

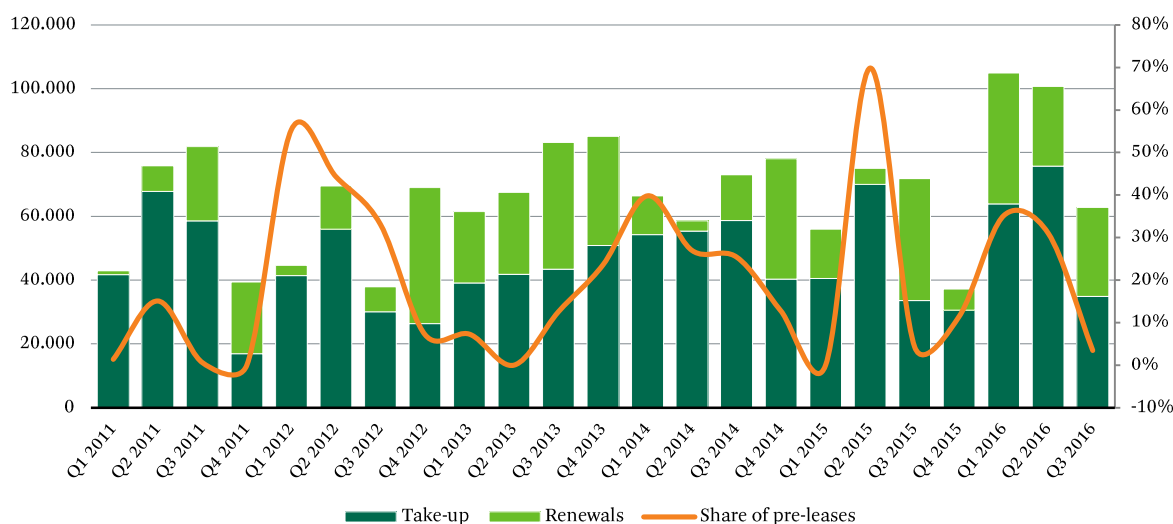
Bucharest Office, Q3 2016

Slow summer activity brings a decrease in demand, but rebound is expected by year-end

TLA
12%Vacancy Rate
12.3%Prime Rent
18.5 €/sq mPrime Yield
7.5 %

*Arrows indicate change from the corresponding quarter in the previous year.

Chart 1: Evolution of Total Leasing Activity (Q1 2011 – Q3 2016)



Source: CBRE Research, Q3 2016

KEY POINTS

- In Q3 2016 the Total Leasing Activity (TLA) reached 62,800 sq m, while the TLA in the first three quarters of 2016 totals 268,300 sq m.
- In Q3 2016, 55% of TLA was represented by take-up (total transactions excluding renewal/renegotiation).
- The overall rate of vacancy suffered a slight increase at the end of Q3 2016, to the level of 12.3%.
- The current stock increased to 2.56 million sq m in Q3 2016 and should increase by approx. 80,000 sq m by the end of 2016.
- Prime rent level remains stable at 18.5 /sq m/ month.

Leasing Activity

In Q3 2016 Total Leasing Activity (TLA) reached 62,800 sq m, with a downturn of 12% compared to the corresponding quarter in the previous year. Overall in the first three quarters the TLA reached 268,300 sq m, exceeding the previous year by 11%.

In the third quarter of 2016, 55% (34,800 sq m) of TLA was represented by take-up (total transactions excluding renewal/renegotiation), while overall in first nine months of 2016, take-up registered the level of 64% of TLA.

46% of the take-up concluded in Q3 2016 was represented by new lease (relocation) transactions followed by expansions with 30% and new lease (new demand) with 19%.

63% of the TLA was concluded in 9 transactions bigger than 2,000 sq m and 57% of the transacted area in Q3 2016 was in class A.

Pipera attracted 39% of TLA, followed by Central sub-market with over 14,800 sq m transacted.

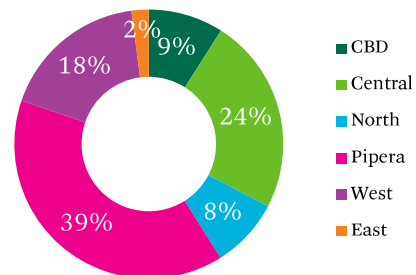
A most relevant trend over the last three quarters is the significant (23% of the TLA – 268,300 sq m and 37% of take-up – 170,400 sq m) and constant share of the new lease (new demand) and expansions transactions from TLA. This now established characteristic of the Bucharest market shows a continuous absorption of new stock and a healthy growth of the office market, which is expected to continue over the next quarters.

In Q3 2016 28% of the TLA was within this category.

The continuous growth of this type of demand is coming from the Computers & Hi-Tech, Manufacturing, Industrial & Energy, Financial and Public sectors.

