

ROMANIA REAL ESTATE MARKET REPORT

MARCH 2017

An annual publication of

 **ACTIV**
Property Services
real estate services since 1993



ABOUT US

ACTIV Property Services is one of the main real-estate consultants in Romania, providing a complete range of real estate services.

We operate at national level since 1993 and have over 24 years of experience on the local market during when we have kept our senior staff. During the period of 1995-2016 we were the local partner of global adviser Cushman&Wakefield.

We have our headquarters in Bucharest and operate two regional offices in Timisoara and Cluj-Napoca.

Our office includes 30 professionals in dedicated teams offering services in all the main sectors of the real estate market, including:

RETAIL AGENCY

Our in-depth knowledge of the local market enables us to advise landlords, developers and retailers with full-range services that include research and market analysis, development consultancy, letting / re-letting, asset management etc.

We have built a strong expertise in all formats, varying from dominant schemes (AFI Cotroceni, ParkLake) to regional schemes (Sibiu Shopping City) and outlets (Fashion House), as well as in tenant representation (Sport Vision, Pupa, Guess, Mizar etc.).

Our high street department has provided 1,600 re-negotiation services for banks/others. Our recent success is an exclusive mandate for Vodafone (75 new units, 50 re-negotiations).

OFFICE AGENCY

Our office team cover both tenant and landlord representation, providing a variety of services such as market research, development consultancy, letting activity, "move or stay" analysis, relocation projects, property management and strategic planning.

During the last two years we have provided tenant representation for major international companies such as Unilever, Mondelez, Kellogg, Vodafone, 3M, Ericsson, Thomson Reuters, AMEC etc, while representing landlords in deals signed with Microsoft, Continental, Nokia (Alcatel Lucent), ZTE, Accesa, Linde Gaz etc.

PROPERTY MANAGEMENT

ACTIV Property Services' property management department has successfully managed major retail schemes located all over Romania for clients such as Portico, Ballymore, ING REIM, Belrom, Argo Real Estate Opportunities and Miller Developments.

Our services include building operations, tenant relations and financial management provided for shopping centres, retail parks, offices and industrial properties.

BUCHAREST HEADQUARTERS, BECTRO CENTER



CAPITAL MARKETS

We have been involved in large investment transactions, offering sales consultancy, acquisition consultancy, due diligence and brokerage for major investors / vendors. We have been involved in transactions and marketing with Sonae Sierra, Miller Development, North Asset Management, Redevco, Pradera, Tishman, ING RE and Belgium group Belrom.

INDUSTRIAL

Our industrial agency team provides leasing and consultancy services for developers and industrial occupiers based on or in-depth knowledge of the main industrial & logistic hubs.

Recent activity has been focused on attracting new FDI, including TT Electronics (5,100 sq m), AB Electronics (11,000 sq m), BOA (6,750 sq m), Eberspacher (10.7 ha), confidential (8,375 sq m).

VALUATION

We are one of top companies in Romania providing real-estate valuation services for loan security, tax use and in-house, according to our clients' needs and in accordance with the international valuation standards, ANEVAR and RICS.

We activate at national level through our team of 10 ANEVAR/RICS professionals and 15 collaborators, being one of the main valuation consultants for private investors, investment funds, banks and REIT's, institutional funds and insurance companies.

RESEARCH

Our research services include regular real-estate reports, specific market analysis, best use and feasibility studies, development consultancy etc. provided for developers, landlords, investors and tenants such as Nokia, BCR-Erste Bank, Raiffeisen Bank, Codic, Nestle, Visma, Sonae Sierra, AFI Europe, Redevco, Immofinanz, ING Real Estate, AIG Global Real Estate, Telekom etc.

ABOUT ROMANIA

Romania is the second largest country in Central & Eastern Europe CEE), having a total area of 238,391 km². It is bordered by Bulgaria (South), Serbia (West), Hungary (West), Ukraine (North & East) and the Republic of Moldova (East). The Black Sea coastline represents the South-Eastern border.

Romania is the 7th largest populated country in Europe, having a resident population of 20.1 million inhabitants, corresponding to an average density of 84 people / km².

The administrative division consists in four macro regions and 41 counties, including 320 cities, 2,861 communes and 12,957 villages.

Bucharest is the capital of Romania. It is the largest populated city in CEE region, having an official population of 1.9 million inhabitants that increases up to 2.5 million people when considering its entire metropolitan area (Ilfov county).

Romania accounts for 20 cities with more than 100,000 inhabitants, while another 20 cities have in between 50,000-100,000 inhabitants.

Romania is a parliamentary republic. The Parliament (legislative branch) is elected for a 4-year term and designates the Prime Minister, currently Mr. Sorin Grindeanu, who then appoints the Government (executive power).

The President of Romania, currently Mr. Klaus Iohannis, is elected by popular vote every five years. Next parliamentary elections will be held in 2020, while the presidential elections are due to be held in 2019.

Romania is a member of NATO starting from 2004 and a member of the European Union from 2007. The local currency is the Romanian Leu (RON), while the planned adoption of the Euro currency has been postponed without a timetable.



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GENERAL DATA

DEMOGRAPHY

Romania is the 10th largest populated country in Europe and the 2nd largest in Central and Eastern Europe (CEE), having a resident population of 19,760,314 inhabitants (1st of January 2016).

The number of resident population decreased by 3.3 million after 1990 due to a downsize in natality, but mostly as a consequence of a massive workforce migration towards Western Europe, at a rate of 160.000-250.000 people annually. Romanian communities grew to around one million people in Italy and relatively similar in Spain, while significant presence is also reported in UK and Germany.

Romania has a population density of 82.9 inhabitants / km², with the highest levels being registered in Bucharest-Ilfov (1,248 pop./km²), Prahova County (162), Iasi County (141), Dambovit County (128) and Galati County (120).

The development of new residential areas at the outskirts of major cities was followed by a decrease in urban representation, from a highest rate of 55.0% in 1997 to 53.8% of the total population as at January 2016.

Life expectancy is on an upward path, increasing from 69.6 years (1990) to 75.4 years (2015), respectively 71.9 years for the male population and 78.9 years for the female population.

Age distribution shows an ageing trend, with the young groups (0-24 years) decreasing in the last 10 years from 31.3% to 26.5% of total population. On the other hand the older groups (>50 years) increased their share from 32.6% to 36.3%. The representation of adult population (25-49 years) changed in the same period from 36.0% to 37.2%.

RESIDENT POPULATION, JANUARY 2016

	TOTAL ROMANIA	URBAN AREA
Population	19,760,314	10,635,824
Density (people/km ²)	82.9	n/a
AREA DISTRIBUTION		
Urban (%)	53.8%	-
Rural (%)	46.2%	-
SEX DISTRIBUTION		
Male (%)	48.8%	47.7%
Female (%)	51.2%	52.3%
AGE DISTRIBUTION		
0-14 years (%)	15.5%	14.5%
15-24 years (%)	10.9%	9.9%
25-49 years (%)	37.2%	39.7%
50-64 years (%)	18.9%	20.6%
over 65 years (%)	17.4%	15.2%

Source: National Institute of Statistics

RESIDENT POPULATION BY CITIES, 2011 CENSUS

NO.	CITY	INHABITANTS	NO.	CITY	INHABITANTS
1	Bucharest	1,883,425	11	Braila	180,302
2	Cluj-Napoca	324,576	12	Arad	159,074
3	Timisoara	319,279	13	Pitesti	155,383
4	Iasi	290,422	14	Sibiu	147,245
5	Constanta	283,872	15	Bacau	144,307
6	Craiova	269,506	16	Targu Mures	134,290
7	Brasov	253,200	17	Baia Mare	123,738
8	Galati	249,432	18	Buzau	115,494
9	Ploiesti	209,945	19	Botosani	106,847
10	Oradea	196,367	20	Satu Mare	102,411

Source: Romanian Statistical Yearbook 2013

Romania has 20 cities of above 100,000 inhabitants, out of which 9 cities have more than 200,000 inhabitants. Another 20 cities have in between 50,000 and 100,000 inhabitants.

The largest populated areas outside Bucharest are Braila-Galati (eastern area) and Timisoara-Arad (western area), each cluster having more than 600,000 inhabitants.

Bucharest is the most populated city in CEE region, with an official resident population of 1,883,425 inhabitants. The entire metropolitan area, including the city and Ilfov County, reaches 2.5 million people when including also unregistered population, students and foreigners.

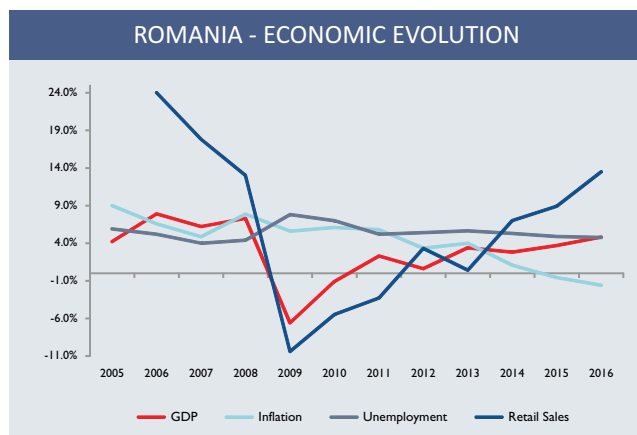
The largest student communities are found in Bucharest (128,883 people), Cluj-Napoca (49,597), Iasi (44,132), Timisoara (31,549) and Constanta (21,700). Romania accounted for a total student population of 433,234 people enrolled in 2013/2014 as part of 103 universities.

ECONOMY

Romania registered a strong economic growth last year, the best performance after 2008, with most indicators reporting improving results as compared with the previous year. Internal consumption was the main source of growth, being stimulated by tax reductions, increases in salaries and low interest rates.

GDP reported a 4.8% jump following several quarters of highest growth in EU. This is an 8-year record rate, exceeding all forecasts from the start of the year. Trade was responsible for 1.8% of the GDP's growth, followed by the IT&C sector (+0.7%) and industry (+0.4%).

VAT reduced from 24% to 20% and inflation remained on the negative territory for the 2nd consecutive year. Prices reduced by 1.58% last year, with effect on the 3-month ROBOR interest rate that went down under 1%, to levels placed in between 0.7-0.8% over the year.



Unemployment followed a moderate downside trend, reaching 4.77% as at December 2016 (4.9% in Dec. 2017). Most economically developed areas are reporting a shortage in workforce population, with manufacturing companies being in many cases forced to bring workers from distanced areas, even from other regions. The lowest unemployment rates are placed at 1 - 3%, with record-low levels in Ilfov County (1.11%), Timis County (1.14%) and Bucharest (1.66%).

