

Bucharest City Report Q2 2022

Bucharest

Main challenges in 2022

After a strong GDP growth of 5.9% in 2021, economic growth for 2022 is expected to reach **3.5%**, according to the latest official prognosis, in July. This figure was adjusted from the previous 2.9% estimate, in April.

However, this growth comes at a time when inflation is high, reaching up to 15.1% in June. For the end of the year, inflation is expected to be **12.9%**.

The unemployment rate slightly decreased since the beginning of the year, from 5.7% in January, to **5.4%** in May, with a total number of 451,700 unemployed, according to the National Institute of Statistics.

During Q2, the COVID-19 pandemic entered a phase of manageable number of cases and was overshadowed by other developments of greater concern, such as the increasing inflation and energy prices, and the ongoing conflict in neighboring Ukraine.

However, there is a recent increase in the number of daily new cases, from an average of 500 per day in June, to approximately 4,600 per day in July, suggesting that a new COVID-19 wave is just around the corner. So far, no new restrictions were enforced in order to contain the virus.

€277 bln.

Estimated GDP in 2022
July 2022, forecast

451,700

Total unemployed
May 2022

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

Economy & Investment



Bucharest

Investment Market

The property investment volume for Romania in Q2 2022 is estimated at approx. **€257.4 million**, a value almost 4 times higher than the one registered in Q1 2022, and 13% over Q2 2021.

During the first half of 2022, investment deals worth almost €326 million were concluded, compared to €322 in H1 2021.

We expect investment volumes in 2022 to reach approximately **€1 bln.**, although accurate predictions continue to be challenging to make in this period due to market uncertainties.

Offices accounted for almost **60%** of total investment volumes during Q2, followed by industrial, with 25%.

The largest investment deal closed in Q2 2022 was the sale of Expo Business Park office complex, developed by Portland Trust in the North-West Expozitiei submarket. The property was purchased by S Immo. JLL advised the seller in this transaction.

The second-largest deal in Q2 was the sale of Metav, an in-city industrial park in Bucharest, with a leasable area of approximately 76,000 m² GLA. The property was acquired by Alinso Group.



3.5%

GDP Growth
prognosis for 2022
July 2022, forecast,
y-o-y



15.1%

Inflation
June 2022, y-o-y



5.4%

Unemployment rate
May 2022



€794

Net average wage
Romania
May 2022



6.2%

Retail Sales,
May 2022, y-o-y

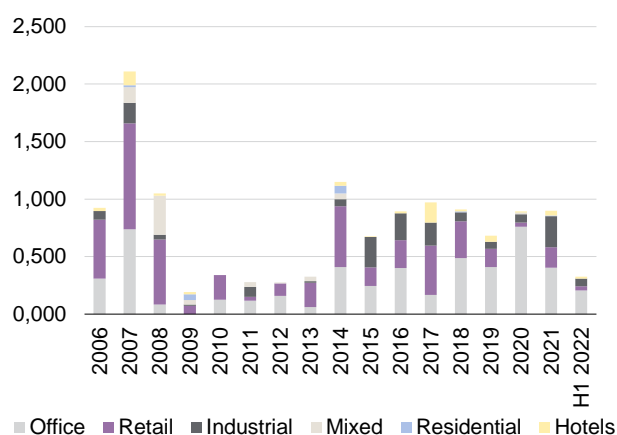
Source: National Institute of Statistics; National Commission for Strategy and Prognosis

Prime yields in Q2 2022 were stable, at **6.75%** for offices, **7.25%** for retail, and **7.50%** for industrial properties.

Romania is well positioned from a pricing perspective, as the current yields are still well above those registered in the last peak (2007) and those currently quoted in the rest of the region. Meanwhile, prime rents have barely increased from their post global financial crisis lows.

Downward pressure on yields has faded in the current environment and prime yields are expected to remain relatively stable by the end of the year. The appetite for financing the real estate sector remains strong, especially for prime, income-generating assets. Lending terms are close to those available pre-COVID. The Ukraine War does not yet have a visible impact on lending strategies; however, hedging requirements and related costs are making financing more expensive.

