



2nd Round Questions ROMANIAN INVESTMENT MARKET

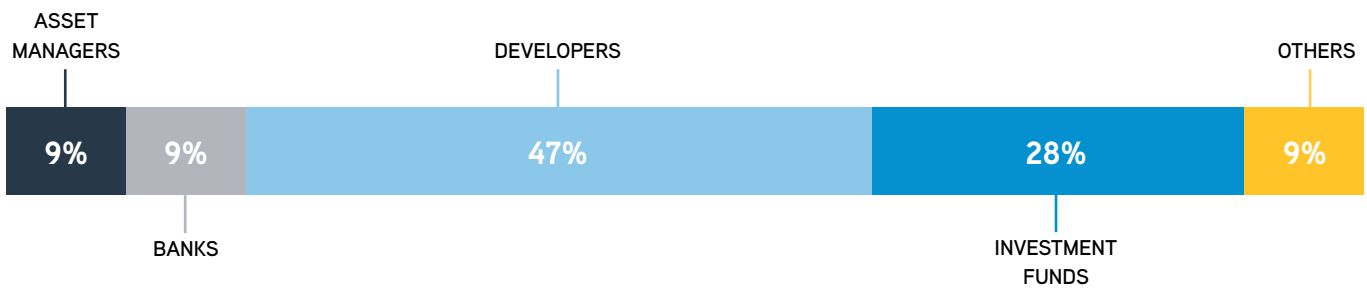


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The global backdrop remains quite uncertain but compared to the previous survey we published for Romania back in April, this time, there are some facts to be had and there is also some glimmer of optimism. For real estate investments, though, the overall context remains not that conducive amid uncertain future

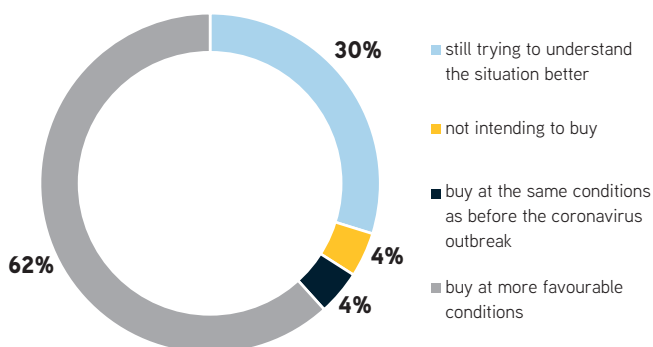
revenue streams for real estate projects. In order to gauge where we are currently at, we asked 47 top market participants (from investment and fund managers to developers to banks) their opinion on several matters, with the survey delivered between 28 September and 6 October.

PARTICIPANTS PROFILE

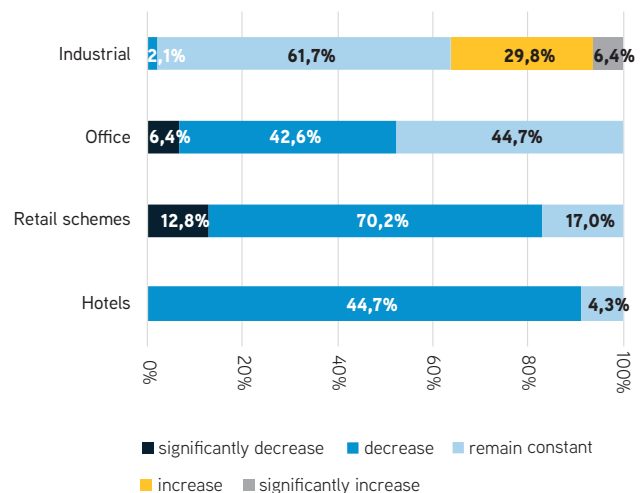


1 What would be your investment decision in the current market environment?

In a positive twist compared to our April survey, the share of respondents stating they want to understand the situation better before making a move has dropped from 67% to 30%, while the “buy at more favourable conditions” answer has risen from 23% to 62%. Coupled with rising interest which we gauge in our constant discussions with clients, there is a strong case that market activity is on an upward trend.



