

Bucharest City Report Q1 2022

Bucharest

Main challenges in 2022

After the GDP growth for 2021 was revised to a final 5.9%, from initial estimates of 7%, economic performance in 2022 is likely to be considerably lower than anticipated, with a modest **2.9% growth**, according to the latest official prognosis issued in April. This is after a 4.3% increase estimated in February.

This correction comes in the context of the ongoing conflict in neighbouring Ukraine and the very high inflation rate already recorded in March 2022, of **10.2% y-o-y**. Inflation is expected to reach **9.7%** at the end of the year.

A positive factor is the attenuation of the COVID-19 pandemic during the first quarter of 2022, leading to restrictions being lifted in Romania starting with March and a general resumption of mobility.

According to the National Institute of Statistics, the unemployment rate slightly increased during the first quarter of 2022, from 5.4% in December 2021 to 5.7% in March 2022, with a total number of 475,000 unemployed.

€267 bln.

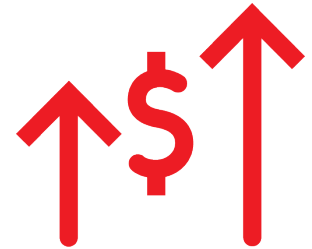
Estimated GDP in 2022
April 28th, 2022, forecast

475,000

Total unemployed
March 2022

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

Economy & Investment



Bucharest

Investment Market

The property investment volume for Romania in Q1 2022 is estimated at approx. **€68.5 million**, a value 7% lower than the one registered in Q1 2021.

We expect investment volumes in 2022 to reach **€1 bln.**, 11% higher than in 2021, although accurate predictions continue to be challenging to make in this period marked by uncertainty.

Offices accounted for almost **80%** of total investment volumes during Q1. Retail accounted for the rest.

The largest investment deal closed in Q1 2022 was the sale of the Record office scheme in Cluj-Napoca for a reported €35 mil. Speedwell sold the scheme to AYA Properties Fund from Belgium.

The second-largest deal in Q1 was the sale of Vitantis Shopping Center in Bucharest, of approximately 36,000 m² GLA. Revetas Capital sold the property to Praktiker Real Estate.



2.9%

GDP Growth
prognosis 2022
April 28th, 2022,
forecast,
y-o-y



10.2%

Inflation
March 2022, y-o-y



5.7%

Unemployment rate
March 2022



€752

Net average wage
Romania
February 2022



5.5%

Retail Sales,
March 2022, y-o-y

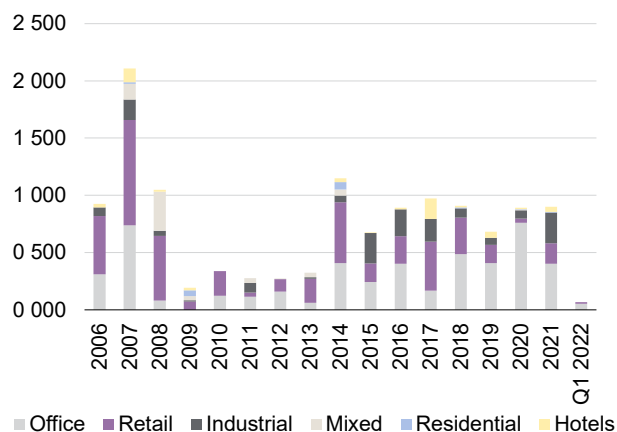
Source: National Institute of Statistics; National Commission for Strategy and Prognosis

Q1 2022 marked a decrease in prime industrial yields, from 7.75% in the previous quarter to **7.50%**.

After consecutive contractions in the previous two quarters, prime office yields remained flat during Q1 2022, at 6.75%. Prime retail yields were also stable during the same period, at 7.25%.

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

*Investment volumes include only deals in excess of €5 million.



7.25%

Shopping Centre



6.75%

Office



7.50%

Industrial

Table 1: Main investment transactions in Q1 2022 (€ million)

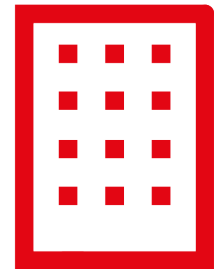
Sector	Property	Market	Est. Price (€ million)	Seller	Buyer
Office	Record Park Offices	Cluj-Napoca	35	Speedwell	AYA Properties Fund
Retail	Vitantis Shopping Center	Bucharest	Confidential	Revetas Capital	Praktiker Real Estate
Offices	Baneasa Business Center	Bucharest	Confidential	Adval Asset Management	Indotek

Source: JLL Research

Contact

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

Office Market Commentary



Bucharest

Demand

Demand is improving

Total gross transactions volume in Bucharest during Q1 2022 reached **69,500 m²**, 17.5% below the previous quarter but 36% over Q1 2021.

