

Romania Property Buying Process

As Romania continues its progress towards EU accession with its entry date confirmed as January 2007, so the rules relating to foreign freehold ownership of land and property in Romania are changing to come in line with the European Union's regulations. This bodes well for the investment property market in Romania because currently non-Romanian citizens are not permitted to own land in Romania unless they purchase it through a Romanian company structure. The property buying process in Romania will become more streamlined and hopefully more transparent in the years following Romania's EU entry (Jan 2007), in the meantime here's our guide to the real estate purchase process in Romania currently. The first objective to fulfil is the search for suitable real estate, and to this end an investor can secure the services of an estate agent in Romania who speaks English and has local knowledge of properties available for sale. An investor will likely have a strict set of criteria that his property acquisition should fulfil, and these should be articulated to the estate agent so that they can source suitable properties for viewing. The majority of property investment interest in Romania is currently centred on both commercial and residential real estate in Bucharest, but there are many more opportunities particularly in the tourism industry and these are generally available countrywide with Transylvania, the coast and ski resorts in Romania gaining popularity ground on Bucharest quickly. If an investor is considering purchasing an older, resale property it can be a good idea to have an independent survey conducted on the property to ensure no nasty surprises are lurking behind flaking paintwork for example. Alternatively there are a number of newly constructed properties available for sale as well as a growing number of pre-construction developments being marketed to overseas investors. Whichever type of property the investor chooses, if that property is anything other than an apartment his lawyer will need to establish a Romanian foundation or company via which the investor can own the land on which the property sits. The Romanian government have passed a series of laws that will allow for direct foreign freehold ownership of land in Romania five years after the country achieves full EU member status (seven years for agricultural land), which will bring the property laws in Romania inline with those of other European Union member states. Once a suitable property has been found the real estate investor should secure the services of an English speaking lawyer to act on their behalf throughout the proceeding property purchase transaction if they haven't already done so. While it is not a requirement to have a lawyer represent you in any property buying transactions undertaken in Romania, an investor would be incredibly unwise to proceed without legal representation! The amount of red tape and paperwork associated with buying and selling property in Romania is incredible and a headache even for local Romanian citizens; finding a good lawyer who can take on this burden is therefore critical. Sometimes it is necessary for an investor to sign a preliminary contract to agree to purchase the property they are interested in and to pay a holding deposit via their solicitor, and sometimes the vendor is happy to wait for the final contract to be signed - it really just depends on the vendor. If the property investor is buying off-plan a stage payment schedule will be drawn up as part of the final contract otherwise the complete cost of the property will generally be due on the day the final contract is signed. The final contract will be signed by the vendor and purchaser in front of a public notary who will legalise the transaction and also submit the necessary documents for title transfer to the land registry. In terms of the associated extra costs a property investor in Romania should budget for, they should allow for at least an extra 5% of the original purchase price. Costs will include the lawyer and notary costs as well as state taxes and there is an annual property tax payable in Romania as well. Laws have recently been passed to prevent too much speculative property investment going on in Romania and this has resulted in VAT and CGT increases that become applicable upon the resale of property and the subsequent realisation of any property price gains.