

# Sofia, Bulgaria

### H2 2022 quick stats

#### Market inventory Class A&B



1.98 million sq. m

#### Direct vacancy rate



13.6%

#### New office inventory (H2)



55,000 sq. m

#### Construction pipeline

(expected delivery in  
2023)



92,300 sq. m

#### Asking rental levels (Class A)



€11 - €15 per sq. m

### Office market highlights

- The actively trading inventory of completed class A&B office space tracked by Avison Young Bulgaria is 1.98 million sq. m.
- 96,000 sq. m new office stock were delivered to market in 2022.
- The construction pipeline stands at 182,000 sq. m with several new projects started in 2022. About half of the volume, 92,300 sq. m. are expected to be delivered in 2023.
- The direct vacancy rate of completed class A&B space increased during the first half of the year to 15,3% but later came back to the last year figure of 13.6%.
- 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 December 2022 compared to December 2021 was at 16.9%.
- GDP growth in Bulgaria registered at 3.3% year-on-year in the third quarter of 2022, down from 4.5% in the previous quarter.
- The average monthly wage in Bulgaria increased by 15.8% year-on-year in September 2022 and reached €913.
- The national unemployment rate in Q3 2022 was at 3.7% down from 4.6% a year earlier.
- Foreign direct investment in Bulgaria from Jan to Oct 2022 reached €1.49 billion compared to €1.37 million for the same period of 2021.
- Bulgarian National Bank increased 3 times the interest rates in 2022, reaching 1.42% on 1<sup>st</sup> of Jan 2023. Further increase is expected in 2023.

Source: National Statistical Institute, Bulgaria

### Leasing

The majority of lease transactions in 2023 were renewals and relocations rather than expansions or new entries on the market.

The major drivers in the new transactions in Sofia office leasing market included relocations to brand new buildings, expansions of flex office operators in multiple locations and start-ups looking for more “corporate type” office environment. The new entries were mainly companies looking to relocate their operations from Ukraine and Russia to Bulgaria. The direct vacancy remained stable during the year, after the initial increase during its first half, however with several big relocations scheduled for 2023, the available space will increase in the beginning of next year.

**13.6 %**

**Direct  
vacancy rate**

While, with one or two exceptions, there were no new office projects started in the capital city in the first two years since the onset of the covid pandemic, in 2022 new projects were started by experienced office developers.

With those new projects, the offices under construction reached total size of approximately 180,000 square meters. Half of those will be delivered in 2023. 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.

Overall, tenants want smaller but better offices. With the current high demand for flexi, serviced type offices, the market will see more traditional office space converted into these types. The supply of flex space will grow and will segment.

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 area). New projects coming to market will command premium prices and some will exceed the €15 level mark.

**€11 - €15**

**Avg. class A  
asking rates**

Older projects, depending on the strategy will reduce the rents trying to

attract tenants, but the key to attract such will be to modernize the premises and upgrade them to the current expectations of the users. The monthly service charge will likely move upwards in the immediate future due to rising utility costs and costs of services due to inflation.

The end users want choice and experience and the landlords together with the tenants, should find the right formula to offer it.

### Construction

55,000 square meters of class A office space were delivered in the second half of 2022.

