



BUCHAREST OFFICE MARKET

BEGINNING OF 2022



HIGHLIGHTS

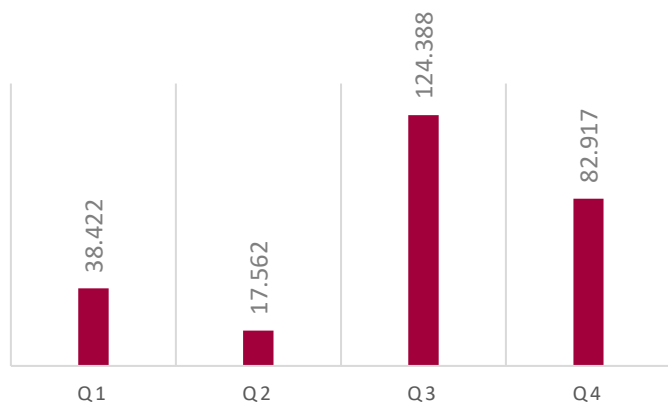
- **New Deliveries in 2021:** 263.000 sqm of office spaces in Bucharest, with 67% more than in 2020, and with 23% more than the last 5 years average deliveries
 - ✓ **Over 78%** of the spaces got **delivered within the second semester** (approx. 207.000 sqm)
 - ✓ New spaces had a **more balanced distribution in terms of areas**, compared to prior years
 - ✓ 75% of the new spaces are **in business park projects**
 - ✓ Relatively **reduced deliveries are currently planned for 2022 and 2023**, namely 190.000 sqm and 96.000 sqm
- **Transactions' level** registered a significant recovery, namely 303.000 sqm (pre) leased and renewed, representing a 63% increase compared to 2020, and a 5% increase compared to the last 5 years average
 - ✓ Most transactions closed **within the Central-North area (62%)**, highly polarized compared to 2020
 - ✓ **Significant increase over the last 3 years of transaction from Medical & Pharma field** (3%, 10% and 21% in 2019, 2020 and namely 2021)
 - ✓ **IT&C, BPO, SSC field remains no. 1**, but with a decreased percentage 23% in 2021 vs. 50 and 30% in 2019 and 2020.
- Rent levels remained relatively stable in terms of headline rent, especially on A class office buildings positioned within the central areas. Depending on the location, a slight decrease with up to 1 Euro/sqm was registered in terms of net effective rent (considering the incentives like the rent-free periods and fit-out contributions).
- An overall positive perception now on 2022 transaction level. Expecting also new projects to be confirmed on the market, because of the demand recovery.

THE OFFER

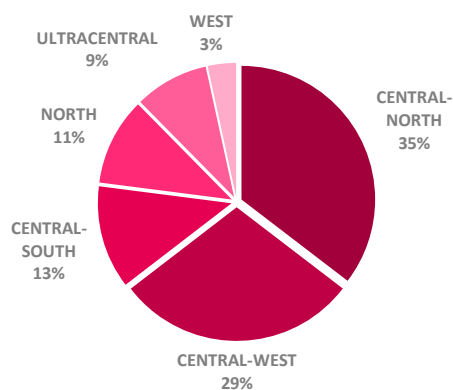
In 2021, 263,000 sqm of new office spaces were delivered in Bucharest, within 14 business centers. This represents a 67% increase compared to previous year, when 157,000 sqm were delivered.

Only 10% of the new supply estimated at the beginning of the year to be delivered in 2021 has been postponed for the following year, a substantially lower percentage than the average of previous years.

DELIVERIES IN 2021, BY QUARTERS



OFFICE DELIVERIES IN 2021, BY AREA



Most spaces, over 75% were delivered in the second half of the year, the third quarter registering the highest percentage of deliveries. If in the beginning of 2021, 31% of the expected deliveries were already pre-leased, by the end of the year, this percentage increased to over 70%.

2021 is remarkable for a **more balanced distribution in terms of area for the new deliveries**. Most of the office buildings delivered in 2021 were located in the Center-North area, with 35% of the total area (decreased from 60% in 2020), and respectively Center-West with 29% of the deliveries (relatively similar with the 24% registered in 2020). A new upward area is the Central-South, with 13%, represented by U-Center project, Building A. The spaces in multi-building / business park type projects represented 75% of the deliveries.

