



SOFIA

INDUSTRIAL MARKET OVERVIEW

H1 | 2020



FIG. 1: TO WHAT EXTENT WAS YOUR BUSINESS NEGATIVELY AFFECTED BY THE HEALTH CRISIS?

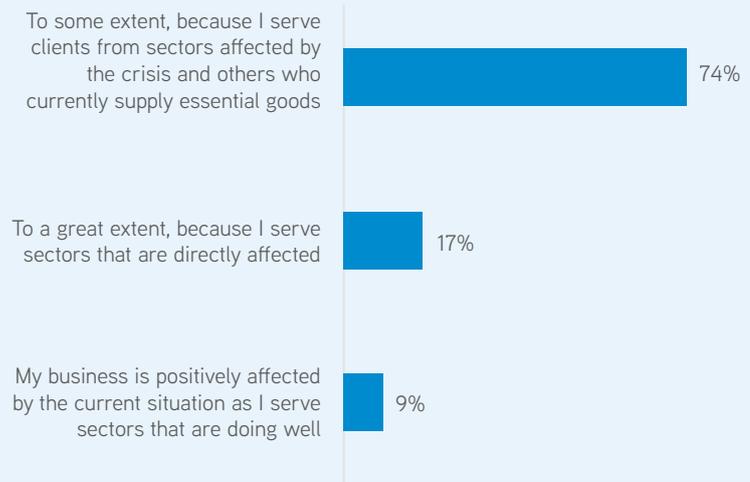
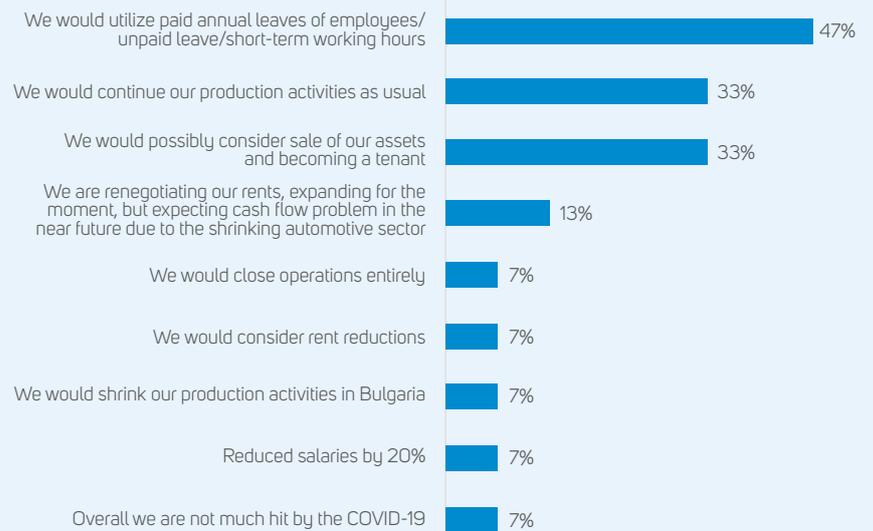


FIG. 2: HOW DO YOU EXPECT COVID-19 AND THE RELATED GLOBAL STATE OF EMERGENCY TO AFFECT YOUR PRODUCTION IN BULGARIA IN THE NEXT 18 MONTHS?



HIGHLIGHTS

- The supply of modern industrial and logistics space in Sofia registered an increase of 3% for the first six months of 2020 and reached 1,096,800 sqm. This growth was a result of the completion of Logistics Park Sofia and two new buildings in East Ring Logistics Park.
- Demand was mainly driven by FMCG wholesalers and retailers and companies from the pharmaceutical, e-commerce and transport and spedition sectors.
- Net absorption was 23,500 sqm, mostly attributable to pre-leases in the newly completed buildings.
- A 1% increase in the vacancy levels set them at 8%.
- The average rental rates for class A modern logistics space, with good location and built infrastructure, retained its level of 5.2 euro per sqm per month. Class B also remained at an average of 2.7 euro per sqm per month.

EXTRACT FROM COLLIERS SURVEYS, CONDUCTED IN APRIL

LOGISTICS OPERATORS

- The logistics sector was affected by coronavirus pandemic to various degrees, depending on the type of companies it served. 74% of the participants shared that the health crisis had somewhat negatively impacted their businesses, as they serviced both sectors that supply essential goods and others, affected by the crisis.
- 9% experienced a positive effect on their activity, and the remaining 17% stated that their operations suffered due to the crisis. (Fig.1)

AUTOMOTIVE SECTOR

- The coronavirus pandemic had a negative impact on the automotive industry in Bulgaria. The majority of the manufacturers brought operations to a halt, others continued, but at a lower pace, and the rest shifted their focus to the production of protective equipment.
- The survey results showed that since the beginning of the state of emergency in the country, some companies had taken additional measures to deal with the consequences of the health crisis,

such as employees utilizing paid or unpaid leave and working on shifts.

- In the next 18 months 1/3 of the producers state they would continue their activity as before; 33% are considering various options to increase liquidity - such as renegotiating rents and structuring sale-leaseback transactions. (Fig.2)

FORECAST

- Experienced landlords are expected to offer flexible solutions to tenants who encounter difficulties. The most commonly quoted ones are rent deferrals along with extension of the lease term or renting more space over time. The investors' aim is to ensure a mix of tenants that would stay resilient in the occasion of an extended or deepening health crisis.
- Demand for cold storages and cross-docking space, mostly by food operators, is to be anticipated.
- The city logistics development is expected to thrive - renting warehouses on locations in proximity to residential neighborhoods.
- There is potential for more relocations of business operations from Asia to Europe and establishment of production facilities closer to the company's headquarters - the so-called "nearshoring". In the context of this trend, Bulgaria, with its geostrategic position, favourable tax policy and availability of labor, has a chance to attract more investment.
- Automation is predicted to enter progressively into manufacturing and e-commerce, which will optimize the use of industrial and logistics space.

FOR MORE INFORMATION

Daniela Boytcheva
Manager
Industrial & Logistics
phone: +359 2 976 9 976
daniela.boytcheva@colliers.com

Adriana Toncheva
Senior Market Researcher
phone: +359 2 976 9 976
adriana.toncheva@colliers.com

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.

Copyright © 2020 Colliers International.

Colliers International | Sofia
European Trade Center
115K Tsarigradsko Shose Blvd.
Build. B, 7th floor | 1784 Sofia
phone: +359 2 976 9 976

[colliers.com](https://www.colliers.com)

 Colliers International | Bulgaria

