Contents

Introduction .................................................... 3
Setting the Scene
Macroeconomic Snapshot ................................. 4
Stepping out of the Shadow
Focus on Warehouse and Logistics Market .... 6
Advice Corner .................................................. 11
Investors’ View ............................................... 12
About BNP Paribas Real Estate ...................... 15

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stating the source.
INTRODUCTION

Dear Reader,

With a GDP growth of between 4-6% over the last six quarters, the pace of economic growth in Romania has been remarkable, not only within the CEE region but for the whole of Europe. According to economic forecasts the trend is set to continue over the course of the next years. This is no surprise when considering the potential of Romania.

Romania, is crossed by three major Pan-European transport corridors and benefits from one of the largest deep-sea ports in the region (Constanta) and is one of the biggest consumer markets in this part of Europe with over 20 million inhabitants. A strong labour market, growing spending, influx of Foreign Direct Investments (FDI), expanding manufacturing, EU funding, along with a number of infrastructural improvements in progress – are all solid grounds for development of logistics and industrial markets both for occupiers as well as developers and investors.

Anticipating the inevitable boom in this sector in Romania, BNP Paribas Real Estate prepared the report Spotlight on Warehouse and Logistics Market in Romania to present the key facts and figures picturing market characteristics and identifying major existing and future hubs. The research paper also features major driving forces, which spur the sectoral growth.

Clearly, if you haven’t got Romania on your radar screens yet, after reading this paper, we believe you should reconsider your strategy.

Anna Staniszewska
Head of Research & Consultancy
Central and Eastern Europe
BNP Paribas Real Estate
IN THE LAST FIVE YEARS ROMANIA HAS BEEN RECORDING ONE OF THE FASTEST GDP DYNAMICS IN THE EU
The forecasts remain very bright. Depending on the source, the pace for 2017 should be in the range of 4.2% (International Monetary Fund) and 5.2% (National Commission for Prognosis).

DOMESTIC DEMAND – THE KEY DRIVER FOR ECONOMICS
The main driver behind growth is domestic demand, which was confirmed by strong retail sales. E-commerce in Romania is also developing strongly. Both traditional and online retail sales are forecast to grow in the short and medium term, providing solid grounds for development of industrial and logistics sector.

INFLATION IS IMPROVING
Inflation, which due to VAT decrease of from 24% to 20% was negative over 2016, is expected to oscillate around 2% over the next few years.

LOW UNEMPLOYMENT RATE AND INCREASE OF SALARIES
Romania has a very strong labour market with unemployment rate fluctuating between 4 to 6% over the last five years. At the same time, gross salaries have grown by 54.4% from May 2012 until May 2017.
ROADS
Road infrastructure in Romania is gradually developing. Out of 86,000 km of existing roads, only 747 km are represented by highways. Another 200 km are under construction being proposed for completion in H2 2017-H1 2019. According to the General Transport Master Plan, the highway network is planned to extended with additional 1,000 km until 2026.

Nearly **2,000 km** of highways by 2026

SHIPPING TRANSPORT
There are 3 maritime ports in Romania, the largest being Constanta with a handling capacity of approx. 100 million tons per year and 140 quays. The Master plan for Constanta port includes the proposal for construction of a deep-water quay, Ro-Ro and passengers’ terminals on short term (2020).

AIR TRANSPORT
Airport traffic recorded in 2016 was 16.4 million passengers increasing by 23.5% compared to 2015. Romania has 16 airports out of which 3 airports record over 1 million passengers per year. The volume of cargo transferred through Romanian airports increased almost by 50% between 2010 and 2015 reaching 37,000 tones.

RAIL TRANSPORT
The rail network has a length of approximately 10,774 km, electrified lines representing 37% (4,030 km).

FDI
Since 2003 Romania attracted €66.8 billion FDI. The most notable investors include: Airbus, Premium Aerotec, Siemens, IBM, Microsoft, Deutsche Bank, Daimler, Ford, Renault and Continental.

**FDI CUMULATIVE EVOLUTION**

<table>
<thead>
<tr>
<th>Year</th>
<th>Million Euros</th>
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<tbody>
<tr>
<td>2003</td>
<td>0</td>
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<tr>
<td>2004</td>
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<td>2005</td>
<td>30,000</td>
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<tr>
<td>2016</td>
<td>195,000</td>
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<tr>
<td>2017</td>
<td>210,000</td>
</tr>
<tr>
<td>2018</td>
<td>225,000</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate

SPECIAL ECONOMIC ZONES
There are 76 special economic zones providing various grant incentives, including exemption from the local tax on land and building for the industrial infrastructure/buildings, exemption from urban planning tax as well as from building permits.

