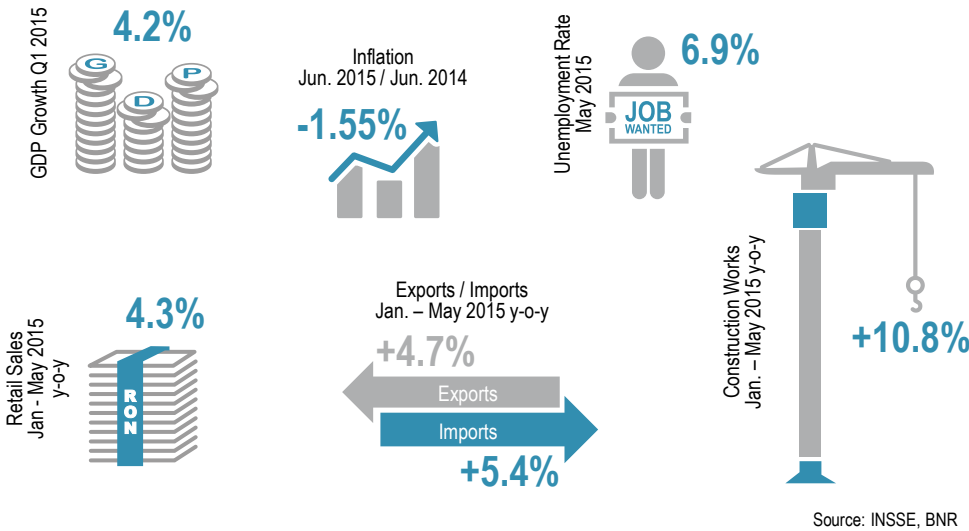


Bucharest City Report

Q2 2015



Economy



Macroeconomic Overview

Following 4 consecutive years of economic growth, GDP increased by 4.2% in Q1 2015, one of the highest values in the EU. The growing trend is expected to continue throughout the rest of 2015 when, according to JP Morgan reports, GDP will increase by 4.2%, fuelled mainly by increasing private consumption.

The National Bank of Romania decreased the monetary policy rate to 1.75%, the lowest level recorded. The exchange rate remained very stable over the quarter, oscillating between 4.41 and 4.48 RON for €1. Government debt decreased below 38.5% of GDP, the third lowest in the EU, while the estimated government deficit in 2014 was at 1.5% of GDP.

Investment Market

Coming off the back of an impressive 2014, when the total investment volume was approximately €1.15 billion, placing Romania amongst the top investment destinations within CEE after Poland and the Czech Republic, 2015 saw a relatively slow start. The property investment volume for the first half of the year is estimated at approximately €190 million, which is lower than in the same period of 2014.

We expect the total volume in 2015 to be around €800 million, based on the fact that a number of key office and industrial buildings within Romania are currently in advanced stages of negotiations.

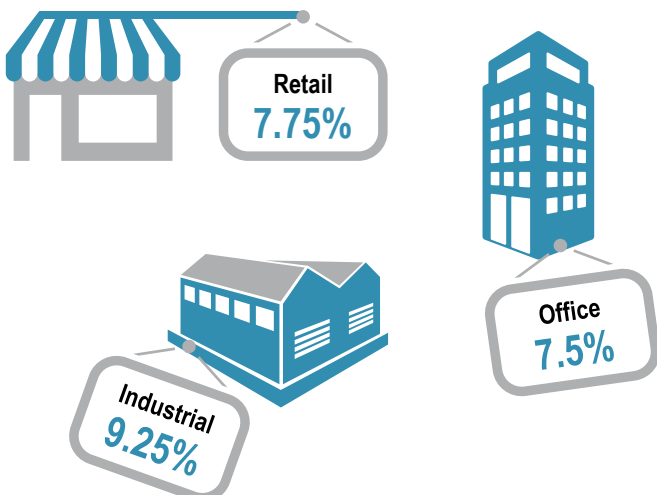
Investment Volumes



- Industrial
- Retail
- Industrial

Property	Price	Seller	Buyer	Agent
Cefin Arad	Conf.	Volksbank	CTP	JLL
Praktiker	€9 mil.	Bluehouse	Secure Property Dev. & Invest.	n/a
Phoenix Logistics Park	€7.5 mil	Aviva	Lonestar	JLL

