

REAL ESTATE INVESTORS BAROMETER

Bucharest
2024



Better never settles

INVESTMENT VOLUME REBOUND IN 2024, WITH EXPECTATION OF A FURTHER IMPROVING SENTIMENT

The real estate investment market has seen a clear rebound across YTD 2024, as the transactional volume reached €650 million, a higher level than the volume registered throughout the entire 2023. Industrial had the highest volume share (45%) in the first nine months of the year, followed by retail (30%), Office (21%) and Hospitality (4%).

This report, consisting of investor insights gathered between September 20 and October 20, indicates a more positive outlook for the upcoming twelve months, compared with the last edition. Survey results illustrate positive rental growth expectations and stabilizing occupier demand across major segments.

Moreover, with the investment volumes recovering, a slight majority of investors are forecasting an expansion of their portfolios. Interest rates and inflation, along with geopolitical and macroeconomic uncertainty were indicated as the main risks which could influence demand and rental values.

Investing in sustainability and ESG actions becomes a key factor required to attract and retain tenants, as most respondents indicated tenant requests as the number one motivation to invest in sustainable and eco-friendly buildings.

In this edition, we also surveyed investors about the importance of property asset management services. Many of them prioritize cost efficiency and see it as critical to maintaining profitability, while they also need to stay informed and compliant with evolving laws, which can be time-consuming and costly.



Best regards,

Vlad Saftoiu
Head of Research

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INTRODUCTION

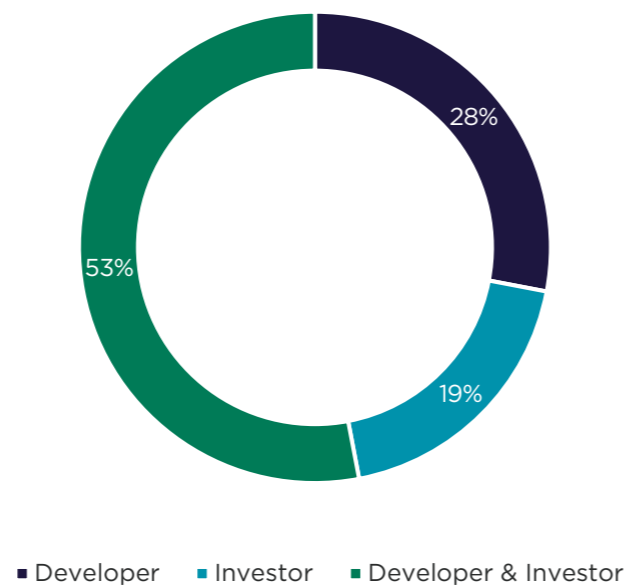
The Real Estate Investors Barometer has been issued since 2022, with the purpose of gathering market sentiment indicators rather than producing scientifically proven data. The annual survey covers different aspects of the commercial property market in Romania.

In this report you can find the results of the latest survey, conducted between September 20 and October 20, 2024.

General sentiment of the 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 local, regional and global investors with a combined real estate portfolio in Romania exceeding €15 billion. Most respondents identified themselves as both investors and developers.

Figure 1
Distribution of respondents



PROPERTY VALUES

Most investors believe their portfolio values will increase in the next 12 months. They have become more optimistic this year compared with last years, as 64% of respondents forecast an increase, while 30% see a stagnation and 6% a decline in portfolio values.

Figure 2
Property Value Expectations

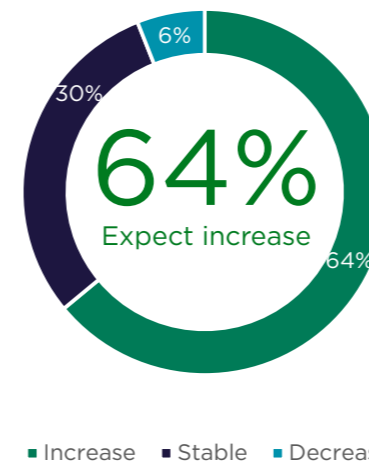
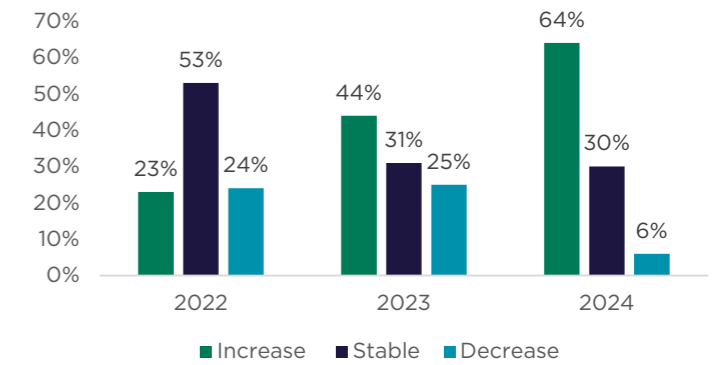


Figure 3
Property Value Expectations Evolution



RIGHT TIME TO INVEST NOW

Bucharest and the secondary markets consolidated their positions as the preferred investment destinations. Almost 80% (compared with 66% in 2023 and 63% in 2022) of respondents indicate Bucharest as their main location for new investments, while 31% (24% in 2023 and 20% in 2022) are actively targeting tertiary locations (cities with less than 200,000 inhabitants). Secondary cities are the also a very attractive investment destination for over 65% of respondents.

Figure 4

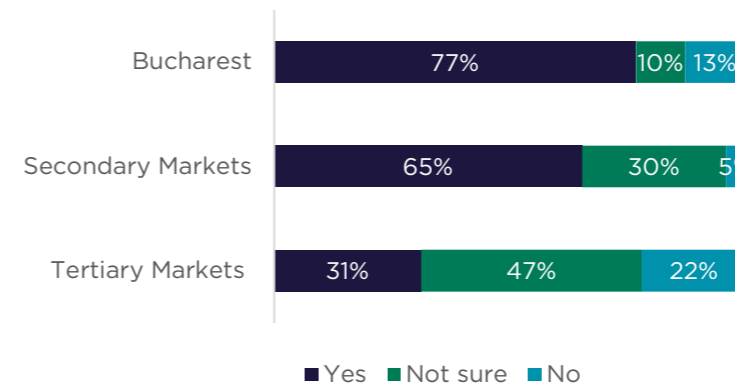
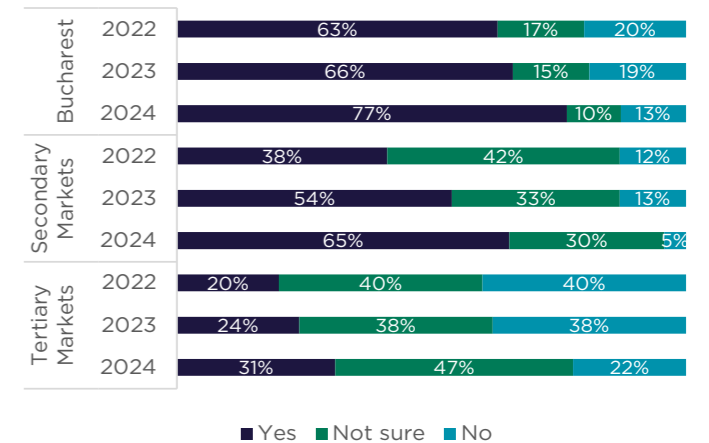


Figure 5



RENTAL LEVELS - OFFICE

The majority of respondents predict an upward movement of office rents. There has also been an increase in terms of the share of respondents indicating a future rental growth compared with 2023 and 2022. While there were some concerns about potential decreases in 2023, the sentiment shifts back to optimism in 2024, suggesting a belief in a long term upward movement of office rents.

