

Bucharest City Report Q3 2022

Bucharest

Main challenges in 2022

Although Romania's GDP was expected in July to reach a growth rate of 3.5% until the end of the year, this figure was revised in October to **4.6%**. However, the projections for 2023 are modest, at 2.8%, according to the latest national prognosis.

In early November, the EU Commission forecasted for Romania an even higher, 5.8% GDP growth in 2022. On the other hand, this would be followed by a much lower, 1.8% GDP growth in 2023.

At the same time, inflation also kept on rising, from 15.1% in June, to 15.9% in September. At the end of the year, inflation is expected to reach **15.2%**. The year's average inflation is projected at 13.5%.

For 2023 it is expected that inflation will drop to 9.6%, continuing to put pressure on the local economy.

The unemployment rate slightly decreased since the beginning of 2022, from 5.7% in January, to 5.4% in May, and **5.2%** in September, when the number of total unemployed reached 432,700, according to the National Institute of Statistics.

€283 bln.

Estimated GDP in 2022
October 2022, forecast

432,700

Total unemployed
September 2022

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

Economy & Investment



Bucharest

Investment Market

Total investment volumes for Q3 2022 reached approximately **€330 million**, 28% above the previous quarter and 27% over Q3 2021.

During the first 9 months of 2022, investment deals worth almost **€656** were concluded, 17% above the same period of 2021.

We expect investment volumes in 2022 to reach up to **€1.2 bln**. This would be the largest yearly investment volume recorded since 2007. However, this level is conditioned by the closing of a number of significant deals.

In Q3, the **retail** sector had the largest share in total investment volumes, with almost 60% (€196.8 million), followed by offices, with 30% (approximately €100 million), industrial spaces, with 7.6% (€25 million), and the rest was represented by the hotel sector.

The largest investment deal closed in Q3 2022 was the sale of 60% of a portfolio consisting of 6 retail parks. Prime Kapital sold its shares to MAS Real Estate, which already owned the remaining 40%, for approximately €192 million.

The second-largest deal in Q3 was the sale of the First Bank headquarters in Bucharest, by a private investor to One United Properties.



4.6%

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



15.9%

Inflation
September 2022,
y-o-y



5.2%

Unemployment rate
September 2022



€816

Net average wage
Romania
September 2022



3.2%

Retail Sales,
September 2022, y-o-y

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

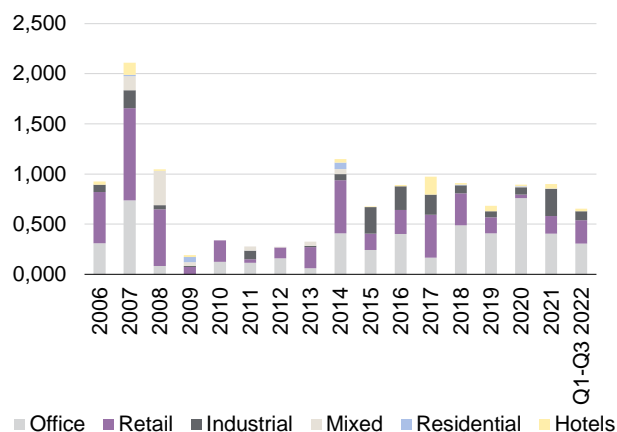
Despite the pandemic, the ongoing war in Ukraine and high inflation (and consequent increase in interest rates), the market remains fairly liquid.

No changes in prime yields were recorded during Q3 2022, thus they remained at **6.75%** for offices, **7.25%** for retail, and **7.50%** for industrial properties.

In terms of yields, Romania offers a premium compared to the rest of the CEE countries, while keeping the yields still between the last peak and the last trough. However, in line with regional and global markets, there is pressure on yields to increase in the near future.

Despite of the external factors, the appetite for financing the real estate sector remains in place, especially for prime, income-generating assets. 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 of at least €5 million.



7.25%

Shopping Centre



6.75%

Office



7.50%

Industrial

Table 1: Main investment transactions in Q3 2022 (€ million)

Sector	Property	Market	Est. Price (€ million)	Seller	Buyer
Retail	Prime Kapital retail portfolio (60%)	Romania	192	Prime Kapital	MAS Real Estate
Offices	Miro (75%)	Bucharest	45	Speedwell	Hili Ventures
Offices	Cascade Office Building	Bucharest	10	GTC	Crown Holding

Source: JLL Research

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Office Market Commentary



Bucharest

Demand Demand is stagnating

Gross transactions volume in Bucharest in Q3 2022 totaled approximately **65,700 m²**, almost the same as in the previous quarter, and 8% below Q3 2021.

