

# Property Times

## Romania Retail H1 2014

### Retail supply at the lowest level

August 2014

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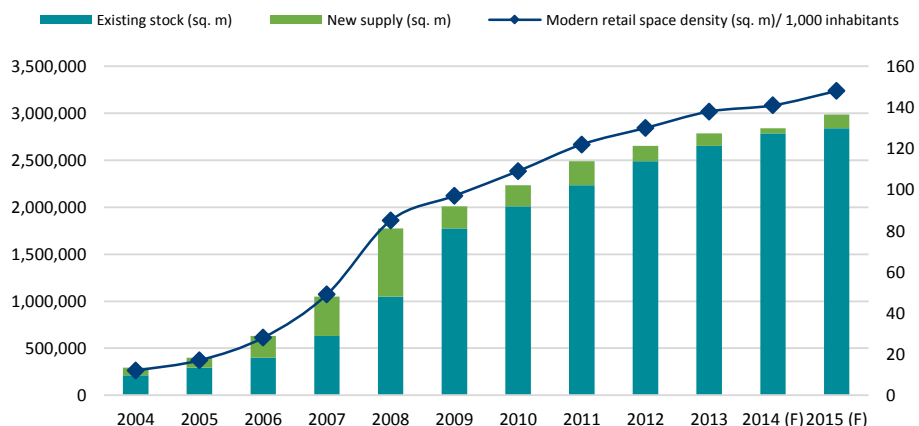
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- At the end of H1 2014 Romania's modern retail stock was off 2.787 million sq. m, 31% being located in Bucharest. Having no deliveries in the first six months of 2014, total modern retail stock remained unchanged. In Romania modern retail stock density per 1,000 inhabitants continues to be 138 sq. m and is forecasted to reach 141 sq. m by the end of the year.
- Retail sales have increased in H1 2014 by 8.6% when compared with the same period last year. This performance was boosted mainly by non-food sales, which overall have increased by 12.3% y-o-y.
- Retailers continue their expansion plans by keeping the rhythm at steady pace. With no openings recorded in H1 2014, retailers attention is towards existing schemes that have demonstrated positive performances.
- The vacancy rate is following a descendant trend both in Bucharest and regional cities, given the lack of new projects and the retailers need for expansion.
- Prime retail rent for best performing retail schemes in Bucharest is between € 60 – 70 / sq. m/month, while outside Bucharest in dominant retail projects prime retail rents range between € 20 – 25 /sq. m/month. In cities such Cluj Napoca, Timisoara, Iasi or Constanta the prime headline rents are with 25% - 35% higher

Figure 1

Evolution of modern retail stock vs. modern retail space density / 1,000 inhabitants



Source: DTZ Research

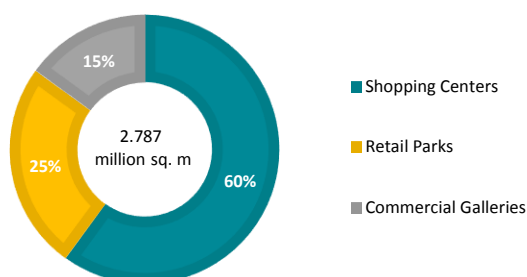
# Romania Retail H1 2014

## Retail supply

Modern retail stock in Romania at the end of H1 2014 is of 2.787 million sq. m, Bucharest accounting for 31% with 875,000 sq. m. Shopping centers represent 60%, while retail parks and commercial galleries account for 25% and 15% from the total retail stock.

Figure 2

### Structure of modern retail stock

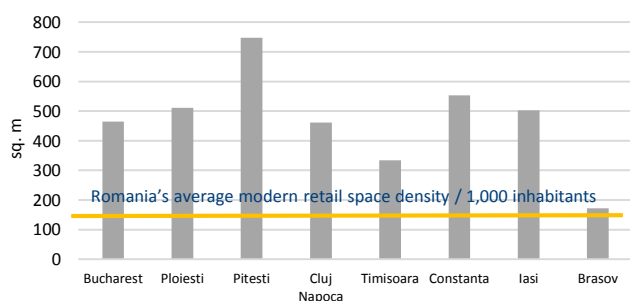


Source: DTZ Research

Romania's modern retail space density per 1,000 inhabitants is of 138 sq. m. Bucharest, the largest city in Romania in terms of modern retail stock is currently having at 1,000 inhabitants a retail space density of 465 sq. m.

