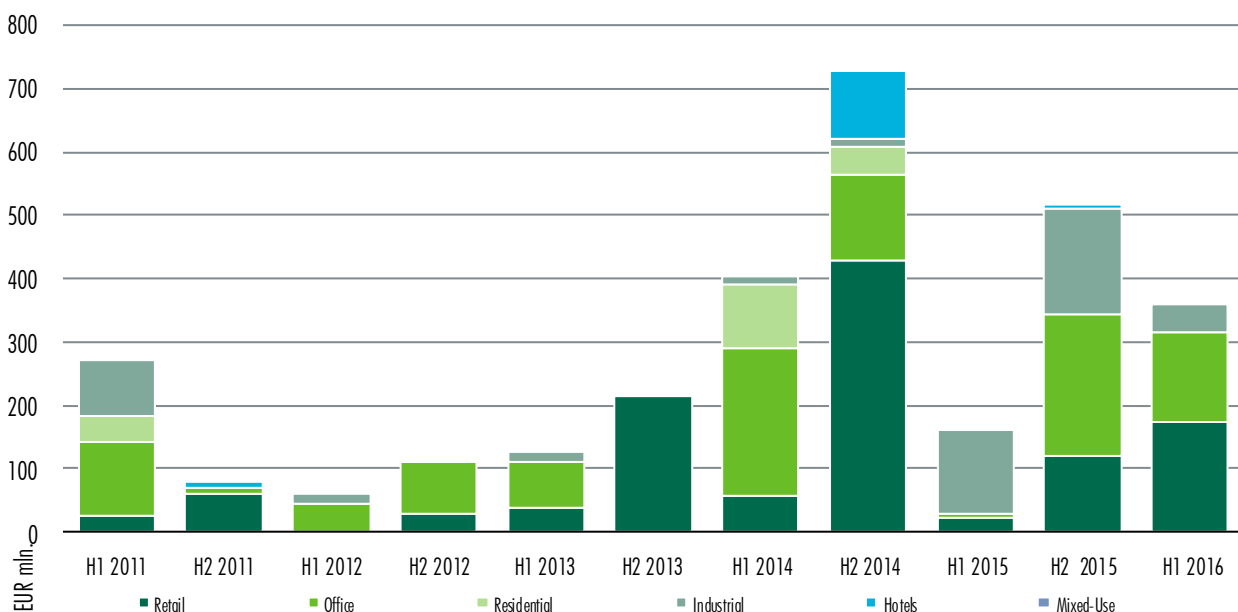


Romania Investment, H1 2016

Retail and office sectors have regained market share compared to industrial sector

▲ Investment volume +107% HoH
▶ Prime office yield 7.5% QoQ
▶ Prime shopping centre yield 7.25 % QoQ
▶ Prime industrial yield 8.75 % QoQ

Chart 1: Investment volume per sector H1 2011 - H1 2016



Source: CBRE Research, Q2 2016

Key Topics

- The total investment volume for H1 2016 was of over EUR 359 million, compared to EUR 107 million registered in the same period of 2015.
- The retail and office assets properties were the most transacted, meaning 88% of the total amount.
- Foreign investors continue to dominate the local market (NEPI, GTC), with local capital accounting for less than 1% of the total investment volume.

- Top five investment transactions recorded during H1 2016 account for over 80% of the total investment volume, the assets being located both in Bucharest and in the province.
- One of the largest single asset transactions in the last years outside Bucharest was recorded in June - Shopping City Sibiu - worth of EUR 100 million.
- No significant yield compression was recorded in the last six months as prime properties were transacted at similar parameters.

Macroeconomic indicators

During Q1 2016 Romania registered the highest GDP growth within the EU28 area with 4.2%, while the EU 28 average was of 1.8%, compared to the same quarter of the previous year. The European Commission is estimating that Romania’s GDP growth by the end of 2016 will be at 4.2%, while for 2017 a decrease to 3.7% is expected.

The National Bank of Romania has recently revised the inflation rate estimation for 2016 at -0.4%, while the previous estimation was at -0.6%. As for 2017 the revised figure is at 2%, compared to the previous forecast (2.7%).