Figure 6
Rental Expectations for Office

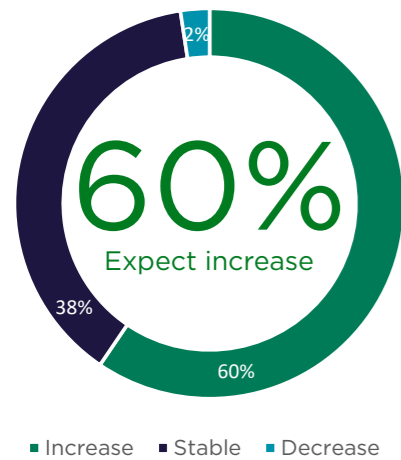
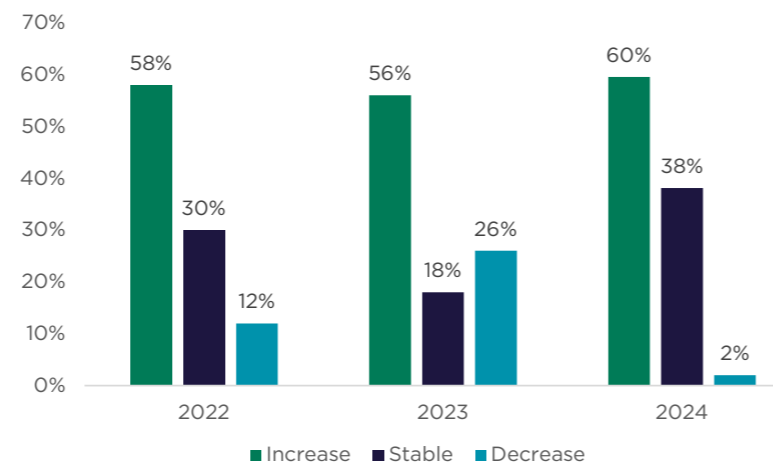


Figure 7
Rental Expectations for Office - evolution



**OFFICE RENTS
ARE DUE TO
INCREASE,
REFLECTING THE
LOW SHORT AND
MEDIUM TERM PIPELINE**

RENTAL LEVELS INDUSTRIAL & LOGISTICS

There has been a strongly positive trend from 2022 to 2024, with most respondents expecting rental increases in Romania's industrial & logistics market, especially in 2023. However, the growth expectations are slightly tempered in 2024, with an increased proportion of respondents predicting stability rather than continuous growth. This suggests that while optimism is high, there is a possible anticipation of market stabilization or slower growth.

Figure 8
Rental expectations for Industrial & Logistics

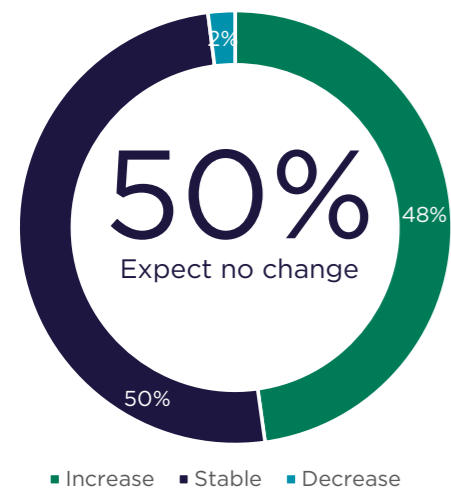
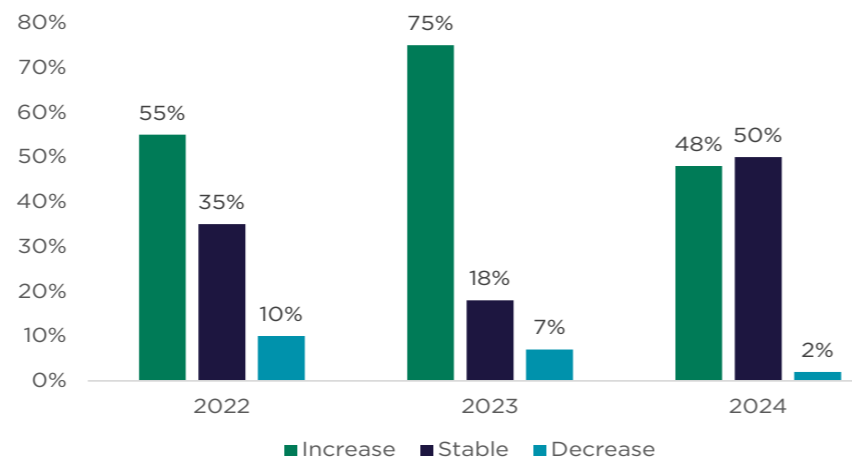


Figure 9
Rental expectations for Industrial & Logistics - evolution



**THE RENTAL LEVELS
FOR INDUSTRIAL &
LOGISTICS SPACES
ARE PROJECTED TO
REMAIN STABLE,
THE INVESTORS'
EXPECTATIONS
INDICATING A
BALANCED SUPPLY
AND DEMAND**

RENTAL LEVELS - RETAIL

The results indicate a positive, but cautious outlook for retail rental rates. While many expect increases, a large number of investors anticipate stability, with the outlook improving each year, with fewer respondents predicting declines. This trend suggests growing confidence in the retail market, possibly fueled by the recovery of demand, increased consumer activity and also by the forecasted overall economic stability.

Figure 10
Rental expectations for Retail

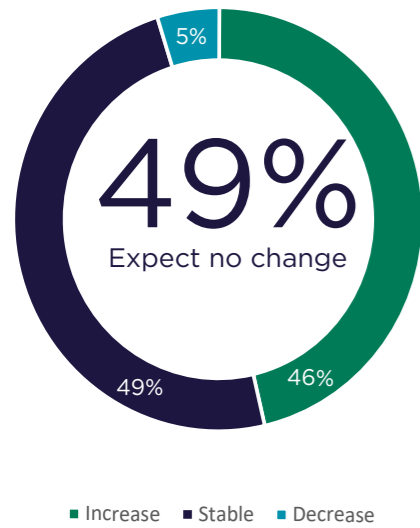
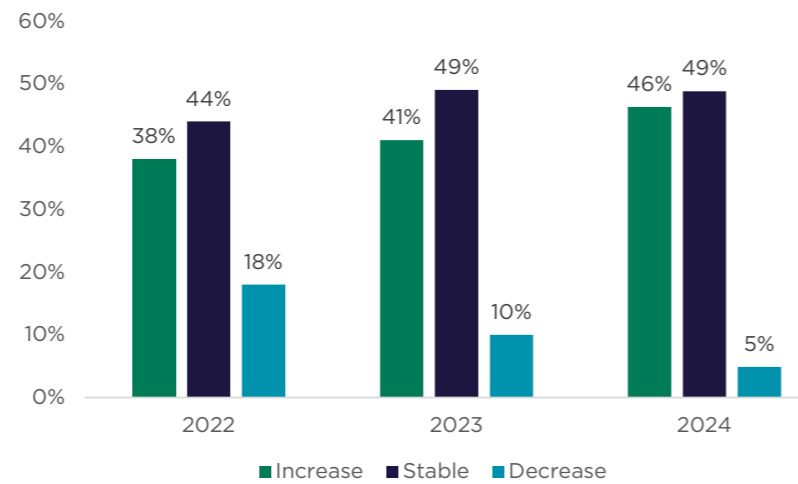


