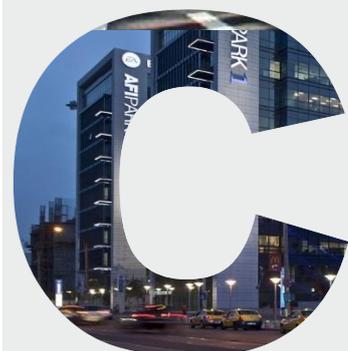
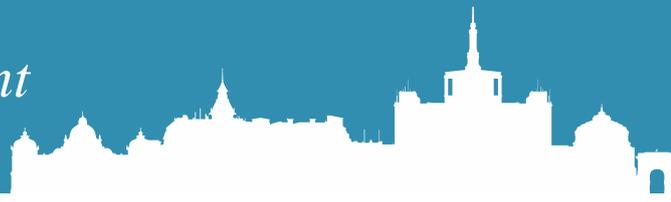


Bucharest City Report

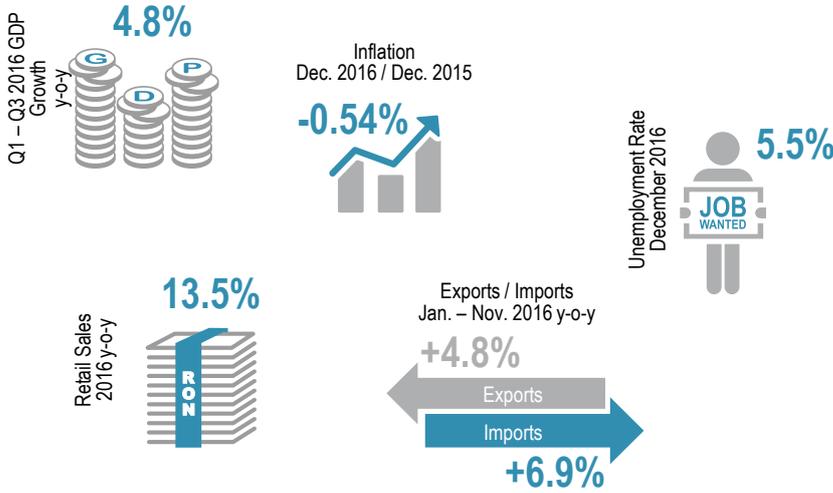
Q4 2016



City Reports



Economy



Macroeconomic Overview

Romania registered a GDP growth of 4.8% in the first nine months of 2016, the highest in the European Union, and on track for its 6th consecutive year of growth. Retail sales, which registered the highest growth in the EU (13.5% in 2016, y-o-y), continue to be the main driver of the economy, fuelled by the increase in net average wages (14% y-o-y, reaching €481 in November 2016), however, coming from a low base.

The National Bank of Romania maintains its policy rate at a record low of 1.75%, supporting the growth momentum and remaining cautious of the uncertainty in Europe following the Brexit vote. The earliest move to gradually tighten the monetary policy is expected in the second half of 2017.

The FX rate has been very stable despite the recent turmoil across EU and United States, holding steady in the range of 4.3-4.55 Ron/Euro in the last 5 years. Romania is still aiming to join the Euro zone, but no clear date has been set after postponing the previous 2019 target. Moody's, Fitch and Standard & Poor's are unanimously assessing Romania as recommended for investment with a stable to positive perspective.

Investment Market

The 2016 property investment volume for Romania totaled over €860 million, a value almost 30% higher than that registered in 2015 (€663 million). However, the number of transactions was slightly smaller, meaning that the average deal size increased.

Bucharest accounted for over 70% of the total investment volume, less than in 2015, showing that liquidity in secondary cities has somewhat improved. Market volumes were dominated by office transactions (45%), while retail and industrial accounted for close to 26% each.

