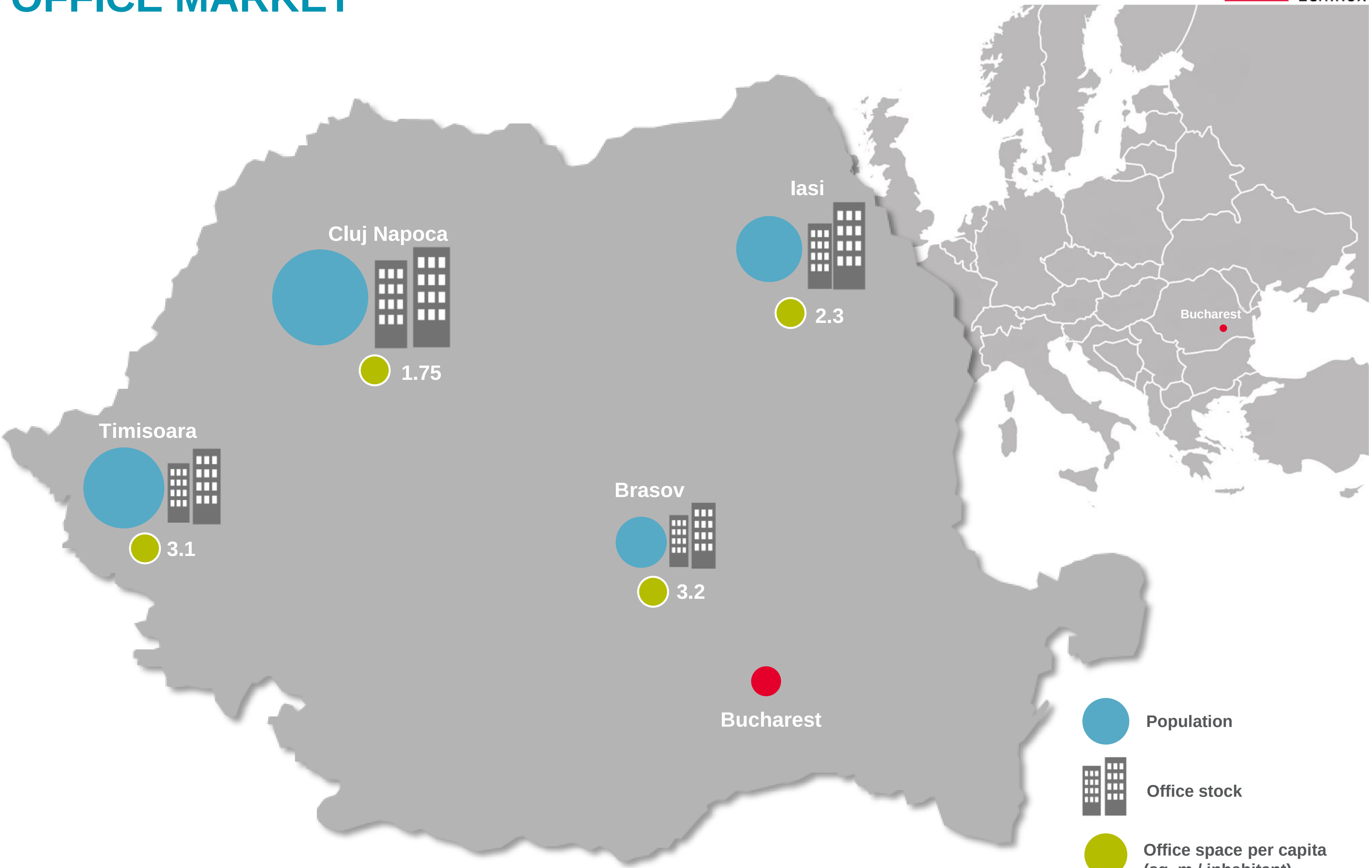
DTZ Echinox

ROMANIA

OFFICE MARKET REGIONAL CITIES

2015

2015 ROMANIA REGIONAL CITIES OFFICE MARKET



2015 ROMANIA REGIONAL CITIES OFFICE MARKET

DTZ Echinox

INTRODUCTION

Throughout 2014 the office market outside Bucharest has thrived, recording high levels both in terms of leasing and development activity. The main regional cities in Romania - Cluj, Timisoara, Iasi & Brasov – started to become a viable option for companies looking to enter the local market or to enlarge existing operations beginning 2008 – 2009. Compared with Bucharest, this cities were offering more competitive costs in terms of workforce and office space occupancy. Due to their strategic location, student population, qualified labor force and IT infrastructure, Cluj, Timisoara, Iasi and Brasov have become, in recent years, the largest office markets outside Bucharest.

In 2014 office leasing activity in the main regional cities has improved significantly, being higher by 200% compared with 2013. Approximately 55,000 sq. m of modern office space were transacted, this being the highest level ever recorded. Moreover, transactional activity has become more diversified. New demand was in the last years the main driver of the office market outside Bucharest. In 2014, deals such as pre-leases or renewals, which were extremely scarce in previous years, have also increased. Overall, office transactional activity has been divided between expansions and new operations - 43%, relocations - 20%, pre-leases - 16% and renewal & renegotiation deals - 21%.

Cluj Napoca was the most active city in terms of office transactional activity, with 63%, followed by Timisoara - 22%, Iasi - 10% and Brasov with 5%.

Technology & Telecom companies continued to be the best performing office occupiers, with 70% from total leasing activity, followed by Manufacturing / Industrial companies, with 30%.

In terms of office supply, last year the modern office stock in the main regional cities has increased by 10% and at the end of 2014 reached 493,000 sq. m. New supply was of 43,000 sq. m, 83% being delivered in Cluj Napoca. This year, another 96,000 sq. m are scheduled for completion, with Cluj and Iasi being the most active office markets in terms of deliveries. By the end of 2015, the office stock in the main regional cities is projected to reach ~ 590,000 sq. m. Going beyond and analyzing the pipeline for 2016, approximately 80,000 sq. m of modern office space are planned for delivery and by the end of 2016 the office stock outside Bucharest might exceed 665,000 sq. m.

Having over 25,000 sq. m of office space transacted in Q1 2015 and with new supply estimated to be twice higher y-on-y, the office market outside Bucharest will outperform in 2015 last year's results.

2015 ROMANIA REGIONAL CITIES OFFICE MARKET

SUPPLY & DEMAND

Figure 1

Total modern office stock evolution (sq. m)

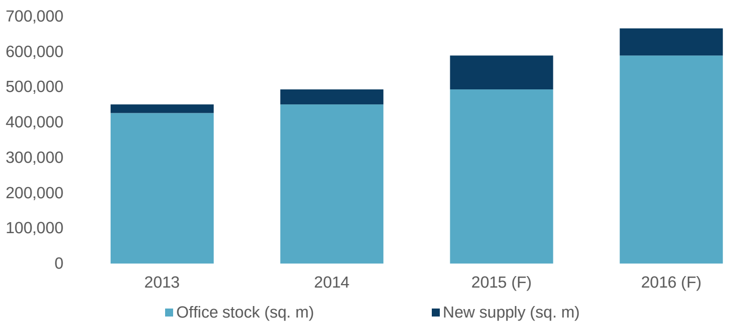


Figure 2

Modern office stock evolution per city (sq. m)

