

2.34%
Vacancy RateYoY
Chg12-Mo.
Forecast83,318
Take-up, SM€5.40
Prime Rent (10,000 sqm)
PSM

Overall, Net Asking Rent

MOST RECENT ECONOMIC
INDICATORS:

1.8%

Q3 2023
GDP Change YoYYoY
Chg12-Mo.
Forecast

0.6%

Wholesale trade, YoY
November, 2023

-7.9%

Industrial Production, YoY
November, 2023

ECONOMY: Healthy Growth

Bulgaria is on course to complete 2023 with healthy growth. The most recent key indicators are positive. GDP growth in the third quarter was up 1.8% y/y, the seventh highest in the EU. The unemployment rate for the same period slipped to a healthy 4.0% (4.6% in Q2). Finally, inflation in December decelerated to 5% y/y. Yet, industry leaders appear concerned. The confidence and business climate indices in industry have softened, mainly due to worries about the uncertain economic environment and weakening external demand. These worries do not appear unfounded. While wholesale seemed to stabilize in the last quarter, industrial production, and the import and export of goods continue to weaken in October and November.

SUPPLY AND DEMAND: End-of-year Rebound

After a short pause in the third quarter, supply of light industrial and warehouse space in Sofia rebounded in the fourth. The volume of completed projects in the three months through December, reached 83,000 sqm. For the full year, projects with 268,000 sqm of GLA were finished, up significantly from 122,000 sqm in 2022. Demand followed the same trajectory. Take-up swelled to 83,000 sqm, which was the best quarterly volume in 2023. Tenant interest came from the transport and logistics, retail, manufacturing, courier, and wholesale industries. For the full year, take-up was 250,000 sqm, up from 225,000 sqm the year before.

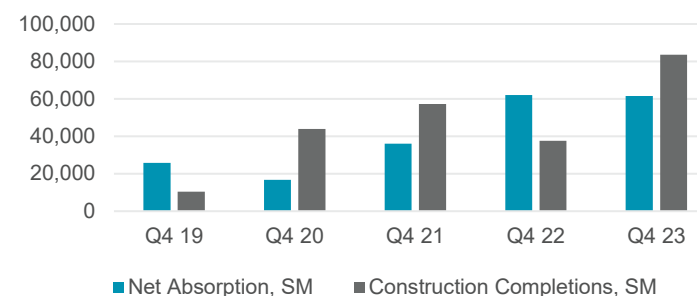
Development activity in the fourth quarter was solid. Construction started on projects with combined GLA of 41,000 sqm in the last three months of the year. At the end of 2023, the total volume of projects under construction reached 293,000 sqm. About 84% of this volume was for owner occupation.

The total light industrial and warehouse stock in Sofia stood at 2 million sqm of GLA at the end of 2023. Of these, about 50,000 sqm were available, translating into a vacancy rate of 2.3%. Due to rising demand, the market is expected to absorb the available space in the recently completed speculative facilities relatively quickly. In 2024, vacant space is likely to narrow to within 1-2% of the stock.

PRICING: Rents Creep Higher

Prime yields stabilized at 7.50% while lack of available space continued to push rent levels higher in the last quarter of 2023. Looking ahead, the price of newly constructed Class A warehouse space within the Ring Road of Sofia is seen staying in the range of EUR 5.4-5.9 per sqm, whereas rents at facilities beyond this landmark would be in the range of EUR 4.9-5.4 per sqm.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Source: National Statistical Institute, Moody's

MARKETBEAT BULGARIA

Industrial Q4 2023



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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	1,991,797	46,667	2.3%	83,318	249,817	292,706	€5.4	7.50%
TOTAL	1,991,797	46,667	2.3%	83,318	249,817	292,706	€5.4	7.50%

*Rental rates reflect weighted net asking € SQM / Month

KEY CONSTRUCTION COMPLETIONS Q4 2023

PROPERTY	SUBMARKET	MAJOR OCCUPIER	SM	OWNER/DEVELOPER
CTP Sofia East - SOE 1	Sofia	n/a	26,200	CTP
CTP Sofia West - SOW 2	Sofia	n/a	32,300	CTP
Delita Trade - production & warehouse facility	Sofia	Owner occupied	4,600	Delita Trade

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