

TUCA ZBARCEA
ASOCIATII

Issue 22, November-December 2019

Just in Case

An online publication of Țuca Zbârcea & Asociații

In this issue

- / Less Is More
- / The Administrative Code – A New Legal Regime of Public and Private Property
- / Revival of the City Center



Table of Contents

- 3 Intro**
Less Is More
Răzvan Gheorghiu-Testa

- 6 Case by Case**
To Close or Not to Close, That Was the Question.
A Practical Study on Updating the Fire Safety Permit of an Operational Office Building
Dragoș Apostol

- 12 Focus**
The Administrative Code – A New Legal Regime of Public and Private Property
Amalia Dumitru

- 16 News and Views**
Revival of the City Center
Andreea Păun, Managing Partner, Griffes



Intro



TUCA ZBARCO ASOCIAȚII

/ Less Is More

Less Is More

Early in the year, all major stakeholders – agents, market analysts, investors and even real estate lawyers – were confident that 2019 would outperform 2018 as regards the number of deals and the investment volumes.

Close to year end, we are indeed ready to applaud a record year, although the paradigm seems to have shifted from “as good as it gets” to “less is more”. And this is not about Marillion or minimalist architecture. It is about a lower number of deals closed (than anticipated). Nevertheless, these deals deserve to be labelled as landmark transactions for the local market due to several reasons: size, new kids on the block – not only major local investors, but also institutional investors, new entrants on a market they have constantly avoided before, trophy assets and portfolio deals, secondary cities starting to shine (most likely, Cluj stole the spotlight).

Several high-profile deals were closed, primarily on the office market. And yes, we could finally be picky in deciding whether the highlight of 2019 was the official entry of Morgan Stanley in Romania further to the acquisition of America House from AEW Europe (and we are extremely proud that we had the opportunity to advise the buyer in this deal), or the recently disclosed acquisition of NEPI

Rockcastle’s office portfolio by AFI Europe, or, why not, the acquisition of The Office by Dedeman in Cluj.

Logistics were no exception - traditional players like CTP, P3 or WDP have kept the same development pace, other major players like Zacaria have consistently extended their presence and, finally, newcomers like Element Development have entered the dance floor. Some major deals that were close to completion and in the news did not go through, but all in all the market did very well.

For sure, 2019 was an exceptional year for the local real estate market. We have no crystal ball to predict what 2020 will bring us, but we have good reason to be optimistic. We keep our fingers crossed for the year ahead to be at least as good as the one which is about to end.

This issue of Just in Case is about real estate. And since we are not market analysts or brokers, we decided to leave the market analysis in the expert hands of our long-time partner Andreea Păun from Griffes, who will argue for a revival of the city centre,>



while we focus on what we do best: navigate you through the maze of laws and regulations which are relevant for the industry. Needless to say, this is not legal advice, but only a snapshot of some sensitive topics, which we would be happy to further develop for those interested to learn more or who need our professional advice.

Răzvan Gheorghiu-Testa,

Partner

razvan.testa@tuca.ro



Case by Case

/ To Close or Not to Close, That Was the Question. A Practical Study on Updating the Fire Safety Permit of an Operational Office Building

To Close or Not to Close, That Was the Question. A Practical Study on Updating the Fire Safety Permit of an Operational Office Building

Intro

We did not plan at all to be Shakespearian in our approach vis-à-vis a topic which is rather prosaic than philosophical. But due to the sometimes ambiguous or even contradictory wording, or simply the lack of accurate correlation between various specific enactments applicable in the field of fire safety, it becomes a real challenge for an investor whether or not to close a deal before obtaining an updated fire safety permit (the "Permit"). It is equally challenging for a lawyer to provide legal assistance and give clients the necessary comfort that such resolution is bullet proof from a legal standpoint.

The challenge is even more serious when the outcome of the above-mentioned assessment may negatively impact ongoing negotiations for purchasing a particular asset in terms of transaction calendar, splitting of responsibilities between parties or the proposed remedial measures to renew the permit.

To further complicate the matter, it is worth noting a discrepancy between the applicable legal framework and the practice of fire safety authorities on the permit renewal procedure.

Last, but not least, there is inconsistent and unpredictable case law as regards the liability of companies, of their shareholders and legal representatives in the event of fire incidents which trigger injury to human health and/or damage to property.

