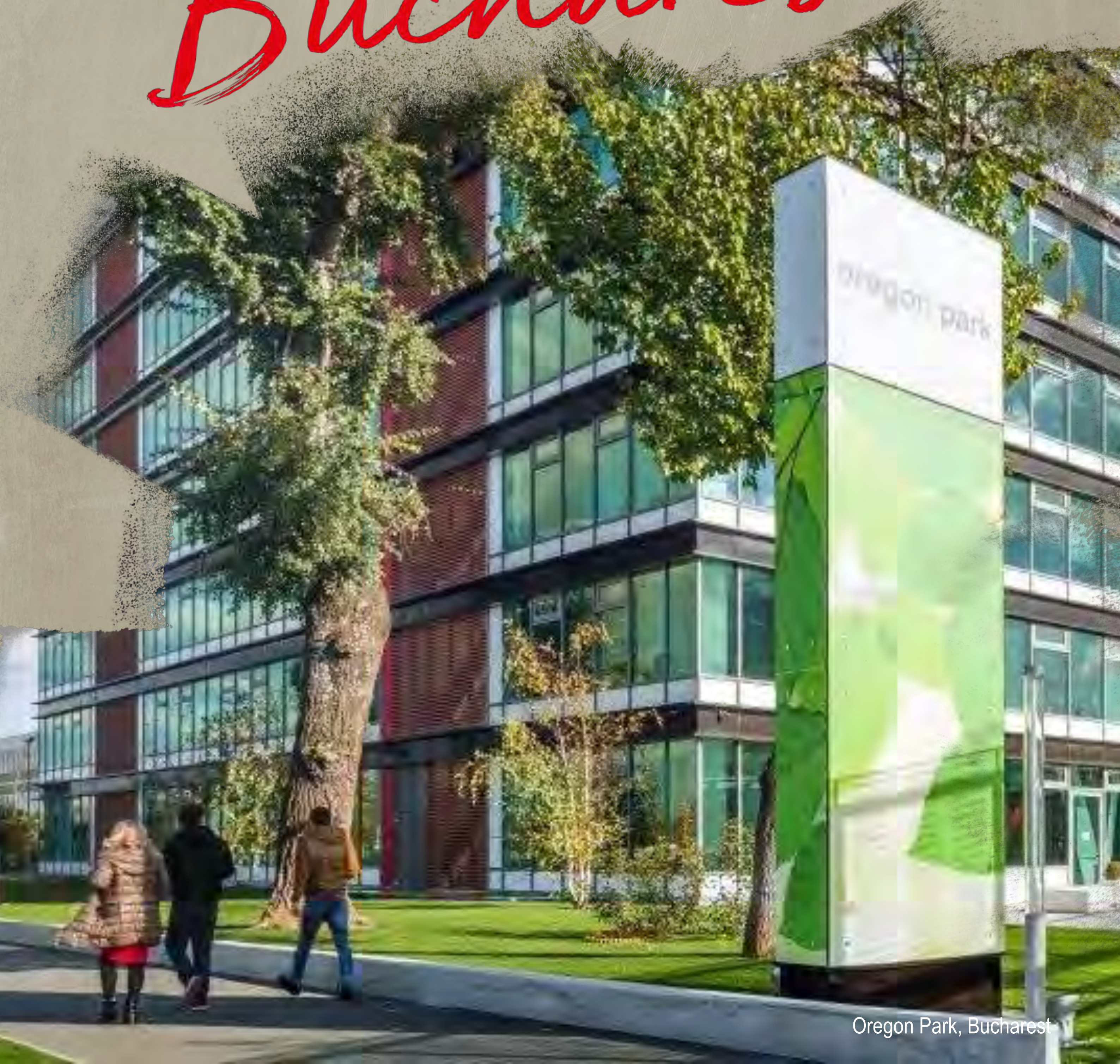
JLL® Achieve Ambitions

City Report

Q2 2018

Bucharest



Oregon Park, Bucharest

Economy & Investment

4.2%
GDP Growth
Q1 2018 y-o-y

5.4%
Inflation
June 2018 y-o-y

4.5%
Unemployment rate
June 2018

€583
Net average wage
June 2018

7.5%
Retail Sales,
H1 2018 y-o-y

5.7%
Industrial production,
Jan. – May 2018 y-o-y

Investment Market

The H1 2018 property investment volume for Romania is estimated at circa €205 million, a value almost half the one registered in the same period in 2017 (€481 million). However, there are a number of transactions in different stages of negotiations that are likely to be concluded during the remainder of 2018. The number of transactions decreased, however, the average deal size increased, standing at approximately €40 million. Bucharest accounted for over 78% of the total investment volume, mainly due to a very large office transaction which was closed in Q2. Market volumes were dominated by office transactions (88%), while retail accounted for 12%.

