

AVISON  
YOUNG

Q1 2020

OFFICE MARKET  
SNAPSHOT



## SUPPLY

At the end of Q1 2020 the modern office stock stands at 3.18 million sq. m. Four office buildings were completed, with a total rentable area of ≈73,000 sq. m. The largest office projects delivered are Ana Tower (≈33,000 sq. m GLA) located in the North submarket and Globalworth Campus C (28,000 sq. m GLA) located in Pipera South. By the end of the year other nine office buildings are expected to be delivered.

**Class A & B office space stands at 3.18 M sq. m**

**Four office buildings completed**

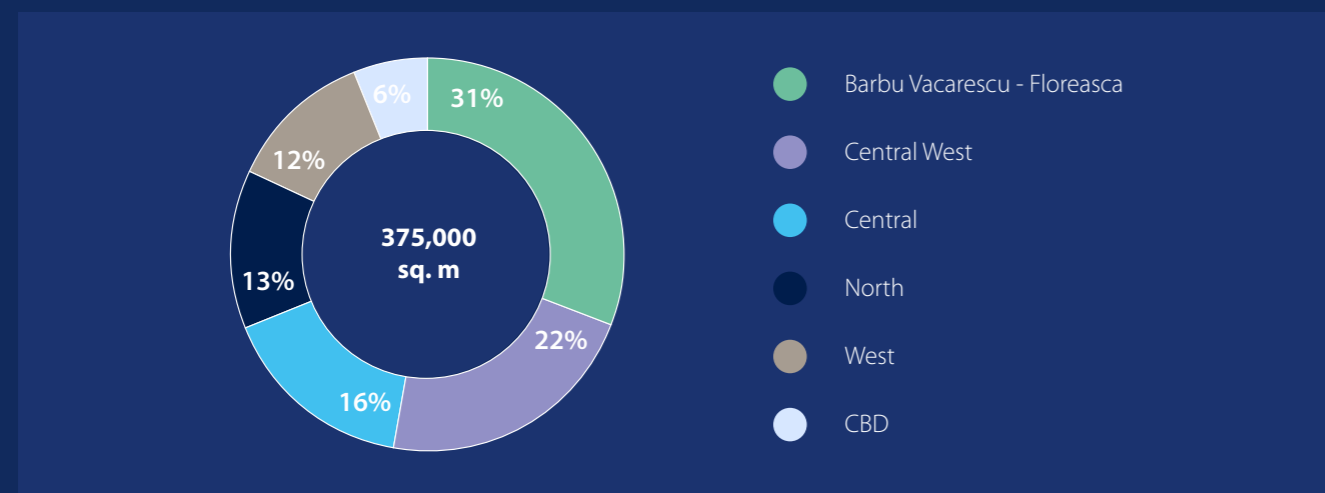
### LARGEST OFFICE PROJECTS EXPECTED TO BE COMPLETED BY THE END OF Q4 2020

Developer	Office Project	GLA (sq. m)	Submarket	Delivery Date
Globalworth	Globalworth Square	28,000	Barbu Vacarescu - Floreasca	Q4 2020
One United Properties	One Tower	24,000	Barbu Vacarescu - Floreasca	Q3 2020
Forte Partners	The Bridge III	20,000	Central West	Q2 2020
Skanska	Campus 6.2 & 6.3	≈20,000 & 18,000	Central West	Q3 2020

Currently under construction with delivery over the next two years are 375,000 sq. m of office spaces, 36% being scheduled for completion in 2020. The most active submarkets in terms of construction works are Central West area and Barbu Vacarescu – Floreasca.

