Real Estate Report

Knight Frank

ROMANIA
Market Overview

2022-2023

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keeping it real estate

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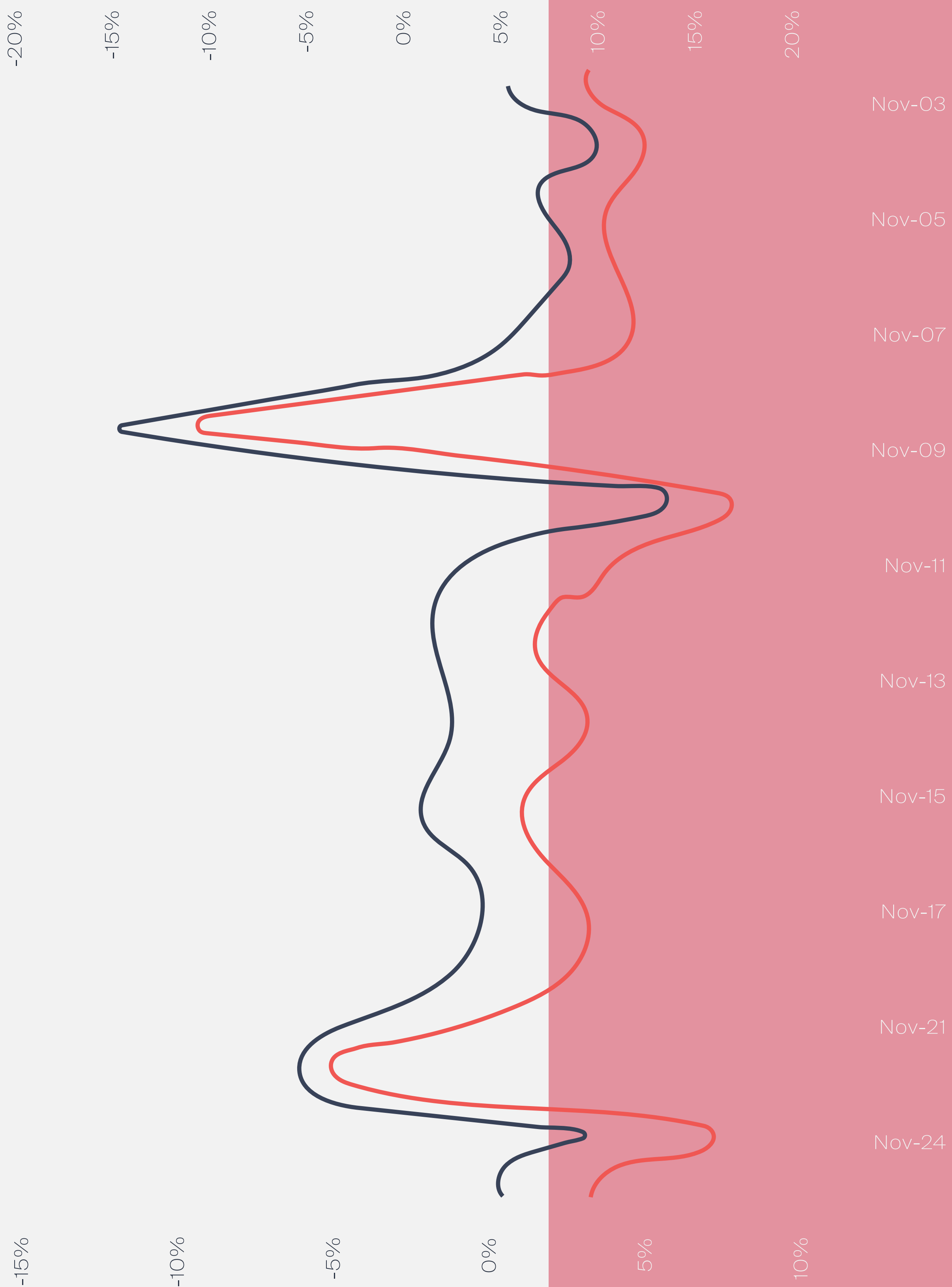


INFLATION& ECONOMY *to slow down in 2023*

dr. Andrei Radulescu
Director Analiza
Macroeconomica

International trade vs. global industrial production (MA12, YoY)

Global industrial production (MA12, %, YoY

Global trade (MA12, %, YoY

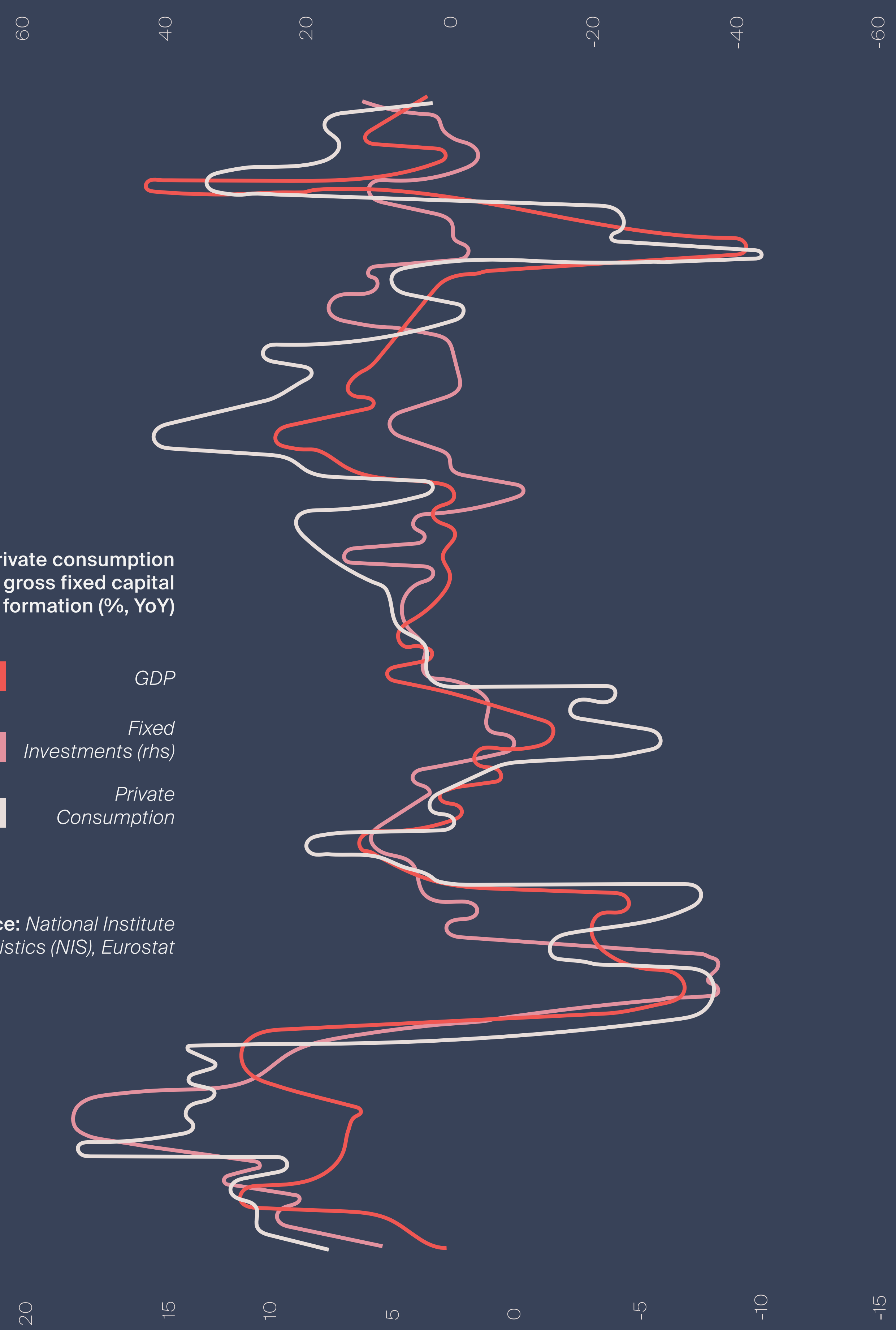
Source: *Bloomberg*

The global macroeconomic climate initiated a deterioration path following the outbreak of the crisis in Ukraine, as the intensification of the geo-political tensions contributed to the fragmentation of the economic flows, the acceleration of the inflationary pressures and the persistence of the risk perception at a high level.

In this context, the global economy contracted for the fifth month in a row in December, according to the PMI Composite indicator estimated by Markit Economics and JPMorgan.

