

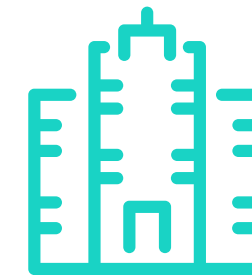
In a nutshell

# Bucharest Office Market 2023 • Q3





## KEY FIGURES



**4.08 M sqm**

TOTAL OFFICE STOCK

↑ **0.2%**

TREND

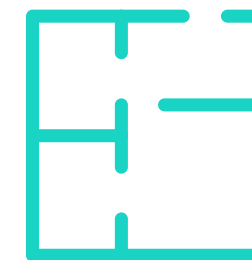


**15.5%**

VACANCY RATE

↑ **4.1%**

TREND



**0 sqm**

NEW OFFICE SUPPLY  
Q3 2023

↓

TREND



**€20.5/sqm/mth**

PRIME OFFICE RENT

↑ **1.1%**

TREND



**7,745 sqm**

UNDER  
CONSTRUCTION 2023

↓ **7.49%**

TREND



**7.25%-8.25%**

YIELDS

→

TREND

## DEMAND

TOTAL WITH  
RENEWALS

**159,923 sqm**

TOTAL WITHOUT  
RENEWALS

**51,879 sqm**

NEW DEMAND

**13,001 sqm**

PRE-LEASE

**4,200 sqm**

- During the third quarter, the number of office spaces that were renegotiated (renewals) increased by 60% compared to the previous quarter. Additionally, there was a 132% increase in renewals during this period compared to the same period last year.
- New leases, or take-up contracts, increased by 15% compared to the same year and decreased by 19% compared to the previous quarter.
- The U Center Phase II office building will host Adobe, who secured the largest lease contract.

## IN A NUTSHELL

During the third quarter of the year, many significant companies made decisions regarding their office spaces. As a result, new lease and renegotiation contracts were signed, totaling 158,923 square meters. This is a 36% increase compared to the previous quarter. Among these contracts, the majority were renegotiation contracts, covering a total area of 104,004 square meters. New lease contracts accounted for 51,879 square meters. In addition, the market recorded a space delivery contract with an area of 14,000 square meters and two sublease contracts. Apart from the increase in the number of transactions, there is also a trend of rising average transaction values. The average transaction value has increased from 1,143 square meters in the second quarter of 2023 to 2,337 square meters in the third quarter of 2023.

In the third quarter, one of the largest renegotiation transactions took place in Bucharest's The Bridge building, where BCR consolidated its offices in an 18,000-square-meter space.

Additionally, Adobe carried out the largest new lease transaction by acquiring a space of 17,500 square meters in the recently inaugurated U Center 2 building. Nearly half of this area represents an expansion of space for Adobe.

Across all areas in Bucharest, prime office rents experienced a slight increase, with an average of 0.5 euros per square meter per month

During the first three quarters, a total of 341,785 square meters of office space were transacted in Bucharest. This is an increase from the previous year when considering the total value, including renegotiations. However, new lease transactions had a total value of 152,038 square meters, which is 8% lower than the same period last year

## DEMAND

The third quarter saw a significant shift in demand origination hierarchy due to financial sector decisions on work systems. The financial sector leads the way with more than one-third of all leases, accounting for 38% of the total. BCR, Garanti Bank, Unicredit, and Idea Bank are among the banks that have either relocated or extended their contracts for their current spaces.

The IT&C sector is the second most active, accounting for 30%. Adobe, Huawei, Thales, and GTS, a new Thales division, are among the companies actively involved in this segment. The third place is occupied by the Professional Services sector, contributing 13% of the total demand. Larger office spaces have been leased by companies like Deloitte and Bolt from this sector.

## TENANTS' PREFERRED AREAS FOR OFFICE SPACES

Most office spaces, totaling 39,128 square meters, have been leased in the western part of the Capital. Out of these, 32,542 square meters were contract renegotiations in office buildings like The Bridge and Orhideea Towers, with the largest spaces being leased through contract extensions.

On the other hand, the central-southern area is where most new office spaces have been leased, with a total of 21,955 square meters, particularly in the newly inaugurated U Center Phase 2 project.