The largest transaction registered in the first half of 2018 was the acquisition of Oregon Park, a 68,500 m^2 office park in the Floreasca Barbu Vacarescu sub-market in the north of Bucharest by Lion's Head Investment. This is the first acquisition of the fund created by the joint-venture between South African investment fund Old Mutual Property and AG Capital in Romania and follows previous investments in Sofia, Bulgaria.

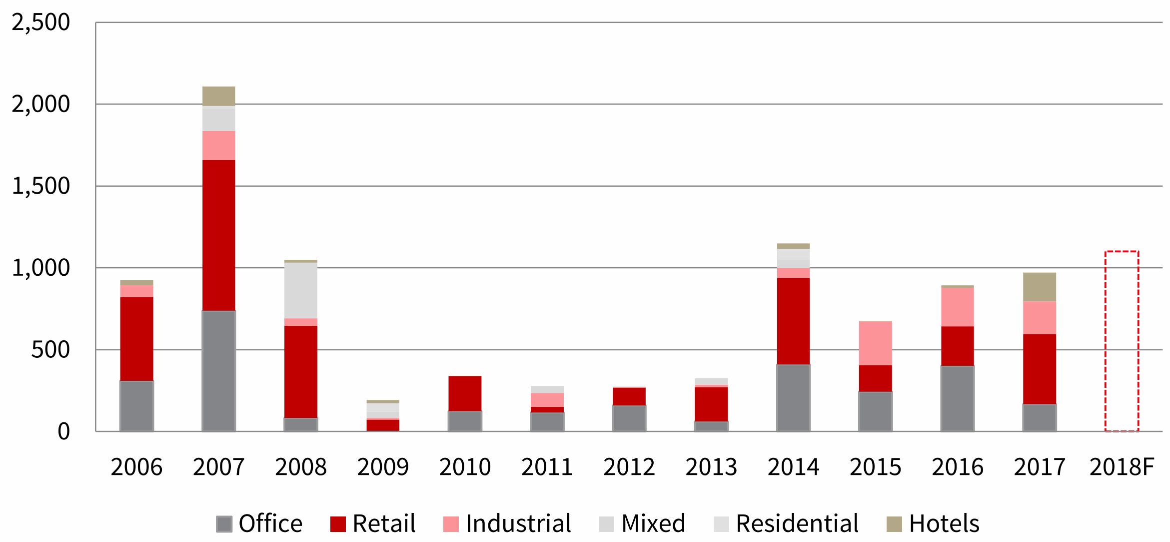
The macro-economic forecast for Romania continues to be positive, despite some recent concerns. On the financing side, terms and conditions are getting closer to what can be expected in the core CEE markets. Consequently, sentiment is strong, with a total volume for 2018 estimated to reach the €1 billion mark.

Prime office yields are at 7.5%, prime retail yields are at 7.00%, while prime industrial yields are at 8.5%. Yields for office and industrial are at the same level as 12 months ago, while retail yields have compressed by 25 bps over the year. There is a very soft downward pressure on yields, however, in 2018 we do not expect any compression due to the lack of prime product transactions.

Prime Yields

7.00%	7.5%	8.5%
Shopping Centre	Office	Industrial

Romania Investment Volumes (€ million)

