

## MARKET INDICATORS

### Market Outlook

Prime Rents:	Unchanged in the last quarter, forecasted to remain stable	▶
Prime Yields:	Unchanged at 7.75% in the second half of 2018	▶
Supply:	Forecasted to grow significantly in a medium term	▼
Demand:	Remains strong in Sofia, thanks to the activity of IT and BPO business	▶

### Prime Office rents – December 2018

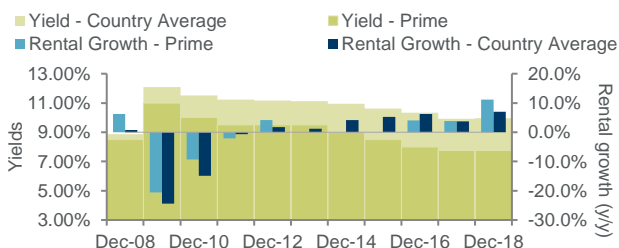
LOCATION	€		US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Sofia	15.00	180	19.1	11.1	3.7
Plovdiv	9.00	108	11.4	12.5	10.4

### Prime Office yields – December 2018

LOCATION (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Sofia	7.75	7.75	7.75	11.00	7.75
Plovdiv*	12.50	12.50	12.50	13.00	12.00

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

### Recent performance



## Overview

Sofia's office market recorded another strong year in terms of tenant activity and take-up volume. The good performance was underpinned by the sound economic fundamentals and continuing expansion of IT and BPO industry. Supply of high-standard office space increased at a moderate pace but a number of large completions are scheduled for the present year.

## Occupier focus

With a series of notable leases in the second half of 2018, the office market maintained momentum from the previous years. Take up volume amounted to 187,258 sqm ranging among the largest ones historically. Despite the strong market performance, net absorption stood at around 90,000 sqm because of the limited number of new deliveries. About half of the planned completions for 2018 were rescheduled and the year ended with 90,120 sqm new office supply. The last quarter added 37,850 sqm to the Class A and B stock with the completion of three small- and mid-size projects. Meanwhile, about 100,000 sqm new projects obtained building permits and the office space under construction swelled to 440,000 sqm at the end of 2018. Developers are encouraged by the prolonged shortage of high-standard space but this trend is not expected to continue.

On the demand side, pre-leases remain a notable trend accounting for roughly 40% of the take up in 2018. With the increasing supply of modern space more companies are expected to migrate to better class offices which will maintain high proportion of preleases and relocations in the total leasing volume. High tech industry continues to be the most important market driver with about 70% share of the take up in 2018. In contrast, financial and life-science sectors are losing market share compared to previous years. Tenant activity and moderate supply increase kept vacancy rate at 9.5% in the last quarter of 2018. However, the availability is forecasted to gradually increase in a medium term influenced by the rising stock. Headline rents in Sofia remain stable.

## Investment focus

The acquisition of Telus Tower by the Greek investment company NBG Pangea for €78.6 mln was the latest in a series of notable office transactions in 2018. Investors' focus remains in both prime and value add assets in Sofia.

## Outlook

The supply increase is forecasted to influence the most the office market in the years ahead. Rents and vacancy rate are under pressure in the medium term.

# BULGARIA Office Market Snapshot

Fourth Quarter | 2018



LOCATION	BUILT STOCK (SQ.M)	AVAILABILITY (SQ.M)	VACANCY RATE (%)	TAKE-UP (SQ.M)	TAKE-UP YTD (SQ.M)	UNDER CONSTRUCTION (SQ.M)
Sofia	1,818,353	175,714	9.5%	56,935	187,258	440,211
<b>Sofia (Overall)</b>	<b>1,818,353</b>	<b>175,714</b>	<b>9.5%</b>	<b>56,935</b>	<b>187,258</b>	<b>440,211</b>

Source: Cushman & Wakefield

## Key Occupier Transactions

PROPERTY	SUBMARKET	TENANT	SIZE (SQ.M)	TRANSACTION TYPE
Advance Business Center	Sofia	Modis Bulgaria	5,175	Prelease
Garitage Park	Sofia	Paysafe	2,100	Prelease
Vesnard Office Building	Sofia	Owliance Bulgaria	4,300	Relocation

Source: Cushman & Wakefield

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