# MARKETBEAT
# ROMANIA REAL ESTATE MARKET REPORT

CUSHMAN & WAKEFIELD® | ACTIV Property Services
INDEPENDENTLY OWNED & OPERATED MEMBER OF THE CUSHMAN & WAKEFIELD ALLIANCE

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# CUSHMAN & WAKEFIELD SERVICES IN ROMANIA

ACTIV Property Services is the Alliance Partner of Cushman & Wakefield in Romania and the Republic of Moldova. We have over 22 years of experience on the local market and have operated with Cushman & Wakefield for over 20 years.

Cushman & Wakefield (C&W) is the world's largest privately held real estate services firm. With more than 15,000 employees, the group offers coverage through 253 offices in 60 countries.

We have our headquarters in Bucharest and operate two regional offices in Timisoara and Cluj-Napoca. Our office includes 30 professionals in dedicated teams by sector providing a complete range of real estate services, including:

## RETAIL AGENCY

Our in-depth knowledge of the local market, combined with international experience, enables us to advise retailers on their expansion programs, as well as landlords and developers looking to attract high performing retail groups. We are involved in all types of retailing, ranging from high street shops to shopping centres, and are also active in the retail park sector.

Our services include research and development consultancy, letting, asset management and international tenant representation.

## OFFICE AGENCY

Our office team provides both tenant and landlord representation, relying on the experience of the local team and international support from the entire network. We provide a variety of services towards development consultancy, letting activity, relocation projects, property management and strategic planning for tenants.

## PROPERTY MANAGEMENT

The property management department has successfully managed major retail schemes throughout Romania, including Shopping City Sibiu, European Retail Park Tg.Mures, Felicia Shopping Centre Iasi, Shopping City Suceava, Vitantis Bucharest, Praktiker Brasov, Tomis Constanta etc., for clients such as Portico Investments, Ballymore, ING REIM, Belrom, Argo Real Estate Opportunities and Miller Developments.

Our property management services include building operations, tenant relations and financial management.

BUCHAREST HEADQUARTERS, BECTRO CENTER

## CAPITAL MARKETS

The local capital markets department has been involved in several large investment transactions in Romania, offering professional consultancy for major companies, including the development of real estate premises, sales consultancy, acquisition consultancy, management of the "Due Diligence" process and negotiation of all legal documents relating to the sale and acquisition process.

## INDUSTRIAL

Our industrial agency team provides leasing and consultancy services for developers and industrial occupiers. In-depth local knowledge enables us to provide comparative analysis and space offers from all Romanian industrial & logistic hubs.

## LAND AGENCY

The land department provides the best solutions regarding land acquisition all over Romania, finding and selecting sites, as well as negotiating the best financial terms of the transaction.

## VALUATION

We are well placed to advise on portfolios and individual properties of all types across the region. We provide valuation services to public/private companies as well as to banks and institutional funds.

## RESEARCH

Our research department offers dedicated research and consultancy services for developers, landlords, investors and tenants, based on extensive knowledge of the local market and support coming from our network of real-estate professionals and international offices.

# ABOUT ROMANIA

MAP OF ROMANIA


Romania is the second largest country in Central & Eastern Europe, being spread on 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 with 20.1 million inhabitants and an average density of 84 people / km2.

The administrative division includes four macro regions and 41 counties. There are 320 cities and 2,861 communes.

The capital Bucharest is by far the largest city, having an official population of 1.9 million inhabitants (2011 Census) and a metropolitan area that reaches 2.5 million people.

There are 20 cities with more than 100,000 inhabitants, with 9 having above 200,000 people. 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. Victor Ponta, 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 2016, while the presidential elections are due to be held in 2019.

Romania is a NATO member from 2004 and joined the European Union in January 2007. Romania has officially announced that will adopt Euro currency in 2019.

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Economy increased by 2.8% last year, fueled especially by the growth of industry (+6.1%) and IT&C (+11%) sectors.
Inflation reached a record lowest of just 1.1% and Romania announced that will adopt Euro currency from 2019.
Unemployment decreased to 5.3% (local standards) and 6.4% (international standards) at year-end, while the net average salary increased by 5% to 384 Euro/month.
International trade reached new records, with +5.8% in exports and +5.9% in imports, while FDI volume saw another modest annual result (2.4 billion Euro).
Local economy is expected to record a 2.5% increase in 2015, with growth to come especially from industry and domestic demand.

| ECONOMY DIRECTIONS | |
|---|---|
| GDP: to continue a positive evolution on medium term, with +2.5% in 2015 and +3.0% in 2016. | ↗ |
| INFLATION: VAT's reduction to 9% for food starting mid-2015 to downgrade inflation below the initial forecast of 2.2%. | ↗ |
| UNEMPLOYMENT: further reductions on medium-term as economy grows and construction sector will restart. | ↘ |
| EXPORTS / IMPORTS: expected increases for both exports and imports, with foreign demand remaining strong and domestic demand improving. | ↗ |

## RETAIL MARKET

The local market improved last year, fueled by the strong increase of retail sales by +7.0% y/y (+10.6% non-food).
A larger number of retailers, coming from different sectors, have started expansion plans, however the focus remains on major cities and prime locations.
New shopping centre supply accounted for just 52,640 sq m GLA delivered last year, however development program accelerated, with 218,000 sq m GLA being announced for 2015. Existing stock stands at 2.8 million sq m GLA (141 sq m/1,000 pop.).
Retail warehousing continued with stand-alone units (Kaufland, Lidl, Dedeman) and a 38,800 sq m retail park supply.
Retail rents remained stable across most locations and sectors, having average levels of 20-30 Euro/sq m/month for high street and shopping centre space of 100-200 sq m in major cities.

| RETAIL MARKET DIRECTIONS | |
|---|---|
| SUPPLY: Higher volumes of new supply for 2015-2016, with development to remain focused on shopping centre stock (218,000 sq m announced for 2015). | ↗ |
| DEMAND: Upward evolution, with demand to come from a larger number of retailers and new entrances in Romania. Focus remains on major cities and dominant schemes. | ↗ |
| RENTS: Stable evolution at national level, with potential for upward trend for dominant schemes in the largest cities. | ↔ |
| VACANCY: Decreasing evolution as demand strengthens and few cities will witness new supply delivery. | ↘ |

## OFFICE MARKET

Office sector saw higher levels of activity in 2014, an increase in demand and development across the main locations, with IT&C, BPO and SSC occupants being the main sources of growth.
Bucharest's office stock reached 2.1 million sq m GLA (1,121 sq m/1,000 pop.) after the delivery of 118,765 sq m in 2014. While take-up volume increased by 9% to 332,000 sq m, vacancy rate decreased to 12.1%. Pipeline stock accounts for 150,250 sq m (delivery 2015) and 290,000 sq m (delivery 2016).
Cluj-Napoca recorded the highest activity outside Bucharest, with 33,400 sq m of new supply and 40,000 sq m of take-up, becoming already a major IT and BPO hub.
Prime rental levels maintained stable at 17-19 Euro/sq m/month for Bucharest's CBD and 10-12 Euro/sq m/month for regional cities.

| OFFICE MARKET DIRECTIONS | |
|---|---|
| SUPPLY: Development activity accelerates both in Bucharest and regional cities (Cluj-Napoca, Iasi, Timisoara) on the back of increasing demand and lower vacancy. | ↗ |
| DEMAND: Expected to maintain at high levels as lately, with the local IT&C, BPO and SSC sectors to grow further based on the skilled local workforce. | ↔ |
| RENTS: Stable evolution across all locations, with landlords still offering large incentive packages for major occupiers. | ↔ |
| VACANCY: Stable / Down trend, with lower vacancy for prime A-class stock that is targeted by the most important international occupiers. | ↘ |

## INDUSTRIAL MARKET

A stable evolution over 2014, with improvements in demand and incipient signs for a comeback of speculative development, while rents remained unchanged.
New supply remained at very low levels, with only 3,000 sq m being delivered in Bucharest, 10,000 sq m in Timisoara, 12,000 sq m in Iasi and 27,720 sq m in Ploiesti.
Take-up increased by 50%, with 300,000 sq m of major deals, out of which 112,000 sq m in Bucharest and 94,500 sq m in Timisoara. Demand was dominated by warehousing use (70%), followed by manufacturing (30%) that saw some major BTS agreements.
Vacancy reduced further to 8% in Bucharest and below 5% of Timisoara's prime stock.
Rental levels maintained at 3.2-3.5 Euro/sq m/month across the main locations.

### INDUSTRIAL MARKET DIRECTIONS

SUPPLY: Speculative development is expected to see gradual improvements, but to remain still modest over 2015. New supply will remained dominated by BTS projects, made especially for manufacturing companies.

DEMAND: Expected to improve for both logistics and manufacturing uses, as economy is further growing.

RENTS: Stable evolution, unlikely to see important changes in 2015.

VACANCY: Further decreases on the back of improving demand and limited volume of new supply.

## RESIDENTIAL MARKET

The sector had finally see improvements last year, after 5 consecutive years of crisis. People's trust to access loans increased on the back of the last years' economic growth and siginificant decrease of financing costs. Demand increased across the main cities, providing the basis for a return of development. New supply saw a 2% y/y decrease however, only the central and north-western areas reporting growth. Demand remained focused on low-price products, but higher sales volumes were reported also for the other segments. Residential prices had a relatively stable evolution, but marginal fluctuations have been recorded from one city to another. New apartments placed semi-central have average prices of 900-1,000 Euro/built sq m in Bucharest and 750-850 Euro/built sq m in other major cities. Residential investments saw increasing volumes, with the level of yields being placed at 6.5-7.25%.

### RESIDENTIAL MARKET DIRECTIONS

SUPPLY: Increasing new supply under pipeline across the major markets, with more projects being started / announced towards the end of the year, by both domestic and international developers. The focus remain on low-price apartments, but the medium segment sees important growth.

DEMAND: Improving demand across most segments, with the focus to remain on affordable products and the number of rooms criteria to prevail the net area of dwellings.

PRICES: The overall stable evolution is expected to continue, with small fluctuations from one location to another.

## INVESTMENT MARKET

Investment activity saw a significant jump of 142% in total volume (1.1 billion Euro) and +83% in the number of major deals during 2014. Retail concentrated 45.1% of total volume, followed by offices (19.8%), industrial (17.7%), residential and hotels (17.4%).
Four buyers (NEPI, Globalworth, Auchan, P3) were responsible for 75% of the last year's acquisitions, with Auchan making the largest deal of 257 million Euro (12-unit shopping centre portolio).
Prime yields decreased below 8% at the end of the year, reaching 7.75% for shopping centres / offices in Bucharest. Yields for similar properties located in regional capitals are placed at 9.0-9.5%. More investors are expected to return to the local market in 2015, with prime yields having potential to decrease further by 25-75 bps.