Net take-up compressed by 39% during Q3 2022 compared with the previous quarter, to **22,300 m²**, and by 50% compared with Q3 2021.

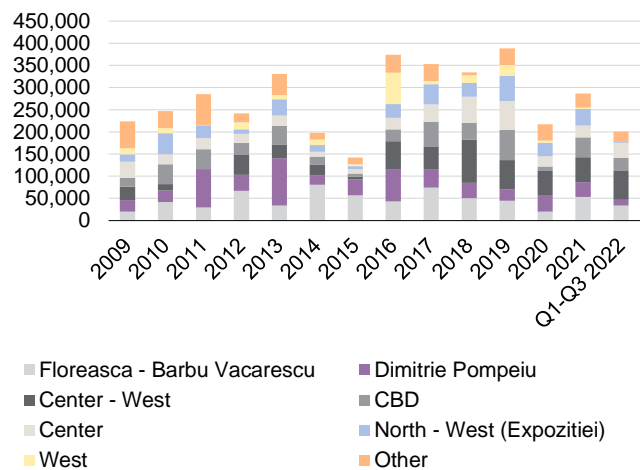
Overall, during the first 9 months of 2022 **200,300 m²** were rented in Bucharest, a figure similar to the one registered in the same period of 2021. However, net take-up registered a small 5% increase compared with 2021, to **105,800 m²**.

Renewals and renegotiations had by far the largest share in total transactions volume in Q3 2022, with approx. 42%, followed by relocations, with 34%, and new leases, with 18%. During Q3, sub-leases in Bucharest totaled 2,650 m².

One emerging trend is the preference for higher-quality office space, approximately 80% of the occupied space during Q3 being in A class buildings.

The vacancy rate slightly increased, from 12.75% in Q2 2022, to **13%** in Q3. This was mainly due to lower net take-up during the period.

Figure 2: Evolution of Gross Take-up (m²), 2009 – Q3 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

One factor limiting demand is the hybrid approach “work from home – work from office”, but also the concerns regarding the evolution of the economy in the context of high inflation.

In addition to deals closed in Q3 in buildings included in the competitive stock, another 7,000 m² were rented in lower-grade office buildings in Bucharest, outside the competitive stock*.

Deliveries

Only one delivery in Q3

Continuing the trend of the previous quarter, only one office building was delivered in Bucharest during Q3 2022, H Tudor Arghezi 21, developed by Hagag in the Center submarket. This adds approximately **7,000 m²** to the modern stock. In comparison, almost 108,000 m² were delivered in Q3 2021.

During the first 9 months of 2022, **105,000 m²** of office buildings were delivered in total, **32% below** deliveries in the same period of 2021.

Prime rents are stable for the time being

Prime office rents were stable during Q3 2022, at **€19.0 per m²** per month, following the €0.5 increase during Q2. However, because of high inflation, further increases are possible during the next quarters.

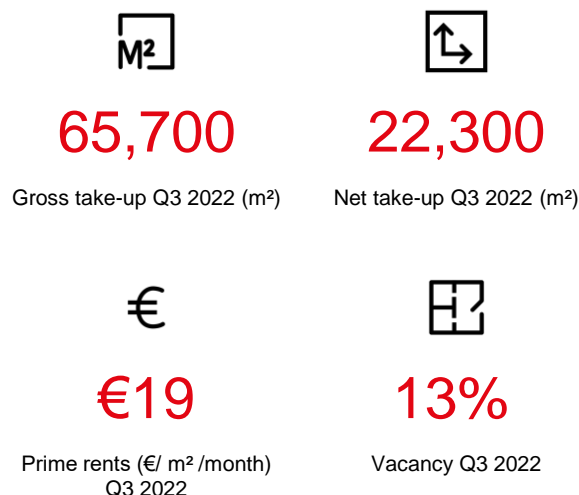


Table 2: Deliveries in Q3 2022

Property	Submarket	Size (m ²)	Developer
H Tudor Arghezi 21	Center	7,000	Hagag

Table 3: Pipeline for Q4 2022

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

Table 4: Key Leasing Transactions in Q3 2022

Property	Occupier	Contract type	Deal size (m ²)
Novo Park	Infineon	Renewal & Expansion	10,000
Campus 6.1	NXP	Renewal	9,900
Timpuri Noi Square	Kruk	Renewal	1,800
Equilibrium 1	DBH	New Lease	1,800
Timpuri Noi Square	HCL	New Lease	1,700
The Bridge 3	OnAir Entertainment	New Lease	1,600
America House	Funcom	New Lease	1,300
AFI Park Floreasca	Sun Wave Pharma	Relocation	1,300
Business Garden Bucharest	GTM	Relocation	1,200

