

Bucharest City Report

Romania | Q2 2021

Romania during the COVID-19 pandemic

The vaccination campaign against COVID-19 started in Romania on December 27th, 2020. As of August 8th, 2021, almost 5.07 million people received at least the first of two vaccine doses. However, the vaccination campaign lost part of its momentum towards the end of Q2, as fewer people are willing to get vaccinated.

Compared with the spike of 7,800 average daily new COVID-19 cases registered in November 2020, on average only 77 daily new cases were reported in July. However, the number of daily new cases is on the rise and there are concerns regarding a potential fourth wave of the pandemic in Autumn.

The economy started to recover from the COVID-19 pandemic during H1 2021, as the number of daily new cases dropped, and most restrictions were gradually lifted. A sense of optimism was also seen in the official GDP growth forecasts for 2021, which was revised in April from 4.3% to **5%**.

The International Monetary Fund is even more optimistic, projecting a 6% GDP growth rate for Romania this year. Moreover, the EU Commission's Summer 2021 Economic Forecast awards Romania an even higher figure of 7.4%.

The unemployment rate is also on a downward trend, from 5.6% and a total number of 474,000 unemployed, in January 2021, to 5.2% and 425,000 unemployed in June, according to the National Institute of Statistics.

5,069,094

people who received at least the first dose of a COVID-19 vaccine, as of August 8th 2021

1,085,100

COVID-19 cases reported as of August 9th 2021

€232.3 bn.

2021 GDP
April 2021 forecast

425,000

Total unemployed
June 2021

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

Economy & Investment



Bucharest | Q2 2021

Investment Market

Q2 2021 property investment volume for Romania is estimated at **€228.5 million**, a value approximately **16% lower** than the one registered in the same period in 2020. For the first 6 months of 2021, total investment volumes reached €309 million, almost 22% lower when compared to H1 2020.

In H1 2021, the investment volumes were dominated by **office transactions**, with close to 64% of the total, followed by industrial (24%), hotels (9%) and retail (3%).

Bucharest continues to be the preferred investment destination in Romania and accounted for around **69% of the total** transaction volume in H1 2021, followed by Timisoara, Oradea and Iasi.

By far, the largest investment deal in H1 2021 was the acquisition of Campus 6.2 and 6.3 office buildings in Bucharest by S Immo, for a reported **€97 million**.

The second largest deal in H1 2021 was the sale of The Light One office building, located in the Center-West sub-market. The property was purchased by Uniqa Real Estate.



5.0%

GDP Growth
April 2021 forecast
y-o-y



5.0%

Inflation
July 2021 y-o-y



5.2%

Unemployment rate
June 2021



€719

Net average wage
Romania
June 2021



13.6%

Retail Sales,
June 2021 y-o-y

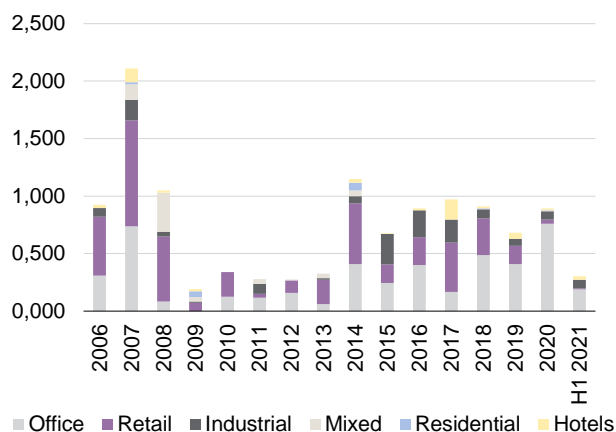
Source: National Institute of Statistics; National Commission for Strategy and Prognosis

There was no change in prime yields during Q2. For offices the yield remained at 7%, for shopping centres at 7.25%, while for industrial properties the prime yield stayed at 8%.

We expect that investment volumes in 2021 will be around **€800 million**, although in this period accurate predictions continue to be difficult to make. Nevertheless, considering the significant amount of side-lined capital targeting real estate, these forecasts might improve. Prime yield might come under pressure for logistic and potentially office, in line with regional evolutions, but this will also depend on debt availability and terms.

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.