### INVESTMENT MARKET DIRECTIONS

OUTLOOK: Improvement of demand as more international funds are expected to return and start acquisitions locally, attracted by the improvement of market fundamentals and higher level of yields than in other CEE coutries.

VOLUME: To consolidate to higher levels if trophy products will become part of the next year's investment volume.

YIELDS: Prime levels are expected to see further hardening by 25-75 bps in 2015, while secondary yields to maintain stable (marginal decereases).

# ROMANIA BACKGROUND

## DEMOGRAPHY

Romania is the second largest country in Central and Eastern Europe (CEE) and the 10th largest in Europe, having 20,121,641 inhabitants according to the latest census from October 2011.

The population decreased by 7.2% in between the last two census surveys (2002-2011), determined by the decreasing natality and a migration process. A significant workforce migration has been recorded to Western Europe after 2000, with the largest Romanian communities growing in Spain and Italy, each towards 1 million people.

Romania has a population density of 84.4 inhabitants / km2, with the largest levels being found in Bucharest-Ilfov area (1,248 pop./km2), Prahova County (162), Iasi County (141), Dambovita County (128) and Galati County (120).

Approximately 54% of the population lives in the urban area. The life expectancy increased to a record level of 73.8 years, compared with 69.6 years in 1990.

The Romanian population has been showing an ageing trend during 2002-2011, with the young age segments (0-24 years) decreasing their share in total population, while the old age segments (above 50 years) have become more represented. Medium segment (25-49 years) represented 35.7% of total population at 2011 Census.

ROMANIA, DEMOGRAPHIC INDICATORS

| | 2002 CENSUS | 2011 CENSUS | CHANGE |
|---|---|---|---|
| Population | 21,680,974 | 20,121,641 | -7.2% |
| Density (people/km$^2$) | 90.9 | 84.4 | -7.2% |
| AREA DISTRIBUTION | | | |
| Urban (%) | 52.7% | 54.0% | +1.3% |
| Rural (%) | 47.3% | 46.0% | -1.3% |
| SEX DISTRIBUTION | | | |
| Male (%) | 48.7% | 48.67% | -0.1% |
| Female (%) | 51.3% | 51.4% | +0.1% |
| AGE DISTRIBUTION | | | |
| 0-14 years (%) | 17.6% | 15.9% | -1.7% |
| 15-24 years (%) | 15.6% | 12.3% | -3.3% |
| 25-49 years (%) | 36.1% | 35.7% | -0.4% |
| 50-64 years (%) | 16.7% | 20.0% | +3.3% |
| over 65 years (%) | 14.0% | 16.1% | +2.1% |

Source: National Institute of Statistics

LARGEST 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 with more than 100,000 inhabitants and another 20 cities varying in between 50,000 - 100,000 inhabitants. Braila - Galati and Timisoara - Arad are the largest populated concentrations outside Bucharest, accounting each for more than 600,000 inhabitants.

The capital Bucharest is the most populated city in CEE, with 1,883,425 inhabitants officially registered at 2011 Census. The metropolitan area reaches 2.5 million people when including also the unregistered population, students and expats community.

A number of 433,234 students were enrolled in the tertiary education system in 2013 / 2014, with the largest university centres being Bucharest (128,883 students), Cluj-Napoca (49,597), Iasi (44,132), Timisoara (31,549) and Constanta (21,700).

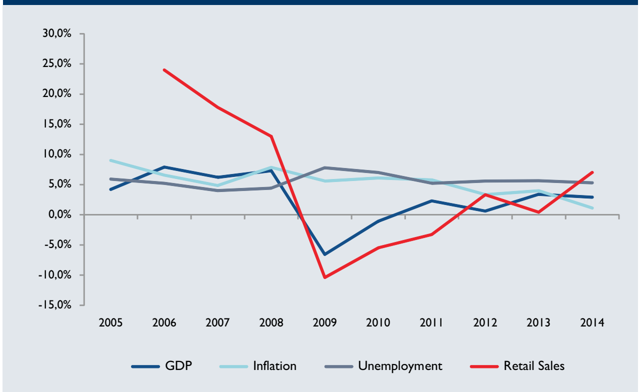
## ECONOMY

Romania recorded the 4th consecutive year of positive economic growth in 2014, with most indicators showing better results, that had finally brought an increase in activity throughout the local real-estate market.

Economy grew by 2.8% last year, above earlier forecasts of 2.0-2.5%, however less than the 3.4% increase of 2013. The main contributors to last year's growth were the industrial sector and IT&C that continued their spectacular evolution seen in the last years.

Industry registered a 6.1% y/y growth, further to the 7.1% increase of 2013, fueled not only by the strong external demand, but also by a restart in internal consumption. Industrial sector increased its share to 24% of GDP and was responsible for 0.9% of last year's economic growth.

ECONOMIC INDICATORS




Source: National Institute of Statistics, National Commission of Prognosis
*Forecast

IT&C increased its volume of activity by 11% and strengthened Romania as one of the main IT locations in Europe, with important hubs such as Bucharest, Cluj-Napoca, Timisoara and Iasi. IT&C jumped to a 6% share in Romania's GDP.

Inflation reached a record-low of just 1.1% last year and Romania has officially announced that will adopt Euro currency from 2019. The National Bank reduced the policy interest rate from 4% (end 2013) to 2.75% (end 2014), while a further reduction to a record-low of 2.5% was made at the start of 2015. The higher financing availability and low interest rates have had positive effects in economy and the real-estate market, especially in residential demand.

Unemployment decreased to 5.29% in December 2014 (national standards ANOAFM), respectively 6.4% (international standards BIM).The lowest levels were recorded in Ilfov County (1.56%),Timis (1.59%) and Bucharest (1.95%), while the highest levels were found in Vaslui (11.15%),Teleorman (10.92%) and Mehedinti (9.75%).

The volume of foreign direct investments reduced by 11% to 2.4 billion Euro, being the 5th consecutive year with a volume of less than 3 billion Euro / year and significantly below the annual levels of 5-9 billion Euro during 2004-2008.

International trade recorded a 5.8% increase in exports to a new record-high volume of 52.5 billion Euro.With imports increasing by 5.9% to 58.5 billion Euro, the trade balance grew by 6% to a deficit of 6 billion Euro. EU remains the main trade partner of Romania, representing 71.1% of total exports and 75.4% of total imports.

The construction sector did not recover last year, but saw a 6.7% reduction in volume that was determined especially by a drop in public investments, for both new constructions and repairs.

Economy is expected to maintain a further positive evolution with an official forecast of a 2.5% increase in GDP in 2015. Growth is expected to come from the main sources such as industry and domestic demand, with the automotive and IT&C to remain the star sectors, while a restart in construction is also expected. Conflict in Ukraine is the main factor of risk that could affect the foreseen evolution of the local economy.

## INCOMES AND EXPENDITURES

Salaries recorded a 5% growth last year, reaching a gross average monthly level of 2,360 RON (531 Euro), respectively a net average monthly level of 1,706 RON (384 Euro). Real incomes are however higher than the official statistics, being inflated by grey market activities, estimated at 20%-30% of national GDP, and remittances from the large Romanian community working abroad.

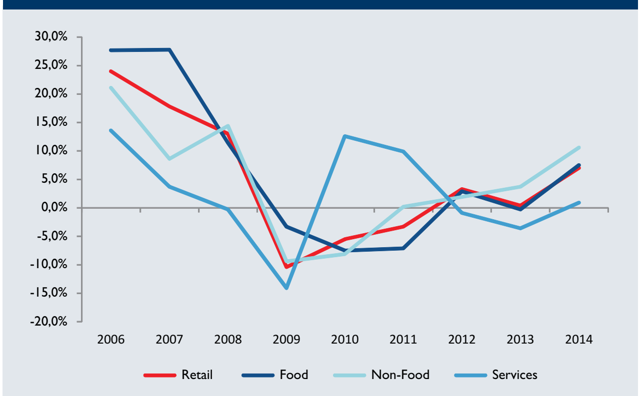
The highest salaries are found in Bucharest, with a net average monthly level of 2,389 RON (539 Euro) in November 2014, placed 37% above the national average.

The minimum wage increased to 975 RON / month (approx. 218 Euro/month), representing a 95% growth during 2008-2015, however still being the second lowest level in Europe.

The positive economic and salaries evolution has finally produced impact on retail sales that increased by 7.0% year/year. Non-food sales saw the highest growth (+10.6%), followed by food sales (+7.5%) and petrol sales (+0.3%). Services increased last year by 0.9%. Sales are expected to continue on a upward trend in 2015.

New car sales recorded in 2014 the first growth after six years (2007-2013) when sales collapsed by 81%. There were sold 83,000 new cars, corresponding to a 20.8% year/year increase.

ROMANIA, RETAIL SALES EVOLUTION (%)




Source: National Institute of Statistics

# RETAIL

The initial signs of recovery seen in 2013 turned last year into a certain improvement of the local retail market. Retail sales increased by 7.0% and brought an improvement of the market sentiment, along with an increase in demand and development activity, especially from the 2nd half of the year. It is expected that the market fundamentals will register a gradual improvement over the following years, in direct relation with the confirmation of the positive foreseen economic growth.

A larger number of retailers have announced expansion programs, with the focus maintaining on prime locations / schemes that have already confirmed and recorded an improvement in performances. International anchors have remained the core of the local retail expansion, most part of demand being directed towards the shopping centre stock located in cities of above 100,000 people.

Romania remained one of the main targets for expansion in Europe, with new entries in 2014 that include Mohito, Maxi Toys, Vans, Claire's and Inglot, while others are announced to enter in 2015: Debenhams, Burger King, Decimas, Pepco, Sportisimo, Pupa etc.

Shopping centre new supply recorded a 12-year lowest volume, with only 52,640 sq m GLA being delivered as part of two new shopping centres, including the 1st major scheme in Targu Jiu, and one extension. Shopping centre stock reached 2.8 million sq m GLA at year-end, with a density of 141 sq m GLA/1,000 inhabitants that represents 60% of the EU-27 (excl. Cyprus) average.

Retail park stock increased by 38,800 sq m, including Vulcan Value Center (25,000 sq m) in Bucharest, a small scheme in Vaslui and the extension of Electroputere Parc Craiova with a Leroy Merlin unit. There were also delivered stand-alone units, most being opened by food operators (Kaufland, Lidl, Penny Market) and DIY domestic leader Dedeman.

