

# BUCHAREST PREMIUM SALES MARKET RESIDENTIAL APARTMENTS

May 2017



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# Bucharest – Premium Residential Apartments

## Introduction

Welcome to C&W Echinox' 2<sup>nd</sup> edition of the "Bucharest Premium Residential Market" report that analyses the premium market of new residential units located in the central northern part of Bucharest.

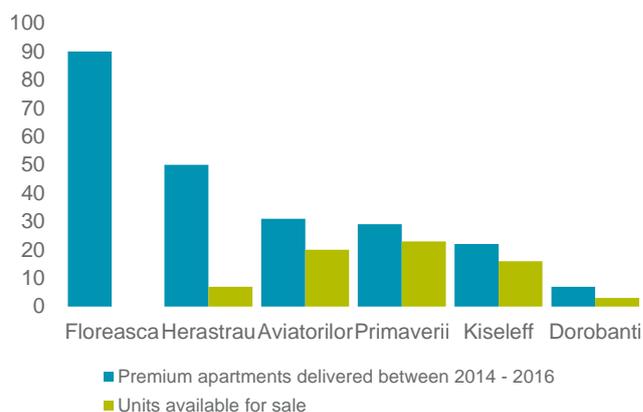
In the last few years, the stable economic and political environment, sustained by an increase in average monthly income, private consumption, tax cuts and a decrease in unemployment rate, contributed to the real estate market evolution on all segments, including the premium residential sector.

In 2016, the most active areas in terms of premium residential development were Kiseleff and Aviatorilor, each comprising of 35% share out of the number of units completed across Bucharest's premium locations in central-north.

More than 1,000 premium residential units are currently under construction and planned for delivery in the next two years, out of which 40% have been already transacted. The most active areas in terms of construction works are Floreasca and Herastrau.

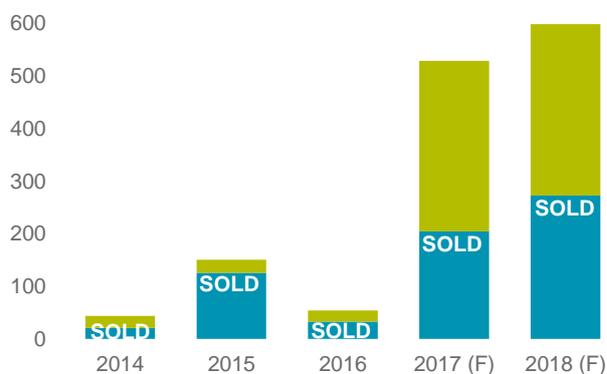
Given that the northern area of Bucharest has become an important office destination, the investors' confidence and appetite for developing premium residential units is set to follow the same positive trend. Their intention is highlighted also by the fact that a series of land plots were recently transacted in the central and northern part of the city.

