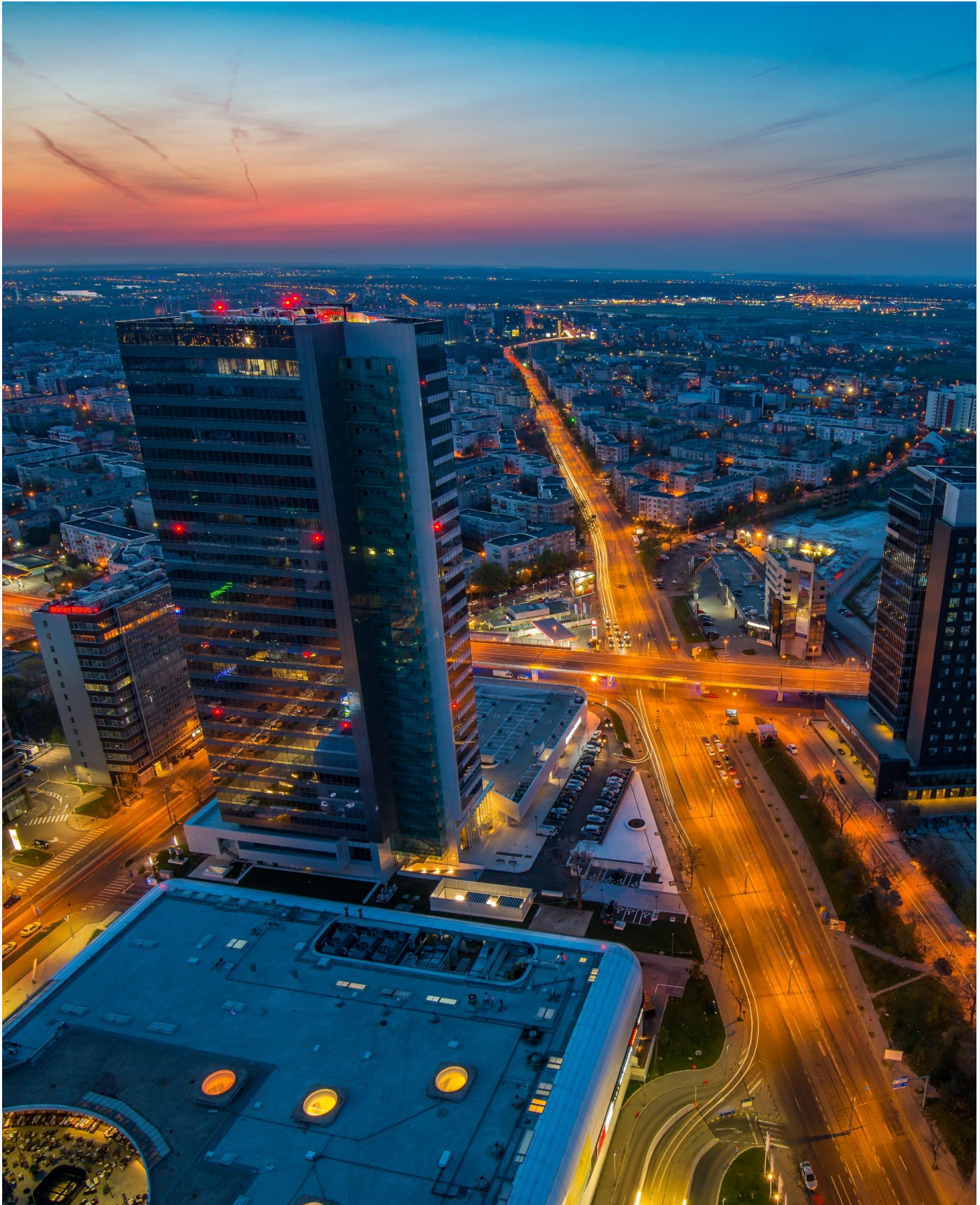




SPOTLIGHT

Q1 2020

Romanian real estate market



Overview

Following a period of considerable growth, Romania’s economic evolution has continued on the same trend in 2019, although at a slower pace. Preliminary Data from the National Institute of Statistics showed a 4.1% GDP growth. The European Commission’s forecast for 2020 and 2021 put Romania on the top fastest growing economies in the EU. For the time being, the uncertainty surrounding the global and local economy makes it nearly impossible to assess the magnitude of the impact, but both optimistic and pessimistic scenarios indicate a serious decline in 2020, up to a negative growth, at least for the first half of the year.

