DO YOU KNOW...

ROMANIA IS EUROPE’S RICHEST COUNTRY IN GOLD RESOURCES
Rosia Montana sits atop Europe’s largest-known gold deposits – an estimated 314 tonnes of gold as well as 1,500 tonnes of silver.

ROMANIA HAS THE BEST PRESERVED DELTA IN EUROPE
The waters of the Danube, which flow into the Black Sea, form the largest and best preserved deltas of Europe. The Danube delta hosts over 300 species of birds as well as 45 freshwater fish species in its numerous lakes and marshes.

ROMANIA’S BIGĂR WATERFALL
The small Bigăr Waterfall was rapidly shifted from its off the beaten track isolation in 2013 when The World Geography ranked it in first position of its 8 Unique Waterfalls Around the World Guide1.

ROMANIA RANKS 5TH IN THE WORLD IN WORLDWIDE BROADBAND SPEED
After Singapore, Sweden, Denmark and Norway with an average of download speed of 38.6 Mbps compared with a worldwide average of 9.1 Mbps (measured between June 2017 and May 2018).

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ROMANIA

BY NUMBERS

**EU FUNDS**
(EU Funds 2014-2020 Budget)

$3.65bn

**INFLOW OF FDI**

$6.3bn (2017 estimates)

**INVESTMENT GRADE**

Fitch: BBB-
(stable for both foreign and local currency)

**2018 GDP GROWTH**

4% (forecast); among fastest growth rates in the EU

**PREFERRED OUTSOURCING LOCATION**

300,000 employees industry

**RISING CITIES OF ROMANIA**

Population above 200,000 inhabitants

Bucharest, Iasi, Timisoara, Cluj Napoca, Constanta, Craiova, Galati, Brasov, Ploiesti, Oradea, Brailia

FOREWORD

Romania

THE RISING STAR OF THE CEE

We are delighted to present this report, which is intended to draw your attention to interesting facts about Romania. In it, we have highlighted a number of reasons for tapping into Romania’s tremendous investment potential.

The country has a large population in the CEE context, it enjoys a stable political and economic climate, overperforming in the EU through its GDP growth, and frequently surprises with its real estate growth potential.

While in the recent past the focus was on Bucharest, the capital city with a population exceeding 2 million inhabitants but undersupplied on all real estate sectors, in the last 3-5 years developers and investors alike have been closely scrutinising its top regional cities. The opportunities identified here are diverse and comparable with those traded in the capital city.

Other institutions have caught up with this trend and, as real estate consultants, we are also putting emphasis on specific patterns in each of Romania’s investment hubs. Bucharest is one of European cities with large population, Timisoara is an established automotive hub, Cluj Napoca is gaining in importance because of its qualified workforce, Iasi is one of the oldest Romanian academic centres, while Brasov’s winter resort reputation has been overtaken by the recent real estate developments/projects.

Furthermore, an insightful legal and tax framework is included in order to make it easier to select Romania as a future investment destination. There is fierce competition for prime institutional products, as we recently witnessed local capital competing for the exceptional assets located in Bucharest and aforementioned regional cities. But there is plenty of development and investment potential in Romania. Romania can surprise you with its opportunities, whether you are looking on the commercial side, hospitality or residential sectors, or into its infrastructure development potential.

We will be happy to share more on our country’s potential and discuss real estate investment opportunities in Romania.

OLGA MELIHOV
Country Head Romania
BNP Paribas Real Estate
ECONOMIC RE-BALANCING TO CONTINUE

Economic overview

Very strong growth of the Romanian economy in 2015-17 has been accompanied by rising economic imbalances, reflected in widening budget and current account deficits, and – once the impact of sizeable indirect tax cuts faded last year – in accelerating inflation. The re-balancing process of the Romanian economy started in 2018, at least on the monetary policy side. The central bank delivered a robust tightening cycle, raising interest rates by 75bp in total. Meanwhile, fiscal policy, while still accommodative, has not been softened further to a large extent.

Unsurprisingly, a more restrictive economic policy mix in 2018 triggered a weakening of GDP growth to about 4% from nearly 7% in 2017. Investment spending is likely to have stagnated on average last year, while consumption growth decelerated from 10% to around 5%.

