



OFFICE MARKET IN BUCHAREST

Q2 2021 IN A NUTSHELL

- 30% gross office take up increase in H1 2021 vs H1 2020
- Pre-leasing activity to rebound in H2 2021
- Steady inventory of the sub-lease office stock

GROSS OFFICE TAKE-UP INCREASE SIGNALS INTEREST FOR RENEWALS

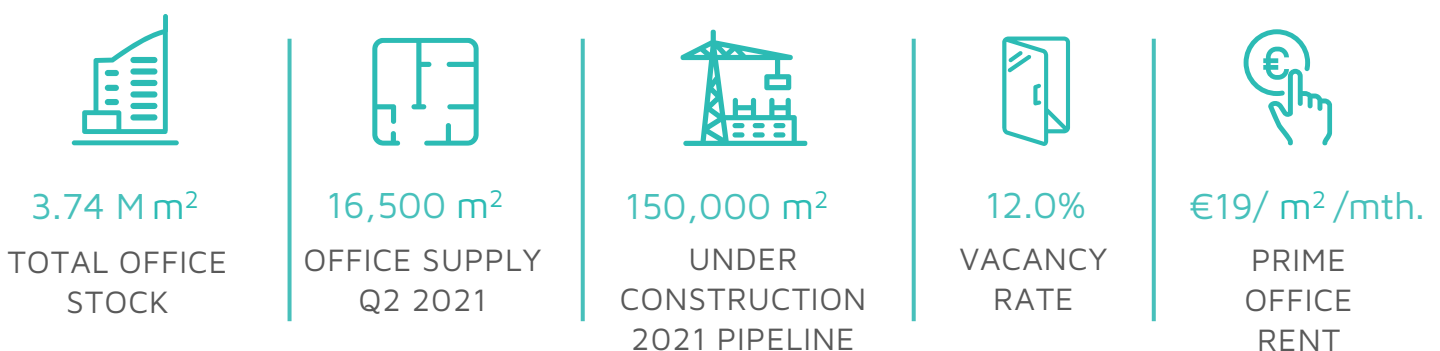
The office market has continued to recover in Q2 2021, with cca 80,000 sqm transacted only in this quarter which elevated the first half activity of 2021 to 135,000 sqm (gross office take-up including renewals). This is around 30% higher compared with last year's H1 activity, but below by 30% compared with H1 2019. In Q2 2021 the pre-leasing activity decreased considerably to only 5% being limited to only 2 pre-lease transactions. Thus, pre-leasing is expected to rebound in the second half of 2021, mainly for projects announced to be completed in the 2022-2023.

The office stock available for sub-lease has increased

marginally over the second quarter, a trend which we believe will be perpetuated from quarter to quarter at least for the remainder of the 2021. Another hike is unlikely to be recorded in the market as through renewals the office space in excess will be returned to the landlord and accordingly will directly impact the vacancy rate of the modern office stock.

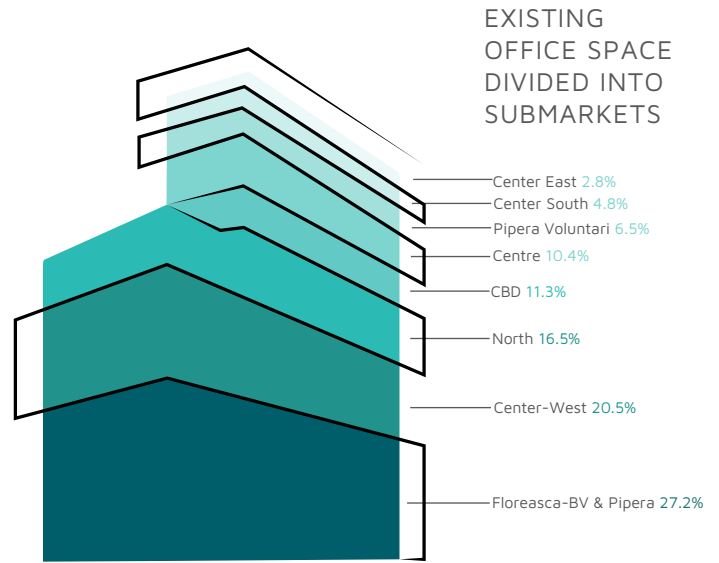
In Q2 2021 only Tiriac Tower was completed, a project located the city's CBD, which increased the office stock by 16,500 sqm

