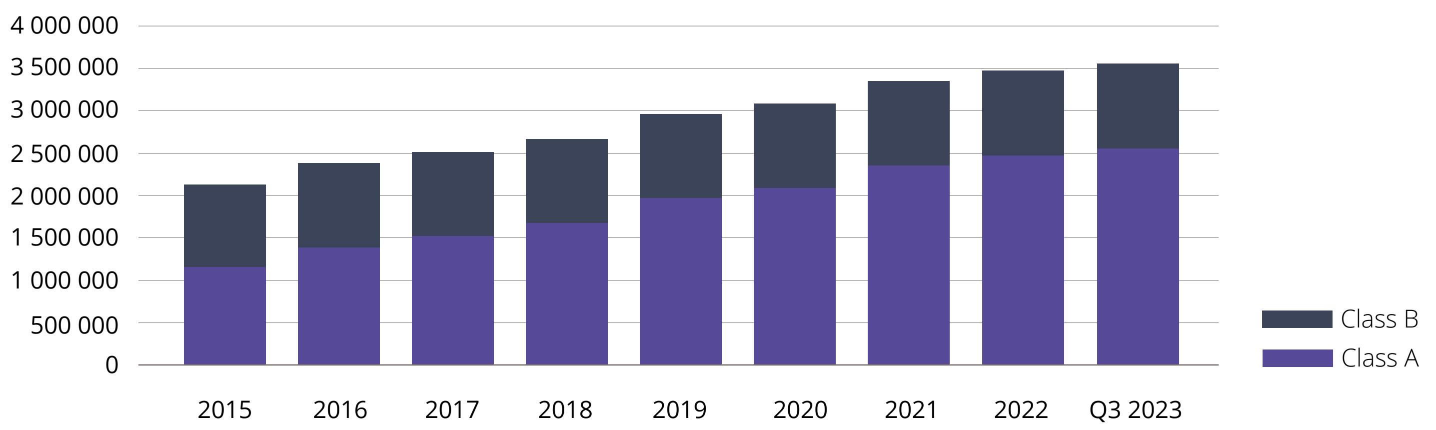
Bucharest office market
Q3 2023

Modern office stock (sqm)	Q1-Q3 2023 Supply (sqm)	Pipeline 2024 (sqm)	Vacancy rate (%)
3.55M	103,000	up to 50,000	14%

Office stock and pipeline

With only one building completed in Q3 2023, the modern office stock in Bucharest increased slightly up to 3.55M sqm, with a steady vacancy rate estimated at cca 14%. The second phase of the U-Center project, which was finalized in this quarter, increased the total supply over the first nine months to approximately 103,000 square meters across four buildings. The completion of Arghezi 4 is anticipated for the remainder of the year, a project that is already fully pre-let, developed by the Austrian developer Strabag, in the Center of Bucharest. As in other CEE Capitals, in Bucharest, the construction activity has slowed down even more drastically, considering the ongoing authorization issues at the local authorities' level. With only a few projects under construction or authorization, the office pipeline for 2024 is hardly estimated at 50,000 sqm, but the market is expecting to witness stronger pickup of construction activity starting with 2025 and onwards. The focus of both developers and occupiers will remain on the established business locations in the Center and Floreasca-BV submarkets. These areas benefit from excellent public transportation access and are currently less congested due to occupiers adopting the hybrid working model.

