

DR. TOMESCU VILLA RESTORATION: BRINGING BACK TO LIFE OVER 160 YEARS OF HISTORY UNDER VITALIS'S SUPERVISION



Dr. Tomescu Villa, the historical monument located in the heart of Bucharest, is currently revived under the Vitalis team's close supervision, becoming a new stunning Class-A office building with great accessibility and remarkable features.

Ideally located at no. 17 Gheorghe Manu General Street in the 1st District of Bucharest, the villa was built in 1862 as the residence of the famous pediatrician doctor Toma Tomescu, professor at the Faculty of Medicine, University of Bucharest. After more than 160 years, the building is now being restored by Prisum Real Estate, aiming to become a brand-new modern office building in

the heart of the city with a total area of about 1600 square meters and an approximately 1100 sq. m leasable office space.

Featuring an impressive architectural style while preserving the historical monument's essence, the building will enrich Bucharest's office landscape providing future tenants with working spaces enhanced for employees' well-being and productivity.

Dr. Tomescu Villa benefits from great accessibility due to its exclusive setting, being only 50 m away from the nearest bus station and 400 m from the nearest metro station.

Our involvement in this astonishing landmark restoration began in November 2022, when the Vitalis team was appointed by Prisum Real Estate to provide Project and Cost Management services and Quality Supervision of the restoration works. Vitalis and Prisum have a history of successful collaborations, as our team has also handled the fit-out project for Prisum Healthcare offices from the Globalworth Square office building and the fit-out works for the Cernica warehouse, providing Project and Cost Management, Site Management, and Health and Safety Coordination.

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H1 2023: MORE PROPERTIES SOLD, PRICES DOWN 50%



The number of sold income – generating real estate properties (office, retail, industrial & logistics spaces and hotels) during the first half of 2023 increased by 30% when compared with the same period of last year, but the average price per property decreased from €24 million to €11 million. Therefore, the transactional volume has seen an y-o-y decline of 43%, to a level of €181 million, according to data from a real estate consultancy company.

The office and industrial market segments were the most active from an investment perspective (with 5 buildings sold each during the analyzed period), followed by retail (4 properties) and hotels (3 properties).

INVESTMENT ACTIVITY H1 2023

SECTOR	PROPERTIES SOLD	SALES VOLUME (MIL. €)	AVERAGE PRICE / PROPERTY (MIL. €)
Industrial	5	66,1	13,2
Office	5	58,5	11,7
Retail	4	38,5	9,6
Hotel	3	17,5	5,8
TOTAL	17	180,6	10,6

In terms of volume, the largest share was held by the industrial & logistics sector (37%), followed by office (32%), retail (21%) and hotels (10%).

The increase in financing costs had a clear impact on the real estate investment volume, given that investors became more cautious and selective, the decision-making process being extended even in the case of ongoing transactions.

The Romanian investment market decline is in line with the global and regional trends, considering that the Central and Eastern Europe (CEE) market dropped by nearly 60% in H1 2023, reaching a volume of €2.3 billion. Poland recorded the largest decline in the region (71%, to €802 million), while in Hungary, the market contracted by 64% to €253 million. Romania and the Czech Republic reported the lowest decline rates in terms of investment volumes in the region.

The prime yields continued to move upwards across all segments, very much in line with the trend registered in the entire CEE region. Even though the high interest rates continue to put a significant pressure on exit yields, Romania remains an attractive market, as the spread between the local references and the other CEE countries, such as the Czech Republic, Poland or Hungary is relatively high on all market segments (generally in the 100 – 200 basis points' range).

In terms of funding sources, the real estate sector resorts to foreign financing to a large extent, particularly to intercompany loans, according to the National Bank of Romania. Hence, medium- and long-term external private debt had a share of 16% in the total liabilities and owners' equity of real estate companies (compared with 5% for the non-financial corporations' sector as a whole), as intercompany loans hold the highest share in the long-term external debt (70%).

(Source: www.cwechinox.com)

NEW RETAIL SCHEMES IN SMALLER CITIES REACH A DECADE-HIGH IN DELIVERIES



The first half of 2023 saw low new modern retail projects delivered, but the second half of the year is going to be more active, with about 260,000 square meters of new retail schemes announced for the end of the year, mostly in small and medium-sized cities, according to a mid-year market report. Looking at the consumption structure, after years of high inflation, it is likely that households are starting to become more cautious and more oriented towards good quality- price ratio acquisitions (“value to money”). It is estimated that customers will not necessarily scale back their own consumption, but they will just scale back the price bracket.

Construction costs are beginning to stabilize as lower prices for materials finally start to become visible, and this will further support the wave of retail expansion that was seen in recent years. At least until 2024, the project’s pipeline looks quite strong, most of them being retail parks, but works on larger schemes are also set to either finish or start soon.



The new schemes are well received by the market and there is strong tenant’ interest to open new stores, especially in retail park schemes. Also for older dominant schemes, particularly in big cities, the interest of tenants (especially smaller size concepts or premium brands) is high as each scheme has had a waiting list for some time now. Consequently, vacancy is relatively low or virtually non-existent in stabilized and dominant schemes. On the rents side, although landlords would expect higher base rents to cover the higher development cost, retailers are cautious in negotiations as the high indexation rates and service charge increases already put pressure on their results. Service charges are a particularly tough point of contention, as they have increased quite sharply (e.g. in retail parks from 1,5-2 euro/ sqm to upwards of 2,5-3 euro/sqm).

Looking at recently published official statistics for 2022, it has been a good year for discounters and retailers offering goods at lower prices. With regards to overall consumption, there are some signs of growth petering out. The expansion rate in overall non-food retail sales, for instance, clocked in at around 4% in the first semester of 2023. Yet most of this is due to favorable base effects and in fact, comparing to the post-pandemic period, the first semester of 2023 is equal to less than one tenth of the growth seen compared to 2019.

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The „BREC Residential Conference: The Future of Quality Living” took place today and we were honored to have our Managing Director, Alexandru Samoila, among the speakers.

Today we’re delighted to take part in the Forbes CEE Forum, a remarkable international event that gathers some of the key business, financial, and political leaders in Central and Eastern Europe.

We are honored to be part of this well-organized event, helping shape the future of quality living in Romania by sharing our knowledge, expertise, and ideas with one of the most important Real Estate communities in Bucharest!

Building Trust as a way of being, the Vitalis team is always ready to share insightful ideas and knowledge with the community, thus contributing to a better regional business environment.

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Today we celebrate Romanian Engineer’s Day, the perfect moment to honor the dedication and invaluable contributions of our super team of more than 100 Construction professionals. Without their commitment, drive for innovation, and excellent engineering skills the construction of some of the most amazing buildings we are today living and working in would not have been possible.

We are honored to attend today the „U.S. – Romania Economic Forum: Innovation for Prosperity” event.

More than 300 members of the AmCham Romania community are discussing right now the best ways to increase bilateral economic ties with the U.S. through regional cooperation and innovation.

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