Source: JLL Research

Pipeline

Another 54,000 m² to be delivered by the end of the year

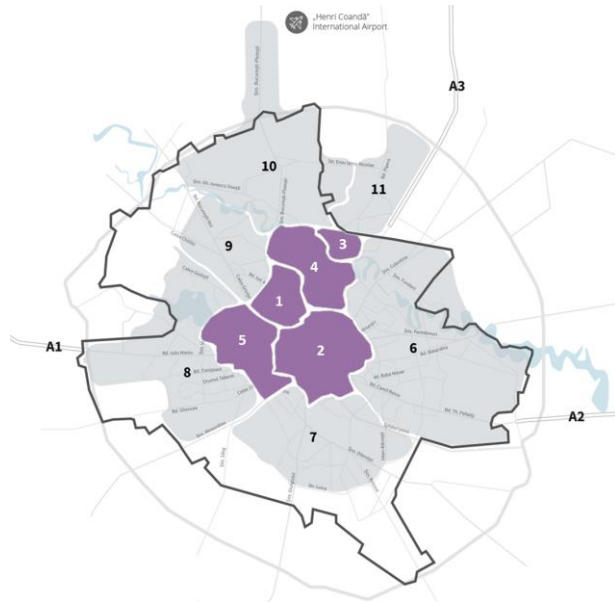
Approximately **54,000 m²** are expected to be added to the market until the end of 2022, bringing total deliveries for the year to **159,000 m²**, a decrease of **35%** when compared to deliveries in 2021.

The largest project expected to be completed in Q4 2022 is the second phase of One Cotroceni Park, developed by One United Properties, adding approx. 34,500 m² to the Center-West, already the largest submarket in Bucharest.

Another building to be delivered by the end of the year is Equilibrium 2, developed by Skanska, adding 19,500 m² to the Floreasca – Barbu Vacarescu submarket.

Considering the low level of new deliveries, the vacancy rate is likely to register small fluctuations in the coming 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	366,000	16 – 19	9.3	↗
2. Center	412,500	15 – 17	8.5	↗
3. Dimitrie Pompeiu	440,700	11 – 13	10.4	↘
4. Floreasca – BV	573,100	15 – 16	9.2	↗
5. Center – West	587,100	14 – 16	17.4	↗
6. East	51,100	12 – 14	24.7	↗
7. South	41,800	10 – 12	3.6	↘
8. West	157,900	10 – 12.5	5.5	→
9. North – West (Expozitiei)	297,700	14.5 – 17	29.1	↗
10. Baneasa – Otopeni	182,700	10 – 14	9.3	↗
11. Pipera North	192,000	9 – 11	17.6	↘
TOTAL	3,302,600		13.0	↗

*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

Modest deliveries in Q3

Retail sales during Q3 were impacted by surging inflation, limiting consumer demand.

In September 2022, **retail sales increased by 3.2% y-o-y**, while for the first 9 months of 2022 they have grown by 5.6% compared to 2021, according to the official statistics.

New retail units' deliveries continued to be modest. During Q3 2022, only **27,600 m²** were completed, still 64% over the previous quarter and 82% more than in Q3 2021.

Overall, during the first 9 months of 2022 a total of 60,900 m² were delivered across Romania, 40% over the same period of 2021.

All retail schemes opened during Q3 had less than 10,000 m² GLA each. None were completed in Bucharest.

