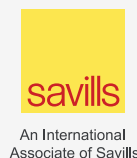


Romanian Real Estate Market Report

2020

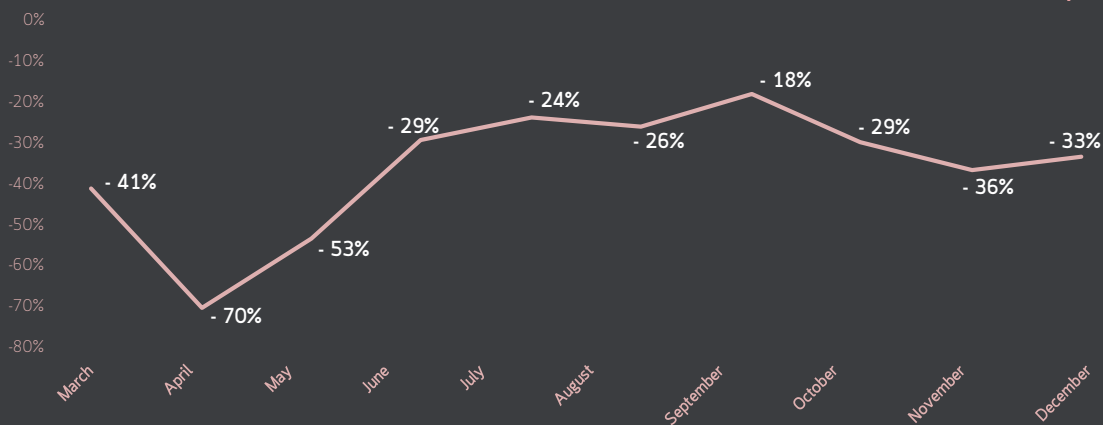


Movement in the time of COVID

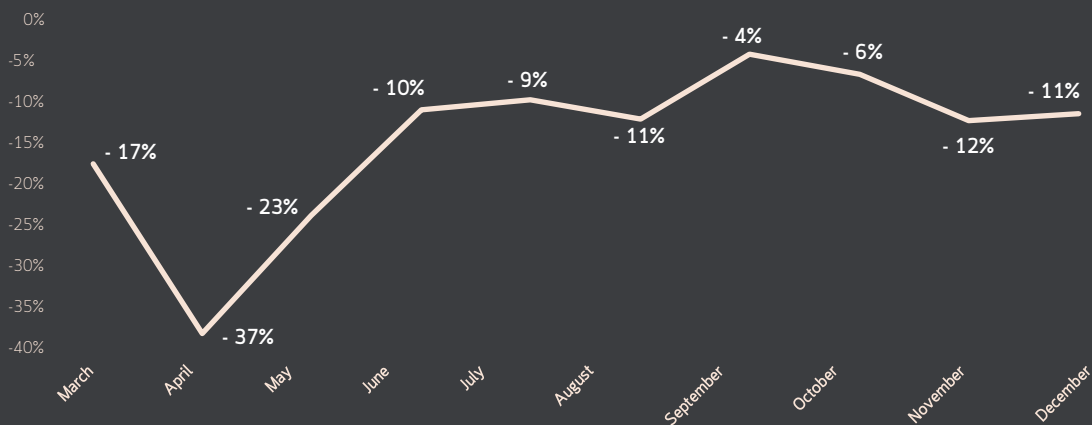


Since the beginning of the pandemic, our day-to-day activities have been limited....

...from our visits to the **mall and recreational spaces**

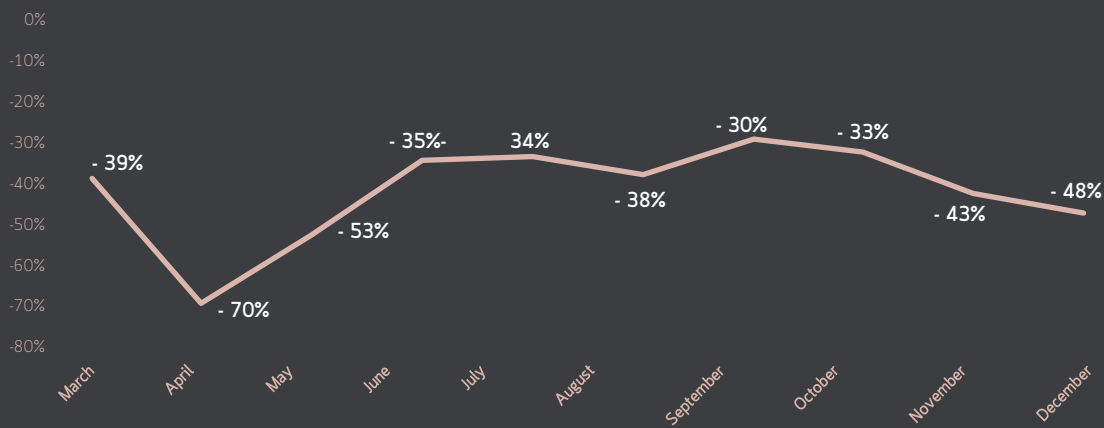


...or to the **grocery stores**

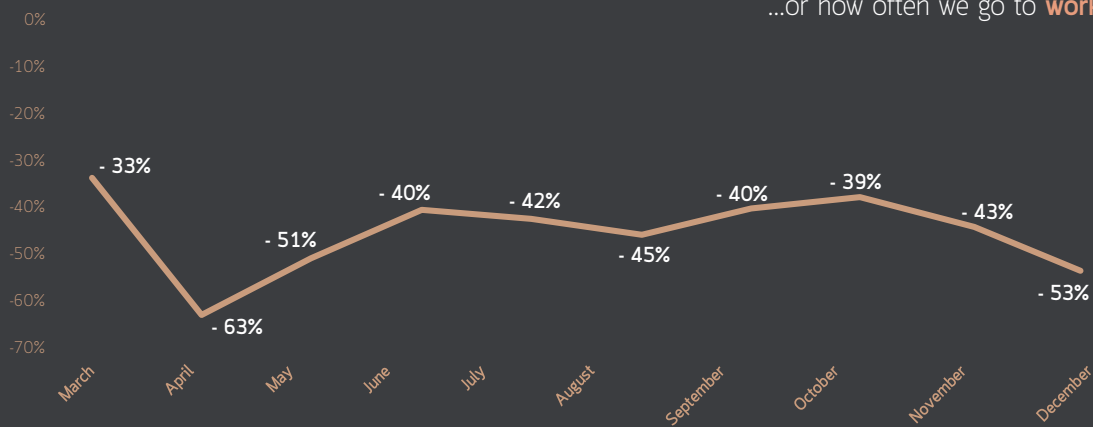




...to how much we use **public transportation**



...or how often we go to **work**



Graphs Source: Google Mobility Report, Bucharest

Baseline: median value for every Wednesday between Jan 3 - Feb 6, 2020

The graphs represent the monthly median values for every Wednesday between March and December 2020



Car traffic congestion has gone down to winter holidays levels in April (10%) and continued to be low throughout the rest of the year, with a **42%** average, 10% lower than in 2019.

