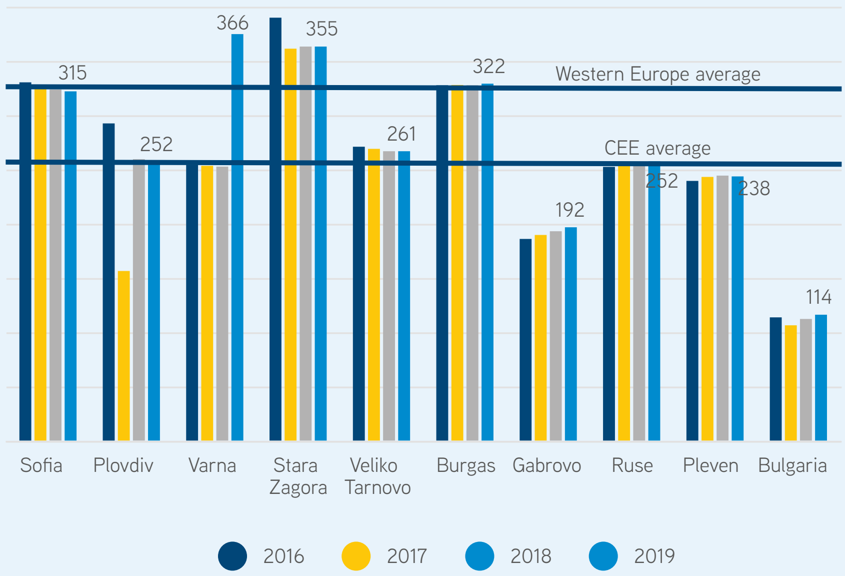
BULGARIA

RETAIL
MARKET OVERVIEW

H2 | 2019

FIG. 1: **RETAIL SPACE IN SHOPPING CENTRES PER 1,000 INHABITANTS IN THE BIGGER CITIES**



Source: Colliers International

BULGARIA

- The total supply of modern retail space* in Bulgaria was 796,000 sqm at the end of 2019, registering 3% growth, due to the opening of Delta Planet in Varna.
- Retail space in shopping centers per 1,000 capita for Varna increased from 247 sqm to 366 sqm, and for Bulgaria - to 114 sqm. (Fig. 1)
- Development and modernization of existing retail parks*** in the country continued; construction of new projects began in cities with less than 80,000 inhabitants, such as Shumen and Blagoevgrad.
- Main high streets in the four biggest cities in Bulgaria preserved stable occupancy levels on an annual basis.
- Pepco is the retailer with the highest number of store openings in the second half of 2019 with 23 stores.
- Some of the new brands for the Bulgarian market during the reported period are: Miniso, Nespresso, Madame Coco, Tezenis, Avva, Bottega del Sarto, Brums, Spa Ceylon and Lapin House.