**Fig. 1: Availability by area – 2014 - 2016 New residential units**



Source: C&W Echinox Research Q1 2017

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

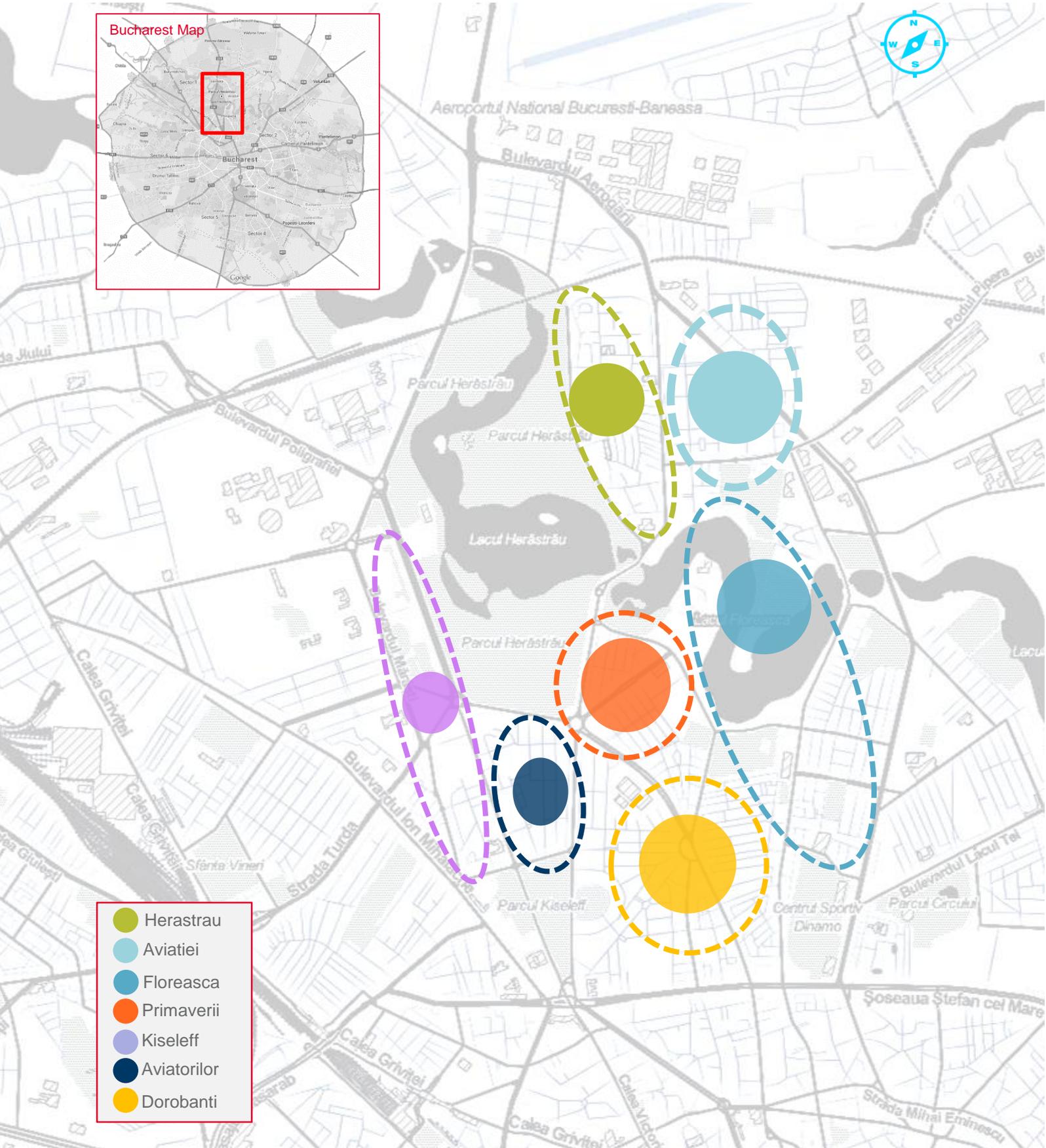


Source: C&W Echinox Research Q1 2017



# Bucharest

## Premium residential locations



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

# Premium residential projects

## General overview

In 2016 a number of 35 apartments have been completed across Bucharest's premium residential locations, with Kiseleff and Aviatorilor being the most active.

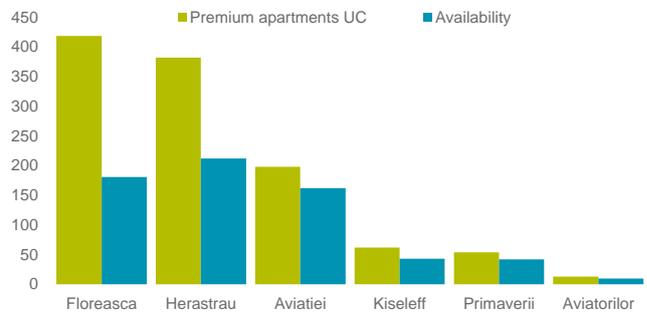
In the first quarter of 2017, ~140 premium apartments were delivered, a level four times higher compared with what was delivered in 2016. This underlines that the market is set to follow the initial positive trend going forward.

