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Echinox

# FOOD & BEVERAGE

*Romania Market Report 2019*

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# INTRO

## The maturing food and beverage industry

The F&B sector in Romania has been constantly growing during the last few years as a result of a robust increase in wages and purchasing power on one hand and also due to the larger number of foreigners that visit Romania for business or leisure. Moreover, we have also seen a shift towards upper quality F&B concepts that has definitely contributed to the industry growth.

Bucharest, the largest city in Romania, has a major role in this thriving market, since local entrepreneurs are engaged in a creative competition in terms of creating a good mix between design and the culinary options. Nevertheless, Cluj, Iasi or Brasov have also contributed to this development by creating unique brands with national notoriety.



*We have seen a shift towards upper quality F&B concepts.*

Demand for retail units is increasing both in Bucharest and major regional cities, as new concepts are revealed in the market, targeting both shopping center and high street locations. It is expected that headline rents for premium locations will remain on an upward trend due to this strong demand that will continue going forward. However, the market is still in a maturing process, with many start-ups failing in the first 12 months of operation, being unable to meet the expectations of a more and more sophisticated clientele mainly as a result of not choosing the right location and concept.

This report aims to capture the current status of the F&B market in Romania and envisage the future trends, focusing on six different types of units, from coffee shops and fast food to resto-clubs and fine cuisine; in total, we have analyzed 73 operators with almost 700 units and a total turnover of € 650 million, representing almost 20% of the F&B market in Romania, according to data from the Ministry of Finance.



*14th Lane*



# WHERE ARE WE NOW?

## THE CURRENT STATE OF THE F&B IN ROMANIA

The current report is focused on six main categories: fast food, coffee shops, pastries, resto-clubs, fast casual and fine dining.

The largest players are the companies that operate the franchise business of international brands, such as McDonald's, KFC and Starbucks. Moreover, there are a number of local operators that managed to establish themselves in the market and develop a solid presence, such as City Grill Group, Spartan or Sterling Group.

The coffee shop market is dominated by Starbucks, but there has also been a real burst of local concepts serving origin coffee for a more sophisticated category of clients.

The pastry segment, serving particularly snacks & sweets, consists mainly of French and Romanian origin brands, such as Paul, Rue du Pain, French Revolution and other concepts positioned in prime high street locations or in the best performing shopping centers.

Fast Casual and Resto-Club segments have also been amongst the most up-and-coming during the last decade, transforming the food & beverage component in a lifestyle experience widely embraced by youngsters, as a result of the wage increases that have allowed for a higher number of such locations in Bucharest and the other major cities in Romania.

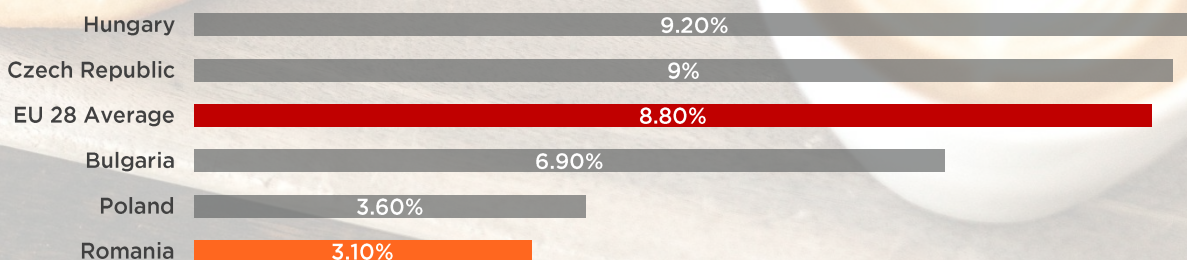
In regards to the fine dining options, Bucharest has always had a consistent number of such locations which attracted a specific clientele consisting of businesspeople and foreign tourists and we expect the number of such locations to increase in the near future due to the growing potential of Romanian economy in general and of the businesses in particular.

The F&B and Hotel spending in Romania is the lowest among the EU countries as a percentage of the total household consumption. According to data from Eurostat, only 3.1% of the total population expenditure went to hotels, restaurants and bars in 2018 compared to the EU average of 8.8%. Taking this into account with the F&B expenditure of the foreign tourists, we can estimate that the entire turnover of this industry in Romania would be of around € 3.5 billion.

On the other hand, data from the Romanian Ministry of Finance shows that the profit margin pertaining to this industry ranges around 12-13%, twice higher than the national profit margin average of all the registered companies. Moreover, the industry currently employs around 150,000 people.

