

MARKETBEAT BUCHAREST OFFICE 2018 Pre-lease activity announcing a record new supply

Supply

At the end of 2018, the total stock of modern office space in Bucharest was of approximately 2.83 million sq. m, a 5% increase y-o-y. In the second half of 2018, new supply amounted 117,000 sq. m and it was divided between West and Central submarkets, with the former attracting almost 70% from the total volume completed.

The new supply consists of Unirii View, Day Tower, D'Or Offices (in Central area), Orhideea Towers, Campus 6.1 and AFI Tech Park I (in West submarket).

Throughout 2018, new supply amounted for approximately 145,000 sq. m, almost similar compared to previous year.

Figure 1

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



Source: C&W Echinox

Demand

In H2 2018, total demand for modern office space in Bucharest was of ~186,000 sq. m, out of which net take-up represented a 71% share. During 2018, the total demand was of 340,000 sq. m, 2% higher compared to previous year. Net take-up was comprised mainly of relocations within A&B class office buildings (46% share), followed by new operations, which accounted for a 34% share.

Given the large volume of projects currently under construction and expected to be delivered in the following year, pre-lease activity was consistent in the last six months, with tenants securing 44,000 sq. m in future projects.

Areas offering easy access to public transportation, retail facilities or green areas continue to be the most sought after by tenants looking to expand or open new operations. Thus, West submarket, around the Polytechnic University of Bucharest, attracted 37% of the total volume of demand recorded in the second half of 2018.

During the analyzed period, the largest transaction was signed in the West submarket, where Microsoft pre-leased 23,500 sq. m in Campus 6.2 and 6.3, developed by Skanska, buildings planned to be delivered in 2020.

In terms of demand, the West area was followed by Central North submarket (26% share) and CBD, with a share of 14% of the total volume recorded in the second half of 2018.

Figure 2

Take-up structure H1 2013 – H2 2018 (sq. m)



Source: C&W Echinox

Demand continues to be driven mainly by companies active in Technology & Telecommunications sector, accounting for almost half of the total volume transacted in H2 2018 – approximately 80,000 sq. m.

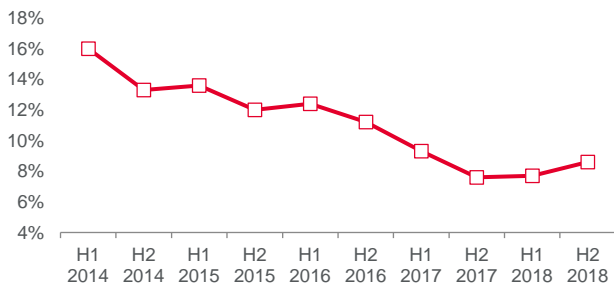
At the same time, coworking spaces operators continued to secure key locations, since Spaces pre-leased 4,100 sq. m in Expo Business Park and 3House pre-leased 3,500 sq. m in Equilibrium – Phase I.

Vacancy

With a low level of new supply and a consistent demand, the general vacancy rate maintained below 10%. Thus, at the end of 2018, the general vacancy rate in Bucharest for A&B class office buildings was of 8.6%.

Looking at submarkets' performance, the lowest vacancy rates are recorded in the Central North area – 2.2%, followed by CBD – 4.6% and West – 6.9%.

Figure 3
Bucharest – Vacancy rate evolution



Source: C&W Echinox

Rents

In the second half of 2018, the prime headline rents remained stable, 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 € 14 – 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

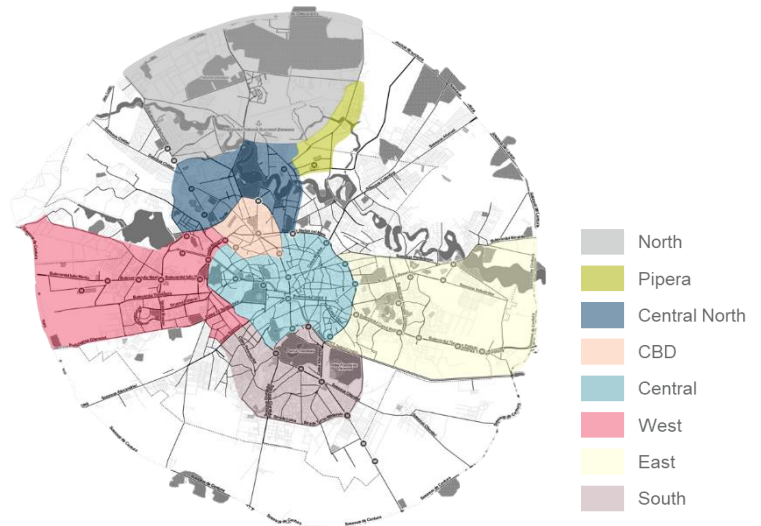
For 2019, around 300,000 sq. m of modern office space is planned to be delivered, almost double the volume recorded in 2018 and the highest new supply during the last decade.

West submarket will attract half of the projects currently under construction and planned to be completed in 2019. The largest projects to be delivered this year, Renault Business Connected and Business Garden, are located in West submarket.

Floreasca - Barbu Vacarescu area from Central North submarket will see two major deliveries – Oregon Park C and Equilibrium Phase I -, after two consecutive years when stock remained stable.

Expozitiiei area, an emerging part of Central North submarket, will begin to reap the benefits of the recent developments, with Portland Trust planning to deliver this summer Expo Business Park, the new HQ of ING Bank.

Map 1
Bucharest's office submarkets



Source: C&W Echinox

Oana Iliescu
Managing Director
+40 21 310 3100
oana.iliescu@cwechinox.com

Madalina Cojocaru
Partner Office Agency
+40 21 310 3100
madalina.cojocaru@cwechinox.com

Cristi Moga
Head of Research
+40 21 310 3100
cristi.moga@cwechinox.com

Mihaela Mihai
Research Analyst
+40 21 310 3100
mihaela.mihai@cwechinox.com

Disclaimer

This report should not be relied upon as a basis for entering into transactions without seeking specific, qualified, professional advice. Whilst facts have been rigorously checked, C&W Echinox can take no responsibility for any damage or loss suffered as a result of any inadvertent inaccuracy within this report. Information contained herein should not, in whole or part, be published, reproduced or referred to without prior approval. Any such reproduction should be credited to C&W Echinox.

© C&W Echinox Bucharest 2019

Cushman & Wakefield Echinox
40 – 44 Banu Antonache
3rd Floor
Bucharest, 011665
phone +40 21 310 3100
fax +40 21 313 9010
email info@cwechinox.com