However there are extended areas placed north-east (Moldova region), south (Muntenia region) and south-west (Oltenia region) avoided by foreign investments, where unemployment is 9-11% (highest of 11.45% in Vaslui County).

Romania secured 4.1 billion Euro of FDI in 2016, the largest volume reported after 2008. This is a 18% year/year growth, however representing still only half of the top volumes registered during the period of the EU accession in 2006-2008 (7-9 billion Euro/year).

Industrial production grew by only 1.7%, a much lower pace than 2014-2016 (6-7% per year), however the manufacturing sector increased by 2.6%.

The volume of activity in the construction sector reduced by 4.8% as an overall, following a 11.2% decrease in engineering constructions. On the other hand, residential constructions rose by 12.1%, while non-residential sector grew by 1.1%.

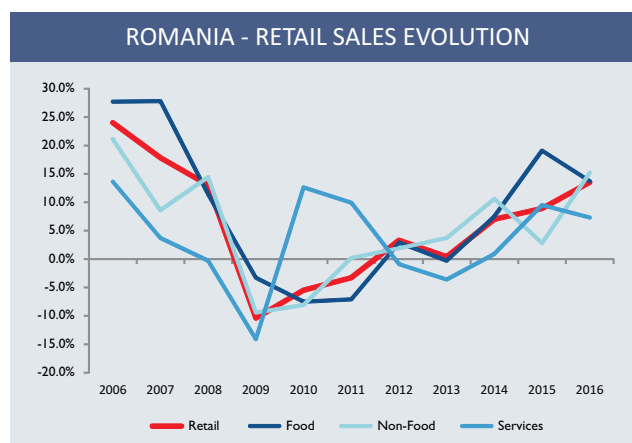
SALARIES AND RETAIL SALES

Public sector wages were increased by 10-25% (+25% for doctors, +15% for teachers), with pensions being inflated by around 5% from the start of 2016. An accelerated growth in salaries was also registered in private sector on the back of business expansion and competition to secure workforce.

Average salaries increased by 12% at national level to gross values of 2,887 RON/month (643 Euro/mth.), respectively net values of 2,088 RON/month (465 Euro/mth.). These levels are still some of the lowest in Europe, despite marking a 49% jump in the 10 years Romania is a EU member.

Bucharest accounts for the highest salaries, with 37% above the national average, accounting for a net level of 636 Euro/month in 2016.

Minimum salary was inflated by 19% in 2016 and another 16% in the start of this year, to a gross level of 1,450 RON (321 Euro) and a net of 1,065 RON (236 Euro). These levels are double as compared to 2008.



Retail sales jumped by 13.5% last year on the back of higher purchasing power and VAT cut. Non-food increased by 15.2%, the highest rate in the last 10 years. Food sales continued the spectacular growth of 2015 (+19.1%) with a 13.7% increase over 2016. Services rose by 7.3%, while auto sector jumped by 18%.

New car sales counted for 115,000 units (+17%), being on a positive track from 2013 when market reached a lowest. Since then the volume grew by 15-20% annually, however still counting for levels below potential, affected by a growing second-hand market.

2017 FORECAST

Economy is planned to continue to grow in 2017 based on internal consumption. VAT reduced to 19% from the start of the year, while public salaries and pensions were inflated by 20%, respectively 9%. The new Government has plans to implement further increases in public wages and tax reductions.

GDP is foreseen to grow by 4.3%, however Romania's budget was calculated for a 5.2% rate and other indicators that are considered too optimistic by analysts and could put under danger the annual deficit target of 3%.

Inflation is expected to comeback to positive rates (+1.9%), to affect the interest rates. Unemployment is expected to decrease further (4.6% forecast) as business sector is likely to expand in both production and services.

IT&C sector is expected to continue at high speed, with Romania to strengthen its ranking as a major destination for outsourcing and regional / global services centres.

RETAIL MARKET

There has been an excellent year for the retail sector, with growing activity on both the development side and the occupiers market, new entrances in various sectors and an upward evolution for the prime rental levels.

The market took advantage of another year of spectacular growth in retail sales that accelerated to +15.2% for non-food and +13.7% for food at national level, providing a strong basis for the retailers' expansion programs.

International chains, together with the top domestic retailers, have continued to expand, being opened new units of all formats, but especially as part of the shopping centre stock that continues to be the main focus for expansion.

A new supply of 205,900 sq m GLA of shopping centre space was completed last year at national level, increasing the existing stock to a total of 3.17 million sq m GLA. Density has reached 159 sq m / 1,000 inhabitants, being three times larger than 10 years ago. Almost 60% of the stock is concentrated in Bucharest and the regional capitals.

Most of the large cities account for shopping centre densities of 250-550 sq m / 1,000 inhabitants, with the highest levels (>700 sq m/1,000 pop.) being reported in Suceava, Oradea, Deva, Constanta and Pitesti.

Shopping centre stock exceeded 1 million sq m GLA in Bucharest after the delivery of 100,000 sq m GLA in 2016 (ParkLake, Veranda). The city has 31 schemes, with six having a dominant profile. No projects were under construction at year-end.

Prime shopping centre rents increased last year to 65-70 Euro/sq m/month as part of the best dominant schemes in Bucharest, respectively 28-32 Euro/sq m/month (100-200 sq m units) in Cluj-Napoca, Timisoara, Constanta and Brasov.

Retail warehousing counted for 105,000 sq m GLA of stand-alone units and 23,170 sq m GLA of retail parks completed in 2016. There were opened new units of food operators (hypermarkets, discounters) and the DIY leader Dedeman, while Coresi's expansion by 13,500 sq m was the main retail park completion. InterCora remains the most active developer in the sector.

Most of the food chains have expanded, being opened 2 new cash&carry units, 8 hypermarkets, 201 supermarkets of the top three operators, as well as 34 new discount stores. Mega Image and Profi have exceeded each 500 units at national level, while discounters Lidl and Penny Market have reached each 200 units under operation.

DIY expanded by 3 units of Dedeman and reached a total national coverage of 124 units operated by 7 major retailers.

High street saw an improving activity as well, helped by the expansion of supermarkets, pharmacies, casinos and other occupiers. The sector's development is still affected by the lack of investments required by the existing stock of buildings in order to be updated to modern standards and to compete with the shopping centre stock.

Rental levels were generally stable, with upward tendencies being registered for the best locations. Average prime levels maintained at 40-50 Euro/sq m/month in Bucharest, respectively at 35-40 Euro/sq m/month in Cluj-Napoca, Timisoara and Brasov.

Development is announced to continue with similar characteristics over medium-term, with focus on dominant schemes located in the main cities, but also within county capitals where there are no regional schemes yet.

Shopping centre projects of 311,215 sq m GLA are announced for delivery in 2017-2018. Part of this volume is not likely to meet the deadline as only 64,800 sq m were under construction at the end of 2016. Two new retail parks located in Bistrita and Oradea are planned to open in 2017 as well.

The market is anticipated to record a positive evolution this year, stimulated especially by the growth in incomes and tax reductions.

MAJOR RETAILERS IN THE MARKET

HYPERMARKET	Auchan, Carrefour, Cora, Kaufland, Real
CASH&CARRY	Metro, Selgros
SUPERMARKET	Profi, Mega Image, Carrefour Market, Billa
DISCOUNTERS	Lidl, Penny Market, Supeco
DIY	Dedeman, Praktiker, BricoDepot, Leroy Merlin, Ambient, Hornbach, Mr.Bricolage
FURNITURE	IKEA, Mobexpert, Kika, Elvila, Casa Rusu, Lem's, Staer, JYSK, Naturlich
ELECTRICAL	Altex / Media Galaxy, Flanco
FASHION	Zara, H&M, C&A, NewYorker, Takko, Marks&Spencer, Bershka, Pull&Bear, Mango, Promod, Reserved, BSB, Peek&Cloppenburg, Debenhams, Koton, LC Waikiki, Kenvelo, Stefanel, Pimkie, Orsay, Levi's, Tom Taylor, Time Out, Massimo Dutti, Tally Weijl, Forever 21, COS
FOOTWEAR	Deichmann, Leonardo, CCC, Humanic, Bata, Aldo, Otter, Nine West, Musette, Ecco
SPORT GOODS	Decathlon, Intersport, Hervis, Decimas, Sport Vision, Nike, Adidas, Sportisimo, 4F
HEALTH&BEAUTY	Sephora, Douglas, Marionnaud, Yves Rocher, Pupa, Kiehl's, MAC
ACCESORIES	Swarovski, Folli Follie, Frey Wille, Pandora, Cellini, B&B Collection, Oxette, Kultho
FAST-FOOD & COFFEE SHOPS	McDonald's, KFC, Spring Time, Subway, Pizza Hut, Nordsee, Starbucks, Gloria Jean's, Paul Bakery, Brioche Doree, Nespresso
OTHERS	Jumbo, Carturesti, Diverta, Pepco, TXM, Tati, Norauto

SHOPPING CENTRES

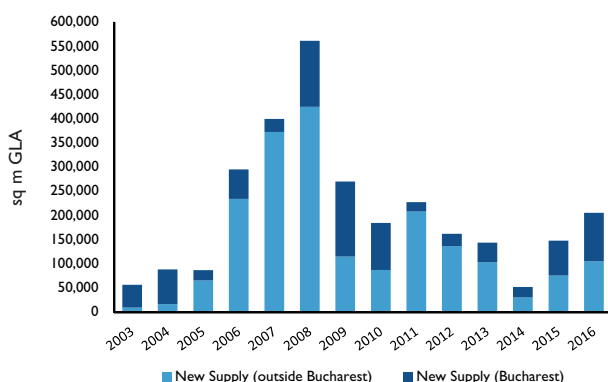
Shopping centre stock increased by 205,900 sq m GLA in 2016 at national level, a 5-year highest volume that corresponds to a 39% annual growth. There were opened 3 new schemes (ParkLake, Veranda, Piatra Neamt Shopping City), 5 extensions and one modernization (Mercur Craiova).

New stock was opened mostly as part of the largest cities, with almost half (49%) being delivered in Bucharest (100,000 sq m) and 36% across the regional capitals (73,900 sq m). The rest of the cities have attracted just 16% of the openings (32,000 sq m).

Shopping centre stock reached 3,168,850 sq m GLA at year-end in Romania, including 129 schemes (31 in the Capital). Existing stock is concentrated in Bucharest (32%) and regional capitals (27%), markets that are provided with large catchment areas and spendable incomes. The cities with below 100,000 inhabitants account for just 11% of the national stock, being avoided so far by developers due to the low purchasing power and smaller rental levels to be achieved.