Furthermore, the figures released by the Bureau of Economic Policy Analysis of Netherlands show the decline of the international trade volume for the first time since 2020 in November, by 1.5% YoY.

During January – November 2022 the international trade and the global industrial production climbed by 3.9% YoY and 3.3% YoY on average, slowing-down from 10.6% YoY and 8.2% YoY, respectively a year ago.



GDP, private consumption and gross fixed capital formation (%, YoY)

GDP

Fixed Investments (rhs)

Private Consumption

Source: *National Institute of Statistics (NIS), Eurostat*

In United States (the largest economy of the world, with a nominal GDP of over USD 26.1tn at the end of 2022) the leading indicators continued the adjustment trend in December, by an intensifying YoY pace to 7.4%, an evolution expressing prospects for the continuity of a tough climate in terms of investments in the short run.

This perspective is also emphasized by the decline of the labour productivity for the 4th quarter in a row in 4Q2022, by an intensifying pace to 1.5% YoY. In 2022 this indicator diminished by 1.3% YoY, the weakest dynamics since 1974.

The Chinese economy (the second largest of the world, with a nominal GDP of over USD 18tn in 2022) decelerated to 3% YoY in 2022, given the slowdown of the global economy and the persistence of the health crisis.

However, we point out that at the end of 2022 the health restrictions were eliminated, a decision that determined the rebound of the economy in January 2023, after contracting for fourth months in a row.

Across the Euro Area (the main economic partner of Romania) the economic confidence indicator improved in January towards the highest level since June 2022, an evolution strongly influenced by the deceleration of the inflationary pressures (the consumer prices rose by 8.5% YoY, the weakest pace since May).

The Romanian economy continued to present a strong resilience in the context of unprecedented exogenous shocks and regional geo-political tensions.

According to the preliminary estimates of the National Institute of Statistics (NIS) the GDP advanced by 4.9% YoY during January – September 2022, being noticed the acceleration of the fixed investments (to over 7.2% YoY), given the improvement of the EU funds absorption rate and the increase of the foreign direct investments.
The climate on the financial markets deteriorated in 2022, given the high level of the inflationary pressures and of the risk perception, in the context of the overlapping shocks and the normalisation cycle in terms of monetary policy.
For instance, in USA the central bank hiked the policy rate by over 4pps, while in Euroland the European Central Bank increased the reference rate by 2.50pps in 2022 to counter the inflationary pressures and to anchor the mid-run inflationary expectations.

However, at the beginning of 2023 the interest rates on 10YR Bonds declined, the stocks increased, and the dollar depreciated, as the YoY pace of the inflation changed the trend.
In this context, the International Monetary Fund (IMF) revised on the upside the forecasts for the dynamics of the global GDP at the beginning of 2023.

According to the updated forecasts the global economy would increase by YoY paces of 2.9% in 2023 and 3.1% in 2024.

The GDP of the emerging and developing economies is forecasted to accelerate (YoY) from 3.9% in 2022 to 4.0% in 2023 and 4.2% in 2024.

On the other hand, the YoY growth pace across the developed countries would maintain subdued in 2023 (1.2%) and 2024 (1.4%).

According to the provisional data (2) of the National Institute of Statistics (NIS) the Romanian economy advanced by 4.9% YoY during January – September 2022, an evolution supported by the full – reopening, the low level of the real financing costs, the implementation of the EU programs and the continuity of the post-pandemic economic recovery in Euroland (the main economic partner).

The increase of the gross fixed capital formation by 7.2% YoY confirms the high resilience in the context of unprecedented shocks and expresses positive prospects for the evolution of the post-pandemic recovery in the coming quarters.

However, the household consumption decelerated to 6.0% YoY during January – September 2022, due to the accumulation of inflationary pressures, with negative impact for the real disposable income of the population.

Across the net foreign demand, the total exports (goods and services) increased by 12.1% YoY, a higher pace compared to the dynamics of the imports (11.6%) during January – September 2022.

From the supply-side perspective there can be noticed the increase of the gross value added in the IT&C by 22.6% YoY during January – September 2022.

At the same time, the constructions (capital- and labour-intensive sector) rose by 7.1% YoY in 9M2022. However, the primary sector and the industry declined by 11.7% YoY and 1.9% YoY during 9M 2022.

Moving towards the financial side of the economy in 2022 the central bank accelerated the normalisation of the monetary policy to counter the inflationary pressures (at the highest level since 2003), in a context dominated by the post-pandemic economic recovery (and the high degree of resilience of the Romanian economy), the intensification of the risk perception and the persistence of the twin deficits.
The National Bank of Romania hiked the policy rate from 1.75% to 6.75% in 2022, leading to the increase of the interest rates on both money market and Bonds market.

The average annual yield on 10YR Bonds (a benchmark for the financing costs in the economy) climbed from 3.7% in 2021 to 7.6% in 2022, on the back of the inflationary pressures, the deterioration of the risk perception and the continuity of the post-pandemic economic recovery.

Furthermore, EUR/RON consolidated on the gradual appreciation trend in 2022, to an average level of 4.93 (up from 4.92 in 2021).

In the recently revised macroeconomic scenario of BT the Romanian economy may increase by YoY paces of 2.6% in 2023 and 3.8% in 2024, given the prospects for the continuity of the post-pandemic investment flows in the coming quarters, a scenario supported by the implementation of the EU programs and the affordable level of the real financing costs.

The gross fixed capital formation is forecasted to increase by YoY paces of 6.4% in 2023 and 6.7% in 2024, with positive consequences for the labour market and spill-over impact for the other components of the GDP.

In our scenario the average annual rate of unemployment may decrease to 5.2% in 2023 and 5.1% in 2024.

The private consumption (the main component of the GDP) would decelerate to 3.8% YoY in 2023 but may accelerate to 4.7% in 2024.

The public consumption may advance by an average annual pace of 3.3% during 2023 – 2024.

As regards the net foreign demand, the total exports, and imports (goods and services) are forecasted to increase by average annual paces of 9.7% and 11.2%, respectively, during 2023 – 2024.

In this scenario the YoY pace of the consumer prices would decelerate in the coming quarters, as the impact of the supply-side shocks is fading out, while the output gap turns negative.

The consumer prices (HICP basis) would increase by YoY average annual paces of 8.5% in 2023 and 4.3% in 2024.

For the EUR/RON we forecast the consolidation of the gradual appreciation trend, to average annual levels of 4.95 in 2023 and 4.99 in 2024.

In our view the main risk factors for the national economy in the coming quarters are: the global and European macro-financial climate, the geo-political tensions, and the domestic economic policy decisions.

2022 2024 *predictions*

02 BUCHAREST OFFICE MARKET

SUPPLY

2022 saw class A and B supply reach approximately 125,000 sq m, almost 50% decrease compared to the year prior, driving the stock to 3.32 million sq m. Among the schemes, AFI Tech Park II is the largest (~24,500 sq m), followed by @Expo (~21,000 sq m), Tandem (~21,000 sq m) and Sema London (~21,000 sq m).

The submarket with the highest modern office stock is Calea Floreasca / Barbu Vacarescu (589,000 sq m) followed by Central West (587,000 sq m) and Dimitrie Pompeiu (441,000 sq m).

STOCK

The total stock of class A and B grade offices in Bucharest reached 3.32 mil sq m at the end of 2022.

DEMAND

Almost 154,000 sq m were leased in H2 2022 after 151,000 sq m in the 1st half, bringing take-up to almost 305,000 sq m for the entire 2022. Although the increase is 9% higher than 2021, the result is getting closer to the pre-pandemic levels.