Figure 1: Romania Investment Volumes (€ million)



Source: JLL Research



7.25%

Shopping Centre



7.00%

Office



8.00%

Industrial

Table 1: Romania Investment Volumes (€ million)

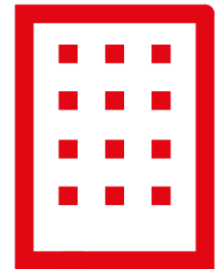
Sector	Property	Market	Est. Price (€ million)	Seller	Buyer
Office	Campus 6.2 & 6.3	Bucharest	97	Skanska	S Immo
Office	The Light One	Bucharest	Confidential	River Development	Uniqa Real Estate
Industrial	Catalyst industrial portfolio	Several	Confidential	Catalyst Capital	CTP

Source: JLL Research

Contact

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

Office Market Commentary



Bucharest | Q2 2021

Demand

Demand is slowly picking up

Total gross transaction volume in Bucharest during Q2 2021 reached **71,400 m²**. This is approximately 40% higher when compared to the previous quarter, and 60% higher when compared to Q2 2020.

During H1 2021, gross transaction volume reached **122,400 m²**, 23% over what was recorded in H1 2020.

On the other hand, net take-up also increased in Q2 2021 to **28,800 m²**, 47% higher when compared to the previous quarter, and 80% over Q2 2020.

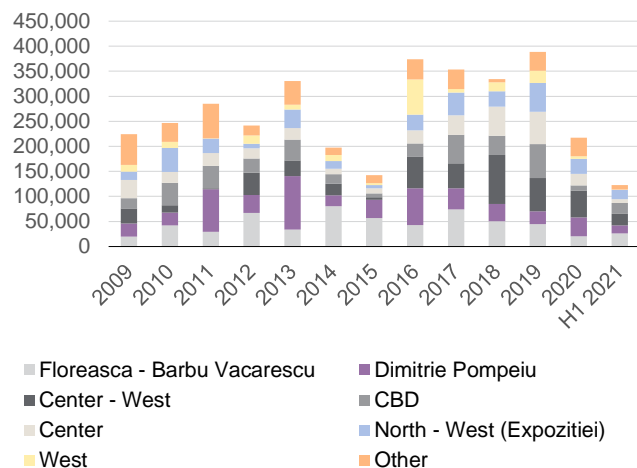
Renewals and renegotiations had by far the largest share in total transactions in Q2 2021, with 49%, followed by new leases, with 26% and relocations, with approximately 14.5%.

For H1 2021, net take-up accounted for **48,400 m²**, 37% higher when compared to H1 2020.

The vacancy rate slightly decreased in Q2 2021, from approx. 13.4% during the previous quarter, to **12.8%**, mostly due to a lack of new deliveries.

The COVID-19 pandemic still has a pronounced effect on office demand. The impact is however lower than in the previous year. We expect to see a slight increase in demand during the next two quarters.

Figure 2: Evolution of Gross Take-up (m²), 2009 – H1 2021



Source: JLL Research

Deliveries

Few deliveries in the first half of the year

Only one office building was delivered in Q2 2021, Tiriac Tower, in the CBD, with approximately **16,500 m²** GLA. This is 44% below the deliveries in the previous quarter.

However, the modern office stock in Bucharest surpassed the **3 million m²** mark, reaching **3,001,700 m²** at the end of Q2..

Overall, **46,000 m²** were delivered during H1 2021, **57% below** what was launched on the market in H1 2020.

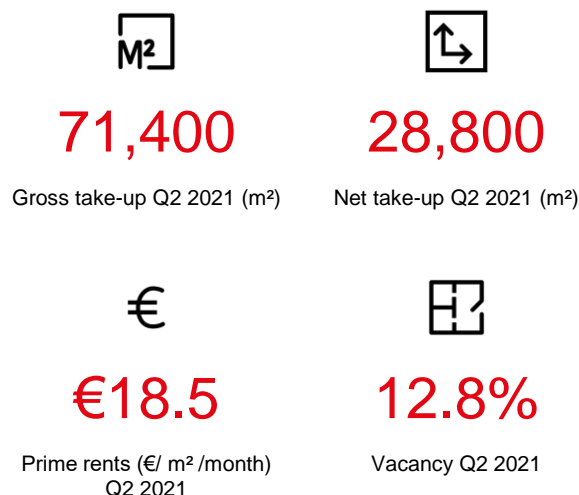


Table 2: Deliveries in Q2 2021

Property	Submarket	Size (m ²)	Developer
Tiriac Tower	CBD	16,500	Tiriac Imobiliare

Table 3: Pipeline for H2 2021 (selection)

Property	Submarket	Size (m ²)	Developer
J8 Office Park	North-West Expozitiei	45,700	Portland Trust
One Cotroceni Park ph. 1	Center-West	45,000	One United Properties
U Center Campus ph. 1	Center	30,500	Forte Partners
Globalworth Square	Floreasca – Barbu Vacarescu	28,400	Globalworth
Miro Offices	Baneasa – Otopeni	23,000	Speedwell
Dacia One	CBD	13,000	Atenor