The current pipeline shows that in 2017 and 2018 more than 1,000 units will be completed across Bucharest's premium residential locations. Around 600 premium residential apartments are due to be delivered this year alone.

Floreasca and Herastrau continue to be the most active locations in terms of premium residential development. At the opposite, the lowest activity in terms of constructions works is recorded in Kiseleff, Primaverii and Aviatorilor, since only 10% of the total number of units under construction are being located in these areas.

In terms of availability, ~40% of the total number of units that are under construction have been sold. The highest number of premium residential apartments available for sale are located in projects that are due to be completed this year (around 60% of the total number of apartments scheduled for completion in 2017). The availability of premium residential units scheduled for delivery in 2018 is lower, with only 53% being on the market for sale.

**Fig. 3: Availability by location - Premium residential units with delivery in 2017 & 2018**



Source: C&W Echinox Research Q1 2017

**Fig. 4: Availability - Projects UC with delivery in 2017**

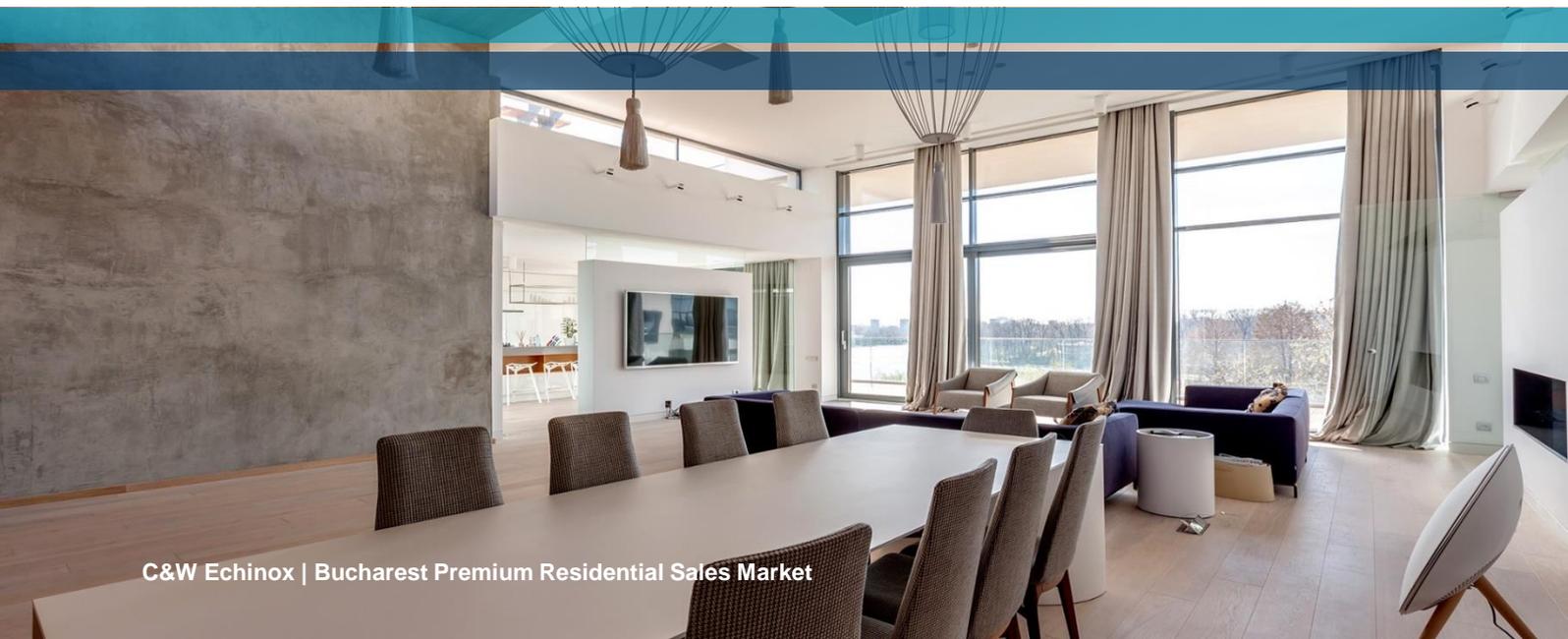


Source: C&W Echinox Research Q1 2017

**Fig. 5: Availability - Projects UC with delivery in 2018**



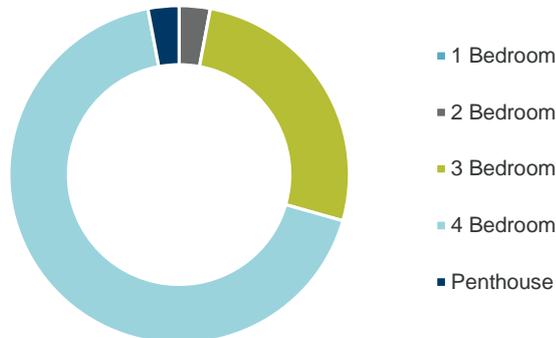
Source: C&W Echinox Research Q1 2017



