

# BUCHAREST

## PREMIUM SALES MARKET

### RESIDENTIAL APARTMENTS

February 2016





Echinox

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# Bucharest – Premium Residential Apartments

## Introduction

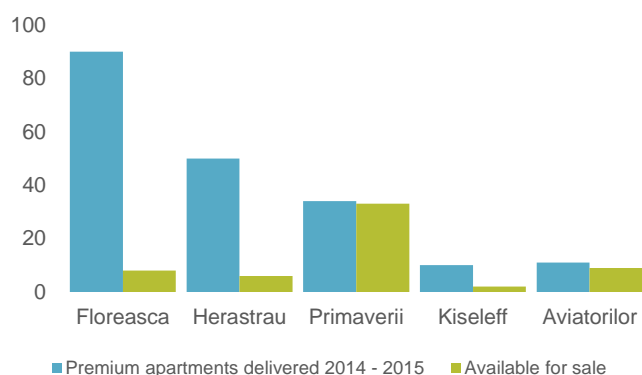
The Romanian real estate market has demonstrated solid signs of improvement in the last two years. Sustained by a stable macroeconomic and political environment, the local real estate market has flourished on all segments, including the residential sector. The demand for new residential projects has started to follow an upward trend as a result of private consumption being on the rise, coupled with low inflation, tax cuts, real income increase and a constant decrease in unemployment.

This report aims to offer an overview of the premium market of new residential units located in the Northern part of Bucharest.

In the last two years, a number of ~ 200 apartments were completed across Bucharest's premium residential locations. The highest level of supply has been delivered in Floreasca – approximately 32%, followed by Herastrau area, with 25%. When comparing these two areas with other premium residential locations, the average sale price per built sq. m is medium. The low availability of new residential apartments (fig. 1) underlines that demand for premium residential units is strong in these particular locations. The lowest supply of new residential units is recorded in Dorobanti, area where land availability is scarce.

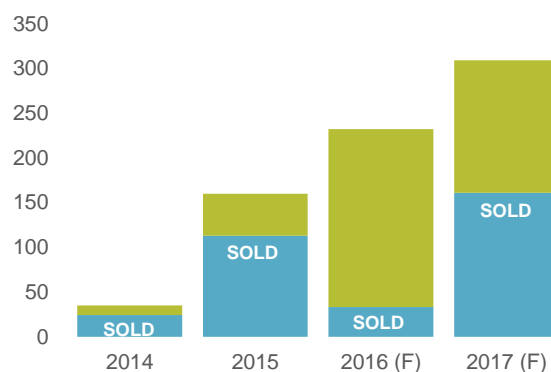
When analyzing the number of premium residential projects currently under construction and estimated to be completed in the next two years, the supply totals 550 apartments. Compared with 2014 – 2015, the development activity is stronger and reflects inventors' confidence in the continuing upward trend of demand for premium residential apartments.

