



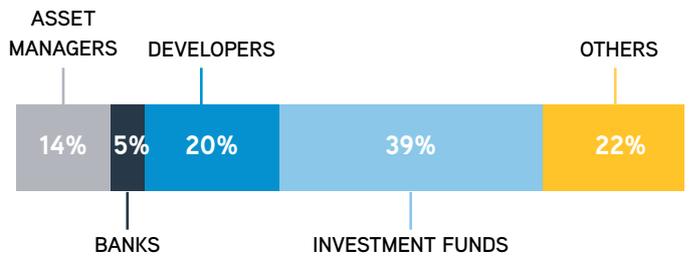
# COVID-19 SURVEY

## ROMANIA INVESTMENT MARKET



As the global pandemic is affecting all areas of life and economy, including real estate sector, we are doing our very best to understand and communicate insights into this very complex and fluid context. How is the situation affecting the Romanian real estate market? Colliers Romania asked about 100 players in the real estate industry for opinions on the current circumstances. The survey had 64 answers from top decision-makers and was conducted mainly between 6 - 10<sup>th</sup> of April.

### Interviewed Groups



### 1 What would be your investment decisions in the current market environment?

The broad majority of respondents prefer to wait until there is either more clarity on the investment market (67%) or until prices drop further (23%).

Rather first understand the current situation better



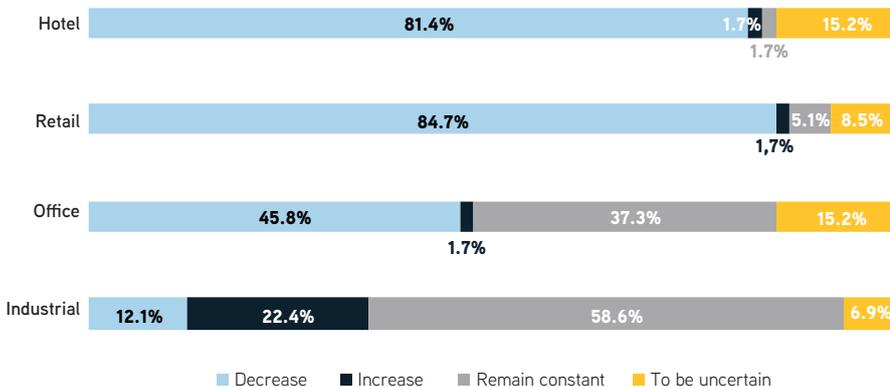
Buy at the same conditions



Buy at more favorable conditions

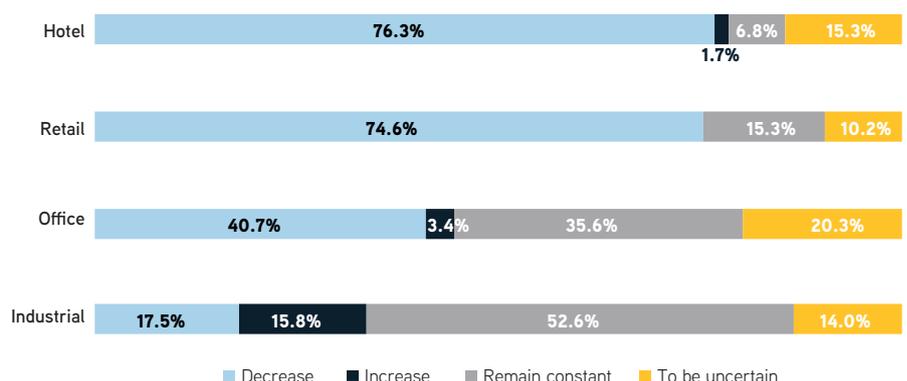
### 2 Expected changes in rents

Going forward, respondents expect a diverging dynamic for rental revenues. Retail and hotels are widely expected to see decreasing revenues, while the industrial segment is expected to either see increases in rents or constant. The outlook for the office segment is more unclear, as the number of respondents seeing a decrease in rents is almost matched by the number of respondents expecting unchanged rents.



### 3 Expected changes in purchase prices

Asset prices are broadly expected to follow the same dynamic of rental revenues, with some minor differences: 85% of respondents expect retail revenues to decline, compared to 74% of respondents expecting a decrease in prices for retail areas.

