

Bucharest

City Report
Q4 2019

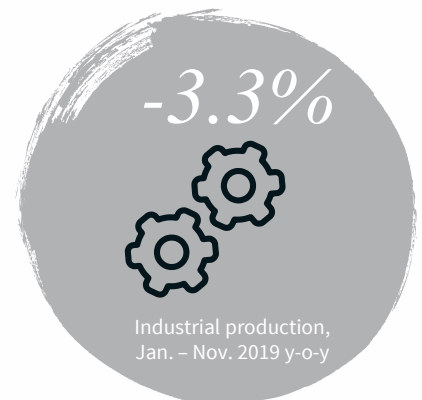
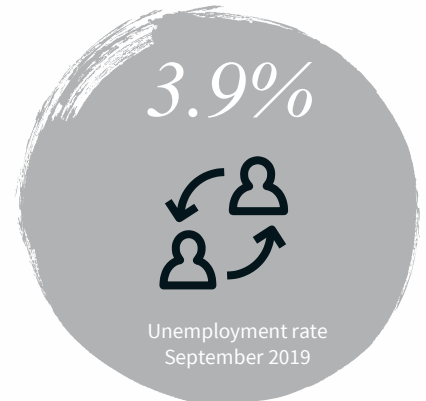
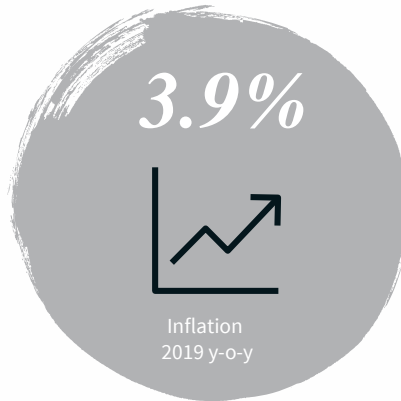


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Economy & Investment



Investment Market

The Q4 2019 property investment volume for Romania is estimated at approximately **€102 million**, a value **almost 74% lower** than the one registered in the same period in 2018 (€388 million). However, deals worth almost €340 million, which were expected to be concluded by the end of 2019, although signed in Q4 will be closing during the first part of 2020. Overall, in comparison with 2018, transaction volume in 2019 **declined by almost 25%**. Moreover, the average deal size decreased from €29.3 million to approx. €23.6 million. In Q4, Bucharest accounted for approx. 84% of the total investment volume, due to several office transactions (mainly Day Tower and Olympia Tower). Overall, market volumes in Q4 were dominated by office transactions (almost 60%), while retail accounted for approximately 23% and the rest were industrial and hotel transactions.

The largest transaction registered in Q4 2019 was the acquisition of Day Tower office building in Bucharest, with a GLA of almost 12,000 m², by Corporate Finance House Group (CFH), from Day Group.

The macro-economic forecast for Romania continues to be strong. Considering that several important transactions are pending completion in the first half of 2020, total volume for **2020** is estimated to reach at least **€1.2 billion**.

Both prime office and retail yields at the end of Q4 stood at 7.00%, while prime industrial yield was 8.00%. Prime assets with WAULT (Weighted Average Unexpired Lease Term) significantly longer than the market average can achieve yields below those quoted as prime.

All yields remained unchanged when compared with the previous quarter. For retail properties, yields are predicted to be stable throughout 2020, while for office and industrial we continue to foresee a soft downward pressure.

As the market has become more complex, there are large yield differences between prime and secondary properties.

