

BULGARIA

Retail Market Snapshot

Third Quarter | 2019



MARKET INDICATORS

Market Outlook

- Prime Rents: Headline rents slightly increased to €39/sq.m in shopping centers and €56/sq.m in high streets
- Prime Yields: Stable at 7.25% in Sofia, expected upward trend
- Supply: Shopping center stock is stable at 815,000 sqm
- Demand: After the period of strong expansion, tenant activity is forecasted to slowdown

Prime Retail Rents – September 2019

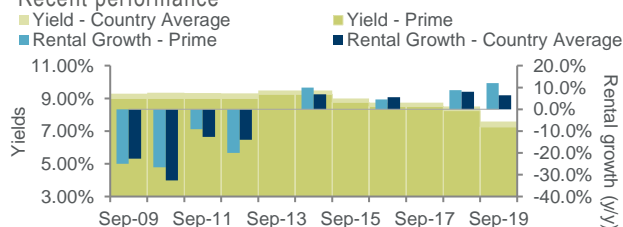
HIGH STREET SHOPS	€		US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Sofia (Vitosha Boulevard)	56.0	672	70.5	12.0	4.9

Prime Retail Yields – September 2019

HIGH STREET SHOPS (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Sofia (Vitosha Boulevard)	7.25	7.50	8.25	9.25	7.25
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 increasing private consumption and steady wage growth continue to strengthen the retail market performance in Sofia and the regional cities. The tide of shopping centers acquisitions and developments in the last two years, coupled with new brands entries, boosted the leasing activity in the nine months of 2019. Rents in dominant schemes maintain an upward trend.

Occupier focus

The maturing retail market and strong economic performance make Sofia and the regional cities attractive for new entries and expansions. Home decoration, kids' apparel, affordable fashion and sport goods are among the rapidly growing categories. Children's clothing brand Brums, Italian underwear brand Tezenis and the Japan based Miniso opened their first stores in Bulgaria in 2019. With 20 locations by the beginning of October, the Polish discount brand Pepco is the fastest growing newcomer. Other market entries are also expected in the coming months.

On the supply side, the shopping center segment in the capital and the big cities is relatively saturated with total stock reaching 815,000 sq.m. The leasing market is active, driven by recently opened schemes in Plovdiv and Varna, as well as by dominant shopping centers in Sofia that are undergoing partial restructuring. The strong leasing activity results in slight decrease of the vacancy in the capital city with current average rate of 7% and prospects for further decline. Prime rents continue to grow in the shopping centers and in the high streets in Sofia. The upward trend is underpinned by the occupiers' activity and the highly competitive market. The lack of new projects under construction also favors further rent increase.

Investment focus

Dominant schemes in the regional cities draw investors' attention with stable cash flows and higher return. After a series of shopping center acquisitions in the last two years, Sofia now offers limited opportunities. Prime yields in the capital remain stable at 7.25%.

Outlook

Stable economic growth maintains retail market performance but a slowdown is expected in the coming quarters.

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