



YoY Chg 12-Mo. Forecast

**15.0%**  
Vacancy Rate



**37,998**  
Take-Up sqm



**€15.00**  
Asking Rent, PSM  
*(Prime Asking Rents)*



## ECONOMIC INDICATORS Q2 2021

YoY Chg 12-Mo. Forecast

**7.0%**  
Bulgaria  
GDP Growth



**5.6%**  
Bulgaria  
Unemployment Rate



**285,220**  
Sofia  
Office based employment



Source: National Statistical Institute, Moody's

## ECONOMY: Ongoing Recovery

In line with the strong European economic recovery, Bulgaria registered 7% y-o-y GDP growth in the second quarter of 2021. Domestic demand was the main driver for the period, supported by the high consumer confidence. After the contraction in 2020, GDP is expected to rebound by 4% in 2021, mostly due to the strong private consumption and the limited negative effect of the net exports. The inflation is set to accelerate to 3.8% at the end of 2021 on the back of the increasing fuel and energy prices. The unemployment rate continues to fall, with prospects to stabilise around 5.5% for the present year.

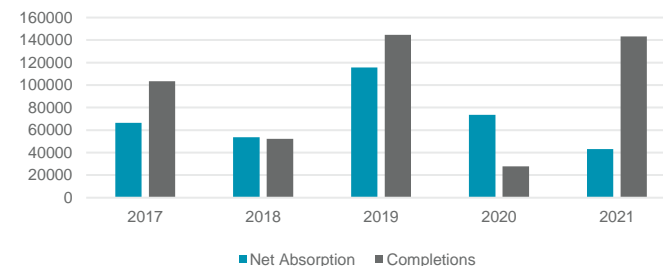
## SUPPLY AND DEMAND:

The nine months of 2021 registered recovering activity in the Sofia office market, with 107,663 sqm leasing volume. The number is around the five-year average which indicates stable performance, especially in the prime segment. In contrast, older and less attractive office buildings in terms of amenities and location are facing challenges to attract tenants. In the last quarter, demand remained driven by the IT and BPO industry, although home office and work-rotation schemes continue to reduce the need of new office space. The later resulted in large share of consolidations and relocations in the leasing mix which kept net absorption low in the third quarter – 10,685 sqm against 37,998 sqm gross take up. On the supply side, the market continued to grow, with 40,166 sqm completions in the third quarter and 143,120 sqm year to date. Since many office buildings open with small share of pre-let space, the vacancy rate continue to climb, reaching 15% in the end of September. Further increase of this rate is likely to be seen in the next quarters while the large volume of new completions is absorbed by tenants. On the other hand, the limited start of new office projects is expected to rebalance the office market in the medium term. As at the third quarter, only 204,600 sqm were under construction in Sofia, a five-year low.

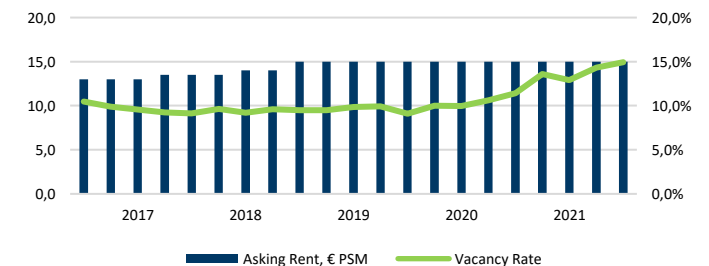
## PRICING: Stable Rents

The improving market performance kept asking rents in the prime segment in Sofia stable. Rates remain 15 euro/sqm in CBD and 12-14 euro/sqm alongside main roads. Prices of the lower-class buildings are under pressure. Yields in the prime segment gravitate around 7.5%. The rate was confirmed with the acquisition of Park Lane Office Center by SAP Labs, the biggest office transaction in 2021.

## SPACE DEMAND / DELIVERIES Q1-Q3 2021



## 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	2,229,683	333,387	14.95%	37,998	107,663	204,606	€15.00	7.5%
<b>TOTAL</b>	2,229,683	333,387	14.95%	37,998	107,663	204,606	€15.00	7.5%

\*Rental rates reflect asking rents

## KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	RSM	TYPE
Synergy Tower	Sofia	Software AG	2,750	relocation
Balkan Business Center	Sofia	undisclosed	2,300	relocation & expansion

## KEY CONSTRUCTION COMPLETIONS YTD 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SM	OWNER / DEVELOPER
Synergy Tower	Sofia	Bosch	32,166	BREF REIT
Park Lane Office Center	Sofia	Allianz Bulgaria Holding	20,900	Parklane Development
NV Tower	Sofia	Proxiad, Acronis	19,760	Minstroy Holding
Garitage Park – Building 4	Sofia	undisclosed	19,600	Garitage Investment Management
Obsidian Building	Sofia	undisclosed	2,900	Kristian-Neiko

## LOCAL MARKET RESEARCH LEAD

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