Table 4: Key Leasing Transactions in Q2 2021

Property	Occupier	Contract type	Deal size (m ²)
Iride 18	Provita	New lease	11,000
City Gate	Romp petrol	Renewal/ Renegotiation	9,400
		Renewal/ Renegotiation	9,000
Anchor Plaza	Adobe Romania	Pre-lease	3,600
One Cotroceni Park	Confidential	Renewal/ Renegotiation	3,100
AFI Victoriei Plaza	Confidential	Renewal/ Renegotiation	2,000
AFI Victoriei Plaza	GE	Renewal/ Renegotiation	

Pipeline

A consistent pipeline for 2021

After only 46,000 m² of new offices were delivered in Bucharest in H1 2021, **strong deliveries of 198,000 m²** are expected for H2 2021.

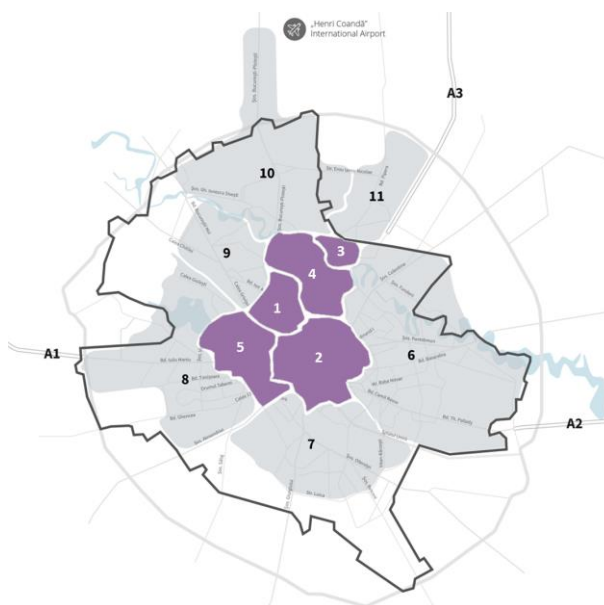
Approximately 27% of new spaces will be situated in the Center-West sub-market, followed by the North-West (Expozitie) sub-market, with 23%, and Center, with 18%.

Therefore, total deliveries for the year could reach up to **244,000 m²**, 57% above the 155,200 m² delivered in 2020.

The largest delivery expected for 2021 is the J8 Office Park project, developed by Portland Trust, adding approximately **45,700 m² GLA** to the North-West (Expozitie) sub-market.

Considering that office demand is picking-up slowly, the delivery of some buildings might be postponed for the beginning of 2022.

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	344,200	16 – 18.5	10.2
2. Center	351,700	15 – 17	10.1
3. Dimitrie Pompeiu	440,700	11 – 13	11.4
4. Floreasca – BV	544,100	15 – 16	10.1
5. Center – West	477,100	14 – 16	15.3
6. East	51,100	12 – 14	12.6
7. South	41,800	10 – 12	11.7
8. West	157,900	10 – 12.5	6.5
9. North – West (Expozitie)	222,800	14.5 – 17	8.6
10. Baneasa – Otopeni	159,800	10 – 14	12
11. Pipera North	210,500	9 - 11	33.5
TOTAL	3,001,700		12.8

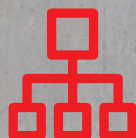
*The updated stock includes buildings Class A&B, built after 2000

Contact

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



**Ratings &
Certifications**



**Engineering
Design & Project
Management**



**Portfolio Energy
& Sustainability
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Contact us:



Cezar Florea

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



Corina Vladau

Workplace Strategy Director
corina.vladau@eu.jll.com

Retail Market Commentary



Bucharest | Q2 2021

Deliveries

Most deliveries will be concentrated in H2 2021

The retail market is slowly recovering, as most restrictions related to the pandemic have been lifted. However, it is possible for some restrictions to return, if the course of the pandemic demands this.

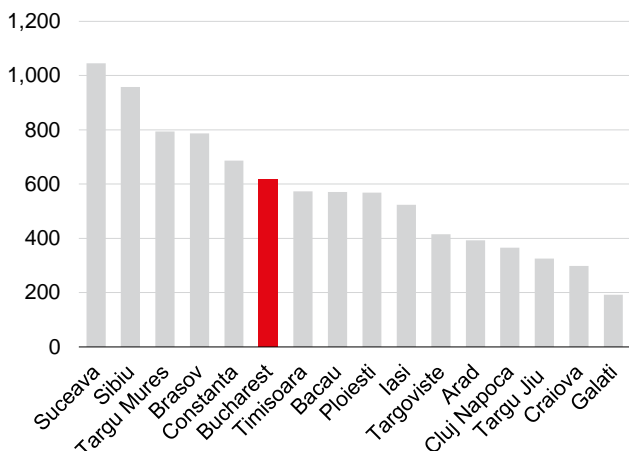
Overall, retail sales volumes in Romania **increased** in June 2021 by **13.6%** when compared to June 2020 (National Institute of Statistics). This is no surprise, as Romania was under lockdown at that time.

