

Deloitte study: Real estate companies in Romania and in the region expect market activity to decrease this year, but half of them estimate average yields to increase



More than half of real estate companies in Central and Eastern Europe expect market activity and investment volumes to decrease, amid uncertainties related to the evolution of the conflict in Ukraine, but a similar percentage (46%) estimate current investment average yields to increase, according to Deloitte 2023 Real Estate Confidence Survey for Central Europe, conducted in Poland, the Czech Republic and Romania. Regarding yields evolution, the players in Romania are the most optimistic – only 10% expect earnings decrease during the mentioned period, compared to 14% in the Czech Republic and 36% in Poland.

According to the study, 61% of participants expect overall economic climate to deteriorate this year. However, most investors say they are going to buy more (44%), while 39% consider freezing their investment activities.

The lower availability of debt finance (50%) and the uncertain economic climate are the main reasons companies are considering reducing their activity. However, if, immediately after the outbreak of the war, more than 50% of participants expected it to have long-term consequences, with a significant impact on the regional economy, while only 34% anticipated a medium-term effect, by the end of last year, the proportion had reversed (58% were expecting medium-term effects, and 31% a long-term impact).

"The study reveals that the Romanian market is strongly connected with the Central and Eastern European region, with certain specific features. For example, local players are more pessimistic about the overall market activity this year, but 90% expect the current investment yields to be stable or to increase. Also, Romanians are less pessimistic about the overall economic climate in their country compared to the other participants, but, on the other hand, they are concerned about the tax climate prospects, namely about increased taxation, given the announced property tax reform, postponed for the time being. However, in the current context, the results of the study indicate a balanced position of the real estate players, characterized by caution and consolidation of market activities in the countries in which they operate," said **Alexandra Smedoiu**, *Partner, Deloitte Romania, and Real Estate Industry Leader*.

Deloitte has been conducting Real Estate Confidence Survey for Central Europe since 2019 to find out how professionals in the field perceive the market. Three groups of stakeholders participate in the survey - developers, investors, and market advisers.