

Bucharest Office Market



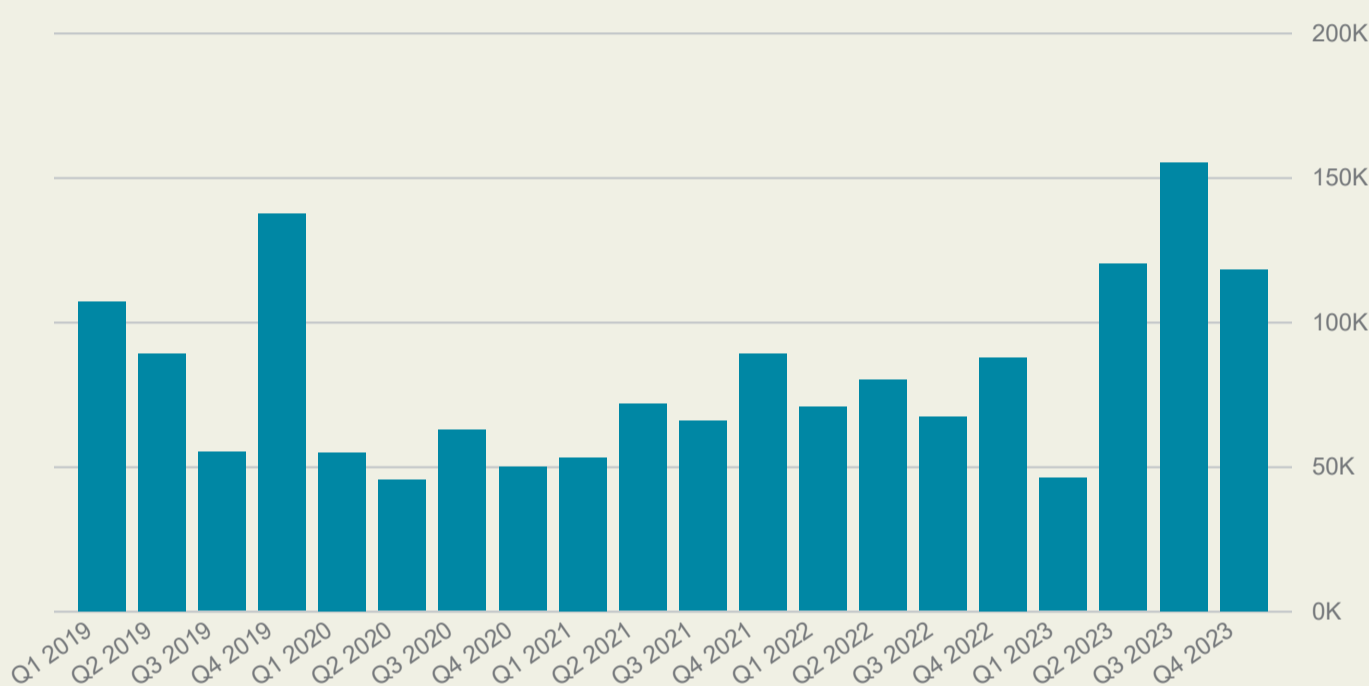
Q4 2023

Updated quarterly, our dashboards provide a concise synopsis of occupier activity in Europe's markets.