However, we have exercised our professional opinion to the best of our ability in determining how applicable Romanian law would or should be interpreted.

Factual Background

Most of the office buildings in Bucharest CBD that were erected by professional developers and/or owned by institutional investors are compliant with fire safety regulations, meaning they obtained the permit upon completion of construction works and before starting to operate in the building. The critical issue is the status of the permit during the lifetime of the building, especially in the context where tenants come and go and any new tenant who enters an office building performs its own fit-out/partitioning works.

After reception of works and following the issue of the initial permit, both the landlord and tenants will >



have made modifications and internal partitioning works in relation to the common areas and the tenant areas, which were likely to affect the building configuration that had been originally authorized upon finalization and reception of the building; therefore, once such works were completed, one may question the validity of the initial permit.

In a recent transaction, following commercial negotiations between the parties on the matter at hand, the seller requested the target company (i.e. the owner of the office building) to commission the preparation of a fire safety audit and to prepare as-built plans of the building (floor by floor) with a view to have them endorsed by the fire authorities. Such process revealed that some of the fit-out works had altered the authorised premises and such alterations (present in both common and leased areas) needed to be re-authorised as the existing permit was no longer valid).

Based on the as-built plans and the technical documentation prepared by the firefighting consultants, the target company applied and obtained a fire safety endorsement (as a preliminary step before getting an updated permit that would replace the initial one).

In this context, our mission was to assess the legal risks entailed by a take-over of the building during the performance of remedial works, but before the formal issuance of the updated permit.

Legal Background

General Aspects

Article 30 of Law No. 307/2006 on fire safety (the “Fire Safety Law”) provides that initiation of (i) construction works of new buildings and amenities, (ii) modification works and/or (iii) destination changing to existing buildings (e.g. from office to retail), as well as putting into operation¹ such constructions should be done only after obtaining the fire safety endorsement or the permit, as the case may be.

Furthermore, according to the Methodological Norms for the issuance of fire and shelter endorsements and permits², in case of changes made to existing constructions or amenities³, there is an obligation to re-initiate the authorisation process.

“ Given the inconclusive wording of the law, in practice, the allotment of attributions/ responsibilities related to fire safety issues is usually contractually agreed between landlord and tenant.

Finally, according to the norms, the endorsements and permits become invalid if the firefighting authorities ascertain the failure to observe the conditions existing upon the issuance of the endorsement/the permit (e.g. protection and evacuation of the users).

Responsible Persons

Article 30 (1) of the Fire Safety Law provides that “the obligation to request and obtain such endorsements and permits shall be incumbent upon the individual or legal entity financing and performing such new investments or the changes to the existing constructions or, if the case, upon the beneficiary of the investment”.

Given the inconclusive wording of the law, in practice, the allotment of attributions/responsibilities related to fire safety issues is usually contractually agreed between landlord and tenant and in general terms may be summarised as follows:

- Changes made or financed by the landlord (e.g. the change of the ceiling) as well as changes made in the common area are the responsibility of the landlord;
- Changes made and financed by the tenant in the leased areas are the responsibility of the latter. Notably, a tenant can apply for and obtain a permit for their own fit-out works provided that, cumulatively, (aa) the building holds a valid permit and (bb) the inspection of the firefighting authorities does not reveal that the owner or other tenants made changes to the building structure that invalidates the building’s permit.

The Reauthorisation Procedure

The common authorisation process of changes >

1. The wording could also be construed in the sense that keeping a building operational (without a valid fire permit or fire safety endorsement, as the case may be) is similar to putting it into operation.

2. Approved by the Internal Affairs Ministry Order No. 129/2016.

3. Such as changes in fit-out works of an office building that deviate from the original fit-out based on which the existing fire permit has been issued.

made to buildings that were previously authorised includes:

- Obtaining a fire safety endorsement (before starting the works);
- Obtaining the building permit for the contemplated works (if needed according to Construction Law No. 50/1991);
- Obtaining a permit before putting the building into operation.

Upon completion of fit-out works in the leased area, each tenant should apply for and get the permit for the leased area. Based on the tenant's fit-out permit, the landlord further applies for an update of the existing permit of the whole building. This process should be followed each and every time a new fit-out is done in a building (except for the case when the respective tenant gets a clearance letter from the firefighting authorities whereby it is confirmed, on a case by case basis, that a particular fit-out does not require a permit).