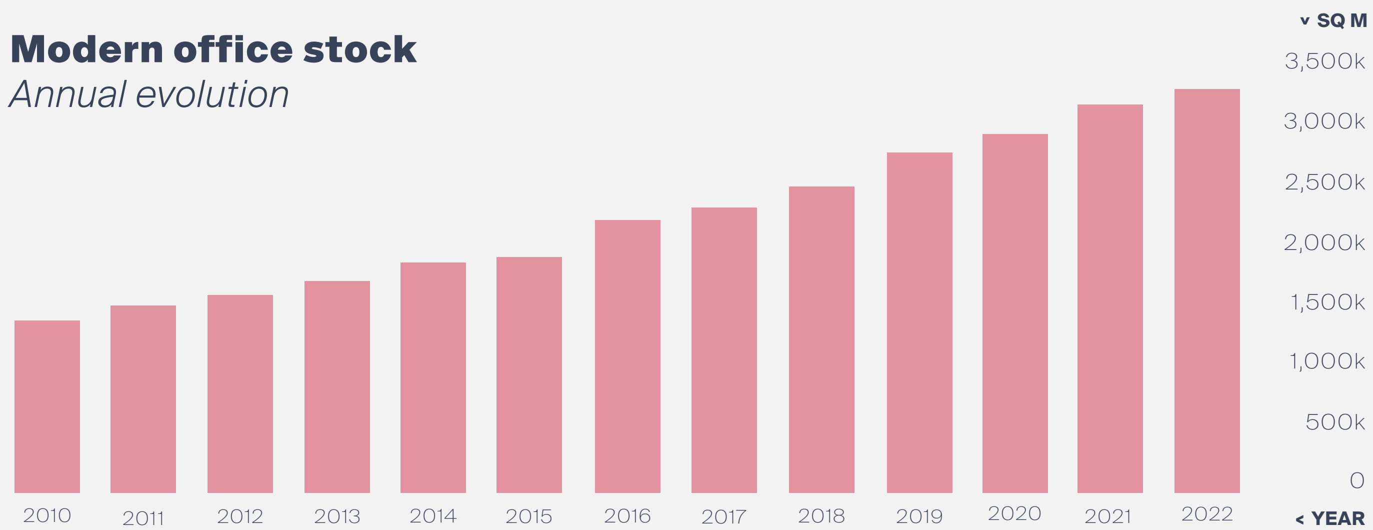
The most sought-after submarkets in 2022 were Center -West, which saw ~98,000 sq m of leasing activity (32% of total take up) and Floreasca-Barbu Vacarescu, with ~61,000 sq m of space leased (20% of total take up), followed closely by Center with 16% of total take up.

Out of 305,000 sq m, 37% were renewals, 27% new demand, 23% relocations while pre-lease were 7%. Economic uncertainty and high fit-out costs are discouraging some tenants from relocating and expanding, affecting the take-up structure. As a result, the share of renegotiations in the structure of lease transactions is increasing, while the number of new agreements and expansions is decreasing.

IT & Communication sector still makes up the largest share of demand, accounting for almost 36% of the total take-up, followed by Manufacturing/ Industrial/ Energy companies with 12% share and professional services companies with 11% share.

249 transactions were signed in 2022, a similar level as in 2021. Medium transactions between 1,000 sq m and 3,000 sq m were on top this year, accounting for almost 35% share of the total take-up, while the most numerous were the transactions with areas smaller than 1,000 sq m.

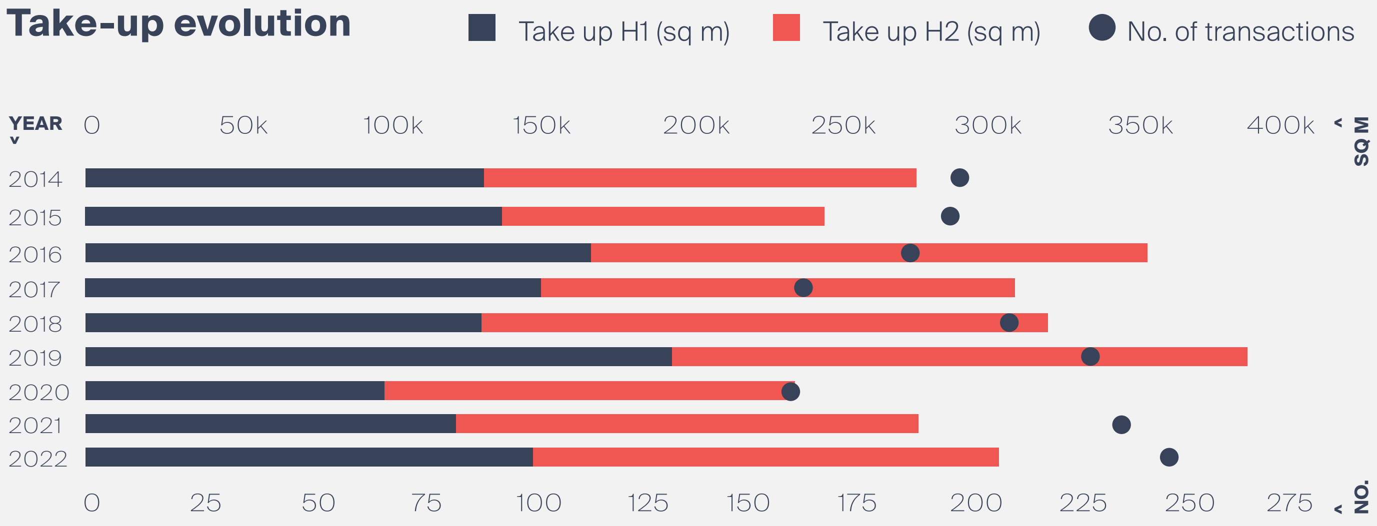
Modern office stock
Annual evolution



Stock by Submarket

- 18% Floreasca/ Barbu Vacarescu
- 18% Center-West
- 13% Dimitrie Pompeiu
- 12% Center
- 11% Central Business District
- 9% North-West (Expozitiei)
- 6% Pipera North
- 5% Baneasa
- 5% West
- 2% East
- 1% South

Take-up evolution



RENTS

The prime headline rent in Bucharest has seen a small increase in 2022, to a level of around €19.00/sq m/month in the CBD.

Service charges have followed the same trend, ranging between €4.0 – 4.50/sq m/month.

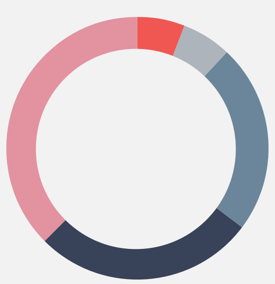
VACANCY

At the end of 2022 the vacancy rate reached 15%, a similar level compared to end of 2021 influenced also by the reduced new amount of deliveries registered.

15%

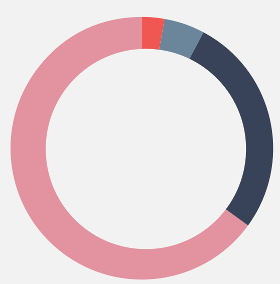
Breakdowns 2022

By type of transaction:



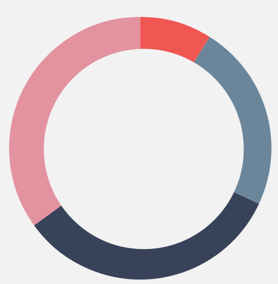
- 37 Renegotiation/Renewal
- 27 New Demand
- 23 Relocation
- 6 Pre-lease
- 6 Expansion

By number of transactions:



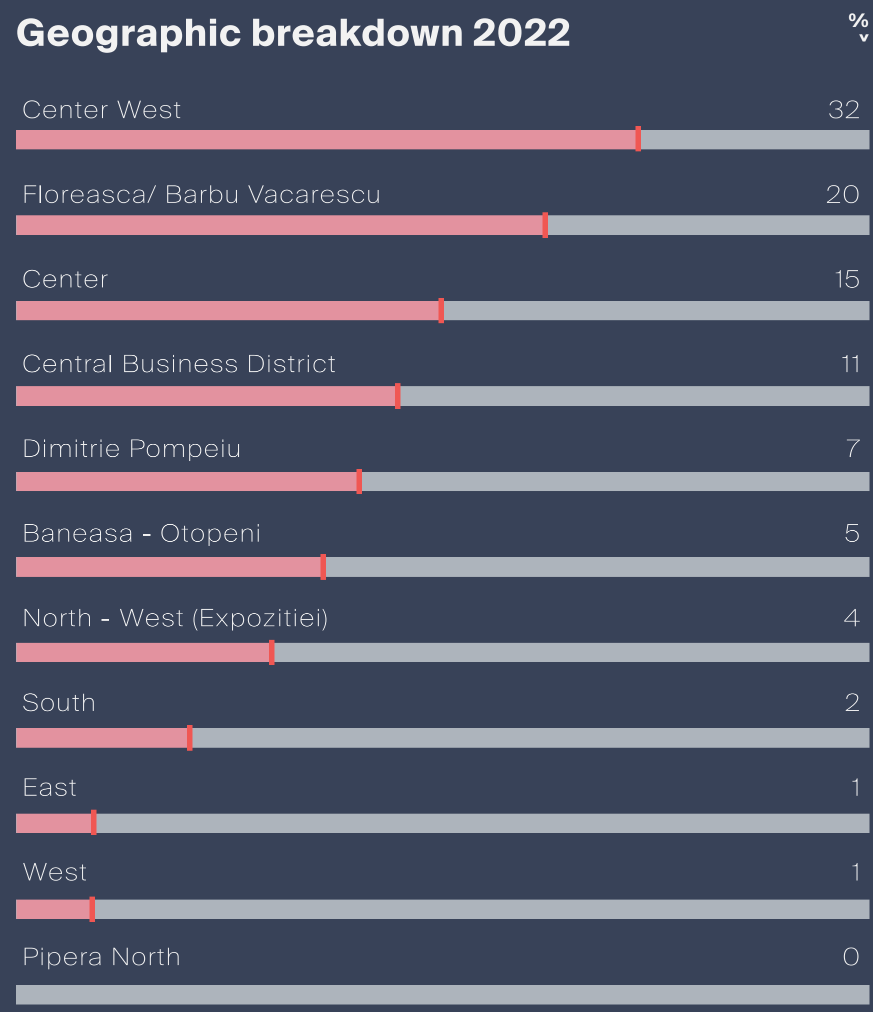
- 65 <1,000 sq m
- 27 1,000 sq m - 3,000 sq m
- 5 >5,000 sq m
- 3 3,000 sq m - 5,000 sq m

