



Bucharest

City Report

Q4 2020



Romania during the COVID-19 pandemic

513,429

people who received at least the first dose of the COVID-19 vaccine, as of January 27th 2021

709,194

COVID-19 cases reported as of January 23rd 2021

€215 bn.

2020 GDP
January 2021 forecast

462,000

Total unemployed
November 2020

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

Macroeconomic overview

The vaccination campaign against COVID-19 started in Romania on December 27th, 2020. A month later over 500,000 people already received at least the first of two required vaccine doses.

After a spike of 7,800 average daily new COVID-19 cases in November 2020, the figure dropped to an average of 3,100 per day in January 2021, as some cities entered a temporary state of quarantine towards the end of 2020. Bucharest was not one of them.

The COVID-19 pandemic had a profound impact on the economy, for 2020 the GDP was estimated to have fallen by -4.4%, according to the National Commission for Strategy and Prognosis.

The latest prognosis issued by the World Bank, in January 2021, is slightly more pessimistic, estimating the country's economic contraction for 2020 to **-5.0%** (revised from -5.7% in October 2020). This is to be followed by a 3.5% growth in 2021 (revised from 4.9% in October 2020).

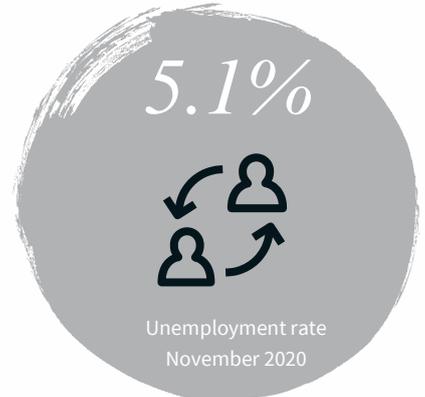
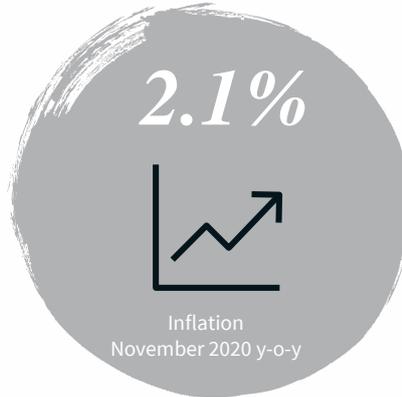
Also, in October, the **International Monetary Fund** expected Romania's real GDP growth rate to fall to **-4.8%** in 2020 and to recover to a 4.6% growth rate in 2021.

The **EU Commission's** Autumn 2020 Economic Forecast estimates for Romania a GDP contraction of **-5.2%** in 2020, followed by a **3.3%** recovery in 2021.

Unemployment

Before the COVID-19 outbreak, the National Institute of Statistics reported for February 2020 a **3.9% unemployment** rate in the country, which rapidly increased during the following months, reaching as high as 5.4% in July, accounting for 484,000 unemployed people. Afterwards it started to gradually decrease, reaching **5.1%** in November 2020, when the total number of unemployed people was 462,000.

Economy & Investment



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

Investment Market

Q4 2020 property investment volume for Romania is estimated at €74.5 million, a value approximately 34% lower than the one registered in the same period in 2019. For the whole of 2020, transactions volume reached **€892.5 million**, an increase of almost 30% when compared with 2019.

Unlike Q3, when offices accounted for the entire transactions volume, during Q4 there were no office transactions, instead all deals were either with industrial or retail assets. Overall, for 2020 the office properties were the most liquid, being responsible for 85% of the total annual volume.

The largest deals closed during Q4 were the sale of the 95,000 m² GLA warehouses of the A1 Business Park near Bucharest, from Cromwell Property Group to CTP and the acquisition of Jupiter City Pitesti, a 41,500 m² GLA shopping center, by the Austrian group Supernova from Jupiter Group.

Another important deal concluded during Q4 was the sale and lease-back of the 38,000 m² GLA Mobexpert warehouse in Bucharest, from Mobexpert to CTP. The transaction value is estimated at €15.5 million.

Although there is much uncertainty ahead, as the COVID-19 pandemic continues, there is a consistent pipeline of deals which might potentially close during 2021, estimated at almost €800 million. The office sector continues to show liquidity, with 60% of the potential pipeline volume.

Prime office and industrial yields were stable during Q4, standing at 7%, and 8%, respectively. However, prime retail yields increased from 7% to 7.25% during the same period.

Prime assets with WAULT (Weighted Average Unexpired Lease Term) significantly longer than the market average can achieve yields below those quoted as prime. The impact of the medical emergency in Romania as well as in the rest of Europe on yields will probably continue to manifest in 2021. Product quality will make a big difference in terms of achievable yields.

