

Bucharest City Report

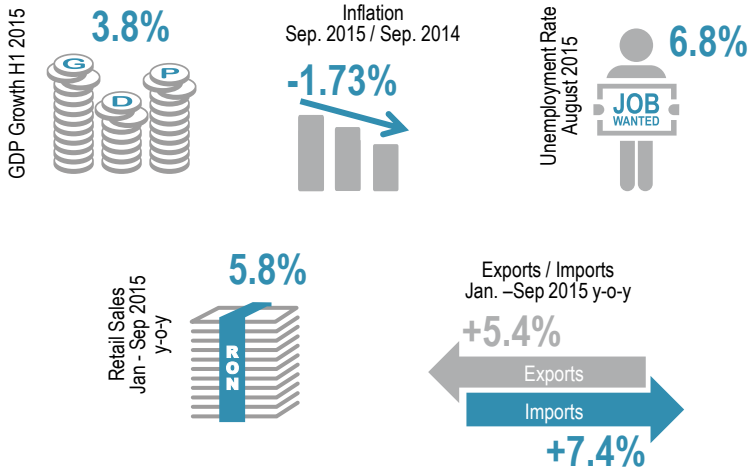


Q3 2015





Economy



Source: INSSE, BNR

Macroeconomic Overview

GDP increased by 3.8% y-o-y in H1 2015 confirming the positive trend of the Romanian economy. 2015 will be the 5th consecutive year of growth with GDP forecast by Deutsche Bank to increase by 3.7%.

Private consumption and industrial production are expected to remain the main drivers of the economy. The monetary policy rate remained unchanged at the record low of 1.75%, with no downwards pressure expected until the end of the year. The exchange rate remained very stable over the quarter, oscillating between 4.40 and 4.48 RON for €1.

Government debt decreased below 38.5% of GDP, the fourth lowest in the EU, while the estimated government deficit for 2015 is 1.8% of GDP. In Q3, Romania managed to sell €2 billion of Eurobonds into the international debt markets at 190 basis points above mid-swaps for the 10-year maturity.

Investment Market

The property investment volume registered in Q3 in Romania is estimated at approximately €200 million. Several large transactions involving key office and industrial buildings are currently in advanced stages of negotiations. Therefore, we expect the total investment volume in 2015 to be around €800 million.

The office and industrial markets generated close to 70% of the total transactional volume in the first 9 months of 2015. The industrial market in particular was the most effervescent, with more than 360,000 sq m and €160 million transacted in the first 9 months of the year. Another approximately 240,000 sq m worth around €100 million is forecasted to transact before the year end.

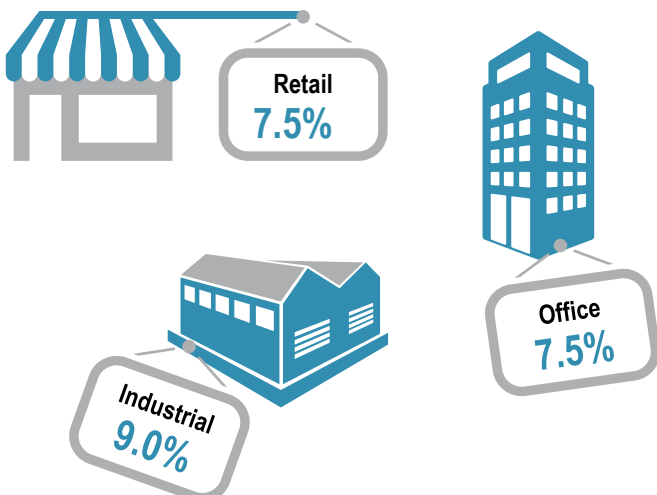
Investment Volumes



- Retail
- Office
- Office
- Office
- Industrial

Property	Price	Seller	Buyer
Iris Titan	€86 mil.	Aberdeen	NEPI
Riverplace (35%)	€36 mil.	EBRD	CA Immo
Victoria Center	€27 mil.	Bluehouse	GLL
Europe House (35%)	€16 mil.	EBRD	CA Immo
Deva Logistics Park	€10 mil.	Private Local	CTP

Prime Yields



Investment Trends

Commercial properties in Romania are currently transacted at a yield gap of between 150 and 200 bps when compared to Poland and the Czech Republic. This, combined with the strong macro-economic background, the increasing competition and prices for prime products in the other countries in CEE, resulted in the highest investor interest across all market sectors in the last years.

