ROMANIA

RESEARCH & FORECAST REPORT

MID-YEAR 2012

Accelerating success.

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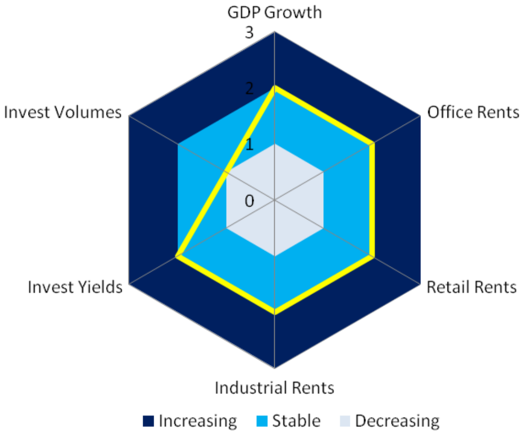
Executive Summary

MARKET PROGNOSIS



"Although H1 2012 recorded a slow beginning, both the real estate market and the economy are set to improve in the near future."

RECENT TRENDS

- **Economy**: Eurozone turmoil and local political unrest impacted the Romanian economy in H1 2012. As a result, the economy registered almost zero growth in Q1.
- **Investment**: The investment market was quiet in H1 2012 due to a softening in the value chain and an adverse investment climate.
- **Office**: Office construction was low and only 40,000 m^2 was added to the modern office stock in H1 2012, compared to 114,000 m^2 in 2011. Almost half of demand registered in H1 2012 was driven by preleases.
- **Industrial**: The beginning of the year recorded limited movement for the industrial segment despite numerous operators expressing interest in relocation or expansion.
- **Retail**: The opening of Palas Mall turned the spotlight on Iasi in H1 2012. Bucharest did not register any new retail projects.

MARKET PROGNOSIS

- **Economy:** As projected by the IMF, Romania will outperform both the EU average and Eurozone economic growth projections in 2012. It is estimated that internally driven growth will total 1.5%. As the year ends, we expect political tensions to diminish and growth to increase to 3% on average for the year.
- **Investment:** In H2 2012, we expect to see new transactions, although some are being challenged by the current capital markets environment.
- **Office:** Pre-leasing activity will continue to be driven by tenants consolidating their operations.
- **Industrial:** The industrial and logistics market, influenced by the progress of retail sales and industrial production, is expected to remain quiet in H2 2012.
- **Retail:** Around 81,000 m^2 of shopping centres were announced to be delivered by the end of 2012. In addition, five more projects are in various stages of construction. Due to increased competition, older shopping centres will have to reinvent themselves. We are already witnessing this process in the case of Bucuresti Mall and Plaza Romania.

Economic Overview

Key Economic Figures	2010	2011	2012
GDP %	-1.6	2.5	1.4
CPI %	6.1	5.8	3.2
Unemployment %	7.0	5.1	4.6

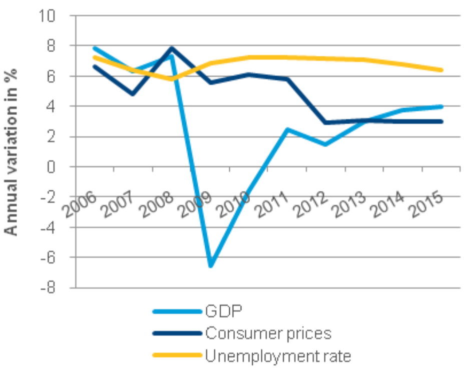
Population	21,904,551	
Top 3 Cities	2,563,313	11.7%
Bucharest	1,942,254	8.9%
Timisoara	311,428	1.4%
Iasi	309,631	1.4%

Economic Make-up

Sector	GDP	Labour
Agriculture	8%	30%
Industry	33%	20%
Services	59%	50%

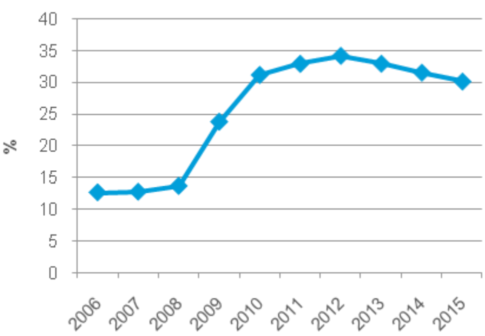
Source: *Eurostat, National Commision of Prognosis, National Bank of Romania,, National Institute of Statistics, CIA World Factbook*

