

# EXCEEDING BORDERS

## OFFICE MARKET IN 15 CEE COUNTRIES

October 2019



# INTRODUCTION

Welcome to our publication about the office sector in Central and Eastern Europe. The report presents the situation in the office markets in 15 CEE countries (Albania, Belarus, Bulgaria, Croatia, Czechia, Estonia, Hungary, Latvia, Lithuania, Montenegro, Poland, Romania, Serbia, Slovakia and Ukraine). In the study, we focused on key market indicators such as total office stock, take-up and leasing conditions, vacancy levels, space under construction and a forecast for the upcoming years. The presentation of the office market in each country is also enriched with a short commentary, an interesting fact from the market and photos of modern office projects.

**The report has been divided into 3 parts:**

- A map presenting 15 CEE countries with key economic data;
- The comparative part, where on aggregated charts we present H1 2019 office market data for 15 CEE countries;
- Presentation of the office market in each country.

In recent years, the CEE region has been characterized by dynamic development, which goes hand in hand with the growth of modern office projects. We forecast that by 2021 the total office stock in the 15 CEE countries will exceed 30 million m<sup>2</sup>. More and more office buildings can boast of prestigious certificates, modern technological and environmental solutions or an innovatively designed space.

We believe that thanks to this publication the potential of the 15 CEE countries will be rediscovered and will be further developed. It is worth looking at what opportunities each country has to offer.

**We hope you find this an interesting read!**

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# CONTENTS

INTRODUCTION	2
ECONOMIC DATA	4-5
OFFICE MARKET IN 15 CEE COUNTRIES IN H1 2019	6-7
15 CEE COUNTRIES PROFILES	8-36
Albania	8
Belarus	10
Bulgaria	12
Croatia	14
Czechia	16
Estonia	18
Hungary	20
Latvia	22
Lithuania	24
Montenegro	26
Poland	28
Romania	30
Serbia	32
Slovakia	34
Ukraine	36

# ECONOMIC DATA



**15** COUNTRIES



**162** MILLION PEOPLE



**27** MILLION M<sup>2</sup> OF EXISTING OFFICE SPACE



**3.7** MILLION M<sup>2</sup> UNDER CONSTRUCTION

## LEGEND

1	Unemployment rate (%)
2	GDP growth 2017/2018 (%)
3	Average monthly gross salary (EUR/month)
4	Number of students



**POPULATION**

### CZECHIA

1	1.9%
2	2.9%
3	€ 1,263
4	290,000

PRAGUE

10.6 MILLION

### LATVIA

1	6.5%
2	4.8%
3	€ 1,036
4	80,355

TALLINN

1.3 MILLION

RIGA

1.9 MILLION

### ESTONIA

1	5.0%
2	3.9%
3	€ 1,341
4	46,150

### LITHUANIA

1	5.7%
2	3.4%
3	€ 1,263
4	111,260

2.8 MILLION

VILNIUS

MINSK

9.5 MILLION

### BELARUS

1	4.4%
2	3.0%
3	€ 463
4	268,100

### POLAND

1	3.8%
2	5.1%
3	€ 1,173
4	1,230,300

WARSAW

PRAGUE

10.6 MILLION

5.4 MILLION

BRATISLAVA

9.8 MILLION

BUDAPEST

### HUNGARY

1	3.4%
2	4.9%
3	€ 1,100
4	280,000

ZAGREB

4.1 MILLION

### SERBIA

1	11.7%
2	4.4%
3	€ 435
4	256,000

BELGRADE

7.2 MILLION

### MONTENEGRO

1	15%
2	4.5%
3	€ 775
4	19,210

0.6 MILLION

PODGORICA

TIRANA

2.9 MILLION

### ALBANIA

1	12.1%
2	4.2%
3	€ 422
4	113,000

### SLOVAKIA

1	5.4%
2	4.1%
3	€ 1,023
4	133,060

42.2 MILLION

KYIV

### UKRAINE

1	9.2%
2	3.3%
3	€ 382
4	1,520,000

### ROMANIA

1	4.0%
2	4.1%
3	€ 1,073
4	531,590

19.5 MILLION

BUCHAREST

SOPIA

7 MILLION

### BULGARIA

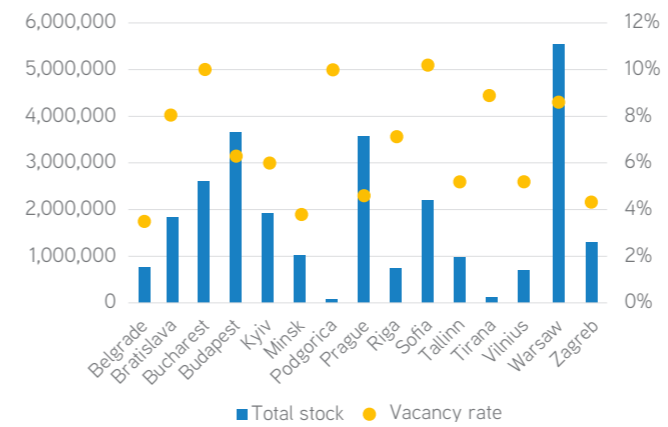
1	4.4%
2	3.2%
3	€ 617
4	270,380

# OFFICE MARKET IN 15 CEE COUNTRIES IN H1 2019

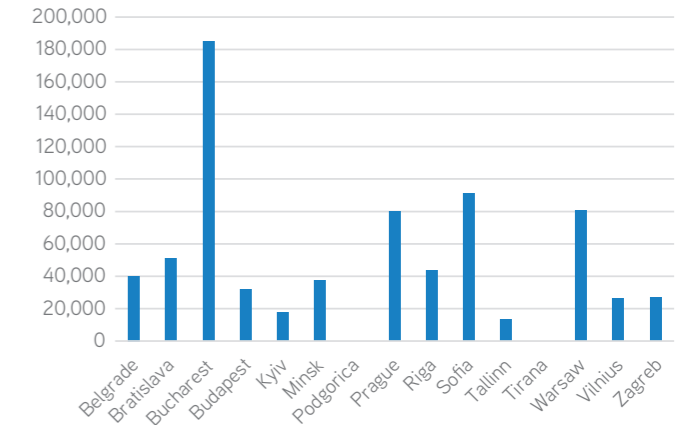


Waltrovka, developer: Penta, Prague

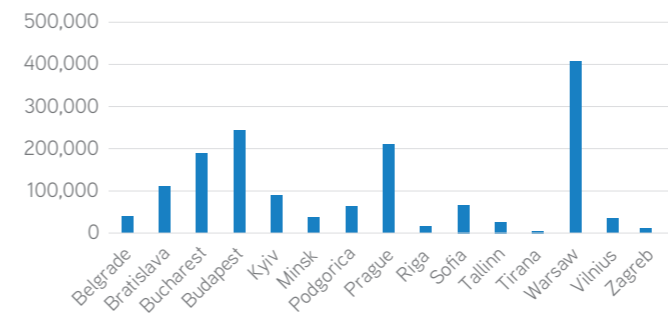
Total office stock (m<sup>2</sup>) and vacancy rate (%) in H1 2019



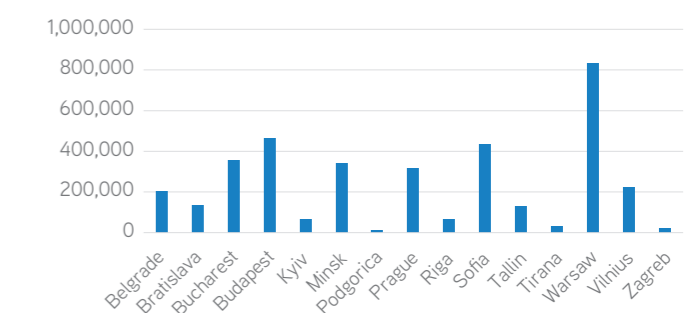
New supply in H1 2019 (m<sup>2</sup>)



Take-up in H1 2019 (m<sup>2</sup>)



Space under construction in H1 2019 (m<sup>2</sup>)



The total modern office stock in the 15 CEE countries in H1 2019 reached 27 million m<sup>2</sup>. In H1 2019 developers completed 707,000 m<sup>2</sup>, while 3.7 million m<sup>2</sup> is currently under construction.

The largest resources of modern office space were recorded in Warsaw (5.5 million m<sup>2</sup>), Budapest (3.6 million m<sup>2</sup>) and in Prague (3.5 million m<sup>2</sup>). Stock over 1 million m<sup>2</sup> was noted in Bucharest (2.6 million m<sup>2</sup>), Sofia (2.2 million m<sup>2</sup>), Kyiv (1.9 million m<sup>2</sup>), Bratislava (1.8 million m<sup>2</sup>), Zagreb (1.35 million m<sup>2</sup>) and Minsk (1 million m<sup>2</sup>).