This year is likely to bring a further slowdown in terms of economic activity. On top of domestic economic policies, the external environment is becoming more challenging, given softer growth in Europe and higher volatility on global financial markets. As a result, the pace of Romania’s GDP expansion is likely to moderate further to a 3% handle over the coming quarters. Softer growth will, however, not be necessarily only bad news – especially since it should remain well above the pace of Western European countries, and thus support Romania’s further real convergence towards the income levels in the developed economies.

Assuming further re-balancing efforts of Romania’s policymakers, a moderation in the pace of economic growth this year should help to fend-off the threat of inflation rearing its head once again, which eventually would increase the risk of a wage-inflation spiral materialising. The latest forecasts of the Romanian central bank suggest inflation slowing down towards the 2.5% target over the course of the year, which is likely to reduce, or even remove the need for additional tightening of the monetary stance. Indebtedness remains limited to below 40% of GDP for public debt and to below 30% of GDP for private debt, mainly in local currency.

The main policy challenge, though, is not on the monetary side, but it is to bring back the country’s fiscal deficit below the EU-prescribed 3% of GDP mark. The widening budget gap over the past few years has not been driven by higher spending, but was a consequence of lower taxes. Consequently, the share of government revenues in GDP fell to about 31-32% in 2017-18 from around 35% in 2014-15. Restoring the fiscal balance is likely to require a rise in the tax burden in the period ahead, it seems. While tighter fiscal stance could provide for additional headwinds to the economy in the near-term, it seems necessary to ensure robust prospects for Romania’s growth over a longer-run perspective.

BNP Paribas Group in Romania

In Romania, the BNP Paribas Group has 6 entities employing 1,000 professionals in Corporate & Institutional Banking, BNP Paribas Personal Finance (commercial brand Cetelem) as market leader in consumer credit, Arval covering fleet management and operational leasing of motor vehicles, Cardif providing insurance services, BNP Paribas Real Estate covering the entire real estate advisory sector and BNP Paribas Leasing Solutions offering financial solutions for professional equipment. Romania is fully joining the One Bank strategy of the BNP Paribas Group, which has a presence in 73 countries, with 200,000 employees in all activities of the group, offering to our customers a set of solutions with a growing share of digital support, fintech, contributing to sustainable development and social responsibility.
GUIDE TO ROMANIA

TOP 5 REASONS TO INVEST IN ROMANIA

The country benefits from a strategic location in South-Eastern Europe. Romania still preserves its competitiveness in relation to its CEE peers, offering a plethora of investment opportunities at more attractive yields in Bucharest and top regional cities.

1. STRONG ECONOMIC PERFORMANCE
   driven by private consumption due to increase in wages in both private and state-owned sectors. 2018 GDP growth reached 4% compared with 2.1% recorded in the Euro Area.

2. EXCELLENT TECHNICAL SKILLS AND LANGUAGE CAPABILITIES
   of the Romanian workforce. The Romanian higher education system consists of about 90 universities, both private and state-owned, enrolling over 500,000 students. Despite the competition of the multi-national companies for the specialized workforce, Romania still offers space for the opening of new operations or expanding of existing ones.

3. MATURITY OF THE PROPERTY MARKET
   Newly completed or proposed projects are being developed in phases, meeting all the highest market standards. The office projects completed in 2017-2018 were transacted soon after completion and accordingly increased the investment volume of 2018 to close to 1 billion Euro.

4. THE RETURN OF THE AGRICULTURE
   Among the opportunities and potential of the Romanian rural areas are the recent trends in export growth, high quality of the land conducive to increasing agricultural production, rich cultural heritage and biodiversity closely associated with use of traditional extensive land management practices.

5. LONG TRADITION IN AUTOMOTIVE INDUSTRY
   The country has a long tradition for offering a qualified workforce in car manufacturing.