# Premium residential projects

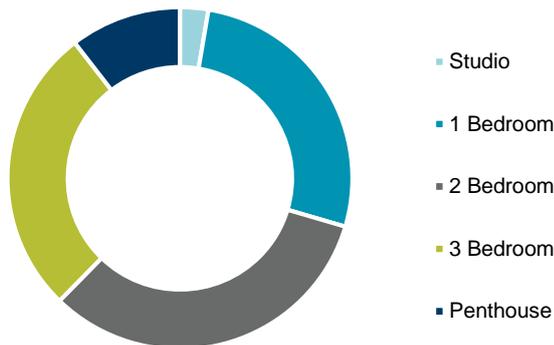
## General overview

**Fig. 6: Type of premium residential units  
Projects delivered 2016**



Source: C&W Echinox Research Q1 2017

**Fig. 7: Type of premium residential units  
Projects with delivery 2017 - 2018**



Source: C&W Echinox Research Q1 2017

**Fig. 8: Average built surface (sq. m) – Apartments  
delivered 2014 – 2016**

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

Source: C&W Echinox Research Q1 2017

In terms of units' typology, premium residential projects delivered last year are different compared with the projects completed between 2014 and 2015.

The typical units delivered last year are apartments with 3 and 4 bedrooms, representing more than 90% of the total units completed throughout 2016. In 2014 and 2015, most of the projects delivered were mostly offering apartments with 2 and 3 rooms.

Analyzing the residential projects that are expected to be delivered in the following two years, 60% of the units are designed to offer 2 and 3 bedrooms.

Also, the number of apartments designed to have 1 bedroom has increased significantly.

Regarding the average built surface, apartments with 1 or 2 bedrooms planned for delivery in the next two years offer a slightly bigger surface than the ones already existing on the market, while apartments with more than 2 or 3 bedrooms are designed to have a smaller area than before.

