

# Expozitiei office market

February 2019

# Bucharest office market overview



## 2018

Bucharest continues to be the largest office market in Romania, the office stock in the city at the end of 2018 exceeding the 3 M sq m threshold, with new deliveries of about 190,000 sq m. 2019 is expected to set a new record on the market, with around 360,000 sq m planned for delivery in a single year.

The leasing activity amounted to 358,000 sq m, 25% higher than in 2017, with a net take-up of 280,000 sq m. The largest single transaction for a new lease was Microsoft's consolidation rental of 23,500 sq m in Campus 6.

The increasing demand led to a vacancy rate of 8%, 0.5% lower than that of the same period of 2017, with 15% of the contracts signed in the pre-completion phase.

## Stock & Supply

The total stock of office spaces reached a little over 3 M sq m in Q4 2018. The largest investors active on the market are Immofinanz, GTC, NEPI, Globalworth, Skanska, Nusco, AFI Group and Portland Trust. We expect the market to remain dynamic in the years to come, as over 600,000 sq m are to be delivered in 2019-2020.

## Demand

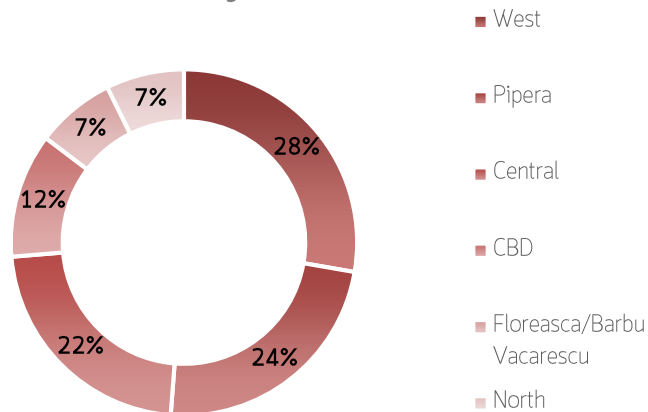
The development of the IT&C and outsourcing companies continued in 2018, maintaining the ascending trend registered during last years and bringing an important contribution to the GDP and to the development of the office market.

The same industries seem to dominate the first three quarters of 2018, with 49% of the leases split between the IT&C/BPO and Energy companies. The average deal size in 2018 was at 1,470 sq m, IT&C/BPO companies being the most active in terms of number of leases.

For the first time on the Romanian market, the main operators within the co-working segment have entered the top of the most active industries regarding the leasing activities, with an 8% share at the end of the year. The largest take-up by a single operator, Mindspace, added to 12,000 sq m in three Globalworth office buildings (City Offices, Globalworth Campus, Bucharest Tower Center).

The most sought-after area was the Western part of the city (28%), followed by Pipera (24%) and the Central submarket (22%).

### Breakdown by area



Source: Crosspoint Research

Stock 2018



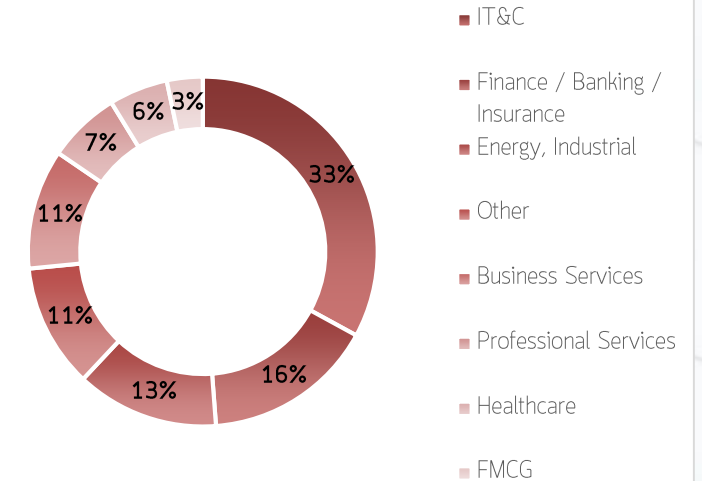
3 M sqm

Pipeline 2019



360,000 sqm

### Breakdown by industry



Source: Crosspoint Research

# Bucharest office market overview



## Prime Rents & Vacancy Rates

Prime headline rents remain unchanged (EUR 18 - 19 EUR per sq m/month) and are expected to remain at the same level in 2019. Landlords are offering incentives such as rent-free period and fit-out budget, thus net effective rents are approximately 10% - 15% lower than headline rents. However, the low vacancy rate will likely cause a decrease in incentives.

