

REAL ESTATE Guide

Key insights into the local real estate market in H1 2016

A GUIDE PUBLISHED BY

BR Business Review
ROMANIA'S PREMIER BUSINESS MAGAZINE



Connecting Romania's business elite

Past Events in the series:

BR Club Garden Party

Exciting activities, good drinks and amazing atmosphere at Stejarii Country Club.

BR Club Cultural Dive

Thought-provoking discussions on the state of Romanian art and culture, as well as an exclusive tour of the Point Art Hub.

BR Summer Mixer and Drinks

Refreshing drinks, relaxed conversations and a wonderful atmosphere at the newest place in town - Il Locale Bucharest.

Next Event

BR Club Anniversary Mixer

Since its launch in 1998, Business Review magazine has been an indispensable business resource, serving top-level executives, senior managers, investors and decision makers, both Romanian and international. Join us in September for our 18 years celebration!

This series of events is just one of the many benefits reserved for our Business Review Club members. Interested in joining the community?

Contact us at jointheclub@business-review.ro

EDITORIAL



All good – for now

SIMONA BAZAVAN
DEPUTY EDITOR-IN-CHIEF

The performance of the real estate market has always been a good indicator of the overall state of the economy. When demand for office space is going up, it can only mean that companies feel confident enough to expand their operations and that newcomers are entering the market. Rising demand for logistics and industrial space is similarly good news, while the opening of new malls means developers are banking on increased consumer confidence. The growth of the housing market should be even better proof of an overall positive outlook for the economy.

The industry representatives BR talked to for this first semester edition of its real estate supplement confirm that the market is indeed on an upward trend overall. In fact, they talk of solid and sustainable growth across all sectors during the first half of the year. The office market in particular, where this year's deliveries are estimated to be some five times higher than 2015's, is faring well, they say.

But is the picture so rosy? A developer speaking at BR's Realty event this June said bluntly that while the market was growing because the economy is growing, Romania can take no credit for this. But whether 'home-grown' or rather the result of a favorable overall context, growth is growth and it is always welcome. Indeed, pundits maintain a positive outlook for the real estate market and predict that by yearend, all its segments will surpass 2015's results. That even includes the residential market which in mid-summer was being rocked by concerns about the future of the government-guaranteed mortgage lending program Prima Casa and the coming into force of the debt discharge law which has effectively frozen financing.

Nevertheless, the fact remains that the economy, and the real estate market alongside it, are still overly dependent on external factors. Just as growth is not entirely 'home-grown', neither are the potential threats. With instability on the rise throughout Europe and beyond, this is something to watch over the next months.

CONTENT

INVESTMENT

10 Real estate investment volume rises in first semester

OFFICE

6 Competition rises as more office space is delivered this year
12 Developers kick start office projects in center-west Bucharest

RETAIL

14 Spending increase spurs retail optimism

INTERVIEW

16 Anchor Grup set sights on new residential development

CONSTRUCTIONS

18 Construction materials market to rise by up to 8 pct by yearend

RESIDENTIAL

20 Outlook remains positive for residential market
24 Swanky address: premium residential market ready to soar
26 German Huf Haus lays foundations of local business

INDUSTRIAL

28 Logistics and industrial market maintains momentum

Editor-in-chief: Anda Sebesi

Editor: Simona Bazavan

Copy Editor: Debbie Stowe

Design: Raluca Piscu

Photo Editor: Mihai Constantineanu

Sales:

Ana Maria Nedelcu, anamaria.nedelcu@business-review.ro

Oana Albu, oana.albu@business-review.ro

Marketing: Adina Cretu, adina.cretu@business-review.ro

Publisher: Business Review

Address: No. 10 Italiana St., 2nd floor, ap. 3, Bucharest, Romania

Landline:

Editorial: 031 040 09 32

Office: 031 040 09 31

Emails:

editorial@business-review.ro

sales@business-review.ro

events@business-review.ro

www.business-review.eu

DEVELOPERS COULD BE FORCED TO SELL 20 PCT OF NEW HOMES FOR UNDER EUR 50,000

BR SIMONA BAZAVAN

Local developers could be forced to sell up to 20 percent of housing units in new projects for less than EUR 50,000, under the National Housing Strategy which was put up for public debate by the Ministry of Regional Development and Public Administration (MDRAP) in June.

The measure is meant to give more people access to affordable housing. Should it become law, local authorities would be able to condition building permits for residential projects on their featuring a quota of affordable housing. "It could be required that a certain percentage – for example 20 percent – be sold at a lower price than, for instance, EUR 50,000," reads the document.

The strategy would also facilitate the creation of partnerships between private developers and the authorities to build social housing projects based on

a "building-exploiting-transfer" principle. As part of such agreements, municipalities would provide developers with the land and the required infrastructure while developers would build the housing they would later rent out for around 30 years. At the end of this period, ownership of the

project would pass to the municipalities. The National Housing Strategy, drafted on World Bank recommendations, aims to identify measures and create instruments that would make "adequate living conditions" available to the entire popula-

tion by 2030. It is the first such strategy drafted by the local authorities and it could mark a turning point for the local residential market, given that it sets out a comprehensive list of priorities in terms of the building, funding and rehabilitation of residential properties. Other measures included in the draft strategy include introducing a special income tax for the building of affordable housing and making the Prima Casa government-guaranteed mortgage lending program available to low-income buyers only. As part of the same strategy, VAT for houses and apartments could be differentiated

based on their price, housing units built by local authorities would no longer be available for sale, rent subsidies would be introduced and empty historic buildings could be purchased by the state.



NUMBER OF REAL ESTATE TRANSACTIONS UP BY 9.6 PCT IN H1

BR SIMONA BAZAVAN

Over 456,000 transactions involving real estate properties were registered across Romania in the first semester of this year, up by almost 10 percent against January-June 2015, according to data from the National Land and Real Estate Advertising Agency.

In June, over 80,000 properties were bought and sold all over the country, up by almost 1,000 compared with the previous month. Against the same month last year, about 7,000 more properties were transacted, according to the same source.

Most of the real estate transactions reported in the first semester were regis-

tered in Bucharest, (45,260), Ilfov (25,905) and Timis (22,029), while Mehedinti (4,256), Gorj (4,222) and Bistrita Nasaud (3,824) were the counties that saw the lowest number of deals in H1.

In June most of the property transactions were registered in Bucharest (8,466), Ilfov (5,037) and Cluj (4,087) counties.

POSITIVE OUTLOOK FOR BUCHAREST'S LAND MARKET IN 2016, SAYS DTZ ECHINOX

BR SIMONA BAZAVAN

Over 15 large land transactions totaling over 45 ha and EUR 90 million had been registered in Bucharest by May this year, according to data from DTZ Echinex.

The outlook for 2016 remains positive, says the real estate services firm. The year started with a major transaction, namely Swedish Vastint acquiring a 48 ha plot in the Baneasa-Sisesti area for a mixed (mainly residential) project. In the first quarter alone the value of land transactions was twice as high y-o-y, totaling some EUR 35 million.

Given that the residential market in Romania remains underdeveloped and demand is on the rise, long-term investors are expected to continue to secure land for residential developments, say DTZ representatives. Retail too is expected to continue fueling demand for land, mainly in neighborhoods with high residential densities, according to the same source.

"In terms of shopping centers, Bucha-

rest currently has a dominant scheme for each geographical region. Therefore, in the short term, retail developments will consist of proximity retail parks, refurbishments and reconversions or niches such as outlet centers," said DTZ representatives. On the office segment there is already a significant pipeline for the next couple of



In Q1 alone the value of land transactions was twice as high y-o-y, totaling some EUR 35 million

years, with the center north and center west areas remaining the most attractive office locations in the city.

The land market performed far better in the first quarter of this year than in the same period of last year when the total transactional value dropped by 55 percent

y-o-y, while the total land area transacted was 16 percent lower, according to the same source. In 2015, the most active investors acquiring land plots for commercial developments in Bucharest were Swedish Ikea and Skanska.

More than 50 percent of the land area transacted last year was acquired for retail developments, especially big boxes. Land plots suitable for residential and industrial / logistics developments represented approximately 20 percent each out of the total land area transacted throughout 2015.

Land plots suitable for office developments continued to be the most expensive, with the average price paid being around EUR 717/ sqm. Land plots suitable for residential and retail developments (big boxes) were transacted for under EUR 200/ sqm.

In terms of location, most of the sites transacted were located in the northern and western areas of Bucharest.

GOVERNMENT REMOVES HOUSE TRANSFER TAX FOR FIRST TIME USERS OF DEBT DISCHARGE LAW

BR SIMONA BAZAVAN

Homeowners who want to make use of the debt discharge law no longer have to pay property transfer tax, according to the Ministry of Finance. The measure was introduced on June 29 via a government emergency ordinance and is available only to homeowners taking advantage of the law for

the first time.