Prime Yields



Investment Trends

Despite the favourable macroeconomic environment, there is still a major pricing gap between Romania and the main CEE markets, with prime yield levels at 150 – 250 basis points higher than those in Prague and Warsaw. The weight of money and the compression of the yields in markets like Poland and the Czech Republic have prompted more investors to look at Romania which is translating into the highest level of interest since 2008.

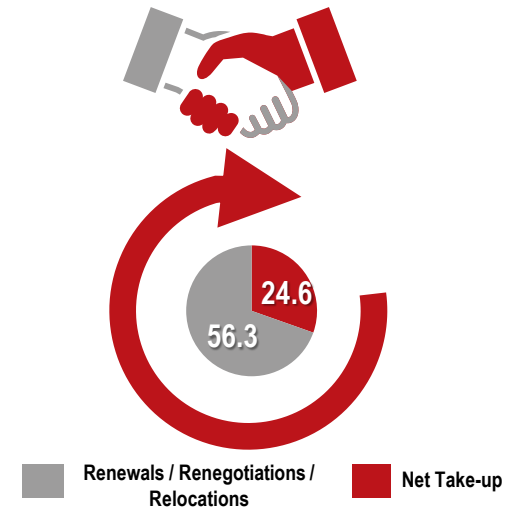
The sale of large portfolios of NPLs by banks active in Romania is accelerating in 2015, with an expected nominal transaction volume of up to €5 – 6 billion. The largest portfolio currently on the market consists of a €2.7 billion unpaid loan balance (mostly collateralized by property) or €3.55 billion gross liabilities (including unpaid accrued interest payments, penalties and swap liabilities). It is very likely that many of the underlying assets will be offered for sale in the near future, increasing the supply of residential and secondary commercial product.



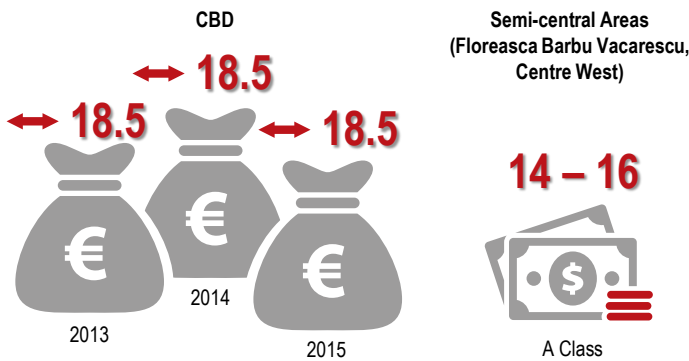
2015 Supply and Pipeline (selection)

Property	Submarket	Size (sq m)	Pre-let (sq m)	Delivery Date
City Offices	South	27,000	4,000	Q1 2015
Green Court Building B	Floreasca Barbu Vacarescu	17,725	13,300	Q2 2015
George Enescu OB	Center	5,300	0	Q3 2015
AFI Park 4&5	Center-West	32,000	1,300	Q4 2015
Plaza Romania	Center-West	10,000	0	Q4 2015

