

MARKETBEAT

ROMANIA RETAIL H1 2018

Deliveries expected to pick-up in H2 2018



Supply

Romania's modern retail stock amounts to 3.62 million sq. m at the end of H1 2018. Most of the retail stock is represented by shopping malls – 59%, followed by retail parks – 33% and commercial galleries - 8%.

During H1 2018, only 14,000 sq. m of new retail spaces were delivered, as the total stock decreased due to the partially closure of the 36,000 sq. m Vitantis retail park in Bucharest. The two mentioned deliveries were Bistrita Retail Park and Foscani Value Center, projects developed by Element Development and Prime Kapital respectively.

The average retail space density in Romania reached 184 sq. m / 1,000 inhabitants.

The modern retail stock in Bucharest amounts to 1.19 million sq. m, while the retail space density is of 651 sq. m / 1,000 inhabitants, 3.5 times higher than the national average.

Figure 1

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



Source: Cushman & Wakefield Echinox

Demand

The retail sales in Romania continue to be on a positive trend. After two consecutive years of double digit growth, the National Institute of Statistics calculated that retail sales increased with 6.5% during the first six months of 2018, when compared to the same period of 2017. This evolution was mainly driven by food and non-food sales, which were higher by 7.0% and 7.4% y-o-y, while petrol sales only increased by 4.4% during the same period.

The retail growth is based on inflation, since in June 2018 the consumer price index was of 5.4% compared to June 2017, but also on an increasing purchasing power. Between May 2017 and May 2018, the average net salary in Romania saw a 12.3% growth, while the unemployment rate decreased from 4.9% to 4.5% y-o-y in June.

Retailers' expansion plans were influenced by the limited number of completions. Discounters, such as Pepco and JYSK, were among the most active retailers, as their strategy is to cover secondary and tertiary cities too. On the other hand, Under Armour opened its first store outside Bucharest, in Timisoara, while Hugo Boss returned on Calea Victoriei in Bucharest, at the ground floor of Radisson Blu hotel.

Food retailers have enlarged their networks especially on the supermarket and proximity segments. Profi continued to be the most active, with app. 100 stores opened during the first half of 2018, as the company aims to open another 100 stores by the end of the year. Mega Image opened another Concept Store in Bucharest and more than 30 stores in total in H1.

On the hypermarket segment, the activity has been limited, as only Kaufland opened new stores (3) in Bucharest, Buzau and Satu Mare, while Carrefour maintained their strategy to focus on the supermarket segment, with no further hypermarket openings, seeing the closure of their Vitantis store in January.

In terms of new entries, Bucharest remains the first option for most of the retailers targeting Romania.

Table 1

New entries H1 2018

Brand	Segment	Location
Hugo Boss	Fashion	Calea Victoriei – Radisson Blu
La Perla	Fashion	Calea Victoriei – Radisson Blu
TAG Heuer	Accessories	Baneasa Shopping City
Pinko	Fashion	Baneasa Shopping City
Momax	Home & Deco	Timisoara

Source: Cushman & Wakefield Echinox

Vacancy rate

Dominant retail projects	Secondary retail projects
<1%	4 - 6%

Source: Cushman & Wakefield Echinox

Rents

The owners of the dominant shopping centers in Romania are experiencing a flourishing period, with occupancy rates close to 100%, while most tenants report record sales, exceeding the turnover rent threshold.

Prime rental level has remained stable, but we expect an increasing pressure and higher rents in the best performing shopping centers. At the end of H1 2018, headline rents achieved for 100 sq. m units in prime shopping centers in Bucharest range between € 70 – 80 / sq. m/ month.

Headline rents achieved for 100 sq. m units in dominant shopping centers outside Bucharest range between € 35 – 40 / sq. m/ month in cities such Cluj-Napoca, Timisoara, Iasi or Constanta. For tertiary cities, the prime headline rents are between € 18 – 23/ sq. m/ month.

Table 2

H2 2018 New supply

Project	GLA (sq. m)	Developer	Type	City
Shopping City Satu Mare	28,700	NEPI Rockcastle	Shopping Center	Satu Mare
Baia Mare Value Center	22,500	Prime Kapital	Retail Park	Baia Mare
Roman Value Center	20,000	Prime Kapital	Retail Park	Roman
Slobozia Value Center	10,000	Prime Kapital	Retail Park	Slobozia
Shopping City Sibiu	9,700	NEPI Rockcastle	Extension	Sibiu

Source: Cushman & Wakefield Echinox

Outlook

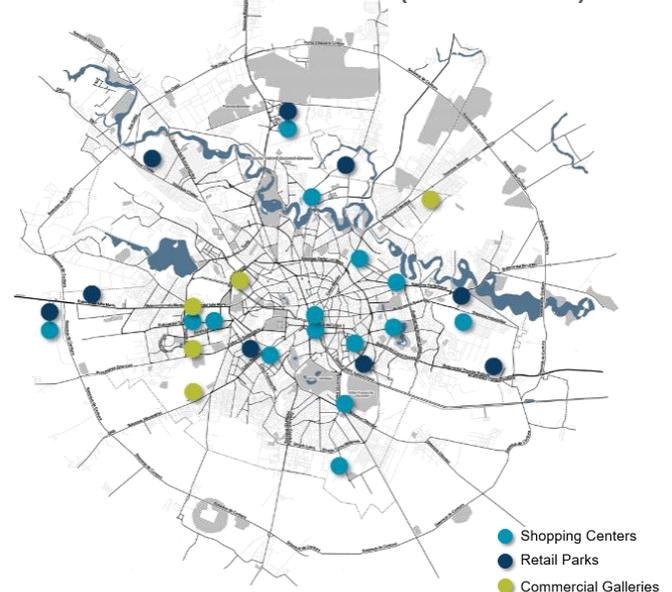
The development activity is expected to resume in the second half of the year, with South-African investors in the first line. NEPI Rockcastle, the largest owner of retail assets in Romania, will continue to develop its portfolio by adding a new 28,700 sq. m scheme in Satu Mare.

During the last few years, Prime Kapital secured plots of land for several new retail schemes with a total GLA of app. 300,000 sq. m which are due to be delivered between 2018 – 2020. The group completed several small retail parks in tertiary cities and will deliver three new projects by the end of the year, in Baia Mare, Roman and Slobozia.

As it stands, no new projects will be delivered in Bucharest this year, except for a 37,000 sq. m IKEA store, which will be completed in H2 2018. Going forward, new projects are planned for Floreasca (Automatica site) and Pallady (Policolor site), while Colosseum Retail Park, Promenada Mall and AFI Palace Cotroceni will increase their retail and entertainment offer, by adding new spaces.

Map 1

Bucharest - Modern retail schemes (end of H1 2018)



Source: Cushman & Wakefield Echinox

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