

# ROMANIA INDUSTRIAL & LOGISTICS BAROMETER

QUARTER 1 | 2019



# GENERAL MARKET CONDITIONS

---

The industrial and logistics market closed a less than stellar first quarter, with reported take-up of just under 30,000 sqm versus 74,000 sqm in 1Q18 and almost 130,000 sqm in 1Q17. That said, we want to underscore the fact that the market is still robust, as the leasing transactions reported at Bucharest Research Forum cannot account for all direct transactions (between landlords and tenants), which do not always come to light. Furthermore, we might be in a similar situation to last year's, when the second semester was much more dynamic than the start of the year - the fourth quarter of 2018 alone accounted more than half of the total leasing transactions signed.

Still, construction is underway throughout the country for surfaces amounting to well over 10% of the current modern warehouse stock (we estimated that around half a million

sqm might come online this year) and most developers wouldn't go this far as long as they didn't notice any specific interest from tenants; speculative developments still retain a fairly low share. Furthermore, retail sales are up by 6% in 1Q19 compared to a year ago, enough to keep Romania as one of the most dynamic in the EU in terms of private consumption growth. Also, players in the automotive industry are showing constant interest for domestic operations. This means further upside for logistics spaces. On the other hand, there are some potential headwinds, with the softer exports dampening any overly enthusiastic approach.

Vacancy rates remain subdued nationwide (including in low single digits in the vicinity of Bucharest), suggesting that the new stock that has come online the last couple of years in Romania (well over 1 million sqm) has been absorbed by the market.

# OUTLOOK

---

Wage growth has remained surprisingly sticky at above 10% for the last years (including at the start of 2019), which bodes well for consumption and, in turn, the market for storage spaces. Amid this backdrop, retailers (from fashion players to supermarkets) are expanding at a jaw-dropping pace: for instance, the largest supermarket chain in the country wants to increase its number of stores by more than twofold in the next four years. As such, we remain confident with our call that the market can see some 0.4-0.5 million sqm of new warehouses come online this year in spite of a seemingly soft start of

the year, as our contact with market participants and our own pipeline are indicative of another strong year.

Overall, while Bucharest has remained at the forefront of demand in recent years, we believe that the market is ready to shift towards a much more diversified approach. Unfortunately, progress in terms of infrastructure works remains uneven and given the limited state budget room to accommodate such large investments, we do not expect any major breakthroughs in the next couple of years (just to detail, a breakthrough would be a complete highway on the North-South or East-West axis).

# SPECIAL THEME: LOGISTICS INTENSITY ON A REGIONAL BASIS

The first figure on the subsequent page offers an interesting birds-eye view about where goods are loaded or unloaded on a regional basis. The data refers to the national freight transport (i.e. goods that were loaded and unloaded from one part of Romania to another); the detailed numbers for international freight transport were not readily available. Still, the figures we used are very relevant as in 2018, out of Romania's total road freight transport of 230 million tonnes, the national part accounted for over 180 million tonnes, so over three times larger than the quantity of goods imported or exported.

To reach the intensity of transport operations, we computed an average of goods loaded and unloaded in Romania's counties for the latest available three years and used this as a base of comparison for the various parts of the country. The average per county came in at over 4 million tonnes of goods per year. Bucharest is the dominant leader, with well over 10 million tonnes of goods being loaded or unloaded here (this is without taking into account Ilfov county). Interestingly, the subsequent three spots are held by counties located at strategic locations, cementing their status as regional hubs: Constanța, Eastern most urban centre of Romania – 9.5 million tonnes, Alba, a somewhat central location – 8.8 million tonnes and Timiș, the most Western county of Romania – 8.5 million tonnes. If we were to include the other counties which are comfortably above the national average (Cluj, Ilfov and Prahova), the freight

transport in the 7 biggest hotspots accounts for a third of the national total. On the other end, the least active 7 counties together add up to a bit over Bucharest's level of freight transported so just about 6%), underscoring very big regional discrepancies.

Plotting this map alongside another one where we estimated the potential of untapped labour force yields an interesting picture (in our own calculations, potential labour force includes not just unemployment, but also overemployment in some sectors, like agriculture, and also a convergence of activity rates towards European levels). Since freight transport is directly linked to how dynamic the local economy is - not just manufacturing, but also consumption for instance - it is important to note that the available labour force is usually prevalent in areas with low intensity of logistics activities. The most striking example is that of the North-Eastern part of Romania: the four counties there have about one fifth of the country's total labour potential, according to our estimates, with local economies less fleshed out due to infrastructure constrains (they only account for 8% of the total national freight transport).

This concentration of activity in several regional hubs is likely to continue over the longer run and we would normally expect at least one large regional hub to develop in the Moldova region over the longer run, provided that the promised highway between Iași and Târgu Mureș is built.

