

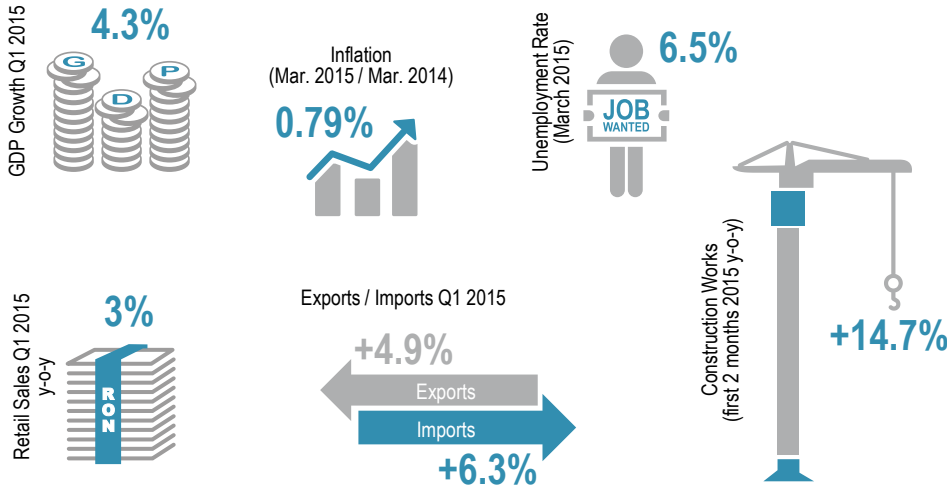
# Bucharest City Report



Q1 2015



## Economy



## Macroeconomic Overview

After a very strong Q1 when GDP grew by 4.3%, the positive trend is expected to continue in 2015 when, according to Oxford Economics reports, GDP will increase by 3.1%, with all sectors of the economy having a positive contribution.

The National Bank of Romania decreased the monetary policy rate in Q1 to the lowest level in history at 2%. The exchange rate remained very stable over the quarter, oscillating between 4.40 and 4.51 RON for €1. Government debt decreased below 38.5% of GDP, the third lowest in the EU, while the estimated government deficit in 2014 was of 1.5% of GDP.

## Investment Market

Although we have had a relatively slow start to 2015, with just over €20 million of real estate investment volume in the first quarter, we do expect another strong year. This is on the back of an impressive 2014 where the total volume exceeded €1.2 billion, putting Romania very much in the bag of key investment destinations within CEE, with only Poland and Czech Republic witnessing higher volumes.

We do however expect the total volume in 2015 to be lower than 2014 figures, with early expectations between €800 million – 1 billion, based on the fact that a number of key office and industrial buildings within Romania are expected to transact this year.

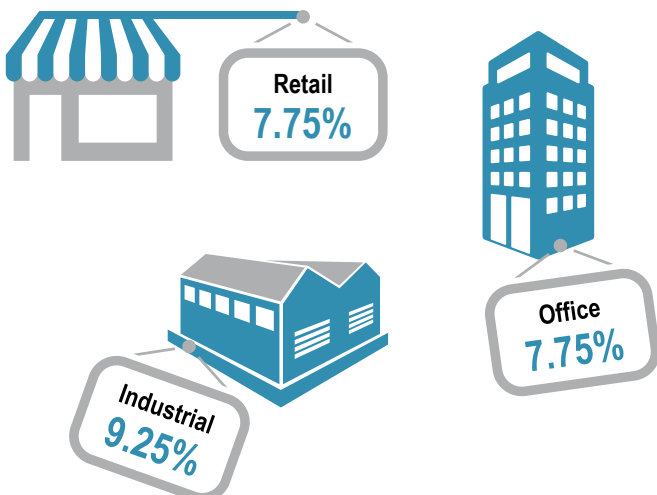
## Investment Volumes



- Industrial
- Retail

Property	Price	Seller	Buyer	Agent
Mercury Logistics Park	€10 mil.	Heitman	CTP	JLL
Civis Center Brasov & Timisoara	€10 mil.	Riofisa	Tiriac Imobiliare	n/a

## Prime Yields



## Investment Trends

Despite the favourable macroeconomic environment, there is still a major pricing gap between Romania and the main CEE markets, with prime yield levels at least 150 basis points higher than those in Prague and Warsaw. The weight of money and the compression of the yields in markets like Poland and the Czech Republic have prompted more investors to look at Romania which translates in to the highest level of interest since 2008. This trend could be observed timidly even in 2014, enticed by the opportunity to acquire trophy assets (such as Promenada Mall) but is now much more obvious.

