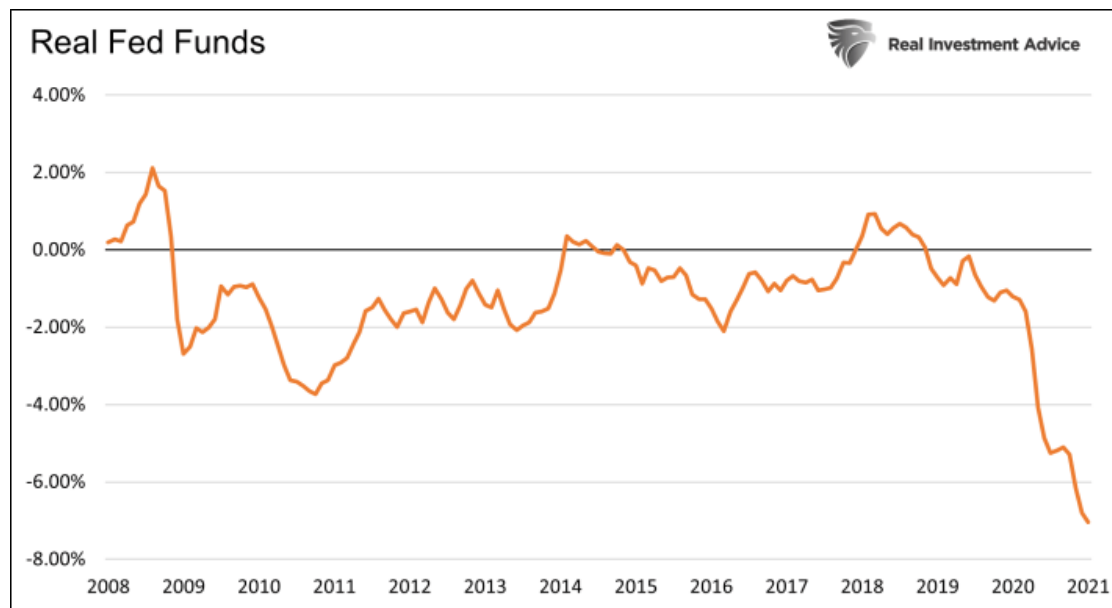


Romania economic and real estate outlook

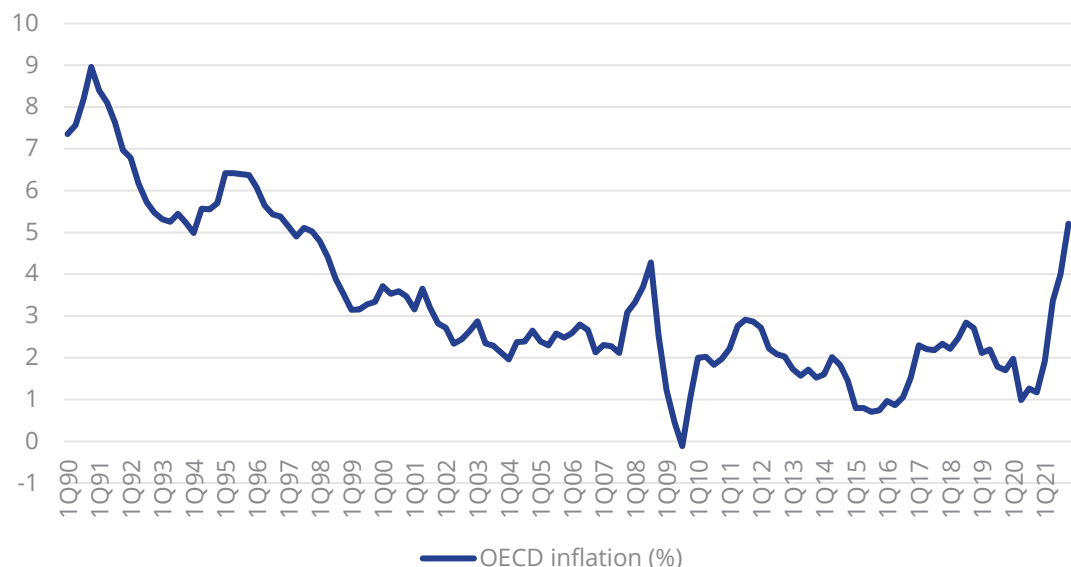
Top 10 Predictions 2022

January, 2022



Top 10 predictions 2022 (1)

