

## Overview

The retail sales recorded a 14.3% increase in January – November 2016, compared to the first 11 months of previous year, being boosted by tax reductions (the general VAT was reduced from 24% to 20%) and a consistent increase of salaries. In November 2016, the average net salary in Romania was 13.2% higher when compared to November 2015. The purchasing power was also supported by the stability of prices, since inflation was slightly negative during 2016, reaching a -0.5% level at the end of November.

## Occupier focus

While dominant shopping centres located in Bucharest and secondary cities are almost fully occupied, retailers became also interested by tertiary cities with around 50,000 inhabitants or even less. During Q4 2016, only two new retail projects were delivered: Shopping City Piatra Neamt with a GLA of 28,000 sq. m and a 5,000 sq. m commercial gallery developed by Intercora in Tulcea. Considering the number of sq. m delivered in the previous quarters of 2016, the total level of new supply amounts 237,000 sq. m.

The number of new projects under construction is quite limited for the moment, but in the first part of the year new projects are expected to break ground in cities such as Ramnicu Valcea, Satu Mare, Brasov and Sibiu.

## Investment focus

During Q4 2016, GTC sold Galleria Arad, a 32,500 sq. m GLA shopping centre, transaction that concluded GTC's exit from the retail segment in Romania. Overall, retail investment reached € 238 million in 2016, with three major transactions signed: NEPI acquired Shopping City Sibiu (for € 100 million) and 30% of Mega Mall, a dominant shopping centre in Bucharest, while French group Catinvest purchased the commercial gallery of Electroputere Mall, project located in Craiova.

## Outlook

The new Romanian Government confirmed the VAT reduction from 20% to 19% since the beginning of 2017, while salaries in the public sector were also enhanced. In this context, it is expected that retail sales will continue to increase, having a positive impact on the market activity.

## MARKET INDICATORS

### Market Outlook

Prime Rents:	Upward tendency for prime space, especially in core shopping centres.	▼
Prime Yields:	Stability expected for high-street retail and further compression for prime shopping centres.	►
Supply:	Compared to 2016, the modern retail new supply will decrease both in Bucharest and throughout the country.	▲
Demand:	Rising occupier demand expected to be driven by expanding international retailers.	▼

### Prime Retail Rents – December 2016

HIGH STREET SHOPS	€	€	US\$	GROWTH %	
	SQ.M	SQ.M	SQ.FT	1YR	5YR CAGR
	MTH	YR	YR		
Bucharest (Victoriei Avenue)	47.0	564	55.3	4.4	-3.1

### Prime Retail Yields – December 2016

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	7.00	7.00	7.50	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

