

1.50%
Vacancy Rate

YoY Chg 12-Mo. Forecast



60,789
Take-up, SM



€5.20
Prime Rent (10,000 sqm)
PSM
Overall, Net Asking Rent



ECONOMIC INDICATORS Q1 2023

2.3%
Bulgaria
GDP Change YoY

YoY Chg 12-Mo. Forecast



4.4%
Bulgaria
Unemployment Rate



-8.3%
Industrial Production, YoY
May



Source: National Statistical Institute, Moody's

ECONOMY: Very good Q1 with near-term uncertainty

All things considered, halfway through 2023, Bulgaria's economy is doing quite well. Inflation, which is a huge problem for most CEE countries, has receded back to single digits (7.5% in June) and was just above the Eurozone average (5.5%). Also, in the first quarter, GDP grew by 2.3% y/y, or more than twice as fast as the EU average. Yet, three important indicators have gone negative, raising questions about the mid-term. Manufacturing production declined in each consecutive month since February; the value of imports and exports declined in each consecutive month since March; and the index of wholesale trade (at constant prices) remained negative for 11 consecutive months (since July, 2022).

SUPPLY AND DEMAND: Solid results, slowdown coming

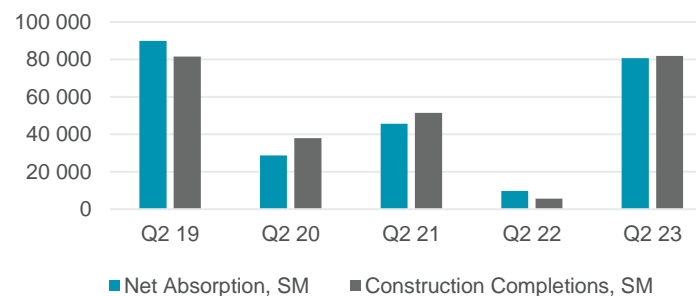
Recently, supply of light industrial and warehouse space on the market was constrained by a significant rise in construction costs as well as sporadic shortages of construction materials. This has caused project postponements, lengthening of construction times, and complications with build-to-suit schemes. Nevertheless, the volume of completed projects in the past quarter stood at the respectable 82,000 sqm, nearly half of which were owner-occupied. Take-up was 61,000 sqm and net absorption stood at 81,000 sqm. The available space edged up negligibly and vacancy remained unchanged at 1.5%.

With manufacturing and trade struggling to find business growth, overall demand for light industrial and warehouse space has softened. A notable exception is demand for medium-sized urban logistics, where retailers and couriers are very active and space is not available. Given fewer construction starts and permits as well as narrowed project pipeline - 290,000 sqm (the lowest in 11 quarters) - the general expectation is for slowdown in leasing activity going forward.

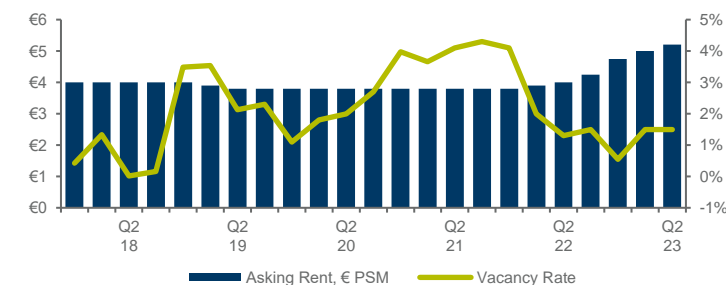
PRICING: Creeping upwards

Prime rents crept up 4.0% q/q, reaching 5.20 euro/sqm for premises over 10,000 sqm, while rents for small to mid-size schemes edged up 3.7% q/q to 5.60 euro/sqm. The upward movement was mainly driven by price indexation and lack of supply and is expected to continue in the short-term. Prime yields stood unchanged at 7.25% during the quarter. Looking forward, the expectation is that weaker demand and rising interest rates would generate upward lift towards 7.50%.

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	1,893,143	28,400	1.5%	60,789	142,010	289,577	€5.2	7.25%
TOTAL	1,893,143	28,400	1.5%	60,789	142,010	289,577	€5.2	7.25%

*Rental rates reflect weighted net asking € SQM / Month

KEY CONSTRUCTION COMPLETIONS Q2 2023

PROPERTY	SUBMARKET	MAJOR OCCUPIER	SM	OWNER/DEVELOPER
CTPark Sofia West – SOW1	Sofia	n/a	41,152	CTP Bulgaria
Zora Logistics Park – Phase 1	Sofia	Owner occupation	23,198	Zora MMC
Turbo Garant	Sofia	Owner occupation	3,216	Turbo Garant

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