Prime Yields

7.00%



Shopping Centre

7.00%



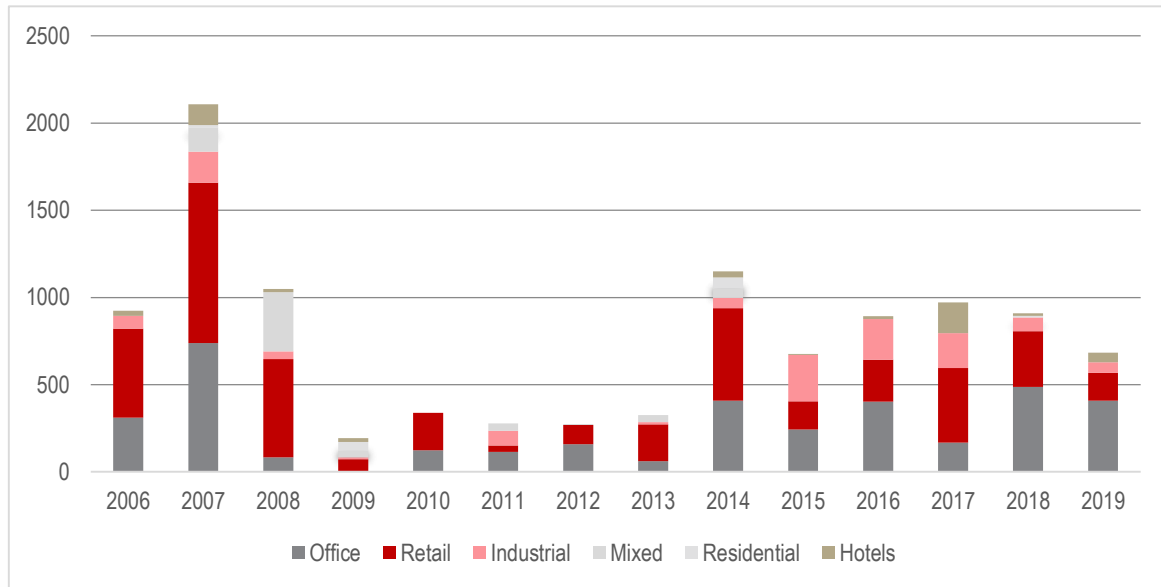
Office

8.00%



Industrial

Romania Investment Volumes (€ million)



Key Investment Transactions in Q4 2019

Sector	Property	Market	Est. Price (€ million)	Seller	Buyer
Office	Day Tower	Bucharest	34	Day Group	CFH
Hotel	BCR Universitate	Bucharest	Confidential	BCR	Confidential
Office	Olympia Tower	Bucharest	18-20	Bluehouse Capital	Group of international investors
Office	Tudor Arghezi 21	Bucharest	9	Local	Hagag

Office Market

Demand

After the demand slowdown in the third quarter of 2019, Q4 experienced a strong increase in the demand for office spaces in Bucharest. Total gross transaction volume reached over **107,200 m²**. That is 70% higher when compared with the previous quarter of 2019, but with approximately **13% lower** when compared with Q4 2018. The average transaction size in Q4 2019 was of 1,600 m².

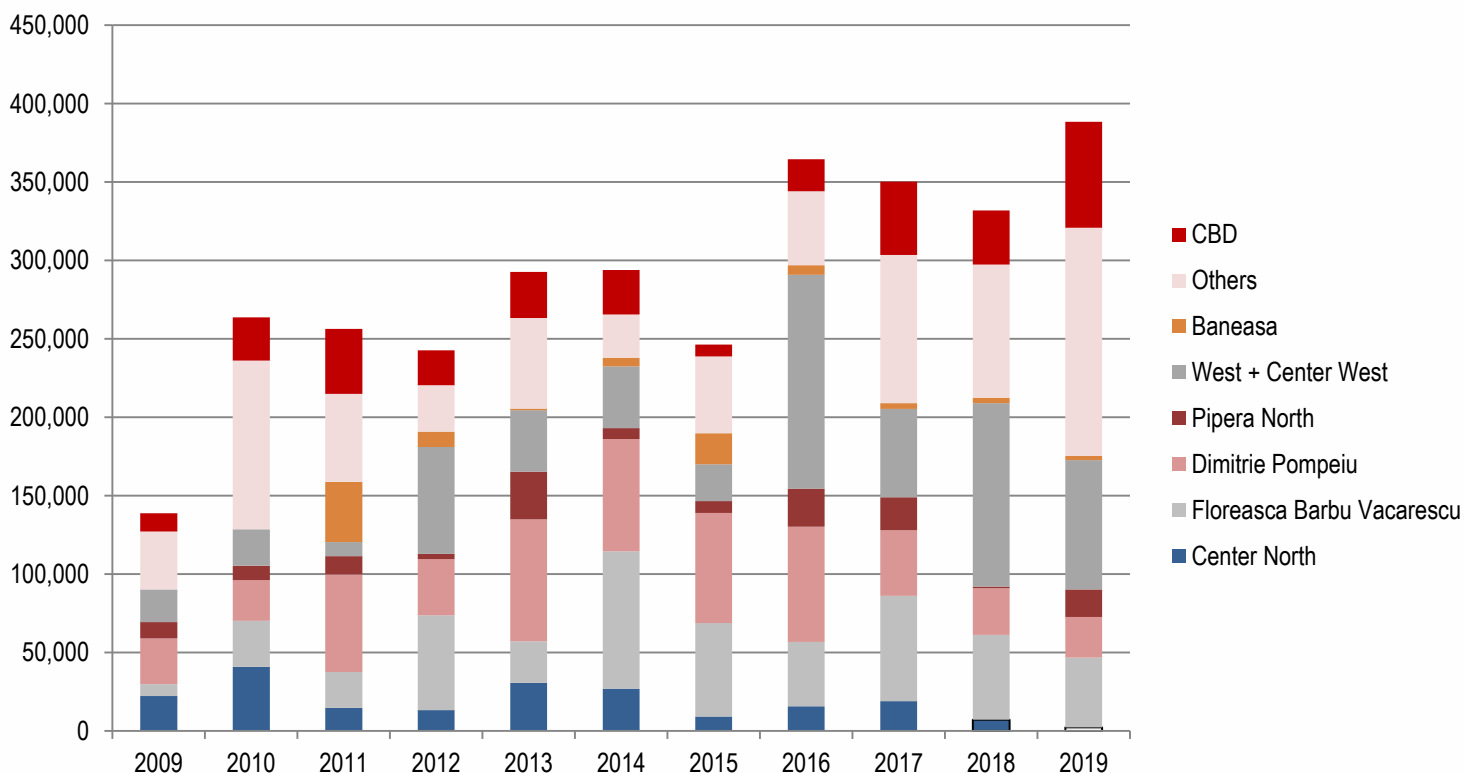
Net take up accounted for **90,300 m²**, or over 80% of gross take up during the period.