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 Q2 2022 (€ million)

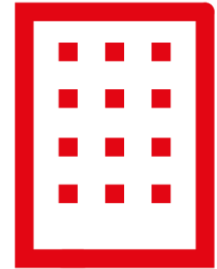
Sector	Property	Market	Est. Price (€ million)	Seller	Buyer
Office	Expo Business Park	Bucharest	Confidential	Portland Trust	S Immo
Industrial	Metav	Bucharest	36	Metav	Alinso Group
Offices	One Victoriei Center	Bucharest	23	One United Properties	Indotek

Source: JLL Research

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Office Market Commentary



Bucharest

Demand

Demand is improving

Gross transactions volume in Bucharest in Q2 2022 totaled approximately 65,100 m², decreasing by 6% compared with the previous quarter and by 9% compared to Q2 2021.

Net take-up also compressed during Q2 2022 by 20% compared with the previous quarter, to **36,700 m²**, but increased by over 27% against Q2 2021.

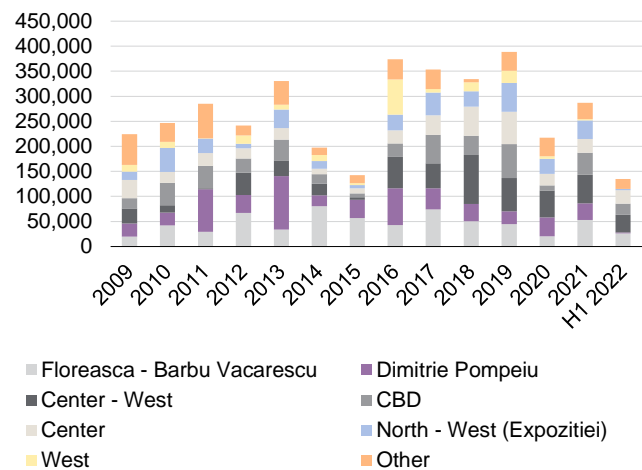
Overall, H1 2022 marked a slight 10% increase in gross demand compared to H1 2021, to **134,600 m²**. Moreover, **net take-up** increased to 82,300 m² during the period, **70% over H1 2021**.

Renewals and renegotiations had the largest share in total transactions volume in Q2 2022, with approx. 34%, followed by new leases, with 29%, and relocations, with 24%.

As expected, the vacancy rate contracted during Q2 2022, from 14.3% in the previous quarter to **12.75%**, taking into account that the volume of new deliveries was low during the period.

Although most companies opened their offices for their employees, the hybrid approach “work from home – work from office” is still common practice.

Figure 2: Evolution of Gross Take-up (m²), 2009 – Q2 2022*



Source: JLL Research

*The competitive office stock includes buildings to rent, class A&B, built or refurbished starting with 2000, with a GLA of at least 2,000 m²

In addition to deals closed in buildings included in the competitive stock, another 12,900 m² were rented during Q2 in lower-grade buildings in Bucharest, outside the competitive stock*.

Deliveries

Limited deliveries during Q2

Only one office building was delivered in Bucharest during Q2 2022, the second phase of the AFI Tech project. This adds **24,500 m²** to the Center-West submarket. This still surpasses the 16,500 m² completed in Q2 2021.

Thus, during the first half of 2022, 98,000 m² of office buildings were delivered in total, more than twice compared to the same period of 2021.

Prime rents are increasing

Q2 2022 marked an increase of the prime office rent in Bucharest, from €18.5 per m² per month, to **€19.0** per m² per month, as a direct consequence of rising inflation, and construction costs, combined with a small volume of new deliveries.

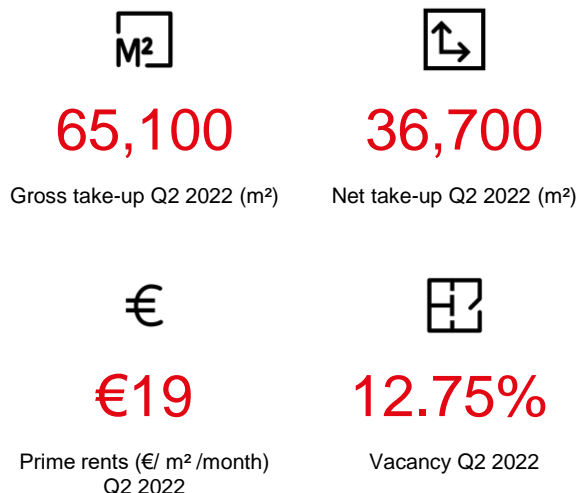


Table 2: Deliveries in Q2 2022

Property	Submarket	Size (m ²)	Developer
AFI Tech Park, phase 2	Center - West	24,500	AFI Europe

