



Q3 | 2011

# Bulgarian Retail Market



# Bulgarian Retail Market – Q3 | 2011

## SUPPLY

### ❖ Shopping Center Stock/GLA per capita

As at Q3 2011 modern retail stock in Bulgaria comprises 21 functioning shopping centers and 5 retail parks totaling almost 680 000 sqm of leasable retail area.

In the ranking "European shopping center GLA per capita", Bulgaria's figures remain unchanged and the country still holds 30<sup>th</sup> position with 76/sqm per 1000 residents compared to EU-27 average of 235/sqm.

For a third consecutive quarter, no new shopping center schemes have been completed and the only major retail opening in the country over this period was the first IKEA hypermarket in Sofia with an area of 29 000 sqm.

### ❖ Pipeline

Although development activity looks subdued compared to the last two years, pipeline figures still remain challenging with four active projects under construction (for 222 000 sqm) and 3 more schemes (for a further 87 400 sqm) with advanced construction works, however unclear prospects for opening.

The next wave of shopping center supply is expected to start from Q3 2012. The present standstill situation is favourable for existing schemes and allows some extra time to improve occupancy and sustainability of their tenant mix.

## DEMAND

International retailers seeking to establish their first stores in the country are generally interested in prime mall schemes in the capital and have categorized other locations across the country for further short to mid-term expansion.

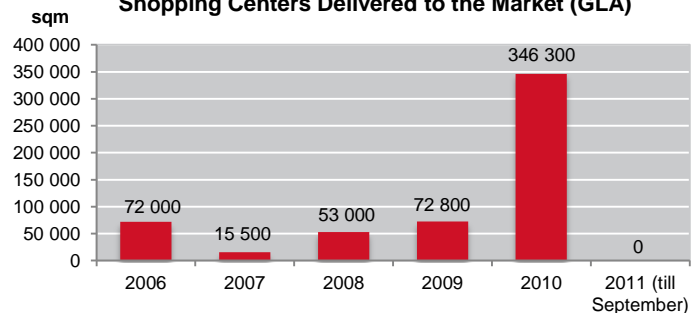
The third quarter of 2011 has been quite successful in terms of new lettings as some of the major malls (both existing and pipeline) managed to finalize agreements with prominent anchor tenants such as H&M in The Mall, Carrefour in Paradise Center, Inditex in Galeria Burgas, and others.

The relocation and rent renegotiation tendency is actively ongoing especially for mobile operators and bank branches however the most active in the occupier market remain food and discount chains which secure suitable locations for FMCG retail. Apart from the capital where the presence of big-box operators is quite significant, the focus has moved to Varna as well where Baumax hypermarket is already under construction and IKEA plans to develop their second store in the country.

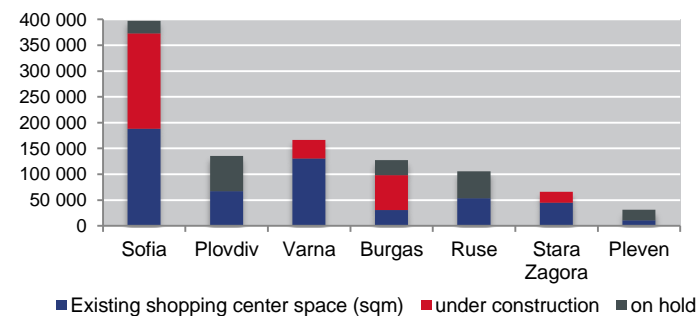
## HIGHLIGHTS

<b>STOCK</b>	✓ 559,600 sqm of modern shopping centers and a further 120,000 of retail parks.
<b>PIPELINE</b>	✓ 309 400 sqm shopping mall space under construction.
<b>GLA/CAPITA</b>	✓ Unchanged for third consecutive quarter - 76 sqm/1000 people.
<b>RENT LEVELS</b>	✓ Generally stable in the midterm with prime shopping center rents of €24-27/sqm for 100-200sqm units.
<b>TRENDS</b>	<ul style="list-style-type: none"> <li>✓ Prime yields are holding firm in Q3 2011.</li> <li>✓ Prominent international retailers are quite determined to establish their presence on the local market starting with prime schemes in Sofia.</li> </ul>

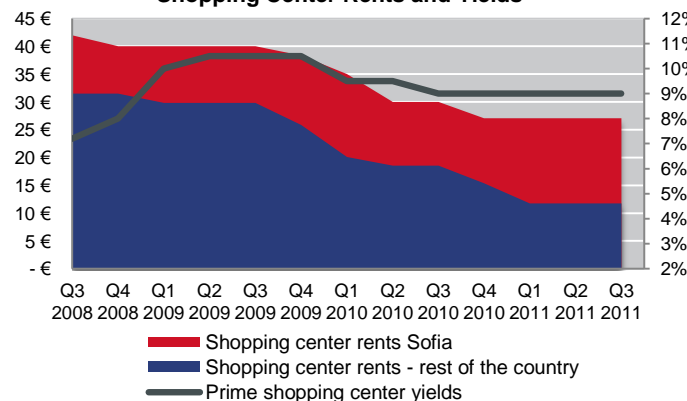
Shopping Centers Delivered to the Market (GLA)



Pipeline Shopping Center Space as at Q3 2011



Shopping Center Rents and Yields



# Bulgarian Retail Market – Q3 | 2011

## RENTS

After the sharp decline trends observed throughout 2009 and 2010, retail rents appear to have stabilized since the beginning of this year.

