

Bucharest Office, Q4 2016

# 2016 set a new record for the Bucharest office market, with over 400,000 sq m transacted



**TLA**  
74%



**Vacancy Rate**  
11.7%



**Prime Rent**  
18.5 €/sq m



**Prime Yield**  
7.5 %

\*Arrows indicate change from the corresponding quarter in the previous year.

Chart 1: Evolution of Total Leasing Activity (2009-2016)



Source: CBRE Research, Q4 2016

## KEY POINTS

- In Q4 2016 the Total Leasing Activity (TLA) reached 144,000 sq m, while the TLA in 2016 totals 412,000 sq m, exceeding the previous year by 42%.
- In Q4 2016, 79% of TLA was represented by take-up (total transactions excluding renewals/renegotiations).
- The overall rate of vacancy registered a decrease at the end of Q4 2016, to the level of 11.7%.

- The current stock increased to 2.64 million sq m in Q4 2016 and should increase by approx. 188,000 sq m by the end of 2017.
- Class A office buildings represent 44% of the modern office stock.
- Prime rent level remains stable at 18.5 /sq m/ month.

## Leasing Activity

Q4 2016 registered the highest quarterly Total Leasing Activity (TLA) ever recorded in Bucharest, at over 144,000 sq m.

In the last quarter of 2016 take-up (total transactions excluding renewal/renewal) registered the level of 79% of TLA.

Expansion and new lease (new demand) amount to over 50,000 sq m, meaning 35% of the TLA. This new demand results from 5,000 new jobs created in the Bucharest market.

In Q4 2016 Renault signed the largest transaction ever recorded in Bucharest, with 47,500 sq m of a build-to-suit project.

85% of the total amount transacted in Q4 2016 was signed in Class A office buildings.

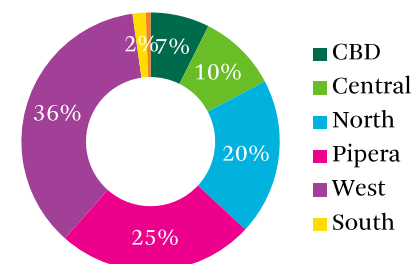
## 2016 Total Leasing Activity Review

Total Leasing Activity (TLA) in 2016 reached 412,000 sq m, with an increase of 42% compared to 2015.

69% of the TLA concluded in 2016 was represented by take-up.

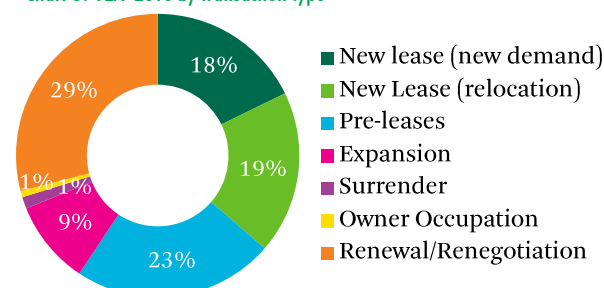
During 2016 big occupiers signed renewal contracts in their already established office locations - Telekom in City Gate and Riverplace, Teamnet in Green Gate, Oracle in Sky Tower, IBM in Global Business Center, BRD Societe Generale in West Gate Park, Adobe in Anchor Plaza. The total volume of renewal/renewal transactions was over 120,000 sq m.

Chart 2: TLA 2016 by sub-market



Source: CBRE Research, Q4 2016

Chart 3: TLA 2016 by transaction type



Source: CBRE Research, Q4 2016

New lease (new demand) and expansion transactions represented 27% of the TLA, meaning 112,000 sq m.

The Computers & Hi-Tech Sector remains on the top of most active industries with a share of 43% of TLA, followed by the Manufacturing Industrial & Energy Sector and Financial Sector with a share of 22% and 13% of TLA, respectively.

The average size of take-up transactions was 1,700 sq m and the average of renewal/renewal transaction was over 2,600 sq m.

Table 1: Major Office Transactions 2016

Tenant	Surface (sq m)	Building	Type of deal	CBRE Advisory
BCR	20,000	The Bridge	Pre-lease	
Hadassah Hospital	11,000	Iride Business Park	New lease (new demand)	
Teamnet	11,000	Green Gate	Renewal/Renegotiation	✓
Oracle	10,400	Sky Tower	Renewal/Renegotiation	
IBM	10,000	Global Business Center	Renewal/Renegotiation	

Source: CBRE Research, Q4 2016

## Office Stock and Pipeline

In Q4 2016 were delivered 4 buildings totalling 80,000 sq m. The first building of Metrooffice (GLA of 20,500 sq m), developed by Immofinanz, the second building of Oregon Park (GLA of 24,619 sq m), developed by Portland Trust, the third building of Hermes Business Campus (GLA of 29,100 sq m), developed by Atenor Group. Additionally to these established business parks, a boutique building located in CBD was delivered - Prezan Office Building with a GLA of 5,500 sq m.

