

BULGARIA

Industrial Market Snapshot

Second Quarter | 2019



MARKET INDICATORS

Market Outlook

Prime Rents:	Slightly down to 3.8 euro/sqm for larger units, stable at 4.2-4.4 euro/sqm for mid-size properties	▲
Prime Yields:	Stable at 8.5% after the slight decrease at the beginning of 2019	▶
Supply:	Modern stock of 1,159,600 sqm as of mid-2019, steady increase	▼
Demand:	Logistics and retail sectors are the main drivers of the leasing market	▶

Prime Industrial Rents – June 2019

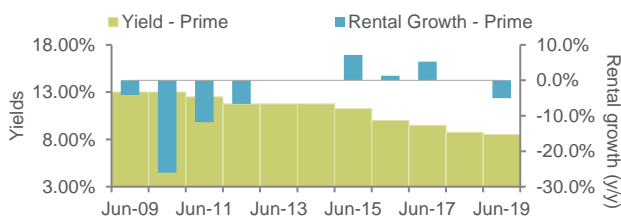
LOGISTICS LOCATION	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Sofia	3.80	45.6	5.12	-5.0	1.7

Prime Industrial Yields – June 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 second quarter of 2019 was historically one of the strongest for the industrial property market in Sofia in terms of leasing and development activity. The improving performance is underpinned by the stable growth of the retail, ecommerce and logistics. An investment market is taking shape following the gradual increase of the modern logistics and production stock.

Occupier focus

The first phase of the logistics center of Denmark's furniture chain JYSK was the biggest completion in Sofia in the first half of 2019. The new facility is located in the state-run Industrial Zone Bozhurishte and will comprise 90,000 sqm TBA at the final stage. It should serve more than 270 stores in the SEE region. The extension of the production facility of Behr-Hella Thermocontrol in Bozhurishte, and data centers of Equinix and DSK Bank were among the notable completions in the period.

Overall, the second quarter registered about 72,500 sqm new deliveries in Sofia and another 202,000 sqm under construction. This stock increase is unprecedented for the last five years and is comparable only to the previous market peak. The impressive share of speculative projects in the pipeline is also worth to be mentioned. The space available for rent accounts for 45% of the total volume. That includes both subsequent phases of large well performing schemes, as well as entirely new logistics and industrial parks.

Development coupled with increasing corporate investments resulted in higher occupier activity with 45,300 sqm leased space in the first half of 2019. The market is dominated by expansions and preleases, since the majority of the new facilities are contracted during the construction phase.

Investment focus

Increasing supply of modern logistics space coupled with stable rents and low vacancy rate draw investors' attention to Sofia industrial property market. Prime yields stood at 8.5% in Q2, projected to remain unchanged in a short term.

Outlook

After several years of shortage of modern space, the increasing supply is expected to rebalance the industrial property market in Sofia. Rents and vacancy keep healthy levels.

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