



YoY Chg 12-Mo. Forecast

16.6%
Vacancy Rate



25,202
Take-up sqm



€15.00
Asking Rent, PSM

(Prime Asking Rents)



ECONOMIC INDICATORS Q2 2022

4.0%
Bulgaria GDP Growth



4.7%
Bulgaria Unemployment Rate



294,400
Sofia Office based employment



Source: National Statistical Institute, Moody's

ECONOMY: GDP growth is slowing down

The Bulgarian economy is facing a challenging time, as a result of the deteriorating external environment. The real GDP growth is expected to slow down to 2.8% in 2022, followed by anemic increase of 0.1% in 2023 in the light of the forecasted global recession. The economy is affected mostly by the deceleration of the private consumption, reflecting the negative effect of the growing inflation on the disposable household income. The latest projections of the Bulgarian Central Bank are for 14.9% annual inflation at the end of 2022 and slowdown to 4.1% at the end of 2023. A bright spot are public investments, which are expected to increase, primarily due to European funds.

SUPPLY AND DEMAND: Leasing activity around the five-year average

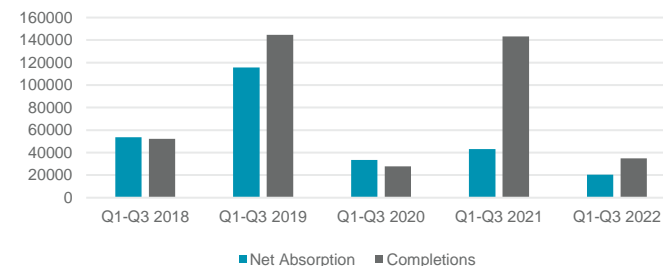
The leasing activity on the Sofia office market for the nine months remained around the five-year average, reaching 110,646 sqm. Lease renewals and relocations remained the main driver, since most tenants tend to change their office mostly when their contracts expire. During the period, expansions retained a small share of the market, accounting for 11% of the total take-up. Net absorption remained moderate, although on a positive territory – 20,537 sqm for the nine months. The figures reflect the wide spread of the hybrid work model and the attitude of many businesses to optimise their office space. However, the opposite trend is gaining strength, with an increasing number of companies that want their employees back in the office.

The demand for serviced offices and coworking space is at its peak. Because of the inconsistent utilization of the workstations, increasing number of occupiers are looking for more flexibility related to lease term and occupied areas. As of the nine months, the overall supply in this segment in Sofia is exceeding 50,000 sqm and will grow further. During the third quarter, the vacancy rate remained stable at 16.6% for Class A and B offices, since the slow pace of office development limits the availability. The completion of two small office buildings added about 7,000 sqm to the market stock. Space under construction dropped to 167,300 sqm, the lowest level in five years.

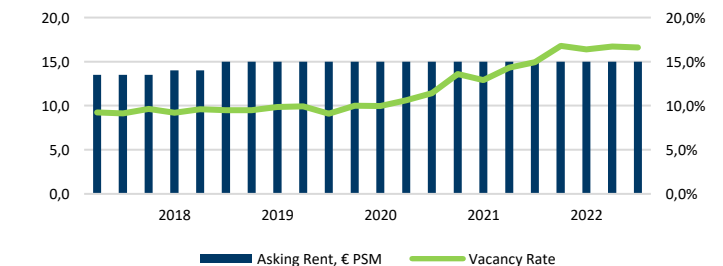
PRICING: Stable Rents

The slow recovery of demand keeps asking rents in Sofia flat for a consecutive quarter at 15 euro/sqm in CBD and 12-14 euro/sqm alongside main roads. This does not exclude slight growth in the coming quarters under the pressure of the increasing inflation. Service charge rates in Sofia vary in the range 2.75 – 4 euro/sqm.

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	2,271,456	376,128	16.60%	25,202	110,646	167,377	€15.00	7.5%
TOTAL	2,271,456	376,128	16.60%	25,202	110,646	167,377	€15.00	7.5%

*Rental rates reflect asking rents

KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	RSM	TYPE
Megapark	Sofia	Ozone.bg	1,600	Relocation
Sofia Tower – Phase 2	Sofia	Betahaus	1,560	Expansion
Expo 2000	Sofia	Ericsson Bulgaria	1,200	Renewal

KEY CONSTRUCTION COMPLETIONS Q3 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SM	OWNER / DEVELOPER
Alaric Tower	Main road	-	2,876	Frontpeak Trading
Business Center Oscar	CBD	-	4,120	Bul-Rent Sofia

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