



Market Overview

ALBANIA

RETAIL | FIRST HALF | 2009



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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.

Retail Real estate highlights

- In the past five years the retail market in Albania has experienced significant growth.
- During 2008, total shopping center retail space in Tirana increased by 45%.
- Despite worldwide economic concern, the Albanian retail market has continued to develop as demand has remained high.
- Recent retail development has largely comprised of small downtown shopping centers, although several major projects outside of the city center are in the pipeline.
- City Park, a project currently under development, will increase Tirana's current shopping center inventory by over 50%.

SUPPLY

The Albanian retail market is one of the country's most dynamic sectors. Shopping center development has been a key contributor to retail growth over the past few years. In 2005, QTU (Qendra Tregtare Univers) was the first major shopping center to open in the country. Although the concept of large international-style shopping centers is still relatively new in Albania, shoppers are clearly embracing this concept. Consequently, retail investors have benefited from high demand both from retailers and from consumers which in turn has led to low vacancy rates.

SHOPPING CENTERS

There are currently 11 retail centers of various sizes in Tirana, 5 of which are part of mixed-use projects. The most prestigious downtown retail centers are the European Trade Center and the Twin Towers, both mixed-use projects.

The limited supply of vacant land in Tirana's central business district has driven the development of large shopping centers such as QTU (GLA of approximately 22,000 square meters) and Casa Italia (GLA of approximately 20,000 square meters) to areas outside of the city. Overall, there is still a limited supply of quality retail centers and those currently in the market are typically characterized by small sized shops, inadequate parking, and a lack of other customer amenities.

There are two main retail projects to the west of Tirana, along the Tirana-Durres highway, which are currently under construction and will likely enter the market in the second half of 2009. The first, City Park, is a major international style retail center which will include many foreign brands, a hypermarket, an electronics superstore, a children's entertainment area, a car showroom, and a hotel. The second will be a big box center which will open as a major do-it-yourself retailer and expand to other retail sectors in later stages. An additional project also under construction is the development of a Praktiker superstore, a German retailer, in the Municipality of Kamza, a suburb of Tirana.

In 2008, an additional 24,300 square meters of retail space was added to Tirana's stock through the development of shopping centers. In addition to the two centers currently under construction mentioned above, there are several others in the pipeline and we expect an additional 4 shopping centers to enter the market between 2010 and 2014.

There has also been an expansion in the supply of smaller scale shopping centers in Albania's secondary cities of Durres, Vlora, and Fier.

EXISTING SHOPPING CENTERS IN TIRANA

PROJECT	RETAIL AREA	NUMBER OF SHOPS	ANCHOR TENANTS
Qendra Tregtare Univers (QTU)	22 000	79	Euromax, Neptun, Mango
Torre Drini Shopping Center	800	19	Intesa Sanpaolo
Twin Towers	2 050	23	Alkora Bar & Resturant, Gregory's
Sheraton Shopping Plaza	2 650	20	Lori Café, Imperial Cinema
European Trade Center Galeria	5 000	66	Conad, Intesa Sanpaolo
Metropol	1 400	16	Swarovski, Bata
Casa Italia	20 000	41	Conad, Trony
Kristal	6 000	36	Conad, Euronics, UPIM
Hekla	1 500	8	Euromax, Neptun
Condor	10 000	80	Euromax

Source: Colliers' Research



HIGH STREETS

Downtown Tirana consists of the area within the streets of Bardhyli Street to the east, Muhamet Gjollështa to the west, Asim Vokshi to the north, and Abdyl Frasheri to the south.

Although Tirana's high streets are not as well developed as in larger retail markets, several major streets within these areas are the location of many of the city's retailers who benefit from heavy foot traffic. These main streets, including Myslym Shyri Street, Deshmoret e 4 Shkurtit Street, Vaso Pasha Street, Durres Street, and Kavaja Street, consist of a combined total of over 300 retail stores, most of which are below 40 square meters. Most buildings along these streets are mixed-use and comprise of retail on the ground floor, offices on the first few floors above ground, and residential throughout the remainder of the building. Retail vacancy rates are usually at or close to zero.

Major international brands that have entered the market, although largely through parallel importers, include Versace, Adidas, Nike, US Polo, and Lacoste.

DEMAND

One of the major factors currently influencing retail demand is the recent global economic downturn. The economic situation is affecting the Albanian retail market in two primary ways. The first impact is a decrease in remittances entering the country from 241 million Euros in the first quarter of 2008 to 218 million Euros in the second quarter of 2008 and 197 million Euros in the third quarter of 2008. This declining trend

in remittances is expected to impact the purchasing power of Albanian consumers.

Thus far, the global economic downturn appears to have had a limited effect on the retail market and demand is expected to remain high, especially for highly desired international brands. Albania's economy is expected to continue to grow at a reasonable pace; estimates for 2009 predict a growth rate of approximately 6%. Therefore, despite the decrease of remittances, overall, the population's purchasing power is expected to increase.

The second impact of the economic situation is that international retailers are more hesitant to pursue immediate expansion. Many international retail companies are experiencing massive sales decreases and therefore postponing any expansion plans they may have scheduled for 2009. Despite this expansion freeze, many retailers who have already placed large efforts and investment into expansion in Albania are continuing with their plans. An example of such a retailer is Euronics, the Italian electronics chain, which opened its first store in December 2008 and will soon open a second. Many international retailers will revisit their Albania expansion plans towards the end of 2009, once the full effects

of the global economic downturn can be better assessed.

Albanian retailers, despite economic factors, are still expanding within their domestic market. Although retailers are seeing decreased sales numbers, some retail center owners have demonstrated flexibility by extending rental payment deadlines as a result. Many retailers present in Tirana's high streets have been opening additional locations in the city's shopping centers and those present in the shopping center establishing new stores in the city center. This movement is a positive indication of continued growth within the Albanian local retail market.

RENTAL RATES

The highest retail prices in Tirana are found on the high streets and in the shopping centers mentioned above. Rental rates for space in prime high street locations range from 15 to 67 Euros per square meter per month. In shopping centers, prices can range from 7 to 45 Euros per square meter per month depending on the quality of the center, the store's retail category, and store size. Rent is usually paid in Euros or in Albanian Lek.

EXISTING SHOPPING CENTERS IN TIRANA

LOCATION	AVERAGE BASE RENT (EUR/M2/MONTH)
Shopping Centers	7-45
High Streets	15-67
Secondary Retail Streets	8-42

Source: Colliers' Research

FORECAST

- Due to the current economic situation, some retailers in Albania and elsewhere are in the process of renegotiating their leases. As a result it is expected that overall retail prices will decrease.
- In the medium term, the retail market in Albania will continue to experience high growth with over 100,000 m² of retail development expected in the next 2-5 years.



293 OFFICES IN 61 COUNTRIES ON 6 CONTINENTS

Americas 136
Asia Pacific 62
EMEA 95

80.6 million m² under management

11,000 Professionals

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