

Romanian real estate market

H1 2021



MACROECONOMIC OVERVIEW

The first half of 2021 is giving a clearer perspective on the mid-term effects of the health crisis. The European Commission's latest estimations expect a temporary rise in inflation rates around the EU, with a gradual rebound to pre-pandemic levels starting in 2022. Romania is expected to record a swift growth in the GDP up to 5.1% and a drop in inflation down to 2.9% by the end of 2021. However, local estimates are not as optimistic: while a fast GDP growth is expected to be recorded starting with the second half of the year, due mainly to increased consumer activity, the National Bank of Romania's estimation of the inflation rate level for YE 2021 currently stands at 4.1%.

Indicator	2019	2020	2021	2022
GDP growth (% , yoy)	4.1	-3.9	5.1	4.9
Inflation (% , yoy)	3.9	2.3	2.9	2.7
Unemployment (%)	3.9	5.0	5.2	4.8
General government balance (% of GDP)	-4.4	-9.2	-8.0	-7.1
Gross public debt (% of GDP)	35.3	47.3	49.7	52.7
Current account balance (% of GDP)	-4.7	-5.0	-4.9	-4.6

Macroeconomic indicators, 2019-2020, 2021-2022 forecast
Source: European Commission

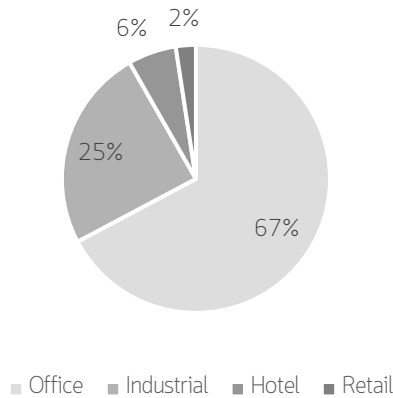
Indicator	YE 2020	YTD* 2021
GDP growth yoy	-3.9%	6.2% H1 2021
Inflation rate	2.1%	3.9% June 2021
Unemployment rate Bucharest	1.24%	1.21% May 2021
Net average wages Bucharest	4,716 RON/month	4,513 RON/month May 2021
ROBOR 3m	2.01%	1.5% June 2021

Macroeconomic indicators, YE 2020 vs. YTD 2021
*Latest available data
Sources: INS, BNR, Labor Ministry

ROMANIAN INVESTMENT MARKET

The total transaction value for H1 2021 reached a little over 350M €, a 10% increase in volume compared to the same period of 2020. The office sector continued to hold the largest share in the total investment volume (67% in total investment), followed distantly by the industrial sector (25% in total investment).