KEY FIGURES

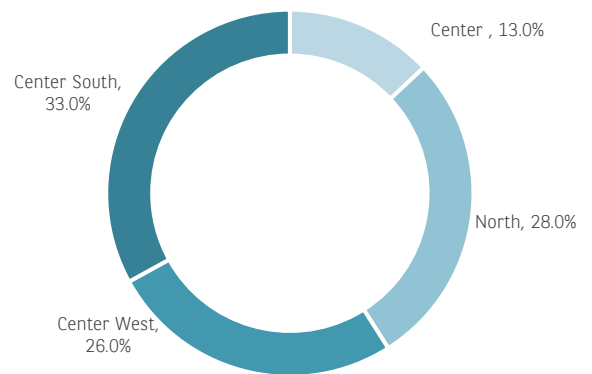


SUPPLY

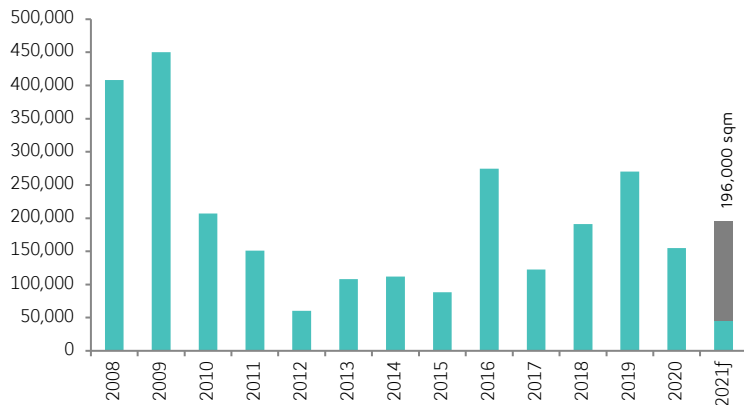
In Q2 2021 was completed just one project, with a GLA of 16,500 sqm, while in the first half of 2021 the modern office stock increased with 46,000 sqm (in 3 buildings) generating a modern office stock in the region of 3,74 million sqm (Class A&B). The pipeline for H2 2021 is still generous, estimated in the range of 150,000-180,000 sqm consisting in large office projects with a high level of pre-leases. The list of projects forecasted for completion in H2 2021 includes: J8 Office Park and MIRO (in the North), Dacia One (in the Center), U-Center Ph 1 (in the Center South), Globalworth Square (in FL BV Corridor) and One Cotroceni Park (in the Center-West). Other larger projects are monitored as completion was announced for H2 2021, but due to low level of pre-leases their completion is quite unlikely. Pipeline for 2022-2023 is unchanged, as no new project emerged the market. Thus, the pipeline has marginally decreased due to change in GLA of @Expo project and we are expecting several office projects announced for 2022 to be completed in 2023. These changes are influenced by the current status quo of the office market, in which larger occupiers did not return the office premises and is still unclear how the return to the office buildings will progress in the upcoming months and onwards. Considering mainly the schemes currently under construction the pipeline for 2022-2023 currently decreased to 180,000-200,000 sqm.



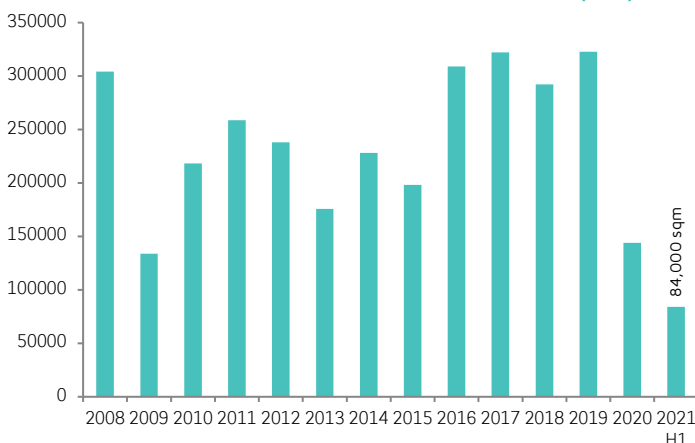
SPACE UNDER CONSTRUCTION DIVIDED INTO SUBMARKETS 2022-2023



