



BUCHAREST METRO AND THE REAL ESTATE CONNECTION

In a city like Bucharest, regarded as one of the most congested in the world by the navigation technology company TomTom, for a lot of people, life gravitates to a huge extent around the functioning public transportation components. Residential, offices and retail schemes get a significant boost from a connection to the subway, which is arguably the most efficient and comfortable means of public transportation in Bucharest. Occasionally, underpinned by the metro, major mixed-use areas are born, helping cement deep synergies.

We focus in this report on the office market. Given what we stated previously regarding the importance of a metro connection, we calculated that around 2 million sqm of Bucharest's 2.6 million sqm of modern office spaces are within a reasonable (10 minutes) walking distance from a subway station. Or around 77% of total, which is identical to the figure our colleagues in Czechia came up with recently when looking at the Prague metro map. Also, some 0.9 million sqm are closely located around two neighbouring (and adjacent) stations in the northern part of Bucharest – the so-called Floreasca/Barbu Vacarescu and Dimitrie Pompeiu submarkets. It is important to underscore that the other fast-growing submarkets, like Center West, are much more dispersed, with office buildings there around several subway stations. This can be both a blessing and a curse: while a bit crowded, areas like Floreasca/Barbu Vacarescu offer the advantage of a wide array of services available in the near vicinity for employees, as well a potential proximity to one's businesses partners and suppliers.

We also want to note that good land plots for office developments are becoming scarcer/ more expensive (particularly in central areas) and given that construction costs in general have risen sharply in recent years, the incentive for developers to jump in are diminished. In this context, some have explored locations around the planned extension of the metro linking Bucharest to the International Airport just north of the city, but the subway works are unlikely to be finished in the first half of the next decade, judging by how

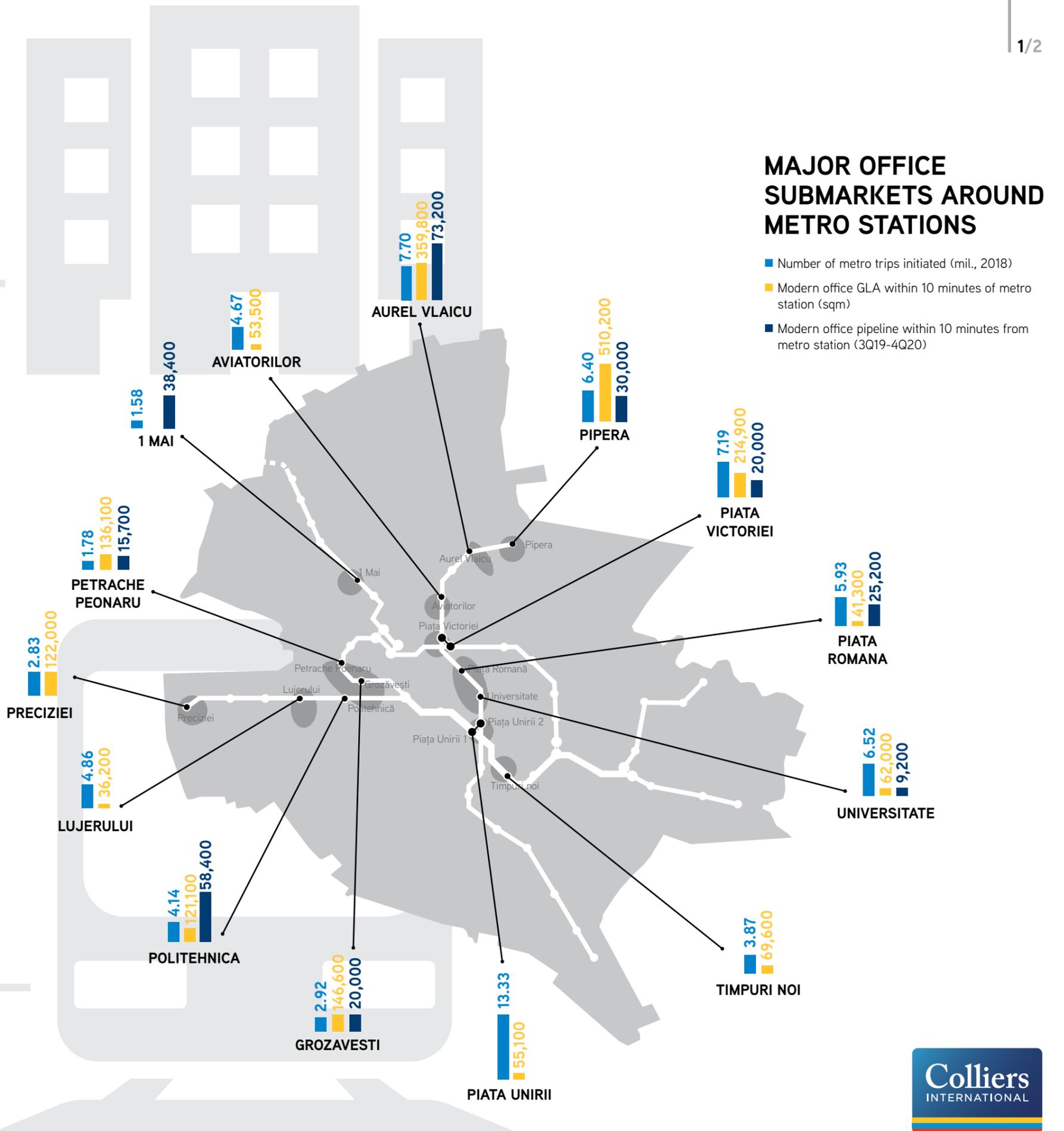
the authorities handled building the Drumul Taberei - Universitate metro line (where tendering started in 2008 and it is possible that works will not be finished even this year).