COST AND TERMS

OVERVIEW OF CONSTRUCTION, LETTING AND INVESTMENT COSTS AND TERMS

| LAND ACQUISITION COSTS (PER SQ M)1 | Office | €1,000-1,800 |
|                                     | Retail | €400-600    |
|                                     | Warehouse | €25-45 |

| CONSTRUCTION COSTS (PER SQ M)2 | Office | €750-900 |
|                                  | Retail | €900-1,100 |
|                                  | Warehouse | €350-425 |

| BANK MARGINS                  | 3.25–4.25%   |
| LTC RATIO                     | 55-60%       |

| PRIME RENTS3 | Office | €18.00–19.00 |
|              | Retail SC | €55–70     |
|              | Retail HS | €35–55    |
|              | Warehouse | €3.50–4.25 |

| STANDARD LEASE TERMS | Office | 3-5 yrs |
|                      | Retail SC | 3-7 yrs |
|                      | Retail HS | 3-5 yrs |
|                      | Warehouse | 3-5 yrs |

| AGENT FEES | Office | 16.66–25.00% |
|           | Retail SC | 16.66-25.00% |
|           | Retail HS | 12.50-16.66% |
|           | Warehouse | 16.66-25.00% |

| PRIME YIELDS4 | Office | 7.00–7.25% |
|               | Retail | 6.75–7.00% |
|               | Warehouse | 8.25–8.50% |

| PRIME ASSET VALUES (PER SQ M) | Office | €2,300–2,800 |
|                               | Retail | €3,500–4,000 |
|                               | Warehouse | €400–475 |

| STAMP DUTY | Asset/Shares | 0% |
| BANK MARGINS | 3.50–4.00% |
| LTV RATIO | 55-60%       |
| STANDARD SALE FEES | 1.0-2.0% |

1. Prime location in capital cities.
2. For modern schemes.
4. Prime assets in the capital city.
WITH A POPULATION OF OVER 2 MILLION, THE CAPITAL CITY REMAINS THE MOST ATTRACTIVE ROMANIAN CITY FOR BUSINESS AND REAL ESTATE PLAYERS.

Bucharest is considered the main administrative and financial hub of the country, contributing strongly to the country’s GDP with over 20% driven by services, IT&C, and financial sectors. Companies investing in Romania usually choose Bucharest as the first location and follow with smaller or medium scale operations in the top regional Romanian cities. Accordingly, the modern office market in Bucharest accounts for over 80% of the country’s modern office stock, while on the retail side Bucharest embraces up to 40% of the total stock. The flourishing y-o-y GDP growth recorded in the last couple of years was reflected in the office take-up which was close to 300,000 sq m each year.

The recently announced infrastructure upgrade in the North of Bucharest has shifted the interest of real estate developers in these locations, already generating a new office hub in the Expozitiei area. Currently, there is an office pipeline of over 200,000 sq m and several residential projects in various stages of execution. In addition, large plots of land were secured for further development by established real estate developers. One of these major upgrades is represented by the extension of the Bucharest’s metro network, adding an extra 14 km with 14 stops which will link the city centre with the international Henri Coanda Airport.

The industrial market is witnessing a massive speculative development in addition to BTS projects. There is an obvious clustering in existing industrial hubs, but medium to long term we may see the rise of new industrial hubs in Bucharest fuelled by the availability of large vacant land suitable for industrial related activities.

As retail is shifting from brick and mortar towards e-commerce, the positive influence of the on-line retail trading on all real estate sectors can be noticed. On the office sector, e-retailers are securing modern spaces as their business records a two digit increase, which is coupled with their need for larger and modern warehousing facilities. While for office spaces the lease is the preferred solution, for industrial spaces there is a split between owner-occupied and leased facilities. On the other hand, the traditional retail market is increasing because of the completion of new retail projects, as well as the extension of existing retail schemes. This trend is expected to continue in the next 12-18 months, with the opening of a new IKEA store being the most notable activity on Bucharest’s retail market.

After a few years with investors interest shifting to hotel and industrial products, 2018 witnessed a return of the investors’ appetite for office projects, proven by the weight of the office segment on total annual investment volume. With few prime products available in Bucharest, and another few announced to be completed, the Romanian investment market recorded a slight yield compression across all commercial sectors, a trend which we expect to continue in the next 12-18 months.