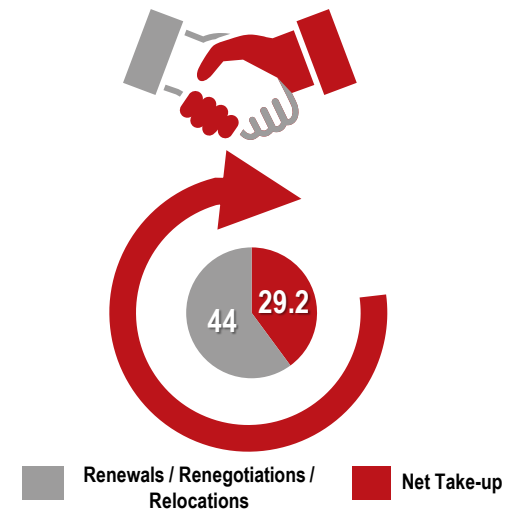
The number of transactions increased when compared to 2014, however the average value decreased, proof that the market has become more liquid and investors are also looking at smaller projects. Since the start of the year, several new names have entered the market or have become active once again. These include P3, CTP, GLL and Lonestar. We expect this trend to continue and by the end of this year / beginning of 2016, with new, high profile real estate players investing in Romania.



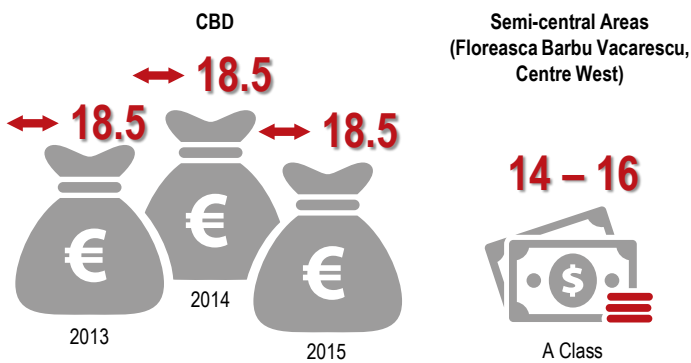
Q3 2015 Deliveries and Pipeline (selection)

Property	Sub-market	Size (sq m)	Delivery Date
Ion Mincu Offices	Center North	4,000	Q3 2015
Business Design Center	South	5,000	Q3 2015
PC Center / Iridex	North	8,500	Q3 2015
AFI Park 4&5	Center-West	32,000	Q4 2015
Elemc Offices	Center	5,000	Q4 2015
George Enescu OB	Center	4,600	Q4 2015

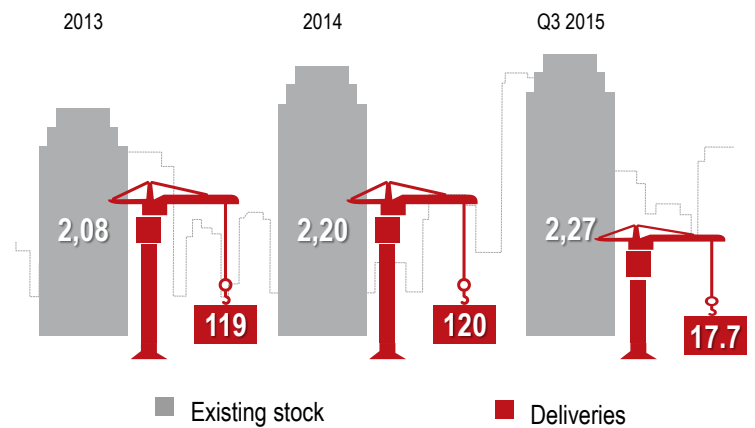
Q3 Take-up ('000 sq m)



