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BUCHAREST OFFICE MARKET

Q3 UPDATE

Accelerating success.

GROSS TAKE-UP

3Q18

73,500 sqm
(+18% YoY)

1Q18-3Q18

223,100 sqm
(-9.9% YoY)

NET TAKE-UP

3Q18

20,400 sqm
(-52.9% YoY)

1Q18-3Q18

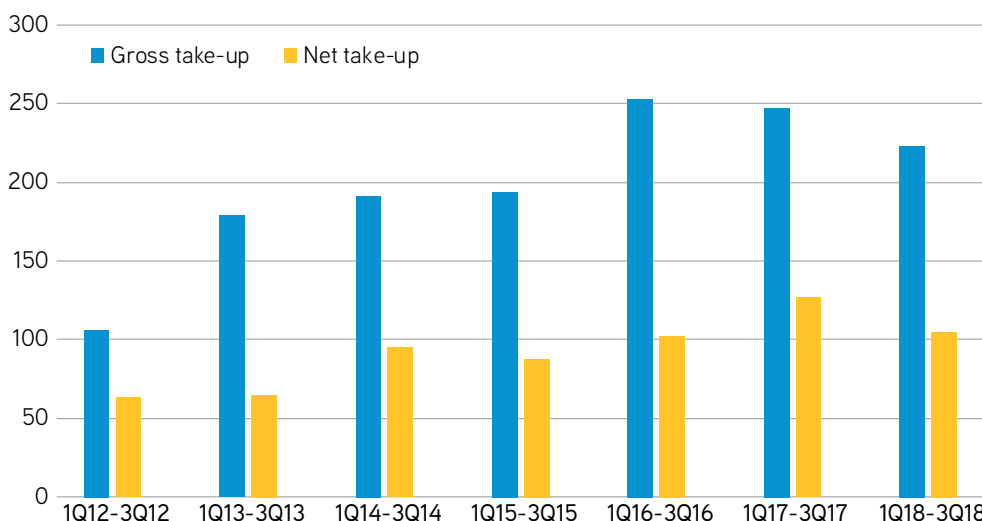
103,700 sqm
(-18.4% YoY)



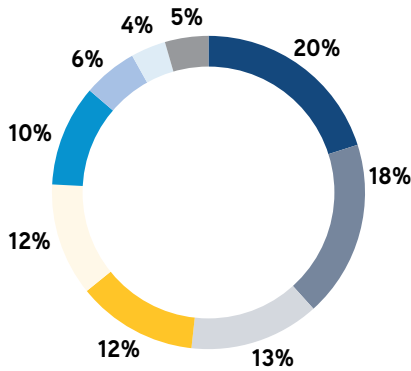
DEMAND

- in tune with Colliers' estimates, **leasing activity is softening to more normal levels** following an excellent 2017 (best post-crisis year for new demand)
- comparisons to 2017 might be misleading, as new demand still in fairly good form (for instance 1Q-3Q18 net take-up comparable with the full year results for 2015)
- co-working was exceptionally strong so far (20% of net take-up, 10.4% of gross take-up); ultimately, this adds to the sensation of sluggishness in the office market as this part of the new demand is not linked to employment growth
- in a sign of potential issues over the medium term (potentially rent-impacting), relocations from competitive stock have increased, hitting a post-crisis (probably all-time) high for 1Q-3Q period
- as a positive, **the market is much more balanced than 1-2 years ago in terms of both demand by activity sector, as well as locations sought after by tenants**
- by local standards, **the labour market is at its tightest in the post-crisis cycle, but still has a lot of slack compared to regional peers** (suggesting office stock can still expand in the long run, albeit at a slower pace)
- aside from new big co-working operators (MindSPACE, Spaces), 2018 saw a few notable entries (like the London Stock Exchange Group opening a service center in Bucharest)
- rents remained broadly stable, though some submarkets displaying strong tenant demand and low vacancy (like Floreasca-Barbu Vacarescu) are seeing pressures on effective rents
- **vacancy likely increased a bit** from 9% mid-2018 towards 10% end-3Q18 and should move more firmly in double digit territory by year-end amid cooling demand and stronger deliveries in 2H18

Office leasing activity in Bucharest (sqm)