During Q2 2021 one new outlet centre was delivered at the outskirts of Bucharest, Fashion House Outlet Center Pallady. The project, developed by Fashion House Group, has a total GLA of 12,000 m². Therefore, the modern retail stock in Bucharest reached 1.188 million m² at the end of Q2 2021.

No new major retail schemes were opened outside of Bucharest during Q2 2021.

Therefore, during H1 2021 only 28,300 m² were delivered in Romania in major retail schemes, including Sepsi Value Center in Q1. Even so, this was 57% more as compared to H1 2020, when only 18,000 m² were delivered.

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

Retail parks are targeted outside of Bucharest

After 148,600 m² of GLA were completed during 2020, and 28,300 m² were already delivered in H1 2021, another **126,400 m² are pending delivery** in H2 2021.

Bucharest

Only **16,500 m² GLA** are to be delivered in **Bucharest** during H2 2021, all of which in the new Colosseum Mall, situated in the North-Western part of the city.

Out of Bucharest

Outside of Bucharest, the pipeline activity for H2 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, and Barlad Value Center, with 16,700 m² GLA, both developed by Prime Kapital and MAS Real Estate.

Figure 5: Retail Projects in Bucharest by size

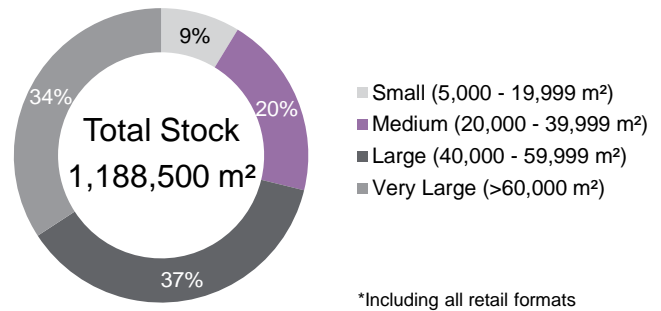
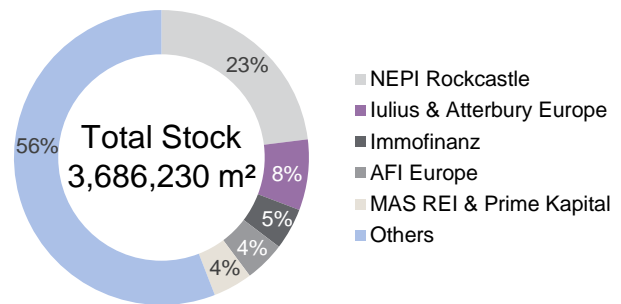


Figure 6: Largest Owners of Retail Spaces in Romania



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 H2 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
Shopping Park Baia Mare	New Project	Mitiska REIM & Square 7 Properties	11,000
Funshop Park Mosnita	New Project	Scallier	10,600

Industrial Commentary



Bucharest | Q2 2021

Demand

Demand remained strong during Q2 2021

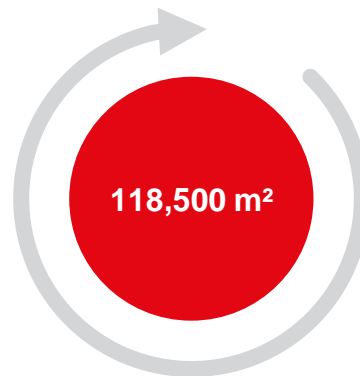
In Q2 2021 total rental demand for modern industrial and logistics spaces in Romania reached approximately **135,000 m²**.

Net take-up accounted for almost 87% of the total, or approximately **118,500 m²**.

Same as in Q1, Bucharest had the largest share of total demand for industrial and logistics spaces in Q2, with almost **66%** (approx. 89,000 m²), followed by Pitesti, with a 11.3% share (15,200 m²) and Sibiu, with 8.1% (11,000 m²).

For the first half of 2021, total rental demand reached **396,500 m²**, 48% over H1 2020. Net take-up accounted for **283,100 m²**, marking an almost 20% increase when compared to the same period of 2020.

