

Regional Cities Office Snapshot H1 2022

Romania

General Outlook

The Regional Cities Office Snapshot provides a general market overview on the regional office hubs in Romania and the opportunities they can offer to office tenants, real estate developers and investors. Regional markets can provide attractive alternatives, and also room for expansion and further growth in Romania.

Investment

In H1 2022 total property investment volume in Romania reached **€326 million**, a value comparable to H1 2021.

In H1 2022 offices represented 63% of total investment volumes, followed by industrial, with 20%, and retail, with 12%.

Bucharest accounted for 83% of the total investment value in offices in Romania, considering deals of at least €5 million.

By far the largest office investment deal in H1 2022 was the sale of Expo Business Park in Bucharest, by Portland Trust to S Immo.

The second largest office transaction in H1 was the sale of One Victoriei Center by One United Properties to Indotek.

Prime office yields were stable during H1 2022, at 6.75%.

Office investments are most likely to continue to dominate the market until the end of 2022 and also 2023.

Office leasing

The office letting market in Romania has shown a decrease of almost 18% of gross take-up during H1 2022 compared to H1 2021. Even though Bucharest registered a slight 3% increase, this was offset by **47% lower gross take up of 36,200 m²** in the 4 major regional cities. This decrease comes in the context of no new major office deliveries during H1 2022 throughout the regional cities, and a rather limited pipeline.

Timisoara had by far the largest share in office leasing transaction in regional cities during H1 2022, with almost 20,000 m², or approximately 54% of total office transactions in major regional cities. The second largest market in terms of office leasing was Iasi, with 10,500 m² (29%).

Another 4,600 m² were leased in Cluj-Napoca and approximately 1,500 m² in Brasov.

Demand for office space in regional cities in H1 2022 was dominated by far by IT companies, with almost 60% of the total.

Rents were relatively stable in regional cities, except for Cluj-Napoca, where we see an increase of 0.5 bps in H1 2022. Other cities could soon follow the same trend.

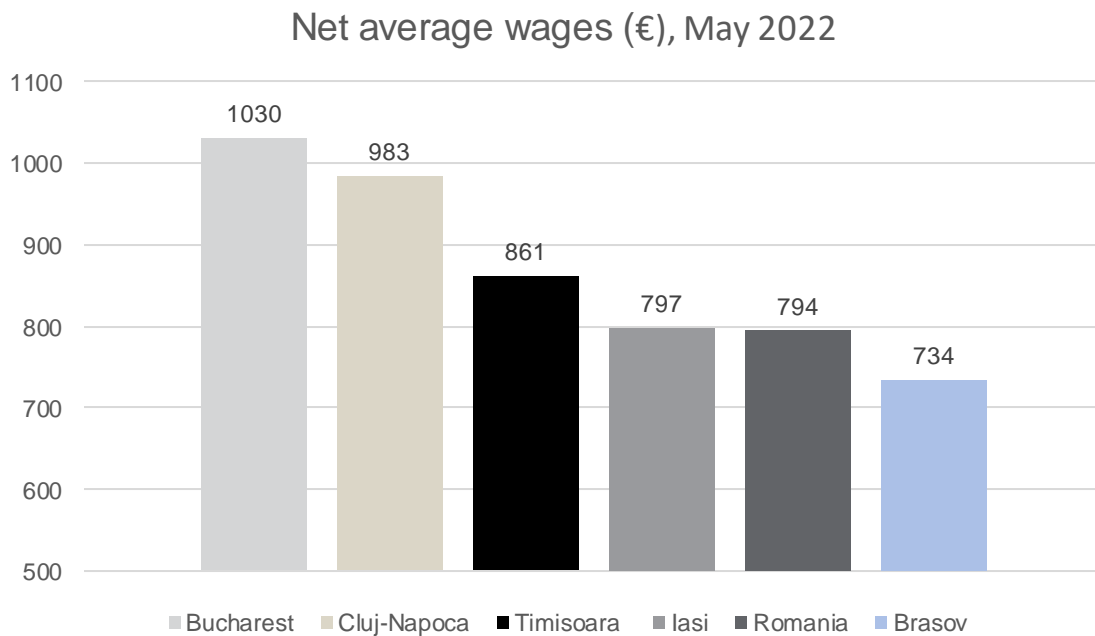
Macroeconomics



Romania

Net average wages

Average net wages in regional cities are considerably lower compared to Bucharest. Brasov is the most price-competitive, with €734 per month in May 2022, slightly below the national average of €797, while Cluj-Napoca is the closest to the average net wage in Bucharest, with €983.