Sector	Value (M €)
Office	236
Industrial	86
Hotel	20.5
Retail	8.5
TOTAL	351

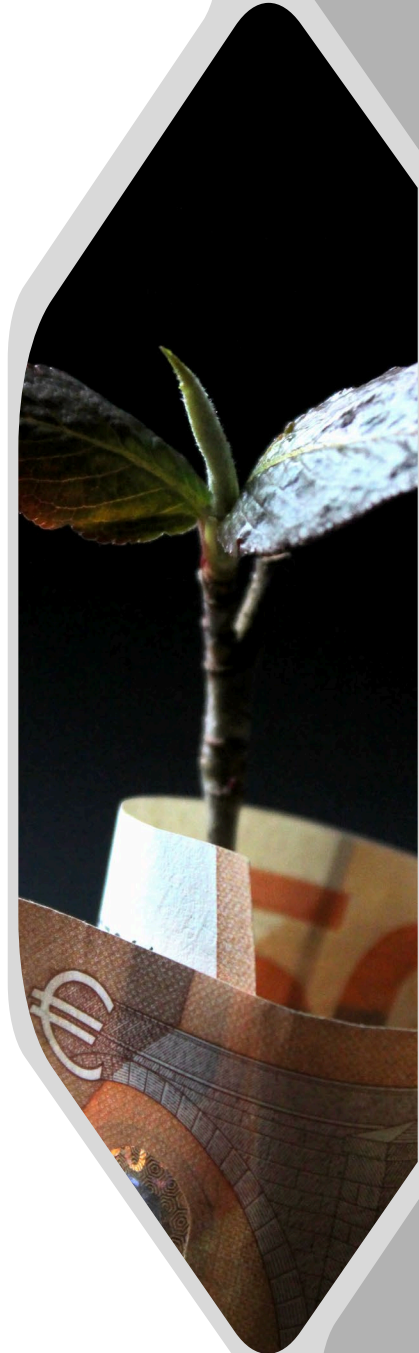


Total investment by sector, H1 2021

The investors' preference for Bucharest remained overwhelming in the first half of 2021, with the capital city holding a 82% share in the total investment value. Regional markets were targeted mainly by investors in industrial projects, as a consequence of the sector's success over the past 18 months.

Romanian players remained extremely cautious under the current circumstances, with a negligible activity on the investment market in the first half of 2021.

Prime investment yields have so far remained similar to previous years. As the availability of prime products seems to decrease in inverse proportion to investor interest in the following period, the market might witness slight yield contractions by the end of the year.



Property	Sector	Location	GLA (sqm)	Price (M €)	Vendor	Buyer
Hermes Business Campus	Office	Bucharest	75,000	150	Atenor	Adventum Group
The Light One	Office	Bucharest	21,653	50	River Development	Uniqua Real Estate
Bucharest Financial Plaza	Office	Bucharest	26,300	36	BCR	Immofinanz
Eli Park 1	Industrial	Bucharest	50,000	30	Element Industrial	Fortress REIT
Catalyst portfolio	Industrial	Timisoara, Arad, Caransebes	54,200	23	Catalyst Capital	CTP

BUCHAREST OFFICE MARKET



Bucharest's current office stock stands at 3.3 M sqm. 46,000 sqm in three new office buildings have been delivered in H1 2021: Matei Millo OB Phase 1 (9,600 sqm), Campus 6.2 (19,819 sqm) and Tiriac Tower (16,500 sqm). Another 175,000 sqm in 7 projects are expected to be delivered by the end of the year.

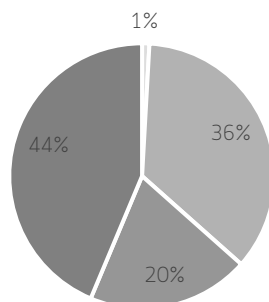
2021 has so far witnessed a recovery of the office sector, after a year in which the view on the future of the market was mainly pessimistic. The total leasing activity was 41% higher than the one recorded in H1 2020 but still under pre-pandemic levels, with the majority of tenants choosing a hybrid way of working, at least for the remainder of the year. Despite the increase in demand, the vacancy rate remains high, at over 10%.

Although the IT&C sector has remained the main driver of demand, the healthcare sector had a 20% share in the total take-up for the first half of this year. While renewals still make up for a large part of the demand, very few expansions were so far recorded. Pre-leases accounted for 21% in the total takeup volume. Central-western Bucharest remained the most in demand office area, with a 29% share in total take-up, while CBD, Floreasca/Barbu Vacarescu, Expozitiei and Pipera had an almost equal share in demand.

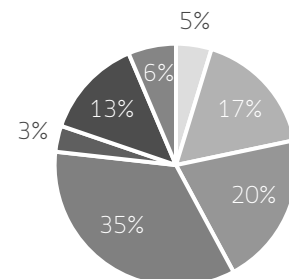
Takeup H1 2019	Takeup H1 2020	Takeup H1 2021	% change 21/19	% change 21/20
194,502sqm	100,648sqm	142,235sqm	-27%	41%

