

# REAL ESTATE Guide

Key insights into the local  
real estate market in H1 2019

A GUIDE PUBLISHED BY

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## EDITORIAL



## Joining the EUR 1 billion club

**OVIDIU NICOLAE POSIRCA**  
CONTRIBUTING EDITOR

The local real estate market is still aiming for the EUR 1 billion target in investments, an objective that could be achieved this year. But numbers show only a part of the industry's significant development story. Domestic investors are starting to become key players on the market and are working on projects that can successfully compete with buildings from key European cities in terms of quality and design.

The commercial real estate sector will continue to grow this year, with deliveries of large office, retail and industrial projects to continue by 2020 across Bucharest and regional cities, according to developers. Meanwhile, the residential sector remains in development mode, with demand and prices remaining on a positive track.

The local real estate industry is connected more than ever to the global trends shaping the property market. Buildings are becoming smarter and can provide an improved experience for working, shopping or living. Developers are constantly updating their projects in competition for valuable tenants, and that helps the market enter a maturing stage. Mixed-use projects are popping up in the largest cities, showcasing developers' capacity to create synergies between different market segments. Property transactions to the tune of EUR 200 million are already taking place, while new international investors are also evaluating the potential of the market. Property players are also paying attention to the seismic shifts in the workplace. Younger generations have grown alongside digital platforms, but still want offices where they can collaborate with their colleagues.

Working from home for one day a week is becoming the norm even for large employers, while co-working spaces are growing more popular by the day. Entrepreneurs are also coming up with new ideas to transform the property sector, with more than 20 startups having reached unicorn status, being valued above USD 1 billion.

You can find out more about the outlook of the Romanian property market and the massive trends shaping the industry in this year's edition of Business Review's Real Estate Guide.

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ISSN 2559 - 6071

ISSN-L 2559 - 6071

# CEE-BASED ECONOMIES TO CONTINUE GROWTH RUN IN 2019

*The real estate sector will continue to benefit from the expansion of economies in Central and Eastern Europe in 2019, with potential to generate an additional volume of fresh property investments in Romania and across the region. However, as European economies are seeing a slowdown of growth this year, some real estate players are already becoming more cautious.*



*Some real estate players are becoming more cautious as European economies are failing to maintain a higher growth rate*

**BR** OVIDIU POSIRCA

**T**he Romanian economy grew by 5 percent in the first quarter of 2019, driven by an increase in domestic consumption, which was fueled by wage increases. This year, the domestic economy is set to expand by 3.3 percent, according to an estimate of the European Commission, the executive arm of the European Union. Meanwhile, the Euro area will grow by 1.2 percent, while the overall growth in the EU bloc will stand at 1.4 percent. On this backdrop, Romania will remain one of the economies with the fastest GDP expansion in the region.

These figures could also help Romania attract more investments in the property sector, say real estate players.

“CEE countries, including Romania, are seeing fast economic growth. In fact, these countries are expected to have the highest GDP growth in the EU in 2019. So far in Q1, Romania had the second highest economic growth after Hungary. This, along with the low corporate tax rates, the availability of high-skilled workforce and the increasing investor interest for CEE seems to point to a further development of the property markets throughout the region,” says Ilinca

Timofte, research analyst at real estate consultancy Crosspoint Real Estate.

## **PROPERTY SECTOR IN LATE GROWTH CYCLE**

While statistics point to a slowdown of economic growth rates across Europe, analysts at BNP Paribas Real Estate suggested that the property sector would remain on a positive trend despite being in the late stage of its growth cycle.

“Our central scenario is one in which growth moderates but does not result in recession. Cycle slowdown continues to

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highlight the need for reform,” wrote Samuel Duah, head of real estate economics at BNP Paribas Real Estate, in a presentation published in May.

administration. She says these are some of the reasons why the volume and size of the Romanian real estate market place the country behind others in CEE.

to the shift in global forces and issues such as the trade agreement between China and the US, Brexit, the situation in the euro zone, etc.,” says Postolache.



Silviu Pop, Colliers International



Mirela Ciovisa, Knight Frank



Daniela Boca, CBRE Romania

“CEE is receiving a good inflow of capital searching for yields at this late stage of the cycle, driving the strong performance seen in this region,” he added.

Duah says that real estate performance metrics will move into the single-digit phase of the cycle in 2019, with the best results continuing to be driven by property with superior income returns.

Although the property sector will remain in positive territory this year, some real estate players are becoming more cautious as economies are failing to maintain a higher growth rate.

Francesca Postolache, partner, assurance services at PwC Romania, the professional services firm, says that the local property sector is facing the same challenges as the rest of the economy, stemming from fiscal instability, the lack of public investments in physical infrastructure and the quality of public policies and

“The Romanian market has not exceeded EUR 1 billion per year in the last three years and has not reached the levels before the economic crisis, even though the rest of the region had better performance. However, this expected market downturn will not be comparable to what happened

GDP growth in the CEE bloc, including Romania, is estimated to reach 4 percent this year, adds Silviu Pop, head of research at real estate consultancy Colliers International Romania.

The expansion of real estate markets is correlated to the growth of companies in services and manufacturing, which drive demand in the property industry.

From a risk perception perspective, Pop says that 2019 has been “good” because the major central banks have had a “wait-and-see” stance.

“The ECB (European Central Bank – e.n.) has just recently unveiled fresh stimulus via long-term loans, with markets pricing in a rate cut or two from the Federal Reserve this year. This keeps the door wide open for investments in general, but property

markets have been delivering even better results in the CEE in recent years,” says Pop.

REAL GDP GROWTH			
	2018	2019	2020
Romania	4.1%	3.3%	3.1%
EU	2%	1.4%	1.6%
Euro area	1.9%	1.2%	1.5%
World	3.6%	1.2%	1.5%

Source: European Commission Spring 2019 forecast

CEE-BASED ECONOMIES IN 2019	
Country	Growth rate
Bulgaria	3.3%
Czechia	2.6%
Hungary	3.7%
Poland	4.2%

Source: European Commission Spring 2019 forecast

in the previous economic crisis as the financial situation is more stable. A market correction is more likely to take place, due

In Romania, the central bank has been keeping the key interest rate at 2.5 percent for more than a year, while the ECB said in a statement that it now expects the key

Europe and concentrate their activity on the CEE region. With dividend growth of 40 percent and 9.5 percent respectively in 2018, MAS RE and NEPI Rockcastle have

estate, followed by South-African funds, with a share of 18 percent, according to research by CBRE Romania, the real estate consultancy. “On a growth pattern but with a more cautious optimism reflected in the forecasted figures of the main macroeconomic indicators, 2019 is shaping up to be a remarkable year with high transactional activity, as major real estate properties and portfolios are in different purchasing stages,” says Daniela Boca, head of research at CBRE Romania.

Costin Banica, head of the industrial department at real estate consultancy JLL Romania, adds that “we are seeing increased attention from investors towards speculative deals.”

Consultants say that despite the slowdown of CEE economies, there is still growth potential for the property segment to expand as long as the markets remain on a steady track. “The property market is the most affected sector in case of a reversal of the economic cycle and has a harder time recovering compared to other sectors,

ECB interest rates to “remain at their present levels at least through the first half of 2020.”

### CEE FLEXES ITS ECONOMIC MUSCLE

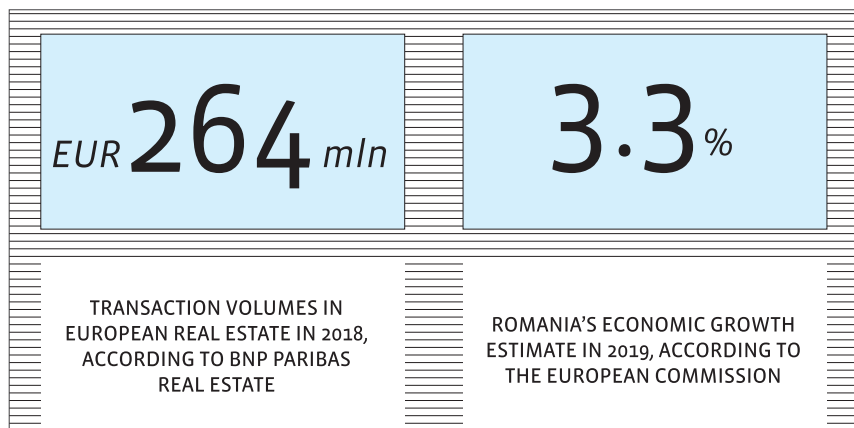
While the CEE-based economies are growing faster in a bid to catch up with advanced economies in Western Europe, the region remains highly dependent on external demand. This means that these countries would take a hit if manufacturing exports slowed down.

The extremely tight labor market is one economic commonality across the region, according to BNP Paribas Real Estate. As companies find it hard to recruit staff, this could impact the occupational property markets. For instance, employers might give up plans to relocate to another office building if they fail to find additional employees to grow their businesses.

Timofte of Crosspoint Real Estate says that property markets will continue to develop in the CEE due to low corporate tax rates, coupled with the dynamic GDP evolution and the existing talent pool which is attractive for companies.

“CEE is becoming a hotspot for real estate investments, a fact which is highlighted by the decisions of investment funds like MAS RE to divest from Western

placed their bets on this region for over a decade and are continuing to reap the benefits,” says Timofte. Investment activity in the Romanian property sector has pointed to a maturing industry that has also boosted confidence levels in the field among national and international companies. In 2018, the investment volume on the



local market has climbed to almost EUR 1 billion with Romanian investors starting to gain visibility in all segments, ranging from office to residential and logistics. In fact, domestic investors generated a quarter of the total investment volume in real

INVESTMENT VOLUME IN ROMANIA'S PROPERTY SECTOR BY BUYER NATIONALITY*	
Country	Share
Romania	23%
South Africa	18%
Portugal	13%
UK	11%
USA	7%
Belgium	6%
Austria	6%
Czech Republic	4%
Others	12%
*2018 Source: CBRE Research, Q4 2018	

but we don't foresee any major corrections, as per this moment,” say Mirela Ciovisa, regional corporate account manager for the office division, and Valentin Lupu, associate director for capital markets at real estate consultancy Knight Frank.

## THE NEW AGE OF OFFICE DEVELOPMENT IN ROMANIA: DEVELOPERS FOCUS ON URBAN REGENERATION, QUALITY OF LIFE

*Office development in Romania is adapting to the preferences of new generations of employees and changing the very idea of its offer. Developers now design projects for complex living, providing good quality of life and urban regeneration rather than just work premises.*



Julius Town Timisoara mixed-use project

Palas is a catalyst for the labour force in Iasi, and the figures speak for themselves: from 2012 (the opening year) and to this date, the number of people working in the offices went from 900 to more than 7,500, through the presence of more than 50 companies,” according to the Iulius Town Timisoara representative.

Now, the group is investing the same energy, resources and know-how in Timisoara and considers Iulius Town to be its most relevant project: “the city within a city, tailored to the real needs of its residents. “This new type of development focuses more on people’s needs - and quality of life is now the main target of a project. Speaking of standards, our class A offices provide all the comfort employees need – wide, open spaces full of natural light, amazing views overlooking the city and surrounding areas, as well as state-of-the-art facilities and services,” says Manea.

For a large city like Timisoara, these kinds of projects could boost its status in the region and offer new opportunities for development. “As with Palas Iasi, the

**T**his change in office concepts can already be seen in Romania, where office buildings are now being replaced with more evolved concepts.

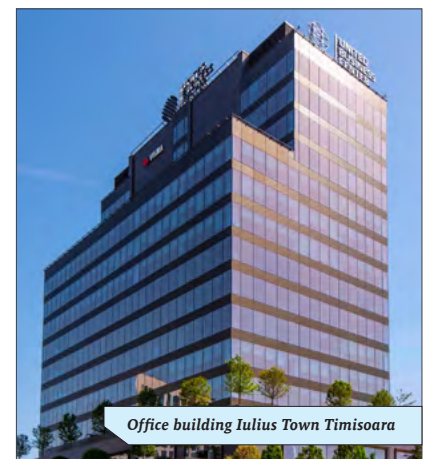
The first such mixed-use project is Palas Iasi, which was opened in 2012 and is now considered a landmark for Romania.

But another major project is close to opening on the opposite side of Romania, in Timisoara. “Iulius Town is the first mixed-use project in the west of Romania and we have developed it around Iulius Mall, which has been part of Timisoara’s life since 2005. Iulius Mall is an anchor for this larger project, a EUR 220 million investment – the largest investment in a project of this kind in west Romania – combining impressive office and retail components,” says Laurentiu Manea, office buildings manager Iulius Town Timisoara. Iulius Town is located in one of Romania’s most

dynamic secondary cities, and this project may set new standards for office developers across Romania. “We are very confident that this is the case. It is in our power to come up with urban regeneration projects such as this one, projects that don’t just add quality to people’s lives, but also generate business and progress,” says Manea. This is the group’s second mixed-use project after Palas Iasi, but it was the first one it developed along with an international partner, Atterbury Europe.

### ► “CITY WITHIN THE CITY” CONCEPT

Seven years since its opening, Palas has been confirmed as a winning bet for its developer. “With the six office buildings downtown, Palas has consolidated a regional business hub, enabling the development of the IT industry well beyond Iasi.



Office building Iulius Town Timisoara



four office buildings comprised in the first phase of development of Iulius Town will consolidate Timisoara's business centre, a necessary feature for a city of this magnitude. To this date, Timisoara has not had a business district that could measure up to its potential, and the 100,000 sqm of offices in the Iulius Town project fill this gap organically," according to Manea. Experts point out that an office project should address all the selection criteria considered by future tenant companies, which focus on the benefits their employees can enjoy in the workplace. "Our buildings are the

"Speaking of figures, Iulius Town has already become a regional business hub, generating new investments and jobs. The first three completed office buildings have a total surface of 50,000 sqm, are fully operational and accommodate more than 20 tenant companies and over 3,300 employees," says Manea. Timisoara is considered to be the most developed city outside the capital, with a major growth potential. It ranks among the top Romanian cities in terms of living standards, it has a solid infrastructure, a university system that is recognized nation-wide and that provides

tional, and we are now working on the 'star' of our office compound, UBC 0, which will be the tallest building in Romania, standing at a height of 155 m," says Manea.

Betting on future development potential, local developers are thinking big and designing more audacious projects..

"Why go for such a tall building in Timisoara instead of Bucharest, where there is a much larger market?" many would ask.

"Simply because we are developing this project in Timisoara. We also considered the ever-increasing demand for space coming from the business sector. Obviously,

Bucharest has its giants, but judging by Timisoara's potential, we certainly have reasons to aim as high as possible," says Manea. But other details are also important in attracting tenants' interest. UBC 0 will provide office premises on a leasable area of 52,000 sqm, on 27 floors. This means that the people working here will enjoy generous, column-free spaces adding up to 2,000 sqm per floor and high levels of natural lighting, ultramodern amenities and technologies, and energy-efficient solutions.

The top floors will be partitioned into 150-200 sqm areas that can be leased by law firms, consulting companies or various service providers. "UBC 0 will combine modern office spaces with retail and services. At the ground floor there will be top stores and themed restaurants, while the first floor will accommodate a corporate events centre with seven halls. Two floors will be transformed into a medical hub which will offer complete diagnosis and treatment services for multiple medical specialties," says Manea. Mirroring the fastest growing-sectors in the country, Iulius Town's clients are mainly from the IT, automotive and BPO industries.

"Our tenants include multinational IT and automotive companies, such as: Intel, Microsoft, Ness Digital Engineering, Atos, Veoneer, ACI Worldwide, Bitdefender, Azets, Steadforce, Flex Romania, and others," concludes Manea.



only ones in Timisoara to be integrated into a mixed-use project and the only ones that are in close proximity to dozens of useful services, for both during and after office hours: food court, restaurants, cafés, fitness center, swimming pool, 450 stores, 12 multiplex cinema auditoriums, kindergarten taught in English, medical practices, events center, park, and more than 4,000 parking spaces," says the Iulius Town Timisoara representative.

### ►► REGIONAL BUSINESS HUB

Following years of rapid economic growth, developers now believe that a big city like Timisoara is ready for this type of major office development as many companies have expanded their business in the region – one of the most developed in Romania.

solid language skills.

"This is a very attractive city for workers from other cities, including those from the south of Romania, as this manpower chooses to work and live here. Most importantly, it has a stellar reputation for its pool of talent in the automotive field, having numerous senior specialists with research and development skills. This is definitely one of the best places to be in," he adds.

### ►► THE TALLEST OFFICE BUILDING IN ROMANIA

Due to the rapidly expanding business community in Timisoara, the office component of Iulius Town is very well represented, being comprised of four United Business Center (UBC) buildings.

"UBC 1, 2 @ 3 are completed and func-

# POWERFUL TRENDS SHAPING THE PROPERTY INDUSTRY

*The increase in the number of co-working and flexible spaces, alongside the development of mixed projects and the digitalization of buildings are some of the major trends set to define the European and Romanian property markets in 2019 and beyond.*



*The co-everything principle will impact how we work, how we live or move around the city*

**BR** OVIDIU POSIRCA

The co-working segment has grown rapidly across the major property markets and its leading player is US-based startup WeWork, recently valued at USD 47 billion. Although the operator is not present in Romania, other players have expanded their portfolios of co-working spaces across Bucharest and regional cities.

Each successful office project in Bucharest will include a co-working space 10 years from now, predicts Daniela Boca, head of research at real estate consultancy firm CBRE Romania.

“The cities with the strongest development in the co-working segment have been Timisoara, Iasi, and Cluj-Napoca. We expect to see a 20 percent annual increase for the co-working segment on the local market by the end of 2030, as companies

increasingly view flexible space as a way of supporting their recruitment agenda, and in many cases they are still at an experimental stage of deciding the best approach to the issue,” says Boca.

The co-everything principle will impact not just how we work, but also how we live or move around the city. This is the probably the biggest trend shaping the future of real estate as well, suggested Ilinca Timofte, research analyst at Crosspoint Real Estate, the real state consultancy.

“The integration of high-tech in both commercial and residential projects is another trend set to become a norm in the near future,” says Timofte.

The enhancement of the wellness component for real estate projects is also gaining ground among developers in Romania. Dimitris Raptis, deputy CEO @ CIO at

Globalworth, the biggest owner of office buildings in Romania and Poland, says that the trend for office construction and design is to enable a good work-life balance and create an environment that fosters collaboration, productivity and creativity.