The largest transaction registered in 2016 was the acquisition of 26.88% of Globalworth's shares by South African group Growthpoint for approximately €186 million. Globalworth is the largest owner of office space in Romania. The most notable retail transaction was the acquisition of Sibiu Shopping City by NEPI from ARGO for a total of €100 million, which represents the largest single asset deal outside of Bucharest since the economic crisis. In industrial, the largest deal was the acquisition of P3 Logistic Parks by GIC, the Singapore sovereign wealth fund, through the pan-European acquisition of P3.

Investment Transactions Q4 2016



Property	Price	Seller	Buyer
26.88% of Globalworth Portfolio	€186 mil.	Capital increase	Growthpoint
P3 Logistic Park	Conf.	P3	GIC
Metropolis Center	€48 mil.	Soravia	PPF

Prime Yields

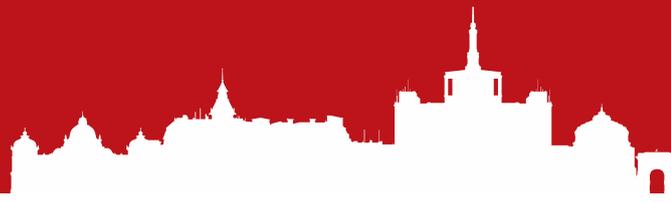


Investment Trends

2016 marked the entry of several new names on the Romanian real estate market, either through the purchase of regional platforms or, individual assets. Among them Logicor (Blackstone's European industrial division), GIC, PPF and Growthpoint.

Market fundamentals remain robust. Occupier demand is at record high levels in all market segments. Availability of quality product is increasing and there is significant yield spread between Romania and Poland or the Czech Republic. On the financing side, terms and conditions have improved significantly over the past year and becoming closer to what can be expected in the core CEE markets. Consequently, sentiment is strong, with transactions totaling approximately €630 million in different stages of negotiation.

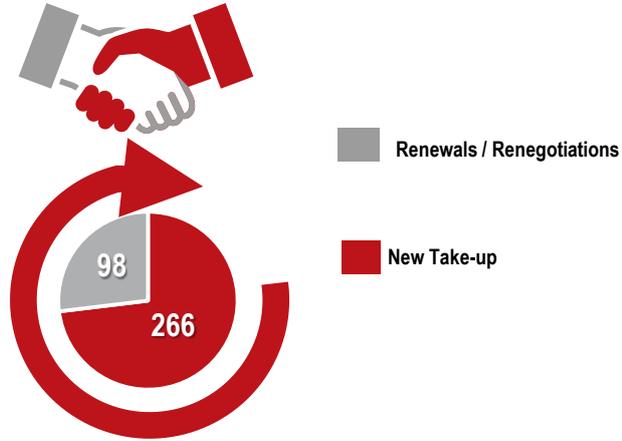
Prime office yields are at 7.5%, prime retail yields at 7.25%, while prime industrial yields are at 9.00%. Yields for office and industrial are at the same level as 12 months ago, while retail yields have compressed by 25 bps over the year. In 2017, we expect further yield compression, particularly in industrial and mild compression in both offices and retail.



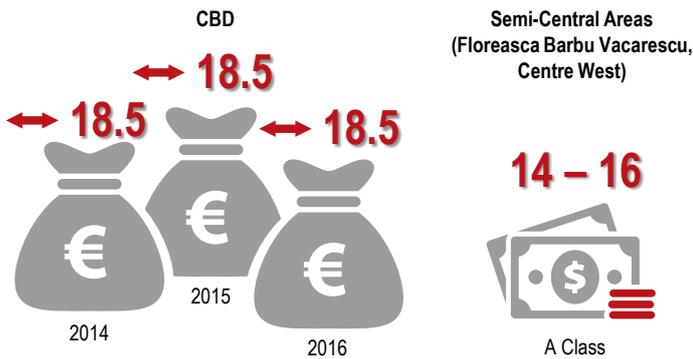
Q4 2016 Supply

Property	Submarket	Size (sq m)	Developer
Hermes Business Campus C	Dimitrie Pompeiu	29,500	Atenor
Oregon Park Ph.2	Floreasca Barbu Vacarescu	22,000	Portland Trust
Metrooffice	Dimitrie Pompeiu	20,000	Immofinanz
Prezan OB	Center North	5,900	Town Imobiliare

