Romania Regional Cities

Office Snapshot

Q3 2020

Timisoara

General Outlook

The Regional Cities Office Snapshot provides a general market overview on the regional office hubs in Romania and the opportunities they can offer to office tenants, real estate developers and investors. Regional markets can provide attractive alternatives, and also room for expansion and further growth in Romania.
Following a natural trend, major international office occupiers have gravitated towards the capital of Romania, Bucharest, by far the largest city in the country, with roughly 2 million inhabitants, without counting its metropolitan area.
Both international developers and real estate investors usually start their investments in Romania with Bucharest.
However, as the Romanian economy is maturing and expanding, and as average wages increase and unemployment levels get lower and lower, both real estate investors and office occupiers are looking to expand beyond Bucharest, to tap into Romania's full development potential.

Investment

Q3 2020 property investment volume for Romania is estimated at €408 million, a value approximately 68% higher than the one registered in the same period in 2019. For the first nine months of 2020, transactions volume reached **€816 million**.

Even though expectations for Q3 were not very high, considering the emergence of the second wave of the COVID-19 pandemic, the investment volume was boosted by the closing of one of the largest deals ever signed in Romania, the acquisition of the NEPI Rockcastle's office portfolio by AFI Europe, a deal worth approximately **€307 million**, which includes several properties in Bucharest and one in Timisoara, with a total GLA of almost 120,000 m^2.

The second largest deal closed during Q3 was the sale of the 37,500 m^2 GLA office complex Floreasca Park in Bucharest. The project was sold by GLL to Resolution Property Investment Management and Zeus Capital for an estimated €101 million.

Although the road ahead is marked by uncertainty, considering the persistence of the COVID-19 pandemic and the restrictions associated with it, there is a consistent pipeline of deals which could be closed in the near future and throughout 2021.

Office leasing

The letting market has continued to be active in the regional cities. During the first nine months of 2020, total take-up experienced a roughly 8% increase in comparison with the same period of 2019.

In Cluj-Napoca, total office leasing volume for Q1-Q3 2020 reached 32,600 m^2. In Brasov, it stood at 10.900 m^2 and 9,400 m^2 in Timisoara.
Around 4,200 m^2 were leased in Iasi during Q1-Q3 2020.

The demand for office space in regional cities was dominated by deals between 500 and 1,000 sqm and by grade A office spaces (73%).

Prime rents and incentives in Q3 remained stable throughout the regional cities.

Macroeconomics

Average net wages in regional cities are considerably lower when compared to Bucharest. Brasov is the most price-competitive.

Romania
€697
July 2020
Vs July 2019

Bucharest
€893
July 2020
Vs July 2019

Cluj-Napoca
€825
July 2020 (county level)
Vs July 2019

Timisoara
€703
July 2020 (county level)
Vs July 2019

Iasi
€700
July 2020 (county level)
Vs July 2019

Brasov
€608
July 2020 (county level)
Vs July 2019

Source: National Institute of Statistics

Average unemployment rates are significantly lower in the west of Romania, than in the eastern part

Romania
5.4%
July 2020
Vs July 2019

Bucharest
1.3%
July 2020
Vs July 2019

Cluj-Napoca
1.7%
July 2020 (county level)
Vs July 2019

Timisoara
1.1%
July 2020 (county level)
Vs July 2019

Iasi
3.0%
July 2020 (county level)
Vs July 2019

Brasov
2.4%
July 2020 (county level)
Vs July 2019

Source: National Institute of Statistics

Major Occupiers

Major occupiers are actively targeting regional cities

Cluj-Napoca

Cluj-Napoca is a strong **IT&C** hub in Romania and also concentrates many service providers.

Average transaction size in the past 5 years: **1,200 m²**

Cluj-Napoca Major Occupiers
MHP Porsche
Accenture
Vertiv
SDL
Cognizant
Steelcase
Telenav
Bitdefender
Yonder
SIG Combibloc

Timisoara

Timisoara is renowned for the **automotive** industry and for its SSC and IT sectors.

