2024

Romanian real estate market overview

Contents

UniCredit Bank

Macroeconomic and strategic analysis

	2021	2022	2023	2024E	2025F	2026F
GDP (€bn)	242.3	281.7	324.4	356.5	384.1	405.0
Population (million)	19.2	19.0	19.1	19.1	19.0	19.0
GDP per capita (€)	12,601	14,790	17,024	18,711	20,188	21,321
Real economy change (%)						
GDP	5.5	4.0	2.4	0.9	1.9	2.6
Private Consumption	7.0	5.1	3.0	5.5	3.0	2.5
Fixed Investment	4.0	5.4	14.5	2.2	2.7	3.5
Public Consuption	-0.6	-1.4	6.3	-0.2	-0.4	-0.8
Export	12.6	9.3	-0.8	-3.3	2.4	4.8
Imports	14.6	9.3	-1.1	3.0	2.1	4.7
Monthly wage, nominal (€)	1,175	1,303	1,489	1,710	1,805	1,878
Real wage, change (%)	2.0	-2.2	3.6	9.4	1.2	2.5
Unemployment rate (%)	5.6	5.6	5.6	5.3	5.2	5.4
Fiscal accounts (% of GDP)						
Budget balance	-7.1	-6.4	-6.5	-8.7	-7.0	-6.4
Primary balance	-5.6	-4.3	-4.6	-6.6	-4.8	-4.0
Public debt	48.5	47.9	48.8	54.9	58.4	60.3
External accounts						
Current account balance (€bn)	-17.4	-26.8	-21.5	-29.4	-28.7	-28.2
Current account balance/GDP (%)	-7.2	-9.5	-6.6	-8.2	-7.5	-7.0
Extended basic balance/GDP (%)	-1.8	-4.1	-1.9	-5.6	-4.3	-3.6
Net FDI (% of GDP)	3.7	3.3	2.0	1.6	1.6	1.8
Gross foreign debt (% of GDP)	58.8	54.6	56.5	57.1	56.9	58.1
FX reserves (€bn)	40.5	46.6	59.8	62.1	59.8	59.1
Months of imports, goods& services	4.3	4.0	5.1	5.1	4.8	4.5
Inflation/Monetary/FX						
CPI (period avg.)	5.0	13.7	10.5	5.6	5.1	3.7
CPI (end of period)	8.2	16.4	6.6	5.1	4.6	3.3
Central Bank target	2.50	2.50	2.50	2.50	2.50	2.50
Central bank reference rate (end of period)	1.75	6.75	7.00	6.50	5.75	4.50
3M money market rate (December avg.)	2.83	7.66	6.25	5.91	5.48	4.63
USD/RON (end of period)	4.37	4.63	4.50	4.78	4.97	4.95
EUR/RON (end of period)	4.95	4.95	4.97	4.97	5.07	5.15
USD/RON (period avg.)	4.16	4.68	4.57	4.60	4.86	4.98
EUR/RON (period avg.)	4.92	4.93	4.95	4.97	5.01	5.12

Outlook

We expect an acceleration of economic growth to 1.9% in 2025 due to favorable base effects, after a disappointing 0.9% in 2024. Yet, Romania will have one of the lowest growth rates in the CEE region. Consumption is likely to slow down, while investment could accelerate, supported by the government's plans to increase public investment this year with the help of EU funds. The long-awaited economic recovery in the eurozone, particularly in Germany, is yet to come, offering limited support to exports and the local industry. Inflationary risks remain high and we expect inflation to miss the target in 2025 due to local factors and possibly even in 2026 given the high probability that additional revenue-boosting fiscal measures will be implemented in 2H25 and 2026. The NBR could cut the key rate by 0.75pp in 2H25, depending on the timing of implementation and exact structure of the future fiscal measures. We continue to expect a move of the EUR-RON to the 5.00-5.10 trading range this year, but after the presidential elections.

Fiscal consolidation on the way

Romania will face a prolonged period of political and fiscal uncertainties, with the presidential elections re-scheduled for this spring (4 and 18 May), after the first round of the elections organized on 24 November 2024 was invalidated by the Constitutional Court on suspicion that the electoral campaign was altered by an illegal support from a foreign country in favour of one of the candidates. The parliamentary elections at the end of 2024 generated a fragmented parliament, leading to a governing coalition supported by a narrow majority, formed by the former governing parties: the Social Democrats (PSD), the Liberals (PNL) and the Hungarian Minority Party (UDMR), with the support of the other minorities. Therefore, we expect continuity for the reforms and the fiscal commitments. Yet, the rising popularity of the sovereigntist candidates and the later-than-expected date of the elections generate four problems:

1. **Prolonged campaign** instead of shifting the focus towards correcting the economic imbalances;
2. **Lack of fiscal clarity** deterring private investment in 1H25;
3. **Increasing risk** of not meeting the budget deficit target this year;
4. **Risk of a government** change in mid-2025 given the possible migration from one party to another depending on the outcome of the presidential elections. Opinion polls, which proved to be unreliable last year, currently indicate the sovereignist Călin Georgescu as a frontrunner.

The top 3 also includes Nicușor Dan, an independent candidate and currently mayor of Bucharest and Crin Antonescu, the candidate supported by the governing coalition, with the order of preferences depending on the poll. Yet, the winner will most probably be decided in the second round. After acting as an interim president since 21 December, President Klaus Iohannis resigned in mid-February, following the intensified pressure by the opposition to initiate a procedure for his suspension. According to the provision of Romania's Constitution, he was replaced by the President of the Senate, Mr. Ilie Bolojan, the leader of the Liberal party.

Budget deficit

According to Romania's medium-term fiscal structural plan 2025-2031, the budget deficit must decrease to 7% of GDP in 2025, after ending 2024 at 8.65% of GDP, significantly above the 7.9% estimate included in the plan and the 5% target set initially. In the last days of 2024, the new government took the first steps for fiscal consolidation, through an emergency ordinance to:

1. **Freeze several categories** of public expediture at the level of November 2024;
2. **Freeze public sector hiring;**
3. **Eliminate the tax** breaks for employees in IT, constructions, agriculture and food industry;
4. **Increase the dividend** income tax by 2pp to 10%;
5. **Lower the income ceiling** for microenterprises from EUR 500,000 to EUR 250,000
6. **Re-introduce the 1% tax** on special constructions, after consultations with the affected stakeholders (especially companies in energy and logistics).

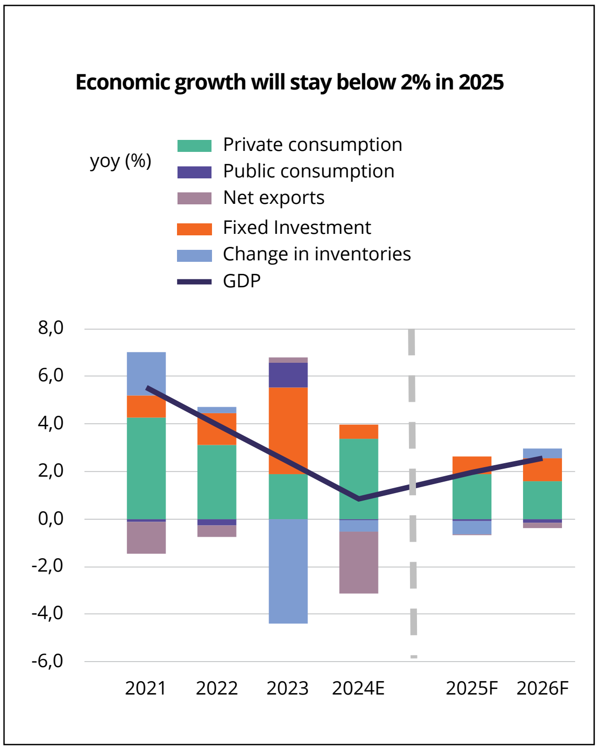
According to our calculations, the measures announced so far will fall short of meeting the deficit target by up to 1pp of GDP and we continue to believe that a rise in taxes cannot be avoided. The 2025 budget plan is overestimating revenue to accommodate the higher expenditure, with two thirds of the impact from the pensions' recalculation last September, i.e. 1% of GDP, to be felt this year. We are likely to get more clarity on the additional taxation only after the presidential elections, with implementation in 2H25. The rating agencies already signaled that Romania must respect its fiscal commitments and restore the confidence in the future adjustment, with Fitch and S&P changing Romania's rating outlook from „stable" to „negative". There is a high risk that Moody's will do the same in March. We regard the 7% of GDP target as attainable (with additional measures) and the current 2025 budget plan as good enough to prevent a downgrade to junk by mid-year. Yet, adhering to fiscal discipline and avoiding additional spending commitments are extremly important in the following months.

GDP growth

We forecast a higher GDP growth of 1.9% in 2025, benefitting from favorable base effects, after the dissapointing 0.9% in 2024. Yet, Romania will have one of the lowest growth rates in CEE, with the other countries in the region expected to expand by 2%-4.0%. Consumption is likely to slow down, impacted by the fiscal consolidation and a sharp deceleration of the real wage growth, after the strong boost it received in the electoral year 2024. Investment could accelerate, supported by the government's plans to increase public investment by 1.1pp to 7.8% of GDP, with the help of EU funds. In spite of the ambitious absorption plans, we remain cautiously optimistic for the following reasons:

1. Only EUR 0.33bn were received from the Recovery and Resilience Facility (RRF, PNRR locally) during 2024, as only one fourth of the agreed milestones have been met so far;
2. Only EUR 4.1bn of the EUR 9.4bn total received **have actually been invested, denoting a lack of proper planning and execution of investment projects;**
3. Access to the EU funds could be suspended **at the beginning of June if the fiscal adjustment will be deeemed unsatisfactory.**

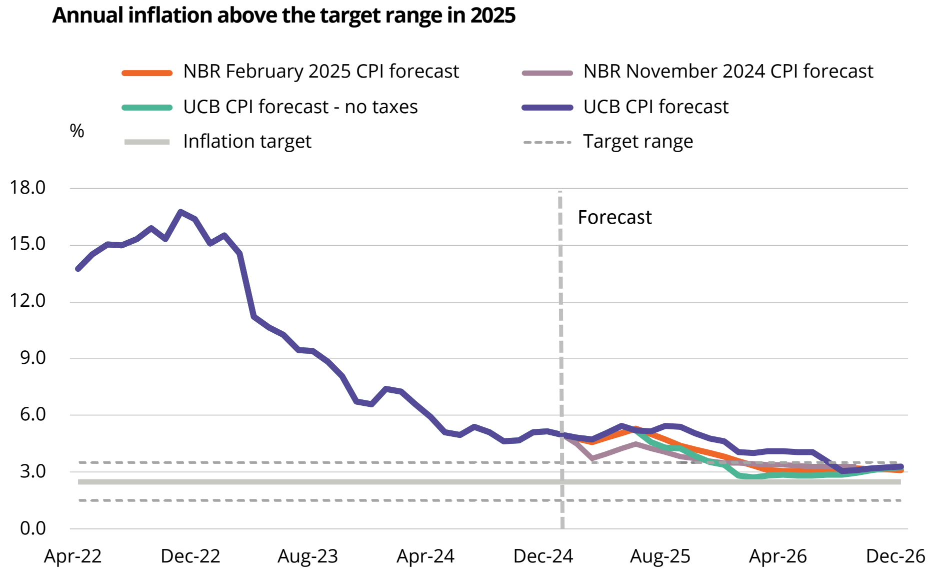
We hope that the government will prioritize absorption, considering that the milestones and targets, including the related payment requests, must be completed by August 2026 according to the PNRR regulation. These funds are among the few sources of growth available to Romania at the moment. A quick recovery in Germany remains elusive, implying bleak prospects for the Romanian exports and industry. Private investment could be



The information contained in this report represents UniCredit Bank Romania's view as of 25 February 2025.

discouraged by the fiscal uncertainty and higher contributions to the state budget, considering that the tax breaks for employees in IT, agriculture, the food industry and constructions were eliminated and the 1% tax on special constructions was reintroduced. Yet, the construction sector might benefit from a continued development of infrastructure.