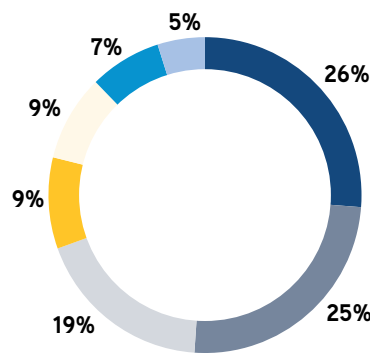


**Take-up by location in 1Q-3Q18
(% of total)**



- Central areas
- West
- CBD
- Piata Presei/Expozitiei
- Other
- Center-West
- Dimitrie Pompeiu
- Floreasca-Barbu Vacarescu
- Timpuri Noi

**Take-up by sector in 1Q-3Q18
(% of total)**



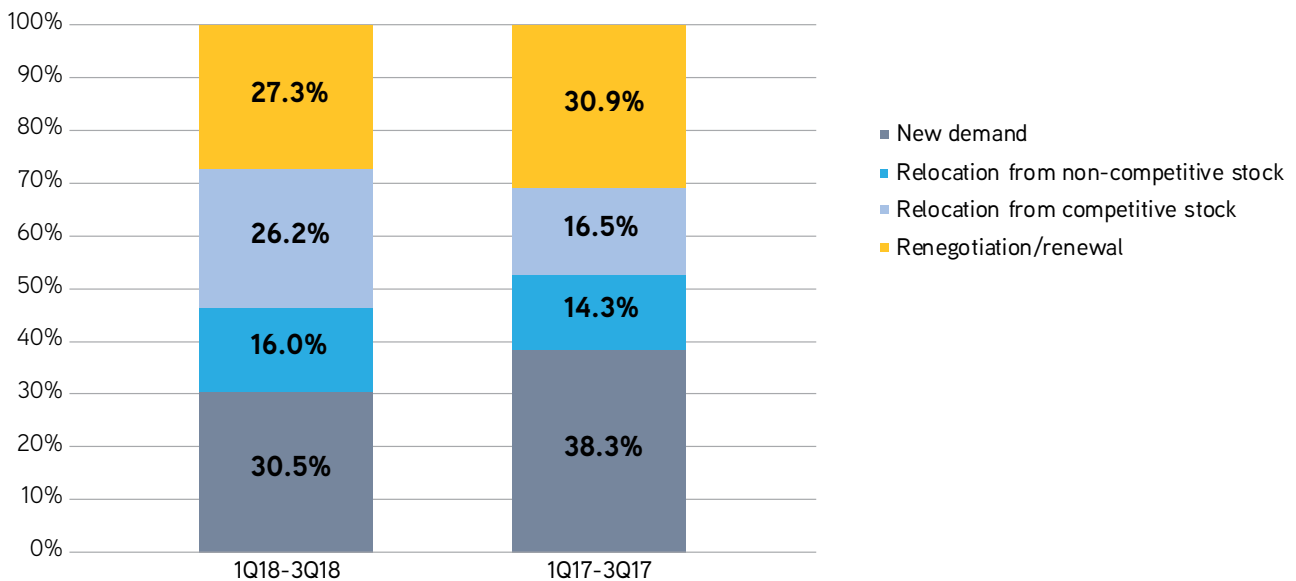
- Professional Services
- Energy / Industrial
- Pharma / Medical
- IT&C
- Finance/Banking/Insurance
- Consumer goods



