



10%

Q4 Vacancy Rate

YoY Chg



12-Mo. Forecast



67,111

Q4 Take-Up sqm



€15.00

Asking Rent, PSM

(Prime Asking Rents)



ECONOMIC INDICATORS Q3 2019

3.7%

Bulgaria GDP Growth

YoY Chg



12-Mo. Forecast



3.7%

Bulgaria Unemployment Rate



3.1%

Bulgaria Annual Average Inflation



Source: National Statistical Institute

ECONOMY: Stable Performance in 2019

The Bulgarian economy continues to increase at a steady pace and is forecasted to reach 3.4% average growth in 2019. The capital Sofia plays a leading role to the overall performance, contributing about 40% to the country's GDP. Unemployment rate remains at historically lowest level, as a result of the strong labour demand and wage growth. The latest poses some risks to the office market due to the limited occupiers' growth opportunities.

SUPPLY AND DEMAND: Rapidly Increasing Supply

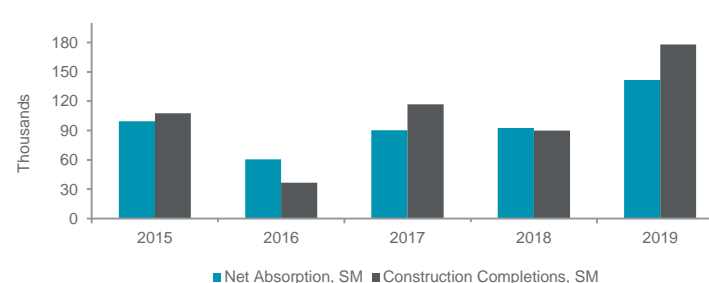
The office market in Sofia recorded one of the strongest quarters in terms of leasing activity for the last ten years, with 67,111 sqm take-up in Q4 2019. The annual volume exceeded 175,000 sqm, which is also above the long-term average. IT and BPO industry remains major source of activity, keeping more than 60% share of the leasing transactions. Despite the impressive end of the year, the market demonstrates weakening growth potential, with decreasing share of preleases. However, the year was also marked by some notable new entries, such as the shared service center of the World Bank in Sofia. Some large tenants, such as VM Ware, Paysafe, IBM also expanded.

On the supply side, the market saw one of its most active years with 177,860 sqm new completions in Sofia. The five-year peak is a result of the increasing development activity, following a period of weak supply and strong demand for modern office space. In addition, 376,000 sqm offices are currently under construction with delivery date by 2022, inclusive. The increasing supply pushed the vacancy rate up to 10% at the end of 2019 with prospects for further increase.

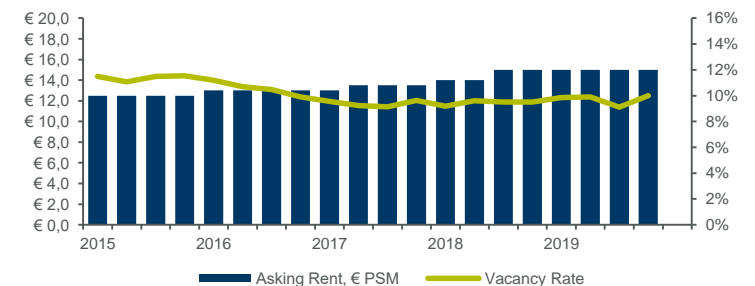
PRICING: Asking Rents Remain Stable

After several years of slight growth, the asking rents in Sofia stood at 15 euro/sqm for Class A offices in CBD and 12-14 euro/sqm alongside main roads. The increasing occupiers' interest in secondary cities resulted in higher leasing activity which pushed the rents up through 2019. Rates are expected to remain stable in the short term, both in Sofia and the regional centers.

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	1,996,212	199,644	10.00%	67,111	175,832	375,742	€15.00	7.5%
TOTAL	1,996,212	199,644	10.00%	67,111	175,832	375,742	€15.00	7.5%

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	RSM	TYPE
Capital Fort	Main Road	Paysafe	10,739	Renewal & Expansion
Advance Business Center – Building 2	Business Park Sofia	World Bank	4,000	Prelease
Richhill Office Building	Suburbs	Euro Games Technology	9,990	Relocation
Megapark	Main Road	iCover Services	1,224	Relocation
Balkan Business Center	Main Road	William Hill	2,200	Prelease

KEY CONSTRUCTION COMPLETIONS YTD 2019

PROPERTY	SUBMARKET	MAJOR TENANT	SM	OWNER / DEVELOPER
Garitage Park – Building A and B	Suburbs	VM Ware, Softserve, IMRO	25,000	Sofia Park Jsc.
Space Tower	Main Road	Experian	10,460	Cayenne Ltd.
Advance Business Center – Building 1	Business Park Sofia	Concentrix, Modis Bulgaria	14,380	GTC
Sofia Office Center	Main Road	Syngenta Holding, Festo	18,600	Sofia Office Center Ltd.
Mobi Art Office Building	Main Road	Mobile Systems, The Burgiss Group	10,350	Srebarna 2 Ltd.

LOCAL MARKET RESEARCH LEAD

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