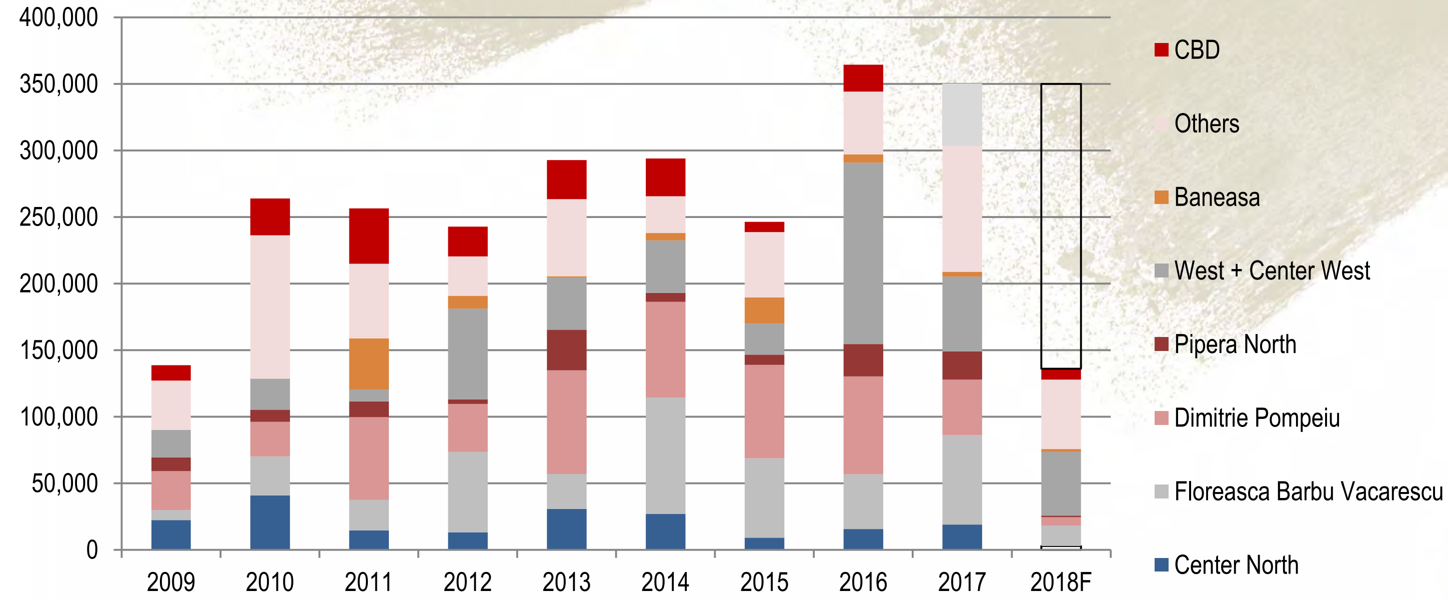


Key Investment Transactions in H1 2018

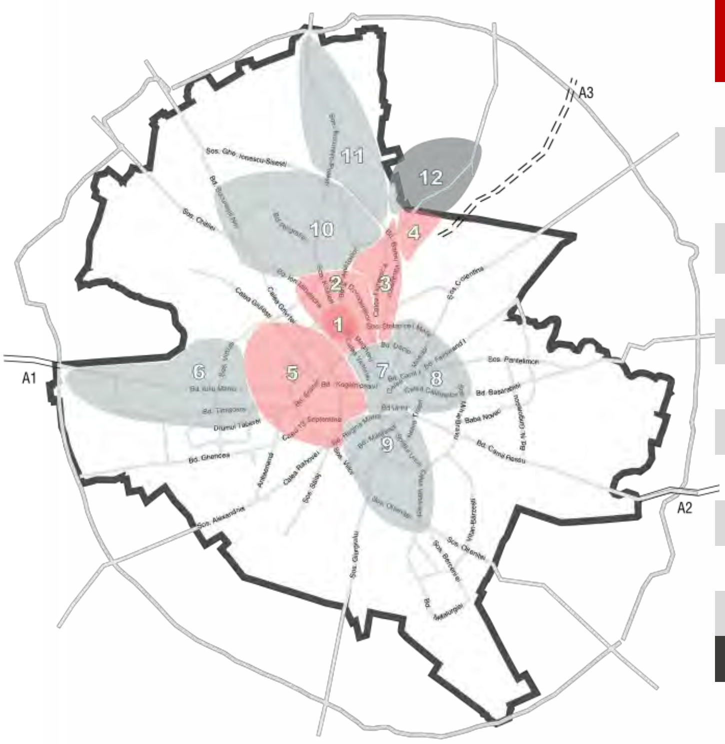
Sector	Property	Market	Est. Price (€ million)	Seller	Buyer
Office	Oregon Park	Bucharest	160	Portland Trust	Lion's Head Investment
Development	Festival Shopping Center	Sibiu	21	Primavera Development	NEPI Rockcastle
Development	2 properties on Calea Victoriei	Bucharest	10	Local	Hagag Group
Office	Maestro Business Center	Cluj-Napoca	9.3	Local	First Property Group
Retail	Magnolia Center	Brasov	4	Miller Development	Private Local

