THE ADVISERS
Prime Property

in association with Knight Frank

H1 2011

ROMANIA MARKET OVERVIEW

Review & outlook

HIGHLIGHTS

- The Bucharest office market saw increased activity in H1 2011, with take-up amounting to just over 140,000 sq m, 40% up on the same period of 2010. Prime office rents were broadly stable over the first six months of the year.
- Very little new supply came to the Romanian retail market during H1, although a number of major schemes are due for completion in H2. Rental levels in large modern shopping centers have stabilized.
- The take-up of class A industrial space in Bucharest improved modestly, reaching 61,500 sq m in H1. The industrial vacancy rate fell notably, to stand at just over 10% at the mid-year point.
- There was limited investment activity in H1 2011, though well-let prime assets remain in demand, particularly offices in Bucharest, retail big boxes and industrial parks. Prime office yields remained stable at 8.00-8.50% during the first half of the year.

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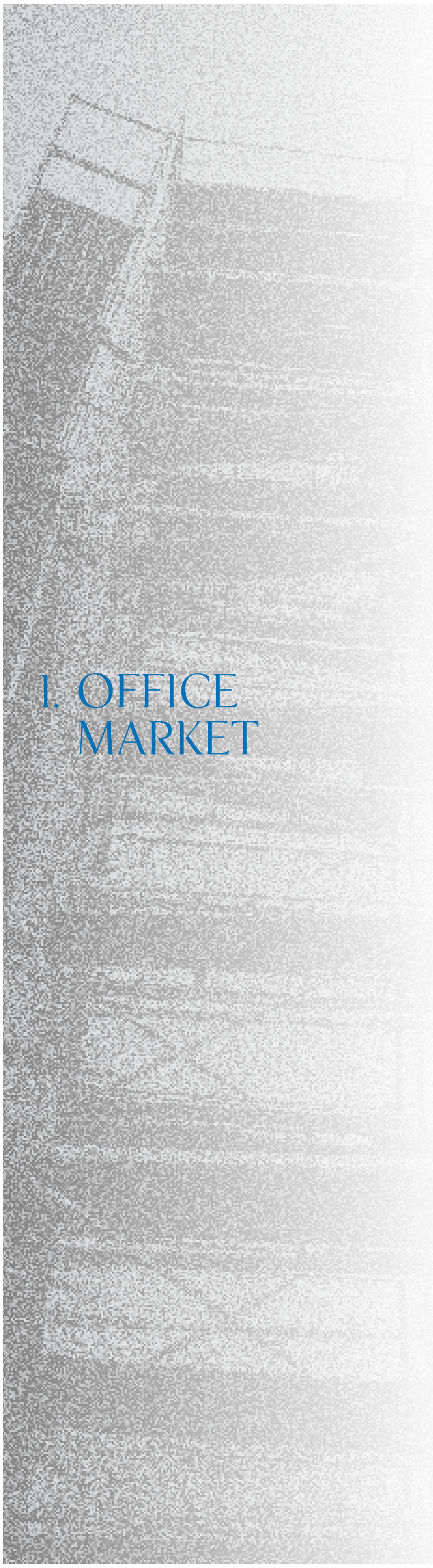


1. OFFICE MARKET

Activity in the Bucharest office market improved in the first half of 2011, as take-up was recorded at 140,000 sq m, an increase of 40% on the same period of 2010. Prime office rents were broadly stable, maintaining the same level that has been recorded during the last 12 months. The amount of new space brought to the market was at the lowest level seen in recent years, with only approximately 70,000 sq m of class A office premises delivered.

Supply

During the first half of 2011, two large class A developments were delivered to the market; Swan Business Park and Platinum Business & Convention Center, between them accounting for the vast majority of H1's new office supply. Additionally, two smaller buildings, of less than 5,000 sq m each, were delivered in the center of the city: Frumoasa Offices and Romana Offices.

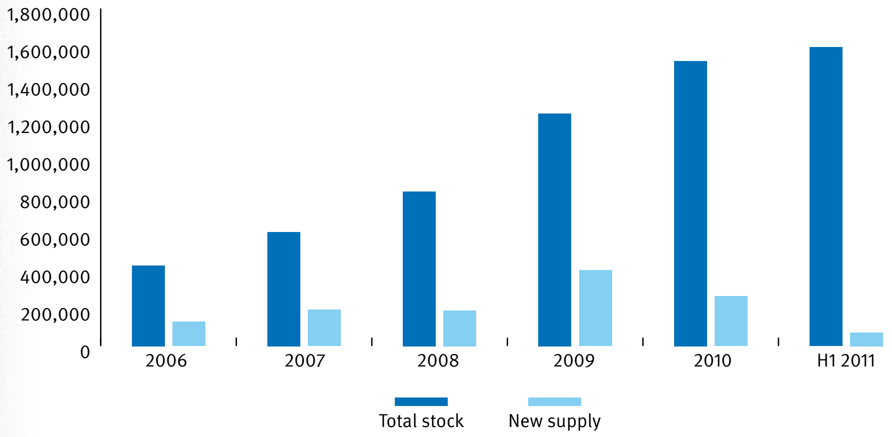
As a result of the new completions, the modern office stock in Bucharest reached 1.6 million sq m. Of the newly delivered space, over 90% is located outside of the prime business districts of the city, while only 7% of the new space was in the city center.

