

# ROMANIA RESIDENTIAL MARKET

REPORT

- JUNE / 2021 -

Issued by



THE  
RESIDENTIAL  
EXPERTS

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1.

ECONOMIC MOMENTUM

## THE YEAR 2020

### 1. ECONOMIC MOMENTUM

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The year 2020 was an uncertain and challenging year for everyone. All industries have been affected to some extent, and the real estate market is of course not exempt from this category.

The pandemic has suddenly taken hold of our lives and redefined our lifestyle, work environment, the way we learn, shopping, recreation, socialising and transportation. And with these changes, it became important to revisit the spaces in which we live and interact - home, office space, schools, shops, restaurants, hotels and all the other buildings where we spend our time. It is a profound paradigm shift: from (our home, office, school and area of recreation/socialising, as separate entities to...) "home" office or school to ... home - as an office, as a school, as a place to shop and entertain oneself. We cannot anticipate which of these changes will continue after the end of the pandemic and to what extent they will affect our lives as we have lived them till now.

Certainly we are all re-evaluating the way in which past choices are still beneficial to us today - in this new normality that we live in. In the context of a reconfiguration of the real estate market, all parties involved (builders, developers, real estate agents, customers, local authorities, etc.) would benefit if we had transparency in the transformations that are taking place today.

Just as we need transport infrastructure for the country's growth and development, so do we need information infrastructure. Only by accessing real data can we ensure a strong, credible market with potential for the future.

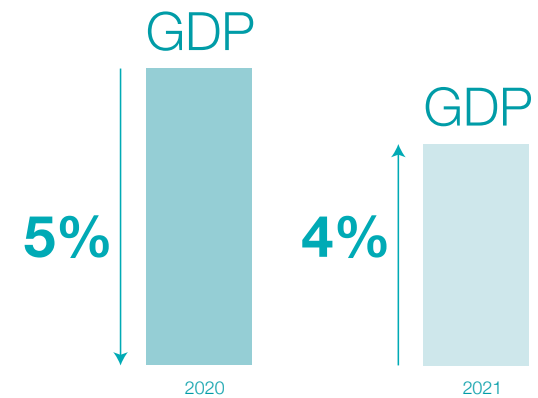
## PREDICTIONS FOR 2021

### 1. ECONOMIC MOMENTUM

Romania should recover most of last year's losses in economic activity by the end of 2021, but the path is still fraught with many uncertainties. Furthermore, the recovery will be quite uneven.

Some economic sectors (e-commerce, construction, certain IT&C subsectors) have barely been affected by the crisis, some should recover by end of 2021 (retail trade and professional services in general), some may take years (if ever) to crawl back to a decent activity level (aviation, automotive or tourism).

We look for GDP growth in the 4% region of 2021 after a decrease of c.5% last year.



## PREDICTIONS FOR 2021

### REMOTE WORK

One of the biggest changes to come out of the COVID-19 pandemic, with deep ramifications for various real estate sectors, is the rise of remote work for wide categories of employees. Remote work will become a permanent fixture, but we believe that companies will also want to bring their employees at least 2-3 days a week in the office in order to foster teamwork and corporate culture. A more significant return to offices of employees is expected around the middle of 2021, with buildings located in residential areas at the forefront, benefiting from a reduced commuting time.

One of the bigger surprises of 2020 was the fact that despite the adverse economic reality, the residential market still saw strong demand and modest price gains (on average). This was due to the labour market remaining quite robust, but things look a bit different for 2021. Barring any second-round aftershocks from the pandemic, wage growth has ground to a halt in the private sector and it may take some time to start rising again, while civil servant wages are frozen amid fiscal consolidation.