Office Market

Evolution of Gross Take-up (sq m), 2009-2018F



Bucharest Office Sub-markets



Sub-market	Stock (sq m)	Average rent (Euro/sq m/mth)
1. CBD	242,122	16 – 18.5
2. Center – North	142,641	15 – 17
3. Floreasca – BV	411,825	15 – 16
4. Dimitrie Pompeiu	415,567	12 – 14
5. Center – West	252,370	14 – 16
6. West	146,900	10 – 13
7. Center	160,466	15 – 17
8. East	84,500	12 – 14
9. South	95,303	10 – 12
10. North	321,962	15 – 17
11. Baneasa	96,500	11 – 13
12. Pipera North	191,600	10 – 12
TOTAL	2,558,756	

*The updated stock include buildings Class A&B, built after 2000

€18.5

Prime rents (€/sq m/month)

65,600

Gross take-up Q2 2018 (sq m)

30,000

Net take-up Q2 2018 (sq m)

7.8%

Q2 2018 Vacancy

Deliveries in H1 2018

Property	Submarket	Size (sq m)	Developer
Globalworth Campus Ph.2	Dimitrie Pompeiu	28,000	Globalworth

Pipeline 2018

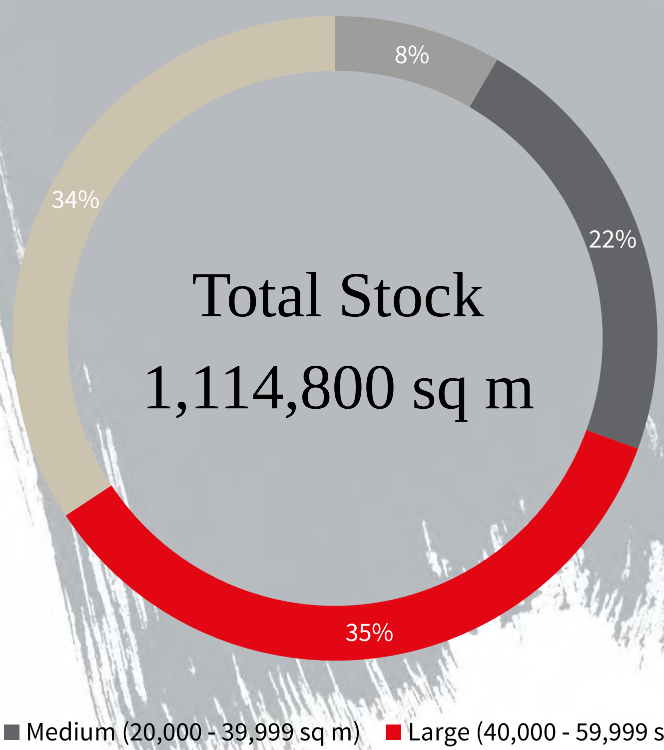
Property	Submarket	Size (sq m)	Developer
Orhideea Towers	Center West	37,000	CA Immo
The Mark	CBD	25,500	S Immo
Campus 6 Ph. 1	Center West	20,000	Skanska
Globalworth Campus ph. 3	Dimitrie Pompeiu	20,000	Globalworth