Source: tomtom.com, Bucharest



Airline traffic has dropped by **43%** to **89.3% yoy**

Source: Eurocontrol, air traffic data, March-December 2020, national level

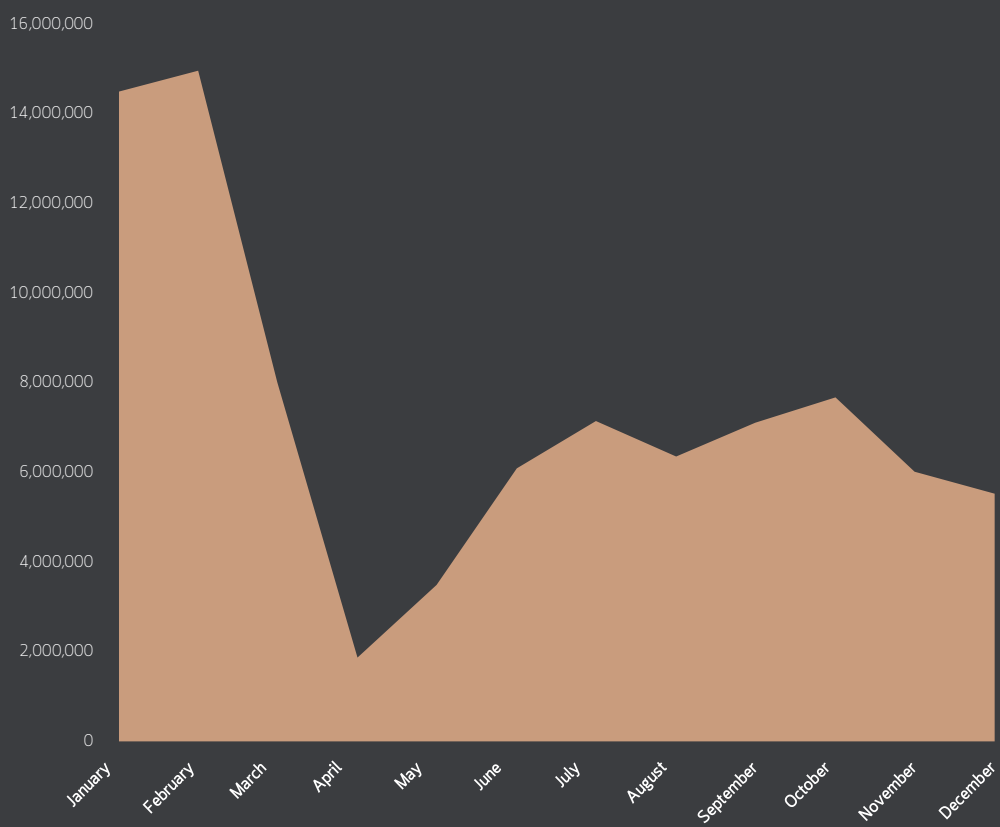


The number of **overnight stays in hotels** has decreased by **49% yoy**

Source: INS, January-November 2020 data, national level

In Bucharest, **the subway** is the main common mean of transportation, with over 14M trips on average before the pandemic. Trips have dropped to **under 2M** in April and have reached the highest value of **7.5M** in October 2020.

Source: Metrorex



Macroeconomic Context

The COVID-19 pandemic had a strong negative impact on the global economy throughout 2020, with a 6.4% yoy drop in GDP in the EU-27 area. Relatively, Romania's GDP decreased by 3.9%. The lockdown period as well as the restrictive measures instated by the Government have led to the negative contribution to GDP growth of important economic sectors such as agriculture, industry and hospitality.

With a 6.6% share of GDP, the construction sector seemed not only to survive the unprecedented conditions but to also thrive in 2020, being one of the few sectors with a positive contribution (0.8%) to the GDP growth.

Consumer prices have registered smaller raises in 2020 compared to previous years, as expected, mainly due to the effects of the health crisis. However, 2021 is expected to register a higher inflation rate, with significant price increases, especially for energy and fuel.

-3.9%

yoy GDP growth
From 4.1% in 2019

2.1%

Inflation rate
From 3.8% in 2019

4.9%

Unemployment
rate 2020

Up from 3.9%
in 2019

607 €

Net average wage
280 EUR net
minimum wage

2.03%

3M ROBOR

The lockdown period and the subsequent social distancing measures have put severe pressure on certain industries, the most affected being the hospitality industry. Despite efforts to retain their employees, the closing down of hotels and restaurants has led to a significant number of layoffs in this sector.

The pressure has had a spill effect into a drop in the average net salaries for industries like hospitality and air transportation, which have registered a decrease in the average salary of 12.9% and 28.38% respectively. While some raises were registered in sectors like healthcare and energy, on average, the net salary remained roughly the same in 2020 compared to the previous year.

The National Bank's initiative to ease the monetary policy has led to a decrease in the interbank rate several times throughout 2020. The year ended with a 2.03% level for 3M ROBOR index, from 3.18% in December 2019.

According to the European Commission's forecast for the following 12 months, Romania's GDP is expected to register a 3.8% growth in 2021. With a high level of uncertainty still surrounding the global and local economies, the growth is strongly dependent on the efficiency of vaccination programs and other sanitary measures meant to solve the current crisis. EU intervention framework as well as national policies will be crucial in insuring a smooth rebound of the economy. However, according to market participants, a complete recovery is not likely to happen by 2022, provided that the health crisis will be kept under control.

2020 Romanian Investment Market



SURPRISING GROWTH

The Romanian investment market went through a positive evolution in 2020, with a total investment volume which exceeded the expectations. This aspect is mainly due, however, to the postponement of some major transactions initiated in 2019 and finalized in 2020, especially the largest transaction of 2020, the takeover of NEPI's office portfolio by AFI Europe, in a transaction estimated at 307 M €. The portfolio consists of four A class office buildings located in Bucharest and Timisoara. The total investment volume reached a little over 805 M € in 2020, a 32% increase yoy.

DIFFERENT TIMES, SAME DIRECTION

Despite the uncertainty surrounding the future, the office sector remained in 2020 the investors' preferred type of asset, with an 85.3% share in the total investment volume. The industrial market has registered a few major transactions, but the lack of available products as well as the fact that the market is relatively monopolized by large players led to the sector having only a 10% share in the total investment volume.

PLAYING IT SAFE

Bucharest attracted the majority of investments in 2020 (83%), although in the previous couple of years regional markets have emerged as a promising alternative to the capital city. However, in the current circumstances, investor approach has been cautious and betting on a more stable, established market such as Bucharest was the safest strategy for 2020. This doesn't however cancel the regional cities' potential for growth but is more likely a reflection of a low appetite for risk from players on the Romanian market. As the regional cities will move across this crisis and continue their development, it is expected that they will regain investor confidence.

HIGH RETURNS CONFIRM MARKET STABILITY

Prime yields in Romania have maintained at the same levels from 2019 as the market has proven to adapt to difficult circumstances and continue to be among the highest in Europe.