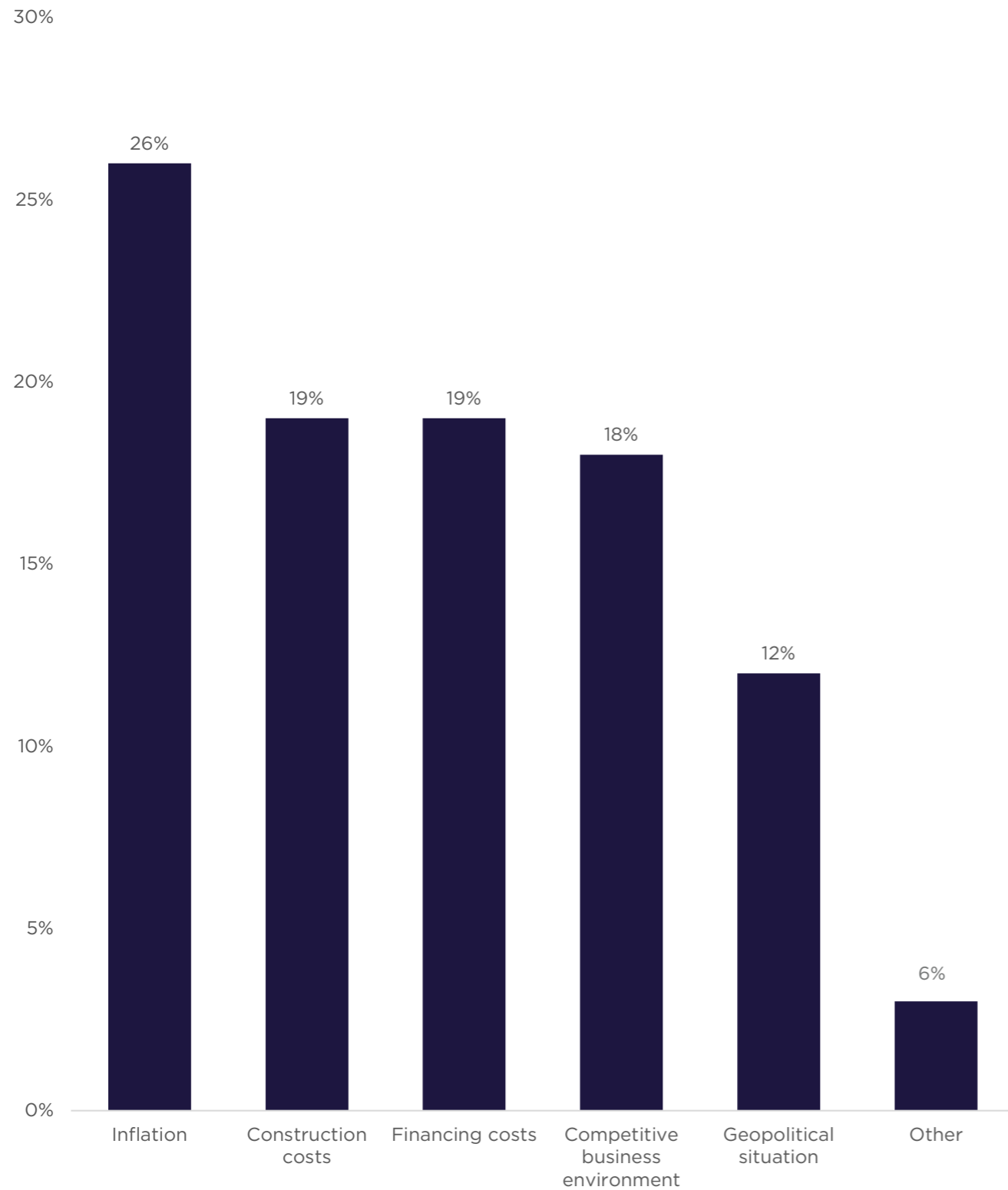
Figure 11
Rental expectations for Retail - evolution



RETAIL RENTAL SENTIMENT IS HIGHLY POSITIVE, IMPLYING CONFIDENCE IN THE PROPERTY MARKET, LIKELY DUE TO STRONG DEMAND AND STEADY CONSUMER SPENDING

MAIN FACTORS WHICH MAY INFLUENCE THE RENTAL LEVELS

Inflation is the main factor which may influence the occupancy costs across the real estate market. Construction and financing costs are also indicated as major risks for the rental levels.



INVESTORS BELIEVE THAT THE INFLATIONARY PRESSURES WILL STILL BE A MAJOR FACTOR DURING THE NEXT 12 MONTHS

The outlook for office occupier demand is somehow stable, with balanced expectations between similar and increasing demand levels, comparable with previous survey results. While demand is steady, the office sector is moving toward consolidation rather than growth, as businesses adapt to the current work models rather than pursuing expansion. In contrast to the present market situation, investors hold a more positive outlook for retail occupier demand compared with the last survey, although most agree that major shifts are now unlikely.

OCCUPIER DEMAND - OFFICE

The outlook for office occupier demand remains cautious. The overall sentiment shows an unexpected stability pertaining to future office leasing transactions. The result reflects a similar outlook compared with the previous survey, in line with the market evolution since the Covid-19 pandemic.

Figure 12
Occupier demand - Office

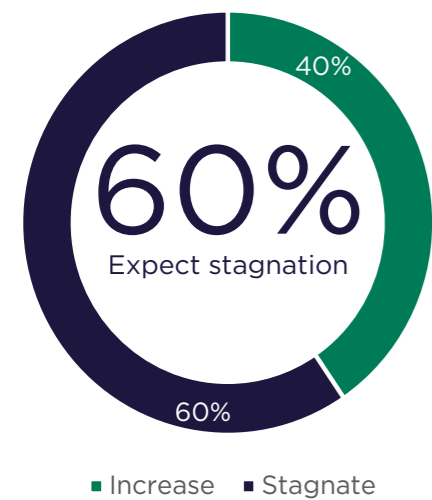
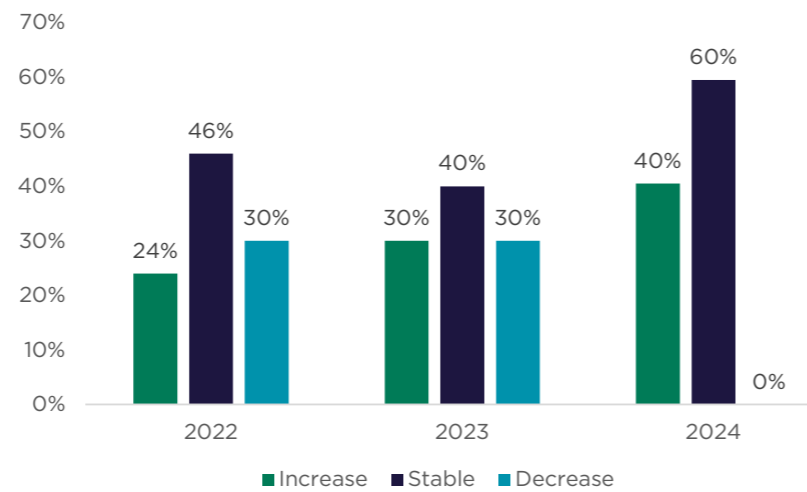


Figure 13
Occupier demand evolution - Office



OCCUPIER DEMAND - INDUSTRIAL & LOGISTICS

While the market activity is still strong, this segment appears to be entering a phase of consolidation rather than continuous expansion. Businesses are adjusting to new levels of demand rather than pursuing aggressive growth.

Figure 14
Occupier demand- Industrial & Logistics

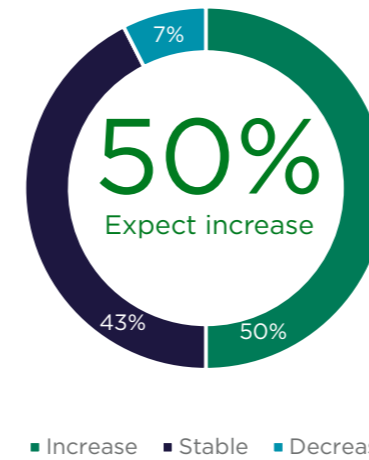
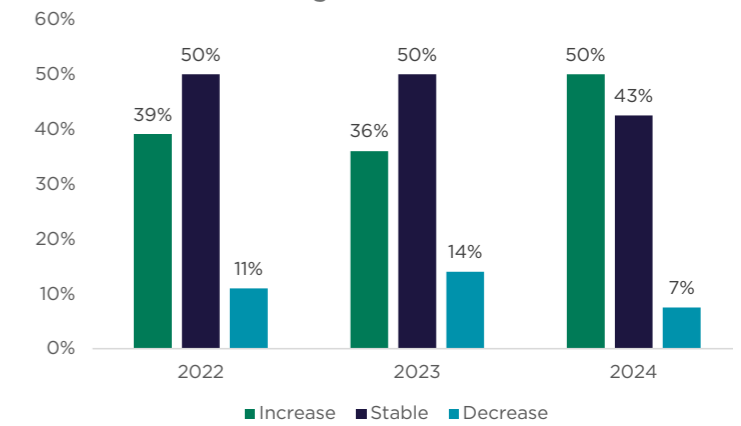


Figure 15
Occupier demand evolution Industrial & Logistics



OCCUPIER DEMAND - RETAIL

The investors predict a positive outlook for the occupier demand of retail spaces, compared with the preceding survey, even though there is not enough expectation of a significant upward movement going forward.