Prime Yields in Q4 2020

7.25%



Shopping Centre

7.00%



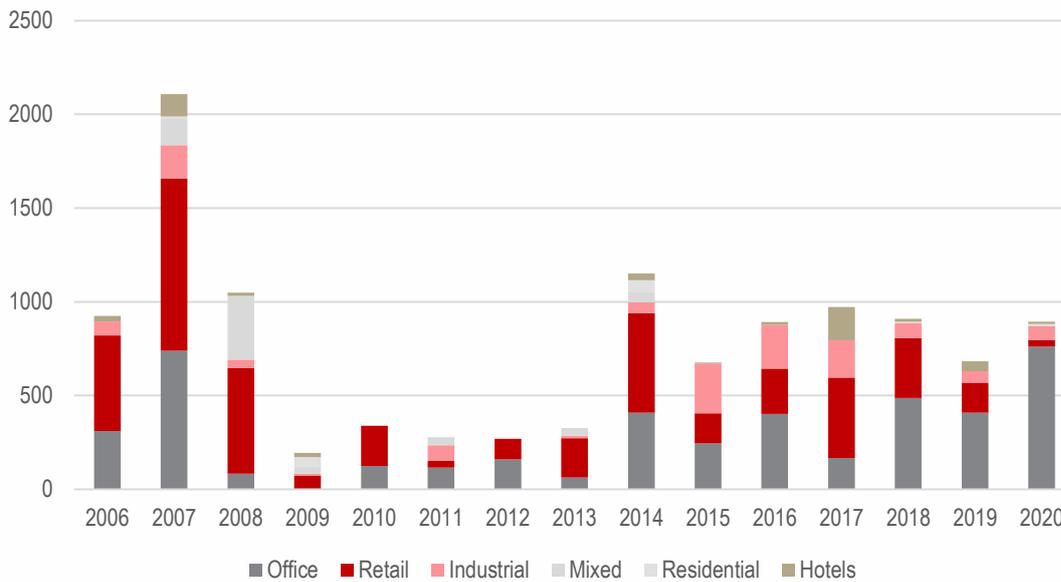
Office

8.00%



Industrial

Romania Investment Volumes (€ million)



Key Investment Transactions in Q4 2020

Sector	Property	Market	Est. Price (€ million)	Seller	Buyer
Industrial	A1 Business Park	Bucharest	Confidential	Cromwell Property Group	CTP
Retail	Jupiter City Pitesti	Pitesti	Confidential	Jupiter Group	Supernova
Industrial	Mobexpert warehouse	Bucharest	15.5	Mobexpert	CTP

Office Market

Demand

Total gross transaction volume in Bucharest during Q4 2020 reached almost **55,000 m²**. That represents half the volume recorded during Q4 2019, of over 107,000 m². Net take-up during the period accounted for little over 21,600 m², compared to 83,600 m² in Q4 2019.

Even though gross take-up decreased by approx. 13% in Q4 2020 compared to the previous quarter, net take-up **increased by almost 50%**.

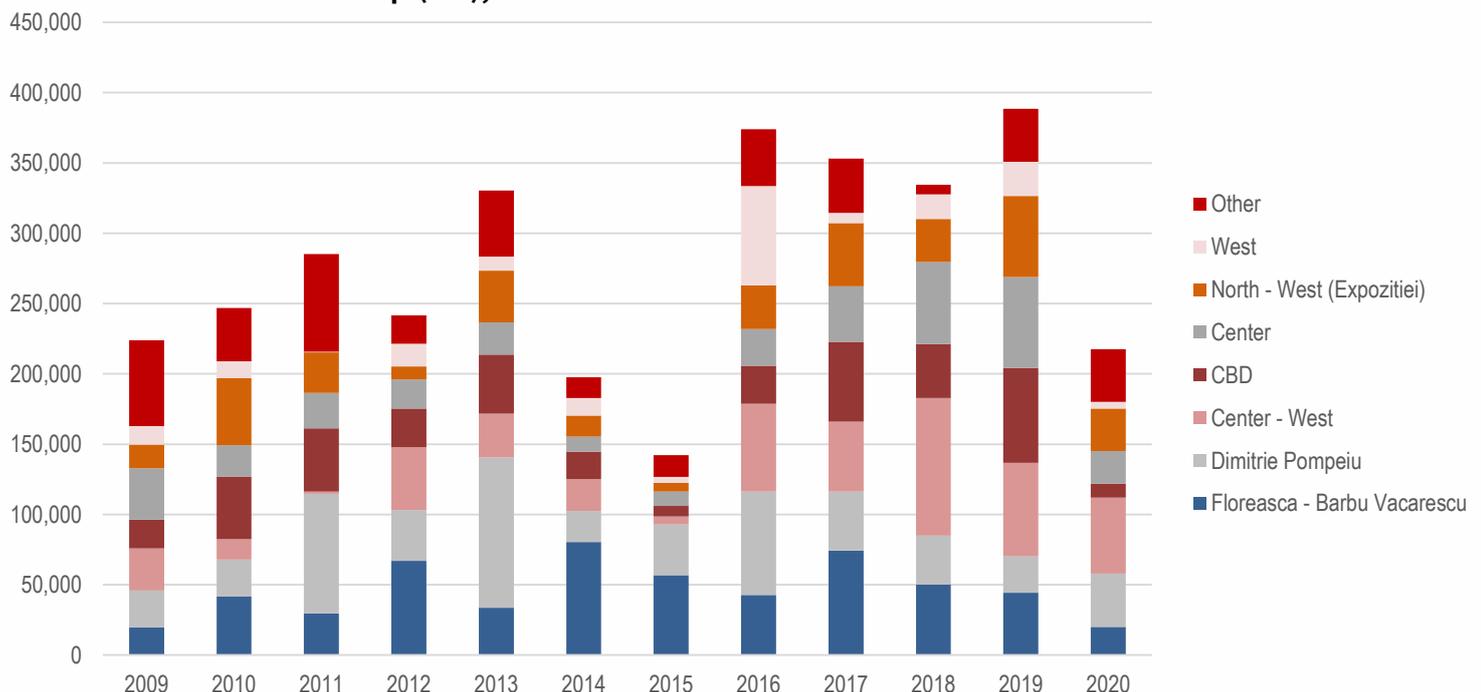
By far, **renewals** had the largest share in total transactions in Q4 2020, with **almost 54%**, followed by relocations, with approximately 17%.

For the entire year **2020**, **gross take-up** totaled approx. **217,500 m²**, corresponding to a **44% decrease** when compared to 2019. However, net take-up in 2020 reached only **71,400 m²**, marking a **65% drop** from the level recorded during the previous year.

The vacancy rate continued to increase in Q4, from approx. 10.9% during the previous quarter, to **11.3%**.

