

Bucharest City Report

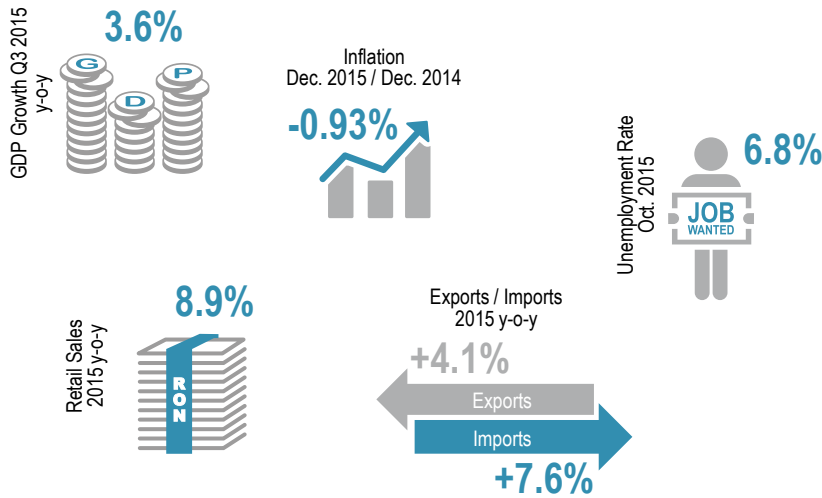


Q4 2015





Economy



Macroeconomic Overview

GDP grew by 3.7% (y-o-y) in the first 9 months of 2015 and is forecast to increase by 3.7% (Goldman Sachs) until the end of the year. The cut in VAT from 24% to 9% for food products since the 1st of June and to 20% for all products from the 1st of January 2016 encouraged private consumption, which was the main driver of the economy last year. Retail sales were also supported by the 14.4% increase of the average net wage.

The National Bank of Romania kept the monetary policy rate stable at 1.75%, the lowest level recorded. This encouraged banks to offer a record number of credits in local currency. The government deficit for 2015 was 1.47% of GDP, and is estimated to grow to 3% in 2016, while the government debt decreased to below 38.5% of GDP, one of the lowest in the EU.

The positive economic trend is expected to continue in 2016, when GDP growth is estimated to be as high as 5.2%, with all sectors having a positive contribution.

Investment Market

The property investment volume in 2015 is estimated at approximately €675 million, coming off the back of a very strong 2014, when ca. €1.17 billion was transacted, including a number of unique, very large deals. However, 2015 witnessed an equally large number of transactions proving that the market remains liquid and is maintaining momentum. Bucharest accounted for more than 80% of the total investment volume. Market volumes were dominated by industrial transactions (41%), making 2015 an all-time record year for this segment, followed by office (38%).

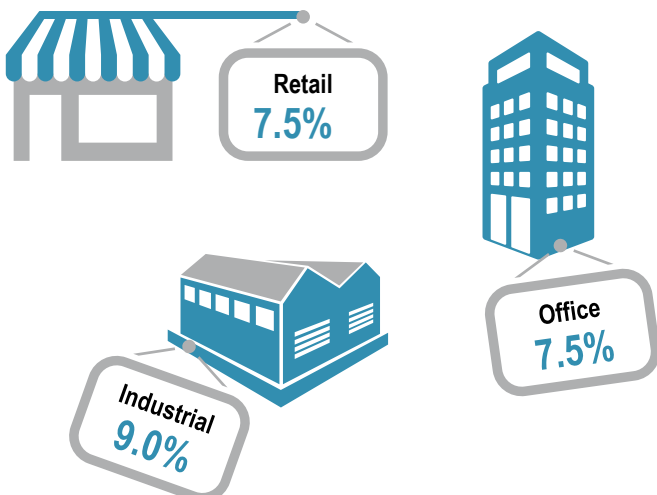
The most active buyer in 2015 was Czech investor CTP, who acquired 6 industrial properties across Romania, for a combined total value of over €130 million. 2015 saw the entry of several new players on the Romanian real estate market. In industrial, P3 and CTP bought their first standing assets in the country. On the office market, GLL - the German institutional buyer acquired, after a 6 years hiatus, Floreasca Park and Victoria Center, 2 office buildings in major office areas in Bucharest for a combined value of close to €130 million.