The largest increase of new supply in H1 2019 was noted in Bucharest with a 23% increase over the whole 2018. Second place in terms of the amount of new office space completed in H1 2019 was taken by Sofia (91,000 m<sup>2</sup>), followed by Warsaw (80,500 m<sup>2</sup>). The majority of modern office projects is located in the capitals of the countries, although office markets are also developing in regional cities.

In H1 2019, in all capitals of 15 CEE countries, tenants leased over 1.5 million m<sup>2</sup> of modern office space. The most active tenant sectors included: IT, professional services and banking. The BPO/SSC sector is also developing dynamically in the majority of the 15 CEE countries. The most popular city among tenants in H1 2019 was Warsaw (almost 406,000 m<sup>2</sup> leased space), Budapest came second (243,400 m<sup>2</sup>) and Prague third (211,030 m<sup>2</sup>).

The lowest vacancy rate was recorded in Belgrade (3.5%), Minsk (3.8%) and Zagreb (4.5%). The most amount of available office space in H1 2019 was noted in Sofia (10.2%), Bucharest (10%) and Podgorica (10%).

Currently, the largest amount of modern office space under construction is in Warsaw (832,730 m<sup>2</sup>), Budapest (464,000 m<sup>2</sup>) and Sofia (437,000 m<sup>2</sup>). We forecast that in 2021 the supply of modern office stock will exceed the level of 30 million m<sup>2</sup>.

# ALBANIA

## TIRANA OFFICE MARKET H1 2019

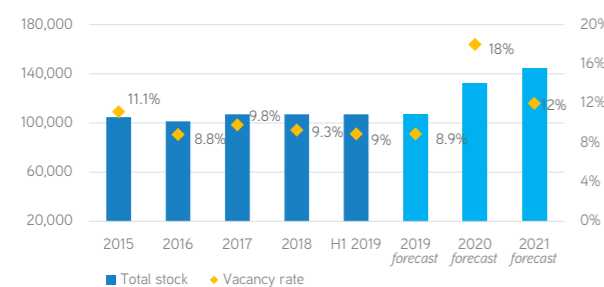
TOTAL STOCK:	107,110 m <sup>2</sup>
NEW SUPPLY:	0 m <sup>2</sup>
VACANCY RATE:	8.9%
TAKE-UP:	330 m <sup>2</sup>
SPACE UNDER CONSTRUCTION:	37,230 m <sup>2</sup>
RENTAL RATES (EUR/M <sup>2</sup> /MONTH):	Class A: 24.50-18.00 Class B: 18.00-14.00
MAIN DEVELOPERS:	Kastrati Group, Balfin Group, Edil Al shpk, Alb Star shpk
OTHER MARKETS:	Durres, Vlora

## LARGEST PROJECTS UNDER CONSTRUCTION

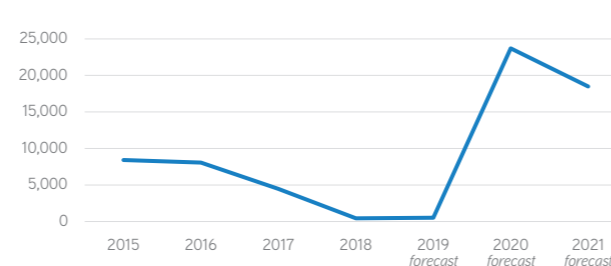
PROJECT	DEVELOPER
Downtown One Project	Kastrati Construction shpk
Forever Green Tower	AL & GI shpk
MET Tirana Building	MET Invest shpk

## MARKET DATA

Total office stock (m<sup>2</sup>) evolution and vacancy rate (%) in Tirana (2015-2021)



Take-up (m<sup>2</sup>) in Tirana (2015-2021)



\*take-up calculated as difference between occupied stock in subsequent years

## MARKET COMMENTARY

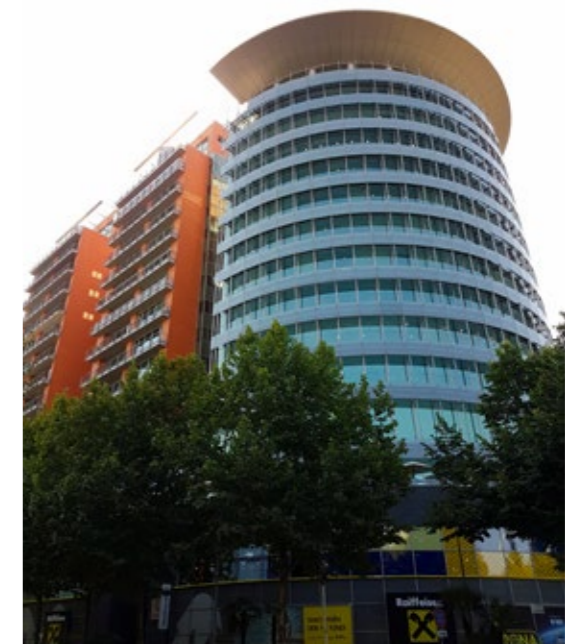
Demand for class A office space continued unabated during H1 2019, especially for large-sized open plan offices. Much of this increase in activity was driven by re-locations and/or expansions of international companies on the look out for higher quality office space and specifically, serviced offices.

Tirana's office stock remained unchanged in H1 2019, and reached 107,100 m<sup>2</sup>, with prime office rental rates stable. We forecast a slight downward pressure on primary rental rates over the next few quarters, as new projects due to be delivered to the market in the next 12 months will increase the availability of office stock.

Primary rents currently stand at EUR 24.50 m<sup>2</sup>/month in the CBD and EUR 18.00 m<sup>2</sup>/month in the periphery, with secondary rates at EUR 18.00 m<sup>2</sup>/month in the CBD and EUR 14.00 m<sup>2</sup>/month in the periphery.



Twin Towers, developer: TID shpk



European Trade Center (ETC Building), developer: Edil-Al shpk



ABA Business Center, developer: Gener 2 shpk

*Albania is going through its first green certification process for LEED Gold for Downtown 1 building.*



Downtown One Project, developer: Kastrati Construction shpk

# BELARUS

## MINSK OFFICE MARKET H1 2019

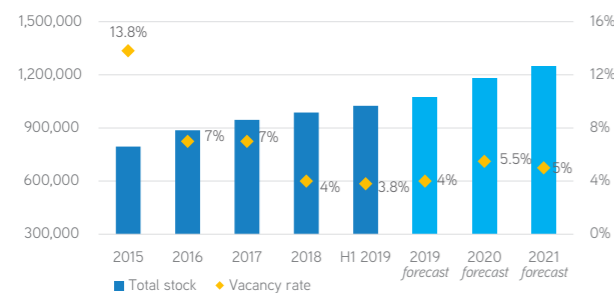
TOTAL STOCK:	1,024,750 m <sup>2</sup>
NEW SUPPLY:	37,300 m <sup>2</sup>
VACANCY RATE:	3.8%
TAKE-UP:	37,800 m <sup>2</sup>
SPACE UNDER CONSTRUCTION:	340,000 m <sup>2</sup>
RENTAL RATES (EUR/M <sup>2</sup> /MONTH):	Class A: 25.00-30.00 Class B: 12.00-23.00
MAIN DEVELOPERS:	Tapas Holding, Dana Holdings, Gazprom Transgaz Belarus, Sigmapolus, Interservice
OTHER MARKETS:	Brest, Mogilev

## LARGEST PROJECTS UNDER CONSTRUCTION

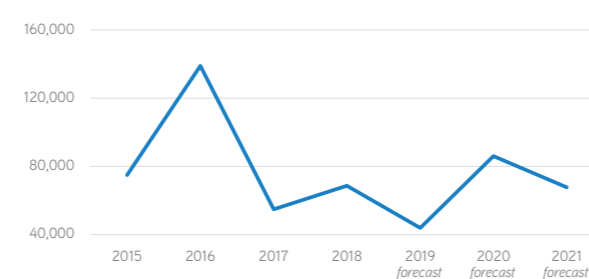
PROJECT	DEVELOPER
MU Gazprom Center	Gazprom Transgaz Belarus
MU Shanter Hill	Interservice
MU Nezavisimosti ave.	Corporation A.N.D.

## MARKET DATA

Total office stock (m<sup>2</sup>) evolution and vacancy rate (%) in Minsk (2015-2021)



Take-up\* (m<sup>2</sup>) in Minsk (2015-2021)



\*take-up calculated as difference between occupied stock in subsequent years

## MARKET COMMENTARY

Minsk office market can be characterized as a landlord market. Vacancy has been decreasing over the last two years due to insignificant new supply comparing to growing demand. Currently the market vacancy rate amounts to 3.8%.

Rents are also growing and stand at EUR 25.00-30.00 m<sup>2</sup>/month for class A and EUR 12.00-23.00 m<sup>2</sup>/month for class B.

Demand for office space is primarily driven by the ICT sector (information and communications technology): ICT companies occupy 35% of spaces in speculative business centers.

Class B2 office space is prevalent on the market and amounts to 58% of the supply, class B1 occupies 40% of the market.