In comparison with the first half of last year, when almost 155,000 sq m of new space was brought to the market, the first half of this year has seen a significant decrease, of approximately 55%.

Despite there being a large number of projects announced for launch in 2011, only AFI Business Park began construction works in H1. The developer, AFI Europe started the first 11,000 sq m phase of their business park, adjacent to AFI Palace Cotroceni Mall, with an expected delivery date in summer 2012. The total project will consist of five office buildings, amounting to a leasable area of 70,000 sq m in five buildings.

Other large projects currently under construction are Sky Tower, developed by Raifeissen Evolution in the Calea Floreasca/ Barbu Vacarescu area (37,000 sq m GLA), the first phase of Hermes Business Campus (18,000 sq m GLA) developed by Atenor on

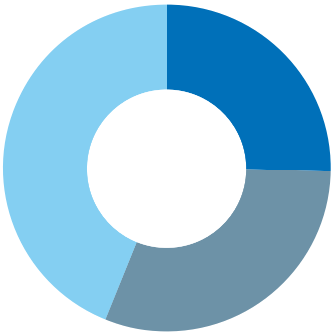
Figure 1
Evolution of office stock
sq m



Source: The Advisers/Knight Frank

Figure 2

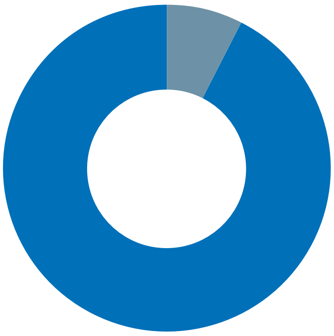
Office take-up by submarket



Source: The Advisers/Knight Frank

Figure 3

Office take-up by transaction type



Source: The Advisers/Knight Frank

A 44% SHARE OF BUCHAREST OFFICE TAKE-UP IN H1 2011 OCCURRED IN PERIPHERAL AREAS OF THE CITY

Dimitrie Pompei Boulevard and Expozitiei Project, developed by Bog'Art in the Free Press Square area (15,000 sq m GLA).

In addition to the above mentioned buildings, there are smaller projects under construction in prime locations throughout the city. These include Monolit Offices and Aviatorilor Offices in the Charles de Gaulle area and Barbu Vacarescu Offices in the center-north business district of the city.

The new projects place greater emphasis on concept design and on having the latest generation technical specification.

Demand

Over 140,000 sq m were leased in the first half of the year. This was a 40% increase compared with the same period last year.

Table 1

Office take-up (sq m)

Q1 2011	50,433
Q2 2011	90,140
H1 2011 Total	140,573

Source: The Advisers/Knight Frank

New demand represented over 90% of the total amount leased, while renegotiations and expansions accounted for the remainder. There were two main contributing factors for this.

Firstly, healthcare providers were highly active in the market during H1, leasing office buildings to achieve their plans for expansion in the local market, which include new hospitals and large clinics requiring surfaces of between 8,000 and 10,000 sq m, or even more in some cases. Their requirements accounted for approximately 30% of the total take-up.

Secondly, most of the lease renewals during 2009 and 2010 were signed for a short term. Following the stabilization of the economy, tenants have begun to look at better buildings, being able to take on relocation costs.

Due to the amount of currently available space, no pre-leases were signed in the market. In some cases, large leases were signed for buildings that were almost completed but not yet delivered; however, these do not constitute "true" pre-leases, as the space was nearly ready for tenancy.

In contrast to last year, when the central and semi-central areas of the city saw the highest take-up, the largest share of take-up in the first half of 2011 occurred in peripheral areas, with 44% of activity. The determining factor in this shift was a number of large scale requirements from tenants, who were unable to find the necessary space in the city center. Furthermore, these tenants benefited from more flexible landlords and lower costs, due to the high existing vacancy rates in buildings located on the outskirts of Bucharest.

Barbu Vacarescu Offices with 2,100 sq m GLA, to be delivered in H2 2011 in the center north of Bucharest

The location and accessibility to public transport in a given area, together with the quality of the building and the experience of the landlord, are key elements in determining vacancy.

Although the periphery attracted a large share take-up in H1, we anticipate that the majority of future demand will be concentrated in the center and semi-center, following the trend of the previous two years, with most tenants opting for buildings with good visibility and easy accessibility to public transport.

In terms of major tenants, besides the already-mentioned healthcare providers, other active industries were banking/finance and IT&C.

Vacancy

Given the lack of new deliveries, the first half of the year witnessed a decrease in the vacancy rate in Bucharest. Currently, we estimate that the average level of unoccupied space in prime locations is below 10%, while secondary areas have an average of over 20%. The lowest vacancy rate can be found in the Calea-Floreasca/Barbu Vacarescu area, at below 5%. The majority of available space here is from companies wishing to sublease.

Rents

Rents have not experienced significant fluctuations this year. Current values are at similar levels to those registered at the middle of 2010. The average level of the service charge for a class A building remained at approximately €4/sq m/month.

