

Real Estate Investors Sentiment Barometer



CUSHMAN &
WAKEFIELD

Echinox

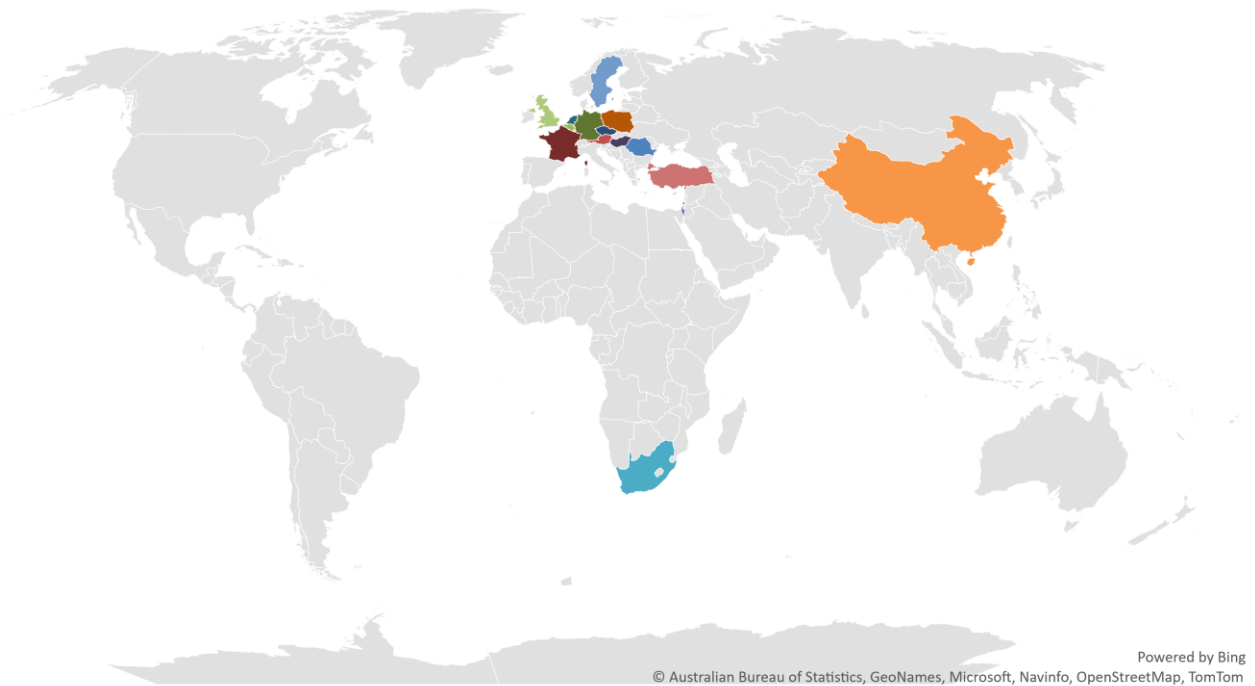
INTRODUCTION

Cushman & Wakefield Echinox has run the first edition of the *Real Estate Investor Sentiment Barometer*, looking for insights from the key investors and developers present on the Romanian real estate landscape. The commercial real estate market is evolving under complex conditions and our aim is to find real time opinions regarding the challenges and opportunities that investors and developers are currently facing.

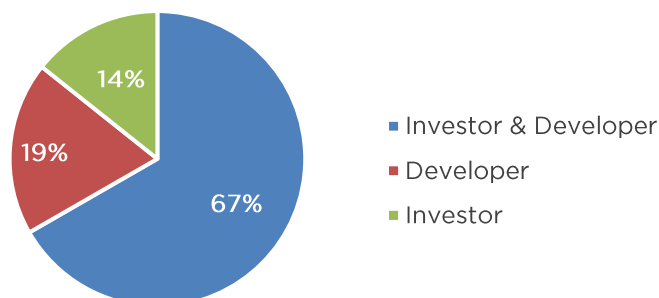
The Cushman & Wakefield Echinox Real Estate Investor Sentiment Barometer, conducted between October 1 – November 1 2022, is an indicator of the anticipated development of Romania’s real estate market. This report contains compiled figures, results and conclusions from the survey. The results provide a good understanding of the general mood amongst property investors in Romania and their view of the market going forward.