Table 3: Pipeline for H2 2022

Property	Submarket	Size (m ²)	Developer
One Cotroceni Park, phase 2	Center - West	34,500	One United Properties
H Tudor Arghezi	Center	6,800	Hagag

Table 4: Key Leasing Transactions in Q2 2022

Property	Occupier	Contract type	Deal size (m ²)
Europe House	Orange	Renewal	7,500
One Cotroceni Park	Siemens Energy	New lease & Pre-lease	7,500
Victoria Park	Leventer Medical Group	New lease	6,500
Green Court Bucharest	Carrefour	Renewal	5,000
Riverview	Temenos	Renewal & Expansion	3,700
Tiriac Tower	Confidential	Relocation	3,600
AFI Park Floreasca	L'Oreal Romania	Renewal	3,200
Orhideea Towers	Hotspot	New lease	2,550
Green Court Bucharest	Capgemini	Renewal	1,500

Source: JLL Research

Pipeline

Limited deliveries will keep vacancy rates decreasing

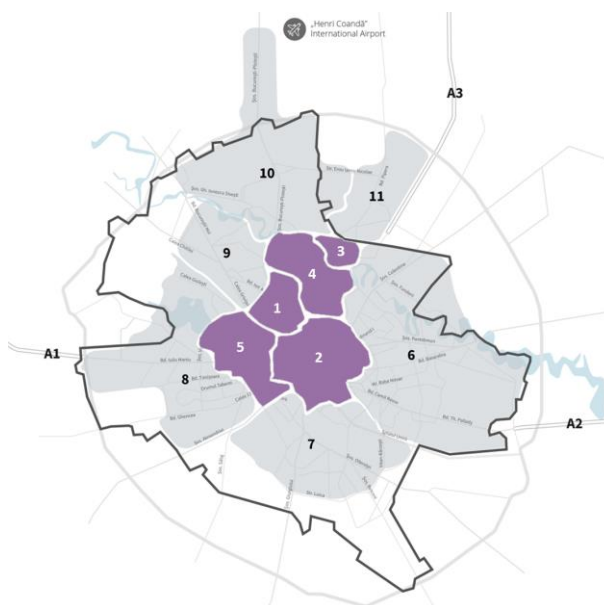
Until the end of 2022, approximately **41,300 m²** are expected to be added to the market, bringing total deliveries for the year to 139,300 m². This would mark a **43% contraction** when compared to deliveries in 2021, of 245,800 m².

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, which already attracted most deliveries this year.

In the Center submarket, Hagag is expected to deliver the H Tudor Arghezi project, increasing the stock by 6,800 m².

The vacancy rate is likely to continue decreasing during the second half of 2022, due to limited options in developments to be delivered during this period.

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 – 19	7.5	↘
2. Center	405,500	15 – 17	7.2	↘
3. Dimitrie Pompeiu	440,700	11 – 13	11.4	→
4. Floreasca – BV	569,700	15 – 16	8.9	↗
5. Center – West	587,100	14 – 16	14.7	↘
6. East	51,100	12 – 14	16.6	↗
7. South	41,800	10 – 12	8.6	↘
8. West	157,900	10 – 12.5	5.5	↘
9. North – West (Expozitiei)	289,800	14.5 – 17	22.8	↘
10. Baneasa – Otopeni	182,700	10 – 14	6.2	↘
11. Pipera North	210,500	9 – 11	37.5	↘
TOTAL	3,296,000		12.75	↘

*The competitive office stock includes buildings to rent, class A&B, built or refurbished starting with 2000, with a GLA of at least 2,000 m²

Source: JLL Research

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Retail Market Commentary



Deliveries

Few deliveries during Q2

Retail sales were boosted in Q2 after the state of alert and all pandemic restrictions were lifted on March 9th. Even though footfall in the retail sector is still below pre-pandemic levels, monthly turnovers for tenants has reached or, in some cases, even surpassed pre-pandemic levels.

In May 2022, **retail sales increased by 6.2%** y-o-y, according to the official statistics.