Romania accounts for a shopping centre density of 159 sq m GLA / 1,000 population (end 2016). This level is almost 3 times larger than 10 years ago, with over 74% of the existing stock being delivered during the last 10 years at an average pace of 150,000 - 250,000 sq m GLA per year.

NEW SUPPLY OF SHOPPING CENTRES



NEW SHOPPING CENTRE AREA IN 2016

SCHEME	CITY	GLA (SQ M)	DEVELOPER
ParkLake Plaza	Bucharest	70,000	Sonae Sierra
Shopping City (extension)	Timisoara	40,700	NEPI
Veranda SC	Bucharest	30,000	Prodplast
Shopping City	Piatra Neamt	27,900	NEPI
City Park (extension)	Constanta	19,000	NEPI
Mercur	Craiova	10,000	Mercur SA
Carrefour (extension)	Brasov	4,195	Carrefour
Braila Mall (extension)	Braila	2,400	NEPI
Severin SC (extension)	Severin	1,700	NEPI



BANEASA SHOPPING CITY, BUCHAREST

The highest shopping centre densities, placed above 700 sq m GLA / 1,000 inhabitants, are found in Suceava (956 sq m GLA / 1,000 pop.), Oradea (891), Deva (725) and Constanta (707). For most of the large cities densities vary in between 250-550 sq m GLA / 1,000 inhabitants.

Bucharest has exceeded for the first time 1 million sq m of shopping centre space after the opening of two new schemes in 2016, ParkLake Plaza (70,000 sq m GLA) and Veranda (30,000 sq m GLA). The existing density of 532 sq m GLA / 1,000 inhabitants is the 10th highest in Romania.

The city includes 31 modern schemes, with areas placed in between 5,500-82,000 sq m GLA. Six schemes have a dominant profile: Baneasa Shopping City (north), AFI Palace (west), Mega Mall (east), ParkLake (east), Sun Plaza (south) and Unirea Shopping Centre (central). Major competitors are also Promenada Mall (north), Bucuresti Mall (central) and Plaza Romania (west).

ParkLake Plaza is the largest scheme opened last year, having 70,000 sq m GLA and 200 shops. The scheme spreads on 3 retail levels (LGF+GF+1), has a large supply of anchors, fashion and leisure, including a 14-screen cinema. ParkLake is developed by Sonae Sierra / Caelum Development and is the 2nd dominant scheme opened in eastern Bucharest, after the 2015 delivery of Mega Mall by NEPI.

TOP SHOPPING CENTRE DENSITIES, END 2016

NO	CITY	POPULATION	GLA (SQ M)	GLA (SQ M / 1,000 POP.)
1	Suceava	92,121	88,105	956
2	Oradea	196,367	174,995	891
3	Deva	61,123	44,340	725
4	Constanta	283,872	200,790	707
5	Pitesti	155,383	106,245	684
6	Bacau	144,307	89,515	620
7	Arad	159,074	88,780	558
8	Piatra Neamt	85,055	46,785	550
9	Severin	92,617	50,030	540
10	Bucharest	1,883,425	1,001,205	532

NEPI was again the most active developer in Romania, with 91,700 sq m GLA delivered in 2016 (45% of total new supply). The company was responsible for 38% (277,800 sq m GLA) of the shopping centre space completed during the last 5 years in Romania, in addition cumulating 41% of the pipeline stock announced for delivery in 2017-2018.

A new stock of 311,215 sq m GLA is announced to open in 2017-2018 at national level. Only 64,800 sq m GLA were under construction at the end of 2016, with the rest of projects being in various stages of planning and authorization.

Two new schemes (Ramnicu Valcea Mall, Platinia Cluj-Napoca) and 4 extensions are announced for delivery in 2017, accounting for a total of 85,500 sq m GLA.

Romania continues to be one of the main destinations for international retailers to expand in Europe. Expansion programs are mainly directed towards the shopping centre stock, with the prime schemes from the main cities being the main focus. New entrants in 2016 include fashion brands (Forever 21, Lanidor, Tezenis, COS, Boggi, Lynne and Cerruti 1881), accessories (New Era, OJO), sport (4F), health&beauty (Chanel, Maybelline, ApiVita), coffee shops (Kahve Dunyasi, Caffe Ritazza) and discounters (TATI, TXM).

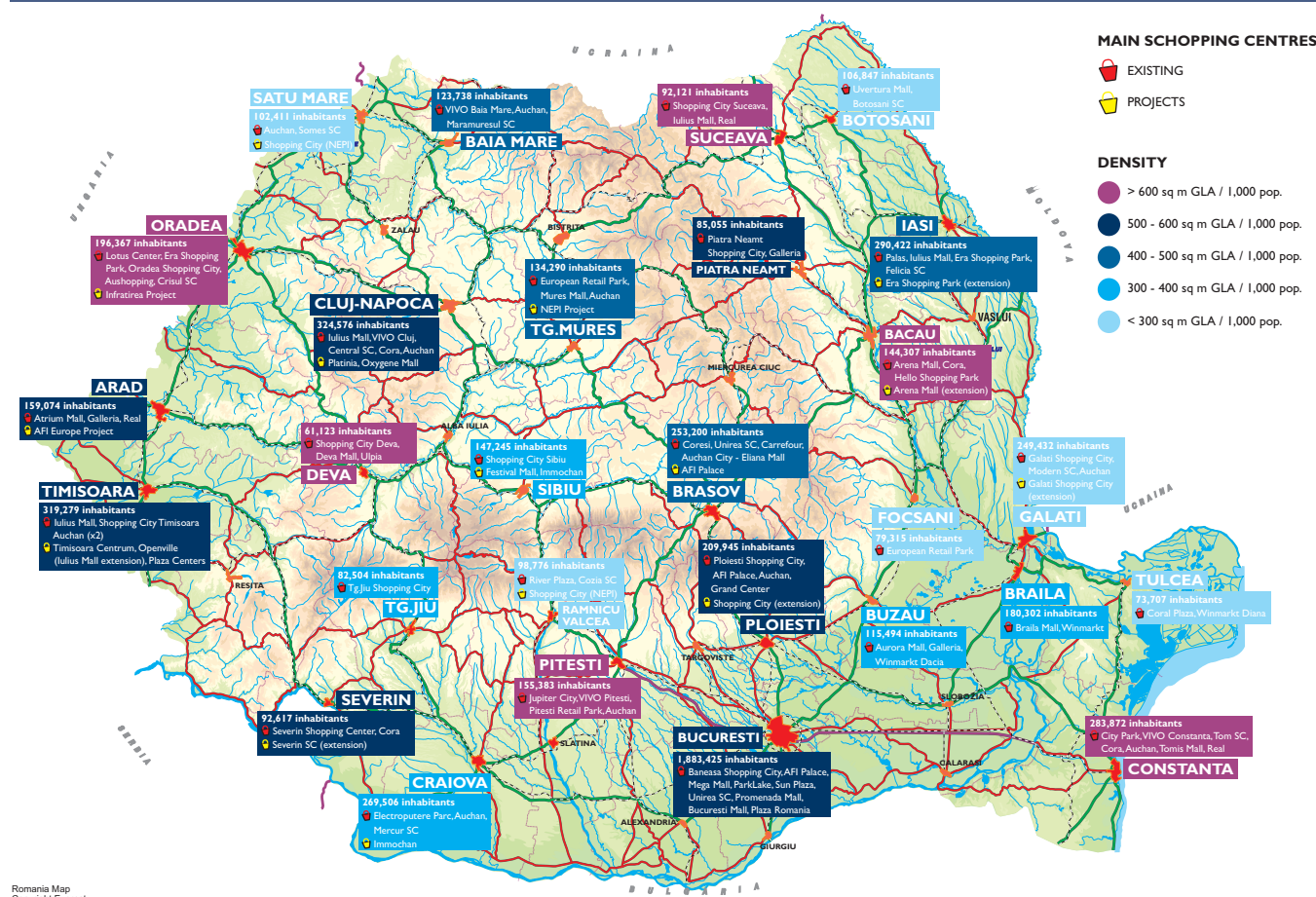
MAIN PROJECTS FOR DELIVERY IN 2017-2018

SCHEME	CITY	GLA (SQ M)	YEAR
OpenVille (Iulius Mall extension)	Timisoara	60,500	2018
AFI Palace	Brasov	45,000	2018
Festival Mall	Sibiu	42,000	2018
Promenada Mall (extension)	Bucharest	34,000	2018
Shopping City	Satu Mare	28,700	2018
Ramnicu Valcea Mall	R.Valcea	27,900	2017
Shopping City (extension)	Galati	21,000	2017
Colosseum (extension)	Bucharest	15,500	2018
Platinia	Cluj-Napoca	13,000	2017
Shopping City (extension)	Sibiu	10,600	2017

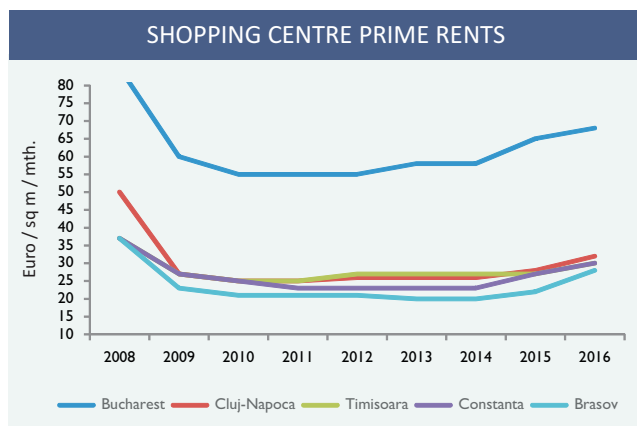
Shopping centre rents registered an average growth of 5-10% last year on the back of growing sales (+15.2% non-food; +13.7% food) and very low availability of prime stock.

Highest rents are registered in Bucharest, being placed at 65-70 Euro/sq m/month for 100-200 sq m units. These levels are double than the prime rents of 28-32 Euro/sq m/month found in the largest markets outside the Capital, such as Cluj-Napoca, Timisoara, Constanta and Brasov.

ROMANIA - SHOPPING CENTRES MAP



Romania Map
Copyright Everest



RETAIL WAREHOUSING

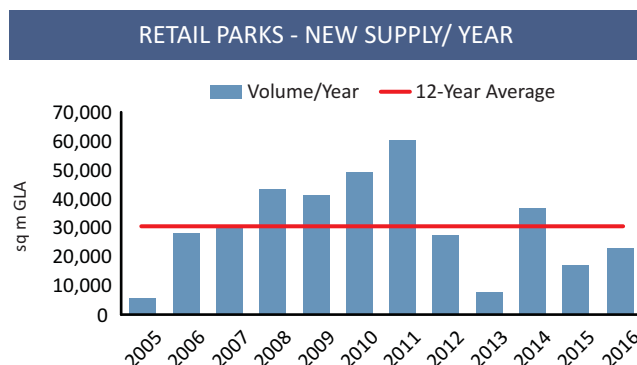
No major changes were recorded on the retail warehousing market, being witnessed similar levels of activity as in the previous year. Stock increased by 105,000 sq m of stand-alone units and 23,170 sq m GLA of retail park space. Demand was positively influenced by sales, bringing a stable/up evolution in rents.

