

JLL Romania | Office market under pressure at the end of Q3



The office market is going through a period of stagnation, recording demand values similar to those of 2021. Deliveries of office space have slowed down and will remain at a low level in 2023.

In the first 9 months of 2022 the total demand for office space in Bucharest was around 200,000 m², similar to the same period of 2021. Net demand increased by 5% year-on-year to around 106,000 m².

A total of 65,700 m² of office space was leased in Q3, a volume almost identical to the previous quarter. Net demand, which contributes to the increase in occupied stock, was 22,300 m² in Q3, down almost 40% compared to the previous quarter (36,700 m²).

Most of the total demand in Q3 came from the IT sector (around 37%), professional services (19%) and hi-tech (11.5%).

"The office market is going through a period of multiple challenges, reflecting uncertainties in the economy and inflationary pressures, which discourage companies from expanding. Thus, the market's return to pre-pandemic levels is also delayed. While we are not seeing an increase in volumes, we are seeing an increasing preference for Class A space of the highest quality," said **Alexandru David**, *Head of Research JLL Romania*.

In the third quarter, only one office building was delivered in Bucharest, namely H Tudor Arghezi 21, with a leasable area of approximately 7,000 m², developed by Hagag near University Square.

In the first 9 months of 2022, the volume of deliveries was at a low level, with 105,000 m² completed in Bucharest, compared to 154,000 m² in the same period of 2021.

By the end of 2022, two more office buildings are to be delivered on the Bucharest market, totalling a leasable area of approximately 54,000 m², namely the second phase of One Cotroceni Park, with 34,500 m², a project developed by One United Properties, and Equilibrium 2, with 19,500 m², developed by Skanska.

For 2023, even fewer deliveries are expected than this year, around 70,000 m², which can be explained by the inflationary impact on construction costs and companies' expansion plans.

The vacancy rate for office space in Bucharest increased slightly in Q3, from 12.75% in the previous quarter to 13%, amid lower net demand.

After an increase in Q2 from 18.5 Euro per m² per month to 19 Euro per m² per month, prime rents remained at the same level in Q3. However, given inflationary pressures, further rent increases are possible in the coming quarters.