Real Estate Report

Romania *Market Overview*

Stepping into a better era

2021-2022

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Contents

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The post-pandemic economic recovery would continue in 2022

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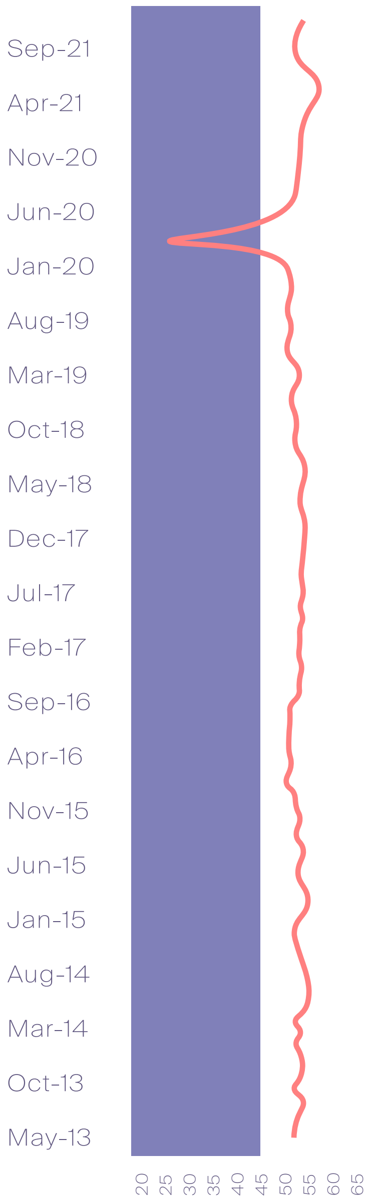
The recent macroeconomic developments point to the continuity of the post-pandemic economic recovery in 2022, but with slowing-down paces compared to 2021, given the fading out of the base effects and the normalisation of the monetary policy.

One can notice the resilience of the economy to the persistence of the health crisis, the overlapping supply-side shocks, and the geo-political tensions at the end of 2021 and the beginning of 2022.

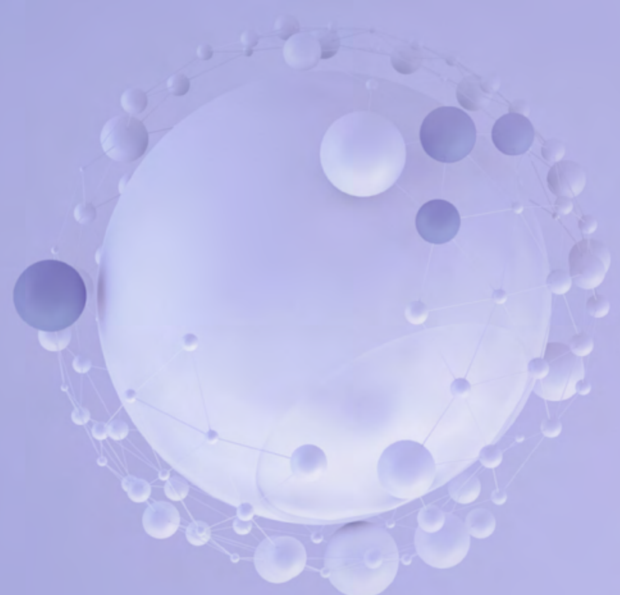
According to the PMI Composite indicator (computed by Markit Economics and JPMorgan) the global economy grew for the 18th month in a row in December, but with the slowest pace since September, due to the persistence of the health crisis.

In USA (the largest economy of the world, representing around 25% of the global GDP) the growth pace accelerated to 5.5% YoY in 4Q and stood at 5.7% in 2021 (the best dynamics since 1984), given the reopening process and the expansionary policy-mix.

Figure 1. *The dynamics of the Global PMI Composite indicator (points)*



Source: *Bloomberg*



At the same time, the Chinese economy (the second largest of the world) advanced by 8.1% YoY in 2021, an evolution supported by the expansionary policy-mix.

The economy of the Euroland (the main economic partner of Romania) also rebounded in 2021, an evolution determined by the contribution of both the domestic demand and of the net foreign demand.

In Romania the economy increased by over 7% YoY during January – September 2021, an evolution determined by the contribution of the domestic demand, supported by the reopening process and the low level of the real financing costs.

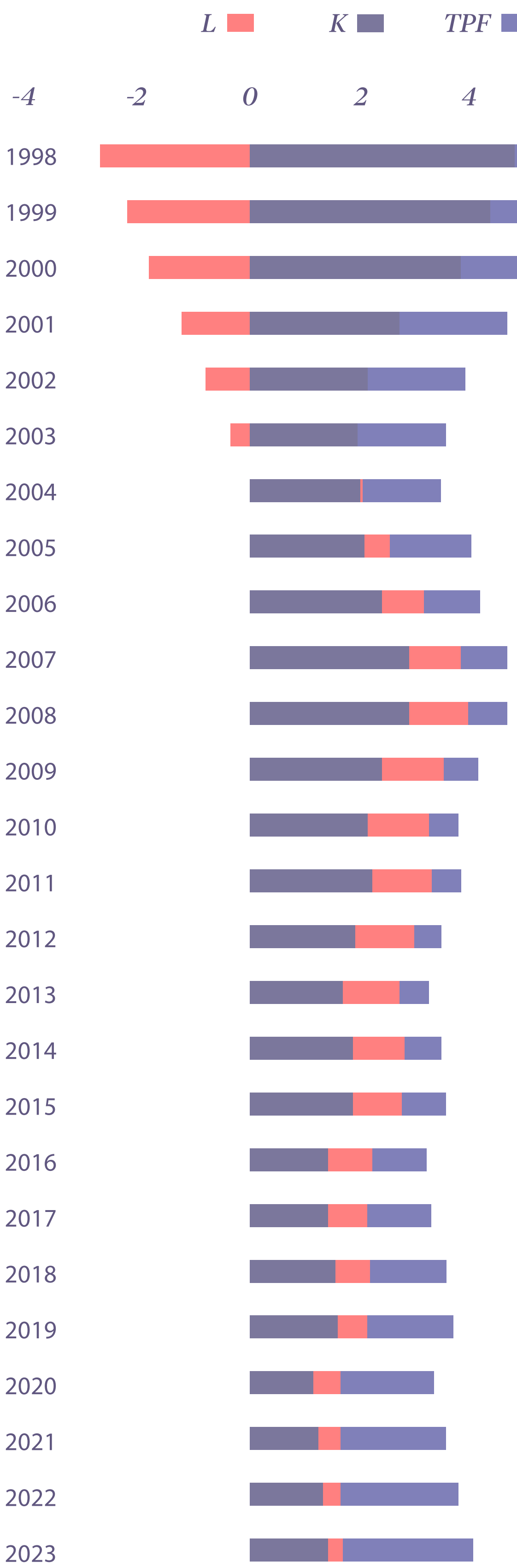
There can be noticed the resilience of the economy to the overlapping shocks, an evolution determined by the structural improvement over the past years in terms of the contribution of the production factors to the YoY pace of the potential output, as reflected by the following figure in the right.

As regards the financial side of the economy we point out the significant acceleration of the inflationary pressures recently, that determined the central banks across the world to start the normalisation of the monetary policy to counter the inflationary pressures and to anchor the inflationary pressures in convergence towards the targeted levels.

For instance, the central bank in USA (Federal Reserve) signalled a more aggressive approach for the post-pandemic monetary cycle – a high probability for the increase of the monetary policy rate by 1pp in 2022.

In this context, the volatility on the international financial markets has recently increased, while the equity risk premium on US stock market has changed the trend.

Figure 2. *The contribution of the production factors to the YoY pace of the potential output in Romania (pp)*



Sources: *BT using the Eurostat database*

The Romanian economy rose by 7.2% YoY during January – September 2021, an evolution determined by the reopening process (in the context of the vaccination campaign), the economic rebound (global and European) and the low level of the real financing costs.

The fixed investments climbed by 5.6% YoY, while the household consumption advanced by 7.3% YoY during 9M2021.

According to the core macroeconomic scenario of Banca Transilvania the output gap in Romania would maintain positive in the coming quarters, an evolution supported by the low level of the real financing costs and the implementation of the programs launched at the EU level after the outbreak of the pandemic – Next Generation and the multiannual financial framework 2021-2027.

In our scenario the Romanian GDP would increase by YoY paces of 6.4% in 2021, 5.1% in 2022 and 4.7% in 2023.

This scenario is supported by the positive outlook for the fixed investments, given the low level of the real financing costs, the implementation of the EU programs and the launch of the membership negotiations by OECD (the main event of the beginning of 2022) - the engine of the economy would increase by YoY paces accelerating from 8% in 2021 to 9.6% in 2022 and 10.6% in 2023.

The acceleration of the fixed investments would have a positive impact on the labour market, with the average annual rate of unemployment forecasted to decline to 4.8% in 2022 and 2023.

In this context we forecast favourable prospects for the dynamics of the private consumption (the main component of the GDP) – YoY growth paces of 6.8% in 2021, 5.8% in 2022 and 4.1% in 2023.

As regards the net foreign demand we foresee the increase of the total exports by YoY paces of 11.7% in 2021, 4.7% in 2022 and 5.4% in 2023.

However, the total imports would continue to climb by stronger YoY paces compared to that of the exports: 14.3% in 2021, 7.4% in 2022 and 7.7% in 2023.

As regards the financial side of the economy we forecast the increase of the consumer prices (HICP basis) by YoY average annual paces of 5.1% in 2022 (accelerating from 4.1% in 2021, given the overlapping supply-side shocks) and 3.8% in 2023.

In our scenario we forecast the change of the YoY trend of the consumer prices in 2022, given the fading out of the impact of the supply-side shocks in a context of the normalisation of the growth pace of the real economy.

