

Cushman & Wakefield Echinox: In Q3 2021, new deliveries totaling 132,200 sq. m have been completed in Bucharest, the best quarter ever in terms of new supply

In Q3 2021, new deliveries totaling 132,200 sq. m have been completed in Bucharest, the best quarter ever in terms of supply, thus bringing the total new supply in the first 9 months of the year to approximately 178,000 sq. m, according to Cushman & Wakefield Echinox real estate consulting company.

The new supply of office spaces during January-September 2021 was even higher than the level registered during the entire 2020, when the new supply accounted for 155,000 sq. m.

The most relevant new office deliveries were J8 Office Park (46,000 sq. m GLA) in the Expozitiei area, U-Center I (32,800 sq. m GLA) in the Center submarket, Globalworth Square (29,100 sq. m GLA) in Floreasca - Barbu Vacarescu and Dacia One (16,300 sq. m GLA) in CBD.

As such, the office stock in Bucharest has reached 3.13 million sq. m (excluding owner-occupier buildings), while the vacancy rate recorded an increase towards the 14.8% level, a new record for the last 5 years. A significant gap remains in regards to the vacancy rates for A and B class office buildings, with A class properties recording a level of 12.1%, compared with 23.4% in B-class buildings.

The leasing activity has significantly picked-up the pace during summer, with 93,900 sq.m contracted in Q3 2021, thus bringing the total for the first 9 months of the year to 212,900 sq. m, an increase of 33% when compared with the same period of last year.

Net take-up (excluding renewals) had a share of 56%, a level mostly consistent with the previous quarters. Tenants from the T&T and Medical sectors remained highly active in Q3, having a combined share of 41% from the total transactional volume, while the expected overall leasing activity for the whole year is expected to break the 300,000 sq. m threshold.

Presently, there are new office buildings under construction and expected to be delivered in the following 18-24 months totaling around 280,000 sq. m GLA.

However, the new supply will gradually reduce, since the pipeline for 2022 (138,000 sq. m) is only slightly higher than the Q3 2021 completions.

The most significant projects under construction are One Cotroceni Park (phases I & II), @Expo by Atenor, Sema Parc, AFI Tech Park II and Equilibrium II.

The office market remains attractive both for developers, who will remain committed to the construction of new buildings in the coming period, and also for investors, as they acquired office projects totaling almost €340 million in the first nine months.

Madalina Cojocaru, Partner, Office Agency, Cushman & Wakefield Echinox: "The office attendance is slowly starting to increase as in the first half of the year we have noticed that almost 50% of employees were working mainly from the office, compared to 36% in May-December 2020. Moreover, a higher number of employees want to return to the office for at least 2 days a week. In this context, we see more and more companies that have configured their strategies pertaining to how employees work and therefore how they use the office space, which creates more predictability in the office market."

Prime headline rents in Bucharest remained stable, ranging between €18.00-18.50/ sq. m/month in the CBD area, while values of €17.50-18.00/ sq. m/month are recorded in the Center and Floreasca - Barbu Vacarescu submarkets.