<table>
<thead>
<tr>
<th>KEY FACTS</th>
<th>OFFICE</th>
<th>RETAIL</th>
<th>WAREHOUSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total modern stock (sq m)</td>
<td>3,350,000</td>
<td>1,200,000</td>
<td>1,600,000</td>
</tr>
<tr>
<td>Prime headline rents (€/sq m/mth)</td>
<td>18–19</td>
<td>55–70</td>
<td>3.50–4.25</td>
</tr>
<tr>
<td>Prime yield (%) (as of Q4 2018)</td>
<td>7.00–7.25</td>
<td>6.75–7.00</td>
<td>8.25–8.50</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate

Source: 1. Tempo online database / 2. INS, October 2018 / 3. Tempo online database, 2017
AFTER MANY YEARS IN THE SHADOW OF OTHER BOOMING CITIES, Cluj Napoca has emerged in the recent years as the second largest office market in the country. Medium to large office projects have been developed, with a few others in the pipeline, set to be completed in the next 12–18 months. An important feature worth mentioning is that some of the office projects are part of mixed use projects, with an even split of GLA between offices and residential units. The pool of occupiers is diverse, as Cluj Napoca is considered an important leader of high-tech services alongside Bucharest.

New office locations are emerging in the city, as in the case of newly developed Hexagon Offices, a Class A office development located in the Center South part of the city. In the near future Cluj Napoca will be very well connected with Western Europe via the A1 and A3 motorways, once the connection between the two motorways will be ensured by the A10 motorway (partially completed).

**KEY FACTS**

### OFFICE

| Total modern stock (sq m) | 300,000 | 185,000 | 250,000 |
| Prime headline rents (€/sq m/mth) | 12–15 | 30–50 | 3.25–4.00 |
| Prime yield (%) (as of Q4 2018) | 8.25–8.75 | 7.50–8.00 | 8.75–9.00 |

Source: BNP Paribas Real Estate
1. Tempo online database / 2. INS, October 2018

**TIMISOARA**

THE OFFICE MARKET IS SET TO ACCELERATE DUE TO OCCUPIER INTEREST IN MODERN OFFICE ACCOMMODATION. The city centre locations are in high demand with two larger projects polarising the interest of international companies. The demand is driven by IT&C and automotive industries, but the market has witnessed a surge of existing occupiers for recently completed office projects, such as ISHO and Openville. The retail market is estimated at 150,000 sq m to which will soon be added the Openville shopping gallery of approximately 47,000 sq m. Investors are closely assessing the market with office and industrial assets remaining on their investment radar.

**KEY FACTS**

### OFFICE

| Total modern stock (sq m) | 200,000 | 151,000 | 510,000 |
| Prime headline rents (€/sq m/mth) | 12-14 | 30–50 | 3,00–4,00 |
| Prime yield (%) (as of Q4 2018) | 8.25–8.75 | 7.50–8.00 | 8.75–9.00 |

Source: BNP Paribas Real Estate
1. Tempo online database / 2. INS, October 2018
IASI

THE MAIN COMPETITIVE ADVANTAGE OF IASI IS THE QUALIFIED WORK FORCE as the city has a long tradition in academic education. There is a pool of highly talented students with diverse qualifications, but it is most well known for its century old “Gheorghe Asachi” Technical University which integrates eleven faculties with a focus on IT&C and Computer Engineering. In addition to the office market, two new industrial parks located in Miroslava and Letcani are attractive for new businesses, especially in the production field as well as for agricultural enterprises.

KEY FACTS

<table>
<thead>
<tr>
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<th>RETAIL</th>
<th>WAREHOUSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total modern stock (sq m)</td>
<td>200,000</td>
<td>1,170,000</td>
<td>70,000</td>
</tr>
<tr>
<td>Prime headline rents (€/sq m/mth)</td>
<td>12–15</td>
<td>30–50</td>
<td>3.25–4.00</td>
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<td>Prime yield (%) (as of Q4 2018)</td>
<td>8.50–8.75</td>
<td>7.75–8.00</td>
<td>8.75–9.00</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate
1. Tempo online database / 2. INS, October 2018

BRASOV

WELL KNOWN AS A WINTER RESORT DESTINATION, Brasov has been gaining importance in the eyes of the real estate developers. Redevelopment of a former industrial platform into Coresi District, a mixed use urban regeneration scheme, has placed the city of Brasov on the investors’ eyes. The project developed on approx. 100 ha are expected to be completed within the next 10 years and include three main components: shopping centre – Coresi Shopping Resort, residential compound – Coresi Avantgarden and an office complex – Coresi Business Park. Once completed, the office component will add to the city’s stock nearly 150,000 sq m.