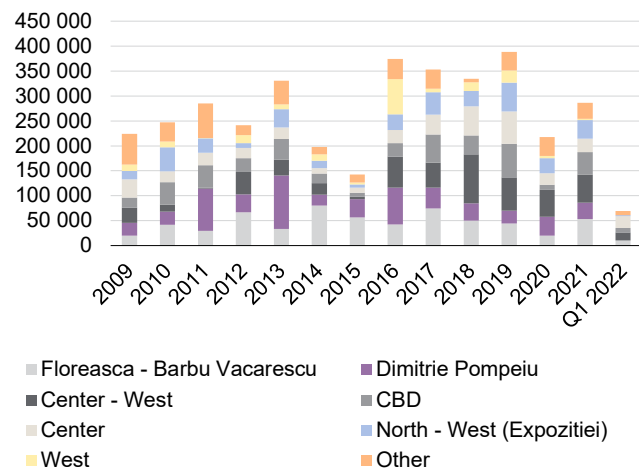
On the other hand, net take-up increased in Q1 2022 by 30% compared to the previous quarter, to 45,600 m² and more than doubled when considering Q1 2021.

New leases had the largest share in total transaction volumes in Q1 2022, with approx. 60% of the total, followed by renewals and renegotiations, with 21%.

The vacancy rate slightly increased during Q1 2022, from 13.7% in the previous quarter to **14.3%**, also considering a significant volume of new offices being delivered during the period.

Although most companies have started recalling their employees at the office, the accommodation process is usually progressive. Thus, not all employees are required to work from the office all days of the working week, and to a certain extent, the hybrid approach of “work from home – work from office” remains.

Figure 2: Evolution of Gross Take-up (m²), 2009 – Q1 2022



Source: JLL Research

Deliveries

Strong deliveries at the beginning of the year

Q1 2022 experienced a high level of new deliveries, of **73,500 m²**, compared to only 29,500 m² in Q1 2021.

The largest project delivered during Q1 was Sema Office London & Oslo, with a total of approx. 31,500 m² GLA, developed by River Development in the Center-West submarket.

Two projects of roughly 21,000 m² each were also delivered in Q1. The first one is phase 1 of @Expo, developed by Atenor in the North-West (Expozitieii) submarket and Tandem, delivered by Forte Partners in the Center submarket.

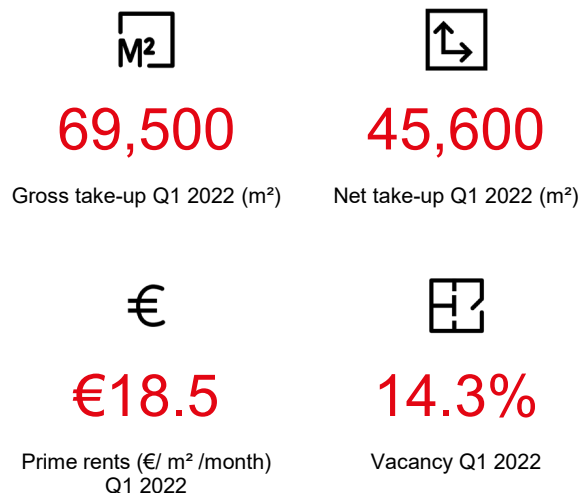


Table 2: Deliveries in Q1 2022

Property	Submarket	Size (m ²)	Developer
Sema Offices London & Oslo	Center - West	31,500	River Development
@Expo B1 & B2	North – West (Expozitieii)	21,000	Atenor
Tandem	Center	21,000	Forte Partners

Table 3: Pipeline for 2022

Property	Submarket	Size (m ²)	Developer
One Cotroceni Park, phase 2	Center - West	34,450	One United Properties
AFI Tech Park, phase 2	Center - West	24,500	AFI Europe
Equilibrium, phase 2	Floreasca – Barbu Vacarescu	19,500	Skanska

Table 4: Key Leasing Transactions in Q1 2022

Property	Occupier	Contract type	Deal size (m ²)
U-Center	Booking	New lease	9,000
Arghezi 4	EveryMatrix	Pre-lease	7,500
Baneasa Airport Tower	Profi	New lease	4,000
AFI Park 4&5	Expleo	New lease	2,900
One Cotroceni Park	Ford	New lease	2,800
One Cotroceni Park	World Class	New lease	2,400
One Victoriei Center	S&T	Renewal	2,200
Sun Offices	Pepsi	Renewal	2,200
Tiriac Tower	Citibank	New lease	2,000

Source: JLL Research

Pipeline

Lower deliveries are likely to result in decreasing vacancy rates

Until the end of 2022, another 83,000 m² are expected to be added to the market, bringing total deliveries for the year to 156,500 m². This would represent a 36% decrease when compared to 2021.

