

Romania Property Investment

H1 2011

Quick Stats

	Change from	
	H1 2010	H2 2010
Turnover	↓	↑
Prime Yield	↓	↓

Hot Topics

- In H1 2011 the total investment volume in Romania was € 279.1 million, an increase of 23.4% y-o-y.
- 65% of this volume comes from one cross-border portfolio transaction – the acquisition of the Europolis Portfolio by CA Immo.
- In H1 2011 the most traded products were office buildings – total value of € 125.6 million.
- Demand for prime land with good development opportunities has grown in H1 2011.

OVERVIEW

• Double digit increase of total investment volume y-o-y

In H1 2011 the total investment volume in Romania was € 279.1 million, an increase of 23.4% y-o-y.

• Europolis portfolio a landmark transaction

65% of this volume comes from one cross-border portfolio transaction – the acquisition of the Europolis Portfolio by CA Immo. In Romania this transaction included 3 existing properties (Europe House – offices, River Place – offices and Europolis Industrial Park 1 – industrial) and one development (Europolis Industrial Park 2 – industrial). If this major transaction is excluded, the investment volume for Romania in H1 2011 was close to € 98.7 million, in 12 transactions, in three sectors: retail, office and residential

• Office the most traded product in H1 2011

The most traded products were office buildings: Europe House, Astoria Center, Plevnei Office Building, Berthlot Center (value € 125.6 million), followed by industrial: Europolis Logistic Park (value € 85.9 million), residential: Adama portfolio (value € 42.4 million) and finally retail: Winmarkt Olt and Juniorul, Praktiker Craiova (value € 25.3 million).

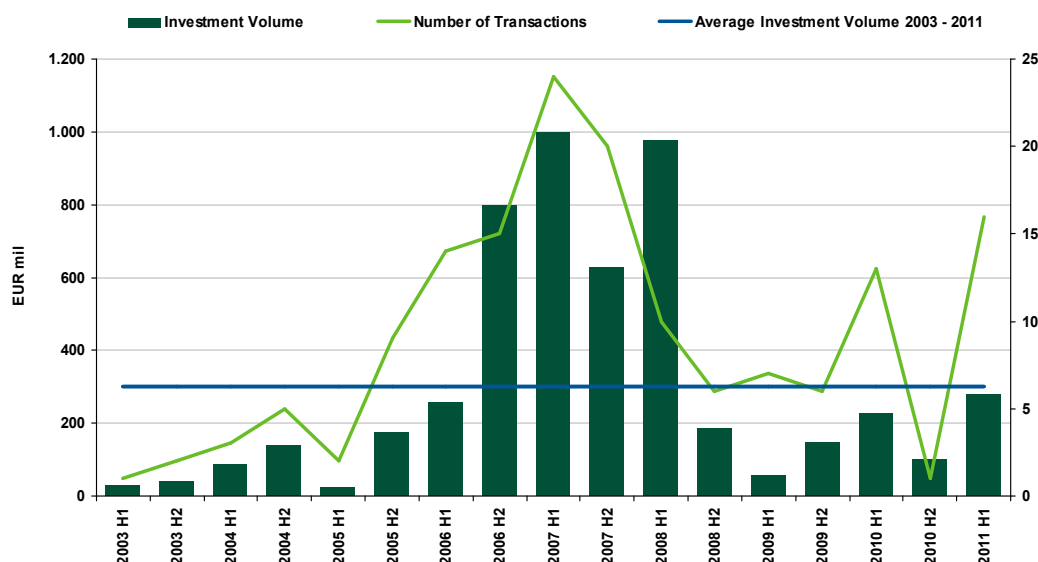
• Foreign money dominates the investment market

More than 92% of the transactions, by volume, were concluded by foreign purchasers, coming from Austria – 91.5%, Greece – 8%, Italy - 0.5%. Foreign vendors were also in the majority. A major change from 2010 is that 74% of transactions, by volume, were for products in Bucharest, double last year. With the major exception of Europolis portfolio, all other transactions were for small and medium valued properties, with an average for transactions of just € 9 million.

• Prime Yield continues its downward trend

Prime yields in the office sectors are 8.5% which reflects the strong investors demand compared to other sectors.

Investment Turnover in Romania and Number of Transactions



Source: CB Richard Ellis

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LAND MARKET

Transactional activity for the land market remains very low, with few deals closed and across the various sectors. Among the most important deals of H1 2011 we can mention: the sale of a 31 ha plot of land for future industrial use, the biggest transaction in terms of surface to have happened in the past three years. The sale of 5 ha plot near Carrefour Ploiesti, for the future extension of this scheme. The sale of a 2 ha plot of land near Barbu Vacarescu junction for future office development.

For the office sector there is a growing interest in prime locations, with excellent access and visibility. Industrial land bought for residential purposes is again of interest for investors, but now for retail development.

