

Bucharest Office, Q2 2017

Record volume of space under construction at the end of H1 2017, driven by the record leasing activity in 2016

TLA 21%

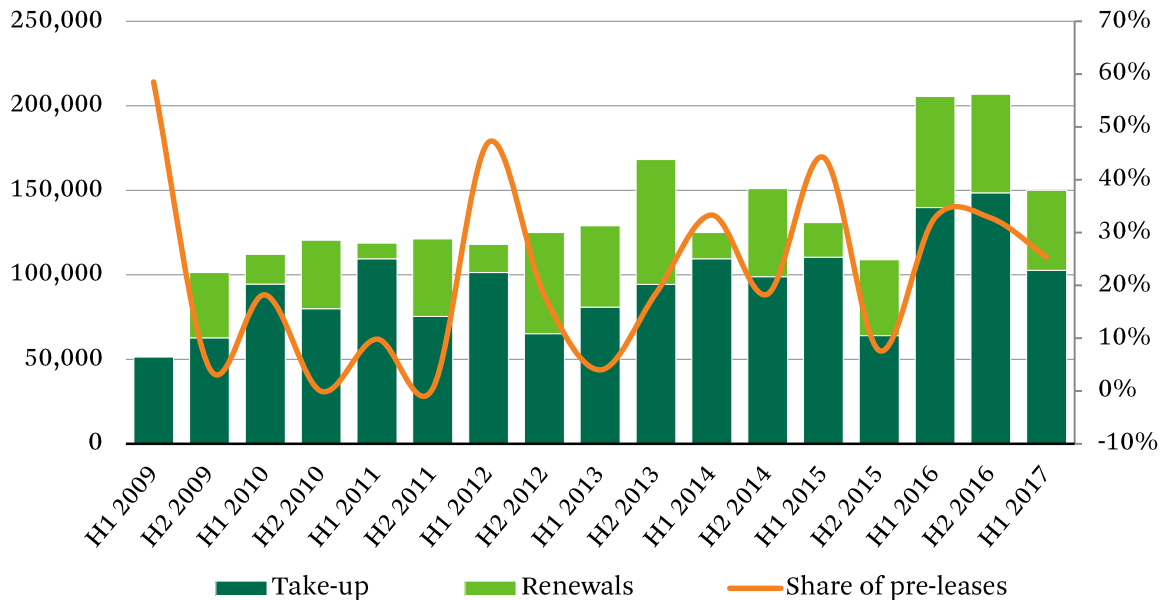
Vacancy Rate 11%

Prime Rent 18.5 €/sq m

Prime Yield 7.5 %

*Arrows indicate change from the corresponding quarter in the previous year.

Figure 1: Evolution of Total Leasing Activity (H1 2009-H1 2017)



Source: CBRE Research, Q2 2017

KEY POINTS

- In H1 2017 the Total Leasing Activity (TLA) reached 176,000 sq m, 69% of the TLA having been signed in Class A office buildings.
- In H1 2017 62% of TLA was represented by take-up (total transactions excluding renewals/renegotiations).
- The overall rate of vacancy registered a decrease at the end of H1 2017, to the level of 11%.
- At the end of the first half of 2017 the modern office stock exceeded 2.72 million sq m.
- 450,000 sq m are under construction with estimated delivery date during 2017-2019.
- Prime rent and prime yield levels remain stable at 18.5/sq m/month and 7.5%, respectively.

Leasing Activity

Total Leasing Activity (TLA) in Q2 2017 reached 83,000 sq m, down by 10% compared with Q1 2017 and 21% compared with the similar period of 2016.

A most notable trend of the second quarter of 2017 was represented by new demand, 19% of the TLA was concluded by new lease (new demand) and expansions, meaning 16,000 sq m or an estimate of 1,600 jobs new created on the market.

71% of the TLA signed during the Q2 2017 was represented by take-up (total transactions excluding renewal/renegotiation).

In terms of lease type, pre-leases dominated the market in Q2, at 35% of TLA. New lease (relocation) was the next type of transaction in Q2, with a share of 28% of TLA.