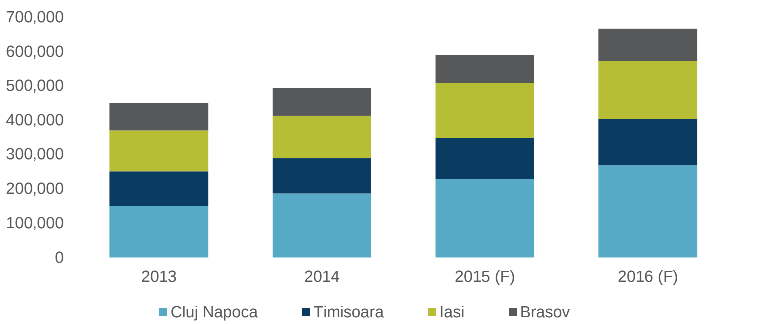
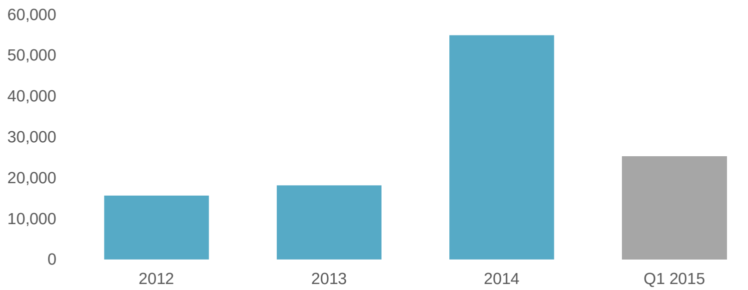


Figure 3

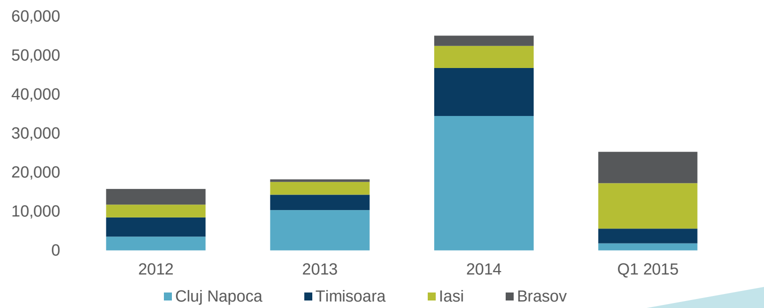
Total office leasing activity (sq. m)



Source DTZ Research

Figure 4

Office leasing activity per city (sq. m)



Source DTZ Research

CLUJ NAPOCA

"We have chosen to expand our operations in Cluj because it is an IT center which will continue to develop. Cluj-Napoca is an important academic center and we found here a dynamic IT community. Cluj also benefits direct flights to many European cities and has a business infrastructure which favors the development of IT companies."

John Cotterell, CEO Endava
October 2014

2015 CLUJ NAPOCA

INDICATORS

Location	N - W Romania
Time zone	GMT + 02 h
Surface (Km2)	179.5
Population*	324,576
Inhabitants with ages between 15 – 49*	52%
Unemployment rate*	2.8%
Average net salary (€)*	408
Number of students**	50,000
No. of universities	12
Main universities	Babeş - Bolyai University, The Technical University
Main industries	Manufacturing / Technology & Telecom
Languages	English, French, Hungarian, German
Transportation means	Bus, trolleybus, tram
Airport	Avram Iancu International Airport
Rail stations	3

*National Institute of Statistics 2014

**National Institute of Statistics 2013

FACTS

- 2nd Largest city in Romania by population
- 2nd University center in Romania after Bucharest
- 2nd Largest Airport in Romania in terms of traffic*
- Declared the most welcoming city in Europe**
- 2015 European Capital of Youth
- 25th Place in the world in terms of internet speed (74.89 Mbps)***
- 50% Building taxes reduction for Green buildings
- Major companies: MOL Romania, Terapia, Farmec SA, Fujikura Automotive, Endava, Genpact, Emerson, Bosh, De'Longhi

*Over 1,18 million passengers in 2014

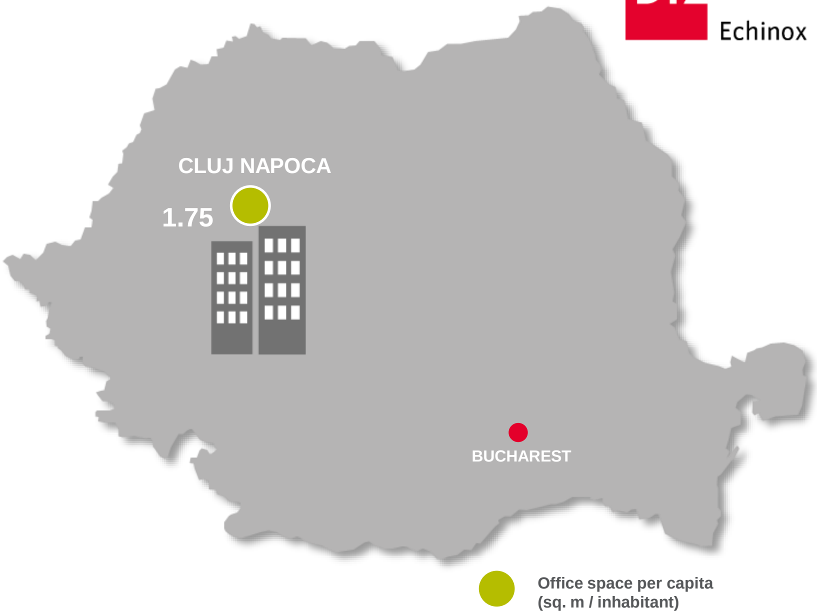
**European Commission report 2013

***Net Index 154 cities April 2015

2015 CLUJ NAPOCA OFFICE MARKET

SUPPLY

- With a modern office stock of 186,000 sq. m, Cluj Napoca is the 2nd largest office market in Romania, after Bucharest;
- In 2014 new office supply was of 36,000 sq. m making Cluj the most active market outside Bucharest in terms of office deliveries;
- The pipeline for 2015 reveals that new office supply in Cluj Napoca is projected to be of ~ 43,000 sq. m. Among the office projects due to be delivered this year are The Office – 2nd phase, Liberty Technology Park – 2nd phase or Cluj BC – 2nd phase.



DEMAND

- Considered to be a ,,mini Silicon Valley'', Cluj Napoca is one of the most attractive cities in Romania for companies active in the sector of Technology & Telecom;
- In 2014 office leasing activity was of 34,500 sq. m, considerably higher compared to the previous year (3.3 times higher y-o-y); Moreover, Cluj Napoca was the most active office market outside Bucharest in terms of leasing activity;
- Take-up represented 67%, with over 23,000 sq. m transacted and was divided between relocations, expansions and new operations.
- The average deal size in 2014 was of 1,900 sq. m and the most active office occupiers were from Technology & Telecom, followed by Manufacturing sector.

VACANCY & OCCUPANCY COSTS

- General office vacancy rate is around 7%. For A class office buildings, the vacancy is of 5%, while for B class office buildings the vacancy is higher and is situated at 10%.
- The headline rents for A class office space are between € 13 – 15 / sq. m/ month.
- For B class office buildings, the rental level is situated between € 8 - 11/ sq. m/ month.
- The office market's service charge costs are subject to triple net leases. The service charge costs vary between € 2 – 3.5 /sq. m/ month.