**Fig. 9: Average built surface (sq. m) – Apartments with  
delivery 2017 – 2018**

1 Bedroom	65 – 120
2 Bedroom	90 – 180
3 Bedroom	120 – 290
Penthouse	250 – 370

Source: C&W Echinox Research Q1 2017

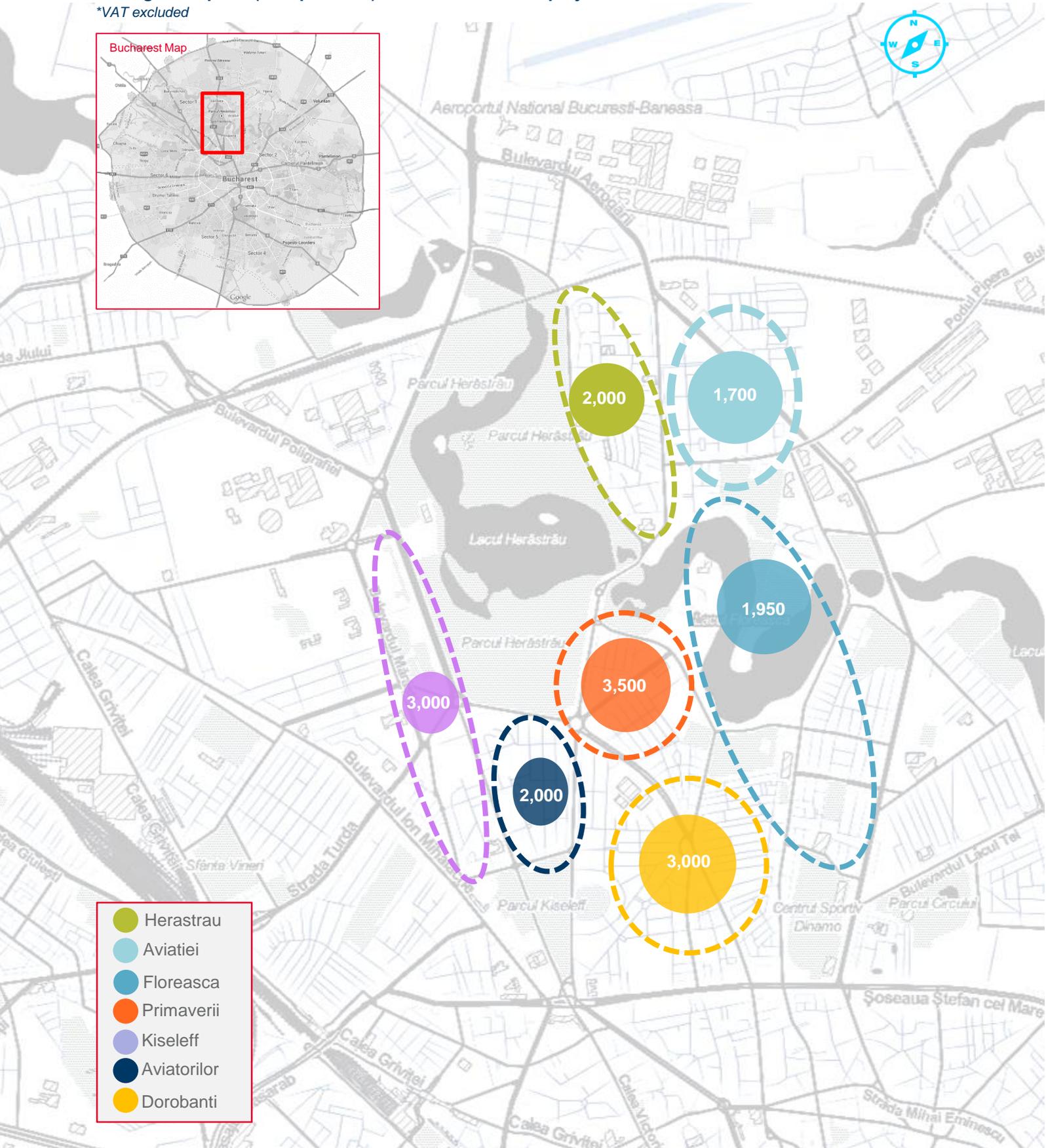
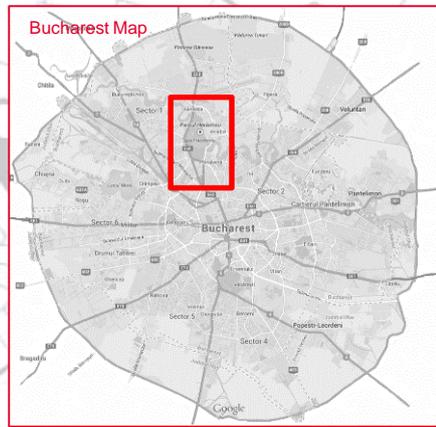


# Bucharest

## Premium residential locations

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

\*VAT excluded



# Premium residential projects

## Types of apartments & Price range\*

\*VAT excluded

### HERASTRAU

	Built surface (sq. m)	Price range (€)
1 Bedroom	65 – 110	110,000 - 195,000
2 Bedroom	90 – 140	155,000 - 275,000
3 Bedroom	120 – 190	205,000 - 370,000
Penthouse	270 – 340	540,000 - 700,000