GDP, INFLATION & UNEMPLOYMENT



Source: *IMF*

GENERAL GOVERNMENT GROSS DEBT



Source: *IMF*

SUMMARY

- Uncertainty over the Eurozone's future continued to escalate in H1 2012 as concerns over a possible Greek exit intensified in Q2 2012. Spain secured assistance to recapitalise its banks, but the markets continued to worry about the outlook. However, Eastern Europe is still set to significantly outperform the Eurozone.
- In Romania, real GDP grew by 2.5% in 2011 on the back of a very good harvest and a modest recovery in private demand. However, severe weather and sluggish export growth reflected a continued weakness in the Eurozone markets which contributed to a slight decline in Q1 2012 by -0.1%.
- Unlike last year, domestic demand drove GDP growth. Retail sales grew by 4.6%. Infrastructure works also rose by 23%. Likewise, there was an 8% wage hike for public sector employees in June, and another 7.4% increase is scheduled in December. Tax reimbursements for pensioners and other populist decisions could be implemented before general elections in November 2012 which will support and drive consumption and consumer morale in 2013.
- Labour market conditions stabilised, which translated into a flat unemployment rate and scaled down real earnings over the last year. Equally, inflation decreased to 2.3% in Q2 2012 while public debt only represented 30% of GDP.
- Amid modest economic progress, tensions on the political scene intensified in H1 2012. In order to quell social discontent, the Boc government resigned in February. In less than three months, the government collapsed and was replaced by Ponta, as prime minister. Political upheaval has ensued, with the USL ruling coalition asking for the impeachment of the President on 4th July.
- Domestic tensions were not good news for the Romanian exchange rate and bond yields especially given the context of high uncertainty in the external markets. Therefore, a depreciation of the national currency is expected.

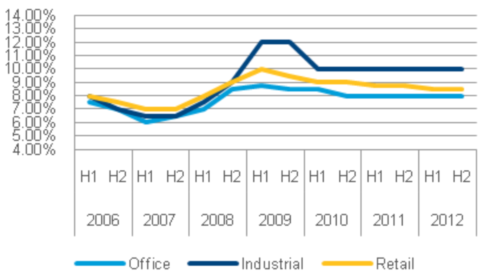
PROGNOSIS

- According to the IMF, GDP growth is projected to pick up in H2 2012, although the overall recovery should remain modest. Romania's GDP is expected to grow by 1.5% by the end of 2012, compared to -0.3% expected in the Eurozone. In 2013, growth should accelerate to 3% and level off at 3.5-4% through to 2016.
- A slowdown in economic growth in the external markets suggests that exports and industry have small chance to drive GDP growth in H2 2012. However, a modest increase in internal demand and future infrastructure projects could drive economic growth in the near future.
- Romania will be faced with political unrest in H2 2012, as the government continues to change in the wake of local and presidential elections, in addition to a referendum.

Investment Overview

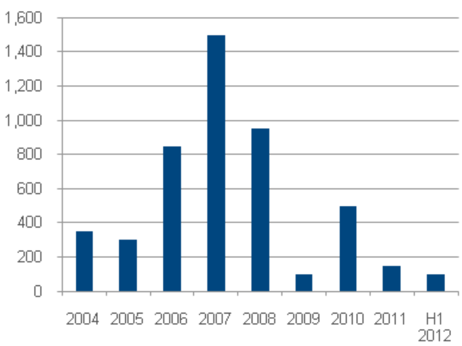
Key Investment Figures	
H1 Investment Turnover	€90 million
Prime Office Yields	8%
Prime Retail Yields	8.25 – 8.5%
Prime Industrial Yields	10%

PRIME (NET INITIAL) YIELDS



Source: *Colliers International*

INVESTMENT VOLUME (M €)



Source: *Colliers International*

SUMMARY

- Outside of the record transaction in Timisoara in H1 2012, the investment market was quiet with only four deals being closed across the country, due to the adverse investment climate in the country.
- Debt markets continued to constrain transaction activity. Credit was scarce and expensive where available, affecting project returns and contributed to the ongoing price gap in the majority of negotiations.

YIELDS

- Lacking sufficient transaction comparables, yield indications continued to be based on estimates given by current supply-demand dynamics.
- Bucharest's prime office yield was 8%. Bucharest's prime retail yields were the most difficult to evaluate due to a lack of comparable deals. However, the prime shopping center yield was estimated 25-50 bps higher than the prime office yield, so between 8.25-8.5%. The prime industrial yield was estimated at 10%. These estimates were influenced by debt market rates.
- A continuing yield gap persisted on the market by up to 50 bps in negotiations for prime products. But the gap showed evidence of reducing and we expect to see deals closing in H2 2012 as a result.

