

LOGIPLAN LOGISTICS AND RETAIL IN ROMANIA 2010

Nr. 05/2010

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A special sectorial newsletter edited by : camera imobiliara belgia romania www.cibr.be for more information mail us at cibr@telenet.be

1. Hire Romanian workers & drivers and earn 1000 Euro/per worker/per month
2. Retail & logistics in Romania in 2010
3. Logistics sector will revive in 2010 due to great demand and high yields
4. Warehousing space in Europe: meeting tomorrow's demand
5. News on the Romanian retail & logistics market (in the next issue we will have a special on the logistic platforms in 2010)
6. Available plots
7. Linking partners

Selection of articles:

[Ayudas y Subvenciones rumania](#) [Creating a Romanian company](#) [Die EU Subventionen in Rumänien für Unternehmungen](#) [Investissez en Roumanie avec des subvention de la CE](#) [Oprichten roemeense firma een roemeense vennootschap](#) [Subventiile UE în România și fonduri structurale](#) [Subvenții în romania.pdf](#) [Subvenciones de la UE para empresas de la UE en Rumania](#) [Beihilfe und Subventionen in Rumänien](#) [Aids and Subsidies in Romania](#) [EU Subsidies in Romania for EU companies](#)

1. Hire Romanian workers in Belgium, The Netherlands, Germany or any EU country and save 1000 to 2500 Euro per month per worker

Romania has joined the European Union. Since January 2007 the Romanian state improved the mobility of Romanian workers throughout Europe. Per year more than 4 million workers are performing works in foreign countries. The quality of being a member state within EU entitles the citizens of these states to benefit from the four fundamental liberties, for instance, free movement of citizens (persons) which implies also free movement of workers. However the workers still need a **A1 form** issued by Romanian government if the workers want to work in a European country and get paid by a Romanian company. This creates an advantage and you are able to make savings on your budget. In a period of crisis these considerable savings are more than welcome.

How can a production company benefit from these measures ?

Instead of hiring the workers directly on your company you contract a Romanian company to do the Works. The Romanian company is entitled to send the workers to perform under the condition that the Romanian company can obtain a form E101 for the workers that they send.

Another way is to work from Romania with your own Romanian company. So you will have to create your company in Romania.

These are popular measures in the **construction** sector, **metal construction**, **transport**, **logistics** and similar sectors.

How can a service company benefit from these measures ?

A service company can hire Romanian companies to do the job. This is done for marketing, ICT, web design, webhosting, engineering, architecture, service centres (100-400 people), call centres (50-250 people), help centres, back offices, etc...

This can also be your own company. If you have a larger project then you should take control and do the operations with your own company.

What do we do for you in order to make sure that you have your money and your benefit ?

1. company creation in Romania and pre-set-up you do not have to travel (you save money and time) !
2. The pre-setup is “how to... and why ...” and this comes for free when you create the company with us. So you have all reasons to ask us to create your company.
3. In the pre-setup we optimize the salaries for each and every worker so that you pay the lowest contributions (you earn money for the second time)
4. we go in the company with you as a white collar at low price and facilitate your start and we obtain all the permits for you
5. we look for workers and make the contracts for you – you will only have to sign them
6. we register the workers in Romania so that the labour contracts are valid
7. we do the entire setup as defined in the preliminary setup that we do with your team before we start the execution of the works

How do we get paid

On average the initial amount invested is earned back in 3-4 months (or faster – depending on the number of workers). So basically you do a small investment and you are sure that you will have a return since we personally commit to make your company(set-up) work.

2. *Retail & logistics in Romania in 2010 – retail & logistic parks are popping like never before*

The Romanian real estate sector can't complain about a lack of foreign interest, with the logistics sector attracting strong interest. Logistics parks surrounding the capital city of Bucharest are shooting up like mushrooms. This year 300,000 m² of new distribution space will be completed.

Calculated risk

Last spring, ING Real Estate Investment Management, one of the largest asset managers in the world, opened an office in the Romanian capital. The office's strategy is geared towards the acquisition of qualitative high-grade office, retail and logistics property in Romania. Meanwhile, the American real estate giant GE Real Estate and Helios Phoenix announced in June that they would be investing €175 million in the development of warehouses and distribution centers in Romania.

