Land Market in Romania. Present and Perspectives

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Introduction

The promulgation of Law 54/1998 on the legal circulation of land provided the adequate legal framework for the land ownership transfer, by land sale - purchase, within the land market, as an institution under development and consolidation.

In six years of its operation, certain trends specific to the inside or outside village land market emerged, with great and sometimes very great differentiations between the development regions, and between certain counties in particular.

The analysis of the current land market situation in Romania was based upon the information cumulated in the period July 1 1998 - September 30 2004, on the land market for the land areas inside the village and separately by for the land areas outside the village, by counties, grouped by development regions.

The analysis was based upon the following information categories:

- number of sale-purchase contracts concluded in the period July 1st,1998 - September 30th, 2004, on a cumulated basis;
- total transacted area in the same period (ha);
- average yearly transacted area on each county region in part (ha);
- total value of transactions, on a cumulated basis on the entire period of time (6 years and 3 months), expressed in billion RON;
- average multi-annual land selling price (RON/ha);
- yearly transaction rate, calculated as a ratio of average yearly transacted area outside the village, by each county or region in part to the total arable area of county or region, expressed in (%);
- average land area per concluded transaction (ha).

The last three indicators presented are extremely important in characterizing the land market. Thus, the *average multi-annual level selling price* is the value indicator per hectare that indicates to what extent the land intended for sale has been priced. Its level has great variations depending on several parameters, and it is steadily much below the level of land yielding value.

The *annual transaction rate* is a quantitative indicator, revealing the percentage of total arable area that is attracted on the average each year in the legal circuit of land areas. At the same time this indicator has a qualitative aspect, as its level can characterize the land market activeness. It was the arable land and not the agricultural one to be considered here, as more than 97% of the transacted land areas is arable land and less vine and fruit-tree plantations or pastures or grassland. This indicator also reveals the yearly increase and decrease in the number of land properties.

The average area put through transaction is significant for the land market outside the village. Its size generally reveals how much of the land property has been transacted. In our case, usually, the transacted area outside the village is close to the average size of individual holding. Hence, when somebody sells his/her land outside the village, he/she prefers to sell that land area that is consolidated or the nearby other transacted areas. For the land inside the village area, the average transacted area is quite close to the adequate average size of land necessary to set up a permanent household in the rural area including the necessary area for the dwelling, household annex buildings, yard and garden.

In order to reveal the regional specificity of land market, the analysis was effected on development regions, detailed on each and every county and on a comparative basis among the different development regions.

The land market analysis of the agricultural land outside the village

The main characteristics of the land market of the agricultural land outside the village area are presented by development regions in the table 1.

Table 1. Land market of the agricultural land outside the village area in Romania, on development regions, in the period July, 1 1998 – September, 30 2004.

No	Region	Concluded sale-purchase contracts (no)	Total transacted area (ha)	Average yearly transacted area (ha)	Value of transactions total thousands (RON)	Multi-annual average price (RON/ha)	Annual transaction rate (%)	Average land area per transaction (ha)
I	North-East	36.637	35.538	5.686	381.242	1.072,8	0,4	1,0
II	South-East	37.781	58.400	9.344	422.845	724,0	0,5	1,5
III	South	28.538	41.881	6.701	654.219	1.562,1	0,3	1,5
IV	South-West	15.808	18.110	2.897	118.566	654,7	0,2	1,1
V	West	60.207	177.942	28.470	1.564.323	879,1	2,6	3,0
VI	North-West	24.628	31.888	5.102	313.541	983,3	0,5	1,3
VII	Center	22.031	29.811	4.769	357.061	1.197,7	0,6	1,3
VIII	Bucharest	3.966	3.638	582	316.322	8.694,9	0,6	0,9
	Total country	***229.596***	***397.208***	***63.553***	***4.128.119***	***1.039,3***	***0,7***	***1,7***

Source: [15]

- the land market develops very slowly, yet being in an early stage;
- the land areas are transacted at very low average annual rates, ranging from 0,2% of the arable land in Neamț and Vaslui counties to 0,7% in the Botoşani County;
- the average prices are very low; the lowest average prices are found in Botoşani (422,8 RON/ha) and Vaslui counties (452,5 RON/ha), while the highest prices are found in the Suceava (1.593,8 RON/ha) and Bacău counties (2.156,4 RON/ha);
- the mountainous counties have quite a favourable situation with average prices that are twice or three times higher than in the counties from the Prut river plain; Iaşi County is an exception where the average prices are quite close to the minimum average prices in the hilly counties;
- the average transaction size is of about 0,7-0,8 ha, being specific to the counties from the hilly area, while the average transaction size increases with about 50% in the counties from the Prut river plain;
- about 28% of the total number of transactions concluded in the region are found in the Botoşani County, compared to only 6,7% in the Vaslui County, which reveals significant differences between the counties in the Prut river plain as well;
- the limited land reserves in the hilly zone in the region, the relatively modest quality of land areas, the low efficiency of household farms and the demographic pressure that is still high in the rural area, create the premises of a less generous land market for the agricultural land outside the village area, having low development perspectives and attractiveness.