OUTLOOK

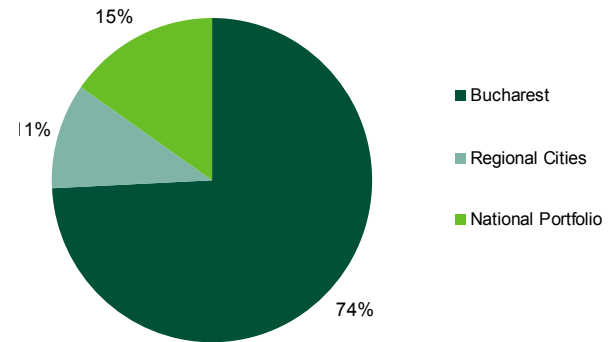
The rather small value of individual transactions is caused by a lack in readily available funds for major acquisitions and the imbalance between buyer and vendor's expectations. Still, considering the improved rating for the Romanian economy and the higher yields found here, compared to markets like Warsaw and Prague, Bucharest should experience a rise in both the number as well as the size of the transactions in the months to come.

Office products have dominated the investment market in 2011 to date, with both large and small properties being transacted. This is likely to continue as signs of stability return to the prime office market and interest from international developers and funds increase. Whilst the performance of the prime shopping centers is comparable to pre-crisis years, the financial volume required to acquire such properties exceeds current market possibilities. For industrial, we could see a surge in land transactions, appropriate for warehousing and production facilities.

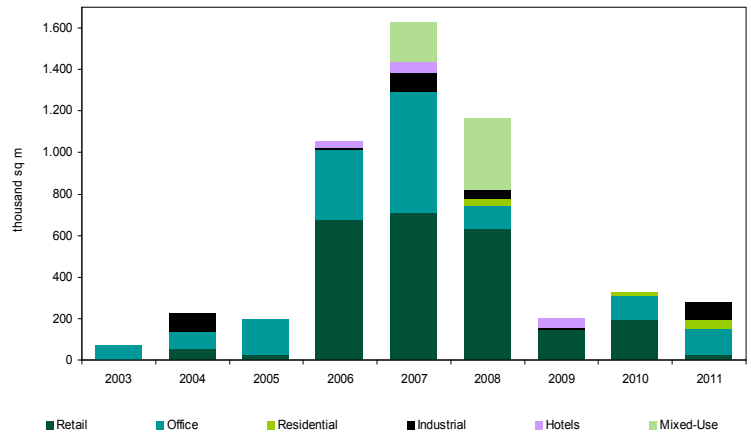
Major Investment Transactions H1 2011

Property	City	Buyer	Seller	Value (€ million)
Prakitker Craiova	Craiova	Bluehouse	Private Investors	10 (partial shares)
Europolis Portfolio	Bucharest	CA Immo	Europolis	N/A
Gold Plaza	Baia Mare	Immofinanz	Futureal	12 (partial shares)
Astoria Center	Bucharest	Bluehouse	Astoria Business Center	10
Adama	National Portfolio	Immofinanz	Adama	42.4 (partial shares)

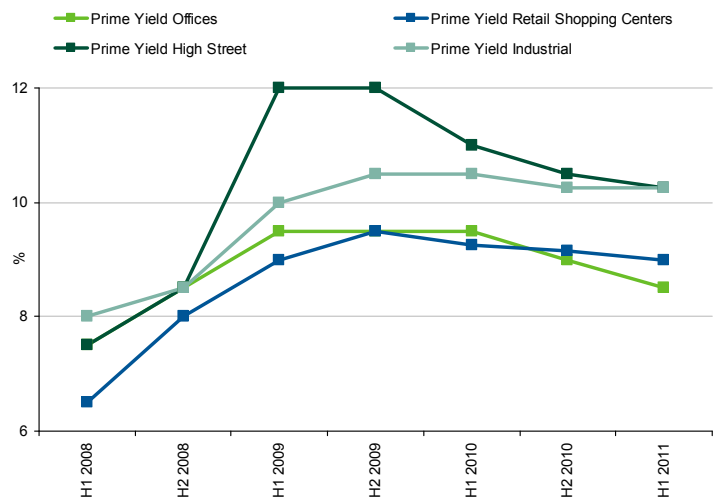
Investment Turnover in H1 2011, by Location (%)



Investment turnover by sub-segment 2003 – 2011 (%)



Prime Yields 2008 - 2011



DEFINITIONS

Prime rent – typical “achievable” open market headline rent (can be hypothetical) for a unit of standard size commensurate with demand in each location, of highest quality and specification and in the best location in a market at the survey date. If there are no relevant transactions during the survey period, the quoted figure will be more hypothetical, based on expert opinion of the market conditions.

Prime yield – represents the yield that an investor would receive when acquiring a grade/ class A building in a prime location (for offices in the CBD for example), which is fully let at current market value rents. If there are no relevant transactions during the survey period, a hypothetical yield should be quoted, and is not a calculation based on particular transactions, but it is an expert opinion formed in light of market conditions, but the same criteria on building location and specification still apply.

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