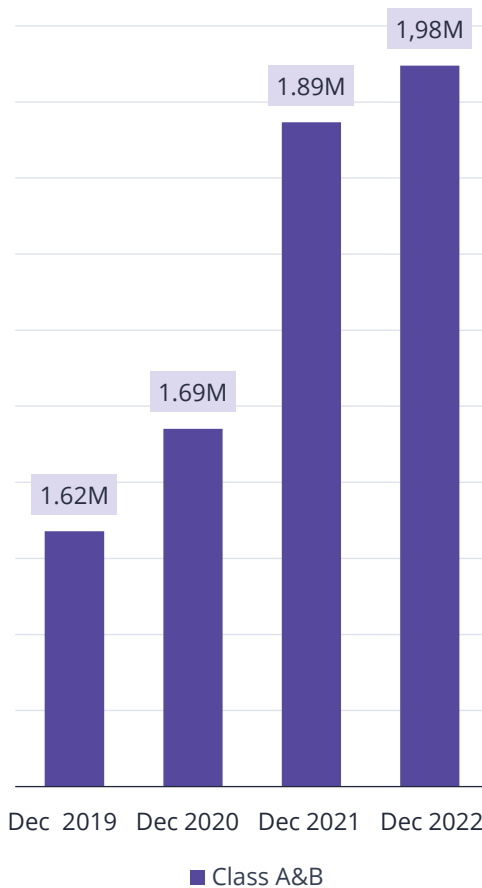
Most of that space is in suburban location dispersed in Mladost and Hladihnika area.

In the city center the new supply is limited and one project that was completed during the year and has to be mentioned is the extension of Mall of Sofia - Sofia Tower II. For the entire year 2022 the constructed new office space is close to 95,000 square meters. It is half of the deliveries in 2021.