2015 CLUJ NAPOCA OFFICE MARKET

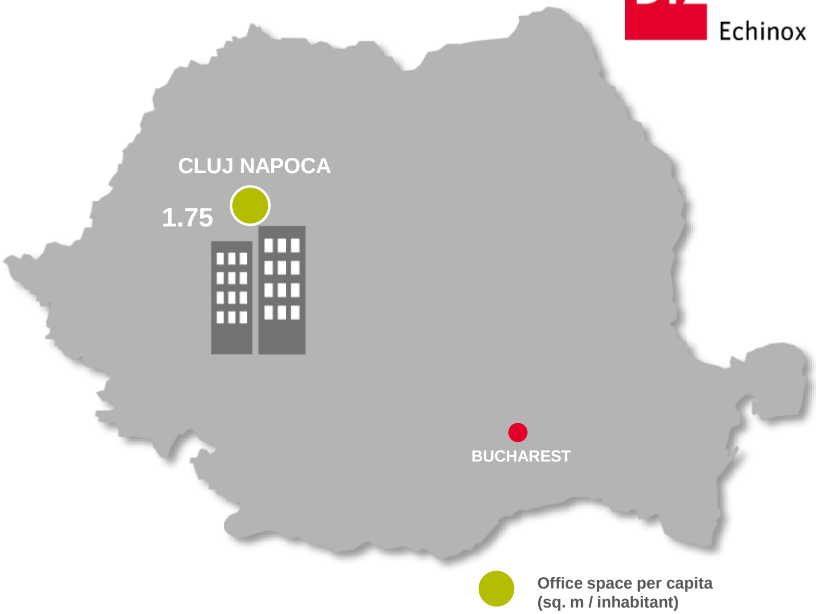
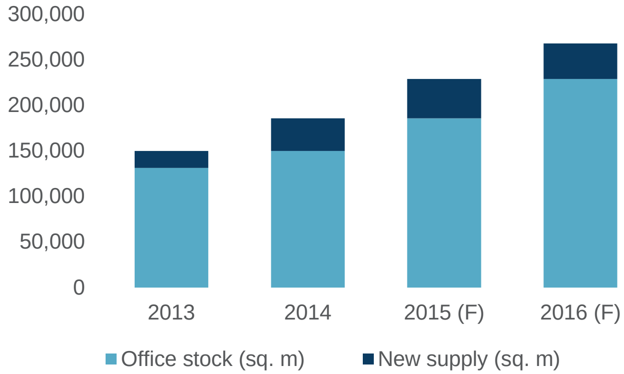


Figure 1

Modern office stock evolution



Source DTZ Research

Table 1

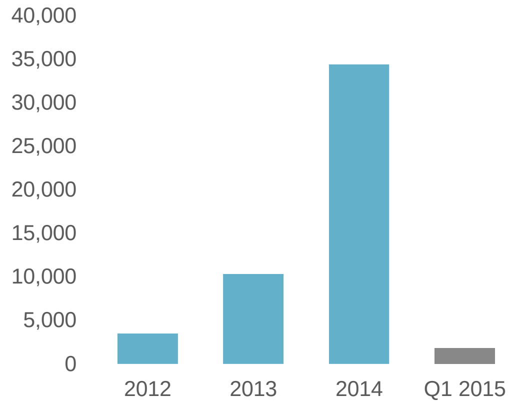
2015 – 2016 Major office deliveries

Project	GLA (sq. m)	Developer	Year
The Office II	18,000	NEPI	2015
Liberty Technology Park II	11,000	Fribourg Investment	2015
CBC II	8,000	Felinvest	2015
The Office III	17,000	NEPI	2016
UBC II	22,000	Iulius Group	2016

Source DTZ Research

Figure 2

Office leasing activity (sq. m)



Source DTZ Research

Table 2

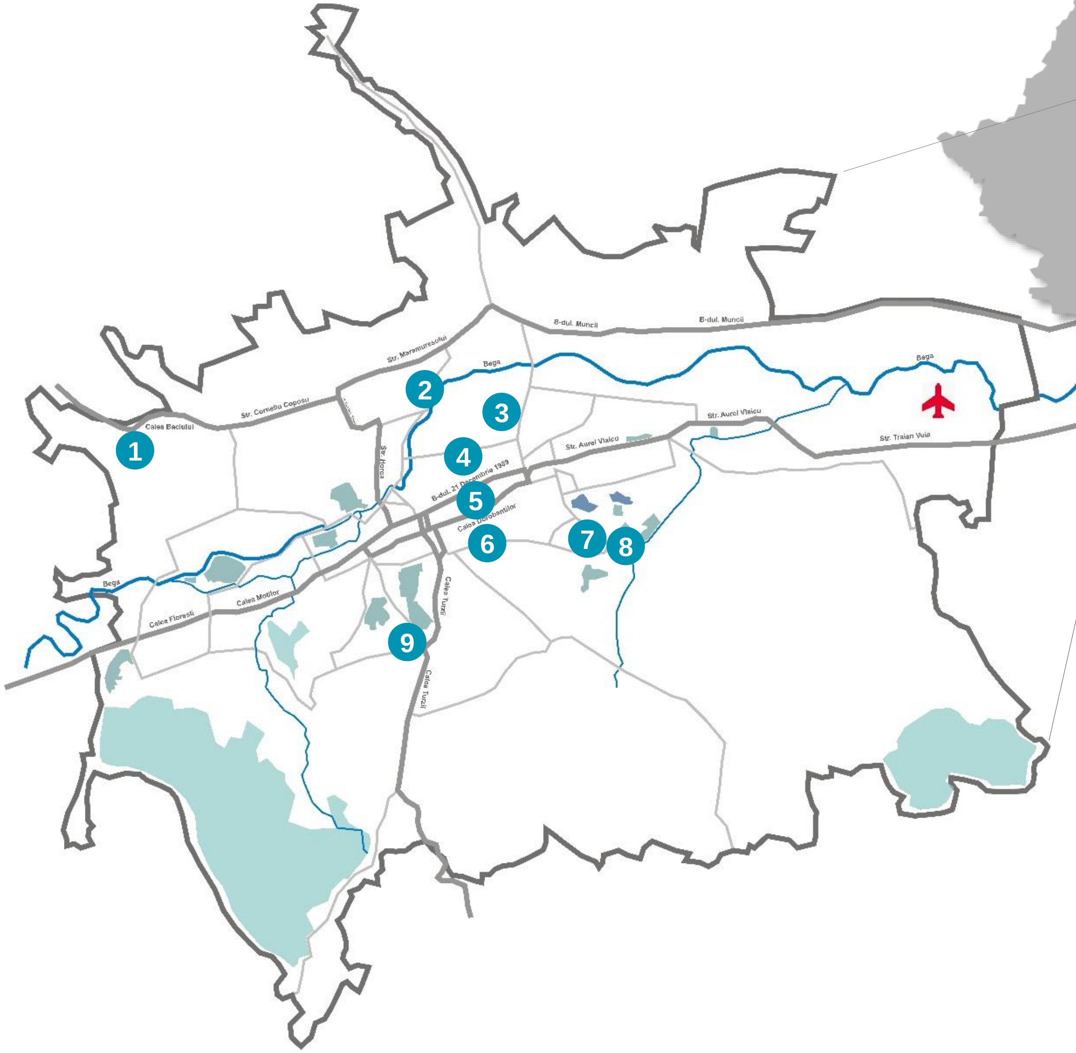
2014 Major office deals

Company	Surface (sq. m)	Project	Deal type
Genpact	3,000	UBC Tower	Pre-lease
Office Depot	4,500	UBC Iulius	Renewal & Expansion
E.On	4,500	Amera Tower	Renewal & Expansion
Siemens	3,000	Liberty Technology Park	New lease

Source DTZ Research

2015 CLUJ NAPOCA OFFICE MARKET

MAJOR OFFICE PROJECTS



LEGEND

1. Amera Tower
2. Liberty Technology Park
3. CBC
4. The Office
5. Maestro BC
6. Power BC
7. United Business Center Iulius
8. United Business Center Tower
9. Sigma Center

Avram Iancu International Airport

TIMISOARA

“To complement our other operations in Europe and China, we have chosen Timisoara as the location for an elite team who will develop complex software stacks for our connectivity IC platforms.”