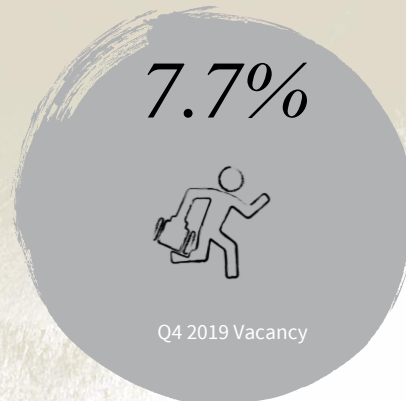
However, if we consider the whole year, approximately **388,500 m²** of office space were let in total in Bucharest, representing a **16.3% increase** in comparison to 2018, when 344,000 m² were let.

A similar transaction volume is also expected for 2020, as tenants continue to grow their businesses and show high interest for both existing quality buildings and projects in the pipeline.

In terms of vacancy rate, Q4 experienced a **slight decrease**, from 8.2% in Q3, to **7.7%**, after a strong demand during Q4 and also because of the few deliveries.

Evolution of Gross Take-up (m²), 2009-2019





Deliveries in Q4 2019

Property	Submarket	Size (m ²)	Developer
Equilibrium ph. 1	Floreasca Barbu Vacarescu	20,600	Skanska

Key Leasing Transactions in Q4 2019

Property	Occupier	Contract type	Deal size (m ²)
J8	Ubisoft	Pre-lease	28,000
U-Center	Endava	Pre-lease	12,000
Campus 6.3	Societe Generale (EBS)	Pre-lease	10,500
@Expo Campus	Gameloft	Pre-lease	4,800
The Light	Comdata	New lease	4,200
Sema Parc Berlin	Idemia Technologies Romania	New lease	4,000
America House	Intesa Sanpaolo Bank	Relocation	3,250
City Offices	Edenred	New lease	2,500

Pipeline for 2020 (selection)

Property	Submarket	Size (m ²)	Developer
Ana Tower	North - Expozitiei	34,700	Ana Holding
Globalworth Campus ph. 3	Dimitrie Pompeiu	32,000	Globalworth
Globalworth Square	Floreasca – Barbu Vacarescu	25,700	Globalworth
One United Tower	Floreasca – Barbu Vacarescu	23,600	One United Properties

Office Market

Deliveries

After strong deliveries during Q3, only one major office building was delivered in Bucharest during Q4, the first phase of Equilibrium, adding **20,600 m²** to the Floreasca – Barbu Vacarescu sub-market. This represents barely a quarter of the deliveries during the previous quarter, of **82,300 m²**. Over the whole of 2019, the office stock in the city increased by **282,600 m²**.

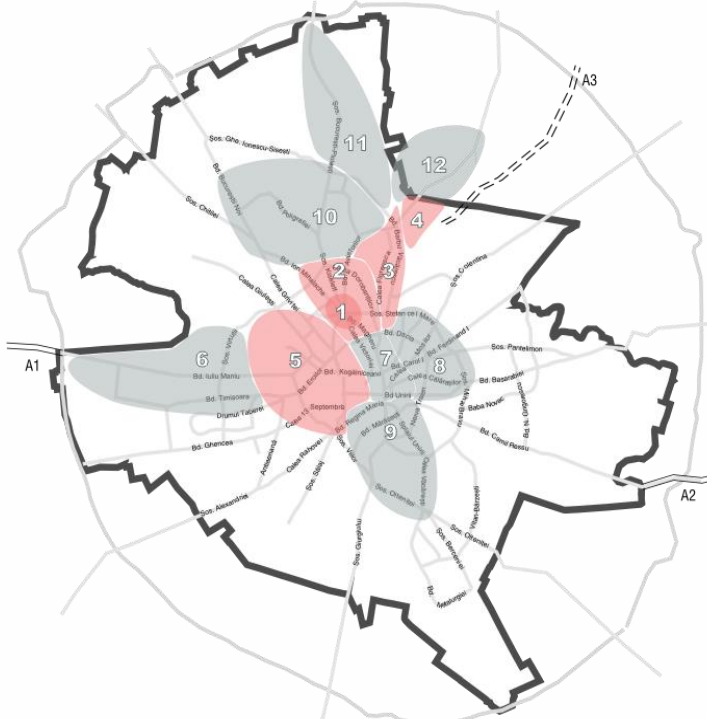
Another **205,000 m²** are expected to be delivered in 2020. This represents approximately **73%** of the office stock delivered in 2019, which experienced record deliveries.