Riviera Business, developer: Zavod Bulbash



Volna, developer: Sigmapolus



Futuris Business Center, developer: Tapas

*Futuris Business Center is the first building in Belarus where multimedia systems are integrated directly into the architecture.*



Futuris Business Center, developer: Tapas

# BULGARIA

## SOFIA OFFICE MARKET H1 2019

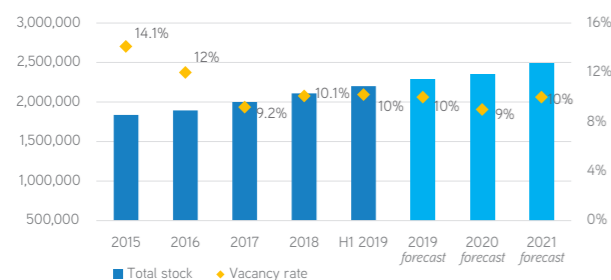
TOTAL STOCK:	2,202,000 m <sup>2</sup>
NEW SUPPLY:	91,000 m <sup>2</sup>
VACANCY RATE:	10.2%
TAKE-UP:	66,400 m <sup>2</sup>
SPACE UNDER CONSTRUCTION:	437,000 m <sup>2</sup>
RENTAL RATES (EUR/M <sup>2</sup> /MONTH):	Class A: 13.00-15.00 Class B: 10.00
MAIN DEVELOPERS:	GTC, Garitage Investment, Capital Fort
OTHER MARKETS:	Plovdiv, Varna, Burgas

## LARGEST PROJECTS UNDER CONSTRUCTION

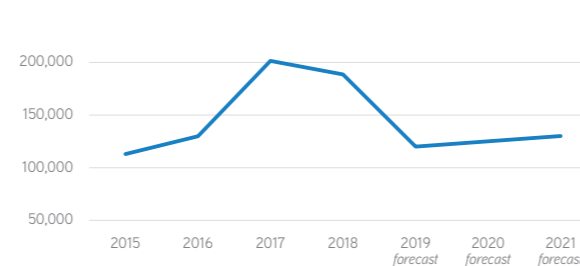
PROJECT	DEVELOPER
Garitage Park	Garitage Investment Management
Sky Fort	Fort NokS
Synergy Tower	Bulgarian Real Estate Fund (BREF)

## MARKET DATA

Total office stock (m<sup>2</sup>) evolution and vacancy rate (%) in Sofia (2015-2021)



Take-up (m<sup>2</sup>) in Sofia (2015-2021)



## MARKET COMMENTARY

In H1 2019, the supply of modern office space in Sofia marked a 4% total stock growth and reached 2,202,000 m<sup>2</sup>.

Total take-up was 66,400 m<sup>2</sup> for the first half of the year. In the surveyed period, 31% of all deals were due to relocations, expansions of companies already present on the Bulgarian market (25%) and pre-leases (20%).

The main sectors on the demand side were: IT and outsourcing (45%), professional services (16%) and life sciences (8%). Average asking rental levels remained unchanged. For class A offices they were EUR 15.00 m<sup>2</sup>/month – CBD, EUR 14.00 m<sup>2</sup>/month – Broad Center and EUR 13.00 m<sup>2</sup>/month – for Suburbs.

*Garitage Park is the first Central and Eastern European multifunctional complex to have achieved an Excellent Final Certificate according to the International Scheme of BREEAM Communities 2012. There are only 7 projects registered on the BRE (British Certification Organization) website that have achieved such a final certification rating.*



Telus Tower, developer: GEK Terna



Capital Fort, developer: Fort NokS



Garitage Park, developer: Garitage Investment Management

# CROATIA

## ZAGREB OFFICE MARKET H1 2019

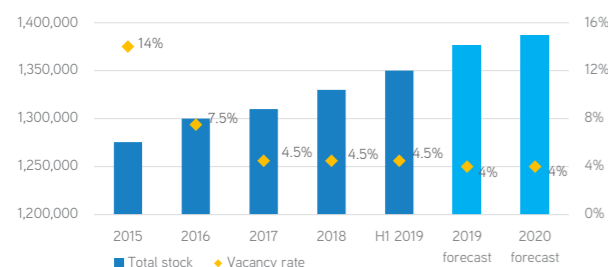
TOTAL STOCK:	1,350,000 m <sup>2</sup>
NEW SUPPLY:	10,000 m <sup>2</sup>
VACANCY RATE:	4.5%
TAKE-UP:	9,300 m <sup>2</sup>
SPACE UNDER CONSTRUCTION:	27,000 m <sup>2</sup>
RENTAL RATES (EUR/M <sup>2</sup> /MONTH):	Class A: 12.00 Class B: 8.00-10.00
MAIN DEVELOPERS:	GTC Group, VMD Group, Trius Nekretnine
OTHER MARKETS:	Rijeka, Split

## LARGEST PROJECTS UNDER CONSTRUCTION

PROJECT	DEVELOPER
Matrix R21	GTC Group Croatian Insurance Company

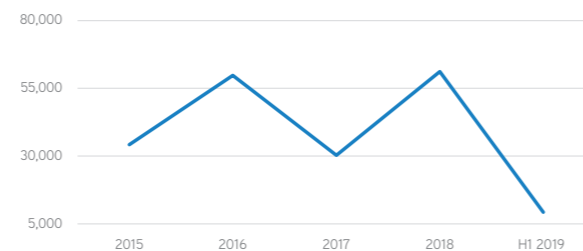
## MARKET DATA

Total office stock (m<sup>2</sup>) evolution and vacancy rate (%) in Zagreb (2015-2020\*)



\*latest available data

Take-up (m<sup>2</sup>) in Zagreb (2015-H1 2019\*)



\*latest available data

## MARKET COMMENTARY

Market is characterized by low vacancy rate in the competitive office stock, currently standing at around 4.5%, which was last recorded in 2008. Zagreb office market is characterized by strong demand in class A buildings and continuous vacancy rate drop due to slow delivery of new supply.

Prime headline rent in Zagreb has been stable during the last few years ranging from EUR 14-15 m<sup>2</sup>/month. Average rent for class A also remained stable, despite drop in vacancy rate, standing at EUR 12 m<sup>2</sup>/month. Average rent in class B buildings ranges from EUR 8-10 m<sup>2</sup>/month.

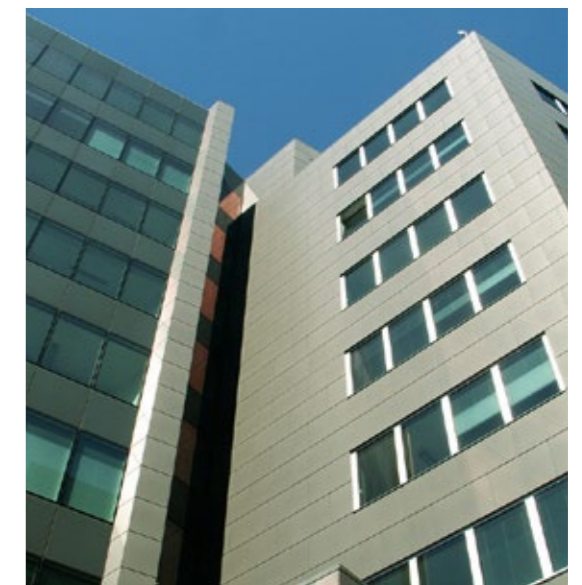


VMD Strojarska, developer: VMD Group



Sky Office, developer: TEHNIKA

*The highest building in Zagreb is one of the towers within the VMD Strojarska complex with a rooftop bar and a 360° view of the Capital city.*



City Plaza, developer: VMD Group



# CZECHIA

## PRAGUE OFFICE MARKET H1 2019

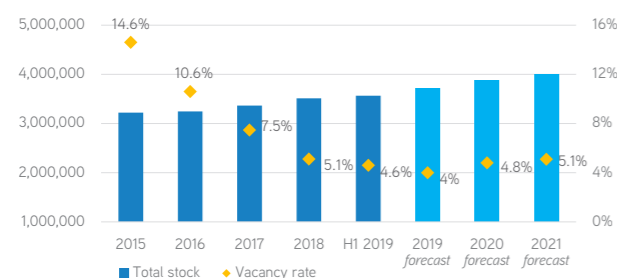
TOTAL STOCK:	3,566,930 m <sup>2</sup>
NEW SUPPLY:	79,940 m <sup>2</sup>
VACANCY RATE:	4.6%
TAKE-UP:	211,030 m <sup>2</sup>
SPACE UNDER CONSTRUCTION:	317,760 m <sup>2</sup>
RENTAL RATES (EUR/M <sup>2</sup> /MONTH):	Class A: 11.50-26.75 Class B: 7.65-20.50
MAIN DEVELOPERS:	Crestyl, Skanska, Penta, J&T, AFI Europe
OTHER MARKETS:	Brno

## LARGEST PROJECTS UNDER CONSTRUCTION

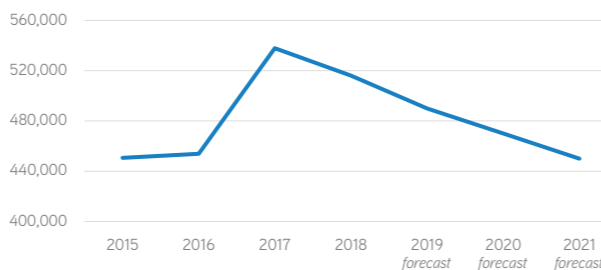
PROJECT	DEVELOPER
Harfa Office Center	Kaprain
Bořislavka	KKCG
Dock In Five	Crestyl

## MARKET DATA

Total office stock (m<sup>2</sup>) evolution and vacancy rate (%) in Prague (2015-2021)



Take-up (m<sup>2</sup>) in Prague (2015-2021)



## MARKET COMMENTARY

The Prague office market continued its strong performance in H1 2019. Some 80,000 m<sup>2</sup> of new office space was delivered to the market during the first six months, with prospects for further 122,000 m<sup>2</sup> to be completed before the year-end.