Table 2
Net effective rents (€ per sq m per month)

Central	Semi-Central	Peripheral
15-17	13-15	9-11

Source: The Advisers/Knight Frank

Forecast

The infrastructure projects which are currently under construction will significantly influence office leasing activity in some business districts. The Basarab Overpass, recently inaugurated, links the Grozavesti area to Victorei Square, thus improving access from the western part of the city to the central business district.

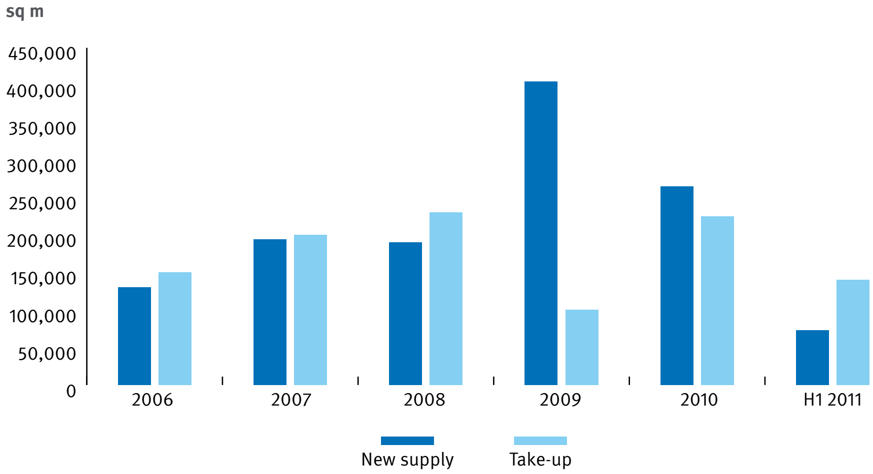
An important project under development is the Pipera Overpass, which will connect the Aurel Vlaicu area with the Pipera district. Once the overpass is delivered in 2012, it is expected that the vacancy rate in this area will decrease.

The downward trend in the delivery of new office premises to the market is expected to continue over the next 6 to 8 months, when approximately 50,000 sq m is scheduled to enter the market. However, less than 20% of this space is still available.

Only one large class A project is scheduled for completion this year in the central business district, namely Crystal Tower. Several other projects, such as North Point, Barbu Vacarescu Offices and Ghetarilor 15 will be delivered in other business districts.

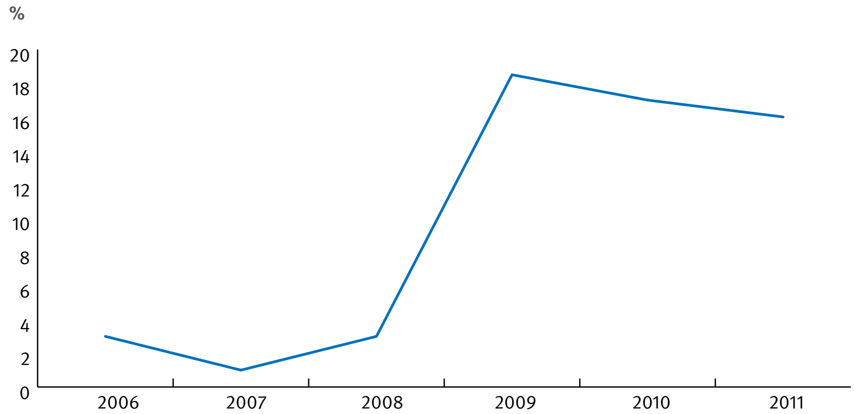
The only projects that will see completion in the following 12-18 months are those that are currently under construction, which will significantly reduce the supply of new premises during this time. Supplemental

Figure 4
New supply vs take-up



Source: The Advisers/Knight Frank

Figure 5
Office vacancy rate



Source: The Advisers/Knight Frank


AFI Business Park with 70,000 sq m GLA, to be developed by AFI Europe in the center west of Bucharest

WITH LIMITED NEW SUPPLY DUE FOR COMPLETION OVER THE NEXT 18 MONTHS, THE BUCHAREST OFFICE MARKET MAY SEE AN INCREASE IN PRE-LEASE ACTIVITY.

office space may become available from existing buildings in areas such as Charles de Gaulle Square and around Victoriei Square.

We estimate that take-up this year will pass the 200,000 sq m mark, reaching a similar total to that of last year.

Tenants continue to have a advantageous position in the market. However, in order to secure space for 2013/2014, tenants will need to start signing pre-leases because of the growing lack of available space. Given this, we anticipate that in the next 12 months, the office market will become one where pre-leases are increasingly common. In some locations, due to the limited supply, rents may see increases during the second half of 2012.

We estimate that the decrease in the amount of available space and the high level of take-up will cause a reduction in the average vacancy rate for prime locations.

As the market is expected to shift in favor of the landlords, in the second half of 2012 rents are likely to increase, especially for premises which benefit from good technical specifications, easy accessibility and public transport.