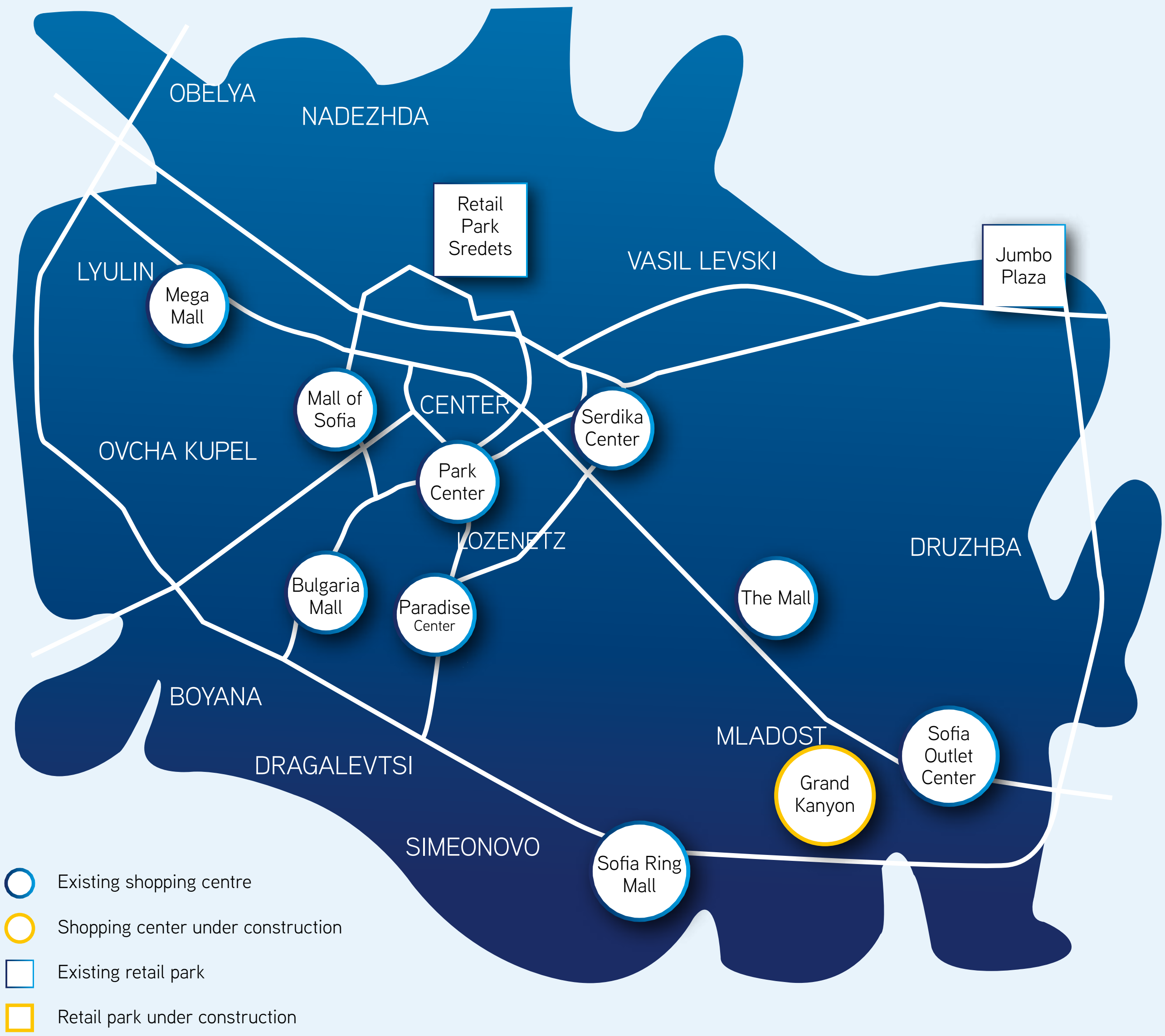
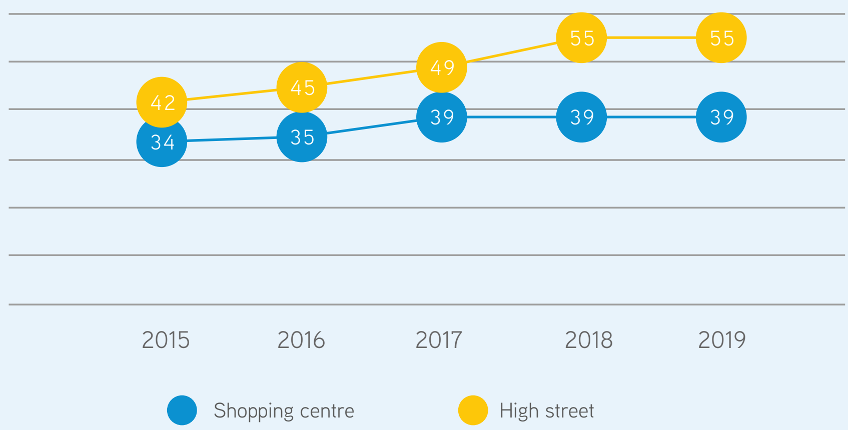