Occupier demand remained strong. Net absorption (total change in occupied stock) was positive both in Q1 and Q2 and remains in positive figures for 17 consecutive quarters. Cumulatively it reached 117,000 m<sup>2</sup> in 2019 so far, which is a 47% increase year on year.

By mid-year, the vacancy rate in Prague was at 4.6%, which represents some 162,500 m<sup>2</sup> of vacant space. This low availability is largely in favour of landlords and puts pressure on rental growth. Current prime rent for class A premises in the city centre is in the range of EUR 22.00-22.50 m<sup>2</sup>/month with prospects for further growth.

There are also some trophy assets in the city centre with exceptional build quality which have rents higher than the quoted prime, and similarly some pipeline projects have higher asking rents. Rental growth is spreading from city centre to other submarkets as well. With the current pipeline and demand level we do not see room for significant vacancy increase; therefore, we expect the rental growth to continue. By the year end, the prime rent could increase to EUR 23 m<sup>2</sup>/month.

*Butterfly Karlín by AFI Europe: the office building with the largest vertical garden in Europe. The facade of the building is planted with 41,000 plants in 584 small „gardens“, covering the area of 1,500 m<sup>2</sup>. Designed by David R. Chrisholm of CMC Architects.*



Florentinium, developer: Penta



Waltrovka, developer: Penta



Butterfly Karlín, developer: AFI Europe

# ESTONIA

## TALLINN OFFICE MARKET H1 2019

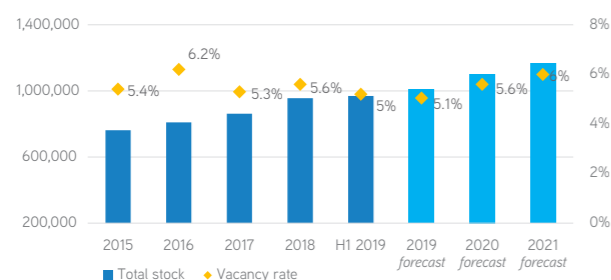
TOTAL STOCK:	969,300 m <sup>2</sup>
NEW SUPPLY:	13,200 m <sup>2</sup>
VACANCY RATE:	5.2%
TAKE-UP:	26,400 m <sup>2</sup>
SPACE UNDER CONSTRUCTION:	130,000 m <sup>2</sup>
RENTAL RATES (EUR/M <sup>2</sup> /MONTH):	Class A: 14.00-18.00 Class B: 11.00-15.00
MAIN DEVELOPERS:	Technopolis Ülemiste, Porto Franco, Fausto, Mainor Ülemiste, Fund Asset, Kawe, Capital Mill
OTHER MARKETS:	Tartu

## LARGEST PROJECTS UNDER CONSTRUCTION

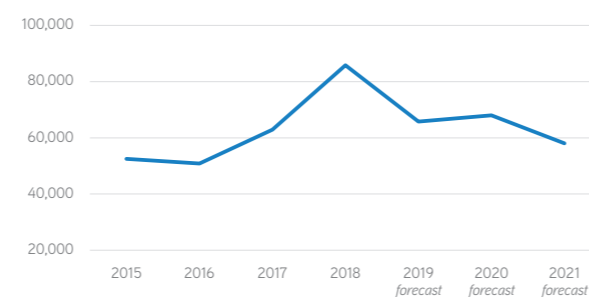
PROJECT	DEVELOPER
Porto Franco	Porto Franco
Fahle Park	Fausto Capital
Sepapaja 1, Ülemiste City	Technopolis Ülemiste

## MARKET DATA

Total office stock (m<sup>2</sup>) evolution and vacancy rate (%) in Tallinn (2015-2021)



Take-up (m<sup>2</sup>) in Tallinn (2015-2021)



## MARKET COMMENTARY

The office market in Tallinn has continued to demonstrate consistent activity during the last six and a half years, resulting in buoyant demand and high development activity.

By Q2 2019, the estimated total stock (speculative + built-to-suit) of modern office facilities was approaching ca. 1 million m<sup>2</sup>. New total supply delivered to the market reached ca. 94,400 m<sup>2</sup> in 2018 and 13,200 m<sup>2</sup> in H1 2019.

Development activity is seen both in the CBD and well-developed citywide office subareas (e.g. Ülemiste City) as well as in new developing areas (e.g. Tallinn harbour area, Telliskivi Quarter).

In H1 2019, rental rates for properties in good locations remained more or less stable, although the gap between the lower and upper margins of asking rents continued to widen, seeing an increase in the upper margins of asking rents.

The vacancy rate in speculative class A and class B1 new buildings remains considerably low (below 6%), indicating a good absorption ratio for new office premises. Some increase in vacancy rates (as well as some downward pressure on rents) were observed in several existing older class B1 office buildings in various locations across the city.

*In Tallinn there is Ülemiste City, the largest Smart City in the Baltics and biggest privately owned business campus in Northern Europe. More than 15% of total modern speculative office space in Tallinn is located in Ülemiste City. An interesting fact is that Ülemiste City probably has the closest office campus to an international airport.*



Maakri Quarter, developer: Maakri Kvartal



Tammsaare Business Centre, developer: Kaamos



Ülemiste City, developers: Technopolis Ülemiste and Mainor

# HUNGARY

## BUDAPEST OFFICE MARKET H1 2019

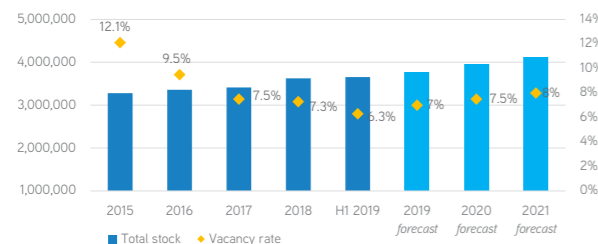
TOTAL STOCK:	3,654,200 m <sup>2</sup>
NEW SUPPLY:	31,700 m <sup>2</sup>
VACANCY RATE:	6.3%
TAKE-UP:	243,400 m <sup>2</sup>
SPACE UNDER CONSTRUCTION:	464,000 m <sup>2</sup>
RENTAL RATES (EUR/M <sup>2</sup> /MONTH):	Class A: 13.00-25.00 Class B: 10.00-17.00
MAIN DEVELOPERS:	HB Reavis, GTC, Skanska, Atenor, Futreal, Codic, Wing, Property Market
OTHER MARKETS:	Debrecen

## LARGEST PROJECTS UNDER CONSTRUCTION

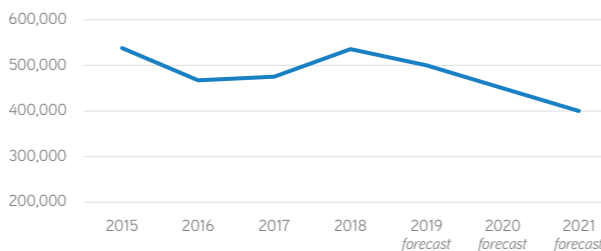
PROJECT	DEVELOPER
Agora Tower and Hub	HB Reavis
Váci Greens (building E&F)	ATENOR
Millenium Gardens	TriGranit

## MARKET DATA

Total office stock (m<sup>2</sup>) evolution and vacancy rate (%) in Budapest (2015-2021)



Take-up (m<sup>2</sup>) in Budapest (2015-2021)



## MARKET COMMENTARY

At the end of 2019 H1, the total office stock in Budapest exceeded the 3.6 million m<sup>2</sup> out of which 3.0 million m<sup>2</sup> is speculative stock.

The total market vacancy rate reached a record-low level of 6.3%. The speculative vacancy rate is currently 7.6%, with class A office vacancy rate of 5.0%, and class B rate of 13.6%.

The market remained landlord driven in 2019, and this trend is expected to continue at least through 2020 unless there is a major change in the overall economic environment.