Pipeline

The important deliveries awaited for 2020 are Ana Tower in the North – Expozitiei sub-market, the third phase of Globalworth Campus, in Dimitrie Pompeiu sub-market, Globalworth Square and One United Tower, in Floreasca – Barbu Vacarescu. Combined, they will add **116,000 m²** to the modern stock.

Considering the strong demand throughout 2019, likely to be sustained in 2020 as well, and the reduction of new office deliveries in 2020, vacancy will probably remain relatively stable in 2020, at around **8.0%**.

Bucharest Office Sub-markets



Sub-market	Stock (m ²)	Average rent (Euro/m ² /mth)	Vacancy %
1. CBD	274,622	16 – 18.5	5.5
2. Center – North	127,303	15 – 17	4.6
3. Floreasca – BV	551,015	15 – 16	2.5
4. Dimitrie Pompeiu	427,567	12 – 14	5.1
5. Center – West	401,741	14 – 16	8.8
6. West	150,900	10 – 13	2.1
7. Center	204,358	15 – 17	1.1
8. East	85,283	12 – 14	16
9. Center - South	178,803	10 – 12	12.1
10. North - Expozitiei	229,190	15 – 17	3
11. Baneasa - Otopeni	156,282	11 – 13	14.1
12. Pipera North	169,100	7 – 10	39.8
TOTAL	2,956,164		7.7

*The updated stock include buildings Class A&B, built after 2000

Retail Market

After three consecutive quarters in 2019, when no new major retail unit or expansion of existing ones were registered in Bucharest, Q4 marked the delivery of one new major retail scheme at the northern outskirts of Bucharest, the DN1 Value Center in Balotesti, adding **28,300 m²** of GLA to the stock.

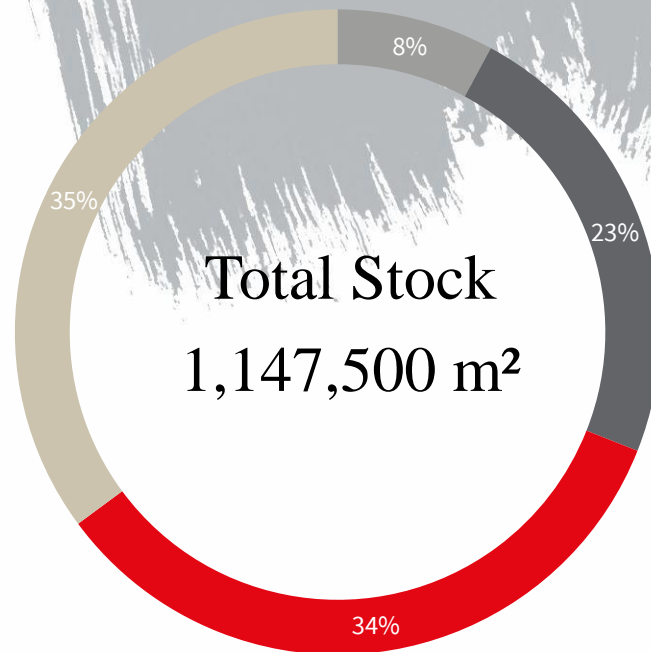
Therefore, the total modern retail stock in Bucharest reached almost **1.15 mil. m²** of GLA at the end of Q4.

During the same period there were three major retail schemes delivered in secondary cities, plus another two extensions. The largest was Promenada Mall Sibiu, with a GLA of 42,000 m², developed by NEPI Rockcastle. The second project completed in Q4 was Zalau Value Center, adding another 19,000 m² of GLA, delivered by Prime Kapital. The third scheme was Shopping Park Braila, with 7,400 m² of GLA, opened by Square 7 Properties and Mitiska Reim. Adding to those were two expansions, 9,000 m² of GLA in Aushopping Satu Mare and 3,500 m² of GLA in Tom Constanta.

