SOFIA

# FOOD & BEVERAGE REPORT

Q1 2019

# CONTENTS

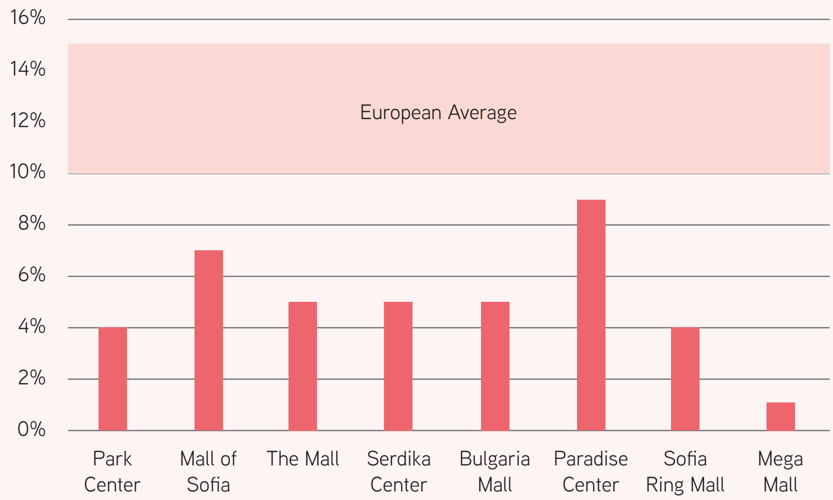
This report covers the Food & Beverage (F&B) category in modern shopping centres in Sofia. It analyzes its share in the tenant mix and the key trends in its evolution presently and in the future.

# I. FOOD & BEVERAGE CATEGORY IN SOFIA SHOPPING CENTRES

F&B category[1] takes about 6% or 20,000 sqm of the total space of modern shopping centres in Sofia.

In other European cities, the amount of shopping centre floorspace, dedicated to F&B, has grown gradually from 5% a decade ago to 10-15% in present times and is forecasted to reach 20% of the total space by 2025. In all modern shopping centres in Sofia it is 2 to 3 times below the European benchmark.