There is an increasing appetite for food, but also for experiences and the operators seem to be in the best shape to satisfy this demand.

### Consumption expenditure of households in restaurants and hotels



Source: Eurostat



# WHERE ARE WE NOW?

Foodie Map of the restaurant business in Romania



Note: Number of units reflects the networks of the analyzed operators

## FAST FOOD

Fast food for every occasion  
Focus on price and speed of delivery



## FAST CASUAL

Dishes prepared on-site and limited menus  
Value for money



## COFFEE SHOPS

Hot drinks and snacks  
Tend to focus on origin coffee



## FINE DINING

Traditional restaurants  
Preference for historical villas and lakeview locations



## PASTRY

High-quality sweets and pastries  
Focused on brunch and desserts



## RESTO-CLUB

Mix between fast casual restaurant and night club  
Preferred as weekend destinations; focus on events



Note: Selection of brands analyzed in the report

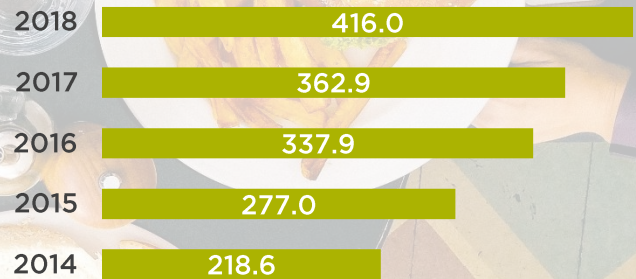


# WHERE ARE WE NOW?

## FAST FOOD

Analyzed operators: 15  
 Number of units: 423 (09/2019)  
 Average sale/unit: 1 M € (2018)  
 TO growth 2014-2018: 17.5%/ year

### TURNOVER EVOLUTION (M €)



## COFFEE SHOPS

Analyzed operators: 6  
 Number of units: 88 (09/2019)  
 Average sale/unit: 0.4 M € (2018)  
 TO growth 2014-2018: 32.7%/ year

### TURNOVER EVOLUTION (M €)



## PASTRY

Analyzed operators: 5  
 Number of units: 37 (09/2019)  
 Average sale/unit: 0.5 M € (2018)  
 TO growth 2014-2018: 16.5%/ year

### TURNOVER EVOLUTION (M €)



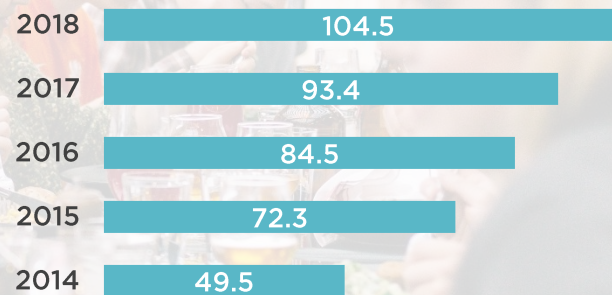


# WHERE ARE WE NOW?

## FAST CASUAL

Analyzed operators: 26  
 Number of units: 95 (09/2019)  
 Average sale/unit: 1 M € (2018)  
 TO growth 2014-2018: 20.5%/ year

### TURNOVER EVOLUTION (M €)



## FINE DINING

Analyzed operators: 13  
 Number of units: 15 (09/2019)  
 Average sale/unit: 1.3 M € (2018)  
 TO growth 2014-2018: 15.2%/ year

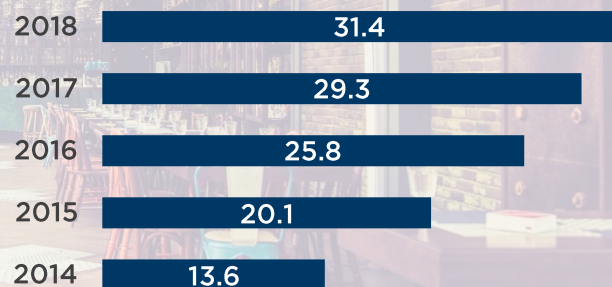
### TURNOVER EVOLUTION (M €)



## RESTO CLUB

Analyzed operators: 8  
 Number of units: 16 (09/2019)  
 Average sale/unit: 2 M € (2018)  
 TO growth 2014-2018: 23.3%/ year

