

Bucharest City Report

Romania | Q1 2021

Romania during the COVID-19 pandemic

The vaccination campaign against COVID-19 started in Romania on December 27th, 2020. As of May 5th, 2021, almost 3.5 mil. people received at least the first of two vaccine doses.

After a spike of 7,800 average daily new COVID-19 cases in November 2020, the figure dropped to an average of 3,400 per day by April 2021.

The COVID-19 pandemic had a profound impact on the economy. For 2020 the GDP was initially estimated to fall by -4.4%. However, the official figures were later revised to -3.9%. GDP growth is expected to resume in 2021, with a **4.3% increase**, according to the official prognosis. However, the International Monetary Fund is even more optimistic, expecting a 6% GDP growth rate for Romania this year.

The EU Commission's Winter 2021 Economic Forecast estimated for Romania a GDP contraction of -5.0% in 2020, followed by a 3.8% recovery in 2021, revised from 3.3% in the Autumn Forecast.

Before the COVID-19 outbreak, the National Institute of Statistics reported for February 2020 a low 3.9% unemployment rate in the country, which increased during the pandemic to 5.7% by February 2021. This was followed by a slight decrease to **5.5%** during March 2021, accounting for 464,000 unemployed people.

3,449,831

people who received at least the first dose of a COVID-19 vaccine, as of May 5th 2021

1,060,895

COVID-19 cases reported as of May 5th 2021

€228.5 bn.

2021 GDP
February 2021 forecast

464,000

Total unemployed
March 2021

Source: National Institute of Statistics; National Commission for Strategy and Prognosis; National information platform on vaccination against COVID-19

Economy & Investment



Bucharest | Q1 2021

Investment Market

Q1 2021 property investment volume for Romania is estimated at **€73.5 million**, a value approximately **50% lower** than the one registered in the same period in 2020. This comes on the back of a relatively healthy 2020, when transactions volume reached **€892.5 million**.

In Q1 2021 **offices** represented almost **50% of total investment volumes**, followed by hotels, with 32% and industrial, with the remainder 19%. This is a trend that started with the beginning of the COVID-19 pandemic, when the only transactions that advanced were mostly offices and small industrial properties, which were not affected by the crisis to the same extent as the other types of commercial properties.

The largest investment deal in Q1 2021 was the purchase of the Bucharest Financial Plaza office building, on the famous Calea Victoriei in Bucharest, by IMMOFINANZ from Banca Comerciala Romana (BCR), a subsidiary of the Austrian Erste Group Bank, for a reported €36 mil.

The only industrial transaction closed during Q1 2021 was the purchase of the 23,000 m² Solo Logistic Park in Iasi by Oresa Ventures from local company Tester Group.



4.3%

GDP Growth
2021 estimate y-o-y



3.1%

Inflation
March 2021 y-o-y



5.5%

Unemployment rate
March 2021



€690

Net average wage
Romania
February 2021



5.6%

Retail Sales,
March 2021 y-o-y

Source: National Institute of Statistics; National Commission for Strategy and Prognosis

Although there is much uncertainty ahead regarding the conclusion of the COVID-19 pandemic, there is a consistent pipeline of deals which might potentially close during 2021, estimated at over **€700 million**. The office sector continues to show liquidity, with approximately 50% of the potential pipeline volume.

There was no change in prime yields during Q1. For offices the yield remained at 7%, for shopping centres at 7.25%, after a 25-bps increase in the previous quarter, while for industrial properties the prime yield stayed at 8%.

Prime assets with WAULT (Weighted Average Unexpired Lease Term) significantly longer than the market average can achieve yields below those quoted as prime, with quality and ESG compliance (Environment, Social & Governance) playing a major role in future transactions.



7.25%

Shopping Centre



7.00%

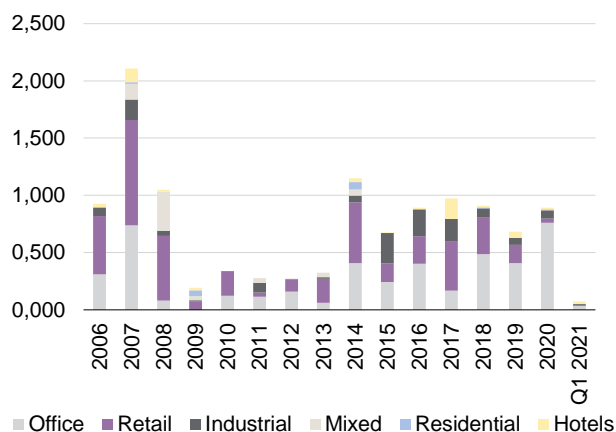
Office



8.00%

Industrial

Figure 1: Romania Investment Volumes (€ million)



Source: JLL Research

Table 1: Romania Investment Volumes (€ million)

