

SOFIA

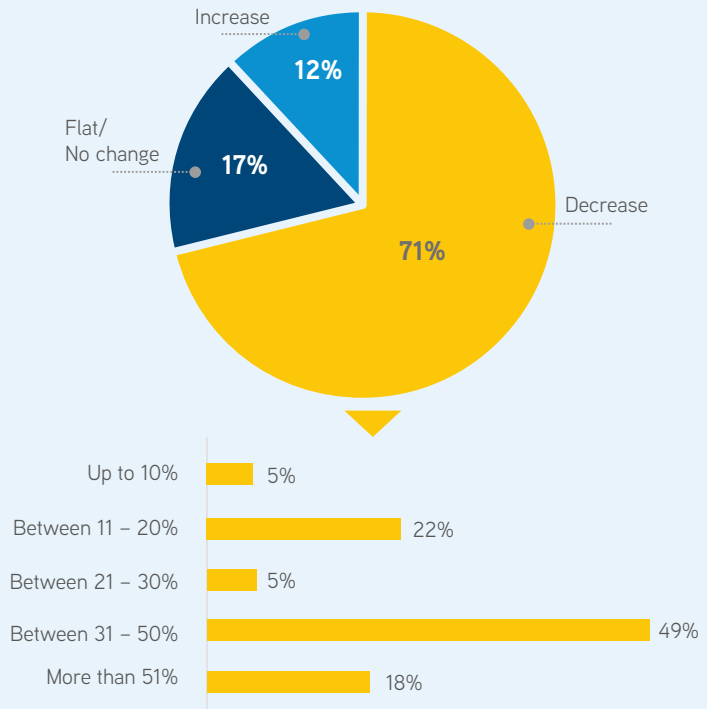
# RETAIL

# MARKET OVERVIEW

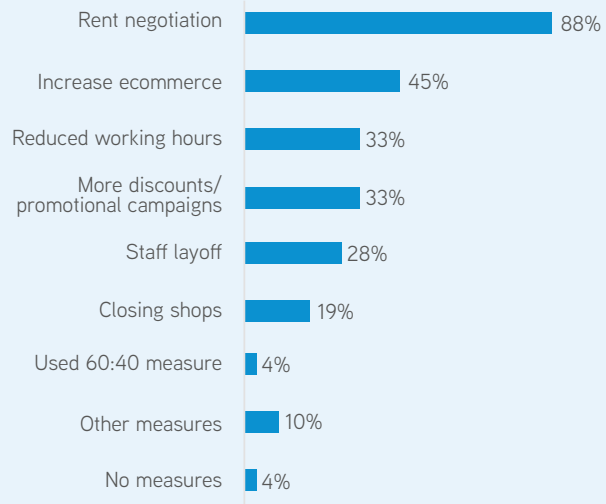
H1 | 2020



**FIG. 1: HOW DO YOU ESTIMATE YOUR CURRENT REVENUES COMPARED TO THE SAME PERIOD LAST YEAR?**



**FIG. 2: WHAT COUNTERMEASURES HAVE YOU TAKEN DUE TO THE HEALTH CRISIS?**



# HIGHLIGHTS

- Modern shopping center stock\* in Sofia maintained its levels from the end of 2019, namely 390,660 sqm.
- The absorbed retail space for the period was just over 9,000 sqm. – 30% decrease compared to the second half of 2019.
- Vacancy levels in shopping centers increased slightly by 1% and reached a total of 7%.
- The coronavirus pandemic had a strong impact on the retail market - 6% of the modern retail space remained temporarily closed after the end of the emergency state. Among the most commonly mentioned reasons by retailers were negotiations with the landlord, recruitment of employees, lack of sufficient merchandise due to disrupted supply chains.
- New brands that opened their first stores in Bulgaria were DeFacto and Kik, both represented directly.
- 2% growth in the available space on the highstreets in Sofia was recorded, thus vacancy reached 10%.
- Increase in the vacant premises was observed on Vitosha blvd. – now 3% of the total supply.
- Rental levels\*\* registered decrease of:
  - 10% for Vitosha blvd - 50 euro per sqm;
  - 8% for shopping centers - 34 euro per sqm.

## EXTRACT FROM COLLIERS SURVEY AMONG RETAILERS AND LANDLORDS, CONDUCTED AT THE END OF JUNE

- 71% of retailers registered revenue decline due to COVID-19. Nearly half of the respondents, who reported decrease, indicated that it was in the range of 30% to 50%.
- The share of participants with stable levels of revenue was 17%, while the rest reported year-on-year sales growth up to 20%. This was largely due to the opening of more locations and the boost in e-commerce. An example of that group were retailers positioned in the low-priced segment and discount chains. (Fig. 1)
- The most frequently cited measure in response to the health crisis was rent revision (88%), followed by a stronger focus over online sales (45%). Other actions, taken by the participants in the survey, included reduced working hours, more advertising campaigns, staff layoffs and optimization of the number of stores. (Fig. 2)
- Most of the tenants, similar to landlords, expected positive development and recovery by the end of the year, provided there was no new wave of coronavirus – a factor affecting their expansion planning.

# FORECAST

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- Some retailers are expected to continue optimizing the number of their locations, which will lead to tenant mix shifts in shopping malls and on highstreets.
- The growth of e-commerce will accelerate as more retailers will focus on it.
- Interest in retail parks will increase retailers' demand; they are currently a preferred alternative for opening new stores.
- Rental levels\*\* for prime locations in shopping malls and on highstreets are expected to decline in the short-term.

## Definitions:

\* The overview covers shopping centres above 10,000 sqm.

\*\* Prime rent - the average top open-market rent estimated to be achievable for a new lease of a 100 sqm (net internal area) unit of the highest quality and specification in the best location, excluding service charges and taxes and not reflecting tenant incentives.

\*\*\* A Retail Park is defined as a purpose-built development with at least three units covering 2,000 sqm or more of lettable floorspace, with centralized management and a car park environment with ample free parking.

## FOR MORE INFORMATION

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Dimitrinka Rakovska  
Manager | Retail Services  
phone: +359 2 976 9 976  
dimitrinka.rakovska@colliers.com

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




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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)

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