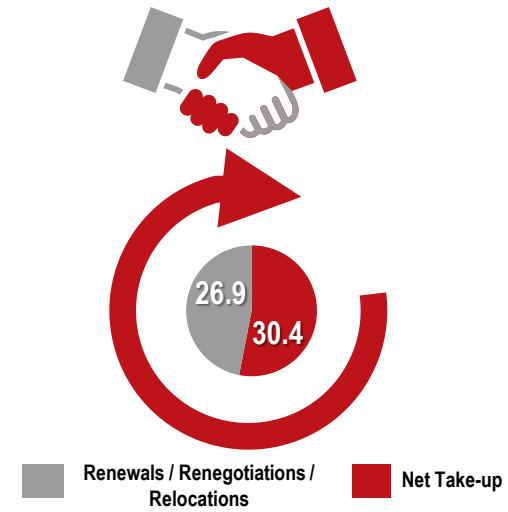
On the financing side, over the last 12 months, there have been clear signs that the number of banks willing to lend to the right project and developer has increased and financing terms have improved, as proven by the recent financing of HBC office project, where JLL represented the developer, Atenor.



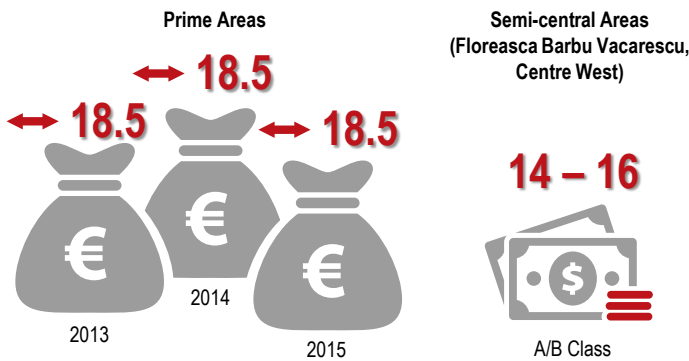
## Q1 Supply & 2015 Pipeline

Property	Submarket	Size (sq. m)	Pre-let (sq. m)	Delivery Date
City Offices	South	27,000	4,000	Q1 2015
Green Court Building B	Floreasca Barbu Vacarescu	17,725	11,000	Q2 2015
AFI Park 4&5	Center-West	32,000	0	Q4 2015
Sema Park New Office 3	Center-West	14,000	0	Q3 2015
George Enescu OB	Center	5,300	1,400	Q2 2015

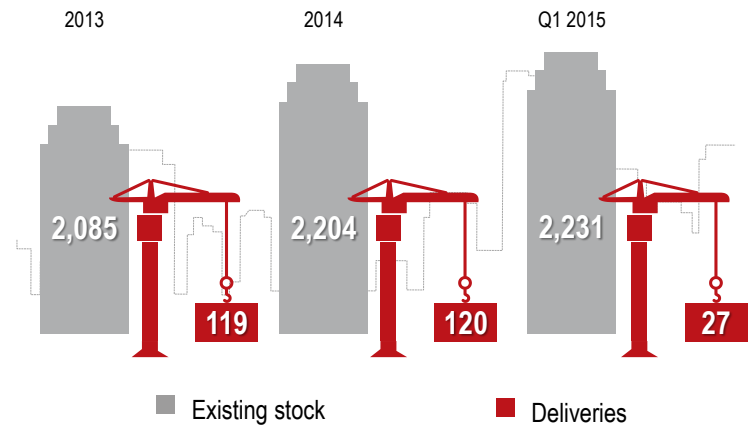
## Take-up ('000 sq m)



## Rental Levels



## Existing Stock / Deliveries ('000 sq m)



## Key Transactions

Occupier	Building	Contract Type	Deal Size (sq. m)
Oracle	Sky Tower	New lease	10,400
Carrefour	Green Court Building B	Relocation	6,300
Microsoft	Unimed	Renewal	3,350
Servier	S-Park	Renewal	2,500
Vodafone	City Offices	New lease	2,000

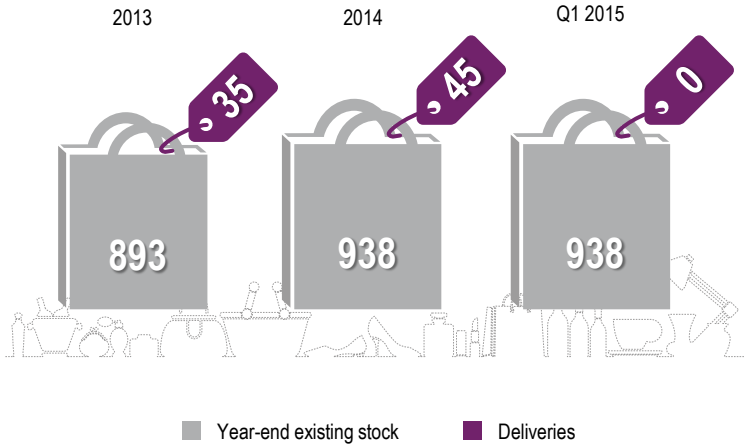
## Vacancy

The vacancy rate registered a marginal growth q-o-q of 10 basis points to its current level of 13.4%. This was largely due to the delivery of City Offices which brought 27,000 sq m of office space to the market that was not covered by the net take-up figures. However, due to the increasing volume of future deliveries, we expect that the vacancy rate will marginally increase by the end of 2015 / beginning of 2016.

