Bucharest Office

Quick Stats 2011

	Change from 2010
TLA	↑
Take-up	↑
Completions	↓
Vacancy	↘
Rents	→

Hot Topics 2011

- The highest level of leasing activity in the last three years, with 262,000 sq m transacted, out of which 207,000 sq m is represented by net take-up.
- Supply of new office stock in 2011 was 125,000 sq m, 55% lower y-o-y.
- The vacancy rate at the end of 2011 decreased to 14.14%; the lowest vacancy rate is registered in the West sub-market.
- The prime rent remained stable at EUR 19.5/sq m/month.

Hot Topics Q4 2011

- Bucharest's modern office stock at the end of Q4 reached over 2.1 million sq m.
- Total leasing activity in Q4 amounted to 42,000 sq m.
- Vacancy rate decreased q-o-q.
- Four office buildings completed .

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GENERAL OVERVIEW

▪After consistent GDP growth in Q3 which exceeded most of the analysts' expectations and amounted to 4.4%, Romania's economy managed to outclass the forecasted GDP of 1.5% for 2011 and thus, the International Monetary Fund now estimate 2011 GDP growth at 2.5%. With improving business sentiment, the demand for office space continues to grow. Total take-up last year amounted to 207,000 sq m, 16% higher in comparison to the previous year and 40% higher compared to the 2009 take-up figure. However, with take-up increasing, the supply of office space continues to remain low, with only 125,000 sq m being completed in 2011. Due to the persistent uncertainty in the Eurozone, the predictions concerning market performance are vague. Nevertheless, in view of the IMF's positive economical forecast for 2012 and considering the ongoing improvement of business conditions, we anticipate that office demand this year, should be at least at the same level as it was in 2011.

OVERVIEW Q4 2011

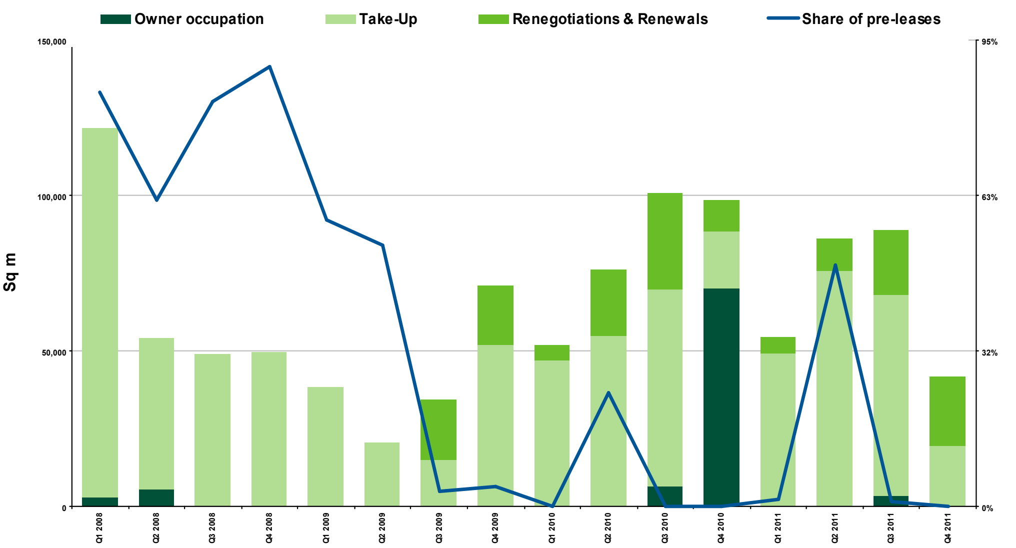
▪The total modern office stock in Q4 2011 increased by 23,300 sq m and reached over 2.1 million sq m. Around 40% is represented by Grade A office buildings and over 70% is located in three major office areas: CBD, North and North Pipera. Crystal Tower, Elite BC, Arion OB and Herastrau OB have all been recently delivered and are located in the CBD, Central and North sub-markets.

▪The average vacancy rate for Bucharest office space fell by 1.76% q-o-q, standing at 14.14% at the end of Q4. In total there are approximately 300,000 sq m of available space dispersed between Bucharest's seven sub markets. The vacancy rates are high particularly in peripheral locations, such as North Pipera and East sub-markets.

▪In terms of leasing activity, 42,000 sq m of office space were transacted in the last quarter, a 39% increase compared with the same period of 2010. Take-up represents 45%, with 19,300 sq m being transacted, whilst 55% is represented by renegotiation and renewal transactions. Pre-lease activity decreased gradually in 2011, thus no pre-lease agreements were signed in the last quarter of the year.

▪The prime rent remains stable at EUR 19.5/sq m/month and the headline rent is unchanged q-o-q in almost all sub-markets.

