

Sofia, Bulgaria

H1 2022 quick stats

Market
inventory
Class A&B



1.92 million sq. m

Overall
vacancy
rate



15.3%

New
Office
Inventory



37,320 sq. m

Construction
pipeline
(expected delivery
in H2 2022)



18,895 sq. m

Asking
rental
levels
(Class A)



€11 - €15 per sq. m

Office market highlights

- In the first half of 2022, the total office inventory in Sofia remained stable at around 2.5 million sq. m – of this the actively trading inventory of completed class A&B office space tracked by Avison Young Bulgaria is 1.92 million sq. m.
- 37,320 sq. m were delivered to market in the first half of 2022.
- The construction pipeline stands at 178,000 sq. m with 18,895 sq. m due to be completed in the second half of 2022.
- The overall vacancy rate of completed class A&B space increased to 15.3%.
- Asking rental rates for class A office space remained stable and are largely in the range of €11 - €15 per sq. m per month.



Economic highlights

- The annual inflation rate in June 2022 compared to June 2021 was at 16.9%.
- GDP growth in Bulgaria registered at 4.0% year-on-year in the first quarter of 2022, down from 5.0% in the previous quarter.
- The average monthly wage in Bulgaria increased by 8.1% year-on-year in March 2022 and reached €855.
- The national unemployment rate in June 2022 was at 4.2% down from 6.1% a year earlier.
- Foreign direct investment in Bulgaria in Q1 2022 reached €1.06 billion compared to €244 million for Q1 2021. The Netherlands, Belgium and Austria were the largest investors in Bulgaria in Q1 of 2022.

Source: National Statistical Institute, Bulgaria

Leasing

The majority of lease transactions in the first half of 2022 were renewals and relocations rather than expansions.

The three major drivers in the Sofia office leasing market included companies relocating their offices to brand new buildings in order to motivate their employees to come back to the office; start-ups reaching certain level of maturity and now looking for a more corporate office environment; and companies looking to relocate their operations from Ukraine and Russia to Bulgaria.

15.3 %

**Overall
vacancy
rate**

Construction

37,320 square meters of class A office space were delivered in the first half of this year in

the form of three office buildings located in the currently in demand suburban location of Hladilnika. All three projects are near the Vitosha Metro Station of Sofia Metro line 2 and the largest mall in Bulgaria – Paradise Center.

A fourth office building in the same area is expected to be delivered in the second half of this year. The fifth office tower to be finished by year end is an addition to an existing retail and office project in the CBD area (Sofia Tower II). It is worth mentioning that, with one or two exceptions, there are no new office projects started in the capital city since the onset of

**37,320
sq. m**

Delivery

the pandemic. New projects became even less feasible with the shortages and rising costs of raw materials. This is evident when comparing the deliveries to market of new office stock in 2021 (started several years before) of about 200,000 square meters and the expected delivery to market of about 150,000 square meters over the next two years. Most of the new office buildings to be delivered will be in suburban areas of the capital.

Forecast

In the coming months, the Sofia office market will see even more relocations of tenants to new buildings for various reasons: tenants wanting a “fresh” new office; tenants relocating because their existing headline rents will become higher than the asking rents of new buildings on the market (due to indexation); and tenants consolidating their office space in one place.

With the current high demand for flexi, serviced type offices, the market will see more traditional office space converted into these types.

There will be more captive outsourcing by companies from Western Europe centralizing their operations in Central and Eastern Europe, and Bulgaria in particular, since Bulgaria proved to be a successful outsourcing destination in Europe due to its highly educated and less expensive workforce. Asking rental levels for class A office space are likely to remain unchanged from their current levels of €11 - €15 per square meter per month depending on the

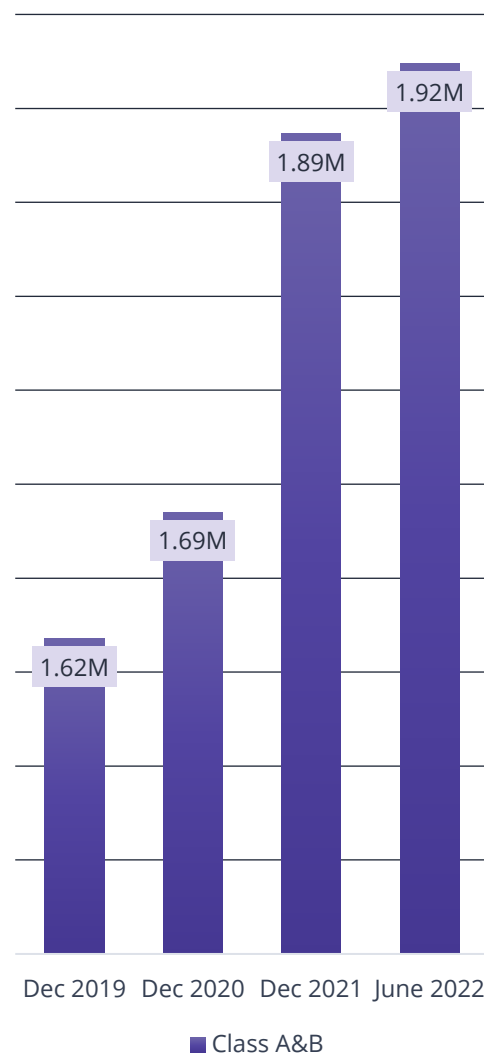
€11 - €15

**Avg. class A
asking rates**

area). New projects coming to market will command premium prices and some will exceed the €15 level mark. However, the monthly service charge will likely move upwards in the immediate future due to rising utility costs and costs of services due to inflation.

