

BULGARIA

Retail Q1 2024



| | YoY Chg | 12-Mo. Forecast |
|---|---------|-----------------|
| €1,085 Average monthly wage (Q4) | ▲ | ▲ |
| €39.00 Prime SC Rent (sq. m./mo.) | ▲ | ▬ |
| 8.00% Prime SC Yield | ▲ | ▬ |

Source: National Statistical Institute, Cushman & Wakefield

MOST RECENT ECONOMIC INDICATORS:

| | YoY Chg | 12-Mo. Forecast |
|--|---------|-----------------|
| 1.6% GDP Change YoY Q4 2023 | ▼ | ▲ |
| 3.1% HICP March, 2024 | ▼ | ▼ |
| 10.3% Deflated Retail Sales (food, bev. & tob.) February, 2024 | ▲ | |
| 3.7% Deflated Retail Sales (non-food, excl. fuel) February, 2024 | ▼ | |

Source: National Statistical Institute

ECONOMY: Punching above its weight

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, not least due to the retail sector, where expectations for sales in the near term are quite optimistic. The positive sentiment also appears justified by the February reading of the retail index, which showed solid 10% y/y rise in food sales and a 3.7% y/y increasing in non-food sales.

SUPPLY AND DEMAND: Retail Parks do the Heavy Lifting Again

During the first quarter retail parks kept on expanding at a pace far exceeding any other market segment. Four new facilities delivered about 15,000 sqm of modern retail space. An important difference from previous quarters was that all four of these parks (one extra-large, two large and one mid-sized) opened just partially. As a result, these same facilities are due to deliver an additional 18,000 sqm before the year is over. At the end of March, 2024, the total stock of retail parks reached to 536,000 sqm.

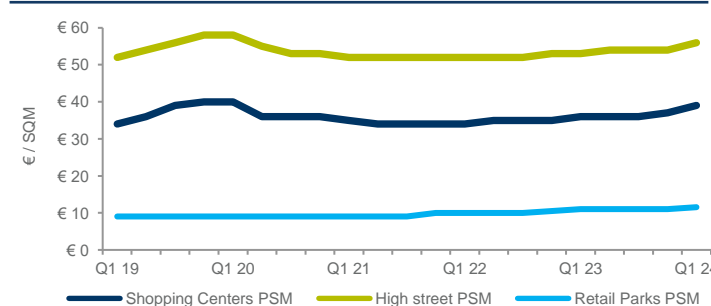
The overall volume of new modern retail openings in the quarter weakened significantly to about 20,000 sqm from 58,000 sqm in Q4 2023. Near 75% of this space was set up in retail parks. Furniture, toys, and fashion discounters swooped nearly half of the total volume. There were several notable new market entries – the British sports-fashion retailer JD Sports, the Romanian optics chain Lensa, and a new franchise holder of Burger King with an ambitious expansion plan.

Looking forward, retail parks are expected to significantly pick up the pace in the second quarter. Up to three new facilities are expected to open for business, on top of further completions from facilities partially opened in Q1. In the shopping mall segment, activity is also likely to pick up as some recently acquired schemes start adding new tenants.

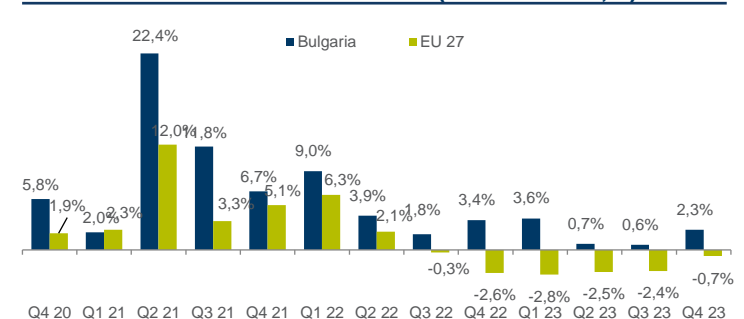
PRICING: Rents and Yields Likely to Creep Higher

Asking rents in Sofia shopping centers reached 39 euros/sqm in the first quarter and prime yields edged up to 8.00%. From the current standpoint, further upward movement in the rest of the year appear relatively unlikely. The asking rents and prime yields for retail parks in Sofia also moved up a notch to 11.5 euros/sqm and 8.00%, respectively. Prospects for the rest of the year also appear to be flat.

PRIME RENTS SOFIA



DEFLATED RETAIL SALES INDEX (Y/Y CHANGE,%)



MARKET STATISTICS

| SUBMARKET | SHOPPING CENTRE STOCK | SHOPING CENTRE PIPELINE | PRIME RENT (€/SQM) | PRIME YIELD |
|-----------|-----------------------|-------------------------|--------------------|--------------|
| Sofia | 402,273 | - | € 39 | 8.00% |
| Plovdiv | 86,000 | 57,800 | € 25 | 8.00 - 8.50% |
| Varna | 122,000 | - | € 26 | 8.00 - 8.50% |
| Burgas | 62,500 | - | € 22 | 8.00 - 8.50% |

KEY OPENINGS Q1 2024

| PROPERTY | SUBMARKET | TENANT | RSM | TYPE |
|------------------------|------------|--------------|------|-----------|
| Hipoland I Retail Park | Dobrich | LC Waikiki | 1300 | New lease |
| Retail Park Ravda | Ravda | Jysk | 1297 | New lease |
| Bulgaria Mall | Sofia | Comsed | 1221 | New lease |
| Retail Park Vidin | Vidin | New Yorker | 1200 | New lease |
| Retail Park Elin Pelin | Elin Pelin | Tedi | 800 | New lease |
| Retail Park Troyan | Troyan | Movi | 450 | New lease |
| The Mall | Sofia | JD Sports | 380 | New lease |
| Grand Mall Varna | Varna | Levi's | 163 | New lease |
| Markovo Tepe | Plovdiv | Pandora | 60 | New lease |
| Plovdiv Plaza | Plovdiv | Zlatna Ribka | 140 | New lease |

*Renewals not included in leasing statistics

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