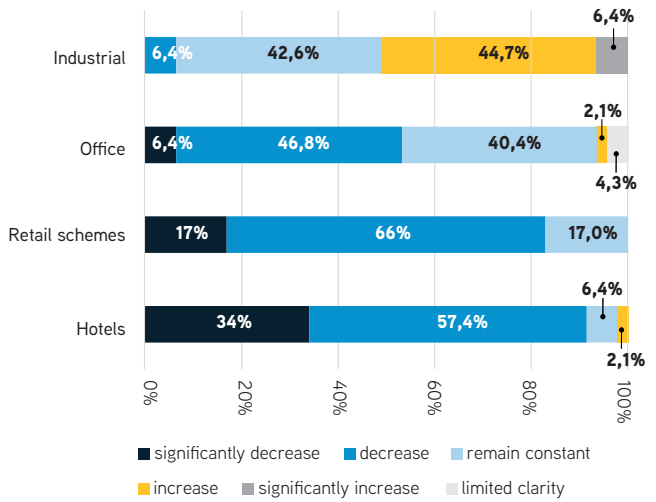
2 Expected changes in rents/revenues in the next 12 months



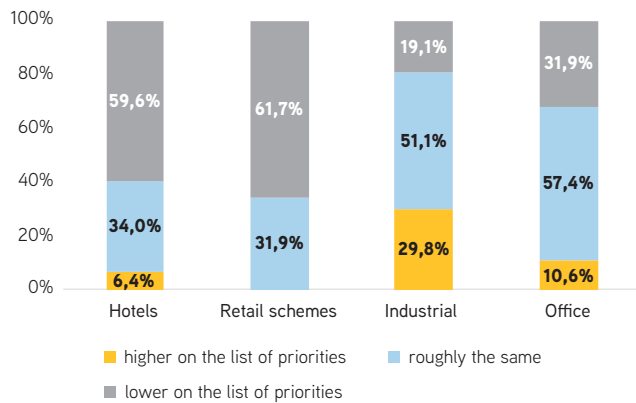
Industrial and logistics projects continue to receive the most interest in the market, with optimism increasing since our April survey. The sentiment regarding hotels and retail over the next 12 months remains more or less in line with our previous survey, as is the case for the office segment.

3 Expected changes in purchase prices vwin the next 12 months

The improved opinions about industrial schemes are even more visible when referencing purchase prices, with 51% of respondents expecting to see higher purchase prices for these assets over the next year (up from 16% in April). Meanwhile, the negative perception about hotels and retail schemes appears to have strengthened.

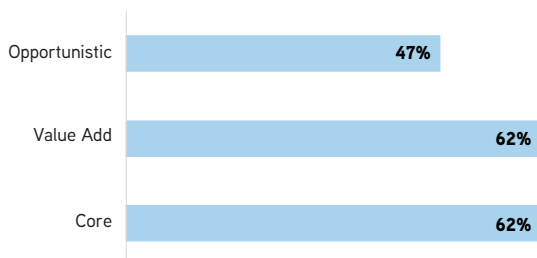


4 How has your “shopping list”/sectors of interest changed now compared to the period before COVID19? Which sectors are you analyzing for acquisition?