Cumulative modern office stock, class A and B (sqm)

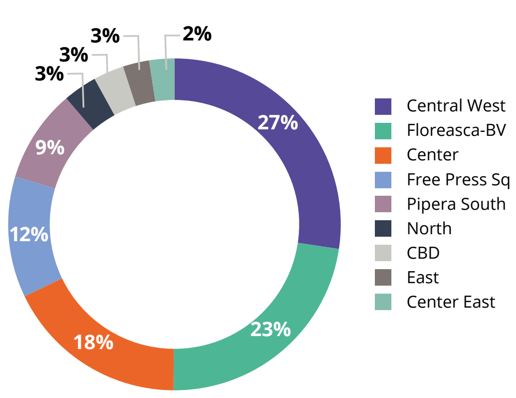


Office demand

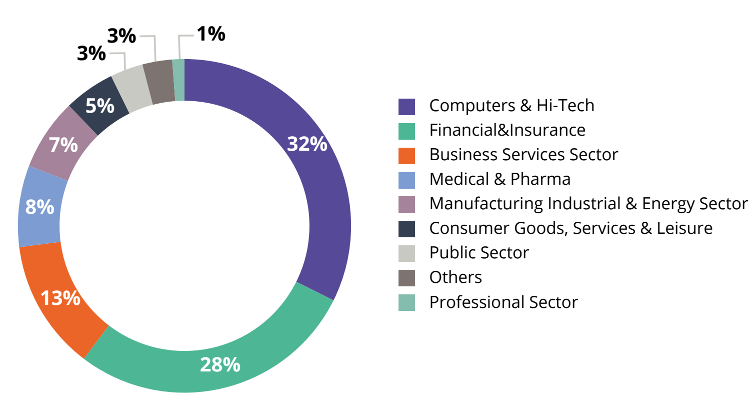
Despite deteriorating indicators on the development side throughout 2023, the demand has been steadily increasing from one quarter to the next. Accordingly, the total leasing activity in Q3 2023 slightly exceeded 160,000 sqm bringing the 9-month leasing activity closer to 350,000 sqm. Taking into account the ongoing transactions, the total leasing activity for 2023 will surely surpass the 400,000 sqm milestone, making this year one of the most remarkable in terms of transactional activity since the modern office market began in Bucharest.

Coming back to the total leasing activity in Q3 2023, renewals have generated 64% of the demand. Among the active submarkets, Central West led with 33% of Q3's renewals, followed by Floreasca-BV at 29%, and Free Press Sq at 16%. A quick assessment of the first three quarters of 2023 shows that while renewals increased four times since the beginning of the year, the net take increased only two times.

