



### Quick Stats



**3.5M sqm**

Modern office stock



**11.6%**

Class A&B vacancy rate



**€19/sqm/m**

Prime headline rent



**6.75%**

Prime office yield

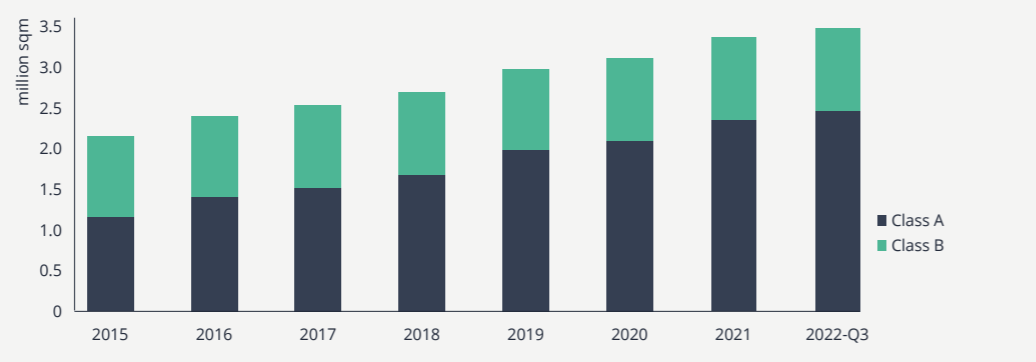
### Stock & supply

In Q3 2022, the modern office stock in Bucharest grew marginally with cca 6,800 sqm due to the completion of H Tudor Arghezi, a retrofitted, centrally located office building recently completed by Hagag Development Europe. Cca 105,000 sqm (in six buildings) were finalized in total in the first 9M of 2022 and the completion of One Cotroceni Park Phase 2 and Equilibrium 2 are expected by the end of the year, with an estimated GLA of cca 53,800 sqm.

Modern office stock is currently estimated at 3.5M sqm, with the Central West office submarket generating cca 17% of the stock. The developers' appetite is still strong for Center West, with numerous mixed projects either under construction or about to start as soon as the permitting process in Bucharest will ensure more clarity and long-term predictability. The second largest office submarket (15%), Floreasca-Barbu Vacarescu is expected to witness the development of upscale residential projects in the upcoming years, to the detriment of either business parks or mixed-use projects.

As Bucharest stock is getting old, several prominent owners/developers are in the process of retrofitting the trophy assets of their portfolio as an opportunity to enhance energy performance as well as upgrading the elements and components of the building.

### Cumulative modern office stock evolution



### Buildings completed between Q1-Q3 2022 & to be completed in Q4 2022

Building	GLA (sqm)	Submarket	Developer	Quarter
Sema London	21,400	Central West	River Development	Q1
Sema Oslo	10,000	Central West	River Development	Q1
Tandem	21,000	Central	Forte Partners	Q1
@Expo B1-B2	21,000	Free Press Square	Atenor	Q1
Afi Tech Park Ph 2	24,500	Central West	AFI Europe	Q2
H Tudor Arghezi	6,800	Central	Hagag Development Europe	Q3
One Cotroceni Park Ph 2	34,400	Central West	One United Properties	Q4
Equilibrium 2	19,400	Floreasca-BV	Skanska	Q4

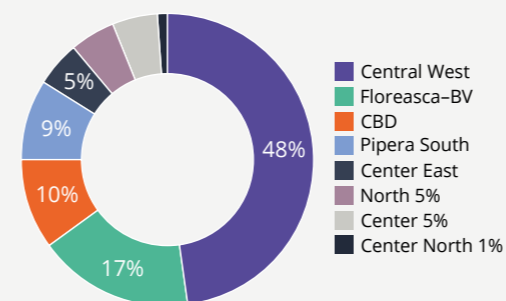
### Demand & take-up

In the third quarter cca 67,000 sqm were transacted, while the total leasing activity in the first 9 months reached a similar level to that of 2021. Renewals generated almost 45% of the total leasing activity of the current quarter, with the largest transactions being concluded in the Central West submarket (mainly in Campus 6.1), followed by Pipera South (Novo Parc).