Inflation



Although we expect the overall disinflationary trend to continue, according to our calculations annual inflation will remain above the target range throughout 2025 and reach 4.6% at year-end. Yet, core inflation could drop to levels around the 3.5% upper bound of the target range in 4Q25. We see the balance of risks tilted to the upside due to the still strong consumption, higher food and gas prices, new or increased taxes affecting directly or indirectly consumer prices, along with risks of a rise in the oil price towards USD 100/bbl if OPEC+ will not increase the production of crude oil. Moreover, given the expected tax hikes in 2H25 and 2026, we see an increasing risk of inflation overshooting the 1.5%-3.5% target range in 2026 as well.

We expect the NBR to stay on hold at 6.50% in 1H25, due to the still high level of inflation, the strong consumption and demand for consumer loans coupled with the lack of clarity on the future fiscal policy and its impact on inflation. In the current environment of high local and external uncertainty, a premature cut of the key rate would imply a signifcant risk of outflows, with Romania affected by shocks to a larger extent than the rest of CEE, due to its large economic imbalances. The NBR is likely to resume the key rate cuts in 2H25 in order to offer a much-needed support to the Romanian economy, for a total of 0.75pp by year-end depending on the exact fiscal measures adopted in the following months. Monetary conditions tightened in 4Q24 due to a decrease in excess liquidity, lifting the ROBOR curve by up to 60bp above the 5.50% deposit facility rate. We believe that the ROBOR rates are unlikely to re-approach the facility rate as we expect the excess liquidity to remain low in 2025, due to the tigher fiscal stance and the high financing needs by the Ministry of Finance.

Anca Maria Negrescu
Senior Economist
UniCredit Bank

+40 723 103 008
anca.negrescu@unicredit.ro

Iulia Corlănescu
Macroeconomic Economist
UniCredit Bank

+40 724 052 840
iulia.corlanescu@unicredit.ro

Alexander-Constantin Ragea
Junior Macroeconomic Economist
UniCredit Bank

alexander-constantin.ragea2@unicredit.ro

Investment market

Investment volume

Despite a couple of significant transactions being postponed until next year, the total transaction volume for the year slightly exceeded the €730 million mark. This reflects a notable year-on-year growth of over 50%, indicating a strong recovery in the market that bodes well for the coming years, particularly given the lengthy nature of larger investment transactions in the local landscape.
There is an increased likelihood of further postponements carrying over from 2025 into 2026.
In 2024, transactions involving industrial assets led the way, accounting for about 40% of the investment volume, with just two prominent transactions contributing approximately €278 million to the yearly activity. These transactions signify the ongoing consolidation of the local industrial market, with CTP being one of the purchasers, while the other was the Belgian industrial and logistics real estate developer, WDP. Retail assets contributed 30% to the annual investment volume, while office assets accounted for 22%. Additionally, is a transaction recorded in municipality of Targu Mures, involving the conversion of a former shopping center into a higher education facility under the umbrella of the University of Medicine "George Emil Palade."
Investment transactions involving retail assets comprise a diverse range of property types, including retail parks, retail units, big-box stores and wholesale centers distributed across the country.
In contrast, transactions for office assets were limited to buildings located solely in Bucharest.
The capital city played a significant role in the overall annual investment volume in 2024, contributing to 44% of the total, driven primarily by transactions in office assets along with several noteworthy retail deals. Regional cities continue to hold significance due to transactions involving industrial and retail parks developed nationwide, as well as deals entailing portfolios of street retail units.
As transactions with office buildings gain momentum, Bucharest is likely to re-emerge on investors' radars, particularly given its diverse offering of institutional-grade office assets.
While we anticipate further transactions in retail park portfolios, it is improbable that these will reach the scale seen in the recent past.

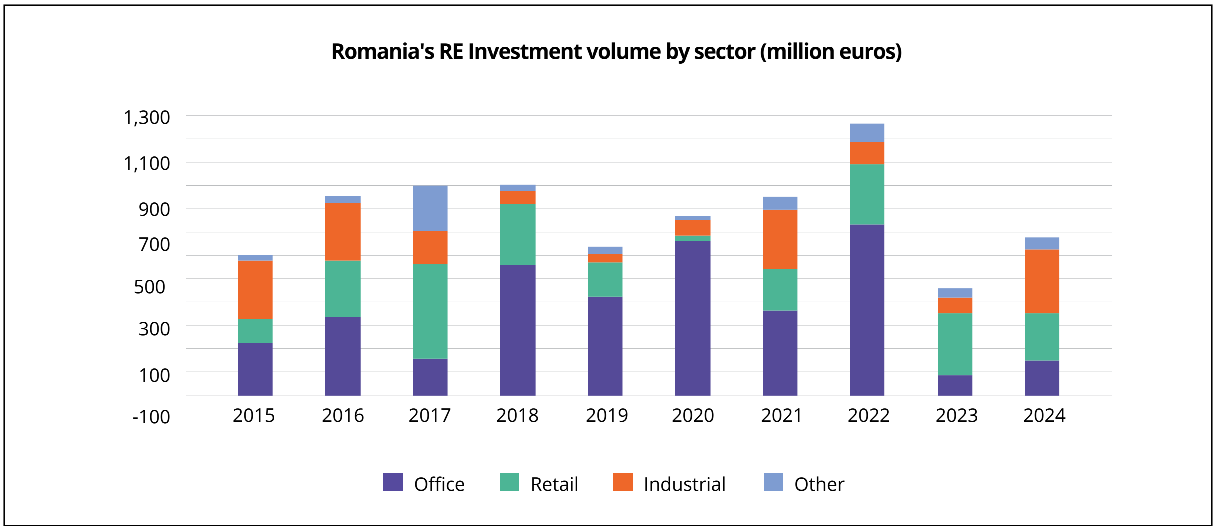
Investment 2024 volume (million)

€730

Largest investment transaction (million)

€168.2

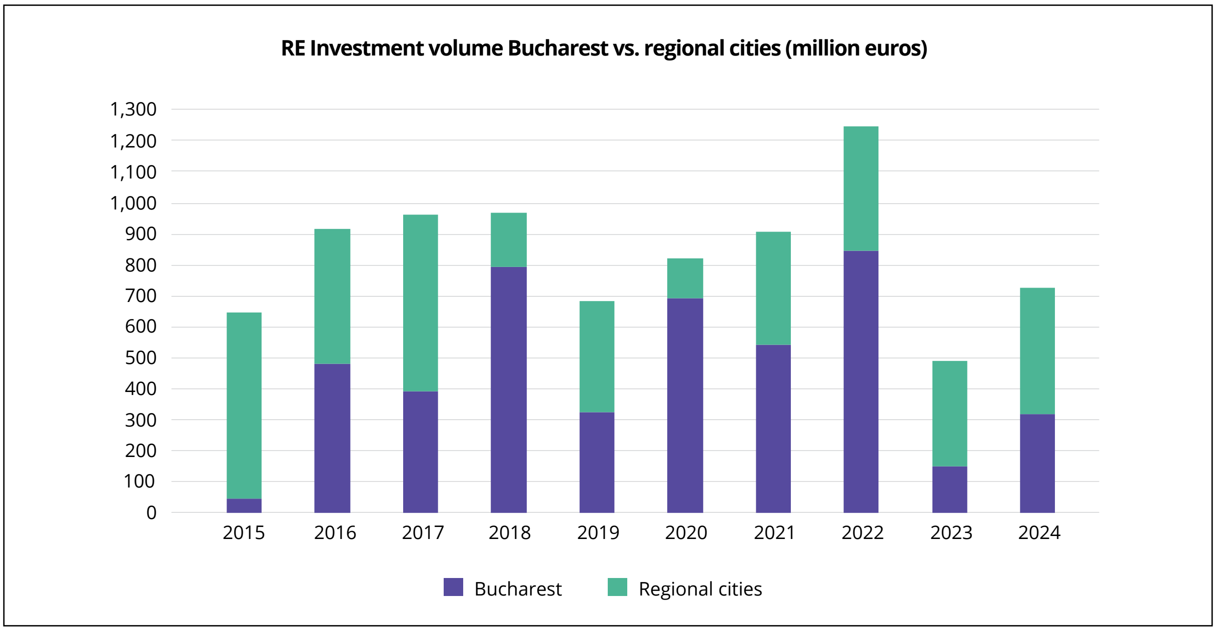
Between CTP and Globalworth



Transactional performance

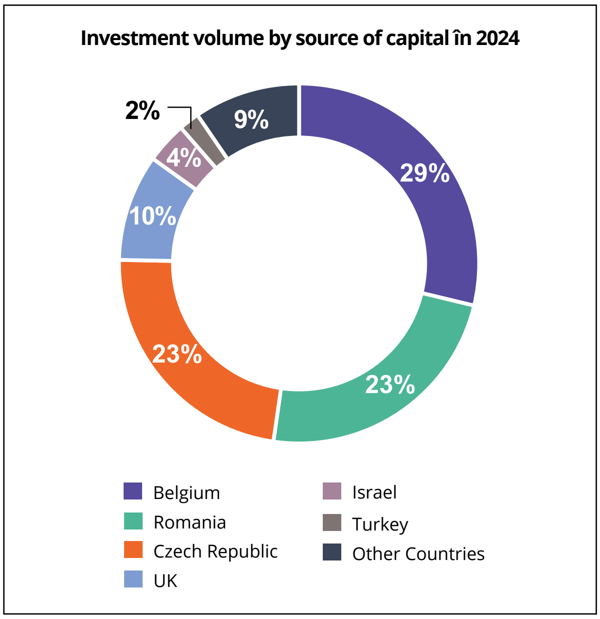
Although finalized in the first half of the year, the transaction between Globalworth and CTP stands out as the largest investment deal concluded in 2024. It involved the sale of a 270,000 sqm GLA industrial portfolio along with a 30-hectare landbank in Romania for €168.2 million. This strengthens CTP's presence in Romania across cities including Bucharest, Arad, Oradea, Pitești, and Timișoara.