The land market outside the village area in the South-East Development Region has quite similar characteristics, with the following particularities:

- the land market develops very slowly, being in an early stage;

the sold land areas represent 0,2% (Tulcea County) and 0,6% (Brăila and Buzău) of the total arable area of counties;

- the average prices per transacted hectare are very slow, ranging from 454,2 to 868,7 RON/ha in Tulcea and Buzău counties;
- the average size of transacted land areas is higher, ranging from 1,3 ha in Buzău and Galați counties to 3,2 ha in Constanța County;
- an exception inside the region is Vrancea County, that on the average has 1,3% of the arable land of the county attracted to the civil circuit each year; the average transaction prices amount to about 991,6 RON/ha, while 40% of the total number of transactions in the region are concluded only in Vrancea County;

- only 2,9% of transactions are concluded in Tulcea County, which indicates the very low opportunities for land market development in this county;
- the region has good perspectives for land market activation, taking into consideration the higher size of transaction and the exceptional situation in Vrancea County, which indicates the possibility to increase land sales if the conjuncture becomes favourable.

The land market in the South Development Region has several particularities:

- the atypical county of the region is Prahova, with a very high average transaction price (7.402,4 RON/ha), determined by the exceptional location along the Prahova Valley, a famous tourism area, which results in a position rent;
- the Dâmbovița County, accounting for about 30% of the average number of transactions concluded in the region each year, has quite a high price per hectare of land (2.232,8 RON) attracting 1,0 % of the arable land in the county in the civil circuit;
- the remaining counties, i.e. Teleorman, Călăraşi, Ialomița, are typical for the exclusively agrarian areas, with very low prices per hectare (247,4 – 583,2 RON) and with larger average transaction sizes, from 1,5 to 2,8 ha;
- a medium situation is found in Giurgiu and Argeş counties, favoured by the proximity of Bucharest, on one land, and by the natural landscape along the Argeş River;
- the land market has two development directions, namely: one directed towards the agricultural holdings specific to the large agricultural zones (Călăraşi, Ialomița, Teleorman) by the diminution of demographic pressure; the second development direction, the development of fruit-tree and vine growing zones and holiday or permanent residential areas in the proximity of Bucharest and along the Prahova Valley.

The land market in the South-West Development Region is characterized by:

- low level of participation to the land market, ranging from 0,1 to 0,4% of the arable land in Dolj and Mehedinți counties;
- extremely low prices, ranging from 380,5 to 780,0 RON/ha in Olt and Gorj counties;
- the sold land areas are quite small, from 1 to 1,6 ha in Dolj and Gorj;
- the Vâlcea County has the best position in the region; the average selling price is 1204.6 RON/ha, accounting for about 24% of the transactions in the region;
- as the land market regards, the region may be considered in expectation, as there are market development conditions, but no favourable conjuncture has emerged yet.

The land market in the West region features quite a spectacular evolution, although only 6 years passed since the first transactions:

- the value of transacted land exceeds 156,4 millions RON;
- the selling price is relatively low, ranging from 533,8 to 914,0 RON/ha in Hunedoara and Timiş counties;
- the land area attracted in the civil circuit is 1,8% in Arad and Caraş-Severin counties, shifting from the type of slow land market to the type of moderate land market; these two counties are characterized by larger average size of sold land (2,4 ha or 1,8 ha);
- the Timiş County has a leading position on the Romanian land market, foreseeing the dynamic type of land market, as it attracts 3,7% of the arable land area of the county in average, each year; it concludes over 55% of the transactions in the region, with a throughput of over 112,3 millions RON on the land market; it has one of the largest sizes of average sold land areas in Romania (3,6 ha);
- the West region can be considered as a development model for the Romanian land market; however, the analysis should also take into consideration the effects determined by the very dynamic development pace of the land market. These aspects will be also investigated later on.

The land market in the North-West Development Region is characterised by:

- low yearly average rate of the attracting land area in the land market circuit, ranging from 0,2% in Bistrița Năsăud to 0,7% in Satu Mare;
- the average size of transacted areas is low, under 0,9 ha; where the counties of Bihor, with 1,5 ha and Satu Mare, with 3,9 ha are an exception;
- the largest number of transactions were concluded in Cluj and Bihor counties (60% of total region);

- the average prices are different: they are quite high in Bistrița-Năsăud (2.984,0 RON/ha) and Maramureş counties (2.521,4 RON/ha) and low in Bihor (526,8 RON/ha) and Cluj counties (700,9 RON/ha); the prices are strictly dependent upon the arable land area in the zone;
- the region has a moderate development potential of the land market; its development is constrained by certain factors, namely: low financial resources, high social pressure, and modest production potential.

The land market in the Centre Development Region has the following parameters:

- it is a market under development, being most active in the Sibiu County, with 1,7% of arable land included in transactions each year; it has much lower values in other counties, i.e. Mureş (0,3%) or Alba (0,5%);
- the land areas per transaction are longer in Mureş (2,4 ha) or Braşov, Sibiu and Covasna counties (1,8-1,5 ha) and smaller in Harghita and Alba counties (0,8-0,9 ha);
- the prices are higher only in Braşov County (2.077,0 RON/ha) and slightly medium in Harghita and Covasna (1.373,4 RON/ha), to reach 863,1 RON/ha for the remaining counties;
- in Sibiu and Alba counties, more than 45% of the land sale-purchase contracts were concluded;
- the land market development perspectives are high, being determined by the geographic particularities of the zone, the great suitability for potato cultures, as well as the great attractiveness specific to the hilly and mountain areas, in relation to the demographic evolution of the rural areas.