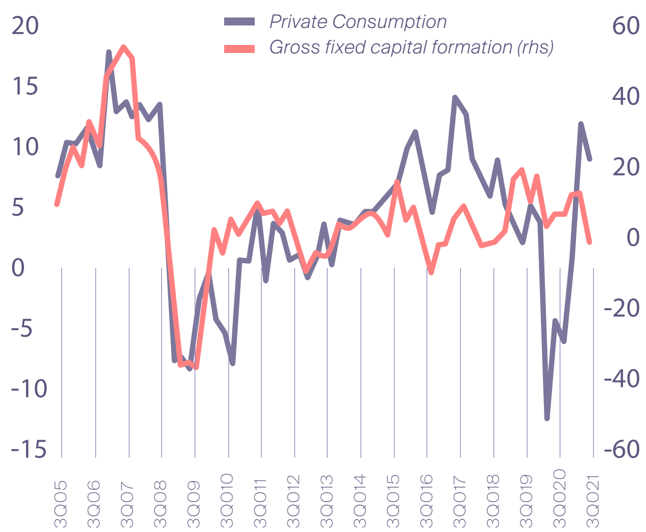
Given the prospects for the evolution of the real economy and for the dynamics of the consumer prices we expect the National Bank of Romania (NBR) to continue the post-pandemic monetary cycle, by using all the monetary policy instruments, to counter the inflationary pressures and to anchor the mid-run inflationary expectations in convergence towards the target.

As regards the average annual yield on 10YR Bonds (a benchmark for the financing costs in the economy) our recent forecasts point to an increase from 3.7% in 2021 to 5.2% in 2022, followed by an adjustment to 4.2% in 2023.

For the EUR/RON we forecast the continuity of the gradual upward trend in the coming quarters, to average annual levels of 4.99 in 2022 and 5.04 in 2023.

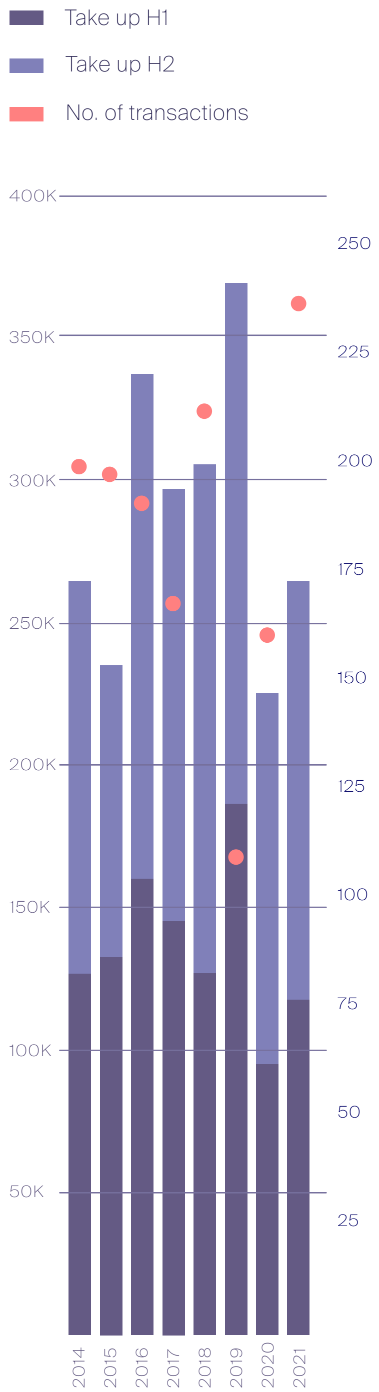
In our view the main risk factors for the evolution of the Romanian economy in the short-run are the persistence of the health crisis, the international macro-financial climate, the domestic policy-mix, and the regional geo-political tensions.

Figure 3. *The gross fixed capital formation vs. the private consumption in Romania*



Sources: *National Institute of Statistics (NIS)*

Bucharest Office Market



Demand

280,000 sq m

Almost 155,000 sq m were leased in H2 2021 after 125,000 sq m in the 1st half, bringing take-up to almost 280,000 sq m for the entire 2021. Although the increase is 18% higher than 2020, the result is still lower than the pre-pandemic levels.

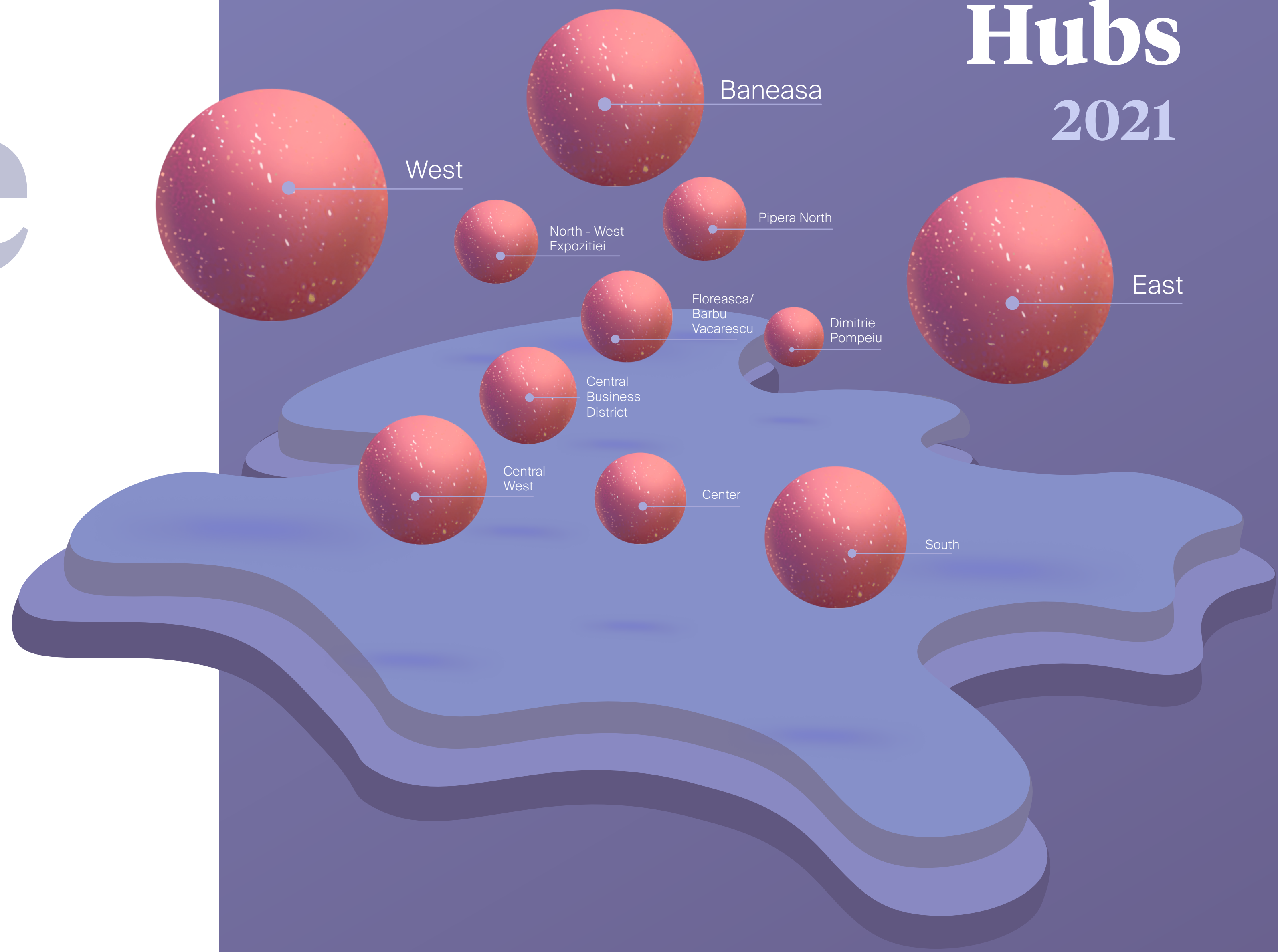
The most sought-after submarkets in 2021 were Floreasca Barbu Vacarescu, which saw ~58,000 sq m of leasing activity (21% of total take up) and CBD and Center-West, with ~44,000 sq m of space leased each (16% of total take up each), followed closely by North-West Expozitiei with 14% of total take up.

Out of 280,000 sqm, 40% were renewals, 27% relocations, 18% new demand while pre-lease were 13%.

IT & Communication sector still makes up the largest share of demand, accounting for almost 35% of the total take-up, followed by Manufacturing/Industrial/Energy companies with 16% share and medical & pharma companies with 10% share.

238 transactions were signed in 2021, compared to 162 in 2020. Medium transactions between 1,000 sq m and 3,000 sq m were on top this year, accounting for almost 30% share of the total take-up. This was followed by transactions smaller than 1,000 sq m with a 26% share. When looking at deals by number, the most numerous were those below 1,000 sq m, accounting for almost 66% of the total take-up, followed by transactions between 1,000 sq m and 3,000 sq m with 24%.

Main *Business* Hubs 2021



Floreasca / Barbu Vacarescu
Stock: 570K sq m
Headline Rent: 14-16 €/ sq m/month

Central Business District
Stock: 353K sq m
Headline Rent: 16-18 €/ sq m/month

Center-West
Stock: 531K sq m
Headline Rent: 13-15 €/ sq m/month

North-West Expozitiei
Stock: 269K sq m
Headline Rent: 14-16 €/ sq m/month

Dimitrie Pompeiu
Stock: 441K sq m
Headline Rent: 11-13 €/ sq m/month

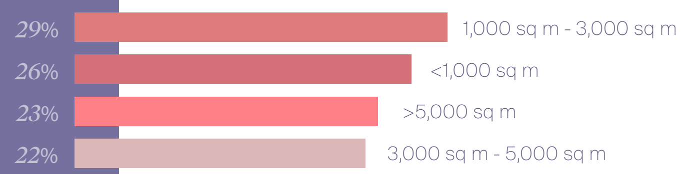
Pipera North
Stock: 211K sq m
Headline Rent: 8-10 €/ sq m/month

Center
Stock : 385K SQM
Headline Rent : 12-15 €/ sq m/month

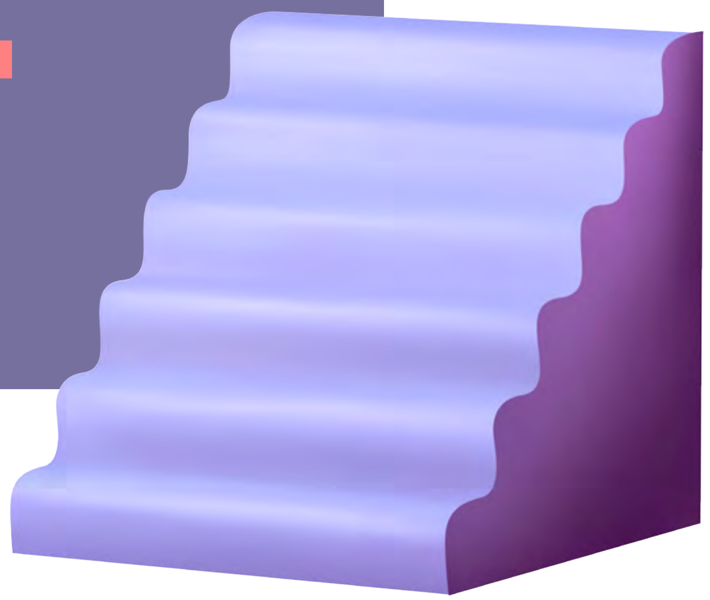
Baneasa
Stock: 182K sq m
Headline Rent: 12-14 €/ sq m/month