Anthony Sethill, CEO Toumaz Group
July 2013

2015 TIMISOARA

INDICATORS

Location	W Romania
Time zone	GMT + 02 h
Surface (Km2)	130.5
Population*	319,279
Inhabitants with ages between 15 – 49*	53%
Unemployment rate*	1.6%
Average net salary (€)*	408
Number of students**	32,000
No. of universities	8
Main universities	Polytechnic University, The West University
Main industries	Automotive / Technology & Telecom
Languages	English, French, German, Hungarian
Transportation means	Bus, trolleybus, tram, cabs
Airport	Traian Vuia International Airport
Rail stations	2

*National Institute of Statistics 2014

**National Institute of Statistics 2013

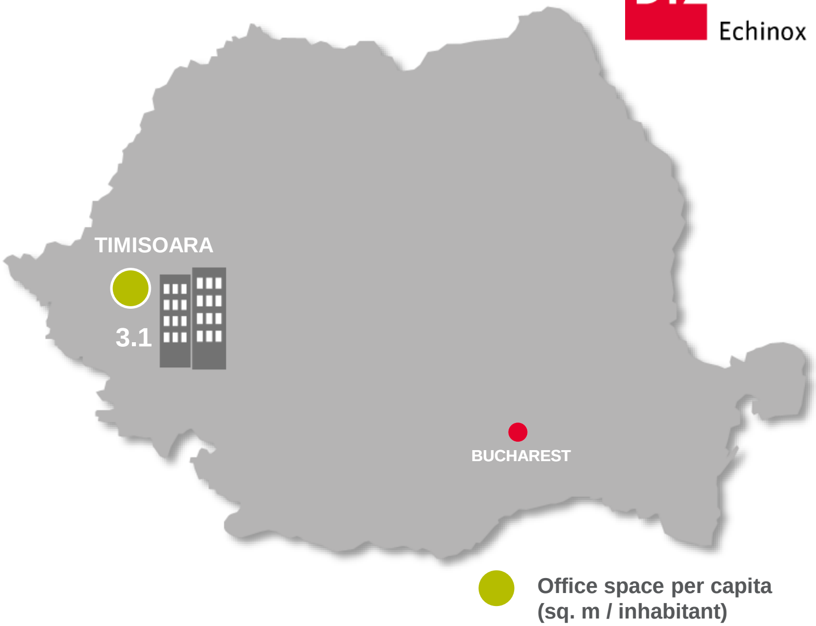
FACTS

- 3rd Largest city in Romania by population
- 4th University center in Romania
- 3rd Largest Airport in Romania in terms of traffic*
- Main social, economic & cultural center in the western part of the country
- 2nd City in the world after New York illuminated by electric light
- 16th Place in the world in terms of internet speed (83 Mbps)**
- Major companies: Delphi Automotive, Continental, TT Electronics, Hella, Alcatel, Dräxlmaier, Nestlé

*Over 736,000 passengers in 2014

**Net Index 154 cities April 2015

2015 TIMISOARA OFFICE MARKET



SUPPLY

- With a modern office stock of 102,500 sq. m, Timisoara is the 4th largest office market in Romania, after Bucharest, Cluj Napoca and Iasi.
- In 2014 new office supply was minimum and amounted 2,500 sq. m.
- For 2015 new office supply is projected to be six times higher compared with the previous year. In total there are scheduled for completion 17,000 sq. m of modern office spaces. The 5th phase of City Business Center will be completed in H1 and the 2nd phase of Optica Business Park will be delivered by the end of Q4.

DEMAND

- Being located in the Western part of Romania and having a great connectivity with the Central Western part of Europe, Timisoara has become the perfect office destination for companies active in various fields, such as Manufacturing, Technology & Telecom or Financial.
- In 2014 take-up activity was of ~12,500 sq. m, considerably higher compared to the previous year (3 times higher y-o-y); Moreover, in Timisoara was registered the largest office deal outside Bucharest in terms of area.
- Take-up was divided between expansions and relocations, with expansions representing 90%.
- The average deal size in 2014 was of 2,000 sq. m and the most active office occupiers were from Manufacturing sector, followed by. Technology & Telecom companies.

VACANCY & OCCUPANCY COSTS

- General office vacancy rate is around 5%. For A class office buildings, the vacancy is below 5%, while for B class office buildings the vacancy is higher and is situated at 7%.
- The headline rents for A class office space are between € 12 – 14 / sq. m/ month.
- For B class office buildings, the rental level is situated between € 8 - 10/ sq. m/ month.
- The office market's service charge costs are subject to triple net leases. The service charge costs vary between € 2 – 3.5 /sq. m/ month.

2015 TIMISOARA OFFICE MARKET

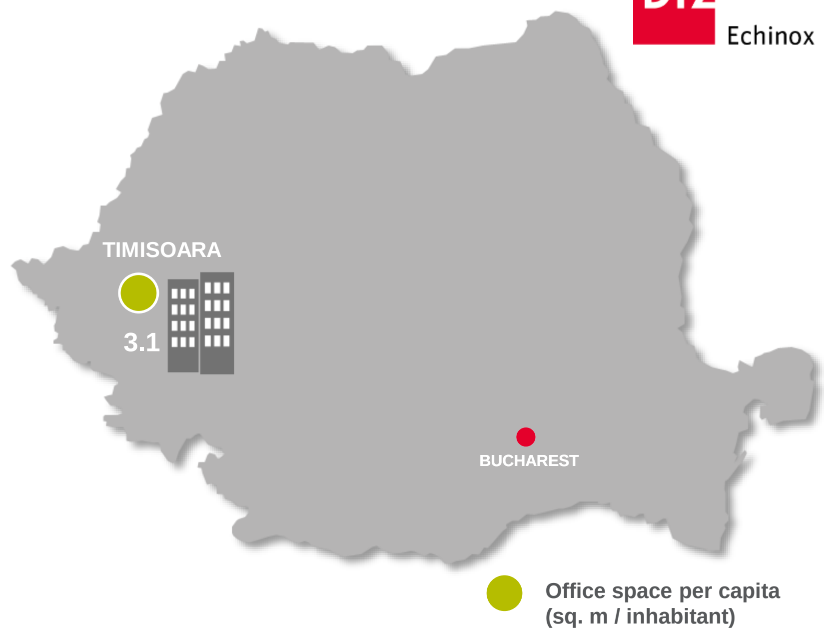
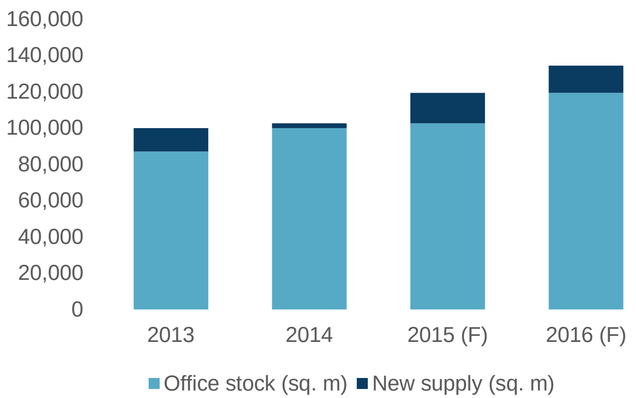


Figure 1

Modern office stock evolution (sq. m)



Source DTZ Research

Table 1

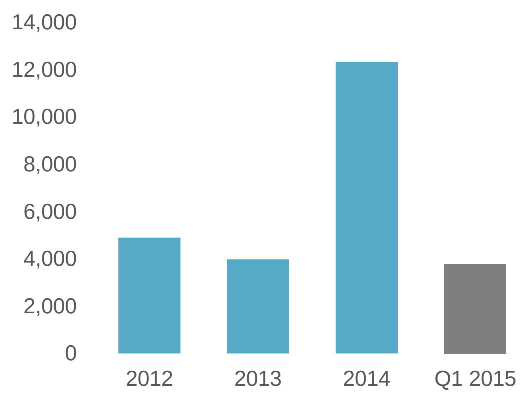
2015 – 2016 Major office deliveries

Project	GLA (sq. m)	Developer	Year
CBC - E	9,500	Modatim Investment	2015
Optica Business Park - II	5,000	Bega Group	2015
Alcatel HQ	~15,000	N/A	2016

Source DTZ Research

Figure 2

Office leasing activity (sq. m)



Source DTZ Research

Table 2

2014 Major office deals

Company	Surface (sq. m)	Project	Deal type
Continental	~6,000	Optica Business Park	New lease
T&T Company	~3,000	CBC	New lease
Microsoft	1,100	Optica Business Park	New lease

Source DTZ Research

DTZ Echinox

2015 TIMISOARA OFFICE MARKET

MAJOR OFFICE PROJECTS

LEGEND

1. AGN BC
2. Fructus Plaza
3. City Business Center
4. Romcapital Center
5. Optica Business Park

Traian Vuia International Airport

IASI

''Xerox's products and document management services have been serving the European market necessities for a long time, but in this moment we can offer our European customers extensive services for outsourcing IT operations and business processes. Opening a SSC in Iasi reveals our strategy to expand the range of services in order to better meet our European customers' increasingly diversified needs."