Investment Volumes



| Property | Price | Seller | Buyer |
|---------------------------------|----------|----------------|-------------|
| Floreasca Park (retail) | Conf. | Portland Trust | GLL |
| Bucharest West (industrial) | Conf. | Portland Trust | CTP |
| Green Court Building B (office) | €47 mil. | Skanska | Globalworth |
| Prologis Park (industrial) | €39 mil. | Prologis | CTP |
| Hello Park Bacau (retail) | €27 mil. | Belrom | KBC |

Prime Yields



Investment Trends

Investors looking for distressed property in Romania will struggle to find any that can be worked out. More core players wanting to secure properties with stable, long term income, in a steadily growing economy are coming in as they see the opportunity to improve their returns.

With financing conditions having improved significantly over the past 12 months and increased appetite from banks for good product and serious sponsors is encouraging this flow of capital. We also see interest from foreign banks looking to finance in Romania again, which will put further pressure on margins offered locally.

Prospects for 2016 are positive given that the projected economic growth of the country is forecast to be one of Europe's top performers, but also the availability of quality product and the still significant yield spread between Romania and Poland or the Czech Republic.

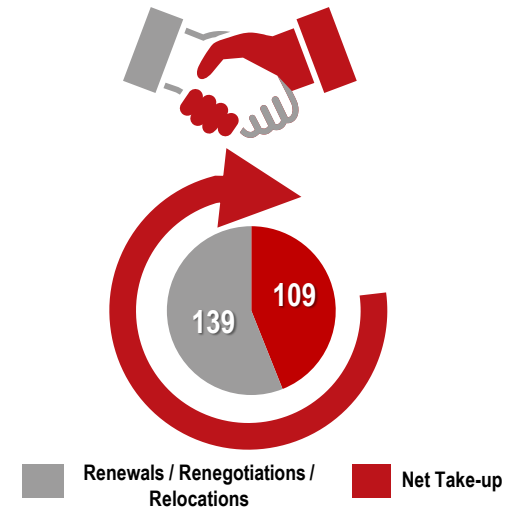
Prime office and retail yields are at 7.50% while prime industrial yields are at 9.00%. Yields have compressed between 25 and 75 bps since the start of 2015, but no significant further compression is expected in the first half of 2016.



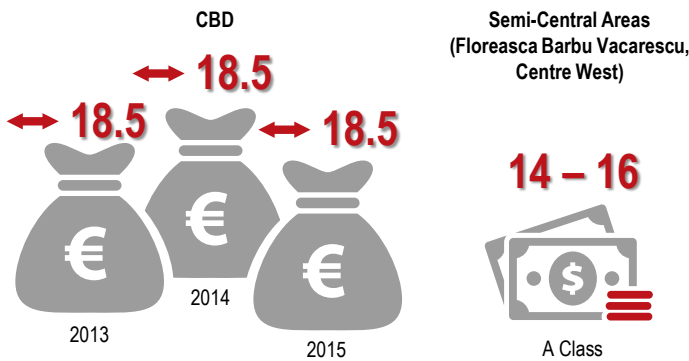
2015 Supply

| 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 | 13,300 | Q2 2015 |
| PC Center (Iridex) | North | 8,500 | n/a | Q3 2015 |
| Business Design Center | South | 5,000 | 5,000 | Q3 2015 |
| Ion Mincu Offices | Center North | 4,200 | n/a | Q3 2015 |

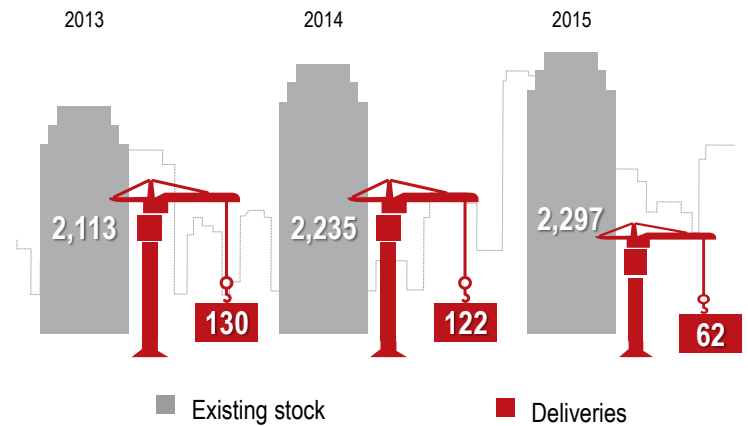
2015 Take-up ('000 sq m)