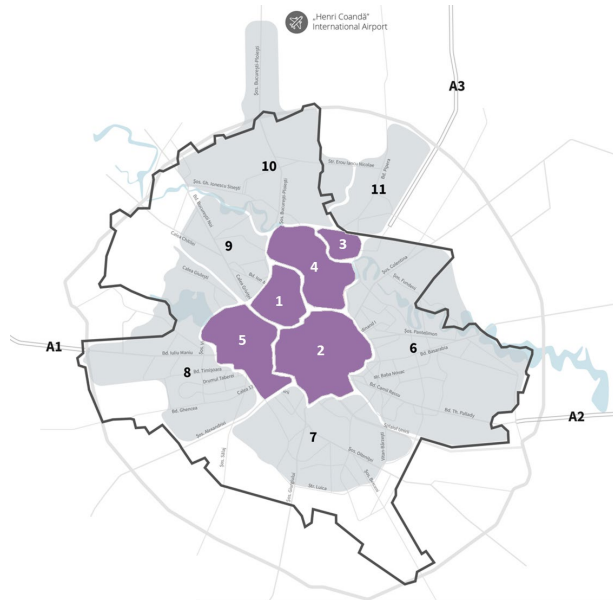
The Center-West submarket attracts almost 60% of all deliveries expected for 2022, or over 90,000 m².

The largest project expected to be completed by the end of 2022 is the second phase of One Cotroceni Park, developed by One United Properties, adding approx. 34,500 m² to the Center-West submarket.

The second building in AFI Tech Park, developed by AFI Europe, will increase by 24,500 m² the stock of the same submarket.

The vacancy rate is likely to decrease during 2022 due to the lower number of new deliveries during the next three quarters.

Map 1: Bucharest Office Submarkets



Source: JLL Research

Table 5: Bucharest Office Submarkets

Submarket	Stock (m ²)	Average rent (€/m ² /month)	Vacancy %	Vacancy trend
1. CBD	359,200	16 – 18.5	8.5	↘
2. Center	405,500	15 – 17	8.6	↘
3. Dimitrie Pompeiu	440,700	11 – 13	11.4	↗
4. Floreasca – BV	569,700	15 – 16	8.8	↘
5. Center – West	562,600	14 – 16	18.1	↗
6. East	51,100	12 – 14	15.3	↘
7. South	41,800	10 – 12	11.7	→
8. West	157,900	10 – 12.5	6.8	→
9. North – West (Expozitiei)	289,800	14.5 – 17	27.8	↗
10. Baneasa – Otopeni	182,700	10 – 14	9.3	↘
11. Pipera North	210,500	9 – 11	37.8	↗
TOTAL	3,271,500		14.3	↗

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

Source: JLL Research

Contact

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

Retail Market Commentary



Deliveries

Low deliveries during Q1 2022

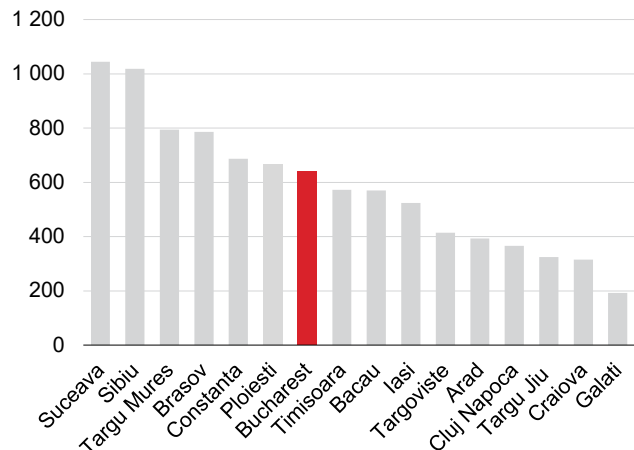
Following the decrease in intensity of the COVID-19 pandemic in Romania during the first quarter of 2022, the state of alert was lifted on March 9th, together with all the restrictions related to the pandemic. This was encouraging news for the retail market and is likely to be reflected during the second quarter.

For the time being, **retail sales increased by 5%** in March 2022 y-o-y.

After strong retail deliveries during the last quarter of 2022, only 16,500 m² GLA were launched in Q1 2022, slightly more than 25% of the deliveries in the previous quarter. In comparison, there were no openings recorded in Q1 2021.

The only major retail project to be launched in Q1 2022 was Colosseum Mall, the 16,500 m² shopping center added to the existing Colosseum Retail Park in the north-western area of Bucharest.

Figure 3: Modern Retail Space Density (m²) per 1,000 Inhabitants*



*Including shopping centres, retail parks, outlet centres and hypermarkets with galleries of at least 5,000 m² GLA
Source: JLL Research

Figure 4: Deliveries / Pipeline Romania (m²)



*including shopping centers, retail parks, outlet centers and hypermarkets with galleries of at least 5,000 m² GLA
Source: JLL Research

Pipeline for 2022

Deliveries will pick up

Following a relatively low volume of new deliveries during 2021, supply is estimated to increase by 73% in 2022, up to a total of **184,100 m² GLA**, primarily concentrated in retail parks in medium and smaller cities.

