



**16.4%**  
Vacancy Rate



**44,032**  
Take-up sqm



**€15.00**  
Asking Rent, PSM

(Prime Asking Rents)



## ECONOMIC INDICATORS 2021

**4.2%**  
Bulgaria  
GDP Growth



**5.3%**  
Bulgaria  
Unemployment Rate



**285,220**  
Sofia  
Office based employment



Source: National Statistical Institute, Moody's

## ECONOMY: Modest growth expectations

In line with the European trend, the Bulgarian economy bounced back from the pandemic downturn, reaching 4.2% growth in 2021. The war in Ukraine prompted analysts to revise their expectations for the present year in the light of rising inflation, reduced exports and postponed investments, due to the economic uncertainty. According to the Spring forecast of the Ministry of Finance GDP will increase by 2.6% in 2022 and by 2.8% in 2023. Inflation, that rose by 12.4% y-o-y in March, will continue to accelerate. Although expected to slowdown by the end of the year, the average annual growth of the consumer price index is forecasted to exceed 10%. This will offset gains in private consumption and income, with unemployment gradually declining.

## SUPPLY AND DEMAND:

The office market in Sofia registered impressive growth, with 44,032 sqm lease contracts and renewals signed in the first quarter of 2022. The activity is significantly above the five-year average, reflecting the occupiers' desire to improve or consolidate their office space. Most companies move towards higher-end office buildings and new projects. Despite the impressive leasing volume, net office absorption is modest – 8,600 sqm, since the market is driven by relocations and renewals, rather than expansions. Main road locations continue to attract the largest portion of the leasing volume, due to the concentration of large projects and available space.

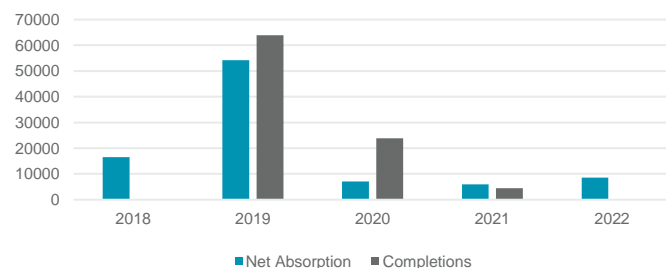
The vacancy rate posted slight decrease by 0.4 percentage points to 16.4% over the first quarter of 2022, mostly because of the lack of new completions. The office space under construction amounts at to 199,355 sqm. The resumed construction of mixed-use project with hotel and offices part in the CBD was the only contribution to the pipeline for the period.

Since many occupiers are looking for flexible solutions, shared offices are gaining popularity, including as element of the office buildings mix. As of the first quarter of 2022 the supply in this segment in Sofia exceeds 45,000 sqm and is expected to overpass 50,000 sqm by mid-year.

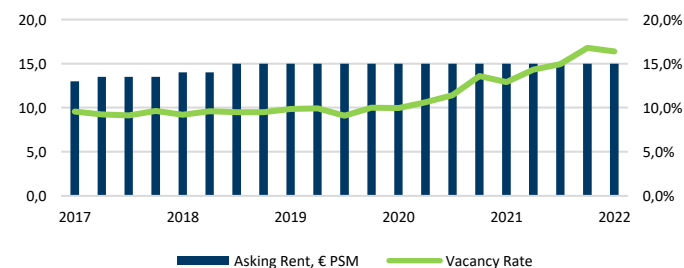
## PRICING: Stable Rents

Prime asking rents in Sofia remain resilient for a consecutive quarter at 15 euro/sqm in CBD and 12-14 euro/sqm alongside main roads. Increasing operating costs put service charge under pressure, with prime rates in Sofia in the range 2.75 – 4 euro/sqm.

## SPACE DEMAND / DELIVERIES Q1 2022



## 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        | 366,553            | 16.40%               | 44,032              | 44,032                   | 199,861           | €15.00        | 7.5%        |
| <b>TOTAL</b> | <b>2,242,278</b> | <b>366,553</b>     | <b>16.40%</b>        | <b>44,032</b>       | <b>44,032</b>            | <b>199,861</b>    | <b>€15.00</b> | <b>7.5%</b> |

\*Rental rates reflect asking rents

## KEY LEASE TRANSACTIONS Q1 2022

| PROPERTY       | SUBMARKET | TENANT        | RSM   | TYPE       |
|----------------|-----------|---------------|-------|------------|
| Megapark       | Sofia     | Thermo Fisher | 9,000 | renewal    |
| Infinity tower | Sofia     | Merkle        | 2,160 | relocation |
| NV Tower       | Sofia     | Falcon IO     | 1,100 | relocation |
| Megapark       | Sofia     | Inbet         | 1,300 | relocation |

## KEY CONSTRUCTION COMPLETIONS 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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