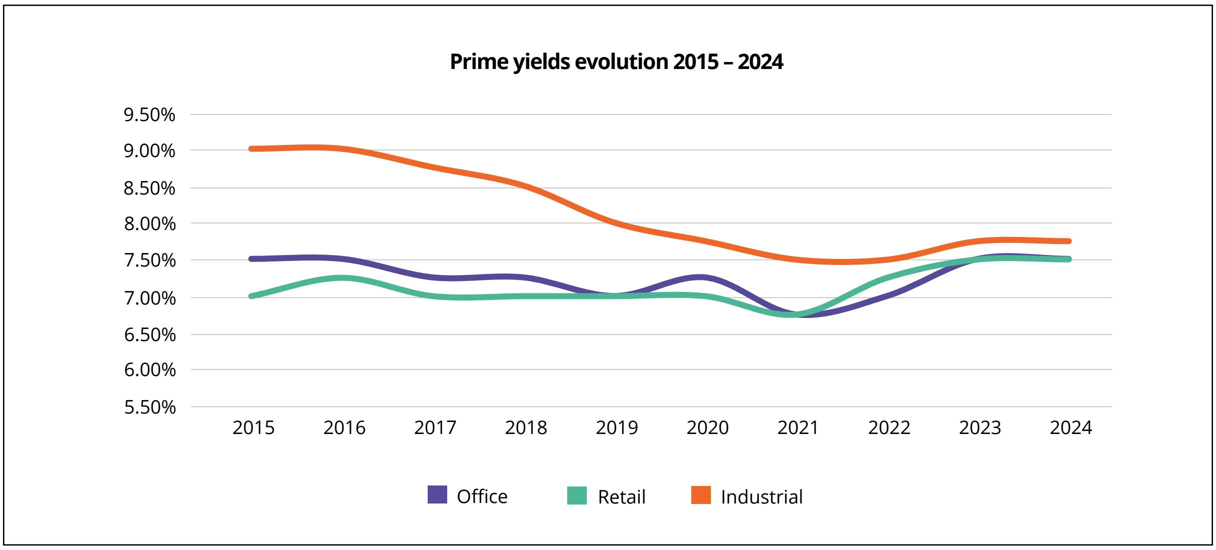
In the latter half of the year, Global Vision and Globalworth completed the sale of 136,374 sqm of leasable area to WDP, totalling an investment of approximately €110 million. This transaction encompasses properties located in Bucharest, Constanta, and Targu Mures, consisting of four Class A warehouses and light industrial projects, as well as additional land in Constanta that supports up to 300,000 sqm GLA of industrial space. Another significant transaction in 2024 was the sale of The Landmark, a centrally located business park with a GLA of 23,700 sqm, to Vectr Holdings. This deal ranks among the top five investment transactions in Romania for the year. The investment opportunity underwent a lengthy marketing phase and was finalized at the anticipated financial level for seller Revetas Capital, reflecting a fair value for this unique asset situated just minutes from Victoriei and Romana Squares. Additionally, the iconic Bucharest Financial Plaza was sold by CPI Europe to AFI Europe for approximately €27 million. The new owner, AFI Europe, has already commenced retrofitting works on the recently renamed AFI Central Tower, which aims to revitalize the office market with a project offering 25,200 sqm of office GLA and an extra 2,800 sqm of retail space.



The construction is scheduled for completion in the second half of 2027. Among notable nationwide investment transactions was the sale of Era Shopping City in Oradea to local investor Prima Development for approximately €25 million, along with two retail park transactions completed by BT's investment management company in Turda and Oradea—Funshop Park Turda and Prima Shops Oradea—totalling approximately €28.5 million.

In 2024, WDP emerged as the dominant player in Romania's investment market, allocating over €200 million across three transactions. While institutional investors, primarily driven by foreign capital, have been active in Bucharest, there is a new wave of family-type investors driven by local capital nationwide. Overall, local capital accounted for about 23% of the annual investment volume, suggesting potential for further growth in the coming years.
A total of 31 investment transactions were completed in 2024, with an average deal value of €24 million. Notably, two-thirds of the capital originated from just three countries—Belgium, the Czech Republic, and Romania—although the pool of investors by country of origin is quite diverse. In addition to the existing foreign capital from Western European countries, an influx of foreign capital from Central Asia and Middle Eastern countries is anticipated in the Romanian investment market.



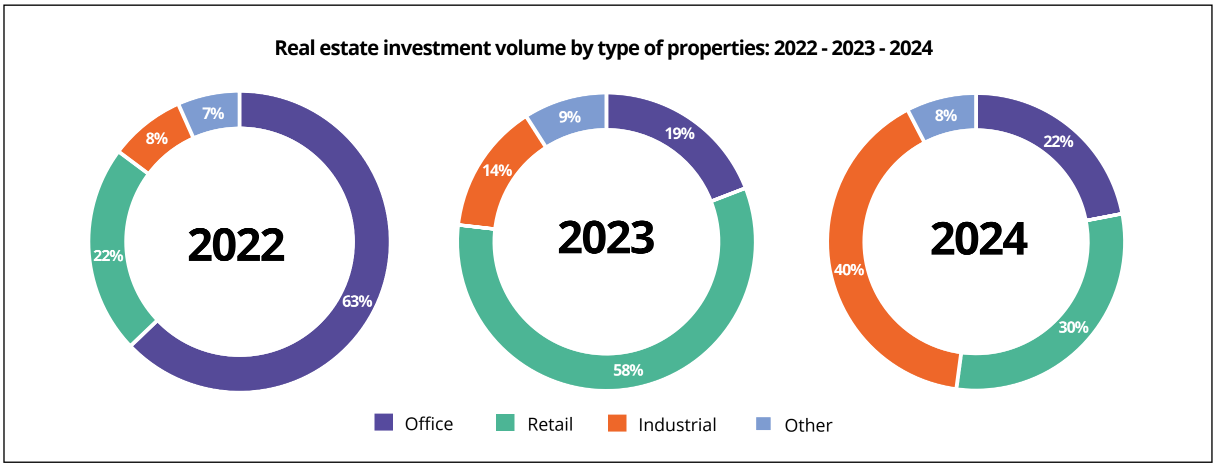


Office yield **7.50%** | Retail yield **7.50%** | Industrial yield **7.75% - 8%**

Prime yields

Due to the absence of genuine prime institutional assets being transacted in Romania, there have been no reported changes in prime yields. Currently, yields for both office and shopping center properties remain at 7.5%, while industrial assets are positioned at 7.75-8%. Well-located retail parks, which are highly sought after by investors, have yields ranging from 8% to 9%, depending on tenant mix and location throughout Romania.

The prevailing yield levels foster an encouraging environment for investment activity, enabling both institutional and opportunistic investors to establish a presence in the Romanian investment market. Value-add transactions are also attracting interest, as they provide opportunities for further yield negotiation.



Forecast

It is widely recognized that several transactions have been postponed from 2024 to 2025, which is expected to provide a significant boost to Romanian investment activity in the first half of 2025. Additionally, we anticipate the completion of several investment transactions involving office assets in Bucharest, with processes that began 6-9 months ago. Given the ongoing and potential new investment transactions, the total investment volume for 2025 is expected to slightly surpass this year's activity, aiming to reach between €800 million and €900 million.
Retail parks, whether as standalone assets or within portfolio transactions, will continue to attract investor interest. This asset class, which demonstrated resilience during the pandemic, remains increasingly popular among both shoppers and investors.
Current infrastructure projects in Bucharest and across Romania are poised to create more investment opportunities in locations that were previously deemed unsuitable or unattractive. In Bucharest, the development of the M6 metro line is anticipated to renew interest in northern city areas, while the expansion of highways in Romania is set to establish new industrial hubs in the eastern region and enhance existing ones in central and western Romania.
Beginning January 1, 2025, Romania will officially become a full member of the Schengen Area, a development expected to positively impact the country's economy by strengthening its economic ties with other European nations. This milestone follows the EU Council's endorsement for Romania's entry into the Schengen Area, which resulted in the lifting of air and maritime border controls effective March 31, 2024.

2024 Main investment transactions (selection)

City	Sector	Property	Purchaser	Vendor	Price* (€ million)
Regional&Capital	Industrial	Globalworth Industrial Portfolio	CTP	Globalworth	168.2
Regional	Industrial	Global Vision and Globalworth	WDP	Globalworth	110
Bucharest	Retail	Expo Market Doraly	WDP	ARA Europe & Gheorge Iaciu	90
Bucharest	Office	The Landmark	Vectr Holdings	Revetas Capital	70
Bucharest	Office	AFI Central Tower	AFI Europe	CPI Europe	27
Regional	Retail	Era Shopping City	Prima Development	Argo Capital Property	25
Regional	Retail	Funshop Park Turda	BT Property	Scallier	15
Regional	Other	Mures Mall	University of Medicine	Matrix Investment	10
Bucharest	Office	Ex OTP Bank HQ	Sanador	OTP Bank	9
Bucharest	Retail	Eva Store	Aveuro International	Bluehouse	8

* Estimated selling prices

AFI Central Tower

Source: AFI Europe

Office market

Supply and stock

In 2024, only one new office project was completed, bringing Bucharest's modern office stock to 3.44 M square meters. AFI LOFT, finalized in Q4 2024, is situated in the Center West submarket and provides approximately 16,000 sqm of Class A office space, with 2,000 sqm pre-leased to Lensa for their largest showroom in Romania.

Class A office spaces make up around 70% of the total stock, a proportion expected to rise as new developments align with Class A standards. However, the stock is assessed annually, with older buildings potentially downgraded to Class B or C based on their current condition. With no significant changes occurring in the modern stock throughout 2024, the Center West submarket retains its position as the largest modern office area, accounting for roughly 19% of the total, with over 88% of its spaces classified as Class A.
In comparison, the Floreasca BV submarket contributes about 16% to the overall stock, with an impressive 94% classed as Class A.

