

Romania Property Investment

H2 2009

Quick Stats

	Change from	
	H2 08	H1 09
Turnover	↓	↑
Prime Yield	↑	→

Hot Topics

- Investments turnover in H2 2009 was € 147 million, higher than H1 2009, but 25% lower than the same period of 2008.
- The retail market was the most active investment segment in 2009, with 71% of total investment turnover.
- € 45 million of the total investment turnover in 2009 was for six hotels totaling 500 rooms of 2,3 and 4 stars (2 hotels in Bucharest, 2 hotels in Cluj Napoca, 1 hotel in Neptun and 1 hotel in Targu Mures).

OVERVIEW

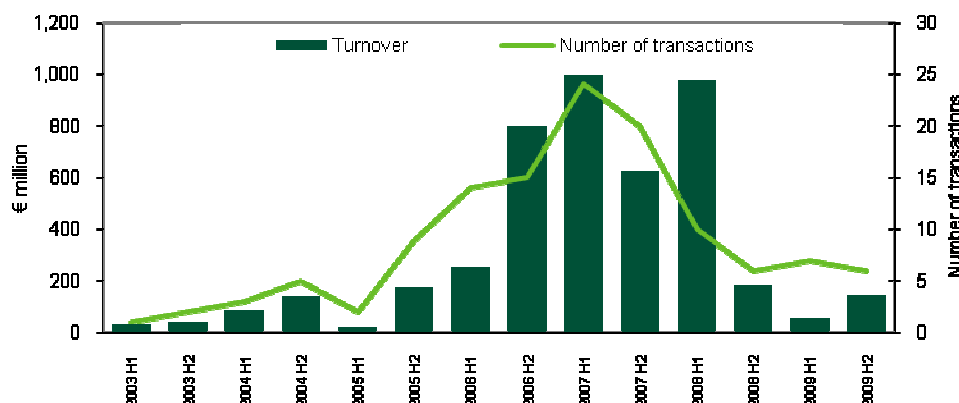
The slowdown to the Romanian economy was also reflected in its property investment market in 2009. In a year in which Romania registered its first gross domestic product (GDP) contraction of the last decade, the investment volume was six times lower than in 2008: € 203 million compared to € 1,161 million. Investment activity did pick up significantly in the second half of 2009. Turnover totaled € 147 million in H2 2009, after very low turnover of € 56 million was registered in the first two quarters of 2009. Even higher turnover in H2 2009 finished about 25% lower than in H2 2008.

Through the acquisitions of European Retail Park Braila and NH Hotel Bucharest, investors from the United Kingdom drove the Romanian investment market in 2009 – with 38% of the total volume, confirming the trend registered throughout the Central and Eastern Europe (CEE) region. A new trend seen in the first half of 2009 was more activity by the local investors, who, based on price corrections, became more active, and accounted for 12% of Romanian investment turnover in 2009.

After the first quarter, when investments in hotels accounted for the highest share of the investment turnover, the focus of the second half of 2009 was the retail sector. By accounting for a 71% share of total 2009 investment turnover, the retail market recorded a record share in 2009. The largest transactions of the year, both closed in the second half of 2009 on the retail market, both exceeded € 60 million, and made up 63% of the annual volume.

Romania's investment profile by location also changed in 2009, when 14% of total turnover was accounted for by investment products located in Bucharest, compared to 70% in 2008. The two largest transactions in 2009 involved retail products in regional cities: the sale of a retail park in Braila and commercial spaces in 46 cities. These transactions contributed to growth of regional investment turnover by 86% in 2009.

Investments Turnover in Romania and Number of Transactions



Source: CB Richard Ellis

OFFICE MARKET

Unlike CEE where offices accounted for the largest share of investment turnover in 2009, only one transaction with an office component (as part of a multi-use portfolio transaction) was closed in Romania in 2009. Immoeast purchased ten percent of European Future Group in their joint-venture office project Meteo Business City. The development, which is situated in the northern part of Bucharest, was announced for delivery over three phases, with approximately 40,000 sq m net rentable area; at present, however, construction on the project is stopped.