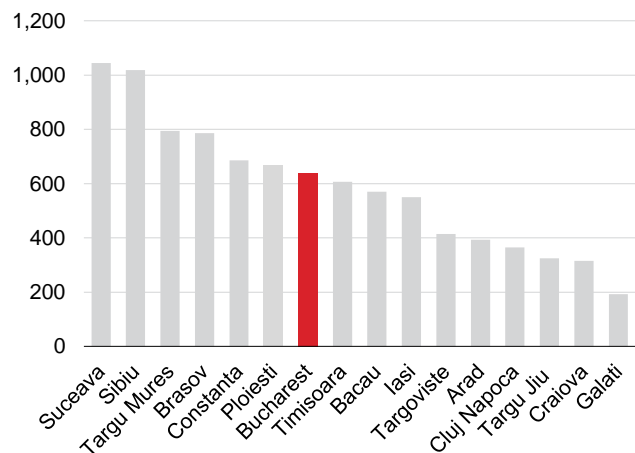
The largest scheme delivered was FunShop Park Turda, with 9,100 m² GLA. This is the fourth retail park opened in Romania by the Polish developer Scallier.

The second largest delivery in Q3 was Family Market Miroslava, with 7,700 m², a new retail park concept launched by Iulius Group in Iasi.

Also during the period, Mitiska REIM and Square 7 Properties extended Shopping Park Slatina by 6,600 m² GLA.

For the time being, we see a stagnation in the growth of prime retail rents, with a moderate potential for growth resumption starting with 2024.

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

Most deliveries are pending for the end of the year

Although supply was low during the first 9 months of 2022, the trend is expected to be reversed during the last quarter of the year. A total of approximately **100,000 m²** are pending delivery, bringing total completions for 2022 to over **160,000 m²** GLA, more than 50% over 2021. Deliveries will target mostly small retail park formats in regional cities across Romania.

Bucharest

Only **13,000 m²** are expected to be delivered in Bucharest during Q4 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 largest scheme to be completed by the end of 2022 is Alba Iulia Mall, with 28,900 m² GLA, developed by Prime Kapital and MAS Real Estate.

Figure 5: Retail Projects in Bucharest by size*

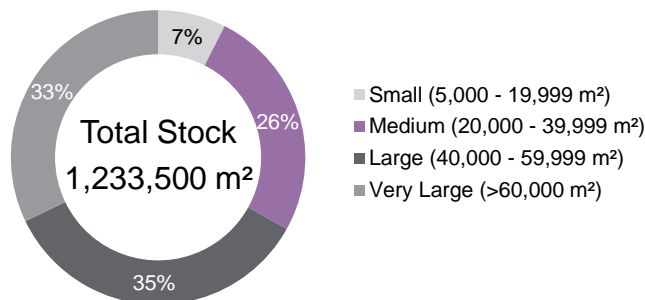
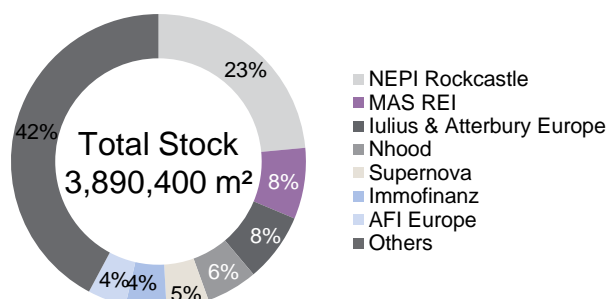


Figure 6: Largest Owners of Retail Spaces* in Romania



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 Q4 2022 in Romania (selection)

Property	Format	Developer	Size (m ²)
Alba Iulia Mall	New Project	Prime Kapital & MAS Real Estate	28,900
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
Greenfield Plaza	New Project	Impact Developer & Contractor	7,300
Family Market Bucium	New Project	Iulius Group	7,100

Source: JLL Research

Industrial Commentary



Romania

Demand Exceptionally strong demand in Q3

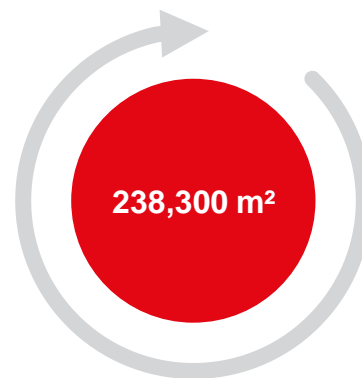
Q3 was an exceptionally good quarter for the Industrial market in Romania, with gross demand reaching 323,700 m², 72% more compared with the previous quarter and 2.5 times over Q3 2021.

Net take-up accounted for 74% of total take-up in Q3 2022, or approx. 238,300 m², 65% more when compared with the previous quarter, and more than double over Q3 2021.

During the first 9 months of 2022, gross take-up reached almost 800,000 m², more than 50% above the same period of 2021, while net take-up totaled 625,200 m², approximately 60% above 2021.