West
Stock: 158K sq m
Headline Rent: 12-15 €/ sq m/month

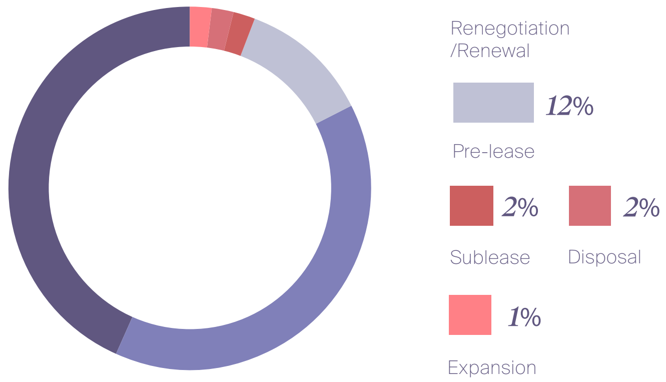
Break *downs*



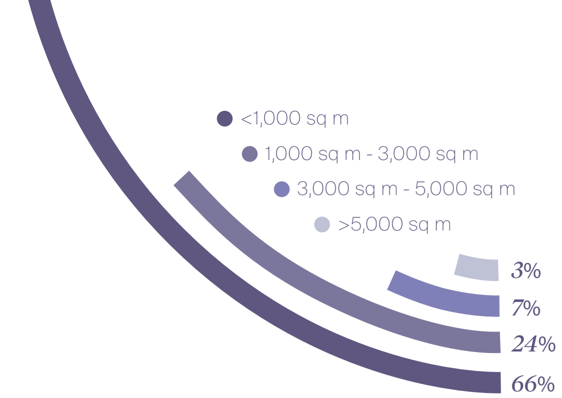
Breakdown of *take up by leased area 2021*



Breakdown of *take up by type of transaction 2021*



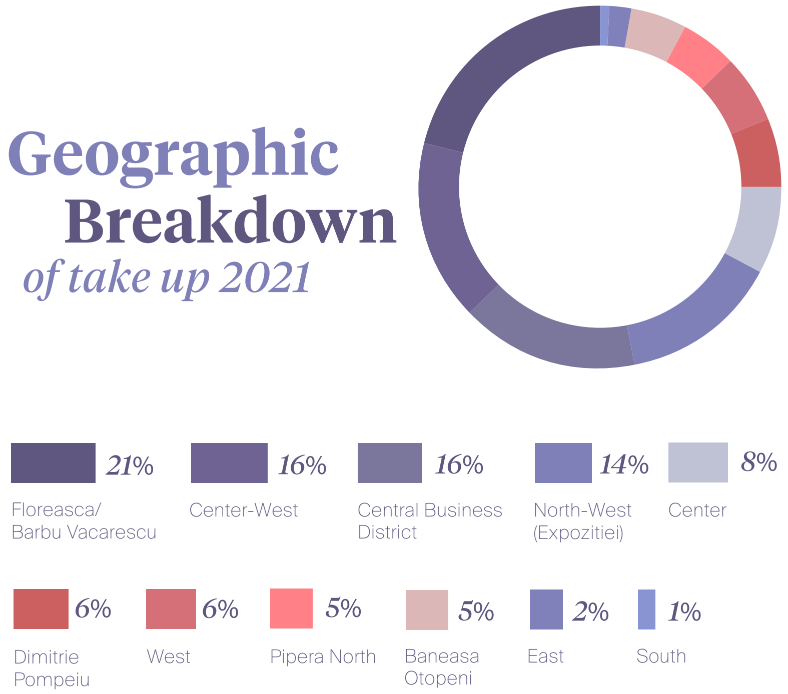
Breakdown of *take up by number of transactions 2021*

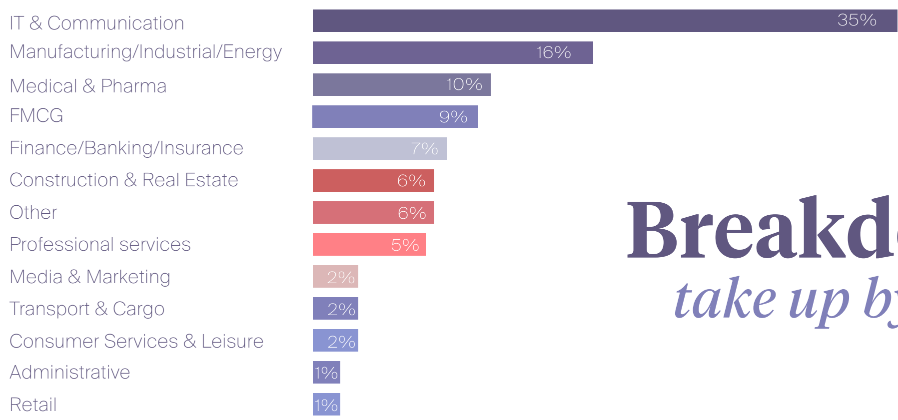


Vacancy 15%

At the end of 2020 the vacancy rate reached 15%, a higher level compared to end of 2020 (12%) influenced also by the new amount of deliveries that were not fully pre-let.

Geographic Breakdown *of take up 2021*





Breakdown of *take up by tenant activity*

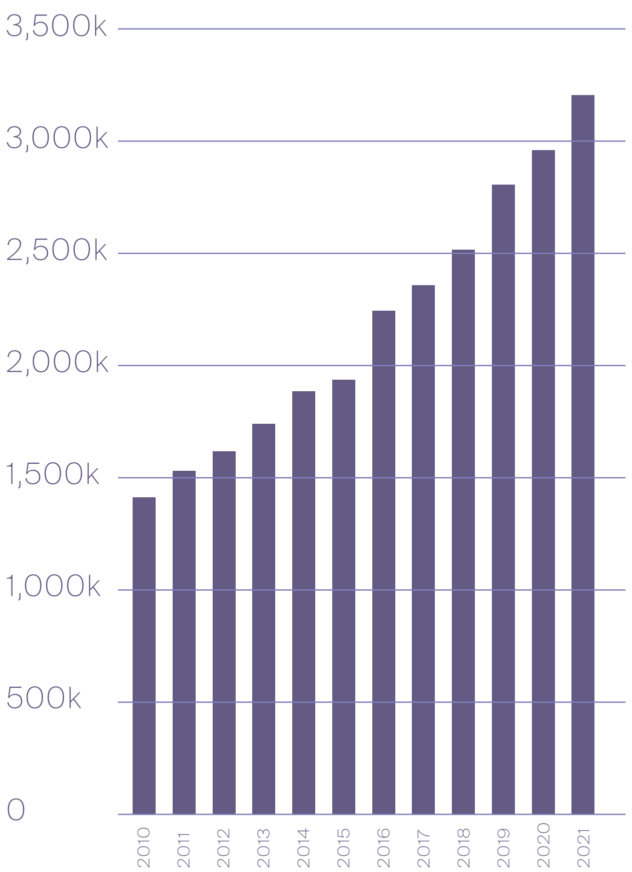
Supply

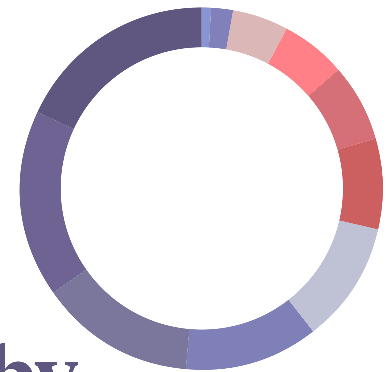
246,000 sq m

In 2021 the supply reached approximately 246,000 sq m, representing almost 60% increase compared to last year. Among the schemes, J8 Office Park (46,000 sqm) and One Cotroceni Park I (46,000 sqm) are the largest followed by U-Center I (~32,000 sq m) and Miro Offices (~23,000 sq m).

Modern Office stock

Annual evolution
sq m





Stock by

Submarket

18% Floreasca/ Barbu Vacarescu	*17%* Center-West	*14%* Dimitrie Pompeiu	*12%* Center
11% Central Business District	*8%* North-West (Expoziției)	*7%* Pipera North	*6%* Baneasa
5% West	*2%* East	*1%* South	

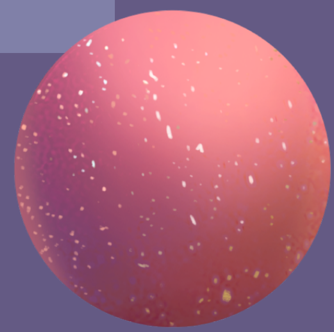
Stock

3.2 mil sq m

The submarket with the highest modern office stock is Calea Floreasca / Barbu Vacarescu (~570,000 sq m) followed by Center West area (531,000 sq m) and Dimitrie Pompeiu (441,000 sq m).

Rents

Generally speaking, the balance of power remains in favor of tenants, as illustrated by the granting of more generous rental incentives in the most buoyant market sectors. This has helped to maintain headline rents, with average rents for prime offices in prime locations at 18 EUR/sqm/month.



130,000 sq m in 2022

Forecast / Pipeline

We are expecting new office building deliveries on the Bucharest market, including schemes such as: AFI Tech Park II (~22,000 sq m), @Expo Campus I (~22,000 sq m), Sema London (~21,000 sq m), Tandem (~19,000 sq m) and other class A, extremely qualitative & upgraded projects.

For 2023-2024, although many projects are announced, it remains to be seen what the status of the building permits will be and how many of the announced projects will be delivered on the estimated dates.

Will **hybrid working** *continue post-pandemic?*

Tightening labour markets, four-day working weeks and the flight to quality are strengthening the argument for a hybrid working business strategy.

