



HERTZ

Construction & Project Management

September 2014 Newsletter

In this month's issue:

News

Romania Real Estate Market Study 2014

Our Current Projects

Market developments

SEPTEMBER BRINGS IMPORTANT NEWS ABOUT ALL THE CURRENT **HERTZ CONSTRUCTION & PROJECT MANAGEMENT PROJECTS**

With winter approaching and threatening to affect the construction market, September brought a high number of ongoing projects to their completion. The most significant Hertz Construction & Project Management projects to be completed in September were the Adora Park Arad residential complex developed by the internationally renowned investor Tagor and the two Arcca student home locations in Bucharest.

Adora Park Arad is ready to open its doors for new residents and everything is in place to ensure the best services and quality are served to the new inhabitants. The construction works carried out for the development of the project registered no significant delays comparing to the initial time schedule and the project budget was also respected until completion. We are proud to have been a part of this project's development and are looking forward to taking part in the following residential projects developed by Tagor in Romania. For more info, visit: <http://adorapark.ro/>



The Arcca student homes are ready just in time as schools are opening their doors and just in time to help students settle into their new Bucharest residences. The student homes provide fresh, new living spaces, as well as leisure and education spaces for their inhabitants. Students will feel right at home here and will certainly enjoy all the amenities the homes have to offer all year round. For more info, visit: <http://www.arcca.ro/>



The luxury Primavera 47-49 project in Bucharest is steadily moving forward to its completion next spring. All works are going according to schedule and our engineers are ensuring the quality and budget requirements are all met. The preliminary steps for the development of the exquisite apartment building to be built in one of the Capital's prime neighbourhoods have already been finalized and the structure works are well underway. Hertz Construction & Project Management is very proud to take part in the development of this luxury project, ensuring the development's project management and supervision services. The project, with a lavish design and an amazing location, is bound to become one of the most prominent projects in Bucharest and Hertz Construction & Project Management's involvement in the progress thereof is of great professional satisfaction for all our staff. Keep up to date with our developments on our webpage www.hertzmanagement.com and in our future Newsletters.



I. ROMANIA REAL ESTATE MARKET STUDY 2014

GENERAL MARKET OVERVIEW

After a period when the common element of the market analysis was represented by the difficult context generated by the influences of the economic crisis, an evident improvement in the fundamentals of real estate market was recorded in 2013. The reticent attitude of the market players has been significantly diminished, the main factors that induced this behavior being the reduced volatility of the market indicators, the improvement of the local and regional economic environment, as well the positive evolution of the more mature European markets.

Commercial markets recorded the most significant improvement in the market indicators, being reflected in the increase of the development activity, stability of the vacancy rates and minor fluctuations of rental levels. This improvement is demonstrated by the weight of commercial properties in the total amount of investments for 2013.

The residential market, that is exclusively dependent from the internal demand, recorded positive elements in terms of real estate development activity and demand for residential units addressing medium income customers. On this segment, there are still difficulties generated by residential projects completed during the boom of the market that do not currently meet the exigency of demand.

The outlook of the real estate market improved, the hesitant attitude of the market players diminished, being proved by the resume of the construction works put on hold during the crisis, initiation of new real estate developments, absorption rates of new projects, prospecting



market activity and portfolio consolidation undertaken by a number of foreign developers and investors. The general equilibrium between the characteristics of the offer and exigencies of demand is more robust, this being reflected in the stability of prices and rents. The increase of developers' confidence is evident for every real estate markets. A similar attitude is expected from investors, including institutional investment funds. Consolidation of market fundamentals, corroborated with the improvement of the economic environment, provide reasons for investors to consider the local market as destination for potential investments. However, a level of uncertainty still persists, especially on the economic side, that might affect the confidence of investors in the local market.

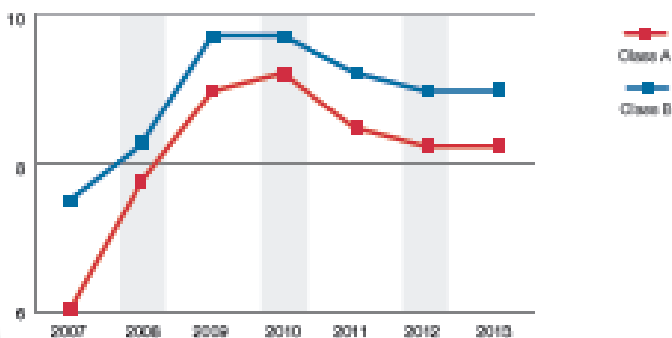
INVESTMENT MARKET

The investment market reflects the evolutions of real estate segments, being recorded a higher number and investment volume compared to 2012, respectively, an increase of the price per transacted property. Although the fundamentals of specific markets have obviously improved, local investment market is still affected by the lack of banking financing and general uncertainty, mainly generated by unexpected economic evolutions.

