

BULGARIA

Retail Market Snapshot

First Quarter | 2019



MARKET INDICATORS

Market Outlook

Prime Rents:	Headline rents slightly increased to €34/sq.m in shopping centers, stable at €50/sq.m in high streets	▶
Prime Yields:	Stable at 7.25% in Sofia, expected upward trend in the short term	▼
Supply:	Shopping center stock reached 810,000 sqm after the opening of a new scheme in Varna	▼
Demand:	Improving retail sales encourage tenants to expand	▼

Prime Retail Rents – March 2019

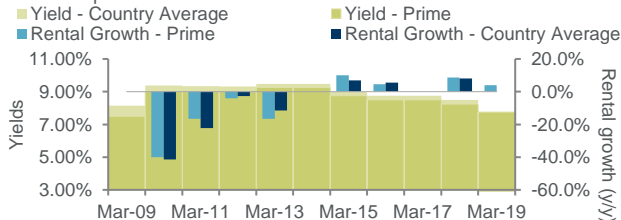
HIGH STREET SHOPS	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Sofia (Vitoshka Boulevard)	52.0	624	65.5	4.0	5.4

Prime Retail Yields – March 2019

HIGH STREET SHOPS (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Sofia (Vitoshka Boulevard)	7.75	8.00	8.25	9.25	7.75
SHOPPING CENTRES (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Country prime	7.25	7.25	7.25	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

The retail property market continues its strong performance in 2019, underpinned by consumption growth and occupiers' expansion. In the first quarter, the secondary cities witnessed new stock contributions with the openings of Delta Planet Mall in Varna and a retail park in Plovdiv. On the occupiers' side, the period was marked by the market entry of the fashion retailer Pepco.

Occupier focus

In line with the general European trend, the Bulgarian shopping center market enters a more mature phase which translates into slowdown of development activity. Sofia and the secondary cities are relatively saturated with little room for new schemes and isolated completions over the last years. Along with this tendency, Delta Planet Mall was the single opening in Varna since the end of 2010. The project added 37,000 sq.m of GLA to the city's stock (122,000 sq.m), pushing up Varna to the second position countrywide in terms of supply and shopping center space density. The opening of the mall with 88% leased area proves that the retail market still keeps momentum. Plovdiv was another city on focus in the first quarter with the opening of a third retail park for less than a year. Retail park Plovdiv – South comprises 5,200 sq.m GLA with the discount shops chain Pepco and Billa as anchors. Pepco entered Bulgaria with first location in Plovdiv and currently is expanding towards Sofia and the regional cities.

In Sofia, there were no significant market shifts at the beginning of 2019. The shopping centers remain focused on improving their performance. Currently, the vacancy rate gravitates around 9% but is expected to gradually decrease with the re-opening of the areas, vacated by Carrefour, in the coming months. Headline rents in shopping centers are slightly increasing, reaching €34/ sq.m in the first quarter.

Investment focus

After the tide of shopping centers acquisitions in Sofia, now investors' attention shifts to well performing retail schemes in the secondary cities. Prime yields in Sofia are stable at 7.25%.

Outlook

Retail parks in the regional cities are new development opportunity, since many retailers are looking for expansion in the country.

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