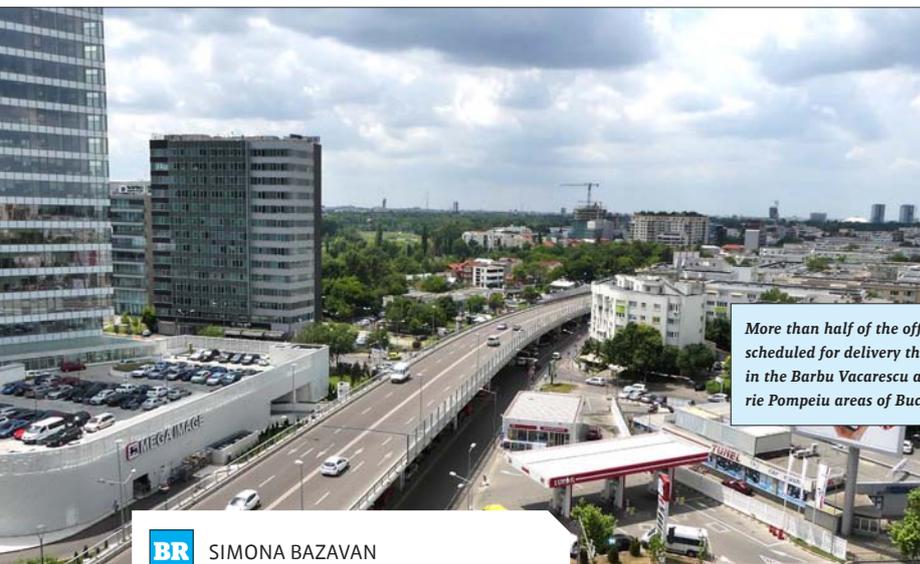
The tax exemption applies on any number of properties bought through a single mortgage as well as in the case of foreclosures. Following this measure, a national debt discharge record will be set so that notaries can keep track of individuals who have benefitted from the law.

The debt discharge law, which came into force in mid-May, allows the dis-

charge of mortgage-backed debts through transfer of the property to the creditor. "Several thousand" home owners had made use of the law by the end of June, according to central bank data. In about half of all cases, homeowners applied to use the law despite having no outstanding debts, according to the same source.

COMPETITION INTENSIFIES AS MORE OFFICE SPACE IS DELIVERED THIS YEAR

With new office stock projected to be a whopping six times larger than last year's, 2016 is set to be a challenging year for the capital's office market. Yet pundits are optimistic and consider results from the first semester encouraging, with demand on the rise and high enough, some say, to absorb the new stock.



More than half of the office space scheduled for delivery this year is in the Barbu Vacarescu and Dimitrie Pompeiu areas of Bucharest

BR SIMONA BAZAVAN

In the first quarter of this year, 75,000 sqm of new office space was delivered in Bucharest, according to market representatives. Not only does this represent about 20 percent of this year's total level, but the Q1 new stock alone is higher than last year's entire new volume, Mihai Paduroiu, head of the office agency with CBRE, told BR. Developers' enthusiasm and confidence comes after a couple of years marked by a limited new supply and a growing demand, which in turn have led to low vacancy rates, commented Alexandra Bratan, consultant at JLL Romania. But is the growing demand high enough to absorb this considerably larger volume or will the average vacancy level go up by year-end? Consultants strike an optimistic

note, pointing out that as much as 45 percent of the space due for delivery between Q2 and Q4 is already pre-leased. Moreover, leasing results from the first semester are encouraging.

Take-up – total transactions without renegotiations – was up by 32 percent in Q1 against the same period of last year, said Paduroiu. Many companies are leasing more space as their local operations expand, others are upgrading from class C office spaces to class B or class A and there are also newcomers to the Bucharest market, all of which justify expectations that this year the market will see a higher take-up of office space, pundits say. “We expect demand for office space to go significantly beyond last year's level

and surpass 300,000 sqm, a value similar to that posted in 2013 and 2014,” Bratan told BR.

And she is not the only optimist. “For the whole of 2016 we expect demand for office space to reach a record level on the back of new contracts and extensions, consolidations and relocations within class A and class B office projects. Compared to 2015 we expect new demand to grow by 30-35 percent this year,” Mihaela Galatanu, head of research at DTZ Echinox, told BR. Developers themselves confirm this. “Since the start of the year, we have had 37,000 sqm freshly leased, out of which 20,000 sqm was for new companies,” said Sorin Visoianu, country manager operations Romania at Immofinanz, during BR's Realty event this June.

The regional context is favorable as well. Romania is currently the most attractive business destination in Central and Eastern Europe and the class A office stock per capita is well below the region's average, said Paduroiu during the same event. “We have a very dynamic market in terms of demand and new business. Last year, we had 70,000 sqm leased by new companies coming to Romania or by companies that are already present and had decided to expand their operations. This was the highest level in the region except for Warsaw,” he added.

Nevertheless, opinions on whether the vacancy rate will go up or not by year-end

Project by **VASTINT**

Come to the most welcoming
new office project in town!



TIMPURI NOI SQUARE is one of the five key urban poles in Bucharest city centre, providing an interactive and friendly environment.

100,000 m² GLA of modern, class A office space, with 50,000 m² underway in Phase 1. A dynamic plaza area, with restaurants, cafés, snack bars and further retail amenities. BREEAM Excellent design stage certification.

www.TNsquare.ro


TIMPURI NOI
SQUARE



Mihai Paduroiu, CBRE

vary. According to DTZ estimates, based on average take-up, the availability of new projects about to be delivered this year and the vacancy level reported at the end of Q1 2016, the overall vacancy rate at the end of the year will be similar to that reported at the end of Q1 2016 which was between 11.5 and 12 percent, said Galatanu. Others suggest a possible increase. "Regardless of the rising demand for expansions or new tenants, over the next period the ratio between demand and supply will be unbalanced, which will lead to the vacancy rate increasing by a few significant percentage points," said Bratan adding, however, that the vacancy hike has been marginal so far as new projects have secured pre-lease agreements. The CBRE representative also talks of a possible rise in the vacancy rate in areas with a high pipeline, but this increase will not affect the market in a major way, he stressed.

One effect of this year's bigger new stock on the market that all consultants agree upon is that owing to the increased competition prospective tenants more leverage in negotiating with their future landlords. The gap between headline rents and net rents could go up as an effect, predicted Galatanu. Even though Bratan doesn't foresee an increase in average rents, she thinks developers will have to focus on offering prospective tenants incentive packages in order to secure a lease. That could include perks such as free months or footing the



Mihaela Galatanu, DTZ Echinox

bill for fit-out costs.

► **DEVELOPING TRENDS**

Besides the increased new office supply this year, competition on the market is also being boosted by ever more demanding tenants, said Florin Furdui, country manager at Portland Trust, during BR's Realty event. "We are seeing clients that know very well what it is they want and they have very specific demands," he said. Cost efficiency remains high on their agenda and in today's context many are migrating towards the most efficient options available on the market, added Geo Margescu, founder @ CEO, Forte Partners. All this competition is forcing developers more than ever to focus on additional services, said Visoianu. "We need to think beyond the space that we offer itself, as

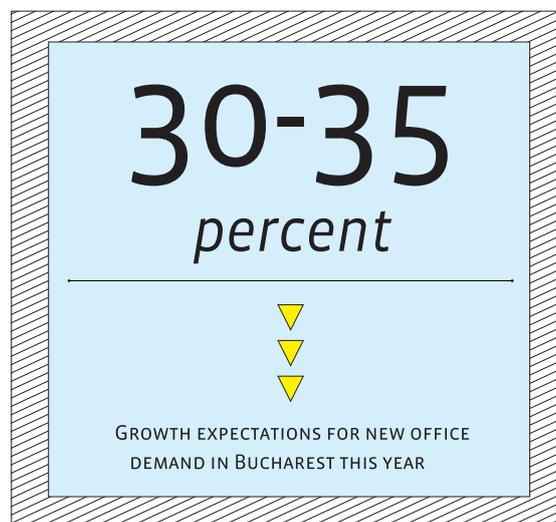


Alesandra Bratan, JLL Romania

is services," he stressed.

A developing trend is that companies that have had several offices throughout the city are now looking to consolidate them in a single office project for efficiency reasons, according to Aurelia Luca, country director, Skanska Property Romania. This makes flexibility a key requirement that developers need to offer, she said. One company that has undergone such a consolidation process is Orange Romania, which has relocated employees from four different offices in Bucharest to Skanska's Green Court Bucharest project. While cost efficiency is one reason for such a move, the consolidation was mostly determined by the need to find a headquarters that better suited the company's business requirements, said Andreea Patrascu, program management office manager, Orange Romania.

Tenants' greater demands stem from the fact that they themselves are dealing with increased competition in attracting and retaining employees, according to Antoniu Panait, managing director, Vastint Romania. One way of ensuring a competitive advantage is making sure their employees work closer to home. This is driving developers to look to new areas of Bucharest for office developments that, unlike those located in today's business districts, are closer to residential neighborhoods and offer



office space today is more or less aligned to certain standards. We need to think about what we offer besides that and that

fer good connections to public transport, concluded Panait.

IMMOFINANZ

The "feel-good" offices

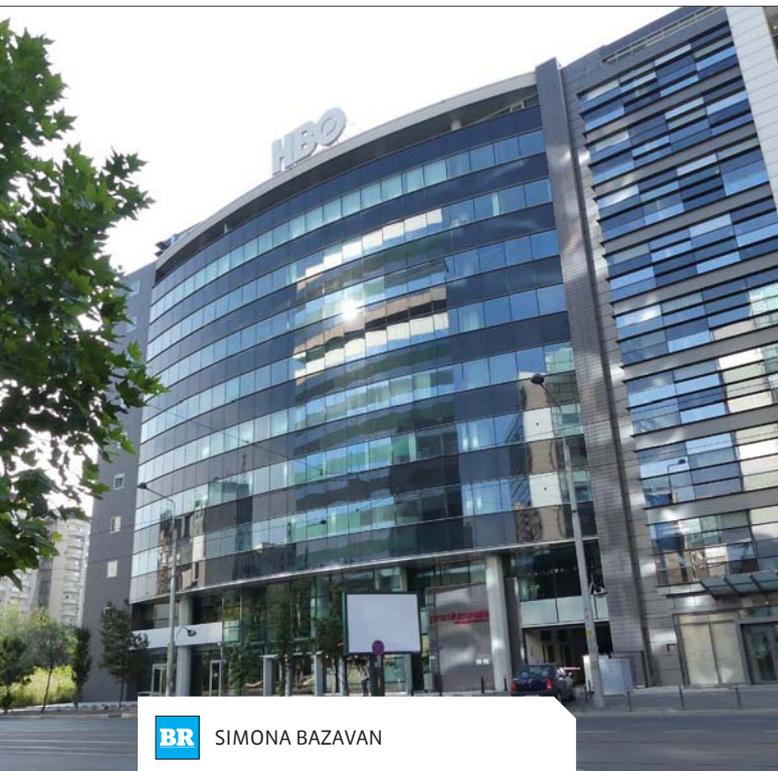
Optimal conditions for day-to-day
work and far beyond

More information on office.immofinanz.com

SPACE TO SUCCEED

REAL ESTATE INVESTMENT VOLUME RISES IN FIRST SEMESTER

The first semester of this year saw investment activity pick up compared to the same period of 2015, with office and retail assets being the most sought after by investors, say industry representatives. By the end of the year they expect the overall volume of investments to reach as much as EUR 800 million, well above last year's level of approximately EUR 670 million.



