

BULGARIA

Industrial Market Snapshot

First Quarter | 2018



MARKET INDICATORS

Market Outlook

Prime Rents: Remain unchanged at €4.5 euro/sq.m for medium sized units ▶

Prime Yields: Slightly decreased to 8.75% at the beginning of 2018, projected to remain stable in a short term ▶

Supply: Slightly increasing stock, mostly by owner-occupied and built-to-suit space ▲

Demand: Logistic and retail sectors are main drivers of the leasing market ▲

Prime Industrial Rents – March 2018

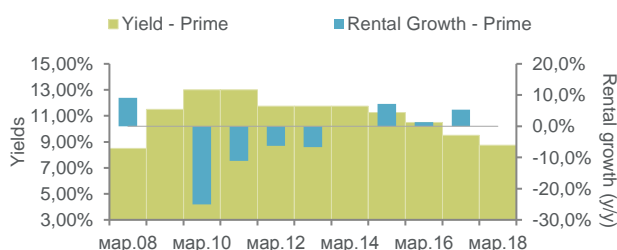
LOGISTICS LOCATION	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Sofia	4.00	48.0	5.57	0.0	2.7

Prime Industrial Yields – March 2018

LOGISTICS LOCATION (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Sofia	8.75	9.00	9.50	13.00	8.50

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

The Bulgarian industrial market enjoys strong development activity, backed by the steady economic growth and the rising exports. Built-to-suit projects and owner-occupied schemes dominate the pipeline. Moreover, construction of speculative logistic projects is also advancing around Sofia. This has given strong impetus to the leasing transactions in the recent months.

Occupier focus

With 212,000 sq. m logistic and industrial space under construction, the Sofia market enjoys healthy development activity. Most of this pipeline is for owner occupation while the share of the speculative space remains modest with only 34,000 sq. m. About 70% of these properties have been already pre-let, reflecting the strong demand for modern logistic space in the capital city. The leasing of Phase 4 (10,700 sq. m) of Industrial Park Sofia East to Intercars was among the notable transactions in the first quarter of 2018. The take-up for the period amounted at 39,400 sq. m, including both leases and completions of owner occupied facilities. The airport area remained on the focus of the sedition and logistic operators with the use permit of the new hub of DHL Express and the completion of the cross-docking center of Translog. In the northern part of Sofia, some of the existing logistic centers are also expanding in order to meet the tenant inquiries for additional space. The shortage of modern logistic space kept the vacancy under 2% in the first quarter of 2018. The total stock reached 954,300 sq. m, mostly built to suit and owner-occupied space. On the demand side, the market remained driven by logistic operators, retail and trading companies. Rents remained stable at €4.5/sq. m for middle size premises while the larger units were contracted at €4/sq. m on average.

Investment focus

The lack of investment product remained the main reason for the low transaction activity in the industrial segment during the quarter. The land market, however, continued its strong performance with a number of acquisitions of large development sites in Sofia. The interest is mostly in the logistic, office and residential segments.

Outlook

Development activity results in slightly improving leasing market. Prime rents remain stable.

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