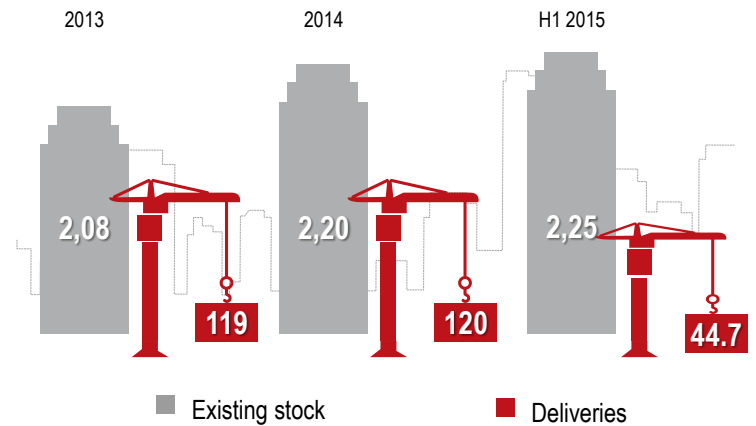
Q2 Take-up ('000 sq m)



Rental Levels €/sq m/month



Existing Stock / Deliveries ('000 sq m)



Q2 Key Transactions

Occupier	Building	Contract Type	Deal Size (sq m)
Genpact	HBC 3	Pre-lease	22,000
Oracle	Oregon Park	Pre-lease	20,000
NNDKP	Bucharest One	Pre-lease	5,700
Vodafone	City Offices	New Lease	3,000
Power Tech	Green Gate	New Lease	2,600

Vacancy

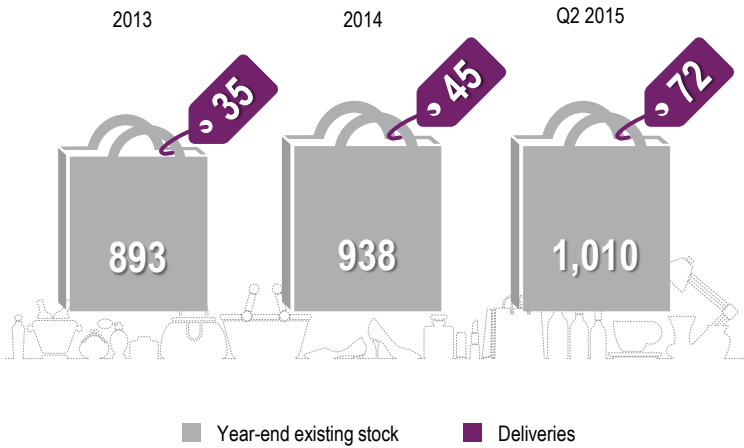
The vacancy rate registered a marginal decrease of 10 basis points q-o-q to its current 13.3%. This was largely because net take-up was stronger than the deliveries and the only building delivered (Green Court Building B) was already mostly pre-let. We expect that the vacancy rate will marginally increase over the next 12 months due to the large leasable area coming to the market.

Vacancy rates continue to be uneven between sub-markets, which is also reflected in the evolution of the rental levels. While in South, Baneasa and Pipera North vacancy is above 30%, the vacancy rate in Dimitrie Pompeiu, Floreasca Barbu Vacarescu, North, Center-North, CBD and West is below 10%.

The largest vacancy increase over the quarter was registered in the Center North sub-market (+150 bps) and West (+160 bps). On the opposite side, the sub-markets which registered the highest decrease in vacancy were South (-430 bps) and Baneasa (-220 bps).



Bucharest Stock / Deliveries ('000 sq m)

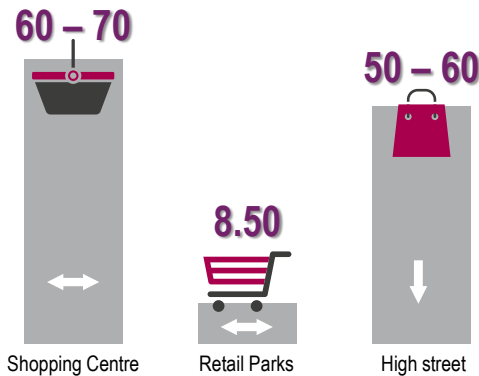


New Market Entries

The sustained economic growth, the strong increase in consumption (4.3% in the first 5 months of the year) and high consumer confidence are likely to incentivise retailers to reconsider their cautious expansion plans in Romania. Existing shopping centres with proven good performance are still the main destination of new entrants, due to the limited options in terms of new supply and high street retail.