The largest deals are usually closed by tenants active in the IT, financial and pharmaceutical sectors and by state related occupiers. Among large international tenants, we continue to see the dominance of SSC/BPO related occupiers.

The speculative office pipeline under construction and planned for delivery by 2021 totals 404,000 m<sup>2</sup>, out of which 95,000 m<sup>2</sup> office space is expected to be handed over by the end of 2019.

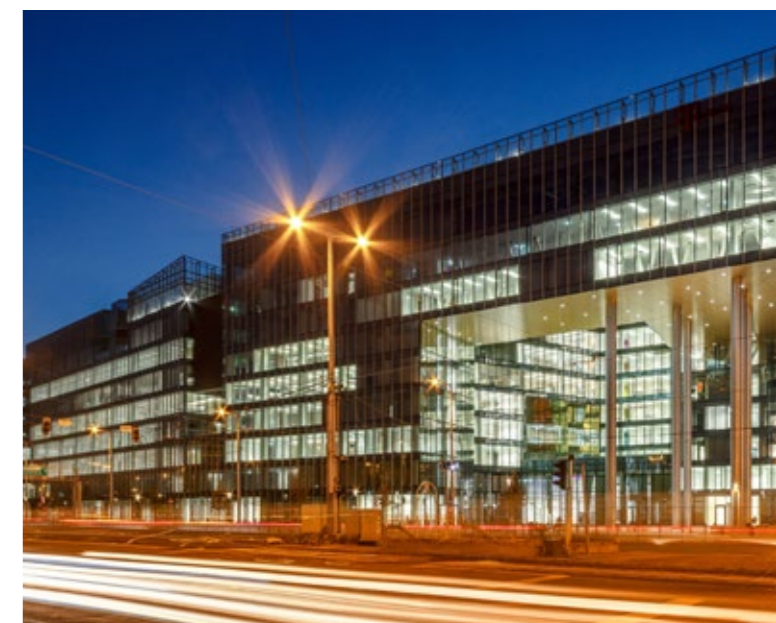
The Váci Corridor submarket remained the most sought-after location in H1 2019 period, both in terms of leasing activity (33% of the TLA in H1 2019 period) and the development pipeline (50% of the Budapest's development pipeline will be handed over in this submarket).



Promenade Gardens, developer: Horizon Development



Mill Park, developer: Skanska



Telekom building, developer: Wing

*The existing class A office stock is expected to expand by at least 20% until the end of 2021, due to the rich development pipeline.*

# LATVIA

## RIGA OFFICE MARKET H1 2019

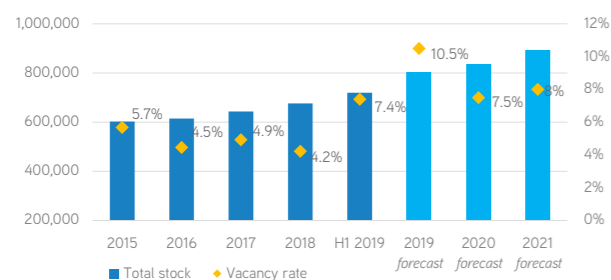
TOTAL STOCK:	719,550 m <sup>2</sup>
NEW SUPPLY:	42,200 m <sup>2</sup>
VACANCY RATE:	7.4%
TAKE-UP:	20,050 m <sup>2</sup>
SPACE UNDER CONSTRUCTION:	73,900 m <sup>2</sup>
RENTAL RATES (EUR/M <sup>2</sup> /MONTH):	Class A: 14.00-16.00 Class B: 10.00-13.50
MAIN DEVELOPERS:	Hanner, Vastint, Linstow, LNK, Kapitel, M.M.M. projektai, Eastnine
OTHER MARKETS:	-

## LARGEST PROJECTS UNDER CONSTRUCTION

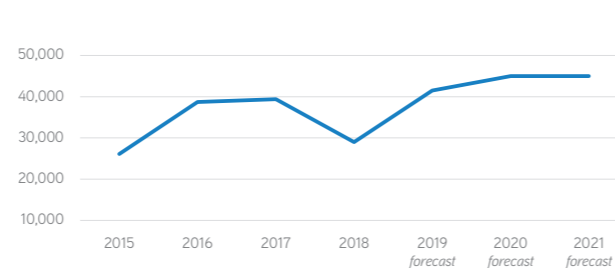
PROJECT	DEVELOPER
Z-Towers	Towers Construction Management
Jaunā Teika 4th stage Henrihs	Hanner
Origo One	Linstow

## MARKET DATA

Total office stock (m<sup>2</sup>) evolution and vacancy rate (%) in Riga (2015-2021)



Take-up (m<sup>2</sup>) in Riga (2015-2021)



## MARKET COMMENTARY

For several years the development of the Riga office market has been slow. Slow development volumes have led to the situation that around 73% of the professional office stock is older than 10 years. However, as of now several projects are under construction and a number of projects have been announced. Also, interest from new developers has been observed.

This year already 42,200 m<sup>2</sup> have been delivered and currently 73,900 m<sup>2</sup> are under construction. An additional 16 projects with a total area of more than 275,000 m<sup>2</sup> are in the planning stages with a high probability of being transferred to active construction stages in the next 2 years. Riga still does not have a CBD, but most of the development is currently planned for the Kipsala, Skanste and VEF/Teika business districts.

Take-up activity in the recent year has been lower than anticipated and we can expect that vacancy levels will increase once the new projects enter the market as the amount of office space pre-leased during the construction stages is relatively low. Currently, vacancy levels vary between 4-10% depending on the office class while the market rent rates remain stable. The highest demand for office space for the last 3 years remains from professional service companies (GBS, including SSC and BPO companies), however mostly through expansions as only a few new companies enter the market every year.

*The Pine – the first office building in Riga to be constructed out of wood and the first in the Baltics to qualify for WELL Building Standard, additional to LEED Platinum, is currently in planning phase by Eastnine.*



Origo One, developer: Linstow



Jaunā Teika, developer: Hanner



The Pine, developer: Eastnine

# LITHUANIA

## VILNIUS OFFICE MARKET H1 2019

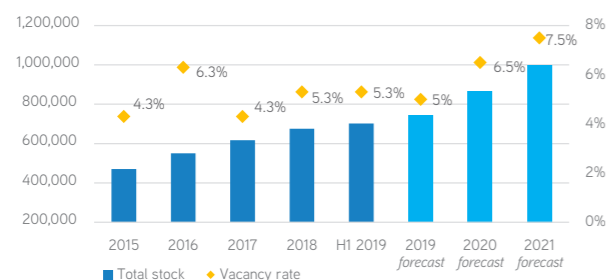
TOTAL STOCK:	702,020 m <sup>2</sup>
NEW SUPPLY:	26,450 m <sup>2</sup>
VACANCY RATE:	5.3%
TAKE-UP:	35,800 m <sup>2</sup>
SPACE UNDER CONSTRUCTION:	225,140 m <sup>2</sup>
RENTAL RATES (EUR/M <sup>2</sup> /MONTH):	Class A: 14.70-16.50 Class B: 6.60-13.50
MAIN DEVELOPERS:	Technopolis, M.M.M. projektai, Hanner, Darnu Group, Vastint
OTHER MARKETS:	Kaunas, Klaipeda

## LARGEST PROJECTS UNDER CONSTRUCTION

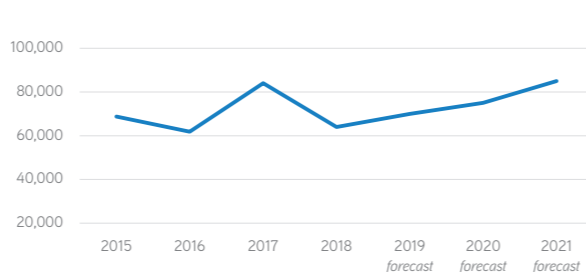
PROJECT	DEVELOPER
Business Garden Vilnius (stage I)	Vastint
Nova BC	Technopolis
Business Stadium North BC	Hanner

## MARKET DATA

Total office stock (m<sup>2</sup>) evolution and vacancy rate (%) in Vilnius (2015-2021)



Take-up (m<sup>2</sup>) in Vilnius (2015-2021)



## MARKET COMMENTARY

The Vilnius office market observes active development of new projects – 26,450 m<sup>2</sup> of new office space was completed in H1 2019, while a pipeline amounting to as much as 225,140 m<sup>2</sup> is under construction.

New modern supply is further raising quality standards as well as bringing greater emphasis on sustainability and innovation. This is in line with the needs and expectations of tenants and today's workforce, resulting in the entry of new international players.

