

Central South East Europe (CSEE)

Office Market Overview
H1 2021



Commitments

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Office Market

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Belgrade Office Market

Bucharest Office Market

H1 2021

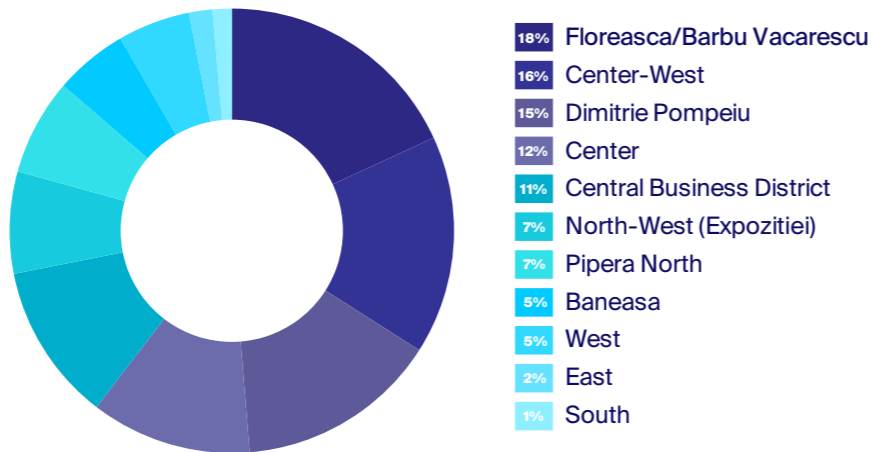


Bucharest

Supply **46,000** sq m

In H1 2021 the supply reach approximately 46,000 sq m, representing around 55% decrease compared to same period last year. Among the schemes, Campus 6.2 is the largest (~20,000 sq m), followed by Tiriac Tower (~16,500 sq m) and Millo Offices (~9,500 sq m).

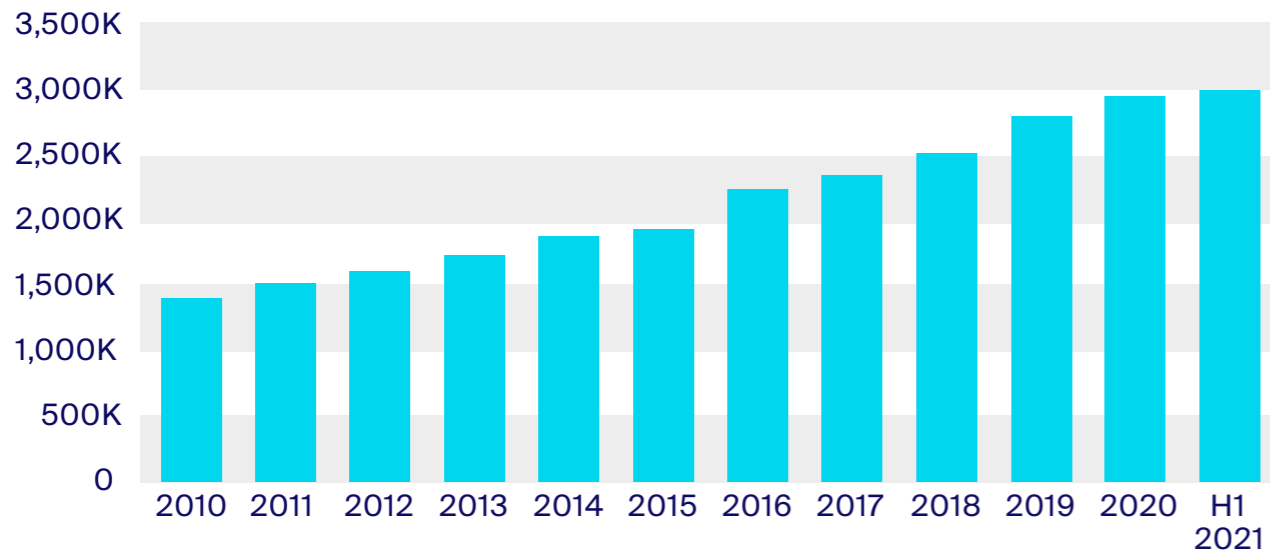
STOCK BY SUBMARKET



Stock **3.0 mil** sq m

The submarket with the highest modern office stock is Calea Floreasca / Barbu Vacarescu (544,000 sq m) followed by Center West area (477,000 sqm) and Dimitrie Pompeiu (441,000 sq m).

MODERN OFFICE STOCK ANNUAL EVOLUTION



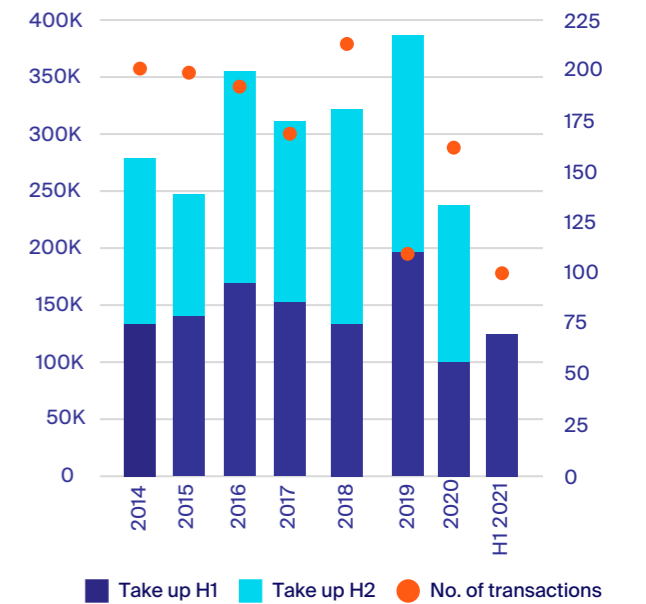
Demand **125,000** sq m

After an encouraging start to the year, the recovery in the lettings market was confirmed in Q2 2021 with a 35% rebound in take up compared to the previous quarter.

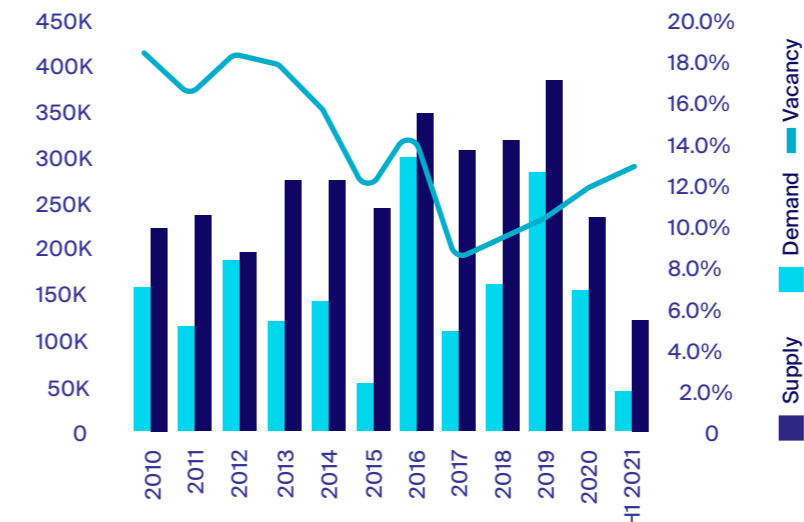
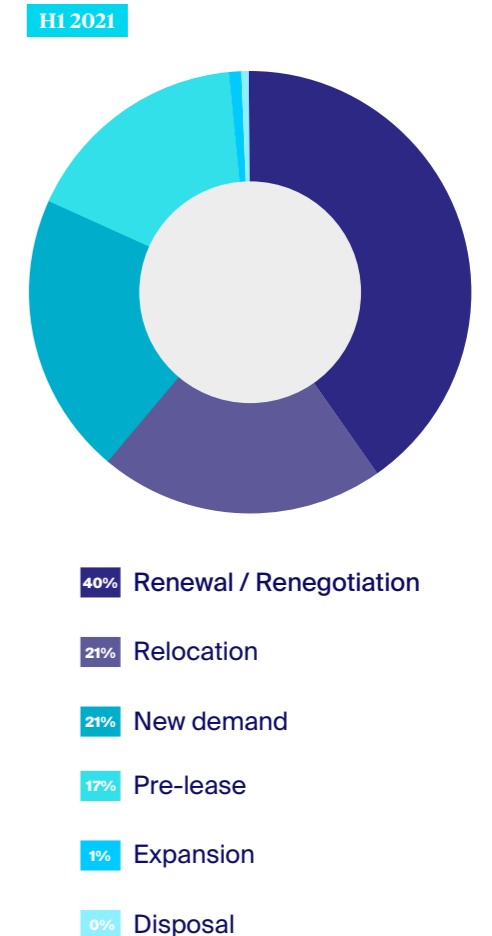
Almost 72,000 sq m were leased in Q2 2021 after 53,000 sq m in the 1st quarter, bringing take-up to almost 125,000 sq m for the 1st half of 2021. Although the increase is 25% higher than the 1st half of 2020, the result is still 17% lower than the average for the last five years. 100 transactions were signed in H1 2020, compared to 66 in H1 2021. Recent transactions already show a trend towards a reduction in the average size of leased space from 1,800 sq m in H1 2019 and 1,500 sqm in H1 2020 to 1,250 sqm since the beginning of 2021. Out of 125,000 sqm, 40% were renewals, 21% relocations, 21% new demand while pre-lease were 17%.

