

2.7%
Vacancy Rate



32,456
Take-Up, SM



€4.2
Prime Rent, PSM



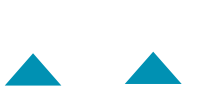
Overall, Net Asking Rent

ECONOMIC INDICATORS Q1 2020

-8.5%
Bulgaria
GDP Growth



5.9%
Bulgaria
Unemployment Rate



-5.7%
Industrial Production
(as at August)



Source: National Statistical Institute

ECONOMY: Industrial production slows down further

Bulgarian industrial production continued to fall in the third quarter of 2020, although at a slower pace compared to the spring months. Manufacturing output and exports remained in negative territory, reflecting the tentative signs of recovery in Eurozone over the last months. The overall economic conditions remain challenging, with Bulgarian GDP falling by 8.5% on an annual basis in the second quarter of 2020. The drop in the business activity is expected to continue and the labour market to remain tight in the coming quarters, followed by recovery next year.

SUPPLY AND DEMAND: Sustainable demand for logistics space

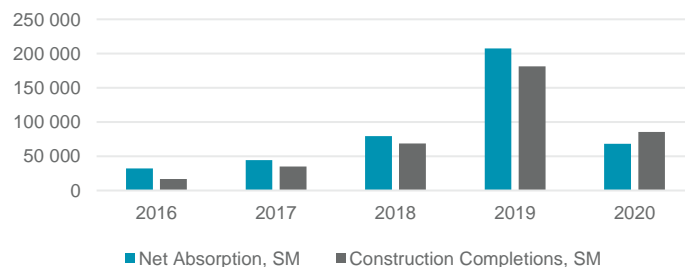
The logistics market in Sofia maintained healthy levels of leasing and construction activity in the third quarter of 2020. Take-up reached 32,456 sqm, significantly above the average sector performance for the last ten years. Leasing activity was underpinned by the completion of phases of two logistics projects – Industrial Park Sofia East and Logistics Center Transcapital, together with the expansion of retail and distribution companies.

Overall, the market in Sofia registers sustainable demand for logistics space and healthy vacancy rate. Growing FMCG, home improvement and e-commerce sectors are the main drivers of occupier activity. Although some notable leases were signed in the last quarter, the market is dominated by owner-occupied and built-to-suite solutions. The latter gives impetus to land acquisitions for production and logistics development in the established industrial zones and the outskirts of Sofia. Countrywide, the industrial market is recovering slowly, with the factory of the Turkish producer of rubber and plastic articles Teklas in Vratsa among the notable openings in the past months. The current rebound of the European manufacturing sector shall provide grounds for improvement of market conditions in Bulgaria.

PRICING: Rents are relatively stable

Sofia registers stable demand for logistics space in the last quarters, which kept prime rents in the range of 4.2-4.4 euro/sqm for mid-sized units. The larger ones, above 10,000 sqm, are expected to be let on slightly below 4 euro/sqm. Yields are under pressure, currently at 8-8.25% for prime logistics space in Sofia.

SPACE DEMAND / DELIVERIES Q1-Q3



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	1,353,048	37,120	2.7%	32,456	66,114	241,426	€4.2	8.00%
TOTAL	1,353,048	37,120	2.7%	32,456	66,114	241,426	€4.2	8.00%

*Rental rates reflect weighted net asking € SQM/Month

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	RSM	TYPE
Industrial Park Sofia East	Sofia	undisclosed	4,360	relocation

KEY CONSTRUCTION COMPLETIONS Q3 2020

PROPERTY	SUBMARKET	MAJOR OCCUPIER	SM	OWNER/DEVELOPER
Industrial Park Sofia East - Building 3.1	Sofia	N/A	13,080	Park Industria – Sofia Iztok
Logistics Park Transcapital – Building 6	Sofia	N/A	9,228	Transcapital

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