



YoY Chg 12-Mo. Forecast

**13.6%**  
Vacancy Rate



**33,757**  
Take-Up sqm



**€15.00**  
Asking Rent, PSM



(Prime Asking Rents)

## ECONOMIC INDICATORS Q3 2020

YoY Chg 12-Mo. Forecast

**- 5.2%**  
Bulgaria GDP Growth



**4.8%**  
Bulgaria Unemployment Rate



**0.0%**  
Bulgaria Dec 2020, Annual Inflation



Source: National Statistical Institute

## ECONOMY: Reduced Business Activity

The Bulgarian economy is expected to decline by 5.1% on average in 2020, following two quarters of GDP contraction. The increasing number of coronavirus cases in the autumn forced the government to announce new package of containment measures, which resulted in reduced business activity. Main economic indicators, such as investments, private consumption, employment and inflation, remain in negative territory or post only moderate improvement in the recent months. Although the economy is forecasted to return to growth in the second half of 2021, the recovery will be slow and uneven across different sectors.

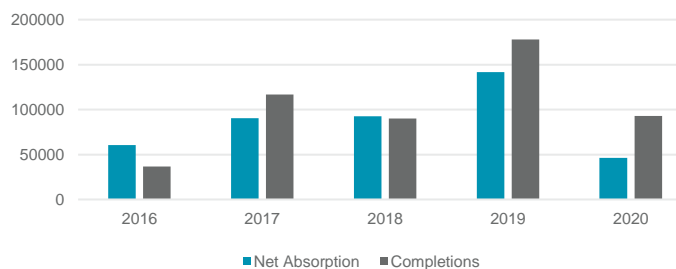
## SUPPLY AND DEMAND: The slow down continues

With 107,832 sqm gross leasing volume, 2020 was the weakest of the last five years for the office market in Sofia. The amount of rented space (take up) dropped by 39% compared to the previous twelve months. The market diminished noticeably in the second half of the year when the upward momentum from 2019 was exhausted. Although some notable preleases were signed in Q4, the share of these type of deals remained insignificant for the year, in general. Previously driven by expansions and preleases, now the office market registers mostly renewals and some relocations. Many occupiers feel uncertain about their business and office space needs, which make them cautious and more inclined to postpone their decision-making. The slow office market led to lower-than-expected new completions – roughly 93,000 sqm in 2020. Most buildings obtained use permit through the year with high vacancy rate or were rescheduled. The challenging market makes developers more cautious when starting new projects, which results in significant pipeline decrease to 319,400 sqm in Q4. The vacancy rate surged to 13.6% in the last quarter of 2020, from 11.4% in the previous one. As expected, some companies reconsidered their office space needs, offering part of their premises for sublease. According to our research, this supply accounts to 28,046 sqm at the end of 2020, which is about 10% of the available space in Sofia.

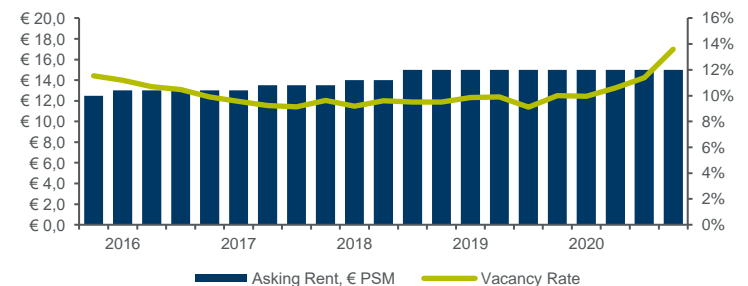
## PRICING: Slight decrease in some locations

While prime asking rents in CBD remain unchanged at 15 euro/sqm, the main road and suburban submarkets registered slight decreases. At the end of 2020, the asking prices for Class A projects alongside main boulevards are relatively stable at 12-14 euro/sqm, while net effective rents are actually slight lower due to the more incentives provided by the landlords. The increase of vacancy is expected to keep rents under pressure in the coming months, especially in areas with new office construction.

## SPACE DEMAND / DELIVERIES



## 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	2,086,560	284,148	13.6%	33,757	107,382	319,401	€15.00	7.75%
<b>TOTAL</b>	2,086,560	284,148	13.6%	33,757	107,382	319,401	€15.00	7.75%

\*Rental rates reflect full service asking

## KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	RSM	TYPE
Park Lane Office Center	Main road	Allianz Holding	6,000	release
Polygraphia Office Center	Broad center	undisclosed	3,060	renewal

## KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SM	OWNER / DEVELOPER
Business Center GORA	Main road	-	15,000	BG Rei
Advance Business Center – Phase 2	Business Park Sofia	World Bank, Commerzbank	15,720	GTC
MM Business Center	Business Park Sofia	undisclosed	5,900	MM Group
Sofia Tech One	Main road	-	30,000	Markan TI
Tetrix Office Center - extension	Suburbs	-	615	Bernard Investments

## LOCAL MARKET RESEARCH LEAD

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