Overall, the two major trends in the coming months will be the flight to quality and shorter, more flexible lease terms.

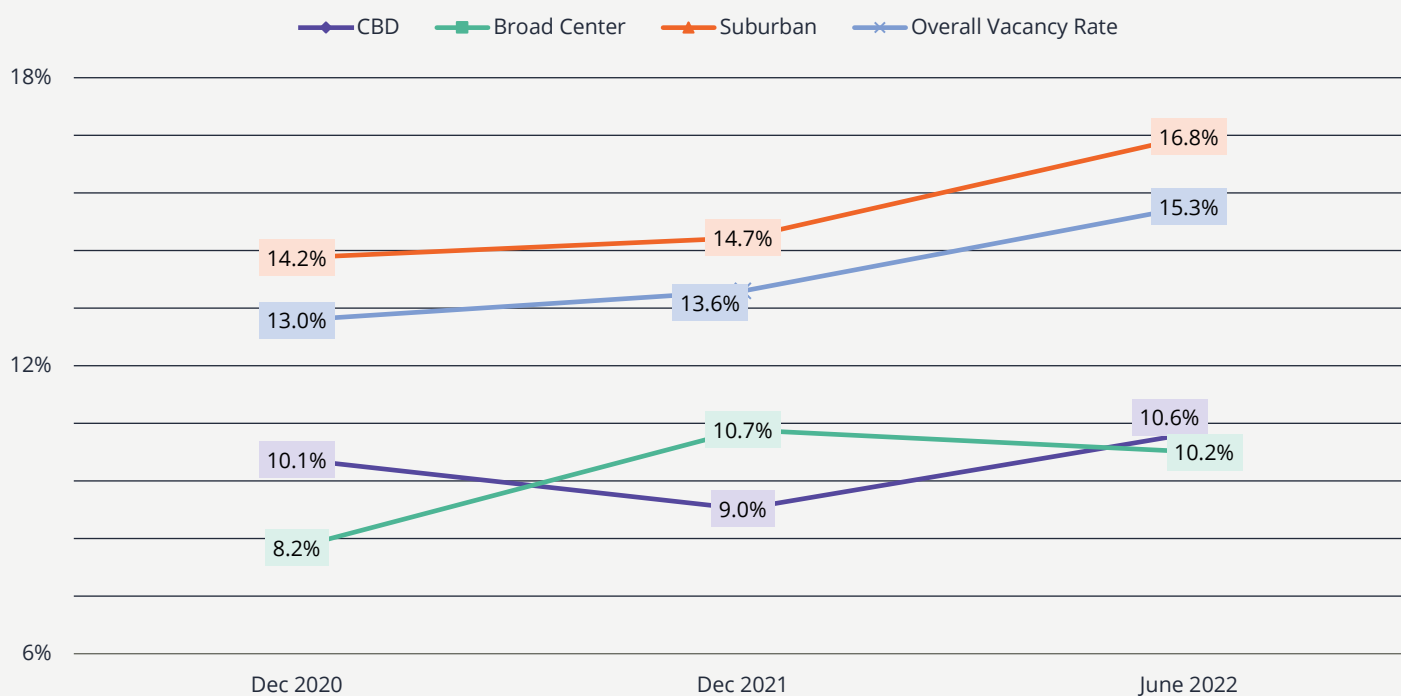
Completed Class A&B office space inventory