Figure 16
Occupier demand - Retail

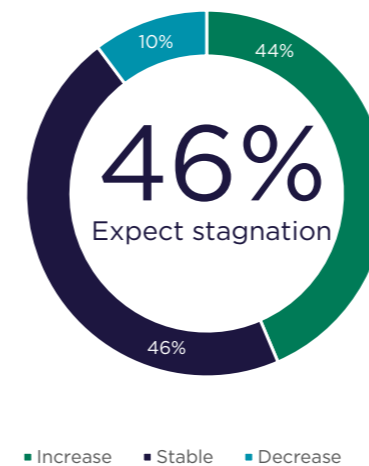
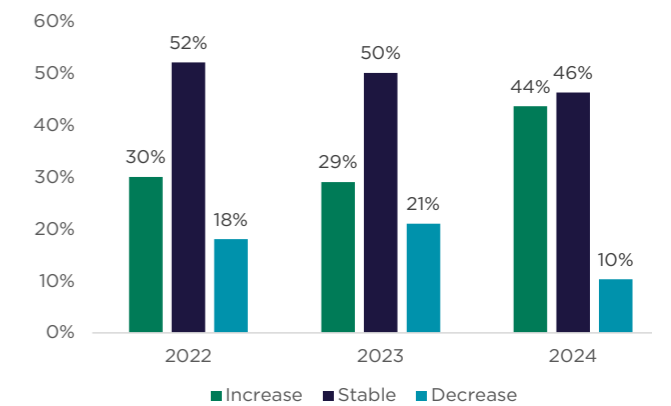
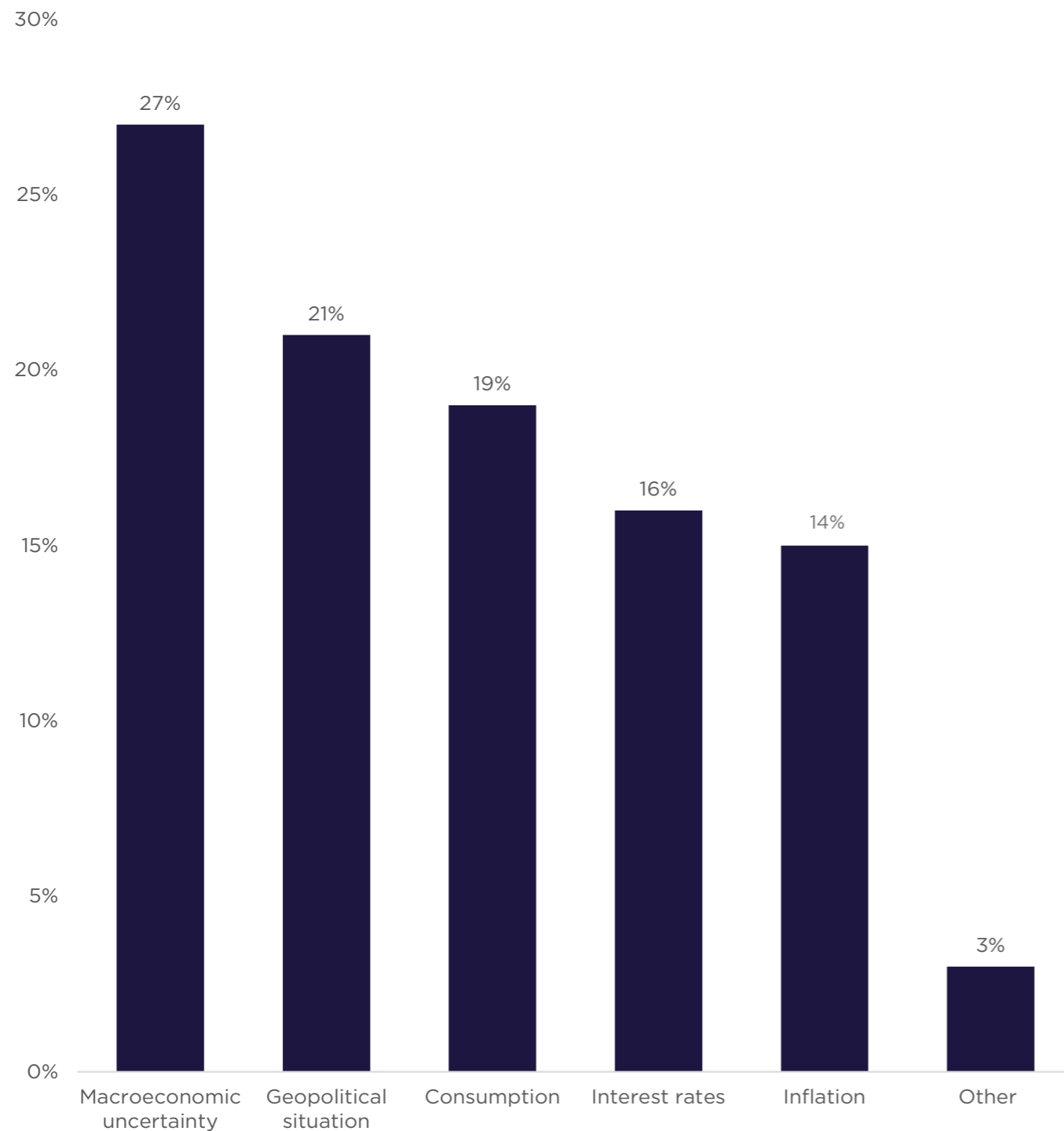


Figure 17
Occupier demand evolution - Retail



MAIN FACTORS WHICH MAY INFLUENCE THE DEMAND EVOLUTION

The top three factors which may influence (in a positive or negative way) the evolution of demand are macroeconomic uncertainty, geopolitical situation and the consumption trends. For comparison, in 2023 the top three factors were geopolitical situation, consumption contraction and interest rates.



INVESTORS ARE CONCERNED ABOUT THE ECONOMIC AND GEOPOLITICAL UNCERTAINTY

Investors are optimistic about the logistics sector and, to a lesser extent, retail, while the sentiment towards offices is more cautious, but gradually improving. Most investors are looking to expand their portfolios, showing confidence in market growth and only a few will downsize. Bank financing is the most common funding source, reflecting more accessible lending conditions, with shareholder loans also playing a role in financing strategies. This outlook suggests an overall positive, albeit selective, investment environment in Romania's commercial real estate market.

FURTHER DEVELOPMENT ACTIVITY

The logistics sector is once again expected to see the best performance, followed by retail. Office remains in the lower end, but it is showing a slightly increasing potential compared with the last survey.

