Kosovo - Pristina Retail Market

A FORTON-MKA
RESEARCH PUBLICATION

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H1 2011

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OVERVIEW

KOSOVO - PRISTINA H1 2011

ECOMOMY OVERVIEW

In 2009, the Kosovar economy was influenced by the global financial crisis. FDI declined by 20.4%. Nevertheless, the banking sector had upward tendency with a rise of 21.9% of the commercial bank assets. Finally, 2009 ended with a positive rate of economic growth, at 4.0% which was one of the highest in Europe.

2010 was a year of macroeconomic stabilisation: moderate positive inflation at 3.5%, important increase of exports (120% in H1) and of the banking sector's assets (15% in H1). 2010 estimated GDP growth 4.5% remained largely influenced by the public sector investment and consumption. Turbulences arrived in the political sphere with the fall of Kosovo's government. In December 2010 elections, the former leader party, the PDK, was re-elected to govern the country.

Positive 2011 forecasts for the global economy are applicable to Kosovo. The economy is expected to gain increased rate of exports, remittances and FDI. Three years after the independence of the country, the banking sector continues its stabilisation. The increase of private investment and consumption should lead to 5.9% projected growth this year.

The informal sector and the remittances remain important in the Kosovar economy. This generates an unofficial cash money activity that represents an essential part of the economy (est. 30% to 40%).

GDP Growth (% Y-1)

	2009	2010	2011F
Kosovo	4,0%	4,6%	5,9%
Albania	3,3%	2,6%	3,2%
Macedonia	-0,8%	1,2%	3,0%
Serbia	-2,9%	1,5%	3,0%

Source: Republic of Kosovo: Request for Stand-By Arrangement, IMF Country Report No. 10/245, July 2010
Results of the labor force survey in 2009, Statistical office of Kosovo
Semi-Annual Macroeconomic Bulletin, January-June 2010, Ministry of Economy and Finance
Consumer Price Index January 2011, Statistical office of Kosovo

Facts and figures

Population	Est. 2200000
Country size	10.887 km2
Capital	Pristina
GDP/capita (PPP)	1766€
Currency	Euro (EUR)
Average gross salary	263€

REAL ESTATE OVERVIEW IN PRISTINA

Pristina, the capital with 600.000 inhabitants, is the centre of the real estate activity in Kosovo. It is the political and economic hub of the country.

The real estate sector represents a 15% of the FDI in Kosovo. This business is covered by the legal framework for protection of foreign investment and by a stimulative taxing environment.

Since 2005, the residential market is booming even though banks did not give mortgage for apartments until very recently. Several suburbs of Pristina are populated with residential towers, sometimes without urban control. A former industrial district close to the centre, Lakriste, is subject of developer speculation. Several large real estate projects are located in this district.

Real estate prices are high compared to the size of the market. This is a shared characteristic with other capitals in the region where there is a little amount of transactions and few competition.

RETAIL MARKET

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Market Structure and retail stock

For H1/2011, the retail stock of Pristina count 117.414 sqm GLA. It is structured based on retail galleries (35%), district centres (41%), supermarkets (20%) and high streets (4%).

As a common feature in the region, the rents level are high compared to the market size and the quality of the offered spaces.

For the purpose of comparing retail areas, Pristina has been subdivided in 4 districts: CBD, "Industrial", "Veternik" and "Other Urban Areas".

CBD (Central Business District)

CBD has two high streets: Garibaldi Street with 24 single tenant retail spaces and Mother Teresa Boulevard with around 40 single tenants. Aside to this, the Palace of Youth, an historical complex with 6.024 sqm GLA of retail, is gathering the largest footfall to date.

Sereral large scale retail spaces, such as Axis or ENK, are under development, as an extension of larger office or residential projects.

Stock: 13.718 sqm. Vacancy: <5%. Rent level: 15 to 50 €/sqm. Brand selection: Levis, Victoria's Secret, Diesel, Samsonite, Mango, Tom Tailor, Tally Weil, H&M, Sasch, Geox.

Industrial

A Western boulevard leading to the airport, Lidhja e Pejës, forms the backbone of the Industrial retail district. Along it, many warehouses have been transformed into supermarket (e.g. City Park, Interex) and other big boxes (e.g. JYSK, Technomarket, Albi Outlet).

Several military locations may become available and form interesting large greenfields.

