



Market Overview

BULGARIA

INDUSTRIAL | SECOND HALF | 2008

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Economic Environment H1 2008

- The inflow of international funds in Bulgaria is still strong in the first half of year, exceeding EUR 1.22 bln in April 2008, where the real estate sector accounts for 38% of all FDI in Q1 2008.
- GDP grew by 7.0% YoY in Q1 2008, amounting to EUR 6.89 bln. Favorable economic data in early 2008 suggests that rapid GDP growth will be sustained in the first half of the year.
- In May the inflation rose to 14% year on year, the reference index HIPC, increased to 13.2% in Q1 2008. 2008 year-end inflation is expected to ease moderately reflecting the normalization of output levels in the agricultural sector and a favourable base effect. However, the inflation outlook in mid-term remains uncertain.
- Unemployment rate continue its decreasing trend and in the first quarter of 2008 was 6.5% at a national level. The average monthly wage amounted to BGN 500 (EUR 256), up with 24.7% on a yearly basis.

Industrial Real estate highlights

- In the first half of 2008 the logistics market continued the trend towards large-scale, consolidated projects.
- The first logistics park in Bulgaria, Logistic Park Varna, inaugurated the first building. This was fully occupied.
- The total inventory of contemporary industrial premises in Sofia increased by 4% and now amounts to 1,246,000 m².
- The supply of speculative industrial space in Sofia reached 207,000 m² in the first half of 2008.
- One large-scale projects broke ground in Sofia; Industrial Park Sofia East.
- Despite significant demand, rental rates remain stable across all submarkets.

SUPPLY

As expected new supply on the industrial real estate market in Bulgaria gradually increased in the first six months of 2008. The development is relatively slow caused by bureaucratic delays and the global, financial situation.

Contemporary industrial projects broke ground during the period, and the first logistics park in Bulgaria, Logistic Park Varna, put its first building in operation in June 2008.

Developers are increasingly focused on large-scale projects such as Industrial Park Sofia East.

Sofia

During the first half of 2008 the trend from the previous half year period with developments of mostly owner-occupied and build-to-suit projects seems to be broken. The stock of speculative logistics space in Sofia increased by 23,000 m² (14%) and reached 207,000 m² by the end of the period. Comparatively, the amount of new owner-occupied and build-to-suit logistics space amounted to 22,000 m².

The total new supply of contemporary logistics & industrial premises (over 2,000 m² TBA, built or refurbished in the past 10 years) in Sofia and the region exceeded 45,000 m² – marking a 4% increase. The total inventory now stands at 1,246,000 m².

Similar to the previous period, almost half of all industrial facilities (46%) in Sofia is registered as warehouses, with 29% manufacturing and 25% flex-type buildings.

The largest industrial areas in Sofia and the surrounding area remain the Sofia Airport, Druzhba/ Gara Iskar, Vrazhdebna, Gorublyane and Bozhurishte, Elin Pelin, Kazichene and Kostinbrod.

The first tenant in Industrial Park Sofia East, located near the city of Elin Pelin entered the project by the end of period.

Furthermore, Serbian retail giant Delta Holding acquired a major land plot for the development of their logistics facilities. IPSE is located between the Hemus and Trakia highways, and will add almost 150,000 m² to the stock when completed in 2012.

In the first half of 2008, the total amount of industrial space under construction exceeds 40,000 m².

Plovdiv

By the end of June 2008, the total inventory of industrial space in the area amounts to 760,000 m² – marking an increase of 27% compared to the previous period.

30% of the inventory is situated in the South Industrial Zone (Trakia) and another 45% in Maritza & North Industrial Zones.

Half of the existing industrial facilities are designated for manufacturing purposes, while warehouses and flex-type premises have an almost equal share of the contemporary inventory.

In the first half of the year some 88,000 m² of industrial space is under construction in Plovdiv, 66% of which is situated within Rakovski Industrial Zone. Since the end of 2007 the amount of space under construction here has increased more than 10 times, making it one of the most rapidly developing logistic hubs in the country. The second phase of Kaufland Logistics will add approximately 20,000 m² of industrial space by the end of 2008.

Bourgas

Since the beginning of 2008, the Bourgas area has experienced a significant increase in the pipeline with almost 32,000 m² of logistics & industrial facilities under construction. The construction works are most active along the E773 road and in the North Industrial Zone.

The total industrial market in the area amounts to 149,000 m², more than half of which is flex-type buildings.



Varna

The first genuine logistic park in Bulgaria, Logistic Park Varna, started operation at the end of H1 2008, adding some 6,400 m² to the contemporary inventory - all of which is already fully occupied.

The total inventory of contemporary industrial projects in the area exceeds 340,000 m² (17% increase), with the West Industrial Zone being the most developed area. More than half of the premises in Varna are warehouses.

The active pipeline in Varna and the region comprise more than 28,000 m² of industrial space.

DEMAND

The demand for logistics space in Bulgaria continues to be strong. As in the previous period it is mostly driven by 3PL providers and FMCG retailers and distributors.

Furthermore, there is again a solid demand for high-tech production facilities. Demand is mostly directed towards larger, consolidated projects offering good infrastructure and convenient access to major traffic arteries.

VACANCY

Due to the limited supply of contemporary, speculative industrial projects, the vacancy rates in Sofia remain low; approximately 3% of the speculative space remains vacant.

RENTAL RATES

Despite the strong demand, net rental rates generally remained unchanged as compared to the second half of 2007. The only change occurred in the city of Rousse, where the lower range went up slightly – from EUR 1.5m²/month to EUR 2/m²/month.

Rental Rates for Contemporary Industrial Space in Selected Locations (EUR/m ² /month)						
Market	Sofia	Plovdiv	Bourgas	Varna	Rousse	Vidin
Prime Rents	5.5	5	5	5	4	3.8
Secondary Rents	4	3	3	3	2	1.5

Source: Colliers' research

FORECAST

- The industrial real estate market in Bulgaria is expected to continue its development in the coming years.
- Supply of speculative space is likely to double over the next 6-12 months.
- Given client demand for sizable units (more than 2,000 m²), good infrastructure and easy access, the propensity towards industrial and logistic parks will continue.
- Demand grows steadily and is becoming more consolidated.
- Logistics/transport/distribution companies as well as retailers are expected to drive the demand. Demand for high-tech production facilities is likely to pick up even further.
- Rental rates are expected to increase slightly, as supply struggles to keep up with demand.
- More experienced, international developers are expected to enter the market in the short to mid term.



293 OFFICES IN 61 COUNTRIES ON 6 CONTINENTS

Americas 136
Asia Pacific 62
EMEA 95

80.6 million m² under management

11,000 Professionals

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