EU FUNDS
EU funding available for Romania in 2016-2020 budget amounts to €11.8 billion of which: €6.94 billion Cohesion Fund, €2.48 billion Regional Development Fund and €2.46 billion Co-financing. The Operational Programme for Large Infrastructure (POIM) includes 8 Priority Axes, with 2 relevant for infrastructure: Axis 1 - Improving mobility by developing the TEN-T and subway network (€3.4 billion) and Axis 2 - Developing a multimodal, quality, sustainable and efficient transportation system (€1.7 billion).
**Stepping out of the Shadow**

**FOCUS ON WAREHOUSE AND LOGISTICS MARKET**

**MAJOR WAREHOUSE AND LOGISTICS HOTSPOTS**

- **Warehouse & logistic hotspots**
- **Motorways in service**
- **Motorways under construction**
- **Planned motorways**
- **Planned expressways**
- **International airports**
- **Ports**

**Key Figures**

- **12** Number of warehouse and logistics hotspots
- **3.2 million m²** Existing warehouse and logistics stock in Romania
- **4-5%** vacancy rate in existing buildings
- **600,000 – 750,000 m²** Estimated pipeline over H2 2017-2018
- **€3.75 – 4.25** Prime rents for warehouse and logistics space (per sqm/month)

**Major Landlords:**

CTP, Globalworth, Logicor, P3, Panattoni, WDP
# Stock & rent review

**PROJECT NAME**

<table>
<thead>
<tr>
<th>PROJECT NAME</th>
<th>HUB</th>
<th>DEVELOPER / OWNER</th>
<th>TOTAL EXISTING SPACE (SQM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>P3 Logistic Park</td>
<td>Bucharest</td>
<td>P3</td>
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<td>Ploiesti West Park</td>
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<td>Alinso Group</td>
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<td>Incontro Industrial Park</td>
<td>Timisoara</td>
<td>Incontro</td>
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</tr>
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<td>CTPark Bucharest West</td>
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<td>CTP</td>
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<td>CTPark Bucharest</td>
<td>Bucharest</td>
<td>CTP</td>
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<td>Timisoara Airport Park (TAP)</td>
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<td>Globalworth</td>
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</tr>
<tr>
<td>Prejmer Industrial Park</td>
<td>Brasov</td>
<td>Graells &amp; Llonch</td>
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<tr>
<td>A1 Business Park</td>
<td>Bucharest</td>
<td>Valad Europe</td>
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<tr>
<td>Park Logistic Transylvania</td>
<td>Cluj-Napoka</td>
<td>Transilvania Constructii</td>
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<td>ICCO - Brasov Industrial Park</td>
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</tbody>
</table>

Source: BNP Paribas Real Estate

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**PROJECT NAME**

<table>
<thead>
<tr>
<th>PROJECT NAME</th>
<th>HUB</th>
<th>DEVELOPER / OWNER</th>
<th>SPACE UNDER CONSTRUCTION (SQM)</th>
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<tr>
<td>CTPark Bucharest West</td>
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<tr>
<td>P3 Logistic Park</td>
<td>Bucharest</td>
<td>P3</td>
<td>60,000</td>
</tr>
<tr>
<td>WDP Otopeni</td>
<td>Otopeni</td>
<td>WDP</td>
<td>38,000</td>
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<tr>
<td>CTPark Timisoara</td>
<td>Timisoara</td>
<td>CTP</td>
<td>32,000</td>
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<tr>
<td>WDP Roman</td>
<td>Roman</td>
<td>WDP</td>
<td>32,000</td>
</tr>
<tr>
<td>CTPark Cluj II</td>
<td>Cluj-Napoka</td>
<td>WDP</td>
<td>29,000</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate
**LEASE PROFILES FOR INDUSTRIAL PROPERTIES**

**HEADLINE RENTS**
- Modern class A industrial developments: headline EUR 3.50-4.00 sqm/month.
- Refurbished/old style industrial developments: headline EUR 2.50-3.25 sqm/month.
- Rents for an attached office: headline EUR 5.00-7.00 sqm/month.
- The above mentioned rental levels depend on location, size and condition of the building, use, completion date, construction structure, clear ceiling height and additional facilities (racks, sprinkler systems etc.).

**LEASE TERM**
- 3-5 years up to 7 years in existing buildings.
- 7-10 years for built-to-suit projects.

**TENANT INCENTIVES**
- Rent free periods: 1-3 months depending on lease conditions; longer periods up to 6 months are considered for built-to-suit projects.
- Partial fit-out according to tenant’s specification and the required adaptation works.

**HEADLINE RENT**
- Paid monthly in advance; quoted in EUR, paid in RON.
- Annual indexation linked to CPI indices (usually HICP Index).

**SERVICE CHARGES**
- Modern industrial developments: EUR 0.70-0.90/sqm.
- Service charges include: Security of park common areas; Property taxes; Property insurance (excl. tenant internal area); Property management (usually 3 per cent of rent); Maintenance and repairs; Landscaping / site cleaning; Snow removal; On-site personnel.
- Tenant is responsible for covering insurance of own premises.

**LEASE SECURITY**
- Bank guarantee representing 3-6 month rent.

**AGENTS’ FEES**
- 16-25 per cent of the annual rent plus VAT, depending on the lease length; fees are mainly paid by the landlords.
Investors are attracted to the Romanian market by the opportunity of securing high yielding assets but are equally unsure of investing, largely due to lack of market data coupled with limited stock of any substantial volume.

Prime industrial yields in Czech and Poland are achieving record lows and there can be as much as a 1.5 per cent spread compared to Romania. However there is an acute shortage of institutional standard stock to illustrate this on a comparative basis.

