

MARKETBEAT

BUCHAREST OFFICE H1 2019

Office supply expecting a new record

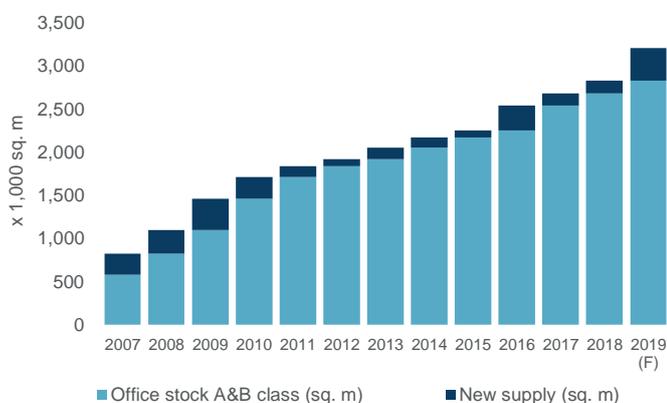
Supply

The total stock of A&B class office buildings in Bucharest was of 2.95 million sq. m at the end of H1 2019. New supply amounted approximately to 128,000 sq. m in the first half of the year, compared to 28,000 sq. m in H1 2018, with Renault Bucharest Connected, The Mark, Oregon Park C and The Bridge – Phase II being the most notable deliveries.

In the second half of the year, if all the announced projects will be delivered on time, app. 250,000 sq. m of office space are expected to be completed, the new projects being developed in Central – North (41%), West (32%), Pipera (14%) and Central (13%) sub-markets.

Figure 1

Bucharest's modern office stock evolution (sq. m)



Source: C&W Echinox

Demand

In H1 2019, demand for office space in Bucharest continued to be strong, reaching 196,000 sq. m, reflecting a 30% increase compared to the same period of the previous year.

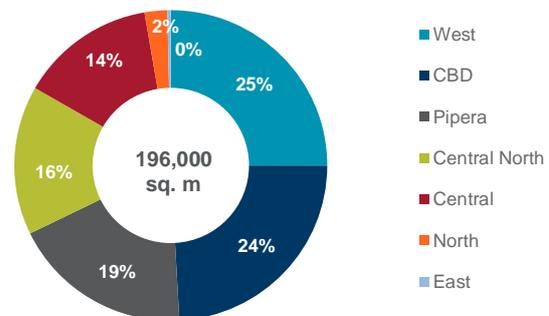
Pre-leases account for 44% from the total volume of transactions, while renewals account for 27%, most of the companies analyzing the “stay vs. go” scenario choosing to relocate in brand new buildings under development in the already established sub-markets, such as Central – North, West, Pipera and CBD.

West area accounts for 25% from the total transaction volume, followed by CBD area (24%), Pipera (19%) and Central – North (16%). In terms of pre-lease activity, Business Garden, Dacia One, Globalworth Campus III and Equilibrium were the most sought-after projects.

The average transaction size was of 1,950 sq. m, with the largest transactions being signed by Ericsson (16,000 sq. m renewal in West Gate), eMag (15,000 sq. m renewal in Swan Office Park) and ING Tech (13,000 sq. m pre-lease in Dacia One).

Figure 2

Take-up by sub-market (sq. m)



Source: C&W Echinox

Technology & Telecommunications companies were the most active tenants in H1 2019, with a share of 52% from the total recorded take-up, followed by FMCG – 11% and Financial Services – 9%.

Operators of flexible office spaces continued their expansion, leasing 9,000 sq. m in existing or future office building, having a market share of 5% from the total volume of transactions.

Vacancy

Although the new office buildings have been rapidly absorbed by the market, the general vacancy rate slightly increased, to 9.2% at the end of H1. This evolution was influenced mainly by the relocation of some major tenants from older buildings that have not been able to immediately replace them.

Looking at submarkets' performance, the lowest vacancy rates are recorded in the Central Northern area – 4.3%, followed by CBD – 4.5% and West – 6.4%.

Figure 3
Bucharest – Vacancy rate evolution



Source: C&W Echinox

Rents

During H1 2019, the prime headline rents slightly increased, reaching at € 19 /sq. m /month. In CBD, headline rents for A class office space are between € 17.5 – 19 / sq. m / month, while in Central North area they are in the range of € 15.5 – 17 / sq. m / month.

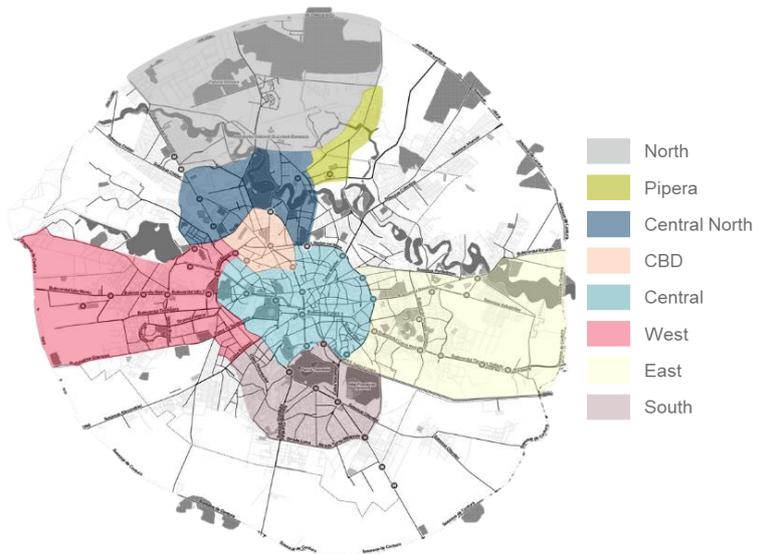
In semi-central locations, the headline rents for A class projects are around € 12 –15 / sq. m / month, while in peripheral areas A class office space is transacted between € 8 –11 / sq. m / month.

Outlook

In H1 2019, new supply was quite consistent, reaching app. 90% of the deliveries from the previous two years. Moreover, the H2 supply might be double in size, setting a new record for the local market in terms of modern office deliveries.

The most notable completions announced for H2 are Business Garden, Ana Tower, Expo Business Park, Globalworth Campus III, Equilibrium I, The Light I and Timpuri Noi Square 1B, developers being focused mainly on multi-phase business parks suitable for T&T companies. Even though, on average, the share of pre-leased spaces in these projects exceeds 50%, we expect the vacancy rate to maintain an upward trend.

Map 1
Bucharest's office submarkets



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