

BUCHAREST RESIDENTIAL MARKET

Q4 2023
SNAPSHOT

Issued January 2024

Best quarter ever

The fourth quarter of 2023 confirmed the recovery trend of the residential market, recorded since the summer months, as a result of the decrease in mortgage interests' rates and a smaller general level of uncertainty.

The new VAT value for the purchase of new homes with prices lower than RON 600,000 (or about EUR 120,000), which increased from 5% to 9% starting January 1st, 2024, also determined a high number of buyers to make a purchase before the closing of the year.

Thus, the last three months of 2023 brought the best home sales volume ever recorded in a quarter in Bucharest – Ilfov region (but also at a national level) in the modern history of the local residential market – and this in an overall context where 2023 marked a two-digit annual decrease in home sales.

The number of houses and apartments sold in and around Bucharest grew in Q4 with an annual rate of 0.8%, according to the statistics released by the National Agency for Cadastre and Land Registration.

Even if the increase is sub-unitary, it marks the first quarterly growth in home sales after three consecutive quarters of annual decreases registered in Bucharest and its surroundings.

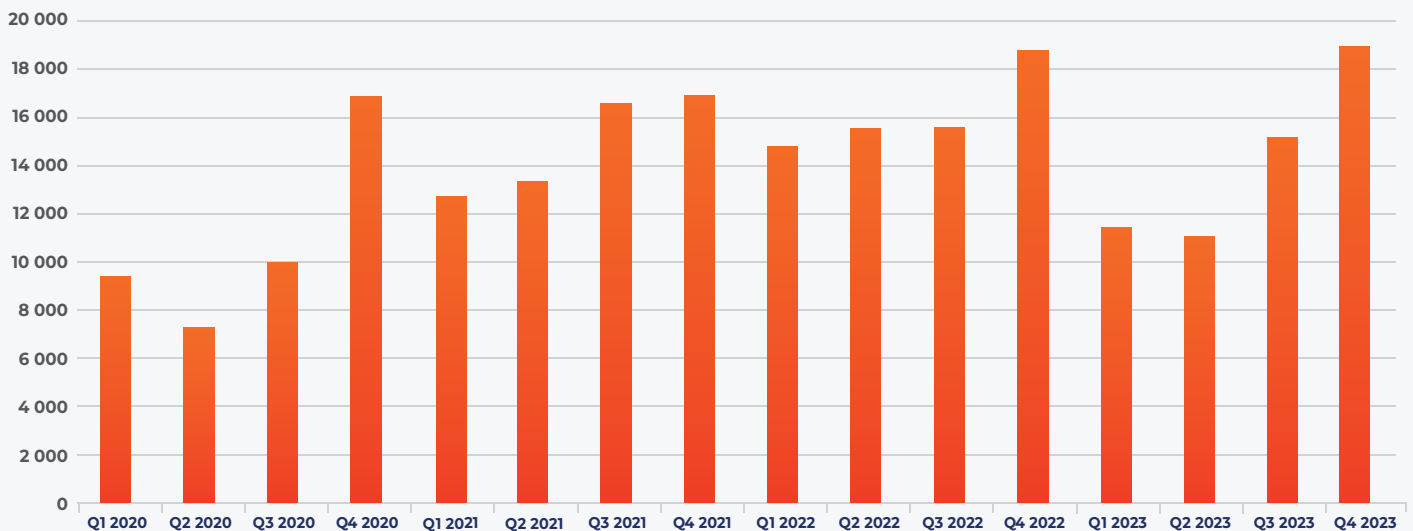
The demand's recovery can also be seen if we analyse the annual home sales variation registered in every quarter: -23.2% in the first quarter, -30% in the second quarter, -3.8% in the third and +0.8% in the fourth quarter of last year.

In total, approximately 56,200 residential units were sold in 2023 in Bucharest – Ilfov region, up 13.2% compared to the previous year. You should bear in mind that 2022, the reporting year, was one with absolute records regarding the total home sales volume.

Even if the decrease was of two digits, the sales result can be considered satisfactory, considering that 2023's result is only 5.6% smaller than the one registered in 2021, when a home sales record was also registered at that time.

Moreover, 2023's result is over 29% higher than the one registered in 2020, when another home sales record was registered, despite Covid-19 pandemic and the total two months period restrictions.