Vacancy rates continue to be uneven between the sub-markets, which is reflected in the evolution of the rental levels. While in South, Baneasa and Pipera North vacancy is above 30%, vacancy in the CBD, Center-North, North, West, Floreasca Barbu Vacarescu and Dimitrie Pompeiu is below 10%.



## Bucharest Stock / Deliveries ('000 sq m)

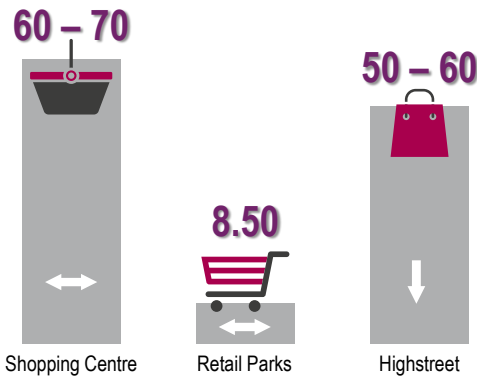


## New Market Entries

The sustained economic growth, the strong increase in consumption and consumer confidence are likely to incentivise retailers to reconsider their cautious expansion plans in Romania. Existing shopping centres with proven good performance are still the main destination of new entrants, due to the limited options in terms of new supply and high street retail.

Among the new retailers entering Romania, JLL advised Nespresso into opening their first boutique in Bucharest, in the Dorobanti area and Debenhams re-opened their first unit in Bucuresti Mall after a 2 year long break. Moreover, Marc Cain- the women's luxury fashion brand from Germany, opened its first unit in the Radisson Blu Hotel commercial gallery, joining Burberry and J. Kristensen.

## 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

## Supply Density in Bucharest Greater Area

**412 sq m**  
per 1,000 inhabitants



## 2015 Pipeline

Property	Market	Developer	Type	Size (sq. m)
Mega Mall	Bucharest	NEPI	New Project	72,000
City Park Mall	Constanta	NEPI	Extension	20,200
Deva Shopping City	Deva	NEPI	Extension	9,600
Severin Shopping City	Dorbeta Turnu Severin	NEPI	Extension	9,700
Pipera Plaza	Bucharest	Local / Intercora	Refurbishment	7,500

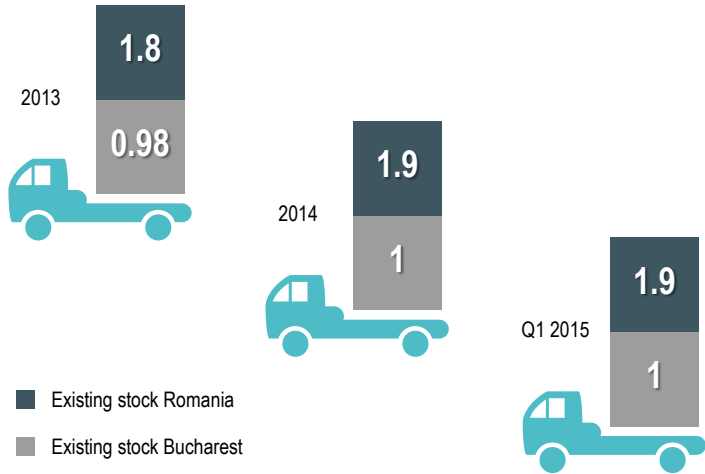
## Transactions and On-line Retail

As part of the recent changes in the Romanian restaurants and fast food market, it was announced that McDonalds sold their local business to a Russian based company which will take over the operations of approximately 70 units in the country. Moreover, the Starbucks franchise which comprises 14 cafes in Romania and 5 in Bulgaria, was taken over by AmRest, the Polish company which owns the operations in the rest of the CEE countries, in a transaction estimated at around €16 million.

The on-line retail market in Romania was estimated to surpass the €1 billion mark in 2014, with more than 5,000 retailers competing for approximately 10 million internet users. In Q1 2015, H&M launched its on-line store in the country joining the Inditex Group which made that move earlier. Fashion is the second largest on-line market, after electronics and is estimated at close to €150 million.



