

BULGARIA

Industrial Market Snapshot

Third Quarter | 2018



MARKET INDICATORS

Market Outlook

Prime Rents:	Remain unchanged at €4 euro/sq.m	▶
Prime Yields:	Slightly decreased to 8.75% at the beginning of 2018, projected to remain stable	▶
Supply:	Steadily increasing stock, mostly by owner-occupied and built-to-suit space	▲
Demand:	Logistics and retail sectors are main drivers of the leasing market	▲

Prime Industrial Rents – September 2018

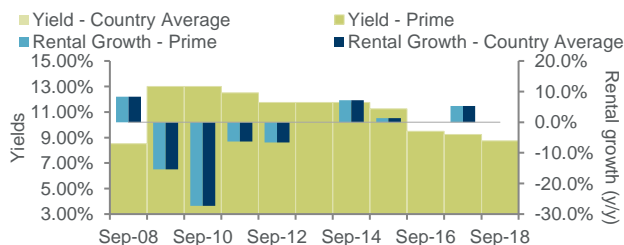
LOGISTICS LOCATION	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Sofia	4.00	48.0	5.21	0.0	2.7

Prime Industrial Yields – September 2018

LOGISTICS LOCATION (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Sofia	8.75	8.75	9.25	13.00	8.75

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 industrial property market witnessed increasing development activity over the last quarters both in Sofia and countrywide. Demand for new space is underpinned by growing retail sales and steadily rising industrial production. The automotive industry remains the key market driver.

Occupier focus

With only 23,900 sq.m new deliveries the third quarter of 2018 was not among the strongest ones for the Sofia industrial market. However, with more than 1.02 million sqm stock and 248,000 sq.m under construction the capital city remains the major manufacturing and logistics zone in Bulgaria. The largest completion in the quarter was the new production and logistics facility of the food processing company Talar Foods which opened 11,000 sq.m in Industrial Park Sofia East. The market remains dominated by owner occupied and built-to-suit schemes while the speculative segment is still underdeveloped. Since the modern logistics and manufacturing space is in shortage, the vacancy rate remains under 1% and most of the new developments are pre-let. In line with this trend, some premises, that are no longer needed by landlords, are also converted into rental space.

Bulgaria continues to attract new companies from the automotive sector, due to the affordable operating costs and convenient location. The German companies Voss Automotive and Leoni, as well as the Turkish cable manufacturer Sarkuysan were among the newcomers in the third quarter of 2018. Meanwhile, the microelectronics engineering company Melexis announced plans to double its manufacturing space in Sofia in the coming years.

Investment focus

The stable performance draws investors' attention to Sofia industrial property market but there were only single small-size transactions in the last quarters. The lack of larger acquisitions is mostly due to the price gap between buyers' and sellers' expectations. The shortage of quality income generating product also adds to the challenging situation.

Outlook

Bulgaria remains competitive destination for logistics and auto part manufacturing which are the main drivers of the increasing development activity.

Radostina Markova

Research Analyst
47A Tsarigradsko Shose Blvd., Sofia 1124,
Bulgaria
Tel: +359 (883) 260 333
radostina.markova@cwforton.com
cushmanwakefield.com / forton.bg