Figure 3

### Modern retail space density / 1,000 inhabitants in major cities



Source: DTZ Research

In terms of new retail supply, no deliveries were recorded in the first six months of 2014. Currently under construction with an estimated delivery date in H2 2014 there are 54,000 sq. m of modern retail space. Two retail schemes will be delivered by year's end, both developed by the South-African investment fund NEPI. Overall the pipeline figure for 2014 is at the lowest level since 2002.

Table 1

### 2014 Retail new supply

Project	GLA (sq. m)	City	Developer	Delivery date
Vulcan Value Center	27,000	Bucharest	NEPI	Q3
Tg. Jiu Shopping City	27,000	Targu Jiu	NEPI	Q4

Source: DTZ Research

Going forward and analyzing the pipeline for 2015, currently under construction there are three retail projects with a total rentable area of 144,000 sq. m. If this year's pipeline is equally divided between Bucharest and regional cities, 2015's new supply is mostly concentrated in Bucharest – approximately 66%.

The largest retail project due to be completed in 2015 is Mega Mall, developed by NEPI. When completed, it will be the largest retail project delivered in Romania since 2010. Another important project due to be delivered next year is Coresi Shopping Center developed by Immochan in Brasov.

Table 2

### 2015 Retail new supply

Project	GLA (sq. m)	City	Developer	Delivery date
Mega Mall	72,000	Bucharest	NEPI	Q2
Coresi Shopping Center	51,300	Brasov	Immochan	Q1
Auchan Tricodava	20,700	Bucharest	Immochan	Q1

Source: DTZ Research

Although several developers have announced their intention to build a shopping center in Brasov, a city that has been lacking an impressive retail scheme considering it's potential, the only project currently under construction is Coresi Shopping Center.

Timisoara is another city that has been the subject for new retail developments in the recent years. In H1 2014, NEPI and Dedeman acquired a 22 Ha land plot in the southern part of the city announcing their intention to develop a shopping center. Construction works are planned to start in H2 2014 and are scheduled to be completed by the end of 2015. Upon delivery, the scheme will be the second shopping center in the city, after Iulius Mall delivered in 2005.

# Romania Retail H1 2014

## Demand

The National Institute of Statistic has reported that retail sales in H1 2014 have increased by 8.6% when compared with the same period last year. This performance was boosted mainly by non-food sales, which overall have increased by 12.3% y-o-y. Food, beverages and tobacco sales also had an important contribution. Compared with H1 2013, the sales of such products have increased by 7.7%.

Table 3

### H1 2014 Most active retailers - FMCG

Hypermarket	New units	No. of units end of H1 2014
Kaufland	3	92
Supermarket	New units	No. of units end of H1 2014
Lidl	7	175
Profi	19	207
Mega Image	3	171
Penny	1	149
Billa	2	82
Proximity stores	New units	No. of units end of H1 2014
Carrefour Express	8	44
Mega Image (Shop & Go)	20	145
Profi City	7	25

Source: DTZ Research

In H1 2014 main FMCG retail players opened in total 70 units. Among the hypermarket chain retailers, only Kaufland extended its network. At the end of H1 2014 Kaufland had in Romania a total number of 92 hypermarkets.

Proximity stores remained the main focus of Carrefour and Mega Image in H1 2014, Mega Image being the leader on this segment with 20 Shop & Go units opened.

In H1 2014 Profi opened in Sighisoara the first modular store in the SEE region. This concept uses an innovative technology that creates the ideal format store according to the targeted location. The retailer continued to expand its network, both on supermarket and proximity store format reaching at the end of H1 2014 a network of 232 units.

Fashion retailers continued their expansion plans by keeping the rhythm at a steady pace. Considering that new retail projects are going to be delivered in the second half of 2014, their attention is towards existing schemes that have demonstrated positive performances.

Table 4

### H1 2014 Most active retailers - Fashion

	New units	Location	No. of units end of H1 2014
H&M	5	Pitesti (2), Galati, Ramnicu Valcea, Bucharest	34
Takko	2	Petrosani, Sf. Gheorghe	61
New Yorker	1	Galati	27
Desigual	1	Bucharest	4
Time Out	1	Bucharest	9
Koton	1	Bucharest	5
Otter	1	Cluj Napoca	31
CCC	1	Suceava	23

Source: DTZ Research

On the DIY segment, local DIY retailer Dedeman continued to increase its network by opening 1 new unit in H1 2014 and reaching 37 stores in Romania. In H1 2014 the British DIY retailer Kingfisher started to rebrand its 15 units acquired from Bricostore last year. The first 2 Brico Depo stores were opened in Bucharest. Leroy Merlin announced its interest in acquiring the Romanian operations of Baumax and OBI is going to close its 7 stores in Romania by the end of the year. However, the Greek retailer Jumbo is currently considering the possibility of taking over 5 of OBI's former units.