*FIG. 1:* **F&B CATEGORY AS A % OF TOTAL GLA**




## 1. F&B SUBCATEGORY CHARACTERISTICS

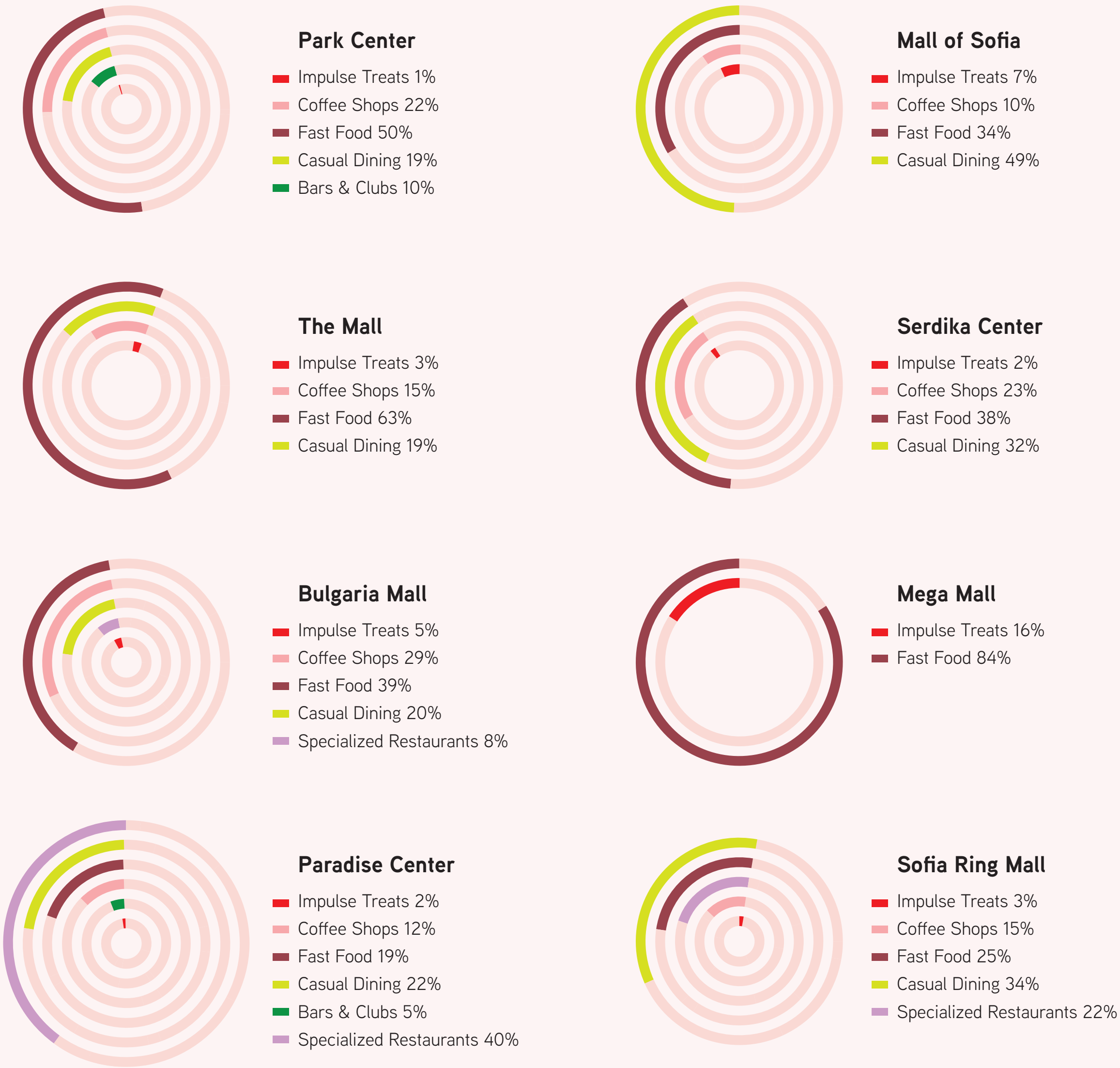
*TABLE. 1*

| F&B Subcategory | Typical Trading Periods | Typical Purchase | Typical Dwell Time |
|---|---|---|---|
| Impulse Treats | Anytime of the day | One item | Takeaway |
| Coffee Shops | Breakfast, afternoon break | 1 coffee drink | Takeaway or half an hour, on average |
| Fast Food | Lunch, dinner, snack times | Meal deal including a drink | 10 – 20 minutes |
| Casual Dining Restaurants | Lunch and dinner | 2-course meal with or without alcohol | 30 – 60 minutes |
| Specialized Restaurants | Lunch and dinner | 2- or 3-course meal often with alcohol | 60 – 120 minutes |
| Bars & Clubs | Evening | Drink | 60 – 90 minutes |

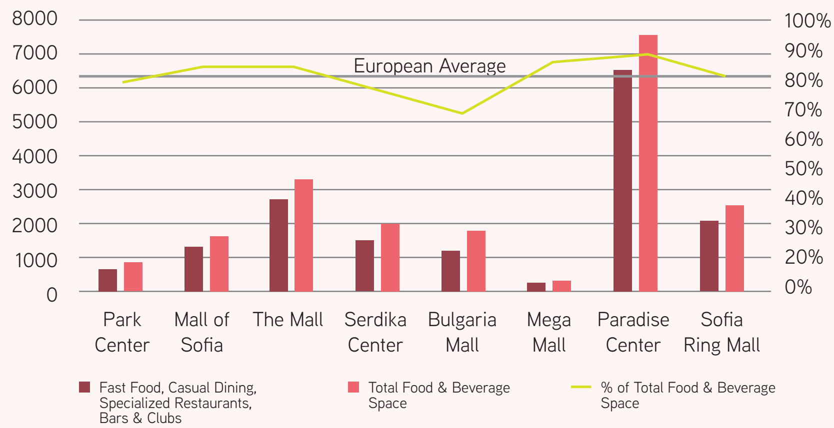
3/Fine Dining Restaurants - this subcategory is not presented in shopping centres in Sofia.