Average transaction size in the past 5 years: **1,400 m²**

Timisoara Major Occupiers
Nokia
Atos
ACI Worldwide
Continental
Bosch
Autoliv
Visteon
Wipro
Cognizant Softvision
Visma Software

Iasi

Iasi attracted a large number of **BPO and SSC** operators in recent years, but also IT companies.

Average transaction size in the past 5 years: **1,800 m²**

Iasi Major Occupiers
HCL Technologies
UniCredit
Conduent
Webhelp
Cognizant Softvision
Endava
Ness Romania
Accenture
Continental
Cegeka

Brasov

Brasov hosts a wide range of **high-tech** providers and also pharma and IT&C companies

Average transaction size in the past 5 years: **1,600 m²**

Brasov Major Occupiers
CGS
Sykes
Accenture
Waters
Tata Technology
NTT Data
Cerner
iQuest
Ipsos
Xperi

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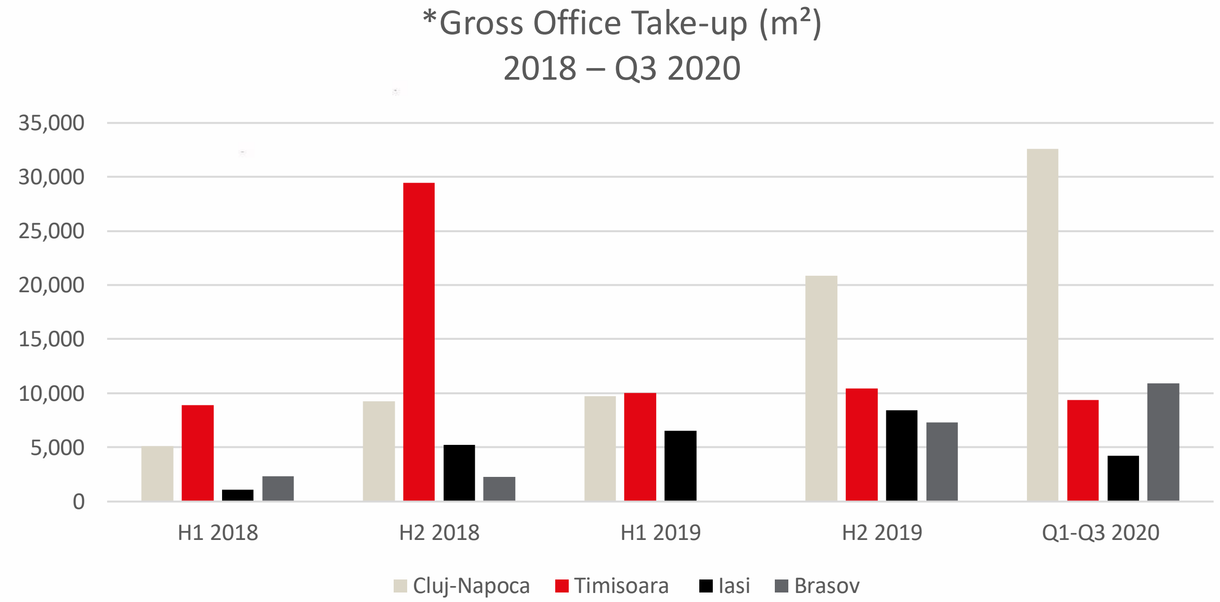
Occupier Market

Cluj-Napoca and Brasov had the largest share of office transactions during the first 9 months of 2020



*Before 2018, regional data was not systematically collected, therefore, for accuracy purposes, we begin the data series with 2018

Cluj-Napoca

Gross take-up: **32,600 m²** (Q1-Q3 2020)

Past 5 years annual average: **14,200 m²**

Vacancy rate: **6.0%**

Timisoara

Gross take-up: **9,400 m²** (Q1-Q3 2020)

Past 5 years annual average: **26,800 m²**

Vacancy rate: **6.0%**

Iasi

Gross take-up: **4,200 m²** (Q1-Q3 2020)