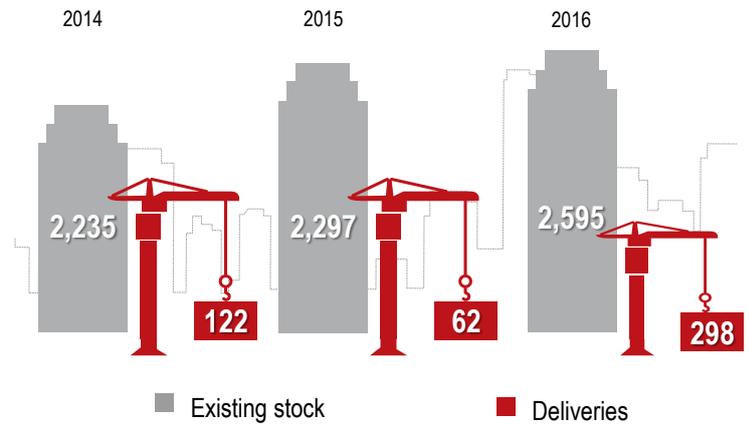
2016 Take-up ('000 sq m)



Rental Levels €/sq m/month



Existing Stock / Deliveries ('000 sq m)



Q4 2016 Key Transactions

Occupier	Building	Contract Type	Deal Size (sq m)
Renault	Renault Office Building	Pre-lease	47,500
Confidential	Metrooffice	New lease	7,500
Confidential	Oregon Park	New lease	6,500
Coca Cola	Global City	Renewal	5,000
Deutsche Bank	BOB	New lease	4,300
GM	Green Court Building C	New lease	4,259

Demand & Vacancy

Demand in Bucharest in 2016 reached an all time record level of 364,000 sq m, a 46% growth when compared to 2015. Net take-up (new leases and extensions) reached approximately 155,000 sq m, a 42% increase when compared with 2015.

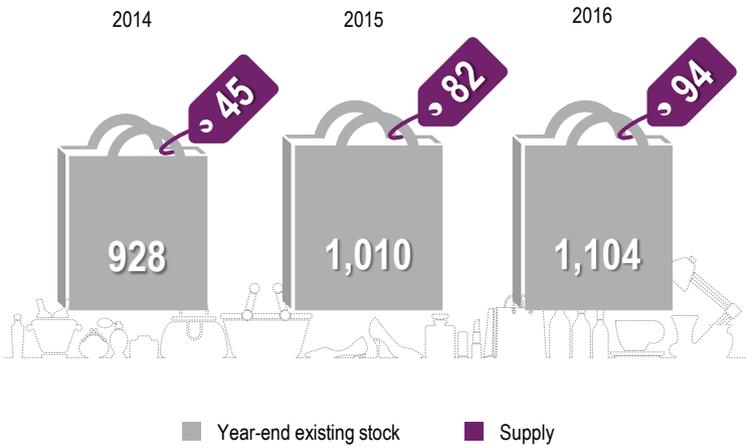
IT&C and BPO companies were the most active in terms of leases, followed by automotive and professional services companies. The Center-West and West sub-markets attracted close to 37% of the total take-up followed by the northern area of Bucharest (Floreasca Barbu Vacarescu and Dimitrie Pompeiu) which together attracted close to 31% of the total take-up.

Vacancy in Bucharest increased over the year to 13.5%, 20 bps above the level of Q4 2015. This is mainly due to the large volume of new supply which was only partially pre-let. Vacancy is expected to remain relatively stable in 2017, as the supply will most likely be covered by new demand. Approximately 184,000 sq m are announced to be completed by the end of 2017.

Vacancy rates continue to be uneven between sub-markets, which is also reflected in the evolution of rental levels.