Rental Levels €/sq m/month



Existing Stock / Deliveries ('000 sq m)



Q4 Key Transactions

| Occupier | Building | Contract Type | Deal Size (sq m) |
|--------------|--------------|---------------|------------------|
| VEEAM | AFI 4&5 | New lease | 3,000 |
| Confidential | AFI 4&5 | New lease | 3,000 |
| Altex | Global City | New lease | 2,800 |
| Luxoft | Hermes BC B | New lease | 2,500 |
| Vodafone | City Offices | New lease | 2,300 |

Demand & Vacancy

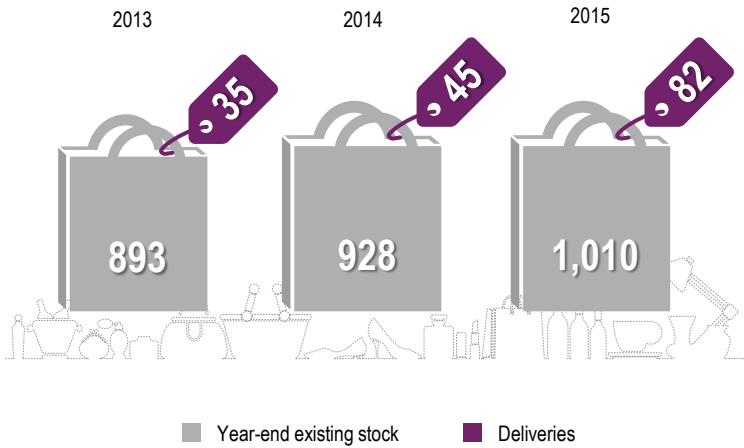
Demand in 2015 was generated mainly by IT companies, which accounted for 36% of the total annual volume registered in Bucharest, followed by professional services companies with 16% and BPO/SSCs with 15%. Two sub-markets in the north of Bucharest, Floreasca Barbu Vacarescu and Dimitrie Pompeiu, attracted more than half of the total take-up, mainly due to the good accessibility, including metro, amenities in the area and quality office premises.

Vacancy in Bucharest increased marginally over the quarter to 13.3%, 20 bps above the level of Q3 2015. This is mainly due to the fact that the Romanian operations of Volksbank were taken over by a local bank and therefore the space which they previously occupied remained vacant. Vacancy is expected to increase by the end of 2016, due to the large volume of space planned for delivery which is only partially pre-leased.

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



Bucharest Stock / Deliveries ('000 sq m)



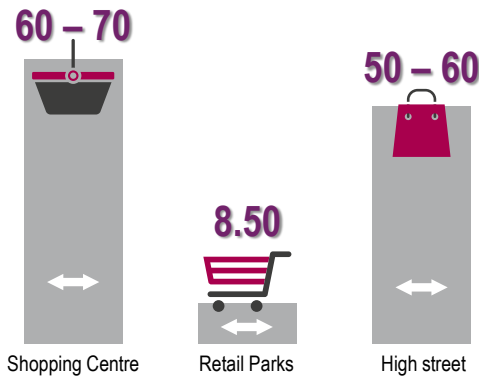
Romania Deliveries and Pipeline

2015 was a good year for the retail market in Romania. Close to 175,000 sq m of GLA has been delivered – a value 143% higher when compared to 2014. Over 196,000 sq m of shopping centers are planned to be delivered in 2016, supported by the strong growth of retail sales, consumer confidence and the growing economy.

