

BULGARIA

Industrial Market Snapshot

Third Quarter | 2017



MARKET INDICATORS

Market Outlook

Prime Rents:	Unchanged in Sofia, €4.5 euro/sq.m for medium sized units	▶
Prime Yields:	Slightly decreased to 9.25% in Q3 with prospect for further decline	▶
Supply:	Mostly owner-occupied and built-to-lease premises, increasing development activity	▲
Demand:	Tenant interest mostly in the logistics, including 3PL and distribution segments	▲

Prime Industrial Rents – September 2017

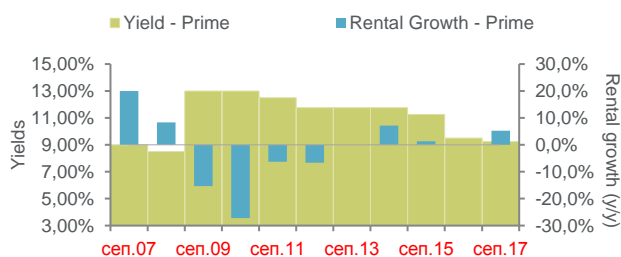
LOGISTICS LOCATION	€		US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Sofia	4.0	48.0	5.29	5.3	2.7

Prime Industrial Yields – September 2017

LOGISTICS LOCATION (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Sofia	9.25	9.50	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 industrial market registered another positive quarter backed by solid economic growth and the manufacturing outsourcing towards Bulgaria. Demand for modern space remained strong across the country.

Occupier focus

Development activity continued to increase in Q3 2017, mirroring the expansion appetite in the manufacturing and the logistics. In Sofia, about 190,000 sq. m are currently under construction, predominantly for owner occupation. East of the city, one of the largest retail groups in Bulgaria - Videolux Holding, started expansion of its warehouse. The new space will add 10,000 sq.m to the existing facility of about 20,000 sq. m. In the Airport area the Austrian company Cargo Partners is also enlarging its logistics center. With 11,500 sq.m new completions the industrial stock in Sofia reached 925,127 sq.m in the third quarter. All the deliveries were owner occupied light industrial and storage units. The shortage of modern speculative space continued to restrain the leasing activity with logistics and retail companies remaining main source of demand. A contract for 3,500 sq.m storage space of the Bulgarian retail chain COOP was among the notable leases in the period. The lack of speculative completions pushed the vacancy down to below 1%. Prime rents remained stable at €4.5/sq.m on average. The development activity across the country remains strong with a number of new entries and expansions of existing facilities. The French Latécoère started a new plant for aircraft parts near Plovdiv. The auto parts supplier Kostal opened second Bulgarian factory near Pazardzhik, while others such as Sensata Technologies, Nexans and Behr-Hella Thermocontrol have revealed plans for expansion. Manufacturers in the textile and wood processing industries are also increasing their capacity.

Investment focus

The transaction activity remains limited due to the lack of investment product. However, the high interest is expected to result in acquisitions of prime logistics and industrial assets in a medium term. Large transactions with land for development were registered in Sofia in Q3.

Outlook

The shortage of modern logistics and industrial space supports the development activity. Prime rents remain stable, while the yield is under pressure.

Radostina Markova

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