Retail park stock reached a total of 375,000 sq m GLA at year-end (schemes > 5,000 sq m), following the opening of 23,170 sq m of new space throughout 2016. There were delivered 3 new schemes (Coresi - retail park section, InterCora Tulcea, InterCora Slatina) and a 2,500 sq m extension for WorldClass in Militari Shopping.

Coresi's retail park section is the largest opening of the last year, being located next to the shopping centre building in northern Brasov. It has 13,500 sq m GLA and includes 12 units let to Pepco, JYSK, Lem's etc.

InterCora Tulcea has 5,190 sq m GLA and is placed on the same platform with Kaufland hypermarket, including 11 units leased by popular retailers including Sportisimo, Takko, Deichmann, Pepco and TXM.

The retail park stock is 30% concentrated in Bucharest, including some of the largest schemes in Romania, such as Militari Shopping (25,225 sq m retail park section), Vulcan Value Center (24,700 sq m), Colosseum (24,310 sq m retail park section), Vitantis (14,750 sq m retail park section), Miraj Retail Park (12,800 sq m) and Pipera Plaza (9,740 sq m).



Almost 90% of the existing stock was delivered during the last 10 years, at an average rate of 20,000-50,000 sq m / year. The highest volumes of 40,000-50,000 sq m / year were completed in between 2008-2011.

InterCora remains the most active developer of retail park space in Romania, with 120,120 sq m GLA already completed (excepting schemes < 5,000 sq m), representing 32% of the existing stock at national level.

Two major parks are announced for 2017, having a total of 26,000 sq m. In addition there are planned extensions to the existing stock, with many schemes from secondary cities being ready to further expand depending on securing pre-lease agreements.

Bistrita Retail Park is a 15,000 sq m project anchored by a 6,000 sq m Selgros cash&carry, located as part of the main retail area developed at the north-eastern exit of Bistrita City (75,076 pop.). Prima Shops is planned to add 11,000 sq m of retail park functions in Oradea (196,367 pop.), including two phases of development announced for 2017, pre-let to Takko, Deichmann, CCC and Pepco.



Several major retailers of food and DIY have built stand-alone units last year, having a cumulated area of 105,000 sq m.

New deliveries were represented by 5 hypermarkets of Kaufland, 2 cash&carry units of Selgros, 22 discounters of Lidl and Penny Market together, as well as 3 new units from DIY's leader Dedeman.

With improving demand and growing sale densities, the average level of rents have witnessed a stable/up evolution in 2016. Large space units, such as hypermarkets and DIY, have average rental levels that vary in between 5-9 Euro/sq m/month, depending on the city, area and type of project. Furniture units have average rents of 4-6 Euro/sq m/month.

RETAIL WAREHOUSING RENTS (Euro/sq m/mth.)		
UNIT	BUCHAREST	MAIN CITIES
Hypermarket	7.5 - 9.5	6.0 - 8.5
DIY	6.0 - 9.0	5.0 - 7.5
Furniture	5.0 - 7.0	3.5 - 6.0

MAJOR FOOD RETAILERS

Cash&carry expanded with the first small formats (4,000 sq m sales area) opened by Selgros in Targu Mures and Alba Iulia, but recorded also a closure (Metro store in Braila). There are 51 cash&carry units in Romania operated by Metro (30 units) and Selgros (21). Two openings are announced for 2017, both being small-formats of Selgros.

Hypermarket sector reported 8 openings in 2016, bringing the sector to a total of 192 units: Kaufland (112 units), Auchan (33), Carrefour (32), Cora (11) and Real (4). Kaufland opened 5 units, while Carrefour delivered 3 units as part of shopping centres in Bucharest (2) and Piatra Neamt.

The highest competition is in Bucharest where 36 hypermarkets are operational and there are further plans of expansion.

Real brand will make its exit from Romania, with the last 4 units being sold to private investors in the start of 2017. The new owners will change the use of the buildings.

Supermarkets continued to expand at high speed, with 201 new units being opened by the three operators that dominate the market. Profi and Mega Image outpaced each 500 units, while Carrefour bought the 86-unit local network of Billa.

Profi is the champion of expansion, with 134 openings last year and a target of 200 new units for 2017. Having 501 units in 255 municipalities, the retailer was purchased at the end of 2016 by Mid Europa investment fund for 533 million Euro.

Mega Image (526 units) prepares to enter Cluj-Napoca area in 2017, a step to expand outside its core area of Bucharest. They plan to open 70-100 new units this year.

LARGEST FOOD RETAILERS

TYPE	RETAILER	2016 OPENINGS	TOTAL UNITS
Cash & Carry	Metro	-	30
	Selgros	2	21
	TOTAL	2	51
Hypermarket	Kaufland	5	112
	Auchan	-	33
	Carrefour	3	32
	Cora	-	11
	Real	-	4
	TOTAL	8	192
Supermarket	Mega Image	50	526
	Profi	134	501
	Carrefour (incl. Billa)	17	266
	TOTAL	201	1,293
Discounter	Lidl	13	204
	Penny Market	21	200
	Supeco	-	4
	TOTAL	34	408

Discounters Lidl and Penny Market reached each 200 units after the opening of 13 Lidl and 21 Penny Market in 2016. Both are planning to expand on a long-term by 20-25 units/year (Penny Market), respectively 10-15 units/year (Lidl), to reach national coverage by 300-400 units.

DIY & FURNITURE RETAILERS

Only 3 **DIY** stores were opened in 2016, all belonging to the market leader Dedeman that is responsible for 80% of openings that took place during the last 5 years (20 of 25 units).

There are 124 DIY units owned by Dedeman (45 units), Praktiker (27), Leroy Merlin (16), BricoDepot (15), Ambient (12), Hornbach (6) and Mr.Bricolage (1 + 2 to rebrand in MatHaus).

Dedeman continues to dominate the sector and is expected to announce a turnover well above 1 billion Euro for 2016, almost double than all its competitors.

Furniture sector is reporting growing sales, with the main chains having plans to expand on medium-term. The market includes some very large stores (>5,000 sq m) of Mobexpert (10 units), IKEA (1) and Kika (1), while Casa Rusu opened last year their first large unit of 6,000 sq m in Vitantis Bucharest. Medium-format retailers include Lem's (76 units), JYSK (39), Casa Rusu (30), Staer (35), Elvila (22) and Naturlich (19).

OUTLET CENTERS

Fashion House Bucharest is still the single dedicated outlet centre in Romania, being opened in 2008 at the western junction of A1 Motorway with the ring road.

The scheme includes 60 shops and 11,000 sq m GLA, being anchored by Nike, Adidas, Champion, Diesel, Mango, Levi's, Ecco, US Polo, Desigual, Guess, Tom Tailor and SportVision. An extension of 9,500 sq m GLA is ready to open on demand, being already built.

The scheme is developed and owned by Liebrecht&wood, an experienced Belgium developer that plans to build a 2nd outlet east of Bucharest, on A2 Motorway. Cernica Park will include a 17,500 sq m GLA of outlet centre and a retail park section.



HIGH STREET RETAIL

High street market reported an improving activity over 2016, helped by the higher spendable incomes that fueled a growing demand in all the retail sectors.

The local high street environment remains however in deficit of modern requirements, not being able to compare to other countries in the region such as Czech Republic, Poland and Hungary where high street is a strong destination that competes with the shopping centre stock.

With very few exceptions, the merchandise mix remains dominated by banks, pharmacies, mobile phones operators, casinos, services, food and proximity stores. Fashion, the true essence of the high street retail, has a poor presence and concentrates almost entirely as part of the shopping centres stock.

High street appealing is affected by the still important volume of buildings that are not refurbished, lack of large units to accommodate anchors, absence of parking facilities and generally by a poor involvement from the local authorities.

Demand for high street space continues to come especially from pharma, mobile phone operators, casinos and food retailers. The other type of retailers are focused on the shopping centre stock and are responsible for few openings on high street locations.

Banks, the main driver of demand in between 2006-2008, have focused since then on consolidations and efficiency, closing another 149 units last year. According to the National Bank's statistics, a number of 4,757 bank agencies were operational in Romania at the end of 2016, corresponding to a 27% reduction from the peak volume of 2008.

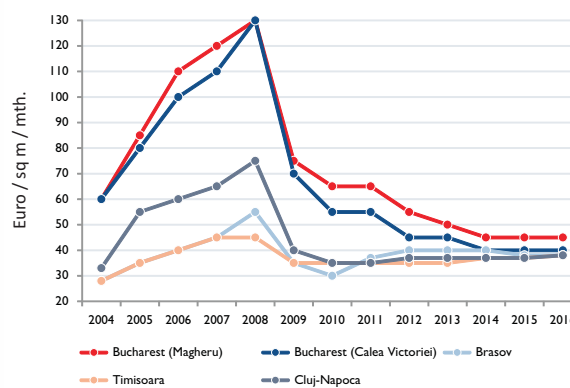
Pharma sector continued to grow, with the top retailers such as Catena, SensiBlu, HelpNet, Ropharma and Belladonna expanding their networks through openings and acquisitions. The largest transaction of 2016 was the sale of 78 units of Polissano to SensiBlu.

A strong demand is coming from the main supermarket chains, with Mega Image, Profi and Carrefour opening 171 new units last year. They expand by both medium-size formats (300-1,000 sq m) and proximity units (150-250 sq m), with the high street stock being the main destination. The expansion program is announced to continue at high speed on medium-term, none of the major cities being considered oversupplied yet.

Republicii Street in Brasov is the best developed high street area in Romania, accounting for a large number of international tenants. Prime area spreads on 600 meters from Eroilor Boulevard to Sfatului Square, having shops of 40-150 sq m (GF / GF+M) on both sides. Tenant mix includes Stefanel, Tommy Hilfiger, Ecco, Nike, North Face, McDonad's, KFC, Samsonite, Mustang, Geox, Salomon, Adidas, Yves Rocher, Benetton, Columbia etc. The area is provided with high footfall levels, including both locals and tourists.



HIGH STREET AVERAGE PRIME RENTAL LEVELS



High street rents have recorded a general stable evolution across the market, with an upward tendency expected for the best prime locations provided with top pedestrian traffic and evidenced historic performance. Retailers' expansion is now more likely governed by efficiency indicators, such as an optimal effort ratio, rather than by image reasons like in the past.