Quarterly home transactions closed in Bucharest and Ilfov



Source: SVN Romania based on ANCPPI

+0.8% ↑

annual increase
in home sales closed
in Q4 2023 in
Bucharest and Ilfov

+9.2% ↑

annual increase
in home sales closed
in Q4 2023
at a national level

-13.2% ↓

annual decrease
in home sales
registered in 2023
in Bucharest and Ilfov

-9.6% ↓

annual decrease
in home sales
registered in 2023
at a national level

Sales recovery was recorded in a context in which the accessibility of purchasing a new home continued to improve in the last months of 2023, setting a new record for the modern history of the local residential market.

Thus, SVN's profile index reached in November – the last month with official statistics published – a value of 6.9 years, or about 83 average wages at a national level necessary for buying a one-bedroom new apartment (50 square meters net surface) in Bucharest.

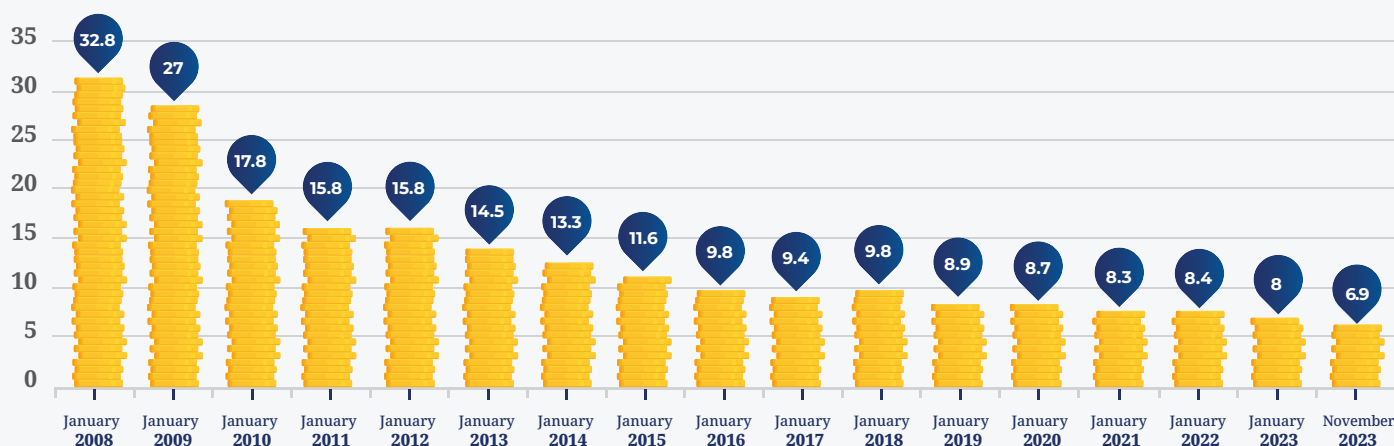
This is for the first time in the last decades when the price – wages ratio decreases below the seven-year threshold, the new accessibility record level being registered in a context in which the average wage increase accounted for 15.1% in the last 12 months, while prices grew with only a few percentage.

2023 also brought the best improvement for SVN's index in the last six years, the saving for a potential buyer being, from this point of view, of about 11 average wages at a national level, or about EUR 11.500

By comparison, about 96 average wages - or about a eight year period - were needed at the beginning of 2023 for buying the same apartment, while at the beginning of 2022 were necessary about 101 average wages (or the equivalent of a 8,4 year period).

At the same time, today is almost five times easier to buy a new home in Bucharest compared to 2008, when SVN's index had a value of 32.8 years (or no less than 393 average wages at a national level), that being the peak of the market before de 2009 financial crisis.

Number of years necessary for purchasing a one-bedroom apartment in Bucharest (50 sqm)



SOURCE: SVN ROMANIA

+50% ↑

cash transactions proportion registered in 2023 in Bucharest and Ilfov

+15.1% ↑

annual national average wage increase registered in November 2023

6.6%

annual inflation rate registered in December 2023

2.9%

annual inflation rate registered in the Euro Zone in December 2023

SVN's index regarding the accessibility of purchasing a new home is also important if we consider that over 50% of homes sold in 2023 in Bucharest's region were bought exclusively with cash. Our estimates show that cash transactions actually overpass the 60% level, considering that the new registered mortgages also include refinancing loans.

The improvement in the accessibility of buying a new home was doubled by a significant improvement in the accessibility of contracting a mortgage loan. This occurred in a context in which in May last year was launched the first mortgage loan offer with a yearly fixed interest rate below 6% - now, the majority of the financial institutions have a similar product in their portfolio.

The improvement in the accessibility of accessing a mortgage financing is visible also if we analyse SVN's profile index, whose estimated value for the beginning of this year is smaller than that registered at the beginning of 2023, mainly as a result of wage increases, corroborated with lower interest rates and, in general, constant prices.