The most sought after submarkets in H1 2021 were Floreasca Barbu Vacarescu, which saw ~25,000 sq m of leasing activity (20% of total take up) thanks to a pre-lease transaction of over 10,000 sqm and CBD, where 18,500 sq m of space was leased (15% of total take up), followed closely by North-West Expozitiei and Center-West areas with 14% of total take up each.

IT & Communication sector still makes up the largest share of demand, accounting for almost 40% of the total take-up, followed by medical & pharma companies with 15% share.



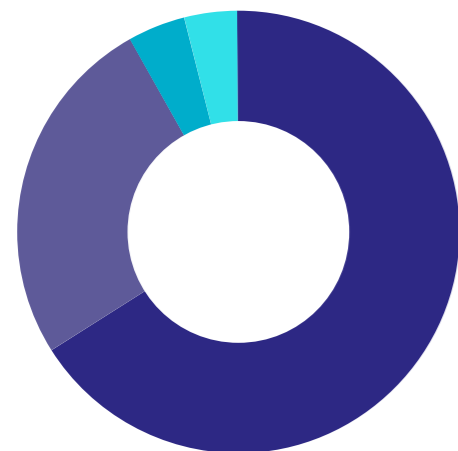
BREAKDOWN OF TAKE-UP BY TYPE OF TRANSACTION



Rents

Generally speaking, the balance of power remains in favour of tenants, as illustrated by the granting of more generous rental incentives in the most buoyant market sectors. This has helped to maintain headline rents, with average rents for prime offices in prime locations at 18.5 EUR/sqm/month.

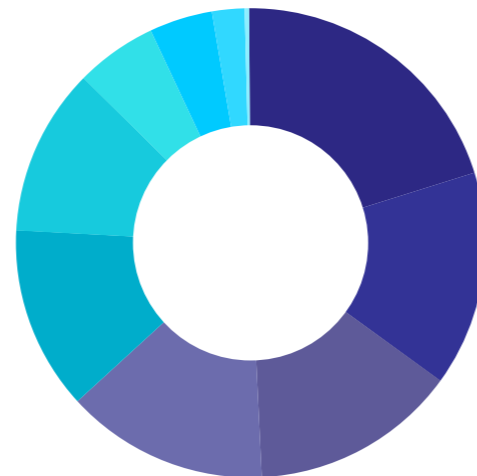
H1 2021 BREAKDOWN OF TAKE-UP BY NUMBER OF TRANSACTIONS



- 66% <1000 sq m
- 26% 1000 sqm - 3000 sq m
- 4% 3000 sqm - 5000 sq m
- 4% >5000 sq m

- 14% North-West (Expozitie)
- 14% Center West
- 13% Dimitrie Pompeiu
- 12% West
- 6% Center
- 4% Baneasa-Otopeni
- 2% Pipera North
- 0% East
- 0% South
- 20% Floreasca / Barbu Vacarescu
- 15% Center Business District

H1 2021 GEOGRAPHIC BREAKDOWN OF TAKE-UP



H1 2021 BREAKDOWN OF TAKE-UP BY AREA CATEGORY

- 32% >5000 sq m
- 31% 1000 sq m - 3000 sq m
- 24% <1000 sq m
- 12% 3000 - 5000 sq m



Forecast / Pipeline

200,000 sqm until end of 2021

Including schemes such as:

J8 Office Park (~45,000 sq m), @Expo Campus I (~22,000 sq m), Miro Offices (~21,000 sq m), Dacia One (~12,500 sq m), etc.

13% Vacancy

The vacancy rate witnessed a slight increase to 13% from 12% at the end of 2020.

Main Business Hubs

H1 2021



Budapest Office Market

H1 2021



Budapest

Demand 172,890 sq m

The total demand in the first half of 2021 started to show the rebound of the office market and presented a 3% increase compared to H1 2020. The vaccination rate of Hungary's population is at the top in the European Union and therefore restrictions were gradually lifted from April. This positive change is clearly showing in the demand of Q2 2021 - 97,990 sq m - 31% increase compared to the previous quarter.

234 lease agreements were signed in H1 2021 and the average deal size amounted to an above average 744 sq m. The number of transactions was pretty much at the same level compared to the same period of last year, with 232 office agreements in total. Renewals still represented the largest share making up 43% of the total leasing activity, whereas new leases came second with 38%. 11% of the total leasing activity was made up of pre-lease transactions and 7% of expansions, as well as 1% owner-occupier activity.

In terms of submarkets, Váci Corridor showed the strongest occupational activity, followed by Central Pest and the CBD.

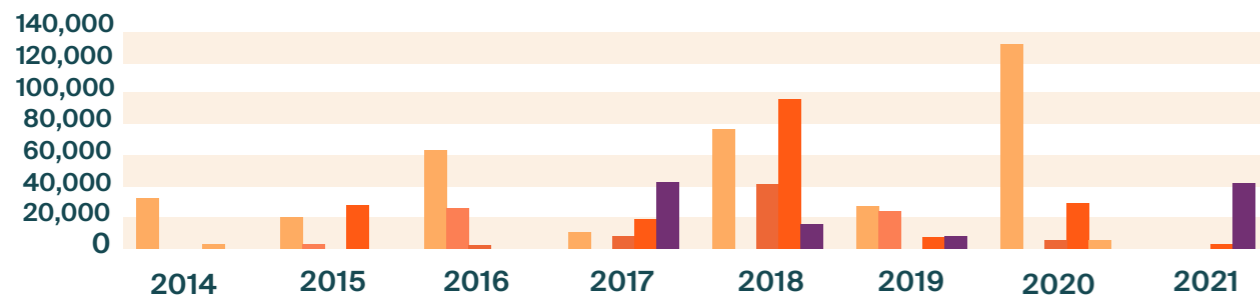
- Vaci Corridor
- Central Pest
- North Buda
- Non Central Pest
- South Buda

Supply 44,460 sq m

The first half of 2021 saw 44,460 sq m of class A office space delivered to the Budapest office market, representing a significant drop compared to the same period last year (a total of 81,500 sq m). The new supply mainly concerned South Buda submarket by the completion of the second building of BudaPart City (19,760 sq m) and Univerzum Office Building (22,000 sq m), the new HQ of Evosoft. JA4 Loft Offices (2,700 sq m) in Non-Central Pest has also been completed in the second quarter of 2021.

