



# ESOP

in association with *CORFAC* International



## **Office Market In The Beginning Of 2016**

# THE OFFER

At the beginning of 2016, the stock of office spaces available for rent in Bucharest is **more than 824.000 sqm**, of which **79%** are spaces located in **office buildings** (class A, B and C), and **21%** spaces located **in villas or similar buildings**.

Note: This stock does not include buildings that are under construction / not finalized at the beginning of 2016.

## BUSINESS CENTERS

Offices available for rent in the capital, in business centers amounted at the beginning of 2016 to approx. 654.000 sqm, stock decreased by approx. 25% compared to the previous year, a situation favored by the delay of some projects under construction for 2016.

**49% of the office buildings in Bucharest have spaces available for rent** (ie in 512 buildings of the total amount of 1.056 class A, B or C buildings).

Most part of the office space stock (56%) is concentrated on segments of rent below 11 Eu/sqm, while only 23% and 20% is the stock of spaces with a budget between 11.1 - 14 Eu/sqm and of the ones with a budget of more than 14.1 Eu/sqm.

In terms of geographic location, **the north - central area** remains in 2016 the area with the richest offer, ie 187.000 sqm, almost a third of the total stock.

**Note:** We consider that the north - central area includes Victoriei Square–Domenii – Aviatiei – Barbu Vacarescu-Pompei.

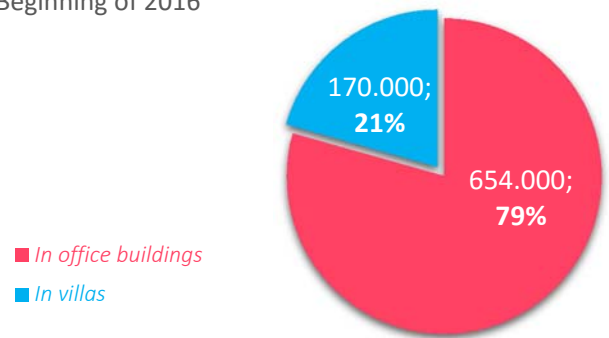
## DELIVERIES IN 2015

In 2015 were actually delivered approx. 85.000 sqm, 2015 being the year with the lowest amount of spaces delivered during the last 10 years.

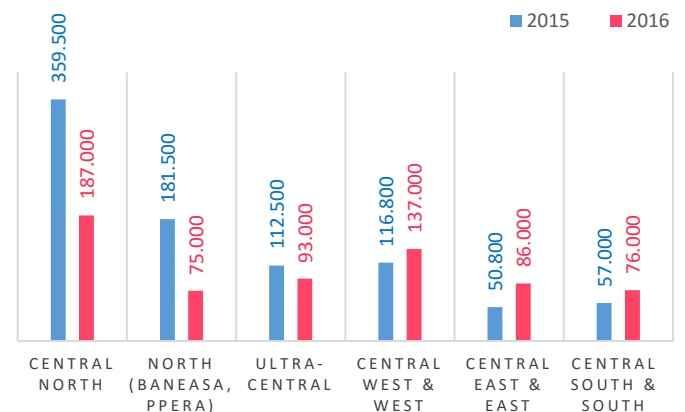
This was largely due to the delay of four projects for 2016, amounting over 90.000 sqm.

The total stock of spaces in office buildings in Bucharest amounts up to 2,88 mil. sqm. at the end of 2015, of which 1,9 million is represented by quality spaces (class A or B + buildings).

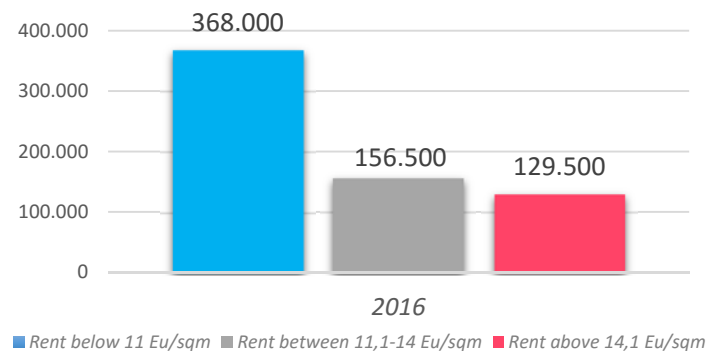
Offices Available in Bucharest, in the Beginning of 2016