The vacancy rate in Q4 2018 has reached the lowest historical level of 8%. If the planned projects for 2019 will be delivered in time, the vacancy rate is expected to rise by 0.5-1%.

The rent level of an underground parking space ranges between EUR 100 to EUR 150 /month in prime CBD locations.

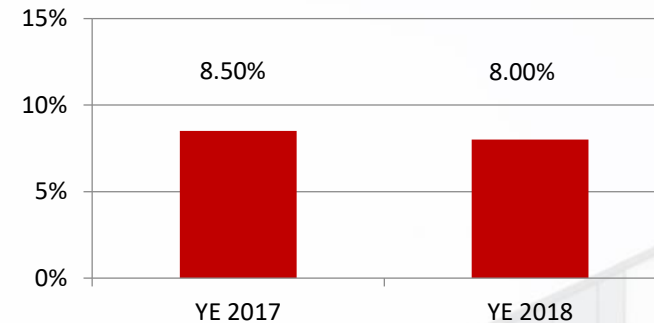
## Trends

The office market has become more competitive in the past years. The high level of deliveries on the office market will lead to the overrun of the office request in Bucharest, therefore entailing a possible decrease of the occupancy rate, mainly in the older buildings, situated in areas with poor accessibility. The owners will need to invest in refurbishments or to lower the occupancy costs in order to stay in the game with the new generation of buildings, in their majority green offices with state-of-the-art amenities and excellent connections to the public transportation, especially the subway. As companies increasingly seek high quality office space and the city attracts new large companies, we expect the gap in vacancy rates between A and B class buildings to widen.

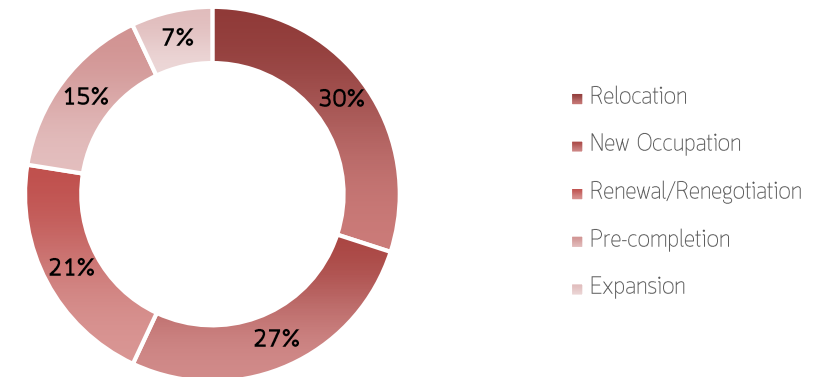
The campus office buildings are becoming more attractive and their market value could increase with the growing interest that developers of real estate projects, holders of portfolios and potential tenants have shown in the last period.

Areas like Floreasca/Barbu Vacarescu and the Western submarket are registering the lowest vacancy rates, whilst the average vacancy rate for the South sub-market remains over 20%.