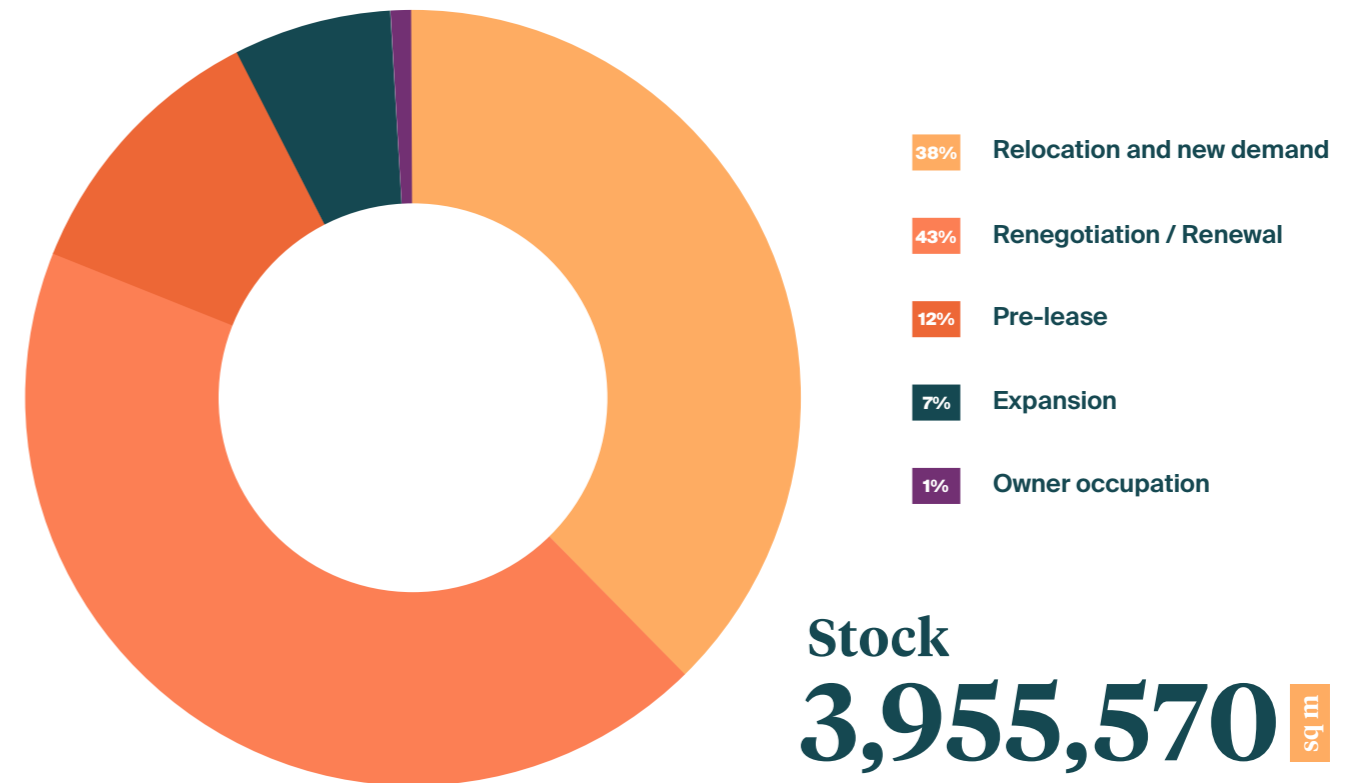
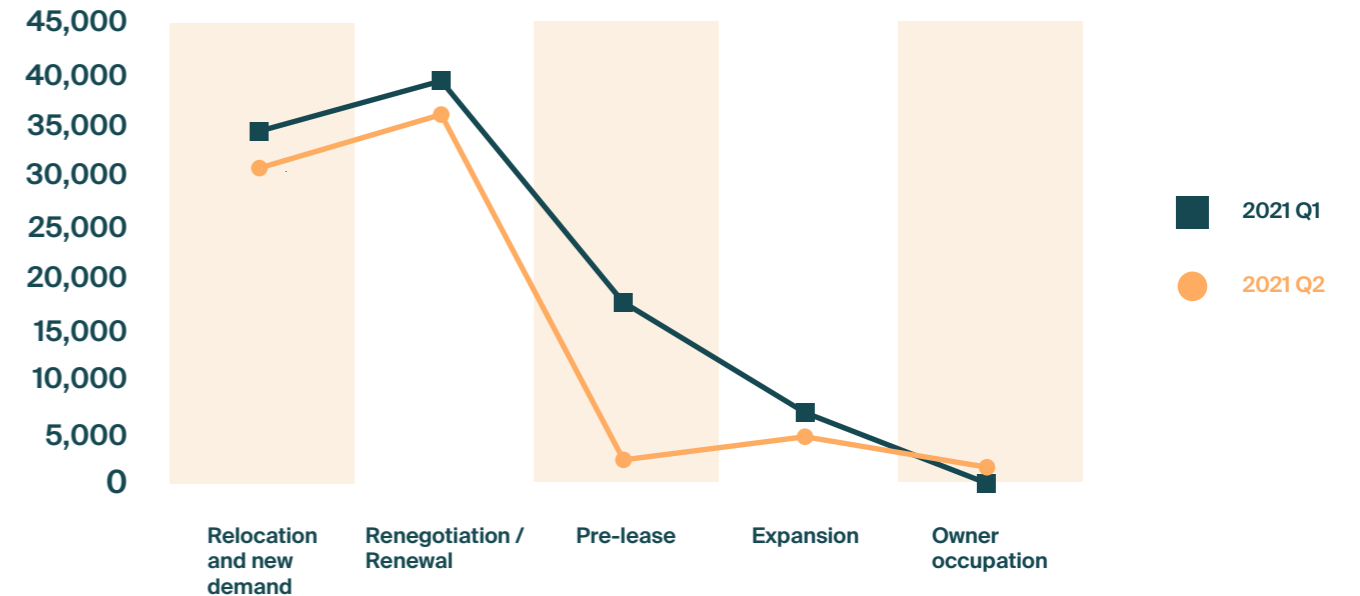
DELIVERIES BY SUBMARKET

2014 - 2021 Q2



DEMAND BY TYPE OF TRANSACTION

2021 Q1 - Q2



Stock 3,955,570 sq m

The total modern office stock currently adds up to 3,955,570 sq m, consisting of 3,316,090 sq m of 'A and B' speculative office space, as well as 639,480 sq m owner-occupied space.

SIZE (SQ M)	SUBMARKET	BUILDING	TYPE OF TRANSACTION	OCCUPIER
14,450	Non-Central Pest	Corvin Innovation Campus	Pre-lease	IBM
13,780	Vaci Corridor	Gateway Office Building	Renewal	Magyar Posta
11,500	Vaci Corridor	Thirteen Globe	Renewal	Egészségbiztosítási Pénztár
7,180	Vaci Corridor	Agora Hub	New lease	Huawei
5,000	Non-Central Pest	Liget Center	New lease	Undisclosed
1,370	Vaci Corridor	Green Court	Pre-lease	Randstad

KEY TRANSACTIONS

Rents **Avg. rent**
14.50
 EUR/sq m/month

The Hungarian office market only witnessed a minimal rent correction in 2021, however tenant incentives are definitely increasing, as we predicted.

Prime rent
25.00
 EUR/sq m/month

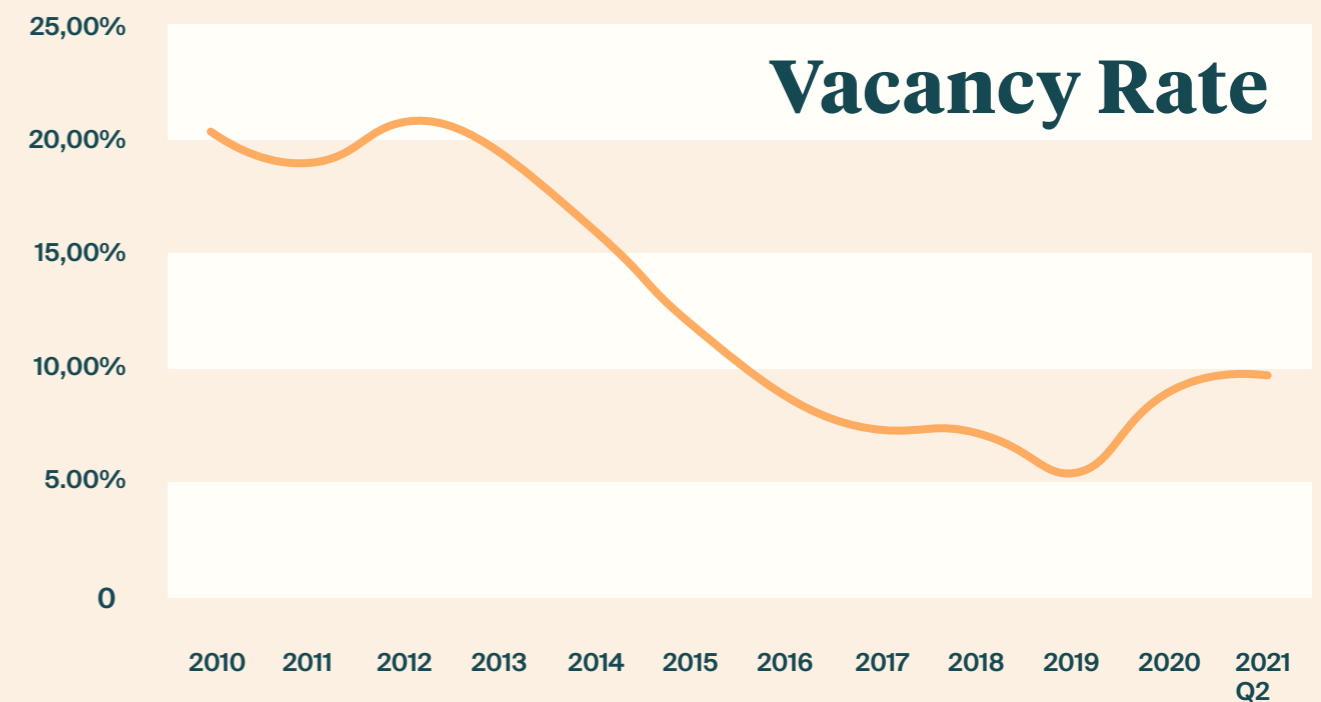
9.8%
Vacancy

The office vacancy rate further increased to 9,8%, a 2,5 pps year-on-year. North Buda has kept the title of the lowest vacancy, standing at 4,4%, whereas the Periphery still owns the highest vacancy rate of 28%.

Forecast

Contrary to previous expectations, GDP grew by 2% in the first quarter of 2021 compared to Q4 2020 and is expected to grow further by between 4-5% in 2021. Restrictions were lifted in the second quarter of 2021 owing to the high rate of vaccinations in Hungary, which gave a huge boost to the economy. Re-opening will probably bring further uncertainties towards the end of Q3, however the Hungarian office market is in a good position to cope with the new challenges.

New trends triggered by the COVID-19 pandemic are definitely showing now, as companies are reconsidering their workplace strategy and place employee well-being and experience at the top of their requirements when searching for new office space. Research data shows us that a hybrid model works best for most companies, which is mixing home office with classical office work. While certain figures remained somewhat weaker than in previous years, the gap narrowed as the demand showed signs of recovery.



Sofia Office Market

H1 2021





Demand

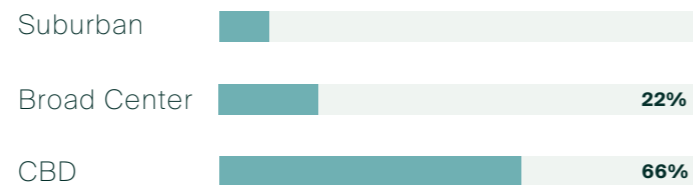
69,000 sq m

Contracted office space for the first two quarters of 2021 reached 69,000 m², representing an increase of 35% in year-on-year terms. Out of the overall figure, 15% are pre-leases. There is an increase of 35% compared to the last six months of the previous year, and 25% for the same period for 2020.