Source: Colliers International

## *FIG. 2:* DISTRIBUTION OF F&B SUBCATEGORIES PER SHOPPING CENTRE




## *FIG. 3* FAST FOOD, CASUAL DINING AND BARS & CLUBS SUBCATEGORIES' SHARE




Source: Colliers International

# 2. TYPICAL F&B SUBCATEGORY SIZE

*TABLE. 2*

| F&B Subcategory | Optimal Unit Size sqm \| Europe | Optimal Unit Size sqm \| Sofia |
|---|---|---|
| Impulse Treats | 20 -30 | 6-20 |
| Coffee Shops | 148-250 | 20-200 |
| Fast Food | 200-400 | 20-200 |
| Casual Dining Restaurants | 300-600 | 150-1500 |
| Specialized Restaurants | 300-600 | 150-700 |
| Bars & Clubs | 350 | 100-400 |

Source: Colliers International

# 3. F&B SUBCATEGORIES[3] IN SOFIA SHOPPING CENTRES

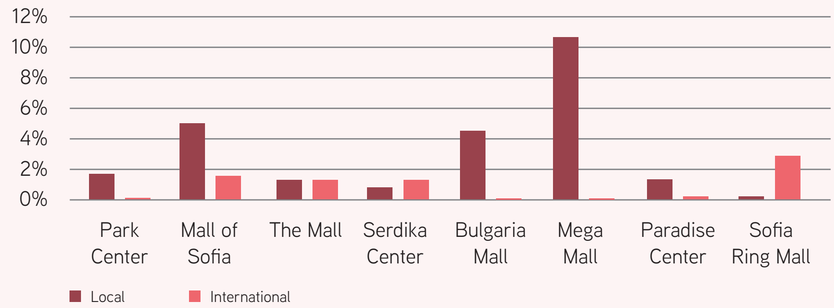
F&B subcategories distribution is divergent and shopping centre specific. Nevertheless, in all cases the largest share is taken by Fast Food. Colliers' research in reveals that the latter subcategory and Casual Dining are adequately represented in all modern shopping centres in Sofia. On the contrary, Specialized Restaurants and Bars are presented in only 3 out of 8 malls. Fig. 2 shows the F&B subcategory distribution by shopping centre.

## 3.1. FAST FOOD, CASUAL DINING AND BARS & CLUBS SUBCATEGORIES' SHARE

According to the International Council of Shopping Centres (ICSC), about 80% of the F&B space in a shopping centre should be dedicated to Fast Food, Casual Dining Restaurants and Bars & Clubs, with the remaining 20% focused on Impulse Treats and Coffee Shops. Only three of the shopping centres in Sofia are below these 80%, for the rest, the percentage varies between 81% and 89%. Sofia Ring Mall, The Mall and Mall of Sofia are very close to the ICSC benchmark distribution. (Fig. 3)

