

TRENDS AND PERSPECTIVES OF THE REAL ESTATE MARKET OF THE REPUBLIC OF MOLDOVA IN THE CONTEXT OF SUSTAINABLE DEVELOPMENT

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Rezumat: Este indiscutabilă importanța pieței imobiliare în vederea asigurării dezvoltării economice a oricărei țări. Scopul prezentului articol constă în analiza comportamentală a pieței imobiliare cu accentual pe piața imobilului rezidențial sub aspectul tendințelor de evoluție a pieței și a factorilor sale de influență. Un rol important în prezentul studiu îi revine prețurilor bunurilor imobiliare rezidențiale care înregistrează o variație pronunțată la nivel mondial, și diferă considerabil de la o țară la alta. În acest context în lucrare au fost analizați principalii factori care influențează tendințele dezvoltării pieței imobiliare cu accentual prioritar pe imobilul rezidențial, precum și impactul acestor factori asupra evoluției prețurilor. În vederea dezvoltării părții analitice a studiului în lucrare a fost analizat indicele prețurilor în domeniul construcțiilor, precum și evoluția prețurilor imobilului rezidențial pe piața Republicii Moldova. În ceea ce privește cercetarea la nivel global a pieței imobiliare, în lucrare se examinează prin corelație modificările prețurilor imobilului pentru un grup mare de țări, cu accentual prioritar asupra țărilor europene. În același context în lucrare este analizată variația prețurilor unui metro pătrat a imobilului rezidențial pentru un grup destul de reprezentativ de țări.

Abstract: The importance of the real estate market in ensuring the economic development of any country is indisputable. The purpose of this article is to analyze the behavior of the real estate market with an emphasis on the residential real estate market in terms of market trends and its influencing factors. An important role in this study lies in the prices of residential real estate, which vary sharply worldwide, and differ considerably from country to country. In this context, the paper analyzed the main factors that influence the development trends of the real estate market with a priority emphasis on residential real estate, as well as the impact of these factors on the evolution of prices. In order to develop the analytical part of the study in the paper, the price index in the field of constructions was analyzed, as well as the evolution of the prices of the residential building on the market of the Republic of Moldova. Regarding the global research of the real estate market, the paper examines by correlation the changes in real estate prices for a large group of countries, with priority given to European countries. In the same context, the paper analyzes the variation of the prices of a square meter of the residential building for a fairly representative group of countries.

Keywords: real estate market, real estate transactions, real estate price, demand, supply, sustainable development

Introduction

The real estate market is an extremely important part of any country's economy. Through the residential real estate market, the infrastructure is developed, the living conditions are created, which to a large extent influence the level of satisfaction and the level of happiness of the population.

Through its direct impact on the sectors of the national economy and on its citizens, society has shown great interest in the processes that take place within this distinct economic mechanism [1, p.367].

In the national economy, the real estate market performs many functions to ensure the needs of the population related to the creation and use of real estate and the transfer of real estate use from this entity to another subject, forming the price of products and services, distribution of investment flows between types. of competing real estate, the distribution of investment flows between competing land uses [2, p.4].

The real estate market has a great influence on all aspects of human life and human activity. fulfilling a series of functions - general and specific: pricing, adjustment / targeting, commercial, information, incentive, investment, social, etc. [3, p.211].

1. Conceptual approaches to the factors influencing the residential real estate market

The importance of the real estate market as a market economy industry can be confirmed by the value of the national patrimony materialized in the form of real estate, a large part of which can be attracted to the commodity circuit, generating rental income for owners, economic income, taxes and other payments. as breakdowns in the state budget, regions, localities. We can also highlight the large share of the real estate market in gross domestic product, the contribution and importance of financial sources to the state budget, tax accounts and other real estate payments and the increase in the number of jobs created in the process of formation and development of this market [2, p.4].

Due to the fact that the local real estate market is far from perfect, the pace and efficiency of its operation is conditioned by a number of demographic, social, economic and political factors [1, p.367].

The real estate market is influenced by multiple factors that can contribute both directions to the increase in prices and to the decrease in prices.

Figure 1 shows the main factors that influence the development of the real estate market and the real estate prices, respectively.