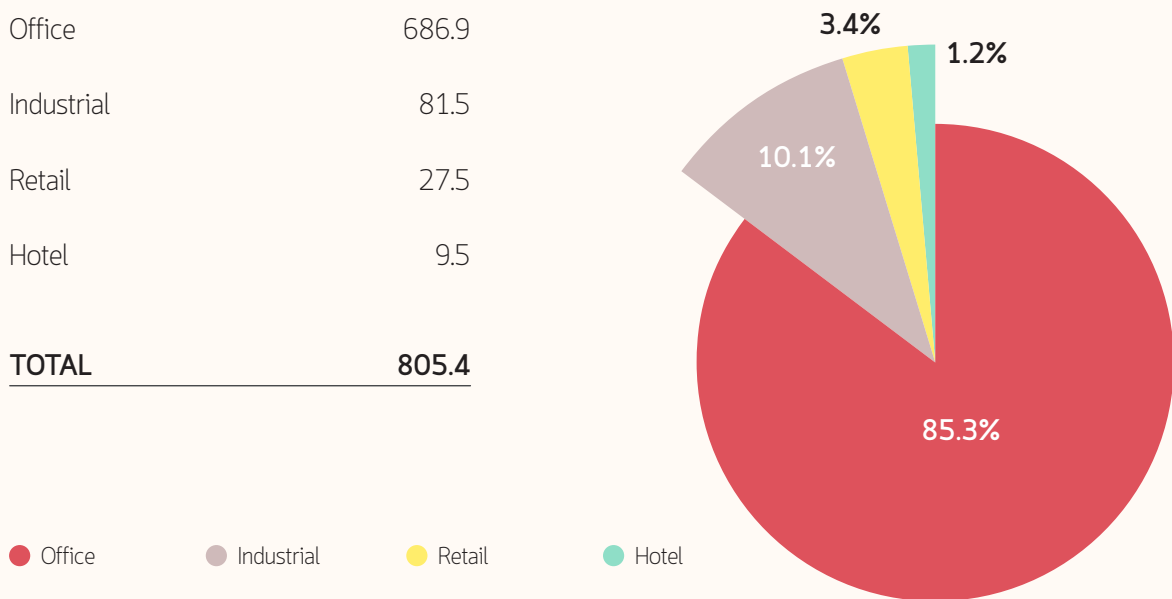
7%
Office
prime yield

7%
Retail
prime yield

8%
Industrial
prime yield

TOTAL INVESTMENT BY SECTOR, 2020

Sector	Value (M€)
Office	686.9
Industrial	81.5
Retail	27.5
Hotel	9.5
TOTAL	805.4



CAUTIOUS OPTIMISM FOR THE FUTURE

With a few major transactions on the pipeline for 2021 and high hopes for a fast return to the previous years' normal, the market sentiment remains positive. However, the unpredictability surrounding the economic landscape, as well as some sectors' ability to sail through muddy waters will likely lead to a drop in the total investment volume, at least in the following year. While most of the bets will continue to be placed on office and industrial products, the retail sector's surprising resilience throughout 2020 might attract some investments, especially in small to medium-sized projects located in regional and even secondary markets.

TOP INVESTMENT TRANSACTIONS, 2020

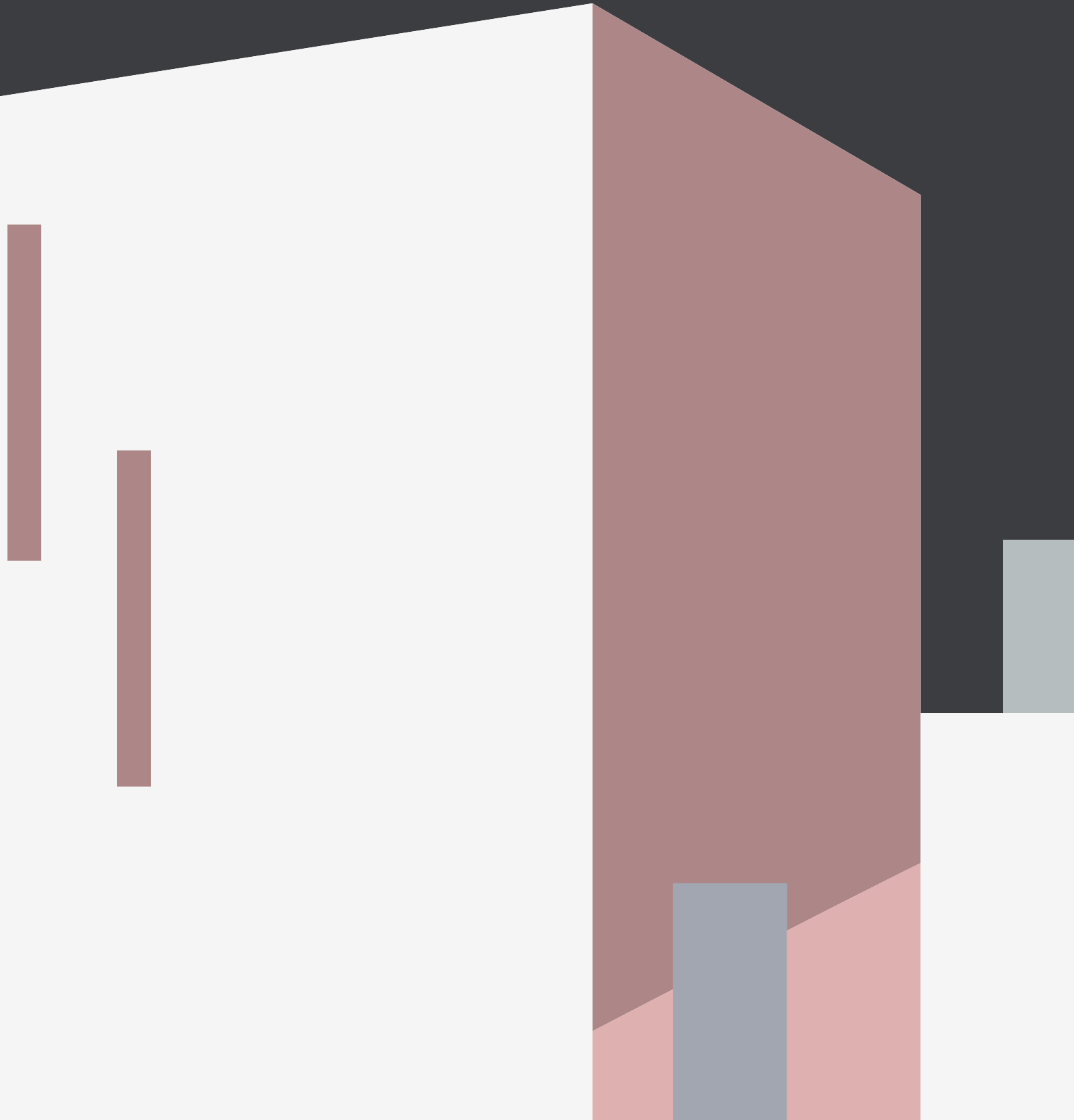
Sector	Asset	GLA (sqm)	Location	Value (M€)	Vendor	Buyer
Office	NEPI office portfolio	118,500	Bucuresti	307	NEPI	AFI Europe
Office	61.49% of GTC portfolio (share deal)	n/a	Timisoara	126	Lone Star	Optimum Ventures PE
Office	Floreasca Park	37,500	Bucuresti	101	GLL	Fosun
Office	Global City	51,200	Bucuresti	55	Global Finance	Arion Green
Office	50% of Renault Business Connected (share deal)	n/a	Bucuresti	38	Elgan Group	Globalworth
Industrial	Equest Logistic Center	56,690	Bucuresti	30	Equest Balkan Properties	CTP
Industrial	A1 Business Park	95,000	Bucuresti	25	Cromwell Property Group	CTP
Office	30% One Floreasca Towers (share deal)	n/a	Bucuresti	20	One Floreasca Property Group	Ionut Dumitrescu
Retail	Jupiter City Shopping Center	45,000	Pitesti	20	Doron Ofer	Supernova

Values are estimated

805.4 M€

Total investment volume 2020

2020 Bucharest Office Market



MAINTAINING MOMENTUM, WITH CHANGE LOOMING OVER THE HORIZON

With the delay of several projects due for delivery this year, the current stock stands at around 3.3 M sqm. Over 150,000 sqm of new office space have been delivered in 2020. While most of the projects expected to be delivered during the year have been completed on time, in some cases there have been partial deliveries or even postponements. Still, 2021 is expected to witness the addition of some 230,000 sqm of new office space to the current stock. While most developers remained unfazed and went on with the delivery of their projects, mainly because they were already under construction, the new turn the market has taken in 2020 has determined others to reconsider their plans. Indefinite postponements in deliveries and even reconversions of planned office buildings have been announced or at least taken into consideration by several developers.

