

BULGARIA

Retail Market Snapshot

Third Quarter | 2018



MARKET INDICATORS

Market Outlook

- Prime Rents: ▶ ▶ Headline rents are stable at €32/sq. m in shopping centers and €50/sq. m in high streets after posting a moderate increase in the previous quarters
- Prime Yields: ▼ ▶ Stable at 7.25%, expected upward trend in the short term
- Supply: ▼ ▶ Developers are active in the secondary cities with new openings expected in Plovdiv and Varna
- Demand: ▼ ▶ Improving retail sales encourage tenants to expand

Prime Retail Rents – September 2018

HIGH STREET SHOPS	€		US\$	GROWTH %	
	SQ.M	SQ.M	SQ.FT	1YR	5YR CAGR
Sofia (Vitosha Boulevard)	50.0	600	65.1	8.7	4.6

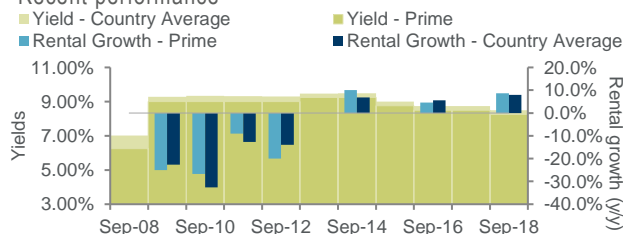
Prime Retail Yields – September 2018

HIGH STREET SHOPS (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Sofia (Vitosha Boulevard)	8.25	8.25	8.50	9.25	6.75

SHOPPING CENTRES (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Country prime	7.25	7.25	7.50	10.50	7.25

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

Bulgaria has seen another quarter with GDP increasing faster (3.4% in Q3) than the EU average. Economic growth remains driven mostly by consumption and improving labor market. The favorable conditions in the retail market stimulate new openings from both existing occupiers and new entrants.

Occupier focus

Regional cities are back on the occupiers' radar with a wave of new openings in the present and the coming quarters. Food & Beverage, home decoration, consumer electronics and Health & Beauty are the most active sectors together with middle-to-low class fashion and shoe brands. Danish retailer JYSK and the coffee chain Starbucks were among the notable examples in the third quarter with new locations in Plovdiv and Varna. Sofia remains attractive for newcomers, such as the men's fashion brand Tudors which opened in Paradise Center in September and Hugo Boss entering with monobrand concept in The Mall. Pepco and Kik Textilien are other fashion retailers looking for opportunities in the capital and the secondary cities. Both brands enter Bulgaria as a part of their CEE expansion with first openings set for 2019.

On the supply side, retail parks draw interest of occupiers and developers, especially in the smaller cities where they are major expansion option. Shopping centers' stock is expected to increase by 75,000 sq.m with the redevelopment of two projects in Plovdiv and Varna by the spring of 2019. In Sofia, the excavation works for Grand Canyon, a mixed-use scheme with a large retail part, are also progressing. The overall performance on the Sofia retail market improves with vacancy going down and rents with growth potential.

Investment focus

The purchase of Jumbo Plaza Retail Park in Sofia by a local company was the sole notable transaction in Q3 2018. Well performing shopping centers in the secondary cities are on the investors' focus.

Outlook

Sound economic fundamentals and increasing sales underpin retailers' appetite for expansion. Secondary cities draw developers' and occupiers' attention.

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Radostina Markova

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