HERTZ
Construction & Project Management

February 2015 Newsletter

In this month's issue:

I. REAL ESTATE MARKET REVIEW 2014

BUCHAREST

The capital city still has the most expensive residential offers, the average price per usable square meter being EUR 1,056 at the end of 2014, having increased by 1.5% as compared to the levels recorded in 2013. Compared to March 2008, when prices reached their highest limit and a usable square meter was EUR 2,264, the current value is 53% lower.

According to the index of Imobiliare.ro, old apartments in Bucharest cost EUR 1,005 per square meter, having increased by 0.7% as compared to the same period of 2013. As regards new apartments, the value recorded by Imobiliare.ro is of EUR 1,135 per square meter, 2.6% lower than one year ago.

Under such circumstances, what about the interest of buyers? A statistical analysis of Imobiliare.ro shows that two-room apartments are still the most in demand in 2014. Thus, 42% of potential buyers are searching for this type of apartments, as compared to 37% in 2013. Studios represented an interest for 13% of buyers in 2014, as compared to 14% last year. Three-room apartments were sought after by 33% of the persons interested in purchasing an apartment in 2014, compared to 34% in 2013, while four-room apartments were of interest to 13% of potential buyers, compared to 15% last year.

As far as the interest of buyers depending on price is concerned, Bucharest inhabitants are 29% interested of the price margin between EUR 40,000 and EUR 60,000. The price margin between EUR 60,000 and EUR 80,000 is of interest to 20% of them, while 18% are interested in apartments above EUR 100,000, and 16% look for homes that range between EUR 20,000 and EUR 40,000 de euro. Another 16% look for homes in the price range of EUR 80,000 and EUR 100,000, and 1% look for homes that are less than EUR 20,000.

The analysis shows that 35,480 apartments, 13,442 villas and 17,230 lands were available for sale in the Bucharest-Ilfov area between January and November 2014. In addition, 45,461 apartments and 3,447 villas were available for lease.

CENTRAL REGION

This region includes the counties of Alba, Brasov, Harghita, Covasna, Sibiu and Mures. Except for Sibiului, which ranked third in the top of the most significant price decreases of 2014, the average price per usable square meter in this region has increased in the last year.

Alba Iulia: Prices have increased by 3.4% this year, from EUR 559 to EUR 578 per usable square meter.

Brasov: The famous city recorded a 2.6% increase – EUR 818 per usable square meter in Q4 versus EUR 797 in Q4 of 2013 –, while as compared to May 2008, when the peak of prices was recorded in Brasov, averaging at EUR 1,475, the decrease is of approx. 44%. As regards new apartments, the index of Imobiliare.ro shows a value of EUR 902 per square meter, increasing as compared to 2013.

The inhabitants of Brasov are 39% interested in two-room apartments. At the end of 2013, this percentage was of 40%. Studios represented an interest for 17% of potential buyers in 2014, compared to 14% last year. Three-room apartments were of interest to 32% of buyers in 2014, compared to 34% in 2013, while four-room apartments were in demand for 12% of the site visitors, recording the same level as last year.

As far as the interest of buyers depending on the price is concerned, in Brasov, buyers are 32% interested of homes in the range of EUR 20,000 and EUR 40,000, 32% of homes ranging between EUR 40,000 and EUR 60,000. The EUR 60,000 – EUR 80,000 price range is of interest to 18% of buyers, while 8% are interested in apartments of over EUR 100,000. 7% are interested in homes ranging between EUR 80,000 and EUR 100,000 and 3% look for residential units of under EUR 20,000.

In Brasov, a number of 5,725 apartments, 2,931 villas and 4,290 lands were available for sale between January and November 2014. In addition, 4,136 apartments and 405 villas were available for lease.

Sibiu: Prices in the area have decreased in Q4 2014 compared to Q4 2013 by 3.7%, from EUR 724 to EUR 697, Sibiu recording one of the most significant price decreases in 2014.

Targu Mures: In Targu-Mures, price averages on the residential market have recorded the same levels as in 2013. The average price per usable square meter in a residential unir remained at EUR 702.

(Source: http://gandul.info/)

II. OUR MOST SIGNIFICANT CURRENT PROJECTS

Tomis Blvd. Residential Project - Constanta, Romania

The site organization and foundation works of the latest residential development managed by the Hertz Construction & Development team in Constanta are underway as of December 2014. The project is set to comprise two 11-floor buildings with an apartment mix suitable for all types of clients – 2, 3 and 4-room apartments. The demand for residential units in Constanta has registered a significant increase in the past years and this new project is sure to compete with the most luxurious projects in the seashore city of Constanta.

Primaverii 47-49 Residential Project - Bucharest, Romania

The finishing works relating to the latest residential development in one of Bucharest's prime neighbourhoods are underway. The most luxurious addition to Hertz Construction & Project Management's project portfolio is going according to schedule and on budget thanks to our dedicated project team. We are very proud to take part in the development of this project, with its lavish design and amazing location.

Tagor Urban Village - Pipera, Romania

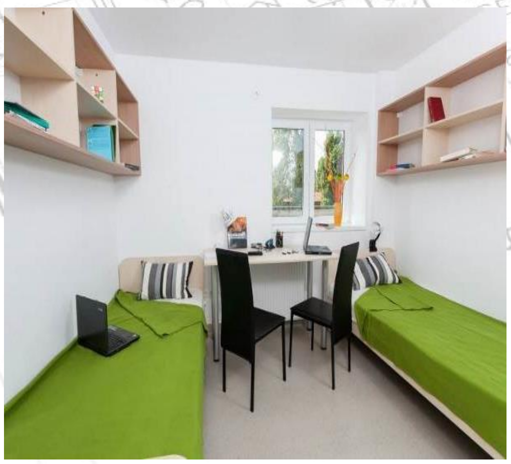
Tagor's second unique Urban Village concept in Bucharest is completed and has started the sales process as we speak.

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

Dimri Residential project – Bucharest, Romania

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 of 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 provided by Hertz C&PM for the renovation of two new student accommodation buildings in Bucharest, involving an investment of approx. 1 million EUR are continuing, since market demand has increased in 2014. The buildings have strategic locations, in the vicinity of universities and public transport hubs. The consolidation and renovation of these units will improve the offer of accommodation for students in Bucharest.

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

III. MARKET DEVELOPMENT NEWS

1 mln sqm of retail space to be completed this year in Bucharest, says DTZ

Modern retail space supply in Romania this year will exceed 3 million sqm compared to 2.86 million sqm in 2013, according to DTZ Echinox data. The projects in Bucharest amount to a third of the total and the vacancy rate ranges from below 4 percent to 25 percent. Also, in the capital the supply of modern retail space will amount to over 1 million sqm.

International retailers with a strong presence in countries such as Poland, Czech Republic, Hungary and Turkey analyze the Romanian market conditions and characteristics, and by the end of this year's Q1 they will officially enter the local market. Compared to 2014, DTZ estimates that this year the number of new entries will increase.

This year the new deliveries' level will be 196 percent higher. Modern retail spaces to be completed this year exceed 220,000 sqm. Approximately 75 percent of this area will be delivered by NEPI, which, apart from the completion of Mega Mall and Timisoara Shopping City shopping centers, has scheduled the expansion of certain projects in the portfolio – City Park Mall, Severin Shopping City and Deva Shopping Center. The total supply of modern retail spaces in Romania is 2.86 million sqm, 32 percent of this area being recorded in Bucharest. Shopping centers represent 59 percent, while retail parks and shopping galleries hold 25 percent and 16 percent respectively of the total supply.

(Source: *www.business-review.eu*)

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