Proposed Approach in the Case at Hand

In our practical case, the tenants have made their own fit-out works, including building partitioning walls, but in many cases, they failed to obtain the prior fire safety endorsement. Therefore, the parties agreed the following strategy:

- Obtaining a fire safety endorsement by the owner,

that would validate/confirm that the existing fit-out works and proposed remedial works are compliant with the relevant norms;

- Collection by the owner of all the documentation needed for obtaining the permit for both the common areas and the tenant areas (i.e. the technical agreements/performance certificates for the building materials and equipment used in the fit-out process);
- Appointing a project manager and a general contractor to perform the remedial works in the building;
- Getting confirmation from the local authorities that the remedial works in the building may be implemented without a building permit;
- A fire engine was placed outside the building and private fire fighters were on standby in order to intervene in case of any fire incident.

Once the Company completed all remedial works as per the fire safety endorsement, it would be in a position to apply for the issuance of the permit. In this context, the next question was what would the potential liability of the buyer be for taking over the asset before formally applying and getting an updated permit.

Administrative Liability of Directors

According to the relevant legal statutes, the

obligation to apply for and obtain the fire safety endorsement and the permit is incumbent upon the director of the company performing the investment and/or operating the building⁴.

“ The practice of the firefighting authorities (and the relevant case law) is not consistent in what regards the person to be sanctioned for such misdemeanour (mainly because the Fire Safety Law is not clear on this topic)

Failure to obtain the necessary endorsements and permits, initiating the construction works without a fire safety endorsement, putting into operation a building where changes have been made without previously obtaining a fire permit, or failure to observe the conditions underlying the issuance of endorsements or permits that lead to such documents to become invalid are considered four different misdemeanours, sanctioned with fines between RON 5,001 and RON 50,000⁵.

The practice of the firefighting authorities (and the relevant case law) is not consistent in what regards the person to be sanctioned for such misdemeanour (mainly because the Fire Safety Law is not clear on this topic). There have been cases where either the company itself or the director were sanctioned with a fine.

Potential Closure of the Activity

Under the Fire Safety Law, in case of serious >

4. Article 19c) of the Fire Safety Law.

5. Approximately EUR 1,100 to EUR 10,700.

breach of the fire safety requirements which endanger the lives of the occupants and the intervention forces, the fine could go up to RON 100,000 and the firefighting authorities may order the closure of the building until it becomes compliant with the fire safety regulations (i.e. the permit is issued).

Potential Criminal Liability of the Directors

Besides the administrative liability, it is theoretically possible that the members of the Board of Directors are held criminally liable in a hazard situation where a fire occurs in a building, causing the injury/death of individuals, the destruction of the building or the neighbouring properties.

Human life and health, as well as integrity of assets, are legally protected under criminal law, respectively Article 192 of the Romanian Criminal Code (i.e. involuntary manslaughter), Article 196 of the Romanian Criminal Code (i.e. bodily harm with basic intent) and Article 255 of the Romanian Criminal Code (i.e. destruction with basic intent).

All three criminal offenses mentioned above are so called “result offenses” and, in all cases, the legal entity or the individuals may be held liable insofar as the consequences are directly linked to or the result of the breach of the legal provisions governing a specific activity or of the measures required for the proper operation of a particular asset. In the practical case discussed above, such offenses could be retained for the legal / natural persons only by reference to omissions - non-compliance with legal measures on fire protection - or actions of non-compliance with measures already implemented.

However, the mere fact of continuing the activity is not an offense in itself unless the control bodies ordered the discontinuation of the operation or the use of the building and the owner failed to implement such measure.

Potential Mitigation Factors

To summarise the above, should an accidental fire occur in the building prior to an updated permit being issued, resulting in casualties and/or damages to the asset itself and/or the neighbouring buildings, the risk of criminal liability of the new directors would be rather high. The possible defence of the newly-appointed members of the Board of Directors in the sense that the situation (i.e. lack of an updated fire safety permit) was “inherited” from the previous directors and that the new Board of Directors was actively working to fix the deficiencies of the building and to get the updated permit might be ineffective in removing criminal liability entirely. Nevertheless, it might be regarded as mitigating circumstances.

