



HERTZ

Construction & Project Management

July 2014

Newsletter

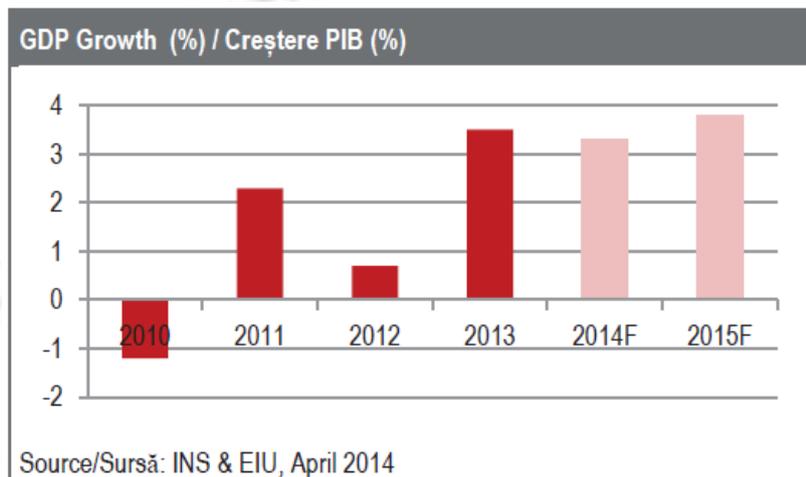
In this month's issue:

Bucharest City Report Q1 2014 – Economic Climate
Bucharest City Report Q1 2014 – Investment Climate
Our Current Projects
Market developments

I. BUCHAREST CITY REPORT Q1 2014

ROMANIAN ECONOMIC CLIMATE

After a strong 2013, in which the Romanian economy outperformed expectations with a GDP growth of 3.5%, the country is likely to continue its ascendant trend in 2014, when the GDP is projected to increase by 3.3%, according to EIU. In the first three months of 2014, growth was driven not only by the industrial sector, as was the case in the previous quarters, but also by retail sales that increased by 8.3% y-o-y (12.3% in the non-food category).



Consequently, in January and February, exports were up by 9.2% and imports up by 9.4% when compared to the same period in 2013. However, the construction sector continued to struggle mainly because of the decrease in infrastructure works. According to the latest EIU reports, GDP growth is expected to accelerate in 2015 to 3.8%, with all sectors of the economy having a positive contribution.

Annual average HICP inflation rate (April 2013-March 2014) decreased to a historic low level of 2.3%. As a result, the monetary policy rate of the National Bank of Romania reached yet another historic low, 3.5% starting from February 2014, a move aimed at further encouraging the credit market, which showed positive signs since the beginning of the year, and at supporting the current economic growth. The exchange rate remained stable in Q1 2014, oscillating between 4.43 and 4.54 RON for €1. Government debt remains low at a level below 39% of GDP, the fourth lowest in the European Union, while the targeted government deficit for 2014 is 2.4% of GDP.

ROMANIAN INVESTMENT CLIMATE

The property investment volume recorded in Q1 2014 is estimated at a record €337 million, higher than the total volume in 2013. The largest transaction was the sale of the BOB and BOC office buildings together with 446 apartments and 25 retail spaces in an adjacent residential project – Upground Towers, for €210 million by RREEF to Globalworth. Globalworth was also the purchaser of Tower Center International, an office tower in the CBD of Bucharest, for €58 million. The industrial segment is once again starting to attract the interest of investors. The acquisition of the 17,000 sqm Innovation Logistic Park by Secure Property Development & Investment was the first significant industrial transaction in Bucharest since the beginning of 2011.

Yields / Randamente	Office / Birouri	Shopping Centers / Centre Comerciale	Industrial / Industrial
Q1/T1 2014	8.25%	8.25%	10.0-10.5%

Source/Sursa: JLL

In Q1, transactional activity in Romania was focused on the office sector which accounted for 80% of the total volume. The start of 2014 has consistently seen more evidence that Romania is back on the map of foreign investors. Transaction activity was dominated by (re)structuring tied deals, but with several quality assets currently on the market, it is expected that transaction volumes will grow markedly in 2014. Moreover, a higher degree of diversity on the buy side can be expected, which is important for the perceived exit liquidity among investors. High investor demand is also facilitated by an increasing appetite of banks to provide debt financing. Even if conditions offered in Romania still reflect the perceived country risks, the simple fact that the number of banks offering real estate financing has increased is an important improvement that will facilitate more liquidity.