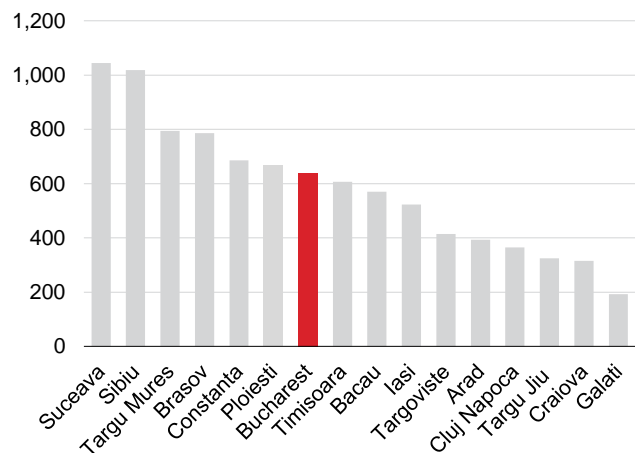
New retail units deliveries are still limited. During Q2 2022, only **16,800 m²** were completed in two major retail schemes, both in regional cities. This is, however, 40% above the modest deliveries in Q2 2021. Overall, in H1 2022 a total of 33,300 m² were delivered at the national level, approximately 15% over H1 2021.

In Q2 2022, Polish developer Scallier, opened their third retail park in Romania, FunShop park Timisoara, with a GLA of 10,800 m².

The second delivery in Q2 was the extension of Supernova's shopping center in Pitesti – Supernova Pitesti, adding another 6,000 m² to the existing scheme.

Prime shopping centre rents are higher during Q2 2022, but this is mainly due to indexation. Considering increase in inflation, rising energy prices and service charge costs, this will affect retailers' ability and willingness to pay higher rents. Therefore we estimate limited growth opportunity for prime rents in 2022, with retailer demand expected to strengthen in 2023.

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

Most deliveries are pending for the second half of 2022

Following the low volume of new deliveries during H1 2022, supply is expected to pick up during the second half of the year, adding over 150,000 m² to the modern stock. Overall, the volume of new deliveries could reach **184,100 m²**, 73% over 2021, concentrated mainly in retail parks in medium and smaller cities.

Bucharest

Only **13,000 m²** are expected to be delivered in Bucharest during H2 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*

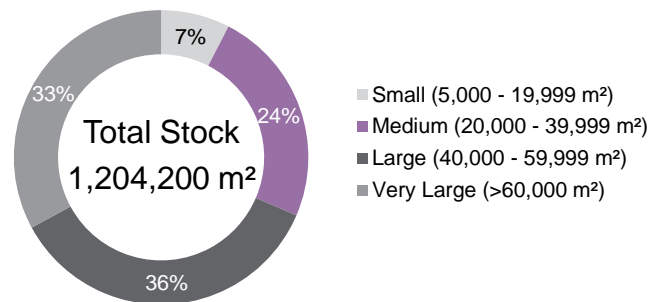
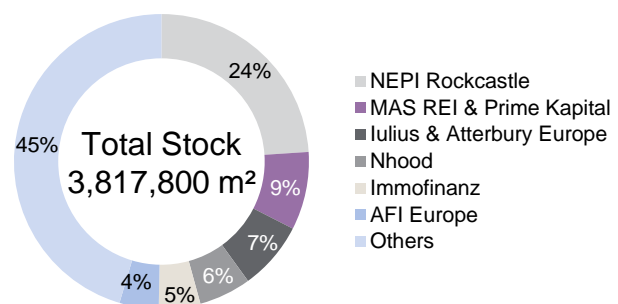


Figure 6: Largest Owners of Retail Spaces* in Romania



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). The figure represents an average of such retail units, not the highest market rent.

Table 6: Major retail schemes to be delivered in H2 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 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
FunShop Park Turda	New Project	Scallier	9,100

Source: JLL Research

Industrial Commentary



Romania

Demand

The market remained strong during Q2

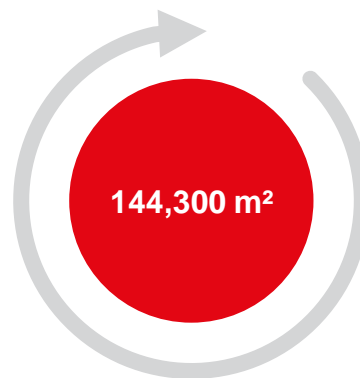
The Industrial market in Romania continued to perform very well during Q2 2022, gross demand reaching 188,400 m², 34% below the previous quarter, but 40% above Q2 2021.

Net take-up accounted for approximately 77% of total take-up in Q2 or approx. **144,300 m²**, 40% below the previous quarter, but 22% above Q2 2022.

Bucharest totaled **78%** of the gross demand for industrial and logistics spaces in Romania in Q2, with approx. 146,000 m², followed by Cluj-Napoca, with a 8.4% share (15,800 m²) and Pitesti with 3.3% (6,300 m²).