Bucharest had a **52%** share in gross demand in Q3, with 168,600 m², followed by Ploiesti, with 16% (51,800 m²) and Deva, with 6% (20,700 m²).

**Figure 8: Demand in Q3 2022 in Romania
Net take-up (m²)**



Source: JLL Research

Table 7: Key Transactions in Q3 2022 (selection)

Tenant	Property	Size (m ²)	Deal Type	Sector
K&N	CTPark Bucharest West	52,300	New Lease	Retail
Profi Rom Food	Logicor Ploiesti	51,800	Renewal	Retail
Corteva Agriscience Romania	Lazar Afumati	15,000	Pre-lease	Distribution
SLS Cargo	CTPark Bucharest West	10,100	New Lease	Logistics
Logwin	CTPark Bucharest	10,000	Renewal & Expansion	Logistics
Formfleks	WDP Industrial Park Craiova	6,200	New Lease	Automotive

Source: JLL Research

Deliveries

Strong deliveries during Q3 2022

During Q3 2022, approx. **233,400 m²** of industrial spaces were delivered in Romania, 2.5 times more than in the previous quarter and 3.5 times over deliveries in Q3 2021.

Out of the total deliveries in Q3, **71,400 m²**, or 30%, were completed in the Bucharest region. Another 63,500 m² were added in Timisoara (27%), and 48,000 m² in Brasov (21%).

During the first 9 months of 2022, a total of 491,500 m² were completed across Romania, double when compared with the same period of 2021.

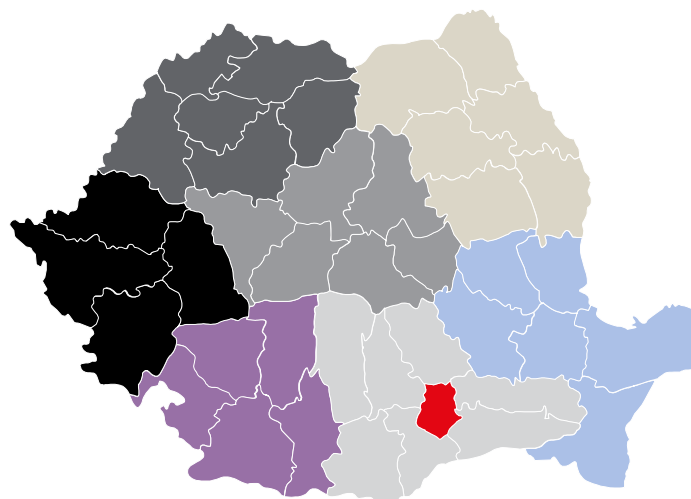
Thus, at the end of Q3 2022, the modern industrial stock to rent in Romania totalled approximately **6.23 million m²**.

Large pipeline for Q4 2022

For the last quarter of 2022, another **267,500 m²** of industrial and logistics spaces are expected to be delivered. This would bring total completions for 2022 to **759,000 m²**, 40% over deliveries in 2021.

Thus, at the end of the year, the total stock could reach **6.5 million m²**.

Map 2: Deliveries and stock in Q3 2022 in Romania



Bucharest & Ilfov County Stock: 2,994,900 m ² Completions: 71,400 m ²	Center Stock: 551,400 m ² Completions: 48,000 m ²
South Stock: 679,400 m ² Completions: 40,100 m ²	North-East Stock: 121,800 m ² Completions: 1,500 m ²
South-West Stock: 184,900 m ² Completions: 0 m ²	South-East Stock: 122,600 m ² Completions: 0 m ²
North-West Stock: 616,000 m ² Completions: 8,900 m ²	West Stock: 960,500 m ² Completions: 63,500 m ²

Source: JLL Research

Table 8: Pipeline for Q4 2022 (Selection)

Project	Location	Size (m ²)	Type
CTPark Bucharest West	Bucharest	71,000	Expansion
CTPark Oradea	Oradea	60,500	Expansion
CTPark Timisoara	Timisoara	40,400	Expansion
ELI Park 3	Bucharest	30,000	Expansion
In City Bacau	Bacau	24,000	New project
Mures City Logistics	Targu Mures	16,500	New project
CTPark Bucharest	Bucharest	10,000	Expansion
TRC Park Bacau	Bacau	8,500	Expansion

