

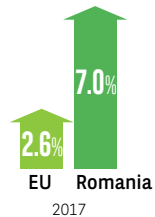
BNP PARIBAS REAL ESTATE GUIDE TO INVESTING IN ROMANIA 2018



**BNP PARIBAS
REAL ESTATE**

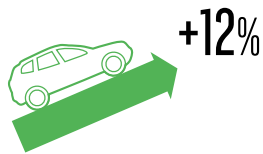
Real Estate
for a changing
world

DO YOU KNOW...



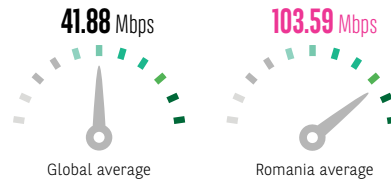
ROMANIA IS THE FASTEST GROWING ECONOMY IN EU

The economy of Romania strongly benefits from general favourable economic climate in Europe. Eurostat reported that over 2017 Romania was the fastest developing country in EU **with GDP surges between 5.8% and 8.5% every quarter**. The Romania's GDP growth greatly outpaced the EU average of 2.6%.



AUTOMOTIVE LEADER – DACIA

Dacia, a part of the Renault Group, is the biggest company in Southeast Europe in terms of total revenue. **In 2017 it recorded the sales growth by over 12% and reached 3% market share in the entire EU & EFTA region.** It means that Dacia was more popular than i. a. KIA, SEAT, Volvo, Suzuki or Honda in 2017.



ONE OF THE FASTEST INTERNET IN THE WORLD

Speedtest Global Index ranks Romania on the **5th place all over the world** in terms of fixed broadband internet speed. Romania overtook i. a. United States, Sweden, Germany, United Kingdom or Japan. Iceland is the only country from Europe which is ranked higher in the ranking.



"SILICON COUNTRY"

In 2016 the Information and Communication **Technology sector generated 6% of GDP of Romania**. It means that the ICT sector has reached the same share in GDP as agriculture, with ten times less people working in the sector. In the next 5 years, the share of ICT is expected to exceed 10% of GDP. 1,235 companies from the ICT industry operate in Cluj-Napoca which is also the second strongest ICT hub in Romania.

