

Residential market

Real Estate Market Study 2014

Trends in 2015



Residential market

Residential market recorded evident improvements during 2014, especially on new apartment segment, being sustained by lower financing costs and a better adaptation of the offer to the requirements of demand in terms of prices and characteristics of residential units. The number of transactions increased, the marketing period to dispose a residential unit diminished compared to 2013, while the prospection activity of the potential clients has increased.

During 2014, the offer containing new residential units, especially apartments, was well adapted to the requirements of middle income customers. Real estate development activity resulted in the completion of small scale developments that were located in peripheral and secondary areas, in the proximity of important public transportation routes, such as Berceni, Militari and Ghencea. A similar evolution was recorded in neighbouring localities that limit the above mentioned areas.

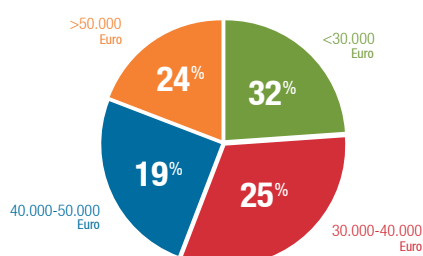
The aim of the architectural concept is to provide residential units that can be acquired through "First time buyer" program. These residential projects are developed by local developers that finance their investment by own financial resources, reinvesting the financial resources generated by previous sale of apartments.

Developers that finance their investments by own resources have a greater flexibility of the sale policy, proposing alternative prices depending on the payment period and methods. The increasing tendency of transactions was sustained also by this flexibility in negotiation.

Demand for apartments with prices below 50.000 Euro represents the largest ratio within the total demand. The purchasing power is the element that generate this structure of demand. The characteristics of the mortgage loans financed by "First Time Buyer" program are specific for the entire residential market, as the dynamic of this segment is generated by the governamental program.

The structure of residential transactions reveal that 2 room apartments remained the most sought after properties in 2014 (51%), similar with the period 2009-2013. Approximately 30% of the transactions involved 3 room apartments. During 2014, the demand for studios recorded a decreasing tendency while the demand for 3 room apartments slightly increased.

Structure of mortgage loans by value

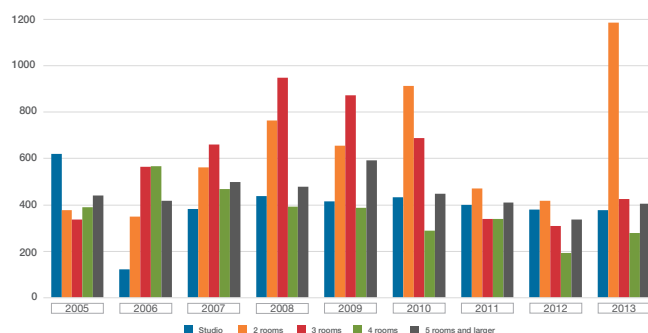


Source: FNGCIMM

This typology of demand generated a significant increase in the number of 2 room apartments completed in 2013 and 2014; the number of this type of residential units doubled compared to 2012 in the Bucharest-Ifov region. The structure of completed residential units during 2012-2013 reveals a significant increase in the number of studios and 2 room apartments, while the number of residential units with a larger number of rooms stagnated.

According to the data provided by the FNGCIMM, in 2014 a number of 25.000 of guarantees were granted by the institution to the financial institutions, the average value of a guarantee being 36.000 Euro. The average value per transaction confirm the fact that the residential units with prices below 50.000 Euro are the most sought after by the medium income clients. The main decision criteria for this client segment are the price (the most important criterion), quality of the residential unit, flexibility of the sale conditions, accessibility to public transportation, location.

Evolution of completed residential units by number of rooms



Source: National Institute of Statistics

Overall, the prices for newly completed apartments were stable in 2014. The average sale price of the apartments addressed to medium income clients located in the peripheral areas of Bucharest varied between 750-850 Euro/sq m in Berceni, between 800-900 Euro/sq m in Popesti-Leordeni area (perimeter located in the proximity of the metro), between 725-800 Euro/sq m in the southern extremity of Rahova area and between 750-850 Euro/sq m in Militari area. These prices fluctuate based on the distance between main public transportation routes, number of available residential units within the project and quality of finishing.