We surveyed the top management of **45 local, regional and global investors** with a combined real estate portfolio in Romania of more than EUR 10 billion. Most respondents identified themselves as both investors and developers.

Source of Capital



Investor type breakdown



EXECUTIVE SUMMARY

Bucharest remains the preferred destination for future real estate investments, while the secondary markets (cities with a population >250,000) are also considered a place to be by many investors and developers.

The industrial and retail market segments are expected to see more development activity in the following 12 months, while the investment in new office projects in Bucharest will be limited by the bureaucratic issues related to the authorization processes. Moreover, respondents also believe that the private rented sector (PRS) will be a targeted asset class for real estate developments from 2023 onwards.

Inflation, increasing financing costs, geopolitical situation and increasing construction costs are the main macroeconomic factors that may impact the Romanian real estate market, factors which are expected to put pressure both on demand and on the rental levels. However, despite all the abovementioned issues, investors remain positive and their expansion plans in Romania are mostly intact.

Key findings:

Investors cautious on portfolio values

Bucharest and the secondary markets in the spotlight

Rental levels on the way up..

Price increases are putting pressure on rental levels

Stable demand expected in the coming 12 months

Inflation and geopolitical situation, the main factors which may influence demand

More development activity in the industrial market, the office segment expected to see less new investments

Continued willingness to expand the existing portfolios

The investment activity is based on diverse financing sources

Inflation the main macroeconomic risk for almost every investor

Investors appreciate the quality of the IT Infrastructure, while the labor market conditions, taxation framework and the macroeconomic stability are rated as good

Investors positive on GDP growth

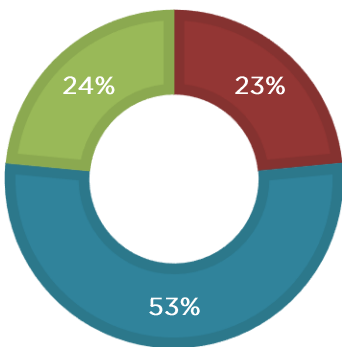
PROPERTY VALUES

Investors cautious on portfolio values

Most investors believe their portfolio values will remain unchanged in the next 12 months. In regards to the asset class, 30% of respondents estimate an increase in value for the retail properties, while 23% of them also indicate a further appreciation of the industrial and office projects.

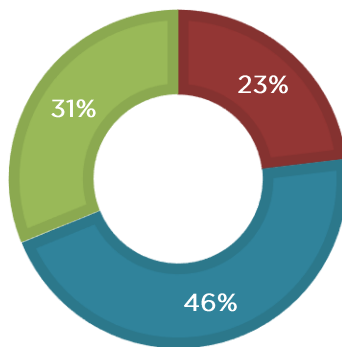
OFFICE

■ Up ■ Unchanged ■ Down



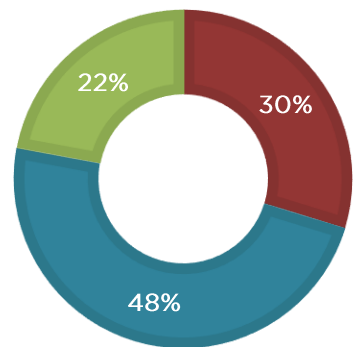
INDUSTRIAL

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RETAIL

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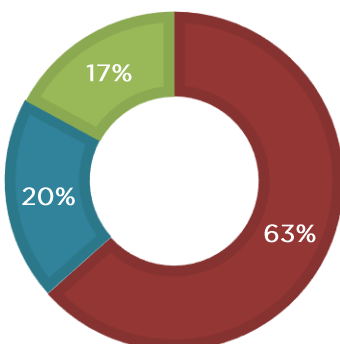
RIGHT TIME TO INVEST NOW

Bucharest and secondary markets in the spotlight

63% of respondents indicate Bucharest as their main location for new investment, while only 20% are actively targeting tertiary locations (cities with less than 250,000 inhabitants). Secondary cities are also an attractive destination to invest for almost 50% of respondents.