Change in demand volumes, H1 2021 vs. H1 2019 & H1 2020

Demand breakdown by operation type, H1 2021

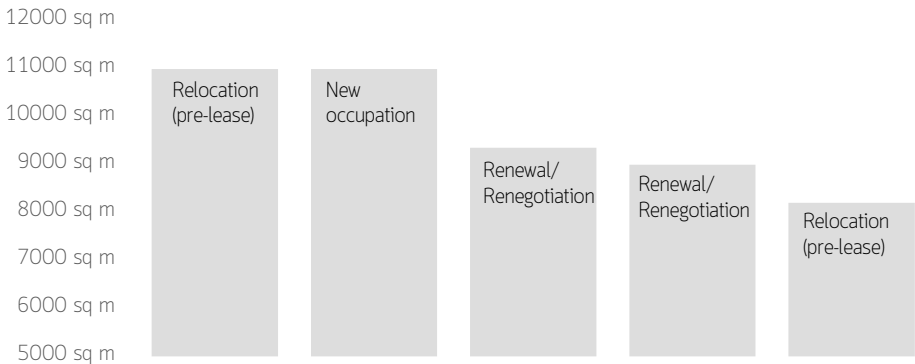


Demand breakdown by tenant industry, H1 2021



- Expansion
- Business Services
- Energy, Industrial
- Healthcare
- New Occupation
- IT&C
- Other
- Professional Services
- Relocation
- Retail, FMCG
- Renewal/Renegociation

BUCHAREST OFFICE MARKET



Top office leases, H1 2021



Main office areas of Bucharest
Rent levels
Take-up share, H1 2021

ROMANIAN INDUSTRIAL MARKET

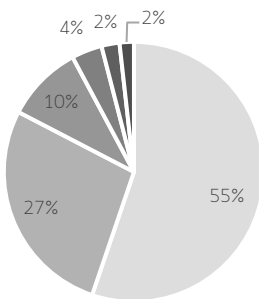
Romania's industrial stock reached 5.3 M sqm in H1 2021, with over 200,000 sqm of new industrial spaces delivered and another 150,000 sqm expected to be delivered by the end of the year.

Following last year's booming success of the industrial segment, the first half of 2021 continued to record a high demand. Over 268,000 sqm of industrial space were leased in H1 2021. While the demand was still high compared to pre-pandemic years, tenant interest has toned down from last year, with a 18% decrease in the leasing activity compared to H1 2020. More than half of the demand was concentrated in Bucharest, followed by the southern and western areas of the country.

Tenant	Area (sqm)	Project
Dacia Renault (renewal)	68,000	Pitesti Industrial Park
Corteva Agriscience Romania (pre-lease)	23,107	Lazar Real Estate
Ebouwie (expansion)	22,385	WDP Park Stefanesti
Havi (new lease)	20,797	Chitila Logistics Hub
Emag (new lease)	11,000	WDP Park Stefanesti

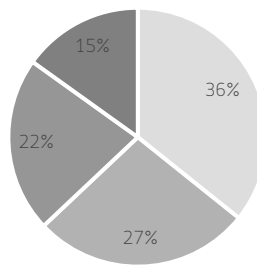
Top industrial leases, H1 2021

Take-up by area, H1 2021



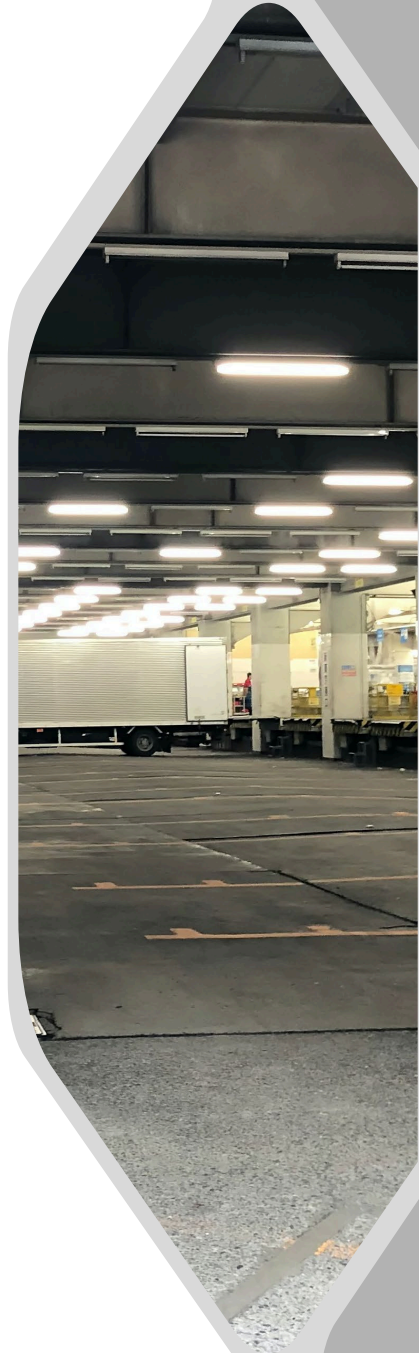
■ Bucharest ■ South ■ West ■ Central ■ South-East ■ East

