

## TAKING THE INDUSTRIAL SECTOR TO NEW LEVELS OF GROWTH: VITALIS TEAM IS COORDINATING THE CONSTRUCTION OF A NEW PHARMA PACKAGING FACILITY IN TURDA



Starting in July 2022, a new significant project was added to Vitalis's industrial and logistics portfolio, marking the start of our first collaboration with the Developer STADA AG, the leading international manufacturer of high-quality pharmaceuticals. The project consists of the development of a modern Pharma Packaging Facility, strategically located in Turda, Cluj County. The development will include a 3 floors packaging building, each floor to be approximately 5,651 sq. m total area, and a modern warehouse with a floor area of 2,567 sq. m, capable of being expanded to 3,656 sq. m. Moreover, the facility will comprise an integrated

3 floors administration building, each floor having an approximate total area of 378 sq. m and a separate Energy Building of around 623 sq. m, capable of being expanded for future services for the 3rd floor of the packaging building. The project also includes ancillary buildings and access roads. Ensuing the Developer's vision and business values, the new Pharma Packaging Facility will be equipped with state-of-the-art technologies and innovative features, following solid sustainability principles. Within this project, the Vitalis team was appointed to provide Project and Cost Management services, as well as Site Inspection and Health and Safety Coordination, acting as a trusted partner in bringing both the Healthcare and Industrial sectors to new levels of growth. We are glad that in the next 20 months, as the duration of the project was estimated, the Vitalis team of experts assigned to this project will be the ones to provide construction management services at the highest quality level, setting new directions for a better future in the European healthcare system.

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*Florian Popa*

## PRIVATE INVESTORS, MAINLY ACTIVE IN THE RESIDENTIAL SECTOR, ARE NOW ALSO INTERESTED IN INCOME-PRODUCING REAL ESTATE ASSETS

Income-producing properties are becoming an increasingly appreciated option for Romanian or foreign private investors who have previously been mainly active in the residential sector and who are now targeting “trophy” assets. Their focus is currently on all market segments – office, retail, industrial or hospitality, as the allocated budgets start from 2-3 million euros for a property, while they could also exceed 10-15 million euros, depending on the product, according to data from a real estate consulting company.



Premium and luxury residential assets have for a long time represented the only type of real estate investment which appealed to these investors due to the high yields they were able to generate. These returns have gradually compressed in the last few years, as prices rose more rapidly than rents, while the recent market developments have driven the emergence of more attractive assets.

This category of buyers covers a market segment with limited exposure towards funds and institutional investors, as it does not fit their acquisition strategies. Therefore, whether it is about entrepreneurs who have available liquidity resulting from other businesses, or to families who have already been investing in real estate, private investors are extremely active nowadays, as they have made acquisitions of more than 200 million euros in the last 3 years alone.

These market players do not typically need external financing and they invest both in products that can generate immediate income and also in assets that, through further investment, would become income-producing ones as well. In this category, there are retail spaces, a series of buildings that can be refurbished and then leased as offices, and also older office buildings located in ultra-central and central areas that can be upgraded to modern standards. Private investors either act individually or join private investment funds in order to acquire more valuable products.

The local market offers a large number of such products that could attract private investors, especially in comparison with the number of assets available for sale to institutional investors. Therefore, it is considered that there will be more transactions in the coming period, a fact which will undoubtedly contribute towards injecting extra liquidity in the property investment market.

## DEMAND FOR LOGISTICS AND INDUSTRIAL SPACES AT MAXIMUM LEVELS



The demand for logistics and industrial spaces is close to registering a new record in 2022, a matter which is reflected in the vacancy rate, a rate of 4.3% (one of the lowest in the last decade) at the end of Q3.

However, there are differences between the vacancy rates in the main logistics hubs in the country, the highest level being registered in Timisoara, the second largest logistics and industrial market in Romania, after Bucharest, where 64,000 sq. m out of the total stock of 583,000 sq. m are currently vacant, thus corresponding to a vacancy rate of 11% in the city.

Retail and distribution companies have been the most dynamic across the leasing market, as these companies continued to expand both online and offline. The strong demand in the retail sector has offset the more prudent and conservative expanding strategies of the production companies.

This explains why Bucharest is the major beneficiary of both demand and new logistics developments, in the light of increasing consumption, having one of the lowest vacancy rates in this market segment. Therefore, Bucharest accounts for 50% of the national stock of 6.1 million sq. m, while having a vacancy rate of 4.4%.



Other cities with balanced supply and demand are Pitesti (where the stock of 246,000 sq. m is fully occupied), Ploiesti, and Cluj, with very few available spaces of maximum 1.5% of the total stock. It is believed that these locations have the potential to attract new developments over the next two to three years, depending on the companies' interest in expanding into these markets.

Industrial and logistics spaces totaling 916,000 sq. m have been transacted in the first 9 months of the year, corresponding to an increase of 63% when compared with the same period of last year. Bucharest has attracted around 60% of the transactional volume, followed by Ploiesti with almost 16%.

Net take-up, excluding renegotiations, was of around 800,000 sq. m, having a share of 84% of the total contracted area in the January-September period. If the leasing rhythm remains at the same level in the last quarter, 2022 will mark a new record, given that 1 million sq. m were transacted in 2021.

2022 also has the potential to set a record in terms of new deliveries as developers finalized around 525,000 sq. m of new spaces in the Q1-Q3 period, close to the level recorded in the whole 2021. More than 570,000 sq. m are currently under construction. Bucharest benefited from 56% of the newly built spaces, with developers being also active in Brasov, Timisoara, and Cluj. The stock of logistics and industrial spaces in Romania exceeded the 6 million sq. m threshold this year, half of it being in Bucharest and its vicinity. Headline rents registered a slight increase this year, reaching 4 - 4,50 euros/sqm/month at the end of Q3.

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The first pharmaceutical factory built from zero by an international company in Romania is being developed in Turda, under Vitalis team coordination.

We are honored to be a part of such an important industrial project, which aims to transform today's Romania into a key player in the European pharmaceutical sector!

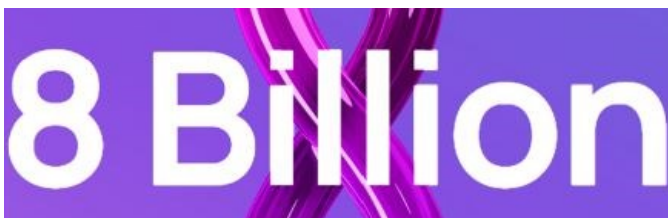
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## Leaders in Construction Management

When it comes to choosing between our team's well-being and happiness and the company's profits, we will always choose the team.

Our team of more than 100 construction professionals is the main reason we are now at the top of the industry and is also the one that has helped us overcome all the challenges along the road.

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While the world population has officially reached 8 billion people today, our job in the construction sector has become even more important.

It is well-known and expected that as the population is growing, the environmental impact of economic developments to also rise.

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In the latest edition of GrapheinTalks, Alexandru Samoila, Managing Director Vitalis Consulting has discussed the Construction market evolution, challenges, and opportunities and how is Vitalis managing all of them, while coordinating outstanding developments all over the country.

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