

ROMANIA

Cushman & Wakefield
Global Cities Retail Guide



Romania is the second largest country in Central & Eastern Europe (CEE), accounting for an official population of 20.1 million.

Approximately 55% of the population lives in urban areas. The capital and the largest city is Bucharest, with a population of 1.88 million (2.3 million including the surrounding Ilfov county).

Romania has 24 cities of over 100,000 inhabitants, the largest after Bucharest being Cluj-Napoca, Timisoara, Iasi and Constanta with approximately 300,000 inhabitants each.

The first modern shopping center outside Bucharest opened in 2000, in Iasi, while the market really started to after the country joined the EU in 2007. As of the end of 2017, there is at least one modern retail scheme in every city in Romania with a population over 100,000 inhabitants.

The Romanian economy has maintained the strong momentum carried over from last year, recording the highest increase in GDP growth in the European Union. Domestic demand will be the main driver of growth over the medium term, being stimulated by low inflation, tax reductions, real income increase and a constant decrease in unemployment.



ROMANIA OVERVIEW

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ECONOMIC OVERVIEW

ECONOMIC SUMMARY

ECONOMIC INDICATORS*	2017	2018F	2019F	2020F	2021F
GDP growth	7.0	4.3	2.4	2.0	1.8
Consumer spending	10.2	4.0	2.1	1.9	1.7
Industrial production	9.2	6.7	4.7	4.0	3.3
Investment	3.7	2.8	1.6	1.6	1.6
Unemployment rate (%)	4.3	4.1	4.1	4.2	4.2
Inflation	1.3	3.8	3.5	3.2	2.9
Leu/ € (average)	4.6	4.6	4.5	4.5	4.5
Leu/ US\$ (average)	4.0	3.8	3.8	3.7	3.7
Interest rates Short term (%)	1.8	2.3	3.0	3.0	3.0

ECONOMIC BREAKDOWN

Population	19.8 million (2017)
GDP (nominal)	US\$ 210.9 billion (2017)
Public Sector Balance	-3.0% of GDP (2017)
Public Sector Debt	38.0% of GDP (2017)
Current Account Balance	-3.0% of GDP (2017)
Parliament	PSD-ALDE Majority
Head Of State	Klaus Iohannis
Prime Minister	Viorica Dancila
Election Date	November 2019 (Presidential), December 2020 (Parliamentary)

RETAIL SALES GROWTH: % CHANGE ON PREVIOUS YEAR

ROMANIA	2017	2018F	2019F	2020F	2021F
Retail Volume*	6.6%	1.1%	1.2%	1.5%	1.6%

Note: *annual % growth rate unless otherwise indicated.
Figures are based on local currency and in real terms.
E estimate F forecast

Source: Oxford Economics Ltd.

CITY	POPULATION
Bucharest	1,883,425
Cluj-Napoca	324,576
Timisoara	319,279
Iasi	290,422
Constanta	283,872
Craiova	269,506
Brasov	253,200
Galati	249,432
Ploiesti	209,945
Oradea	196,367
Braila	180,302



ROMANIA LARGEST CITIES

Source: National Institute of Statistics – Census 2011

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RETAIL OVERVIEW

MAJOR DOMESTIC FOOD RETAILERS

Regional chains of supermarkets such as Anabella, Diana, Unicarm, Succes, Merkur, etc.

MAJOR INTERNATIONAL FOOD RETAILERS

Kaufland, Carrefour, Auchan, Metro Cash & Carry, Selgros Cash & Carry, Mega Image, Lidl, Penny Market, Cora

MAJOR DOMESTIC NON-FOOD RETAILERS

Dedeman, Altex, Flanco, Mobexpert, Carturesti, Diverta, Musette, Benvenuti, BebeTei, B&B Collection, Teilor, Otter Group

INTERNATIONAL RETAILERS IN ROMANIA

Inditex Group (Zara, Bershka, Pull & Bear, Stradivarius, Oysho, Zara Home, Massimo Dutti, Uterque), H&M, C&A, New Yorker, Peek & Cloppenburg, LC Waikiki, Koton, LPP Group (Reserved, House, Cropp Town, Mohito, Sinsay), Intersport, Hervis, Decathlon, Nike, Adidas, Under Armour, Deichmann, CCC, Humanic, Sephora, Douglas, DM drogerie markt, IKEA, Kika, Leroy Merlin, Kingfisher, Cinema City

FOOD AND BEVERAGE OPERATORS

McDonald's, KFC, Pizza Hut, **Taco Bell**, Subway, Starbucks, Gloria Jeans Coffee, Paul Bakery, Salad Box, Chopstix