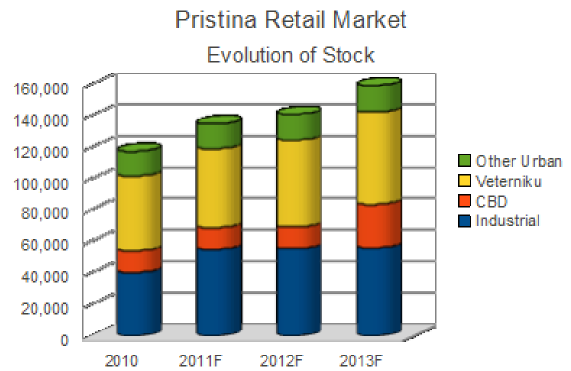
Stock: 40.426 sqm. Vacancy: 6.5%. Rent level: 4.5 to 15 €/sqm. Food brand selection: Inter Ex (Intermarche), ETC, Maxi. Non food: Chicco, Neptun, Technomarket, JYSK.

Veternik

Leaving Pristina to reach Skopje or Tirana will lead you to the dynamic Veternik shopping area. This is the most recent retail area in Pristina and a popular fashion destination.

The very first shopping center alike, Albi, went larger in November 2010 with 12.500 GLA including hypermarket and several anchors (e.g. Fashion Group brands). On the other side of the road, the retail gallery Grand remains a popular center.

Stock: 47.570 sqm. Vacancy: 8.4%. Rent level: 6 to 25 €/sqm. Brand selection: Geox, SpringField, Bitsiani, Goldenpoint, Tom Tailor, Levis, OVS , Hugo Boss.



Conclusion – a good time for action

The retail market is still dominated by local and small family businesses. Prime retail space in the CBD area and multi-tenant big boxes around the city are missing, which keeps rent levels on pressure.

Most large scale retail projects under development are located in the CBD area, but none has a retail centric purpose. In addition, several are burdened with concept, land planning or financial issues.

As Albi Center seems to prove it, there is demand for retail space in shopping malls. Kosovo is a greenfield market with recurrent growth and young population.

Both shopping centres and retail parks can be successful, especially the first ones. The market is not large and the key locations are few.

KEY FACTS

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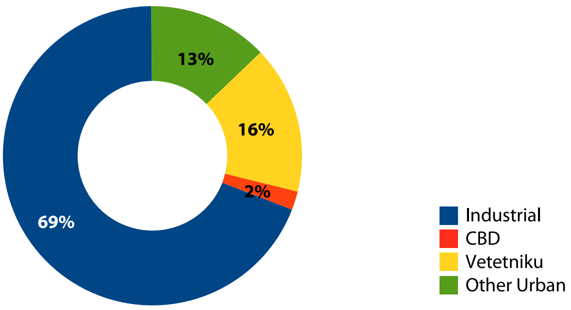
Retail Zoning

- Z1: CBD
- Z2: Industrial
- Z3: Veternik
- Z4: Other Districts

Supermarket in Pristina

SQM / Retail district



Building selection and vacancy for H1 - 2011

	Concept	District	GLA sqm	Vacancy % of GLA
Albi Center	Retail Gallery	Veternik	12.500	5%
Gorenje	Retail Gallery	Veternik	1.220	<5%
Grand Store	Retail Gallery	Veternik	5.200	5%
Albi Outlet	Retail Gallery	Industrial	2.656	5%
Street Mother Theresa	High Street	CBD	4.130	<5%
Street Garibaldi	High Street	CBD	1.064	<5%
Palace of Youth	District Center	CBD	6.024	<5%
Kodra e Diellit	District Center	Other Urban	3.200	20%

Pipe of project delivery

Project Name	Purpose	District	GLA sqm retail	Estimated delivery date
ENK Complex	Retail, Administrative, Hotel, Residential	CBD (Lakrishte)	24249	Phase I>2013
Axis Complex	Retail and Office	CBD (Lakrishte)	90000	2014
Husi-G Towers	Retail and Office	CBD (Lakrishte)	12000	2013
World Trade Center	Retail, Office, Hotel, Apartments	CBD (Lakrishte)	12500	2014/2015
New Highrise Complex	Retail and Residential	CBD (Lakrishte)	9000	n/a
Te Hysi	Retail	Industrial	15000	on hold

ABOUT FORTON MKA

Forton MKA is an independant provider of commercial real estate services in Macedonia and Kosovo. Forton advises users of office or retail spaces, helps real estate developpers 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 Cushamn 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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