SPACES IN BUSINESS CENTERS IN BUCHAREST, BY AREAS, (2015 & 2016)



Offices In Business Centers By Rental Level



## Projects completed in 2015

Building name	Surface (sqm)	Delivered in
City Offices	27.000	Q1 2015
Green Court - Cladire B	17.725	Q2 2015
Sema Offices	12.000	Q4 2015
PC Center II	8.500	Q3 2015
Enescu Offices	5.239	Q4 2015
Big Office	5.000	Q3 2015
Prezan Offices	5.000	Q4 2015

## DELIVERIES ESTIMATED FOR 2016 – 2017 IN BUCHAREST

For 2016, a record volume of office spaces is expected to be delivered, approx. 395.000 sqm, volume similar to the one registered in 2009 (the year with the highest deliveries registered in the Romanian office market history).

This year will mark a premiere, namely the fact that most part of the buildings to be delivered are projects with multiple stages, having extended sizes.

**Approx. 25% of the spaces to be delivered are already pre-rented.**

Like in previous years, it is possible that some of these spaces be delayed for 2017, or be stopped at a certain level of finishing, waiting for clients to pre-lease some areas.

The total volume of projects announce for 2016-2017 is estimated to approx. 650.000 sqm.

The central north area will continue to remain the perimeter with the largest deliveries – with 65% from the total surface, and a number of 21 projects.

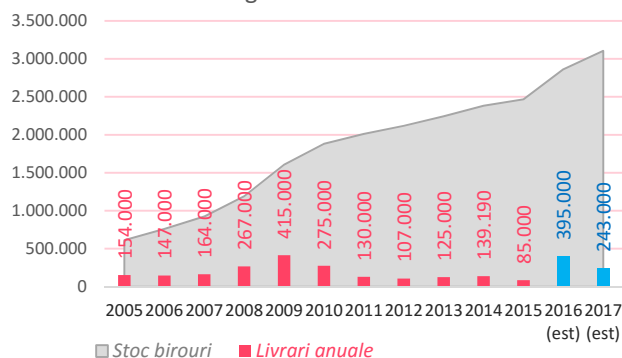
The central-west area re-enters on developers agenda, after a 7 years period registering only a limited number of projects. In 2016-2017, approx.. 26% of the office deliveries will be registered in this sub-market, within 6 representative projects: AFI 4&5, Orhideea Tower, The Bridge (A), Plaza Romania partial office reconversion, Anchor Metropol, Sema Offices II.

## SPACES IN VILLAS

The stock of office spaces available in villas amounted at the beginning of 2016 approx. 170.000 sqm, 16% higher compared to the previous year.

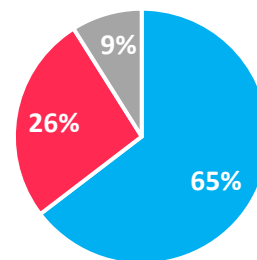
If during the economic recession the demand for spaces in villas has steadily grown (often characterized by a decrease in the stock of spaces available on the market), during the current period of economic recovery it is registered a decrease in the demand level for offices in villas, the tenants preferences shifting towards the spaces in office buildings.

Evolution of stock and annual deliveries office buildings



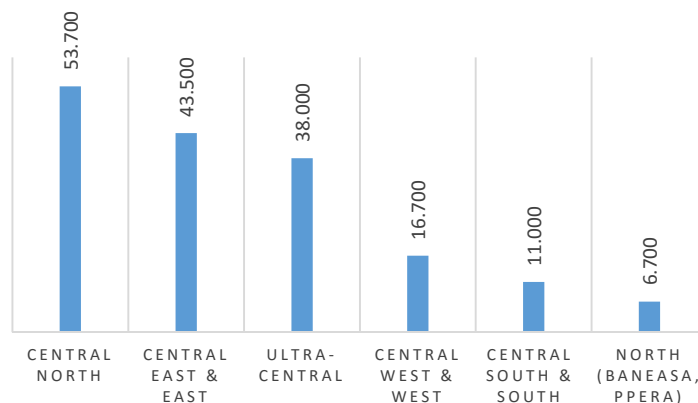
2016 PROJECTS	Surface (GLA)	Specific Area
AFI IV & V	33000	Vasile Milea
Anchor Mall Reconversion	10.500	Timisoara Blvd
Anchor Metropol	37.000	Timisoara Blvd
Aviatorilor Project	9.142	Charles de Gaulle
Bucharest One	47.000	Barbu Vacarescu
Green Court C	15.640	Barbu Vacarescu
Hermes II	22.000	Pompei
Hermes III	30.000	Pompei
Metrooffice I	19.325	Pompei
Oregon Park A	20.000	Barbu Vacarescu
Oregon Park B	24.000	Barbu Vacarescu
The Landmark I, II & III	17.740	Victoriei
Tunari Office Building	7.800	Stefan cel Mare

