

MarketInSight

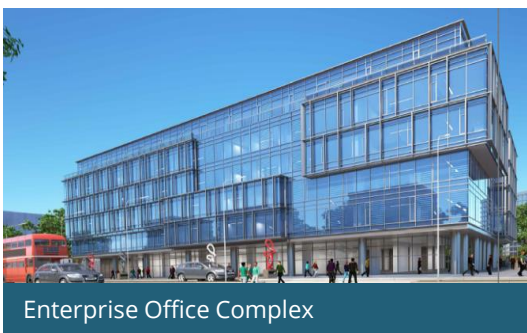
Skopje Office, H2 2020

CORONAVIRUS OUTLOOK

Skopje office market entered 2020 on a solid foundation, as for the several years in a row, the market was characterized by stable demand and development activity and overall solid market fundamentals. However, the office market is clearly exposed to the current situation, as the short-term demand slightly decreased, while rental levels in some office premises decreased in comparison with pre-corona period.

OFFICE SUPPLY

At the end of 2020, the total Class A and Class B office stock in Skopje remained at the same level, totalling 264,000 of GLA, out of which 70% is speculative, i.e., 181,000 sq m and 30% is owner occupied space, or 83,000 sq m. During the 2020, two large-scale class A office projects were completed, i.e., the first phase of Enterprise Office Building and Nastel Business Centre, totalling more than 20,000 sq m of GLA. In addition, one small class B office building of 1,200 sq m was delivered to the market. New completions generated an increase in the total stock of new 21,000 sq m GLA of modern office space.



OFFICE DEMAND

The COVID-19 situation has accelerated the home office trend and demand for flexible workplace has been on the rise. Undoubtedly, there has been certain decline in occupier demand and it varied from sector to sector. IT industry and banks mostly embrace remote work, and some companies saw the current situation as an opportunity to rationalize their office premises and to reduce operating costs. A slowdown in demand for office space is expected to continue in the forthcoming period, as some companies could postpone office-related actions, such as expansion or relocation.

VACANCY

Having in mind Skopje office stock increase throughout the previous period, and lower absorption of new space in 2020 caused by current situation, the overall vacancy rate on the market continue to grow in the second half of the year, amounting to 15% at the end of 2020.

RENTAL LEVELS

At the moment, the asking rental values of Class A office buildings range between EUR 10-14 per square meter per month, while the average rents of Class B stock amount to EUR 7-10 per square meter per month. Due to the reduced demand in 2020, caused by COVID-19 crisis, a drop of 10-15% in the rental levels was noted, especially in older class B office schemes of lower quality, at less attractive locations.

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Table 1 – Pipeline projects

Location	Project	Investor	GLA (sq m)	Status
Skopje, Downtown	Diamond of Skopje	Limak Invest	9,800	Under construction
Skopje, Downtown	Enterprise, 2 nd phase	Elan Properties	4,000	Under construction
Skopje, Downtown	KAM Business Complex	Kamfud doo	4,000	Under construction
Skopje, Avtokomanda	Skopje East Gate	Balfin Group	66,000	Planning Phase

Source: CBS International

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