ANNUAL OFFICE SUPPLY IN BUCHAREST (m²)



ANNUAL OFFICE GROSS TAKE-UP (m²)



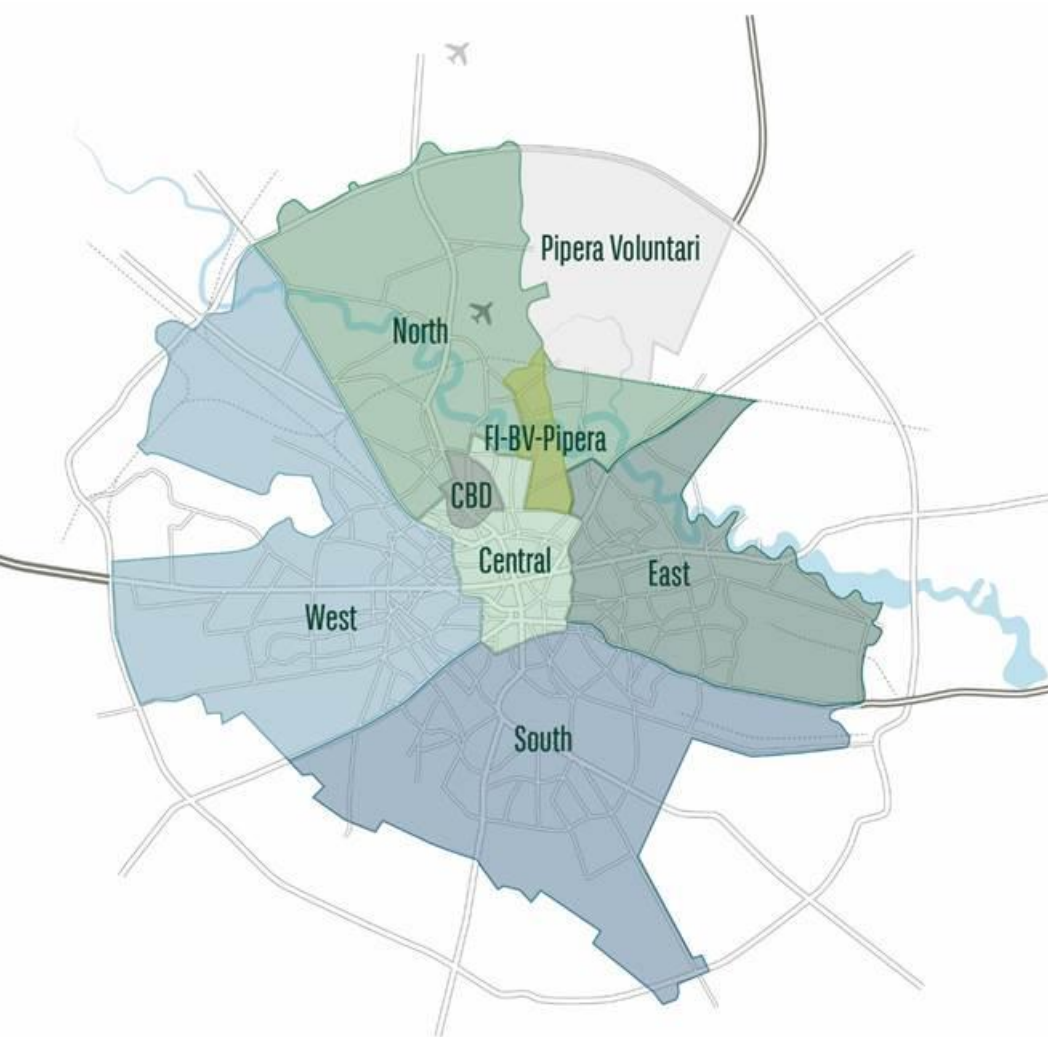
DEMAND

In Q2 2021 gross office take up in Bucharest, including renewals, reached 80,000 sqm. Worth mentioning that renewals attracted over 40% of this quarter activity. The largest renewals were signed by Rompetrol Downstream in City Gate Northern Tower (9,400 sqm) and Adobe Romania in Anchor Plaza (9,000 sqm). Pre-leases recorded a major drop capturing only 5% of this quarter activity compared with 23,000 sqm (cca 40%) recorded last quarter, respectively over 30,000 sqm (cca 40%) as was recorded in Q4 2020. We believe that pre-leasing activity will resume once again in H2 2021, mainly for projects with completions announced in 2022-2023. In term of renewals, the most active office submarkets were CBD, Center-West & West as well as North. All together these 3 submarkets captured cca 86% from the quarter activity, lease renewals being signed in AFI Victoriei Plaza, Metropolis Center, AFI Park 4&5, Hermes Business Campus just to list a few. Though Computers Hi Tech sector captured only 27,3% from the quarter's activity remains the main economic sector that drives the local office market. It is followed by medical & pharma which contributed with 18,6% and professional sector which added cca 14,8% to Q2 gross take-up activity. By geography Center-West & West location has generated over 33% from the gross take-up, followed by North (23%), Pipera (17%) and CBD (13%).

VACANCY RATE

At the end of Q2 2021 the vacancy rate for modern office stock in Bucharest stood at 12%. As the announced pipeline for 2021 has decreased over the quarter, we believe that the threat of a high vacancy can be mitigated by the market and will be maintained between 12-14% along H2 2021. In addition, the projects announced to be completed in H2 2021 will be delivered with a high level of occupancy and the impact over the vacancy rate will be absorbed easily by the modern office stock.