Tom Blodgett, Operational Director Xerox's European Services
November 2012

2015 IASI

INDICATORS

Location	N-E Romania
Time zone	GMT + 02 h
Surface (Km2)	93.9
Population*	290,422
Inhabitants with ages between 15 – 49*	53%
Unemployment rate*	4.9%
Average net salary (€)*	351
Number of students**	44,000
No. of universities	11
Main universities	Al. I. Cuza University, Technical University Ghe. Asachi
Main industries	Manufacturing/ Technology & Telecom/ Pharmaceutical
Languages	English, French, Italian, Russian
Transportation means	Bus, tram, cabs
Airport	Iasi International Airport
Rail stations	3

*National Institute of Statistics 2014

**National Institute of Statistics 2013

FACTS

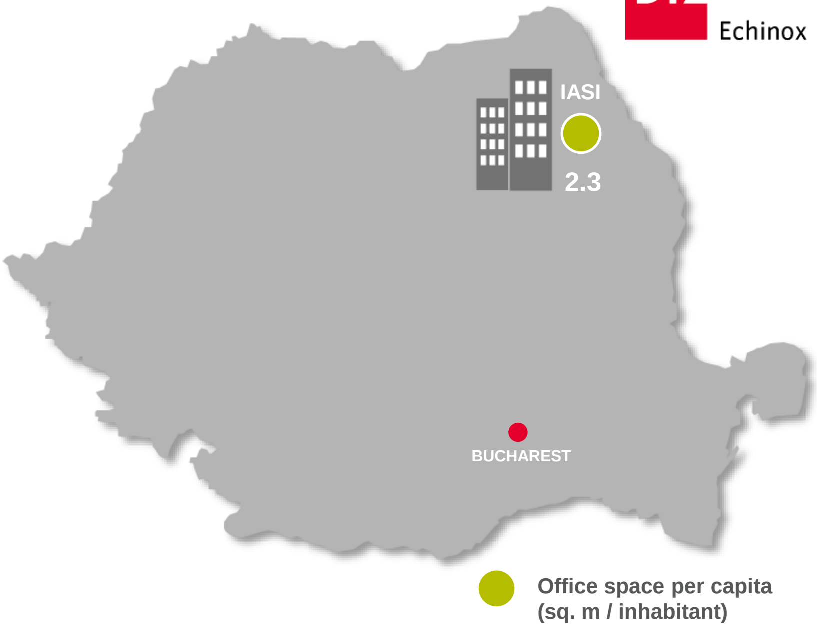
- 4th Largest city in Romania by population
- 3rd University center in Romania
- Main social, economic & cultural center in the eastern part of the country
- 1st City in Romania to have a higher education institution
- Capital of Romania between 1916 - 1918
- 4th Place in the world in terms of internet speed (96 Mbps)*
- Major companies: Delphi Diesel Systems, Antibiotice SA, E.On, Xerox, Amazon, Lear Corporation

*Net Index 154 cities April 2015

2015 IASI
OFFICE MARKET

SUPPLY

- With a modern office stock of 124,500 sq. m, Iasi is the 3rd largest office market in Romania, after Bucharest and Cluj Napoca.
- In 2014 new office supply was minimum and amounted 4,500 sq. m.
- This year Iasi will be the 2nd active office market outside Bucharest in terms of deliveries. For 2015 new office supply is forecasted to be of 35,500 sq. m. The largest office projects due to be completed in 2015 in Iasi are Moldova Center, United business Center V and Tester office building.



DEMAND

- Having an advanced telecom infrastructure and a large educated labor pool, Iasi is the second most attractive regional city after Cluj Napoca for companies looking to open BPO, R&D or SSC operations.
- In 2014 take-up was of ~6,000 sq. m, approximately 75% higher y-o-y. However, transactional activity registered in Q1 2015 reveals that Iasi will be this year the most active city in terms of office leasing activity.
- Take-up was divided between expansions / new entries and relocations, with expansions / new operations representing 80%.
- The average deal size in 2014 was of 500 sq. m and the most active office occupiers were from Technology & Telecom sector.

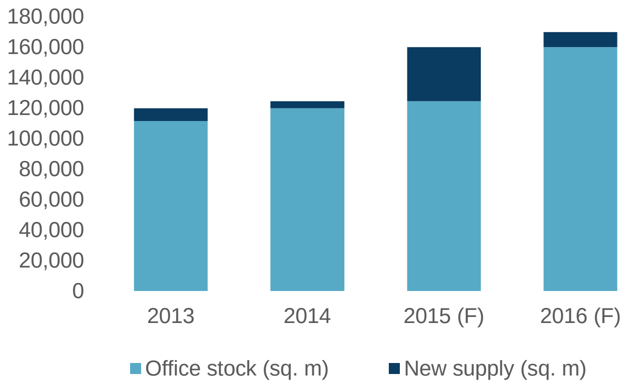
VACANCY & OCCUPANCY COSTS

- General office vacancy rate is around 7%. For A class office buildings, the vacancy is below 5%, while for B class office buildings the vacancy is higher and is situated at 10%.
- The headline rents for A class office space are between € 13 – 15 / sq. m/ month.
- For B class office buildings, the rental level is situated between € 8 - 11/ sq. m/ month.
- The office market's service charge costs are subject to triple net leases. The service charge costs vary between € 2 – 3.5 /sq. m/ month.

2015 IASI OFFICE MARKET

Figure 1

Modern office stock evolution (sq. m)



Source DTZ Research

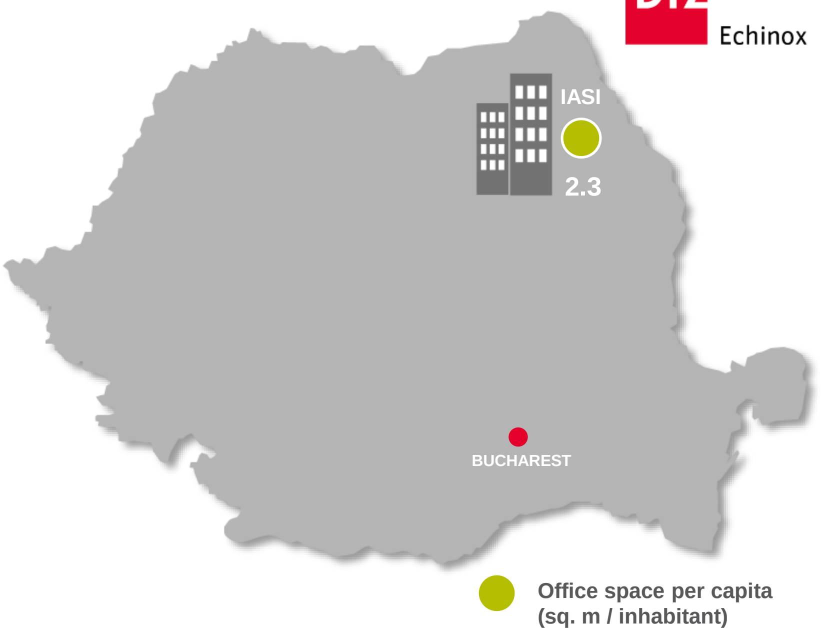


Table 1

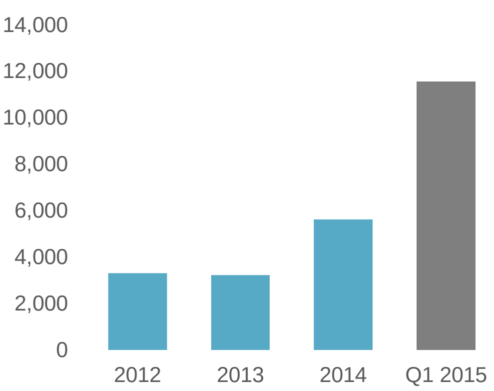
2015 – 2016 Major office deliveries

Project	GLA (sq. m)	Developer	Year
UBC 5	15,000	Iulius Group	2015
Moldova Centre	11,500	Impact	2015
Tester Center	6,400	Tester Group	2015
Ideo II	10,000	Tester Group	2016