William Matthews
Partner
Knight Frank
Capital Markets
Research

What is Hybrid *Working?*

We define hybrid working as the practice of delivering work from variable locations best suited to task. There are three key models:

1. When some staff operate full-time from the office and some full-time from non-office settings (most typically home) but on a fixed basis.
2. When staff have the flexibility/choice to work partially from the office and partially from non-office settings according to the nature of the task at hand.
3. A combination of the above two models across an organisation.

Hybrid working is often wrapped-up in wider debates about flexibility, home and dynamic working but, in our view, it is about the potential dispersal of staff across different workplace settings.

It is fundamentally about the 'where' of work. We also believe that it is important to consider the return to the workplace and the desire for flexibility in the context of labour markets, which in many cases are tightening rapidly, just as businesses are gearing up to expand.

(i) Hybrid *Working*

Our colleague, Lee Elliott, global head of occupier research, explores the pros and cons of the hybrid working model and the implications on the real estate industry below.

The tightening of the labour market has swung the

balance of power towards the employee. It is against this backdrop that leaders are attempting to grow their businesses. More than 70% of UK CEO's surveyed in PwC's 2022 CEO Survey expect to increase their headcount over the next 12 months – and almost one third of those are planning to increase headcount by more than 10% of existing levels.

The war for talent shows no signs of abating, whilst the challenge of recruiting becomes ever harder.

These dynamics are serving to influence the offers made to prospective employees. Whilst financial benefits still figure highly, there is growing evidence that the purpose, culture and flexibility of the organisation are increasingly important considerations for the employee. This is a direct response to the pandemic where many have re-evaluated their work, workstyle and work-life balance, as seen with the so-called Great Resignation in the United States.

(ii) Flexible *Working*

Requests for flexibility, emboldened by the remote working experience enforced by the pandemic, are rising. The corporate response has been, at least notionally, to move beyond a classically binary view on the 'where of work' – with employees either being seen to be office based or home based – towards a more fluid attitude to where work takes place.

Indeed, 75% of global CEOs responding to KPMG's Quarterly Global CEO Survey at the end of 2021 anticipated their organisations adopting hybrid workstyles. Tellingly, however, only one third of those respondents had actually implemented plans at the time of the survey. The journey to hybrid workstyles is in its infancy and there is clearly a long and winding road to run.

In this sense, the potential rise of hybrid working should be regarded as the next phase in the great global workplace experiment ushered in by COVID-19. As restrictions start to lift and employees re-engage with their offices and/or start to make greater demands about how and where they work, organisations will get a valuable read of the future that ultimately translates into new workstyles and potentially new demands on the workplace. Most businesses are still early in the evaluation phase of the experiment.

(iii) Prons *and cons*

Of course, there is no shortage of noise about the potential pros and cons of hybrid working. Advocates see hybrid as essential for attracting and retaining talent; for extending the geographical reach of organisations into untapped, distant, labour markets; for bringing greater efficiency to business processes and operations; and even to creating more sustainable businesses.

Detractors suggest hybrid makes inclusion and collaboration more difficult; negatively influences career development and progression; adversely affects the tacit learning so key to professional service firms; or brings a level of managerial duplicity and complexity that is highly inefficient. While this debate continues, hybrid will become one of the business buzzwords of 2022.

Companies need to be seen to be responding to the new world of work. However, we should be careful not to get swept away with the hyperbole or take the exception as the rule. The jury is still out and the upcoming implementation of hybrid working styles will provide test cases on which to build stronger evidence.

We fully expect the practical challenges of delivering hybrid working to become clearer over this year and anticipate growing concerns around its effect on corporate culture, connection and growth to amplify. This will ultimately lead to many organisations adopting an 'office first' stance with flexibility enabled through dynamic working and the permitting of home working according to function and role.

(iv) Implications *for real estate*

From a real estate perspective, the occupational markets will be characterised by more varied demand from businesses seeking to navigate the future world of work in their own ways. Designing and delivering workplace strategy will be more complex and bespoke than ever before but the office will absolutely be part of any solution.

We believe that any move towards hybrid working simply serves to accentuate the flight to quality already witnessed in major office markets. If organisations provide choice around the where at work, but want work to support culture, connection and growth, then they will be obliged to provide formal workplaces that offer an environment and experience well beyond that which someone can achieve at home and through virtual connection.

Residential Overview

Bucharest in focus

2021 was the best year for the modern history of the residential market of Romania

Demand

35%

percentage held by the average instalment in the revenues of a buyer from Bucharest; approx. 350 euros/month

~50,000

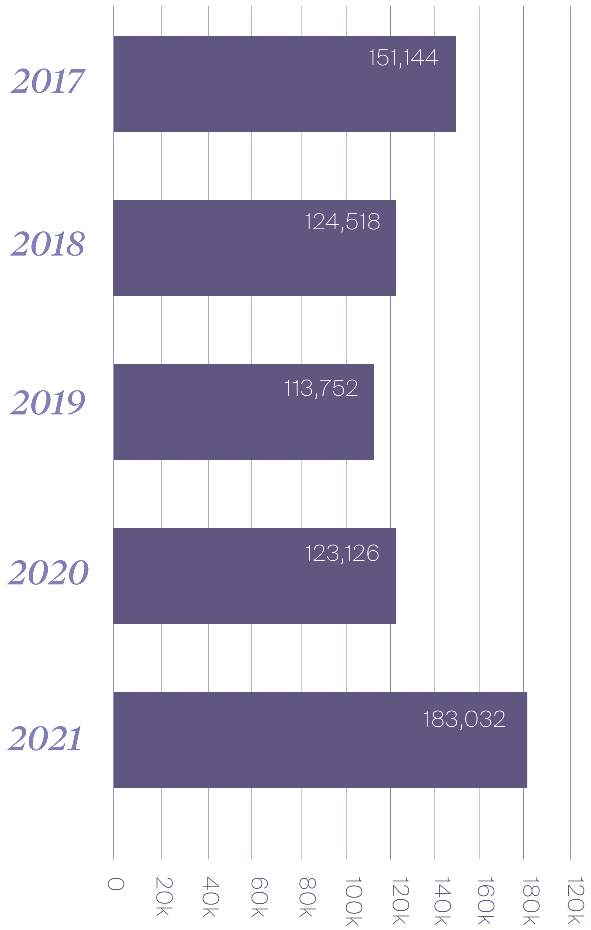
transactions in Bucharest in 2021

40%

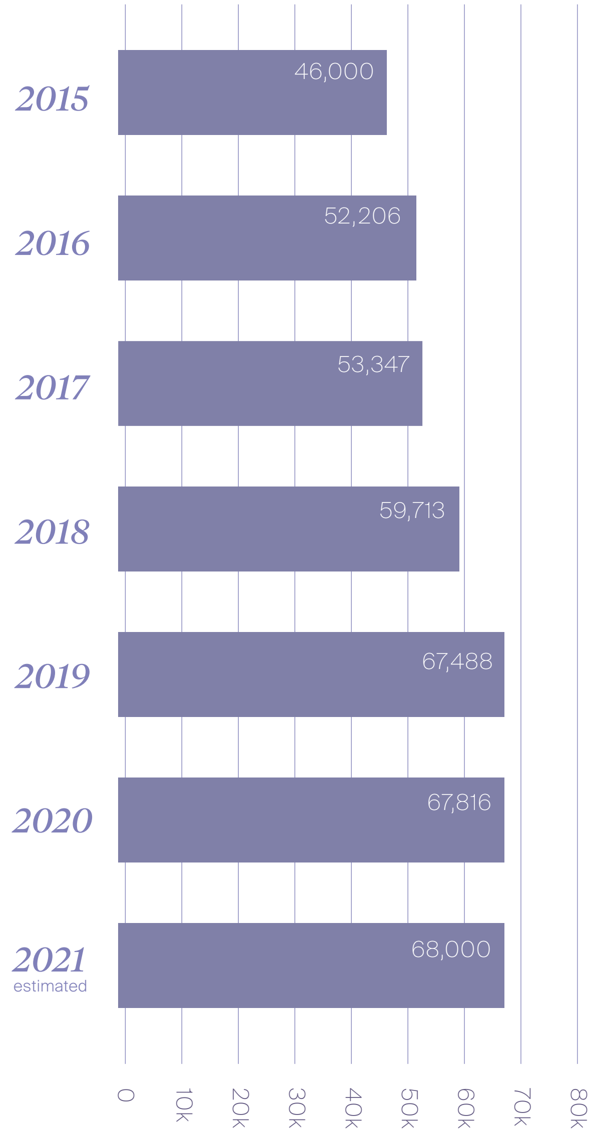
almost 40% increase in the number of transactions in Bucharest

every quarter of the year registered a record compared to the previous year quarterly assessments

Total Sold Units
in Romania



New Home Deliveries
Romania



Although 2019 and 2020 brought the highest deliveries in housing in the last 30 years, we notice a stabilizing trend, caused by the big increase in building materials prices, as well as delayed completion of projects that are in construction.

