Colliers

Sofia

Retail Market Overview

H1 2021

Accelerating success.

Supply

- In the first half of 2021, the supply of modern retail space* in Sofia remained at 390,660 sqm. Many shopping centres have utilized the three full or partial closures due to the pandemic measures as an opportunity to redevelop and refresh. Some examples are the food court area in The Mall, level -1 in Paradise Center and Mall of Sofia.
- Total stock in the retail parks*** in the capital stayed at 66,200 sqm, incorporating 3 parks. As the segment continued its development, the enrichment of the tenant mix resulted in achieving almost full average occupancy (99%).
- In the surveyed period, hypermarkets and supermarkets also focused on renovating their stores by introducing self-service checkouts - Billa, Kaufland, T-market and Promarket.
- High streets in Sofia recorded stable levels of occupancy and new openings compared to the end of 2020.
- Vitosha blvd. marked a slight decline in vacancy in the first half of the year from 9% to 7.5% (Fig.1)

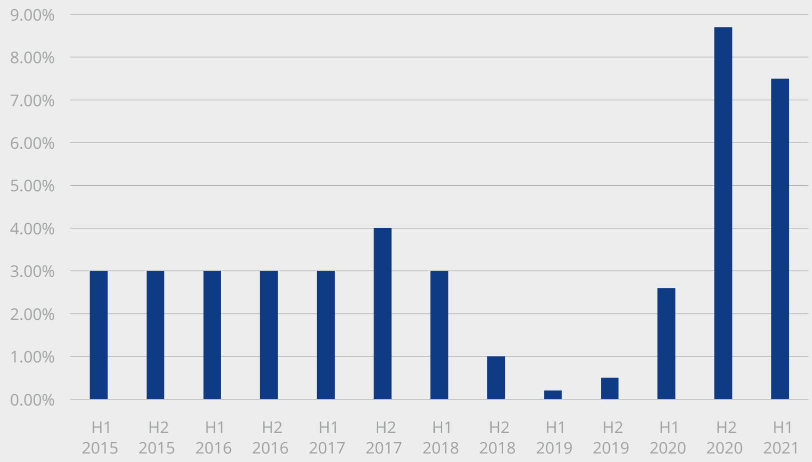
Demand

- Retail space absorption in shopping centres in the capital for the first six months, reached 10,500 sqm. (Fig. 2) This was mainly due to the openings of Peek & Cloppenburg, Miniso, Pepco, dm and Bershka.
- The amount of space absorbed in retail parks in Sofia was 3,250 sqm with forthcoming store openings of over 10,000 sqm. Some of the brands that opened were Maxi Pet, Under Armour Factory House, Nike factory store and Hippoland.
- Vitosha blvd. registered a drop from 8% to 4% in tenants' movement.
- The Polish brand Pepco was the most active in its expansion - the number of its stores in the country reached 81.

Rental levels

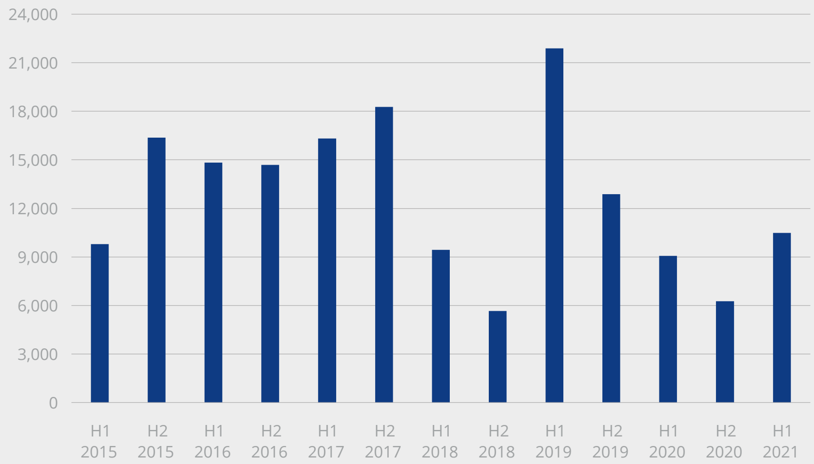
- Prime rental levels** in shopping centres and on Vitosha Blvd. remained stable. (Fig. 3)
- Rents in Sofia's retail parks were in the range between 8 and 10 euros per sqm.

Figure 1: Vacancy levels of Vitosha Blvd.