56% of the TLA was transacted in North and West sub-markets, meaning over 43,000 sq m. As 132,000 sq m were delivered in 2016, such high activity in the specific sub-markets resulted in a healthy absorption of the new stock.

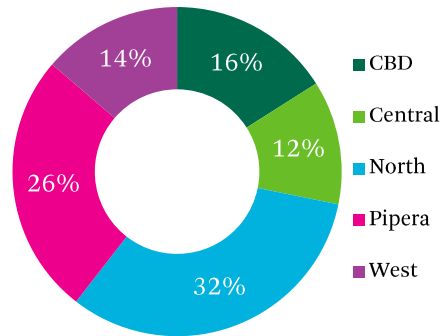
During the first six months of 2017, over 176,000 sq m were transacted in Bucharest, with a decline of 14% compared of H1 2016. This decrease is explained by the record high basis of 2016, when a number of large transactions were signed. However, the current H1 volume is still larger compared with the similar period of previous years (2012-2015).

The Computers & Hi-Tech Sector was the most active sector in H1 2017 with a share of 45% of TLA, followed by Manufacturing Industrial & Energy Sector with 23% of TLA and Professional Sector with 14% of TLA.

Over 90 transactions were signed in the first months of this year and 69% of the transactions were concluded in class A office building.

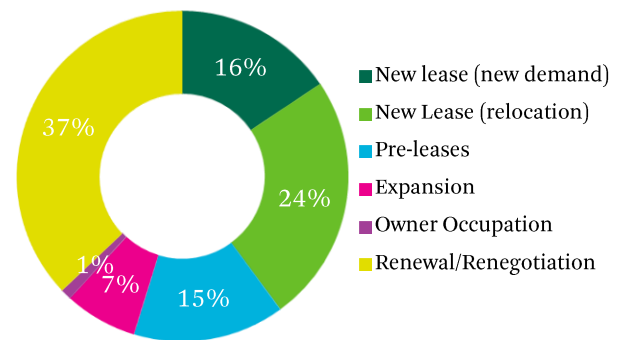
For the second half of 2017 we expect a growth of the TLA, around the TLA concluded in 2016, 412,000 sq m.

Figure 2: TLA by sub-market – H1 2017



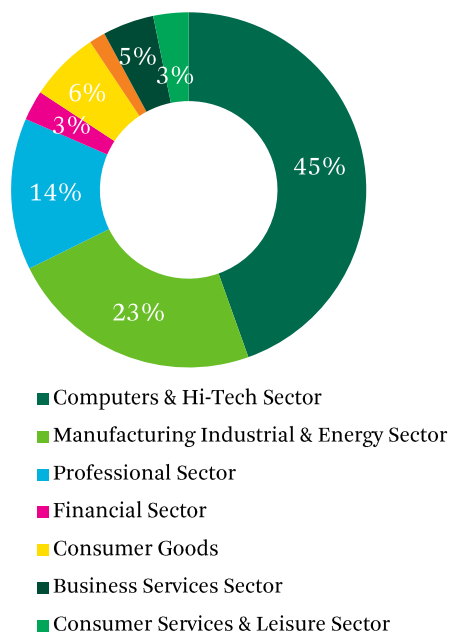
Source: CBRE Research, Q2 2017

Figure 3: TLA by transaction type – H1 2017



Source: CBRE Research, Q2 2017

Figure 4: TLA by domain of activity – H1 2017



Source: CBRE Research, Q2 2017

Office Stock and Pipeline

At the end of Q2 2017, the modern office stock reached 2.72 mil sq m. In the second quarter of 2017 were delivered the first phase of two major projects, totalling 60,500 sq m. First phase of Timpuri Noi Square located in Central sub-market with a gross leasable area of 32,500 sq m split in 2 buildings (developed by Vastint Group) and the first building of Globalworth Campus, located in Pipera sub-market (developed by Globalworth).

By the end of this year three more projects will be delivered, pushing the total annual volume to 140,000 sq m and the total stock to 2,79 sq m.