Average rent levels on high streets remain unchanged since the beginning of 2011 and no significant fluctuations are expected by the end of the year. However on a yearly basis, the recorded decrease is about 9% for Sofia and between 16% and 25% for other major cities.

In the shopping center segment, the gap between rent rates in the capital city and the rest of the country is widening although both areas had recorded slight decreases during the last two quarters. Presently the average shopping mall rents stand at approx. €27/sqm for Sofia while for other large cities the corresponding rate is approx. €11-15/sqm (\*for units in the range of 100-200sqm). This represents an annual decrease of about 9,7% in the capital and about 36% in the rest of the country. The overall fall in shopping center rents from their peak in 2008 is estimated at about 35% in Sofia and almost 60% in the rest of the country. This trend is a result of both renegotiations of existing leases and the increased competition due to the opening of new malls in 2010 and conclusion of new agreements at much lower rates.

## INVESTMENT ACTIVITY AND TRENDS

Prime high street yields have held firm for a fourth consecutive quarter with estimated value of 9%.

The accelerated investment activity in the previous two quarters gradually slowed down and no transactions were completed during the last three months.

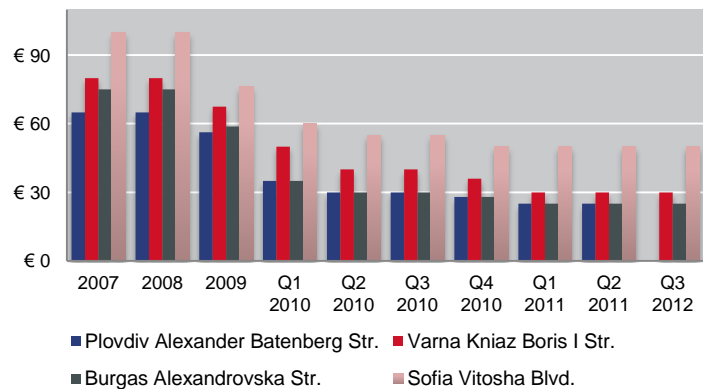
Some big-box rental schemes are subject to interest from international investors or big-box operators themselves; however negotiations have not reached advanced stages.

Although projections indicate modest consumer spending growth over the next year, rent rates are expected to remain relatively stable in the short term with certain decrease for unattractive secondary locations. The general outlook for the occupier and investment market is more optimistic than it was in the last two years as both investors and retailers have already started to adjust to the new post-crisis market conditions.

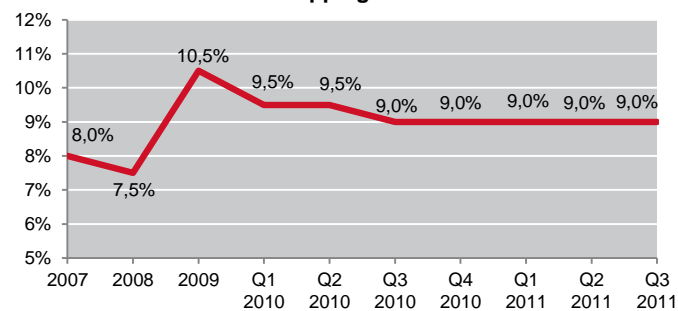
### Inna Boyadjieva

Capital Markets & Consultancy  
E: [iboyadjieva@forton.bg](mailto:iboyadjieva@forton.bg)

High Street Rents: Sofia, Plovdiv, Varna, Burgas



Sofia Shopping Center Yields



## MAJOR PIPELINE SHOPPING CENTERS

Project Name	GLA	Location	Status
Bulgaria Mall	33 000	Sofia	under construction
Mega Mall	24 000	Sofia	on hold
Paradise Center	80 000	Sofia	under construction
South Ring Mall	72 000	Sofia	under construction
Evropa Center	79 000	Sofia	on hold
Galleria Varna	36 000	Varna	under construction
Markovo Tepe Mall	17 500	Plovdiv	on hold
Trimontuim Center	51 000	Plovdiv	design phase/on hold
Sun City Center	29 000	Burgas	on hold
Strand Burgas	30 500	Burgas	under construction
Galleria Burgas	37 000	Burgas	under construction
City Mall Stara Zagora	20 900	Stara Zagora	under construction
Mall Pleven	20 000	Pleven	finished /on hold
Grand Plaza	37 500	Ruse	design phase/on hold
Danube Mall	15 000	Ruse	on hold

## FORTON International

T: +359 2 805 90 11  
www.forton.bg