

Colliers: The Romanian investment market grew in the first half of the year, despite uncertainties about the economic and geopolitical situation

The first half of 2022 closed with a total value of investment transactions worth 336 million euro in Romania, up by c.13% compared to the first semester of 2021, with office assets accounting nearly 63% of volumes, according to Colliers market report for the first semester of 2022. With a handful of large deals at various stages still ongoing despite the somewhat uncertain backdrop in the global economy, the year could end with a total volume closer to or even higher than 1 billion euro.

The first half's biggest transaction saw S IMMO purchase Portland Trust's EXPO Business Park, a newly developed office project in the northern part of Bucharest for over 110 million euro. This is also the 5th nine figure transaction completed on the local market in the two and half years since the start of the pandemic, which is more or less comparable to the number of big tickets finalized in the years prior, highlighting both the attractiveness and growing depth of the local investment market. Among other notable transactions, Alinso Group purchased the METAV Business Park, an in-city mixed scheme in Bucharest, but also the sale of Speedwell's Record Park, an office project in Cluj-Napoca, to AYA Properties Fund for 35 million euro.

Colliers consultants note that while big institutional investors will continue to drive the wider market and generate the bulk of activity, an increasing focus could be seen from add-value investors snapping up assets that require capex in order to become competitive. Going forward, the market will probably see an increase in such deals, particularly amid slowing economic growth and rising interest rates.

"Looking at the activity of investors on the Romanian market in recent years, we observe somewhat of a balance between new investors and recurrent investors in terms of transactions executed. At the present time, investors continue to manifest a healthy interest for local assets and even though some have not yet pulled the trigger on local purchases, Romania remains on their radar", says Robert Miklo, Director Investment Services at Colliers.

Still, international investors remain wary of developments in the global economy, particularly those related to the cost of risk and developments on the inflationary front. For now, these developments have yet to impact materially local activity, but as with any real estate market, the investment scene relies to a certain extent on momentum and if things do not improve soon, Colliers consultants would expect some of the negative sentiment to be transmitted.

Offices remained the most active asset class, attracting deals worth 63% of total volume in the first half of 2022, retail also generated approximately 16% of the turnover and I&L – 14%. Hotels round up the rear with the rest transactions up to 100%. Also, financing options remain widely available for real estate transactions, with margins more or less unchanged by local banks, in spite of the somewhat shaky backdrop.

"A good income-producing asset, like an office or industrial project, depending on the sponsor, can receive around 250 basis points margin when looking for a loan. This underscores two aspects: the long-term confidence that banks have in local assets and the perception that even in case of a correction, prices are not overvalued, not requiring a deep correction. All in all, 2022 looks to be an exceptional year for the local investment market in terms of overall activity, but the outlook for 2023 is challenging and largely dependent on what happens in global financial markets in the coming quarters", concludes Anca Merdescu, Associate Director Investment Services at Colliers.