Sector	GLA (sqm)	Area	Delivery
Ana Tower	33,000	Expozitiei	Q1
Globalworth Campus C	32,000	Pipera	Q1
H Victoriei 109	6,000	CBD	Q1
Mendeleev 5	4,500	Central	Q1
The Bridge III	21,200	Central-West	Q2
Zone 313	6,700	Floreasca-Barbu Vacarescu	Q2
Campus 6.3	17,581	Central-West	Q3
One Tower	23,867	Floreasca-Barbu Vacarescu	Q4
Vila Rosetti	3,300	Central	Q4
Mincu 3 Offices	4,000	CBD	Q4
TOTAL	152,148		

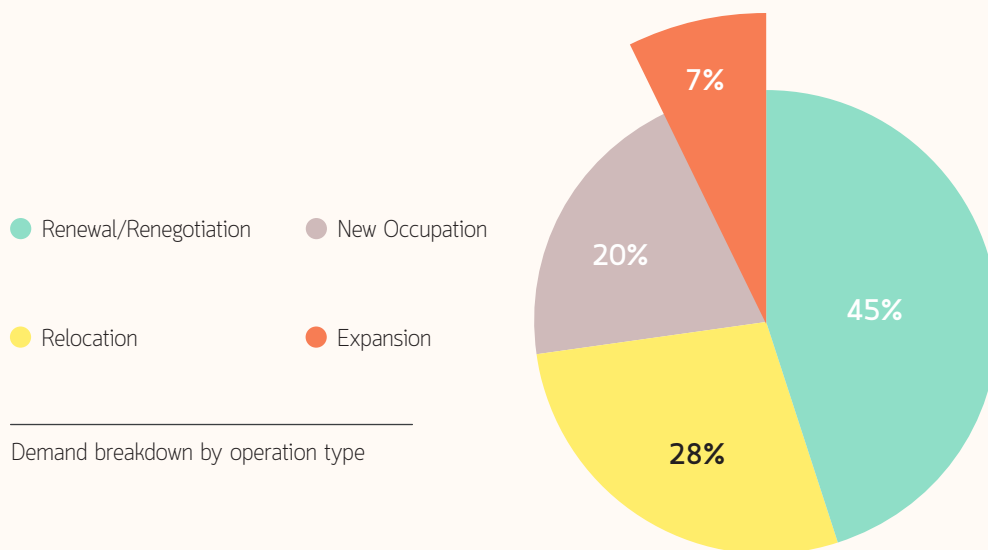
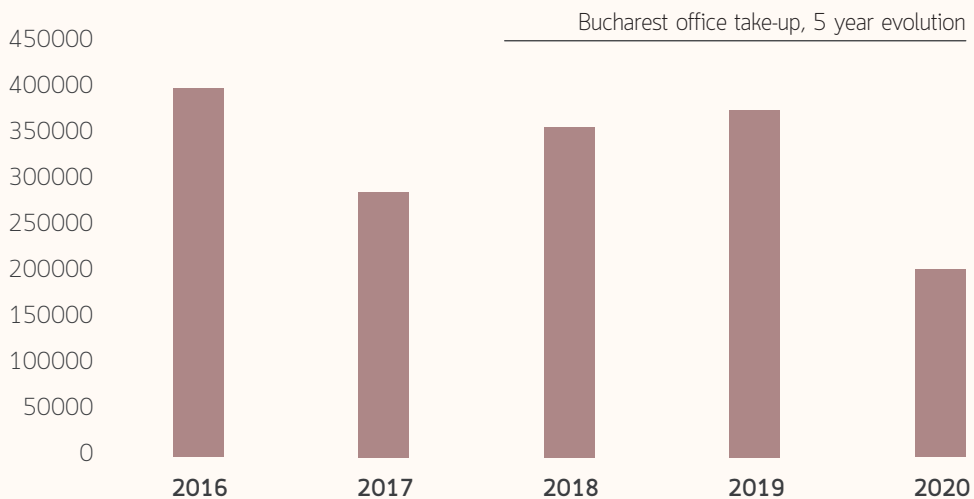
Office deliveries in Bucharest, 2020

Project	GLA (sqm)	Area
Globalworth Square	29,700	Floreasca-Barbu Vacarescu
Matei Millo OB - Phase 1	9,600	Central
Campus 6.2	19,819	Central-West
One Cotroceni Park	45,000	Central-West
J8 Office Park	45,700	Expozitiei
Sema Oslo	10,177	Central-West
Sema London	21,300	Central-West
Campus 6.2	19,819	Central-West
Tiriac Tower	16,500	CBD
Dacia One	15,800	Central
TOTAL	233,415	

Expected office deliveries in Bucharest, 2021

“WAIT-AND-SEE” TENANT APPROACH LEADS TO DROP IN DEMAND

A little over 200,000 sqm of office space were leased in Bucharest in 2020, a 46% fall in demand yoy. Furthermore, most of the take-up (45%) consists in renewals and renegotiations. This might be a sign that, while headline rents have remained stable, contracts are being heavily negotiated and the incentives offered by owners are larger than before the COVID-19 crisis (longer rent-free periods, larger owner contributions to fit-out costs). Companies are also still figuring out their strategies for the future and are currently choosing the safer, more cost-efficient option of remaining in their current locations, at least for a short to medium term. Relocations have dropped significantly compared to last year (from 44% in total take-up in 2019 to 28% in 2020); however, pre-leases have registered a slight increase, to 19%.



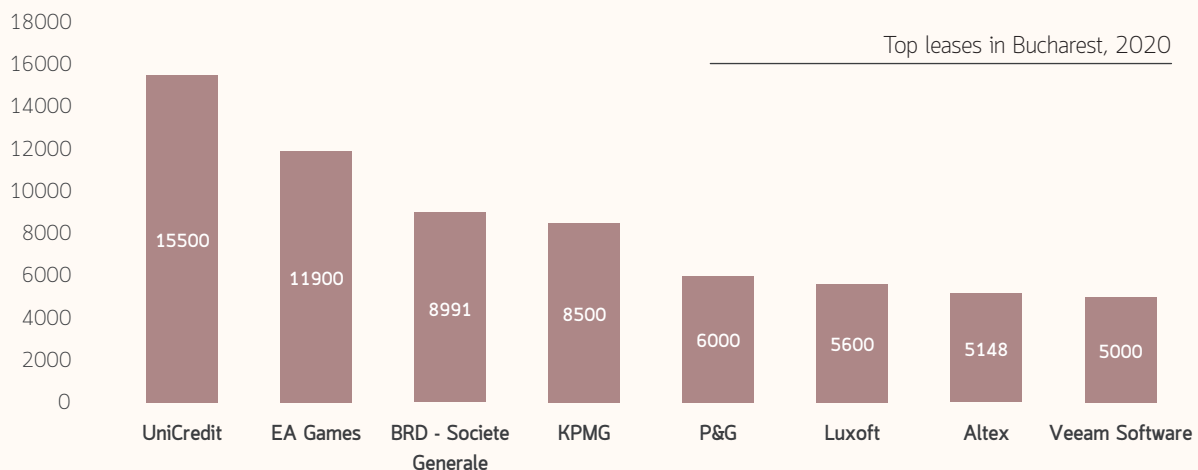
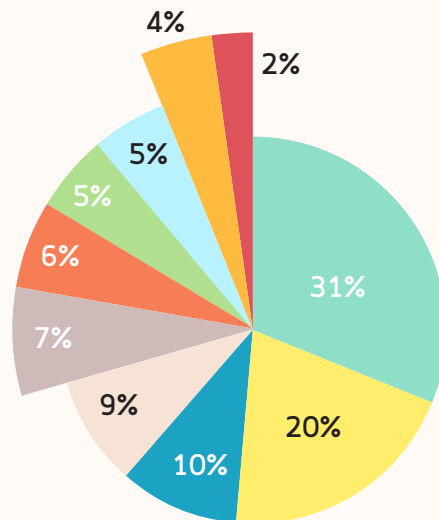
WORK FROM WHERE?

