

# MARKETBEAT

## ROMANIA RETAIL H1 2019

### Focus on retail parks and shopping center extensions



### Supply

The total modern retail stock in Romania amounts to 3.74 million sq. m at the end of H1 2019. Most of the retail stock is represented by shopping centers – 57%, followed by retail parks – 35% and commercial galleries - 8%.

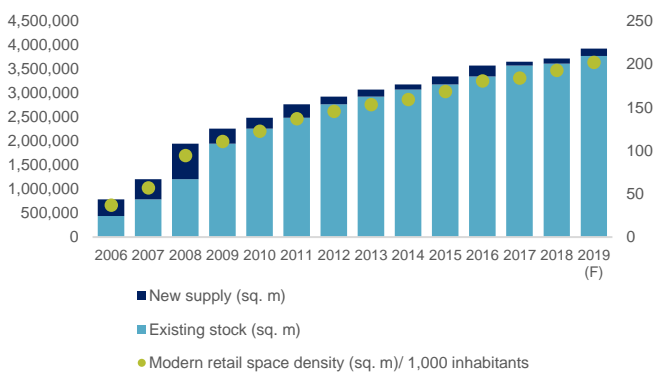
During H1 2019, only two project extensions have been delivered, at Shopping City Sibiu and Tom Shopping Center in Constanta, totaling 7,500 sq. m, with the main deliveries planned for the second part of the year.

The average retail space density in Romania reached 192 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

Romania recorded a solid 5.0% GDP growth in the first quarter of 2019, the second highest in the European Union and more than three times higher than the EU average. Retail sales increased 6.8% y-o-y during the first six 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 saw an impressive increase – 15.8% y-o-y during the first five months of this year.

Discounters, such as Pepco, JYSK or KIK are among the most active retailers, with consistent increases in both turnover and the number of new stores opened across the country. Inditex decided to open the company's first Zara Home and Oysho stores in Timisoara in the extension of Iulius Mall project, where they currently occupy 8,000 sq. m with seven brands.

In terms of new entries, Bucharest remains the first option for most of the retailers targeting Romania. The L'Oréal luxury perfume brand Atelier Cologne opened their first store in Romania in Bucharest, in Baneasa Shopping City. Moreover, Topshop entered the Romanian market via a franchise operator in Bucuresti Mall, the first modern shopping center developed in the country. Other cities have also been targeted by new retailers, as the fashion operator De Facto opened its first store in Romania in the Sibiu Shopping Center extension. A new cinema operator also entered the market, as Cineplexx, an Austrian company, took over the multiplex cinemas from Baneasa Shopping City and Iris Titan, further planning to expand in other locations in Romania.

FMCG retailers maintained their strong momentum especially on the supermarket and proximity concepts. Profi is the most active retailer, with more than 100 store openings during H1 2019, breaking the 1,000-stores threshold. Mega Image also had a strong activity, with 30+ stores opened, their network now encompassing more than 700 stores. In regards to the hypermarket segment, retailers have been less active in the first part of the year, as only Kaufland opened new stores (6 in total). In the second half of the year, Carrefour plans to open two hypermarkets in Prime Kapital's projects in Bucharest (Balotesti) and Zalau, while Kaufland is expected to maintain the same expansion pace.

The F&B sector in Bucharest was enhanced by the completion of Agora project in Floreasca area, where five new units were opened to extend the existing offer providing Italian (Sara), French (Masion des Chefs) and Greek (Yasou) cuisine, sea food (Fish House) and French bakery (Paul).

Table 1

**H1 2019 New entries**

Brand	Segment	Location
Topshop	Fashion	Bucuresti Mall
Atelier Cologne	Cosmetics	Baneasa Shopping City
De Facto	Fashion	Sibiu Shopping City
Cineplexx	Cinema	Baneasa Shopping City

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%, as most tenants report record sales.

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 2019, headline rents achieved for 100 sq. m units in prime dominant shopping centers in Bucharest range between € 80 – 100 / sq. m/ month.

Headline rents achieved for 100 sq. m units in dominant shopping centers outside Bucharest range between € 37 – 42 / sq. m/ month in cities such Cluj-Napoca, Timisoara, Iasi or Constanta. For secondary cities, the prime headline rents are between € 28 – 33/ sq. m/ month.

Table 2

### 2019 New supply

Project	GLA (sq. m)	Developer	Type	City
Festival Centrum	42,000	NEPI Rockcastle	Shopping Center	Sibiu
Iulius Mall Timisoara	33,000	Iulius Group & Atterbury	Extension	Timisoara
DN1 Value Center	28,500	Prime Kapital	Retail Park	Bucharest (Balotesti)
Zalau Value Center	18,000	Prime Kapital	Retail Park	Zalau
Auchan Satu Mare	10,700	Ceetrus	Extension	Satu Mare
Veranda Mall	7,000	Veranda Obor	Extension	Bucharest

Source: Cushman & Wakefield Echinox

## Outlook

### Oana Iliescu

Managing Director

+40 21 310 3100

oana.iliescu@cwechinox.com

### Bogdan Marcu

Partner, Retail Agency

+40 21 310 3100

bogdan.marcu@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

### 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 2019

The development activity is expected to be strong in H2 2019, as NEPI Rockcastle, the largest owner of retail assets in Romania, plans to deliver Festival Centrum, a new 42,000 sq. m shopping center in Sibiu, while Iulius Group, the most important Romanian retail developer, will extend its scheme in Timisoara by 33,000 sq. m, thus making it the largest in the country (103,000 sq. m). Total deliveries in the second part of 2019 will amount to almost 150,000, representing one of the most active semesters in the last few years in terms of retail developments.

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 will be delivered between 2019 – 2021. The group completed several small and medium projects during the last two years and will continue their expansion in cities such as Iasi, Ploiesti, Pitesti and Targoviste.

In regards to Bucharest, 2019 saw the opening of the second IKEA store, located on Pallady Bd., in the eastern part of the city, while in the second part of the year two new deliveries are planned, namely the DN1 Value Center retail park and the Veranda Mall extension, totaling 35,500 sq. m. Going forward, Colosseum Retail Park will finalize a 16,500 sq. m extension in 2020, while Promenada Mall and AFI Palace Cotroceni will increase their retail and entertainment offer, by adding new spaces post-2020.

Map 1

### Bucharest - Modern retail schemes (end of H1 2019)



Source: Cushman & Wakefield Echinox

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