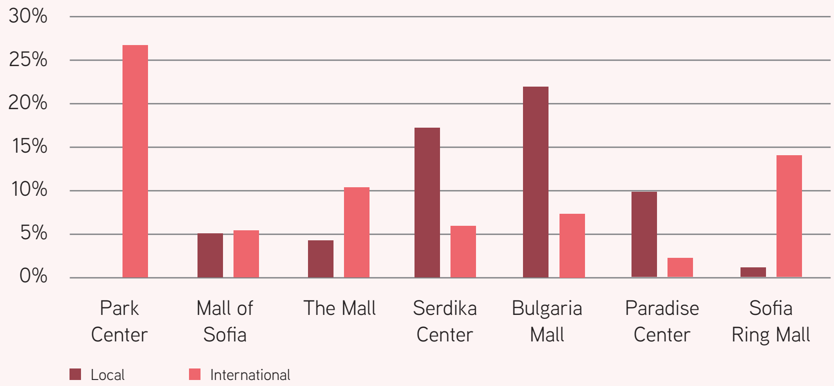
3/Fine Dining Restaurants - this subcategory is not presented in shopping centres in Sofia.

## *FIG. 4:* IMPULSE TREATS

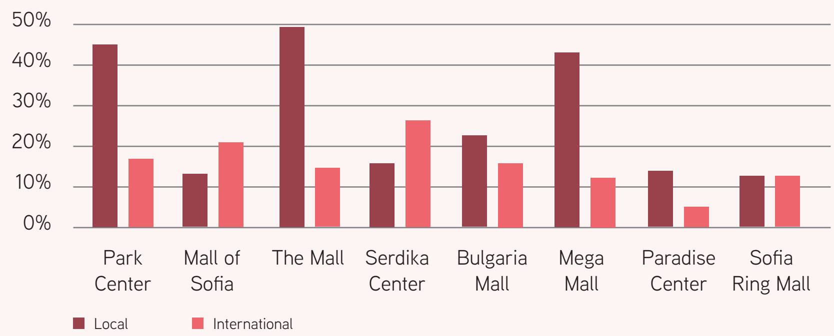



*Mega Mall deviation is due to the small base of F&B space

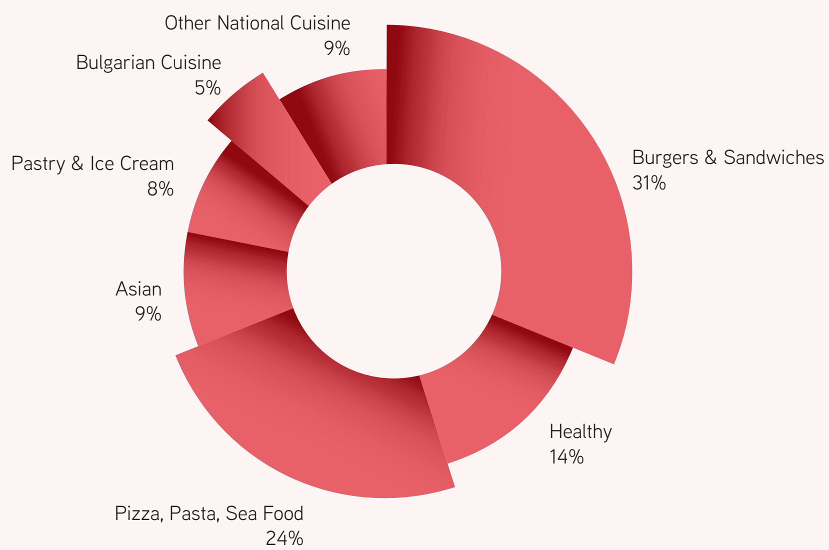
## *FIG. 5:* COFFEE SHOPS




## *FIG. 6:* FAST FOOD




## *FIG. 7:* FOOD COURT DISTRIBUTION BY FOOD TYPES




Source: Colliers International

## 3.2. MIX OF LOCAL AND INTERNATIONAL F&B BRANDS

F&B category in shopping malls in Sofia predominantly consists of local brands. The highest concentration of international brands is registered for Coffee Shops and Fast Food. Figures 4 – 6 present the proportion of local and international brands per subcategory and shopping centre.

