



CUSHMAN &  
WAKEFIELD

Echinox



# ROMANIA MARKET UPDATE

2024

LIFE IS WHAT **WE** MAKE IT  
**SUMMARY**

**01** MACROECONOMICS

**02** CAPITAL MARKETS

**03** OFFICE

**04** RETAIL

**05** INDUSTRIAL & LOGISTICS

**06** RESIDENTIAL

**07** HOTEL

**08** ESG

**09** INFRASTRUCTURE

**10** LABOUR MARKET

**11** GRANTS & INCENTIVES

**12** TAX REGIME



# 0 MACROECONOMICS

CEC Palace  
Bucharest

# MACROECONOMICS



2<sup>nd</sup> largest country in the CEE by area



16 operational international airports with 24.6 million passengers in 2023



Total FDI stock of more than €114 billion (+75% compared with 2012)



Constantly developing highway infrastructure, over 1,000 km (+207% compared with 2011)



6<sup>th</sup> most populated member of the EU with 19 million inhabitants



Romania to join Schengen area with air and sea borders starting March 2024



**LOCATION:** CEE Region

**AREA:** 238,397 sq. km

**POPULATION:** 19,054,548 inhabitants\*

**UNEMPLOYMENT RATE:** 2.9%\*\*

**AVERAGE NET MONTHLY INCOME:** €1,022\*\*

**GDP/ CAPITA:** €16,800\*

**EXPORTS:** €93.1 billion\*

**LABOUR FORCE:** 5.27 million\*

*Source: National Commission for Strategy and Prognosis, National Institute of Statistics*

\* 2023

\*\* December 2023

# MACROECONOMICS

**Resilient economy during the pandemic, consistent growth expected on medium term**

Romania has benefitted from a strong economic growth in the last decade, significantly reducing the gap in relation with the European Union average (especially after joining NATO and the EU in 2004 and 2007 respectively).

A GDP per capita of €16,800 has been recorded in 2023 (corresponding to a gross total of more than €321 billion), an increase of 138% compared with 2012.

Moreover, in terms of purchasing power parity, this evolution has been even more impressive, as Romania has seen an upward shift from a GDP per capita level which represented 52% of the EU average (when adjusting for market prices) in 2011 to 77% in 2022, a level which is now higher than the corresponding ones for Croatia, Greece Hungary or Slovakia.

The GDP per capita at national level is forecasted to continue on this solid track (being due to reach €22,400 in 2027) even during the present uncertain period caused by high inflation and a complex geo-political climate. This evolution will come as a result of a consistent economic growth which is expected to average around 4% per year during the 2024 - 2027 period.

COUNTRY	GDP CAGR 2007 – 2023 (%)
Poland	3.5
<b>Romania</b>	<b>2.9</b>
Slovakia	2.5
Bulgaria	2.3
Hungary	1.7
Czechia	1.6
EU	1.1

<b>GDP</b>	€ 321.3 billion (2023)
<b>GDP growth</b>	2.0% (2023)
<b>Monetary Policy Rate</b>	7.0% (March 2024)
<b>Inflation rate</b>	7.4% (January 2024)
<b>Average net salary (€/ month) Romania</b>	1,022*
<b>Average net salary (€/ month) Bucharest</b>	1,340*
<b>Unemployment rate Romania</b>	2.9%*
<b>Unemployment rate Bucharest</b>	0.9%*

\* December 2023

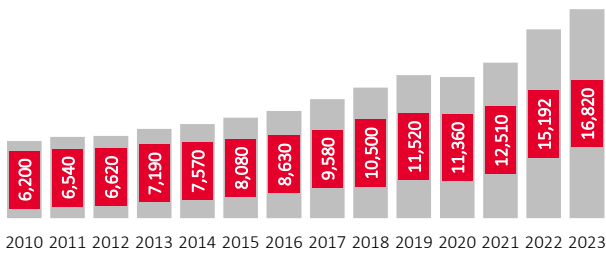
Source: National Institute of Statistics, National Commission for Prognosis, Eurostat

# MACROECONOMICS

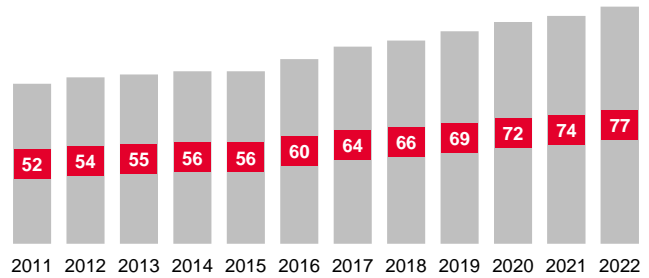
## Single - digit inflation and slow, but steady GDP growth in 2023

The inflation rate in Romania continued to decrease and reached single digits in Q3 and Q4 2023 (9.1% and 7.1% respectively), a trend expected to continue in 2024 when levels below 5% are forecasted by year end. The monetary policy rate has remained at 7% for more than a year already, with the National Bank of Romania indicating possible downward movements in H1 2024. The 2023 economic growth has been relatively robust (2.0%) especially when compared with most European Union countries, which reported lower or even negative numbers, in very difficult macroeconomic and geopolitical conditions. Moreover, a strong GDP growth ranging between 3 and 3.4% has also been predicted for 2024, an impressive forecast for a year when 4 rounds of elections are due to take place in the country.

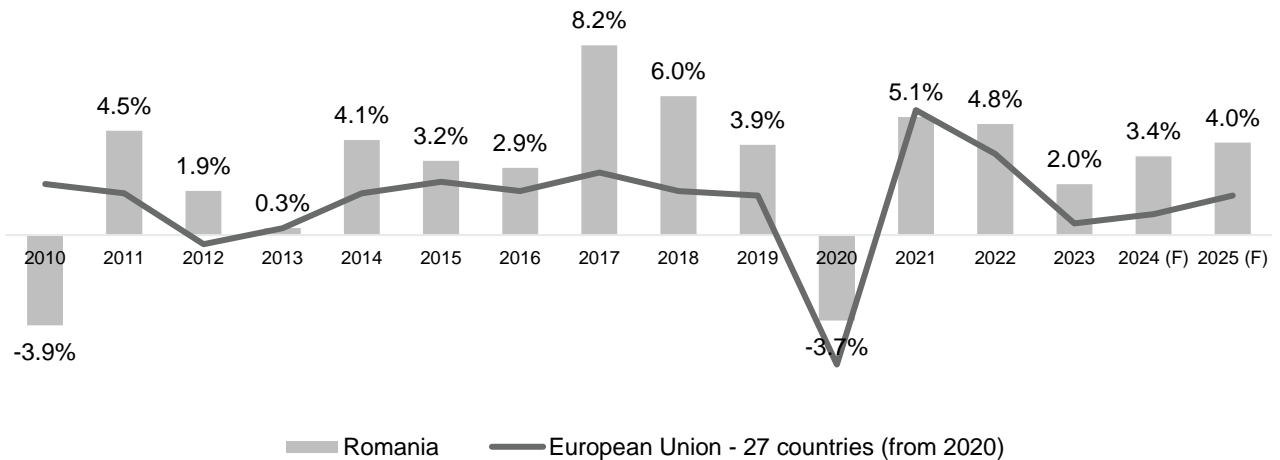
### NOMINAL GDP PER CAPITA EVOLUTION IN ROMANIA (€) (2010 - 2023)



### GDP PER CAPITA EVOLUTION IN ROMANIA IN TERMS PURCHASING POWER PARITY (EU AVERAGE = 100)



### ECONOMIC GROWTH AND FORECAST IN ROMANIA (2010 – 2025F)



Source: Eurostat, National Commission for Prognosis

# MACROECONOMICS

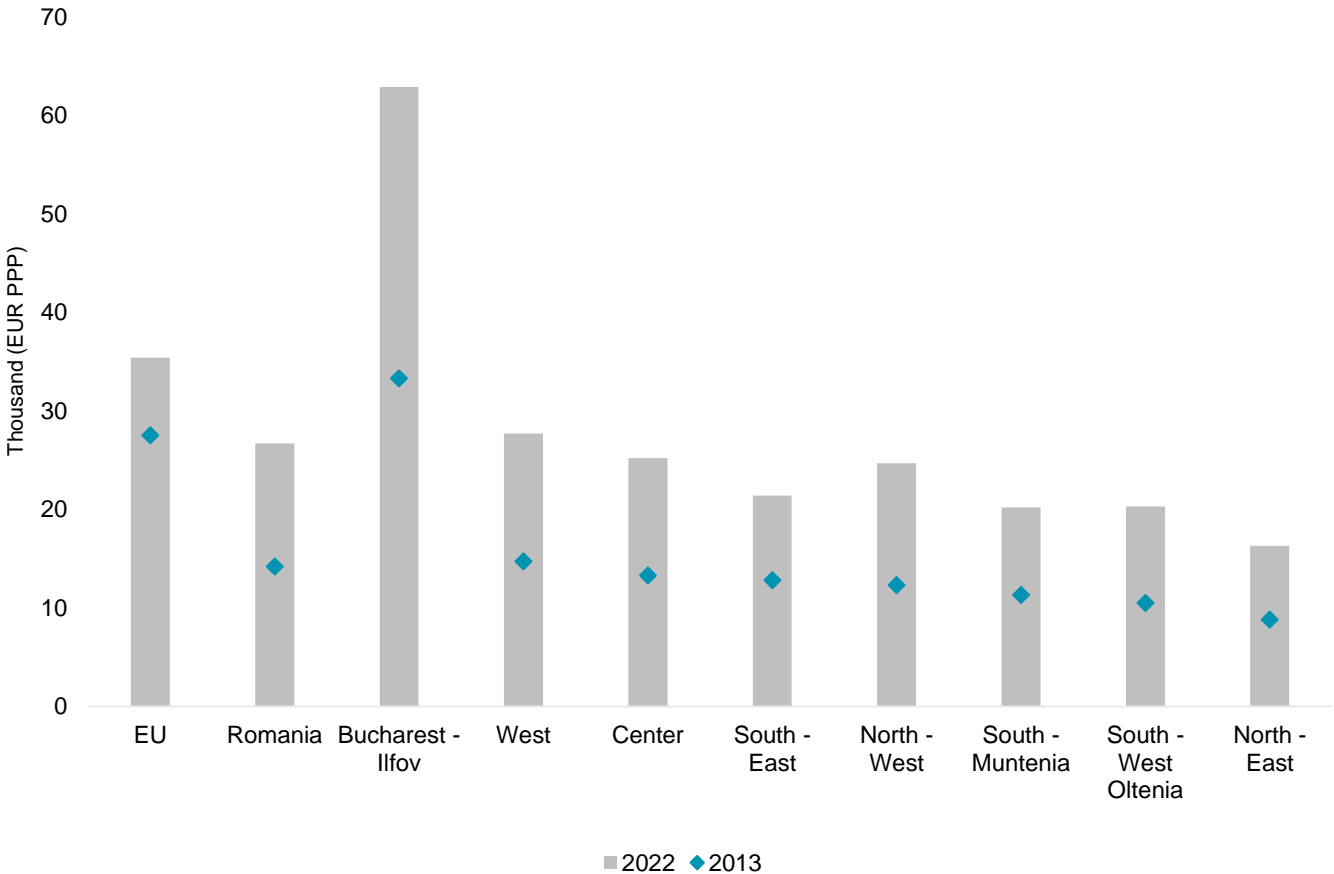
***Bucharest - Ilfov has been the fastest-growing regional economy in Romania, with a PPP-adjusted GDP per capita higher than the EU average***

Romania has eight NUTS 2\* statistical regions having different economies, demographics and industrial structures. The Bucharest - Ilfov region, which includes the capital city of Bucharest and the surrounding Ilfov county, has the largest economy, the most highly educated labor force and also the smallest geographical area (1,823 km<sup>2</sup>).