For the last three consecutive quarters of 2020 the office market has been severely affected by the uncertainty caused by the COVID-19 pandemic and the measures taken to contain the spread of the virus. While analyzing the impact of the work from home approach and waiting for an end to the pandemic, many companies postponed their decision in regards with renting additional office space. We expect market sentiment to gradually improve during 2021, as more and more people will be vaccinated against COVID-19 and companies will start recalling their employees at the office.

Evolution of Gross Take-up (m²), 2009 – 2020





Deliveries in Q4 2020

Property	Submarket	Size (m ²)	Developer
One Tower	Floreasca – Barbu Vacarescu	23,900	One United Properties
Ion Mincu 3 Office Building	CBD	4,000	private local
Villa Rosetti	CBD	3,300	private local

Key Leasing Transactions in Q4 2020

Property	Occupier	Contract type	Deal size (m ²)
Metrooffice	Harman	Renewal	10,000
City Gate	E.On	Renewal	4,000
Plaza Romania Offices	Confidential	Renewal	4,000
One Tower	The One	Pre-lease	3,600
AFI Park	Dell Secure Works	Renewal	2,900
Floreasca Park	Ursus	Renewal	2,400
Business Garden Bucharest	NTT	New lease	2,300
Global Business Center	Univa	New lease	2,000
Iride	Samsara	New lease	2,000
Pipera 2	Pink Postmaster	Renewal	2,000

Pipeline for 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
Sema Offices London & Oslo	Center-West	34,500	River Development
U Center ph. 1	Center	30,500	Forte Partners
Globalworth Square	Floreasca – Barbu Vacarescu	28,400	Globalworth
Campus 6.2	Center-West	19,800	Skanska

Office Market

Deliveries

Deliveries during Q4 2020 totaled **31,200 m²**, bringing the Bucharest modern office stock to almost **2.96 mil. m²**. Overall, the office stock **expanded by 155,200 m²** during 2020, compared to 286,400 m² in the previous year, representing an almost **46% decrease**. The largest projects were delivered in North-West Expozitiei and Dimitrie Pompeiu sub-markets, accounting for almost half of total deliveries in 2020.

By far the largest delivery during Q4 was One Tower, the **23,900 m² GLA** office building in the mix-use project One Floreasca City, developed by One United Properties in the Floreasca – Barbu Vacarescu sub-market.

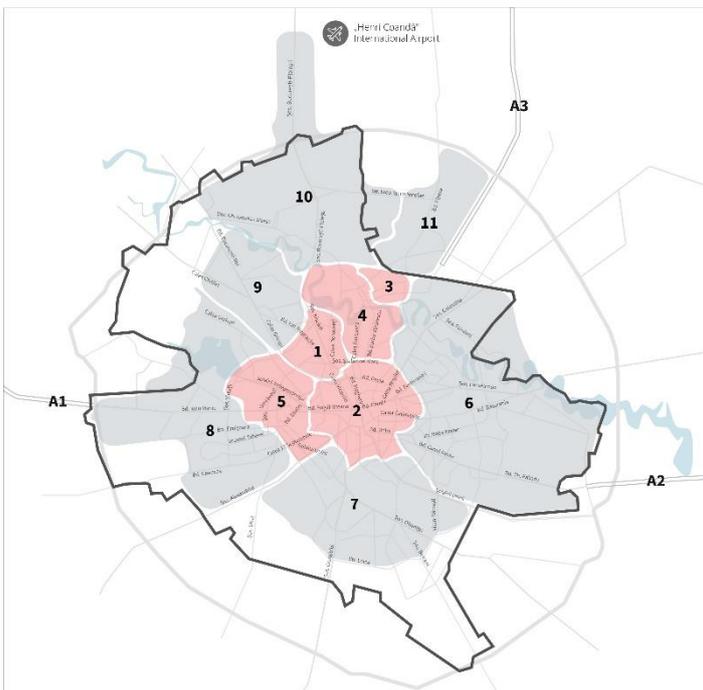
Pipeline

After the decrease in 2020, office deliveries are expected to bounce back in 2021 to a volume close to the one registered in 2019. The pipeline for 2021 totals **almost 252,000 m²**. Close to 43% of planned deliveries are in the Center-West sub-market, followed by the Center, with 16% and the CBD, with approximately 12%.

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 of the entire population against COVID-19 is likely to take at least the first half of 2021, combined with a large office pipeline, we expect the vacancy rate to continue rising.

Bucharest Office Sub-markets



Sub-market	Stock (m ²)	Average rent (Euro/m ² /mth)	Vacancy %
1. CBD	327,700	16 – 18.5	9.3
2. Center	342,000	15 – 17	7.7
3. Dimitrie Pompeiu	440,700	11 – 13	10
4. Floreasca – BV	544,100	15 – 16	10.3
5. Center – West	457,300	14 – 16	13.6
6. East	51,100	12 – 14	11.8
7. South	41,800	10 – 12	2.2
8. West	157,900	10 – 12.5	0
9. North – West (Expozitiei)	222,800	14.5 – 17	7.8
10. Baneasa - Otopeni	159,800	10 – 14	13.4
11. Pipera North	210,500	9 - 11	33
TOTAL	2,955,700		11.3

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

Retail Market

The retail sector faced many challenges during the pandemic, especially because of the restrictions imposed to contain the spread of the COVID-19 virus. The situation gradually improved after most of the restrictions were lifted and especially during the winter holidays.

Overall, retail sales volumes in Romania **increased** in November by **0.7%** compared to the previous month, and by **5.1%** when compared to November 2019 (National Institute of Statistics).

