

MARKETBEAT

BUCHAREST OFFICE H1 2018

Office hubs become relevant in transactional volume

Supply

The total stock of A&B class office buildings in Bucharest was of 2.71 million sq. m at the end of H1 2018. New supply amounted approximately 28,000 sq. m in the first half of the year, consisting of the second tower of Globalworth Campus from Pipera, this being one of the lowest supply levels in recent times.

When it comes to H2 2018, more than 155,000 sq. m of office space are expected to be completed. West submarket will attract more than half of the space currently under construction.

Figure 1

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



Source: C&W Echinox

Demand

In H1 2018, demand for office space in Bucharest continued to be strong, with around 150,000 sq. m being transacted throughout that period.

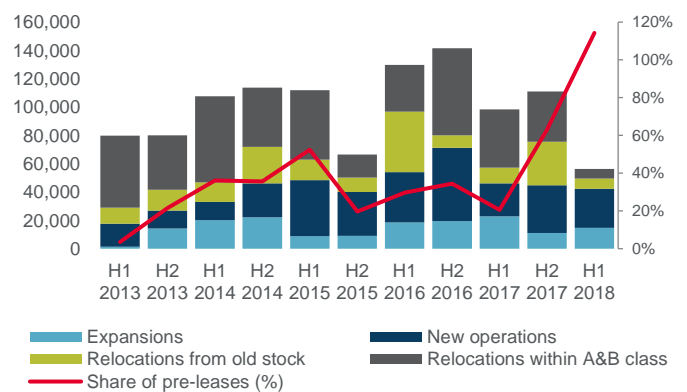
Pre-leases account for 43% from the total volume of transactions, while renewals account for 18.6%. New operations (18.4%), expansions (10%) and relocations (10% - almost equally divided between old and new stock) complete the transactional table from H1 2018.

West area accounts for 40% from the total volume recorded, followed by Central area (19.6%) and Central North (14.4%). In terms of pre-lease activity, the office buildings under construction in the West area attracted around 70% of the demand, where the major projects due to be delivered in H2 2018 are almost fully leased.

The average transaction size was of 1,450 sq. m, with the largest transactions being signed by Enel (11,500 sq. m pre-lease), Huawei (6,300 sq. m renewal), Siemens (5,700 sq. m renewal and expansion), UPC (5,500 sq. m pre-lease), Thales (5,300 sq. m pre-lease) and Medicover (4,500 sq. m pre-lease).

Figure 2

Take-up structure H1 2013 – H1 2018 (sq. m)



Source: C&W Echinox

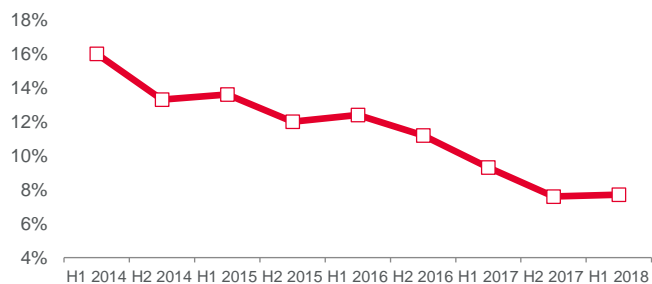
Technology & Telecommunications companies were the most active tenants in H1 2018, with a share of 30% from the net take-up recorded, followed by Oil & Gas – 13.5% and Office hubs – 13.4%. This is the first semester when office hubs generate more than 10% of the transactional volume in Bucharest, mainly due to the market entrance of Mindspace and Spaces, companies who secured 18,000 sq. m of office space in five different buildings.

Vacancy

Since demand continued to be consistent and the level of new supply quite limited compared with the previous year, the vacancy rate in Bucharest maintained below 8%. At the end of H1 2018, the general vacancy rate was of 7.7%.

Looking at submarkets' performance, the lowest vacancy rates are recorded in the Central North area – 3%, followed by CBD – 4.3% and West - 4.5%.

Figure 3
Bucharest – Vacancy rate evolution



Source: C&W Echinox

Rents

During H1 2018, the prime headline rents continued to be stable, remaining at € 18.5 /sq. m /month. In CBD, headline rents for A class office space are between € 17 – 18.5 / sq. m / month, while in Central North are in the range of € 15 – 16.5 / sq. m / month.

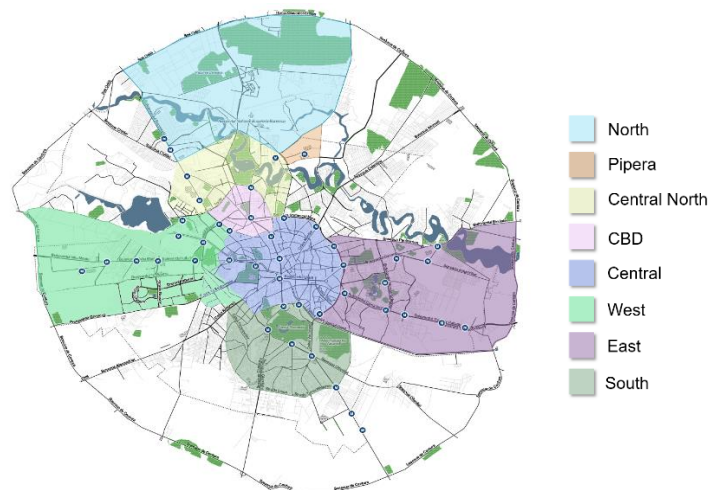
In semi-central locations, the headline rents for A class projects are around € 12 –15 / sq. m / month, while in peripheral areas A class office space is transacted between € 8 –11 / sq. m / month.

Outlook

In H1 2018, new supply was quite limited compared with the previous semester, given that some projects were postponed for the second part of the year. Thus, during this year, we expect a volume of over 180,000 sq. m of office space to be completed. The total stock will reach 2.85 mil. sq. m, while the 3 mil. sq. m threshold will be surpassed in H1 2019.

More than half of the projects currently under construction are located in the West submarket, where projects such as Orhideea Towers, Campus 6.1 and AFI Tech Park are expected to be delivered by the end of the year.

Map 1
Bucharest's office submarkets



Source: C&W Echinox

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