



YoY Chg 12-Mo. Forecast

16.0%
Vacancy Rate



76,009
Take-up sqm



€15.50
Asking Rent, PSM
(Prime Asking Rents)



ECONOMIC INDICATORS Q3 2022

YoY Chg 12-Mo. Forecast

3.3%
Bulgaria GDP Growth



3.7%
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 forecasted to lose speed in 2023, reflecting the lower domestic demand and worsening external environment. According to the World Bank, Bulgaria's GDP is expected to increase by only 1.7% in 2023 in the light of the looming global recession. One of the main growth factors – private consumption, is negatively affected by the price increases, tightening labor market and higher borrowing costs. The latest projections of the Bulgarian Central Bank are for 14.9% annual inflation at the end of 2022 and gradually slow down to 4.1% at the end of 2023. Although remaining volatile, food and energy prices are expected to decelerate gradually, especially in the second half of the year.

SUPPLY AND DEMAND: Low pipeline and stable vacancy rate

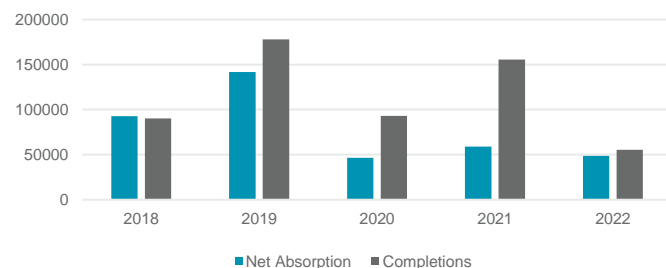
With 76,009 sqm leased space in the last quarter of 2022, the office market in Sofia registered activity comparable to the pre-pandemic time. The total take-up for the year reached 186,655 sqm. Although looking optimistic, this volume is formed mostly by renewals and relocations, with minimal net effect for the market. Space optimization remained the leading trend over the last year, since many companies continued to use their offices at partial capacity, due to the hybrid work model. Overall, the market was driven primarily by tenants with expiring contracts, looking to renew their leases or move to another location. Net absorption remained moderate, with 48,683 sqm annual volume.

Development activity posted visible decrease in 2022. The office completions were reduced to 55,514 sqm over the year, since a lot of projects were withdrawn in time. However, this will give more time for the available office space to be absorbed and keep the vacancy rate stable in the coming quarters. As at the end of 2022, the share of vacant offices in Sofia remained around 16%. The space under construction is still under 200,000 sqm, although the start of a new part of large office project at the fall of the year.

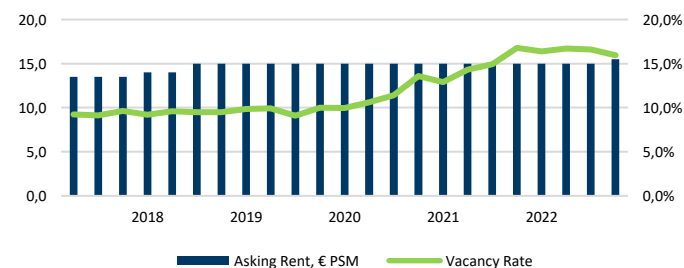
PRICING: Rising Rents

The high inflationary pressure resulted in rent increase for class A and B offices in the capital and the big cities. As at the end of 2022, prime space in Sofia central area was offered at 15.5-16 euro/sqm, while main road location office schemes reached 14-15 euro/sqm. Service charge rates in Sofia vary in the range 3.5-4 euro/sqm. Office markets in the big cities also saw rent increase in the last months of 2022, with asking rates up by approximately 10%.

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	2,267,416	361,313	16%	76,009	186,665	190,256	€15.50	7.5%
TOTAL	2,267,416	361,313	16%	76,009	186,665	190,256	€15.50	7.5%

*Rental rates reflect asking rents

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	RSM	TYPE
Megapark	Sofia	3E Company	860	Relocation
Sofia Tower – Phase 2	Sofia	Gameloft	1,600	Relocation
FPI Business Hub	Sofia	Teva	7,195	Renewal

KEY CONSTRUCTION COMPLETIONS Q4 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SM	OWNER / DEVELOPER
Sofia Tower – Phase 2	Broad center	-	8,060	GTC
Energy Tower	Main road	-	10,500	Local developer

LOCAL MARKET RESEARCH LEAD

Radostina Markova

Direct: +359 (2) 805 90 12

Mobile: +359 883 260 333

radostina.markova@cwforton.com

cwforton.com

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