KEY FACTS

<table>
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<th>WAREHOUSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total modern stock (sq m)</td>
<td>120,000</td>
<td>86,500</td>
<td>270,000</td>
</tr>
<tr>
<td>Prime headline rents (€/sq m/mth)</td>
<td>12–14</td>
<td>30–50</td>
<td>3.25–4.00</td>
</tr>
<tr>
<td>Prime yield (%) (as of Q4 2018)</td>
<td>8.50–8.75</td>
<td>7.75–8.00</td>
<td>8.75–9.00</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate
1. Tempo online database / 2. INS, October 2018
TOP COMPANIES YOU KNOW

IN LOCATIONS YOU MAY NEVER HAVE HEARD ABOUT

<table>
<thead>
<tr>
<th>City</th>
<th>Population</th>
<th>Unemployment rate</th>
<th>Number of students</th>
<th>Net monthly average salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>ORADEA</td>
<td>221,796</td>
<td>1.6%</td>
<td>15,975</td>
<td>€478</td>
</tr>
<tr>
<td>PLOIEȘTI</td>
<td>229,641</td>
<td>2.7%</td>
<td>6,289</td>
<td>€536</td>
</tr>
<tr>
<td>CRAIOVA</td>
<td>302,783</td>
<td>7.4%</td>
<td>22,339</td>
<td>€528</td>
</tr>
<tr>
<td>GALAȚI</td>
<td>303,069</td>
<td>6.7%</td>
<td>14,980</td>
<td>€527</td>
</tr>
<tr>
<td>BRĂILA</td>
<td>205,172</td>
<td>4.0%</td>
<td>770</td>
<td>€473</td>
</tr>
<tr>
<td>IAȘI</td>
<td>221,796</td>
<td>6.7%</td>
<td>14,980</td>
<td>€527</td>
</tr>
<tr>
<td>CONstanța</td>
<td>314,816</td>
<td>2.3%</td>
<td>22,374</td>
<td>€502</td>
</tr>
<tr>
<td>CONSTANȚA</td>
<td>314,816</td>
<td>2.3%</td>
<td>22,374</td>
<td>€502</td>
</tr>
</tbody>
</table>

MAJOR COMPANIES / INVESTORS:
- ORADEA: WDP Development, Lotus Center, RCS&BDS, Faist Mekatronic, Emerson, Zacaria
- PLOIEȘTI: Timken, Rockwool, Calsonic Kansei, Yazaki, Cameron, Petrotel-Lukoil, Unilever, British American Tobacco, Coca Cola HBC, Cameron, AFI Europe
- CRAIOVA: Ford Romania, Cummins Generator Technologies, Magna Exteriors, Kirchhoff Automotive, Syncre Soft, Catinvest
- GALAȚI: Ford, Rockwell Automation, Birla, Yazaki, Vard, Al Dahra, Gieff Fashion, Braiconf, WDP
- BRĂILA: Yazaki, Vard, Al Dahra, Gieff Fashion, Braiconf, WDP
- IAȘI: Ford Romania, Cummins Generator Technologies, Magna Exteriors, Kirchhoff Automotive, Syncre Soft, Catinvest
- CONSTANȚA: Rompetrol, Braica, Ameropa Grains, Daewoo-Mangalia Heavy Industries, Argus, Constanta Shipyard, Constanta South Container Terminal, Immofinanz, NEPI Rockcastle

Source: National Institute of Statistics, TEMPO online database (wages, as of October 2018)
The most significant transactions were the two large office deals completed in Bucharest, i.e. The Bridge sold by the Romanian developer Forte Partners to the owners of the DIY retailer Dedeman and Oregon Park sold by the Portland Trust/Ares Management joint venture to Lion’s Head Investments. The Bridge transaction was a true milestone for the Romanian market as it involved domestic capital, while at the same time being the largest investment transaction recorded in Romania to date.

