

JLL Romania | Real estate investment market retains potential despite challenges

In the first quarter of 2023, transactions with a total value of approximately €133 million were closed (considering only transactions of at least €5 million). The 7 transactions had an average value of €19 million.

The sale of One Herastrau Office, a process assisted by JLL Romania, was the most important transaction in the office market. Since it is the result of a structured competitive process, it provides an important price benchmark.

In the industrial sector, the largest transaction was the acquisition of FM Logistic's 100,000 sqm real estate portfolio by market leader CTP in a sale&leaseback process.

"As a result of a 2023 increasingly challenging outlook, both investors and lenders have become significantly more cautious in their underwriting process. Such changes reflect directly, after a decade of accommodating monetary policy, the unprecedented uncertainty surrounding cash flow and valuations forecasts as well as ongoing structural changes affecting the real estate industry. On a positive note and despite existing headwinds, liquidity remains available where transactions are reflecting, for both buyers and sellers, a strategic importance and when investor's expected returns are met", said **Maxime Otto**, *Capital Markets Consultant at JLL Romania*.

Following the regional trend, prime yields increased in Q1 by 0.25 percentage points for office (to 7.25%) and retail (7.5% for shopping centers and 8.00% for retail parks) and stagnated for industrial (7.5%).

The industrial sector attracted 45% of the total investment volume in Q1, while the office segment accounted for 35%, hotels 14% and retail space around 6%.

Bucharest attracted almost 45% of the total investment volume in Q1, followed by Timisoara with 23% and Constanta with around 10%.

For 2023 JLL analysts expect a total investment volume of between €700 and €900 million, slightly below the average of recent years. The most attractive segments for investment remain office and industrial.