

MARKETBEAT INDUSTRIAL SNAPSHOT

BULGARIA

A Cushman & Wakefield | Forton Research Publication

Q3 2016



OVERVIEW

Demand for modern space remained strong in the third quarter, underpinned by the good performance in the wholesales and industrial sector. The leasing activity in Sofia area is high with large

agreements expected in the coming months. The vacancy rate remains low encouraging the start of new developments.

Owner-occupied and build-to-suit facilities are also in progress in the capital city, as well as across the country. The inquiries for new land acquisitions suggest the construction activity will continue.

SUPPLY

With the scheduled completion of 20,000 sqm logistic space east of Sofia at the end of 2016 the stock will increase but the availability will remain limited. Most of this space has been already pre-let with preliminary agreements signed in the third quarter.

The strong performance of the speculative market results in a permanently low vacancy rate, staying at 2.2 percent for the Sofia area.

The shortage of prime logistic space and the stable demand encouraged some developers to continue with next phases of their projects. New speculative development with roughly 10,000 sqm GLA was started in Industrial park Sofia East in the Elin Pelin surroundings.

Meanwhile, Glorient Investment BG announced the start of the third part of Logistic park East Ring in Novi Han. The project with 12,800 sqm GLA will break ground in the beginning of 2017. The operational buildings in the logistics park are fully let.

Along with the industrial parks under development, the improving market conditions give an impetus for new projects. Few large schemes east of Sofia are in process of detailed zoning plans approval and preparatory works.

Plovdiv continues its growth with the new Industrial Park Markovo on 158,000 sqm plot with options for land sale or industrial projects development.

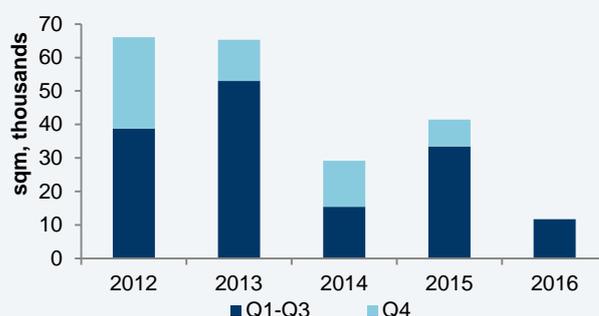
DEMAND

The demand for industrial space remains strong in Sofia, as well as across the country. The market is dominated by owner-occupied and build-to-suit schemes, since there is a shortage of ready-to-move-in space and brownfields for manufacturing.

SOFIA INDUSTRIAL MARKET HIGHLIGHTS

Stock in sqm	880,832
Pipeline in sqm	82,314
Prime rent (€/sqm/month)	€4.20

SOFIA INDUSTRIAL SPACE COMPLETIONS



Source: Cushman & Wakefield / Forton.

SOFIA INDUSTRIAL SPACE STOCK & PIPELINE



Source: Cushman & Wakefield / Forton. All data as of Q2 of the respective year

SOFIA INDUSTRIAL TAKE-UP



Source: Cushman & Wakefield / Forton

BULGARIA

A Cushman & Wakefield | Forton Research Publication

Q3 2016

Exemplifying this trend, two multifunctional owner-occupied projects have been started in the Sofia Airport area. The first one is developed by the office equipment distributor Bittel and the second one is for the needs of the Austrian company Hagleitner.

Thanks to the developed infrastructure, the large industrial zones continue to attract interest. Such example is Industrial Park Sofia East, where Uniconf purchased 20 000 sqm and will develop owner-occupied building. Other acquisitions are in progress in the area and are expected to be completed by the end of the year.

West of Sofia, the first phase of Walltopia's factory is the most recent project in the Economic zone Sofia - Bozhurishte. The project is expected to obtain use permit in the last quarter of 2016.

Notable completions were registered in Trakia Economic Zone around Plovdiv, as well. The factory of the German automotive parts supplier Willy Elbe is already in operation, following €9 mln investment. The new enterprise will produce components for BMW and Mercedes – Daimler.

Also in the Plovdiv area the bike manufacturer Maxcom expanded its production facility with a new warehouse space. Next to it the mattress producer TED completed new 5,000 sqm logistic part to its factory.

Due to the improving infrastructure and the skilled workforce, Pleven and Ruse are other regional cities that attract interest for new industrial developments. The inquiries are mainly for automotive operations and light industry while the market in the capital city is dominated by logistic and distribution companies.

RENTS

Rents for prime logistic space in Sofia and the nearby municipalities remain stable at €4.20/sqm/month, exsceeding €5/sqm in the Airport area. The prime levels for larger space (over 10,000 sqm) in the city surroundings stay at €3.80/sqm/month. Since the market is relatively balanced, significant changes are not expected over the next quarters.

INVESTMENT FOCUS

Development activity supports the land market, while acquisitions of industrial space were not registered in Q3.

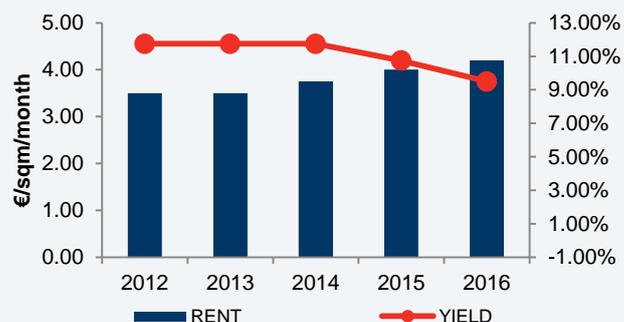
An acquisition of a logistic park with 40,000 sqm area is expected to be completed by Speedy Group in Sofia after permit by the competition authority. Vendor is the transport company SOMAT.

SOFIA INDUSTRIAL SPACE VACANCY



Source: Cushman & Wakefield / Forton All data as of Q3 of the respective year

SOFIA PRIME INDUSTRIAL RENTS AND YIELDS



Source: Cushman & Wakefield / Forton All data as of Q3 of the respective year

TRENDS AND FORECASTS

- The leasing market in Sofia is active with pre-leases for the new speculative projects;
- The large industrial zones and the regional cities with good infrastructure are on focus for new manufacturing developments;
- Stable rents and the strong market performance put the yields under pressure, reaching 9.50 per cent for prime industrial space.