By leased area:



- 35 1,000 sq m - 3,000 sq m
- 33 >5,000 sq m
- 23 <1,000 sq m
- 9 3,000 sq m - 5,000 sq m

Geographic breakdown 2022



FORECAST

In 2023, the delivery of new office space is expected to be close to the one in 2022, with projects adding roughly 100,000 sq m of stock, including schemes such as: One Cotroceni Park II (~35,000 sq m), U-Center II (~31,000 sq m), @Expo Tower (28,000 sq m).

Amid a lack of approvals for new building permits, low levels of new supply in the pipeline are likely to drive prime headline rents upwards in the next 6-12 months following the growth trajectory in 2022.

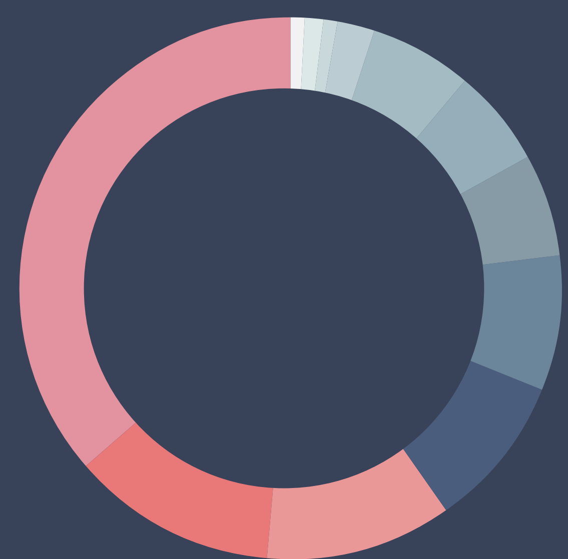
Inflation will affect every aspect of the real estate sector. Construction of new product across all sectors remains challenging due to increasing costs, difficulties sourcing materials, and other supply chain disruptions.

Breakdown

by tenant activity

2022

- 36 IT&Communication
- 12 Manufacturing/Industrial/Energy
- 11 Professional Services
- 9 FMCG
- 8 Finance/Banking/Insurance
- 6 Consumer Services & Leisure
- 6 Medical & Pharma
- 6 Other
- 2 Construction & Real Estate
- 1 Administrative
- 1 Logistics
- 1 Media & Marketing
- Engineering
- Automotive
- Retail



MAIN BUSINESS HUBS

FLOREASCA/ BARBU VACARESCU
Stock:
589k sq m
Headline Rent:
14-17 €/sq m/month

CENTER
Stock:
413k sq m
Headline Rent:
14-17 €/sq m/month

PIPERA NORTH
Stock:
211k sq m
Headline Rent:
8-10 €/sq m/month

CENTER-WEST
Stock:
587k sq m
Headline Rent:
14.5-17 €/sq m/month

CENTRAL BUSINESS DISTRICT
Stock:
359k sq m
Headline Rent:
16-19 €/sq m/month

BANEASA
Stock:
182k sq m
Headline Rent:
12-14 €/sq m/month

DIMITRIE POMPEIU
Stock:
441k sq m
Headline Rent:
11-13 €/sq m/month

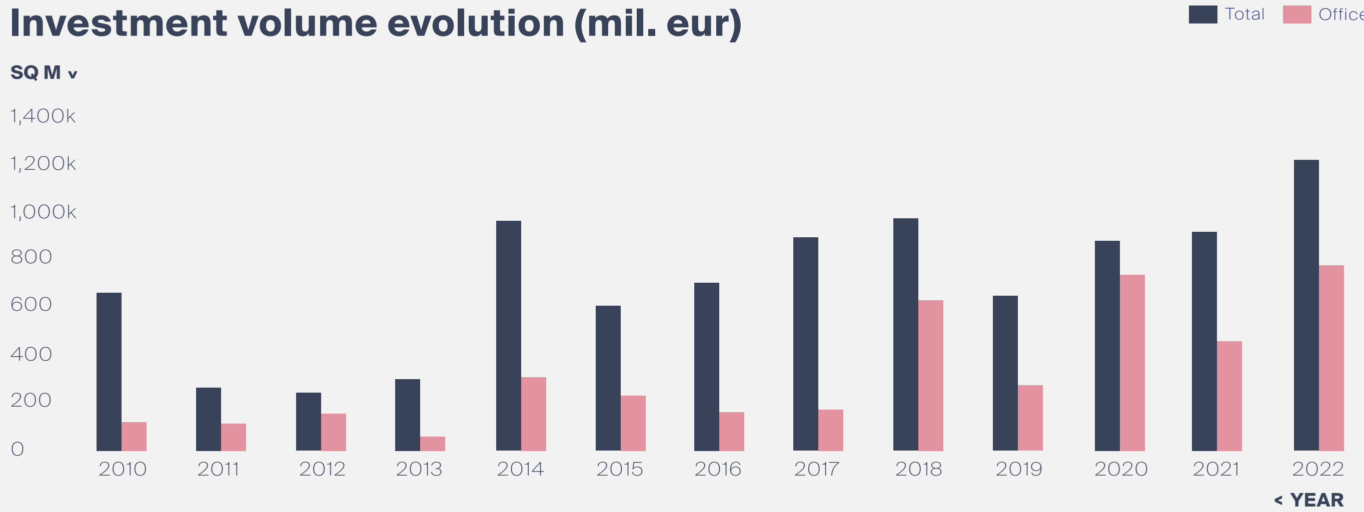
NORTH-WEST EXPOZITIEI
Stock:
290k sq m
Headline Rent:
14-16 €/sq m/month

WEST
Stock:
158k sq m
Headline Rent:
12-14 €/sq m/month

CAPITAL MARKETS

03

Investment volume evolution (mil. eur)



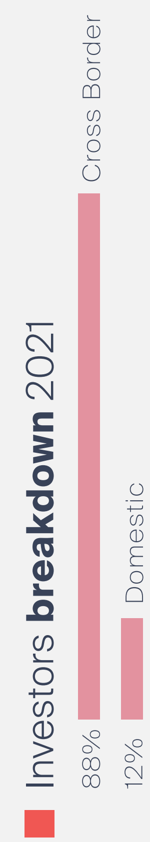
Investment volume

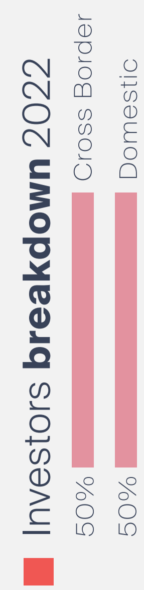
EUR 1.2 bn

In 2022 we witnessed a total of EUR 1.2 bn in transactions signed on the local market a record level which is 33% higher than the volume that was reported previous year. The record transaction that was reported on the market is the CA Immo office portfolio which was sold to Paval Holding for an amount in excess of EUR 377 million which represents the highest transaction ever signed in Romania.

As in the previous years, a significant part of the investment volume was generated by the office segment which accounted for almost 64% of the total volume followed by the retail segment with 55% and the industrial/logistics segment with 7%.

Last year's investment activity recorded a lower appetite from foreign investors for important purchases, the most important transactions in 2022 were carried out by Romanian investors.





