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OFFICE REPORT

SKOPJE H1 2023



CBS
INTERNATIONAL

ECONOMIC OVERVIEW

North Macedonia recovered well from the Covid-19 pandemic, as repressed demand pressures led to an increase in domestic trade and stronger manufacturing in 2021. In 2022, however, the inflation was growing, and uncertainty has increased, holding back both the consumption and economic activity.

According to the National Bank of North Macedonia, real GDP is forecasted to grow slightly from 2.1% in 2022 to 2.4% in 2023, while for 2024 the growth of 3.1% is expected. After high performances in 2022 when it reached 14.2% on average, the inflation has started to decline in 2023. The fall will intensify in H2 2023 while an average inflation rate of 10.4% is foreseen in this year.

The potential limiting factors for the economic growth in the forthcoming period could be uncertainty due to the prolongation of conflict in Ukraine, future global movements of the energy and food prices affecting low-income households.

However, economic measures taken to manage the energy crisis and tightening of monetary policy could partially ease the price growth and have a positive influence on post-crisis recovery of economy.



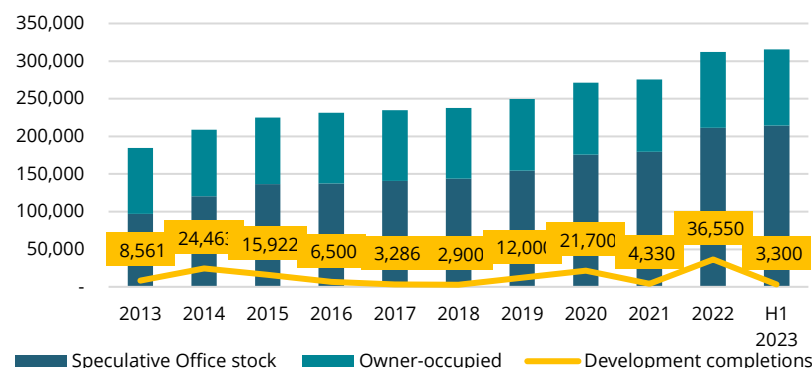
OFFICE SUPPLY

In the first half of 2023, Skopje modern office stock reached **315,562 sq m of GLA**, including Class A and Class B office buildings in both, speculative/leasable and owner-occupied segments, following the completion of two small office projects totalling 3,300 sq m of office space in the city centre.

Speculative (leasable) office stock totals approx. 214,600 sq m, i.e., 68%, while owner-occupied stock just exceeds 100,000 sq m, i.e., 32% of the total modern office supply in Skopje. Furthermore, out of the total stock, 43% belongs to Class A office schemes and 57% represents Class B office buildings. If we analyse per location, **68% of total modern office stock is in the centre of Skopje**, while the Aerodrom and Karpos settlements each hold 16% of the office stock.

In terms of new delivery, by the end of 2023, modern stock should be enlarged with the opening of Cevahir Sky City Mall, which will along with its retail component deliver approx. 6,500 sq m of GLA of modern office space, also La Piz Office Building is scheduled for completion in Fall 2023.

Chart 1 - Skopje office stock



Source: CBS International

OFFICE DEMAND

On the demand side, in the first half of 2023, occupier's activity was very healthy, with the take-up of nearly **20,000 sq m** of modern office space, representing an impressive growth of 67%, as compared to H1 2022, with an average deal size of 860 sq m.

If we analyze the share per type of business, Business Services sector was the key performer in this period, with the share of more than 43% of the total take-up, followed by Computers & Hi-Tech (31%) and Financial Services sector (18%).

VACANCY

With absorption surpassing new supply for several consecutive quarters, despite several new deliveries on the market, the availability of office space slightly dropped, and the overall market recorded a vacancy rate of **7.15%** at the end of H1 2023, while the vacancy rate for class A offices dropped to the level of **5.38%**.

Further decrease of vacancy rate is expected by the end of 2023, having in mind that majority of pipeline projects are set for completion during the 2024.

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. Hence, the asking rental values for **Class A** office buildings slightly increased in the first half of the year, to the level **EUR 13.50-15.50** per square meter per month. The same trend was visible for the **Class B** office stock also, which now amounts to **EUR 10.50-12.50** per square meter per month.



Sky City mixed-use centre, Skopje

Table 1 – Pipeline projects

| Location | Project | Investor | GLA (sq m) | Estimated Completion |
|---------------------|--|------------------------|------------|----------------------|
| Skopje, Downtown | Diamond of Skopje, 2 nd phase | Limak, Invest | 3,500 | H2 2024 |
| Skopje, Aerodrom | Cevahir Sky City | Cevahir Holding | 6,500 | H2 2023 |
| Skopje, Centar | La Piz | Darvage | 4,000 | H2 2023 |
| Skopje, Karpos | Nimeks | Nimeks | 1,950 | H1 2024 |
| Skopje, Aerodrom | Porta Superium | Porta Inzenering Group | 21,000 | Q4 2024 |
| Skopje, Karpos | Karedo | Golden Art | 2,200 | Q4 2024 |
| Skopje, Aerodrom | Skopje Riverside | Sanik | 17,500 | H2 2025 |
| Skopje, Centar | Grand Skopje | MG Fashion | 9,000 | H1 2025 |
| Skopje, Avtokomanda | Skopje East Gate | Balfin Group | 50,000 | Announced |

Source: CBS International

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