The northern areas saw large volumes of office spaces rented, totaling 28,578 square meters, out of which 20,138 square meters were contract renegotiations. The Floreasca-Barbu Văcărescu (FL-BV) area also saw a total of 27,505 square meters rented, with 25,300 square meters being renegotiations. These zones continue to be popular among companies like Huawei and Deloitte.

The Home company has chosen myhive Victoria Park, an office building in the northern area near Casa Presei Libere and Băneasa Shopping Center, for opening a future showroom of 3,070 square meters. Our company, Fortim Trusted Advisors, a member of the alliance of BNP Paribas, facilitated the deal.

## SUPPLY

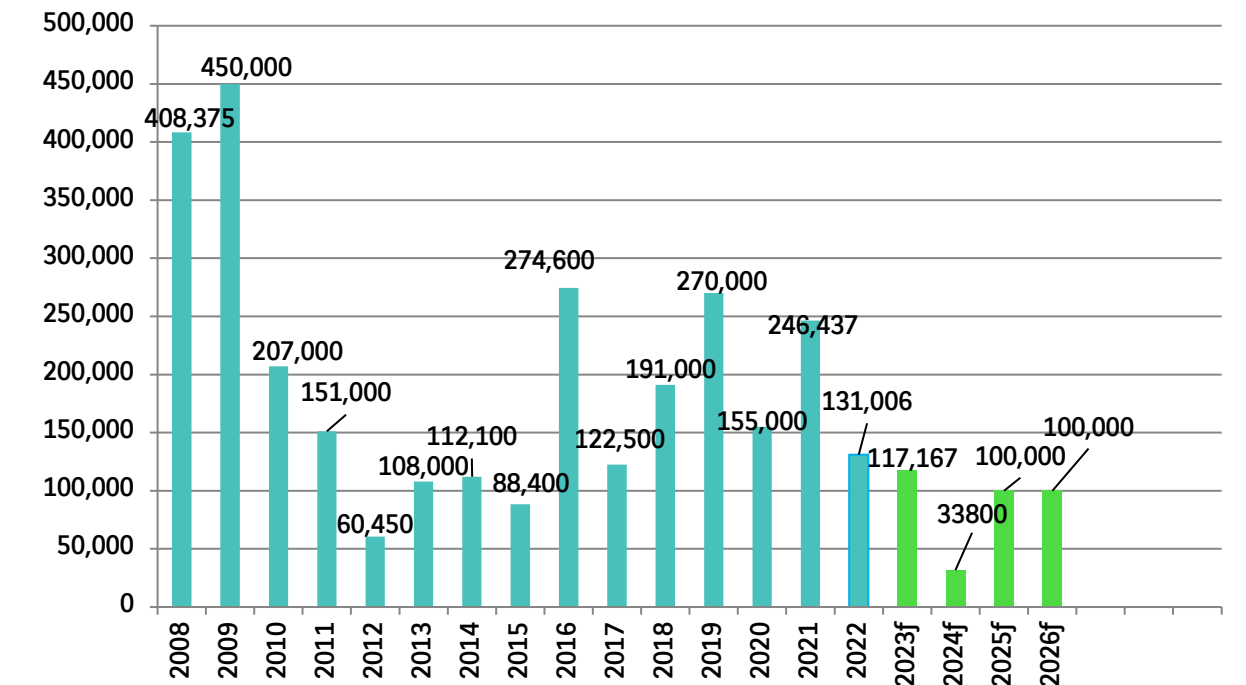
During the third quarter, there were no new office buildings added to the market. The last one that was added was U Center Phase 2, which was delivered between the second and third quarters.

For the fourth quarter, it is expected that only one small-sized office building, Arghezi 4, measuring 7,745 square meters, will be delivered in Bucharest.

Looking ahead to next year, it is predicted that fewer and smaller office buildings will be built compared to 2023. The total stock of office spaces estimated to be delivered in 2024 is 33,800 square meters, which is roughly one-third of the stock delivered in 2023.

