



Bulgaria, H1 2008

Logistics Market Overview

Economic overview

- **Steady economic growth.** Gross Domestic Product for the first quarter of 2008 is 13,484 million lv. compared to 11,288 million lv. for the same period of 2007, i.e. the increase is at the rate of 19.45%. There is also an increase in the share of services in GDP as it has risen from 49.2% for Q1 2007 to 51.3% for Q1 2008.

- During Q1 of 2008 export amounts to 3 643.3 million Euro, the increase on annual basis being 25.7%, whereas import amounts to 5 428.1 million Euro and its increase is 21.3%.

- High level of inflation - 0.9% for April towards March 2008 and 14.6% on annual basis.

- Unemployment on the decrease - 6.19% towards May 2008 compared to 7.82% towards May 2007.

- Direct foreign investments in the country during Q1 2008 are at the rate of 869,2 million Euro, whereas they are 897,2 million Euro for the same period of 2007.

- An increase in households' incomes – the average monthly salary has gone up by 6,14% during Q1 of 2008, compared to Q4 of 2007 and has reached a value of 484 lv. Meanwhile, the average income per person in the household has risen from 232,38 lv. in April 2007 to 281,12 lv. in the same month of 2008, the increase being to the extent of 20,97%.

- Basic interest rate for the country towards April 2008 is 4,85%. Meanwhile, interest on residential credits of households is 8,63%.

Real Estate Market Overview

- During Q1 of 2008 56 483 real estate transactions have been made in Bulgaria, which is by 0,24% higher than deals, made during the same period of 2007.

- Direct foreign investments in building and real estates during Q1 2008 amount to 447,2 million Euro towards 479,6 million euro for the same period of 2007.

- Rental prices of logistics have gone up by 25,83% in Varna and by 21,53% in Sofia.

- Supply in the segment is strongly limited with modern logistics centres under construction in the country less than five.

- Demand is high with more and more companies turning to modern logistics centres.

Supply

During the first half of 2008 logistics market continues to be the least developed real estate market segment in Bulgaria and our country is far behind all near-by markets in this regard. Investment activity in the sector is still low and supply is quite limited both regarding quantity and quality. Old storehouses are most offered, a great part of them not satisfying contemporary requirements, standards and quality control systems ISO, HACCP, etc. It is quite rare for modern logistics area to be offered.

Big logistic centres under construction at present are less than five although all favourable conditions for the development of this real estate market segment are available, namely steady economic growth, progressive development of all macroeconomic indicators, population purchasability increase, retail trade development, big European chains appearance, trade relations with neighbour countries, European transport corridors passing through the country, infrastructure

development, airports, ports, railway transport availability, existence of companies, performing forwarding and logistics services, etc. Due to the influence of the above-mentioned factors, new projects are concentrated around Sofia, Varna and Plovdiv.

It must be taken into consideration that most of the new logistics area under construction are not launched on the market as they are being built to satisfy the needs of particular companies and not to be made available to renters.

Another main reason for logistics market in Bulgaria to stay far behind, in view of supply, is the intense construction of office and trade buildings which attract at present most of the investments in the country. That is because profitability of investments in properties belonging to these segments has been higher on the market so far.

The developments under construction provide logistics space as large as 101 000 sq.m. to be made available to renters, 22 000 sq.m. of which in Sofia Airport Center and 55 000 sq.m. in Logistics Park Varna.

Logistics space in Bella's Fresh logic logistic center will serve the needs of the holding, but will provide services to outside renters as well.

Logistic parks and centers in project phase and under construction in Bulgaria during H1 2008

Development	Location	Investor	Total built-up area (sq. m)	Phase
Sofia Airport Center	Sofia	Tishman International	165 000	Under construction
Fresh Logic Logistic Center	Plovdiv	Bella Bulgaria	20 000	Under construction
Logistics Park Varna	Varna	FairPlay Commercial	85 000	Under construction
Logistics Center in Krivina village	Sofia	Bulgarian Property Developments	11 522	Project
Industrial Park Sofia	Sofia	Industrial Park Sofia	1 296 000	Project
Industrial Park Sofia East	Sofia	Park Industria - Sofia Iztok	134 290	Project
Industrial Park Plovdiv	Plovdiv	Immo Industry Group	80 000	Project
T-Park Plovdiv	Plovdiv	Investra	47 754	Project

Demand

During the first half of 2008 demand remains steady, much ahead of available supply level. Modern logistics area is more and more of demand, main requirements being height (10-12 m), ramps availability, hydraulic included, TIR access, rotary current, ventilation, air-conditioning, heating, spacious parking lot for free manoeuvring of trucks, non-stop security service, effective space distribution, office part availability, etc.

Among main renters of logistics area are different Bulgarian and foreign companies in production and trade field, big trade chains, settling in the country, etc. Foreign companies, entering a certain country for the first time, usually look for storehouses to rent during the first 2-3 years and invest in own logistics bases construction later on.

Prices

Resulting from low supply and overcoming demand, prices of logistic space in the country keep high levels and are among the highest in Europe which is an obstacle for the segment development. In Sofia rent values reach levels as high as 10 Euro per sq.m.

Despite the start of the first several logistic parks projects, rental levels of storehouses keep going up and for the first half of the year in Sofia they have increased by 21,53% and by 25,83% in Varna.

Average rents of logistic space towards 30.06.2008 (Euro/sq. m)

	Sofia	Varna	Plovdiv	Burgas
In logistics centers	6,00 - 10,00	5,00		
Warehouses	2,00 - 8,00	2,50 - 5,50	2,00 - 4,00	2,50 - 5,00

H2 2008 forecasts

- Stronger investment activity, compared to previous periods;
 - Appearance of new projects for modern logistics area construction both in the cities, proving themselves as logistics centers, Sofia, Varna and Plovdiv, and in other parts of the country like Dobrich, Stara Zagora, Burgas, etc;
 - Stable high demand;
 - Considerable change in rental levels is not expected.

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