### PRIMAVERII

	Built surface (sq. m)	Price range (€)
1 Bedroom	100	380,000
2 Bedroom	100 - 160	300,000 - 740,000
3 Bedroom	140 - 300	420,000 - 1,100,000
Penthouse	180 - 380	550,000 - 1,500,000

### AVIATIEI

	Built surface (sq. m)	Price range (€)
1 Bedroom	65 - 70	110,000 - 135,000
2 Bedroom	90 - 110	153,000 - 210,000
3 Bedroom	100 – 150	180,000 – 290,000
Penthouse	250	425,000

### KISELEFF

	Built surface (sq. m)	Price range (€)
1 Bedroom	80 - 90	250,000 - 270,000
2 Bedroom	115 -160	345,000 - 480,000
3 Bedroom	150 - 190	450,000 - 570,000
Penthouse	300 – 340	900,000 – 1,400,000

### FLOREASCA

	Built surface (sq. m)	Price range (€)
1 Bedroom	65 – 95	110,000 - 180,000
2 Bedroom	90 – 170	153,000 - 330,000
3 Bedroom	150 – 210	260,000 – 405,000
Penthouse	230 – 360	445,000 - 612,000

### AVIATORILOR

	Built surface (sq. m)	Price range (€)
2 Bedroom	110 – 180	240,000 - 540,000
3 Bedroom	180 – 290	400,000 - 675,000
Penthouse	220 – 290	485,000 - 580,000

Source: C&W Echinox Research Q1 2017

Source: C&W Echinox Research Q1 2017

**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

## Buyer's Profile

The buyer's profile targeting apartments located in premium residential areas across Bucharest remained unchanged compared with the last three years. The northern part of Bucharest has become one of the most important office locations in the city, given the fact that major multinational companies choose the area to expand or to open new operations.

More than 140,000 employees are working in the office buildings existing in these areas. Thus, demand for premium residential units continues to be strong, trend reflected by three main aspects:

**70%**

Of the units completed last year were sold by the end of Q4 2016

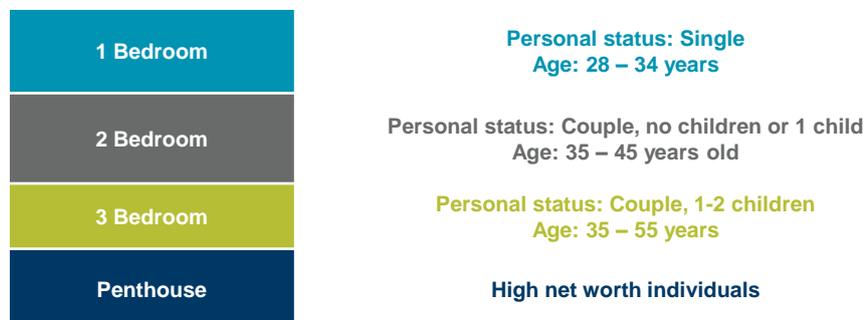
**1,000**

Units UC expected to be delivered in 2017 - 2018

**40%**

Units currently under construction already sold

Fig. 10: Typical buyer by type of residential unit



Source: C&W Echinox Research Q1 2017



# Premium residential locations

## Main characteristics

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- ❖ 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 1,700 – 3,500\*