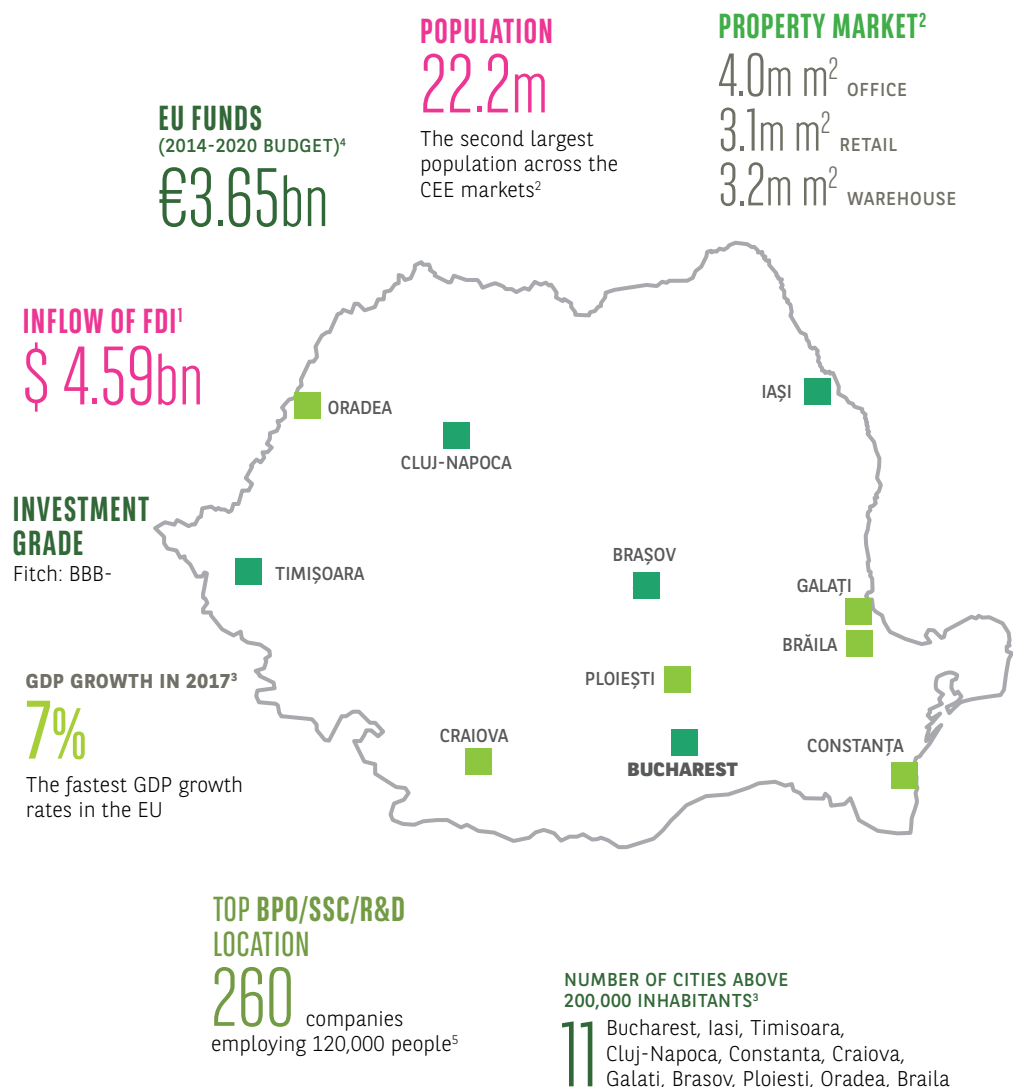
TRANSFAGARASAN: WORLD'S BEST ROAD TRIP

The Transfagarasan mountain road (national road 7C) is one of the most spectacular roads in the world. It runs through the Fagaras mountains, which are also called the Transylvanian Alps. The road is about 90 km long and climbs to an altitude of 2,042 metres. In 2009 the BBC TV show Top Gear was filmed along the road and **Jeremy Clarkson claimed the Transfagarasan as the best road in the world.**



ROMANIA

BY NUMBERS



FOREWORD

Romania

THE RISING STAR OF CEE

Romania has been in the last years the country to watch out for, a fast-growing market in Europe with positive macroeconomic factors and forecasts. As a member of European Union since 2007,

Romania has been taking an advantage of the free flow of people, goods, services and capital. With a distinctly pro-Europe mentality, it is a country located at the crossroads of South-Eastern & Central Europe, providing an easy gateway for foreign investors to access other markets within the European Union, and allowing them to penetrate through the lucrative markets of Middle-East countries.

With a property investment volume totalling almost € 1 billion in 2017, the country presented a series of great opportunities in the commercial property market, with a continued boom in the office segment and growing investment volumes in retail or industrial sectors.

Romania provides foreign investors with competitive labor costs, industrial diversity and real possibilities for the development of new economic entities, remaining an attractive destination for business.

This brochure sets out a detailed description of the regional hot spots in

Romania and market potential. Bucharest continues to have the largest pipeline of new projects due to the development of the office market, industrial, but also residential sectors. Cities like Cluj-Napoca, Iasi, Timisoara or Brasov are following closely behind and we believe the pace of development in these cities will accelerate in the coming years.

The brochure provides a summary of significant facts investors and developers need to know about the Romanian real estate market before they invest.

Thank you for taking the time to read this guide and I wish you successful investments in Romania!



OLGA MELIHOV

Country Head
BNP Paribas Real Estate Romania

ROMANIA OVERVIEW

TOP 5 REASONS TO INVEST IN ROMANIA

The overall attractiveness of Romanian property will be strengthened by yields, as they remain higher than the rest of Central and Eastern Europe, at the level of 7.25% for office, 7% for retail and 8.5% for industrial.

1



THE FASTEST GDP DYNAMICS IN THE EU

In the last 5 years Romania has been recording one of the fastest GDP dynamics in the EU peaking 7% in 2017. The forecast remains bright with more than 4% growth in 2018.

2

TALENTED LABOR FORCE AT COMPETITIVE COSTS

The Romanian Higher Education system instructs approximately 530,000 students annually in 97 universities for different areas of specializations. Despite recent increases of salaries, the cost of human capital still makes Romania attractive for foreign companies.