**Fig. 1: Availability by area – 2014 & 2015 New residential units**



Source: DTZ Research Q4 2015

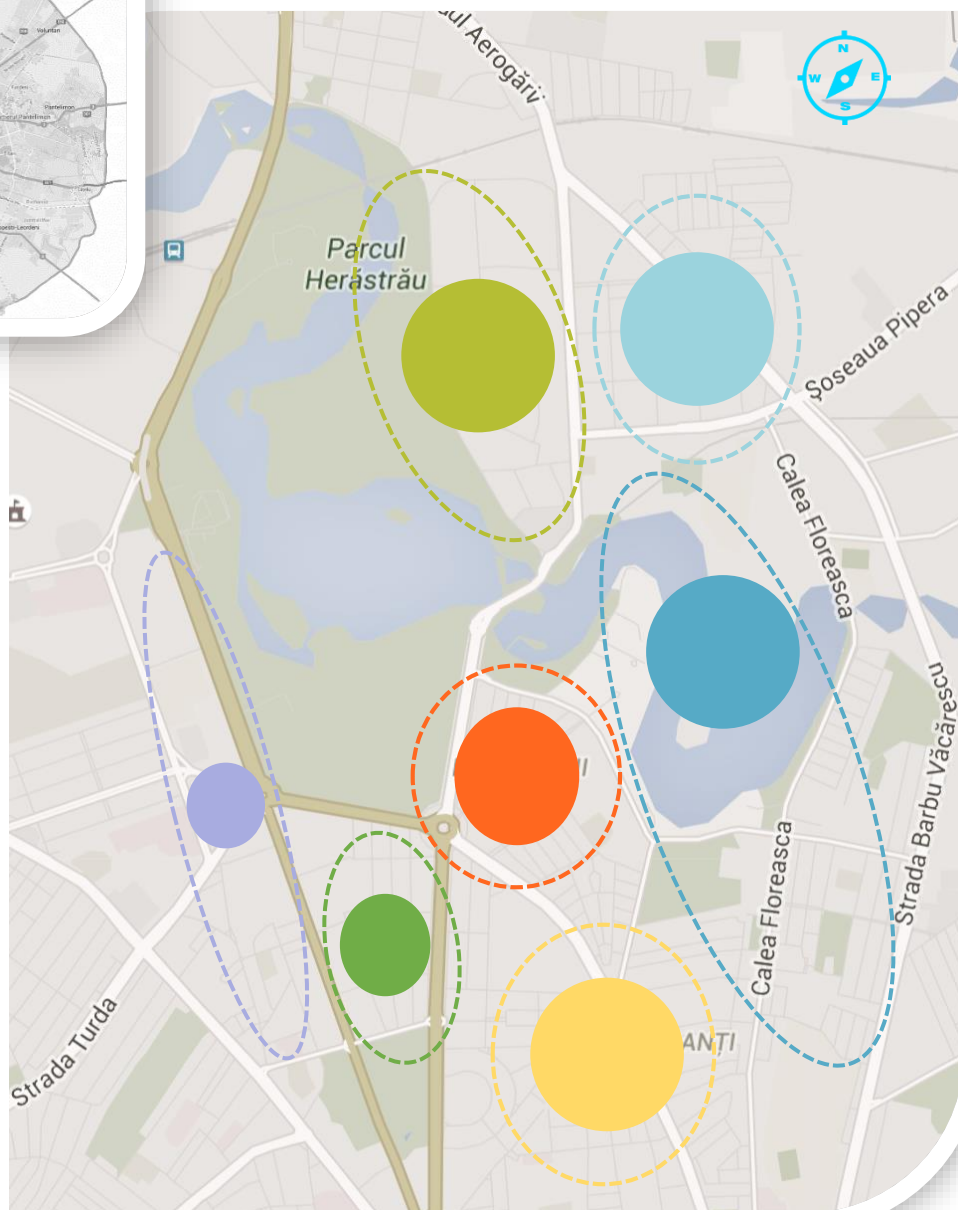
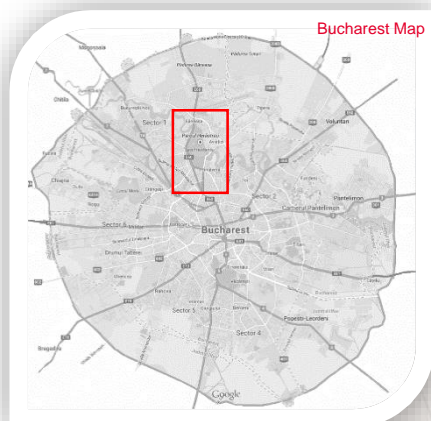
**Fig. 2: New residential units – Supply & Sale evolution**



Source: DTZ Research Q4 2015

# Bucharest

## Premium residential locations



- Herastrau
- Aviatiei
- Floreasca
- Primaverii
- Kiseleff
- Aviatorilor
- Dorobanti



# Bucharest

## Premium residential locations

### MAIN CHARACTERISTICS

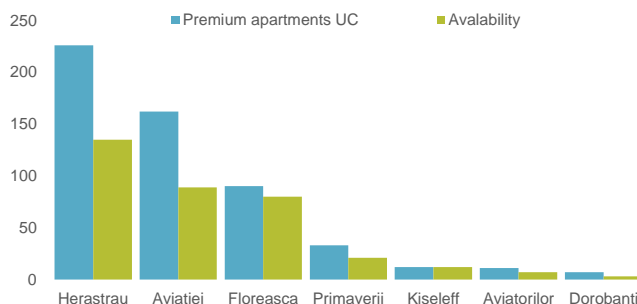
- High density of green facilities such as lakes and parks;
- Large variety of restaurants, cafés and bistros;
- Excellent connection to the public transportation network;
- The average drive time to "Henri Coanda" International Airport is 15 minutes;
- Medium density in terms of residential developments;
- Traditional destination for Embassies & Official residences;
- New apartments have efficient layouts, large surfaces and terraces;
- New residential projects have the average sale price (€) per sq. m built between 1,800 – 3,500\*