In the retail sector, the most notable transactions were the acquisition of Militari Shopping Center by MAS Real Estate from Atrium European Real Estate and the purchase by Sonae Sierra of a 50% stake in the ParkLake shopping center from its former joint venture partner Caelum Development.

2018 saw renewed interest in office assets, with deals recorded on this particular market accounting for approx. 50% of the total annual investment volume, followed by the retail sector and, to a lower degree, by the industrial sector. Investor appetite continues to be strong in Bucharest, but investors are also looking at Romania’s leading regional cities.

The investment market recorded a yield compression, with prime office yields compressed by 25 bps to 7.25%, while prime retail yields are estimated at 6.75-7.00%. In the course of 2018, yields for prime industrial and logistics parks have compressed similarly and at the end of 2018 they ranged between 8.25% and 8.50%.

On the basis of a strong economic growth, there was an improvement in the investor sentiment, which translated into high investment volume in Romania of nearly 1 billion euro.
OFFICE MARKET

In 2018 a slight decrease of the weight of Bucharest in the country’s overall modern office stock was noticed. Solid demand for modern office stock in the main regional cities has fostered construction activity which has resulted in both large deliveries of office projects in 2018 as well as substantial pipeline for 2019. Take-up remains strong in the capital city, with annual gross volume reaching 290,000 sq m, out of which pre-leases accounted for about 45%. Top regional cities, such as Cluj-Napoca, Timisoara, Iasi and Brasov, are starting to witness renewals and relocations in addition to new entry operations. There is strong competition between Bucharest and top regional cities, as the occupiers can secure good quality space in these cities as well as have access to a qualified work force at lower rates compared with the capital city.

MODERN OFFICE STOCK DISTRIBUTION PER CITIES (SQ M)

ANNUAL TAKE-UP EVOLUTION IN BUCHAREST (THOU. SQ M)

Source: BNP Paribas Real Estate

RETAIL MARKET

Polarised construction activity of new shopping centres in Romania.

The modern retail stock in Romania has recorded a slight increase by approximately 100,000 sq m, 20% of which are represented by extension of existing retail schemes. Although economic growth in recent years was driven by private consumption, very few new retail schemes were completed. A couple of retail developers are targeting smaller cities with projects of retail parks driven by food chain anchors and shopping galleries offering an attractive tenant mix of local and international brands.

The retail market will remain stable, with very few changes in the next few years. The pipeline will remain unchanged, with various retail parks and extensions of existing schemes increasing the existing stock. The shortly to be opened second IKEA store in Bucharest’s Pallady area, towards the A2 motorway to Constantia is very notable. The mid-term plan of the Swedish retailer is to open additional stores in Timisoara, Brasov and Cluj Napoca.

EVOLUTION OF SHOPPING CENTERS COMPLETIONS IN ROMANIA (THOU. SQ M)

ECOMMERCE GROWTH RATE IN 2017

Source: Ecommerce Foundation, 2018 Report
Solid demand for modern industrial space has translated into an annual take-up of 570,000 sq m. In addition to traditional occupiers, the food retailers and e-commerce operators have contributed significantly to 2018 leasing activity. The revival of the industrial market has changed the routine of developers, who are ready to construct speculatively in addition to built-to-suit or pre-leased units. The active developers will continue to strengthen their positions in the local market either through the development of new units or acquisition of well leased and well positioned industrial premises.

The announced pipeline which has the potential to elevate the modern Romanian industrial stock up to 4 million sq m will not put further pressure on the rents, which are expected to remain stable for more than the forecast 12-month period.

The industrial stock will continue to develop as a result of owner occupied building types being put into use, as was the case with the recently completed e-Mag industrial hub and Altex/Media Galaxy distribution centre which is currently under construction.

**MAJOR LANDLORDS:**
CTP, WDP, P3, Globalworth, Zacaria

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**INDUSTRIAL TAKE-UP IN ROMANIA (THOU. SQ M)**

Source: BNP Paribas Real Estate
KEY LEGAL TERMS

On the next pages, NNDKP Real Estate Team will provide a general presentation of the key aspects of Romania’s real estate market.