There are major economic differences within the country, as the GDP per capita in Bucharest - Ilfov is more than double than in any other region and almost four times higher than in the North – East for example. West region has the second-highest GDP per capita, followed by North - West and Center. The GDP per capita levels of all Romanian regions, except Bucharest - Ilfov, are smaller when compared with the EU average.

\*NUTS (Nomenclature of territorial units for statistics) is a hierarchical system for dividing up the economic territory of the EU and the United Kingdom. NUTS 2 statistical regions are basic regions for the application of regional policies.

## GDP PER CAPITA (PPP) IN ROMANIAN REGIONS 2013 - 2022



Source: Eurostat

# MACROECONOMICS

## Major economic regions

REGION	POPULATION	STUDENTS	LABOR FORCE	SHARE IN GDP (%)	NOMINAL GDP PER CAPITA (€)	SHARE IN FDI (%)	EXPORTS (BILLION €)	UNEMPLOYMENT RATE (%)
<b>Bucharest - Ilfov</b>	2,290,125	169,600	1,166,700	28.2	39,300	62.7	17.2	0.8
<b>West</b>	1,671,460	58,300	527,500	9.0	17,400	7.1	11.6	1.7
<b>Center</b>	2,280,856	58,200	671,200	11.3	16,000	8.7	11.0	3.0
<b>North - West</b>	2,531,913	93,900	727,700	12.4	15,700	6.5	8.8	2.1
<b>South - East</b>	2,353,162	38,800	561,800	9.8	13,300	2.8	5.2	3.8
<b>South - Muntenia</b>	2,841,139	19,000	595,100	11.4	12,900	6.6	9.7	3.8
<b>South-West Oltenia</b>	1,861,680	30,100	412,100	7.4	12,800	1.9	4.9	5.4
<b>North - East</b>	3,224,213	70,700	596,500	10.5	10,300	2.9	3.3	4.1

Source: Eurostat, National Institute of Statistics, National Commission for Prognosis, National Bank of Romania

After 2022, when Romania's foreign direct investment (FDI) net flows reached a record high of €10 billion, up by 12.3% from 2021, the 2023 non-residents' direct investment in Romania totaled €6.6 billion, of which equity (including the estimated net reinvestment of earnings) accounted for €6.5 billion. As such, the FDI position reached an all-time high of €114.5 billion at the end of 2023.

Moreover, the FDI stock was predominantly concentrated in the Bucharest - Ilfov development region (62.7% of the total stock), followed by the Center (8.7%) and the West regions (7.1%). By contrast, the lowest levels of foreign investments were recorded in the North - East (2.9%) and South-West – Oltenia (1.9%) regions.

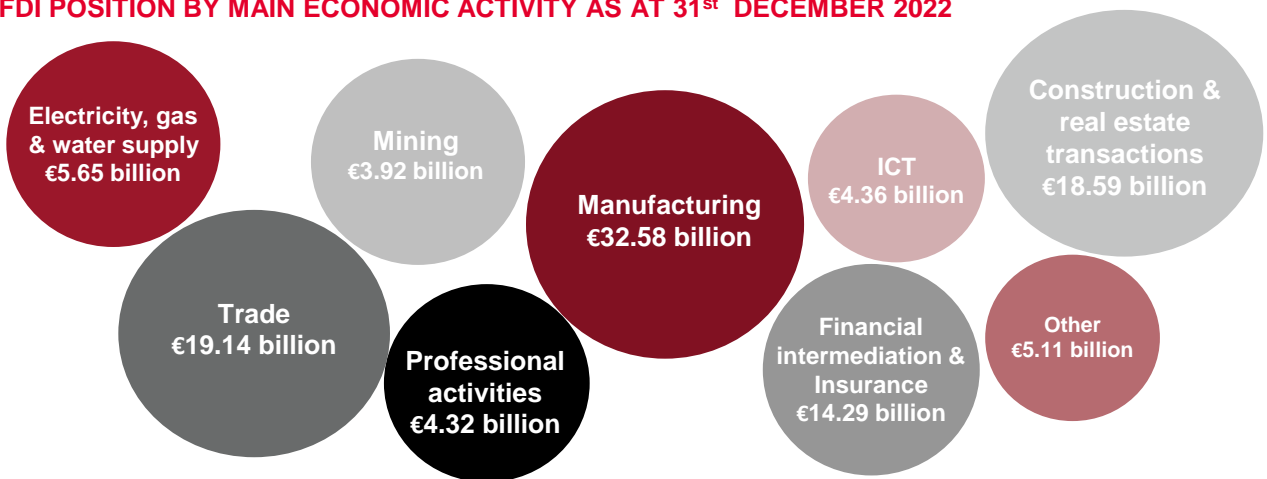


# MACROECONOMICS

## FDI Position

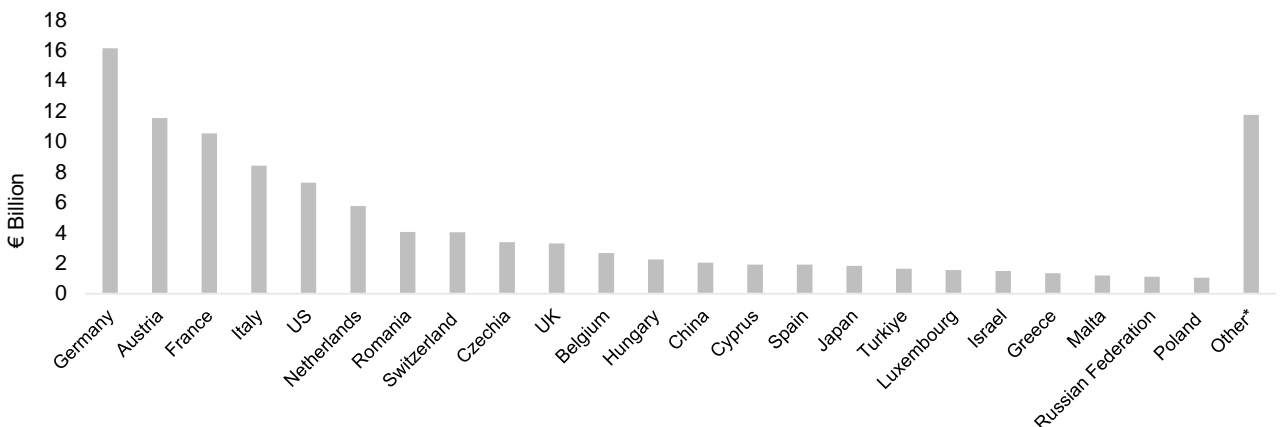
In terms of economic activity, more than 87% of the FDI stock was largely found in four business sectors: industry (39%) – primarily in manufacturing (30.2%) - trade (17.7%), construction and real estate transactions (17.2%) and also financial intermediation and insurance (13.2%).

### FDI POSITION BY MAIN ECONOMIC ACTIVITY AS AT 31<sup>st</sup> DECEMBER 2022



Source: National Bank of Romania

Germany was Romania's main foreign investor, maintaining its dominant position from the past decade. Entities based in Germany held investment totaling €16.12 billion (14.9%), either directly or through subsidiaries and branches of German companies located in intermediate countries. Next in rank of ultimate investing countries came Austria (10.7%), France (9.7%), Italy (7.8%), the United States (6.7%) and the Netherlands (5.3%).



\*countries of origin whose FDI position was less than €1 billion, as well as countries for which data are confidential

Source: National Bank of Romania



# 2 CAPITAL MARKETS

*Calea Victoriei  
Bucharest*

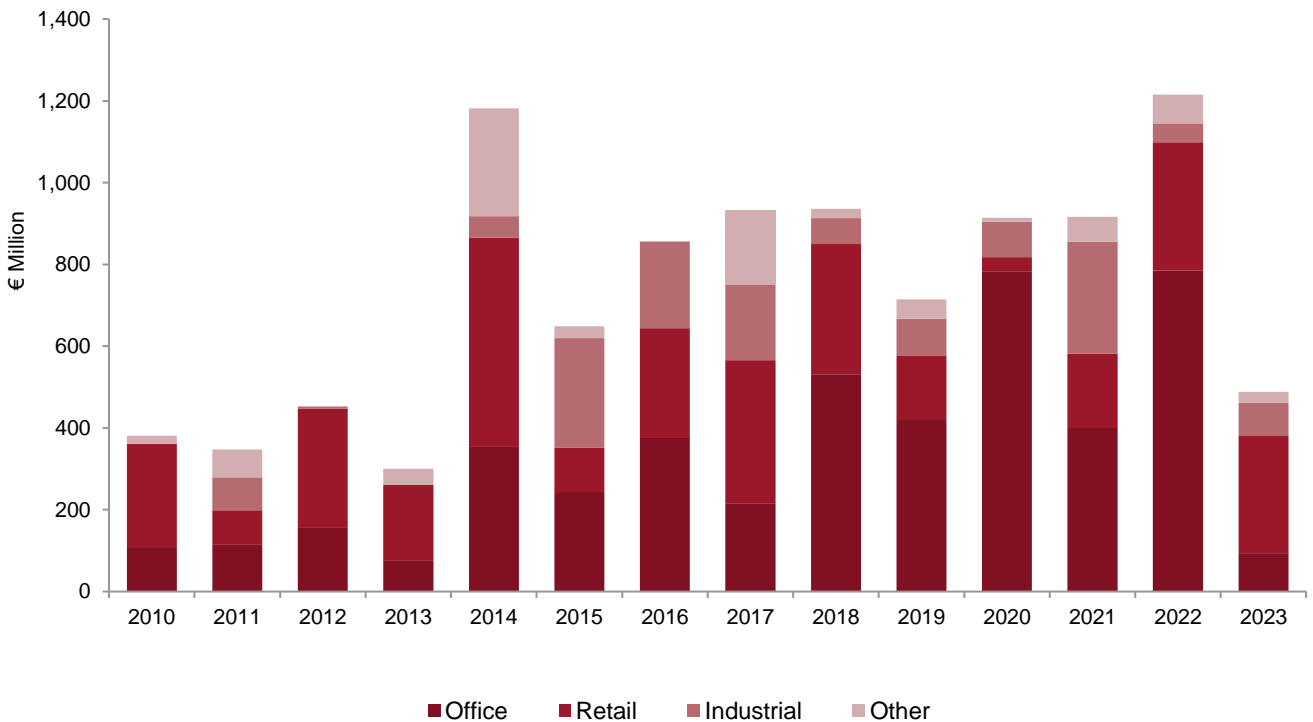
# CAPITAL MARKETS

**CEE real estate market faced a pivotal shift, marked by a notable decline in investment volumes, with Romania experiencing one of the most significant downturns**

A real estate investment volume of only €488 million was recorded in Romania in 2023, corresponding to a decrease of 62% compared with 2022. The increasing financing costs and the investors' reluctance towards the office sector, which had been the preferred asset class during the previous 5 years, have significantly impacted the investment activity. Retail (59% volume share) was the most active segment in 2023, followed by Office (19%), Industrial (17%) and Hospitality (5%).