**Figure 8: Demand in Q2 2021 in Romania
Net take-up (m²)**



Source: JLL Research

Table 7: Key Transactions in Q2 2021 (selection)

Tenant	Property	Size (m ²)	Deal Type	Sector
Confidential	CTPark Bucharest West	22,600	New lease	Confidential
Confidential	CTPark Bucharest North	14,100	New lease	Confidential
A&D Pharma	CTPark Sibiu	9,000	Pre-lease	Pharma
Eurovet	Logicor Mogosoaia	6,000	New lease	Distribution
MSL Logistics	CTPark Chitila	5,000	Expansion	Logistics
Cargus	Aquila Cluj	4,500	New lease	Courier

Source: JLL Research

Deliveries

Strong deliveries expected for 2021

After only a few deliveries in Q1, over **139,000 m²** were added to the industrial stock in Q2 2021 across Romania.

The Bucharest & Ilfov region accounted for 50% of total deliveries, or 70,000 m², while the South-West region represented almost 42% of the total, or 58,000 m².

During H1 2021, total deliveries reached 170,000 m², decreasing by 43% when compared to the same period of 2020.

At the end of Q2 2021, the modern industrial stock to rent in Romania reached over **5.2 million m²**.

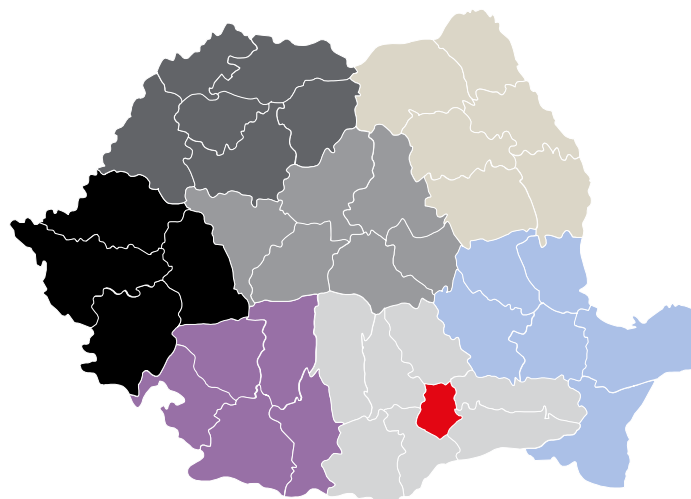
Pipeline

Even though deliveries during H1 were not particularly strong, **almost 414,000 m²** are expected to be completed during H2. This would bring total deliveries in 2021 to approximately 584,000 m², similar to 2020 (590,000 m²).

Good market perspectives for 2021

The industrial and logistics sector in Romania performed very well during H1 2021, and we expect this trend to be maintained during the second half of the year, with a healthy balance between supply and demand.

Map 2: Deliveries and stock in Q2 2021 in Romania*



Bucharest & Ilfov County Stock: 2,569,200 m ² Completions: 70,000 m ²	Center Stock: 467,300 m ² Completions: 11,300 m ²
South Stock: 592,400 m ² Completions: 0 m ²	North-East Stock: 80,400 m ² Completions: 0 m ²
South-West Stock: 187,200 m ² Completions: 58,000 m ²	South-East Stock: 99,900 m ² Completions: 0 m ²
North-West Stock: 485,200 m ² Completions: 0 m ²	West Stock: 749,000 m ² Completions: 0 m ²

Source: JLL Research

*The industrial map was changed during Q2, to reflect the NUTS 2 regions of Romania. Also, the industrial stock was revised, therefore it marginally decreased by approx. 3,000 m², prior to adding the Q2 deliveries

Table 8: Pipeline for H2 2021 (Selection)

Project	Location	Size (m ²)	Type
CTPark Bucharest West	Bucharest	86,000	Expansion
WDP Stefanesti	Bucharest	37,700	Expansion
CTPark Bucharest North	Bucharest	20,000	New Project
CTPark Bucharest	Bucharest	20,000	Expansion
CTPark Timisoara 2	Timisoara	20,000	Expansion
WDP Cluj North	Cluj-Napoca	19,600	New Project
Timisoara Industrial Park II	Timisoara	19,500	Expansion
Constanta Business Park	Constanta	19,000	Expansion

Source: JLL Research

Rents & vacancy

No changes in market rents

Same as in Q1, there were no changes in prime rents for industrial spaces during Q2 2021. Therefore, rents remained between **€3.6 and €4.0 /m²/month** in the Bucharest & Ilfov region, and between **€3 and €4.0 /m²/month** in the other regions of Romania.