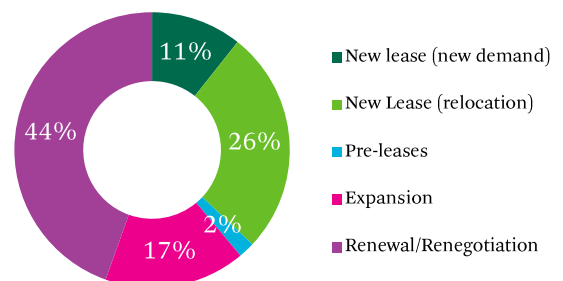
In Q3 2016 36% of the TLA was generated by the Computers & Hi-Tech Sector, followed by the Manufacturing, Industrial & Energy Sector with 23% of TLA, and Consumer Services & Leisure Sector with 17% of TLA.

Chart 2: TLA Q3 2016 by sub-market



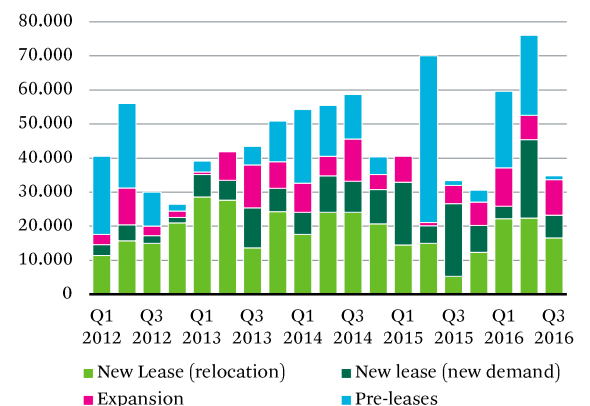
Source: CBRE Research, Q3 2016

Chart 3: TLA Q3 2016 by transaction type



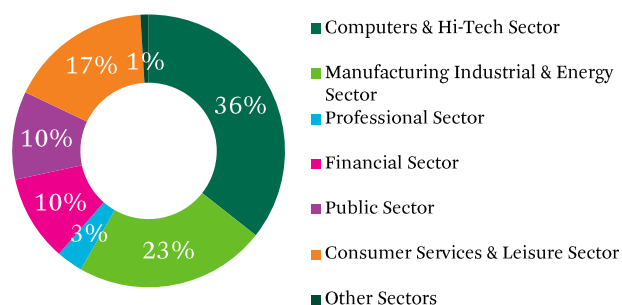
Source: CBRE Research, Q3 2016

Chart 4: Evolution of Take-up (Q1 2012 – Q3 2016)



Source: CBRE Research, Q3 2016

Chart 5: TLA Q3 2016 by domain of activity



Source: CBRE Research, Q3 2016

Office Stock and Pipeline

At the end of Q3 2016, the total office stock reached 2.56 ml sq m; out of which 43% is represented by class A office buildings.

In the last quarter over 59,000 sq m were delivered as new supply in 4 projects. The first phase of Oregon Park developed by Portland Trust with a GLA of 20,104 sq m and fully leased by Oracle. The Landmark, the first project delivered in CBD after 2011, developed by Piraeus Bank with a GLA of 20,331 sq m. Plaza Romania Offices (reconversion – part of Plaza Romania Shopping Center) with a GLA of 10,600 sq m, 37% leased by Mega Image. And Stefan cel Mare Office Building developed by Forte Partners with a gross leasable area of 7,700 sq m and fully leased by various tenants.

By the end of 2016 we expect another 80,000 sq m to be delivered. 93% of this new supply is located in Pipera sub-market. As predicted, some properties have been delayed with delivery from 2016 into 2017, thus overall new stock volume to be delivered this year will reach 294,400 sq m, rather than 389,500 sq m as initially forecasted.

For 2017 we estimated to be delivered 179,000 sq m in 9 projects, this forecast taking into account the projects postponed from 2016 to 2017-2018. West sub-market will host 34% of the 2017 new supply, followed by Pipera and Center with 31% and 26%, respectively.

By the end of 2018 the total office stock will reach 3,25 ml sq m, with new deliveries for the year projected at a total of 433,500 sq m. 41% of this potential new stock will be located in West sub-market, while 23% in North sub-market.

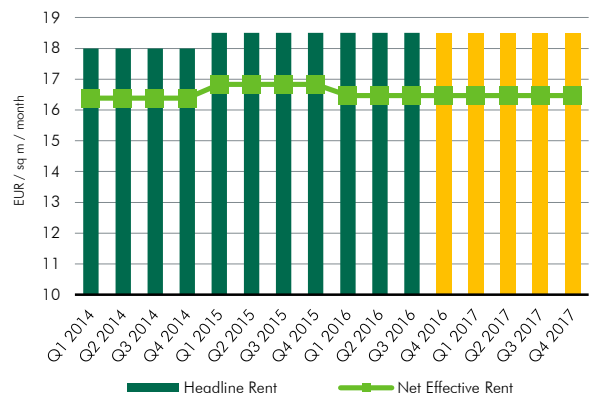
Vacancy

The general vacancy rate for Bucharest registered an increase from 11.9% in Q2 2016 to 12.3% at the end of Q3 2016. Still, within class A and B properties with good location and accessibility to metro/ public means of transport, the vacancy rate continues to be at sustainable levels, of under 10%.

