



Q1 | 2011

# Bulgarian Retail Market



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## SUPPLY

### ❖ Stock and Pipeline

In Q1 2011 there were no new shopping center openings registered in the retail property sector in Bulgaria. On the supply side, a number of mall projects are still on hold or in an early stage of construction and only one new scheme is likely to open in 2011. Thus, contrary to the record volumes of new supply in 2010, this year is expected to pass in the limelight with existing mall developments consolidating and focusing their strategy on maintaining higher occupancy and sustainable tenant relations.

Pipeline schemes currently under construction will deliver approximately 218 000 sqm of GLA upon completion while projects which are currently on hold amount to a further 359 000 sqm. However, the timing of most of these developments remains uncertain due to both lack of financing and difficulties with the leasing process. The next significant new supply wave is expected in the period starting from Q4 2012.

Still, 2011 brought some optimism to investors as development activity in the capital witnessed some positive signs of revival – Bulgaria Mall (33 000 sqm) renewed construction works after being on hold for 2 years. Another frozen project - Mega Mall in Lyulin (24 000 sqm), is on the market again with a new leasing campaign already underway. The project of Danaos - South Ring Mall (72 000 sqm) is also about to commence construction works this summer. At present the most significant factor in the shopping center pipeline in Sofia is the ongoing construction of Paradise Center which is scheduled for opening at the end of 2012.

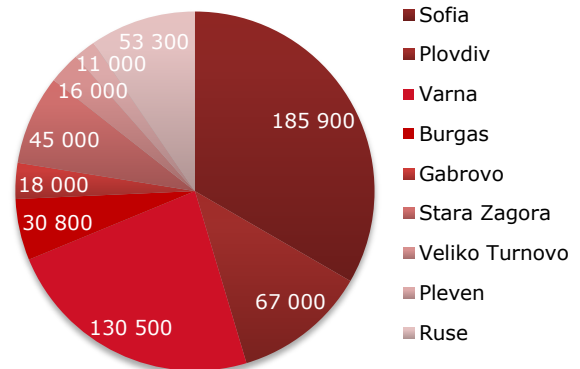
### ❖ Shopping center GLA per capita

Bulgaria has outstripped Greece and Ukraine in C&W's ranking "Shopping Center GLA per capita" with approximately 73,4 sqm of shopping center floorspace per 1000 people. The average across the EU-27 now stands at 235.4 sqm.

## DEMAND

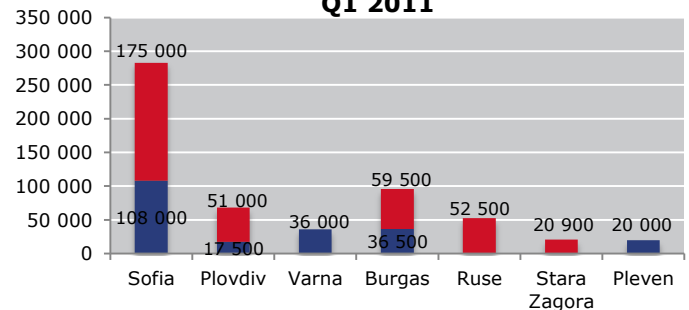
Data in recent months recorded further decline in retail sales and most retail tenants in existing malls registered turnover fall by over 40-50% over the reviewed period.

## Existing Shopping Center Space - Q1 2011



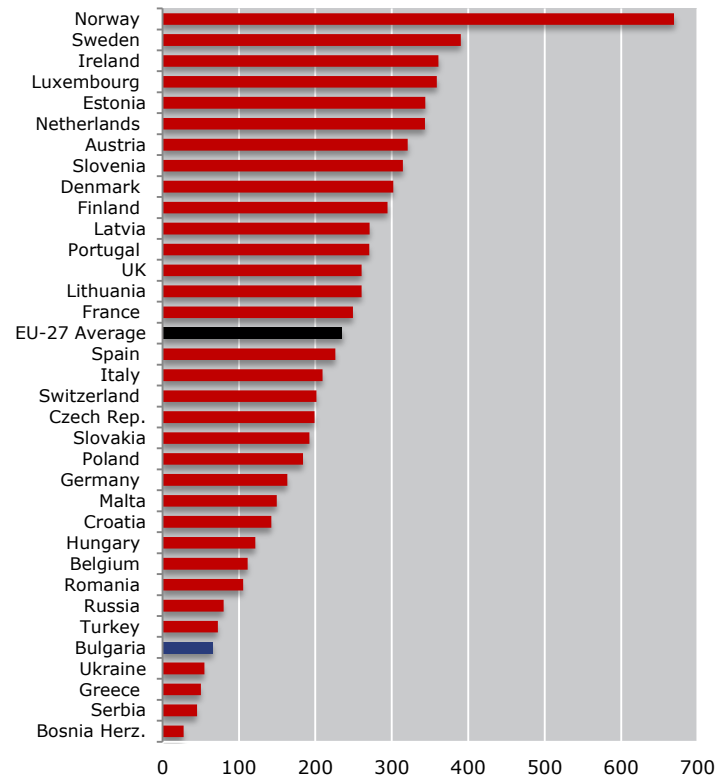
Source: Forton International

## Pipeline shopping center space as at Q1 2011



Source: Forton International ■ under construction ■ on hold

## Shopping center GLA/1,000 population



Source: Cushman & Wakefield

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All this had a fairly negative impact on shopping center performance even in some of the prime schemes in the capital.

