



2nd Round Questions ROMANIAN OFFICE TENANT MARKET



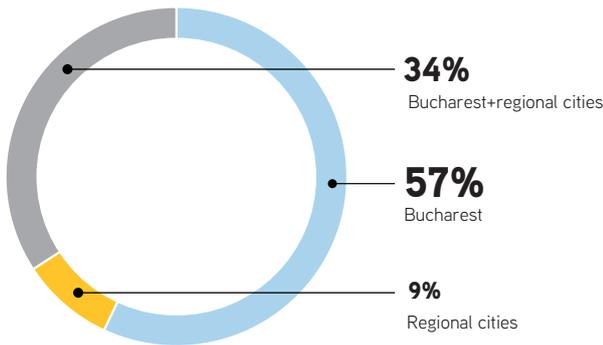
As uncertainties linger on about the coronavirus pandemic and permanent changes the current context will bring for the global economy, we sought to reiterate the survey we undertook back in April, when the outbreak was still fresh news. Between the 28th of September and 6th of October, 79 companies which occupy office

spaces in Bucharest and in other cities answered our call; we are delighted to present their opinions, which are that more relevant given the diverse profile of the participating companies, as well as their size. If you wish to look at the spring survey for reference, please find it at this link.

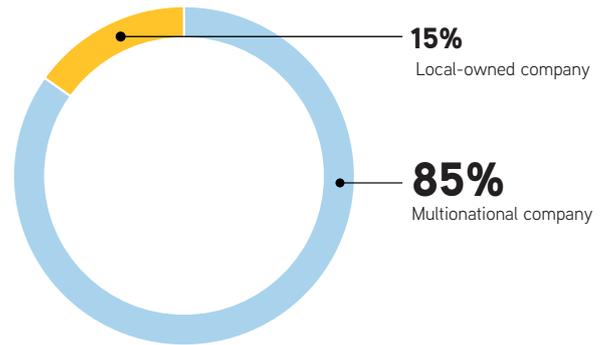
[CLICK HERE FOR THE SPRING SURVEY](#)