3

DOMESTIC DEMAND - THE KEY DRIVER FOR ECONOMICS

The main driver behind economic growth is domestic demand, which was confirmed by strong retail sales of around 11% in 2017. E-commerce in Romania is developing strongly almost reaching a sale volume of Euro 3 billion in 2017.

4

GROWING REAL ESTATE MARKET

During the last 3 years the fundamentals of property market obviously improved being reflected in the compression of yields and volume of investments that is expected to exceed Euro 1bn in 2018.

5

RICH NATURAL RESOURCES

Investment funds and farmers are particularly attracted by large areas of agricultural land which still have a very competitive price compared to Western Europe. Romania has approximately 8% of the total arable land area of EU28.

COST AND TERMS

OVERVIEW OF CONSTRUCTION, LETTING AND INVESTMENT COSTS AND TERMS

CONSTRUCTION

LAND ACQUISITION COSTS (PER SQM) ¹	Office	€1,000-1,800
	Retail	€400-600
	Warehouse	€25-50
CONSTRUCTION COSTS (PER SQM) ²	Office	€750-900
	Retail	€900-1,100
	Warehouse	€350-425
BANK MARGINS		4.0-5.0%
LTC RATIO		55-60%

LETTING

PRIME RENTS ³	Office	€18.00-19.00
	Retail SC	€50-65
	Retail HS	€35-50
	Warehouse	€3.50-4.25
STANDARD LEASE TERMS	Office	3-5 yrs
	Retail SC	3-7 yrs
	Retail HS	3-5 yrs
	Warehouse	3-5 yrs
AGENT FEES	Office	16.66-25.00%
	Retail SC	16.66-25.00%
	Retail HS	12.50-16.66%
	Warehouse	16.66-25.00%

INVESTMENT

PRIME YIELDS ⁴	Office	7.25-7.50%
	Retail	6.75-7.25%
	Warehouse	8.50-8.75%
PRIME ASSET VALUES (PER SQM)	Office	€2,300-2,800
	Retail	€3,500-4,000
	Warehouse	€400-475
STAMP DUTY	Asset/Shares	0%
BANK MARGINS		3.50-4.50%
LTV RATIO		55-60%
STANDARD SALE FEES		1.0-2.0%



*including fit-out
 1. Prime location in capital cities.
 2. For modern schemes.
 3. Prime assets in the capital.
 4. Best-in-class schemes in prime location within capital city.

ROMANIA OVERVIEW

ROMANIA

BIG FIVE

BUCHAREST

BUCHAREST ATTRACTED THE MAJORITY OF LARGE INTERNATIONAL COMPANIES IN ROMANIA

being the preferred location for setting their local operation headquarters. Bucharest is the largest consumption market and labor force pool remaining highly attractive for retailers and office occupiers. The positive sentiment amongst companies and qualitative growth of the market raised the total take-up in 2017 at 322,000 sqm, the best performance of the market ahead 2007.

The new infrastructure projects will influence and reshape the geographical development pattern of the office segment. Expozitiei-Presei Square area, the newest hot spot of the local market, will record significant office developments that are encouraged by large vacant plots and the



Victoria Avenue, Bucharest.

KEY FACTS

	OFFICE	RETAIL	WAREHOUSE
Total modern stock (sqm)	3,200,000	1,250,000	1,500,000
Prime headline rents (€/sqm/mth)	18-19	35-50	3.50-4.25
Prime yield (%)	7.25-7.50	6.75-7.25	8.50-8.75

Source: BNP Paribas Real Estate

1. National Institute of Statistics / 2. National Agency for Employment

proximity of the new underground network that will extend to the international airport. Similar effects will be visible on the industrial segment where the improvement of the eastern and southern sections of the ring road will increase the attractiveness of these areas. The proposed completions total approximately 300,000 sqm in 2018 that results in a total modern stock of 1.8 million sqm at the end of the year.