For **H1 2022**, gross take up totaled 472,700 m², **19% above H1 2021**. **Net take up** was 386,900 m², **37% more** compared to **H1 2021**.

**Figure 8: Demand in Q2 2022 in Romania
Net take-up (m²)**



Source: JLL Research

Table 7: Key Transactions in Q2 2022 (selection)

Tenant	Property	Size (m ²)	Deal Type	Sector
Modivo (Epantofi)	WDP Stefanesti	53,000	Renewal & expansion	E-commerce
Profi	CTPark Bucharest West	10,400	Expansion	Retail
SLS Cargo	P3 Bucharest A1	10,000	Expansion	Logistics
Antalis	CTPark Bucharest	7,000	Renewal	Distribution
Wurth Romania	VGP Park Bucharest	6,700	Pre-lease	E-commerce
Vrancart	CTPark Chitila	6,400	Relocation	Production

Source: JLL Research

Deliveries

Lower deliveries during Q2 2022

During Q2 2022, approx. **92,700 m²** of industrial and logistics spaces were delivered in Romania, 40% less than in the previous quarter and 33% below Q2 2021.

37,400 m² were completed in the Bucharest region, the equivalent of 40% of all deliveries during Q2. Another 35,300 m² were delivered in Timisoara (38%), and 6,000 m² in Pitesti (6.5%).

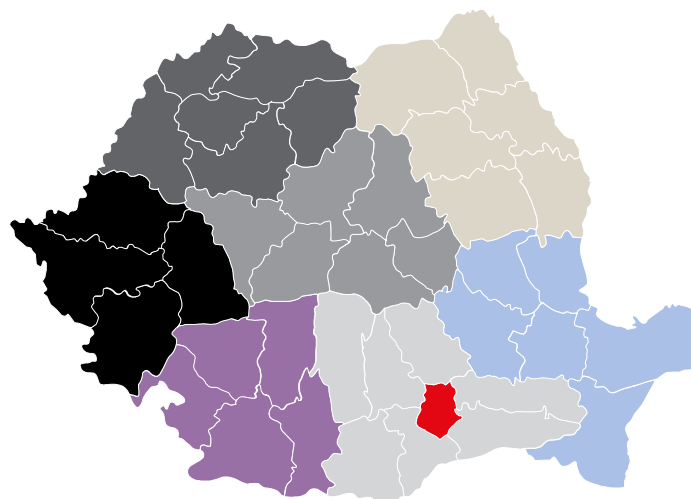
Thus, at the end of Q2 2022, the modern industrial stock to rent in Romania totalled approximately **5.94 million m²**.

Increased pipeline for H2 2022

For the second half of 2022, developers plan to deliver another 424,000 m² of industrial and logistics spaces. This would bring total completions for 2022 to **672,100 m²**, 27% over deliveries in 2021.

Thus, at the end of the year, the total stock could reach **6.36 million m²**.

Map 2: Deliveries and stock in Q2 2022 in Romania*



Bucharest & Ilfov County Stock: 2,939,500 m ² Completions: 37,400 m ²	Center Stock: 503,400 m ² Completions: 0 m ²
South Stock: 639,300 m ² Completions: 6,000 m ²	North-East Stock: 120,300 m ² Completions: 1,900 m ²
South-West Stock: 184,900 m ² Completions: 0 m ²	South-East Stock: 122,600 m ² Completions: 3,800 m ²
North-West Stock: 575,000 m ² Completions: 8,300 m ²	West Stock: 854,900 m ² Completions: 35,300 m ²

Source: JLL Research

*The industrial stock to rent was revised during Q2 2022

Table 8: Pipeline for H2 2022 (Selection)

Project	Location	Size (m ²)	Type
CTPark Bucharest West	Bucharest	71,000	Expansion
CTPark Oradea	Oradea	60,500	Expansion
WDP Park Timisoara	Timisoara	57,000	Expansion
CTPark Timisoara	Timisoara	40,400	Expansion
Chitila Logistics Hub	Bucharest	37,000	Expansion
ELI Park 3	Bucharest	30,000	Expansion
Logicor Bucharest I Mogosoia	Bucharest	21,000	Expansion
ELI Park 4	Bucharest	20,000	New project

Source: JLL Research

Rents & vacancy

Rents started to increase

Pressured by higher construction costs and inflation, rents for industrial spaces started to increase during Q2 2022, also encouraged by consistent demand and low vacancy rates.