Figure 18
Development potential

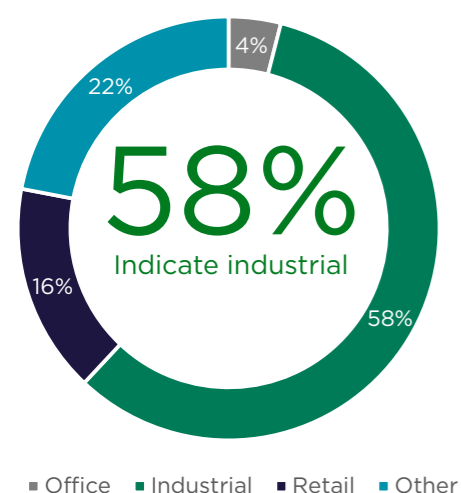
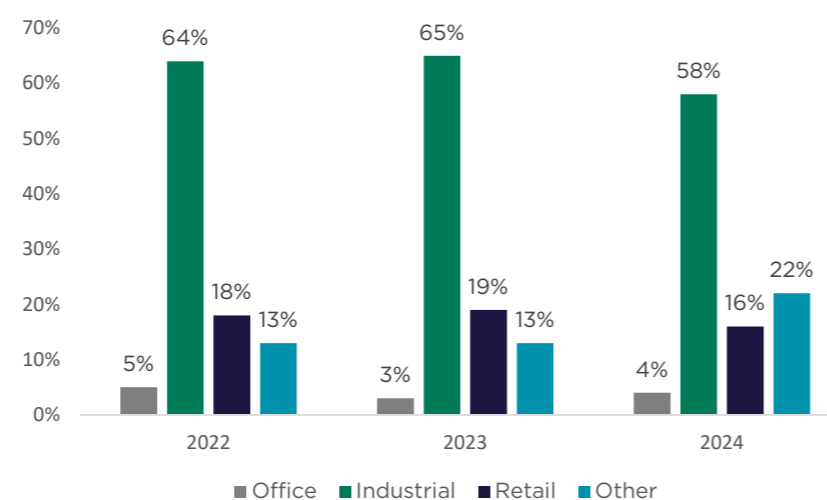


Figure 19
Development potential evolution



FUTURE PLANS

A clear majority of the responding investors are looking to expand their portfolios. Furthermore, 21% of them are seeking to maintain their current portfolios in the following three years, while 9% indicated expectations of downsizing their activity.

Figure 20
Expansion plans

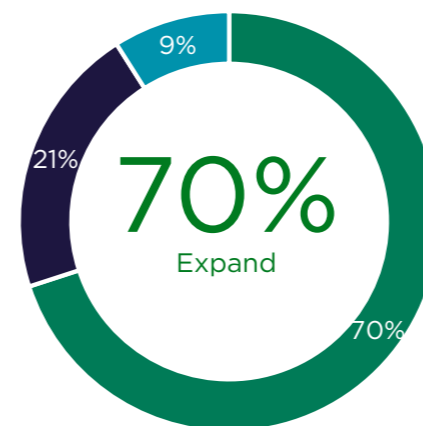
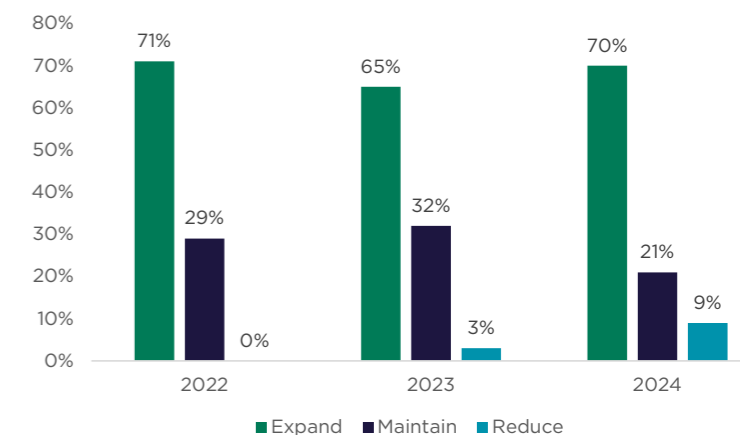


Figure 21
Expansion plans evolution

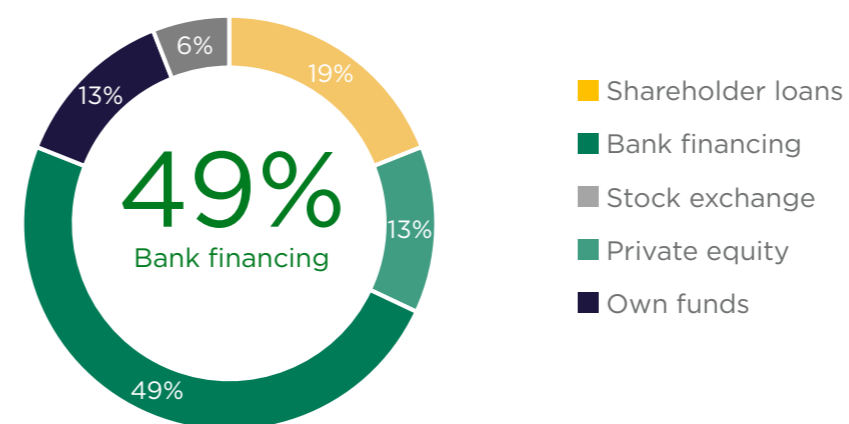


■ Expand ■ Maintain ■ Reduce

TYPE OF FINANCING SOURCE

Banks are the main source of financing for 49% of the respondents active in Romania, in the context of decreasing financing costs, while 19% of interviewees claim that the required capital for further investments comes from shareholder loans.

Figure 22
Source of capital



MARKET CONDITIONS IN ROMANIA

The share of investors who indicated bureaucracy and the quality of transport infrastructure as the main negative market conditions decreased this year to 57% from 65% in 2023 and to 45% vs 53% last year respectively. Moreover, investors are noticing an improvement of macroeconomic stability, taxation and labor market.

Figure 23
2024

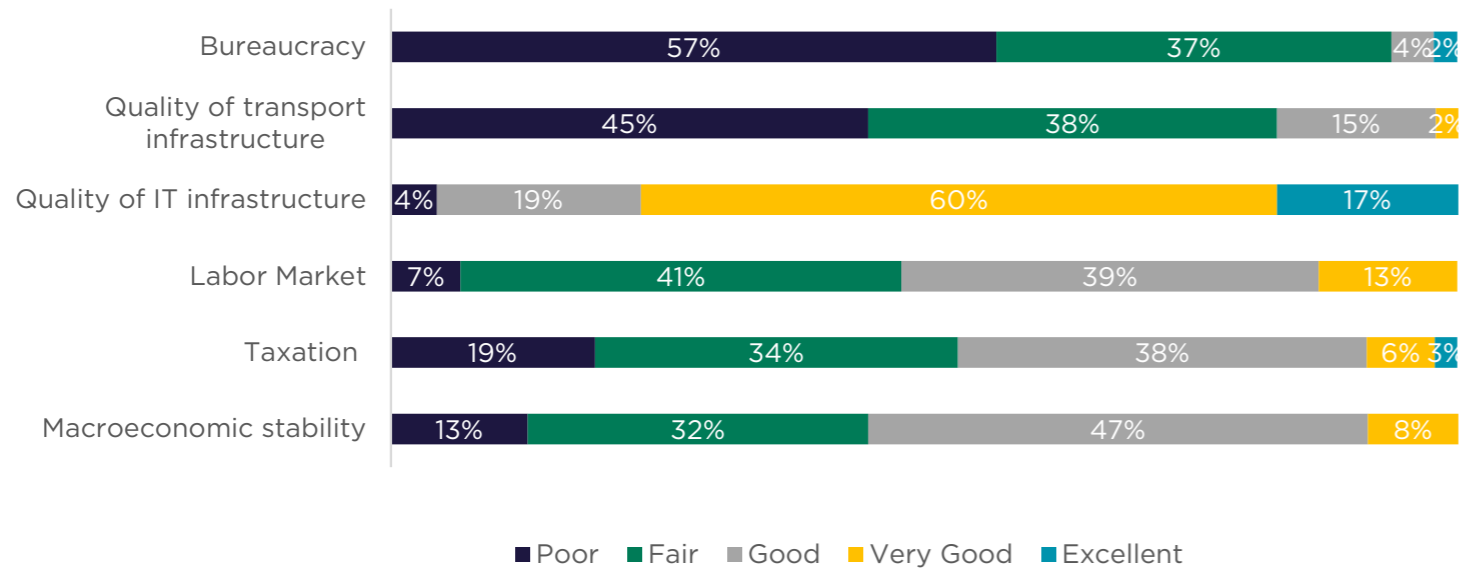
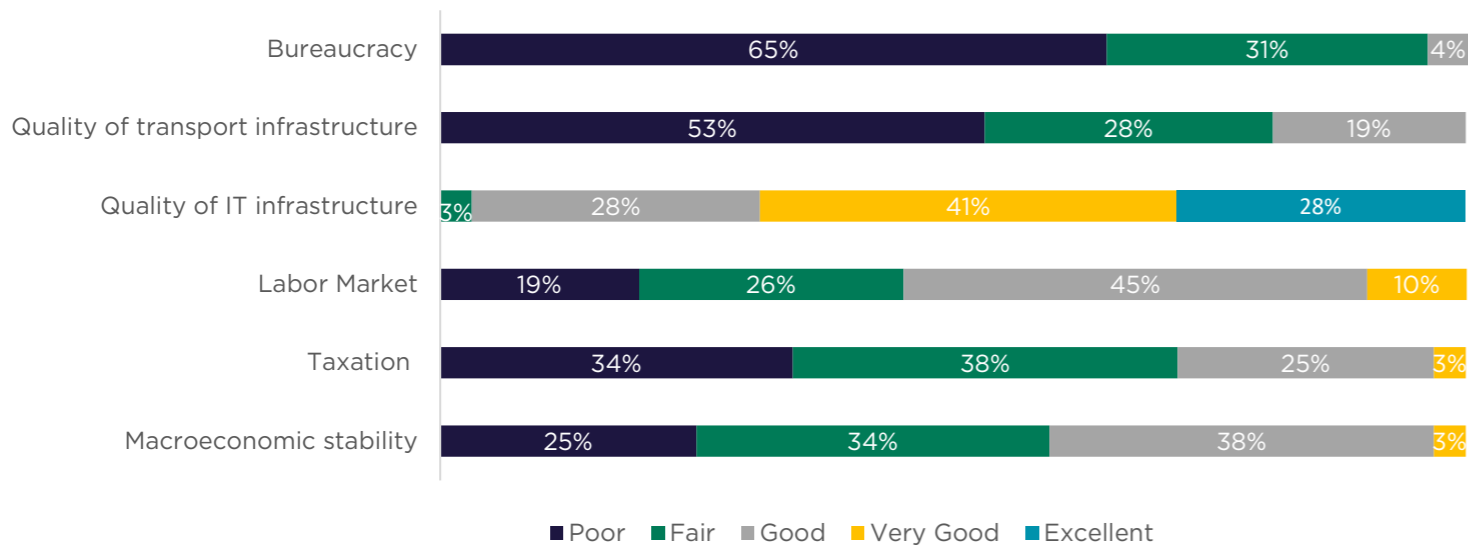


