

Quick Stats

	Change from	
	Q2 11	Q3 11
Take-up	↑	↓
Prime Rent	→	→

Hot Topics

- City-wide vacancy decreased to 15.9%.
- Take-up in Q3 2011 similar to the take-up in Q3 2010: 64,600 vs. 62,400 sq m. TLA at maximum level, with 87,500 sq m transacted
- The highest level of completions registered this year, with 49,700 sq m of new office space delivered
- Bucharest office stock reached 2,094,000 sq m at the end of Q3 2011.

OVERVIEW

• Highest level of deliveries from 2011

Modern office stock in Bucharest stands at 2,094,000 sq m, which is a 3% increase q-o-q. The new deliveries, Platinum Business & Convention Centre, Golden Blitz OB and Grawe II, grew the office stock by 49,700 sq m. This represents the highest quarterly level of completions registered this year, 65% higher than Q2 and 36% higher than Q1 2011. There is over 25,000 sq m due to be delivered in Q4 2011, in buildings like Crystal Tower, Elite BC and Barbu Vacarescu OB.

• Vacancy rate continues its downward trend

The Bucharest office market vacancy rate fell by 0.2% compared with Q2 2011, standing at 15.9%. Considering that development pipeline is significantly reduced compared with 2009 & 2010, the vacancy rate will continue to fall in the coming quarters.

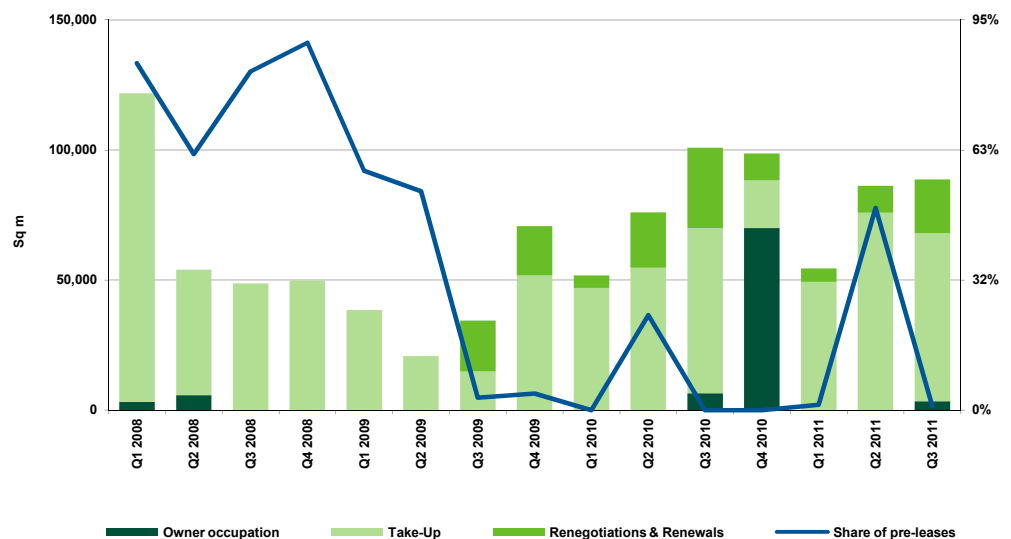
• Summary of demand

The third quarter brought the highest level of leasing activity recorded this year (including renewals and renegotiations), with 87,500 sq m transacted. Take-up in Q3 is situated around 64,600 sq m. Compared to Q3 2010, take-up figures are similar: 64,600 vs. 62,400 sq m.

• Headline rent remains stable

The prime rent remains stable at EUR 19.5/sq m/month and the headline rent in Q3 is unchanged q-o-q in almost all sub-markets. For CBD Class A office buildings, rental levels are between 17 - 19.5 EUR/sq m/month, while in North Pipera or West sub-markets the rent fluctuates between 11 - 15.5 EUR/sq m/month. All rates refer to headline rent/sq m/month for a typical space located within an office building with Class A technical specifications.

Evolution take-up and total leasing activity Q1 2008 – Q3 2011



Transactional activity

The biggest transaction recorded in Q3 came from the consolidation of a financial institution, with 12,900 sq m leased in one building (Crystal Tower). This follows a trend seen in 2011 where several financial institutions have consolidated their activities by signing leases and pre-leases (Unicredit – 10,000 sq m, Volksbank - 8,000 sq m).

Compared to the first and second quarters of 2011, in Q3 the expansion activity increased to approximately 14% TLA, while pre-lease activity experienced a downfall, standing at 1% from Q3 total leasing activity. Renegotiations and renewals increased to 24% of TLA, a level comparable with the one registered in Q2 2010.: 21,000 vs. 21,500 sq m.