FIG. 2: **PRIME RENTAL RATES** IN SOFIA (EURO/ SQM / MONTH)**

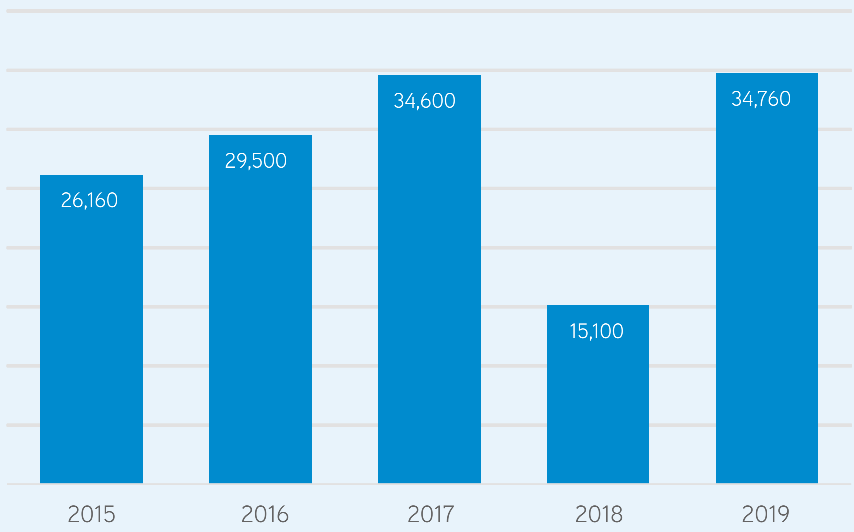


Souce: Colliers International

SOFIA

- Modern shopping centre stock* in Sofia retained its levels from the first half of the year, namely 390,660 sqm.
- The absorption of the reconstructed vacant hypermarket areas continued in the second half of the year and resulted in 12,880 sqm leased space, while for the whole 2019 this indicator was 34,760 sqm (an increase of 130%, compared to 2018). (Fig. 3)
- Four main categories defined the demand in shopping centres in the second half of 2019: Fashion (40%), Shoes and bags (12%), Café, restaurants and fast food (10%) and Sportswear (9%).
- There was a slight increase in tenants' movement on Sofia high streets from 3% to 6%. Vacancy rates maintained stable levels of 8%.
- The main high street in Sofia - Vitosha blvd. continued to register high level of occupancy, more than 99% for the past six months. Tenants' movement recorded an increase of 4% and reached 5%.
- Prime rents** remained unchanged - 39 euro per sqm for shopping centres and 55 euro per sqm on Vitosha blvd. (Fig. 2)

