

Real Estate Market Overview – Macedonia 2007

Macroeconomic overview

- The economic performance in Macedonia for the last three years is expressed through stable GDP growth averaging around 4%. GDP growth in the next few years is expected to be around 6-7%.
- Macedonia was ranked 4th on the list of top reformers in the 2008 Doing Business Report.
- Total FDI in Macedonia for 2007 amounted to 256 Million EUR and it is expected to reach 500 Million EUR by the end of 2008.
- As a result of a growing interest in Macedonia's investment potential, a number of international companies have started operations in the country, both as greenfield projects and through different types of asset acquisition and privatization.
- Privatization in Macedonia has been in process for more than 15 years. Big public enterprises from telecommunication and energy sector have taken significant part in the privatization processes.
- The inflation rate in Macedonia in 2007 was 2,3%, still remaining within the low and stable zone due to the favorable macroeconomic environment.
- The average net monthly salary for 2007 was 250 Euros. According to the data from the State Statistical Office, in December 2007 the average monthly net salary per employee increased by 12.2% compared to December 2006. The recorded average net salary in Skopje for that period was around 300 Euros.
- The economic growth in the country had a positive reflection also on the labor market. At the end of 2007, the unemployment rate dropped from 35,9% to 34,8% compared to the previous year. However, despite some legislative changes and movements towards enabling greater flexibility on the labor market, the high unemployment rate, accompanied by certain negative structural features, is still one of the restrictive factors for development.
- Macedonia's personal and corporate income tax was reduced to flat rate from 12% in January 2007, down to 10%, which is one of the lowest tax rates in the world.
- The growth of the economy is projected to further acceleration to 5.5% in 2008.

Key macroeconomic indicators

Indicator		2002	2003	2004	2005	2006	2007
GDP Growth (%)	%	0,9	2,8	4,1	4,0	3,15	5,1
Employment	%	-	34,5	32,8	34,6	35,7	36,4
Unemployment	%	31,9	36,7	37,2	36,5	35,9	34,8
Average monthly net wages	EURO	190	194	204	213	225	253
Export	million EURO	723	882	1.087	2.326	1.558	2.183
Import	million EURO	1.246	1.438	1.811	2.014	2.394	3.400
FDI, net	million EURO	51	76	210	63	228	256

Property market

Although Macedonia's property market is at a very early stage of development, it is an emerging opportunity for investment.

With rising tourism and aspirations for membership in both the EU and NATO, Macedonia is attracting considerable interest from foreign property investors.

The Macedonian property market has shown an average annual growth of around 9%.

Office market

Macedonian office market has remained relatively underdeveloped, although a large increase in office supply is supposed to occur during the end of 2008 and the beginning of 2009.

Office development is dominated by wealthy Macedonian individuals, looking to capitalize. However, there are a few international developers that are increasing or striving to increase their presence, including Era Group, Gazit Globe, Equest, Platinum Investment Group and others.

Building name	Rental rates
SORAVIA BUILDING	20 eur/m ² + 3 eur/m ² + add-on factor
EUROPEAN UNIVERSITY	20-25 eur/m ² + add-on factor
GORCE PETROV BUSINESS CENTRE	12 eur/m ² + 3 eur/m ² + add-on factor

Asking rents for Class A office space are currently between 12-20 Euros per sq.m for the new office buildings in downtown Skopje, as the most attractive location. Rents for Class B office space reached the same level, compared to last year rates of 6-12 Euros per sq.m.

Downtown Skopje will remain the key office destination with a number of projects already in the pipeline. It is expected that new supply of business Class A and Class B space will follow the increasing demand due to the economic growth of the country and its focus towards foreign investments especially in the real estate sector.

Along with current high demand level, more and more office projects are being announced for the coming years. During the past year, demand for high-quality office space was driven mostly by international companies in the field of finance, insurance, telecommunications, pharmacy, IT, trade, wholesale, etc.

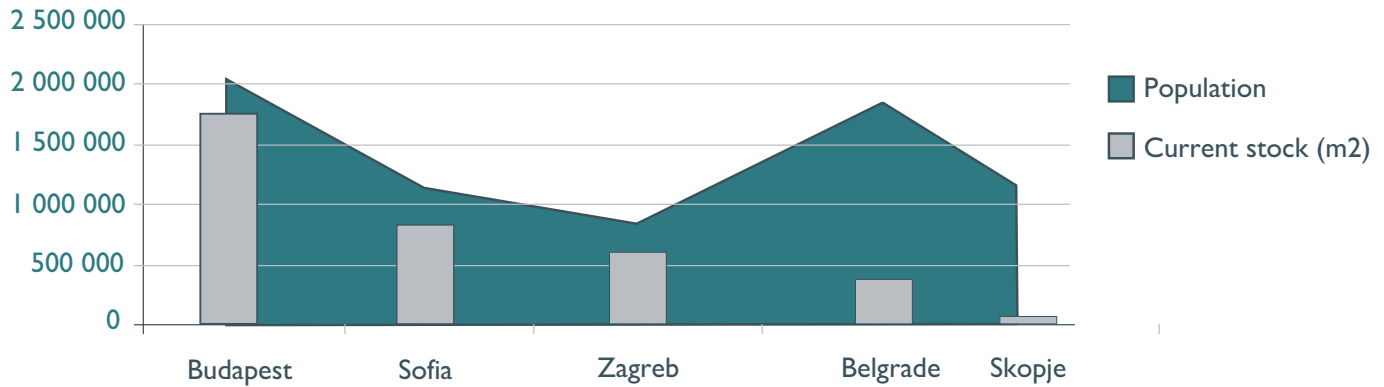
Largest office projects under construction in Skopje

