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RECENT REAL ESTATE & CONSTRUCTION DEVELOPMENTS IN ROMANIA

LEGISLATIVE CHANGES

The Romanian Government is preparing to draft and adopt new significant legislation concerning real estate and especially the construction environment. Named "The Spatial Planning, Urbanism and Construction Code" (hereinafter named the "Code"), is a very ambitious plan to reform existing and rather dusty legal norms which have been in place for many years.

On 16 June 2021, the first meeting was organized by the Ministry of Development, Public Works and Administration which included a special committee comprised of specialized members of Parliament and representatives of the biggest municipalities in Romania.

The Ministry of Development, Public Works and Administration announced that the Code will "unite, in a single normative act, 21 of the existing laws, ordinances and decisions currently in force".

The Code is not realistically expected to be adopted within the next year. New details will be revealed along with its development.

CURRENT AND UPCOMING DEVELOPMENTS

Despite the last year and a half being marked by uncertainties due to the pandemic, developers only turned down their engines by a small percentage. They continued to search and secure land plots suitable for future projects, while taking advantage of the dip in real estate market prices.

Although the general economy is expected to recover from the negative effects of the recent pandemic, it is of significance that during 2020, Romania continued to accumulate a volume of EUR 588.5 mln. in real estate investments. Another encouraging figure is that, by the end of 2020, Bucharest's modern office stock reached 2.95 mln. sq.m. in office space, securing a place as one of the top three European cities when it comes to office spaces and hubs.

In addition, Romania's housing prices continue to rise but at a slower pace amidst a struggling economy due to the pandemic. During 2020, the average selling price of apartments in Romania

rose modestly by 2.44% y-o-y (0.95% inflation-adjusted) to €1,371 (US\$ 1,662) per sq.m., a sharp slowdown from an annual growth of 8.23% in 2019.¹

ROMANIA EMERGES AS THIRD-BIGGEST INDUSTRIAL/LOGISTIC DESTINATION IN THE REGION

Romania is the third market in Central and Eastern Europe, after Poland and Czech Republic, holding over 5 mln. sq.m. of office and industrial space, while half of it being held by Bucharest alone. It is expected to reach over 5.5 mln. sq.m this year.

Investments are encouraging and give confidence for banks to award real estate development loans and also for other potential investors to join. Overall, while rents have slightly dropped (approx. 5-10 %), real estate purchase prices have registered unexpected gains (approx. 10-15%) in Q2 2021.

¹ Based on figures from imobiliare.ro

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