Among the new retailers entering Romania, interior design and home deco companies were the most active. Roche Bobois, the French contemporary furniture operator, opened their first showroom on Calea Victoriei, the Italian Casa Convenienza entered in West Park Militari and English Home opened their first unit in Coresi Shopping Resort Brasov. Moreover, Michael Kors the luxury fashion brand announced its first shop in the country in JW Marriott's The Grand Gallery and Marks&Spencer opened their first food store in the newly inaugurated Mega Mall.

Prime Rents* (€/sq m/month) & Evolution q-o-q



* Prime rent represents the top open market net rent that could be expected for a prime position shop in a dominant shopping centre and for units of around 100 sq m

Total Retail Stock Density in the Greater Bucharest Area

444 sq m
per 1,000 inhabitants



2015 Pipeline

Property	Market	Developer	Type	Size (sq m)
City Park Mall	Constanta	NEPI	Extension	20,200
Deva Shopping City	Deva	NEPI	Extension	9,600
Severin Shopping City	Dorbeta Turnu Severin	NEPI	Extension	9,700
Pipera Plaza	Bucharest	Local / Intercora	Refurbishment	7,500
Kaufland Mures	Tg. Mures	Intercora	New project	7,400

Occupier Market

When it comes to expansion plans, food operators were the most active retailers. Mega Image was by far the most aggressive, after opening 114 stores during last year alone. For 2015, the Belgian retailer, on top of continuing the expansion of proximity shops, is planning to open the largest Mega Image store, across from Baneasa Shopping City, where they will be joined by Decathlon.

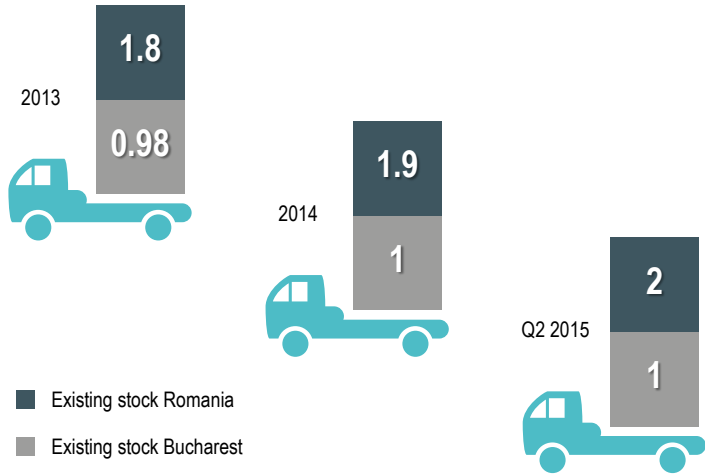
Profi is now present in all Romanian regions, while Billa and Kaufland are continuing their extension plans in Bucharest and across the country.

For the DIY market, Dedeman has opened new stores in the first half of the year and continue to expand, while Leroy Merlin is proceeding as planned with the rebranding process.

In the fashion market, after a pause of one year, Inditex opened 10 new stores in 2015 in Coresi Shopping Resort Brasov and Mega Mall Bucharest.



Stock - Romania / Bucharest (million sq m)

