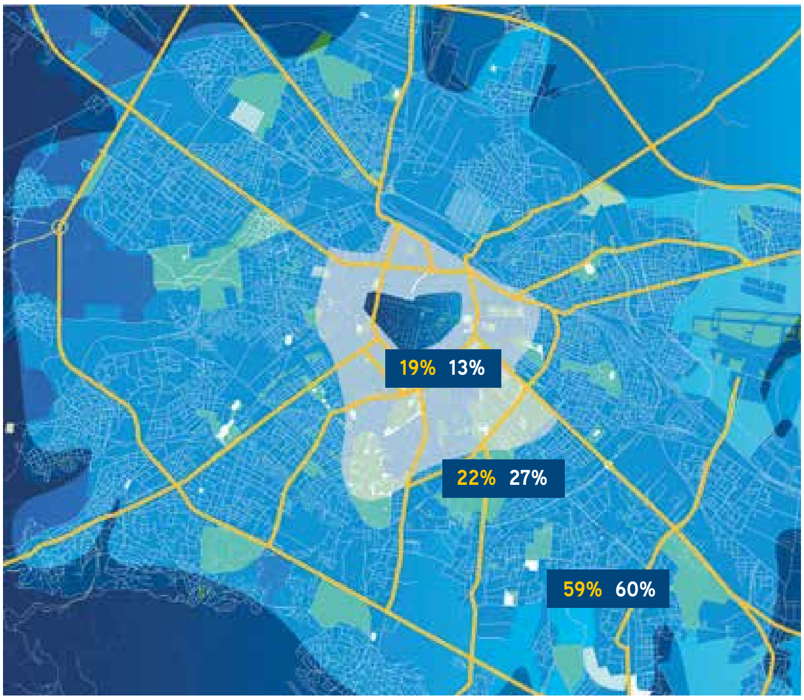
SOFIA

OFFICE

MARKET OVERVIEW

H1 2018

SOFIA



Class A ☐ Class B For more information: www.officemap.bg

HIGHLIGHTS

- During the first half of 2018, class A, B and C modern office space supply in Sofia increased 2% to 2,049,000 sqm.
- The established office locations such as the 7-11 km stretch of Tzarigradsko shosse, Business Park Sofia and Hladilnika continue to expand, remaining the preferred destinations to the main engine of the market – the IT and Outsourcing sector.
- Pre-lease continued to be the deal type with the highest share (35%) of all leasing transactions, a trend witnessed since the second half of 2016.
- Steady demand is registered in the capital in the first six months of 2018 - total take-up was 65,800 sqm.
- Average rental levels for class A and B remained stable.

INDICATORS

Supply
CLASS A **828,000 sqm** ↑
CLASS B **966,000 sqm** ↑

Vacancy
CLASS A **5%** ↓
CLASS B **11%** ↓

Rental levels (sqm/month)
CLASS A **13.5** ↔
CLASS B **10** ↔

Under construction
406,000 sqm

Total take-up*
65,800 sqm

Net absorption**
43,600 sqm

DEMAND BY SECTORS

55% IT & Telecoms

19% Retail

8% Professional services

LARGEST DEALS

Building	Tenant	Area (sqm)	Deal type
Office Park Central	60K	6,240	Pre-lease
B Tower	Louis Dreyfus	6,000	Pre-lease
Sofia Tower	Deloitte	2,500	Renegotiation

CENTRAL BUSINESS DISTRICT

Selected office buildings above 5,000 sqm
For more information: www.officemap.bg

HIGHLIGHTS

- In the past six months no new completed buildings were registered in the CBD zone.
- Demand in this area is mainly determined by the IT & Telecoms sector (73%).
- Achieved rents sustained at previous levels.