The largest transaction concluded in 2023 was Mitiska REIM's disposal of its retail park portfolio in Romania (133,600 sq. m GLA) to the M Core British investment group for €219 million, a landmark transaction which was a record for the retail sector in the past 10 years. Other relevant deals were related to FM Logistic's sale and leaseback of its Romanian portfolio (98,000 sq. m GLA) to CTP for around €60 million or the disposal of One Herastrau Office for €21 million.

## INVESTMENT VOLUME EVOLUTION



Source: Cushman & Wakefield Echinix Research

# CAPITAL MARKETS

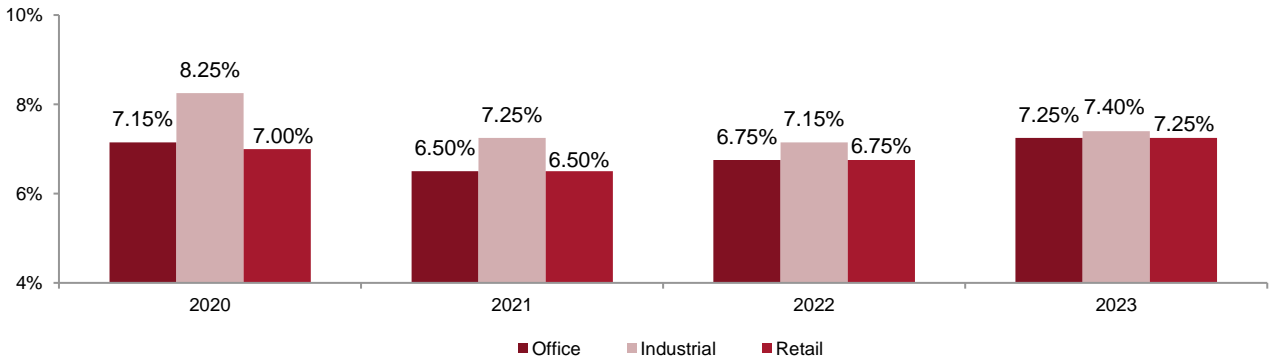
## Yield decompression throughout 2023

The prime yields have seen upward movements across all segments, in line with the trends registered in Europe, as the office and retail ones each recorded 50 bp annual spikes, with a lower 25 bp rise for industrial & logistics assets. Even though the high interest rates continue to put a significant pressure on exit yields, Romania remains an attractive market, as the spread between the local references and the other CEE countries, such as the Czech Republic, Poland or Hungary is relatively high on all market segments (generally in the 100 – 200 basis points' range).

### PRIME YIELDS IN CEE (END OF 2023)

CITY	OFFICE	RETAIL	INDUSTRIAL
<b>Bucharest</b>	7.25	7.25	7.40
<b>Warsaw</b>	5.75	6.45	6.25
<b>Prague</b>	5.50	6.00	5.25
<b>Bratislava</b>	6.25	6.50	6.25
<b>Budapest</b>	6.00	7.00	6.75

### PRIME YIELDS TREND IN ROMANIA




### Anticipating recovery and strategic growth

Looking ahead, the investment volumes in Central Europe's commercial real estate market over the next few years are poised for a cautious, yet potentially steady recovery. This outlook is contingent on the stabilization of the global economic environment and the continued adaptation to post-pandemic market conditions.

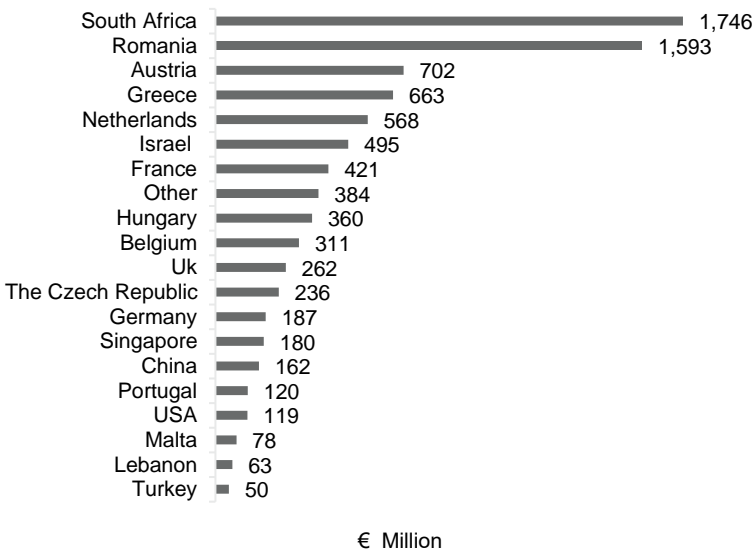
The market is unlikely to see a quick recovery in pricing that satisfies both sellers and buyers. Additionally, the possibility of de-leveraging requirements leading to a scarcity of new equity for existing deals or reinvestments could result in more forced sales, adding to the market's challenges.

**€8.7 billion assets transacted in Romania between 2014 - 2023 out of which €1.6 billion acquired by Romanian investors**

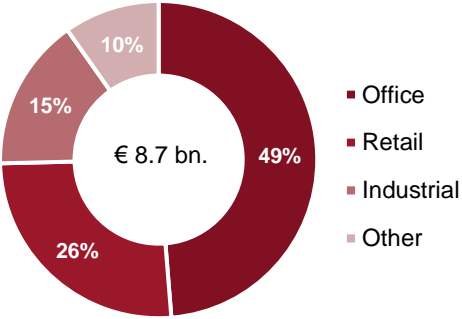
**MAJOR REAL ESTATE INVESTORS**

COMPANY	PORTFOLIO VALUE (BILLION)	COUNTRY OF ORIGIN	PROFILE	SECTORS
 NEPI ROCKCASTLE	€ 2.7	South Africa	Investor & Developer	Retail Residential
 ctp	€ 1.8	Czechia	Investor & Developer	Industrial
 CPI Property Group	€ 1.7	Czechia	Investor & Developer	Office Retail
 globalworth PPP	€ 1.5	LSE listed	Investor & Developer	Office Industrial
 AFI EUROPE	€ 1.3	Israel	Investor & Developer	Office Retail Residential
 IULIUS ATTERBURY EUROPE	€ 1.2	Romania, South Africa	Investor & Developer	Office Retail Residential

**INVESTORS' ORIGIN (2014 – 2023)**



**MARKET SECTORS (2014 – 2023)**



Source: Cushman & Wakefield Echinox Research



OFFICE

*Tiriac Tower  
CBD, Bucharest*

# OFFICE

## Key figures 2023

	BUCHAREST	REGIONAL CITIES
TOTAL STOCK (SQ. M)	3,423,000	1,082,000
TOTAL TAKE-UP (SQ. M)	463,000	37,400
SUPPLY (SQ. M)	110,500	83,000
HEADLINE RENT (SQ. M/ MONTH)	€ 22	€ 12.5 – 17
VACANCY (%)	14.7	12.1

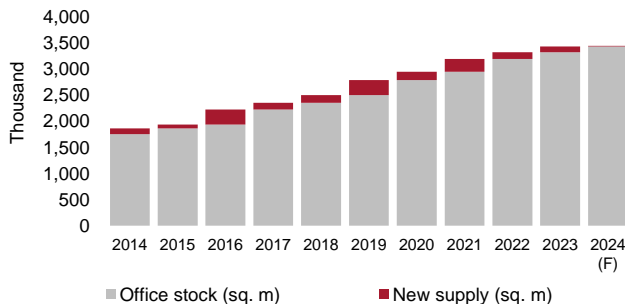
### SUPPLY & DEMAND: Robust transactional activity and a record year overall

The Bucharest office stock stands at 3.42 million sq. m, with the pipeline being very low, as only 2 projects are currently under construction (42,500 sq. m GLA), as a direct consequence of the ongoing urbanistic/permitting issues. Moreover, the total 2023 new supply was of only 110,500 sq. m, the lowest level since 2015. Only one new building is due to be delivered in 2024, as the new supply for this year will be at an all-time low.

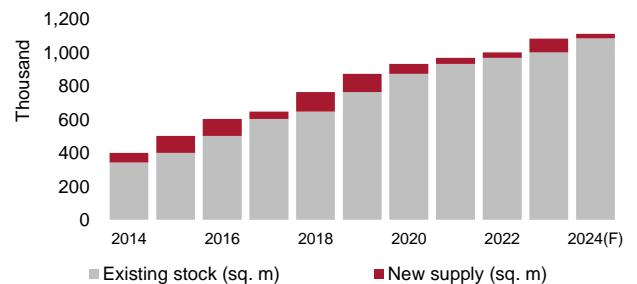
The total stock in the main regional cities (Cluj – Napoca, Iasi, Timisoara and Brasov) is of 1.08 million sq. m, with 83,000 sq. m of those being delivered in 2023.

In terms of demand, the total for 2023 exceeded 463,000 sq. m (+43% y-o-y) in Bucharest, thus setting an all-time annual take-up record in the city, an increase of 19% compared with the previous record of ~390,000 sq. m set in 2019, the year before the Covid-19 pandemic. However, the net take-up had a share of only 46% in the total leased volume in Q4 (44% across 2023), with a vacancy rate of 14.7% being registered in Bucharest at the end of the year.

### BUCHAREST OFFICE STOCK EVOLUTION



### REGIONAL OFFICE STOCK EVOLUTION



Source: Cushman & Wakefield Echinex Research

# OFFICE

## Rents in Bucharest increased by up to 16%, one of the highest growth rates in Europe








Office rents in Bucharest increased by ~16% in 2023, with the prime headline rent in the CBD area reaching €22.00/ sq. m/ month, an increase which also translated to other submarkets.

The prime headline rents in the regional cities have seen only marginal increases, ranging between €12.5 – 14/ sq. m/ month in Brasov, while also reaching levels between €13.5 - 17/ sq. m/ month in Cluj-Napoca, Iasi and Timisoara.