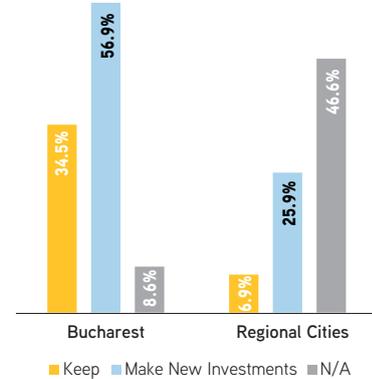


#### 4 How has your “shopping list” changed now compared to the period before COVID19? Which sectors are you analyzing for acquisition?



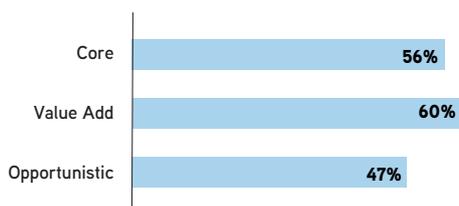
The changes in rental revenues and price changes are also expected to affect the “shopping list” of respondents. The percentage of respondents looking to acquire Offices after the Covid19 crisis has dropped from 45% to 41%, with their focus shifting to either industrial (probably to gain a more defensive position) or hotels (possibly for more opportunistic acquisitions considering the revenue decrease). Close to 3 in 4 respondents didn't change their options for industrial and office projects, but this number declines below 2 in 3 for retail and hotel assets.

#### 6 In terms of location, would you consider holding or making new investments in Bucharest or/and regional cities?



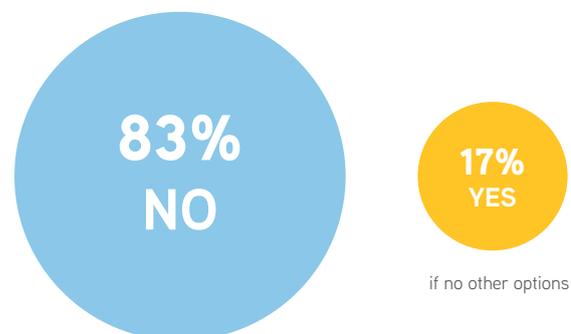
Bucharest remains the preferred location for keeping existing investments but also for making new ones, with two in three respondents considering making new investments in the capital. Regional cities are still looking attractive for new investments with about 25% of respondents looking to make further investments in regional cities. When comparing decisions for either keeping or making new investments, both for Bucharest and regional cities, the decisions to make new investments outpaces the hold strategy approximately twofold for Bucharest and close to fourfold for Regional cities.

#### 5 Furthermore, what type of assets would you continue targeting for acquisition?



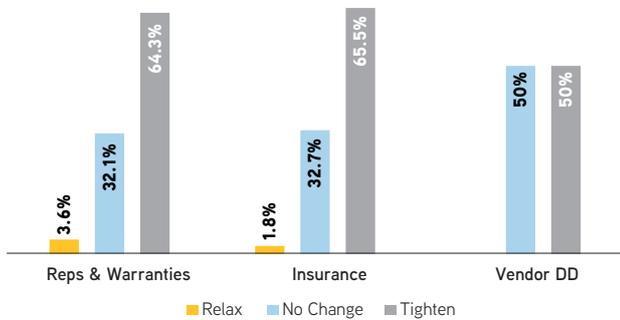
Core and Value Add projects remain the most popular among respondents, with close to two in three looking to acquire assets in these categories.

#### 7 Would you imagine buying an asset based on a video tour instead of a physical inspection?



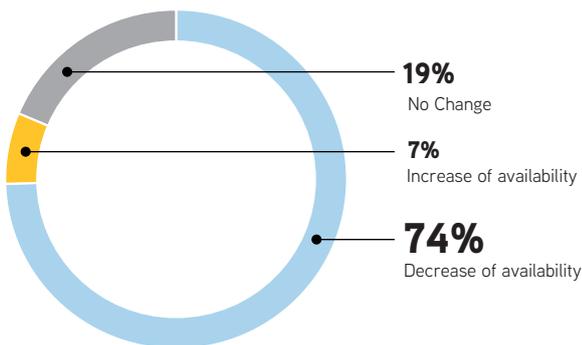
83% would not imagine buying an asset without actually seeing it. Nevertheless, if no other option, 17% of the respondents would consider the purchase of an asset based on a virtual tour.

