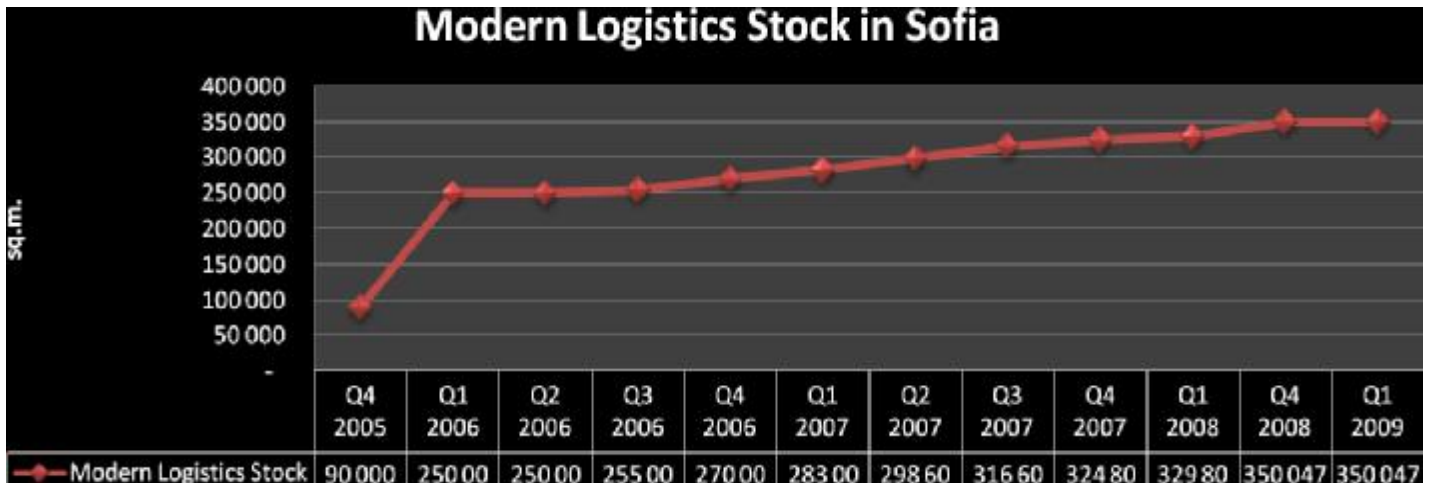


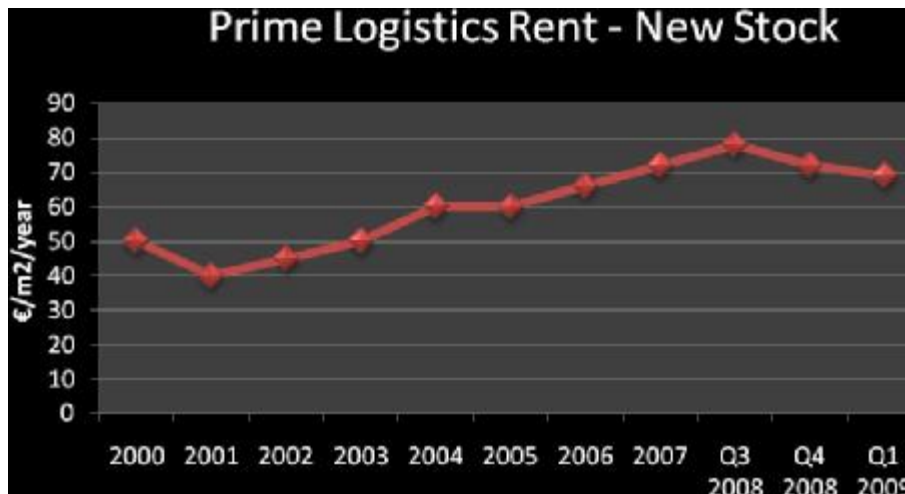
## Logistics/Warehousing

- Logistics space sector continues to be the most non-speculative sector of the real estate market. Until recently, the unreasonably high land prices made investments in logistics space financially unattractive. However, the recent sharp decline of land plot prices will potentially increase investors' appetite towards this sector.
- The sector experiences renewed positive trend since the beginning of the year. An increasing number of western technology leaders are relocating and consolidating their operations in Bulgaria due to the lowest corporate and income taxes in the EU (10% each), low labor costs, educated labor force as well as the harsh economic conditions in their domestic markets.
- Owner-occupied and built-to-suit developments continue to dominate the warehouse market across Bulgaria.
- Currently, the largest industrial areas in Sofia are in the east and north-east regions near the districts of Druzhba and Gara Iskar. Areas to the east from the Ring road and between the two motorways Trakia and Hemus, close to the town of Elin Pelin and the villages of Kazichane and Krivina are also very attractive for future developments.
- Apart from Sofia, Plovdiv is the only city in Bulgaria with well-developed and consolidated industrial developments concentrated in the four industrial zones within the city as well as the industrial zones of Maritza, Rakovski and Kuklen.
- Schenker will invest 20 mln. BGN in logistics terminal in Bozhurishte near Sofia. The total built-up area of the logistics part will be 5 000 sq.m., while the TBA of the office part will be 3 000 sq.m.
