

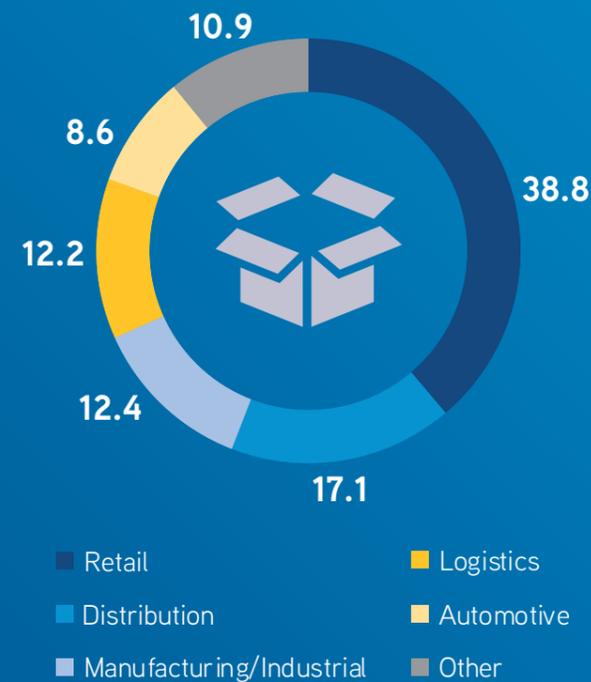
ROMANIA INDUSTRIAL & LOGISTICS MARKET BAROMETER

Autumn 2018

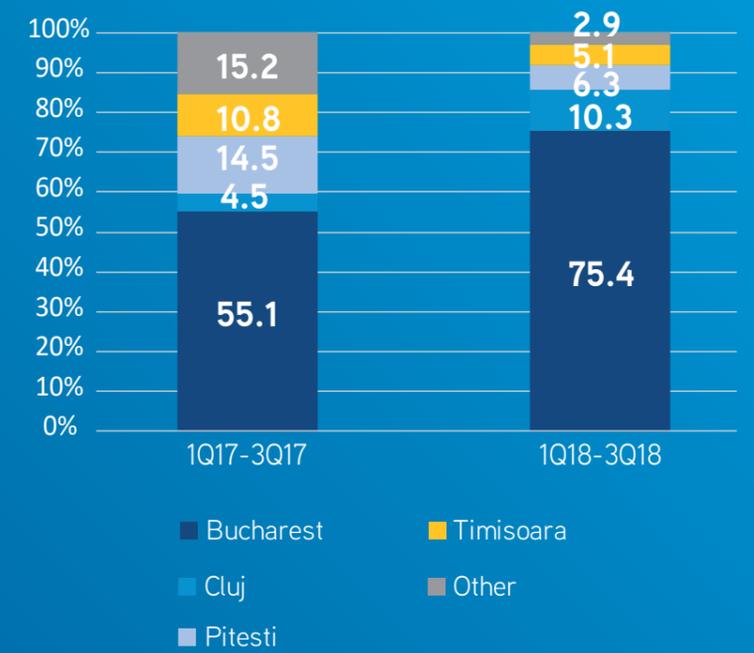




TAKE-UP BY SECTOR (% , 1Q-3Q18)



TAKE-UP BY LOCATION (%)



TOP DEALS IN 2018

TENANT	LANDLORD (CITY)	SURFACE (SQM)
Metro Cash & Carry	WDP (Bucharest)	56,500
LPP Romania Fashion	WDP (Bucharest)	22,100
Van Moer Logistics	CTP (Bucharest)	20,000
NOD	CTP (Bucharest)	14,000
Sarantis	WDP (Bucharest)	9,800



Source: Colliers International Romania, Bucharest Research Forum



Total reported leasing activity nearly halved (-47.7%) in 1Q-3Q 2018 period compared to 2017's same period, to over 218,000 sqm; it is likely that a lot of significant transactions are flying under the radar (ie direct deals between the landlord and the tenant, unreported to the Bucharest Research Forum)



Significant base effects at play for the first half of the year, **as take-up in 3Q18 is up nearly one third**, to 111,000 sqm



Interestingly, Bucharest accounted for 75% of take-up activity in 1Q-3Q18 versus just over half in 2017's same period, though regional cities in areas like Transylvania or well-connected cities elsewhere remain attractive over the medium term; also, reported activity saw significant decreases in vicinity of towns like Timisoara or Oradea, which, incidentally, also recorded a bit higher vacancy than last year



The biggest (reported) dip in terms of demand by sector came from logistics (which accounts for the bulk of the decline versus 2017), making retail the biggest segment thus far