DELIVERIES

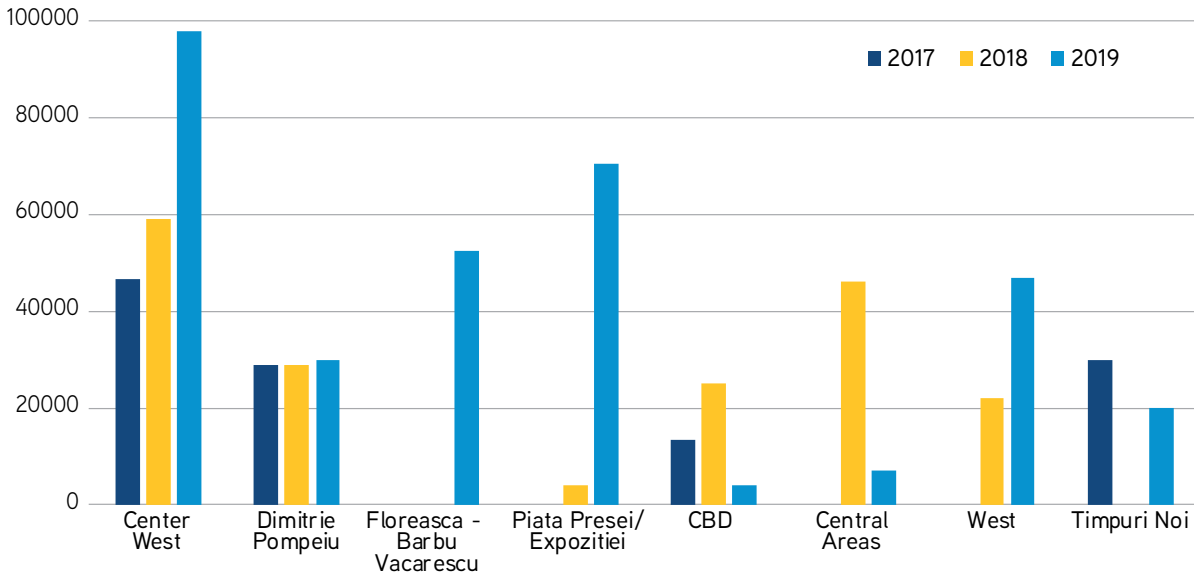
- after a modest stock increase in 1H18 (33,000 sqm), 3Q18 was more dynamic, with 83,000 sqm; 4Q18 is also quite busy, with over 69,000 sqm (though part of this could be pushed into 2019)
- **Center-West/West each received a delivery in 3Q18 and accounted together for over 70% of the new stock**, with the rest in central areas

Cooldown in new demand, more relocations

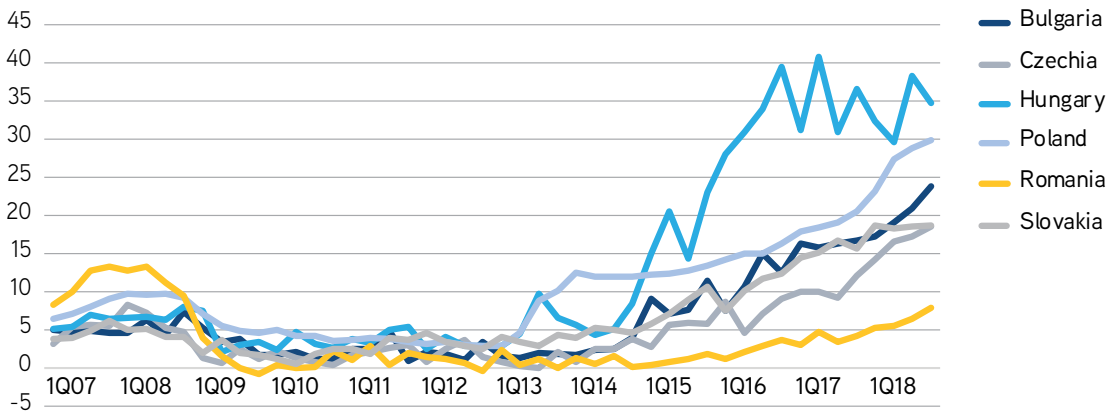


- **2019 pipeline stands at well over 300,000 sqm based on developer promises**, but we would expect part of this to be delayed into 2020 if pre-leases activity does not go well

Bucharest office deliveries and pipeline by submarket (sqm)



% of service companies stating that employees availability is a negative factor for growth



WELL AND GREEN CERTIFICATIONS

- 2018 saw a couple of novelties so far, with **the first 3 buildings (including Skanska’s Campus 6.2 and 6.3) seeking WELL certifications for Core & Shell**
- amid an ever tighter labour market, **in order to improve employee satisfaction and retention, large employers are also expressing interest in WELL certifications for interiors of buildings**
- green certifications remain a focal point, while also highlighting improved standards among developers (with 3 new LEED Platinum certifications issued thus far in 2018 for two buildings in Timpuri Noi Square and for the first phase of The Bridge)

Data sources: Colliers International Romania, Bucharest Research Forum, Eurostat

554 offices in
69 countries on
6 continents

United States: **153**

Canada: **34**

Latin America: **24**

Asia Pacific: **231**

EMEA: **112**

\$2.7

billion in
annual revenue

2

billion square feet
under management

15,400

professionals
and staff

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