



In terms of the market segment which will attract new investments in the next 12 months, only 5% of respondents expect more development activity in the office market. The low appetite for this particular segment can be explained by the bureaucratic issues in Bucharest and the uncertainty surrounding the authorisation process pertaining to new projects. A special mention also goes to the Private Rented Sector (PRS) which is forecasted to see more investments than the office sector in 2023.

A vast majority (64%) foresee more developments in the industrial segment, while 18% expect new investments in retail projects.

Over 50% of respondents predict an upward movement for the office (58%) and industrial (55%) rents, while the share of those indicating a rental level growth for retail assets was of only 38%.

Inflation (86%) and construction costs (79%) are the main factors which may influence the rental levels, according to most respondents. Other factors indicated were the level of competition on the market and the lack of new supply for the office sector in particular.

Answering the question regarding the evolution of demand, most investors forecast a medium-term stability for all types of spaces. On the other hand, 30% of the interviewed companies have indicated a worsening occupier demand in the office market, while the expectations are more optimistic when it comes to the industrial and retail spaces.

The top five factors that may influence (in a positive or negative way) the evolution of demand are the overall inflation, geopolitical situation, e-commerce growth, the emergence of new companies on the market and the lifting of the pandemic related restrictions. A number of investors are also concerned by the deterioration of economic activity/recession and also by the unclear return to work status.

Capital Markets (including bonds) remains a minor source of capital for the local real estate market, thus investors and developers rely mainly on their own funds, intra-group loans and bank financing. The increased cost of money directly impacts almost 70% of respondents.

Most investors believe their portfolio values will remain unchanged in the following 12 months. In regards to the asset class, 30% of respondents estimate an increase in value for the retail properties, while 23% of them also indicate a further appreciation of the industrial and office projects.

In terms of general business environment conditions in Romania, the most appreciated are the quality of the IT infrastructure, the labor market, the taxation framework and also the macroeconomic stability. The least appreciated aspects relate to the quality of the transport infrastructure followed by bureaucracy.

The investors are quite positive when it comes to the Romanian economy and its short-term evolution, with 45% of participants expecting the GDP to increase, 38% predicting a stagnation and 17% a decrease.