**Hence, 2021 should be a bit softer than 2020 for the local residential market.**

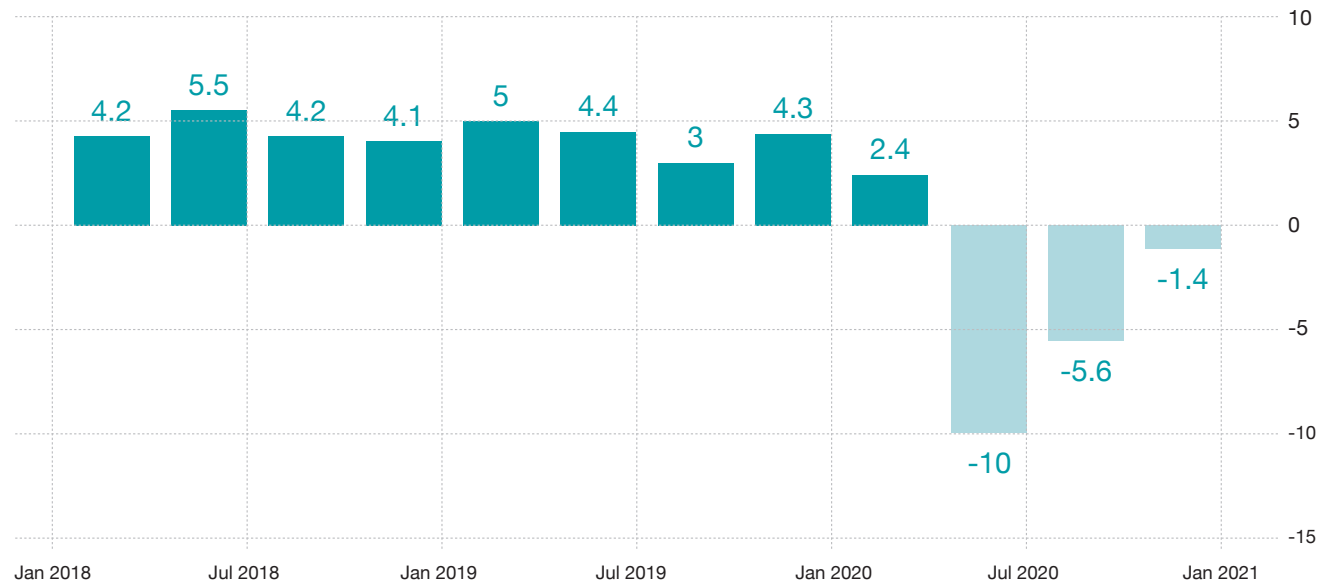


## ROMANIA GDP

1. ECONOMIC MOMENTUM

The Romanian gross domestic product contracted 1.4 percent year-on-year in the fourth quarter of 2020, better than an earlier estimate of a 1.5 percent contraction, after a downwardly revised 5.6 percent drop in the previous period. For the 2020 full year, the economy shrank by 3.9 percent, reversing from a 4.1 percent growth in 2019.

GDP Annual Growth Rate in Romania is expected to be -1.00 percent by the end of this quarter, according to Trading Economics global macro models and analysts expectations. Looking forward, we estimate GDP Annual Growth Rate in Romanian to stand at 4.30 in 12 months time. In the long-term, the Romania GDP Annual Growth Rate is projected to trend around 4.60 percent in 2022 and 5.00 percent in 2023.