PARTICIPANTS PROFILE

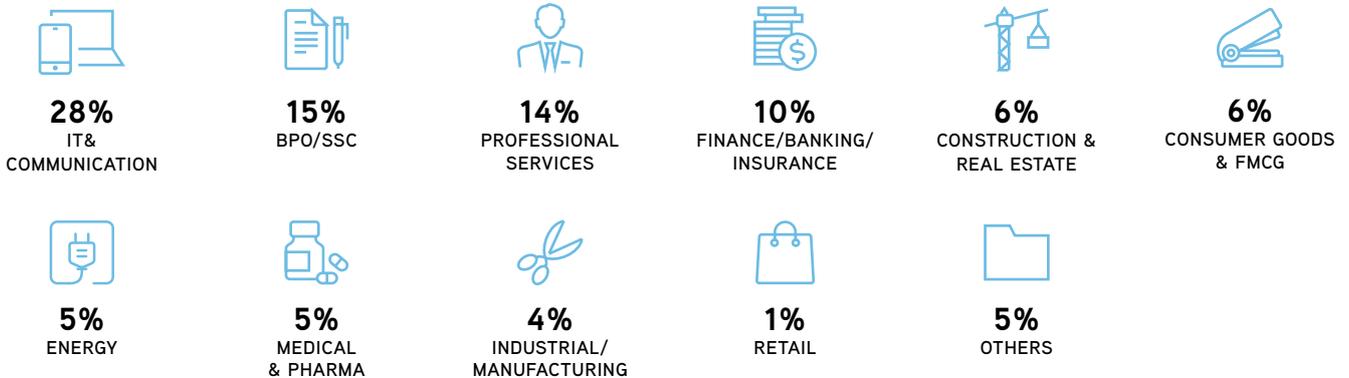
BY LOCATION



BY SHAREHOLDERS



BY INDUSTRY

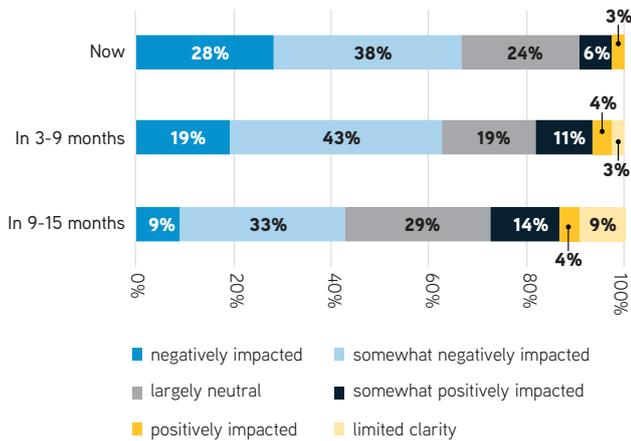


BY NUMBER OF EMPLOYEES

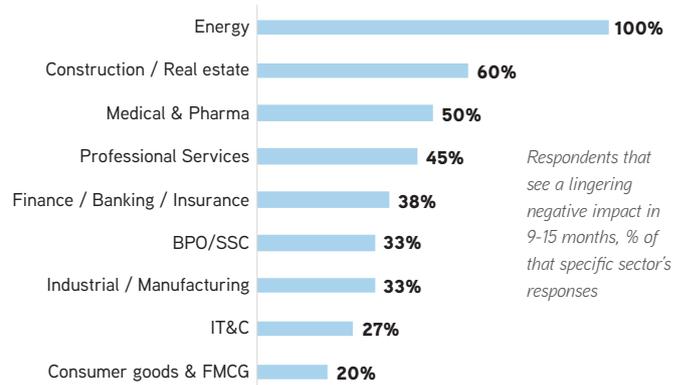


1 How do you measure the COVID-19 outbreak impact on your operations?

Compared to our April survey, the negative responses have grown a bit, when looking at the impact on local businesses on a 9-15 months horizon (42% negative responses versus 32% six months

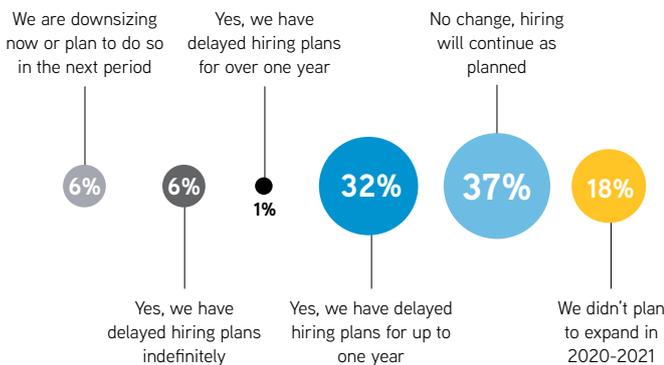


ago). By company size, there does not seem to be a material difference in the degree of pessimism/optimism, though there are quite a big sectorial differences, something which is more or less in line with the so-called “K-shaped recovery” (i.e. uneven recovery among sectors).



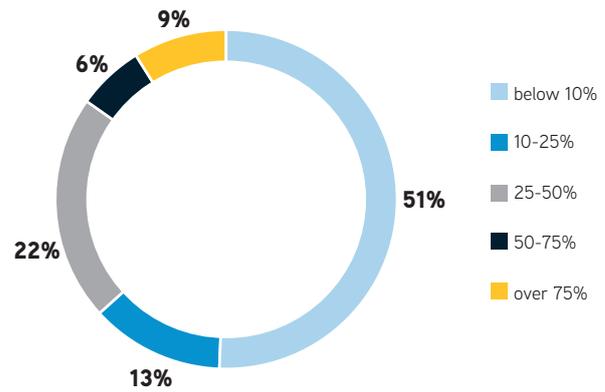
2 Has the coronavirus outbreak altered your employment plans for 2020-2021? How?

This is probably the most optimism-inducing chart our survey yielded (also looking better than the spring survey), as only a small fraction of the companies plan to downsize, much fewer than the companies that are moving forward with hiring plans. Furthermore, a big part of the rest have delayed their plans for up to one year and will likely move ahead if economic activity continues perking up.



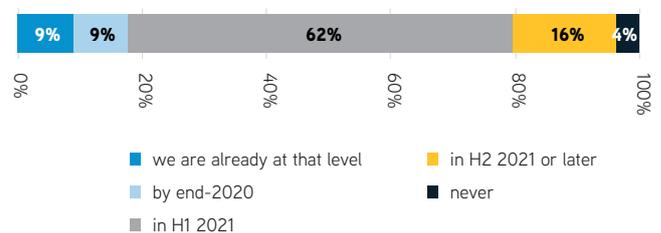
3 Roughly what percentage of your employees are working in the office regularly as of September 2020?

Half of the respondents had less than 1 in 10 employees at their office workplace in September, with another third having between 10 and 50% in the office. The size differences also matter: over 63% of the respondents with at least 500 employees have an office presence below 10% versus 43% for those below the 500 employees threshold, skieing the impact on occupancy.