**Central West & Barbu Vacarescu - Floreasca account for half of the construction pipeline**

### OFFICE SPACE UC BY SUBMARKET, WITH DELIVERY BETWEEN 2020 - 2021



## DEMAND

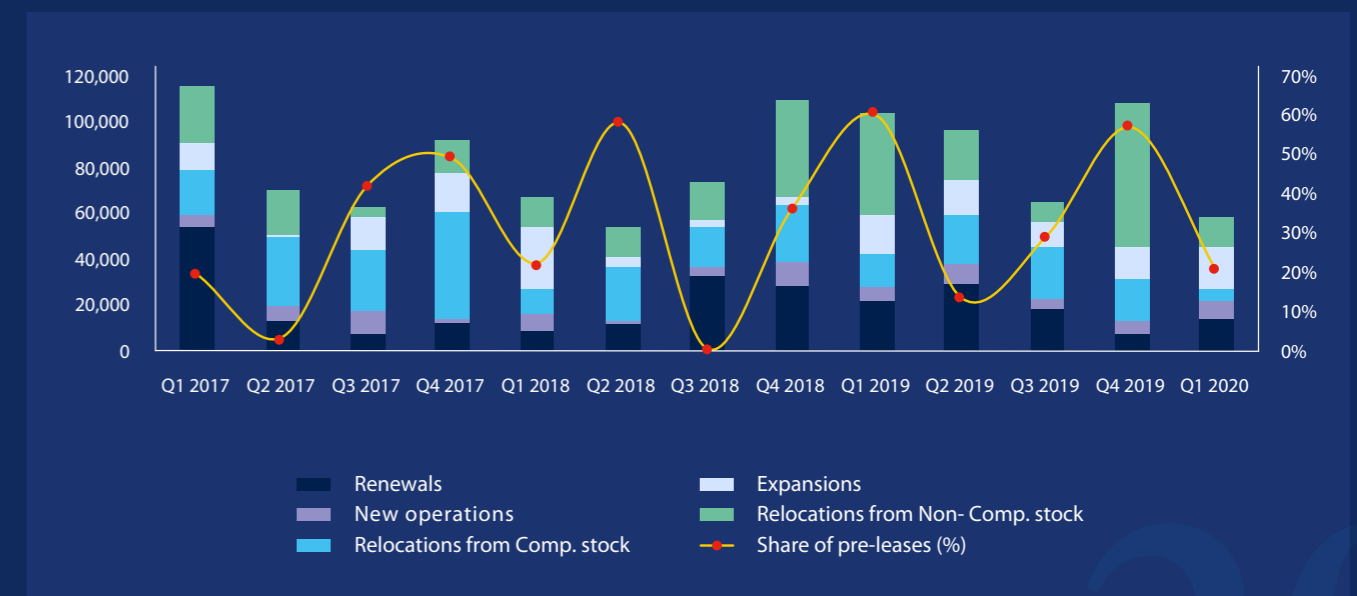
Office leasing activity recorded throughout Q1 2020 is of 58,000 sq. m. Net take-up represents 76%, with 44,000 sq. m transacted and is divided between new demand (70%) and relocations within class A and B office stock. Looking at submarkets leasing performance, Central West continues to be the most active location, with ≈40% of the net take-up. The area is followed by non-central submarkets such as South and Pipera South.

**Central West area continues to attract most of the net take-up**

Pre-lease transactions amounted ≈9,000 sq. m, representing 20% of the net take-up. Most of the pre-lease deals were recorded in the Central West submarket (87%), followed by CBD (13%).

**Pre-lettings represent 20% of the net take-up**

### OFFICE LEASING ACTIVITY Q1 2017 - Q1 2020



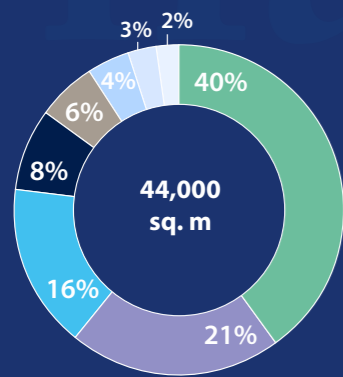
The most active occupiers were Financial, Banking & Insurance companies, with 27% of the net take-up, followed by Computers Hi Tech businesses, with 25%. The largest transactions in terms of area are represented by renewals and relocations from old stock to modern office spaces.

### MOST ACTIVE OCCUPIERS IN Q1 2020



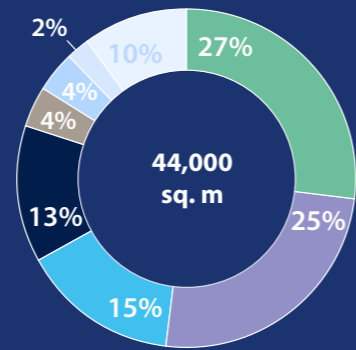
# Outlook

NET TAKE-UP BY SUB-MARKET



- Central West
- South
- Pipera South
- Central
- North
- CBD
- BV - Floreasca
- Presei Libere Sq. - Expozitiei

NET TAKE-UP BY BUSINESS SECTOR



- Finance, Banking & Insurance
- Computers & High-Tech
- Manufacturing & Industrial
- BPO
- Professional Services
- Logistics & Distribution
- FMCG
- Other

## VACANCY

Bucharest's general vacancy rate stands at 9.4% and compared with Q4 2019 it is higher by 40 bps. In total there are 300,000 sq. m of office spaces divided between all submarkets. Pipera North and North areas account for 24% each.

### General vacancy rate continues to stand below 10%

Central West submarket has a general vacancy rate of 9.7%, while q-on-q the vacancy rate in CBD (Victoriei – Aviatorilor) remained stable at 5.7%. Barbu Vacarescu – Floreasca continues to have the lowest vacancy rate (<1.5%).

## RENTAL LEVELS

Throughout Q1 2020 there were no major changes regarding the occupancy costs. Prime headline rent is situated at 19 euro per sq. m per month. In CBD headline rents for A class office space are between 17 – 19 euro per sq. m per month, while in Barbu Vacarescu – Floreasca submarket are in the range of 15 – 17.5 euro per sq. m per month. In semi-central locations the headline rents for prime projects are around 13 – 15 euro per sq. m per month, while in peripheral areas A class office space is transacted between 9 – 12 euro per sq. m per month.

Given that at the end of Q1 2020, Romanian authorities have enforced a lockdown to slowdown the outbreak of Covid-19, the local office market is experiencing an unprecedented situation. Most of the office occupiers are currently conducting their businesses over the phone and video conferencing, the vast majority of them working exclusively from home. This sudden and radical work change will most probably have an impact in the way tenants operate. Landlords might also have to adapt their properties in order to meet future occupational needs, mainly influenced by the new WFH policies.

