



Market Overview

ALBANIA

RETAIL | FIRST HALF | 2008

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INTERNATIONAL

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Economic Environment H2 2007

- The real GDP growth rate in 2007 was 6%.
- Despite recent unfavorable conditions worldwide, the Bank of Albania succeeded in keeping the annual average inflation at 2.9%.
- Unemployment decreased to 13.2% in the third quarter of 2007, down from 13.9% in December 2006.
- For the period of January-September 2007, Foreign Direct Investment reached EUR 361.6 million, compared to EUR 197.7 million during the same period in 2006. Much of this figure is due to the recent privatization of Albtelecom.
- The invitation to join NATO at the upcoming summit in Bucharest is much anticipated and is essential for potential EU membership.
- A flat tax regime, which took effect in January 2008, decreased tax levels from 20% to 10%.

Retail Real estate highlights

- In the past four years the retail market in Albania has experienced significant growth.
- Retailers in central Tirana are mainly small, family-run businesses selling clothing, shoes, and, accessories.
- Tirana's first shopping center was QTU whose recent expansion, just two years after its initial opening, nearly doubled its retail space.
- During 2007, total shopping center retail space in Tirana increased by 44%.
- High economic growth rates and increasing purchasing power will lead to greater pressure from consumers and, as a consequence, a growing demand for retail space.
- City Park Tirana, a project currently under development, will increase Tirana's current retail market inventory by 74%.

SUPPLY

Shopping centers are a relatively new concept for Albanian retailers and consumers. The first shopping center was opened in 2005 and since then the sector has flourished. Towards the end of 2007, an additional 31,000 m² of retail space was added to Tirana's current shopping center

inventory. Retail facility owners in and around Tirana enjoy almost immediate close to full absorption (vacancy rates range from 0-3%), nevertheless, prime retail space in Tirana is mainly situated in downtown Tirana.

SHOPPING CENTERS

Currently there are six retail centers in Tirana. Four of them are part of mixed use facilities and located in the center of Tirana (European Trade Center Galeria, Twin Towers, Torre Drini Shopping Center, and Sheraton Shopping Plaza) and the other two are shopping malls located west of the city (Qendra Tregtare Unives (QTU) and Casa Italia).

The limited supply of vacant land close to the center of the city led to the development of "big box" shopping centers like QTU, which consists of a gross leasable area (GLA) of more than 25,000 m², and Casa Italia with a GLA of 20,000 m². Of the two, only

QTU can be referred to as a shopping center by international classifications due to his large size shops, considerable common areas, and parking availability.

The supply of quality retail centers remains limited and many of those in existence have small retail sizes and inadequate parking. To improve the situation, new projects being developed in the short and medium term period will be developed as international-style shopping mall projects.

Additional smaller-scale shopping centers have also recently been appearing in secondary cities along the Albania coast such as Durres, Vlora, and Fier.

EXISTING SHOPPING CENTERS IN TIRANA

PROJECT	GLA M ²	NO. OF SHOPS	AREA PER STORE M ²	ANCHOR TENANTS
European Trade Center Galeria	5,000	65	12-130	Conad, American Bank of Albania
Twin Towers	2,050	23	16-500	Alkora Bar & Rest, Royal Restaurant
Torre Drini Shopping Center	800	19	15-250	American Bank of Albania
Sheraton Shopping Plaza	2,650	20	15-400	Lori café, Imperial Cinema
Qendra Tregtare Unives (QTU)	25,000	73	30-6,000	Euromax, Neptun, Mango
Casa Italia	20,000	32	23-2,000	Trony, OVS, Conad
Total	55,500			

HIGH STREETS

The streets that border what is considered downtown Tirana are Bardhyli Street to the east, to Muhamet Gjolllesha to the west, Asim Vokshi to the north, and Abdyl Frasherri to the south. Shops are largely located on the ground floor of residential buildings and the first few 2-3 floors of office or mixed use buildings.

The top retail locations in Tirana are: Myslym Shyri Street, followed by Deshmoret e 4 Shkurtit Street (Shallvaret), Vaso Pasha Street, Bajram Curri Street, Durrresi Street, and Kavaja Street. These major locations house over 300 retail stores, most of which are below 40 m², and vacancy rates are close to zero thanks to heavy foot traffic. Major international brands like Versace, Adidas, Nike, US Polo, and Lacoste are sold in these key locations, although many through parallel importers.

DEMAND

To meet higher consumer demand, the entrance of international players is expected to shift traditional retailing from small family stores to wholesale retail stores and shopping centres that offer a full range of services. As the market is becoming more competitive and sophisticated, and foreign retailers are entering the market, local retailers are adapting to these new conditions to remain competitive.

Each year interest from international retailers increases, attracted by the Albanian market's vibrance and progress, and demand is expected to remain strong during the next few years, especially for large retail projects.

RENTAL RATES

Rental rates for prime high street retail locations range from EUR 15 – 67/m². Rental charges are usually paid in Euros or in the local currency, the Albanian Lek.

Sales prices of retail units in Tirana are similar to those in other Eastern European cities. The highest prices recorded are in the above-mentioned business centers and on main boulevards and the popular "block" area, and vary between from 1,500 to 4,000 EUR per m².



2007 RETAIL RENTAL RATES IN TIRANA

LOCATION	AVERAGE BASE RENTS (EUR/M ² /MONTH)
Shopping Centers	20-45
High Streets	15-67
Secondary Retail Street	8-42

FORECAST

- The retail market in Albania will experience high growth rates in the medium term, with over 170,000 m2 of gross building area expected in the next 3-4 years.
- The latest expansion of QTU and the upcoming opening of City Park Tirana will increase the supply side pressure on the retail market prices. As a result, the prices are expected to decrease slightly although the demand for retail spaces will remain high.



267 OFFICES IN 57 COUNTRIES ON 6 CONTINENTS

Americas 129

Asia Pacific 53

EMEA 85

62,5 million m2 under management

10,092 Professionals

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