

PROPERTY TIMES
Dominant shopping centers close to full occupancy
Romania Retail H1 2016

Supply

At the end of June, Romania’s modern retail stock amounts 3.38 million sq. m. Most of the retail stock is represented by shopping malls – 57%, followed by retail parks – 35% and commercial galleries - 8%. Three shopping centres were completed in H1 2016, having a total GLA of 69,000 sq. m: Shopping City Timisoara – phase II, Mercur Craiova and Satu Mare Shopping Plaza. Additionally, Coresi Shopping Resort in Brasov was extended with a GLA of 14,000 sq. m.

The modern retail space density per 1,000 inhabitants in Romania is 164 sq. m. Bucharest, with a retail stock of 1.12 million sq. m, currently has 595 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

The VAT cut from 24% to 20% has had a positive impact on retail sales which reached 16.8% y-o-y growth in H1 2016. This performance was boosted mainly by food sales, which overall have increased by 23.5% y-o-y. Non-food sales recorded an increase of 15.1% y-o-y. Compared with the average for EU 28, Romania’s retail sales growth was six times higher.

Most of the food retailers have enlarged their networks. Profi continued to be the most active, with 44 supermarkets and proximity stores opened. On the hypermarket segment, only Kaufland expanded its local network by opening two stores in Bucharest. On the Cash & Carry segment, after four years with no openings being recorded, in H1 2016 Selgros announced a new store in Targu Mures with a sales area of 4,000 sq. m.

Carrefour concluded the acquisition of Billa supermarkets, transaction that increased the local network of the French retailer with 86 supermarkets. At the end of H1 2016 Carrefour is present in Romania with more than 270 stores of different types (hypermarkets, supermarkets and proximity stores).

Fashion retailers’ expansion strategies have been aimed mostly towards new projects. Throughout H1 2016 H&M has been the most active by opening 5 stores. Inditex, the largest fashion retailer in Romania has added 4 units to its local network reaching at the end of June 112 stores. Among active fashion retailers were also New Yorker, C&A, LC Waikiki, LPP, Kenvelo and Koton.

New brands entered Romania throughout H1 2016, Bucharest remaining the core destination for opening a store.

Table 1

New entries H1 2016

Brand	Segment	Location
COS	Fashion	Victoriei Avenue
Boggi	Fashion	Baneasa Shopping City
Chanel	Cosmetics	Baneasa Shopping City
Chopard	Jewelry	Baneasa Shopping City
Tezenis	Lingerie	AFI Palace Cotroceni
Fossil	Jewelry	AFI Palace Cotroceni

Source: DTZ Research

Vacancy rate

Dominant retail projects	Secondary retail projects	Tertiary retail projects
2%	8%	10 - 15%

Source: DTZ Research

Rents

Considering that dominant shopping centers in Romania have an occupancy rate close to 100% and existing retailers, especially fashion retailers, are reporting significant growths on sales, the prime rental level has slightly increased. Thus, at the end of H1 2016, headline rents achieved for units of 100 sq. m in prime shopping centers in Bucharest range between € 65 – 75/ 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 € 22 – 27/ 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 € 16 – 20/ sq. m/ month.

Table 2

H2 2016 New supply

Project	GLA (sq. m)	Developer	Type	City
ParkLake Plaza	69,000	Sonae Sierra+ Caelum Development	Shopping Center	Bucharest
Veranda Mall	27,000	Prodplast Imobiliare	Shopping Center	Bucharest
Shopping City Piatra Neamt	27,900	NEPI	Shopping Center	Piatra Neamt
Intercora	5,100	Intercora	Shopping Center	Tulcea

Source: DTZ Research

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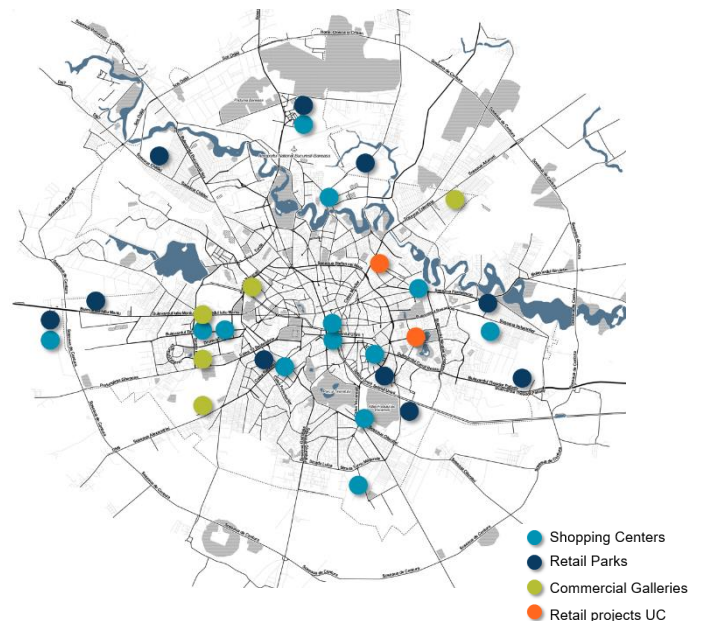
In the second half of 2016 approximately 148,000 sq. m of new retail spaces are scheduled for completion, 65% being located in Bucharest. Overall in 2016 the level of new supply is projected to be higher by 50% y-o-y.

Fashion retailers will continue to expand their networks, mostly by opening stores in shopping centers set to be launched in H2 2016. On the hypermarket segment Carrefour will be the most active retailer, with three openings planned. At the end of the year Carrefour's hypermarket chain in Romania will reach 32 units.

Going forward, robust private consumption, growing wages, low inflation, falling interest rate and improving labour market conditions are all expected to continue having a positive impact on the retail property sector.

Map 1

Bucharest - Modern retail schemes (status end of H1 2016)



Source: DTZ Research

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