

BULGARIA

Retail Market Snapshot

Fourth Quarter | 2018



MARKET INDICATORS

Market Outlook

Prime Rents:	Headline rents in shopping centers and high streets steadily increase	▶
Prime Yields:	Stable at 7.25%, expected upward trend in the short term	▶
Supply:	Developers are active in the secondary and third-tier cities	▶
Demand:	Increasing retail sales encourage tenants to expand	▶

Prime Retail Rents – December 2018

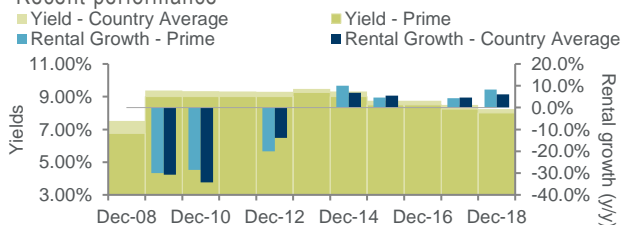
HIGH STREET SHOPS	€	€	US\$	GROWTH %	
	SQ.M	SQ.M	SQ.FT	1YR	5YR
	MTH	YR	YR	CAGR	
Sofia (Vitosha Boulevard)	52.0	624	66.1	8.3	5.4

Prime Retail Yields – December 2018

HIGH STREET SHOPS (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Sofia (Vitosha Boulevard)	8.00	8.25	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	7.50	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

2018 ended on a high note for the Bulgarian economy. The combination of stable growth, moderate inflation and rapidly increasing retail sales encourages retailers' expansion which is expected to be the general trend in 2019, as well. Stock increased modestly with the partial opening of Plovdiv Plaza shopping center in November.

Occupier focus

Shopping centers in secondary cities aiming at improving their performance, remained major source of retail activity in 2018. Mall Veliko Tarnovo (18,000 sqm GLA) exemplifies the trend with more than 4,000 sqm new openings over the year. Overall, the period was marked by high occupier activity both in Sofia and the countryside. The sport goods chain Under Armour, which opened a first Bulgarian store in December, and The Body Shop with three locations in Sofia were among the notable new entries. In the home improvement segment, IKEA and JYSK strengthened their positions with new outlets in the secondary cities. The coffee chain Starbucks also continued expanding with openings in Sofia, Burgas and Plovdiv in the last quarter. Occupier activity results in a gradual increase of the headline rents which is expected to continue in 2019. As of the end of 2018, they reached €34/sqm for a premise of 100-150 sqm at key location in a big shopping center in Sofia and €52/sqm for a similar premise on a main street.

Plovdiv stepped into the spotlight with the completions of new retail schemes in the second half of 2018. Following full refurbishment, Plovdiv Plaza mall opened in November with 35,000 sqm GLA, and Zara, H&M and IKEA among the anchor tenants. With this contribution, the shopping center stock countrywide reached 773,000 sqm while density slightly increased to 108.4 sqm per 1,000 inhabitants. Back in Plovdiv, the real estate company Gazit Globe transformed a former Praktiker store into a retail park. Another one was opened by a local developer in the south part of the city.

Investment focus

The purchase of Bulgaria Mall and Infinity Office Tower was the sole shopping center transaction in the fall of 2018. The new owner is the Spanish Squiracle Capital investment fund.

Outlook

Stable market fundamentals result in new store openings both in Sofia and the regional cities. Developer focus is shifting to retail parks.

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