Raptis says that real estate companies are looking to develop “employee-centric workplace strategies” alongside co-working spaces where people can collaborate, share ideas or spend time together. Thus, Globalworth inked a leasing deal with Mindspace, the operator of co-working spaces.

The Globalworth executive added that the company aims to create a community around its projects. Last year, it launched a new initiative called Globalworth District.

“We’ve repurposed our office buildings into unconventional spaces that host and support art and technology and give our tenants dedicated experiences,” says Raptis.

However, flexible office spaces are still a nascent segment on the Bucharest market. They had a share of 1.7 percent in the Romanian capital out of the total office stock, which reached 3 million sqm in the first half of 2019.

## ►► DEVELOPERS WANT TO CREATE SYNERGIES BETWEEN PROJECTS

In large Romanian cities, traffic congestion is leading property developers to design projects that create new links between office and living spaces.

## EMMA TOMA (AFI EUROPE): WE PLAN TO ADD AROUND 80,000 SQM TO OUR OFFICE PORTFOLIO IN THE NEXT 2-3 YEARS

**BR** OVIDIU POSIRCA



*AFI Europe will grow its office portfolio by around 80,000 square meters in the next 2-3 years, with large projects under development in Bucharest and Brasov, says **Emma Toma**, head of office division at AFI Europe.*

### WHAT'S THE EXISTING OFFICE STOCK OF AFI EUROPE IN ROMANIA AND WHAT'S THE DEVELOPMENT PIPELINE IN THIS SEGMENT?

AFI Europe Romania is one of the leading real-estate companies in office and commercial development area, currently also entering the residential sector on the local market. Our offices portfolio is enclosing approximately 92,000 sqm GLA of operational class A buildings, namely AFI Park 1-5 and AFI Tech Park 1, and approximately 40,000 sqm GLA are under construction and targeted to be delivered in 2020-2021 (AFI Park Brasov 1, AFI Tech Park 2).

The development plans are not stopping there, we have on pipeline and targeted to be finalized in the next 2-3 years, by the expansion of all existing office projects, additional approximately 80,000 sqm of new A class offices.

One of the strongest points of AFI's strategy is the vision: we are well-known in the real estate market as pioneers, always developing new areas where we can trigger important positive economic and social changes, improving the city by raising areas and revealing their true potential. AFI Tech Park 1-3 is a very good example, our newest business campus is situated in the Center-West side of Bucharest, close to the Palace of Parliament and J.W. Marriott Grand Hotel.

### FROM WHAT INDUSTRIES ARE THE BIGGEST TENANTS IN YOUR OFFICE PROJECTS?

AFI Park 1-5 offers approximately 70,000 sq m GLA of A class offices, occupied by multinational IT&C corporations including Telus International, Microchip Technology, Electronic Arts, Endava Romania, Cameron US, Dell SecureWorks and others.

In AFI Tech Park, we have a mix of companies from different areas of activity, all leaders in their field, such as: certSIGN, RTC Proffice Experience, Knauf Gips and Knauf Insulation, Hilti Romania, World Class, WWF and others.

### WHAT'S YOUR PERSPECTIVE ON OFFICE BUILDINGS INTEGRATED IN MIXED-USE PROJECTS?

Our company is experienced in developing mixed-use projects. We succeeded with AFI Cotroceni @ AFI Park 1-5 and opened the Center-West area as a business area and currently we are building AFI Brasov @ AFI Park Brasov 1@2, the most significant project in Brasov county, a mix between shopping center and two A class office buildings.

In our opinion, mixed-use projects bring significant benefits to the employees working in these buildings, because they can enjoy the proximity of the food court, shopping and entertainment area that a mall is bringing, without wasting time in traffic.

### WHAT'S THE POTENTIAL OF REGIONAL CITIES IN THE OFFICE SEGMENT?

We are currently developing a mixed project in Brasov, which includes a 45,000 sqm GLA shopping mall and two office buildings of 25,000 sqm GLA and our target is to relocate the IT&C companies to more performant offices, located in the heart of the city. The first phase, AFI Park Brasov 1, enclosing approximately 15,000 sqm GLA of A class offices, is targeted to be launched in Q2 2020 and by the high standard and complex facilities is positioned as the new IT&C hub for multinational companies in Brasov.

People don't want to spend time being stuck in traffic and they want to be close to their workplaces in order to dedicate the extra time for their family, friends or hobbies, says Geo Margescu, the CEO and co-founder of real estate developer Forte Partners.

"As a developer that activates on both the office and residential segments, we've noticed a very strong synergy between housing and office space development.

Not only have we noticed this, but our business strategy is focused on bringing residential near office buildings and offices near well-developed residential neighborhoods," says Margescu.

His company is currently investing EUR 37 million in a residential project near the office hub in northern Bucharest encompassing the Pipera-Calea Floreasca-Barbu Vacarescu area.

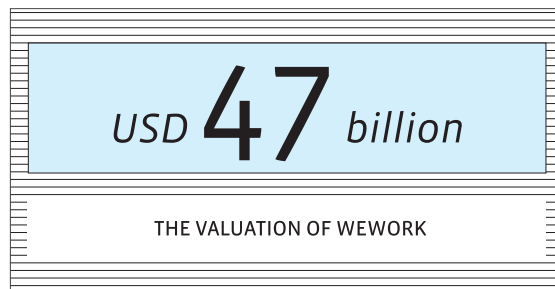
For Ovidiu Sandor, the CEO of Mulberry Development, one trend seen on the market is the development of mixed-use projects. His company is currently developing a project with office and residential components in Timisoara. "Of course, the location remains very important, but it is not enough. In order to be successful today, real estate development must harmoniously combine those complementary functions that successfully mark the needs of the end user and outline a coherent concept," says Sandor. In Timisoara, the entrepreneur has also made some urban infrastructure investments and designed leisure facilities for mixed-use projects.

Another developer who has invested heavily in mixed-use projects is Iulius Group. The company and Atterbury Europe are jointly developing Iulius Town Timisoara, a mixed-use project developed following a EUR 220 million investment. The first stage of the project will be finalised

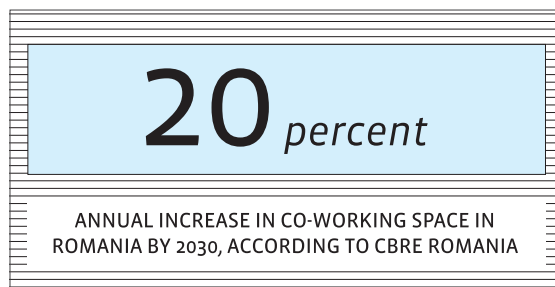
this summer and include 120,000 square meters (sqm) of retail spaces and office buildings that cover 100,000 sqm.

Elsewhere, Austrian property investment group Immofinanz rolled out in Romania its myhive concept based on innovative design, attractive facilities and services. The company is also looking to create a community through special events held in its office buildings.

In Brasov, Ceetrus is working on devel-



oping a massive mixed-use project with residential, office and retail components, and plans to replicate this model in Resita. The developer also wants to build a hotel in Brasov and add facilities for locals



and tourists. Developers have to design innovative projects in order to keep up with the demand for more sophisticated buildings in multi-functional complexes, says Ionut Dumitrescu, co-founder of One Office, the office division of One United Properties.

"We notice more and more mixed projects with commercial (office @ retail) and residential components. This trend will lead to new, contemporary design developments where activity is not limited to the traditional working schedule, from Monday to Friday, between 09.00-17.00," says Dumitrescu.

## ►► TECHNOLOGY AND EFFICIENCY

The internet is shaping the future of the property sector and investors are adapting in order to cater to digital-centric users. Developers can manage their buildings more efficiently by fitting sensors to monitor energy consumption and predict when the equipment needs maintenance. Moreover, we are talking about connected buildings that can be engaged by employees through

special mobile apps. Reserving a parking spot by mobile or receiving vouchers to spend in stores hosted by office buildings are some of the ways in which tenants can get a better experience in a real estate project.

"The dance between e-commerce and brick and

mortar retail trade is worth watching, with warehouses winning big from this intense competition," says Silviu Pop of real estate consultancy firm Colliers International.

Energy efficiency and sustainability in office buildings is another trend growing in Romania and Europe alike.

"It's not just technology that makes a building smart, but so does its architecture, its care for the common areas, the existence of green spaces, and complimentary services such

as restaurants and retail spaces meant to meet the employees' daily requirements," says Margescu of Forte Partners.

## ►► INVESTMENT TRENDS

Investors will explore more niche projects such as serviced apartments, student and elderly housing, and data centers, says Timofte of Crosspoint Real Estate on the trends in the investment market. It should be pointed out that the number of people aged 60+ will nearly double to 2.1 billion by 2050, which might generate a different type of demand for real estate products compared to the current offering.

## RAMONA PREDESCU (SPACES): AFTER THE PEOPLE, REAL ESTATE IS THE SECOND BIG COST FOR A COMPANY

*Romanian businesspeople (28 percent) are less willing to have their capital blocked in long-term contracts related to property and technology, compared to the global average (41 percent). Over 60 percent of respondents to a recent IWG Flexible Working Survey admitted that they were taking into consideration leaving their current office in favour of a flexible, subscription-based office, to redirect more capital to business growth initiatives.*



Ramona Iacob, CEO, Spaces

**E**ach company has monthly fixed costs which, in many cases, are not proportional with the volume or the value of their monthly sales.

### ►► **CALCULATE YOUR RENT-TO-REVENUE FORMULA. HOW MUCH SHOULD YOU SPEND ON YOUR OFFICE?**

There is an easy formula to calculate the rent-to-revenue ratio, also referred to as the occupancy cost. Calculating the percentage is simple enough: divide your annual rent by your anticipated revenue. There's no fixed rule for what percentage of business income your rent should be. Different industries set different standards – anywhere from 2 to 20 percent. If your income fluctuates wildly or you're not sure of your projections, it may be wise to be cautious. It also pays to think about what happens if things go wrong, like your biggest client suddenly jumping ship.

### ►► **HOW FLEXIBLE WORKSPACE SOLUTIONS LIFT THE FINANCIAL BURDEN OF A FIXED SPACE AND OPTIMIZE COSTS**

“There is an increased interest in “on demand” and that is normal, given the change in workspace. For generations people have been used to a fixed work schedule – spending 8 hours at the same desk. But an increasing number of companies are adopting a different work model which brings benefits to both employers and employees, a reason why companies are revising their real estate portfolios. We have entered the age of mobile and flexible workforce and this phenomenon represents a major change not only for Romania, but at a global level as well. The concept of flexible work will become the new normal very soon,” explains Ramona Predescu, Spaces Romania Country Manager. Over 90 percent of the Romanian managers interviewed in the IWG Flexible Working Survey believe that using flexible

offices would bring significant savings for the company, and that the use of flexible offices would decrease by up to 10 percent the annual spending on space management (81 percent) – management, equipment, maintenance costs – and expenses related to unused space (40 percent).

If you want to set up your company or move your company into a new office, flexible working company Spaces helps you avoid arrangement costs and capital investment, enhances the space setup speed and minimizes the “business downtime” period related to such activities.

Cost cuts also come from the fact that the monthly price you pay already includes IT infrastructure and services costs, as well as the resources needed to equip and arrange the new space.

“The main purpose of a business is to be productive, and the characteristics of a ‘productive’ workspace, according to respondents in Romania, are given by an inspirational design for employees and customers (72 percent), high-speed internet (57 percent), a generous number of meeting rooms (40 percent) and access to means of transportation (34 [percent). At Spaces we have all these covered, at no extra cost,” adds Ramona Predescu.

Spaces is part of International Workspace Group, a multinational corporation known for creating the “workspace revolution” concept, which helps over 2.5 million global businesspeople work more productively by providing access to inspiring workspaces that support collaboration and community creation.

# THE LIGHT ONE: THE LATEST PROJECT IN CENTRAL-WESTERN BUCHAREST

*Ready to move your business to Bucharest's most vibrant business district? Enter the world of innovation and creativity and discover The Light One Office Building. The first development phase of the mixed-use project The Light is underway, delivering 21,653 sqm in Q2 2019.*



The Light mixed-use project - Bucharest

**D**eveloped by River Development, The Light One is a “lighthouse” of innovation, linking the academic community within the Politehnica University and the most active companies in the field of research, design, IT @ C and professional services, a standard of quality and architecture. Through simple, sharp, clean composition, the building has an outstanding presence and a timeless design, with a very good visibility from one of the most important boulevards in the city, Luliu Maniu Blvd.

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- ▶ Only **5% add-on factor** GLA:NLA, giving the best quality/ price ratio in town

- ▶ Rectangular shaped office space, for **maximum flexibility** for any fit-out requirements, without unusable areas
- ▶ **500 – 2,000 sqm/ floor**, adaptable to both medium and large-scale teams
- ▶ State of art MEP, for maximum efficiency and **improved user comfort**
- ▶ **Lower energy consumption** for lighting and air conditioning
- ▶ **Very good natural illumination**, reducing glare and the need of extensive cooling
- ▶ A more **sophisticated VRV system**, opposed to the classic chiller/boiler plant solution
- ▶ Heavy equipment (server rooms) accommodation in dedicated areas
- ▶ **Intelligent façade solution**, tested real-scale for infiltrations, alternating frosted and clear glass
- ▶ **Relaxing areas** with direct access to exterior terrace or sky-bar

## ▶ **FIRST TRANSPARENT LED SCREEN IN ROMANIA, LAUNCHED ON THE LIGHT ONE OFFICE BUILDING**

Besides its best quality/ price ratio, The Light One brings a national premiere on the market: the first transparent LED screen in Romania.

Placed on the 9th floor of The Light One, the screen features excellent contrast and brightness settings, so it is perfectly visible during the day. It is the most advanced hi-tech outdoor screen in Romania, providing real-time data about the audience. Last but not least, the view of those operating in The Light One building will not be obstructed at all, with the screen having a level of transparency of 87%.

The Light One is the first development stage of the mixed-use The Light project, one of the most attractive projects in Bucharest, office @ residential, combined with additional day-to-day facilities, with an extensive and bold concept in order to build a whole neighborhood in the area.

Boasting 141.126 square meters (GBA), THE LIGHT will provide three office buildings built on almost 95,000 sqm (GLA) and a residential compound with 196 apartments. The size of the apartments reaches 190 sqm, while the office buildings offer flexible spaces and efficient floor plans.

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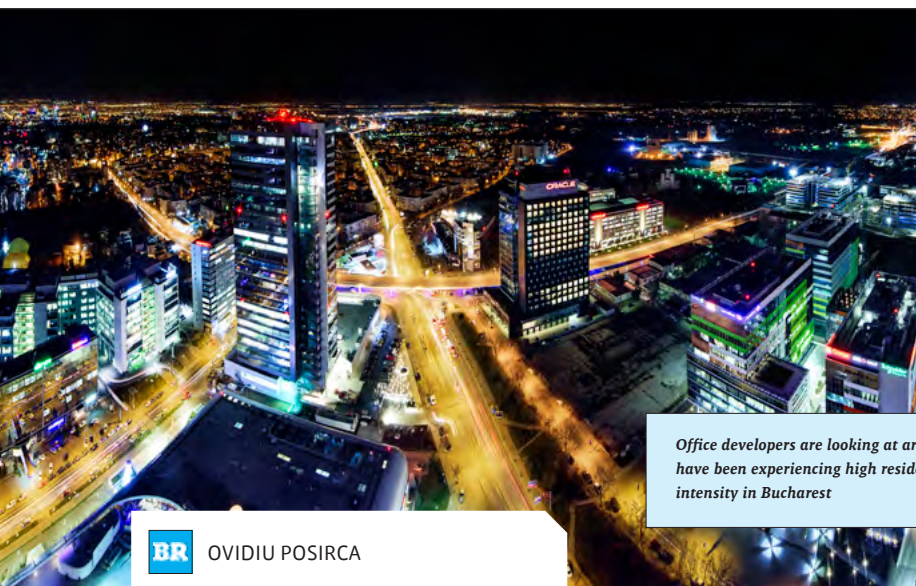
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## OFFICE PLAYERS EXPLORING NEW DEVELOPMENT HOTSPOTS IN BUCHAREST, REGIONAL CITIES

*The Bucharest office market reached the 3 million square meters (sqm) milestone in the first quarter of 2019, with new development poles emerging in the city on the back of growing demand. Large regional cities such as Timisoara, Cluj-Napoca and Iasi are also recording a dynamic pace of development for office spaces as companies look for complex buildings to accommodate their growing base of skilled workers.*



*Office developers are looking at areas that have been experiencing high residential intensity in Bucharest*

BR OVIDIU POSIRCA

The Romanian capital has another 216,000 sqm under development in the office segment, on top of the 3 million sqm already in operation, of which 51 percent are in Class A projects, says Daniela Boca, head of research at CBRE Romania, the real estate consultancy firm. Western Bucharest has generated 44 percent of the leasing deals in the first three months of the year and this area will continue to attract tenants in the next 6 to 12 months, alongside the Expozitiei area, suggested Boca.

### ► EMERGING POINTS IN BUCHAREST

In fact, consul-

tants say that the Expozitiei area is turning into Bucharest's new residential and office pole. The office buildings expected to be delivered at this location are Expo Business Park in Q2 2019, Atepo Business Park in 2021, Fabrica de Paine in 2021 and City Rose Park - Phase 1 in 2021, according to the CBRE Romania representative.

"This is an alternative for the Floreasca - Barbu Vacarescu area, which has the lowest vacancy rate. The Expozitiei area

has very good accessibility and many large plots of land available – this will allow organic growth," says Simona Urse, associate director, office agency at real estate consultancy firm Crosspoint Real Estate. Other emerging office poles in Bucharest are Unirii/Timpuri Noi and the center-west part of the city.

For Geo Margescu, the CEO and co-founder of Forte Partners, northern Bucharest remains an important office hub, alongside the west of Bucharest, where his firm is developing the third stage of the office project The Bridge. Margescu sold this project to Dedeman, the DIY chain managed by the Paval brothers.

Currently, office developers are also looking at areas that have been experiencing high residential intensity such as Tineretului, Muncii or Jiului.

Maria Florea, key client director at real estate consultancy JLL Romania says that many employees working in the office buildings live in the west and south-west part of the city and have to spend more time in traffic to get to work.