## Vacancy rate yoy



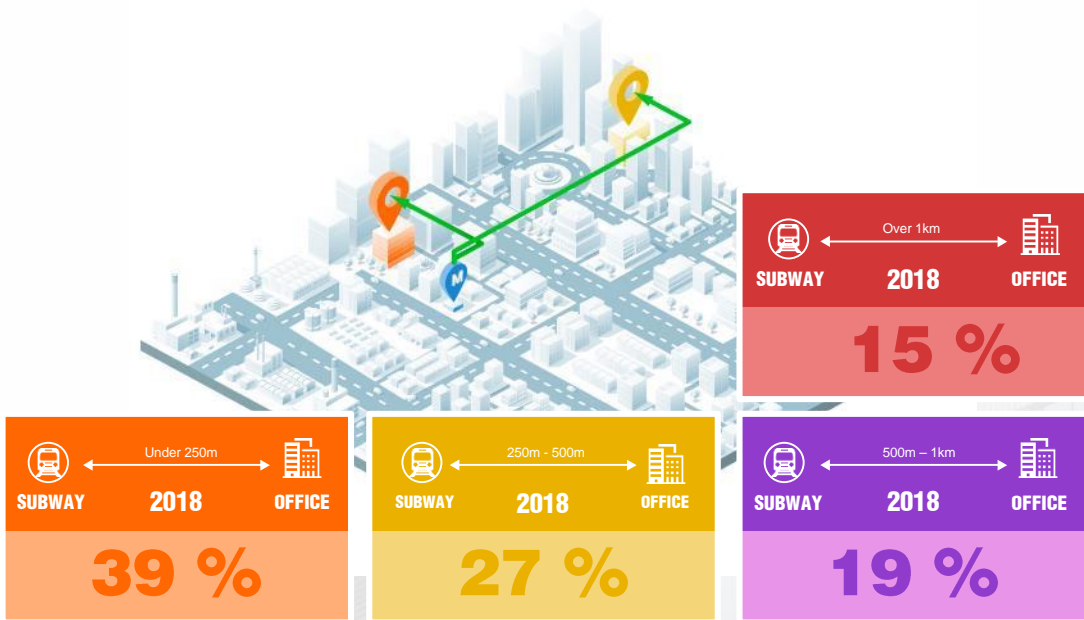
## Breakdown by transaction type



# Access to subway stations

Companies in Bucharest tend to move closer to the subway, due to underdeveloped traffic solutions.

Source: Crosspoint Research, 2018 leases





# Area overview - Expozitiei



- Expozitiei Area is relatively sparsely populated, with large areas of parkland. The Northern area of the city is the one that has developed the most in the latest years and has become the favorite among the residents of Bucharest, owing to the fact that it is located both near green areas and lakes, but also close to the center of the city, 10 - 15 minutes by car.

- Expozitiei has one of the highest development potentials on the office segment, due to the subway project (M6), very good positioning inside the city, good access to CBD and airports. The new office projects in the area will host more than 20,000 employees.



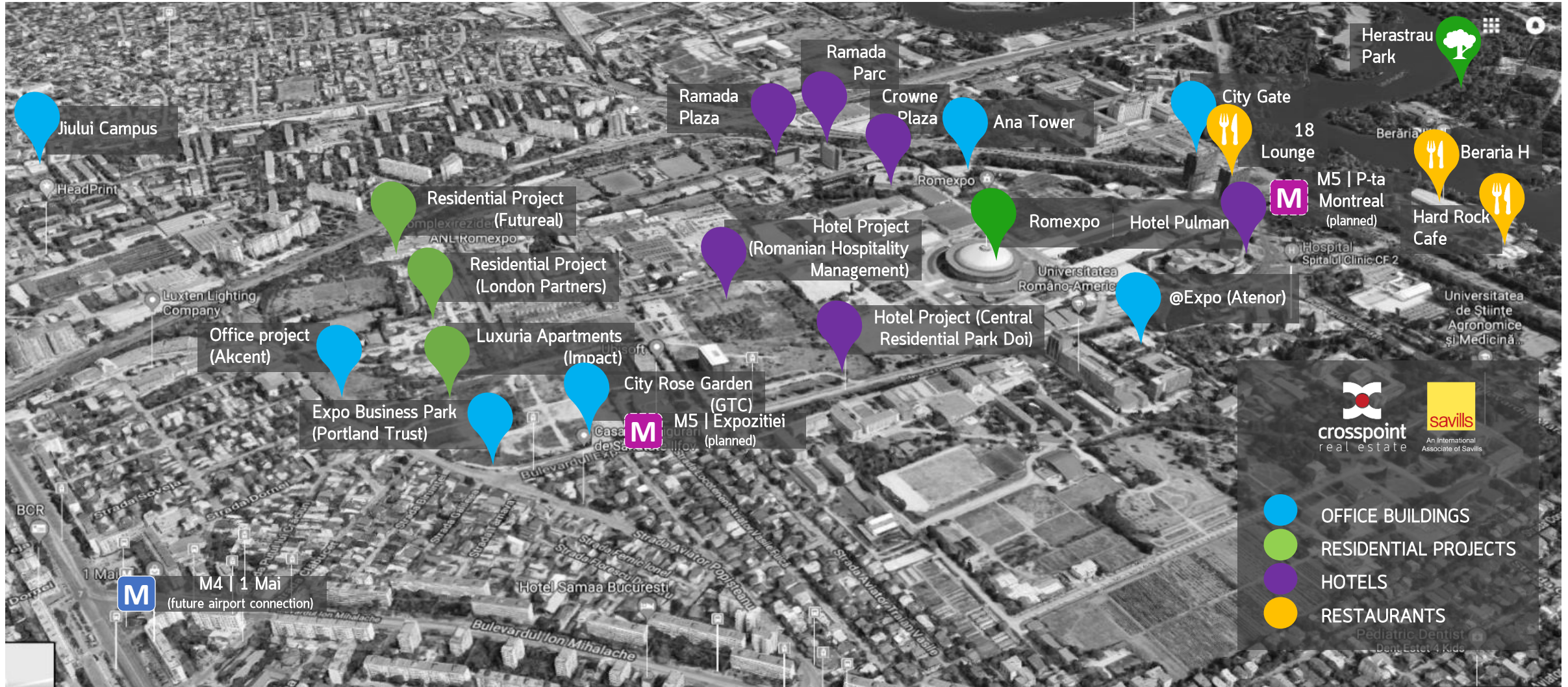
- The presence of academic centers in the area (Romanian-American University, University of Agriculture and Veterinary Medicine, National University of Political Studies and Public Administration) gives potential tenants in the area access to a diverse talent pool.