Bucharest

After the opening of Colosseum Mall in Q1, only **13,000 m²** are expected to be delivered in Bucharest until the end of 2022 in two retail parks adjacent to residential developments: Greenfield Plaza, developed by Impact Developer & Contractor in Baneasa, and Lemon Park, developed by Synergy Construct in Damaroaia neighbourhood.

Regional cities

In regional cities, the pipeline activity for 2022 is mainly represented by small and medium-size retail parks. One notable exception is Alba Iulia Mall, with 28,900 m² GLA, which will be delivered by Prime Kapital and MAS Real Estate.

Figure 5: Retail Projects in Bucharest by size*

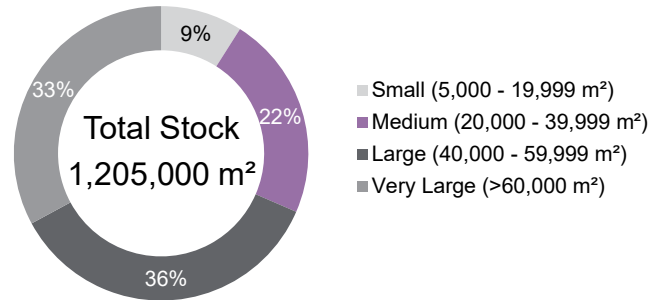
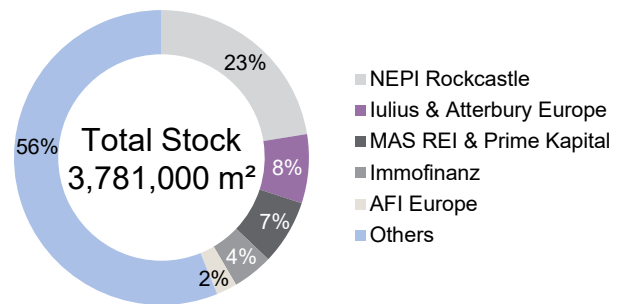


Figure 6: Largest Owners of Retail Spaces* in Romania



Source: JLL Research

*Including shopping centres, retail parks, outlet centres and hypermarkets with galleries of at least 5,000 m² GLA

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 the leading retail assets in the capital city (for retail parks – 2,000 m² units).

Table 6: Major retail schemes to be delivered in 2022 in Romania (selection)

Property	Format	Developer	Size (m ²)
Alba Iulia Mall	New Project	Prime Kapital & MAS Real Estate	28,900
Shopping Park Pitesti	New Project	Mitiska REIM & Square 7 Properties	22,500
FunShop Park Timisoara	New Project	Scallier	10,800
FunShop Park Mosnita Noua	New Project	Scallier	10,600
FunShop Park Vaslui	New Project	Scallier	10,000
Shopping Park Giurgiu	New Project	Mitiska REIM & Square 7 Properties	9,300

Source: JLL Research

Industrial Commentary



Romania

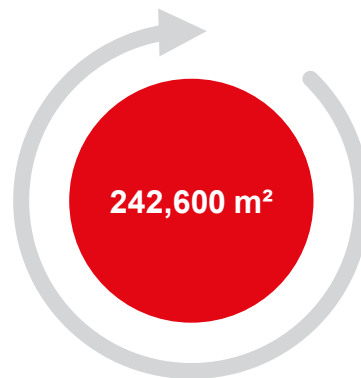
Demand A strong start in 2022

The Industrial market in Romania had a good start in 2022, with total demand reaching **284,300 m²**. This is, however, 41% below the previous quarter, which was a record one, but 9% over Q1 2021.

Net take-up accounted for 85% of total take-up in Q1 or approx. **242,600 m²**. This is 27% below the previous quarter but 47% over Q1 2021.

Bucharest totalled **42%** of gross demand for industrial and logistics spaces in Romania in Q1, with approx. 120,000 m², followed by Ploiesti, with a 31% share (87,600 m²) and Arad, with 10.2% (29,000 m²).

**Figure 8: Demand in Q1 2022 in Romania
Net take-up (m²)**



Source: JLL Research

Table 7: Key Transactions in Q1 2022 (selection)

Tenant	Property	Size (m ²)	Deal Type	Sector
Confidential	Ploiesti	87,600	New lease	Retail
Panduit	CTPark Arad North	9,500	Renewal	Production
SLS Cargo	P3 Bucharest A1	7,500	Expansion	Logistics
The Home	Logicor Bucharest II Pantelimon	5,900	New lease	E-commerce
Alcar	WDP Stefanestii de Jos	5,000	Expansion	Automotive
Pet Factory	CTPark Bucharest North	5,000	New lease	E-commerce
OVT Logistics	Global Logistics Timisoara	4,100	New lease	Logistics

Source: JLL Research

Deliveries

Consistent deliveries at the start of 2022

During Q1 2022, approx. **155,400 m²** of industrial and logistics spaces were delivered in Romania, 36% less than in the previous quarter but five times more than in Q1 2021.