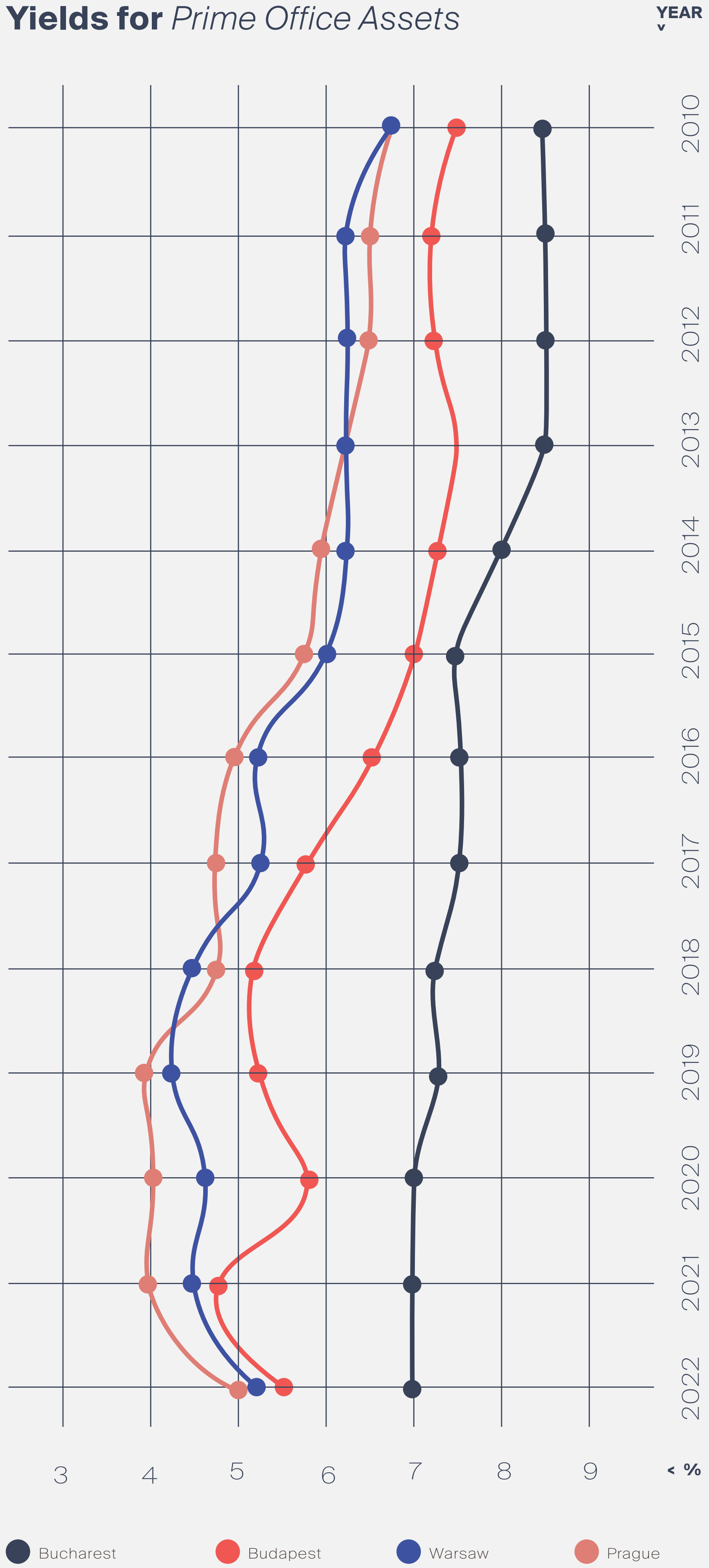
CAPITAL ORIGIN

Cross-Border Investment

Romania	50%	**612** mil. eur
South Africa	20%	**247** mil. eur
Austria	11%	**130** mil. eur
Belgium	7%	**81.5** mil. eur
Hungary	4%	**48** mil. eur
Malta	4%	**45** mil. eur
United Kingdom	2%	**22** mil. eur
Israel	2%	**21.5** mil. eur
Netherlands	1%	**11** mil. eur

1218 mil. eur

Yields for *Prime Office Assets*



YIELDS

In 2022 there was a sustained pressure on the yields reported in all segments of the market but especially in the office segment where we've seen transactions either closed or negotiated at yields below 7%, nevertheless they remained at a very competitive level compared to other regional markets.

Office	Retail	Industrial
7	*7*	*7.5*

FORECAST

Without a large portfolio on the market for sale, it will be difficult to match the volume recorded this year. 2023 will be challenging for the global economy as a whole and could be particularly more so for CEE economies given how reliant these are on capital flows from other parts of the world.

CEE domestic capital (particularly Czech and Hungarian) is likely to remain active, both in their own markets, cross border within CEE and in select western European markets. On the other hand, some sources of international capital have applied a cautious approach.

Well performing office and industrial properties will remain highly sought after. Residential for rent assets are also in demand but, are in limited supply and are often secured in advance of completion. Construction of new product, for all sectors, remains challenging due to increasing costs, sourcing of materials, supply chain disruptions etc. Industrial assets for sale are also limited due to the presence of long term holders.

Industrial and Logistics Market

04

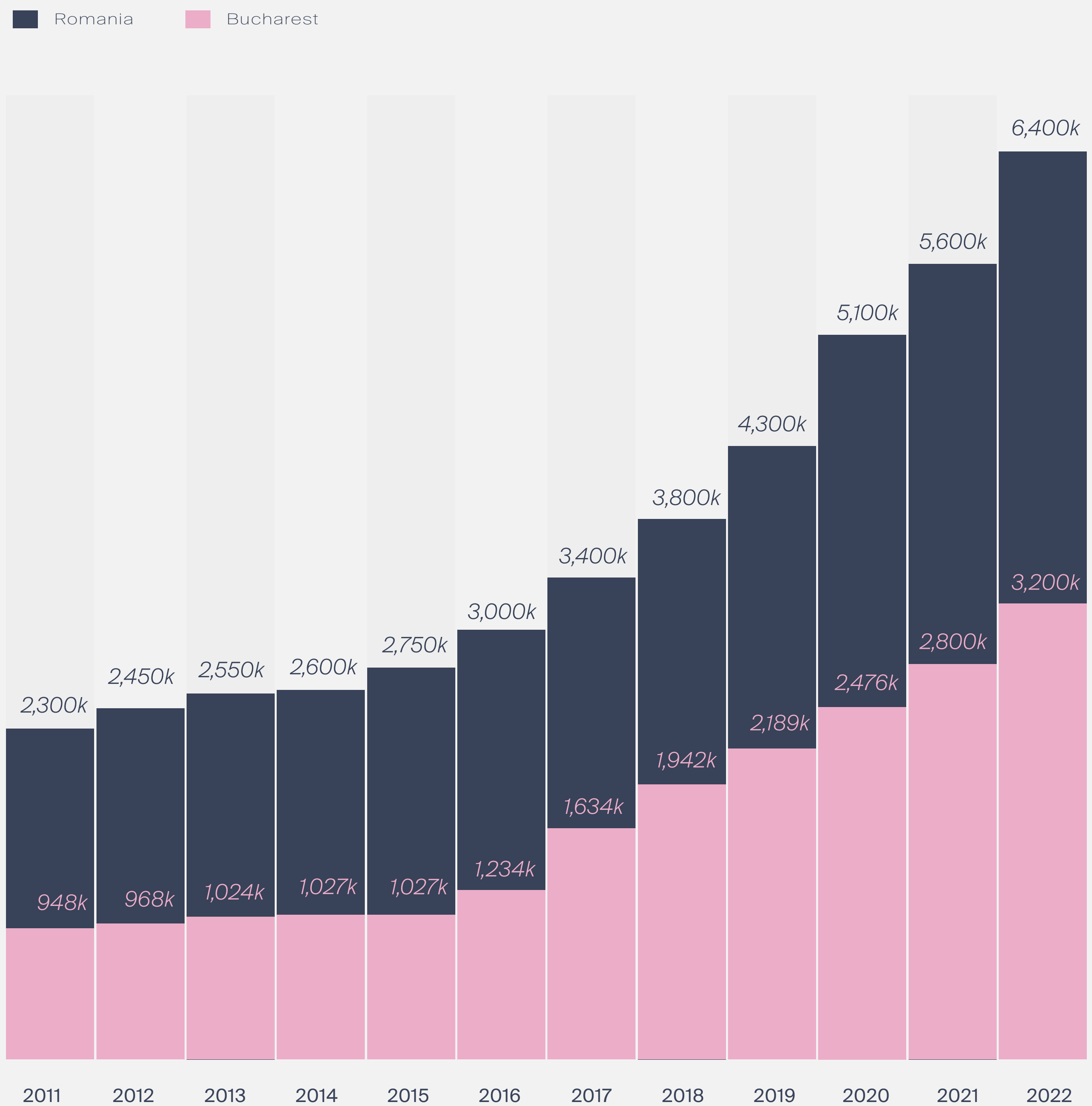
SUPPLY

The level of deliveries in 2022 was around 800,000 sq m, bringing the nationwide stock to nearly 6.4 million. Around half of the new supply was in Bucharest.