In fact, finding an emerging office pole might prove to be a challenge. The

### OFFICE MARKET IN BUCHAREST AND REGIONAL CITIES

City	Stock (end-2018, sqm)	Pipeline (2019, sqm)	Vacancy rate (end-2018, %)
Bucharest	2.42 million	360,000	9.5
Cluj-Napoca	229,000	57,000	4.3
Timisoara	182,000	45,000	12
Iasi	169,000	38,000	0.5
Brasov	126,000	15,000	n/a
<i>Source: Colliers International</i>			





Dimitris Raptis, Globalworth

center-east part of Bucharest might fit the description, according to Valentin Lupu, associate director for capital markets and Mirela Ciovică, regional corporate account manager for the office division at real estate consultancy firm Knight Frank.

“In our opinion, if an area already has five institutional developers, with significant projects on paper (with a green light), as well as bluechip tenants already present, it’s too late for it to qualify as ‘emerging,’” said the consultants.

The smallest office leasing deals have been closed in the south and east part of the city, areas which until now have largely been ignored by investors. Meanwhile, over 180,000 sqm of new office spaces have been delivered in Bucharest, according to JLL Romania estimates.

Some developers are placing their office projects close to the planned subway lines that are set to link the western and northern parts of the city. Near the future subway station Academia Militara in western Bucharest, for example, One Office will develop a business park with office, retail and residential components. The business park will be developed in two phases of 44,000 sqm and 34,000 sqm.

Nearby, AFI Europe is working on an office project with a gross leasable area of 50,000 sqm in an area with good public transit connections.

By the end of 2019, six office projects are slated for delivery on the Bucharest market: Business Garden Bucharest, Expo Business Park, Oregon Park - Building C, The Light, Equilibrium - Building A, Timpuri Noi Square - Building C.

Silviu Pop, head of research at Colliers



Geo Margescu, Forte Partners

International Romania, estimates that the center west, Floreasca/Barbu Vacarescu and Piata Presei/Expozitiei sub-markets will see some 0.5 million sqm of new leasable surfaces in the next couple of years if all developers’ promises were to come to fruition.

#### ► COMPANIES LOOKING FOR OFFICES AND TALENT IN REGIONAL CITIES

Cluj-Napoca, Timisoara and Iasi, as well as smaller cities like Brasov, Constanta, Oradea or Sibiu are increasingly considered by companies seeking skilled and educated workforce, says Dimitris Raptis, deputy CEO @ CIO at Globalworth, the biggest owner of office buildings in Romania.

In the first half of 2019, the new deliveries of office spaces in Cluj-Napoca, Timisoara and Iasi stood at 29,200 sqm, 37,000 sqm and 13,300 sqm respectively, according to JLL data.

“Bucharest has set the tone for office development in Romania, but demand is also increasing in secondary cities. While in cities like Timisoara we are already witnessing the development of major projects, there are other cities that will follow this trend as well,” says Ovidiu



Maria Florea, JLL Romania

Sandor, the CEO of Mulberry Development, the developer of the ISHO mixed-use project in Timisoara, which has office and residential components.

Demand for modern office spaces in these regional cities remains high as all the available stock has been fully leased in cities such as Iasi or Cluj-Napoca, while Timisoara still has some projects with available spaces. Representatives of developer Iulius, which is currently working on a mixed-use project in Timisoara that includes offices, says that a central location,

#### DELIVERIES OF OFFICE SPACE IN MAJOR CITIES OF ROMANIA IN H1 2019

City	Sqm
Bucharest	183,000
Cluj-Napoca	29,200
Timisoara	37,000
Iasi	13,300

Source: JLL Romania

#### BUCHAREST OFFICE LEASING ACTIVITY BY SUB-MARKETS

Area	Share
West	36%
North	17%
Central	17%
Pipera	14%
CBD	13%
South	2%
East	1%

Source: CBRE Research, Q4 2018

good access to road infrastructure and the presence of alternative means of transportation help companies recruit more staff in office buildings.

## FULGA DINU (IMMOFINANZ): MYHIVE IS THE CONCEPT OF THE FUTURE FOR THE OFFICE SEGMENT

**BR** OVIDIU POSIRCA



*IMMOFINANZ has three myhive office buildings in Bucharest and plans further rebranding of its standing office investments. This concept stands out as it is entirely created with respect and care for the needs and wishes of modern people, says **Fulga Dinu**, country manager operations, ImmoFinanz Romania. She speaks about the company's strategy in Romania and the trends shaping the office and retail segments on the local market.*

### WHAT IS IMMOFINANZ'S STRATEGY FOR ITS OPERATIONS IN ROMANIA IN 2019?

In 2019, our strategy is to further develop our office and retail portfolio as well as strengthen our position in the top 3 commercial real estate players on the Romanian market.

We focus our portfolio on three brands - myhive for offices, VIVO! for shopping centers and STOP SHOP for retail parks. For the Group, this strategy has proven to be very successful as the occupancy rate reached almost 96 percent - the highest

level in the company's history - at the end of December 2018. This is also proof that IMMOFINANZ has a strong position on the international level and it is clearly a result of our brand policy and our strong customer orientation.

### WHAT WERE IMMOFINANZ ROMANIA'S RESULTS IN 2018 AND HOW DID LOCAL OPERATIONS PERFORM AT GROUP LEVEL?

With a portfolio volume of EUR 4.3 billion and an occupancy rate of almost 96 percent, the company ranks among the

leading commercial real estate players in Europe.

For IMMOFINANZ Romania, 2018 was the year of further strengthening its position on the market as one of the leading commercial real estate players. We worked on expanding and improving our above-mentioned international brands, constantly investing in the quality of our portfolio.

We already have three myhive office buildings in Bucharest and we are planning further rebranding of standing office investments. myhive is IMMOFINANZ's international office concept, characterized by its hotel-inspired special design that provides a broad range of services and facilities that allow tenants to focus on business, attract new talents and build a successful community.

As for the retail portfolio, IMMOFINANZ has a strong presence on the Romanian market, mostly represented by the four VIVO! shopping centers and one STOP SHOP retail park.

### WHAT IS YOUR FORECAST FOR THE BUCHAREST OFFICE MARKET IN 2019 IN TERMS OF DELIVERIES AND DEVELOPMENT POLES?

The office market is a continuously changing environment and Bucharest is not different. Currently, Bucharest has developed several office hubs, which continue to grow and attract new businesses.

Nowadays, office developers in Romania prove that they understand that office buildings have to offer more than just simple working spaces.

The wellbeing of employees in the office has become both a challenge and an opportunity for all developers. We have noticed how companies have started to

recognize that a thoughtful, progressive work environment can reflect brand value while improving the health and productivity, innovation and collaboration of a team. It is not so much about working spaces anymore, but about living spaces, with employees' wellbeing becoming a priority.

Office spaces are already part of value creation, helping to recruit, enforce the brand and provide visible sustainability credentials, and the trend will continue in this direction. This is why our myhive concept stands out as it is entirely created with respect and care for the needs and wishes of modern people.

#### **WHAT ARE THE DEVELOPMENT PRINCIPLES OF MYHIVE, THE OFFICE CONCEPT THAT IS PRESENT ON THE ROMANIAN MARKET?**

myhive is indeed the concept of the future for offices and it sets the trends in the office segment. The innovative concept that belongs to IMMOFINANZ has been created with one main goal in mind – to support successful companies in all their needs.

Four pillars define the myhive concept: contemporary design, thoughtful service, lively infrastructure and active communication. Every day, myhive tenants get a friendly greeting at the welcome desk, in a warm and pleasant atmosphere. This is all enhanced by several service offers and support from the myhive Community Managers, as well as an exclusive lounge.

At the same time, great value is placed on networking among tenants. Our myhive Community Manager takes care of organizing educational, sports or leisure events as well as fairs and workshops that contribute to creating a very strong community among the tenants.

#### **HOW DID IMMOFINANZ IMPLEMENT THE MYHIVE CONCEPT IN ITS ROMANIAN OFFICES AND WHAT HAS BEEN THE FEEDBACK FROM TENANTS?**

We currently have 3 myhive buildings in Bucharest – myhive S-Park, myhive Metrof-

office and myhive IRIDE Tower – and we are planning further rebranding.

We chose the office buildings in our portfolio that met the myhive requirements. First, the size and infrastructure needed to be right. The office property should be at least 10,000 square meters.

Furthermore, with its strong community idea and its numerous events, myhive is appropriate for multitenant buildings.

The feedback from our tenants has been very good and this is reflected in the high occupancy rate of myhive buildings and the high rate of registrations on our myhive app, the community's hub. We like to say that we exceed our tenants' expectations and we are one step ahead of their demands and needs.

As customer satisfaction is right at the top of our company's list of priorities, we listen and continuously update the services and facilities in our buildings. From the beginning, we've made sure to take into account the recommendations and needs of our tenants when we created the myhive brand, and our goal is to continue working in this cooperative manner!

#### **HOW ARE NEW GENERATIONS OF EMPLOYEES PERCEIVING THE OFFICE ENVIRONMENT?**

As the place where an employee spends most of their day, the office environment has become a very important aspect of everyday life and it has to respond to people's various important needs and desires.

As previously mentioned, office buildings nowadays have to offer much more than a simple work space. The office space market remains an ever-changing environment. As the labor market is increasingly competitive, companies are more and more focused not only on attracting but also on keeping valuable employees, and office spaces play a crucial part in this.

Landlords have to invest in sustainable buildings with modern design and provide diverse services to meet the tenants' needs and contribute to their general wellbe-

ing. This is also IMMOFINANZ's major focus. With the myhive experience, we are constantly striving to be up to date to the constantly changing needs and demands of our clients.

#### **FROM YOUR PERSPECTIVE, HOW IMPORTANT IS THE DESIGN AND LOCATION OF AN OFFICE FOR THE RETENTION AND RECRUITMENT OF STAFF?**

Design and location are definitely very important for an office building. To support this statement, the best example is again myhive. The premium design is modern and it creates a warm and feel-good atmosphere.

Design contributes a lot to the good mood of employees and it stimulates creativity, which is crucial for the development of businesses.

Location has always been a key element, as people need to have access to public transportation and any additional benefits, such as the proximity of a beautiful park in the case of S-Park, contribute further to the preference for the location.

#### **WHAT MAJOR TRENDS DO YOU SEE SHAPING THE LOCAL RETAIL SECTOR IN 2019 AND WHAT DO THEY MEAN FOR YOUR RETAIL PORTFOLIO?**

Due to a very high-paced contemporary way of life, it is paramount to offer people in our shopping centers a 360° experience. Consequently, we focus on good quality experiences supplemented by leisure areas, children's playgrounds, and family areas.

A good example of our efforts to respond to customer satisfaction is our recently created park next to the VIVO! Cluj shopping center.

At the same time, we are carefully monitoring consumer trends on both the local and international markets, and we continuously seek to update and adopt them. Our VIVO! shopping centers are fully rented and we continuously register footfall increases.

# BUCHAREST AND REGIONAL CITIES DRIVING DEMAND FOR LAND DEALS



**BR** OVIDIU POSIRCA

Office and residential investors in the Bucharest are looking for well-connected land plots

*Investors have been building a land inventory for new projects in the past two years in Bucharest, but deal-making activity is set to remain strong throughout 2019 as there are still land plots available that are suitable for various projects.*

The biggest land deals in the Romanian capital totaled EUR 280 million last year, a record value for the past decade. In 2017, deals stood at EUR 250 million, according to data by consultancy Crosspoint Real Estate.

“In our opinion, 2019 will bring a slight increase in the volume of transactions compared to 2018 in terms of the land market, with growth sustained by some large transactions that are in advanced stages of negotiation at this time,” says Ionut Stan, associate director for land development at Crosspoint Real Estate. He adds that office and residential developers in Bucharest are looking for well-connected land plots near metro stations as well as land with an approved urban zoning plan (PUZ). The Expozitiei area has recorded an increased number of land transactions as

developers want to build apartments and offices. The location is becoming one of the most dynamic property investment pillars in Bucharest, with developers placing their projects close to the planned subway station that will link the city to the Henri Coanda Airport.

## MORE DEALS IN REGIONAL CITIES

Over the medium term, land market volumes are set to fall compared to the post-crisis highs recorded in 2017 and 2018, according to a baseline scenario by real estate consultancy Colliers International Romania. “We would also expect to see more major deals in regional cities over the next couple of years, though some large deals in the capital which might close in 2019 could keep the balance skewed in favor of

Bucharest for the time being,” says Silviu Pop, head of research at Colliers International Romania. Cluj-Napoca, Timisoara and Iasi are also seeing more land deals as developers are expanding in the residential and office areas. These are some of the regional cities that are core markets for industrial and logistics parks as well, while retail players have also invested significant sums in large scale projects. “We are seeing higher demand for secondary cities compared to the past years,” says Ioan Nastase, consultant in the development & land department at real estate consultancy firm JLL Romania.

“For 2019 we expect an increase in the volume of land transactions, but the total value of transactions will most likely not exceed that of last year. This evolution can be explained by the lower availability of

land in the center of the city, where the prices are higher. In these conditions, we will see transactions with bigger land plots on the outskirts of the city, but at a lower value,” says Nastase.

## LAND PRICES INTERVALS (EUR/SQM)

City	Central	Semi-central	Periphery
Bucharest	1,000 - 3,000	250 - 1,000	100 - 400
Cluj-Napoca, Timisoara, Iasi, Brasov	500 - 1,000	250 - 500	100 - 300
200-300k	300-800	150-300	50-200
100-200k	200-500	100-200	50-150
50-100k	150-300	100-200	30-100

Source: Colliers International



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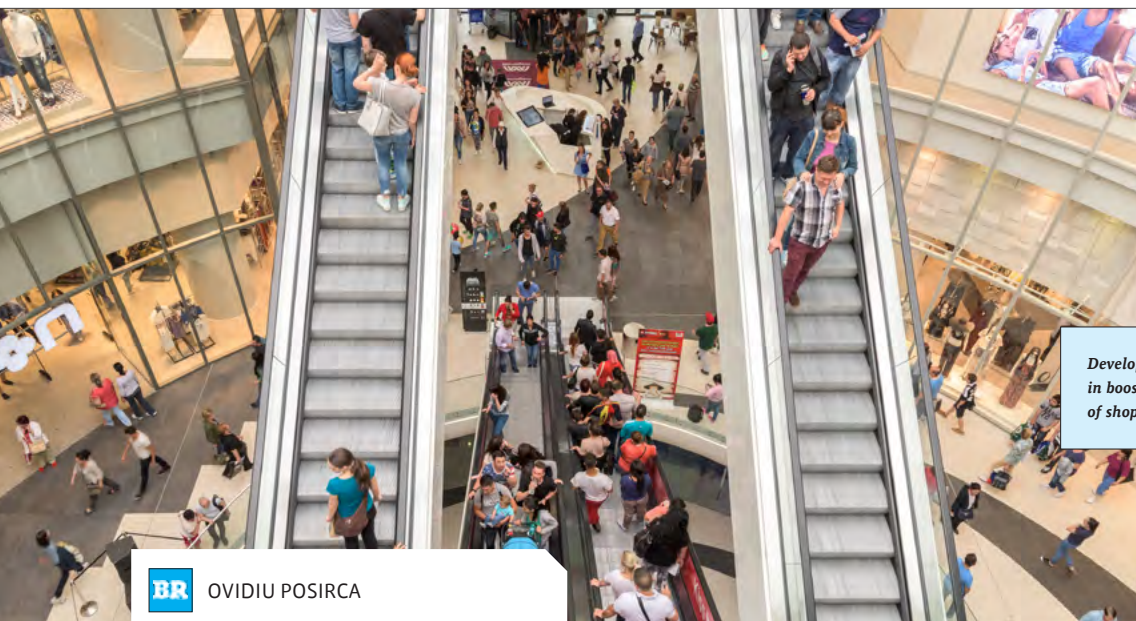
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## DEVELOPERS LOOKING TO BUILD INTEGRATED SHOPPING EXPERIENCES

*While Bucharest will see some extensions of existing shopping centers, investors in smaller cities are currently working on modern retail schemes in a bid to tap new pools of consumers. Dozens of new brands are set to launch in Romania this year, while retail operators are boosting their offering of leisure and entertainment facilities for customers.*



Developers make investments in boosting the experiences of shoppers in retail centers

BR OVIDIU POSIRCA

The retail market still has room to grow in Romania, with 275,000 square meters set to be delivered in shopping centers and retail parks this year alone. Modern retail stock had already reached 3.63 million sqm in the first quarter of this year, according to industry data.

The country has under 200 sqm of modern retail spaces for 1,000 inhabitants, while in Poland and Hungary this figure stands at around 300 sqm, even though the actual consumption per capita is not too far behind, says Silviu Pop, head of research at Colliers International Romania, the real estate consultancy firm. He suggested that local retailers are in a good position to face the rising e-commerce market.

“Romania looks quite undersupplied compared to its CEE peers, let alone western European countries, meaning that brick and mortar spaces are not under significant pressure from online

complement sales (for instance, to offer a quicker return service) as well as traditional retailers growing their e-commerce component,” says Pop.

Corina Stamate, center manager at real estate consultancy firm JLL Romania, adds that the share of Romanian online buyers is almost three times lower than the European average. Online sales account for less than 6 percent of total sales.

Furthermore, 10 counties with 3.3 million inhabitants are not covered by modern retail schemes, while five of them have projects on the pipeline. Targoviste is the largest city in Romania without a modern retail scheme, but a project is currently under development, according

200 sqm per  
1,000 inhabitants

COVERAGE OF RETAIL SPACES IN ROMANIA

sales. On the other hand, we are seeing online players seeking physical spaces to

to a report by real estate consultancy firm Cushman @ Wakefield Echinox. The mall in Targoviste will be developed by Prime Kapital, which has secured land for several retail schemes in various cities, with a total leasable area of around 300,000 sqm.

Some 472,000 sqm of new retail spaces are planned or under construction with deliveries expected between Q2 2019 and Q4 2020, says Daniel Boca, head of research at CBRE Romania, the real estate consultancy firm.