This rise has been driven by the growing absorption in the suburbs, where most of the lease transactions are taking place. While 2021 shows positive signs in terms of market fundamentals and several indicators north of what they used to be 12 months ago, office occupiers are still cautious to increase their footprint.

For the second half of the year, our forecasts are moderate, as we expect demand to slowly restore, favoring slightly better take-up levels.

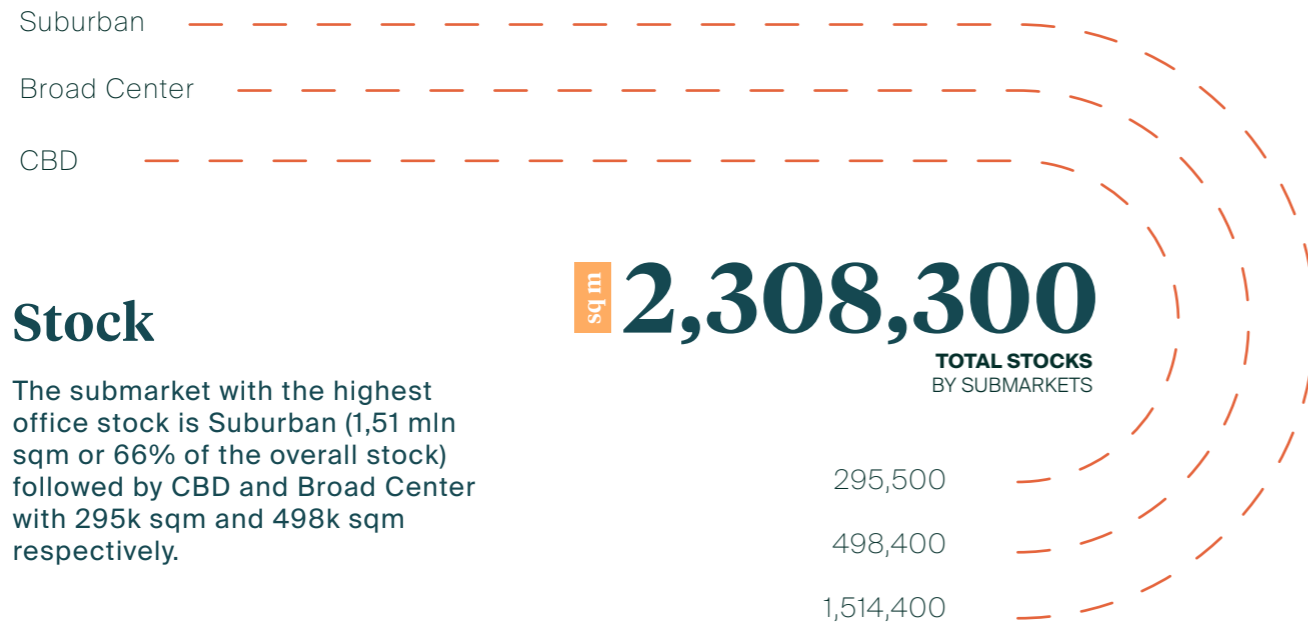
OFFICE DEMAND BY SUBMARKET H1 2021



Supply

122,460 sq m

The new office deliveries in the first and second quarters of 2021 slightly reached 122,000 sqm, driving the total stock to 2,308 mln sqm. Such a significant increase in the new buildings coming to the market hasn't been seen since the first half of 2019 when the total delivered stock was 105,000 sqm



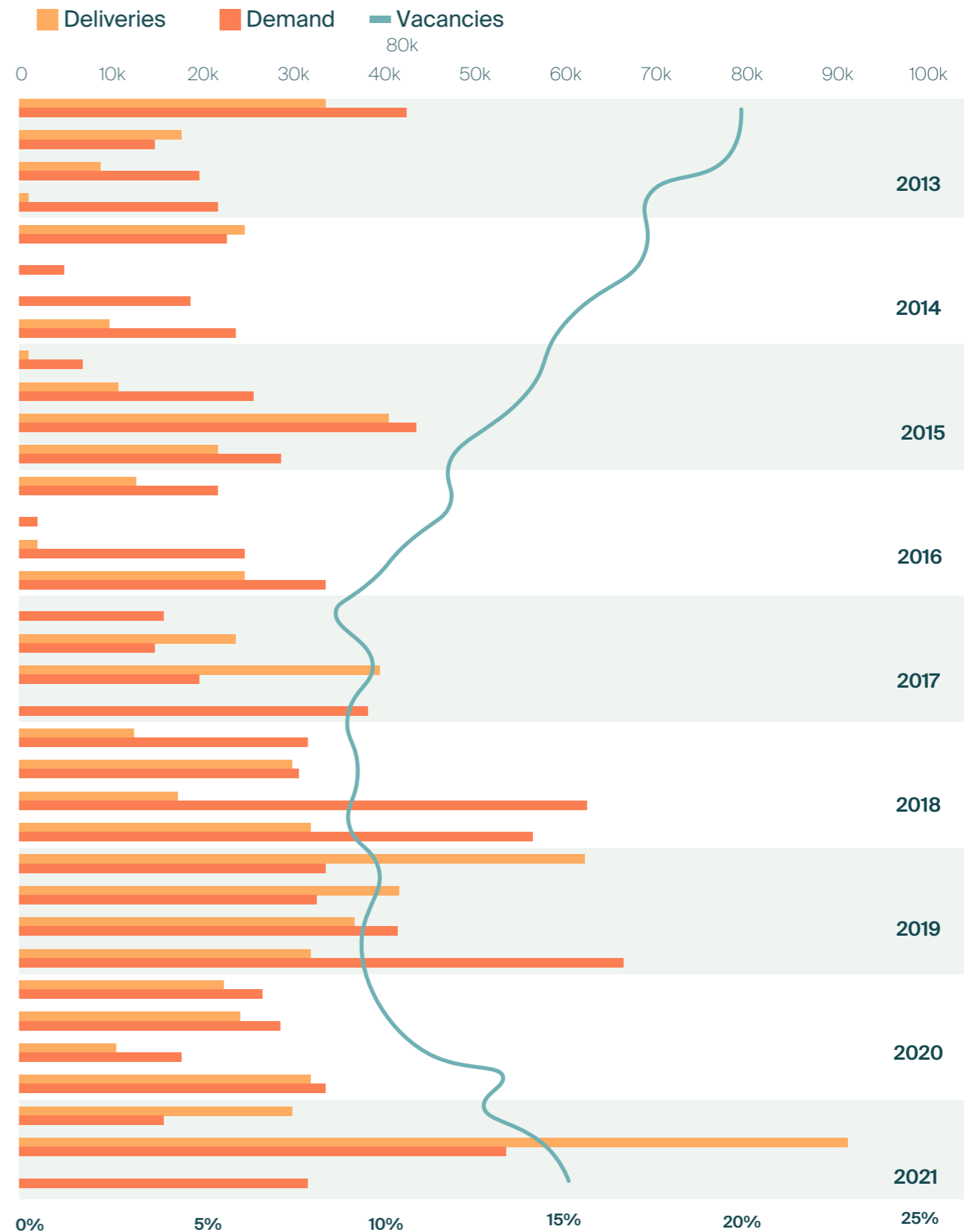
Stock

2,308,300 sq m

TOTAL STOCKS BY SUBMARKETS

The submarket with the highest office stock is Suburban (1,51 mln sqm or 66% of the overall stock) followed by CBD and Broad Center with 295k sqm and 498k sqm respectively.

NET ABSORPTION AND NEW DELIVERIES SQM



Prime headline rent

14.50

EUR / sqm / month

Prime rents remained stable half-yearly, standing at 14.50 EUR/sqm/month for prime offices in CBD. For the second half of the year we expect income stability, with the possibility of slight adjustments in some submarkets.

For Broad Center and Suburban the figures stand at 12.50 EUR/sqm/month and 12.00 EUR/sqm/month, respectively. Covid put to a halt the upward trend in office rents which was visible on the market since 2015. While the most premium locations still register high rents, the gap between newly delivered buildings and already proven projects in established locations has increased in recent months.

OFFICE DEMAND BY SUBMARKET

Sofia, H1 2021

- 66% CBD
- 22% Broad Center
- 13% Suburban



The vacancy rate in the first half of 2021 increased with 400 bps, reaching 14.30% across all submarkets. This figure is equivalent to a total of approximately 330,000 sqm available for immediate occupation.

Availability remained stable in CBD, decreased in Broad Center given the greater absorption, and rose in the peripheral submarkets during the months January-June. Throughout 2021 we expect availability to increase, shaped by the further release of new product on the market.

Our forecast is that levels might surpass the 15% benchmark in the next semi-annual period.