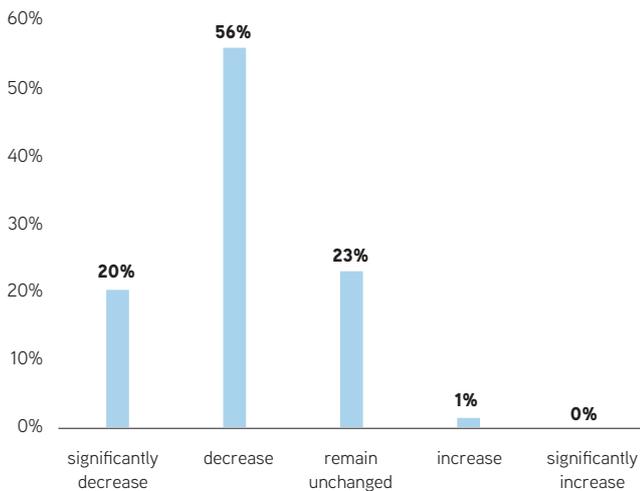
4 When do you expect to return to the office with at least 50% of your employees?

The vast majority of respondents expect to return to their office premises with more than 50% of their employees by the middle of next year, more or less in line with what is happening in other parts of the world, but this, of course, depends on the way the pandemic will behave.



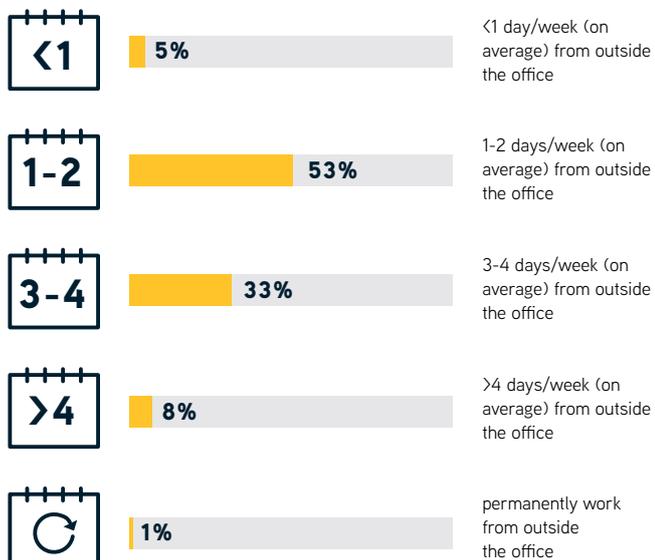
5 What are your expectations with regards to the change of the rent levels by Q4 2021?

3 in 4 responding tenants expect to see their rents lowered by the end of next year, which is not too far fetched given the strain on business in general as well as the increased foothold that tenants have versus landlords. Still, rents in Romania are low by regional standards, so we do not expect significant changes, but more attractive leasing terms can also be achieved via incentives.



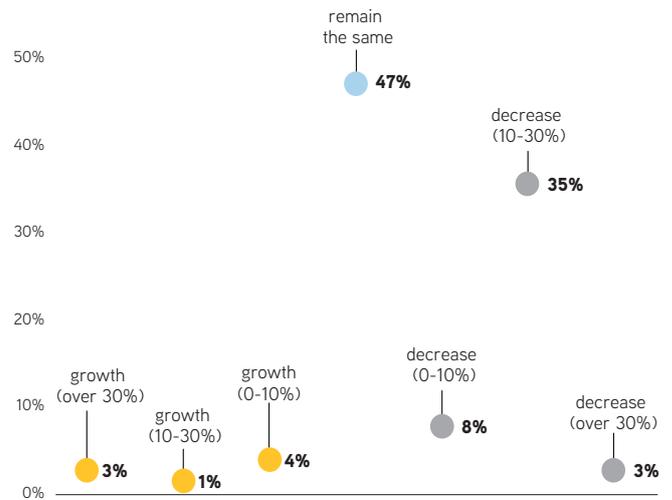
7 How do you feel about working remotely in the future after the COVID-19 situation? What could best suit your company and most of its employees?

There seems to be a good consensus around a level of 2-3 days/week of remote work, in between our most picked variants. Versus our spring survey, the 1-2 days/week category (61% of responses in April vs. 53% now), with an uptick in the 3-4 days/week answers (17% then vs. 33% now).

