



YoY Chg 12-Mo. Forecast

**16.7%**  
Vacancy Rate



**41,412**  
Take-up sqm



**€15.00**  
Asking Rent, PSM



(Prime Asking Rents)

## ECONOMIC INDICATORS Q1 2022

YoY Chg 12-Mo. Forecast

**5.0%**  
Bulgaria  
GDP Growth



**4.9%**  
Bulgaria  
Unemployment Rate



**294,400**  
Sofia  
Office based employment



Source: National Statistical Institute, Moody's

## ECONOMY: Modest growth expectations

At the start of 2022, Bulgaria's economy was in a good shape, despite mounting headwinds from the war in Ukraine. First quarter GDP increased 5% y-o-y, driven by strong domestic consumption and unemployment narrowed to 4.9%. Main threats to the economy are rising fuel and energy prices and related inflationary pressures. In line with the overall uncertainty, the latest economic projections for Bulgaria are worsening. Real GDP growth in 2022 is seen slowing down to 2.8% and inflation rising to near 13%.

## SUPPLY AND DEMAND: Hybrid work reshapes the market

The office market in Sofia is still recovering, although the leasing activity in the first half of 2022 was above the five-year average, reaching 85,444 sqm. The hybrid work model gives comfort to many businesses to grow and hire staff without office expansions. The latest results in modest net absorption (occupied vs. vacated space) – 13,387 sqm for the half-year. Renewals and relocations continue to dominate the leasing market, with more than 70% of the take-up. The occupiers' desire for better working conditions remains the main driver, so larger part of the transactions is in Class A offices and new buildings. IT and BPO companies keep the largest market share, with more than half of the total transaction volume in the first half of 2022.

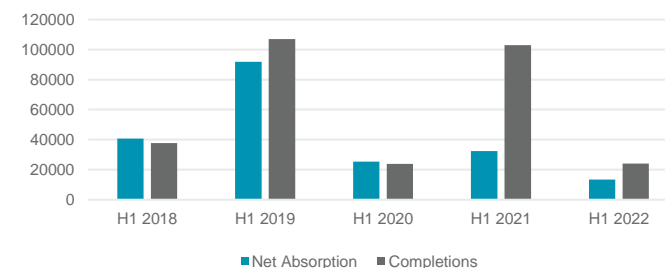
Increasing number of companies are looking for flexible office space, thus providing their business with rapid expansion solution. As of the mid-year the overall supply in this segment in Sofia is approximately 50,000 sqm.

On the supply side, the slow pace of office development limits the availability and keeps the vacancy rate stable. The completion of a mid-size office project in the second quarter of 2022 slightly raised this indicator to 16.7%. However, with the decreasing pipeline and the lack of starting office developments significant change of the vacancy rate seems unlikely.

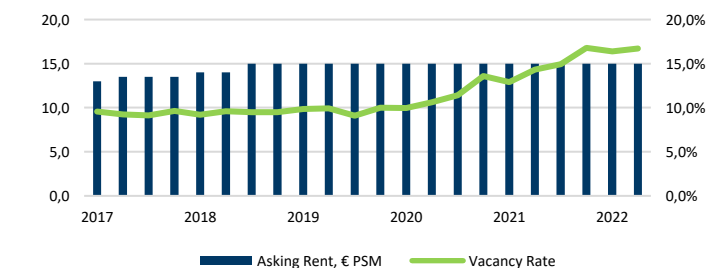
## PRICING: Stable Rents

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 landlords under pressure to increase service charge, with prime rates in Sofia in the range 2.75 – 4 euro/sqm. Prime yields also remain stable at 7.5% for Sofia.

## 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	2,269,078	379,791	16.70%	41,412	85,444	175,861	€15.00	7.5%
<b>TOTAL</b>	<b>2,269,078</b>	<b>379,791</b>	<b>16.70%</b>	<b>41,412</b>	<b>85,444</b>	<b>175,861</b>	<b>€15.00</b>	<b>7.5%</b>

\*Rental rates reflect asking rents

## KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	RSM	TYPE
Megapark	Sofia	SGS	1,230	renewal
Sofia Airport Center	Sofia	Nidec Corp.	700	newcomer
Polygraphia Office Center	Sofia	Payhawk	3,000	relocation
Advance Business Center	Sofia	GTM Hub	1,700	relocation

## KEY CONSTRUCTION COMPLETIONS 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SM	OWNER / DEVELOPER
Office X – Building 1	Main road	-	23,800	Office X
Office X – Building 2	Main road	-	4,000	Office X

## LOCAL MARKET RESEARCH LEAD

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