

# The spatiality of deindustrialization and real estate financialization in Romania

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## REDURB – Class formation and re-urbanization through real estate development at an Eastern periphery of global capitalism, 2021-2023, <https://redurb.ro/>

Our paper addresses **real estate development patterns at the crossroads of changing industrial relations and financialization in two local contexts**: Cluj-Napoca and Târgu Jiu, county seats of Cluj and Gorj county, respectively.



General context, revealed by REDURB through eight case studies (four second and four third-tier cities of Romania): the advancement of real estate development as a:

▶ product of how **the state**, fostered by transnational actors, facilitated the two major transformations that put Romania on the path of capitalism: economic restructuring via deindustrialization and the reconstruction of the financial system, both triggered by privatization;

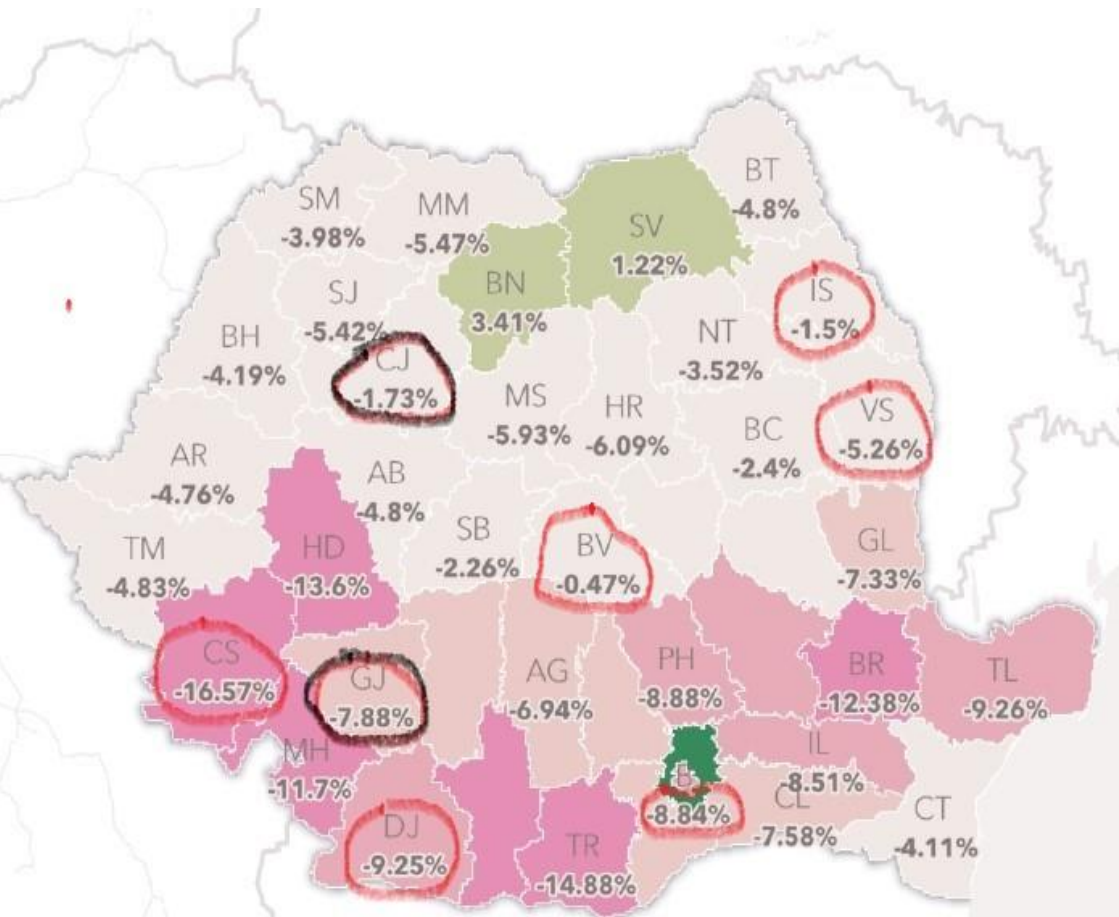
▶ a constitutive factor of capitalism in an Eastern periphery due to how it became a domain of capital accumulation, acting as a tool to spatially fix **the capital's** need to continuously expand its investment opportunities.