Highest rents are still found in Bucharest, with prime levels having an average of 40-50 Euro/sq m/month on Magheru and Calea Victoriei, respectively top values of 65-85 Euro/sq m/month in Romana Square (Magheru's northern limit). These levels are close to the rents in Bratislava, but much lower than in Budapest, Warsaw and Prague.

Outside Bucharest, high street rents vary from 35-40 Euro/sq m/month in Cluj-Napoca, Timisoara, Brasov and Sibiu, to 25-35 Euro/sq m/month in other major cities and 15-20 Euro/sq m/month across the rest of cities above 100,000 inhabitants.

No major changes are foreseen in 2017 as investment in high street buildings remains at low levels and shopping centres are established as dominant competitors that benefit from all the modern requirements. Unless an involvement from local authorities and large investors, most of the high street areas are anticipated to require long periods to develop at Western Europe standards.

OFFICE MARKET

Office market saw record-high levels of demand in 2016, coupled with an upward evolution in pipeline activity across the main markets. With a generally stable evolution of vacancies, the rental levels have maintained unchanged.

SUPPLY

New buildings with a total of 265,000 sq m GLA were completed last year in Bucharest, a 7-year highest level. Northern Bucharest concentrated 65% of new deliveries, followed by the west (21%) and the central area (14%).

Almost half of the new supply, representing 121,000 sq m GLA, was delivered in Barbu Vacarescu. This area has started to develop at a high pace after 2009 and has transformed last year into the largest office area in Bucharest with 371,500 sq m GLA.

Bucharest's modern office stock reached 2.44 million sq m GLA at year-end, out of which 75% is A-class stock. The current office density of 1,295 sq m / 1,000 inhabitants remains still far from other Central Europe's Capitals such as Warsaw, Prague and Budapest (2,000-3,000 sq m / 1,000 pop.).

Existing stock is concentrated in the northern area (56%), centrally (27%) and west (13%), while the eastern (2%) and southern (2%) areas have a very low distribution of office functions.

BUCHAREST - MAIN COMPLETIONS IN 2016

PROJECT	AREA	DEVELOPER	GLA (SQ M)
Globalworth Tower	B.Vacarescu	Globalworth	49,275
Oregon Park	B.Vacarescu	Portland Trust	44,275
AFI Park (phase 4)	Politehnica	AFI Europe	32,000
Hermes (phase 2)	D.Pompeiu	Atenor	24,000
The Landmark	Romana	Alecsandri Estates	21,000
Metrooffice	D.Pompeiu	Immofinanz	20,545

Source: ACTIV Property Services

OREGON PARK - PHASE 1, BUCHAREST



Outside Bucharest, the main speculative deliveries accounted for 40,000 sq m GLA, a volume that is in line with the last years' activity, however far from the 2015 record (130,000 sq m). A new top volume is announced by the pipeline stock for 2017-2018.

The largest new supply (22,900 sq m) was delivered in Iasi, including the 5th and 6th office buildings of mixed-use Palas, fully let to Amazon (13,500 sq m) and Unicredit Business Integrated Solutions (7,000 sq m).

Other important deliveries were a 6,500 sq m building of Coresi Brasov, a 4,200 sq m building developed in Targoviste for Kruk, respectively Multinvest Business Center 2 in Targu-Mures.

Largest office stocks outside Bucharest are located in Cluj-Napoca (200,000 sq m GLA), Iasi (175,000 sq m), Timisoara (165,000 sq m) and Brasov (115,000 sq m), while secondary markets such as Sibiu, Constanta, Ploiesti, Pitesti etc. account each for 30,000-50,000 sq m of modern speculative supply.

DEMAND

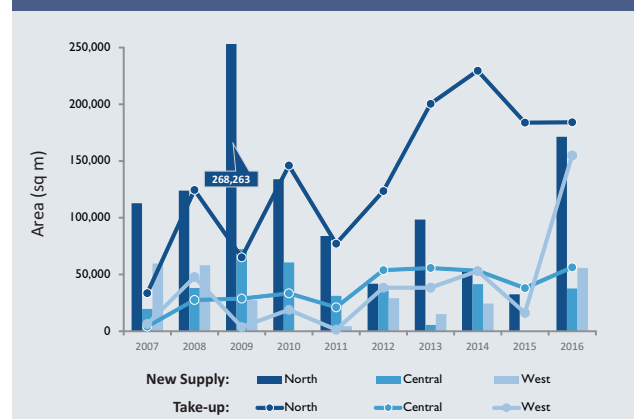
Demand jumped to a new record last year, both in Bucharest and outside the Capital, fueled by the economic growth, expansion of IT&C, BPO and shared service centres, coupled with new entries and consolidation deals.

Bucharest's take-up increased by 56% y/y, to a record-high of 390,000 sq m GLA of major leases. New demand represented 37% of the annual volume, followed by relocations (33%) and renewals/re negotiations (30%).

There were recorded 33% new leases, 30% renewals/re negotiations, 26% pre-leases and 11% expansions, at relatively similar distribution as in 2015.

The largest leases signed last year in Bucharest were Renault-Dacia (47,500 sq m BTS pre-lease) and BCR (17,300 sq m pre-lease at The Bridge). There were recorded 5 leases in between 10,000-15,000 sq m, 12 leases having areas of 5,000-10,000 sq m and 21 leases of 3,000-5,000 sq m.

BUCHAREST - OFFICE FACTS



It was the first time in a 10-year period that Northern Bucharest dropped below 50% of annual take-up, decreasing last year to 46% as compared to shares that varied in between 50-75% previously. The change is linked to the increasing activity seen in western area where 39% of take-up concentrated (<20% shares previously). Central area secured 14% of leases, while southern and eastern areas accounted for less than 1% each.

Vacancy rate increased at the start of the year to 11.9% (+90 bps), on the back of the major deliveries of H1. However, it adjusted to 11.5% at year-end as active demand improved to a record volume.

Demand activity increased by 33% outside Bucharest, with major leases of 105,000 sq m GLA being reported. Over 70% of the area has been leased by IT&C companies.

Timisoara doubled its take-up to 45,000 sq m following some very large relocations and expansion deals by IT&C companies such as Alcatel Lucent (10,140 sq m), Atos (6,000 sq m), Autoliv (5,100 sq m) and ACI (3,370 sq m).

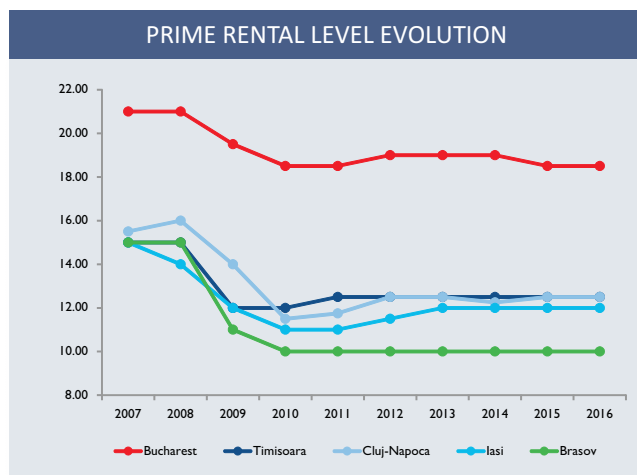
Major deals were also registered in Iasi (25,000 sq m), Cluj-Napoca (15,000 sq m) and Brasov (10,000 sq m).

Call-centre and BPO operators have continued to expand nationally in search of skilled workforce and have opened new offices in secondary markets, but also in cities ignored so far, such as Targu Mures, Braila, Galati, Targoviste, Slobozia and Miercurea Ciuc.

Vacancy rates have followed a downsize trend in most markets, being put under pressure by the growing demand. A-class stock has vacancies of 5-10% across the main cities, with the prime stock being in many cases fully occupied.

RENTAL LEVELS

Rental levels have maintained firmly over the last years, being linked, especially in Bucharest, to incentives packages that include usually rent-free periods (1-2 months / year of lease) and fit-out contributions.



Highest rents are found in Bucharest, placed at prime levels of 17-19 Euro/sq m/month in CBD area, 14-16 Euro/sq m/month in Barbu Vacarescu and 10-12 Euro/sq m/month at periphery. Secondary average levels vary from 12-14 Euro/sq m/month (central) to 7-9 Euro/sq m/month (periphery).

Outside the Capital there are prime rental levels of 12-13 Euro/sq m/month in Cluj-Napoca and Timisoara, 10-12 Euro/sq m/month in Iasi and Brasov, respectively 8-10 Euro/sq m/month in secondary markets.

PIPELINE SUPPLY

Development activity stays strong in Bucharest, with 382,770 sq m GLA of stock under construction at the end of 2016 and another 450,000 sq m GLA of projects in planning phases.

Over half (52%) of the stock under construction with delivery for 2017-2018 is located west, confirming the market shift towards Grozavesti and Politehnica areas. The central area concentrates 28%, while the crowded northern areas account now for just 20% of the pipeline stock.

A high volume of stock under construction is also found outside Bucharest, reaching over 130,000 sq m GLA. Highest activity is found in Timisoara (63,700 sq m, out of which 18,290 sq m already delivered in January), Cluj-Napoca (53,300 sq m), Brasov (7,000 sq m) and Iasi (4,000 sq m).