In total, around 110,000 m² of GLA of modern retail spaces were delivered in Romania during Q4 2019.

For the whole of 2019, in total **172,200 m²** of GLA were delivered in major retail schemes in Romania, almost 84% of which situated in secondary cities, bringing the total stock in Romania to almost **3.38 million m²**.

Retail Projects in Bucharest by Size



■ Small (5,000 - 19,999 m²) ■ Medium (20,000 - 39,999 m²) ■ Large (40,000 - 59,999 m²) ■ Very Large (>60,000 m²)

*Including all retail formats

Retail Market

Pipeline for 2020

For 2020 it is expected the delivery of at least **180,000 m² of GLA of new modern retail schemes**. Only 12.4% of all deliveries will be in Bucharest.

The largest new project, expected to be opened by the end of 2020 is AFI Palace Brasov. The 45,000 m² of GLA shopping center is being developed by AFI Europe, who also owns two other major schemes in Romania, AFI Palace Cotroceni in Bucharest and AFI Palace Ploiesti.

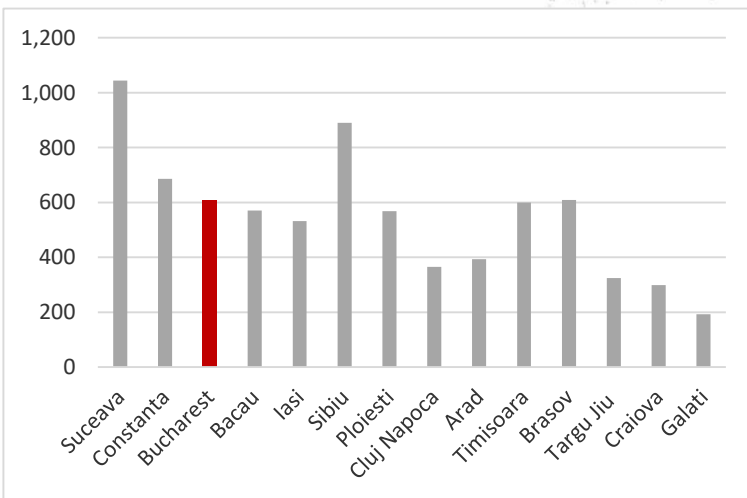
Another large project, Shopping City Targu Mures, will be delivered by NEPI Rockcastle during the first half of 2020, adding 41,300 m² of GLA to the stock.

A 33,000 m² of GLA shopping centre, Dambovita Mall, is expected to be delivered by Prime Kapital during Q2 2020 in Targoviste.

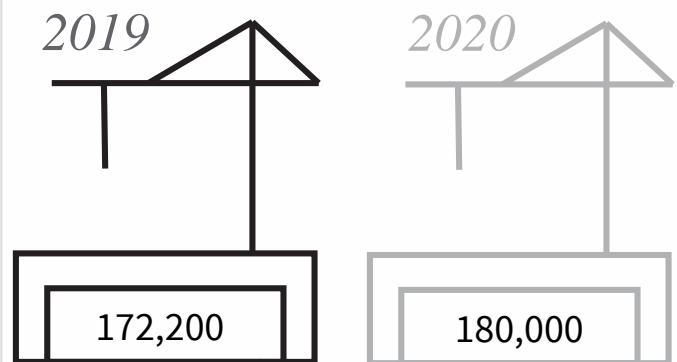
In Bucharest, 2020 will bring the opening of Colloseum Mall in Bucurestii Noi, adding 16,500 m² of GLA to the stock during the first quarter of the year.

Also during Q1 is expected the delivery of the 6,000 m² of GLA extension of Veranda Mall in Obor.

Shopping Centre Density (m²) per 1,000 Inhabitants*



Deliveries / Pipeline Romania (m²)



