

## PROPERTY TIMES

# New demand hits a record share in take-up

## Bucharest Office Q1 2015

### Supply

Bucharest's modern office stock increased by 2% q-o-q and stands at 2.2 million sq. m. In Q1 2015 two office buildings were delivered, having a total rentable area of 37,000 sq. m: City Offices – 27,000 sq. m and Auchan Tricodava – 10,000 sq. m.

For the rest of the year, new supply is projected to be of 130,000 sq. m. Among the office buildings due to be delivered in 2015 are Bucharest One and Green Court – B in Central North submarket, George Enescu OB in Central area, PC Business Center in North and Sema Office 3 and AFI Business Park IV&V in West.

Figure 1

**Bucharest's modern office stock evolution**



Source: DTZ Research

### Demand

Leasing activity in Q1 2015 was of 56,000 sq. m and compared with the same period last year is lower by 8%. Take-up represents 71%, with 40,000 sq. m transacted and is divided between expansions/ new operations – 58%, relocations within A & B class office space – 31% and relocations from old stock to modern office space – 11%. In total, new demand's share in take-up was ~ 70%.

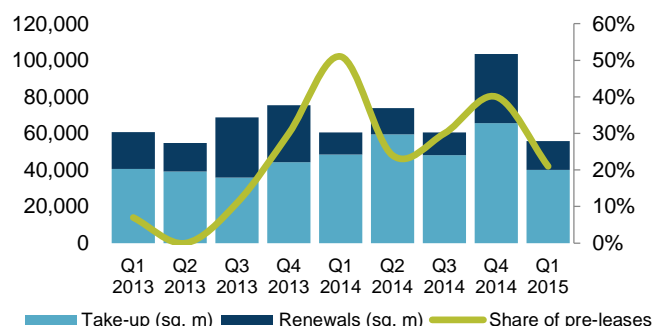
Another 16,000 sq. m were the subject of renegotiation and renewal transactions, half being concluded in Pipera South. The trend observed throughout 2014 continues, only office occupiers satisfied with their current location being inclined to renegotiate and renew their leasing terms.

Most of the take-up was recorded in Central North submarket – 61%, followed by Pipera South – 15% and CBD – 7%.

The largest transactions by area were Oracle leasing ~ 10,000 sq. m in Sky Tower and Carrefour pre-leasing ~ 7,000 sq. m in Green Court – B, both office projects being located in Barbu Vacarescu – Floreasca (Central North submarket). Excluding the above, average deal size was of 600 sq. m, only six transactions exceeding 1,000 sq. m being finalised.

Figure 2

**Bucharest's office leasing activity Q1 2013 – Q1 2015**



Source: DTZ Research

The most active office occupiers continue to be Technology & Telecom companies, with 42% share in take-up, followed by companies active in Retail, with 26% and Professional Services, with 15%.

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## Vacancy

Bucharest's general vacancy rate for class A & B office space increased by 70 bps q-o-q and stands at the end of Q1 2015 at 14%. In total there are 309,000 sq. m of vacant office space, with Pipera North accounting 25%.

The lowest vacancy rate is registered in CBD (Victoriei – Aviatorilor) – 5%, followed by West submarket, with 6%. Pipera South registered q-o-q an increase in vacancy of 400 bps. Central North has a general vacancy rate of 10%, being the only submarket experiencing a major drop in vacancy q-o-q. Barbu Vacarescu – Floreasca (Central North submarket), with an office stock of approximately 280,000 sq. m, has at the end of Q1 2015 a vacancy rate of 7.5%.

## Rents

There were no changes regarding the rental levels. Prime headline rent is situated at € 18.5 /sq. m /month. In CBD headline rents for A class office space are between € 15 – 18.5 /sq. m / month, while in Central North sub-market are in the range of € 15 – 17 /sq. m / month. In semi-central locations the headline rents for prime projects are around € 12 – 15 /sq. m / month, while in peripheral areas A class office space is transacted between € 9 – 12 /sq. m / month. Net effective rents continue to be lower by 10 – 20%.

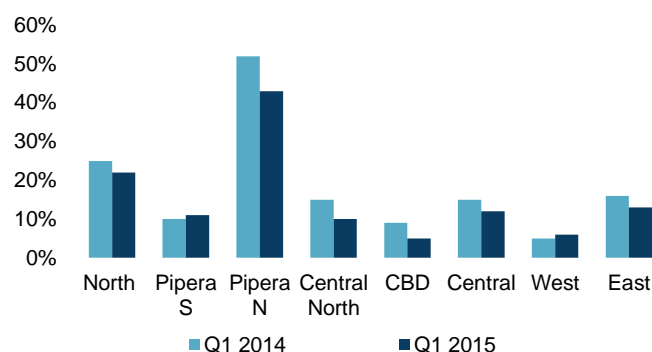
Table 1

Bucharest office market	Q1 2015	Directional outlook
New supply (sq. m)	37,000	↓
Vacancy rate (%)	14	↓
Net take-up (sq. m)	40,000	↑
Prime headline rent (€/ sq. m/ month)	18.5	→

Source: DTZ Research

Figure 3

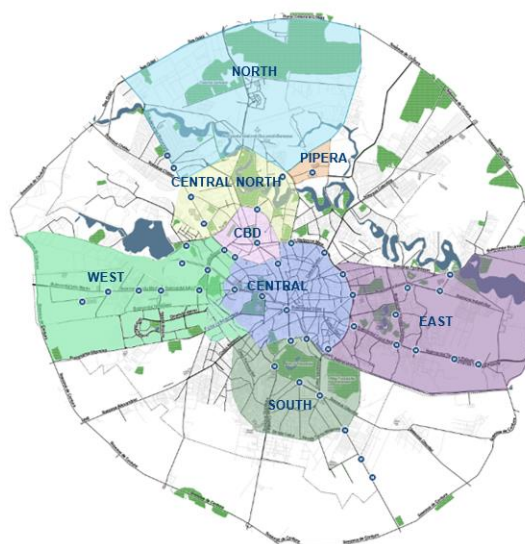
### Vacancy rate by submarket



Source: DTZ Research

Map 1

### Bucharest's office submarkets



Source: DTZ Research

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