- The municipality of Shumen along with private investors is planning to develop an industrial zone near the town. The municipality has committed a land plot of 2 418 dka. The first phase of the project will be developed on 600 dka land plot.
- The logistics complex Logistika Universal is currently under construction. It faces Trakia Highway near the ring road of Sofia. There will be four warehouse buildings with TBA of 26 000 sq.m. The complex is scheduled to be completed by the end of this year.
- The retail chain Penny has started to construct its logistics complex in the village of Stolnik, Elin Pelin Municipality.
- Landmark is developing an office and logistics center Higia. It is located in the village of Gorni Lozen near the ring road of Sofia and Tsarigradsko Shousse Blvd. The total built – up area of the center is 8 884 sq.m.
- A large industrial project was announced in Bozhurishte, just outside Sofia. By initial plans Industrial Park Sofia will provide over 1 million sq.m. of industrial space. The project is at an early concept stage.

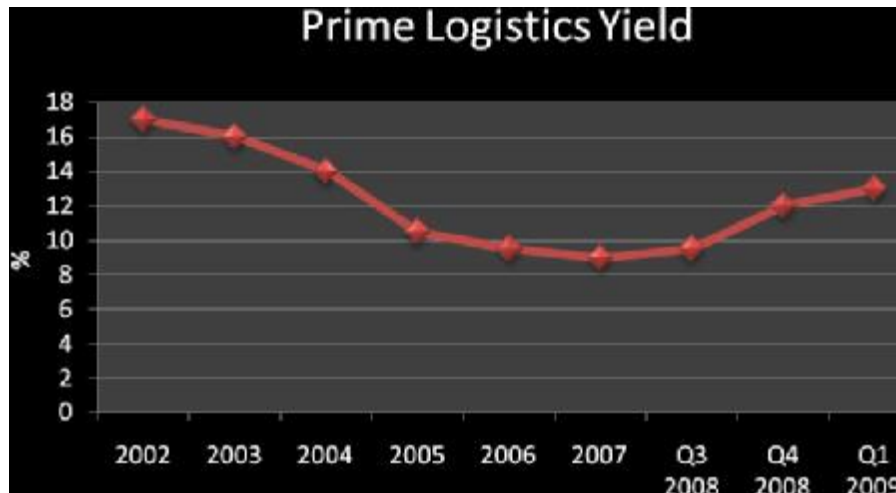
- The third and last logistics building of Sofia Airport Center is currently under construction and will be completed in June this year. It will deliver 8 969 sq.m. of logistics space to the market.
- Supply remained unchanged in the last quarter. As at the end of 2008 the total modern stock of warehouse and logistics space in Sofia is estimated at 350 000 sq.m. Plovdiv is the second largest logistics hub in the country with approximately 226 529 sq.m. of modern warehouse stock.



