



Bulgaria, H1 2008

Retail 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.

- Sale prices in retail area segment remain relatively steady as their sale values rise by average 6.49% in the country. Regarding rent levels, the most considerable increase was recorded in Russe (37,26%) and Veliko Tarnovo (31.42%) regions.

- During H1 2008 there were open two new shopping malls in the country – Mall Varna –currently the biggest trade center in Bulgaria with 32 000 sq.m GLA and Mall Sandanski – the smallest – 5 000 sq. m.

- During H1 2008, yields of retail space in Bulgaria are about average 7.5%, which is significantly higher compared to the well-developed markets. In Sofia it is 7.8%.

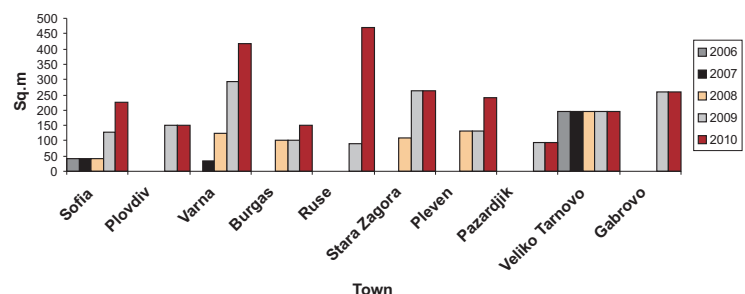
- Demand for retail space with communicative location in the big cities still leaves supply behind. Central locations are still the most attractive.

Supply

During the first half of 2008, retail market in Bulgaria continues to develop. Two new shopping malls with 37 000 sq.m GLA have been opened – Mall Varna (32 000 sq.m.) and Mall Sandanski (5 000 sq.m.) which makes the trade centres of such type working on the territory of the country 7 in number and having GLA of 123 660 sq.m. Nevertheless, Bulgaria keeps ranking among last in relation to “retail space per 1000 population” index with hardly 16 sq.m retail space in shopping malls per 1000 population.

The most attractive malls are those, possessing good anchor tenants and attractive locations. The world best practices show that the conceptions of new malls shall be worked out prior to the projects themselves. Anchor tenants shall be known at the very beginning.

Retail space in shopping malls per 1000 population



Note: The indicated values are prognosticated and they are based on the preliminary data for the opened shopping malls in Bulgaria as well as these under construction.

The announcement of new projects for shopping mall construction in different parts of the country is under way with special emphasis placed on the fact that new projects provide trade centres with larger gross leasable area and professionally worked out conceptions, including more entertainments and variety of services. In this regard the most dynamic development is observed in Burgas. There are currently five mall projects there, one of them - Mall Izgrev- is expected to be completed by the end of 2008. Among the newly announced projects the biggest one provides the construction of a shopping mall with total built-up area of 300 000 sq.m, situated in "Kraimorie" quarter, Burgas with Foros Development as investor. Another project is "Burgas Center Mall" of Sun City in "Meden rudnik" district, deadline for completion - 2011.

In the capital, the announcement of new projects for shopping centers continues as well. The biggest projects are those for the construction of a shopping mall with total built-up area of 272 378 sq. m in the future Industrial Park Sofia, and a mall with total built-up area of 80 000 sq.m., situated in "Gardens City" gated complex, which will be built in the village of Lozen.

Other bigger projects in the country are Shumen Plaza Center with total built-up area of 60 000 sq.m and with Plaza Centers Management Bulgaria as investor; Mall Blagoevgrad with total built-up area of 47 982 sq.m and Redstone Blagoevgrad as investor, and Mall Stara Zagora, which will be built in the close proximity of Town Bus Station with total built-up area of 56 000 sq.m. and Gradus 1 and RESB as investors.

There are also projects for shopping malls in the towns of Sliven, Kavarna, Vratza, Haskovo etc.

Shopping centers under construction during H1 2008

Shopping Center	Location	Investor	GLA (sq. m)	Year of completion
Carrefour Tzarigradsko Mall	Sofia	Assos Capital; Carrefour	66 000	2009
Serdika Center	Sofia	ECE	50 000	2010
CIVIS Center	Sofia	Riofisa	85 000	2010
Mega Mall Sofia	Sofia	Magnum Bulgaria Gama	24 000	2009
Bulgaria Mall	Sofia	Salamanca Capital Investment	25 000	2009
Grand Mall Varna	Varna	Orchid Developments Group	45 000	2010
Galeria Varna Mall	Varna	GTC; Galeria Varna	37 000	2009
Varna Towers Mall	Varna	Varna Towers	23 400	2009
Galeria Plovdiv Mall	Plovdiv	European Convergence Development Company	22 000	2009
Mall of Plovdiv	Plovdiv	MO Plovdiv	20 000	2009
Central Mall Markovo Tepe	Plovdiv	Melina	15 000	2009
Mall Stara Zagora	Stara Zagora	Arena Cimena	19 500	2008
Galleria Stara Zagora Mall	Stara Zagora	GTC	28 500	2009
Mall Izgrev	Burgas	Carrefour; Bridgecorp; Gort Holding	23 400	2008
Sun City Center	Burgas	Sun City Invest	11 000	2010
Grand Plaza	Rousse	Mall Rousse Invest	37 500	2010
Mall Ruse	Rousse	Cinema City Malls; Iris	35 500	2010
Danube Mall	Rousse	Marmeg	17 000	2009
Terra Center	Gabrovo	Terrachim-97	10 000	2009
Mall Gabrovo	Gabrovo	Mall Gabrovo	10 000	2009
Mall City Center Kazanlak	Kazanlak	Trakia Trade	12 000	2009
Galeria Pazardjik	Pazardjik	Sienit Holding	8 500	2009
Central Mall Pleven	Pleven	Niya	11 000	2008
Mania Tower	Pleven	Mania Build	10 000	2008
Mall Pleven	Pleven	Aladin	17 500	2010

