



# HERTZ

Construction & Project Management

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Newsletter

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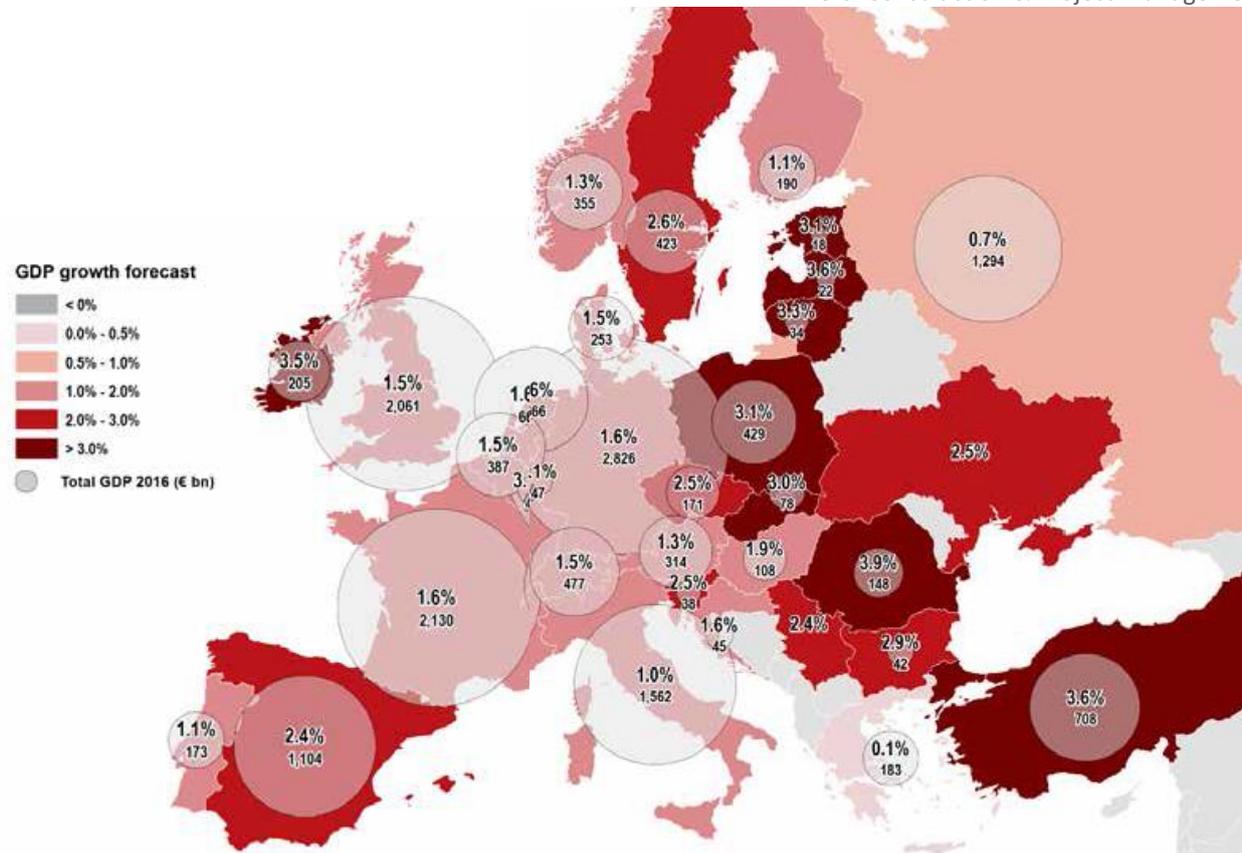
## I. Foreign Investment in Romania

### Economic Overview

#### GDP Growth

GDP grew by 3.7% in 2015. The cut in VAT from 24% to 9% for food products since the 1st of June 2015 and to %20 for all products from the 1st of January 2016 encouraged private consumption, which was the main driver of the economy last year. The positive economic trend continued in the first half of 2016, when GDP growth reached 5.0%, the highest in the EU. For the entire 2016, the forecasts estimate GDP will increase by 4.5% with all sectors of the economy having a positive contribution.