FIG. 3: **RETAIL SPACE ABSORPTION IN SOFIA (SQM)**



Souce: Colliers International

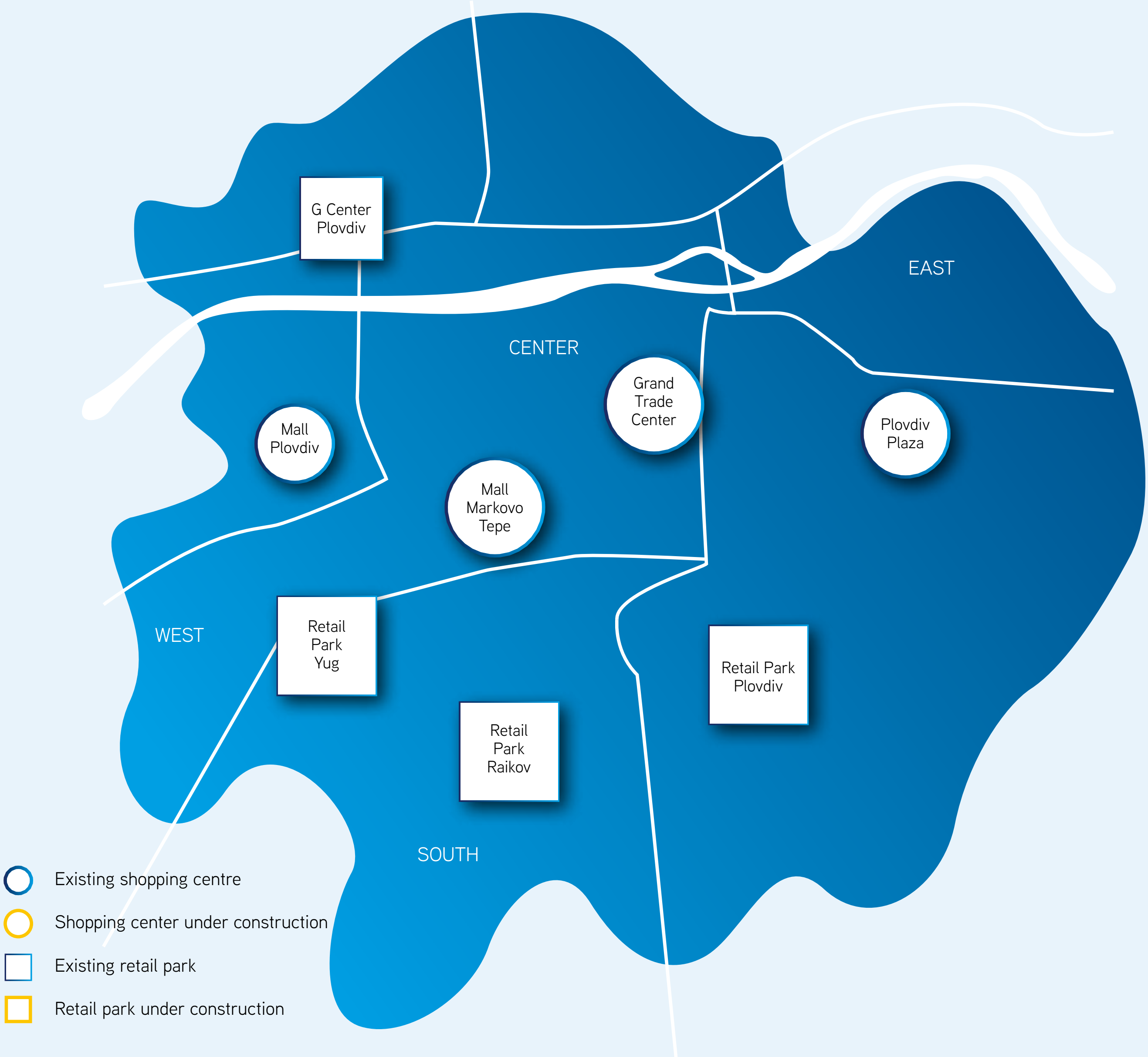
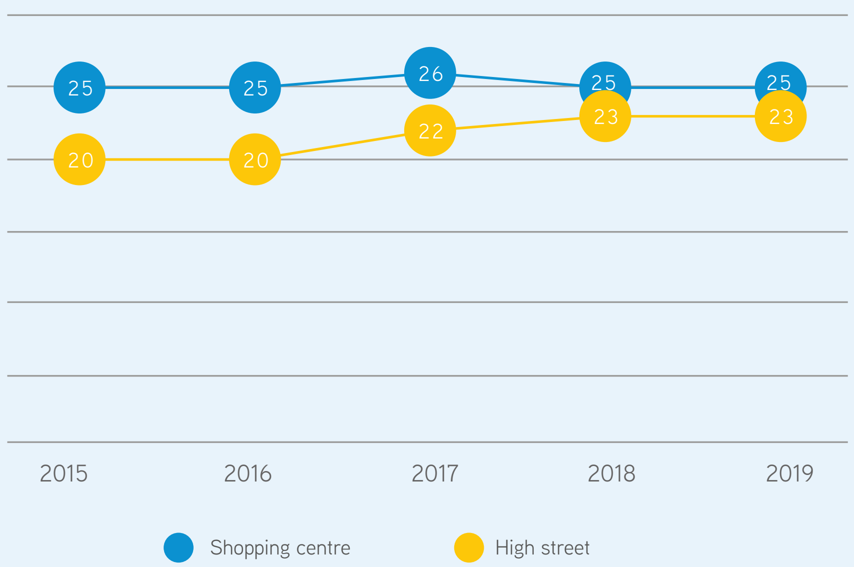


