



## Retail Market | Overview | H2 2008

| Economic indicators        | Q3 2007          | Q3 2008          |
|----------------------------|------------------|------------------|
| GDP growth                 | 4.5%             | 6.8%             |
| GDP per capita             | 1,040 EUR        | 1,242.2 EUR      |
| Inflation rate             | 12.5%            | 9.1%             |
| Unemployment               | 6.62%            | 5.85%            |
| Foreign Direct Investments | 5,364.2 mln EUR* | 4,867.2 mln EUR* |

\*Jan – Oct

Sources: National Statistical Institute; Bulgarian National Bank; Ministry of Economy and Energy; Eurostat;

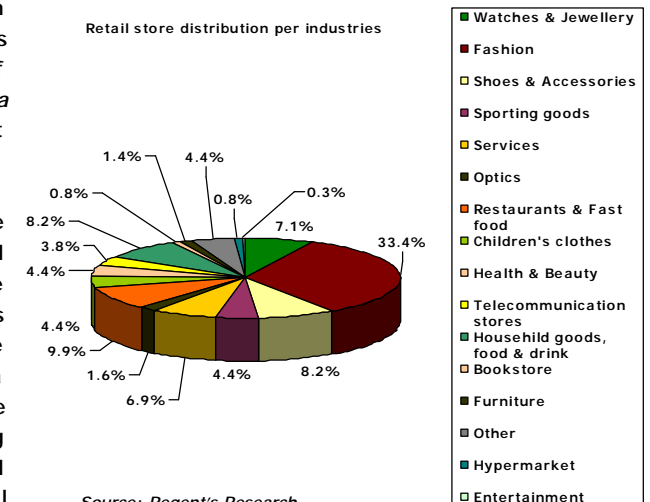
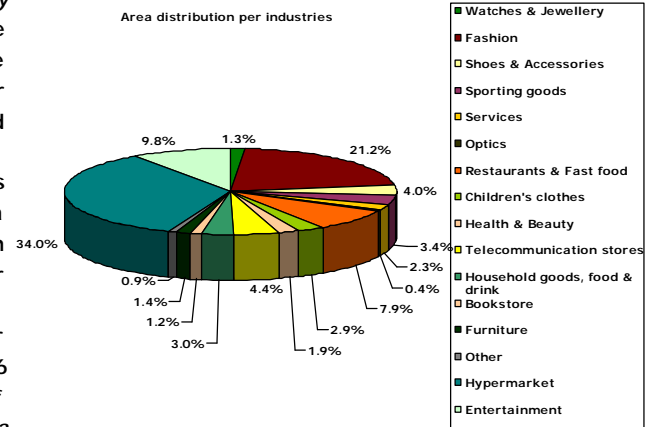
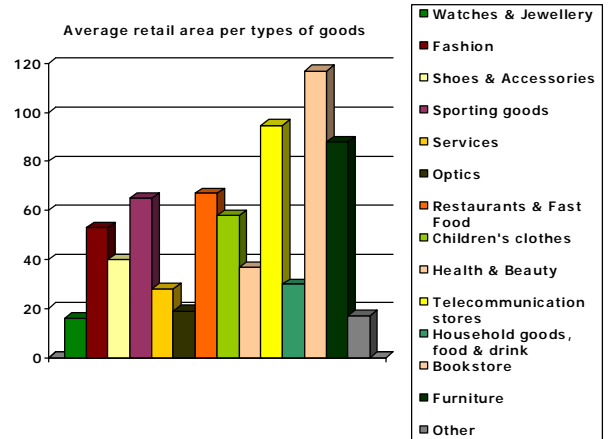
### Shopping Centers in Sofia

The shopping centers that are looked at in this report are the three most popular in Sofia - *Mall of Sofia*, *City Center Sofia* and *Sky City*. The total number of the retail stores is around 365. The rental rates are between 8 and 100 EUR per sq.m. The lease contracts are signed for a period of 5 to 10 years. The major tenants in the shopping centers are fashion stores, shoes and accessories, jewellery, restaurants and fast food.

Due to the current economic slowdown, the banks' requirements for project financing became more severe and restrictive and as a direct consequence some of the projects for shopping malls, which are currently under construction, may not be completed at all or their completion may be put on hold.

