



REAL ESTATE INDUSTRY IN ROMANIAN LOGISTICS SECTOR

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Romania is a country with great opportunities in the logistics real estate.

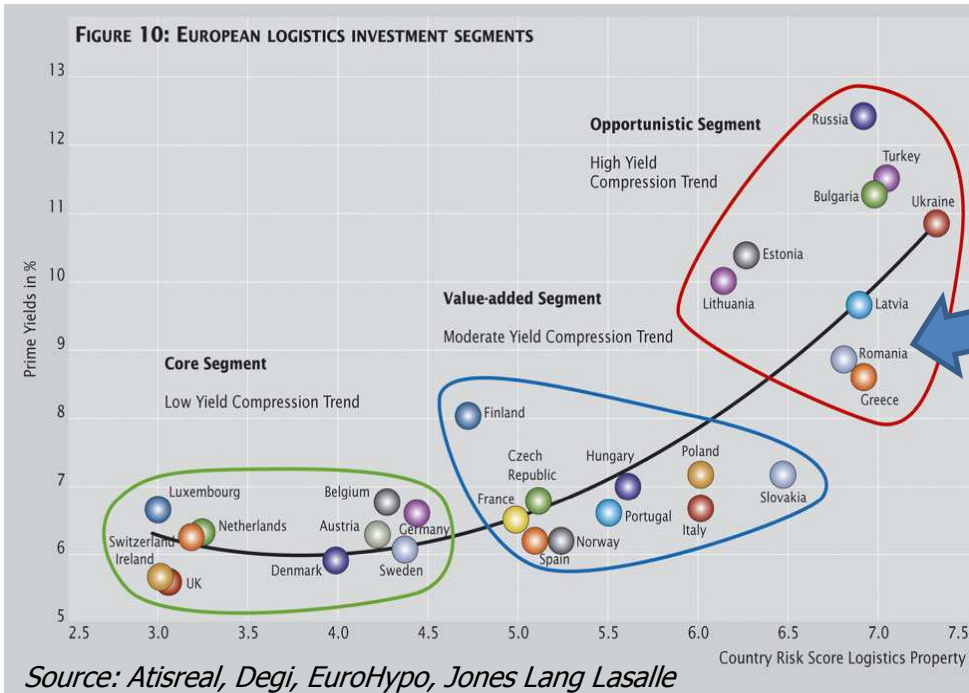


FIGURE 5: SUPPLY AND DEMAND FOR LOGISTICS SITES IN EUROPE

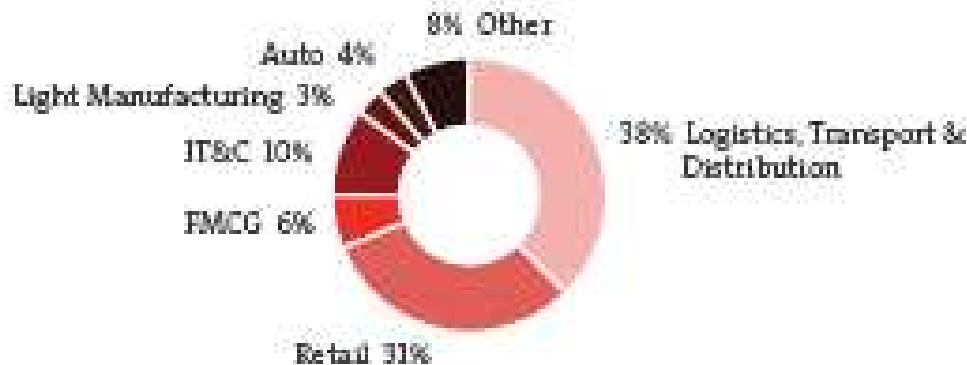
	Supply		Demand		Site availability	
	2007	Trend	2007	Trend	2007	Trend
Austria	●	◆	●●	◆	■	◆
Belarus	●	◆	●	◆	■	◆
Belgium	●●	▲	●	▲	■	▲
Bulgaria	●	▲	●	◆	■	◆
Czech Republic	●	▲	●●	◆	■	◆
Denmark	●	◆	●●	◆	■	◆
Estonia	●	▲	●●	▲	■	◆
Finland	●	◆	●●	◆	■	◆
France	●●	◆	●●●	◆	■	▼
Germany	●●	◆	●●	◆	■	◆
Greece	●	◆	●	◆	■	◆
Hungary	●	◆	●●	◆	■	◆
Ireland	●	◆	●	◆	■	◆
Italy	●	◆	●●	▲	■	◆
Latvia	●	◆	●●	◆	■	◆
Lithuania	●	▲	●●	▲	■	◆
Luxembourg	●	◆	●●	◆	■	◆
Netherlands	●	◆	●●	▲	■	◆
Norway	●	◆	●●	▲	■	◆
Poland	●●●	◆	●●	▲	■	◆
Portugal	●	▲	●●	◆	■	◆
Romania	●	▲	●●	▲	■	◆
Russia	●	▲	●●●	▲	■	◆
Slovakia	●	▲	●●	▲	■	◆
Spain	●	▲	●●	▲	■	◆
Sweden	●	◆	●●	▲	■	◆
Switzerland	●	◆	●●	◆	■	◆
Turkey	●	▲	●●	◆	■	◆
Ukraine	●	▲	●●●	▲	■	◆
United Kingdom	●	▲	●●	▲	■	◆

