

## THE LIGHT – A NEW CLASS A OFFICE BUILDING TO BE DEVELOPED UNDER VITALIS COORDINATION



Starting with August 2017, Vitalis Consulting's office portfolio comprises a new major project, being the first collaboration between our company and SC PUMAC SA. The project consist in the development of a new 11-storey office building on the grounds of the former PUMAC factory, located at 6H Iuliu Maniu Boulevard, 6<sup>th</sup> District, Bucharest. Ideally situated in the central-western part of Bucharest, in the immediate proximity of one of the most important commercial centers of Bucharest, i.e. Afi Palace Cotroceni and right next to the Polytechnic University of Bucharest, "The Light" office building will offer to its future tenants a gross leasable area of approx. 21.000 sq. m. Moreover, the building will benefit from excellent access by public transport, being only a few minutes away from the Politehnica metro station, tram and bus stations. Being the first out of three office buildings that will be developed in the

location, part of a larger offices and residential concept, "The Light" comprises over 23,000 sq. m above ground of GBA, on ten floors and one more technical floor and approximately 8,300 sq. m underground of GBA on two basements. The space at the ground floor can accommodate a restaurant and exterior terrace, retail or coffee shop. Furthermore, THE LIGHT provides a rentable space on the roof, suitable for recently popular "relax space" or a sky bar, especially as it is opened to a large terrace with excellent panoramic view over the area. The two basement levels offer 250 underground parking places, and an additional 43 parking lots are available above-ground. Within this project Vitalis was appointed to provide Project and Cost Management services, as well as Civil Site Supervision, Site Supervision for Installations and Health and Safety Coordination. The developer of "The Light" project is River Development. The architecture and design was carried out by M3D Cinetic, while Apolodor is responsible for slurry walls and earthworks. As a Client's Representative, Vitalis is following an extensive development strategy, focusing on the site regeneration through a solid but sustainable construction. The main purpose of the construction is to combine the distinguished design with high quality materials and specifications, creating a modern work environment and, in the meantime, maintaining the aim of reducing electricity consumption and maintenance requirements. The efforts towards creating a sustainable environment will be rewarded through an International Green Certification, as "The Light" is undergoing the BREEAM certification process, Excellent rating. According to the construction schedule, the project is estimated to be delivered in the fourth quarter of 2018, while the rental spaces should open to its first tenants starting in the first quarter of 2019.

Inside this issue:

The Light - A New Class A Office Building To Be Developed under Vitalis Coordination	1
Bucharest Attracted Almost 60% of the Demand for Logistics and Industrial Spaces	2
Trends and Investor Sentiment for Romanian Real Estate Market	3
In a Market Without New Buildings Deliveries, Companies Have Leased Offices for 4,000 Additional Employees	4

*Flavia Popa*

## BUCHAREST ATTRACTED ALMOST 60% OF THE DEMAND FOR LOGISTICS AND INDUSTRIAL SPACES



Demand in Romania's industrial and logistics market reached 456,000 square meters in the first nine months of 2017, close to the level recorded for the whole last year when it cumulated 463,000 square meters.

Over 70% of the leased area, respectively 330,000 square meters, represents new demand (new contracts, pre-rentals). New demand in total take-up grew over the same period last year, reflecting in declining of vacancy rates. Renegotiations and contract renewals have accumulated 126,000 square meters of industrial and logistics space.

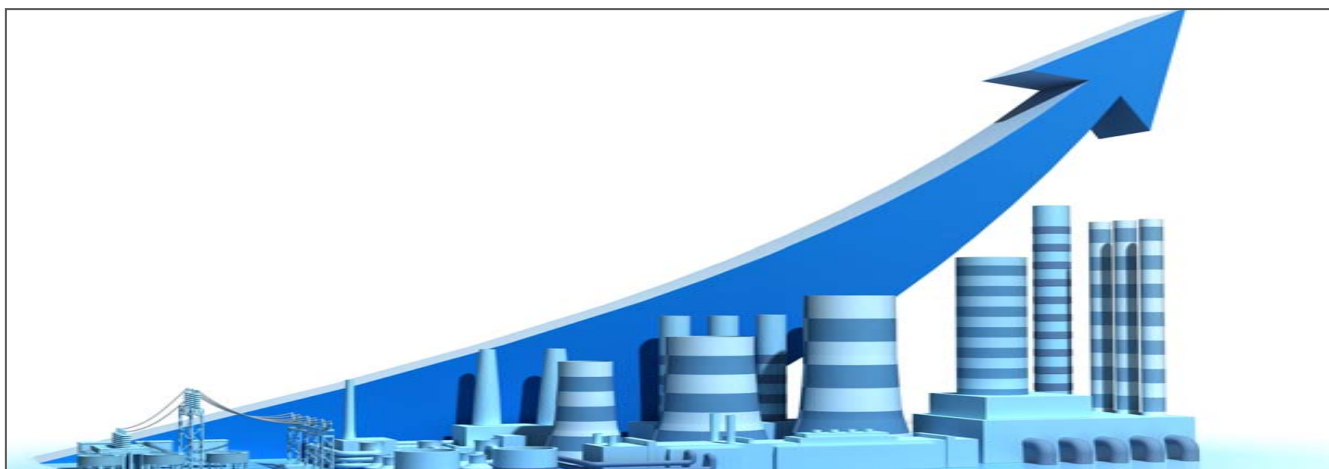
A total of 56% of total demand was targeted by Bucharest, as logistics companies generated more than half of the demand, with 250,000 square meters of spaces taken over across the country. Almost a quarter of the leased area was contracted by production companies.