- Points of interest: a variety of restaurants and bars, Herastrau Park, Romexpo Exhibition Center, malls&shops, banks, hospitals.

- Both Expozitiei area and the adjacent area Straulesti are under continuous development, with a large number of residential projects announced in the short to medium term.

- With 1 Mai (Chibrit) subway station in only relative proximity, several of the best office buildings in Bucharest were built in this area - Bucharest Business Park, S-Park, City Gate and the Unicredit Bank headquarters. This is an atypical development pattern for an office area, that otherwise benefits from good visibility, infrastructure, proximity to airports and city center arteries.

# Area overview - Expozitiei





# Expozitiei infrastructure

With 1 Mai and Jiului as the nearest metro stations, the area has yet to benefit from an underground infrastructure in its immediate proximity.

The works for the development of the M6 line, which will connect the Northern Railway Station to the Henri Coanda International Airport and will provide Expozitiei with its own subway station, are planned to start this year. The projected timeline for the project is 4.5 years.

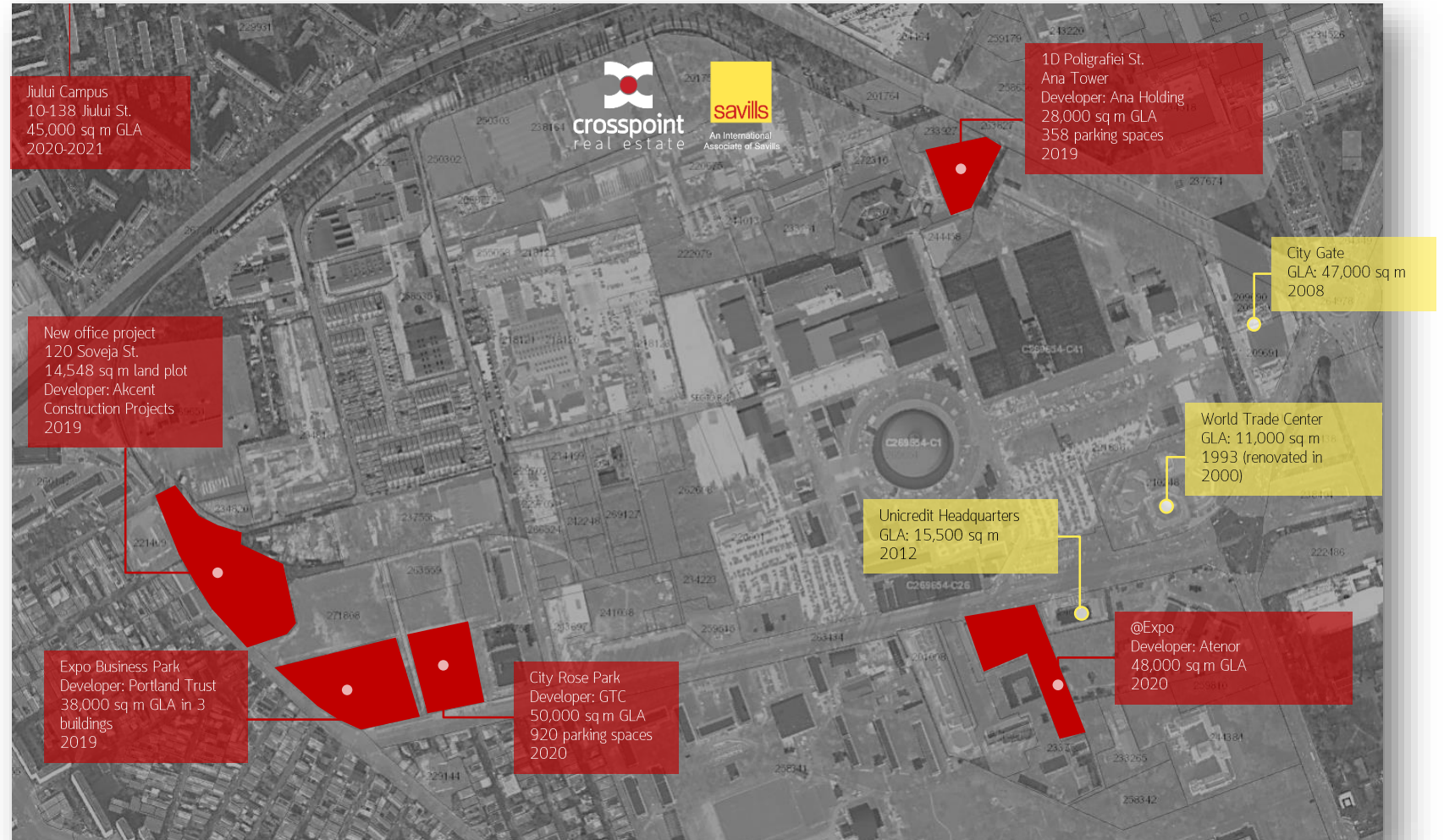
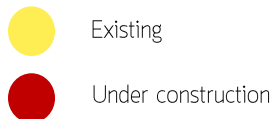
However, Expozitiei area benefits from a good public transport connection to all areas of the city (41, 42 tram lines, 105, 131, 148, 149, 205, 261, 304, 330, 335, 449, N113 buses and 780 and 783 express buses to Henri Coanda Airport).