Our view was that the safest approach would be to postpone completion and appointment of new Board of Directors until the updated permit is issued. Our alternative suggestion - in particular in the context where the parties were not willing to delay the closing, but in the meantime wished to be fully compliant with the legal provisions discussed above - was to postpone the appointment of the new directors at least until all remedial works in the building (as per the fire safety endorsement) were completed, provided that the additional preventive measures taken to avoid risk of fire in the building were also maintained following completion, until

the updated permit was issued. The proposed compromise relied on the argument that substance should prevail over form: if the building was actually fire safety compliant, the mere fact that the application for the updated permit was not filed and the updated permit was not formally issued, should not be construed and sanctioned as in the case where the building was not compliant with safety standards.

“ Following legal risk assessment, technical fire safety audit and commercial negotiations, the parties concluded that completion of the transaction could happen before the updated fire permit was formally issued

Conclusions

Following legal risk assessment, technical fire safety audit and commercial negotiations, the parties concluded that completion of the transaction could happen before the updated fire permit was formally issued, provided that at least the voluntary fire prevention measures implemented by the target company are kept in place.

It was deemed that the theoretical risk of having the business operation closed by the authorities by the time the updated permit is issued is rather low, considering that the firefighting authorities inspected the building in the past and yet they did not order any measures to prevent its operation.

Furthermore, it was assessed that, given the existence of the building’s functional prevention and fire fighting systems doubled by the permanent presence of a fire engine and a private firefighting brigade on site contracted by the target company (in>

addition to its firefighter employee), the risk of having a fire incident in the building was very low, and the risk of injury to human life or damage to neighbouring property was even lower. Consequently, it was finally assessed that the potential criminal liability of the directors is only theoretical and remote.

On a positive note, the transaction closed successfully and so was the procedure for updating the permit, which was taken over by the buyer, at the cost of the seller and completed post-closing, so that the building is currently operated in a totally secure mode. This is solid proof that an innovative approach towards a sensitive matter, which could become a deal-breaker if approached in an inflexible manner, can bring a positive outcome. In other words, all's well that ends well.

Dragoş Apostol,

Partner

dragos.apostol@tuca.ro





Focus

/ The Administrative Code – A
New Legal Regime of Public and
Private Property

The Administrative Code – A New Legal Regime of Public and Private Property



The recently enacted Emergency Ordinance No. 57/2019 regarding the Administrative Code (the “Code”) was published in the Official Journal of Romania, Part I, No. 555 of 5 July 2019, came into force the same day (except certain provisions whose entry into force was postponed to a later date) and has ever since generated multiple debates between different stakeholders – legal professionals, authorities, politicians and companies. Although it is unclear whether or not the Code will pass the constitutionality test¹, we believe that a synopsis of some provisions governing rather sensitive issues may be a useful exercise for an interested reader.

In addition to the general rules governing the organization and operation of the public administration, the administrative liability and alike, the Code brings important amendments to the special rules governing the public and private property of the State and of the territorial administrative units (“TAUs”).

Part V of the Code provides specific rules governing the State’s and the TAUs’ public or private property and consolidates a number of legal provisions concerning property that were

previously regulated under various legal statutes that were wholly² or partially³ repealed by the new legal enactment. Such new rules regard, inter alia, inventory procedures for public or private assets, changing the legal regime of such assets (from private property into public property or vice versa) as well as the exercise by the State and by the TAUs of their public or private ownership right. The Code also sets forth the rules for the organisation of public tenders in view of awarding concession or lease contracts, as well as for selling assets privately owned by the State or the TAUs.

The Code brings in both some new rules as well as amendments to some of the old ones in respect of a number of issues concerning the public and private property of the State and/or the TAUs, as briefly discussed below.

Sale of Privately-Owned Assets

The Code provides that the feasibility of the sale of an asset owned by the State or a TAU must be assessed beforehand, and no sale can be performed in the absence of a public tender procedure. >

1. On 28 August 2019, the Romanian Ombudsman challenged the Code at the Constitutional Court, primarily on grounds that there was no emergency grounding the enacting of the Code through an emergency ordinance. Until the publication of this issue of Just in Case, the Constitutional Court of Romania did not rule on such claim.