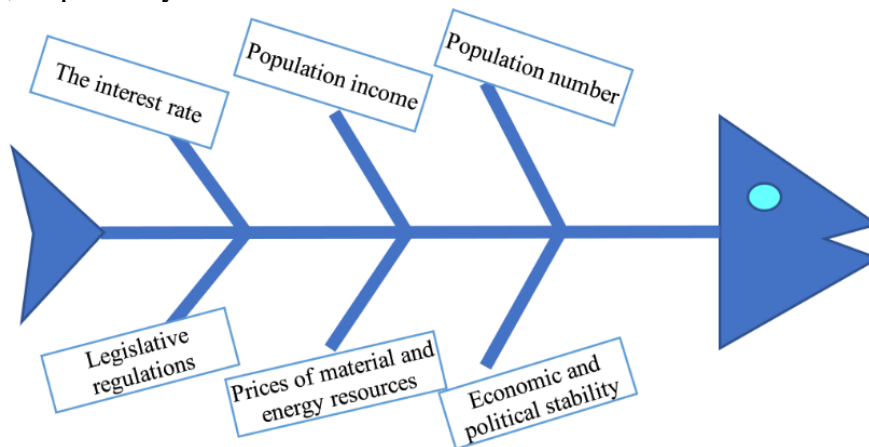


Figure 1. The main factors influencing the development of the real estate market

Source: Elaborated by the author

The population's incomes directly influence the demand for real estate and can have an impact on real estate prices in two directions. If the population's incomes increase, the population manages to make more savings and is willing to invest in improving living conditions, so that the demand for real estate, especially those with higher conditions, increases, contributing to the increase in real estate prices. The decrease of the population's income leads to the decrease of the demand for real estate as a

whole and the orientation of the population towards real estate with small areas, in this the growth rates of prices become much lower or the average price decreases. In turn, the population's income depends a lot on the level of wages which is the main source of income of the population in most countries, as well as the unemployment rate, the high level of which makes the population less able to invest in the real estate market.

Population size is an important factor in determining the number of potential consumers in the real estate market. Increasing the number of the population based on natural growth or through intense immigration leads to an increase in demand on the real estate market and respectively contributes to the increase in prices on this market. As more and more people emigrate to other countries in search of a better life, demand in the real estate market falls and prices fall.

Interest rate on loans related to the purchase of real estate. Decreasing the interest rate on real estate loans makes them more attractive, so that more potential customers are attracted to the loan offer, so that the demand for real estate increases, so that prices are stimulated to change in the direction of growth. Conversely, raising the interest rate on real estate loans makes them much more expensive and unattractive, so that fewer potential customers are attracted to the loan offer, which will reduce aggregate demand in the real estate market, and real estate prices.

Economic and political stability is an important factor that directly influences the development of a country. Economic and political stability contributes to economic development by attracting investment, creating new jobs, lowering the unemployment rate, increasing the income of the population, ultimately influencing the development of the real estate market and contributing to rising real estate prices. In the event of economic and political instability, the whole chain of the above-mentioned factors influences in the opposite direction, so that the real estate market is constrained and the price of real estate is reduced.

The change in the prices of construction materials directly affects the costs of construction and their price, respectively. As the prices of building materials, as a rule, do not tend to decrease and usually change in the direction of growth, this factor will have an impact on the real estate market as well as in the direction of rising prices. Statistical data show that growth rates for real estate prices are higher than growth rates for building materials prices.

State legislative instruments that can be used as effective levers both to stimulate the development of the real estate market and to stagnate it. In many countries, state policy provides for various facilities to support the acquisition of real estate, in particular various programs for young people who credit this acquisition on favorable terms. Another lever in this group involves the issuance of building permits, the limitation of which reduces supply and contributes to rising real estate prices.

Each factor influences the real estate market with a certain power of influence and in a certain direction, in this way evaluating things in the priority direction with certain rhythms.

2. Statistical analysis in the field of residential real estate prices

In order to argue the situation on the real estate market and the perspectives of their evolution in this article we will analyze the statistical data on the evolution of average real estate prices, construction price indices and statistical data on the change in the number of real estate transactions in the primary and secondary market.

According to the methodology applied by the National Bureau of Statistics of the Republic of Moldova, the price index in construction is calculated by aggregating the price indices for the construction-assembly works and the price indices for machinery and equipment [4, p.117].

Figure 2 reflects the evolution of the construction price index in the Republic of Moldova during 2000-2020.

