The land market in Romania in 2008

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Abstract: *The first sign of the real estate crisis was the disappearance of the investors in the first half of 2008. The real estate developers noticed that this type of investors "had left the sinking ship" and they had not purchased lands in the suburbs.*

Keywords: *land market, land transactions, real estate*

1. Introduction

One of the consequences is represented by the low demand and, thus, the decrease of land prices. In Arad, the owner of 19 acres land, with 500 metres opening and situated next to the airport, asks 5 € on square metre. This happens in an area where a 5-acre-land was sold with 9 € a metre the previous year. There is another reason for the decrease in demand.

2. Discussions

A real estate analysis report made by Colliers International States that "After a period of aggressive acquisitions in the towns all over Romania from 2006 to 2007, the transactions stagnated in the first half of the year 2008 and the developers returned to Bucharest in search of more secure investments".

The north and centre of Bucharest are the leaders in the transactions chart. According to Colliers, the investors are interested in the centre and north of the city since these areas represent the lowest risk of devaluation in the event of an extended crisis. The north has also attracted 45% of the land investments in Bucharest. The same idea results from a study made by Eurometropola Company: "Kiseleff-Primăverii-Aviatorilor perimeter seems not to be touched by the global economic crisis. The prices in the area have stayed the same since the beginning of the year. The prices of the lands are still between 3,500 ad 5,000 € per square metre" say the consultants of the company.

According to the data issued by the real estate agencies in the country, the cost of the land has stagnated since October 2008 (table 1). The values are irrelevant since the sales volume is next to nothing.

Table 1. The price of land/ square meter, 2008

Town	Price of land / square metre (euro)		Town	Price of land / square metre (euro)	
	Withing the built-up area	Outside the built-up area		Withing the built-up area	Outside the built-up area
1	2	3	1	2	3
Arad	16-500 →	0,20-30 →	Galați	150-800 →	150-800 →
Bacău	30-600 →	1-25 →	Iaşi	25-1200 →	25-1200 →
Baia Mare	70-1000 →	10-400 →	Oradea	35-600 →	35-600 →
1	**2**	**3**	**1**	**2**	**3**
Botoşani	11-385 →	5-50 →	Piatra Neamț	100-1000 →	100-1000 →
Braşov	30-800 →	1-25 →	Piteşti	250-800 →	250-800 →
Brăila	30-500 →	3-60 →	Ploieşti	150-1500 →	150-1500 →
Buzău	25-600 →	3-20 →	Râmnicu Vâlcea	500-800 →	500-800 →
Cluj Napoca	70-1800 →	2-80 →	Satu Mare	25-350 →	25-350 →
Constanța	80-2500 →	0,1-250 →	Sibiu	200-800 →	200-800 →
Craiova	400-1000 →	3-35 →	Suceava	300-2000 →	300-2000 →
Drobeta Tr. Severin	100-800 →	20-50 →	Târgu Mureş	50-300 →	50-300 →
Focşani	50-500 →	8-120 →	Timişoara	45-1000 →	45-1000 →

Note: The data presented are based on the information given by the local real estate agencies; the prices are relevant for the closest areas to the centre in towns inhabited by more than 100.000 people; → stagnation.

The land transactions were common during winter. A lot of clients, natural persons or juridical ones invested their annual savings into lands. The real estate crisis has changed things thoroughly. Nothing happens in the real estate business and this tendency is certainly caused by the crisis.

One can hardly ever find lots suitable for constructions within the towns, except for some lands of 200-300 square metres with some constructions on them that can be demolished. Things have been changing outside towns.

In March, the Imotrust Company bought a strip of land in the right part of the road between Arad and Vladimirescu, divided into lots and created the infrastructure, laid asphalt on the access paths; they put it on sale in strips of 450-500 square metres. A square metre of land with utilities and asphalted streets in this area cost 45 €. On the other side of the road, the Town Hall designed a similar project. The strips were of 500-1.000 square metres and there was also infrastructure. One can find lots that cost 30 € per square metre.

Most of the owners persist in not selling because they "are still waiting for the market to recover". The situation will not change for a year until the credits are unlocked. Only in September – October next year the market will show signs of recovery. The prices should reach the level they did in 2005-2006. Even if the owners currently persist in keeping the price, refusing to sell, they will have to accept the trend of diminishing prices eventually. This thing can already be noticed at a certain level. Thus, some of those who have invested in lands are facing a cash crisis and need to sell.

3. Conclusions

The banks do not give credits to the population for land purchasing in order to build houses, and the amount of cash in the market is very small. The market will unlock in the land sector in the summer at the same time with a relaxation of credit regulations at national level and with the promotion of new projects with an industrial and logistic character that would include both small businesses and new inhabited areas. The diminishing prices will reach about 35-40%.

A new generation of real estate agents will appear on the market from February-March next year. They will have their own capital and will aim at buying ensembles that have already been started building and whose developers are incapable to pay. The prices of these projects will be even lower than those invested up to that moment. Under the influence of the cash crisis, the developers who do not have their own capital will have to sell.

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