BULGARIA

GLOBAL CITIES RETAIL GUIDE

2025 EDITION

Better never settles

BULGARIA OVERVIEW

Bulgaria is in South-Eastern Europe. It shares a border with Romania to the north, Serbia and Macedonia to the west, Greece and Turkey to the south and the Black Sea to the east. The country joined NATO in 2004 and the European Union in 2007.

Bulgaria is a fast-expanding market with GDP growth often among the top 10 in the EU. Thanks to this, in 2024 the World Bank re-classified Bulgaria as a high-income country. Domestic consumption is the most important pillar of the economy, having had consistently strong contribution to growth in each of the last 10 years.

With about a third of the territory dominated by mountains, large part of the 6.5 million population is concentrated in urban centres along the Danube, the Black Sea coast and interior plains. This diverse geography is an economic blessing of its own attracting about 6 million tourists annually.

Aside from the capital Sofia (1.3 million residents), there are five cities with over 130,000 inhabitants - Plovdiv, Varna, Burgas, Ruse, and Stara Zagora. These urban areas are the main economic, commercial and cultural centres where most of the modern retail schemes are located as well.

After years of active development, the Bulgarian market offers a variety of retail formats and schemes. As of mid-2024, the modern retail stock amounts to 1.4 million sqm of shopping malls and retail parks. Almost two thirds of this volume is concentrated in the capital and the top five cities.

Following the Covid-19 pandemic, the market experienced a retail park development spree. Over 30 such facilities were introduced within the span of three years, adding near 330,000 sqm of new retail space. Yet, enthusiasm for this format is far from over. Such schemes currently under construction are expected to bring further 110,000 sqm to the market, while additional 130,000 sqm are in planning.

Steady growth of household incomes and consumer spending encourage many international brands from the fashion, health & beauty, and sport goods categories to enter the market in Sofia and then expand nationwide.

BULGARIA
Economic Overview

ECONOMIC SUMMARY

ECONOMIC INDICATORS	2023	2024	2025	2026	2027
GDP (% y/y change)	2.0	2.4	3.2	2.0	2.3
Consumer spending (% y/y change)	5.6	4.2	2.7	-0.1	0.1
Industrial production (% y/y chante)	-8.2	-3.7	3.5	2.8	2.6
Investment (% y/y change)	2.7	3.1	3.7	1.9	2.7
Unemployment rate (%)	4.3	4.4	4.6	4.7	4.9
Inflation rate (%)	9.5	2.5	2.7	2.9	2.6
Exchange rate vs USD	1.8	1.8	1.7	1.7	1.7
Interest rates short-term (%)	2.9	3.5	2.9	2.5	2.4
Interest rates 10-year (%)	3.8	3.9	3.7	3.8	3.9

NOTE: *annual % growth rate unless otherwise indicated. Figures are based on local currency and in real terms. E estimate F forecast

SOURCE: Oxford Economics Ltd.

RETAIL SALES GROWTH: % CHANGE ON PREVIOUS YEAR

INDICATOR	2019	2020	2021	2022	2023
Retail sales growth volume (%)	5.6	2.5	10.3	4.5	1.7

ECONOMIC BREAKDOWN (2023)

POPULATION (MILLION)	6.9
GDP NOMINAL (BIL. USD)	176.5
PUBLIC SECTOR BALANCE (% OF GDP)	-2.0
PUBLIC SECTOR DEBT (% of GDP)	21.4
CURRENT ACCOUNT BALANCE (% OF GDP)	0.6

PARLIAMENT	Eight political parties with MPs
PRESIDENT	Rumen Radev
PRIME MINISTER	Dimitar Glavchev
ELECTION DATE	November 2021 (Presidential) June 2024 (Parliamentary)