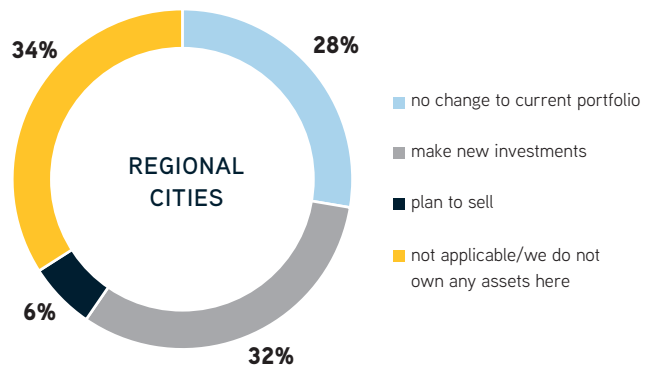
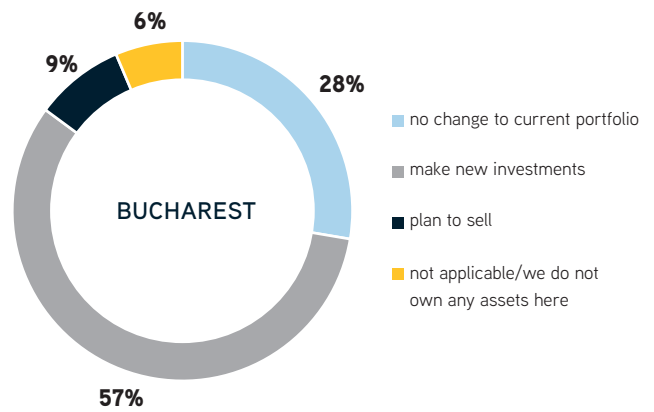
Increased interest (as defined between “higher” and “lower” shopping list responses) shows industrial and logistics assets are coming into the spotlight for investors. We still observe respondents looking at hotel and retail assets, possibly looking for value angles or opportunistic buys.

5 Furthermore, what type of assets would you continue targeting for acquisition/funding? (multiple answers):



Core assets are becoming slightly more attractive for investors, but the overall trends in the market remain unchanged from April.

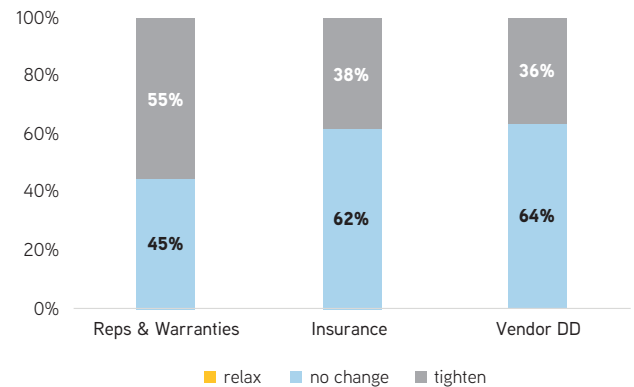
6 After COVID-19, what are your views on assets in:



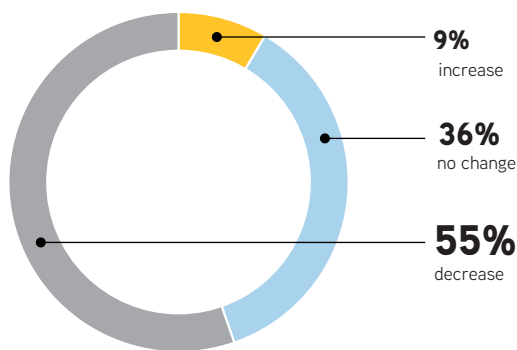
Another positive chart in our report: the share of market participants looking to expand their portfolios both in Bucharest and regional cities far outweighs that of those seeking an exit. 57% of respondents with assets/focus in Bucharest are looking for opportunities, as are 32% of respondents with assets in regional cities.

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

While in April there was a clear consensus that in terms of securities, both representations & warranties and insurances conditions will become tighter, things seem to have stabilized. For instance, with regards to insurance, 38% look for further tightening (versus 66% then) and for reps&warranties – 55% (versus 64% in April). Vendor DD also seem to have reached a more comfortable level and this is also quite positive for future transactions.