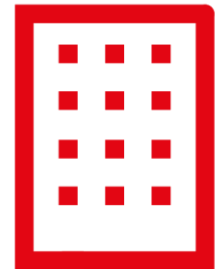
Sector	Property	Market	Est. Price (€ million)	Seller	Buyer
Office	Bucharest Financial Plaza	Bucharest	36	BCR	Immofinanz
Industrial	Solo Logistic Park	Iasi	Confidential	Tester Group	Oresa Ventures
Hotel	Ramada Majestic Hotel	Bucharest	Confidential	Ener Holding	Vision Apartments

Source: JLL Research

Contact

Andrei Văcaru
 Head of Capital Markets
 +40 21 302 3400
 andrei.vacaru@eu.jll.com

Office Market Commentary



Bucharest | Q1 2021

Demand

The COVID-19 pandemic continues to impact the office market

Total gross transaction volume in Bucharest during Q1 2021 reached **51,000 m²**. This is slightly below Q1 2020, when total volume was 55,000 m². However, the effects of the pandemic were not felt at that time in Europe.

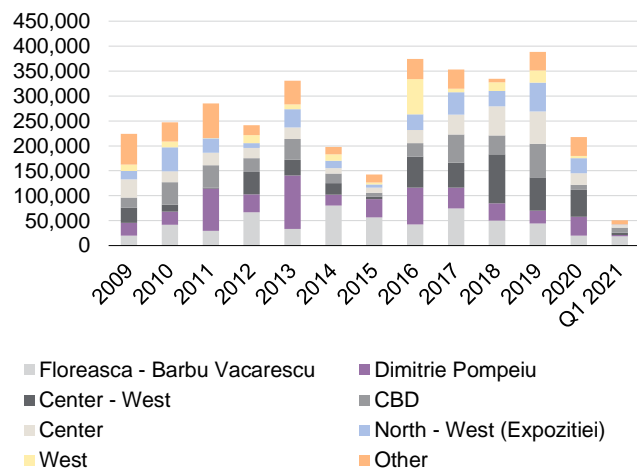
On the other hand, net take-up in Q1 2021 accounted for **19,600 m²**, comparable to the 19,200 m² registered in Q1 2020.

Relocations had the largest share in total transactions in Q1 2021, with 34%, followed by renewals and renegotiations, with approximately 25%.

The vacancy rate continued to increase in Q1, from approx. 11.3% during the previous quarter, to **13.4%**.

The COVID-19 pandemic had a profound effect on office demand, during 2020 gross transaction volume in Bucharest **decrease by 44%** when compared to the previous year. However, as the vaccination campaign in Romania intensifies, we expect that office activity will gradually return to normal.

Figure 2: Evolution of Gross Take-up (m²), 2009 – Q1 2021



Source: JLL Research

Deliveries

Few deliveries at the beginning of the year

Deliveries during Q1 2021 totaled **29,500 m²**, bringing the Bucharest modern office stock to almost **2.99 million m²**. Compared to Q1 2020, new deliveries experienced an over **60% decrease**.

Only two projects were delivered during this period. The largest of the two is Campus 6.2, developed by Skanska in the Center-West sub-market, adding **19,800 m² GLA**. The second project completed is Matei Millo, developed by Forte Partners in the Center sub-market, with 9,700 m² GLA.

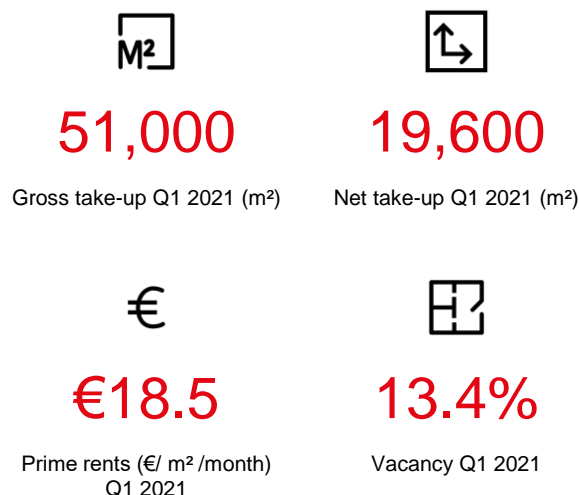


Table 2: Deliveries in Q1 2021

Property	Submarket	Size (m ²)	Developer
Campus 6.2	Center - West	19,800	Skanska
Matei Millo 8	Center	9,700	Forte Partners

Table 3: Pipeline for 2021 (selection)

Property	Submarket	Size (m ²)	Developer
One Cotroceni Park ph. 1	Center-West	45,000	One United Properties
Sema Offices London & Oslo	Center-West	34,500	River Development
U Center Campus ph. 1	Center	30,500	Forte Partners
Globalworth Square	Floreasca – Barbu Vacarescu	28,400	Globalworth
J 8 Office Park - A building	North-West Expozitiei	23,000	Portland Trust
Miro Offices	Baneasa - Otopeni	23,000	Speedwell