Two large, new shopping centers and several extensions of existing assets were inaugurated in 2015, mainly targeting areas which were previously lacking major schemes such as Brasov, the east of Bucharest, Deva or Drobeta. Moreover, large, new projects planned to be delivered in the next 2 years are following the same pattern of aiming at undersupplied cities such as Timisoara, Piatra Neamt or Satu Mare.

In terms of retail formats, large shopping centres continue to dominate in major cities while local centres and convenience-type schemes are predominant in smaller cities. Developers more rarely decide to develop retail parks.

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

444 sq m
per 1,000 inhabitants



2016 Pipeline

| Property | Market | Developer | Type | Size (sq m) |
|-------------------------|-----------|-----------------------------|---------------|-------------|
| Park Lake Plaza | Bucharest | Sonae Sierra / Caellum Dev. | New Project | 67,000 |
| Shopping City Timisoara | Timisoara | NEPI | New Project | 55,700 |
| Veranda Mall | Bucharest | Prodplast Imobiliare | New project | 25,000 |
| City Park | Constanta | NEPI | Extension | 20,500 |
| Mercur | Craiova | Local | Refurbishment | 20,000 |

Occupier Market

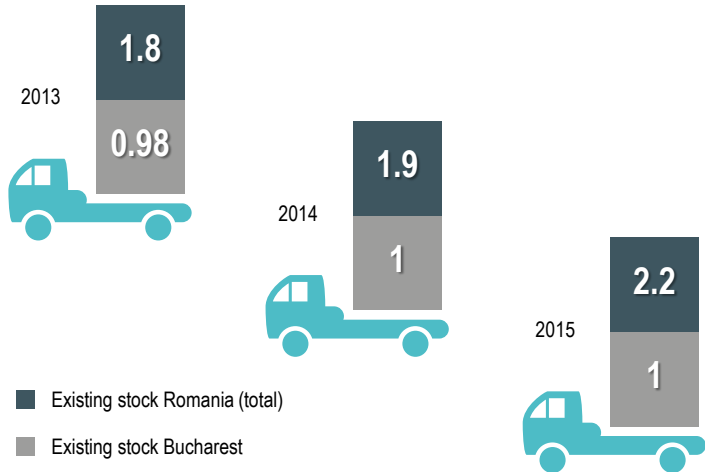
According to the National Institute of Statistics, in 2015, retail sales grew by an impressive 8.9%, which together with the increasing consumer confidence, encouraged retailers to expand. However, even though retailers are developing dynamically, they are increasingly selective when it comes to the standard and location of new retail objects. As a result, they are thoroughly revising the leasing of further units, targeting mainly the performing shopping centers, due to the lack of high-street retail.

Debenhams is among the most famous fashion brands to debut on the Romanian retail market in 2015 and reopened their unit in Bucuresti Mall after a two year break. Luxury retailer Marc Cain opened its first shop in the commercial gallery attached to the Radisson Blu hotel, Armani Jeans and Chanel opened their first Romanian operations in Baneasa Shopping City and Tally Weijl and Liu Jo opened new locations in AFI Palace Cotroceni.

A notable move on the retail market was the purchase of Billa's business operations in Romania by Carrefour from the Rewe group. The French retailer took over 86 retail stores with a total area of 83,000 sq m and now owns 275 units across the country in several retail formats (hypermarkets, supermarkets and proximity shops).



Stock - Romania / Bucharest (million sq m)



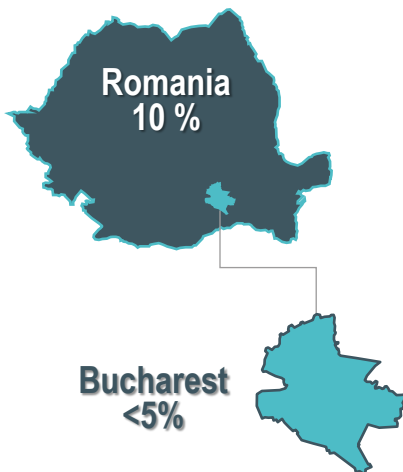
Romania Supply and Pipeline

Close to 160,000 sq m of competitive industrial/logistic space was delivered in 2015 in Romania, with approximately 33,000 sq m being delivered in Q4 alone. The completions included, among others, the 52,000 sq m built-to-suit units in Timisoara Airport Park, the 20,000 sq m extension of Olympian Timisoara, the 15,000 sq m unit built by WDP for Yazaki at Braila, the 13,000 sq m extension for Eni Snamprogetti and the 12,000 sq m extension for Federal Mogul both in Ploiesti West Park.

