



PROPERTY TIMES
Pre-letting activity boosts development
Romania Industrial 2015

Supply

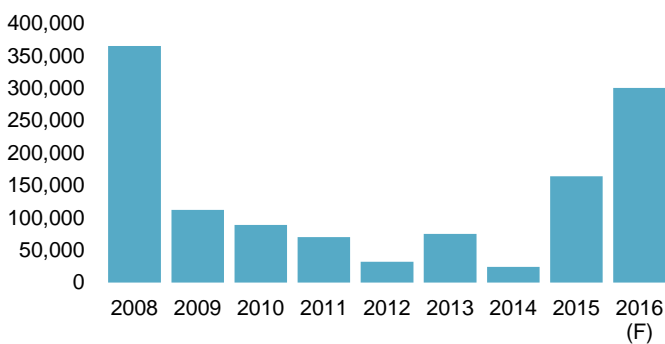
At the end of 2015, Romania's modern stock of industrial and logistics spaces exceeded 2 million sq. m. Bucharest accounts for 47%, with a stock of 960,000 sq. m. Outside Bucharest, the largest markets in terms of stock are Timisoara with 13%, followed by Ploiesti – 11%, Cluj – 7% and Brasov – 7%.

New supply of industrial and logistics spaces was of 164,000 sq. m, this being the highest level recorded since 2008. Around 90% is represented by custom build facilities, completed mainly in Timisoara – 78,000 sq. m, followed by Ploiesti - 33,000 sq. m and Braila - 16,000 sq. m.

For 2016, new supply is forecasted to surpass 300,000 sq. m, level that will increase Romania's stock of industrial and logistics spaces by 15%. Most of the space will be delivered in Bucharest – 63% (~190,000 sq. m), followed by Cluj – 8% (25,000 sq. m), Brasov, Ploiesti and Sibiu, with 5% (15,000 sq. m) each .

Figure 1

New industrial & logistics supply (sq. m)



Source: DTZ Research

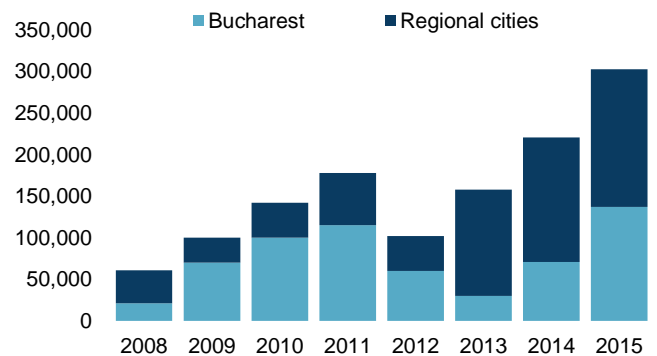
Demand

In 2015 net take-up was of 300.000 sq. m, being higher by 44% y-o-y. Bucharest accounts for 45%, with 137,000 sq. m transacted. Outside Bucharest, the most active regions in terms of demand were Timisoara and Ploiesti, each with approximately 10% share in net take-up. Other regions that attracted the interest of industrial and logistics tenants were Cluj and Sibiu, each having a share in net take-up of ~9%.

In 2015 pre-letting activity increased by 76% compared with the previous year. Approximately 188,000 sq. m were the subject of pre-letting agreements, amount that represented a share of 63% in net take-up. The most active regions in terms of pre-leasing were Bucharest – 73,000 sq. m, Sibiu – 24,500 sq. m and Cluj – 23,000 sq. m.

Figure 2

Net take-up evolution Bucharest vs. regional areas (sq. m)

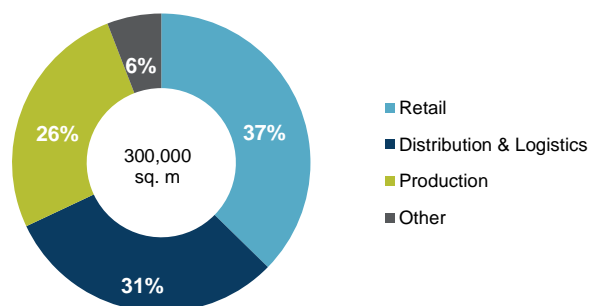


Source: DTZ Research

In 2015, the most dynamic occupiers were companies active in the Retail sector – 37% from the total demand, followed by Distribution & Logistics sector, with 30% and Production sector, with 26%.