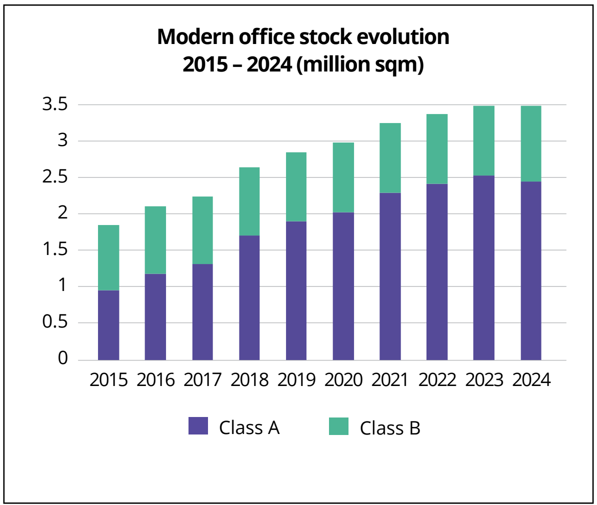
As demand for green certifications grows, it is estimated that over 80% of modern office properties hold at least one common certification in the Romanian market (BREEAM, LEED, or DGNB). Looking ahead, buildings with neutral carbon certifications will likely be significant differentiators for both tenants and investors.

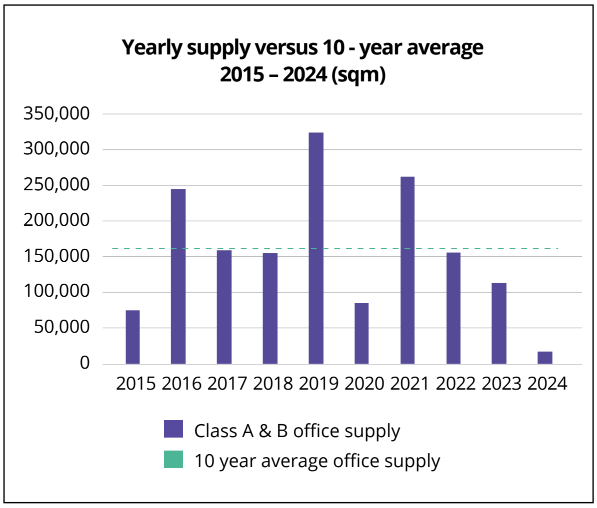
Only one office project completed in 2024 in Bucharest

AFI LOFT

Landlords with substantial retail components in their office buildings are actively investing in tenant mix improvements to enhance the office experience, aiming to attract employees back to the workspace following remote work trends.

Furthermore, there has been a noticeable decrease in sub-lease stock as lease expirations signal the end of the cycle for many occupiers who initially sub-leased surplus space. This excess space was returned to landlords or, in some cases, leased by sub-lessees. After nearly four years of competitive sub-lease activity, successful subleases have become rare due to varied technical requirements and space planning needs, resulting in a scarcity of plug-and-play leases within the sub-lease market.





Pipeline

For 2025, similar to the prior year, it's anticipated that just one project will be completed. The mixed-use One Gallery, adjacent to the One Tower office building, is expected to add approximately 14,300 sqm to the office stock in the second half of 2025. Additionally, the pipeline of buildings under construction or with secured permits has grown, with projections estimating 170,000 sqm for the 2025-2027+ period. Noteworthy is the readiness of established developers to resume halted projects due to a lack of pre-leases, which will contribute significant space to the office pipeline.

Pipeline 2025-2027+, under construction and announced (Selection)

Project	Est Area * (GLA in sqm)	Developer	Submarket
One Gallery	14,300	One United Properties	Floreasca BV
ARC	30,000	PPF	Center West
Timpuri Noi Square Ph 2	50,000	Vastint	Center
AFI Central Tower	25,200	AFI Europe	Center
Promenada Project	27,500	Nepi Rockcastle	Floreasca BV
Queens Project	23,000	Speedwell	Floreasca BV
U-Center Ph 3	12,000	Forte Partners	Center
Green Court D	19,000	Globalworth	Floreasca BV
One Cotroceni Park Ph 3	30,000	One United Properties	Center West

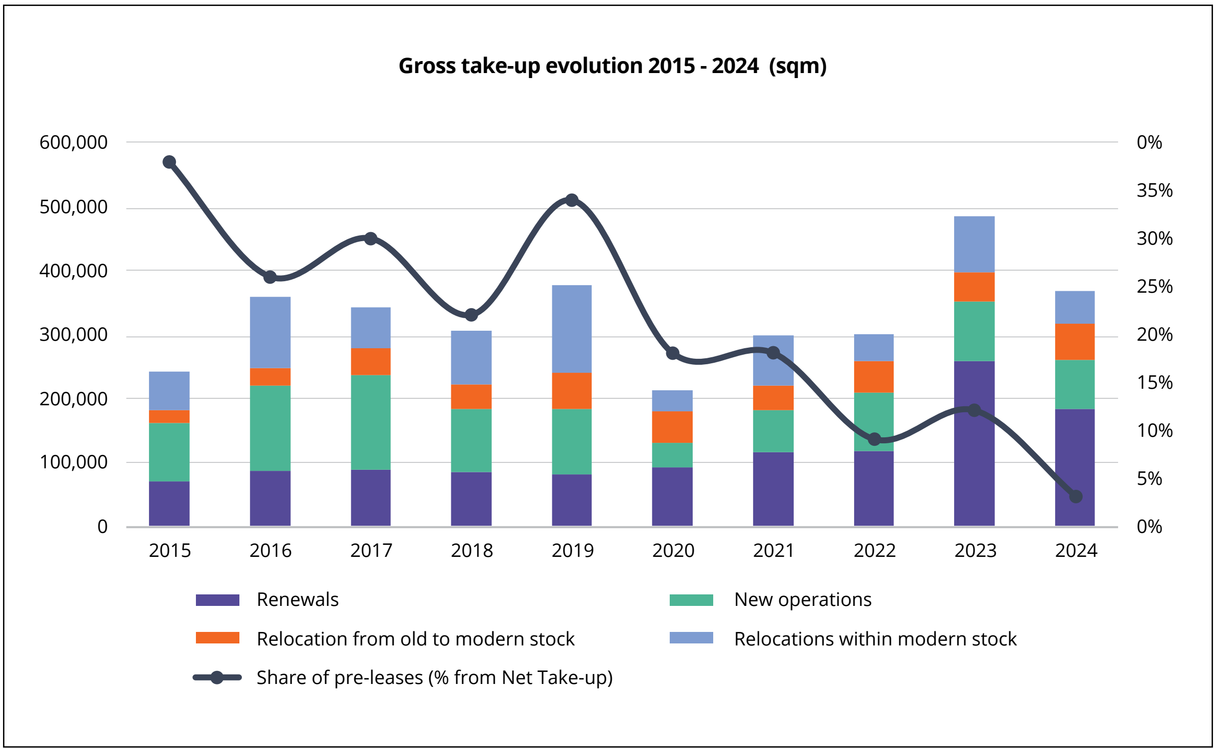
(*) - estimated GLA

One recent addition to the pipeline is the Queens project, with mixed use, developed by the Belgian firm Speedwell in a high-demand office submarket, providing around 23,000 sqm of office space, expected to be completed in Q2 2027.

The geographical spread of the office pipeline is concentrated in three submarkets that have shown steady leasing activity over the past 12-24 months: Center (44%), Floreasca-BV (38%), and Center West (18%). Emerging office projects are expected in the coming quarters, though they are likely to rely on 40-50% pre-leases rather than speculative development.

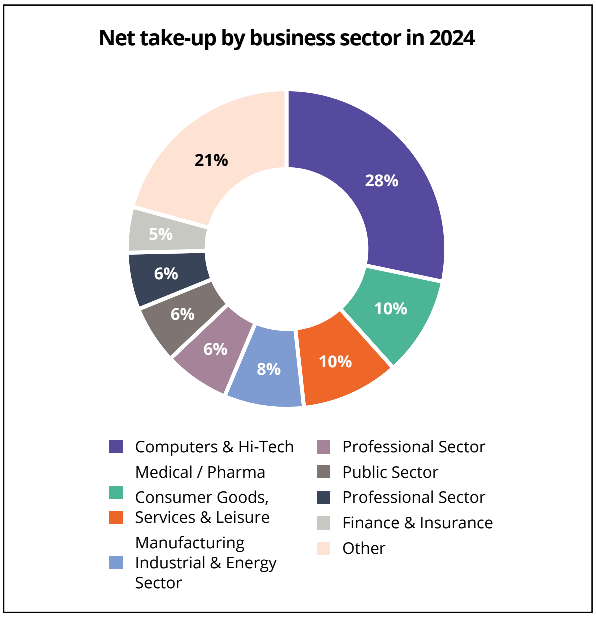
Build-to-suit options are also possible, but these typically involve lease terms exceeding 10-15 years, presenting considerable commitment challenges given the current economic and political landscape.