CBD and North-Pipera recorded the highest level of leasing activity. The CBD took the lead in terms of take-up, with 27,500 sq m transacted, a figure that accounts for 43% of total take-up. The vast majority of transactions (98%) closed in this sub-market are new lease agreements and the remaining 2% is expansions.

North-Pipera registered more than a third of total leasing activity with 30,100 sq m transacted (34% of TLA). Take-up in this sub-market reached 22% divided between expansions and relocations.

Tenant's preferences for the North sub-market decreased compared to previous quarters of the year: In Q1 and Q2 leasing activity in this area represented approximately 50% of total take-up, in Q3 it accounted for only 14% of take-up.

Structure of demand

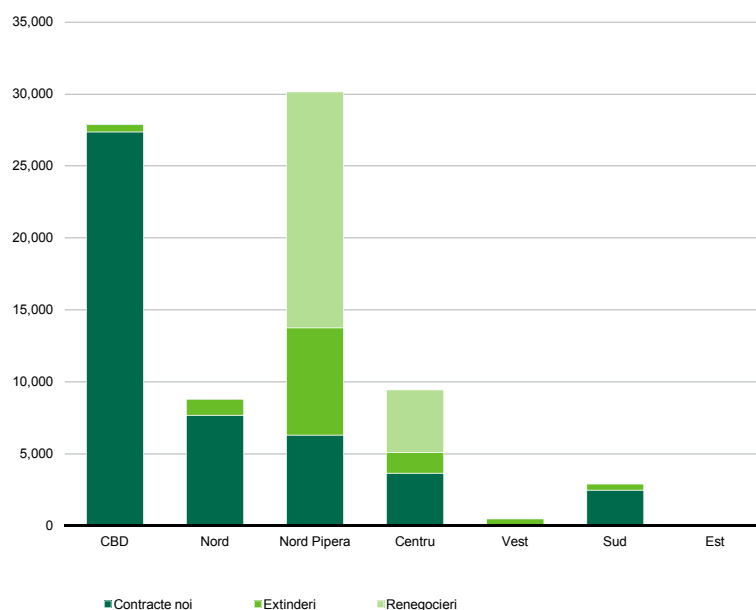
IT&C was the most active sector this quarter. The majority of companies with this type of business activity decided to remain in their current locations. Several companies had the opportunity to expand their office premises, while others, instead of relocating, decided to renegotiate and renew their present lease terms.

After IT&C, Consumer Services & Leisure was the second most active sector. Most tenants relocated, while only a few considered expanding or renegotiating their current office premises.

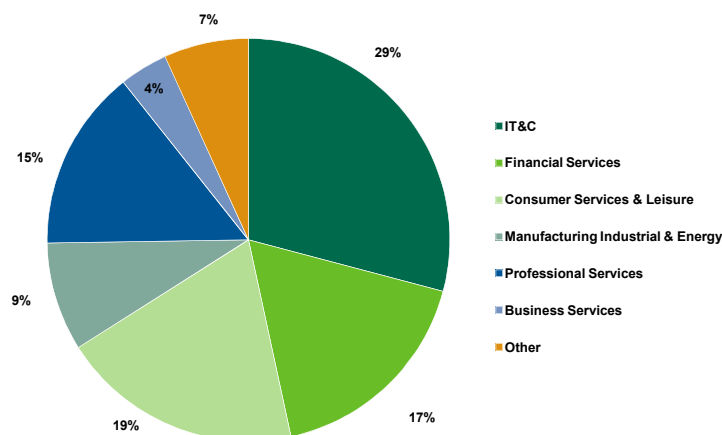
Office buildings completed Q1 – Q3 2011

Office Building	GLA (sq m)	Sub-market
Swan Office & Technology Park	29,000	North Pipera
Frumoasa OB	3,100	CBD
Romana Office	2,400	Center
Platinum Business & Convention Center	44,000	North
Grawe II	4,000	Center

Transactional activity Q3 2011, by sub-market



Office total leasing activity Q3 2011, by sector



Vacancy rate

North area vacancy rate increased q-o-q because 44,000 sq m of office space was delivered in this sub-market alone. Currently, the vacancy rate is around 15%.

The CBD and Centre sub-markets vacancy rate decreased q-o-q, reaching a level of 12%. The West area continues to have a stable vacancy rate at approximately 12%.

Peripheral sub-markets like North-Pipera and East didn't register significant adjustments in terms of vacancy compared to Q2 2011 remaining at over 20%.