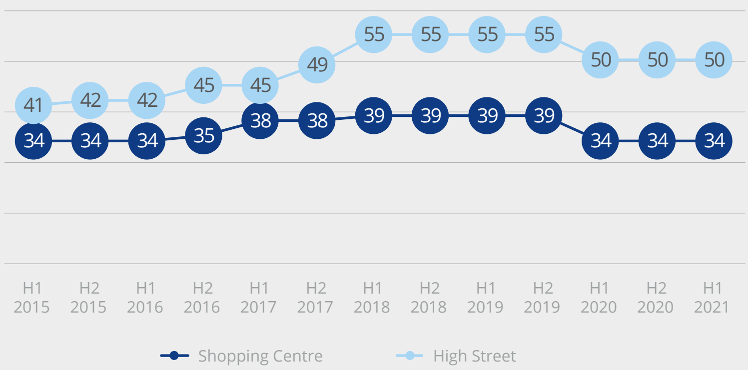
Source: Colliers International

Figure 2: Retail space absorption in shopping centers in Sofia (sqm)



Source: Colliers International

Figure 3: Prime rental rates in Sofia (euro/ sqm/ month)**



Source: Colliers International

Forecast

- By the end of 2021, over 10,000 sqm of new openings in retail parks are expected only in Sofia. This format will remain the preferred one for smaller cities and the best option for positioning of big box operators.
- High street is generating more interest, with the start of the pandemic there is trend of relocation of small-sized local retailers from shopping centres to street locations.
- Rental levels in prime shopping centre and high street locations will remain stable.
- Retail categories are differently affected by the altered lifestyle of people in a pandemic context. Market changes enable some retailers to expand their presence in places that were previously hardly accessible. However, the flexibility of the parties in the negotiating process will be a key factor within this and next year.
- E-commerce is becoming a major channel through which many companies stay in touch with their customers. The coronavirus has accelerated the digital transformation of businesses in Bulgaria, intensified the pace of merging physical and online trade. Leading brands in Bulgaria are proving the efficiency of combining digital and physical channels to support upgraded customer shopping experience, rather than treating online stores and physical stores as separate sites.

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 an ample car park environment.

RETAIL PARK
KARDJALI

GLA
6,600 sqm,
distributed on two levels. Communication between levels will be provided via an escalator and an elevator.

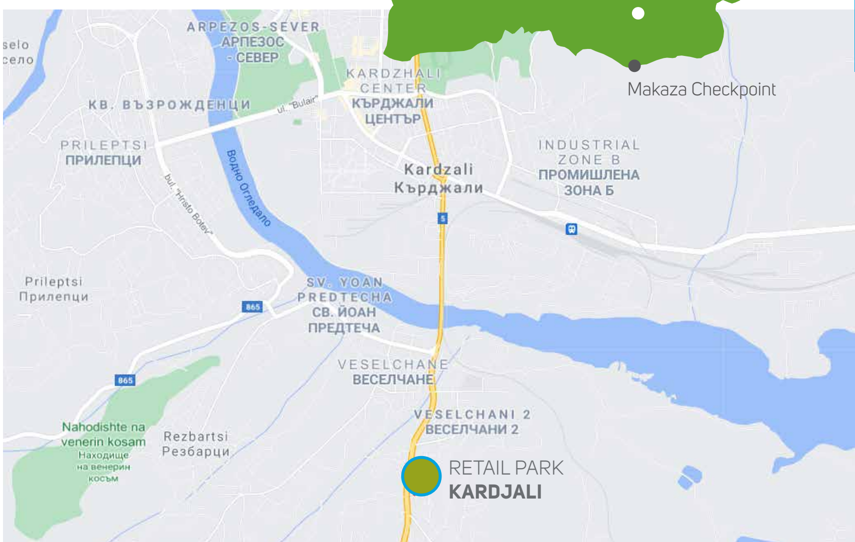
TENANTS
T-Market and international operators in categories such as Fashion, Furniture, Health & beauty, Sports equipment, Shoes etc.

INVESTORTRIL
TRIL

PLANNED OPENING
April 2022

PARKING
open-air parking with approx. 110 spaces

ADVANTAGES OF THE PROJECT
- The first modern retail park in the area, without a similar shopping alternative
- Presence of big international retail chains
- The location of the park provides excellent visibility and convenient access from the main road to Greece (Makaza Checkpoint)
- The project will take advantage of upcoming infrastructure improvements in the surrounding area (new road junction from the eastern neighbourhoods, locally with a bus stop for public transport)
- Efficient distribution of stores
- The investor is an established Bulgarian entrepreneur with experience in the retail market



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