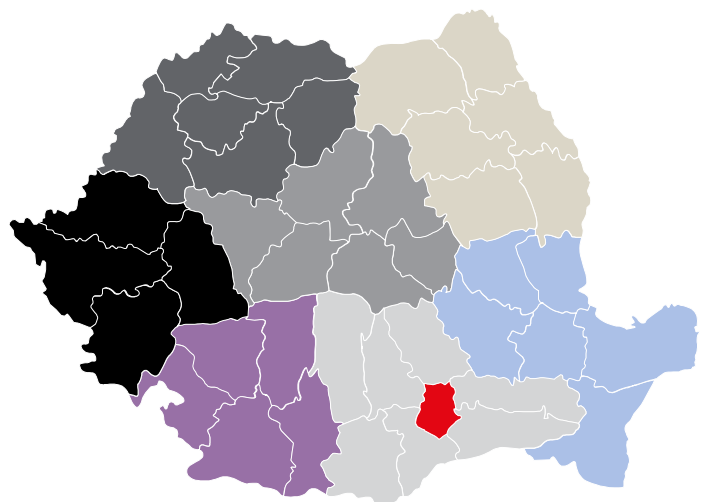
Considering that demand remained strong during H1, we do not see reasons for a significant change in market rents by the end of 2021.

Vacancy

Vacancy rates have decreased during Q2 at the national level, from 5% in Q1 2021 to approximately **3.9%** in Q2 2021, especially considering that deliveries were not very high during H1 2021, while take-up was strong.

However, in Bucharest & Ilfov, the vacancy rate slightly increased from 5.8% in Q1, to **6.4%** in Q2 2021.

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

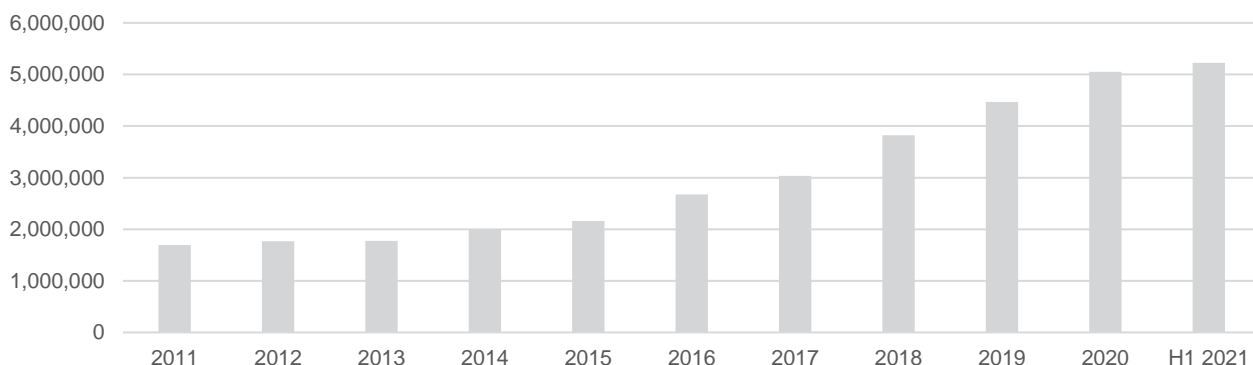


Bucharest & Ilfov County Rents: 3.6 – 4.0	Center Rents: 3.5 – 4.0
South Rents: 3.2 – 4.0	North-East Rents: 3.3 – 3.6
South-West Rents: 3.0 – 3.7	South-East Rents: 3.3 – 3.6
North-West Rents: 3.2 – 4.0	West Rents: 3.2 – 4.0

Source: JLL Research

*The industrial map was changed during Q2, to reflect the NUTS 2 regions of Romania.

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 | Q2 2021

Demand Adjusting to the ‘new normal’