Meanwhile, deliveries are on track to grow at least 40% over last year's record-setting 0.5 million sqm nationwide, taking the total modern storage stock to at least 4.2 million sqm by end-2018



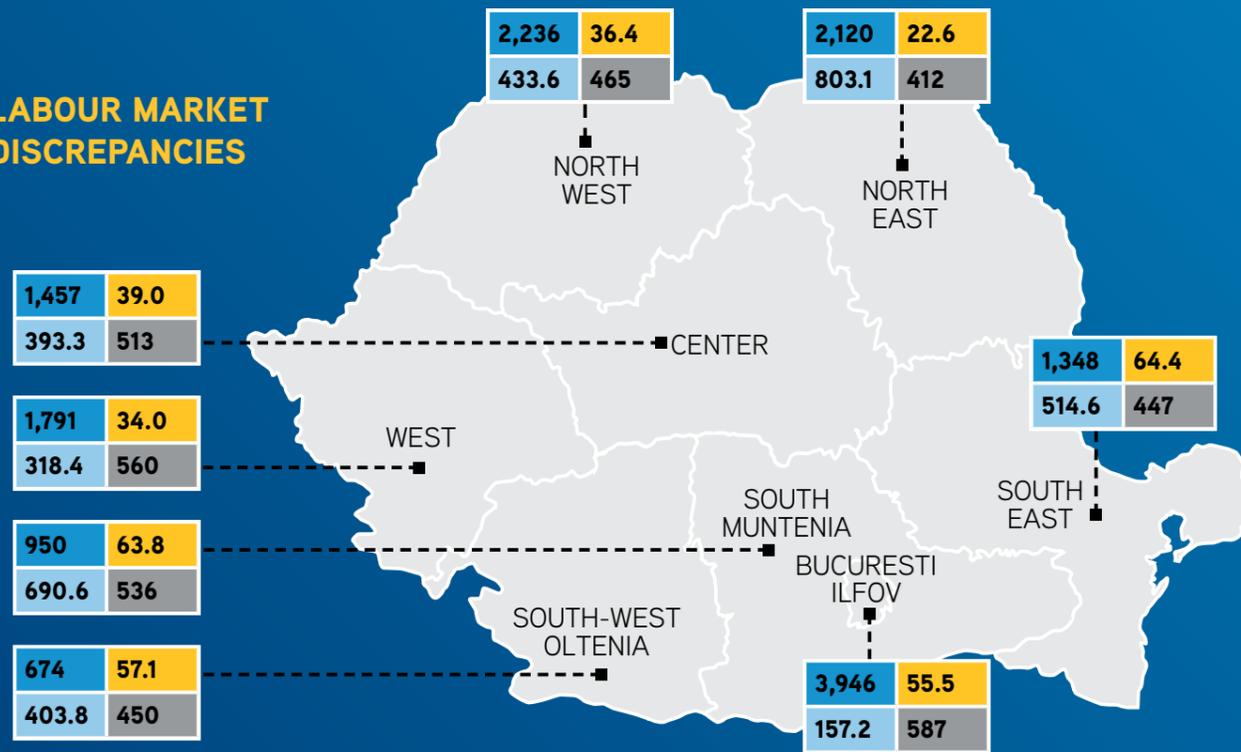
With accelerated deliveries, the ongoing trend for self-developed warehouse spaces and a pinch of speculative developments, **the aggregate vacancy rates have started moving higher (from 2% towards 5% in Bucharest and from 5% towards 8% nationwide)**, suggesting 2019 might be more neutral compared to 2017's developer-oriented market



Headline rents inched a bit higher in the last year, but as the vacancy rates started moving higher, landlords might be getting a bit more generous with regards to incentives; furthermore, for existing spaces, they started to accept leases with a 3 year duration (versus, say, a minimum of 5 years in the not too distant past)



LABOUR MARKET DISCREPANCIES



- Bachelor graduates in engineering, processing or construction (2016)
- Inactive population (2017, not in employment or seeking jobs, thousands)
- Unemployed (Q2 2018, thousands)
- Net average wage (industry, EUR/month, 2018 est.)