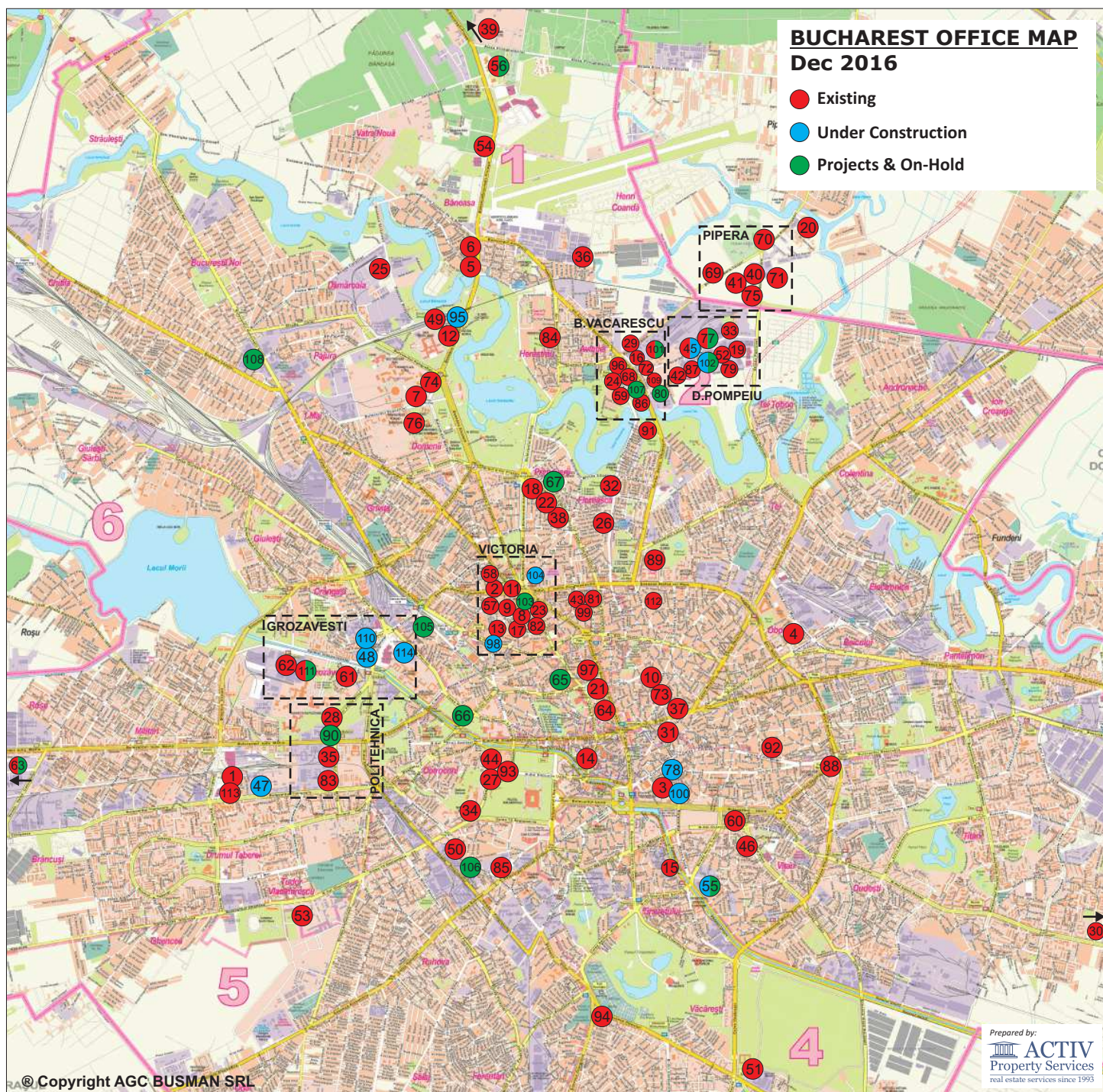
BUCHAREST - MAIN PROJECTS UNDER CONSTRUCTION

PROJECT	AREA	GLA (SQ M)	DELIVERY YEAR
Business Garden	West-Grozavesti	41,000	2018
Orhideea Towers	West-Grozavesti	36,920	2018
The Bridge	West-Grozavesti	36,800	2017
Anchor Metropol	West - Lujerului	36,600	2017
Hermes (3rd building)	North-D.Pompeiu	36,000	2017
Timpuri Noi Square	Center-Timpuri Noi	29,560	2017
Globalworth Campus	North-D.Pompeiu	25,000	2017
Campus 6	West-Politehnica	22,000	2018

Source: ACTIV Property Services



BUCHAREST OFFICE MAP, MAIN DEVELOPMENTS



- | | | | | | |
|--------------------------------|-------------------------|-----------------------------|----------------------------|------------------------------|-------------------------------|
| 1. Anchor Plaza | 20. Construdava | 39. Platinum B&C Center | 58. Bucharest Tower Center | 77. Metrooffice (Iride City) | 96. Globalworth Tower |
| 2. America House | 21. Magheru One | 40. North Center | 59. Floreasca Plaza | 78. Uniril View | 97. Enescu Office Building |
| 3. Platinum Center | 22. Dorobanti 239 | 41. North Gate | 60. City BC | 79. Multigalaxy I | 98. The Mark |
| 4. Avrig 3-5 | 23. Europe House | 42. Novo Park | 61. Riverside OB | 80. Equilibrium (Skanska) | 99. The Landmark |
| 5. Banasa BC | 24. Floreasca Tower | 43. Crystal Tower | 62. Riverplace | 81. Metropolis Center | 100. Day Tower |
| 6. Banasa Airport Tower | 25. Petrom City | 44. Opera Center | 63. West Gate | 82. Victoria Center | 101. Oragon Park |
| 7. World Trade Center | 26. Banu Antonache BC | 45. Hermes Business Campus | 64. Excelsior | 83. AFI Park | 102. Globalworth Campus |
| 8. Premium Point | 27. Forum I-II-III | 46. Phoenix Tower | 65. Cathedral Plaza | 84. Art Business Center 6 | 103. Bursati Center (Tiriac) |
| 9. Piraeus Bank | 28. Global BC | 47. Anchor Plaza Metropol | 66. Arena Plaza | 85. Green Gate | 104. Aviatorilor 8 (NEPI) |
| 10. Maria Rosetti Tower | 29. Floreasca Park | 48. Orhidea Towers | 67. Neosty III | 86. Lakaview | 105. Orhideelor 46 |
| 11. BRD Tower | 30. Helios BC | 49. S.Park | 68. Sky Tower | 87. Upground | 106. AFI Tech Park |
| 12. Bucharest Business Park | 31. IBC Modern | 50. Tati Center | 69. Twin Towers | 88. Olympia Tower | 107. Promenada Mall Offices |
| 13. Bucharest Corporate Center | 32. Elade BC | 51. Sun Plaza Offices | 70. Cubic Center | 89. Euro Tower | 108. Victoria City Tower |
| 14. Bucharest Financial Plaza | 33. Iride Business Park | 52. Pipera Business Tower | 71. Global City | 90. Pucac Project (Skanska) | 109. Gara Herastrau |
| 15. Splaiul Unirii 76 | 34. Marriott Grand OB | 53. Ghencea Business Center | 72. Green Court | 91. Ethos House | 110. The Bridge |
| 16. Nusco Tower | 35. Cotroceni BC | 54. Victoria Park | 73. UTI BC | 92. Delea Veche 24 | 111. Sema Parc - Office 3 |
| 17. Cascade OB | 36. Metav Business Park | 55. Timpuiri Noi Square | 74. City Gate | 93. Izvor 80 | 112. Stefan cel Mare Building |
| 18. Charles de Gaulle Plaza | 37. Millennium BC | 56. Banasa B&T Park | 75. Swan Office Park | 94. City Offices | 113. Plaza Romania Offices |
| 19. Conect | 38. Neocity I-II | 57. Premium Plaza | 76. Unicredit | 95. Monolit Plaza | 114. Business Garden |

INDUSTRIAL MARKET

Industrial sector continued on an positive trend, being witnessed further improvements in market fundamentals. There was registered a strong leasing activity and a record volume of new supply delivered at national level, while average rents saw a marginal growth.

SUPPLY

Development activity accelerated last year to a record of 400,000 sq m GLA of new speculative space completed at national level. In addition, the owner-occupied stock increased by more than 125,000 sq m of new space.

Bucharest's stock increased last year by 190,000 sq m GLA, a volume higher than all completions done during 2009-2015 when development blocked. Major deliveries were also registered in Cluj-Napoca (55,000 sq m), Brasov (30,000 sq m), Braila (27,200 sq m), Timisoara (20,000 sq m) and Ploiesti (20,000 sq m).

Bucharest has consolidated its position as the main industrial market in Romania, reaching 1,170,000 sq m GLA of modern industrial stock at year-end. Over 80% of this area, including the largest logistics parks in Romania, is concentrated at the western edge, on km 13th and 23rd of A1 motorway (exit to Pitesti). With a stock under construction of 110,000 sq m and new extensions planned, Bucharest's market is expected to see further growth, especially when comparing to other CEE Capitals such as Warsaw, Prague and Budapest where stocks exceed 2 million sq m each.

ROMANIA - MAJOR DELIVERIES IN 2016

PROJECT	CITY	DEVELOPER	GLA (SQ M)
P3 Logistics Park	Bucharest	P3	85,800
Log.IQ Bucharest	Bucharest	Immofinanz	39,830
CTPark Buc. West	Bucharest	CTP	30,000
WDP (for Yazaki)	Braila	WDP	27,170
TRC Park	Cluj-Napoca	Transilvania Constructii	26,060
CTPark	Cluj-Napoca	CTP	23,000
VGP	Timisoara	VGP	17,760
Vabed A1	Bucharest	AIC	17,225
CTPark Bucharest	Bucharest	CTP	16,600
Log.IQ	Ploiesti	Immofinanz	15,000

Source: ACTIV Property Services

CTP was the most active developer last year, with 100,000 sq m of new space delivered as part of several projects. P3 expanded by 85,800 sq m their logistic park in Bucharest, while WDP completed 60,000 sq m in Sibiu, Braila, Brasov, Cluj-Napoca and R. Valcea.

LOG.IQ Bucharest was the largest new park delivered last year, with the first two halls of 39,830 sq m being developed on a speculative basis by Immofinanz and reaching full occupancy.

DEMAND

Demand counted on 410,000 sq m of major leases at national level. Around 70% of the area was leased for logistics, with the rest having a manufacturing destination and being dominated by demand coming from automotive car-parts suppliers, representing 20% of the total volume of major leases.

The Capital concentrated almost 55% of demand, with major deals totaling 220,000 sq m. Take-up doubled in the last two years and increased by 7% in 2016. Bucharest remains specialized on logistics, reaching more than 90% of take-up.

Timisoara is the 2nd largest market after Bucharest, with major leases of 450,000 sq m during the last 7 years, 55% for logistics and 45% for manufacturing (automotive, electronics, equipments). Take-up grew by 35% in 2016, to 75,000 sq m.

Other destinations for industrial demand in 2016 were Cluj-Napoca (30,000 sq m), Braila (27,200 sq m), Sibiu (15,000 sq m) and Brasov (15,000 sq m). Cluj-Napoca accelerated to annual volumes of 30,000 sq m in 2015 / 2016, with major leases done by logistics operators (KLG, XPO, Gebruder Weiss) and retailers (Emag; Profi 34,400 sq m leased in 2015-2016).

RENTAL LEVELS

Rental levels have witnessed a slight upward tendency in 2016, fueled by the growing demand. Rents have average levels of 3.35-4.00 Euro/sq m/month for A-class space, respectively 2.50-3.50 Euro/sq m/month for B-class space located in the main industrial hubs (Bucharest, Timisoara, Brasov, Cluj-Napoca, Ploiesti).

PIPELINE ACTIVITY

Development has maintained linked to pre-construction agreements, however the few projects started on speculative basis, such as LOG.IQ Bucharest, VGP Timisoara and Zacaria Group's parks, had performed and secured rapidly high occupancy.