Over 20k

new homes delivered in Bucharest in 2021

VAT 5%*

< 450k - 700k lei

~ 91.000 - 141,500 eur

VAT 19%

>700k lei

~ 141,500 eur

*one transaction only between 91,000 - 141,500 eur

Prices

~1,550

eur / sq m Average price in Romania

10% increase on average in 2021

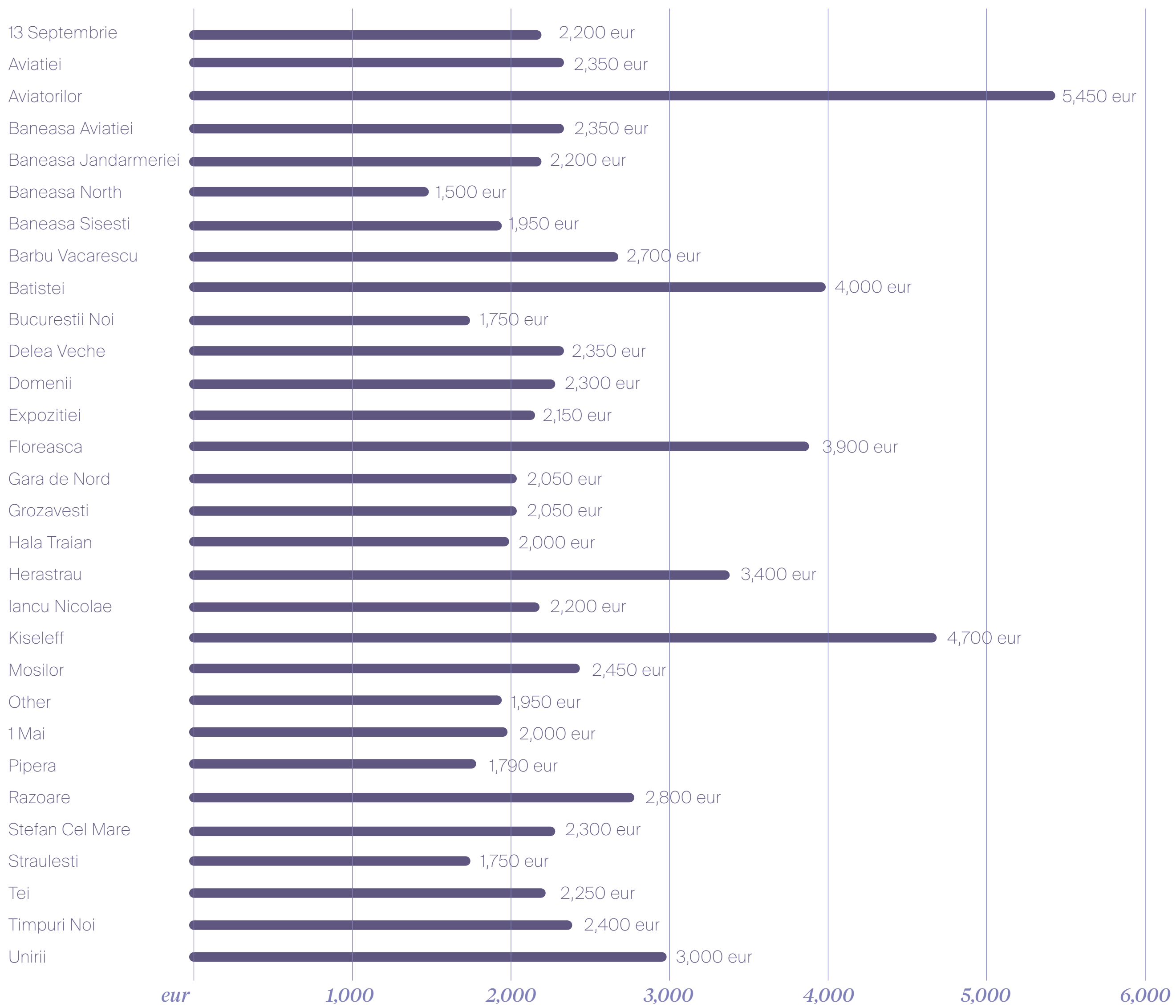
~1,600

eur / sq m Average price in Bucharest

11% increase on average in 2021

Medium price/usable sq m

Bucharest residential areas



The big 10

Ten key trends we expect in 2022

1. New constructions will continue to be preferred for purchase.

2. The most sought-after homes will have a dedicated office space, since buyers want to continue to work from home, at least occasionally.

3. Buyers don't sell the properties they already own and choose to turn it into a real estate investment or pass it on to other family members.

4. Price increase for the homes delivered in the upcoming 2 years, due to the rising prices of the construction materials, delay in deliveries and less/slower permitting.

5. Demand for bigger living spaces, including terraces and yards and quiet residential areas with low population density is continuing due to the prolongation of the pandemic.

6. Demand will continue to be stable, due to the new VAT of 5% as well.

7. Gradual increase of mortgage interest rates.

8. Buyers are becoming much more informed about the quality of the buildings and interested in concepts/ façade/ architecture/ facilities

9. Romania is still the no.1 owner country in Europe. 95% owns, but Romanians have the smallest homes, which leaves space for growth.

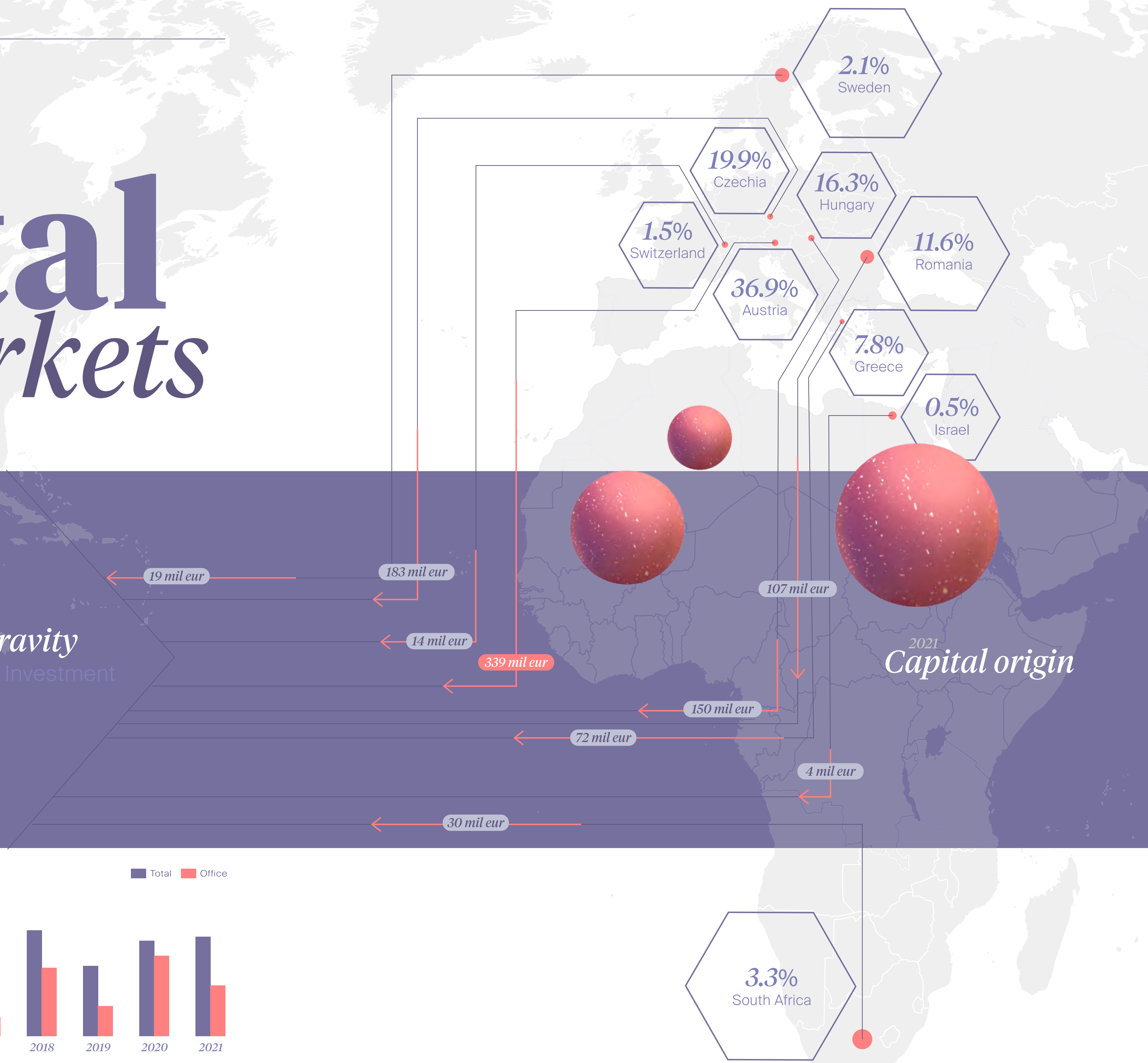
10. When it comes to investment, a Romanian thinks to real estate, first, thus the orientation towards the rental market, as an investment.

Capital *Markets*

Investment volume
EUR 918 million

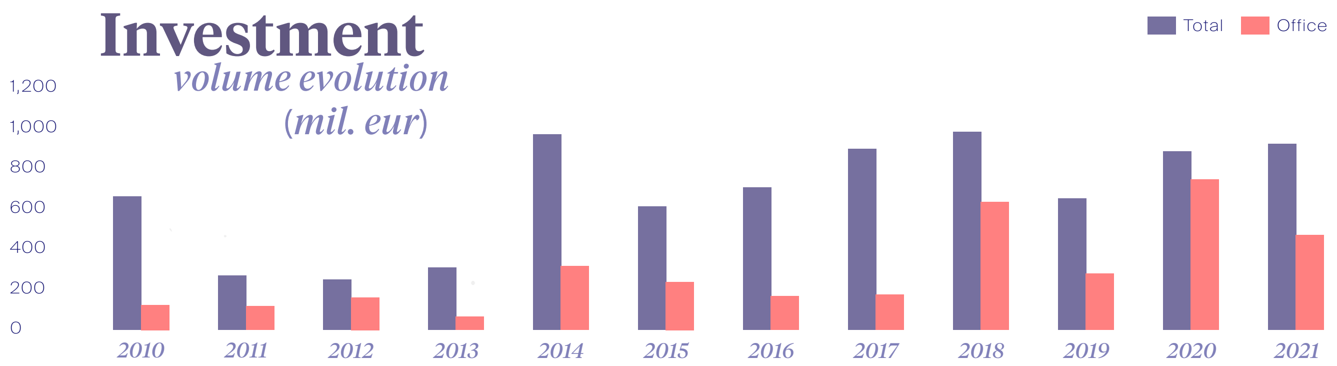
In 2021 we witnessed a total of EUR 918 million in transactions signed on the local market a level which is slightly higher than the volume that was reported previous year. As in the previous year, a significant part of the investment volume was generated by the office segment which accounted for 50% of the total volume followed by the industrial/logistics segment with 25% and the retail segment with 18%.