In terms of new entries, international retailers are assessing the possibility of entering Romania, their focus being on prime shopping centers.

Table 5

### H1 2014 New entries

Retailer	Segment	Location
INGLOT	Cosmetics	Baneasa Shopping City
Eden Park	Sports	Baneasa Shopping City
Harmont & Blaine	Fashion	Baneasa Shopping City
Vans	Fashion	AFI Palace Cotroceni
Fabi	Fashion	AFI Palace Cotroceni
Maxi Toys	Toys	Militari Shopping Center
MI NY	Cosmetics	Palas Iasi

Source: DTZ Research

# Romania Retail H1 2014

## Vacancy

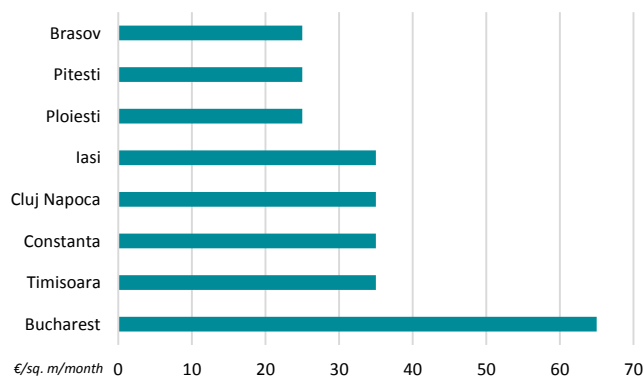
The vacancy rate is following a descendant trend both in Bucharest and regional cities, given the lack of new projects and retailers need for expansion.

The gap between prime and secondary retail schemes remains significant. Dominant retail projects register a vacancy rate below 5% both in Bucharest and regional cities.

For secondary retail schemes, the vacancy rate is situated between 25 – 30%. However, secondary schemes with no major competition have a vacancy rate below 10%.

Figure 7

Prime headline rents in major cities



Source: DTZ Research

Table 5

Major retail indicators in major Romanian cities

City	Population	Retail stock (sq. m)	Retail stock density (sq. m) / 1,000 inhabitants	2014 New supply (sq. m)	2015 New supply (sq. m)	2015 Stock density (sq. m) / 1,000 inhabitants
Bucharest	1,883,425	875,000	465	27,000	92,700	528
Iasi	290,422	145,700	502	0	0	502
Cluj - Napoca	324,576	149,500	461	0	0	461
Timisoara	319,279	106,500	334	0	50,000	490
Constanta	283,872	156,900	553	0	20,000	623
Brasov	253,200	43,600	172	0	51,300	375

Source: DTZ Research

## Rents

There were no changes regarding the prime rental level during H1. Headline rents achieved for units of 100 sq. m in prime shopping centers in Bucharest range between € 60 – 70 / sq. m/ month, while for secondary shopping centers the headline rents for units of same size is between €25 –45/ sq. m/ month.

Headline rents achieved for units of 100 sq. m in dominant shopping centers outside Bucharest range in average between €20 –25 / sq. m/ month. In cities such Cluj Napoca, Timisoara, Iasi or Constanta the prime headline rents are with 25% -35% higher. For tertiary cities the prime headline rents are between €12 –18 / sq. m/ month.

## Outlook

In the second half of 2014 two new retail schemes will be adding to Romania's modern retail stock 54,000 sq. m.

