

PROPERTY TIMES

New supply driven by custom build facilities

Romania Industrial H1 2015

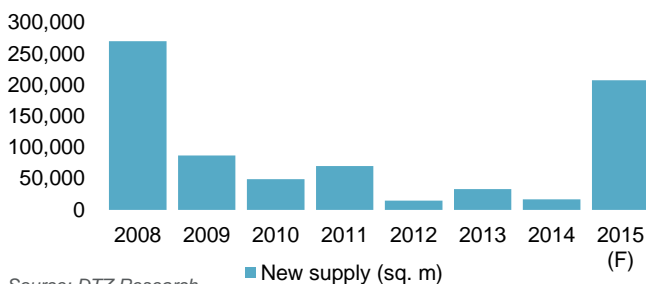
Supply

At the end of H1 2015 modern stock of industrial and logistics spaces across Romania was of 1.9 million sq. m. Bucharest accounts for 50%, with a stock of 955,000 sq. m. With no major deliveries registered, Bucharest's logistics and industrial portfolio remains unchanged. Outside Bucharest, the largest markets in terms of stock are Timisoara – 12% share in total stock, Ploiesti – 10%, Brasov – 7% and Cluj – 7%.

In H1 2015 supply of industrial and logistics spaces has been on the upswing, being mainly represented by custom build facilities. More than 75,000 sq. m were delivered, 70% being completed in Timisoara. Overall the Western part of Romania was the most active region in terms of deliveries (e.g. Timisoara – 52,000 sq. m; Cluj – 14,000 sq. m; Oradea – 4,000 sq. m).

Figure 1

New industrial & logistics supply 2008 - 2015



Source: DTZ Research

Demand

In H1 2015 demand for industrial & logistics spaces has increased by 37% y-o-y. Total take-up was of ~ 83,000 sq. m, being equally divided between pre-leases and new leases. In Bucharest take-up was of 20,000 sq. m and represented 25% from the entire take-up recorded in H1 2015 nationwide.

Analysing take-up recorded in Bucharest, average space requirement was of 4,000 sq. m, all deals being concluded in projects having space availability.

Throughout H1 2015 Ploiesti was the most performing region in terms of demand. The city attracted ~ 35% from the total take-up recorded. In Timisoara demand for industrial and logistics spaces amounted 11,000 sq. m, representing only 13% share in total take-up. However, the city continues to register the largest deals in terms of area (P&G - renegotiation & renewal for 28,000 sq. m occupied in Dunca Logistic Center Timisoara). Overall, the largest deals in terms of surface were represented by pre-leases, which were concluded in Ploiesti and Brasov.

Table 1

Pre-lease transactions H1 2015

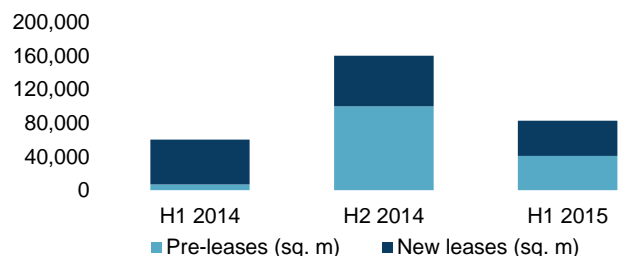
Company	GLA (sq. m)	Project
Eni Snamprogetti	13,000	Ploiesti West Park
Federal Mogul	13,000	WDP Aricesti (Ploiesti)
Preh	13,000	Industrial Park Brasov

Source: DTZ Research

Throughout H1 2015 the most dynamic occupiers were companies active in Automotive sector, followed by Logistics & Distribution companies.

Figure 2

Structure of demand H1 2014 – H1 2015



Source: DTZ Research

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Vacancy rate H1 2015

Romania		
7%		
Bucharest	Ploiesti	Timisoara
6%	5%	4%
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.

Prime headline rents for A class units of minimum 5,000 sq. m are between € 3.6 – 3.9 /sq. m/ month. For units below 5,000 sq. m, the rental level is marginally above. For B class units, asking rents vary between € 2.5 – 3 /sq. m /month. In addition to rent, a service charge allowance applies, ranging between € 0.60 – 0.95 / sq. m / month, covering property tax, insurance, exterior security, technical maintenance costs, lightning and cleaning.

Table 2

New supply H2 2015

Project	GLA (sq. m)	Developer	Type	City
Olympian Park	26,000	Helios Phoenix	BTS	Timisoara
Industrial Park Brasov	15,000	ICCO	BTS	Brasov
WDP	16,000	WDP	BTS	Braila
Log Center Mogosoaia	40,000	Immofinanz	Speculative	Bucharest
Ploiesti West Park	13,000	Alinso	BTS	Ploiesti
WDP Aricesti	13,000	WDP	BTS	Ploiesti

Source: DTZ Research

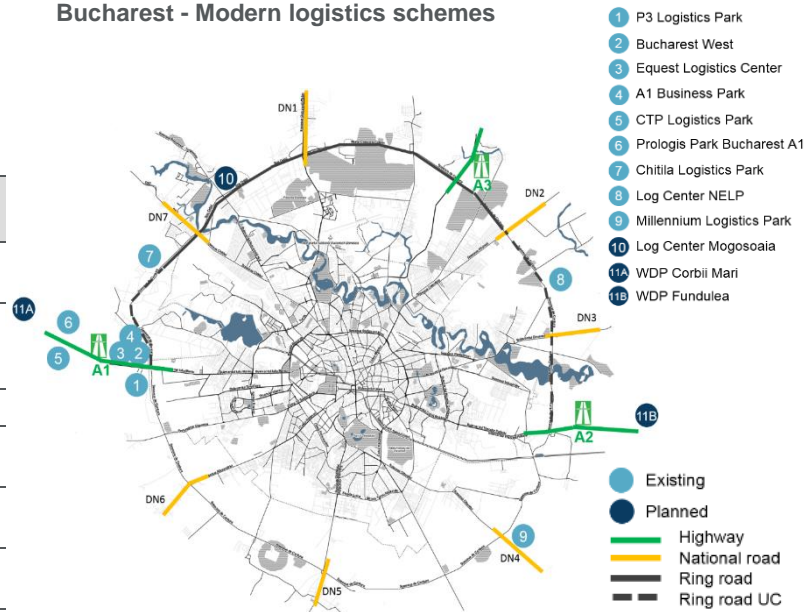
Outlook

By the end of the year 130,000 sq. m of industrial and logistics spaces are expected to be completed in Romania. Overall new supply in 2015 will be at the highest level since 2008. Custom build facilities have been and continue to be the main driver for development. However, in terms of speculative development activity, 2015 represents the starting point. Approximately 30% of this year's new supply is represented by projects build on a speculative basis. Cities that are currently attracting this type of development activity are Bucharest, followed by Cluj and Timisoara.

Throughout H1 2015 in Bucharest - the largest industrial and logistics market in Romania, no pre-lease transaction has been signed. Nevertheless, with companies active in Production, Retail and E-commerce looking to consolidate and expand operations held in Bucharest, some large pre-lease deals might be concluded in this particular market by the end of the year.

Map 1

Bucharest - Modern logistics schemes



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