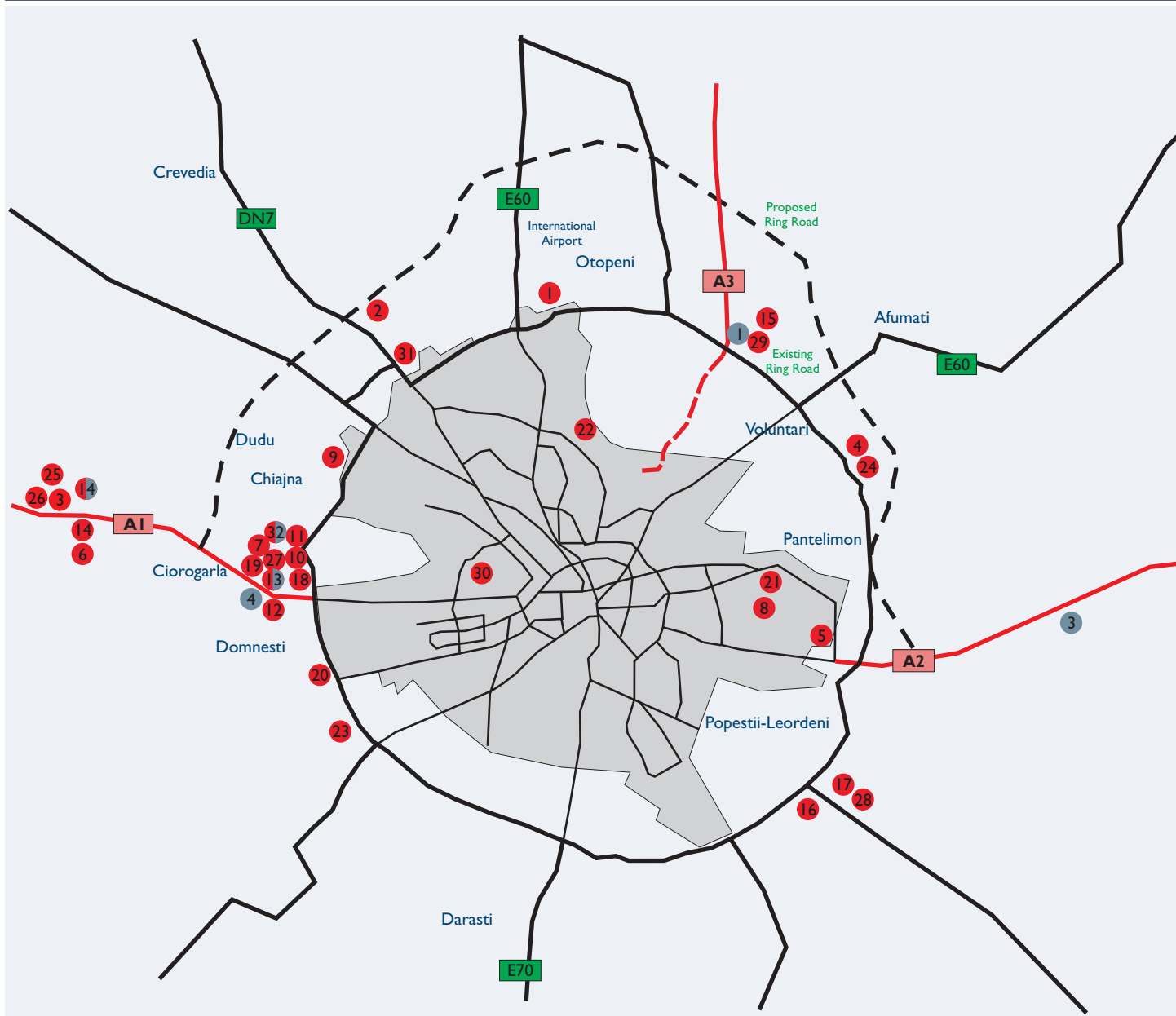
A new stock of 200,000 sq m GLA was under construction at the end of 2016 in Bucharest (110,000 sq m), Sibiu (35,000 sq m), Timisoara (20,000 sq m) and R.Valcea (8,000 sq m). CTP and WDP are the most active developers at national level, joined by Zacaria Group for secondary stock.

ROMANIA - TOP DELIVERIES FOR 2017

PROJECT	CITY	DEVELOPER	GLA (SQ M)
CTPark Buc. West	Bucharest	CTP	68,000
WDP Stefanesti	Bucharest	WDP	28,000
TAP	Timisoara	Globalworth	21,875
CTPark Bucharest	Bucharest	CTP	21,000
Vabed A1	Bucharest	AIC	21,000
Logistics Sibiu	Sibiu	Zacaria Group	21,000

Source: ACTIV Property Services

BUCHAREST INDUSTRIAL MAP, MAIN DEVELOPMENTS



Existing Developments:

- | | | |
|-----------------------------|----------------------------------|---------------------------------|
| 1 Karl Heinz Dietrech | 12 P3 Logistics Park | 23 Innovations Park |
| 2 Buftea Distribution Park | 13 CTPark Bucharest | 24 Pantelimon Logistic Center |
| 3 Bucharest Industrial Park | 14 CTPark Bucharest West | 25 H. Essers |
| 4 Log Center NELP | 15 Rewe Logistics (Penny Market) | 26 KLG Europe |
| 5 Apollo Logistic Park | 16 Catalunya Industrial Park | 27 LIDL Logistics |
| 6 Mobexpert Logistic Centre | 17 Millennium Logistic Park | 28 Mega Image Logistic Center 1 |
| 7 A1 Business Park | 18 Phoenix Logistic Center | 29 Mega Image Logistic Center 2 |
| 8 Faur Industrial Park | 19 Equest Logistic Center | 30 Sema Parc |
| 9 Chitila Logistic Park | 20 Domnesti Business Park | 31 LOG.IQ Bucharest |
| 10 Otter Logistic Park | 21 Rams Industrial Park | 32 Vabeld A1 |
| 11 Key Logistic Center | 22 Atlas Center | |

Main Projects:

- | |
|---|
| 1 WDP Stefanesti |
| 14 CTPark Bucharest West (extension under construction) |
| 3 WDP Fundulea (on-hold) |
| 4 Olympian Park Chiajna (on-hold) |
| 32 Vabeld A1 (extension under construction) |
| 13 CTPark Bucharest (extension under construction) |

RESIDENTIAL MARKET

An acceleration in residential activity was registered in 2016, with increases in new supply and sales, while average prices grew by 3-10% across the main cities. Authorities continued to add a significant influence to the market through the "First House" program and changes in legislation.

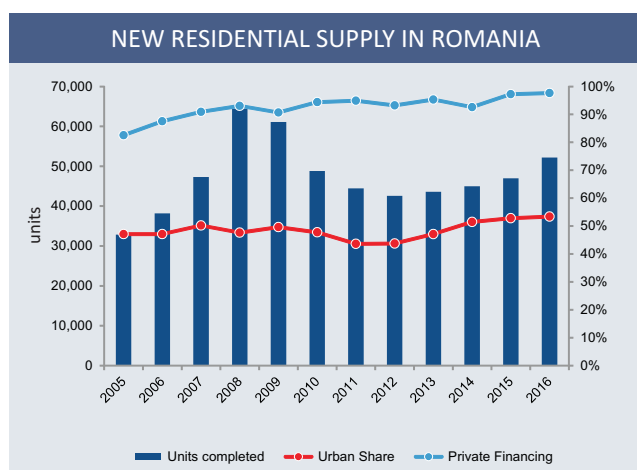
SUPPLY

Residential development benefitted last year from a good market environment, including growing salaries (+12%), low interest rates (ROBOR 3-month < 1%) and increasing demand. Developers showed an active approach in expanding and starting new projects across the markets that are provided with optimal levels of purchasing power.

New supply has started a growing trend in the late years, increasing by 3% in 2014, 4% in 2015 and accelerating to +11% in 2016. A number of 52,206 residential units were delivered at national level throughout 2016 according with the official statistics.

New supply increased in most areas, but especially in north-west (+40.4%), south-east (+19.8%), west (+16.9%) and north-east (+16.5%) of Romania. Decreases were registered in Bucharest-Ilfov area (-9.6%) and south-western Romania (-2.4%).

Urban area accounted for 53% of the new units delivered last year. Almost the entire new supply was private-financed (98%), with the state involvement being represented by only 1,228 units developed with public financing.



Bucharest-Ilfov registered 10,022 units completed last year, returning to the volume seen in 2014 after a 9.6% decrease from the 2015 record. The largest activity was found at periphery, with southern (IMGG, Metalurgiei area) and western (Rosu) edges continuing to expand rapidly with low-price blocks of apartments. Development increased also in the semi-central and northern areas of the city, fueled by good results in sales and demand for medium-class projects provided with good accessibility and amenities.

Important activity was also registered across the top regional capitals in terms of economy and universities. Cluj-Napoca, Timisoara, Iasi, Brasov and Sibiu are witnessing a growing medium-class population, with boosting IT&C and engineering communities. Residential demand is coming especially from such professionals of 30-45 years old.

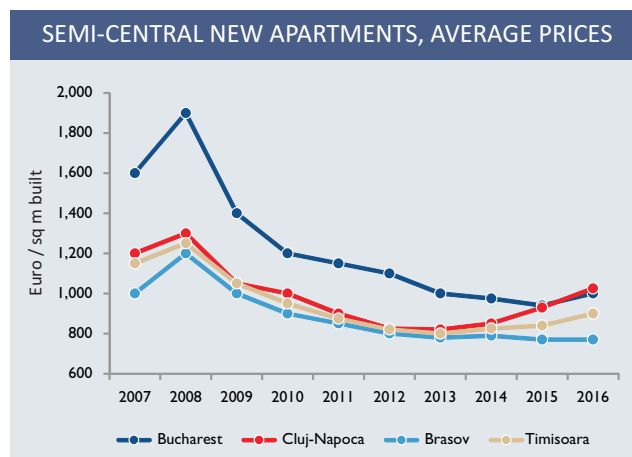
"First House" program continues to have a significant impact in sales, with a record number of guarantees being granted by the Romanian State in the first 11 months of 2016 (42,430 units). Over 203,000 dwellings have been sold through the program since its launch in 2009. The program will continue over 2017 with an allocated budget to cover residential units with a total value of 5 billion RON (50% granted by the state).

The main change in legislation of 2016 was the law called "Legea Darii in Plata", according to which a borrower has the capacity to close the debt by repaying the property to the bank, without other obligations. After the law took effect in April, banks increased the required advance for mortgages from 15% to 30-35%. This was followed by a drop in the volume of mortgages, causing banks to make steps back and for some of them to return to an advance rate of 15-25%.