Evolution take-up and total leasing activity Q1 2008 – Q4 2011



Source: CBRE

2011 SUMMARY

SUPPLY

The level of new supply in 2011 was 125,000 sq m. This represents a 55% decrease compared to 2010, when 274,000 sq m of new office space were delivered to the market. For the second consecutive year, the North sub-market was the leader in terms of new office space, with approximately 40% of the total supply being delivered to this area alone. The rest is divided between North Pipera (23%), CBD (16%), Central (12%) and the East sub-market (8%).

The office supply continues to lag behind the demand for modern office space. Only 170,000 sq m are currently under construction, with 130,000 sq m due to be delivered by the end of 2012, out of which 34% is already pre-leased.

Office buildings completed 2011

Office Building	GLA (sq m)	Sub-market
Swan Office &Technology Park	29,000	North Pipera
Frumoasa OB	3,100	CBD
Romana Office	2,400	Center
Platinum Business&Convention Center	44,000	North
Crystal Tower	16,000	CBD
Elite BC	4,400	Center

DEMAND

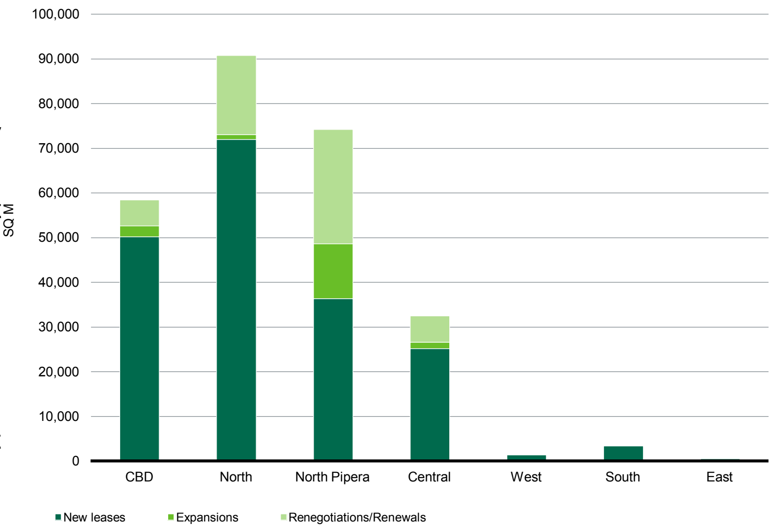
The results for the fourth quarter of 2011 confirmed the forecasted improvement of the country's economy and more stable business conditions. The total leasing activity in Bucharest in 2011 amounted to almost 262,000 sq m, the highest level of leasing activity in the last three years, with a take-up share of 79% (207,000 sq m). Total take-up was divided between relocation transactions (70%), expansions (12%) and pre-completion deals (18%). Approximately 55,000 sq m were the subject of renegotiations & renewals last year, with 46% taking place in the North Pipera area.

The majority of office transactions were concluded in the North sub-market, with 35% take-up, followed by the CBD (25%) and North Pipera (23%). The office occupier's preferences for these areas have been stable over the last two years, considering that approximately 78% of new office space supply was delivered in these sub-markets alone.

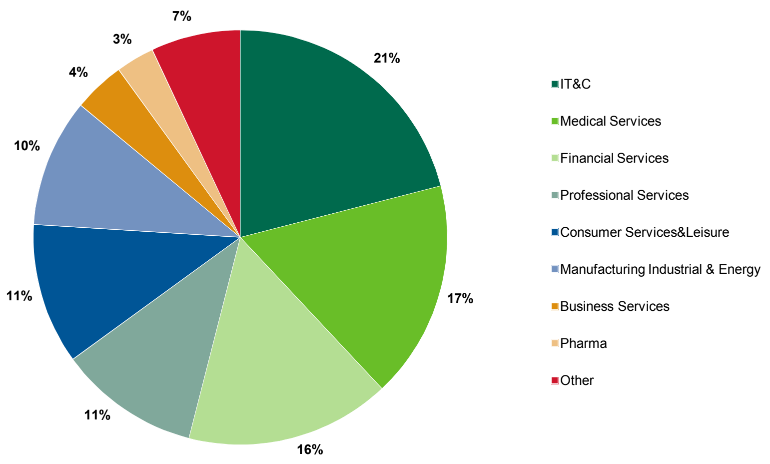
The average transaction in 2011 was1,200 sq m. There were 3 transactions with an area of over 10,000 sq m and 6 transactions exceeding 4,000 sq m. The largest transaction by area was a private hospital leasing of over 27,000 sq m.

The most active companies during 2011 were those in the following business sectors: IT&C (21%) (e.g. Alcatel, Huawei), Medical (17%) (e.g. Medicover, Regina Maria) and Financial sector (16%) (e.g. Volskbank, Unicredit). International tenants continued to dominate the office market last year with more than an 80% share.

