



YoY Chg 12-Mo. Forecast

**14.3%**  
Vacancy Rate



**53,592**  
Take-Up sqm



**€15.00**  
Asking Rent, PSM



(Prime Asking Rents)

## ECONOMIC INDICATORS Q1 2021

YoY Chg 12-Mo. Forecast

**- 1.8%**  
Bulgaria GDP Growth



**6.3%**  
Bulgaria Unemployment Rate



**285,220**  
Sofia Office based employment



Source: National Statistical Institute, Moody's

## ECONOMY: Forthcoming Recovery

After the decline in 2020, Bulgarian macroeconomic indicators are forecasted to rebound in the present year. Although still in negative territory, GDP is expected to grow by more than 4%, underpinned by exports and expanding private consumption. Employment is expected to recover in the second half of the year and to increase by 0.5% by the end of 2021, according to the Spring Government's Macroeconomic Forecast. Inflation is set to accelerate in 2021 to 1.9%, fuelled by the increase in the oil prices and stronger domestic demand.

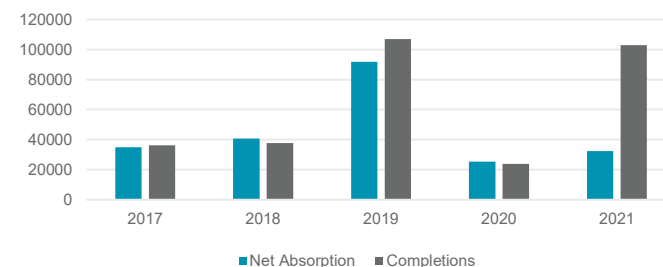
## SUPPLY AND DEMAND: Increasing Take up

The second quarter of 2021 brought visible increase in the Sofia office market, with 53,592 sqm leased space. The total volume outpaced the 5-year average by 33%, mostly due to pent-up demand. However, it is still hard to say whether these figures indicate the beginning of a stable recovery. Relocations and renewals remained prevailing part of the transactions in the quarter, with many companies aiming to consolidate or improve their office positions. Net absorption reached 26,418 sqm, partly due to the completion of new projects with large share of pre-let space. Unlike the previous quarter, the April-June period recorded significant number of new office deliveries. With 98,545 sqm obtaining use permits, total Class A and B stock in Sofia reached almost 2.190 mln sqm. All new projects are located alongside main roads and in the suburban areas, which led to slight increase of the availability rates there, especially in the lower-class buildings. The overall vacancy reached 14.3%, increasing from 12.9% at the beginning of 2021. The large share of remote work and still uneven pace of economic recovery affect demand of office space in Sofia and the big cities. On the other hand, the limited office pipeline is likely to keep vacancy rates around the current levels. The lack of significant new projects results in decreasing office pipeline with only 212,184 sqm under construction at the mid-year point.

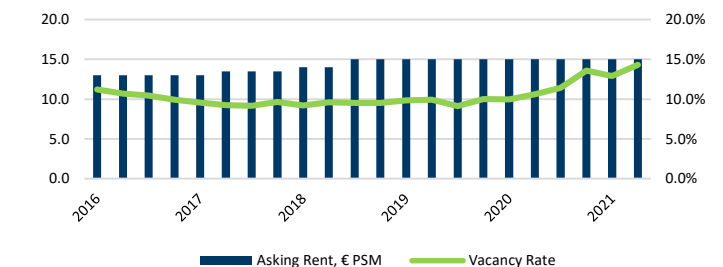
## PRICING: Stable Rents

Prime asking rents remain stable at 15 euro/sqm in CBD and 12-14 euro/sqm alongside main roads in Sofia. Compared with the previous quarters, prime office buildings are less likely to provide same lease incentives, while underperforming projects continue to offer larger rent concessions. Prime yields reflect the stabilisation in the market and moved down to 7.5% in the second quarter, which is 25 basis points lower from the beginning of 2021.

## SPACE DEMAND / DELIVERIES H1



## 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	2,189,517	312,691	14.3%	53,592	69,665	212,184	€15.00	7.5%
<b>TOTAL</b>	2,189,517	312,691	14.3%	53,592	69,665	212,184	€15.00	7.5%

\*Rental rates reflect full service asking

## KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	RSM	TYPE
NV Tower	Sofia	Global Foundries	3,800	relocation
Sofia Office Center	Sofia	Chaos Group	4,750	relocation

## KEY CONSTRUCTION COMPLETIONS YTD 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SM	OWNER / DEVELOPER
Park Lane Office Center	Sofia	Allianz Bulgaria Holding	20,900	Parklane Development
NV Tower	Sofia	Proxiad, Acronis	19,760	Minstroy Holding
Garitage Park – Building 4	Sofia	undisclosed	19,600	Garitage Investment Management
Obsidian Building	Sofia	undisclosed	2,900	Kristian-Neiko

## LOCAL MARKET RESEARCH LEAD

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