FIG. 4: **PRIME RENTAL RATES** IN PLOVDIV (EURO/ SQM / MONTH)**

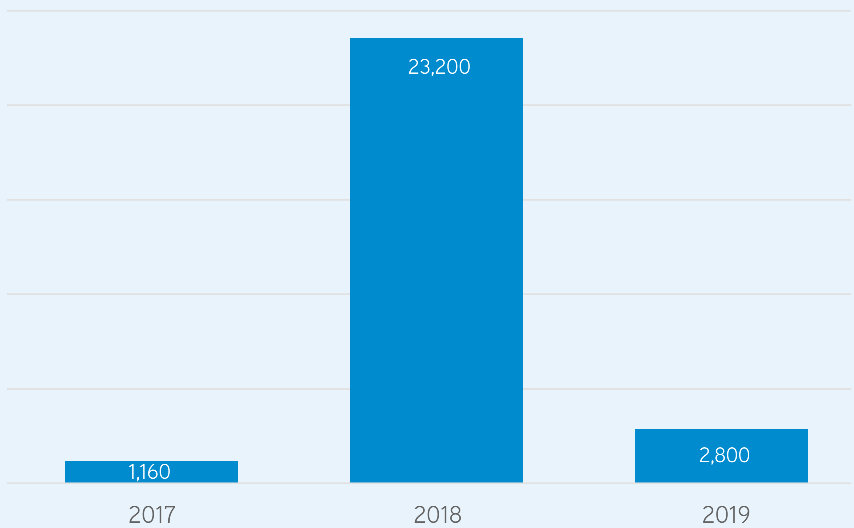


Souce: Colliers International

PLOVDIV

- The supply of modern retail space* in Plovdiv in the second half of 2019 remained 87,500 sqm.
- The average occupancy rate in the three shopping centers exceeded 85%. The absorbed space for the whole year was 2,800 sqm. (Fig. 5)
- Demand in shopping centers was determined by the categories Fashion (39%) and Café, restaurants and fast food (33%).
- Tenants' movement on high streets registered a slight decrease from 8% to 5% year-on-year.
- Prime rents** held levels of 25 euro per sqm for shopping centres and 23 euro per sqm for high street. (Fig. 4)
- New stores opened in Retail Park Yug in 2019: Pepco, Lilly, SoPharmacy, Booktrading and PizzAmerigo.

