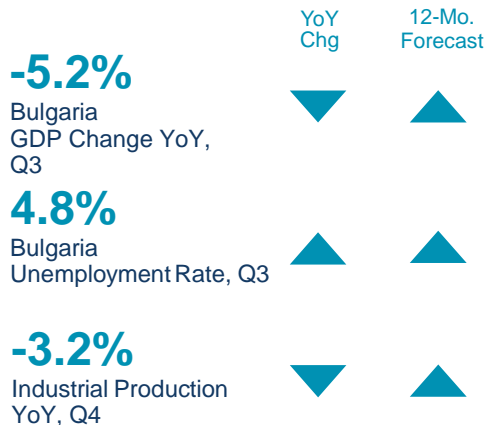


Overall, Net Asking Rent

## ECONOMIC INDICATORS 2020



Source: National Statistical Institute, Moody's

## ECONOMY: GDP continues to decrease

The Bulgarian industrial production continued to fall in the last quarter of 2020, despite the tentative signs of recovery of the European economy. Reduced consumption has had a negative effect on the manufacturing sector, while logistics operations remained in an upward trend thanks to e-commerce. The overall economic environment is challenging, with GDP falling by 5.2% in the third quarter year-over-year and expected to stay in negative territory by the end of the year. However, the sustained return to growth will depend to a large extent of the recovery of the leading EU economies, which are the main trading partners of Bulgaria.

## SUPPLY AND DEMAND: Sustainable demand for logistics space

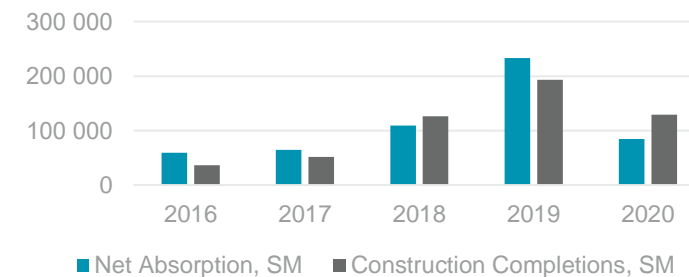
The completion of 43,930 sqm production and logistics space provided significant input to the industrial market stock in Sofia in the last quarter of 2020. The new supply includes built-to-suit and speculative parts of three large projects – Industrial Park Sofia East, Retail Park Vladimir Vazov and the logistics park of RGS Invest in Bozhurishte, as well as extensions of owner-occupied premises. With the new completions, the modern industrial stock in Sofia reached almost 1.4 mln sqm, of which about one quarter is speculative space. Another 298,560 sqm are under construction, predominantly built-to-suit and space for owner occupation.

The last quarter of 2020 enjoyed a relatively active leasing market with 29,345 sqm gross take up in Sofia. The largest deal was signed as a sale-leaseback between the logistics company DSV Road and the real estate developer CTP. The transaction is for a logistics property with 11,600 sqm built-up area in the airport zone. This is the first investment acquisition of CTP in Bulgaria, along with some deals for land plots. In general, logistics, retail and distribution companies remain the major driver of the Sofia industrial property market. Although the increasing supply of rentable space led to a slight increase of the vacancy in the end of 2020, the rate remains in a healthy zone below 5% with limited prospect for further increase.

## PRICING: Rents are relatively stable

The healthy demand and slightly increasing supply of logistics space kept the rents in Sofia stable, with prime rates in the range of 4.2-4.4 euro/sqm for mid-sized units. Larger premises, above 10,000 sqm, are expected to be let on slightly below 4 euro/sqm. This supply is usually located in the industrial zones in the Sofia surroundings. Yields also remain stable, currently at 8-8.25% for prime logistics space in the capital.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



**MARKET STATISTICS**

SUBMARKET	INVENTORY (SM)	AVAILABILITY (SM)	OVERALL VACANCY RATE	CURRENT QTR TAKE-UP (SM)	YTD TAKE-UP (SM)	UNDER CNSTR (SM)	PRIME RENT	PRIME YIELD
Sofia	1,398,509	55,728	4.0%	29,345	95,459	298,559	€4.2	8.25%
<b>TOTAL</b>	<b>1,398,509</b>	<b>55,728</b>	<b>4.0%</b>	<b>29,345</b>	<b>95,459</b>	<b>298,559</b>	<b>€4.2</b>	<b>8.25%</b>

\*Rental rates reflect weighted net asking € SQM/Month

**KEY LEASE TRANSACTIONS Q4 2020**

PROPERTY	SUBMARKET	TENANT	RSM	TYPE
DSV Road Logistics	Sofia	DSV Road	11,600	Sale-leaseback

**KEY CONSTRUCTION COMPLETIONS Q4 2020**

PROPERTY	SUBMARKET	MAJOR OCCUPIER	SM	OWNER/DEVELOPER
Industrial Park Sofia East – built-to-suit	Sofia	Ozone.bg	4,345	Park Industria – Sofia Iztok
RGS Invest – Phase 1	Sofia	JYSK	14,088	RGS Invest

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