### Retail Sales

After a very strong 8.9% growth in 2015 retail sales surged in the first half of 2016, when they increased by 16.8%. Moreover, retail sales are expected to continue their record growing trend for the rest of 2016 as well, fueled by the increase of wages and the strong consumer confidence. The net average wage as of June 2016 was in the region of 2,078 RON (460 EUR), an increase of 15.1% when compared to the same period last year but of only 1.7% average increase over the last 7 years. Wages are increasing on the back of increased added value activities performed by the Romanian labor force.

### Unemployment

The unemployment rate registered in July 2016 was estimated around 6.1%. However, the economic growth combined with the more flexible labour legislation should encourage managers to hire. Over the longer term, it is possible that Romania could suffer from skilled-labour shortages. Despite the recent increase in wages, professional, skilled, and semi-skilled workers are still attracted by higherpaid employment abroad. There are several counties, especially in the west of the country, where the unemployment rate is below 3%, due to the significant foreign investment especially in the manufacturing industry.

## Inflation Rate & Monetary Policy Rate

According to data published by National Institute of Statistics, during July 2015 – July 2016, the consumer price index reached -0.78% mainly due to the VAT cuts the government introduced as of 1st of January 2016. The inflation rate is expected, however, to increase starting with the second half of the year. According to Oxford Economics, the inflation is forecasted to increase to 0.5% by the end of 2016, rise to 2.7% in 2017 and to around 2.5% in 2018 – 2019. Monetary policy rate remains at a historic low of 1.75% since May 2015.

## FX Rate

The FX rate has been very stable despite the recent turmoil in emerging markets, ranging marginally between 4.38-4.54 RON/EUR in the last 3 years. Romania is aiming to join the Euro zone, but the government's plan for accession in 2019 has been delayed – no clear date set at the moment.

## Budget & Investment Climate

The budget deficit narrowed from 1.72% of GDP in 2014 to below 1.47% of GDP in 2015 and is estimated to grow close to 3% in 2016. The government debt decreased in 2015 to 38.4% of GDP according to Eurostat, one of lowest values in the EU. Moody's, Fitch and Standard & Poor's are unanimously assessing Romania as recommended for investment with a stable to positive perspective. Prospects for the local economy are influenced by EU's performance, which takes over 70% of the Romanian exports. Provided that Eurozone will not suffer any major shocks, the macro-economic forecast for Romania looks positive even after the results of the Brexit vote. This should make the country one of Europe's top performers in 2016 and 2017.



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

## II. OUR MOST SIGNIFICANT CURRENT PROJECTS

### Iancu Nicolae Villas – Pipera, Voluntari, Romania



Our latest project comprising 7 villas in the Pipera neighborhood, Voluntari is entering its structure works phase. The concept of these residential villas is modern and open, appealing to young families looking to upgrade their living standards and enjoy a contemporary space and natural environment. Our team is ensuring the project management works for the new development.

### La Strada Concept Street Mall – Popesti-Leordeni, Romania



One of our latest projects, La Strada Concept Street Mall in Popesti Leordeni is approaching completion. La Strada Street Mall is a European standard commercial center 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 a well-known educational project initiated in the 80's by the Ronald S. Lauder Foundation in fifteen European countries. The complex has been rapidly developing on the multicultural background, with a bilingual educational offer and the high-school building is currently undergoing reconstruction and modernization works.

### Sisesti 125 Residential Project - Bucharest, Romania



The works relating to the residential development undertaken by our team in one of Bucharest's top neighbourhoods, Sisesti, are almost complete. 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 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

#### FDI to Romania up by 19 pct on seven months to EUR 2.34 bln

Foreign companies made direct investments in Romania valued at EUR 2.34 billion in the first seven months of this year, a growth of 18.6 percent compared with the same period of the last year, according to the data of the National Bank of Romania (BNR.)

The foreign investments amounted to EUR 1.97 billion in the first seven months of 2015, according to the data of News.ro, based on the revised series of BNR.

„The direct investments of Romania’s non-residents amounted to EUR 2.34 billion, out of which the capital inflow (including the reinvested estimated profit) amounted to EUR 2.06 million and the inter-group credits registered a net value of EUR 279 million, ” said BNR.

According to the monthly series data published by BNR, the foreign investments were EUR 100.5 million in January, EUR 219.2 million in February, EUR 534.6 million in March, EUR 253.1 million in April, EUR 555.6 million in May and EUR 373.4 million in June.

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



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