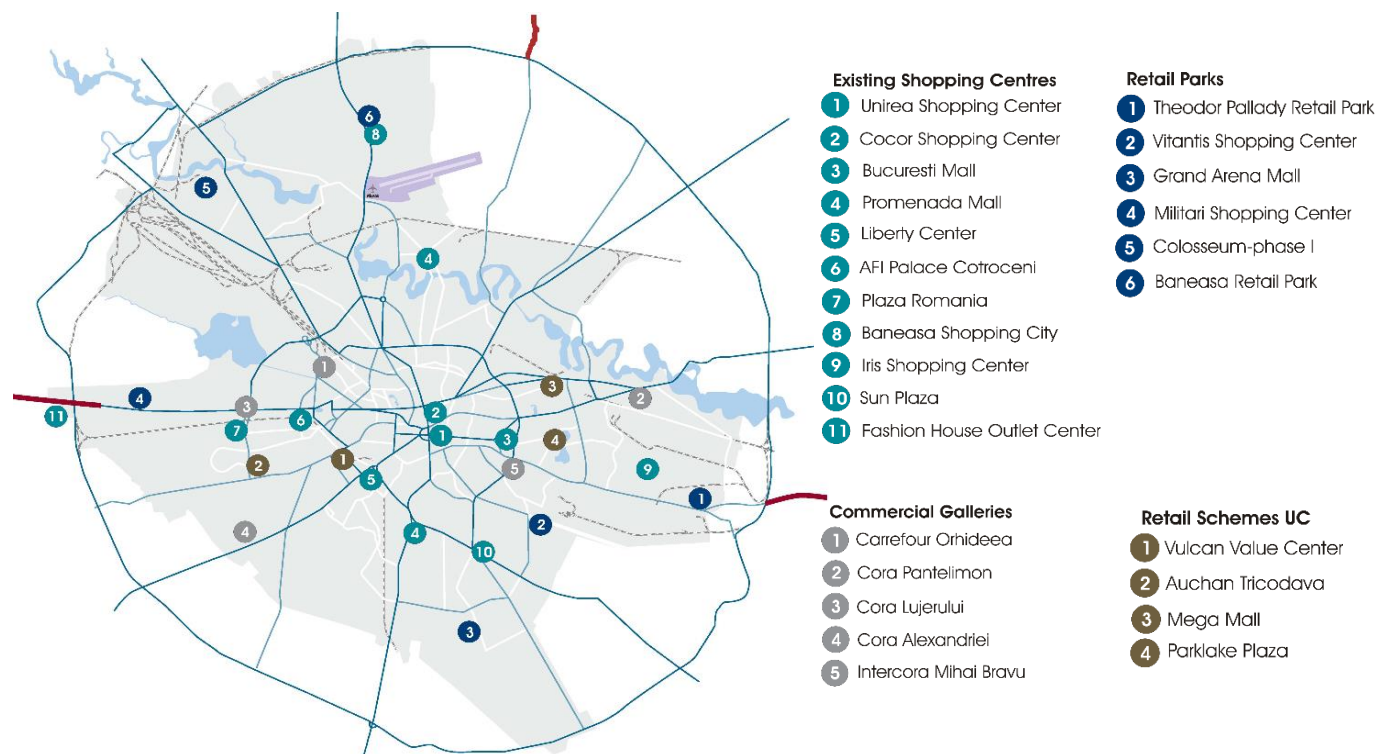
Carrefour will be opening two hypermarkets reaching a network of 27 in Romania and will launch 3 Supeco units, a concept existing only in Spain and being situated as format between discounters and cash & carry.

International retailers are analyzing the conditions and characteristics of the local market and by the end of the year several new retailers are expected to enter Romania.

In H2 2014 the vacancy rate will continue to decrease, considering that new projects that are going to be delivered in H2 2014 have an occupancy rate of approximately 90%. Regarding the prime rental level, by the end of the year no changes are expected.

# Romania Retail H1 2014

## Bucharest's modern retail schemes



## Definitions

<b>Modern retail stock</b>	Total completed space of modern shopping premises (shopping center, retail park, commercial gallery) completed since 1999.
<b>New supply</b>	Completed newly built modern retail schemes that obtained a use permit in the given period.
<b>Commercial gallery</b>	Modern retail scheme with minimum 5,000 sq. m of GLA, anchored by a hypermarket with a rentable area that exceeds the total rentable area of the retail scheme
<b>Shopping center</b>	Modern retail scheme with a commercial gallery of minimum 5,000 sq. m GLA that has a rentable area exceeding the hypermarket / supermarket's rentable area
<b>Retail park</b>	Modern retail scheme with over 5,000 sq. m of GLA representing other than shopping center or commercial gallery retail formats.
<b>Prime headline rent</b>	Headline rent level achieved in the most attractive shopping centres for units of approximately 100 sq. m leased to a fashion operator.

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