

# MARKETBEAT

## ROMANIA INVESTMENT H2 2018

# Romanian capital takes the pulse of the market

### Macroeconomic background

Romania recorded a 4.2% GDP growth during the first 9 months of 2018, with industrial and agricultural production the largest contributors to this increase. After two consecutive years of double-digit growth, retail sales remain on a positive trend, albeit at a more sustainable level.

The National Institute of Statistics reported a 5.6% retail sales growth during the first 11 months of 2018, compared to the same period of last year. Unemployment is low, reaching 3.9% in November 2018, whereas the average net salary is still rising, recording a 13.3% increase in November 2018 when compared to November 2017.

Table 1

#### Romania Macroeconomic Indicators

	2018 (y/y)	Directional outlook
GDP Growth rate (%)	4.2	→
GDP per capita (€)	10,500	↗
Gov. debt as a % of GDP	33.9	→
Budget deficit (%)	2.9	→
Monetary policy rate (%)	2.5	→
CPI (%)	3.3	→
Construction works y/y (%)	-4.1	→
Retail sales y/y (%)	5.6	→
BIM unemployment rate (%)	3.9	↓
Average exchange rate (1 € to RON)	4.65	↗

Source: National Bank of Romania, INSSE, Eurostat

### Investment activity

In 2018, the total volume invested in commercial property in Romania reached € 957 million, compared to € 989 million in 2017. Bucharest attracted 81% of the total investment volume, down from 93% last year.

Regional cities with investment activity were Cluj-Napoca, Arad (having a share of 4% each), Timisoara (3%) and Sibiu (2%). These cities attracted investors mainly for industrial and retail properties.

The most active segment was the office sector, with an estimated total transaction value of app. € 531 million, representing 55% of the total investment volume. The retail segment came second, attracting 33% of the capital, while the industrial segment recorded a significant increase in terms of the investment with a share of 9%.

The largest transaction in terms of value was the acquisition of the first two office buildings of The Bridge project (58,000 sq. m GLA) in Bucharest for an estimated € 140 million. Dedeman, the dominant Romanian DIY retailer, who bought the first two phases, will also acquire the third building of the project which is currently under construction. This will set new records for the local market, being both the largest office transaction and also the largest acquisition completed by a Romanian investor.

Moreover, another important office transaction concluded in H2 was the acquisition of The Landmark project in Bucharest's CBD by Revetas and Cerberus from Piraeus Bank.

When it comes to the retail sector, the most relevant transaction was the purchase by the Portuguese retail developer Sonae Sierra of the remaining 50% share of the ParkLake shopping center in Bucharest from Caelum Development.

### Prime Yields

Compared to other investment destinations in the CEE region, Romania still has the most attractive yields. On average, prime yields in Bucharest are higher by between 125 - 285 basis points for office, 150 – 325 basis points (for Retail) and 150 – 325 basis points (for industrial) compared to the other main markets. We anticipate between 25-50 basis points compression in prime office and industrial yields in 2019 as more core capital is expected to enter the market.

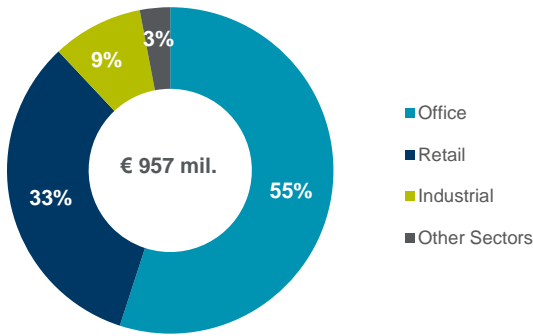
Table 2

#### Prime yields in CEE end of 2018 (%)

City	Office	Retail	Industrial
Bucharest	7.25	6.75	8.75
Warsaw	4.75	4.50	6.50
Prague	4.40	3.50	5.50
Bratislava	6.00	5.25	6.50
Budapest	5.15	4.75	7.25

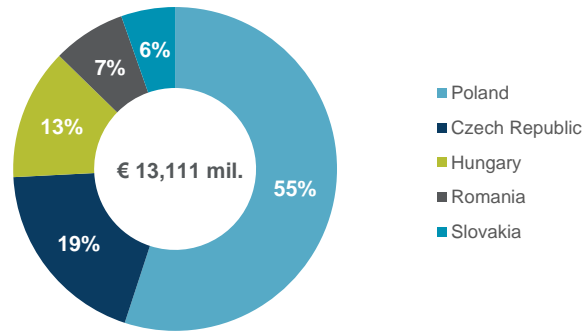
Source: Cushman & Wakefield

Figure 1  
Investment volume by sector in Romania in 2018



Source: C&W Echinox

Figure 2  
Investment volume in the CEE in 2018



Source: C&W Echinox

Figure 3  
Investment volume by sector (€ M)

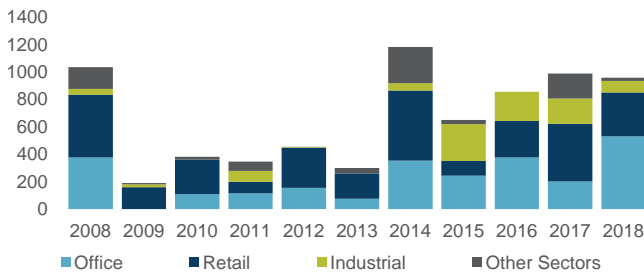


Figure 4  
Prime yields evolution

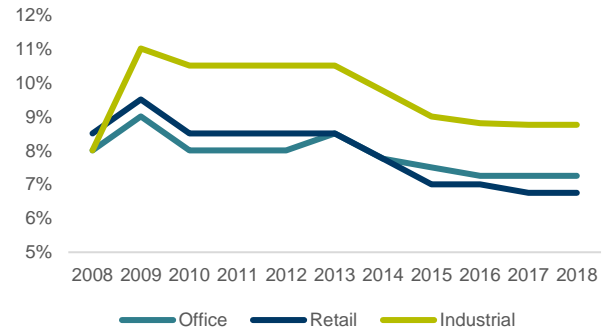


Table 3

Source: C&W Echinox

Major investment transactions 2018

City	Sector	Property	Purchaser	Vendor	Price (€ million)
Bucharest	Office	The Bridge I&II	Dedeman	Forte Partners	140*
Bucharest	Retail	50% of ParkLake Shopping Center	Sonae Sierra	Caelum Development	120*
Bucharest	Office	Oregon Park A & B	Lion's Head Investments (Old Mutual & AG Capital)	Portland Trust - ARES	110*
Bucharest	Retail	Militari Shopping Center	MAS Real Estate - Prime Kapital	Atrium European Real Estate	95
Bucharest	Office	The Landmark	Revetas – Cerberus Capital	Piraeus Bank	65*
Bucharest	Office	Campus 6.1	CA Immo	Skanska	53
Bucharest	Office	Crystal Tower	PPF Real Estate	Search Corporation	43
Arad	Retail	Atrium Mall	MAS Real Estate – Prime Kapital	Granit Polus	41

Source: C&W Echinox \*estimated

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