1. Risk is returning to markets in general
 - Higher USD rates in 2022 (for EUR, maybe starting 2023) will lead to repricing of risk, with massive consequences for all business sectors (including real estate)
 - Widening gap between various asset classes/states
2. Pandemic to endemic?
 - Vaccination rates in most Western countries + antiviral tables + Omicron data are encouraging
 - The higher interest rates are likely to be the underlying theme of 2022, pushing the pandemic to a lesser role, but the its consequences will become more visible
 - Remote/hybrid work, acceleration of digitalization, ESG criteria + healthcare standards for workplaces



Top 10 predictions 2022 (2)

3. Investments to rule the coming years?

- EU funds allotted to Romania average over 3%/GDP year (over half of what the state actually invests in good years)
- Rich potential could be opened via simple investments
- 2022 growth nothing to write home about, but still no slouch, at 3-4%

4. Offices starting the long road to recovery

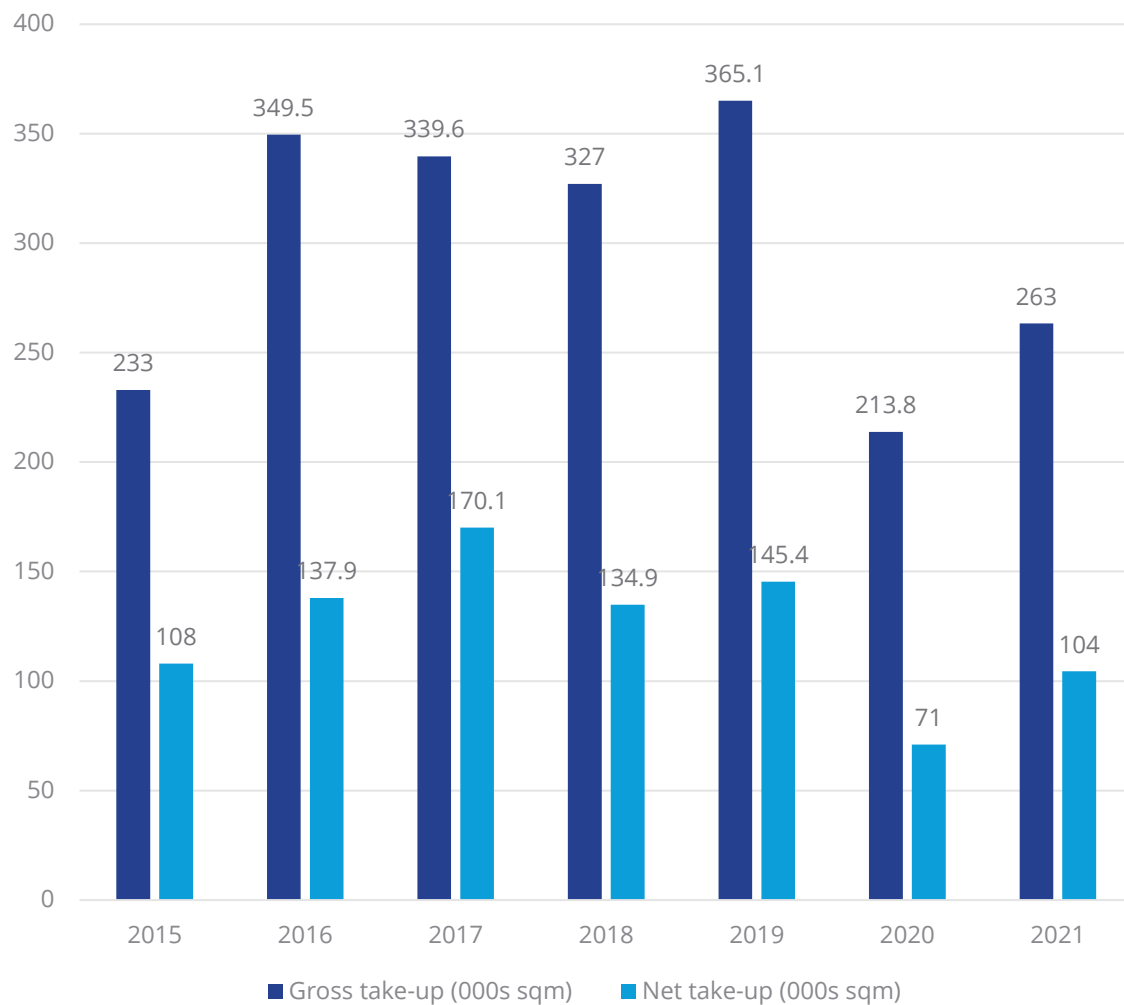
- Vacancy to peak in 2022 at over 20%, but recovery likely to start this year as well; it may take several years for market to return to a tenant neutral position, but new entries on the local market offer an optimistic twist
- Good offices to outperform older offices that have not aged well technically, both in terms of occupancy and rents
- Promising signs coming from large corporates regarding the return to offices