Overall, Bucharest vacancy rate registered a decrease of 0.2% q-o-q, continuing its downward trend from the end of 2010. The vacancy rate is currently 15.9%. For Grade A office buildings, the vacancy rate is below this level, at approximately 13%.

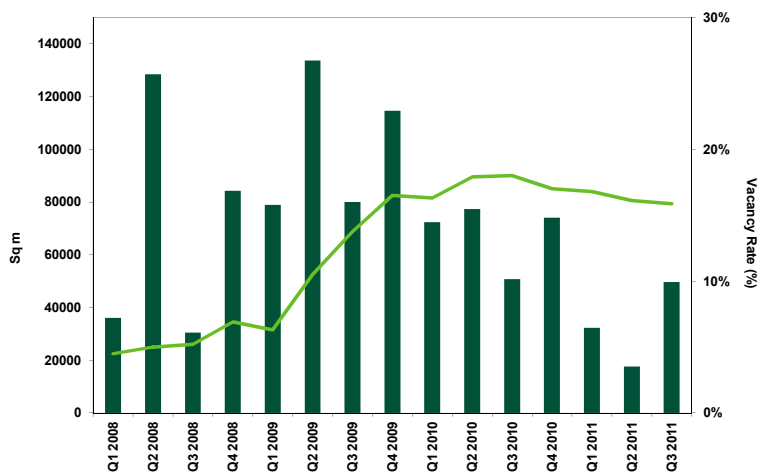
Outlook

Q3 transactional activity demonstrates that tenants have begun to decide on their future location and expansion requirements. It is anticipated that as there is more evidence activity in the leasing market this will encourage other tenants to formalize their relocation plans.

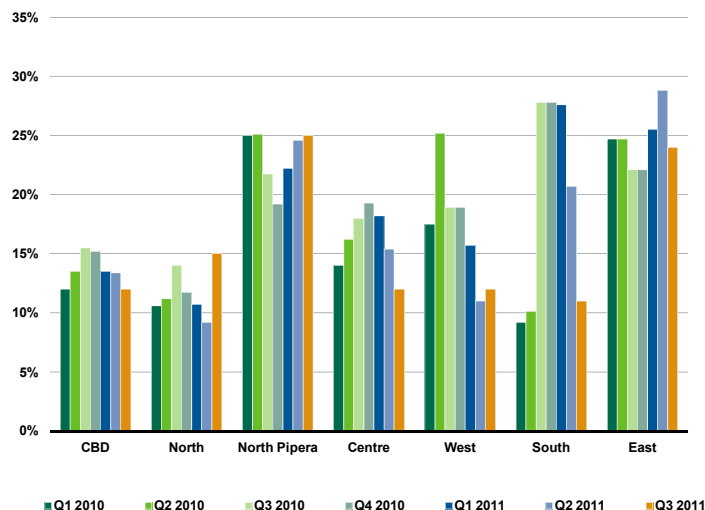
Renegotiations and renewals increased to almost 25% of TLA, reaching a level comparable to 2010, which remains the year with the highest level of activity for this type of lease action. At the same time, expansions have gone up to 18% from total take-up, the highest figure seen recently and a positive sign as expansion activity was almost absent in the last few years.

Overall, in the first three quarters of the year, more than 200,000 sq m were transacted, indicating that 2011 is likely to be a strong year in terms of TLA. The anticipated 25,000 sq m of space due to be delivered in Q4 2011 and the pipeline for 2012-2013 of almost 200,000 sq m demonstrates that developers and landlords are continuing to be committed in providing more high quality space in Bucharest in the future.

Development completions and vacancy rate, by quarter 2008 - 2011



Vacancy rate by sub-market Q1 2010 – Q3 2011



Major office indicators Q3 2011

Office Indicator	Q3 2011
Modern office stock	2,094,000 sq m
New office supply Q3 2011	49,700sq m
Forecast completions Q4 2011	25,000 sq m
Take-up in Q3 2011	64,600 sq m
Vacancy rate (end Q3 2011)	15.9%
Prime rent (end Q3 2011)	€19.5 / sq m/ month
Prime yield (end Q3 2011)	8.50%

Bucharest Sub Markets Map



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Submarket	Class A Headline Rent (EUR Sqm / month)	Vacancy Rate	Vacancy Rate q-o-q
North	16 -18	15%	↑
North-Pipera	11 – 14	25%	↑
CBD	17 – 19.5	12%	↓
Center	15.5 – 18.5	12%	↓
East	11 – 12.5	24%	↓
West	12– 15.5	12%	↑
South	10- 12	11%	↓

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