The National Bank of Romania’s key interest rate remains at 1.75%.

The local unemployment rate was of 6.4% in June 2016, while the figures for EU 28 and Euro area were 8.6% respectively 10.1% according to Eurostat.

As far as the exchange rate is concerned the local currency during the first six months of 2016 was rather stable comprising of 4.5 RON for 1 EUR, 4 RON for 1 USD and 5.4 RON for 1 GBP.

Investment activity

Investment volumes in Romania in H1 2016 increased by 107% compared to H2 2015, totalling EUR 359 million. Foreign investors continued to dominate with groups already present increasing their RO holdings (GTC, NEPI) joined by new entrants (Partners Group, Adamamerica).

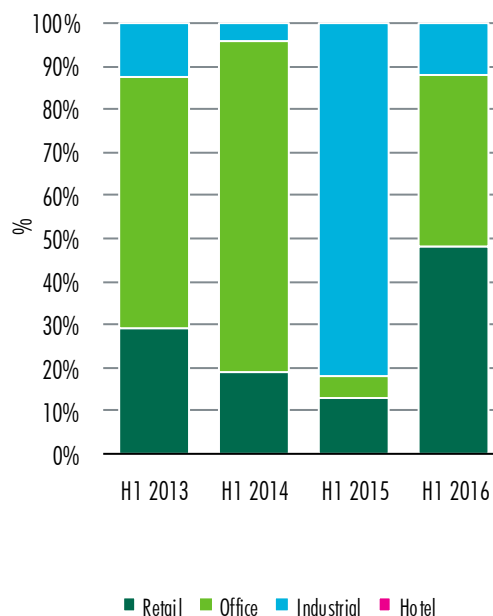
During the first half of 2016 the highest volumes were registered for the retail sector with a figure of over EUR 170m, followed by office (EUR 143m) and industrial sectors (EUR 43m).

Retail transactions continue to evidence an upward pricing trend as increased demand and improving finance drive yield compression.

Industrial transactions were noticeably muted compared with 2015 due to a paucity of available product, while investor appetite for the sector remains high due to strong occupational fundamentals.

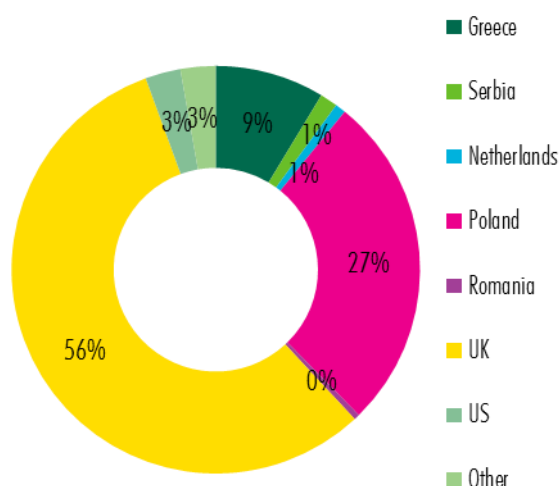
Office transactions evidenced a variety of asset profiles, mainly smaller lot-sizes in Bucharest.

Chart 2 : Investment volume per sector H1 2013 - H1 2016



Source: CBRE Research, Q2 2016

Chart 3: Investment volume by country of origin in H1 2016



Source: CBRE Research, Q2 2016

Table 1: CEE prime yields Q2 2016

	Retail SC	Office	Industrial
Bucharest	7.25%	7.50%	8.75%
Budapest	6.75%	6.75%	8.5%
Bratislava	6%	6.9%	7.75%
Prague	5.25%	5.50%	6.5%
Warsaw	5.50%	5.50%	6%

Source: CBRE Research, Q2 2016

Table 2: Top five investment transactions in H1 2016

Asset	Domain	Purchaser	Price (EUR mln)
Shopping City Sibiu	Retail	NEPI	100
Mega Mall	Retail	NEPI	over 72 (estimation)
City Gate	Office	GTC	over 60 (estimation)
Premium Point & Premium Plaza	Office	GTC	over 35 (estimation)
A1 Business Park & Domnesti Business Park	Industrial	Partners Group	over 30 (estimation)