# Expozitiei office market

## • Office projects:

- ✓ **Expo Business Park** - Portland Trust's office project will consist of three buildings, out of which the first building, with a 17,750 sq m GLA, has been fully rented by ING in the pre-construction phase. The other two buildings will have a total GLA of 8,300 sq m and 17,300 sq m. The project will be delivered in a single phase, in Q2-Q3 2019
- ✓ **City Rose Park** - on a 15,000 sq m land plot, GTC will develop three office buildings with a leasable area of 50,000 sqm and 920 parking places. City Rose Park will be delivered between 2019 and 2020 and is currently in the planning phase
- ✓ **Ana Tower** - George Copos' new office building, due for delivery in 2019, will have 24 floors with a total GLA of 28,000 sq m and 358 parking spaces. 30% of the building has been pre-leased by PWC.
- ✓ **Akcent Construction office project** - the company recently acquired almost 15,000 sq m of land on Soveja Street and is planning on developing an office project
- ✓ **@Expo-** built on a 11,600 sq m land plot, the office building will have a GLA of over 48,000 sq m
- ✓ **Jiului Campus Business Park** - Built next to Jiului metro station, the campus will have over 45,000 sq m of office space. The project is expected to be delivered in Q4 2020-Q1 2021.





# EXPO BUSINESS PARK



Ownership: **PORTLAND TRUST**

