

Newcomer banks tighten race for locations

The number of banks on the local market has recently increased and large foreign names have operational launches in Romania in the pipeline. Banking experts say there is room for more banks and competition will bring benefits to customers. But will new banks actually have enough room to open retail branches?

By Corina Saceanu

Walk on a crowded boulevard downtown Bucharest to see at least four or five different bank branches to notice the competition, not only in offering banking services and in coming closer to the customers, but also in snapping up available space for opening new units. Such space is scarce nowadays, as the high street retail stock currently has less than five percent availability, say specialists. The low availability puts pressure on rental prices.

While in other cities, bank representatives look for new spaces themselves and negotiate directly with owners, for

Bucharest where the market is more competitive and owners are not all the time easily to be found, banks use the services of real estate agencies.

BANKS GO FROM HIGH STREET TO COMMUNIST-ERA NEIGHBORHOODS AND INTO THE COUNTRY

The high rental prices only would make banks look for space in other places than on the city's already crowded main streets on one hand, and diminish the area covered by their branches in order to reduce costs on the other. Existing banks in Romania have already used both options. BRD, the second bank in the local banking system in terms of assets, has is currently opening almost only BRD Express units, which are smaller in size. This strategy reduces rental costs, as well as personnel costs. Moreover, the costs for fitting a smaller space as to go with the bank's pattern are also decreasing accordingly. BRD has also opted for opening branches in crowded neighborhoods of the capital city like Militari, Titan and Berceni which weren't so much a target for bank units until recently. Downtown has little to offer in terms of available space for new banking units, but such neighborhoods have plenty of old-style commercial spaces which can be turned into bank outlets, believe specialists.

Besides central locations, a less traditional area in which banks search for space is the eastern part of Bucharest such as the Dimitrie Pompei area, which has high growth potential, says Mirela Raicu, senior corporate consultant with Esop. The area will see both office and residential developments, which create business potential for banking units.

As for secondary cities in the country, after their central locations have been covered by most of the main banks working in Romania, it's time for smaller neighborhoods to see new banking units. Some banks are even targeting smaller provincial cities. It is the case of like Raiffeisen Bank which has opened outlets in cities like Motru, Rovinari,



The competition between banks is fierce when it comes to finding space for opening new branches

Moreni and Baicoi. "The bank has lately focused on opening units in neighborhoods in big cities like Iasi, Constanta, Brasov, Bucharest and Timisoara," said Bogdan Merfea, executive manager of sales and distribution with Raiffeisen bank.

BCR, the bank leading the local banking system in terms of assets, went for the uncovered areas in county capitals, which also offer a high retail potential, like Oradea, Ploiesti, Brasov, Neamt, Iasi, Timisoara and Constanta, said Corneliu Cojocaru, BCR spokesman. As for Bucharest, the bank has targeted locations like Aviatiei, Baba Novac, Rosetti and Victor Babes.

BCR is currently expanding its network with smaller size units, dedicated to individuals and to Small and Medium Enterprises (SMEs), says Cojocaru.

NEWCOMERS PUT MORE PRESSURE ON HIGH STREET

While last year names like ING, BancPost, BRD and Raiffeisen were among the most active in opening new branches, and therefore snapped most of the available space, this year brings along new names with aggressive branch-opening strategies, says Adrian Tibichi, Research Coordinator with Coldwell Banker Affiliates of Romania. OTP Bank, Piraeus Bank, Credit Europe Bank and Bank Leumi Romania are among the most active this year, said Tibichi.

Specialists expect these banks to face—or to have already faced competition in finding suitable spaces for new units from newcomers like Millennium BCP Bank, Bank of Cyprus and KBC. All these banks are expected to soon start operations in Romania, which means they

have already gone shopping for retail space, putting pressure on the market. Although their unit-opening strategies remain under strict silence, analysts expect these new banks to target the capital city's central areas, which is a typical newcomer market approach.

CORNER UNITS ARE CREAM OF THE CROP

There is a set of criteria banks apply when in search for a new unit location. Revenues of the population in a city or in a city area are one of the essential ones, mainly when a market entry is involved, says Tibichi of Coldwell Banker. Location comes equally important, and it's necessarily about the geographical position in the city, but about a dense location with high traffic. Banks offer special attention to corner locations, opened to two streets, located in a main crossroads.

The space itself needs to be open with a large front office and the unit's facade needs to have high visibility. As for areas banks require, they vary between 80 and 120 sqm, depending on the bank's strategy and on the area coverage. "Some banks open units under 80 sqm, while other have between 150 sqm and 400 sqm," says Tibichi. Available parking in the area is mandatory.

The most sought-after locations cover between 150 and 250 sqm, says Valentin Manu, head of high street retail department with Cushman & Wakefield Activ Consulting.

Raiffeisen Bank, for example, looks for spaces of around 100 sqm, located in accessible areas with visibility and parking possibilities, says Bogdan Merfea.

A clear judiciary situation of the retail space is also important, as litigation pending on commercial spaces make banks step aside, says Manu.

Banks prefer signing rental contracts for such spaces for a period of minimum 3 years, and in some cases the lease period may exceed 5 years and even reach 10 years. "It is normal for banks to opt for such long rental periods, in order to return the investment in fitting the space," explains Tibichi.