\*VAT excluded



# Premium Residential Market

## Investment rationales

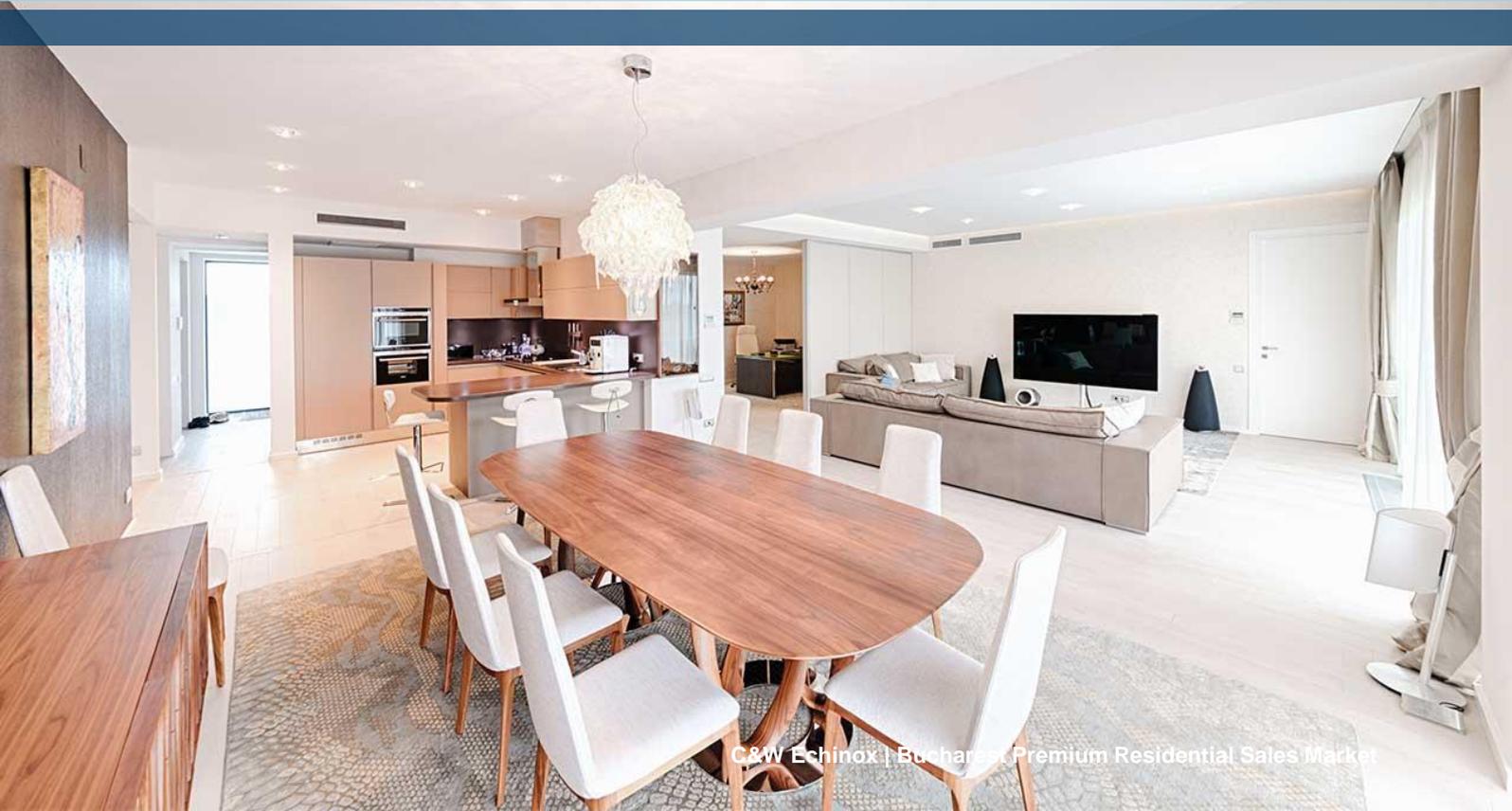
One of **the main reasons** for which individuals seek to invest in residential properties is **the low-interest rates** that banks offer. Individuals with disposable capital choose **to invest in residential units**, in order to have a **higher income**. Moreover, most of them are looking to place their liquidities in a portfolio of several products, in order to optimize the risk and to achieve a higher yield.

On the other hand, clients are interested in acquiring **off – plan residential units**. Some of the developers offer discount prices, thus having the possibility to finance their project without being solely dependent on bank financing. Having **more attractive prices**, investors have the opportunity to **resell the apartments** at a higher price, before completion of the project.

Rationales for investing in premium residential apartments were relatively the same in the previous year.

Investment value (€)	Monthly rent (€)*	Yield
100,000 – 120,000	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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