

Overview

The retail sales recorded a 13.5% increase in 2016, while in January and February 2017 the National Institute of Statistics reported a 7.1% year-on-year increase.

In February 2017, the average net salary in Romania was 14.7% higher when compared to February 2016. The purchasing power is also supported by a stable economic environment, with solid GDP growth (4.8% in 2016) and negative inflation, while the cost of financing was also reduced.

Occupier focus

Encouraged by the good results recorded during the last years, fashion retailers continue to look for options to expand. During Q1 2017, their strategies have been aimed mostly towards shopping centers delivered recently, such as Veranda Mall and Shopping City Piatra Neamt. Inditex, the largest international fashion retail in Romania opened the first Uterque store, choosing Baneasa Shopping City located in Bucharest.

Food retailers continued to enlarge their networks by opening new units in different cities across the country. On the hypermarket segment, only Kaufland increased its network with a new store. Carrefour finalized the extension of its commercial gallery located in Brasov, accommodating new tenants such as Pepco, Noriel, CCC and Carturesti.

Investment focus

During Q1 2017, CPI Property Group finalized the acquisition of a regional retail portfolio which includes Felicia Shopping Center, a 29,000 sq.m retail scheme in Iasi anchored by Carrefour. Also, the former Real hypermarkets located in Constanta, Suceava, Oradea and Arad were acquired by two former managers of Metro Group.

Outlook

Since the VAT was reduced starting January from 20% to 19%, and the salaries in the public sector were enhanced, retail sales are anticipated to maintain a positive performance. Given that the pipeline is limited and retailers are looking for options to expand, construction works for projects that are on the planning stage might begin earlier than expected.

MARKET INDICATORS

Market Outlook

Prime Rents:	Upward tendency for prime space, since new supply is forecasted to be limited	▲
Prime Yields:	Stability expected for high-street retail and prime shopping centres.	▶
Supply:	Deliveries expected mainly in tertiary cities, with less than 100,000 inhabitants.	▲
Demand:	Mass market retailers are eager to explore new markets and consolidate position in mature ones.	▼

Prime Retail Rents – March 2017

HIGH STREET SHOPS	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Bucharest (Victoriei Avenue)	47.0	564	57.0	4.4	-3.1

Prime Retail Yields – March 2017

HIGH STREET SHOPS (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Bucharest (Victoriei Avenue)	7.50	7.50	8.00	9.25	7.50
SHOPPING CENTRES (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Country prime	6.75	7.00	7.00	9.75	6.50

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

Recent performance

