



YoY Chg 12-Mo. Forecast

12.9%
Vacancy Rate



16,073
Take-Up sqm



€15.00
Asking Rent, PSM



(Prime Asking Rents)

ECONOMIC INDICATORS 2020

YoY Chg 12-Mo. Forecast

- 4.2%
Bulgaria
GDP Growth



5.1%
Bulgaria
Unemployment Rate



1.7%
Bulgaria
2020, Annual Inflation



Source: National Statistical Institute

ECONOMY: Reduced Business Activity

The Bulgarian GDP declined by 4.2% in 2020, due to the containment measures and the subdued economic activity. Business sentiments remain cautious at the beginning of the present year, reflecting the uncertainty caused by the pandemic. Although the wage support schemes underpin healthy employment rate, the demand for office space remains predictably frail, since many occupiers are unsure about their future plans. However, first signs of market recovery are expected in the second half of 2021 along with the forecasted economic upturn.

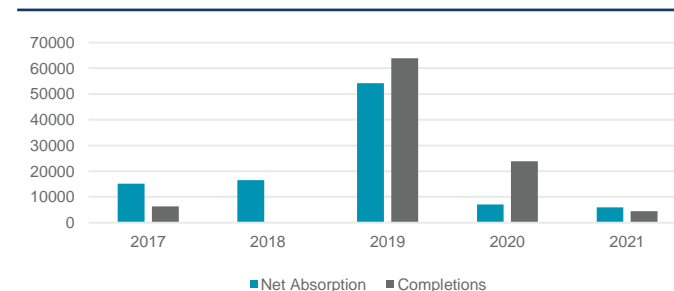
SUPPLY AND DEMAND: Smaller leases drive the market

The office market in Sofia followed the forecasts and remained slow in the first quarter of 2021, with only 16,073 sqm rented space. Compared to the 5-year average, the total volume is down by 46%. Net absorption is slightly below 6,000 sqm which indicates limited expansion activity by occupiers. The main driver in Q1 were small leases, up to 500-600 sqm, mostly relocations and renewals. Large part of inquiries come from companies in the service sector, which aim to move to better location and improve their work environment. The share of IT and BPO industry in the total take up is slightly down, since work from home remains strong trend and make some companies postpone or reconsider their expansion plans. In general, most occupiers plan to start getting back their employees in the office in the autumn. Since most of the companies continue to hire during the home office period, their teams actually grew, which is expected to support the demand of office space. On the supply side, the picture is quite similar, with only two small office building completed in the first quarter of 2021. Despite the lack of new projects, the delayed completions from 2020 keep the pipeline at 346,300 sqm. The vacancy rate remains stable at about 13%, with a noticeable trend towards tenant migration to Class A office buildings. Despite the availability of 30,800 sqm for sublease in Sofia, only single transactions are registered in this market segment at the beginning of 2021. Most occupiers are looking for stability and consistency in their office solutions, which the subleased space cannot provide.

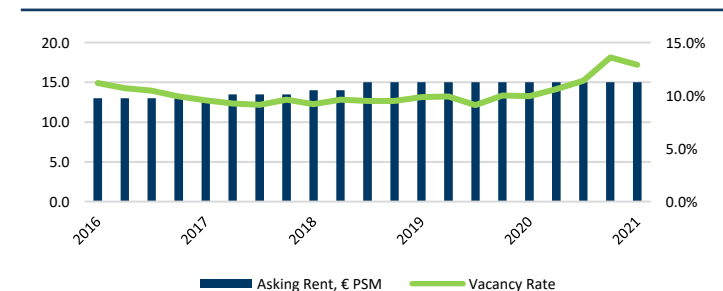
PRICING: More incentives

Despite the low leasing activity, asking rents in Sofia remain relatively stable at 15 euro/sqm for prime CBD locations and 12-14 euro/sqm for Class A projects alongside the main roads. Growing competition make landlords more prone to incentives, such as step rents, rent free periods, fit-out contributions and short term solutions. Class B office prices are under increasing pressure, with asking rents moving down to 8 euro/sqm, about 10% decrease from the previous quarters.

SPACE DEMAND / DELIVERIES Q1



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (\$M)	AVAILABILITY (\$M)	OVERALL VACANCY RATE	CURRENT QTR TAKE-UP	YTD OVERALL TAKE-UP(\$M)	UNDER CNSTR (\$M)	PRIME RENT	PRIME YIELD
Sofia	2,104,789	272,057	12.9%	16,073	16,073	346,289	€15.00	7.75%
TOTAL	2,104,789	272,057	12.9%	16,073	16,073	346,289	€15.00	7.75%

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	RSM	TYPE
Varna Towers	Varna	Paysafe	2,700	New entry
Synergy Tower	Sofia	Robert Bosch	2,749	Prelease
NV Tower	Sofia	Proxiad Bulgaria	1,200	Prelease

KEY CONSTRUCTION COMPLETIONS YTD 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SM	OWNER / DEVELOPER
Graphite Business Center	Sofia	-	900	VAS Metal
BIA Sky Office Building	Sofia	BIA	3,500	BSK Imoti

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