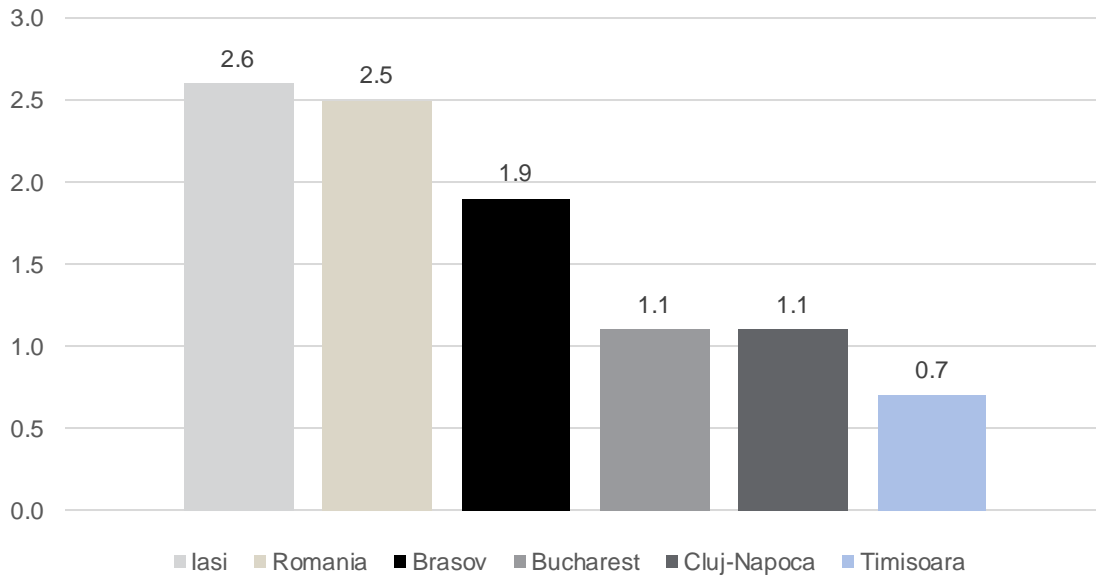


Source: National Institute of Statistics

Average unemployment rate

Strong employment market in the western cities, with low vacancy rates, of less than half of the national average and comparable or even lower than in Bucharest, if we consider Timisoara.

Registered unemployment rate (%), May 2022



Source: National Institute of Statistics

Major occupiers

Cluj-Napoca	Timisoara	Iasi	Brasov
Cluj-Napoca is a strong IT&C hub in Romania and also concentrates many service providers.	Timisoara is renowned for the automotive industry and for its SSC and IT sectors.	Iasi attracted a large number of BPO and SSC operators in recent years, but also IT companies.	Brasov hosts a wide range of high-tech providers and also pharma and IT&C companies.
Average transaction size in the past 5 years: 1,200 m ²	Average transaction size in the past 5 years: 1,200 m ²	Average transaction size in the past 5 years: 2,300 m ²	Average transaction size in the past 5 years: 1,600 m ²

Source: JLL Research

Cluj-Napoca	Timisoara	Iasi	Brasov
MHP Porsche	Nokia	Amazon	NTT Data
Accenture	Bosch	Cognizant	Accenture
SDL	Atos	Conduent	Sykes
Cognizant	Visteon	Microsoft	IBM
Steelcase	Wipro	Accenture	Cerner
Bombardier	Visma Software	AMD	Ipsos
Vertiv	HUF Romania	HCL Technologies	Xperi
Bitdefender	Continental	Basware	Junghenrich
Codespring	SAP	E.ON	Hiperdia
Evalueserve	NTT Data	Harte Hanks	Vodafone

