



YoY Chg 12-Mo. Forecast

11.4%
Vacancy Rate



18,043
Take-Up sqm



€15.00
Asking Rent, PSM



(Prime Asking Rents)

ECONOMIC INDICATORS Q2 2020

YoY Chg 12-Mo. Forecast

- 8.5%
Bulgaria GDP Growth



5.9%
Bulgaria Unemployment Rate



0.9%
Bulgaria Sept 2020, Annual Inflation



Source: National Statistical Institute

ECONOMY: Decline in the second quarter

The Bulgarian economy experienced sharp decline, contracting by 8.5% in the second quarter of 2020. The adverse impact of the lockdown was widely felt in the spring, with sectors such as tourism, retail sales and transport among the hardest hit. Overall, the Bulgarian GDP is forecasted to fall by roughly 5% this year, accompanied by rising unemployment and moderate inflation. This trend is in line with the dropdown of the EU and the global economy with partial recovery expected in 2021.

SUPPLY AND DEMAND: Market continues to slow down

The office market in Sofia registered moderate activity in Q3, with leasing contracts amounting to 18,043 sqm. Take-up volume is about 60% lower than the five-year average for the July-September period. Many occupiers refrain from significant office space changes, due to the business uncertainty and the ongoing assessment of their future needs. Preliminary results of the market research conducted by Forton show that currently less than one third of the large companies' staff in Sofia is working from the office.

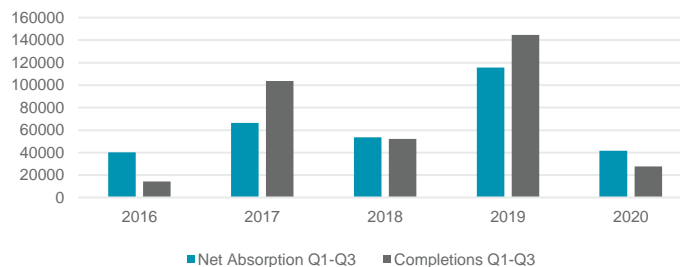
Renewals and relocations continue to dominate office market, both type of deals accounting for roughly 90% of the total activity. The share of preleases remains low, with only 22% of the office space scheduled for delivery by the end of 2020, already let. With the completion of a small building and enlargement of another one, the third quarter contributed marginally to the total Class A and B stock. Larger projects are expected to obtain use permits in the last months of 2020.

Vacancy rate increased to 11.4% in Q3 due to some office space vacations in the suburban and main road areas. This figure is forecasted to keep going up in the short term, since the stock is expected to rise in the light of lower occupier activity. The share of subleases in the total take up will also increase, due to tenants' strive for space optimization.

PRICING: Asking rents in CBD are stable

Asking rents in Sofia remain stable at 15 euro/sqm for Class A offices in CBD and in the range of 12 to 14 euro/sqm alongside main roads. However, the market slowdown makes landlords more inclined to offer incentives such as step rents and rent-free periods for new tenants. Growing vacancy rate is expected to put rents under downward pressure in the coming quarters, especially in areas with concentration of new office projects.

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	2,020,380	230,997	11.4%	18,043	73,625	387,359	€15.00	7.75%
TOTAL	2,020,380	230,997	11.4%	18,043	73,625	387,359	€15.00	7.75%

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	RSM	TYPE
Iztok Tower	Main road	undisclosed	3,300	relocation
Serdika Offices	Broad center	Amdocs Bulgaria	2,000	renewal

KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SM	OWNER / DEVELOPER
Tetrix Office Center - extension	Suburbs	-	615	Bernard Investments

LOCAL MARKET RESEARCH LEAD

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