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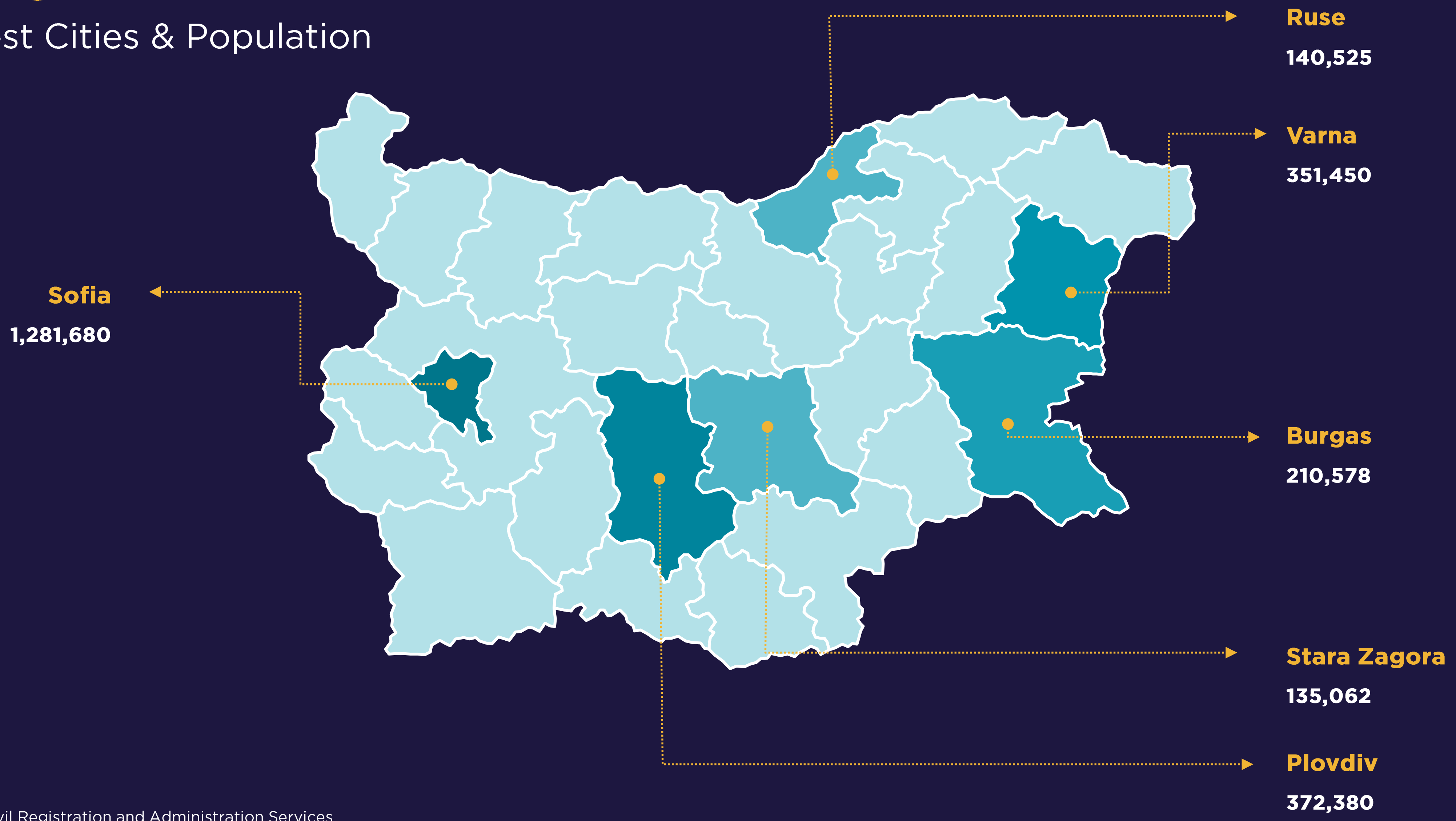
Largest Cities & Population



SOURCE: Civil Registration and Administration Services

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Retail Overview

MAJOR DOMESTIC FOOD RETAILERS

CBA (national), Fantastico (Sofia mainly), Promarket (Sofia only), Verdi (Sofia only), 345 (Sofia only)

MAJOR INTERNATIONAL FOOD RETAILERS

Lidl, Billa, Kaufland, T-Market, KAM market

INTERNATIONAL RETAILERS IN BULGARIA

Inditex Group (Zara, Massimo Dutti, Stradivarius, Bershka, Pull & Bear), H&M, Peek & Cloppenburg, Mango, LPP (Reserved, Sinsay, Cropp, House, Mohito), Grupo Cortefiel (Cortefiel, Women's Secret, Springfield), Pepco, LC Waikiki, SuperDry, Adidas, Decathlon, Sport Vision, NewYorker, Humanic, Deichmann, Terranova, Puma, Nike, Mothercare, Bauhaus, Ikea, JYSK, Mr. Bricolage, dm, Lilly Drogerie, JD, Tedi, Under Armour, Sinsay, Douglas, Sephora, CCC