DEALS

- In H1 2012, the acquisition of City Business Centre in Timisoara ('CBC') by NEPI represented the only landmark deal in the city and the first Grade A office project that transacted outside Bucharest. The deal involved the takeover of three existing phases of the project as well as the forward purchase of two future phases. The project will total roughly at 45,000 m² of leasable space when the last phase is completed. The CBC project value was €80-90 million following the final settlement. With this transaction NEPI, represented by Colliers International, consolidated its position as the most active investor in the local market post 2008.
- A number of transactions were initiated in H1 2012. Although some transactions were challenged by the current condition of the capital markets, we still expect to see transactions in H2 2012.
- H1 2012 also saw several attempts by vendors to enter the market with prime products, but which failed to transact.

PROGNOSIS

- Although the quantity of quality commercial real estate inventory has grown in the past few years in and around Bucharest, there continues to be a lack of available real estate assets that meet investment standards, so investment activity will remain subdued.
- As core funds have withdrawn from the market after 2008, activity over the past three years has been dominated by private equity funds. In 2012 however, most of these funds, having Europe or CEE mandates, reached their capital allocation terms and exited the market to raise new capital.
- Funds may return to the market in 2013 with fresh equity, but with a wider geographic mandate forcing Romania to compete with other countries. In some isolated cases, core funds or asset managers backed by core funds will assess the Romanian market.

Office Market

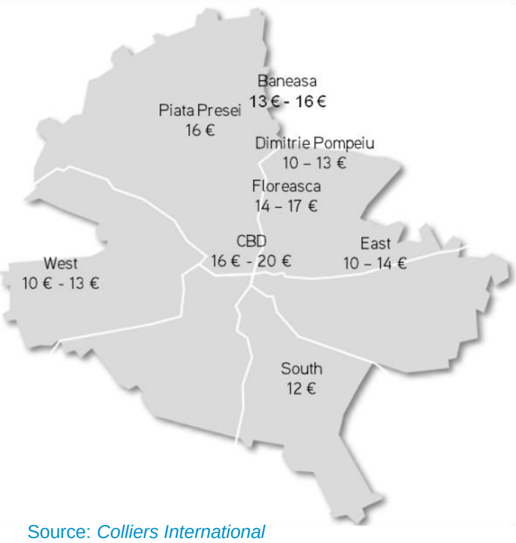
Key Office Figures - Bucharest	
Total Stock	1,520,000 m²
Take-up	65,000 m²
Vacancy	17.5%

VACANCY RATE BY AREA

Area	Vacancy
Victoriei	18%
Charles de Gaulle	15%
Floreasca – Barbu Vacarescu	2%
Piata Presei Square	2%
Baneasa	26%
Dimitrie Pompeiu	9%
Pipera	53%
West	3%

Source: *Colliers International*

ASKING RENT LEVELS



Source: *Colliers International*

PROJECTS TO BE DELIVERED

Year	Area (m²)	Pre-let
H2 2012	17,500	5,000
2013	156,000	70,000
2014 – 2015 (est.)	125,000 – 200,000	0

Source: *Colliers International*

SUPPLY

- Office construction was low and only 40,000 m² was added to the modern office stock in H1 2012, compared to 114,000 m² in 2011. New supply was made up of two buildings which were fully let and a third building that had a significant amount of available space.
- In addition to the recently completed buildings, several tenants vacated important office areas, thus raising the vacancy level, or made arrangements for future relocations.
- In some areas, the absence of available space stimulated new construction activity. 85,000 m² of office space is under construction in the Floreasca-Barbu Vacarescu area.
- Several development projects were actively marketed and received approval from the local authorities. Currently there are multiple well-known, experienced developers expressing intentions to build in the Bucharest office market. Time will tell which projects will come to market for tenants.

DEMAND

- In H1 2012, total occupational activity reached 72,000 m². Out of the total, only 7,000 m² was renegotiated. Take-up decreased by 20% compared to H1 2011, as instability in both the European and local markets made the decision process lengthier.
- Approximately 40% of the leased area in H1 2012 was represented by pre-leases, following the pre-leasing trend that started in 2011 by banks and medical operators.
- In H1 2012, the IT segment was the only sector to lease space in buildings to be delivered. In fact, more than half of the take-up was driven by IT companies that either expanded or relocated their offices.

VACANCY/AVAILABILITY/ RENTS

- Overall, the vacancy rate increased to 17.5%. The relocation of several banks and large companies, such as Unicredit or Raiffeisen, vacated or plan to vacate important areas, thus impacting availability. Furthermore the vacancy rate was influenced by several companies that exited the market.
- Asking rents remained stable in H1 2012. For pre-leasing transactions, rents were usually 15% less than the rent for an existing building in the same area.