Meanwhile, the development of other forms of trade centers keeps up with the malls. The most remarkable is the development of retail parks. The first such center is about to be opened during the second half of 2008 in Plovdiv. The total built-up area of Retail Park Plovdiv will be over 24 000 sq.m and its investor is Landmark Property Bulgaria. There are projects for retail parks in most Bulgarian towns, smaller ones included. The main projects for the so called power centers are owned by Melina company in Vratza, Vidin, Plovdiv, Russe, Dobritch etc. and Ginio Group – in Plovdiv, Stara Zagora and other towns.

The development of outlet center market is less intensive. After the opening of Princess Outlet Center in Sofia in 2007, there is no other project completed.

In relation to high streets in all big cities and towns, there is almost no supply and average rental period of freed premises is made shorter.

Demand

The trend of strong interest in retail space, situated on Sofia high streets, remains steady. Demand is concentrated mostly in the center and also in busy places in city quarters, such as boulevards and stations. The most attractive areas are Graf Ignatiev Street, Vitosha Blvd., Alabin Str., the trade part of Solunska Str., Patriarh Evtimii Blvd., Vasil Levski Blvd. and Stamboliiski Blvd. There is also a strong interest for renting shops, located in the square around Sheraton – Council of Ministers – Lege Str.

The main part of retail area demand in the other big cities is also orientated towards premises with communicative location, mostly on central commercial boulevards and streets.

Due to the increased supply of retail area in the shopping centers, demand is orientated mainly to the malls, offering a different conception which usually provides more entertainment and variety of services.

Regarding retail space for purchase, demand is also orientated to the central locations with a big stream of people. The main target for purchase is investment.

Prices

During the first half of 2008 sale prices of retail space in the country remain stable and without abrupt changes. Average growth of sale prices in the segment is at the rate of 6.49%. The biggest growth is registered in Sofia – 8.51%, followed by Varna – 8.33%, Plovdiv – 7.96%, Veliko Tarnovo – 7.39% and Russe – 6.75%. Prices of stores, situated on “Kniaz Boris” and “Vladislav” main boulevards in Varna already reach values of between 10 and 15 000 EUR per sq.m.

Rental prices do not undergo considerable changes, except Russe and Veliko Tarnovo where values have gone up respectively by 37.26% and 31.42%. There are no price changes in most shopping centers under construction.

The main commercial streets in Sofia, such as Graf Ignatiev Street, Vitosha Blvd., Alabin Str. and the trade part of Solunska Str. keep values up from 50 to 120 EUR per sq.m. Rental prices of stores along the central boulevards Patriarh Evtimii, Vasil Levski and Stamboliiski vary from 25 to 40 EUR per sq.m.

Yields of retail space in the country are among the highest in Europe and it has an average level of 7,5% at the end of June. In Sofia average yields are 7,8%.

Average rental prices of retail space towards 30.06.2008
(Euro/sq.m)

	Sofia	Plovdiv	Varna	Burgas	Rousse	Veliko Tarnovo	Dobrich
Rental price - high streets	40-120	30-80	20-90	60-100	20-40	10-40	7-19
Rental price - shopping centers	30-60	25-40	20-60	18-55	10-45	7-28	

H2 2008 forecasts

- The stock of retail space in the country will continue to grow and another 63 900 sq.m. are expected to be completed in shopping malls by the end of the year. As a result, there will be nearly 25 sq.m retail space in malls per 1000 population in Bulgaria.
 - A smaller number of shopping centre projects will be announced in comparison with previous periods.
 - A more intensive development of retail parks and power centres is ahead as a few such projects are about to be launched on the territory of the country.
 - Significant changes in rent levels in the segment are not expected.

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Fax: 0035952 602 953
e-mail: varna2@foros.bg

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e-mail: sunnybeach@foros.bg

SALES AND RENTALS OFFICE PLOVDIV

Plovdiv 4000, 6 "Slivnitsa" Str., 4th floor, office 5
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Tel/Fax: 00359 32 924 155
e-mail: plovdiv@foros.bg

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e-mail: vtarnovo@foros.bg

SALES AND RENTALS OFFICE BALCHIK

Balchik 9600, 4 "Primorska" Str.
Tel/Fax: 00359 579 76 800
e-mail: balchik@foros.bg

SALES AND RENTALS OFFICE ROUSSE

Rousse 7000, 3 "Svoboda" Sq.
Tel: 00359 82 87 87 47, Tel/Fax: 00359 82 36 57
e-mail: ruse@foros.bg

SALES AND RENTALS OFFICE DOBRICH

Dobrich 9300, 8 "Svoboda" Sq.
"Bulgaria" hotel, foyer
Tel: 00359 58 60 33 22
e-mail: dobrich@foros.bg

SALES AND RENTALS OFFICE BANSKO

Bansko 2770, 6 "Pirin" Str.
Tel/Fax: 00359 749 88 542
e-mail: bansko@foros.bg

STARAZAGORA SALES AND RENTALS OFFICE

Stara Zagora 6000
160 "Tzar Simeon Veliki", 3rd floor, office 5
Mobile: 00359 889 89 49 90
e-mail: starazagora@foros.bg