

YoY Chg 12-Mo. Forecast

16.8%
Vacancy Rate



46,328
Take-Up sqm



€15.00
Asking Rent, PSM
(Prime Asking Rents)



ECONOMIC INDICATORS Q3 2021

YoY Chg 12-Mo. Forecast

4.6%
Bulgaria
GDP Growth



4.6%
Bulgaria
Unemployment Rate



285,220
Sofia
Office based employment



Source: National Statistical Institute, Moody's

ECONOMY: Rising inflation

The Bulgarian economy experienced a fragile recovery, with moderate growth and rising inflation in the fall of 2021. The increase of GDP in the third quarter was 4.6% which was the lowest rate among the EU countries. Inflation continued to accelerate, reaching 7.8% y-o-y in December as a result of the galloping global energy and fuel prices. The increase of consumer prices peaked to 10-year maximum, reflecting the rising transport, utilities and food costs. Since the inflation suppresses private consumption, it is expected that the economic performance in 2022 will depend to a much greater extent on public investments compared to the previous years.

SUPPLY AND DEMAND: Decreasing pipeline

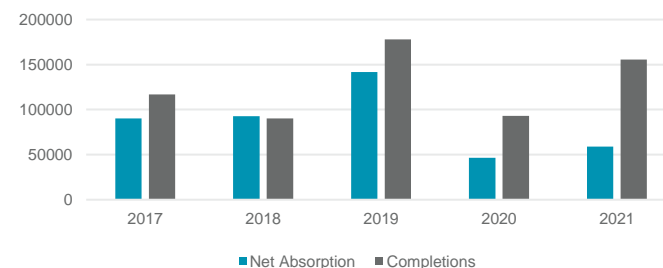
The Sofia office market ended 2021 with another increase of the vacant space, fueled mostly by the Class B segment. The available units reached 16.8% of the total supply in the last quarter, following a year of gradual increase. The rising vacancy reflects the continuing trend towards space consolidations and tenant migration to higher class office buildings. However, the share of available space is growing in the conditions of rapidly increasing supply and is expected to subside with the market rebalancing. Despite the high volume of completions - 155,700 sqm in 2021, the last quarter contributed only 12,900 sqm new office space. Due to the tight tenant market, some deliveries were pushed over to the new year. In the meantime, development activity continued to diminish. The office pipeline dropped to its five-year low in the last quarter of 2021, with only 190,355 sqm under construction. Opposed to the high rate of completions, few projects started over the year.

The leasing market remains driven by renewals and relocations, while expansions and new business keep moderate share. The last quarter of 2021 registered 46,328 sqm take up in Sofia and 153,991 sqm for the total year. These figures are more optimistic compared to 2020 (107,382 sqm), although far below 2019 (175,832 sqm). Net absorption remains low, with only 15,976 sqm increase of the physically occupied space in the last quarter of 2021.

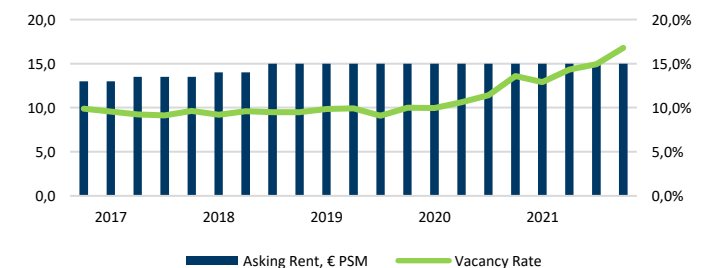
PRICING: Stable Rents

The prime office segment in Sofia demonstrates stable performance. Asking rents 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%.

SPACE DEMAND / DELIVERIES 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	2,242,278	376,882	16.80%	46,328	153,991	190,861	€15.00	7.5%
TOTAL	2,242,278	376,882	16.80%	46,328	153,991	190,861	€15.00	7.5%

*Rental rates reflect asking rents

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	RSM	TYPE
Garitage Park – Building 4	Sofia	Coca Cola	9,350	relocation
Serdika Offices	Sofia	Swixx Biopharma	650	newcomer
Sopharma Business Tower	Sofia	Liebherr Hausgerte	350	expansion
Megapark	Sofia	Huawei	1,650	renewal

KEY CONSTRUCTION COMPLETIONS YTD 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SM	OWNER / DEVELOPER
Synergy Tower	Sofia	Bosch Engineering Center	32,166	BREF REIT
Park Lane Office Center	Sofia	SAP, Allianz Bulgaria Holding	20,900	Parklane Development
NV Tower	Sofia	Acronis, Global Foundries	19,760	Minstroy Holding
Garitage Park – Building 4	Sofia	Coca Cola	19,600	Garitage Investment Management
Obsidian Building	Sofia	EnduroSat	3,000	Kristian-Neiko

LOCAL MARKET RESEARCH LEAD

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