The reduce volatility of the market indicators recorded on the commercial segments is reflected on the stability of yields that have remained at similar levels since 2011. Yields for new modern properties remained stable in 2013, fluctuating between 8.25-8.50% for class A offices, between 8.0-8.75% for shopping centers and between 10.0-10.5% for industrial properties. For class B offices with a relatively good tenant covenant situated in secondary areas, yields fluctuate between 9.0-9.5%, while for older industrial properties that are not situated in established industrial clusters, yields fluctuate between 10.5-11.0%. Yields will remain stable during the first half of 2014, the future evolution being dependent by a number of factors that currently have a high degree of uncertainty: the economic environment is expected to be influenced by the general election for presidency, existing conflicts in the region, economic improvements of the European countries.

The beginning of 2014 has not generated evident changes in the evolution of yields or general activity of investors. Geopolitical evolution has not generated repercussions on the European investment markets. The interest of investors has remained concentrated on the commercial segments (offices and retail units), both for acquiring completed properties and developing real estate projects. The industrial segment is still not of interest to investors, but the second part of the year might record an investment transaction on this segment.

Office yield evolution



Potential purchasers have become more active in 2013 being mainly interested in the commercial segment. In Bucharest, the office properties represent the largest weight in the total investments recorded in 2013, while other local markets are dominated by the transactions with commercial properties (shopping centers and hypermarkets).

The most important transaction recorded on the local market, excepting Bucharest, is represented by the acquisition of City Park Constanta concluded by NEPI, a shopping center with a total area of 29.284 sq m acquired with €81 Million. The most active investment fund, New Europe Property Investments acquired 2 other shopping developments in Drobeta Turnu-Severin (Severin Shopping Center) and Deva (Deva Shopping Center), while in other cities has been involved in development activity.

(source: www.nairomania.ro)

II. OUR CURRENT PROJECTS

Primaverii 47-49 Residential Project - Bucharest, Romania



The structure works relating to the latest residential development in one of Bucharest's prime neighbourhoods are underway. The newest addition to Hertz Construction & Project Management's project portfolio is going according to schedule and on budget thanks to the dedicated project team. We are very proud to take part in the development of this project, with its lavish design and amazing location. Details and insights relating to this new residential project will soon be available for potential buyers and interested investors.

Tagor Urban Village - Pipera, Romania



Tagor's second Bucharest project is developing fast and the construction is ready for completion as we speak. The final details are being put into place and all works are going according to schedule.

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

Dimri Residential project – Bucharest, Romania



The Israeli investor Dimri is in progress of developing a new project in the South area of Bucharest. The concept is simple, yet modern and focuses on offering clients the best value for their budget. The full project is set to comprise 12 buildings with 11 storeys each. The apartment mix mostly comprised 2-room apartments, in accordance with the market demand.

Student accommodation buildings – Bucharest, Romania



The management and supervision services for the renovation of two student accommodation buildings in Bucharest, involving an investment of approx. 1 million EUR are almost complete. 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.

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

III. MARKET DEVELOPMENTS

Real estate: Logistic and industrial area stock reaches 1.8 million sq.m in semester I, 2014

The modern stock of logistic and industrial areas reached 1.8 million square meters at the end of the first semester, 2014, about 53% of these areas (950,000 sq.m) being in Bucharest, according to the DTZ Research study. Other towns with important industrial and logistic areas are Ploiesti, Timisoara, Brasov, Pitesti, Arad and Cluj Napoca.

The overall volume of rentals in the first 6 months was 89,000 sq.m, the new demand representing 70% of this volume, with 61,000 sq.m negotiated, while 28,000 sq.m were re-negotiated or extended contracts. In Bucharest, the volume of rentals was of 34,000 sq.m (46% of national total) the demand representing 90% of transactions. Most of the demand was generated by companies from the production sector, followed by logistic, automotive and retail companies. The average vacancy rate of logistic and industrial areas in Romania is 8% while in Bucharest it is 10%. Towns like Cluj, Brasov, Pitesti and Oradea register a rate under 2%.

The value of rent did not change in the first half of the year. Premium rents for modern deposits are between 3.6 and 3.9 euro/sq.m./month, the net effective rent being 10-20% lower. Compared to the same period of 2013, premium rents dropped by 5%. For units with areas under 5,000 sq.m, the rent level is slightly higher. For B class areas rents vary between 2.5 and 3 euro/sq.m/month.

The average area in demand in the first semester 2014 was of 3,500 sq.m, which points out the tenants' cautious attitude about the expansion strategy, preferring the increase of the rented area in stages.

(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