



# OFFICE MARKET IN BUCHAREST

## Q3 2021 IN A NUTSHELL

- 30% gross office take up increase in Q1-Q3 2021 vs Q1-Q3 2020
- Pre-leasing activity to rebound in following quarters
- Steady inventory of the sub-lease office stock

## GROSS OFFICE TAKE-UP INCREASES INTEREST FOR RENEWALS

The office market has continued to recover in Q3 2021, with approx. 90,600 sqm transacted premises, which elevated the activity of Q1-Q3 2021 to 225,000 sqm (gross office take-up including renewals). This is around 30% higher compared with last year's activity, but below 20% compared with same time frame in 2019. In Q3 2021 the pre-lease activity increased by 30%. Thus, pre-leasing is expected to rebound in the following quarters, mainly for projects announced to be completed in the 2022-2023.

The office stock available for sub-lease has increased over the third 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.

### KEY FIGURES

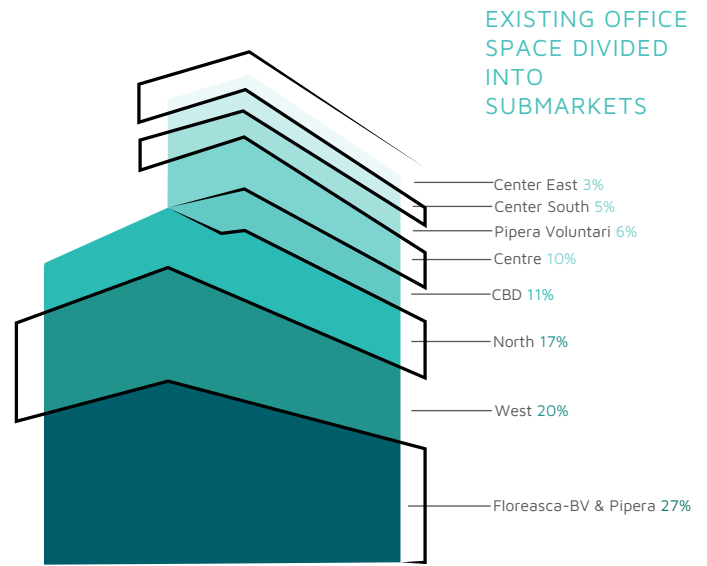


## SUPPLY

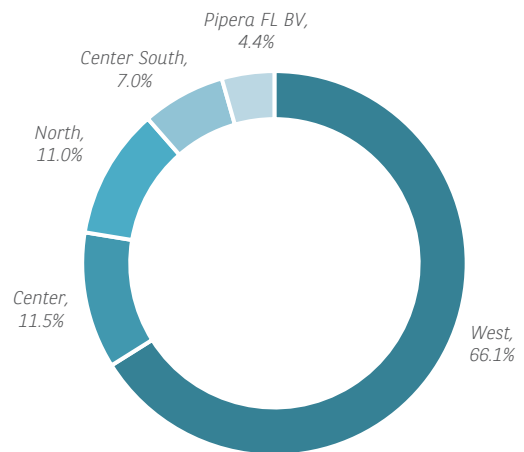
Q3 2021 witnessed the completion of 4 projects, with a total GLA of 119,000 sqm, thus generating a modern office stock of 3,82 million sqm (class A&B). The new deliveries consolidated the top 3 submarkets in terms of stock, respectively Pipera FL BV, West and North.

The pipeline for the further three quarters is announced to be generous, with slightly over 200,000 sqm office space. The projects forecasted for completion in the above-mentioned time frame include: AFI Tech PH 2 (West), @Expo (North), Equilibrium PH 2 (Pipera FL BV), Dacia One (Center), London + Oslo Buildings (West), Tandem Offices (Center), Matei Milo (Center).

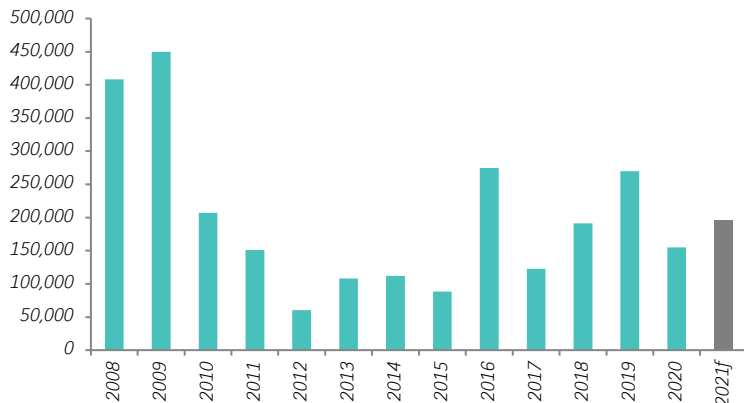
The office market supply has seen some changes in terms of GLA and delivery dates and will most likely continue to see other variations in the following quarters, due to the current status the office market, in which larger occupiers did not return to the office premises and is still unclear how the return to the office buildings will progress in the upcoming months.