Pitesti (50,000 sq. m), Timisoara (45,000 sq. m), Roman (31,000 sq. m) and Cluj (25,250 sq. m) are other cities where significant transactions in the industrial and logistics segment were concluded during the analyzed period.

In terms of supply, over the first nine months, projects totaling more than 210,000 square meters have been delivered across the country, so the stock at the end of September was nearly 3 million square meters, of which 1.5 million square meters in Bucharest.

Another 140,000 square meters of industrial space are announced to be delivered this year, both new projects and extensions of existing schemes, leading to the overall level of deliveries of industrial spaces over the one recorded in 2016 and confirming the appetite of customers and developers for expansion. The vacancy rate is below 5% in Bucharest and 7-10% outside the capital.

Rents remains constant, the level being influenced, only punctually, by the vacancy rate of each project.

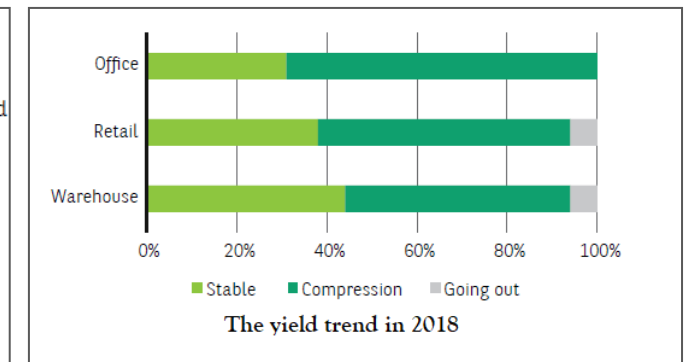
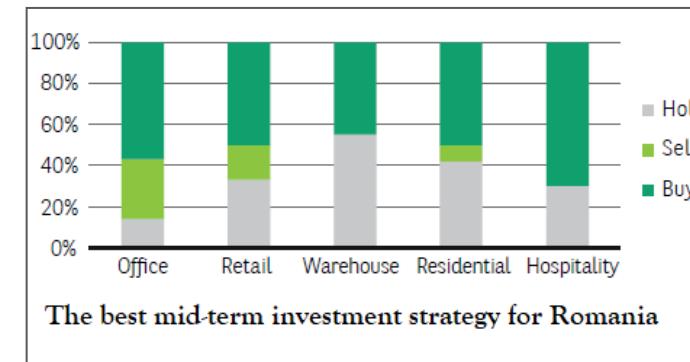


(Source: [www.jll.ro](http://www.jll.ro))

## TRENDS AND INVESTOR SENTIMENT FOR ROMANIAN REAL ESTATE MARKET

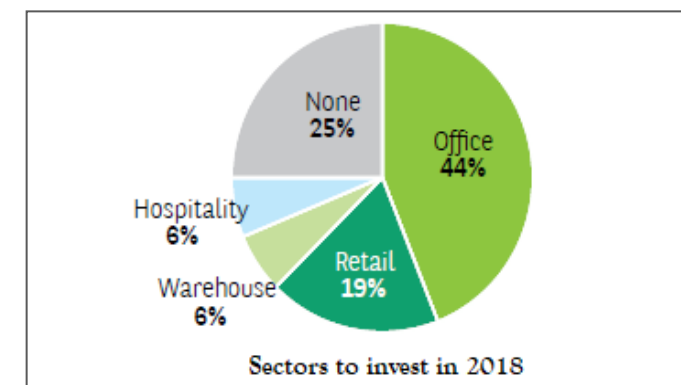
Central European economies have been enjoying a robust backdrop for economic growth over the past few years. Rebounding Western Europe, coupled with accommodative financial and monetary conditions have played a key role. Romania is growing above its potential for quite a while already. Major policy stimulus, particularly on the fiscal side, has largely fueled the rapid pace of GDP expansion.

