Sofia

Office Market Overview

H1 2021
Supply

- In the first half of 2021, the supply of modern office space in Sofia grew by 4% and the total stock comprised to 2,503,000 sqm. (Fig. 1) The new projects added 115,000 sqm to the existing office space, with the completion of Garitage Park phase 3, NV Tower, Park Lane Office Center, Balkan Business Center, Ring Tower, and others.
- The pipeline of projects under active construction decreased and amounted to 311,250 sqm.
- Vacancy levels increased by 3% and reached 16%, the surge being mostly attributable to the latest supply.

Demand

- The office market was characterized by high activity during the first six months of the year. Total take-up** indicator, i.e. all recorded transactions on the market, was 70,330 sqm, 6% higher compared to the first half of 2019.
- Net absorption* for Class A, B and C offices was approximately 25,700 sqm.
- In the surveyed period, 39% of all deals were due to relocations, 37% to contract renewals, 10% to pre-leases, another 10% to expansion of already established companies and 4% to new entries on the market.
- The main sectors driving demand were: IT and outsourcing (73%), professional services (11%) and retail (8%). (Fig.2)

Rental levels

- Average asking rental levels*** remained stable, namely for class A offices were EUR 14 per sqm - CBD, 12.5 euro per sqm – Broad centre and 12 euro per sqm - for Suburbs (Fig.3).
- In the first half of 2021, the gap between asking and contracted price widened, depending on location, building and level of completion.
Figure 1: Office supply in Sofia Class A, B and C ('000 sqm)

Source: Colliers International

Figure 2: Demand by sectors

Source: Colliers International

Figure 3: Average Class A asking rental levels in Sofia (euro/ sqm / month)

Source: Colliers International
In the second half of the year, the share of employees working from their offices is expected to gradually increase, in alignment to sector, global or regional corporate policies.

- Companies from IT & outsourcing industry will remain the most active player on the market and are anticipated to continue expanding their presence in regional cities, in addition to their presence in the capital.
- Office buildings are no longer perceived by occupiers as property stock, but as service delivery platforms, adding value to the tenants’ core business results. This is a process in which the synergy between office occupiers and their landlords is to be found and maintained.
- Many corporations are focused on defining and refining core hybrid models of work that include office, home and third space - shared spaces, flex offices, work “from anywhere”.
- Different types of internal office space transformation will be observed, placing much more emphasis on ways to stimulate collaboration, creativity, reinforcement of the sense of belonging and corporate culture.

Definitions:
* Net Absorption - Net Absorption refers to the change in occupied stock from one period to the next. It refers only to existing stock (not the development pipeline).
** Total Take-up - Total Occupational Market Activity is the total floorspace known to have been let or sold as one of the following activity types during the period: Pre-lets, New Occupation/Lease, Expansion, Renewal/Renegotiation, Sub-lease and Sale & Leaseback.
*** without VAT
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