The most dynamic real estate investor is the Austrian fund, Immoeast. Their Romanian portfolio contains 113 structures and 3.85 million m², including office buildings, retail and logistics premises. In June of this year, the Austrians signed an agreement with the European Future Group for the construction of eight to ten logistics centers in Romania. The total lettable surface area will amount to between 400,000 m² and 500,000 m². The investments are estimated at €300 million.

The current logistics developments in Romania are particularly concentrated along the A1 highway to the west of Bucharest. Situated here are: Prologis Bucharest A1 (56,000 m² with a total development potential of no less than 300,000 m² on 56 hectares); Bucharest Industrial Park (completion 2008); Mercury Industrial Park (20,000 m²); Cefin Real Estate (126,000 m² and 47,000 m² under construction); Bucharest West (on a total of 100 hectares, 47,000 m² has been completed, the next phase of 30,000 m² to be completed in the first half 2008) and A1 Industrial Park (25,000 m² plus 50,000 m² under construction).

Competitors

According to Michael de Jong-Douglas, senior vice president and regional director for Central & Eastern Europe at ProLogis, the American world market leader in logistics property chose Romania a year ago because of the fast-growing economy, the increasing spending power and the big consumer market. 'Our market is where our clients go. Nowadays you also see them looking outside of Bucharest, so we do that too.' Wherever Prologis is, their arch-enemy, Goodman, the number 2 on the world table league of logistics property, is normally not far off. According to Zsombor Torok, Goodman's Country Manager and CEE for the Czech Republic, Slovakia, Hungary and Romania, the Australian logistics real estate giant is indeed quietly working on its first Romanian project. 'We first want to gain some experience with the local building market before we spread our wings. However, undoubtedly the potential is enormous, because the Romanian market is just as big as Hungary, the Czech Republic and Slovakia put together.' Torok acknowledges that the competition is increasing rapidly. 'Thanks to the major economic growth over the past three to four years there's a dire need for new logistics property.' According to him, the inadequate road infrastructure is indeed a major problem. 'According to the government plans however, the largest portion of the problem will have been resolved within three years, and thus a lot of new attractive property locations will come about which will create a better climate for foreign investments.' Bucharest is the most important focus for Goodman. For the future however, Torok does not discount branches being established in Timisoara, Cluj and the industrial zone of Arad, for example. 'We think that a large portion of our future business in Central Europe will shift to this country, when taking into consideration the extensive workforce, the growth of the economy and the access to the East'. The most important users of this real estate are logistics service providers, transportation companies and large international retailers such as Carrefour and Ikea. The largest letting transaction ever in Romania, occurred last year when the logistics service provider Frans Maas, currently known as DSV, signed a contract for 29,000 m² in the Bucharest West Park.

Growth potential

When asked why a relatively small Belgian fund like WDP makes substantial investments in Romania, CFO Uwents replies: 'We opted for Romania because of the outstanding growth potential. Although we've been in the Czech Republic since 1999, we seem to have missed the boat there somewhat, because we didn't anticipate on time. We won't make that same mistake in Romania. It's a big country with an extremely young and dynamic population. With its geographical positioning, bordering onto the Black Sea, the Romanian port of Constanta is

also the new logistics gateway to Europe, but from the East this time, aside from the western gateway Le Havre-Hamburg which makes up the domestic market of WDP. Many of our clients go there too'. Romania's story as the new gateway to Europe is still far ahead in the future. One look at the official website of the port of Constanta shows that the transshipment of containers is indeed increasing rapidly, but at about 1 million TUE per annum (2006) it's still peanuts compared to Rotterdam, Antwerp, Hamburg or Le Havre, for example. Rotterdam alone, which is the largest container port of Europe, already handles ten times as many containers. Constanta doesn't even appear in the short list of the fourteen largest container ports in Europe. If the Romanians want to aspire to this at all, then something must first be done about the miserable condition of the road system. What about the 'young and dynamic population'? In September, the Romanian president Traian Basescu himself warned the nation that the number of inhabitants in his country is rapidly decreasing due to the massive emigration and the low birth rate. The population has already shrunk from 23 million in 1989 down to 21.6 million. In Romania women, on average, have only one child. If that doesn't change, then Romania will only have 16 million inhabitants by 2050 and only 8.5 million by 2100. In August 2010 WDP announced the purchase of five properties with a total ground surface area of almost 950,000 m² spread over three locations in the vicinity of Bucharest. At the moment this real estate company, which is an active investor and project developer, is busy obtaining the required building permits. Uwenst expects completion of the first two buildings, measuring a total of 15,000 m², within a year. Another 20,000 m² will be added to that in 2009. The properties which were acquired for €16.5 million will provide room for 300,000 m² of logistics property in the coming five to ten years, which involves at least €150 million.