BR SIMONA BAZAVAN



GTC has paid some EUR 30 mln for Premium Point and Premium Plaza

Real estate assets worth EUR 180 million were sold in the first quarter of 2016 alone, up by 30 percent y-o-y, according to JLL data. The beginning of the year got off to a good start for the real estate investment market and consultants say that the trend remains positive.

“At the end of the first semester the investment volume will be over that reported at the end of the same period last year and we expect this trend to be maintained for the rest of the year

provided the global economy doesn't experience a major shock,” Andrei Vacaru, capital markets consultant at JLL Romania, told BR. A growing global appetite for real estate investments coupled with the attractiveness of the local market – which in turn stems from a relatively good macroeconomic performance and political stability – are the main drivers behind this, say consultants.

The regional context too is favorable. “The economic and political context in

the region is very important when we are talking about investments in Romania. Prime yields on the local market are about 200-225 basis points higher than in the Czech Republic or Poland, but about 75-100 basis points lower than in Serbia,” added Vacaru. The gap with Poland and the Czech Republic is close to the highest level ever. This shows how differently these countries are perceived compared to Romania, but this is also the consequence of more restrictive and expensive financ-

ing on the local market, he added.

The 200 basis point gap in yield levels between Bucharest and Warsaw or Prague for both office and retail assets is above the average of recent years, which highlights both an accelerated heating of these core markets in Central and Eastern Europe and the financial attractiveness of the Romanian market, added CBRE representatives.

Although Romania continues to offer higher yields than the markets in the region that attract the most investors, such as the Czech Republic and Poland, more difficult financing conditions and higher financing costs erode some of the

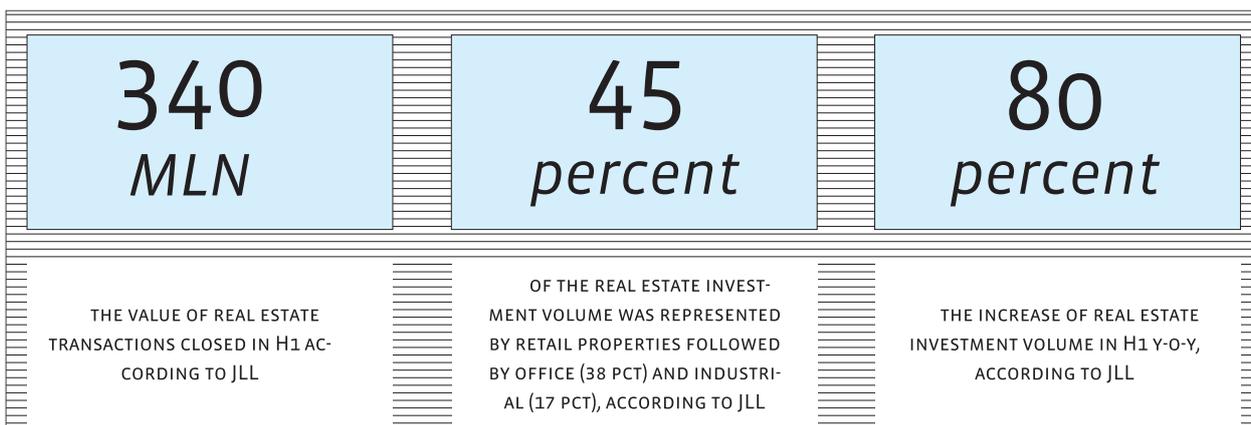
that are many times higher than those expected by owners,” he explained.

All in all, consultants agree that Romania remains an attractive market both because of the macroeconomic indicators and the performance of the real estate market. “This is why we expect the investment volume to surpass last year’s level of EUR 680 million,” added CBRE representatives. Vacaru predicts an investment volume of between EUR 600 million and EUR 800 million for the entire 2016.

►► **WHO’S BUYING WHAT?**

Properties from all the main real estate segments – office, retail and logistics – are

nounced so far this year include Global Trade Centre (GTC) securing full ownership of the City Gate office project as well as taking over two office buildings in Victoriei Square – Premium Point and Premium Plaza. Another two transactions see Logikor buying the logistics portfolio that Immofinanz owns in Romania and the takeover of Cubic Center by the project’s financing bank Alpha Bank. Also this year, real estate developer AFI Europe bought the Hidromecanica industrial platform in Brasov to develop a shopping center and earlier in 2016 Aberdeen Asset Management Deutschland AG and Commerzbank sold the Phoenix Tower office project in



attractiveness of yields, Marius Grigorică, senior capital markets broker at DTZ Echinox, told BR. The overall trend for yields is to slightly drop but the evolution since the beginning of the year has been somewhat linear, he added.

These conditions entice new investors who are analyzing the local market and many actually end up making acquisition offers, went on Grigorică. “Unfortunately there continue to be differences between the expectations of owners and sellers,” he pointed out. The fact that Romania offers higher yields than other countries in the region also means many of the investors attracted to the local market are opportunistic and perceive Romania as an investment destination that still poses risks. “This is why their offers reflect yields

presently being negotiated, according to Vacaru. What has changed is that in 2016 the share of the logistics segment will be less significant than last year, when several prime industrial assets were sold, he added. CBRE representatives also expect that office and retail assets will make up a higher share of the overall investment volume and data from the first quarter confirm this.

According to JLL data, out of the EUR 180 million worth of real estate transactions announced in the first quarter, EUR 96 million was made up of office properties sold in Bucharest alone. The industrial segment came second with EUR 57 million of assets being sold while retail spaces accounted for EUR 28 million.

Some of the biggest transactions an-

nounced so far this year include Global Trade Centre (GTC) securing full ownership of the City Gate office project as well as taking over two office buildings in Victoriei Square – Premium Point and Premium Plaza. Another two transactions see Logikor buying the logistics portfolio that Immofinanz owns in Romania and the takeover of Cubic Center by the project’s financing bank Alpha Bank. Also this year, real estate developer AFI Europe bought the Hidromecanica industrial platform in Brasov to develop a shopping center and earlier in 2016 Aberdeen Asset Management Deutschland AG and Commerzbank sold the Phoenix Tower office project in

Bucharest to Adamamerica. The investors active this year are different from those buying local assets in 2015, which in turn have a different profile from a year before, say consultants. “NEPI and Globalworth which dominated the market in the post-Lehman period generated only 21 percent of the total investment volume last year compared to 51 percent in 2014 and 70 percent in 2013,” said Vacaru.

Instead, over the past year and a half the market has seen new investors such as Logikor, P3 and CTP enter the market and players such as GLL and GTC resume activity. “We will definitely continue to see new names this year, although it is also true that the number is lower than expectations in the market,” concluded Vacaru.

DEVELOPERS KICK START OFFICE PROJECTS IN CENTER-WEST BUCHAREST

Several office projects are now in the pipeline in the center-west part of Bucharest, confirming real estate consultants' previous forecasts that the area will turn into a new office pole for the capital. All in all, between 200,000 and 300,000 sqm of office space are scheduled to be completed in the area by the end of 2018, BR found out.



BR SIMONA BAZAVAN

Forte Partners, a consortium of real estate investors that begun works on the first phase of a EUR 100 million office scheme in the Grozavesti area of Bucharest this February, is the latest developer to start a project in this part of the capital. After real estate consultants have been talking for several years now of center-west Bucharest becoming a new “office pole” on the city’s map, now projects are finally in the pipeline.

“Indeed, the center-west part of Bucharest or more precisely the Grozavesti-Politehnica area, is in full development. High demand for office space coming from IT@C companies for whom the proximity to the university campus is very advantageous, has boosted this development,” Mihai Paduroiu, head of office agency with CBRE Romania told BR.

The proximity with the Polytechnic University and its nearby campus is one important selling point for the area, especially when considering that IT companies and BPO players are the main potential future tenants. “What shapes up to be a new office pole in Bucharest could reach up to 20,000 employees. The nearby university will definitely make the area interesting for IT@C but we also expect to attract companies active in financial services,” Ramona Marusac, associate director office agency with Colliers International told BR. As such companies find themselves competing against one another to attract and retain employees, the easy access the area offers to public transportation such as the subway is another advantage central-west Bucharest boasts.

Thirdly, there is the area’s good track

record. The investors’ increased interest in the area can also be explained by the fact that Afi Park, the office project developed by Afi Europe, one of the first office developers in this part of Bucharest, has been a successful one, Maria Florea, head of office agency-contractor JLL, told BR. The vacancy rate in the area is below the average, standing at 4.5 percent at the end of 2015 according to CBRE data and headline rents are in the area vary between EUR 12 – EUR 15/sqm/month, in line with levels elsewhere in Bucharest.