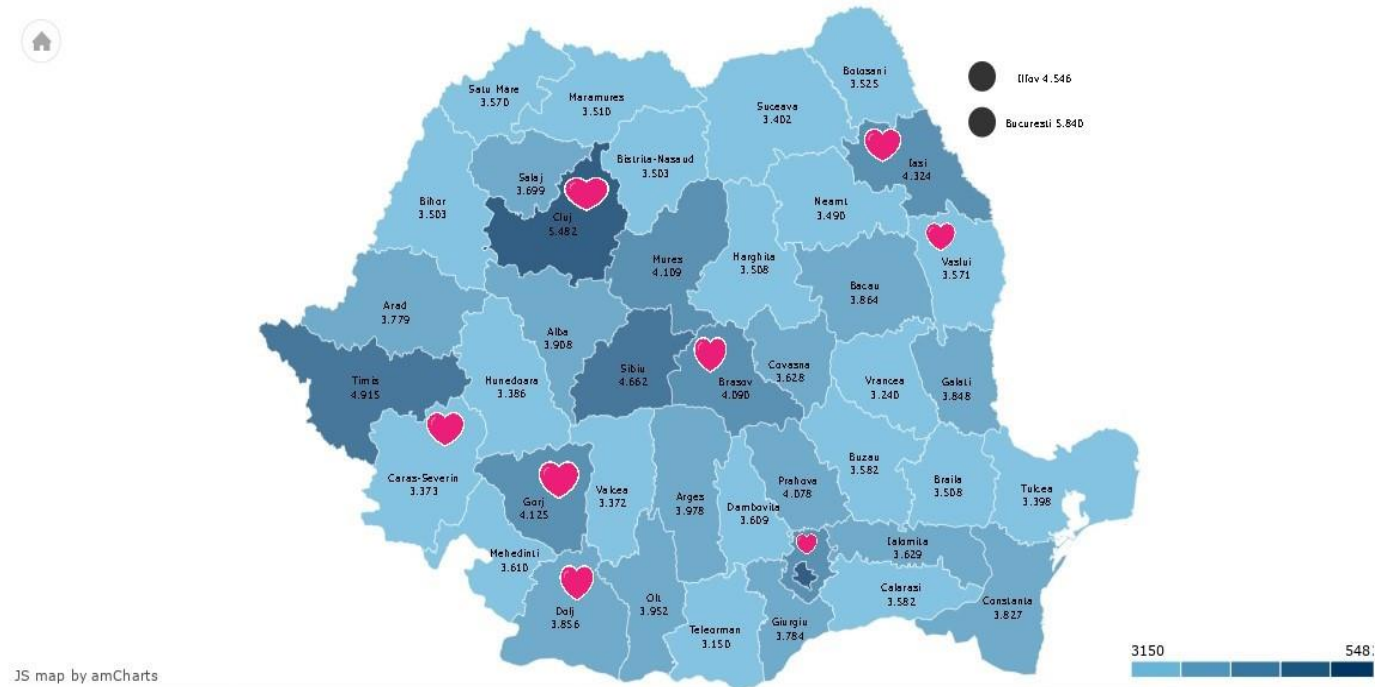
REDURB describes **why, when, where and how**, the local political and economic factors and actors connected to national and global forces, **transform industrial platforms into sites for new real estate development**.

