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OFFICE REPORT

SKOPJE H1 2024



CBS
INTERNATIONAL

ECONOMIC OVERVIEW

GDP growth in 2023 was 1%, lower than expected, primarily due to weak demand from the main export markets in the eurozone. While the service sectors contributed to growth, industrial production and construction saw declines. Toward the end of the year, private consumption began to rise as inflation fell, and net exports positively impacted the economy, with lower imports and strong growth in service exports.

At the start of 2024, the Government issued new debt in the domestic market, with yields decreasing from 4.1% to 3.8%. Growth is projected to increase to 2.5% in 2024 and 3.5% in 2025, driven by high remittance inflows, declining inflation boosting private consumption, and a gradual recovery in external demand. However, growth is somewhat constrained by limited fiscal space due to a high fiscal deficit and public debt.

The average net salary for the first five months of 2024 was EUR 654, a 15% increase compared to the same period in 2023. According to the State Statistical Office of North Macedonia, the unemployment rate in Q1 2024 was 12.9%.

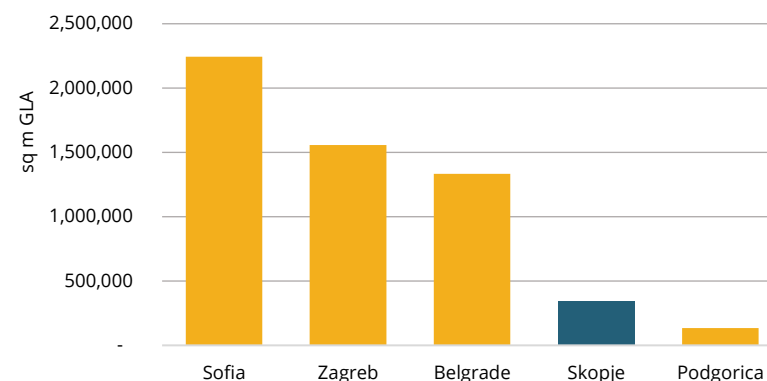
OFFICE DEMAND

The demand dynamics demonstrated a slowdown in H1 2024 with total leasing activity of 14,000 sq m, shrinking by 24% y/y. The average deal size amounted to nearly 780 sq m, surpassing slightly a 2023 average of 730 sq m and indicating a stronger demand for larger premises. Demand for office spaces comes primarily from IT companies and companies that provide professional and business services. So far, the year 2024 was marked by the return of the companies to the offices, even though flexible and hybrid working patterns are likely to remain. Increasing interest in the coworking concept of offices was also noted. Currently, only local operators are present on the market, while certain international coworking companies showed interest in entering the Skopje office market in the forthcoming period.

OFFICE SUPPLY

The first two quarters of 2024 brought further enlargement of Skopje office stock. Specifically, a total of 18,500 sq m of GLA of new office space was delivered to the market, whereas the most notable project was the completion of the office component within the large mixed-use project Diamond of Skopje. Developed by Turkish investor Limak Holding, the office building comprises 12,500 sq m of GBA, i.e., 10,500 sq m of gross leasable area. Additionally, the long-awaited Cevahir Sky City Mall was finally completed. In March 2024, another Turkish investor Cevahir Holding opened a retail scheme which, along with its retail component, provides an app. 6,700 sq m of office space. Thus, year-to-date deliveries already exceeded the new supply in the entire 2023. At the end of H1 2024, Skopje office stock amounts to 346,000 sq m of GLA, whilst class A office stock participates with a share of 46% and speculative supply reached nearly 70%. Taking into consideration announced projects, future office supply looks promising. By the end of 2025, over 60,000 sq m of GLA should be delivered to the Skopje office market. However, compared to the other cities in the region, the Skopje office market can be characterized as immature, due to the limited number of modern, stand-alone office buildings and complexes.

Chart 1 - TOTAL OFFICE STOCK - SKOPJE vs REGION



Source: CBS International

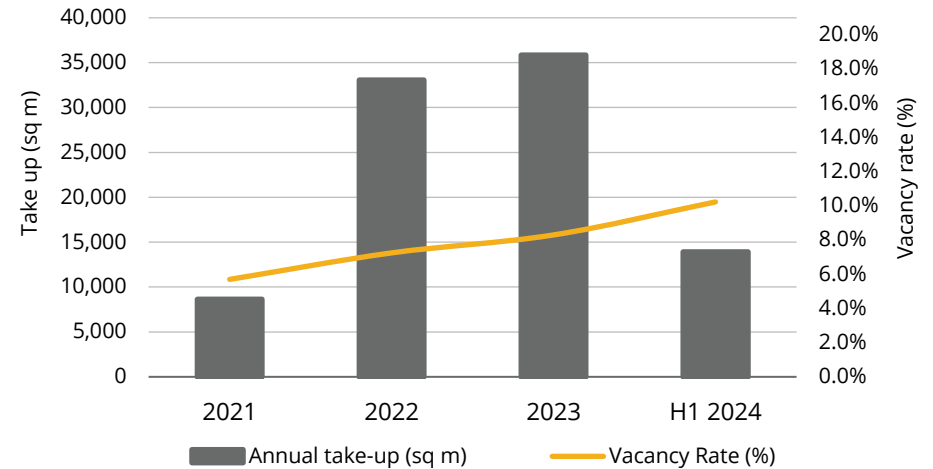
RENTAL LEVELS

For several consecutive quarters, the asking rental levels were under upward pressure due to significantly increased inflation, rising construction and fit-out costs, as well as strong occupier demand. After an increase in 2023, the asking prime office rents in H1 2024 held steady at EUR 14.00-16.00/sq m/month. The same trend was visible for the Class B office stock, which remained at the level of EUR 10.50-13.00 per square meter per month.

VACANCY

The overall vacancy rate continued to grow in the first six months of 2024 and reached the level of 10.2%. The increase in the space availability rate was primarily driven by the development of new office space, while leasing activity noted signs of a slowdown. In the short term, an increase in vacancy rate is not expected, taking into account the limited pipeline in the second half of the year.

Chart 2 - SKOPJE OFFICE DEMAND VS VACANCY



Source: CBS International

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