Due to the string economic growth and the increasing interest shown by investors towards the Romanian market and the advantages that it offers (significantly higher yield spread), we have a strong reason to expect that 2014 will set new benchmarks for the post-recession domestic investment market.

(source: JLL)

II. OUR CURRENT PROJECTS

Luxury Residential Project - Bucharest, Romania



An international investor has just finalized all the groundwork relating to a new residential development in one of Bucharest's prime neighbourhoods and is preparing for the initiation of the construction works relating thereto. Hertz Construction & Project Management is very proud to announce and to take part in the rise of this project, having an exquisite design and an amazing location, as Project Manager of the entire development. The details of this new residential project which will soon become part of the Bucharest residential landmarks are to be disclosed soon.

Tagor Urban Village - Pipera, Romania



Tagor's second Bucharest project is developing fast and the construction is looking ready for completion at the end of the year. All works are going according to schedule and the weather is also looking more positive, allowing works to advance at a better pace.

The project in Pipera will start with 100 units and will comprise 600 units by its completion.

Tagor Urban Village - Arad, Romania



Tagor is expanding its revolutionary mini-room concept of 'Urban Village' to Arad. The investment in this first phase, scheduled to be completed by the end of next summer, is approximately €7.3 million. The total value of the Arad project will be, at completion, of over €108 million.

The construction site is situated in the central area of Arad, and the project comprises a number of 1,323 apartments and commercial center of over 5,400 m².

Student accommodation buildings – Bucharest, Romania



We are currently managing and supervising the renovation of two student accommodation buildings in Bucharest, involving an investment of approx. 1 million EUR. The buildings have strategic locations, in the vicinity of universities and public transport hubs. This project is very dear to us, since the renovation of these units will improve the offer of accommodation for students in Bucharest, aiding the improvement of the overall experience of these young adults in the capital of Romania. It is well known that student homes are very in demand and we are working hard to make sure that, upon their completion, these accommodation units will fit any student's dream of his/her first home away from home.

(for more details, visit: www.hertzmanagement.com)

III. MARKET DEVELOPMENTS

EIB continues to support investment to increase energy efficiency of residential buildings in Bucharest

The European Investment Bank (EIB) is providing EUR 22.47 million - the first tranche of an approved EIB loan for a total amount of EUR 136.5 million - to finance the second phase of the refurbishment programme for multi-family housing in the Sector 1 municipality of the Romanian Capital of Bucharest. The project is expected to result in around 50% savings in the heating energy consumption of the buildings concerned.

EIB President Werner Hoyer commented, "EIB funds will contribute to the implementation of the National Energy Efficiency Action Plan of Romania through the thermal rehabilitation of multi-storey buildings. At the same time, the EIB loan will help Romania to meet its commitments under the EU Directive on the energy performance of buildings. This will improve the environment in terms of reduced emissions and pollution, with positive implications for the living standards of the citizens of Bucharest."

The loan tranche signed today by Mr Mihai Tanasescu, EIB Vice-President, and Mr Andrei Chiliman, Mayor of Bucharest Sector 1, will enable the Sector 1 Municipality to continue its priority investment programme as the project constitutes a follow-up to the first phase of the energy efficiency programme for residential buildings undertaken by the Municipality and financed by the EIB in 2011. In total, 406 buildings with almost 19 thousand apartments will be refurbished in this

second phase. Work began in 2013 and will be completed by 2017. The programme is designed to achieve energy savings totalling some 190 GWh per year once fully implemented.

The estimated project cost is EUR 182 million. In order to support this important energy-efficiency project in Bucharest, the EU Bank's contribution has been raised to 75% of the project cost, in line with guidelines for investments aimed at reducing energy consumption and mitigating climate change. The Municipality's own resources are expected to cover the remaining 25% of the cost.

The current project is a continuation of the EIB's successful cooperation with various sectors of Bucharest. To date, the EU Bank has provided EUR 282 million in financing for projects with a total cost of EUR 423 million, aimed at the energy efficiency refurbishment of multi-apartment buildings in Bucharest's Sectors 1, 2, 4 and 6.

The European Investment Bank is the long-term lending institution of the European Union and is owned by the EU Member States. It makes long-term finance available for sound investment in order to contribute towards EU policy goals.

(source: www.actmedia.eu)



HERTZ Construction & Project Management

4C Pipera - Tunari Rd.
Voluntari, Ilfov.

Telephone: + 4 0 72 122 2324

FAX: + 4 021/311 8595

E-mail: contact@hertzmanagement.com

Website: www.hertzmanagement.com