



# Market Overview

TIRANA

OFFICE | FIRST HALF | 2008

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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%.

## 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 21,300 m<sup>2</sup> of leasable office space.
- During 2007, rental prices in Class A office buildings remained relatively unchanged and vacancy rates remained low.

## SUPPLY

Until 2000 Class A office space was almost non-existent, while by the end of 2008 the total stock of quality office in Tirana is expected to amount to 44,500 m<sup>2</sup>.

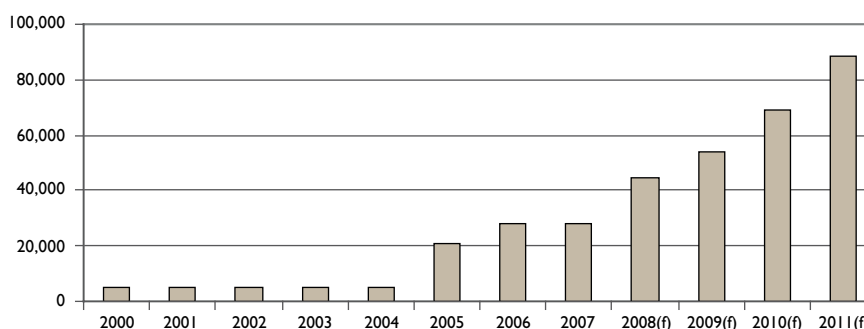
There is currently 28,000 m<sup>2</sup> of quality office space in Tirana's CBD (Central Business District). Projects presently under construction total to an additional 28,000 m<sup>2</sup> of Class A leasable space which will be completed within the next 2 to 3 years.

The most important existing quality office buildings in Tirana are the European Trade Center (ETC), the Twin Towers, and the Sky Tower. Design and construction are near typical levels reaching the European average, complying with most

requirements for international tenants. Moreover, their central location, building size, amenities, market perception, and rental levels are the reasons for ETC, Twin Towers, and Sky Tower's classification as Class A office buildings. However, with the upcoming development projects under construction, building classification will change as better office space will be available in the market place.

Additional planned high end projects outside the city center will likely significantly increase total office stock for Tirana's market in the next 5 to 7 years, most notably Tirana Business Park, which is expected to include 66,500 m<sup>2</sup> of office space.

Leasable Office Area (m<sup>2</sup>)  
2000-2011



## DEMAND

During recent years, Tirana's real estate market underwent significant shifts, and the office sector has experienced significant growth. Although still in its early stages of development, the business environment in Tirana and throughout Albania is flourishing at a faster and more sustainable pace than ever before. Shifts in demographics, rapidly changing consumer

preferences, the expansion of the service sector, and increasing foreign investment has made business operators more willing to adapt to high-quality office space premises. Existing firms are encouraged to expand and move to larger offices in the central business district, while other local and international companies will most likely become new entrants to the sector.

### OCCUPANCY OF SELECTED OFFICE BUILDINGS

YEAR BUILT	BUILDING NAME/LOCATION	LEASABLE OFFICE AREA (M <sup>2</sup> )	MAIN TENANTS
2000	Sky Tower/ Shetitiorja Deshmoret E Kombit	Approx. 5,000	IFC International, Taci Oil, Interban
2005	Twin Tower/ Shetitiorja Deshmoret E Kombit	16,000	First Investment Bank, Banka Italiana di Svilupo
2006	European Trade Center/ Boulevardi Zhane D'ark	7,000	Raiffeisen Bank

Source: Colliers' Research



## VACANCY RATES

The vacancy rate cannot be easily estimated as few rental agreements are publicly announced. However, in high quality office buildings such as Sky Tower, the Twin Towers, and European Trade Center, the vacancy rates have decreased over

the last year and are currently at close to full occupancy. Future vacancy levels will primarily depend on the construction dynamic in future years, as well as political and economic conditions, yet office demand is expected to increase in the long run.

### DEVELOPMENT IN SUPPLY

YEAR OF COMPLETION	PROJECT	SIZE (M2)
2000	Sky Tower	5,000
2005	Twin Tower	16,000
2006	ETC	7,000
2008	G-KAM, ABA	16,500
2009	Millennium, ABC	8,700
2010	TID	7,400
2011	Eyes of Tirana, Archea Tower	19,000

## RENTAL RATES

With the exception of the Sky Tower, with rents of 12 to 15 EUR/m<sup>2</sup>/month, the rent level for newer properties situated in the most attractive locations of Tirana range between 16 and 20 EUR/ m<sup>2</sup>/month depending on the building's location and its infrastructure. Standard service charges, not calculated within the rental rate, vary between 1 and 3 EUR/m<sup>2</sup>/month depending on the level of services delivered.

## FORECAST

- A total of 50,00-55,000 m<sup>2</sup> of Class A office space within the Central Business District (CBD) of Tirana and its vicinity will be developed within the next six years. Some of these projects presently under construction include The Polychromic Tower (ABA), The Millennium Business Center, and The American Business Center. Almost all of the projects are of similar concept, combining commercial (office and retail) activities with residential and entertainment.
- Office rent levels are expected to remain fairly steady throughout 2008 until new projects begin pre-leasing. After this period, the construction and pre-leasing of several large-scale projects could reasonably cause a decrease in office prices, a process that has already slightly begun based on the expected inventory increase. This trend will directly depend on the degree of realization of new developments.
- By 2011, if all of the approved Class A projects are realized, the current stock would increase by almost 3 times its current size. Such a scenario, at the present development stage of the country and the probable demand drivers, threatens to create an oversupply in the market.



267 OFFICES IN 57 COUNTRIES ON 6 CONTINENTS

Americas 129  
Asia Pacific 53  
EMEA 85

62,5 million m<sup>2</sup> under management

10,092 Professionals

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