Figure 3

2015 Net take-up by business sector (sq. m)



Source: DTZ Research



Vacancy rate end of Q4 2015

Romania		
5.5%		
Bucharest	Ploiesti	Timisoara
5%	4%	6%
Cluj, Oradea, Pitesti, Brasov		
0%		

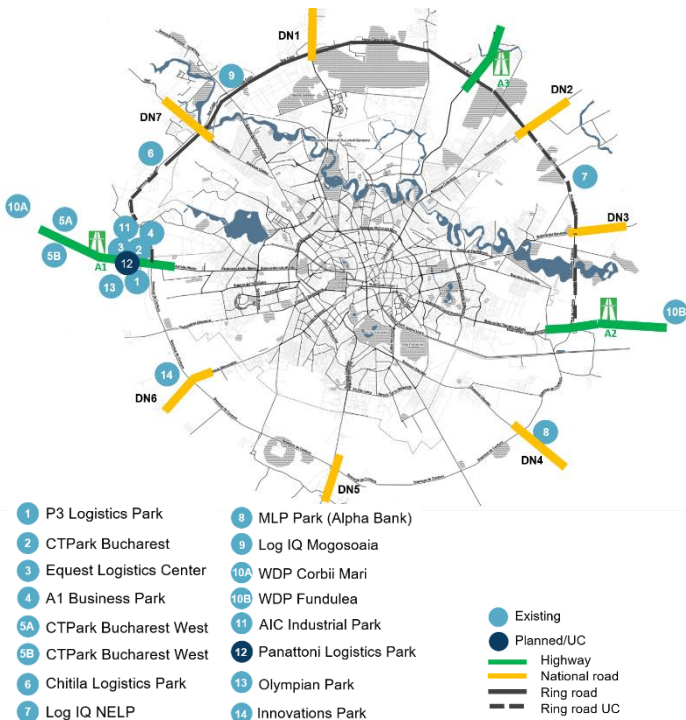
Source: DTZ Research

Occupancy costs

Throughout 2015 the rental levels have remained relatively stable. 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 the 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.

Map 1

Bucharest - Modern logistics schemes



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Outlook

In 2016 in Bucharest - the largest logistics and industrial market in Romania, new supply is forecasted to be of ~ 190,000 sq. m. This will be the highest level of supply registered in the last seven years. At the end of Q4 2016, industrial and logistics stock in Bucharest will be higher by 20%.

When it comes to development activity outside Bucharest, the high level of demand recorded throughout 2015 led to a series of projects rising not only in Timisoara and Ploiesti, regions that have been among tenants' preferences in the last years. New industrial and logistics developments are expected this year in Cluj, Sibiu, Brasov, Pitesti and Ramnicu Valcea.

Last year Romania recorded the highest increase in retail sales in the European Union – 8.9%. As a consequence, demand generated by companies active in the Retail and Distribution / Logistics sectors had a major contribution to the positive performance of the leasing market. Given that consumer spending is projected to follow the same positive trend, demand for logistics developments will be strong going forward, supported by the need of retailers and logistics / distribution companies to expand operations.

Table 2

Major deliveries 2016

Project	GLA (sq. m)	Developer	Type	City
Log Center Mogosoaia	40,000	Immofinanz	Speculative	Bucharest
P3 Bucharest	43,000	P3	Speculative	Bucharest
P3 Bucharest	47,000	P3	BTS	Bucharest
CTPark Bucharest & CTPark Bucharest West	45,000	CTP	BTS / Speculative	Bucharest
CTPark Cluj	25,000	CTP	BTS	Cluj
ICCO Brasov	15,000	ICCO	BTS	Brasov
WDP Sibiu	14,000	WDP	BTS	Sibiu

Source: DTZ Research

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