Rental levels maintained stable across most sectors and locations, accounting for a prime shopping centre level of 20-30 Euro/sq m/month (100-200 sq m units) in the main cities and 55-65 Euro/sq m/month in Bucharest. High street rents maintained at average values of 20-30 Euro/sq m/month, with higher levels of 35-45 Euro/sq m/month in top cities.

Retail activity is expected to increase in 2015, with improvements in both demand and supply, while rental levels are likely to see only marginal growth. A volume of over 242,000 sq m GLA of shopping centre space was under construction at the end of 2014, while some major new projects / extensions were announced to start throughout 2015.

## BANEASA SHOPPING CITY, BUCHAREST


## RETAIL MARKET DIRECTION 2015

| CITY | SUPPLY | DEMAND | RENTAL LEVELS |
|---|---|---|---|
| ROMANIA | ↗ | ↗ | ↔ |
| Bucharest | ↗ | ↗ | ↗ |
| >200,000 people | ↗ | ↗ | ↔ |
| 100,000-200,000 people | ↗ | ↔ | ↔ |

## MAJOR RETAILERS IN THE MARKET

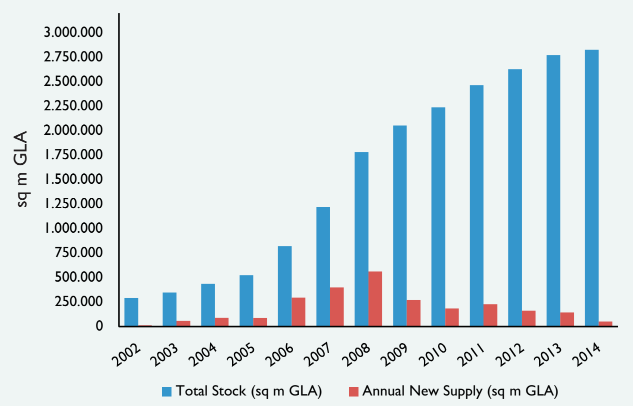
| | |
|---|---|
| HYPERMARKET | Auchan, Carrefour, Cora, Kaufland, Real |
| CASH&CARRY | Metro, Selgros |
| SUPERMARKET | Profi, Mega Image, Billa, Carrefour Market |
| DISCOUNTERS | Lidl, Penny Market / XXL Mega Discount, Supeco |
| DIY | Dedeman, Praktiker, BricoDepot, Leroy Merlin, Ambient, Hornbach, Mr.Bricolage, Tekzen |
| FURNITURE | IKEA, Mobexpert, Kika, Elvila, Casa Rusu, Lem's, Staer, JYSK, Naturlich |
| ELECTRICAL | Altex / Media Galaxy, Flanco, Domo |
| FASHION | Zara, H&M, C&A, New Yorker, Marks&Spencer, Next, Bershka, Pull&Bear, Takko, Mango, Promod, Reserved, Peek&Cloppenburg, Koton, LC Waikiki, Kenvelo, BSB, Pimkie, Orsay, Levi's, Tom Taylor, New Look |
| FOOTWEAR | Deichmann, Leonardo, CCC, Humanic, Bata, Aldo, Otter, Nine West, Musette, Ecco |
| SPORT GOODS | Decathlon, Intersport, Hervis, Decimas, Nike, Adidas |
| FAST-FOOD & COFFEE SHOPS | McDonald's, KFC, Spring Time, Subway, Pizza Hut, Nordsee, Starbucks, Gloria Jean's, Paul Bakery, Brioche Doree |
| OTHERS | Jumbo, Sephora, Douglas, Marionnaud, Carturesti |

## SHOPPING CENTRES

A volume of only 52,640 sq m GLA of new shopping centre space was delivered last year, being the lowest level since the local market started its real development back in 2003. Last year's new supply was 64% lower than in 2013 and marked the 3rd consecutive annual reduction in new shopping centre supply.

Shopping centre stock reached 2,826,290 sq m GLA at the end of 2014, out of which 84% was opened during the last 10 years. The current density of 141 sq m GLA / 1,000 population represents 60% of the EU-27 (excl. Cyprus) average of 232 sq m GLA / 1,000 population. Romania has a similar density with Hungary (138 sq m GLA/1,000 pop.) and Czech Republic (149), while remaining below the levels recorded in Slovakia (166) and Poland (243).

### NEW SHOPPING CENTRE STOCK ADDED IN ROMANIA

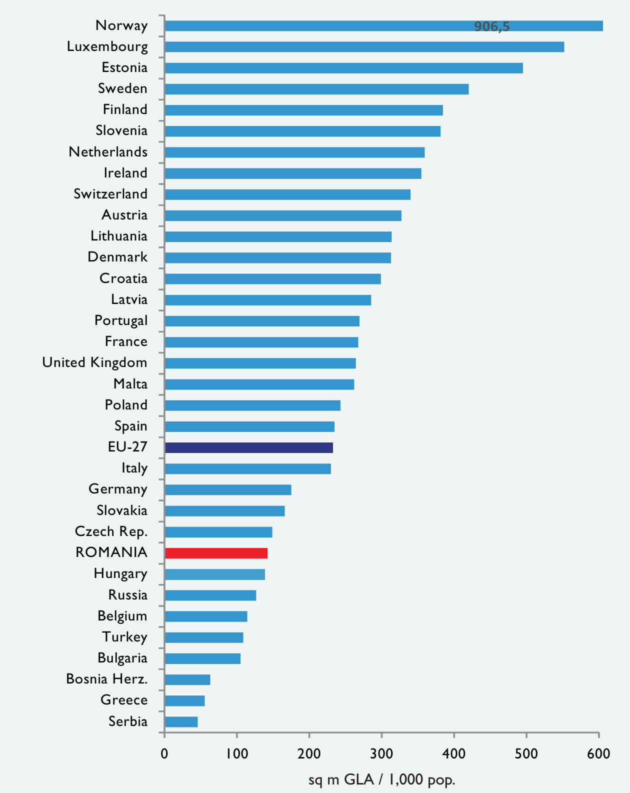



Only 2 new shopping centres were opened last year, as compared with 5 in each of the previous two years. New openings included the first modern scheme in Targu Jiu (Shopping City Targu Jiu) and a convenience-type scheme in Bucharest (Auchan Drumul Taberei), while AFI Palace in Ploiesti received a small extension (cinema).

Shopping City Targu Jiu is the first major scheme in Gorj County, being developed by NEPI as a regional centre. The scheme has 26,800 sq m GLA, with 60 shops spread on two levels. It is anchored by Carrefour, H&M, C&A, New Yorker, Takko, Deichmann, CCC, JYSK, Flanco and Altex, while the leisure area includes food-court, Cinema City and bowling.

Bucharest's stock increased last year with the opening of Auchan Drumul Taberei, a shopping centre of 21,670 sq m GLA developed by Immochan as part of the high-densely populated Drumul Taberei district. The scheme includes an Auchan hypermarket of 12,000 sq m and a two-level gallery of 9,670 sq m GLA, while Auchan's new headquarters are placed above.

### SHOPPING CENTRE DENSITY, END 2014




A number of 27 shopping centres were operational in Bucharest at the end of 2014, having a total of 818,433 sq m GLA. The existing density of 435 sq m GLA / 1,000 inhabitants is only the 14th largest in Romania and remains lower than in other CEE Capitals such as Budapest (469 sq m GLA/1,000 pop.), Prague (628), Warsaw (638) and Bratislava (1,168).

Bucharest's market is dominated by Baneasa Shopping City (north), AFI Palace Cotroceni (west), Sun Plaza (south) and Unirea Shopping Center (central), while important competitors are also considered Promenada Mall (north), Bucuresti Mall (central-east) and Plaza Romania (west).

### SC STOCK IN CEE CAPITALS, END 2014

| CITY | GLA (SQ M) | DENSITY (SQ M/1,000 POP.) | PIPELINE 2015 (SQ M) |
|---|---|---|---|
| Warsaw | 1,099,860 | 638 | 12,500 |
| Prague | 786,211 | 628 | 0 |
| Budapest | 818,067 | 469 | 0 |
| Bucharest | 818,433 | 435 | 72,000 |
| Bratislava | 487,559 | 1,168 | 0 |

## AFI PALACE COTROCENI, BUCHAREST

Shopping centre densities were placed at year-end at average levels of 250-550 sq m GLA/1,000 inhabitants across the main cities of Romania. The highest levels were found in Suceava (956 sq m/1,000 pop.) and Oradea (868), while low densities of below 250 sq m GLA/1,000 inhabitants were accounted in Galati (241) and county capitals of below 100,000 inhabitants, such as Piatra Neamt, Ramnicu Valcea, Tulcea, Alba Iulia and Bistrita.

## TOP SHOPPING CENTRE DENSITIES, END 2014

| NO | CITY | POPULATION | GLA (SQ M) | GLA (SQ M / 1,000 POP.) |
|---|---|---|---|---|
| 1 | Suceava | 92,121 | 88,106 | 956 |
| 2 | Oradea | 196,367 | 170,519 | 868 |
| 3 | Pitesti | 155,383 | 106,596 | 686 |
| 4 | Constanta | 283,872 | 180,590 | 636 |
| 5 | Bacau | 144,307 | 89,514 | 620 |
| 6 | Ploiesti | 209,945 | 119,480 | 569 |
| 7 | Arad | 159,074 | 88,782 | 558 |
| 8 | Deva | 61,123 | 33,742 | 552 |
| 9 | Cluj-Napoca | 324,576 | 163,343 | 503 |
| 10 | Iasi | 290,422 | 141,300 | 487 |

A fewer number of evident development opportunities are still remaining, considering the current level of purchasing power. NEPI is by far the most active developer, having a wide program to speculate these opportunities, including 3 major schemes delivered in the last two years, while 3 projects and 3 extensions are under pipeline for 2015-2016.

Development activity has increased in the 2nd half of 2014, several important projects having been started. A stock of 242,700 sq m GLA was under construction at the end of 2014, while 175,000 sq m GLA were planned to start construction on short term.

