

BULGARIA

Retail Market Snapshot

Second Quarter | 2018



MARKET INDICATORS

Market Outlook

Prime Rents:	Headline rents are stable at €32/sq. m in shopping centers and €50/sq. m in high streets after slight increase in the previous quarters	▶
Prime Yields:	Stands at 7.25%, upward trend in a short term	▼
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 – June 2018

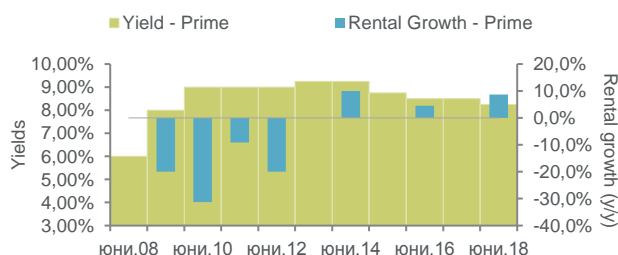
HIGH STREET SHOPS	€		US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Sofia (Vitoshka Boulevard)	50.0	600	65.3	8.7	4.6

Prime Retail Yields – June 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	6.25
SHOPPING CENTRES (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Country prime	7.25	7.25	7.75	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 market witnessed another positive quarter in terms of investment and leasing activity. Occupiers continue to expand, supported by the increasing consumption and overall economic growth. Improving performance put the Bulgarian market back on the radar of large international retailers, mostly in low-to-mid range price segment.

Occupier focus

The last quarter registered high activity in the big-box segment, mirroring the fast expansion of FMCG, Do It Yourself and home decor retailers. The new stores of JYSK and the grocery chain CBA in Retail Park Sredets were among the largest openings in Sofia. Outside the capital city, the big-box format attracts also fashion, shoes and sport goods operators, looking to increase their market presence. The entry of The Body Shop in Bulgaria was among the notable events in the second quarter of 2018. The global cosmetics brand started its expansion with stores in The Mall and Paradise Center in Sofia. The debut of a new Bulgarian FMCG operator – Edea Supermarket, is also worth noting. The first store of 5,000 sq. m opened in Mall Rousse. Shopping centers market is still dynamic, while new competitors are coming and the existing projects aim at improving their performance. Delta Planet Mall (40,000 sq. m GLA) is expected to open in November in Varna. In Plovdiv, Mall of Plovdiv strengthens its position with the opening of dm store while other retail scheme – Plovdiv Plaza, undergoes refurbishment. The South-African fund NEPI announced plans to build a shopping center with 60,000 sq. m GLA there, as well. Sofia remains the largest retail market with 395,000 sq. m total space in shopping centers, more than half of the country stock. The overall performance in the capital city slightly improves with vacancy going down to 9% in the second quarter and rents remaining stable.

Investment focus

The acquisition of Mall of Sofia by GTC was the sole notable transaction in the second quarter of 2018. Well performing retail schemes in the regional cities draw investors' attention.

Outlook

Tenants in the food & beverage, sport goods, home décor and middle to budget class fashion continue their expansion. Regional cities become increasingly attractive. New entries are expected in the next quarters.

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