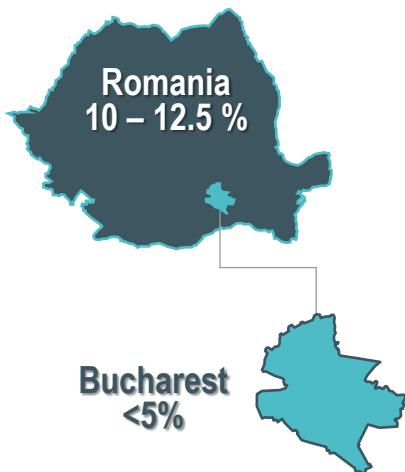


Supply and Pipeline

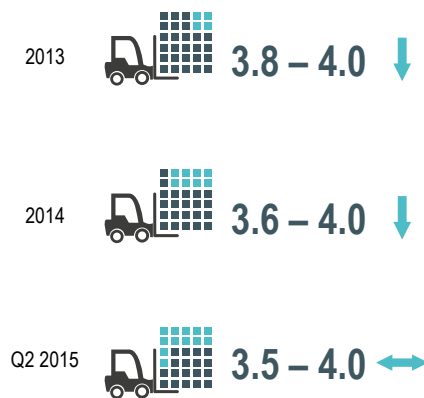
The completions reported in the second quarter of 2015 include the 52,000 sq m built-to-suit units in Timisoara Airport Park, the 20,000 sq m extension of Olympian Timisoara, the extension of 10,000 sq m in Transilvania Logistic Park Cluj and the new 4,000 sq m development of CTP at Turda. This came following a Q1 with no competitive modern space delivered and a rather slow 2014 when only 100,000 sq m were completed.

Approximately 160,000 sq m are expected to be delivered in Romania by the end of the year: the extensions of Ploiesti West Park, VGP Timisoara, WDP Ploiesti and the new development for Yazaki at Braila. In Bucharest, only 2 new projects are expected to be partially finalized by the end of 2015: the extension of P3 Logistic Park (total 75,000 sq m) and the new Log Center Mogosoaia (45,000 sq m) developed by Immofinanz.

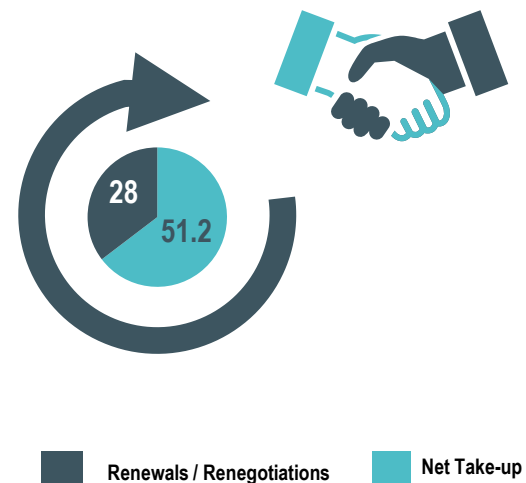
Vacancy



Prime Rents (€/sq m/month)



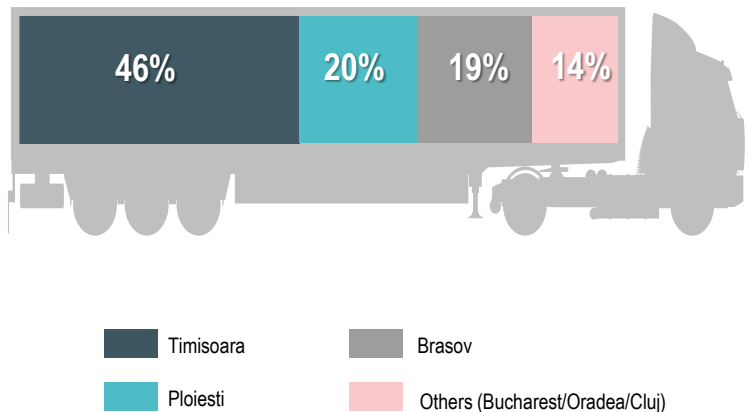
Take-up ('000 sq m)



Key Transactions

Tenant	Property	Size (sq. m)	Sector / Industry
P&G	Dunca Timisoara	28,000	FMCG / Logistics
Preh	Industrial Park Brasov	13,000	Automotive / Production
Federal Mogul	WDP Ploiesti	13,000	Automotive / Production
Kimball Electronics	Olympian Timisoara	6,500	Electronics / Production
Inteva	Western Logistic Oradea	4,000	Automotive / Production

Split of Take-up by City





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