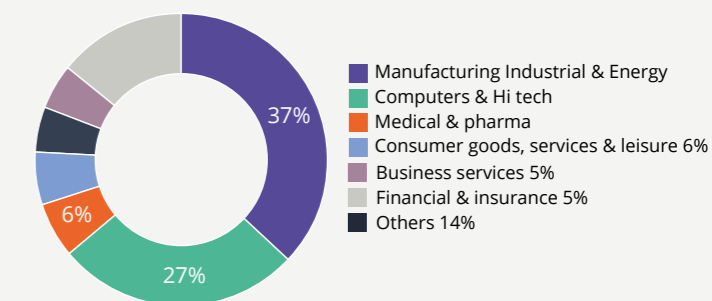
As the current office pipeline is quite scarce, occupiers opted for relocating their operations in the existing stock, mostly in the Center West (48% of the net take-up), as the office space in this area is newer compared to northern locations such as Pipera South and Floreasca-Barbu Vacarescu.

In the case of new leases, including pre-leases, the average leased area was in the range of 950 sqm, while for renewals the average transaction was in the range of 2,100 sqm as a result of the increased market activity of the previous lease cycles, such as 2017 and 2018, when the gross office take-up exceeded 300,000 sqm/year. The new demand was generated by the expansion of current operations, new entry companies as well as the opening of new centers of existing entities.

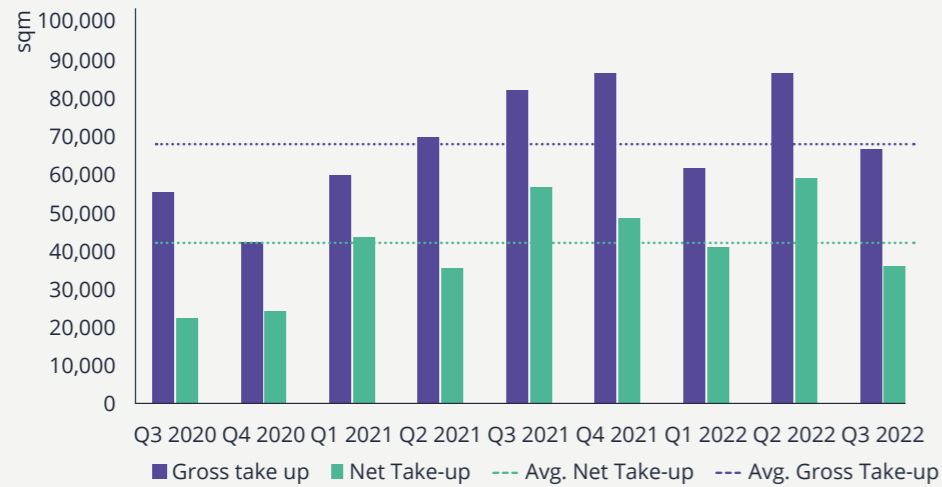
### Net take up by submarkets, Q3 2022



### Net take up by industry, Q3 2022



## Gross and net take-up evolution versus average



## Vacancy rate (%)

The average (for Class A&B buildings) vacancy rate stands at 11.6%, recording no major changes compared to the previous quarters. In the most active office sub-markets, such as Floreasca-BV, CBD and Central, vacancy rate shows one-digit levels, ranging between 7.4-7.9%, with the exception of Central West where the vacancy rate is as high as 12.7%.

## Rents

Prime headline rent remained unchanged at a level of €19/sqm/month, thus the market started to signal a potential rent increase in the upcoming months. In addition, the incentive package is granted case by case as we are witnessing an accelerated transition from a Tenant to a Landlord market in Bucharest.