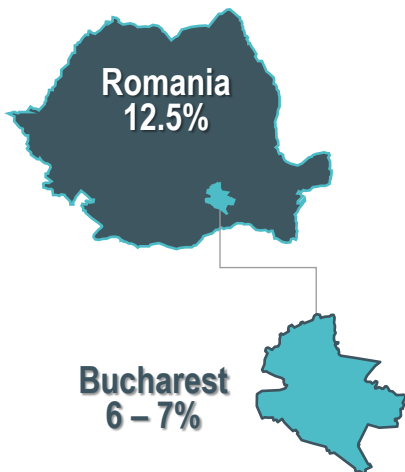
## Stock Romania / Bucharest (million sq m)



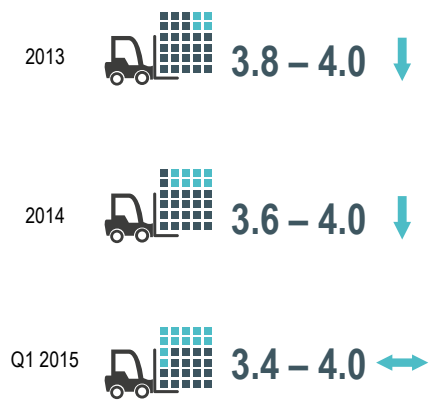
## Supply and Pipeline

The completions reported in 2014 include the 3,000 sq m extension in Otter Logistics Park in Bucharest, a 12,000 sq m automotive seating plant in Solo Industrial Park Iasi, an extension of 7,500 sq m in VGP Timisoara, 27,000 sq m in PWP and 45,000 sq m in Timisoara Airport Park. No new space was delivered in Q1, but close to 247,000 sq m are expected to be delivered in Romania by the end of the year. Globalworth plans to extend Timisoara Airport Park with close to 52,000 sq m, while Olympian Timisoara will be extended with 20,000 sq m for TT Electronics. Other projects which will add new space to the market are Yazaki Braila, Ploiesti West Park, VGP Timisoara, WDP Ploiesti, CTP Turda and Transilvania Logistic Park Cluj. In Bucharest, only 2 new speculative projects are expected to be finished by the end of 2015: the 75,000 sq m extension of P3 Logistic Park and the new 45,000 sq m Log Center Mogosoaia.

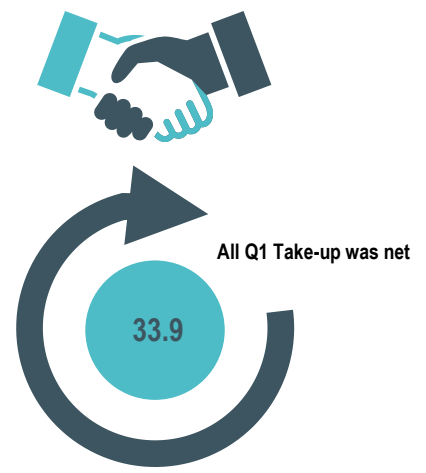
## Vacancy



## Prime Rents (€/sq m/month)



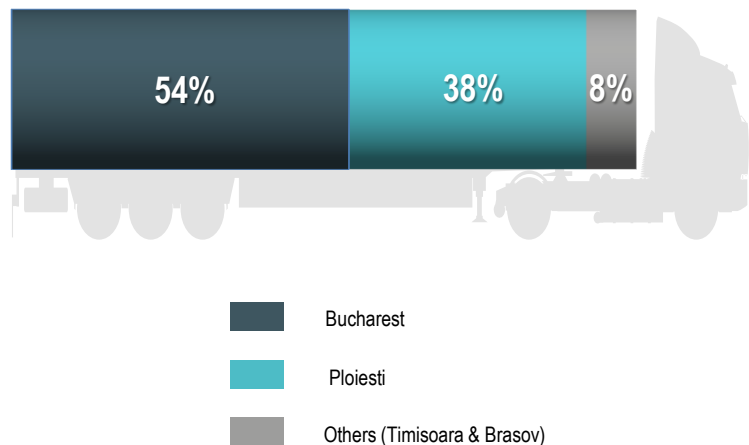
## Take-up ('000 sq m)



## Key Transactions

Tenant	Property	Size (sq. m)	Sector
Eni Snamprogetti Romania	Ploiesti West Park	13,000	Oil & gas
Norbert Dentressangle	Bucharest West	5,400	Logistics
DB Schenker	Phoenix Logistic Center Bucharest	5,200	Logistics
Profi	Mercury Bucharest	4,900	Retail
Reset EMS	VGP Timisoara	1,700	Production

## Demand by Cities





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**Andrew Peirson**

Managing Director

+40 21 302 3400

[andrew.peirson@eu.jll.com](mailto:andrew.peirson@eu.jll.com)

**Andrei Vacaru**

Head of Research & Consultancy

+40 21 302 3400

[andrei.vacaru@eu.jll.com](mailto:andrei.vacaru@eu.jll.com)

**Andrei Drosu**

Research Consultant

+40 21 302 3400

[andrei.drosu@eu.jll.com](mailto:andrei.drosu@eu.jll.com)

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