

ROMANIA Office Market Snapshot

Fourth Quarter | 2017



MARKET INDICATORS

Market Outlook

- Prime Rents: With multiple options available to occupiers, prime rents will remain stable. ▶
- Prime Yields: A slight compression is forecasted as investor interest increases. ▲
- Supply: Given the high number of projects under construction, new supply will increase going forward. ▼
- Demand: Since a series of large office occupiers are assessing the market, pre-letting activity is projected to be consistent. ▼

Prime Office rents – December 2017

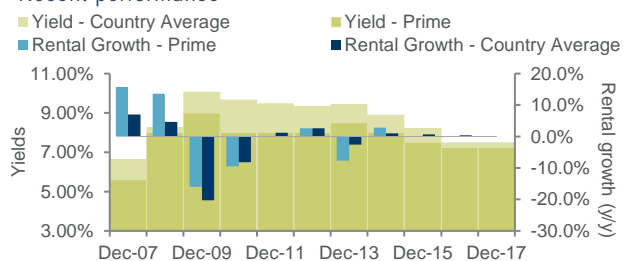
LOCATION	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Bucharest (Centre)	18.50	222	24.8	0.0	-1.0
Timisoara	14.00	168	18.7	0.0	0.7
Cluj-Napoca	14.00	168	18.7	0.0	-2.6
Brasov	12.50	150	16.7	0.0	3.5

Prime Office yields – December 2017

LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Bucharest (Centre)	7.25	7.25	7.25	10.00	5.60
Timisoara	8.00	8.00	8.00	11.00	7.50
Cluj-Napoca	8.00	8.00	8.00	10.50	8.00
Brasov	8.00	8.00	8.00	11.00	7.50

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

Recent performance



Overview

Throughout Q4 2017, almost 70,000 sq. m of office space was completed, which led to an increase of the total modern stock in Bucharest of 28%, to 2.68 million sq. m. Demand continued to be strong, with the vacancy rate dropping below 8%.

Occupier focus

In the final quarter of 2017, demand for modern office space in Bucharest was of approximately 95,000 sq. m. Net take-up represented 87% and consisted mainly of new operations, followed by pre-leases. The Central North area was the most sought-after location as it recorded more than half of the total demand transacted in Q4 2017. Compared with the previous quarter, companies in the Financial sector were the most active, accounting for 32% of total take-up in Q4.

Investment focus

In Q4, One United, a leading real estate developer of premium residential compounds in Bucharest, purchased North Gate, a 20,700-sq. m office project located in Pipera submarket, for approximately €17 million.

Taking into consideration that a quite large number of office projects are currently on the market for sale and investors interest increases, a slight compression in prime yields is expected in 2018.

Outlook

Currently, there are more than 300,000 sq. m of office space under construction, which are expected to be finalized by the end of 2018. Due to the high number of office projects under development, rental levels are forecasted to remain stable. Going forward, leasing activity will continue to be strong, following the same positive trend.

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LOCATION	BUILT STOCK (SQ.M)	AVAILABILITY (SQ.M)	VACANCY RATE (%)	TAKE-UP (SQ.M)	TAKE-UP YTD (SQ.M)	UNDER CONSTRUCTION (SQ.M)
Bucharest (CBD)	331,900	14,500	4.4%	7,900	49,800	24,000
Bucharest (Central North)	624,500	17,600	3%	47,400	101,400	44,000
Bucharest (North)	264,000	24,800	9.3%	1,800	44,800	42,000
Bucharest (Pipera)	632,500	74,900	11.8%	5,500	40,700	28,000
Bucharest (West)	361,200	19,700	5.4%	21,400	54,600	260,500
Bucharest (Central)	302,500	20,200	6.7%	8,700	37,200	63,000
Bucharest (South)	43,000	17,800	41%	-	1,100	-
Bucharest (East)	122,000	13,000	10.6%	300	2,500	-
Bucharest (Overall)	2,681,600	202,500	7.6%	93,000	332,100	461,500

Source: Cushman & Wakefield

Key Occupier Transactions

PROPERTY	SUBMARKET	TENANT	SIZE (SQ.M)	TRANSACTION TYPE
Blure Rose Office Park	Central North	ING	19,000	Pre-lease
Ana Tower	Central North	PwC	8,000	Pre-lease
Campus 6	West	NXP	7,600	Pre-lease
Campus 6	West	Regus	3,200	New lease
Timपुरi Noi Square	Central	Leaseplan	3,000	New lease

Source: Cushman & Wakefield

Key Investment Transactions

PROPERTY	SUBMARKET	SELLER / BUYER	YIELD	PRICE € MILLIONS
North Gate	Pipera	Creativ / One United	N/A	17

Source: Cushman & Wakefield, Real Capital Analytics

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