

THE INVESTMENT OPPORTUNITIES ON PRIVATE INDUSTRIAL ZONE OF 2,8Ha IN PLOVDIV

The current situation related to the COVID-19 pandemic caused global supply chain disruptions, increase in trade barriers, and shifting consumer mindset. From industrial perspective, these and other challenges will have an impact on geographical planning of production and warehouse facilities.

Bulgaria has been ascertaining its position over the recent years as a competitive investment destination in Southeast Europe in manufacturing and services sectors, among others. Bulgaria's advantageous geographic position as the European gate to Turkey and the Middle East, with several Pan-European transport corridors passing through the country, makes it an attractive investment destination also for industrial manufacturing and logistics services. Apart from that, as an EU member state the country benefits from all features of the European Single Market.

STRUCTURING CONSIDERATIONS

In industrial projects there are some key differences in the deal process compared to other real estate projects, due especially to the location of such developments, which typically are outside urban areas. There are different options for structuring of the investment and respectively different due diligence matters to be considered depending on whether it is a greenfield land acquisition and development or investment in a new facility in an existing industrial area.

The acquisition of full ownership of title to the land is the most common form of holding title to real estate in Bulgaria. It gives the owner:

- **the maximum beneficial and legal entitlements, and is perpetual;**
- **the maximum power to dispose of, possess and use the real estate;**
- **the entitlement to become the owner of any and all permanent attachments to the land, known as the rule of accession (although alternative arrangements can be agreed).**

Why industrial zone is preferred to be ready for investors

The investor may have to acquire easement rights for road and utilities infrastructure for its project. Easement rights can be critical from practical and legal perspective, as the close proximity of suitable infrastructure and the investment in interconnection from the nearby infrastructure to the project can significantly impact the timeframe and costs for completion of the project.

Investment in *private industrial zones* or *state industrial zones* will also affect the deal structure and the pre-transaction due diligence process.

INVESTMENT IN PLOVDIV

Industrial plot is ready for investment

The plot is on a perfect strategic position

The owner LUXOR BUILD from Plovdiv finalized administrative procedures of urbanization and transformation in industrial zone, on an approximately 2,8Ha.

The industrial zone is ready for investment. The zone is on an exceptionally good position, prepared for producers, hubs and storages.

Why to choose this zone

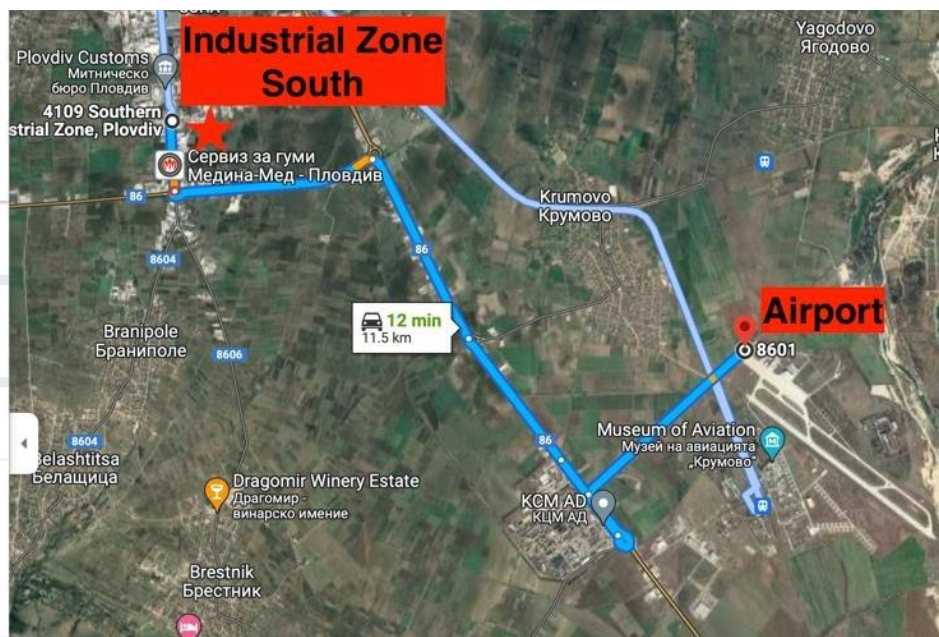
- Existing road infrastructure
- Two Public transport stops
- The customs office is on a 3km
- The airport is on a 11km
- Logistic center is on a 2km
- Low taxes

The owner, construction company- LUXOR BILD prepared the plot for sale. The construction company- LUXOR BUILD can offer, project planning and technical documents, and administrative and technical support, and be on a disposal to build for investor- purchaser of the industrial zone..