"Bucharest's office market has great potential. Bucharest has become a hub for IT and "high tech" companies which are growing and would like to further expand their operations in Romania due to the excellent work force available in these specific fields. This trend is in addition to the potential of companies moving offices currently located in residential apartments into business park projects and European companies planning to enter the expanding Romanian market. Rents are anticipated to rise due to the expected office demand and limited supply of new office projects to be inaugurated in 2012-2013." **Tal Roma – AFI Business Park Cotroceni**

"In good locations such as the Victoriei and Floreasca areas, the already low vacancy is going to drop further, with slight increases in rents expected, thus new projects in these areas will face a better situation than in the crisis years. I am quite positive that we will see more pre-leases in Bucharest. Projects in less preferred areas like Pipera will be able to decrease vacancy but probably still need to be quite flexible in rents and incentives. Of course everything depends on the development of the European economy and financial markets." **Bernhard Jost – Raiffeisen Evolution**

"There is a fundamental undersupply of well located, good quality office supply in Bucharest; Cascade Group will be happy to address this in the coming period." **Alex van Breemen – Cascade Group**

"The office market has certainly shown good signs of improvement from a gross take-up point of view and more interest is displayed, however there seems to be little, if any, net absorption and transaction times remain very long. This combined with global uncertainty and nervousness will likely continue to limit the market." **Sven Lemmes – AIG Lincoln Romania**

2. RETAIL MARKET

Supply

The first half of 2011 was uneventful with very little new supply coming to the market. The only deliveries were the extension of Promenada Braila, with 7,000 sq m, and the opening of the retail park anchored by Cora in Drobeta Turnu Severin, with a commercial gallery of approximately 5,000 sq m. This was one of the lowest levels of deliveries recorded in the short history of the modern Romanian retail market, showing that the market is recovering very slowly, resulting in only a slight increase in the total stock.

The second half of 2011 should be very different, with around seven retail schemes announced for delivery. However, while these projects have been announced as being due for completion in H2, the current status of their construction works suggests that some of these may be postponed until early 2012.

Table 3
Projects announced for completion in H2 2011

Project	City	Surface area
Baneasa Shopping City (extension)	Bucharest	20,000 sq m
Maritimo Shopping Center	Constanta	51,000 sq m
Palas	Iasi	48,000 sq m
Galleria	Arad	32,000 sq m
Oradea Shopping City	Oradea	30,000 sq m
Colosseum	Bucharest	53,000 sq m
Electroputere	Craiova	71,000 sq m

Source: The Advisers/Knight Frank

Swarovski store from Iulius Timisoara

Cora – Soseaua Alexandriei, Bucharest

Demand

The increase in retail sales turnover since the start of 2011 has encouraged more retailers to seek expansion of their chains of stores. This trend has been registered in almost all retail segments, though some exceptions have been accessories, children's retail, restaurants and fast food units. Also, small and medium-sized concepts have been affected by the presence of large formats developed by well-known international retailers.

With regards to price-positioning, the retailers who proved to be most successful in the first half of 2011 were those with either high or low prices, while the medium segment has met lower performances.

In addition to the large-sized retailers, which have been constantly looking to secure new locations, retailers with small and medium-sized concepts have also started to consider opening new units. The greatest interest has been in Bucharest, especially for space in shopping centers with proven performance, such as Baneasa Shopping City and Afi Palace Cotroceni.

Shopping centers that have regularly invested in marketing were able to increase visitor traffic and, subsequently, retailers' interest. In addition to the retailers already present in the market, several new names have entered the Romanian market, including New Look, Danza, Pandora, Rene Derhy and Mexx. Some other retailers have considered the current market leasing conditions as beneficial for experimenting with new concepts. For example, Global Eye Investments signed for a location of over 5,000 sq m in Afi Palace Cotroceni for a children's concept store, and for approximately 1,000 sq m in Baneasa Shopping City for a premium fashion concept, called Sport Couture.

Another trend that has generated transactions is the relocation or opening of new units by retailers present in the Bucharest high street market. The high level of rents on the high street for certain units, and the levels of turnover generated by such locations, have pushed names like Intersport, Gerard Darel, Stefanel, Manufaktura and Sushi-Ko to either relocate or open new stores within shopping centers.

Rents

The increased demand for space in shopping centers with proven track records has meant that the owners of such developments have become less flexible with leasing conditions, granting fewer incentives. However, new tenants have had the benefit of being able to occupy units that already had their fit-out partly done by the former occupants, resulting in lower costs to the new occupiers.

In Bucharest, a clear distinction has been established between the rental trends seen in differing shopping centers. The newest, larger shopping centers that have invested in marketing were able to obtain better leasing conditions in comparison with 2010. However, shopping centers with lower visitor traffic still have to be flexible on leasing terms.

In the rest of the country, leasing conditions depend on the local market situation. In cities such as Constanta or Arad, where there are already existing shopping centers, developers have to be more flexible in negotiating rents and granting incentives. However, in cities where there is little modern retail stock, developers can afford to make fewer compromises on leasing terms. As the performance of retailers in the rest of the country is lower in comparison with the capital city, most of the leasing terms for shopping centers outside Bucharest are based on turnover rents with low minimum guaranteed levels.