Projects to be delivered in 2016-2017, by areas, In Bucharest



■ Central North ■ Central West ■ Other areas

OFFICES IN VILLAS, BY AREAS, BUCHAREST



# DEMAND AND TRANSACTIONS

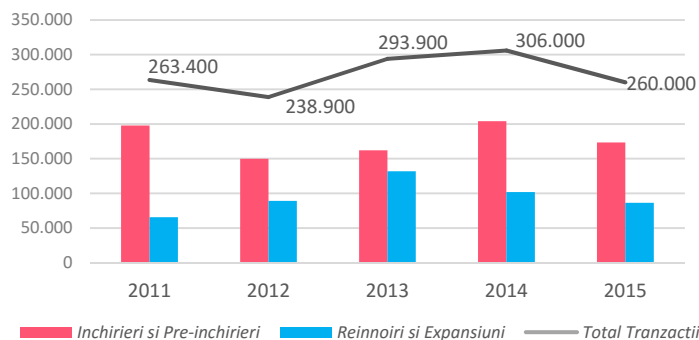
The volume of office spaces leased in Bucharest in 2015 was of approx. 260.000 sqm, 15% lower compared to 2014 and 7% lower than the average leased surfaces during the last 3 years.

The main cities in the country yet managed to maintain a growing rate in 2015, with 54.000 sqm leased and pre-leased, increased by 46% compared to the previous year. It is continued therefore the dynamic trend marked in 2014 by the cities outside Bucharest, when a 61% increase was registered.

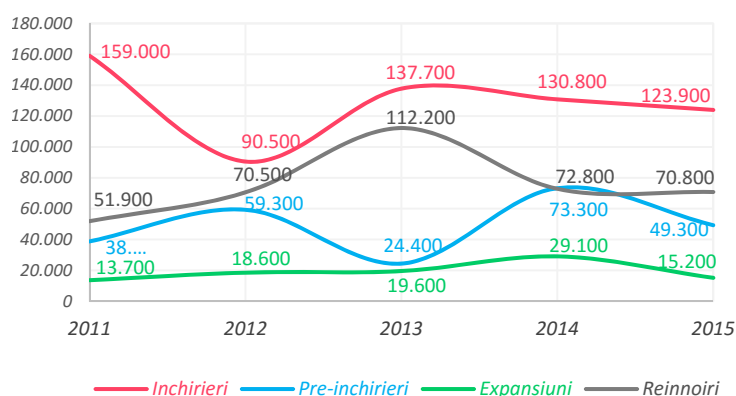
The cities with the largest leasing level in have been Iasi, with a 38% of the transaction carried outside Bucharest (22.500 sqm) and Timisoara – with 24% (12.800 sqm), the rest of the transactions being registered in Brasov, Cluj Napoca, Oradea, Bacau and Craiova.

The main factor of this dynamics remains the **human resource**, companies' interest for easy access to the qualified workforce.

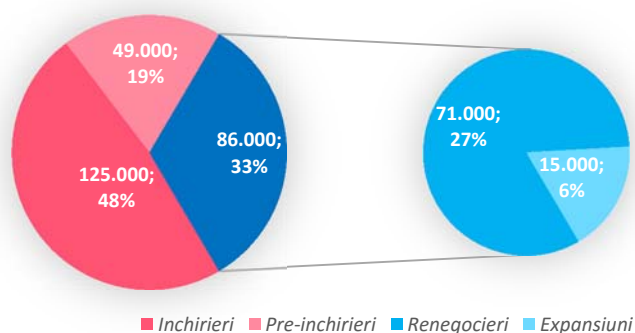
Evolution of transactions between 2011-2015



Evolution by types of transactions 2011-2015



Transactions 2015, by types of transactions



## TRANSACTIONS BY TYPES OF TRANSACTIONS

In 2015, the pre-leasing transactions registered a 32% decrease.