Key Leasing Transactions in Q2 2018

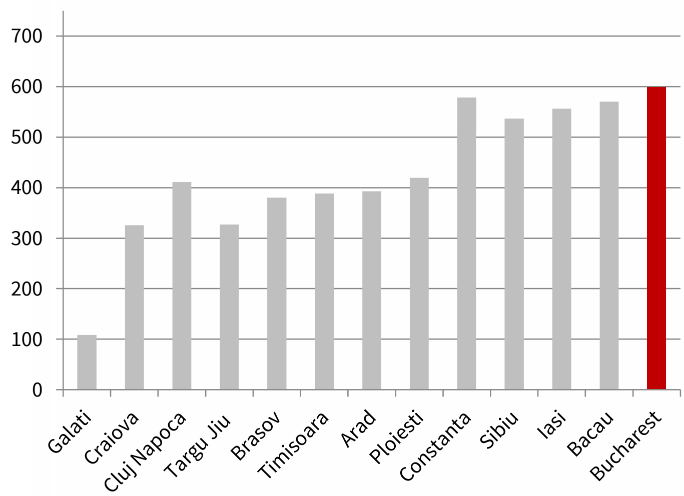
Property	Occupier	Contract type	Deal size (sq m)
Lakeview	Huawei	Renewal	6,300
The Bridge	Confidential	Pre-lease	6,000
Orhideea Towers	Thales	Relocation	5,313
The Bridge 2	Schlumberger	Expansion	4,500
Campus 6.1	London Stock Exchange	New demand	3,000
Unirii View	Spaces (IWG)	New demand	3,000
George Vraca 8	Public institution	New demand	2,374
Campus 6.1	Dell Secure Works	Expansion	2,200

Retail Market

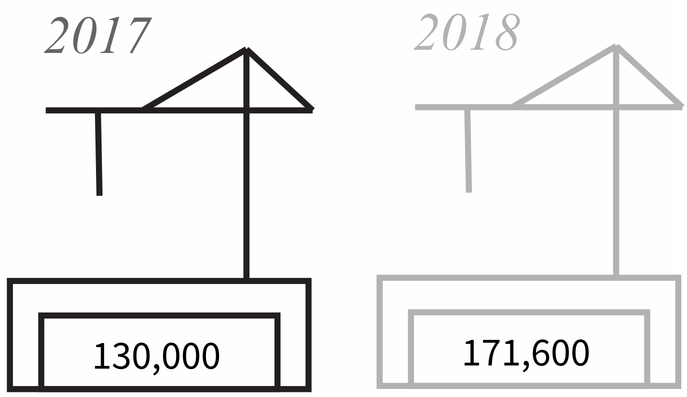
Retail Projects in Bucharest by Size



Shopping Centre Density (sq m) per 1,000 Inhabitants*



Deliveries / Pipeline Romania (sq m)

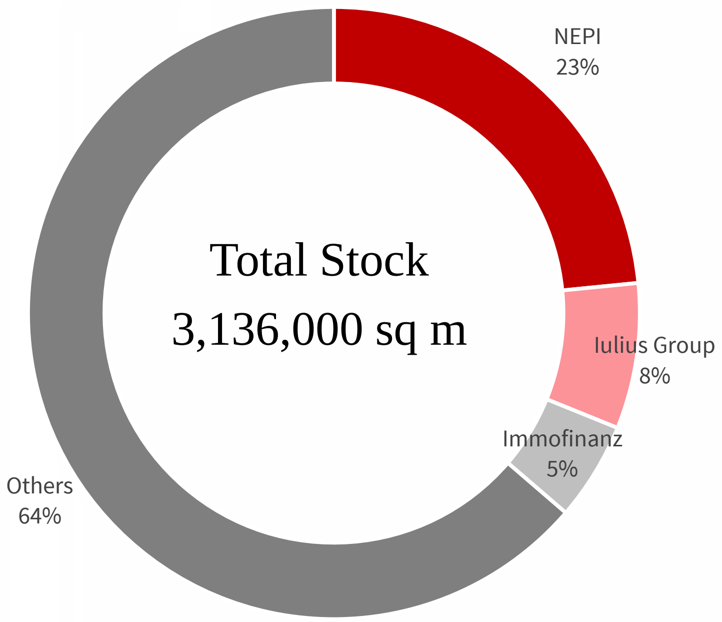


*Including all retail formats

Schemes Announced for 2018 – 2019 in Romania (>10,000 sq m)

Property	Format	Developer	Size (sq m)
AFI Palace Brasov	New Project	AFI Europe	45,000
Iulius Mall Timisoara (Openville)	Extension	Iulius Grup	47,000
Festival Shopping Center	New project	NEPI Rockcastle	42,000
Shopping City Targu Mures	New Project	NEPI	33,000
ERA Park Iasi	Extension	Prime Kapital	30,000
Shopping City Satu Mare	New Project	NEPI	28,700
Baneasa Shopping City	Extension	Baneasa Developments	25,000