Source DTZ Research

Figure 2

Office leasing activity (sq. m)



Source DTZ Research

Table 2

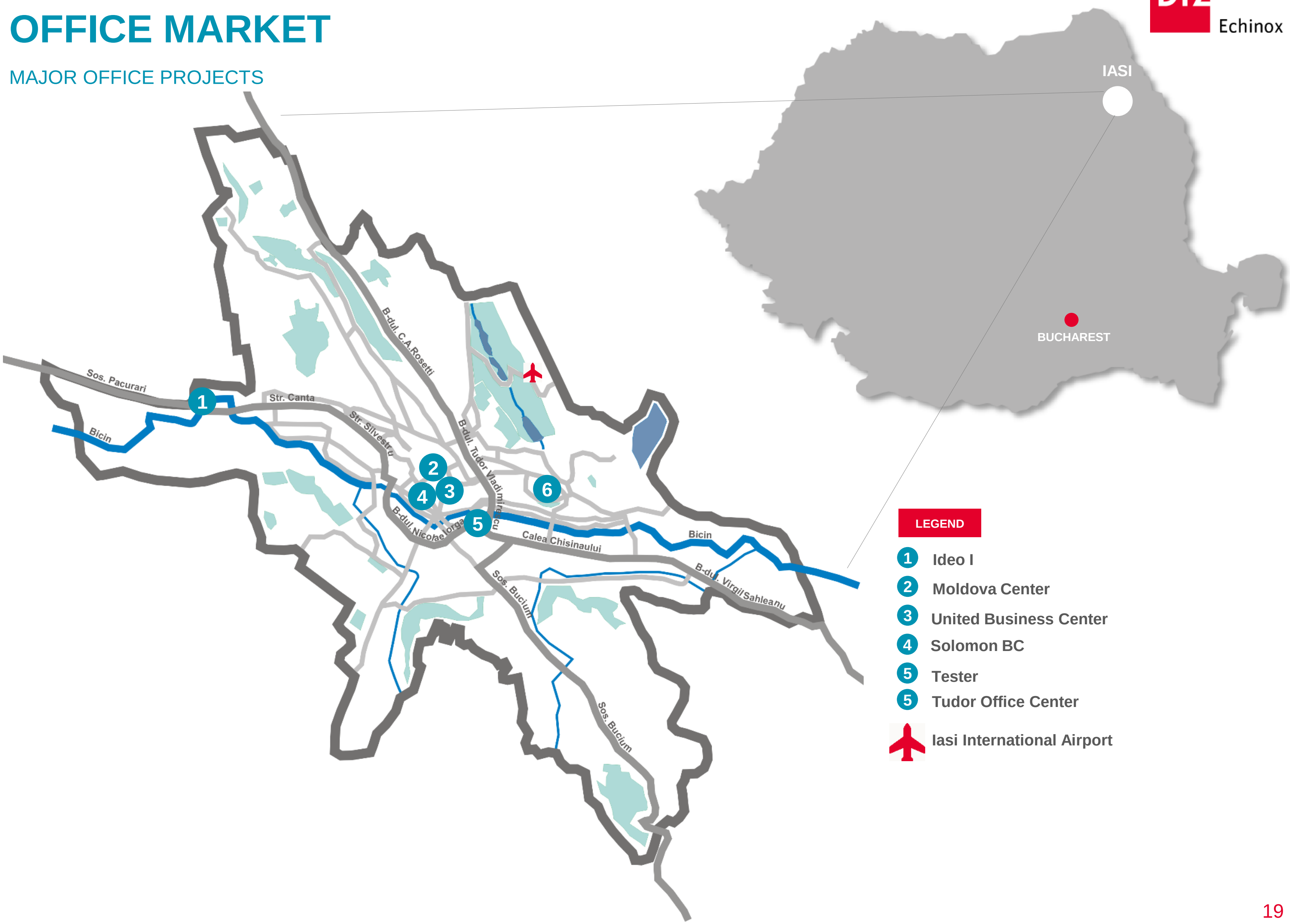
2014 Major office deals

Company	Surface (sq. m)	Project	Deal type
GFK	~3,000	Tester Center	Pre-lease
T&T Company	1,100	UBC IV	New lease
E-mag	400	UBC IV	New lease

Source DTZ Research

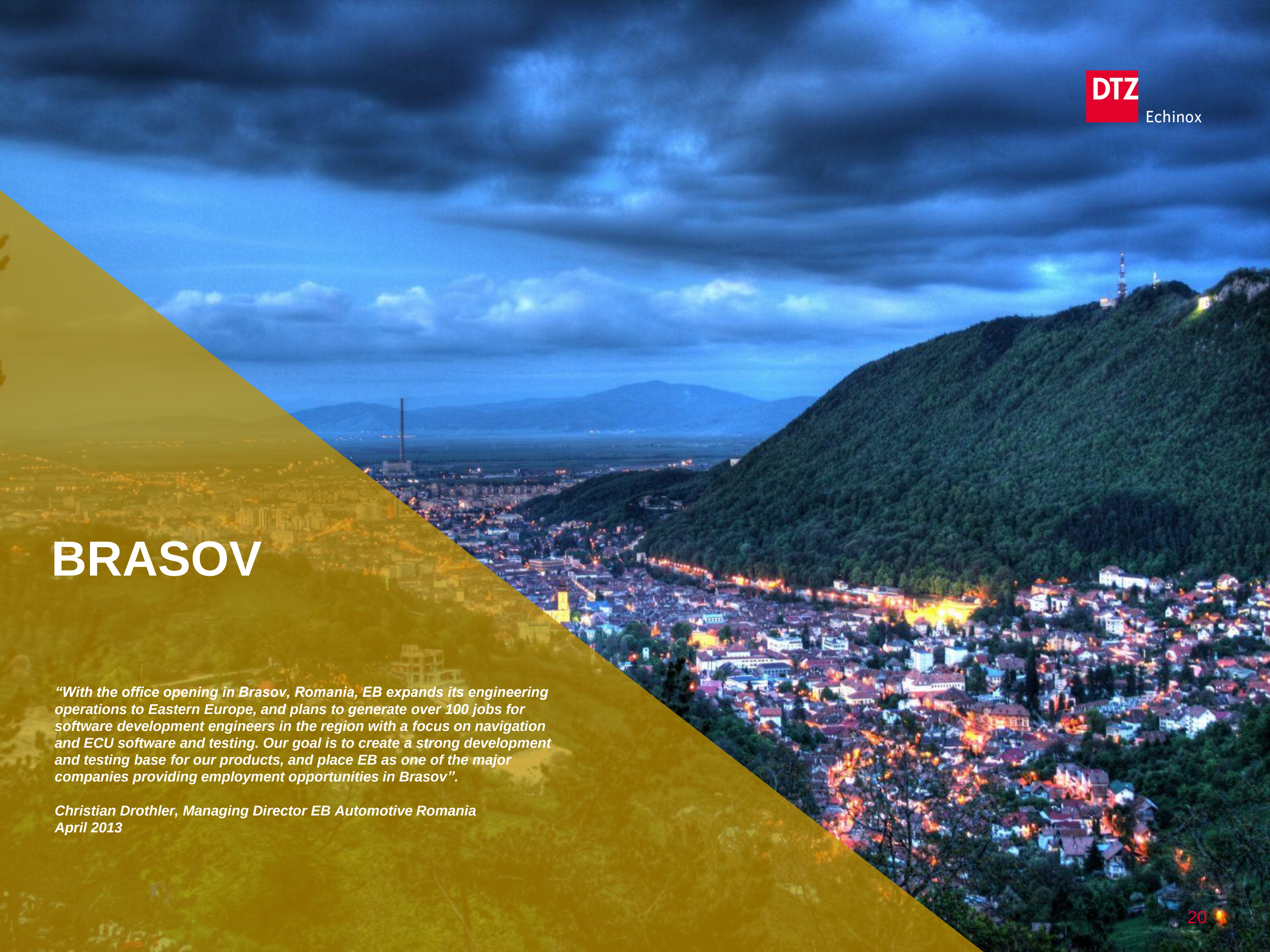
2015 IASI
OFFICE MARKET

MAJOR OFFICE PROJECTS



LEGEND

1 Ideo I
2 Moldova Center
3 United Business Center
4 Solomon BC
5 Tester
5 Tudor Office Center
Iasi International Airport



