

BULGARIA

Retail Market Snapshot

First Quarter | 2017



Overview

Bulgaria's economy is forecasted to grow at a steady pace in 2017, following impressive performance in the last year when GDP increased by 3.4 per cent. The economic upturn is underpinned by rising consumer spending, as well as declining unemployment (7.6 per cent). The positive impact on the property market is also apparent with prime rents recovery and increasing retailer appetite for expansion in all segments.

Occupier focus

With no new openings at the beginning of 2017 leasing activity concentrated on the existing stock. Modern shopping centers space remained at 738,500 sq.m. However, the supply will grow in the next few years with the expected delivery of two projects. The redevelopment of Galleria Plovdiv (34,500 sq.m) as Plovdiv Plaza is expected to complete in the beginning of 2018 in the second largest city. Three years from now, 40,000 sq.m retail space will be added in Sofia within Grand Canyon mixed-use project of Turkish developer Garanti Koza. This shopping area will benefit from residential, hotel and public park elements with retail space over two underground and three above-ground levels. Forton is the exclusive leasing agent of the retail center.

On the demand side, high occupier activity is apparent across all market segments. Low-to middle-class fashion and shoe retailers are looking for opportunities across the country, while upscale brands are focused on Sofia. The opening of 1,400 sq.m store of Forever 21 in Serdika Center and 900 sq.m store of the shoes retailer CCC in The Mall were among the notable ones in Q1. Outside Sofia Palace Cinema, a new cinema operator, anchored Mall Veliko Tarnovo. In the FMCG sector fast growing retailers such as Billa, Lidl and Kaufland are looking for new locations throughout the country. Home improvement and DIY operators are also active. Praktiker continues its expansion with standalone stores in secondary cities, while JYSK enters shopping centers where Carrefour's exit provided large blocks of idle space.

Investment focus

With the retail market's recovery, large acquisitions of well performing shopping centers are under negotiation. At 8 per cent as at the start of the year prime yields remained stable.

Outlook

Retail market is in recovery phase with strong tenant activity and prime rents slightly increasing. New openings of shopping centers are not scheduled for 2017.

MARKET INDICATORS

Market Outlook

Prime Rents:	Mostly stable at €30/sqm with prospect for a short-term growth.	▶
Prime Yields:	Under pressure reflecting improving performance of prime assets.	▶
Supply:	No openings scheduled for 2017 which should support rents in a short term.	▶
Demand:	Rising demand in key retail locations in Sofia and the larger regional cities.	▶

Prime Retail Rents - March 2017

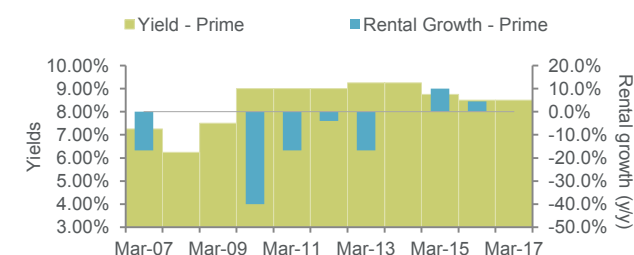
HIGH STREET SHOPS	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Sofia (Vitosha Boulevard)	46.0	552	55.8	0.0	-0.8

Prime Retail Yields - March 2017

HIGH STREET SHOPS (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Sofia (Vitosha 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	8.00	8.00	9.00	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



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