*\*VAT excluded*





**Fig. 3: Availability by location - Premium residential units with delivery in 2016 & 2017**



Source: DTZ Research Q4 2015

**Fig. 4: Availability - Projects UC with delivery in 2016**



Source: DTZ Research Q4 2015

**Fig. 5: Availability - Projects UC with delivery in 2017**



Source: DTZ Research Q4 2015

## Premium residential projects

### General overview

The number of premium residential apartments delivered between 2014 – 2015 is of ~ 200 units. The current pipeline of projects that are under construction reveals that, in the next two years, approximately 550 premium apartments will be completed in the Northern part of the city. When compared with the number of units delivered in 2014 and 2015, this level is higher by 175%, proving that investors have faith in the growing demand for premium residential apartments.

The most active locations in terms of construction works of premium apartments are Herastrau, followed by Aviatiei and Floreasca. This is not surprising, considering that the Northern area of Bucharest has become, in recent years, one of the most important office locations in Bucharest. At the end of Q4 2015, the estimated number of employees working in close vicinity to Herastrau, Aviatiei and Floreasca surpassed 100,000.

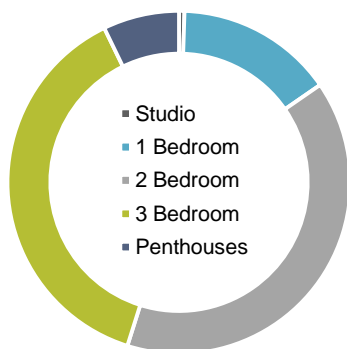
Low development activity is recorded in Dorobanti, Aviatorilor and Kiseleff. In these areas the land availability is quite limited and a high number of buildings are under monumental protection.

Overall, in Dorobanti, Aviatorilor and Kiseleff, the total number of premium apartments scheduled for completion within the next two years represents only 9% out of the total stock of units scheduled for completion.



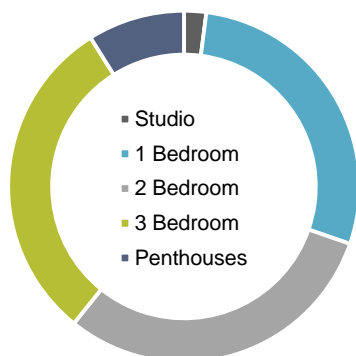


**Fig. 6: Type of premium residential units**  
Projects delivered 2014 - 2015



Source: DTZ Research Q4 2015

**Fig. 7: Type of premium residential units**  
Projects with delivery 2016 - 2017



Source: DTZ Research Q4 2015

**Fig. 8: Average built surface (sq. m) – Apartments delivered 2014 – 2015**

1 Bedroom	65 - 90
2 Bedroom	90 - 170
3 Bedroom	150 - 300
Penthouse	220 - 380

Source: DTZ Research Q4 2015

## Premium residential projects

### General overview

Analyzing the current status of the market, the highest number of premium residential apartments available for sale are located in projects that are due to be completed in 2016 (86% of the total number of apartments scheduled for completion this year are available for sale). The availability of premium residential units scheduled for completion in 2017 is lower, with only 48% being available for sale at the end of Q4 2015.

The vast majority of the projects under construction are designed to offer apartments with 2 and 3 bedrooms. When considering all the premium residential units scheduled for completion in the next two years, 60% is represented by such types of units. Compared with the stock delivered between 2014 – 2015, the number of 1 bedroom apartments currently under construction is six times higher.

When comparing the stock of premium residential apartments delivered in the last two years with premium residential apartments that are under construction, a change of the average built area can be noticed for the latter. This is especially valid for apartments with 2 and 3 bedrooms.

