

PROPERTY TIMES

A surge of new shopping malls hit Romania

Romania Retail H1 2015

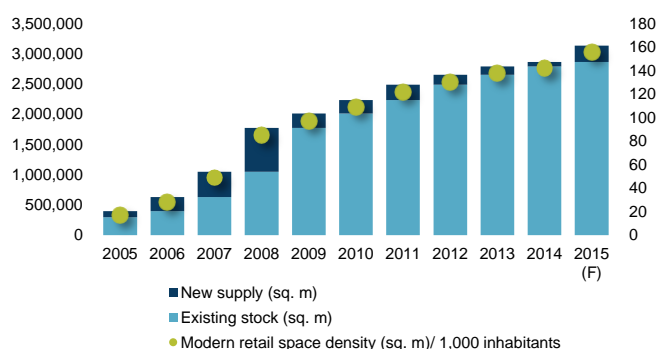
Supply

At the end of June, Romania's modern retail stock exceeds 3 million sq. m. Most of the retail stock is represented by shopping malls – 60%, followed by retail parks – 25% and commercial galleries - 15%. Two shopping centres were completed in H1 2015, having a total GLA of 117,000 sq. m: Mega Mall in Bucharest and Coresi SC in Brasov.

The modern retail space density per 1,000 inhabitants in Romania is 151 sq. m. Bucharest, with a retail stock of 1 million sq. m, currently has 537 sq. m of modern retail space per 1,000 inhabitants.

Figure 1

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



Source: DTZ Research

Demand

Retail sales have increased in H1 2015 by 4.8% when compared to the same period last year. This performance was boosted mainly by food sales (food, beverages and tobacco), which overall have increased by 11.5% y-o-y. Non-food sales have remained relatively stable y-o-y.

Main FMCG retailers continued to enlarge their network, Profi being the most active, with 40 supermarkets and proximity stores opened. On the hypermarket segment, Kaufland, Auchan and Carrefour expanded their local network with 1 unit each. At the end of H1 2015, Kaufland is operating 103 hypermarkets in Romania, Auchan's local hypermarket chain has 33 units and Carrefour operates 28 hypermarkets.

Fashion retailers' expansion strategies have been aimed at existing projects with proven performances. Moreover, along with the opening of Mega Mall and Coresi SC, a series of fashion retailers have enlarged their network. Throughout H1 2015, Inditex was the most active fashion retailer. The Spanish group opened 10 new units, reaching at the end of June a network of 108 stores. The second active fashion retailer was the Polish group LPP, with 6 new stores opened. At the end of H1 2015, LPP was operating 21 stores in Romania.

Throughout H1 2015 new retailers' interest towards Romania has been strong. Consequently, a large variety of new brands have entered the market. Bucharest remains the main destination for opening a store in Romania.

Table 1

New entries H1 2015

Brand	Segment	Location
Hilfiger Denim	Fashion	Mega Mall
Casa Convenienza	Furniture	Fashion House Outlet
Michael Kors	Fashion	The Grand - JW Marriott
Pupa	Cosmetics	Mega Mall
Sport Vision	Sports	City Park Mall
Tween Damat	Fashion	Mega Mall
Marks & Spencer Food	Food	Plaza Mall & Mega Mall

Source: DTZ Research

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Vacancy rate

Dominant retail projects	Secondary retail projects	Tertiary retail projects
< 4%	10 – 15%	20 – 25%

Source: DTZ Research

Rents

Prime rental levels have remained stable. 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 are between € 25 –45/ sq. m/ month.

Headline rents achieved for units of 100 sq. m in dominant shopping centers outside Bucharest range on average between € 20 –25 / sq. m/ month. In cities such Cluj Napoca, Timisoara, Iasi or Constanta the prime headline rents are higher by 20% - 30%. For tertiary cities the prime headline rents are between € 12 –18 / sq. m/ month.

Table 2

H2 2015 New supply

Project	GLA (sq. m)	Developer	Type	City
City Park Constanta*	20,500	NEPI	Extension	Constanta
Severin SC	10,000	NEPI	Extension	Drobeta Turnu Severin
Deva SC	10,500	NEPI	Extension	Deva
Timisoara SC**	56,000	NEPI	New SC	Timisoara

*Will be delivered in phases (Q3 2015 – Q1 2016)

**Completion date Q4 2015 / Q1 2016

Source: DTZ Research

Outlook

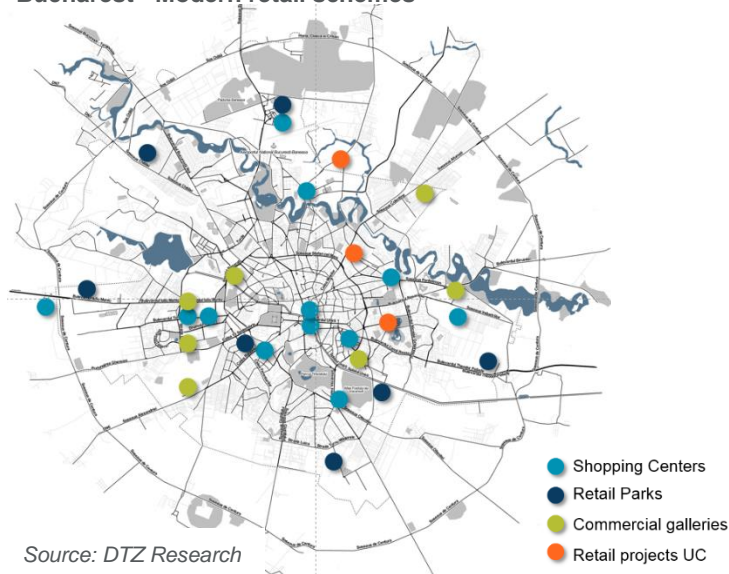
In the upcoming quarters, over 100,000 sq. m of modern retail spaces are scheduled for completion. The most active retail investor will remain NEPI, which is currently developing a new SC in Timisoara and is expanding certain shopping centers existing in its portfolio.

Considering that most of the Romanian cities with a population of over 100,000 inhabitants have been covered in terms of modern retail schemes, new development activity will be directed towards tertiary cities. As in other CEE countries (e.g. Poland), small retail parks might become developers' preferred format.

Prime rental level has been stable in the last four years and this year is expected to remain in the same range. However, retail spaces of 100 sq. m located on the ground floors of dominant shopping centers are becoming scarce. Bearing in mind that the number of new entries is increasing and that retailers, especially fashion brands, are reporting solid growth in sales, starting Q4 2015 an upward pressure on prime rental level is expected.

Map 1

Bucharest - Modern retail schemes



Source: DTZ Research

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