With a transactional volume in the first quarter of 2020 of around 130 M EUR, the Romanian investment market had a similar start to 2019, when the total volume registered in Q1 stood at 117.5 M EUR. This is however a result of momentum, because the largest transactions have been already initiated last year. An optimistic scenario puts the total investment volume in 2020 at over 750 M EUR, while a pessimistic one at around 500 M EUR. Therefore, the investment market is not expected to go through a dramatic change in 2020.

The office sector continues to dominate the market, with over 60% of the Q1 2020 investments, while the large industrial players have continued on with their expansion plans, in two transactions totaling around 40 M EUR.

Project	Sector	Location	Seller	Buyer	Value (M€)
50% of Renault Business Connect	Office	Bucharest	Elgan Group	Globalworth	38
Equest Logistic Center	Industrial	Bucharest	Equest Balkan Properties	CTP	30
Olympia Tower	Office	Bucharest	Bluehouse Capital	Private	20
Nervia Industrial Park warehouse	Industrial	Cluj-Napoca	Nervia	WDP	11

*Top investment transactions Q1 2020
Values are estimated*

So far in 2020 the large transactions have been carried out by established South-African and European investors, with national players still present, although acquiring smaller products.

Prime yields

Prime yields in Romania are still around 7% or higher in all market sectors, among the highest in Europe. Capitalization rates registered in the first three months of 2020 have maintained the same levels from last year.



6.75-7%
Office prime yield



6.75%-7%
Retail prime yield



8%
Industrial prime yield

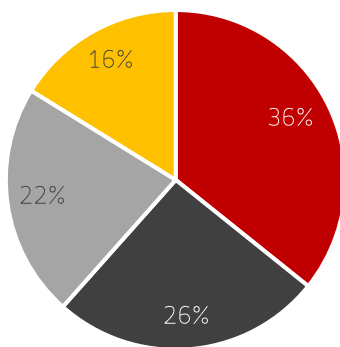
Stock & supply

13 new projects have been announced for delivery in 2020, adding 257,000 sqm to the stock. In light of the recent events, deliveries might be delayed or postponed until a more stable environment will allow the market to bounce back. Developments in infrastructure, such as the opening of the new M5 | Drumul Taberei-Pantelimon metro line, will create a favorable context for the emergence of new office hubs in Bucharest. 75,500 sqm of new office space in four buildings have been added to Bucharest's stock in the first quarter of 2020: Ana Tower (33,000 sqm), Globalworth Campus C (32,000 sqm), H Victoriei 109 (6,000 sqm) and Mendeleev 5 Office (4,500 sqm). The current office stock in Bucharest stands at over 3.2 million sqm.

Demand

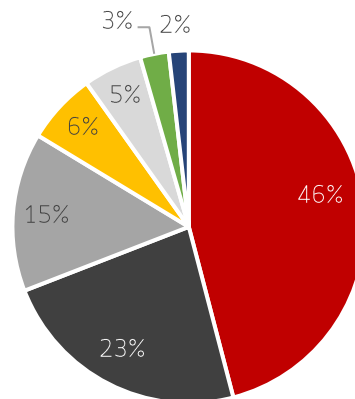
Around 55,000 sqm of office space were leased in Bucharest in the first quarter of 2020, an almost 50% fall in demand yoy. Taking into consideration the record volume of leases in 2019, the drop in demand was already expected and the current situation is adding a further pressure on tenants. As expected, due to the large number of new products delivered or under construction, relocations continue to account for the largest part of the leases (36%) and pre-leases make up for 17% of the total leasing activity. The IT&C and Finance/Banking/Insurance sectors are still the main sources of demand for office spaces (74% in the total leasing activity). Office spaces in the West/Central-West and Central areas were the most sought after in Q1 2020.

Demand breakdown by operation type



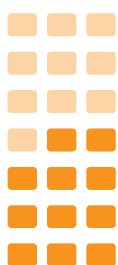
- Relocation
- Renewal/ Renegotiation
- New Occupation
- Expansion

