



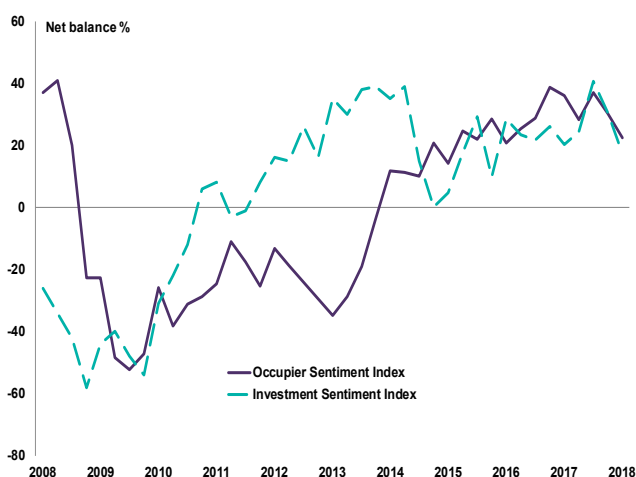
## Q1 2018: Bulgaria Commercial Property Monitor

# Capital value projections remain firm

### Occupier Market

- The Occupier Sentiment Index (a composite indicator capturing momentum) moved to +22 in Q1, following +30 previously. Although still signalling an improvement in overall occupier market conditions, the latest reading does suggest momentum has eased slightly.
- Occupier demand continued to rise at an all sector level, with a headline net balance of +46% of respondents noting an increase. Nevertheless, demand growth moderated slightly in the retail portion of the market, but remained robust for office and industrial space.
- The availability of leasable space increased modestly in Q1, mainly driven by an increase in the office sector. Alongside this, the value of incentive packages offered to tenants remained unchanged for a fourth straight quarter at the headline level.
- Rental growth projections for the coming year were trimmed from the previous quarter, as contributors revised down expectations for prime industrial rents in particular. That said, all sub-sectors are still projected to see an increase in rental values over the next twelve months, with the prime office sector displaying the strongest projections.
- Development starts continued to rise, with a net balance of +47% of respondents citing an increase. This indicator has signalled an accelerating rate of growth in new commercial construction activity for five straight reports quarters.

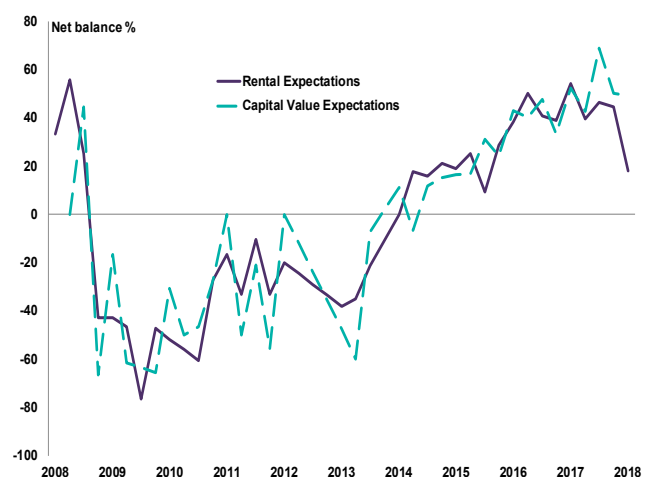
### Occupier and Investment Sentiment Index



### Investment Market

- The Investment Sentiment Index came in at +17, easing from +30 in Q4. Again, the index remains positive, suggests further improvement in the investment market, but at a more moderate rate than over previous quarters.
- Investor demand continued to rise at the headline level albeit the pace of growth slowed in comparison to Q4. Investor interest increased in the office and industrial sectors but remained broadly unchanged in the retail portion of the market. However, demand from foreign investors continued to rise across all three sectors.
- Alongside this, the supply of property for investment purposes increased once more in Q1 at a relatively similar pace to that over the previous quarter.
- Capital value projections for the year ahead were solid across all areas of the market with prime sub-sectors expected to outpace their secondary counterparts. Contributors expect this trend to continue over the three year horizon, with the prime office sector projected to see the most significant gains over this timeframe.
- The majority of respondents (61%) believe market conditions are consistent with the early to middle stages of an upturn. That said, a notable 31% sense the market is close to peaking (up from 10% in the Q4 results).

