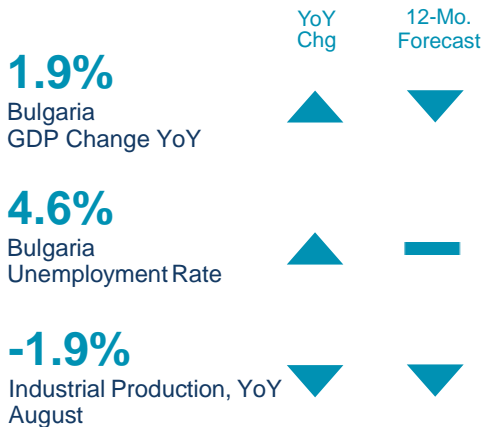


ECONOMIC INDICATORS Q2 2023



Source: National Statistical Institute, Moody's

ECONOMY: In Good Shape

Nine months into the year, Bulgaria' economy was in generally good shape. After a hiccup in July, inflation returned to its downward trajectory, decelerating to 6.4% y/y by the end of September, one of the lowest in the CEE region. The business climate index was near a 3-year peak. The latest GDP data showed growth of 1.9% in Q2, driven mainly by household consumption. Nevertheless, indicators related to the industrial segment were not encouraging. After a negative second quarter, manufacturing production, wholesale trade, imports and exports remained negative in July and August.

SUPPLY AND DEMAND: Temporary Softness Amidst Solar Transition

Supply of light industrial and warehouse space in Sofia was quite limited. Available space remained low and the volume of completed projects narrowed significantly from the previous quarter. Demand during the quarter was also weak. Take-up was generated mainly by pharmaceutical and industrial technology wholesalers.

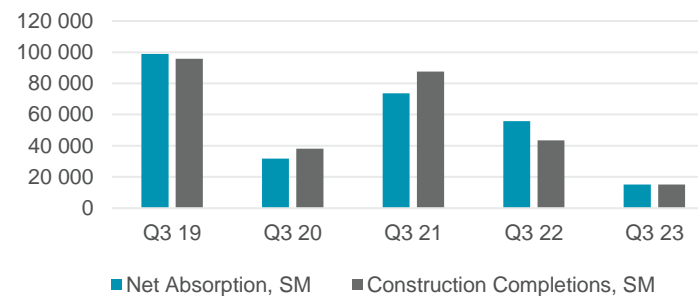
In contrast to soft supply and demand, development activity was energetic. The volume of light industrial and warehouse space under construction increased by 15% q/q to over 330,000 sqm. At least five of the largest retailers in the country, of both food and non-food products, were constructing new or enlarging existing warehouses. Furthermore, a significant number of players running facilities for own use sought to adapt to the changing electricity market conditions by investing in rooftop photovoltaic installations.

Looking ahead, leasing and development activity was set to accelerate. At least a dozen projects were scheduled for completion in the fourth quarter, with speculative developer CTP to contribute the bulk of new space for rent.

PRICING: Rents & Yields Slightly Higher

Indexation provided a mild upward lift during the quarter. Prime rents for new construction crept up 1.9% q/q, reaching 5.30 euro/sqm for premises over 10,000 sqm. Rents in newly built small to mid-size schemes followed suit edging up to 5.70 euro/sqm. This trend is likely to continue into the last three months of the year. Meanwhile, higher interest rates helped push up prime yields to 7.50% with likelihood of further increase in the short-term.

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	1,908,147	28,400	1.5%	24,489	166,499	333,075	€5.3	7.50%
TOTAL	1,908,147	28,400	1.5%	24,489	166,499	333,075	€5.3	7.50%

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

KEY CONSTRUCTION COMPLETIONS Q3 2023

PROPERTY	SUBMARKET	MAJOR OCCUPIER	SM	OWNER/DEVELOPER
Alta Pharmaceuticals	Sofia	Owner occupation	2,300	Alta Pharmaceuticals
Anima Group	Sofia	Owner occupation	2,500	Anima Group

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