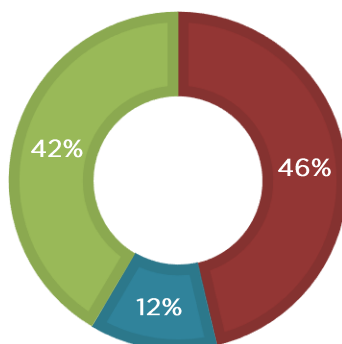
BUCHAREST

■ Yes ■ No ■ Not Sure



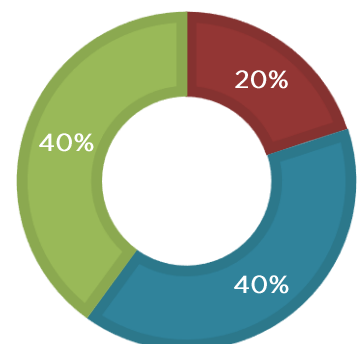
SECONDARY MARKETS

■ Yes ■ No ■ Not sure



TERTIARY MARKETS

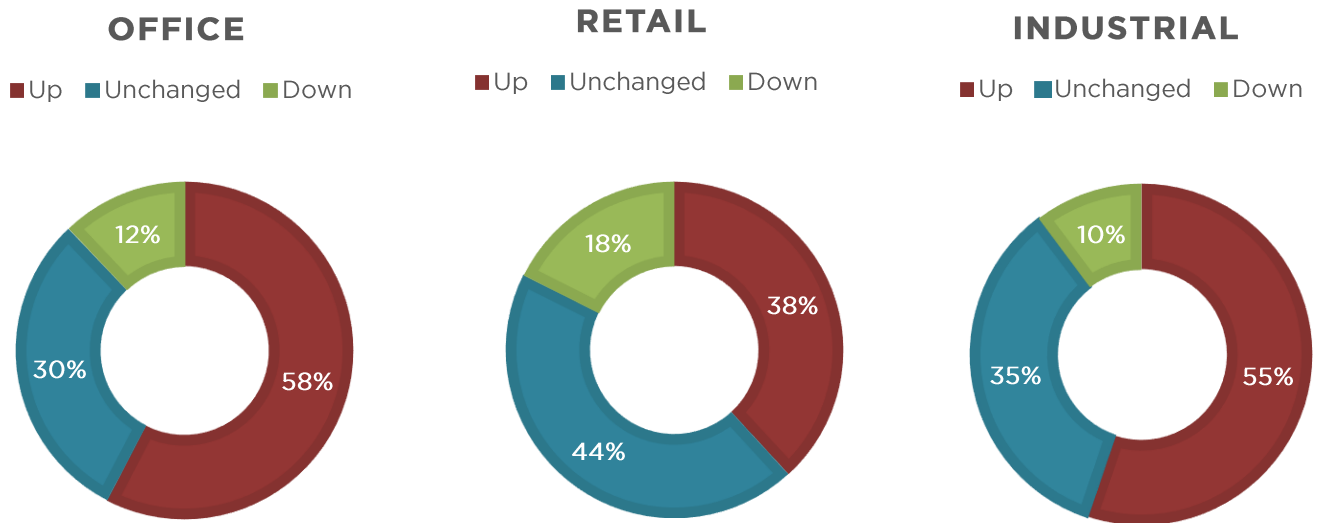
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RENTAL LEVELS – OFFICE, RETAIL & INDUSTRIAL

Rental levels on the way up...