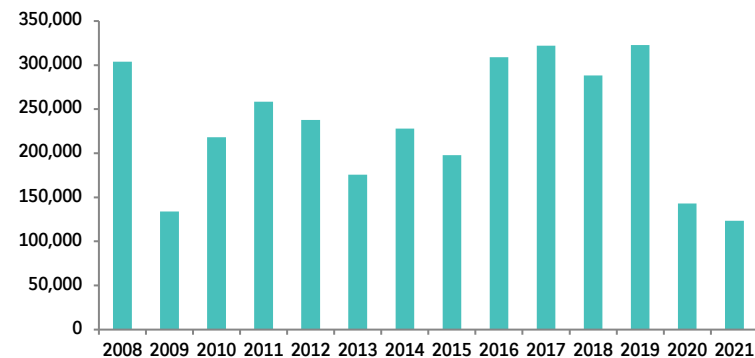
## SPACE UNDER CONSTRUCTION DIVIDED INTO SUBMARKETS 2022-2023



## ANNUAL OFFICE SUPPLY IN BUCHAREST (m<sup>2</sup>)



## ANNUAL OFFICE GROSS TAKE-UP (m<sup>2</sup>)



## DEMAND

In Q3 2021, the gross office take up in Bucharest (including renewals) reached 90,600 sqm. Worth mentioning that new demand attracted 37% of this quarter activity, while renewals 29%. The largest new demand was signed by Medicover in Multigalaxy II (14,300 sqm), while the largest renewals were Telus in AFI Park (total of 9,600 sqm) and BAT in Bucharest Business Park (3,400 sqm). Pre-leases recorded an increase to 15% of this quarter activity compared with 4,000 sqm (5%) recorded last quarter. We believe that pre-leasing activity will resume once again in Q4 2021, mainly for projects with completions announced in 2022-2023.

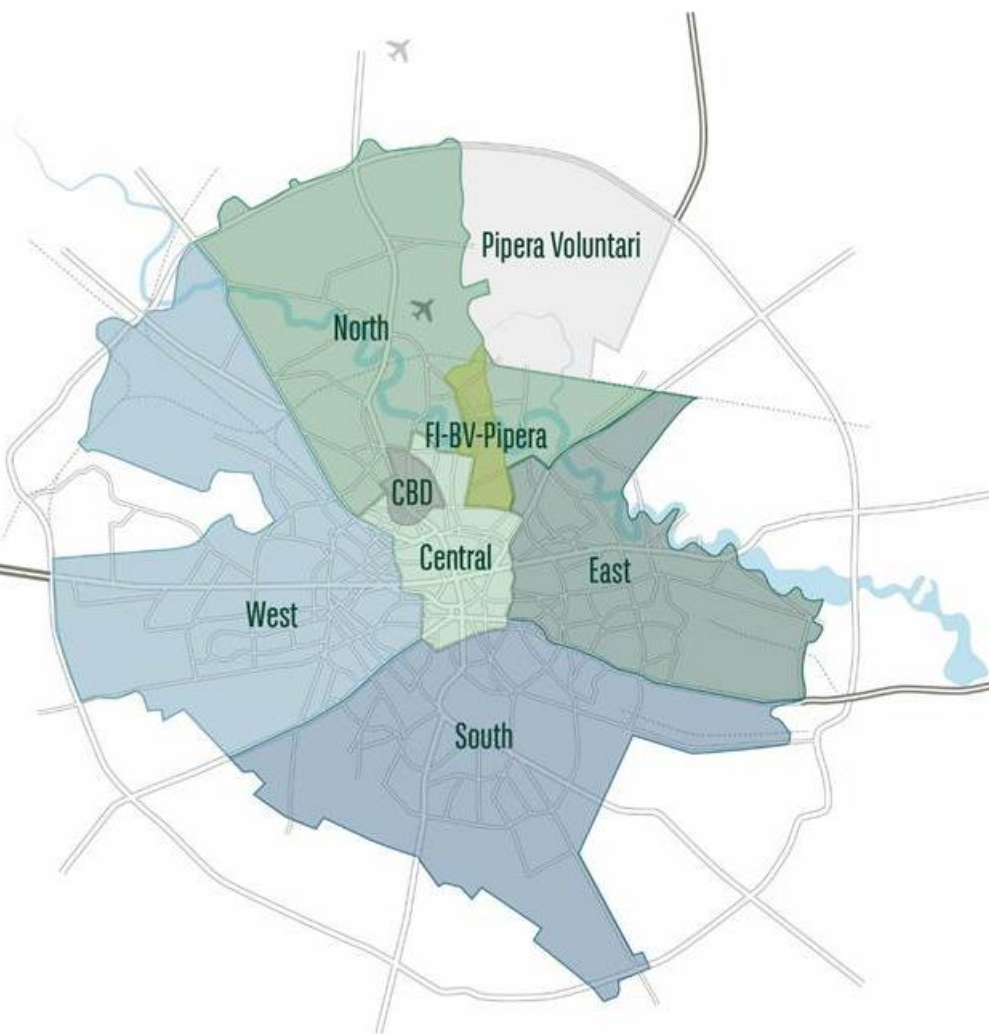
The main economic sectors that drive the local office market remain Medical & Pharma (21%), followed by IT&C (12%).