Although headline rent continues to harden in all Romanian office submarkets, the gap between headline rent and net effective rent is diminishing especially in the class A submarket due to pressure on vacancy. The geographic pattern of market development is likely to change as the newly emerging central western area of Bucharest will add approximately 200,000 sq. m during the next 2-3 years.



Driven by rising consumer spending and changes in purchase habits, retail volume also increased by 13.5% in 2016 and 7.8% in H1 2017. Consolidation of market position through extensions and refurbishments will be the main concern of large schemes owners. Development activity is concentrated on shopping centers and retail parks. Base rent levels remain broadly stable while turnover rental systems started to be widely used. Small and medium size towns are considered in the expansion plans of retailers/developers as a result of saturation in large communities.

Large industrial clusters are emerging as the road infrastructure towards Hungary is to be completed. Large developers are embracing exclusively build-to-suit (BTS) projects. The main demand driving sectors were FMCG, logistic service providers and e-commerce companies. Prime yields in Bucharest are higher between 100-150 basis points compared to the other main markets. As the occupier market is holding up strongly and with very positive economic outlook in the mid-term horizon, yield compression across the sectors is more than likely to happen.



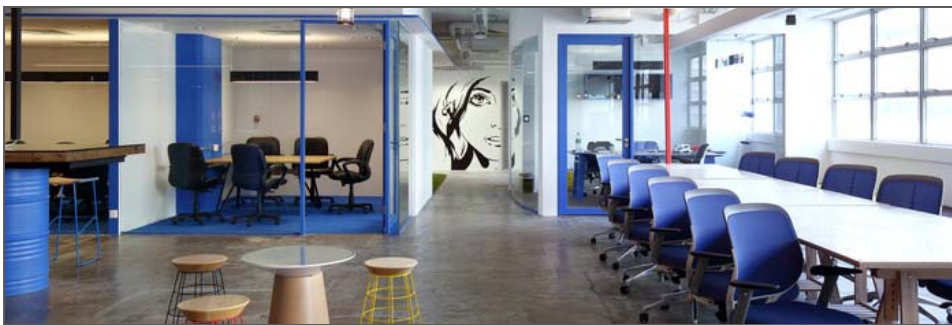
All of the property classes are sought after in Romania however only a few investors believe it is the time to sell, which is driving yields down. Romania is perceived by the lion share of investors as the country with very high probability of yield compression, irrespective of the sector. In Romania office and retail scoring 44% and 19% respectively were spotted as good target for acquisition.

(Source: [www.realestate.bnpparibas.com](http://www.realestate.bnpparibas.com).)

# IN A MARKET WITHOUT NEW BUILDINGS DELIVERIES, COMPANIES HAVE LEASED OFFICES FOR 4,000 ADDITIONAL EMPLOYEES

Office developers have not delivered any new building in Bucharest in the third quarter of this year, while companies have rented spaces with a cumulated surface of 68,000 square meters, up to 5% over the same period of the last year, according to a market analysis.

Of the traded surfaces, the renewals amount to almost 8,000 square meters, the relocations cover approximately 23,000 square meters, while spaces of approximately 37,000 square meters area were leased by companies that expand or have



decided to start new operations in Bucharest, with recruitment plans for about 4,000 jobs.

As the office stock in Bucharest remained constant, the vacancy rate dropped to about 8.2%, compared to 9.3% at the middle of the year. By far, the major part of demand was generated by companies in the IT & C and BPO sectors, which leased in the third quarter spaces with a cumulated surface of 55,000 square meters, which represent about 80% of the volume of transactions.

Regarding the preferred areas, 33% of the traded surfaces is in buildings located in Pipera, followed by West (22%) and CBD (22%), while North Central, which was the most dynamic in the last years, accounted for only 9% of the volume, as the vacancy rate is only 4% and new deliveries are not expected for this year.

Overall, in the first nine months of this year, were traded office spaces with a total surface area of 238,000 square meters, decreasing 7% from the same period of the previous year, on the background of a lower level of deliveries. So, while in 2016 in Bucharest were delivered new spaces with an area of 275,000 square meters, this year is expected commissioning of new premises with an area of 155,000 square meters, the stock will reach almost 2, 7 million square meters.

A sustained transactional activity was also recorded in the regional cities: Cluj-Napoca, Timisoara, Iasi and Brasov, being rented modern office spaces with a cumulated area of over 22,000 square meters. The most dynamic regional market was in Timisoara, where were rented spaces with an area of 16,000 square meters, mostly being represented by pre-lease agreements in some buildings under construction.

(Source: [www.cwechinox.com](http://www.cwechinox.com))

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