Largest Owners of Retail Space in Romania

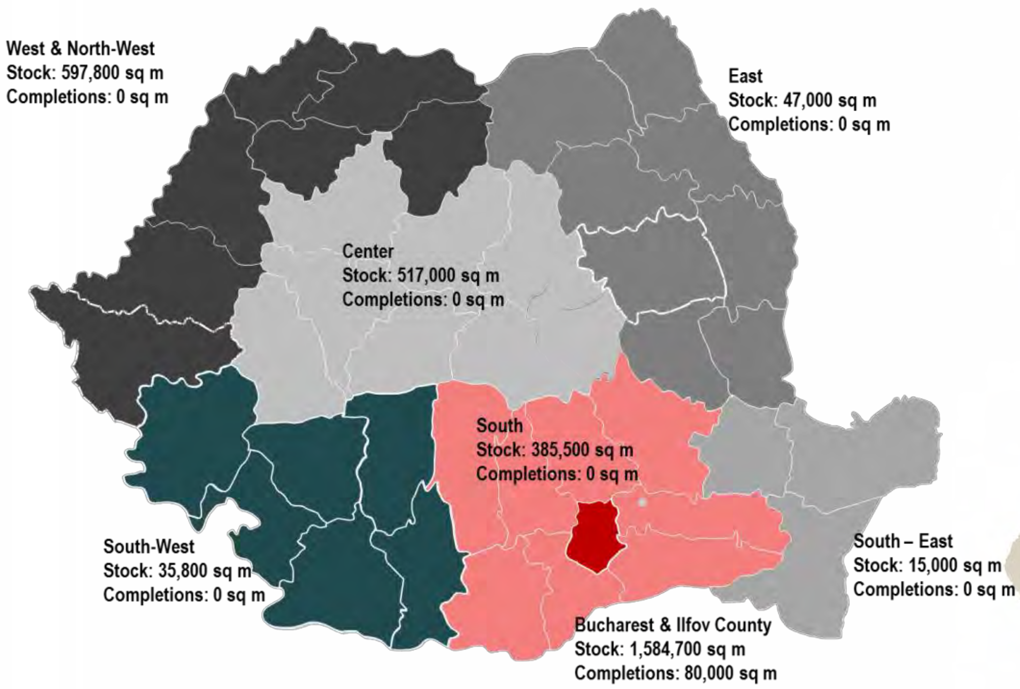


Prime rents (€/sq m/month)

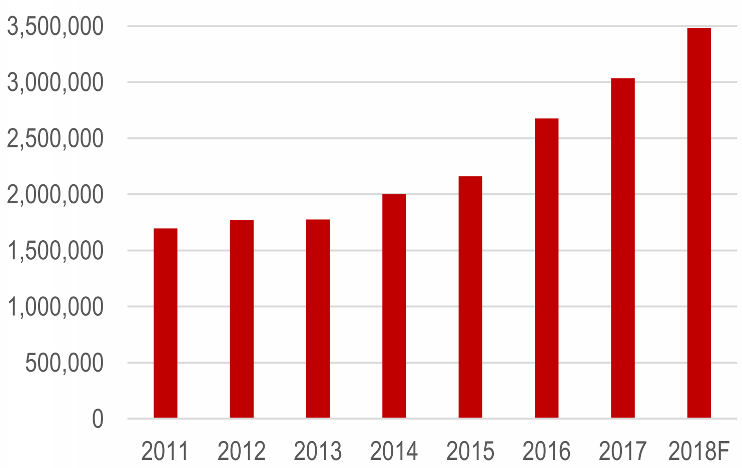
*Prime rents relate to a well located 100 sq m unit shop from the fashion and accessories category in leading retail assets in capital city (for retail parks – 2,000 sq m units).

Industrial Market

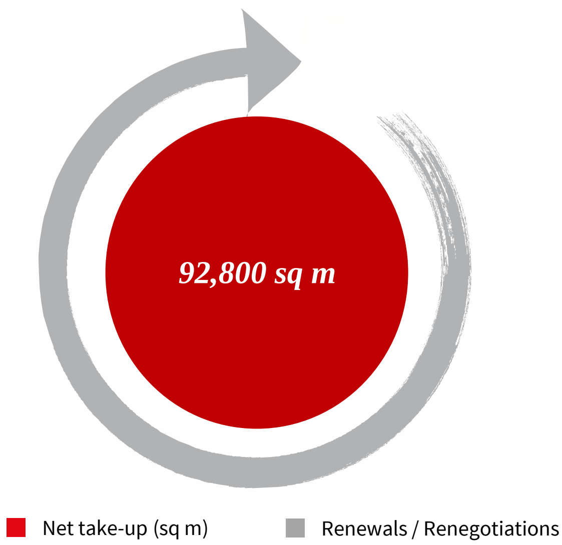
Deliveries and stock in Q2 2018 in Romania:



Total Stock Evolution - Romania (sq m)



Demand in H1 2018



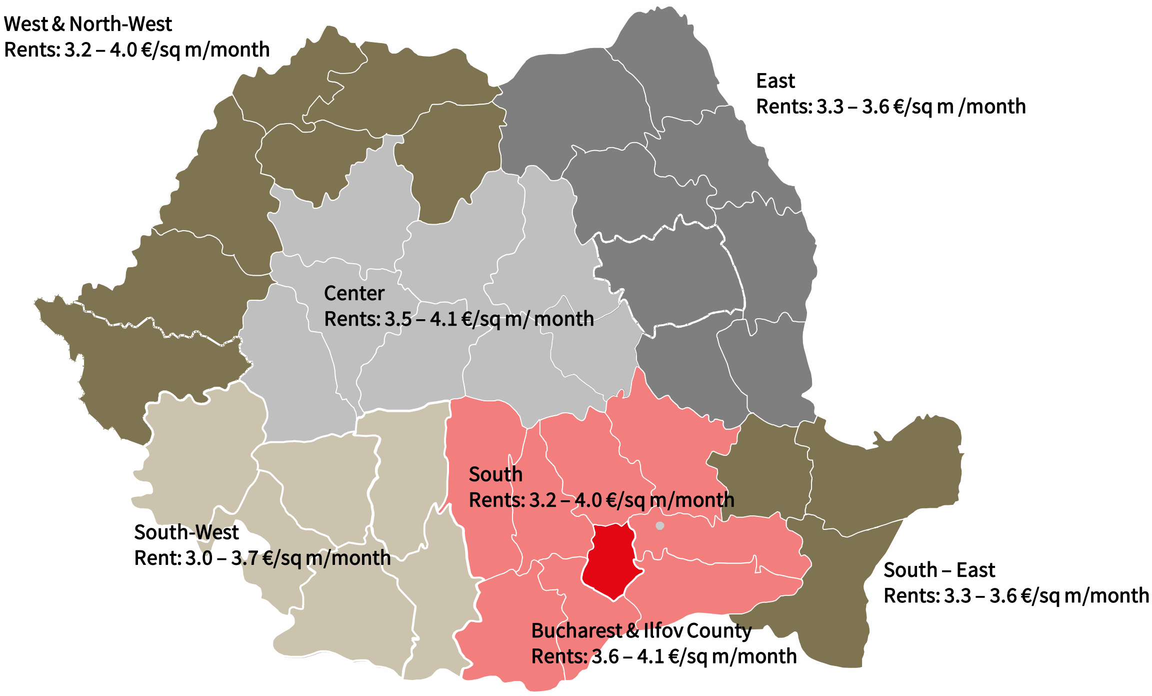
Key Transactions in H1 2018

Tenant	Property	Size (sq m)	Deal Type	Sector
Van Moer	CTP Bucharest West	15,000	Expansion	Logistics
NOD	CTP Bucharest	14,000	New lease	Logistic
Sarantis	WDP Bucharest	9,800	Pre-lease	Logistic
Frankische	CTPark Turda	7,000	Expansion	Production
Mediapost	Loglq Mogosoaia	7,000	Expansion	Warehouse
360 Co-Packing	WDP Timisoara	6,700	Expansion	Logistics
Evobit Information Technology	Cluj Transilvania Constructii	6,000	Expansion	Data center
Neal Brothers	Zaccaria Craiova	5,000	New lease	Logistics

Pipeline 2018 (Selection)

Project	Location	Size (sq m)	Type
CTPark Bucharest West	Bucharest	90,000	Extension
CTP Park Cluj 2 Floresti	Cluj	30,000	Extension
CTP Pitesti	Pitesti	30,000	New Project
CTPark Cluj 2 Floresti	Cluj	29,000	New Project
CTPark Bucharest	Bucharest	28,000	Extension
WDP Oradea	Oradea	16,000	Extension

Rents by Region



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