Table 4: Key Leasing Transactions in Q1 2021

Property	Occupier	Contract type	Deal size (m ²)
Globalworth Square	Wipro	Relocation	11,000
Miro	Corporate Office Solutions (COS)	Pre-lease	4,000
U Center	Banca Transilvania	Pre-lease	2,800
One Cotroceni Park	Confidential	Pre-lease	2,000
Floreasca Park	Metrodigital	Relocation	1,800
AFI Park	Ortec	Renewal	1,700

Pipeline

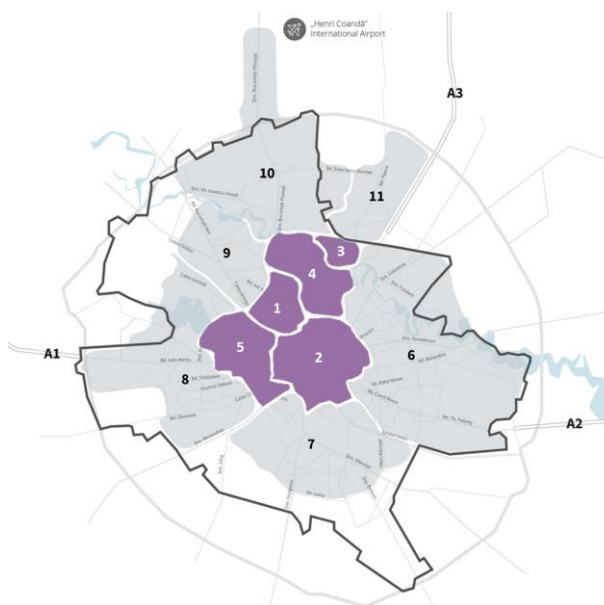
A consistent pipeline for 2021

After 155,200 m² of new offices were delivered in Bucharest in 2020, the pipeline for 2021, including what was already delivered during Q1, totals almost **256,000 m²**. Approximately 42% of planned deliveries are in the **Center-West** sub-market, followed by the Center, with 17.5% and the CBD, with 11.5%.

The largest delivery expected for 2021 is the first phase of the One Cotroceni Park project, developed by One United Properties, adding approximately **45,000 m² GLA** to the Center-West sub-market.

Considering that the vaccination campaign against COVID-19 is likely to take the whole year, the return at the office is expected to be gradual. This, combined with significant new deliveries, will probably further increase the vacancy rate.

Map 1: Bucharest Office Sub-markets



Source: JLL Research

Table 5: Bucharest Office Sub-markets

Sub-market	Stock (m ²)	Average rent (Euro/m ² /mth)	Vacancy %
1. CBD	327,700	16 – 18.5	10.9
2. Center	351,700	15 – 17	10.9
3. Dimitrie Pompeiu	440,700	11 – 13	12.5
4. Floreasca – BV	544,100	15 – 16	11.6
5. Center – West	477,100	14 – 16	15.5
6. East	51,100	12 – 14	12.5
7. South	41,800	10 – 12	11.7
8. West	157,900	10 – 12.5	5.9
9. North – West (Expozitiei)	222,800	14.5 – 17	10.2
10. Baneasa - Otopeni	159,800	10 – 14	12
11. Pipera North	210,500	9 - 11	33.7
TOTAL	2,985,200		13.4

*The updated stock includes buildings Class A&B, built after 2000

Contact

Marius Scuta
 Head of Office Department & Tenant Representation
 +40 21 302 3400
 marius.scuta@eu.jll.com

Retail Market Commentary



Bucharest | Q1 2021

Deliveries Modest deliveries in Q1 2021

The retail sector faced many challenges during the pandemic, especially because of the restrictions imposed to contain the spread of the COVID-19 virus, and the recovery is rather slow.

Overall, retail sales volumes in Romania **increased** in March 2021 by **2.3%** compared to the previous month, and by **5.6%** when compared to March 2020 (National Institute of Statistics).

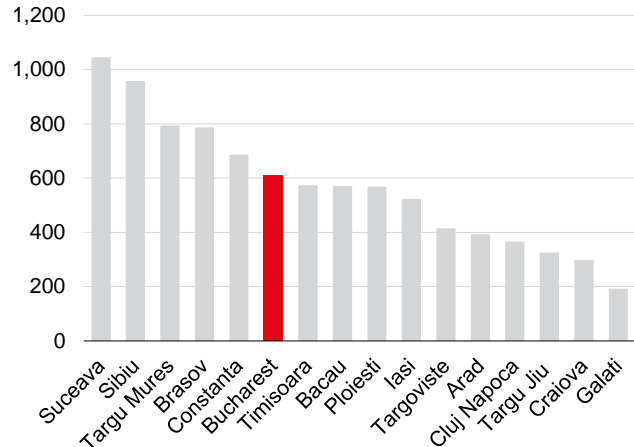
No new shopping centers were delivered in Bucharest during Q1 2021, or in 2020 for that matter.