\*Source of the table - AH Q3 2023 presentation, as of October 2023

### Annual Office Supply 2008-2026F

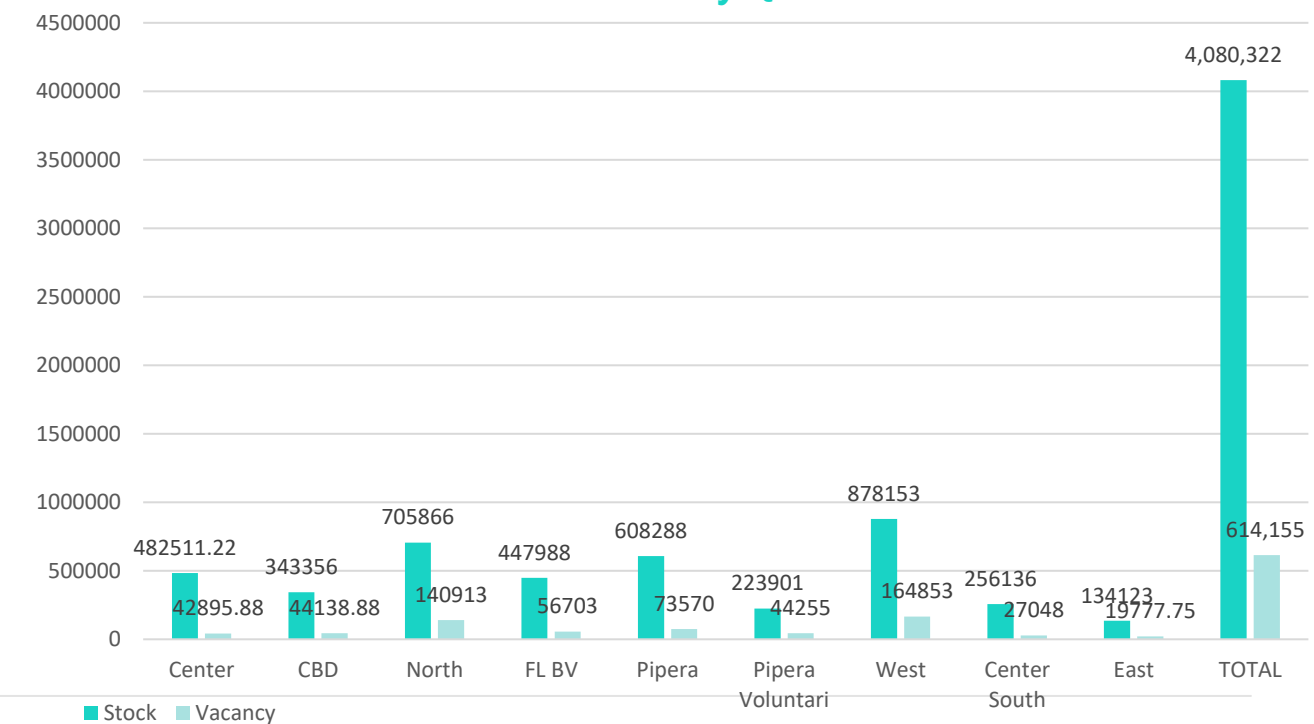


Sursă: Fortim Trusted Advisors, membră a Alianței BNP Paribas Real Estate

The central area of the capital has the lowest vacancy rate, which is 8.89%, while the northern area has the highest rate at 19.9%.

According to the AH Q3 2023 presentation, as of October 2023, the vacancy rate in the capital city has slightly increased from 14.43% in the second quarter to 15.05% in the third quarter. The increase is mainly due to the surplus spaces that have become available as a result of renegotiations.

### Stock and Vacancy Q3 2023



## BUCHAREST INVESTMENT MARKET

During the third quarter of 2023, Bucharest, the capital city, was the most attractive destination for investments in Romania. Investors purchased real estate assets in Bucharest worth a total of 48.8 million euros, which accounted for 72% of the total real estate investments made in the country.

Investors in the office segment targeted two small office buildings recently. A Romanian company acquired the Grand Offices project, which has an area of 7,300 square meters, for 7 million euros. Additionally, the state educational institution, Carol Davila University of Medicine and Pharmacy, purchased the Quest Offices office building, which has an area of 3,000 square meters, for approximately 8 million euros. Apart from these two transactions that involved entire buildings, a German retailer, Lidl, acquired only the ground floor of a new office building in the luxury Verdi Park project. The ground floor has an area of 2,000 square meters and was acquired for 8.8 million euros.

The majority of buyers were from Romania, with Romanian investors purchasing properties worth €23.8 million. Greek investors followed at €20 million, with German investors at €5 million.