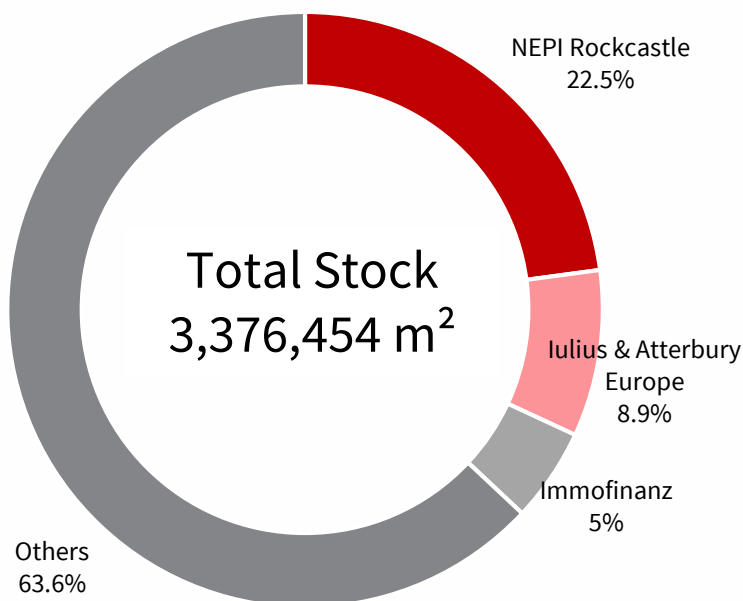
*Including all retail formats

Retail Market

Schemes Announced for 2020 in Romania (>10,000 m²)

Property	Format	Developer	Size (m ²)
AFI Palace Brasov	New Project	AFI Europe	45,000
Shopping City Targu Mures	New Project	NEPI Rockcastle	41,300
Dambovita Mall Targoviste	New Project	Prime Kapital	33,000
Colosseum Mall Bucharest	New Project	Colosseum Mall	16,500
Prima Shopping Center Sibiu ph. 1	New Project	Oasis Retail Development & Consulting and Supernova	15,000
Sfantu Gheorghe Value Center	New Project	Prime Kapital	14,800
Prima Shops Timisoara	New Project	Oasis Retail Development & Consulting	10,000

Largest Owners of Retail Space in Romania



Prime rents (€/m²/month)



*Prime rents relate to a well located 100 m² unit shop from the fashion and accessories category. The unit is part of leading retail assets in the capital city (for retail parks – 2,000 m² units).

Industrial Market

Demand

In Q4, total rental demand for modern industrial and logistics spaces in Romania was above the average of the first three quarters, totaling approx. **246,500 m²**. Net take-up accounted for 86% of the total.

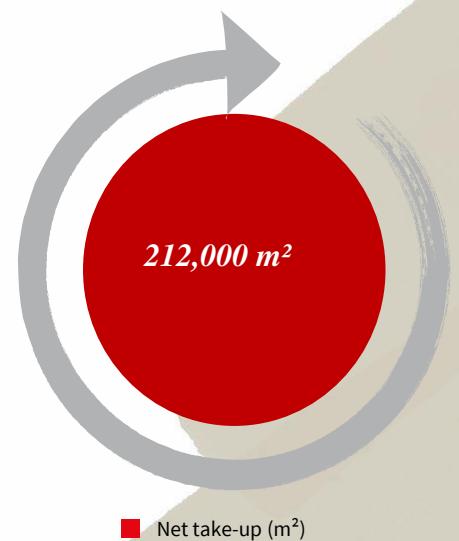
Bucharest attracted most of the demand for industrial and logistics spaces in Q4, respectively almost 87% of the total (approx. 213,500 m²), followed by Oradea (17,500 m²) and Timisoara (14,800 m²).

The most active tenants in Q4 came from the retail and storage sectors.

In Q4 2019 there were 14 transactions reported of at least 3,000 m², of which 4 transactions of over 10,000 m².

During the whole of 2019, transaction volumes reached approximately **583,400 m²**, representing an **almost 13.5% increase** in comparison with 2018, when total take-up reached 514,200 m².

Demand in Q4 2019



Key Transactions in Q4 2019

Tenant	Property	Size (m ²)	Deal Type	Sector
Profi	CTPark Bucharest West	72,000	Renewal and expansion	Distribution
Maersk	CTPark Bucharest West	70,000	New lease	Distribution
Altex	P3 Bucharest A1	27,000	New lease	Distribution
Inteva	CTPark Salonta	14,500	Renewal and expansion	Automotive
DS Smith	Global Logistics Timisoara	6,075	New lease	Distribution
TE Connectivity	WDP Timisoara	6,000	Expansion	Distribution
Bunzl	CTPark Bucharest	5,370	Renewal	Distribution

Pipeline 2020 (Selection)

Project	Location	Size (m ²)	Type
WDP Stefanesti	Bucharest	115,600	Extension
WDP Deva	Deva	96,500	Extension
CTPark Bucharest West	Bucharest	88,500	Extension
VGP Park Timisoara	Timisoara	30,500	Extension
Eli Park 1	Bucharest	30,000	Extension
CTPark Bucharest	Bucharest	25,000	Extension
Global Logistics Chitila	Bucharest	20,000	Extension
Southern Industrial Park	Craiova	19,400	Extension