The land market in the Bucharest Development Region features and excessive polarization determined by the capital city, Bucharest. The average selling price is 8.694,9 RON/ha; the average area per transaction is 0,9 ha, while the average yearly level of arable land inclusion in the land market circuit is only 0,6%.

The land market perspectives are determined by the development capacity of the capital metropolitan zone, with an obvious contradiction between land transactions for agricultural use, steadily decreasing, and land transactions intended for taking the land out of the agricultural circuit. The phenomenon will face a dynamic development, while the economic and social development profile in the zone will determine the growth rate of the land market.

The land market for the agricultural land outside the built-in areas in Romania, after more than 6 years of operation, is characterized by the following (table 1):

- overall, at a county level, 229.596 land transactions were operated; about 397.208 ha were the object of land transactions, which represent an yearly average rate of transactions of 0,7%, specific to the early stage of land market development; the less dynamic are the South-West (0,2%) and South regions (0,3%); the most dynamic is the West Region (2,6%) that falls in the category of moderate land markets;
- the West Region accounts for 26% of the land transactions in Romania, representing 37,9% of the value of land transactions, with the largest average land area per transaction, i.e. 3,0 ha;
- the average selling price of agricultural land outside the built-in area of localities, at national level, is 1.039,3 RON per hectare, with great differences ranging from 1.562,1 RON in the South Region to 654,7 RON in the South-West Region; an exception is the Bucharest Region, with 8.694,9 RON per ha;
- the average transaction size is 1,7 ha; it oscillates between 0,9 ha around Bucharest and 1,5 ha in South and South-East; as it has been mentioned before, the West region is an exception, with 3,0 ha.

These few conclusions foreshadow the idea of a national land market for the agricultural land outside the built-in area of localities that is under development, with zone evolutions that are sometimes very dynamic, in close relation to the socio-economic development policy, to the demographic pressure of rural areas, to the development of agriculture and rural development, to the euro-regional conjuncture in which we are placed.

Analysis of land market for land inside the built-in areas of rural localities

Another very important segment of the land market is represented by the land transactions inside the localities.

The motivation of this market segment is fully different from the market of land outside the localities; this because the sales and purchases of the land inside the locality aim at future investments in dwellings or other uses, i.e. constructions, annexes, yards, setting up gardens with multiple uses, vegetable farming, fruit-tree, vine plantations, flower growing, landscape arrangements or even land for sports and recreation purposes. Significant pressures are added to this, intended for taking the land out of the agricultural circuit, determined by the tendency to develop the building sector for other uses, economic uses in particular. The network of localities in Romania consists of 268 towns and cities, 2.698 communes and 13.089 villages; in average, there are 940 ha total agricultural land per rural locality (inside and outside the locality), out of which 595 ha arable land. Generally, only 10% of the total area of a commune is represented by the land inside the built-in area of the locality. These land areas are strongly anchored in the social condition of rural localities. Yet, the excessive development of localities in the plain zones, as well as the scattered localities in the hilly and mountain zones, entailed the inclusion in the built-in area of villages of large areas with agricultural uses, gardens, orchards and even vineyards, with or without buildings, many times land plots larger than 1 ha, used for growing field crops. All these areas are potential reserves for the land market inside the rural localities. After six years since the coming into effect of Law 54/1998, in Romania 232.162 land sale-purchase contracts were concluded, covering land areas inside the rural localities of 68.658 ha; on the average, there are 2.957 sq.m. per transaction, at an average multi-annual price of 1,39 RON/sq.m.; the total value of transactions is 953,0 million RON. For information purposes, the land markets for land inside the localities by development regions are presented in the table 2.

Table 2. Land market for the land areas inside the locality, on development regions in the period July 1, 1998 – September 30, 2004.

No	Region	Concluded sale-purchase contracts (no)	Total transacted area (ha)	Average yearly transacted area (ha)	Value of transactions total thousand (RON)	Multi-annual average price million (RON/ha)	Average land area per transaction (m²)
I	North-East	73.217	22.992	3.679	173.833,3	7,6	3.140
II	South-East	41.880	9.070	1.451	99.538,1	11,0	2.166
III	South	49.336	13.059	2.089	210.351,7	16,1	2.647
IV	South-West	25.682	10.475	1.676	76.223,3	7,3	4.079
V	West	10.089	2.734	437	40.995,1	15,0	2.710
VI	North-West	10.926	4.775	76	64.243,4	13,5	4.370
VII	Centre	9.079	2.579	41	44.968,5	17,4	2.841
VIII	Bucharest	11.953	2.974	476	242.899,4	81,7	2.448
	Total country	*232.162*	*68.658*	*10.985*	*953.052,8*	*13,9*	*2.957*

Source: [15]

Taking into consideration the information from the tables above, referring to the land market of land in the built-in area rural localities, we can draw the following conclusions:

- the most active market is the North-East Region, which accounts for 31,5% of the total number of transactions completed in Romania, transacting 33,5% of the total sold area;
- the less active market is in the Centre Region, with 3,9% of the total number of transactions, transacting only 3,8% of the total sold area;
- 70,8% of the total number of land sale-purchase documents were completed in three regions (North-East, South-East and South), transacting 65,7% of the total sold area;
- the average multi-annual selling price at a country level, for the land areas inside the localities, was of 1,39 RON/sq.m., with great variability, ranging from 8,17 RON/sq.m. in the Bucharest Region, followed by the South Region with 1,60 RON/sq.m. and the North-East Region with 0.76 RON/sq.m. or the South-West Region with 0,73 RON/sq.m.;
- the average size of transacted land at country level was of 2.957 sq.m., ranging from 2.166 sq.m. in the South-East Region to 4.370 sq.m. in the North-West Region;

- the number of transactions with land inside the built-in area of localities was relatively equal to the number of transactions with land outside the localities, at Romania level;
- the transacted land area inside the localities was 4,8 time lower than the sold land are outside the localities;
- the average price of land inside the built-in areas of localities is 12,4 times higher at country level;
- the average size of land per transaction sold in the built-in area was 4,7 times lower than the average size of land transacted outside the locality.

By dividing the counties in groups according to fertility zones, we find a strong reverse correlation between the land selling price and the fertility area, Thus, the higher the fertility, the lower the land price; this revealing that at present farming is not yet attractive, as these land areas, although of high quality, are sold at the lowest prices (see table 3).

Table 3. Correlation between the fertility zone and the land price in the transaction concluded in the period 1998-2002.

Fertility zone	Name of zone	Transaction price (RON/ha)
Zone I	Romanian Plain	460
Zone II	Western Plain	740
Zone III	Plateau	880
Zone IV	Hills	1.180
Zone V	Hillocks and piedmont	1.570

Source: [3, pag. 223].

It is expected that the price of fertile land will very much increase and the price-fertility ratio will follow a normal trend, by the improvement of the business environment in agriculture, by the development of agri-food markets, the development of crediting and funding systems in agriculture, as well as by the modernization of agriculture and the increase of farm efficiency.

These findings reveal the existence of interdependency between the land market for land inside and outside the rural localities of Romania, also determined by the existence of other elements, namely: the demographic pressure, the infrastructure development, the economic and social development level, the influence of urban patterns, the existence and updated maintenance of the general town planning (PUG) of the territorial land management plan (PAT), of the zone town planning (PUZ) and of the general cadastre of localities.

Land circulation through donation and purchasing by physical entities of Romanian nationality (citizenship) living in other countries

The land market covers the full land circulation, regardless of categories, uses and location, regardless of owners or land transfer modality. In fact, the land market covers, at a national level all the land areas that changed owners at a certain moment.

From this point of view, it is necessary to complete the land market coverage in Romanian with other categories of land transfer as well, with or without payment:

- land market of urban land areas inside and outside the locality;
- land market of non-agricultural rural land inside and outside the locality;
- land market of forest and under water land;
- land market of land areas purchased by physical entities of Romanian nationality from other countries;
- land circulation by donation;
- land exchange;
- lands transfer from the public domain of the state into the private domain of the state and vice-versa;
- expropriation of land in favour of private ownership for public interest;
- special procedures of property transfer, other than those presented so far;
- special management regimes for private ownership land areas, other than those resulted from the owner’s will;

- regime for abandoned and vacant land;
- regime for new or disappeared land;
- land appropriation;
- seizure upon land;
- other special cases of property transfer.

All these reveal the complex global structure of land market. The characteristic that links all these segments of land market is the full ownership transfer, with all its legal prerogatives: *the right of the use (usus), the right of gathering the fruit (fructus) and the right of disposal (abusus).*

Land market is complemented by *the land market of services, consisting in land areas that are leased, long-term, lease on, concession basis, hired, under different share-cropping arrangements, under location arrangements, ceded for administration by other physical or legal entities, in exchange for payment or without any payment. These land areas are submitted to the process of limited land ownership ceding, while transmitting the right of use (usus) and sometimes the right to gather the fruit (fructus); however, the right of disposal (abusus) is never transmitted, as this would mean the full transfer of ownership right prerogatives and this act would fall into the proper land market coverage and not into the land market for services.*

In fact, the complexity of the proper land market completed by the land market for services comprises the totality of particular situations of land areas in Romania, as a central element of the national wealth. Ignoring certain components of the land patrimony, even a minor segment of it, may entail serious social, environmental, economic or even international and geopolitical prejudices.

Coming back to the proper land market or to the land market for services, this practically consists in the many land areas, in a certain region, over a certain period of time, for which the ownership right prerogatives have been fully or partially transmitted.

The investigation of the land market for services represents a particular, extremely thorough approach that is not the object of the present study. Our research refers to the land market for agricultural land in the rural area.

For this purpose, the land market analysis should be also completed with the analysis of land donation and land sales to physical entities of Romanian nationality from other countries.

Before the application of Law 54/1998, land donation represented a modality to fully transmit the ownership right.

This process cannot be considered as a land market component, as the transfer was not based upon a price negotiation between the parts, but rather on a free of charge basis or upon certain clauses.

However, the change of the owner maintains the donated land areas within the sphere of land market completion, as, before the promulgation of the law on the legal circulation of land, although no proper regulations on transmitting the land areas by land sale-purchase acts existed, these used to be legally transmitted through donation acts.

We cannot know the onerous aspect that lay behind each donation, but we suspect that this is a “legal” modality of money laundering and a safety valve of the underground economy through land market. At the same time, it is an important modality to regulate certain internal social pressures, mainly within the families, as relations between the living persons, so as to permit the establishment of young, autonomous family nuclei.