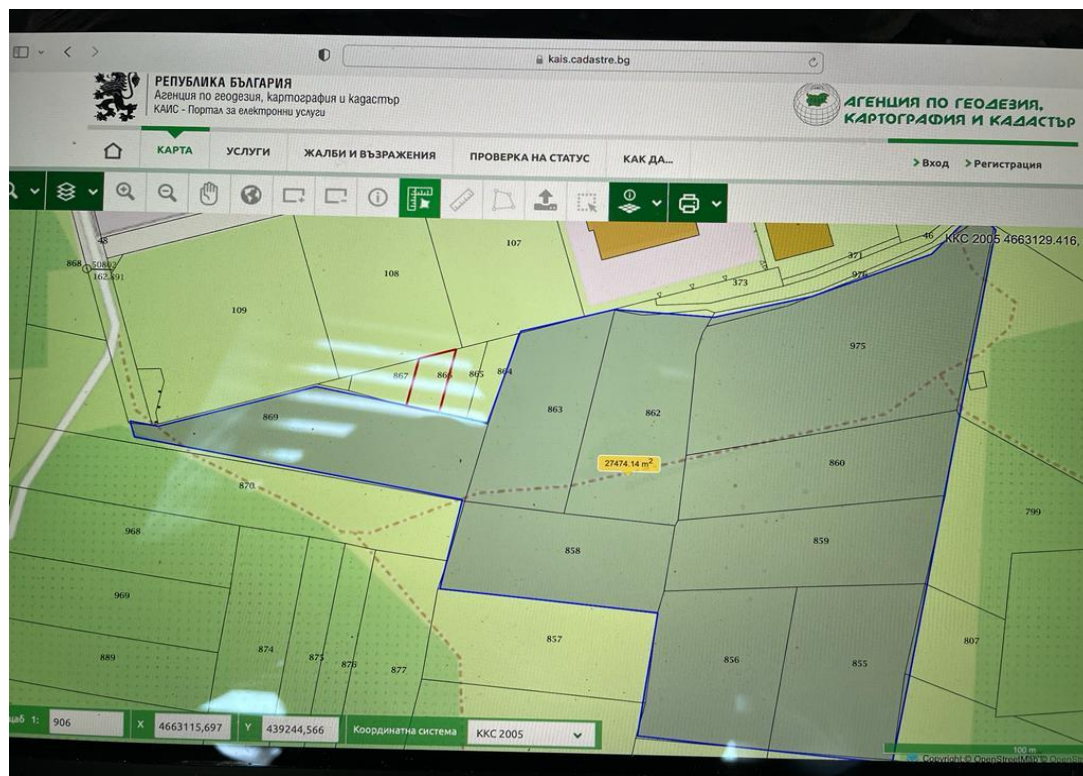
The prices of the parcel can be negotiated.

In this zone, particularly the price of land is approximately 100 Euro/m2.

Location



The plot/ industrial zone for sale is marked on the maps below:

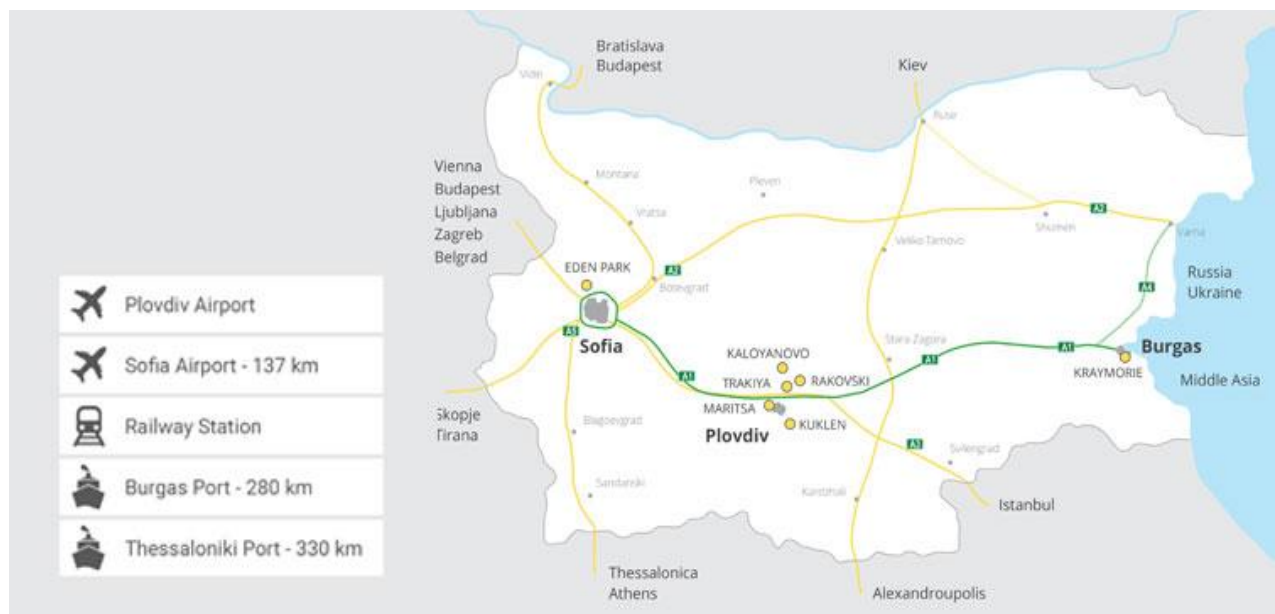


WHY PLOVDIV IS PERFECT CHOICE FOR INVESTMENT

Plovdiv is the second-largest city in Bulgaria and currently, it proudly hosts the **European Capital of Culture 2019**. An award, designated by the EU and which has opened a number of opportunities for the city and the country.

Plovdiv is situated in the Upper Thracian Plain. The region consists mostly fertile planes. The climate is accommodating for both industrial and construction activities. Plovdiv is only 30 minutes to the mountains and 2 hours to the sea side.

Connections Plovdiv is a major link in the transport chain connecting Europe with the Middle East and Anatolia (Asia Minor). It is a road intersection point of three Pan-European corridors IV (Dresden–Bucharest–Plovdiv–Istanbul), VIII (Durrës–Plovdiv–Burgas), and X (Salzburg–Belgrade–Plovdiv–Istanbul). Plovdiv station has a strategic location in the national railway system with the capacity of handling 32 trains daily and unloading 2 000 wagons per day.



The city has well-developed and modern infrastructure – electricity, natural gas, water and sewerage, telecommunication, and fast internet. There is access to electricity in all towns and villages in the region provided by modern power distribution system. About 75% of the urban territories have available central sewage and wastewater treatment. Some of the major international and national gas transit pipelines are crossing the Plovdiv district.

Labour force and education

Most of the population of the Plovdiv region is working in the manufacturing sector. Furthermore, the area has a well-developed business service sector. According to a National Statistical Institute, the numbers of industry compatible employees on a district level are:

- 34 317 machine operators
- 26 734 skilled industrial workers
- 18 035 technicians

Bulgaria is known to possess one of the most competitive costs of labor in Europe with significantly lower wage levels than those in other European countries. Despite that fact, Plovdiv has a skilled workforce which provides all the high-quality services a manufacturing company might need.

The well-developed educational system, supported by the educational institutes and training projects, helps the city to produce trained and qualified students in the technical and applied disciplines.

(EUR per month) ENTRY LEVEL		JOB POSITION	(EUR per month) SKILLED WORKERS	
Total labor cost	Net pay		Net pay	Total labor cost
572	373	PRODUCTION ASSEMBLY WORKERS	488	748
654	427	CNC MACHINE OPERATORS	606	928
869	567	ENGINEERS - INDUSTRIAL MACHINES & SYSTEMS	804	1 233
810	529	ELECTRICAL ENGINEERS	750	1 149
860	561	ENGINEERS – CONSTRUCTORS	870	1 333
906	591	FIRST-LINE MANAGERS, SUPERVISORS, TECHNICIANS	812	1 244
766	500	WELDERS, LATHE & METAL WORKERS	800	1 226

GOVERNMENT INCENTIVES

The legal framework in Bulgaria provides for incentives which aim to foster investment and improve the business climate. Investments which fulfil certain criteria (such as duration, total investment amount, etc.) are entitled to specific advantageous measures under the Bulgarian Investment Promotion Act.

