



Overview

In Bucharest throughout 2015 the land market activity for commercial development was strong. A wide range of investors were active in acquiring land plots suitable for a wide diversity of commercial developments. DTZ Research tracked over 15 relevant transactions concluded last year, with a total land area of ~ 45 Ha and a cumulated price of € 90 million.

Figure 1

Land transactions dynamic



Source: DTZ Research

Compared with 2014, which was the best post-crisis year for the land market in Bucharest, 2015 saw the total transactional value drop by 55%, while the total land area transacted was lower by 16%. This was mainly because in 2015 there were no land plots acquired for mixed developments – offices and retail. Also, the number of deals involving land plots suitable for office developments were scarce.

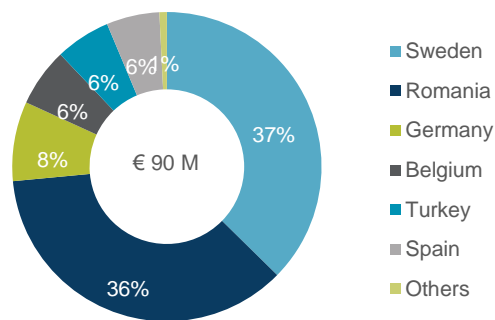
Demand

In 2015, the most active investors acquiring land plots for commercial developments in Bucharest were Swedish. The world's largest furniture retailer IKEA, which entered the local market in 2007, has acquired a land plot located in the eastern part of Bucharest. The retailer will open its 2nd store in Romania in this area. Skanska, which officially entered the local market in 2011, has performed two land acquisitions last year. The land plots purchased by the Swedish investor are located in Barbu Vacarescu – Floreasca (central northern area of Bucharest) and Politehnica area (western part of Bucharest). Both locations are among the most important office destinations in Bucharest.

Austrian and Greek investors, which were among the most active in Romania throughout the last decade, performed no relevant land acquisition in 2015.

Figure 2

Transactions' value split by investors' country of origin

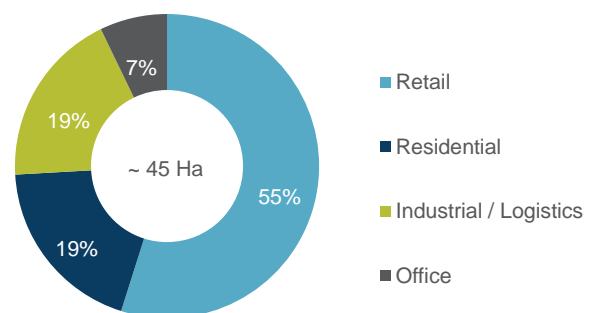


Source: DTZ Research

More than 50% of the land area transacted last year was acquired for retail developments, especially big boxes. Land plots suitable for residential and industrial / logistics developments represented ~ 20% each out of the total land area transacted throughout 2015.

Figure 3

Land area transacted by development destination

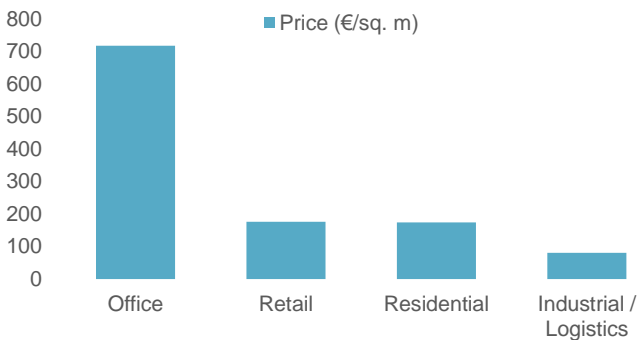


Source: DTZ Research

Land plots suitable for office developments continued to be the most expensive, the average price paid being around € 717/ sq. m. Land plots suitable for residential and retail developments (big boxes) were transacted under € 200/ sq. m.

Figure 2

Average price paid by development destination

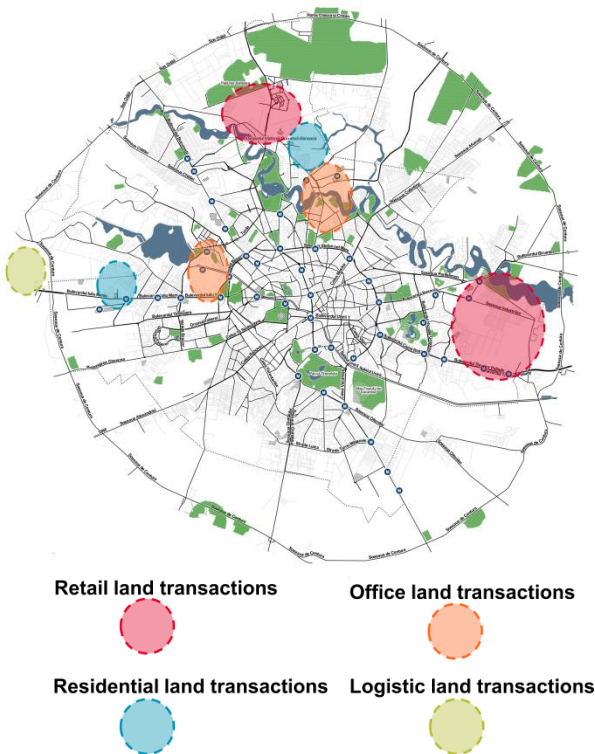


Source: DTZ Research

In terms of location, most of the lands transacted were located in the northern and western areas of Bucharest. In the northern area the land plots that have been acquired are suitable for office, retail and residential developments, while in the western area of the city, the acquired land plots are suitable for office, residential and logistics developments.

Map 1

Bucharest – 2015 Land transactions



Retail land transactions (Red circle)
Office land transactions (Orange circle)
Residential land transactions (Blue circle)
Logistic land transactions (Green circle)

Outlook

2016 started with a major transaction for the Bucharest land market. Vastint from Sweden acquired a 48 ha plot in Baneasa – Sisesti area for a mixed (mainly residential) project. The residential market in Romania remains underdeveloped, and long-term investors are expected to continue to secure lands for residential developments since prices are affordable and demand for new homes is increasing.

Dominant retailers still have expansion plans for Bucharest and will continue to acquire lands located mainly in neighborhoods with high residential densities. In terms of shopping centers, Bucharest currently has a dominant scheme for each geographical region. Thus, in the short term, retail developments will consist of proximity retail parks, refurbishments and reconversions or niches such as outlet centers.

The office sector in Bucharest is quite competitive, with a significant development pipeline for 2016 and 2017. However, some of the projects announced to be delivered in 2018 might be sold before construction begins, since financing remains restrictive. Center North and Center West areas remain the most attractive office locations, while distinguished office schemes in central locations will continue to attract tenants.

Table 1

2015 Major land transactions

Purchaser	Area (sq. m)	Vendor	Location	Destination
IKEA	137.000	NCH	Pallady	Retail
Dedeman	51.000	Aviatic Utilitara	Baneasa	Retail
Mega Image	15.000	Turkish Investor	Baneasa	Retail
Skanska	21.000	Pumac SA	Iuliu Maniu	Office
Skanska	8.900	Romanel	Fabrica de Glucoza	Office
Eskiocak Family	33.000	Turbomecanica	Iuliu Maniu	Residential
Gran Via	9.600	Lidl	Aerogarii	Residential

Source: DTZ Research

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