

# MARKETBEAT RETAIL SNAPSHOT

## BULGARIA

A Cushman & Wakefield | Forton Research Publication

Q4 2016



### OVERVIEW

Improving purchasing power stimulated retail expansion which resulted in active leasing market in 2016. Fashion and shoes brands in the low and middle price

segment, as well as retailers in the Health & Beauty and FMCG sector were among the most growing.

On the supply side, the rebranding of City Center Sofia and the opening of Markovo Tepe Mall in Plovdiv marked the second half of the year. However, new shopping centers are not expected in the upcoming couple of years and the existing projects will be main field of leasing activity.

### SUPPLY

With the opening of Markovo Tepe Mall in Plovdiv the shopping center stock grew up to 738,500 sqm across the country in the last quarter of 2016.

Retail space average density in the city jumped almost twice, reaching 115 sqm per 1,000 residents. On the country level the change was insignificant with only 3 per cent increase of the indicator to 103 sqm per 1,000 inhabitants.

Following years of booming development, now the retail market is growing at significantly slower pace, adding less than 3 per cent in the supply during the last year. This indicates that it enters more mature phase with diversity of schemes and increasing tenant activity. On the demand side, limited variety of brands in the different segments is still a weakness.

The rebranding of City Center Sofia as Park Center was among the notable events in Sofia during the last year. Moreover, the shopping center remained source of leasing activity in Q4 with the openings of Capella Play, Esprit, Pandora and other brands. The last completed schemes, such as Paradise Center and Sofia Ring Mall were also active on the market, aiming at fine-tuning their tenant mixes.

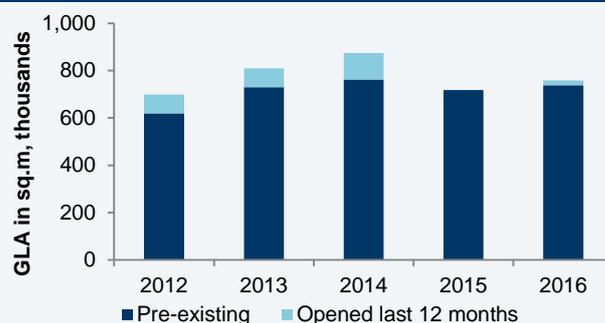
The average vacancy rate in Sofia shopping centers went back to its regular levels, reaching 8 per cent in the last quarter of 2016. The rate slightly increased in the previous quarters because of the vacated space by Carrefour and Piccadilly.

However, most of these premises have already been occupied by Lidl which opened in Sofia Ring Mall and the entry of Piccadilly in Paradise Center in the last quarter of 2016. The local supermarket chain Fantasia replaced Carrefour on 980 sqm in Panorama Mall – Pleven.

### RETAIL MARKET HIGHLIGHTS

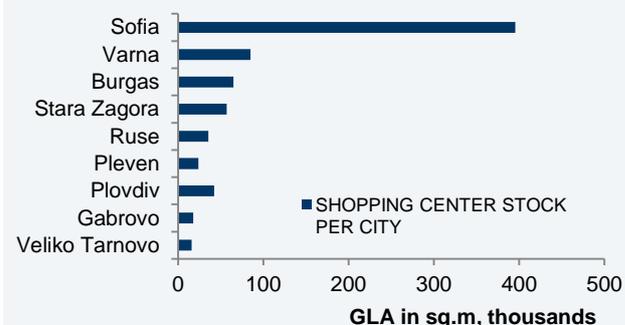
Stock in sqm	738,500
Pipeline in sqm	45,000
Prime rent (€/sqm/month)	€30.00

### SHOPPING CENTER STOCK EVOLUTION



Source: Cushman & Wakefield / Forton. All data as of Q4 of the respective year

### SHOPPING CENTER STOCK PER MARKET



Source: Cushman & Wakefield / Forton

### SHOPPING CENTER SPACE DENSITY



Source: Cushman & Wakefield / Forton

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Meanwhile new Billa store is to replace Piccadilly in Serdika Center.

### DEMAND

Low to middle class fashion and shoes brands, as well as health & beauty sector were main sources of occupier activity across the country in 2016, while upscale brands remained focused on Sofia. The last quarter was marked by the openings of H&M in Terra Mall – Gabrovo and LC Waikiki in Veliko Tarnovo Mall. The entry of the Greek toys and household brand Jumbo on 11,600 sqm in Park Mall – Stara Zagora worth to be noted as the largest lease of the year.

Drugstore chains, such as Lilly Drogerie and dm also continue their expansion, currently operating 50 and 65 locations, respectively. In the FMCG sector Billa, Lidl, Kaufland and some local brands are among the fastest growing operators.

Along with the new openings an increasing number of retailers are looking to diversify their sales channels with online stores, click & collect points etc. For example, in the fall of 2016 IKEA opened second pick-up and order point on 2,146 sqm in Galleria Burgas.

### HIGH-STREET

High streets in Sofia and the main cities remain in the focus of the shoes and fashion retailers. However, due to the shortage of large and visible locations only single transactions are registered on the market. In general, large international fashion retailers are looking for street locations with over 200-250 sqm leasable area.

The strong interest to Vitosha Blvd. supports the vacancy less than 5 per cent. Rents are stable at €46/sqm/month for 100-150 sqm stores.

### RENTS

Increasing purchasing power and the lack of new huge projects support rental growth with prime levels reaching €30/sqm/month in Sofia in the last quarter of 2016. The trend remains upward for the upcoming quarters. In second-tier markets rents were seen €12-16/sqm/month.

### INVESTMENT FOCUS

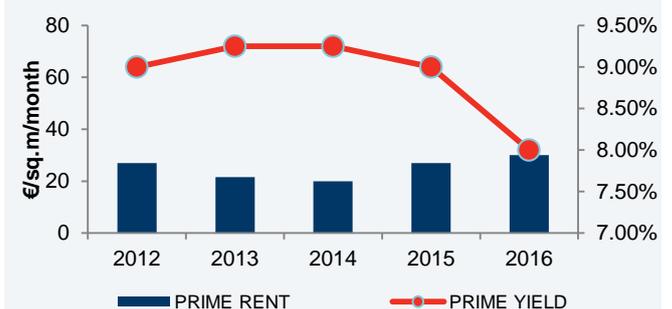
The purchase of Danube mall in Ruse and the consolidation of 100 per cent stake in Stokov Bazaar Ilientsi retail center in Sofia were the transactions of the last quarter of 2016. Austrian Immofinanz comes out of the project. Some of the top performing shopping centers attract investor's attention which is expected to result in new acquisitions. At 8 per cent as at year-end prime yield for shopping centers remains stable.

### Sofia Prime high-street rents and yields



Source: Cushman & Wakefield / Forton

### Prime Shopping center rents and yields



Source: Cushman & Wakefield / Forton

### TRENDS AND FORECASTS

- Improving purchasing power and the lack of new huge projects support rental growth in Sofia;
- Acquisitions of top performing shopping centers are expected in the next quarters;
- The vacancy rate on the Sofia retail market went back to its regular levels after the withdraw of Carrefour.