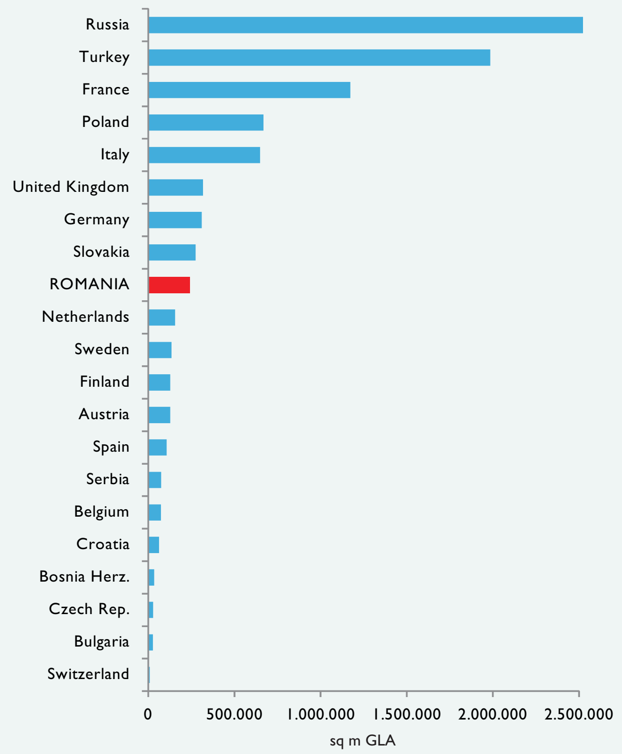
## NEW SCHEMES UNDER CONSTRUCTION, END 2014

| SCHEME | CITY | GLA (SQ M) | YEAR | DEVELOPER |
|---|---|---|---|---|
| Mega Mall | Bucharest | 72,000 | 2015 | NEPI |
| Coresi | Brasov | 45,000 | 2015 | Immochan |
| Shopping City | Timisoara | 55,000 | 2015 | NEPI |
| ParkLake Plaza | Bucharest | 70,000 | 2016 | Sonae Sierra |

A new supply of 218,000 sq m GLA is announced for delivery in 2015, corresponding to a 314% year/year jump. It includes three new schemes (Mega Mall, Coresi, Shopping City Timisoara) with a total of 172,700 sq m GLA already under construction at year-end, supplemented by four extensions (City Park Constanta, Severin Shopping Center, Deva Shopping Center, Arena Mall Bacau), for which construction was not started by the end of 2014.

The largest pipeline activity is found in eastern Bucharest where two dominant projects with similar concept and size were under construction at year-end. Mega Mall is a 72,000 sq m GLA shopping centre developed by NEPI, having delivery for May 2015, while its competitor ParkLake Plaza, developed by Caelum Developments and Sonae Sierra, has 70,000 sq m GLA and is announced for opening in 2016.

## SHOPPING CENTRES UNDER PIPELINE 2015-2016

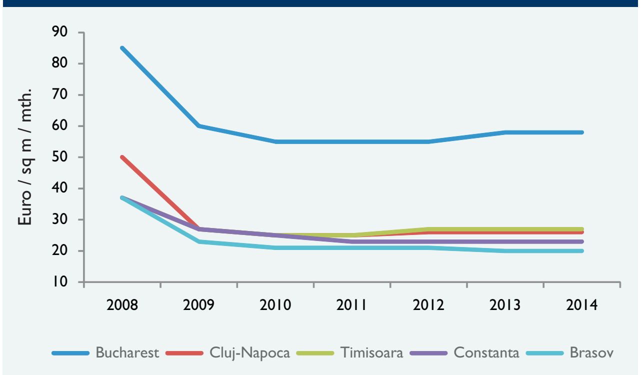


### MEGA MALL, BUCHAREST


Shopping centre rents have witnessed a stable evolution across the main locations during the last 5 years. Average prime rents for 100-200 sq m units vary from 20-25 Euro/sq m/month (cities>200,000 pop.) to 15-20 Euro/sq m/month (cities of 100,000-200,000 pop.) and 10-15 Euro/sq m/month (cities of 50,000-100,000 pop.).

Prime rents reach 25-30 Euro/sq m/month in Cluj-Napoca and Timisoara, while the highest levels in Romania are found in Bucharest, where dominant schemes account for prime rents of 55-65 Euro/sq m/month (100-200 sq m units).

### SHOPPING CENTRES PRIME RENTS* (Euro/sq m/mth.)




The local market has continued to attract new international retailers in 2014, coming from fashion (Mohito, Brooks Brothers), sport (New Balance, Vans), accessories (Claire's), health & beauty (Inglot), children's products (Maxi Toys), furniture (Ethan Allen) and coffee (Kahve Dunyasi).

Other international retailers are preparing to enter / re-enter the local market in 2015, including sport (Decimas, Sport Vision, Sportisimo), fashion (Marc Cain, Debenhams), fast-food (Burger King) and others (Pepco, Kiehl's).

## RETAIL WAREHOUSING

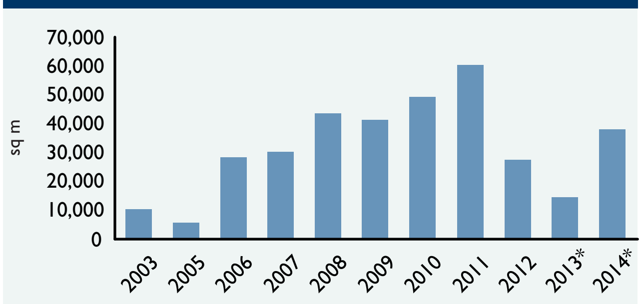
Retail warehousing fundamentals improved last year, with increases in both supply and demand, while rents and yields maintained stable.

A new supply of 38,800 sq m GLA was delivered in 2014 (+160% y/y), increasing the existing retail park stock to 341,500 sq m GLA. Two new schemes were opened (Vulcan-Bucharest, NEPI-Vaslui) and one extension (Electroputere Parc-Craiova). Vulcan Value Center is the largest retail park delivered in Romania during the last five years, having 25,000 sq m GLA and anchors such as Carrefour, H&M, C&A, Takko, Hervis, JYSK and Lem's. The scheme was opened by NEPI that was responsible for 64% of the new retail park stock delivered during the last two years.

The market developed also with new stand-alone units, including hypermarkets (Kaufland - 13 units), discounters (Lidl - 16; Penny Market - 14) and DIY's (Dedeman - 4; Leroy Merlin - 1).

OBI and Interex's closure has increased availability and opportunity for other tenants to expand: five of the OBI boxes have been taken-over by the Greek children products' retailer Jumbo, while part of Interex units have been re-leased to Praktiker and Carrefour's new discounter format Supeco.

### RETAIL PARK DEVELOPMENT - NEW SUPPLY/ YEAR




* incl. small schemes < 5,000 sq m

### VULCAN VALUE CENTER, BUCHAREST

| RETAIL WAREHOUSE, AVERAGE RENTS (€/sq m/mth.) | | |
|---|---|---|
| UNIT | BUCHAREST | MAIN CITIES |
| Hypermarket | 7 - 9 | 6 - 8 |
| DIY | 6 - 8 | 5.5 - 7.5 |
| Furniture | 5 - 7 | 4 - 6 |

Retail warehousing rents have maintained relatively stable, with the average levels for units above 1,000-2,000 sq m being placed at approx. 5 - 8 Euro/sq m/month.

DIY's rental levels witnessed however a 10-15% downward adjustment following the significant movements that took placed locally in 2015 and determined an increase of vacancy and rental renegotiations.

## CASH & CARRY

No cash & carry was opened last year, with both Metro and Selgros preferring to consolidate operations rather than to expand during the last 3 years. Metro closed one small unit (Metro Punct Pitesti) and affiliated further local groceries to their proximity chain LaDoiPasi, while Selgros continued to refurbish the existing units.

The market includes 50 cash&carry units, out of which 31 Metro (incl. 5 Metro Punct) and 19 units of Selgros.

## HYPERMARKETS

Hypermarkets accelerated expansion last year, with 16 new units being opened as compared to 11 deliveries in 2013. Kaufland opened 13 units, while Carrefour expanded by 2 units and Auchan made a single opening.

The sector reached a total of 177 units at year-end, out of which 58% are operated by Kaufland (102 units). The 2nd largest chain is Auchan (32 units), followed by Carrefour (27) and Cora (12). Real operates today only 4 units that were not included in the 2012 portfolio sale to Auchan.

Kaufland, Auchan and Carrefour announced further new openings in 2015, with most deliveries to be done again by Kaufland. Cora has stopped expansion since last year, following unsatisfactory performance outside Bucharest and a change in strategy.

Development focus remains on large cities, with the highest activity being found in Bucharest, where 6 new units were opened last year and another 5 are planned for 2015-2016.

## SUPERMARKETS

Supermarket development continued at a rapid pace, with the four international operators opening 218 units (-4% y/y) last year, out of which 127 medium-large units and 91 proximity stores. The largest expansion was that of Mega Image (114 new openings) and Profi (71), followed by Carrefour (~27) and Billa (6).

Mega Image, part of Belgium group Delhaize, operates the largest chain in Romania with 410 units (200 Mega Image; 208 Shop&Go; 2 niche units). The operator is focused on Bucharest, where there are located most of its units and it has a dominant position.

Profi reached a 275-unit chain at year-end, out of which 85% was opened during the last 5 years, after the retailer was purchased by a Polish fund. The chain has a national coverage, being present in cities of above 5,000 people.

Carrefour expanded its network to 144 units, including Carrefour Market (91 units), Carrefour Express (46) and the newest format dedicated to rural areas, Carrefour Contact (7).

Billa, the 1st international supermarket to enter Romania 15 years ago, reduced its expansion to just 6 openings in 2014, while rumors of a possible local sale appeared in the press. The Austrian chain reached 85 units in Romania at year-end, with most of them being located in cities of above 120,000 inhabitants.

| MAJOR FOOD OPERATORS | | | |
|---|---|---|---|
| RETAILER | SECTOR | 2014 OPENINGS | TOTAL UNITS |
| Metro & Metro Punct | Cash & Carry | - | 31 |
| Selgros | Cash & Carry | - | 19 |
| TOTAL CASH & CARRY | | - | 50 |
| Auchan | Hypermarket | 1 | 32 |
| Carrefour | Hypermarket | 2 | 27 |
| Cora | Hypermarket | - | 12 |
| Real | Hypermarket | - | 4 |
| Kaufland | Hypermarket | 13 | 102 |
| TOTAL HYPERMARKET | | 16 | 177 |
| Profi | Supermarket | 71 | 275 |
| Mega Image + Shop&Go | Supermarket | 114 | 410 |
| Carrefour (multi formats) | Supermarket | ~27 | 144 |
| Billa | Supermarket | 6 | 85 |
| TOTAL SUPERMARKET | | 218 | 914 |
| Lidl | Discounter | 16 | 184 |
| Penny Market & XXL | Discounter | 14 | 171 |
| Supeco | Discounter | 3 | 3 |
| TOTAL DISCOUNTERS | | 33 | 358 |

## DISCOUNTERS

Food discounters opened 33 units last year (+18% y/y), including 16 units of Lidl, 14 Penny Market and the first 3 units opened in Romania under Carrefour's Supeco format.