Over the quarter there is no change in the office submarkets ranking with the highest vacancy levels recorded in Pipera Voluntari, Center-East and Center. The lowest vacancy rates, with 1 digit, were recorded in the West, South and Pipera Floreasca BV Corridor.



ZONES

CENTRAL	
Stock	384 000 m ²
Vacancy rate	16.7%
CBD	
Stock	422 000 m ²
Vacancy rate	11.2%
NORTH	
Stock	615 000 m ²
Vacancy rate	13.2%
FLOREASCA-BV - PIPERA	
Stock	1 018 000 m ²
Vacancy rate	9.9%
PIPERA VOLUNTARI	
Stock	243 000 m ²
Vacancy rate	19.8%
WEST	
Stock	765 000 m ²
Vacancy rate	7.5%
SOUTH	
Stock	178 000 m ²
Vacancy rate	9.0%
EAST	
Stock	106 000 m ²
Vacancy rate	18.3%

Source: FORTIM TRUSTED ADVISORS, An Alliance Member of BNP Paribas Real Estate

MAJOR COMPLETIONS IN THE LAST 6 MONTHS

BUILDING (*)	AREA (m ²)	ZONE	OPENING DATE	DEVELOPER
Campus 6.2	19,800	Center West	Q1 2021	SKANSKA
Matei Millo Office	9,600	Center	Q1 2021	Forte Partners
Tiriac Tower	16,500	CBD	Q2 2021	Tiriac Imobiliare

Source: FORTIM TRUSTED ADVISORS, An Alliance Member of BNP Paribas Real Estate, (*) listed by completion

MAJOR SCHEMES UNDER CONSTRUCTION FOR COMPLETION IN H2 2021

BUILDING (*)	AREA (m ²)	ZONE	DEVELOPER	OPENING DATE
Globalworth Square	28,000	Floreasca-BV	Globalworth	2021
J8 Business Park	45,700	North	Portland Trust&ARES	2021
Dacia One	15,800	Center	Atenor Group	2021
U-Center Ph 1	30,500	Center South	Forte Partners	2021
MIRO	23,000	North	Speedwell	2021
One Cotroceni Park	45,000	West	One United Properties	2021

Source: FORTIM TRUSTED ADVISORS, An Alliance Member of BNP Paribas Real Estate, (*) listed by year and estimated completion

MAJOR OFFICE LEASE TRANSACTIONS IN Q2 2021

TENANT (*)	BUILDING	ZONE	AREA (m ²)	LEASE TYPE
Romp petrol Downstream	City Gate Northern Tower	North	9,400	Renewal
GE	AFI Victoriei Plaza	CBD	2,000	Renewal
Wizrom	Ana Tower	North	1,300	Relocation
XEROX	Hermes Business Campus	Pipera FL BV	1,000	Renewal
Credius	Expo Business Park	North	649	New lease

Source: FORTIM TRUSTED ADVISORS, An Alliance Member of BNP Paribas Real Estate, (*) listed by area

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