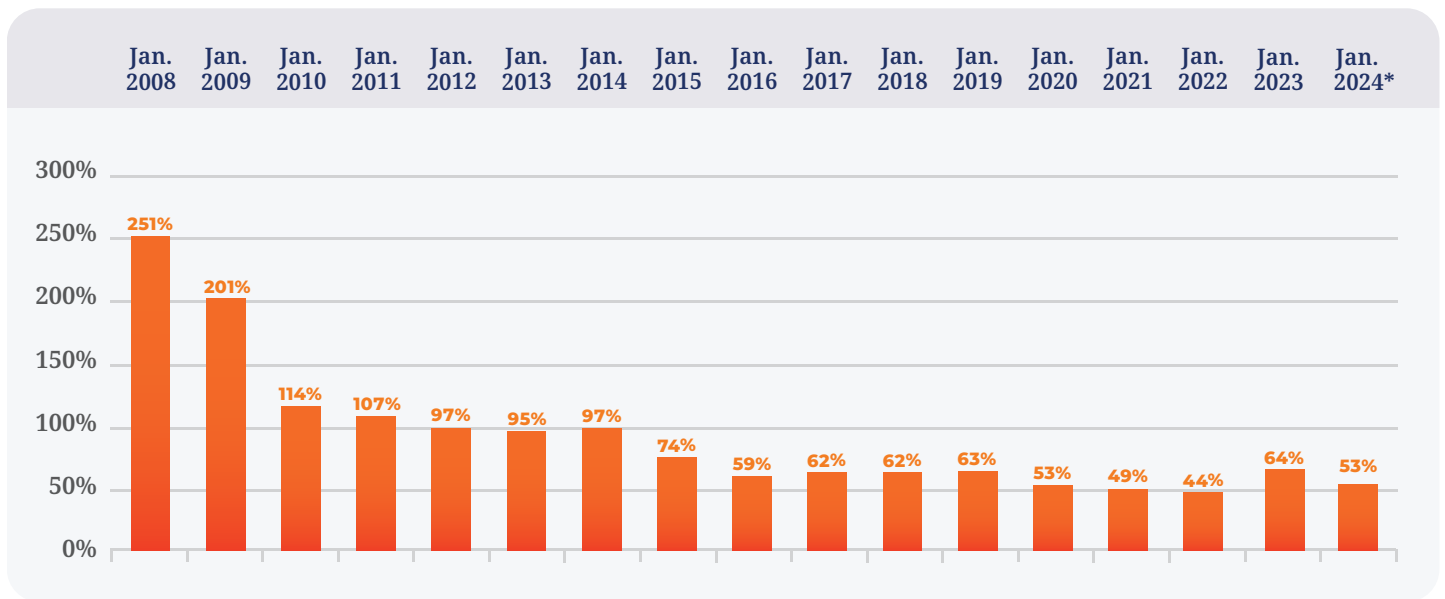
Thus, the average instalment for a 25-year mortgage loan necessary for buying a new one-bedroom apartment (50 square meters net surface) in Bucharest is estimated for January 2024 at a level of 53% of the average wage at a national level, according to SVN's calculations.

This is significantly lower than the 64% peak registered at the beginning of 2023. On the other hand, the current level is also higher than the 2022 minimum, when the average instalment held a percentage of about 44% of the average wage. Considering the revenues registered in Bucharest, SVN's index currently has an even lower value, of about 44%.


The level of IRCC – the index that underpins all interest rates of new mortgages – at the beginning of 2024 is of 5.97%, while ROBOR 3M has a current value of about 6.14%, compared to 7.56% a year ago. Considering the current market conditions, we estimate that SVN's profile index will further improve in the first quarter of this year.

LOWER INSTALMENTS

Instalment / national net wage ratio



SOURCE: SVN ROMANIA, note *estimation.




