CBRE

Romania Industrial & Logistics Market

KEY PERFORMANCE INDICATORS (Q3 2022)

Headline Rent
€ 3.90
Monthly, per sq m
Change YonY: 0,00%

Average Rent
€ 3.70
Monthly, per sq m
Change YonY: 0,00%

Prime Yield
7.25%
Lifetime Investment
Change YonY: -0,25 pps

Leasing Activity
384.9K
Thousand of sq m
Change YonY: 250%

Take Up
316.8K
Thousand of sq m
Change YonY: 218%

Vacancy Rate
4.80 %
Of Total Stock
Change YonY: +0.5 pps

Completions
110.2K
Thousand of sq m
84.4K in Bucharest

Total Stock
6,119K
Thousand of sq m
5,825K Occupied Stock

Forecast Completions
561.9K
Thousand of sq m (U.C.| 2022-2023)
248.0K in Bucharest

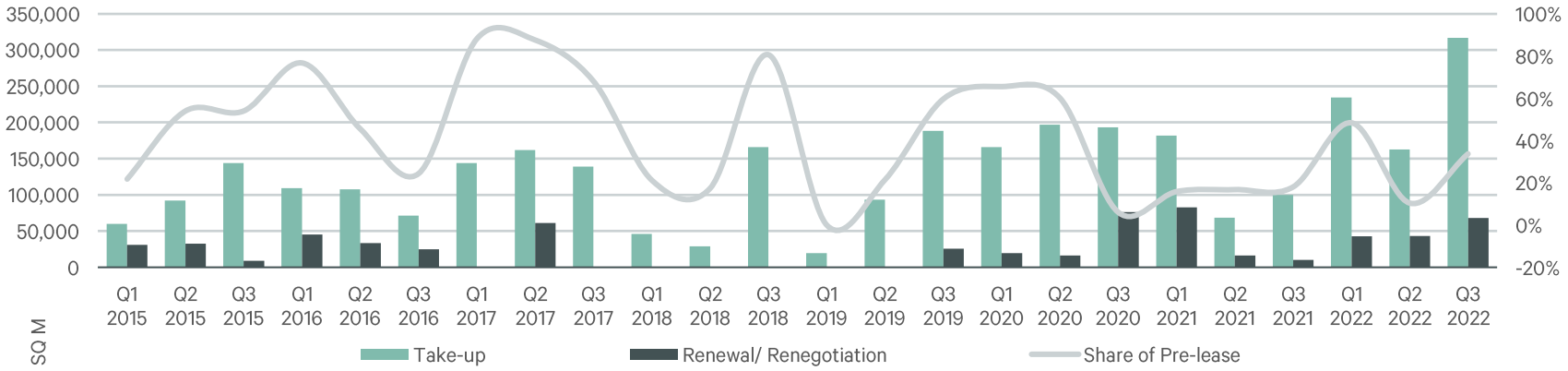
A total of 868,000 sq m of industrial and logistics spaces were leased in Romania during the first nine months of the year, value almost double compared with same period of the 2021 and already overpassing the total leased area during the entire previous year. With a consistent transactional activity registered since the first quarter of the year, 2022 is set to achieve a new record after the prolific year 2020 that seems to have created the momentum for the industrial market.

Take-up (total leasing activity excluding renewal and renegotiations) represented 82% of the total leasing activity (TLA), the elevated percentage confirming tenants' interest for new spaces, either existing or built dedicated for them. So, pre-lease deals claimed 33% of the take-up, meaning that more than a quarter of the new demand being generated by companies in need for a tailored made logistics space.

Bucharest was the country's most desired region, with 63% of the total leasing activity, next in line but at a greater distance being the Southern region with 20% from the leased area, West with 12%, the Central and East /North East regions cumulating 5% of the year-to-date TLA.

The largest deals of the year were two pre-leases of over 80,000 leasable sq m each that were leased in the first and the third quarters of the year. The first one was signed for a space in the Southern region of the country, while the later for a premises to be developed in Bucharest.

TOTAL LEASING ACTIVITY EVOLUTION | ROMANIA



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Romania

More than half of the total nationwide leased area was for Logistics and Storage purposes. Moreover, the great majority of the TLA was generated by retailers, establishing themselves as the main source of demand since the beginning of the year.

Modern industrial stock in Romania reached at the end of Q3 2022 at 6.12 mln. sq m, half of the area being located in Bucharest and its proximities. The year-to-date new supply accounted for almost half a million sq m that were inaugurated throughout the country, out of which 110,300 sq m during the third quarter of the year.

Bucharest was the largest receiver of the YTD delivered premises, benefiting from 55% of the total area, followed by the West / North West region with 22%, Central with 12%, South and East/North East industrial regions with 8% and 3%.

