

Colliers: The Romanian investment market closed the first quarter in 2021 with transactions worth 85 million euro.

The first quarter of 2021 closed with a total value of investment transactions worth 85 million euro in Romania, a decrease of c.42% compared to the first three months in 2020, in a context not yet significantly impacted by the Covid-19 pandemic, with office assets accounting about 50% of volumes, reveals Colliers in its latest “CEE Investment Scene Q1 2021” report. Despite the slow start, investor sentiment suggests a strong pick-up in activity in the second half of the year, subject to progress with the pandemic and open travel.

Overall, the Central and Eastern Europe (CEE) investment flows are down by almost 48% on Q1 2020, at about 2 billion euro. Poland remained leader in the region, with investment volumes accounting for 65% of the overall CEE6 total, followed by the Czech Republic and Hungary, with a 14% share and 11% respectively.

The office sector was dominant all over the region in the first quarter of 2021 in terms of transactional activity, with a share of 50% of the total volume of investments, followed by industrial and logistics spaces that are up significantly as investors diversify into this seemingly Covid-proof sector (28%) and away from the more challenged Retail and Hospitality sectors (15%).

“This is well applicable to Romanian market where we have a volume of c.40 million euro going towards the office segment through Bucharest Financial Plaza and a 2,500 square meters office building in Brasov closed deals, representing c.50% of the total Q1 2021 transaction volume. A rather unexpected share of c.25% went to the hotels segment through Ramada Majestic and the Opera, Central and Venezia portfolio, marking two new investors entries on the local market and bringing back the hotels market interest and the soon expected recovery of this segment in Romania. The remaining share went nearly equally to retail and industrial&logistic assets through the Lidl portfolio and Solo Iasi transactions. About 30% of the investors were represented by domestic ones, still a balanced figure for the investors pool in Romania”, explains **Anca Merdescu**, *Associate Director Investment Services at Colliers*.

Furthermore, Colliers consultants notice an increased interest in real estate from various investors, even from ones not necessarily specialized, but looking to diversify their asset classes. Key criteria for such interest are definitely long term leases, more than 10 years, and a financially solid tenant behind. Such investment opportunities are highly regarded and with a strong potential to set off yield compression.

Bucharest has some of the highest yields in the region for the office sector (7%), compared to at most 4.25% in Prague, 4.70% in Warsaw or 5.25% in Budapest. Going forward, rents will remain relatively stable, according to Colliers International in its latest “CEE Investment Scene Q1 2021”, with prime headline still around 18 euros per square meter in the office sector in Bucharest (and an average in the region of 14 euro per square meter), respectively between 11-14.5 euro per square meter in other centers in the country.

“The second quarter is already turning out to be much livelier, with several big deals ongoing and making big strides behind the scenes. The biggest such deal is the sale of Hermes Business Campus by the Belgian developer Atenor to the Hungarian investor Adventum for in excess of 140 million euro, but this is yet to be finalized. Several industrial assets purchased by CTP and Globalworth totaled 40 million euro, with the transaction of The Light office project in Bucharest, from Romanian River Development to Austrian Uniq, adding another c.50 million euro”, says **Anca Merdescu**, *Associate Director Investment Services at Colliers*.

At the Central and Eastern Europe (CEE) level, Colliers consultants estimate that CEE 2021 year-end volumes will

accelerate to reach similar levels to 2020, of around €10 billion. Preliminary EMEA volumes are estimated to be down ca.32% year on year. The Industrial and Logistics sector continues to thrive with falling yields in almost all markets and premiums being paid for portfolios, notes Colliers in its latest EMEA Markets Snapshot Capital Markets Q1 2021. Investors are willing to go up the risk curve in this sector, although some investors are showing initial concerns to pricing and whether developers will push rents far enough in a falling yield cap rate environment.