5. Environment, social, governance criteria to become more relevant

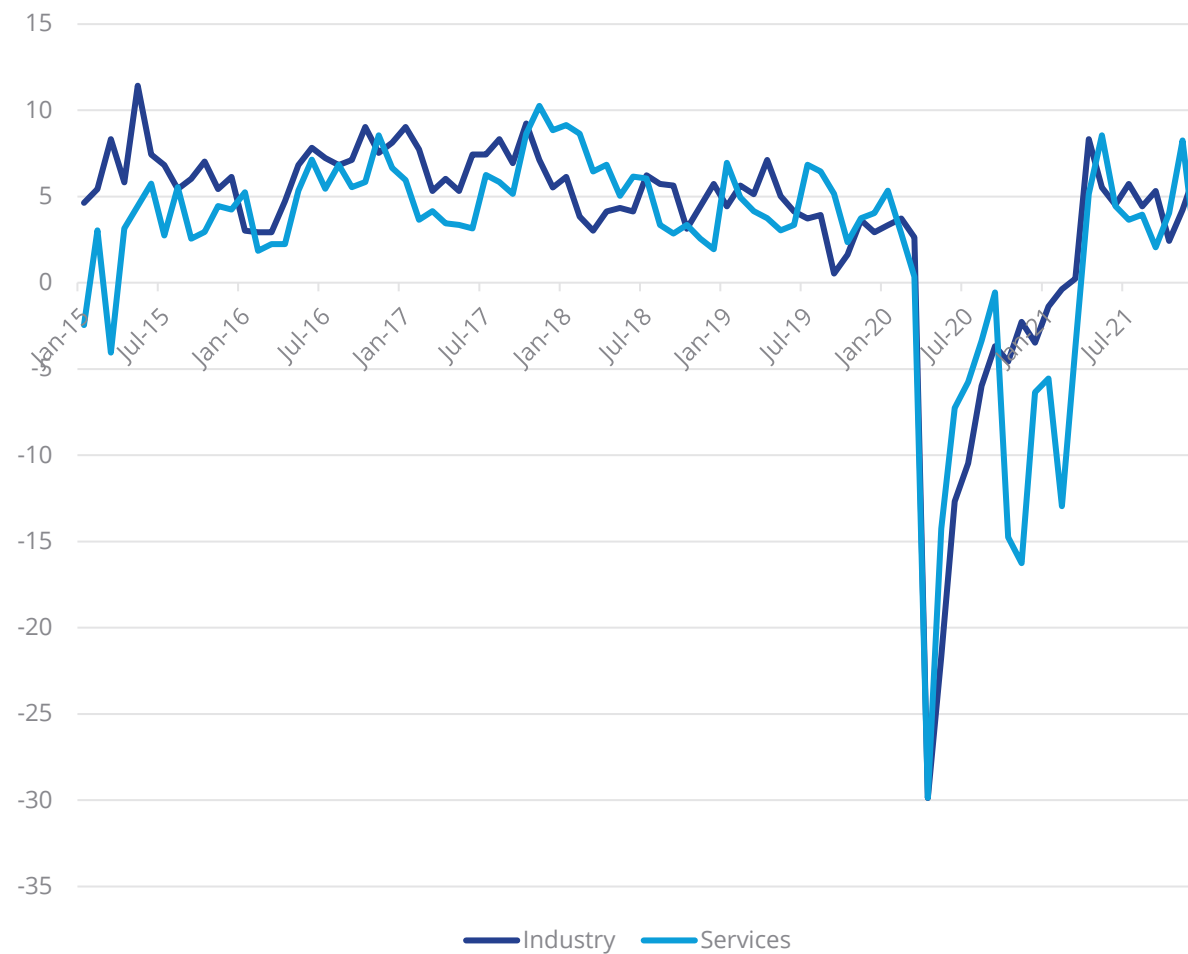
- Recent energy crisis has proved how important energy-efficient buildings are, while pandemic-proofing office spaces will become a theme for international companies
- Older buildings will have to invest to keep up with the times or risk being left behind