Location: **Expozitiei Casa Presei Square**

Category: **Class A**

Availability: **Q2/Q3 2019**

Other tenants: **ING, Regus**

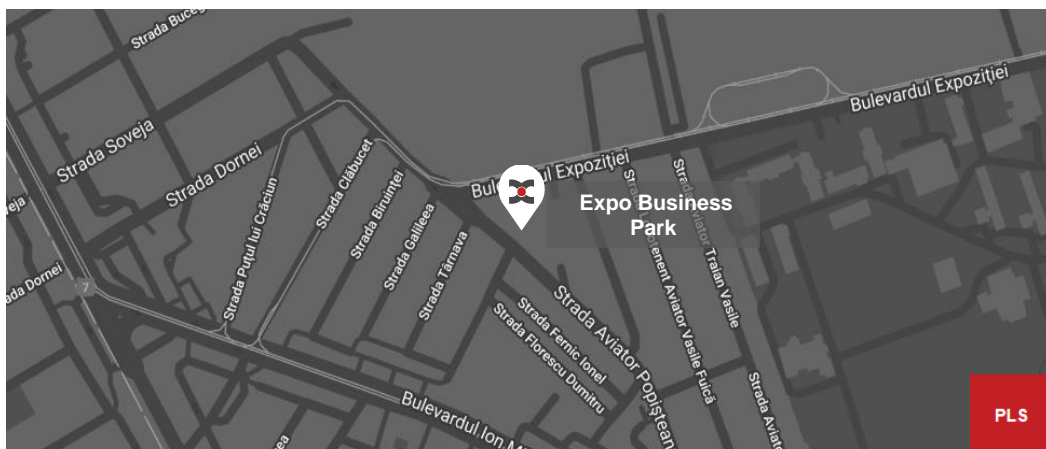
Contract: **5 years**

Underground parking: **100 € / month**

Asking rent: **14.5 € / sqm /month**

**Distinctive, modern & functional architecture**

**Green Building Office Certification - BREEAM**



Floors: **3UG + commercial GF + 8 office floors**

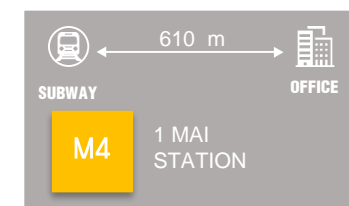
Office space available: **40.000 sqm**

Minimum leasable area: **TBD**

Typical floor: **1320 – 1700 sqm**

Underground parking lots: **624**

**5 min. walking distance to Expozitiei Subway (2021)**



@EXPO



Ownership: **ATENOR**

Location: **North Expozitiei Boulevard**

Category: **Class A**

Availability: **Q2 2020**

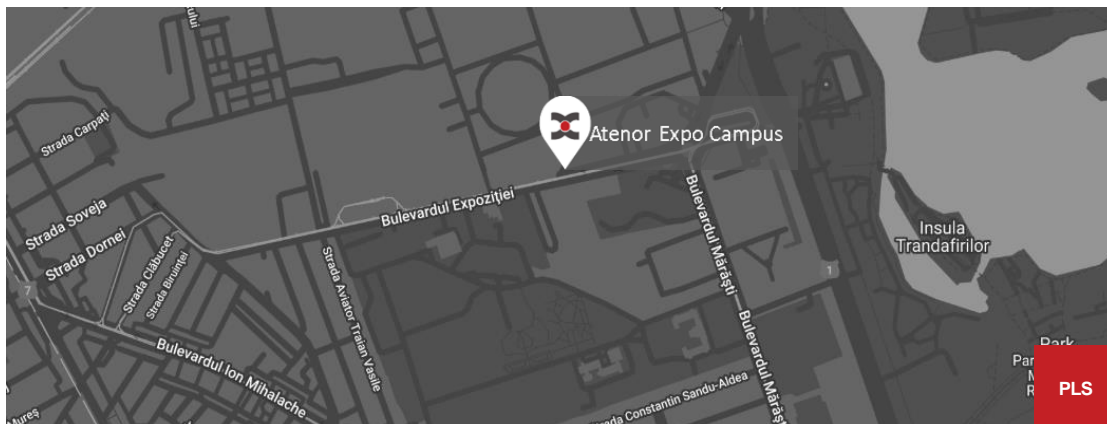
Contract: **5 years**

Underground parking: **TBD**

Asking rent: **TBD**

**Distinctive and modern architecture**

**Green Building Office Certification - BREEAM Excellent**



Floors: **3UG + GF + 18 floors**

Minimum leasable area: **TBD**

Office space available: **48.000 sqm**

Typical floor: **1.350-3.000 sqm**

Underground parking lots: **16 for the entire building**

**5 min. walking distance to tram and buses**





# CITY ROSE PARK



Ownership: **GTC**

Location: **North/Presei Libere Square**

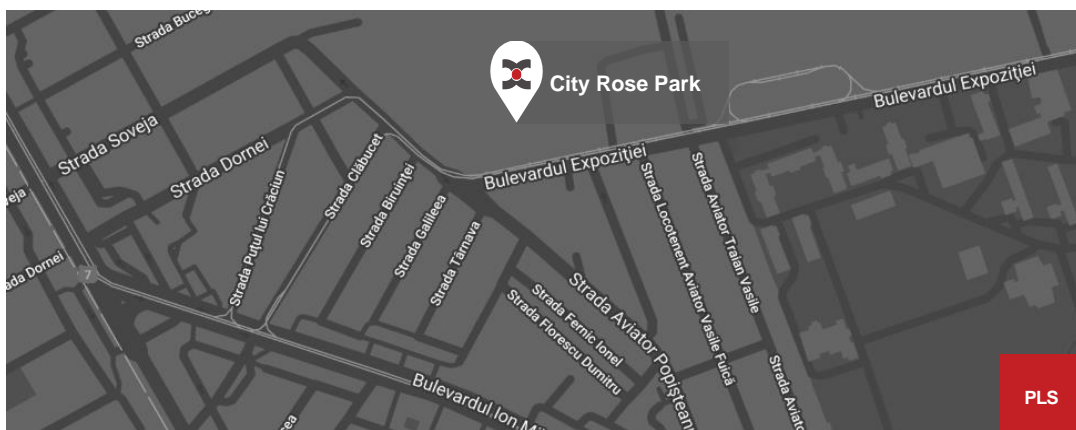