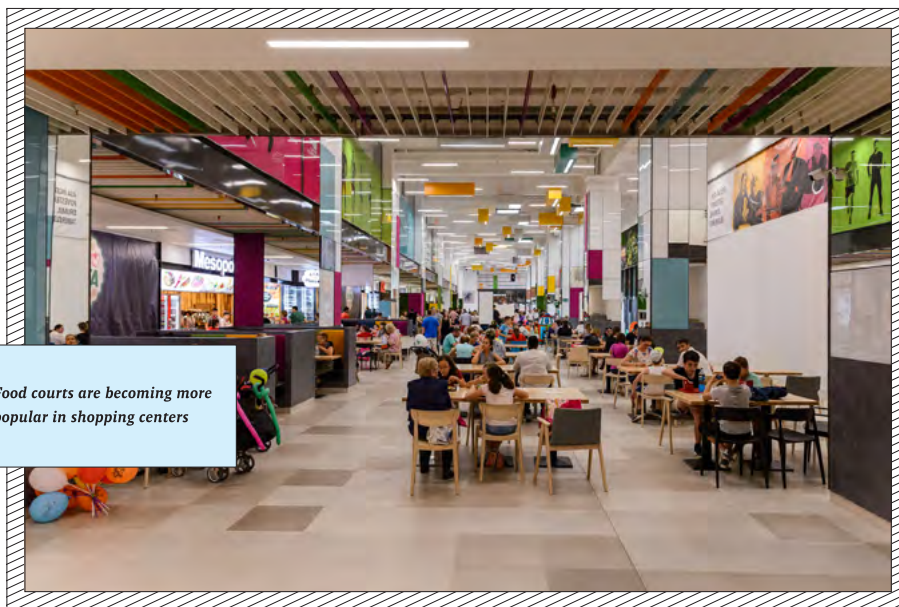
“The Romanian retail market is in a full process of stabilization and maturation, with developers expanding their businesses in secondary and even tertiary cities,” says Boca.

►► **A VARIED SHOPPING EXPERIENCE**

Retail developers’ focus on mixed-use projects, such as Iulius Town Timisoara or Palas Iasi, is a result of current trends among new generations of shoppers, say representatives of developer Iulius. The company will complete this summer the first phase of its mixed-use project in Timisoara, which includes 120,000 sqm of retail space, 450 stores, and other leisure facilities.

“Nowadays, clients want a varied shopping offer, as well as access to as many high-quality outdoor experiences as possible, whether this is in reference to special dining experiences, events to attend, outdoor leisure options, entertainment for children or youth, etc,” say the representatives. The developer sees a good mix between buildings with business uses and the cosmopolitan leisure venues with various brands, useful services, themed restaurants and cafés, wide food court areas, multiplex cinemas and playground areas for children.

Investments made by retailers in boost-



ing the experiences of shoppers in their centers is also designed to reduce the potential “loss” of customers to the online players, suggested Corina Stamate, center manager at JLL Romania, the real estate consultancy. “The tendency is to rethink the tenant mix, either through expansion or relocation, going towards increasing the attractiveness of the centers and ad-

►► **GROWING SALES PROVIDE IMPETUS FOR RENTS, NEW INVESTMENTS**

Bucharest, the biggest market for retailers in the country, records monthly prime shopping rents of EUR 75-85 per sqm, while in regional markets this figure stands at half, according to data by CW Echinox. The average occupancy rate tops 90 percent in all the main retail regions, while in Bucharest it stands at 98 percent.

“It is worth underscoring that last year saw what was probably the first generalized increase in rents in modern retail schemes, highlighting strong interest both from existing players and brands which have only just entered the Romanian market,” says Pop of Colliers International.

This year, Iulius will expand its retail scheme in Timisoara by 47,000 sqm, making it the largest shopping center in the country. NEPI will open Festival Mall in Sibiu, with a total leasable area of 42,000 sqm. In Bucharest, there will be two extensions of existing shopping centers. Nova Imobiliare will add 16,500 sqm to Colosseum Retail Park, while the developer of Veranda Mall will expand the center by 7,000 sqm.



ressing the needs of consumers correctly. Visitors’ expectations are rising in terms of retail offerings in shopping centers. Most existing centers in Bucharest have already reached a certain level of maturity, so owners need to readjust the mix by focusing on new trends, namely expanding and diversifying food and beverage and entertainment areas,” says Stamate.

## RETAIL DEVELOPMENT CONCEPTS MOVE FROM SHOPPING TO MULTIPLE EXPERIENCES, SOCIALIZING OPPORTUNITIES

*Retail developers in Romania and across the globe are constantly adapting to the newest trends as new generations emerge and impose their preferences. The new concepts seen on the local market are increasingly focused on offering multiple experiences or socializing opportunities to people rather than simple shopping spaces.*



Palas Iasi, the first mixed-use complex in Romania

BR SORIN MELENCIUC

These new trends in the retail and office segments are reflected by large urban developments including mixed-use spaces.

“This is becoming a trend and we pride ourselves on having launched this concept in Romania in 2012 by opening the Palas Iasi mixed-use project, which has been working excellently in Iasi,” says Oana Diaconescu, Head of Leasing, IULIUS.

Iulius Town Timisoara is currently the largest real estate investment in western Romania, adding up to more than EUR 220 million, and the first mixed-use development in this part of Romania. It is also the most important real estate project to open this year on the Romanian market.

### ►► A COMPLEX CONCEPT

“The idea to include Iulius Mall Timisoara into a mixed-use project and to create the ‘city within the city’ concept had been on the table for a long time, all the more as

we had started a similar investment in Iasi in 2008. Although this is a relatively new trend in Romania, back then we were already aware of the fact that this was the future and that we would only focus on this type of development projects,” says Diaconescu. The city within the city concept is the solution for people’s interest in having all they need for their daily life within arm’s reach. Experts say that people now need modern working spaces, with as many facilities as possible, because when they wrap up their work day, they want to step out and go shopping or relax without wasting time in traffic.

But mixed-use development is now a more sophisticated concept as it also includes medical and educational facilities, both very important issues in Romania.

“Iulius Town Timisoara combines modern class A offices with generous retail and entertainment spaces. It also features a medical hub, the largest health and fitness

center in Romania, a modern congress center, a kindergarten and a school taught in English, as well as a splendid outdoor space, Iulius Gardens, the work of Italian designers, bringing nature downtown,” says IULIUS’ head of leasing.

All these components of modern life are provided in a readily-available format, catering to the interests of cosmopolitan, highly educated individuals: work-live-play.

### ►► NEW BRANDS

On August 30, together with its partner Atterbury Europe, Iulius group will open the first phase of the Iulius Town Timisoara project. Upon the grand opening, it will provide to its clients the largest retail area outside of Bucharest, adding up to approximately 120,000 sqm and 450 stores.

“Iulius Town will comprise multiple experiences, catering to a wide range of audiences. We’ve basically expanded the shopping and entertainment options



available in Iulius Mall, and completed them with other outdoor features, such as the park, thus developing one of the most cosmopolitan leisure destinations in the region,” the group indicates.

Some of the already existing brands in Iulius Mall have expanded their floor areas and implemented the latest concepts available in Europe. This refers the five stores of the Inditex Group, Mango, and Douglas. The Peek @ Cloppenburg brand will also open a regional flagship store, spanning on 3,600 sqm, according to the group. “Iulius Town will provide an outstanding shopping experience, as it will include the most beautiful and novel store concepts from famous international brands, chic restaurants, as well as a multitude of services,” says Diaconescu.

New entries on the Timisoara market include brands such as: Oysho, Zara Home, Intimissimi, Next Kids, Liu Jo, an Armani, Napapijiri and Pepe Jeans multibrand store, Primigi, Beantik and Taco Bell.

Sports lovers will have access to the largest health and fitness center in Romania, by World Class, which also features an indoor, semi-Olympic pool. “The variety of food & beverage locations is another strong point. Whether they are located inside the mall with terraces overlooking the green space or at the ground floor of the office buildings with panoramic views of the park, the cafés and restaurants will stand out through their themed designs and distinctive menus. Manufaktura The Coffee Shop Restaurant, Tucano Coffee, C HOUSE CAFÉ MILANO, TED’S COFFEE or Biutiful by Fratelli are only some of these venues,” says the IULIUS representative.

### ►► **BUSINESS & ENTERTAINMENT FACILITIES**

Iulius Town will also accommodate an ultramodern conference center with three elegant halls designed for business and private events, with a capacity of up to 1,000 guests. “Iulius Town’s main anchor is the

park at the core of the project, which will include 1,400 trees, 20,000 shrubs, a lake, event squares, a carousel for children, and an ice-skating rink during winter. Another novelty Timisoara locals will enjoy is the fact that they’ll be able to relax directly on the lawns, like we see in other famous parks around the world, as the park is fitted with special turf,” says Diaconescu.

The park will also be a meeting place for the community, where Iulius group will organize outdoor concerts, themed fairs,

Mall has had an ever-growing footfall, and in 2018 we had close to 17 million visitors. Turnover and sales figures have grown annually and Iulius Mall Timisoara is always among the top 5 best-performing malls in Romania,” says Diaconescu. Official data indicate that Timisoara is a very appealing city for foreign investors, being on a positive economic track and enjoying qualified labour force. The major investments made by large foreign businesses have boosted the local economy, supported



Park and entertainment facilities in Iulius Town Timisoara

activities for children, cultural events, sports competitions, and many others.

Iulius Town Timisoara is certainly the largest real estate investment in western Romania and its developer is confident that the local market is mature enough for such a big project. Timisoara’s location in the proximity of Serbia and Hungary offers opportunities to attract shoppers from the neighboring countries. “The idea to expand the mall was generated by retailers’ great interest in opening new stores or in growing their own presence in the project. Right from its opening in 2005, Iulius Mall shoppers were not just from Timisoara, but also from the region and even from across the border, from Serbia and Hungary,” says the head of leasing at IULIUS.

### ►► **TAILORED TO LOCAL NEEDS**

Iulius Town’s developer suggests that the numbers are already impressive and support the expansion of the project. “Iulius

wage increases, and attracted people from other areas of the country and even from abroad.

This dynamic business environment encourages investments in retail and office developments. “We anticipated high interest among investors for opening offices in Iulius Town and today we have three buildings – United Business Center 1, 2 and 3 – leased by leading multinational companies,” according to Diaconescu.

“Iulius Town is indeed a major project, but it is tailored to the specific characteristics of the local economic and social environment,” the group added. Timisoara is the capital of Timis county, which had the highest GDP among the 41 Romanian counties (excluding Bucharest) last year, of RON 45.7 billion (EUR 10 billion), according to official data. Timis is also the county in Romania with the lowest unemployment rate (0.8 percent in 2018), the highest number of employees (241,000) and the second highest average income in the country.

## INDUSTRIAL AND LOGISTICS PLAYERS CONTINUE INVESTMENTS IN ESTABLISHED MARKETS

*The outskirts of Bucharest and the regional cities in central and western Romania will attract a large share of new deliveries in the industrial and logistics segment, with spaces covering more than half a million square meters expected to become operational this year.*



*Most institutional-grade investors are looking at the north and north-western part of Bucharest*

**BR** OVIDIU POSIRCA

In the first quarter of 2019, 109,000 sqm of industrial and logistics space was brought on the market and by the end of the year this figure is set to reach around 620,000 sqm, according to Daniela Boca, head of research at CBRE Romania, the real estate consultancy. This volume would be added to the existing industrial stock of 3.85 million, out of which 44 percent is located on the outskirts of Bucharest. She predicts that certain areas are set to attract more investments in this segment.

“Other hotspots are the western and northwestern parts of the country while the southern part looks like an emerging location for industrial developments. As for the capital city, besides the Stefanesti area, which has transformed the northern part into the second logistic pole near Bucharest, we expect to soon

mark the eastern area, close to the A2 motorway, as the third hotspot for developers,” says Boca.

### ►► NEW CITIES ON INVESTORS’ RADAR

Outside Bucharest, cities like Constanta, Craiova, Roman and Iasi are starting to

garner interest from warehouse developers, suggested Silviu Pop, head of research at Colliers International Romania. Some investors are exploring the Moldova region, which has seen a limited number

of projects due to the absence of highways.

In the first half of 2019, some 200,000 sqm of industrial and logistics spaces were delivered, according to estimates by Costin Banica, head of industrial department at real estate consultancy JLL Romania. This estimate is shared by other consultants on the market.

Future demand in the industrial and logistics segment is linked to the evolution of private consumption. The news has been good for the start of the year as retail sales have gone up by 6 percent compared to the same period of 2018.

Moreover, demographics will be the leading factor for the industry in the next year, predicts Emilian Podaru, head of industrial & logistics at Crosspoint Real Estate.

“All the related markets are focused on this factor. E-commerce, retail and industrial developments are going where they can find demographic density, high incomes and workforce availability. We expect a growing demand for production

and logistics facilities in the southern part of Romania in Craiova and Ramnicu Valcea. Also, in the eastern part of the country, the cities of Bacau and Iasi are showing signs of growth,” says Podaru.

Craiova is the city that Romanian developer Element Industrial chose for its second

project in Romania, after the one in northern Bucharest.

“We believe that the area surrounding the city will become an important production and logistics hub, considering the

# 44 percent

BUCHAREST’S SHARE OF INDUSTRIAL AND LOGISTICS SPACES

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Costin Banica, JLL Romania



Emilian Podaru, Crosspoint Real Estate



Muler Onofrei, Element Industrial

significant investments in the automotive industry as well as the new infrastructure projects in the area,” says Muler Onofrei, CEO & co-founder of Element Industrial. The company will invest over EUR 35 million in its Craiova-based park, which will have a leasable area of 60,000 sqm. It will be located near the factory of carmaker Ford.

In parallel, Element Industrial is investing over EUR 25 million to develop a 50,000 sqm project in the Chitila area near Bucharest. The developer has attracted DIY chain Dedeman as an investor in this project. Onofrei suggested that new investments could be launched as “we are considering new locations in both Bucharest and other regional cities.”

Meanwhile, CTP, the biggest player on the local industrial and logistics market, will invest EUR 23 million in Sibiu, another emerging city in this segment. The first development stage of 13,200 sqm has been recently completed. The company has 15 logistics parks with a total leasable surface of 1 million sqm in Romania. In Bucharest, the company’s biggest asset is CTPark Bucharest West, where CTP plans to increase the leasable surface from 400,000 sqm to around 1 million sqm over the next year.

“The target is to continue growing our local portfolio and to take steps at the international level in order to meet our

objective for the end of 2020: to reach 10 million sqm of built space in all the parks we manage at group level,” says Remon Vos, the CEO of CTP. The developer has recently secured a EUR 1.9 billion syndicated loan to refinance its existing loans and fund new investments.

Meanwhile, Belgian developer WDP is working on 300,000 sqm of industrial and logistics spaces on top of the 700,000 sqm it has in operation.

A land covering 16 hectares in north-western Bucharest was acquired by devel-

### ► BUCHAREST REMAINS CORE MARKET FOR INVESTORS

Distribution and logistics companies are focusing on northern Romania in a bid to take advantage of the better infrastructure and multiple access ways in the area, allowing them more flexibility to target a larger area of Bucharest, says Banica of JLL Romania.

Most institutional-grade investors are looking at the north and northwestern part of Bucharest, where more than 100

hectares are available for future development.

“Nevertheless, access ways and size of the plots are key, as the infrastructure for trucks allows development on just a few locations,” says Banica.

These two parts of Bucharest might see

developments of industrial and logistics projects covering more than 500,000 sqm in the next five years, according to a forecast by JLL Romania. This estimate is based on the ongoing projects of companies developing plots larger than 10 hectares each. In terms of available space, the vacancy rate in Bucharest for industrial and logistics projects stood close to 5 percent at the end of last year, while in the rest of the country it headed towards 8 percent, according to Colliers International data. Meanwhile, headline rents slightly grew to EUR 4.15 per sqm.



oper P3 at the end of 2018. The company aims to build a new logistics park spanning 80,000 sqm. The developer already owns a logistics park with a surface of 372,000 sqm near Bucharest, which can be expanded by an additional 100,000 sqm.

In the Chitila area, real estate developer Globalworth is jointly investing EUR 33.5 million in a logistics park with construction firm Global Vision. The project will have a leasable surface of over 136,000 sqm. Globalworth, the biggest office developer in Romania, has also expanded its logistics park in Timisoara.

## REYNAERS ALUMINUM ROMANIA: THE ALUMINUM JOINERY MARKET CAN REACH EUR 75 MILLION THIS YEAR

*The local aluminum joinery market will grow by up to 10 percent by the end of the year, to an estimated value of EUR 75 million, reaching the maximum potential of the years after the 2008 crisis, according to Reynaers Aluminum Romania representatives. At the same time, by mid-year, the company's turnover had exceeded the target set for this period, as Reynaers Romania has been running an extensive investment plan to strengthen its position in the industry.*



In 2018, Reynaers Romania estimated a market value of approximately EUR 68 million. Considering the trends that have demonstrated the market's maturity in the recent period, the company estimates a growth of up to 10 percent for the current year.

The market's evolution is largely due to the results of an extensive educational process that highlighted the long-term advantages of high-quality aluminum solutions to the detriment of PVC, which was previously preferred by many developers in the residential sector.

### ► REYNAERS ROMANIA'S TURNOVER EXCEEDED 2019 TARGETS BY MID-YEAR

The ascendant trend of the construction market as well as the customer orientation towards premium solutions led Reynaers Romania to register a turnover growth

over 18 percent last year compared to 2017, which was 8 percent above forecasts. For 2019, Reynaers Romania had estimated a 10 percent increase in turnover, but the business has already exceeded expectations for this time span within the first half of the year.

The high growth rates are driven by an investment plan aimed at strengthening the company's position on the local market, as Reynaers Aluminum currently has a market share of about 14-15 percent. Development directions include the launch of a new, more efficient logistics center, along with a national expansion process started at the beginning of 2018.

As for local projects, Reynaers Romania has recently completed deliveries for the first office building called The Light, which is part of the extensive project currently under development on the site of the former Pumac plant, as well as deliveries for the latest Oregon Park building. In the

next period, the company will provide systems for Residence 5, an ambitious nine-building project in the northern area of the capital, for one of the Campus 6 buildings, as well as for One Mircea Eliade, a mixed-use (office-residential) project in Bucharest.

Furthermore, Reynaers Romania has provided solutions for the most exclusive projects developed on the local market in recent years, such as One Charles de Gaulle, One Herastrau Plaza, Rahmaninov Residence, and Aviatiei Park. For the next period, Reynaers Romania's representatives are finalizing discussions for many other big projects on the market, both in Bucharest and in other parts of the country, which will be launched within the short or medium term.

Over 60 percent of Reynaers Aluminum Romania's 2018 deliveries were carpentry and sliding door systems for residential projects, with a balanced share of the product ranges. Most of the applications were registered in the residential and office areas. Among the greatest projects completed by Reynaers in 2018 were the Nation's Cathedral, Arctic Gaiesti, Oregon Park, Amber Gardens, etc.

At the same time, the company's objectives include the continuation of the educational process on the market through various strategies. For example, one of Reynaers' directions is to prepare their own partners, through training courses (their own R-Learning conferences).

