



Q2 | 2011

Bulgarian Industrial Market



Bulgarian Industrial Market – Q2 | 2011

SUPPLY

The industrial market in the region of Sofia registered a solid increase of approximately 67 000 sqm of new stock in Q2 2011 compared to 22 600 sqm in the previous quarter. Thus, at present **modern** industrial space supply (buildings constructed after 2003) is slightly above 628 000 sqm, which represents a 12% increase against Q1 2011. In the current quarter, industrial and logistics developments delivered to the market are predominantly owner-occupied schemes. The most notable of these include Simid's bread making factory with a TBA of 26 200 sqm, Maria Kom administrative and warehouse complex with TBA of 13 000 sqm (awaiting use permit), Axxon Bulgaria's office and logistics building (8 000 sqm of TBA) in Sofia and Jessica's logistics building with a TBA of 8 000 sqm in the industrial zone of Elin Pelin.

Industrial and logistics projects totalling 32 400 sqm are currently under construction in the region of Sofia. Sopharma's factory complex located on Ilientsi Blvd. in Sofia with a TBA of 20 000 sqm is scheduled for completion in Q1 2012. The speculative development of bERS, Terminal 4, located on the Ring Road in Kazichene will provide an additional 4 400 sqm of high-quality logistics space for occupation in Q3 2011.

Since Q4 2010, which registered a record low vacancy of approximately 4% of modern logistics space in the region of Sofia, the market witnessed a gradual increase of available logistics space which at present stands at 49 000 sqm, nearly 7,80% of the total modern stock.

DEMAND

Food and non-food retail chains, 3PL logistics operators, distributors of pharmaceutical products and FMCG remain among the key segment drivers.

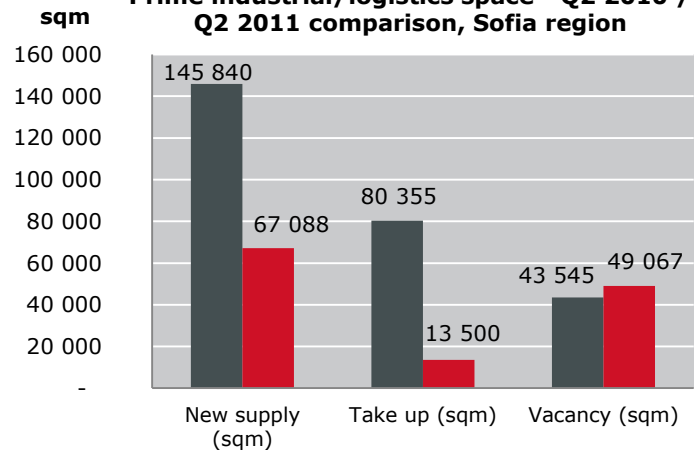
RENTS

Rent levels for prime logistics space in the region of Sofia expectedly registered slight downward movement after being supported by the market at €4,00/sqm/month for four consecutive quarters, starting from Q2 2010. Currently rents for prime logistics space are estimated at €3,75/sqm/month,

HIGHLIGHTS

Stock	✓ Approximately 628 000 sqm in modern industrial and logistics space in the region of Sofia
Pipeline	✓ 32 400 sqm under construction in the region of Sofia
Rent levels	✓ €3,75/sqm/month for prime logistics space
Trends	<ul style="list-style-type: none"> ✓ Yields and rents are expected to experience further contraction by the end of 2011; ✓ Relocations of major players on the market; ✓ Increased investor interest

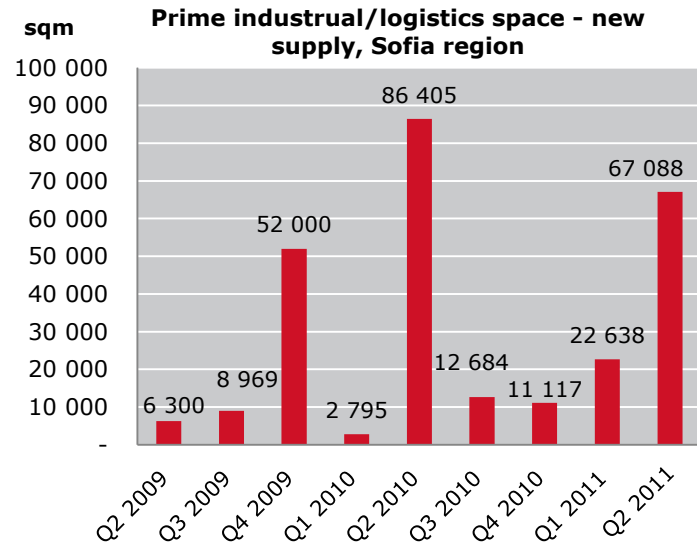
Prime industrial/logistics space - Q2 2010 / Q2 2011 comparison, Sofia region