- Prime rents for new warehouse/logistics space in Sofia are in the range of EUR 5.00 – 6.00 per sq.m./month. Old stock is leased out at EUR 1-2 per sq.m.

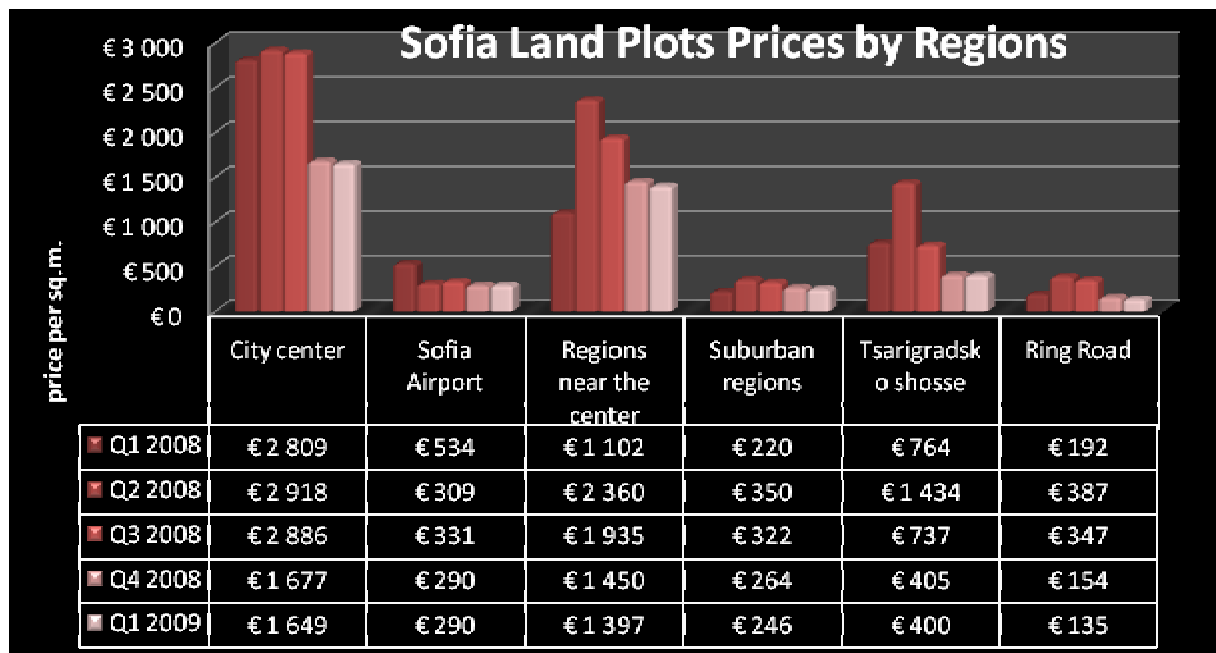


- Despite the relatively high demand for logistics space, the high cost of financing and banks' credit restrictions has significantly increased yields. As of Q1 2009, prime yield continued to increase and is estimated to be around 13%. Even at this rate there is almost no investor's interest, which might result in even higher yields in the next quarter.



## Land

- Since the precipitous fall of land prices in Q4 2008, the prices continued to decline, albeit at much slower pace – about 5% in Sofia. The largest decline was again recorded around the Sofia Ring road. Land plots prices around the Ring road decreased by about 12%. Prices in the suburban regions declined by about 7%, while prices around Sofia airport remained unchanged.
- The regions between the highways Trakia and Hemus also recorded very significant declines. The land plot prices dropped from 120 – 150 €/sq.m. to 70 – 80 €/sq.m.
- These price reductions are direct result of the many canceled real estate projects that significantly decreased the demand for land plots. However, these reductions are expected to contribute positively to the logistics property market in the long run.



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