In figures, land circulation through donations, as well as the purchase of land outside the locality built-in area by the foreign physical entities, of Romanian nationality, is presented in the table 4, on regions.

In more than six years after the enforcement of Law 54/1998 on the legal circulation of land, even though the land market has been liberalized, land donations continue to represent an active modality of land ownership transfer. Inside the built-in areas of localities, at a national level, 22.973 donation acts, by which about 8.183 hectares of land have been transferred, were registered in six years.

The most active situation is found in Moldova and Muntenia where 77,8% of the donation acts were completed, 89,6% of the total donated land areas being transferred. A particular situation is found in the North-East Region, where in only four counties (Bacău, Suceava, Botoşani and Iaşi), 36% of the total number of donation acts at national level were concluded accounting for 41,9% of the donated land.

Table 4. Land circulation through donations and purchase by physical entities, on development regions.

No	County	Donation				Land purchase outside localities by physical entities of Romanian nationality from other countries		
		Inside locality		Outside locality				
		No of acts (no)	Donated area (ha)	No of acts (no)	Donated area (ha)	No. of entities (no)	Area bought (ha)	Average area per transaction (ha)
I	North-East	9.422	3.862	7.470	4.914	84	944	11,2
II	South-East	3.664	1.008	5.246	6.769	77	890	11,6
III	South	2.818	1.023	3.867	4.849	125	483	3,9
IV	South-West	4.267	1.283	3.178	2.748	48	688	14,3
V	West	450	298	2.303	4.037	520	18.068	34,7
VI	North-West	1.368	262	1.645	1.088	324	1.095	3,4
VII	Centre	454	289	1.883	2.565	2.831	2.940	1,0
VIII	Bucharest	530	158	354	218	30	66	3,3
	Total country	*22.973*	*8.183*	*25.946*	*27.188*	*4.039*	*25.174*	*6,2*

Source: [15]

The lowest number of donation is found in the West and Centre regions, that together total only 3,9% of the donation acts throughout Romania, transferring only 7,1% of the donated land areas. The average size of a donated land area at national level is of 3.562 sq.m., with great differences among the regions, ranging from 1.915 sq.m. in North-West and 6.622 sq.m. in the West Region.

For the land areas outside the locality, 25.946 donation acts were concluded, transferring 27.188 ha; the North-East Region is on the first position, while the North-West Region on the last position.

The average size of donated property was of 1,05 ha, oscillating from 1,75 ha in the West to 0,66 ha in the North-East and North-West.

The variability of land donation regime is very high, with relevant differences among counties. For example, in Bacău County 2.150 donation acts were concluded, while in Satu Mare County there were only 12 acts.

Generally, it can be noticed that the frequency of donation is much higher in the Eastern and Southern areas of the country, however with a lower average size of donated land properties. This aspect is correlated both with the demographic pressure in the zone and with the traditional attachment to the land. In Transylvania fewer donation can be found, but the average size of donations is larger.

In the future, this transfer form of the land ownership right will slightly increase, if it is adequately protected by fiscal arrangements and specific procedures of defending the ownership right on donations. This aspect is necessary as the land transfer among living persons, within the family, is an excellent modality to alleviate the social tensions, to increase land use efficiency, as well as to increase the average size of property and of farm inclusively. The only doubt that remains concerns the fairness of the donation act outside the family, where subjective factors, of speculative or even illegal nature can intervene.

The analysis also takes into *consideration the purchase of land by physical entities of Romanian nationality from other countries.* These bought 25.174 ha of land, through 4.039 transactions, the average size of transaction being of 6,2 ha. An exception is the West Region, Timiş County, in which 16.597 ha of land were bought, summing up 264 transactions, with an average size of transaction of 62,9 ha.

This aspect is linked to the appearance of very large land properties, entirely sold if object of transactions. People from other countries usually buy large properties, intending to practise good quality farming, on good or very good quality land areas, located in the areas with maximum soil suitability.

The counties with the largest average land properties sold to foreigners were the following: Giurgiu (122,5 ha), Mehedinți (43,1 ha), Brăila (41,1 ha), Galați (28,2 ha), Vaslui (19,3 ha) and Iaşi (18,9 ha).

The official statistics do not refer to the value of the transacted land. We presume that this was much higher than the average prices per hectare of land outside localities, getting closer to at least the minimum market values from certain EU Member States.

In the future, this category of purchasers will increase, as the investment in land is a very efficient business, mostly on a long run and under the current level of very low prices.

The problem will get even more complicated through the opening of the land market, after Romania joins the EU; as, even if there will be a relatively restricted access for the foreign buyers of land, be them physical or legal entities, these will enter into conflict with the social pressure from Romania, as the purchase of land diminishes the existence or even subsistence source for still a large segment of the population. In fact, the land areas sold to physical entities of Romanian nationality from other countries represent the equivalent of about 11.000 average land properties, representing the subsistence source for about 35.000 people. Obviously, this judgment is merely formal, as the sales were concentrated in the field of land areas used for commercial farm production, and the enlargement of this market segment can generate, as we have already mentioned, more complicated problems.

Conclusions regarding the agricultural land market in Romania

In conclusion, we can mention that land market much differs, in time and space, depending on many elements that particularize each zone in part.