Source: JLL Research

Rents & vacancy

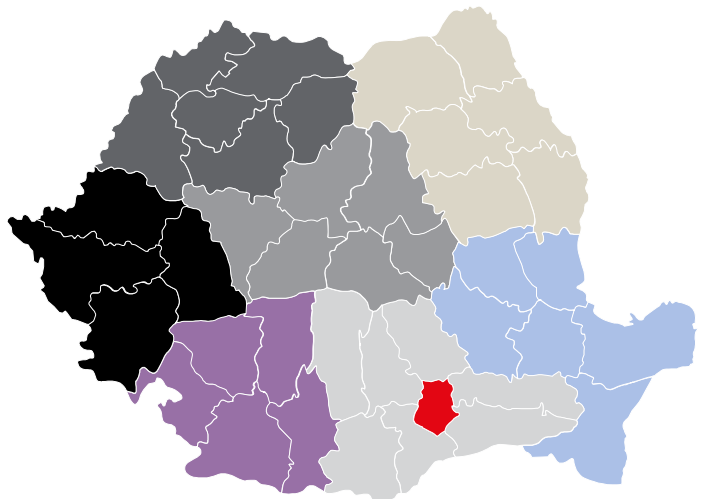
Rents started to increase

Because of higher construction costs and inflation, the pressure on industrial rents continued to be felt during Q3 2022, also encouraged by strong demand and low vacancy rates.

These increases were limited however by the large volumes of new deliveries. Thus, after the increases in Q2, in Q3 rents were relatively stable. However, considering the experienced pressure, rents could further increase during the next quarters.

In Q3, 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.

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



Vacancy rates slightly increased

Due to strong deliveries in Q3 2022, the vacancy rates slightly increased at the national level, from 2.6% in Q2 2022, to **3.6%** in Q3 2022.

Vacancy also increased in the Bucharest & Ilfov region, from 2.8% in Q2 2022 to approximately **4.2%** in Q3 2022.

Considering the large volume of new deliveries expected for Q4 2022, but also strong demand, we expect that the vacancy rates will be rather stable during then next period.

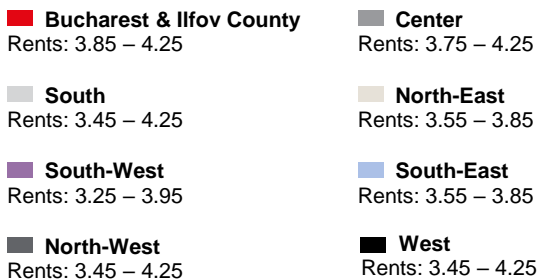
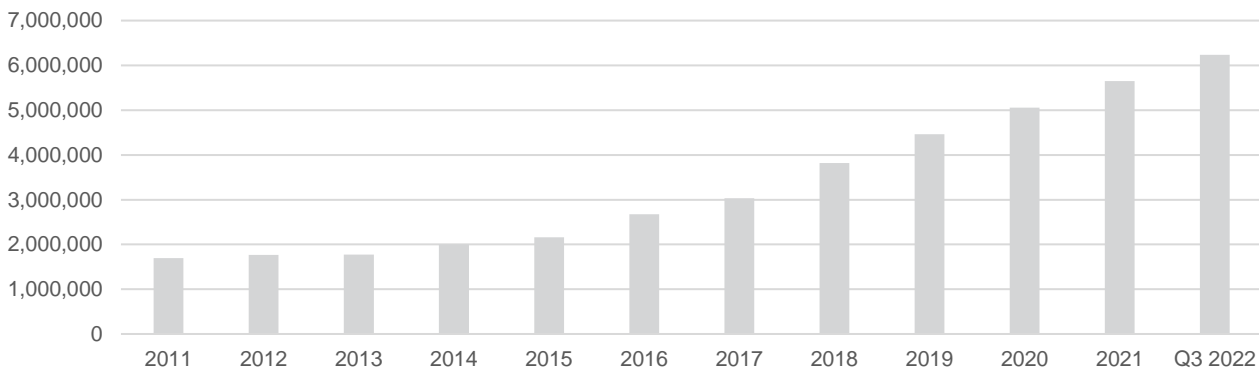


Figure 9: Total Stock Evolution – Romania (m²)



