

BULGARIA

Retail Q3 2020



9.7%

YoY Income Growth

YoY Chg



12-Mo. Forecast



8,698 €

GDP per capita



5.9%

Unemployment Rate



Source: National Statistical Institute

BULGARIAN ECONOMIC INDICATORS Q2 2020

-8.5%

GDP Growth

YoY Chg



12-Mo. Forecast



-5%

Consumer Spending July 2020, YoY



-12.2%

Retail Sales YoY August 2020



Source: National Statistical Institute

ECONOMY: Retail sales down

The second quarter of 2020 came with 8.5% decrease of the GDP y/y and prospects for further economic slowdown in the coming quarters. Despite the reopening, retail sales continued to fall in the summer months as a result of moderate income growth and unfavourable consumption trends. Unemployment slightly rose to 5.9%, since the Government's 60:40 wage support scheme mitigated the effect of the weak economic activity. The adverse market conditions are expected to continue in the next quarters, while partial recovery is expected to start in 2021.

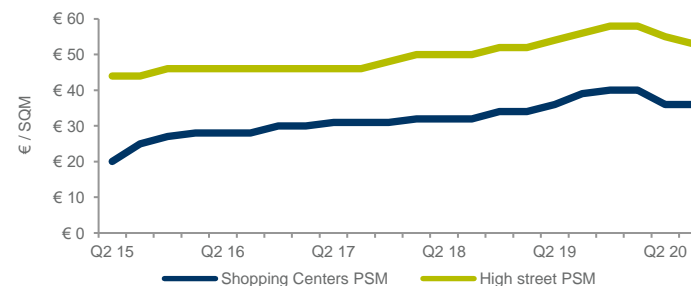
SUPPLY AND DEMAND: Increasing vacancy in shopping centers

Despite the reopening of shopping centers, retail sales are still on average 20-30% below the pre-crisis levels. Occupier activity remains moderate, with limited number of new openings in the third quarter. Sport goods, food and beverages, as well as home furniture and drugstores are among the growing sectors, while many clothes and shoes brands, and F&B operators are still holding off their expansion plans. IKEA with new store in Varna, JYSK with two new locations, the second-hand clothes chain Mania in Sofia and Decathlon in Burgas were the largest openings in the last months. By contrast, in the fashion and entertainment segments many retailers are optimising their store networks, which results in increasing vacancy in shopping centers and high streets. The average vacancy rate in Sofia reached 9% in the third quarter, almost double compared to 5% before the lockdown. Countrywide, the big-box concept enjoys increasing attention from both customers and retailers. This format is preferred by FMCG operators, drugstores, discount brands that group in smaller schemes to expand outside of the main cities. Currently, two retail parks are under development in Yambol and Shumen.

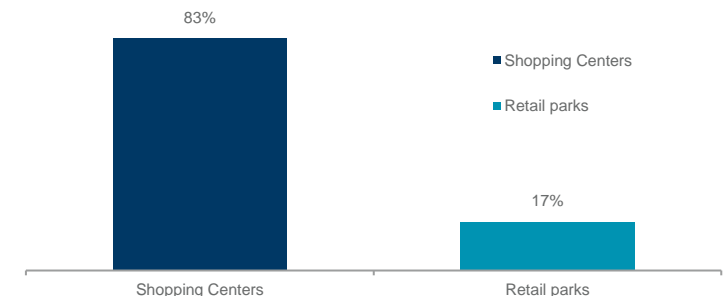
PRICING: Under pressure

After several years of gradual increase, the trajectories of rents for high-street and shopping center space have diverged in the last months. Asking rates for prime locations in well performing malls in Sofia remain stable in the range of 30-36 euro/sqm, although landlords are more prone to incentives in negotiations. However, further on downward pressure is expected due to the limited tenant activity.

PRIME RENT SOFIA



AVAILABILITY BY PRODUCT TYPE



MARKET STATISTICS

SUBMARKET	SHOPPING CENTRE STOCK	SHOPING CENTRE PIPELINE*	PRIME RENT (€/SQM)	PRIME YIELD
Sofia	402,270	-	€ 36	7.50%
Plovdiv	75,700	-	€ 27	8.00%
Varna	122,000	-	€ 28	8.00%
Burgas	62,500	-	€ 24	8.00%

*Only projects with building permit included

KEY OPENINGS Q2 2020

PROPERTY	SUBMARKET	TENANT	RSM	TYPE
Delta Planet	Varna	IKEA	5,386	New lease
Bulgaria Mall	Sofia	JYSK	1,260	New lease
The Mall	Sofia	Raffy bar & gelato	570	New lease
Jumbo Plaza retail park	Sofia	Mania	1,600	New lease
Serdika Center	Sofia	Emag	466	New lease
Park Mall	Stara Zagora	Mani	45	New lease
Retail park Varna	Varna	Pet Center	606	New lease

*Renewals not included in leasing statistics

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