

BUCHAREST

PREMIUM SALES MARKET

RESIDENTIAL APARTMENTS

May 2017



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Bucharest – Premium Residential Apartments

Introduction

Welcome to C&W Echinox' 2nd 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.

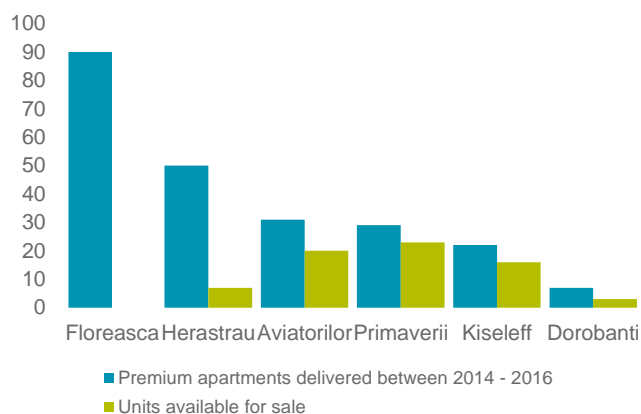
In the last few years, the stable economic and political environment, sustained by an increase in average monthly income, private consumption, tax cuts and a decrease in unemployment rate, contributed to the real estate market evolution on all segments, including the premium residential sector.

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.

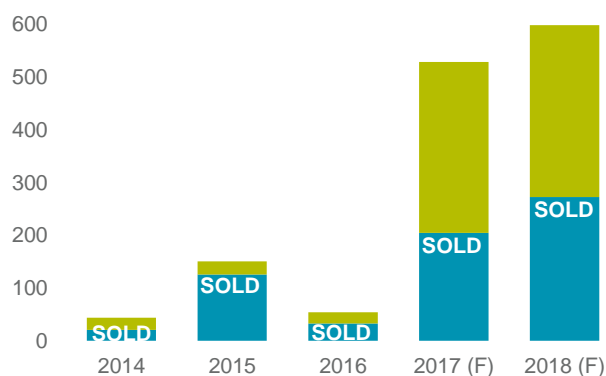
Given that the northern area of Bucharest has become an important office destination, the investors' confidence and appetite for developing premium residential units is set to follow the same positive trend. Their intention is highlighted also by the fact that a series of land plots were recently transacted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

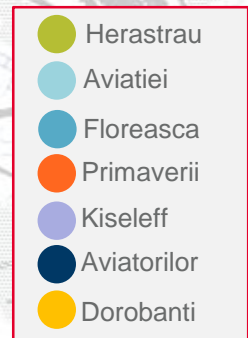
Fig. 2: New residential units – Supply & Sale evolution



Source: C&W Echinox Research Q1 2017



Premium residential locations



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.

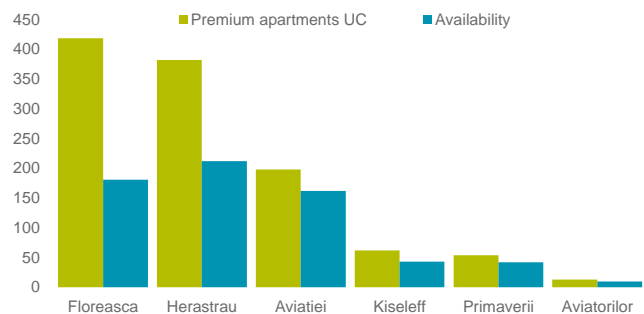
In the first quarter of 2017, ~140 premium apartments were delivered, a level four times higher compared with what was delivered in 2016. This underlines that the market is set to follow the initial positive trend going forward.