DTZ Echinox

BRASOV

“With the office opening in Brasov, Romania, EB expands its engineering operations to Eastern Europe, and plans to generate over 100 jobs for software development engineers in the region with a focus on navigation and ECU software and testing. Our goal is to create a strong development and testing base for our products, and place EB as one of the major companies providing employment opportunities in Brasov”.

Christian Drothler, Managing Director EB Automotive Romania
April 2013

2015 BRASOV

INDICATORS

Location	Central Romania
Time zone	GMT + 02 h
Surface (Km2)	267.32
Population*	253,200
Inhabitants with ages between 15 – 49*	49%
Unemployment rate*	4.3%
Average net salary (€)*	363
Number of students**	18,000
No. of universities	8
Main universities	Transylvania University, George Baritiu University
Main industries	Manufacturing/ Technology & Telecom/ Pharmaceutical
Languages	English, German, Hungarian
Transportation means	Bus, trolleybus, taxi
Airport	Under construction
Rail stations	5

*National Institute of Statistics 2014

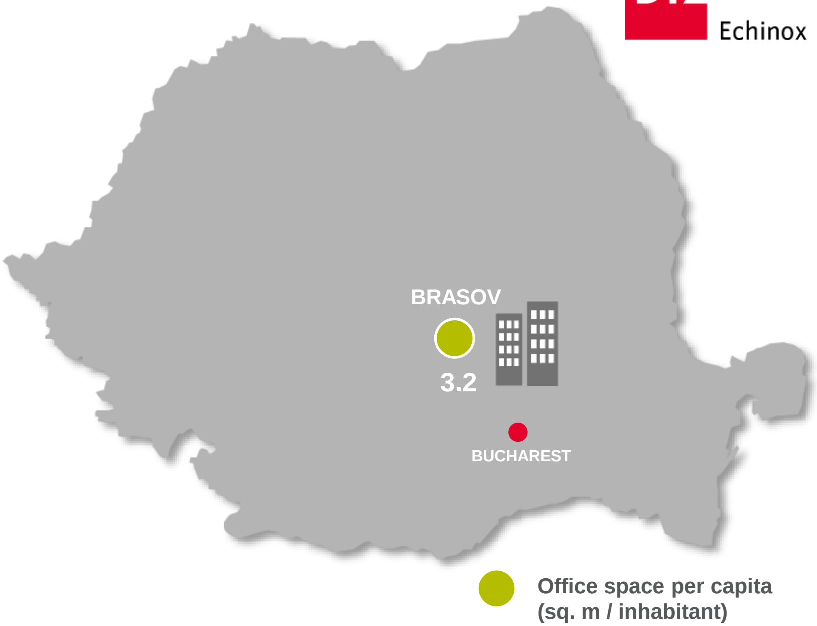
**National Institute of Statistics 2013

FACTS

- 7th Largest city in Romania by population
- Main industrial hub in the central part of Romania
- 1st City in Romania by the number of foreign visitors in the last two years
- Member of the European Forum for Urban Security (EFUS) since 2008
- 44th Place in the world in terms of internet speed (66 Mbps)*
- Major companies: Autoliv, Schaeffler, Continental, Dräxlmaier, CGS, Total Lubricants, Benchmark Electronics

*Net Index 154 cities April 2015

2015 BRASOV OFFICE MARKET



SUPPLY

- The modern office stock in Brasov is of 80,000 sq. m. Compared with Cluj, Iasi and Timisoara, the city is the 4th largest office market outside Bucharest.
- In 2014 there have been no office projects delivered and in 2015 the situation is likely to remain unchanged.
- However, by the end of 2016 the office stock in Brasov will exceed 90,000 sq. m. Next year new supply is projected to be of 13,500 sq. m, the largest project due to be delivered being the 2nd phase of Coresi Business Park – 10,000 sq. m.

DEMAND

- Located only 180 km. from Bucharest and being one of the most important economic centers in Romania, Brasov has been chosen as office location by companies active in Technology & Telecom, Financial or Manufacturing.
- In 2014 office leasing activity has been 2.5 times higher compared with 2013.
- As in other regional cities, the vast majority of transactions have been expansions or new operations.
- The average deal size in 2014 was of 500 sq. m and the most active office occupiers were from Technology & Telecom sector.

VACANCY & OCCUPANCY COSTS

- General office vacancy rate is 10%. For A class office buildings, the vacancy is 8%, while for B class office buildings the vacancy is higher and is situated at 10%.
- The headline rents for A class office space are between € 11 – 12 / sq. m/ month.
- For B class office buildings, the rental level is situated between € 7 - 9/ sq. m/ month.
- The office market's service charge costs are subject to triple net leases. The service charge costs vary between € 2.5 – 3.5 /sq. m/ month.

2015 BRASOV OFFICE MARKET

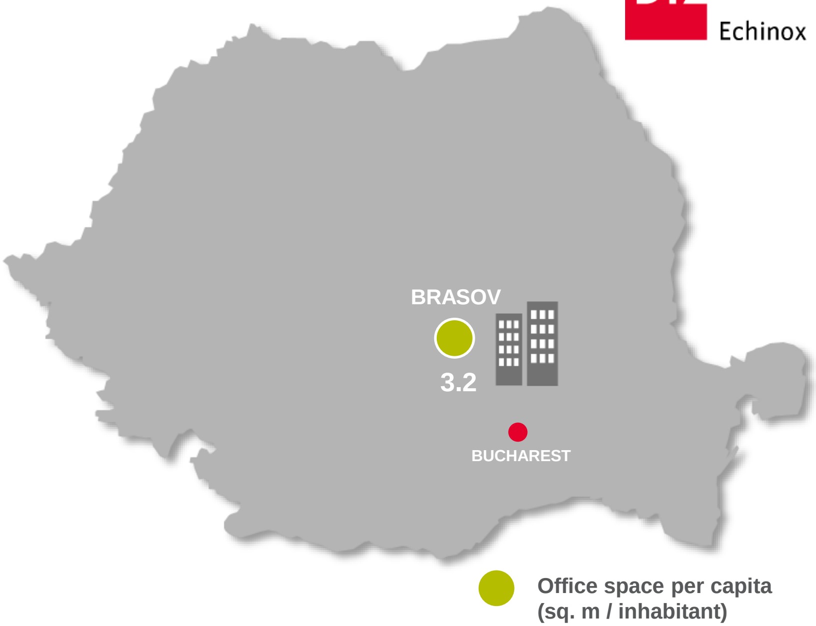
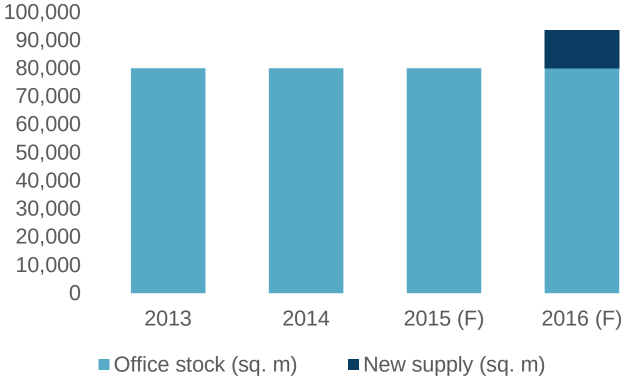