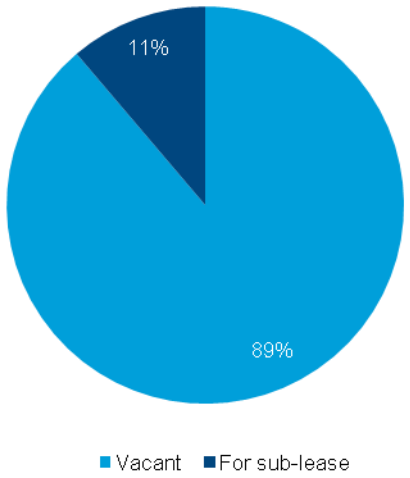
PROGNOSIS

- There is currently 130,000 m² of office space under construction, which is expected to be delivered in the following 18 months. This figure is significantly less than the 400,000 m² delivered in 2009. Out of the total space under construction, 50,000 m² was already pre-let. In 2014 and 2015 an additional 125,000-200,000 m² will be delivered. These buildings are in the planning stages but have not started construction.
- Leases totalling more than 650,000 m² will be expiring between 2013 and 2014. These expiring leases are expected to generate renegotiations and relocations. We anticipate that tenants with multiple office spaces will relocate by consolidating their operations into new buildings. We expect pre-leasing activity to continue.
- Grade A office buildings will see stable rents as tenants occupy new space and buildings maintain a low vacancy rate.

Industrial Market

Key Industrial Figures – Bucharest	
Total Stock	922,000 m²
Take-up	23,000 m²
Vacancy	16.3%
Prime Headline Rent	€4.2 m²/month

AVAILABLE SPACE



Source: *Colliers International*

ASKING RENT LEVELS

AREA (m²)	RENT (€ / m²)	OUTLOOK
< 3,000	4 – 4.5	Stable
3,000 – 10,000	3.75 – 4.2	Stable
>10,000	3.5 – 4	Stable

Source: *Colliers International*

SUPPLY

- The industrial and warehousing stock in Bucharest remained unchanged for the fifth consecutive quarter. The situation will soon change as 19,000 m² will be delivered in H2 2012.
- Despite limited new stock delivered to the market, there have been a number of warehouses over 10,000 m2 being made available for sub-leasing. This is a result of tenants having too much existing capacity to meet their needs.
- In the countryside, new supply was also scarce.

DEMAND

- H1 2012 recorded limited demand despite numerous operators who expressed interest in relocation or expansion.
- Compared to H1 2011, take-up halved, reaching 23,000 m² in Bucharest. DSV signed 19,000 m² in a future project, reflecting that most demand was driven by logistic operators. More than 80% of take-up was pre-leased.
- Unlike previous years, tenants with temporary requirements found space in projects with higher vacancy. This activity was driven by production peaks or onetime projects. In H1 2012, 17,000 m² was occupied on a temporary basis.
- Outside Bucharest, leasing transactions were modest and took place in Brasov, Cluj-Napoca and Ploiesti. Demand for production facilities was also registered in Pitesti, Craiova, Cluj or West of Romania.
- In addition to leasing activity, the white goods producer De'Longhi acquired a former Nokia factor comprising 35,000 m².

VACANCY/AVAILABILITY

- Little change was noted in the vacancy rate, as it slightly increased to 16.3% from 15.3% in Q4 2011.

RENTS

- Although asking rents have not changed since Q4 2010, landlords began to offer rent-free periods of three to five months, depending on the contract length.

PROGNOSIS

- In H2 2012, the National Commission of Prognosis estimates a 1.9% increase in consumption. Also, industrial production and exports will experience moderate growth compared to 2011 growth rates.
- We do not estimate a significant change in demand in Bucharest or in the countryside.
- In terms of new supply, Graells & Llonch will deliver 10,000 m² in H2 2012 in Turda, near Cluj Napoca. Also, a 7,000 m² project is set to start construction in H2 2012 in Timisoara.

Shopping Centre – Traditional*

TRADITIONAL SC STOCK (m²)

	BUCHAREST	COUNTRYSIDE
H2 2011	467,000	838,000
H1 2012	443,000	922,500*

** Besides Palas Mall and the second phase of Era Oradea, the traditional retail stock increased also with the 15,300m² of GLA comprised in Carrefour hypermarket , now part of Era Oradea Shopping Mall.*

Source: *Colliers International*

PROJECTS TO BE DELIVERED H2 2012

PROJECT	AREA (m²)
Cora Alexandriei	25,000
Ploiesti SC	41,000
Uvertura City Mall	15,000
TOTAL	**81,000**

Source: *Colliers International*

ASKING RENTS

CITY	RENT LEVEL * (€ / m² /month)
Bucharest	60-70
Cities > 250,000 (inh.)	30-35**
Cities < 250,000 (inh.)	15-20

**These represent the highest rent levels that can be achieved in the well performing centers for units of 100 m², prime locations*
***This level represents a market average; there are big differences between cities based on the existing competition*

Source: *Colliers International*

*According to ICSC, a traditional centre is an all-purpose scheme that could be either enclosed or open-air and classified by size.