FOOD AND BEVERAGE OPERATORS

Wagamama, Costa Coffee, Starbucks, McDonald's, KFC, Burger King, Hesburger, Domino's Pizza, Happy Bar & Grill (domestic), Aladin (domestic), Raffy (domestic), Subway, NordSee, SASA Asian Food, Nedelya (domestic)

MAJOR DOMESTIC NON-FOOD RETAILERS

Andrews, Apteki Mareshki, Booktrading, Chipolino, Ciela, Comsed, Estil, Grand Optics, Giulian, Joy Optics, Hipoland, HomeMax, Inhuman store, Insa Oil, Juliany, Orange Center, OptiClassa, Paolo Botticelli, Praktiker, Petrol, SOpharmacy, Subra, Techmart, Technopolis, Technomarket, TED, Tendenz, Teodor, Videnov, Vivacom, Zlatna Ribka, Zora

NEW ENTRANTS TO MARKET

Selection of new entrants.

JD Sports, HalfPrice, Kiko Milano, Kave Home, Lego, Lensa, Levi's, Tedi

TYPICAL HOURS

SHOPPING CENTRES	HIGH STREET
Monday – Sunday (10am – 10pm)	Monday – Saturday (10am – 8pm) Sunday (10am – 7pm)

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Retail Scene

As a highly-open free market economy Bulgaria offers ample opportunities to international retailers. Over time, various modern concepts have taken root and found fertile grounds to prosper.

From a format perspective, the retail scene is dominated by shopping malls, which account for near two thirds of the total stock. The majority of these facilities were built immediately prior to or a few years after Bulgaria's accession to the EU in 2007. After the Covid-19 pandemic in 2020, retail parks emerged as a strong second. Having witnessed the closure of major retail centers, developers rushed to setup formats resistant to epidemic shut-downs

The scale of the Bulgarian retail market is gradually catching up with its near-peers. While saturation levels both for shopping centers and retail parks somewhat lag behind most CEE countries, development activities are quite intensive. As much as 30 retail parks were completed within the span of three years, and currently, one large shopping mall and up to 16 retail parks are in construction or planning phase.

From a geographic perspective, the bulk of the modern retail stock is located in Sofia and the major cities. However, due to the expansion of large grocery chains and big box operators, as well as the development of retail parks, modern retail space is building up even in very small settlements.

In terms of tenant interest, while Sofia capitalizes on its advantage as the largest economic center, the coastal cities of Varna and Burgas (large population centers of their own) offer strong competition thanks to the influx of millions of tourists every year.

The shopping malls in Sofia and the big cities are preferred locations particularly for retailers targeting mid-to-upper-income consumers. Due to the high-quality shopping and entertainment experience, these properties enjoy strong footfall and operate with very low vacancy rates.

High streets attract tenant attention with central locations and pedestrian traffic. Stores are typically located on the ground floors of residential buildings. Importantly, over the past ten years there is a clear trend on high-streets towards greater emphasis on food and drink services.

This reflects the rising importance of international city vacationers and is particularly visible in Sofia and Plovdiv, where hundreds of thousands of such tourists arrive.

Although initially retail parks were strictly a response to the Covid-19 pandemic, in time these facilities have become a magnet for tenants seeking modern space and expansion in smaller underdeveloped regional markets. This concept also benefits significantly from a relatively recent switch in the wages and incomes policy aiming to reduce the gap between the large cities and the rest of the country.

Economic growth and rising household incomes make Bulgaria attractive to international brands. Most often, it is on the radar of operators already established in the CEE.

Recent market entries reflect key trends in the country. The arrival of the German low-price retailer Tedi and the Polish off-price brand HalfPrice are in-line with the rapid buildup of retail parks. The latter is also a testimony of established retailers expanding operations with an entirely new business line. In addition, the launch of furniture store Kave Home seeks to tap in on demand from rising apartment sales.

Other notable recent arrivals include the Italian cosmetics brand Kiko Milano, the toy icon Lego, jeans fashion brand Levi's and the sports fashion brand JD.