Bucharest Stock & Supply ('000 sq m)



Romanian Supply and Pipeline

Five new shopping centers and several extensions were completed in 2016 in Romania, bringing over 235,000 sq m of retail space to the market. New projects accounted for 75% of the supply, the remainder being extensions and refurbishments of older assets.

The largest projects delivered include ParkLake (67,000 sq m GLA), developed by Sonae Sierra and Caellum Development in the east of Bucharest, Shopping City Timisoara (56,800 sq m GLA), Shopping City Piatra Neamt (27,900 sq m GLA), both developed by NEPI, Veranda Mall (25,000 sq m GLA) inaugurated by Prodplast Imobiliare in Bucharest and Mercur Craiova of SIF Oltenia.

The most active developer was NEPI, the largest owner of retail space in Romania, which accounted for almost 46% of the total new supply.

Developers have announced approximately 150,000 sq m of retail space to be delivered by the end of 2017, supported by the strong growth of retail sales and consumer confidence.

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

486 sq m
per 1,000 inhabitants



2017 Pipeline (selection)

Property	Market	Developer	Type	Size (sq m)
Ramnicu Valcea Mall	Ramnicu Valcea	NEPI	New Project	28,000
Shopping City Galati	Galati	NEPI	Extension	21,000
Shopping City Satu Mare	Satu Mare	NEPI	New Project	17,400
Bistrita Retail Park	Bistrita	Element Development	New Project	15,000

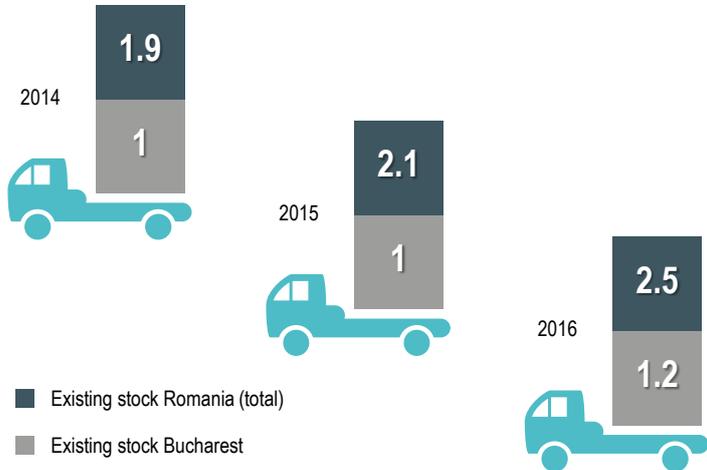
Occupier Market

According to the National Institute of Statistics, 2016 retail sales grew by an impressive 13.5% when compared with 2015, by far the highest growth of the European Union. This, combined with the strong consumer confidence, encouraged retailers to expand. Bucharest is clearly the most attractive retail destination in Romania due to its large population and the significantly higher spending power than in the rest of the country.

Between 2014 and 2016, the number of international retailers entering the Romanian market started to pick-up with over 60 new brands coming to the market. Among them, important names such as Pepco, Debenhams, Forever 21, Sportisimo, Jumbo, Tally Weijl and COS. Several strong international brands with a direct presence in Romania have been aggressively expanding, eager to take advantage of the favourable commercial conditions and to gain market share. The low to mid-market retailers try to cover most of the market from a geographical point of view, while mid to up-market brands are very selective and are only looking at prime centres in Bucharest and main secondary cities and are therefore opening fewer new units.