The expansive evolution of e-commerce positively influences the evolution of demand for modern offices and warehouses in the proximity of large markets like Bucharest and large regional cities (Timisoara, Cluj-Napoca). As Bucharest has the highest purchasing power and population

density, the retail modern supply represents approximately 40% of the existing supply in Romania. With approximately 1.2 million sqm, the local retail market will be dominated by the extensions of the existing shopping centers that intend to consolidate the market position.

Bucharest will remain the main target area for investors as other regional markets have less investment opportunities. Especially the new office developments will offer investment products attractive also for investors that are not yet present in Romania. Given the active demand, prime yields might slightly compresses further in short to medium term.

2,104,967
Population¹

1.5%
Unemployment rate¹

172,038
Students²

€683
(RON 3,164)
Average gross salary¹



The Bridge Building Bucharest, completed in Q3 2017.

ROMANIA OVERVIEW

TIMISOARA

OFFICE DEMAND IS MAINLY UNDERPINNED BY COMPANIES FROM ADVANCED TECHNOLOGIES AND IT&C SECTORS. Direct highway connection with the Western Europe attracts logistic service providers and manufac-

turers from the automotive industry. The retail stock is about to increase by 70,000 sqm until end of 2019. Investors are particularly interested in office and industrial properties.

KEY FACTS

	OFFICE	RETAIL	WAREHOUSE
Total modern stock (sqm)	180,000	220,000	500,000
Prime headline rents (€/sqm/mth)	12-14	20-30	3.00-4.00
Prime yield (%)	8.25-9.00	7.75-8.25	8.75-9.25

Source: BNP Paribas Real Estate

CLUJ-NAPOCA

CLUJ NAPOCA HAS THE SECOND BEST PERFORMING OFFICE MARKET in Romania with low vacancy rates (approx. 7%) and stock above 200,000 sqm.

The 2nd major university center in Romania, Cluj-Napoca attracted a large

number of IT&C companies that sustained the rapid development of office market during the last 2 years.

The completion of A10 Highway will improve the access towards Bucharest and Western Europe.

KEY FACTS

	OFFICE	RETAIL	WAREHOUSE
Total modern stock (sqm)	210,000	160,000	230,000
Prime headline rents (€/sqm/mth)	12-14	25-35	3.25-4.00
Prime yield (%)	8.25-9.00	7.75-8.25	8.75-9.25

Source: BNP Paribas Real Estate

1. National Institute of Statistics / 2. National Agency for Employment

331,000

Population¹

1.0%

Unemployment rate¹

40,002

Students²

€594

(RON 2,749)

Average gross salary¹

IASI

THE UNIVERSITY SYSTEM AND LOWER HUMAN CAPITAL COSTS ATTRACTED COMPANIES like Amazon, Xerox, Capgemini and Yonder. The industrial segment will have a

boost after the completion of the first warehouse inside Miroslava Industrial Park (46 hectares). It is the largest mixed use project completed in regional cities.

KEY FACTS

	OFFICE	RETAIL	WAREHOUSE
Total modern stock (sqm)	185,000	160,000	50,000
Prime headline rents (€/sqm/mth)	10-12	15-25	3.25-3.75
Prime yield (%)	8.75-9.25	8.00-8.50	9.00-9.50

Source: BNP Paribas Real Estate

371,889

Population¹

4.1%

Unemployment rate¹

53,174

Students²

€514

(RON 2,380)

Average gross salary¹

BRASOV

STILL IN EARLY STAGE OF DEVELOPMENT, the office market is highly appealing to IT and BPO companies. The local industry is currently dominated by German companies active in the automotive sector. Brasov recorded

one of the most important office investment transaction (Euro 50 Million) concluded in regional cities. Another 45,000 sqm of modern retail stock will be delivered in the next 1.5 years.