Gross take-up by submarkets in Q3 2023



Gross take-up by business sector in Q3 2023

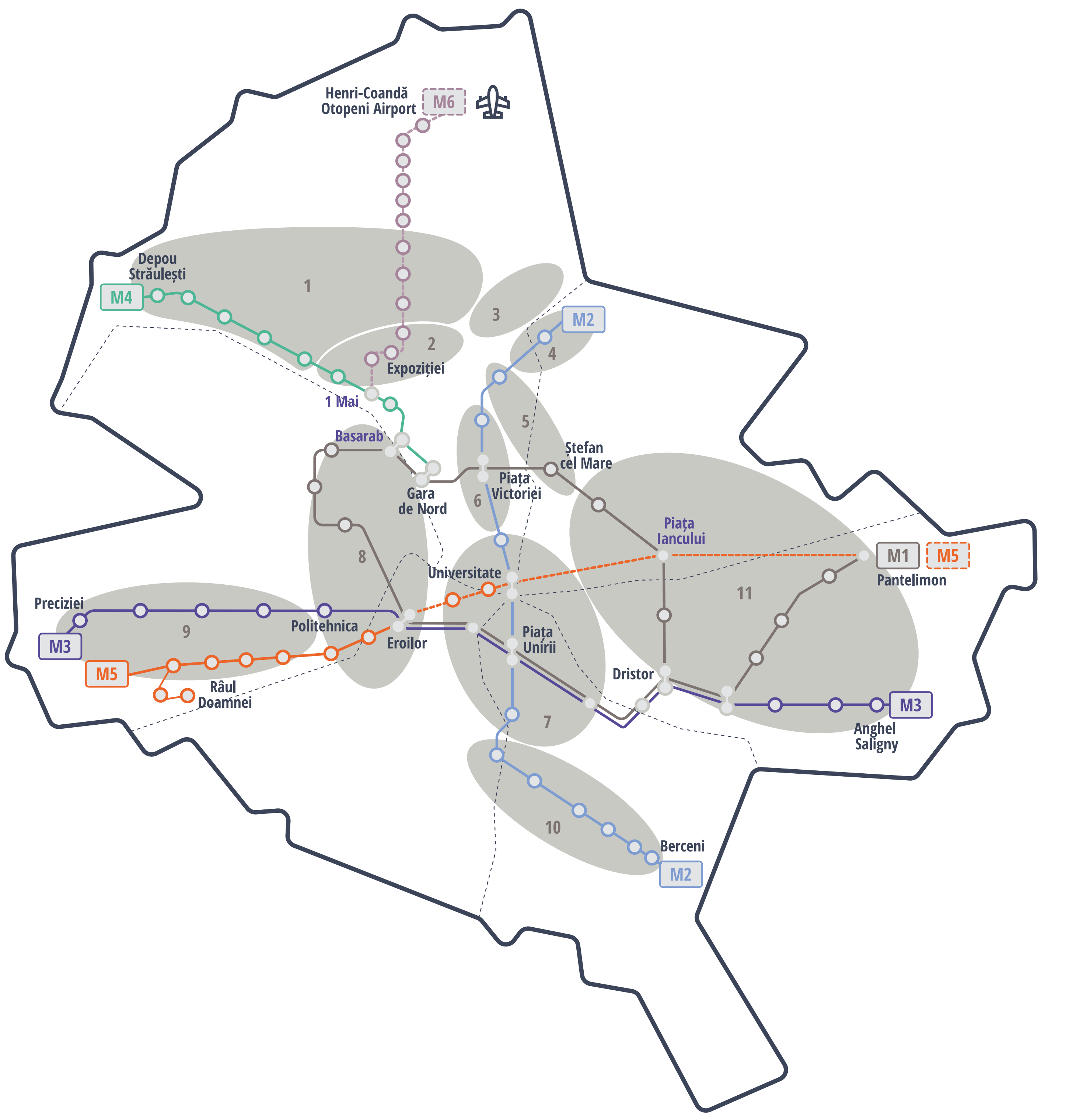


Occupancy costs

The prime headline rent has settled at a level ranging €21-22/sqm/month, however, increases were witnessed in office submarkets with vacant qualitative modern stock such as Floreasca-BV, Central-West and the Central areas. Another notable market trend is the occurrence of lease renewals extending beyond 5 years. This extended duration enables both parties to incorporate improved financial terms into the new contracts. The parking rents as well as service charges remained unchanged over the quarter.

Prime headline rent (€/sqm/month)	Incentives discount (%)	Underground parking rents (Avg) (€/parking place/month)	Service Charge cost (Avg) (€/sqm/month)
€21-22	10–20%	€90–160	€4.0–4.5

Office submarkets, stock and headline rents



No.	Submarket	Class A&B stock (sqm)	Headline Rent Class A (€/sqm/month)
8	Central West	619,000	€15-17
5	Floreasca-BV	550,000	€15-18
4	Pipera South	468,000	€12-14
7	Central	430,000	€15-17.5
6	CBD	360,000	€19-22
1	North	356,000	€12-14
2	Free Press Square	260,000	€15-17
3	Pipera North	185,000	€8-10
9	West	175,000	€11-13
11	East	103,000	€9-12
10	South	52,000	€9-12

Existing subway lines:
- M1 Dristor - Pantelimon
- M2 Berceni - Pipera
- M3 Preciziei - Anghel Saligny
- M4 Gara de Nord - Depou Străulești
- M5 Râul Doamnei-Eroilor

Planned subway lines:
- M5 Eroilor - Pantelimon
- M6 Gara de Nord - Henri Coandă Airport

Subway station:
- Correspondence station
- Subway station

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