WAYS OF HOLDING/USING REAL ESTATE

Ownership
the right to fully use, develop, and manage a property

Superficies
the right to erect a construction on a third party’s land consisting in ownership right over the construction and right of use over the land

Concession
the right to develop constructions on lands pertaining to public or private state domain in exchange of royalty

PROPERTY ACQUISITION

The transfer of ownership right is usually done through sale purchase agreements which must be concluded in authenticated form in front of a public notary. Parties may execute deeds either personally, or through proxies based on an authenticated power of attorney.

Sale of agricultural and forestry land is subject to a mandatory legal pre-emption right. Failure to observe these mandatory legal provisions exposes the transfer to absolute nullity.

CONSTRUCTION PERMITTING PROCEDURE

The construction / demolition works are performed based on a building permit. If the specifics of the project require derogations from the general urban plan, the authorities may request a zonal urban plan (PUZ) or detailed urban plan (PUD) in order to accommodate the envisaged urban parameters.

The beneficiary of the building permit must hold a real estate right over the target land. Upon completion of construction works, reception minutes is executed inter alia by the contractor, the beneficiary and the relevant authorities. The construction is further registered in the relevant land book based on the building permit, reception minutes upon completion of works (without snags), and the final certificate attesting the erection of the building.

LAND BOOK REGISTRIES

Ownership rights are recorded in the land book in case they are opposed. Once the cadastral registration of properties across Romania is completed, registrations will be made with constitutive effect. On request, land books issue excerpts evidencing the rights and encumbrances recorded over a certain property.

ACQUISITION OF A LEASED PROPERTY

If a leased property is acquired during the lease term, the purchaser takes over the capacity as landlord. If the lease agreement was not registered with the land book, then the lease agreement is not notable to be opposed by the new owner.

RENT REVIEW

Rent may be established in foreign currencies, but it is paid in national currency. In commercial leases, it is market standard for the rent to be adjusted according to a previously agreed index.

TYPE OF LEASES

Two main lease types, commercial and residential, both based on parties’ agreement and, in principle, freely negotiable, subject to particular mandatory provisions.

FORM OF LEASES

The simple written form is a widely-accepted standard in Romania. In order for them to be opposed, the lease agreement has to be registered with the land book.

SUBLEASE AND ASSIGNMENT

In practice, subletting and assignment are permitted only with the landlord’s consent, except for subletting / assignment to affiliated companies where consent is granted through the lease agreement.

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**NEED TO KNOW**

**TAX CLINIC**

NNDKP Tax Advisory Services present general key tax aspects of Romania’s real estate market

**INVESTMENT**

Most common investment vehicle – local limited liability company (LLC). An existing business or set of assets is taken over through a share deal (most frequent) or an asset deal.

**SHARE DEAL** offers a favourable tax regime for capital gains, but also certain business advantages. For the buyer, shares acquired are a non-depreciable asset, while financing costs are non-deductible for CIT. Hence, leveraged buyout involving a merger with the target entity is commonly implemented.

Share deal is VAT exempt. No transfer tax applies.

**ASSET DEAL** triggers the taxation of seller’s profits. It allows the buyer to deduct the cost of assets acquisition and related financing costs for CIT, but triggers the Land Book fee and notary fees. A business transfer may result in goodwill for the buyer, which may not be depreciated.

A sale that is a transfer of a going concern is not subject to VAT. Otherwise, the regime depends on the type of assets (e.g. buildings are tax exempt, unless they are new, building land is taxable, other land is exempt1). Under certain conditions, tax-able sale of real estate is subject to simplification measures (the buyer accounts for VAT through reverse charge mechanism).

**OPERATION**

**DIVIDENDS** – 5% withholding tax (WHT) on outbound dividends, unless a lower treaty rate applies. Dividends paid to EU companies are WHT exempt if the recipient has held at least 10% in the share capital of the payer for at least 1 continuous year. 5% WHT on dividend payments between resident companies. No WHT if the minimum shareholding conditions (10% share, 1 year) are met. Dividends are tax exempt in the hands of the recipient.

**INTEREST** – Exceeding borrowing costs are deductible up to EUR 1,000,000 per year. Costs above this threshold may be deducted up to 30% of EBITDA. Standalone entities2 may fully deduct the costs.

16% WHT on interest paid to non-residents, unless a lower treaty rate applies. Interest paid to an EU company is WHT exempt if the latter has held at least 25% in the share capital of the payer for at least 2 years continuously.