# Cluj-Napoca (Cluj county) and Târgu Jiu (Gorj county) on the map

The decrease of the resident population between 2011-2021 in counties



Average net income at county levels, 2023 (with Redurb localities)



JS map by amCharts

Pozitie	Judet	Lei	Favorit
1	Bucuresti	5.840	<input type="button" value="Schimba"/>
2	Cluj	5.482	<input type="button" value="Schimba"/>
3	Timis	4.915	<input type="button" value="Schimba"/>
4	Sibiu	4.662	<input type="button" value="Schimba"/>
5	Ilfov	4.546	<input type="button" value="Schimba"/>
6	Iasi	4.324	<input type="button" value="Schimba"/>
7	Gorj	4.125	<input type="button" value="Schimba"/>

## Cluj-Napoca and Târgu Jiu on the map of real estate development interest

“The city is attractive to investors in both the commercial – office, and retail - and residential sectors. Office buildings are a good investment option, as they provide a high yield of 8%, and the demand for office space is constant because the city is the most important regional hub for IT companies. **Cluj-Napoca** ranks first on the highest average rental prices, surpassing Bucharest for one- and two-bedroom apartments. The city remained the most expensive housing market in Romania: the average prices grew to over 2,400 euros per sqm in May 2022.” (Property Forum website, 2022)

“Four shopping centers and a retail park owned by NEPI Rockcastle received the BREEAM In-Use V6 Excellent certification in 2023: Promenada Mall Bucharest, **Shopping City Târgu-Jiu**, Shopping City Piatra-Neamț, Vulcan Value Center, and Ploiești Shopping City.” (Property Forum website, 2023)

“Shopping City Târgu Jiu reinvents the shopping experience and entertainment, being the destination of a fresh public with urban style.” (The website of the mall)



# Cluj-Napoca: deindustrialization as a condition for real estate development

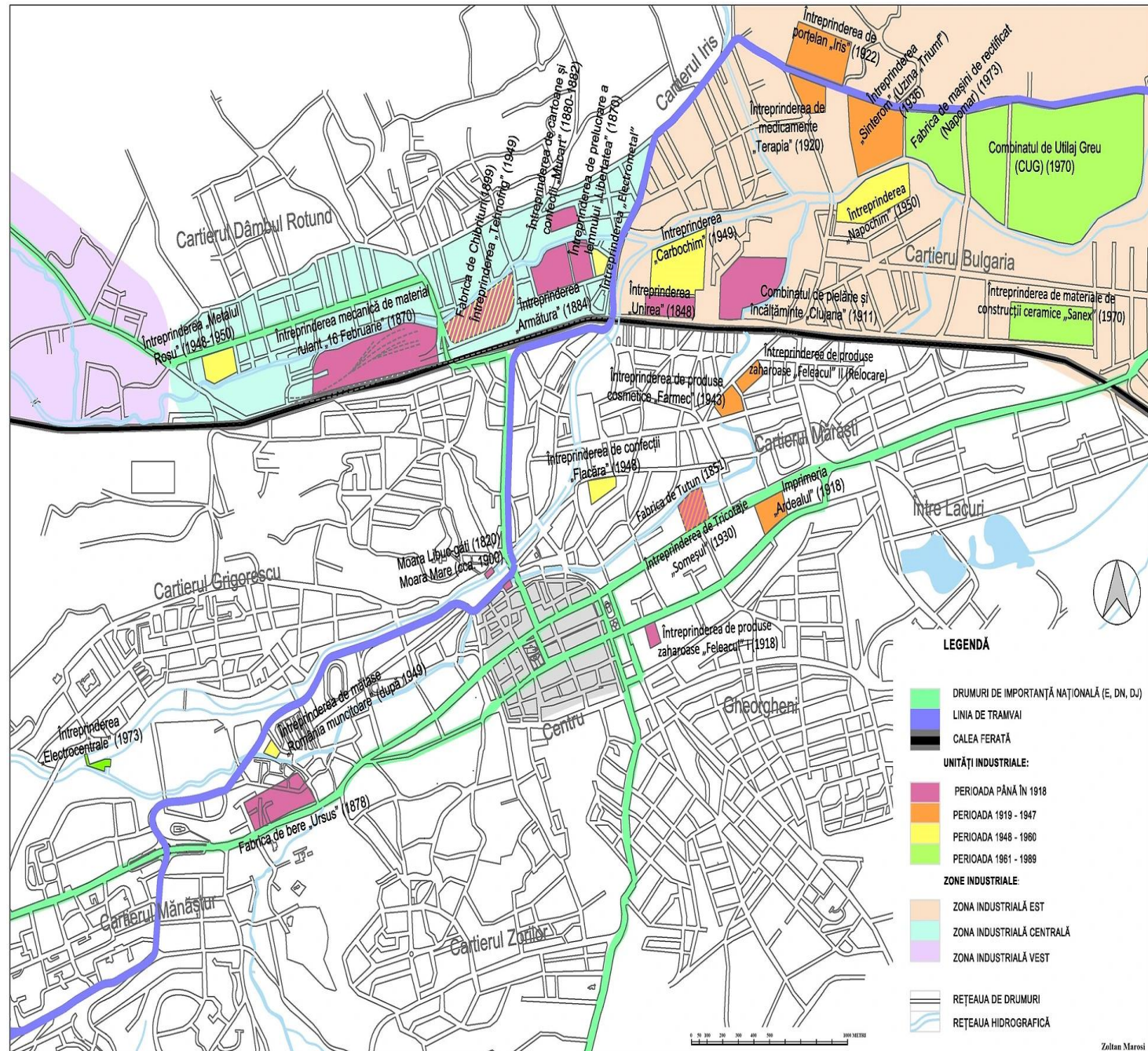
The transformation of privatized industrial platforms into new real estate development sites began slowly after 2005, with a few reconversions.