## CEE COMPARISON

CITY	STOCK (SQ. M)	PRIME YIELD (%)	PRIME RENT (€/ SQ. M/ MONTH)
<b>Bucharest</b>	3,423,000	7.25	22.00
<b>Budapest</b>	4,370,000	6.00	25.00
<b>Prague</b>	3,914,000	5.50	28.50
<b>Warsaw</b>	6,230,000	5.75	24.50

## MAJOR OFFICE OWNERS

COMPANY	COUNTRY OF ORIGIN	PORTFOLIO (SQ. M)
 globalworth PPP	LSE listed	450,000
 DEDEMAN	Romania	348,000
 CPI Property Group	Czechia	283,000
 AFI EUROPE	Israel	248,000
 IULIUS  ATTERBURY EUROPE	Romania, South Africa	230,000
 GENESIS PROPERTY	Romania	150,000



# 04

## RETAIL

# RETAIL

## Key figures 2023

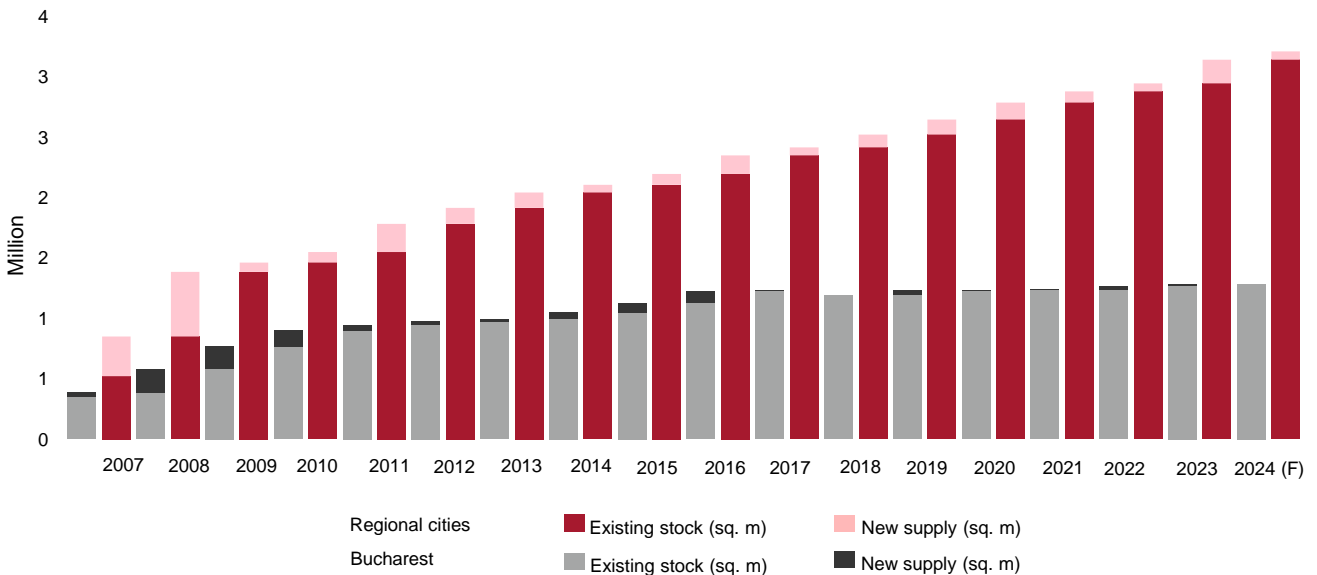
	BUCHAREST	OUTSIDE BUCHAREST
TOTAL STOCK (SQ. M)	1,322,000	3,133,000
NEW SUPPLY (SQ. M)	16,300	196,300
UNDER CONSTRUCTION (SQ. M)	53,400	182,200
HEADLINE RENT (SQ. M/ MONTH)	€ 80 - 85	€ 30 - 65

### SUPPLY & DEMAND: Record new supply in Q4, consistent development activity due in 2024

Developers completed 11 retail projects in 2023, totaling approximately 215,000 sq. m, a record level during the past 7 years, with retail parks having a 60% share, with cities such Bucharest, Craiova, Alba Iulia, Arad, Giurgiu, Vaslui benefiting from such investments. The plans for the next 5 years are also consistent, given that more than 500,000 sq. m of retail spaces are currently under construction or in different planning stages.

New retail schemes or major extensions will be added mainly outside Bucharest in Cluj - Napoca, Iasi, Sibiu, Pitesti, Bacau or Galati, with MAS RE - Prime Kapital, NEPI Rockcastle and Iulius Group having the strongest pipeline on the short and medium term.

### ROMANIA – MODERN RETAIL STOCK EVOLUTION (SQ. M)



# RETAIL






## Flat Rental Levels

The prime shopping center rent in Bucharest stabilized in 2023, to a level of €80 - 85/ sq. m/ month for a 100 - 150 sq. m unit located in a dominant shopping center, while the corresponding figures in secondary cities, such as Cluj - Napoca, Timisoara, Iasi and Constanta remained flat, ranging between €50 – 65 / sq. m/ month, the same situation being observed in tertiary locations, where levels between €30 – 35/ sq. m/ month were recorded.

## CEE COMPARISON

COUNTRY	STOCK (SQ. M)	PRIME YIELD (%)	PRIME RENT (€ / SQ. M / MONTH)	DENSITY (SQ. M / 1,000 INHABITANTS)
<b>Romania</b>	4,455,000	7.25	85	233
<b>Hungary</b>	3,001,000	7.00	95	307
<b>Czechia</b>	3,837,000	6.00	142	362
<b>Poland</b>	13,206,000	6.45	130	346

## MAJOR RETAIL OWNERS

COMPANY	COUNTRY OF ORIGIN	PORTFOLIO (SQ. M)
 NEPI ROCKCASTLE	South Africa	933,000
 MAS Prime Kapital	South Africa	350,000
 IULIUS ATTERBURY EUROPE	Romania, South Africa	298,000
 CPI Property Group	Czechia	263,000
 AFI EUROPE	Israel	198,000



# INDUSTRIAL & LOGISTICS

# INDUSTRIAL & LOGISTICS

## Key figures 2023

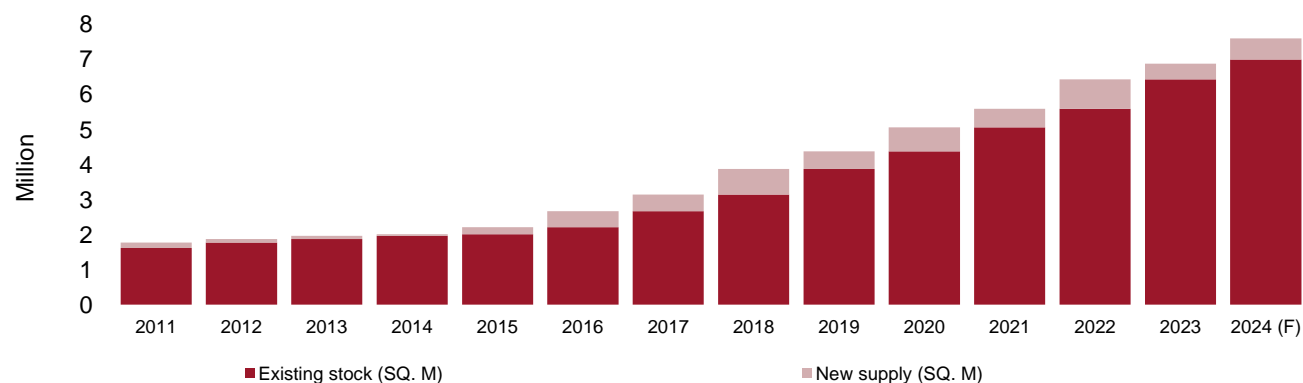
	BUCHAREST	OUTSIDE BUCHAREST
TOTAL STOCK (SQ. M)	3,484,000	3,519,000
NEW SUPPLY (SQ. M)	223,600	228,600
UNDER CONSTRUCTION (SQ. M)	102,000	503,400
HEADLINE RENT (SQ. M/ MONTH)	€ 4.70	€ 4.65
GROSS TAKE-UP (SQ. M)	490,200	523,000
VACANCY (%)	5.4	4.5

### SUPPLY & DEMAND: The total stock exceeds 7 million sq. m nationwide

2023 was a strong year for the industrial market, as the segment registered a consistent activity both in terms of supply and demand. The total yearly take-up surpassed 1 million sq. m, in line with the levels reported in the 3 years beforehand, while the annual development activity reached 452,000 sq. m.

Bucharest attracted 48% of the total take-up in 2023, with Timisoara (121,600 sq. m) being the only other location with a demand exceeding 100,000 sq. m throughout the year. Logistics and distribution operators were the most active players on the market, with 300,000 sq. m. of warehouse spaces being leased, followed by automotive (106,000 sq. m), retail, e-commerce and FMCG companies with 93,000 sq. m and pharma (41,000 sq. m). In addition, developers have announced the delivery of more than 500,000 sq. m of new industrial and logistics parks in 2024, with the Bucharest – Ilfov region accounting for 180,000 sq. m, followed by the West (144,000 sq. m) and Central (105,000 sq. m) regions.

### ROMANIA INDUSTRIAL & LOGISTICS STOCK EVOLUTION (SQ. M)



# INDUSTRIAL & LOGISTICS

## *Slight rental upward movements*







The prime headline rents in Bucharest and in the main industrial & logistics destinations in Romania increased at levels ranging between €4.30 - €4.70/ sq. m/ month in 2023, an upward trend which is expected to continue going forward.

Speculative development is due to slow down, partly as a result of the developers' cautious approach aimed at preventing market oversupply following the new demand deceleration. Challenges such as higher financing costs, increasing yield levels and difficulties in securing capital for development led to less deliveries of new spaces in 2023.

## CEE COMPARISON

COUNTRY	STOCK (SQ. M)	PRIME YIELD (%)	PRIME RENT (€ / SQ. M / MONTH)
<b>Romania</b>	7,003,000	7.40	4.70
<b>Hungary</b>	5,091,000	6.75	5.90
<b>Czechia</b>	11,708,000	5.25	7.75
<b>Poland</b>	31,695,000	6.25	6.50

## MAJOR RETAIL OWNERS

COMPANY	COUNTRY OF ORIGIN	PORTFOLIO (SQ. M)
	Czechia	2,652,000
	Belgium	1,370,000
 	LSE listed, Romania	390,000
	Singapore	380,000
	China	257,000



06

RESIDENTIAL

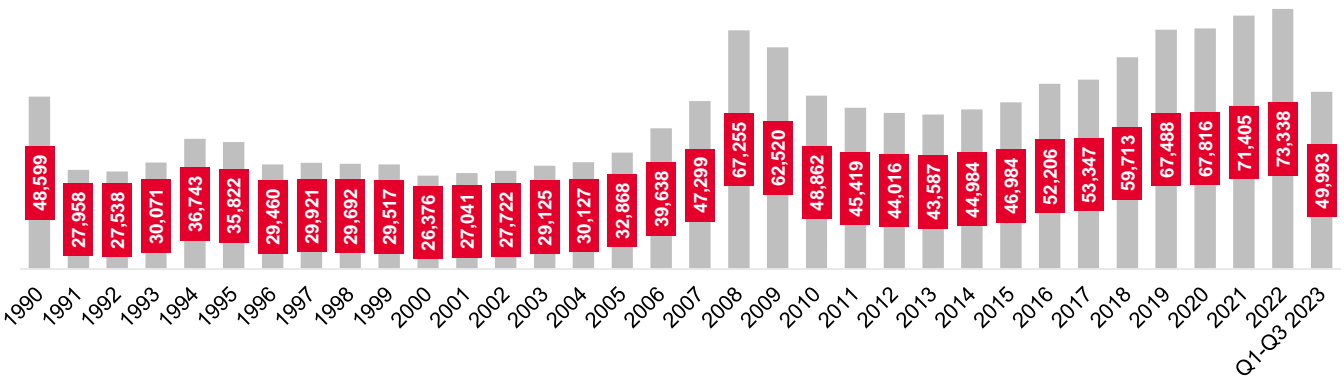
# RESIDENTIAL

## Supply overview

1.48 million new dwellings were delivered in Romania in the 1990 – 2023 period, with an average of around 44,000 per year. This total pertains to only 15% of the existing stock in Romania at the end of September 2023, thus being significant room for a consistent pace of further new deliveries in the next decade, in order to gradually replace the older stock.

In 2023, the development activity slowed down due to the increasing financing costs and elevated inflation. In total, 720,000 units were completed in the 2011 – 2023 period and therefore around 50% of the post-communism deliveries were finalized after the financial crisis of 2009 – 2010.