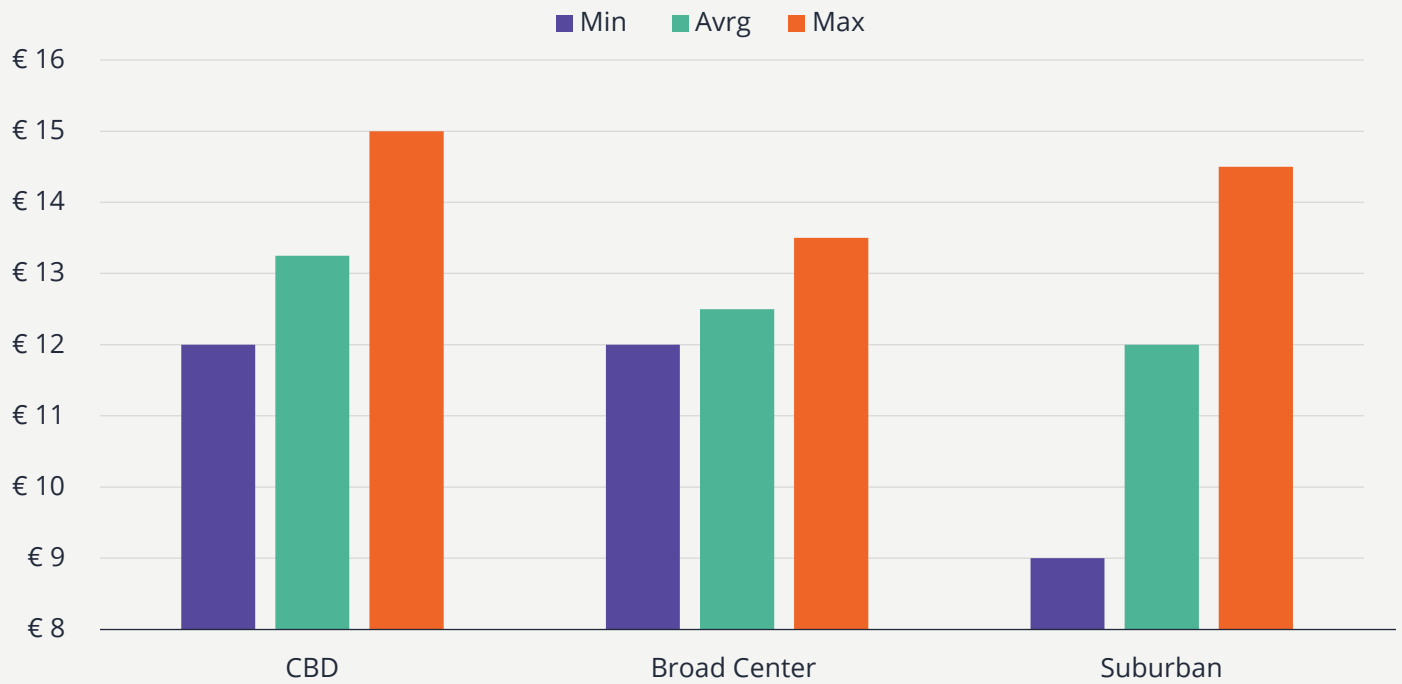
**55,000  
sq. m**

**Delivery**

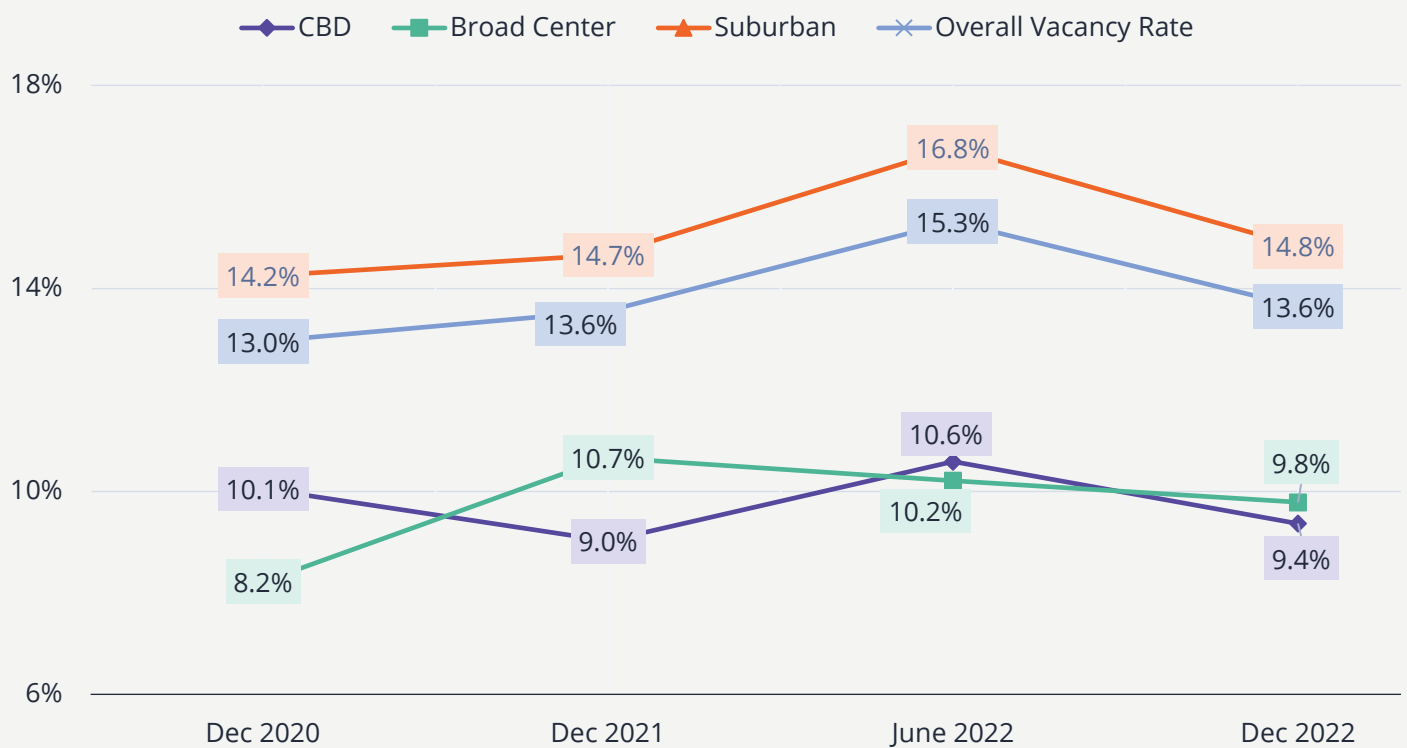
### Completed Class A&B office space inventory



### Class A asking rental ranges



### Vacancy rate by area, class A&B



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