Source: JLL Research

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Residential Commentary



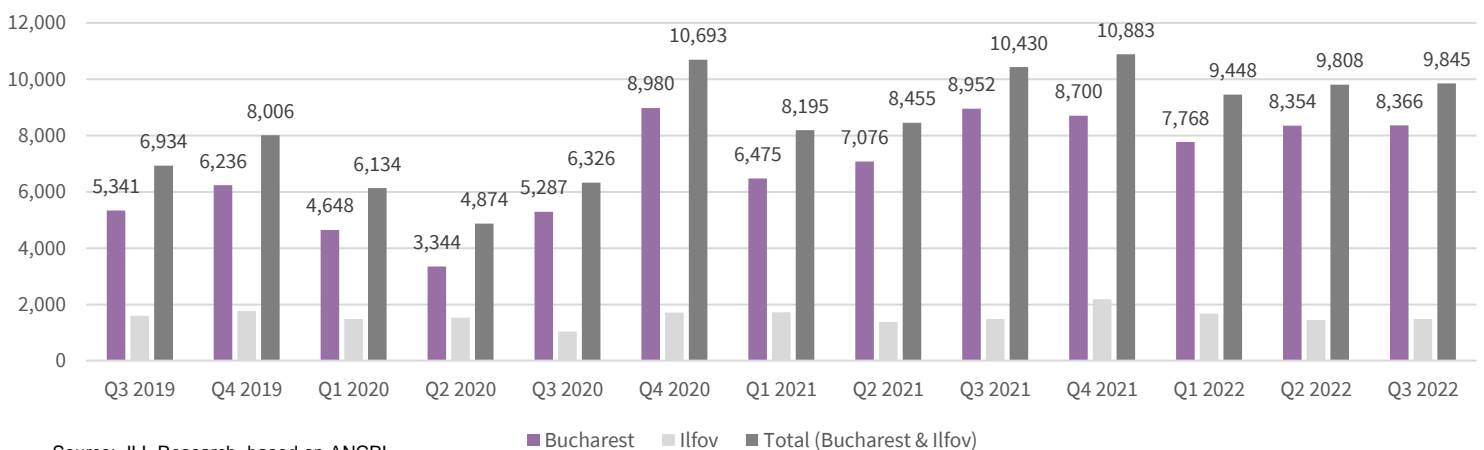
Bucharest

Demand

The level of new units' transactions marginally decreased in Q3 2022

- The level of new units' transactions in Q3 2022 was situated somewhere at 8,360 units for Bucharest and 1,480 units for Ilfov, assuming that 60% of the transactions in Bucharest 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 mere 0.3% increase from the previous quarter, confirming the fact that the residential market is currently stagnating after two strong years. This might be a sign for a downsize in transaction volumes during the next quarters, as the market adjusts to the new financing conditions.
- Overall, the third quarter of the year marked a 5.6% decrease when compared to Q3 2021, but still a spectacular 55% increase when compared to Q3 2020, when volumes were affected by the pandemic.
- The third quarter of 2022 showed a non-linear evolution of the residential transactions. After a modest, seasonal evolution in July, the **activity dropped in August**, while in **September increased again** at a significant higher pace when compared to September 2021 and also September 2020.
- This evolution is likely triggered by a feeling of urgency from potential buyers looking to secure as fast as possible their pre-approved mortgage loans in order to minimize the impact of the expected IRCC abrupt increase.

Figure 10: New units' transactions* quarterly evolution (Q1 2019 – Q3 2022)



Source: JLL Research, based on ANCP

Deliveries

For the first time in many years, Ilfov tops Bucharest in terms of new deliveries

- The residential supply for Bucharest – Ilfov increased with approximately **3,085 new units** in **Q3 2022**, out of which 1,480 new units in Bucharest and 1,605 new units in Ilfov county. By the end of the year, we estimate a **total supply of 17,680 units** for Bucharest and Ilfov, out of which 7,900 units will be delivered in Ilfov alone.
- Despite the fact that supply for 2022 in Bucharest-Ilfov is estimated to be only 3.7% 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 67% higher than in 2021. The effects of the suspension of the district zoning plans in Bucharest starting March 2021 clearly took its toll on residential supply.
- The number of **Building Permits** for residential developments in the Bucharest – Ilfov region registered a **17% decrease for January - September 2022** as compared to the same period of 2021. Moreover, during the same period, the net area of the authorized buildings decreased by 3%.
- The current market conditions might lead to an **undersupply on the middle term** as developers are likely to become more cautious and soften the development pace.