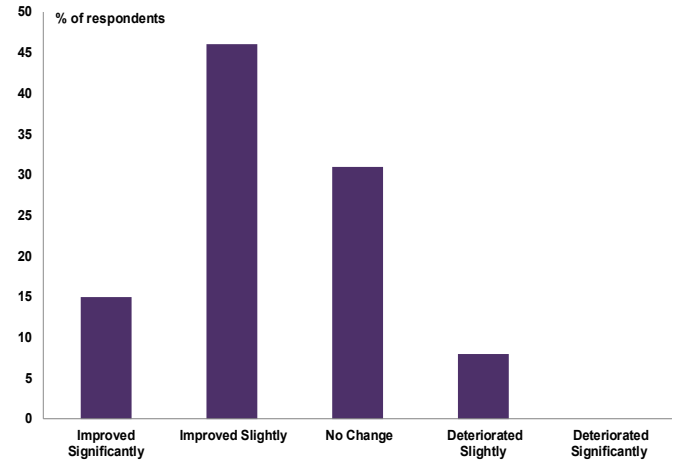
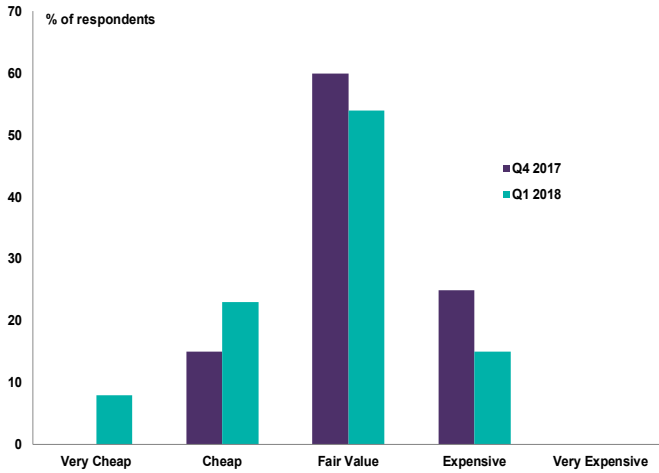
### Rental and Capital Value Expectations



# Commercial Property Market

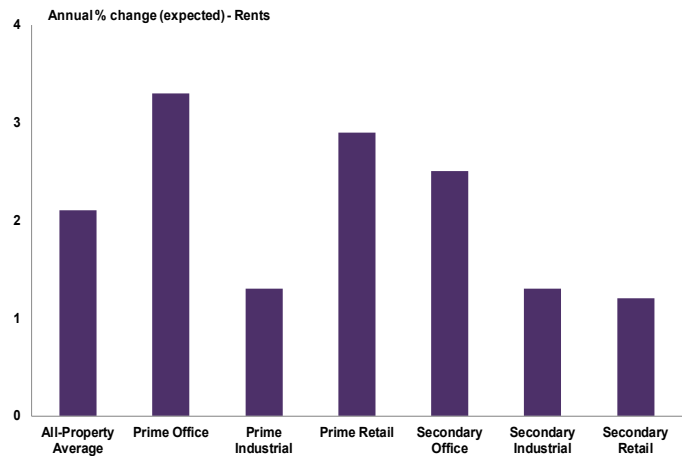
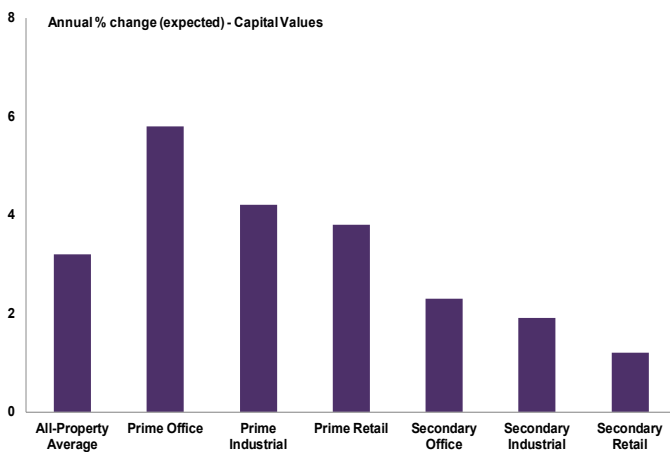
**Market Valuations** - The majority of contributors continue to view the commercial real estate market across Bulgaria to offer at least fair value for investors.

**Credit Conditions** - On balance credit conditions eased once again, with a combined 61% of respondents seeing some degree of improvement in Q1.



**12m Capital Value Expectations** - Capital values are projected to rise across all sub-markets over the year ahead. That said, respondents did trim forecast slightly compared with the previous results, with prime markets seeing to most noticeable downward revisions.

**12m Rental Expectations** - Rental growth projections were scaled back in Q1, but remain positive across the board. Prime office rents are expected to see the strongest gains in over the coming year, while only modest growth is expected across the industrial sector.



# Information

## Global Commercial Property Monitor

RICS' Global Commercial Property Monitor is a quarterly guide to the trends in the commercial property investment and occupier markets. The report is available from the RICS website [www.rics.org/economics](http://www.rics.org/economics) along with other surveys covering the housing market, residential lettings, commercial property, construction activity and the rural land market.

## Methodology

Survey questionnaires were sent out on 14 March 2018 with responses received until 11 April 2018. Respondents were asked to compare conditions over the latest three months with the previous three months as well as their views as to the outlook. A total of 1748 company responses were received, with 385 from the UK. Responses for Ireland were collated in conjunction with the Society of Chartered Surveyors Ireland. Responses for Spain and Portugal were collated in conjunction with Iberian Property. Responses for New Zealand were collated in conjunction with Property Council New Zealand.