However, two new openings are expected by the end of the year.

Thus, the total modern retail stock in Bucharest remained at **1.176 million m²** of GLA at the end of Q1 2021.

During Q1 2021, one retail park was delivered outside of Bucharest, Sepsi Value Center, in Sfantu Gheorghe, Covasna County, with **17,000 m² GLA**. The project was developed by Prime Kapital and MAS Real Estate. This is the only opening in Q1.

Figure 3: Shopping Centre Density (m²) per 1,000 Inhabitants*



*Including all retail formats

Figure 4: Deliveries / Pipeline Romania (m²)
*including all retail formats



Source: JLL Research

Pipeline for 2021

A consistent pipeline for 2021, mainly outside of Bucharest

After 148,600 m² of GLA were completed during 2020, we estimate that approximately **156,000 m²** of shopping centers and retail parks are awaiting delivery in 2021, including the already opened Sepsi Value Center in Sfantu Gheorghe.

Only **29,200 m²** are to be delivered in **Bucharest** during 2021, the 16,500 m² GLA Colosseum Mall, in the North-Western part of the city, and Fashion House Outlet Centre Pallady, developed by Liebrecht & wood to the East, adding another 12,700 m² GLA.

Out of Bucharest

Outside of Bucharest, the pipeline activity for 2021 is represented mainly by retail parks, schemes of under 20,000 m² GLA, the largest being the 20,800 m² GLA Prahova Value Center Ploiesti, developed by Prime Kapital and MAS Real Estate.

Figure 5: Retail Projects in Bucharest by size

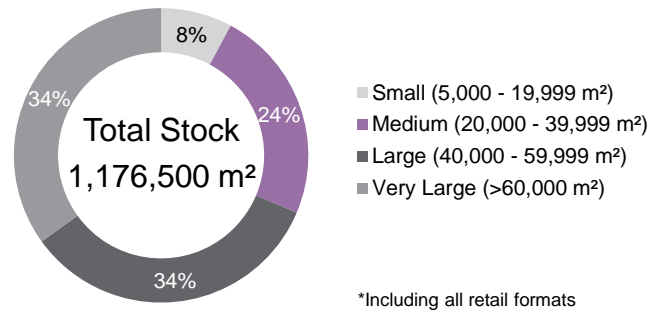
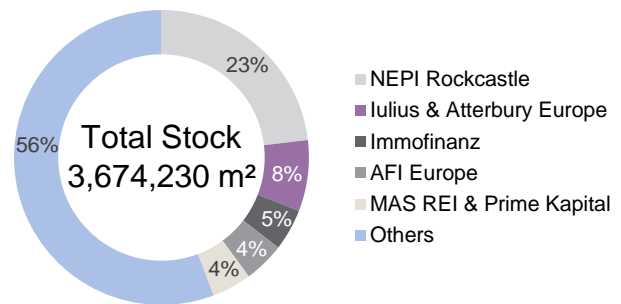


Figure 6: Largest Owners of Retail Spaces in Romania



Source: JLL Research

Figure 7: Prime rents (€/ m²/ month)



*Prime rents relate to a well located 100 m² unit shop from the fashion and accessories category. The unit is part of leading retail assets in the capital city (for retail parks – 2,000 m² units).

Table 6: Schemes announced for 2021 in Romania (>10,000 m²)

Property	Format	Developer	Size (m ²)
Prahova Value Center Ploiesti	New Project	Prime Kapital & MAS Real Estate	20,800
Barlad Value Center	New Project	Prime Kapital & MAS Real Estate	16,700
Colosseum Mall Bucharest	New Project	Colosseum Mall	16,500
Fashion House Outlet Centre Pallady	New Project	Liebrecht & wood	12,700
Shopping Park Baia Mare	New Project	Mitiska REIM & Square 7 Properties	11,000
Funshop Park Mosnita	New Project	Scallier	10,600

Industrial Commentary



Bucharest | Q1 2021

Demand

Demand remained strong during Q1 2021

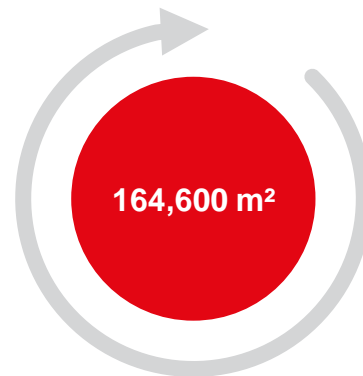
In Q1 2021 total rental demand for modern industrial and logistics spaces in Romania summed to approx. **261,500 m²**.