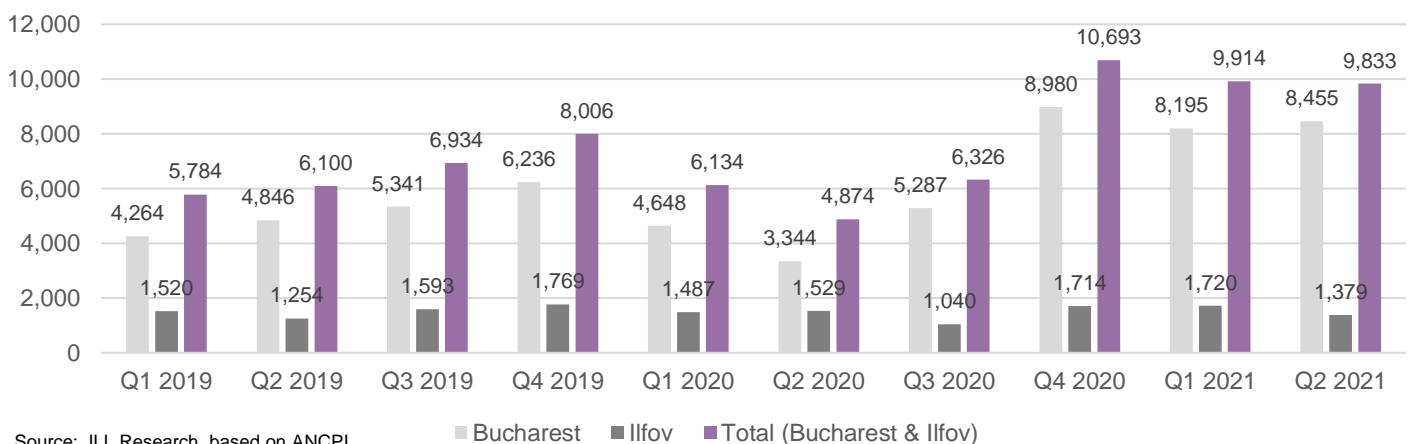
- The level of new units transactions in Q2 2021 was situated around **8,450 units** for Bucharest and **1,380 units** for Ilfov. That is assuming that 60% of the Bucharest transactions officially registered by the National Agency for Cadaster and Land Registration were with new units, while for Ilfov new sales represent 90% of total transactions.

Overall, the second quarter of the year **doubled** its transactions volume **as compared to Q2 2020**. However, since the second quarter of 2020 was highly marked by the COVID-19 first impact and subsequent lockdown, this increase was predictable. Nevertheless, if we look at the transaction volume in Q2 2019, there is still a significant **increase of more than 60%** registered in Q2 2021.

The post-COVID residential market will resettle to a **new normality at different levels** from the pre-COVID period. The parameters of the demand have changed over the last year, the new hybrid approach work-from-home / work-from-office will impact the future design of the residential products.

There are many indications that **demand in 2021 will continue its ascending trend recorded in 2020**, thus there is no pressure to lower the prices at this time. This is strongly supported by Bucharest’s inhabitants who are striving to improve their living conditions in the event of further pandemic recurrences. With **historic low interest rates** and **inflation at only a few percentage points** there is an influx of capital into the real estate market.

Figure 10: New units transactions* quarterly evolution (2019-Q2 2021)



Source: JLL Research, based on ANCP

Deliveries

Supply remained strong in Q2 2021

The residential supply for Bucharest – Ilfov increased with approximately 3,100 new units in Q2 2021, out of which 2,260 new units in Bucharest and 840 new units in Ilfov county.