Many companies, especially those operating in the IT&C sector, have adopted work from home until the end of the year, with some tenants planning a comeback later in 2021 or even 2022. They were still, however, the main driver of demand for office space in Bucharest, with a 31% share in total take-up in 2020. A small number of sub-leases were recorded and various large occupiers are planning on downsizing and subletting the extra space. As a consequence of the health crisis, the healthcare sector has reached the 3rd rank in the take-up top, with a 10% share in demand for 2020.

However, as time progresses, the ideal workplace seems to become more of a mix between work from home and work from the office, so the impending sense of dramatical change surrounding the industry in 2020 might not be so right after all. People's need to connect in person, the desire to feel part of a team, the lack of proper technologies in employees' homes, the mundane distractions of working from home as well as the fact that workers can no longer balance their work-life relation working exclusively remotely are few of the problems presented in an exclusive WFH scenario. Most likely the future of work will have a larger amount of flexibility compared to the pre-pandemic levels but office buildings will remain a strong tool for employees.



Demand breakdown by industry



Top leases in Bucharest, 2020

RENTS ARE THE SAME BUT COME WITH MORE BENEFITS

Although asking rents have remained roughly the same, the market shows signs of a downward pressure on rents which will probably become more obvious in 2021.

The vacancy rate remains at 11%, the highest level registered in the last 3 years, on one hand due to the low demand and on the other because of the high number of new deliveries in 2019 and 2020 (over 450,000 sqm). Given that the pipeline for 2021 is currently at over 230,000 sqm (with 14% pre-let space), the vacancy rate can shift significantly if the demand keeps dropping in the following period.

ADAPTABILITY AND KEEPING UP WITH TECHNOLOGY

With 2020's COVID-19 crisis still far from a resolution, we can safely say that flexibility is here to stay, as opposed to previous years, when it was seen as a trend. Owners and companies alike need to come with strategies which will help them overcome this apparent blockage. Safety measures, smart technologies and internal policies should assure employees that their offices are safe. These measures, together with the vaccination program, have the capacity to boost the office sector. Of course, official measures to raise investors' confidence as well as lower taxes to aid with the ease of doing business in Romania are crucial not only for the office sector but for all commercial sectors.



Map of Bucharest office areas

Rent level

Take-up share, 2020

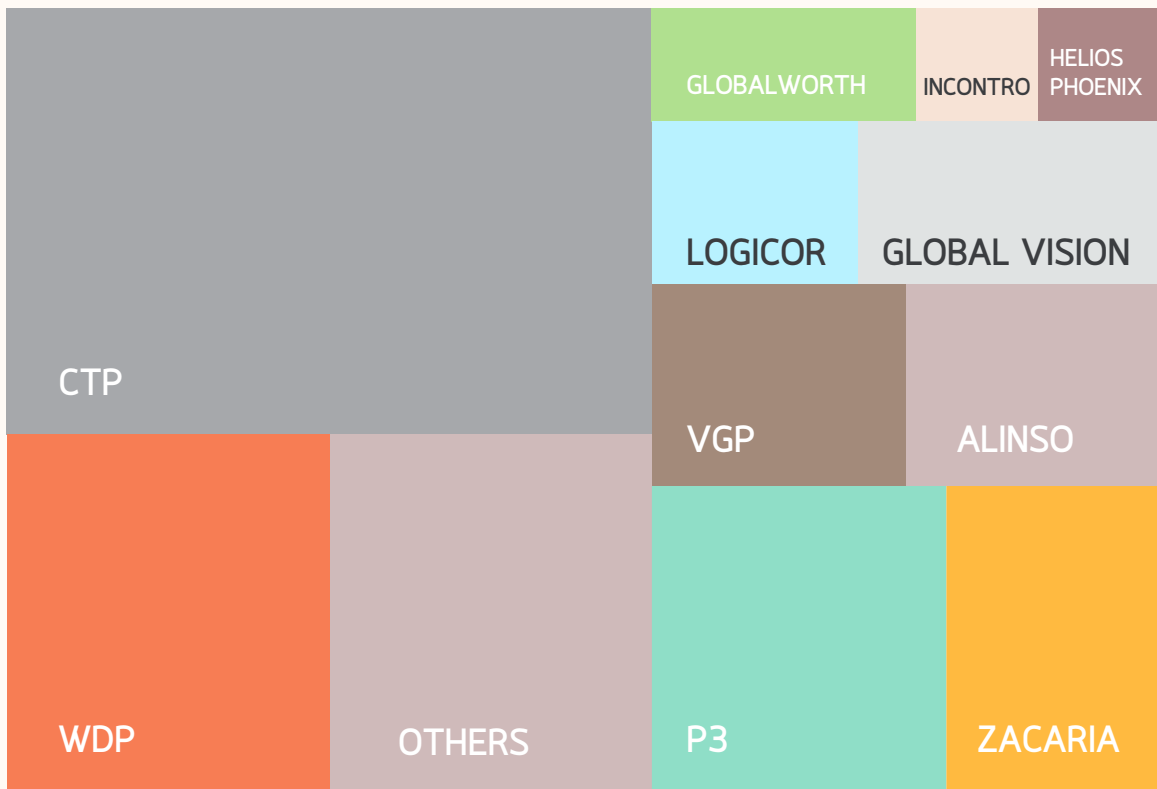
(Total take-up=203,686 sqm)



