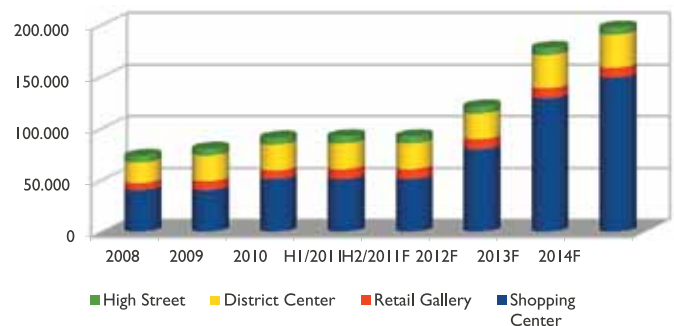
Conclusions – a place for development

Skopje's retail market still lacks qualitative retail spaces, transparent renting prices and international fashion brands for the middle class.

The renovation of the city very centre is close to completion, which will revitalize high street retail for H2/2011.

In 2012, Skopje's market can expect the entry of prominent international brands, such as the ones of Inditex group (e.g. Zara).

Skopje Retail Market
Evolution of Stock



FACTS

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Pipe of project delivery

Building Name	Origin	Purpose	Municipality	Area sqm GLA	Delivery Date
Impeksel II	MK	Office	Centar	875	H1 2011
Cubus	MK	Office	Centar	3021	H2 2011
BS	MK	Office	Karpos	5000	H2 2011
Impregnal	MK	Office	Centar	5400	H2 2012
Stokovna Kuka (Mavrovo Inzineriing)	MK	Office	Centar	1100	H1 2012
G-Mall	Israel	Shopping Center	Karpos	29000	H2 2013
City-Mall	MK/AL	Shopping Center	Karpos	39000	H2 2012

Deal selection for H1/2011

Organization Company	Origin	Purpose	Type	Building	Area sqm GLA
Triglav	SL	Office	rent	Hyperium	2000
Peacocks	UK	Retail	rent	City Gallery	800
OVS	IT	Retail	rent	Lumiks	565
WTI (extension)	NL	Office	rent	GRAWE	515
PWC	UK	Office	rent	Hyperium	450
EBRD	Int.	Office	rent	Soravia	400
Grawe Insurance	A	Office	rent	GRAWE	250
Tricode	NL	Office	rent	Modig rampa	200
Huawei	CN	Office	rent	Grawe	170

Building selection and vacancy for H1/2011

	Purpose	Municipality	GLA sqm	Vacancy % of GLA	Vacancy tendency
Soravia Business Center	Office	Centar	12.000	22%	=
MEGI Business Center	Office	Aerodrom	8.500	95%	=
Grawe Office Center	Office	Centar	2.200	50%	▼
Hyperium	Office	Karpos	7.100	10%	▼
MIDA	Office	Karpos	3.100	15%	▼
T.C. Soravia	Retail	Centar	4.000	30%	▼
GTC	Retail	Centar	28.000	15%	▼
Ramstore	Retail	Centar	12.000	3%	=
SuperVero	Retail	Centar	10.600	10%	▲
Zebra	Retail	Cenatr	1.900	6%	=

ABOUT FORTON MKA

Forton MKA is an independent provider of commercial real estate services in Macedonia and Kosovo. Forton advises users of office or retail spaces, helps real estate developers to define, commercialise or manage their projects. Forton is also present in Sofia and in Belgrade and in 143 countries all around the world via the Cushman and Wakefield Alliance program.

Forton MKA publishes twice a year a real estate market digest for Kosovo and Macedonia. A full version can be purchased.

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