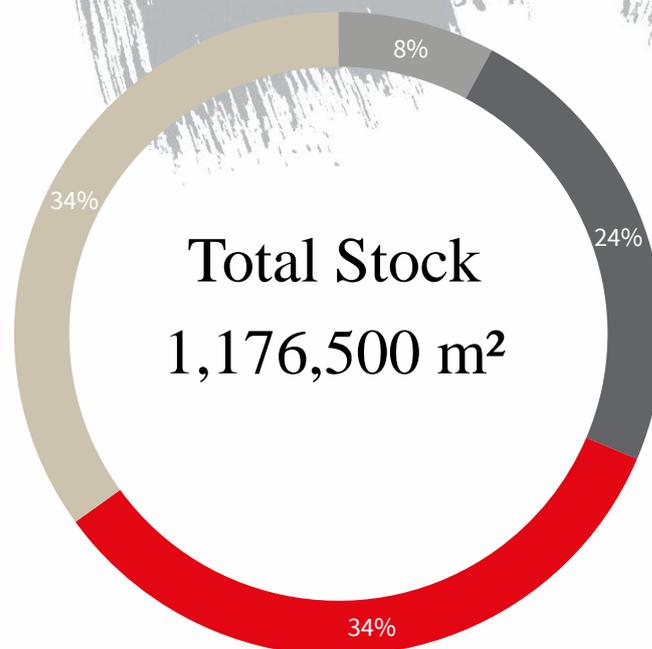
Deliveries

No new shopping centers were delivered in Bucharest during Q4 or in 2020 for that matter. Therefore, the total modern retail stock in Bucharest remained at **1.176 million m²** of GLA at the end of Q4.

Only one shopping center was delivered in Q4 in regional cities, AFI Palace Brasov, with 45,000 m² GLA, becoming the third shopping center delivered by AFI Europe in Romania, after AFI Palace Cotroceni in Bucharest and AFI Palace Ploiesti.

In total, **142,200 m² GLA** of shopping centers and retail parks were delivered in 2020 in Romania, bringing the total stock to over 3,72 mil. m² GLA.

Retail Projects in Bucharest by Size



■ Small (5,000 - 19,999 m²) ■ Medium (20,000 - 39,999 m²) ■ Large (40,000 - 59,999 m²) ■ Very Large (>60,000 m²)

*Including all retail formats

Retail Market

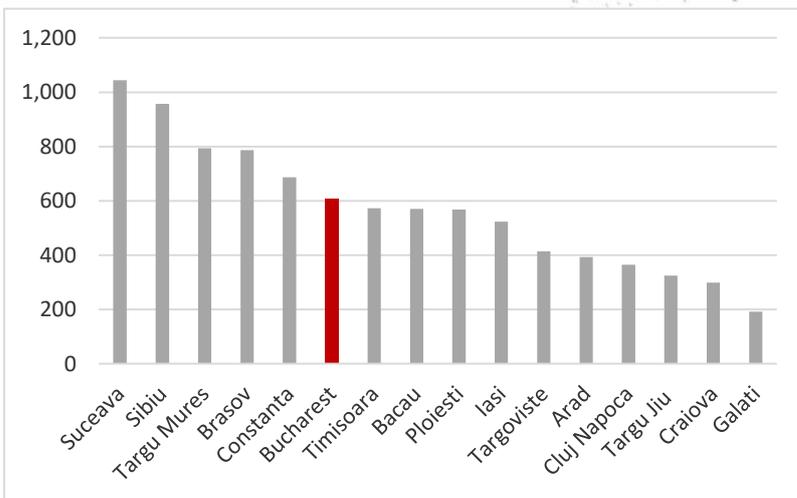
Pipeline for 2021

After 142,200 m² of GLA were completed during 2020, an over 17% decrease when compared to 2019, we estimate that approximately 160,000 m² of shopping centers and retail parks are awaiting delivery in 2021.

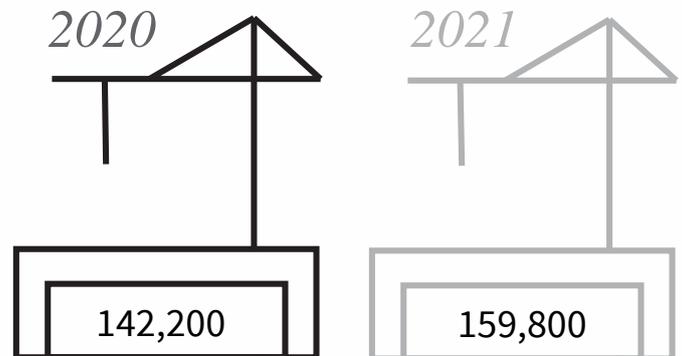
Only 29,500 m² are to be delivered in Bucharest during 2021, the 16,500 m² GLA Colosseum Mall, in the North-Western part of the city, and the first phase of the Fashion House Outlet Village Cernica, developed by Liebrecht & wood to the East, adding another 13,000 m² GLA.

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.

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



Deliveries / Pipeline Romania (m²)