It was preceded by a trend of city enlargement, growing from 6.470 ha in 2000 to 10.471 ha in 2016. The reconversion process was slowed by the 2008 financial crisis.

The regeneration of urban brownfields accelerated after 2015 to the point where only a couple of former industrial areas on the city's north-eastern outskirts are still used for productive or storage purposes.

Reindustrialization was led by new private companies, especially in the Metropolitan Area, which also hosted new residential assemblies.

The IT&C, business, and financial services sectors attracted externalized activities of global companies, especially after the 2008-2010 financial crisis.





# Cluj-Napoca: a case of advanced financialization

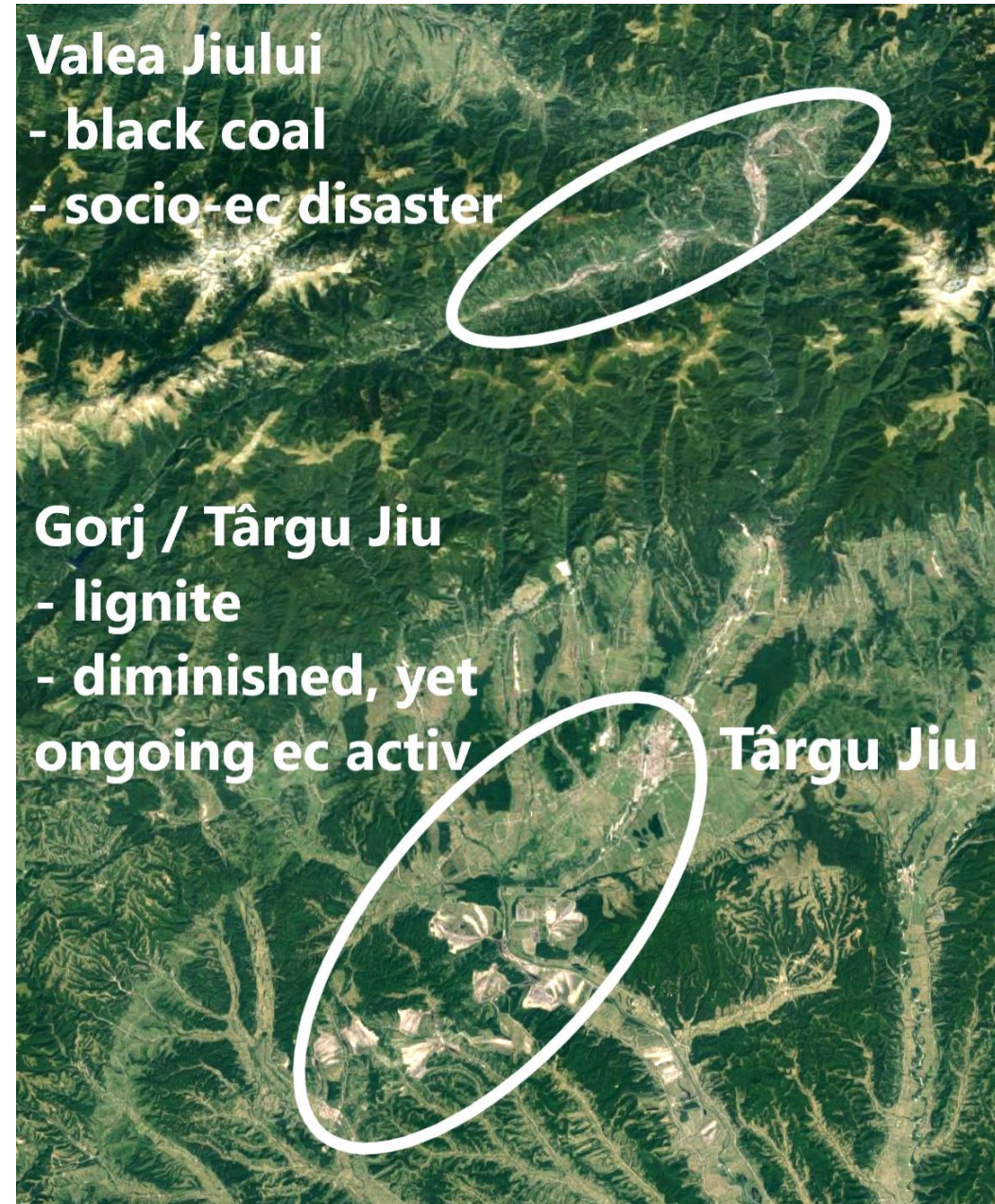
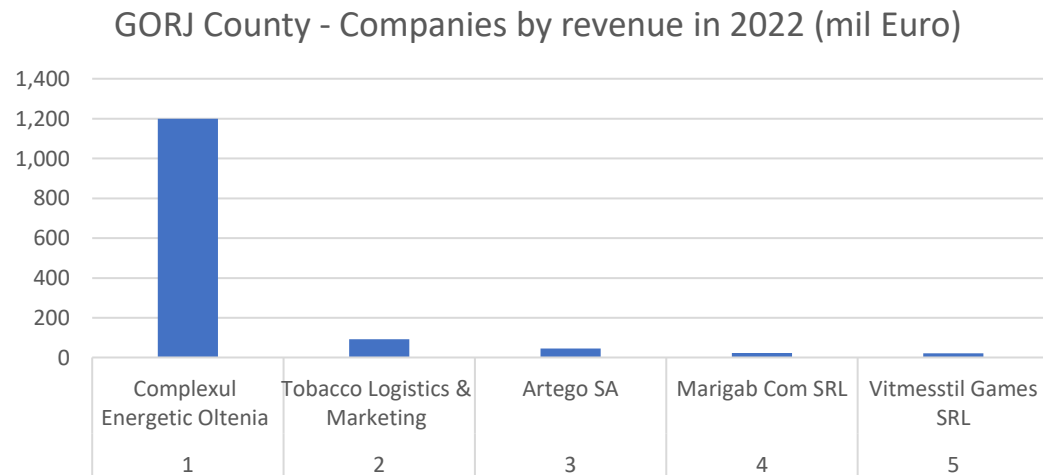
- The first real estate transaction companies were registered in this city in 1990 (17), while in other cities, they were absent by then;
- Banca Transilvania (the most profitable bank in Ro in 2022) was founded here in 1994 (71% Romanian capital); Banca Transilvania Financial Group, including an open investment fund called BT Real Estate, managed by BT Asset Management SA;
- Since 1993, Cluj-Napoca has topped national rankings for the number of newly registered companies in real estate transactions;
- The real estate development and transactions share of the total profit made in the city increased from 10% (in 2008) to 17% (in 2020)
- In 2023, the percentage of homes purchased through mortgages was higher in Cluj than at the national level, being the second highest in Romania (48,4% vs. 42.8%, in Bucharest: 49.8%);
- An estimated 15% of the resident population are private renters
- Large transactions of office buildings involve foreign investment funds (First Property, BlackRock via NEPI, White Real Estate Star);
- Foreign funds also invest in residential real estate (White Star Real Estate, Speedwell, Bina Real Estate, Prime Kapital);
- Almost 30% of the investment funds registered in Romania were based in Cluj;
- Star Residence Invest, Romania's first Real Estate Investment Trust, listed on the Bucharest stock exchange market, was formed through the collaboration of Impact Developer Bucharest and Reit Capital Cluj;
- Almost 24% of natural persons with residential properties own more than one unit, which means that, in the absence of big landlords, rentierism is widespread among small property owners.