An opportunity is arising for forward funding and forward purchase of build to suit facilities. Such developments benefit from long leases and strong covenants. As the market is strong more and more BTS occupier requirements are crystallizing for developers and in turn presenting investment opportunities. Here the pioneering investor can gain an attractive investment knowing yields will come in once the project becomes income producing.

The hurdle to cross for the fund manager is to convince his investment committee that the risk of purchasing is not prohibitive and the investment will be sustainable. Rental analysis, supply, demand and more broadly infrastructure, taxes and politics all have to be assessed.

As more stock is built out, and competition for tenants increases among developers, undoubtedly rents will fall to a more realistic level. Investors will have to consider this adjustment in their risk assessment.

Research documents such as this to argue the rational to acquire are essential at this emerging investment market stage.
The driving force behind this is the vision of growth of our company, but also the local climate, which allows us to develop our business at an accelerated pace. Romania is an emerging market, and, in the last few years, the local property market has been on a continuous positive trend. Moreover, the market will set new records by the end of the year, in terms of new deliveries and leasing activity. Macroeconomically, Romania set new records across Europe, as its GDP grew by 1.6 per cent in Q2 2017 compared to Q1 2017.

The demand for both logistics and industrial space is increasing, and I believe that the main reasons behind it are the overall evolution of the Romania economy, the investments that were made into transportation infrastructure—even if they are still not at the expected level—as well as geopolitical changes.

Romania has some specific advantages when compared to other countries in the region: it is a very large country with low barriers to entry, it has a healthy business environment, and strong human capital—a well educated and creative population with a natural penchant for foreign languages, and a pool of extremely talented IT specialists.

The main drivers of growth on the Romanian industrial market are, from our experience, the automotive industry, the textile industry, manufacturing and retail sectors, IT&C, and other industries such as aeronautical, food processing, and white goods. On the logistics market, the main drivers of growth are e-commerce, the FMCG sector, electro-IT companies and logistics companies.

In terms of challenges, one that I would mention is the shortage in the workforce department. A solution that we saw in CTP and we have started to implement is to design programs aimed at growing our own pool of specialists both for the company, and for our tenants too.

Currently, CTP’s developing plans include making CTPark Bucharest West the largest logistics park in Romania, as well as in CEE. We intend to also increase our already-fast pace of expansion across the country, and continue to improve our standards of quality. For Bucharest, we plan to turn that park into a strategic location for the Romanian economy by developing up to 725,000 sqm of modern, and high-standard, energy efficient industrial space, with quality green areas, investing significantly in the infrastructure and building a strong partnership with local authorities.

On a national level, we will also continue to buy and develop logistics parks in other parts of the country, as we are already active in 10 cities: Arad, Bucharest, Cluj-Napoca, Deva, Ițești, Salonta, Sibiu, Timisoara and Turda.
Romanian logistic and industrial market has changed dramatically in the past three years due to a spectacular strengthening of demand.

Within a short period of time vacancy levels, especially in Bucharest, dropped from high teens to 1-2%. The predictable development boom that followed was constrained mostly due to infrastructure challenges.

Traditionally the focus of logistic development has been the West of Bucharest, alongside the A1 highway. Nowadays we are witnessing a significant number of buildings under construction in these locations due to established developers benefitting from the rise in demand.

The current requests for space stems for a diversified group ranging from logistic operators to e-commerce, indicating a healthy spread of occupiers across industries. Replacement of subpar facilities with suitable modern ones creates additional interest for new developments.

Consolidation of space supply in a limited number of locations by a limited number of developers is set to command on one side a moderate increase in rents and on the other side a tendency for both occupiers and developers to find alternative solutions.

Road construction is still progressing slowly creating challenges for operators of logistic chains. Improvements on this front, however slow, are likely to shift focus from existing locations to new ones as the increased attention for the area of A3 highway shows. This is one of the trends that will continue to manifest itself for many years in the future.

In terms of structure of demand, it is obvious that e-commerce is putting increasing pressure on traditional retailers. This tendency leads to more complex building solutions with shorter life spans.

The trend is still in the early stages in Romania but signs of more important changes to come are present. One of the consequences of this trend is the growing relative importance of speedy access into the city, favoring locations along routes that allow for easier access through famously crowded Bucharest traffic.

Secondary cities are witnessing a strong pipeline of projects matching attention from retailers and industrial operators. In terms of production buildings we are seeing a shift of focus to third tier cities and a move from Transylvania to other areas.
BNP Paribas Real Estate

One of the leading international real estate providers, offers its clients a comprehensive range of services that cover the entire real estate lifecycle: property development, transaction, consulting, valuation, property management and investment management. Our 3,900 team members, active in 36 countries, provide you with specialist knowledge of their markets and implement global real estate strategies using local solutions.

BNP Paribas Real Estate in CEE region provides the following services: Letting Advisory, Property Management, Capital Markets and Valuation for all commercial asset class whether logistic, office or retail. All departments are furthermore complemented by a Research Department providing clients with ad hoc reports and data, enabling suitable long-term business decisions.

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