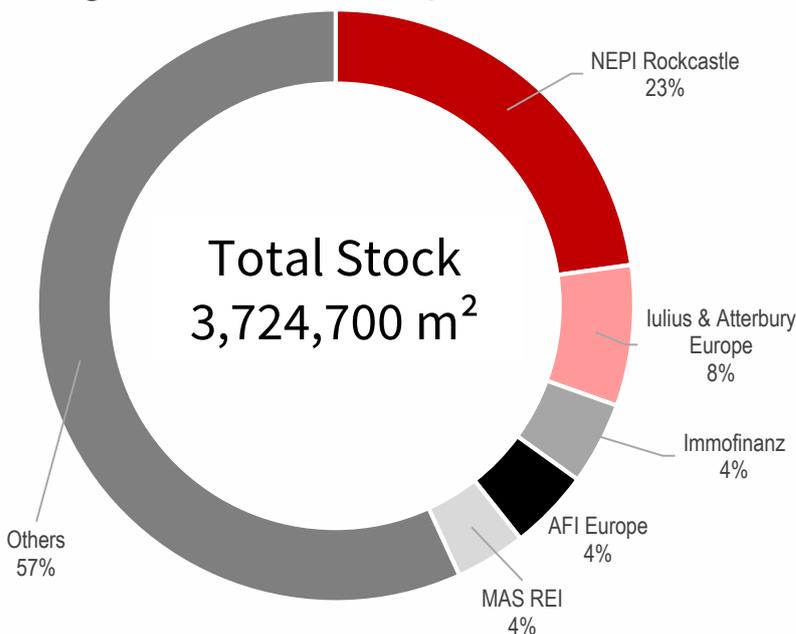
*Including all retail formats

Retail Market

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
Shopping Park Medias	New Project	Mitiska REIM & Square 7 Properties	16,900
Barlad Value Center	New Project	Prime Kapital & MAS Real Estate	16,700
Sepsi Value Center Sf. Gheorghe	New Project	Prime Kapital & MAS Real Estate	16,300
Colosseum Mall Bucharest	New Project	Colosseum Mall	16,500
Shopping Park Slatina	New project	Mitiska REIM & Square 7 Properties	16,500
Fashion House Outlet Village Cernica, ph. 1	New Project	Liebrecht & wood	13,000
Shopping Park Tulcea	Extension	Mitiska REIM & Square 7 Properties	12,400

Largest Owners of Retail Space in Romania



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).

Industrial Market

Demand

In Q4 total rental demand for modern industrial and logistics spaces in Romania summed to approx. **274,000 m²**. Net take-up accounted for 67% of the total, or approximately 184,000 m².

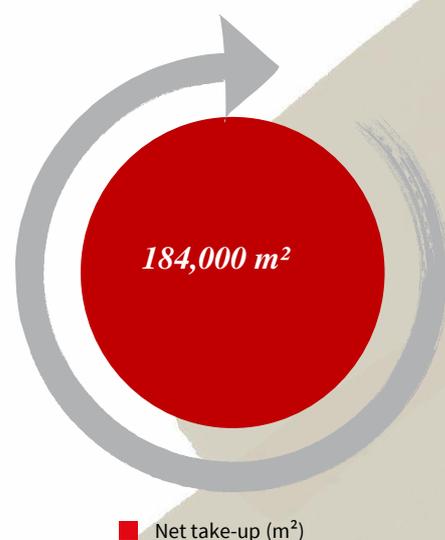
Bucharest had by far the largest share of total demand for industrial and logistics spaces in Q4, almost 86% (approx. **234,800 m²**), followed by Timisoara, with an 8% share (**21,700 m²**) and Roman, with 4.4% (**12,000 m²**).

Retailers were the most active in terms of demand during Q4, accounting for 39% of total demand, or **107,000 m²**, followed by the distribution sector, with almost 24% or 65,000 m².

In Q4 2020 there were 9 transactions reported of at least 10,000 m², the average transaction size being roughly 11,000 m².

Total demand during the entire year 2020 reached almost **695,000 m²**, approximately **19.4%** above the 582,000 m² recorded during 2019.

Demand in Q4 2020



Key Transactions in Q4 2020

Tenant	Property	Size (m ²)	Deal Type	Sector
Carrefour	P3 Bucharest A1	85,000	Renewal	Retail
Mobexpert	Mobexpert Center	38,000	New lease	Distribution
A&D Pharma	CTP Mogosoaia	34,000	Pre-lease	Pharma
Eobuwie.pl S.A.	WDP Stefanestii de Jos 2	15,640	New lease	E-commerce
Fartud	VGP Timisoara	15,000	New lease	Logistics
Profi	WDP Profi Roman	12,000	Expansion	Retail
Urgent Cargus	CTPark Bucharest	10,600	New lease	Courier
Mobexpert	Mobexpert Center	10,000	New lease	Distribution

Pipeline for 2021 (Selection)

Project	Location	Size (m ²)	Type
CTPark Bucharest West	Bucharest	103,100	Expansion
CTPark Bucharest North	Bucharest	85,600	Expansion
WDP Craiova	Craiova	61,200	New project
WDP Timisoara SW	Timisoara	59,800	New project
Chitila Logistic Hub	Bucharest	52,000	Expansion
WDP Stefanesti 2	Bucharest	37,000	Expansion
ELI Park Bacau Incity	Bacau	25,000	New project
Constanta Business Park	Constanta	20,000	Expansion

Industrial Market

Deliveries

Approximately **180,800 m²** of new industrial and logistics spaces were delivered during Q4, almost 67% above the previous quarter.

Bucharest & Ilfov accounted for almost all of the new space, with over 171,000 m², or close to **95% of total deliveries**. The rest was represented by the Center region, with 9,500 m².