Takeup by activity type, H1 2021



■ Production ■ Distribution ■ Storage ■ Logistics

Prime rents have remained unchanged, at 3.8€/sqm in Bucharest at 3.5€/sqm on the main regional markets. Vacancy rates were also constant compared to the end of 2020, with a 7% vacancy rate in Bucharest and a 6% national vacancy.



BUCHAREST RESIDENTIAL MARKET



Residential sales have peaked in the second half of 2020 and the first 5 months of 2021 have continued the same trend, with a 70% increase in demand compared to the same period of last year. Favorable crediting conditions encouraged the surge in sales. Furthermore, the relatively small difference in price between old and new dwelling have led clients towards newly built projects. Overall, 22,584 residential units were transacted in Bucharest in the first six months of 2021.

According to data published by the National Statistics Institute, 3,877 homes were delivered in Bucharest and Ilfov in the first trimester of 2021, a similar number to the same period of last year. Encouraged by the high demand recorded last year despite the unprecedented circumstances, developers have been very active in 2021. For this year, over 15,000 units in 188 residential projects are expected to be delivered in Bucharest and Ilfov. 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.

3,178 residential building permits H1 2021

Bucharest & Ilfov

+62% yoy

24,451 residential building permits H1 2021

nationwide

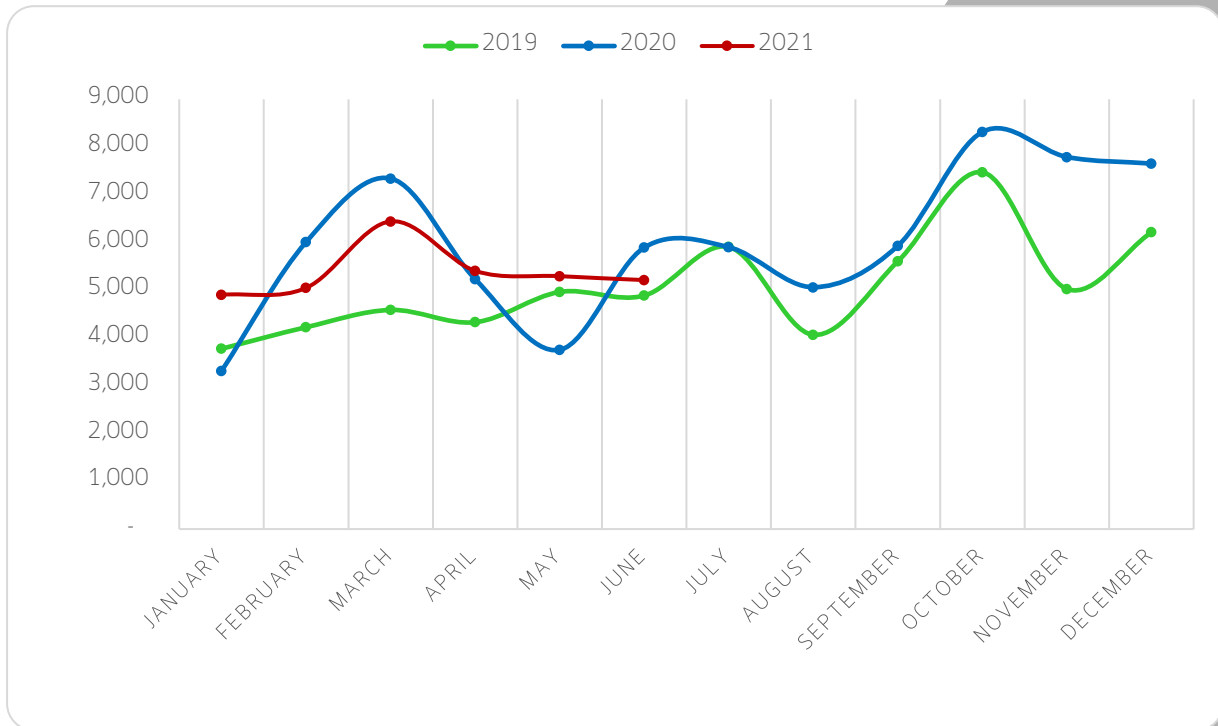
+36% yoy

District	No. of projects
District 1	26
District 2	15
District 3	21
District 4	14
District 5	11
District 6	25
Ilfov	76
TOTAL	188