Residential prices followed an upward evolution with growing rates of 3-10% across the main markets. Asking prices increased by an average of 10% in 2016, further to the 6.6% growth of 2015, according to imobiliare.ro index, the largest real-estate listings portal in Romania.

Prices of medium-range new apartments, located semi-central, vary from top values of 950-1,050 Euro / built sq m in Bucharest and Cluj-Napoca to 875-925 Euro / built sq m in Timisoara and 750-800 Euro / built sq m in Brasov.

A further positive evolution is expected for 2017, especially as salaries are increasing and legislation adds new incentives. Government has decided in the beginning of the year to eliminate taxes for residential sales at prices below 100,000 Euro. In addition, there is a project to eliminate VAT for the sale of new apartments worth less than 100,000 Euro.



INVESTMENT MARKET

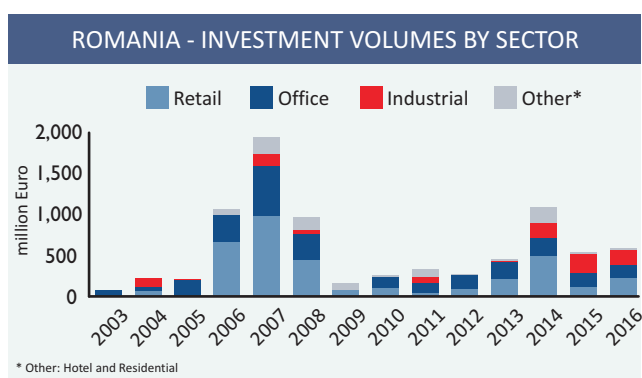
Investment activity was relatively stable over 2016, including few major transactions, most of them with retail and office properties. Prime yields followed a stable/down tendency, but remains well above other CEE counties.

VOLUMES

Romania accounted last year for 591 million Euro of major investment transactions, a volume that corresponds to an 11% year/year growth. However, last year's volume is still largely below the 2006-2009 activity and the 2014 performance (Euro 1.1 bil.).

There was registered one industrial transaction of over 100 million Euro, 3 retail deals of 50-100 million Euro each and 2 office deals with values of 30-50 million Euro. In addition there were 6 transactions of 10-20 million Euro and 4 deals in between 5-10 million Euro.

2016 volume was formed 40% by retail, 31% by industrial and 38% by offices, while hotels and other properties cumulated 6% of the annual volume. Bucharest remained the main destination and concentrated 68% of the major deals signed last year. Foreign players were responsible for 91% of the volume of major deals.



Retail dominated the investment activity with 236 million Euro of major deals, including three top transactions in Bucharest, Sibiu and Craiova.

Shopping City Sibiu (79,100 sq m GLA) was sold by Argo Real Estate Opportunities to NEPI for 100 million Euro and a yield around 8.2%. SCS is the single retail scheme in Romania anchored by 2 hypermarkets and dominates the retail expenditure in Sibiu area, being planned to further expand.

A gallery of 27,770 sq m GLA located in Electroputere Mall Craiova was sold to French Group CatInvest for an estimated value of 50 million Euro, while NEPI acquired a 30% share in Mega Mall Bucharest (est. 71 million Euro) to become the scheme's single owner. Smaller deals included the sale of 9 stand-alone retail boxes portfolio leased by Lidl to First Property Group (10.5 million Euro) and the sale of low-performing GTC's shopping centres in Piatra Neamt and Arad to a local company.

Office investments mounted to 160 million Euro, all transactions being concentrated in Bucharest. The sale of downtown Metropolis Center (18,695 sq m GLA) for 48 million Euro was the largest transaction, marking the entrance of Czech investor PPF Real Estate in Romania.

GTC made acquisitions of around 50 million Euro, including CBD's Premium Plaza (8,635 sq m GLA) and Premium Point (5,750 sq m GLA), as well as a remaining share in City Gate from Bluehouse. Swan Park (29,125 sq m GLA) was purchased for 30.3 million Euro, while Adam America bought Phoenix Tower and Construdava.

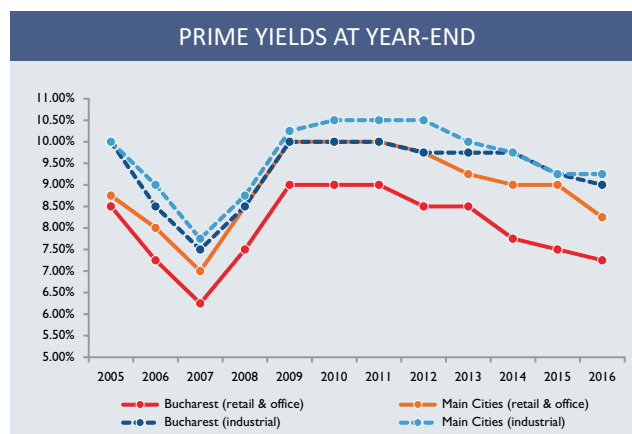
Industrial activity was represented almost entirely by the acquisition of P3 Logistics Park in Bucharest (300,000 sq m GLA), part of the pan-European sale of P3 from TPG / Ivanhoe Cambridge to Singapore's investment fund GIC.

Top 5 investors (NEPI, CatInvest, GTC, PPF Real Estate, Smartown) were responsible for 83% of the annual volume, respectively 348.7 million Euro. Half of this volume was invested by NEPI that bought Shopping City Sibiu and 30% of Mega Mall Bucharest.

The number of investors has risen during the last years, however the shortage of prime stock available for sale has continued to affect the annual volumes that remain well below potential. The main active investors on the local market with acquisitions done in the last 5 years include NEPI, Globalworth, GTC, GLL Real Estate Partners, PPF Real Estate, CatInvest, P3, CTP Invest, Adam America and Mitiska Ventures.

Romania is still waiting to jump among CEE's ranking of investment destinations, especially as market fundamentals and stock are improving and prime yields have levels 200-300 bps higher than in Poland and Czech Republic, respectively 100 bps higher than in Hungary.

Prime yields have followed a stable/down evolution, with a 25-50 bps average decrease throughout 2016. Prime shopping centres and offices yields were placed at 7.0-7.5% in Bucharest and 8.0-8.5% in the main cities outside the Capital at the end of 2016. Prime industrial yields were placed at 9.0-9.5% across the main locations in Romania.



VALUATION SERVICES

Our Valuation & Advisory team continues to provide the best advice to our clients either investors, private companies, banks and real estate funds.

We provide customized solutions in accordance with clients' requirements and in line with the professional standards and ethics.

Our team provides extended valuation services for real-estate properties, including:

- Valuations for financing or loan security;
- Portfolio valuations;
- Valuations for acquisitions or sales;
- ERVs and leasehold valuations;
- Regular valuations - annual or quarterly updates;
- Valuations for accounts IFRS updates
- Valuation for tax uses
- Valuations for development projects
- Market and Best Use studies

We have both RICS and ANEVAR qualified valuers, with an in depth knowledge of all property markets.

As such we are the valuer of choice for numerous banks providing loan security valuations and advice on which banks know they can rely; PI insurance over €1 million.

We are instructed as valuers by numerous international property funds and local investors, many of whom own landmark buildings.

Our national coverage enables us to provide valuation and advisory services in all the regions of Romania and that can be delivered to our clients within short time scale.

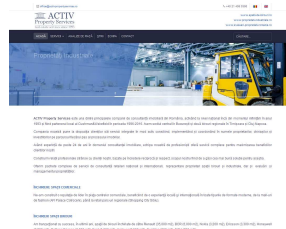
Our team is coordinated from Bucharest and the two regional offices we operate in Timisoara and Cluj-Napoca.

We collaborate with local certified and reliable valuers, ANEVAR members, which we selected from different regions of Romania, professionals having an extended understanding of the local real-estate characteristics and long-term and relevant experience in valuation services as well as strong ethic principles.

During the last year we have provided valuation for more than 5 million sq m, having a market value in excess of 2.5 billion Euro.

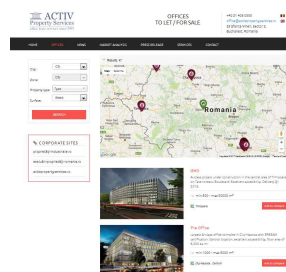
OUR WEB SITES

WWW.ACTIVPROPERTYSERVICES.RO



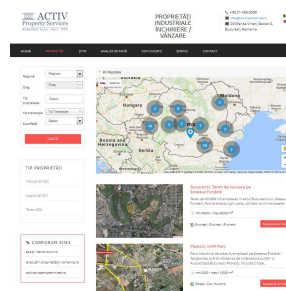
Our company's site provides an overview of our 24-year history on the local market, the main services we provide, our departments and the team. The latest news and market reports are available here.

WWW.SPATII-DE-BIROURI.RO



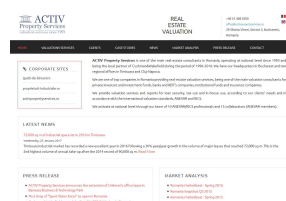
The site includes a selection of office properties available to let across the main business hubs in Romania, such as Bucharest, Cluj-Napoca, Timisoara and others.

WWW.PROPRIETATI-INDUSTRIALE.RO



The site provides a wide selection of properties located as part of the main industrial and logistics hubs in Romania. Clients can also find here plots of land available for real estate development.

WWW.EVALUARI-PROPRIETATI-ROMANIA.RO



Our valuation site presents our dedicated services in the valuation and advisory field, our main clients, both banks and non-banks, as well as relevant case studies of works done during the late years.

CONTACTS



Razvan Gheorghe, MRICS
Managing Partner
razvan.gheorghe@activpropertyservices.ro



Costel Florea, MRICS
Managing Director
costel.florea@activpropertyservices.ro



Valentin Manu
Head of Retail
valentin.manu@activpropertyservices.ro



Felicia VasIU, MRICS
Head of Timisoara Office
felicia.vasiu@activpropertyservices.ro



Silviu Ionici, MRICS
Head of Property & Asset Management
silviu.ionici@activpropertyservices.ro



Andrei Birsan
Head of Offices
andrei.birsan@activpropertyservices.ro



Cristian Negrea
Head of Valuation & Advisory
cristian.negrea@activpropertyservices.ro



Lorena Rus
Head of Cluj-Napoca Office
lorena.rus@activpropertyservices.ro



Florian Gheorghe
Head of Research
florian.gheorghe@activpropertyservices.ro

**For further information, please contact
our Research Department:**

ACTIV Property Services
29 Sfanta Vineri Street, Bectro Center, Ground Floor
Sector 3, Bucharest, Romania
+40 21 408 03 00
www.activpropertyservices.ro

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On the front cover: Barbu Vacarescu office area