# RESIDENTIAL DEVELOPMENT GROWING AT STEADY PACE IN 2019

*More than 20,000 new residential units will be delivered this year in Bucharest and the main regional cities on the back of a stable market that might see an uptick in prices in the second half of the year, say consultants and developers.*



Andreea Comsa, Premier Estate Management



Andrei Sarbu, SVN Romania

**BR** OVIDIU POSIRCA

Asking prices for apartments stood at an average EUR 1,228 per square meter in April, slightly down compared to the previous month, according to an index of real estate classifieds platform imobiliare.ro. Prices went up by 18 percent between the end of 2016 and the end of 2018, when they climbed to EUR 1,239 per sqm, according to the same source. This year, Cluj-Napoca has remained the most expensive residential property market, with asking prices averaging EUR 1,568 per sqm. By comparison, Bucharest residential prices had reached EUR 1,330 per sqm by April, says the index.

“The residential market in Romania is becoming more and more stable, with healthy and not so spectacular price evolutions, which is perfectly normal. Potential buyers are more and more interested in

medium and medium-high apartments, located in areas with easy access to public transport, schools, parks, shopping centers and other social facilities. In 2019, we don't see any major changes occurring on the

# 105

THE NUMBER OF AVERAGE WAGES NEEDED TO FULLY PAY A 2-ROOM APARTMENT IN Q1 2019, ACCORDING TO SVN ROMANIA

Romanian residential market,” says Geo Margescu, the CEO and co-founder of Forte Partners. His firm is investing EUR 37 million in a residential complex in northern Bucharest.

The first months of 2019 have been quite rough, with some commentators claiming that the residential sector was overvalued and was about to go into a crisis. The Romanian currency continued to lose ground against the euro and rumors emerged regarding the potential change of the government-backed program for first-time homebuyers called Prima casa. The index based on which the cost of mortgage loans is computed was changed from ROBOR to IRCC, which in the first phase led to a slight reduction of bank installments paid by debtors.

Ovidiu Sandor, the CEO of Mulberry Development, who is building apartments in a mixed-use project in Timisoara, suggests that demand for housing has bounced back in the second quarter of the year.

“The market certainly has room to grow, and the need to live in big cities is far from being covered. We see a real interest in the new, as the share of transactions on the old segment decreases from one month to the next. In terms of prices, the stagnation period that marked the first half of the year will probably be followed by a period of growth generated by the resumption of transactional interest,” says Sandor.

### ▶▶ **CLUJ-NAPOCA TRAILING BUCHAREST ON RESIDENTIAL DELIVERIES**

Data provided by residential property con-

sultancy SVN Romania shows that some 35,000 residential units were delivered in urban areas last year, out of the 60,000 dwellings delivered at the national level.

“We estimate that in 2019 there will be a slight increase in the total number of units delivered to the largest residential

Brasov, meanwhile, will have more than 2,000 residential units finalized in the city and its outskirts, while Oradea might see over 1,000 homes delivered this year, according to the head of SVN Romania.

In terms of transactions volumes, the first five months recorded a fall compared

to last year in Bucharest and its surrounding areas, but the number is similar to the same period of 2017.

Sarbu suggested that the conditions for the housing market are positive as transac-

tions are overwhelmingly concluded by end-users, accessibility has continued to improve and the macroeconomic picture is favorable.

Approximately 105 average wages were needed to fully pay for a 2-room apartment in Q1 2019 compared to 114 wages at the beginning of 2018, according to SVN Romania computations.

“We are witnessing an auspicious stabilization of prices. Good projects continue to sell at the project stage, while the demand for housing is above the supply. In the second part of the year, we will probably see a resurgence of the trend of price increases on certain segments and a growing gap between the new and old residential stocks,” says Andreea

Comsa, managing director, Premier Estate Management, a residential consultancy firm. However, Sarbu of SVN Romania suggests that developers should face the new market realities in which “build and sell” is over. “Each project needs to be very well adapted to the current market and investors have to carefully assess the existing demand and its characteristics,” he suggested.

### ASKING PRICES FOR APARTMENTS IN ROMANIA\*

Period	Price (EUR/sqm)
December 2018	1,239
December 2017	1,164
December 2016	1,050

\*average prices in Bucharest, Brasov, Cluj-Napoca, Constanta, Iasi, Timisoara  
Source: Imobiliare.ro Index

markets in Romania. In Bucharest and its surroundings, about 14,000 units are currently being developed and could be delivered in 2019 if developers were to follow their assumed building pace, which would mean a significant increase compared to

# 14,000

THE NUMBER OF RESIDENTIAL UNITS UNDER DEVELOPMENT IN BUCHAREST AND ITS SURROUNDINGS, ACCORDING TO SVN ROMANIA

nearly 11,300 units delivered in 2018,” says Andrei Sarbu, the CEO of SVN Romania.

In regional markets, Cluj-Napoca will rank first with deliveries of new housing units expected to exceed 5,000. More than 3,000 units will become available in Timisoara and Constanta, if the surrounding areas of the cities are taken into account. Similar figures might be recorded by Sibiu and Iasi.

# HIGH-END HOMES GET A NEW CONCEPT: AFFORDABLE LUXURY

*On the Romanian residential market a property has to be worth at least EUR 500,000 to be considered luxury, and the category runs from penthouses in northern Bucharest to historical villas. The latest concept, say players, is affordable luxury.*



*In 2019, the ultra premium properties in northern Bucharest recorded higher prices than a decade ago*



OVIDIU POSIRCA, RAZVAN ZAMFIR

**A**t the high end of the market, the most significant delivery in 2018 was One Charles de Gaulle, with 33 apartments. By delivery date, 90 percent of the units were already sold.

In December, developer Atenor took its first steps towards the high-end residential sector in Bucharest, by acquiring a 7,150 sqm plot in the Floreasca/Barbu Vacarescu area. The site is located between the recently redeveloped Lake Floreasca area and the Aurel Vlaicu underground station, close to Promenada mall.

This acquisition fits into Atenor's devel-

opment strategy, which aims to promote projects with high architectural and environmental quality across European cities with strong economic fundamentals.

Other at least premium or affordable luxury projects were Cloud 9 Residence with around 800 apartments, Aviatiei Towers with some 150 flats and Aviatiei Park with 352 apartments.

Last year, Prime Kapital confirmed it would start development on two land plots in the Pipera area (Avalon Estate) and in Bucurestii Noi (Marmura Residence). With approximately 800 residential

units, including houses and apartments, Avalon Estate is scheduled for delivery this year.

The amenities available include promenade areas, a private kindergarten, access to the Pipera Lake and commercial areas.

With 5,000 sqm of green areas and 1,700 sqm of retail and commercial spaces, Marmura Residence will bring a new modern touch in a neighborhood previously dominated by older buildings.

Stretching over 1.5 hectares, Marmura Residence will consist of 458 apartments



designed for young professionals and families and could fit into the affordable luxury concept spearheaded by entrepreneur Lucian Azoitei, who owns the developer Forty Management.

Forty Management specializes in developing projects under the Central District brand and is now working on the Central District 4 Elemente project, on a plot of around 4,500 sqm, worth around EUR

apartments on Calea Victoriei.

This mixed-use project, with 236 apartments, is expected to be delivered in 2021.

“We expect the same level of interest in the high-end market as long as there are similar levels of high-quality projects from experienced developers,” said Knight Frank agency consultants.

At the top end of the market, demand remained constant throughout 2018. There

top end of the market, where specialists say there is still room for growth.

According to Knight Frank, we will see a slight change in the profile of high-end buildings and specifications. Tower buildings with glazed facades and unobstructed views will replace low-rise buildings in well-known areas.

### ► **PRICES IN NORTHERN BUCHAREST EXCEED EUR 4,000 PER SQM**

This year, the ultra premium properties in northern Bucharest recorded higher prices than a decade ago, during the last real estate boom.

In the ultra premium residential segment, average prices stand at EUR 4,170 per square meter and can climb to over EUR 7,000 for certain properties, according to a report by real estate consultancy Imoteca.

“Because these properties are special, they don’t lose their value over time, as they are placed in areas where there isn’t a lot of land available for new developments,” wrote Imoteca consultants in the

EUR **7,000** per sqm

THE PRICE FOR A PREMIUM PROPERTY IN BUCHAREST, ACCORDING TO IMOTECA

22 million. The company has completed 90 apartments and has 244 more under construction, as well as exclusive developments such as Central District Poland25 and Central District Cuza99.

The developer also owns a 2,200-sqm plot on Viitorului Street in Sector 2 near Stefan cel Mare, where, according to Azoitei, the development of the Central District Viitorului project will begin this fall.

“We are at an early stage with this project, but we will have around 40 apartments, a shopping area and an office area of about 1,000 sqm. All the areas around the apartment blocks will be green areas for the promenade, and all cars will be underground. The building will be certified green, which means approximately 70 percent of the surface area will be green. (...) We are also in talks to acquire a large land plot in the north of the city,” says Azoitei.

### ► **THE ATTRACTION OF OLD BUILDINGS**

With increasingly fewer land plots available in high-end areas, as is the case in markets such as London and Paris, older buildings situated downtown are being converted into high-end boutique projects. For example, Hagağ has launched H Victoriei 139, which will provide 33 high-end

was significant appetite for new developments located next to parks, especially in the main office hubs in the north of Bucharest.

One United sold an average of 4.5 units per month between July 2018 and January 2019. Significant interest was registered in One Floreasca City’s one- and two-bedroom apartments, but the project has been slammed by activists, who claim that it is breaking construction rules in

the area.

The company sold its most expensive apartment in 2018 at One Herastrau Park, for EUR 2.7 million.

Several market commentators claimed in 2018 that the real estate market was heading towards a new crisis. However, data suggests that there is still space for growth, and if changes were to occur, they would be in the form of a price correction rather than a market collapse. Demand is still greater than supply, especially at the

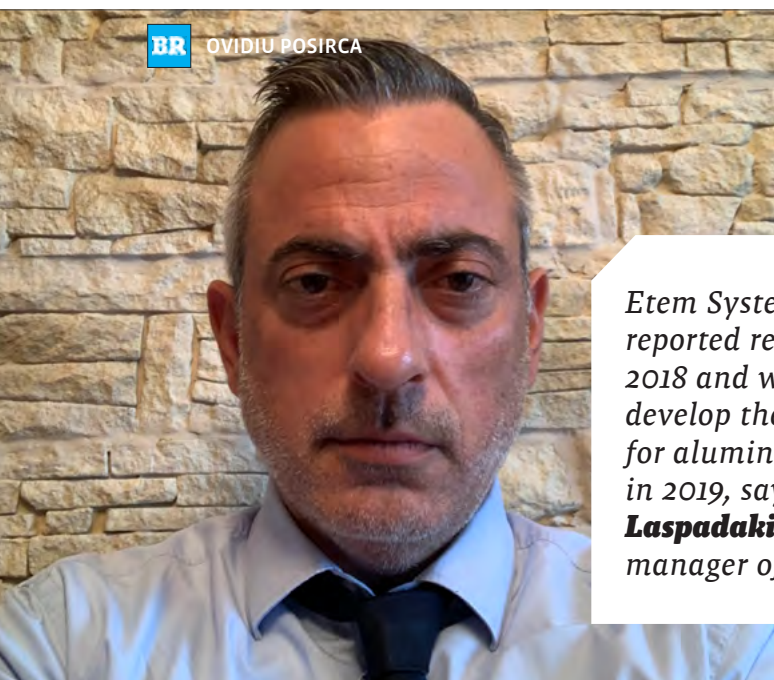
EUR **2.7** million

THE MOST EXPENSIVE APARTMENT SOLD AT ONE HERASTRAU PARK

report. Starting prices for properties in the fine living segment stand at EUR 3,000 per sqm and can reach EUR 4,000 per sqm. Penthouses have an average listing sale price of EUR 1.21 million.

Imoteca consultants point out that the profile of luxury property buyers has also changed. They are better informed and are interested in the operating costs for a luxury property. Buyers also want to make sure that their assets will become more valuable over time.

## ETEM GROUP TO CONTINUE IMPROVING CUSTOMER EXPERIENCE AND SERVICE IN 2019



BR OVIDIU POSIRCA

*Etem Systems Romania reported record figures in 2018 and will continue to develop the local market for aluminium systems in 2019, says **Andreas Laspidakis**, general manager of Etem.*

### WHAT IS ETEM GROUP'S STRATEGY FOR THE ROMANIAN MARKET IN 2019?

Our core competitive advantage has always been the unique, integrated and broad product portfolio. In our product range, one can find a large variety of aluminium and PVC systems, the most complete Ventilated Façade System, as well as the well-established Etalbond (ACP).

Our strategy is simple: to continue improving customer service and satisfaction at all levels of the process thereby providing the most advanced solutions at the best value.

### WHAT ARE THE MAIN DRIVERS OF DEMAND FOR YOUR PRODUCTS THIS YEAR? WHAT ARE THE BEST-SELLING PRODUCTS AMONG ROMANIAN CLIENTS?

2018 was a record year for Etem Systems Romania, thanks to the continuous acknowledgement and appreciation on the market.

For 2019, we continue to stick to our strategy, thereby continuing to improve the overall customer experience through the development of new systems and custom made solutions.

### WHAT HAVE BEEN SOME OF THE LARGEST PROJECTS IN WHICH ETEM GROUP HAS BEEN INVOLVED ON THE LOCAL MARKET? WHAT ARE YOU CURRENTLY WORKING ON?

Having such an intense and diversified product portfolio, we have indeed managed to take part in a number of important projects. Etalbond has managed to further penetrate the market and be part of most of the major projects recently, such as Bridge 1, Bridge 2, Business Gardens, Unirii Views, Timpuri Noi 2, Renault Connected Office, The Vox Project in Timisoara, all very prominent projects in their respective areas. The Ventilated Façade System has found its way into practically every major project that needed such a system,

including Promenada Mall, Floreasca Park, One Residential, Globalworth Campus and Aviatiei Residence.

Our PVC product range has a good exposure across Romania through the state-financed rehabilitation program. Among some of the major residential projects in Bucharest we can mention Baneasa One and Floreasca Residence.

Lastly, our aluminium systems have been used for a number of private and public projects. We could mention the full rehabilitation of City Mall, the IBIS Hotel in Bucharest, the Ilfov Hospital and of course, the rehabilitation of Hala Laminor, with more than 25,000 sqm of façade – skylight installation.

Of course, none of these would have been possible without the commitment of our team at ETEM Systems Romania, as well as the long-term trust and support of our customers and partners.

### HOW DOES ETEM GROUP ADDRESS THE TOPIC OF SUSTAINABILITY IN THE REAL ESTATE SECTOR?

Our core and strategic value has always been to design products that help us improve everyday living, whether in a residential, commercial or work environment, in a sustainable way.

It is worth mentioning that ETEM's Environmental Management System has been approved by Lloyd's Register Quality Assurance, as well as that ETEM has adopted the European Environmental Product Declaration System (EPD), which provides solid analytical info about the environmental impact of our products and processes. All the architectural systems are rigorously evaluated by leading global laboratories in terms of their overall characteristics.

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# MIXED-USE PROJECTS GAINING GROUND ON LOCAL PROPERTY MARKET

*Real estate projects that bring together offices, apartments or retail spaces are becoming more popular in Romania. Experienced developers suggest that such complex investments are self-sustainable and pose lower risks while improving the quality of life for people working, living or shopping in such locations.*



More mixed-use projects will be developed in Romania in the next years

BR OVIDIU POSIRCA

The increase of mixed-use projects signals a growing maturity of the domestic real estate market and helps developers use space effectively for multiple purposes, according to consultants.

“People are looking for the experience, not just the place. The experience is given by mixed-use projects, where you can access everything that you might need in one place. The idea is to provide easy access, either to tenants of the office buildings or to people living in residential projects,” says Codrin Matei, managing partner and

head of capital markets at consultancy firm Crosspoint Real Estate.

The development of projects with multiple functionalities also signals a shift in the generations that are joining the workforce and starting families. Research by CBRE, the real estate consultancy, shows that young people aged 18 to 24 are interested in after-work activities and that this becomes an essential factor when choosing a job.

“Shifting attitudes among younger generations have had a role to play in the increased number of mixed-use develop-

ments. The millennial generation tends to have different property aspirations than their parents. Home ownership in the suburbs has declined among the millennial generation, who prioritize living in vibrant areas which are close to their work and leisure amenities,” says Marius Scuta, head of office department @ tenant representation at JLL Romania, the real estate consultancy firm.

He suggested that this model of development will continue to become more visible in Romania and we will have more components combined in a project such

as accommodation units, retail, entertainment and offices.

In Bucharest alone, there might be 3 to 5 new mixed-use projects in the next 3 years, suggested Daniela Boca, head of research at CBRE Romania.

### ►► **THE RECIPE OF A MIXED-USE PROJECT**

Representatives of developer Iulius, which is getting ready to open the first phase of its mixed-use project in Timisoara called Iulius Town, say that such a project requires expertise in all phases of development, from engineering to usage planning and operation.

“To be effective and successful, this type of development requires a solid location, integration into the urban structure and the economic and cultural specificity of the city, as well as the smart harnessing of the infrastructure and relevant land,” according to Iulius representatives. They add that the project in Timisoara plays a major role in shaping new high-quality urban areas, while meeting the current requirements of consumers most effectively.

“On the other hand, from a property management perspective, the development and management part of this business has a high level of complexity, entails a lot more resources and requires equally complex teams. The years it took us to build the Palas Iasi project and the 7 years of operation there have shown us that it is very important to start a mixed-use project of this kind when you reach the necessary maturity and when you have expertise in managing retail and office properties alike,” say Iulius representatives.

Elsewhere, developer Ceetrus continues its investments in the Cartier Coresi mixed-use project in Brasov, which has office, residential and retail components.

At present, the company will continue

the development of a 125-room hotel in the complex in partnership with a hospitality specialist. In addition, it plans to restore the former IAR airplane factory building and turn it into a multifunctional exhibition center. The construction of a sports arena is also on the company’s agenda.

“As for mixed-use projects in Romania, we will replicate this type of development in Resita. In February, we acquired 27 hectares of land on the Mociur platform, where we plan to develop a new urban regeneration project based on the Coresi model, but tailored to the specificity of the city. We want to meet the needs of people and give back to the community an important area in the heart of the city,” say Ceetrus representatives. The company has invested

the mixed-use development. “The years it took us to build the Palas Iasi project and the 7 years of operation there have shown us that it is very important to start a mixed-use project of this kind when you reach the necessary maturity and when you have expertise in managing retail and office properties alike,” say Iulius representatives.

