

## BULGARIA

# Retail Market Snapshot

Second Quarter | 2017



## MARKET INDICATORS

### Market Outlook

Prime Rents: Slightly increasing to €31/sqm, with prospect for a short-term growth

Prime Yields: Decreasing to 7.75 per cent in the prime segment, forecasted to further decline

Supply: No openings scheduled for 2017 which supports improving performance of existing schemes

Demand: Strong activity in segments of affordable fashion, sports goods, home improvements and FMCG

### Prime Retail Rents - June 2017

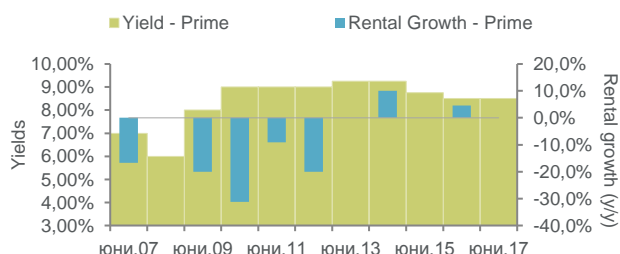
HIGH STREET SHOPS	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Sofia (Vitoshka Boulevard)	46.0	552	57.2	0.0	2.8

### Prime Retail Yields - June 2017

HIGH STREET SHOPS (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Sofia (Vitoshka Boulevard)	8.50	8.50	8.50	9.25	6.00
SHOPPING CENTRES (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Country prime	7.75	8.00	8.75	10.50	7.50

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

### Recent performance



## Overview

With 3.5 per cent GDP growth at the beginning of 2017 and retail sales up 6.2 per cent Bulgarian economy continues to evolve in line with the favorable expectations. The improving performance was underpinned by gains in consumer spending with a positive effect on the retail property market.

## Occupier focus

Tenant mix improvements in the existing projects were main source of leasing activity in the second quarter of 2017. Since there were no new openings, the shopping centers stock remained at 738,500 sqm with 50 per cent of this space concentrated in Sofia. During the second quarter, the retail market in the capital city saw modest dynamic with new leases and expansions accounting for less than 2 per cent of the shopping centers supply. Main source of activity remained the FMCG sector due to rise in availability following the closures of the Carrefour and Piccadilly stores. The largest supermarket opening in the second quarter was those of Billa which replaced Piccadilly in Serdika Center. The average vacancy rate in Sofia's shopping centers remains at 8 per cent as the market hasn't absorbed yet the excess space. On the demand side, affordable-to-middle-class fashion and shoe retailers are looking for opportunities across the country, while upscale brands are focused on Sofia and the second largest city Plovdiv. Sports goods sector is also witnessing fast expansion due to the healthy life trend. Tenant activity slightly pushed up prime rents in the shopping centers to €31/sqm in the second quarter. High street headline levels are stable at €46/sqm.

## Investment focus

The retail market witnessed several huge acquisitions in the last quarter, with South-African buyers as main capital source. The largest transaction was the purchase of Serdika Center in Sofia for €207 million by NEPI. The sales of Galleria Burgas and Galleria Stara Zagora to MAS Real Estate for €62 million, as well as this of Mall Varna to the German Kronberg International were among the notable transactions in the secondary cities. In general, the market enjoys rising liquidity and prime yields are under pressure, seen down to 7.75 per cent, based on the recent deals.

## Outlook

Investor appetite for retail real estate remains high on the back of improving fundamentals in the occupier market.

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