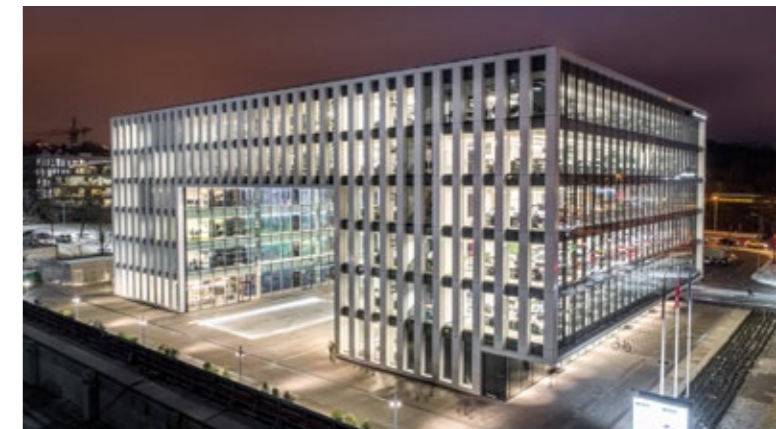
Although demand for office space is strong, rapid expansion is expected to affect vacancy levels in the market, with the greatest impact on older business centres.



Business Stadium West BC, developer: Hanner



Quadrum BC, developer: Schage Real Estate



S7 BC (stage I), developer: M.M.M. projektai

*41% of the stock in Vilnius is BREEAM or LEED certified. Quadrum BC is the first building in Lithuania to achieve a BREEAM New Construction certificate.*



Quadrum BC, developer: Schage Real Estate

# MONTENEGRO

## PODGORICA OFFICE MARKET H1 2019

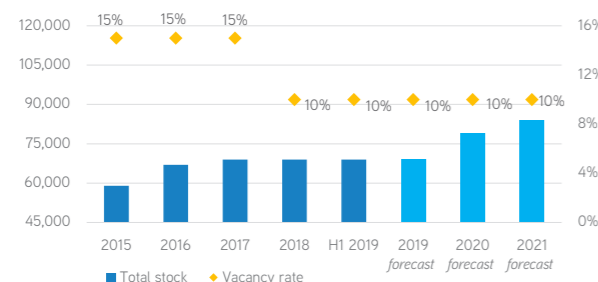
TOTAL STOCK:	69,010 m <sup>2</sup>
NEW SUPPLY:	0 m <sup>2</sup>
VACANCY RATE:	10%
TAKE-UP:	62,110 m <sup>2</sup>
SPACE UNDER CONSTRUCTION:	15,000 m <sup>2</sup>
RENTAL RATES (EUR/M <sup>2</sup> /MONTH):	Class A: 16.50 Class B: 12.50
MAIN DEVELOPERS:	Zeta Gradnja
OTHER MARKETS:	-

## LARGEST PROJECTS UNDER CONSTRUCTION

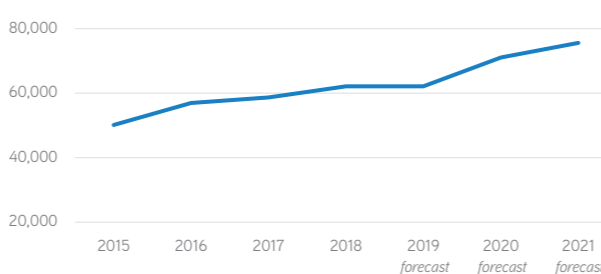
PROJECT	DEVELOPER
Business Center	Čelebić
Office building	Zeta Gradnja
Office building	Normal Company

## MARKET DATA

Total office stock (m<sup>2</sup>) evolution and vacancy rate (%) in Podgorica (2015-2021)



Take-up (m<sup>2</sup>) in Podgorica (2015-2021)



## MARKET COMMENTARY

In the past decade Montenegro has shown considerable growth, and many consider the country to be one of the fastest rising tourism markets in the world. With its stable economic growth over the past few years, it is sure to continue to attract foreign investments in the foreseeable future.

Modern class A office buildings include Europoint, Normal Tower, Capital Plaza, Cijevna Komerco/Societe General headquarter, Millennium Center and Celebic Business Center.

Demand for office space in Podgorica significantly increased in 2019 compared to the previous years. The vacancy rate in Podgorica is around 10%, with expectation of stabilization below 10% by the end of 2019 when the new developments are properly absorbed.

Rental levels for modern office space in Podgorica range between EUR 14.00 – 22.00 m<sup>2</sup>/month. Class A office buildings in good locations can be rented at EUR 17.00 m<sup>2</sup>/month. Lower quality office space varies between EUR 10.00 – 14.00 m<sup>2</sup>/month.

*The most interesting structure is the Europoint building, located close to the Morača river. What sets the office building apart from others is its energy efficiency. The building has 8,890 m<sup>2</sup> of available office space, and has heat pumps installed to utilize the ground water of the River Morača as a heat source. This helps to reduce the energy required for heating, ventilation, air conditioning and water heating.*



Čelebić City Center, developer: Čelebić



Capital Plaza, developer: Abu Dhabi Capital Investment



Europoint, developer: Proinvest

# POLAND

## WARSAW OFFICE MARKET H1 2019

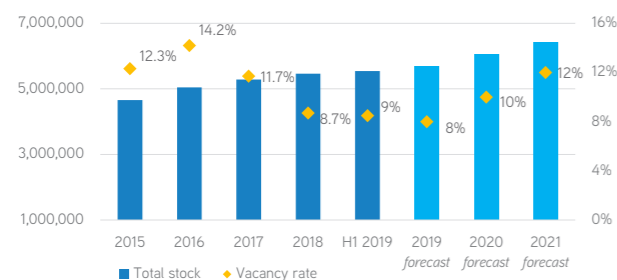
TOTAL STOCK:	5,543,680 m <sup>2</sup>
NEW SUPPLY:	80,540 m <sup>2</sup>
VACANCY RATE:	8.5%
TAKE-UP:	405,950 m <sup>2</sup>
SPACE UNDER CONSTRUCTION:	832,730 m <sup>2</sup>
RENTAL RATES (EUR/M <sup>2</sup> /MONTH):	Class A: 14.00-24.00 Class B: 12.00-18.00
MAIN DEVELOPERS:	Skanska Property Poland, Ghelamco, HB Reavis, Cavatina, PHN,
OTHER MARKETS:	Kraków, Wrocław, Trójmiasto, Katowice, Łódź, Poznań, Szczecin, Lublin

## LARGEST PROJECTS UNDER CONSTRUCTION

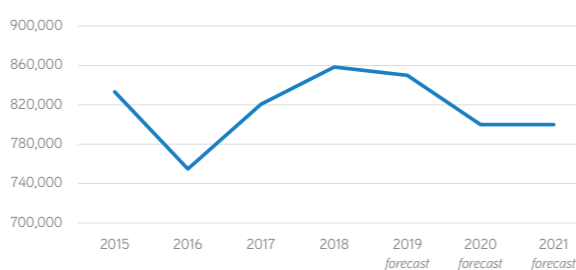
PROJECT	DEVELOPER
Varso Place	HB Reavis
The Warsaw HUB	Ghelamco
Mennica Legacy Tower	Mennica Poland/Golub Gethouse

## MARKET DATA

Total office stock (m<sup>2</sup>) evolution and vacancy rate (%) in Warsaw (2015-2021)



Take-up (m<sup>2</sup>) in Warsaw (2015-2021)



## MARKET COMMENTARY

High demand and lower new supply compared to H1 2018 caused a growing deficit of office space in Warsaw. The supply gap is visible especially in central zones, where the vacancy rate at the end of H1 2019 was 5.6%. We predict that rental rates for office projects in these zones will gradually increase.

Currently, there are approximately 40 office buildings under construction in Warsaw with a total area of over 832,700 m<sup>2</sup>, which will gradually fill the supply gap in the next 24 months. The largest projects include Varso Place, The Warsaw HUB and Mennica Legacy Tower.

The office supply in regional cities is growing faster than in Warsaw. In H1 2019, developers delivered 241,300 m<sup>2</sup> of modern office space, and 844,100 m<sup>2</sup> is under construction.

In H1 2019, there was also rapid growth in the flexible and coworking space market, which offers an alternative to long-term lease for young entrepreneurs, start-ups, freelancers and increasingly often for corporations. International coworking operators will continue their expansion outside the capital, targeting the largest office markets in Poland.