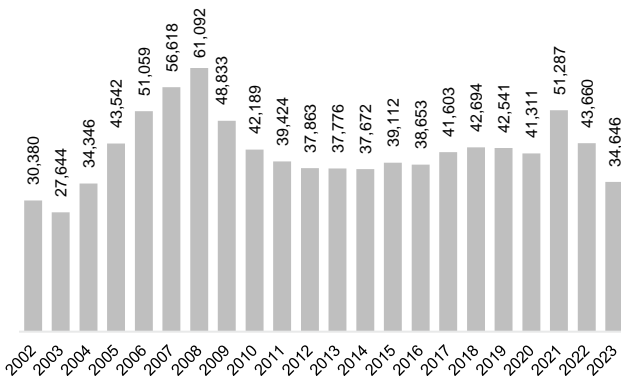
### NEW DWELLINGS DELIVERIES IN ROMANIA (1990 - 2023)



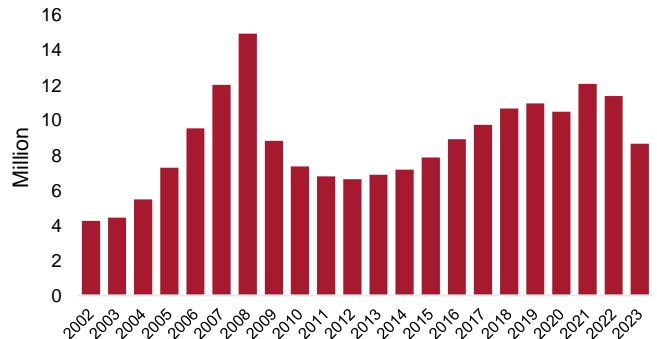
The housing stock in Romania was of 9,705,678 at the end of September 2023, a rate of 509 dwellings per 1,000 inhabitants taking into account the effectively resident population at the beginning of the same year.

On average, around 40,600 building permits were issued annually in Romania in the 2011 – 2023 period, as the peak total of 61,092 (14.95 million sq. m in total) in 2008 has not been reached afterwards, while less than 35,000 permits totaling 8.67 million sq. m were issued in 2023.

### BUILDING PERMITS ISSUED ROMANIA – BY NUMBER



### BUILDING PERMITS ISSUED IN ROMANIA – TOTAL SQM USABLE AREA



Source: National Institute of Statistics

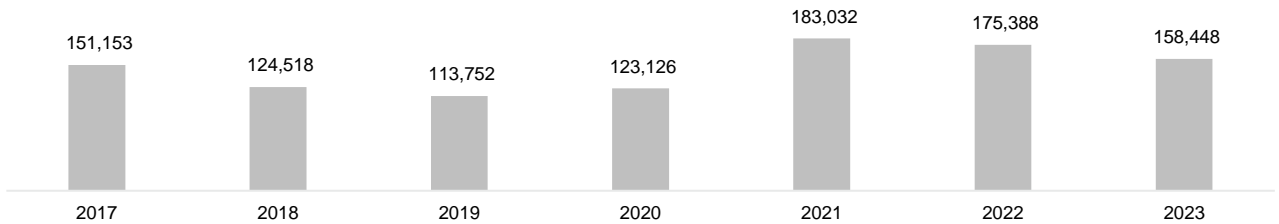


# RESIDENTIAL

## Demand overview

1,029,417 real estate transactions involving individual units (apartments or houses) were closed in Romania in the 2017 – 2023 period. The residential market had also seen the initial effects of the Covid-19 pandemic during Q2 2020, but it quickly rebounded in the second part of that year. This positive trend went forward in 2021 and 2022 as well, thus illustrating the housing market's overall appeal which is the direct result of a relatively high affordability when compared with other CEE countries. However, this positive outlook has been impacted by the interest rate increases which had dominated the market in 2023, but gradual interest rates' downward movements should follow suit in the coming months, thus easing the pressure on homebuyers.

### NUMBER OF REAL ESTATE TRANSACTIONS WITH INDIVIDUAL UNITS IN ROMANIA



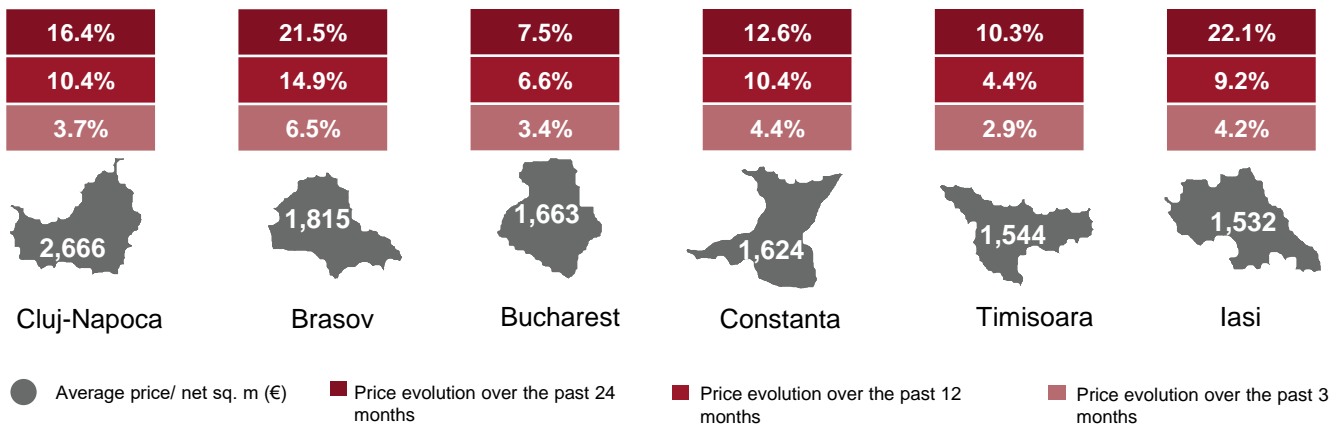
Source: ANCPPI

## PRICE

The residential prices have been constantly increasing during the last couple of years due to the general population purchasing power growth and to the low interest rates before 2022, with demand remaining relatively consistent in the past decade or so..

The average asking price for apartments in Romania was of €1,542 / net (usable) sq. m at the end of February 2023, according to imobiliare.ro, a level which reflects a 6.9% y-o-y increase. Cluj - Napoca has a significant lead in the ranking of the most expensive cities in this regard, while Bucharest occupies only the 3<sup>rd</sup> place in the country, with average asking prices 37.6% and 8.4% lower than in Cluj - Napoca and Brasov respectively.

### PRICE TRENDS IN THE MAJOR CITIES (APARTMENTS FOR SALE)



Source: imobiliare.ro

# 07

HOTEL

# HOTEL

## Supply overview

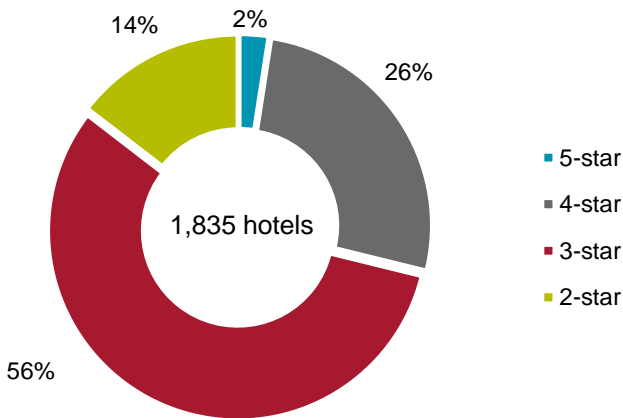
The latest data from the Romanian Ministry of Tourism shows that there were 1,835 registered hotels in the country in February 2024, totaling 111,110 keys. In terms of classification, premium hotels (4 and 5-star) have a share of 28.3% (519 out of 1,835), with Constanta, Brasov, Prahova, Sibiu and Timis counties and also Bucharest (the major touristic hubs in the country) accommodating more than half of the existing 4 and 5-star hotels (263 out of 519). Moreover, only 4% of the existing hotels in Romania are affiliated to an international brand, the lowest level in the region.

While the average hotel occupancy rate across the CEE-6 capitals (Bucharest, Bratislava, Budapest, Prague, Sofia and Warsaw) in 2023 lagged 2019 by 9%, the ADR surpassed it by 23%, resulting in a 12% RevPAR growth. Moreover, despite the lingering impact of the pandemic, the hotel market in Bucharest is showing high levels of resilience, as its hotels managed to catch up in 2023 with the 2019 RevPAR values, primarily due to a strong boost in ADR.

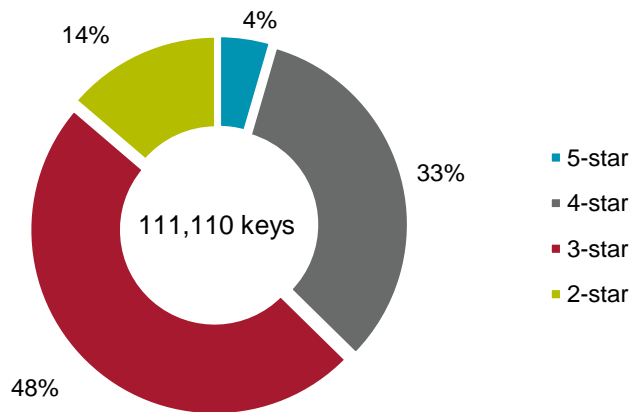
The positive trajectory of key performance indicators and the promising investment announcements for the coming years are poised to encourage both Romanian and foreign investors to consider Bucharest's hotel market for capital placement. Over the past few years, the hotel market in Bucharest has experienced a moderate annual average growth in terms of new supply, of only 0.9% between 2019 and 2023.

This modest trend was primarily influenced by the cancellation of PUZ (Zonal Urban Plans) and by the overall urbanistic issues at municipality level. In 2024, two new hotels with a total of 90 rooms will open and an estimated average annual growth rate of 4.1% in the number of rooms is expected this year and in 2025.