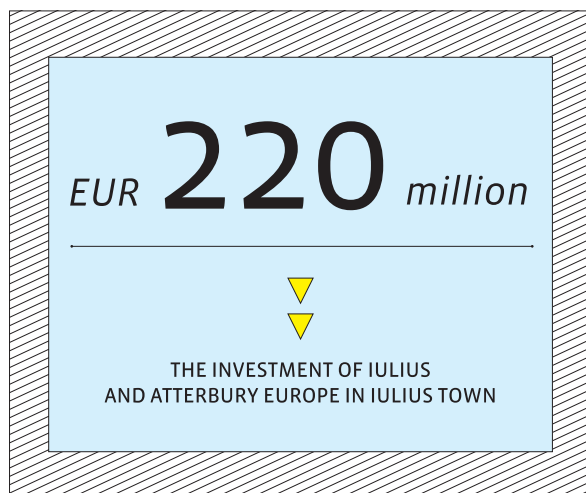
The project in Timisoara developed by Iulius and Atterbury Europe will have 120,000 square meters of retail spaces and office buildings with a combined surface of 100,000 sqm once it is fully delivered. The first phase will be finished this summer and the whole project requires an investment of more than EUR 220 million.

Building an ecosystem and a community is one of the advantages of mixed-use projects, which is desirable for office and retail operators that want to keep employees and shoppers engaged.

Ceetrus representatives say that developing an ecosystem around the mixed-use project ensures that there is a low risk from the investment point of view. Aside from the regional cities, Bucharest is also an attractive market for developers of projects with multiple functions. For the capital city,

the vision of no commute time can be perceived as an improvement in the quality of life. This is one of the reasons why some developers are looking to invest in office spaces in areas of the city that are mainly used for residential purposes.

In Bucharest, developers Vastint and One United Properties have some of the largest mixed-use projects under development in the city. River Development is also working on a multifunctional project that will have a built surface close to 1 million sqm. More than half will be allotted to the office segment, while the rest will be split between residential and retail investments.



EUR 350 million in Romania to date.

Also in Brasov, AFI Europe is set to deliver next year a mixed-use project with office and retail components.

Entrepreneur Ovidiu Sandor, the CEO of Mulberry Development, suggested that major mixed-use projects are becoming mainstream and the mix of functions can create added value for a new generation project. His company is currently developing ISHO in Timisoara, which comprises offices, apartments and retail areas.

The challenge of building complex projects means that developers who plan such an investment need to have experience, ideally in all the segments that encompass

# ADDRESSING TAX MATTERS IN REAL-ESTATE SHARE DEALS



*Alexandra Smedoiu,  
Tax Partner, Deloitte Romania*

Structuring a real estate transaction involves reaching a balance between process and cost efficiency, on one hand, and safeguarding the interests of the parties and shielding them from potential risks, on the other. Whereas asset deals have the advantage of limiting the purchaser's exposure to the transferred asset itself, when opting for a share deal, the purchaser may be impacted by the liabilities of the target company (both related to the real estate asset and its overall business). On the other hand, for the seller, share deals may be preferred, both on commercial grounds, like removing the need to liquidate the company, as well as due to potential tax advantages.

Therefore, most investors choose to engage in extensive legal, technical, fiscal and financial due diligence investigations prior to the implementation of the transac-

tion. The findings of such investigations often have a substantial impact on the final structure of the deal. In particular, the due diligence can oftentimes reveal potential tax concerns which may materialize following a fiscal inspection. As such, when acquiring real estate by means of a share deal, addressing potential tax matters (such as: undeclared tax liabilities, past VAT adjustments, deferred tax and so on) in the transaction documentation is essential for protecting the purchaser's interests as well as for fencing the seller's exposure and overall liability. Such may be achieved through either representations and warranties granted by the seller or by specific indemnification mechanisms dealing with specific risks identified during the due diligence investigations. Delineating between the two, as well as tailoring them to suit the specificities of the Romanian

fiscal system may prove both challenging and highly technical, requiring careful drafting on the part of the consultants in a collaborative legal and tax advisory process.

Although not expressly defined by Romanian law, representations and warranties represent a series of statements given by the parties (usually, the seller) regarding the legal, technical, financial and overall business state of the target company (the representations), corroborated with an undertaking to indemnify the other party in case they prove to be false or are breached (warranties). In particular, the purpose of the fiscal representations and warranties is to cover as wide an area as possible, including undeclared or wrongfully computed corporate income tax, non-deductible VAT for acquisitions, withholding taxes for payments abroad, property taxes etc.

The fiscal representations and warranties can also cover situations where no actual payment occurs (e.g. a reduction in a tax loss after a tax audit).

However, should any of the parties have knowledge about potential fiscal or tax disruptions threatening the activity of the

As such, the knowledge of risks gained through the due diligence investigations could arguably exclude the seller's liability.

In order to address such situation, specific indemnities should be drafted in the deal documentation. Whereas representations and warranties consist of

anything less than the statute of limitation term for fiscal obligations which, under Romanian law, typically is of 5 years calculated starting from the date when the obligation was due.

In order to give practical effect to the indemnification mechanisms described above (representations & warranties or specific indemnity clauses), a detailed claims procedure is generally inserted in the shares sale-purchase agreements. In a nutshell, the procedure is meant to ensure the parties' cooperation in case (after the deal is closed and the company is controlled by the buyer) a fiscal liability becomes imminent (e.g. following a fiscal control). Also, the seller benefits from reasonable visibility and involvement in order to mitigate or prevent a fiscal loss. Moreover, an established principle in tax litigations is "pay first, argue later", meaning that the fiscal liability imposed to the target company will be paid immediately and only thereafter it is subject to potential challenges. As a general rule, control over the challenge is granted to the party which commits to effectively bear the costs at such initial stage (i.e. the purchaser may allow the seller to coordinate and control the process if the company's fiscal duties are paid by the seller in first instance, thus being up to the seller to make sure the company recovers the costs from the tax authorities).

To sum up, addressing fiscal risks in share deals requires as a first step the performance of thorough fiscal due diligence, followed by careful drafting of the representations and warranties so as to cover all or at least most areas of exposure of the target company, based on its activity and characteristics. For any known risks (either imminent or dormant), the most important aspects should be addressed in the form of specific indemnities. Finally, a detailed claims procedure should be agreed upon for any type of tax claims, which should be corroborated with the steps and deadlines established in Romanian tax procedures.



*Irina Dimitriu, Partner, Reff & Associates, the law firm representing Deloitte Legal global network in Romania*

target company – i.e. buyer's knowledge is generated by due diligence investigations, while the seller's knowledge comes from its involvement in the company's business like a diligent owner, representations and warranties may in fact prove useless for at least two reasons. Firstly, because the representations and warranties given by the seller would be false from the signing date of the deal), fact also known by the purchaser. Under Romanian law, it may be difficult to successfully receive indemnification for breach of a statement if the claimant party was aware of the breach or falsity of that representation from the very beginning, and nonetheless entered into the deal. Secondly, it has become increasingly common under real estate deals for the seller's liability under the representations and warranties to be triggered only for matters not known to the purchaser (the much-debated notion of disclosure).

general statements of facts ascertained by the seller, specific indemnities describe, as the title suggests, explicit risks, breaches, events or scenarios which could lead to the company being exposed to additional tax costs (e.g. non-arm's length transactions with related parties, undeclared income, expenses made by the company on behalf of its shareholders etc.).

In addition to describing the specific risk, the indemnity clause usually provides: (i) the maximum value of prejudice to which the innocent party is entitled (capped amounts) – as a general rule, calculation of this value starts from a fair estimation of the principal plus penalties that may be requested by the fiscal authorities (until statute of limitation term expires) and (ii) the liability period throughout which the purchaser may raise claims under the specific indemnity; in the case of fiscal risks, purchasers rarely accept

# STABLE OUTLOOK FOR THE LOCAL PROPERTY FUNDING ENVIRONMENT

*The commercial property segment in Romania continues to attract funding to the tune of tens of millions of euros, while demand for bank loans on the residential market continues to be driven by the state-backed program for first home buyers.*



BR OVIDIU POSIRCA

*Banks and developers see stable outlook for property funding in 2019*

Activity on the residential market has experienced a moderation, while the commercial real estate market has had a mixed evolution in the first six months of 2019, noted the National Bank of Romania (BNR) in its report on the country's financial stability.

The banking sector's exposure to the commercial property segment has halted its decrease trend recorded in the past few years, says the central bank. Thus, the exposure of banks in this industry stood at RON 64.9 billion, representing 58 percent of the corporate portfolio as of March 2019. The biggest share of the exposure (67 percent) is represented by loans with real estate guarantees, while the rest are loans granted by banks to companies in the construction and real estate fields.

The BNR report further shows that the quality of the loan portfolio backed by

property assets has continued to grow, but at a more moderate rate compared to the previous years.

Loans that had commercial buildings as guarantees had a non-performing rate (NPL) of 10.5 percent as of March 2019, down from 13.2 percent in the same period of last year. Meanwhile, loans backed by land had an NPL of 8 percent, after a reduction of this indicator in the past few years. Central bank data shows that mixed guarantees for real estate projects had the lowest NPL rate of about 3.3 percent. Return on capital in real estate stood at 13.4 percent as of June 2019, according to central bank data.

In the residential sector, banks' funding exposure totaled RON 89 billion at end-March 2019, the equivalent of 68 percent of the total loan stock granted to individuals. Loans under the Prima casa program,

with state guarantees, accounted for 31 percent of the influx of new mortgage loans. This program also had a 45 percent share of the total stock of mortgage loans (RON 34 billion).

## ► CHANGES IMPACTING RETAIL LENDING

Roxana Cristea, head of retail lending at ING Bank, says the lender expects a relatively stable evolution this year, similar to last year.

The main change impacting the lending market for individuals was the replacement of the ROBOR index with the index for consumer loans (IRCC). The IRCC will also apply for Prima casa loans, according to a government ordinance approved in June. Banks price their loans based on this index. The first value of the IRCC published by the BNR stood at 2.63 percent. In addition, the government wants to increase the amount of guarantees provided for first home buyers.

"The two measures are positive and will have a positive effect on the residential market. The IRCC Index provides better credit conditions while the announced first home program changes will be auspicious for potential home buyers in the middle market segment," says Andrei Sarbu, the CEO of real estate consultancy SVN Romania.

Elsewhere, the industrial and logistics sector has continued to attract the attention of funding institutions. Consultants say that the industrial sector will be one of the most dynamic in terms of development this year.





by



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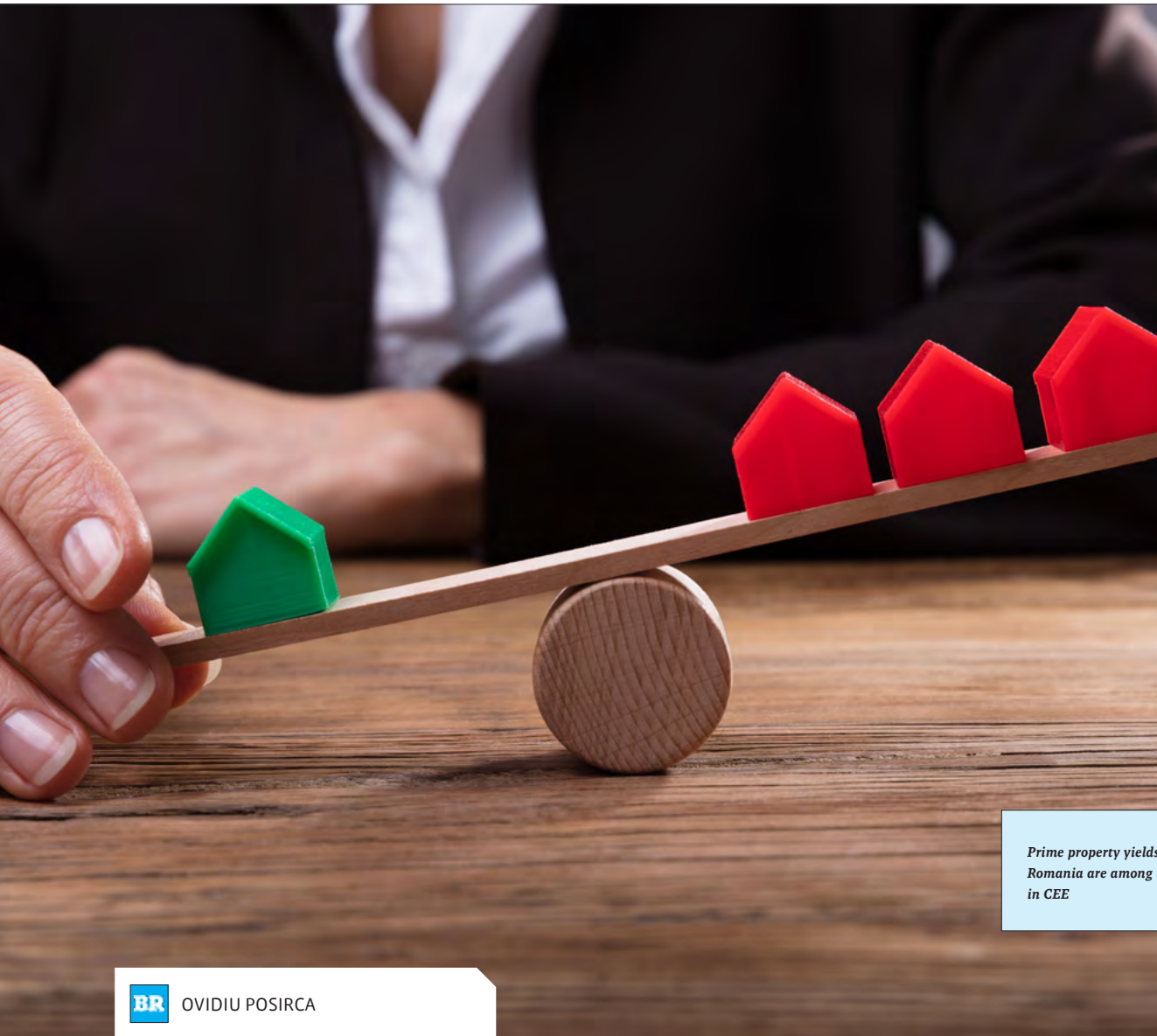
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a sociable centre at the heart of the community

## YIELDS GO ON DESCENDING TRACK ON THE LOCAL COMMERCIAL PROPERTY MARKET

*The commercial property sector in Romania has among the highest yields in the region for real estate assets, but this trend is starting to reverse as market liquidity and property prices start to climb over higher investors' interest.*



*Prime property yields in Romania are among the highest in CEE*

**BR** OVIDIU POSIRCA

**Y**ields for prime assets stood at 7.75 percent for industrial projects, while office and shopping centers had rates of 7 percent and 6.5 percent respectively at the end of 2018, according to data from real estate consultancy firm

CBRE. Consultants say that this year the yields will be compressed in all the segments, mirroring movements taking place in the region.

“The higher yields for properties in Romania underscore the fact that domestic

assets have not, in recent years, seen a spike in their value as they have in Poland, Hungary or the Czech Republic due to a multitude of reasons: until recently, we had a lack of products on the market and Romania still retains a higher sovereign

risk premium. Given the strong macroeconomic results, we view this rather as an opportunity and we would expect Romanian investment yields to trend lower sooner or later,” says Silviu Pop, head of research at real estate consultancy firm Colliers International Romania.

In the office segment, Bucharest’s yield stands at 7 percent, while in Budapest and Prague, this figure reaches 5.75 percent and 4.50 percent, respectively.

“Combined with the difference in rental levels, this results into much lower values per square meter in Romania. The main reasons for this gap are the perceived country risks and the difference between financing terms,” adds Andrei Vacaru, head of capital markets at real estate consultancy JLL Romania.

However, the higher yields should help Romania attract more capital, which in turn can increase liquidity. In terms of investment volumes, the local market has been stuck for several years around the EUR 1 billion mark.

Some commentators say that a combination of insufficient products and higher perceived country risk has limited development potential.

Romania is being ranked by the FTSE as a frontier country so the financing costs, and especially the cost of depreciation, keep the yields on a high note, suggested Codrin Matei, managing partner and head of capital markets at Crosspoint Real Estate, the real estate consultancy firm.

The particularities of the local property market also contribute to the current yield environment. Whereas in the Czech Republic, Poland, and Hungary the yields are controlled by investment funds, in

Romania has more of a “buyers’ market”, which is starting to transition towards the figures in other countries, say Valentin Lupu, associate director for capital markets and Mirela Ciovisa, regional corporate account manager of the office division at real estate consultancy Knight Frank.

“Most projects are demand-driven and developers need pre-leases in order to access bank funding, and they prefer to turn to banks rather than other forms of financing – this might also be the reason why we are slightly behind (in terms of liquidity)

The industrial and logistics segment has been booming in the recent period, with new projects emerging on the outskirts of Bucharest and in regional cities with easy road access to Western Europe. For the past two years, this segment has been maturing and yields have started to go down, according to Muler Onofrei, CEO & co-founder of Element Industrial, the developer of two logistics parks near Bucharest and Craiova. He says that Class A logistics properties in good locations in Bucharest are dipping below the 8 percent yield.

PRIME YIELDS FOR ROMANIAN PROPERTY*	
Sector	Yield
Office	7%
Shopping Centers	6.5%
Industrial	7.75%
*at end-2018	
Source: CBRE Market View	

PRIME TOTAL RETURNS 2019 TO 2022 IN ROMANIA	
Sector	Yearly average
Office	5.2%
Logistics	8.7%
Source: BNP Paribas Real Estate	

► **YIELD COMPETITION IN CEE**

European real estate yields will remain mostly stable throughout 2019, while in the office segment all European yields will be either stable or expanding, according to a report by BNP Paribas Real Estate. For logistics projects, the strongest compression is occurring in France and in CEE markets. For retail, most European countries will see an increase of yields.

cities like Budapest or Prague and further away from Warsaw and Poland in general,” according to the Knight Frank representatives.

However, funding costs explain only in part why the yields are higher. Francesca Postolache, partner assurance services at professional services firm PwC Romania, says that even if the funding costs were similar to what is happening in the region, Romania would still have higher yields.