VACANCY RATE

The modern office stock in Bucharest registered at the end of Q3 2021 a vacancy rate of 12.7%. Several announced office projects during the previous quarters were delivered by the end of Q3 2021, representing a significant influencer in the total vacancy rate.

The ranking of the submarkets in terms of vacancy was subject to change over the quarter. The highest vacancy levels being recorded in Pipera Voluntari (19.8%), while the lowest vacancy rates were recorded in the West (8.6%).

In addition, the projects announced to be completed in the future quarters will be delivered with a high level of vacancy, as few pre-leases were confirmed by now. Also, regarding the occupied office spaces, new changes in vacancy may arise. We estimate a significant ratio for the employees working from home versus working from the office. Thus, the impact over the vacancy rate may grow in the future quarters, unless a confidence spirit monopolizes the market.



ZONES

<b>PIPERA FL BV</b>	
Stock	119,600 m <sup>2</sup>
Vacancy rate	11.4%
<b>NORTH</b>	
Stock	96,000 m <sup>2</sup>
Vacancy rate	14.5%
<b>WEST</b>	
Stock	66,300 m <sup>2</sup>
Vacancy rate	8.6%
<b>CENTER</b>	
Stock	64,100 m <sup>2</sup>
Vacancy rate	16.7%
<b>CBD</b>	
Stock	48,200 m <sup>2</sup>
Vacancy rate	11.4%
<b>PIPERA VOLUNTARI</b>	
Stock	48,200 m <sup>2</sup>
Vacancy rate	19.8%
<b>CENTER SOUTH</b>	
Stock	28,200 m <sup>2</sup>
Vacancy rate	13.4%
<b>CENTER EAST</b>	
Stock	19,500 m <sup>2</sup>
Vacancy rate	18.3%

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

MAJOR COMPLETIONS IN THE LAST 9 MONTHS

BUILDING (*)	AREA (m <sup>2</sup> )	ZONE	OPENING DATE	DEVELOPER
J8 Business Campus	47,500	North	Q3 2021	Portland Trust
U Center Ph 1	32,800	Center South	Q3 2021	Forte Partners
GW Square	29,700	Pipera FL BV	Q2 2021	Globalworth
Campus 6.2	19,800	Center West	Q1 2021	SKANSKA

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

MAJOR SCHEMES UNDER CONSTRUCTION FOR COMPLETION IN Q3 2021

BUILDING (*)	AREA (m <sup>2</sup> )	ZONE	DEVELOPER	OPENING DATE
London Building	21,000	Center West	River Development	Q1 2021
Tandem Offices	19,700	Center	Forte Partners	Q1 2021
Oslo Building	10,000	Center West	River Development	Q1 2021
Matei Millo	9,600	Center	Forte Partners	Q1 2021

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

MAJOR OFFICE LEASE TRANSACTIONS IN Q3 2021

TENANT (*)	BUILDING	ZONE	AREA (m <sup>2</sup> )	LEASE TYPE
Medicover	Multigalaxy II	Pipera FL BV	14,330	New demand
Allianz Tiriac	Tiriac Tower	CBD	4,640	Relocation
Telekom	@Expo	North	4,500	Pre-lease
Rovere Mobili	MIRO	North	4,200	Pre-lease

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

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