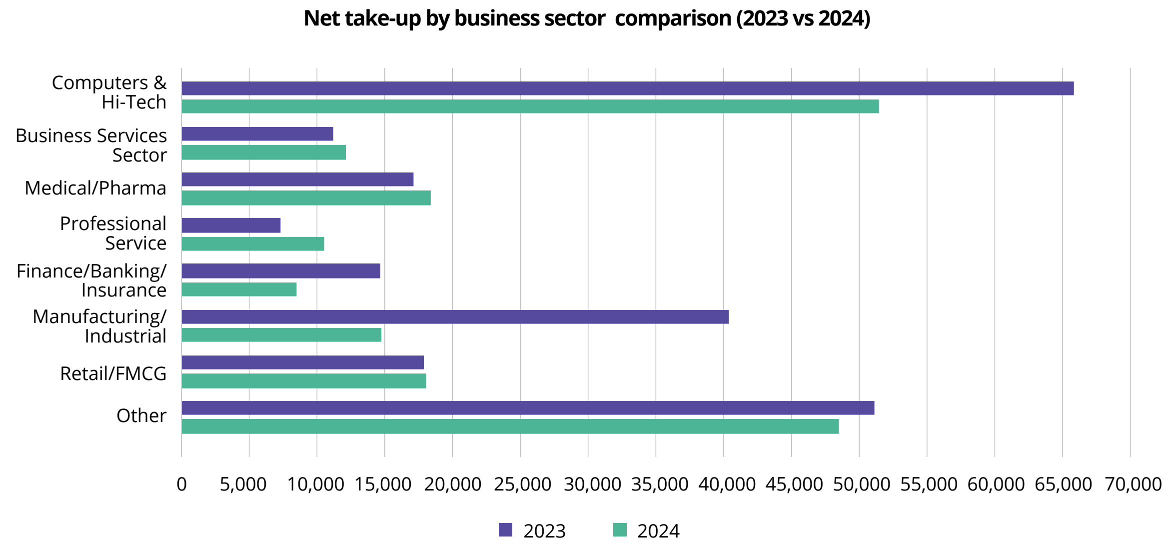
Take-up

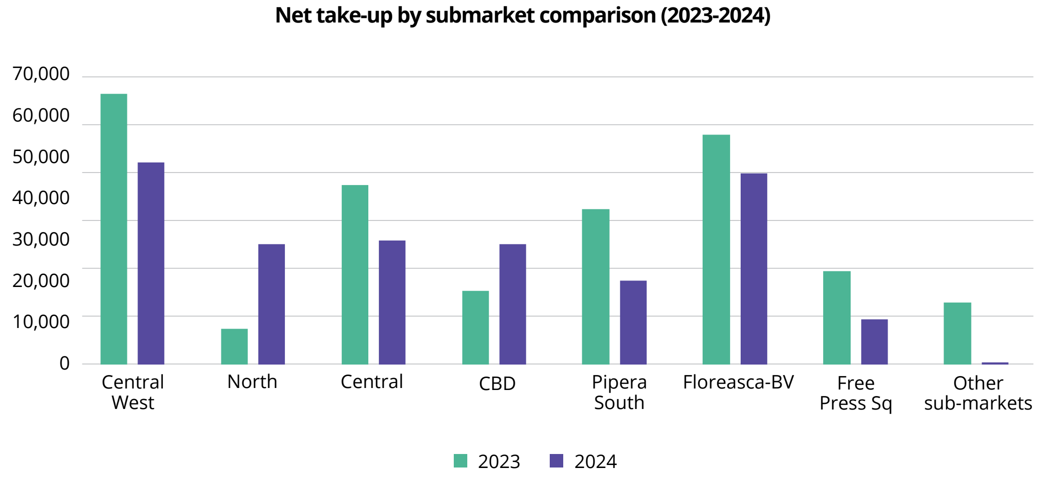


In 2024, total leasing activity in Bucharest reached approximately 370,000 sqm, similar to pre-pandemic levels in 2019, but representing a 25% decline from the previous year. Despite this decrease, the activity remains encouraging, given the low levels of new pre-leases and the completion in Q4 2024 of only one office project, AFI Loft, with a gross leasable area of 16,000 sqm across two floors.

Lease renewals have slightly decreased, contributing 50% to overall leasing activity, down from 53% the prior year. Notable renewals included Genpact signing for 30,000 sqm at Hermes Business Campus and Vodafone renewing for 12,500 sqm at Globalworth Tower. In Yunity Park, HP Inc renewed for 7,000 sqm, while HPE renewed for 5,600 sqm. The average size of lease renewals in Bucharest in 2024 stands at approximately 2,500 sqm.







Net take-up, excluding renewals, comprised new demand and relocations, with new demand accounting for 42% of the net take-up, driven by the opening of new operations or the expansion of existing ones. Relocations from outdated office spaces to modern stock represented 30% of the annual net take-up, while relocations within the modern stock made up the remainder.

Key new lease transactions occurred in buildings such as AFI Tech Park Ph 2, Petrom City, J8 Office Park, Europe House, U-Center Ph 2, Upground – BOB, which collectively contributed to 25% of the annual net take-up. Contrary to prevailing sentiments, the Center West submarket emerges as the leading contributor to net take-up, accounting for about 23%, closely followed by the Floreasca-BV submarket at 22%. Additionally, three submarkets—CBD, Center and North—each contributed 13% to the overall net take-up.

In terms of industry sectors, the computer hi-tech sector holds steady at 28% of net take-up, slightly down from 29% last year. This is followed by the medical and pharmaceutical sector at 10%, FMCG, also at 10% and manufacturing at 8%. The public sector has seen a slight decline from 8% to 6% compared to the previous year, yet it continues to be a significant source of office demand for the foreseeable future.

In 2024, a total of nine sub-leases were recorded in the market, amounting to approximately 10,000 sqm, with an average sub-lease area of 1,100 sqm. This represents about a 40% reduction in leased area compared to last year's activity in the sub-lease market. Notable sub-lease contracts were finalized in the Center West, including properties such as Orhideea Towers, The Bridge, The Light One and Business Garden Bucharest.

Overall, occupiers remain hesitant to reduce their office spaces. On one hand, the hybrid working model is still evolving; on the other, the pipeline for the next 24-36 months remains limited. When faced with a reduction in occupied area at the conclusion of lease terms, tenants typically return space that was already surplus at the lease signing, which had been allocated for potential operational expansion during the lease period. In the current market, occupiers increasingly prefer co-working spaces as a flexible option for expansion instead of committing to additional office space in advance. Consequently, having the capability to accommodate a co-working operator within a building or campus has become a key amenity, serving as a differentiator in the competitive assessment of various properties.

Rents

Prime office rents have remained stable, ranging between €21-22/sqm/month. However, a few existing buildings have headline rents that exceed this range, as do several projects currently under construction, which are asking for higher rents.

During the last quarter, changes in the rental bands were observed in the Floreasca-BV and Center submarkets, influenced by adjustments in the asking rent and transactional activity.
In contrast, the headline rents in other office submarkets remained unchanged over the quarter. The incentive packages related to rent-free periods have not altered, starting from one month of rent-free time for each contractual year, while fit-out contributions continue to be negotiated on a case-by-case basis. It is important to note that the fit-out of spaces usually does not begin from a shell-and-core condition, as part of the available space is already fitted out.

Prime office rents (sqm/month)

€21-22

Average vacancy rate
in Bucharest

12.2%

Vacancy

As of the end of Q4 2024, the average vacancy rate in Bucharest stood at 12.2%, reflecting a modest quarter-on-quarter increase of 20 basis points. Within active office submarkets, the Center area saw a notable decline to just 5.1%, followed by the CBD at 5.6%, while the Floreasca-BV and Center West submarkets exhibited two-digit vacancy rates of 11.0% and 19.0%, respectively. With only one mixed-use project slated for completion in 2025, the average vacancy rate throughout the year is anticipated to drop to single digits.

The current elevated vacancy rate is beneficial for the leasing market, aiding performance over consecutive years (2024-2025), a period marked by record-low office completions.

The Center West and Free Press Square submarkets are likely to derive significant advantages from this low level of completions, as the vacant Class A stock in these areas has been developed to institutional standards and is being marketed at competitive headline rents.

Forecast

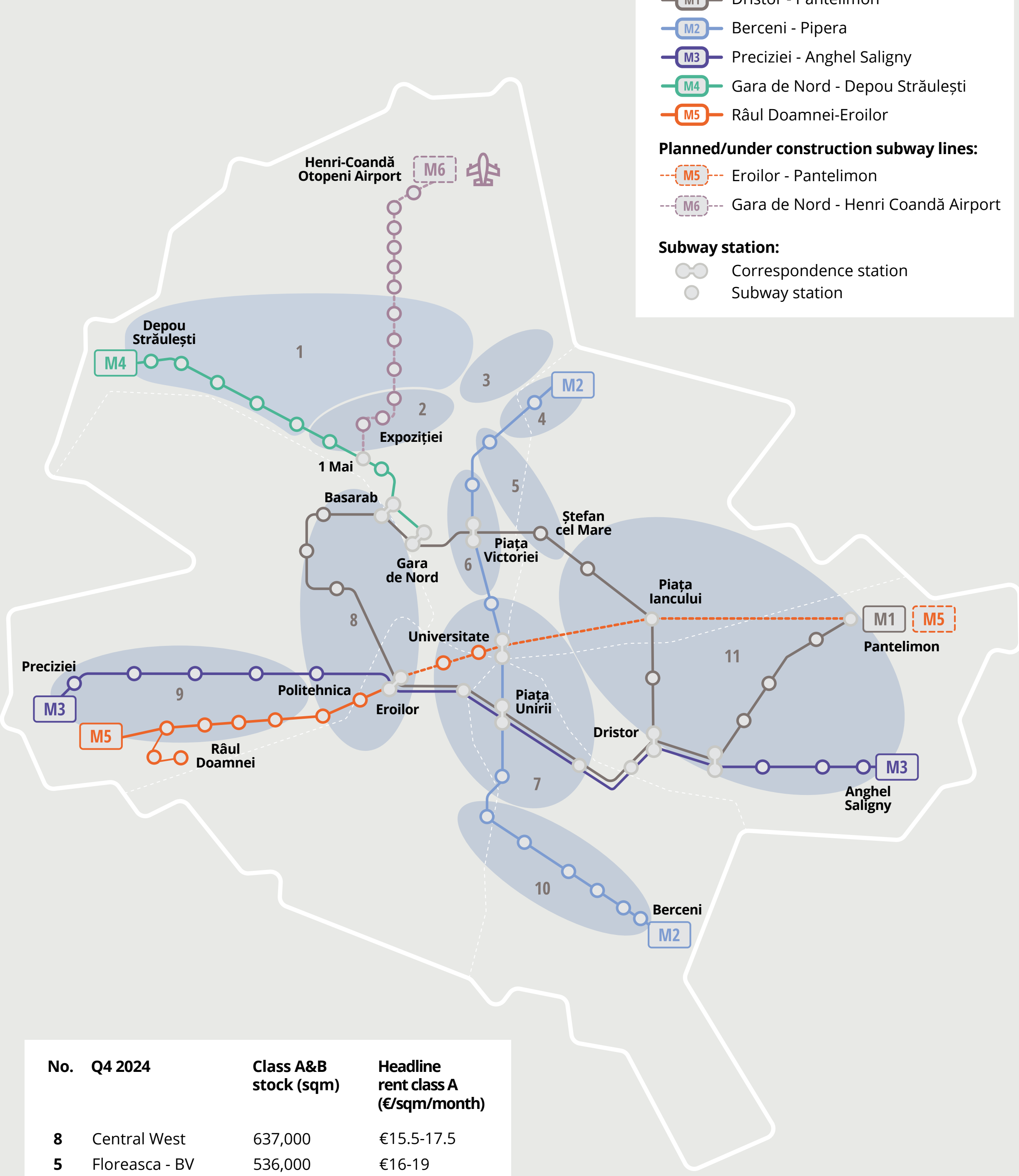
The upcoming two years may present challenges unless the market witnesses the unlock of the pre-leasing activity. Securing contracts for projects scheduled for completion in 2026-2027 could prompt developers to initiate new projects in 2025, as they hold valuable land for office and mixed-use developments in their portfolios.

Additionally, the North submarket may regain interest from developers due to the steady progress of the M6 metro line, which alleviates concerns regarding the lack of metro connectivity to the city center for northern office projects. The M6 line, set to connect North Railway to Henri Coanda Airport by 2028, may however experience delays during its significant development phase.

Headline rents, along with prime office rents, may increase further. Such increases could arise from rent adjustments for projects currently under construction in the Center submarket, which may surpass current headline rents for office space in the city's CBD by mid-year. Vacancy rates are also projected to decline throughout the city, potentially encouraging developers and owners of small to medium-sized projects to consider either development or redevelopment initiatives.