SOURCE: TRADINGECONOMICS.COM | INSTITUTUL NATIONAL DE STATISTICA

# SUSTAINABLE BUILDINGS ARE THE FUTURE

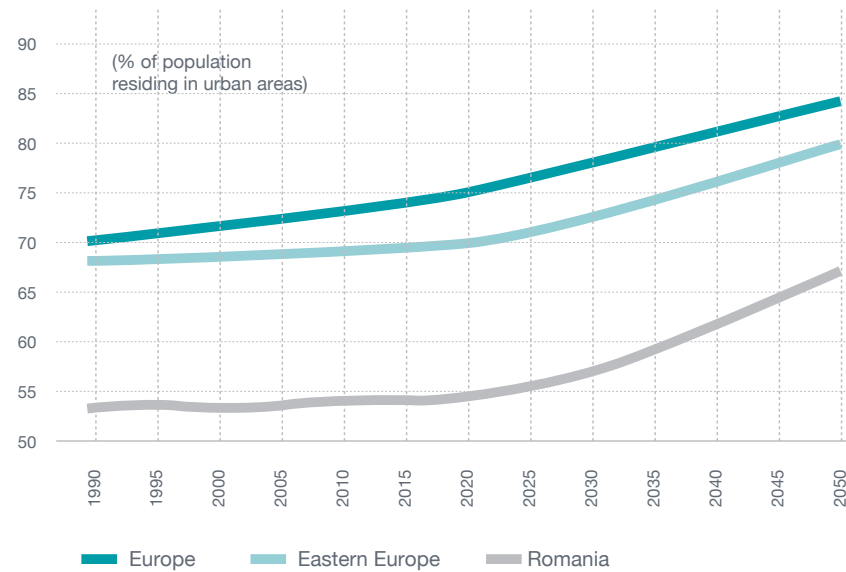
1. ECONOMIC MOMENTUM

Under the energy challenge, sustainability will undoubtedly become the biggest trend of future constructions.

The philosophy of sustainable constructions is to reduce environmental impact, to harmoniously co-exist with the surroundings, and to benefit people's health. That's why the buildings are designed to reduce energy consumption, conserve water, reduce pollution and protect health.

Passive house is a typical example of sustainable constructions, of which the ultimate goal is "zero carbon, zero emissions" and comfortable living.

## MIGRATION TOWARDS URBAN AREAS SET TO START IN 2020s AND ACCELERATE IN SUBSEQUENT DECADES



SOURCE: UNITED NATIONS



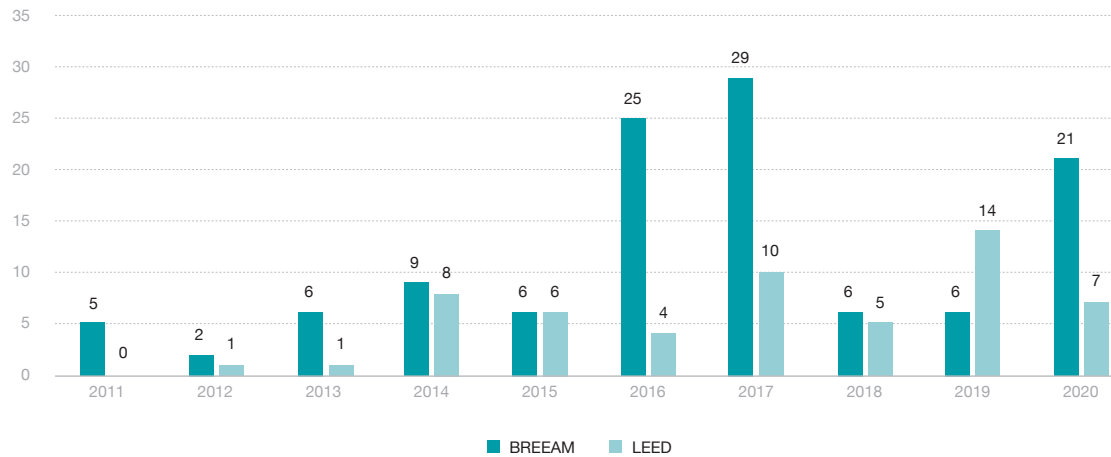
## SUSTAINABLE BUILDINGS ARE THE FUTURE

### 1. ECONOMIC MOMENTUM

Governments have already introduced policies to support sustainable constructions. According to the latest Europe Union (EU) regulations, after 2020, any new housing that fails to meet the standard of passive house will not be granted a construction permit. That means ever since 2020, all new buildings in EU countries will be passive constructions.

