

Investment market

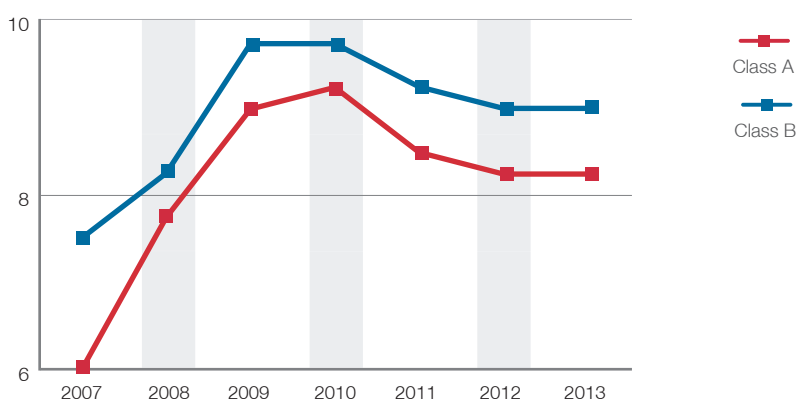
The investment market reflects the evolutions of real estate segments, being recorded a higher number and investment volume compared to 2012, respectively, an increase of the price per transacted property. Although the fundamentals of specific markets have obviously improved, local investment market is still affected by the lack of banking financing and general uncertainty, mainly generated by unexpected economic evolutions.

The reduce volatility of the market indicators recorded on the commercial segments is reflected on the stability of yields that have remained at similar levels since 2011. Yields for new modern properties remained stable in 2013, fluctuating between 8.25-8.50% for class A offices, between 8.0-8.75% for shopping centers and between 10.0-10.5% for industrial properties. For class B offices with a relatively good tenant covenant situated in secondary areas, yields fluctuate between 9.0-9.5%, while for older industrial properties that are not situated in established industrial clusters, yields fluctuate between 10.5-11.0%.

Yields will remain stable during the first half of 2014, the future evolution being dependent by a number of factors that currently have a high degree of uncertainty: the economic environment is expected to be influenced by the general election for presidency, existing conflicts in the region, economic improvements of the European countries.

The beginning of 2014 has not generated evident changes in the evolution of yields or general activity of investors. Geopolitical evolution has not generated repercussions on the European investment markets. The interest of investors has remained concentrated on the commercial segments (offices and retail units), both for acquiring completed properties and developing real estate projects. The industrial segment is still not of interest to investors, but the second part of the year might record an investment transaction on this segment.

Office yield evolution



Potential purchasers have become more active in 2013 being mainly interested in the commercial segment. In Bucharest, the office properties represent the largest weight in the total investments recorded in 2013, while other local markets are dominated by the transactions with commercial properties (shopping centers and hypermarkets).

The most important transaction recorded on the local market, excepting Bucharest, is represented by the acquisition of City Park Constanta concluded by NEPI, a shopping center with a total area of 29.284 sq m acquired with €81 Million. The most active investment fund, New Europe Property Investments acquired 2 other shopping developments in Drobeta Turnu-Severin (Severin Shopping Center) and Deva (Deva Shopping Center), while in other cities has been involved in development activity.

Investment transactions concluded in Bucharest in 2013 (selection)

Property	Area-sq m	Price - €Mil	Investor
BOC Tower	58.581	110.0	Globalworth REI
Lake View	23.256	61.7	NEPI
BOB Tower	23.631	42.0	Globalworth REI
Former HQ Unicredit Tiriac	3.500	7.0	Uniqua Group
Magazinul Bucuresti	n/a	4.0	n/a

Investment transactions concluded in regional cities in 2013 (selection)

Property	Area-sq m	Price - €Mil	Investor
City Park	29.284	81.0	NEPI
Continental Hotel	6.600	5.0	Napocamin
Deva Shopping Center	41.700	n/a	NEPI
Severin Shopping Center	16.574	n/a	NEPI

In 2013, the main source of investment products is represented by investment funds that currently own a portfolio of properties and are willing to sale partially or totally their properties. Although the current owners are willing to sale their properties, they are encountering difficulties generated by the reluctance of new investment funds to enter the local market. These potential investors have the financial capacity to acquire these properties, while the already existing funds prefer to consolidate their portfolios.

The qualitative growth of commercial segments creates the grounds for the increase of the institutional investors' in the investment products, including properties situated in regional cities. Projects that will be completed during 2014-2016, both offices and retail developments, might become investment products. The interest of investors is expected to increase due to the characteristics of these new developments, such as high standard equipments, accessibility, high level of occupancy, some of them being already pre-leased.

The main investors will be the investment funds that are already present on the local market. Considering that the local banking financing will remain difficult to be obtained, the main capital inflows will be attracted from the foreign markets. Investors are diversifying the financing sources, being interested in attracting finance from the capital market. They will acquire properties that are part of portfolios, mainly on the commercial segment. The growth of the office market in regional cities of Romania that is mainly sustained by the demand coming from IT&C and BPO companies will increase the interest of potential investors.