

ROMANIA RETAIL MARKET SNAPSHOT | Q1 2021

CBRE

NEW MILESTONES APPROACHING FOR RETAIL MODERN STOCK
E-COMMERCE SAVES THE DAY & BECOMES INTEGRATED COMPONENT OF RETAIL STRATEGY

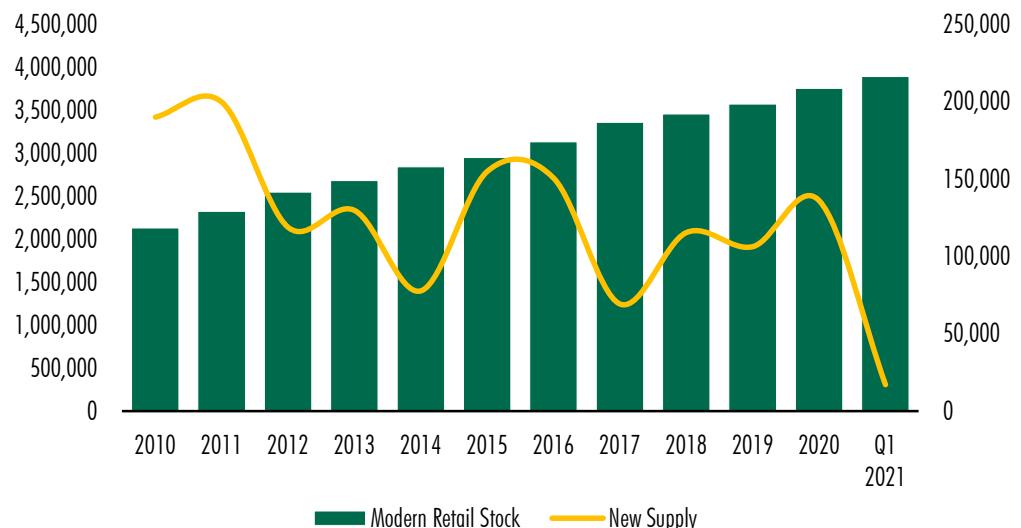
RETAIL SUPPLY

Romania modern retail stock is slowly but surely advancing to a new milestone, the 4.00 mln sq m threshold, at the end of the first quarter of 2021 summing 3.91 mln. sq m of shopping centers and retail parks.

Of this total, Bucharest, the main shopping centers destination of the country, claims over a quarter, meaning 30%, translated in 1.16 mln. sq m.

During the first quarter of 2021, 17,000 sq m were added to the modern retail stock, consisting of one specialized retail schemes, Sepsi Value Center in Sfantu Gheorghe, Covasna county.

EVOLUTION OF MODERN RETAIL STOCK 2010 – Q1 2021



By the end of 2021, a future new supply of 171,300 sq m is expected to be added to modern retail stock, as construction works were undergoing at Q1 closing.

The overwhelming majority of 90% from the new under construction spaces with estimated delivery date by the end of the current year, are specialized schemes such as retail parks of various sizes ranging from 3,000 sq m up to circa 20,000 sq m.

Retail parks developers maintained their development schedule, as this type of projects seemed to be less affected by restrictions during the previous year (having shops with direct access from the parking area), as compared to shopping centers.

The remaining 10% of the future deliveries is represented by extensions of three existing shopping malls, Electroputere Parc, Mall Alba and Ploiesti Shopping City.



Source: CBRE Research, Q1 2021

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RETAIL DEMAND

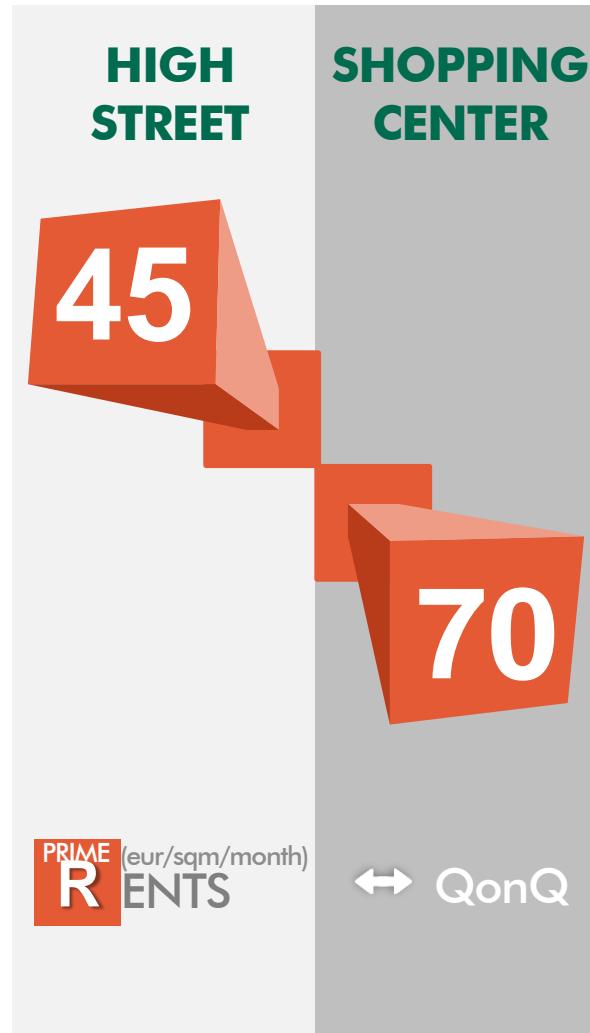
The vaccination made available at end of 2020, sparked for retailers a ray of hope after the previous year lockdown and numerous restrictions. E-commerce was the breath of air during uncertain times for most retailers, but once all retail schemes could be opened, shopping centers witnessed footfall increases.

Food anchors, home & deco, DIY, and sport retailers dominated in consumers preferences during the first months of 2021, as a continuation of the last year's picks, while fashion and food & beverage industries are still struggling to increase both online and offline sales. Nonetheless, cinemas and entertainment spaces located in shopping centers continue to be affected by health and safety measures.

Most of restaurants and coffee shops adapted quickly to new regulations and succeeded in maintain their business, capitalizing at their maximum on deliveries and their terraces, installing exterior heating panels or dividing the space on the terrace with heated igloos. Once the warm weather of late winter/ beginning of spring kicked in, the high street retail flourished, with coffee and ice cream shops re-opening their stands, reviving renowned arteries such as Victoriei Avenue in Bucharest.

RETAIL RENTS

During 2020 retail tenants managed to negotiate their rent with shopping center owners, putting a heavy pressure on prime rents as well. Nonetheless, prime rents at the end of Q1 2021 maintained at the same level from the last quarter of the previous year.



OUTLOOK

With a total of over 370,000 sq m under construction retail projects to be delivered by the end of 2022, Romania modern retail stock will overpass a new threshold, reaching a higher level of maturity.



However, both developers and investors active on the market, are proceeding with great caution and are sensitive to all new regulations related to retail activity.

The omnichannel strategies developed during the previous year, when retail and industrial markets combined their powers, helped brick and mortar retail to progress on new foundations.

Further on, e-commerce sales are expected to represent a considerable share in retailer's revenues. The mix between online and offline sales is the new approach that most retailers consider a long term winning strategy.

Even if health and economic insecurities still linger, the warm season that is approaching will contribute to the increase of footfall in shopping centers and to the revival of high street retail.

Further compression on prime rents could be witnessed as retail market players are highly dependent on the pandemic evolution and the consequent law provisions.

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