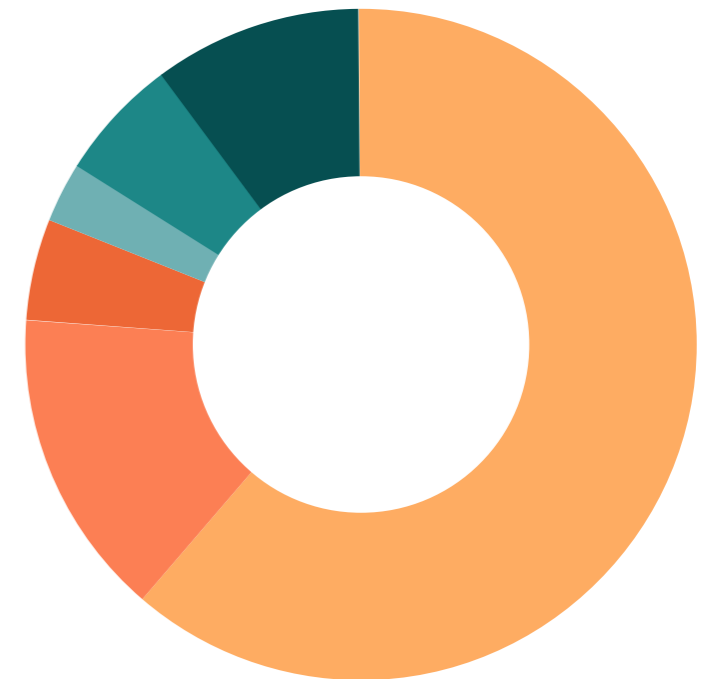
14.30%

Vacancy

OFFICE DEMAND BY SECTOR

H1 2021

- 61% IT & Communication
- 15% Finance, Insurance & Real Estate
- 5% FMCG & Retail
- 3% Media & Marketing
- 6% Professional Services
- 10% Other



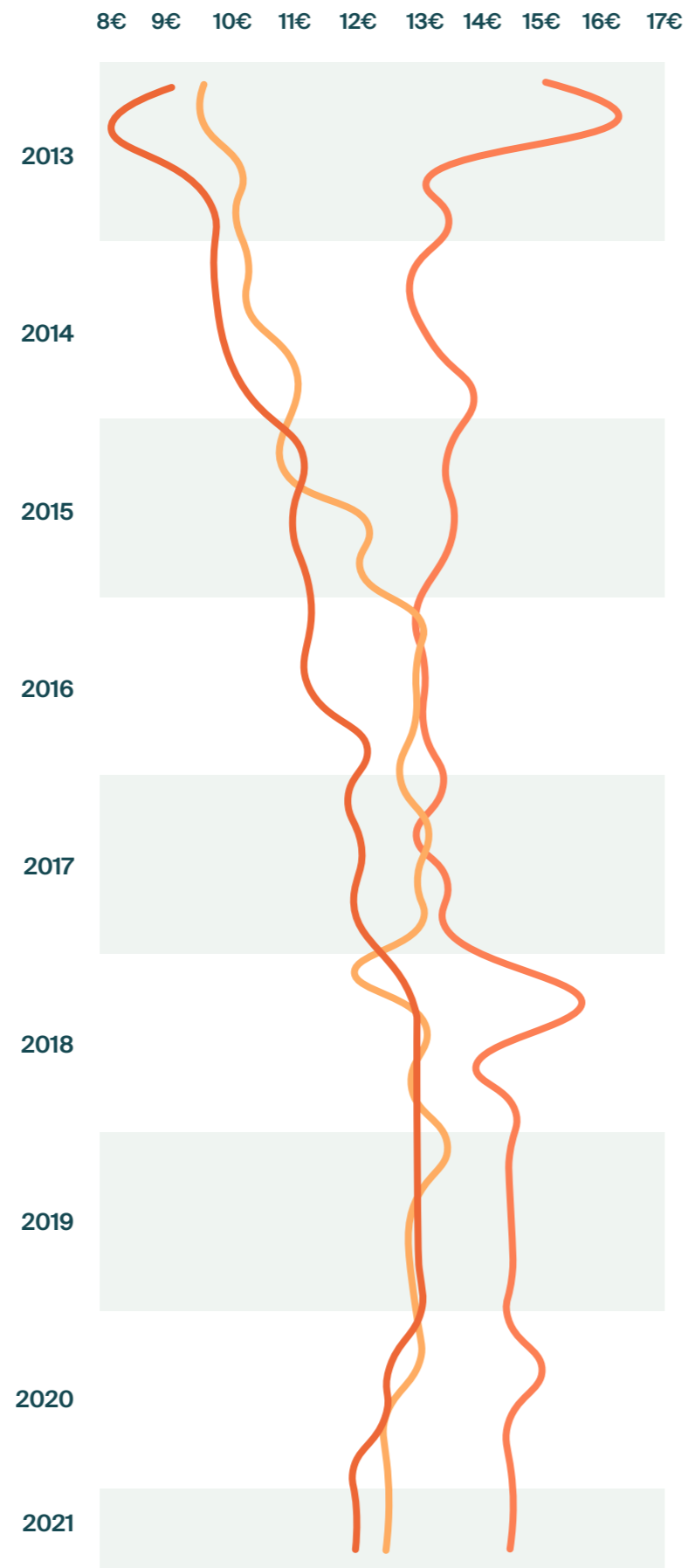
Pipeline

Office stock is set to expand throughout 2021, with the largest amount of new space being released to the market in the last 5 years. Over 258,000 sqm are currently under construction and more than 120,000 sqm are expected to be delivered in the next couple of years.

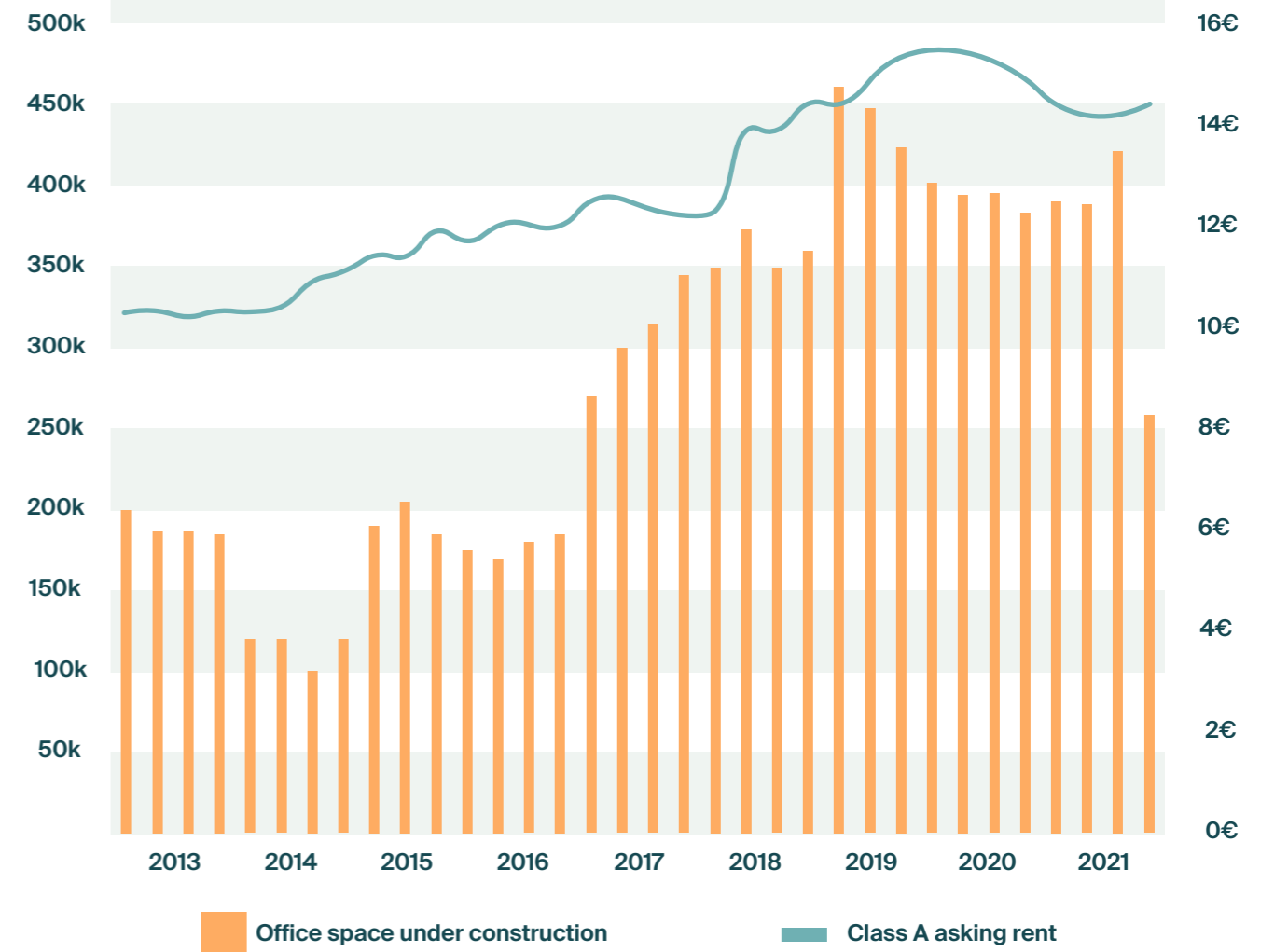
It is expected that more than half of that space will be delivered by Q2 2022, although some developers might decide to postpone their projects amidst the uncertainty with the Covid-19 pandemic and general remote work trends.