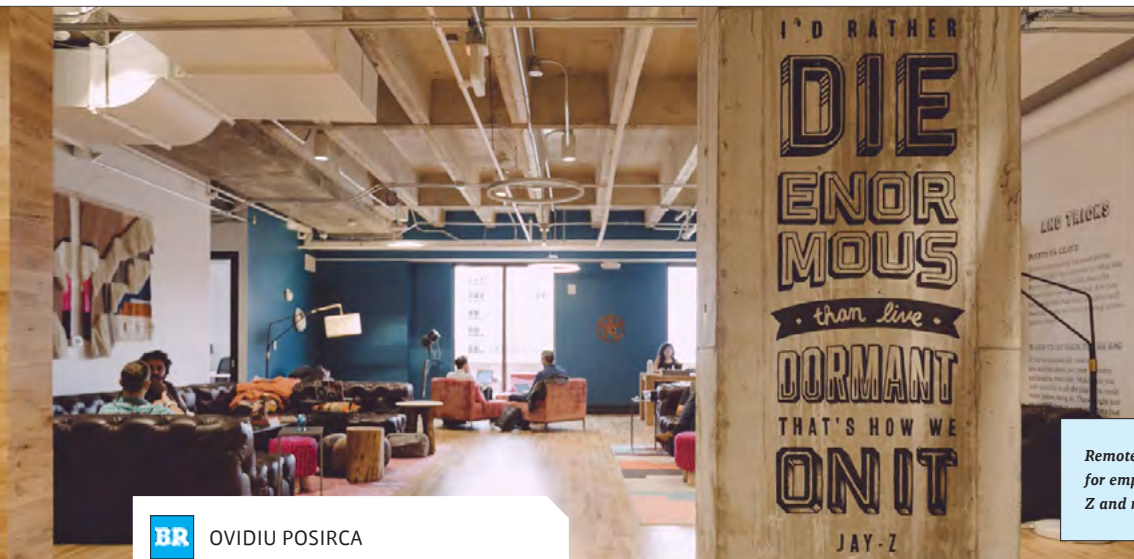
“As the market grows, activity on the transaction market will become more intense and yields will decrease, through natural correction,” says Postolache.

“We still hold the view that rental increases will not fully mitigate yield decompression on capital values. Consequently, all sectors and the majority of markets will see capital value decline in 2019 and 2020. For offices, we think there is still some growth left on the French and CEE markets,” wrote Samuel Duah, head of real estate economics at BNP Paribas Real Estate, in a presentation published in May.

According to BNP Paribas figures, prime office total returns from 2019 to 2022 will record a yearly average of 5.2 percent. For logistics, the returns will reach 8.7 percent over the same period.

## OFFICES' DESIGN AND LOCATION GAINING PROMINENCE IN RECRUITMENT COMPETITION

*The new generations of employees in Romania are paying more attention to the layout and location of offices, while working from home or from a co-working space is becoming more popular. In a tight labour market, the competition for talent has heated up and a good office space could make a difference in a candidate's decision to choose a future employer.*



BR OVIDIU POSIRCA

Remote working sounds better for employees from generation Z and millennials

The Millennial generation (people born between 1981 – 1996) and generation Z (mid-1990s to mid-2000s) are the most likely to be influenced by the office layout and location, according to a survey by online recruitment platform Bestjobs. Moreover, 56 percent of respondents considered the physical workplace and the office atmosphere to be important factors in a prospective job offer.

“In recent years, especially for candidates from Bucharest, we can see that office location ranks 4th on their wishlist when searching for a job, after salary, benefits and a flexible schedule. That’s mostly linked to the capital’s infrastructure and public transportation problems,” says Dan Puica, CEO of Bestjobs.

Access to amenities is another important factor that office developers need to

take into account. It’s not just about the time you spend between work and home.

Dimitris Raptis, deputy CEO @ CIO at Globalworth, says that companies need to provide access to services that are on-site or at a walkable distance by developing an urban setting.

“In terms of office design, employers should find the right balance between the corporate culture and the needs of their employees, and at the same time not overlook the big picture. Collaboration, creativity and productivity play a key role in driving better performance and a modern workspace with ergonomic features can foster these assets,” says Raptis.

The competition between companies to attract the best talent is a reality and the workspace makes a difference, adds Ovidiu Sandor, CEO of Mulberry Development,

which has delivered three office projects to date. Employees across industries are looking for a better work-life balance and remote working, be it from home or local hubs, is becoming more popular among generation Z and millennials, according to the Bestjobs head.

“For these generations, remote working empowers them to feel more in control over their work and home lives and in many cases, on the employer side, we see higher productivity from employees who have a flexible schedule,” says Puica.

Some of the demands of employees in Bucharest that are related to time spent in traffic are also starting to emerge in the recruitment efforts of companies in regional cities such as Timisoara, Cluj-Napoca, Iasi and Brasov. These are actually the most important recruitment markets outside

the Romanian capital. "It's another change that we need to understand. People are putting more emphasis on their time, and the great supply of jobs has further complicated the lives of employers," says Cristian Huzau, country manager of recruitment consultancy Gi Group.

He says that it's increasingly clear that new generations need freedom as they are guided by a set of values that are completely different compared to those held by past generations.

"Employers have been compelled to comply: they offer the option of working from home, and those hired on projects get to the office as rarely as once a month. At the same time, for those who are still working from a regular office, things are not at all simple: they want their own corner, and an office created by a designer to represent them," says Huzau.

proximity are equally important, determining companies to consider relocating into office premises that are integrated into mixed-use projects, where employees can

out office premises, choosing themed interior designs that include areas for team interaction as well as relaxation facilities.

The development of new office spaces



Office spaces promote communication between employees by design

have access to facilities both during and after office hours, such as: restaurants with business lunch offers, food court areas, fitness centers, stores, kindergartens, green spaces, medical practices, and other services such as bank branches, travel

can encompass some of the innovations in the industry that can enhance employee experiences. Companies can design workspaces that have natural lighting or smart convertible furniture.

In Bucharest, One Office is developing an office project with dedicated rooftop garden terraces. For a separate project in Floreasca area, the company has selected a luxurious lobby design.

The demand for office spaces has been growing constantly in the past year in cities with major university centers with a significant number of enrolled students. Companies in regional cities are looking to recruit in industries such as IT, sales, accounting, automotive or retail.



Flexibile work spaces are becoming more popular

## ► TRANSITION TO MIXED-USE DEVELOPMENTS

Having people work and do their shopping or go to the movies in the same complex after hours is becoming mainstream nowadays as developers have focused on multifunctional projects in large cities. Some investors are opting for having apartments in the same complex with office buildings.

"The services that are available in their

agencies, spa and massage parlors, hair salons, etc.," say representatives of developer Iulius. The company has developed several office buildings within the Iulius Town mixed-use project in Timisoara.

Iulius will have 130,000 sqm of offices in this location under the United Business Center (UBC) brand, which is also operational on the Iasi and Cluj-Napoca markets.

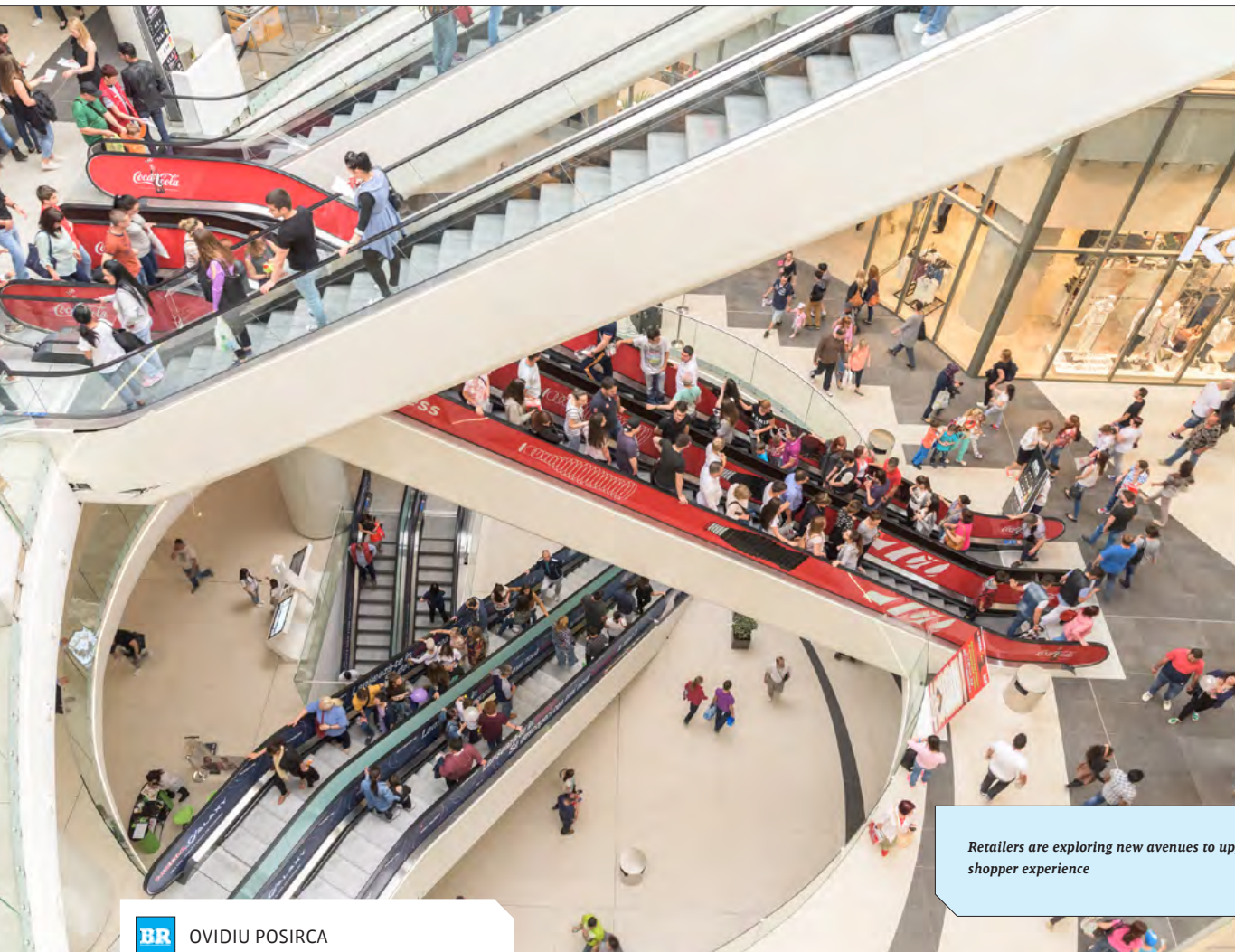
They add that companies are also allocating more generous budgets for fitting

Employees who know foreign languages such as German, French, Italian, Portuguese, Dutch, Czech, Hungarian, and others are in high demand, says the CEO of Bestjobs.

On the Bucharest market, the IT industry has generated most of the leasing transactions in the office segment in 2018 and will continue to drive demand in the upcoming period, according to consultants.

## DEVELOPERS ENHANCING THE LIFESTYLE COMPONENT OF PROPERTY PROJECTS

*While developers are rushing to implement some of the latest technologies in their projects in a bid to improve their operational efficiencies, the enhancement of the lifestyle component is also gaining visibility. Shopping centers might now host yoga or cooking courses, while some office projects now have swimming pools or running tracks on their premises.*



Retailers are exploring new avenues to upgrade shopper experience

BR OVIDIU POSIRCA

Services are becoming more important in the economy of a real estate project as they can make life easier for the end-users of the buildings, say consultants.

“The space of a building thus becomes an experience in itself: an office is no lon-

ger just a place where we work; it becomes a space where we develop as professionals and individuals, where we connect with others and develop long-term friendships, so the environment and the easy access to services and amenities are now essential,” says Luiza Moraru, head of CEE asset ser-

vices at CBRE, the real estate consultancy.

She adds that developers are starting to place emphasis on the retail spaces or common areas on the ground floor of office projects.

“We see more options for food and beverage, more cultural and artistic events

organized after work or even during lunch breaks. In new office projects that are now in a developing stage, the share of retail spaces is growing to 20-30 percent of the gross lettable area.”

Developers are paying “keen attention” to the retail components and want their tenants’ employees to have access to high quality services.

“If in the past retail was only looked at from the point of view of rent, developers now accept lower rent in exchange for value added to the property: a better experience for tenants’ employees,” say Valentin Lupu, associate director for capital markets and Mirela Ciovisa, regional corporate account manager for the office division at real estate consultancy Knight Frank.

Retail players are also exploring new avenues to upgrade shopper experience on the back of the constant increase of the e-commerce scene. Aside from shopping facilities, retail projects now have new offerings such as lifestyle cooking, creative and educational workshops for children or sophisticated yoga courses.

### ► GOING SHOPPING AND ATTENDING A WORKSHOP

The lifestyle function is better integrated in mixed-use projects, where developers can create synergies between the office and shopping components. These projects are gaining ground in Romania and consultants expect three such projects to appear in Bucharest alone in the next years. Of course, the development of such projects is complex and companies that start such an investment already have experience in operating retail, office or residential assets.

“We are witnessing an important change in Romania: the rediscovery of the idea of community and its power.

People begin to gather around a common purpose, they begin to collaborate with the belief that they can change things around them for a greater good,” say representa-

with a large number of free-of-charge activities, aiming to co-ordinate the social resources and activities of Drumul Taberei. Within the first month of opening, there



tives of developer Ceetrus Romania, which is currently developing a mixed-use project in Brasov.

The architectural concept includes areas focused on socializing such as food court, library, relaxation and sports areas. A community hub spanning 317 square meters was launched in March 2019.

The company has applied the concept of a community hub for the people living near the Drumul Taberei shopping center. In 2018, the retail unit went through a remodeling process that involved the inhabitants of Drumul Taberei neighborhood.

“Meetings and studies have shown that people want spaces where they can spend quality time and socialize. As a result, through new services and spaces, Drumul Taberei aimed to make people interact, to bring them together for the benefit of their community,” say the developer’s representatives.

“The community center provides people

were over 40 workshops, from robotics to ballet, parenting, alternative education and seniors’ theater,” they add.

Ceetrus aims to replicate the model of this hub in the extension of its shopping center in Satu Mare.

Meanwhile, the biggest Romanian owner of office projects has also invested in new lifestyle facilities. Liviu Tudor, the head of Genesis Development, says he wants to build “a city within a city” in the West Gate business park. The developer has added an outdoor swimming pool alongside a running and rollerblading track in the complex. The facilities are available for people working in the five office buildings and for tenants of the project’s accommodation facilities.

Going forward, all the big property developers will be looking to enhance the community side of their projects, by either backing cultural events, supporting entrepreneurship hubs or hosting debates on topics concerning the society.

# PROPERTY DEVELOPERS THINKING SMART ON TECHNOLOGY

*The smart buildings market is set to grow robustly in the following years, and developers on the local market have started to implement some of these solutions in a bid to make their projects stand out in the eyes of tenants.*



*Building managers are enhancing the potential of digital tools for daily operations*

**B**y 2022, the smart buildings industry is set to be worth over USD 20.8 billion globally, according to research by IHS Markit.

“If developers want to succeed in a progressively dynamic market, the integration of smart solutions into their projects

is absolutely necessary in order for them to attract clients,” says Ilinca Timofte, research analyst at consultancy firm Crosspoint Real Estate.

Consultants say that the keyword for 2019 will be smart buildings after years during which the development was

focused on green projects. These two functions can work complementarily and improve the overall operational efficiency of buildings.

“The future is smart buildings. And by intelligent buildings, we mean the introduction of solutions that increase



the building's sustainability," says Ovidiu Sandor, CEO of Mulberry Development. He adds that his company is also investing heavily in green technologies.

Intelligent energy management solutions can be implemented in smart buildings to track energy consumption in real time and lead to savings.

Furthermore, smart building technologies allow each employee to adjust the light and heat settings for individual workspaces. Apps can be used to book meeting rooms in the building and to find parking spaces on the premises. All these point to a connected building that is more in touch with the people who work there.

Developer Globalworth, the biggest owner of offices in Romania, has implemented green and smart technologies for the new Renault headquarters. The

company says this office building has been certified as having 35 percent lower energy consumption, water savings of 50 percent and over 20 percent less embodied energy in its materials.

"The development of smart buildings and the adoption of new technologies in real estate is a must. Of course, it offers an additional sales argument and a differentiation from mass market projects. Many times, the implementation of smart technologies that increase the comfort, autonomy or sustainability of an apartment places the project in a superior category and makes it more attractive to the market," says Andreea Comsa, managing director of Premier Estate Management.

### ► **THE BRAINS OF SMART BUILDINGS**

Building management system (BMS) platforms and equipment represent the center of a smart building. This way, building

managers have a constant flow of data regarding the operation of the project in real time, at their fingertips.

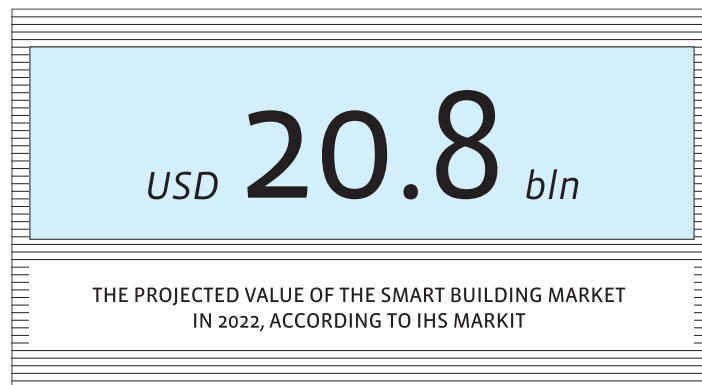
Advanced BMS platforms can perform predictive analytics and execute complex algorithms to manage equipment, according to IHS Markit analysts.

Professional services firm Deloitte points out that "smart buildings are digitally connected structures that combine optimized building and operational automation with intelligent space management to enhance the user experience,

on shoes. In another case, a British optical chain has an app that scans customers' faces and matches them with the glasses shapes that suit them best. Auto makers are also implementing virtual reality showrooms.

"As companies become more selective over which buildings they occupy, it is essential for developers and landlords to understand the benefits that smart building technologies offer and how they can incorporate these technologies into their sites," says Alexandru Boghiu, digital and

technology director at real estate consultancy CBRE Romania.



### ► **WHAT TO AVOID WHEN DESIGNING SMART BUILDINGS**

The developers of smart buildings have to take into account certain risks that can impact their bottom

line. One of the pitfalls to avoid when designing smart buildings is spending money on technology or solutions without a clear strategy or benefit, according to Deloitte experts.