Demand breakdown by area



- West
- Central
- Pipera
- North
- CBD
- Floreasca/Barbu Vacarescu
- Expozitiei

Demand breakdown by industry



54%

IT&C



19%

Finance/Banking/
Insurance



13%

Other



9%

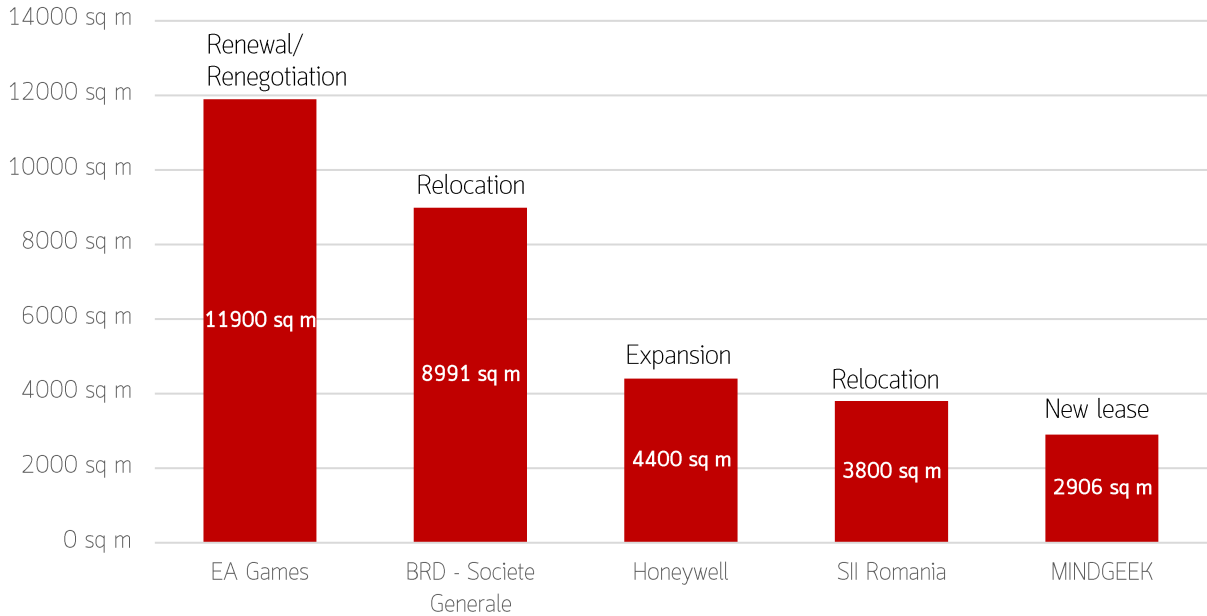
Business services



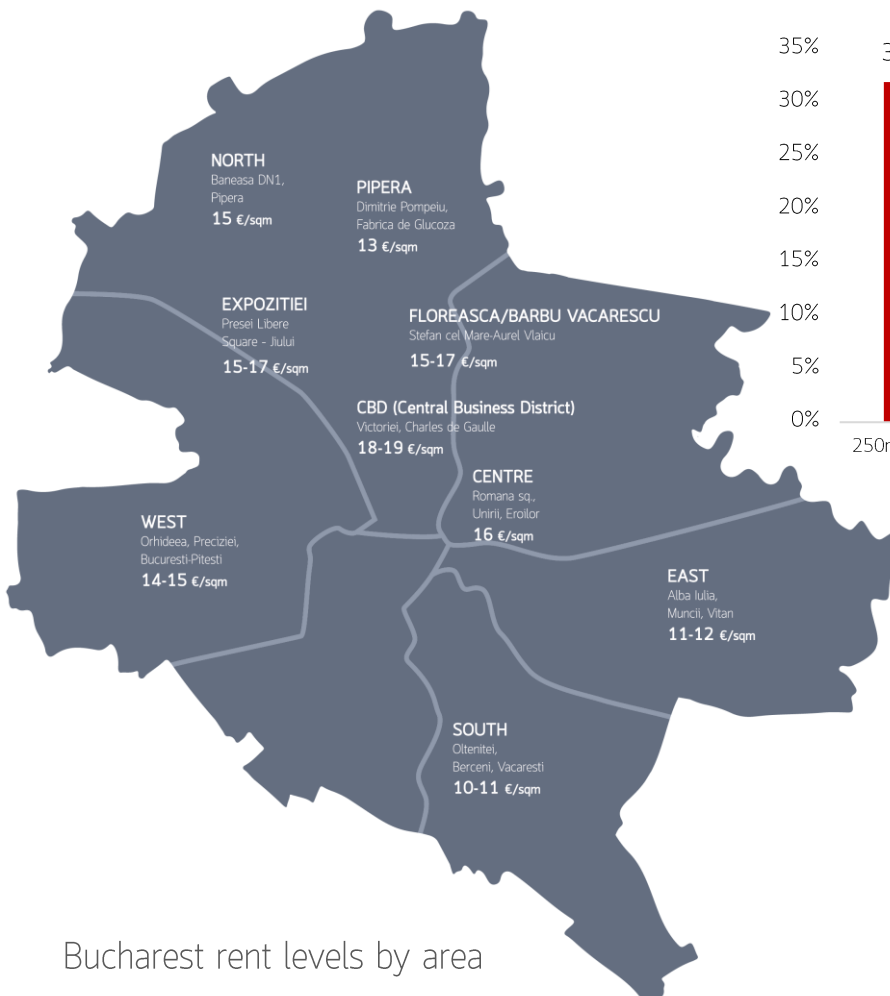
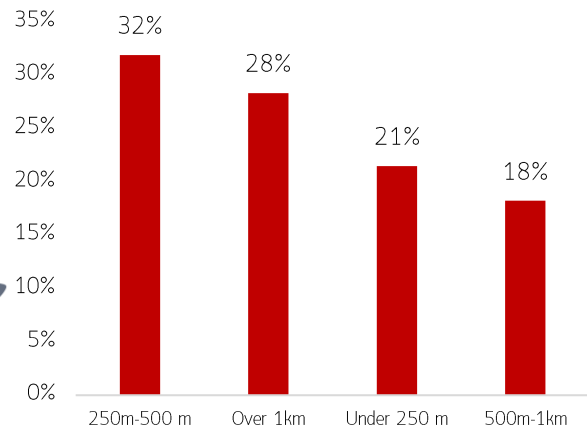
5%