On the old apartment segment, generally the asking prices are slightly higher compared to the asking prices on the periferal area. Proximity of the main transportation routes and service facilities is the factor that increase the prices of these apartments:

Asking prices for old apartments in different areas of Bucharest

District 1

Area	Euro/sq m
Aviatiei	1.200 - 1.300
Banu Manta-Titulescu	1.100 - 1.200
Dorobanti	1.250 - 1.400
Grivita	850 - 950
Mihalache	1.100 - 1.200
Pajura-Bucurestii Noi	850 - 925

District 2

Area	Euro/sq m
Doamna Ghica-Colentina	925 - 975
Floreasca	1.100 - 1.200
Iancului	925 - 1.025
Mihai Bravu	1.000 - 1.125
Mosilor	1.000 - 1.125
Pantelimon	850 - 925
Stefan cel Mare	975 - 1.125
Tei	850 - 950

District 3

Area	Euro/sq m
Dristor	975 - 1.075
1 Decembrie-Th.Pallady	825 - 925
Titan	900 - 1.000
Vitanul Nou	1.000 - 1.125
Vitanul Vechi	850 - 950
Unirii	1.200 - 1.450

District 4

Area	Euro/sq m
Berceni	850 - 950
Piata Sudului-Brancoveanu	975 - 1.075
Progresului-Giurgului	725 - 850
Oltenitei	850 - 925
Tineretului	1.000 - 1.125

District 5

Area	Euro/sq m
Alexandriei	650 - 750
Ferentari	625 - 725
Panduri-13 Septembrie	1100 - 1200
Rahova	750 - 850

District 6

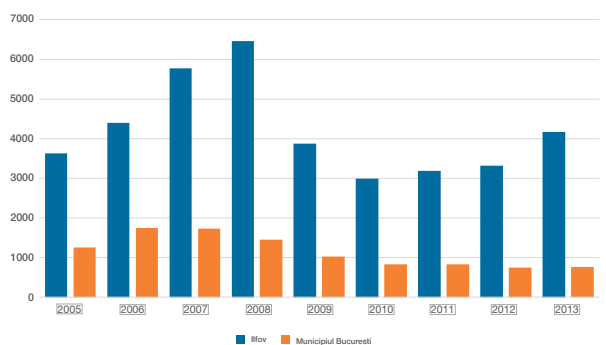
Area	Euro/sq m
Bd.Timisoara	850 - 975
Crangasi	925 - 1.025
Drumul Taberei	850 - 975
Ghencea	850 - 925
Giulesti	750 - 825
Militari - Lujerului	875 - 1.000
Militari - Gorjului - Pacii	825 - 900

New apartments located in the central area (Dacia, Polona, Domenii and Cotroceni) and secondary areas (Iancului, Obor and Dristor) are targeted by medium-high income customers that intend to acquire residential units for personal use. On this segment, demand is mainly sustained by final users. The number of potential clients that intend to acquire residential units for renting purposes is extremely low. The general concept of the units located in the above mentioned areas is different compared to apartments located in the peripheral areas. These apartments benefit of large usable areas, underground parking, quality finishing. Sale prices reflect these advantages, generally fluctuating between 1.150 Euro and 1.300 Euro/sq m (excluding VAT), depending on location and quality of finishing and particular location of the apartments within the building.

The activity on the high income client segment was concentrated in the northern Bucharest, especially in Nordului-Herastru and Primaverii areas. Demand on the premium property segment mainly targeted properties with prices between 200.000 and 300.000 Euro and usable areas larger than 100 sq m. The demand is mainly sustained by final users, acquisitions for investment purposes were not attractive for the customers. This segment recorded sporadic developments due to limited availability of plots adequate for this type of residential projects.

Generally, the residential segment will not record significant changes compared to 2014, but some changes are expected. Unless the economic environment negatively influence the general evolution of the real estate market, demand will continue the positive evolution recorded between 2013 and 2014. At the same time, demand is expected to diversify and the preferences of the clients will include also larger apartments, located in secondary areas of Bucharest and well-established residential areas, such as the northern part of Bucharest. This diversification of demand is expected as part of the potential clients will consider the extension and/or improvement of the residential units. Thus, the demand will not be exclusively sustained by "First Time Buyer" program.

Building permits



Source: National Institute of Statistics

Small scale residential developments located in peripheral locations and secondary areas will dominate the local market. On medium income segment, potential and effective demand encourage developers to initiate projects special designed for this category of clients. Development costs, including those generated by the acquisition of the land, allow developers to quote attractive sale prices for the potential clients on this market segment.

Under the circumstances of a stable demand and very sensitive to the fluctuations of the prices, developers/owners are expected to maintain stable the sale prices for apartments addressed to medium income clients. In addition, the supply will increase and diversify, considering the increase in the number of construction permits issued in 2013 compared to 2012, many of these proposed developments were completed in 2014 and are marketed during 2015. Among the residential developments proposed for completion in 2015, the following project are mentioned Cortina Residence, City Point, Metropolitan Aviatiei and Militari Residence. In addition, there are other residential projects situated in the peripheral areas of Bucharest and neighbouring localities in the proximity of Berceni, Ghencea and Militari areas.

In 2015, the offer will be supplied with properties currently owned by investment funds and companies that administrate debts and loans in default. Financial institutions have disposed large portfolios of debts and/or loans in default, the companies that acquired these portfolios intend to dispose them and obtain liquidity. However, the availability of these properties will not generate changes in prices or significant changes in the typology of the properties available for sale.

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