



HERTZ

Construction & Project Management

January 2016

Newsletter

In this month's issue:

Global Real Estate Outlook Market 2016

Our Most Significant Current Projects

Market Development News

I. Global Real Estate Outlook Market 2016



ECONOMY

+2.6%

global GDP growth

Expect 2016 to be a year of volatile stock markets but steady global economic growth. Consumers in the U.S., EU and many parts of Asia Pacific are spending the gains from rising incomes, low interest rates and low commodity prices. Keep an eye out for financial turmoil emanating from emerging economies, the fallout from further currency depreciation in China and some weakness in the manufacturing sector.



CAPITAL MARKETS

+4%

global investment sales
volume growth

Global investment activity will remain strong, however the pace of growth will slow after six years of recovery and price appreciation. Low borrowing costs and the prospects of rent growth and volatility in other asset markets mean the pool of capital targeting real estate will remain substantial. On balance, there will be downward pressure on cap rates, but less strong than in recent years due to the slow rise in U.S. interest rates and weaker demand for assets from oilbased economies.



RENTS

+2.2%

annual rent growth across
all property types globally

Overall, prime rents will increase moderately in 2016. Most markets in the Americas (mainly the U.S.), Europe and the Pacific will see gains across all commercial property types, but rents will flatten or fall in many Asian and emerging markets. Some office markets, including Dublin and San Jose, are very hot.



OFFICE

+6%

rental growth in nine markets

Vacancy in U.S. and European markets will fall further in 2016, due to positive net absorption and limited new development. In Asia Pacific, the slowdown in China, coupled with substantial amounts of new supply, will give occupiers the upper hand in negotiations in many locations. However, not all new stock will meet occupiers' requirement in some markets.



RETAIL

+6.6%

global retail sales growth

Retail sales will grow strongly in 2016, particularly through e-commerce channels. The best malls and brick-and-mortar retailers are drawing in more customers through "placemaking," innovation, expanded food-and-beverage offerings and improved customer service. Not all malls, however, have fully embraced the new omni-channel retail environment, but they will need to.



RESIDENTIAL

+ 3.7%

global house price growth

House prices are appreciating at their highest rate since the crash thanks to easier mortgage availability and falling unemployment, a trend that will continue for a while. This is even happening in China, where house prices in tier-one cities will rise despite the broader deceleration of the Chinese economy.



INDUSTRIAL

+ 23%

global e-commerce sales growth

E-commerce will continue to reshape the logistics market. Demand for big-box space will remain strong, but logistics users will ramp up efforts to secure smaller in-fill locations to meet growing consumer expectations for same- and nextday delivery of online orders.

(Source: www.cbre.com)

II. OUR MOST SIGNIFICANT CURRENT PROJECTS

La Strada Concept Street Mall – Popesti-Leordeni, Romania



Our latest project, La Strada Concept Street Mall in Popesti Leordeni is taking its first steps towards the construction phase. La Strada Street Mall is a European standard commercial centre combining a modern architectural concept with functionality, as well as with the existing developments in the area to create a unitary design.

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, are underway. 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 finalized. 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 completed. 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.

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)

III. MARKET DEVELOPMENT NEWS

Romanian property yields keep above CEE levels in 2015, show promises for 2016

While in 2016 CEE property yields stood at 6 percent for office, 4 percent for retail and 6 percent for industrial, Romania kept a competitive edge at 7.5 percent for office and retail and 9 percent for industrial property, according to Colliers International's *2015 Global Investment Outlook* study.

Investors' interest in profitable yields reflect their appetite, encouraged also by the availability of financing lines, the study shows. Some 83 percent of investors reported their intention to use financing lines during this year, above the level of past years, due to the stabilization of the European financial system and improving credit conditions.

US investors are still interested in the potential of Europe, a third of them planning to invest in the region within the next 12 months, concentrating their attention more to continental Europe than the UK.

The office segment continued to hold the largest part of investments in the local market in 2015 (45 percent), while the industrial sector registered an increase leading up to 34 percent. The retail sub-market remained relatively constant during 2015, Colliers International says.

According to the study, a European investment manager said they now see Bucharest as a similar market to Polish Tier 2 cities a couple of years ago. There is also evidence of more active local players focusing on smaller lot sizes and regional cities.

(Source: 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

Website: www.hertzmanagement.com