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OFFICE SPACE MARKET OVERVIEW

Q2 | 2025

MARKET HIGHLIGHTS

Take up
34,000 sq.m
Q2 2025

Net absorption
13,250 sq.m
Q2 2025

Typical asking rental levels
€14-€17.50 per sq.m
Class A

€8.50-€11.50 per sq.m
Class B

Stock
2,582,000 sq. m

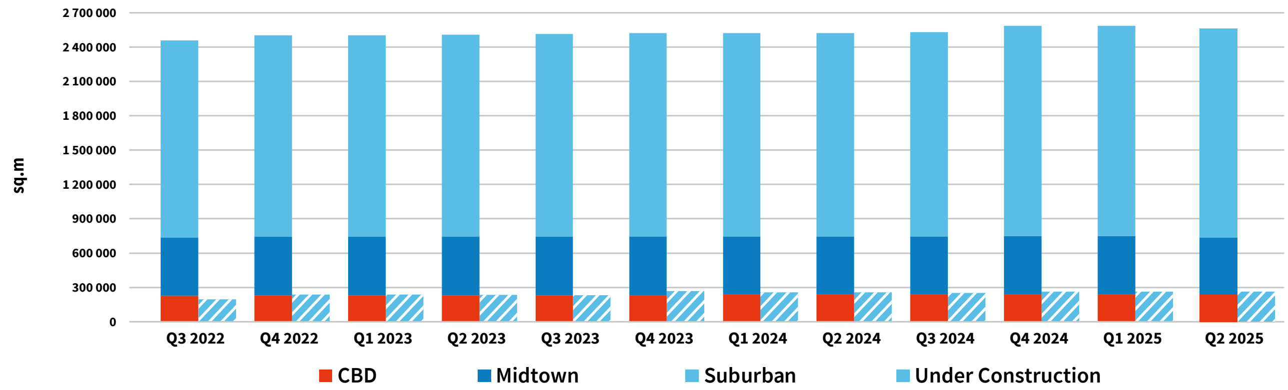
Under construction
277,800 sq. m

Vacancy rate
13.5%

INVENTORY & CONSTRUCTION ACTIVITY

The class A and class B office space inventory in Sofia remained at 2.582 million sq.m in Q2 2025, showing no change from the previous quarter. The five main submarkets – the CBD, Tsarigradsko Shosse Blvd, Bulgaria Blvd, SE Business District and Hladilnika – continued to account for 61% of the total existing supply of office space. Office construction activity, however, increased by 5% compared to the previous quarter due to the development of two new mixed-use buildings. Still, Tzarigradsko shosse Blvd. and Hladilnika areas account for 43% of all ongoing office construction projects. Other significant construction hubs include Lozenetz, Bulgaria Blvd., and Todor Alexandrov Blvd.

Office Inventory vs Under Construction Supply



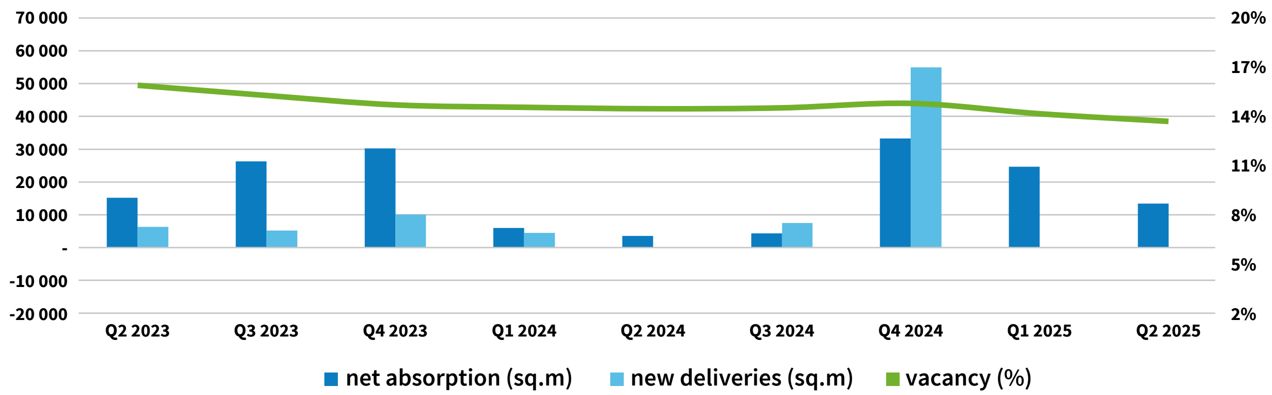
Source: MBL

DEMAND

By the end of Q2 2025, Class A office space recorded positive net absorption of 14,460 square meters, while Class B office space saw negative net absorption of 1,210 square meters. Overall, Sofia's office market achieved a positive total net absorption of 13,250 square meters during the period.

