

RESEARCH

INDUSTRIAL & LOGISTICS

ROMANIA MARKET OVERVIEW Q3 2014



Overview

As business confidence improves, demand for modern industrial space in Romania has also increased in the first three quarters of 2014.

Supply

The modern stock in Bucharest remains constant at cca. 1 million sq m. More than 75% of the stock is located in the Western part of Bucharest, in the established industrial area along the city Ring Road and A1 Highway. At the country level the existing stock exceeds 1.8 million sq m in industrial parks situated in cities such as Ploiesti, Pitesti, Brasov, Sibiu, Cluj, Arad, and Timisoara.

No new deliveries were reported in Q3 2014. All developments are currently built-to-suit or owner occupied.

Considering the recent transactions, along with absence of speculative development,

the vacancy rate dropped from 12–14% to cca. 10% in Bucharest and Ilfov areas and it remained at the same level in the rest of the country (12–14%).

Tenant Demand

Gross take-up in Romania amounted to cca. 95,000 sq m in Q3 2014. More than 60% of the total transactions were recorded in Ploiesti, proving once again the preference for this important hub, due to its good location, developed infrastructure and viable options for BTS projects of foreign investors.

Transactions over the last months show increased interest of the automotive sector to start new production units in established industrial hubs of Romania. Especially the Eastern part of the country appears to be a preferred destination for this sector, given its offer of existing industrial platforms and availability of qualified labor force.

As a result, new production facilities across Iasi, Roman and Braila have been developed by companies such as: TRW, Lear Corporation and Yazaki Europe, a new entry this quarter.

The leasing market has seen negotiation of contract by Unilever in Ploiesti for 27,000 sq m of warehouse space and signing of WDP with Yazaki Europe for a BTS located in Braila.

HIGHLIGHTS

Tenant demand significantly increased in Q3 2014, reaching more than triple the value recorded in Q3 2013

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Rents

Rents remained stable throughout the year, both in Bucharest and in the other regions across the country.

Investor Demand

The largest transaction on the market was the acquisition of Europolis Logistic Park, the largest logistic park near Bucharest (214,000 sq m), by PointPark Properties from CA Immobilien Anlagen AG. The purchase, which also included properties in Poland, extended the company's portfolio with 3 logistics parks with a combined total of 467,000 sq m and almost 165 ha of land for development.

Forecasts and trends

On the backdrop of an improving economy, developers are starting to consider speculative development opportunities at selected sites. In terms of new projects, Immofinanz announced a speculative development in the North West of Bucharest, which will include Class A logistics and manufacturing units. Furthermore, Helios Phoenix, another important industrial developer, intends to develop 25,000 sq m of Class A warehouse in Timisoara and Brasov. Olympian Park Timisoara will also be extended by 20,000 sq m, with a new built-to-suit project, already under construction and estimated to be delivered in Q2 2015.

TABLE 1

Prime rental and service charge ranges

Rent €/sq m/month	Bucharest	Rest of the country
Logistics (up to 3,000 sq m)	€3.90–€4.20	€3.50–€3.80
Logistics (up to 10,000 sq m)	€3.75–€4.00	€3.20–€3.50
Logistics (over 10,000 sq m)	€3.30–€3.60	€2.90–€3.20
Manufacturing	€3.50–€4.25	€3.50–€3.75
Service charge	€0.50–€0.95	

Source: The Advisers/Knight Frank

TABLE 2

General market practice overview

Vacancy	10% – Bucharest Area	
Yield	10%–11% ↓	
Typical contract length	Logistics	3–5 years
	Production	5–7 years
	BTS	7–10 years
Average BTS construction duration	16–40 weeks	
Incentives	Free rent months depending on the contract length	
Indexation	HICP	
Service charges	0.50€–0.95€	

Source: The Advisers/Knight Frank

TABLE 3

Selected transactions in Q3 2014

Project	Occupier	Built area (sq m)	Location	Type of transaction
Ploiesti West Park	Unilever	27,000	Ploiesti	renewal
Prologis	Logistics E van Wijk	16,000	Bucharest	new lease
WDP – Braila	Yazaki Europe	16,000	Braila	BTS
Ploiesti West Park	Lidl	10,950	Ploiesti	new lease
Mega Centre	Eni/Agip	500	Bucharest	new lease

Source: The Advisers/Knight Frank

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