Net take-up accounted for 63% of the total, or approximately **164,600 m²**.

Bucharest had by far the largest share of total demand for industrial and logistics spaces in Q1, with almost **77%** (approx. 201,000 m²), followed by Brasov, with a 5.8% share (15,200 m²) and Timisoara, with 3.3% (8,700 m²).

The automotive industry had the largest contribution during Q1, accounting for **29% of total demand**, or approximately 75,000 m², followed by the logistics sector, with almost 13%, or 33,800 m².

**Figure 8: Demand in Q1 2021 in Romania
Net take-up (m²)**



Source: JLL Research

Table 7: Key Transactions in Q1 2021

Tenant	Property	Size (m ²)	Deal Type	Sector
Automobile Dacia	Pitesti Industrial Park	68,400	Renewal	Automotive
Corteva Agriscience	Lazar Logistics	23,100	Pre-lease	Agriculture
eMAG	WDP Park Stefanesti	11,000	New lease	E-commerce
Altex	P3 Bucharest A1	9,400	Renewal	Distribution
Altex	P3 Bucharest A1	7,800	Expansion	Distribution
Kuehne + Nagel	WDP Timisoara	6,000	Renewal	Logistics

Source: JLL Research

Deliveries

Strong deliveries expected for 2021

Only approximately **30,700 m²** of new industrial and logistics spaces were delivered during Q1 2021, representing **below 16%** of total deliveries in Q1 2020.

In Bucharest & Ilfov alone 11,000 m² were delivered during the period. Another 11,300 m² were delivered in the South region and the rest in the Center region.

Therefore, at the end of Q1 the modern industrial stock to rent in Romania reached over **5.083 mil. m²**.

Pipeline

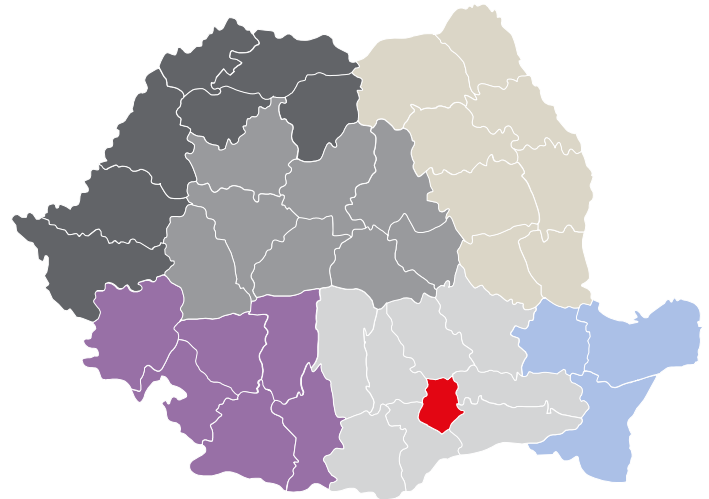
Even though deliveries during Q1 were modest, during the next three quarters another **690,000 m²** are expected to be added to the stock throughout Romania, compared to total deliveries of 590,000 m² in 2020.

Thus, the stock would reach 5.78 mil. m² at the end of the year.

Good market perspectives for 2021

The industrial and logistics sector in Romania performed very well in 2020 and also during the first quarter of 2021, and this trend is most likely to continue throughout the year.

Map 2: Deliveries and stock in Q1 2021 in Romania



Bucharest & Ilfov County Stock: 2,783,600 m ² Completions: 11,300 m ²	Center Stock: 743,000 m ² Completions: 8,100 m ²
South Stock: 551,900 m ² Completions: 11,300 m ²	East Stock: 51,000 m ² Completions: 0 m ²
South-West Stock: 55,400 m ² Completions: 0 m ²	South-East Stock: 38,300 m ² Completions: 0 m ²
West & North-West Stock: 859,500 m ² Completions: 0 m ²	

Source: JLL Research

Table 8: Pipeline for 2021 (Selection)

Project	Location	Size (m ²)	Type
CTPark Bucharest West	Bucharest	101,800	Expansion
WDP Craiova	Craiova	58,000	New project
CTPark Bucharest	Bucharest	51,000	Expansion
CTPark Bucharest North	Bucharest	40,000	New Project
WDP Stefanesti	Bucharest	37,600	Expansion
Logicor Bucharest 1 Mogosoia	Bucharest	37,000	Expansion
CTPark Timisoara 2	Timisoara	36,900	Expansion
Logicor Bucharest 2 Pantelimon	Bucharest	22,000	New Project

Source: JLL Research

Rents & vacancy

Market rents are stable

There were no changes in prime rents for industrial spaces during Q1 2021. Therefore, rents remained between **€3.6 and €4.0 /m²/month** in Bucharest and its vicinity, and between **€3 and €4.0 /m²/month** in the other regions of Romania.