KEY FACTS

	OFFICE	RETAIL	WAREHOUSE
Total modern stock (sqm)	110,000	130,000	260,000
Prime headline rents (€/sqm/mth)	10-12	25-35	3.00-3.50
Prime yield (%)	8.50-9.25	8.00-8.50	9.00-9.50

Source: BNP Paribas Real Estate

1. National Institute of Statistics / 2. National Agency for Employment

290,167

Population¹

2.8%

Unemployment rate¹

21,296

Students²

€547

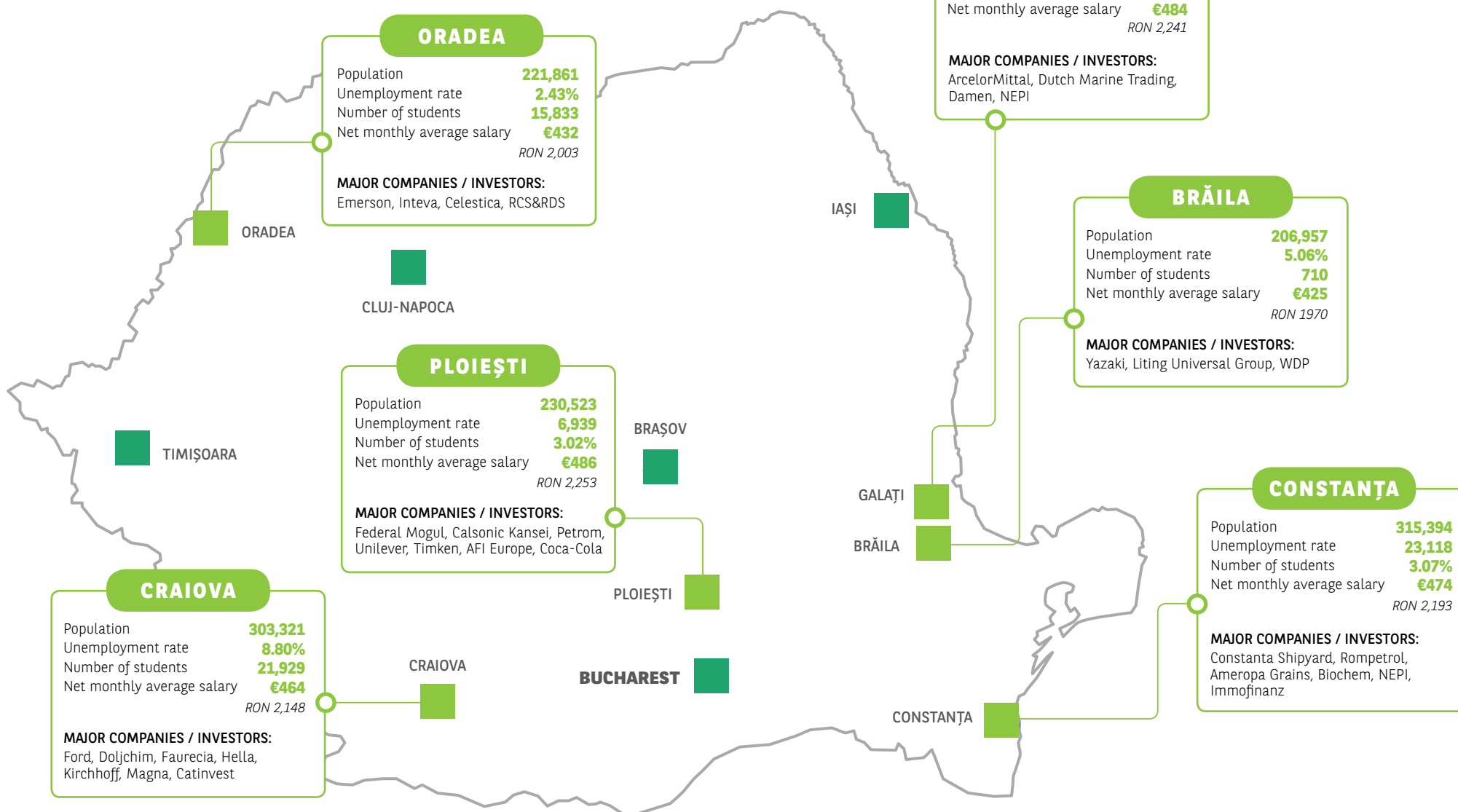
(RON 2,532)

Average gross salary¹

ROMANIA OVERVIEW

BRANDS YOU KNOW

IN LOCATIONS YOU MAY NEVER HAVE HEARD ABOUT



OFFICE MARKET

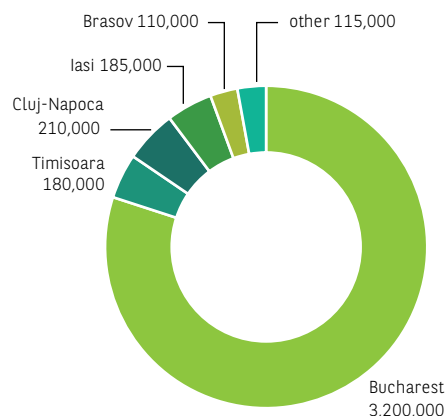
OVERVIEW

Office market is highly concentrated in Bucharest – 80% of the total stock (4m sqm).

