



HERTZ

Construction & Project Management

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Newsletter

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I. Central Eastern Europe Real Estate Market Outlook 2016

Office Sector – Record Demand

Historical high take-up is registered in almost all CEE countries, with Warsaw again taking the top spot, with the record 831.000 sq m of take-up in 2015 alone. The strong leasing activity from last year will most certainly continue in 2016. Bucharest is set to have a record year, after a less than impressive 2015.



Demand is driven by two main types of occupiers: outsourcing and IT tenants, a majority of which are international. Whilst, other sectors can be the source of very large leases in the markets (telecom or financial sector), on the long run, outsourcing and IT tenants will „make“ the market (especially the regional office sector). Two markets have sent the boost in new stock in the last three years, Warsaw (stock up 21%) and Kyiv (stock up 19%). The rest of the markets have seen modest new stock increases, as the construction boom from 2008-2009 proved difficult to occupy.

Looking at pipelines, Warsaw continues to be a leader with over 670.000 sq m of new space sheduled for delivery in the next 2 years (meaning close to 15% of existening stock). The other star in development is Bucharest, with an even higher rate of pipeline versus stock (21%), which will put significant pressure on net effective rents and vacancy rates.

In general, pipeline comes in the format of Class A office buildings, with very good technical specifications (as to adhere to US IT companies, which are very strict in this respect), mostly in accessible locations.

Outside of Poland & Romania, construction is quite limited, including in Prague (where development was higher in 2014 & 2015 and Budapest (where vacancy rate is down 6% versus 2013 on the back of short supply).

Figure 7: Average Take-Up last 12 months versus average last 10 years (Office)



(Source: www.cbre.com)

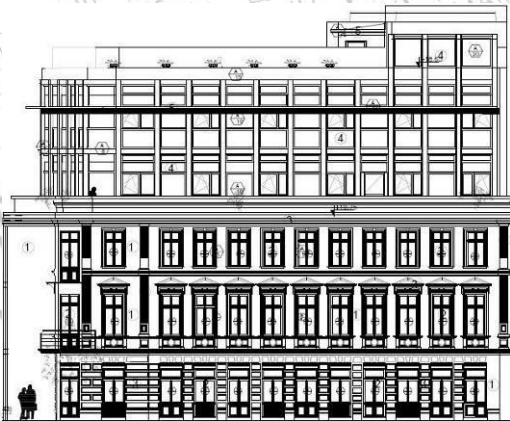
II. OUR MOST SIGNIFICANT CURRENT PROJECTS

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 finishing works of the latest residential development managed by the Hertz Construction & Development team in Constanta are underway. 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

Demand for office space in Romania doubles in Q1, says JLL

Demand for office space throughout Romania amounted to 140,000 sqm in the first three months of this year, which is almost double compared to the same period last year, according to data from real estate services firm JLL. Out of this, close to 100,000 sqm were leased in Bucharest, double the level reported in Q1 2015. The largest transaction in the capital was 13,000 qm, this being a lease extension. Outside Bucharest, approximately 40,000 sqm of office space were leased in Q1, up from about 18,800 sqm in the same period last year, shows JLL data. Iasi (17,200 sqm), Timisoara (16,300 sqm), Cluj-Napoca and Brasov were the most active regional markets.

"The statistics on office demand in the first three months of this year are encouraging. New demand, meaning pre-leases and new contracts, stood at about 70,000 sqm or about half the market. This comes to show that Romania remains attractive for investors, said Claudia Cetatou, senior consultant tenant representation with JLL Romania. The increased activity outside Bucharest helps create an attractive and competitive investment climate and the presence of new tenants from different industries on the local market could attract additional international players in the future, she added.

Demand for office space continued to come mostly from BPO, IT and professional services firms which together generated over 60 percent of the demand for office space in Q1, shows the JLL data. The banking and financial services sector and tenants active in the FMCG industry generated another 10,000 sqm and 3,000 sqm respectively, of the total demand.

(Source: www.business-review.eu)



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