Forecast

With shopping center development at its lowest level in the last ten years, the expansion strategies of retailers are entirely dependent on new completions. Retailers can not have clear plans to enter a certain number of cities with a certain number of units, but instead have to analyze individual opportunities on a case-by-case basis as new projects are announced or begin development.

The crisis has created opportunities for retailers to enter existing shopping centers that had no vacancies in the past, and consequently, for the owners and managers of shopping centers to improve the tenant mix and replace poorly performing tenants.

As a measure to adapt to the new market circumstances, the scale of shopping center formats has been reduced, with many brands occupying smaller units than in the past.

The Romanian retail market continues to depend on international players, as local brands or the local partners of international brands have been affected by the crisis and do not have the financial strength to implement significant expansion plans.

High street

The highlight of H1 2011 was the opening of H&M on the ground floor of Unirea Shopping Center with direct access from the street. Together with Pull&Bear, Bershka, Zara and New Yorker, these openings have transformed

Unirea Shopping Center into a high street destination, thus contributing to new supply on the market. Apart from the occasional new office building with retail space on the ground floor, the Old City Center has also contributed to new supply with old buildings being renovated and other new projects in the pipeline.

H&M and Pull&Bear in Unirea Shopping Center were among the most notable new entrants on high street. The most active retailers in the first half of 2011 were food operators, pharmacies and banks. Most of the activity from banks is represented by relocations, but new openings are also starting to gain momentum.

Competition is high in the Old City Center and the strongest demand still comes from restaurants, bars and cafes. Due to lack of proper infrastructure, good space and powerful anchors, fashion retailers have avoided the area, with few exceptions.

Calea Victoriei remains the main point of interest for high fashion and luxury retailers and, although there were no large openings in the first half of the year, new entrants are announced for H2 2011.

Adidas Store – Lipscani Street

The trend of temporary stores has surfaced again in the market, with Puma opening an outlet in the former Eva Store location, a concept that has been popularized in the past by other retailers as well such as Elmec.

Rents have remained stable over the first half of the year, with slight decreases recorded in peripheral areas. While more usually found in shopping center leases, turnover rents are becoming more common in the high street market, with more landlords starting to accept percentage rents, but only with a minimum guaranteed fixed rent.

The only pedestrian high street area in Bucharest, the Old City Center, will continue to attract strong demand, although the end of the warm season could bring some moderation in terms of rents.

Overall, rents will remain stable and vacancies are likely to drop, especially in the central area.

"In the last two years, the size of the DIY market in Romania has decreased by around 40% and the main players have settled on promotions and discount campaigns in order to keep their business level.

"Construction and the real estate market were frozen, and many home improvement projects were postponed due to the coming of the 2009 recession.

"A positive result was felt in 2010 in the market by some players, especially through the opening of new units.

"Despite these tough times, new DIY units have been opened and other newcomers are expected to enter still. The crisis time created the opportunity to make good deals by buying land, yet the best locations are still very expensive." **Isabelle Pleska – Bricostore Romania**

"Due to the economic crisis, the retail market is turning in favor of consumers, meaning lower price mark-ups, promotional offers and smiling staff." **Cristinel Petrescu – Leroy Merlin**

3. INDUSTRIAL MARKET

Equest Logistic Center

Supply

The industrial sector was marked by a slow pace of new deliveries in H1 2011 and there are limited signs of new supply coming to the market in the second half of the year. The balance has shifted from Bucharest to cities like Ploiesti, Pitesti, Craiova, Timisoara and Cluj, where there has been a slight improvement in the demand for modern warehouses compared with last year. Timisoara and Ploiesti were the most active markets with almost 90,000 sq m delivered.

In Bucharest, we believe the stock will remain at 940,000 sq m until the end of the year as developers will remain unwilling to risk building on a speculative basis. Moreover, tenants are hesitant when it comes to signing pre-lease contracts, even if this type of contract could bring advantages in current market.

Demand

The Bucharest industrial market saw a modest recovery in H1, with the take-up of 61,500 sq m of class A space, almost 25% more than the total recorded during the same period of last year. The most active players in H1 were retailers, with approximately 20,000 sq m leased. Following retailers, logistics companies were also active with another 17,000 sq m leased.

Because the existing stock volume remained unchanged, the vacancy rate decreased significantly during H1, falling from 14% at the start of the year to just over 10% at the mid-year point.

Rents

Rents were relatively stable during the first half of 2011. The level of service charges remained unchanged, at between €0.50-0.95 per sq m, depending on the quality of services offered and the level of local property taxes.