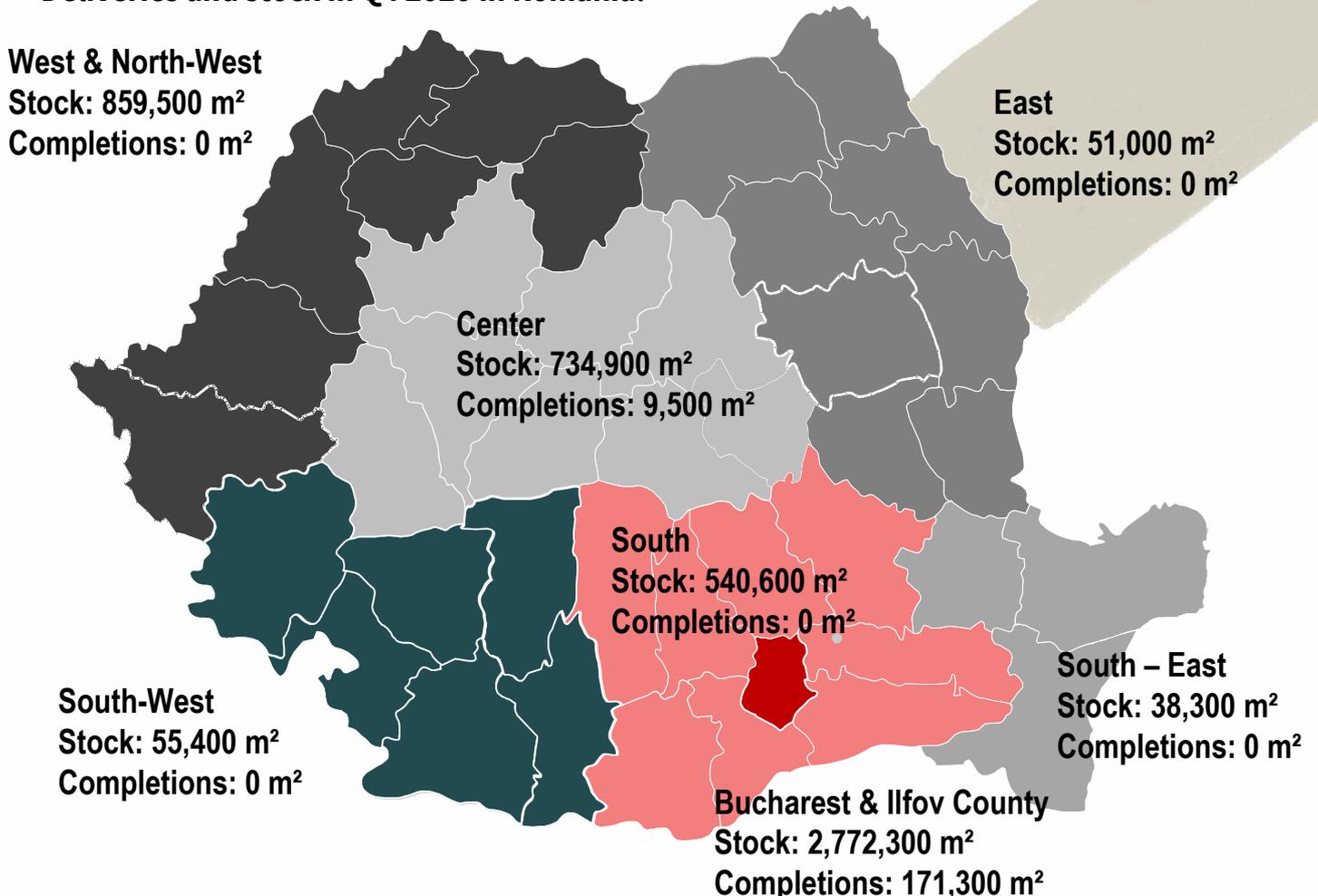
Therefore, at the end of Q4 the modern industrial stock to rent in Romania surpassed the 5 million mark, reaching over **5.05 million m²**.

During the entire year 2020 over **590,000 m²** of modern industrial and logistics units were delivered nationwide. Bucharest & Ilfov concentrated by far the largest number of deliveries, with 84% of the total.

Approximately **670,000 m²** are expected to be added to the stock in 2021, thus bringing the total stock in Romania to over 5.7 million m² by the end of the year.

Overall, the industrial and logistics sector in Romania performed very well in 2020 and we expect the same thing for 2021.

Deliveries and stock in Q4 2020 in Romania:



Industrial Market

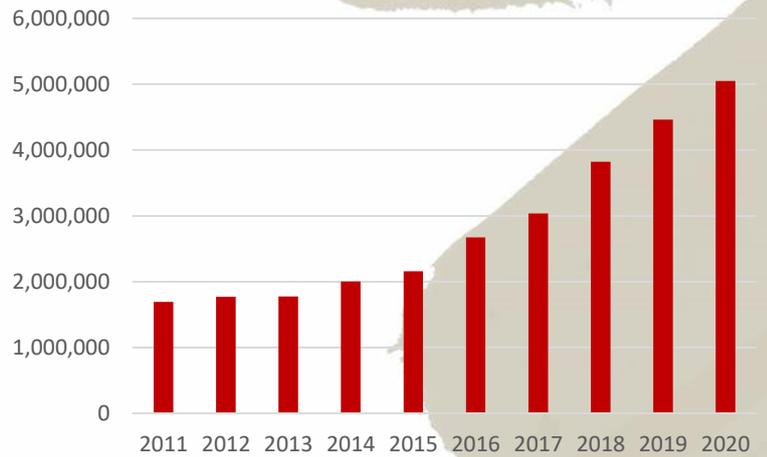
Rents & vacancy

Rents for industrial spaces remained in Q4 at the same level as in the previous quarter, between **€3.6** and **€4.0** /m²/month in Bucharest and its vicinity, and between **€3** and **€4.0** /m²/month in other regions of Romania.

