



Market Overview

OFFICE

ALBANIA | FIRST HALF | 2009

COLLIERS
INTERNATIONAL

Our Knowledge is your Property

Economic Environment HI 2009

- During 2008 the construction sector has flourished. Based on INSTAT's most recent data, the number of permits issued during the first half of 2008 was 143.3% higher compared to the same period in 2007. A significant increase in the number of permits issued for retail development was registered.
- The World Bank's "Doing business 2008" ranked Albania as the second top reformer in the world, changing Albania's position from 135th to 86th in the global rankings.
- Several major privatizations and FDI are taking place such as the majority sale of "Armo" (ex-public oil company) for 129 mln Euro to "Mercuria" consortium and the upcoming investment from Italian corporations in the energy sector in the amount of 2.15 billion Euros. In 2009 the privatization of INSING (public insurance company) is planned.
- According to INSTAT, during the 3rd quarter of 2008 the Index of Construction Cost has shown an increase of 1.5% compared to the same quarter in 2007.
- In Albania, the global economic slowdown has resulted in a restriction of the credit markets, both regarding investor development and consumer lending.

Office Real estate highlights

- The development of high quality office space is still in its early stages and is primarily concentrated in downtown Tirana
- Class A projects presently under construction total 41,300 m2.
- During 2008 office rental prices for Class A office space remained relatively unchanged and vacancy rates remained low.

SUPPLY

Prior to 2000, there was little to no Class A office space in Tirana's real estate market. Over the past several years we have seen an increase in the development of higher quality office space. Today there are several high quality office buildings located in Tirana's Central Business District with more under construction or in the development pipeline.

Currently, the most notable existing office buildings in Tirana include Sky Tower, the Twin Towers, and the European Trade Center (ETC). Although these buildings have been categorized as Class A in the past thanks to their central locations, high visibility, large sizes, and high market perception, with the introduction of better quality buildings entering the market and continued development they will shift to second tier positions.

The newest office tower, which is expected to enter the market in early 2009, is the ABA Business Center. Its introduction will increase the total stock of quality office space in Tirana's Central Business District to 53,500 square meters. Several other major commercial projects of top international standards are currently under construction. These projects are expected to contribute an additional 30,100 m2 of office space within the next 1 to 2 years.

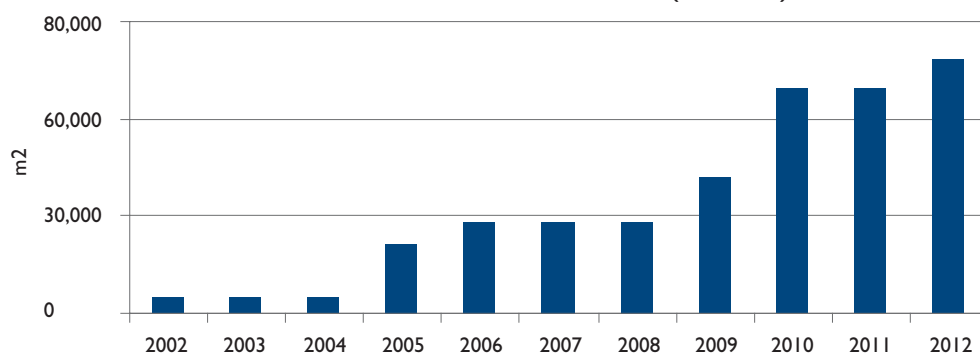
In addition to the Central Business District, the area towards the west of Tirana, near the entrance of the Tirana-Durres highway, has been the site of recent commercial development. We expect development in this region, as well as further along the Tirana-Durres highway and Airport road, to be the location of major future commercial projects.

DEVELOPMENT IN SUPPLY

YEAR OF COMPLETION	PROJECT	OFFICE STOCK (M2)
2000	Sky Tower	5,000
2005	Twin Towers	16,000
2006	ETC	7,000
2008	G-KAM	4,500
2009	ABA, American Center	14,000
2010	Millennium Center, TID Tower, 4 ever green	27,300
2012	Eyes of Tirana	9,000

Source: Colliers' Research

DEVELOPMENT OF CLASS A OFFICE (2002-2012)



Source: Colliers' Research

DEMAND

Over the last several years, Tirana's office market has undergone significant changes and experienced considerable growth. Despite the economic troubles which began in 2008, Tirana, and Albania as a whole, is expected to continue to flourish. The country's business environment is still in its early stages of development and demand for office space will remain strong as business continues to develop.

With a continued increase of foreign investment and changes in consumer preferences, the recent trend in demand has been a shift towards better quality office buildings. Although some companies might now be hesitant to move to larger offices, current needs for increased office

space remains and companies are eager to move into large high quality offices.

Parking in Tirana is extremely limited. Consequently, adequate parking is one of several important criteria businesses are demanding for their new office space. There is a high demand for office buildings located in Tirana's central business district that have sufficient underground parking.

VACANCY RATES

A true assessment of Tirana's vacancy rates is difficult due to the high quantity of converted office space and the secrecy of

lease and sales agreements. The vacancy rate in the city's major office buildings is approximately 4%. As a result of this low vacancy rate, many companies have begun to search for options in Tirana's suburbs. In the future, vacancy rates will largely depend on the timeline of projects in the pipeline.

