

2.84%
Vacancy Rate

YoY Chg



12-Mo. Forecast



11,760
Take-up, SM



€5.40
Prime Rent (10,000 sqm) PSM
Overall, Net Asking Rent



MOST RECENT ECONOMIC INDICATORS:

1.6%
GDP Change YoY Q4 2023

YoY Chg



12-Mo. Forecast



0.0%
Wholesale trade, YoY February, 2024



-3.3%
Industrial Production, YoY February, 2024



Source: National Statistical Institute, Moody's

ECONOMY: Above and beyond

Bulgaria's economy delivered another above average quarterly performance at the end of 2023 with the 9th highest growth rate in the EU. Solid domestic demand, driven by private households, handily offset weakness in external demand. Key leading indicators during the first three months of 2024 suggest that economic performance at the start of the year would likely be in-line with recent form. Consumer Confidence is at a 24-year high, boding well for the strength of overall domestic demand. Importantly, the Business Climate indicator is also edging higher. Partially this is thanks to the industrial sector where the assessment of export orders in February improved to its highest in 16 months and expectations for the near-term notably bettered.

SUPPLY AND DEMAND: Calm and confident start

Sofia's market for light industrial and warehouse space slowed down the tempo in the first three months of 2024. Take-up narrowed to mere 11,760 sqm from over 80,000 sqm in the previous quarter. This reflected weakened demand due to narrowing volume of imports, an industrial sector approaching stabilization (after a lengthy slowdown), and generally soft wholesale. The volume of completed projects stood at 5,100 sqm, the lowest in over two years.

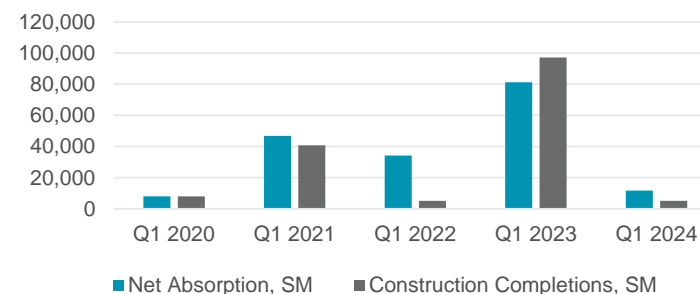
In contrast, development activity remained solid. Construction started on projects with combined GLA of 73,934 sqm, up from 41,000 sqm in the prior quarter. Notably, almost the entire volume was comprised of speculative projects. As a result, the total volume of projects under construction jumped to just over 350,000 sqm, the highest in the past 12 months. Some 144,000 sqm or 41% of the total were speculative, indicating a reasonable confidence among developers about the perspectives of the Sofia market.

The total stock in Sofia stood at 2.04 million sqm of GLA at the end of the quarter. Of these, just over one million were in 10,000+ sqm facilities. Meanwhile, the available space on the market amounted to about 60,000 sqm for a vacancy rate of 2.8% (up slightly from 2.3% in Q4 2023). The bulk of this space was in facilities of 10,000+ sqm, as the market takes its time absorbing the new large projects in Sofia.

PRICING: Rents & Yields at cruising altitude

During the quarter, prime yields increased by 50 basis points to 8% and were just another 50-bps shy of where they were 5 years ago. In the short-term, the current level is seen as the most likely cruising level of prime yields, barring unforeseen market developments. Meanwhile, for the first time since Q4 2021, rent levels stabilized with the price of newly constructed Class A warehouse space at prime locations remaining unchanged at EUR 5.4 per sqm. Looking forward, the rent trajectory is expected to flatten.

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	2,042,112	57,909	2.8%	11,760	11,760	344,016	€5.4	8.00%
TOTAL	2,042,112	57,909	2.8%	11,760	11,760	344,016	€5.4	8.00%

*Following a regular annual revision, in Q1 2024 segment inventory was restated. The net effect of the revision was an addition of 38,222 sm to the total volume.

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

KEY CONSTRUCTION COMPLETIONS Q1 2024

PROPERTY	SUBMARKET	MAJOR OCCUPIER	SM	OWNER/DEVELOPER
Okolovrusten put, #487	Sofia suburbs	Megaelectronics	2,160	Skladove pod Naem OOD

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