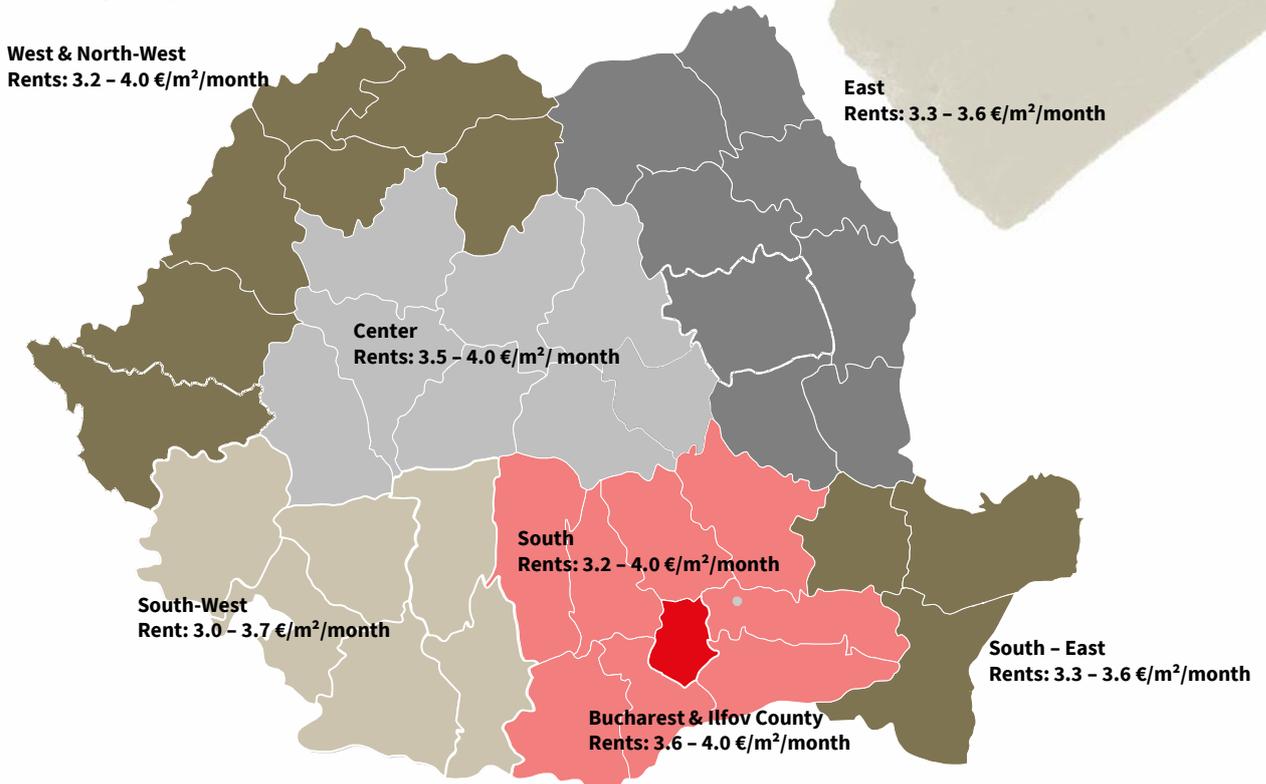
Even though the COVID-19 pandemic is continuing in 2021, it is unlikely it will trigger a significant change in market rents for industrial spaces, as demand is likely to remain strong.

Vacancy rates slightly **increased** during Q4 at the national level, from 5% in Q3 to approximately **6.2%**. Vacancy increased at a higher rate in Bucharest & Ilfov, from 6% in Q3, to approximately **8.1%** in Q4, mainly due to the large volume of new deliveries.

Total Stock Evolution - Romania (m²)*



Rents by Region



Residential Market

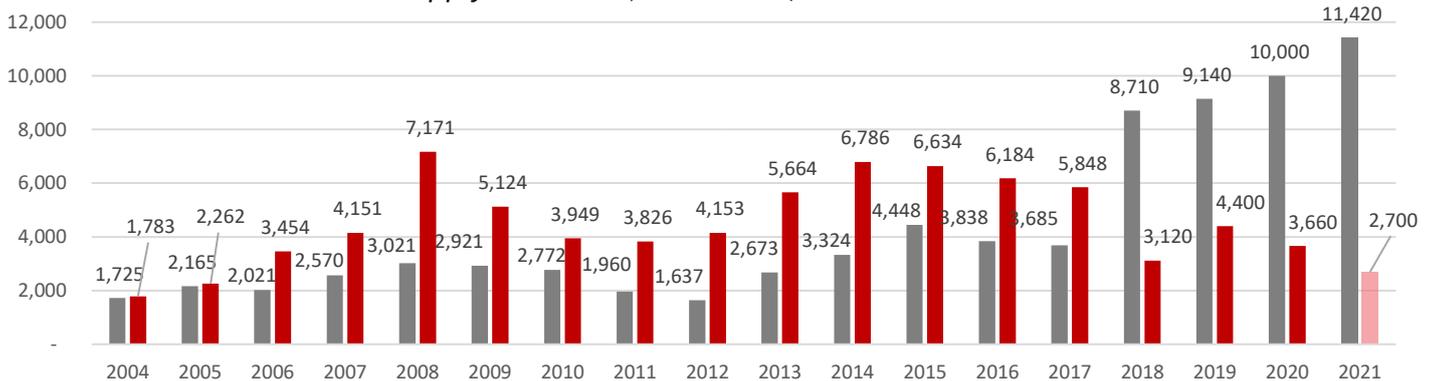
- The fourth quarter of 2020 marked a **spectacular return of the market**, with a **booming transactional activity** registered throughout October – December. The drive of the market’s strong performance was led by the **transformation of household into a multidimensional space**. The buyers were more determined to secure a dwelling aiming to increase their comfort, either by upgrading their existing homes, or making their first residential acquisition.
- In terms of supply, **2020 performed very well** despite the general uncertainty caused by the pandemic. **2020** brought approximately **10,000 new units in Bucharest** and **3,600 new units in Ilfov county**. For **2021, a larger new supply is to be expected**, proving once again the resilience of the residential market.
- The residential prices registered a **3.5% increase in 2020** following the same ascending trend started in 2015. For 2021 we would have expected a moderate increase in prices, but due to the one-year postponement for the implementation of the 5% VAT for the €140,000 extended threshold, we adjusted our forecast into a more conservative approach, therefore we expect that prices will remain **relatively stable or register only a small increase in 2021**.



Supply

- The residential supply for Bucharest – Ilfov increased with approximately **13,600 new units in 2020**. The residential supply in Bucharest was not affected by the pandemic outbreak and **remained stable** compared to the previous year. However, the **delivery of some projects has been postponed from 2020 to H1 2021 or even 2022**, as imposed restrictions led to a slowdown in activity on most sites in Q2 2020.
- There were **no major cancellations** registered in construction works or deliveries and in the second half of the year we have seen an increased construction activity, as 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. **Q4 2020** alone brought **3,900 new units in Bucharest** and **1,060 new units in Ilfov county**.

