



YoY Chg      12-Mo. Forecast

**16.07%**  
Vacancy Rate



**38,690**  
Take-up sqm



**€16.50**  
Asking Rent, PSM  
*(Prime Asking Rents)*



**ECONOMIC INDICATORS Q2 2023**

YoY Chg      12-Mo. Forecast

**1.9%**  
Bulgaria GDP Growth



**4.6%**  
Bulgaria Unemployment Rate



**798,489**  
Sofia Employment June



Source: National Statistical Institute

**ECONOMY: In Good Shape**

Nine months into the year, Bulgaria’s economy was in good shape. After a hiccup in July, inflation returned to its downward trajectory, decelerating to 6.4% y/y by the end of September, one of the lowest in the CEE region. Consumer confidence continued to improve, reaching its highest in two years and the business climate index was near a 3-year peak. The latest GDP data showed slight deceleration of growth from 2.2% in Q1 to 1.9% in Q2, which was still the 8th highest in the EU. The situation on the labor market remained essentially unchanged.

**SUPPLY AND DEMAND: Anemic Supply**

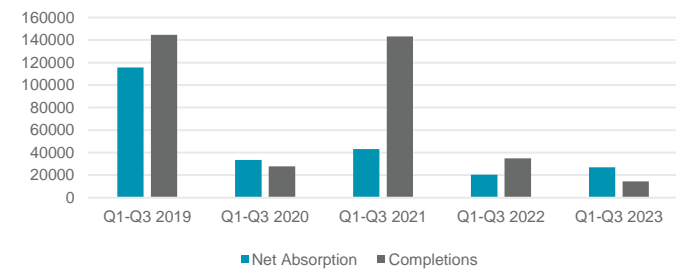
Sofia office market showed moderate activity during the third quarter, with a total of 38,690 sqm leased. This is slightly above the average rates for this period over the past 5 years and 54% higher than the third quarter of 2022. Despite the improved results, landlords continue to report that leases are closing relatively slowly and with a high number of property viewings from potential tenants. The office market remains driven by relocations and renewals, while the share of expansions is relatively small - below 20% of the total leasing volume. This reflects the ongoing trend of hybrid work, especially in the IT and BPO industries, which has a direct impact on the occupiers’ needs of office space.

On the supply side, there was no significant movement on the office market in Q3, with only one small project being completed. The lack of new significant projects and the positive net absorption of office space (15,576 sqm for Q3), led to a minor decrease in vacancy rate in Sofia. However, the levels remain above 16%, which is a relatively high value for CEE. If demand remains muted, the upward pressure on vacancy will persist due to the planned office deliveries in the next couple of years.

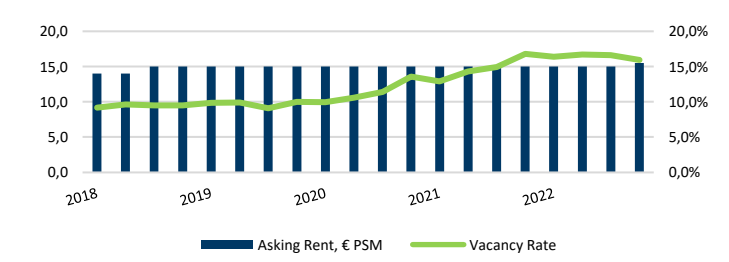
**PRICING: Slight Increase of Rents and Yields**

Asking rents continue to increase slightly, reaching 16.5 euro/sqm for prime office space in Sofia’s central business district. Class A offices alongside main roads are rented for 13 - 15 euro/sqm. Service charges remain stable in the range 3-4 euro/sqm per month, reached in the end of 2022. Prime office yields in Sofia reached 7.75% in the fall of 2023. The slight increase of yields is expected to continue in the short term, underpinned by rising interest rates.

**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	2,281,878	366,766	16.07%	38,690	114,288	194,902	€16.5	7.75%
<b>TOTAL</b>	<b>2,281,878</b>	<b>366,766</b>	<b>16.07%</b>	<b>38,690</b>	<b>114,288</b>	<b>194,902</b>	<b>€16.5</b>	<b>7.75%</b>

\*Rental rates reflect asking rents

## KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	RSM	TYPE
Office A	Sofia	Mbition Sofia	2 234	Expansion
Synergy Tower	Sofia	Bianor Holding	663	Relocation
Megapark	Sofia	Undisclosed	1 616	Renewal
Perform Business Center	Sofia	Enery	800	Relocation

## LOCAL MARKET RESEARCH LEAD

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