

BULGARIA

Industrial Market Snapshot

Third Quarter | 2019



MARKET INDICATORS

Market Outlook

Prime Rents:	Stable at 3.8 euro/sq.m for larger units and 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 1,256,996 sq.m as of nine months of 2019, steady increase	▼
Demand:	Logistics, e-commerce and retail sectors are the main drivers of the leasing market	▶

Prime Industrial Rents – September 2019

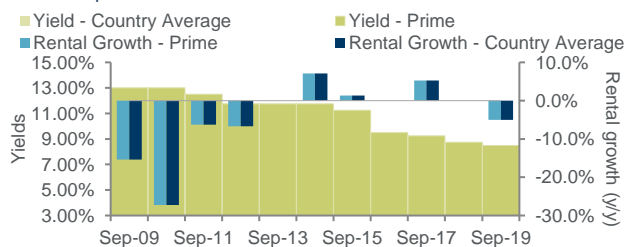
LOGISTICS LOCATION	€		US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Sofia	3.80	45.6	4.78	-5.0	0.3

Prime Industrial Yields – September 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 Bulgarian economy maintained stable growth of 3.5% in the first half of 2019, despite the EU slowdown. Exports and private consumption continued to increase at a steady pace, supporting strong demand for industrial space. Sofia and the surrounding area remain the most active market in terms of development and leasing activity.

Occupier focus

With 105,270 sq.m rented and newly completed space in Sofia, the third quarter continued the positive trend from the previous periods. The industrial stock kept increasing at a rapid pace, reaching 1,256,996 sq.m as of September. The last quarter added 95,700 sq.m modern space with the second phase of the logistics center of the Denmark's furniture chain JYSK being the largest new delivery for the period.

Overall, the market in Sofia remains dominated by owner-occupied and built-to-suit schemes, although the construction of large speculative projects is also ongoing. The latest reflects the strong occupiers' activity in the last years, mostly driven by the retail, e-commerce and logistics sectors. The development pipeline remains strong with 145,000 sq.m under construction in Sofia as of the third quarter, more than 50% of this space with no formal commitment from end users. For the time being, the market demonstrates high absorption and most of the speculative projects become operational already pre-let. The average vacancy rate keeps healthy levels of 2-3% of the total stock in Sofia.

Investment focus

The strong development activity translates into increasing investment opportunities in the industrial segment. Large logistics schemes with development potential, as well as long-term leased production space are in the investors' focus. Prime yields in Sofia stay at 8.5% with prospects to remain stable in a short term. The land market for industrial development is also active both in Sofia and countrywide. The average price varies in the range 25 – 30 EUR/ sq.m, depending on the location.

Outlook

The industrial property market is in a good shape, underpinned by the steady growth of the commerce and logistics. The forecasted slowdown in exports and private consumption is the main risk in the years ahead.