**CIT** – A company that is tax resident in Romania is subject to 16% CIT on its worldwide income. CIT base is equal to accounting profits adjusted by non-deductible expenses and non-taxable income. Losses are carried forward for 7 years; no carry back.

Acquisition/Construction costs of a building are depreciated based on the straight-line method. Land is not subject to depreciation.

**VAT** – Rental of real estate is VAT exempt; taxation may be opted for. If property is rented under VAT exemption, input VAT deducted upon its acquisition/construction is adjusted. Negative VAT may be asked for as a refund through the VAT return. The legal refund term is of 45 days, but in practice it is exceeded.

**RET** is due by the owner. RET on building’s taxable value varies from 0.08% and 1.3%, depending on its category of use. RET on land is up to RON 2.0706/0.01456 per sq.m. if it is located inside/outside urban areas.

**LIQUIDATION** – If the liquidation proceeds of a foreign entity are higher than the paid-in capital, the exceeding amount is subject to 16% WHT; however, tax treaties would prevail.

Liquidation income obtained by a Romanian company are CIT exempt if the minimum shareholding conditions (10% share, 1 year) are met. Otherwise, 16% CIT applies.

**EXIT**

**SHARE DEAL** – Gains from the sale of Romanian entity shares, obtained by another local company or an entity resident in a tax treaty country, are CIT exempt if the minimum shareholding quota and duration (10%, 1 year) are met. Otherwise, 16% CIT applies.

Favourable treaty provisions may be applied. Most treaties of Romania give the taxation right to the other state; several treaties allocate such right to the state where the real estate is located (i.e. Romania).

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1. The law offers the possibility to opt for taxation.
2. As defined in the Anti Tax Avoidance Directive.
## Q & A

| **How can real estate be held?** | • Ownership  
| | • Superficies  
| | • Concession  
| **What rights over real estate property are required to be registered? What property documentation do you need to register?** | • All real estate rights should be registered with the land book so they can be opposed  
| | • The registration is done based on authenticated documents or court rulings  
| **Who usually produces the documentation in real estate transactions?** | • It is market practice for legal counsels to prepare drafts of the transaction documents, subject to negotiations and final approval of the principals  
| | • Public notaries are required to verify the legality of the deed  
| **What are the usual main documents in real estate acquisitions?** | • Memorandum of Understanding/Letter of Intent  
| | • Legal due diligence reports  
| | • Sale Purchase Agreements/Promissory Sale Purchase Agreements/Business Transfer Agreements  
| **What different types of real estate leases exist?** | • Commercial and Residential leases  
| **Is there a maximum term for commercial leases?** | • Maximum 49 years  
| **How are commercial rents reviewed?** | • Commercial rents usually include provisions on annual indexation  
| **What are usually the basic obligations of landlords?** | • Deliver the premises and ensure a proper and undisturbed use  
| **What are usually the basic obligations of tenants?** | • Take over the premises  
| | • Pay the rent  
| | • Use the premises in a prudent and diligent manner  
| | • Perform the repairs incumbent upon the tenant

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**Founded in 1990, Nestor Nestor Diculescu Kingston Petersen (NNDKP) is independently recognised as a promoter of business law in Romania and a preeminent provider of integrated legal and tax services across areas of practice and industries.**
BNP Paribas Real Estate has local expertise on a global scale through its presence in 36 countries with more than 180 offices and 5,400 employees. BNP Paribas Real Estate is a subsidiary of BNP Paribas.

As regards Romania, BNP Paribas Real Estate provides services in respect of Capital Markets, Property Management, Transaction, Consulting and Valuation. Furthermore, all departments are supported by the Research and Consultancy Team, which provides knowledge regarding real estate markets, thus enabling BNP Paribas Real Estate clients to make the most suitable long-term business decisions.

**KEY FIGURES***

BNP PARIBAS REAL ESTATE

- **36 countries**
  - including 21 alliances

- **5,400 employees**

- **43 m²** of assets under management in Europe

- **€191m** profit before tax (+2.3% vs 2017)

- **250 m²** valued in Europe

- **3,400 transactions during the year**

* As of 31/12/2018
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