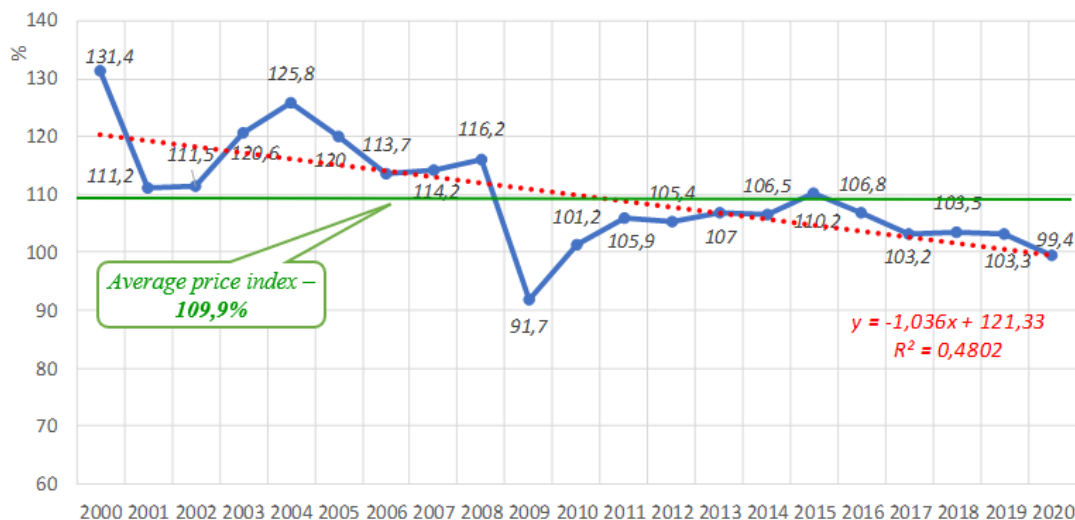


Figure 2. Evolution of the construction price index in the Republic of Moldova during 2000-2020
Source: Elaborated by the author based on the data of the National Bureau of Statistics [4, p.118]

The construction price index in the Republic of Moldova during 2000-2020 changes during the analyzed period, so that the highest index was recorded in 2004 in which construction prices increased by 25.8% compared to the previous year. The lowest construction price index was reached in 2009 and was 91.7%, the decrease in construction prices by about 8.3% compared to the previous year was caused by the strong impact of the consequences of the global financial crisis. There has been a slight decline in prices in this area in 2020, the year in which the pandemic caused by the COVID-19 virus began. In the other years, construction prices increased compared to the previous year.

The average price index in the construction sector over the last 20 years was 109.9%, which confirms that construction prices increase annually by an average of about 9.9%. At the same time, it is observed that from year to year the prices in the construction field, even if they keep the growth trend, the growth rates become lower and lower, decreasing on average by about 1% per year.

The NBM provides information on exchange rates that are extremely important in the evaluation process, given that all offers in the real estate market (with very few exceptions) are indicated in euro, and transactions can only be concluded in national currency. [5, p.628].

Figure 3 shows the evolution of prices per square meter of real estate in the Republic of Moldova in the period 2012-2021. The prices of the residential building in the city of Chisinau, the capital of the Republic of Moldova in the period 2012-2021 have an increasing trend. Although in general the development of the real estate market and including the prices on the real estate market has a cyclical evolution, the period is focused on the ascending value of the trend.

In the period 2012-2021, the average price of a square meter of residential building in Chisinau increased from 532 euros to 850 euros, this increase being about 60%. During the last 10 years analyzed, the price of a square meter of residential building in the city of Chisinau registers annually only increases compared to the level of the previous year. The largest increases in the price of one square meter compared to the level of the previous year are recorded in 2021 - 20.57%, in 2020 - 8.46% and in 2018 - 6.72%. In other years, the increase in the average price of a square meter of residential building in the city of Chisinau did not exceed 3% per year.

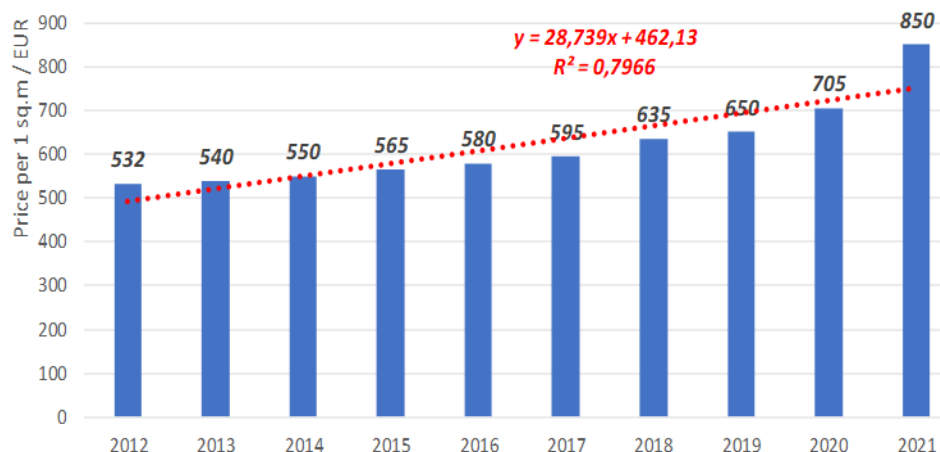


Figure 3. Evolution of the prices per square meter of real estate in Chisinau, Republic of Moldova, during 2012-2021

Source: Elaborated by the author based on the data available on [6]

As confirmed by the equation of the trend line, which expresses with a high degree of confidence the dynamics of the average price of a square meter of residential building in Chisinau, the average price of a square meter increases annually by an average of 28.74 euros.

