

# Sofia, Bulgaria

## H1 2023 quick stats

### Market inventory Class A&B



1.99 million sq. m

### Direct vacancy rate



14.3%

### New Office Inventory (H1)



9,748 sq. m

### Construction pipeline (expected delivery in 2023)



81,626 sq. m

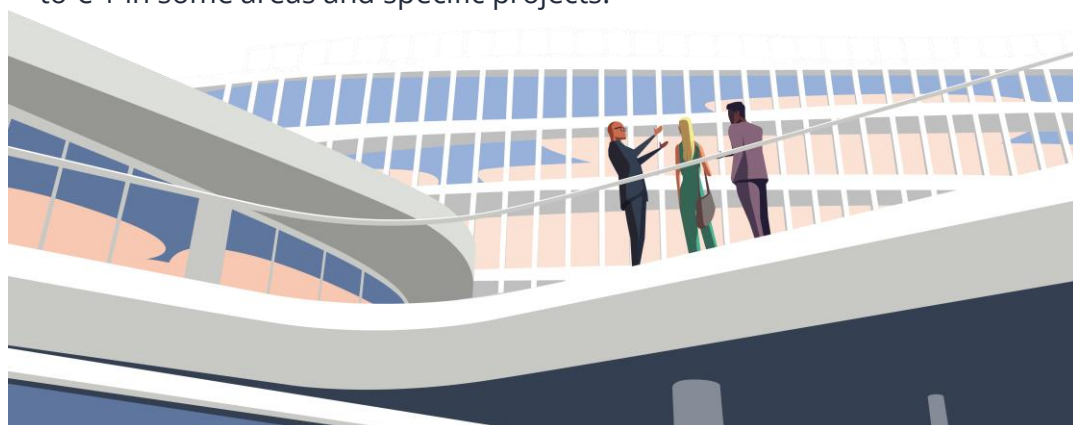
### Asking rental levels (Class A)



€11 - €16 per sq. m

## Office market highlights

- The actively trading inventory of completed class A&B office remained almost unchanged at 1.99 million sq. m. Only minor projects have been completed during the first half of the year 2023.
- The construction pipeline stands at 192,000 sq. m. Most of the expected deliveries in 2023 are for own use or with a significant portion of pre-leased areas.
- The direct vacancy rate of completed class A&B space slightly increased during the first half of the year to 14,3%.
- 116,509 sq. m. were transacted in the first six months of 2023. The split between new leases and prolongations is almost equal.
- Asking rental rates for class A office space are largely in the range of €11 - €16 per sq. m per month. They remained stable or with an increase of € 0,5 to € 1 in some areas and specific projects.



## Economic highlights

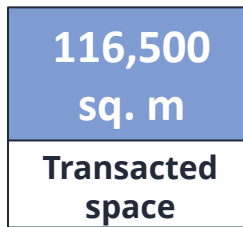
- The annual inflation rate in June 2023 compared to June 2022 was at 8.7%. This is the first time since January 2022 that it is a single digit number.
- GDP growth in Bulgaria registered at 1.9% year-on-year in the second quarter of 2023. It marked the slowest pace of economic growth since the contraction in 2020.
- The average monthly wage in Bulgaria increased by 10.1% year-on-year in June 2023 and reached €985.
- The national unemployment rate in July 2023 was at 5.2% up from 4.2% a year earlier.
- Bulgarian National Bank increased every month the interest rates in 2023, reaching 3.53% on 1<sup>st</sup> of Sept 2023.

Source: National Statistical Institute, Bulgaria

### Leasing

The first half of the year showed regular transaction activity. The total number of

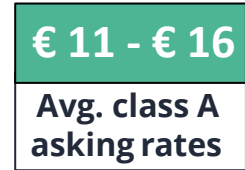
transacted office space was 116,000 square meters. The split between prolongation and new leases was almost identical. The biggest deals in terms of size were prolongations, where the sum of the top three biggest deals account for almost 40,000 square meters. The new signings were mostly relocations, with limited "new entries" in the country.



newer projects and more aggressive commercial offerings.

### Construction

With the increasing cost of construction, interest rates, and reduced overall demand for office space, very few projects were started since the beginning of the year. At the same time, the completion of several projects during that period was delayed and the newly completed buildings during the first half of the year added only 11,000 square meters of new office space to the market. The average volume of delivered office space on the market between 2009 and 2022 was 103,000 square meters with a peak of 225,000 square meters in 2011 and a lower 22,000 square meters in 2013. The decrease in construction back then was caused by the Financial crisis in 2008. Similar trends are observed now, following the COVID pandemic as a trigger in 2020. The newly constructed office space is expected to be below the average in 2023 and go further down in year 2024.



range of €11 - €16 per sq. m per month. They remained stable or with an increase of € 0,5 to € 1 in some areas and specific projects. The increase is observed in the area of Hladilnika / Paradise Center or projects in other locations with low vacancy. Some projects in the area of Tsarigradsko Shose Blvd. reduced the rents to attract new tenants. However, in the established office locations the variation in prices is more project - related (depending on vacancies) than location - related.