Timid signs of recovery for offices

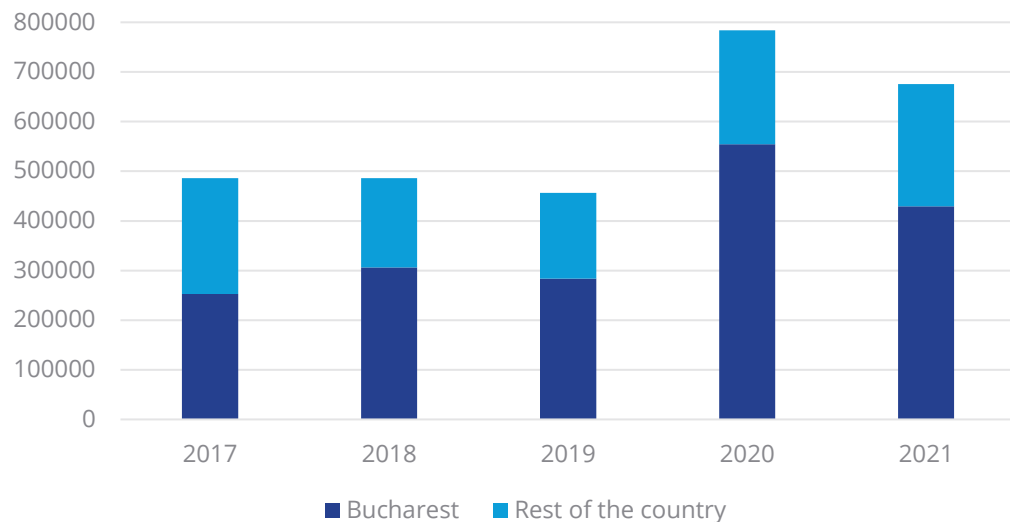
Bucharest office market leasing activity



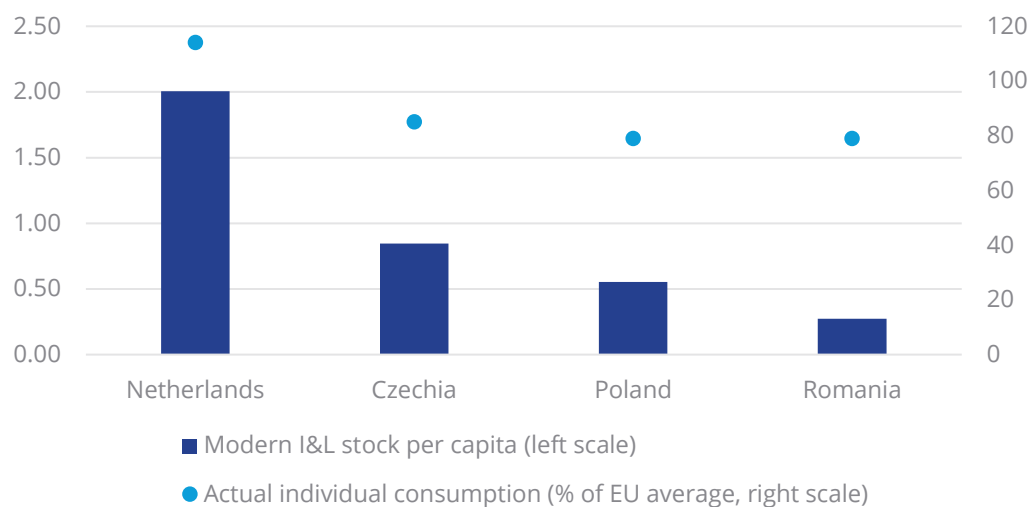
Near-term hiring intentions in Romania, deviation from historic average



