

Quick Stats

Change in H2 09 from

	H1 09	H2 08
Rents	↓	↓
Yields	↑	↑

Hot topics

- At the end of 2009, the modern stock in Bucharest was ca. 930,000 sq m, with of this space located in the western part of Bucharest, along A1 Highway and in the northwestern part of the city.
- In 2009, the third phase of the Equest Logistics Center (18,200 sq m GLA) was delivered.
- Rental levels have fallen from €4.7/sq m/month registered at the end of 2008 to €4.25/sq m/month at the end of 2009.
- Outward movement to yields continued in 2009, like in the other markets of CEE, reaching 10.5% at the end of 2009, compared to 8.5% at the end of 2008.

OVERVIEW

In 2009, the logistics market in Bucharest continued the downturn begun in the fall of 2008, like the other commercial real estate segments in Bucharest. Occupiers actively researched the market for almost the entire year and did not close deals until the last quarter. Overall, the level of demand is lower than the one registered in 2008, while the supply grew, not because new parks were delivered, but as a consequence of occupiers renegotiating their leases for smaller rented spaces. The trend of higher industrial yields registered in Bucharest is similar to the other markets of CEE as a consequence of the world economic slowdown.

SUPPLY

At the end of 2009, the modern logistics stock in Bucharest was ca. 930,000 sq m GLA, with most of this space located in the western part of Bucharest, along the A1 Highway and in the northwestern part of the city, due to the existing infrastructure, completed with additional modern facilities, most on a built-to-suit basis. The major industrial parks available in the western area are: Europolis Park Bucharest, Prologis Park Bucharest A1, Bucharest West, Mercury Logistics Park, A1 Business Park and Equest Logistic Center.

The third phase of Equest Logistic Center provided the industrial market with an additional 18,200 sqm GLA in the first quarter of 2009.

Another area of interest in 2009 was the A2 Highway because the Canadian developer Euroministorage invested € 8 million in this location for a "warehouse for everything"; this center is located on Theodor Pallady Blvd, has a built area of 7,500 sq m and was officially launched in the fall of 2009.

Most developers are now in a holding pattern and the new construction of logistics parks is stopped, with plans to restart construction only when pre-sales are again happening.

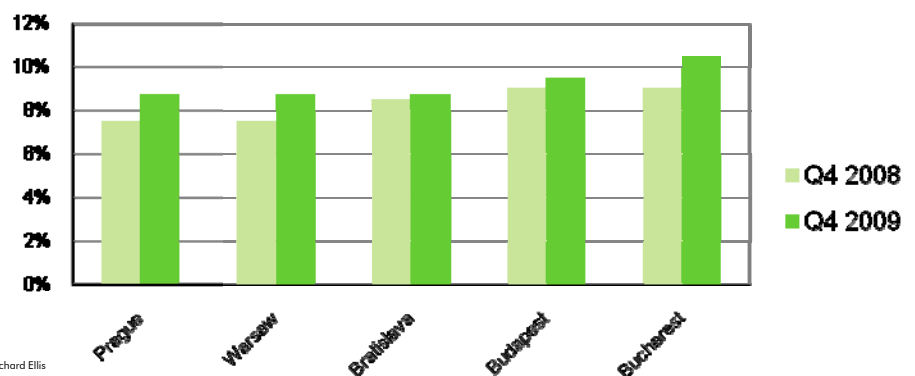
In November 2009, the construction of a new industrial centre – Millenium Logistic Park – was begun. This is located in the south area of Bucharest (Popesti – Leordeni town) and offers direct access to DN4 towards Oltenita. MLP will offer 282,000 sq m GLA, out of which 24,000 sq m will be available in Q3 2010 in the first phase.

DEMAND

Demand for industrial facilities came mainly from distribution and production companies. They usually require spaces of approximately 1,000-3,000 sq m and demand for smaller units is increasing. Ca. 40,000 sq m were leased in 2009 in Bucharest, out of which approximately 50% was leased in Q4 2009.

As a trend of 2009, the requirement for production spaces grew, but is a poorly developed market segment not only in Bucharest but in the whole country because

Prime Yield in CEE, Q4 2009 Compared to Q4 2008



Source: CB Richard Ellis

the production spaces have different characteristics from space in logistics parks.

The number of pre-lease contracts decreased in 2009 while the vacancy rate in Bucharest increased from 8% in Q4 2008 to almost 11% in Q4 2009.

All occupiers must face the effects of the economic slowdown, which has directly affected their activity. Companies' cost saving policies have affected the industrial market, having consequences such as reducing the size of requested industrial space, relocation and renegotiations of the rents.

