



Legal Newsletter October 2024

1. Real Estate Investment Trusts (REIT) – Draft Law

In September 2024, the Romanian Senate adopted a draft law regulating and formalising an investment structure focused on real estate assets and the related income generated therefrom implemented at the level of the real estate market and known as a Real Estate Investment Trusts ("REIT").

Key aspects:

- The draft law establishes two types of REIT, namely a real estate investment company ("REIC") and a real estate company ("REC")
- REICs have the following characteristics:
 - they are joint-stock companies with registered offices in Romania.
 - their shares are traded on a regulated market in Romania.
 - they practice specific real estate activities.
 - at least 75% of their income is derived from specific real estate activities or dividends from other REICs/RECs.
 - at least 90% of their profits are distributed to shareholders in the form of dividends.
 - they not set up as micro-enterprises.
- RECs have the following characteristics:
 - they can be set up either as limited liability companies or joint stock companies.
 - at least 95% of their share capital must be held by REICs.
 - their main activity is sale and purchase of real estate, the operation, management and/or development of real estate projects and the rental of their own real estate.
 - they distribute all of their profit to their shareholders.
- Both REICs and RECs may borrow from third parties up to 65% of the value of their assets, with these loans being guaranteed exclusively with the assets allocated to the financed project.
- The activity of this new investment structure comprises the following:
 - the sale and purchase of real estate assets.
 - the rental, lease, concession or any other form of transfer of right of use of real estate owned for periods of at least 10 years.
 - the development, exploitation, operation and/or management of real estate assets and projects, including recreation centres, social facilities, shopping and local service centres.
 - real estate assets related to agricultural and forestry projects necessary for production or exploitation.
- The immediate and main objective is to contribute to the economic growth of the Romanian real estate market by attracting new investors, especially foreign and/or institutional investors, as well as to provide new investment opportunities on the Romanian real estate market by legislating for REITs, similar to in other countries that have already implemented this structure successfully.

Source: PL-x no. 433/2024 on REITs (Real Estate Investment Trusts).



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2. Real estate developers to be able to request a maximum 10% deposit when signing a pre-contract – Draft Law

On 9 October 2024, a draft law was submitted for debate in the Romanian Senate that would complement Law no. 10/1995 on quality in construction, such that upon signing the promissory sales agreement, the real estate developer is allowed to request a maximum deposit of 10% of the total price of the real estate under transaction.

Under the draft law, the following will pertain upon conclusion of the promissory sales agreement:

- the real estate developer may request a maximum deposit of 10% of the total price of the real estate under transaction.
- the amount of deposit requested may in fact be higher than this, up to a maximum of 40% of the total price of the real estate, if the real estate developer has taken out an insurance policy to protect the investment with an insurance company.
- the amounts paid by way of a deposit shall be paid into a special account belonging to the company dedicated to the real estate in question and may only be spent by the real estate developer for the purposes of developing the project.

The draft law brings the following benefits:

- reducing buyers' financial exposure to risks associated with the construction of property and ensuring fairer contractual terms, thereby reducing the risk of losing large sums of money if the property is not delivered as contracted.
- building confidence in real estate transactions and facilitating a more secure and predictable trading environment for all parties.
- encouraging real estate developers to adopt more transparent business practices and to work with insurance companies to guarantee the delivery of buildings on their terms.

Source: Draft Law (Senate registration no. B519/2024) supplementing Law no.10/1995 on quality in construction, as republished.

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