Notes: ●/■ = small, ●●/■ = medium, ●●●/■ = high, ▲ = up, ▼ = down, ◆ = stable

- With strong demand immediately securing almost any new industrial space, the vacancy rate in the Romanian logistics real estate market was close to 7.78% at the end of 2006.
- However execution of almost exclusively leased-projects, may rapidly lead vacancy towards 0% as most of the space available was under advanced negotiations.

Although in absolute values real estate market is small, growth rate is significantly increasing.

Warehouse space take up by industry - 2007



- Romanian Real Estate demand in 2007 was dominated by logistics companies followed closely by retailers.
- The impressive growth of real estate sector, fuelled logistics sites demand as many companies started to relocate and modernize their warehouses.

- In 2006 demand reached 123,500 sqm, of which a large proportion came in the form of pre-lease contracts.
- With 61,300 sqm of new space delivered, the total stock of quality industrial facilities reached approximately 260,000 sqm by the end of 2006.
- 2007 brought to the market over 240,000 sqm of new industrial space, almost 4 times more than the previous year.
- 163,800 sqm of industrial space were leased before summer.



New players make their presence in Real Estate Sector executing large projects.

Delivered in 2007

Project	Location	Area (sqm)	Available for rent (sqm)
Cefin Logistics Park	km. 14 A1	75,000	16,000
ProLogis Park Bucharest A1	km. 23 A1	56,000	8,000
A1 Business Park	km. 14 A1	45,000	5,000
Bucharest West	km. 14 A1	42,000	0
Mercury Logistic Park	km. 23 A1	10,000	10,000
Apollo Center	East	10,000	0
Chitila Logistics Park	West Ring Road	3,500	0
Total		241,500	39,000

New deliveries 2008

Project	Developer / Investor	Delivery date	Area (sqm)	Available (end of 2007, sqm)
Cefin Logistics Park	Cefin Real Estate / Europolis	Q2, Q4 2008	75,000	30,000
Bucharest West	Portland Trust / Apollo Group	Q4 2008	59,000	14,000
ProLogis Park Bucharest A1	ProLogis	Q1 2008	49,000	49,000
Equest Logistic Center I	Equest Logistic / Equest Investments Balkans	Q1 2008	20,300	8,000
A1 Business Park	Cefin Real Estate / Teesland IOG	Q2 2008	20,000	20,000
Mercury Logistic Park	Helios Properties / Heitman	Q1 2008	20,000	20,000
Pantelimon Logistic Center	European Future Group / ImmoEast	Q3 2008	18,500	18,500
Equest Logistic Center II	Equest Logistic / Equest Investments Balkans	Q3 2008	18,000	18,000
Chitila Logistics Park II	Metropola Imobiliar&UBM / M Logistic&Distribution	Q2 2008	10,000	10,000
Chitila Logistics Park III	Metropola Imobiliar&UBM / M Logistic&Distribution	Q4 2008	10,000	10,000
Total			299,800	197,500



Multi-national companies of retail and logistics sector are the main buyers of large industrial sites.