TYPICAL HOURS

MONDAY-FRIDAY

10.00-22.00

SATURDAY

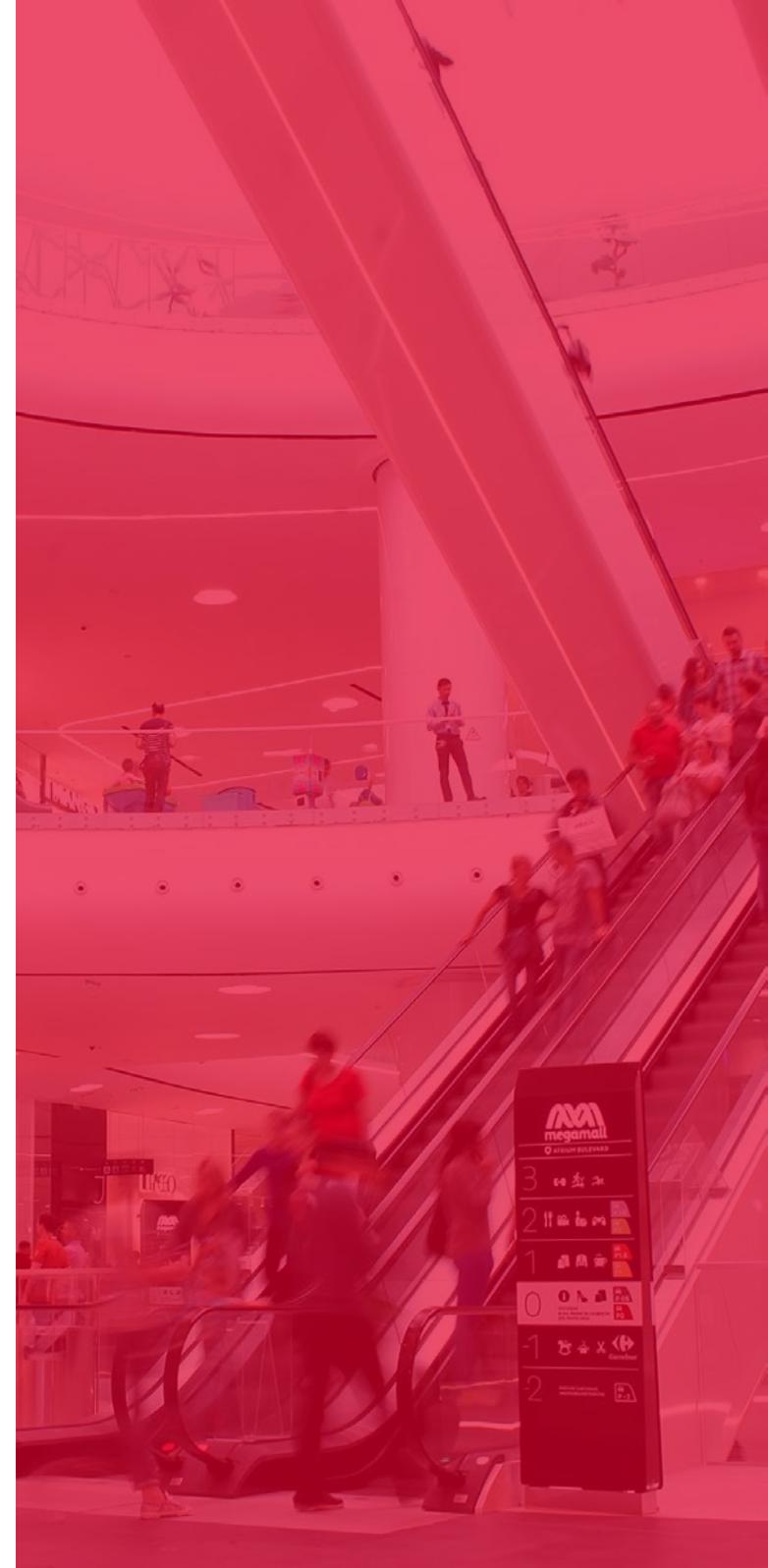
10.00-22.00

SUNDAY

10.00-22.00

NEW ENTRANTS TO MARKET

Uterque, Under Armour, Longchamp, Armani Exchange, Inci, AC&CO, Taco Bell, Tumi



ROMANIA

RETAIL SCENE

Romania is one of the most promising retail markets in Europe, with a solid 6.9% GDP growth and double digit retail sales increase in 2017.