Rental Levels €/sq m/month



Existing Stock / Deliveries ('000 sq m)



Q3 Key Transactions

Occupier	Building	Contract Type	Deal Size (sq m)
HP	BOC Tower	Renewal	7,800
KPMG	Victoria Park	Renewal	5,730
Luxoft	HBC 2	New Lease	5,500
Siveco	Victoria Park	Renewal	5,300
NN Lease	Opera Center	New Lease	4,200

Vacancy

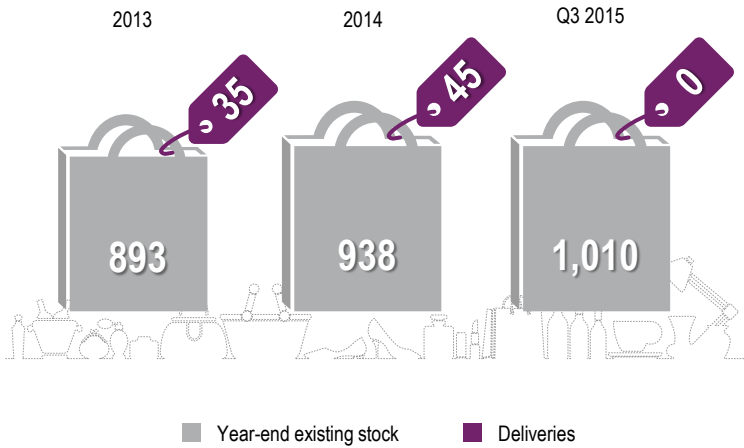
The overall vacancy rate in Bucharest marginally decreased over the quarter by 20 bps to the current 13.1%, even though several projects were completed.

Vacancy is expected to marginally increase by the end of 2015, due to the fact that space with no significant pre-leases signed will be delivered. Moreover, in Q1 2016, 2 large buildings are expected to be completed, which will probably push up the vacancy rate further.

Vacancy rates continue to be uneven between sub-markets, which is reflected in the evolution of the rental levels. While in Baneasa, South and Pipera North vacancy is around 35%, vacancy in the CBD, Floreasca – Barbu Vacarescu, North, Dimitrie Pompeiu and West is below 10%. Over the last quarter, incentive packages remained consistent, with landlords usually offering both rent free periods and fit-out contributions.



Bucharest Stock / Deliveries ('000 sq m)

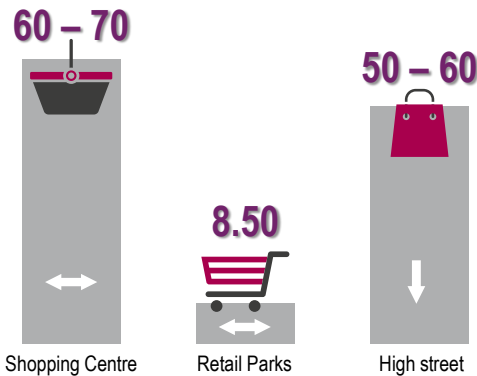


2015 Romania Retail Stock and Deliveries

The total modern retail supply in Romania reached approximately 2.8 million sq m at the end of Q3 with Bucharest's stock currently standing at just over 1 million sq m. The latest additions to the market targeted areas which were previously lacking dominant schemes. Immochan completed Coresi Shopping Resort in the north-eastern part of Brasov in late March. The scheme offers 45,000 sq m of GLA and is anchored by the largest Auchan hypermarket outside of Bucharest, Inditex, H&M, Kenvelo, Deichman, DM and Flanco.