Rentals level

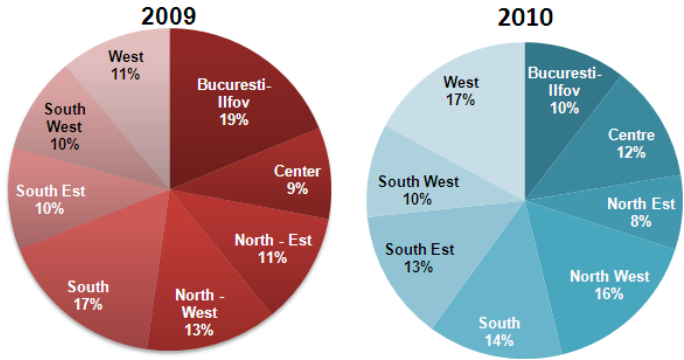
WDP builds on risk, as do many other parties. Uwenst is 'very confident' that the lessees will be found. The target group is small and medium-sized users, who want to rent from 1,000 m². Until recently the country had an enormous shortfall of modern distribution areas. With rates at €45 to €55 per m² per annum in which Bucharest is by far the most important logistics market, rentals are even above the level of Western Europe. According to Uwenst, the high rentals level is not only because of scarcity. Due to the heavy winters, the hot summers and the dangers of earthquakes, logistics centres require extra structural facilities and are therefore relatively expensive to build. According to a report by Colliers International who, at a 55 percent share, is the irrefutable market leader in the Romanian industrial and logistics property, the total stock of logistics centres in the Romanian capital (per 30th June 2007) amounts to 438,000 m². Of that, 178,000 m² was completed in the first half of this year. This year a total of 300,000 m² will be completed and there's already 330,000 m² in Bucharest alone in the pipeline for the coming year. Due to the enormous building appetite of the recent past the rentals are already under pressure. The vacancy rate, which was almost nil, has increased since the beginning of this year by up to six percent. 'At present it's definitely not a matter of over-investment yet', says Uwenst. 'However, I do think that the competition will increase rapidly.'

Source: Cushman & Wakefield

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1. Logistics sector will revive in 2010 due to great demand and high yields

Logistics sector will revive starting 2010, when demand for industrial space will be high again and investors will, once again, focus on this profitable segment. According to an analysis realized recently by IBC Focus based on the data gathered from the Investment Report, there were 196 logistic centers and warehouses recorded during January-October 2009. When finalized, all these will add approximately 350.000 sqm to the logistics stock recorded at the end of 2008. As future trend, IBC Focus considers that investors will migrate towards other interesting parts of the country, after having invested largely in the Bucuresti-Ilfov area in 2009 (source IBC report –



