



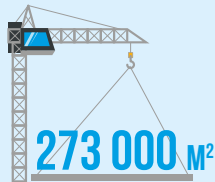
TRANSFORMING REAL ESTATE  
INTO REAL ADVANTAGE

# MARKET OVERVIEW INDUSTRIAL SPACE

H1 | 2018

## MARKET HIGHLIGHTS

### UNDER CONSTRUCTION



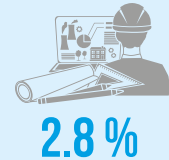
### NEW DELIVERIES



### TOTAL INDUSTRIAL SPACE IN SOFIA



### VACANCY RATE



### PRIME RENTS IN SOFIA

CITY €5.00-6.00 M<sup>2</sup>/MONTH

OUTSKIRTS €3.50-4.50 M<sup>2</sup>/MONTH

## INVENTORY AND PIPELINE

As of H1 2018, the total stock of industrial space in Sofia is 3.1 million sq. m. There were 66,000 sq. m. new deliveries for H1 2018 and 273,000 sq. m. are under construction. The expansion of existing developments and built-to-suit projects will dominate the market by the end of 2018. However, the construction of speculative projects keeps rising due to the growing demand for modern warehouses. Developers' focus remains on

the more attractive eastern part of the city, in and out of the ring road, due to the better transport links. A total of ca. 23,000 sq. m. of warehouse space is under construction in logistic parks in Elin Pelin area.

The industrial zone of Bozhurishte remains attractive for investors and continues growing with some new developments. The German company for data destruction, archiving and digital services – Reisswolf, is currently building

its own base with a TBA of 2,900 sq. m. Other companies which expand their current industrial bases in Bozhurishte industrial zone are Star Abs Invest and Optix AD. In Iliantzi, Runners Shock is developing their new production and warehouse building with a TBA of 2,600 sq. m.

In addition to new developments in Sofia, there are also projects outside the capital which are focused on Plovdiv, Varna, Ruse and Stara Zagora.

## DEMAND

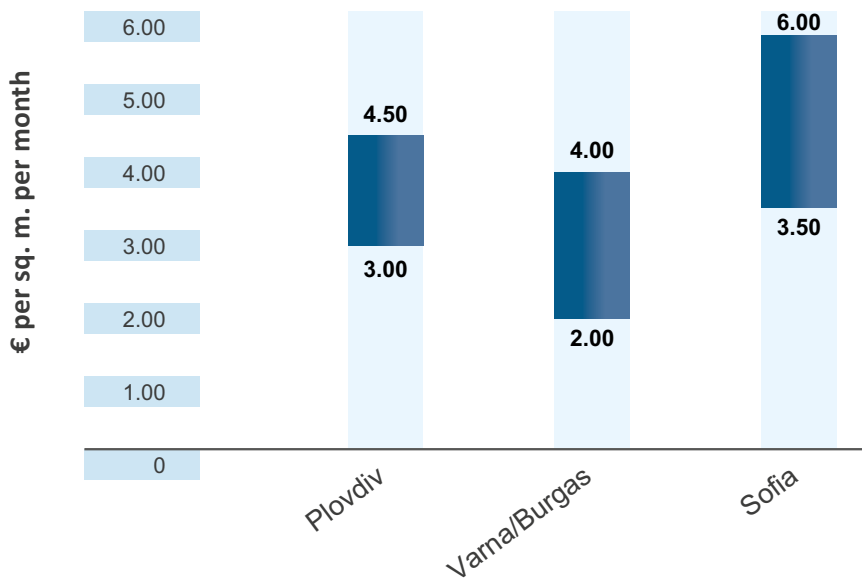
The demand for industrial sites is growing, with interest in both logistics and production areas. Industrial outsourcing continues to be a main driver. The vacancy rate in speculative projects remains low, standing at 2.8% as of H1 2018. We expect that the increase in the volume of new construction will not significantly affect the vacancy rate due to the high demand for new warehouses. Companies operating in the

FMCG sector, logistics, the automotive industry and pharmaceuticals are most active in looking for new properties to rent. In Sofia, the demand is focused on warehouses with sizes from 1,000 sq. m. to 5,000 sq. m. In certain cases, owner occupiers have a surplus of space, which is available for rent. However, these are fragmented units with areas mostly up to 2,000 sq. m. Many of the companies that

make choices for logistics services are regional and global players. Hence, we expect that occupiers will continue to look for new, modern warehouses, built in compliance with European standards. However, due to the lack of existing projects that meet their specific requirements at key locations, many international companies will continue to prefer built-to-suit lease options.