**Fig. 9: Average built surface\* (sq. m) – Apartments with delivery 2016 – 2017**

1 Bedroom	65 - 100
2 Bedroom	90 - 150
3 Bedroom	120 - 290
Penthouse	250 - 370

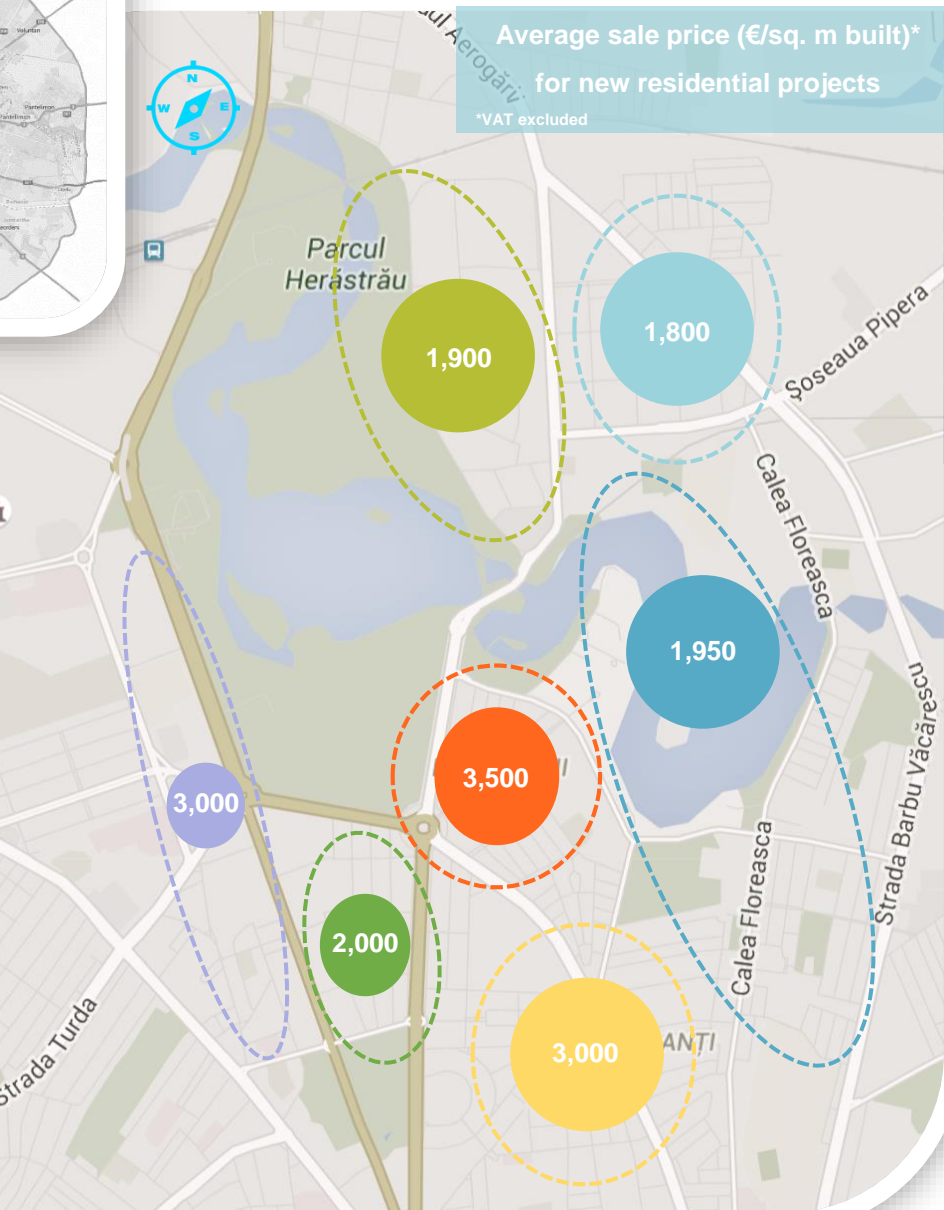
Source: DTZ Research Q4 2015

## BUCHAREST

### Premium residential locations

Average sale price (€/sq. m built)\*  
for new residential projects

\*VAT excluded



- Herastrau
- Aviatiei
- Floreasca
- Primaverii
- Kiseleff
- Aviatorilor
- Dorobanti



## Bucharest – Premium Residential Market Buyer's profile

Demand for new apartments located in premium locations has improved compared with previous years. This trend is reflected by three main aspects:

- The low availability of apartments in the projects delivered between 2014 – 2015 (only 30% available for sale at the end of Q4 2015);
- The high number of residential units that are currently under construction;
- The number of units sold off-plan (more than 36% of the units that are currently under construction have been sold).

Fig. 10: Typical buyer by type of residential unit

1 Bedroom	Personal status: Single Age: 28 – 34 years
2 Bedroom	Personal status: Couple, no children or 1 child Age: 35 – 45 years old
3 Bedroom	Personal status: Couple, 1-2 children Age: 35 – 55 years
Penthouse	High net worth individuals

Source: DTZ Research Q4 2015

Since the Northern area is becoming an important office destination, the demand for premium apartments comes especially from end users with high revenues, for whom having a residence in this area of Bucharest has become a necessity. Most of the buyers are targeting apartments with 1 and 2 bedrooms, with surfaces around 100 - 120 sq. m and prices ranging between € 150,000 to € 300,000.