Almost **81,000 m²** were delivered in the Bucharest region, representing nearly 50% of all completions during Q1. Another 25,000 m² were delivered in Deva and 19,000 m² in Constanta.

At the end of Q1 2022, the modern industrial stock to rent in Romania totalled approximately **5.8 million m²**.

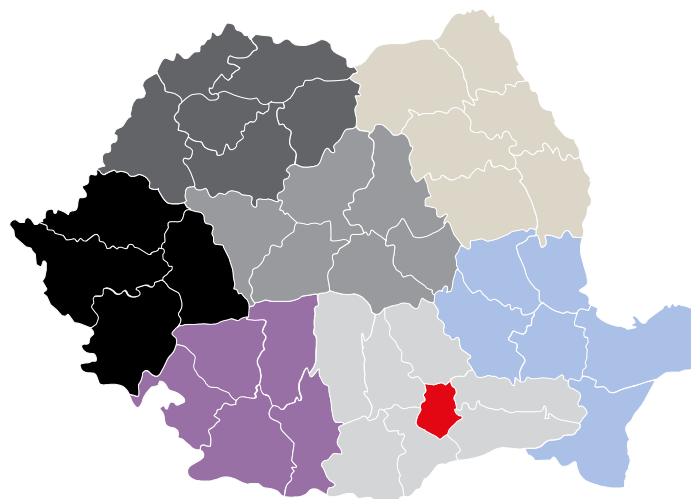
Increased pipeline for 2022

Encouraged by strong take-up in 2021 and early 2022, developers plan to deliver another 530,000 m² of industrial and logistics spaces by the end of this year. This would bring total completions for 2022 to **685,500 m²**, 30% over 2021. Thus, at the end of the year, the total stock would reach 6.36 million m².

Encouraging prospects for 2022

We expect 2022 to be a favourable year for Romania’s industrial and logistics market, despite the macroeconomic challenges posed by higher inflation. However, 2021 was a record year in terms of demand, and it is unlikely that the same level can be maintained in the longer term.

Map 2: Deliveries and stock in Q1 2022 in Romania*



Bucharest & Ilfov County Stock: 2,905,800 m ² Completions: 80,800 m ²	Center Stock: 495,200 m ² Completions: 0 m ²
South Stock: 604,500 m ² Completions: 0 m ²	North-East Stock: 115,200 m ² Completions: 12,000 m ²
South-West Stock: 187,300 m ² Completions: 0 m ²	South-East Stock: 118,900 m ² Completions: 19,000 m ²
North-West Stock: 569,400 m ² Completions: 12,100 m ²	West Stock: 804,000 m ² Completions: 31,500 m ²

Source: JLL Research

Table 8: Pipeline for 2022 (Selection)

Project	Location	Size (m ²)	Type
CTPark Bucharest West	Bucharest	87,400	Expansion
CTPark Oradea	Oradea	60,000	Expansion
WDP Park Timisoara	Timisoara	57,000	Expansion
CTPark Timisoara	Timisoara	56,700	Expansion
Chitila Logistics Hub	Bucharest	37,900	Expansion
ELI Park 3	Bucharest	30,000	Expansion
Logicor Bucharest I Mogosoaia	Bucharest	21,000	Expansion
Logicor Bucharest II Pantelimon	Bucharest	21,000	Expansion

Source: JLL Research

Rents & vacancy

Pressure on rents

Industrial rents were stable at the beginning of the year. However, considering higher construction costs and the overall inflation, the pressure will increase to raise rents in the upcoming quarters, limited partly by the strong market competition and large volumes of new deliveries.

For Q1, rents are situated between **€3.6 and €4.0 / m² / month** in the Bucharest & Ilfov region, and between **€3.0 and €4.0 / m² / month** in the other regions of Romania.

Vacancy rates continue to decrease

Taking into account the record demand in Q4 2021 and the strong demand at the beginning of 2022, vacancy rates continued to decrease at the national level, from 3.5% at the end of 2021, to approx. **2.8%** in Q1 2022.

The vacancy rate also decreased in the Bucharest & Ilfov submarket, from 4.3% in Q4 2021 to approximately **3.6%** in Q1.

Expecting strong demand and also consistent new deliveries, we do not foresee significant changes in the overall vacancy rates throughout 2022.