While take-up is dominated by relocations in Bucharest, large regional cities benefit from the entrance of new companies on the local market. IT&C companies, call-center and BPO operators have continued to expand being the main demand sources.

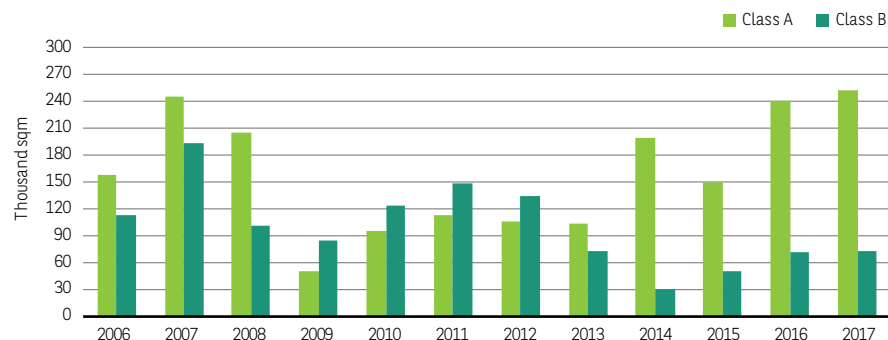
Regional cities (Timisoara, Cluj-Napoca, Iasi and Brasov) have come a viable alternative to Bucharest in terms of office quality and total occupancy costs.

STRUCTURE OF OFFICE STOCK BY LOCATION



Source: BNP Paribas Real Estate

ANNUAL OFFICE TAKE-UP IN BUCHAREST



Source: BNP Paribas Real Estate

RETAIL MARKET

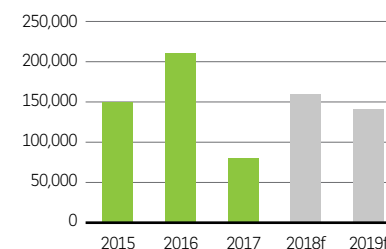
OVERVIEW

Regional cities will concentrate almost exclusively the development activity in 2018.

The new proposed stock (approx. 300,000 sqm) during the next 3 years is dominated by the extension of the existing shopping centers as owners intend to consolidate the market position of their assets.

Middle size regional cities will be the main target of retail developers for projects up to 15,000 sqm.

EVOLUTION OF SHOPPING CENTERS COMPLETIONS



Source: BNP Paribas Real Estate, f - forecast

EVOLUTION OF RETAIL TRADE, EXCEPT OF MOTOR VEHICLES AND MOTORCYCLES (Y-O-Y EVOLUTION)

	2010	2011	2012	2013	2014	2015	2016	OCT 2017
EU (28 countries)	0,40	-0,50	-0,90	0,00	2,00	3,40	2,80	0,9
Romania	-7,30	-1,00	4,10	0,30	6,40	8,80	13,30	12,6
Bulgaria	-8,30	0,50	5,50	3,80	10,40	11,50	3,80	3,8
Czech Republic	-0,80	0,30	-0,80	0,10	2,90	6,30	5,10	n/a
Hungary	-2,20	0,30	-2,00	1,80	5,10	5,70	4,70	6,3
Poland	5,60	-0,60	-1,20	4,80	1,20	6,50	6,00	7,1
Slovakia	-2,20	-2,40	-0,90	0,10	3,60	1,70	2,20	5,7

Source: Eurostat

AVERAGE RENTS IN SHOPPING CENTERS, EURO/SQM/MONTH

BUCHAREST	PRIMARY CITIES (IASI, CLUJ, TIMISOARA)	SECONDARY CITIES (PLOIESTI, CRAIOVA, SIBIU)
35-50	25-35	20-25

Source: BNP Paribas Real Estate

INDUSTRIAL MARKET

OVERVIEW

The level of take up was 420,000 sqm in 2017, being with 5% higher compared to the level recorded for 2016. The structure of the transactions clearly shows that the major lease transactions throughout Romania are pre leases – built-to-suit projects. Developers also started to take the risk of speculative developments that address also to small and medium size tenants.