# Târgu Jiu: command center for coal-based energy production

- Coal - the solution to the post-1970s oil crisis
- Mining driven state-led urbanization
- Lignite (electricity) in Gorj VS black coal (siderurgy) in Valea Jiului
- Particular industrial spatiality in Gorj area
- Rebundling lignite companies in 2012 as Oltenia Energy Complex (OEC), HQ in Târgu Jiu → scaled governance of energy policies
- Gradual decrease in employment in Gorj mining, 50.000 > 12.000
- Recent skyrocketing value and profit in 2022 (financialization of energy market & war)
- OEC - mammoth local economic actor, direct & subcontracting





# Târgu Jiu: Coal-based urbanization & real estate effects

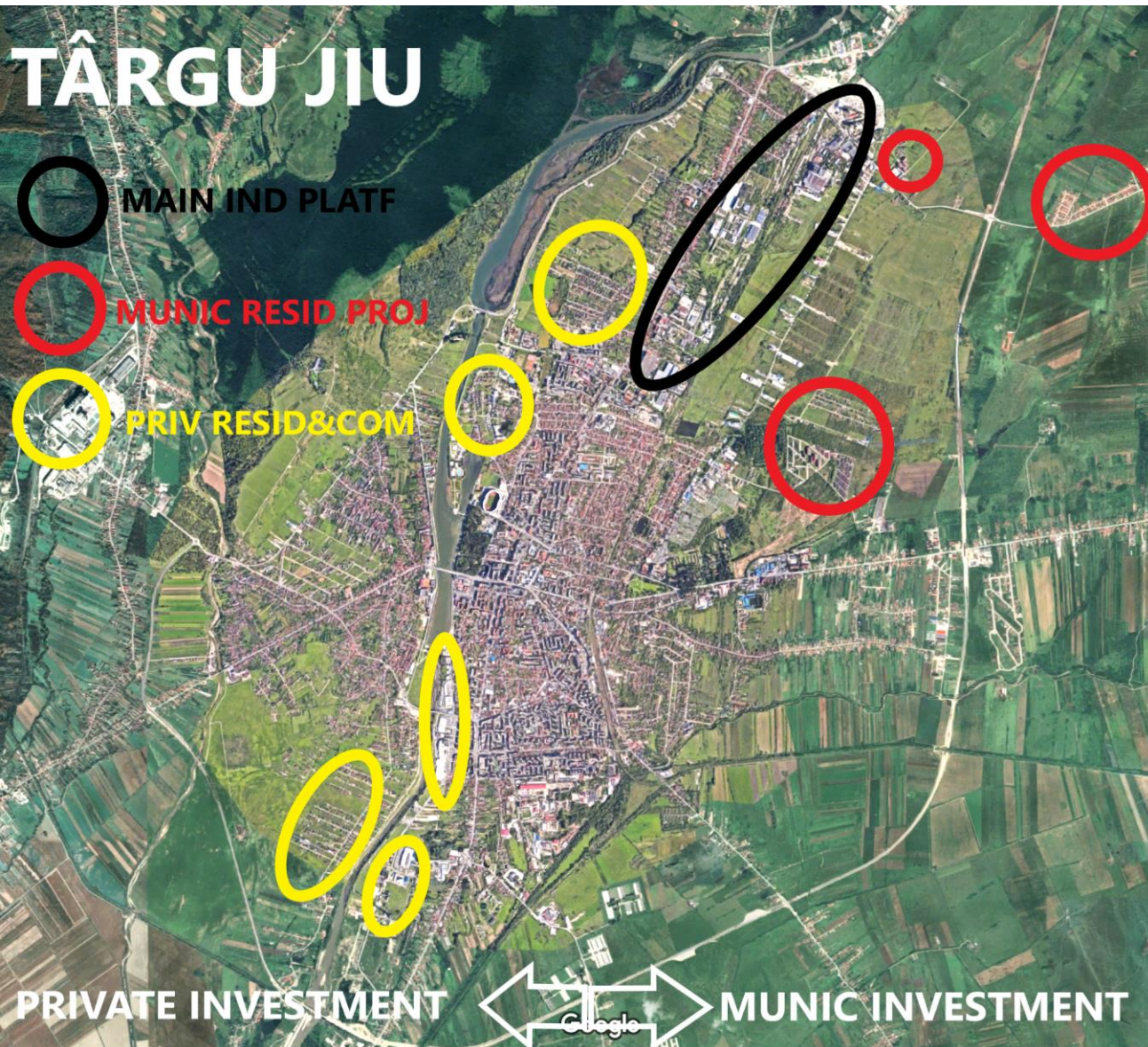
=> specific driver of urbanization processes which impacts (real estate) development cycles