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

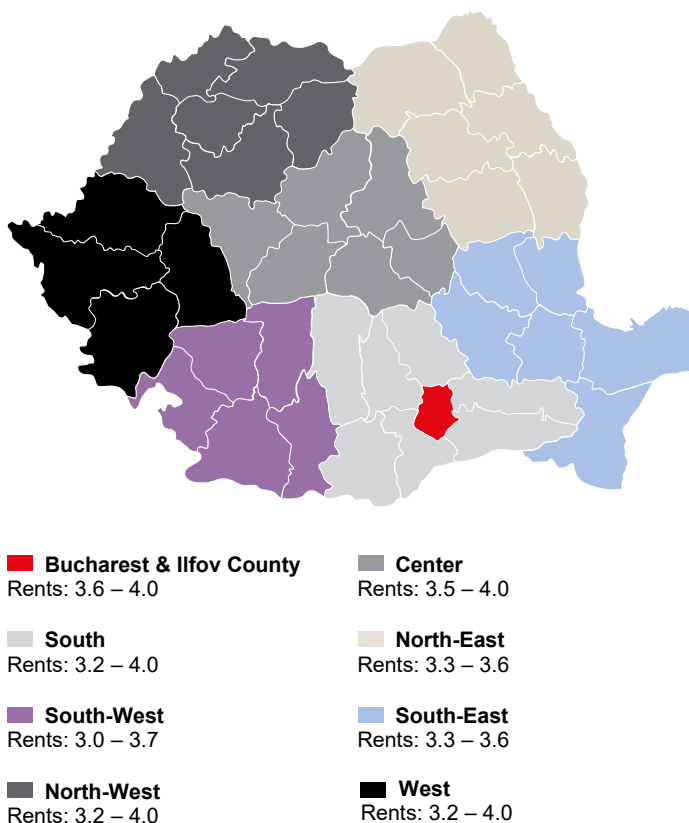
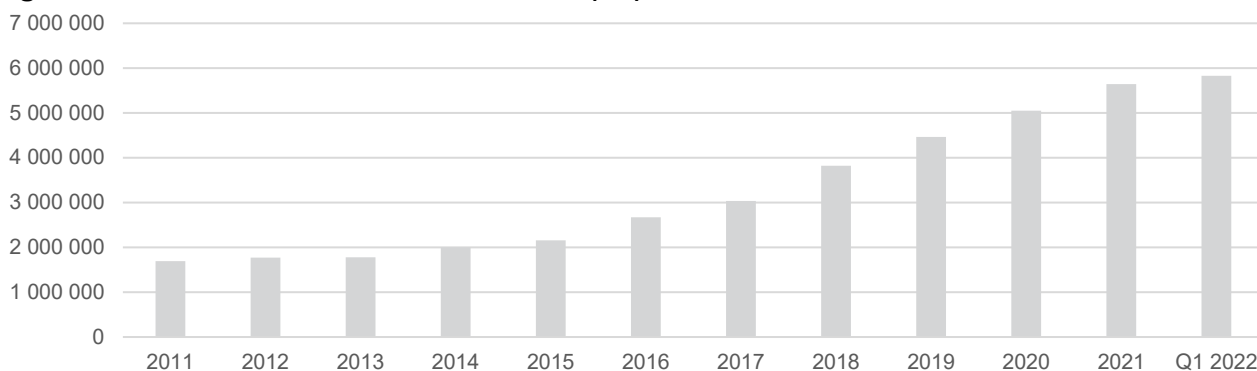


Figure 9: Total Stock Evolution – Romania (m²)