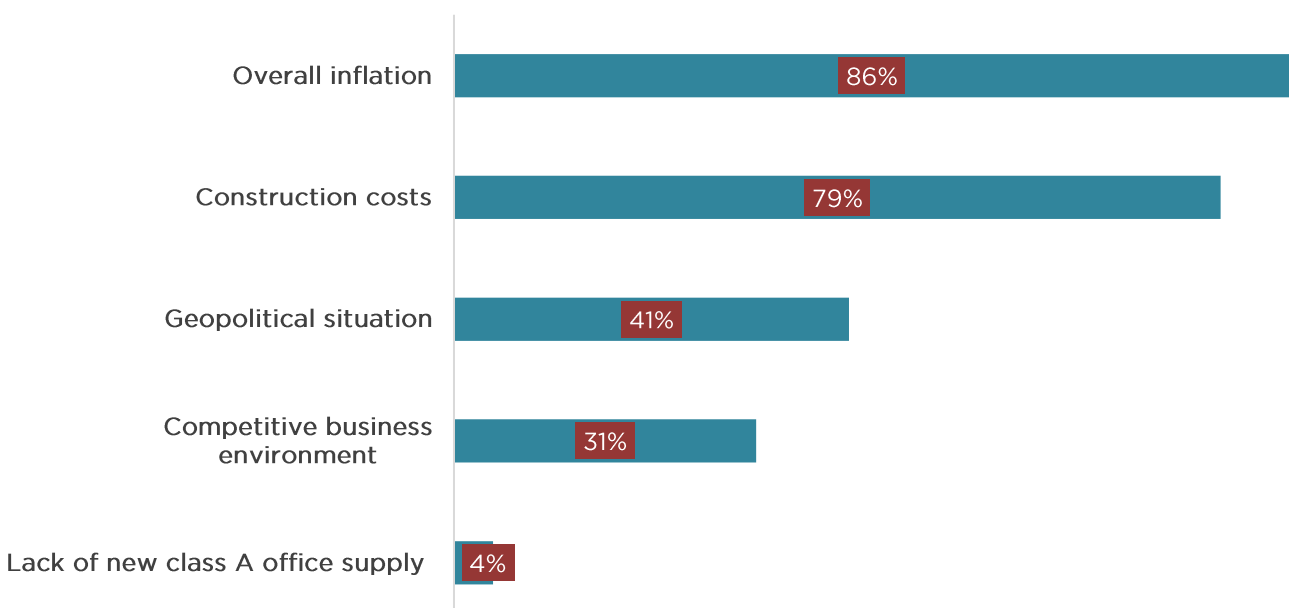
The majority of respondents predict an upward movement for the office and industrial rents, while the share of those indicating a rental level growth for retail assets was of only 38%.



MAIN FACTORS WHICH MAY INFLUENCE THE RENTAL LEVELS

Price increases are putting pressure on rental levels

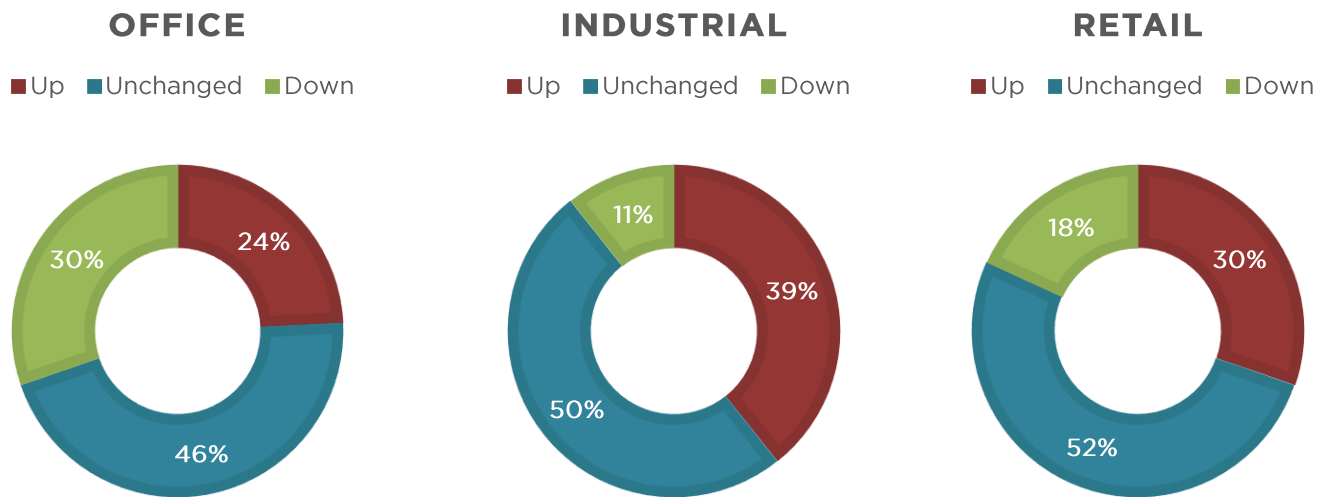
Inflation, construction costs and the complex geopolitical situation are the main factors which may influence the rental levels according to the majority of respondents. Other factors indicated were the level of competition on the market and the lack of new supply for the office sector in particular.