### TURNOVER EVOLUTION (M €)





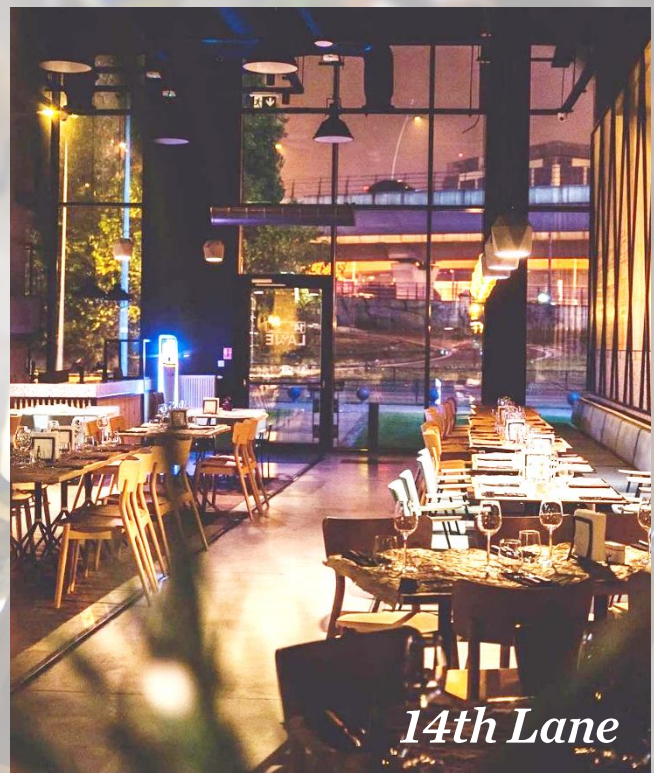
## RETAIL DEMAND AND RENTS

Most traditional and fine dining operators prefer high-street locations, sometimes in the form of historic buildings and premises, in order to differentiate and provide unique experiences to their target customers. Apart from the old city center, which is the main F&B hotspot in Bucharest, the upper-middle segment is mainly developed in the central - northern area of the city, from Piata Victoriei towards Floreasca, Dorobanti and Herastrau premium residential neighborhoods.

When it comes to the fast food operators, they tend to split their locations between shopping centers and high-street in order to increase their brand awareness and to benefit from pedestrian traffic and from the constantly increasing leisure component of the new shopping centers.

The rental values normally fall in the € 70-80 /sq m/ month range for a ~100 sq m unit in a dominant shopping center in Bucharest, while similar units located on a prime high-street location in Bucharest and in the major regional cities would be rented at € 50-60 /sq m/ month.

There are several operators that chose a larger unit-size, in the 200-500 sq m area and that is the case for both fast-food (typically drive-thru) and fine dining units that are located on high-street areas. Only a few units exceed 500 sq m as those are generally either flagship or landmark restaurants such as the 8,000 sq m Beraria H, the largest beer hall in Eastern Europe, or the 2,000 sq m Hard Rock Café, both located in the northern and most affluent part of Bucharest.