Gross take-up of I&L spaces (sqm)



Consumption versus I&L stock



Top 10 predictions 2022 (3)

6. A new golden age for industrial and logistics?

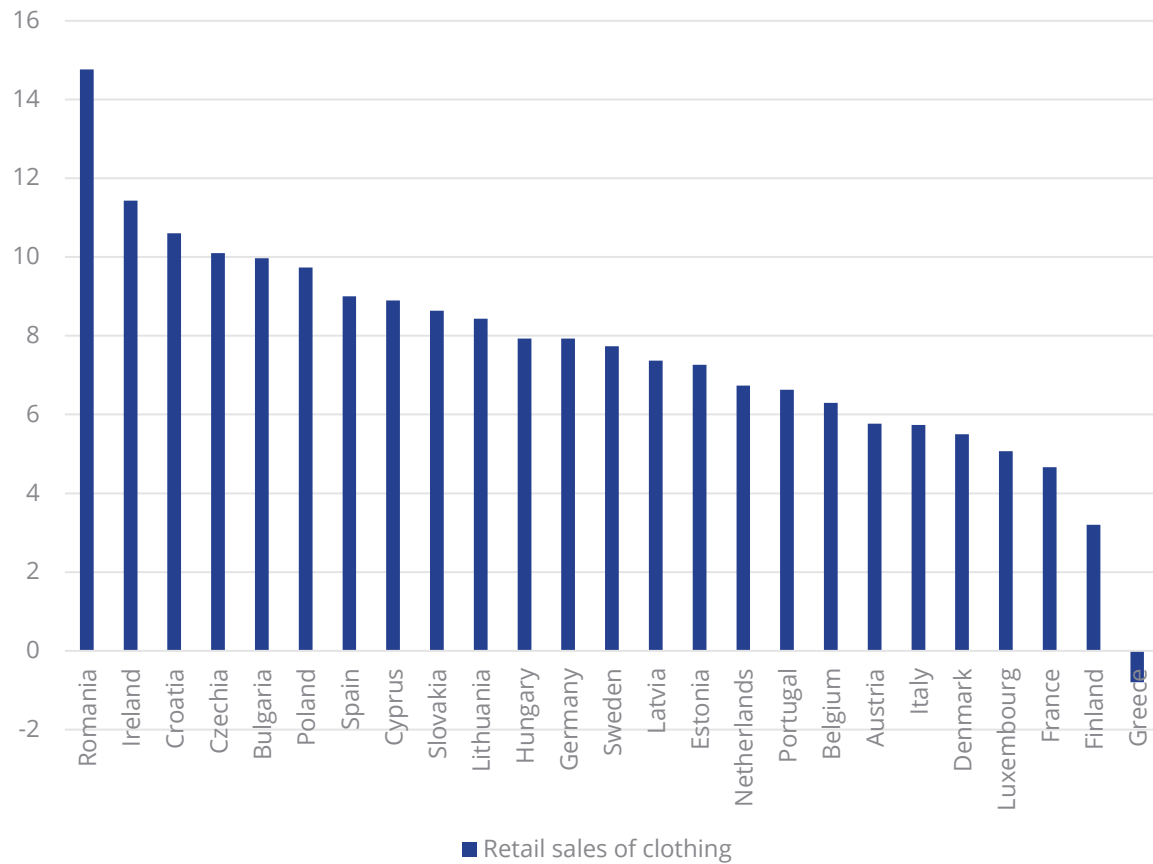
- 2021 was close to the record-setting 2020 in terms of activity, but the market remains undersupplied on a relative basis -> the best may still be yet to come
- Supply-chain issues + geopolitical issues (mostly China-EU/US related) to support growth of CEE logistics scene