Capital Gravity
Cross-Border Investment

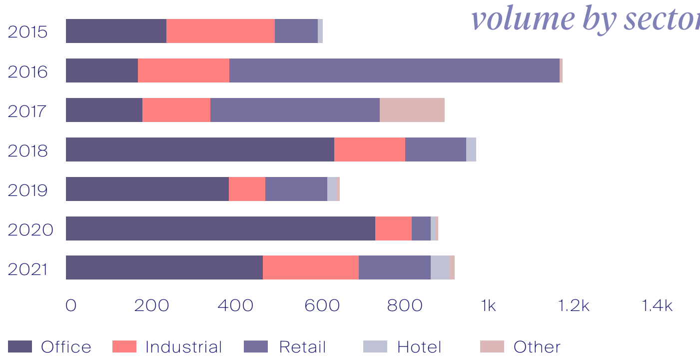


2021
Capital origin

Investment
volume evolution
(mil. eur)



Investment
volume by sector



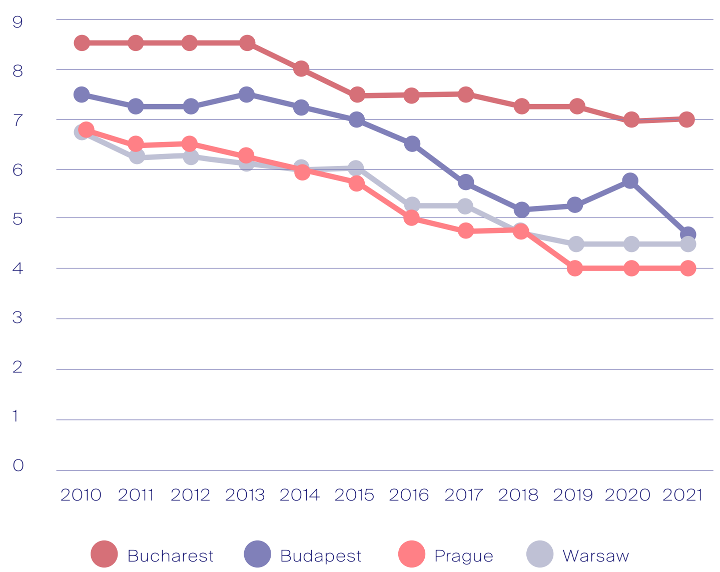
Yields
stable outlook

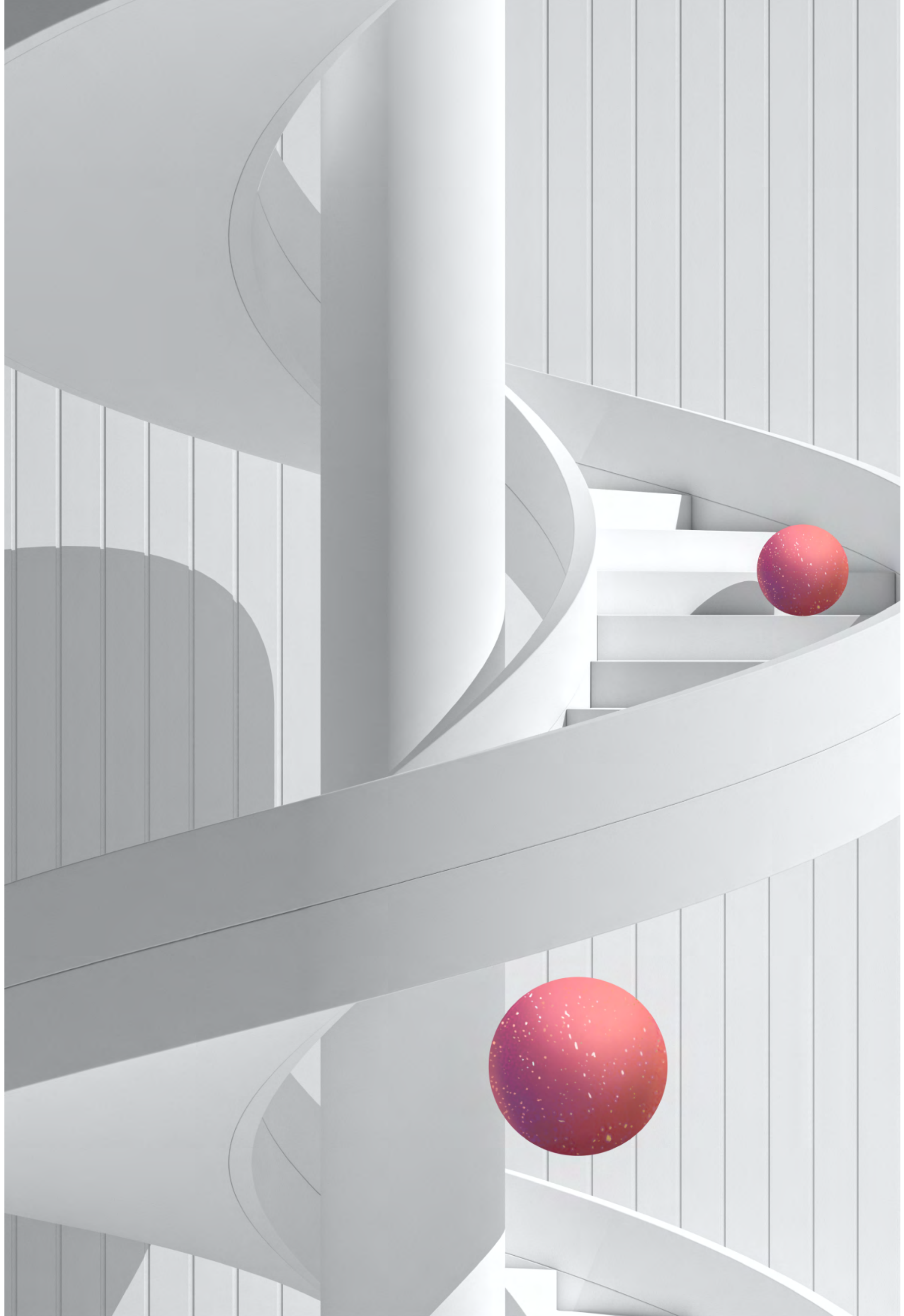
2021 confirmed the downward trend of the yields with some transactions pointing to record low yields especially in the industrial and office segments. However, given the strong inflationary environment, it is expected that in 2022 the yields will not register any significant changes from the current levels as investors will likely be looking for more value-add transactions to offset the effects of inflation and increasing interest rates.

Prime Yields
%2021

Office	Retail	Industrial
7 →	7 →	7.5 →

Yields for prime office assets





EUR 1 billion in 2022

Forecast / Pipeline

Judging by the existing pipeline of projects that are currently on sale on the market it is expected that in 2022 we will have at least the same volume of transactions with an upside potential to get closer to the EUR 1 billion threshold. The maturity of the market and the competitive prices make it a viable destination for the significant amounts of capital that have been raised globally and are expected to be deployed in 2022.

Investments in the real estate segment in 2022 are expected to have a moderate volume similar to the volume reported in 2021 and driven mainly by the logistics and industrial a segment that has proven more resilience to the current uncertain environment. Likewise, the residential segment will likely account for a bigger share of the overall volume given the increased interest of institutional investors in projects suitable for long term leasing and the availability of the developers to accept lower margins but with a faster exit.

The office segment, despite the good activity registered in 2021, will likely slow down moderately thus there are moderate expectations on further yield appreciation. Other segments like retail and hospitality are also expected to report moderate volumes given the restrictions imposed by local authorities which have significantly impaired the traffic in retail shops and the number of tourists in most of the areas.

Transactions in these segments will most likely be on a speculative basis and in these cases, pricing is expected to be adjusted in order to reflect the additional risks that might further affect the cash flows of these properties.

Industrial *and* Logistics Market

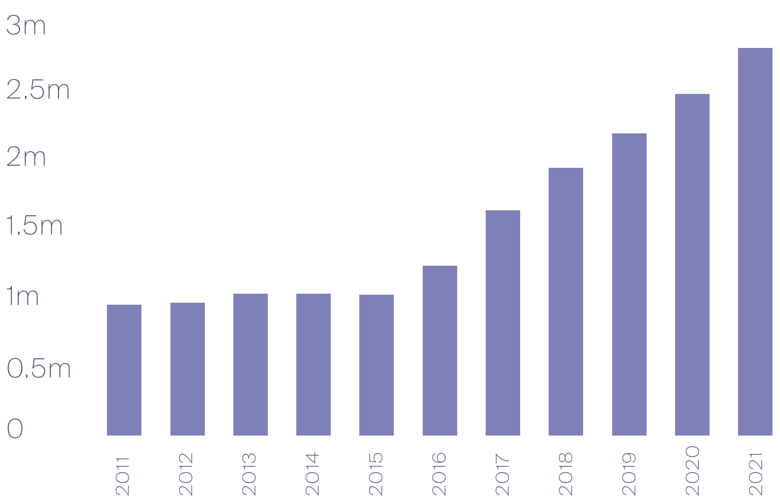
Supply

500,000 sq m

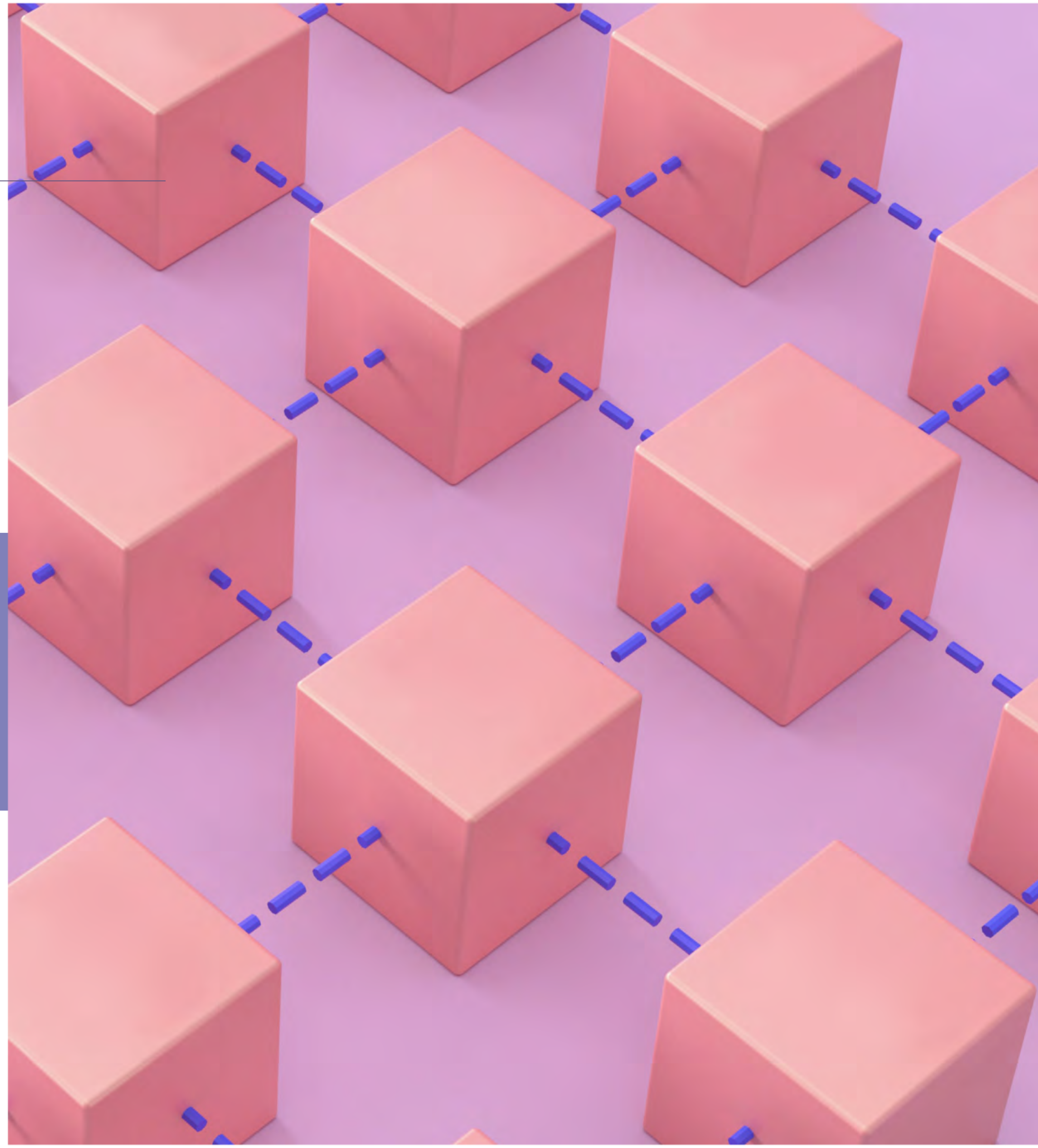
In 2021, deliveries totaled around 500,000 sq m, bringing the total stock to 5.6 million sq m across the country. Bucharest received almost 65% of the new supply.