Main Projects Delivered in 2021 in Bucharest

DELIVERY	PROJECT NAME	SURFACE (sqm)	AREA	LOCATION
Q1 2021	Campus 6.2	20,600	CENTRAL-WEST	Grozavesti
	Matei Milo Novotel Offices	9,600	DOWNTOWN	Universitate
Q2 2021	Tiriac Tower	16,500	DOWNTOWN	Piata Victoriei
Q3 2021	J8 Office Park - Buildings A and B	46,000	CENTRAL-NORTH	Piata Presei
	U-Center - Building A	32,800	CENTRAL-SOUTH	Tineretului
	Globalworth Square	30,800	CENTRAL-NORTH	Barbu Vacarescu
	Politehnica Business Tower	9,800	CENTRAL-WEST	Politehnica
Q4 2021	ONE Cotroceni Park – Phase 1	46,000	CENTRAL-WEST	Cotroceni
	MIRO	23,000	NORTH	Baneasa
	Dacia One	14,000	DOWNTOWN	Romana

An increasingly noticeable trend in the design of office buildings is the attention paid by developers **to the integration of generous areas of terraces and outdoor courtyards**, versatile areas ideal for informal activities.

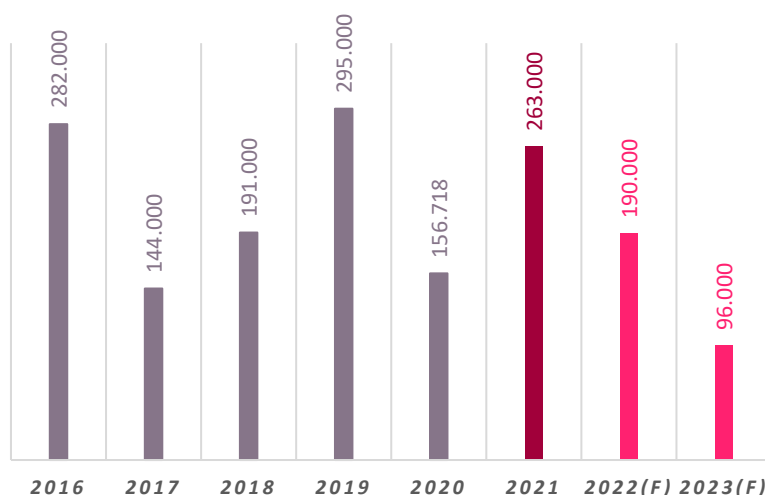


EVOLUTION OF THE ANNUAL OFFICE DELIVERIES BETWEEN 2016 - 2023

Estimated Deliveries for 2022 - 2023

For 2022 and 2023, projects totaling approximately 286,000 sqm are announced for the time being, but it is possible that this level will increase, in case of new projects receiving green light.

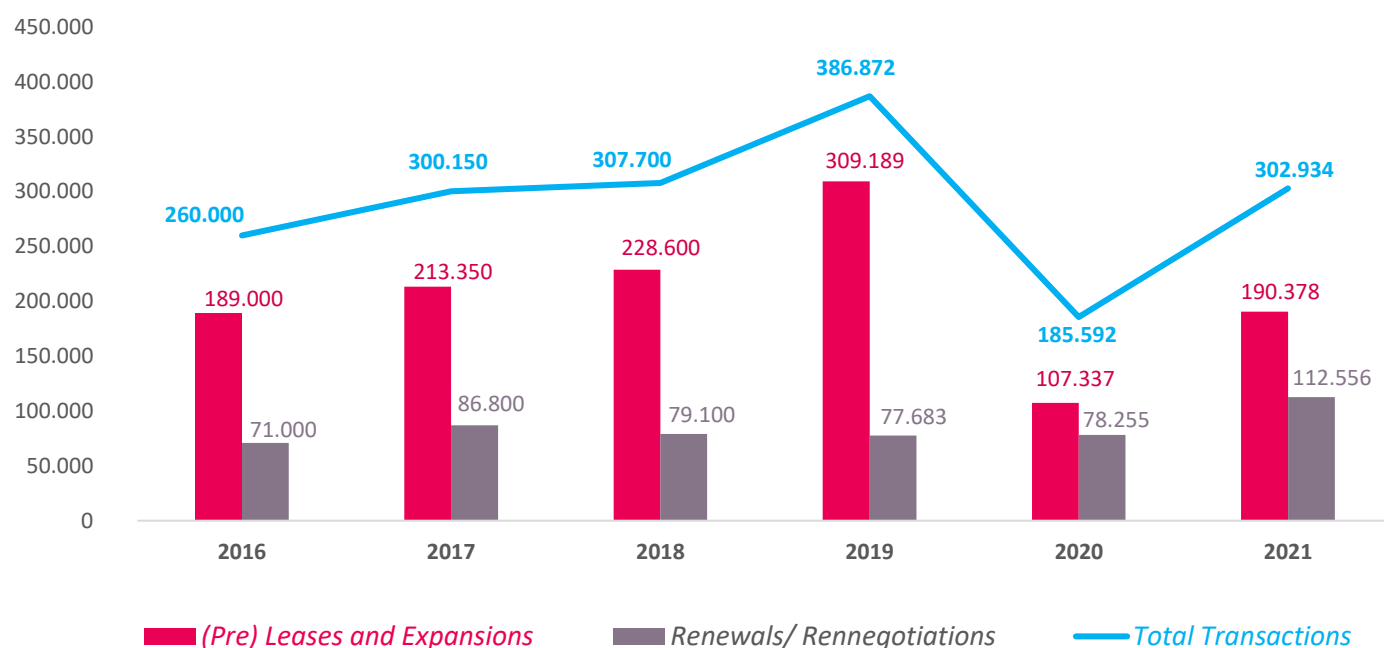
Approx. 20% of the spaces announced for 2022 are pre-leased already at the beginning of the year.