**DISTRIBUTION OF HOTELS BY CLASSIFICATION**



**PERCENTAGE OF HOTEL CAPACITY BY CLASSIFICATION**



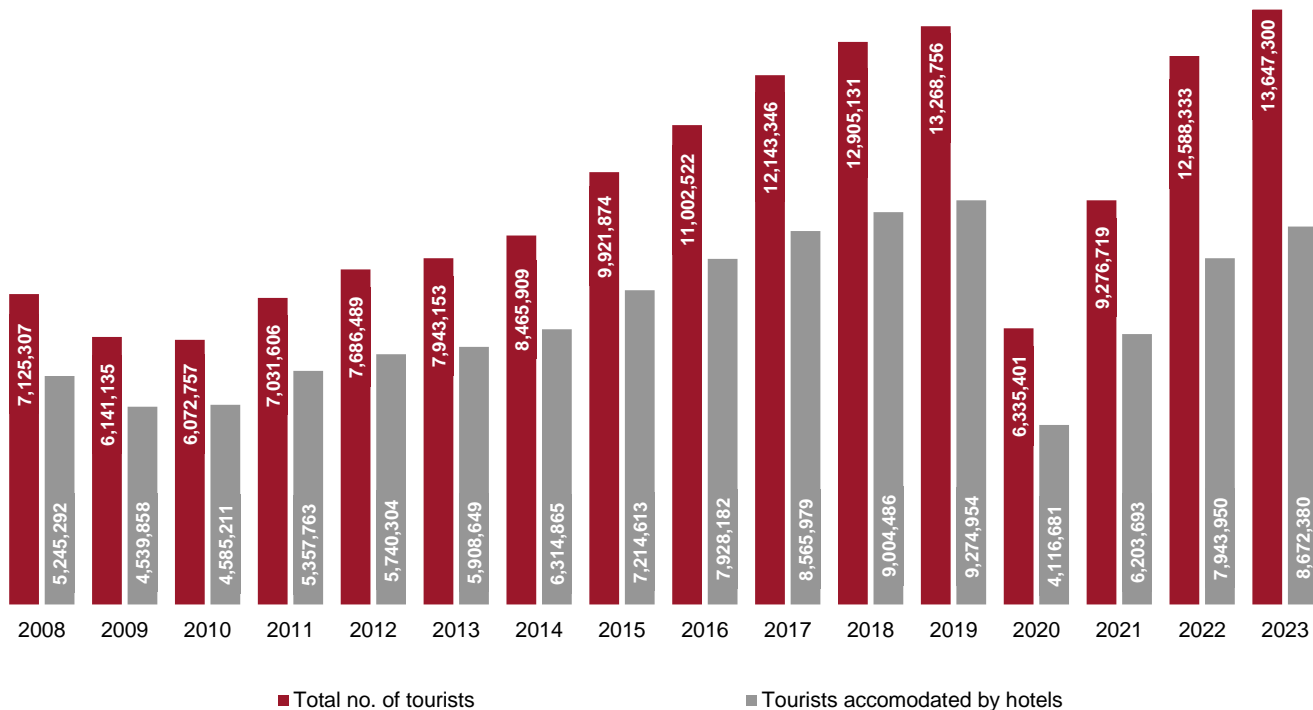
# HOTEL

## Demand overview

An analysis covering the period since 2008 shows that the number of tourists who spent at least one night in the tourist accommodation units in Romania more than doubled from 2009 (6.14 million) to 2019 (13.27 million). Although the economic crisis that peaked in 2009 - 2010 caused a significant decrease (one million fewer tourists in 2009 and 2010 than in 2008), the Romanian tourism had afterwards witnessed an important development, mainly due to the increasing purchasing power of the Romanian citizens, while also being able to attract a larger number of foreign tourists.

The number of tourists who preferred to stay in hotels had also doubled in the same period from 4.54 million in 2009 to 9.27 million in 2019. However, the Covid-19 pandemic resulted in a drastic 56% decrease in the number of tourists accommodated by hotels in Romania in 2020 and also in an overall decrease of 52% in terms of total tourists. In 2022, there have been strong signs of recovery, as increases of 28% and 93% in the number of hotel tourists have been recorded compared with 2020 and 2021, an upward trend which continued in 2023, when a peak total of 13.64 million tourists was reached, out of which 8.67 million (63.5%) chose hotels.

## THE NUMBER OF TOURISTS ARRIVING AT ACCOMMODATION UNITS IN ROMANIA 2008 - 2023



Source: National Institute of Statistics



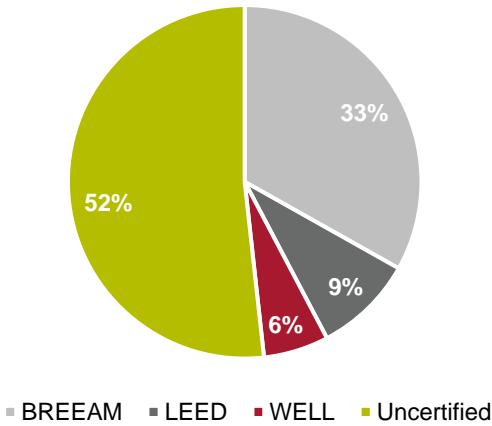
08

ESG

# ESG

## Market overview

### NUMBER OF ASSETS BY TYPE OF CERTIFICATION



\*we did not include the following certification systems: Fitwel, Wirescored/Smartscored, Edge, GreenGlobes

\*\*the reference area consists of class A assets completed after 2009 (in total about 1,300 assets considered)

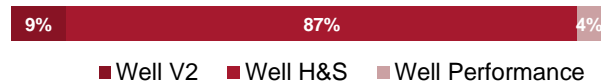
### BREEAM



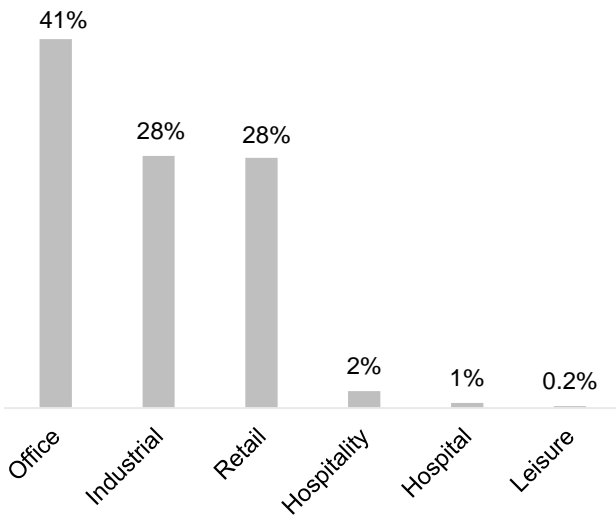
### LEED



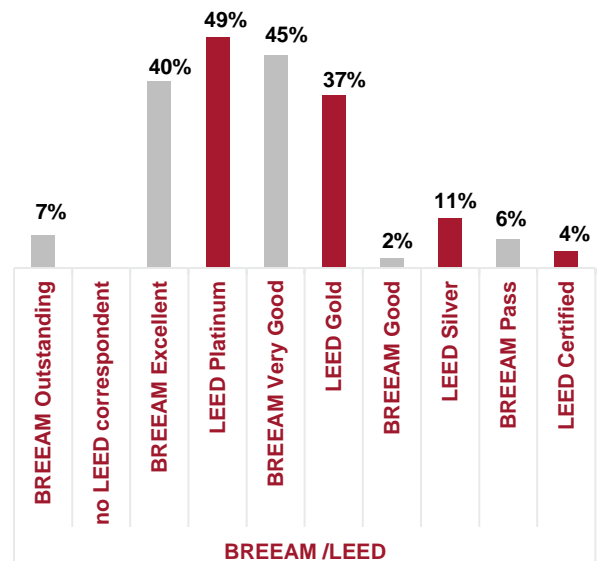
### WELL



### BREAKDOWN ON ASSET SEGMENT



### BREAKDOWN ON CERTIFICATION RATING



November 2023 status



# 09

## INFRASTRUCTURE

*Dragan - Floroiu Dam  
Cluj*

# INFRASTRUCTURE

## Road infrastructure

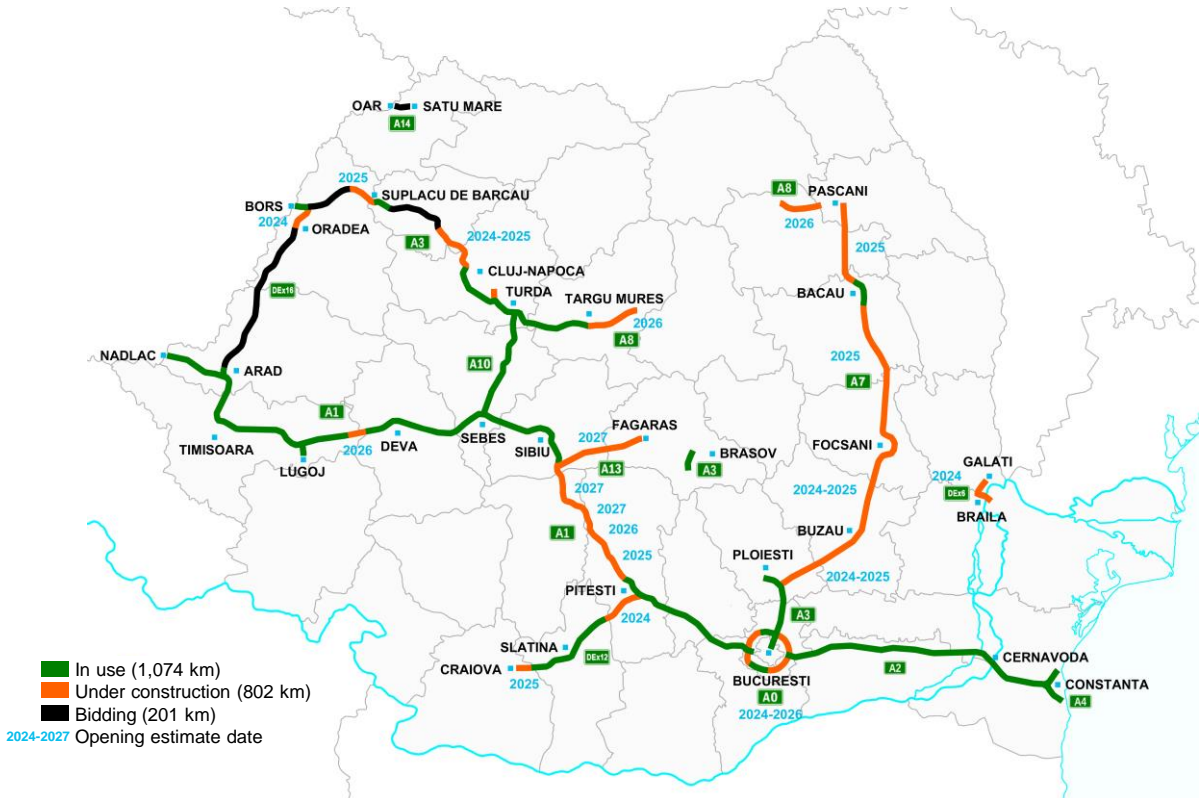
At the end of 2022, the public roads in Romania totaled 86,336 km: 17,582km (20.4%) national roads, 35,132 km (40.7%) county roads and 33,622 km (38.9%) local roads. There are 14 major European Roads (also having National Road designation) crossing Romania and 7 other National Roads.

1,074 km of highways are also in operation at the moment, with other 802 km also being under construction and expected to be completed by the end of this decade.

The highway system has developed massively since joining the European Union in 2007 (from 228 km at the end of 2006 to 1,074 km at the end of 2023), a trend expected to continue going forward taking into account the highway projects under construction or in different tendering processes.

