



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.

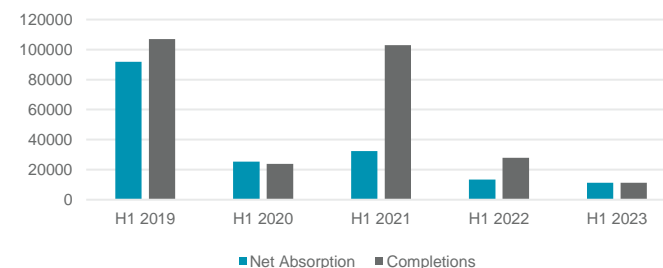
The slowdown of leasing activity resulted in sluggish office construction over the last year and low volume of new completions. In the second quarter of 2023, the pipeline in Sofia remained below 200,000 sqm, with the delivery of a small office building in CBD and an office part of a mixed-use project. 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.

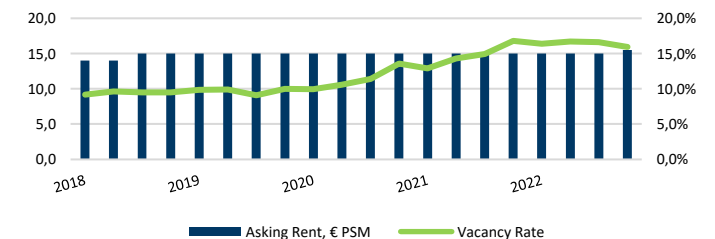
PRICING: Rent stabilisation

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%
TOTAL	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

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