

## PROPERTY TIMES

Retail properties on  
investors' radars

## Romania Investment H1 2016

## Macroeconomic background

Throughout H1 2016 the Romanian economy has maintained the strong momentum carried over from last year, recording the highest increases in GDP growth in the European Union. Sustained by monetary and fiscal easing, Romania's GDP grew by 5.2% y/y. According to the European Commission, GDP growth is forecasted to be of 4.2% in 2016 and 3.7% in 2017. Domestic demand will be the main driver of growth over the medium term, being stimulated by low inflation, tax cuts, real income increase and a constant decrease in unemployment.

Table 1

Romania Macroeconomic Indicators

	End of H1 2016 (y/y)	Directional outlook
GDP Growth rate (%)	5.2	↗
GDP per capita (€)	7,200	↗
Public debt as a % of GDP	38.4	↘
Budget deficit (%)	1.5	↗
Monetary policy rate (%)	1.75	→
CPI (%)	- 0.7	↑
Construction works y/y (%)	5	↗
Retail sales y/y (%)	18	↗
Unemployment rate (%)	6.4	↓
Average exchange rate (1 € to RON)	4.5	→

Source: National Bank of Romania, INSSE, European Commission

## Investment activity

In H1 2016, the total value invested in commercial property in Romania exceeded € 370 million. Bucharest attracted € 197 million, which represents more than 50% of the total investment value. The most dominant segment has been the retail sector. The estimated value of transactions of retail properties is more than € 200 million, representing 54% of the total investment volume.

NEPI continued to be an active buyer. The South – African investment fund acquired Sibiu Shopping City, the largest retail park located outside Bucharest. The total deal value was € 100 million. This is the highest investment value recorded for a transaction involving a retail property located in a regional city.

The office sector attracted 25% of the total investment volume recorded in H1 2016. The Polish real estate investor GTC has once again shown interest in purchasing commercial properties. GTC acquired two office properties located in the Central Business District of Bucharest. The industrial sector, dominant in 2015, attracted 21% of the total investment volume.

Overall for 2016 we estimate the total volume of investments to reach ~ € 600 million. Although it is very dependent on some deals which are still to close, the retail sector will dominate the investment market this year.

## Prime Yields

Compared to other investment destinations in the CEE region, Romania has the most attractive returns. Prime office properties achieve yields of around 7.5%, while yields for prime shopping centers are at 7%. For prime industrial properties, the yield stands at 9%.

Table 2

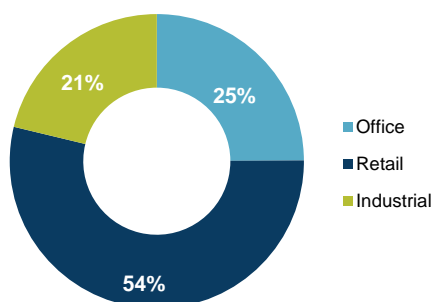
Prime yields in CEE end of H1 2016, %

City	Office	Retail	Industrial
Bucharest	7.50	7	9
Warsaw	5.5	5	6.75
Prague	5	4.5	6.5
Bratislava	7.00	5.50	7.75
Budapest	6.75	6.25	8.25

Source: DTZ Research

Figure 2

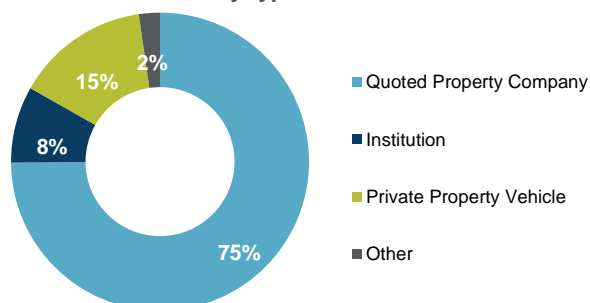
Investment volume by sector in H1 2016



Source: DTZ Research

Figure 3

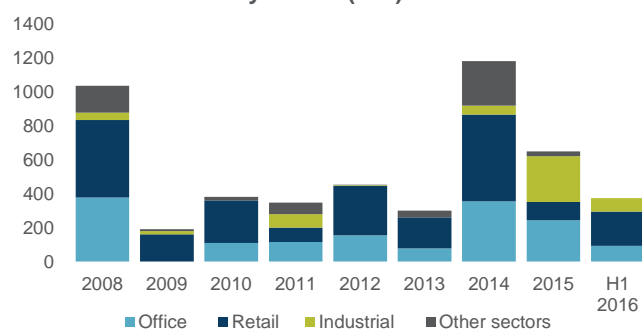
Investment volume by type of investor in H1 2016



Source: DTZ Research

Figure 4

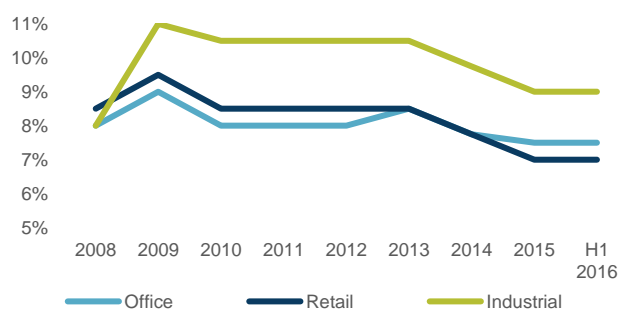
Investment volume by sector (€ M)



Source: DTZ Research

Figure 5

Prime yields evolution



Source: DTZ Research

Table 3

Major investment transactions H1 2016

City	Sector	Property	Purchaser	Vendor	Price (€ million)
Bucharest	Office	Premium Point & Premium Plaza	GTC	VB Real Estate	32*
Bucharest	Industrial	Chitila Logistics Park	UBM Development	Montero Logistica	18
Bucharest	Retail	Mega Mall	NEPI	Real4You	72*
Sibiu	Retail	Sibiu Shopping City	NEPI	ARGO	100

\*Estimated

Source: DTZ Research

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