Table 4
Industrial prime rental levels

Size (sq m)	€/sq m/month
‹3k sq m	4.00-4.30
3k-10k sq m	3.70-4.00
›10k sq m	3.40-3.70

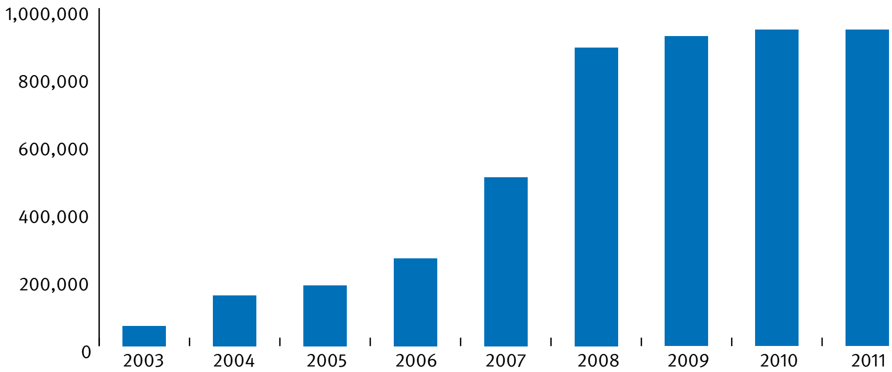
Source: The Advisers/Knight Frank

Forecast

We anticipate that the current trends will continue. We expect further development in areas away from Bucharest, as many companies are interested in opening manufacturing facilities in Romania and logistics companies are interested in widening their activities throughout the country.

Over the rest of 2011, we do not anticipate any new deliveries in Bucharest, with the

Figure 6
Bucharest industrial stock
sq m

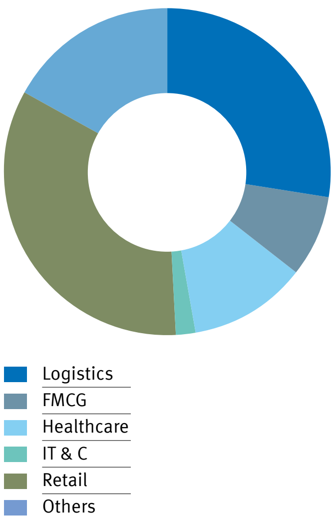


Source: The Advisers/Knight Frank

Figure 7
Bucharest industrial vacancy rate
%

Source: The Advisers/Knight Frank

Figure 8
Industrial take-up by sector
%



Source: The Advisers/Knight Frank

possible exception of projects built to suit if the need arises.

Rents and service charge are expected to remain stable throughout 2011.

We believe it is a good time for companies to rethink and implement strategies for expansion or relocation, to open new distribution centers/hubs in locations of operational and logistical interest, while taking advantage of the current conditions of the market.

There are good signs on the market that should see some increases in take-up; in the third quarter of the year alone we expect to see transactions of 35,000 sq m.

"We've seen a significant increase in interest from Western European occupiers in 2011, driven by the availability of high-quality industrial space and the increased investment in infrastructure which will give improved access to the West. This combined with a talented local workforce and a financial environment that favors the tenant, means that the towns of Brasov, Cluj, Timisoara, Constanta and Craiova will doubtless attract business." **Leslie Warren – Helios Phoenix**

"The logistics market had a positive evolution in 2011, despite the fact that there is a constant pressure from clients to reduce costs. In the future, this optimization trend will continue, and logistics providers will have to find innovative solutions to continue providing quality services." **Sergiu Iordache – DSV Solutions S.R.L.**

A MODEST IMPROVEMENT IN TAKE-UP AND LIMITED COMPLETIONS HELPED TO PUSH DOWN THE BUCHAREST INDUSTRIAL VACANCY RATE IN H1.

4. LAND MARKET

Land market activity during H1 2011 was characterized by stability, caution and buyers' focus on specific locations. Active buyers included end users such as retailers, gas stations, medical and manufacturing companies, as well as office developers. Speculative buyers have disappeared as it is increasingly difficult to predict the type of land that can generate profits in the short-to-medium term.

Demand is focused on particular locations such as, the Barbu Vacarescu/Calea Floreasca area, which is gradually becoming a prime business district of Bucharest. Due to the low vacancy rates of the existing office buildings, Floreasca Tower, Floreasca 169A, Nusco Tower, The Lakeview and Euro Tower, investors are interested in acquiring the remaining sites in this area.

A number of transactions were for retail sites in the larger cities of Romania. Kaufland, Cora, Dedeman and other retailers continued to capitalize on low land prices, acquiring sites in key locations which were unattainable during the boom years due to high prices. NEPI acquired a five hectare site suitable for a shopping center in Ploiesti adjacent to Carrefour, and a plot in Brasov, also near a Carrefour store. Many hypermarkets were aggressive in securing sites, while Dedeman was the most active DIY retailer, with their network reaching 24 stores. The Advisers/Knight Frank intermediated Dedeman's purchase of a site in Drobeta Turnu Severin.

A major market development in H1 2011 was the entry of new international players in search of prime sites. The potential buyers adopted a cautious approach during negotiations, taking longer to conclude terms than during the boom years. Due to tougher zoning conditions, the majority of buyers have requested building permits before closing transactions.

Despite a lack of activity in the market for residential sites, the interest of several residential developers has returned, albeit they want to enter into joint venture schemes with land owners rather than buy sites directly. On a related note, the purchase of the remaining shares of Adama by Immofinanz has dominated market headlines. Adama owns one of the largest portfolios of residential sites in Romania.

The low prices of agricultural land and forests attracted many foreign investors. To receive investor interest, agricultural plots need to exceed 1,000 hectares and have a compaction ratio above 90%. The type of soil and irrigation system largely determines the price. Presently there are two foreign companies among the ten biggest owners of agricultural plots in Romania.