FIGURE 1: ROAD FREIGHT TRANSPORT INTENSITY BY REGION OF LOADING/UNLOADING

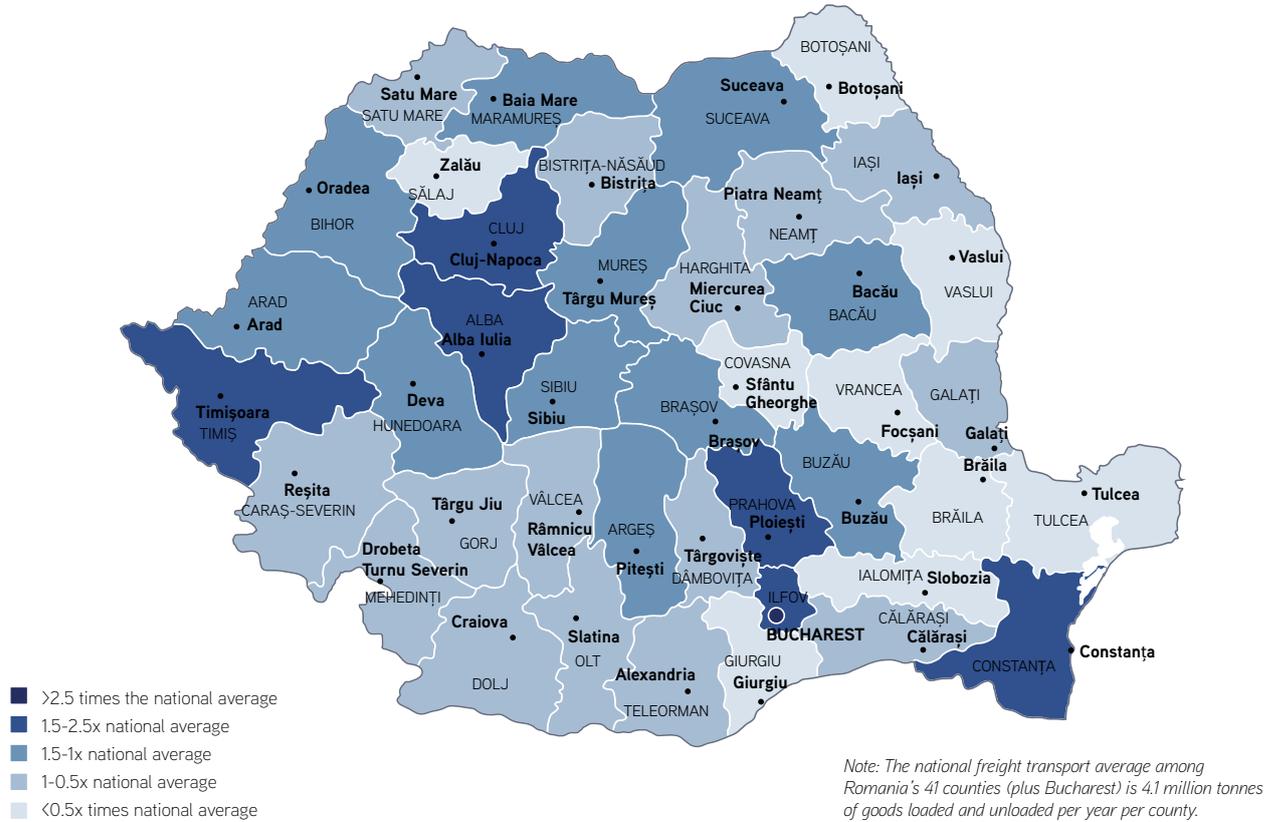
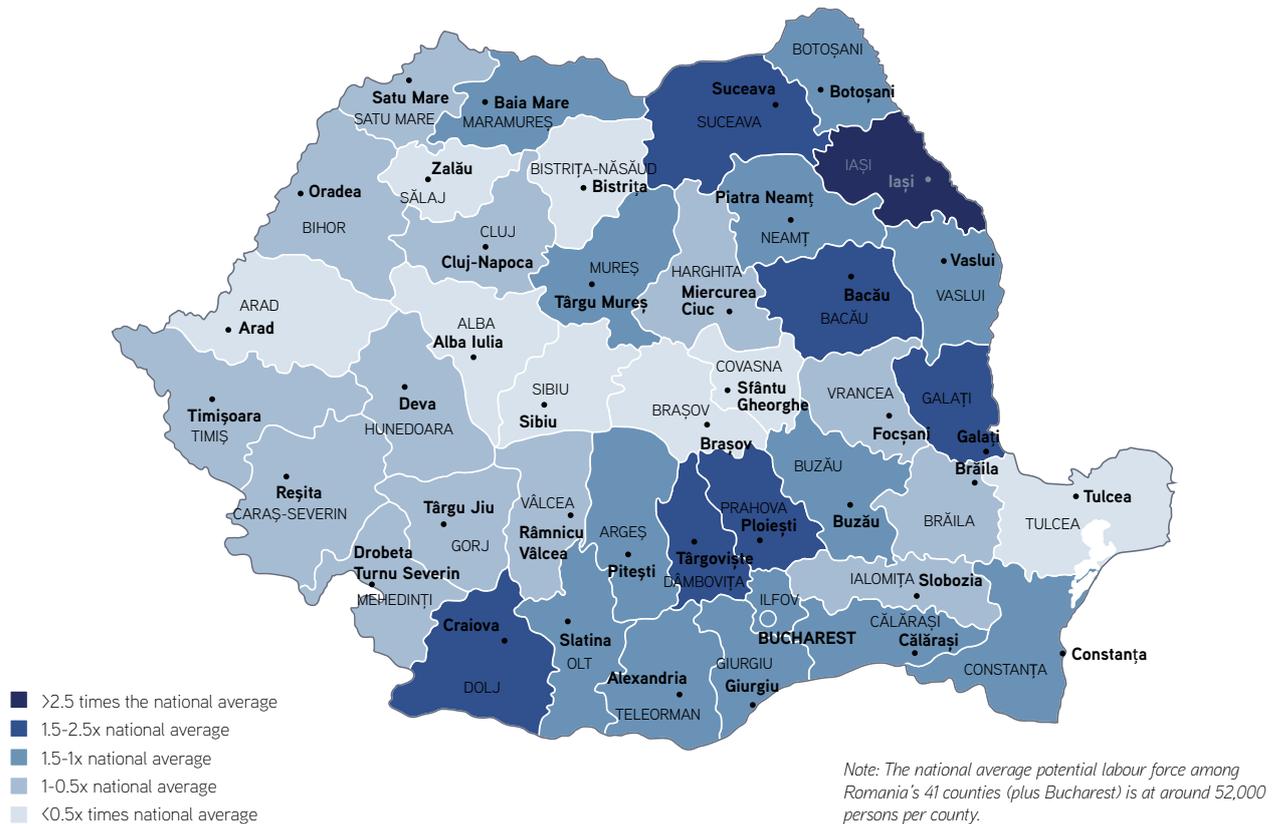


