



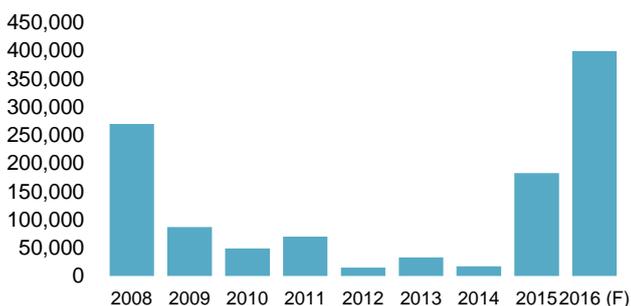
Supply

At the end of H1 2016, Romania’s industrial & logistics stock reached 2.3 million sq. m. With a stock higher than 1 million sq. m, Bucharest accounts for 45%. Outside Bucharest, existing supply amounts 1.29 million sq. m. The largest regional markets are Timisoara, with 12% share of the total stock, Ploiesti – 11%, Pitesti and Brasov, both with a share of 7%.

In the first half of 2016, 170,000 sq. m of industrial & logistics spaces were delivered, ~60% being completed in Bucharest. The regional cities attracted the rest, the most active markets being Cluj, with a share of 15%, Ploiesti – 11% and Pitesti – 10%. The largest project delivered in the first half of 2016 was a 47,000 sq. m warehouse for a large food retailer, in P3 Park Bucharest.

For the second half of the year, approx. 230,000 sq. m are expected to be delivered, out of which 60% will be completed outside Bucharest.

Figure 1
New industrial & logistics supply (sq. m) 2008 - 2016



Source: DTZ Research

Demand

Throughout H1 2016, around 225,000 sq. m were transacted, volume higher by 95% compared with the same period last year. With 155,000 sq. m, net take-up represented ~ 70% and was divided equally between Bucharest and the regional cities.

Pre-lease activity was higher by 40% y-o-y. In total, 58,000 sq. m were the subject of pre-lease agreements. Also, the largest deal in H1 2016 was a pre-lease transaction closed outside Bucharest (Yazaki – 29,000 sq. m leased in WDP Park Braila).

By the number transactions, the most active market outside Bucharest was Timisoara. In total, the area attracted 20% of the net take-up recorded throughout the first half of 2016.

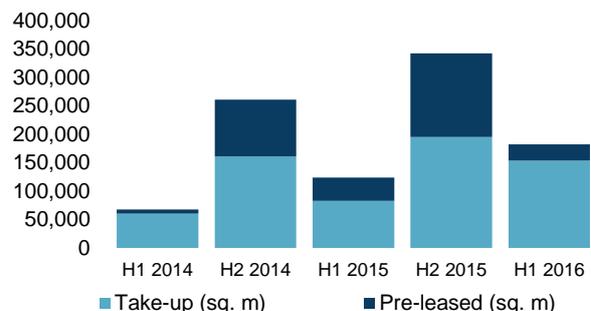
Table 1
Major transactions H1 2016

Company	GLA (sq. m)	Project	Deal Type
OTZ Logistics	15,000	CTPark Bucharest	Pre-lease
Valeo	13,500	Timisoara Airport Park	Pre-lease
Rolem	10,000	Olympian Park	Expansion
A&D Pharma	5,000	Log IQ Mogosoia	New lease

Source: DTZ Research

As in 2015, the most dynamic occupiers were companies active in the Logistics & Distribution sector – 45%, followed by the Automotive sector - 37% and Retail with 10%.

Figure 2
Structure of demand H1 2015 – H1 2016



Source: DTZ Research

Vacancy rate end of Q1 2016

Romania		
5%		
Bucharest	Ploiesti	Timisoara
4%	5%	6%
Cluj, Oradea, Pitesti, Brasov		
0%		

Source: DTZ Research

Occupancy costs

Romania continues to be one of the most competitive markets in Europe in terms of occupancy costs for industrial and logistics spaces.

Throughout H1 2016 the rental levels have remained relatively stable. Prime headline rents for A-class units are between 3.85 – 4 EUR /sq. m /month. For units below 5,000 sq. m, the rental level is marginally above and can exceed 4 – 4.25 EUR /sq. m /month. In addition to the rent, a service charge allowance applies, ranging between 0,6 – 0,95 EUR /sq. m /month, covering property tax, insurance, exterior security, technical maintenance costs, lightning and cleaning.

Table 2
New supply H2 2016

Project	GLA (sq. m)	Developer	Type	City
P3 Bucharest Park	43,000	P3	Speculative	Bucharest
CTPark Bucharest West	30,000	CTP	Speculative	Bucharest
Transilvania Logistics Park	30,000	Transilvania Constructii	Speculative	Cluj
VGP Park	17,000	VGP	Speculative	Timisoara
Industrial Park Brasov	15,000	ICCO Group	BTS	Brasov
WDP Park	12,500	WDP	BTS	Sibiu

Source: DTZ Research

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Outlook

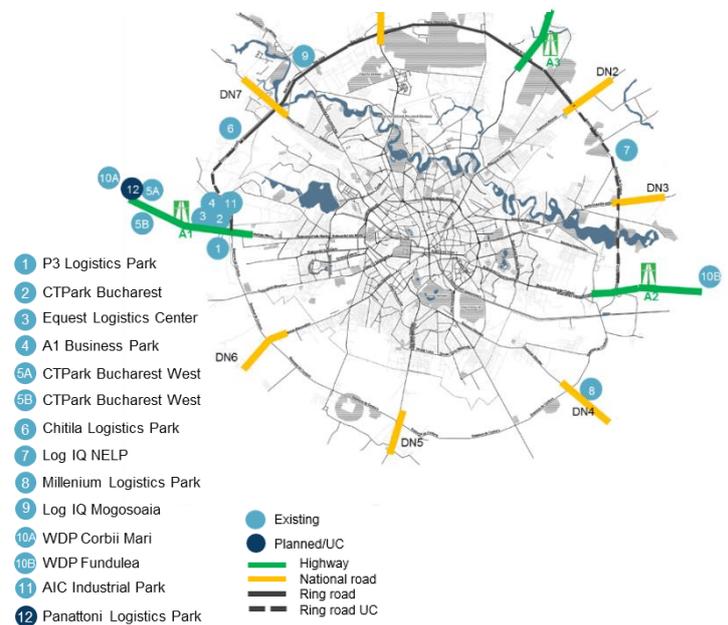
For the Romanian industrial & logistics market, 2016 represents a record year in terms of supply. Overall, the stock is forecasted to increase by 20% this year and to exceed, at the end of Q4, 2.5 mil. sq. m.

Given the fact that demand for industrial & logistics spaces was higher by 85% y-o-y and that companies active both in logistics / distribution and retail sectors are looking for options to expand operations, demand will continue to be strong going forward.

Considering the level of demand and the low vacancy rate (5%), more than 55% of the projects currently under construction are built on a speculative basis, mainly in Bucharest, Cluj and Timisoara. The rest of the projects due to be finalized by the end of 2016 are custom built facilities. Cities attracting this type of developments are Bucharest, Brasov and Sibiu.

Map 1

Bucharest - Modern logistics schemes



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