Building name	Location/	Size of office
Skopski Saem	Centar, Belasica 2	29.000
Corner Business Centre	Centar, Kliment Ohridski	2.300
Nova Makedonija building	Centar, Ivo Lola Ribar	32.000
Hypo business building	Mi-Da motors	13.000
Tutunska Banka building	Centar, Mito Hadzivasilev Jasmin	12.000
Narodna Banka	Centar, Kej 13 Noemvri	9.000

Leasing contracts for Class A office space are usually signed for a period of 5 years; for the same period, separate Property management agreement needs to be signed between the Landlord and a Property Management Company, which is in charge for the maintenance of the building.

The following graph, shows the current office stock and population in some neighboring capitals, as well as the capacity for further development of office space in Skopje:

Office stock (GLA) and population in the neighbour cities



Retail market

Skopje has an approximate stock of 123.000 m2 of total retail space within shopping centers. However, most of the retail space, 82.000 m2, is in premises in old type shopping centers built fifteen or more years ago. On the other hand, there are around 38.000 m2 of modern retail space constructed in the last couple of years. There are three bigger shopping centers in the pipeline, with additional 165.000 m2 of net leasable area.

Opening of first shopping mall, Ramstore Mall in downtown Skopje, in December 2005, brought several new brands, such as: Betty Barkley, Lacoste, Bata, Okadi, US Polo, Gant, Caliope, Golden Point, Springfield, etc. With several shopping centers in the pipeline, a lot of fashion brands are going to enter the market.

High streets of Macedonian major cities are still the most desired way of entering the market. Macedonia Street, the famous pedestrian zone of Skopje, is still number one location, followed by the streets around the city square. The strongest demand for the main streets in densely populated residential areas basically comes from the international banks.

Retail rents

Submarkets	Rental Rates (eur/m2/month)
GTC	60-100 e/m2
Ramstore Mall	80-150 e/m2
City Gallery	50-100 e/m2
Highstreets	40-80 e/m2

Retailers occupying the high streets and the pedestrian zone in Skopje are: Mexx, Swarovski Premium Shop, Hugo Boss, Okaidi, Adidas, etc. However, those retailers that have traditionally preferred high streets, have started to shift their preferences towards space in shopping centers.

Building name	Location	GLA
Nexus	City Square	1.800
Equest	Centar, Zeleznicka	30.000
Narodna Banka	Centar, Kej 13 Noemvri	3.000
Veropoulos	Centar, Koco Racin Blvd.	40.000
Skopski Saem	Centar, Belasica 2	85.000
Alumina	Taftalidje	40.000

Largest retail projects under construction in Skopje

Tinex was the first retail warehouse, opened in Skopje in 1994. These past 14 years, Tinex created a chain of supermarkets that includes 35 stores. Also, another big chains of supermarkets, the Greek company, Veropoulos, has already opened 8 stores in Macedonia, and much more are in pipeline. Croatian and Slovenian chains of hypermarkets also plan to build retail warehouses in Skopje and are reviewing the market at the

Retail shops – Selling prices

Location	eur/m2
High Streets in Center	3.000-7.000
GTC	2.500-5.000
Alfex	3.000-3.500

After Skopje, Bitola is the second largest city in Macedonia, in terms of population, and is certainly one of the most attractive cities for bigger and lucrative investments in real estate sector. The new Doing Business in South East Europe 2008 report analysis showed that Bitola is the best city for doing business in Southeastern Europe, chosen among 22 cities on the Balkans.

Residential market

Residential supply in Skopje is currently increasing with many apartment building schemes under construction, but still, much lower than demand.

Demand is a result of expansion of mortgage credits, and of continuous influx of people from secondary cities and abroad to Skopje.

According to Census from 2002, housing stock of Skopje was 163.745 residential units, with average area of 19,41 m2.

Last available data for housing construction are from 2007, showing 5.140 completed units in Macedonia, with total area of 445.316 m2 and average floor area of 86,6 m2.

Apartments in central Skopje have yields ranging from 7% to 10,5%, while houses have slightly better yields, ranging from 8,4% to 11,25%.

The market in the capital city, Skopje, has experienced a large increase in good quality apartments in Debar Maalo, Bunjakovec and Kapistec.

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The market in the capital city, Skopje, has experienced a large increase in good quality apartments in Debar Maalo, Bunjakovec and Kapistec. There are projects with extremely luxurious apartments on prime locations, for which prices can reach up to 2.500 eur/m². The same prices could be for high – quality individual buildings, in exclusive areas in Vodno.

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