However, it is possible that part of the transactions initiated in this period to be successfully closed in the first semester of 2016.

Type of transaction	2011	2012	2013	2014	2015	% 2015 vs 2014
Leases	159.000	90.500	137.700	130.800	124.000	-5%
Pre-leases	38.800	59.300	24.400	73.300	49.500	-32%
<b>Leases and Pre-leases</b>	<b>197.800</b>	<b>149.800</b>	<b>162.100</b>	<b>204.100</b>	<b>173.500</b>	<b>-15%</b>
Expansions	13.700	18.600	19.600	29.100	15.500	-47%
Renegotiations	51.900	70.500	112.200	72.800	71.000	-2%
<b>Total Transactions</b>	<b>263.400</b>	<b>238.900</b>	<b>293.900</b>	<b>306.000</b>	<b>260.000</b>	<b>-15%</b>

Source: Date ESOP & Forum

## LEASES AND PRE-LEASES, BY AREAS, BUCHAREST

73% of the total lease and pre-lease transactions performed in centre-north.

The lowest transaction levels registered in the east and south areas, which are significantly less developed on the office segment in Bucharest.

The northern (Baneasa, Pipera), ultra-central and western areas registered a percentage between 6-12%.

For the following years, we estimate a slight re-balancing of the office development by areas, and of the transitioning level implicitly, due to the delivery of some large size projects in the central-western area.

## LEASES AND PRE-LEASES, BY TYPES OF AREAS

From the total 173.500 sqm leased and pre-leased in 2015, 58% have involved surfaces lower than 3.000 sqm, and 30% surfaces larger than 10.000 sqm .

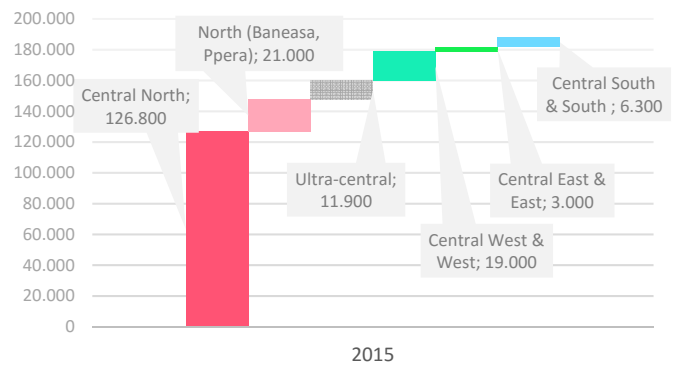
Type of leased surface	Number of transactions	Surface	% total traded surfaces
Over 10,001 sqm	2	52.500	30%
Between 5,001 – 10,000 sqm	3	17.500	10%
Between 3,001 – 5,000 sqm	1	3.300	2%
Between 1,001 – 3,000 sqm	28	47.000	27%
Up to/equal to 1,000sqm	136	53.200	31%
<b>TOTAL</b>	<b>170</b>	<b>173.500</b>	<b>100%</b>

## LEASES AND PRE-LEASES, BY FIELDS OF ACTIVITY

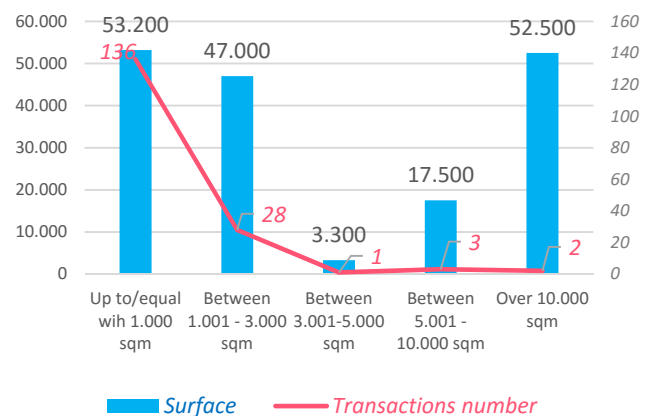
The engine of office market continues to be the IT & C segment, with 47% share of total leases and pre-leases transactions.