Another risk is ignoring the human needs in the solution and only focus on the facility requirements. Poorly designed smart buildings will make it hard to measure savings. The buildings have to be structured flexibly in order to allow future technology enhancements. The connected buildings will also need a complex security team for the physical and cyber systems.

"Business leaders who identify the potential of smart buildings can reap tangible benefits, from reduced overhead to greater corporate sustainability and better talent retention. Given the pace of this evolving market, the most important thing could be to start by forming a smart building strategy," said Deloitte experts in a report on smart buildings.

increase productivity, reduce costs, and mitigate physical and cybersecurity risks."

The physical component of a smart building comprises sensors, lighting, the heating and cooling systems. The digital pillar of such a building includes the IoT platform (Wi-Fi, machine learning), cloud storage (control software, cybersecurity, multifactor authentication) and digital automation (robotics, facial recognition and biometric access), according to Deloitte's smart building framework. Smart solutions are gaining ground in the retail sector and can be used to boost sales.

"Sensors and apps that identify free parking spots in a mall parking lot, for example, could diminish the time spent on finding parking. For the time being however, smart solutions are used mostly by retailers and not by the projects that host them," says Timofte of Crosspoint Real Estate. In Poland, one retailer has implemented a device that helps customers put

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## INVESTMENTS IN CONSTRUCTION SECTOR ARE BOOSTING ELCO'S BUSINESS



*Cătălin Drăguleanu, Country Manager  
of Ariston Thermo România*

**THE CONSTRUCTION SECTOR RECORDED THIS YEAR A SPECTACULAR GROWTH, ANIMATED BY THE FISCAL COMPENSATIONS INTRODUCED AT THE END OF LAST YEAR AND BY THE LOW COST OF FINANCING. THE SECTOR GREW BY 17.8% IN THE FIRST 4 MONTHS OF 2019, THIS BEING THE BEST RESULT RECORDED IN A DECADE.**

The most spectacular was the growth registered in April 2019 compared to the same month in 2018, when the construction sector increased by 33.4%, according to NIS. The growth of the sector has fueled an increased demand for ELCO's heating products, the German brand of heating systems in the Ariston Thermo Group portfolio. Most of the demand came from the area of office buildings and logistic spaces. The commercial boiler market has been increasing in recent years, due to the new constructions, as well as the replacement of outdated boilers. The demand for commercial heating solutions registered an evolution of about 20% last year and

continues in 2019. In the Romanian market, ELCO products range includes condensing boilers, with power range up to 2 MW, providing efficient solutions and heating systems for commercial and residential spaces. "ELCO's heating products range includes intelligent energy saving technologies designed to meet individual project requirements and are ideal for office buildings, shopping centers, hospitals, hotels and stadiums", declared Cătălin Drăguleanu, Country Manager of Ariston Thermo Romania.

The business segments with the highest growth rate for ELCO are both new office buildings and rehabilitation projects. Thus, one of the most important projects carried out last year by ELCO was changing the heating systems of 250 subsidiaries of one of the largest banks in Romania and replacing them with high energy efficiency equipment.

"This year will continue to be in high demand the intelligent commercial heating solutions, which ensure durability and maximum reliability over the entire life

span of the technology and integrates perfect in the rest of the construction and into the project's BMS (Building Management System). Also, the «green building» segment continues to steer growing interest among developers, namely gaining of energy performance certificates (BREEAM), category in which the ELCO condensing boilers fit effortlessly because of their high energy efficiency", underlined Cătălin Drăguleanu.

In 2018, ELCO completed several important projects, such as The Bridge - Building 2or Globalworth - Campus 2. Other leading projects are Day Tower, Altex logistic warehouse in Dragomirești Vale, or Suin-Prod production hall in Iași. Worldwide there are over 1.7 million ELCO products installed in Europe and among the world class projects in the company's portfolio there are Sochi Olympic Village, the Perfect Administration Residence in Beijing, Lyon City Hall and Opera House, Beijing Olympic Village, Parkstad-Limburg Stadium in Kerkrade, Saint Mary's Hospital in Ludwigshafen, EuroAirport Basel and more.

The highly requested ELCO condensing boiler model in 2018 was Trigon XL, which represents a significant step forward in heating technology. With flexible configurations, clever design and a range of power available, the boiler is perfect for a variety of applications. The ELCO product range includes floor boilers Thision L Eco (70-100-120 kW), Trigon XL (140-540 kW) and Trigon XXL (up to 2 MW). A competitive advantage is represented by the premium services provided by ELCO throughout the product's life cycle, from consultancy and specifications to after-sales and maintenance, through its network of partners available at national level.

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# PROPTechs PROVIDING INNOVATION BOOST IN REAL ESTATE

*Startups looking to improve the efficiency of the property sector with the support of technology are starting to emerge around the world. Local developers are already making their buildings smart, and the new wave of innovation generated by property technology firms will help the Romanian market develop further. Close to EUR 13 billions worth of venture capital funding went to proptechs in the first half of 2019.*



**BR** OVIDIU POSIRCA

*More than 20 proptech startups have reached a valuation of more than USD 1 billion since 2014*

Owners of buildings are already using digital tools that can help them manage the full array of operations, ranging from maintenance to tenant relations and reduction of energy consumption.

It is only a matter of time until modern technology becomes as important to a real estate project as building materials are today, suggested Geo Margescu, the CEO and co-founder of Forte Partners, a developer of office and residential projects in Bucharest.

Companies in the property sector are already using technology to improve energy efficiency and reduce operational costs over the lifetime of a building.

Globalworth, the biggest owner of of-

fice space in Romania, has already started to invest in proptech startups. The developer has a partnership with funds Early Game Ventures and GapMinder Venture Partners.

"We also plan to make additional technology-related investments in 2019, either in general technology funds or ventures focusing on real estate solutions in the field of smart buildings/smart cities, mobility and energy, property automation and real estate software," says Dimitris Raptis, deputy CEO @ CIO of Globalworth.

Startups in the real estate tech field raised USD 12.9 billion from venture funds in the first half of 2019, according to CREtech. In 2018, these startups got USD 9.7 billion, while in the previous year they had

raised USD 12.7 billion from venture capital players.

Moreover, more than 20 proptech startups have reached a valuation of more than USD 1 billion since 2014, according to Fifth Wall. Between 2011 and 2014, Airbnb was the only entrepreneurial venture in the property sector that reached this valuation.

"I think it's a huge market, and the stakes are not local but global. We see a lot of applicability in both the residential and office segments or even integrated solutions that meet the consumers' needs for space (not necessarily property) according to the given context. Romania can play a role as we have specialists with a capacity to understand and use technologies, we have creativity, and I think we can see Romania-born success stories on this global market," says Ovidiu Sandor, the CEO of Mulberry Development.

The development of proptech initiatives will come naturally alongside the delivery of smart buildings, adds Ionut Dumitrescu, co-founder of One Office, the office division of One United Properties.

## ►► PROPTECH INITIATIVES BY ROMANIAN ENTREPRENEURS

The first platform for proptech initiatives was launched in Romania last spring and has already hosted a demo day where entrepreneurs could seek the backing of investors.

Startup Bright Agency has developed a smart platform working as an all-in-one solution for the niche of temporary space leasing in shopping malls. The firm has developed an optimized process for the leasing and management of spaces by integrating machine learning and artificial intelligence, 3D web rendering and scalable infrastructure.

Another proptech solution is yeParking – Online, which does real-time tracking of the availability of parking spots in residential and retail projects. It features a reservation system for parking spaces that offers drivers the option to find shareable private spots.

Meanwhile, another team of entrepreneurs developed Inflection Point, a visual

▶ **COMMERCIAL REAL ESTATE INDUSTRY GAUGES IMPACT OF PROPTech**

The proptech segment is becoming more popular among global investors surveyed by Deloitte. In fact, almost 9 in 10 believe that proptech players will have a moderate to significant influence on the commercial real estate sector.

Almost all the respondents in the Asia Pacific area were optimistic about the impact of proptech, while the biggest funding commitments came from investors in North America.

“Proptechs are using existing and developing technology to nurture new, innovative ideas that enhance operational efficiency, tenant experience, and informa-

extract and structure relevant information from complicated documents related to purchase-sale, lease, title insurance, and mortgage transactions, according to a Deloitte report. Elsewhere, an Israeli startup called SiteAware provides a drone surveillance service. Companies can use it to take digital images of construction sites to confirm that development plans are on track. Other digital platforms in the property sector aim to help homeowners sell their property faster.

Then there is the office sharing startup WeWork, which is also included in the proptech category, with a valuation of USD 47 billion. The company had more than 400,000 members who rented desks in 100 cities at the end of 2018. WeWork is

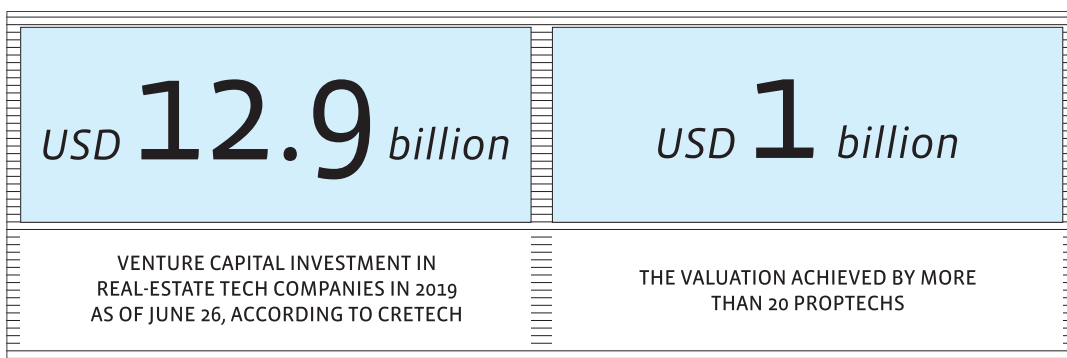
also analyzing an investment in Romania, according to media reports.

“We can offer you everything from a desk to an office to headquarters or an entire fleet of buildings,” said Artie Minson, the company’s

president and chief financial officer, according to Wall Street Journal. Locally, the coworking players have been welcomed by large office developers who leased generous spaces in the city center. Currently, the operators of flexible workspaces are clients of conventional office developers.

WeWork has been operational for 9 years and recorded a loss of USD 1.93 billion last year as it continued to invest heavily in expansion. Its biggest backer is SoftBank Group and its tech-focused Vision Fund. At the start of 2019, the fund invested another USD 2 billion in the startup.

“WeWork is the next Alibaba,” said SoftBank CEO Masayoshi Son. He says this startup is not just a renter of office space, but also “something completely new that uses technology to build and network communities.”



AI solution that can monitor the feed from surveillance cameras installed in shopping centers. The solution can be deployed to interpret various situations inside the shopping units.

“Proptech solutions imply a dose of creativity, a good knowledge of the market and the mastery of IT technologies. I think we are good at all these categories and we have young entrepreneurs who can think of innovative solutions, from property management to marketing solutions. We also have some well-positioned IT hubs where collaborative ideas can be born. I hope to soon hear of Romanian companies that innovate and bring solutions to the real estate market,” says Andreea Comsa, the managing director of Premier Estate Management, the property consultancy focused on the residential segment.

tion flow,” according to Deloitte experts. The survey further shows that 31 percent of respondents would invest in proptech companies, when asked about the preferred modes of engaging with these companies. Another 26 percent would partner with proptech companies and 20 percent mentioned participation or launches in accelerators. Less than 20 percent said they would use the proptechs’ services.

The innovative products and services pitched by entrepreneurs in this field cover a wide array of demands.

For instance, OpenBox promises automation services to real estate companies on a robots-as-a-service (RaaS) model. One of its functions allows automated data transfer from budgeting to valuation, saving hours of manual work. Another company called Leverton uses AI to

# THE MAIN LEGAL UPDATES INFLUENCING THE PROPERTY INDUSTRY IN 2019

*Authorities have approved a raft of legal changes that investors and construction firms have to take into account when starting projects in the local property sector, including matters related to permits and land book registration.*



*The legal framework for property developers has been updated in 2019*

**BR** OVIDIU POSIRCA

**I**n the first half of 2019, the main point of interest has been the legal framework regulating construction permits. Several legislative projects aiming to significantly change the way construction works are authorized have been rejected

or suspended for the time being, but some changes have gone through the entire legislative approval chain. For instance, developers can now install solar panels to generate electricity or heated water without needing to get a building permit,

under certain conditions.

“One of such amendments implemented in late June this year grants the right to investors/building owners to install photovoltaic panels for the generation of electricity and/or water heating without

having the obligation to obtain a building permit for this purpose. Nevertheless, it should be noted that the beneficiary of the works should inform the relevant public authorities about the performance of such works. However, the law does not regulate the manner in which the public authority should be informed or whether any feedback should be expected from the public authority based on the information received,” says Maria Nitulescu, senior associate at Reff @ Associates, the law firm representing the Deloitte Legal global network in Romania.

certain conditions, the breach of this provision could be treated as a criminal offense.

The media has reported about certain residential projects where inhabitants used the same electricity source installed to power the construction site in the development phase. The bill’s initiators said that there were dozens of cases in the past years in which fires or explosions were triggered in blocks of flats that did not have a proper connection to the utilities network.

Other important changes for the property industry were made in the real estate publicity system.

as historical monument. The timeframe begins on the classification date. This registration can be requested from the Ministry of Culture and its local departments.

### ►► **LEGISLATION THAT COULD BE AMENDED BY THE END OF 2019**

Further changes to legislation concerning the real estate industry could be approved by the end of this year. The most important ones are in the fire safety area and are designed to clarify the delimitation between the responsibilities of owners and those of lessees.

Meanwhile, officials are preparing a draft bill to update the general urbanism legislation in order to reflect the latest regulatory changes and the durable development principles.

“Separately, on a local level, public authorities are currently planning on amending local regulations applicable in Bucharest

***“One of such amendments implemented in late June this year grants the right to investors/building owners to install photovoltaic panels for the generation of electricity and/or water heating without having the obligation to obtain a building permit for this purpose,”***

Maria Nitulescu, senior associate at Reff & Associates

In May, an amendment to the construction quality law was approved, barring investors and property owners from operating a building prior to performing the reception upon the completion of works.

“Moreover, the requirement will be applicable both with respect to new buildings, as well as to existing ones if the construction works entailed the interruption of activity within the premises. Inobservance of such obligations may be sanctioned with a fine between RON 20,000 and 40,000. The purpose of the amendment was to prevent the cases in which new buildings are added on the real estate market without reception minutes being signed upon completion of works and without a properly authorized connection to utilities in accordance with the permitted use of the building,” adds Nitulescu. Under

There are new rules regarding registration with the land book of immovable properties transferred because of a merger/de-merger process. This means that registration with the land book will no longer be performed based on a reorganization certificate, but will be subject to the presentation of instrumental deeds in this process, such as: the shareholders’ resolution, a court decision approving the merger/de-merger project, the incorporation deed of the new company, and the additional act modifying the by-laws of the respective company, according to Lavinia Ionita Rasmussen, partner at law firm NNDKP – Real Estate practice.

As a legal update, she also mentions the express provisions regarding the registration with the land book within 30 days of the classification of a real estate asset

regarding the minimum number of parking places corresponding to new buildings. In fact, they intend to implement a radical change in the regulatory framework regarding parking space requirements and may include new legal concepts such as a maximum number of parking places to be developed by investors and high fees payable by investors to the authorities when such minimum/maximum requirements cannot be implemented due to space restrictions,” says Nitulescu of Reff @ Associates.

In early July, president Klaus Iohannis signed into law a bill regarding the assessment and management of ambient noise. It aims to define protected zones in the city that must be included in the General Urban Plans so they can be better protected against high levels of urban noise.

# FISCAL CHANGES IMPACTING PROPERTY PLAYERS IN 2019



*Talking tax: Significant fiscal changes approved in the construction sector*

*The tax incentives approved for construction companies are some of the biggest fiscal changes set to shape the property industry in 2019. The minimum wage for construction workers was raised to EUR 500 as firms are looking for workers to meet the demands of property developers.*

**BR** OVIDIU POSIRCA

The updated fiscal provision exempts workers in the construction field, including those in production, architecture and design, from paying income and income insurance taxes. It also provides a reduction in pension contributions.

“At this stage, it is too early to assess the impact, but these changes are expected to decrease the black labour market and to support construction companies in mitigating labour shortages by being able to provide higher net salaries while keeping costs at the same levels,” says Lucian Barbu, tax partner at NNDKP Tax Advisory Services. The incentive is combined with the minimum wage in the construction sector, which is almost 50 percent higher than in other sectors. The tax cut was designed to level the costs of companies in the construction industry while allowing them to increase the minimum wage.

“The incentive, coupled with the minimum wage, was said to be part of a larger initiative to stop workforce migration from Romania. Most of the first half of 2019 was used to determine the actual rules for the application of the incentive, which was

unclear in many ways, and remains so in some cases. Notwithstanding the ambiguities, it has been perceived as an overall good measure for the property sector,” says Alexandra Smedoiu, tax partner at Deloitte Romania, the professional services firm. There are some 700,000 Romanians working abroad in the construction sector, while locally there are 300,000 people on construction sites, according to Cristian Erbasu, the CEO of Constructii Erbasu. He says the state’s decision to turn construction into a strategic sector starting this year will help reduce tax evasion.

“The agreement has the following objective: to reduce tax evasion – 70 percent of workers are paid off the books, at least partially; to stop the exodus of workers and bring back those who have already left; introducing more discipline into the construction sector to create better working conditions, because those thinking of coming back to Romania don’t just think about salaries, but also about other conditions and the quality of life,” says Erbasu.

He added that the most important aspect for construction companies today is predictability, so that investments can be

planned on the long term. “This government, as well as future governments, must intervene for the long term. Construction companies suffer due to the lack of investments. In 2022-2023, we’ll go through a craze to attract EU funds because the programming period will end, but that will be followed by another period of decline.”

Erbasu suggested that more young people will be attracted by jobs in the construction field in the following years as a result of tax incentives and higher wages.

Another important change for home buyers has been the reduction of VAT to 5 percent for multiple transactions.

“Thus, the reduced VAT applicable to the acquisition of constructions by individuals no longer applies only to a singular acquisition, but may be applied to all their acquisitions as long as the useful area of the construction is of maximum 120 square meters, excluding auxiliaries and the selling price, excluding VAT, is of maximum RON 450,000 as at the date of the acquisition, including the adjacent land and the construction is proper for living,” says Siranus Hahamian, senior associate at law firm Suciupopa.





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