7. Retailers are suffering, but some will recovery quickly

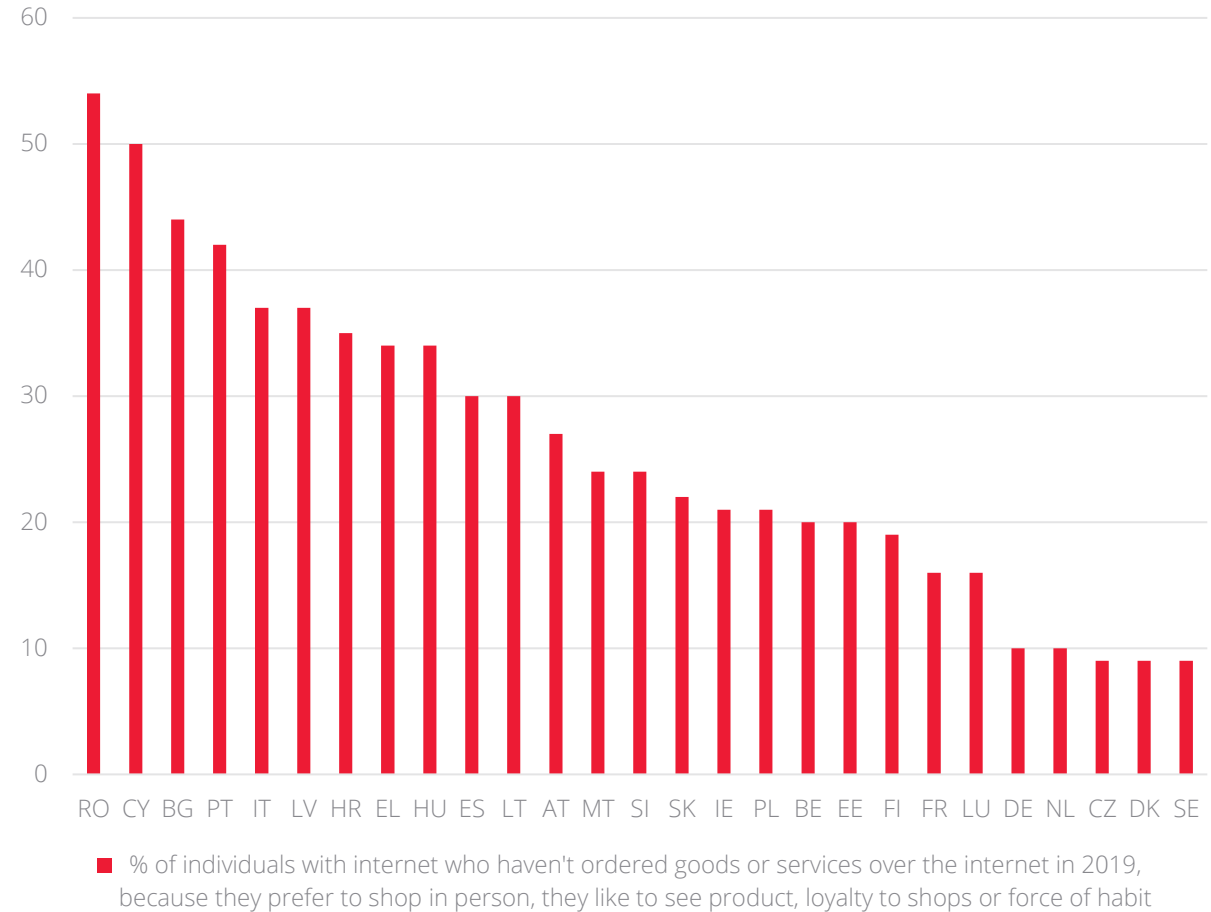
- Large dominant centers will bounce back and retain their status as magnets, while for retail parks in small-/medium-sized towns, the good times will continue to roll
- Why e-commerce and brick-and-mortar can co-exist here: Romanians tend to have a much higher cultural predisposition to want to touch and see a product before purchase
- Watch out for real wages turning negative

