



HERTZ

Construction & Project Management

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Newsletter

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I. ROMANIAN REAL ESTATE MARKET STUDY 2014

GENERAL OVERVIEW

The outlook of the Romanian real estate market has improved in 2014, many construction works that had been put on hold during the crisis being resumed this year, as several other new real estate developments have been initiated.

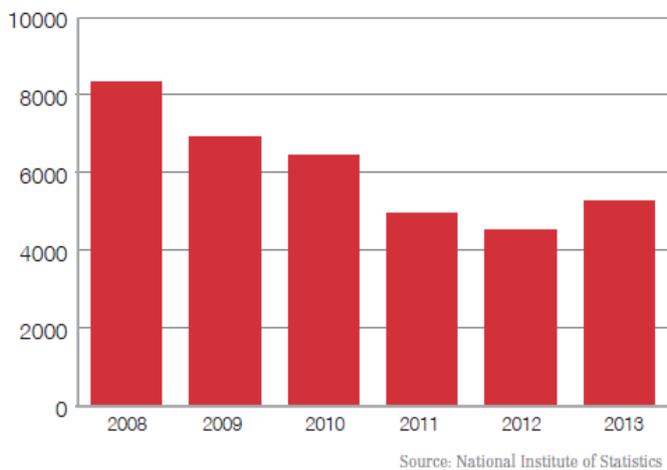


The general equilibrium between the characteristics of the offer and exigencies of demand is more robust, this being reflected in the stability of prices and rents. The increase of developers' confidence is evident for every real estate markets. A similar attitude is expected from investors, including 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.

RESIDENTIAL MARKET

After a period when the residential market was characterized by a low development activity and slow absorption rate of residential units, in 2013 the positive evolutions initiated in 2012 became more obvious. During 2013 the number of newly completed residential units in the Bucharest-Ilfov Region increased by 16.5%, reaching 5.275 units. Although in the Bucharest-Ilfov Region (+16.5%) and West Region (+8%) the residential development activity increased, the number of newly completed residential units calculated at the national level decreased in 2013 for the fifth consecutive year.

Number of residential units completed in the Bucharest-Ilfov Region



In 2013 a number of 40.071 residential units were completed in Romania, 6% less compared to 2012. The annual decline was generated by the significant decrease in the number of completed units during Q4 2013, when 13.478 units were completed, a 15% decrease as compared with the similar period of 2012. At national level, the most significant decrease in the number of completed residential units was recorded in the North-West Region, where 5.186 units were

completed, representing a drop of 23.5% compared with 2012.

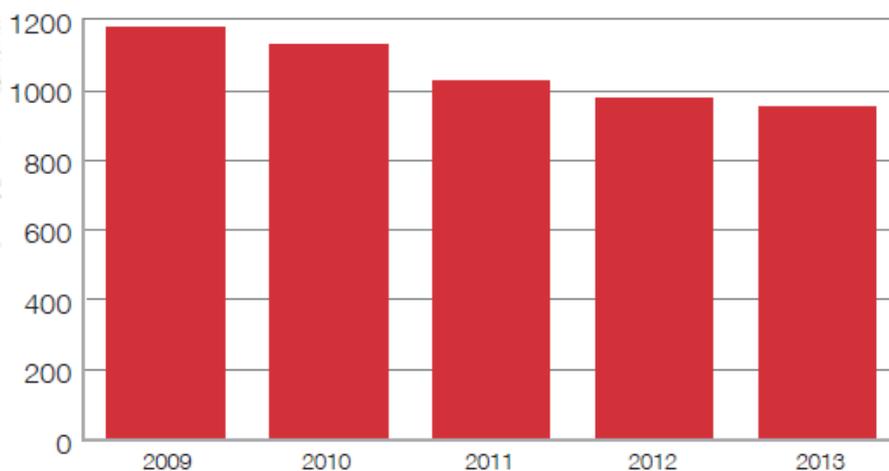
In the Bucharest-Ilfov area, the most intense residential development activity was recorded in the peripheral areas of Bucharest that are situated within the administrative limits of the Ilfov County. Thus, the largest number of completed residential units are located in Popesti-Leordeni, Berceni, Bragadiru, Voluntari. The development activity within these areas has concentrated almost exclusively on the apartment segment situated in small residential compounds in terms of the total number of apartments and the number of levels (maximum GF+6). These residential projects mainly offer 2 and 3 room apartments with usable areas between 50-55 sq m, respectively, 65-70 sq m.