2. E.g. Government Emergency Ordinance No. 54/2006 on the rules applicable to concession contracts for public property.

3. E.g. Law No. 215/2001 on local public administration and Law No. 213/1998 on assets that are public property (Article 6 of Law No. 213/1998 is still in force).

Furthermore, the minimum selling price: (i) must be approved by Government decision or by the decision of the local councils (on a case by case basis); and (ii) must be the higher amount between the market price determined by a licensed valuator and the net asset value.

The Code maintains the exception from the public tender procedure regulated by the former legal statutes: the good faith builder of a construction erected on a land privately owned by the State or by a TAU has a pre-emption right to buy such land once the owner decides to sell it. The selling price is based on a valuation report and must be finally approved by the relevant local or county council.

Decisions approving the transfer of the ownership right over immovable assets must be passed by the relevant local or county council with a qualified majority of two-thirds of the number of acting members of the council.

Legal Ways of Exercising the Ownership Right by the State or the TAUs

In accordance with Article 297(1) of the Code, public ownership is exercised by assignment for administration purposes (in Romanian, "*dare în administrare*"), concession, lease, assignment for free use (in Romanian, "*dare în folosință gratuită*"). Furthermore, Article 362 of the Code sets forth similar rules for assets privately owned by the State or the TAUs.

Finally, the Code sets forth transitory provisions in respect of: (i) the assignment for administration purposes, concession, sub-concession and assignment for free use of assets that are public

property, as well as (ii) the lease and sale of the assets that are private property in case the relevant procedure for granting such rights commenced before the entry into force of the Code. Such procedures are governed by the former legal provisions (i.e. those in force on the date the procedures were initiated).

Such transitory provision represents in our view one of the major amendments brought by the Code as regards the legal ways of exercising the ownership right of the State and of the TAUs: the assignment for administration purposes, concession, sub-concession and assignment for free use are also applicable to assets that are private property of the State and of the TAUs only since the Code came into force.

Assignment for Administration Purposes

Certain mandatory elements must be included in the deed creating an administration right, such as the net value of the asset and the intended purpose thereof.

The Code also regulates a number of additional rights and correlative obligations for the holder of an administration right. Among these we note the "creation of an easement, under the law". These provisions are quite innovative since the Civil Code does not include the "easement" among the real rights corresponding to public property, but merely as a subdivision of private ownership. The rationale behind such provision is not necessarily clear by reference to the prerogatives of the administration right (the right to use and to dispose of an asset).

Concession

Another novelty of the Code is the provision which states that immovable assets are registered

with the Land Book prior to the signing of the concession agreement, failing which the concession agreement shall be null and void.

A concession agreement may be concluded for a maximum of 49 years from the signing date, including any extension thereof. Unlike the former regulation, the Code provides that longer concession terms may be regulated under special laws. Also, the sub-concession is fully prohibited.

As regards the tender procedure, the Code provides that it may only take place if at least two valid offers are submitted following the publication of the tender notice. If such requirement is not met, the conceding authority shall annul the procedure and organize a new tender, which shall be valid in case at least one valid offer is submitted.

Concession by direct award may only be applied by national corporations (in Romanian, "*companii naționale*"), national companies (in Romanian, "*societăți naționale*") or by specific companies established following the reorganisation of the former *regies autonomes* and which have as main scope of business the management, maintenance, repair and development of their assets, however only until such entities are privatised.

In respect of the above, it is important to emphasise that Law No. 50/1991 (on authorising the execution of construction works), provides an exception from the public tender rule in case of concession of lands (public or private property of the State or of TAUs) for the purpose of carrying out construction works which are required to extend a construction previously built on a neighbouring land. Since the Code did not expressly cancel the >

exception governed by Law No. 50/1991, one could argue that such exception was maintained on grounds that Law No. 50/1991 is a previous special regulation that derogates from the general provisions of the Code. Hopefully this issue will be further clarified by the norms for the application of the Code.

Lease

The Administrative Code governs the legal rules applicable to the lease of assets that are public property and its provisions are also applicable *mutatis mutandis* to the lease of private property of the State or of TAUs. The code reinforces tenders as means of awarding lease agreements regarding the property of the State or of the TAUs, also providing specific rules concerning tender documentation, preparation and release of tender notices, conditions of the tender and requirements for participating in the tender procedure, contract award criteria, determination of the successful tender, annulment of the tender procedure, rights and obligations of the parties, etc.