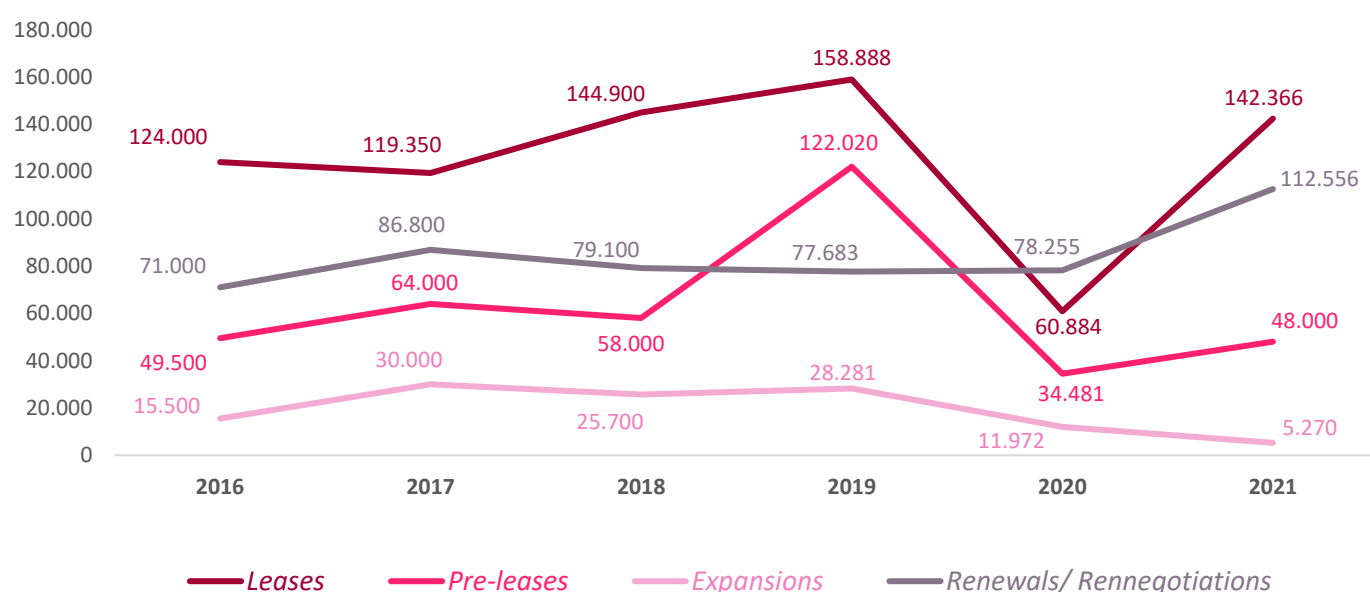
THE DEMAND

In Bucharest, the volume of spaces traded in 2021 stood at approximately 303,000 sqm. After 2020, when the pandemic caused many companies to suspend their plans to change or expand their headquarters, in 2021 the volume of office transactions returned to the level registered in 2017-2018.