Transactional activity 2011, by sub-market



Office total leasing activity 2011, by sector



VACANCY

Last year, the vacancy rate decreased gradually each quarter, falling from17% to 14.14% at the end of Q4. The vacancy rates are significantly lower in central locations such as the CBD (10%), North area (13%) and Center sub-market (11%).

Tenants continued to decide towards modern and more functional buildings when relocating and thus, the vacancy rate for Grade A office buildings is below the city average, situated around 9%.

In total, there are approximately 300,000 sq m of available Grade A and B office space. Around 45% is located in the North Pipera sub-market which continues to have a vacancy rate above the city average, of 25%. If we split this particular sub-market into Upper & Lower Pipera, Lower Pipera (organised around Dimitrie Pompei Blvd, in close proximity to Pipera metro station) has a vacancy rate of approximately 13.5%.

For 2012, considering a similar level of take-up activity to that of 2011 and a similar level of new supply – 130,000 sq m - the vacancy rate might continue to decrease to levels of 12 – 13%.

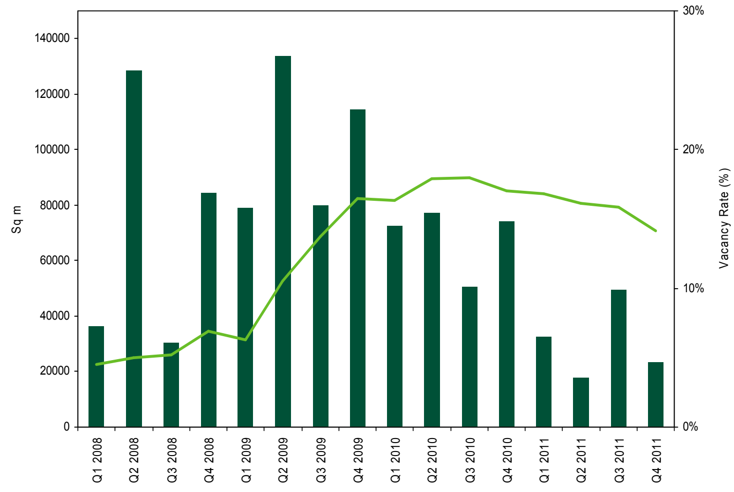
RENTS

The prime headline rent is estimated at EUR 19.5 / sq m / month and has remained unchanged during 2011. In non-central locations, the headline rents for the best projects are between EUR 12 – 15 / sq m/ month.

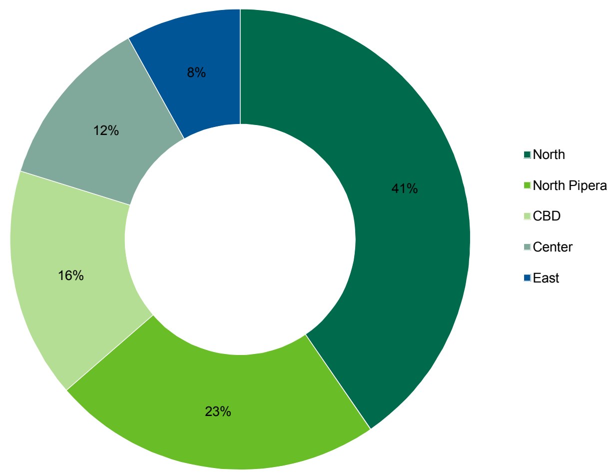
During 2011, landlords became more flexible in terms of incentive packages offered to tenants, even for office buildings situated in prime locations. Depending on the lease length and on the size of the rented surface, net effective rents reached levels of 10% - 20% lower. Typical offers include a rent free period, landlords' contribution to fit-out and other capital costs.

We estimate that for the next 6 months, the prime rent will remain stable. Starting with the second half of 2012, decreasing vacancy rates and growing demand towards good quality office space will exert an upward pressure on rental values, particularly in the Central Business District.

Development completions and vacancy rate, by quarter 2008 - 2011



Office new supply by sub-market 2011



Major office indicators 2011

Office Indicator	2011
Modern office stock	2,117,000 sq m
New office supply 2011	125,000 sq m
Forecast completions 2012	130,000 sq m
Take-up in 2011	207,000 sq m
Vacancy rate (end Q4 2011)	14.14%
Prime rent (end Q4 2011)	€19.5 / sq m/ month
Prime yield (end Q4 2011)	8.25%

Bucharest Sub Markets Map

Submarket	Class A Headline Rent (EUR Sqm / month)	Vacancy Rate	Vacancy Rate q-o-q
North	16 -18	13%	↓
North-Pipera	11 – 14	25%	→
CBD	17 – 19.5	10%	↓
Center	15.5 – 18.5	11%	↓
East	11 – 12.5	23%	↓
West	12 – 15.5	8%	↓
South	10 - 12	9%	↓

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