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Shopping Centres

TOP SHOPPING CENTRES BY SIZE

NAME	CITY	SIZE (GLA SQM)	OPENED
PARADISE CENTER	Sofia	81,000	2013
SOFIA RING MALL	Sofia	69,000	2014
THE MALL	Sofia	62,000	2010
GRAND MALL	Varna	52,000	2010
SERDIKA CENTER	Sofia	51,000	2010
PLOVDIV PLAZA	Plovdiv	43,500	2018
MALL ROUSSE	Ruse	37,000	2010
DELTA PLANET MALL	Varna	37,000	2019
GALLERIA BURGAS	Burgas	35,000	2012
BULGARIA MALL	Sofia	35,000	2012

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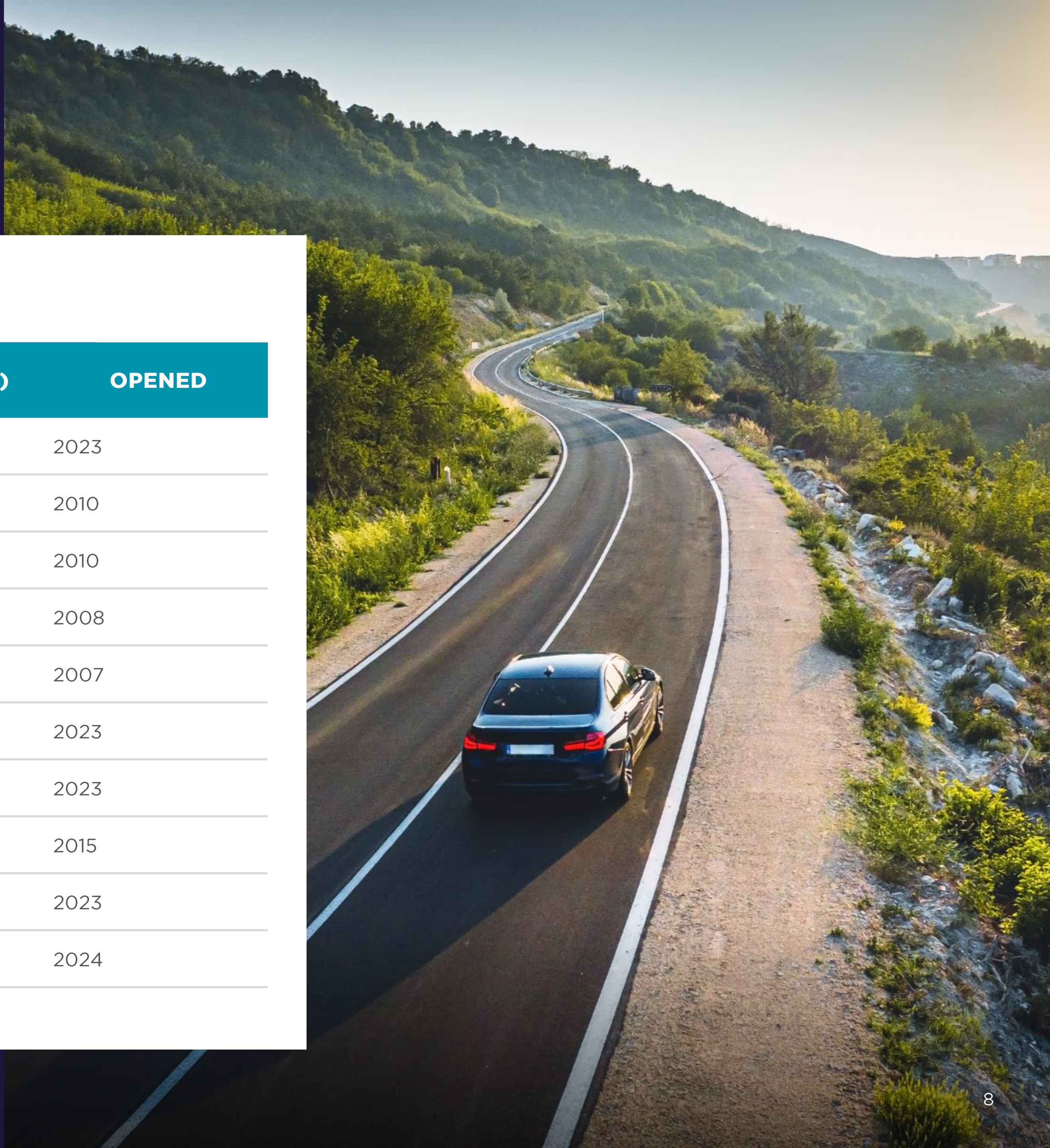
Retail Parks