New lease acquisitions reached 34,000 square meters for the quarter, representing an increase of approximately 2.6 times compared to the previous quarter.

Net Absorption vs New Deliveries vs Vacant Rate



Source: MBL

VACANCY

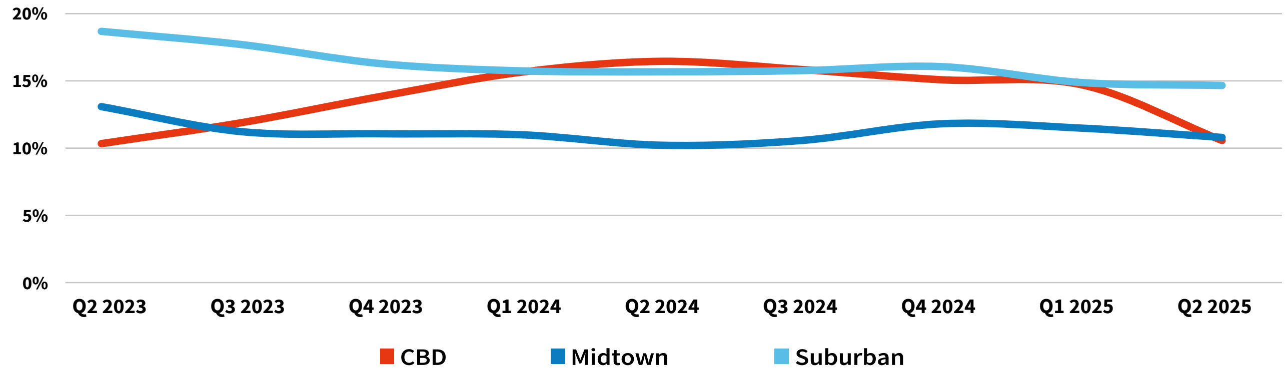
Vacant office space in Sofia's Class A and B buildings dropped to 349,000 square meters by the end of Q2 2025, resulting in a 13.5% vacancy rate – 18,000 square meter decrease representing a 0.7 percentage points decline. Class A vacancy alone fell by nearly 1%, marking the lowest vacancy rate since Q1 2021. The reduction stems from new tenant occupancy in recently completed developments throughout the city.

Suburban markets maintain the highest vacancy at 14.7% (only a 0.2% quarterly decrease), which is expected given their dominant share of office inventory. However, suburban vacancy has declined by 1 percentage point year-over-year and by 7 percentage points since Q2 2022.

The CBD experienced the most significant quarterly improvement with a 4.2% vacancy reduction, while the Broad Center saw a 0.7% decrease.

Currently, approximately 534,300 sq.m of available office space is actively being marketed in both existing office buildings and projects under construction as of Q2 2025, marking a 27,800 sq.m decrease compared to the previous quarter. Tsarigradsko Shosse Corridor accounts for almost 23% of all available space on the market, followed by Hladilnika (11.7%), SE Business District (10.2%) and Bulgaria Corridor (6.4%), which has surpassed the CBD in terms of available space. The CBD currently represents 5.6% of all available market space—a decrease resulting from the acquisition of Oscar Business Center on Vasil Levski Boulevard, which excluded approximately 6,000 square meters of leasable area from the market.

Vacancy Rate by Submarket (Class A and B Aggregated)