Class A average asking rent

- CBD
- Midtown
- Suburban



OFFICE SPACE UNDER CONSTRUCTION AND AVERAGE CLASS A ASKING RENT



Forecast

As the country emerged out of lockdown in Q2 2021, there were encouraging indicators that the office market will get stronger through the course of the year. However, anemic vaccination rates and expected new security measures contribute additionally to the uncertainty.

At the same time, although the remote-work model gained significant traction, not all companies are embracing it. Already this year we have seen high quality office schemes which lead on safety measures and well-being, to be delivered and leased out fast, which is a strong signal that occupiers are prepared to pay pre-covid rents for this newly classified version of "Class A" office space.

Athens Office Market

H1 2021



Athens

Demand 35,000 sq m

Although the tenants seem to be more active in searching for relocation, the actual take up was not that high which indicates a cautiousness of the occupiers' mindset as well as the lack of supply of prime office buildings.

In the first half of the year, the office leasing market was a bit slow regarding actual transactions reaching a total number of 35,000* sqm, representing a slight decrease compared to the same period of last year. Still the projection is that the numbers will change and there will be an increase at the second half of 2021.

Once again, the demand in North Athens was the highest, although the interest seems to be moving a lot towards the Southern area of Athens for both office leasing as well as residential due to the Hellinikon project and other major development projects in the wider area.

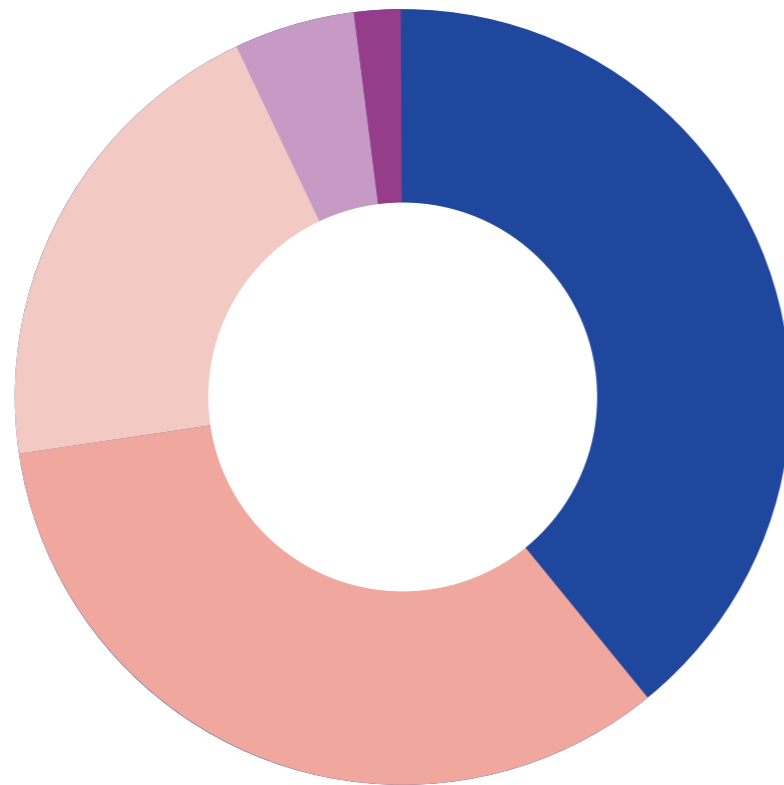
*This figure does not include renewals and renegotiations.

Supply & Stock 40,000 sq m

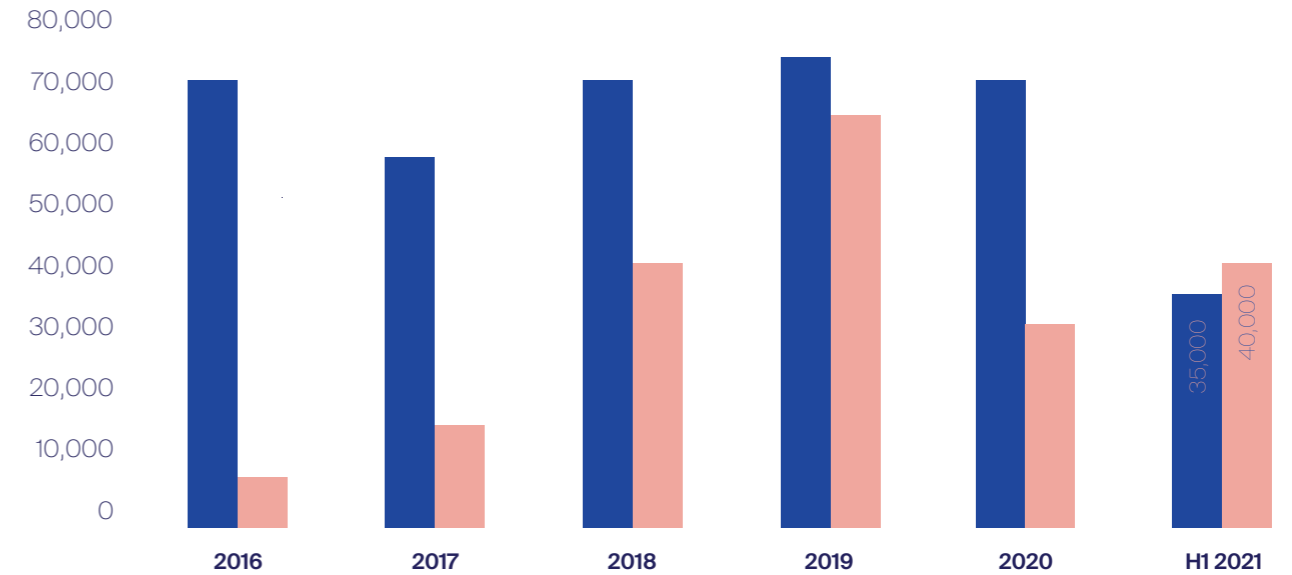
In the first half of 2021 the new supply of office space reached approximately 40,000, driving the stock to almost 2.5 mil sqm. The submarket with the highest office stock is North followed by CBD.

