

CBRE: Romania modern stock of office spaces reached over 4.3 mln. sq m in Q2. Another 335,300 sq m to be delivered by 2023

With 76% of the modern stock of office spaces in Bucharest, the office segment has reached over 4.3 mln. sq m all over the country in the first semester of 2022, according to the Romania Office Destinations 2022 research special report, launched by CBRE Romania, the leader of the real estate consultancy market. Moreover, the vacancy rate in the office segment is only 12%, on a decreasing trend compared to the same period of last year.

Bucharest is the leading city on the office segment, with a total modern stock of 3.3 mln. sq m, in the context of a total population of 2.1 million and an unemployment rate of 5,1%. Hosting 31 universities, both public and private, Bucharest provides over 170,000 graduates each year, contributing to the city's appeal as a destination for companies looking to extend their business in Romania.

The Capital city is followed by Cluj-Napoca (350,000 sq m), Timisoara (294,000 sq m), Iasi (205,000 sq m), and Brasov (155,000 sq m). At the same time, the fastest growing market is represented by Bucharest, the modern stock being 10% higher in Q2 compared to the same quarter of 2021.

Cluj-Napoca has over 740,000 inhabitants and an unemployment rate of 2,1%. 72,000 graduates complete their studies each year in the city's 9 public and private universities. Timisoara's population exceeded 700,000 people, while the unemployment rate is 1,8%. With 7 public and private universities, Timisoara delivers over 44,000 graduates yearly.

"After a period of stagnation during the pandemic, the office segment is recovering strongly. We have noticed the increase of office rental transactions and demand in the main cities of Romania. The growth is supported by the hybrid resumption of office activity, by the expansion of companies and by the entry of new companies on the market. Regional cities office market dynamics are showing new migration patterns in a tight labor market and are causing companies to think more broadly about location, confirming the hybrid workforce distribution", says **Tudor Ionescu**, *Head of A&T Services Office at CBRE Romania*.

The CBRE report shows that, with 335,300 sq m which will be added to the current stock by 2023, the office segment will reach 4.7 mln. sq m at the beginning of next year, growing with 9%. Therefore, Bucharest will have another 135,300 sq m. of office spaces, which ranks the Capital city on the first place in terms of new developments, followed by Iasi with new 80,000 sq m, Cluj-Napoca (55,000 sq m), Timisoara (40,000 sq m), and Brasov (25,000 sq m).

By vacancy rate, Cluj-Napoca and Iasi have registered the highest level of leasing, with only 8% vacancy rate each of total stock in Q2. Next is Brasov with 13.7% vacancy rate, followed by Bucharest (13.9%), and Timisoara (15%), which shows a high demand for renting office spaces.

According to the Romania Office Destinations 2022 report released by CBRE, which includes the results of an online survey, Traditional vs Hybrid: Where to work from, more than 50% of employees said they would rather work from the office to reconnect with their colleagues and save commute time. At the same time, 36% of respondents want to be up to date with information that helps them in their career or in completing tasks, and 33% consider discussions with colleagues a strong argument for why employees should return to the office. For 13% of employees the lack of space at home was in favor of working from the office. The remaining 5% thought about reducing utility costs when they voted to return to the office.

„ After a long period of working from home, which negatively impacted the collaboration and communication between employees, now we’re experiencing a return-to-the-office sentiment among tenant companies. As a consequence of the last years, many companies have decided to adapt and redesign the workspace to meet the new requests of employees, and increase the retention rate, this being an important component of branding strategy, especially in Computers & Hi-Tech, but also in other industries, such as Professional & Business Services, Consumer Services & Leisure and Financial Sector,” explains **Daniela Gavril**, *Head of Research at CBRE Romania*.

The market trend that contoured during the last two and a half years, is now integrated in the working model for most companies. The hybrid work is here to stay and will be a component to be added next to the traditional way of working which was exclusively from the office. The ratio between home and office work is still a under development strategy that each and every company will decide what suites it best but will definitely constitute a leverage in the negotiation process with employees.