Source: CBRE Research, companies

Yields

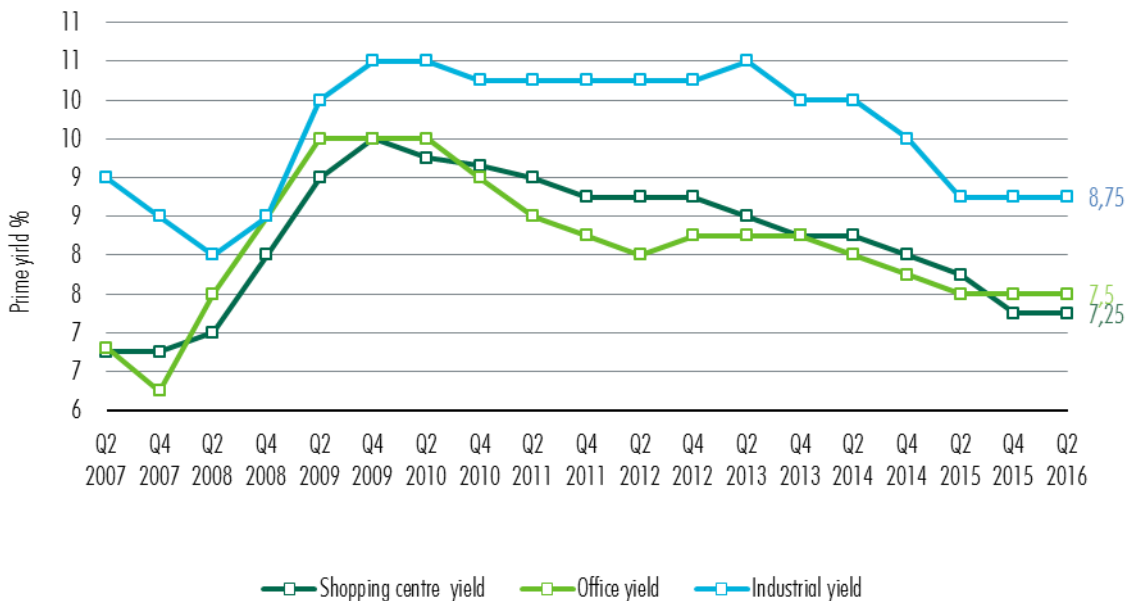
Prime yields have compressed during the past 12 months from 8% to 7.25% for shopping centers, from 7.75% to 7.5% for offices and from 9.5% to 8.75% for industrial. Significantly improved finance terms in combination with an increased yield delta to locations further west indicate potential for further compression.

Outlook

Several sizable on-going transactions entail that 2016 has the potential to exceed 2015 volumes while the pipeline of anticipated disposal processes indicates a continued rise in investment volumes over the coming 18 months.

An increase in potential market entrants is being registered across asset classes; however, its relevance will ultimately be measured by process participation. While wider-market movements indicate increasing value in Romanian real estate, potential investors will first be cautious to satisfy themselves of property fundamentals and of real estate advisory partners.

Chart 4: Bucharest prime yields Q2 2007 - Q2 2016



Source: CBRE Research, Q2 2016

CONTACTS

Robert Paulson

*Head of Investment Properties CBRE
Romania*

+40 21 313 10 20

robert.paulson@cbre.com

Razvan Iorgu

Managing Director

+40 21 313 10 20

razvan.iorgu@cbre.com

Laura Dumea-Bencze

*Head of Research Romania & CEE
Research Analyst*

+40 21 313 10 20

laura.bencze@cbre.com

Marius Ene

Senior Analyst

+40 21 313 10 20

marius.ene@cbre.com

Definitions

Central and Eastern Europe (CEE) includes the following countries: Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, Russia, Serbia, Slovakia and Ukraine.

Prime Rent – Represents the top open-market tier of rent that could be expected for a unit of standard size (commensurate with demand in each location), of the highest quality and specification and in the best location in a market at the survey date. The Prime Rent 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, the quoted figure will be more hypothetical, based on an expert opinion of 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. 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 the light of market conditions, but the same criteria on building location and specification still apply.

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