

BULGARIA

Retail Q2 2024



	YoY Chg	12-Mo. Forecast
€1,124 Average monthly wage (Q1)	▲	▲
€40.00 Prime SC Rent (sq. m./mo.)	▲	▬
7.75% Prime SC Yield	▲	▬

Source: National Statistical Institute, Cushman & Wakefield

MOST RECENT ECONOMIC INDICATORS:

	YoY Chg	12-Mo. Forecast
1.8% GDP Change YoY Q1 2024	▼	▲
2.8% HICP June, 2024	▼	▼
9.5% Deflated Retail Sales (food, bev. & tob.) May, 2024	▲	
1.0% Deflated Retail Sales (non-food, excl. fuel) May, 2024	▲	

Source: National Statistical Institute

ECONOMY: Decent tempo and outlook

Bulgaria's economy remained solid in the first quarter of 2024, producing the 8th highest growth rate in the EU. The respectable result reflects strong domestic demand, driven by private household consumption, compensating for soft external demand and weak investment activity. The most recent leading indicators suggest that, all things being equal, in the next couple of quarters the economy would likely maintain or slightly improve its pace. Consumer confidence is at its best since 2001, which all but guarantees that domestic demand would remain a key pillar of strength. Meanwhile, the overall economic sentiment is firmly in positive territory with above average confidence in retail. The May reading of the retail index, which showed solid 9% y/y rise in food sales and a 1% y/y increasing in non-food sales (fourth positive in a row) appears to justify the relative upbeat mood in the segment.

SUPPLY AND DEMAND: Development Activity Remains High

Development activity continued unabated during the second quarter. Some 30,000 sqm of completed space were added to the total retail stock, which reached almost 1.4 million. As in previous quarters, retail parks were the only contributors. The relative share of these facilities widened to 41% of the total. Importantly the completed space in the quarter included a single fully operational retail park, that in Velingrad (10,550 sqm). The rest of the space was in facilities partially finished earlier or still under construction.

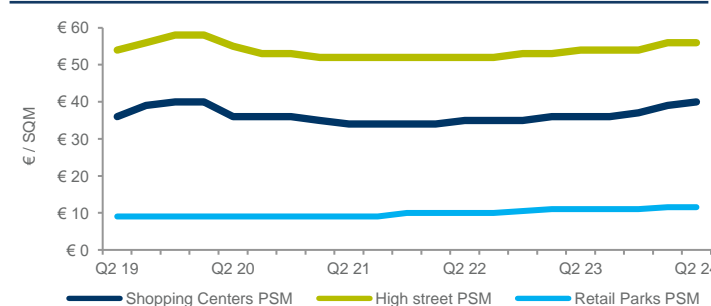
The volume of newly opened store space reached 45,000 sqm, down 19% y/y but more than double that in the previous quarter. About 23% of the volume was in shopping malls and the rest was in retail parks. DIY, discount fashion, electronics, fashion, and furniture were the types of retail concepts which took up most space. No new retail brands entered the market in the April to June period.

Looking forward, retail development activity appears stable. The total amount of space under construction amounts to 155,000 sqm. Retail parks make up about two thirds of this space. There are also at least eight retail park projects with additional 90,000 sqm in various stages of planning – two of which were announced during the quarter (one in the northwest and one in the northeast of the country).

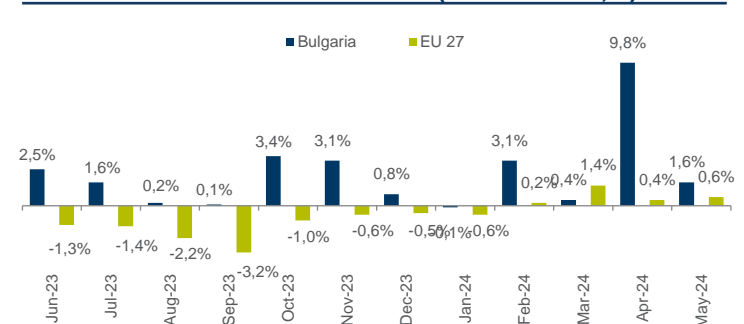
PRICING: No Upward Potential for Rents and Yields

Asking rents in Sofia shopping centers edged up to 40 euros/sqm in the second quarter while prime yield slipped to 7.75%. From the current standpoint, further upward movement in prices and yields in the rest of the year appear unlikely. The asking rent for retail parks in Sofia remained flat at 11.5 euros/sqm with no upward potential.

PRIME RENTS SOFIA



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



MARKET STATISTICS

SUBMARKET	SHOPPING CENTRE STOCK	SHOPPING CENTRE PIPELINE	PRIME RENT (€/SQM)	PRIME YIELD
Sofia	402,273	-	€ 40	7.75%
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 Q2 2024

PROPERTY	SUBMARKET	TENANT	RSM	TYPE
Holiday Park Mushanov	Sofia	Praktiker	11 500	New lease
Paradise Center	Sofia	Peek & Cloppenburg	2 500	New lease
Retail Park Velingrad	Velingrad	Technomarket	2 000	New lease
Retail Park Ruse	Ruse	Technomarket	1 800	New lease
Retail Park Velingrad	Velingrad	NewYorker	1 200	New lease
Hipoland I Retail Park	Dobrich	Zora	1 100	New lease
Retail Park Nessebar	Nessebar	Sinsay	1 000	New lease
Burgas Plaza	Burgas	Sinsay	820	New lease
Grand Mall Varna	Varna	Cropp	388	New lease
Plovdiv Plaza	Plovdiv	Ralitsa	380	New lease

*Renewals not included in leasing statistics

LOCAL MARKET RESEARCH LEAD

Nickolay Grigorov

Direct: +359 (2) 805 90 12

Mobile: +359 887 501 513

nickolay.grigorov@cwforton.com

Radostina Markova

Direct: +359 (2) 805 90 12

Mobile: +359 883 260 333

radostina.markova@cwforton.com

[cwforton.com](https://www.cwforton.com)

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