



Overview

In 2016 in Bucharest the total land area transacted was of 110 ha, the highest volume recorded in the last ten years. In terms of value, land transactions amounted € 127 mil., which represents an increase of 41% compared with the previous year. The largest sites were acquired by foreign investors, such as Vastint from Sweden, while One United was the most active local buyer.

Figure 1

Land transactions dynamic



Source: C&W Echinox Research

The most expensive lands were acquired for office development in the central area of the city, while at the opposite stand the logistics sites located on A1 Highway. With transaction prices range between 20 €/sq. m and 1,800 €/sq. m, the average price was of 115 €/sq. m, influenced by the significant volume of residential and logistics transactions at lower prices.

Figure 4

Average price paid by development destination



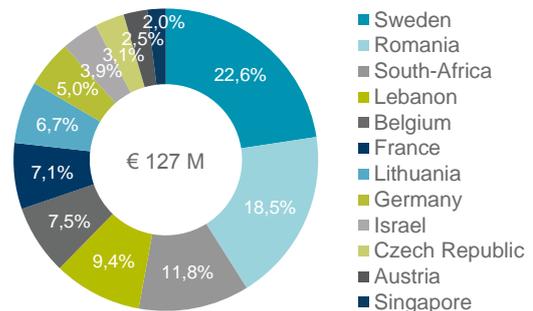
Source: C&W Echinox Research

Demand

The market witnessed an increased diversity in terms of investors' profile and sources of capital, with foreign investors continuing to be the most active. When it comes to local investors, One United secured three new lands for medium-high residential developments located in the central – north area of the city.

Figure 2

Transactions' value breakdown by investors' origin

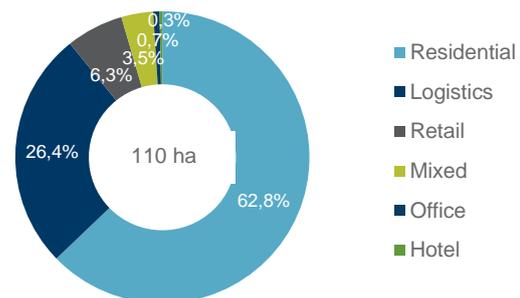


Source: C&W Echinox Research

Strabag Real Estate and Prime Kapital were amongst the new comers on the market, while Atenor, Hanner and Auchan made new acquisitions in Bucharest after several years of inactivity. By volume of transactions, residential sector was by far the most active, followed by logistics and retail.

Figure 3

Land area transacted by development destination



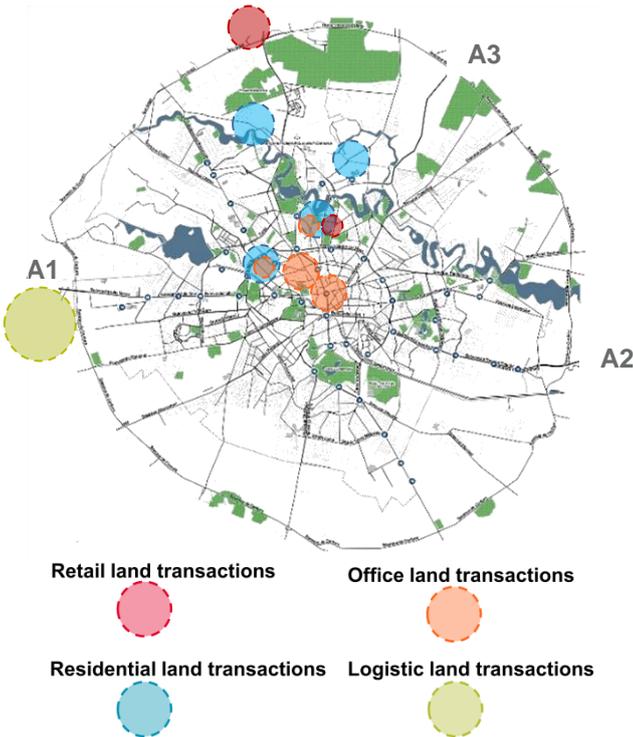
Source: C&W Echinox Research

In 2016 investors regained their interest for mixed use developments. Hanner acquired 11,000 sq. m located on the site of the former brewery Grivita to develop offices and apartments, while One United and Auchan purchased the former Automatica site located in Floreasca area to develop a shopping gallery, an office project and a premium residential compound.

At the border of the major office sub-markets in the central northern part of the city - Barbu Vacarescu – Floreasca and Pipera area, the Lithuanian group Apex Alliance acquired a land plot to develop a 250 rooms 4* hotel, long awaited by the business community in the area.

In terms of location, the vast majority of the lands transacted for offices, residential and retail are located in the central and northern part of the city, while for the logistics sector the western border of Bucharest remains the most attractive. In 2016 international logistics developers such as CTP and P3 acquired new lands in order to strengthen their position on the A1 highway.

Map 1
Bucharest – 2016 Land transactions



Source: C&W Echinox Research

Outlook

The perspectives on the Bucharest land market are positive, since vacancy rate for office, retail and logistics properties have dropped significantly during the last years. In the same time, the residential market is very dynamic, with developers securing buyers during construction stage.

For 2017 and 2018 the office pipeline in Bucharest is consistent, with more than 400,000 sq. m under construction, but for 2019 – 2020 the new stock announced is significantly lower. Given that there is strong demand coming from the IT, BPO and SSC sectors, we expect to see going forward new land acquisitions targeting the development of efficient and sustainable office parks / mixed use projects.

The retail sales recorded significant growth during the last years and are projected to follow the same positive trend due to increasing disposable incomes and consumer confidence. Most of the retailers are searching for new locations to expand, but the pipeline is thin. Bucharest is still able to absorb new retail schemes and we expect this to be confirmed by new land acquisitions.

Table 1
2016 Major land transactions

| Purchaser | Area (sq. m) | Location | Destination |
|-------------------------------|--------------|-----------|-------------|
| Vastint | 480,000 | Baneasa | Residential |
| CTP | 206,000 | Km 23 | Logistics |
| Morad Group | 80,000 | Pipera | Residential |
| Shikun & Binui, Red Sea Group | 50,000 | Pipera | Residential |
| One United, Auchan | 28,000 | Floreasca | Mixed use |
| Hanner Group | 11,000 | Grivita | Mixed use |
| Atenor Group | 5,300 | Victoriei | Office |

Source: C&W Echinox Research

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