Stock

for Bucharest area
2.8 mil. sq m



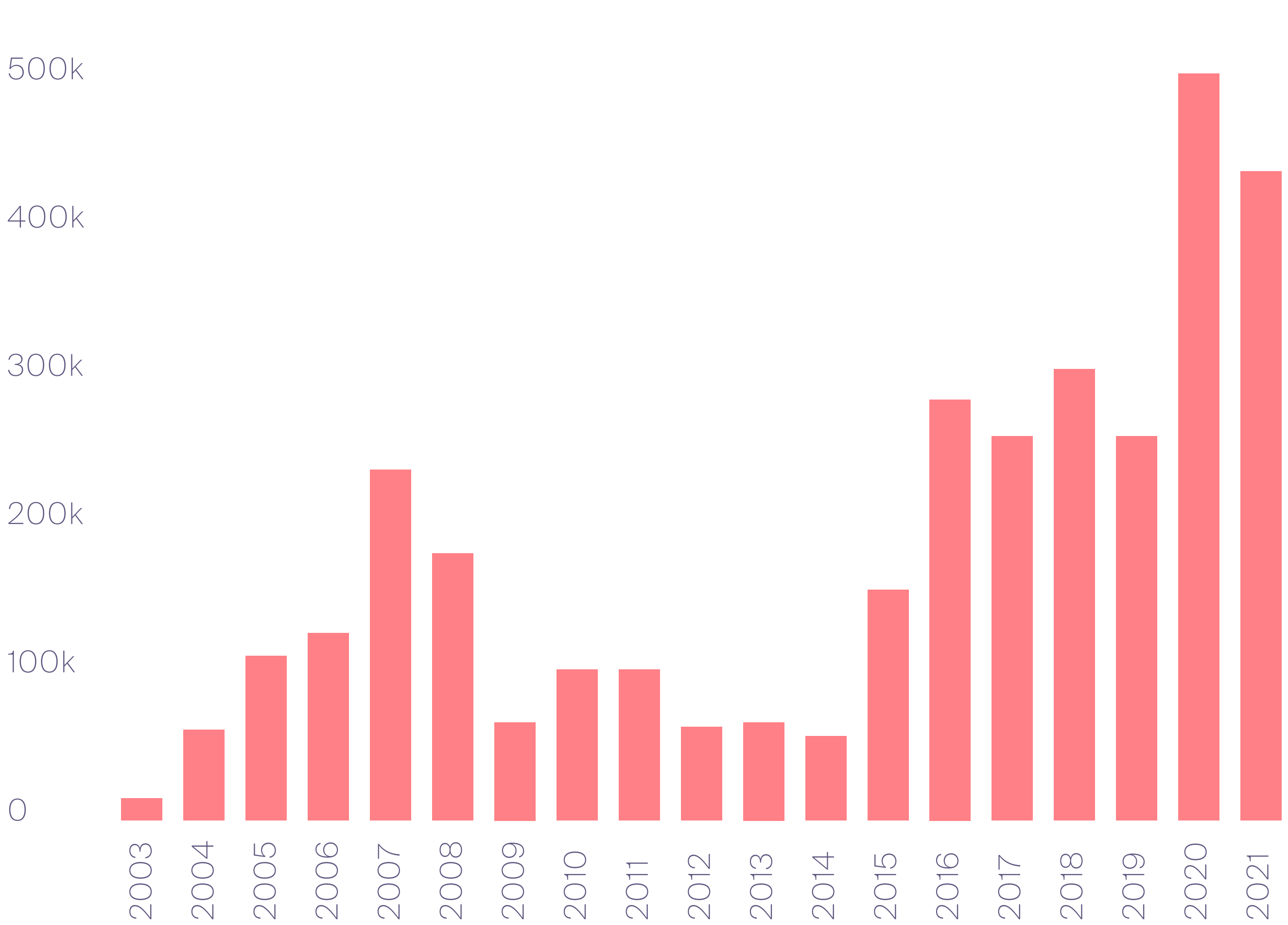
Bucharest modern industrial stock
Annual evolution (sq m)



Demand
680,000 sq m in Romania

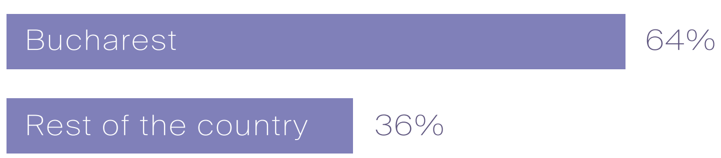
In 2021, the total take-up in Bucharest was around 434,000 sq m, recording a 14% decrease from the previous year, which was however a record year, while nationwide, take-up was approximately 680,000 sq m.

Bucharest take-up
Annual evolution (sq m)

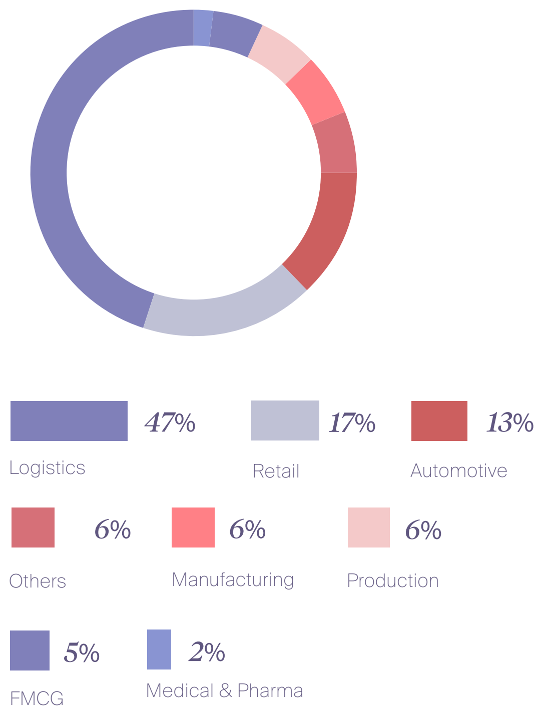


- In 2021, there were a total of 93 leasing transactions around the country, 18 of which were larger than 10,000 sq m.
- Logistics firms rented 46% of the total volume recorded in 2021 (~311,000 sqm), followed by enterprises engaged in retail (17% and ~114,000 sqm, respectively) and automotive (13%, ~88,000 sqm).

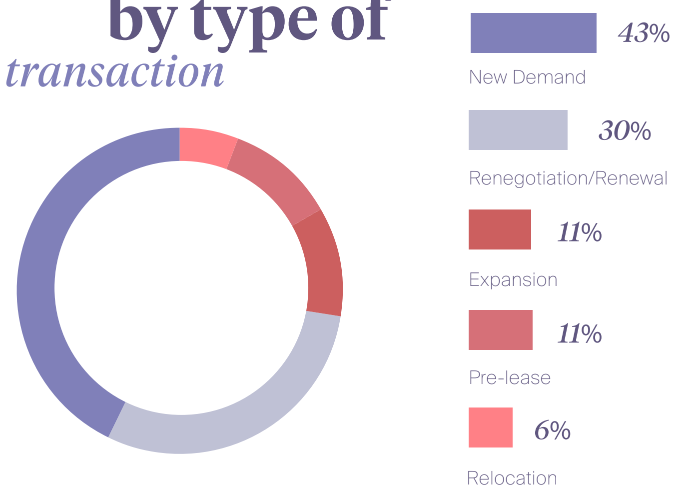
Take-up
by region



Take-up by tenant
activity sector



Take-up by type of
transaction

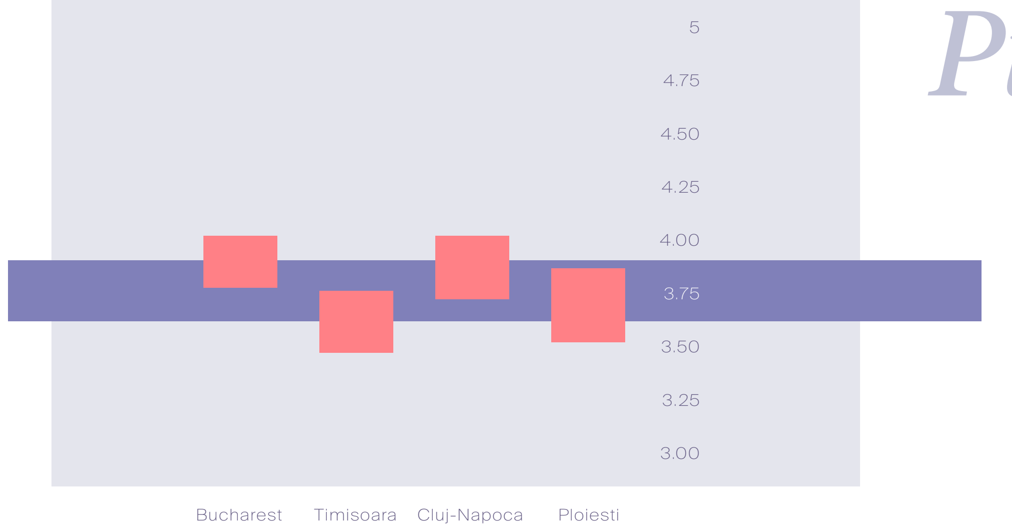


Vacancy
~5-6%

The vacancy rate, which is reported to be around 5%, stays low as a result of the developer's preference for built-to-suit projects.