Source: JLL Research

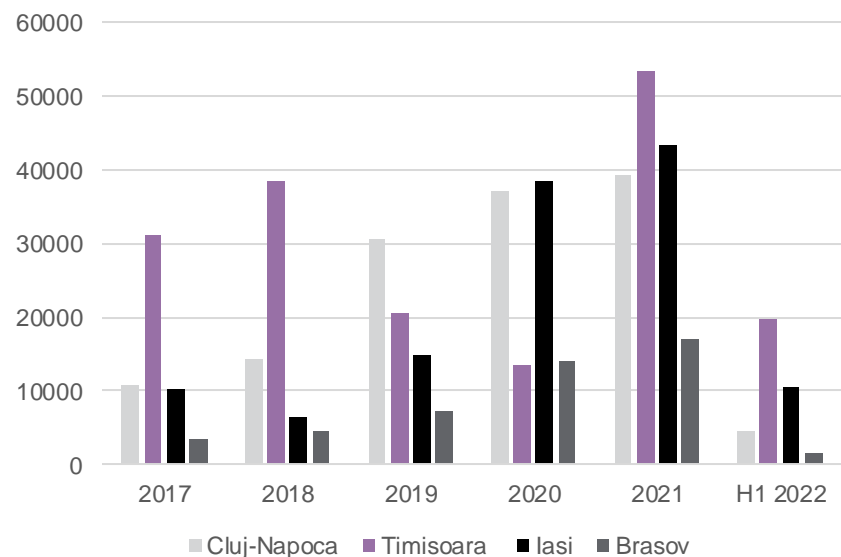
Office Demand



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Timisoara had by far the largest share of office transactions during H1 2022, same as in 2021.

Figure 1: Evolution of Gross Take-up (m²), 2017 – H1 2022



Cluj-Napoca

Gross take-up: **4,620 m²** (H1 2022)
 Past 5 years annual average: **26,400 m²**
 Vacancy rate: **6.1%**

Timisoara

Gross take-up: **19,640 m²** (H1 2022)
 Past 5 years annual average: **31,400 m²**
 Vacancy rate: **13.8%**

Iasi

Gross take-up: **10,500 m²** (H1 2022)
 Past 5 years annual average: **22,600 m²**
 Vacancy rate: **1%**

Brasov

Gross take-up: **1,460 m²** (H1 2022)
 Past 5 years annual average: **9,300 m²**
 Vacancy rate: **8.1%**

Market Rents

No changes in office rents

A Class Rents €/m²/month

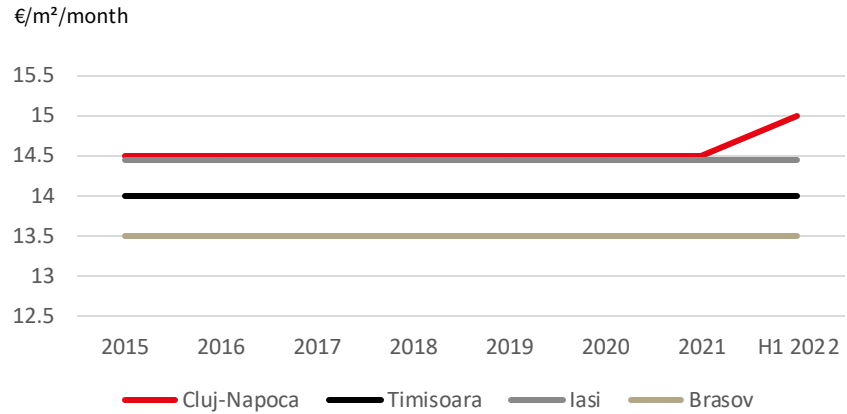
Cluj-Napoca Timisoara

€14-15 €13-14

Iasi Brasov

€13.5-14.5 €12.5-13.5

Figure 2: Evolution of Office rents, 2015 – H1 2022



Source: JLL Research

IT companies continue to dominate the regional markets, with almost 60% of total leased area