7.8%

average interest rate for mortgages granted in Bucharest at the end of 2023



5.97%

IRCC's value in Q1 2024



≈ 44.8%

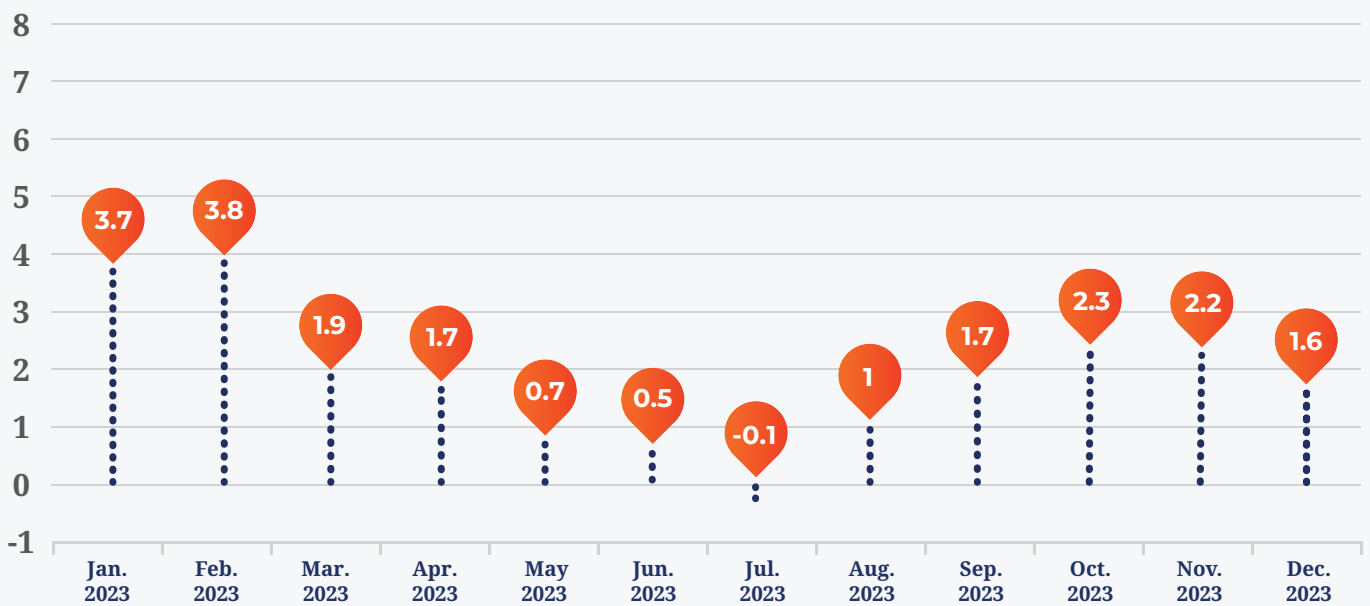
ratio between the average instalment (one-bedroom new apartment, 50 sqm net surface) and the average monthly revenue registered in Bucharest

All these improvements in the accessibility of buying a home were registered in a context where prices have not kept pace with the wage increases, while the annual price increase can be considered real negative, considering the inflation rate, which had a higher value throughout the year – both at a national and European level.

The real estate index calculated by SVN Romania in partnership with Ziarul Financiar closed 2023 with an annual increase of 1.6%, this being the fourth lowest annual increase since the Covid-19 outbreak. This is also the lowest value registered in the fourth quarter of 2023, October closing with an annual increase of 2.3%, and November with 2.2%.

2023 also brought a premiere, with the first decrease after a nine-year period of consecutive increases: the average price of two-room apartments completed in Bucharest between 1980 and 1990 decreased in July with an annual rate of 0.1%. Price variation returned immediately to increases but the annual growth decreased almost three times in 2023, considering the 4.9% level registered in December 2022.

Annual residential price increase in Bucharest (%)*



SOURCE: SVN ROMANIA, ZIARUL FINANCIAR

two-bedroom apartments delivered in Bucharest between 1980 - 1990



+7.2% ↑

annual average prices increase registered in 2023 in Bucharest for homes completed prior to 1990



1.75% ↑

annual average prices increase registered in 2023 in Bucharest for homes completed prior to 1990

Home sales decreases were registered in a context in which new homes deliveries dropped in 2023. The most recent data published by the National Institute of Statistics show that the number of completed homes in Bucharest and its surroundings in the first nine months of 2023 was 5.8% lower than the one registered in the same period of 2022.

Approximately 19,000 new residential units could be delivered in Bucharest and Ilfov by the end of 2023 according to SVN's data, depending on compliance with construction schedules. Registering this result will mark a 11% decrease compared to the 2022's level, when about 21,300 dwellings were delivered, down 3% from 2021.

The excellent results registered in Q4 2023 show that the current fundamentals of the local residential market are still sound, with a latent demand waiting for the adequate moment to buy a new property. Taking into account the current market conditions, we estimate that there are all the prerequisites for 2024 to bring better results for the profile sector.

SVN[®] By The Numbers

+700M €

Total home sales
in Romania

+6.000

Apartments
sold directly
from developer
in Romania

+15

Residential
projects
in portfolio

12
Speciality
practice areas

Regional presence in
Brasov, Cluj - Napoca,
Constanta, Covasna, Oradea,
Targoviste and Timisoara

+\$21B

Total value of sales & lease
transactions worldwide



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