INDICATORS

Supply
CLASS A **158,000 sqm** ↔
CLASS B **130,000 sqm** ↔

Vacancy
CLASS A **5%** ↓
CLASS B **4%** ↓

Rental levels (sqm/month)
CLASS A **15** ↔
CLASS B **10** ↔

Under construction
20,700 sqm

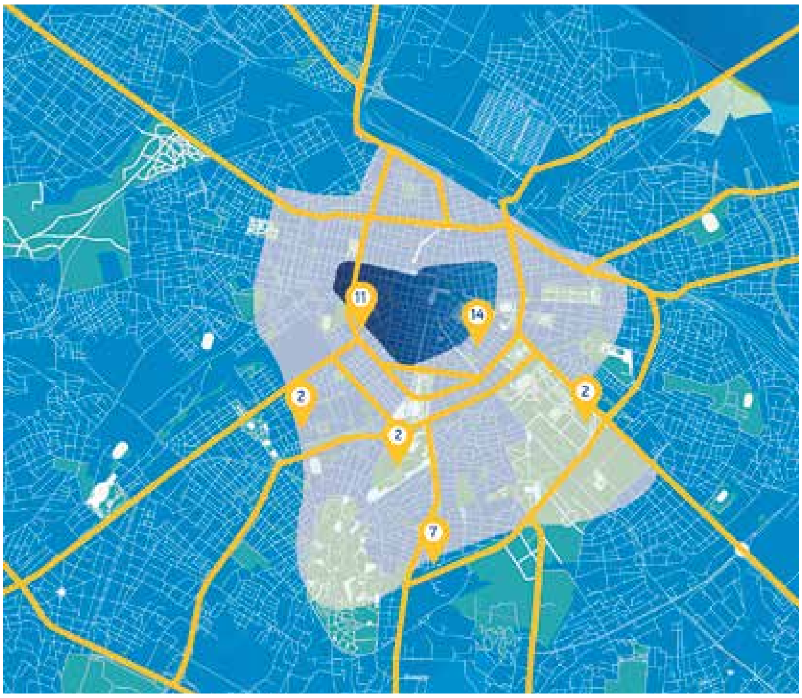
Total take-up*
11,300 sqm

Net absorption**
8,800 sqm

LARGEST DEALS

Building	Tenant	Area (sqm)	Deal type
Office Park Central	60K	6,240	Pre-lease
Moskovska 9	Financial Times	1,745	New entry

BROAD CENTER DISTRICT



Selected office buildings above 5,000 sqm
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HIGHLIGHTS

- The completion of FPI Business Hub and Mplaza, which were practically almost fully-leased formed the bulk of the 11% supply growth in the Broad Center district.
- Analyzing the transaction types reveals an almost equal distribution in this zone: expansion (28%), pre-leases (27%) and renegotiations (27%).
- Companies in IT & Telecoms (48%), Retail (22%) and Professional services (15%) drove demand.
- Rental levels in class A increased slightly.

INDICATORS

Supply

CLASS A **179,200 sqm** ↑
CLASS B **257,800 sqm** ↑

Vacancy

CLASS A **5%** ↑
CLASS B **10%** ↓

Rental levels (sqm/month)

CLASS A **14** ↑
CLASS B **10** ↔

Under construction

38,000 sqm

Total take-up*

16,400 sqm

Net absorption**

9,900 sqm

LARGEST DEALS

Building	Tenant	Area (sqm)	Deal type
Sofia Tower	Deloitte	2,500	Renegotiation
South Park Building	Ocado	2,000	Pre-lease

SUBURBS

Selected office buildings above 5,000 sqm
For more information: www.officemap.bg

HIGHLIGHTS

- The suburbs continued to absorb a significant share of the demand in the capital – 58% of all signed leasing transactions.
- A slight growth in supply was recorded mainly due to GrafiX, which entered the market almost fully-leased.
- Companies from IT & Telecoms (53%) and Retail (21%) dominated demand.
- Rental levels stayed unchanged.

INDICATORS

Supply

CLASS A **490,400 sqm** ↑
CLASS B **578,500 sqm** ↔

Vacancy

CLASS A **6%** ↓
CLASS B **13%** ↓

Rental levels (sqm/month)

CLASS A **13** ↔
CLASS B **9** ↔

Under construction

347,500 sqm

Total take-up*

38,000 sqm

Net absorption**

24,800 sqm

LARGEST DEALS

Building	Tenant	Area (sqm)	Deal type
B Tower	Louis Dreyfus	6,000	Pre-lease
Garitage Park	Milestone	2,300	Pre-lease

FORECAST

- A sustainable market with stable rental levels is foreseen.
- 151,000 sqm are planned for development completion by the year-end; this will not significantly affect Class A vacancy levels due to active absorption of under construction projects.
- Total take-up in 2018 is not expected to exceed the record volume in 2017, though several significant deals are likely to be signed by the end of the year.
- The Hladilnika area will continue to develop and expand via the construction of new projects.

* Gross take-up – the total floor space known to have been let or sold during the period and includes the following transactions: pre-leases, new leases, expansion, contract renewal/renegotiation, sub-leases, sale & leasebacks.

** Net absorption – the change in occupied stock during the period compared to the previous one. It refers only to existing office stock (not to the development pipeline).

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