Last but not least, other parts of the capital which have been highly sought-after by office developers are now getting crowded, thus favoring a shift to new spots, added Florea. Of the 325,000 sqm of office space which are scheduled to be delivered this year in the capital, about 60 percent are part of office projects located in the Barbu Vacarescu and Dimitrie Pompeiu areas, Mihaela Galatanu, head of research with DTZ Echinox told BR. This will change next year when CBRE estimates that 46 percent of new deliveries will be in the western part of the city. Forte Partners, CA Immo, Vastint and Skanska are the developers who have announced projects in the area and the first two have already begun works. Vastint secured a building permit for its office project at the end of last year while Swedish developer Skanska bought 2.1 hectares part of the former

Pumac industrial platform. The availability in the area of former industrial platforms like Pumac is another factor that is making real estate investors consider the area, added Marusac.

All in all, real estate consultants expect this increased interest in the area to take the form of between 200,000 and 300,000 sqm of office space to be delivered until the end of 2018. "If all the projects that have been announced for western Bucharest will be delivered over the next three years, then the modern office stock for this area (e.n. for the entire western Bucharest, not only center-west) could reach 583,000 sqm, up by 115 percent compared to the present level of 272,000 sqm," said Galatanu.

Further on, growth could be toned down by what could become a crowded area. "There is still land left that could be used for office development, but given the high number of projects that are scheduled for the next years and which in turn will lead to an abrupt increase of the office offer, developers have somehow become more reserved in considering center-west as possible location," concluded Florea.

► **WHO'S STARTED WORKS**

EUR 60 million will go into the first building of The Bridge, the office project Forte Partners has started in the area earlier this year. It will have a gross leasable area (GLA) of over 36,000 sqm and is scheduled for delivery in September 2017. Some 30

percent of this is covered by private equity and the developer says it is in advanced negotiations to secure a bank loan for the rest of the sum.

So far, Forte Partners has secured BCR as a future tenant. After the first building will reach a pre-lease of about 50 percent, the company plans to start construction of the second building which will increase the project's total GLA to over 56,000 sqm, said Geo Margescu, the CEO and founder of Forte Partners.

The Bridge is developed on a 12,700 sqm plot of land which Forte Partners bought in 2014 from Spanish developer Hecesa and which is located close to the Carrefour Orhideea commercial center. Forte Partners shareholders include Ionut Dumitrescu (founder of Eurisko, a Romanian real estate agency sold to CBRE,) Geo Margescu

due to its good connectivity to the public transport network. The Austrian CA Immo started construction of the 37,000 sqm (GLA) Orhideea Towers in October last year and the developer says it is ready to move into the next phase in March this year. Investment will reach EUR 75 million and the two office buildings are set to be delivered in 2017. CA Immo already owns five office buildings in Romania with a gross leasable area of 106,000 square meters.

When it comes to developers who are already present in the area, Afi Europe, the first to start an office scheme in this part of Bucharest, has reported positive results for its project. The AFI Park 4@5 office building has reached a 70 percent occupancy rate after Telus International, who is already present in the project, has leased an additional 3,000 sqm. AFI Park

4@5 (32,000 sqm GLA) is the last phase of AFI Park, a 70,000 sqm (GLA) office project located near the AFI Palace Cotroceni shopping mall (82,000 sqm GLA), AFI Europe's flagship project in Romania. Among the new tenants

in AFI Park 4@5 are companies such as Cameron, SII Romania and ORTEC Central @ Eastern Europe.

The developer boasts with the office park attracting mainly IT players. Other tenants in the project include Electronic Arts, Conglomerate TELUS International, UK-held Endava Romania, Microchip Technology, Sparkware Technologies and Cameron Romania, part of US Cameron Group.

46 percent

OF NEXT YEAR'S OFFICE DELIVERIES WILL BE
IN THE WESTERN PART OF THE CITY

(whose name is linked to projects such as Europolis Logistic Park, the headquarters of Millennium Bank and the Louis Blanc office building) and Jabra family (founders of Nova Brasilia business sold to Kraft Foods.)

In the immediate vicinity, Austrian developer CA Immo is building another office project, Orhideea Towers. Asked about the competition, Margescu said there is room for both projects given the high interest potential tenants have in the area

OFFICE PIPELINE FOR CENTER-WEST BUCHAREST

Project	Developer	GLA (sqm)	Status	Completion date
Orhideea Towers	CA Immo	36,000	In construction	2017
The Bridge	Forte Partners	36,000	In construction	2017
Business Garden	Vastint	41,500	Planned	2018
AFI Business Park (Inox)	AFI Group	20,000	Planned	2018
Orhideeor 46	Forte Partners	37,000	Planned	2018
Pumac I&II	Skanska	40,000	Planned	NA
Cotroceni Office Tower	Primavera Development	25,000	Planned	NA

SPENDING INCREASE SPURS RETAIL OPTIMISM

Between 200,000 and 240,000 sqm of new retail space will be delivered by the end of the year, either as part of new shopping centers or as an expansion of existing projects, marking an increase of between 20 and 40 percent y-o-y, say industry representatives. Given that retail sales were up by almost 18 percent in the first four months of 2016, developers' and retailers' expansion optimism is justified, they add.



Forever 21 will open its first local store this September in ParkLake

BR SIMONA BAZAVAN

The outlook for the retail segment is more positive than a year ago following results from the first semester, say industry representatives. Such optimism is driven by a growing appetite for spending, which in turn has led to local retailers reporting higher turnovers. “Retailers’ sales maintained last year’s upward trend in the first semester as well. They reported average sales increases of about 15 percent with considerably higher levels for fashion retailers,” Mihaela Petruescu, head of the property management department at DTZ Echinox, told BR.

As a result, retailers are keeping their foot on the expansion pedal and this year is likely to see more new openings than the previous one. Fashion retailers saw their sales go up by between 10 and 20

percent in 2015 while opening on average up to two new stores, said Liana Dumitru, associate director of the retail agency at Colliers Romania, during BR’s Realty event this June. This year they are boasting more ambitious plans of between three and five new openings, she said.

Fashion players with a well-established presence on the local market such as Inditex, H&M, LPP and Peeraj remain some of the most active players, data show. They are being joined lately by new names such as Tezenis, COS, Forever 21 and Lanidor. There are also retailers who aren’t yet present locally, but who plan to enter the local market in the near future. Many of them are regional players but there are also retailers from Western Europe and the US that are looking at the

Romanian market, added Dumitru.

“A trend that we have seen over the past two years is that luxury retailers are showing increased interest in the local market. After last year names such as Marc Cain, Michael Kors and Hilfiger Denim opened stores on the local market, this year other luxury brands have followed suit,” Alesandra Bratan, consultant with JLL Romania, told BR. They include COS, Chanel, Cerruti 1881 and Fossil.

Developers are keeping pace with retailers’ appetite for expansion and this year consultants estimate that between 200,000 and 240,000 sqm of new retail space will be delivered, either as part of new shopping centers or as the expansion of existing projects. The increase they project against 2015 ranges from 20 to 40

percent. Two shopping malls are scheduled in Bucharest alone this year. The 70,000 (GLA) sqm ParkLake mall developed by Sonae Sierra near Titan Park is set to open this autumn, along with Prodplast Imobiliare's Veranda mall which will come with a 30,000 GLA. Outside the capital NEPI has already delivered its Shopping City Timisoara mall and another two shopping malls have been completed – Satu Mare Shopping Plaza and Mercur Center Craiova, the latter being a revamping project. Elsewhere, Coresi Shopping Resort Brasov and City Park Constanta underwent extensions. Shopping City Piatra Neamt and Platina Center in Cluj-Napoca are expected to be finished later this year.

As to what may follow beyond 2016, Bratan foresees no significant new projects on the short or medium terms as medium and large-scale projects already dominate most of the country. All cities of over 300,000 inhabitants already host about two big shopping centers and secondary cities at least one large project, she said. "Therefore we expect on the medium term to see extensions or upgrades of existing projects and fewer new developments," she predicted.

Developers and investors alike are turning their attention to towns with under 100,000 inhabitants with good sales potential and less competition, added Petruescu. In such towns developers will not necessarily focus on shopping malls but rather retail parks, which require a smaller initial investment and are faster to develop, believes Dumitru. Until that happens, developers too have taken notice of the higher sales reported by fashion retailers in particular and there is a tendency to increase rents as result, she added.

►► TRENDS TO FOLLOW

Like elsewhere on the real estate market, competition is becoming fiercer among shopping centers, forcing the owners of older projects to invest in facelifts and upgrades in order to keep pace with the latest projects. This trend has already started and Luiza Moraru, MRICS, head of retail @ asset services at CBRE, told BR that it will definitely continue. "Works have already started in three centers – Sun Plaza which will undergo the largest extension and facelift on the local market, AFI Palace Cotroceni and Militari Shop-

ing ways to make them work together so that shopping continues to be done both online and offline," Oana Vijiala, general manager of AFI Palace Ploiesti, owned by AFI Europe, said during the 15th edition of BR's Realty event this June. It continues to be very important for consumers to have the full shopping experience when they visit a store, be it because they want to try clothing on or to get advice from shop assistants, pointed out Iuliana Ghimpu, leasing manager at Anchor Group, during the same event. "This is a topic that we need to pay attention to and we, the shopping

malls, together with retailers need to adapt to the 'click and collect' business model because we have seen that it offers much more autonomy, flexibility and is preferred to the traditional home delivery model," added Ghimpu.