Romania reached a total of 358 food discount units at year-end, with the German retailers Lidl (184 units) and Penny Market (171 units) sharing almost the entire market among them.

Carrefour entered the sector last year through Supeco, described as a mix of discounter and cash&carry. The first 3 units, each above 1,500 sq m sales area, were opened in former Interex stand-alone units placed in Ramnicu Valcea, Targoviste and Slatina.

## DIY

The DIY sector witnessed major movements last year that will lead to a market consolidation and a lower number of competitors. bauMax and OBI have left the local market, while Praktiker, the 2nd largest DIY chain in Romania, was sold to a private Turkish investor.

Dedeman continued its spectacular expansion with four new units being opened in 2014. The company is today the largest DIY operator in Romania with 40 units, out of which 70% were opened after 2008, when most other competitors stopped expansion.

Praktiker sold its local 27-unit chain to a Turkish investor that will continue the operation under Praktiker brand and plans to restructure the company after sales dropped by 55% from 2008. Expansion was restarted with a 4,000 sq m unit opened in Targu Jiu, thus the network increased to 28 units at year-end.

Kingfisher started to transform the 15-unit Bricostore chain they bought back in 2013 to BricoDepot format, focused on fewer products with discounted prices. First stores were re-branded in 2014, with the process following to be completed in 2015. A medium-term target to reach 50 units has been also announced.

Leroy Merlin acquired last year the 15-unit local chain of bauMax and opened one new unit of 12,000 sq m in Electroputere Parc Craiova. Leroy Merlin ended the year with 16 units (one bauMax to be closed / sold) and became the 3rd largest DIY player in Romania.

DIY sector recorded the opening of 7 new units in 2014, however other 8 units were closed, most operated previously by OBI.

The sector included at the end of the year a number of 123 units: Dedeman (40 units), Praktiker (28), Leroy Merlin (16), BricoDepot (15), Ambient (12), Hornbach (5), Mr.Bricolage (3) and Tekzen (4).

## FURNITURE

The furniture sector did not see important changes last year, with most operators searching mainly to improve the performance of the existing stores, rather than to expand. Sales continued an upward trend they have started from 2012, providing optimism for a restart in development on medium-term, especially as important locations are still underdeveloped on medium-large formats.

No large units were opened, with none of the retailers with such formats (Mobexpert, Ikea, Kika) having restarted expansion.

Casa Rusu and Lem's, the most active operators in recent years, slowed their expansion at just 6 openings last year, as compared with 26 units opened in 2013. Casa Rusu opened 2 units (Pitesti, Bucharest), while Lem's opened 4 units, out of which the largest of 2,000 sq m as part of Vulcan Value Center in Bucharest.

## OUTLET CENTRES

No changes were recorded on the outlet market, with Fashion House Bucharest being still the single dedicated outlet centre in the entire country.

Fashion House celebrated 6 years since it was opened by Liebrecht & wooD on the A1 Motorway entry from western Bucharest, as part of West Park (Hornbach, Kika, Proges, Domo). The outlet has 11,000 sq m GLA and includes tenants such as Nike, Adidas, Champion, Diesel, Mango, Levi's, Ecco, US Polo and the newly-opened Guess. An additional area of 9,500 sq m is waiting to secure tenants in order to open as phase 2.

Liebrecht&wooD is planning to start the construction of a similar project in 2016 in eastern Bucharest, on A2 Motorway. Cernica Park is planned to include an outlet of 17,500 sq m GLA and a retail park section, however no pre-lettings were announced yet.

FASHION HOUSE OUTLET, BUCHAREST

## HIGH STREET

High street retail witnessed further adjustments to the new market conditions, with the evolution of each area being now influenced by its true performance (footfall, sales) rather than less factual criteria (image, medium-term potential) that dominated the sector during the banks booming expansion experienced before 2009.

Most locations have recorded a stable evolution, others such as Bucharest's high street (Magheru & Calea Victoriei) saw further decreases of rents due to the high availability and low demand. Constanta's Stefan cel Mare Street lost its high street profile in the last years, being affected by the opening of new modern shopping centres.

Demand for high street units remained at limited volumes, with most international retailers remaining almost exclusively focused on the shopping centre stock as prime high street opportunities are rare. There has been witnessed an increased demand for prime locations with excellent exposure to high levels of footfall.

International supermarket operators provided the highest demand, with over 218 units being opened by Mega Image/Shop&Go, Profi and Carrefour Market/Express. Important demand came also from pharmacies / drugstores, casinos, mobile phone operators and restaurants & coffee shops.

The banking sector, the former main growth engine and still main occupier of prime locations, continued in 2014 to close units and renegotiate rents. Its evolution continues to have an important impact on the high street rents.

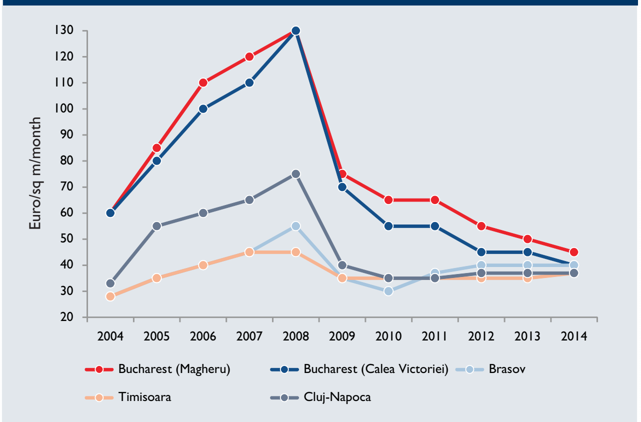
Bucharest's historical city center strengthen its profile as the main free time destination, while its heart Lipscani Street made further steps into becoming a proper pedestrian high street avenue after the opening of H&M and Carturesti Bookstore, along with planned entry of other international / domestic brands.

Magheru Boulevard in Bucharest witnessed an additional 10% decrease of average rents that reached 45 Euro/sq m/month, however remaining the most expensive high street in Romania. The current level represents only 35% of the 2008 record (130 Euro/sq m/mth.) and is one of the lowest in CEE, especially as compared to Warsaw-Chmielna (85 Euro/sq m/mth.), Budapest-Vaci Utca (95) and Prague-Na Prikope (185).

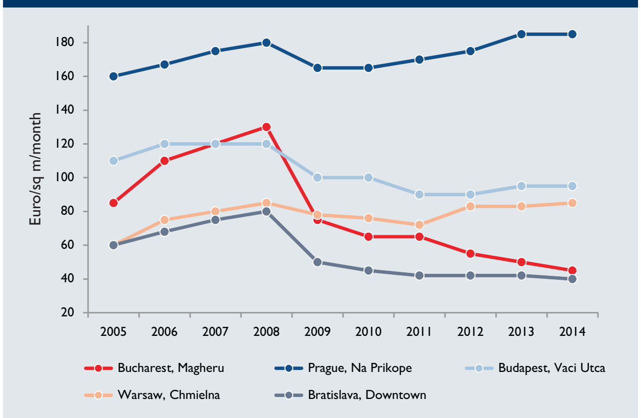
High street rents maintained stable across most locations, with 40 Euro/sq m/month for 100-200 sq m units in Brasov (Republicii Street), 35-37 Euro/sq m/month in Cluj-Napoca/Timisoara and 20-30 Euro/sq m/month in other cities of above 150,000 inhabitants.

### H&M ON LIPSCANI STREET, BUCHAREST


### ROMANIA HIGH STREET RENTS




### HIGH STREET RENTS IN CEE CAPITALS



# OFFICE MARKET

The office sector witnessed further improvements last year, with an increase in demand, a more dynamic development pipeline and higher investment volumes, while rental levels maintained stable across the main locations.

Office development saw an evident increase from the second half of the year in Bucharest, with some major projects being started and preparing to boost new supply in the coming years. However, the new volume of 118,765 sq m GLA completed last year remained at the same level as in 2013 and marked the 5th consecutive year with a new supply of below 150,000 sq m.

Five major projects were delivered, including the first buildings developed in Romania by Skanska (Green Court; 19,500 sq m), S Group (Green Gate; 27,500 sq m) and Atenor (Hermes Campus; 18,020 sq m), while AFI Europe completed two new buildings in AFI Park (24,400 sq m).

Bucharest's reached an office stock of 2,111,240 sq m GLA at year-end. The current density of 1,121 sq m / 1,000 inhabitants continues to be much lower than in other CEE Capitals that accounts for levels of 1,800 - 2,500 sqm / 1,000 inhabitants.

OFFICE STOCK IN CEE CAPITALS, END 2014

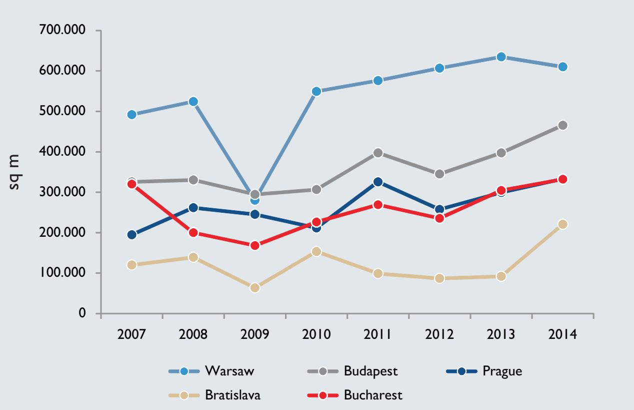
| CITY | GLA (SQ M) | GLA / 1,000 POP. (SQ M) | VACANCY (%) |
|---|---|---|---|
| Warsaw | 4,391,902 | 2,547 | 13.3% |
| Prague | 3,035,899 | 2,424 | 15.3% |
| Budapest | 3,238,181 | 1,856 | 16.2% |
| Bucharest | 2,111,240 | 1,121 | 12.1% |
| Bratislava | 1,537,963 | 3,685 | 11.2% |

Cluj-Napoca saw the highest activity outside Bucharest and consolidated as the 2nd major office location in Romania after the delivery of 33,400 sq m GLA in 2014 and a 30% y/y increase of total stock to 150,000 sq m. Few major completions took place in other cities, including Trade Center (Oradea), Pitesti Business Center (Pitesti) and Coresi's extension (Brasov).

Demand levels increased further in 2014, fueled by the economic growth and especially by the steady expansion of the IT&C, BPO and SSC sectors across the main office centres (Bucharest, Cluj-Napoca, Timisoara, Iasi, Brasov).

