

MARKETBEAT

ROMANIA RETAIL H2 2018

Heading towards the 4 mil. sq. m threshold



Supply

Romania's modern retail stock amounts to 3.72 million sq. m at the end of H2 2018. Most of the retail stock is represented by shopping centers – 58%, followed by retail parks – 34% and commercial galleries - 8%.

During H2 2018, almost 90,000 sq. m of new retail spaces were delivered, after only 14,000 sq. m being opened in the first half of the year. The most significant delivery was NEPI Rockcastle's 28,700 sq. m shopping center in Satu Mare, while Prime Kapital and MAS Real Estate continued their strong expansion by delivering three retail parks in Baia Mare, Roman and Slobozia.

The average retail space density in Romania reached 191 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, albeit at a slower pace. After two consecutive years of double-digit growth, the National Institute of Statistics reported an increase of 5.6% during the first eleven months of 2018, when compared to the same period of 2017. This evolution was mainly driven by food and non-food sales, which recorded y-o-y increases of 6.3% and 6.4% respectively.

The retail growth is driven by inflation, as the consumer price index in December 2018 was 3.3% higher compared to December 2017, but also by an increasing purchasing power. The average net salary in Romania saw a robust 13.3% y-o-y growth in November, while the unemployment rate decreased in the same period from 4.8% to 3.9%.

Discounters, such as Pepco and JYSK, were among the most active retailers, as their strategy is to cover even the smaller cities with 10,000 – 20,000 inhabitants. In terms of new entries, Bucharest still remains the first option for most of the retailers targeting Romania, with few exceptions as well. The Japanese retailer Miniso opened their first store in Romania in Bucharest, while the German fashion retailer Kik stepped in Romania through a first store in Oradea, followed by other units in Piatra Neamt, Braila, Bistrita or Botosani.

FMCG retailers maintained their strong momentum especially on the supermarket and proximity segments. Profi is still the most active retailer, with 230 stores opened during 2018, as the company aims to reach 1,000 stores in 2019. Mega Image came second with 83 new stores opened throughout 2018, as the Belgian retailer is set to break the 700-store threshold in 2019, further expanding outside their traditional bases near Bucharest, presently operating 17 stores in Cluj-Napoca and Timisoara.

On the hypermarket segment, the activity picked up in the second half of the year, as Carrefour opened three units in Prime Kapital's projects from Baia Mare, Roman and Satu Mare, while Kaufland opened their second unit in Resita.

Table 1

New entries H2 2018

Brand	Segment	Location
Miniso	FMCG	Veranda Mall
Vitapur	Home & Deco	Mega Mall
Kik	Fashion	Prima Shops Oradea
50 Style	Sport	Iris Shopping Center
Michal Negrin	Jewelry	AFI Palace Cotroceni

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, thus mainly paying turnover rents.

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 H2 2018, headline rents achieved for 100 sq. m units in prime dominant shopping centers in Bucharest range between € 60 – 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 secondary cities, the prime headline rents are between € 25 – 30/ 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
Colosseum Retail Park	16,500	Nova Imobiliare	Extension	Bucharest
Auchan Satu Mare	10,000	Ceetrus	Extension	Satu Mare
Shopping City Sibiu	9,700	NEPI Rockcastle	Extension	Sibiu
Veranda Mall	7,000	Veranda Obor	Extension	Bucharest

Source: Cushman & Wakefield Echinox

Outlook

The development activity is expected to continue in 2019, as NEPI Rockcastle, the largest owner of retail assets in Romania, plans to deliver Festival, 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). For 2019, total deliveries are expected to exceed 200,000 sq. m, double compared to previous year, due to a couple of new schemes and several extensions.

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.

As it stands, the only projects to be delivered in Bucharest in 2019 are extensions of the Veranda Mall and of the Colosseum Retail Park totaling 23,500 sq. m. Going forward, new projects are planned for Floreasca, Pallady and Colentina, 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 H2 2018)



Source: Cushman & Wakefield Echinox

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