

10%

Q1 Vacancy Rate



26,665

Q1 Take-Up sqm



€15.00

Asking Rent, PSM

(Prime Asking Rents)



ECONOMIC INDICATORS Q4 2019

3.1%

Bulgaria GDP Growth



4.1%

Bulgaria Unemployment Rate



3.0%

Bulgaria Q1 2020, Annual Inflation

Source: National Statistical Institute



ECONOMY: Hit by COVID 19 crisis

The Bulgarian economy is projected to decrease by 3% in 2020, according to the government's forecast for the economic impact of the COVID-19 crisis. The coronavirus outbreak has negative effect on domestic consumption and exports which were the main growth drivers in the previous years. After having reached its record low in 2019, now the unemployment rate is going up and is expected to exceed 6% in 2020.

SUPPLY AND DEMAND: Stagnant market

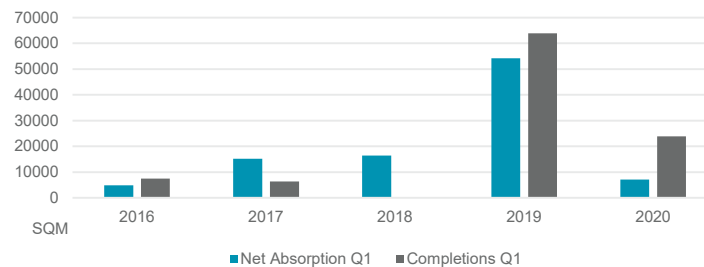
The office market in Sofia faces a significant slowdown, due to the economic uncertainty and weakening business activity caused by COVID-19. Leasing volume amounted to 26,665 sqm in the first quarter of 2020, which is 22% down compared to the same period of 2019, and below the 5-year average. The market was dominated by renewals with more than 40% share of the total take up. Together with the lack of preleases, this indicates that occupiers are reconsidering their business and tend to postpone their expansion plans. Net absorption dropped to outstanding low level of 7,088 sqm in Q1, which may be attributed to delayed expansions and finishing works in the rented premises.

The completion of Building 3 of Garitage park and the refurbishment of a small office project added 23,900 sqm to the Class A and B office supply in Sofia at the beginning of 2020. With these new deliveries the total stock exceeded 2 million sqm. Both projects opened with a large share of pre-let space as a result of the active demand in the last years. Although the average vacancy rate remains around 10%, slight increase is expected in the coming quarters due to the stagnant demand. For the time being, around 390,000 sqm are under construction. However, some of these projects may be postponed. New developments are unlikely to be started in the short term.

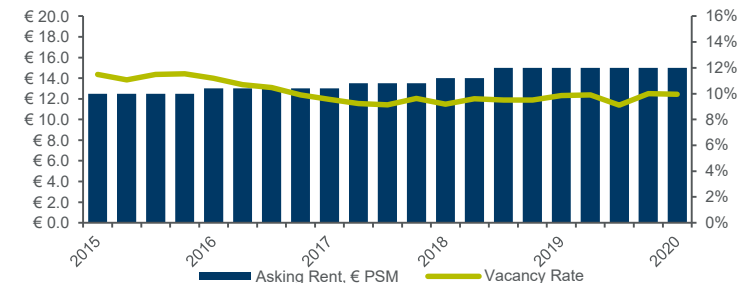
PRICING: Asking rents under pressure

Asking rents in Sofia stood at 15 euro/sqm for Class A offices in CBD and 12-14 euro/sqm alongside main roads. However, the looming recession and tightening office market will put prices under pressure in the coming year.

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	2,020,112	201,063	10.00%	26,665	26,665	392,032	€15.00	7.5%
TOTAL	2,020,112	201,063	10.00%	26,665	26,665	392,032	€15.00	7.5%

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	TENANT	RSM	TYPE
Polygraphia Office Center	Broad center	Ubisoft	3,500	renewal
Megapark	Main road	Tide Banking	670	expansion

KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SM	OWNER / DEVELOPER
Garitage Park – Building 3	Suburbs	VM Ware	19,600	Sofia Park Jsc.

LOCAL MARKET RESEARCH LEAD

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