Commercial Terms

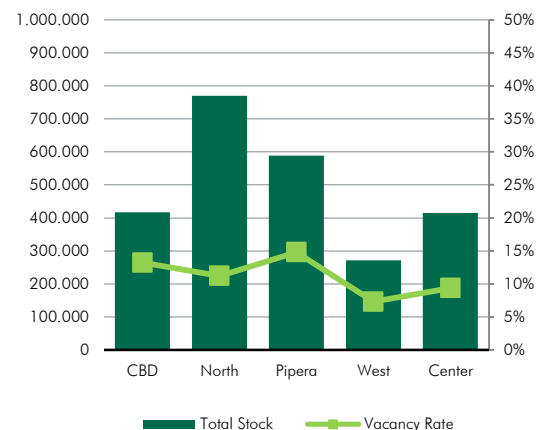
In Q3 2016 the prime headline rent and the prime properties yield remain stable at 18.5 €/sq m/month and 7.5%.

Chart 6: Rent Evolution



Source: CBRE Research, Q3 2016

Chart 7: Stock versus vacancy rate Q3 2016 by sub-market



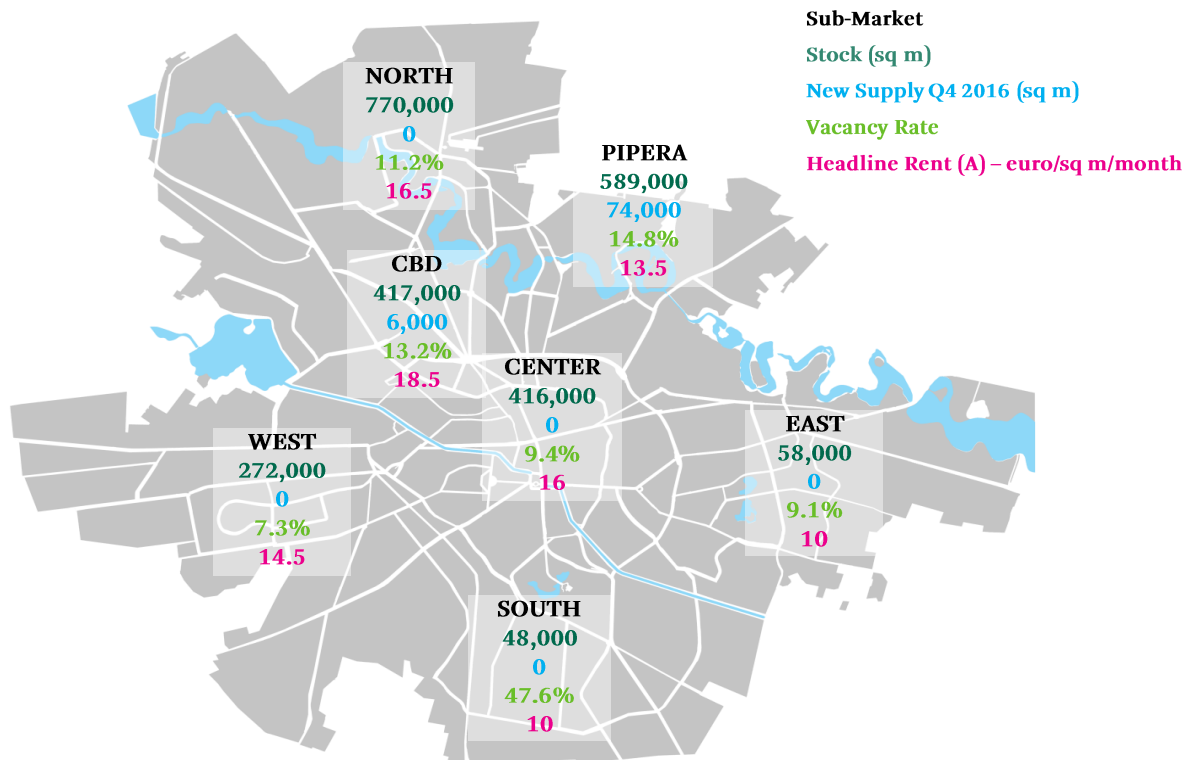
Source: CBRE Research, Q3 2016

Forecast

Due to a relatively large amount of office space expected to be delivered in the next 27 months, 692,500 sq m, it is estimated that the vacancy rate will return to a growth path during the next few quarters, the absorption of the new stock being projected to take longer than the actual deliveries.

Even if the prime rent will remain stable, it is however expected to see a change on the net effective rent, currently standing at 80%-85% of the headline rent.

Figure 1: Map Bucharest Office Sub-Markets – Main Indicators Q3 2016



Source: CBRE Research, Q3 2016

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