2. Warehousing space in Europe: meeting tomorrow’s demand

The emerging region of Central and Eastern Europe (CEE) is the main macro economic driver impacting European supply chains. The expansion of the European market leads to a larger distribution area to be covered. However, companies do not move their distribution centres from West to East in anticipation of the eastward shift in demand. Instead additional Regional Distribution Centres are established in the CEE region. After the Czech Republic, Hungary and Poland *a second wave of expansion to Russia, Slovakia, Ukraine, Romania and Turkey is now starting*. Good quality warehouse space is becoming increasingly scarce in these new logistics markets. Increasing service requirements is recognized as the second most important macro trend. Shortening lead-times and tight delivery windows can only be met from a location near the customer. This creates an increasing demand for warehouse space in strategic locations, close to the market and with high transport availability. At the same time the function of warehouses is changing from merely a place to store into a “cross dock” or Value Added Services (VAS) operation. This modifies the requirements put on warehouse buildings. Number of dock doors and daylight access in the VAS area will become increasingly important. And also in the near future security within the warehouse will be even higher up on the list of requirements. The increasing volatility in customer demand and service requirements drives the need for adaptable supply chains. A truly adaptable supply chain needs to be based on the ability to easily change the warehouse space used and the location of the distribution centres. Companies therefore increasingly choose to lease warehouse space and terms of lease contracts continue to shorten. In the future more flexible lease structures for warehouse space will be required. Warehouse space vendors that can offer flexible solutions will have a competitive advantage in the marketplace. Having the ability to control land and rapidly develop facilities at premium locations is crucial for warehouse space providers. More and more consideration must be given to the re-development of obsolete logistics real estate in order to utilize advantageous locations of out-dated warehouse facilities. Simply developing a warehouse that fits building requirements is no longer

sufficient. A prime location and availability of additional services in a “logistics park” become more important (source – report prologis).

3. News on the Romanian retail & logistics market (next issue we will have a special on this one)

- A. New Yorker to Roll out Three More Romanian Stores in 2010
- B. German discount retailer Kaufland will invest an estimated €45 million in opening six new stores, for a total of fifty-six Romanian stores. The new units will be located in Caransebes (Caras-Severin County), Sighisoara (Mures County), Orastie and Deva (Hunedoara County), and Vaslui and Ramnicu-Sarat (Buzau County).
- C. Belgian retail company Delhaize le Lion Group will invest an estimated €500,000 in opening a new Mega Image store in eastern Bucharest. The store is set to open by the end of this month.
- D. Minimax wants to increase the store count
- E. C&A wants to enter Romania
- F. Obi wants to open two stores
- G. German Discount Clothing Retailer to Open Five Romanian Units
- H. Lidl to Open 20 Romanian Stores
- I. Auchan Buys Land for Two Romanian Hypermarkets, Plans to Double Stores in 5 Years
- J. Metro to Open 25th Romanian Store
- K. Mega Image will open 200 discounts in Romania
- L. Belgian Logistics Developer to Invest EUR 200 mln in Romania
- M. Billa Launches Supermarket in Turda, Romania
- N. Real Opens Third Hypermarket in Timisoara, Romania
- O. Penny to Pour EUR 32 mln into 25-Unit Expansion in Romania
- P. Leroy Merlin to Open First Romanian Store in 2010
- Q. WDP – 200 million Euro investment - The project concerns the Promoter’s strategic investment programme for its logistics network extension in the Romanian market, with the construction of four industrial estates for logistic warehouses to be erected and operated in two sites close to Bucharest (Corbii Mari and Fundulea), one site close to Ploiesti (Aricestii), and one close to Pitesti (Oarja).
- R.

4. Available plots & logistic centers

Timis – excellent plot on the ring road of timis – 15 hectare

Arad – excellent plot of 20 hectare

Cluj – to plot of 15 hectare – at National road – near Nokia plant 12 Euro/sqm – TOP PLOT

Sibiu – top plot in front of the airport at the industrial parc

Constanta – Development plot south side – for fast movers – 14 hectare

Several logistic centers via the chamber members on 14 existing parks - on demand – tailor made solutions are possible

5. Linking partners

www.belgianconnection.be The PBS blog: **NEW SITE : from idea to investment, funding and project execution + a complete list of the activities of rbbc and bc (the two leading business clubs)**

www.structural-funds-romania.ro **NEW SITE: a complete overview on fundings in Romania**

www.investromania.be The BLOG of the Belgian Romanian Chamber - cibr

www.offersrealestateromania.blogspot.com - only top deals and top locations

<http://structuralfundsromania.blogspot.com> - blog on structural funds

www.davidintercar.ro – car rental in Romania and Bucharest

www.khafrely.eu – **NEW SITE : splendid hotel for your Romanian holiday or business stay**

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