

BULGARIA

Retail Market Snapshot

Second Quarter | 2019



MARKET INDICATORS

Market Outlook

- Prime Rents: Headline rents slightly increased to €36/sq.m in shopping centers and €54/sq.m in high streets ▶
- Prime Yields: Stable at 7.25% in Sofia, expected upward trend ▼
- Supply: Shopping center stock is stable at 810,000 sqm ▼
- Demand: Improving retail sales and new supply of modern space encourage tenants to expand ▼

Prime Retail Rents – June 2019

HIGH STREET SHOPS	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Sofia (Vitosha Boulevard)	54.0	648	72.7	8.0	4.2

Prime Retail Yields – June 2019

HIGH STREET SHOPS (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Sofia (Vitosha Boulevard)	7.50	7.75	8.25	9.25	7.50
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 Bulgarian retail property market witnessed a dynamic half-year with a new shopping center and a number of store openings. Sofia and the big cities remained on the spotlight offering variety of opportunities for occupiers' expansion.

Occupier focus

The expansion of The Mall, one of the biggest shopping centers in Sofia, was among the notable retail events in the second quarter of 2019. The extension encompasses 12,000 sqm with about 40 new stores, utilizing the area vacated by the Carrefour hypermarket. Similar restructuring is taking place in Paradise Center and completion is expected by the end of the year. These reorganizations resulted in strong leasing activity in the second quarter of 2019 with a series of new openings in the shopping centers in Sofia. A moderate decrease of the vacancy rate was another effect with the average rate falling from 9% to 7% with prospects for further decline.

On the occupier side, the shopping centers' restructurings open the door for rapidly growing brands to add new locations. The supermarket chain Billa, Danish home decor retailer JYSK, shoes stores Humanic and the fashion brands Sinsay and Reserved illustrated the trend with new openings in the second quarter. Polish discount chain Pepco, which made its Bulgarian debut in March, also opened new stores in Sofia, Varna and Ruse over the period. In general, the market in Sofia and the big cities remains driven mostly by restructuring of operating shopping centers. After the openings of Delta Planet Mall in Varna and Plovdiv Plaza, currently there are no large retail schemes under construction.

Driven by tenant activity and the lack of new projects, headline rents in Sofia continued to grow, reaching 36 euro/sqm in shopping centers and 54 euro/sqm in high streets.

Investment focus

After the large shopping centers acquisitions in Sofia, now secondary cities offer investment opportunities. Prime yields in Sofia are stable at 7.25%.

Outlook

Shopping centers restructurings will further enhance leasing activity in Sofia and the big cities.

Radostina Markova

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