



Q3 | 2011

Bulgarian Industrial Market



SUPPLY

Sofia and the surrounding region witnessed an increase of 12 300 sqm of new logistics supply in Q3 2011. Thus, total **modern** industrial and logistics stock (buildings constructed after 2003) is slightly above 640 000 sqm, which represents a mere 2% increase against Q2 2011.

Development in the current quarter has been dominated by owner-occupied schemes. Completed logistics developments in the first three quarters of 2011 accounted for approximately 100 000 sqm which is nearly equal to the total area for the same period in 2010.

The largest of these projects is Sopharma's factory complex located on Ilientsi Blvd. in Sofia with a TBA of 20 000 sqm. Smaller developments currently under construction include Logocenter 2 at ZMM Sofia with a TBA of 8 560 sqm, Terminal 4 of bERS multifunctional logistics development with a TBA of 4 400 sqm of high-quality logistics space and Centillion's production and administrative complex located between Iliya Beshkov Str. and Kanala Str in Sofia.

Sofia and the surrounding region currently accommodate industrial and logistics projects under construction totaling 40 300 sqm. Buildings specifically developed for owner occupation represent 68% of the quoted area.

Availability of modern logistics space in the region of Sofia experienced its ups and downs from the beginning of the year and currently stands at 33,900 sqm which represents 5,3% of the total stock.

DEMAND

Key players on the market are food and non-food retail chains, 3PL logistics operators, distributors of pharmaceutical products and FMCG retailers.

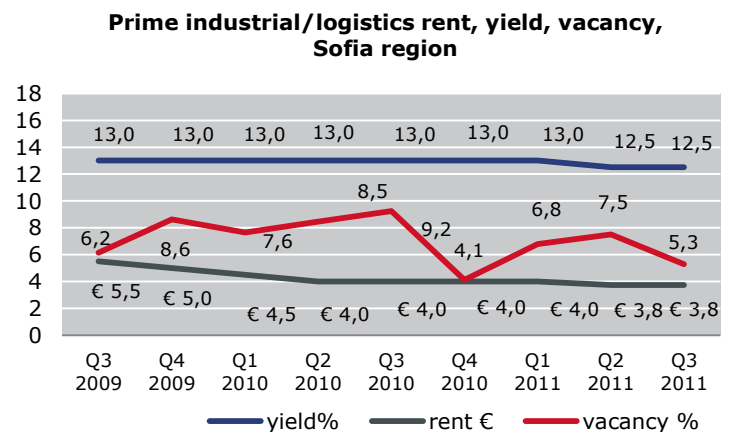
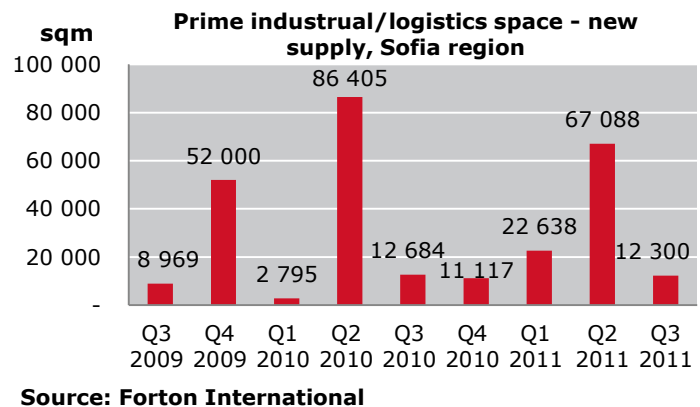
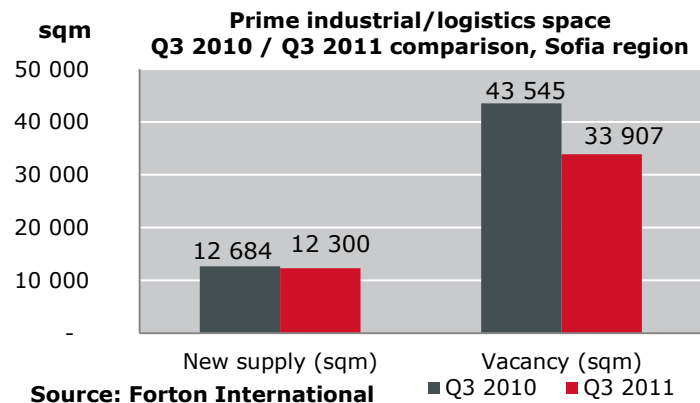
RENTS

Prime rent levels for logistics space in the region of Sofia have stabilized at €3,75/sqm/month. This represents a decrease of 6,25% on a yearly basis.

