

BULGARIA

Industrial Market Snapshot

Fourth Quarter | 2018



MARKET INDICATORS

Market Outlook

Prime Rents:	Remain unchanged at €4 euro/sq.m	▶
Prime Yields:	Slightly decreased to 8.5% at the end of 2018, projected to remain stable	▶
Supply:	Steadily increasing stock, mostly by owner-occupied and built-to-suit space	▶
Demand:	Logistics and retail sectors are main drivers of the leasing market	▶

Prime Industrial Rents – December 2018

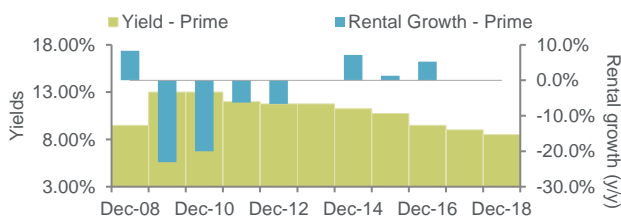
LOGISTICS LOCATION	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Sofia	4.00	48.0	5.08	0.0	2.7

Prime Industrial Yields – December 2018

LOGISTICS LOCATION (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Sofia	8.50	8.75	9.00	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

Strong domestic demand appeared to be the main driver of Sofia's industrial property market during the last year. The increasing need of storage space resulted in development of a number of speculative and built-to-suit projects. Countrywide the automotive industry underpinned the demand of production space.

Occupier focus

With the completion of 126,600 sqm logistics and production space 2018 was the second strongest period for the Sofia's market over the last ten years. The new deliveries increased total stock to 1,075,468 sqm, still with solid dominance of built-to-suit and owner-occupied schemes. The logistics center of the Austrian 3PL operator Cargo Partners, which provided roughly 17,000 sqm in the east part of Sofia, was the largest new delivery in the last quarter of 2018. Along with the logistics, courier and retail companies, data center operators are increasing their market presence with the new project of Equinix exemplifying the trend. Speculative supply expanded by 51,763 sqm over the year with Phase 1 of Industrial Park Sofia East and the partial reconstruction of Industrial Park Rozhen 41 among the largest contributions. Although half of the new leasable area was pre-let, the vacancy rate slightly increased to 3.5% in the last quarter. Since some large-scale tenants invest in their own premises, the vacant speculative space is forecast to grow further to approximately 5% in the present year. The later will stabilize the headline rents at €4-4.20/sqm/month for medium to big-size storage space in Sofia.

Countrywide, the market is driven mostly by automotive sector's investments in production space. The lack of suitable brownfield opportunities shifts the focus on acquisitions of development land.

Investment focus

Despite the investors' attention to the industrial market, a limited number of acquisitions were closed in 2018. Prime yields posted slight decrease to 8.5% at the end of the year. Construction land in the industrial areas and the outskirts of the big cities is in high demand for industrial projects development.

Outlook

With 190,000 sqm under construction as to the end of 2018 the Sofia's industrial market gradually overcomes the shortage of modern space. Rents and yields are projected to remain stable in the short term.

Radostina Markova

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