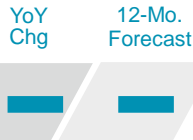


1.1%
Vacancy Rate



27,740
Take-Up, SM



€4.4
Prime Rent, PSM



Overall, Net Asking Rent

ECONOMIC INDICATORS Q3 2019

3.7%
Bulgaria GDP Growth



3.7%
Bulgaria Unemployment Rate



-0.4%
Industrial Production (as at November)



Source: National Statistical Institute

ECONOMY: Domestic Consumption and Exports are Growth Drivers

The Bulgarian industrial production posted sporadic growth in the last year, in line with the overall European sentiment. The country's economy remains highly dependent on the external environment although the GDP continues to increase at a steady pace, forecasted at 3.4% in 2019. Exports and domestic consumption continue to be main growth drivers, supporting the development of the industrial sector and property market.

SUPPLY AND DEMAND: Impressive Supply Increase

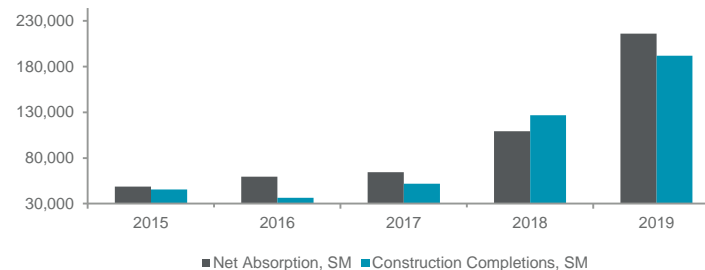
The Sofia industrial property market ended 2019 with impressive supply increase, due to some large deliveries of production and logistics space. The total amount of new completions surpassed 190,000 sqm, significantly above the long-term average. Most of the large projects were completed in H1, with new deliveries during the last quarter rather limited. The occupiers' activity remained high, reflecting the good performance in retail, logistics and courier services. The largest leasing transaction in 2019 was signed between the logistics group Orbico, represented by Cushman & Wakefield Forton, and Cordeel Bulgaria. The construction company will deliver a 32,000 sqm built-to-suit office and logistics complex in the north part of Sofia, compliant with the requirements of Orbico. Data centers are also rapidly expanding business with the new facility of Equinix and the entry of Iron Mountain exemplifying the trend. The later company will open its first Bulgarian center in East Ring Logistic Park near Sofia at the beginning of 2020. As at the end of 2019, about 190,000 sqm are under construction in Sofia, with large portion of speculative projects in the pipeline. Since most of the new centers open with high percentage of pre-let space, the vacancy rate continues to gravitate towards 1-2%. A number of land acquisitions in the state-owned Industrial Zone Sofia – Bozhurishte are an indication for future developments, as well.

Countrywide, the construction activity remains high, concentrated mostly in established industrial zones around the regional centers. Automotive and light industry are the main source of activity with a tendency towards higher value-added factories at the expense of labour-intensive production.

PRICING: Asking Rents are Stable

Active demand supports asking rents for modern logistics space in Sofia stable at 3.8 euro/sqm for larger units and 4.2-4.4 euro/sqm for mid-size properties. These rates are expected to remain unchanged in the short term.

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	1,267,436	13,600	1.1%	27,740	260,898	189,099	€4.4	8.5%
TOTAL	1,267,436	13,600	1.1%	27,740	260,898	189,099	€4.4	8.5%

*Rental rates reflect weighted net asking € SM/Month

KEY LEASE TRANSACTIONS H2 2019

PROPERTY	SUBMARKET	TENANT	RSM	TYPE
BTS Logistics Center	Sofia	Orbico Bulgaria	32,000	Built-to-suite
East Ring Logistic Center	Sofia	Iron Mountain	6,000	Prelease

KEY CONSTRUCTION COMPLETIONS 2019

PROPERTY	SUBMARKET	MAJOR OCCUPIER	SM	OWNER/DEVELOPER
Equinix Data Center	Sofia	Equinix	5,624	Equinix (Bulgaria) Data Centers Ltd.
JYSK Logistic Center	Sofia	JYSK	96,000	Yusk Bul Ltd.
Behr-Hella Thermocontrol – Phase 2	Sofia	Behr-Hella Thermocontrol	6,450	Behr-Hella Thermocontrol Ltd.

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