The typology of markets fundamentally differs, depending on use, location in deep isolated rural areas and conjuncture. The prices range from several coins RON/sq.m, to 700-800 and even 1.000 $/sq.m, in the centre of Bucharest or along the Black Sea coastline, for a small plot of land with an exceptional commercial position, with a difference in value of about 100.000 times between the two extreme values.

Although the analysis included only the agricultural land market inside and outside the rural localities, over a period of 6 years and 3 months, it can be ascertained that the Romanian land market has already acquired an impressive dimension.

This statement is based upon the following arguments:

- in the investigated period 514.791 land sale-purchase were concluded for the land in and around the localities, besides the donation acts. This presupposes a double number of entities that signed the respective acts, which represent 24,1% of the number of individual agricultural holdings that use agricultural land and that probably have participated to the land market as sellers or buyers;
- the transacted or donated land area inside or outside the rural localities amounts to 526.414 ha of the agricultural land, which represents almost the total area of the Vaslui County or which exceeds the total agricultural area of the Arad County;
- the transacted value amounts to 1.365,9 million RON, if we do not include the land areas sold to foreign entities or the value of donated land, the full amount of which would represent about half a billion dollars;
- If this happened in only six years, we can consider that the land market in Romania will have a significant evolution, even unforeseeable, which presupposes a lot of power of discernment in designing the perspectives of the national land market development.

Pre-requisites of the land market development in Romania

The future development in Romania is closely connected to Romania’s accession to the EU in the year 2007. All the main components at a national level were the object of some punctual, extremely difficult negotiations, resulting in their completion in most of the chapters, among which Chapter 7 “Agriculture”. At the same time, a series of projects were run, with different funding sources, with the goal to evaluate the development stage on different levels, the approaches necessary to the harmonization with the EU standards, as well as the design of the means and ways imperative for Romania’s becoming compatible with the EU requirements, as a pan-European group of the developed Western Countries.

The main element in these approaches could be the landmarks for designing a plausible trend regarding the land market development in Romania.

As a preliminary synthesis element, on the basis of the land market analysis in Romania, we can select two indicators, relevant for the estimation of the future development of the land market from outside the rural localities.

The first indicator is the *annual average rate of agricultural land transaction*, located outside the rural localities, which is calculated as ratio of the average land area transacted annually to the arable land area in the zone (locality, region or country); it is expressed on a percentage basis and represents the development level of the land market. This indicator also indicates the annual average growth rate of the landed properties in the zone, expressed in percentage.

For illustration we present the classification of countries by the annual average transaction rate:

- under 0,5%: Neamț, Suceava, Vaslui, Galați, Tulcea, Argeş, Călăraşi, Giurgiu, Ialomița, Prahova, Teleorman, Dolj, Gorj, Mehedinți, Olt, Hunedoara, Bistrița-Năsăud, Maramureş, Sălaj, Mureş and the North-East, South and South-West Development Regions;
- 0,5% - 1,0%: Bacău, Botoşani, Iaşi, Brăila, Buzău, Constanța, Vâlcea, Bihor, Cluj, Satu Mare, Alba, Covasna, Harghita, Ilfov and the South-East, North-West, Centre, Bucharest Development Regions and the average on country;
- 1,0% - 2,0%: Vrancea, Dâmbovița, Arad, Caraş-Severin and Sibiu;
- 2,0% - 3,0% - does not exist;
- 3,0% - 5,0% Timiş (3,7%).

This indicator already classifies the counties in the territory by areas with lower or higher land market development availabilities.

The second indicator is represented by the *multi-annual average selling price of the transacted land areas outside the locality*, expressed in RON/ha, which picture the value of the land market.

By this indicator, the counties are grouped as follows:

- under 500 RON/ha: Botoşani, Călăraşi, Mehedinşi, Olt, Teleorman and Vaslui;
- 500 – 1.000 RON/ha: Alba, Arad, Bihor, Brăila, Buzău, Caraş-Severin, Constanța, Dolj, Galați, Giurgiu, Gorj, Hunedoara, Ialomița, Mureş, Satu Mare, Sibiu, Timiş, Vrancea and the South-East, South-West, West and North-West Development Regions;
- 1.000 – 1.500 RON/ha: Argeş, Covasna, Harghita, Iaşi, Neamț, Sălaj, Vrancea and the North-East, Center Development Regions and the average on country;
- 1.500 – 2.000 RON/ha: Suceava;
- 2.000 – 2.500 RON/ha: Bacău, Braşov and Dâmbovița;
- 2.500 – 3.000 RON/ha: Bistrița-Năsăud and Maramureş;
- over 7.000 RON/ha: Ilfov (8.700) and Prahova (7.400).

A third synthetic information source regarding the general state of the land market is *the comparative situation of the land market characteristics on Development Regions* (table 5).