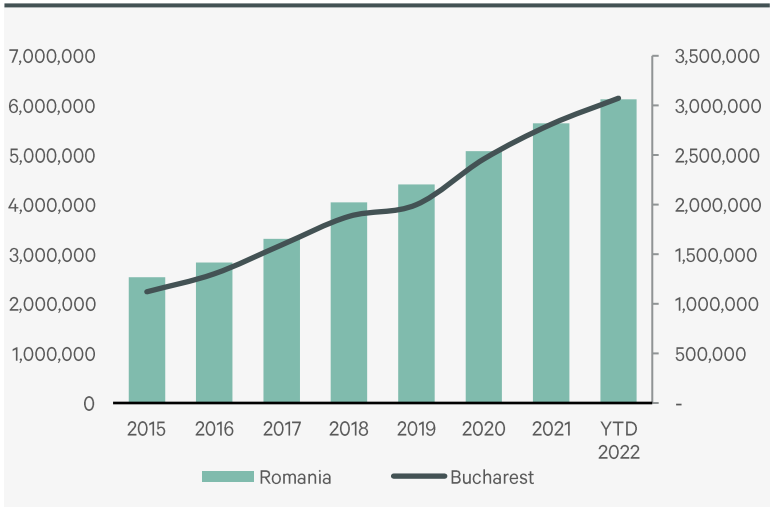
More than half, meaning 60% of the new surface in Bucharest was developed in the North and North West areas (with similar shares 31% and 29%), 19% in the Eastern part of the city, 15% in the Western part, while the South claimed only 6%.

At the end of Q3, circa 562,000 industrial and logistic sq m was under – construction nationwide and are expected to be delivered by the end of 2023. Considering exclusively this future new supply, without taking into consideration the planned projects with the same estimated delivery date which haven't started yet construction works, the modern stock will rapidly expand to 6.7 mln. sq m and in matter of one year, the 7.0 mln. sq m threshold could be easily overpassed. With a joint share of 84% of the future new supply, Bucharest and the West / North-West are the main industrial areas where developers focused their next projects.

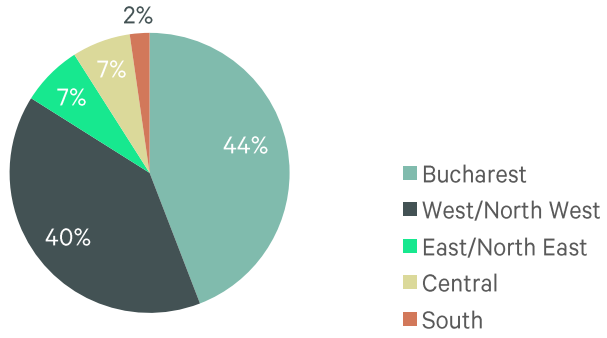
It is not unknown or uncommon for industrial developers to commit since the early stage of construction to comply with ESG standards. Being attentive to important matters such as sustainability, pollution, waste management, energy efficiency as well as the overall wellbeing of their occupants, developers bring on the market a product interesting not only for future tenants but for investors as well.

At the end of the third quarter of the year, Romania's industrial modern stock vacancy rate managed to remain below 5.0%, being recorded an overall vacancy of 4.8%. Analysing distinctly Bucharest versus the other four industrial development regions, the vacancy rate in the capital city stands at 5.4%, while the regional vacancy rate was 4.2%.

MODERN INDUSTRIAL STOCK EVOLUTION



PIPELINE DISTRIBUTION BY INDUSTRIAL REGION (U.C. Q4 2022 - 2023)



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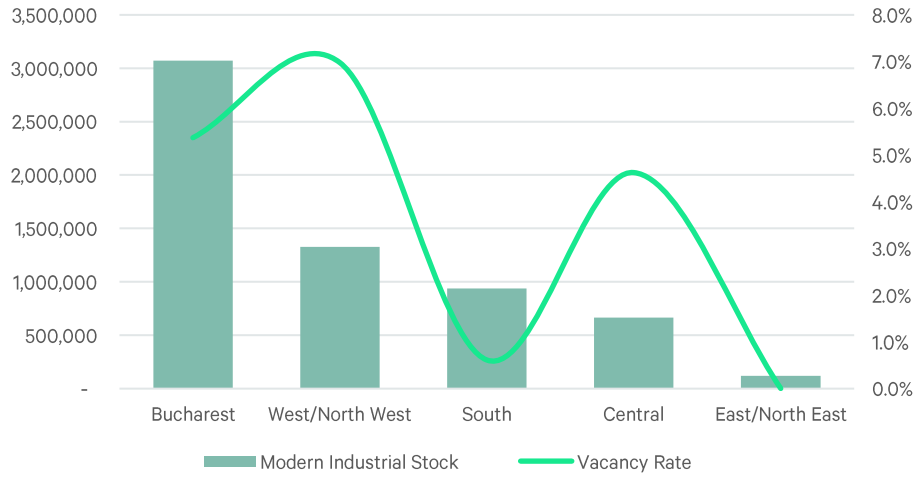
MODERN INDUSTRIAL STOCK (STOCK I VACANCY RATE)



Headline rent in logistic parks at the end of Q3 stands at EUR 3.90 sq m/month, respectively, a value that maintained throughout the year. The net effective rent continues to remain around the value of EUR 3.5 sq m/month for a 5,000 sq m unit.

However, net effective rents continue to fight the inflationary pressure as well other external factors such as overall costs increase, all that contributing to a future upward trend including for headline rents.

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