

# MARKETBEAT BULGARIA

Office Q2 2023



CUSHMAN &  
WAKEFIELD



FORTON

YoY Chg 12-Mo. Forecast

**16.58%**  
Vacancy Rate

**33,797**  
Take-up sqm

**€16.00**  
Asking Rent, PSM  
(Prime Asking Rents)

## ECONOMIC INDICATORS Q1 2023

YoY Chg 12-Mo. Forecast

**2.3%**  
Bulgaria  
GDP Growth

**4.4%**  
Bulgaria  
Unemployment Rate

**798,769**  
Sofia Employment  
March

Source: National Statistical Institute

## ECONOMY: On positive trajectory

All things considered, halfway through 2023, Bulgaria's economy is doing quite well. Inflation, a huge problem for most CEE countries, has receded back to single digits (7.5% in June) and was just above the average for the Eurozone (5.5% in June). The main economic indicators for the first quarter were all positive. The number of unemployed dropped 6% y/y and the employed edged up slightly both nationally and in the capital Sofia. GDP grew by 2.3% y/y, or more than twice as fast as the EU average.

## SUPPLY AND DEMAND: Increasing vacancy rate

The office market in Sofia posted visible slowdown in the first half of 2023, with leasing volume decreasing by 11.5% y/y. Transactions for the period amounted at 75,598 sqm. Lease renewals retained the lion's share of the total volume, followed by relocations. Since hybrid work remains a strong trend, many occupiers continue to optimize their office spaces when renewing their contracts. These trends resulted in extremely weak organic growth, with net absorption dropping down to 457 sqm in the second quarter of 2023.

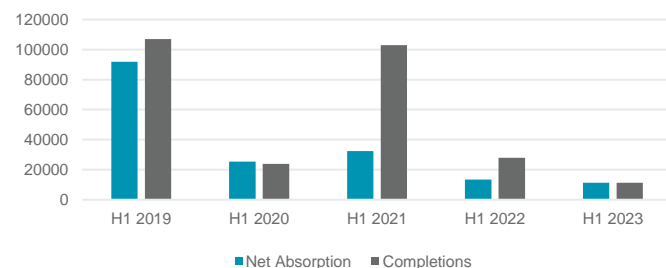
The slowdown of leasing activity resulted in sluggish office construction over the last year and low volume of new completions. In the second quarter of 2023, the pipeline in Sofia remained below 200,000 sqm, with the delivery of a small office building in CBD and an office part of a mixed-use project. The increasing supply, together with the tight occupier market resulted in increase in the vacancy rate to 16.58% as at mid-2023.

A positive trend is the evolution of the shared offices segment. An increasing number of office projects incorporate coworking spaces in their mix, in order to attract growing businesses and to offer more flexible solutions to the existing occupiers. By mid-year, the supply of coworking space and serviced offices in Sofia reached approximately 63,000 sqm, with another 10,000 sqm in the pipeline.

## PRICING: Rent stabilisation

Following the rental growth at the beginning of 2023, the mid-year trend is for price stabilization. Rents at premium locations in Sofia's central business district remain 16 euro/sqm, while the rates for class A properties along the main roads vary between 12 and 15 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        | 2,278,613       | 377,695            | 16.58%               | 33,797              | 75,598                   | 190,560           | €16         | 7.5%        |
| <b>TOTAL</b> | 2,278,613       | 377,695            | 16.58%               | 33,797              | 75,598                   | 190,560           | €16         | 7.5%        |

\*Rental rates reflect asking rents

## KEY LEASE TRANSACTIONS Q2 2023

| PROPERTY             | SUBMARKET | TENANT                   | RSM    | TYPE      |
|----------------------|-----------|--------------------------|--------|-----------|
| Sofia Airport Center | Sofia     | IBM                      | 10,225 | Renewal   |
| Space Tower          | Sofia     | Experian                 | 4,019  | Renewal   |
| Tetrix Office Center | Sofia     | WorkHub Serviced Offices | 516    | New lease |
| Office X             | Sofia     | ResultsCX                | 1,142  | New lease |

## LOCAL MARKET RESEARCH LEAD

Radostina Markova

Direct: +359 (2) 805 90 12

Mobile: +359 883 260 333

[radostina.markova@cwforton.com](mailto:radostina.markova@cwforton.com)

[cwforton.com](https://cwforton.com)

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