



2nd Round Questions ROMANIAN OFFICE LANDLORD MARKET



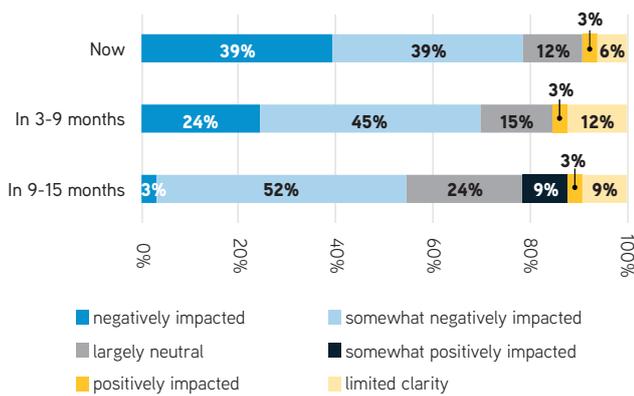
Our survey collected answers from 33 respondents from the top office landlords and developers in Romania in the 28 September – 6 October period. For more perspective, you may also want to

look at the previous survey at this link, which we published roughly 6 months ago, when the global pandemic was still in its infancy and uncertainties were much higher.

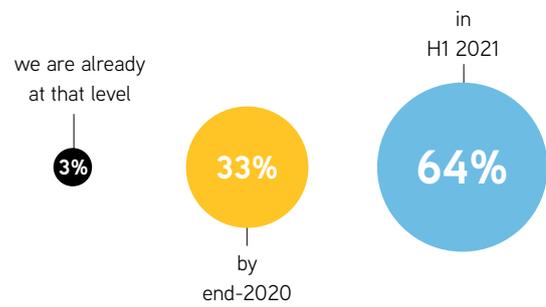
[CLICK HERE FOR THE SPRING SURVEY](#)

1 How do you measure the COVID-19 outbreak impact on your operations?

Almost 7 months after the start of the lockdown in Romania, nearly 78% of respondents experienced a negative impact and they are expecting this condition to endure and to remain protracted in the mid-term journey.



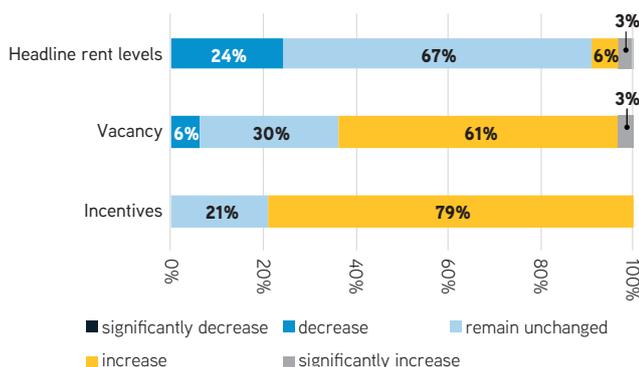
2 When do you expect your tenants to return to the office with at least 50% of their employees?



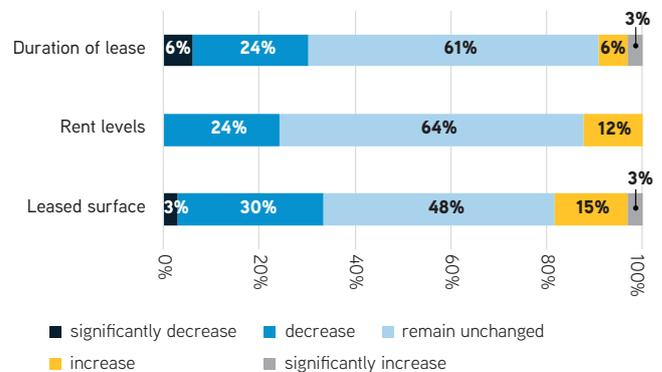
While most of respondents expect to see at least half of their tenants employees' returning to office, 33% are expecting for a gradually recovery by end of this year. This is more or less in tune with what tenants are seeing, though things are likely to be adapted based on the coronavirus developments, so nothing is set in stone yet (no respondents looking for a H2-2021 or later recovery of the 50% threshold).

3 What are your expectations with regards to the following by Q4 2021 compared to current levels?

In terms of the evolution of the vacancy rate in the next 12 months, 64% of respondents expect to see it intensifying alongside a desire to offer increased incentives (79% of respondents), highlighting a shift towards a tenant market. However, most of respondents (67%) are expecting no changes in asking rent levels, though 24% of them are more pessimistic and foresee a correction in rents as well.