Top 10 transactions 2007

Tenant	Industry	Project	Leased Area (sqm)
Carrefour	Retail	Cefin Logistics Park	45,000
CIB Trans	Logistics	Bucharest West	15,000
Altex	Retail	Cefin Logistics Park	12,100
Kuehne&Nagel	Logistics	ProLogis Bucharest A1	10,651
OTZ Logistics	Logistics	Cefin Logistics Park	10,500
Calberson Romania	Logistics, Transport & Distribution	ProLogis Bucharest A1	10,213
Delamode	Logistics	Mercury Logistic Park	10,000
Leonardo	Retail	Bucharest West	10,000
Cargo Partner Expeditii	Logistics	ProLogis Bucharest A1	8,400
Omega Transport	Logistics	ProLogis Bucharest A1	6,671



Land demand is much higher than supply resulting in continuous growth of acquisition price.

- In 2006, demand for development sites continued to be bigger than supply which obviously led to price growth.
- The total land area sold in Bucharest in 2006 (considering only the large transactions – over 10,000 sqm) was somewhere around **500,000 sqm**. This includes only plots of land located inside the city limits purchased for immediate development purposes and not for speculative investment.
- The total supply of land coming from old industrial properties (encouraged by the local authorities to move their activity outside the city) inside the city might be a few thousand hectares, out of which less than 50% has been sold in order to bring to the market new real estate development projects.
- For large transactions, of over 6 ha, the medium price was situated between 400 and 500 EUR/sqm.
- At the end of 2006, land prices increased with 30-40% compared to the beginning of the year,



Construction works usually present great delays due to high bureaucracy levels.

Laws that influence and have impact on the construction sector

Area of applicability	Planning	Designing	Execution	Production	Import of products/equipment
Law No. 10/1991, amended by Law No. 587/2002, regarding the quality in constructions	✓	✓	✓	✓	✓
Law No. 608/2001 regarding the conformity of the products		✓	✓	✓	✓
Law No. 50/1991, as updated, regarding authorization of constructions	✓	✓	✓	✓	
Law No. 350/2001 as updated in 2006, regarding territorial and urban planning	✓	✓		✓	
Law No. 137/1995, republished in 2000, regarding environmental protection	✓	✓	✓	✓	
Law No. 7/1996, modified by Law No. 247/2005 regarding cadastre	✓	✓			

Up to 8 Ministries are involved in construction

Involved in the construction sector in Romania and regulating the construction activity are mainly the following ministries. The Ministry of Transport, The Ministry of Interior and Administrative Reform , The Ministry of Agriculture and Rural Development, The Ministry of Economic and Finance, The Ministry of Labor, the Family and Equal Opportunities.