European countries have also introduced more specific measures. For example, the German government requires all new buildings to achieve "zero emissions" by 2030. Sweden also requires that its new constructions should completely and move away from reliance on fossil fuels.

### ANNUAL NUMBER OF GREEN CERTIFICATIONS IN ROMANIA



SOURCE: Colliers

2.

## RESIDENTIAL MARKET OVERVIEW

## DEMAND

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RESIDENTIAL MARKET  
OVERVIEW

	2019	2020
<p>Demand for residential property purchases in six major cities <small>(source: Analyze Imobiliare)</small></p>	<p><b>482,000</b> Potential buyers</p>	<p><b>455,000</b> Potential buyers</p>
<p>Real estate properties sold nationwide <small>(source: ANCP)</small></p>	<p><b>540,000</b> Real estate properties sold</p>	<p><b>603,000</b> Real estate properties sold</p>
<p>Of which, individual units: <small>(source: ANCP)</small></p>	<p><b>114,000</b> Individual units sold</p>	<p><b>123,000</b> Individual units sold</p>
<p>Credit balance for housing properties, granted to the population nationwide <small>(source: BNR)</small></p>	<p><b>81.2 billion RON</b> Balance Dec 2019</p>	<p><b>89.2 billion RON</b> Balance Dec 2020</p>
<p>Net nominal average salary <small>(source: INS)</small></p>	<p><b>RON 3,179</b> Nov 2019</p>	<p><b>RON 3,411</b> Nov 2020</p>

## OFFER

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OVERVIEW

	2019	2020
<p>Sales offer, existing (old) properties market, in six major cities <small>(source: Analyze Imobiliare)</small></p>	<p><b>44,000</b> <small>Apartments and houses for sale</small></p>	<p><b>41,000</b> <small>Apartments and houses for sale</small></p>
<p>Rental offer, existing (old) properties market, in six major cities <small>(source: Analyze Imobiliare)</small></p>	<p><b>56,000</b> <small>Apartments and houses for rent</small></p>	<p><b>74,000</b> <small>Apartments and houses for rent</small></p>
<p>Sales offer, new properties market, in six major cities <small>(source: Analyze Imobiliare)</small></p>	<p><b>17,000</b> <small>Apartments in 500 residential projects</small></p>	<p><b>22,000</b> <small>Apartments in 540 residential projects</small></p>
<p>Newly-built housing properties nationwide <small>(source: ANCP)</small></p>	<p><b>67,000</b> <small>Estimated by Analyze Imobiliare</small></p>	<p><b>70,000</b> <small>Estimated by Analyze Imobiliare</small></p>