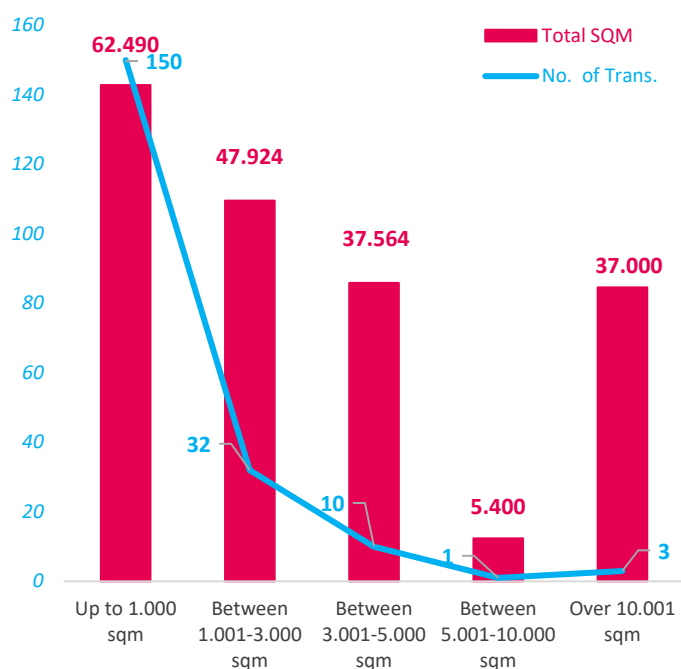
TRANSACTIONS BETWEEN 2016-2021



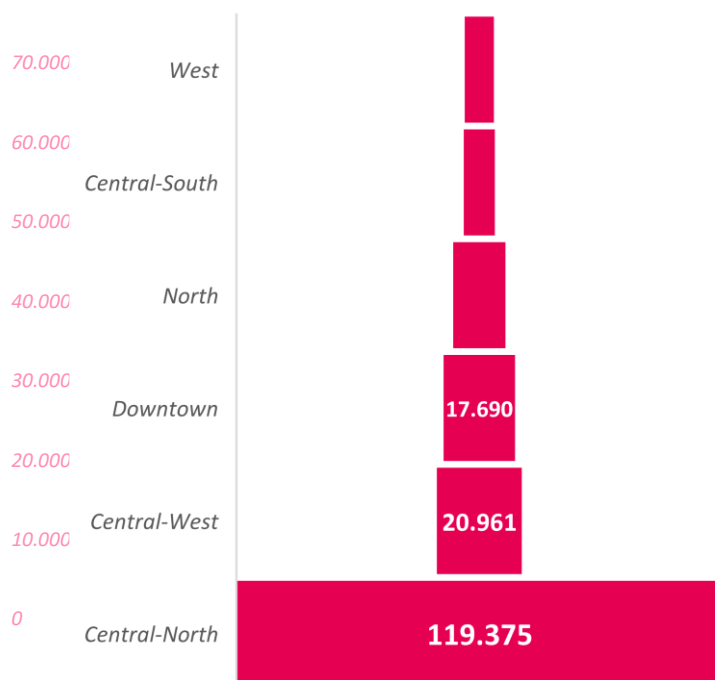
TRANSACTIONS EVOLUTION BETWEEN 2016-2021, BY CATEGORY