Certain behaviours in land transactions result from the table:

- the average transacted area is close to the average area of agricultural land into ownership, used by an individual agricultural holding, which suggests the tendency of selling the full land area of an individual agricultural holding;
- the annual average areas transacted at regional level are smaller, with large future growth availabilities;
- the average selling price is very low, and the emergence of the conditions for profitable agriculture will lead to the immediate boom of the agricultural land prices;
- the land reserves into ownership per inhabitant are large enough to permit, in the context of agriculture intensification, a decrease of 20 – 30% per person;
- the great share of agricultural land owned by the individual agricultural holdings (55% over basic level) indicates that there is a large availability for land sales;
- the annual average transaction rate reveals the stage of land market development;
- the Gross Domestic Product per inhabitant is higher in the areas where the rural population is lower, with a low density and a high average size of the individual agricultural holdings;
- the high population density increases the average size of the transacted land;
- the rich zones are not largely connected to the land market;
- the lands prices are higher in the areas with a lower GDP per inhabitant.

Table 5. The features of the land market on development regions.

No.	Name of indicator	MU	Total country	Situation on Regions							
				North East	South East	South	South West	West	North West	Center	Ilfov
1	Annual average area transacted in the period 1998 – 2004	ha	63.553	5.686	9.344	6.701	2.897	28.470	5.102	4.769	582
2	Average selling price in the period 1998 – 2004	RON/ ha	1.040	1.070	720	1.560	650	880	980	1.200	8.700
3	Average area of agricultural land used per individual agricultural farm [1]	ha	1,80	1,58	2,02	1,37	1,93	2,65	1,93	1,94	0,86
4	Used agricultural area per transaction (1998-2004)	ha	1,73	0,97	1,55	1,47	1,15	2,96	1,30	1,35	0,92
5	Used agricultural area per inhabitant [2]	ha	0,76	0,61	0,83	0,57	0,88	1,21	0,87	0,83	0,23
6	The share of utilized agricultural area from the IAH from the total used agricultural area of the region [3]	%	55,30	65,80	49,50	49,00	64,40	48,40	60,80	54,20	27,20
7	The annual average transaction rate used agricultural land outside the locality	%	0,70	0,40	0,50	0,30	0,20	2,60	0,50	0,60	0,60
8	GDP per inhabitant [4]	RON	5.210	3.740	4.490	4.140	4.380	5.520	4.810	5.470	11.030
9	Population density	inhab. /km^2	90,90	99,70	79,60	98,10	79,80	61,10	80,20	74,00	1.222,70

[1] [13, tab. 2b, p. 8 – 9].
[2] Agricultural usable area under private ownership in the individual agricultural holding for 2002 [15; 2].
[3] IAH = individual agricultural holding, [13, tab. 2a, and 2b, p. 6 – 9].
[4] for 2001, [2, p. 754].

On the basis of the conclusions resulting from the three synthetic analysis sources, we can design a framework of the land market evolution in Romania.

The land market will be structured along on two levels:

- the land market for services;
- the proper land market.

The land market for services which is complementary to the proper land market is characterized by the limited transfer of the prerogatives of the ownership right over a certain period and comprises leased lands, land leased on concession basis, hired, rented, in location, ceded for administration, with or without payment to other persons, and so on. This market will be extremely active and diverse, and it will represent the pillar of the agricultural development and of the modern agricultural farms.

The proper land market comprises the whole area of transacted land in a certain zone, in a certain period of time, regardless of the category of use, transferred between two entities, be it physical or legal, on the basis of a certain price. The signing-up of the sale-purchase contract presupposes the giving in of all prerogatives to ownership right and consigns the definitive change of the respective land's owner.

The land market can be classified according to certain criteria, these being the following:

- land market for agricultural land;
- land market for forest and under water land;
- land market for other categories of land inside or outside the locality;
- urban or rural land markets, and others.

The land markets which have as object the land areas with other destinations than the agricultural, forest or under water land will be specialized in some already known directions:

- the land market for dwellings;
- the land market for leisure and vacation houses;
- the land market for commercial zones;
- the land market for civil, industrial constructions and other uses.

These markets are generally found inside or outside the localities with special infrastructure, with a rent position provided by their location (exceptional landscape or habitat).

Their development speed is quite high, being directly influenced by the favourable economic conjunctures, by the development level of the zone and by the living standard. For the rural area, the most important market is represented by the agricultural land market, because land movement leads to the re-dimensioning of the land ownership and to the possible emergence of modern commercial farms. The annual transaction rate indicates that for twice increase the average area of land into ownership, i.e. to reach 4,5-5,0 ha per land property, it should be about 5%. For the exceptional situation in which we are at present, with very many individual land properties (around 4,3 million), which are highly fragmented (around 14,3 million parcels) and very small (1,80 ha per individual agricultural holding), although these own over 55% of the total agricultural land, to which is added the demographic pressure and the very big social pressure implicitly, it is impossible to reach such. In this respect, the Italian experience, where the land market had the highest transaction rate in the European Union Member States, is relevant. It started from a small average area of land into ownership and it doubled its area in a 30 year period. It is obvious that Romania will have development conditions similar to those Italy had in the last three decades.

Perspectives of the land market development in Romania

This is the reason out of which the perspective of the Romanian land market will have to be investigated on several levels.

1) One of the most active segments of the land market is represented by *the most fertile lands*, with the lowest dispersion degree possible, located in areas with low demographic pressure and without social problems. The experience of Banat area is relevant, to be followed by zones from Dobrogea and Câmpia Romåna (Romanian Plain). This segment may be located anywhere, on small local areas that have the same characteristics. This market shapes the premises of the modern agricultural farm, of a commercial type. The value of these land areas can increase very much, considering the large difference as compared to the land value in the European Union.

