



# HERTZ

Construction & Project Management

**September 2015 Newsletter**

In this month's issue:

**Romanian Market Review – Research & Forecasts 2015**

**Our Most Significant Current Projects**

**Market Development News**

## **I. Romanian Market Review – Research & Forecasts 2015**



During the past 5 years, Romania was focused on correcting the major imbalances that stood out at the beginning of the crisis. The painful efforts led to a budget deficit of only 1.85% of GDP in 2014 (down from -7.2% of GDP in 2009) and a current account deficit of around 0.5% of GDP in 2014 (from -4.5% of GDP in 2009).

The Romanian economy expanded by 2.9% in 2014, with consumption as the main growth driver, while investments were likely a drag on economic activity. High frequency data for the last quarter suggests that constructions might have posted the first positive contribution since 4Q13. In 2015, investments should provide a strong support to growth, due on the one hand to the low base and on the other to the fact that this is the last year of EU fund inflows from the 2007-2013 programming period.

Private consumption is expected to benefit from the positive real wage dynamic and a strong increase of RON lending, while public consumption will likely weigh on growth, due to Romania's ambitious fiscal commitments. All these will probably keep economic expansion in 2015 below 3% yoy. The

sharp decline in oil prices brought the annual inflation down to 0.8% at the end of 2014, also leading to a downward revision of the expectations for 2015 and 2016. We estimate that inflation will stay below the target interval (1.5%-3.5%) in 2015, touching the lower band in December. Consequently, the NBR could continue to cut the key rate to 2% by year-end, accompanied by reductions of minimum reserve requirements – down to 4%-6% for RON and to 8% for FCY (from 10% and 14%, respectively).

Romania still has one of the largest credit delinquency overhangs in the CEE region (NPL ratio at 13.93% in December 2014) which limits available funds and increases funding costs. However, banks have already started to clean up their loan portfolios either by fully transferring provisioned non-performing loans into off-balance sheet accounts (RON 7.1bn transferred during May-December), or by portfolio sales. The process is likely to continue at a slower pace in 2015, mainly through sales of non-performing credit portfolios. This will allow banks to focus on new lending, thus providing a positive credit impulse to domestic demand. The banking system remains well capitalized, with a solvency ratio of 17.28% in December. In 2014 EU funds and FDIs covered comfortably the capital outflows like the IMF and EC payments of about € 4.5 bn and the deleveraging in the banking sector of € 2.7 bn, thus ensuring the stability of the EUR/RON.







The exchange rate against the euro remained in the 4.40-4.50 interval for most of the year. In light of (i) a balanced current account, (ii) a slowdown in deleveraging, (iii) lower payments to the IMF and the EC than in 2014 and (iv) at least the same

volume of inflows from FDI and EU funds as in 2014, we expect the EUR/RON to remain in the above-mentioned interval during 2015. 2014 marked the second year of declining investments in Romania, raising the question whether productivity can keep the pace with the minimum wage hikes (the unit labor cost has been on an upward trend since 2Q 2012).

In order to maintain its competitiveness in the long run, Romania should focus especially on infrastructure investments, more so after the 2.1%yoy decline in government investment spending in 2014. The authorities are trying to address this issue by drawing a 2014 – 2030 infrastructure master plan and by streamlining the public procurement system in the construction sector. At the same time, the European Commission recently introduced “An Investment Plan for Europe”, which aims to target the structural inabilities of EU members in absorbing funds. Taking into account that 2015 is the last year for absorbing the funds allocated for 2007-2013, the government included 0.25% of GDP for EU co-financing under the 2015 fiscal target of 1.83% of GDP.

(Source: [www.colliers.com](http://www.colliers.com))

## II. OUR MOST SIGNIFICANT CURRENT PROJECTS

### Lauder Reut High School - Bucharest, Romania



The Lauder-Reut Educational Complex is part of an educational project initiated in the 80's by the Ronald S. Lauder Foundation in 15 European countries. The complex has been rapidly developing on the multicultural background, with a bilingual educational offer and is currently undergoing reconstruction and modernization works.

### Sisesti 125 Residential Project - Bucharest, Romania



The structure works relating to the latest residential development undertaken by our team in one of Bucharest's top neighbourhoods, Sisesti, have begun. The Hertz Construction & Project Management team is focused on keeping the project on schedule & on budget. The Sisesti area is one of the newest residential areas in Bucharest, benefiting from a peaceful neighbourhood and proximity to restaurants, supermarkets and public transportation.

### Tomis Blvd. Residential Project - Constanta, Romania



The structure 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 close to completion. 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, in Ghencea. 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 comprises 2-room apartments, in accordance with the market demand and trends.

## 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 continue, since market demand has increased. 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.

(For more details, visit: [www.hertzmanagement.com](http://www.hertzmanagement.com))

### III. MARKET DEVELOPMENT NEWS

#### Office spaces in Bucharest rented for 8,000 to 10,000 new employees in the first nine months of 2015

Companies rented, in the first nine months of 2015, office spaces in Bucharest for 8,000 to 10,000 new employees, according to a study released on Tuesday. Most of the new demand came from IT companies, a segment that has been the main employer in recent years in Romania, with over half of the total, 42,200 square meters respectively.

The new demand for office spaces in Bucharest totaled, according to the Jones Lang LaSalle study, approximately 81,000 square meters, almost 40pct of the total area rented by companies in the first nine months of 2015. Given an average of 8 to 10 square meters of office allocated to an employee, it means that 8,000 to 10,000 new jobs will be created. "Almost 90 companies have rented new office spaces this year in Bucharest. The interest of local companies, but especially of multinationals, in opening new offices or expanding the existing spaces, has resumed its upward trend in the last two to three years. Lately, these have been concerned again with expansion, in the context of some favorable macroeconomic indicators and the encouraging prospects," said Marius Scuta, the head of JLL Office Department. For this year, the company's representatives estimate that the office space renting market will reach 300,000 square meters, comparable to that of last year. Bucharest has become the hub for many multinational companies, especially of those operating in financial services, IT and BPO (business process outsourcing).

(Source: [www.business-review.eu](http://www.business-review.eu))



#### HERTZ Construction & Project Management

4C Pipera - Tunari Rd.  
Voluntari, Ilfov.

Telephone: + 4 0 75 110 7010

Fax: + 4 021/311 8595

E-mail: [contact@hertzmanagement.com](mailto:contact@hertzmanagement.com)

Website: [www.hertzmanagement.com](http://www.hertzmanagement.com)