RENTAL LEVELS

ASKING RENTAL RATES (MODERN WAREHOUSE SPACE)



In H1 2018, prime rental levels in Sofia remained stable between €5 and €6 per sq. m. The most popular area is still Sofia Airport where vacancy rate is very low and asking rents are generally higher. In the outskirts, newly-built and modern warehouses are offered at lower rents, ranging between €3.50 and €4.50 per sq. m. In the northern and western parts of Sofia properties are becoming more attractive due to the Northern Tangent and are already offered between €3 and €4 per sq. m. The rents for old units remain stable at around €2.50 per sq. m. In Plovdiv, traditionally the demand for industrial properties and warehouses exceeds supply and rents vary from €3 to €4.5 per sq. m. The average rents in Varna remain in the range of €2 and €4 per sq. m.

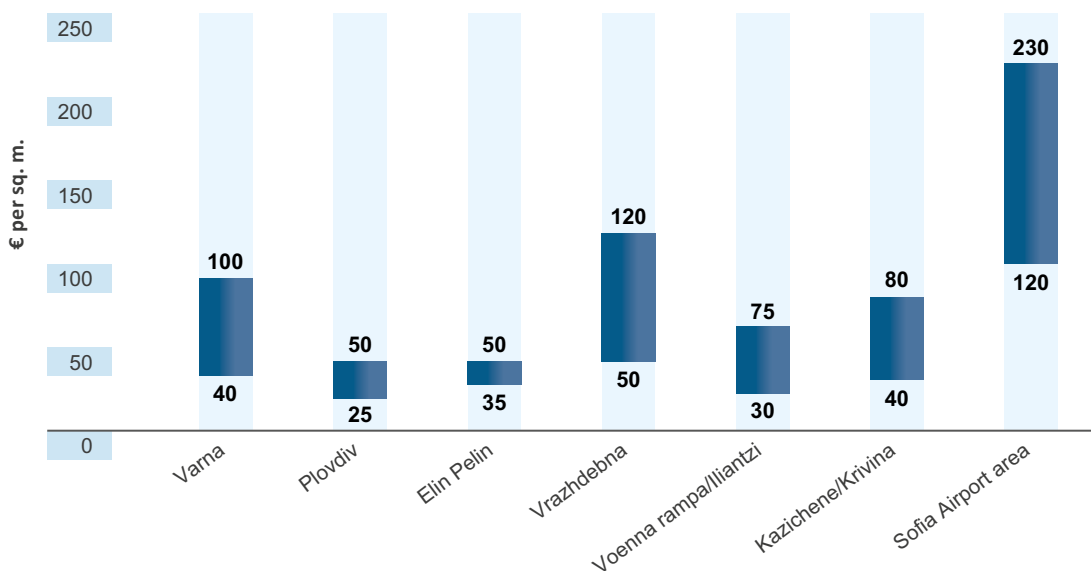
LAND MARKET

Based on recent deals and listings on the land market, the prices of industrial development land remain the highest in the area of Sofia Airport, ranging from €120 to €230 per sq.

m. Prices in Vrajdebna, north from the Airport are €50 to €120 per sq. m. Interest in the western side of the Ring Road, has increased due to the improved infrastructure and

relatively lower prices. Other attractive areas are the southern Ring Road and Iliantzi, as well as regulated land plots with excellent accessibility near the North Tangent.

PRICE RANGE FOR INDUSTRIAL DEVELOPMENT LAND (SELECTED LOCATIONS)



## ECONOMIC HIGHLIGHTS

Bulgaria's nominal Gross Domestic Product (GDP) grew by 3.2% in Q2.

The unemployment rate in June was 5.7%, down from the 7.2% in the beginning of the year, confirming the positive trend from the last 5 years.

The Consumer Price Index (CPI) in June increased by 3.2% on an annual basis

The Foreign Direct Investment (FDI) in Q2 stood at €300 million.

## MARKET OUTLOOK

The demand for modern warehouse space is likely to keep growing. On the other hand, the

existing supply is limited, which will result in stable to slightly higher rental levels depending on

whether new developments are started.

## INVESTMENT ACTIVITY

The first quarter of 2018 started with an increased buy-side enthusiasm in the office segment, including three office deals in Sofia. In Q2 2018, a prime shopping center deal was announced – Mall of Sofia was purchased by Poland-based real estate group GTC, where MBL exclusively advised Europa Capital on the sale. The 23,850 sq. m prime shopping center is one of the most

prominent shopping centers in Bulgaria and it also includes 10,300 sq. m of prime office space. Through the new acquisition, the Polish-based fund continues its growth strategy and further expands its portfolio in Sofia. Following a record high total trading volume on the Bulgarian market in 2017, this transaction continues the positive trend and represents the largest retail

investment transaction in Bulgaria so far in 2018. The office segment remained active in Q2 as well. Among the larger transacted properties were Millenium Center and Megapark. Land for residential and commercial development at prime locations is also in high demand. Several land deals added to the total trading volume, which exceeded €350 million as of June year-to-date.

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