

## BULGARIA

# Retail Market Snapshot

First Quarter | 2018



### MARKET INDICATORS

#### Market Outlook

Prime Rents: Occupier activity and limited new supply translate into rental growth

Prime Yields: Stable at 7.25%

Supply: Developers are active in the secondary cities with new openings expected in Plovdiv and Varna

Demand: Improving market conditions encourage tenants to expand with new stores

#### Prime Retail Rents – March 2018

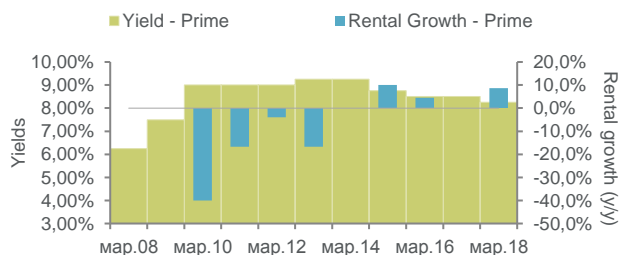
HIGH STREET SHOPS	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Sofia (Vitoshka Boulevard)	50.0	600	69.7	8.7	4.6

#### Prime Retail Yields – March 2018

HIGH STREET SHOPS (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Sofia (Vitoshka Boulevard)	8.25	8.25	8.50	9.25	6.00
SHOPPING CENTRES (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Country prime	7.25	7.50	8.00	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

After a year of robust investment, shopping center investors are embarking on a path to strengthen their market positions. Growth of consumption along with the broadly positive forecasts for the economy should continue to prop up retail real estate fundamentals. The strength of demand translates into rising the rents in the high streets and shopping centers, alike.

### Occupier focus

With the positive economic outlook many retailers now consider it is good time to expand their store network. Sofia and the big cities remain on the focus of the leading FMCG operators, sport goods chains, low-to-mid range priced fashion brands and health & beauty segment. Occupier activity corresponds to the shopping centers' landlords' ambition to improve their positioning. As a result, a number of notable openings occurred in the first quarter of 2018, Billa in Bulgaria Mall, the five LPP fashion group brands in Sofia Ring Mall or dm Drogerie in Mall Plovdiv. Sofia shopping centers vacancy posted a modest decline to 9.5% in the first quarter of 2018. Alongside more established locations, office buildings with ground-floor retail were also in focus. Increasing development activity in the office segment opens the door to expansion of different group of tenants, such as canteens, bank branches, cafes, gyms, various types of convenience retail bookstores etc. Occupier interest coupled with the lack of new deliveries is pushing prime rents up in both high streets and shopping centers in Sofia. Headline levels for mid-size store on Vitoshka Blvd. went up to €50/sq. m in the first quarter. A beauty store and a sushi bar were among the openings for the period. Prime rents in the shopping centers reached €32/sq. m on average. Unlike Sofia, supply in secondary cities is set to expand. Two shopping centers are scheduled for delivery in Varna and Plovdiv this year while in Burgas MAS Real Estate announced extension of the Galleria mall.

### Investment focus

The first quarter was quiet following the acquisition of six shopping centers in 2017. The retail segment sustains investors' attention.

### Outlook

The favorable market environment and the limited pipeline support strong tenant interest. Rents tend to slightly increase.

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