Stock by Submarket

- 37% North
- 36% CBD & Center
- 20% South
- 5% Piraeus
- 2% West

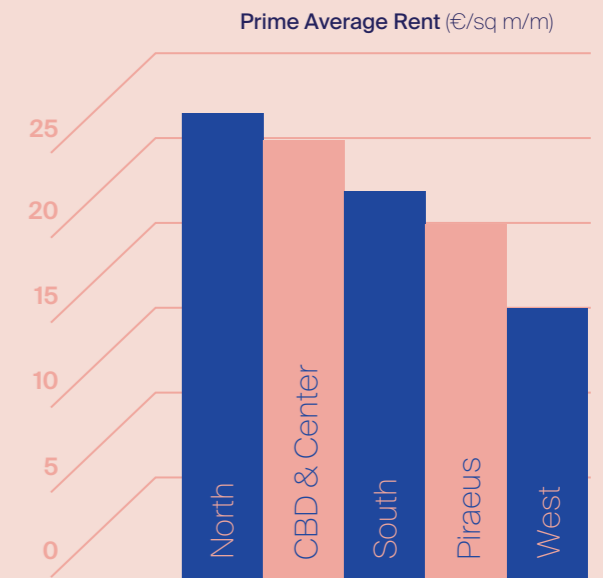


DEMAND VS. SUPPLY EVOLUTION

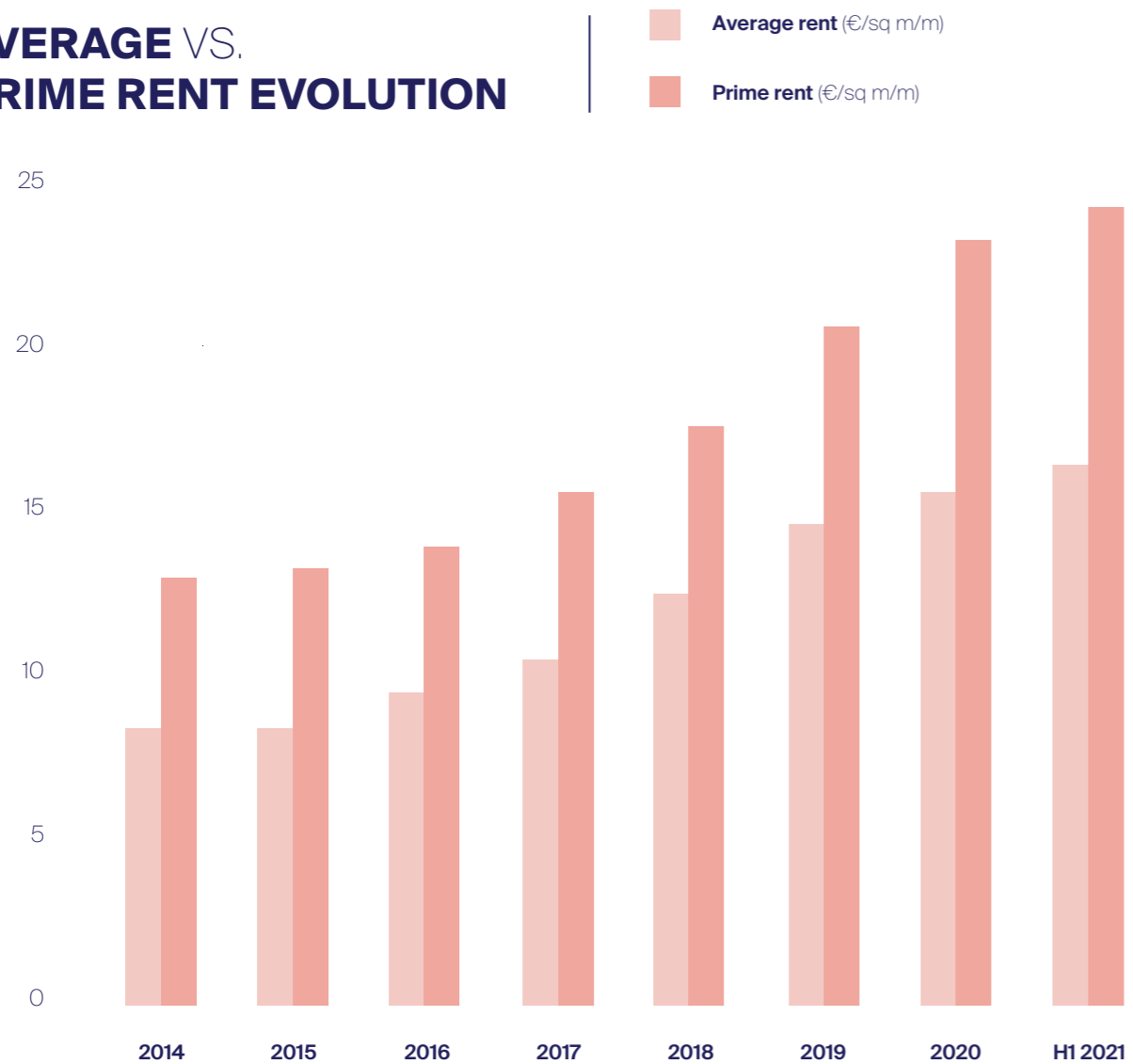


PRIME HEADLINE AVERAGE RENT 23.5 EUR / sq m / month

Although the demand was a bit slow this half of the year, the prime rent is increasing which comes from the lack of supply of prime office buildings and a market that tends to be a landlord's market. The average rents have remained stable.



AVERAGE VS. PRIME RENT EVOLUTION



Over 80,000 sqm are currently under construction and more than 200,000 sqm are expected to be delivered in the next couple of years.

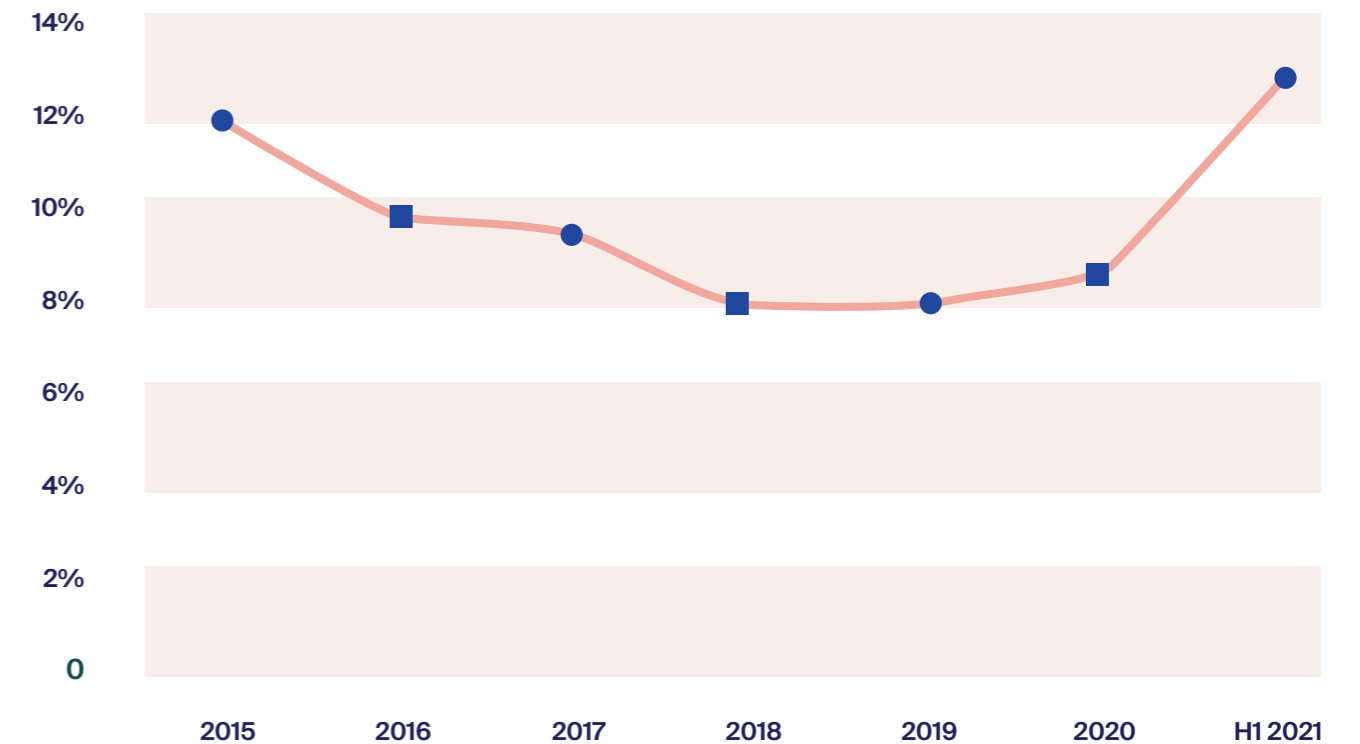
The new business park in the South hub along Syngrou Avenue and Lagoumitzi credited 8,000 sqm comprising two office buildings, one destined as Generali's HQ is to be completed in the end of the year. Another project worth mentioning is the construction of Element by Prodea Investments in Marousi with surface 6,874sqm will be delivered in Q1 2022. Also, the reconstruction of Piraeus Tower, a full turnkey fit out of a 33,305sqm is still in progress and will be delivered in 2022.

Pipeline

12.8% Vacancy

The vacancy rate registered a high increase up to 12.8%, compared to 8.7% at the end of 2020. The prime vacancy of around 5% was maintained at the same level as the one in 2020, a fact explained by the lack of Class A office buildings.

Vacancy Rate



The consistent supply of Class A office buildings will significantly affect the office market in Athens. The importance of good quality and green buildings was highlighted the last period. It seems that the new supply will be smaller than demand which will also affect the prime rent to go up for the new prime buildings in prime locations.

