

Retail market

Real Estate Market Study 2014

Trends in 2015



Retail market

Generally, the retail segment had a positive evolution, being characterized by the completion of the construction works for the shopping centers initiated during previous years, extension of specialized retail networks, supermarket and hypermarkets, a relative stability of the rental levels and by the intention of the investors to acquire retail properties as investment product.

The on-street retail market recorded also a slight improvement, proved by the higher interest of tenants for this segment. The marketing period for these retail units diminished even if the rental level remained relatively constant compared to 2013. The most sought after properties are those located in the Historical Center, as well as those situated in the proximity of high concentration of pedestrian traffic. By asking sustainable rental levels related to the capacity of the retail unit to generate a certain level of sales reduced the rotation of tenants in a specific property.

On the shopping center segment, in 2014, the construction works were completed for the retail park Vulcan Value Centre (25.000 sq m of leasable area), located in the south-western area of Bucharest. The project developed by NEPI is anchored by Carrefour, footwear and clothing retailers. In the south-south-western area of Bucharest, Immochan completed the Ghencea Shopping Centre (30.000 sq m).

As a number of DIY retailers (Obi) ceased the operations while the transactions concluded during 2013-2014 reflected the acquisition of Bricostore by Kingfisher and bauMax by Leroy Merlin, this specialized market segment recorded a concentration of operations. This tendency is obvious under the circumstances of a rapid extension of the local retail Dedeman. DIY segment is dependent on the evolution of the construction industry, especially on the residential segment. The expected positive evolution of the residential market improves the outlook for this specific market sector.

Average rental levels for prime shopping centers located in Bucharest fluctuate around 50 Euro/sq m/month, excepting for anchor tenants. For less attractive shopping centers, the rental levels are obviously lower. Rents for on street units did not recorded notable changes compared to 2013. These fluctuate depending on the location of the property, as well on the particularity of the micro-area. Thus, the average rents fluctuate between 10-15 Euro/sq m/month in Pantelimon, between 20-30 Euro/sq m/month in Colentina-Obor, Stefan cel Mare, between 15-25 Euro/sq m/month in Militari, between 30-40 Euro/sq m/month in Titulescu-Victoriei Square and between 40-55 Euro/sq m/month in central area, excepting for units with great commercial visibility and reduced exposure/pedestrian traffic.

The yield levels for shopping centers had a descending evolution during 2014, these fluctuating around 8% at the end of the year. This level is among the highest compared to other countries located in the CEE region. Commercial properties are attractive investment products for investors. As a proof, Immochan acquired Auchan Pitesti Gavana (77.800 sq m) for a price of Euro 19 Million while Revetas acquired Vitantis shopping park from Equest.

The future positive evolution of this market segment is reflected by the expectations of investors that acquired shopping centers in 2014. The most significant transaction was the acquisition of Promenada Mall (40.300 sq m of leasable area) by the investment fund NEPI from Raiffeisen Evolution for a price of Euro 148 Million.

During 2015 it is expected the completion of the construction works for Mega Mall, Pantelimon area that will add approximately 70.000 sq m to the existing modern stock of retail properties. This shopping center will be anchored by Carrefour, World Class, C&A H&M. In the same time, the construction works for ParkLake Plaza (79.000 sq m) will continue. This project is developed in Titan area by Caelum Development and Sonae Sierra. Among the retail developments expected to be initiated in 2015, there are Victorya City, in Bucurestii Noi area, and Dedeman, in Pantelimon area. During the next period, it is expected that some shopping centers will be subject of refurbishments, repositioning and potential extensions, under the conditions of the fierce competition between them, as happened with Iris Titan Bucuresti and Bucuresti Mall.

Under the conditions of the improvement in the purchasing power, supermarkets, hypermarkets and discounters will extend their networks in Bucharest as well in regional cities. Naturally, the opening of new large shopping centers generates the extension of retail networks, both local and international.

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