The prices for the apartments in the white version in the new blocks of flats are the ones that dictate the trends on the real estate market. Those who own an apartment in an old block of flats have also increased their prices so that they correspond to the increase in prices on the primary market. Thus, the most affected by the increases in the real estate market are the categories of people entering the market for the first time, those who want to buy a home for the first time [6].

Chisinau occupies a special position in the hierarchy of localities of the Republic of Moldova. The relevance of Chisinau municipality is largely due to its functions as an administrative and socio-economic center, capital of a European sovereign state, with all its respective responsibilities, including diplomatic, strong concentration of economic activities in this area, geographical location favorable that allows the relationship with all the component localities [7].

Obviously, the evolution of the price of residential real estate was influenced by several factors, one of which directly determined the demand for real estate. The increase in demand contributes to the shift of the equilibrium price of the good in the direction of growth. In this context, it is interesting to examine the change in demand for real estate based on the change in the number of sale-purchase transactions and the number of commissioning of primary residential real estate.

Figure 4 shows the evolution of the number of apartments registered according to the data from the cadastre of the real estate of the Cadaster Real Estate of the Republic of Moldova.

Evolution of the number of apartments registered in the Cadastre Real Estate of the Republic of Moldova during 2017-2020 demonstrates the development of the real estate market by increasing the total number of transactions with residential real estate. Thus, the highest number of real estate transactions with apartments was reached in 2019 and amounted to 42683 transactions, exceeding by 18.92% the level of 2017. In 2020 the number of real estate transactions with apartments in the country decreased by 9.03%, caused by the impact of the pandemic.

At the same time, it is observed that the number of sale-purchase transactions of apartments in the Republic of Moldova in the period 2017-2020 has a considerable growth trend, so that in 2020 there were 28199 registered sale-purchase contracts, exceeding 53.07% number of transactions in 2017. An opposite situation is observed regarding the evolution of the number of primary contracts for

the purchase of apartments registered with the Cadaster Real Estate of the Republic of Moldova. Thus, the number of primary contracts for the purchase of apartments decreased from 17470 to 10631, this decrease being 39.15%.

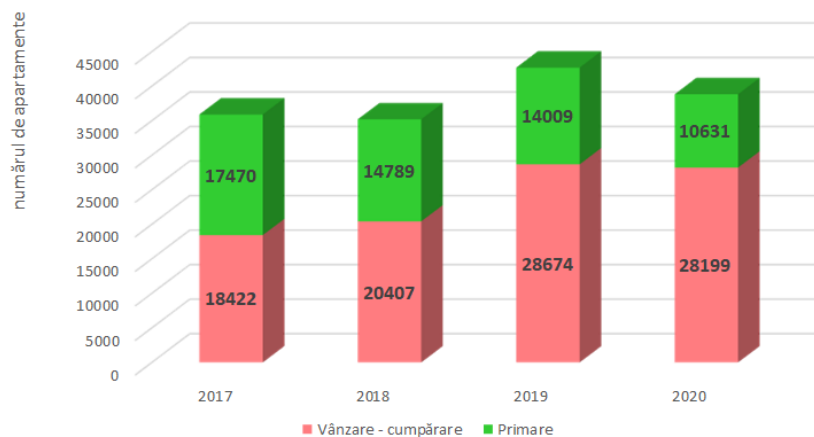


Figure 4. Evolution of the number of apartments registered in the Cadaster Real Estate of the Republic of Moldova during 2017-2020

Source: Elaborated by the author based on the data from the Cadaster Real Estate within the Public Services Agency of the Republic of Moldova available on [8]

As a result of the different evolution of the number of sale-purchase transactions of the apartments and the number of their primary registrations, the structure of the number of transactions has changed considerably. If in 2017 the number of sale-purchase transactions of apartments in the Republic of Moldova and the number of primary contracts for the purchase of apartments registered with the Cadaster Real Estate had approximately equal shares, in 2020 it is considerably dominated by the number of sale-purchase transactions of apartments, holding a share of 72.62% of the total number of registrations.