These increases are limited however by the strong market competition and large volumes of new deliveries expected for the second half of the year.

In Q2, rents were situated between **€3.85 and €4.25 / m² / month** in the Bucharest & Ilfov region, and between **€3.25 and €4.25 / m² / month** in the other regions of Romania.

Vacancy rates continue to decrease

Due to strong demand in H1 2022, vacancy rates continued to slightly decrease at the national level, from 2.8% in Q1 2022, to **2.6%** in Q2 2022.

The vacancy rate decreased by a wider margin in the Bucharest & Ilfov region, from 3.6% in Q1 2022 to approximately **2.8%** in Q2 2022.

Considering the volume of new deliveries expected for H2 2022, we do not foresee further decreases in vacancy rates until the end of the year.

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

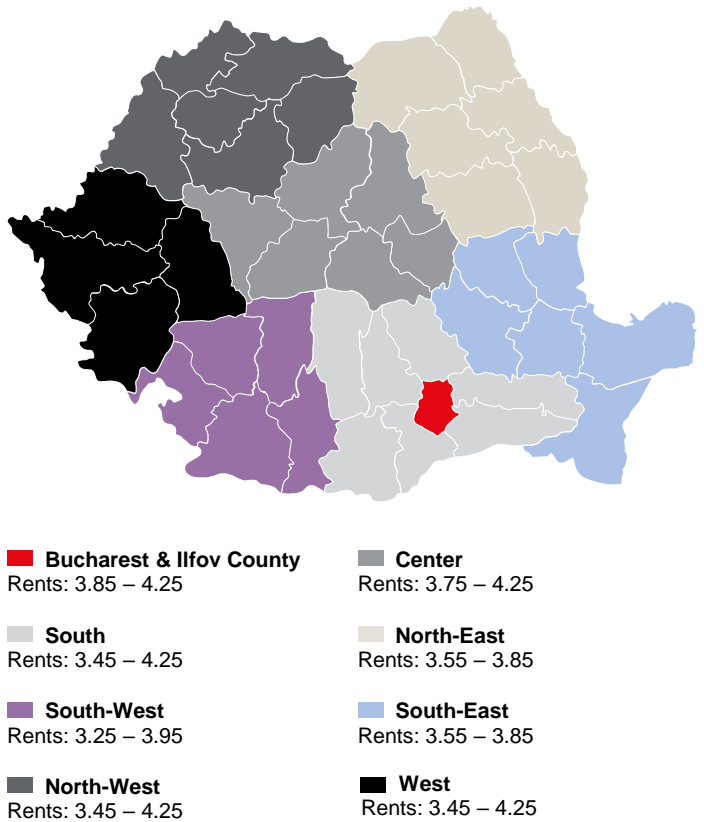
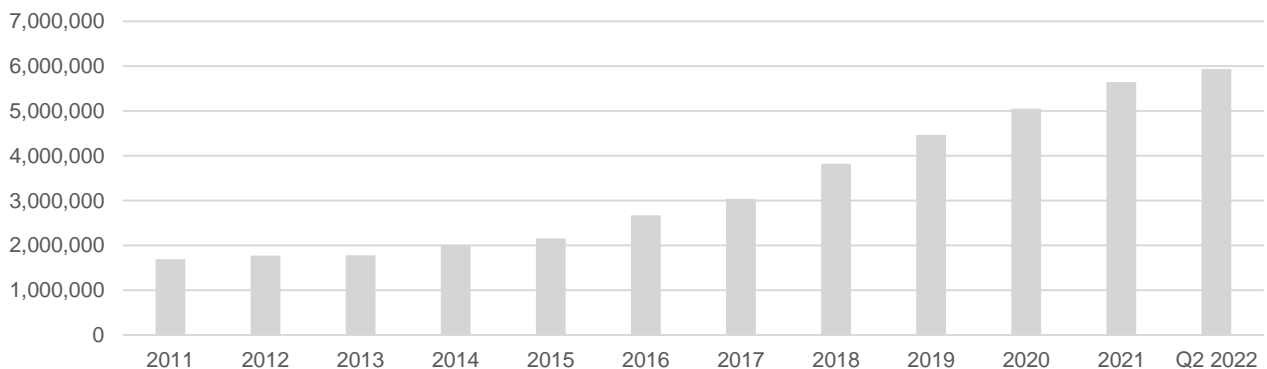


Figure 9: Total Stock Evolution – Romania (m²)