OCCUPIER DEMAND - OFFICE, INDUSTRIAL & RETAIL

Stable demand expected in the coming 12 months

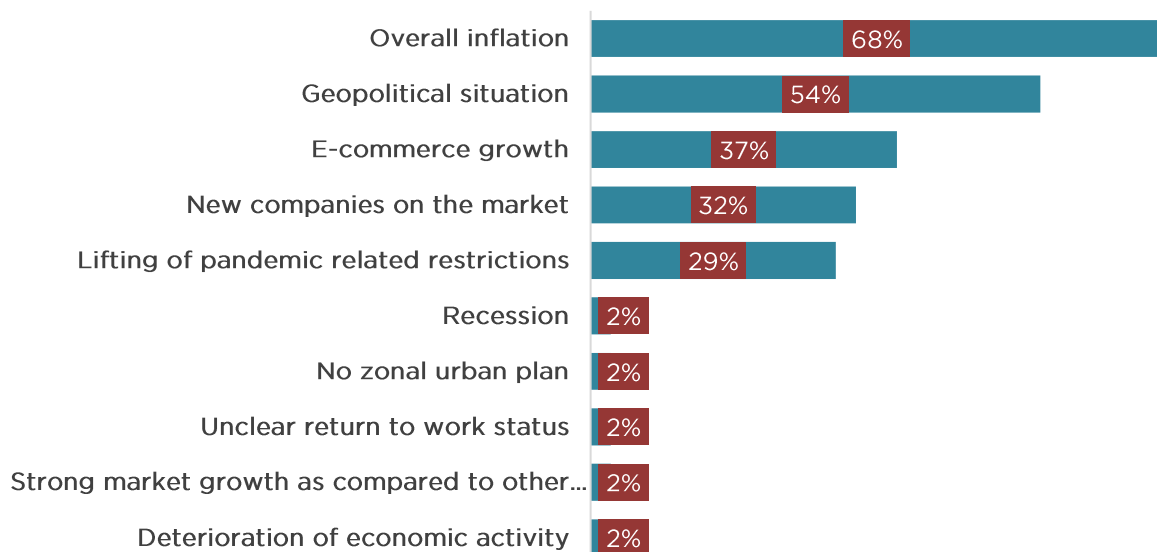
Nearly 50% of respondents forecast a stable medium-term demand for all types of spaces. On the other hand, 30% of the interviewed companies have indicated a worsening occupier demand in the office market, while the expectations are more optimistic when it comes to the industrial and retail spaces.



MAIN FACTORS THAT MAY INFLUENCE THE EVOLUTION OF DEMAND

Inflation and geopolitical situation, the main factors that may influence demand

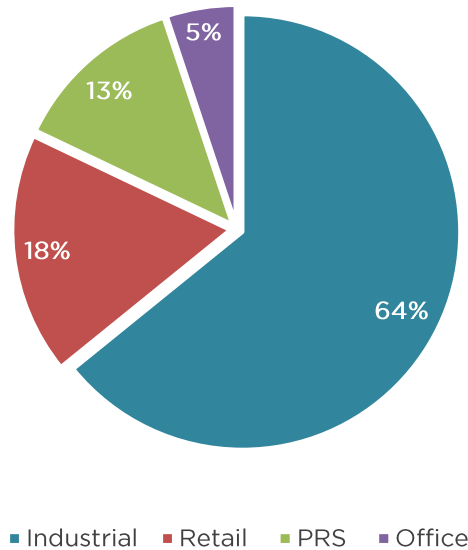
The top five factors that may influence (in a positive or negative way) the evolution of demand are the overall inflation, geopolitical situation, e-commerce growth, the emergence of new companies on the market and the lifting of pandemic related restrictions. A number of investors are also concerned by the deterioration of economic activity/recession and also by the unclear return to work status.