Warsaw Spire, developer: Ghelamco

*Varso Place - the highest project in the European Union is under construction in Warsaw (310 m). The complex is planned to be completed in 2021.*



Varso Place, developer: HB Reavis

# ROMANIA

## BUCHAREST OFFICE MARKET H1 2019

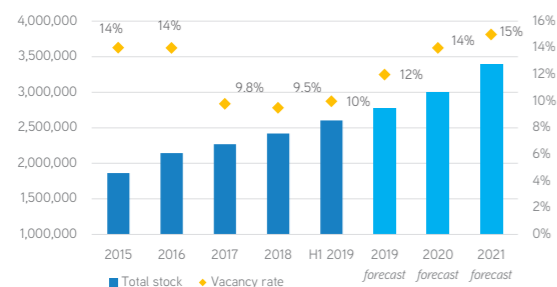
TOTAL STOCK:	2,603,500 m <sup>2</sup>
NEW SUPPLY:	185,000 m <sup>2</sup>
VACANCY RATE:	10%
TAKE-UP:	188,300 m <sup>2</sup>
SPACE UNDER CONSTRUCTION:	358,400 m <sup>2</sup>
RENTAL RATES (EUR/M <sup>2</sup> /MONTH):	Class A: 18.00 Class B: 11.00
MAIN DEVELOPERS:	Globalworth, AFI Europe, Skanska, Portland Trust, Vastint, Forte Partners, One United
OTHER MARKETS:	Cluj-Napoca, Timisoara, Iasi

## LARGEST PROJECTS UNDER CONSTRUCTION

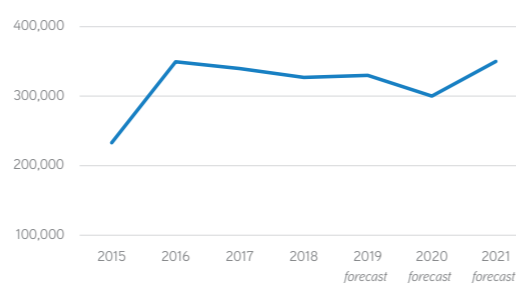
PROJECT	DEVELOPER
Campus	Globalworth
Campus 6	Skanska
Expo Business Park	Portland Trust

## MARKET DATA

Total office stock (m<sup>2</sup>) evolution and vacancy rate (%) in Bucharest (2015-2021)



Take-up (m<sup>2</sup>) in Bucharest (2015-2021)



## MARKET COMMENTARY

With a modern office stock of around 2.6 million m<sup>2</sup> in mid-2019 (excluding significant surfaces of owner-occupied buildings), Bucharest is arguably one of the most dynamic markets in the CEE region. Of course, this is closely related to the labour force, which offers a nice mix of good skills (including sought-after foreign languages) as well as much lower costs than in Western Europe. But this might be true for a lot of other cities in the region, but Romania and Bucharest do have a couple of things that set it apart from other peers and even other more developed markets in Europe: a very strong IT&C community.

The Bucharest office market is currently enjoying a growth spurt in terms of supply, with the leasable area of buildings coming online in 2019 and 2020 representing a quarter of the existing market. While this process is likely to pressure the vacancy rate a bit, it is worth underscoring that Bucharest still has quite a lot of stock built about a decade ago and part of it would not meet today's qualitative/technical standards.

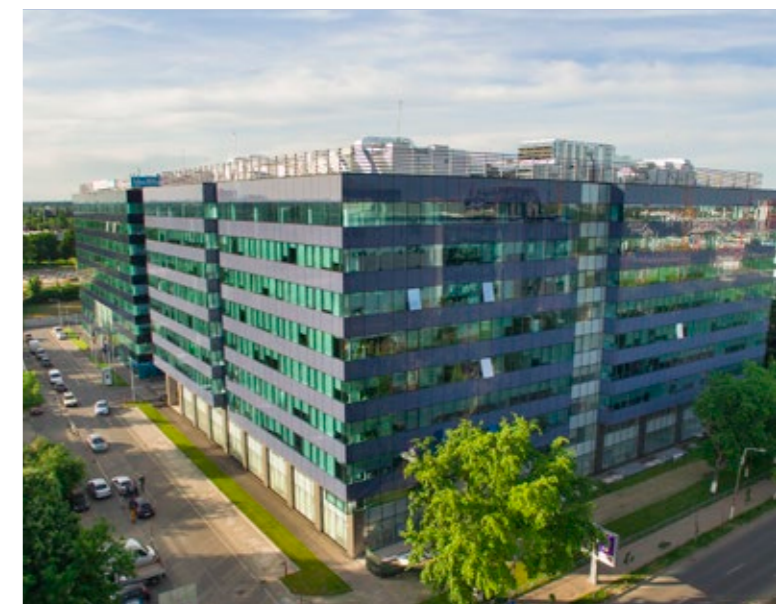
Consequently, vacancy tends to vary quite a lot from submarket to submarket and even between projects in the same submarket. Furthermore, on a relative (per capita) basis, Bucharest's office surface is still some 30% below Warsaw's, which is also significantly below other Western European markets, so there might still be quite a lot of room to grow.



Oregon Park, developer: Portland Trust



AFI Park, developer: AFI Europe



Hermes Business Campus, developer: Atenor

*The Bucharest office market is the fastest growing among the CEE capitals, with the modern office stock up by over 10% in the year ending June 2019.*



# SERBIA

## BELGRADE OFFICE MARKET H1 2019

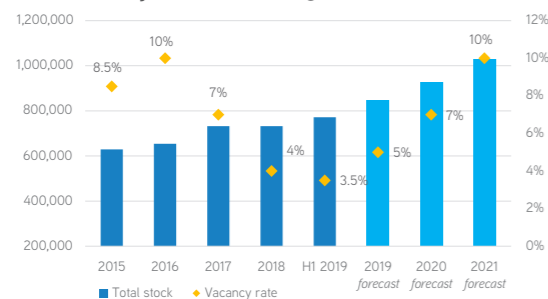
TOTAL STOCK:	772,000 m <sup>2</sup>
NEW SUPPLY:	40,110 m <sup>2</sup>
VACANCY RATE:	3.5%
TAKE-UP:	40,000 m <sup>2</sup>
SPACE UNDER CONSTRUCTION:	202,000 m <sup>2</sup>
RENTAL RATES (EUR/M <sup>2</sup> /MONTH):	Class A: 14.00-17.00 Class B: 11.00-13.00
MAIN DEVELOPERS:	GTC, MPC Properties, Erste Group Immorent, AFI Groupl
OTHER MARKETS:	Novi Sad, Nis

## LARGEST PROJECTS UNDER CONSTRUCTION

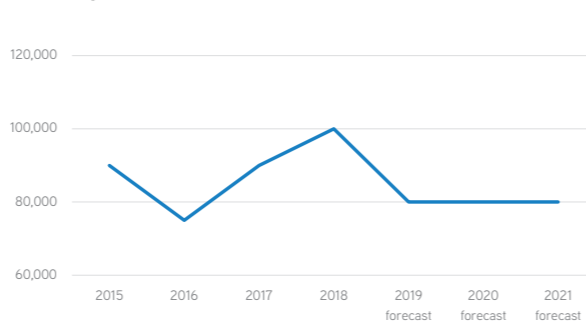
PROJECT	DEVELOPER
Green Heart	GTC
NCR Kampus	Merin Holdings
Navigators 2	MPC Properties

## MARKET DATA

Total office stock (m<sup>2</sup>) evolution and vacancy rate (%) in Belgrade (2015-2021)



Take-up (m<sup>2</sup>) in Belgrade (2015-2021)



## MARKET COMMENTARY

Demand for high-quality modern business premises remains relatively high when compared to the available space. This has in turn resulted in quick absorption of previously delivered projects within the CBD area and has led to favorable market conditions for landlords, who still retain precedence in negotiations. A constant high demand during this period has resulted in even lower vacancy rates, reaching levels as low as 2-3% in the prime market.

Office construction is at a historic high and changes in market parameters are expected when all of these projects are delivered. There is currently over 180,000 m<sup>2</sup> in the active pipeline, which will result in an increase of prime office stock by ca. 25% until 2021. There has also been a greater focus on Downtown Belgrade, following stronger demand from tenants for this part of the city.

Headline rents within class A and class B office buildings in Belgrade have remained stable throughout 2018 and slight increase is expected in 2019. Service charges have remained stable in the previous 18 months, and range EUR 4.00- 4.50 m<sup>2</sup>/month. Rental values are expected to remain stable until the delivery of new office stock, which is currently under construction.

*The vacancy rate in the Belgrade office market is amongst the lowest in Europe, currently standing at 3.5%.*



Usce Tower, developer: MPC Properties



Blue House, developer: Blue Center



GTC 41, developer: GTC

# SLOVAKIA

## BRATISLAVA OFFICE MARKET H1 2019

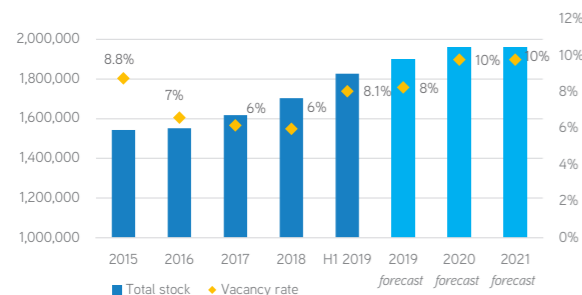
TOTAL STOCK:	1,826,690 m <sup>2</sup>
NEW SUPPLY:	51,000 m <sup>2</sup>
VACANCY RATE:	8.1%
TAKE-UP:	110,590 m <sup>2</sup>
SPACE UNDER CONSTRUCTION:	133,110 m <sup>2</sup>
RENTAL RATES (EUR/M <sup>2</sup> /MONTH):	Class A: 14.50 Class B: 12.50
MAIN DEVELOPERS:	HB Reavis, J&T, Penta
OTHER MARKETS:	Košice

## LARGEST PROJECTS UNDER CONSTRUCTION

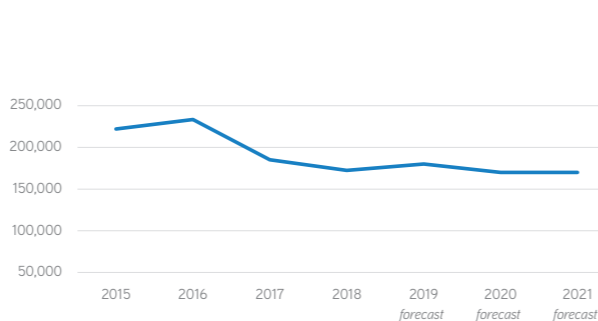
PROJECT	DEVELOPER
Sky Park Phase I	Penta Investments
Nivy Tower	HB Reavis
Tower 5 (NFŠ)	NFŠ, a.s.