Category: **Class A**

Availability: **Q4 2020**

Contract: **5 years**

Iconic image, direct visibility from bd. Expozitiei

Leed Gold certification



Floors: **4UG + GF + 10/11 floors + technical floor**

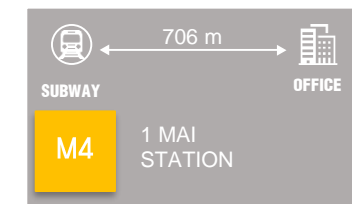
Minimum leasable area: **TBD**

Office space available: **47.700 sqm**

Typical floor: **1230-1460 sqm**

Underground parking: **819 lots**

**10 min. walking distance to 1 Mai Subway**





# ANA TOWER



Ownership: **ANA HOLDING**

Location: **Expozitiei Casa Presei Square**

Category: **Class A**

Availability: **Q4 2019**

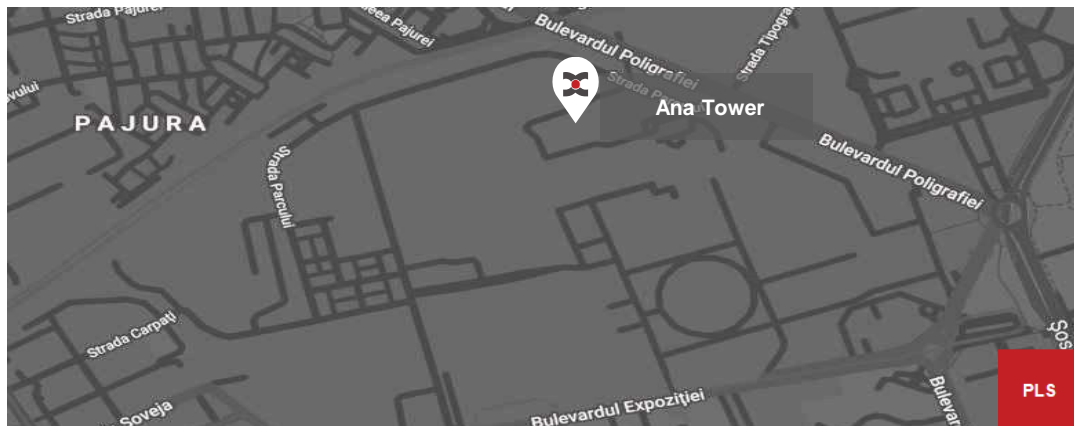
Other tenants: **PWC**

Contract: **5 years**

Asking rent: **18 € / sqm /month**

**Innovative design, highly efficient work space**

**Green Building Office Certification - LEED**



Floors: **3UG + GF + 24**

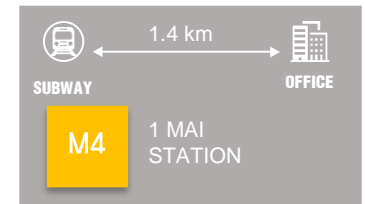
Office space available: **28.000 sqm**

Minimum leasable area: **TBD**

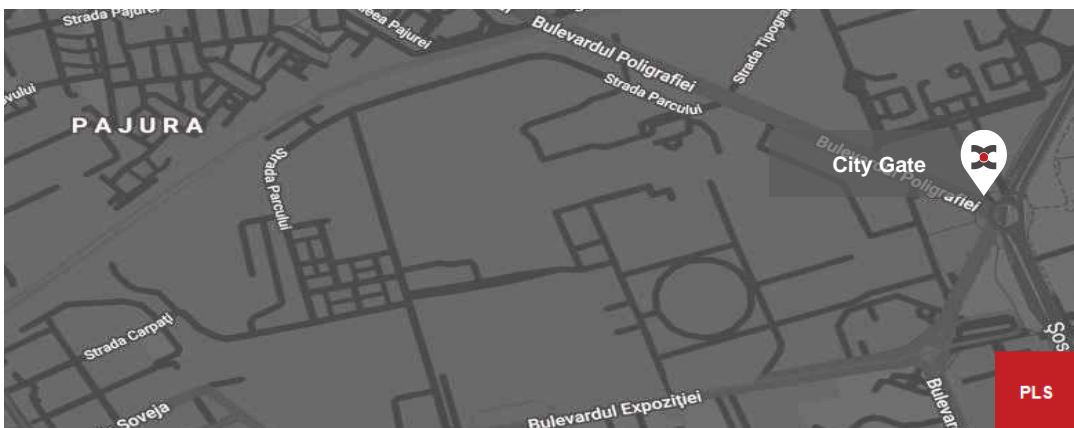
Typical floor: **1200 sqm**

Underground parking lots: **267**

**5 min. walking distance to Expozitiei Subway (2021)**



# CITY GATE



Ownership: **GTC**

Location: **Expozitiei Casa Presei Square**

Category: **Class A**

Availability: **immediately**

Other tenants: **E.On, Telekom, Rompetrol**

Contract: **5 years**

Asking rent: **9-12 €/sq m/ month**

**Green Building Office Certification**

Floors: **3UG + GF + 18**