Real estate market players will need to adapt their business plans to accommodate rising financing and construction costs, the uncertainties stemming from presidential elections, and the ongoing suspension of Coordinating PUZs.

Office submarkets, headline rents and modern stock

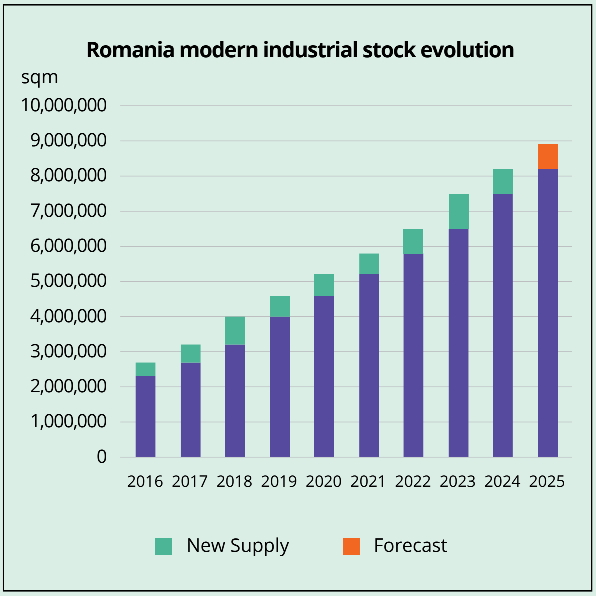


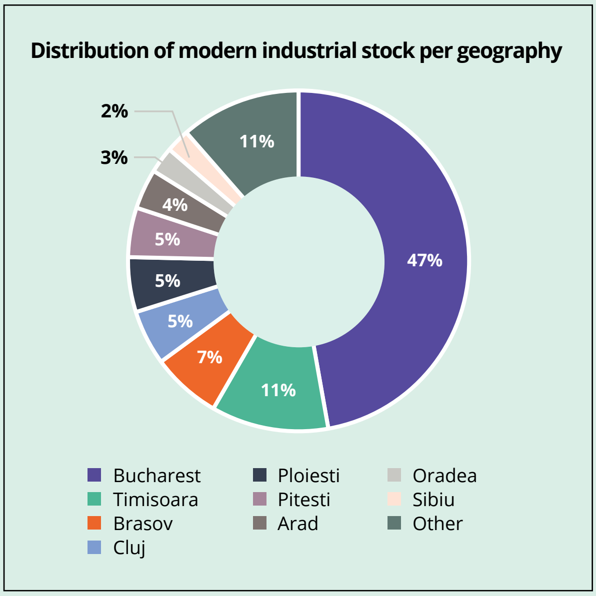
No.	Q4 2024	Class A&B stock (sqm)	Headline rent class A (€/sqm/month)
8	Central West	637,000	€15.5-17.5
5	Floreasca - BV	536,000	€16-19
4	Pipera South	455,000	€12-14
7	Central	402,000	€17-19
6	CBD	341,000	€21-22
1	North	323,000	€13-15
2	Free Press Square	253,000	€15-17.5
3	Pipera North	178,000	€8-10
9	West	168,000	€10-13
11	East	95,000	€ 9-12
10	South	52,000	€ 9-12

Industrial market

Supply and stock

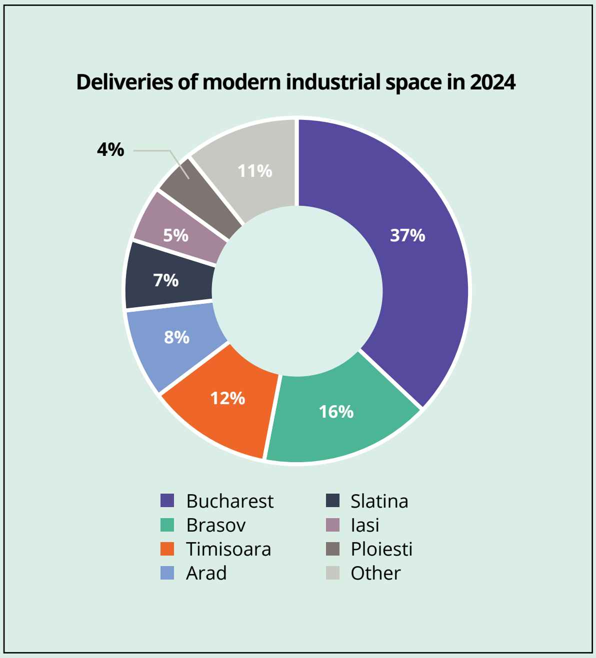
The industrial market remains a strong pillar in Romania's real estate landscape – with increased interest from both occupiers and developers. The modern industrial stock continued its steady increase, overtaking the 8 million sqm landmark, as we forecasted in our 2020 report.



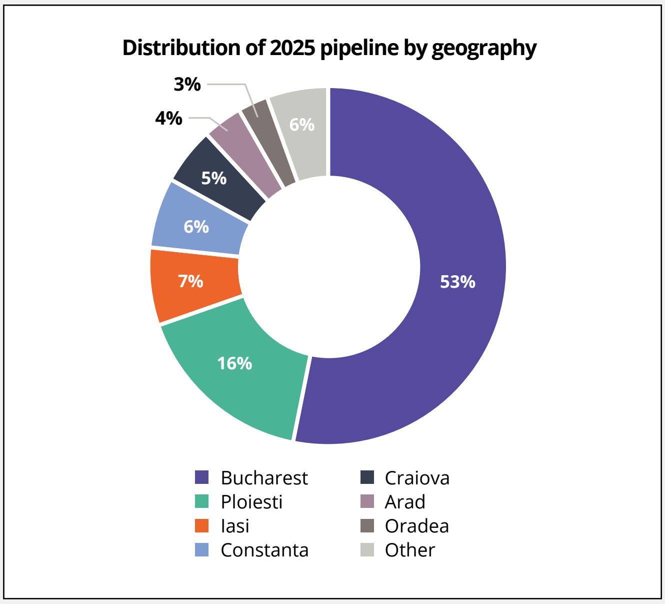


2024 modern stock growth was in line with last 5 years' average – at around 700,000 sqm per year, and currently the modern industrial stock is in the area of 8.2 million sqm.

In terms of distribution per geography, the Bucharest area comprises almost one half of the modern industrial stock. Other strong industrial hubs are generally around western cities in Transylvania, and the historic industrial hubs of Ploiesti and Pitesti. Bucharest's share remained stable in the last 5 years, ranging between 46% and 50%. The new class A supply delivered in 2024 was 37% in Bucharest. This is compared to ~50% in 2023 and ~60% in 2022. This shows the tendency of the developers and occupiers to expand and explore new areas of Romania. The regional diversification is crucial for the long-term sustainability of the Romanian industrial market.



Pipeline

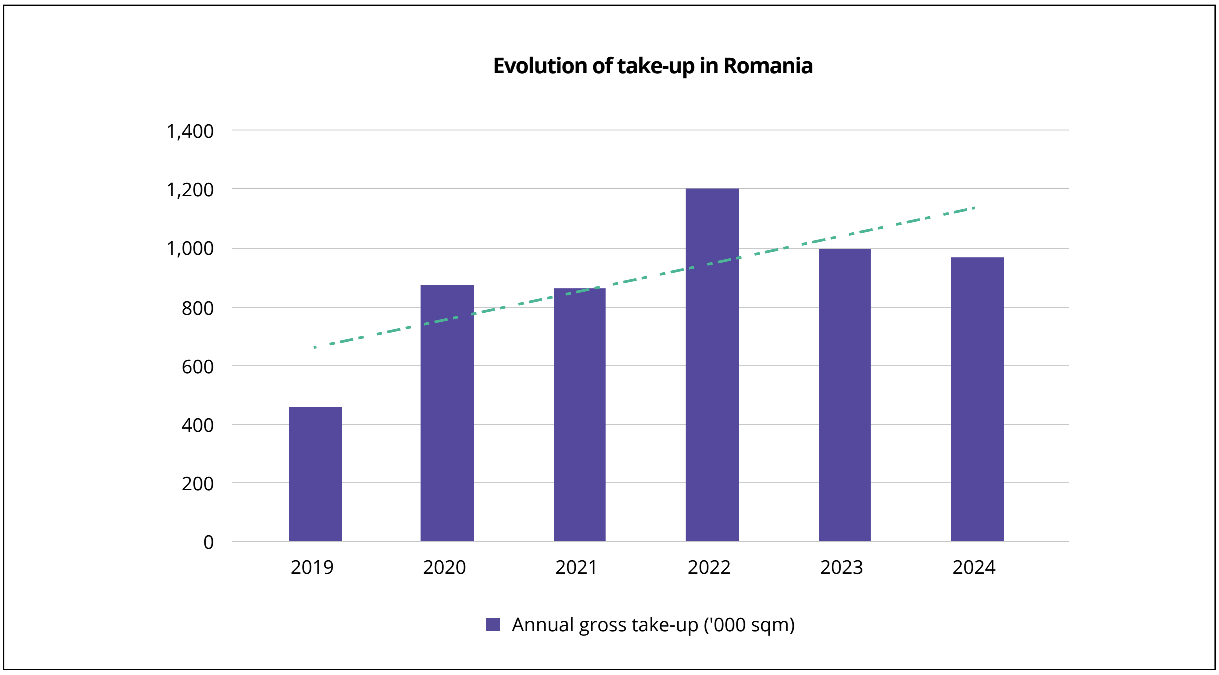


For 2025, a pipeline of ~600,000 sqm is planned. As the development of A7 highway progresses, cities in Moldova are starting to appear on the industrial/logistic map – with Iasi appearing in top 3 most planned deliveries in 2025, after it comprised 5% of the deliveries in 2024.

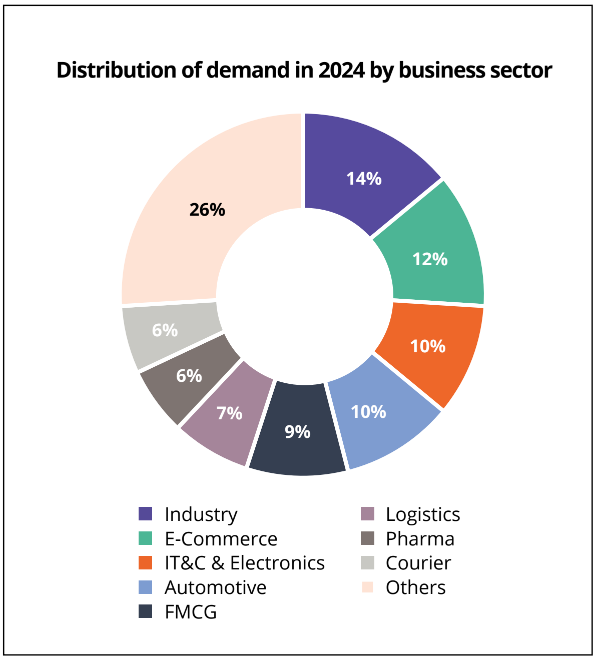
The pipeline is generally based on pre-leases signed in 2024, but also speculative. Usually developers are confident to start construction after securing 30-50% occupancy in pre-leases.

