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Agricultural land investment in Romania 2013

Second edition (updated and added)

November 2013

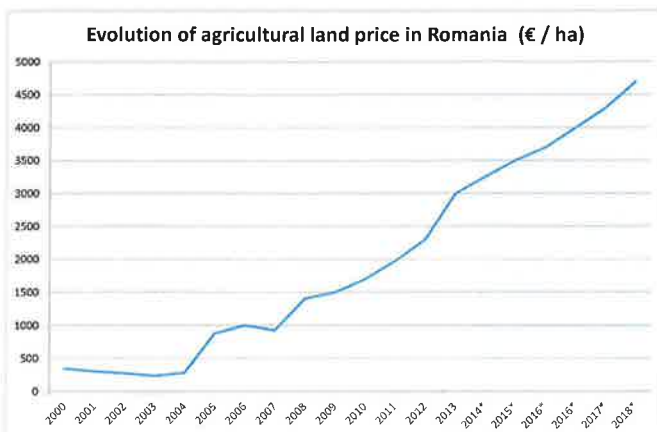
Key issues

- Average farmland prices have almost tripled in Romania since 2007 and the upward trend is showing no sign of decelerating, especially in light of 2014 market liberalization. Romanian farmland continues to be an attractive opportunity both for locals and foreigners despite recent price increases.
- Driven by increasing demand, average prices have gone beyond €3,000 per hectare, is expected to remain on an upward trend and it is estimated to reach an average of around €3,500-4,000 per hectare by 2015.
- The economic crisis has not significantly affected transactions in this sector and although prices have kept increasing in recent years, Romania continues to be attractive to investors, mainly because of farmland prices which are only a fraction of the prices in many countries of Europe.
- Low prices combined with the high quality of the soil and multitude of farmland available for sale, have so far attracted numerous investors to buy farmland in Romania.
- Land fragmentation, lack of cadastral documentation, bureaucracy and high costs of obtaining it are the main challenges potential buyers have to deal with.
- Subsidies level granted to farmers in Romania in 2013 was of €139 per hectare via SAPS (Single Area Payment Scheme) plus an additional 'top up' of €21 per hectare supported from the domestic budget. However, the subsidy level in Romania is currently a few times lower than in many countries in the EU.
- Although the upward trend will be maintained over the coming years, the prices are expected to become stable only when the agricultural sector in Romania will become mature, with a higher degree of consolidation, appropriate infrastructure for access and irrigation, clean legal and cadastral documentation and subsidies level aligned with the rest of Europe.
- Starting January 2014, Romania is no longer permitted to maintain its domestic provisions restricting the acquisition of agricultural land by foreigners. The topic has often been debated over the recent past years, with politicians and local farmers arguing that Romania must further restrict the purchase of Romanian farmland by non-resident citizens beyond the 2014 deadline.
- Currently, the Romanian Authorities still consider some restrictions necessary in order to protect the socio-economic agricultural structure of the country from shocks that might arise from the differences in land prices and incomes with the rest of the EU. In light of the above, the Romanian Authorities drafted a law (which is expected to become applicable at the beginning of 2014) according to which, individuals will be permitted to acquire farmland up to a threshold of 100 hectares and additionally, buyers must prove agricultural knowledge and experience.
- During 2007 – 2014, it was common practice for foreign individuals to indirectly acquire farmland land via companies incorporated in Romania, consequently no significant change can be expected following the coming market liberalization.

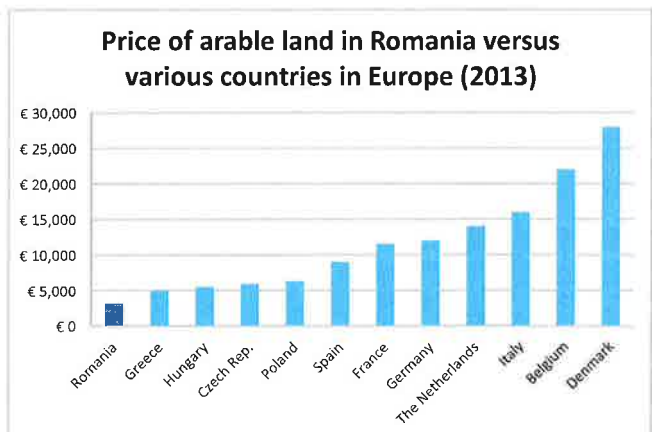
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Source: DTZ, * forecast



Source: Various press articles