



**10.6%**  
Q2 Vacancy Rate

YoY Chg



12-Mo. Forecast



**28,917**  
Q2 Take-Up sqm



**€15.00**  
Asking Rent, PSM



(Prime Asking Rents)

## ECONOMIC INDICATORS Q1 2020

**2.4%**  
Bulgaria  
GDP Growth

YoY Chg



12-Mo. Forecast



**4.6%**  
Bulgaria  
Unemployment Rate



**1.6%**  
Bulgaria  
June 2020, Annual Inflation



Source: National Statistical Institute

## ECONOMY: Hit by COVID 19 epidemic

Bulgarian GDP is projected to contract by 7.2%, reflecting the economic shock caused by the pandemic, according to the spring forecast of the European commission. This forecast is in line with the dropdown of the EU and the global economy. Partial recovery is expected in 2021 when the country's GDP should rebound to around 6%, driven by household consumption and return of exports growth. Inflation is forecasted to remain moderate, due to the low petrol prices, while unemployment rate continues to grow.

## SUPPLY AND DEMAND: Market is slowing down

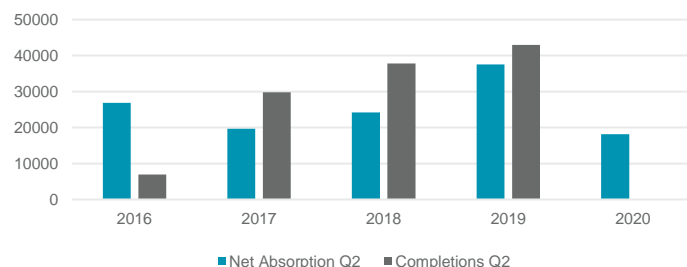
The office market slowdown continues in the second quarter of 2020, with renewals accounting for about 40% of the total take up. Leasing volume amounts to 28,917 sqm, which represents a 12% decrease compared to the same period of 2019. Occupier activity remains low, since many companies still operate in home office mode. Preleases, that used to be significant driver in the period of market growth, currently occupy a modest share of the take up volume. Only about 20% of the office space, scheduled for delivery by the end of 2020, is pre-let, which is more than two times lower than the previous years. The contract of Commerzbank for 3,500 sqm in Class A office building under construction is among the few exceptions. The German bank revealed plans to locate its IT division in Sofia.

The lack of new completions supports the vacancy rate stable at 10.6% in the second quarter, despite the low occupier activity. An increase of the available space is expected in the second half of the year, when around 109,000 sqm office space should receive use permit. For the time being, most of the projects under construction are progressing as scheduled, while those in planning phase are postponed.

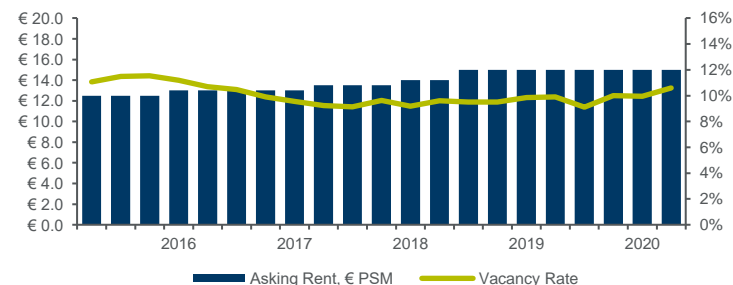
## PRICING: Asking rents under pressure

Asking rents in Sofia are stable at 15 euro/sqm for Class A offices in CBD and 12-14 euro/sqm alongside main roads. A slight price correction is expected in the coming quarters, as a reflection of the occupier strive for space optimization and the tightening office market. Prime yield in Sofia is stable at 7.5% with no prospects for significant fluctuations in the coming quarters. Due to limited travel options, international investment interest is modest, however quality opportunities are available.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



## MARKET STATISTICS

SUBMARKET	INVENTORY (SM)	AVAILABILITY (SM)	OVERALL VACANCY RATE	CURRENT QTR TAKE-UP	YTD OVERALL TAKE-UP(SM)	UNDER CNSTR (SM)	PRIME RENT	PRIME YIELD
Sofia	2,020,112	214,700	10.6%	28,917	55,582	379,547	€15.00	7.5%
<b>TOTAL</b>	2,020,112	214,700	10.6%	26,917	55,582	379,547	€15.00	7.5%

\*Rental rates reflect full service asking

## KEY LEASE TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	RSM	TYPE
Advance Business Center	Suburbs	Commerzbank	3,500	release
Capital Fort	Main road	Visteon	9,200	renewal

## KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SM	OWNER / DEVELOPER
Garitage Park – Building 3	Suburbs	VM Ware	19,600	Sofia Park Jsc.

## LOCAL MARKET RESEARCH LEAD

Radostina Markova

Direct: +359 (2) 805 90 12

Mobile: +359 883 260 333

[radostina.markova@cwforton.com](mailto:radostina.markova@cwforton.com)

[cwforton.com](http://cwforton.com)

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