Office take-up increased by 9% in Bucharest to 332,000 sq m GLA, a level close to the record-high of 2007. There were recorded 226 major deals, corresponding to a 7% increase from 2013.

OFFICE TAKE-UP IN CEE CAPITALS




Bucharest's take-up was similar with Prague (333,050 sq m) and above Bratislava (220,795 sq m), while being exceeded by the volumes recorded in Budapest (465,600 sq m) and Warsaw (609,910 sq m).

Take-up's source came from new leases (34%), renewals (27%) and pre-leases (25%), while expansions accounted for 13% of annual leases. New leases were 70% represented by relocations, especially from the non-competitive stock, and 30% by new demand that included some important entries of Kellogg and DB Schenker.

Pre-leases recorded the highest growth, from 8% of take-up in 2013 to 25% last year, following three large deals made by the main telecommunications operators: Telekom (25,000 sq m in Globalworth Campus), Vodafone (16,000 sq m in Bucharest One) and Orange (13,700 sq m in Green Court).

Demand increased also outside Bucharest, with almost half of the take-up being done by the IT&C sector that continues to record two-digit annual increases in turnover and number of employees.

FLOREASCA PARK, BUCHAREST

Cluj-Napoca witnessed a record take-up of 40,000 sq m, representing 25% of the existing office stock and providing high occupancy for the new projects delivered. The city sees today a spectacular office expansion, turning into a major European IT hub, along with some major service centres opend by E.ON, Bombardier, Genpact etc.

Timisoara, the 3rd major office location in Romania, accounted for 11,500 sq m of take-up, the largest deal being Continental's pre-lease of 5,800 sq m in Optica Business Park.

Bucharest's office vacancy decreased from 13.5% (end 2013) to 12.1% (end 2014), being one of the lowest among CEE Capitals. Most of the new buildings delivered in 2014 secured a high occupancy, however approximately 20% of the new stock was vacant at the end of the year.

Office rents maintained stable across all the main locations. Bucharest's CBD recorded prime levels of 17-19 Euro/sq m/month and secondary levels of 13-15 Euro/sq m/month, while for periphery locations the average level of rents was placed at 8-12 Euro/sq m/month. The lowest A-class rents of 6-8 Euro/sq m/month are found in Pipera area, where half of the existing stock is vacant.

Prime rents in Bucharest (19 Euro/sq m/month) are similar with the levels in Prague (19.5 Euro/sq m/mth.), while being lower than in Budapest (21 Euro/sq m/mth.) and the highest level in CEE that is recorded in Warsaw (25 Euro/sq m/mth.).

Outside Bucharest, prime office rents vary from around 12 Euro/sq m/month across the largest markets (Cluj-Napoca, Timisoara, Iasi), to around 10 Euro/sq m/month in Brasov / Constanta and 6-8 Euro/sq m/month in secondary cities such as Sibiu, Pitesti, Ploiesti and Bacau.

Developers become more active in 2014, preparing and starting important projects in Bucharest and other major locations. With financing becoming more accessible and take-up recording positive evolutions, development is announced to grow in 2015-2017.

A stock of 150,250 sq m GLA is announced for delivery in 2015 in Bucharest, however delays could reduce this volume to just half. Other 290,000 sq m GLA are announced for delivery in 2016, with 43% being already under construction (end 2014). Highest activity is found in Northern areas Barbu Vacarescu and D. Pompeiu.

Development had accelerated also outside Bucharest, with the pipeline stock announced for 2015 totaling 48,150 sq m in Cluj-Napoca, over 36,000 sq m in Iasi and 15,300 sq m in Timisoara, while a built-to-suit tower will be delivered in Targu Mures for E-ON.

### BUCHAREST - MAJOR DELIVERIES FOR 2015

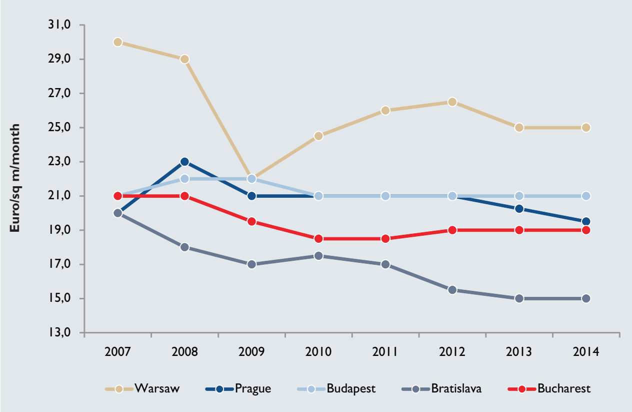
| PROJECT | DEVELOPER | AREA | GLA (SQ M) |
|---|---|---|---|
| Bucharest One | Globalworth | B.Vacarescu | 49,000 |
| AFI Park (building 4&5) | AFI Europe | West | 32,000 |
| City Offices | Globalworth | South | 21,050 |
| Green Court (phase 2) | Skanska | B.Vacarescu | 18,000 |

### 2015 DELIVERIES OUTSIDE BUCHAREST

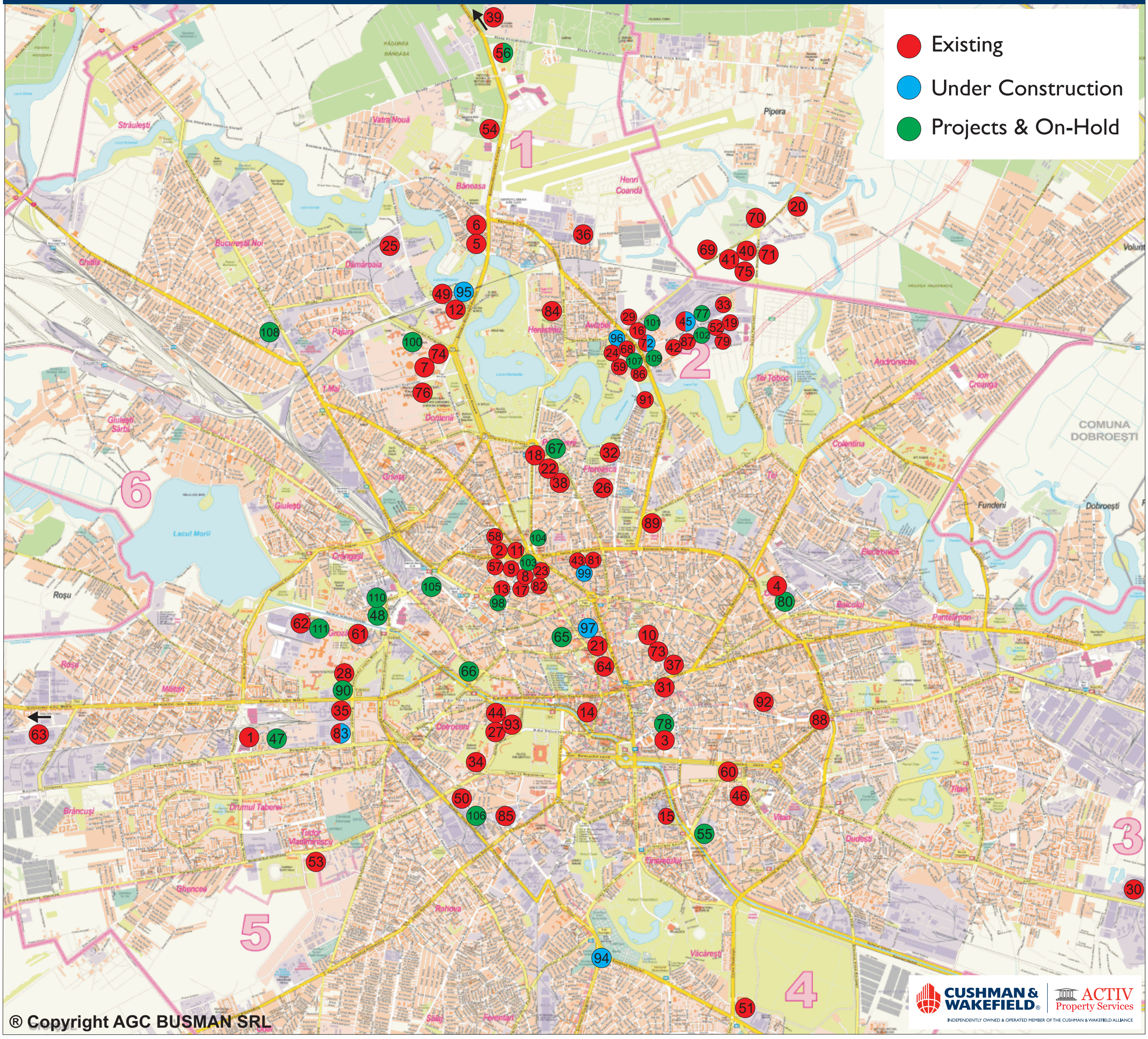
| PROJECT | DEVELOPER | CITY | GLA (SQ M) |
|---|---|---|---|
| The Office (phase 2) | NEPI / Sandor | Cluj-Napoca | 18,000 |
| United BC (building 5) | Iulius Grup | Iasi | 15,000 |
| Cluj Business Center | Felinvest | Cluj-Napoca | 11,800 |
| Moldova Center | Gh. Iaciu | Iasi | 11,600 |
| Liberty Park (phase 2) | Fribourg Devel. | Cluj-Napoca | 11,350 |
| City BC (phase 5) | NEPI / Sandor | Timisoara | 9,500 |

### OPTICA BUSINESS PARK, TIMISOARA

### OFFICE RENTAL LEVELS IN CEE CAPITALS



## BUCHAREST OFFICE MARKET, END 2014




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

# INDUSTRIAL MARKET

The industrial sector was characterized by a stable evolution throughout 2014, with improvements in demand and incipient signs for a comeback of speculative development, while rental levels and yields maintained unchanged.

Bucharest and Timisoara continued to be the main industrial markets in Romania, accounting for the highest volumes of stock, take-up and developers / investors activity.

Take-up volumes increased by up to 50% last year, however, with only 300,000 sq m of major deals registered across the main locations, the occupier market is still considered below the potential. Bucharest accounted for 112,000 sq m of major leases (+30% y/y), while Timisoara witnessed a 136% year/year boost to 94,500 sq m following some major pre-lease agreements.

Demand came especially for warehousing areas, accounting for 70% of take-up and including some major renewals (Unilever, Carrefour, Geodis Calberson, DB Schenker) and new leases of Continental Tyres, Rhenus Logistics and E van Wijk.