Industrial Market

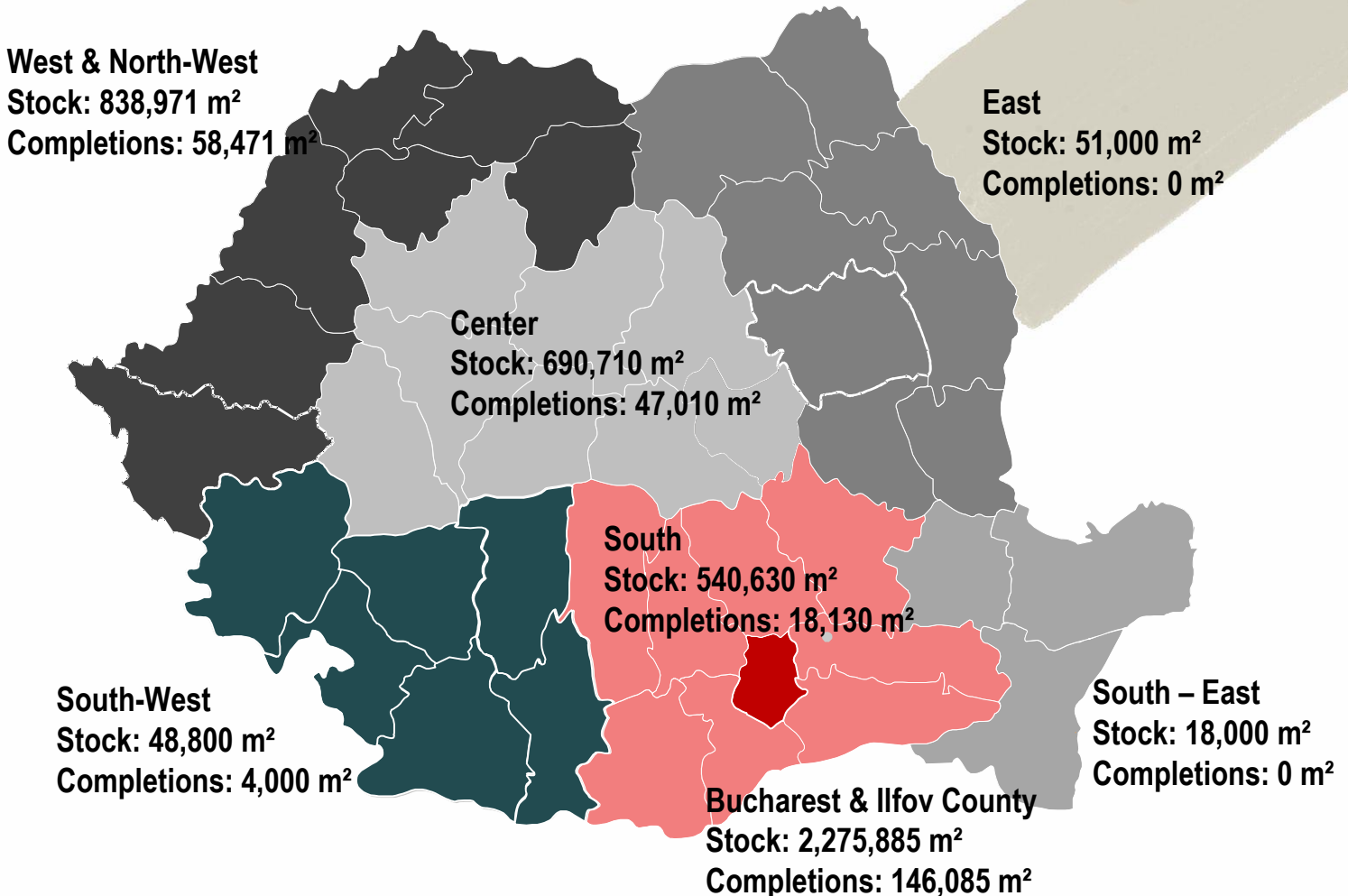
Deliveries

The deliveries of new industrial and logistic spaces continued to accelerate during Q4, reaching **273,700 m²**, marking a 60% increase when compared to the previous quarter. Bucharest represented the largest share, with almost 146,085 m², or over 53% of total deliveries. It was followed by the West & North-West region, with almost 58,500 m², or approximately 21% of total deliveries.

In total, in 2019, approx. **650,000 m²** of modern industrial and logistics warehouses were delivered nationwide. Thus, at the end of Q4, the modern industrial stock in Romania reached over **4.46 million m²**.

2020 looks even more promising than 2019 in terms of new deliveries. Over **830,000 m²** are expected to be added to the market.