Stock - Romania / Bucharest (million sq m)



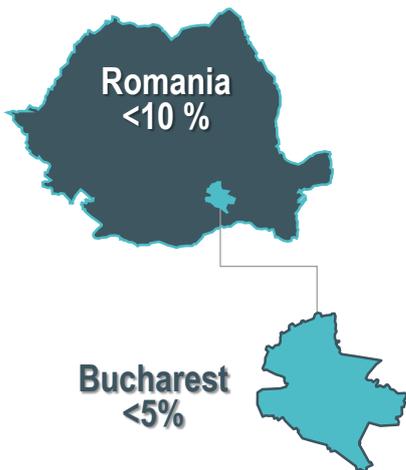
Romanian Supply and Pipeline

Approximately 330,000 sq m of competitive industrial/logistics space was delivered in 2016 in Romania, with approximately 196,000 sq m being completed in Bucharest. The supply included among others, the 90,000 sq m speculative extension of P3 Logistics Park in Bucharest, the new 45,000 sq m Log Center Mogosoaia and the 30,000 sq m extension of CTPark Bucharest West.

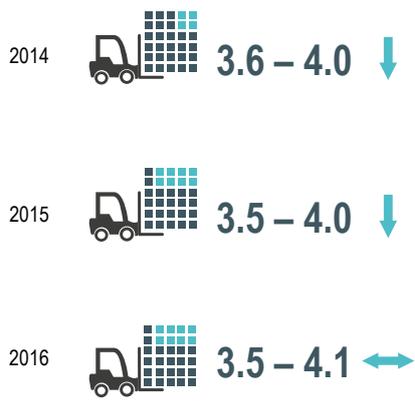
Another 340,000 sq m has been announced to be delivered until the end of 2017, as developers are encouraged by the low vacancy and record demand to further expand their existing parks or to start new projects. The largest projects scheduled to be completed this year are the 60,000 sq m extension of CTPark Bucharest West, the 60,000 sq m extension of P3 Logistic Park and the new 38,000 sq m new project of WDP in Otopeni.

Concentration of the industrial real estate market in Romania is still very low from a CEE perspective, with the largest player having just over a 20% market share (CTP).

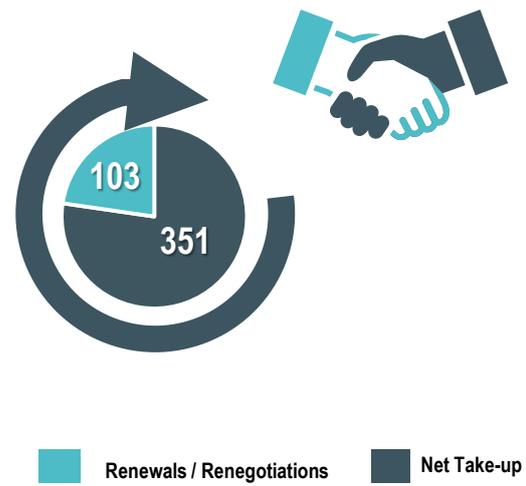
Vacancy



Prime Rents (€/sq m/month)



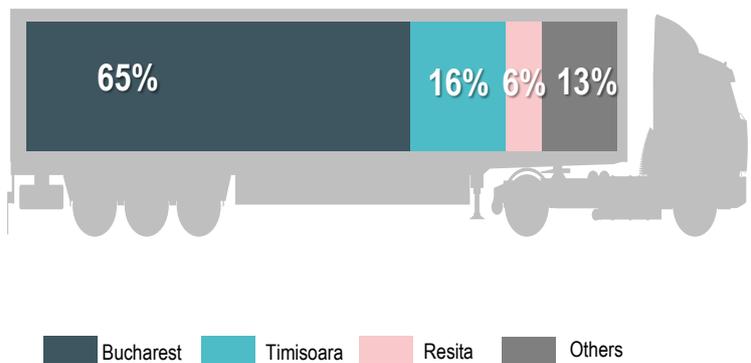
2016 Take-up ('000 sq m)



Q4 2016 Key Transactions

Tenant	Property	Size (sq. m)	Sector / Industry
Confidential	Confidential km. 23	32,000	E-commerce
Decathlon	WDP Park Otopeni	28,000	Retail
Valeo	Timisoara Airport Park	13,500	Automotive
Autonet	MLP	12,500	Logistics
Profi	WDP Cluj	11,500	Retail

Split of 2016 Take-up by City





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