It is also very important to see if the bank has other units in an area before deciding to open another one, says Mirela Raicu. Banks usually have a unitary development plan in order to cover various areas and not crown in a single one, she says. However, reality sometimes contradicts theory, and many banks open new outlets in high traffic areas very close to other outlets in their chain.

Bank's biggest problems in securing space for new units lays in the impossibility to find a mix of good location, utilities and affordable rents, says Bogdan Merfea of Raiffeisen. "We have been lately facing a significant increase in rents demanded by owners," he says.

BCR's units expansion policy faced issues in finding the right size of retail spaces, or deficiencies related to fitting the place according to the bank's standards. Moreover, the high rents, triggered by offers from competitor banks, is an impediment in finding new spaces, says Cojocaru.

BANK OPEN UNITS IN MALLS AND OFFICE BUILDINGS

Current tenants in high retail units, with high rental prices, won't be able to sustain activity in report to the level of rents in the coming years, says Tibichi of Coldwell Banker. "This is explainable by the limited stock of such spaces, which leads to a lower and lower offer," he says. Applying the rents on the market, an 80 sqm banking unit on Magheru Boulevard can cost as much as EUR 10,000 in monthly rent. A bank could pay as much as EUR 30,000 per month in rent for a 250 sqm unit on Magheru Boulevard. An 80 sqm unit on Stefan cel Mare Boulevard, which is a secondary location in Bucharest, may require some EUR 5,600 in monthly rent. For peripheral areas, rents can go down to EUR 30 per sqm per month, according to CB Richard Ellis data mid-last year.

The biggest increase in prime retail rents was witnessed in 2004, from around EUR 80 per sqm per month, to some EUR 120 per sqm per month mid last year, according to CBRE data.

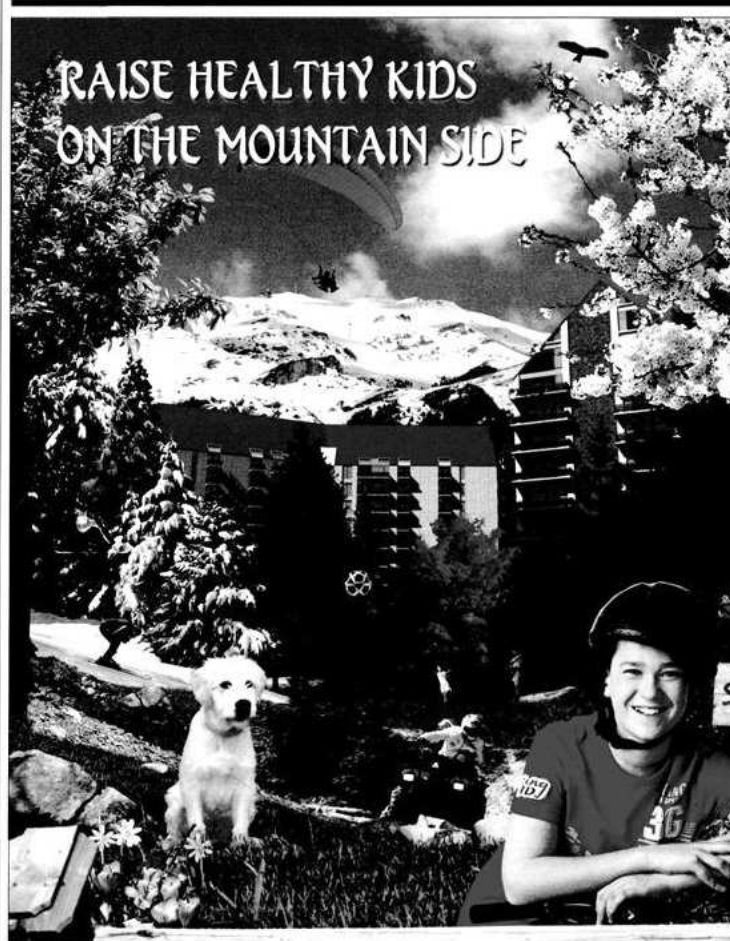
The lack of high street retail space has led bank choose other types of locations. Banks have opted for units in malls and commercial galleries and in office buildings. BCR has units in in Plaza Romania, in Cora Pantelimon and

in Carrefour Feeria. New office building projects come with incorporated retail space, and banks are one of the tenants. "Units in business centers are a good alternative especially for banks targeting corporate clients," says Mirela Raicu of Esop.

On the other hand, mall and office building locations shouldn't be seen as alternative to the lack of high street retail, says Tibichi of Coldwell Banker. "Banking units in both such locations have their own type of clients. Such units are actually complementary to high street units," he explains. ■

High street retail prices

Location	Rent EUR/
Bucharest	
Calea Victoriei	80 - 130
Magheru Blvd	100 - 130
Calea Mosilor	60-80
Stefan cel Mare	40-70
BRASOV - downtown	45-70
TIMISOARA - downtown	50-80
CONSTANTA - downtown	50-70
IASI - downtown	40-70
CLUJ - downtown	50-70



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