Effects:

1. **Creation and protection of local capital** against FDI, similar to pre-2005 Cluj-Napoca
2. **Land becomes asset in municipal policies** for population retention – public housing projects and direct sale or concession of numerous plots for families – extending urbanization to the East
3. **Locally driven unfinancialized residential projects** since 2015. (just second circuit and lowest national level of mortgages) – pushing the urbanization to the West
4. **Later than average deindustrialization** amidst the maintenance of a state-protected well-paid sector
5. **Later than average arrival of some national and intl mall/chain-stores** (first mall in 2014)
6. **Signs of financialization of industrial land** (some post-privatization owners using plots as collateral)
7. **Less interest in reconversion of industrial platforms**, until recently, due to the internal and external vast tracts of land for residential dev and less interest in reindustrialization with external capital

=> Evades postsocialist generic explanations / shrinking cities approaches

**Coal based urbanization imprinted a different timeline and structure of integration into financial supply chains**





# CONCLUSION

## Cluj-Napoca

## Târgu Jiu

- |  |   |   |
|--|---|---|
| <ul style="list-style-type: none"><li>• Privatization</li></ul>            | <ul style="list-style-type: none"><li>• Created a condition for large-scale capital investment</li></ul>        | <ul style="list-style-type: none"><li>• Survival of OEC protected local capital against FDI</li></ul>           |
| <ul style="list-style-type: none"><li>• Entrepreneurial urbanism</li></ul> | <ul style="list-style-type: none"><li>• Local government renders the city as a magnet for investors</li></ul>   | <ul style="list-style-type: none"><li>• Local government not playing the branding game</li></ul>                |
| <ul style="list-style-type: none"><li>• Industrial platforms</li></ul>     | <ul style="list-style-type: none"><li>• Provided land for RE development -&gt; asset class</li></ul>            | <ul style="list-style-type: none"><li>• Different industrial spatiality -&gt; Relatively unattractive</li></ul> |
| <ul style="list-style-type: none"><li>• Financialization</li></ul>         | <ul style="list-style-type: none"><li>• Advanced financialization (multiple manifestations cumulated)</li></ul> | <ul style="list-style-type: none"><li>• Low financialization</li></ul>  |

The changing industrial relations (post-socialist de- and re-industrialization) and financialization are two interconnected processes that contributed to the advancement of real estate development in capitalist Romania unevenly developed across regions and localities.