Forecast

Belgrade Office Market

H1 2021



Belgrade

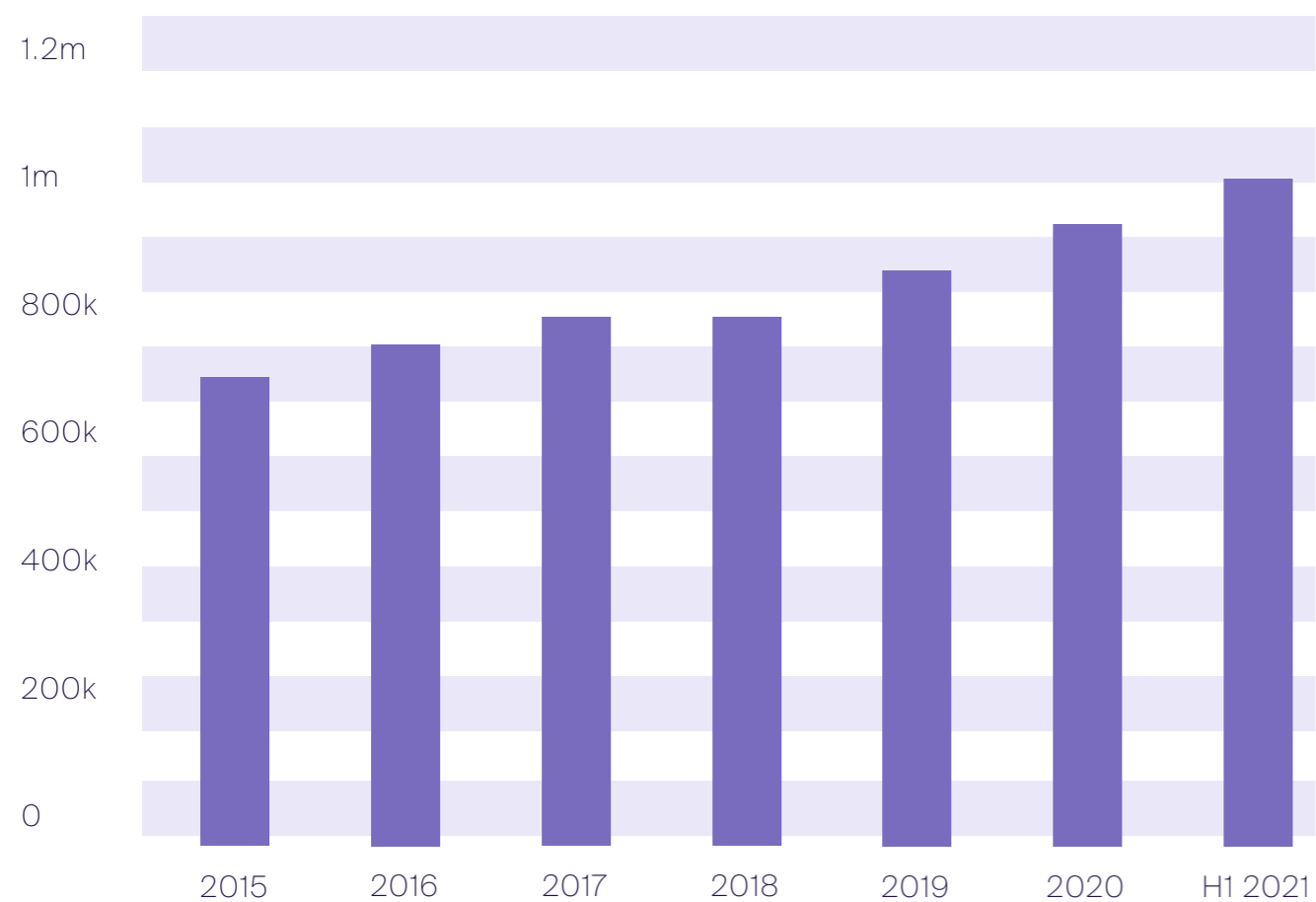
Stock

970,000 sq m

The ongoing positive trend in the Serbian office market continues in 2021, as the level of stock increases in the first half of this year. With the termination of the NCR campus, over 30,000 additional sqm were added to the office market portfolio. Numerous projects, mainly class A buildings, are to be delivered towards the end of this year / during H1 of 2022, which will further increment the supply level of modern office stock.

Additional 17,000 sqm of office space is expected to be delivered in Q4 of this year in Airport City. Other ongoing projects are to be delivered in towards the end of 2022 / beginning of 2023.

OFFICE STOCK ANNUAL EVOLUTION

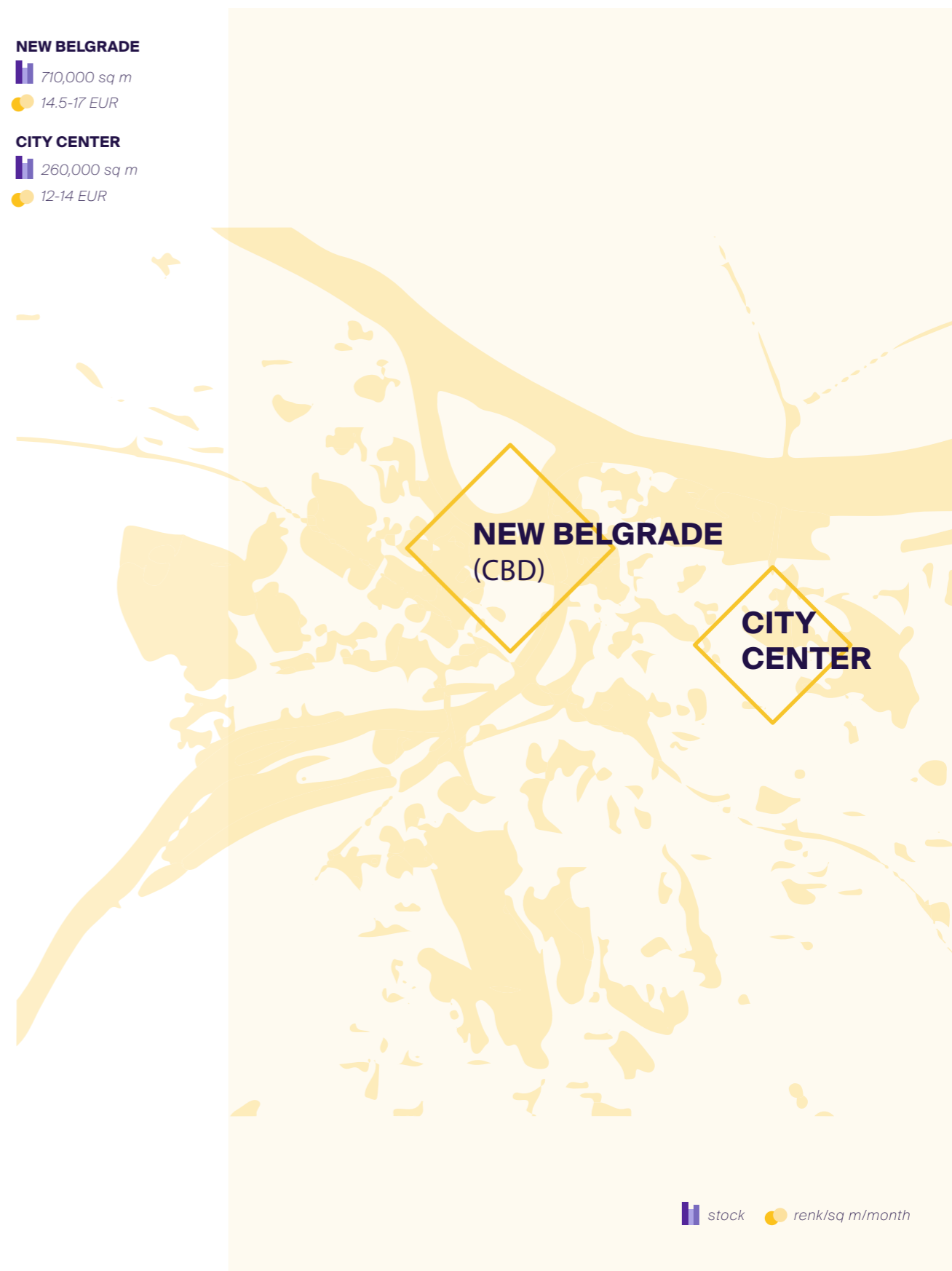


NEW BELGRADE

- 710,000 sq m
- 14.5-17 EUR

CITY CENTER

- 260,000 sq m
- 12-14 EUR



Demand

19,000 sq m

The total demand for the first half of this year has approximately reached 19,000 sq m which is more than half compared to the total demand in 2020. With the massive vaccine rollout in Belgrade, Serbia, a lot of people have returned to offices, and a lot of companies are now looking for modern office space which will comply with certain regulations and procedures, implemented upon the start of the pandemic. Thus the demand is expected to rise towards the end of the year. A lot of companies have implemented the hybrid way of working, whereas others are looking for newly built, modern office space which will comply with all the safety measures regarding the ongoing pandemic.

A vast proportion of all transactions was closed in New Belgrade and the most active sectors were IT, consumer good and professional services, respectively.

Forecast

Serbia remains the leader in the region when it comes to the volume of investment. The office market has shown stability and resilience and the numerous upcoming projects within the office market will position Serbia side by side to other countries in the region.

A lot of companies have reduced the level of remote working and are heading back to the office. As the level of demand for new, modern office space is increasing and so is the influx of class A buildings in Belgrade, this could lead to a rise in demand towards the end of this year.

Rents

14.5-17 eur/sq m

Prime rent, class A

Overall rent price remained stable, with a slight increase of class A buildings, prime rents. Prime asking rents for grade A office buildings in the Central Business District vary from EUR 14.5 to EUR 17 /sqm monthly, while grade B rental levels range between EUR 8 to EUR 12 /sqm monthly. Service charge (depending on the services that are included) varies from EUR 3 /sqm to EUR 4.5 /sqm monthly and the add on factor is between 5%-12%.

Vacancy

7.7%

Due to the large number of investments and projects being added to the office market portfolio, the vacancy rate has increased by 0.7% compared to the previous year.

Pipeline

The New Belgrade (CBD) area remains the most appealing one in terms of office space construction. Numerous projects are to be delivered both in the central business district and the city center, such as the GTC X building, scheduled for Q3 of 2022, the BIGZ building, one of the biggest landmarks in Belgrade, which has been bought by Marera properties, is being reconstructed and refurbished, alongside the Belgrade Palace (Beogradjanka) belonging to the same landlord. Another major project, Belgrade Skyline is to be delivered in Q4 of 2022.

SNAPSHOT

Office projects under construction

PROJECT	LEASABLE AREA
B23 Office Park	57,000 sq m (delivery in phases)
Airport City Building 11	10,000 sq m
NCR Campus	30,000 sq m
Green Escape	15,000 sq m
Skyline	40,000 sq m
GTC X	17,000 sq m
BIGZ	34,000 sq m

Demand 19,000 sq m

The total demand for the first half of this year has approximately reached 19,000 sq m which is more than half compared to the total demand in 2020. With the massive vaccine rollout in Belgrade, Serbia, a lot of people have returned to offices, and a lot of companies are now looking for modern office space which will comply with certain regulations and procedures, implemented upon the start of the pandemic. Thus the demand is expected to rise towards the end of the year. A lot of companies have implemented the hybrid way of working, whereas others are looking for newly built, modern office space which will comply with all the safety measures regarding the ongoing pandemic.

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Rents eur/sq m 14.5-17

Prime rent, class A

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Vacancy 7.7%

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