Key Leasing Transactions in H1 2022

Cluj-Napoca

Tenant	Property	Size (m ²)
Accenture	Hexagon Offices	2,000
HTEC	Cluj Business Campus	1,000
Brillio	Cluj Business Campus	800

Timisoara

Tenant	Property	Size (m ²)
Atos	UBC 1	6,000
Access Group	UBC 0	4,250
Amazon	UBC 0	3,300

Iasi

Tenant	Property	Size (m ²)
Microsoft	Palas Campus	3,300
AMD	Palas Campus	3,000
Visma Software	Palas Campus	1,400

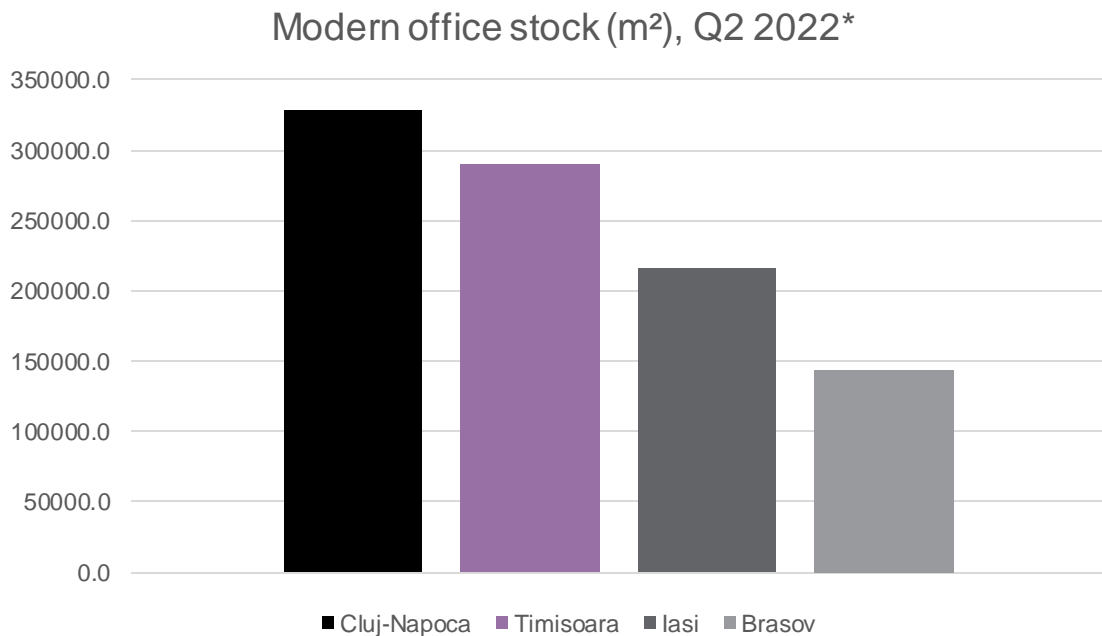
Brasov

Tenant	Property	Size (m ²)
Vodafone	Coresi Business Park	840
Confidential	AFI Park Brasov	600

Source: JLL Research

Stock & Future Supply

Close to a million m² of modern office spaces in major regional cities



Source: JLL Research

*Includes A and B class properties to rent, with an area of at least 2,000 m² GLA, delivered starting with the year 2000

Consistent pipeline

Pipeline Cluj-Napoca 2022-2023 (selection)

Project	GLA (m ²)	Developer
Via Office Building	12,200	Hexagon

Pipeline Timisoara 2022-2023 (selection)

Project	GLA (m ²)	Developer
UBC 0, ph. 1	30,000	Iulius & Atterbury
Paltim	13,000	Speedwell

Pipeline Iasi 2022-2023 (selection)

Project	GLA (m ²)	Developer
Palas Campus	60,000	Iulius Group
Silk District, ph. 1	20,000	Prime Kapital & MAS REI

Pipeline Brasov 2022-2023 (selection)