14th Lane



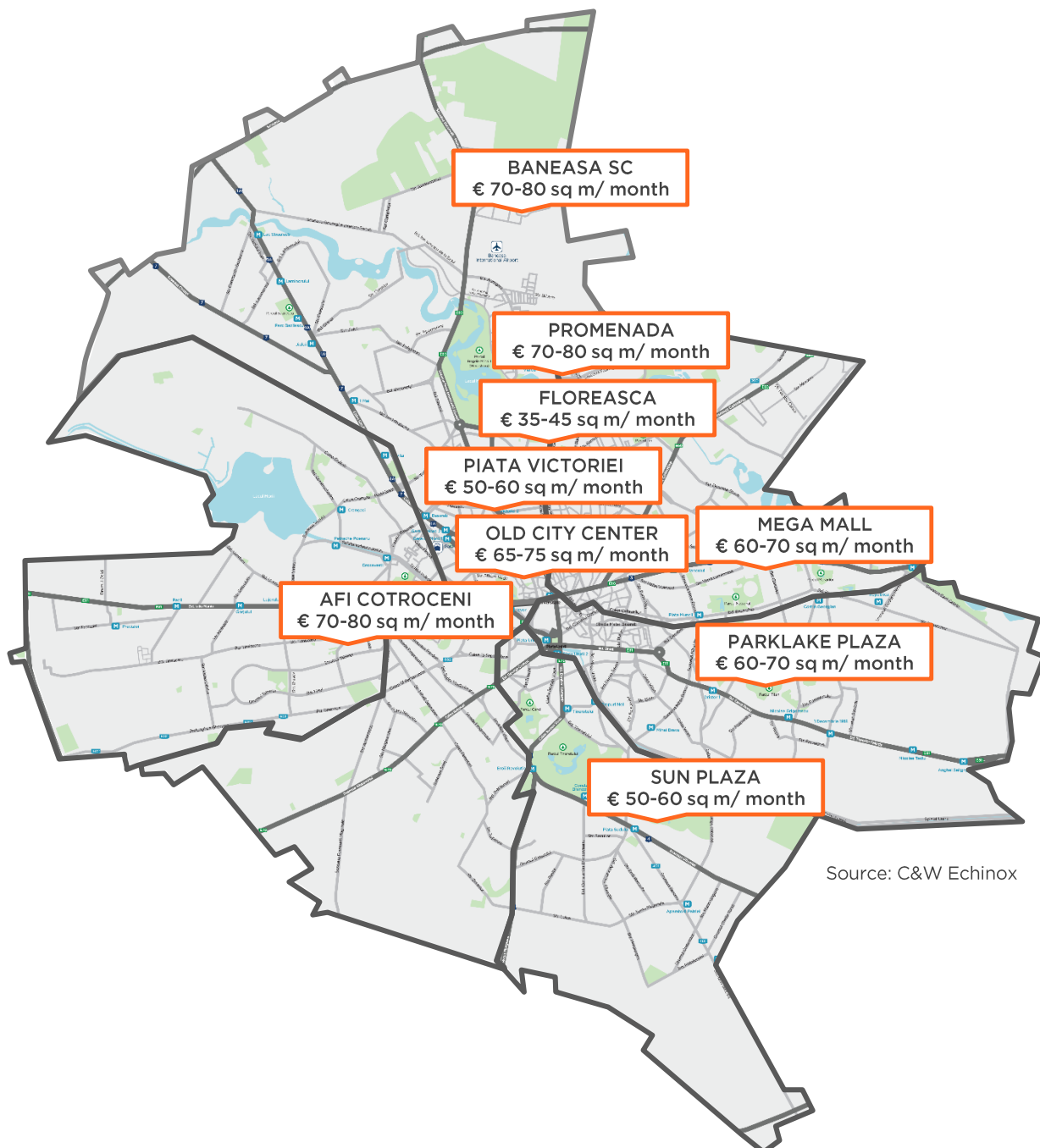
*The upper-middle segment is mainly developed in the central – northern area of the city, from Piata Victoriei towards Floreasca, Dorobanti and Herastrau premium residential neighborhoods.*





## MAP: PRIME RENTS FOR F&B UNITS

The rents for Food & Beverage units (~100 sq m) in the prime retail areas of Bucharest range between € 35-45/ sq m/ month in Floreasca Dorobanti area and reach € 70-80/ sq m/ month in the best performing shopping centers, such as Baneasa Shopping City, Promenada Mall and AFI Palace Cotroceni.



Source: C&W Echinox



## CONCEPTS & TRENDS

### FOOD HALL EMERGENCE

In regards to new trends, we have to mention that the food hall concept is in its early stages in Bucharest, with the first projects of this kind being delivered in 2019.

14th Lane is a project developed at the ground floor of The Bridge office building in Bucharest and has a capacity of 400 seats, providing a la carte menus from five different culinary styles provided by the same operator.

Agora Floreasca, which consists in a major refurbishment of the former Floreasca market in the central-north part of Bucharest, consists of approximately 15 units distributed on four levels (UG+GF+2F), hosting a variety of restaurants (Italian, French, fish, French pastry), as well as a boutique shop specialized in craft beer, a hair dresser, a library and a perfumery.

Carnivale Food Market, located at the ground floor of Timpuri Noi Square office project, accommodates seven vendors with four types of cuisine, the project being developed by Fratelli group, one of the most experienced local operators in the industry.

### OFFICE HUB CONNECTION

Numerous F&B operators have expanded their operations in the most representative office projects in Bucharest.

For example, one of the most successful projects is Aviatorilor 8 from Piata Victoriei, where the developer created an F&B area consisting of five diverse units - 5ENSI, French Revolution, Gastro Lab, Japonos and Manufaktura The Coffee Shop.

Furthermore, we have to point out to the increasing number of food trucks and food festivals around the country that also help in terms of expanding culinary options and of raising awareness around the industry.







*Agora Floreasca*



## FOOD DELIVERY BOOM

Taking advantage of the technological progress and the lack of time of young professionals, the market has also been significantly boosted by the emergence of food delivery segment.