TOP RETAIL PARKS BY SIZE

NAME	CITY	SIZE (GLA SQM)	OPENED
HOLIDAY PARK STARA ZAGORA	Stara Zagora	40,000	2023
RETAIL PARK SREDETS	Sofia	38,000	2010
JUMBO PLAZA	Sofia	29,000	2010
RETAIL PARK PLOVDIV	Plovdiv	26,000	2008
VAZOV RETAIL PARK	Sofia	24,000	2007
HOLIDAY PARK PAZARDZHIK	Pazardzhik	23,000	2023
HOLIDAY PARK PERNIK	Pernik	23,000	2023
RETAIL PARK VELIKO TARNOVO	Veliko Tarnovo	20,000	2015
HOLIDAY PARK HASKOVO	Haskovo	16,000	2023
HIPOLAND I RETAIL PARK	Dobrich	16,000	2024

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Key Features of Lease Structure

ITEM	COMMENT
LEASE TERMS	While becoming increasingly standardized, leases do still vary depending on the landlord. Terms are of a minimum of 5 years, especially in prime modern retail centres. Anchor tenants usually require to sign 5+5 years contracts. Leases longer than 10 years are rare. For smaller schemes lease terms may be shorter (between 3-5 years). Rents are quoted in €/ sqm/ month as the Bulgarian LEV is pegged to the Euro. Regarding tenant substitution option, the new lessee usually need to sign the lease under the same commercial terms. If a leasing contract has been notarized and registered in the Registry Agency, a property ownership change does not automatically break the agreement that the previous landlord negotiated. In such case the tenant is protected against unilateral break for the entire lease term.
RENTAL PAYMENT	The rents are usually payable monthly in advance. Turnover rents vary between 3-8%, depending on the tenant and retail segment. For café tenants, they may reach as high as 12%, for example. Security deposit for 1-3 months including base rent and service charge is usually required in the form of a cash payment or bank guarantee letter. For anchor tenants a guarantee from the parent company is accepted but not preferable. Turnover rents only may be acceptable for some projects for international brand occupiers who take more than 1,000 sqm.
RENT REVIEW	There is no standard review mechanism, and this may be negotiated in the lease. In most cases rents are indexed to EU28 HCPI or the Eurozone HCPI index. Indexation to Bulgarian CPI is rare for base rent, though it is applicable to service charge. All leases are signed for a definite period of time. On expiration of the term of the lease the tenant has the right to negotiate additional period. If no contract is signed the tenant is required to vacate the premises. Key money is only applicable for high street units and it is extremely rare.
SERVICE CHARGES, REPAIRS AND INSURANCE	Service charges for retail are typically €6.00 to €10.00/sqm. The tenants pay for utilities separately. Repairs and maintenance of the building are made by landlords and covered by the service charge. Any additional improvements are made on landlords' costs. Minor outlays and superficial repairs are usually covered by the tenants, if not the landlord might provide such services, but charge back through the service charge. The tenants are also responsible for reinstating the premises to their previous state, with the exception of wear and tear, at the end of the lease. Typically, in the retail the premises are given back in good conditions with fit outs as floor, ceiling and installations. Landlords are responsible for the insurance of the main facility while the tenant pays internal insurance for the premise. Both parties shall be also covered with third-party insurance.

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Key Features of Lease Structure

ITEM	COMMENT
PROPERTY TAXES AND OTHER COSTS	VAT at 20% is charged on rental payments but it is usually recoverable by VAT-registered tenants. Building and garbage fees are paid by the tenants. Both fees are proportional to the leased area. As to letting costs (commission), in shopping centers they are at landlords' expense. In case of tenant representation, the tenant pays the commission. In high streets, letting costs are negotiable and could be assumed by both parties.
DISPOSAL OF A LEASE	Subletting is typically not allowed, apart from situations where the subtenant is a subsidiary of the prime tenant. Pharmacies can sublet due to amendments in Bulgarian law. The tenants are responsible for the repair of any damage except for capital expenditures and normal wear and tear. There is no liability following disposal of the premises upon lease expiry. Early termination of the lease contract is possible only by break clause or mutual consent.
VALUATION METHODS	For shopping malls, a DCF model is the most usual method for valuation. High street shops valued using a market comparison approach.
LEGISLATION	The applicable legislation related to Lease Contracts is Bulgarian Law on obligations and contracts governs any disputes, including the commercial law. There are no prospective changes to the legislation at the moment. There are no restrictions on foreign ownership of commercial property.

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ABOUT CUSHMAN & WAKEFIELD

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2023, the firm reported revenue of $9.5 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), sustainability and more.

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