Strong market fundamentals induce a growing number of speculative constructions, over 450,000 sq m are currently under construction with estimated delivery date during the next three years, out of which 319,000 sq m are developed without a pre-lease. The West sub-market will be host to over 65% of this upcoming supply, having attracted one of the most active developers in Romania, such as Skanska, CA Immo, Vastint Group, AFI Europe, Forte Partners and Globalworth.

We expect the overall development activity to move towards North sub-market (Piata Presei Libere – Expozitiei), counterbalancing the West sub-market (Basarab Bridge area), with various projects being in advanced stages of planning.

Vacancy Rate

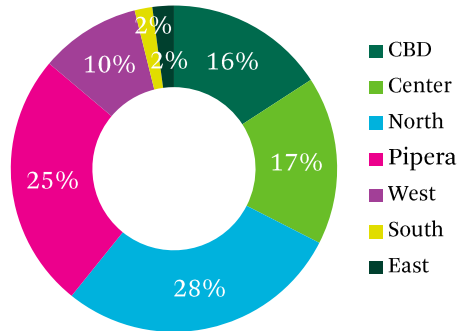
At the end of the first half of this year the vacancy rate stands at 11%.

The most saturated sub-market is North sub-market with an overall vacancy rate of 5.2%, while the vacancy rate of class A office building in this sub-market is 2.3%, the lowest vacancy rate in Bucharest, followed by west sub-market with a total vacancy rate of 6.3%.

Commercial Terms

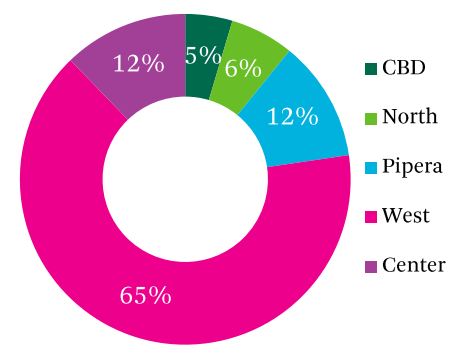
At the end of H1 2017 the prime headline rent remains stable at 18.5 €/sq m/month and there are expectations that the prime rent will increase in the coming 6 months. The prime yield remains stable at the level of 7.5%

Figure 5: Modern office by sub-market – H1 2017



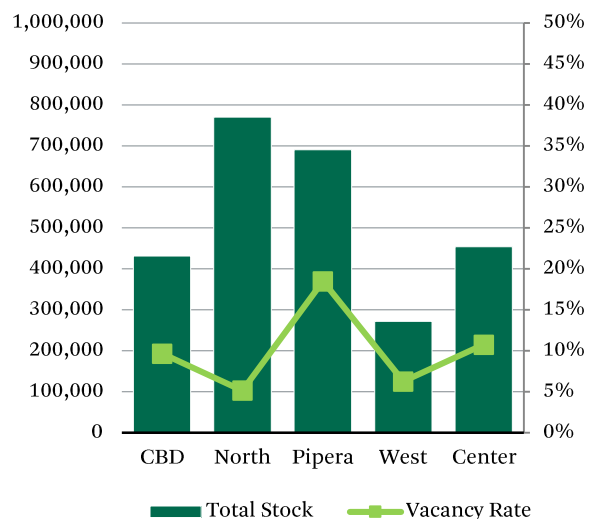
Source: CBRE Research, Q2 2017

Figure 6: Pipeline under construction by sub-market (2017 -2019)