3,100

New units delivered in Q2 2021 in Bucharest & Ilfov



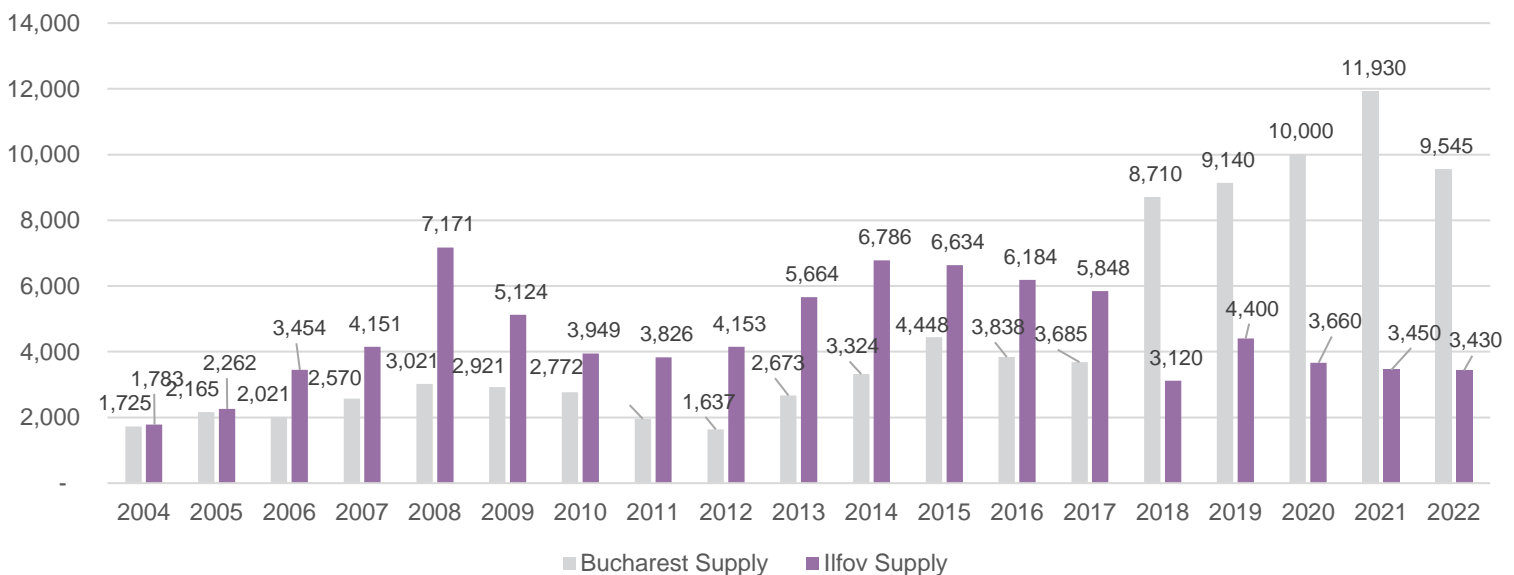
9,800

New units' transactions in Q2 2021 in Bucharest & Ilfov

The residential supply in Bucharest is on an ascending trend, despite the continuous increase of the construction costs and the tougher conditions followed by the recent suspension of the district zoning plans. The estimated total supply by the end of the year is expected to increase by 12.5% as compared to the 2020 total supply.

As in the beginning of the year, the developers continued to launch new phases, encouraged by the surprisingly good selling activity. This also motivated them to actively look to secure new lands for future projects.

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

Substantial price increase in Q2 2021

The average prices continued to rise in the first six months of 2021, both for newly built and old residential units. The new units' prices registered a 4% increase in Q2 2021 as compared to the previous quarter, leveling at an average of EUR 1,540/ m².



€1,540

Average price / usable m²
in Q2 2021

Strong demand, combined with a slightly reduced supply, plus the continuous price growth of building materials and subsequently the increase of the construction costs lead to a pressure on housing prices, therefore the 4% rise in selling prices was justified.

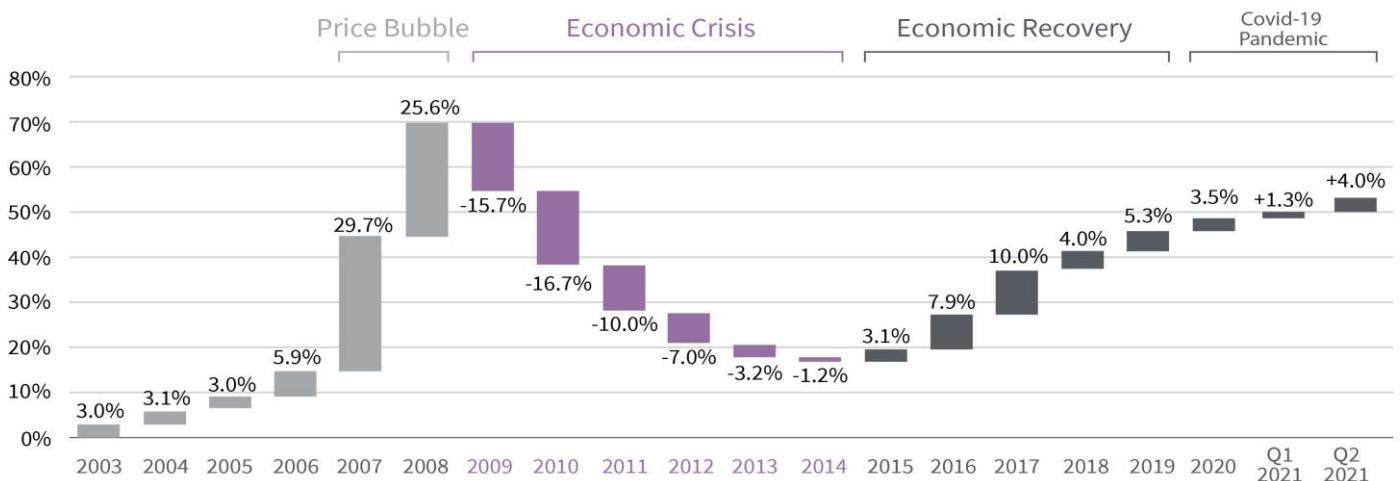


+4%

Residential prices evolution
in Q2 2021

For the rest of the year, we expect a moderate increase in prices, considering the first quarters evolution and the positive prognosis for the macroeconomic indicators.

Figure 12: Evolution of Bucharest Residential Prices (2003 – Q2 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 Q2 2021 vs. Q1 2021



* 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 & BREEAM
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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