Based on the observations, it can be concluded that the primary market of apartments decreased its supply, which led to an increase in the average price on the primary market, as a result increasing the average price on the secondary market of residential real estate.

There are several opinions that support the idea that on the residential building in the Republic of Moldova the prices are extremely high in relation to the income of the population, which leads to the inaccessibility of residential property for many families, especially young families. It is the inaccessibility of housing that often requires young people to go abroad in search of a better paid job.

Looking at things in a global light, it is clear that in developed countries with a high standard of living, residential real estate prices are considerably higher than in developing countries. Figure 5 reflects the distribution by country of prices per square meter of real estate based on the offer present in the Global Property Guide on 27.03.2022.

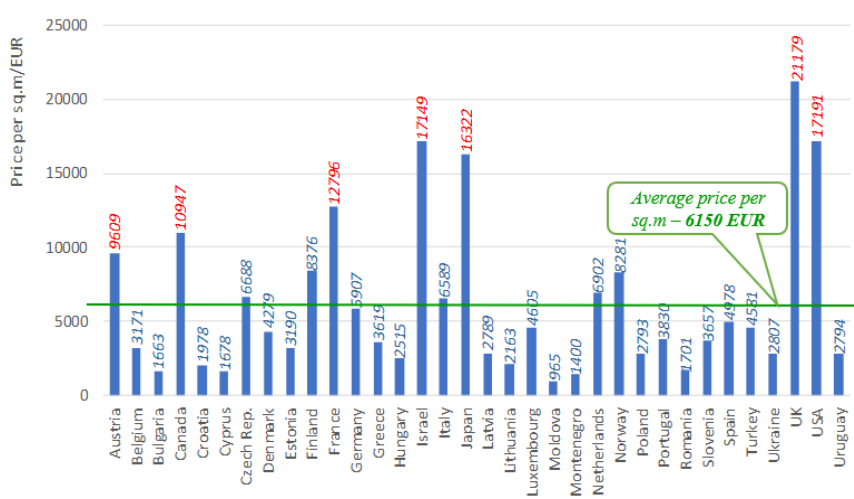


Figure 5. Distribution by country of prices per square meter of real estate based on the offer present in the Global Property Guide on 27.03.2022

Source: Elaborated by the author based on the data available on [9]

From the data presented in figure 5 which shows the distribution by country of prices per square meter of real estate based on the offer present in the Global Property Guide on 27.03.2022, we notice that the price of one square meter of the residential building varies very strongly. It is indisputable that the average price shown in this figure is determined for each country on the basis of the average price of one square meter on the basis of the real estate that is offered for sale. Certainly, in these offers participate the residential goods from the category of apartments that meet some conditions superior to other goods offered on the market. If we examine the information presented for the Republic of Moldova, it records the lowest price per square meter of only 965 euros in the entire group of apartments analyzed.

The average price of a square meter for the apartments analyzed from the offer presented in the Global Property Guide on 27.03.2022 is 6150 euros, which is 6.37 higher compared to the average price of offers in the Republic of Moldova. The most expensive are the offers from United Kingdom, which is about 21179 euros per square meter, exceeding 3.44 times the average price for the entire group of countries and 21.95 times the average price for the Republic of Moldova. At the same time, it is observed that the offers from Israel and the United States of America are approximately at the same level and amount to 17149 and 17191 euros per square meter, this price level in turn exceeds about 2.8 times the average for the whole group of countries and about 18 times the average price of real estate in the Republic of Moldova. Regarding the price of the real estate in Romania presented in the respective offers, it is 1701 euros per square meter and exceeds by 76% the price offered in the Republic of Moldova.

After examining the distribution by country of prices per square meter of real estate based on the offer present in the Global Property Guide, a high variation of prices is observed. In particular, the price level is related to the standard of living of the population of the respective countries and to the level of demand on the real estate market of these countries.

Conclusion

The real estate market is a market of great importance in the economy of any country that reacts very sensitively to the change of various factors of influence. There are many economic and political factors that can promote or stop the development of the real estate market.

In turn, the demand and supply of the real estate market, as well as the multiple factors of influence, directly or indirectly influence the prices of real estate and make them differentiated for different countries of the world.

In the global view, the prices of residential real estate vary greatly from country to country. The variation of residential real estate prices in turn stimulates the global migration of the population in order to look for the optimal variant between the standard of living, the income of the population and the prices of the residential real estate. The highest prices of residential real estate are recorded in developed countries that have a high standard of living.

In the context of sustainable development at regional or global level, the real estate market plays an important role as it largely determines investment flows, and the construction industry in turn is one of those areas that can have a strong impact on the environment.

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