### HIGHWAY DEVELOPMENT IN ROMANIA (2009 – 2023)

Highway system (km)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	321	332	350	550	644	683	747	747	763	823	866	920	931	949	1,074



Source: Eurostat, National Institute of Statistics, National Commission for Prognosis, © 130 km.ro



# INFRASTRUCTURE

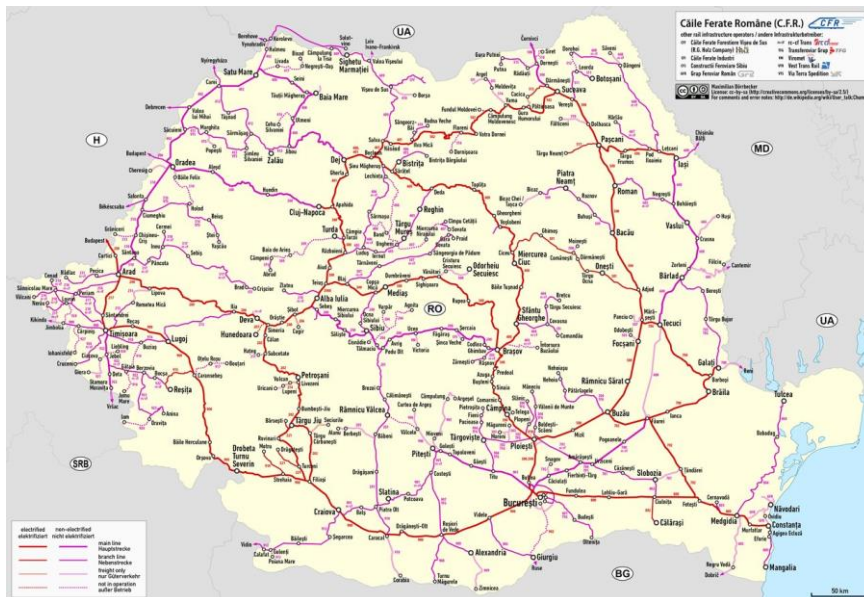
## Railway infrastructure

The railway system in Romania consists of 10,615 km out of which 4,032 (38%) were electrified at the end of 2022. There are 9 major railway routes in the country and Romania has railway connections with each of its neighbors (Hungary, Bulgaria, Serbia, Ukraine and Moldova).

### RAILWAY SYSTEM DEVELOPMENT BY REGION

REGION	TOTAL RAILWAY SYSTEM (KM)	ELECTRIFIED RAILWAYS (KM)	ELECTRIFIED RAILWAYS %
North - West	1,636	316	19.3
Center	1,438	649	45.1
North – East	1,458	604	41.4
South – East	1,274	545	42.8
South - Muntenia	1,511	490	32.4
Bucharest - Ilfov	372	227	61.0
West	1,922	670	34.9
South – West Oltenia	1,004	531	52.9

### MAP OF THE ROMANIAN RAILWAY NETWORK



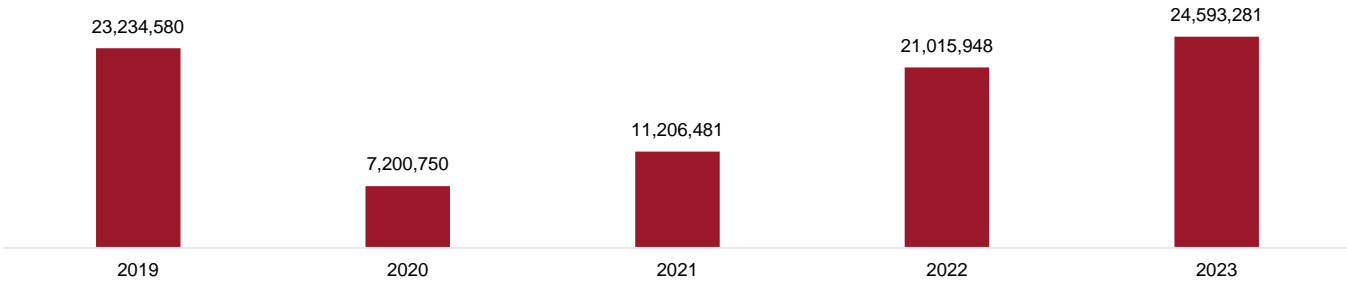
Source: Eurostat, National Institute of Statistics, National Commission for Prognosis

# INFRASTRUCTURE

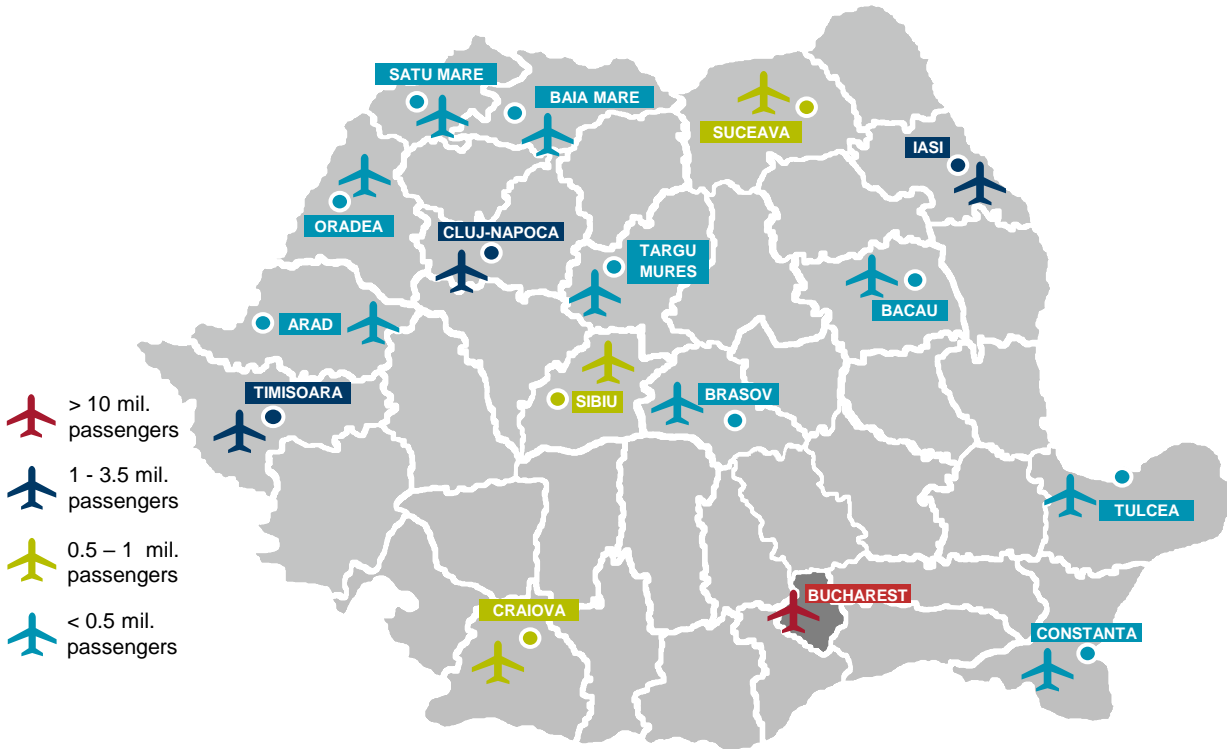
## Airport infrastructure

Romania has a well-developed airport infrastructure when compared with other countries in Eastern Europe, which however still lags behind the Western European standards. There are 16 commercial airports in service today, all of them opened for international traffic. The number of passengers increased by 155% from 2009 to 2023, when 24.6 million passengers transited the Romanian airports, 6% more than in 2019 and all-time record.

### AIRPORT PASSENGER TRAFFIC 2019 – 2023 IN ROMANIA



### MAP OF ROMANIAN AIRPORTS



Source: The Romania Airport Association



# 10

LABOUR MARKET

# LABOUR MARKET

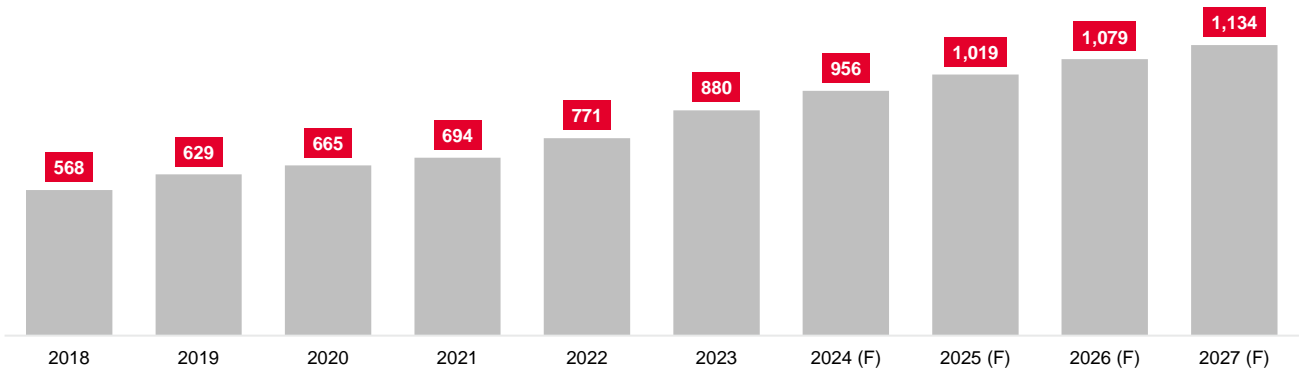
**The number of employees in Romania has been on an upward trend since the 2009 - 2010 financial crisis**

The net monthly average wage recorded an impressive 55% growth between 2018 and 2023 during a period when the corresponding total inflation was of 40%. Furthermore, an increase of 29% is expected until 2027, a level still higher than the forecasted total inflation of 16% during the same analyzed timeframe.

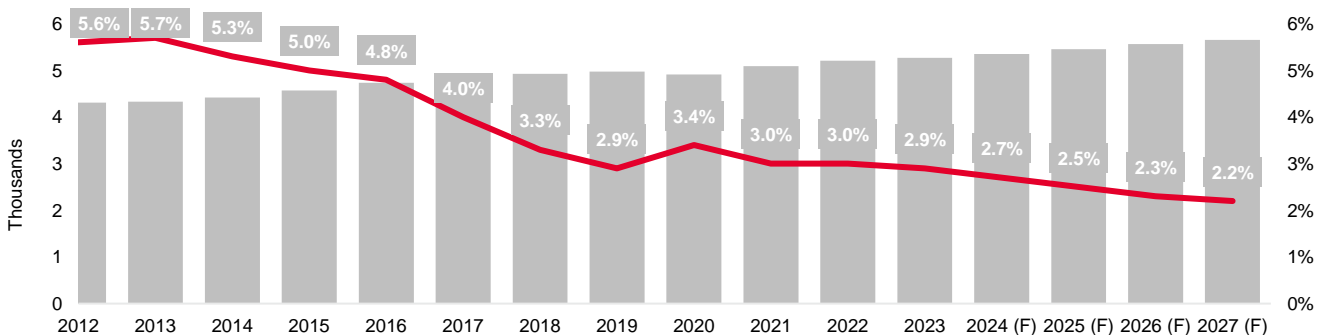
Therefore, the total workforce in the country recorded a 22% increase in 2023 vs 2013. The 5-million employees threshold has been reached once again and around 400,000 new employees could be absorbed by the market by 2027, according to the National Commission for Prognosis.

As a consequence, the overall unemployment rate has decreased significantly from a level of 5.7% in 2013 to 2.9% at the end of 2023. Moreover, this trend is forecasted to remain constant, with 2.2% being the expected unemployment rate in 2027.

