

MARKETBEAT

ROMANIA RETAIL H1 2017

Record sales growth, minimum level of new supply

Romania Retail H1 2017

Supply

Romania's modern retail stock amounts 3.56 million sq. m at the end of June 2017. Most of the retail stock is represented by shopping malls – 57%, followed by retail parks – 34% and commercial galleries - 9%. During the first half of 2017 the number of deliveries was limited. Only 9,000 sq. m were completed in Oradea and Brasov. Oasis opened the first phase of Prima Shops retail park in Oradea, while Carrefour Property extended the commercial gallery in front of Carrefour hypermarket in Brasov. In this context, the average retail space density remained stable at 175 sq. m / 1,000 inhabitants.

In Bucharest the modern retail stock remains unchanged, since no major retail scheme was completed. The city's retail supply stands at 1.22 million sq. m, while the retail space density is of 650 sq. m / 1,000 inhabitants.

Figure 1

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



Source: Cushman & Wakefield Echinov

Demand

The retail sales in Romania are recording substantial growth. According to the National Institute of Statistics, throughout H1 2017 retail sales increased by 7.3% y-o-y. This evolution was mainly driven by non-food sales, which were higher by 11.1% y-o-y, while food sales increased by 3.1% in the same period.

At the end of June 2017, the consumer price index (CPI) in Romania was of 0.9% compared to June 2016. In the same period, the average net salary in Romania saw a 14.5% growth, reflecting an increasing purchasing power.

Retailers' expansion plans were influenced by the limited number of completions. Discounters, such as Pepco and JYSK, were among the active retailers, since they decided to target also tertiary cities.

Food retailers have enlarged their networks especially on the supermarket segment. Profi continued to be the most active, with app. 80 supermarkets and proximity stores opened during H1 2017, while Lidl's local network increased with five new stores. On the hypermarket segment, Kaufland remained the most active player. The German retailer enlarged its local network by opening three stores in Lugoj, Brasov and Craiova.

The French group Auchan decided to extend its presence in Romania by introducing new formats. Under the brand My Auchan, the group opened four proximity stores next to Petrom gas stations and by the end of this year will open its first supermarket that will be located in Bucharest, in the commercial center Bucur Obor.

In terms of new entries, the capital city continues to be the first option for most of the retailers targeting Romania.

Premium fashion retailers are considering Baneasa Shopping City the optimal destination. Inditex brought its eighth brand in Romania – Uterque – by choosing as location this shopping mall, while FF Group considered the same retail scheme to launch Sport Loft, a multi-brand sports retailer targeting professional players. The French luxury brand Longchamp entered the local market under a franchise agreement. The first Longchamp boutique store was also opened in Baneasa Shopping City.

Table 1

New entries H1 2017

Brand	Segment	Location
Uterque	Fashion	Baneasa Shopping City
Sport Loft	Sport	Baneasa Shopping City
Longchamp	Fashion	Baneasa Shopping City
Bugatti	Shoes	Vivo!Cluj

Source: Cushman & Wakefield Echinov

Vacancy rate

Dominant retail projects	Secondary retail projects	Tertiary retail projects
<1%	5 - 8%	10 - 15%

Source: Cushman & Wakefield Echinor

Rents

The dominant shopping centers in Romania have an occupancy rate close to 100% and existing retailers, especially in fashion segment, are reporting significant growths on sales. The prime rental level has remained stable, but we expect an increasing pressure and higher rents in performing shopping centers. At the end of H1 2017, headline rents achieved for units of 100 sq. m in prime shopping centers in Bucharest range between € 70 – 80 / sq. m/ month.

Headline rents achieved for units of 100 sq. m in dominant shopping centers outside Bucharest range on average between € 25 – 30 / sq. m/ month. In cities such Cluj Napoca, Timisoara, Iasi or Constanta the prime headline rents are higher by 15% - 20%. For tertiary cities the prime headline rents are between € 16 – 20/ sq. m/ month.

Table 2

H2 2017 New supply

Project	GLA (sq. m)	Developer	Type	City
Ramnicu Valcea Mall	27,900	NEPI	Shopping Center	Ramnicu Valcea
Shopping City Galati extension	21,000	NEPI	Shopping Center	Galati
AFI Palace Cotroceni	6,500	AFI Europe	Extension	Bucharest
Prima Shops – Phase II	5,000	Oasis	Extension	Oradea

Source: Cushman & Wakefield Echinor

Outlook

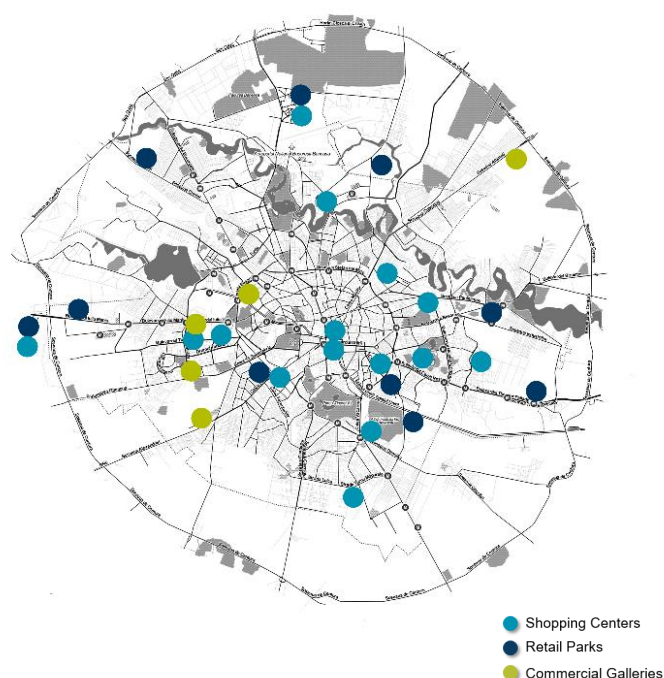
In the second semester of 2017 approximately 60,000 sq. m of new retail spaces are scheduled for completion mainly outside Bucharest, in cities such as in Ramnicu Valcea, Galati, and Oradea. Overall this year's level of new supply is estimated around 70,000 sq. m and will represent the lowest level recorded since 2004.

In Bucharest, considering retailers' appetite for expansion, on the following years new retail schemes are expected in Floreasca (Automatica site), Balotesti (next to Hornbach) or Pallady (Policolor site).

This year the city's retail stock will increase with only 6,500 sq. m, representing the expansion of AFI Palace Cotroceni accommodating Peek & Cloppenburg and a larger Zara store.

Map 1

Bucharest - Modern retail schemes (end of H1 2017)



Source: Cushman & Wakefield Echinor

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