Public sector

Top office leases, Q1 2020



Demand breakdown by distance to subway



Bucharest rent levels by area

Stock & supply

Romania’s industrial stock currently stands at around 4.7 million sqm. Over 85,000 sqm of new industrial space have been delivered in 2020, mainly in the capital city. Bucharest continues to be the largest market, with a stock of a little over 2 million sqm (50%), with the West and North-West areas accounting for 40% of the total stock.

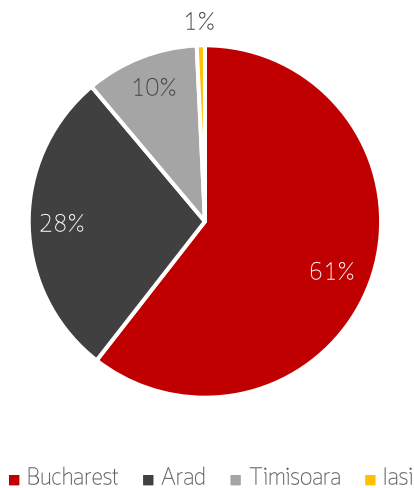
Demand

The industrial leasing activity in Q1 2020 amounted to around 67,000 sqm, with a 60%-40% split between Bucharest and the western area of the country.

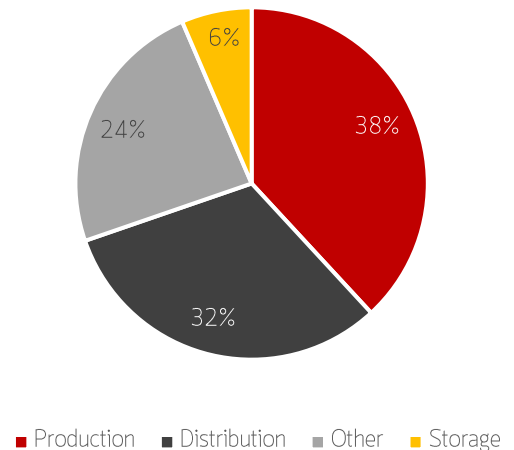
TENANT	SURFACE RENTED (sqm)	PROJECT	CITY
DSV	10,000	CTP Stefanesti	Bucharest
Betty Ice / Unilever	4,200	ACT	Bucharest
Ericsson	7,000	VGP	Timisoara
Huf	9,000	Parcul Industrial Vest	Arad

Top industrial leases Q1 2020

Demand breakdown by location



Demand breakdown by activity



Rent levels

Prime industrial rents have remained unchanged from last year, 3.8-4.0 EUR/sqm/month in Bucharest and 3.5 EUR/sqm/month in the major regional cities. Additional costs include property tax and insurance, security and maintenance and range from 0.5 EUR/sqm/month to 0.9 EUR/sqm/month.

Vacancy rates

Industrial vacancy rates remain low. Nationwide, the vacancy rate is around 6.5%, while in Bucharest the vacancy rate reached a little under 8%.

Forecast

The industrial and logistics market will be less affected compared to the other real estate segments. However, the dynamics will be lower by the end of the year. Some companies delay their expansion but there are signals in the market which show that there are positively affected industries, especially those related to e-commerce. In addition, there are no large projects built speculatively and the vacancy rate registers lower levels.



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