FIG. 5: **RETAIL SPACE ABSORPTION IN PLOVDIV (SQM)**



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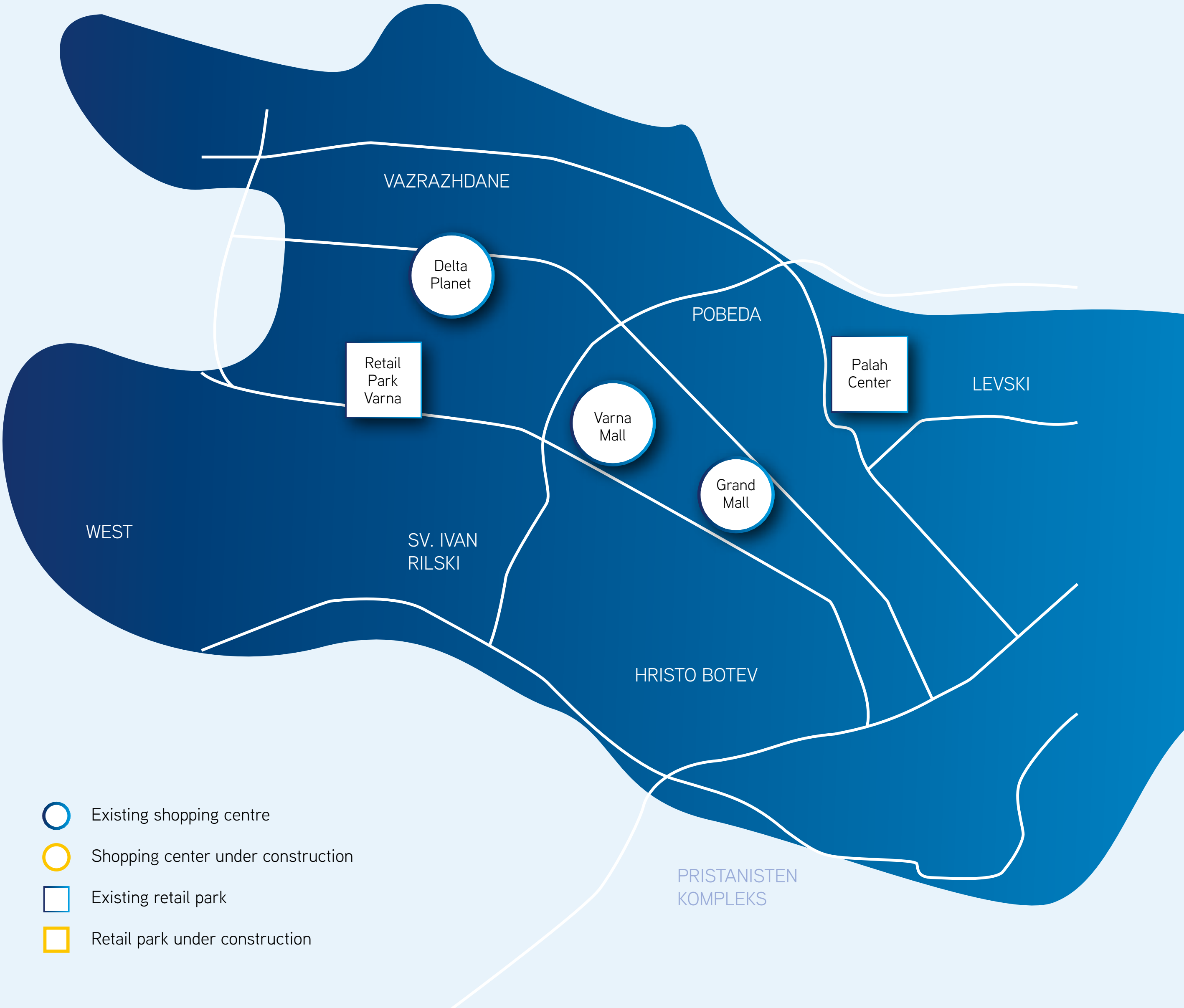
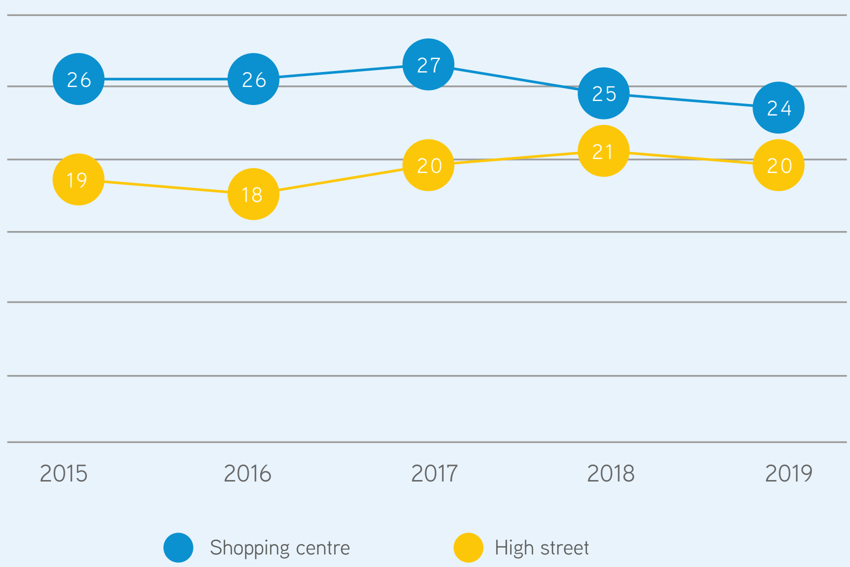