While this certification is a prerequisite for obtaining assistance and acquiring industrial property from the National Company for Industrial Zones (*see above*), the measures under the Investment Promotion Act are generally applicable for any certified investment and those incentives could be applied also to investment in private industrial zones.

The incentives are applied towards projects which have been certified as *class A*, *class B* or are identified as a *priority investment project*. Depending on the desired certification class and supportive measures, potential investors may apply to the National Investment Agency for certification of the contemplated project (for *class A*, *class B* and *priority investment projects*) or or the mayor of a municipality (for *class B*).

Once certified with a respective investment class the investors may benefit from the specific measures provided by the law. Below is a non-exhaustive list of such incentives with their key features:

➤ *Priority administrative assistance and services*

Certified investors have their applications and administrative procedures processed within shorter terms. Projects obtained certifications as *class A* or *priority investment project* are entitled to individual administrative assistance by officers acting as proxies.

➤ *Acquisition of state-owned real estate properties through simplified procedures – on market or below market price*

Properties owned by the state or a municipality generally need to undergo a tender procedure for sale to private investors. However, certified investors may acquire real estate properties or limited *in rem rights* over state or municipal properties without the need of a tender procedure.

Investors certified as *priority investment projects* may acquire real estate properties on prices even below market average. Examples for investments which could be certified as *priority investment projects* include the development of an industrial park or technological park with the necessary infrastructure for the purposes of attracting further investments in such parks.

The benefits of this special incentive come along with certain conditions related to deadline for completion of the project and exit restrictions for a certain period (3 or 5 years). There is also a limitation on the establishment of security over the acquired property, which should be considered when attracting financing for the project development.

Bulgaria offers the lowest operational cost in the European Union. It holds the 1st place for the lowest personal and corporate income flat tax rates in the European Union (10%) and has only 25% government debt (% of GDP) which makes it the 3rd lowest in the European Union (according to Eurostat, 2017). By the Global Competitiveness Index, a comprehensive tool that measures the microeconomic and macroeconomic foundations of national competitiveness, Bulgaria is 49th out of 137 countries. The official currency in the country is the Bulgarian lev (BGN). Bulgaria has a fixed exchange rate regime since 1997 and it will maintain it until the adoption of the single European currency. Thanks to the support of the currency board, Bulgaria has a stable currency, pegging the Bulgarian lev to the euro at the level of 1.96.

➤ *Financial support for infrastructure development*

The Council of Ministers may grant financial support for building public infrastructure from the closest infrastructure grid to the boundaries of the investor's land plot. Such financial aid may be granted for an investment certified as *class A, priority investment project* or in connecting with the development of at least two *class B* projects within one industrial zone.

The amount of financial support is planned with the annual state budget each year. Applications for this measure shall be submitted to the Ministry of Economy and are then evaluated by a committee from the Ministry of Economy each calendar quarter provided that there are still non-distributed amounts for the respective year.

➤ *Financial support for qualification of employees*

The Council of Ministers may grant financial support for obtaining further qualification of the employees involved in a certified project. A prerequisite for this measure is that the investment project relates to high-tech services or, alternatively, that the project is developed within economically weaker areas of the country. Such training/education of the investor's employees may be carried out in an external educational institution or the employer may organize this further education within the company with the amounts provided.

➤ *Partial financial relief of the mandatory social security contributions*

The Council of Ministers may approve financial incentive for certified investments so that mandatory social security and health insurance contributions which have been paid by the certified company for its employees for a period of up to 24 months may be reimbursed to the employer. Necessary prerequisites include the requirement that the annual remuneration of the certified employer's employees be higher than the average annual remuneration for the respective field of business. The newly established employment positions shall be maintained for a certain time period (3 or 5 years depending on the scale of the project).