

MARKETBEAT

ROMANIA INVESTMENT 2016

Attracting capital from four continents

Macroeconomic background

The Romanian economy accelerated in 2016, reporting a 4.8% GDP growth driven by local consumption, manufacturing and IT services. The result represents the highest GDP growth in Romania since 2008 and the highest GDP growth in CEE in 2016.

According to the European Commission, GDP growth is forecasted to be 4.4% in 2017 and 3.7% in 2018.

Table 1

Romania Macroeconomic Indicators

	2016 (y/y)	Directional outlook
GDP Growth rate (%)	4.8	→
GDP per capita (€)	7,600*	↗
Public debt as a % of GDP	37.9	↘
Budget deficit (%)	2.4	→
Monetary policy rate (%)	1.75	→
CPI (%)	- 0.5	↑
Construction works y/y (%)	-4.8	↗
Retail sales y/y (%)	13.5	→
Unemployment rate (%)	5.5	↓
Average exchange rate (1 € to RON)	4.5	→

Source: National Bank of Romania, INSSE, Eurostat *estimated

Investment activity

In 2016, the total volume invested in commercial property in Romania exceeded € 850 million. Bucharest attracted € 660 million, which represents 77% of the total investment value.

In terms of sources of capital, almost 70% of the investment volume was concluded by investors located in Asia, Africa and the USA, with European investors covering the remaining 30%.

The largest transactions in terms of value were concluded as indirect investments in groups active on the local market – Growthpoint and GIC in Globalworth & P3 respectively.

South-African group Growthpoint invested € 194 million to become the largest shareholder of Globalworth Real Estate, controlling almost 27% of the company's issued share capital. GIC (Government of Singapore Investment Corporation) acquired P3 from TPG and Ivanhoe Cambridge, becoming the ultimate owner of the largest logistics park in Romania, P3 Bucharest, with a total GLA of more than 300,000 sq. m.

Another new investor on the local market was PPF Real Estate. The Czech Group acquired Metropolis Center in Bucharest for approximately € 48 million.

NEPI, the largest real estate company in Romania, concluded the largest transaction in the retail sector, by acquiring Shopping City Sibiu for € 100 million.

The most active segment was the office sector. The estimated value of transactions of office properties was more than € 375 million, representing 44% of the total investment value. The retail sector saw transactions worth € 268 million, representing 31% of the total volume, with the remaining 25% covered by logistics.

Prime Yields

Compared to other investment destinations in the CEE region, Romania still has the most attractive yields. On average, prime yields in Bucharest are higher by 140 basis points (for office) and 180 basis points (for retail) than in the other main markets.

Table 2

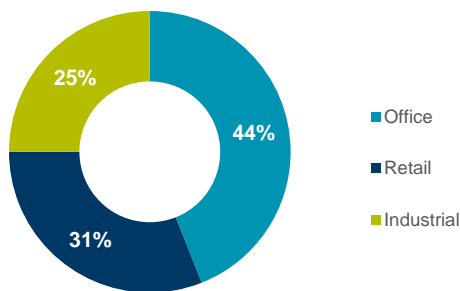
Prime yields in CEE end of 2016, %

City	Office	Retail	Industrial
Bucharest	7.25	7	8.8
Warsaw	5.25	5.25	6.75
Prague	4.6	4.25	6.25
Bratislava	7.00	5.25	7.75
Budapest	6.50	6.0	8.0

Source: C&W Echinox

Figure 2

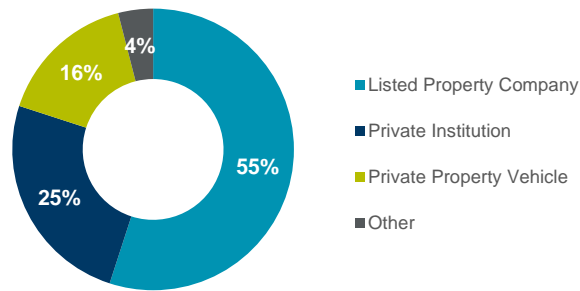
Investment volume by sector in 2016



Source: C&W Echinox

Figure 3

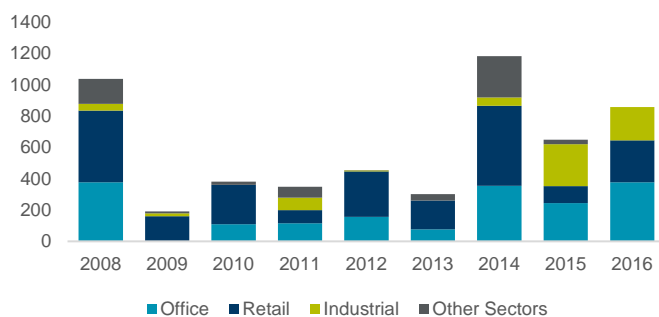
Investment volume by type of investor in 2016



Source: C&W Echinox

Figure 4

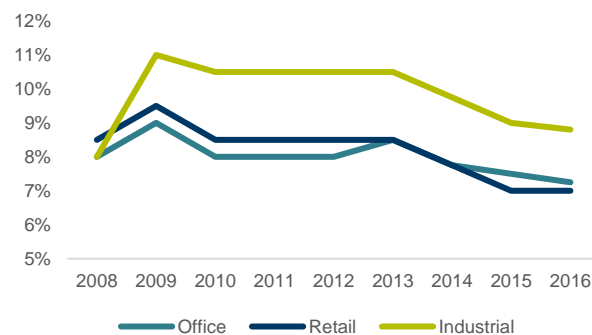
Investment volume by sector (€ M)



Source: C&W Echinox

Figure 5

Prime yields evolution



Source: C&W Echinox

Table 3

Major investment transactions 2016

City	Sector	Property	Purchaser	Vendor	Price (€ million)
Bucharest	Office	26.88% stake in Globalworth	Growthpoint	Globalworth	194.4
Bucharest	Industrial	P3 Bucharest Park	GIC	TPG, Ivanhoe Cambridge	180*
Sibiu	Retail	Shopping City Sibiu	NEPI	Argo Real Estate	100
Craiova	Retail	Electroputere Parc	Catinvest	K&S Electric	55*
Bucharest	Office	Metropolis Center	PPF Real Estate	Soravia	48
Bucharest	Office	Premium Plaza + Premium Point	GTC	VB Real Estate	32
Bucharest	Office	Swan Office Park	Smartown Investments	Chayton Capital	30

Source: C&W Echinox

*estimated

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