

## PROPERTY TIMES

# Industrial sector attracting a record volume

## Romania Investment 2015

### Macroeconomic background

The Romanian economy has been strong in 2015, recording one of the highest increases in the European Union. Sustained by monetary and fiscal ease, Romania's GDP grew by 3.7%. According to the European Commission, economic growth is projected to be of 4.2% in 2016 and 3.7% in 2017. Consumer spending will continue to have an important contribution, being stimulated by low inflation, tax cuts, real income increase and a constant decrease in unemployment.

Table 1

#### Romania Macroeconomic Indicators

	2015 (y/y)	Directional outlook
GDP Growth rate (%)	3.7	↗
GDP per capita (€)	8,021	↗
Public debt as a % of GDP	38.5	↘
Budget deficit (%)	1.47	↗
Monetary policy rate (%)	1.75	→
CPI (%)	-1.9	↑
Construction works y/y (%)	8.8	↗
Private consumption (%)	4.8	↗
Retail sales y/y (%)	8.9	↗
Unemployment rate (%)	6.7	↓
Average exchange rate (1 € to RON)	4.44	→

Source: National Bank of Romania, INSSE, European Commission

### Investment activity

Last year, the total value invested in commercial property in Romania was of ~ € 650 million. Approximately 93% was recorded in Bucharest. The most dominant segment in 2015 was the industrial sector. The estimated value of transactions with industrial and logistics properties is of ~ € 270 million, representing 41% of the total investment volume.

The Netherlands-based commercial real estate developer CTP has been the most active investor in 2015, acquiring industrial and logistics properties located in several cities across Romania. Among the most important properties acquired by CTP in 2015 are Bucharest West (130,000 sq. m GLA) and Prologis Park (100,000 sq. m GLA), both located in the western area of Bucharest. Overall, the total value of the deals performed by CTP last year was of ~ € 140 million.

The office sector attracted 38% out of the total investment volume recorded last year. In 2015, after a long period of latency, the German real estate fund manager GLL has once again shown interest in purchasing commercial properties. GLL acquired office properties located in two of the most important office submarkets in Bucharest – CBD and Central North. The retail sector, dominant in 2014, has only attracted 17% of the total investment volume. The most important investment transaction involving a retail property was performed by NEPI (table 3), which remained the most active retail investor.

### Prime Yields

Prime yields have compressed in all the analyzed sectors throughout 2015. Thus, prime office properties achieve yields of around 7.5%, while yields for prime shopping centers are at 7%. For prime industrial properties, the strong transactional activity recorded last year led to a yield compression of 75 bps. At the end of Q4 2015, the prime industrial yield stands at 9%.

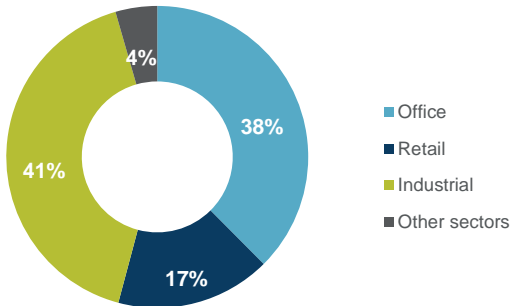
Table 2

#### Prime yields in CEE end of 2015, %

City	Office	Retail	Industrial
Bucharest	7.50	7	9
Warsaw	5.75	5.50	7.00
Prague	5.75	5.00	6.75
Bratislava	7.00	5.50	7.75
Budapest	7.00	6.75	8.50

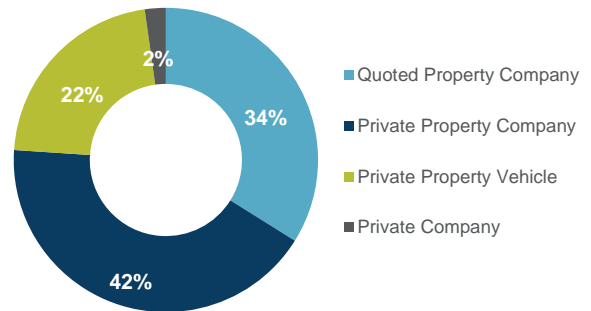
Source: DTZ Research

Figure 2  
Investment volume by sector in 2015



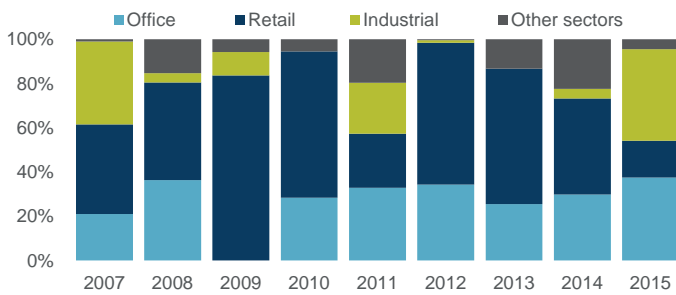
Source: DTZ Research

Figure 3  
Investment volume by type of investor in 2015



Source: DTZ Research

Figure 4  
Investment volume by sector



Source: DTZ Research

Figure 5  
Prime yields evolution



Source: DTZ Research

Table 3  
Major investment transactions closed throughout 2015

City	Sector	Property	Purchaser	Vendor	Price (€ million)
Bucharest	Office	Floreasca Park	GLL Real Estate Partners	Portland Trust	105*
Bucharest	Office	Green Court - B	Globalworth	Skanska	47
Bucharest	Industrial	Bucharest West	CTP	Portland Trust	65*
Bucharest	Industrial	Prologis Park	CTP	Prologis	40*
Bucharest	Retail	Iris Shopping Center	NEPI	Aberdeen & Degi	86

\*Estimated

Source: DTZ Research

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