SUPPLY

- The opening of Palas Mall turned the spotlight on Iasi in H1 2012. Moreover, Era Oradea saw construction completed on its second phase totalling 14,700m² GLA.
- Bucharest did not register any new retail projects and also lost City Mall. After several attempts to reposition the centre, the project was sold at the end of 2011 and the new owner decided to transform it into a medical centre. Even though the retail spaces at the ground floor will be preserved in the new concept, City Mall will not comply with the conditions of a shopping centre in terms of minimum leasable area, in order to be included in Colliers calculations.
- Romanian traditional shopping centre stock stood at 1,335,600 m² at the end of June 2012.

DEMAND

- H1 2012 saw the withdrawal from two well known retail brands: Burger King and Kiabi. Nevertheless, the Burger King unit in the airport will remain open being operated separately, by a different franchisee.
- There are still retailers keen to tap into the Romanian market and consequently, in H1 2012 the market witnessed several new entries. The fast food store, Subway, shoe retailer CCC, and the fashion retailer Oggi were new tenants in the market.
- A number of new and existing international brands, started to diversify its franchisees in order to boost expansion rather than staying with one operator. At the same time, some franchise operating companies continued to extend their portfolios of franchise brands with complementary names in order to consolidate their position on the market. They chose to expand with both new and existing brand names in the Romanian market.

RENTS

- There were no changes registered in rents in H1 2012. Well performing shopping centres maintained December 2011 averages, while centres with occupancy issues offered turnover rents and other incentives.
- As the contracts signed in 2007 – 2008 come to renewal this year and next year, some owners might have to consider discounts for those retailers who did not obtain them following the financial crisis. Stronger performing centres will not be as flexible on discounts as they already have long waiting lists of tenants.

PROGNOSIS

- Around 81,000 m² of shopping centres were announced to be delivered by the end of 2012. In addition, five more projects are in various stages of construction. While some of them have already broken ground, others are just preparing their sites for construction.
- Due to increased competition, older shopping centres will have to reinvent themselves. We are already witnessing this process in the case of Bucuresti Mall and Plaza Romania.
- Based on market information, a few new retailers secured space and we expect to see them open their first units in H2 2012. Also a number of retailers present in neighboring countries such as Greece and Bulgaria became very interested in the Romanian market as they realised the market's growth potential for their brands.
- Judging by the evolution of demand and supply of retail space, we do not expect significant changes of retail rental rates in H2 2012.

Shopping Centre- Specialised*

BIG BOX OPENINGS

FOOD OPERATORS*

BRAND	PARENT COMPANY	UNITS
Auchan**	MGV Dstri-Hiper	1
Kaufland	Lidl & Schwartz	4

** Unit size above 5,000 m²*
*** Shop opened in Palas Iasi*

DIY

BRAND	PARENT COMPANY	UNITS
Baumaxx	Baumaxx	1
Dedeman	Dedeman	2

Source: *Colliers International*

SUPPLY

- Apart from stand alone openings, H1 2012 saw very little delivery of specialised retail parks. The only launched project was the 5,000 m^2 strip mall extension of Carrefour hypermarket in Brasov, developed by the South African investment fund, NEPI.

DEMAND

- Similar to previous years, in H1 2012, food and DIY operators drove the largest share of demand in terms of searching, securing and opening new locations.
- Kaufland, Cora and Auchan were the largest food retailers in the country. In an attempt to consolidate their position, they continued their expansion strategy. Lidl was the most active operator in terms of opening units in a smaller format.
- Dedeman launched its 28th store in Romania, becoming the largest DIY chain in the country. More units are planned, having already secured locations. Besides their ambitious national expansion strategy, the retailer also plans to expand internationally.
- H1 2012 marked the delivery of the eighth Decathlon unit in Timisoara. At the moment, the sports retailer is also present in Bucharest, Pitesti, Brasov, Iasi and Cluj Napoca.
- Besides food and DIY operators, the remaining operators of big boxes were less enthusiastic about opening stand alone units. They preferred to expand in retail park projects in order to limit their exposure to risk.
- Expansion in cities of under 100,000 inhabitants was put on hold by most retailers due to low sales level estimates in H2 2012. Only some food operators and the DIY operator Dedeman continued to actively prospect expansion opportunities in smaller cities.
- The announcement by Kiabi of their withdrawal from Romania will affect the big box market. This is the first big box retailer announcing its exit from the Romanian market.

RENTS

- Prime rent levels did not register fluctuations in H1 2012 for big box retailers or for the adjoining galleries. Nevertheless, underperforming retail parks saw lower rent levels in comparison to December 2011.