Figure 24
2023



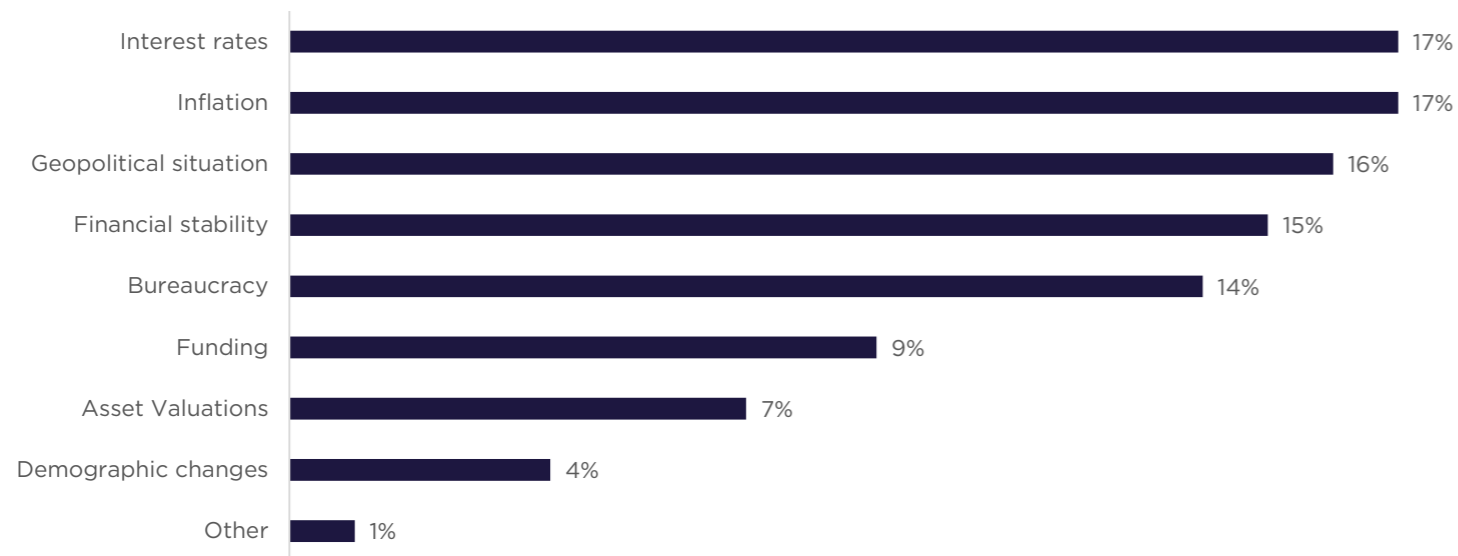
THE PERCEPTIONS REFLECT AN OPTIMISTIC OUTLOOK AMONG INVESTORS. THESE CHANGES SUGGEST ROMANIA IS BECOMING A MORE ATTRACTIVE MARKET, WITH CONDITIONS THAT SUPPORT GROWTH AND INVESTMENT, EVEN IF SOME CHALLENGES REMAIN.

THESE CONDITIONS COULD LEAD TO INCREASED INVESTOR INTEREST IN VARIOUS SECTORS IN THE COMING YEARS

MACROECONOMIC RISKS VS ROMANIAN REAL ESTATE MARKET

Interest rates and inflation have been indicated as the main macroeconomic risks which may impact the Romanian real estate market. Other factors underlined by investors were geopolitical situation and financial stability.

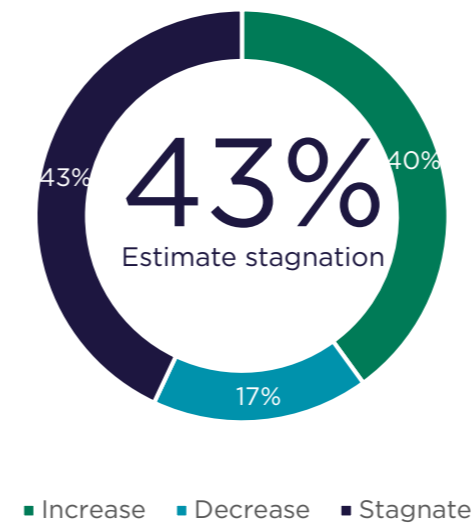
Figure 25



ROMANIA'S ECONOMIC EVOLUTION

The investors are quite positive when it comes to the Romanian economy and its short-term evolution, with 40% of participants expecting the GDP to increase, while 43% are predicting a stagnation and 17% a decrease.

Figure 26



SUSTAINABILITY

Sustainability is a key element in investment decisions, with the emphasis being towards securing the organisations' long-term success. This is mainly realised via additional investments in the buildings and certifying the properties, as well as preparing for EU Taxonomy ESG reporting requirements.

Figure 27
What is your company doing now in terms of sustainability or ESG?