## ROMANIA INVESTMENT MARKET

The real estate investment market in Romania witnessed a growth of 13% in the third quarter of 2023 compared to the previous quarter, reaching a total value of 48.8 million euros.

Investors purchased seven properties, with six of them located in Bucharest or the surrounding area.

During the reporting period, the office segment was the most active with three transactions worth 23.8 million euros in total.

However, the largest deal was in the retail segment. The banking group, consisting of Alpha Bank, Eurobank EFG Luxembourg, and the Bank of Cyprus, sold the Liberty Center shopping mall in Bucharest for around 20 million euros to Jumbo, a major toy and decoration retailer in Romania.

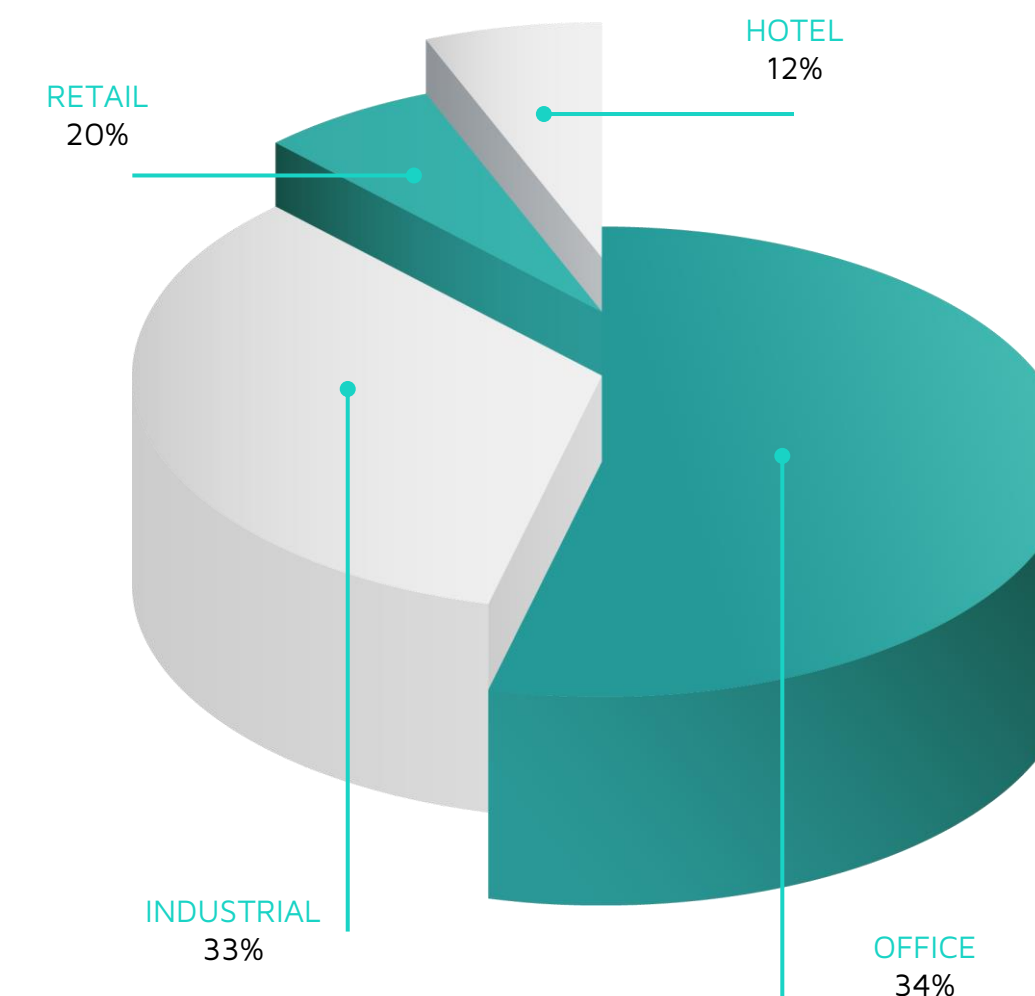
In the first three quarters of this year, the real estate investment market in Romania has experienced a significant drop of 62% compared to the same period last year, reaching a total of 278.2 million euros. However, it is important to note that this amount is only 21% lower than the levels recorded in 2021.