## 3.3. FOOD COURT DISTRIBUTION BY FOOD TYPES

The typical meeting place in a shopping centre is the Food Court. The most common culinary offers of Food Courts in Sofia are burgers & sandwiches (32%) and pizza, pasta and sea food (22%). The growing awareness of healthy nutrition determines the good positioning of this type of food in comparison to others. (Fig. 7)

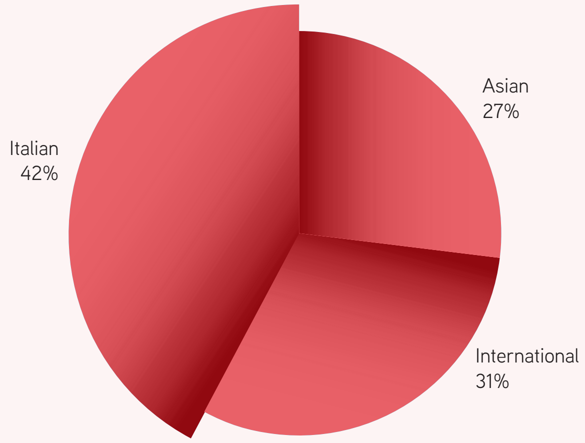
## 3.4. RESTAURANTS DISTRIBUTION BY CUISINE TYPES

Restaurants are another typical meeting place in a shopping centre. The most popular cuisine types in the surveyed malls are Asian, Italian and International. (Fig. 8)

## 3.5. KIOSKS THAT ARE SERVED BY F&B SECTOR

Kiosks are placed on almost every corner in a shopping centre with the aim to foster impulse purchases. The current share of kiosks served by the F&B sector in the shopping centres in Sofia is 18%.

