

PROPERTY TIMES

Romania attracting strong interest

Romania Investment H1 2015

Macroeconomic background

Romania's economy recorded an impressive growth throughout H1 2015. Sustained by monetary and fiscal ease, GDP grew by 3.8% y/y. Economic growth is forecasted to continue going forward. According to Oxford Economics, Romania's GDP growth rate will be at 3.3% in 2015, then at 3.4% in 2016. Consumer spending will continue to have the highest contribution, being encouraged by low inflation, tax cuts, real income increase and a constant decrease in unemployment.

Table 1

Romania Macroeconomic Indicators

	End of H1 2015	Directional outlook
GDP Growth rate (%)	3.8	↑
Public debt as a % of GDP	39.8	↗
Budget deficit (%)	1.83	↗
Monetary policy rate (%)	1.75	→
CPI (%)	-1.6	↑
Construction works y/y (%)	13.5	↗
Retail sales y/y (%)	4.8	↑
Unemployment rate (%)	7	↓
Average exchange rate (1 € to RON)	4.46	→

Source: National Bank of Romania, INSSE

Investment activity

After an impressive 2014 that registered one of the highest investment volumes ever recorded in Romania, the first half of 2015 witnessed a relatively slow start. Throughout H1 2015 around € 62 million were invested in commercial property in Romania.

Although market liquidity has been relatively low in recent years, given that yields are on a compression trend, sellers' price expectations have increased. This has led to a gap between expectations of sellers and purchasers, which in return led to a limited number of deals.

For the second half of 2015 we expect the total value of real estate transactions to be considerably higher. Economic growth, political stability and the yield difference between the local market and other CEE markets draws investors' attention. Thus, a number of deals, targeting mainly prime office and industrial properties are currently in various stages of negotiation and are expected to be finalized by year's end.

Prime Yields

Prime yields have slightly compressed in all the analyzed sectors during the first half of 2015. Thus, prime office properties achieve yields between 7.5 – 7.75%, prime yields for retail are between 7.5 – 7.75%, while prime industrial properties stand at 9.5%.

Table 2

Prime yields in CEE end of H1 2015, %

	Office	Retail	Industrial
Bucharest	7.75	7.5	9.5
Warsaw	5.90	5.00	7.00
Prague	5.75	5.00	7.00
Bratislava	7.00	6.75	8.00
Budapest	7.50	7.50	8.75

Source: DTZ Research

Author

Mihaela Galatanu
 Head of Research
 +40 21 310 3100
 mihaela.galatanu@dtz.ro

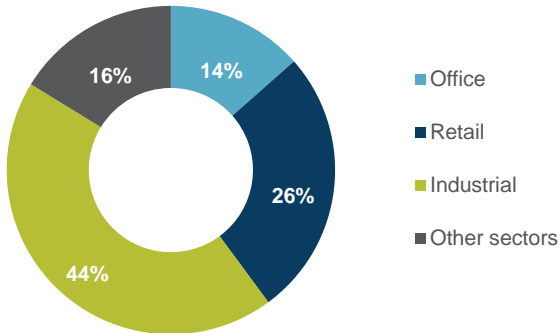
Contact

Magali Marton
 Head of EMEA Research
 +33 1 49 64 49 54
 magali.marton@dtz.com



Figure 2

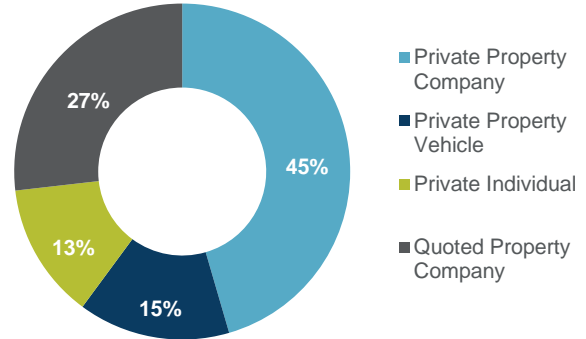
Investment volume by sector in H1 2015



Source: DTZ Research

Figure 3

Investment volume by type of investor in H1 2015



Source: DTZ Research

Table 3

Major investment transactions closed between H2 2014 – H1 2015

City	Sector	Property	Purchaser	Vendor	Price (€ million)
Bucharest	Office	Green Court A	Globalworth	Skanska	42
Bucharest	Office	Nusco Tower	Globalworth	Nusco Group	46
Bucharest	Retail	Promenada Mall	NEPI	Raiffeisen Evolution	148
Bucharest	Industrial	Europolis Logistics Park	P3	CA Immo	120*
Bucharest	Industrial	Mercury Logistic Park	CTP	Heitman	10*
Arad	Industrial	Cefin Logistic Park	CTP	Volksbank	N/A

*Estimated

Source: DTZ Research

Definitions:

Prime Yield: The initial yield is derived from the annual rental income divided by the purchase price for a prime property.

Investment transaction: Refers to the purchase of commercial real estate for the purpose of receiving an income or rent

John Forrester
Chief Executive, EMEA
+44 (0)20 3296 2002
john.forrester@dtz.com

Tim Wilkinson
Partner
Capital Markets
+40 21 310 3100
tim.wilkinson@dtz.ro

Marius Grigorică
Associate Director
Capital Markets
+40 21 310 3100
marius.grigorică@dtz.ro

Bogdan Sergentu
Head of Valuation
+40 21 310 3100
bogdan.sergentu@dtz.ro

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Global Headquarters
77 West Wacker Drive
18th Floor
Chicago, IL 60601 USA
phone +1 312 424 8000
fax +1 312 424 8080
email info@dtz.com

DTZ Echinox
40 – 44 Banu Antonache
3rd Floor
Bucharest, 011665
phone +40 21 310 3100
fax +40 21 313 9010
email info@dtz.ro