Most retailers are currently seeking to cut costs and very few have plans for expansion. As a result, no significant upsurge in demand activity can be expected in the next months.

## RENTS

On a yearly basis, shopping center rents have recorded a decrease of almost 23% against the levels of Q1 2010. Average shopping center rates for regular 100-150 sqm units are in the range of € 26-30/sqm/month. Occupancy in shopping malls came under significant pressure this quarter and even prime schemes witnessed a considerable increase in the share of vacant units.

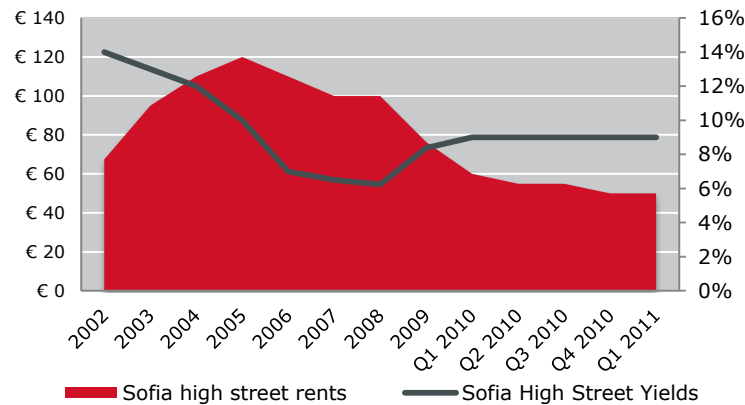
In the high street segment, rents remained weak preserving their low levels from the second half of 2010. However on an annual basis, the decrease amounts to approximately 17% for the capital and over 28% for other large cities.

## INVESTMENT ACTIVITY AND TRENDS

Transaction activity in the retail segment increased ostensibly in Q1 2011 compared to the entire 2010 with deals negotiated at values over € 15 million. Currently, investment activity is focused on retail parks and big-box schemes rather than shopping malls. Clear evidence in this direction is the acquisition of Retail Park Plovdiv by Europa Capital in January 2011. The transaction was closed at €20 million. In addition, in March 2011, the Greek Fund Bluehouse Capital acquired two of the properties of ERG Capital's portfolio in Bulgaria for € 24,7 million – the hypermarket and HQ of Praktiker in Sofia as well as the big-box schemes of Praktiker and Piccadilly in Varna.

Both prime rents and yields in the retail property sector are expected to remain stable in the short term. Despite the fact that yields are relatively steady in the sector, investment transactions are being agreed on a case by case basis depending on the sustainability of the properties and the tenancy contracts rather than following specific investment trends.

Sofia High Street Rents and Yields



Source: Forton International

Sofia Shopping Center Yields



Source: Forton International

## PIPELINE SHOPPING CENTERS

Project Name	GLA	Location	Completion
Bulgaria Mall	33 000	Sofia	under construction
Mega Mall	24 000	Sofia	on hold
Paradise Center	75 000	Sofia	under construction
South Ring Mall	72 000	Sofia	design phase
Evropa Center	79 000	Sofia	on hold
New Century Mall	45 000	Sofia	design phase/ on hold
Galleria Varna	36 000	Varna	under construction
Markovo Tepe Mall	17 500	Plovdiv	under construction
Trimontium Center	51 000	Plovdiv	design phase/on hold
Sun City Center	29 000	Burgas	on hold
Strand Burgas	30 500	Burgas	design phase/ on hold
Galleria Burgas	36 500	Burgas	under construction
City Mall Stara Zagora	20 900	Stara Zagora	on hold
Mall Pleven	20 000	Pleven	finished /on hold
Grand Plaza	37 500	Ruse	design phase/on hold
Danube Mall	15 000	Ruse	on hold

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### SIGNIFICANT Q1 2011 SALE TRANSACTIONS

Project name	City	Submarket	Buyer	Sqm	Purchase Price
Retail Park Plovdiv	Plovdiv	retail parks	Europa Capital	24 790	€ 20 million
Praktiker Hypermarket & HQ	Sofia	hypermarkets	Bluehouse Capital	10 400	€ 10 million
Praktiker & Piccadilly hypermarkets	Varna	hypermarkets	Bluehouse Capital	4030	€ 14,7 million

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