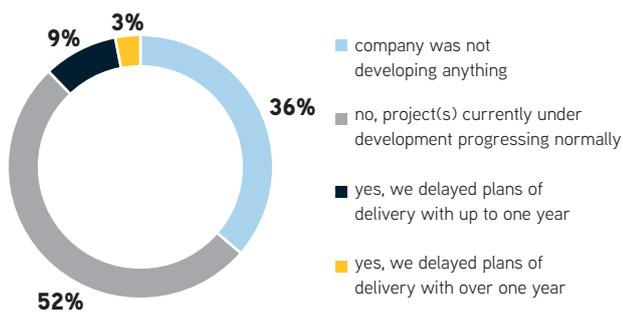
4 How did renewals in 2020 change compare to previous years?



Regarding renewals, the significant share of respondents confirms no changes compared to previous years. However, 30% of respondents noted a decrease in leased surfaces, while 24% of respondents have lost ground due to rent and duration of lease reductions.

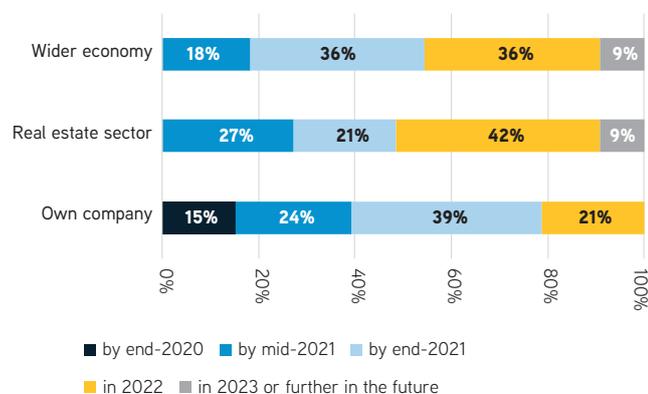
5 Has the coronavirus pandemic changed your plans for development?

Despite confronting with uncertainty through and beyond Covid-19, things seem to remain somewhat under control, whereas most respondents state their projects are progressing normally, while a minor share of 9% had to involuntarily delay their plans with up to one year.



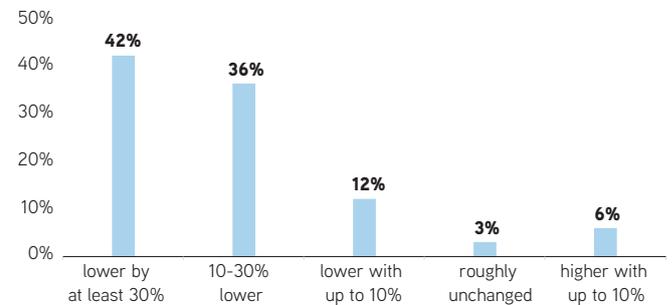
7 When do you expect the business situation to become satisfactory again?

The global economic downturn resulting from COVID-19 has far surpassed the recession that followed the financial crisis of 2008, with the recovery also taking place faster. Our research shows votes in tune with this: roughly half of respondents, which include large developers and office landlords, look for a recovery within by end of next year for both the wider economy and the real estate sector, and a large part of the rest expect this in 2022. This is in tune with something between a V- or L-shaped recovery, though some sectors are clearly coming back to life much faster than others.



6 Looking at the demand pipeline (based on current prospect tenants), how does this roughly compare to 2018-2019?

In comparison with 2018 – 2019, the pipeline demand is noticeably lower for most landlords that participated in our survey, which supports the expectations of more favourable leasing terms for tenants. While we cannot measure the amplitude of such changes accurately, it is a positive sign that the supply and demand sides of the office market are at least in tune with the direction.



CONCLUSION



While the ongoing economic recovery is fraught with uncertainties that could derail current expectations at any moment, we take some measure of comfort in noting that office landlords are looking at containment measures and will try to remain in touch with their tenants' needs. Furthermore, while vacancy is likely to rise amid the coronavirus, we are confident that the increased vacant spaces can be absorbed in time as the overall office stock in Bucharest (and in Romania in general) is fundamentally low for such a dynamic service-driven economy. So, some medium-term pain might be in store, but the longer-term situation remains rosy.

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