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RETAIL 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.

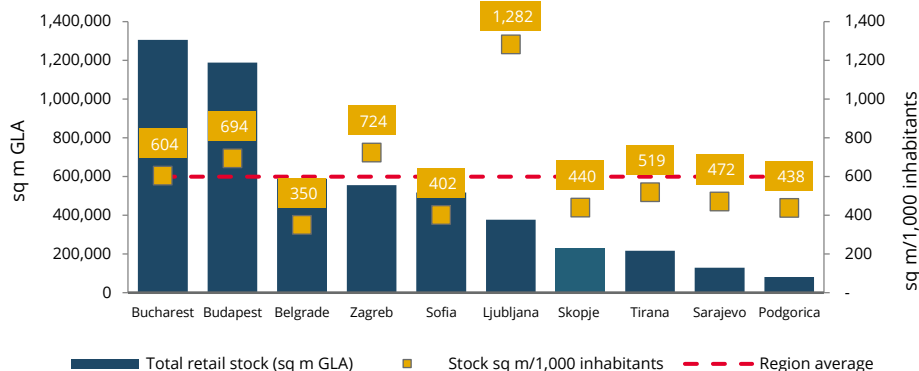
The average net salary for the first five months of 2024 was EUR 654, a 15% increase compared to the same period in 2023. According to the State Statistical Office of North Macedonia, the unemployment rate in Q1 2024 was 12.9%.

SUPPLY

In the first half of 2024, Skopje witnessed the opening of two new retail formats enriching retail stock for an additional 16,000 sq m of GLA. Namely, after being present in the Skopje real estate market with the development of four 40-storey skyscrapers, Turkish Cevahir Holding, in March 2024, opened Cevahir Mall, a neighbourhood mall which is a part of the Cevahir Sky City mixed-use complex. The retail scheme features a total of 10,000 sq m of GLA and accommodating tenants such as Super Kit Go, dm drogerie markt, DeFacto, Sinsay, Halkbank, Prosvetno Delo, Play Park and Sara Fashion.

Moreover, the Skopje settlement of Gazi Baba witnessed the opening of retail park GODI of approx. 6,000 sqm, featuring brands such as Super Tinex, Neptun, Mr Bricolage, Sport Vision Outlet, Bonatti, Sinsay, Duki Daso, dm drogeri, Staedtler and Sport Reality. These openings have increased Skopje's modern retail stock to the level of 231,700 sq m. Analysing the stock per 1,000 inhabitants, it amounts to 440 sq m per 1,000 inhabitants, still significantly below the regional average, which stands at the level of 600 sq m per 1,000 inhabitants.

Chart 1 - RETAIL MARKET - SKOPJE vs REGION



Source: CBS International



MARKET DEVELOPMENT

The retail market is set to expand with the completion of several projects currently in under development. Most of these are mixed-use developments that incorporate retail spaces alongside residential and office segments. Notable projects such as Porta Superium, Grand Skopje, Karedo, Riverside, and Cosmopolitan are expected to add approximately 20,000 square meters to Skopje's retail stock. Regarding the other cities in North Macedonia, the cities of Ohrid and Bitola are expected to see new retail formats open by the end of 2024, while Kavadarci and Struga are anticipated to welcome similar developments in 2025.

After initial negotiation Lidl acquired from Skopski Pazar, ex Bricolage location, for EUR 9.5 million, confirming the retailer's plans to spread its retail chain in several locations in North Macedonia. The construction works on the new distribution centre have already begun.

DEMAND

North Macedonia's retail sector saw strong growth in May 2024, with a 5.6% year-over-year increase and a 3.9% monthly rise. The highest since March 2023, this growth was driven by food, beverages, tobacco, and automotive fuel sales, indicating robust consumer spending in essential categories. However, a slowdown in non-food products suggests weaker discretionary spending, possibly due to economic factors or shifts in consumer priorities. Overall, the retail sector shows resilience, though performance varies across segments.

RENTAL LEVELS

Prime pedestrian locations have traditionally commanded high rental levels, which remained mostly stable in the first half of 2024. However, shopping centres and neighbourhood malls became major shopping destinations in Skopje, in the last three years, adding 137,000 square meters of modern retail space since 2021, the demand for street locations has primarily shifted to food, beverage, and service tenants. This shift may lead to potential rent reductions in less attractive areas. Currently, net rents in prime retail zones like Makedonija Street and Dimitrie Cupovski Street range from EUR 18 to 37 /sq m/month, while in secondary high-street zones such as Partizanski Odredi Blvd, Jane Sandanski Blvd, Dame Gruev Street, and Vasil Gjorgov Street, rental levels vary between EUR 10 and 20 /sq m/month.

In H1 2024, the average rental levels in Western-style shopping centres remained stable.

Tenant size	Prime shopping centres in Skopje
	Base rent (EUR/sq m/month)
Small tenants (Up to 150 sq m)	35-40
Medium tenants (200-400 sq m)	25-35
Mini-anchors (500-1,000 sq m)	18-23
Anchor tenants (over 1,000 sq m)	8-14

Source: CBS International





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