FIGURE 2: UNTAPPED POTENTIAL LABOUR FORCE



Source: Eurostat, INSSE, Colliers International Romania

## ABOUT COLLIERS INTERNATIONAL

**438** offices in  
**68** countries on  
**6** continents

**\$3.3**  
billion in annual revenue

**2**  
billion square feet  
under management

**17,300**  
professionals and staff

## OUR FOCUS - INDUSTRIAL & LOGISTICS AGENCY

We offer all the support needed from a real estate consultant, including:



### LANDLORD REPRESENTATION

Logistics parks |  
Industrial parks |  
Independent developments



### TENANT REPRESENTATION

New projects |  
Relocation support |  
Expansion |  
Renegotiations



### BUILT-TO-SUIT | TURN-KEY PROJECTS

Location  
identification |  
Development support



### MARKET STUDIES

In-depth analysis  
of projects |  
Specialized tools  
(Industrial Expert)



### PRODUCTION FACILITIES RELOCATION

Location identification |  
Logistics & Supply |  
Chain expertise | Renegotiations



### LAND SALES

Greenfield  
developments  
support

## FOR MORE INFORMATION

### INDUSTRIAL & LOGISTICS AGENCY

Laurențiu Duică  
Director | Board Member  
+4 0737 554 973  
laurentiu.duica@colliers.com

### RESEARCH & FORECASTING

Silviu Pop  
Head of Research  
+4 0721 176 701  
silviu.pop@colliers.com

This report gives information based primarily on Colliers International data, which may be helpful in anticipating trends in the property sector. However, no warranty is given as to the accuracy of, and no liability for negligence is accepted in relation to, the forecasts, figures or conclusions contained in this report and they must not be relied on for investment or any other purposes. This report does not constitute and must not be treated as investment or valuation advice or an offer to buy or sell property. (January 2016) © 2016 Colliers International.

Colliers International is the licensed trading name of Colliers International Property Advisers UK LLP which is a limited liability partnership registered in England and Wales with registered number OC385143. Our registered office is at 50 George Street, London W1U 7GA. 00000

### COLLIERS INTERNATIONAL ROMANIA

Calea Floreasca 169 A,  
Building A, 7th floor  
Bucharest



Research & Forecasting