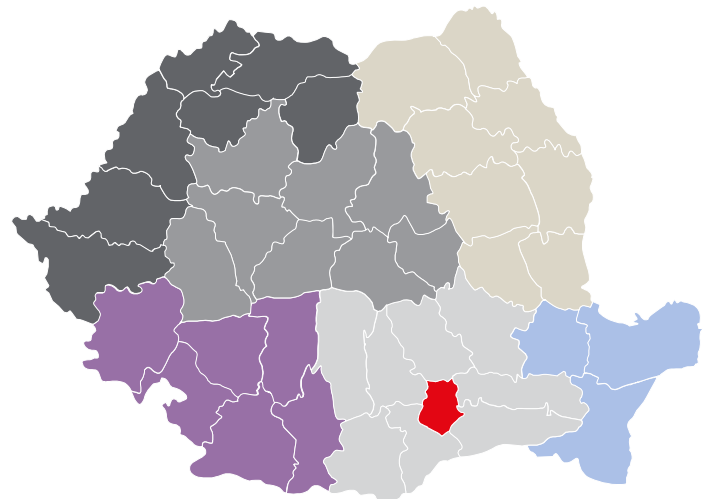
Considering that demand was very strong during Q1, and that the COVID-19 pandemic had a relatively limited impact on the industrial and logistics market, we do not see reasons for a significant change in market rents in 2021.

Vacancy

Vacancy rates have decreased during Q1 at the national level, from 6.2% in Q4 2020 to approximately **5%** in Q1 2021, especially considering that deliveries were very modest during Q1, while take-up was strong.

The same trend was seen in Bucharest & Ilfov, where the vacancy rate decreased from 8.1% in Q4, to **5.8%** in Q1 2021.

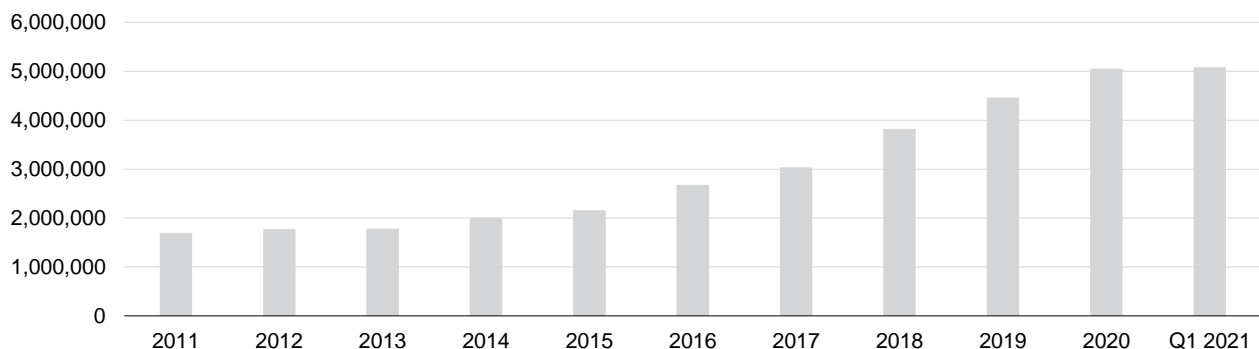
Map 3: Rents by Region (€/ m²/ month)



Bucharest & Ilfov County Rents: 3.6 – 4.0	Center Rents: 3.5 – 4.0
South Rents: 3.2 – 4.0	East Rents: 3.3 – 3.6
South-West Rents: 3.0 – 3.7	South-East Rents: 3.3 – 3.6
West & North-West Rents: 3.2 – 4.0	

Source: JLL Research

Figure 9: Total Stock Evolution – Romania (m²)