NEPI, which was one of the most active players on the Romanian real estate market in the last 3 years, completed the construction works of Mega Mall which opened in May. The scheme offers 72,000 sq m of GLA and is anchored by Carrefour, Peek&Cloppenburg, Inditex, H&M, Marks&Spencer, C&A, LC Waikiki and a Cinema City with the first 4DX screen in the country. Moreover, the South-African investment fund completed the extensions of City Park Mall Constanta (1st phase), Deva Shopping City and Severin Shopping City.

Prime Rents* (€/sq m/month) & Evolution q-o-q



* Prime rent represents the top open market net rent that could be expected for a prime position shop in a dominant shopping centre and for units of around 100 sq m

Total Retail Stock Density in the Greater Bucharest Area

444 sq m
per 1,000 inhabitants



2016 Pipeline

Property	Market	Developer	Type	Size (sq m)
Park Lake Plaza	Bucharest	Sonae Sierra / Caellum Dev.	New Project	67,000
Shopping City Timisoara	Timisoara	NEPI	New Project	55,700
Piatra Neamt Shopping City	Piatra Neamt	NEPI	New Project	29,300
Mega Mall Satu Mare	Satu Mare	NEPI	New Project	27,000
Veranda Mall	Bucharest	Prodplast Imobiliare	New project	27,000

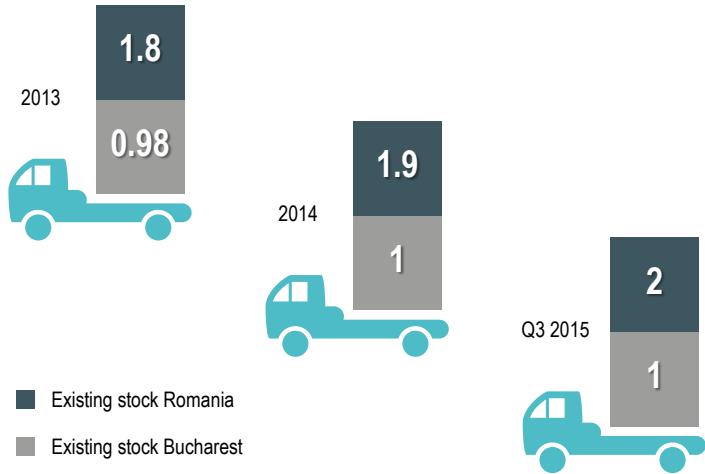
Demand

According to the National Institute of Statistics, after a strong performance in 2014, retail sales registered a healthy 5.8% y-o-y growth in the first 8 months of 2015, mainly due to the surge in food sales (+14%). Encouraged by the strong economic growth, the recovering credit market and by the increase in consumption, retailers have already acted. Close to 30 new brands have entered the country since 2014 and we expect this to continue. Given the lack of high street retail, those who consider opening new units are mainly looking at existing shopping centres with proven good performance.

The gap between demand for prime and secondary stock continues to be significant. Rental levels for prime shopping centres remained stable over the quarter at €60-70 per sq m per month. The highest rents are achieved in the most dominant and best performing shopping malls in Bucharest.



Stock - Romania / Bucharest (million sq m)