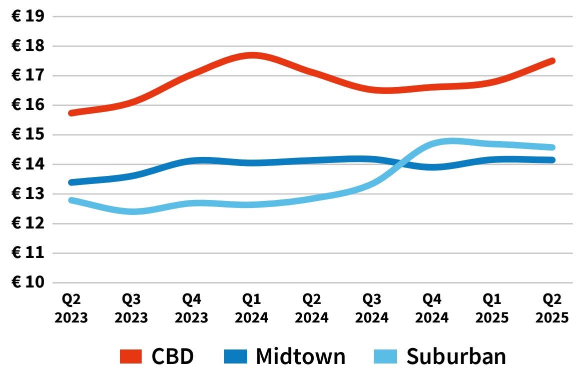
Source: MBL

RENTAL RATES

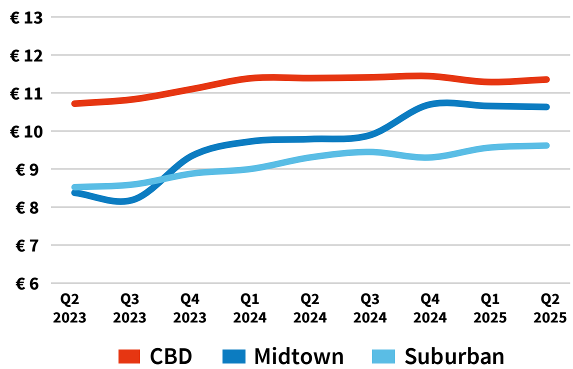
Rental rates remained relatively stable with minimal fluctuations during Q2 2025. The asking rents for Class A office space, with a few exceptions, range between €14.00 - €17.50 per sq. m, mainly influenced by location. Year-over-year, this shows an increase of approximately 9.7% in average rental rates. For instance, in some premium office spaces in highly desirable locations such as CBD and Hladilnika, asking rates exceed €17.50 per square meter.

Class B rents did not showed no major changes, just a 5.7% y-o-y increase in average rental rates. They are mostly in the range of €8.50 and €11.50 per sq. m.

Class A Average Asking Rents



Class B Average Asking Rents



Source: MBL

SELECTED LEASE TRANSACTIONS IN Q2 2025

Tenant	Industry	Area	Building
Ingram Micro	Shared Services Center	5,500 sq.m.	Green Tower
Capital.com	Fintech	3,808 sq.m.	Office X Business Garden
MAN Group	Investment Management	1,904 sq.m.	Office X Business Garden

ECONOMIC HIGHLIGHTS

The average inflation rate as of May 2025, based on the Consumer Price Index (CPI), was 3.7% on a y-o-y basis. At the end of 2024, the CPI was slowing down the rate of increase from a high of 16.5% in March 2023 to a low of 2.2% in December 2024. In the end of Q1 2025, however, it was on the rise again – 4.0%. Now it has decreased slightly compared to the previous quarter.

According to Q1 2025 macroeconomic research of BNB, GDP for the first quarter increased by 3.1% on an annual basis and by 0.6% compared to the last quarter in 2024. The real GDP growth (y-o-y) for Q1 2025 was 2.9%, and BNB forecasts 2.5% for 2025 and 3.0% growth for 2026.

The net amount of foreign direct investments in the country for the period January-April 2025 reached approximately 1.1 billion euros, which is 27.5% higher compared to the same period last year.

The unemployment rate in Bulgaria in the end of the first quarter of 2025 was approximately 3.9%, which is 1.1% lower compared to Q1 in 2024.

Average gross wage in March 2025 reached approximately €1,306.

Source: NSI, Bulgarian National Bank, European Commission

MARKET OUTLOOK

Sofia office market is positioned for continued growth, supported by strong economic fundamentals and sustained tenant demand. With vacancy rates at their lowest since 2021 and robust leasing activity, the market demonstrates resilience and attractiveness to occupiers across various sectors.

The substantial pipeline of 277,800 square meters under construction, concentrated in prime locations like Tzarigradsko Shosse Boulevard and Hladilnika, will provide modern office options to meet growing demand. However, the concentration of new supply in these areas may create localized competitive pressures.

Class A office space is expected to maintain its strong performance, driven by flight-to-quality trends and premium location preferences. Class B space may face more challenges, as evidenced by negative absorption, suggesting potential market polarization.

With Bulgaria's GDP growth projected at 2.5% for 2025 and 3.0% for 2026, coupled with rising foreign direct investment and improving employment conditions, the office market fundamentals remain supportive.

INVESTMENT ACTIVITY

The Q2 2025 investment market was mostly driven by the office space sector, which recorded over €100 million in transactions, approximately split 50/50 between income-producing assets and those purchased by end-occupiers. Dominated by domestic investors, the office segment pipeline remains active, with more deals expected to close by the end of 2025.

As Bulgaria prepares to join the Eurozone, concerns are mounting that inflation could accelerate. A planned reduction in the mandatory reserve requirement for banks – from 12% to just 1% – could be a key factor in freeing up approximately €7.5 billion in fresh capital, which may flow into mortgage lending and fuel further price increases.

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