Source: Forton International

■ Q2 2010 ■ Q2 2011

Prime industrial/logistics space - new supply, Sofia region



Source: Forton International

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which indicates a decrease of 6,25% on a yearly basis.

Prime industrial yields currently stand at 12,50%, 50 basis points lower compared to the previous quarter. This reflects positive investor sentiment with regard to potential transactions of prime industrial schemes.

MARKET UPDATE

Q2 2011 registered 3 major deals in the market. VM Finance Group consolidated several of their businesses and relocated to Willi Betz/SOMAT warehouse and logistics complex in Gorublyane. VM Finance leased 8 300 sqm of high-quality logistics space.

Act Logistics contracted a lease for 3 500 sqm of logistics space located in Kazichene, Sofia.

Logwin Solution, a 3PL operator, rented 1 200 sqm of prime logistics space in Sofia Airport Center with which the landmark project obtained 100% occupancy.

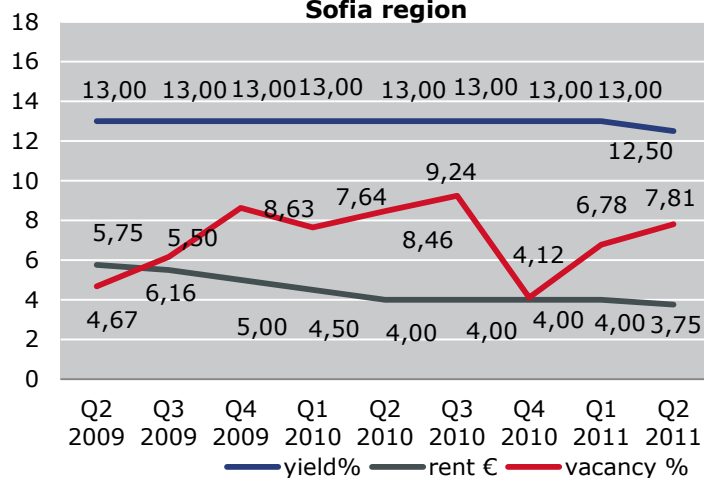
Litex Motors completed its automobile assembling center with a gross floor area of 12 800 sqm and workshop for final assembly of automobiles with a total built-up area of 17 200 sqm, near the town of Lovech.

Kamenitza invested €16 million in its new operational logistics scheme with a TBA of 7 000 sqm, located in Haskovo.

TRENDS

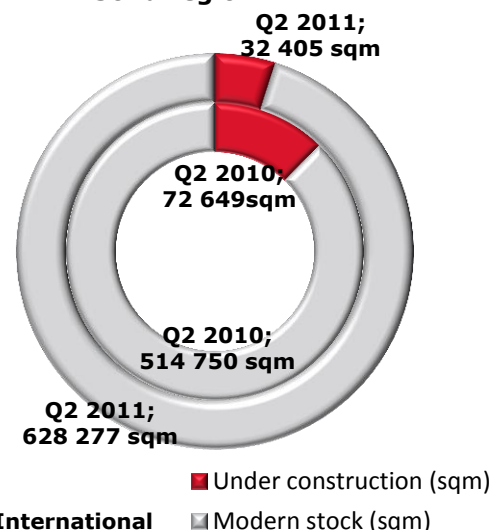
Companies from the light industrial sector are interested in purchasing land in order to construct purpose built developments which best suit their needs. There is a strong tendency toward M&A in the FMCG sector supported by the recent acquisition of Florina by VM Finance Group.

Prime industrial/logistics rent, yield, vacancy, Sofia region



Source: Forton International

Prime industrial space - modern stock & under construction Q2 2010 / Q2 2011 comparison, Sofia region



Source: Forton International

The outsourcing of the logistics operations to 3PLs will result in demand for quality logistics facilities and space and will facilitate further relocations and consolidations.

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