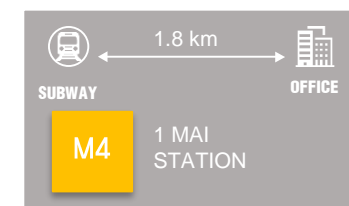
Office space available: **640 sqm**

Minimum leasable area: **TBD**

Typical floor: **1000 sqm**

Underground parking lots: **900**

**5 min. walking distance to Expozitiei Subway (2021)**





# WORLD TRADE CENTER



Ownership: **World Trade Center Bucuresti**

Location: **Expozitiei Casa Presei Square**

Category: **Class B**

Availability: **immediately**

Other tenants: **BCR, Michelin, Samsung, Regus**

Contract: **5 years**

Asking rent: **13 €/sq m/ month**



Floors: **3UG + GF + 10**

Office space available: **140 sqm**

Minimum leasable area: **140 sqm**

Underground parking lots: **200**

**5 min. walking distance to Expozitiei Subway (2021)**





# JIULUI CAMPUS BUSINESS PARK



Ownership:

Location: **North**

Category: **Class A**

Availability: **2020-2021**

Contract: **5 years**

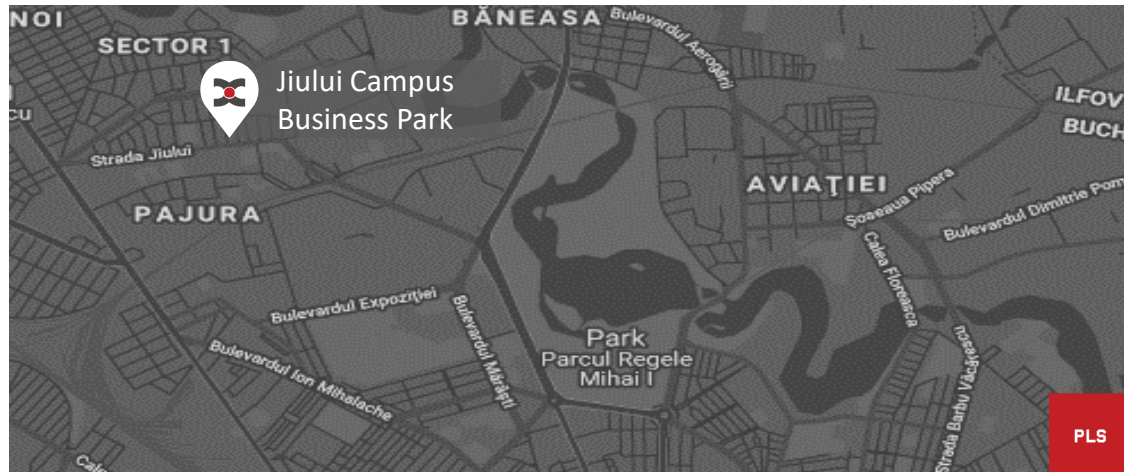
Other tenants : **TBD**

Underground parking: **TBD**

Asking rent: **TBD**

**Distinctive and modern architecture**

**Green Building Office Certification**



Floors: **UG + GF + 9 floors**

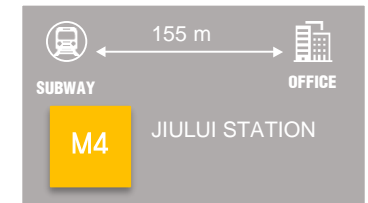
Minimum leasable area: **TBD sqm**

Office space available: **45,000 sqm**

Typical floor: **3000 sqm**

Underground parking lots: **TBD**

**5 min. walking distance to subway**



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