The case for brick-and-mortar retail in Romania

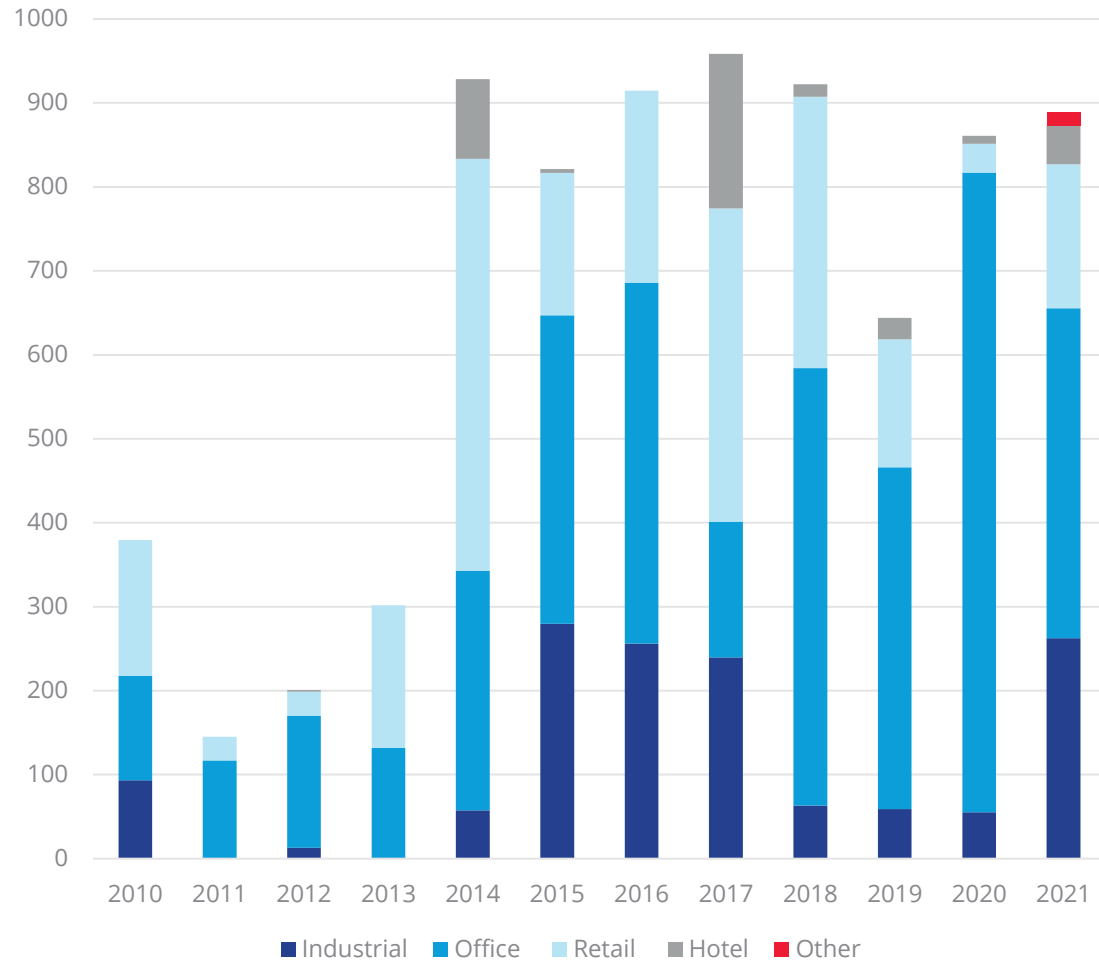
Gross operating surplus/turnover (% , 2016-2018 average)



A cultural inclination towards physical retail?



Investment deals by sector (EURmn)