Source: JLL Research

Contact

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

Residential Commentary



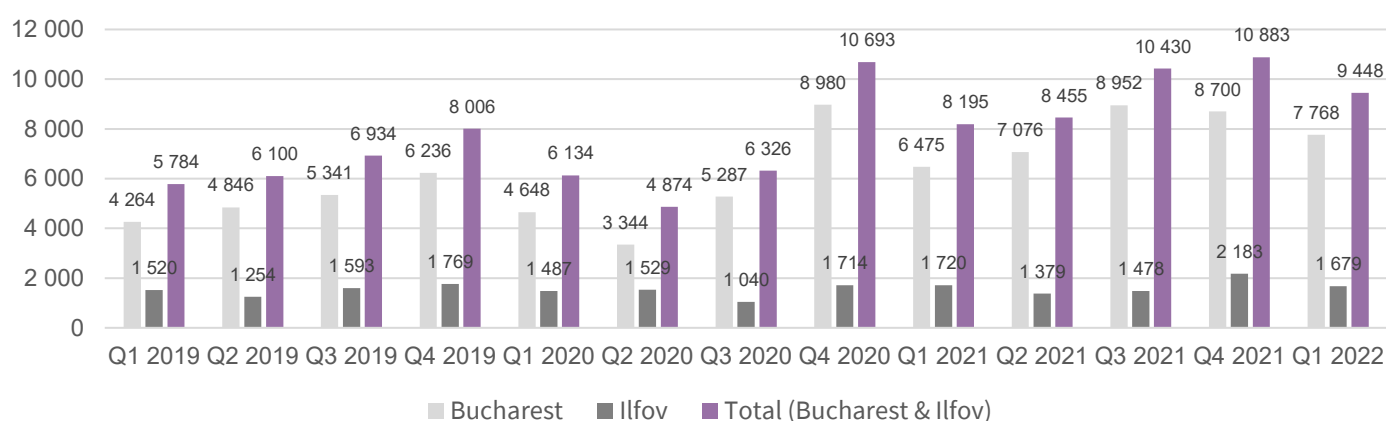
Bucharest

Demand

Residential demand performed better than expected

- The level of new units transactions in Q1 2022 was situated somewhere at **7,760 units for Bucharest and 1,680 units for Ilfov**, assuming that 60% of the Bucharest transactions officially registered by the National Agency for Cadastre and Land Registration were with new units, while for Ilfov new sales represent 90% of total transactions.
- This represents a **13% decrease as compared to the previous quarter**. Nevertheless, this evolution is predictable due to seasonality.
- Overall, the first quarter of the year marked a **15.3% increase compared to Q1 2021** and a spectacular increase of 54% compared to Q1 2020.
- Despite the social and economic impact of the Russia / Ukraine conflict, the results of the new housing sales market in the first quarter of 2022, especially in March, turned out to be better than expected.
- Nevertheless, we see this positive evolution more as a result of the record deliveries from 2021, with transactions being negotiated and secured in 2021 and being concluded with final Sale-Purchase Agreements in Q1 2022.
- In the short and medium-term, we foresee that demand for new homes will be highly impacted by the continuous increase of the key interest rate, combined with high inflation rates.

Figure 10: New units transactions* quarterly evolution (Q1 2019 – Q1 2022)



Source: JLL Research, based on ANCPJ

Deliveries

Supply was affected by construction market volatility

- The residential supply for Bucharest – Ilfov increased with **approx. 1,720 new units in Q1 2022**, out of which 1,300 new units in Bucharest and 420 new units in Ilfov county.
- The residential supply in Bucharest and Ilfov proved to be affected in Q1 2022, registering significantly **lower levels (40-50%) than Q1 2021 deliveries**. This is mainly the effect of the rising costs of construction materials, their procurement and supply chain disruptions.
- The estimated total supply by the end of the year is **expected to increase by approximately 17%** as compared to the 2021 total supply, given that the delivery of some projects has been postponed from 2021 to 2022.
- Nevertheless, there might be some delivery delays by the end of the year due to the high volatility of the construction prices. Developers are likely to be more cautious until they see at what level demand will stabilize.
- We foresee that **Ilfov county will increase its attractiveness** for residential developments, as it offers large land plots, which are easier to be permitted and benefit from undergoing infrastructure works.



+15.3%

Transactions' volume increase in Q1 2022 vs. Q1 2021 for Bucharest & Ilfov



1,720

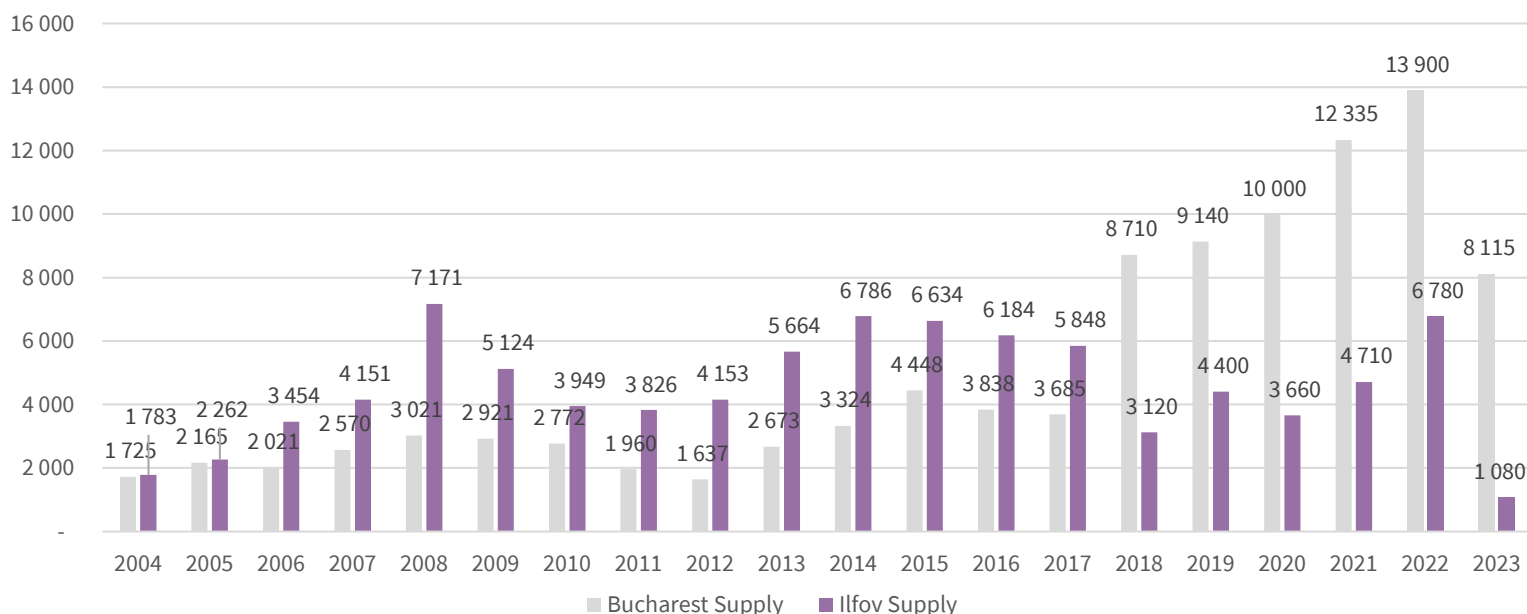
New units delivered in Q1 2022 in Bucharest & Ilfov