Source: National Statistical Institute, Colliers International Romania

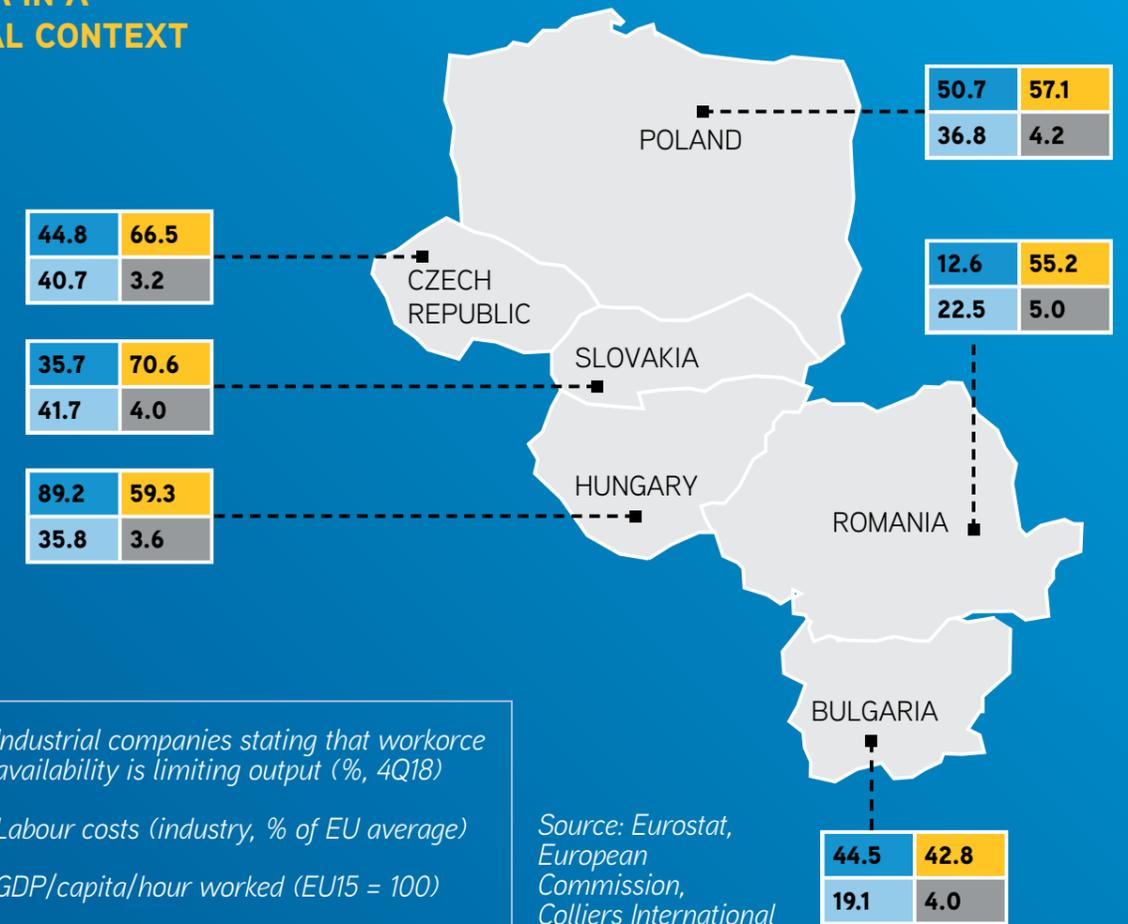
Regions north and west of the Carpathians (in Transylvania) display more than double the unfilled job openings in industry in the southern regions (in historic province of Walachia)

Discrepancy is even larger compared to Moldova, with nearly 5 times more unfilled job openings in industry, with the latter having just 25% more job seekers currently

Huge untapped potential in eastern part of Romania (Moldova), which has an inactivity rate more than one third higher than in Transylvania

Long-term solutions to labour force riddle: building highways, but creative stimulus from public authorities and maybe companies building housing solutions could help improve workforce mobility

ROMANIA IN A REGIONAL CONTEXT



- Industrial companies stating that workforce availability is limiting output (% 4Q18)
- Labour costs (industry, % of EU average)
- GDP/capita/hour worked (EU15 = 100)
- 2016-2020 GDP growth (average/year)

Source: Eurostat, European Commission, Colliers International Romania

As per Eurostat surveys for 4Q18, for manufacturing companies, Romania's job market is the least tight in among the major CEE economies, as just 13% of employers see workforce availability issues (versus nearly half in Poland or almost 90% in Hungary)

The above-figure does not tell the whole story for Romania, as regional discrepancies are significant (employers face ultra-low unemployment rates in Transylvania, for instance)

Romania displays one of best gaps between labour productivity (as measured by GDP/capita) and labour costs in the CEE region, with wages one third lower than in Poland or Hungary, but similar overall output levels

Romania has the highest GDP growth rate estimated for 2016-2020 as it benefits from one of the best potential expansion rates in the EU



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\$2.7

billion in
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2

billion square feet
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15,400

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and staff

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