There are 4 big shopping centers in the pipeline (under construction). The first one is *Carrefour Tzarigradsko* with GLA 66 000 sq.m. which is planned to be put in exploitation by the end of 2009 or the beginning of 2010 and the second one is *Serdika Center Sofia* with 50 000 sq.m. retail space planned for opening in 2010. The third one is *Bulgaria Mall*, with GLA 33 000 sq.m. It has recently received financing and it is likely that the construction of the shopping center will soon be resumed. The last one is *Europa Park*, which is planned to be the biggest retail center in Bulgaria. It has a GLA of approximately 80 000 sq.m.

In the long term it is expected that the projects for retail parks will gain advantage over the projects for shopping malls. They are situated just outside of the cities, they are built on cheaper land plots, require less financing and therefore offer more favourable prices to the customers. The first retail park in Bulgaria was completed in 2008 in Plovdiv on a land plot of 42 650 sq.m. The company Gazit Globe is planning to build a retail park in Sofia called *G Sofia Park*. It will be situated just outside Sofia at the main junction, at the entrance to Sofia and adjacent to the ring road. The retail park will be both a commercial and recreational center, will cover an area of approximately 110,000 sq.m. and will have 50 000 GLA.



Source: Regent's Research



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### Major International and Local Retail Chains in Sofia

The biggest international big box retailer at present is *Metro Cash & Carry*, with 11 hypermarkets in Bulgaria, out of which 2 operate in Sofia and one is planned to be built. The retail space of each store varies between 6 500 and 9 000 sq.m. Another big box retailer is the German *HIT*, which has two hypermarkets in Sofia.

As far as international food retailers are concerned it is worth to mention the Austrian *Billa* with 40 stores in Bulgaria, out of which 8 are in Sofia. The retail space is between 1 200 and 2 400 sq.m. Up till this moment the most successful *Billa* store in Sofia is the one situated on Bulgaria Blvd. This success is mainly due to its key location and proximity to the most prestigious quarters in Sofia. The Slovenian retailer *Mercator*, which is planning to open a store in Mega Mall in Lyulin, has negotiated an area of 3 054 sq.m.



The two major local food retailers are *Piccadilly* and *Fantastico*, where *Piccadilly* has 19 stores in Bulgaria. Out of these 2 supermarkets operate in the two major shopping centers in the capital - Mall of Sofia and City Center Sofia, other 2 *Piccadilly Express* of the type "corner shops" recently opened in Sofia, and one more is also planned to open in the capital. *Fantastico* has a chain of 32 supermarkets located only in Sofia. The biggest *Fantastico* store operates in Sky City shopping center with an area of 3 400 sq.m. In H2 2008 *Fantastico* opened a twenty-four-hour supermarket on Cherni vrah Blvd. next to the Ring Road and serves the needs of one of the richest quarters in Sofia - Dragalevtzi. Other smaller food retailers are the Bulgarian *Familia* with 26 supermarkets operating only in Sofia and *CBA* with more than 160 stores in Bulgaria where 19 operate in Sofia.

Two big Bulgarian electronic retailers operate in Sofia - *Technomarket* with 37 stores in Bulgaria out of which 10 are located in Sofia, and *Technopolis* with 21 stores in Bulgaria out of which 2 operate in Sofia. Another one, also in the capital is under construction with 3 500 sq.m retail space and it is scheduled to open by the end of 2009. Up till this moment only *Technomarket* has stores in the biggest shopping centers in Sofia – Mall of Sofia and City Center Sofia.

Discount stores are gaining more popularity now with the German *Kaufland* and its 19 supermarkets in Bulgaria, out of which 4 are in Sofia. Another discount store chain, the Lithuanian *T Market* is represented by Maxima Bulgaria with 29 stores in Bulgaria out of which 16 are located in Sofia. Three new discount chains are going to enter the Bulgarian retail market in the near future – the German *Lidl*, *Penny* and *Plus*. 10 to 12 *Lidl* discount stores are planned to open by the end of 2010 in the whole country. In 2009 both *Penny* and *Plus* will each open their first store in Bulgaria.

Apart from the discount stores which plan to open in the next year, the big French retail chain *Carrefour* plans to open its hypermarket in Sofia in 2009. It will fall into direct competition with other retail stores such as *Billa* and *Kaufland*.