The most important transaction of 2009 was the 10,000 sq m leased by Antalis Romania in Bucharest West, in Q4 2009. Net take-up from this transaction is less because the company moved its logistics operations from two smaller boxes located in Bucharest West and Equest Logistic Center, to a larger one located in Bucharest West.

INVESTMENT

In 2009, the industrial market registered a single investment transactions, when Immoeast purchased Eyemaxx's fifty percent share in three industrial projects developed in a joint-venture. Through this transaction, the Austrian company became the sole owner of Log Center Timisoara, Log Center Ploiesti and Log Center Brasov.

RENTS AND YIELDS

Prime rental levels have fallen down from 4.7 €/ sq m/ month at the end of 2008, to 4.25 €/ sq m/ month at the end of 2009. The level of prime rents for industrial offices reached 7-8 €/ sqm/ month in 2009. Rental levels can vary according to factors such as road access, utilities, and distance from the site to the city, leased area and the terms of lease contracts. Due to the scarcity of industrial investments, prime yields rose to 10% in Bucharest in the first two quarters and increased further to 10.5% in the last half of 2009.

OUTLOOK

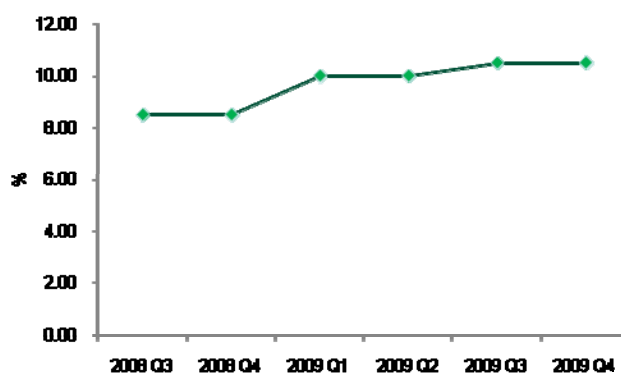
The new concept of small units will be a trend in 2010, for small distribution or production businesses, with all the utilities needed. This trend may encourage existing developers and also those new to the market to build logistics and industrial warehouses and to develop the concept of national networks of logistics and industrial parks.

For the second half of 2010, we expect rising demand coming from the automotive industry, as production activity at Dacia Renault and Ford should increase. As a consequences of lower wages, Romania has become more attractive for major logistics developers.

The largest transactions completed in 2009

Company	GLA (sqm)	Industrial park
Antalis Romania	10,000	Bucharest West
Geodis Calberson	8,400	ProLogis Park Bucharest A1
O.R.B.I.T.	6,600	Bucharest West
DHL - Delamode	4,800	Equest Logistic Center
Fresenius	3,500	NordEst Logistic Park
Map Merchant (Antalis Romania)	3,200	Equest Logistic Center

Prime yield evolution, by quarter



Bucharest Industrial Market Indicators

	Q4 2009	Q4 2008
Prime rent (€/ sq m/ month)	4.25	4.7
Prime yield (%)	10.5	8.5
Vacancy rate (%)	11	8
Typical lease terms (years)	3-5	2-5
Typical rent free period (months)	0-6	0-4
Typical rental deposit (months)	3	3
Service charge (€/ sq m/ month)	0.75	0.8

DEFINITIONS

Prime Rent - represents the top open-market tier of rent that could be expected for a unit of standard size commensurate with demand in each location, of highest quality and specification and in the best location in a market at the survey date.

Prime Rent should reflect the level at which relevant transactions are being completed in the market at the time but need not be exactly identical to any of them, particularly if deal flow is very limited or made up of unusual one-off deals. If there are no relevant transactions during the survey period, the quoted figure will be more hypothetical, based on expert opinion of market conditions, but the same criteria on building size and specification will still apply.

Prime Yield - represents the Yield which an investor would receive when acquiring a grade/class A building in a prime location (CBD, for example), which is fully let at current market value rents.

Prime Yield should reflect the level at which relevant transactions are being completed in the market at the time but need not be exactly identical to any of them, particularly if deal flow is very limited or made up of unusual one-off deals. If there are no relevant transactions during the survey period a hypothetical yield should be quoted, and is not a calculation based on particular transactions, but it is an expert opinion formed in the light of market conditions, but the same criteria on building location and specification still apply.

Service charge – includes all applicable services and utility costs, excluding directly measured electricity consumption.

Stock – modern industrial space in new logistic parks;

Take up – industrial space that has been leased in a given period, includes leases, renegotiations, pre-leases and sub-leases;

Vacancy rate - a ratio of vacant space to total stock.

Make-up of CEE sub-regions: Central Europe: Czech Republic, Hungary, Poland, Slovakia; Southeastern Europe: Bulgaria, Croatia, Montenegro, Romania, Serbia; Eastern Europe: Russia, Ukraine.

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