Source: JLL Research

Contact

Costin Bănică
Head of Industrial Agency
+40 21 302 3400
costin.banica@eu.jll.com

Residential Commentary



Bucharest | Q1 2021

Demand Q1 experienced strong demand

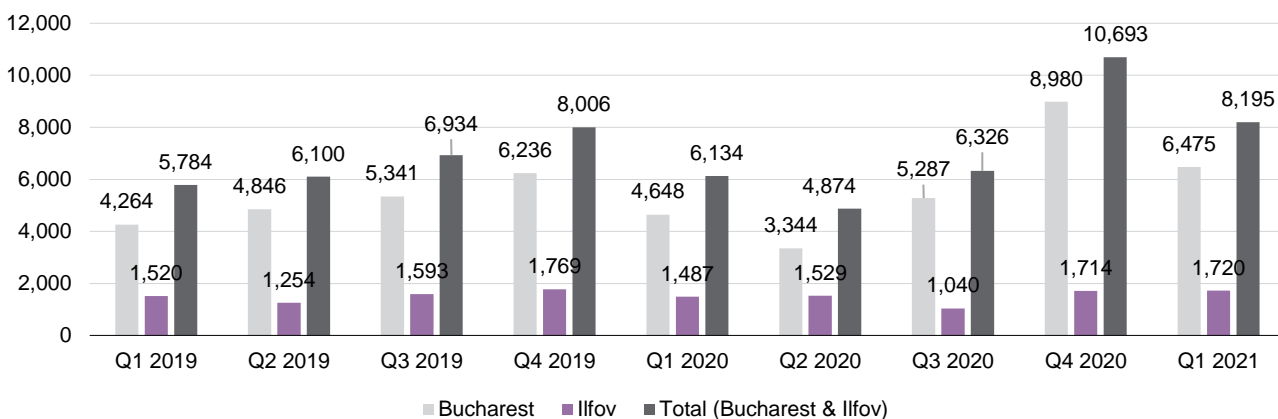
The level of new units transactions in Q1 2021 was situated somewhere at **6,500 units** for **Bucharest** and **1,700 units** for **Ilfov**. Assuming that 60% of the Bucharest transactions officially registered by the National Agency for Cadaster and Land Registration were with new units, while for Ilfov new sales represent 90% of total transactions. This represents a **23% decrease** as compared to the previous quarter (Q4 2020). Nevertheless, this evolution is predictable due to seasonality.

Overall, the first quarter of the year marked a 33.6% increase as compared to Q1 2020.

Nevertheless, in 2021 the Governmental measures which allowed the postponement of the bank loans installments payments might cease. Therefore, 2021 will reveal the extent of the economic crunch for the population, which might lead banks to review their lending policies and terms.

The one-year postponement of the **5% VAT** threshold increases from €93,000 to €140,000 is likely to unbalance the market transactions within these price margins, as some buyers might postpone their acquisition decisions with at least one extra year.

Figure 10: New units transactions* quarterly evolution (2019-Q1 2021)



Source: JLL Research, based on ANCPPI

Deliveries

Few deliveries at the beginning of 2021

The residential supply for Bucharest – Ilfov increased with approximately **3,500 new units** in Q1 2021, out of which 2,700 new units in Bucharest and 750 new units in Ilfov county.

The residential supply in Bucharest proved to be only slightly affected by the pandemic. The estimated total supply by the end of the year is expected to **decrease with 15%** as compared to 2020 total supply, given the fact that the delivery of some projects has been postponed from 2021 to 2022.

Nevertheless, there were no major cancellations registered in construction works and deliveries in the first quarter of the year. Moreover, developers launched new phases encouraged by the surprisingly good selling activity. This also motivated them to actively look to secure **new lands for future projects**.



3,450

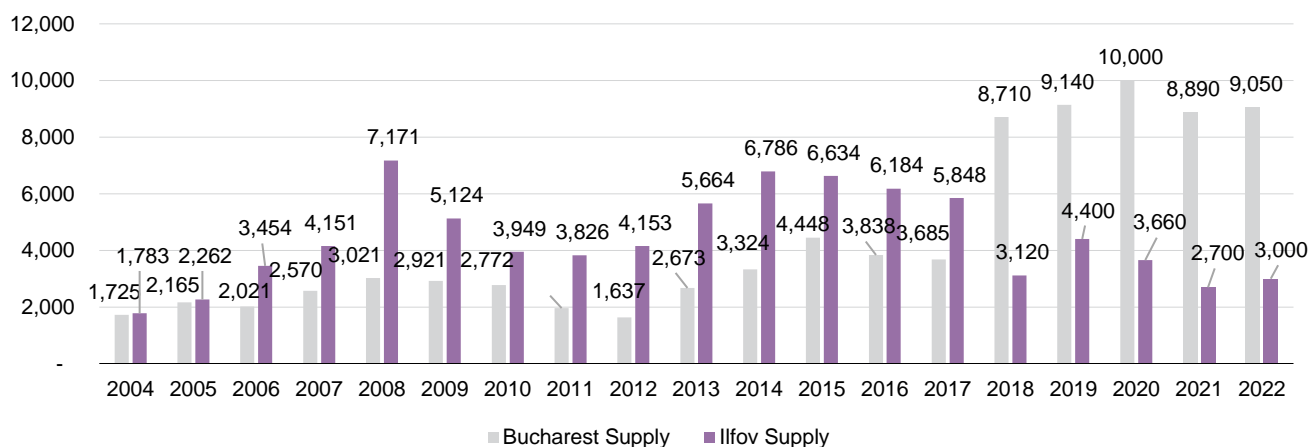
New units delivered in Q1 2021 in Bucharest & Ilfov



8,200

New units' transactions in Q1 2021 in Bucharest & Ilfov

Figure 11: Bucharest & Ilfov Residential Supply Evolution (2004 – 2022)*



Source: JLL Research, analizeimobiliare.ro

*Projects of 100+ units for Bucharest and 50+ units for Ilfov

Prices

Small price increase in Q1

Residential prices registered a **1.3% increase** in Q1 2021 as compared to the previous quarter, leveling at an average of **EUR 1,485/ m²**.