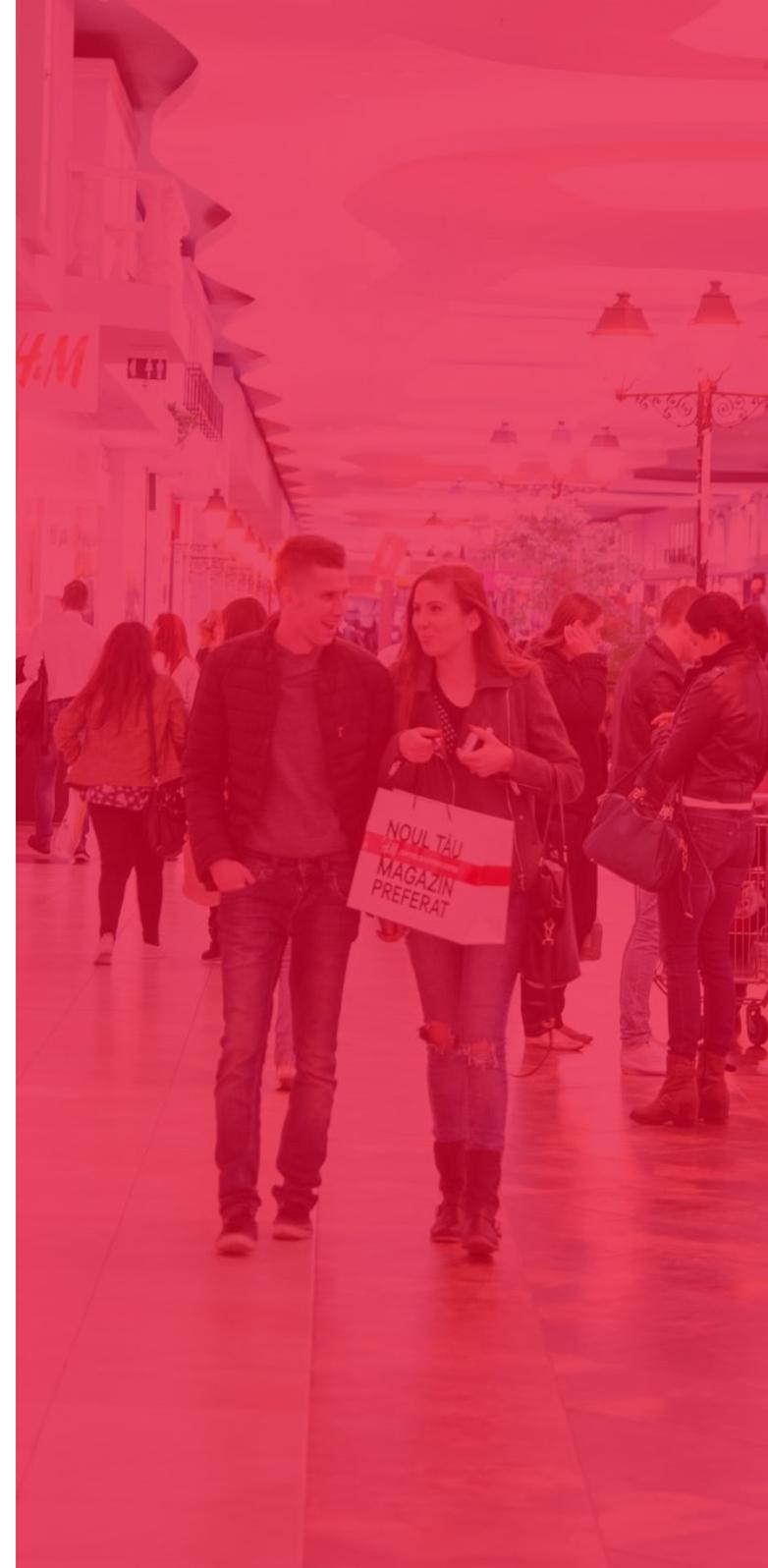
The pioneer brands, such as McDonald's (1995), Carrefour (2011) or Zara (2004) are today among the market leaders, but followers such as IKEA (2007), C&A (2009) and H&M (2011) succeeded to develop profitable operations.

The modern retail stock in Romania accounts to approximately 3.65 million sq m GLA at the end of 2017, distributed in more than 100 shopping centers, retail parks and commercial galleries. More than a third of this stock is concentrated in Bucharest, but cities such as Cluj-Napoca, Timisoara, Iasi and Constanta also have dominant regional shopping centers with total GLA between 50,000 sq. m to 70,000 sq. m each.

Except for electro-IT, DIY and bookstores, the rest of the retail segments are dominated by international groups, having IKEA (furniture), Kaufland (hypermarkets), Decathlon (sport articles), Inditex (fashion) and Deichmann (shoes) as market leaders. Many international retailers in Romania operate through franchises. Brands such as Inditex, IKEA, Carrefour and Auchan initially entered through franchises but have since decided to enter directly.