PROGNOSIS

- Two retail schemes, Auchan Crangasi and Cora Bacau, composed of hypermarket and shopping galleries, are planned to be delivered in H2 2012. By the year end we might also see the delivery of the Botosani Shopping Centre extension.
- The land developers who secured plots in 2011 and early 2012 will push to obtain building permits in order to deliver their projects by the end of 2013.
- A trend that was observed lately and that will likely continue is building complementary big box stores next to existing and well performing food locations.
- Given the current situation of the market, we do not expect any downward correction in rents in H2 2012.

*According to ICSC, specialized centres include specific purpose-built retail schemes—or shopping centres—that are typically open-air

High street

RENTS BUCHAREST

AREA	RENT LEVEL (€ / m² /month)
Magheru	65 – 80
Piata Unirii	50 – 70
Calea Victoriei	45 – 50
Dorobanti	50

RENTS COUNTRYSIDE

CITY	RENT LEVEL (€ / m² /month)*
Brasov (Piata Sfatului/ Republicii)	40 – 42
Sibiu (Balcescu)	40 – 45
Cluj (Piata Unirii)	35 – 45
Timisoara (Piata Operei)	45

** 100 m², central locations*

Source: *Colliers International*

SUPPLY

- In H1 2012, the total stock of available high street space did not experience any significant variations.
- Several lease contracts signed in 2007 came to the end of their term this year. As a result, numerous retail spaces became available. Nevertheless, the better spaces were scooped up by the most active retailers already present in the market.

DEMAND

- Demand was driven by established players such as food operators and betting agencies and casinos. The latter category was competitive in the leasing market.
- Banks continued their cost-cutting processes and relocated or closed several units. In H1 2012, more than 50 units were closed throughout the country.
- Together with the entrance of the multi-brand store, Victoria 46, Calea Dorobanti started competing with Calea Victoriei as a luxury destination. The new fashion retailer acted as an anchor for the area.
- Marriott Shopping Gallery continued its development on the luxury segment with the reopening of Escada. The store was opened on Calea Victoriei in 2002 and it was closed five years later, in 2007. Escada opened again in 2012 (for the third time) next to important brands such as Louis Vuitton, Valentino and Rolex.
- Chopstix and WuXing secured locations in the Old City Center in the beginning of the year. The Old City Center is still waiting for its first fashion anchor, but unfortunately, no transaction has closed yet.

RENTS

- Effective rents decreased slightly due to the renegotiation strategy that continued to be implemented by major players on the market. A drop in rents was witnessed in the central areas.
- Retailers vacated expensive locations as they became un-profitable to run. For the high trafficked locations in the semi-centre and the periphery, rents remained stable.

VACANCY

- While the vacancy rate increased in case of the central area, it decreased for semi-central spaces and in high traffic areas such as the markets and metro stations.
- The vacancy rate in Piata Unirii was close to zero. This was due to the attentiveness to retailer preferences and because of the high foot traffic generated by the Unirii Store and the Old City Centre.

PROGNOSIS

- In H2 2012, we expect a slight decrease in rent levels as numerous leases come to the end of their terms. This will lead to growth in available supply on the market.
- Following the opening of Victoria 46 & Madison luxury perfumery, the interest of other retailers in the Dorobanti area increased. We expect to see new openings in H2 2012.
- The Old City Centre remained an attractive area for retailers. We do not expect to see any significant entry in the short term due to the lack of fashion anchors. For now, the Old City Centre will continue to be an entertainment destination.

Land Market

BUCHAREST LAND PRICES (€/M²)

AREA	OFFICE USE*	RESIDENTIAL USE**
Victoriei	2,000 - 3,000	1,000 - 1,500
Aviatiei - Floreasca - Barbu Vacarescu	900 - 1,200	150 – 400
DN 1	350 – 550	150 – 200
Grozavesti - Basarab	500 – 700	250 – 400

Source: *Colliers International*

**Land plots located on main boulevards, with good access, visibility and building coefficients.*

***Land plots located in a secondary plan or with frontage to secondary streets, feasible for the development of a residential building or villas.*

****We took into account transaction prices and prices under negotiation; price interval depends upon size, exact location, building coefficients*

"H1 2012 was characterised by a more reserved approach towards investing in land. This is in contrast to the optimistic tone at the start of last year.

However, attractive prices have generated interest from potential buyers."

SUPPLY

- Vendors actively looking to sell have now realised the added value of a "PUZ" ('Zonal Urban Plan') and agreed to proceed with obtaining the necessary permits even before having an interested buyer. Having a PUZ in place could keep prices at a reasonable level, rather than selling at lower values to opportunistic buyers.
- An increasing number of properties were sold by insolvency companies. However, such transactions are slower due to the standard procedures that need to be followed. Therefore, most buyers prefer entering into direct negotiation rather than participating in auctions.

