

## Romanian real estate bargains

Romania is a vibrant and growing economy, with plenty of opportunities for canny investors, writes **Connie O'Toole**

**A** shortfall in housing makes Romania a prime investment location for overseas buyers, according to Colin Murphy, director of Some Place Else.

"Romania is a big country with a population of 22 million," he said. "City planners are on record stating that there is a need for 200,000 extra dwellings in the next five years. Developers in the capital, Bucharest, currently only have capacity to complete about 8,000 to 10,000 units per year."

Pat Lyons of Lyons Properties said that Romania had benefited in recent years from EU funding. Between 2004 and 2006, it was one of the biggest recipients in terms of funding per capita. Between 2007 and 2013, it will receive a further €30 billion from the EU. "This funding will be used on local infrastructure projects, such as, roads, schools and hospitals," said Lyons.

### Appreciation

Murphy said that residential

property prices in some parts of Bucharest had risen by between 15 and 25 per cent per year for the past three years.

Robert Weiner, sales director with Real Estates, said that capital appreciation in the Romanian property market was expected to average at least 20 per cent per year for the next two years.

"These figures are conservative," said Weiner. "We expect prices to increase by 30 per cent per year in the next two years."

Weiner said that the cost of residential property in Bucharest last year averaged about €1,150 per square metre for properties located in west Bucharest and between €1,200 and €1,550 for north Bucharest. The closer to the city centre, the more expensive the property, he said, with prices per square metre for city centre properties averaging €1,800.

Outside the capital, Murphy said that other regional cities attracting serious investment from buy-to-let investors include Iasi in the north-east, Cluj in the north-west and Brasov in the south-east.

In Iasi, a high-quality residential stock, he said that property prices e

typically ranged from €1,300 to €1,450 per square metre (including Vat). In Cluj and Brasov, prices are lower at between €1,000 to €1,300 per square metre.

### Where to buy

For investors looking beyond Bucharest for urban investment potential, Weiner recommended Cluj.

"The new Nokia Village will be situated a few miles from Cluj," he said. "There are several universities located there, including the most popular university in Romania. It is also the chosen location of a growing number of multinational companies, so the population is increasing rapidly but there is a lack of good quality properties for the emerging middle-class."

Weiner said that the majority of Irish investors in the Romanian property market favoured new builds.

"They see it as a safer option and also the prices will have increased before they have to pay the final instalment of 70 to 75 per cent upon completion," he said.

In Iasi, Murphy said that there



**Bucharest: Romania has benefited in recent years from EU funding**

has been little residential development since the fall of Communism. Since 2003, several smallscale developments have been bought by the most affluent locals.

"The city has eight universities and is the chosen location for many large multinationals such as IBM, Siemens, Ericsson, Mittal Steel and Fortus," he said.

The influx of foreign students and staff to service these multinationals has further widened the gap between supply and demand in the property market.

### Black Sea coast

Buying in the cities is the most popular option for Irish investors. Weiner said there was also good va-

lue in holiday homes particularly along the Black Sea coast. This offers a good alternative to Bulgarian seaside properties.

"These holiday homes make a good investment because the area is just now being explored by foreigners and is also gaining popularity with wealthy Romanians from Bucharest looking for a second home by the sea," said Weiner.

### Costs and financing

Mortgage rates in Romania vary from 6.5 per cent to 8 per cent. According to Murphy, the local financing regime for overseas buyers is good considering that Romania is an emerging market. He said that

several local banks will agreed to lend at 75 per cent loan-to-value over 30 years.

"Interest rates have dropped dramatically year on year, as recently as 2001 interest rates were 45 per cent," he said.

Murphy advised buyers to allow 8 per cent on top of the sales price to cover all fees, including agency fees.

"Romania is a pro-landlord market and transaction costs are relatively low," said Murphy. "The different tax rates that apply are income and corporation taxes: both at 16 per cent. Capital gains tax is generally taxed as income."

Taxes on the purchase of property include Vat at 19 per cent and stamp duty of between 0.5 and 3 per cent depending on the area.