A similar tendency is expected in 2014, when a number of small scale residential developments are proposed for completion in the southern and western areas of Bucharest. The eastern areas of Bucharest (Fundeni-Dobroesti) will record a similar rhythm of expansion compared to Popesti-Leordeni, Bragadiru, this area benefiting of vacant plots and a developed infrastructure.

The characteristics of the properties are adapted to the demand expectations in terms of prices and, as a consequence the asking prices mostly do not exceed the maximum limit stipulated by “First time buyer” program. As regards the demand prices, they fluctuate between €600 and €700 per usable sq m for apartments located at a remote distance from the public transportation routes, while the apartments located in Popesti-Leordeni-Berceni area, in the proximity of the metro station, are quoted at €675-€800/sq m. The adaptation of the offer to the characteristics of demand is revealed by the increase of the weight of apartments completed after 2008 (34%) in the total number of properties financed by the “First Time Buyer” program.

According to the statistical data provided by National Credit Guarantee Fund for SMEs, the medium price of apartments financed by the “First Time Buyer” program had a decreasing tendency from €1.025/usable sq m in 2011 to approximately €975/usable sq m. The average level of a loan guaranteed by the Fund was €37.000 in 2013.

Medium sale prices - “First Time Buyer” (Euro/sq m)



In order to attract potential buyers, developers offer free parking places, storage areas and allow diverse financing/sale plans in order to facilitate the sale of the apartments, such as payment in instalments, acquisition of the apartments in shell and core condition. Although some residential compounds are more attractive due to the proximity of public transportation, new residential developments do not benefit from social services (education, health etc.) and adequate infrastructure. As a consequence, old apartments are still preferred by the largest part of clients in Bucharest.

Residential developments located within Bucharest are dominated by small size projects, addressing medium-high income customers, located in secondary areas (Bucurestii Noi,

Titan, Iancului) or in well established residential areas, such as Aviatorilor, Domenii, Baneasa.

The offer is also supported by financial institutions that adopted a more aggressive sale strategy of distressed assets. Their number has increased significantly, these properties being promoted on the websites of banks and specialized portals. The properties under special administration have reconsidered the price policy together with the bank in order to become more attractive for the potential clients. Although the price per sq m has recorded obvious adjustments, the most significant difficulties are encountered by the residential projects with large usable areas located in areas with difficult access.



The residential market is still dependent of the banking finance, thus the sale price is the most important decision factor under the conditions of a less liquid demand. The “First Time Buyer” program will continue in 2014. In this case, the largest weight of acquired properties will be represented by apartments with prices up to €50.000.

Also in 2014, there has been a significant increase in the number of smaller scale luxury developments in some of the most reputable residential areas in Bucharest. The market also recorded an increase in the demand for such units, this being the main factor driving investors to initiate or continue their luxury residential projects on the dynamic Bucharest market. In addition, 2014 brought a high number of ongoing projects to their completion, the units being available for sale and move in ready.

(source: www.nairomania.ro)

II. OUR MOST SIGNIFICANT 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.

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

III. MARKET DEVELOPMENTS

Price differences for new/old apartments halves in Bucharest, grows in other major cities

The price difference between old and newly-built apartments in the same area in capital Bucharest has halved to 11 percent in the first nine months of the year, but the gap widened in other major cities in the country, such as Brasov, Cluj-Napoca, Constanta and Timisoara, according to an analysis from imobiliare.ro.

At the end of 2013, the difference in prices in Bucharest was 20 percent. The capital is the only major city in the country where apartments in new buildings continued to get cheaper in 2014, with an average of 5.3 percent, from 1,184 to 1,121 EUR/ sq m. Prices on old apartments increased 2.6 percent, from 982 to 1,008 EUR/sq m.

In Brasov, the price difference between old and new apartments was 8 percent after the first nine months of the year, meaning EUR 69 per square meter up from EUR 54/sq m.

In Cluj-Napoca, new apartments are cheaper than old ones, by approximately 10 percent, and the difference is shrinking considering at the end of last year it was 20 percent.

In Constanta, new apartments are 6 percent more expensive than old apartments, meaning EUR 50/sq m down up from EUR 29/sq m last year.

In Timisoara, new apartments are 9 percent more expensive than old apartments, namely by EUR 73/sq m, up from EUR 46 sq m.

(source: www.actmedia.eu)



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