The market has a good momentum, with an equally balanced relation between tenants and landlords, since traffic and sales for the vast majority of retail schemes are increasing with double digit rates. Major shopping center owners in Romania are NEPI, Iulius Group, Immofinanz, AFI Europe and Immochan, each with more than 100,000 sqm GLA of modern retail space. Moreover, a new developer, Prime Kapital with capital of ~ 1 billion mainly active in Romania and focused on developing greenfield projects and acquiring assets with potential for further development, has entered the market last year.

E-commerce has developed quickly in Romania as a consequence of the large expansion of high-speed internet infrastructure, aggressive discounts promoted by online retailers, diversified payment methods and increasing number of retailers with on-line coverage. Internet sales record double-digit year-on-year growth and their share in total retail sales is increasing. eMag, the largest online store in Romania, owned by South-African group Naspers and focused on electro-IT segment, is today larger than Altex – Media Galaxy group, the market leader of the electro-IT offline segment.



ROMANIA

SHOPPING CENTRES

TOP TEN SHOPPING CENTRES BY SIZE

NAME	CITY	SIZE (GLA SQM)	YEAR OPENED
Iulius Mall	Timisoara	71,200	2005
Polus Center	Cluj-Napoca	62,000	2007
Coresi Shopping Resort	Brasov	59,000	2015
Shopping City Timisoara	Timisoara	57,700	2016
Iulius Mall	Cluj-Napoca	57,300	2007
Palas Mall	Iasi	57,150	2013
Electroputere Parc	Craiova	55,000	2011
Braila Mall	Braila	54,800	2008
City Park	Constanta	51,400	2008
Maritimo Center	Constanta	51,000	2011

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KEY FEATURES OF LEASE STRUCTURE

KEY FEATURES OF LEASE	
ITEM	COMMENT
Lease Terms	Traditionally, in Romania leases have been for a term of 5 - 10 years and could be higher – with 20 - 30 years often seen in parts of the retail market (eg for an anchor tenant). Leases are now more typically for 3-5 years. Break options were rare in the past but now are case by case negotiable, mainly for the anchor tenants. In the absence of a clear agreement in the lease, the tenant has no legal right to break as long as the landlord fulfils his obligations. Additionally, anchor tenants ask for break options linked to the occupancy of the project or the presence of certain tenants within the scheme.
Rental Payment	Rents are usually payable in advance on a monthly basis. Turnover/percentage rents are common seen in shopping centres and factory outlet. A security deposit is normally required for tenants as bank letter of guarantee or bank deposit in amount of 3 months of base rent + service charges + marketing fee + VAT. In specific cases of international anchors with a strong covenant or where a parent company guarantee (or less frequently a bank guarantee) is provided, it is not requested a security deposit. Premium payments are not common place in the retail market.
Rent Review	Annual indexation to CPI. There is no standard review mechanism and this may be negotiated in the lease.
Service Charges, Repairs and Insurance	A service charge is usually payable in multi-tenanted buildings and covers management fees, security, cleaning, landscaping, internal maintenance of common parts, external maintenance and insurance, servicing of elevators, water, heating, air conditioning, management fees and property taxes. It excludes internal maintenance and insurance of rented accommodation, utility charges and VAT. The landlord is responsible for external/structural matters in shopping centres (charged back via service charge) or tenant (except in multi-let buildings). The tenant is responsible for internal matters of the premises. The landlord usually insures the main structure and external fabric but will charge this back to the tenant. Insurance for common parts is also paid by the landlord and charged back. The tenant usually pays for internal insurance directly.
Property Taxes and other costs	The local government authority charge the 'rates', the local property tax for individual, while for the companies is calculated as percentage from the book value (0.75 – 1.50 %). Land taxes are based on sq. m basis.
Disposal of a Lease	Sub-letting is usually possible under the terms of the lease, subject to landlord's approval. Assignment rights are not normally barred in the lease but will also be subject to consent – which should not be unreasonably withheld. Early termination is only by break clause – to be negotiated at outset of lease by mutual consent upon negotiation. At lease end, the tenant is responsible for re-instating the premises to the same condition as at the start of the lease, subject to normal wear and tear. All tenant improvements must be approved by the landlord subject to the alteration covenant in the lease and the fact that approval should not be unreasonably withheld. Older leases may have Privity of Contract whereby all former lessees can be held liable for any default by a later tenant under the same lease
Valuation Methods	Shops are valued on the derived methods of income approach such as: direct capitalization, discounted cash flow etc.
Legislation	Leases must be in writing and the lease document forms the standard documentation required. A formal deed is required for all leases. A mandatory standard form of lease does not exist although a market standard is in place

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