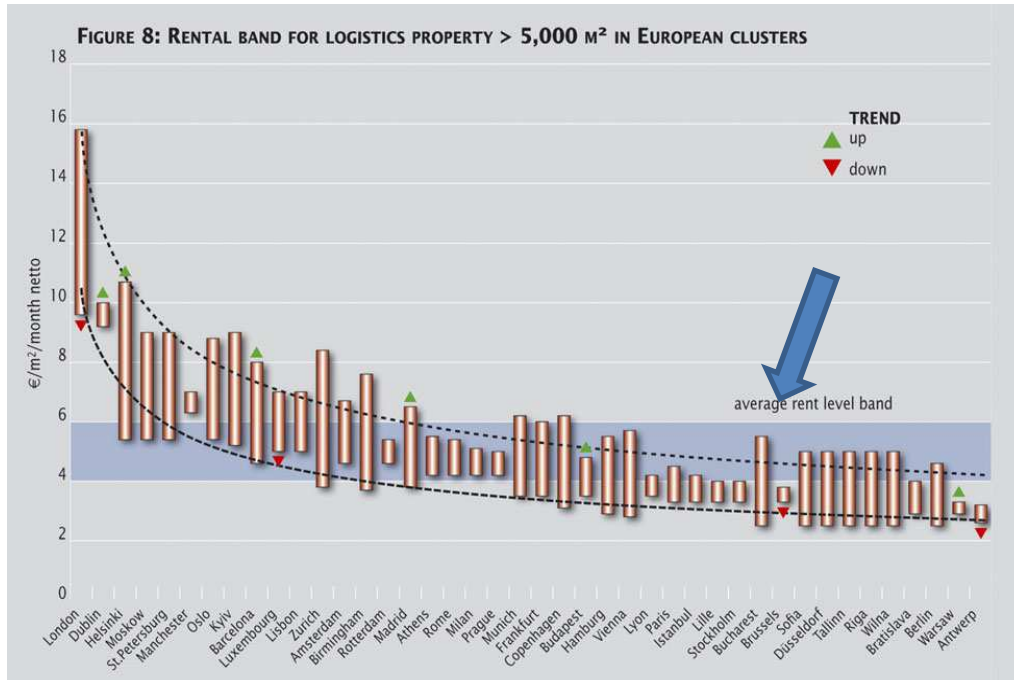
- Many specialists are required for all necessary studies and works during construction and authorization, such as Worksite Supervisor attested by the ISC – individual, Contractors, Design companies, Verifiers for designing, ISC - The State Construction Inspectorate, Local authority – urbanism officers.
- Construction authorization and related urban planning is managed by local Town Halls.
- According to a recent improved procedure, if an authorization or certificate is not issued within 30 days, it is presumed de facto as favorable.



Rent of industrial sites in Bucharest is still lower than most European countries

- During 2007 demand for industrial space was greater than demand, dropping vacancy rates to their lowest level in 10 years.
- Despite this drop, rents stayed almost in the same levels of previous year.

- Demand is concentrated in Bucharest and more specifically in east region.
- The development of the infrastructure network in the south and east Bucharest will bring more industrial projects in these areas.



Source: Atisreal, Degi, EuroHypo, Jones Lang Lasalle

Top rentals in logistics 2006

	Top rents Projects over 5,000 m ² EUR per year per m ²
Moscow	112
Copenhagen	90
Zurich	89
Belgrade	78
Athens	72
Madrid	71
Amsterdam	70
Vienna	68
Bucharest	66
Prague	62
Rome	60
Warsaw	60
Berlin	55
Budapest	55
Paris	54
Bratislava	48
Brussels	45

Source: King Sturge, IRG

Rents differentiate according to equipment and site's area.