Logistic service providers and retailers generated the main portion of demand. The majority of transactions was concentrated in Bucharest submarket that attracted approx. 45% of transactions.

A new stock of approximately 300,000 sqm is proposed for completion for 2018, of which approximately 60% will be located in Bucharest.



3.2 million m²

Existing warehouse and logistics stock in Romania



€3.75 - 4.25

Prime rents for warehouse and logistics space (per sqm/month)



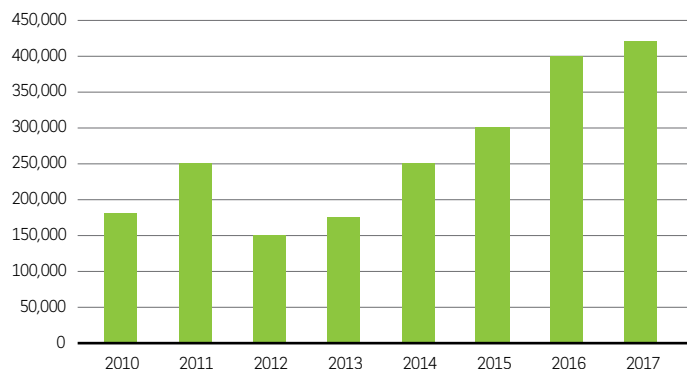
4-5%

Vacancy rate in existing buildings

MAJOR LANDLORDS:

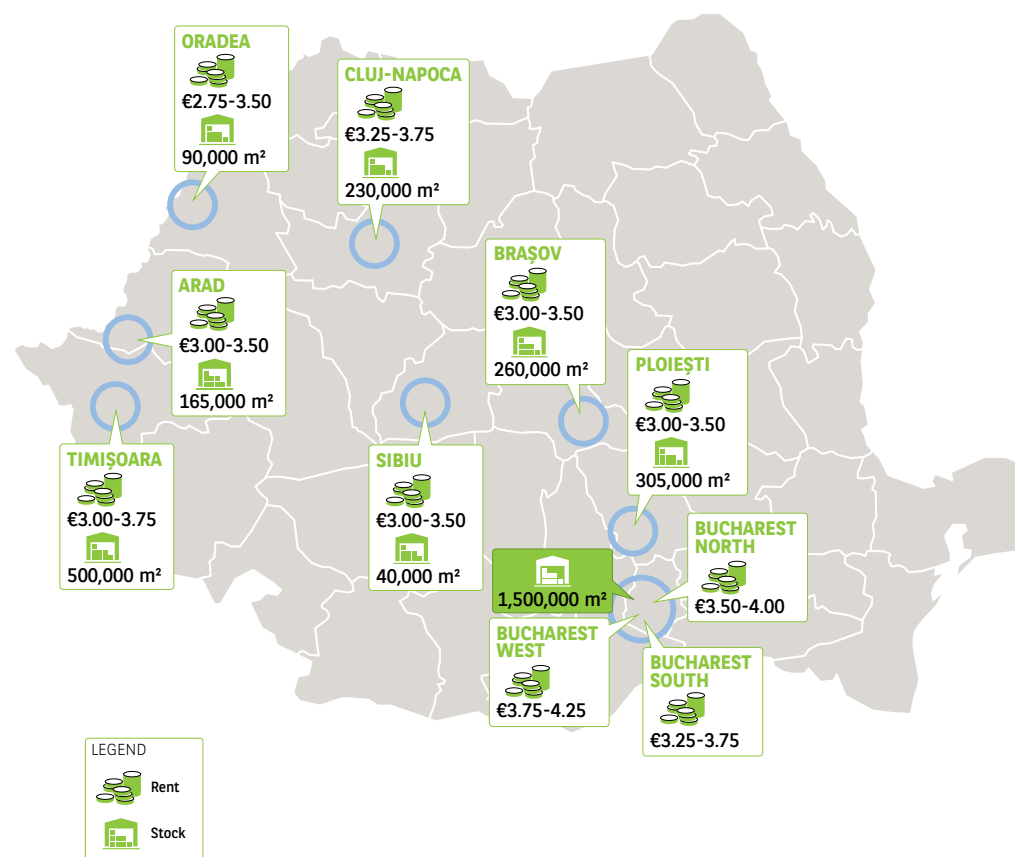
CTP, Globalworth, Logisor, P3, Panattoni, WDP