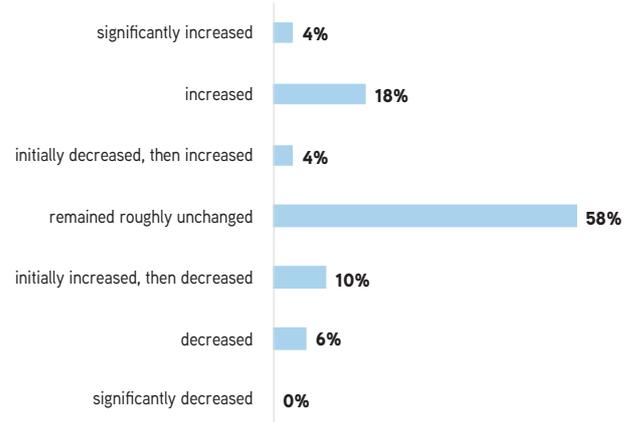


6 Going forward, what are your plans regarding the office premises occupied?

In general, companies are either planning to keep their current office space unchanged or are looking for a moderate decrease of the occupied surface (between 10 and 30%); it is worth underscoring another big difference between the very large companies and the rest (above and below 500 employees): 63% of big employers want to cut back their occupied office surfaces versus 35% for the rest.



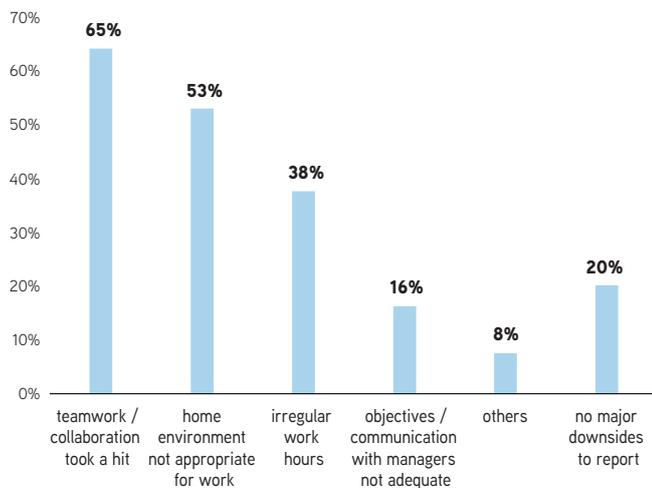
8 What are your company's experiences with regards to work from home and productivity so far? Has labour productivity:



With regards to labour productivity in the last few months of forced remote work (with an over-emphasis on this aspect), the picture seems quite balanced as a minority of respondents have seen a dip in productivity, a bit more have seen an increase and the vast majority reported things remaining steady.

9 What were the main downsides (if any) to working from home as reported by the employees? (multiple choice question)

Based on employee feedback, at least half of companies report complaints about teamwork not functioning as well as in the past and the fact that the home is not an appropriate place for work. This suggests, in our view, that the office of the future will remain quite relevant as a place to accelerate creation, while also cultivating cohesion and corporate culture.



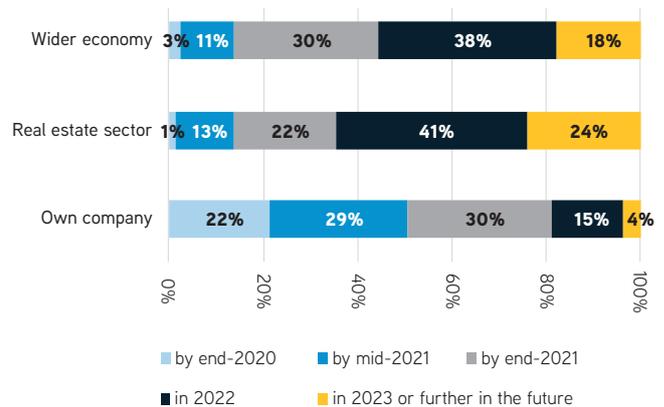
CONCLUSION



Summing up, the survey offers a few trends that are worthwhile to keep an eye on: **1)** how will companies pursue a manner of hybrid work to include both remote work and ways to strengthen their teams, **2)** when will companies start bringing employees back en masse, if at any time; **3)** will big employers scale back more of their office space than smaller companies. There are still fewer certainties to spare, though the path ahead is becoming a bit clearer with regards to how remote work will function; thankfully, Romania's fairly low office stock should insulate a bit the office market from a decline in occupancy, though the next few years will see tenants in the power seat in relations to landlords.

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

There seems to be a fairly wide range of answers about when the general economic situation will return to decent levels, with most hovering around 2021 or 2022, although, as with most other surveys people tend to be much more optimistic about their own company, which does offer a glimmer of optimism if companies will ramp up investments and hiring.



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