

MARKETBEAT

ROMANIA INVESTMENT H1 2017

Retail leads in a more dynamic market

Macroeconomic background

The Romanian economy accelerated in H1 2017, reporting a 5.8% GDP growth, the highest among EU countries. The evolution was driven especially by manufacturing and IT services, while the retail sales tempered at a 7.3% growth, after an outstanding 13.5% increase in 2016.

The unemployment rate reduced to 5.3%. The total number of employees increased with almost 20% (750,000 new jobs) between 2011 and mid 2017.

Table 1

Romania Macroeconomic Indicators

	H1 2017 (y/y)	Directional outlook
GDP Growth rate (%)	5.8	→
GDP per capita (€)	8,500	↗
Gov. debt as a % of GDP	37.1*	↘
Budget deficit (%)	0.77	↗
Monetary policy rate (%)	1.75	→
CPI (%)	0.9	↗
Construction works y/y (%)	-8.9	→
Retail sales y/y (%)	7.3	→
Unemployment rate (%)	5.3	↓
Average exchange rate (1 € to RON)	4.55	↗

Source: National Bank of Romania, INSSE, Eurostat

*Q1 2017

Investment activity

In H1 2017, the total volume invested in commercial property in Romania reached € 530 million, compared to € 370 million during H1 2016 (43% increase). Bucharest attracted 24% from the total investment volume, office buildings being the most transacted assets. Outside Bucharest, investors were attracted mostly by retail and industrial properties.

The most active segment was the retail sector. The estimated value of transactions of retail properties was app. € 350 million, representing 66% of the total investment value. The office sector saw transactions worth € 123 million, representing 23%

of the total volume, with the remaining 11% covered by logistics.

The largest transaction in terms of value was concluded by South African group Atterbury, which acquired a 50% stake in Iulius Mall shopping centers located in Iasi, Suceava, Cluj-Napoca and Timisoara and 50% from the office buildings Iulius Business Center Cluj, United Business Center Cluj and United BC II in Timisoara.

The total size of the transacted portfolio (weighted by the 50% ownership) exceeds 100,000 sq. m of retail spaces and 18,000 sq. m of offices. This was the first acquisition made in Romania by Atterbury, the fourth South - African real estate investor with a local presence (along NEPI Rockcastle, Growthpoint – the major shareholder of Globalworth and Prime Kapital/MAS).

Globalworth and the Belgian group Mitiska-REIM were also among the most active investors, with two transactions each. Globalworth acquired Dacia Logistic Center and Green Court C for € 80 mil., while Mitiska consolidated their local position through the acquisition of the remaining 50% stake of Intercora's portfolio and the acquisition of the retail properties owned by Alpha Property Development. Their local portfolio reached approx. 85,000 sq. m GLA, divided between 19 retail parks.

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 between 65 - 265 basis points (for office) and between 75 - 275 basis points (for retail and industrial) compared to the other main markets.

Table 2

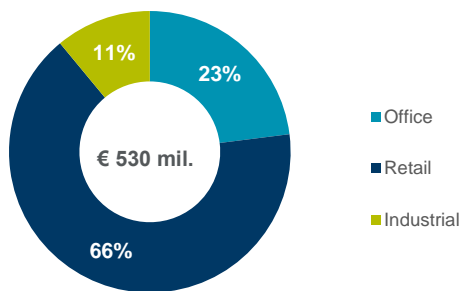
Prime yields in CEE end of H1 2017 (%)

City	Office	Retail	Industrial
Bucharest	7.25	6.75	8.75
Warsaw	5.25	4.75	6.75
Prague	4.6	4.25	6.0
Bratislava	6.6	5.25	7.5
Budapest	6.2	6.0	8.0

