



YoY Chg 12-Mo. Forecast

16.08%
Vacancy Rate



41,801
Take-up sqm



€16.00
Asking Rent, PSM
(Prime Asking Rents)



ECONOMIC INDICATORS Q4 2022

YoY Chg 12-Mo. Forecast

2.6%
Bulgaria GDP Growth



3.9%
Bulgaria Unemployment Rate



712,200
Sofia Employment



Source: National Statistical Institute, Moody's

ECONOMY: GDP growth is slowing down

Softening domestic demand will undermine GDP growth in 2023 as inflation continues to erode purchasing power. Nonetheless analysts forecast a higher economic increase than the EU average after keeping pace with it at 3.4% in the previous year. The strength of the labor market will underpin consumption as employment and the unemployment rate posted their second-best year on record, in 2022. Meantime, inflation at the end of 2022 was among the lowest in the CEE region and is likely to come down at a slightly faster rate than in other peers.

SUPPLY AND DEMAND: Low pipeline and stable vacancy rate

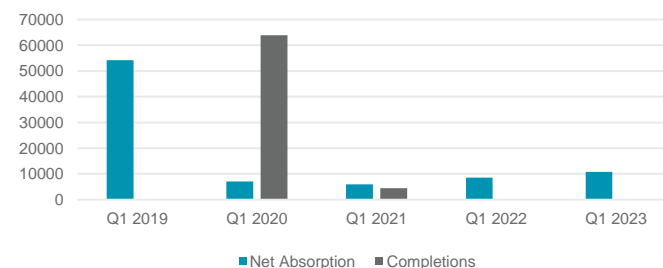
The Sofia office market is moving at two speeds, with projects in prime segment performing distinctly better than the rest of the market. Leasing activity reached almost 42,000 sqm in the first quarter of 2023, surpassing the 5-year average for this period of the year. Even with the hybrid work model, some companies are increasing their spaces and this is driving up the share of expansions and preleases in overall demand. Despite this positive trend, renewals and relocations still form the prevailing part of leasing activity, which results in moderate net absorption - 10,848 sqm in the first quarter.

Growing demand for coworking space is another noteworthy market trend. In order to respond to occupier preferences, increasing number of office buildings are incorporating flex office solutions. At the beginning of 2023, the supply of coworking and serviced office space in Sofia surpassed 61,000 sqm, with another 11,500 sqm under development. Unlike the coworking segment, the office pipeline is tightening, due to the anemic start of new projects. The vacancy rate for class A and B office buildings in Sofia is hovering around 16% and is expected to remain stable for the foreseeable future.

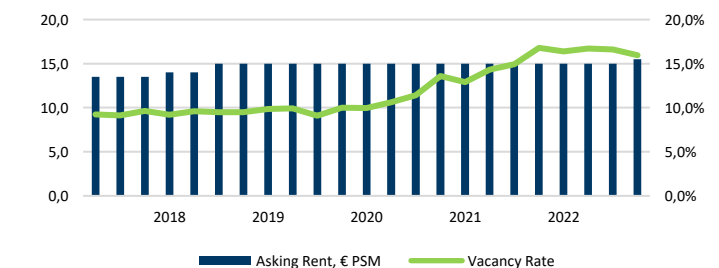
PRICING: Rising Rents

Inflationary pressures translated into rental growth across all segments of the office market. Premium locations in Sofia's central business district commanded a rent of 16 euro/sqm, and rents for class A offices along the main roads reached 15 euro/sqm. Class B office rents also increased slightly to 9-10 euro/sqm. Office service charges were stable in the range 3-4 euro/sqm per month reached in the end of 2022.

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	364,625	16.08%	41,801	41,801	194,049	€16	7.5%
TOTAL	2,267,416	364,625	16.08%	41,801	41,801	194,049	€16	7.5%

*Rental rates reflect asking rents

KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	RSM	TYPE
Office A	Sofia	Mbition Sofia	2,600	Relocation
Synergy Tower	Sofia	Robert Bosch	2,723	Expansion

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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