

Agricultural land market

Real Estate Market Study 2014

Trends in 2015



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Agricultural land market in Romania recorded a particular interest in 2014 coming from different categories of clients that are confident of the potential of this market, generated by the significant differences between the prices in Romania and those recorded in the Western Europe. The presence of important foreign investment funds as well the sustained prospecting activity are the elements that anticipate a positive evolution in the next period.

During 2014, the offer was diversified in terms of areas and consolidation. Thus, the offer of agricultural land is diversified comprising areas of 130 – 2.000 ha with low level of consolidation (40-50%), generally leased by local farmers, as well plots with areas between 100-600 ha benefiting of a higher level of consolidation (70-80%), leased by a local farmer or farmed by the owner. The offer also comprises land with very large areas (over 3.000 ha), but some component plots do not have a clear juridical and cadastral status. This segment of the real estate market records also acquisition and consolidation projects concerning small areas of between 0.5 ha and 3-5 ha.

Compared to 2013, the average sale prices had an increasing evolution; the medium prices of agricultural land in 2014, excluding the added value of fixed assets, fluctuated between 1.800-2.000 Euro per hectare and 5.000-6.000 Euro per ha. The average sale prices are illustrated on the attached map based on the geographical area.

The fluctuation of prices is generated by natural and anthropical amenities that land benefits of, as well as by level of consolidation. Important natural elements that influence the price of the land are quality of soil, pluviometric regime of the area, proximity of surface water resources that can be used for irrigation. Technical possibilities for irrigation, presence of storage capacities, proximity and accessibility of sale facilities for the harvest might significantly increase the prices.

The consolidation of farm land is an important factor as there is an optimum ratio between total area and level of consolidation so that the farm equipments and machineries are efficiently used. Thus, large vegetable crops (wheat, corn, sun flower, soya etc) are economically viable on larger areas over 500 ha. Smaller plots are economically adequate for horticulture and specialized harvest. A 100% consolidation is ideal, but also plots with total areas of 15-20 ha located at a maximum distance of 1 km are attractive for farmers.

The main active clients are foreign investment funds that have the financial capacity to acquire vast areas of agricultural land and benefit of adequate market information. The prospecting market activities are mainly undertaken by foreign companies from the United States, Great Britain, Germany, China and Middle East.

Local clients are represented by specialized companies from meat production and processing industry that invest in grain harvest for consumption in owned farms. During the latest period, a new category of client appears on the market, namely, small entrepreneurs in diverse business sectors that intend to acquire plots with small areas for speculative purposes or to set micro farms and submit requests for European funds for crops, especially horticultural.

Average sale price depending on geographical areas



The acquisition of farm land is financed by financial resources coming from investment funds (deposits on medium term of 10 years or longer term of 15-30 years) or individual private resources (family office) where the depositors invest on very long term (50-100 years). Banking finance is used mainly by local purchasers.

The main reasons behind the acquisition of farm land vary based on the profile of the purchaser. Foreign investment funds, that invest significant financial resources, aim to preserve the value of their investments, to obtain revenues from leases or from the subvention granted by central authorities, and eventually, the speculative profit when they decide to dispose the property (exit).

Holding companies (family office) specialized in agricultural investment mainly aim to obtain quality soils, a high level of consolidation, but also the natural amenities of the neighborhoods. The expected profit is moderate, the acquisitions concluded by these investors are financed with the financial excess generated by the profit of other businesses.

Small private investors are aware of the great opportunity to invest in Romania, as the main reason for acquiring land in Romania is the subvention, high profitability of the harvest and the speculative purpose when the dispose of the plot is considered.

For 2015, an increasing evolution of prices is expected, considering the natural tendency towards the prices quoted in other countries members of the European Union. However this evolution is not dependent exclusively on the expectations of the owners, but also on the correlation between the profitability of the harvest and the level of investments in land. An essential element for the future evolution of the agricultural land prices would be the prices for cereals that might moderate the ascending evolution of prices.

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