### 8 How do you expect contract securities and other clauses requirements to change in the future?

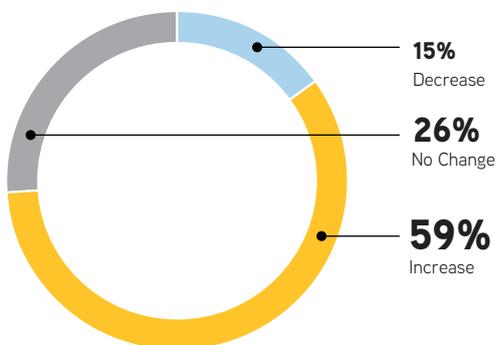


There is a clear consensus that in terms of securities, both representations&warranties and insurances conditions will become tighter. The riskier or more uncertain the future becomes, the more importance it's given to securities section in a sale purchase process. With regards to vendor DD conditions, there is an almost equally shared opinion between becoming tighter and remaining unchanged, which might evidence Romanian investment market as a balanced one between sellers and buyers.

### 9a How do you expect financing availability to change over the next 6-12 months?

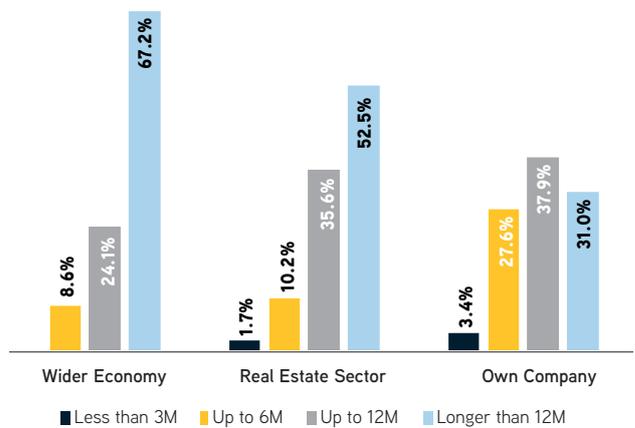


### 9b How do you expect financing costs to change over the next 6-12 months?



Furthermore, a decrease in financing availability and an increase in financing costs are being expected. However, since the current situation is not derived from the financial sector, it is not a surprise that the percentage of those interviewed whom are expecting financing costs to increase is lower than the one of those whom are foreseeing a decrease in financing availability. Banks' risk aversion is expected to increase, creditors likely valuing, even more, good quality projects and relationship clients.

### 10 How long do you consider the current situation will affect the wider economy, real estate sector and your own company?



There is a clear differentiated answer that for the wider economy and real estate sector the impact will spread on a period longer than one year. As regards their own business, the majority envisages a shorter impact of less than 12 months and an almost equally shared opinion between 6M and longer than 12M. If may very well be just a hint of early optimism, but at the same time we can look at it as a sign of trust in one's business viability.



## SOME THOUGHTS ON 2007-2008 VS 2019-2020

### Yields

A noticeable difference is the fact that while before the global financial crisis caught Romanian real estate yields comparable or even below most CEE countries, the story is very different now. Prime office yields in Romania, for instance, in the 7% region, are well above pre-crisis lows and this is the only such example among major CEE economies

### Money Rates Are Low and Steady

A noticeable difference versus the previous crisis situation is the fact that globally, in general, money market rates are low and steady, whereas during the 2006-2008 period, they continuously increased. That said, issues in the global economy are, this time around, no longer constrained to the financial sector, but rather to the real economy.

### Investment Volumes

With real estate investment volumes topping 1.5 billion euro in 2007 versus 644 million euro last year, it is clear that market activity has not been up to par in recent years, but this needs to be taken into account with the fact that yields have not compressed as much in Romania as in other CEE countries, meaning that domestic assets may have more of a defensive twist

### ... as a Note of Caution

A measure of country risk would be the spread between Romania's long dated Treasury-bonds and the Eurozone's. And from this standpoint, things seem to be actually a bit worse now, highlighting a vulnerability for the economy as a whole (real estate included): the spread averaged around 3.1 percentage points in 2007-2008 and in the last couple of years, it stood at 3.6 percentage points

## FOR MORE INFORMATION



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