## YEARLY EVOLUTION AND FORECAST OF THE NET MONTHLY AVERAGE WAGE (2018 – 2027F) (€)



## YEARLY EVOLUTION AND FORECAST OF THE NUMBER OF EMPLOYEES (000'S) AND UNEMPLOYMENT RATE (%) IN ROMANIA (2012 – 2027F)



Source: National Commission for Prognosis, National Institute of Statistics



# 11 GRANTS & INCENTIVES

# GRANTS & INCENTIVES

The state aid budget for the 2023 - 2027 period estimated at €300 million

## Investment of minimum €1 million (GD 807/ 2014)

- Construction of new buildings
- Renting costs for existing buildings
- CAPEX aimed at technical installations and tools
- Acquisition of intellectual property

## Creation of minimum 100 jobs\* regardless of the investment location (GD 332 / 2014):

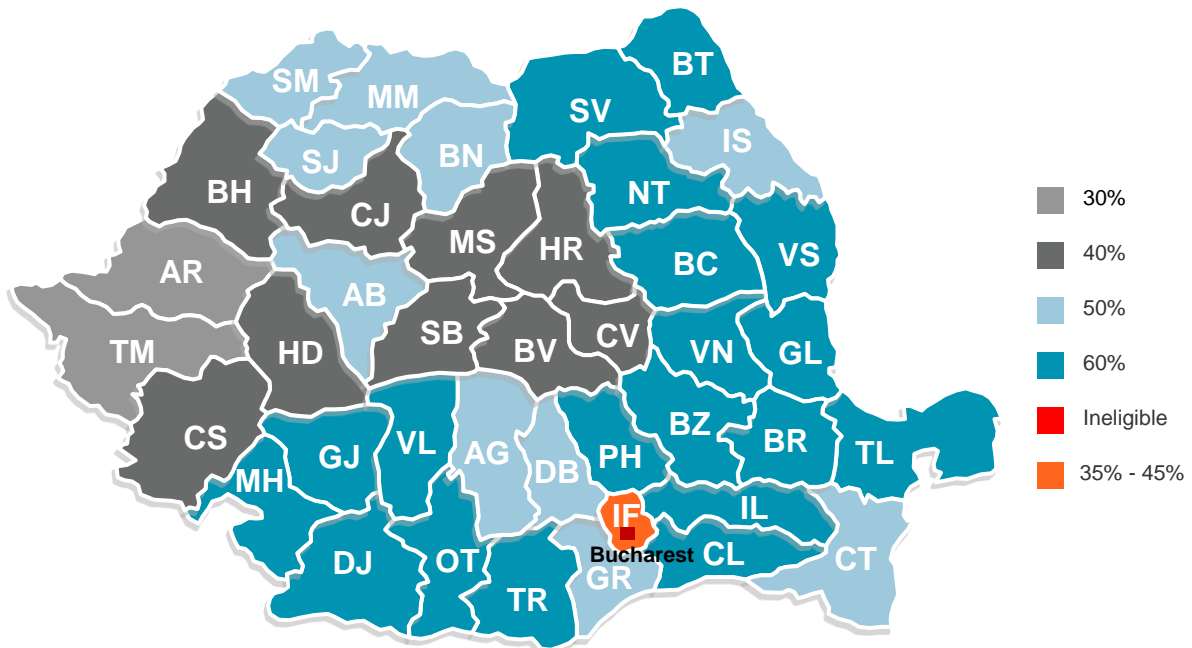
- Salary costs for a consecutive 2-year period resulted as a direct consequence of the investment
- Salary costs are comprised of the gross average annual salary plus benefits

*\*in different locations of the investment*

## Supporting investments in the manufacturing industry of minimum €3 million (GD 959 / 2022)

- Starting a new unit
- Expanding the capacity of an existing unit
- Diversifying the production of a unit through products that were not previously manufactured in the unit
- Fundamental change of the general production process of an existing unit
- Creating new jobs

## THE MAXIMUM STATE AID INTENSITY DIFFERS FROM ONE DEVELOPMENT REGION TO ANOTHER



Source: Ministry of Finance



# TAX REGIME

# TAX REGIME

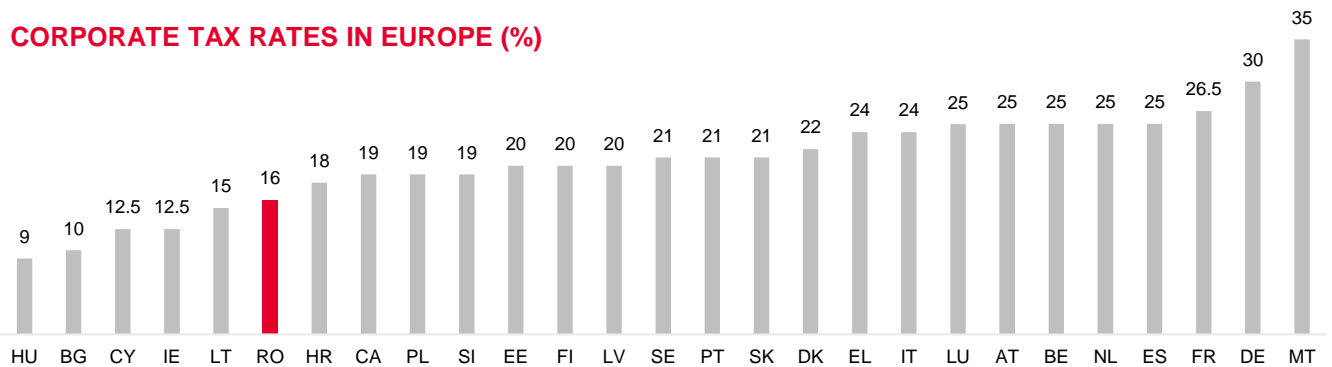
**Romania has one of the lowest taxation levels in the European Union**

## CORPORATE INCOME TAX

The standard corporate income tax rate of 16% has remained constant over the last 17 years, being one of the lowest in Europe, well below the EU 27 average of 20.7%.

Moreover, the current withholding tax rate in Romania is 8%, also one of the lowest on the continent. Nonresidents may be eligible for a reduced rate under DTTs (double tax treaty).

### CORPORATE TAX RATES IN EUROPE (%)



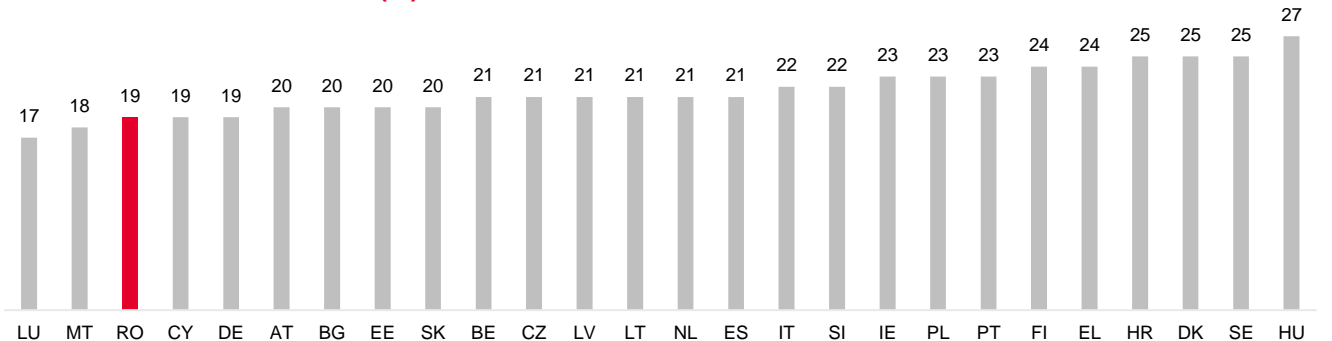
Source: Adecco Romania

## VAT

The standard VAT rate is 19%. It has been reduced twice in the last decade, from 24% to 20% initially in 2016 and then to 19% in 2017, remaining constant over the last 7 years. A reduced rate of 9% applies to food, water supply and sewerage, water for irrigation in agriculture, fertilizers and pesticides used in agriculture, seeds and other agricultural products for sowing or planting, medicines for human and veterinary use, medical equipment for disabled persons, etc.

An extra-reduced rate of 5% applies to newspapers, magazines, admission fees to castles, museums, zoos and botanical gardens, theatres, fairs, exhibitions and cultural events, transport of persons for tourism purposes, etc.

### STANDARD VAT IN EUROPE (%)



Source: Adecco Romania



# TAX REGIME

## TURNOVER TAX RATES FOR MICRO – ENTERPRISES

The turnover tax rates used for micro - enterprises are:

1% of revenues for those with receipts of less than €60,000/ year

3% for those with receipts of more than €60,000/ year (up to €500,000/ year) or operating in certain sectors (IT, HoReCa, a series of legal activities, medical assistance, or dentistry, etc.).

## PERSONAL INCOME TAX

The standard personal income tax rate is 10% (with few variations and exceptions). It has been reduced twice during the 2004 - 2021 period, from 40% to 16% in 2005 and then to 10% in 2018.

## EU MEMBER STATES TAX RATES FOR 2023

COUNTRY	CORPORATE TAX RATES (%)	INDIRECT TAX* (%)	SOCIAL SECURITY (EMPLOYER) TAX RATES (%)	INDIVIDUAL TAX RATES (%)	SOCIAL SECURITY (EMPLOYEE) TAX RATES (%)	WITHHOLDING TAX (%)
Austria	25.0	20.0	21.38	55.0	18.12	27.5
Belgium	25.0	21.0	25.0	30.0	13.07	30.0
Bulgaria	10.0	20.0	19.02	10	13.78	5.0
Croatia	18.0	25.0	16.5	36	20	10.0
Cyprus	12.5	19.0	8.3	35	8.3	0.0
Czechia	19.0	21.0	33.8	22	11	35.0
Denmark	22.0	25.0	0	55.89	0	27.0
Estonia	20.0	20.0	33.8	20	3.6	0.0
Finland	20.0	24.0	20.66	56.95	10.89	30.0
France	26.5	20.0	45.0	45	23	26.5
Germany	30.0	19.0	19.98	45	20.23	26.375
Greece	24.0	24.0	22.54	44	14.12	5.0
Hungary	9.0	27.0	17.0	15.0	18.5	0.0
Ireland	12.5	23.0	11.05	48	4	25.0
Italy	24.0	22.0	30.0	43.0	9.5	26.0
Latvia	20.0	21.0	23.59	31.4	10.5	0.0
Lithuania	15.0	21.0	1.77	20.0	19.5	15.0
Luxembourg	25.0	17.0	15.17	45.78	12.5	15.0
Malta	35.0	18.0	10.0	35.0	10.0	0
Netherlands	25.0	21.0	23.59	49.5	27.65	15.0
Poland	19.0	23.0	22.14	32.0	13.7	19.0
Portugal	21.0	23.0	23.75	48	11	25.0
<b>Romania</b>	<b>16.0</b>	<b>19.0</b>	<b>2.25</b>	<b>10.0</b>	<b>35.0</b>	<b>8.0</b>
Slovakia	21.0	20.0	35.2	25	13.4	35.0
Slovenia	19.0	22.0	16.1	50.0	22.1	15.0
Spain	25.0	21.0	29.9	45	6.35	19.0
Sweden	20.6	25.0	31.42	52.9	7.0	30

\*VAT standards

Source: Adecco Romania

## CONTACT

82-94 BUZEȘTI ST, TIRIAC TOWER, 6<sup>TH</sup> FLOOR  
011017, DISTRICT 1, BUCHAREST, ROMANIA

[cwechinox.com](http://cwechinox.com) | [LinkedIn](#) | [Instagram](#) | [Facebook](#)

### About Cushman & Wakefield Echinox

Cushman & Wakefield Echinox is a leading real estate company on the local market and the exclusive affiliate of Cushman & Wakefield in Romania, owned and operated independently, with a team of over 80 professionals and collaborators offering a full range of services to investors, developers, owners and tenants. Copyright ©2024 Cushman & Wakefield Echinox. All rights reserved.