

MARKETBEAT BULGARIA

Office Q4 2023



CUSHMAN &
WAKEFIELD



15.64%

Vacancy Rate

YoY
Chg



12-Mo.
Forecast



67,225

Take-up sqm



€17.00

Asking Rent, PSM



(Prime Asking Rents)

ECONOMIC INDICATORS Q3 2023

1.8%

Bulgaria
GDP Growth

YoY
Chg



12-Mo.
Forecast



4.0%

Bulgaria
Unemployment Rate



792,312

Sofia Employment
November



Source: National Statistical Institute

ECONOMY: Healthy Growth

Bulgaria is on course to complete 2023 with healthy growth. The most recent key indicators are positive. GDP growth in the third quarter was 1.8% y/y, the seventh highest in the EU. The unemployment rate for the same period slipped to 4.0% (4.6% in Q2) and inflation in December decelerated to 5% y/y. Yet, there are some mixed feelings. Consumers assessed their own budget and the state of the economy as the best in two and a half years. Meanwhile, business leaders appear concerned. The confidence and business climate indices in services have softened, mainly due to softening demand and worries about the uncertain economic environment.

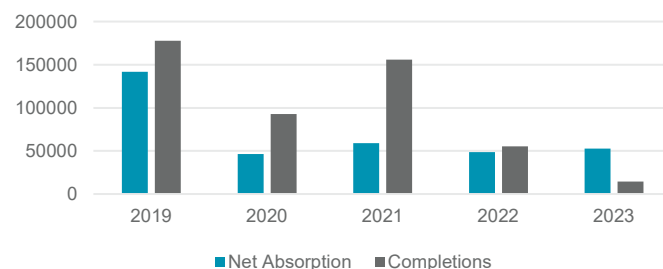
SUPPLY AND DEMAND: Completions at their lowest point

The office market in Sofia recorded a positive year in terms of leasing volume in 2023. Signed and renewed contracts totaled 181,513 sqm, exceeding the pre-pandemic 2019. Take-up amounted to 67,225 square meters in the last quarter of 2023, in line with the last five years average. Despite the similar volume, the office market in 2019 was driven mostly by preleases and expansions, about 40% of the total volume, while in 2023 renewals had the dominant share. Net absorption remained relatively low over the year at 52,730 sqm. The low number was offset by the extremely low completions – less than 15,000 sqm new office space through the period. As a result, the vacancy rate hovered around 15.5-16.5% over the year, dropping below 16% at the end of 2023. Since larger tenants prefer modern and environmentally friendly offices, even at higher cost, older and technically outdated office buildings saw higher vacancies. In terms of supply, the present year promises to be more balanced with about 104,000 sqm planned for completion, including postponed projects from 2023. The total volume of projects under construction remains low at around 185,000 sqm, due to the lack of new starts.

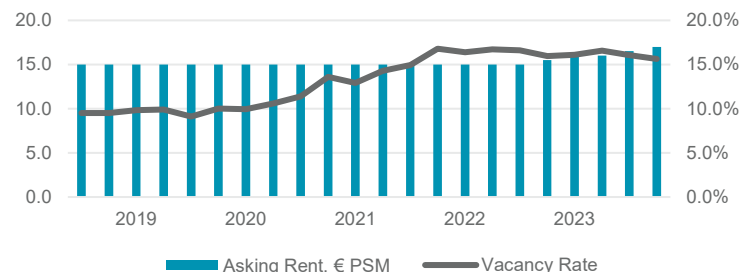
PRICING: Increasing Rents

Gradual rent increases continued over the whole 2023, with asking levels reaching 17 euro/sqm for prime office space in Sofia's central business district at the last quarter. At the end of the year, rents for Class A offices alongside main roads varied between 13 and 16 euro/sqm. Service charges also posted a moderate rise but remained in the range of 3-4 euro/sqm per month. The prime office yields in Sofia reached 7.75% in the fall of 2023 and held steady in the fourth quarter. However, the upward pressure is expected to persist in the short term as a result of interest rates holding up.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENTS





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	2,245,580	351,127	15.64%	67,225	181,513	185,902	€17.00	7.75%
TOTAL	2,245,580	351,127	15.64%	67,225	181,513	185,902	€17.00	7.75%

*Rental rates reflect asking rents

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	RSM	TYPE
BSR Building 1	Suburbs	Regus	1 300	New location
SPS Tower	Main road	Cargill	9 400	Renewal
Kampanite Green Offices	Suburbs	Dynata	1 490	Renewal

LOCAL MARKET RESEARCH LEAD

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