Nevertheless, the online segment doesn't pose a real threat to local bricks-and-mortar stores, industry

representatives argued. This is why physical shops are relevant and will remain relevant despite the rise of online stores, she stressed. Retailers know that and that is why many choose to invest in upgrading their stores, said Vijiala. Such facelifts make sense given that they can boost

"Retailers' sales maintained last year's upward trend in the first semester as well. They reported average sales increases of about 15 percent with considerably higher levels for fashion retailers"

Mihaela Petruescu, DTZ Echinox

Bucharest, the developer's second mall.

Such upgrades have become even more necessary with the rise of online fashion stores. "The development of online and how this and offline shopping will go together is something of interest for everyone. We want to be one step ahead in find-

store sales by 20 percent after renovation, she added. If anything, online and offline stores can be complementary, especially as there are still many areas when shoppers simply don't have access to shopping malls, added Paul Copil, COO of Fashion Days Shopping.



ANCHOR GRUP SETS SIGHTS ON NEW RESIDENTIAL INVESTMENT

After completing a EUR 26 million investment in refurbishing its two local shopping malls earlier this year, developer Anchor Grup is now looking at new investment opportunities on the local market, general manager **Affan Yildirim** told BR.

BR SIMONA BAZAVAN



RETAIL, OFFICE OR RESIDENTIAL – WHAT WILL YOU FOCUS ON IN ROMANIA AS PART OF YOUR FUTURE DEVELOPMENT STRATEGY?

We have positive expectations for all these sectors in Romania and we can already see encouraging signs. These positive trends are also confirmed by several pieces of research. According to a CBRE study, developers are favoring office in 2016: an increase of 500 percent in new office space on the previous year is forecast. Retail too is on the rise given that, according to some estimations, approximately 180,000 sqm of new retail space will become available this year.

This is the result of a simple principle – demand and supply. This trend has been visible on the market for several years now and is directly correlated to the increase in the number of retailers, their diversity, as well as their needs. Residential has also seen moderate growth over the past few years.

According to the CBRE CEE Market Outlook 2016, this year will be great for real estate overall, making it a good period for investments. In the first quarter of this year we also launched for sale the fourth building of our residential compound, InCity Residences. Future projects will take into account all these insights, as we are continuously looking for new investment opportunities on the Romanian market.

WHEN DO YOU PLAN TO START A NEW REAL ESTATE PROJECT ON THE LOCAL MARKET?

After recently investing in retail spaces with the refurbishment of both malls owned by Anchor Grup – Bucuresti Mall and Plaza Romania – and in office spaces

through Plaza Romania Offices, we are currently looking towards a project in the residential sector, near our existing compound – InCity Residences. It is still in the planning stages and as soon as we decide which implementation companies we will work with, we will announce the beginning of works on site.

WHICH OF THESE THREE SEGMENTS DO YOU THINK OFFERS THE BEST BUSINESS OPPORTUNITY RIGHT NOW IN ROMANIA?

Right now, we think that office offers a strategic direction for investments on the Romanian market. We can see a shift in our customers' needs and preferences. Nowadays they require not only the office space itself but as many other services as possible for their employees. This is the reason behind our development of Plaza Romania Offices, which has Mega Image as its main tenant and where we are negotiating with other prospective clients. Due to its unique position, Anchor Grup being the first to convert a retail area into an office space within a mall, we have created benefits for our tenants' employees, who have at their disposal all the services that a mall can offer.

HOW DO YOU EXPECT THE LOCAL REAL ESTATE MARKET TO EVOLVE OVERALL THROUGH TO THE END OF THE YEAR?

Following the estimates and predictions made by researchers on the market, we expect growth on all segments in Romania in 2016. For example, in regards to office space, the prognosis is an increase of 10 percent compared to 2009, a year which was the peak of the local real estate market. It is an exciting year for real estate developers on all branches.

HOW MUCH DID YOU INVEST IN REFURBISHING THE TWO MALLS YOU HAVE IN BUCHAREST AND WHAT ARE THE MAIN CHANGES

THAT THEY HAVE UNDERGONE?

The complete renovation and reconfiguration process took two years and required an investment of over EUR 26 million. The sum was divided roughly evenly between Bucharest Mall and Plaza Romania and the main changes were aimed at making better use of the available space both for customers and tenants.

The renovations were necessary as we are talking about the first modern shopping center in Bucharest – Bucuresti Mall, built in 1999 – and Plaza Romania which is 12 years old. The purpose of the refurbishments was to refresh the look of our malls and bring them in line with the latest trends and clients' demands.

At Bucuresti Mall we built new façades, the symbolic fountain has been renovated and new terraces have been created. Also, important changes have been made to the common areas which were widened and have been made lighter. Our tenants followed suit and rearranged their spaces, bringing their latest shop design concepts. In Plaza Romania, we made the first conversion of a retail space into an office space, launching Plaza Romania Offices. We also built a new entrance from Timisoara Boulevard, and created a lighter interior, with linear elements and patterns. We expanded the green spaces surrounding the mall, the food court and terraces.

During the renovation process, we increased the occupancy rate to 95 percent in Plaza Romania and to 96 percent in Bucuresti Mall. Also, 80 percent of our tenants decided to refurbish their stores and to bring their latest shop design into the two malls. All this has resulted in increasing footfall in both our malls.

WHAT IS YOUR STRATEGY FOR THE TWO MALLS GIVEN THE INCREASING COMPETITION FROM LARGER RETAIL SCHEMES IN THEIR VICINITY, PARTICULARLY IN THE CASE OF BUCURESTI MALL?

In 1999, when we first opened Bucuresti

Mall, we were alone on the market and our way was the only way of doing business. The fact that the market has opened up and new players have come along is a positive challenge. Competition has only made us better. We also believe that there is plenty of space for other developments on the market. Our customers have shown during the refurbishment process that they remain loyal to a mall and to a certain mix of brands. Thus, the key in our strategy is knowing our clients and their needs.

Through the refurbishments, we outlined more clearly the identity for each of our shopping centers. Bucuresti Mall was the first mall, the trendsetter which educated people in terms of shopping. Its customers were and continue to be passionate about fashion, to be trend setters themselves, focused on a complete shopping experience in a space they know inside and out and have grown to love over the years.

Plaza Romania is the mall of cozy shopping, with a relaxed and warm atmosphere. It is part of the residential community around; it is a meeting place, a place where people enjoy coming and spending time and socializing. Plaza Romania's customers are more laid back, more focused on the interpersonal experience that the mall has to offer.

Therefore, the customers of Bucuresti Mall tend to be more interested in purchasing items, while the clients of Plaza Romania are more services-oriented.

We have in mind numerous events and campaigns through which we want to keep our clients happy and to make sure that they have access to a mix of brands they enjoy. Our current tenant mix offers them established brands as well as cutting-edge ones, for our customers who like to experiment with new products. Moreover, we try to provide them with the best entertainment we possibly can, by developing our leisure areas and other facilities meant for spending a good time with friends and family.

CONSTRUCTION MATERIALS MARKET TO RISE BY UP TO 8 PCT BY YEAREND

The rebounding residential sector is the main growth engine for construction materials manufacturers this year, industry representatives tell BR.



Sebastian Bobu, Symmetrica



Marius Dagne, Xella Ro



Laurentiu Stefanescu, Sika Romania

BR SIMONA BAZAVAN

The first half of 2016 saw the local construction market maintain last year's upward trend, when it grew by 10 percent y-o-y, say market representatives. An early start to works following relatively favorable weather conditions and the lively performance of the residential market have boosted demand for construction materials this year. Concerns about the future of the residential market following the coming into force of the debt discharge law and uncertainties about the future of the Prima Casa government-guaranteed mortgage lending program have also given the market a helping hand by making many developers push the pedal on construction works.

All real estate sectors are contributing to the market's growth, but the residential market in particular has been an important growth engine, market representatives agree. "Investments in the residential segment have had the biggest impact on the local construction materials market. We're seeing more and more projects being kick started which require large

quantities of materials," Sebastian Bobu, executive director of paving and vibro-pressed curbstones producer Symmetrica, told BR.

Some 127,000 building permits for homes were issued between 2014 and 2015, out of which only about 90,000 have been completed, according to official data cited by Marius Dagne, CEO of Xella Romania. Many of the residential projects for which building permits have been secured are being built in phases, which has helped fuel the market's positive evolution, he told BR.

As for what will happen in the months to come, market representatives remain optimistic but say that developments on the residential market, where the debt discharge law and the freezing of the Prima Casa scheme may slow growth, will directly affect the sale of construction materials.

"The market will be strongly influenced through to the end of the year by access to financing and not least by what is going on on international markets. Even so we

believe that the construction materials market will go up by about 7 to 8 percent," Laurentiu Stefanescu, general director of chemical construction materials producer Sika Romania, told BR.

Dagne sees the construction market posting a slight increase by yearend but expects the growth rate to slow down. "This will mostly be because the season started earlier than usual this year and many investments which were planned for this summer have already been completed," he explained. Should there be more demand from the public sector for infrastructure works or public housing programs, the market would fare even better, industry representatives argue. Companies also cast a wary eye over what is going on with the regional and global economy. "We hope that the private appetite for investments will not wane following all the developments on external markets, including the Brexit vote, and that works that have been started will also be finished this year," concluded Stefanescu.

PEOPLE WHO BUILD THINGS NEED THE STRONGEST FOUNDATION: THEIR HEALTH

At REGINA MARIA you now have the only prevention and treatment packages for SMEs.
Regardless of the number of employees.