After three years of decline, land prices stabilized in the semi-central and central areas of Bucharest. Decreases in land prices were only seen in locations outside of the city with poor infrastructure, with some areas declining to levels last seen in 2004.

Looking ahead we expect increased activity and a stabilization of prices over the coming months. The only plots that may see further decreases in prices are ones located at the periphery of cities.

"Land prices in Bucharest have become more tempered, even if, in comparison to other countries in the region, the seller is still favored. The budget proposed initially can be respected if the general constructor, developer or land owner assumes the risk to build (many times the price is paid a few years after a transaction)." **Cristinel Petrescu – Leroy Merlin**

Table 5
Average land prices by location (€ per sq m)

	Progresului	Timpuri Noi	Barbu Vacarescu/ Calea Floresca	Lujerului
2004	450-550	500-600	600-650	350-400
2008	1,200-1,500	1,200-1,500	1,400-1,600	800-900
2010-H1 2011	500-600	450-500	900-1,100	400-450

Source: The Advisers/Knight Frank

5. INVESTMENT MARKET

Floreasca Business Park, with 35,000 sq m GLA, delivered by Portland Trust in 2009 and sold at the end of 2010 to New Europe Property Investments

The improving economy brought increased stability to the real estate market in Bucharest in the first half of the year. Following the compression of yields in countries such as Poland and the Czech Republic, foreign investors paid more attention to the Romanian market and intensified negotiations for acquiring properties in all the major property sectors.

Demand is focused on assets with long term leases, sustainable rents and occupied by tenants with a strong covenant strength, as buyers adopt a more cautious approach. Target properties include office buildings located in the prime business districts of Bucharest, retail big boxes and industrial properties. Some sale and leaseback transactions have appeared on the market, originating from companies in different industries aiming to optimize their large real estate portfolios and increase liquidity.

The total volume of investments in H1 2011 was €75 million. Although included in our 2010 figures, the most significant move in the market was the regional acquisition of Europolis by CA Immo. Signed in 2010, the deal was closed at the beginning of 2011 and led to the creation of a major player, especially in the office segment, as CA Immo controls approximately 100,000 sq m in the capital city with buildings such as Bucharest Business Park, Opera Center I & II, Europe House and River Place.

Another Austrian company was involved in the largest transaction signed in H1 2011. Confident that the Romanian residential market still has room to grow, Immofinanz paid €42.4 million for the remaining 70% of Adama, thus becoming the sole owner of the company. Adama is one of the largest residential developers in Romania, with almost 30 projects under construction or in the planning stages throughout the country. With the exception of this transaction, other deals completed over the first half of the year were small-to-medium acquisitions.

Bluehouse continued to be active with the purchase of a Praktiker unit in Craiova from Omilos, for approximately €10 million. Furthermore, the Greek-based investor bought the Astoria Center office building for an additional €10 million.

One of the most active real estate investors in Romania, NEPI, made an important move and listed on the Bucharest Stock Exchange, thus showing confidence and its long term commitment to the local market. The South African based company is the first real estate investment fund to be listed in Bucharest. In Romania, NEPI owns Floreasca Business Park, European Retail Park Braila, Iris Shopping Center Pitesti, an office building in Brasov, along with other retail properties and land for development throughout the country.

Prime yields in H1 2011 remained at a similar level to those recorded in 2010. The sale of Floreasca Business Park at the end of last year set the benchmark for prime office yields at between 8% and 8.5%.

Table 6
Prime yields (%)

Offices	Retail	Industrial
8.00-8.50	9.00-9.50	9.50-10.50

Source: The Advisers/Knight Frank

We expect the market to be more active during the next six to nine months, with an increased number of transactions and rising investment volumes. Office properties located in the semi-center and center of Bucharest will be the most sought-after assets, followed by retail big boxes and landmark industrial parks. We expect yields to remain stable.