Deliveries and stock in Q4 2019 in Romania:



Industrial Market

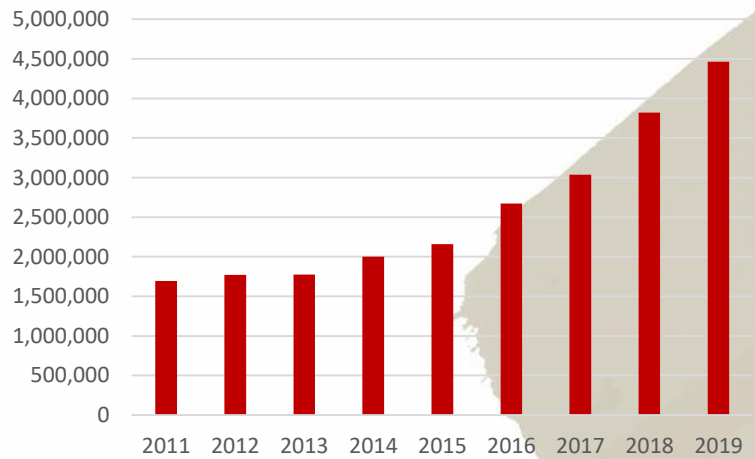
Rents & vacancy

Rents for industrial spaces remained stable during Q4 2019, continuing the trend of the previous three quarters, between €3.6 and €4.1 per m² per month in Bucharest and its vicinity and between €3 and €4.1 in other regions of Romania.

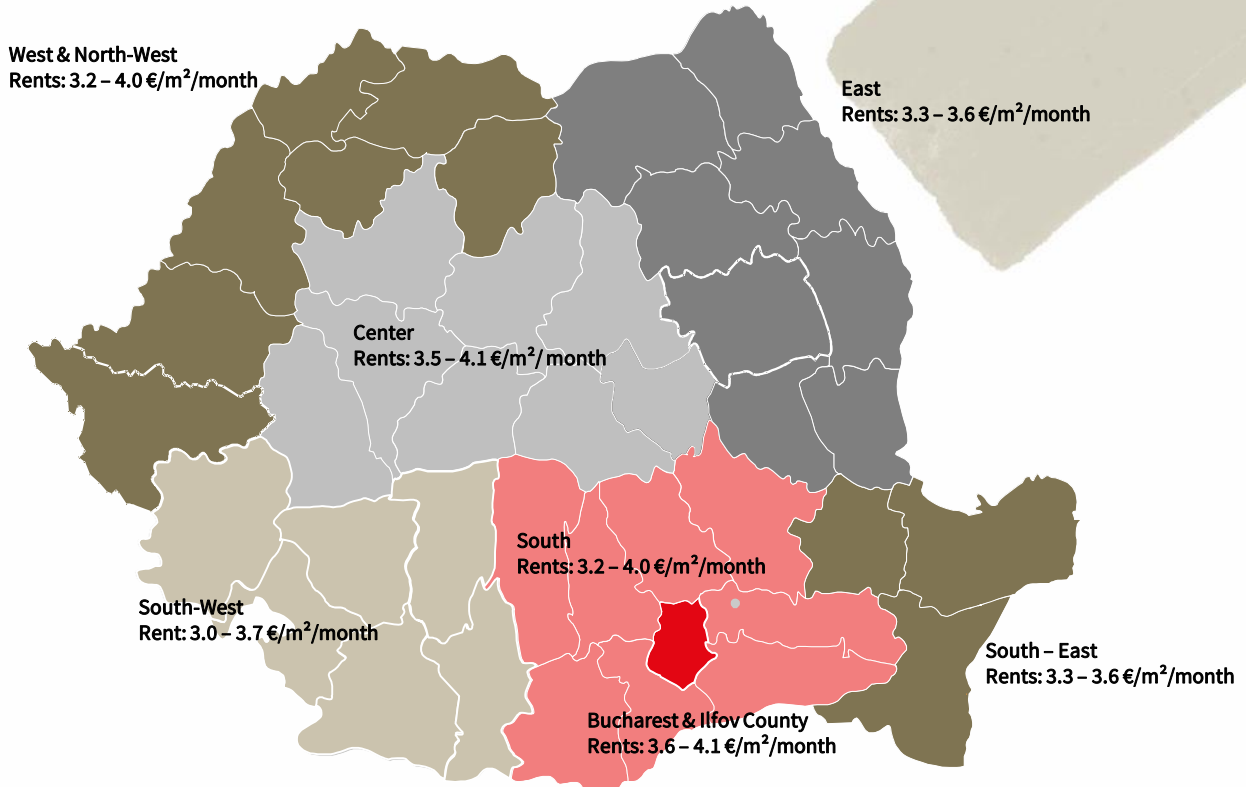
No significant changes in rents are expected for the first half of 2020.

At the national level, vacancy decreased slightly during Q4, to 5.16% due to the strong demand. Bucharest experienced an even lower vacancy, of 4.9%.

Total Stock Evolution - Romania (m²)



Rents by Region



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