Prime industrial yields remain unchanged at 12,50% since Q2 2011. Investment activity remains weak with no significant deals. However, some investors express interest in developing speculative logistics schemes

HIGHLIGHTS

Stock	✓ Modern industrial and logistics space in Sofia and Sofia region reached approximately 641 000 sqm
Pipeline	✓ 39 000 sqm under construction in the region of Sofia
Rent levels	✓ €3,75/sqm/month for prime logistics space
Trends	✓ Rents are expected to stabilize in 2012



Bulgarian Industrial Market – Q3 | 2011

due to the lack of oversupply in the sector.

MARKET UPDATE

Central Cooperative Union (CKS) completed its owner-occupied commercial complex with a TBA of 12 300 located in Ovcha Kupel residential district.

T-Market relocated to Jessica logistics development in Elin Pelin.

Unilever acquired the Bulgarian ice-cream producer Darko and announced plans to keep the existing logistics amenities, strengthen the brand and gain additional market share.

The Philippine Integrated Micro-Electronics, Inc. bought Belgian EPIQ Electronic Assembly (specializing in electronic equipment) located in Botevgrad. The latter's turnover increased from €1 million in 1997 to approximately €150 million in 2010.

Zagorka will invest €1 million in its new warehouse complex in Stara Zagora which will be developed in two stages. The first envisages warehouse with area of 10 000 sqm and the second BREEAM (Building Research Establishment Environmental Assessment Method) certified storage of 3 000 sqm.

Sofia Municipality plans to allocate 15,4 ha of land in Kremikovtzi in order to facilitate the development of a high-tech park. Another high-tech park may be constructed on the site of the former Sasho Kofardzhiev plant in Iskar which is owned by the Bulgarian Academy of Sciences.

Kings Tobacco will invest €23 million in its new factory in Plovdiv with a total built-up area of 11,500 sqm. The modern facility is scheduled for completed in 2012. In addition, the project envisages a modern logistics center with fully automated warehouses.

TRENDS

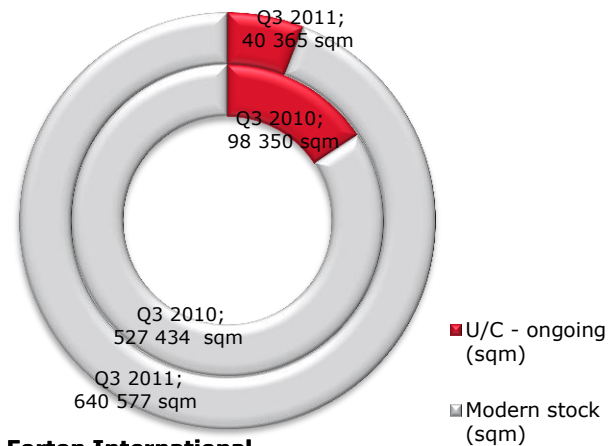
At present, risk-averse investors are awaiting improvement in the sector and are targeting sustainable developments which may command higher rents and strong covenants.

3PLs are playing a key role in the sector as the outsourcing of logistics operations gains momentum.

M&A of FMCG as well as consolidation and relocation of companies in the logistics sector may be further observed in 2012.

Light industrial companies consider purchase of land and development of purpose-built schemes.

Prime industrial/logistics space - modern stock & under construction Q3 2010 / Q3 2011 comparison, Sofia region



Source: Forton International

Parameters	Q3 2010	Q3 2011	% change
U/C - ongoing (sqm)	98 350	40 365	-59%
U/C - put on hold (sqm)	11 700	40 000	242%
Modern stock (sqm)	527 434	640 577	21%

Source: Forton International

Occupiers' activity is anticipated to increase in 2012 due to rents being close to their lowest levels.

A positive trend which will impact the logistics sector in Bulgaria is the increase of exported goods (both for EU and non-EU countries) in the period January - August 2011. This amounts to €13,1 billion, according to NSI's preliminary data, which represents an increase of 34% compared to the corresponding period in 2010.

FORTON International

T: +359 2 805 90 14
www.forton.bg

Plamen Bachev

Capital Markets & Consultancy
E: pbachev@forton.bg