Project	GLA (m ²)	Developer
AFI Park Brasov 2	10,000	AFI Europe

Source: JLL Research

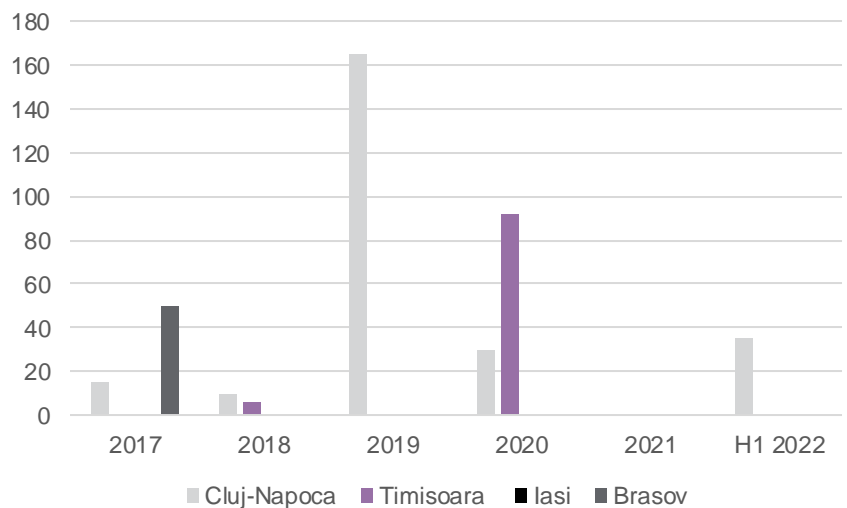
Investment Market



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Cluj-Napoca attracted the only office transaction outside of Bucharest in H1 2022

Figure 3: Total office Investment Volumes (€ mil., deals ≥ €5 mil.)



Cluj-Napoca

Investment volume: €254.3 m (2017-H1 2022)
 No. of deals: 6
 4 single and 2 portfolio deal
 4 deals > €30 m
 Average size: €42.4 m

Timisoara

Investment volume: €98.4 m (2017-H1 2022)
 No. of deals: 2
 1 single and 1 portfolio deal
 1 deal > €90 m
 Average size: €49.2 m

Iasi

Investment volume: €0 m (2017-H1 2022)
 No. of deals: 0
 0 deals
 Average size: €0 m

Brasov

Investment volume: €54 m (2017-H1 2022)
 No. of deals: 2
 2 single deals
 Average size: €27 m