The next two important segments were FMCG and Professional Services, with percentages of 13%, and 11% respectively.

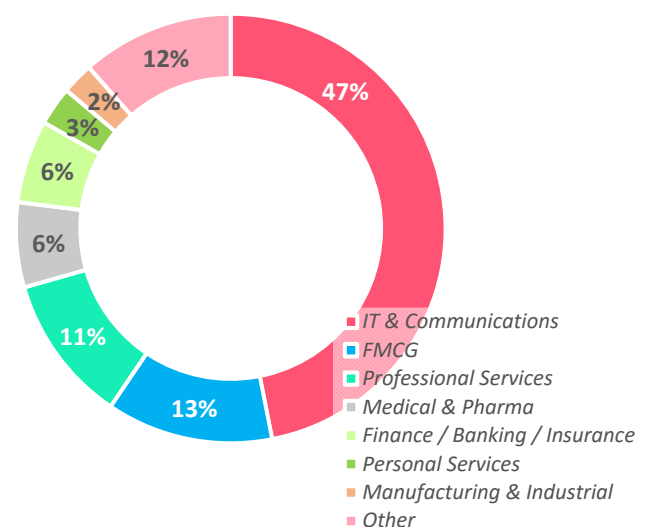
2015 TRANSACTIONS BY AREAS (LEASES AND PRE-LEASES)



Leasing and Pre-leasing Transaction, by Surface Type (in Bucharest, 2015)



Total Leasing Activity in 2015, by industry (Bucharest)



# COMMERCIAL TERMS

## RENTS LEVELS IN BUCHAREST

In the central-north, ultra-central and central-west areas, rents are stable at the beginning of 2016 with relatively few fluctuations recorded during the last 12 months. More exposed to rent variations are the northern areas of Baneasa and Pipera or the peripheral ones, that constantly registered in the last 3-5 years the highest vacancy rate ( between 25 and 38%).

It is still preserved the policy of providing incentives by the owners like contributions to tenant's fit-out (partially or sometimes entirely), and / or rent free months. Such incentives are important in terms of net effective rent levels, and therefore they significantly influence the relocation decision.

## MANAGEMENT EXPENSES

On the segment of class A spaces, the service charge level promoted by the owners is between 3,2 – 4,0 Eu / sqm, while for class B or C spaces their level may reach values lower by 30-45 %.

The consumptions of utilities are not included in the aforementioned amounts, and can reach an average additional amount ranging between 0,6-1,2 Eu / sqm, depending on the building.

## CONTRACTUAL PERIOD

The contractual period varies depending on the type of property, from firmly 5 years (in case of class A buildings recently built), up to 2-3 contractual years (for other types of buildings).

### Class A Office Buildings - Commercial terms

Area	Presentation rent level *) (Eu/sqm/month)	Maintenance expenses **) (Eu/sqm/month)	Contractual period
Premium	16.0 – 19.0	3.5 – 4.0	at least 5 years
Central	14.5 – 16.5	3.2 – 3.8	at least 5 years
Semi-central	11.0 – 13.5	3.0 – 3.5	3 - 5 years

\*) *Headline values, before negotiation*  
 \*\*) *Utilities costs are not included in these values*

### Class B Office Buildings - Commercial terms

Area	Presentation rent level *) (Eu/sqm/month)	Maintenance expenses **) (Eu/sqm/month)	Contractual period
Central	11.5 – 14.5	2.5 – 3.0	5 yrs
Semi-central	10.0 – 12.5	2.0 – 2.5	2 - 3 yrs

\*) *Headline values, before negotiation*  
 \*\*) *Utilities costs are not included in these values*

### Class C Office Buildings - Commercial terms

Area	Presentation rent level *) (Eu/sqm/month)	Maintenance expenses **) (Eu/sqm/month)	Contractual period
Central	8.5 – 10.5	1.5 – 2.5	2 - 3 yrs
Semi-central	7.5 – 8.5	1.5 – 2.0	at least 1 year

\*) *Headline values, before negotiation*  
 \*\*) *Utilities costs are not included in these values*

### VILLAS - Commercial terms

Area	Presentation rent level *) (Eu/sqm/month)	Maintenance expenses **) (Eu/sqm/month)	Contractual period
Interwar/premium villas	10.0 – 13.0	2.5 – 3.0	at least 3 yrs
Central	9.5 – 12.0	2.5 – 3.0	2 - 3 yrs
Semi-central	7.5 – 9.5	2.0 – 2.5	at least 1 year