The "do-it-yourself" stores in Sofia are represented by *Mr. Bricolage* and *Praktiker* with 2 stores each. *Praktiker* opened its first store in Sofia in 2004 and *Mr. Bricolage* in 2000.



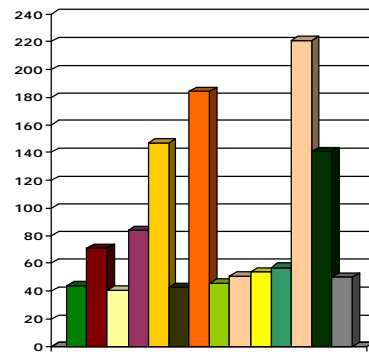
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## High Streets in Sofia

| High Street Rents                  | H2 08 from - to     |
|------------------------------------|---------------------|
| Vitosha Blvd.                      | 70 – 140 EUR sq.m.  |
| Solunska Str.                      | 70 – 110 EUR sq.m.  |
| Alabin Str.                        | 25 - 130 EUR sq.m.  |
| Al. Stamboliyski Blvd.             | 10 - 50 EUR sq.m.   |
| Dondukov Blvd.                     | 30 – 60 EUR sq.m.   |
| G.S. Rakovski Str.                 | 40 – 80 EUR sq.m.   |
| Graf Ignatiev Str.                 | 50 – 110 EUR sq.m.  |
| Tzar Shishman Str.                 | 30 – 70 EUR sq.m.   |
| P. Evtimii Blvd.                   | 20 – 60 EUR sq.m.   |
| Lege – Batenberg – Saborna Streets | 100 – 150 EUR sq.m. |

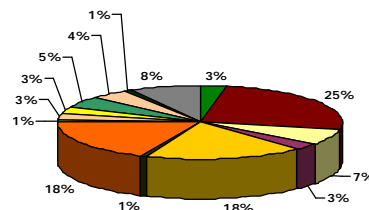
The total high street retail space in Sofia is approximately 89 084 sq.m. with total number of retail stores around 1 140. The average size of a retail store is 78 sq.m. The rental rates are between 10 and 150 EUR per sq.m. and they maintain higher rental levels than the ones in the competitive major shopping centers. The high street vacant retail space is approximately 3% of the total retail space. The lease contracts are signed for a period of 3 to 10 years. The major occupiers in the high streets are fashion stores, shoes and accessories, restaurants and services. The demand for retail space in the high streets remains relatively strong, and there is not much free space.

Average retail area per types of goods



- Watches & Jewellery
- Fashion
- Shoes & Accessories
- Sporting goods
- Services
- Optics
- Restaurants & Fast Food
- Children's clothes
- Health & Beauty
- Telecommunication stores
- Household goods, food & drink
- Bookstore
- Furniture
- Other

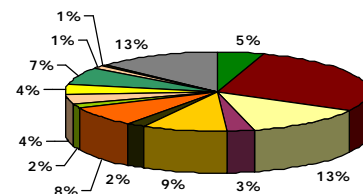
Area distribution per industries



- Watches & Jewellery
- Fashion
- Shoes & Accessories
- Sporting goods
- Services
- Optics
- Restaurants & Fast food
- Children's clothes
- Health & Beauty
- Telecommunication stores
- Household goods, food & drink
- Bookstore
- Furniture
- Other



Retail store distribution per industries



- Watches & Jewellery
- Fashion
- Shoes & Accessories
- Sporting goods
- Services
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- Restaurants & Fast food
- Children's clothes
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- Household goods, food & drink
- Bookstore
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- Other

Source: Regent's Research



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### Retail Outlook

Ø As a result of the economic slowdown and the restricted bank financing a lot of the shopping centers in construction and projects will be either put on hold or cancelled.

Ø Decrease in the retail turnover .

Ø Increase in the vacancy rates in the high streets.

Ø A slight decrease in the rental levels is expected in the high streets.

Ø Shopping center tenants will put pressure on the investors and owners to decrease the rental rates.

Ø In the beginning of 2009 the new Bulgarian Retail Association was publicly announced. It was founded as a result of the growing tension between tenants and owners of the shopping centers in the country. This Bulgarian Retail Association will have the main purpose of protecting retailers' rights and negotiating terms and conditions with the investors adequate to the present market situation.



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