Our SME medical packages are flexible and customizable, making it easy for you to choose the one that best suits your business. Regardless of your choice, we assure you that every package gives you access to medical services of the highest quality.
Find out more on www.reginamaria.ro/imm or at imm@reginamaria.ro.

IMM PLUS

IMM OPTIM

IMM ULTRA

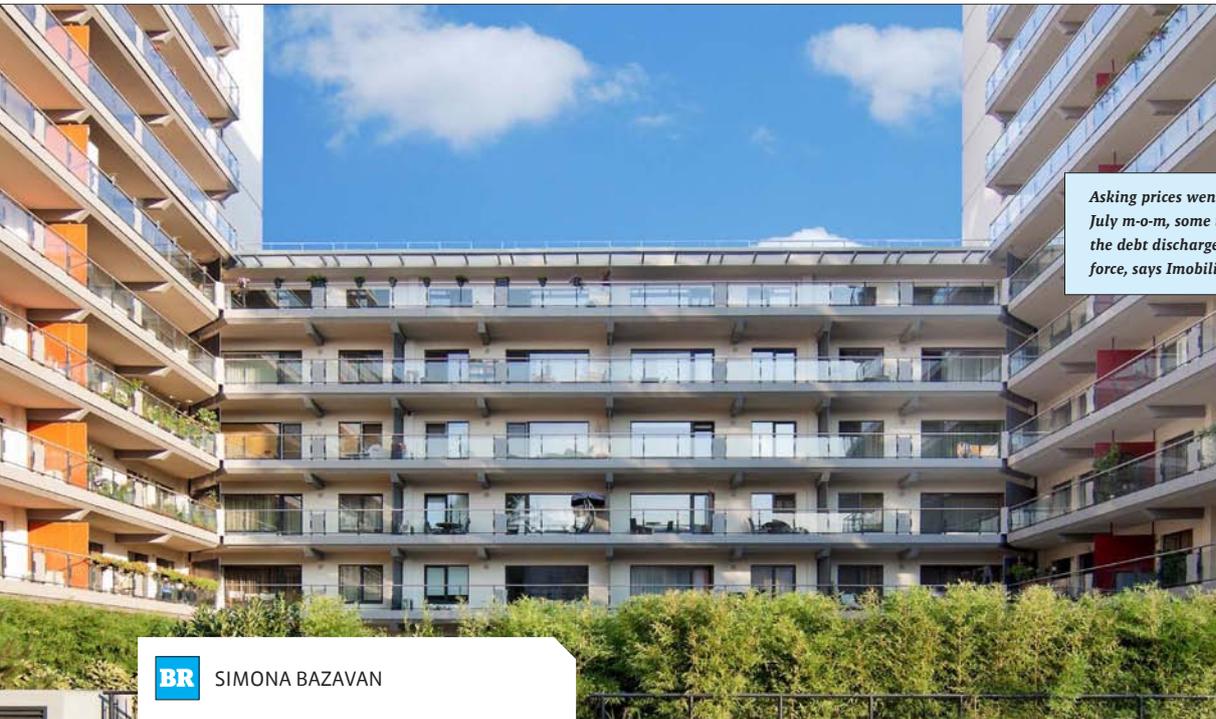
WE CARE ABOUT PEOPLE



REGINA MARIA
REȚEAUA PRIVATĂ DE SĂNĂTATE

OUTLOOK REMAINS POSITIVE FOR RESIDENTIAL MARKET

The coming into force of the debt discharge bill and uncertainties about the future of the government-guaranteed mortgage lending program Prima Casa are the main challenges looming for the local residential market after a positive first semester. BR looks at how the market should perform through to yearend.



Asking prices went up by 1.5 pct in July m-o-m, some three months after the debt discharge law came into force, says Imobiliare.ro

BR SIMONA BAZAVAN

Asking prices for residential properties rose in the first half of the year, posting an average growth of between 3 and 4 percent at national level, Dorel Nita, head of the real estate analysis division at Imobiliare.ro, told BR. The number of transactions involving residential properties went up too, increasing by about 6 percent in the first quarter alone, according to data from the National Agency for Cadastre and Land Registration.

“The Bucharest residential market has already set several records in the first

months of the year. In March the volume of mortgages taken out by individuals reached a record level of about EUR 260 million. Overall, the volume of new mortgages taken out in the first quarter was up by half on the same period of last year,” Silviu Grigorescu, director of real estate developer Hanner Romania, told BR.

In part, this comes on the back of organic growth on the residential market, which has been posting encouraging results for the past couple of years. However, first semester results should also be seen in the context of concerns about the future of the

government-guaranteed mortgage lending program Prima Casa and the coming into force of the debt discharge law, which have led many prospective buyers to bring forward the search for a new home.

A closer look at what has happened most recently may already indicate a change of trend. May and June saw the growth rate of average asking prices dwindle following harsher financing requirements and in June asking prices went down across the country, added Nita.

The stricter financing conditions are a direct result of the coming into force in



The **Leader in Marketing** for Mall, Office,
Industrial and Residential Projects.

united.
marketing
+ partner

www.unitedcom.org

mid-May of the debt discharge bill, a law which permits the discharge of mortgage-backed debts through the transfer of the property to the creditor. Banks fiercely opposed the law, arguing that they would be forced even to double down-payment requirements and so fewer homebuyers would qualify for a mortgage. All major local banks have already hiked deposits,

a step which, coupled with the suspension of the

Prima Casa program after guarantee funds allocated by the government for the scheme were used up, has put a break on financing, say market representatives.

Nevertheless, the numbers still show a positive trend, although the actual market growth is distorted by the existence of Prima Casa, said Andreea Comsa, managing director of Premier Estate Management, during this year's edition of BR's Realty event. "The number of transactions is fully dependent on a program that is backed by the state and doesn't necessarily represent a healthy trend that we can rely on. One should also consider what will happen once this program ceases to exist," she said, adding that this would almost certainly lead to a drop in the number of transactions.

Whether the program will be scrapped or not is still unclear, and with elections this November, a final decision will most likely be postponed until the beginning of 2017. The finance minister, Anca Dragu, said at the end of June that the government wants to make more funds available for the program, but at the same time it is looking at how efficient Prima Casa has been and whether changes should be made.

▶▶ CAUTIOUS OPTIMISM

One thing is sure, should Prima Casa be scrapped or changed in a way that would considerably narrow the number of possible beneficiaries, the local residential market is set for a bumpy ride, at least on the short and medium term. With a deposit of only 5 percent, the government-backed lending program has supported

end of the year. Rents too are expected to go up as a direct effect of the law. "On the medium and long term the debt discharge law will lead to rents increasing as higher down-payment requirements will force young people to rent until they can save enough to qualify for a mortgage," he explained.

For now, the coming into force of the

"What is interesting is that the Prima Casa program isn't affecting the way new apartments are being built to the same extent as before. Over the past few years Prima Casa and its price limitations have massively influenced the new apartment segment,"

Silviu Grigorescu, Hanner Romania

the residential market not only through the aftermath of the crisis but also in the last couple of years when the residential market started showing the first signs of recovery. As a result, about half of all the mortgages taken out since 2009 are Prima Casa loans, official data show.

With the program put on hold and access to standard mortgages made harder under the debt discharge law, the effects have already been visible this summer

debt discharge bill has dampened banks' appetite for lending and buyers' enthusiasm, but the market will eventually rebalance itself, say market representatives. Demand for housing is here to stay and banks are expected to come up with financing alternatives. "We believe that the banks' reaction is for the short term, and as they develop competitive financing products the number of transactions will go up, given that the market is on an organic growth trend," said Nita.

Developers too are staying positive. Apartment sales and pre-sales in the residential project that Lithuanian developer Hanner is building in Bucharest have risen by about 50 percent in 2016 y-o-y, according to company data, and the developer intends to maintain this growth rate through to yearend.

"We believe that the waters are now calming. Those who want to buy have carefully analyzed their options and banks have seen the effects of the measures they have adopted. The banks' offers will adapt to the real demand in the market and we expect there to be more advantageous lending products for serious clients," concluded Grigorescu.



with asking prices stagnating. Nita says they will remain flat and there could even be price drops by yearend. But overall consultants maintain a positive outlook. Razvan Cuc, regional director of RE/MAX Romania, told BR that he expects average prices to be up by 7 or 8 percent by the

REALTY 2016

The Romanian Real Estate Market Forum

Thank you for attending this year's edition of
Business Review's Realty Conference!

We look forward to welcoming you at Realty 2017!

A special 'Thank you' to our partners and sponsors

Main partner



Event Partner



Sponsors



SKANSKA



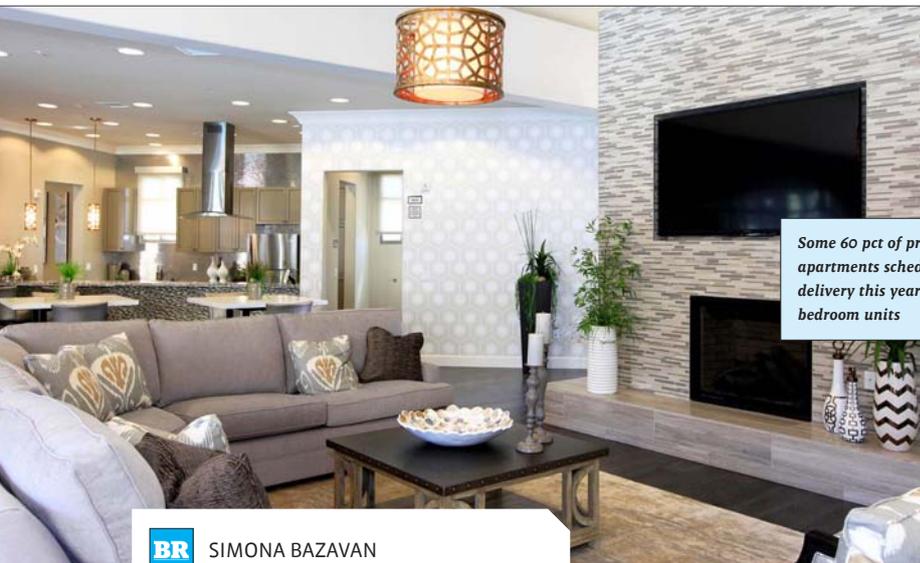
Strategic Partners



For the speakers' presentations contact us at events@business-review.ro
phone: +40 31 040 09 32 | www.business-review.eu

SWANKY ADDRESS: PREMIUM RESIDENTIAL MARKET READY TO SOAR

Some 550 new premium apartments are scheduled for delivery in Bucharest in 2016 and 2017, more than double the previous two years' volume, according to data from real estate services firm DTZ Echinov. After years of tepid growth, there is now a clear upward trend, says the company.