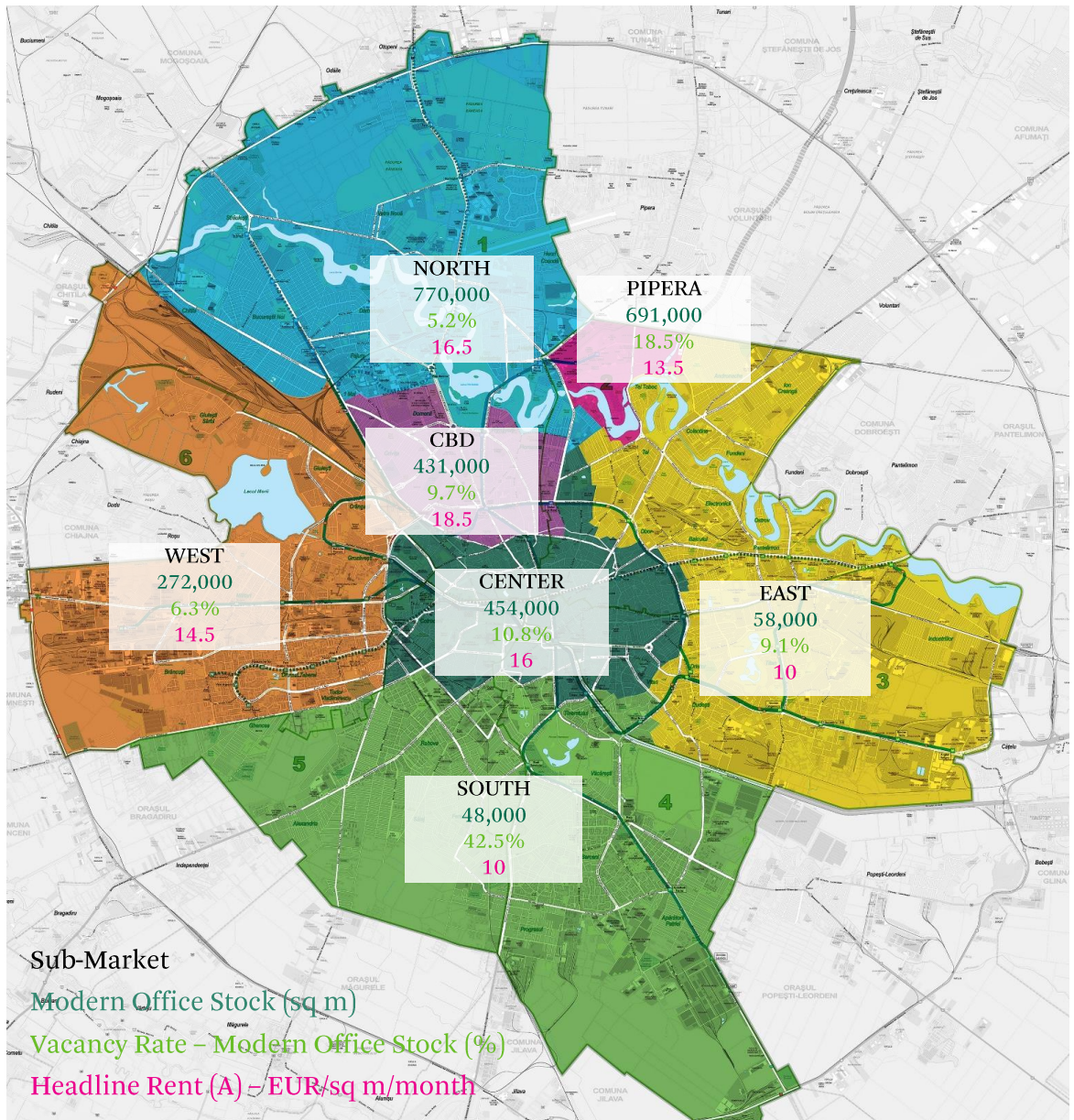
Source: CBRE Research, Q2 2017

Figure 7: Vacancy Rate by sub-market – H1 2017



Source: CBRE Research, Q2 2017

Figure 8: Map Bucharest Office Sub-Markets – Main Indicators Q2 2017



Source: CBRE Research, Q2 2017

Figure 9: Pipeline by sub-market and estimated delivery date 2017 - 2018

Sub-market	Delivery date estimated for H2 2017	Delivery date estimated for 2018
North	7,000 sq m	-
Pipera	-	52,600 sq m
CBD	-	20,500 sq m
Central	-	54,000 sq m
West	60,800 sq m	182,000 sq m
South	-	-
East	-	-
Total	67,800 sq m	309,100 sq m

Source: CBRE Research, Q2 2017

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