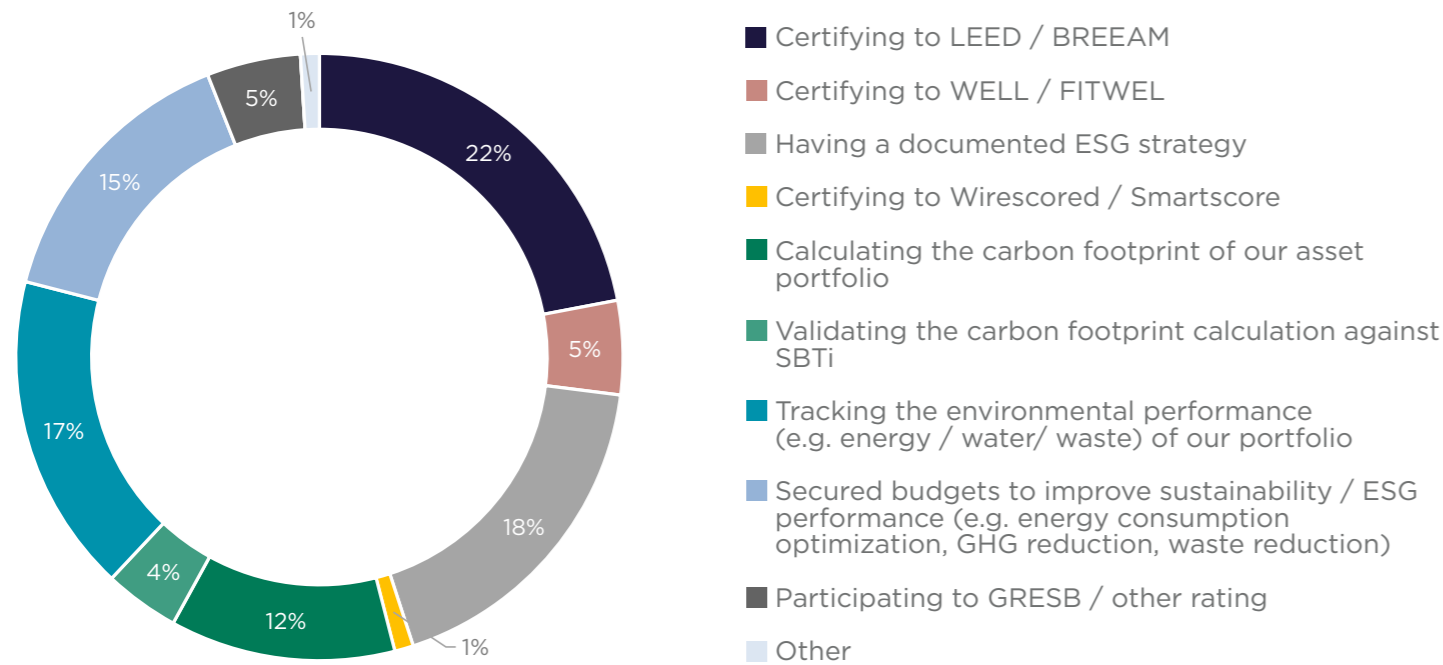


Figure 28
What do you plan to do in the future in terms of sustainability or ESG?

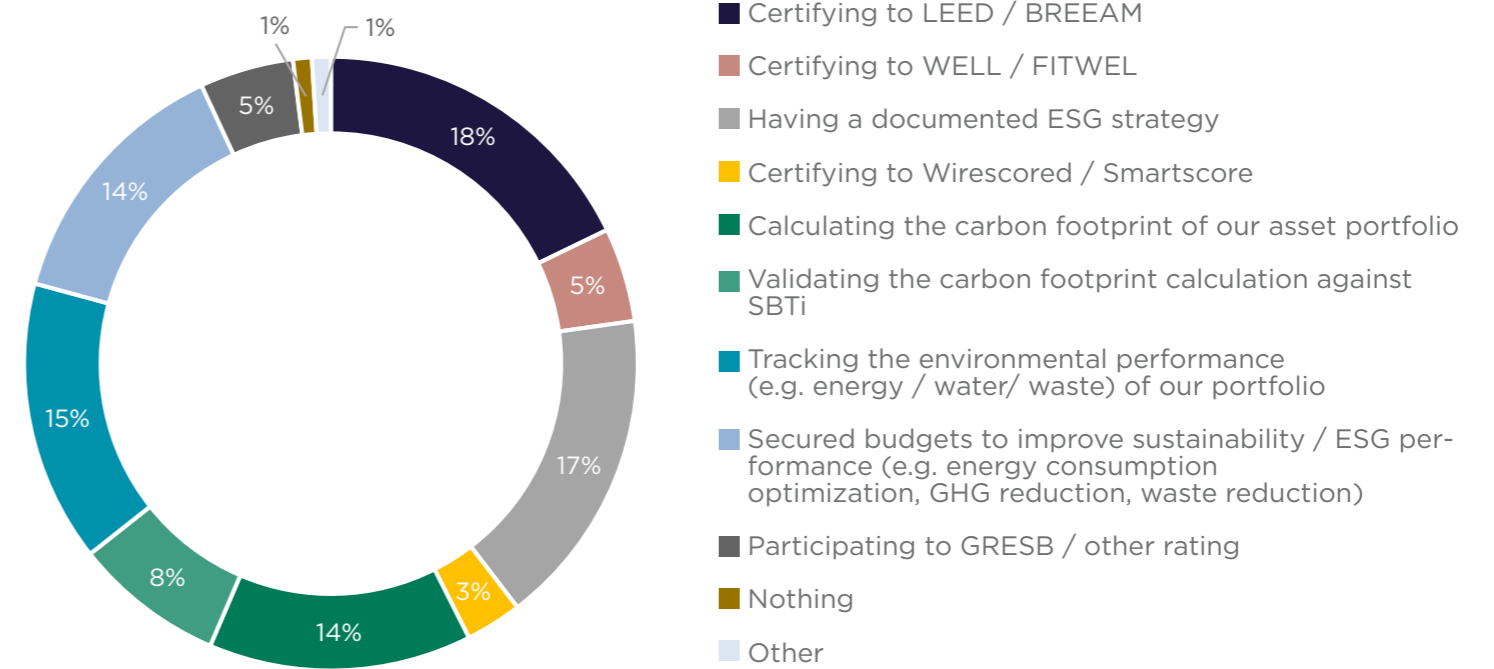
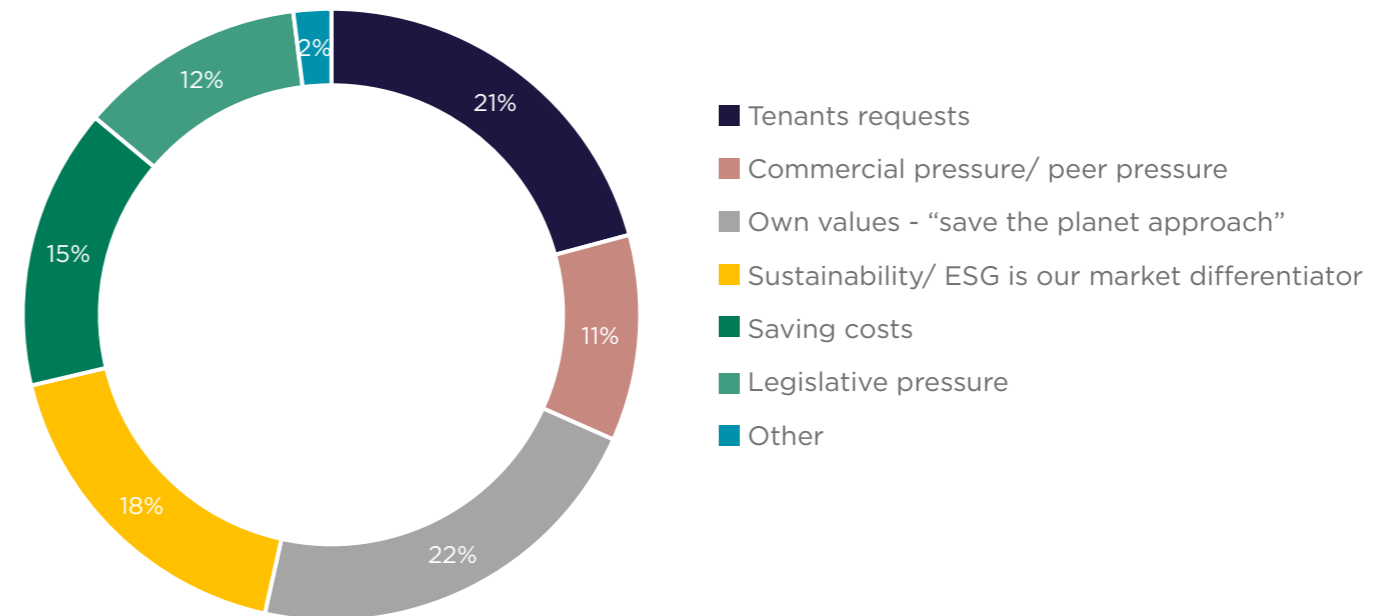


Figure 29
What is the most important motivation for your company to invest in sustainability or ESG?