FURTHER DEVELOPMENT ACTIVITY

More development activity in the industrial market, the office segment expected to see less new investments

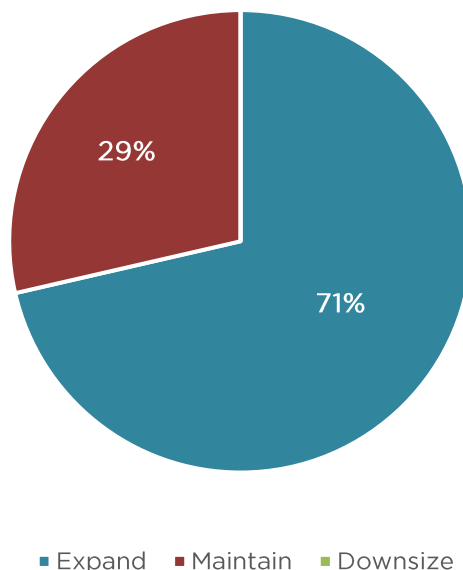
Considering the bureaucratic issues in Bucharest and the uncertainty surrounding the authorisation process pertaining to new projects, only 5% of the responding investors expect more development activity in the office market. A vast majority (64%) foresee more developments in the industrial segment, while 18% expect new investments in retail projects. A special mention also goes to the Private Rented Sector (PRS) which is forecasted to see more investments than the office sector in 2023.



FUTURE PLANS

Continued willingness to expand the existing portfolios

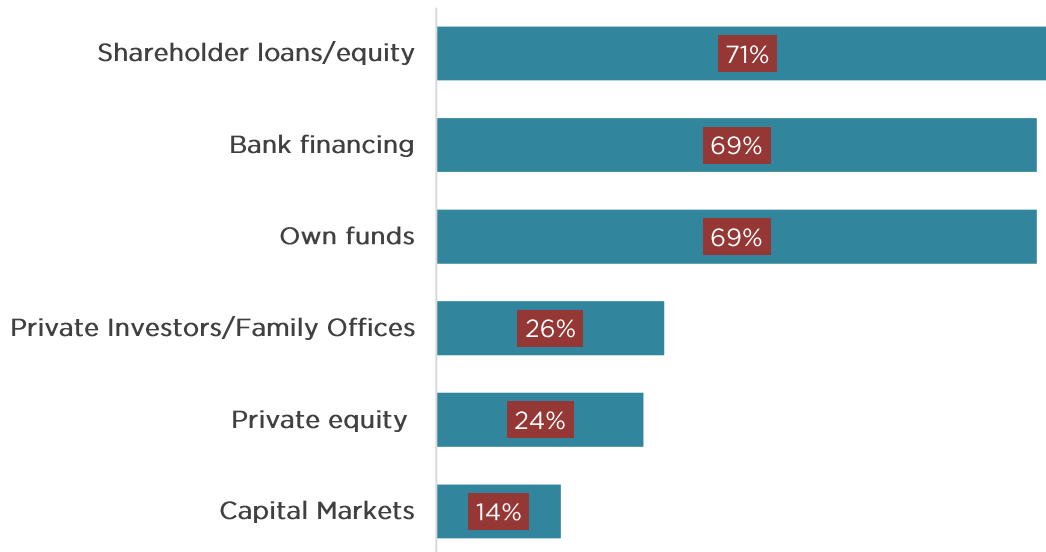
Despite the challenges faced on the market, a clear majority of the responding investors (71%) are looking to expand their portfolios. The remaining 29% aim to maintain their current portfolios in the following three years. No respondent has indicated expectations of downsizing their activity.