## MARKET DATA

Total office stock (m<sup>2</sup>) evolution and vacancy rate (%) in Bratislava (2015-2021)



Take-up (m<sup>2</sup>) in Bratislava (2015-2021)



## MARKET COMMENTARY

The office market in Bratislava is undergoing a rapid expansion with 51,000 m<sup>2</sup> being added to the modern office stock in H1 2019 and more than 133,000 m<sup>2</sup> currently under active construction waiting to be delivered throughout 2019-2020. Growing supply results in a slight increase in vacancy rates, even though the decline in occupancy is rather subtle.

Demand remains healthy with most of the take up traditionally being attributed to IT and Professional Services. In terms of the volume by transaction type, most of the deals include prolongations, new leases and pre-leases.

Rental rates remain stable with quoted rents for prime premises usually being higher than the actual contracted rents. Current market trends dictate an increasing focus on tenant's needs leading to the growth in popularity of the flexible offices concept.

*There is a current market trend towards the renovation of old industrial properties into modern and vibrant office spaces. One example of that is the mixed use project Pradiareň 1900, involving the refurbishment of the former Bratislava Thread Factory ("Pradiareň 1900").*



Nivy Tower, developer: HB Reavis



Part of Bratislava's new CBD, source: JTRE



Pradiareň 1900, developer: YIT

# UKRAINE

## KYIV OFFICE MARKET H1 2019

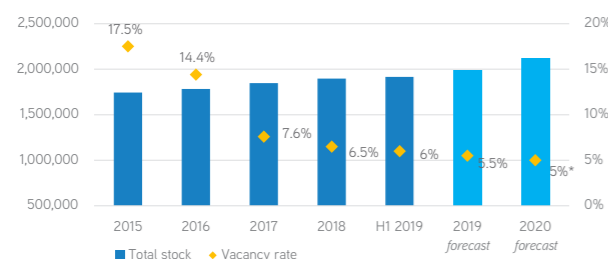
TOTAL STOCK:	1,916,500 m <sup>2</sup>
NEW SUPPLY:	18,500 m <sup>2</sup>
VACANCY RATE:	6%
TAKE-UP:	90,000 m <sup>2</sup>
UNDER CONSTRUCTION AREA:	70,000 m <sup>2</sup>
RENTAL RATES (EUR/M <sup>2</sup> /MONTH):	Class A: 19.60-26.70 Class B: 12.50-18.70
MAIN DEVELOPERS:	KAN Development, INOR, MERX REAL ESTATE, FMG, UFuture, TRK Engineering
OTHER MARKETS:	Lviv, Dnipro

## LARGEST PROJECTS UNDER CONSTRUCTION

PROJECT	DEVELOPER
25 Zhilyanskaya St.	INOR
137-139 Velyka Vasylkivska St.	Vector
4 Korolenska St.	TRK Engineering

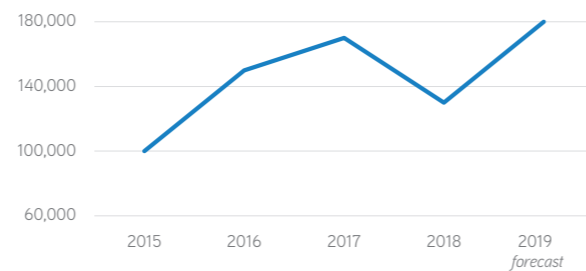
## MARKET DATA

Total office stock (m<sup>2</sup>) evolution and vacancy rate (%) in Kyiv (2015-2020\*)



\* latest available data

Take-up (m<sup>2</sup>) in Kyiv (2015-2019\*)



\* latest available data

## MARKET COMMENTARY

There has been a revival in the office rental market, both from tenants seeking to improve their working conditions by moving from older to newer offices, and from developers starting to build or design new business centres. Similarly to Q1 2019, there is a lack of office space. Currently, for those considering relocation to a 5,000 m<sup>2</sup> office in the central business district, the supply is limited to a few office buildings.

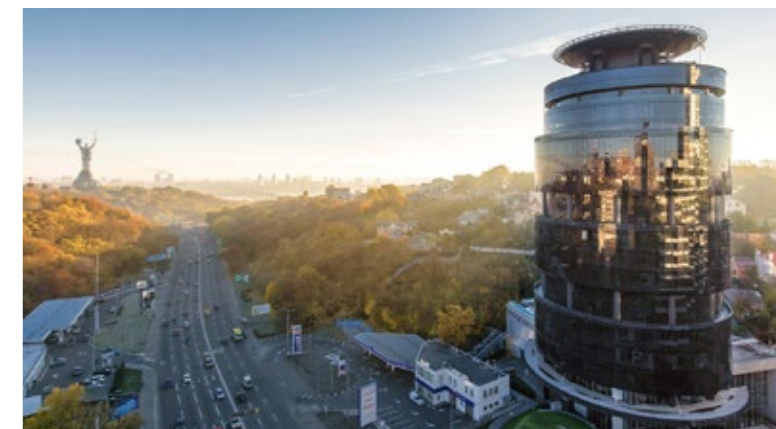
The vacancy rate will continue to gradually decline. New office supply commissioned in 2019 will amount to approximately 88,000 m<sup>2</sup>, which is the largest increase in the last 5 years. However, even this volume of new supply will not fully satisfy the existing demand within the office market.

The trend towards a moderate increase in rental rates will continue in the next 6 months. It should also be noted that the active development of innovation parks (such as: UNIT.City, Innovation District IT Park, Manufactura, and LvivTech.City), and the emergence of large co-working centers in traditional office buildings demonstrate that the trend towards collaborative office spaces is on the rise.

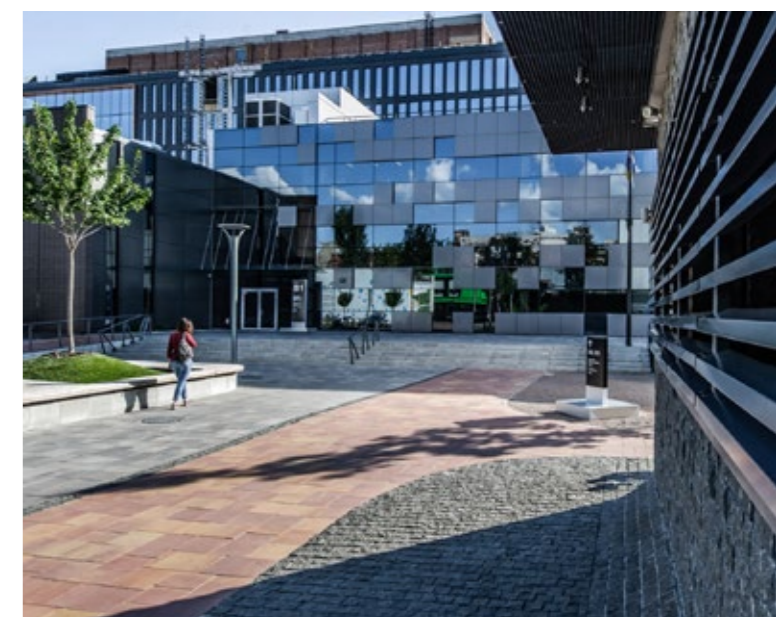
*UNIT.City is Ukraine's first innovation park. It is one of the biggest platforms merging exceptional infrastructure and an innovation ecosystem for IT and technology companies in Central and Eastern Europe (CEE). Located in Kyiv, UNIT.City sits on 25 ha, just 6 km from the city center and forms an entire city block of mixed-use real estate: offices, residential properties, innovative educational institutions, R&D centers, VR and AR laboratories, and 3D-printing and additive manufacturing facilities.*



Guliver BC, developer: TRI O LLC



IQ BC, developer: KAN Development



UNIT.City, developer: UDP

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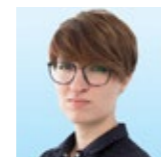


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OFFICE MARKET  
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