In addition to the above, rules specific to concessions are also applicable to the lease of assets that are owned by the State or by TAUs, such as those related to tender specifications and tender documentation or to the public nature of the concession file.

By derogation from the Civil Code, which is the general legal framework governing the issue at hand, lease agreements for assets owned by the State or by a TAU must be concluded in writing, failing which they are null and void.

The decision approving the lease shall include certain mandatory elements, such as the net asset

value, the intended purpose of the lease, the term of the lease and the minimum price thereof. As regards the tender procedure, the Code sets forth an obligation of the tenderer to deposit a security amounting to twice the rent.

Companies that were awarded previous public tenders for similar assets over the past three years but did not conclude a relevant contract or did not pay the due amounts are banned to participate in new tender procedures. The restriction is effective for three years from the date they were declared successful tenderers.

Assignment of the Right to Free Use

The deed granting a right of use free of charge over public or private assets of the State or the TAUs must include, among others, the net asset value, the intended purpose of the use of the asset, duration of the right of free use, the entity that pays the property maintenance fees.

The use of the asset cannot be transferred to a third party irrespective of whether such transfer is free of charge or for consideration.

Amalia Dumitru

Managing Associate

amalia.dumitru@tuca.ro



News and Views

/ Revival of the City Center

Revival of the City Center

Amidst development yields, square meters and blue glass facades, city center empowers residents to take charge and take pride



Center as “in the middle of things”

Indeed, it’s been a while since we have been asked what the hottest spots in town are, in terms of new development, and whether we believe more in Expozitiei than Orhideea, and, truth being said, I am happy we don’t have to answer this question anymore.

Because we settled for a much firmer response: we believe in city center. Despite a thorough documentation and sessions of concept discussions with developers or investors scouting the market, against all odds with the difficult build-out and intricate permitting procedures, it is not a riddle about the best locations, it is historical data who can best anticipate predictions for the future.

Nevertheless, we have never been more convinced, based on the outlook of the market and macroeconomics trends impacting the Romanian economy, that the center of cities, especially the center of Bucharest will revive and will go through a revolution. A paradigm revolution.

We can argue this with anecdotal evidence or hard numbers, so let’s start with the latest:

Central areas of Bucharest have always had

the lion’s share in the eyes of the occupiers – over the last 3 years, approximately one quarter of the leasing activity took place in downtown and the traditional central business district, or the area stretching from Charles de Gaulle roundabout to Unirii square. Notwithstanding the trend, office development struggled to keep the pace with the demand, but only 15% of the total office space was delivered in the city center, namely **90,000 sqm** of quality office space. Considering the scarcity of the land plots, most of the buildings are small centers, with floor plates under 1,000 sqm.

Besides being a place to go, center proves to also be a place to stay, as most of the office buildings register a yearly renewal rate of contracts of over 84%.

With this appetite, backed by the tenants’ need for visibility and exposure, rents are fueled to grow or at least maintain a consistent behaviour, whilst being **20%-100%** higher than in the semi-central areas (17 – 26 Eur/sqm/month). Sustainable rental levels and a low vacancy rate (4%) have also induced an inclination towards trading, resulting in office buildings having changed hands a few times already.>

For the following 12-18 months we expect another 60,000 sqm to be delivered in the city center, out of which 40% is already leased out, explaining the growth curve of the offer.

To spice up the outlook even further, the land market is heating up as well and we can clearly say the offer of plots that are suitable for development is lagging behind the demand. The surfaces which are subject to ongoing transactions are in between 1.500 sqm and up to 1,2 ha. Actually, the overall surface currently for sale on the axis Piata Victoriei – Piata Romana – Unirii area is amounting to 60,000 sqm and is made up of roughly **10 landplots**. Many of them are hosting historical buildings that cannot be torn down or altered, but on the contrary, should be integrated in the new projects. Prices vary in between 2.000 Eur/sqm and above 5.000 Eur/sqm depending on location, size and urbanistic parameters. If we take into consideration a CUT of 2,5, then the available plots could bring into the market, at most, 125.000 sqm of quality office stock and amenities. The city center also involves a long development cycle, with a hefty documentation and a lengthy process.

Now that we have the factual side covered, the question that arises is what **"X" factor** truly pulls the demand to the center, besides the obvious work related or commuting reasons?