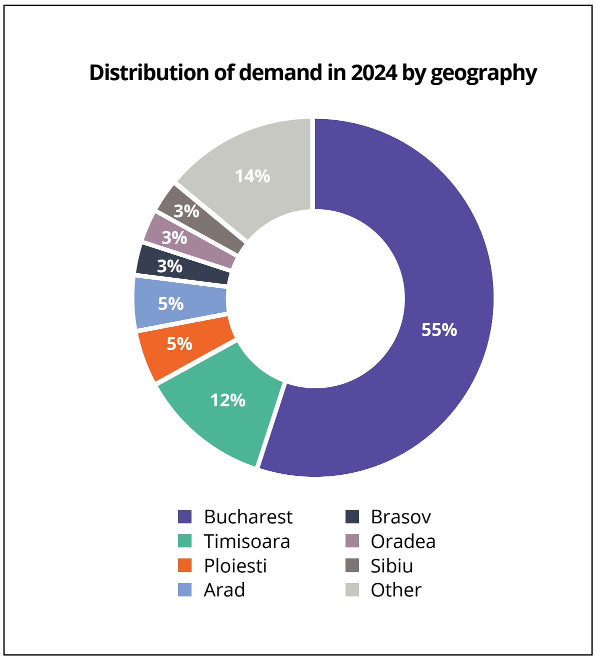
Demand

In 2024, the total take-up kept the ascending trend started with the pandemic years and reached ~970,000 sqm (similar to 2023 leasing activity).



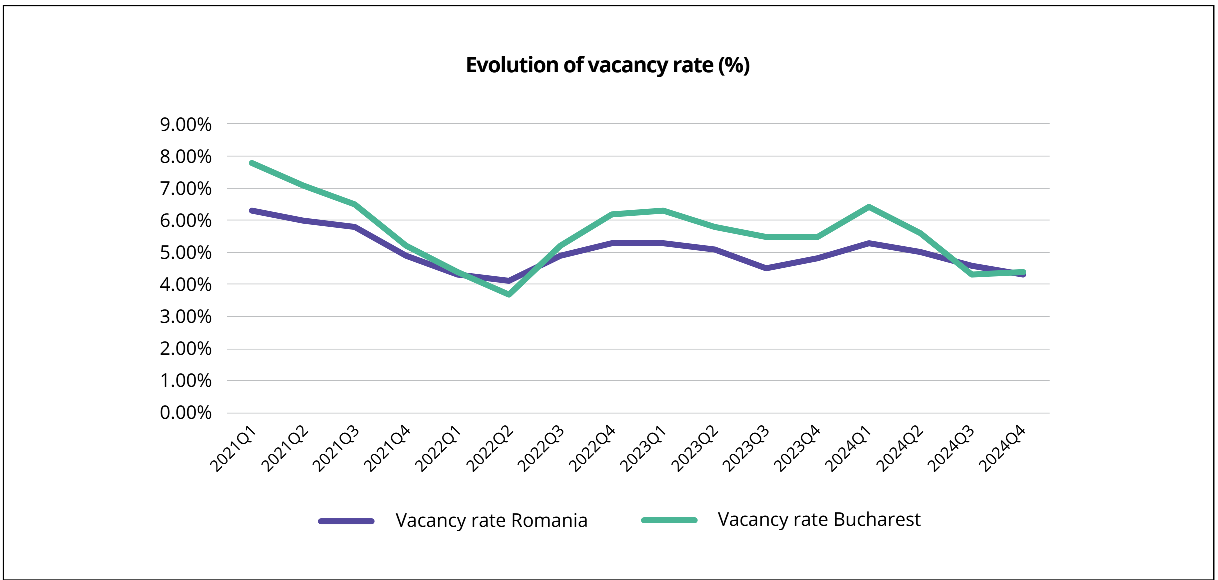
Due to its strategic location and relatively low labour costs, Romania attracts important industrial players, and this shows in the take-up distribution. Most of the demand was accommodated in Class A units with 10m or more clear height, 5t per sqm or more load bearing capacity, on the outskirts of important industrial hubs, in the vicinity of highway entrance points.





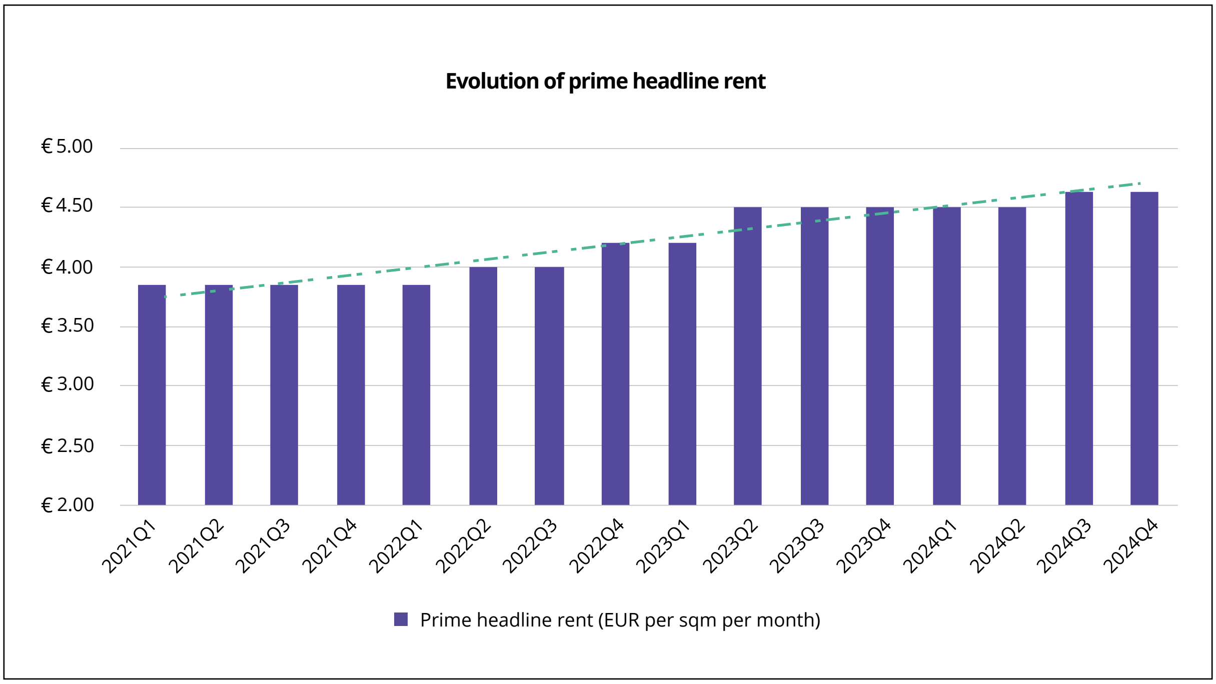
Vacancy

As the demand for modern logistic and industrial spaces remains very solid, the vacancy rates continue to drop, reaching historic lows of 4.3% at national level and 4.4% in Bucharest area.



Rents and market practice

In commercial terms, the industrial and logistic market is starting to lean more towards a landlords' market (justified also by the low vacancy as we saw above). The prime headline rent (for areas around or larger than 5,000 sqm) increased to €4.5 – 4.75 per sqm per month, and the leasing incentives granted by landlords decreased significantly: if for the last 5-10 years, they were in the area of 10-15% of the headline rent, now they amount to around 5% of the headline rent. Also the average service charges (covering expenses such as building maintenance and insurance and property tax) increased from €0.8-1 per sqm per month in 2023, to €0.85-1.25 per sqm per month. Due to increases in past years, no major rent increases are expected during 2025. The usual lease contract length is still 3-5 years for logistic activities, 5-10 years for build-to-suit and manufacturing units, however for stable big retailers or industrial units, it can reach 15 or even 20 years - a sign of a maturing market.



CEE comparison

In order to better understand the Romanian industrial market in the CEE context, we took a look at the main indicators of the industrial market in CEE countries.

Indicator	Romania	Hungary	Czech Republic	Poland*	Croatia
Population	19,000,000	9,600,000	11,000,000	37,500,000	3,900,000
Modern industrial stock (sqm)	8,200,000	5,100,000	11,700,000	31,100,000	2,100,000
Modern industrial stock (sqm) per 1,000 inhabitants	432	531	1,064	829	538
New industrial supply in 2024 (sqm)	700,000	300,000	700,000	2,100,000	460,000
Yearly industrial stock growth	9%	6%	6%	7%	22%
Vacancy in modern industrial spaces	4.3%	8.7%	3.1%	8.0%	< 3.0%
Prime headline monthly rent per sqm	€4.5-4.75	€ 5.80	€ 7.25	€ 4.80	€7.00
Gross take-up 2024 (sqm)	970,000	850,000	1,440,000	3,800,000	500,000
Gross take-up 2024 (sqm) per 1,000 inhabitants	51	89	131	101	128

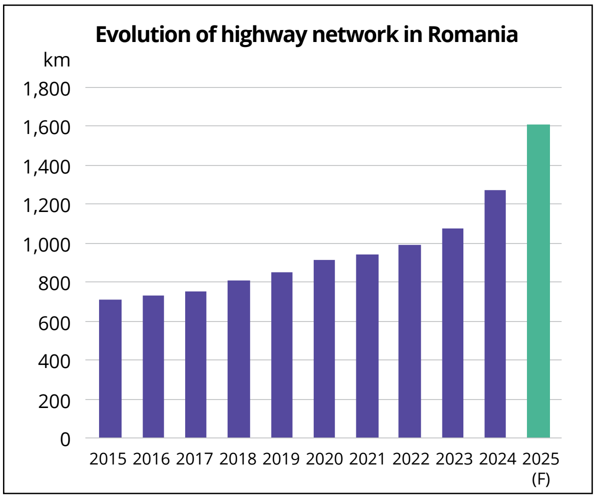
*figures as at Q3 2024

We notice that, despite recent advancements, there is still plenty room to grow in Romania, as, compared to the population, the modern industrial stock and the take-up are the lowest.

Trends and forecast

The still low land prices, low labour cost, infrastructure developments, Schengen area membership and advantageous location, continue to attract many investments into Romania's industrial and logistic market. Environmental, social, and governance (ESG) factors are becoming increasingly important for both developers and tenants. There is an increasing emphasis on sustainable and energy-efficient developments and environmentally friendly practices. Certifications like BREEAM and LEED are becoming standard in new developments.

