

# BULGARIA

Retail Q2 2020



**12.7%**  
YoY Income Growth



**8,698 €**  
GDP per capita



**4.6%**  
Unemployment Rate



Source: National Statistical Institute

## BULGARIAN ECONOMIC INDICATORS Q1 2020

**2.4%**  
GDP Growth



**3.7%**  
Consumer Spending Growth



**-20.4%**  
Retail Sales May 2020



Source: National Statistical Institute

### ECONOMY: Retail sales at historical low

The Bulgarian economy experienced slowdown in the first quarter of 2020, with prospects for decrease in the coming months. According to the spring forecast of the European commission, the Country's GDP is expected to contract by 7.2% in the present year and to return to growth in 2021. Retail sales plunged in April and May to historically low levels, affected by the lockdown, moderate domestic demand and the closure of the shopping centers. However, the reopening of the economy gives chance for gradual recovery.

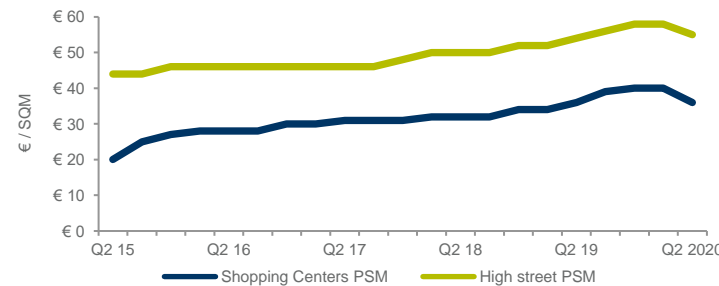
### SUPPLY AND DEMAND: Vacancy expected to increase

Retail market activity remained low in the second quarter of 2020, despite the easing of the anti-epidemic measures and the reopening of the shopping centers. Most schemes registered limited number of new openings, since occupiers still prefer to hold on their expansion plans. Despite the overall cautiousness, some newcomers, such as Pepco, have continued to add new stores to their networks. The German discount brand KiK Design also made debut in Bulgaria, starting its expansion with two stores in Sofia. In general, non-essential retail was in most challenging situation during the lockdown. Clothes and shoes brands, entertainment industry, as well as food and beverages experienced a sharp fall in revenues, due to the not-operating stores. Some retailers are placing greater emphasis on their online business in an attempt to compensate the struggling physical sales. In addition, many tenants started to renegotiate their leases, trying to correlate their rents to revenues, while landlords tend to offer only short-term rent reductions for 3 to 6 months. On the supply side, most shopping centers registered increasing vacancy rate after the reopening. In June, this indicator reached 7% on average in Sofia, compared to 5% before the lockdown. Vacant space is expected to increase further in 2020, since there are brands that optimise their store networks.

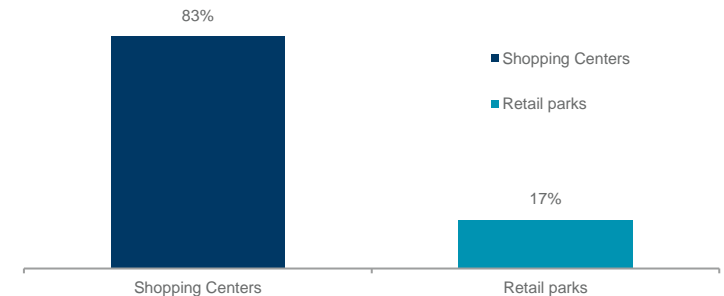
### PRICING: Under pressure

After a period of gradual increase, rents in shopping centers and high streets are currently experiencing downward correction. Prime rents in shopping centers decreased by 10% in June. High street levels in Sofia fell to 55 €/sqm. Prime retail yields increased by 25 bps to 7.5%. Due to their sustainability, shopping centers in regional cities and retail parks are in the investors' focus.

### PRIME RENT SOFIA



### AVAILABILITY BY PRODUCT TYPE



## MARKET STATISTICS

SUBMARKET	SHOPPING CENTRE STOCK	SHOPPING CENTRE PIPELINE*	PRIME RENT (€/SQM)	PRIME YIELD
Sofia	402,270	-	€ 36	7.5%
Plovdiv	75,700	-	€ 27	8.00%
Varna	122,000	-	€ 28	8.00%
Burgas	62,500	-	€ 24	8.00%

\*Only projects with building permit included

## KEY OPENINGS Q2 2020

PROPERTY	SUBMARKET	TENANT	RSM	TYPE
Bulgaria Mall	Sofia	IDDI	80	New lease
Mall Veliko Tarnovo	Veliko Tarnovo	Pepco	550	New lease
The Mall	Sofia	Monni	260	New lease
Grand Mall Varna	Varna	Puma	163	New lease
Paradise Center	Sofia	Burger king	119	New lease
The Mall	Sofia	KiK Design	640	New lease
MegaMall	Sofia	KiK Design	630	New lease
Via retail park	Plovdiv	Sport Depot	600	New lease

\*Renewals not included in leasing statistics

## LOCAL MARKET RESEARCH LEAD

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