*Bucharest & Ilfov Residential Supply Evolution (2004 – 2021)**



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

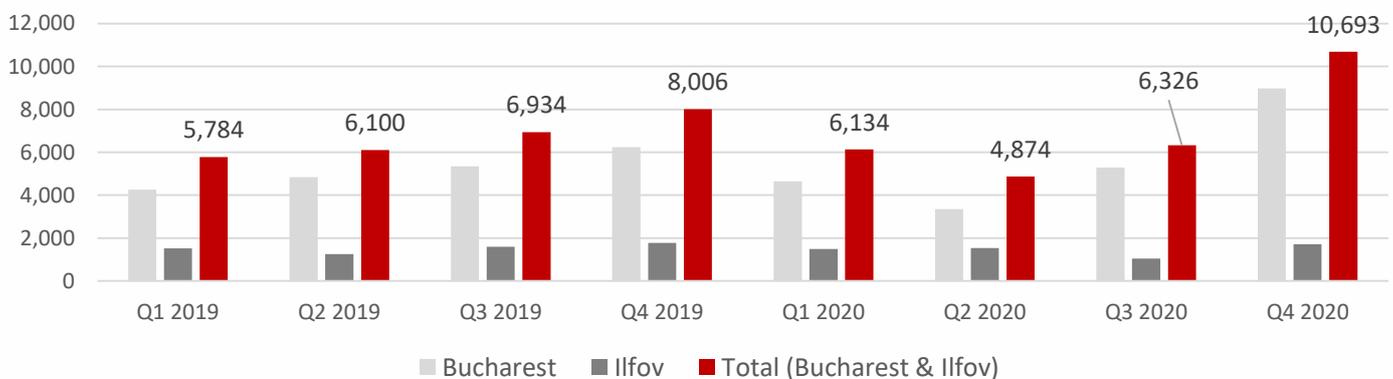
■ Bucharest Supply ■ Ilfov Supply

Source: JLL Research, Analize imobiliare.

Demand

- The level of new units transactions in Q4 2020 was situated at approximately **9,000 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 69% increase compared to the previous quarter of the year and a 33.5% increase compared to Q4 2019.
- For the **entire year 2020, Bucharest** registered approximately **22,300 transactions** with new units, while **Ilfov** totaled around **5,800 sold units**. This represents a **4.5% increase** compared to 2019. Despite the pandemic, 2020 was an excellent year in terms of residential transactions.

New units transactions quarterly evolution (2019-2020)

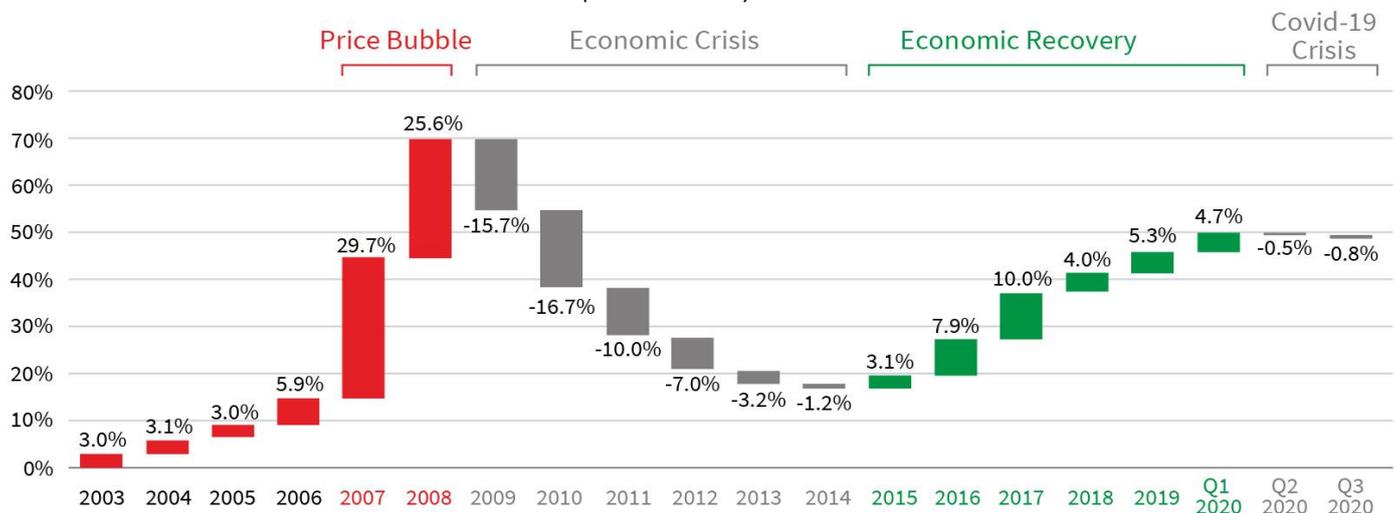


Source: ANCP

Prices

- Residential prices registered a **1.9% increase in Q4 2020** as compared to the previous quarter, leveling at an average of **€1,465/m²**. After two consecutive quarters which registered small price decreases (below 1%), the increase in the last quarter is a clear sign that the residential market was not seriously affected by the Covid-19 pandemic. Moreover, the Q4 2020 price increase seems to compensate the previous quarters decreases, proving the relative stability of the residential market.
- Overall, **in 2020**, residential prices registered a **3.5% increase**, following the same ascending trend started in 2015.

Evolution of Bucharest Residential Prices (2003 – 2020)



Source: JLL Research, analizeimobiliare.ro

Bucharest Rents & Sale Prices Levels Q4 2020 vs. Q3 2020

6
Militari
1,050

Gross average asking rent
€/usable sqm/month

Average selling price
€/usable sqm, excl. VAT

6
Militari
1,050

Rent price evolution
Q4 2020 vs. Q3 2020

Selling price evolution
Q4 2020 vs. Q3 2020

- Increase
- Decrease
- Stable



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

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