**SUSTAINABILITY
REMAINS A KEY
ELEMENT IN
INVESTMENT
DECISIONS**

BONUS

In this edition of the Barometer, we surveyed investors regarding their perception of the importance of property asset management services for their portfolio. 39% of them view optimal management of operating costs as the main challenge faced in managing their assets, while 24% argue that navigating the complexity of legislative regulations is also a major issue. When the respondents were asked about the trends which will have the greatest influence on commercial property management services, they indicate the tenant experience & behavior as main factor.

Figure 30
Which are the main challenges you face in managing the real estate properties in your portfolio?

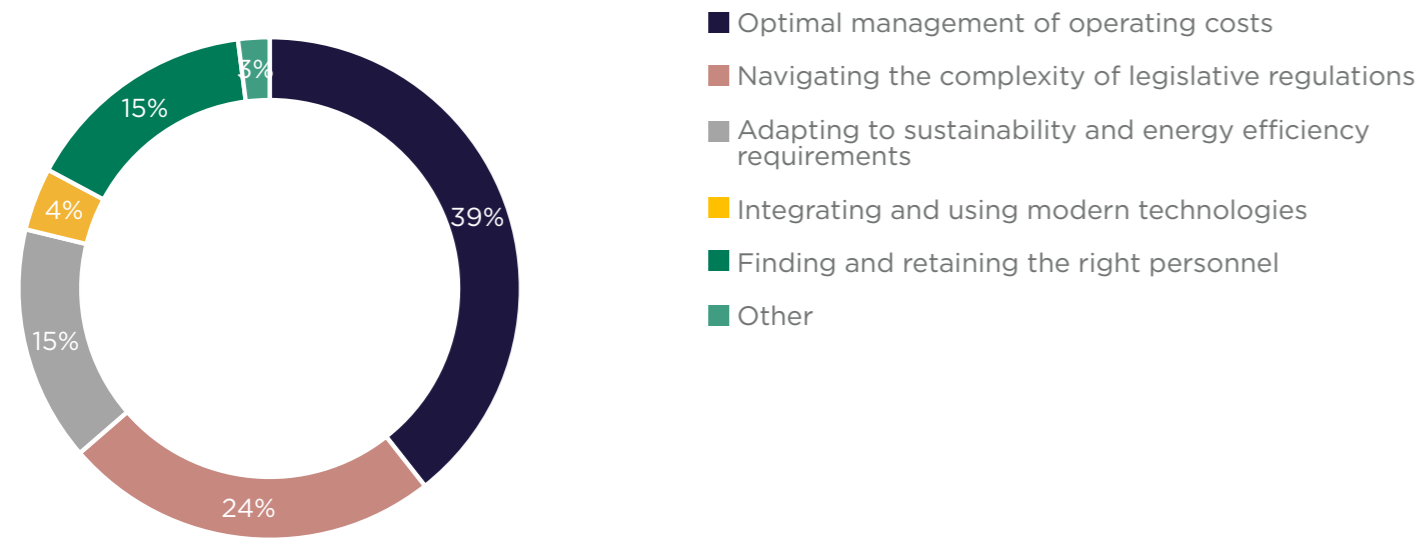
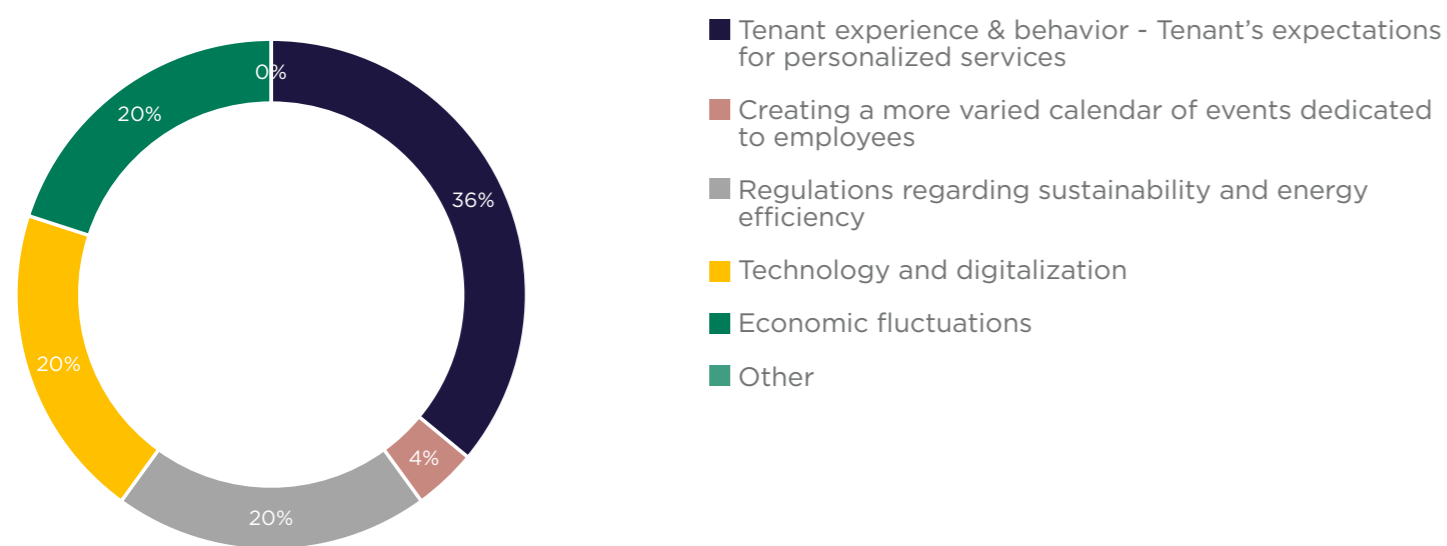


Figure 31
What trends do you consider will have the greatest influence on commercial property management services?



39% OF RESPONDENTS INDICATE OPTIMAL MANAGEMENT OF OPERATING COSTS AS THE MAIN CHALLENGE IN MANAGING THEIR PORTFOLIO

BONUS

Figure 32

What specific needs you consider are not yet addressed by current providers of commercial property management services?

What specific needs you consider are not yet addressed by current providers of commercial property management services?

- The right customer service
- Tenants' expectations for personalized services
- Sustainability
- Accessibility issues
- The property management service providers have to adapt their services to the new reality (cost management, energy saving management, waste management, sustainability reporting, using of digital platforms)
- Customer care
- A market standard
- Integrated urbanism services
- More involvement in reporting and applying the proposed measures. Follow up
- I think they are already addressing all specific needs
- Digitalization solutions
- Real mixed use buildings- hubs
- Even better customer service to tenants
- Concierge



**INVESTORS
IDENTIFY A NEED
FOR DATA-DRIVEN
INSIGHTS,
INNOVATIVE
TECHNOLOGY
SOLUTIONS,
TENANT EXPERIENCE
FOCUS,
SUSTAINABILITY
PRACTICES,
AND FLEXIBILITY IN
SERVICES**



Better never settles

About Cushman & Wakefield



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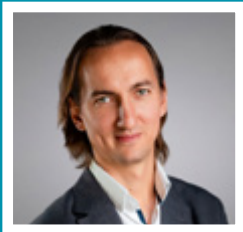
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