\*) *Headline values, before negotiation*  
 \*\*) *Utilities costs are not included in these values*

# FORECAST

*For the following 2 years, we estimate a more dynamic office market, in the context of a pipeline volume at a historical high level, namely approx. 395.000 sqm in 2016, and over 250.000 sqm in 2017. The high quality of these projects and their more balanced distribution in the city will be important reasons for favorable relocation decisions for many companies.*

*But the office market is developing in close connection with external factors such as the evolution of the domestic and global economic environment, or access to qualified labor force. Such factors can decrease the absorption rate, despite its relatively high volume of new spaces to be delivered.*

*For the owners of office spaces, especially for those who own buildings built in the past, and that will reach the third or fourth generation of tenants, the investments for renovation and modernization of the spaces will be particularly welcome, even necessary in certain situations, to face the increased competition and new quality standards that are formed on the market. Such renovations should target both the aesthetic side of the building - access areas, reception, common spaces, and certain important systems of the building - such as heating and air conditioning, ventilation, envelopment system of the building, etc. Also, on the long run, some buildings will have to rethink their functionality and purpose, as the real estate market will get more and more competitive in terms of office products.*

*In terms of legal framework, two new important regulations issued in the end of 2015 will generate effects on the office market as well. We refer to (i) the limits imposed for certain businesses to operate in buildings with earthquake risks and (ii) the increase of tax on the properties applicable to the residential properties used in commercial purpose. In the following 1-2 years the offices functioning in residential buildings will lose the attractiveness for the office market, and we estimate they will be retuning the residential segment, for rent or for sale. The start-up companies will prefer in many cases the co-working / instant office solutions. These type of spaces gained field in the last years in Bucharest and we expect soon to expand in the country, due to the large scale development of freelancing and outsourcing fields, of work based on creativity and results, to the detriment of traditional forms of employment.*

*Also, as a result of the "Collective" bar fire, the companies seeking office spaces will grant special attention to buildings complying properly the fire protection regulations.*

*From a medium and long term perspective, the regulations initiated in 2015 will probably mark the office market transition in Bucharest, marking the descent of the improvised office solutions, and the shift to professionally developed office buildings.*

*For any details concerning the present report, please do not hesitate to contact us:*

ALEXANDRU PETRESCU  
Managing Partner  
Phone: 021 - 528.04.40  
[alexandru.petrescu@esop.ro](mailto:alexandru.petrescu@esop.ro)

MIRELA RAICU  
Partner  
Phone: 021 - 528.04.40  
[mirela.raicu@esop.ro](mailto:mirela.raicu@esop.ro)

MARIA NEDA  
Media & PR Coordinator  
Phone: 021 - 528.04.40  
[maria.neda@esop.ro](mailto:maria.neda@esop.ro)

## About ESOP Consulting | CORFAC International

ESOP is the real estate consultancy company with **the largest office lease department in Bucharest (18 people)**, and a traded surface of over 400.000 sqm in the 14 years' experience on the office market.

Starting with 2013, ESOP operates in association with **CORFAC International - Corporate Facility Advisors** – an alliance of entrepreneurial commercial real estate firms, committed to provide high quality services **at a local, national and international level**. CORFAC has 48 firms in the U.S., 7 in Canada and 25 in international markets, including Colombia, France, Germany, Greece, India, Ireland, Israel, Italy, Mexico, Poland, Romania, Russia, South Korea, Spain and the United Kingdom. CORFAC firms completed more than 11,000 lease and sales transactions totalling 46 million square meters of space valued in excess of 7.1 billion Euro in 2015.



LIMITED LIABILITY - ESOP Consulting | CORFAC International 2016

---

*This is a presentation of ESOP Consulting company that should not be construed as legal or investment advice. This report aims to present a market study and is based on materials belonging to our company and we have been provided and in whose fairness we believe. Although efforts were made to verify the accuracy and completeness of the material, we cannot guarantee that there are no errors. Interested persons will assume the responsibility for performing detailed research or evaluations before signing any agreement on the property / space that is subject to their interest. ESOP Consulting | CORFAC International assumes no responsibility for damages or losses arising from any inaccuracy or incorrectness of this report.*