FIG. 6: **PRIME RENTAL RATES** IN VARNA (EURO/ SQM / MONTH)**

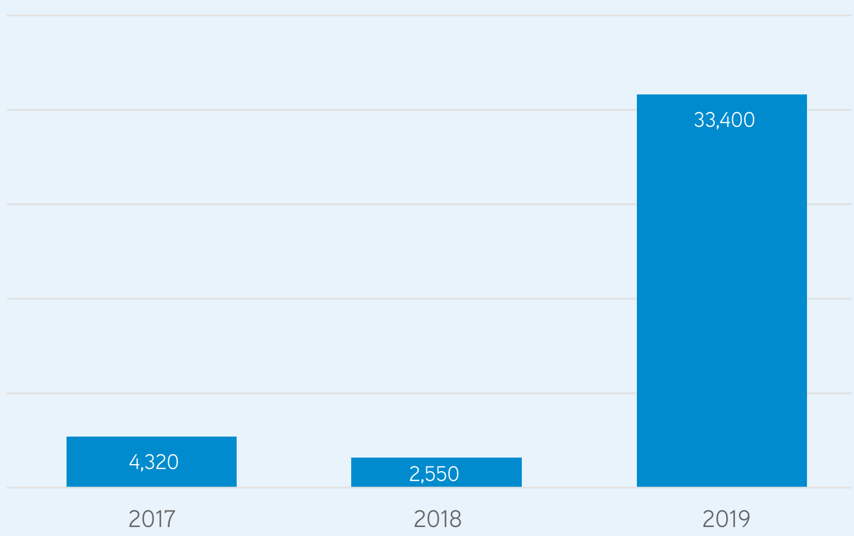


Souce: Colliers International

VARNA

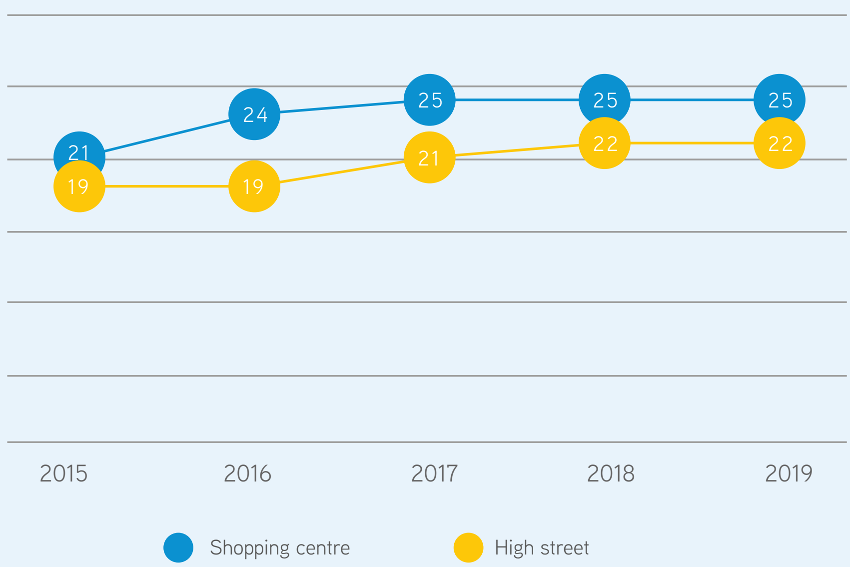
- Modern shopping centre supply* in Varna expanded with the opening of Delta Planet and reached 123,000 sqm.
- The average occupancy rate for the three shopping centers in the city surpassed 85%. The inauguration of Delta Planet contributed to the high levels of absorbed retail space - 33,400 sqm. (Fig. 7)
- Demand in shopping centres was mainly defined by the categories Fashion (42%) and Entertainment (17%).
- Tenants' movement on high streets registered a slight decrease of 2%; the share of vacant space doubled from 6% to 12%.
- Prime rents** in shopping centers and on high street recorded a slight reduction and stood at 24 euro per sqm and 20 euro per sqm, respectively. (Fig. 6)

