



Overview

The total land area transacted in Bucharest area during 2018 was of 135 ha, compared to 116 ha in 2017. In terms of value, land transactions amounted to € 245 mil., an increase of 13% compared to the previous year, the highest value since 2007. Romanian investors had an estimated share of 49% of the total volume of land transactions, a bit down from last year when a corresponding share of 51% was recorded, while still remaining the main investors in terms of nationality. Developers from Belgium (21% share) and Israel (15%) were also very active.

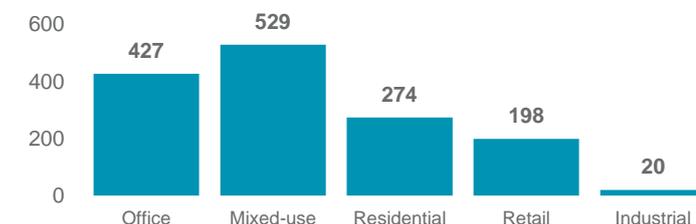
Figure 1
Land transactions dynamic



Source: C&W Echinox Research

The most expensive sites were acquired for mixed-use developments, followed by the office and residential segments. With transaction prices ranging between 20 €/sq. m and 2,100 €/sq. m, the average price was of 182 €/sq. m, almost similar compared to 2017 average (186 €/sq. m).

Figure 2
Average price paid by development destination (€/sq. m)

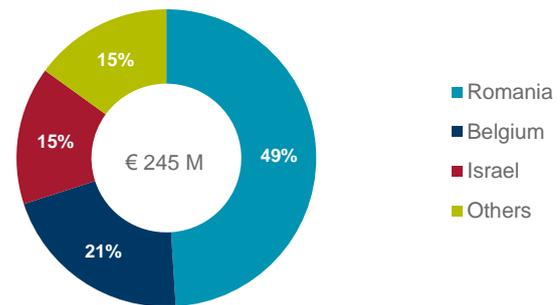


Source: C&W Echinox Research

Demand

The trend from 2017 continued, as local investors focused mainly on sites suitable for residential development. Sites summing up app. 47 ha were transacted for medium and large residential projects. When developed, these sites will be the ground for more than 10,000 new residential units.

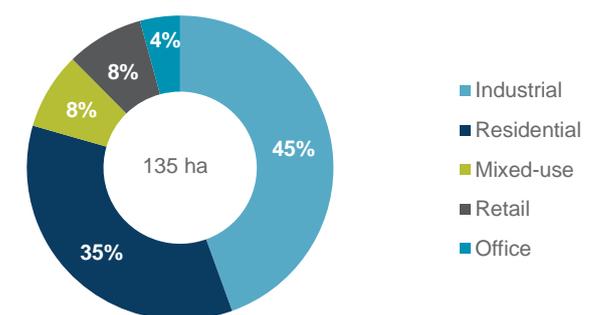
Figure 3
Transactions' value breakdown by investors' origin



Source: C&W Echinox Research

Four sites with a cumulated area of 7.7 ha were transacted around the office hub Floreasca – Barbu Vacarescu, adding 2,000 units to the residential pipeline in the area. One of these sites was acquired by Atenor Group from Belgium, which will develop their first residential project on the local market.

Figure 4
Land area transacted by development destination



Source: C&W Echinox Research

Two of the major developers and investors in industrial segment, WDP and P3, purchased 60 ha of land for logistic developments in the main industrial areas of Bucharest, next to A1 and A3 highways, with the aim to meet the space requirements of international retailers such as Metro, Auchan and LPP.

Portland Trust and Globalworth, two of the major developers in the office segment, secured new sites for office developments in Jiului – Bucurestii Noi and Militari - Preciziei areas.

Local developer One United acquired Ventilatorul site from Razoare – Cotroceni area in order to develop a major mixed-use project consisting mainly of office and residential spaces, while at a distance of less than 1 kilometer AFI Europe decided to extend both AFI Palace Cotroceni shopping center and AFI Business Park, acquiring adjoining land.

Map 1
Bucharest – 2018 Key land transactions



Source: C&W Echinox Research

Outlook

The perspectives on the Bucharest land market remain positive, with developers actively searching to secure the best available sites for residential and office projects.

Vacancy rates for office, retail and logistics properties remained stable during 2018, due to an increasing demand from the occupiers. The office pipeline for the 2019-2020 period is consistent, with more than 500,000 sq. m being planned for delivery. In the following ten years, we expect Bucharest to reach a modern office stock of 5 mil. sq. m, compared to 2,8 mil. sq. m at the end of 2018.

In the retail sector, the most active players will continue to be the occupiers, such as hypermarkets, supermarkets and DIY stores, since most of the areas of the city are already covered by dominant retail schemes.

In the industrial and logistics sector we expect a new record year in terms of deliveries and foresee a more cautious attitude of the major developers.

The residential market has started to face new challenges, with Romania's National Bank setting a maximum debt to income ratio for loans in local currency at 40%, while a new tax for bank assets has the role to further discourage mortgage lending. Nevertheless, the need for new modern dwellings in Bucharest – Ilfov area remains high, since developers managed to deliver only 7,000 units between Q1 – Q3 2018, a 5% decline compared to the same period last year.

Table 1
2018 Major land transactions

Purchaser	Size (sq. m)	Location	Destination
AFI Europe	43,000	Politehnica	Office & Retail
One United	53,100	Razoare Cotroceni	Office & Residential
Mitiska REIM	90,000	Helitube Colentina	Retail
One United	26,000	Floreasca	Residential
Speedwell	46,000	Jandarmeriei	Residential
WDP	440,000	Stefanesti	Industrial
21Residence	20,000	Pipera	Residential
Portland Trust	15,000	Jiului – Pajura	Office
Atenor	7,000	Floreasca	Residential

Source: C&W Echinox Research

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