

Sebastian Guțiu, Schoenherr și Asociații SCA: We see a growing interest from real estate developers and investors in diversifying their portfolios



Real estate portfolio diversification is a strategy increasingly used by real estate developers and investors as a way to mitigate risks, increase returns and capitalise on the potential of different properties and geographies. Market shifts such as the ones generated by the pandemic in the office market, the Bucharest urban planning blockage in recent years, or the access to finance are just some of the drivers that may shape a diversification decision.

"We see a growing interest from real estate developers and investors in diversifying their portfolios, whether this refers to expanding towards new asset classes or in new geographic areas. Real estate portfolio diversification comes with several advantages, but also with specific challenges faced by market players when entering a new segment, a new geographic area, or even a new industry, if we think, for instance, of real estate developers expanding into renewable energy or data centers", said **Sebastian Guțiu**, *managing partner Schoenherr și Asociații SCA*, who coordinates the firm's real estate practice.

Real estate developers and investors gathered recently at an event organised by Schoenherr și Asociații SCA, which featured Alina Necula (country manager, Lion's Head), Oana Radulea (managing partner, SEMA Real Estate) and Anda Constantin (group chief operating officer, Yellow Tree Group) as guest speakers.

"In Romania, Lion's Head is known as the owner of the Oregon Park office buildings. As of 2022, we have diversified our portfolio by entering the logistics sector, where we see significant growth potential. Initially, we wanted to acquire existing, income-generating assets, but as offers did not meet our expectations, we decided to focus on development. Last year, we acquired a 15-hectares plot of land in Popești-Leordeni, where we will build our first logistics project, with a total area of about 86,000 square meters. We plan to start construction this May, with a first phase of 20,000 square meters. Currently, we are in the last stages of obtaining the building permit." - said **Alina Necula**, *country manager, Lion's Head*, at the event.

"Over the last 15 years, we have developed over 150,000 square meters of Class A office space. Some of these projects have been sold and others are still in our portfolio. We are about to diversify our portfolio by developing a residential project on the SEMA platform, for which we are currently in the planning phase. We will also start the development of a photovoltaic park, for which we have acquired the land and are in the permitting phase. This portfolio diversification into renewables complements our real estate activity, as the power produced by the photovoltaic project will be used at SEMA. This way, we will be producing green energy and ensure grid independence of our real estate projects, including future developments on the SEMA platform." - said **Oana**

Radulea, *managing partner, SEMA Real Estate.*

"Yellow Tree Group is a real estate investor active in six countries, where it owns more than 50 buildings, and is about to expand into two other jurisdictions. We have a very broad mandate in terms of sectors in which we invest, so our group-wide portfolio includes office buildings, logistics projects, hotels, medical centres, as well as assets in the retail and residential sectors. In Bucharest, we own six office buildings and one logistics space, and we are interested in further diversifying our portfolio in terms of asset types, but not geographically. Moreover, this year marks a novelty in our activity: we will expand into real estate development, with Romania being the first country where we will start the construction of a project." - said **Anda Constantin**, *group chief operating officer at Yellow Tree Group.*

Real estate developers and investors discussed about forces that drive real estate portfolio diversification, as well as about practical challenges faced when entering a new sector or expanding into a new geographical area.

"Real estate portfolio diversification poses a number of challenges from a legal perspective. For instance, developers and investors need to adapt to specific regulatory frameworks when expanding into new sectors of the real estate market or into new industries (such as renewables, by building rooftop or stand-alone photovoltaic projects). Also, in the case of office owners entering the residential sector, specific consumer protection requirements need to be considered, as a result of their transition from B2B to B2C. Equally, when investors or developers decide to start operating in new geographical areas, they need to understand and adjust to the local authorities' practice in the field of town planning." - said *Schoenherr și Asociații SCA real estate partner* **Madalina Mitan**.

Schoenherr is a leading regional law firm with 15 offices and four country desks in Central and Eastern Europe and South-Eastern Europe. The firm has been active in Romania since 1996, providing full-service legal advice to local and multinational companies. Schoenherr și Asociații SCA is ranked by major legal directories that survey the Romanian legal market (Chambers and Partners, Legal500) for its real estate activity.