2020 Romanian Industrial Market

RECORD STOCK, LARGEST PLAYERS KEEP EXPANDING

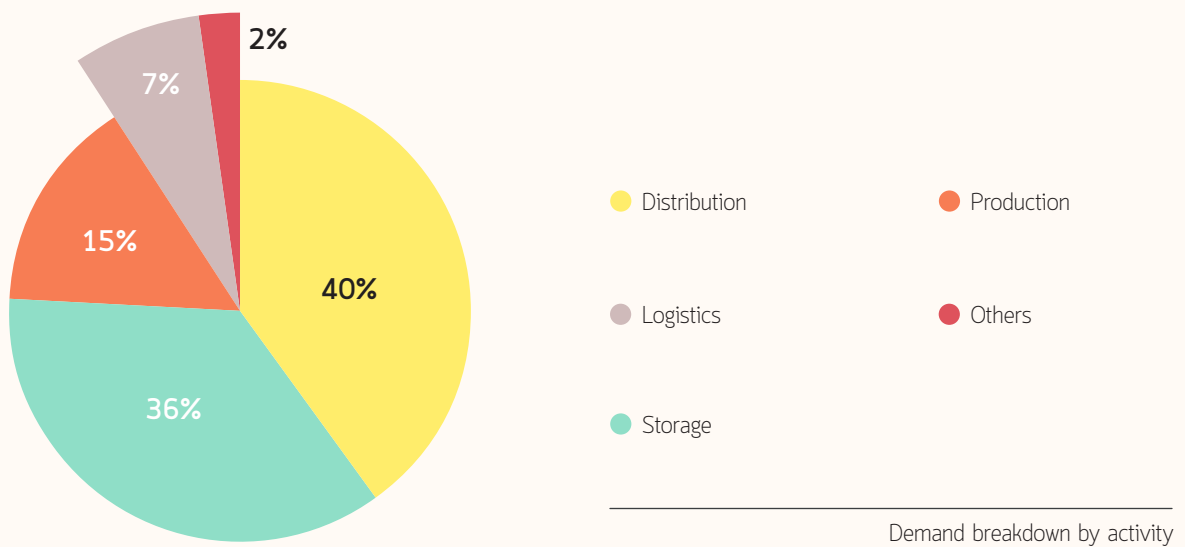
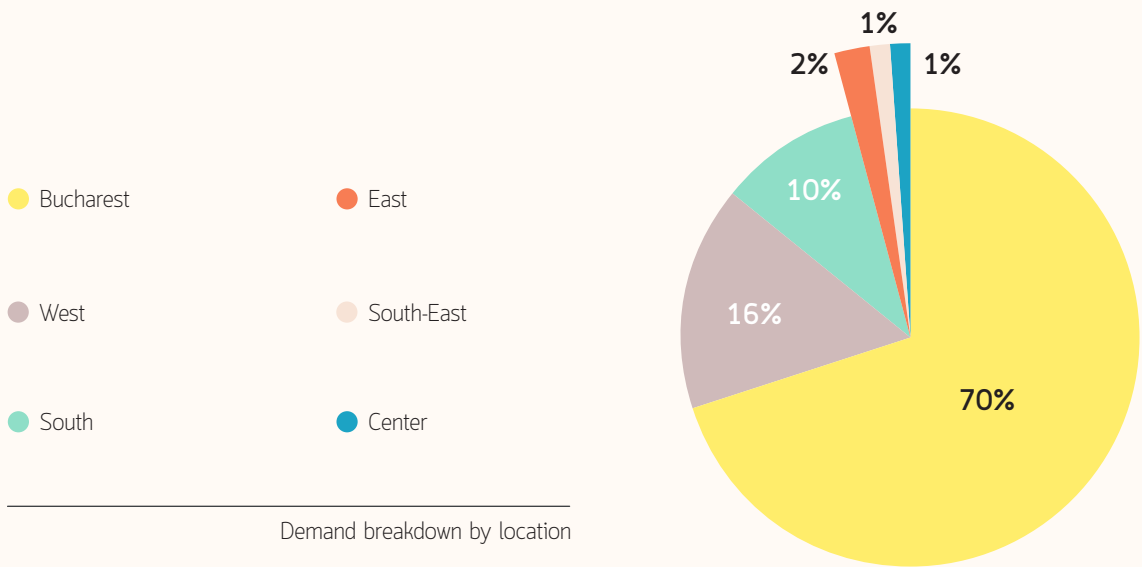
Romania's industrial stock currently reached 5.1 million sqm at the end of 2020 out of which around 2.4 million sqm are located around the capital city. 528,000 sqm of new industrial space have been delivered in 2020, mainly in Bucharest. The western and northwestern areas of the country host the second largest industrial stock, close to 35% in total. Positively affected by the COVID-19 crisis, as a consequence of growth in the e-commerce sector and the retailers' need for national coverage, the industrial sector was the obvious star of the commercial real estate sectors



Market share of industrial stock, 2020

PERMANENT GROWTH OR TEMPORARY BOOST?

The industrial leasing activity in 2020 amounted to over 735,000 sqm, a 60% increase in demand yoy. Most of the activity concentrated in and around Bucharest, where 516,000 sqm were leased. The boost of e-commerce, the growth of strategic industries such as the production of medical equipment as well as the need for urban logistics have created a rise in demand. There is also a growing interest for smaller units from local companies. 2020 was the first year when some sizeable short-term leases were registered, an aspect which might indicate that the sector's success was somewhat dependent on the uncommon context.



Tenant	Leased Area (sqm)	Project	City
Carrefour	85,000	P3 Bucharest	Bucharest
Ikea	75,000	CTPark Bucharest West	Bucharest
Profi	58,500	WDP	Timisoara
Profi	57,000	WDP	Craiova
Mobexpert	38,000	Mobexpert Center	Bucharest
A&D Pharma	34,000	CTP Mogosoaia	Bucharest
Corteva Agriscience	22,550	Aluti	Bucharest
LPP	21,800	WDP Industrial Park Stefanestii de Jos II	Bucharest

Top industrial leases, 2020

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.

Industrial vacancy rates remain low, mainly due to the non-speculative approach to the development of industrial facilities in Romania. Nationwide, the vacancy rate is around 6%, while in Bucharest the vacancy rate reached 7%.

BEST YEAR ENDS WITH POSITIVE PERSPECTIVE

Boosted by e-commerce and the retailers' need for national coverage, the industrial and logistics sector has had an outstandingly good year. 2021 is expected to follow the same trend, although the dynamics might be slower as the overall context improves. Even in the uncertain event of a full recovery, consumer habits might have already changed profoundly enough to no longer allow a comeback to the traditional market. Opportunities arising from the current situation, such as the shortening of the Asia-Europe supply chains by moving some of the production facilities into CEE and the increase in local workforce could be advantageous for Romania. This however depends highly on a fast and efficient development of local and national infrastructure and the 10% rise in the budget for transportation and infrastructure for 2021 brings an optimistic perspective on this matter.

2020 Bucharest Residential Market



SLOW START, FAST RECOVERY

With a smaller inflation rate (from 3.8% at the end of 2019 to 2.1% in December 2020) and a drop in interest rates, but a higher average exchange rate of 4.8371 RON/EUR, the residential sector's run throughout 2020 was a surprising one. Its debut was similar to previous years but the instatement of the lockdown period in March has led to a slowdown of building works for ongoing projects as well as a feeling of uncertainty surrounding planned residential developments. Nevertheless, once construction sites were reopened in May, all activity was rapidly resumed and developers showed no signs of retreat and none of the announced projects was canceled. Under the circumstances, unavoidable delays in project delivery were registered.

The final quarter of 2020 has shown a swift return for the residential sector, with an optimistic outlook both from developers and most importantly for clients, who initially had a skeptical approach towards the future of this market. Overall, the sector has proven itself to be much steadier than expected and, not taking the lockdown period

into account, 2020 has had an almost identical run to previous years, with a rapid rise in both sales and deliveries in its fourth quarter.

Recent changes in the "First home" program - renamed "New home" - such as the rise in the coverage level from 70,000 EUR to 140,000 EUR and the elimination of restrictive measures for mid to high income clients - have brought a new perspective on the success of the residential market following the COVID-19 crisis.

The long-awaited drop in the VAT rate to 5% for new dwellings under 140,000 EUR, although initially authorized by government officials and meant to be applied starting with January 1st 2021, was later postponed for 2022.