Throughout the second quarter of 2020 office leasing activity might be significantly lower, given that the lockdown was extended towards mid-May. However, it is expected to intensify starting H2 2020, considering there are upcoming lease expiries that will make tenants decide upon their real estate situation.

### The gap between headline and net effective rents might widen

Going forward, occupancy costs might follow a downward trend, mostly because the gap between headline rents and net effective rents might become wider.

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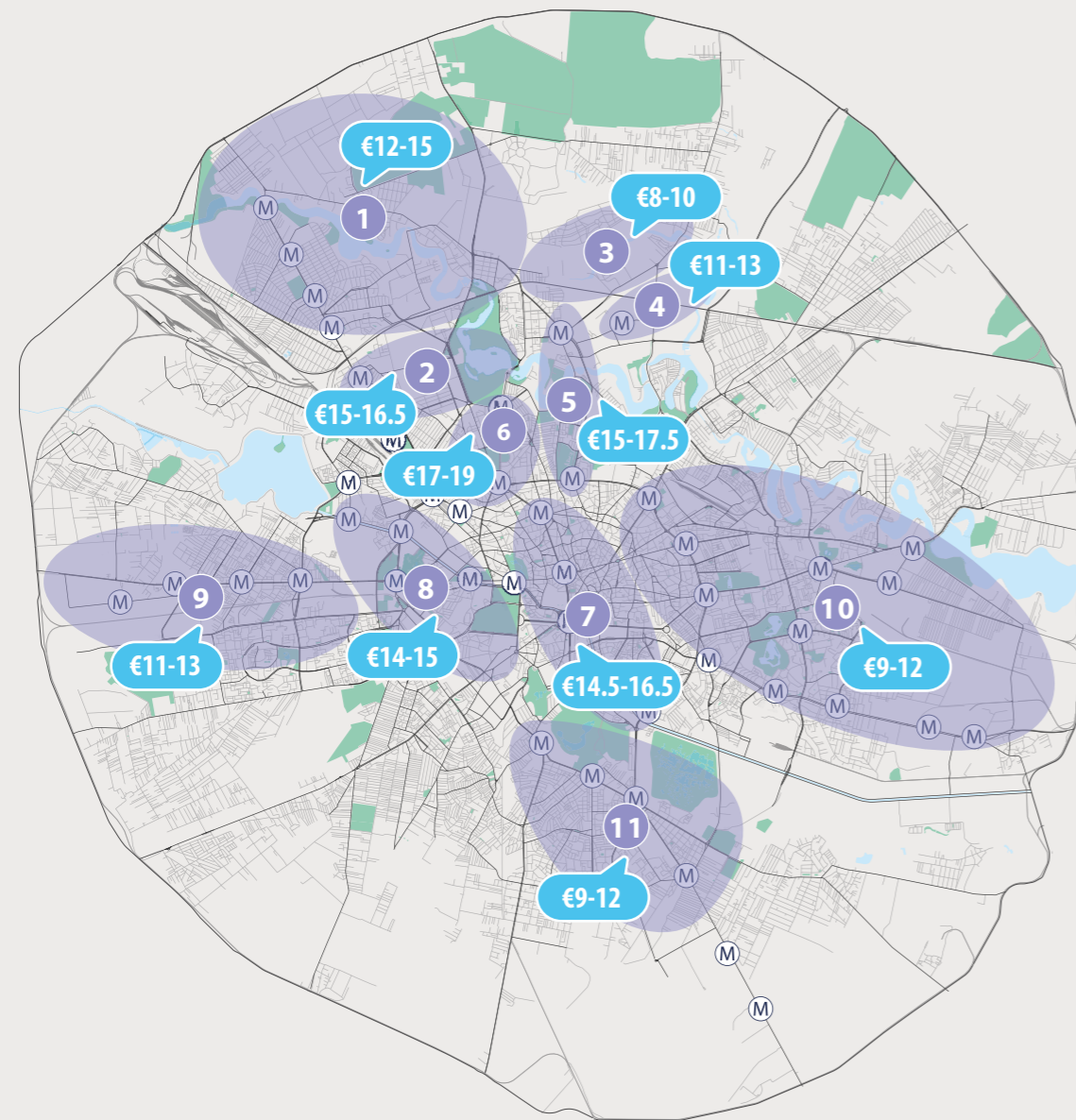
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## Legend

- |                                       |               |
|---------------------------------------|---------------|
| Headline Rent Class A (€/sq. m/month) | 6 CBD         |
| Metro Station                         | 7 Central     |
| 1 North-Baneasa                       | 8 Center-West |
| 2 Expozitiei                          | 9 West        |
| 3 North-Pipera                        | 10 East       |
| 4 South-Pipera                        | 11 South      |
| 5 Floreasca-Barbu Vacarescu           |               |

## BUCHAREST OFFICE SUBMARKETS

Source: Avison Young

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