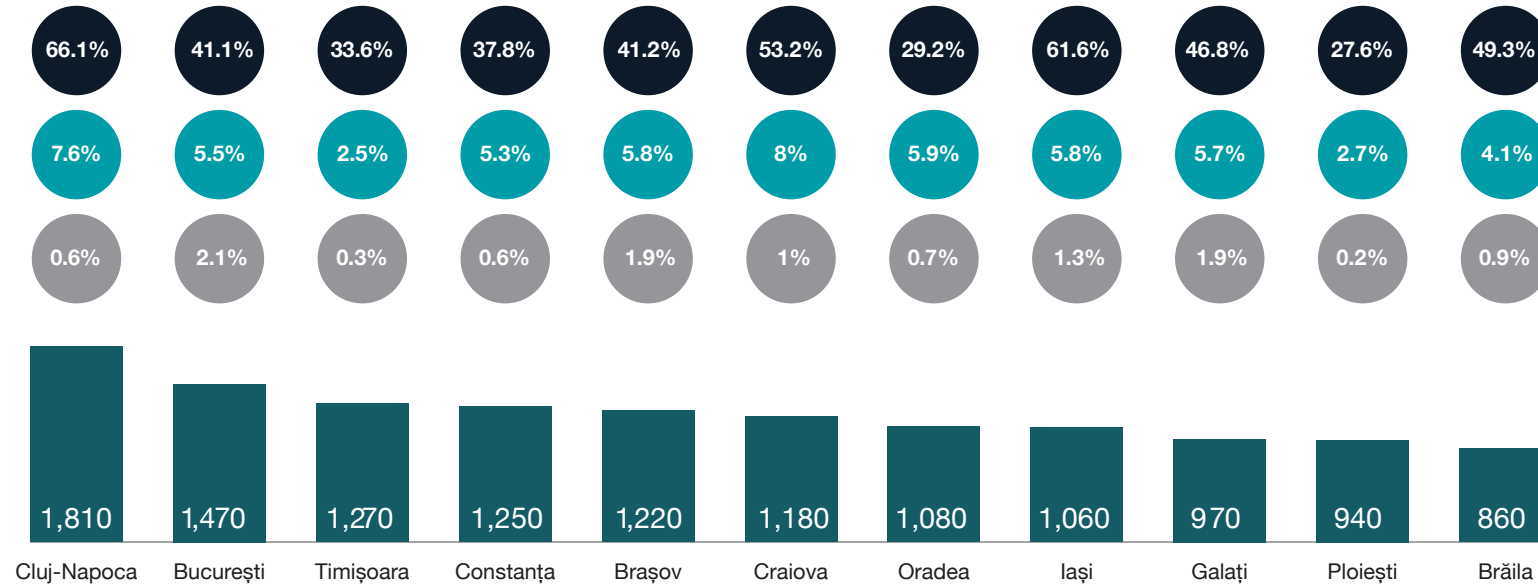
## PRICES AND COST

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OVERVIEW

	2019	2020
<b>Annual growth rate in asking prices for residential properties nationwide</b> <small>(source: Analize Imobiliare)</small>	<b>+7.4%</b> <small>Q4 2019 vs Q4 2018</small>	<b>+3.5%</b> <small>Q4 2020 vs Q4 2019</small>
<b>Existing properties market</b> <small>(source: Analize Imobiliare Q4 2020 vs Q4 2019)</small>	<b>+8.5%</b> <small>Q4 2019 vs Q4 2018</small>	<b>0%</b> <small>Q4 2020 vs Q4 2019</small>
<b>New properties market</b> <small>(source: Analize Imobiliare Q4 2020 vs Q4 2019)</small>	<b>+4.5%</b> <small>Q4 2019 vs Q4 2018</small>	<b>+5.7%</b> <small>Q4 2020 vs Q4 2019</small>
<b>Cost index in constructions for residential buildings nationwide</b> <small>(2015 = 100, source: INS)</small>	<b>134.6</b> <small>Oct. 2019</small>	<b>136.4</b> <small>Oct. 2020</small>

## PRICE TRENDS ACROSS MAIN CITIES - APARTMENTS FOR SALE

2. RESIDENTIAL MARKET OVERVIEW



- Price change over last 5 years %
- Price change over last 12 months %
- Price change over last 3 months %
- Median price per sq.m. (€)

Source: Analize Imobiliare and Imobiliare.ro

## TOP NEIGHBOURHOODS WITH THE HIGHEST PRICES<sup>2</sup>/SQUARE METRE, APARTMENTS FOR SALE °Quarterly and annual changes)

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<b>+10.5%</b>	<b>-0.4%</b>	<b>+8.5%</b>	<b>+0.6%</b>	<b>+5.6%</b>
<b>-3.4%</b>	<b>-0.5%</b>	<b>+4.1%</b>	<b>-3.3%</b>	<b>-10.9%</b>
2,860 €	2,710 €	2,230 €	2,140 €	1,960 €
Kiseleff-Aviatorilor	Herăstrău-Nordului	Aviației	Dorobanți-Floreasca	Dacia-Eminescu