Compared to 2019, the cost of construction materials has seen a steep 30% increase in 2020. In addition to that, the raise in minimum wages has led to a 25% increase in employment costs for developers. Both of these aspects remain the primary reasons for the raise in housing prices.

DELIVERIES UNAFFECTED BY CURRENT CONTEXT

According to data published by the National Statistics Institute, 67,816 homes were delivered in Romania in 2020, a slight increase compared to 2019. Bucharest and Ilfov registered the delivery of 20,800 new units. The housing affordability landscape in different areas of the city remained roughly unchanged, with the lowest prices registered by the southern and western submarkets and areas like Primaverii/ Floreasca/ Aviatiei further establishing themselves as the high-end residential destinations in Bucharest, while the northern market remains the destination for middle to upper-middle income buyers.

4,372 building permits were issued in 2020 in Bucharest and Ilfov county, a slight 3% decrease compared to 2019. The same minor decline has been noted on a national level, with 41,395 building permits issued in total throughout 2020.

For 2021, around 180 residential projects are expected to be delivered in Bucharest and Ilfov.

<u>District</u>	<u>No. of projects</u>
District 1	23
District 2	9
District 3	17
District 4	15
District 5	6
District 6	16
Ilfov	53
TOTAL	179

Number of residential projects to be delivered
in Bucharest and Ilfov, 2021

41,395

Residential building
permits in Romania
2020

4,372

Residential building
permits in Bucharest
and Ilfov, 2020

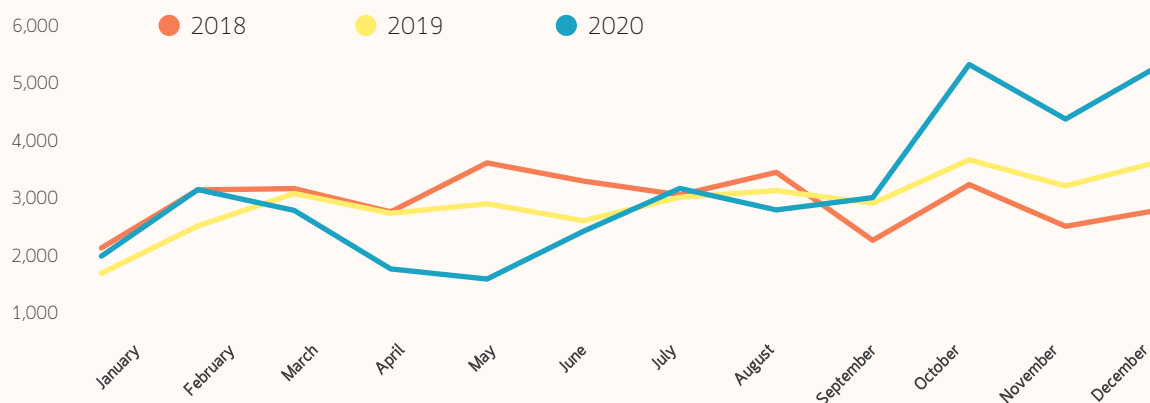
SALES EXCEEDING EXPECTATIONS

The debut of 2020 followed the same trend as the previous year, with a 9% increase in sales yoy in the first quarter. As expected, the instatement of the emergency situation in March-May has resulted in a drop in transactions but by the end of June the number of sales has increased, with the market going through a slow rebound. Sales have gone up significantly in the fourth quarter, taking the yearly change to an 8% increase compared to 2019. The positive trend was registered on a national level as well, with regional markets like Cluj an Timis registering rises in demand of 30% and 25% respectively on a year-to-year basis.

The main change in client preferences, influenced strongly by the COVID-19 crisis and its repercussions on our lifestyle, has been the rise in demand for single-family homes. If this shift towards single homes continues in the following years, the residential market in the capital city might adjust accordingly, with a horizontal expansion towards Ilfov county, where large-scale development of such projects is possible. So far however, inner-city dwellings were preferred by buyers in 2020, with Ilfov registering a 6% yoy drop in demand.

Month	2018	2019	2020	y/y 20/19
January	2,070	1,619	1,920	19%
February	3,094	2,457	3,097	26%
March	3,117	3,030	2,729	-10%
April	2,707	2,680	1,696	-37%
May	3,571	2,849	1,517	-47%
June	3,250	2,548	2,361	-7%
July	3,006	2,964	3,118	5%
August	3,404	3,081	2,738	-11%
September	2,205	2,856	2,955	3%
October	3,188	3,625	5,307	46%
November	2,452	3,164	4,343	37%
December	2,749	3,605	5,316	47%
TOTAL	34,813	34,478	37,097	8%
Monthly Average	2,901	2,873	3,091	

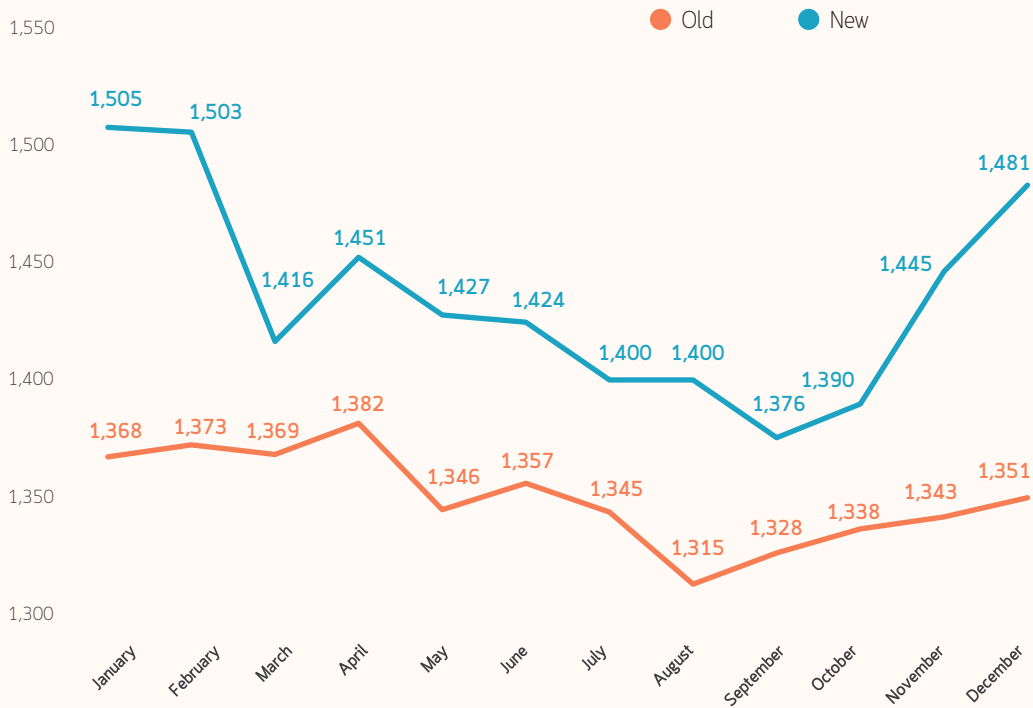
No. of individual transactions in Bucharest, 2018, 2019, 2020 Source: ANCPPI



HIGH-END IN HIGH DEMAND

The average prices for residential units has registered an increase in 2020, both for new and old dwellings. However, the increase was higher for old units, of around 7%, while prices for new units have only gone up by 2%. In case 2021 will follow the same trend, this aspect could encourage developers and drive potential buyers to the new market, given that the gap in prices between new and old units has already noticeably narrowed. The average price for new units in 2020 reached 1,435€/sqm, while old units averaged 1,351 €/sqm.