Could it be the need of the society to have meeting points and landmarks – such as the plaza at Aviatorilor 8, or the morning coffee at Bob at Charles de Gaulle Plaza – or is it the dynamic of the city that is just happening under our eyes?

Is it helpful to be there, or is it just hype?

We strongly believe it is of essence to be in the center, not only for public institutions or authorities or other "have-to" reasons, but also for reasons of intrinsic individual needs, such as the sense of belonging to a community and for our cultural affinities. And both of them tie up the micro-groups, the teams, the people, at societal level. Speaking of communities, one must not forget the regenerative role of the urban revival of the city center. While looking empirically at the latest events in the city center and their social influence in the society - starting with George Enescu festival, Art Safari or the sparkling Christmas Market at Universitate -, we found that cultural nodes play a significant role in the creative value for the revival of cities, and for them to be utilized and integrated in the city life, they have to be perceived from the network perspective and from the cluster role.

As Patsy Healy, the famous British urban planner used to explain, it is not possible to approach urban development through isolated large projects, but rather with the integration of economic, social and environmental aspects. That is rarely seen in the real estate development currently taking place in Bucharest, as most of the spatial planning is a result of puzzle-making of private investors, whilst the eagle-eye view is merely participating to the dialogue in the concept phase of the projects, and that in a rather autocratic way.

Though, we tend to see more and more private investments being guided by the creator need to deliver a landmark property, an address, an exclusively pedestrian community or...even more

powerful, to be the **curator of an area**. It is the case of Globalworth, who stepped outside of the buildings to bring art to the residents through art manifestations, or the high standing of Unirii View who basically pinpointed the Unirii area on the map of commercial and business activity of Bucharest, or the promise of One Cotroceni Park to refresh and convert a currently deserted area into an attraction, right the heart of a very noble neighborhood.

Worth mentioning similar processes, touching, for instance, Chicago in the USA, where the city center business district has gone through a period of revival in the seventies, with huge skyscrapers starting to dominate the skyline and, which, interestingly (!) triggered a very important phenomenon: the first signs of **gentrification**. Previously deserted zones of the city center, solely used for transit purposes, were all of a sudden on the map of urban planners looking to attract people to come to city center, and eventually make them stay. It is quite well-known the *"Development Plan for the Central Area of Chicago"* which was prepared by the city planners and whose recommendations were extensively used by the administration of the city, which ultimately resulted in creating pedestrian areas, pedestrian environments and other improvements who triggered a positive chain reaction even over the other neighborhoods.

Universities and schools are a stabilizing factor for the city center, so student housing, enlarging and melting of student campuses with the R&D centers can be a consequential benefit.

But is this narrative driven by the need of individuals, groups, companies to be in the city center as a reference point or is it the pure **cohesion** that >

is sought after? To figure that out, we also need to examine some demographic changes and how the population looks and evolves. Are they young professionals or age groups of 40-50 relying on the work with public institutions? College graduates or adults with a bachelor's degree? Are they in transit or they purposely come to center to spend time there? Clearly the attractiveness of the city center has broadened, even if we speak about lifestyle, working, living, or just leisure, and Bucharest city center has turned into a destination. Reflecting and observing these changes will automatically trigger actions and we should expect changes in the real estate landscape to match the expectations and needs of the people. The "everyday-ness" of the center of a capital city is what shows, in our consulting view, the creative power and the characteristics of a society, hence, makes the city vibrant and a liveable place. Culture centers, retail galleries, boutique offices with character, carefully preserved monuments and old buildings, plazas facilitating communication- this is the spatial look and feel that should happen over the next 10 years in Bucharest. Because mostly, what makes a center the heart of a metropolis is the exchanges, and not only of goods and services, but of ideas and information.

Andreea Păun

Managing Partner

Griffes

andreea.paun@griffes.ro



/ The materials included herein are prepared for the general information of our clients and other interested persons.
They are not and should not be regarded as legal advice.



Victoriei Square
4-8 Nicolae Titulescu Ave.
America House, West Wing, 8th Floor
Sector 1, 011 141, Bucharest

Ⓣ +40 (21) 204 8890
Ⓣ +40 (21) 204 8899
Ⓜ office@tuca.ro
Ⓜ www.tuca.ro