800k sq m

Modern Industrial Stock

Annual evolution (sq m)



DEMAND

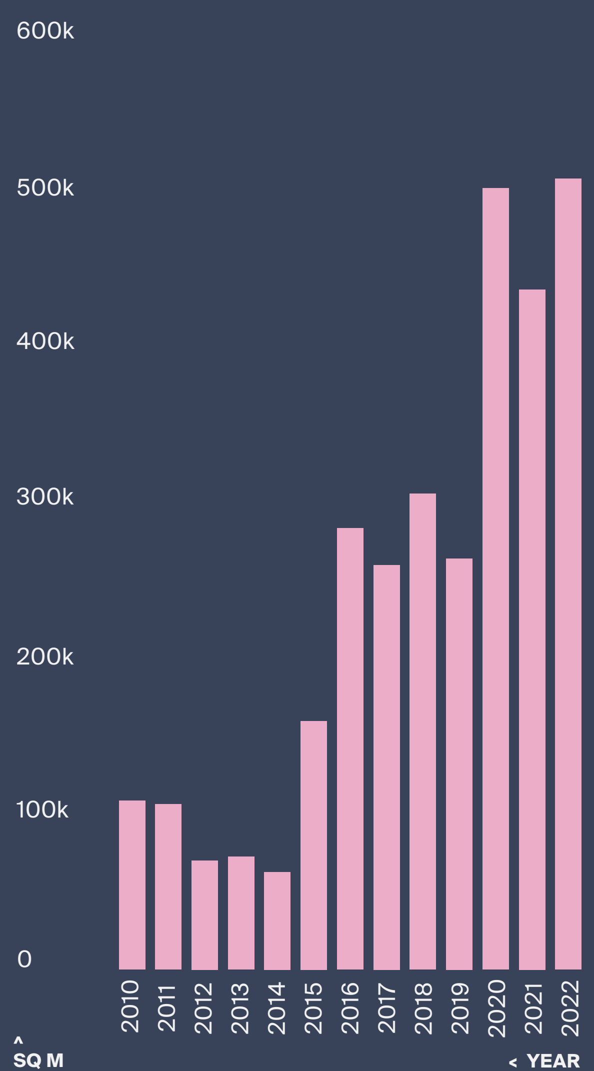
In Bucharest, total take up registered in 2022 was of 504,000 sq m, representing a 16% increase compared to last year, while nationwide the take up reached approx. 860,000 sq m of space leased, representing a 25% increase compared to last year.

A total of 115 leasing transactions were recorded nationwide in 2022 with an average lease size of 7,300 sq m and only 18 transactions larger than 10,000 sq m. During the second half of this year, notable transactions included the new lease signed by H&M with CTP in Ploiesti (~88,000 sq m) and the pre-lease signed by LPP in CTPark Bucharest West (65,000 sq m).

On the whole, the main source of demand was the new demand accounting for 46% from the total take-up, followed by expansion with 16% and renewals with 15% the overall leasing volume.

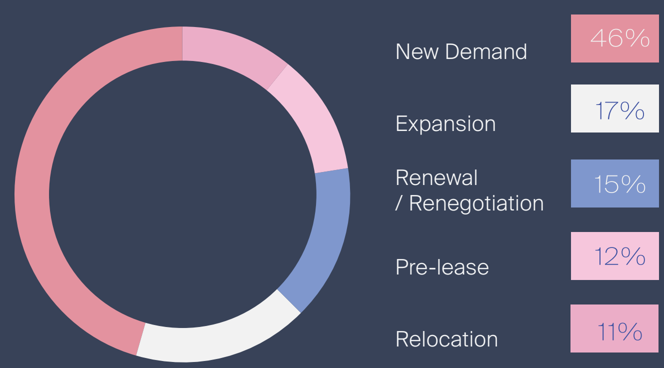
Bucharest Take-up

Annual evolution (sq m)

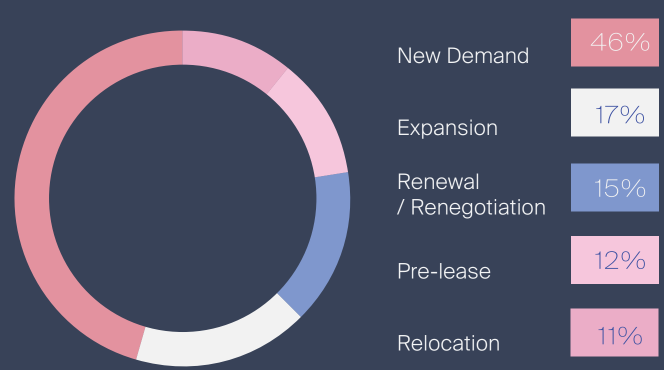


Breakdowns 2022

by Type of Transaction:



by Tenant Activity:



by Region:

VACANCY

The vacancy rate remains at a low level which is estimated around 5%-6% nationwide and approx. 4% in Bucharest.

RENTS

Because of the higher construction costs, inflation, energy price and transportation costs, an increase in asking rents was registered in 2022 both in Bucharest and in the other regions across the country. In Bucharest, prime rents for modern warehouses are approx. €4.25-4.75/ sq m/month.

FORECAST

Romania remains an attractive market for new investments and is taking shape as a regional distribution hub for logistics in the region. Developers seem to be confident and determined to keep up with the tenants need, as new extensions are announced for the following period for some projects well performing. Although a large amount of supply if announced for the following period, vacancy remain at low level as a result of the developer's tendency towards built-to-suit projects while the rent is expected a slight increase due to construction costs and inflation.

05

Residential Market Overview

After two years in which the pandemic fuelled a surge in house prices in most global cities, the landscape is now shifting. Money is becoming more expensive, geopolitics more complex and in 2024 there are elections.

Homeowners are having to grapple with the unpredictability of soaring inflation, the rising cost of debt and higher taxes.

Although prime markets are more insulated to the fallout from higher mortgage costs, they're not immune.

What's changed from 2021?

The short answer is not as much as one might have expected given the economic headlines.

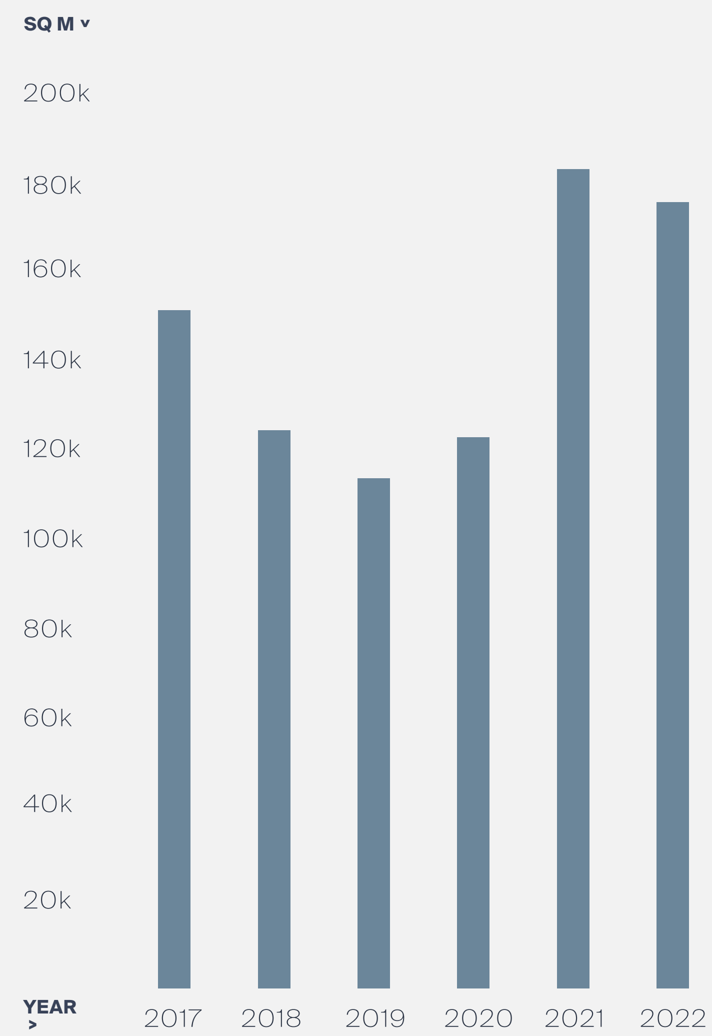
DEMAND

Romania

2022 was a year that ended with a total number of 175,387 individual units traded (according to ANCPI), 4% less compared to 2021, which was a record year in terms of demand. In 2021, there were 49% more transactions than in 2020 and 61% more than in 2019. We can say that we experienced a stable year, with slight growth, despite instabilities brought up especially by the war and inflantion.