Source: C&W Echinox

Figure 1

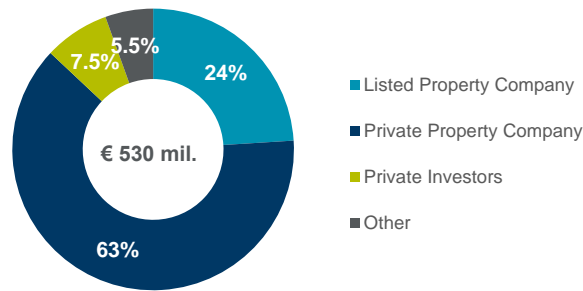
Investment volume by sector in H1 2017



Source: C&W Echinox

Figure 2

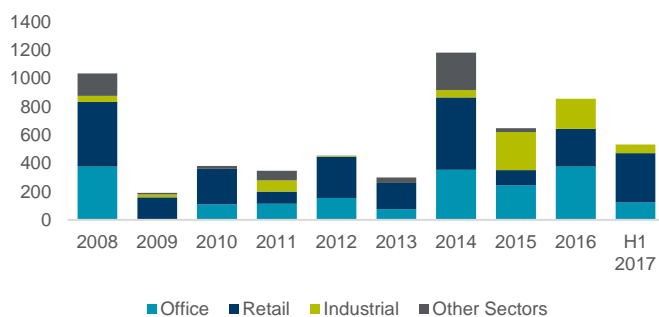
Investment volume by type of investor in H1 2017



Source: C&W Echinox

Figure 3

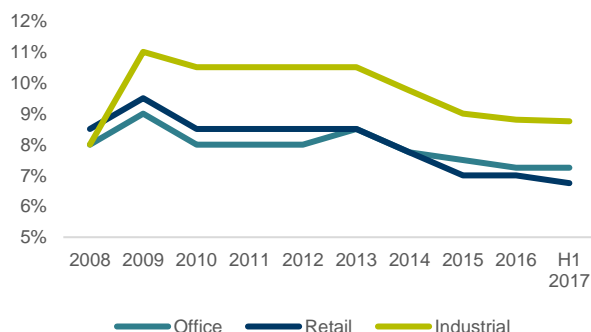
Investment volume by sector (€ M)



Source: C&W Echinox

Figure 4

Prime yields evolution



Source: C&W Echinox

Table 3

Major investment transactions H1 2017

City	Sector	Property	Purchaser	Vendor	Price (€ million)
Cluj, Iasi, Timisoara, Suceava	Retail & Office	50% of selected properties from Iulius Group	Atterbury Europe	Iulius Group	200*
Various cities	Retail	11 Retail Parks Portfolio	Mitiska REIM	Alpha Property Development	65*
Pitesti	Industrial	Dacia Logistic Center	Globalworth	Elgan Group	42.5
Bucharest	Office	Green Court C	Globalworth	Skanska	38
Constanta, Suceava, Arad, Oradea	Retail	Real Portfolio	Private investors	Arcade Group	N/A
Bucharest	Office	ART Business Center 7	Hili Properties	ART Group	31
Iasi	Retail	Felicia Shopping	CPI Property	CBRE GI	N/A
Bucharest	Office	Polona 68	Smartown Investments	EEC Invest	17
Ploiesti, Constanta	Retail	Praktiker Ploiesti, Constanta	Praktiker Romania	Arcade Group	12

Source: C&W Echinox

*estimated

Tim Wilkinson
Partner
Capital Markets
+40 21 310 3100
tim.wilkinson@cwechinox.com

Bogdan Sergentu
Head of Valuation
+40 21 310 3100
bogdan.sergentu@cwechinox.com

Mihaela Galatanu
Head of Research
+40 21 310 3100
mihaela.galatanu@cwechinox.com

Cristi Moga
Research Consultant
+40 21 310 3100
cristi.moga@cwechinox.com

Disclaimer

This report should not be relied upon as a basis for entering into transactions without seeking specific, qualified, professional advice. Whilst facts have been rigorously checked, C&W Echinox can take no responsibility for any damage or loss suffered as a result of any inadvertent inaccuracy within this report. Information contained herein should not, in whole or part, be published, reproduced or referred to without prior approval. Any such reproduction should be credited to C&W Echinox.

© C&W Echinox Bucharest 2017

Cushman & Wakefield Echinox
40 – 44 Banu Antonache
3rd Floor
Bucharest, 011665
phone +40 21 310 3100
fax +40 21 313 9010
email info@cwechinox.com