DEMAND

- Both retailers and retail developers maintained their position as the most active players in the past two years in Bucharest and in the countryside.
- Activity tempered slightly as some retailers were forced to put their expansion plans on hold in the light of potentially lower sales figures, or because those they have already secured the sites the require.
- The office market continues to have great potential in the eyes of developers, who enlarged their plans to expand in the top five cities of the country. However, Bucharest remains the main focus.
- Interest in residential plots increased, even though it would be used for small scale projects and designed to meet the requirements of the Prima Casa program.
- Local elections caused transactions to be postponed depending on the required authorisations and urban plans needed from City Hall ("PUZ").

PRICE

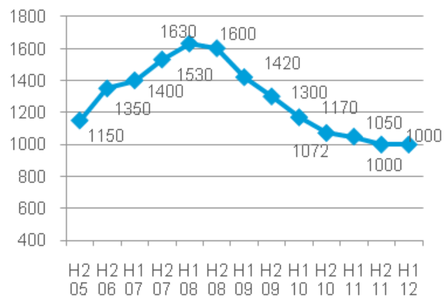
- H1 2012 did not register any substantial price changes. On the contrary, prices varied across the market mostly based on the particular situations of the sellers.
- Several situations required immediate liquidity and forced vendors to accept offers from opportunistic investors. In some cases prices were 30-50% lower than the expected value at the end of 2011.
- Prices became fairly attractive for some properties, resulting in increased land transaction activity in H1 2012, which was equal to the level of land transactions completed in H1 2011.

PROGNOSIS

- In H2 2012, we expect to see the approvals of previously submitted authorisations which were delayed due to elections. Many transactions that started 6-12 months ago will now be finalised.
- We estimate that overall, the transaction volume in 2012 will be similar to volumes recorded in 2010 and 2011.
- The lack of available financing and ongoing uncertainty in the Eurozone will continue to hinder the progress of the land, investment and development markets in Romania.
- For residential properties, we estimate a small decrease in price due to the continual low demand of this segment.

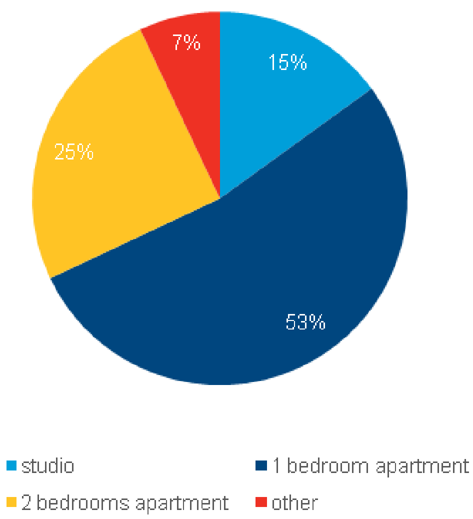
Key Residential Figures	H1 2012
Available units	5,150
Sold Units	
Low projects	6-7
Middle projects	2-3
Upper middle projects	2-3
Average Price	1,000 €/m²
Low projects	700 – 900 €/m²
Middle projects	1,100 – 1,200 €/m²
Upper middle projects	1,300 – 1,400 €/m²

PRICE VARIATION (€/BUILT M2)



Source: *Colliers International*

FIRST HOME ABSORPTION BY TYPE OF APARTMENT



Source: FNGCIMM

Residential Market

- The most active segment of the market over the last three years was comprised of smaller scale projects or phased developments as developers chose to limit their risk in the residential segment. For this reason, in H1 2012 we have included projects with over 100 units, more than 20% of the project for sale and projects where developers are actively expanding.
- H1 2012 was marked by increasing interest in the local residential market. Nevertheless, both prices and demand from end users registered little change as consumer confidence continued to be low.
- Residential insolvencies continued in 2012 as stakeholders requested the reorganisation of the underperforming projects. This opened the door for investors looking to make profitable deals, but no such transaction has been closed so far.

SUPPLY

- Small scale projects/phases that addressed the needs of low income individuals made up the most dynamic segment of growth in terms of supply and demand. Located in the traditional sleeping quarters or immediate outskirts, these projects were made up of one bedroom units that qualified under the First Home Governmental Programme threshold.
- Due to affordable land prices in the South and West of the city, most of the newly launched projects were located in these areas. Developed generally by local companies, they are built on an on-demand basis. Most units were sold before the completion of construction a couple of months in advance.
- At the end of June 2012, around 5,150 apartments were available on the market.

DEMAND

- Demand continued to be driven by the First Home threshold of €70,000 for units developed after February 2010 and €60,000 for older units. Absorption was higher in low end projects, selling as many as 10 units per project per month. Middle and upper middle projects continued to register lower sales levels of around 2-3 apartments per project per month.
- In H1 2012, the First Home Programme was extended with an additional €200 million, ensuring 10,000 supplementary granted loans. Furthermore in H1 2012, local banks launched products offering similar interest rates to the state guaranteed programme. A 25% down payment was still necessary for euro contracted loans. This was reduced to 15% for mortgages in lei.