TYPE OF FINANCING SOURCE

The investment activity is based on diverse financing sources

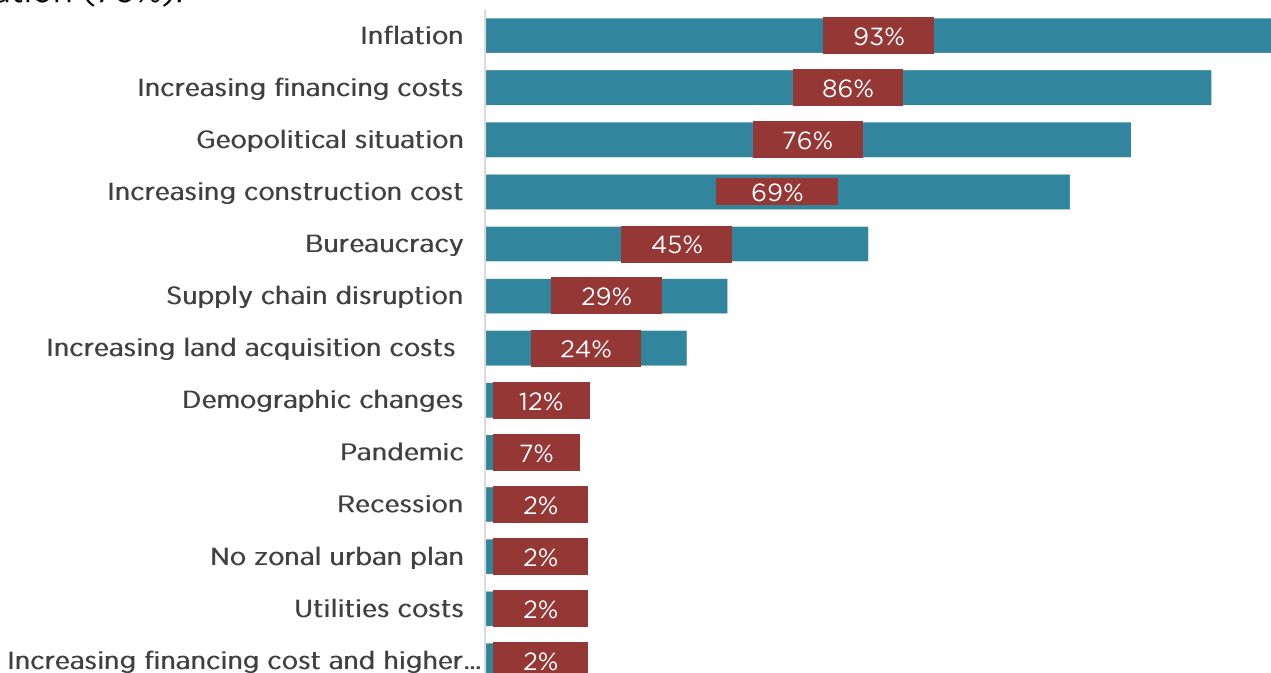
Shareholder loans/equity are the main source of financing for 71% of the investors active in Romania, while 69% of the interviewed investors claim that the needed capital for further investments came from bank loans or from their own funds. Capital markets funding is the least used financing instrument.