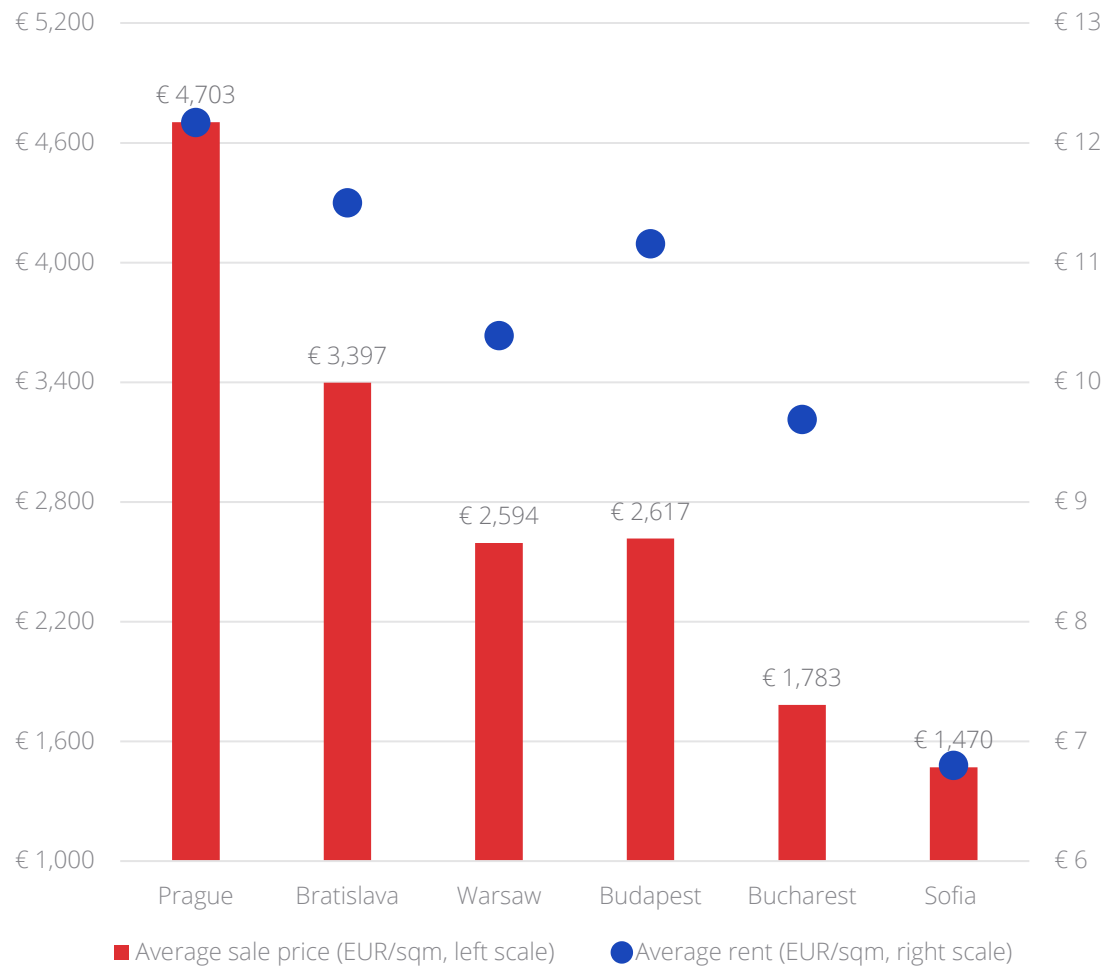


Top 10 predictions 2022 (4)

8. Record year for real estate deals?

- Very robust pipeline at the start of the year suggests a potential for breaching the EUR 1bn threshold this year, maybe to surpass 2007-2008 levels
- High inflation + economic growth -> good moment for “hard assets” (real estate, land, companies offering consumer goods with solid demand etc.)
- Yields should also continue moving south in 2022, but not indiscriminately: investor preference for industrial & residential (globally), with a focus also on prime assets (offices especially) that can withstand the higher cost of risk
- Funding options to remain relatively good for real estate investment and developments, but the situation will be quite a bit different given the higher interest rates

Based on current rents, prices still look decent compared to CEE peers (mid-2021 levels)



Top 10 predictions 2022 (5)

9. Residential turning a bit expensive

- Assuming no major negative economic scenario in 2022, Romanian residential prices are likely to grow robustly
- Wages growth by ~15% in last 2 years, residential prices by ~20%, economic moment likely to support similar pressures in 2022, leading to medium-term risks of market overheating/a price bubble forming (not the main scenario at this point)
- Romanian c.bank warning on potential wage-inflation spiral

10. Land sales to remain very solid

- Strong residential sales + robust retail results -> solid demand from developers
- Pipeline of deals at start of year suggests maybe another solid year (in the EUR 800mn region)
- Prices to continue moving higher for good plots