Source: JLL Research

Prime Office Yields

Regional Cities in Romania offer attractive *Prime Office Yields

Cluj-Napoca

8.25%



Timisoara

8.25%



Iasi

8.25%



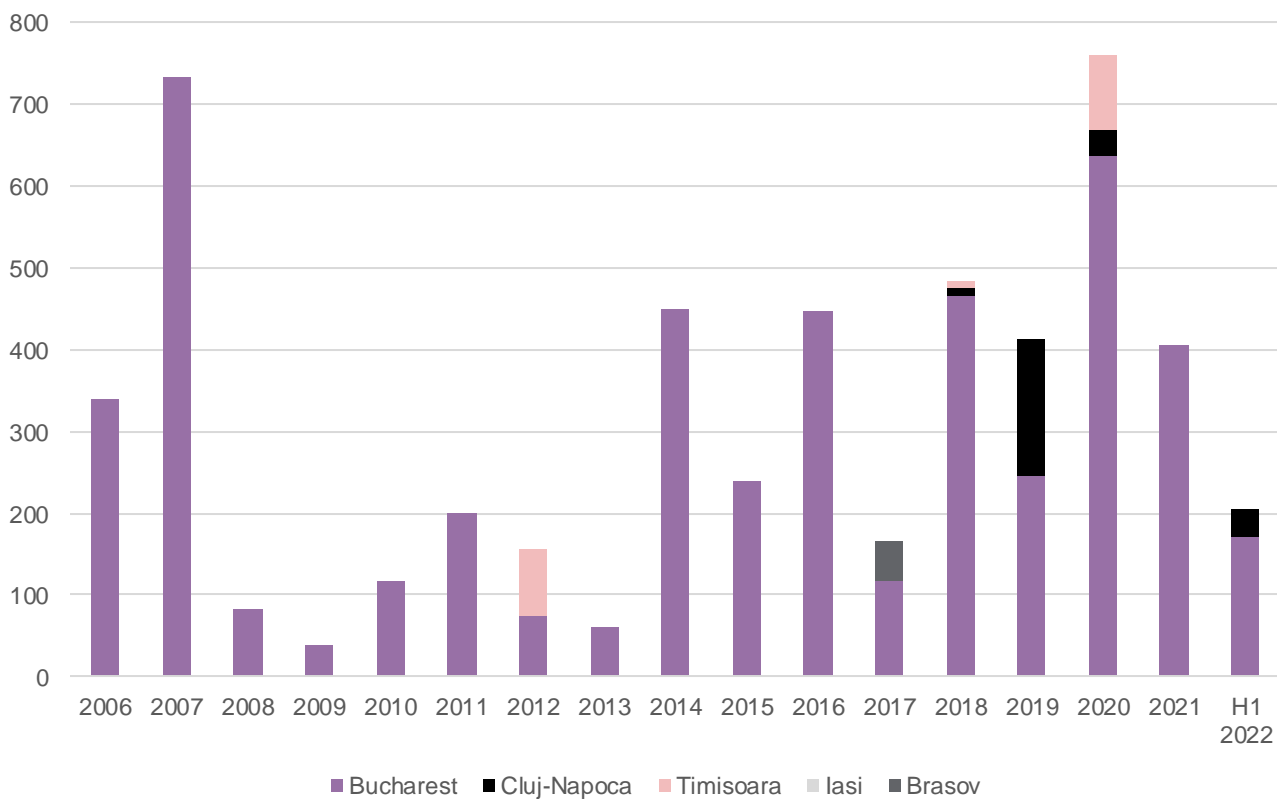
Brasov

8.50%



*Prime Yield represents the best yield estimated to be achievable for a notional office property of the highest quality and specification in the best location in a market.

Figure 4: Romania Office Investments Volumes (€ million)



Source: JLL Research

Overview

Where do regional cities stand when compared to Bucharest

Macroeconomics

City	Bucharest	Cluj-Napoca	Timisoara	Iasi	Brasov
*Legally resident population (January 2022) at municipality level	2,161,347	328,331	315,043	392,813	286,393
*Legally resident population (January 2022) at county level	2,161,842	740,020	760,259	980,865	638,407
GDP in € bn. at county level (F2022)	65.1	14.0	12.6	9.1	9.2
GDP per capita in € at county level (F2022)	35,522	19,513	17,699	11,406	14,958
Employees at county level (May 2022)	1,064,585	270,940	261,327	185,057	195,419
Registered unemployment rate in % at county level (May 2022)	1.1	1.1	0.7	2.6	1.9
Net average wages in € at county level (May 2022)	1,030	983	861	797	734

* Legally Resident Population represents the number of persons with Romanian citizenship and permanent residence in Romania, delimited by territorial administrative criteria.

Sources: JLL Research, National Institute of Statistics, National Commission for Strategy and Prognosis

Office Market

City	Bucharest	Cluj-Napoca	Timisoara	Iasi	Brasov
**Office Stock in m ² (Q2 2022)	3,296,000	329,300	290,400	216,100	143,400
Gross take-up in m ² (H1 2022)	134,600	4,600	19,600	10,500	1,500
Estimated Vacancy in % (Q2 2022)	12.75	6.1	13.8	0.8	8.1
A class rents in €/m ² /mth. (Q2 2022)	*14-16	14-15	13-14	13.5-14.5	12.5-13.5
Investment volumes in € mil. (2017-H1 2022)	2,044	254.3	98.4	0	54.0
Prime yields in % (Q2 2022)	6.75	8.25	8.25	8.25	8.50

*The rent mentioned for Bucharest is for the main office hubs, as these areas are considered comparable to prime assets in regional cities

**The office stocks in regional cities were revised during Q2 2022, thus they differ compared to the previous report, even though there were no new major deliveries during H1 2022.

Source: JLL Research



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