INDUSTRIAL TAKE-UP IN ROMANIA (SQM)

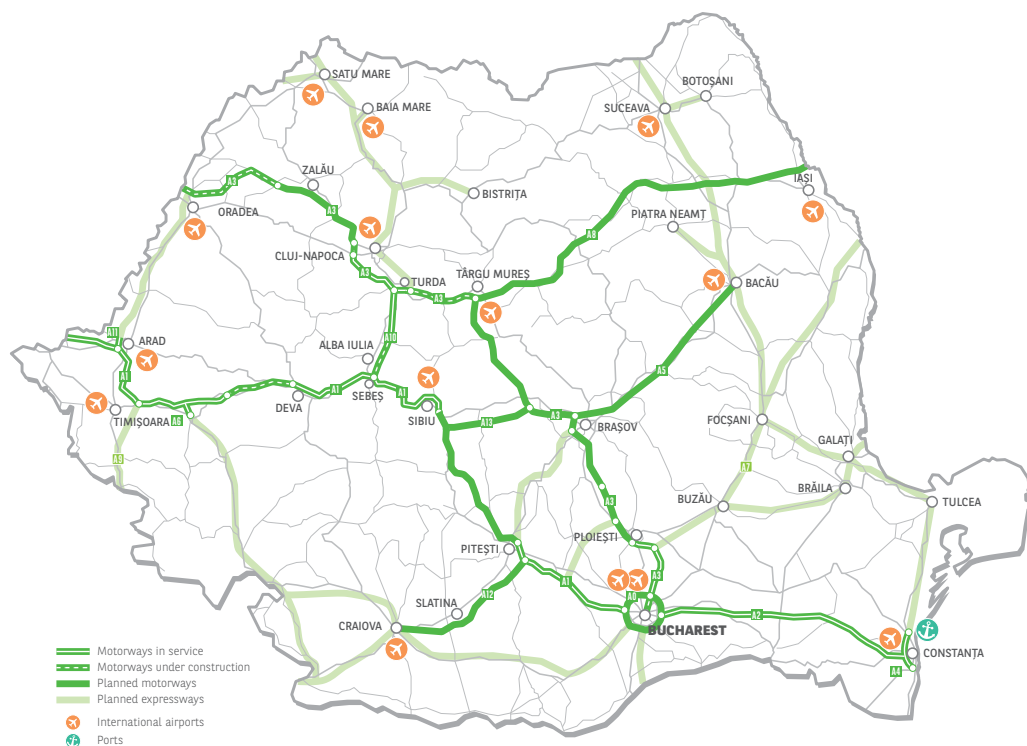


Source: BNP Paribas Real Estate

STOCK AND RENTS IN MAJOR WAREHOUSE AND LOGISTICS HOTSPOTS IN ROMANIA



MAP OF ROAD INFRASTRUCTURE IN ROMANIA



KEY FIGURES*

BNP PARIBAS REAL ESTATE



5,100
employees



40.5m^{m²}
of assets under
management
in Europe



€187m
profit before tax
+20% vs 2016



Nearly

3,600
transactions during
the year



124m^{m²}
valued in Europe

* As of 31/12/2017

BNP Paribas Real Estate, one of the leading international real estate providers, offers its clients a comprehensive range of services that span the entire real estate lifecycle: property development, transaction, consulting, valuation, property management and investment management. With 5,100 employees, we support owners, leaseholders, investors and communities in their projects thanks to our local expertise across 36 countries. BNP Paribas Real Estate is part of the BNP Paribas Group.

As regards Central & Eastern Europe, we provide services in respect of Capital Markets, Property Management, Transaction, Valuation and Consulting.

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