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Take up

Over the last 5 years, square metres



Source: Knight Frank Research

OCCUPIER MARKET KEY FIGURES

118,000 SQM

Take up

€ 252 PSQM

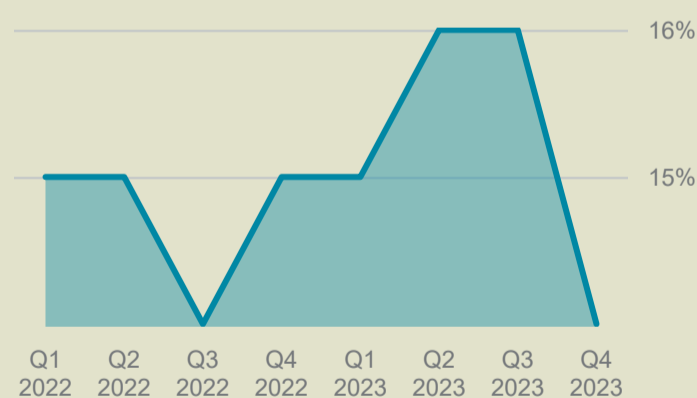
Prime Rent

14.0%

Vacancy Rate

Vacancy Rate

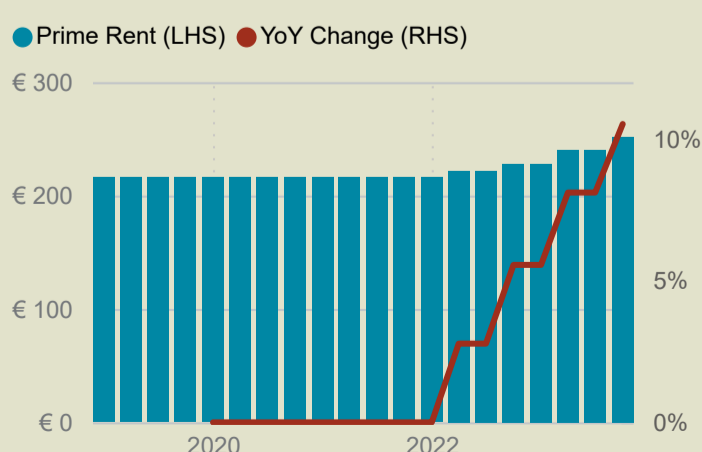
Measured in percentage terms



Source: Knight Frank Research

Prime Rent

Rents and the year-on-year change, Euros per square metre



Source: Knight Frank Research

OCCUPIER HEADLINES

In the fourth quarter of 2023, the Bucharest office market saw 118,000 sqm of take up, bringing the total for the year to a record of 439,000 sqm. This represents an increase of 44% compared to 2022, and 40% above the ten-year average for the figure. The IT & Communications sector remained the most active in Q4, comprising 48% of take up, followed by the Manufacturing & Energy sector with 20%.

Overall for the year, certain submarkets were more sought-after than others. Top submarkets for leasing activity included Floreasca/Barbu Vacarescu which saw 118,000 sqm of take up (27%), the Dimitrie Pompeiu area where 87,000 sqm were leased (20%), and the Centre-West with 17% of take up.

Construction completions amounted to 7,500 sqm in Q4, bringing the total new supply delivered in 2023 to 110,000 sqm. This is 12% less than the volume seen in 2022, and 35% below the ten-year average for the figure. Coupled with a development pipeline of only 15,000 sqm for 2024, this drop in the delivery of new space is notable and expected to affect the dynamics of the office leasing market in the landlords' favour.

Alongside limited construction completions, the strong leasing activity seen in Q4 compressed the vacancy rate from 16% in Q3 to 14%, the lowest level recorded in 2023.

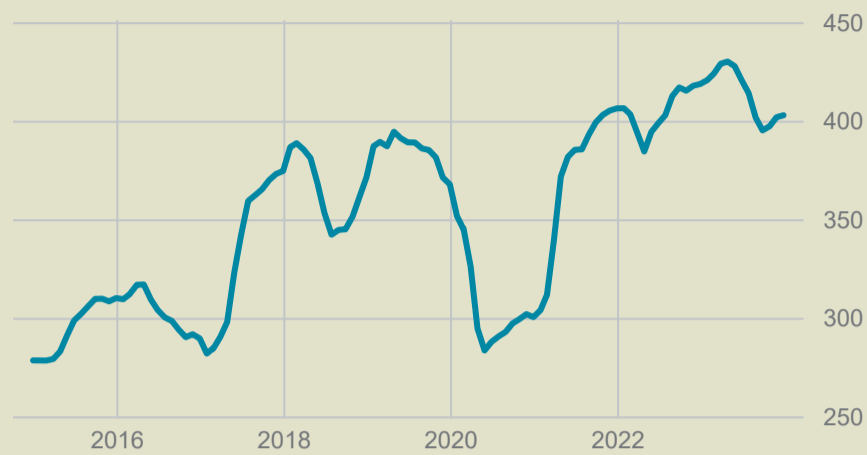
Prime rents increased this quarter to a new high of €252 psqm, representing 11% growth year-on-year. Limited availability of prime space is expected to continue to put upward pressure on prime rents moving forward.