Responses have been amalgamated across the three real estate sub-sectors (offices, retail and industrial) at a country level, to form a net balance reading for the market as a whole.

Net balance = Proportion of respondents reporting a rise in a variable (e.g. occupier demand) minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%). Net balance data can range from -100 to +100.

A positive net balance reading indicates an overall increase while a negative reading indicates an overall decline. The RICS Occupier Sentiment Index (OSI) is constructed by taking an unweighted average of readings for three series relating to the occupier market measured on a net balance basis; occupier demand, the level of inducements and rent expectations. The RICS Investment Sentiment Index (ISI) is constructed by taking an unweighted average of readings for three series relating to the investment market measured on a net balance basis; investment enquiries, capital value expectations and the supply of properties for sale.

## Contact details

This publication has been produced by RICS. For all economic enquiries, including participation in the monitor please contact: [economics@rics.org](mailto:economics@rics.org)

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## Economics Team

### Janet Guilfoyle

Market Surveys Administrator

+44(0)20 7334 3890

[jguilfoyle@rics.org](mailto:jguilfoyle@rics.org)

### Simon Rubinsohn

Chief Economist

+44(0)20 7334 3774

[srubinsohn@rics.org](mailto:srubinsohn@rics.org)

### Jeffrey Matsu

Senior Economist

+44(0)20 7695 1644

[jmatsu@rics.org](mailto:jmatsu@rics.org)

### Sean Ellison

Senior Economist

+65 68128179

[sellison@rics.org](mailto:sellison@rics.org)

### Tarrant Parsons

Economist

+44(0)20 7695 1585

[tparsons@rics.org](mailto:tparsons@rics.org)

### Kisa Zehra

Economist

+44(0) 7695 1675

[kzehra@rics.org](mailto:kzehra@rics.org)



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### United Kingdom RICS HQ

Parliament Square, London  
SW1P 3AD United Kingdom

**t** +44 (0)24 7686 8555

**f** +44 (0)20 7334 3811

[contactrics@rics.org](mailto:contactrics@rics.org)

#### Media enquiries

[pressoffice@rics.org](mailto:pressoffice@rics.org)

### Ireland

38 Merrion Square, Dublin 2,  
Ireland

**t** +353 1 644 5500

**f** +353 1 661 1797

[ricsireland@rics.org](mailto:ricsireland@rics.org)

### Europe

[excluding UK and Ireland]

Rue Ducale 67,  
1000 Brussels,  
Belgium

**t** +32 2 733 10 19

**f** +32 2 742 97 48

[ricseurope@rics.org](mailto:ricseurope@rics.org)

### Middle East

Office G14, Block 3,  
Knowledge Village,  
Dubai, United Arab Emirates

**t** +971 4 446 2808

**f** +971 4 427 2498

[ricsmenea@rics.org](mailto:ricsmenea@rics.org)

### Africa

PO Box 3400,  
Witkoppen 2068,  
South Africa

**t** +27 11 467 2857

**f** +27 86 514 0655

[ricsafrica@rics.org](mailto:ricsafrica@rics.org)

### Americas

One Grand Central Place,  
60 East 42nd Street, Suite 2810,  
New York 10165 – 2811, USA

**t** +1 212 847 7400

**f** +1 212 847 7401

[ricsamericas@rics.org](mailto:ricsamericas@rics.org)

### South America

Rua Maranhão, 584 – cj 104,  
São Paulo – SP, Brasil

**t** +55 11 2925 0068

[ricsbrasil@rics.org](mailto:ricsbrasil@rics.org)

### Oceania

Suite 1, Level 9,  
1 Castlereagh Street,  
Sydney NSW 2000. Australia

**t** +61 2 9216 2333

**f** +61 2 9232 5591

[info@rics.org](mailto:info@rics.org)

### North Asia

3707 Hopewell Centre,  
183 Queen's Road East  
Wanchai, Hong Kong

**t** +852 2537 7117

**f** +852 2537 2756

[ricsasia@rics.org](mailto:ricsasia@rics.org)

### ASEAN

10 Anson Road,  
#06-22 International Plaza,  
Singapore 079903

**t** +65 6635 4242

**f** +65 6635 4244

[ricssingapore@rics.org](mailto:ricssingapore@rics.org)

### Japan

Level 14 Hibiya Central Building,  
1-2-9 Nishi Shimbashi Minato-Ku,  
Tokyo 105-0003, Japan

**t** +81 3 5532 8813

**f** +81 3 5532 8814

[ricsjapan@rics.org](mailto:ricsjapan@rics.org)

### South Asia

48 & 49 Centrum Plaza,  
Sector Road, Sector 53,  
Gurgaon – 122002, India

**t** +91 124 459 5400

**f** +91 124 459 5402

[ricsindia@rics.org](mailto:ricsindia@rics.org)