Source: JLL Research

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Residential Commentary



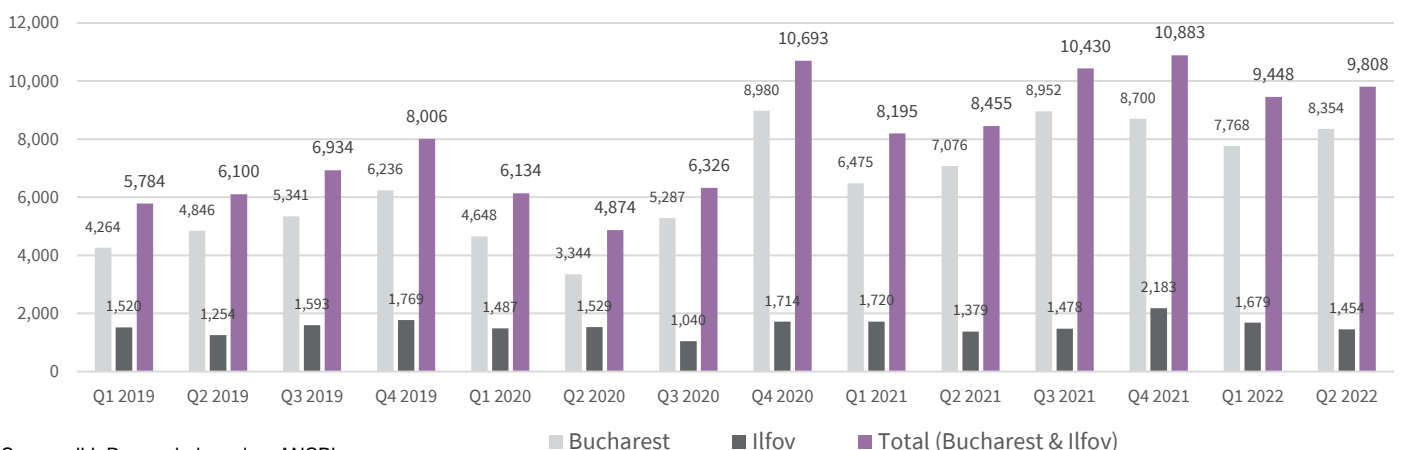
Bucharest

Demand

Good results for H1 2022, albeit the first signs of slowdown are felt

- The level of new units transactions in Q2 2022 was situated somewhere at **8,350 units for Bucharest and 1,450 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 **3.8% increase** as compared to the previous quarter. The positive q.o.q. evolution, similar to the one registered in 2021, is most likely mainly driven by inertia, but it is improbable it will be sustained during the next quarters.
- Overall, the second quarter of the year marked a **16% increase as compared to Q2 2021** and a spectacular increase as compared to Q2 2020, with a double volume of registered transactions.
- The second quarter of 2022 showed a non-linear evolution. After a low, seasonal, evolution in April, the **activity resumed in May**, at a significant higher pace, as compared to May 2021, while in **June the effects of the increased key interest rate impacted the transactions volume**.
- The unexpected results registered in May could be triggered by the **pressure to secure mortgage loans** before the expected rise in interest rates.
- However, we are prepared to see a **slowdown in Q3 2022**, this trend already being seen in June 2022.

Figure 10: New units' transactions* quarterly evolution (Q1 2019 – Q2 2022)



Source: JLL Research, based on ANCP

Deliveries

Ilfov takes a large chunk from Bucharest in terms of new deliveries

- The residential supply for Bucharest – Ilfov increased with approximately **6,250 new units** in **Q2 2022**, out of which 3,460 new units in Bucharest and 2,790 new units in Ilfov County. By the end of the year, we estimate a **total supply of 17,925 units** for Bucharest and Ilfov, out of which 7,010 units will be delivered in Ilfov alone.
- Despite the fact the 2022 Bucharest-Ilfov supply is estimated to be only 5% higher than in the previous year, we see an **impressive increase in Ilfov County**, where the number of newly delivered units is estimated to be **48% higher than in 2021**. This is largely the effect of the suspension of the district zoning plans in Bucharest from March 2021, which now takes its toll on the residential supply.
- Nevertheless, current market conditions remain volatile, thus **developers might readjust their plans** on short and medium term, and we might see some development phases being postponed for the next year.
- We foresee that **Ilfov County will continue expanding** in terms of residential developments, as it offers land plots which are more affordable and generous in size and are easier to be authorized for construction. Moreover, the **infrastructure works continue to expand** in Ilfov, providing multiple opportunities for further developments.