2024 is considered a super-electoral year, given that there will be four rounds of elections: the European parliamentary elections, as well as the Romanian parliamentary, local, and presidential elections, all taking place in the latter half of the year. The market will look keenly to their results and the subsequent ramifications on the economy and, for Bucharest specifically, on the authorisation process of future developments.

ECONOMIC INDICATORS

New Businesses in Romania

12-month Rolling Average

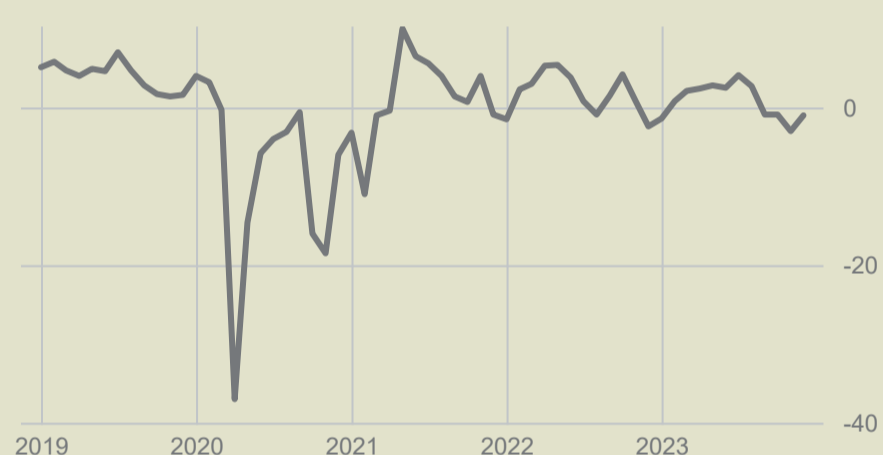


Source: National Trade Register Office

After reaching 5-year highs in early 2023, new business starts in Romania slowed somewhat in Q3 but have since picked up momentum again.

Employment Expectations in the Service Sector in Romania

Over the next 3 months, %

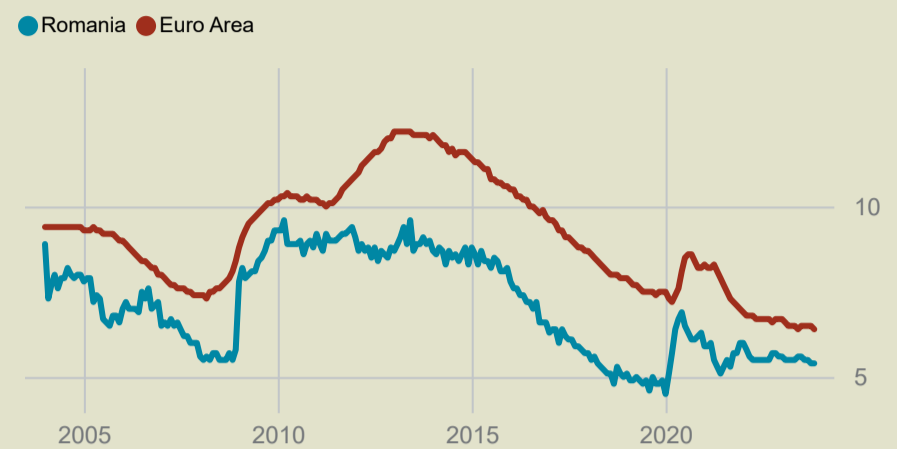


Source: European Commission (DG ECFIN)

Employment expectations for the next 3 months in Romania remained in negative territory in Q4, although they improved slightly.

Unemployment Rate in Romania

vs Euro Area, as a Percent of Civilian Labour Force, %



Source: Eurostat/ Romanian National Institute of Statistics

The unemployment rate in Romania has held steady in Q4 at 5.4%, below the Euro Area average of 6.4%. The tightness of the labour market is expected to continue, as employers face some challenges with hiring and retention due to emigration and an aging population.

Services Confidence Indicator in Romania

Services Confidence Indicator for the last 5 years, Index



Source: European Commission (DG ECFIN)

Service sector confidence in Romania improved in Q4, seeing an increase in both past and expected demand.

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

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