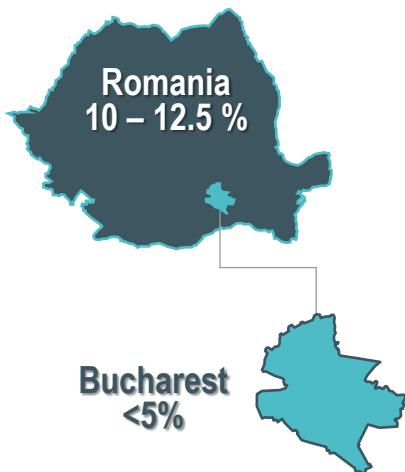


Supply and Pipeline

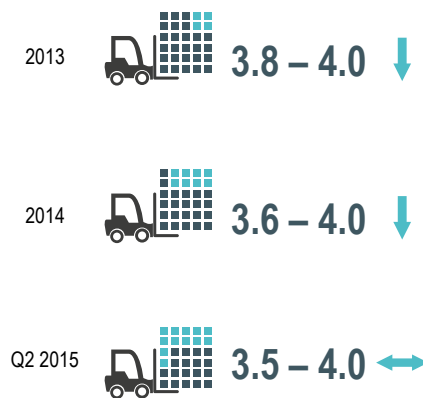
After a relatively strong first half of the year, when approximately 86,000 sq m of industrial and logistics space were delivered, Q3 2015 saw the delivery of a further 39,000 sq m. WDP completed construction of the 15,000 sq m built-to-suit unit for Yazaki in Braila and the 7,000 sq m extension of WDP Ploiesti for Roquet. Alinso opened the 13,000 sq m extension for Snamprogetti in Ploiesti West Park and Europa Property completed the first phase of Aries Industrial Park.

Approximately 210,000 sq m are expected to be delivered in Romania by the end of 2016, including the extension of P3 Logistics Park (75,000 sq m) in the west of Bucharest and part of the new Log Center Mogosoaia (45,000 sq m) developed by Immofinanz in the north of the capital city. In the rest of the country, the extensions of VGP Timisoara, WDP Ploiesti and Brasov, Industrial Park Brasov, Log Center Ploiesti and Tetarom 3 in Cluj-Napoca are expected to be finalized.

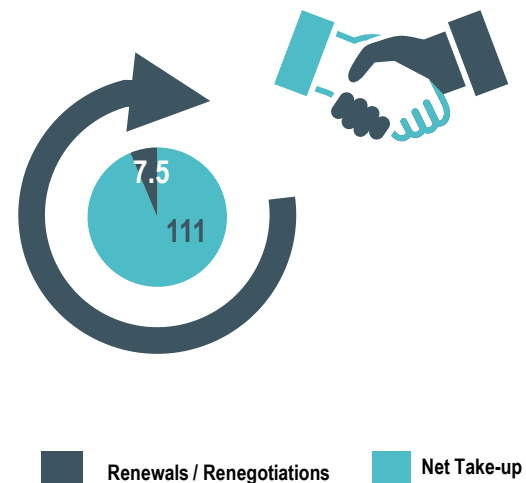
Vacancy



Prime Rents (€/sq m/month)



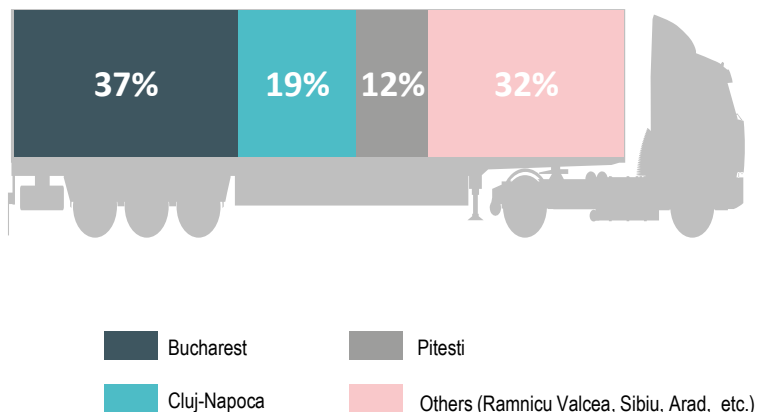
Take-up ('000 sq m)



Key Transactions

Tenant	Property	Size (sq. m)	Sector / Industry
Emag	Rukki	25,000	E-commerce
Profi	CTPark Cluj	23,000	Retail
Faurecia	CTPark Pitesti	14,000	Automotive / Production
Faurecia	WDP Valcea	12,800	Automotive / Production
Altex	CTPark Bucharest West	10,000	E-commerce
Gebruder Weiss	CTPark Arad	7,500	Logistics

Split of Take-up by City





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