December, generally a slow one, through the lens of seasonality, ended with 14,848 individual units sold, (according to ANCPI), 8.5% from the yearly total, some of the transactions possibly concluded faster than general, in order not to fall into more strict fiscal regulations from the beginning of 2023 - the new fiscal code introduced tax on income from the sale of real estate, regardless of the value (previously there was no tax paid by the seller for residential properties up to 450,000 lei – approx.. 92,000 EUR).

Total individual sold units
in Romania

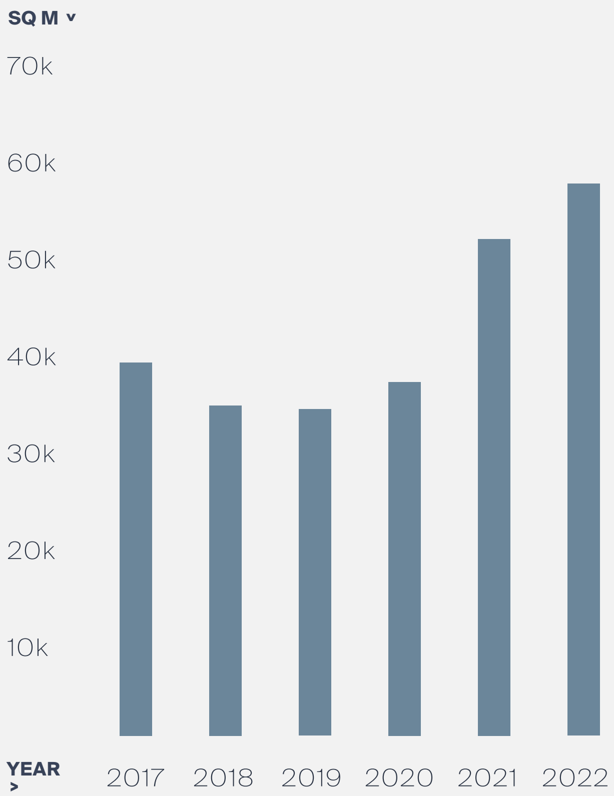


DEMAND
Bucharest

Throughout 2022, a number of 57,577 individual units were sold in Bucharest. This figure marks an annual advance of 10.7%, equivalent to 5,573 individual units. We had 4,800 average individual units sold monthly in 2022, compared to only 4,330 individual units monthly sold the previous year.

Comparing historical data published by ANCPI between 2017-2022, most units were sold in 2022, a total of 57,577, and the least in 2019, 34,478 individual units.

Total individual sold units
in Bucharest

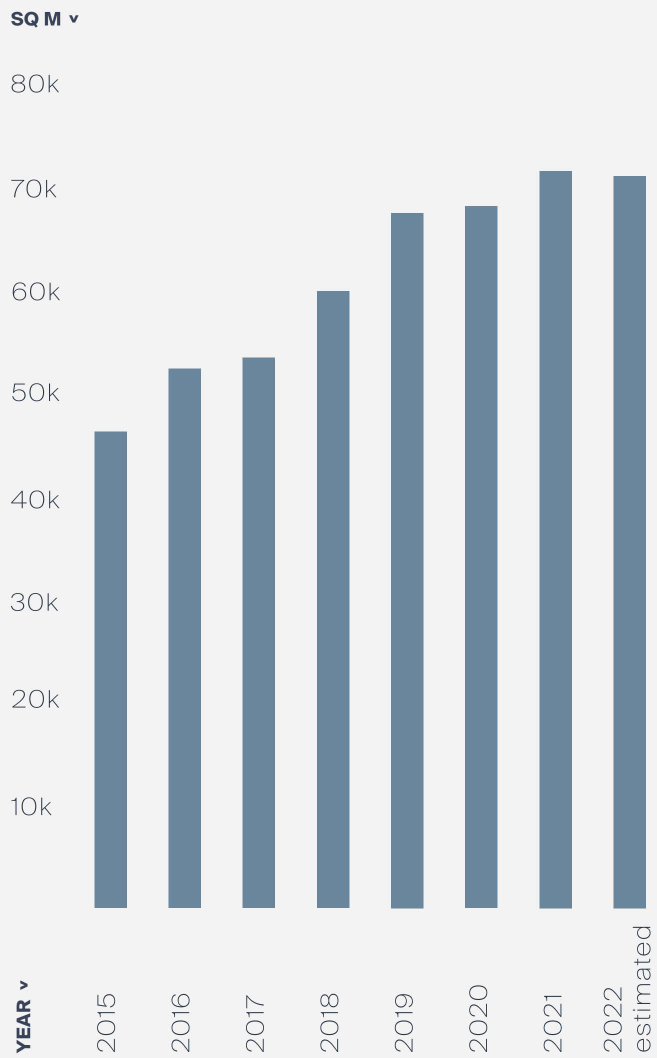


SUPPLY

Romania – **52,794 new homes delivered** in Q1-Q3 2022.

Bucharest – **16,163 new homes delivered** in Q1-Q3 2022.

New home deliveries
in Romania



PRICES

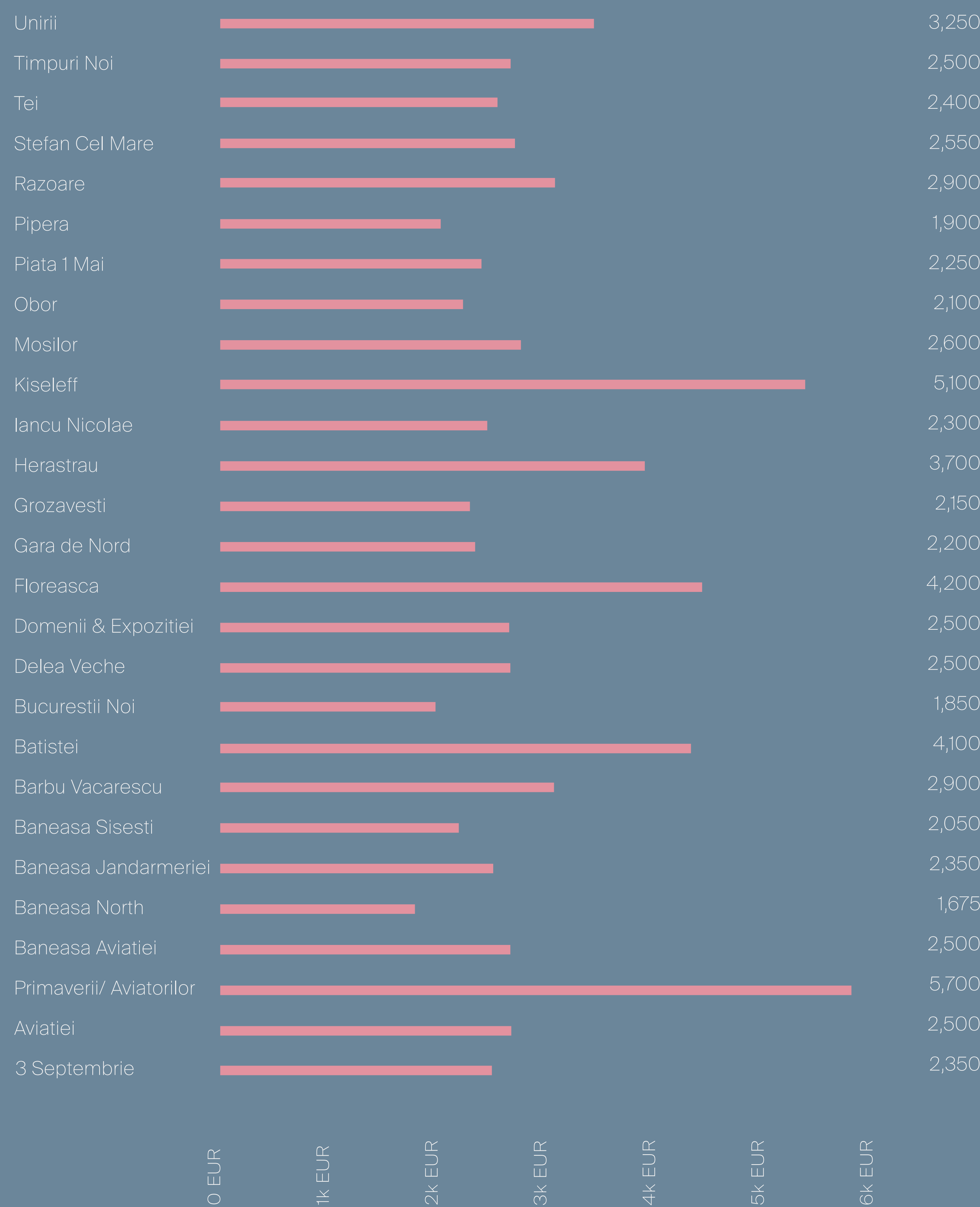
Residential property prices increased at the end of last year by about 6% in Romania (5% in Bucharest) compared to the same period of 2021 due to, increased cost of construction and inflation.