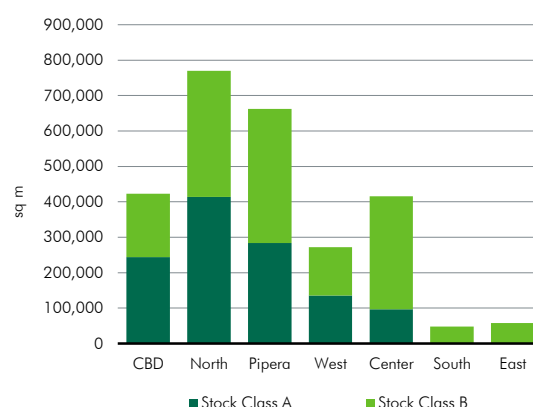
For 2017-2018 we estimate another 592,000 sq m to be delivered to the market, distributed throughout all sub-markets. However, the highest concentration of new supply is announced in the West sub-market, with a share of 40% (Campus 6, Orhideea Towers, The Bridge, Business Garden Bucharest), followed by Pipera and North sub-markets with a total share of 37% of the new supply.

In Central sub-market will be delivered 15% of the new supply. Timpuri Noi Square (developed by Vastint Group) is one of the largest projects located in Central sub-market.

## 2016 Office Stock and Pipeline

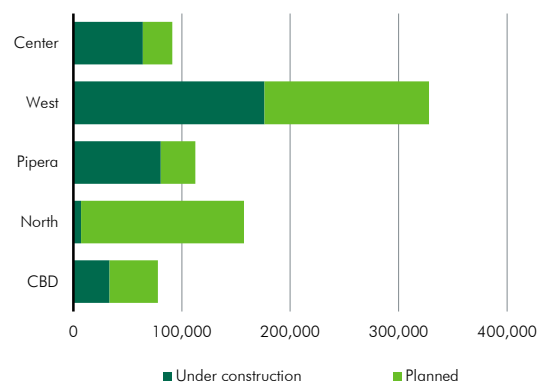
During 2016, 294,000 sq m were delivered in Bucharest, 40% of the new supply being located in Pipera sub-market, while North sub-market hosts 25% of the new stock. 75% of the new stock delivered in 2016 was already pre-let.

Chart 4: Total modern stock by class and sub-markets



Source: CBRE Research, Q4 2016

Chart 5: Pipeline by sub-markets and status (2017 – 2018)



Source: CBRE Research, Q4 2016

At the end of 2016, the total office stock reached 2.64 ml sq m. Class A office buildings represent 44% of the modern office stock. At the end of 2018 the share of class A office stock will outperform the class B office stock.

Table 2: Major Office Projects delivered in 2016

Project	Developer	GLA
Hermes Business Campus – Building B&C	Atenor Group	53,100 sq m
Globalworth Tower	Globalworth	49,300 sq m
Oregon Park – Building A&B	Portland Trust	44,700 sq m
AFI Park 4&5	AFI Europe	32,000 sq m
Metrooffice	Immofinanz	20,500 sq m
The Landmark	Piraeus Bank	20,331 sq m
Green Court – Building C	Skanska	15,700 sq m

Source: CBRE Research, Q4 2016

## Commercial Terms

At the end of 2016 the prime headline rent remains stable at 18.5 €/sq m/month.

The net effective rent takes into account a range of incentives offered to tenants and is estimated at 80%-85% of headline rent, on a downward curve.

With the highest demand ever registered in Bucharest, net effective rents remained stable in 2016, despite the large pipeline for the upcoming years. We expect these new deliveries to impact the incentives offered by developers looking to attract anchor tenants in 2017 and 2018 for pre-lease transaction.

The yield for prime properties remains stable at 7.5%

## Vacancy Rate

The vacancy ratio was recorded at the level of 11.7% of total modern stock at the end of 2016 and was lower than the level observed in the previous quarter of the year. On a year on year basis, the vacancy rate has decreased by 0.2%. The steepest fall in vacancy was noted in North sub-market, where the vacancy rate decreased from 11.7% to 9.5%; another notable change took place in Center sub-market where the vacancy rate decreased to 8.7% from 10.2%.

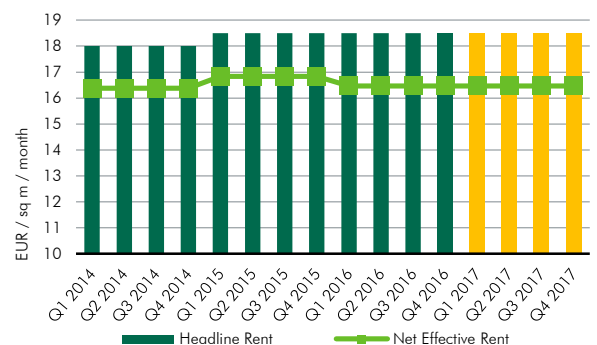
The vacancy rate may experience a temporary increase during the next few quarters, given the relatively large amount of space under construction.

## Forecast

There is a high probability that in the coming quarters Bucharest office market stock will exceed 3.2 million sq m, thus reaching a market size comparable to that of Budapest or Prague.

