

## JLL Romania: Under inflationary pressure, the office market has stagnated



**In 2022, the office market went through a period of stagnation. Demand values remained at the same level as in 2021, while deliveries of new space halved compared to 2021.**

Total demand for office space in Bucharest stagnated compared to the previous year, reaching 286,100 m<sup>2</sup>, a level comparable to 2021. At the same time, net demand increased only slightly, by 3%, to 140,500 m<sup>2</sup>.

In the last quarter of 2022, total demand for office space amounted to almost 85,000 m<sup>2</sup> in Q4 2022, similar to Q4 2021. Net demand amounted to 34,800 m<sup>2</sup>, also very close to Q4 2021.

Just over 25% of the total demand for office space in Bucharest in 2022 came from the IT sector, followed by the professional services sector (12%) and the financial-banking sector (almost 9%).

In 2022, office buildings totalling a leasable area of 124,500 m<sup>2</sup> were delivered in Bucharest, representing only half of the previous year's deliveries (245,800 m<sup>2</sup>).

Only one office building, Equilibrium 2, with a leasable area of about 19,500 m<sup>2</sup>, was delivered in Q4.

“Occupiers face an increasingly need to transform as well as a difficult balance of cost pressures. Workplace diversity, ESG Targets/ green footprint and the need for higher quality space will support rise in office space refurbishments, a trend that is enhanced by both supply constraints on new development and dwindling demand for older space. This will result in a slowdown in expansionary demand, heightened sublease activity and a focus on renewals. At the same time, refurbished office space will be required if the market is to meet demand for Net Zero Carbon buildings”, declared **Madalina Iconaru**, *Consultant Office Agency at JLL Romania*.

Deliveries of office buildings will remain low in 2023, at around 104,000 m<sup>2</sup>. The most important projects expected are phase 2 of One Cotroceni Park (34,500 m<sup>2</sup>), phase 2 of U-Center (33,200 m<sup>2</sup>) and building A1 of the @Expo complex.

As expected, the vacancy rate started to decline in the last quarter of 2022, from 13% in Q3 to 12.54%. Most likely, the vacancy rate will continue to decline slightly throughout 2023.

Rents were maintained in Q4 at the same level as in the previous quarter, with prime rent (for the best spaces)

remaining at €19 per m<sup>2</sup> per month. Further rent increases are possible in the first part of 2023 due to inflation indexation.