Figure 1

Modern office stock evolution (sq. m)



Source DTZ Research

Table 1

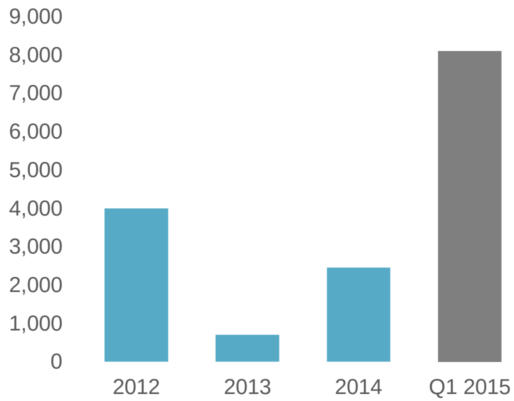
2016 Major office deliveries

Project	GLA (sq. m)	Developer	Year
Coresi Business Park 2nd Phase	10,000	Ascenta Management	2016
Business Centre	3,500	Public institution	2016

Source DTZ Research

Figure 2

Office leasing activity (sq. m)



Source DTZ Research

Table 2

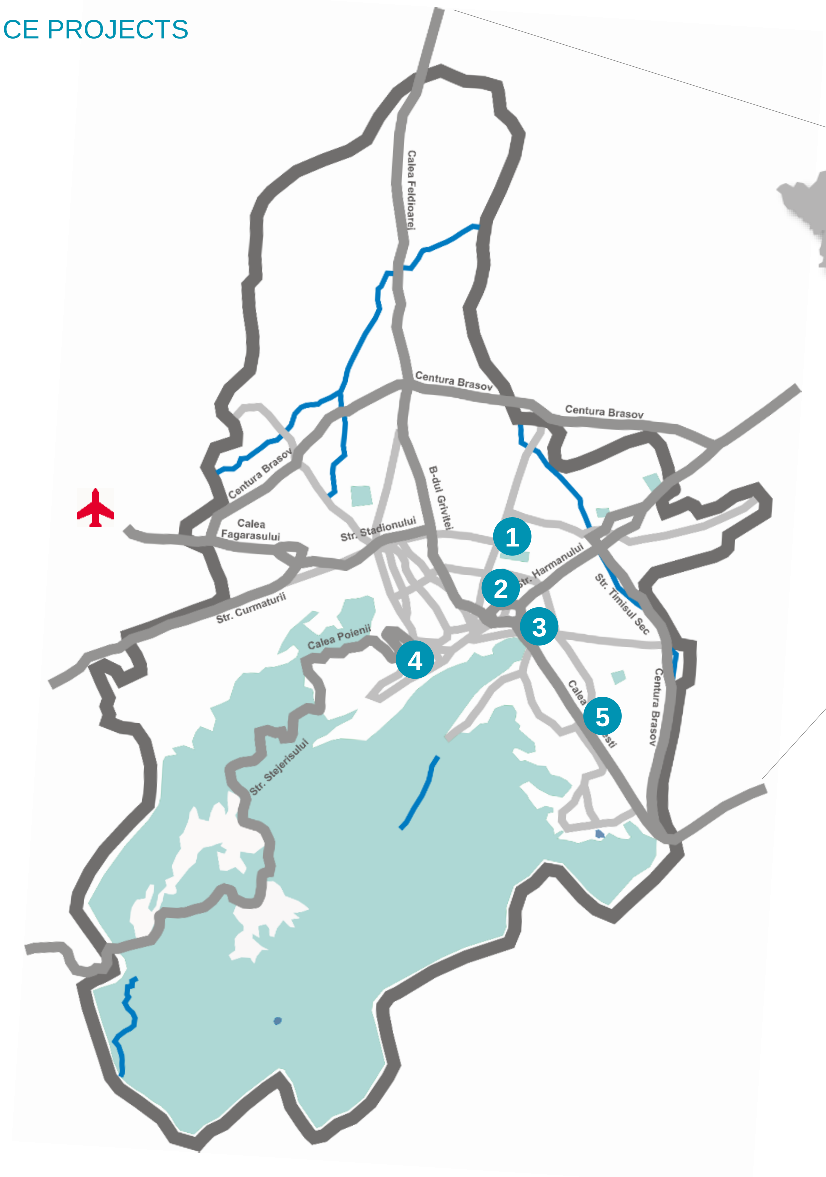
2014 Major office deals

Company	Surface (sq. m)	Project	Deal type
IBM	1,700	Coresi Business Park	New lease
Metro Systems	300	Brasov Business Park	New lease
Europharm	450	Brasov Business Park	Renewal

Source DTZ Research

2015 BRASOV OFFICE MARKET

MAJOR OFFICE PROJECTS



LEGEND

1. Coresi Business Park
2. Brasov Offices
3. Alianz Building
4. Cristiana BC
5. Brasov Business Park

Ghimbav International Airport

2015 ROMANIA REGIONAL CITIES MAIN INDICATORS

CONCLUSIONS

CITY	Population	Inhabitants 15 – 49 years	Unemployment rate (%)	Average monthly net salary (€)	No. of students*
Cluj Napoca	324,576	52%	2.8	408	50,000
Timisoara	319,279	53%	1.6	408	32,000
Iasi	290,422	53%	4.9	351	44,000
Brasov	253,200	49%	4.3	363	18,000

*National Institute of Statistics 2014 (*2013)*

2015 ROMANIA REGIONAL CITIES OFFICE MARKET

CONCLUSIONS

CITY	Office stock* (sq. m)	New supply 2015 (sq. m)	Headline rents A class (€ / sq m/ month)	Headline rents B class (€ / sq m/ month)	Service charge (€ / sq m/ month)	Vacancy rate class A (%)	Vacancy rate class B (%)
Cluj Napoca	186,000	43,000	13 - 15	8 - 11	2 – 3.5	5	10
Timisoara	102,500	17,000	12 - 14	8 - 10	2 – 3.5	< 5	7
Iasi	124,500	35,500	13 - 15	8 - 11	2 – 3.5	< 5	10
Brasov	80,000	0	11 - 12	7 - 9	2.5 – 3.5	5	10

**Q4 2014*
Source DTZ Research

2015 ROMANIA REGIONAL CITIES OFFICE MARKET

DEFINITIONS & DISCLAIMER

New supply	Practical completions (obtaining valid occupancy permits) of new developments in a given time period.
Total leasing activity	The total floor space known to have been let, pre-let, renewed / renegotiated or subleased to tenants over a specified period of time.
Take-up	Includes new leases, meaning lease transactions within completed office schemes, pre-lease transactions and expansions.
New demand	Part of take-up and represented by expansions, relocations from noncompetitive stock to class A & B office space, existing tenants opening new operations or new companies entering the market.
Vacancy rate	Ratio of empty/vacant space in existing or newly completed buildings on the total stock.

Disclaimer

This report should not be relied upon as a basis for entering into transactions without seeking specific, qualified, professional advice. Whilst facts have been rigorously checked, DTZ can take no responsibility for any damage or loss suffered as a result of any inadvertent inaccuracy within this report. Information contained herein should not, in whole or part, be published, reproduced or referred to without prior approval. Any such reproduction should be credited to DTZ.

BUSINESS CONTACTS

Oana Iliescu
Managing Director

Phone: + 40 21 310 3100
E-mail: oana.iliescu@dtz.ro

Madalina Cojocaru
Head of Office Department

Phone: + 40 21 310 3100

E-mail: madalina.cojocaru@dtz.ro

Mihaela Galatanu
Head of Research

Phone: + 40 748 333 000
E-mail: mihaela.galatanu@dtz.ro