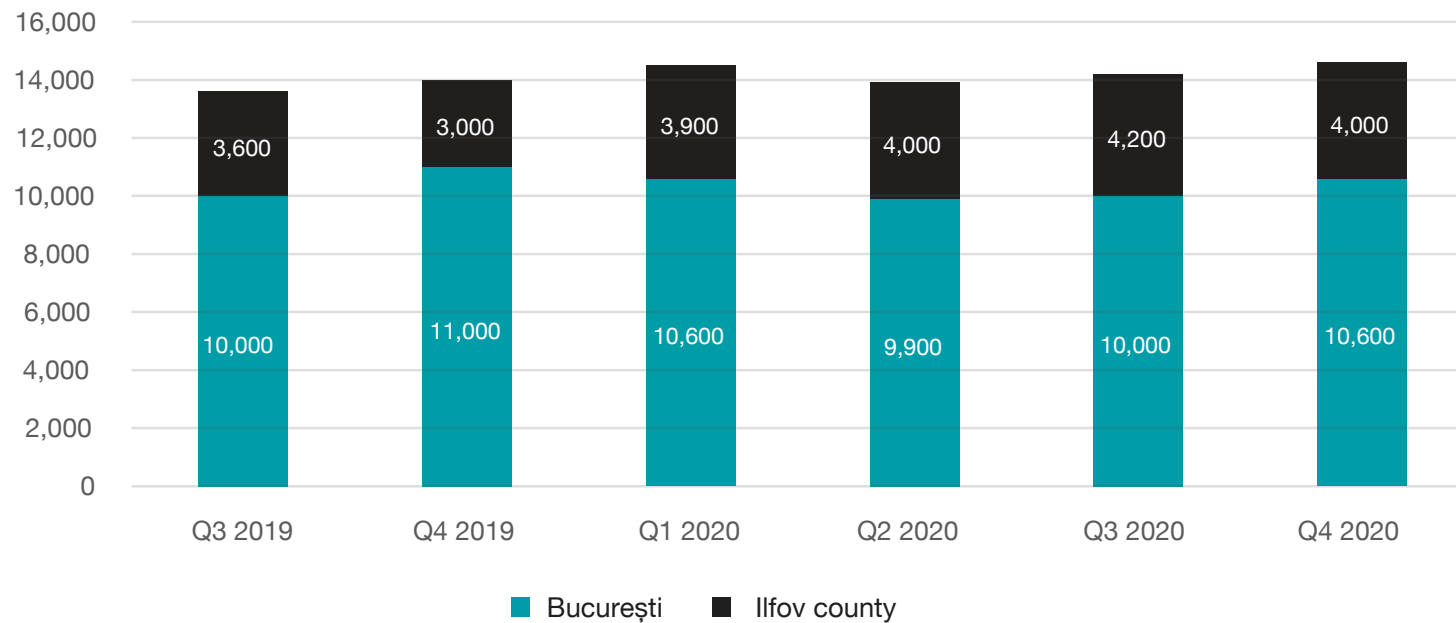


## PRIMARY MARKET (Bucharest and Ilfov)

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OVERVIEW



### APARTMENTS FOR SALE

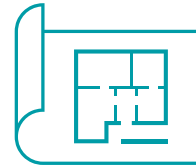


Source: Analize Imobiliare

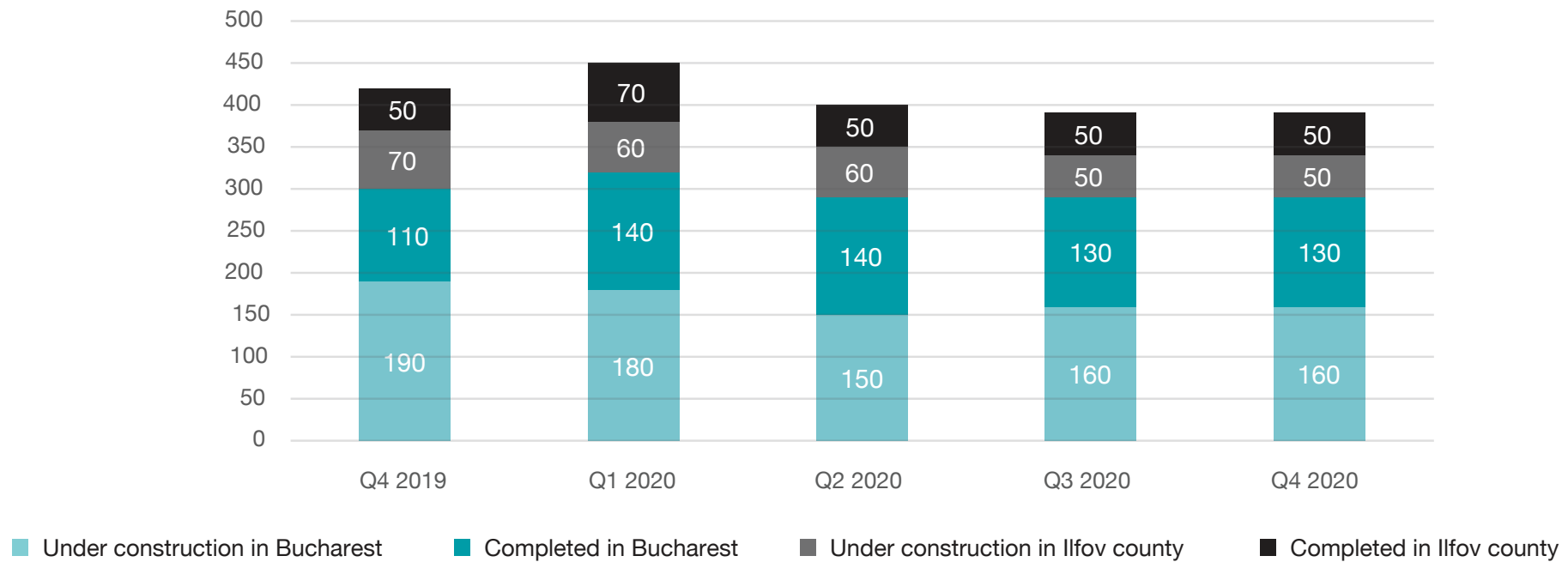


## PRIMARY MARKET (Bucharest and Ilfov)

2. RESIDENTIAL MARKET OVERVIEW



### PROJECTS PUT UP FOR SALE ACCORDING TO THE CONSTRUCTION STAGE



Source: Analyze Imobiliare

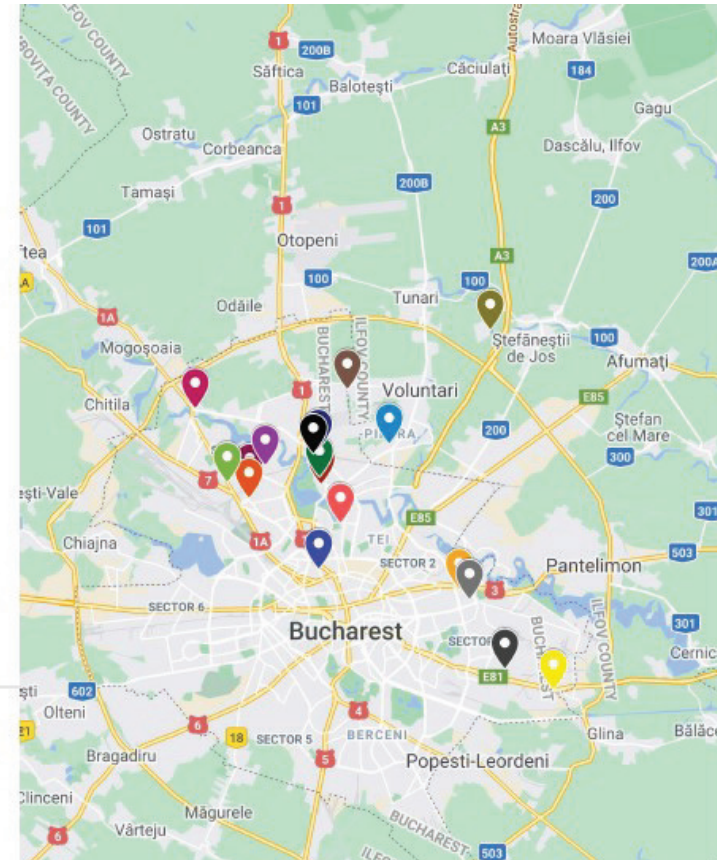
## PROJECT TO BE DELIVERED IN 2021

### Projects to be developed by the end of 2021

Over 30,000 apartments are currently being developed in residential projects in Bucharest. Among these are projects that are already in phase 2 and 3 of construction.

Of all these projects 60% would be delivered by the end of 2021. Most residential projects to be completed in 2021 have more than 1,000 units

- IVORY Residence Pipera
- Parcului20 - Apartment Building by Cordia
- Green Park Herastrau
- LUXURIA Residence
- Citta Residential Park
- NorthLight Residence
- WIN Herăstrău
- Atlas Residence Aviației
- One Mircea Eliade
- NorthSide Park
- Marmura Residence
- H Victoriei 139
- Herastrau Parkview
- New Casa Presei Residence
- Buena Vista Residencial
- Triama Residence
- HILS Pallady Apartments
- Optima Residence