Rents
4 EUR
/sqm/month

In 2021, both in Bucharest and across the country, rental rates for prime industrial and logistic space remained unchanged.



Pipeline

For 2022 we estimate that the volume of deliveries will be similar to that of the previous year, still based on built-to-suit and less speculative projects. The vacancy rate is estimated to remain at low level, still at one digit for Bucharest area.

Will the fire safety legislation amendments help or hinder office leasing?

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Most office building owners or tenants obtain or update fire permits? Are non-structural compartments or changes in designation subject to permitting requirements? The unclear and unpredictable fire safety legislation has made the answer to these questions, and others, difficult.

And Legislative changes introduced by Governmental Ordinance no. 80/2021 bring some clarity, but still leaves room for improvement in terms of fire safety-related rights, obligations, and procedures.

New concept of preliminary fire scenario

The new concept of "preliminary fire scenario" seeks to facilitate the permitting process right from the outset. The fire endorsement needed for the building permit approval can now be obtained based on more simplified documentation.
Although long-awaited, this new concept cannot be put into practice for now, as the current methodology on drafting and issuing the relevant documents is yet to be updated.

Obligation to hire an expert

Companies that fall within the criteria set forth under the general fire safety regulation (yet to be defined) will have to employ at least one technical staff member in the field of fire safety. Alternatively, they can delegate certain required attributes for the position to one of their existing employees.

Adjustment of the VAT taxable base

The lease of "open space" or "shell and core" offices, offering tenants tailor-made solutions, has raised many issues in terms of whether and when the building's existing fire permit must be supplemented following performance of fit-out works.

The new rules shed light in this respect. From now on, almost any works will be subject to fire endorsement approval, from removable or temporary non-structural compartments to changes in designation of a premises (unless a building permit is required to this effect), and execution of specific fire installation works.

Although the newly introduced amendments were expected to ease the fire permitting process, the requirement to obtain fire permitting documents or negotiations for almost any type of works will most likely lead to delays in having a premises fully operational and lead to additional costs being accrued.

A ray of light

The amendments introduced to the fire safety legislation provide a new extension of the deadline by which those operating a premises without a fire permit, although they are legally obliged to have one, may obtain such permit by 31 December 2022 at the latest.

However, the above extension term only applies to those proving allocation of funds or execution of a design and construction contract for a building's compliance with the fire safety requirements.

Extended deadline for obtaining fire permits

The amendments introduced to the fire safety legislation provide a new extension of the deadline by which those operating a premises without a fire permit, although they are legally obliged to have one, may obtain such permit by 31 December 2022 at the latest.

However, the above extension term only applies to those proving allocation of funds or execution of a design and construction contract for a building's compliance with the fire safety requirements.

What's *next*

It remains to be seen if, when and how the necessary methodology and general regulation related to the newly introduced amendments will be able to fill in the remaining gaps in the fire safety regulatory framework.

Facing the **new way** of doing taxes in Romania

2022 appears as a year of (tax) digitalisation for the real estate companies inclusively.

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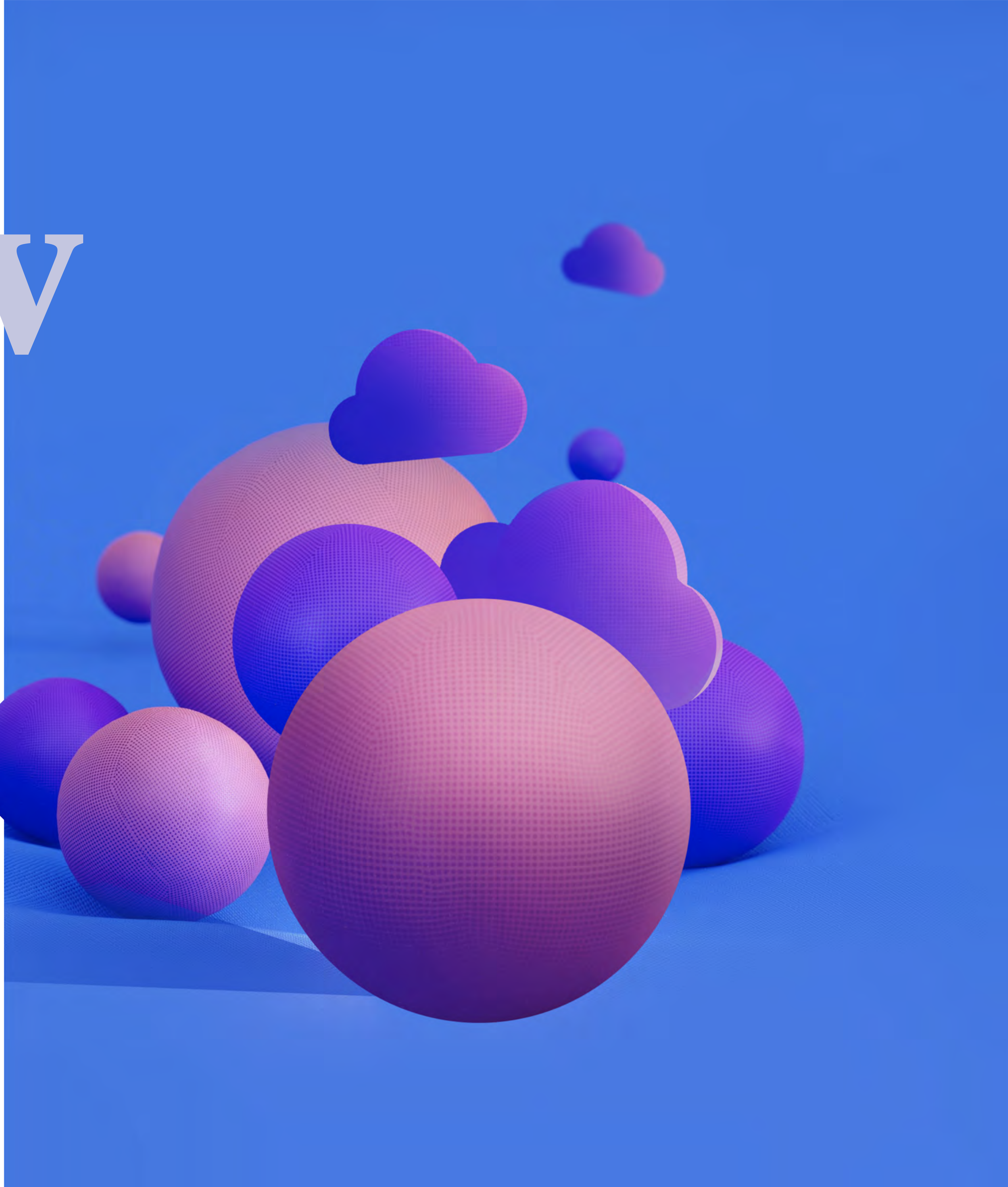

Real estate companies should initiate revisions of their tax and accounting functions in order to ensure compliance of new obligations introduced in 2022. First, real estate companies included on the large taxpayers list as of 2022 will have to start submitting the SAF-T statement (standard audit file for tax). Second, the B2B sales of new constructions and construction materials will be subject to mandatory e-invoicing starting July 2022, through the public portal RO e-factura.

This may sound like an unexpected point on their agenda. Developing the business, finding new opportunities, reorganisations, finding the most efficient operating structure, solving legal issues, all these have been traditionally among their common interests. Tax digitalisation is new in the picture, presenting challenging and novel perspectives, for which additional investment would be needed.

Thus, additional resources (both human and material) would need to be allocated in the context of introducing e-invoicing and SAF-T reporting obligations. Moreover, time is not running in the favor of the companies facing such new obligations soon. Considering also the grace period for starting submitting SAF-T statements, the first reporting deadline would be at the end of July 2022 (in case of large taxpayers which existed in this category in 2021).

Large volume of accounting and fiscal data would need to be provided constantly to the tax authorities in a structured manner and by following the indications published (and for some pending items, to be published) by the tax authorities. As at now, the SAF-T statement is an additional compliance obligation on the monthly routine, the tax authorities not being ready yet to give up other tax statements which include some of the information which will become available through the SAF-T statement.

This is why, automatisation is the key answer, implemented in a duly checked environment. Automatisation without a prior thorough assessment would lead to an incorrect or incomplete result. On the other hand, a perfect system with no automatisation to transport the data into a SAF-T statemen t might make this reporting exercise quite cumbersome.

Will all these efforts turn into something good one day? The expectations are that the usual tax statements would be eliminated, but not just yet. Also, normally, the tax audits might become more efficient and less time consuming exercises for taxpayers, considering a lot of the traditional information on the operations of the companies will become available on a monthly basis. Most importantly, it is expected that the taxes collected to the Romanian State Budget would increase naturally further to the transparency of accounting, as it turned out in other EU countries that implemented SAF-T reporting.

Romania recorded year after year the highest national VAT compliance gap in the European Union. According to the most recent figures published in December 2021, 34.9% of VAT revenues went missing in 2019.

Reducing this percentage will encourage a more loyal competition at all industries' layers, especially in real estate where the related risk is known as being higher.

The takeaway is that a timely preparation would ensure a correct implementation of the requirements that real estate companies will also have to put in place for complying with the new obligations entailed by their activity.

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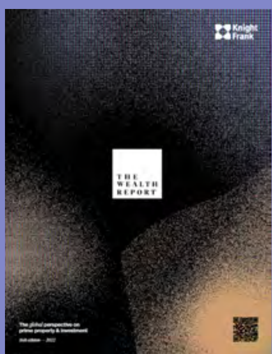

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