As regards the average price by area, southern Bucharest remains the cheapest, with average prices of around 1,000 €/sqm, while prices in the center-north average around 3,000/sqm. While minimum prices have somewhat maintained levels from previous years, the high-end segment has seen a substantial rise in prices in 2020 supported by strong demand.



2020 price evolution, new vs. old dwellings Source: imobiliare.ro

DOWNWARDS PRESSURE ON RENTS

The impact of the COVID-19 pandemic has been more obvious on rent values. Decreases of up to 15% in rents have been registered since March 2020 and the supply has gone up significantly. The increase in house sales, tenants leaving Bucharest and returning to their hometowns or choosing to work remotely from other locations have been the main causes that led to high vacancy levels on the rental market. This was also escalated by the students not returning to university centres, which is also an important driver for demand in campus cities. The entry on the long-term rental market of high-quality short-term rental properties, as a consequence of the reduced global and internal mobility, is a factor that caused a further decrease in rent levels.

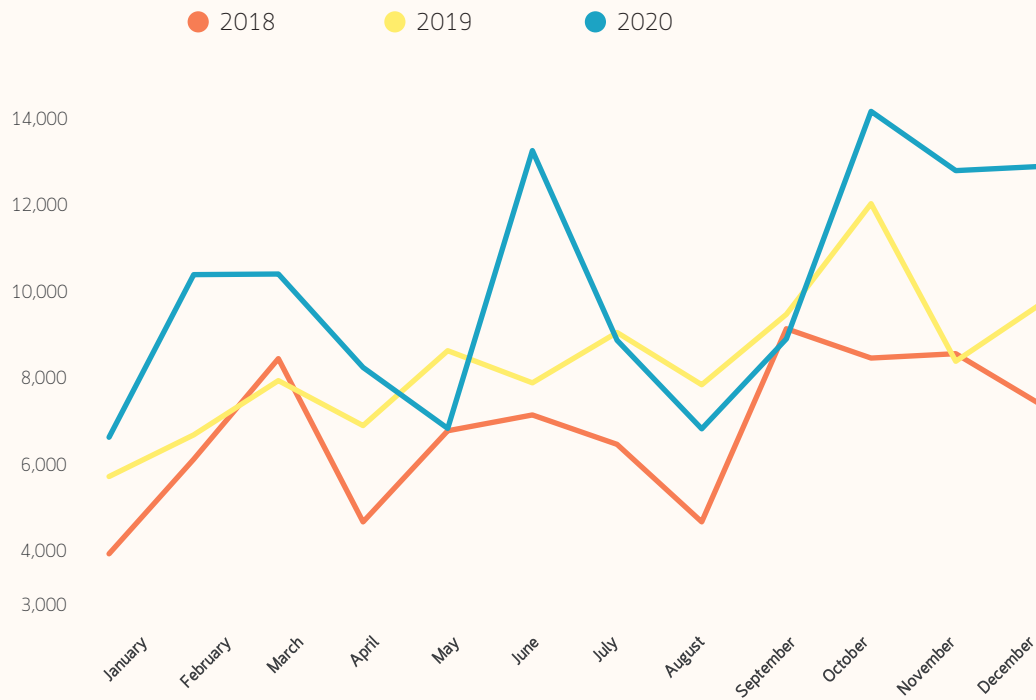


**2020
Bucharest
Land
Market**

LIMITED DESTINATIONS, DOUBLE THE TRANSACTIONS

The largest land transactions in Bucharest totaled over 220 m € in 2020, with seven individual transactions of over 10M € each. Developers and investors have quickly caught up on the new turn the market has taken and shifted their focus on the residential market, while office development plans have been put on hold.

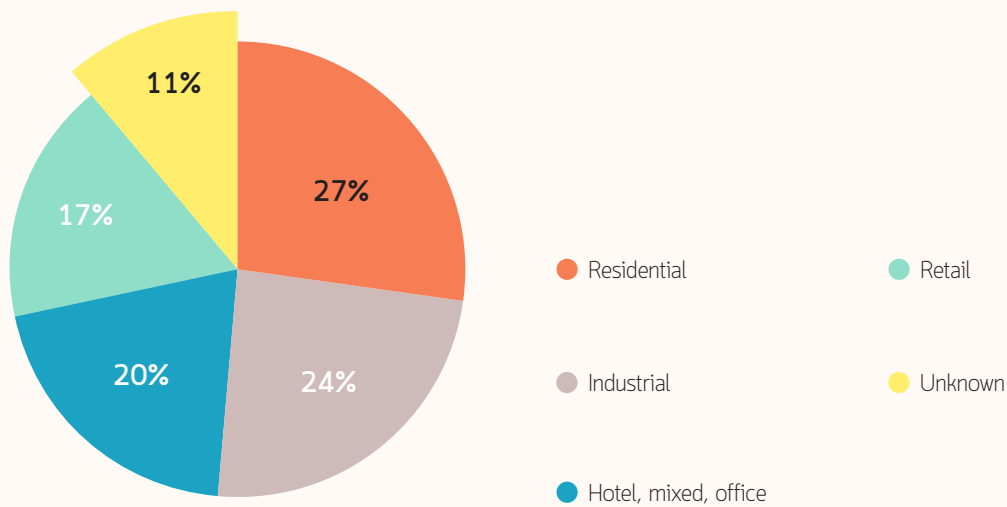
The land market has been extremely dynamic in 2020, with over 118,000 transactions recorded in Bucharest and Ilfov county (72,175 transactions in Bucharest alone), a 95% yoy increase.



Land transactions (non-agricultural) in Bucharest and Ilfov, 2018-2020
Source: ANCPPI

Location	Size	Seller	Buyer	Destination	Area
Afumati	180,000	Private	CTP	Industrial	Ilfov
Berceni	540,000	Doosan Heavy Industries	SIF Banat-Crisana	Mixed	South
Tineretului	13,726	Adesgo	Forte Partners	n/a	Central-South
Berceni	40,000	Private	Kaufland	Retail	South
Stefanestii de Jos	640,000	Martinsa Fadesa	Dragos/Adrian Paval	Industrial	Ilfov
Fabrica de Glucoza	17,000	Private	Kaufland	Retail	North
Ilioara 54	62,000	Energomontaj	Private	Retail	East

Top land transactions (over 10 m €) in Bucharest, 2020



Top land deals in Bucharest and Ilfov by destination

HIGH PRICES DON'T DISCOURAGE BUYERS

Land prices in Bucharest and adjacent areas have registered an increase during 2020. While the highest rises were recorded in central and northern inner-city areas, prices have also gone up on the outskirts of the city, especially in established residential areas.

Despite the rising prices, investor interest has been constant throughout 2020 and is expected to continue in 2021. This increase in prices will likely be counter-balanced by a smaller number of transactions in the following year. 2021 will also give a clearer view on one of the most talked about subjects during the COVID-19 crisis, the deurbanization trend on the residential market. So far, equal rises in land demand have been noted both in Bucharest and Ilfov but the projects in the capital still outnumber those located around the city. Furthermore, residential clients preferred Bucharest to Ilfov in 2020. Still, a larger and more diverse supply in the following years, added to the context generated by the COVID-19 pandemic, may lead to a redistribution of demand in the future.

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Founded in 2005, Crosspoint Real Estate offers transactional advice and real estate consultancy, as well as financial solutions needed by international investors for all types of office, retail, industrial, land, hospitality, residential and mixed-use properties.

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