Tenants are demanding modern, technologically advanced industrial spaces that can support their evolving operational needs. This includes features such as high clear heights, flexible layouts, etc. The adoption of automation and robotics is also on the rise, driving demand for facilities that can accommodate these technologies.
The development of industrial and logistic units is intrinsically linked with infrastructure development, more than half of the modern logistic stock is located at less than 5 km to a highway entry.



The highway network is growing at a steep rate – it doubled in the last 10 years, and 2025 is planned to be the record year – with the most highway kilometres delivered in history.
Major infrastructure projects are planned to be delivered in the next 2 years, like A7 Highway (Bucharest – Pascani) and A0 – Bucharest's second ring road - to be completed in 2026.

Romania infrastructure

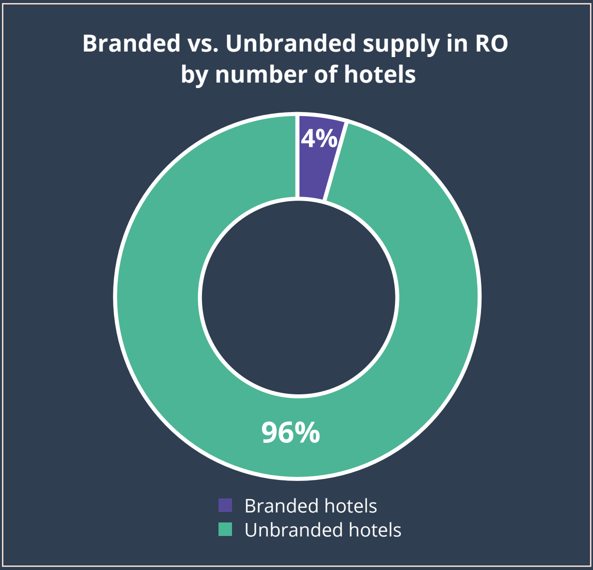
Hotel Market

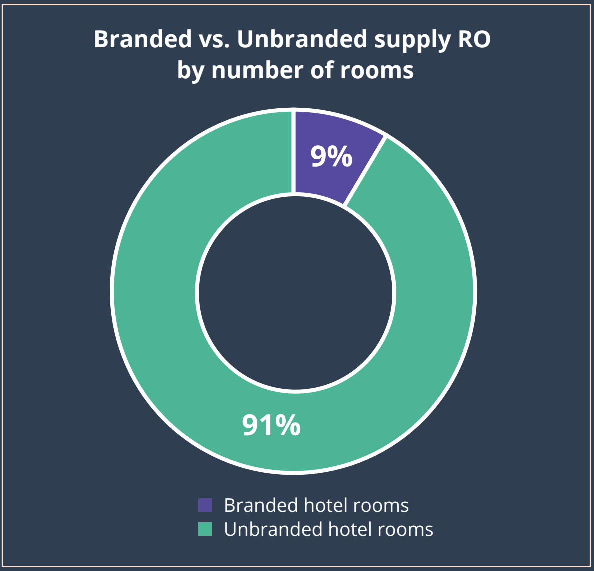
Market overview

Over the past few years, Bucharest's hospitality sector has been recovering, as seen through improvements in market indicators, such as occupancy and revenue, driven by better ADR and RevPar. The performance of the hotel market in the capital city has also benefited from increased airport arrivals as "Henri Coanda" International Airport reported a roughly 9% year-on-year increase in arrivals, with a record air traffic nearing 16 million passengers.

Bucharest is primarily a business destination, but it's also increasingly popular for city breaks, as evidenced by the average stay of foreign tourists in hotel units of approximately 2.1 days. The average spending per international visitor is estimated at ca €620 (3,100 Ron).

Cities such as Constanta and Brasov are also attracting numerous international tourists from countries like Germany, Italy and Israel. In general, Romanian tourism still heavily depends on local visitors, which accounted for about 83% of total arrivals in the first 11 months of 2024. Conversely, in Bucharest, foreign visitors accounted for over 50% of total arrivals in 2024. Similar to other major European capitals, there is uncertainty regarding business travel and MICE (Meetings, Incentives, Conferences, and Exhibitions). Remote and hybrid work practices are set to continue and meetings will continue using blended virtual and in-person conferencing facilities, impacting cities like Bucharest, where the hospitality industry heavily relies on business travelers.





Source: Trend Hospitality

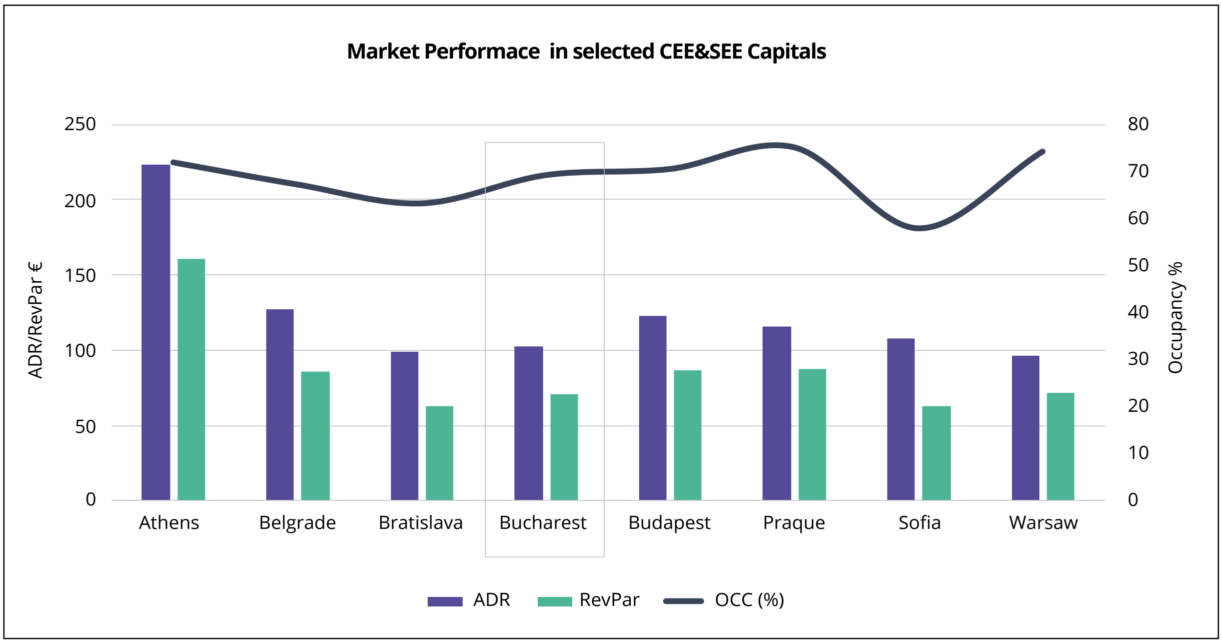
Supply

In 2024, the 4-star Ramada Bucharest Otopeni Airport by Wyndham Hotel opened in Bucharest, while renowned international brands launched properties in Cluj Napoca (Courtyard Downtown by Marriott), Timisoara (Tresor Le Palais, Curio Collection by Hilton), and Poiana Brasov (Swissotel by Accor Group). All new hotel openings collectively added around 750 branded rooms across eight locations, including two new seaside resort openings. Currently, the market includes about 1,300 modern 3, 4, and 5-star properties, totaling around 94,000 rooms, with only 72 of these units under international brands, offering approximately 9,600 branded rooms.

With recent additions, Marriott International has become the leading player in Bucharest's hospitality market, offering around 1,282 rooms across five units, followed by Accor Group with about 1,260 rooms in nine units, and The Wyndham Hotel Group (Ramada hotels) with 1,155 rooms in six units. Looking ahead to 2025-2027, Bucharest alone is poised to gain up to 1,600 rooms in new 4 and 5-star hotels. In 2025, the Corinthia Grand Hotel du Boulevard with 30 rooms, the Novotel Living Bucharest Baneasa by Accor with 150 rooms, Ramada by Wyndham Zalau with 80 rooms, and Accor Mondrian with 100 rooms are set to open.

Hotel market performance

In 2024, Bucharest saw a 69.3% occupancy rate, marking a 4.2% year-on-year increase due to various international sporting and music events. Nationally, occupancy stood at 62.7%, marking a slight decrease of 0.8% compared to 2023. (source: CoStar/STR, YTD-December 2024). Despite resilience among business travelers, the ADR in Bucharest rose to €102.67, a 7.3% increase year-on-year, significantly higher than pre-pandemic range of €70-75. RevPar saw a notable yearly growth of approximately 11.8%, reaching €71.10 in 2024. Overall, 2024 demonstrated a strengthening performance in Bucharest's hospitality sector, a trend expected to continue given the sector's growth potential confirmed by numerous incoming hotel projects by established international brands in the next few years.



CoStar/STR, YTD-December 2024

Forecast

Future growth in the hospitality sector is anticipated to be driven by regional cities, which are more leisure-oriented than Bucharest. This pool includes cities like Brasov, Timisoara, Oradea, Cluj Napoca, Sibiu, Iasi, and Constanta, which have gained favor among real estate players, developers, occupiers, and investors, seen as key hubs for leisure and business travel alike. Non-traditional developers such as Hagag Development Europe and One United Properties (Mondrian Bucharest Hotel, 100 rooms) are making significant moves in the hospitality market by securing assets for conversion or refurbishment into high-end hotel units. Additionally, Nusco Group and Forty Management have recently announced partnerships with international brands like Hyatt and Crest Collection by Ascott to open new hotel units in a mixed-use project and downtown Bucharest, respectively. Although the investment sector has yet to witness another major transaction like the 2017 Radisson Blu sale, interest in well-located assets in Bucharest and leading regional cities is growing. This has laid the groundwork for the hospitality sector to build momentum and bolster industry resilience rather than merely surviving any future challenges.

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Get more information

David Canta
Managing Director
Romania & Czech Rep.
david.canta@avisonyoung.com
+40 727 737 894

Adrian Crizbasianu
Head of Industrial &
Logistics Agency, Romania
adrian.crizbasianu@avisonyoung.com
+40 727 227 448

Mihai Berbece
Senior Consultant
Industrial Agency, Romania
mihai.berbece@avisonyoung.com
+40 740 229 606

Liana Popescu
Office Consultant
Office Agency, Romania
liana.popescu@avisonyoung.com
+40 735 123 774

Levis Vlad
Head of Research
Romania
levis.vlad@avisonyoung.com
+40 744 333 631

Andrei Kivu
Senior Data Analyst, Research
Romania
andrei.kivu@avisonyoung.com
+40 744 481 955

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