The main manufacturing leases of last year were BTS agreements signed by TT Electronics (20,000 sq m) and Elster Rometrics (7,000 sq m) in Timisoara, Yazaki (16,000 sq m) in Braila and Grupo Roquet (7,250 sq m) in Ploiesti.

Delivery of new speculative supply remained at very low volumes for the 6th consecutive year, with the stock increasing by only 3,000 sq m in Bucharest, by 10,000 sq m in Timisoara (VGP's phase 3), by 12,000 sq m in Iasi (Solo Logistics Park) and 27,720 sq m in Ploiesti (WDP's 1st phase; Ploiesti West's extension). Development maintained its dependancy on built-to-suit agreements, with developers remaining very prudent about speculative approach.

Vacancy reduced further due to the lack of new supply, reaching 8% in Bucharest and below 5% for Timisoara's prime stock.

## 2014 LARGEST INDUSTRIAL LEASING DEALS

| TENANT | PROJECT | CITY | AREA (SQ M) |
|---|---|---|---|
| Continental Tyres | TAP | Timisoara | 45,360 |
| Unilever | Ploiesti West Park | Ploiesti | 27,000 |
| Geodis Calberson | ProLogis A1 | Bucharest | 25,430 |
| Carrefour | Deva Logistic Center | Deva | 20,700 |
| TT Electronics | Olympian Park | Timisoara | 20,000 |
| E Van Wijk | ProLogis A1 | Bucharest | 16,150 |
| Yazaki | WDP Park | Braila | 16,000 |

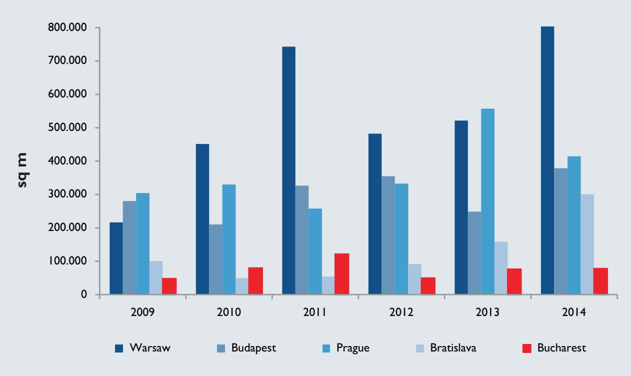
Industrial rents maintained stable across the main locations, accounting for a level of around 3.2 Euro/sq m/month (>5,000 sq m), compared with the average of 3.4-3.8 Euro/sq m/month in other CEE Capitals and Warsaw's record-high (5.5 Euro/sq m/mth.).

Development is expected to increase in 2015 as the availability is low and market fundamentals are improving. The highest activity is found in Timisoara, where a new stock of 65,360 sq m (100% pre-leased) was under construction at year-end.

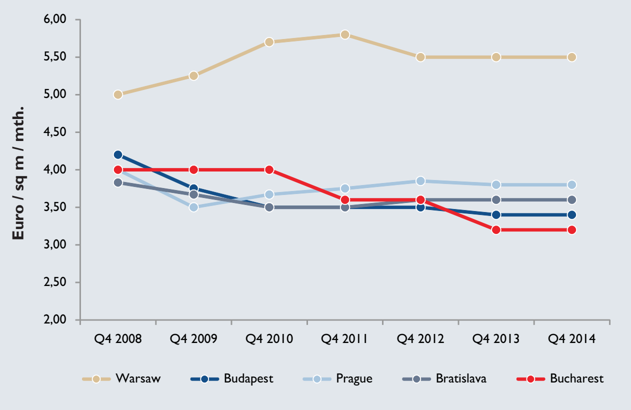
## CEE CAPITALS INDUSTRIAL FACTS, END 2014

| CITY | GLA (SQ M) | VACANCY (%) | RENT (EURO/SQM/MTH.) |
|---|---|---|---|
| Warsaw | 2,772,850 | 10.1% | 5.50 |
| Budapest | 1,855,580 | 15.7% | 3.40 |
| Prague | 1,891,000 | 6.4% | 3.80 |
| Bucharest | 977,690 | 8.0% | 3.20 |
| Bratislava | 852,240 | 2.9% | 3.60 |

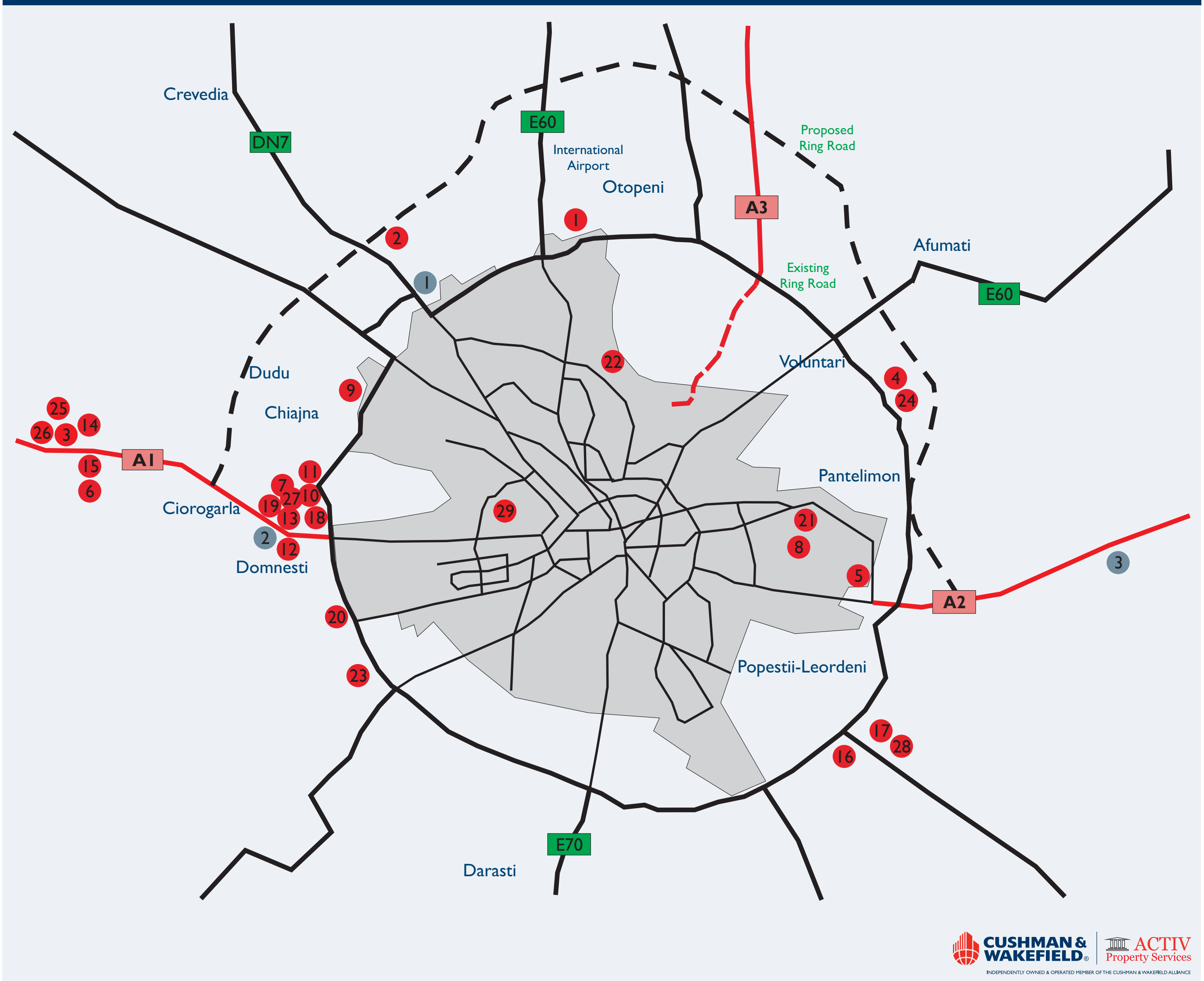
## CEE CAPITALS TAKE-UP




## CEE CAPITALS INDUSTRIAL RENTS



## BUCHAREST INDUSTRIAL MAP




### MAIN EXISTING DEVELOPMENTS

1. Karl Heinz Dietrech
2. Buftea Distribution Park
3. Bucharest Industrial Park
4. Log Center NELP
5. Apollo Logistic Park
6. Mobexpert Logistic Centre
7. A1 Business Park
8. Faur Industrial Park
9. Chitila Logistic Park
10. Otter Logistic Park
11. Key Logistic Center
12. Europolis Logistic Park
13. Bucharest West Industrial Park
14. Prologis Park
15. Mercury Logistic Park
16. Catalunya Industrial Park
17. Millennium Logistic Park
18. Phoenix Logistic Center
19. Equest Logistic Center
20. Domnesti Business Park
21. Rams Industrial Park
22. Atlas Center
23. Innovations Park
24. Pantelimon Logistic Center
25. H. Essers
26. KLG Europe
27. LIDL
28. Mega Image
29. Sema Parc

### MAIN PROJECTS

1. Log Center (former Bucharest Distribution Park)
2. Olympian Park Chiajna
3. WDP Fundulea

# RESIDENTIAL MARKET

Residential activity returned to a positive evolution last year, after five consecutive years of crisis characterized by a block in demand and development, collapsing of prices and high incertitude. Residential was one of the most affected real-estate sectors in Romania after 2008 and the latest to report signs of recovery.

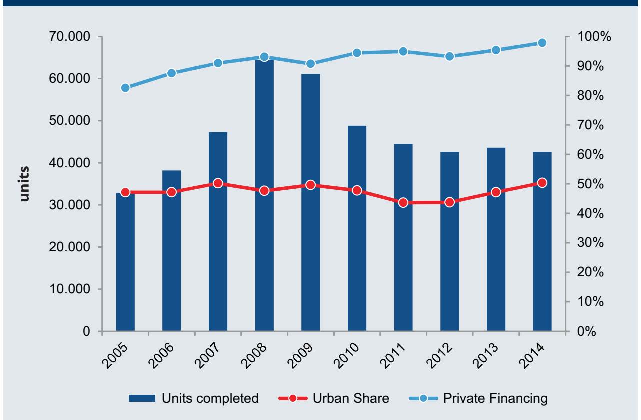
The economic growth and steady decreases of financing costs have finally produced effects in restoring people's confidence to access loans for residential acquisitions. Mortgages' annual interest rate decreased below 4% (ROBOR+2.5%) at the end of the year, providing the basis for a notable pick-up in demand and the improvement of the residential background. Effects were visible in Bucharest and regional Capitals with higher purchasing power such as Cluj-Napoca, Timisoara, Brasov and Sibiu, while in the rest of the country demand maintained stable.