## Premium residential projects Types of apartments & Price range\*

\*VAT excluded

### HERASTRAU

	Built surface (sq. m)	Price range (€)
1 Bedroom	70 - 100	115,000 - 195,000
2 Bedroom	90 - 140	155,000 - 275,000
3 Bedroom	120 - 185	205,000 - 360,000
Penthouse	270 - 340	540,000 - 670,000

### PRIMAVERII

	Built surface (sq. m)	Price range (€)
1 Bedroom	100	380,000
2 Bedroom	140 - 160	340,000 - 740,000
3 Bedroom	160 - 250	380,000 - 1,325,000
Penthouse	220 - 380	720,000 - 1,500,000

### AVIATIEI

	Built surface (sq. m)	Price range (€)
1 Bedroom	65 - 70	110,000 - 135,000
2 Bedroom	90 - 100	153,000 - 190,000
3 Bedroom	125	215,000
Penthouse	250	425,000

### KISELEFF

	Built surface (sq. m)	Price range (€)
1 Bedroom	90	270,000
2 Bedroom	150 - 160	440,000 - 480,000
3 Bedroom	170 - 190	520,000 - 570,000
Penthouse	300	900,000

### FLOREASCA

	Built surface (sq. m)	Price range (€)
1 Bedroom	65 - 90	110,000 - 180,000
2 Bedroom	90 - 170	153,000 - 332,000
3 Bedroom	150 - 200	260,000 - 400,000
Penthouse	230 - 360	445,000 - 612,000

### AVIATORILOR

	Built surface (sq. m)	Price range (€)
2 Bedroom	110 - 140	240,000 - 280,000
3 Bedroom	180 - 250	400,000 - 500,000
Penthouse	220 - 290	485,000 - 580,000

Source: DTZ Research Q4 2015

Source: DTZ Research Q4 2015

**Note:** Prices can differ, depending on apartment's type and position within the project (e.g. lower floor, upper floor, view to the lake, green area, interior garden, etc.) and on the status of the project (e.g. delivered, UC). For projects that are under construction, or even in off-plan stages, acquisition prices are lower compared with the prices that delivered apartments have in similar locations.

## Bucharest – Premium Residential Market Investment rationales

Main rationales for investing in premium residential apartments:

1. Capital appreciation;
2. Stable rental income.

1. **Capital appreciation - acquiring off – plan residential units:** apartments have very attractive prices and investors have the opportunity to resell at a higher price before completion of the project. Off-plan residential units have discount prices because developers have the possibility to finance their project without being solely dependent on bank financing.
2. **Stable rental income - acquiring an already rented and finalized residential apartment:** given that interest rates have compressed, individuals with high liquidities prefer to invest in residential products. Usually the amounts that investors are willing to capitalize are between 100,000 - 300.000 Euro. However, there are investors willing to allocate larger budgets for properties with exceptional locations.

Investment value (€)	Monthly rent (€)*	Yield
100,000	550 - 600	6 - 7 %
400,000 - 500,000	2,000 - 2,500	6%

*\*The rental value depends on the lodger's requirements: furnished / unfurnished apartment.*





## Definitions

<b>Studio</b>	Apartments that have 1 room, a kitchen, a bathroom and a terrace
<b>1 Bedroom</b>	Apartments that have 2 rooms, a kitchen, a bathroom and a terrace
<b>2 Bedroom</b>	Apartments that have 3 rooms, out of which 2 bedrooms, at least 2 bathrooms and 1 dressing room and 2 terraces.
<b>3 Bedroom</b>	Apartments that have 4 rooms, out of which 3 bedrooms, at least 3 bathrooms, 1 – 2 dressing rooms and several terraces.
<b>Penthouse</b>	Apartments located at the highest floor, having extremely large surfaces and terraces. The vast majority are designed to have facilities such as steam baths, fitness rooms and swimming pools.
<b>Built area</b>	Represents the total built area of the apartment, excluding all the common areas of the project.

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A large, modern interior space, likely a lounge or common area, featuring large windows, a patterned sofa, and a red coffee table. The space is bright and airy, with a high ceiling and modern decor.

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