(Pre) Leases and Expansions, by SURFACE



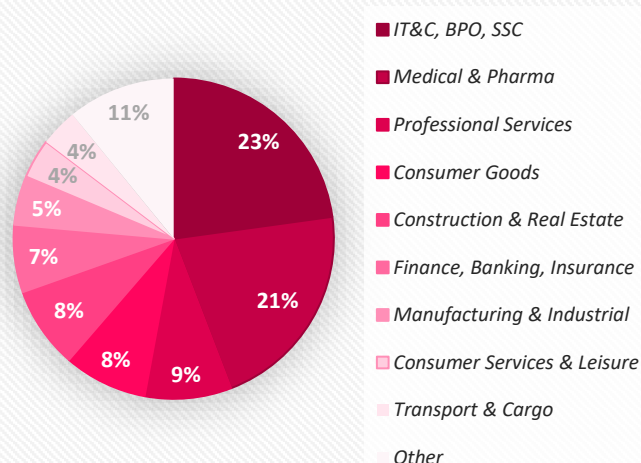
(Pre) Leases & Expansions, by AREA



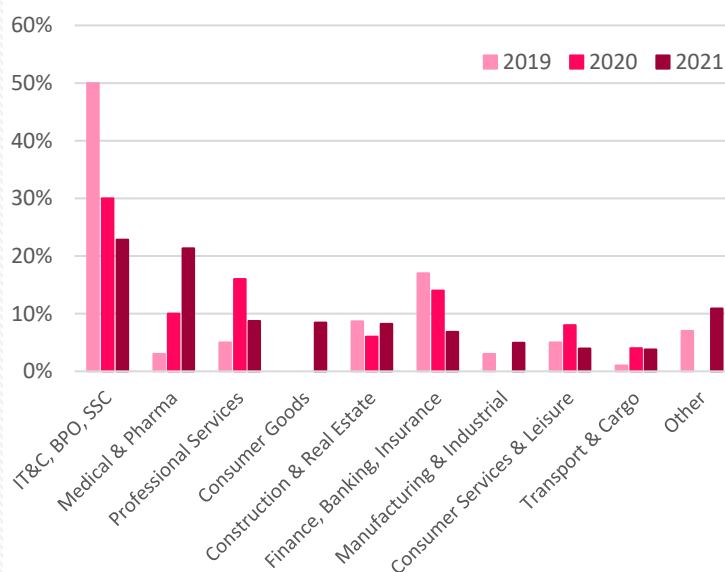
In 2021 the most active companies were those in IT&C, BPO and SSC domain, with 23% of the total volume of transactions.

Yet, compared with the prior 2 years, the IT&C BPO and SSC field registered a constant decrease (50% and 30% in 2019, namely 2020), while Medical & Pharma increased from 3% and 10% in 2019 and 2020, to 21% in 2021, ranking on the second position.

(Pre) Leases & Expansions, by INDUSTRY



(Pre) Leases & Expansions Evolution between 2019-2021



Main transactions in 2021

Tenant	Size (sq m rented)	Industry	Transaction type	Property	Area
Medicover	15,000	Medical & Pharma	Lease	Multigalaxy 1	CENTRAL-NORTH
Provita	11,000	Medical & Pharma	Lease	Iride Business Park	CENTRAL-NORTH
Wipro	11,000	IT & Communication	Pre-Lease	Globalworth Square	CENTRAL-NORTH
Estee Lauder	5,400	Consumer Services & Leisure	Lease	Matei Millo Office Building	DOWNTOWN
Allianz Tiriatic	4,640	Financial Services	Lease	Tiriatic Tower	CENTRAL-NORTH
Telekom	4,500	IT & Communication	Pre-Lease	@Expo	CENTRAL-NORTH
Sameday	4,500	Transport & Cargo	Lease	Globalworth Square	CENTRAL-NORTH
Rovere	4,200	Consumer Goods	Pre-Lease	Miro	NORTH
Corporate Office Solutions	4,000	Construction & Real Estate	Pre-Lease	Miro	NORTH
Regina Maria	3,000	Medical & Pharma	Lease	Globalworth Tower	CENTRAL-NORTH
Banca Transilvania	2,800	Financial Services	Pre-Lease	U-Center	CENTRAL-SOUTH

RENTAL TERMS

Rent levels remained relatively stable in terms of headline rent, while decreasing in net effective terms with up to 1 Euro/sqm, depending on locations.

The Central-North area was the most stable, and the one registering the most transaction level, as per the available spaces.

B class offices, and especially in less central areas, registered a slight decrease in headline terms.

Service charge levels increased from 3,5-4,0 to 4,0-4,5 Euro/sqm.

