

BULGARIA

Industrial Market Snapshot

First Quarter | 2019



MARKET INDICATORS

Market Outlook

Prime Rents:	Slightly down to €3.9 euro/sq.m for larger units	▲
Prime Yields:	Slightly decreased to 8.5% at the beginning of 2019, projected to remain stable	▲
Supply:	Steadily increasing stock, mostly by owner-occupied and built-to-suit space	▼
Demand:	Logistics and retail sectors are main drivers of the leasing market	▶

Prime Industrial Rents – March 2019

LOGISTICS LOCATION	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Sofia	3.90	46.8	4.91	-2.5	2.2

Prime Industrial Yields – March 2019

LOGISTICS LOCATION (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Sofia	8.50	8.50	8.75	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 property market in Sofia began 2019 with limited number of new completions but strong development activity. The stable performance is underpinned by the continuing growth of the retail and logistics operations. The speculative stock also increases, although from a low base.

Occupier focus

The completion of two new projects added 11,650 sq.m to the modern industrial stock in Sofia in the first quarter, pushing up supply to 1,087,117 sq.m. Although the market remains dominated by owner-occupied and built-to-suit schemes, speculative developments are also in the rise due to the stable occupiers' demand. At present, the logistics and warehousing space available for lease accounts for 33% of the industrial pipeline in Sofia or a total of 225,600 sq.m. The largest recently started speculative developments are Airhousing and Logistics Park (25,000 sq.m TBA) in Ravno Pole village and DT Logistics Park (22,900 sq.m TBA) in the state-run Economic Zone Sofia – Bozhurishte. Together with Sofia, the second largest city Plovdiv emerges as speculative industrial property market, although still with sporadic leasing contracts. The lease of 1,500 sq. m of Technolink Park by DB Schenker in the first quarter exemplifies the trend. The logistics park (11,682 sq.m TBA) is under development in Maritsa Industrial Zone, north of the city, and is planned for delivery by two stages by mid-2019. Back in Sofia, the leasing market witnessed a relatively active quarter. The entry of the airfreight company Dronamics in Landmark Airport Center and the expansion of Unitcargo were among the notable leases. Euro 07 renewed their lease for 4,500 sq.m in Logistics Park Sofia Ring near Novi Han village. While the market is relatively balanced, vacancy stays at the sustainable level of around 3.5%. Headline rents are slightly down to 3.9 euro/sq.m for larger premises and 4-4.2 euro/sq.m for smaller ones.

Investment focus

Sofia's industrial property market continues to draw investors' attention although this interest has not materialized in acquisitions, yet. Prime yields saw modest decrease to 8.5% in Q1. The development land market is active, underpinned by the expansion of the automotive sector and the light industry.

Outlook

Occupiers expansion underpins strong development activity in Sofia, rents and vacancy rate are expected to remain stable.

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