9,450

New units' transactions in Q1 2022 in Bucharest & Ilfov

Figure 11: Bucharest & Ilfov Residential Supply Evolution (2004 – 2023F)*



Source: JLL Research, analizeimobiliare.ro

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

Prices

The price increase is cooling down and is likely to cap

- Residential prices registered a **0.8% increase** in Q1 2022 as compared to the previous quarter, levelling at an average of **EUR 1,660 / m²**.
- The **price increase is modest** compared to 2021 price dynamics. Multiple factors influenced this result: the harshened mortgage lending conditions, the abrupt rise of the inflation rate and, last but not least, the uncertainties related to the ongoing conflict in Ukraine.
- For the rest of the year, selling **prices are likely to cap at the Q1 2022 level**, as the current demand decrease might be compensated by the pressure from the increased construction costs and the higher inflation overall.



€1,660

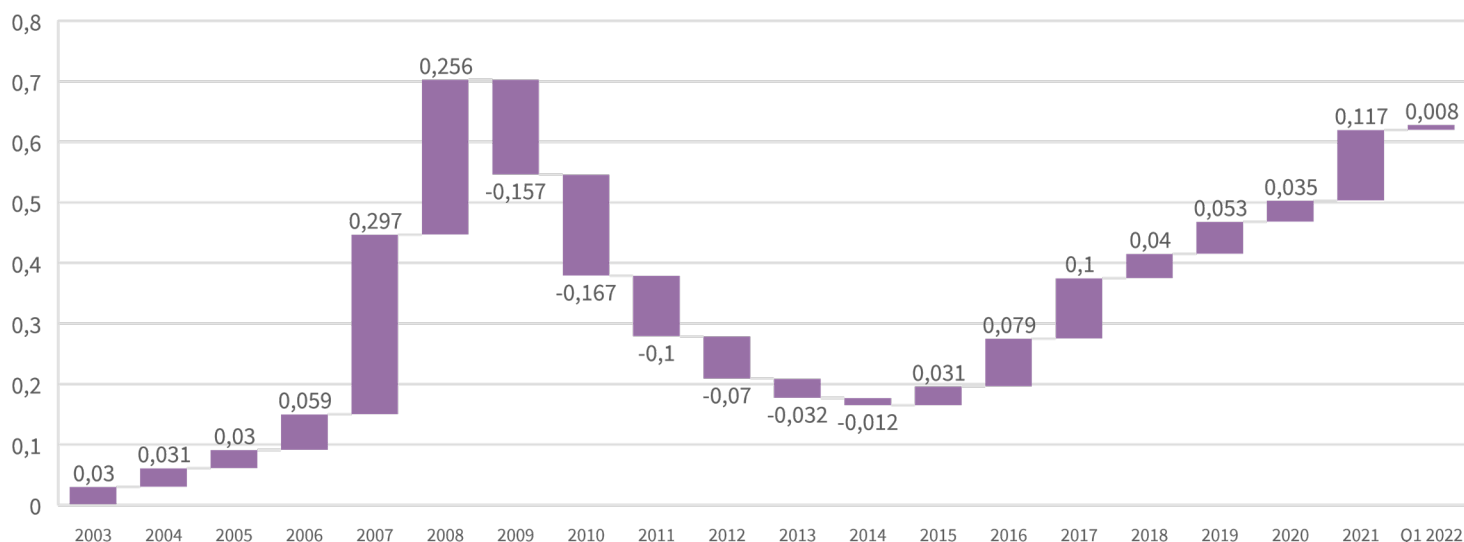
Average price / usable m²
in Q1 2022



+0.8%

Residential prices evolution
in Q1 2022

Figure 12: Evolution of Bucharest Residential Prices (2003 – Q1 2022)



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 in Q1 2022



6.5
Militari
1,250

Gross average asking rent
€/usable sqm/month

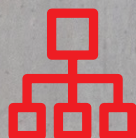
Average selling price
€/usable sqm, excl. VAT

* 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



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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



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 Luft-Cojocaru, MRICS
Head of Valuation Advisory
alina.luft-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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