Past 5 years annual average: **25,000 m²**

Vacancy rate: **6.0%**

Brasov

Gross take-up: **10,900 m²** (Q1-Q3 2020)

Past 5 years annual average: **7,100 m²**

Vacancy rate: **4.4%**

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Market Rents

Office rents for A class buildings have been stable in the past 5 years

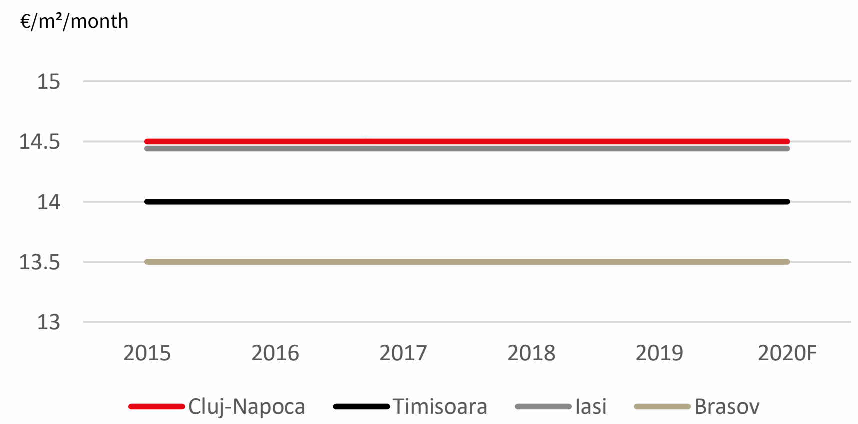
A Class Rents €/m²/month

Cluj-Napoca
€13.5-14.5

Timisoara
€13-14

Iasi
€13.5-14.5

Brasov
€12.5-13.5



Service providers accounted for the largest deals in Q1-Q3 2020

Key Leasing Transactions Q1-Q3 2020

Cluj-Napoca Q1-Q3 2020

Tenant	Property	Size (m²)
Cognizant Softvision	Hexagon Offices	3,400
MassMutual	Record Park	1,700
Endava	UBC 0	1,500
Modis – Adecco Group	UBC 0	1,400

Timisoara Q1-Q3 2020

Tenant	Property	Size (m²)
Wipro	City Business Center	4,600
Kromberg & Schubert	Vox Technology Park	2,000
Confidential	United Business Center	750
Plentydev	Fructus Plaza	600

Iasi Q1-Q3 2020

Tenant	Property	Size (m²)
Accenture	UBC	1,700
Cognizant	Tester Centro	850

Brasov Q1-Q3 2020

Tenant	Property	Size (m²)
Confidential	AFI Park Brasov	5,500
Confidential	AFI Park Brasov	2,700

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Stock & Future Supply

Office stock in the regional cities has been growing steadily

Cluj-Napoca
348,200
Total stock (m²)

Timisoara
290,000
Total stock (m²)

Iasi
220,000
Total stock (m²)

Brasov
157,000
Total stock (m²)

Consistent pipeline

Pipeline Cluj-Napoca 2020-2022 (selection)

Project	GLA (m²)	Developer
Record Park	12,000	Speedwell
Novis Plaza C	5,000	Transilvania Constructii
Hexagon Offices ph. 2	5,000	Hexagon

Pipeline Timisoara 2020-2021 (selection)

Project	GLA (m²)	Developer
ISHO ph. 3	19,700	Mulberry Development
UBC 0, ph. 1	30,000	Iulius & Atterbury
Bega Business Park 3	15,000	Bega Group

Pipeline Iasi 2020-2022 (selection)