-5.6%

Transactions' volume decrease in Q3 2022 vs. Q3 2021 for Bucharest & Ilfov



3,085

New units delivered in Q3 2022 in Bucharest & Ilfov



9,850

New units' transactions in Q3 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 registered a slight decrease in Q3 2022

- Residential prices registered a **0.6% decrease** in Q3 2022 as compared to the previous quarter, levelling at an average of **EUR 1,710 / sq m**.
- This decrease is a sign that the residential market is entering a **readjustment stage**, characterized by stagnation or even possible regression. The market's evolution is directly impacted by the tougher financing conditions and market sentiment.
- Given the current market conditions, some potential buyers might **postpone their acquisition plans** waiting for the prices to settle and the inflation to return to normal levels. As purchasing a new home becomes less affordable many buyers **might switch to a temporary rental alternative**. This will be reflected in an **increase in rental levels**.



€1,710

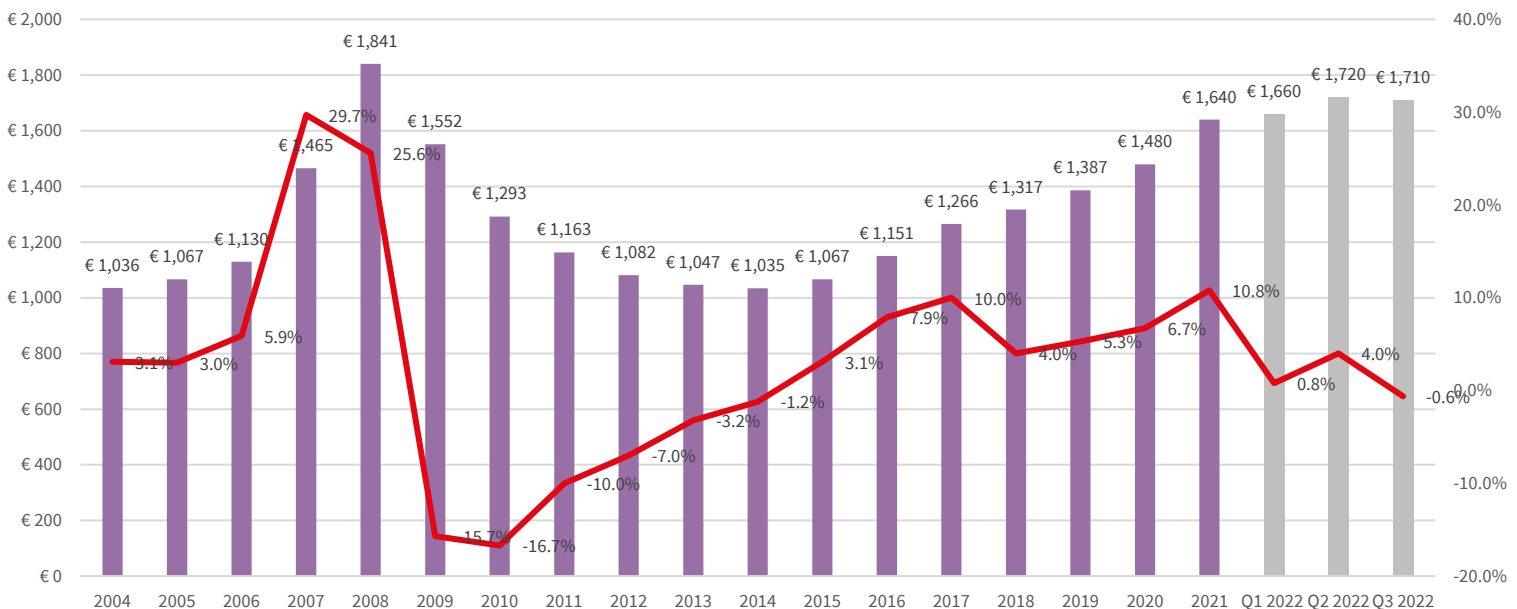
Average price / usable m²
in Q3 2022



-0.6%

Residential prices evolution
in Q3 2022

Figure 12: Evolution of Bucharest Residential Prices (2003 – Q3 2022)



Source: JLL Research, analizeimobiliare.ro

Contact

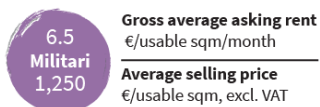
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Prices

Map 4: Bucharest Rents & Sale Prices Levels in Q3 2022



Legend



* 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, analysis performed in September 2022.



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

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