RETAIL MARKET

After one investment transaction was recorded in H1 2009, the retail market became more dynamic in H2 2009 – four transactions were closed in H2 2009, totaling € 135 million. The largest transaction of the year was a € 66 million transaction for the acquisition of Profi's shares, part of Louis Delhaize Groupe, with 65 shops located in 46 cities. The second largest transaction of 2009 was the acquisition of European Retail Park Braila by New Europe Property Investments (NEPI) for € 63 million. The retail park was completed by BelRom in 2008 and has 53,000 sq m GLA, with the most important tenants including Carrefour, Media Galaxy, Staer.

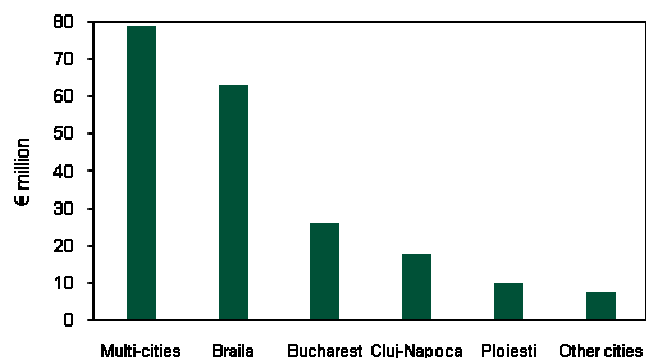
INDUSTRIAL MARKET

The only industrial transaction closed in 2009 was Immoeast's acquisition of the fifty percent that Eyemaxx had in three industrial projects developed as a joint-venture. Through this transaction, the Austrian company became the sole owner of Log Center Timisoara, Log Center Ploiesti and Log Center Brasov. This was part of a transaction that also included two land plots in Sibiu and Targu Jiu.

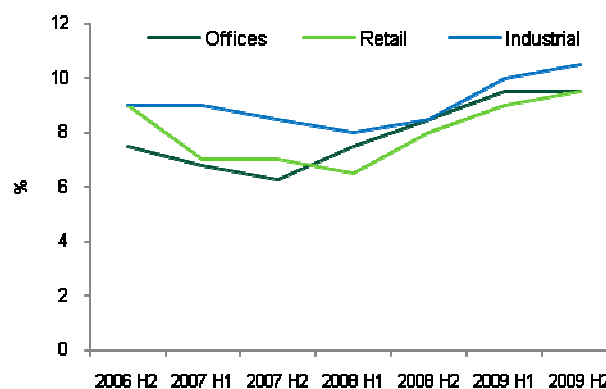
PRIME YIELD

In first half of 2009 (especially in Q1), yields continued to move higher, while in H2 2009, yields stabilized, similar to the other markets of CEE. Together with the sale of several distressed properties in 2009, increased investment activity in H2 2009 could be a sign of certain level of convergence between sellers' and purchasers' price expectations. However, this convergence is happening only for prime properties in the best locations, as institutional buyers will continue to be selective with properties of interest in Romania.

Investments Turnover in 2009, by Location



Prime Yield Movement, by Property Type



Prime Yields Year-end 2009

	H1 2008	H2 2008	H1 2009	H2 2009
Offices	7.5%	8.5%	9.5%	9.5%
Retail – Shopping Centres	6.5%	8.0%	9.0%	9.5%
Retail – High Street	7.5%	8.5%	12.0%	12.0%
Industrial	8.0%	8.5%	10.0%	10.5%

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. It does not need to be identical to any of the transactions, particularly if the deal flow is very limited and made up of unusual one-off deals;

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. Prime Yield should reflect the level at which relevant transactions are being completed in the market 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, 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;

Vacancy rate – a ratio of vacant space to total stock;

Make-up of CEE sub-regions: Central Europe: Czech Republic, Hungary, Poland, Slovakia; Southeastern Europe: Bulgaria, Croatia, Montenegro, Romania, Serbia; Eastern Europe: Russia, Ukraine.

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