*FIG. 8:* **RESTAURANTS DISTRIBUTION BY CUISINE TYPES**




Source: Colliers International

*FIG. 9:* **DO YOU INTEND TO OPEN NEW PREMISES IN 2019?**

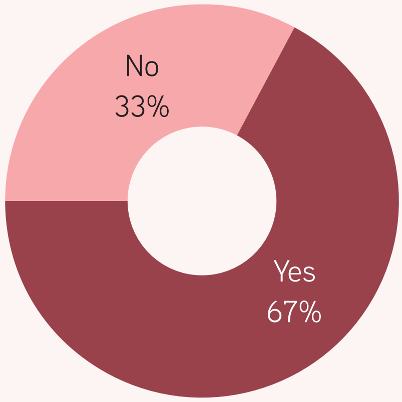



*FIG. 10:* **WHERE DO YOU PLAN TO OPEN NEW PREMISES?**

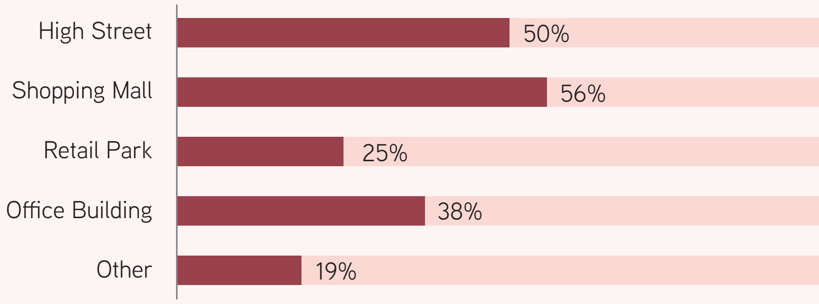



*FIG. 11:* **IN WHICH CITIES?**

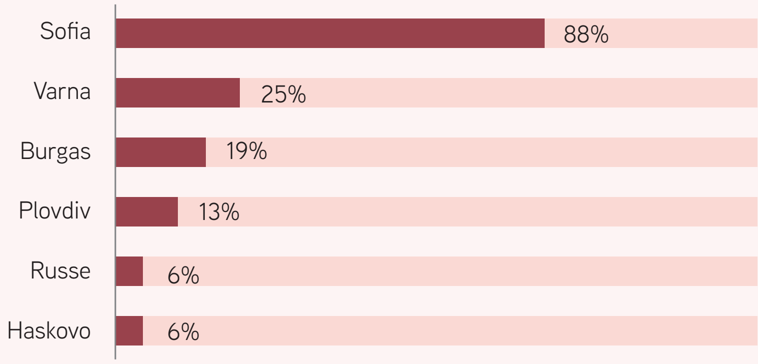
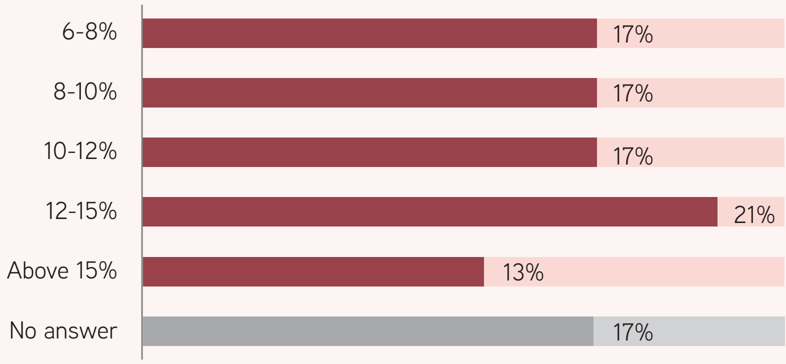



*FIG. 12:* **WHAT IS YOUR OCCUPANCY COST RATIO?**




Source: Colliers International

# II. F&B SURVEY RESULTS

In November 2018 Colliers International conducted a survey among F&B operators in Bulgaria. It revealed that 67% of the participants have intentions to expand in 2019. High streets and shopping centres are the most preferred locations, but the vivid development of the office market motivates 38% of them to consider opening point of sales in office buildings as an option. 88% stated that they plan to open new locations in Sofia.

21% of the participants in the survey reported occupancy costs in the range of 12-15%. Defining a sustainable occupancy costs ratio for the F&B sector in shopping centres is complex as it depends on profit margins of the operator, country specific labor costs and the dominance of the retail scheme itself. Occupancy costs ratio below 15% typically may be used as a threshold for healthy relationship between costs and benefits of a lease of a F&B operator.

# III. FORECAST

- Shopping centres that successfully innovate and create the right concept and environment can become social hubs. Enjoying food together has become a sustainable part of the shopping centre experience.
- The right mix of F&B in shopping centres is an effective tool to increase footfall, dwell time, customer spending and overall sales growth.
- There is room for improvement of the F&B category in Bulgaria:
  - » Plan, design and execute enlargement of the food court zones;
  - » Add more international operators to the tenant mix;
  - » Food types represented on food courts will grow in terms of diversity of the offer;
  - » Specialized restaurants and Bars & Clubs are currently underrepresented in shopping malls in Sofia and filling this niche may provide a competitive advantage to certain projects.

**Definitions:**

1. F&B category – includes all impulse treats kiosks, café, restaurants and fast food operators

2. Report covers shopping centres above 10,000 sqm

3. F&B types

| F&B Types | Definitions |
|---|---|
| Impulse Treats | Point of sales aimed to trigger an unplanned decision to buy a product |
| Coffee Shop | A space which primarily serves hot coffee, related coffee drinks and other hot drinks. Many cafés also serve some type of food, such as light snacks, muffins or pastries |
| Fast Food | A quick service restaurant that serves fast food cuisine and has minimal table service |
| Casual Dining Restaurants | Restaurants that serve moderately-priced food in a casual atmosphere, typically table service is provided |
| Fine Dining Restaurants | Full service restaurants with specific dedicated meal courses and a set of dining rules for the customers, often including a dress code. Interior design of the premises features higher-quality materials and luxury ambience |
| Specialized Restaurants | Restaurants specializing in a particular cuisine |
| Bars & Clubs | Entertainment venues that usually operate late into the night and serve as places for social interaction |

## FOR MORE INFORMATION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