Average price in Romania: **1,682 EUR/usable sq m**

Average price in Bucharest: **1,704 EUR/usable sq m**

Medium price
/usable sq m

EUR



Price unpredictability

For most of the year – 2023 will be marked by a lack of predictability in terms of price developments across the economy even though buyers expect prices to drop.

The pace of residential price growth will slow down in the next period

In the coming period, we expect secondary market prices to react more to recent changes, while new apartment prices are, for the time being, less susceptible to large price modifications.

More balanced compared to 2022

Investors' appetite for the real estate market will be at a normal level in 2023, more balanced compared to 2022.

Pressure from developers

The lack of issuance of building permits delayed projects in 2022 and we will witness in 2023 growing pressure from developers to issue building permits

Increasingly high cost of daily living

The increasingly high cost of daily living will affect demand in the coming period and the pace of trading will bear small adjustments. End-users will be more moderate in making purchase decisions.

Upward trend

The upward trend of residential rental prices will continue in 2023

Increases in mortgage interest

Slight increases in mortgage interest rates could occur

Green buildings

Green roofs, sustainable materials, net zero buildings, passive design, green buildings in general are all going to be rising in demand in the upcoming years, also accelerated by the the sharp increase in energy prices.

See also Knight Frank's global research teams Prime Predictions for 2023

TAX TALK

06

LOOKING FOR MORE REITS TO INVEST IN.

Let's talk about tax in Romania

Diana Roșu, *Director, PwC Romania*

Investing in real estate could provide numerous benefits, including capital appreciation, a hedge against inflation, portfolio stability, diversification, and security. One of the downsides of the current geopolitical and energy context is that we are facing record high inflation. So, rents can be increased to reflect it, enabling the property investment to hold its value, and purchasing power despite an increase in prices in the economy. On the other hand, one of the upsides of the current context is the acknowledgment of the need for stability and security. Real estate often involves long-term leases and rents, which allow for a guaranteed stream of income and reduced turnover costs. Also, the tangible value associated with property portfolios provides stability to real estate investments and thus avoids the volatility associated with investments on the stock market.

To this end, there are many ways in which investors can gain exposure to real estate, which may occur directly or indirectly. Direct investments typically include 'brick and mortar' activities, whereas indirect investments occur by acquisition via listed or non-listed property companies, non-listed property funds, property derivatives and collective investment vehicles. NFTs backed by real estate are the latest market proposals – both controversial and appealing.

This article provides[1] an overview of indirect investment and explains key attributes of investment in listed real estate, focusing on the tax contribution of Real Estate Investment Trusts (REITs) and related tax dispute prevention actions.

The listed property sector in the EU includes two main players - listed property companies and listed REITs (a subsection of listed property companies). They are property investment companies, which are eligible for special tax status in exchange for meeting certain conditions such as pure investment in real estate assets, a restriction on debt financing and an obligation to distribute 80%-90% of their property profits annually as dividends.

From an operational and corporate governance perspective, both investment vehicles operate similarly and are considered normal operating companies. They have capital divided into tradable shares, and managed by a CEO, CFO, board, and a supervisory board. Typically, they are internally managed. They have annual shareholders meetings, corporate governance and apply auditing requirements under national corporate and commercial rules. Their legal and operational structure is therefore like any other company, which is listed and traded publicly on the major stock exchanges throughout the EU.

In return for meeting certain conditions, REITs generally avail of a tax neutral treatment. To avoid double taxation, the REIT's profits are not taxed at the corporate level. Instead, all distributions made by the REIT are taxed at the investor level by way of income tax or withholding tax.

A PwC study carried out in November 2020 for EPRA on the "Total Tax Contribution of Real Estate Investment Trusts in Europe" shows such structures generate an average of **19.4%[2] of corporate taxes on profits before tax. The office and retail REITs made up the largest part of the total tax contribution**, with 42% and 35% of the total respectively (note that the analysis was done at the peak of the COVID-19 pandemic, but before all the effects of this major event could be known and assessed, which are likely to heavily affect such tax contribution from these sectors in the future). Also, the participants in such survey (48 REITs providing data for 11 countries) reported **62% of taxes borne as being related to property taxes paid on ownership and transfer of property.**

At the same time, the tax policy stays on top of the regulators' priorities, and it should follow the same path for the investors as well. **International consensus on Pillar II was reached in late December 2022 at EU level.** The profit of the large multinational and domestic groups or companies with a combined annual turnover of at least €750 million will be taxed at a **minimum rate of 15%** based on an EU Directive which must be transposed in the national legislations by 31 December 2023.

Ongoing debate occurs with respect to another EU initiative – Draft ATAD III on Shell Companies (or the so called "Unshell Directive"), which tackles investment structures without economic activities.

[1]It is based on the "Structural overview of the Real Estate Investment Industry" brief issued by PwC in collaboration with the European Public Real Estate Association (EPRA) in April 2022.

[2]The average Total Tax Rate was 19.4%, the overall 18.7% and the median average 12.9%. The range was 2.2% to 69.4%.

ACTION POINTS

These business activities of owning and operating investment property portfolios require **active management**. Given their **size, high expertise, and access** to varied sources of finance through the public markets, listed property companies deliver and manage capital intensive and long-term property developments and investments on a substantial scale.

Translated into a tax discourse, this means that the tax legislation is not an expensive accessory anymore, but rather an obligation to shift the focus on two priorities: 1. Active and relevant board that is concerned about tax policy and 2. Decisions also consider the economic interest of the profit generating companies where these are located (and not where they are managed from). Let's talk to prevent and mitigate, rather than solve afterwards.

LEGAL UPDATE

07

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ROMANIA'S URBAN PLANNING CODE:

a legal tool aimed at streamlining permitting

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The draft Code of Territorial Planning, Urbanism and Constructions (the "Code"), published by the Ministry for Development, Public Works and Administration, is currently in front of the Romanian government for endorsement.

It will unify in one enactment and replace most important normative acts in the field of urban planning and construction, such as Law No. 350/2001 on territorial planning and urbanism, Law No. 50/1991 on the authorisation of construction works and Law No. 10/1995 on construction quality.

The aim of the Code is to eliminate legislative technical dysfunctions and to clarify debatable situations encountered in practice, as well as to simplify and digitalise the urban planning system. It will also introduce many novelties, including the ones listed below.

Going Online

The Code will set up several digital national platforms that will facilitate the administrative process and mediate the relationship between authorities and applicants.

One of these will be the National Platform for Urban and Territorial Planning and Building Authorisation, which will consist of (i) the National Geo-portal, an online platform where all territorial planning and urbanism documentation will be published, and (ii) a single National Counter for the authorisation of construction works, under which the requests regarding the urban planning documentation will be processed and the building permits will be sent in digital format to the applicants.

Streamlined process

Another novelty will consist of the Single Endorsement Commissions to be established by the public authorities at the county, municipality and district levels. These commissions will gather all authorities competent to issue endorsements/approvals for urban planning documentation and building permits. The commissions will issue one single endorsement on behalf of all authorities, significantly reducing the approval time. An important and controversial point regulated by the Code is the tacit approval procedure, applicable if the members of the Single Endorsement Commissions do not respond within the legal set term.

The Code also provides for a National Construction Register, a national database reflecting all authorised constructions. All holders of building permits will need to register the building permit, the related technical project, the reception protocol and the construction's technical book with this database. Moreover, the Code sets shorter terms for the issuance of documentation related to urban planning.

What's next?

Overall, this Code will mark an important step towards administrative simplification and transparency of information. After the endorsement process, the Code should be adopted by Parliament and then sent to the President of Romania for promulgation.

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