

Office Market Insight

Q2 2024
Sofia



2,500 m²



AVALANT
◁ PROGRESSIVE REAL ESTATE ▷

NEW LEASE ACQUISITION



We are very grateful for the tireless support and high expertise of the Avalant Team, who led us to an office space where not only our vision finds a home but most importantly where our employees' comfort and interests are embraced.

Thomas Haseneder

Facilities Associate Director & Head of CBS Finance Cargotec



HIAB



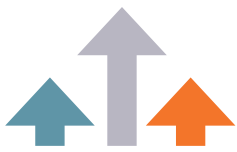
KALMAR



MACGREGOR

POWERED BY **CARGOTEC**

Sofia | Key market trends



Transaction volume in Q2 – 34,242 sq.m

Lower than usual transaction activity (about 20%), similar to the previous quarter.



Another slight decrease in vacancy to 16.89%

This quarter the class B segment is performing better with a more notable decrease in vacancy.



No major construction permits were observed

Only a few office projects in industrial or non-office locations were announced.

Sofia at a glance

Total speculative stock

2,133 mln m² ↑

New Deliveries In Q2: 10,155 m²

Construction activity

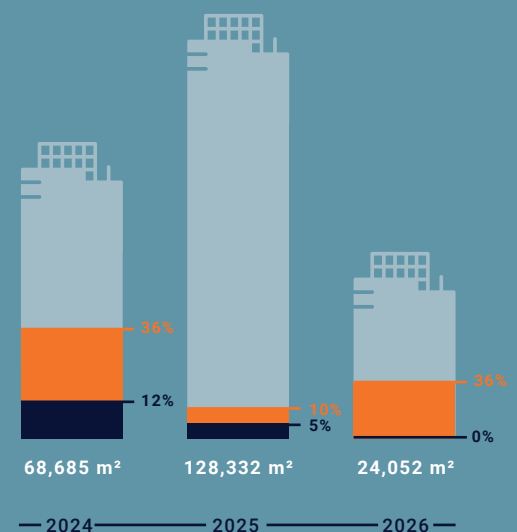
221,069 m² (-)

New Construction Starts In Q2: 2,300 m²

Resumed Construction: 9,100 m²

EXPECTED DELIVERIES

%Owner Occupied % Pre-lease



	Class A		Class B
Speculative Stock	1,314 mln m ²	↑	0,820 mln m ²
Vacancy Rate	17.14%	↑	16.49% ↓
Vacancy	225,125 m ²		1135,125 m ²
Availability	398,093 m ²	↑	139,811 m ² ↓
Asking Rents	€ 12.00 – 16.50	(-)	€ 7.00 – 12.50

Supply

2,133 mln. sq.m.

Another 10,155 sq. m were added to Sofia's office space market with the completion of two relatively small office buildings located on Bulgaria Blvd. As a result, the speculative office stock increased to **2,133 mln. sq. m.** The end of this prolonged period of low volume of new deliveries seems to be around the corner, however a large portion of the office projects scheduled for completion by the end of the year seem behind schedule and most will likely be delivered in Q4 2024 and H1 2025. This can result in c.a. 120,000 sq. m of new deliveries in the next 12 months.

Construction activity

221,069 sq.m.

ACTIVE CONSTRUCTION

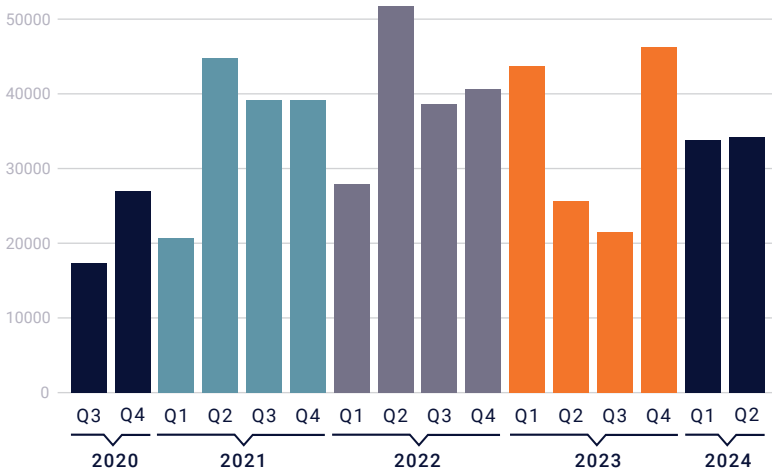
Just one small office building (2,300 sq. m) in the Broad Central Area has commenced construction this quarter. We have also observed a halt in new construction permits as no significant projects were announced in Q2. The total volume of construction activity stands at **221,069 sq. m.**

The volume of frozen projects remains 34,000 sq. m.