Most of the investments in the Romanian real estate market come from within the country, accounting for 35% of the total funds invested, which amounts to 24.4 million euros. The remaining investments come from companies based in Greece, Germany, and Belgium.

As for trends, there have been no prime asset transactions, which is why it is expected that current levels of prime investment yields will remain stable. However, there could be some upward pressure on these yields due to rent indexing, modest job vacancy growth, and increasing financing costs. Despite the challenges, capital values are generally maintaining their current levels; however, they may experience a moderate decline due to the redirection of liquidity to more mature markets with significant price corrections.

### INVESTMENTS TOP SECTORS Q3 2023

Sector	Value (mil. EUR)	Total (mil. EUR)
OFFICE	23.8	48.8
RETAIL	20	
INDUSTRIAL	14.8	
HOTEL	9.4	



## VALUATION SERVICES

Our team of experts provide comprehensive commercial real estate valuation across Romania, focusing on understanding the value of our clients' assets, to help them make informed decisions.

We provide a complete range of valuation services for each type of asset and for various purposes, such as:

- » Loan purposes
- » Financial statements
- » Acquisitions & disposals
- » Investment/development projects
- » Restructuring & Recovery

We act on behalf of financial institutions, developers, investment funds and private individuals to enhance their properties. Our assignments include both single units and portfolio valuations across all assets types.

- » Valuation reports in line with national standards (Romania – ANEVAR)
- » Valuation reports in line with international standards (Red Book, IVS, EVS)
- » Mortgage lending valuations
- » Valuations for accounting purposes (IFRS)
- » Portfolio valuations for transaction purposes
- » Asset valuation for investment purpose
- » Asset valuation for tax purpose
- » Asset valuation to support the client in preparation of the transfer file
- » Provide professional advice to clients and contribute to fee, billing and profit targets
- » Deliver client service and significant value added relating to property valuation throughout Romania

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## TRACK RECORD | VALUATION SERVICES BY ASSETS CLASSES

### » AGRICULTURAL LAND

ON BEHALF OF

Iragri  
Bank of Cyprus  
Hellenic Bank  
ALS  
GED Capital

### » OFFICES

ON BEHALF OF

Bluehouse  
Aberdeen  
Banca Românească  
Portland Trust  
Danube Property Fund  
First Property  
Veneto Banca

### » RESIDENTIAL UNITS

ON BEHALF OF

AXA Life Insurance  
Millenium Bank Portfolio  
BNP Paribas Leasing  
Veneto Banca  
NCH  
Kredyt Inkaso

### » WAREHOUSES

ON BEHALF OF

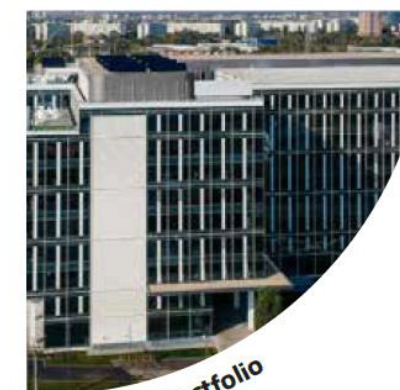
Pepsico  
Credit Agricole Bank  
GLS (Royal Mail)  
Felix Development  
OTP Bank  
ING  
Dacia - Renault

## OUR TRACK RECORD

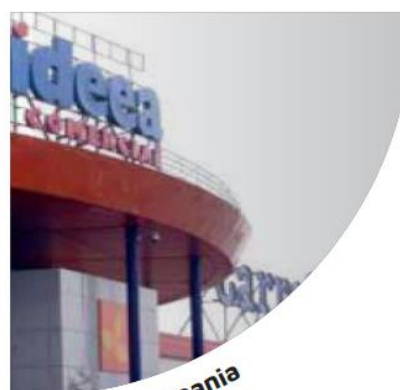
It's more than experience, it's about the results we deliver.



