BULGARIA

Industrial Market Snapshot

Second Quarter | 2018

MARKET INDICATORS

Market Outlook

Prime Rents:	Remain unchanged at €4.5 euro/sq.m for medium sized units
Prime Yields:	Slightly decreased to 8.75% at the beginning of 2018, projected to remain stable in a short term
Supply:	Steadily increasing stock, mostly by owner-occupied and built-to-suit space
Demand:	Logistic and retail sectors are main drivers of the leasing market

Prime Industrial Rents – June 2018

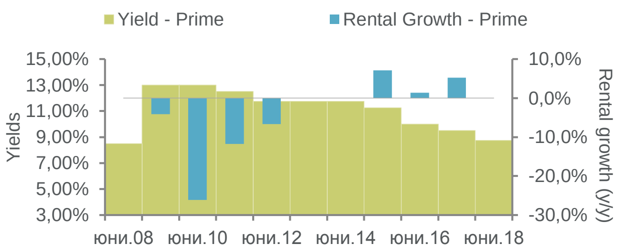
LOGISTICS LOCATION	€ SQ.M MTH	€ SQ.M YR	US$ SQ.FT YR	GROWTH % 1YR	GROWTH % 5YR CAGR
Sofia	4.00	48.0	5.22	0.0	2.7

Prime Industrial Yields – June 2018

LOGISTICS LOCATION (FIGURES ARE NET, %)	CURRENT Q	LAST Q	LAST Y	10 YEAR HIGH	10 YEAR LOW
Sofia	8.75	8.75	9.50	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

Leasing activity keeps momentum on the Sofia logistic market, reflecting the increasing supply of modern space. The economic growth and strong pace of retail sales underpin the demand and keep vacancy low.

Occupier focus

The second quarter of 2018 recorded more than 53,000 sq. m take up, far ahead the average volume of the post crisis period. Owner occupied schemes made the biggest contribution with the first phase of the logistic center of Office 1 Superstore (8,600 sq. m) among the largest completions. The factory of the German company Multivac in the state owned Bozhurishte industrial zone was another delivery in Q2. With these inputs, the modern industrial stock in Sofia reached 993,531 sq. m.

Leasing market kept the pace of the beginning of 2018, driven by inquiries of large retailers, distributors and 3Pl operators. A 14,000 sq. m logistic center on Tsarigradsko Shose was fully let, mirroring the strong demand for urban logistics space. The prelease of 11,000 sq. m in Industrial Park Sofia East was the largest transaction for the period. Total leasing volume in H1 was about 42,000 sq. m, which is normally the annual size. On the supply side, the market also enjoys growing activity in both speculative and owner-occupied segments. The investor of East Ring Logistic Park started third phase of the project which will add 12,800 sq. m rental space. Data center operator Equinix and Behr-Hella Thermocontrol have also announced new developments. The new construction as of the mid-year reached 250,400 sq. m with owner-occupied space significantly prevailing speculative schemes. Monthly rents remained stable at €4.5/sq. m for middle size premises and €4/sq. m for larger units.

Investment focus

Due to the shortage of income generating assets, industrial market still witnesses only single transactions. The acquisition of a ring-road logistic center with 7,000 sq. m TBA was the only notable investment sale for the second quarter.

Outlook

Increasing development activity will support leasing market in a short term, resulting in higher take up volume. Demand for logistics space will sustain, reflecting increasing consumption and overall economic growth.

Radostina Markova
Research Analyst
47A Tsarigradsko Shose Blvd., Sofia 1124, Bulgaria
Tel: +359 (883) 260 333
radostina.markova@cwforton.com
cushmanwakefield.com / forton.bg