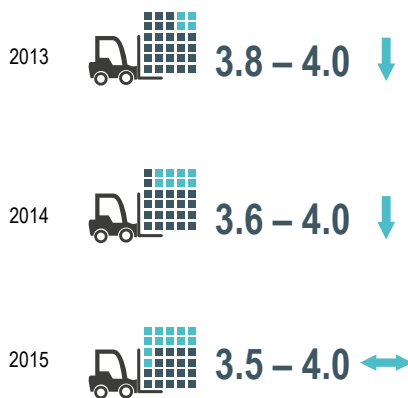
Close to 250,000 sq m are expected to be delivered in Romania by the end of 2016, the largest being the 2 extensions of P3 Logistic Park (total 90,000 sq m), the new project of Logicor, Log IQ Mogosoaia (40,000 sq m), the 15,000 sq m extension of Log IQ Ploiesti and the 13,000 sq m units of AIC for Fashion Days in A1 Business Park.

Investors still prefer to built-to-suit rather than develop speculatively and to expand their already existing projects rather than start new ones (with one notable exception – Log IQ Mogosoaia). This more precautionous approach has resulted in a sharp decrease in the vacancy rate in Bucharest over the last couple of years to below 5%.

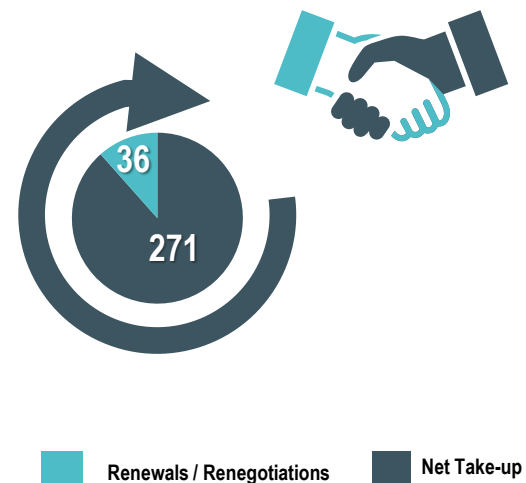
Vacancy



Prime Rents (€/sq m/month)



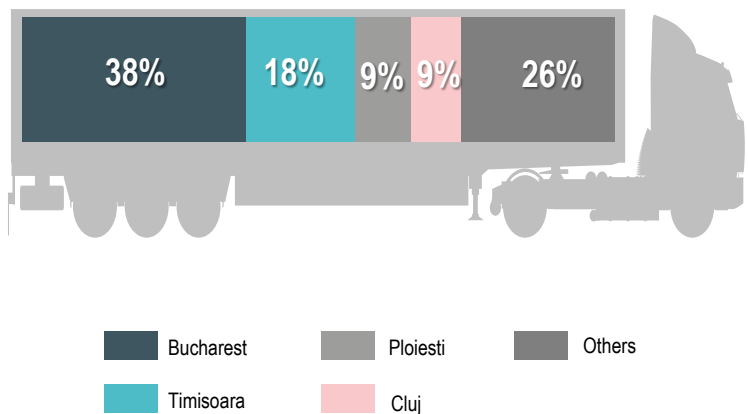
2015 Take-up ('000 sq m)



Q4 Key Transactions

| Tenant | Property | Size (sq. m) | Sector / Industry |
|------------------------|-----------------------|--------------|-------------------|
| Quehenberger Logistics | CTPark Bucharest West | 19,500 | Logistics |
| Fashion Days | A1 Business Park | 13,600 | E-commerce |
| Quehenberger Logistics | VGP Timisoara | 13,000 | Logistics |
| Tibett Logistics | CTPark Deva | 10,000 | Logistics |
| DPD | Log IQ Mogosoaia | 4,400 | Logistics |

Split of 2015 Take-up by City





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