The Lakeview office building

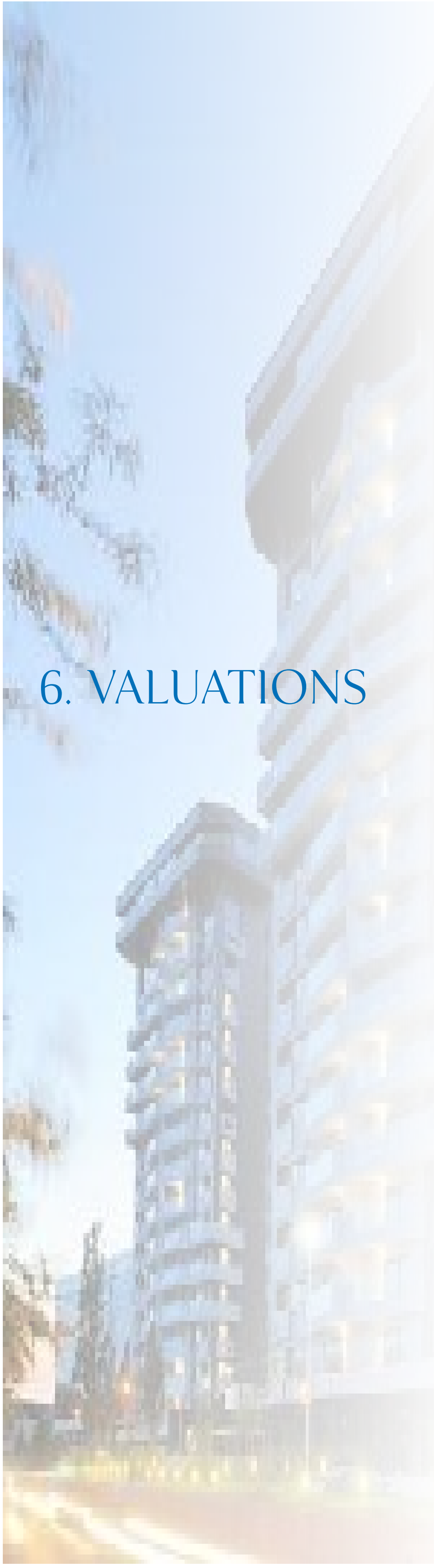
“The office segment has proven to be the most attractive for the investment market in Bucharest, driven by the high leasing take-up seen in the last semester. Investors are of course interested in prime assets, which must include good access to public transportation, and especially the subway system.

“The accessibility and other public facilities on-site were defined by a majority of companies as essential aspects when a relocation/consolidation decision had to be taken, it being extremely important for their employees and collaborators to benefit from an easy and feasible traffic solution, which reflects, after all, on the personnel’s satisfaction and performance level.

“We’ve closely watched the growth of two areas, Calea Floreasca/Barbu Vacarescu and Basarab/Grozavesti, which are becoming highly sought after. The latter has seen greatly improved access with the opening of the new Basarab Overpass, demonstrating that infrastructure is key to the development of potentially prime areas.” **Marian Roman – CA Immo Real Estate Management Romania SRL**

“Despite the current economic crisis that is being felt in the investment segment of real estate, quality products, built in accordance with international standards, leased to blue chip tenants, generating a solid NOI, and provided adequate financing, will attract institutional investors and encourage yields in a normal market. The problem is that we have too few of these products; Equest Logistic Center is surely one of the few.” **George Teleman – Equest Investments**

MAJOR INVESTORS RECENTLY ACTIVE IN THE ROMANIAN MARKET INCLUDE NEPI, CA IMMO AND IMMOFINANZ.



6. VALUATIONS

During the last three years, appraisers have struggled to perform valuations in uncertain market conditions. Having started to play an even more important role for both financial institutions and companies' financial reporting, the valuation profession needs robust and universal standards upon which it can rely. To date, 2011 has been an important year in this respect, with both IVSC and RICS launching new and improved standards, while ANEVAR has issued a set of local regulations for secured lending valuations.

In order to have a regulated conduct in performing appraisals for financial institutions, ANEVAR issued the local "Guide for Valuations of Real Property Interests for Secured Lending" in October 2010. This paper is designed for valuations occurring at different stages of the lending process, respectively throughout loan granting, for the annual or triennial revaluations according to NBR regulations, and includes recommendations for mass-valuations submissions.

During 2011 the main international bodies that set global standards for valuation published new versions of specific standards, most probably as a result of the need for technical guidance during the difficult market conditions felt internationally. Furthermore, worldwide consistency and credible valuation opinions are the main objective of these independent entities which create the profession's framework.

The IVSC recently published the 2011 "International Valuation Standards", having an effective application date as of 1 January 2012, although earlier adoption is encouraged. According to this publication, 'the standards, applications and guidance notes in the eighth edition published in 2007 are no longer applicable after 31 December 2011.' In Romania, this new version of the IVS should be officially assumed after a translated version is published by ANEVAR.

The 7th edition of the "RICS Valuation Standards", colloquially known as the Red Book, was issued in May 2011. It is an IVS compliant global version, stating that 'whilst the RICS standards are necessarily presented in a different way from IVS, the principles, objectives and defined terms are the same. Thus, RICS considers that a valuation that is undertaken in accordance with the Red Book will also be compliant with IVS'. The newly published RICS standards came into effect on 2 May 2011 and should be applied to all valuation reports issued on or after that date.

Good news also came from the local authorities in 2011, as UNEAR (The National Union of Authorized Romanian Valuers) was established. It is a legal entity regulated by law, meant to organize, coordinate and authorize valuation activity in Romania, as well as to represent the interests of the profession both locally and internationally.

These various new standards and regulations should create an improved framework for both valuers and customers alike.

Upground Residence, a 570 apartment project appraised by our valuation team in 2011 in association with

Americas
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Bermuda
Brazil
Canada
Caribbean
Chile

Australasia
Australia
New Zealand

Europe
UK
Austria
Belgium
Czech Republic
France
Germany
Hungary
Ireland
Italy
Monaco
Poland
Portugal
Romania
Russia
Spain
Switzerland
The Netherlands
Ukraine

Africa
Botswana
Kenya
Malawi
Nigeria
South Africa
Tanzania
Uganda
Zambia
Zimbabwe

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Cambodia
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