+16%

Transactions' volume increase in Q2 2022 vs. Q2 2021 for Bucharest & Ilfov



6,250

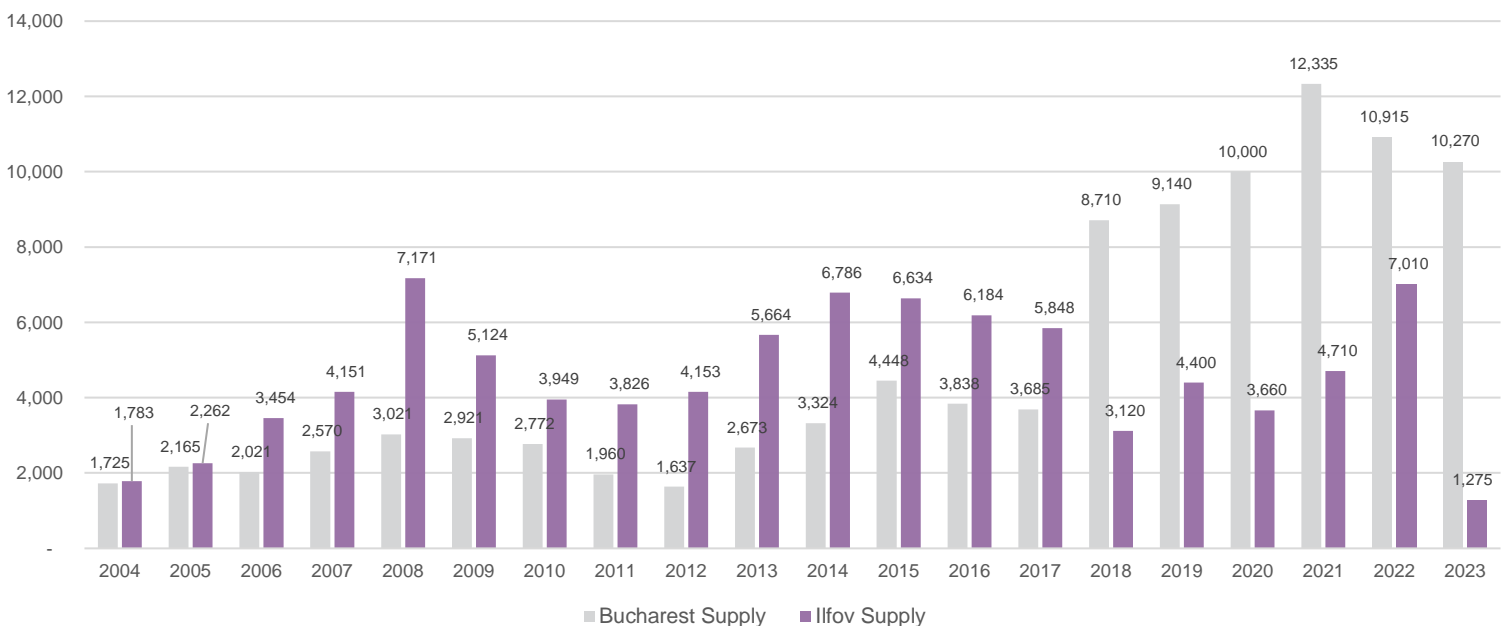
New units delivered in Q2 2022 in Bucharest & Ilfov



9,800

New units' transactions in Q2 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

Selling prices have been steadily growing for the past 5 years

- The residential prices registered a **4% increase** in Q2 2022 as compared to the previous quarter, levelling at an average of **EUR 1,720 / sq m**.
- The **price increase is unexpected considering** demand evolution and the overall economic and financing context. This increase comes mainly as a result of rising construction costs, but also can be a buffer for the expected widening of the negotiation margins.
- Despite the increase of the list prices, we see a **trend of price decreases disguised into discounts and incentive packages**. For the rest of the year the market will have to find a new balance between decreasing demand, higher construction costs, decreasing supply, high inflation and harshened lending conditions.



€1,720

Average price / usable m² in Q2 2022



+4%

Residential prices evolution in Q2 2022

Figure 12: Evolution of Bucharest Residential Prices (2003 – Q2 2022)



Source: JLL Research, analizeimobiliare.ro

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Prices

Map 4: Bucharest Rents & Sale Prices Levels in Q2 2022



Legend

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.



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We have been providing services for transactions and investments for property owners, developers, tenants and investors.

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