Some 60 pct of premium apartments scheduled for delivery this year are one-bedroom units

BR SIMONA BAZAVAN

Only 30 percent of the premium apartments delivered in the past two years in Bucharest are still available for sale while 40 percent of the 550 units scheduled for completion until the end of 2017 have already been purchased, according to DTZ Echinov data. The higher pipeline is partly the result of fewer projects being started in the years following the burst of the real estate bubble. On the other hand, now there is a clear increase in demand which started picking up last year and is fueling the overall optimism in this niche market, believes Mihaela Pana, partner residential agency with DTZ Echinov.

"In 2015, we saw an increased appetite coming from both developers and buyers

and this trend maintains in 2016. This year we see that the market starts to resemble the one we had in 2006 and 2007 when it comes to off-plan acquisitions. This already happens and there are projects that have been already sold up to 80 – 90 percent, despite the fact that constructions are in the structure building phase," she explained. Not only that, but the market is once again bubbling to the point where such buyers chose to sell their properties in six months' time at a profit, she added.

All these projects are in consecrated areas such as Primaverii, Kiseleff, Aviatorilor, Dorobanti, Herastrau or Aviatiei, in northern Bucharest. "What makes a residential development premium? Above

all is the location. There are areas such as Primaverii where more than half of the per square meter price – which is the highest in Bucharest at EUR 3,500/sqm – is paid for the location alone," explained Pana. The most active areas in terms of new developments are Herastrau, followed by Aviatiei and Floreasca, according to DTZ Echinov data. This is not surprising, given that over 100,000 people were working in this part of the capital at the end of last year, says the company. A lower development activity is recorded in Dorobanti, Aviatorilor and Kiseleff, mainly due to the low land availability and a higher number of buildings which are under monumental protection. Judging from the number of projects scheduled so far, the highest number of premium residential apartments available for sale – about 86 percent – are located in projects that are due to be completed in 2016. On the other hand, the availability of premium residential units scheduled for completion in 2017 is lower, with only 48 percent being available for sale at the end of 2015.

Developers investing in premium residential projects are local companies, the majority of whom have a long track-record in this segment. Confident in the market's growth trend, they are mostly putting in their own funds for starting such projects. "For smaller projects of up to ten apartments, they invest their own money and, more recently, they can also use off-plan sales for financing," explains Pana. Several

of the projects now under construction and larger scale, meaning they feature around 100 units, but even in this case developers opt for similar financing plans.

►► **MORE SOPHISTICATED BUYERS**

With prices ranging between EUR 100,000 for a one bedroom apartment of at least 75 sqm, and well above EUR 600,000 or EUR 700,000 for larger units, there are a limited number of potential buyers on the Bucharest premium market.

On one hand there are the end-users, mostly top-earning young families of both expats and locals, in their thirties and forties with up to two children. Secondly, there are the investors, for whom buying an apartment and renting it offers a better return than keeping their money in the bank. "Since last year we have seen this appetite to invest in premium apartments' return for the first time after about six, seven years. This also comes as banks have significantly lowered interest rates, leading many to turn to real estate investments," said Pana.

The ratio between the two categories is somewhat equally split and they all prefer to buy the properties using own funds rather than bank loans. One difference is that investors are mostly looking at smaller apartments, usually one-bedroom units, with a price tag of between EUR 100,000 and EUR 400,000 which, at a monthly rent level starting at EUR 550 – EUR 600, offer a yield of about six to seven percent. Demand for renting

such properties in areas like Aviatorilor and Herastrau is presently higher than the existing offer, given the limited number of projects delivered in the past years, she added. Larger and more expensive proper-

ties on the other hand, are being almost exclusively bought by end-users as they offer investors less attractive yields.

Demand is on the rise from both these categories and, while the overall enthusiasm and growth may have a bit in common with pre-crisis times, one significant change is that today's buyers are much more demanding and sophisticated than in 2006 or 2007, says Pana. For one they are no longer interested in large apartments but in smaller ones. Developers are taking note and adapting to this as the vast majority of the projects under construc-

AVERAGE SALES PRICES FOR PREMIUM APARTMENTS

Neighborhood	Average price (EUR/sqm)
Primaverii	3,500
Dorobanti	3,000
Kiseleff	3,000
Aviatorilor	2,000
Floreasca	1,950
Herastrau	1,900
Aviatiei	1,800

Source: DTZ Echinox

tion presently feature such units. Some 60 percent of the premium apartments scheduled for completion in the next two years fall into this category. Moreover, compared with the stock delivered between 2014 and 2015, the number of one-bedroom apartments currently under construction is six

YIELDS BY INVESTMENT VALUE

Investment value (EUR)	Monthly rent (EUR)	Yield
100,000	550 – 600	6 – 7%
400,000 – 500,000	2,000 – 2,500	6%

Source: DTZ Echinox

times higher, shows DTZ Echinox data. "They also look at things such as the materials the developer uses, the quality of furnishings and the overall facilities the condominium offers. A buyer that is

willing to pay EUR 500,000 for an apartment in 2016 thinks completely different from how one thought in 2006," she adds. A significant change is also the fact that buyers pay more attention to costs – such as utilities and costs with the maintenance of common areas – something that didn't necessarily happen in 2006 and 2007, she explained.

►► **THE NEW SWANKY ADDRESSES**

The luxury residential market is a particular one, with a rhythm of its own, say

pundits. There are a limited number of prospective buyers, few developers and even more limited room for new developments in the already consecrated high-end residential areas of northern Bucharest. "After these two years we will draw the line and see that there will be limited potential left to develop similar projects in the same areas over the following period," says Pana.

So as these areas get even more crowded and land for new developments is becoming even scarcer, what new areas promise potential? "There will continue to be investments in this segment but the pole will somehow shift. Developers will move towards the Calea Floreasca and Barbu Vacarescu areas where there is

potential for development and where presently there is plenty of available land," she added. Not only that, but what makes this are of particular interest is the high number of office buildings and high concentration of corporate employees. Thereby, also a high number of poten-

tial buyers and tenants who, judging from the data available today, will fuel further growth for the local premium residential market.

GERMAN HUF HAUS LAYS THE FOUNDATIONS OF LOCAL BUSINESS

Huf Haus, a German manufacturer of high-end prefabricated timber and glass houses, will this September open two show houses in northern Bucharest, following an investment of approximately EUR 1 million, the company has announced. This is the first step in an ambitious plan to sell between six and 10 such houses per year on the local market.



The starting price of a Huf house will be of approximately EUR 700,000

BR SIMONA BAZAVAN

The two show houses, presently being built in northern Bucharest, are the result of a partnership with a local investor who provided the land. In fact, the decision to come to Romania was based on this partnership, which was initiated by the Romanian investor, explained Michael Baumann, marketing and sales director with Huf Haus. Representatives of the German company have refused to disclose the identity of the Romanian partner, saying only that he lives in the UK and that he has been

looking to start a business in Romania for several years. The plot of land where the two show houses are presently being built is big enough to host additional properties and the plan is to use it to develop an entire residential compound, said the investor's representatives. Construction of the two Huf houses started earlier this year but delivery has been postponed to early September due to difficulties in getting the properties connected to the water supply and electricity grid, added Baumann.

Once completed, they should provide the starting point for the German manufacturer's operations on the local market. While the houses come at a hefty starting price of approximately EUR 700,000, the German company is confident that it will find a niche segment on the Romanian residential market where it plans to sell between six and 10 houses each year. The sleek design, originating from the Bauhaus architectural tradition combined with innovative building technologies, promises a high-end yet eco-friendly living

experience for which the company is sure to find buyers on the local market, said Ann-Kathrin Laskowski, marketing and PR representative for Huf Haus. "We have to find them here the same as we have to find them in Germany. We have around 10,000 leads each year out of which around 100 end up buying. So it is a narrow target group. We know that, but it is definitely worth it because we manage to find these individuals in Germany, the UK and Switzerland," she added.

The German company manufactures and builds over 100 houses each year, some 60 percent of which are sold in Germany. The UK is its second market with some 20-25 units sold each year and Switzerland comes a close third. Buyers include both individuals and developers who later rent the houses for between GBP 8,000 and GBP 10,000 per month in the UK, says the company. This has makes the houses popular not only among homeowners but also among real estate investors, said Baumann.



The houses are manufactured in the company's factory in Hartenfels, Germany, by about 170 workers. They use German technologies and materials with the exception of structural beams which are made out of glue-laminated, Scandinavian spruce wood due to its higher density and resistance, say company representatives. The house parts are afterwards transported and built up on site. The Huf Haus group of companies also provides financial consultancy, fit-out, furnishings and landscaping services, and can therefore provide turnkey projects.