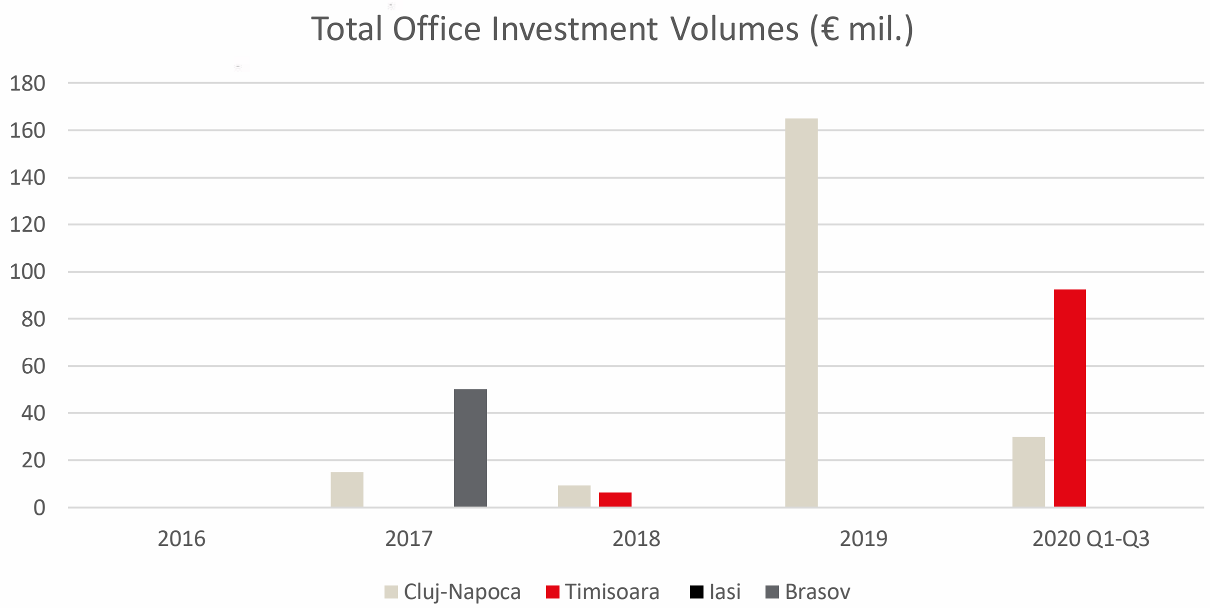
Project	GLA (m²)	Developer
United Business Center 8	5,600	Iulius
Palas Campus	60,000	Iulius

Pipeline Brasov 2020-2022 (selection)

Project	GLA (m²)	Developer
AFI Park Brasov 1	8,300	AFI Europe
AFI Park Brasov 2	10,000	AFI Europe

Investment market

The best is yet to come for the regional markets in terms of investment deals



Cluj-Napoca

Investment volume: €219 m (2016-Q3 2020)

No. of deals: 5

3 single and 2 portfolio deal

3 deals > €30 m

Average size: €44 m

Timisoara

Investment volume: €98.4 m (2016-Q3 2020)

No. of deals: 2

1 single deal and 1 portfolio deal

1 deal > €90 m

Average size: €49.2 m

Iasi

Investment volume: €0 m(2016-Q3 2020)

No. of deals: 0

0 deals

Average size: €0 m

Brasov

Investment volume: €50 m (2016-Q3 2020)