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

BUCHAREST RESIDENTIAL MARKET

Month	2019	2020	2021	y/y 21/20
January	1,619	1,920	2,731	42%
February	2,457	3,097	3,543	14%
March	3,030	2,729	4,517	66%
April	2,680	1,696	3,960	133%
May	2,849	1,517	3,864	155%
June	2,548	2,361	3,969	68%
July	2,964	3,118		
August	3,081	2,738		
September	2,856	2,955		
October	3,625	5,307		
November	3,164	4,343		
December	3,605	5,316		
Jan-Jun	15,183	13,320	22,584	70%
Monthly average	2,531	2,220	3,764	



No. of individual transactions in Bucharest, 2019, 2020, H1 2021
Source: ANCP

BUCHAREST LAND MARKET

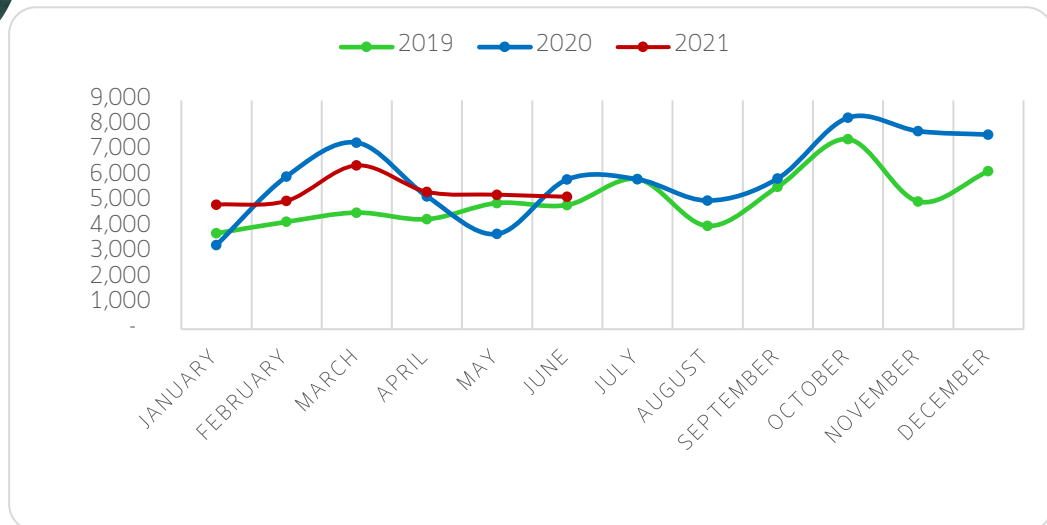


The effervescence of the land market started in 2020 has extended to 2021. The amplifying scarcity of quality land plots inside the city has led to a significant increase in prices. On average, prices went up by 10% in the first six months and further increases are expected by the end of the year.

This however did not discourage investors, with transactions of over 135M € closed in H1 2021. As expected, following the residential sector's success in the past 12 months, over 50% of the transacted land was bought by residential developers, followed by industrial developers.

Location	Size (sqm)	Seller	Buyer	Destination
Colentina	90,000	SIF Banat-Crisana	Kaufland, LIDL, Hornbach	Retail
Fabrica de Glucoza	23,500	n/a	One United Properties	Residential
Tei	21,160	Tiriac Group	One United Properties	Residential
Titan	100,000	Tubinox Bucuresti	Ionut Negoita	Residential
Pantelimon	100,000	Vidaj	Private (Robert Negoita)	Residential

Top land transactions (over 10 m €) in Bucharest, H1 2021



*No. of land transactions in Bucharest, 2019, 2020, H1 2021
Source: ANCPPI*



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