

# MARKETBEAT

## ROMANIA INVESTMENT H1 2019

### The battle for quality properties intensifies

#### Macroeconomic background

Romania recorded a solid 5.0% GDP growth during Q1 2019, the second highest in the European Union, with retail sales being one of the main contributors to this growth.

Data from the National Institute of Statistics shows that retail sales recorded a 7.2% y-o-y increase during the first five months of 2019, a robust increase that is expected to continue going forward. Unemployment is low, reaching 3.9% in May 2019, in comparison with 4.3% in May 2018. The average net income also saw an impressive increase – 15.8% y-o-y during the first five months of this year.

Table 1

**Romania Macroeconomic Indicators**

	2019 (y/y)	Directional outlook
GDP Growth rate (%)	5	↗
GDP per capita (€)	11,300	↗
Gov. debt as a % of GDP	35	→
Budget deficit (%)	2.9	→
Monetary policy rate (%)	2.5	→
CPI (%)	3.8	→
Construction works y/y (%)	7.2	↗
Retail sales y/y (%)	7.2	↗
BIM unemployment rate (%)	3.9	↓
Average exchange rate (1 € to RON)	4.75	→

Source: National Bank of Romania, INSSE, Eurostat

#### Investment activity

In H1 2019, the total volume invested in commercial property in Romania reached €410 million, a 5% increase compared to H1 2018. A significant number of transactions are expected to close in H2, with the total investment volume expected to surpass €1 billion threshold.

Bucharest attracted only 40% from the total investment volume, as Cluj-Napoca came second with a 32% share resulting from one major transaction, while the remaining 28% came from numerous other cities.

The most active segment was the Office sector, with an estimated transactions value of app. €219 million, representing 53% of the total investment value. The Retail segment attracted 28% of the capital, while investors from the Industrial segment were also active, with transactions totaling €72 million and share of 18%.

The largest transaction in terms of value pertained to The Office project in Cluj-Napoca which was purchased by Dedeman, the largest DIY retailer in Romania, for €130 million from NEPI Rockcastle and Mulberry Development. This is the largest office transaction outside Bucharest and it further strengthens Dedeman's position on the local office market.

Another important office transaction is the one involving Oregon Park C, a recently delivered office building which has been valued at app. €60 million. The building was acquired by Lion's Head Investments, which completed the deal agreed in 2018 with Portland Trust to purchase the entire project consisting of three office buildings located in the "New CBD" area of Bucharest for a total of app. €170 million.

In regards to the industrial segment, the most relevant transaction was the acquisition of A1 Logistics Park in Bucharest by CTP, the largest owner of industrial & logistics projects in Romania, for €40 million.

#### Prime Yields

Romania has some of the most attractive yields in the region. Except for Bulgaria, prime yields in Bucharest are higher by between 130 - 280 basis points for office, 150 – 300 bp (for retail) and 150 – 350 bp (for industrial) compared to the other main markets.

Table 2

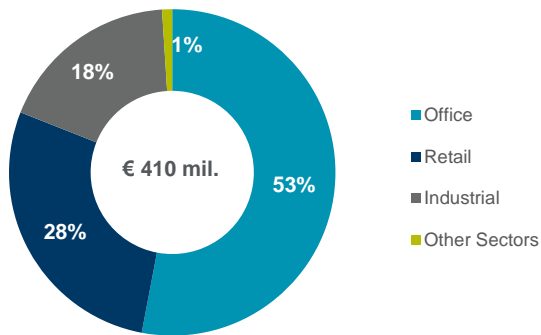
**Prime yields in CEE end of H1 2019 (%)**

City	Office	Retail	Industrial
Bucharest	7	6.75	8.5
Warsaw	4.75	4.5	6
Prague	4.2	3.75	5
Bratislava	5.7	5.25	6.2
Budapest	5.1	4.6	7.25
Bulgaria	7.5	7.25	8.5

Source: C&W Echinox

Figure 1

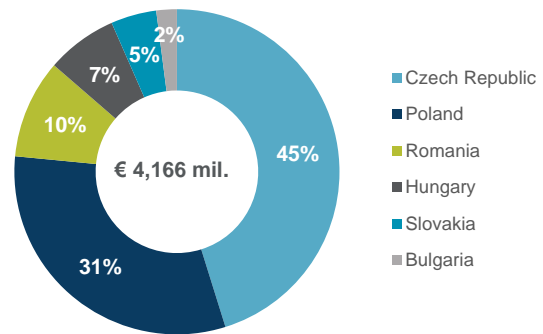
Investment volume by sector in Romania in H1 2019



Source: C&W Echinox

Figure 2

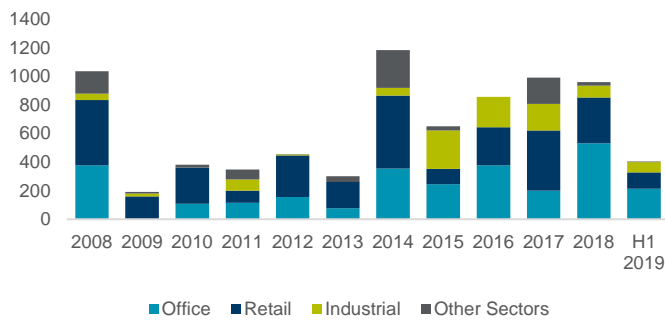
Investment volume in the CEE in H1 2019



Source: C&W Echinox

Figure 3

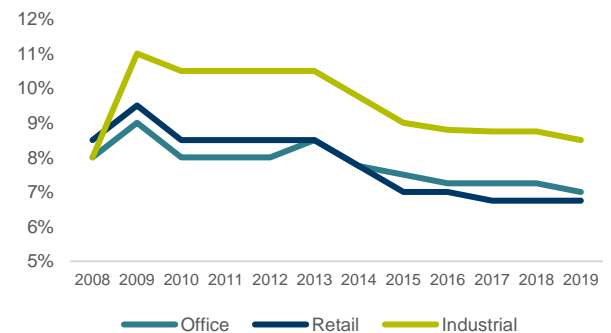
Investment volume by sector (€ M)



Source: C&W Echinox

Figure 4

Prime yields evolution



Source: C&W Echinox

Table 3

Major investment transactions H1 2019

City	Sector	Property	Purchaser	Vendor	Price (€ million)
Cluj-Napoca	Office	The Office	Dedeman	NEPI Rockcastle – Mulberry	130
Various cities	Retail	9 retail parks	MAS Real Estate	Prime Kapital	113
Bucharest	Office	Oregon Park C	Lion's Head Investments	Portland Trust	60
Bucharest	Industrial	A1 Logistics Park	CTP	Vabeld-AIC	40
Bucharest	Office	First Bank HQ	Private investor	First Bank	22
Bucharest	Industrial	50% of Global Logistics Chitila	Globalworth	Global Vision	18
Bucharest	Industrial	50% of ELI Park Chitila	Dedeman	Element Industrial	12

Source: C&W Echinox

**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

**Cristi Moga**  
Head of Research  
+40 21 310 3100  
cristi.moga@cwechinox.com

**Vlad Saftoiu**  
Research Analyst  
+40 21 310 3100  
vlad.saftoiu@cwechinox.com

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