MACROECONOMIC RISKS vs ROMANIAN REAL ESTATE MARKET

Inflation the main macro-economic risk for almost every investor

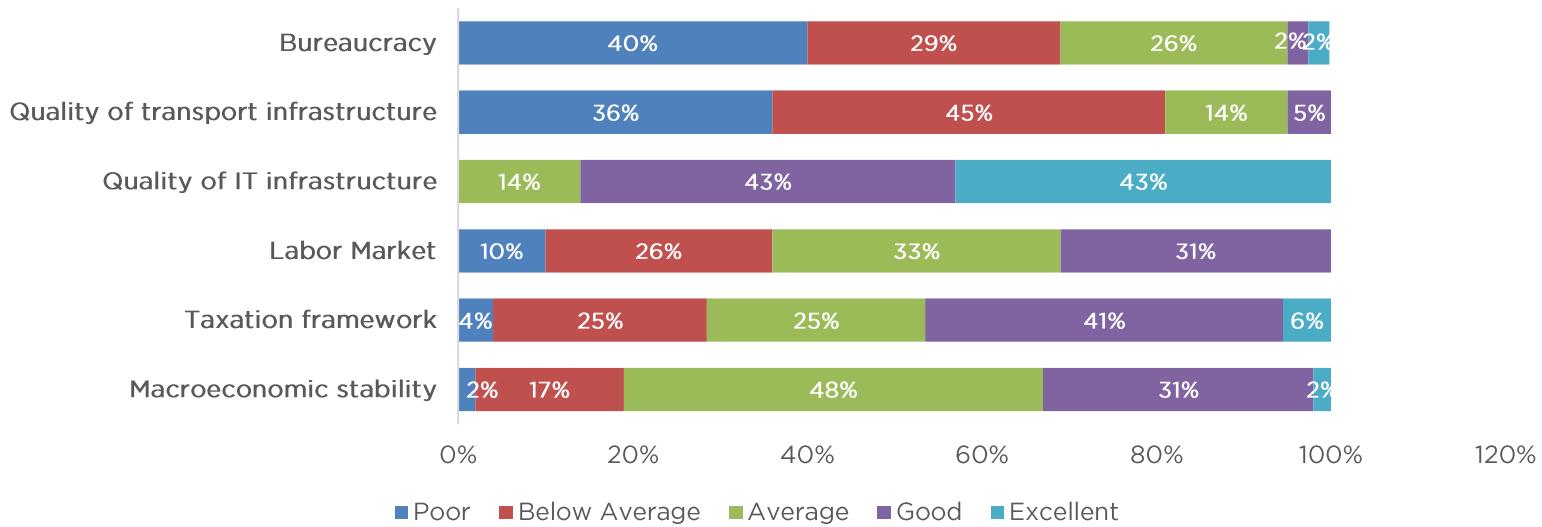
Inflation has almost unanimously (93%) been indicated as the main macroeconomic risk which may impact the Romanian real estate market, a market which will also be influenced by increasing financing costs (86% of responses) and by the geopolitical situation (76%).



MARKET CONDITIONS IN ROMANIA

Excellent IT Infrastructure, good labor market conditions, taxation framework and macroeconomic stability

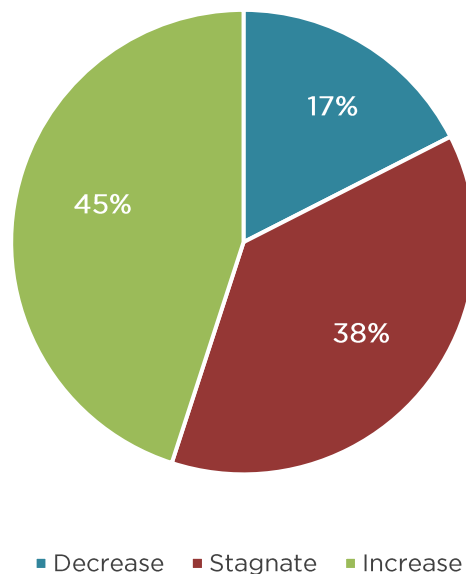
The most appreciated market conditions in Romania are the quality of the IT infrastructure, the labor market, taxation framework and also the macroeconomic stability. The least appreciated aspects relate to the quality of the transport infrastructure followed by bureaucracy.



ROMANIA'S ECONOMY EVOLUTION

Investors positive on GDP growth

The investors are quite positive when it comes to the Romanian economy and its future evolution, with 45% of participants expecting the GDP to increase, 38% predicting a stagnation and 17% a decrease.



Contacts

Vlad SAFTOIU
Head of Research

Phone: + 40 21 310 3100

E-mail: vlad.saftoiu@cwechinox.com

Cristina LUPASCU
Director PR & Research

Phone: + 40 21 310 3100

E-mail: cristina.lupascu@cwechinox.com

cwechinox.com



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WAKEFIELD**

Echinox