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



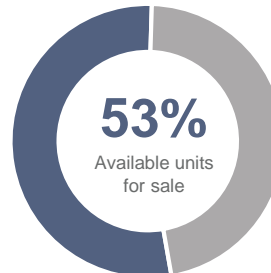
Source: C&W Echinox Research Q1 2017

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

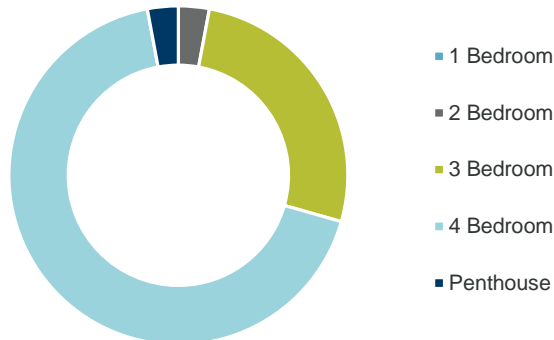


Source: C&W Echinox Research Q1 2017

Premium residential projects

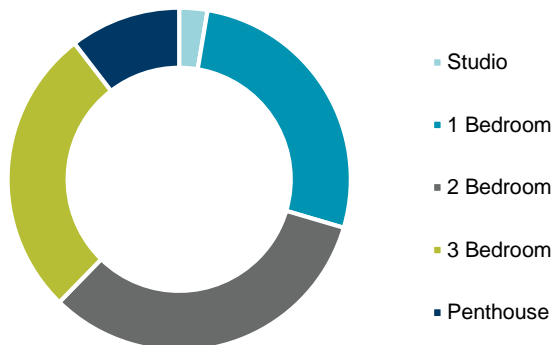
General overview

**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

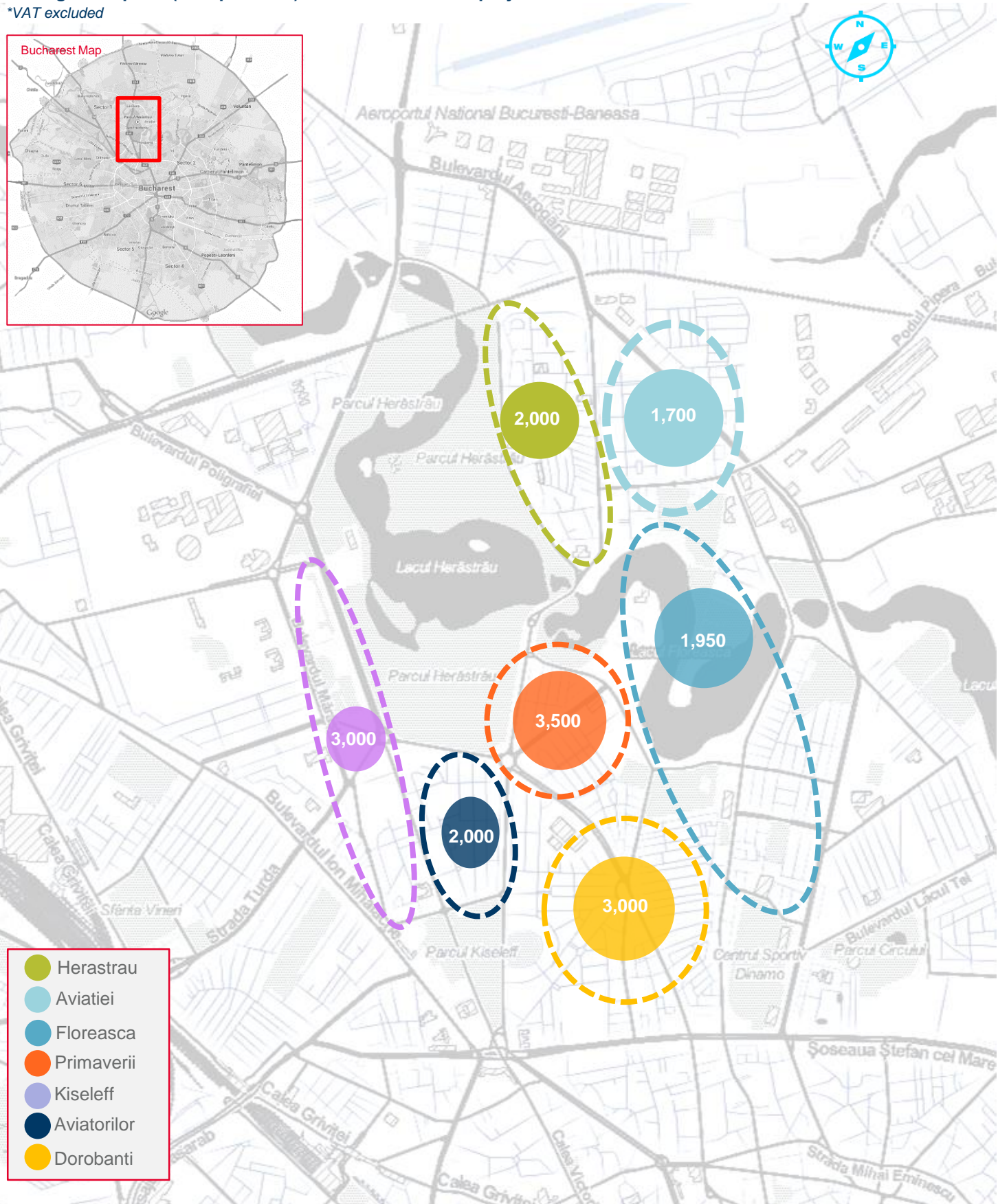
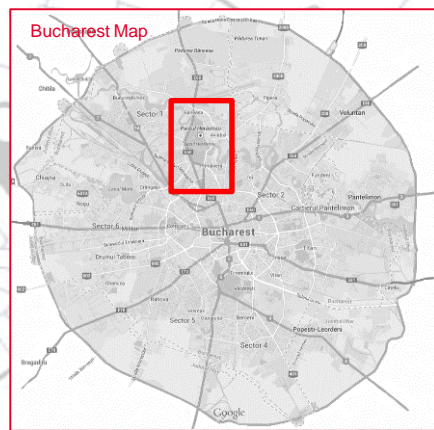


Bucharest

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

| | |
|-----------|---|
| 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: C&W Echinox Research Q1 2017



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 1,700 – 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

| | |
|-------------------|---|
| Studio | Apartments that have 1 room, a kitchen, a bathroom and a terrace |
| 1 Bedroom | Apartments that have 2 rooms, a kitchen, a bathroom and a terrace |
| 2 Bedroom | Apartments that have 3 rooms, out of which 2 bedrooms, at least 2 bathrooms and 1 dressing room and 2 terraces. |
| 3 Bedroom | Apartments that have 4 rooms, out of which 3 bedrooms, at least 3 bathrooms, 1 – 2 dressing rooms and several terraces. |
| Penthouse | 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. |
| Built area | Represents the total built area of the apartment, excluding all the common areas of the project. |

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Mihaela Pana
Partner Residential Agency

Phone: + 40 21 310 3100

E-mail: mihaela.pana@cwechinox.com

Mihaela Galatanu
Head of Research

Phone: + 40 21 310 3100

E-mail: mihaela.galatanu@cwechinox.com