Most of those who want to purchase a

35 million in show houses throughout the markets where it is present, arguing that this has proven the best marketing tool in convincing future clients.

The next step is an appointment to discuss the potential buyer's available budget. "We also visit the future building site in order to assess potential side costs. After that, when we have a rough budget form, we provide the client with a planning contract," continued the marketing and sales director. With this planning contract, architects from Huf start designing the house with the client, based on the latter's wishes and available budget. After the final drawings are complete and additional costs such as those of the foundation are settled, a final budget takes shape. Once permission to build is secured, the client will get the delivery timeline for the future house. Over the next eight weeks the house is manufactured in the Hartenfels factory and is delivered on site. "We need only eight weeks to bring all the materials there, to prepare and deliver on site. And four to five months later we hand over the keys to the new property," he outlined. Onsite construction is done exclusively by Huf Haus employees, a way of ensuring the quality of the final product, concluded Baumann.

Huf Haus was set up in 1912 and to this day it remains a family-owned company, now led by the third generation of the Huf family. Throughout the past 104 years the company has built some 10,000 houses. Last year it reported a turnover of approximately EUR 80 million.



► A 104-YEAR OLD BRAND

Huf Haus was set up in 1912 and over the years has managed to build a brand known for both its modern timber-frame architecture and the energy-efficient technologies behind its buildings. While the houses can be individually designed, the main stylistic elements have not changed much over the decades. "It is just like the Porsche 911. The 911 from 50 years ago and the one from nowadays are very similar. The brand is the same but the technology behind it is different. It is the same with a Huf house," outlined Baumann.

Huf haus start their enquiry online, said Baumann. "The first contact we have with some 90 percent of our future clients is via an online enquiry form which they fill in. In no more than three days we contact them, send them the brochure and invite them to see the village," he added. The village is a collection of five Huf show houses built close to the company's factory in Hartenfels, some 80 km from Cologne. It is open all week and visitors can go there to get a better idea of the possibilities of building Huf houses. Over the years the company has invested an estimated EUR

LOGISTICS AND INDUSTRIAL MARKET MAINTAINS MOMENTUM

By yearend both the number of deliveries and the total take-up volume are expected to go beyond last year's level on the back of increasing retail activities. After a positive 2015, consultants are expecting new records to be set by the end of this year.



There is higher demand for logistics space fueled by the increase of consumption and the subsequent boost for the retail segment

BR SIMONA BAZAVAN

The logistics and industrial market continued to expand in the first semester of this year, going up both in terms of leasing activity and new deliveries, market representatives say. "Demand is on a clear upward trend, growing from one quarter to another, both in Bucharest and in regional cities," Dana Bordei, head of the industrial agency at CBRE, told BR. In the first part of this year demand was up by 42 percent y-o-y, while overall, it grew by 62 percent in the last 12 months against the average of the last ten years, she added.

Up to now demand for logistics and industrial space was mainly for built-

to-suit projects and came mostly from companies active in the automotive field, went on Bordei. This year however, there is higher demand for logistics space fueled by the increase of consumption and the subsequent boost for the retail segment. "Last year Romania reported the highest retail sales increase in the EU at 8.9 percent. As a result, demand from retail and distribution companies made a major contribution to the positive evolution of leasing activity. More than half of the demand reported in the first half of the year came from such companies. Their need to expand was mostly driven by the consumption boost," Rodica Tarcavu, se-

nior broker in the industrial agency at DTZ Echinox, told BR, adding that automotive companies were responsible for 25 percent of the overall leasing volume.

The fall in the average vacancy rate, to below 5 percent in Bucharest, justifies developers' investment optimism, say consultants. "The logistics and industrial market is in full expansion mode with the development of new projects being the result of the growing demand of the last two years. In the first half of this year there was 155,000 sqm of new stock, which is up by 80 percent against the same period of last year," Cristina Pop, head of the industrial agency at JLL Romania, told

Are you tight for space?

We build warehouses to fit your business!



When you decide to grow your distribution facilities, think about P3 Logistic Parks.

P3 can help you get the warehouse space you need, or build it tailor-made to your requirements, within Romania or beyond, on our extensive pan-European platform. Please contact Nora Hategan, our European Business Development Manager, to learn more about the many options that are available.

WWW.P3PARKS.COM

Nora Hategan
Business Development Manager
+40 (720) 011184
nora.hategan@p3parks.com

Scan QR code
to save contact details



BR. Most of these projects were developed based on pre-lease contracts as developers remain reluctant to invest in speculative projects. But even the projects that start off as speculative developments manage to secure pre-leases and many are fully leased by the time they are delivered, consultants say.

Developers have announced that by the end of the year they will complete logistics and industrial projects totaling over 330,000 sqm, which is more than double last year's level, added Pop. They are mostly investing in expanding existing projects and focusing mainly on markets where they have put money into infrastructure and utilities and where they already have tenants, say consultants. Some 60 percent of the industrial and logistics space scheduled for this year will be delivered around Bucharest, according to Pop. Other areas that remain on investors' radar are Cluj (where 12 percent of this year's stock is forecast to be delivered), Brasov (8 percent) and Timisoara (5 percent).

"We also see new cities and regions gaining investors' attention. There have been investments in counties such as Iasi, Braila and Valcea, which are obviously not as consistent as those in western Romania or in the center-south, but there is higher interest in cities such as Craiova, Bacau, Targu Mures and secondary cities alongside the A1 highway," added Bordei

Overall, industry representatives say that this year's leasing activity will reach a new record. "Demand will remain on an upward trend and will most likely surpass last year's record level," said Bordei. Given a first quarter that outperformed Q1 2015, the favorable economic context and feedback from prospective tenants, Pop too says that demand will be higher than last year and will definitely go beyond the

300,000 sqm threshold.

Consultants also forecast that the vacancy rate, which presently stands at below 5 percent in the capital, will not fluctuate much by yearend. "Most of the new stock is already leased, and speculative developments – still modest so far – are immediately absorbed by the market," added Pop. As for rent, a tenant that

year following last year's numerous transactions? Further consolidation and the entry of a new player on the local market, thinks Bordei. "Existing developers are focused on consolidating the parks they have already invested in by attracting new companies and eventually expanding them, in the belief that this is a good time to grow. It is only natural to see new de-

"Demand for logistics and industrial space is up from one quarter to another, both in Bucharest and in regional cities. In Q1 2016 demand was up by 42 percent y-o-y, while over the past 12 months it was 62 percent higher than the average of the last ten years,"

Dana Bordei, CBRE

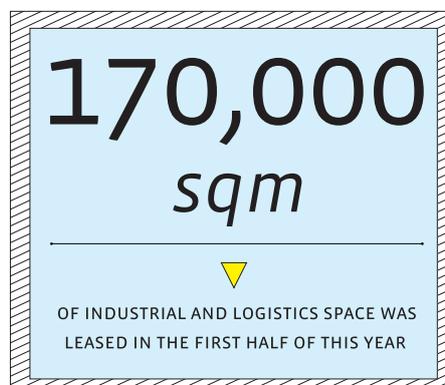
leases about 10,000 sqm in a prime location presently pays about EUR 3.5 or EUR 4 per sqm a month, she added. "For now we don't see anything that would justify pressure on the rent level by yearend," predicted Pop.

►► GREAT EXPECTATIONS

The logistics and industrial segment dominated the investment market last year, when acquisitions amounted to a whop-

developers and investment funds interested in entering the local market, not through takeovers however, but by securing tenants in a newly developed project," she said. The attractiveness of the logistics and industrial segment for new investments is in line with international trends as yields are increasingly tempting for such investments, she added.

The most active player on the industrial market last year by far was Dutch CTP. The company had bought land in Romania prior to the start of the crisis but managed last year to become the number one player on the market by taking over five logistics and industrial parks. Asked during the 15th edition of BR's Realty event about the company's plans for Romania after a 2015 that saw the company complete several takeovers on the market, Orzu said further expansion is in the cards. "Our target is to reach 1 million sqm of space in Romania by 2018. Right now we have around 370,000 sqm and by the end of the year we will reach approximately 500,000 sqm. We will do that by organic growth as well as further takeovers, although there aren't many more products left in the market," he told participants.



ping EUR 357 million, according to CBRE data. This represented some 57 percent of the overall investment in property assets on the local market and reshaped the market by yearend.

What lies ahead for the market this



INVEST *in* ROMANIA

ORDER YOUR
COPY NOW!

Your guide on the investment map

THE FIRST COMPLETE AND COMPREHENSIVE GUIDE
FOR INVESTORS LOOKING FOR BUSINESS OPPORTUNITIES
IN ROMANIA

In-depth industry analyses ◆ Success stories from major foreign investors in Romania ◆
Legal and fiscal framework ◆ Romania's advantages in the CEE scenery ◆
Most vibrant cities with the highest investment potential

WHY ORDER INVEST IN ROMANIA?

- ◆ Gain unique insights on Romania's top industries
- ◆ Be inspired by success stories and learn from their experience
- ◆ Find out what the future of investments in the region looks like
- ◆ Get your facts and figures straight on Romania's macro economical environment, investment legislations, and funding opportunities

Published by:



Platinum Partner:



Gold Partner:



For further information contact us at office@business-review.ro



CREATING LIFESTYLE EXPERIENCES
retail | offices | residential

București Mall



Plaza România Mall



Anchor Plaza Offices



Metropol Offices



InCity Residences



Movieplex Cinema



Plaza România Offices