### Rents

Asking rental rates for class A office space are largely in the

### Vacancy

After the small decrease in the vacant space during the second half of

2022, in 2023 we observe again increased vacancies. This is due to several factors: reduction and prolongation strategy, which is the main approach observed with the implementation of the hybrid work from home and in the office model after COVID-19; lack of new "imported" demand by international companies; expirations of previous lease contracts of companies that already relocated to newer buildings. For the first time in a very long time, the vacancy percentages in CBD and in Broad Center are bigger than in Suburban Areas. This is mainly due to the relocation of companies from the City Center and Broad Center to the Suburban areas attracted by



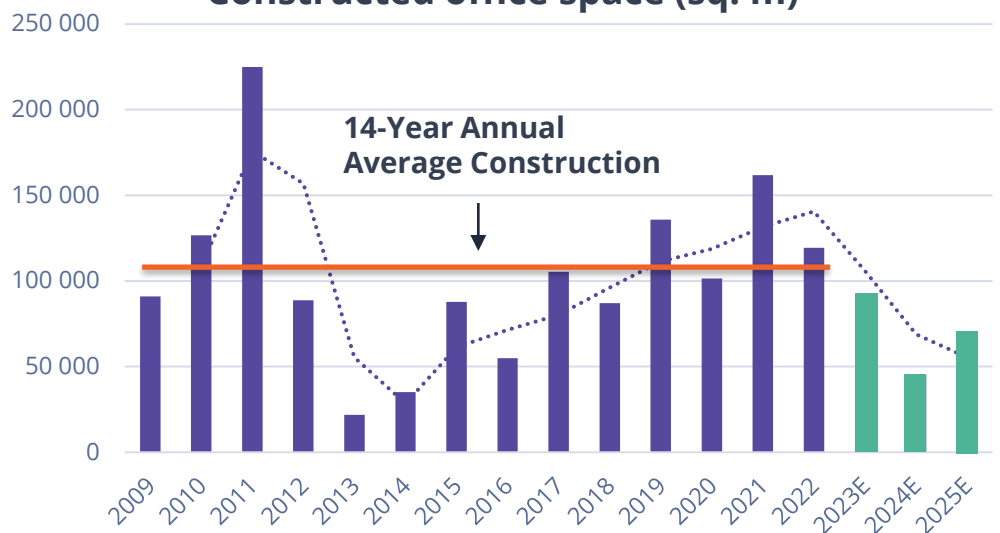
### Service Charge

Service charge seems to stabilize in the range of € 2,5 - € 3,75 per sq. m per month.

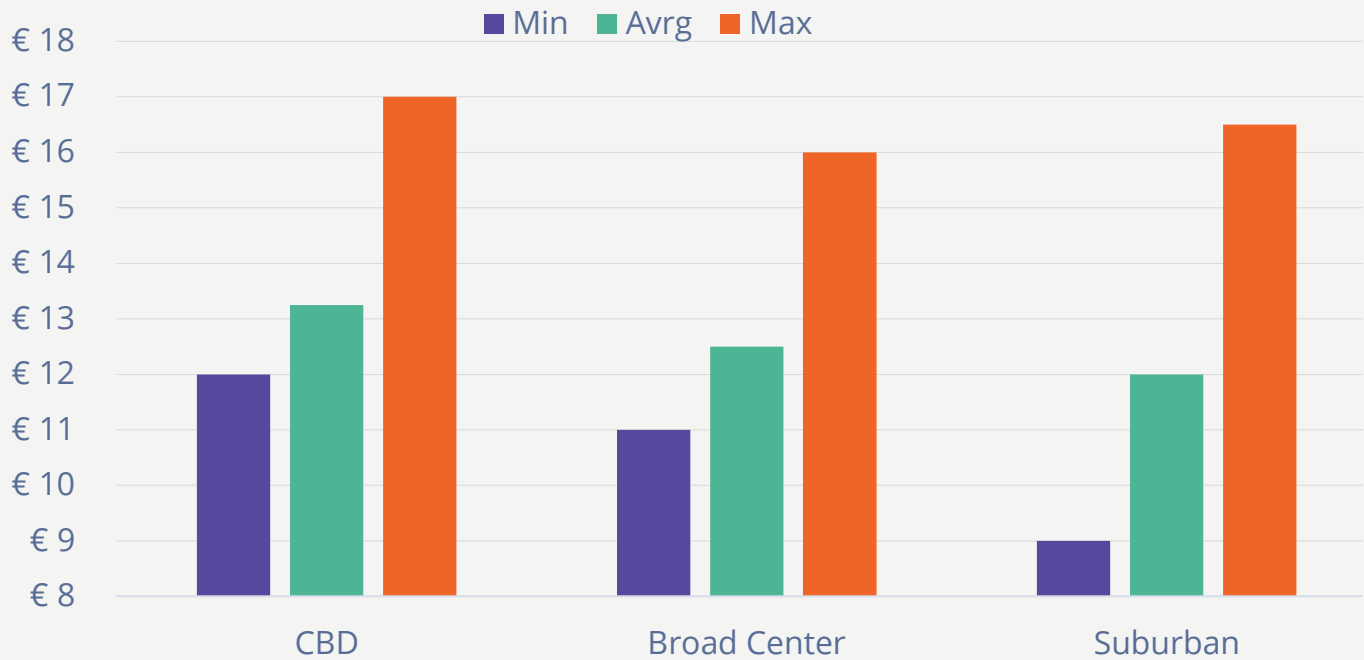
Landlords prefer the approach of an "open book policy", while the tenants still ask to have fixed rates or caps on service charges.