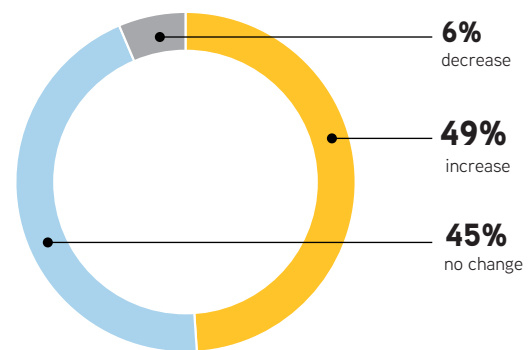


8 How do you expect financing availability to change over the next 6-12 months?



With regards to financing availability, there are some improvements to be noted, though the majority of answers still expect a short-term worsening (55% now versus 74% in the April survey); some

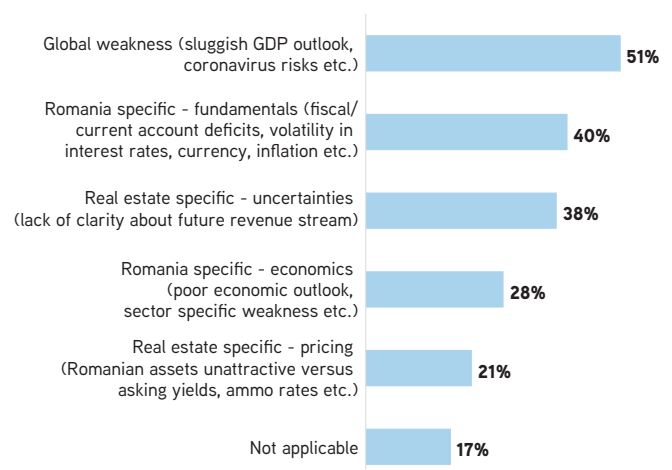
9 How do you expect funding costs to change over the next 6-12 months?



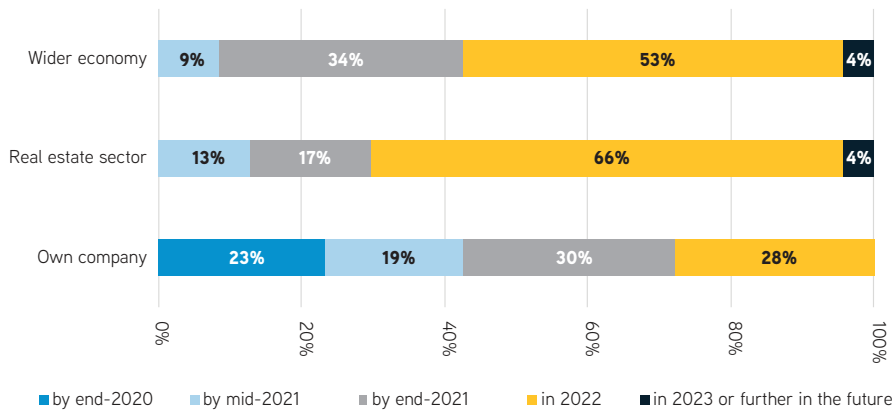
modest improvements are also noted in the share of answers for funding costs. That said, bank aversion remains a potential issue over the short term, highlighting still a strained market.

10 What is (are) the main drag(s) to making/funding new investments in Romania, if applicable (multiple answers):

Probably unsurprisingly, the main issue on the mind of real estate market participants is the uncertain global backdrop (51% of answers), followed by concerns about Romania's fundamentals (40% of answers) and uncertainties about real estate in general (38% of answers). This suggests a fairly difficult backdrop for conducting deals. Importantly, it appears that general concerns weigh a bit more than Romania's specific problems.



11 When do you expect the business situation to become satisfactory again?



Our respondents are still looking at a recession with a much swifter recovery than after the 2009-2010 one, with the real estate segment being resilient against this backdrop; we recall that it took Romania's GDP until the second half of 2014 to reach and overtake the 2008 levels in real terms. It is also quite interesting that the answers to this question show a similar pattern in the other surveys we took among real estate professionals from other segments (offices, retail, industrial).



CONCLUSION

Summing up, there are some silver linings here and there scattered throughout our survey (especially in comparison to the April survey), and though it is still too early to break open the champagne bottles, there is a clear interest for local real estate assets. Coupled with a likely very positive long-term outlook of the

Romanian economy, this could translate into a market in recovery-mode. The survey also highlights the so-called K-shaped recovery, as some sectors are recovering much faster than others (industrial assets are clear winners, followed by offices at a distance, with retail and hotels still suffering).

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