After two consecutive quarters which registered small price decreases (below 1%), the increase in the last two quarters is a clear sign that the residential market was not seriously affected by the COVID-19 pandemic, proving again the resilience of the local residential market.

Overall, in 2020, the residential prices registered a **3.5% increase** following the same ascending trend started in 2015.

For 2021 we expect a **moderate increase in prices**, considering the first quarter evolution and also the positive prognosis of the macroeconomic indicators.



€1,485

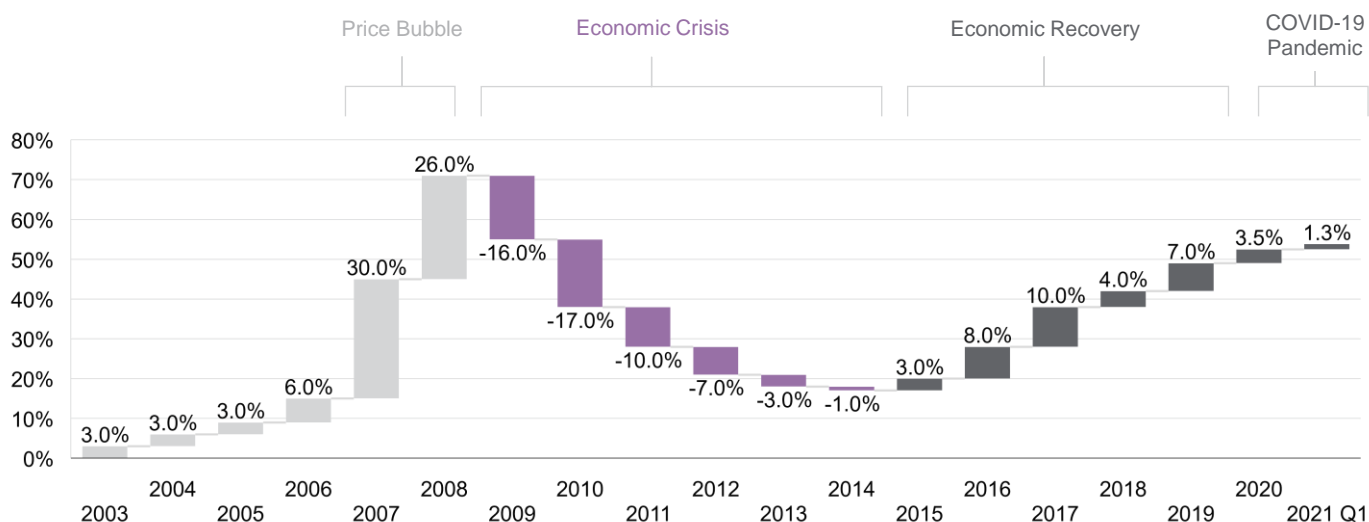
Average price / usable m²
in Q1 2021



+1.3%

Residential prices evolution
in Q1 2021

Figure 12: Evolution of Bucharest Residential Prices (2003 – Q1 2021)



Source: JLL Research, analizeimobiliare.ro

Contact

Andreea Hamza
Senior Director Living – Romania
+40 21 302 3400
andreea.hamza@eu.jll.com

Prices

Map 4: Bucharest Rents & Sale Prices Levels Q1 2021 vs. Q4 2020



* Both rental and selling levels reflect the average asking prices on the market
 * All the properties used in this research are developed after 2000

Source: JLL Research



JLL Romania

Bucharest
Calea Victoriei, 145
Victoria Center, 10th floor

+40 21 302 3400

Silviana Petre-Badea
Managing Director
silviana.petre-badea@eu.jll.com

Andrei Văcaru
Head of Capital Markets
andrei.vacaru@eu.jll.com

Viorel Opaiț
Business Development Director
viorel.opait@eu.jll.com

Cezar Florea
LEED Green Associate & BREEM
International Assessor
Head of Project&Development Services
cezar.florea@eu.jll.com

Marius Șcuta, MRICS
Head of Office Department & Tenant
Representation
marius.scuta@eu.jll.com

Maria Florea
Key Client Director
maria.florea@eu.jll.com

Alina Cojocaru, MRICS
Head of Valuation Advisory
alina.cojocaru@eu.jll.com

Alexandru David
Head of Research
alexandru.david@eu.jll.com

Costin Bănică
Head of Industrial Agency
costin.banica@eu.jll.com

Andreea Hamza
Senior Director Living
andreea.hamza@eu.jll.com

Attila Peli
Head of Development & Land
attila.peli@eu.jll.com

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We have been providing services for transactions and investments for property owners, developers, tenants and investors.

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