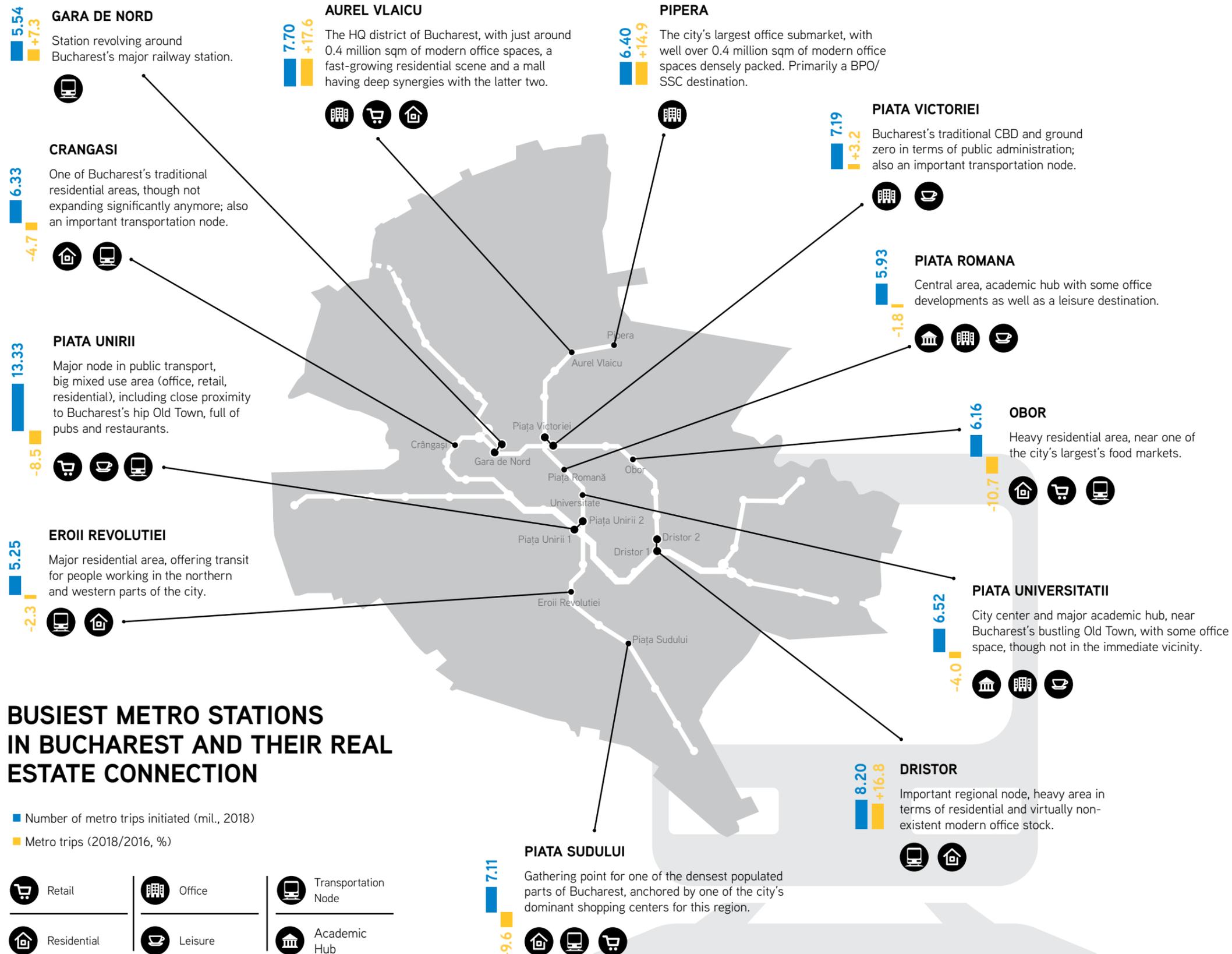
Furthermore, some developers have explored land plots near stations (Tineretului, Jiului) that are not part of the traditional office submarkets and we will see offices being built there. Of course, this might be a trend limited to central, northern and western locations as southern and eastern locations continue to be seen primarily as destined for residential. In this regard, for the foreseeable future (at least several years), any big changes are unlikely. Otherwise, developers will continue to walk off the beaten path and over the next decade, we may see a handful of medium-sized office buildings near several subway stations outside the big office hubs. Still, these will not be enough to be deemed a submarket in their own right, rather extensions of neighbouring ones.

The definitive measure of success for metro-connected office buildings is the vacancy rate. For the 77% of leasable modern office space close to subway stations, the end-2018 vacancy rate stood at around 7% (market average of 9.5%), whereas for the rest of the 23%, it was over 19%. We are currently in the midst of calculating the mid-2019 figures, though it is likely that this gap between buildings with subway connections and those without only widened as a sizeable relocation took place recently. Over the medium term, this gap is likely to hold, leading to a more layered market in terms of both rents and investment products.

77%

OF LEASABLE MODERN OFFICE SPACE IS CLOSE TO SUBWAY STATIONS





BUSIEST METRO STATIONS IN BUCHAREST AND THEIR REAL ESTATE CONNECTION

■ Number of metro trips initiated (mil., 2018)
 ■ Metro trips (2018/2016, %)



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YOUR OFFICE IS YOUR BUSINESS ACCELERATOR

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LANDLORD REPRESENTATION



PROJECT MANAGEMENT



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