Operators such as Uber Eats, Foodpanda or Glovo have a strong presence in Bucharest and also in the other major regional cities, where bicyclists carrying colorful boxes became a common picture in the cities landscape.

## NEWCOMERS...

In terms of new operators that will enter the Romanian F&B market, the most relevant is Burger King, operated under a franchise agreement by AmRest Group, which plans to reach 60 units in the following five years. This is another major entry on the fast-food segment, after Taco Bell, which opened its first unit in Romania in 2017.

A special attention needs to be dedicated to the concepts developed by the local entrepreneurs or chefs, such as Joseph Hadad (Caju), Adi Hadean (METAic), FOA (Stradale) or Alex Petricean (Noua), who regularly stun the market with appealing fast casual or fine dining concepts.



*Stradale*





## F&B MARKET OUTSIDE BUCHAREST

There are also numerous concepts and F&B trends that originated from outside Bucharest, as cities such as Cluj-Napoca or Iasi come at the forefront in this regard.

One must mention the burger-based Vivo restaurant chain, that was initially founded in Iasi in 2013 and which expanded in Bucharest with two further restaurants: one in the already established Floreasca F&B hub in 2015 and another one in the AFI Park office project in 2018. Vivo strongly contributed to the so-called “gourmet burger revolution” in Bucharest, as its success triggered the emergence of a significant number of other similar concepts.

Cluj-Napoca is the home of a number of brands, some of them which have not yet come to Bucharest, but have been very successful and profitable in the western part of the country. Panemar, for example, a bakery producer holds around 30 stores in Cluj-Napoca and the nearby area, while Salad Box, a brand which originated in Cluj in 2012, reached a network of 40+ restaurants.

Moreover, Marty Restaurants only opened its first unit in Bucharest in 2018, after establishing itself as a well-known operator in Cluj-Napoca where it holds 8 other locations.

Sergiana from Brasov is a food producer with an extended network of shops, which is also very-known for operating eight traditional restaurants in Brasov area, amongst the best performing ones.

Republic of Moldova is another source of new concepts and ideas for the local F&B market, with Tucano coffee stores and Sushi Terra restaurants being amongst the most active players during the last years.







*Marty Restaurant  
/ Cluj*



*Vivo Fusion Food Bar  
/ Iasi*





# CONCLUSIONS & FUTURE DEVELOPMENTS

The F&B market in Romania will undoubtedly continue its expansion in the coming years as the increasing wages and purchasing power will provide a consistent platform to support this growth. A conservative estimate shows that an average annual growth of 10% will allow this industry to reach revenues of €5 billion by 2022-2023.

Moreover, fast-food operators such as McDonald's or KFC have announced plans to reach more than 100 nationwide locations by 2023 and considering their current revenue increases, it is very possible that those expansion targets will be met in due time.

Another crucial factor that will play a part in this industry growth pertains to food delivery providers that also plan to expand their operations in almost all the county seats. A study conducted by the Frost & Sullivan strategy consulting and research firm shows that the food delivery industry will enjoy global revenues of more than \$ 200 billion by 2025, 2.5 times the present values and the Romanian market is expected follow suit as well.

Food halls and office buildings are other areas to be exploited by F&B operators in the following period. Taking into account the office pipeline in Bucharest and the other major regional cities, we expect a significant number of restaurants and bars to populate the ground and top floors of those new office buildings.



The emergence of a number of successful medium-priced fast-casual restaurants also creates the basis for the development of other food hall projects that will incorporate 10-15 restaurant operators on medium-sized locations (3,000-5,000 sq. m GLA).

Last, but not the least, we expect the F&B units located in shopping centers to continue to thrive as a result of the existing demand for food and leisure options. All the future shopping centers have a solid leisure component that aims to meet the contemporary need for experiences and "feel-good factor" while shopping.



# BUCHAREST LEASING TERMS

	Base Rent €/ sq m	Service Charge €/ sq m	Marketing Charge €/ sq m	Turnover Rent (%)	Guarantee (bank guarantee/ cash deposit)	Lease Term (years)
<b>Shopping Centers</b>	50 - 80	12 - 14	2 - 4	7 - 10	3 months	5
<b>Office Buildings</b>	15 - 30	3 - 4	-	-	3 months	5
<b>Street Locations</b>	35 - 75	-	-	-	1 - 2 months	3-5

Source: C&W Echinox

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The Research Department follows the evolution of the real estate market, interprets the important events and anticipates the trends of the sector. During the last three years, the Research Department has conducted more than 50 customized reports for local and international investors, banks and European institutions.

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