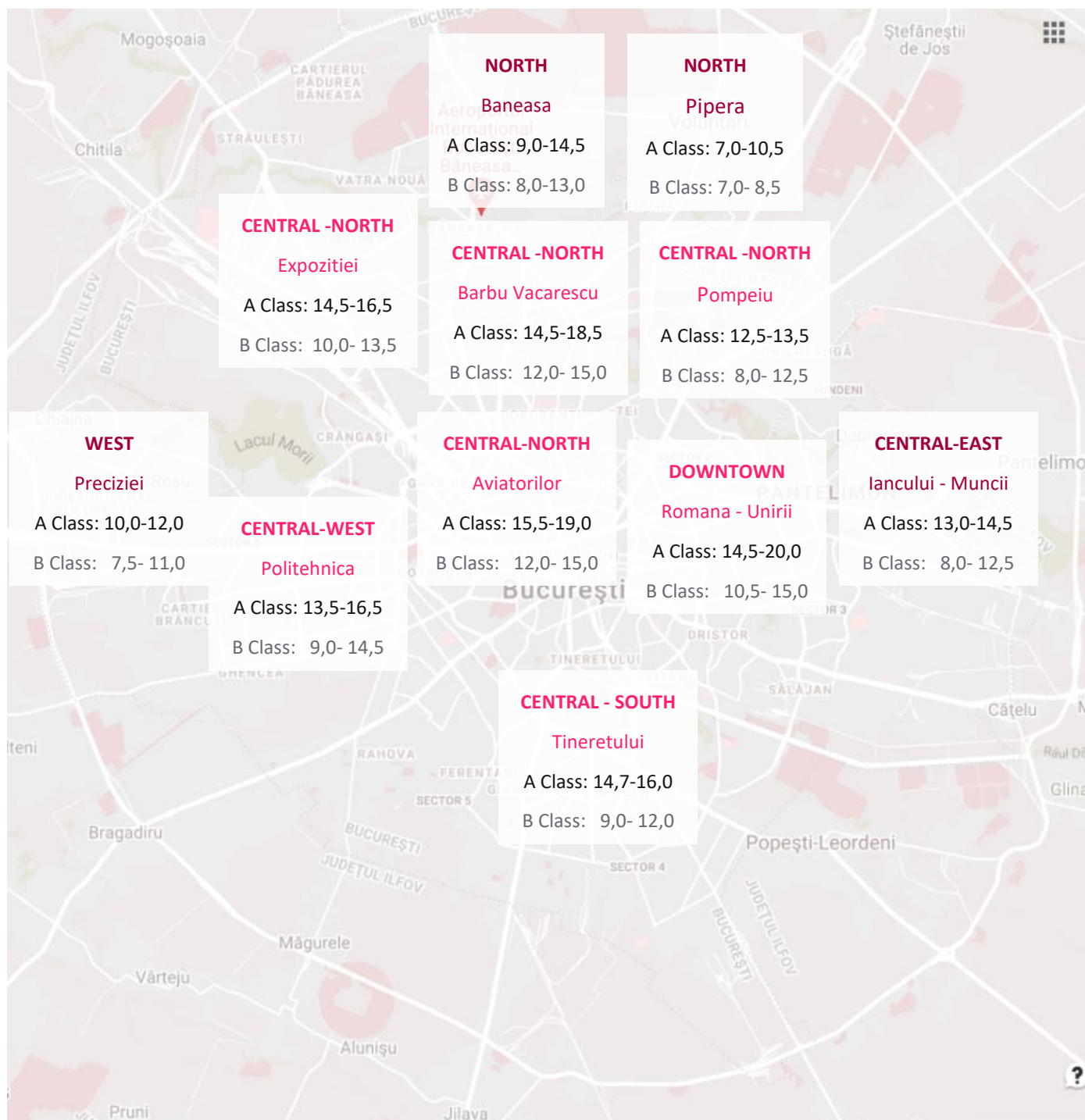
Contractual periods got more flexibility, break options being possible to obtain, after 3 years.

Subleases

More sub-leases registered in 2021, with a total volume of over 4,500 sqm. Yet, this is a small percentage compared to the total available spaces in the market.

The rental terms in these cases were generally 20-25% lower in both headline and net-effective terms. Design investment paid off, the fastest sub-leased spaces being the ones with impressive fit-out.

Rent Level Margins, within the main Areas | Office Poles



About ESOP Consulting | CORFAC International

ESOP, established in 2002, is a **trustworthy reference name** on the Romanian real estate market, among the **top 5 consultancy companies** on the commercial segment, having mediated the lease of over 100.000 sqm offices within the last 3 years.

Starting 2013, ESOP is the Romanian affiliate of **CORFAC International** a leading global network of **privately-owned entrepreneurial real estate firms** that partner to deliver quality and experienced service **locally, nationally, and internationally**. CORFAC members have expertise in office, industrial and retail brokerage, investment sales, multifamily, self-storage, acquisitions and dispositions, property management and corporate services. It covers **75 offices in the U.S., Canada, and in international markets, including Australia, France, Germany, Ireland, Italy, Japan, Malaysia, Netherlands, Romania, Russia, Singapore, South Korea, Switzerland, Thailand, and United Kingdom**. What CORFAC stands out for is its members' commitment in delivering reliable solutions, within a creative, trustworthy and highly customized process. **Fact Sheets** – CORFAC offices close an average of **10,000 lease** and sales transactions valued more than **\$9.2 billion annually**, totaling over **55 mil sqm (565 million square feet)**.



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