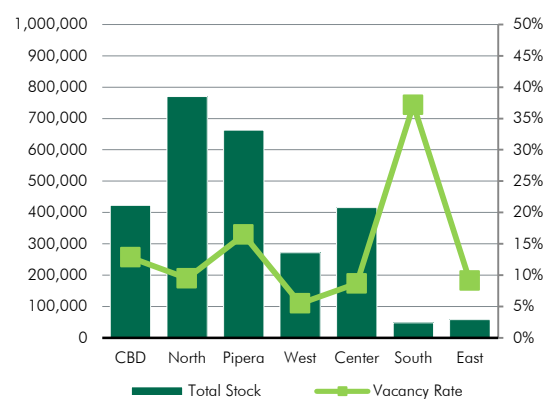
The activity of office occupiers remains strong, thus creating a healthy office market. Most tenants use the opportunity to expand their leased area during the renegotiation or relocation process.

Chart 6: Rent Evolution



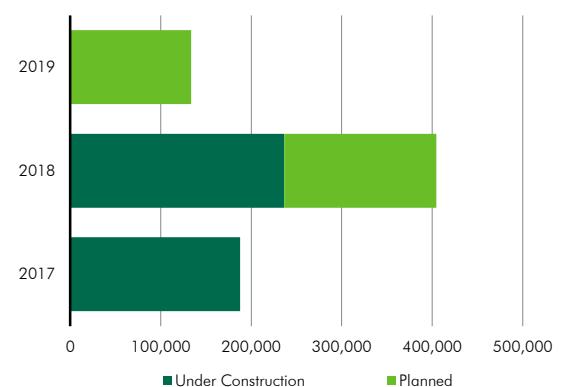
Source: CBRE Research, Q4 2016

Chart 7: Stock versus vacancy rate Q4 2016 by sub-market



Source: CBRE Research, Q4 2016

Chart 8: Pipeline by status and delivery date

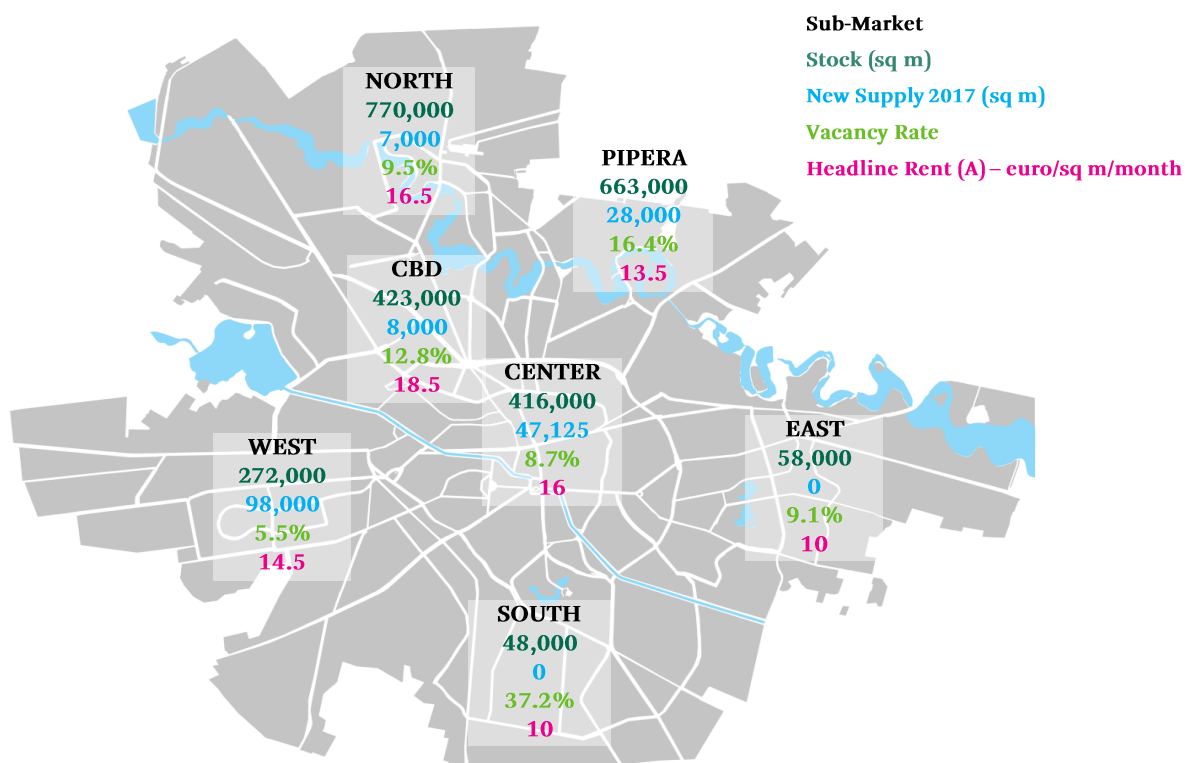


Source: CBRE Research, Q4 2016

In many cases, tenants can achieve better financial conditions and improve the technical standards of their office at the same time, by relocating to a newly completed building.

In terms of demand we expect a continuation trend record in 2017.

Figure 1: Map Bucharest Office Sub-Markets – Main Indicators Q4 2016



Source: CBRE Research, Q4 2016

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