A number of 42,589 dwellings were completed last year in Romania according with the National Institute of Statistics, representing a 2% year/year decrease. Annual increases were registered in the north-western area (+29% y/y) and the central area (+17%), while in Bucharest-Ilfov area the new supply maintained almost unchanged (8,331 units).

Urban representation increased to 50% of the new supply as a larger number of apartments were delivered last year, while private financing advanced to 98% of the new supply as only 923 dwellings (-55% y/y) were completed through public investments.

The number of construction permits decreased by 0.3% at national level, however accounting for a total net area that is 4.6% larger than in 2013. A larger number of permits were released in Bucharest-Ilfov area and north-western Romania.

NEW DWELLINGS SUPPLY IN ROMANIA



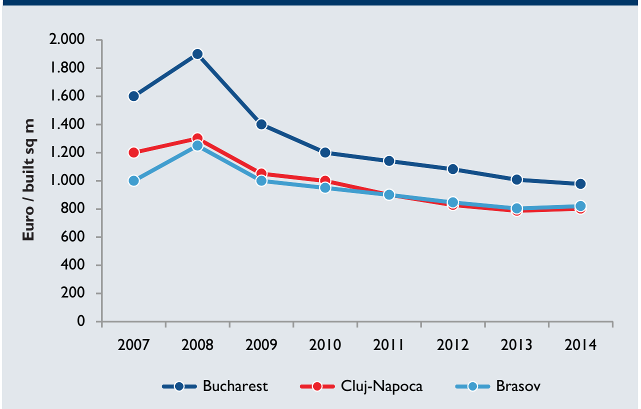

Source: National Institute of Statistics

Demand remained focused on the low-price segment where sales are helped by the 5% VAT and "Prima Casa" state programs, however there was witnessed a growth in demand for the other segments as well. Important demand came from the growing IT population represented by young employees (<40 years old) with above-medium incomes.

A number of 25,000 loans were granted through "Prima Casa" last year (+2% y/y), however the program's impact in total sales reduced as regular financing became affordable. The program reached a total of 130,000 loans granted since its launch in August 2009, out of which most are located in Bucharest (27%), Ilfov area (9%), Cluj County (7%), Timis County (6%), Iasi/Constanta counties (5% each).

Residential prices recorded an overall stable evolution last year, with 2-4% fluctuations in asking prices reported by Market Indicators for different major cities. Current prices are 40-55% lower than the peak recorded before the start of crisis (mid 2008).

AVERAGE PRICES OF SEMI-CENTRAL NEW APARTMENTS




Bucharest registered a marginal reduction of prices of 0-2% during the last year, accounting at year-end for average prices of 900 - 1,000 Euro/built sq m for semi-central new apartments and 750-850 Euro/built sq m for periphery new apartments. Low-price successful projects of apartments developed at the periphery's edge had prices of 600 - 800 Euro/built sq m.

In other major cities (Regional Capitals) prices saw a stable/up evolution last year, depending on the city, with the new semi-central apartments having average prices of 750-850 Euro/built sq m.

Residential investments witnessed an increase in volume last year as the average level of yields (6.5-7.25%) is attractive and prices are considered to have reached the bottom level from which their evolution will be upside.

# INVESTMENT MARKET

The Romanian investment market has finally seen a pick up last year, with both the number of deals and volumes increasing spectacularly, coupled with a growth in the number of investors.

The total investment volume jumped by 142% year/year, to 1.1 billion Euro, the 2nd highest annual volume in Romania after the 2007 record (Euro 1.9 billion). This is the 3rd highest volume in CEE in 2014, after Poland (Euro 3.2 bil.) and Czech Republic (Euro 2 bil.).

There were recorded 33 major transactions, an 83% increase compared to 2013, out of which 13 large deals (> 20 million Euro), 5 medium ones (10-20 mil. Euro) and 14 small ones (<10 mil. Euro).

Almost half of last year's total volume was represented by retail deals (45.1%), followed by office transactions (19.8%) and industrial (17.7%), while hotel and residential deals cumulated 17.4%.

INVESTMENT VOLUMES IN ROMANIA

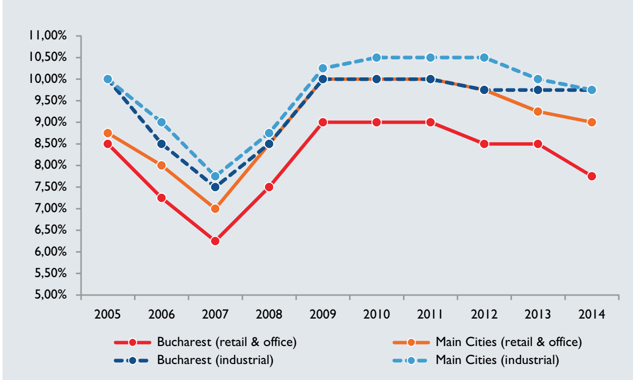

* Other: Hotel and Residential

Four buyers dominated the market, being responsible for acquisitions in total of 825.3 million Euro that represents 75% of the last year's annual volume. These buyers include NEPI and Globalworth, the two investment funds focused on the local market that made most prime acquisitions in the last years, along with Auchan that purchased a 12-unit portfolio of shopping centres and P3 (Point Park Properties) that entered Romania by purchasing the largest logistics park on the local market.

The other buyers invested mainly in small-size properties and came from various domains, including local investors, banks, companies from retail and industrial sectors purchasing properties for their own use, opportunistic investors etc.

Auchan's acquisition of a 12-unit shopping centre portfolio for 257 million Euro is the largest deal of 2014. There are convenience-type schemes located in cities of above 150,000 inhabitants, including each an Auchan hypermarket (former Real) and a shopping gallery.

YIELDS - YEAR END

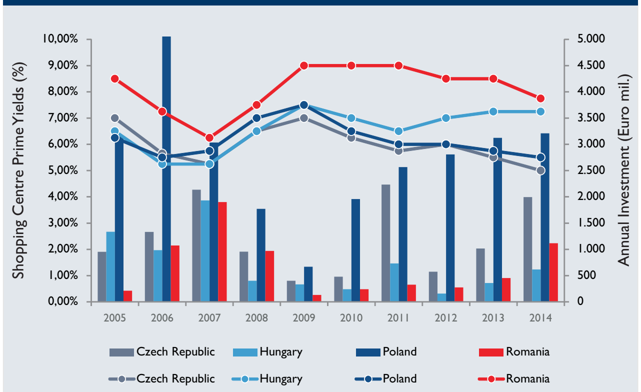



The sale of Promenada Mall in the end of the year had the largest impact on the local market. The 40,300 sq m GLA shopping centre is placed in Bucharest's new business district and was sold by Raiffeisen Evolution to NEPI for 148 million Euro and a yield of below 8%. This sale at a yield significantly lower than the market prime evidence, coupled with Green Court's 1st office building acquisition made by Globalworth, moved prime yields in Bucharest below 8% for the first time after 2008.

Shopping centre and office yields reached at the end of 2014 prime levels of 7.75% in Bucharest and 9.0-9.5% in regional capitals, while for secondary properties they are placed at 9.0-10.0% in Bucharest and 10.0-11.0% in regional capitals. For prime logistics properties yields maintained at 9.75-10.25% across the main locations.

The improvement in demand and higher interest from international funds is expected to further harden prime yields by 25-75 bps in 2015. This will reduce the gap to larger CEE markets such as Poland and Czech Republic to approximately 150-200 bps, while approaching yields levels in Hungary.

CEE INVESTMENT MARKET



# VALUATIONS SERVICES

Our Valuation & Advisory team, part of Cushman & Wakefield global network, 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.

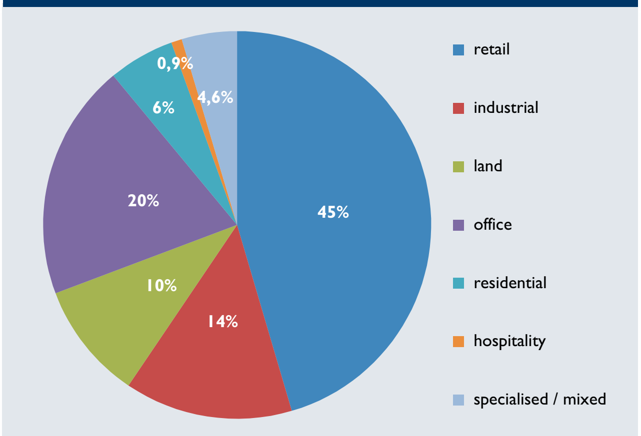
Our valuations are based on national ANEVAR, European and International Standards, IVS and RICS Red Book. Our team includes both RICS qualified Chartered Surveyors and locally trained ANEVAR professionals, enabling us to deliver according to the international standards, with an in depth knowledge of the local market conditions and statutory considerations.

We have extended both the business lines within our department as well as our coverage across Romania and the Republic of Moldova. We now have a better national coverage through the offices we run in Bucharest, Timisoara and Cluj-Napoca, as well as through our professional network.

As confirmation of reliability, during the previous year, we have received mandates to advice for real estate portfolio deals and we have increased the instructions for advisory work. Our expertise in the retail sector is also reflected by the great number of instructions we have received in this field. Our instructions over the last year exceeded an aggregated value of 2.2 billion Euro, exceeding the constant Market Value average over the past 5 years.

Our motivation is based on the desire to build on the close working relationship, founded on mutual confidence and respect, that we enjoy with the Client.

2014 - VALUATION BY SECTOR (% OF MARKET VALUES)




# OUR WEB SITES IN ROMANIA

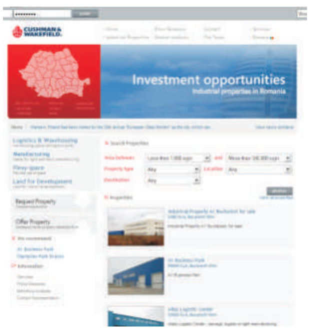
### WWW.ACTIVPROPERTYSERVICES.RO


Our general site provides an overview of our company and its strategic alliance with Cushman & Wakefield, our main service lines, market analysis reports along with direct links to the dedicated office and industrial sites.

### WWW. OFFICES-FOR-RENT.RO


The site includes a selection of office properties available for rent in Bucharest and in the largest cities throughout Romania, along with a market analysis section providing our latest reports and statistics.

### WWW.INDUSTRIAL-ROMANIA.RO




The site provides a wide selection of properties located as part of the most important industrial areas and logistics hubs in Romania, along with various sites available for real estate development.

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