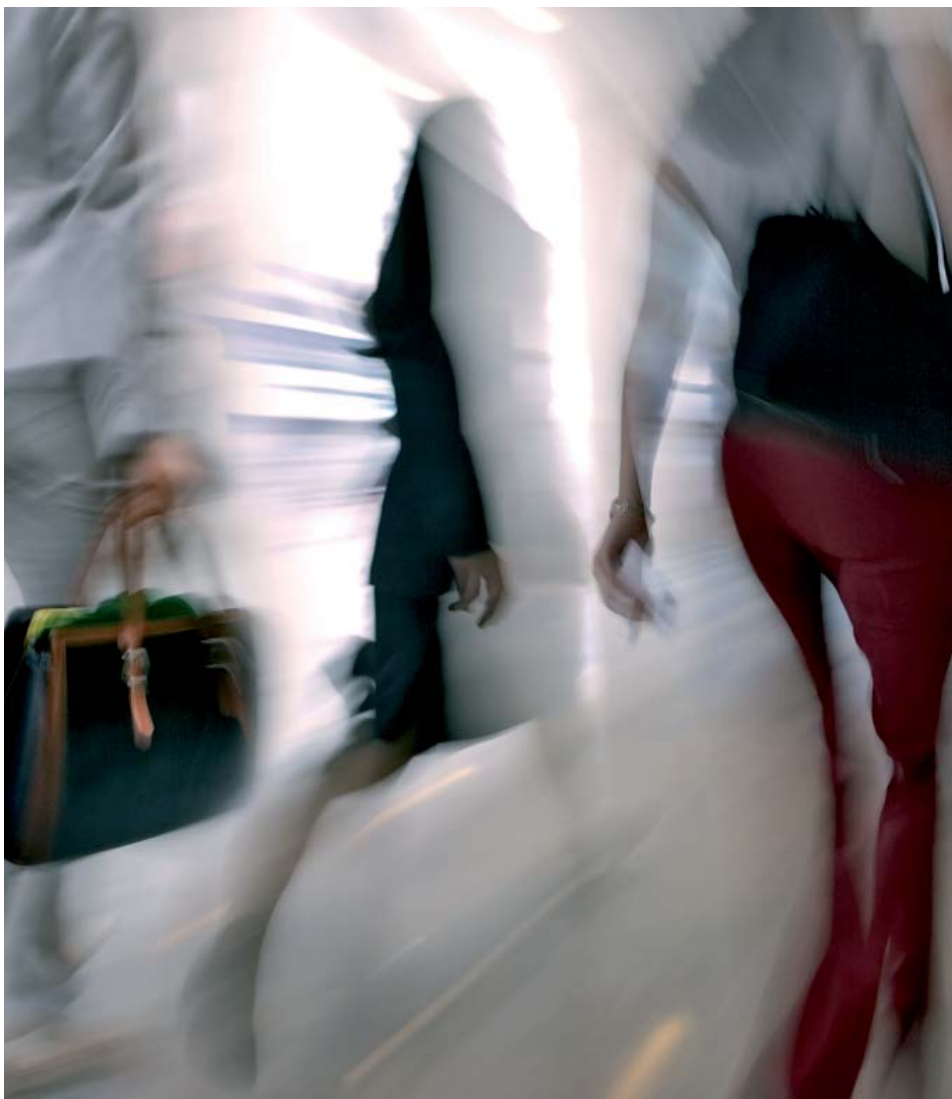
RENTAL RATES

Rental rates for quality office space in Tirana ranges from 12 to 23 Euros per square meter per month, depending on the building's age, location, and amenities. Service charges, which are calculated separately from base rents, vary from 1-2 Euros per square meter per month.



FORECAST

- A total of 50,300 square meters of Class A office space will be developed in Tirana's Central Business District within the next 3 to 4 years. Some of those currently under construction are The Millennium Business Center, The American Business Center, and the TID Tower. Many of these projects are mixed use developments, including an element of retail and residential, a concept that has previously been successful in the market.
- In the short term, overall prices are expected to remain constant although some of the top priced office buildings are likely to slightly decrease their prices. In the long term, prices for office space in Tirana's central business district will decrease due to the entrance of new supply to the market.
- The market is now experiencing a shift towards commercial areas outside of Tirana's Central Business District, a trend which will continue as large international corporations such as banks and telecom companies begin to explore options of commissioning built to suit office projects.



293 OFFICES IN 61 COUNTRIES ON 6 CONTINENTS

Americas 136
Asia Pacific 62
EMEA 95

80.6 million m2 under management

11,000 Professionals

CONTACT INFORMATION

Colliers International,
Albania Market Research Department
Sky Tower, Suite 141
Rr. Deshmoret e 4 Shkurtit
Tirana, Albania
Tel. + (355) 4 24 00 470
albania@colliers.com
www.colliers.com

This report has been prepared by Colliers International for general information only. Information contained herein has been obtained from sources deemed reliable and no representation is made as to the accuracy thereof. This includes government agencies, universities, third party suppliers, etc. Colliers International does not guarantee, warrant or represent that the information contained in this document is correct. Any interested party should undertake their own inquiries as to the accuracy of the information. Colliers International excludes unequivocally all inferred or implied terms, conditions and warranties arising out of this document and excludes all liability for loss and damages arising there from. This report and other research materials may be found on our website at www.colliers.com.

Colliers Macaulay Nicolls Inc. and its country subsidiaries are member firms of Colliers International Property Consultants, an affiliation of independent companies with over 290 offices throughout more than 60 countries worldwide.

COLLIERS
INTERNATIONAL