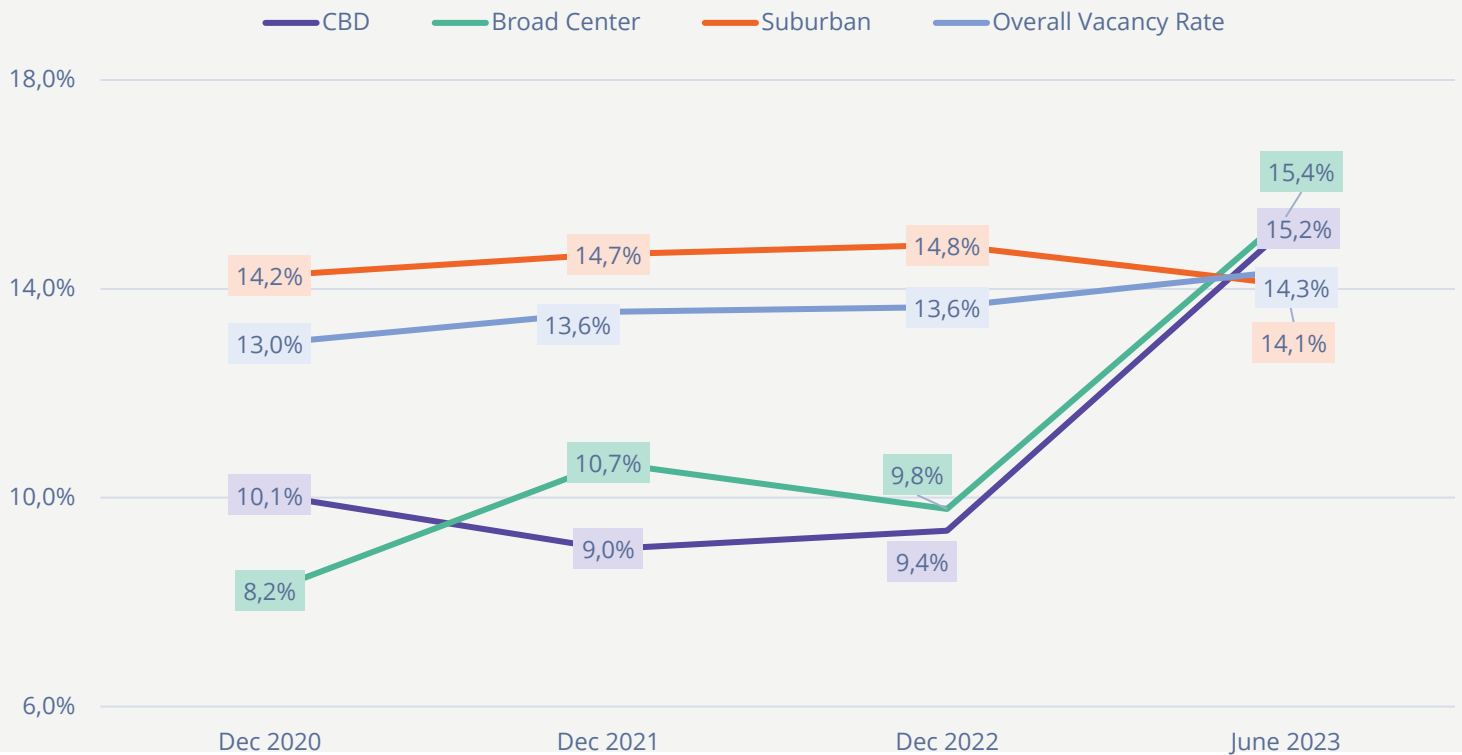
### Constructed office space (sq. m)



CLASS A ASKING RENTAL RANGES



Vacancy Rate by Area, Class A&B



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