## RENT FOR HIGH-END APARTMENTS (LUXURY)

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OVERVIEW

### Apartments cheaper by 10-15 even 20%

From the data collected from the market, the vast majority of apartments that were traded, were not traded at the required prices, but cheaper by 10-15 even 20%.

### 20% of ultra premium apartments have remained on the market

Approx. 20% of ultra premium apartments have remained on the market and have not been traded since May 2020.

### Houses or apartments with larger gardens or terraces

The transactions that materialized in these months were mostly directed to houses or apartments with larger gardens or terraces.

### Prices fell by approx. 24%

Compared to the same period last year, prices fell by approx. 24% for both categories of properties (premium and ultra premium) and compared to May 2020 they decreased by approx. 20%.

### The market is active

There is demand, the market is active, potential tenants are more attentive to price and details when making the choice.

Apartment Type	Fully - Furnished Apartments				Price per square meter VAT included
	Medium Price without VAT	Medium Price VAT included	Average usable area	Price per square meter without VAT	
studio	573 €	682 €	43	13 €	16 €
2 room	803 €	956 €	62	13 €	15 €
3 room	1,800 €	2,142 €	119	15 €	18 €
4 room	2,569 €	3,057 €	162	16 €	19 €
Duplex/ Penthouse	3,340 €	3,974 €	204	16 €	19 €
	1,817 €	2,162 €	136.73	14.71	17.51

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## MARKET CONCLUSIONS

## 2021 - A YEAR FILL WITH HOPE

### 3. MARKET CONCLUSIONS

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2021 is expected to be a year filled with hope albeit also with uncertainty but much depends on the timely implementation of mass vaccinations. Economies are expected to reverse the negative impact of the pandemic, 2021 is set to be the much desired jump-start of recovery.

At the end of the year Romania's total investment volume accounted for EUR 588.5\* mln. A value almost half of the one registered in the record year 2019 but similar with the one registered in 2015, a starting growth year. Capitalizing on the momentum gained in the previous year, 68% of the total investment volume was transacted during the first six months of 2020.

In spite of a 2020 sprinkled with uncertainties, developers continued their search for land plots best suitable for their projects. The most active real estate sector proved to be the residential market with numerous investors which either entered as new players on this market, or increased their portfolio strategizing for the next place to be.

Thank you!

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