Edy Logistics



Bluehouse Portfolio



Carrefour Romania



Veranda Mall



Liberty Center



Iris Titan

### » COMMERCIAL BUILDINGS

ON BEHALF OF

Portico Investments  
Hypo Noe  
Bancpost  
Aberdeen  
Arabesque  
Carrefour

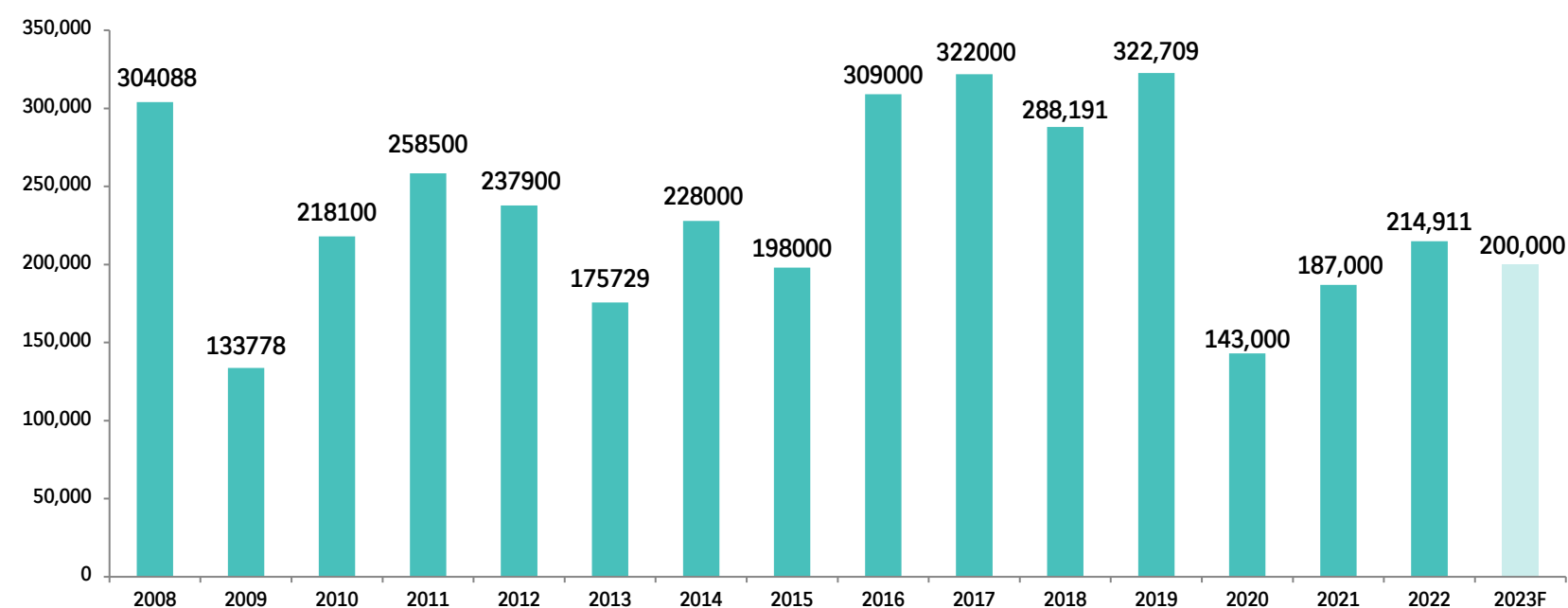
### » BUILDABLE LANDS

ON BEHALF OF

MOL Romania  
Deutsche Pfandbriefbank  
Secure Management  
Ibertruck  
Panattoni Europe  
Vinci Energies  
Heineken Romania

## OFFICE NET TAKEUP 2008-2023

\*EXCLUDING RENEWALS



## SELECTION OF MAIN LEASES CONCLUDED IN Q3 2023

TENANT	BUILDING	LEASED AREA (SQM)	TYPE OF TRANSACTION	GEOGRAPHICAL AREA
BCR	The Bridge 1	18.000	Renewal	West
Unicredit	Unicredit Hq	15.500	Renewal	North
BCR	Business Garden A	14.000	Surrender	West
Huawei	Globalworth Tower	12.000	Renewal	FL-BV
Confidential( ORACLE)	Confidential(Floreasca Park)	12.000	Renewal	FL-BV
Adobe	U-Center 2	9.000	Relocation	South
Adobe	U-Center 2	8.500	New demand	South
Garanti Bank	Novo Park F	7.200	Renegotiation/Renewal	Pipera
GTS Romania	Orhideea Towers	6.700	Renegotiation/Renewal	West

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## BUCHAREST OFFICE DEMAND BY SUBMARKETS

