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RETAIL REPORT

SKOPJE H1 2023

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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.



Diamond of Skopje, Skopje

SUPPLY

After the increase of the total modern retail stock in 2021 for 57,000 sq m of GLA, as a result of opening East Gate Shopping Centre in Gazi Baba settlement, development cycle in the capital has slowed down. In the first six months of 2023, there were no new completions, consequently, Skopje modern retail supply remained unchanged and amounts to **152,000 sq m of GLA**, i.e. 300 sq m per 1,000 inhabitants. However, when compared to other capital cities of the region, the difference is significant, as the average of the capital cities of the CEE region amounts to 550 sq m per 1,000 inhabitants.

When it comes to projects under construction, the opening of new modern shopping centre within Diamond of Skopje project is announced in **Q4 2023**, which will enlarge Shopping Centre stock by additional **47,000 sq m of GLA**. Moreover, modern retail stock will be increased by approx. 10,000 sq m of GLA, with the opening of Cevahir Mall, a neighbourhood scheme, that also features an office component as well as entertainment & leisure centre, which is all part of the larger mixed-use project Cevahir Sky City.

Furthermore, the investors' interest in retail formats especially at the secondary locations across the country continues. Due to numerous advantages of retail parks, such as lower initial investment and shorter construction period, a share of retail park formats is on constant rise. In the second half of 2023, the cities of Ohrid and Bitola should witness the opening of retail parks for the first time.

DEMAND

With the opening of Limak Shopping Mall, new market entrants are expected to enter the North Macedonian market. Interest of international brands for Skopje retail market is confirmed by the plans of retail chain Lidl that announced the opening of several stores and logistics centre in North Macedonia, which is reinforced by the fact that in March 2023, LIDL has reached an agreement to buy the location of the Brikolaj sales center from the company Skopski Pazar.

MARKET TRENDS

In the recent years, an increasing number of mixed-use projects have been under construction, which, usually presume the residential part on the upper floors, with the office space in the lower floors, while the ground and first floors are reserved for retail space. Projects of this type that are currently being under construction in Skopje are Porta Superium, Grand Skopje, Karedo, Riverside, Cosmopolitan and etc.

The pandemic era has led to certain changes in consumer behaviour around the world and emerging trends include the development of online grocery platforms, increasing demand for click and collect, while retailers have started to use different omnichannel models, selling on social platforms, starting an online store, etc.

This trend has not bypassed North Macedonia either, online sales are continuously growing. According to the data of the National Bank of North Macedonia, the value of the total transactions in the first three months of 2023 has grown by 20.7 %, as compared to the same period in 2022, while the number of total online transactions has also increased by 13.1% compared to the same period in 2022. Additionally, during the first quarter of 2023, there is an increase in newly opened online sales points, with 54 new online sales points were opened.

RENTAL LEVELS

Average rental levels in western-style shopping centres vary approximately between **EUR 18 - 20 /sq m/month**, but significantly differ in size, position and foot-traffic. However, prime shopping centres, located at the prime retail zones with strong footfall, could command the average rental price of up to **EUR 22/sq m/month**.

Skopje City Mall is the first shopping mall which introduced percentage rent (as percentage of the turnover) in addition to the base rents. In the recent period, in other formats such as smaller schemes, market practice noted increased interest among the anchor tenants, to agree on paying the predefined turnover rent only.

The asking rents for high street units vary between **EUR 15-30/sq m/month**, depending on the location and the type of unit. For prime retail areas (Makedonija Street and Dimitrie Cupovski Street - Rekord), net rents currently vary between **EUR 18-37 /sq m/month.**, with top rents at Makedonija Street.

Due to the limited offer, Skopje rarely sees any vacant space in the prime shopping centers. Currently, vacancy rate is around 2-4%, due to the vacant space in older and smaller-scale retail schemes.





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