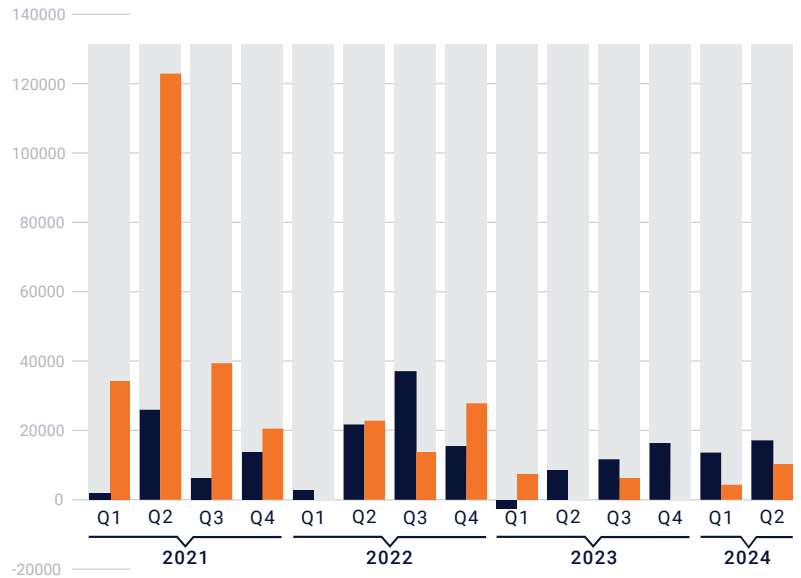
About **17%** of the areas under construction have already been pre-leased and about **10%** will be owner-occupied. The volumes of expected deliveries in the next years has shifted again due to yet another wave of delays:

- 2024** **68,685 sq. m** are expected, **12%** of which will be owner-occupied and **36%** are pre-leased.
- 2025** **128,332 sq. m** are expected, **5%** of which will be owner-occupied and **10%** are pre-leased.
- 2026** **24,052 sq. m** are expected, **36%** of which will be owner occupied.

TAKE-UP PROGRESSION sq.m.

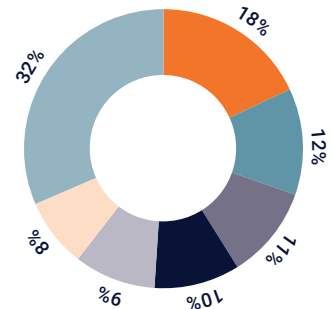


NET ABSORPTION VS NEW DELIVERIES sq.m.



TAKE UP BY SUBMARKETS

- Hladilnika
- Business Park District
- Tsarigradsko (7-11th km)
- CBD
- Bulgaria Blvd
- Airport District
- Other



Demand

34,242 sq.m.

TRANSACTION ACTIVITY

There is a slight increase of the net absorption in Q2 – **17,181 sq. m** (compared to 13,623 sq. m in Q1). Interestingly, this quarter the absorbed class B space is more than the volume of newly occupied class A offices – close to 10,000 sq. m positive net absorption for class B compared to a little more than 7,000 for class A.

Transaction activity (excluding renewals) has only slightly increased to **34,242 sq. m** which is close to the average for the previous year and further solidifies the lower transaction volume trend observed since 2023 (c.a. 14% below 2022).

Once again, Hladilnika leads the way but this time with only 18% of all leases signed in this quarter. Overall, the deals in Q2 are quite dispersed with 5 submarkets having each close to 10% of the closed transactions - Tsarigradsko Shosse, the Business Park Area, Bulgaria Blvd., CBD and the Airport district.

Macroeconomic snapshot

1.7%

GDP
y-o-y change
(Q1 2024)

2.7%

INFLATION
Annual change
(May 2024)

5.0%

UNEMPLOYMENT RATE
(Q1 2024)

€1,176

GROSS AVERAGE SALARY
(March 2024)

*Data was derived from the sources of The National Statistics Institute (NSI) and The National Employment Agency



Office Market Insight | Q2 2024 Sofia

Contact us:

Hristo Andonov

Partner

M: +359-884-07-07-78

E: andonov@avalant.bg

Dimitar Ivanov

Partner

M: +359-878-150-616

E: ivanov@avalant.bg

Ivan Parmakov

Partner

M: +359-897-666-555

E: parmakov@avalant.bg

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