2) A second level consists in the *subsistence land* market, which is mostly active for the zones with high population density, with a low production potential, and extremely fragmented land areas that are and in which agriculture is weakly developed. This market type is very important as it takes over the social pressures in the rural area, being a solution for the placement of dwellings and gardens and covering the minimum subsistence needs. This type of market does not lead to the enlargement of the land area into ownership; it even leads to its diminution. Instead the social effect is favourable. The value of this land will increase in the future due to the buyers' reduced needs as regards the land area, the subsistence needs prevailing over the gain needs.

3) A third level consists of land market intensification in the *specialized production zones,* where premises exist for the development of commercial agriculture in the vegetable, fruit-tree and vine farming sector. The distribution of these land areas is not uniform, overlapping with land fertility and suitability zones for certain crops and plantations. The transaction values will be the highest, being determined by the value of investments in plantations or land reclamation and irrigation works.

4) Another land market component consists in the *grazing areas,* specific to the hilly and mountain zones. These areas have precise destinations, pursuing the commercial development component, as it is well-known that on the household farms specialized in animal breeding, production is mainly market oriented. These land areas, even though less productive, will be sold at fast increasing prices, due to the special issues of the mountain areas: scarce land, the difficult accessibility, pressure of herds increasingly higher. The ageing of the population and the depopulation of the zones may represent main elements that influence the land market.

5) A fifth component of land market consists in the traditional (non-modernized) rural areas, with precarious infrastructures, and a high demographic and social pressure, featuring perpetual poverty and generally low production potential. Here the land market is weak and it will slowly develop. The ageing of the population and the de-population by migration or export of labour force may increasingly lead to idle land cultivation systems. Prices will continue to be extremely low for quite a long period of time. Commercial agriculture may develop only accidentally or in a favourable conjuncture through special programs for poverty alleviation.

6) Another category consists of the land markets specific for the *zones around the cities*, which will feature an increasingly high dynamism. The development of these zones, the diversification of the main infrastructure similar to that in the urban area, as well as the increase of the habitation pressures of the urban population upon the rural areas, 5 km, 10 km and 15 km deep into the areas round the cities, are good reasons for inducing rural development, for increasing the living conditions and for the development of commercial agriculture. Due to the high urban pressures, the prices will be also very high, and hence they will not be stimulating for buying land for farming purposes. However, agriculture will become intensive on the existing land areas with beneficial direct effects. Sometimes, the prices of land outside the localities may be comparable to those of land inside the localities. The pattern of the markets in zones round the cities represents land market development centres, which will be gradually extended towards the small urban localities or even towards the more developed commune centres. These land market types are extremely important for rural development.

7) This category is made of *land markets adjacent to the main infrastructure*, especially road infrastructure. These markets incorporate much of the speculative dimension of any investment. If these land areas, bordering some good highways, are located in the zones round the cities or in the proximity of the communal centres, even outside the rural localities, through the correction of the land management projects, they could be strongly favoured by their inclusion into the intramural area (inside the built-up area of localities). In general, the buyers of these land categories consider changing the agricultural destination of the land and using it for other non-agricultural purposes, for certain investments inclusively; or they may be waiting for the proper moment to resell it to some investors. The prices of these land areas are very high, due to the fact that they are usually at the second or the third sale. When they are initially bought from their peasant - owner, the prices are lower, sometime at the level of the land for farming use without any infrastructure.

8) The last more important segment of the land market is represented by *the zones for rural tourism, agro-tourism, the agro-forestry and pastoral areas with tourism possibilities* and in general any natural landscape that can provide a pleasant location for recreation purposes or for vacation houses. These zones are quite limited. Their development does not hinder the development of farming activities, representing complementary means for the development of individual household farms. In general, the land prices in these zones are prohibitive. Where the demand is high, the rustic aspect is totally changed, and vacation settlements, of village or residential quarter type appear. These zones are expanding, they will get increasingly larger and they will spread into the picturesque locations, mainly if the infrastructure network develops. Other categories of markets, which may include, for example, the degraded land areas, the land suitable for forestation, the land from the irrigated areas or other special land areas can also be mentioned. The categories of the already mentioned land markets, which can develop in Romania, reveal the complexity and the extremely great diversity of the structures that may operate in a certain place or zone, at a given moment.

However, regardless of its type, the land market is based on the rule of the supply and demand of land, which is strictly linked to the purchasing power, the living standard, the level of economic and social development, and mainly to the conjuncture in which the transaction takes place.

The absolute priority of the Romanian land market is represented by the activation of the mechanisms for land market regulation so that the purchase-sale prices get close to the value of land determined on the basis of its fertility, proximity of communication ways and the large end-users or consumers. In this context, the land prices will get closer to the value of the land on the EU markets. Reaching this desideratum will provide a "shelter" for the Romanian peasant, so that if he sells the land at its real price, the money he gets will provide a small life annuity for him. On the contrary, the land de-capitalization of the rural people entails new social tasks, with unpredictable effects upon the future development, even though if we are heading for the European Union, as in this case, we cannot export but poverty.

The main task in the surveillance and improvement of the institutional and legal framework regarding land market organization and operation belongs to the government, which, without getting directly involved into the free market play, could provide instead the moral guarantee of security and also the legal guarantee for the respect of land ownership and its protection through specific levers and means.

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