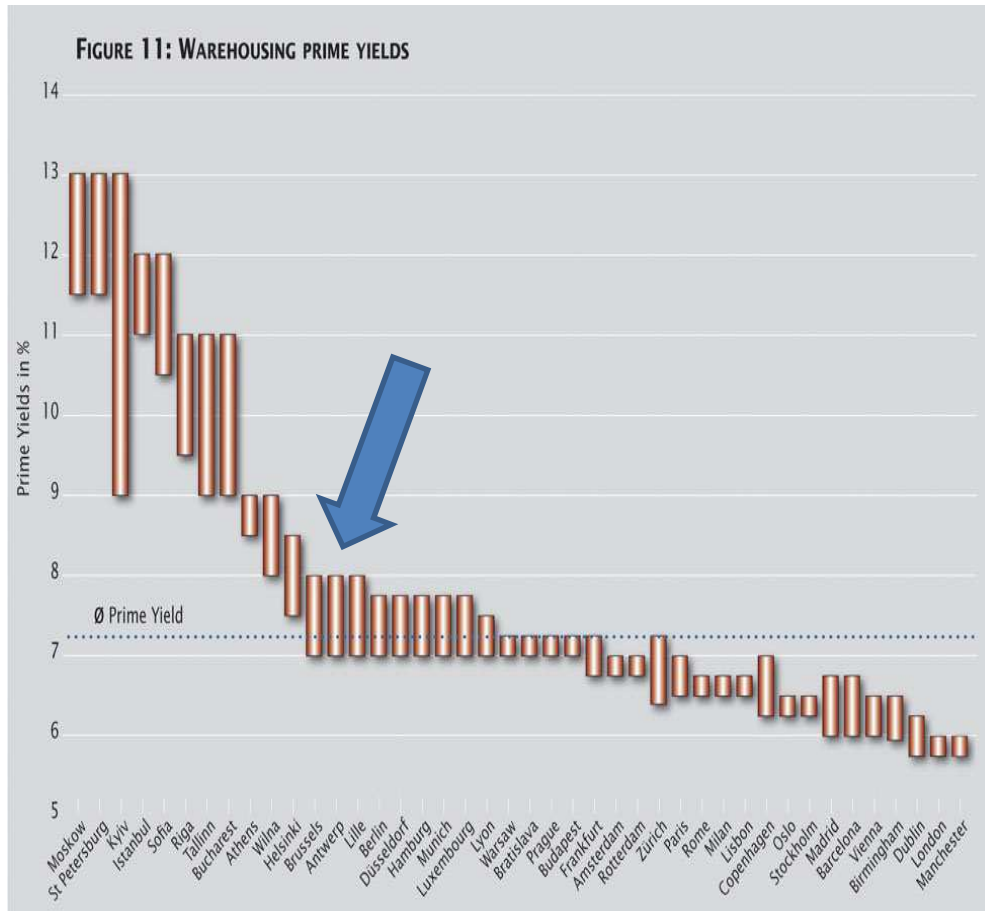
Industrial rents - Bucharest			
Location	2006*	2007*	Trend
Logistics - Prime property	4.50 - 5.50	4.00 - 5.00	↓
Logistics - Secondary property	2.00 - 4.00	2.00 - 3.50	↓

Source: King Sturge, August 2007
* Prime industrial rents are in €/m²/month

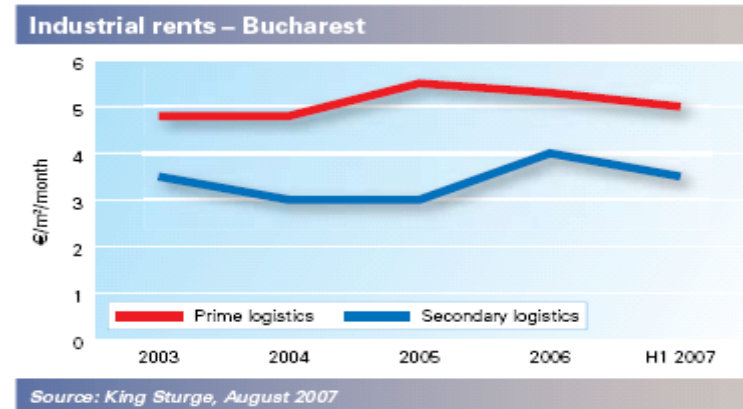
Rent level of prime locations (€/month sqm)	
Up to 3,000 sqm	4,80-5,00
3-10,000 sqm	4,25-4,80
Over 10,000 sqm	3,70-4,25
Services charges	0,40-0,70

- Rent level ranges significantly depending on location, as for prime areas is almost double than secondary ones.
- Other factors that influence rents is
 - equipment (5,0-6,5 with shelves)
 - building age
 - total area
- Average site size in 2007 was 6,000 sqm, almost double in comparison to 2006.
- The most requested technical specifications for warehousing space: are flexible and easily divisible space, a minimum floor to ceiling height of 9 meters, loading docks, and modern fire and security systems.

High yields make the Romanian logistics market one of the most attractive in the SEE region.



Source: Atisreal, Degi, EuroHypo, Jones Lang Lasalle



- The chronic lack of supply coupled with reduced risk levels, an ever-growing demand and 8-9% yields.
- Yields on the Romanian market are still higher than those of other countries in the CEE/SEE region, but it is estimated that the faster compression rate will level the yield spread over the next four years.