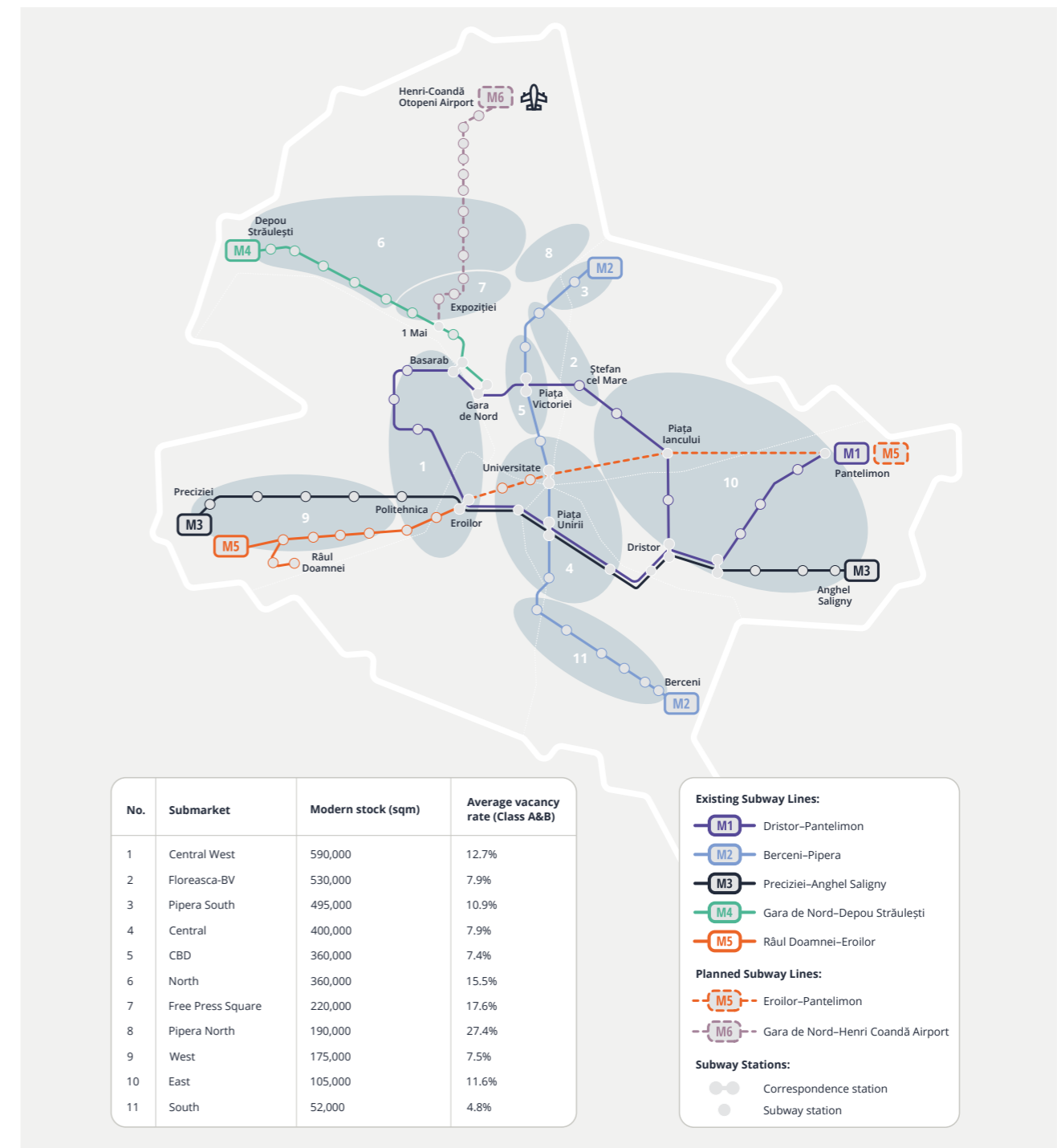
## Forecast

2023's office pipeline shrank to a handful of office projects, which will increase the office stock with only 75,000 sqm. These projects are developed in central and northern locations, with only a couple of them recording a high level of pre-lease, mainly in boutique type projects such as Muse and Tudor Arghezi 4.

Fortunately, the current vacant stock as well as the spaces available for sub-lease, which soon will be returned to the landlords, might accommodate the active office demand until construction activity will resume and a strong pipeline will emerge again in the office market.

Nevertheless, the next quarters will arrive with some challenges in the Bucharest office market, which might create opportunities for regional cities that, first and foremost have a smooth authorization process but also qualified workforce that might offer unexpected opportunities to multinational companies interested to set-up new operations in Romania.

## Bucharest office sub-markets listed by office stock



## Get more market information

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