FIG. 7: **RETAIL SPACE ABSORPTION IN VARNA (SQM)**



Souce: Colliers International

FIG. 8: **PRIME RENTAL RATES** IN BURGAS (EURO/ SQM / MONTH)**

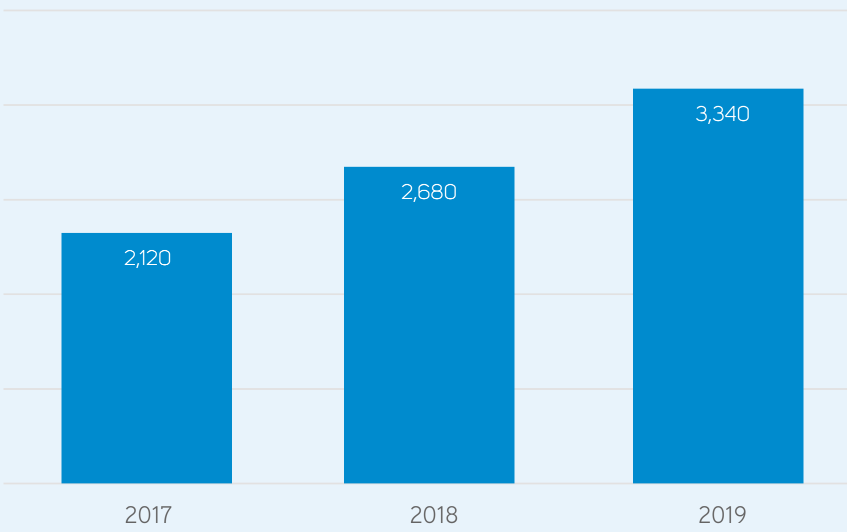


Souce: Colliers International

BURGAS

- The supply of modern retail space* in Burgas remained stable - 65,000 sqm.
- The average level of occupancy in shopping malls was more than 75%. Absorbed retail space for 2019 was 3,340 sqm. (Fig. 9)
- Demand in both shopping centers was driven by the categories Fashion (37%) and Café, restaurants and fast food (11%).
- Tenants' movement on high streets registered an increase from 8% to 13%, together with the available space from 8% to 10%.
- Prime rents** in shopping centers and high street maintained at 25 euro per sqm and 22 euro per sqm, respectively. (Fig. 8)

FIG. 9: **RETAIL SPACE ABSORPTION IN BURGAS (SQM)**



Souce: Colliers International

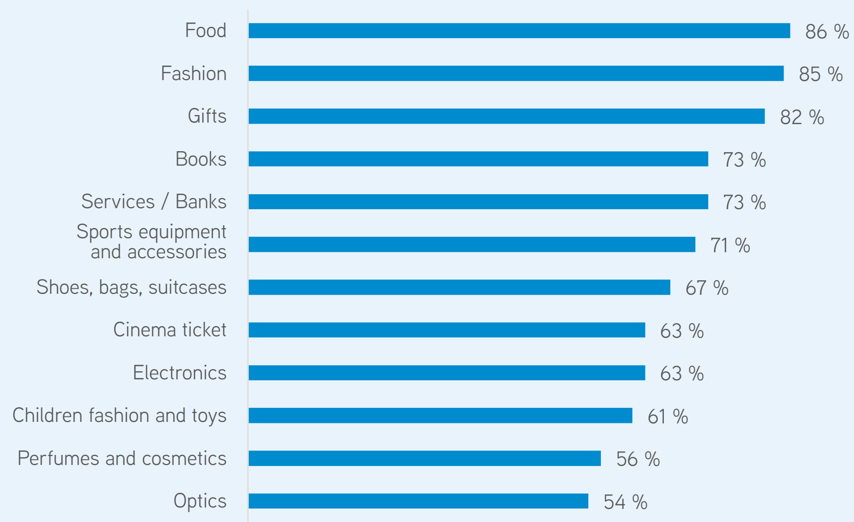
MODERN SHOPPING CENTERS IN SOFIA SENTIMENT SURVEY

In the autumn of 2019, Colliers International and GfK, conducted the third study of attitudes towards modern shopping centers in Sofia. Owners of shopping centers, retailers and visitors shared their points of view. The study showed reasons for choosing one shopping center over another, favorite brands by product category, how much and what consumers spend on, how they spend their free time, attitude towards online shopping, attitude towards "sustainability activities", the most preferred events and promotions.

The key findings of the study were:

- Food replaced Fashion from the top position and became the category with the highest weight defining tenant mix in shopping centre in 2019. (Fig. 10)
- In 2019, consumers spent the most on Fashion, Electronics and Home accessories.
- In terms of current shopping trends, almost 80% of the survey participants ordered monthly purchases online, and about half of them preferred to receive their items in physical stores.
- Respondents also adopted some "green" shopping practices. The most commonly used ones are stopping to use plastic bags and returning clothes for recycling.

FIG. 10: **MOST OFTEN PURCHASED CATEGORIES IN SHOPPING CENTRE**



Souce: Colliers International

FORECAST

- The market will maintain the momentum gained in recent years as a result of sustainable economic growth and stable consumption.
- Most of the market participants will keep up the moderate pace of development, opening more stores in the country; new retailers are expected to expand to Bulgaria.
- Demand will increasingly explore locations in cities with population of 70,000-100,000, where retail parks are expected to be built.

In the first half of 2020 these projects will diversify their tenant mix with new brands in the categories Fashion, Sportswear and Food, thus increasing their attractiveness.

- The first stores of the German discount chain KIK will open by mid-2020.
- The main challenges for retailers throughout the year will be the shortage of qualified personnel and the highly competitive environment on a small-scale market.

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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