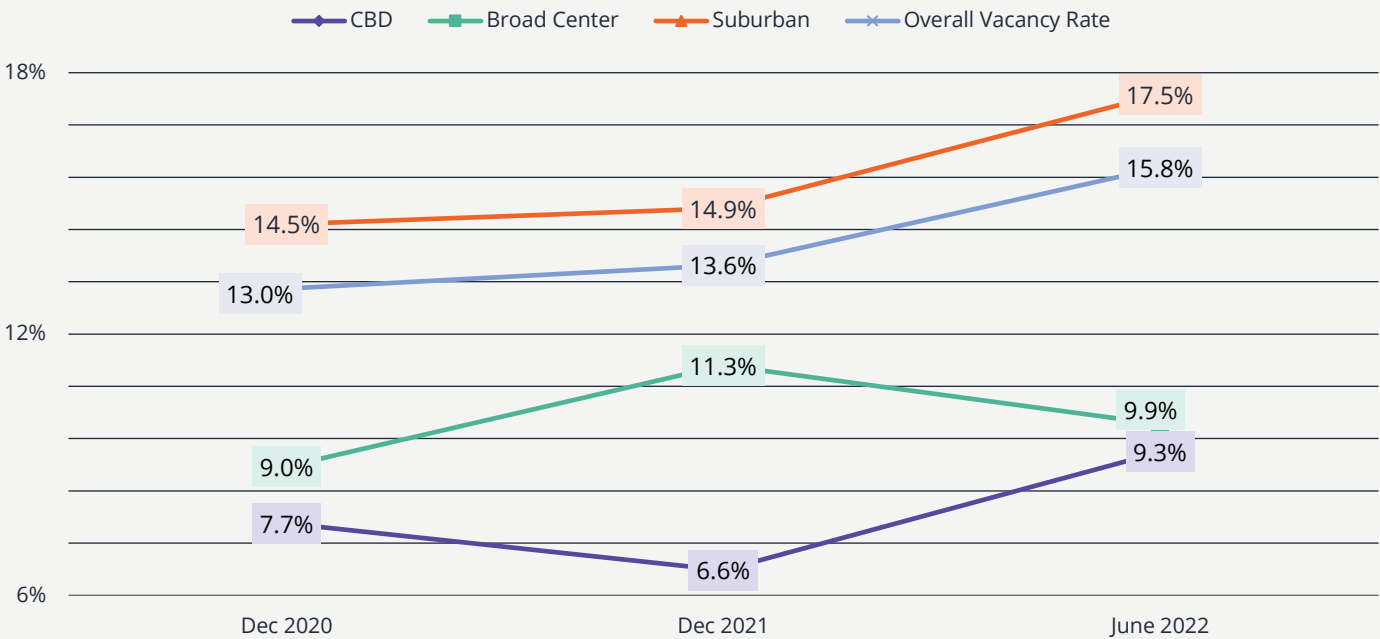
Notable projects to be delivered to market in 2022 and beyond

Project name	Area	Segment / subsegment	GLA (sq. m)	Completion
Business Garden Office X Building I	Suburban	Hladilnika / Paradise Center	23,800	H1 2022
EN 1 Building	Suburban	Hladilnika / Paradise Center	9,520	H1 2022
Energy Tower	Suburban	Hladilnika / Paradise Center	10,495	H2 2022
Sofia Tower II (Mall of Sofia)	CBD	Stamboliyski Blvd.	8,400	H2 2022
Iztok Plaza	Suburban	Tsarigradsko Shose Blvd.	34,908	2023
FPI Monument Building	CBD	Vasil Levski Blvd.	14,000	2023
Sky Fort	Suburban	Tsarigradsko Shose Blvd. / 11 km	40,000	2024

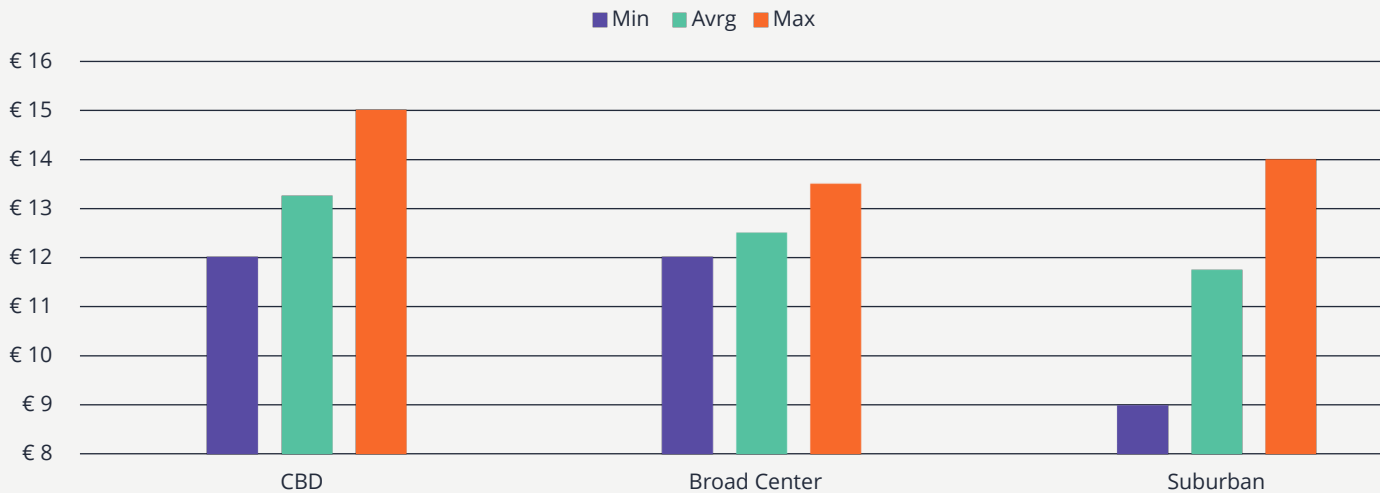
Vacancy rate by area, Class A&B



Vacancy rate by area, Class A



Class A asking rental ranges



Get more market information

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