PRICES

- The average asking price remained stable at 1,000 €/m² (built), registering little or no adjustments in most projects. Prices at the low end varied between and 700 - 900 €/built m² while middle projects averaged 1,100 – 1,200 €/built m². The upper middle projects averaged 1,300 – 1,400 €/built m². Due to lower land prices, projects located outside the city limits could go as low as 600 €/built m² for lower quality developments.

FORECAST

- Projects targeting low income individuals will continue to thrive in the near future due to low prices and affordable financing. The next few years will most likely see the return of middle class projects, located in good areas offering medium sized surfaces.
- In terms of demand, the entire market will not pick up before 2014.
- Prices reached a standstill in 2011 and we expect to see no significant movements in the near future.

522 offices in 62 countries on 6 continents

EMEA: 118
United States: 147
Canada: 37
Latin America: 19
Asia: 36
Aus/New Zealand: 165

- **€49 billion of transactional value**
- **76,000 annual transactions**
- **€1.3 billion in annual revenue**
- **116 million** m^2 **under management**
- **Over 12,300 professionals**

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COLLIERS RESEARCH

Colliers Research Services Group is recognized as a knowledge leader in the commercial real estate industry, providing clients with valuable market intelligence to support business decisions. Colliers research analysts provide multi-level support across all property types, ranging from data collection to comprehensive market analysis.

Across the Eastern European region of EMEA, Colliers researchers regularly collect and update data on key real estate metrics, set to consistent definitions bringing greater transparency and reliability to our real estate market analysis in the region. In most Eastern European markets, the office definitions used are consistent with those set out by the CEE Research Forum – an umbrella group, of which Colliers is a founding member. Definitions of the key metrics used in our regular reports are highlighted below.

KEY METRIC DEFINITIONS

- **Prime Net Initial Yield:** The yield an investor is prepared to pay to buy a Grade A building, fully-let to high quality tenants at an open market rental value in a prime location. Lease terms should be commensurate with the market. As a calculation Net initial yield = First years' net income/purchase price (prior to deducting fees and taxes)

- **Prime Headline Rent:** Represents the top open-market tier of rent that could be expected for a unit of standard size commensurate with demand, of the highest quality and specification in the best location in the market at the survey date. This should reflect the level at which relevant transactions are being completed at the time but need not be exactly identical to any of them, particularly if deal flow is very limited or made up of unusual one-off deals. If there are no relevant transactions during the survey period, the quoted figure will be more hypothetical, based on expert opinion of market conditions. The figure excludes service charges, taxes, and tenant incentives.

- **Total Occupational Market Activity (Take-up):** Total Occupational Market Activity is the total floorspace known to have been let or sold as one of the following activity types during the survey period: Pre-let, New Occupation/Lease, Renewal/Renegotiation, Expansion, Sub-lease and Sale & Leaseback.

- **Net Take-up:** Net Take-up represents the sum of all Total Occupational Market Activity categories which represent a net increase in demand for space. This would only include the following activity types: Pre-lets, New Occupation/lease, Expansion.

- **Total Competitive Stock - Offices:** Includes the gross leasable floor space in all A and B class buildings, including owner-occupied buildings but excluding government owned properties. Ancillary office space is only included if it can be reasonably used independently of the primary use of the building in which it is located.

- **Total Competitive Stock - Industrial:** Includes the gross leasable floor space in all A and B class buildings, including speculative, Build to suit and owner-occupied stock. Other reference points include that the building must be heated and have a clear usable height minimum of 6metres. This includes both warehouse (500 m^2 +)& bulk space (10,000 m^2 +).

- **Total Competitive Stock – Retail Shopping Centres:** Split into two categories 'Traditional & Specialised' as per ICSC definitions. **Traditional** includes retail properties that are planned, built and managed as a single entity, comprising units and "communal" areas with a minimum gross leasable area (GLA) of 5,000 m^2. **Specialised** shopping centres includes Retail Parks, Factory Outlet Centres and Theme-Oriented Centres - specific, purpose-built retail schemes that are typically open-air with a minimum gross leasable area (GLA) of 5,000 m^2.

- **Space Under Active Construction:** Represents the total amount of gross leasable floor space of properties where construction has commenced on a new development or where a major refurbishment/renovation is ongoing at the survey date.

- **Vacant Space:** The total gross leasable floor space in existing properties that meet the Competitive Stock definition, which is physically vacant and being actively marketed at the survey date. Space should be available for immediate occupation.

- **Total Availability:** Total Availability is a calculation derived from the combination of total vacant space + total available speculative developments, (which exclude the total volume of pre-let or sold space under construction) during the survey period.

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