No. of deals: 1

1 single deal

Average size: €50 m

Prime Office Yields

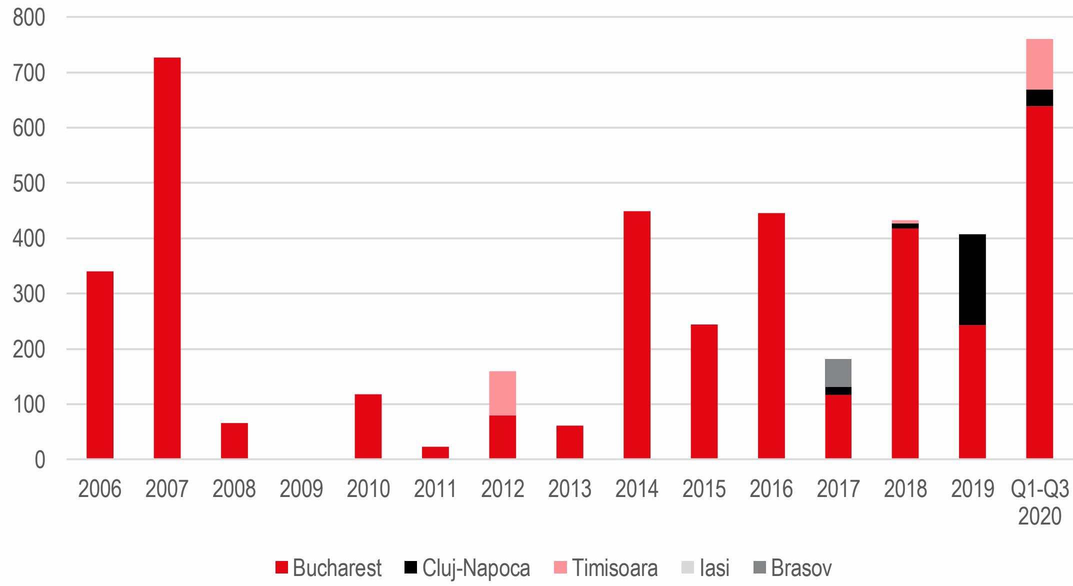
Regional Cities in Romania offer attractive *Prime Office Yields

Cluj-Napoca	Timisoara	Iasi	Brasov
8.25%	8.25%	8.25%	8.50%

*Prime Yield represents the best yield estimated to be achievable for a notional office property of the highest quality and specification in the best location in a market.

Although Bucharest continues to dominate in terms of investment volumes, regional cities are entering the stage with large transactions. Iasi however is still waiting for the first major office deal.

Romania Office Investments Volumes (€ million)



Key Investment Office Transactions in Regional Cities in Q1-Q3 2020

Sector	Property	Market	Est. Price (€ million)	Seller	Buyer
Office	City Business Centre	Timisoara	90	NEPI Rockcastle	AFI Europe
Office	3 office buildings portfolio	Cluj-Napoca	30	Hexagon	Ideal Projects Services
Office & Retail	Oradea Plaza	Oradea	9	Portico Investments	Lotus Center

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Overview

Where do regional cities stand when compared to Bucharest

Macroeconomics

City	Bucharest	Cluj-Napoca	Timisoara	Iasi	Brasov
*Permanent resident population (July 2019) at municipality level	2,139,439	326,145	326,636	382,767	289,190
*Permanent resident population (July 2019) at county level	2,139,439	734,168	756,218	956,216	635,861
GDP in € bn. at county level (2019)	52.29	10.63	10.40	6.89	7.56
GDP per capita in € at county level (2019)	24,441	14,479	13,753	7,205	11,889
Employees at county level (July 2020)	1,028,308	258,850	250,545	175,416	188,388
Unemployment rate in % at county level (July 2020)	1.3	1.7	1.1	3.0	2.4
Net average wages in € at county level (July 2020)	893	825	703	700	608

**** Permanent Resident Population represents the number of persons with Romanian citizenship and permanent residence in Romania, delimited by territorial administrative criteria.***

Sources: JLL Research, National Institute of Statistics, National Commission for Strategy and Prognosis

Office Market

City	Bucharest	Cluj-Napoca	Timisoara	Iasi	Brasov
Office Stock in m² (Q3 2020)	2,925,000	348,200	290,000	220,000	157,000
Gross take-up in m² (Q1-Q3 2020)	99,500	32,600	9,400	4,200	10,900
Estimated Vacancy in % (Q3 2020)	10.9	6	6	6	4.4
A class rents in €/m²/mth. (Q3 2020)	*14-16	13.5-14.5	13-14	13.5-14.5	12.5-13.5
Investment volumes in € mil. (2016-Q3 2020)	1,862	219	98	0	50
Prime yields in % (Q3 2020)	7.00	8.25	8.25	8.25	8.50

**** The rent mentioned for Bucharest is for the main office hubs, as these areas are considered comparable to prime assets in regional cities***

Sources: JLL Research,

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